

TESTIMONY ON THE IMPACTS OF
PENNSYLVANIA HOUSING AFFORDABILITY
AND REHABILITATION ENHANCEMENT FUND (PHARE)

PRESENTED TO THE
SENATE URBAN AFFAIRS & HOUSING COMMITTEE

BY

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Chairman Argall and distinguished members of the Committee, thank you for the opportunity to testify. On behalf of Lycoming County, I am honored to have been selected to speak with you today about our recent use of PHARE funds. We take great pride in our deliberate approach to addressing County-wide issues in a comprehensive and meaningful way. And our ability to put PHARE funds to good use in Lycoming County is indicative of our commitment to working with strong partners who also have a commitment to ensure long-term sustainability of our collective investments. It is a pleasure to join you this morning.

Lycoming County has a strong history of Planning and has been setting the stage for decades through comprehensive planning, county-wide zoning and subdivision & land development, strategic transportation programs and planning, brownfield assessment programs and other county-wide initiatives. However, we have not had the economic stimulus to implement the "smart" projects we conceive. Marcellus Shale gas development has brought us that and more.

Lycoming is a county of just over 116,000. We have 1228 square miles of land, which is 3% of PA territory and the Commonwealth's largest county. We are located in the north central part of the state and the City of Williamsport is the largest population center hosting approximately 29,500 people. As of April 2014, drilling for natural gas is occurring in 24 of our 52 municipalities – that equates to almost $\frac{3}{4}$ of our land mass. Likewise, over seventy-five percent of the county's territory is under lease to the Oil and Gas Industry.

If we were to look back over the last eight years, we would say that there was a modest increase in wells drilled in Lycoming until 2009, then between 2009 and 2011 the rate increased exponentially (23 to 316) – a pace that was unsustainable particularly related to the community impacts that come along with this feverish level of activity. Although the pace of drilling activity slowed in 2012, more new gas wells were drilled (or spud) in Lycoming County than in any other county in PA. By the end of 2012 there were 700 unconventional gas wells drilled in our county. As of today, that number is 844 and we are currently the 10th highest natural gas-producing county in the United States. That growth has brought related business and industry. We now have nearly 100 new or expanded businesses related to gas activity.

I mention these statistics only to highlight the context for my remarks and to note how the discovery of the Marcellus Shale Play has become a driving force in the economy up in Lycoming County. This new addition to our economy has both created great stresses and tremendous opportunities. We have been able to manage these changes well because there was a commitment from the beginning to take a comprehensive approach.

Early in the Shale exploration phase, Lycoming County took the initiative to understand the operations of the gas industry. We visited drilling sites and developed a Task Force to identify key issues, research facts and information, and review and propose public policy. That Task

Force along with the Lycoming County Commissioners visited the Barnett Shale Play in Texas in 2008 to get a first-hand look.

Lycoming County also administers a county-wide zoning ordinance, which covers 20 of our 52 municipalities and equates to about 70% of our land area. In 2011 it was amended to align with Act 13 provisions and also to give better protections to municipalities dealing with the development of natural gas well fields. That ordinance was jointly prepared by county planning staff in cooperation with industry leaders and legal advisors.

In early 2012, the County hosted a Community Leaders Outreach event that informed over 110 community members about Act 13 about the Impact Fee legislation. The County viewed the Act 13 legislation as an unprecedented opportunity to collaborate with a multitude of partners, to leverage various sources of funds, and to help municipalities get projects done.

By August of 2012, the County completed two Marcellus Shale Impact Studies as part of our comprehensive approach to tackling this change in our landscape and economy. One focused on Water, Sewer, and Stormwater Infrastructure and the other on Housing. These studies were in-depth quantitative reports that examined the impact of the industry on these sectors and identified the most pressing needs and highest priorities. These studies and the recommendations within have been a great tool for the County Commissioners in guiding Act 13 funding allocation decisions.

Lycoming County Marcellus Shale Housing Study

What the research told us was that the housing needs are multi-faceted, intertwined, and systemic. Some of the greatest needs in the County's housing market are not solely due to the infusion of the shale gas activity. However, the presence of this industry in the County has exacerbated already existing critical problems.

The supply of housing options in Lycoming County was not sufficient to meet the demand of the Marcellus Shale Industry. The age and condition of the housing stock is not attractive to new residents moving into the area associated with the Marcellus Shale Industry. They are looking for newer housing that is move-in ready and does not require upgrades or repairs.

Furthermore, the limited supply of housing and the increased demand due to growth in the Marcellus Shale Industry have resulted in rental rates that had made housing unaffordable for over 58% of the County's households, especially households with low to moderate incomes. On the supply side, that increase in rental rates meant a decrease in the number of housing units available for subsidized renters. On the demand side we witnessed significantly increased number of applicants on waiting lists for subsidized units. In addition, several other local

factors caused housing market shortages for that same segment of the population such as institutional expansions and severe flooding.

The Marcellus Shale Impact Study helped us understand the diversity of housing needs and issues being experienced across the County. The housing shortage was pervasive and it cut across many segments of the market from low-to-moderate income working families, young professionals, and senior populations.

The Response

To develop a comprehensive approach to meeting diverse housing needs, the County of Lycoming decided to begin by reinvesting in its foremost core community, the City of Williamsport. Together, the City and County joined forces to develop a first phase approach called the *Williamsport Housing Strategy*. Implementing this Strategy required a multi-faceted funding plan and the PHARE resources have been a critical part of this portfolio.

The *Strategy* targets the redevelopment of a critical Brownfield site, development of an underutilized and vacant site, and the reinvestment of an existing struggling neighborhood as the stimulus for reinvigorating the housing market in the City of Williamsport. It recognizes the importance of projects that were “most ready” in the County and could move quickly to successful completion. The Strategy includes a diversity of housing types: apartments, townhouses, and single family homes for a spectrum of need including seniors, affordable, and market rate. And finally, the Strategy provides projects and investment for the rental and rent-to-own markets as well as for rehab of existing housing stock.

The *Williamsport Housing Strategy* embodies the following Commonwealth Keystone Principles for Growth, Investment and Resource Conservation:

Redevelop First: supports revitalization and redevelopment of a City “brownfield” site.

Provide Efficient Infrastructure: fix it first - use and improve existing infrastructure

Concentrate Development: supports infill and “greenfield” development that is compact, integrated with surrounding developments, and fosters creation of well-designed development.

Expand Housing Opportunities: supports the construction of new and rehabilitation of existing housing of numerous types to meet the needs of various incomes and abilities.

Be Fair: supports the equitable sharing of benefits and burdens of development. Strategic support provided to ensure social, economic, and environmental goals are met.

The Williamsport Housing Strategy

The *Williamsport Housing Strategy* consists of three component parts (see Map): Memorial Homes, the Brodart Neighborhood Improvement Program, and Grove Street Commons. All 3 components are recognized as Early Implementation Steps in the County's 2012 Housing Study.

Memorial Homes will be a new development of mixed-income housing on a previous Brownfield site situated in the western end of the City. Historical data indicates that the site has been used for industrial purposes since at least 1912; most recently as a furniture warehousing facility. This site required the removal of a 211,000 square foot building and the remediation of soil as per DEP's Act 2 program. Site remediation and structure demolition was accomplished at a cost of \$1.3 million.

Memorial Homes is a 3-phase housing development on a 3.5 acre set of adjacent properties. The total number of units will be 74 dwellings, including 40 affordable apartment units, 32 market-rate townhouses, and 2 single family homes. The apartment complex will be the first phase of development on the site. Both the apartments and the townhouses will be constructed by a private developer whereas the two single family homes will be built by Habitat-for-Humanity.

Number of units:	Seventy-four (74)
Population Served:	≤ 20% County AMI (5 units) ≤ 60% County AMI (35 units) Market Rate (34 units)
Development cost:	\$17.4 million (an add'l \$1.3 million for demo and remediation)
Public funds:	\$2.3 million (13%) \$1.3 million PHARE \$200K County Act 13 \$100K City Act 13 \$360K HOME \$375K PA DCED
Private funds:	\$15.1 million (87%) \$ 885K PHFA Low-income tax credits (2012)
Tax base post-dev:	~\$226,000 (includes County, City & school district)
Partners:	City, County, PHFA, PA DEP, PA DCED, US EPA, NRP Group LLC

*All funds for this project have been secured and the construction of the first-phase 40-unit apartment complex is underway with anticipated completion in November 2014.

The Brodart Neighborhood Improvement Program is an initiative that focuses on reinvestment in one of the City's core neighborhoods by addressing a diversity of housing and community investment needs that will both support the redevelopment of the former Brodart Warehouse site and reinvigorate the housing market in the City of Williamsport. It is a coordinated effort between the City of Williamsport, the County, STEP, Inc, and Habitat for Humanity that targets both financial and human resources by leveraging a multitude of local and state resources.

In this targeted area surrounding the new Memorial Homes development, there are approximately 150 existing homes in varying state of repair. There is approximately 50/50 renter-owner occupancy in this neighborhood and therefore programs have been created to assist with both situations to fully address the spectrum of need there.

There are four main components to the improvement program:

- Interior and Exterior health and safety home improvements to existing homes in the Brodart neighborhood through the STEP Homes-in-Need Program;
- Housing Counseling offered through STEP's Housing Counseling and Financial Management Program;
- Streetscape enhancements to neighborhood streets surrounding former Brodart site; and
- Exterior home and property enhancement assistance through Habitat for Humanity's *A Brush With Kindness* (ABWK) program.

Number of units: **up to 150 existing homes**

Population Served: **Households up to 200% of AMI**

Project cost: **\$1.4 million +**

Public funds: **\$1.4 million**
 \$750K PHARE (\$550K secured)
 \$150K City CDBG (secured)
 \$500K PA DCED (secured)

Private funds: future match to future façade program funding opportunities

Partners: **City, County, PHFA, PA DCED, STEP, Habitat for Humanity, Lycoming Engines**

Grove Street Commons will be a 32-unit, 2.5 story, elevator-equipped, alarmed and sprinkled senior independent facility on 2.5 acres. Within the City of Williamsport, there exists a waiting list in excess of 200 awaiting entry into senior independent housing. The Grove Street Commons is a measured response to this overwhelming need. The proposed project is a 36,000 square foot facility to be constructed by the SEDA-COG Housing Development Corporation employing state of the art design and engineering, including high efficiency technologies such as photovoltaic and geothermal. The project is structured to provide affordable housing to our seniors in a highly desirable neighborhood in the City of Williamsport and to be professionally managed and operated by the SEDA-COG HDC and its associates in Lycoming Housing Authority.

Number of units:	Thirty-two (32)
Population Served:	≤ 50% County AMI (17 units) ≤ 60% County AMI (15 units)
Development cost:	\$6.3 million
Public funds:	\$1.02 million (16%) \$750K PHARE (\$550K secured) \$270K County Act 13
Private funds:	\$5.1 million (81%) \$ 545K PHFA Low-income tax credits (2013)
Other Funds:	\$200K (3%)
Tax base post-dev:	\$39,120 (less than \$3K today)
Partners:	City, County, PA DCED, Lycoming County Housing Authority

*Ground breaking for this project is expected in Octobers 2014 with an estimated completion date of August 2015.

In Summary

The County of Lycoming has successfully secured **\$2.4 million in PHARE funds** during the 2012 and 2013 funding rounds and significantly leveraged private equity and developer funds to make this impressive project happen. Specifically, we have matched \$610K of our own Act 13 funds, \$1.5 million of other public funds and \$22.5 million of private investments. This equates to just under **\$27 million** associated with the implementation of the Williamsport Housing Strategy, over eighty percent (80%) of which is private developer investment.

The Williamsport Housing Strategy is a project targeted in the County's only city, which is the regional hub for commerce, education, social services, and housing for much of north central Pennsylvania. The project responds to decades of underinvestment in the City's older housing stock and associated infrastructure and focuses on the remediation of blighted conditions as a core value.

Furthermore, the project combats the several decade trend of focusing the housing development market outside city limits, which has caused a hollowing out of its residential base and the development of sprawling suburbs. This plan focuses on gentrification and rebirth.

The implementation of this strategy will positively affect over 200 family units and ultimately improve real estate values in the City and raise the tax base.

The Lycoming County Commissioners have embraced this Strategy because of the multitude of positive benefits it provides for the County, City and its residents. We continue to believe that the investments in the *Williamsport Housing Strategy*, including the partnerships created, are not only the wisest response to the myriad of housing needs being experienced throughout our County at this time but also are exactly the kind of investments that Act 13 and PHARE funds were to designed to achieve.

We are making significant progress in implementing the Strategy, but there is more work to do. We fully expect to expound on this existing strategy for the upcoming 2014 PHARE funding round.

Appendix – Results of the 2012 Lycoming County Housing Impact Study

No single source of data or information can be used to understand the complex set of housing needs that Lycoming County faces at this time. As noted earlier, the introduction of the natural gas industry's housing needs did not alter the fundamental housing challenges faced in Lycoming County, but instead simply made them more severe and readily apparent. Gas industry employees moving into the County place additional pressure on the housing market, and the increased demand for housing without a comparable increase in supply drives up prices and reduces housing options. Those facing challenges finding appropriate and affordable housing prior to the presence of the natural gas industry, including seniors, low- to moderate-income working families, and young professionals and their families, now experience the issue more severely.

In recent years, the already short supply of quality housing has been intensified

by at least FIVE significant drivers:

- In the aftermath of floods attributed to Tropical Storm Lee in September 2011, over 20-25 housing structures in Lycoming County were destroyed or declared uninhabitable.
- A number of housing units have been demolished in recent years to facilitate community development expansion. To support the revitalization of the Susquehanna Health campus, over 112 residential units in Williamsport were removed from the defined institutional zone where the new medical center is located.
- An additional set of 29 -32 homes were displaced in order to provide a pad site for construction of the new YMCA complex in the vicinity of the Susquehanna Health's main medical campus.
- Over the past three to four years, the tight financial markets constrained by bank regulators have restricted or greatly inhibited the flow of capital needed for housing construction. This translates into additional financial risk that an already skeptical housing developer must accept in order to move forward with new housing projects.
- Now—on top of these short supply/high demand pre-existing factors—enters the Marcellus Shale work force estimated to include between 4,200 to 4,500 employees working in Lycoming County.

Key Findings in the recent publication: The Impacts of the Marcellus Shale Industry on Housing in Lycoming County (August 2012), quantified four primary housing issues in Lycoming County that should be considered in determining the optimal use of revenue received by the County through Marcellus Shale Local Impact Fees (see p. 55):

1. The supply of housing options in Lycoming County has not been sufficient to meet the demand of the Marcellus Shale industry. Furthermore, the rural nature of the County inherently means that there

are fewer existing housing units to absorb the increased demand for housing created by the Marcellus Shale industry compared to counties with more extensive urban and suburban amenities.

2. The age and condition of the current housing stock is not attractive to new residents moving into the area with the Marcellus Shale industry. These potential new residents are looking for newer housing that is move-in ready and does not require any upgrades or repairs.

Lycoming County homes are in growing need of energy upgrades, weatherization improvements, kitchen modernization, etc. Thus, the annual maintenance burden attendant with these aging properties can be daunting. Furthermore, with the shrinking of the housing options within the area, homeowners are unable to move up the housing strata and thus are stuck in substandard housing – particularly seniors and those on fixed incomes. With the lack of options, homeowners are realizing that the option of moving is not possible and thus repairs need to be completed.

The U.S. Census Bureau estimates that nearly 77% of Lycoming County's housing stock in 2010 is over 30 years old.

79% of homes in the County were built before 1970

38% of homes in the county were built prior to 1939

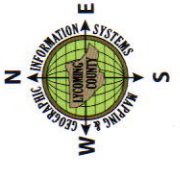
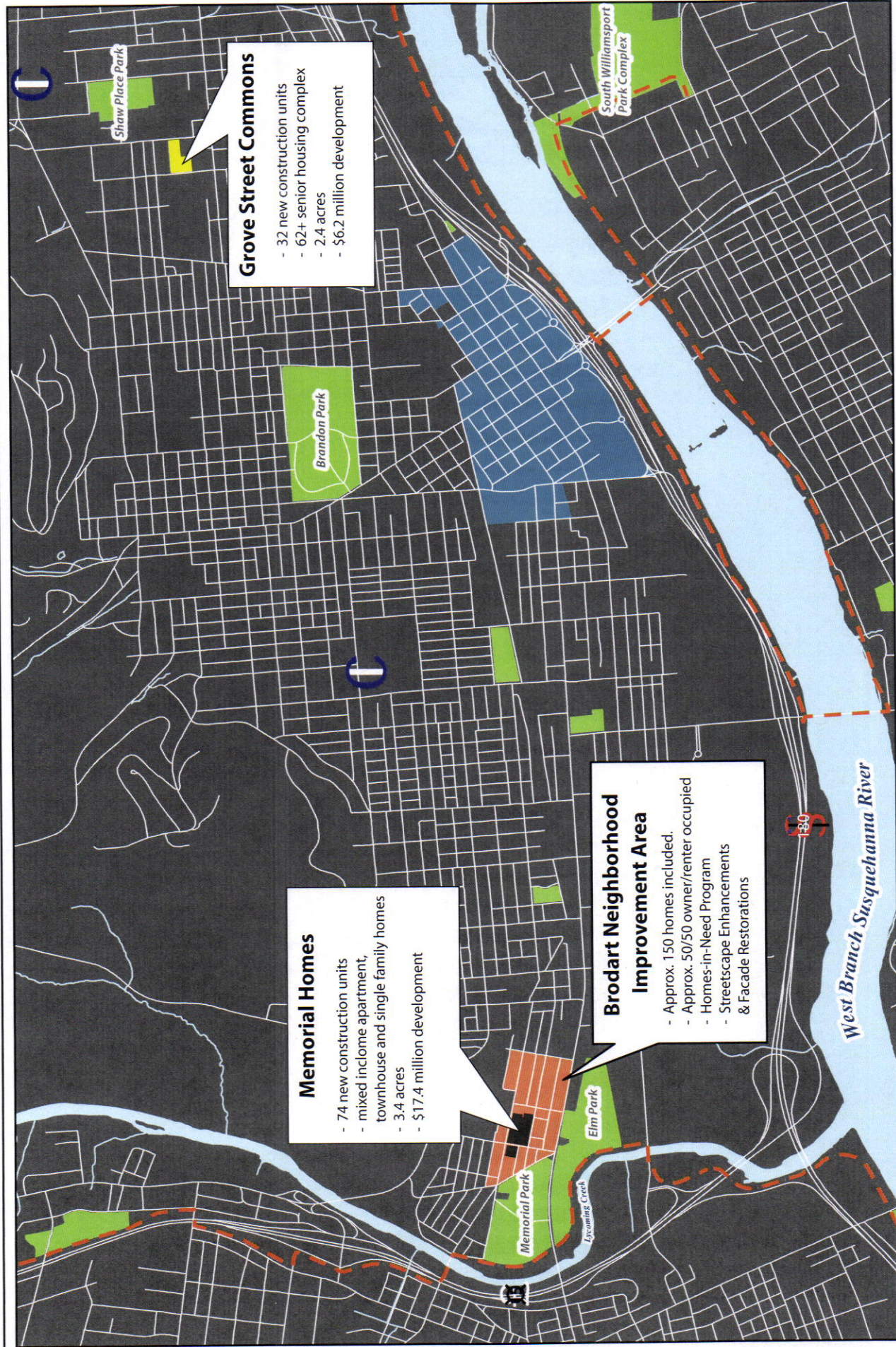
3. The limited supply of housing and the increased demand due to the growth in the Marcellus Shale industry have resulted in rental rates that have made housing unaffordable for over 58% of the County's households, especially households with low to moderate incomes. The market segment feeling the most acute pressure is the rental market.

Between 2009 and 2011, rental rates increased by 31.2% for a three-bedroom unit to 145.6% for a four-bedroom unit.

4. The increase in rental rates has meant a decrease in the number of housing units available for subsidized renters, which has significantly increased the number of applicants on waiting lists for subsidized units and has unfortunately forced housing agencies to return or forego much-needed funding from HUD.

The County Housing Authority's waiting list increased significantly from 2009 to 2010, from 744 to 1,413 - more than triple the increase in any of the previous years, dating back to 2006. Another 245 was added to the list in 2010.

The lack of affordable rental units has resulted in the expiration of a significant number of available Section 8 vouchers in Lycoming County. In 2010, 20% of the County's Section 8 vouchers expired and 33% expired during 2011 – compared to 4% in 2008.



Williamsport Housing Strategy

3 Component Location Map



- Bike Path
- Grove Street Commons
- Central Business District
- Parks
- Brodart Neighborhood Improvement Area