

INVEST IN THE HOUSING TRUST FUND

CREATE JOBS | REDUCE BLIGHT | PREVENT HOMELESSNESS



Housing Alliance
of Pennsylvania



CREATE JOBS THROUGH HOUSING INCENTIVES

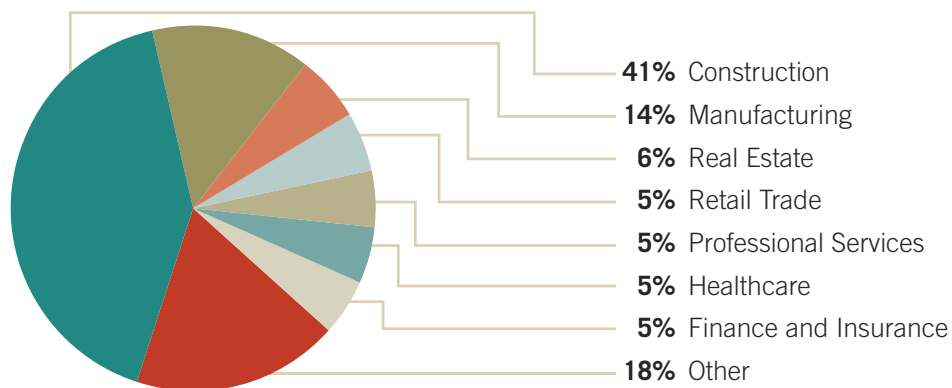
If it was not clear before 2008, it is clear now: The housing market and our economy are inexorably linked. The implosion of the housing market led to the Great Recession. Investing in the housing market can help our economy grow. Every \$25 million invested in the housing market, in addition to providing homes for families in need, creates:

up to **\$57**
MILLION
in economic impact

up to **500**
JOBS

as much as **\$2.9**
MILLION
in state tax revenues

JOB CREATION FROM AN INVESTMENT IN THE HOUSING MARKET



ECONOMISTS SAY REHAB IS THE MOST POWERFUL INVESTMENT

Estimated Economic and Fiscal Impacts within the Commonwealth of Pennsylvania Associated with Each \$1 Million in Various Expenditures via Pennsylvania Housing Trust Fund¹

EXPENDITURE TYPE	Indirect and Induced Expenditures Generated (\$M)	Total Expenditures Generated (\$M)	Total Earnings Generated (\$M)	Total Employment Generated	Total State Tax Revenues Generated (\$000)
New Single-Family Construction	\$0.62	\$1.62	\$0.52	14.2	\$82
New Multifamily Construction	\$0.69	\$1.69	\$0.54	14.8	\$86
Remodel/Rehab	\$1.28	\$2.28	\$0.73	20.0	\$116



REDUCE BLIGHT THROUGH HOUSING INCENTIVES

Blight is the common denominator in Pennsylvania. Approximately 300,000² vacant properties can be found in large cities and small towns across the state. Sometimes occupied properties become blighted because their owners cannot afford to maintain them. Providing low cost loans and grants to low income homeowners and landlords who rent to low wage workers, seniors, and people with disabilities improves the whole community.

In other instances, the owner has died or moved away. The foreclosure crisis has exacerbated this problem as families pack up and move away, leaving their homes vacant and potentially a drain on the community. Vacant properties bring down the value of neighboring properties. They also cost the local government in code enforcement efforts, police and fire protection, and lost tax revenue. Conversely, providing funding to address blight increases values and grows the local tax base. Revitalizing our older communities creates jobs, expands the housing market, decreases congestion and pollution, and enhances quality of life.

- ✓ Philadelphia alone lost \$3.6 billion in household wealth due to blight.³
- ✓ A Temple University study found that “housing within 150 feet of an abandoned unit experienced ... a net decrease in sales price of \$7,627.”⁴
- ✓ There are about 100,000 more houses than households in PA.
- ✓ 41% of homes in Pennsylvania are more than 40 years old.
- ✓ Many new tools have been created to address blight, but there is insufficient funding to carry out demolition or rehab.

On any given day,
almost
15,000
people are
homeless in PA.⁵



PREVENT HOMELESSNESS THROUGH HOUSING INCENTIVES

In most cases, homelessness is a matter of basic economics. A family earning \$20,000 a year (135% of minimum wage) cannot afford rent and utilities in most markets. Those who do struggle to make ends meet are a job loss or an illness away from homelessness. Expanding the supply of affordable homes and providing rental assistance to enhance the private market will greatly reduce homelessness. Preventing homelessness or quickly re-housing people is much more cost efficient than providing emergency shelters.

A small segment of the homeless population is “chronically homeless.”⁶ For people suffering from mental health problems or addictions, Housing First or Rapid Re-Housing – providing permanent, supported housing prior to recovery – reduces costly hospitalizations and other community services and allows them to recover more quickly. For people leaving prison, having a safe, stable home can mean the difference between reintegrating into the community and returning to prison.

- ✓ PA school districts provided services to 22,618 children and youth in 2012-13.⁷
- ✓ Almost 236,000 Pennsylvanians are living doubled up with friends or family.⁸
- ✓ Approximately 13% of homeless adults are veterans.⁹
- ✓ 66% of people released from prison without stable housing were re-arrested within 12 months of release, compared to 25% of those who did have housing.¹⁰
- ✓ Massachusetts’ Home and Healthy for Good (Housing First) program resulted in a 74% decrease in the cost of community services provided to clients, and an overall savings of 28% after the cost of housing was factored in.¹¹



DOING NOTHING IS EXPENSIVE

People who are inadequately housed are sick more often than people with safe, decent homes, costing taxpayers in Medical Assistance dollars. While there has been no study in Pennsylvania, a 2006 report from North Carolina of costs associated with children’s health issues arising from substandard housing placed *direct* costs at \$13.4 million.¹² Adjusting for population differences, the cost to Pennsylvania would be approximately \$18.7 million. This study focused only on children.

The elderly and people with disabilities who cannot find affordable, accessible homes, or who cannot afford to have their homes modified, often end up in nursing homes. The state pays roughly \$45,000 a year to house these individuals. Rental assistance would cost about \$10,000 annually. Rental assistance plus community-based services would be about half the cost of a nursing home.

Approximately 1,000 individuals who have served their time and are ready for parole remain in state prisons simply because they have no home. At a cost of \$100 per day, the state spends \$3 million a month to house these individuals. Rental assistance would cost less than one-quarter that amount.

Individuals who have no homes turn to costly emergency shelters, or end up in even more costly hospitals and prisons. Making affordable, safe, accessible homes available saves the commonwealth money.

Costs of Emergency and Crisis Services Related to Homelessness Compared to Supportive Housing¹³

Type of Service/ Treatment	Cost per Day
Inpatient Hospital Stay	\$1,300
Psychiatric Hospital	\$700
Emergency Room Crisis Visit	\$230
Detoxification Program	\$215
Non-Hospital Rehabilitation	\$150
Prison	\$91
Emergency Shelter	\$34
Permanent Supportive Housing	\$25

THE STATE HOUSING TRUST FUND IS THE SOLUTION

WHY USE THE STATE HOUSING TRUST FUND?

- ✓ It exists exclusively for this purpose.
- ✓ It has a brand new system of planning, needs assessment, competitive applications, equitable geographic distribution, transparency and accountability built in.
- ✓ The PA Housing Finance Agency (PHFA), the administering entity, is accountable to both the Governor and the Legislature through its Board of Directors. The Chairman is the Secretary of Banking.
- ✓ The Housing Trust Fund, also known as PHARE¹⁴, received its first funding source from the Marcellus Shale Impact Fee (Act 13 of 1012). This source provides at least \$5 million annually but only for counties with shale wells, currently 37 of PA's 67 counties. Approximately 1/3 of the commonwealth's population is eligible to benefit from PHARE.
- ✓ **IT WORKS.** In its first two years of funding, PHARE has leveraged ten times the \$17 million it invested. PHARE has helped 1,759 households.¹⁵
- ✓ The other counties have no comparable investment strategy.
- ✓ Jobs. Homes. Kids. Communities.

WHAT WOULD WE GET FROM THE INVESTMENT? A \$25 MILLION INVESTMENT COULD PRODUCE:

- ✓ Rental assistance for 2,500 households @ \$10,000 a year per household, to prevent homelessness; or
- ✓ 1700 rental homes rehabbed @ \$15,000 each, increasing the supply of homes within reach of low income Pennsylvanians; or
- ✓ 1700 home modifications @ \$15,000 each, to prevent nursing home placements at \$45,000 per individual per year; or
- ✓ 2,500 blighted properties demolished @ \$10,000 each;
- ✓ AND up to 500 jobs; of all types of construction, rehab is the strongest economic driver.¹⁶

WHEN COMBINED WITH THE LOW INCOME HOUSING TAX CREDIT, EACH \$25 MILLION INVESTED COULD:

- ✓ Leverage an additional \$150 million in public and private investments
- ✓ Generate up to \$400 million in economic impact
- ✓ Create 3000 jobs
- ✓ Produce \$20 million in state tax revenues
- ✓ In Pennsylvania in 2010, PHFA's Low Income Housing Tax Credit Program:
 - Produced 69 developments of 2,544 homes (1/2 for seniors)
 - Created 3,104 construction and 763 permanent jobs
 - Leveraged over \$200 million in new private investment

GUIDING PRINCIPLES

TO CREATE LONG TERM SUSTAINABILITY IN OUR HOUSING MARKET, IN OUR COMMUNITIES, IN OUR WORKFORCE AND IN OUR FAMILIES, WE SHOULD:

✓ **Fix-it-First.**

Waste not, want not. Before we build another new structure, we need to look at what we already have and see if we can use it. If there are barriers to utilization, we need to figure out how to overcome them.

- There are about 100,000 more houses than households in PA.
- Rehab is the strongest economic generator of all housing investments.
- There are many powerful new blight tools for acquisition and rehab. Now resources are needed to use the tools. See *Quick Guide: New Tools to Address Blight and Abandonment*.¹⁷

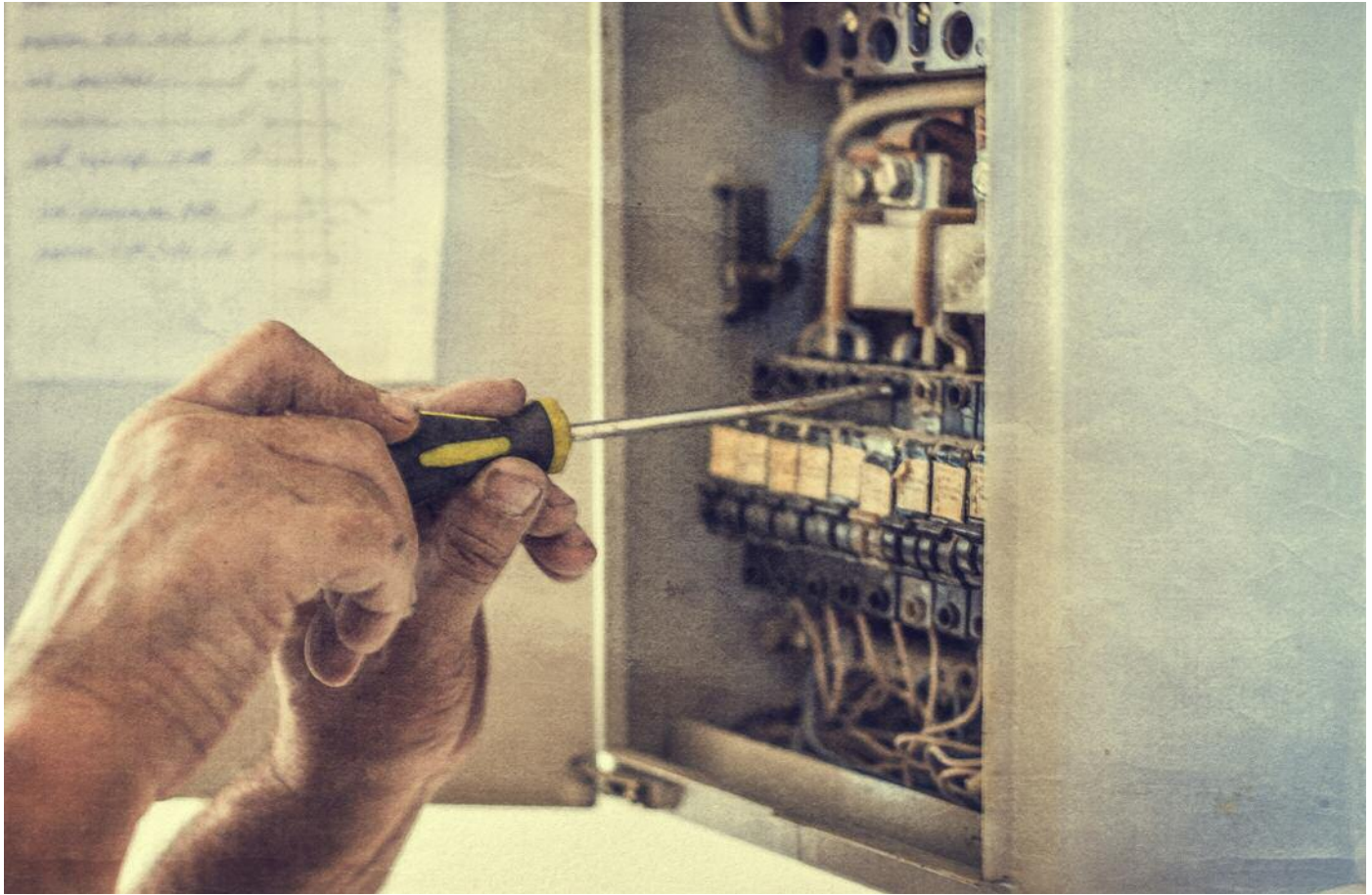
✓ **Prioritize Prevention.**

Our system is largely engineered to respond to problems rather than prevent them. Yet, in almost every case, prevention is less costly and more effective in addressing housing problems than after-the-fact solutions. For example:

- **Preventing Homelessness** has been found to be 90-100% effective in preventing shelter admission. A one-time grant of \$1,000 to help prevent eviction or provide a security deposit is many times less costly than providing emergency shelter for a family at \$1,000/month, not to mention the physical and emotional toll on the family members.
- **Preventing Blight** in occupied structures with the Basic Systems Home Repair program in Philadelphia resulted in less than 1% abandonment as compared to four times that rate when no intervention was made. The average cost was \$5,300/house.¹⁸
- **Preventing Prison Overcrowding and Recidivism** by ensuring that parolees and ex-offenders have places to live upon release saves taxpayers money. Last year 983 individuals remained incarcerated for 110 days past their release date at a daily cost of \$100. People released without stable housing are 2.5 times more likely to be re-arrested than those with a home. Rental assistance or supported housing for \$25 a day can stabilize and help re-integrated individuals into the community.
- **Preventing Nursing Home Placements** with home modifications improves quality of life while saving money. For many seniors and people with physical disabilities, a home modification at an average one-time cost of \$15,000 can prevent nursing home placement. Nursing homes cost the state approximately \$45,000/year and drive up the cost of the Medical Assistance program.

✓ **Use Evidence to Drive Funding and Policy Decisions.**

Evaluate what we are doing, hold providers and developers accountable, learn more about what works, and reward success.



A HOUSING MARKET REVENUE SOURCE

We can fund the Housing Trust Fund *without increasing taxes*, levying a new fee, or taking current funds from other programs. Here's how:

- Direct future growth in Realty Transfer Tax (RTT) revenue to the Housing Trust Fund. Limit the transfer to the lesser of 50% of the increase over the 2014-15 RTT revenue projection or \$25 million.

Due to the recession, with the real estate market particularly hard hit, Realty Transfer Tax (RTT) revenue is down 30% from just prior to the crash. In 2007-08 it was \$470 million. For 2012-13 RTT revenue was \$339 million. As revenues pick up again, some should be directed back into the housing market. The money comes from the real estate market, but currently none goes back in.

\$25 million would provide resources for building or rehabbing 1,775 homes for sale or rent. The economic spin off from would generate an additional \$24.5 million in economic activity and produce roughly \$2.5 million in Personal Income, Sales and Use, and Corporate Net Income Tax revenue.¹⁹

Each home sold and each property bought for development or rehab would generate RTT revenue. RTT revenue should go first to strengthening and balancing the real estate market.

RESOURCES

- ¹ US Department of Commerce – Bureau of Economic Analysis (2007), US Census Bureau (2007), as cited in *Rebuilding Pennsylvania's Housing Market*, Econsult Corporation for the Housing Alliance of Pennsylvania, May 2009.
- ² 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 to these vacant homes, there are a significant (but uncounted) number of vacant commercial and industrial structures, as well as vacant parcels of land across the state.
- ³ *Vacant Land Management in Philadelphia: The Costs of the Current System and the Benefits of Reform* by Econsult Corporation, Penn Institute for Urban Research and May 8 Consulting for the Redevelopment Authority of the City of Philadelphia and the Philadelphia Association of Community Development Corporations, November 2010.
- ⁴ *Blight Free Philadelphia*, 2001, Anne B. Schlay and Gordon Whitman, Temple University, Philadelphia, PA
- ⁵ Homeless Point-in-Time Count (2012)
- ⁶ The federal government defines a chronically homeless person as “either (1) an unaccompanied homeless individual with a disabling condition who has been continuously homeless for a year or more, OR (2) an unaccompanied individual with a disabling condition who has had at least four episodes of homelessness in the past three years.” Defining Chronic Homelessness: A Technical Guide for HUD Programs, <https://www.onecpd.info/resources/documents/DefiningChronicHomeless.pdf>.
- ⁷ Education for Children and Youth Experiencing Homelessness Program 2012-13 State Evaluation Report February 2014; http://www.portal.state.pa.us/portal/server.pt/community/homeless_children%27s_initiative_projects/7491
- ⁸ The State of Homelessness in America 2013: A Research Report on Homelessness, by the National Alliance to End Homelessness, <http://www.endhomelessness.org/library/entry/the-state-of-homelessness-2013>
- ⁹ National Coalition for Homeless Veterans; http://nchv.org/index.php/news/media/background_and_statistics/#demo
- ¹⁰ Legal Action Center (2004) Safe at Home: A Reference Guide for Public Housing Officials on the Federal Housing Laws Regarding Admission and Eviction Standards for People with Criminal Records. (p. 3). Retrieved from http://lac.org/doc_library/lac/publications/Safe@Home.pdf
- ¹¹ *Home & Healthy for Good: A Statewide Housing First Program*, <http://shnny.org/uploads/Home-Healthy-Good-2012.pdf>, March 2012.
- ¹² Chenoweth, David, *The Economic Cost of Substandard Housing Condition Among North Carolina Children*, North Carolina Housing Coalition, 2007
- ¹³ Note: The per day costs above do not include related expenses, often taxpayer-funded, including police services and judicial processing costs; Econsult Report 2011 for Project HOME of Philadelphia
- ¹⁴ The PA Housing Affordability and Rehabilitation Enhancement Fund (Act 105 of 2010).
- ¹⁵ <http://phfa.org/legislation/act105.aspx#PHARE>
- ¹⁶ US Department of Commerce – Bureau of Economic Analysis (2007), US Census Bureau (2007), as cited in *Rebuilding Pennsylvania's Housing Market*, Econsult Corporation for the Housing Alliance of Pennsylvania, May 2009.
- ¹⁷ <http://www.housingalliancepa.org/node/870>
- ¹⁸ *Philadelphia's Home Repair Crisis*, May 8 Consulting for Women's Community Revitalization Project, <http://may8consulting.com/images2/WCRPPDFContent.pdf>
- ¹⁹ Based on 2012 PHARE funded projects it is assumed that 10% of homes will be single family new construction, 40% will be multi-family new construction, and 50% will be rehab and repair. Each category has a different economic impact. The composite economic impact factor used in this document is an additional \$.98 per \$1 invested and \$101,000 in PIT, S&U, and CNI taxes per \$1 million invested.





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