

**Statement
by**

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Executive Director & CEO
Pennsylvania Housing Finance Agency**

before the

**Senate Urban Affairs and Housing Committee
of the
Senate of Pennsylvania**

September 28, 2010

Good morning and thank you for the invitation to meet with you today. I am Brian Hudson, the Pennsylvania Housing Finance Agency's Executive Director.

The focus of this meeting is to discuss the impact the Natural Gas Industry is having on housing in North Central Pennsylvania. However, for the benefit of the Members, I would like to present for the record this written testimony which reviews what PHFA is, the programs it operates and how it is funded. I have also made available packets of information that detail the Agency's activities in your districts.

PHFA is the Commonwealth's leading finance organization for affordable homes and rental apartments. It was created by the legislature in 1972. Its core mission was to finance affordable apartments and homes at minimal expense to Commonwealth taxpayers through the issuance of securities. That is still the case today. PHFA does not receive a general appropriation from the Commonwealth for its programs or operations, with the exception of the Homeowners' Emergency Mortgage Assistance Program.

Statewide, the Agency has provided almost eleven billion dollars of funding for over 140,000 homes and 83,000 apartments. Additionally, the Homeowners' Emergency Mortgage Assistance Program, which PHFA administers for the Commonwealth, has saved over 44,000 homes from foreclosure.

The Agency is governed by a 14 member Board of Directors. Four serve in an ex-officio capacity. They are the Secretary of Banking, who by law is our Chairperson, the Secretaries of the Departments of Community and Economic Development and Public Welfare, as well as the State Treasurer. The majority and minority leaders of the House and Senate have one appointment each. The remaining six members are appointed for six year terms by the Governor with the advice and consent of the Senate.

RENTAL HOUSING

PHFA provides financing for both homeownership and rental housing, with homeownership financing being made available through local lenders in all regions of the state. Rental development is more complicated and requires long-term planning. Therefore, I would like to address the North Central Region's housing issues with the focus on rental housing. To do that, I would like to provide an overview of how PHFA's rental housing production program operates.

Included in your packets is a map of some of the counties in the northern tier of the state that have been impacted by the Marcellus Shale industry. As you

The Housing Credit accounts for most of the country's new affordable rental housing. By providing an incentive for private investment, the Housing Credit has helped finance more than 2.1 million apartments since Congress created it in 1986.

Federal law requires that PHFA allocate credits to developments it selects according to a qualified allocation plan (QAP) that identifies the characteristics of affordable housing needed throughout the Commonwealth. The plans must describe the criteria PHFA will apply in allocating the credit. Developers are made aware of these priorities and submit proposals to compete on the priorities set out in the plan. These "disciplines" imposed on developments are an essential element of the program's success.

In addition to the tax credit, PHFA also makes available PennHOMES money as a soft second mortgage loan that complements the tax credit and makes it more effective in the Commonwealth. This funding comes directly from PHFA's earnings. Since 1987, PHFA has set aside more than \$225 million of its own funds to make Pennsylvania's rental housing programs work in all areas of the state.

The PennHOMES/Tax Credit process is extraordinarily competitive with only about 25 percent of the proposals being funded each year. To help PHFA address its limited ability to fund many excellent proposals, Senator Pippy and Senator Kitchen last session introduced a bill that would establish a PHFA housing trust fund. That bill passed the Senate with bipartisan support, but did not pass the House. A similar proposal, SB 599, has been introduced this session by Senator Yaw, co-sponsored by Senator Kitchen, as well as other members of this committee. A comparable proposal, House Bill 60, has passed the House, been favorably considered by this committee and is presently in the Senate Appropriations Committee. With the limited time available this session, I would appreciate your help in securing passage of House Bill 60.

Although there is no state funding in HB 60, it would establish a fund within PHFA that would be a repository for any private money the Agency can raise, as well as any federal money that may become available through the National Housing Trust Fund. It is hoped that this fund would eventually supplement PHFA's ability to subsidize its programs with its earnings. The billions PHFA has raised in the financial markets have been subsidized by commitments of Agency earnings. In spite this commitment of earnings, 75 percent of the developments that come before the Agency's board cannot be funded.

benefit can also be designed to consider community revitalization in and around the place of business. To date, 64 employers have partnered with PHFA and the Agency has developed sample documents and guidelines for companies that wish to participate.

Thus far, in all our homebuyer programs, almost ten billion in mortgage financing has been made available to help over 140,000 Pennsylvanian households purchase homes. Funds for this program come primarily from the sale of Agency bonds to private investors across the nation, and from Agency earnings, not from appropriations. The collateral for the bonds is the properties on which the mortgages are held.

These PHFA securities, known as mortgage revenue bonds, are among the highest rated of their kind in the nation and currently carry a AA+ rating from Standard and Poors and a Aa2 rating from Moody's Investor Service.

In 2009, the Agency become an approved issuer of Ginnie Mae Mortgage Backed Securities (MBS) and thus added another funding stream for its home purchase loan program.

The Agency also services these loans until paid in full. Its current portfolio contains over 56,000 loans totaling more than \$4 billion, with a delinquency rate well below both state and national averages.

The Homeownership Choice Program: PHFA developed the Homeownership Choice initiatives to attract private development to blighted urban areas. Its primary focus is homeownership but it can also encourage rental housing with its flexible initiatives which include:

Homeownership Construction to help municipalities and core communities transform blighted areas into attractive neighborhoods through new construction.

Neighborhood Revitalization to provide ownership opportunities through a combination of both new construction and rehabilitation of homes.

Mixed Use to help revitalize commercial corridors by providing flexible funding for rental or for-sale housing on upper floors of commercial storefronts.

Through its nine years of operation, \$86 million in Agency funds have been used to leverage over \$541 million in additional housing, infrastructure and economic development commitments in 72 communities. Commitments have funded 1,710 new and 391 rehabilitated for-sale homes, 270 apartments, 48 for-sale condominiums and 88 new commercial spaces.



NAME	TYPE	UNITS
<u>Bradford County</u>		
Cedar Ridge, Canton Borough	Elderly	34
Chemung View, Athens Borough	Elderly	101
Hopkins Commons, Sayre Borough	Elderly	11
Hopkins Commons Phase II, Sayre Borough	Elderly	15
Lockhart Elderly, Sayre Borough	Elderly	9
North Towanda Senior Citizens, North Towanda Township	Elderly	30
Oak Ridge Townhouses, Towanda Township	General	40
Saw Creek Commons, Troy Township	Elderly	33
Wilbur, Sayre Borough	General	30
Wyalusing Elderly, Wyalusing Borough	Elderly	30
BRADFORD COUNTY TOTAL		333
<u>Centre County</u>		
Ashworth Woods, Harris Township	General	60
Ashworth Woods II, Harris Township	General	24
Beaver Court Apartments, State College Borough	Elderly	89
Beaver Heights, Bellefonte Borough	General	40
Fox Hill Senior Apartments, Spring Township	Elderly	48
Fox Hill Senior Apartments Phase II, Spring Township	Elderly	48
Huntington Park Apartments, Harris Township	General	42
Park Crest Terrace Apartments, Ferguson Township	General	240
Pheasant Glen Apartments, Ferguson Township	General	92
Philipsburg Towers, Philipsburg Borough	Elderly	102
Philipsburg Court, Philipsburg Borough	Elderly	16
Philips Place, Philipsburg Borough	Elderly	24
Pleasant Hills Apartments, Spring Township	General	40
Sylvan View Estates, Ferguson Township	General	49
Terra Sylvan, Spring Township	General	20
Waupelani Heights Apartments, State College Borough	General	34
Westminster Place at Windy Hill, Rush Township	Elderly	36
Yorkshire Village Apartments, State College Borough	General	40
CENTRE COUNTY TOTAL		1,044

Potter County

Silver Maples, Ulysses Borough	Elderly	24
POTTER COUNTY TOTAL		24

Sullivan County

No properties with PHFA participation.

Susquehanna County

Choconut Creek Apartments, Choconut Township	Elderly	24
Emerson Southgate Apartments, Hallstead Borough	Elderly	24
Hallstead Elderly Housing, Hallstead Borough	Elderly	40
Montrose Square, Montrose Borough	Elderly	81
SUSQUEHANNA COUNTY TOTAL		169

Tioga County

Kenner Court SRO, Tioga Borough	Other	11
Mansfield Court, Mansfield Borough	Elderly	24
Mansfield Village, Mansfield Borough	General	51
Wellsboro Senior Housing, Wellsboro Borough	Elderly	11
TIOGA COUNTY TOTAL		97

Wyoming County

Mathewson Park Apartments, Factoryville Borough	Elderly	15
Winola View, Overfield Township	Elderly	24
WYOMING COUNTY TOTAL		39

DEVELOPMENTS CURRENTLY UNDER CONSIDERATION

As of September 13, 2010

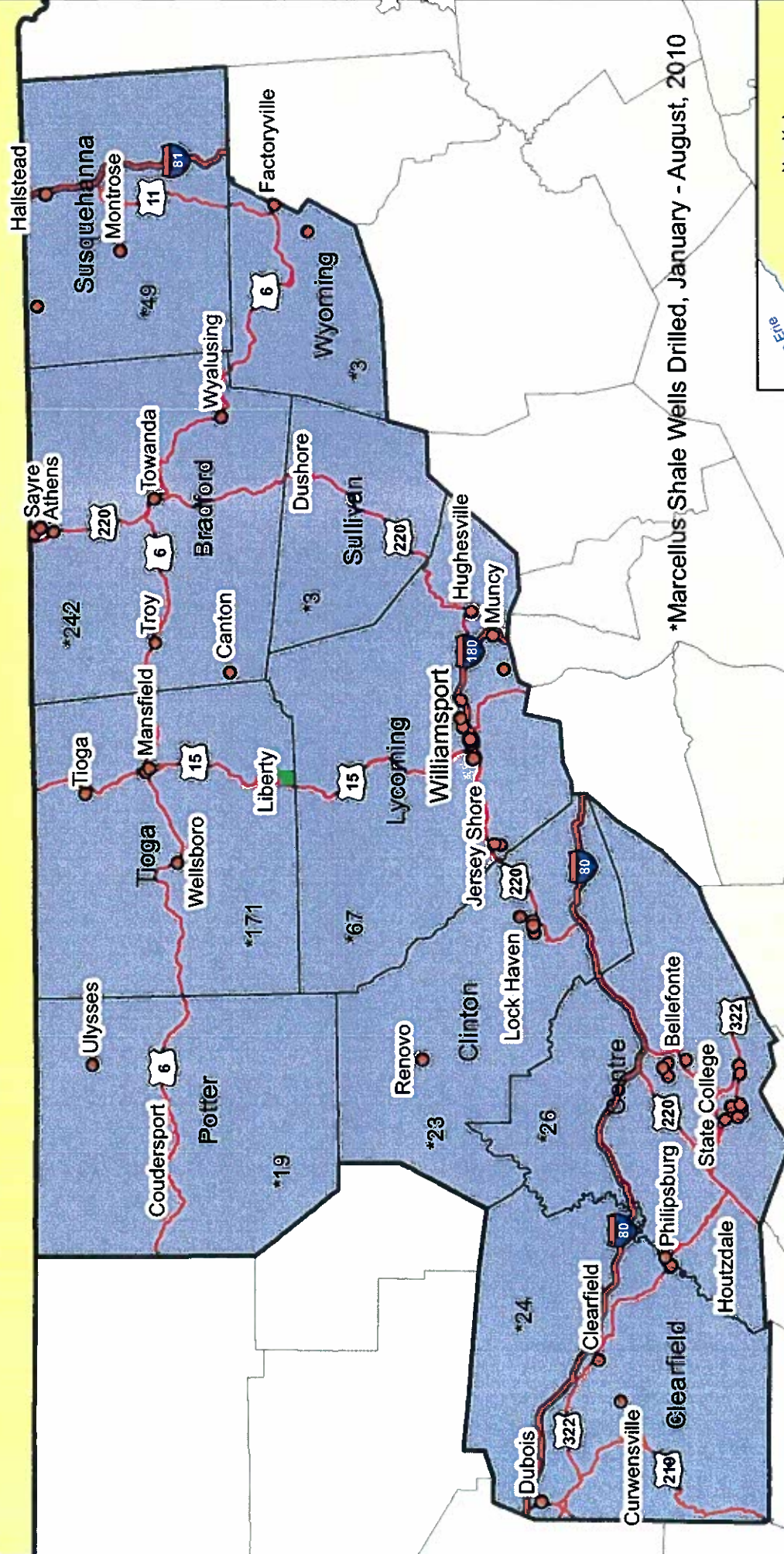
Tioga County

Liberty Cottages, Liberty Borough	Elderly	11
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PHFA Multifamily Developments

Marcellus Shale Counties, Northern Pennsylvania

New York



*Marcellus Shale Wells Drilled, January - August, 2010

Legend

- Development
- Development Under Consideration

