



**Affordable Housing Task Force
Findings and Recommendations to
Mayor William Peduto and the Pittsburgh City Council**

May 2016

The Affordable Housing Task Force began with an assumption that there was a compelling need to address the changing landscape of housing affordability in Pittsburgh. Through research, discussion, and community and stakeholder engagement, the Task Force has arrived at recommendations that respond to both the assumption and the realities of affordable housing in the city.

The Task Force members, drawn from across the city, with a wide range of expertise and experience, worked through these issues in committees and working groups. They drew on the knowledge of advocates, developers, and national experts, including the Needs Assessment study by Mullin & Lonergan and the Feasibility study by Peninger Consulting, and most importantly the communities of Pittsburgh. The Task Force participated directly in the community forums, organized with The Art of Democracy, held throughout the city.

In those community forums, we heard strong concerns for today, and for the future. On the one hand, there are neighborhoods that are still experiencing disinvestment and decline, eager for new investment. On the other, there were concerns that the rapid increase in rent and home values were putting people, from families starting out to seniors, at risk of having to leave their neighborhoods.

In response, the Task Force focused on major opportunities, both drawing on existing programs and proposing new approaches: a Pittsburgh Housing Trust Fund; better utilization of Low Income Housing Tax Credits; and Preservation of Existing Affordable Housing and Protecting Residents. The report goes into detail regarding these, but in brief, they are all approaches that are proven by experience, whether in Pittsburgh or nationally.

The report also notes that while the recommendations are complete, there is more work to do on the road to action and implementation, and lays out the immediate, short-, and mid-term goals to achieve them. Many of the task force members have volunteered to continue to work on specific proposals, making sure we have the fullest range of experience and expertise available.

We would like to thank everyone who has worked long and diligently to produce this report. Housing is an essential part of a comprehensive approach to stabilizing our neighborhoods, and opening up opportunities for all Pittsburghers. With resources and focus, we can make Pittsburgh a city for all.

Co-Chairs of the Affordable Housing Task Force
R. Daniel Lavelle, Councilman, District 6, City of Pittsburgh
Raymond W. Gastil, Director, City Planning, City of Pittsburgh

ACKNOWLEDGMENTS

Mayor William Peduto

Pittsburgh City Council
Councilman Bruce Kraus, President
Councilwoman Darlene M. Harris
Councilwoman Theresa Kail-Smith
Councilwoman Natalia Rudiak
Councilman Corey O'Connor
Councilman R. Daniel Lavelle
Councilwoman Deborah Gross
Councilman Daniel Gilman
Councilman Reverend Ricky V. Burgess

Affordable Housing Task Force Members

Councilman R. Daniel Lavelle, *District 6, City of Pittsburgh, AHTF Co-Chair*
Raymond Gastil, *Director of City Planning, City of Pittsburgh, AHTF Co-Chair*
Councilman Reverend Ricky V. Burgess, *District 9, City of Pittsburgh*
Councilman Dan Gilman, *District 8, City of Pittsburgh*
Congressman Mike Doyle, *14th Congressional District, U.S. House of Representatives*
Senator Jay Costa, *43rd District, Pennsylvania State Senate*
Representative Ed Gainey, *District 24, Pennsylvania House of Representatives*
Kevin Acklin, *Chief of Staff and Chief Development Officer, Office of Mayor William Peduto*
William Brooks, *Laborers Local 373*
Fred Brown, *City Planning Commissioner and President & CEO, Homewood Children's Village*
Sara Davis Buss, *Partner, Campbell & Levine, LLC*
Richard Butler, *Executive Director, Southwest Pittsburgh Community Development Corporation*
Marc Cherna, *Director, Allegheny County Department of Human Services*
Thomas Cummings, *Director of Housing, Urban Redevelopment Authority*
Tamara Dudukovich, *VP and Senior Community Lending Officer, BNY Mellon*
Carla Falkenstein, *Director of Western Region, Pennsylvania Housing Finance Agency*
Bill Gatti, *President & CEO, TREK Development*
Robert Hurley, *Director, Allegheny County Economic Development*
Mark Masterson, *Executive Director, The Northside Community Development Fund*
Valerie McDonald - Roberts, *Chief Urban Affairs Officer, Office of Mayor William Peduto*
Majestic Lane, *Director of External Relations and Member Engagement, Pittsburgh Community Reinvestment Group (PCRG)*
Linda Metropulos, *Director of Housing and Neighborhood Development, ACTION-Housing, Inc.*
Barney Oursler, *Executive Director, Pittsburgh United*
Liz Hersh, *Former Executive Director, Housing Alliance of Pennsylvania*
Gale Schwartz, *Project Specialist, Housing Alliance of Pennsylvania*
David Weber, *Chief Operations Officer, Housing Authority of the City of Pittsburgh*
Sam Williamson, *Western Pennsylvania District Director, SEIU-32BJ*

Technical Assistance

Grounded Solutions Network
Sasha Hauswald, Director of State and Local Policy

Community Forums

Art of Democracy

Advisory Organizations

Building Inclusive Communities Working Group
Urban Land Institute Pittsburgh
Real Estate Allies Leadership (REAL) Network -
Neighborhood Allies

Needs Assessment Report

Mullin & Lonergan Associates, Inc.
Brean Associates
Fourth Economy

Feasibility Analysis

Peninger Consulting

Affordable Housing Task Force Staff

Kyle Chintalapalli and Alex Pazuchanics, *Office of
Mayor William Peduto*
Michael Smith, Nicholas Chubb, Nenha Young,
Department of City Planning
Sally Stadelman, *Office of Community Affairs*

Special Thanks

To the members of the Pittsburgh Community who
participated in the AHTF Community Forums

Also to the following organizations that allowed
the AHTF to host the Deliberative Democracy
Community Forum Series in their facilities:

American Legion 2863 Chartiers Avenue, Pittsburgh,
PA 15204

Knoxville Lifespan Resource Center 320 Brownsville
Road Pittsburgh, PA 15210

National Association of Letter Carriers 841 California
Avenue Pittsburgh, PA 15212

Kingsley Association 6435 Frankstown Avenue
Pittsburgh, PA 15206

Hill House Association 1835 Centre Ave Pittsburgh,
PA 15219

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- Community Forum Meetings Summary
- Housing Needs Assessment Report
- Financial Feasibility Memo

Are available online at: <http://pittsburghpa.gov/dcp/ahtf/index.html>

Executive Summary

The City of Pittsburgh is in a position of incredible opportunity. Following years of hard work and dedication from many within the Pittsburgh community, our city's market and economic trends are on a positive trajectory. After decades of population decline, the City is poised for growth, and is becoming increasingly younger as the 25-34 age cohort is rising the fastest within our population. Our economy, too, is improving, with the City continuing to retain and attract investment in the technology, medical, and educational sectors. These are significant positives for our city and we are proud, as a rust-belt, legacy city, to be on such a strong course. This course, however, presents both challenges and compelling solutions.

As the city continues to grow, emphasizing the needs of our most vulnerable populations--seniors, working families, and long-term residents--will be critical towards preserving the vitality of our city and neighborhoods. Although over 10% of the city's residential units are income-restricted, representing a substantial numbers of units preserved for households earning a certain income, there remains an affordability gap of 17, 241 units for households earning up to 50% of the city's median household income.¹ Many factors affect housing affordability, from historical policies and current market trends, but by leveraging the energy of the current market and strengthening existing partnerships and programs, we believe our solutions can effectively alleviate housing instability in our city over time.

Pittsburgh is a city that can get this right. In addition to our work, there are numerous other forward-thinking, transformative initiatives currently focused on building our city into a place that is just and sustainable. We intend for our efforts to complement, and leverage, the ongoing work of People, Place, Planet, and Performance (p4) Pittsburgh, comprehensive planning, resilient cities, transit-oriented development, and public health. We strive to for these recommendations to build on and support neighborhood-based efforts focused on addressing the whole community, such as Rebuilding Together Pittsburgh's residential rehab programs, Operation Better Block's cluster planning process, and the Larimer Vision Plan and CHOICE Neighborhoods implementation.

The Task Force finds that we can harness the thriving, growing economy in a manner that is responsible and creative to spur more affordability in our marketplace. Additionally, we believe we have the programs and institutions to preserve existing and future affordable housing stock. Our solutions are designed to respond affirmatively to the goal of building neighborhoods of opportunity where all families and children have the opportunity to realize their potential.

In Pittsburgh, place matters, and we understand maintaining our unique heritage and character is vital towards our continued success. Therefore, early in the process of the Affordable Housing Task Force work, we established the following goals to help guide deliberations internally:

- Respect and stabilize existing communities;
- Create quality affordable housing opportunities; and
- Maximize the impact of resources by ensuring lasting affordability.

Ultimately, these goals express the desire of the Task Force to continue to grow the city's tax base, build vibrant, resilient communities, and create and preserve mixed-income neighborhoods. Translating these goals into recommendations required technical analysis from members of the Task Force, consultants and ongoing engagement with residents and community partners. In the end, this effort, which includ-

¹ Mullin & Lonergan, "Housing Needs Assessment." Report to AHTF, 2016, 60.

ed months of weekly, and bi-weekly, Task Force meetings, and community engagement meetings held throughout the city, resulted in the following recommendations and solutions designed to capitalize on the moment we have to expand and preserve affordability within our marketplace.

- **The Pittsburgh Housing Trust Fund.** The Task Force recommends that a Trust Fund be established, including oversight by both a governing and advisory board, through the Urban Redevelopment Authority. The Fund would set an initial target of raising \$10 million annually. The funds would be focused on helping those most in need by ensuring:
 - 50% of the funds should be targeted to families and individuals earning at or below 30% of Area Median Income (AMI);
 - 25% of the funds should be targeted to families and individuals earning at or below 50% of AMI; and
 - 25% of the funds should be targeted to families and individuals earning at or below 80% of AMI.

To maximize the impact of these dollars, the Trust Fund will be a significant source of investment that is able to build upon and expand existing programs and resources.

- **Increased Utilization of the 4% Low Income Housing Tax Credit.** The most significant tool for the production of affordable housing in the United States is the Low Income Housing Tax Credit (LIHTC) program. One of its programs, the 4% tax credit is underutilized. The AHTF recommends a number of approaches to both address these challenges as well as to increase the awareness of the 4% LIHTC in order to expand its utilization in mixed-income projects, the preservation of existing affordable housing, and the rehabilitation of existing housing stock.
- **Inclusionary Housing.** Recognizing the varied markets across the Pittsburgh's 90 neighborhoods, the AHTF recommends several tools that are able to increase the development of mixed-income communities through the following inclusionary housing mechanisms.
 - Prioritizing the inclusion of affordable housing on all developments throughout the City of 25 units or greater that receive public benefits, including but not limited to tax abatements, Tax Incremental Finance (TIF), height and density bonuses. The amount of affordable units would be set at a level commensurate with the amount of public subsidy.
 - Creating standard criteria for Affordable Housing Opportunity Overlay zones for the strongest markets for new market-rate housing development that would require inclusion of affordable units. The amount of affordable units would be set at a level that leverages the market momentum to build mixed-income developments.

The affordable units would be for households at or below 50% AMI for rental units and households at 80% AMI or below for home ownership.

- **Preservation of Existing Affordable Housing.** Pittsburgh has more than 15,000 deed- or income-restricted affordable housing units (D/IR) as well as naturally occurring affordable housing spread across the City. However, the AHTF recognizes that to make significant progress in increasing the available housing opportunities for low- to moderate-income households, we must be able to effectively monitor (in the case of D/IR) and preserve the affordable housing we already have in addition to producing new units. Moreover, the costs of preserving a unit are, on average, significantly less than the costs of building a new one.

- **Protection of Existing Homeowners and Tenants.** Programs to protect existing resident -- both homeowners and tenants -- could be used in all city neighborhoods, through initiatives including controls over reassessment spikes; the Rental Registration ordinance; just cause eviction protections and notification requirements for tenants of developments receiving direct public subsidy; and other tenant protection and relocation assistance initiatives.

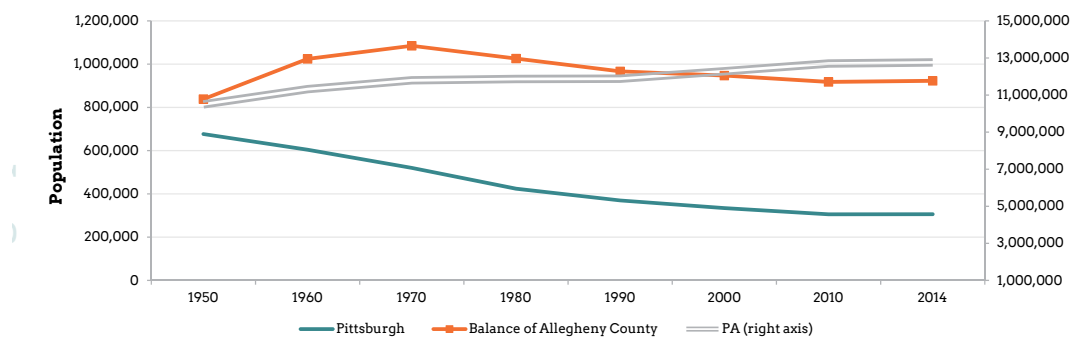
The full report covers the policy areas, with background, analysis, and immediate, short-term, and mid-term recommendations. There are various policy and programmatic recommendations being made by the Task Force with the acknowledgement that further study into the specific application still needs to be conducted and, in fact, additional study is often the near-term task that will move the City further down the path toward a comprehensive set of tools related to preserving the existing supply of affordable housing stock. We look forward to implementing these recommendations when final with all the partners and allies that make Pittsburgh great.

Introduction

Preserving and creating a vibrant and mixed income community will be the ultimate test of whether Pittsburgh lives up to its “Most Livable City” title. The challenge to find affordable and quality housing is a pressing and growing burden for many residents. As Pittsburgh looks forward to growth for the first time in over 60 years, we are working to make sure that growth is equitable and inclusive.

We believe that the City of Pittsburgh is well positioned to approach these challenges head on. Pittsburgh can learn from the lessons of its history, and the best practices of cities across the country. We can encourage mixed income communities that provide ladders of opportunity to residents across the city, preserve the things that residents love about their neighborhoods, and build a Pittsburgh for all.

Population Trends, 1950-2014



Source: Mullin & Lonergan

Housing in Pittsburgh

From its origins as a frontier outpost, the City of Pittsburgh grew rapidly throughout the last two-thirds of the 19th Century and the first third of the 20th. The population growth in Pittsburgh reflected the strength of the City’s economic engine: heavy manufacturing. By the 1950s, however, the City’s population growth decelerated, eventually becoming population loss. First the nationwide trend of suburbanization hit the region, as developers built new communities outside of the city limits. Then, the rapid decline of the steel industry in the 1970s and 1980s led to a massive migration not only out of the City, but across Southwestern Pennsylvania. By the 2000 census, the City of Pittsburgh held less than half of

the population it had in 1950. With no sustainable source of revenue coming from suburban residents using City services, nor from large nonprofit institutions, significant infrastructural burdens and long-term operational liabilities are becoming increasingly borne by a much reduced population.

The region has experienced positive in-migration (more new residents than residents who leave) since 2010. Buoyed by a diversified economy, the City of Pittsburgh is for the first time in a half-century anticipating a future state of moderate but sustained population growth.

The City is also experiencing broader national economic trends which have an impact on the local environment. A change in market preference toward urban living and working is leading to new construction in urban neighborhoods across the country, and increased competition for residential and commercial space nationwide. Concurrently, an economic shift toward the service sector, a widening wage gap, and slow growth in real wages across the country have created conditions that make paying for housing more challenging for an increasing portion of the country's population. Rising costs of infrastructure repair and replacement, increasing growth in tax-exempt real estate owned by nonprofit organizations, and heavy long term operational liabilities such as pensions and health care have stretched city budgets nationwide.

In Pittsburgh, it is necessary to also understand the particular ways in which historic trends and policy decisions played out with regard to race and class. The practice of community redlining affected access to credit and growth of equity for residents in lower-income and African-American neighborhoods. Large scale displacement and concentration of poverty as a result of urban renewal efforts left indelible marks on the landscape of communities in the City. Simultaneously, regional and federal policy emphasis on suburbanization, single family home development, home ownership, and new construction continues to have a profound impact on the present marketplace. The milieu of these historic and contemporary forces: economic, political, and demographic, creates the context in which the present discussion occurs. It forces a profound balancing act across the country but in Pittsburgh specifically: to grow a tax base capable of sustaining a contemporary city, while simultaneously preserving the mixed-income, mixed-age communities that have been foundational to Pittsburgh, and addressing a legacy of disinvestment.

Identifying the Need for Affordable Housing in Pittsburgh

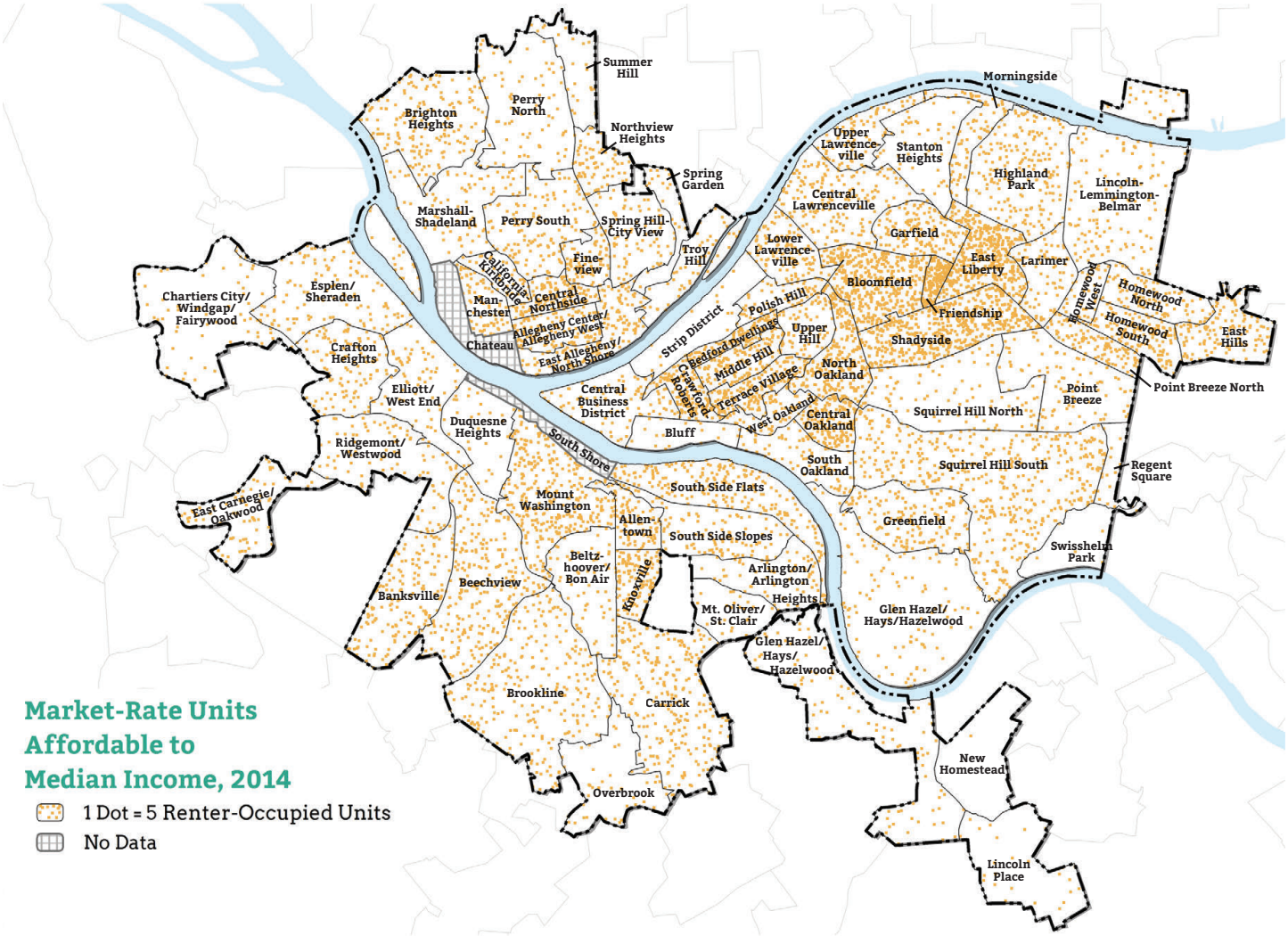
When considered as a whole and compared to other cities, the residential market in Pittsburgh is considered relatively affordable. As illustrated in the figures below, large swaths of the City have a significant number of homes that are naturally affordable to the median household income.

These units are further complemented by a significant number of affordable, income-restricted units across the city. More specifically, over 10 percent of the housing units in Pittsburgh are income-restricted. However, despite these affordable housing assets – both natural and income-restricted – Pittsburgh has challenges. As growth in the region and the city accelerate, it is clear that challenges will likely increase, and affordability will be out of reach for a larger segment of the population.

Given the higher proportion of lower income households in the city, as compared to the surrounding communities in Allegheny County, there is a gap of approximately 17,241 affordable and available rental units in Pittsburgh for households at or below 50% of Pittsburgh median household income.² This need

² Mullin & Lonergan. "Housing Needs Assessment," 60. Due to the presence of the higher education institutions in the City of Pittsburgh, it is likely that a portion of these households are one-person student households

Number of Market-Rate Rental Units Affordable to the City's Median Income in 2014

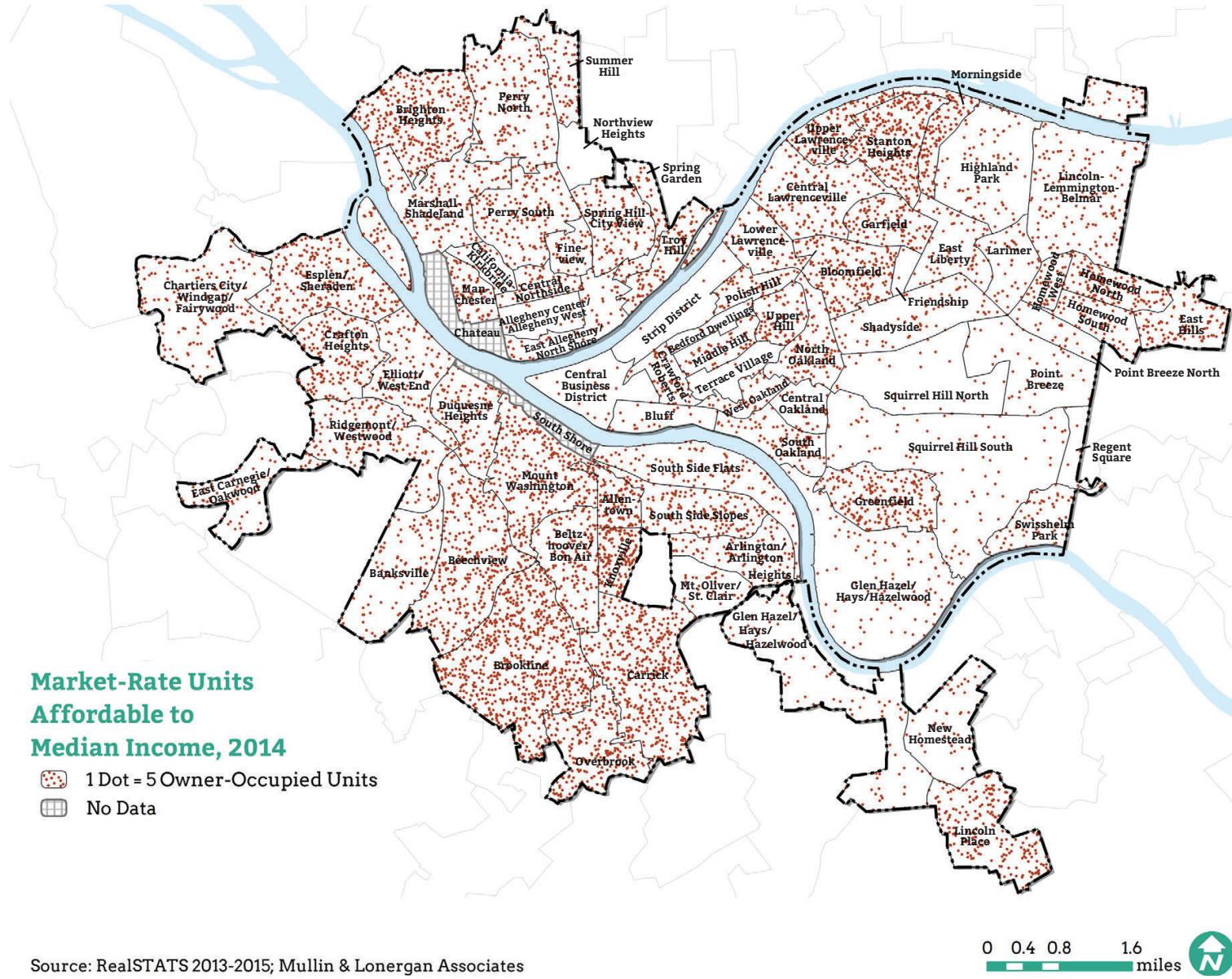


Source: 2010-2014 American Community Survey

Many of Pittsburgh's neighborhoods correspond precisely to one tract. Some of the smaller ones share one or more tracts with other neighborhoods; in these instances the neighborhoods were grouped together into a single unit.

Figure 1: Market-Rate Rental Units Affordable to 100% of the City of Pittsburgh Median Income

Number of Market-Rate Owner Units Affordable to the City's Median Income in 2014



Source: RealSTATS 2013-2015; Mullin & Lonergan Associates

Many of Pittsburgh's neighborhoods correspond precisely to one tract. Some of the smaller ones share one or more tracts with other neighborhoods; in these instances the neighborhoods were grouped together into a single unit.

Figure 2: Market-Rate Owner Units Affordable to 100% of the City of Pittsburgh Median Income

has become particularly acute in neighborhoods of the city that are seeing significant market investment for the first time in decades and the housing costs, in turn, are rapidly increasing. Even in those neighborhoods where the housing costs have not been affected there is growing concern among residents regarding their housing stability. This need has become particularly acute in neighborhoods of the city that are seeing significant market investment for the first time in decades and the housing costs, in turn, are rapidly increasing. Even in those neighborhoods where the housing costs have not been affected there is growing concern among residents regarding their housing stability.³

Goals of the Affordable Housing Task Force

The Affordable Housing Task Force was convened to wrestle with this question, and to provide recommendations to the City of Pittsburgh for consideration and potential adoption. The Task Force recognizes that housing-related interventions alone will not solve all problems the residents of the City face. The City and its partners have done and continue to do significant work in supporting the growth of family sustaining jobs, creating a higher standard of living, improving access to public transportation, and strengthening our schools. Nevertheless, housing remains a fundamental concern for tens of thousands of Pittsburgh residents, and there is a clear need for housing at income levels below 50% of Area Median Income (AMI).

Pittsburgh's potential for growth necessitates a conversation about how housing needs, particularly affordable housing needs, will be addressed in the City of Pittsburgh.

The desired outcome of the Task Force has been to generate a suite of recommendations, policies, programs, and initiatives that achieve the below goals. Through a combination of production and preservation, and by harnessing the market rather than stifling it, we believe that we can create and sustain vibrant communities. While the group acknowledges that the current recommendations will not be able to eradicate all of the housing and affordability challenges facing the City, they will undoubtedly make a significant, positive impact in the quality of life for Pittsburgh's residents.

Task Force Goals

- Respect and stabilize existing communities
- Create quality affordable housing opportunities
- Maximize the impact of resources by ensuring lasting affordability

The Task Force was created through a resolution of Pittsburgh City Council introduced by Councilman Daniel Lavelle, and signed by Mayor William Peduto in February of 2015. Membership of the Task Force constituted a range of housing advocates, community development organizations, affordable housing lenders and developers, and community organizers and stakeholders.

The Task Force first met in June of 2015, and was organized into four committees. The Policy and Recommendations Committee reviewed and assessed a number of different policy recommendations and best practices for potential adoption within the City of Pittsburgh. The Needs Assessment Committee identified and evaluated the current and future needs for affordable housing. The Feasibility Committee evaluated the legal, financial, and organizational capacity to adopt recommendations made by the Committee. The Community Engagement Committee organized a process by which the concerns, concepts, and feedback of residents across the city were heard and informed the Task Force recommendations.

³ This concern was raised by a large number of residents at all five of the community forums on affordable housing.

Throughout 2015 and 2016, the Affordable Housing Task Force met as a full body and as committees. The Task Force also held a total of five public sessions throughout the City in March and early April 2016 to receive resident feedback regarding draft recommendations and community concerns. Hundreds of residents from neighborhoods across the city participated in these discussions through a facilitated Deliberative Democracy process. Through small group discussions, a range of community priorities were discussed. Across the city, residents reinforced the underlying assumptions of the Task Force and the data collected through the Needs Assessment: there is a need to implement policy solutions to encourage the production and preservation of low and moderate income housing citywide.

The recommendations presented in the sections that follow are concrete solutions to create a balance between enabling economic growth and supporting a vibrant and mixed-income city. The Task Force encourages the Mayor and City Council to evaluate these solutions and design policy to implement them. The members of the Affordable Housing Task Force stand willing to assist the City in the implementation of these recommendations for the betterment of all City residents.

New policies around affordable housing are foundational to our success as a 21st Century city. A stable housing situation enhances quality of life for Pittsburgh residents, and when combined with efforts to raise wages and improve well-being, will make Pittsburgh a national model for a sustainable community. This will also require a commitment to comprehensively study and review neighborhood change, expanding beyond this report's focus on housing. Through new production and preservation, Pittsburgh can set itself apart as a City that is able to grow in an equitable and inclusive manner.

Note on Resources

Throughout this document you will find references to reports and studies utilized by the Task Force. These reports inform and support the development of the recommendations. There will also be a number of technical terms used throughout that document that are defined fully in the Glossary of Terms at the end of the report.

These reports were produced for the AHTF:

Housing Needs Assessment-The Housing Needs Assessment, produced by Mullin & Lonergan Associates for the Task Force, assessed the existing conditions of the housing market, housing and demographic trends, and resident vulnerability.

Financial Feasibility Analysis-The Feasibility Analysis, produced by Peninger Consulting for the Task Force, provided a market and economic trends analysis and financial feasibility testing for inclusionary housing policies.

Additional reports that are referred to in this report include:

Market Value Analysis (MVA)- The MVA is a tool to help clarify where different housing market types exist, and what strategies are most successful in each area. This year, the URA is working with the Reinvestment Group to prepare an update to the existing MVA, which was last completed in 2013.

National Low Income Housing Coalition (NLIHC) Affordable Housing Gap Analysis- Released in 2016, this report documents the national affordable housing gap for extremely low-income households.

Building Inclusive Communities: A Review of Local Conditions, Legal Authority, and Best Practices for Pittsburgh- This report, developed by Robert Damewood, Esq. for the Housing Alliance of Pennsylvania's Building Inclusive Communities Working Group, reviewed local conditions, legal authority, and national best practices to facilitate the development of affordable housing policies for Pittsburgh. This report was released in Spring 2015.

The reports informed the discussion of the final recommendations. Along with these reports, there are other efforts currently underway, or projected to begin, that will be useful additions to the work of the Task Force. These include, but are not limited to: Greater Hill District Housing Study, Urban Land Institute Technical Advisory Study- East End Communities, HELP Initiative; The Center on Wisconsin Strategy (COWS) Report- A Pittsburgh that Works for Working People, and Housing Alliance of Pennsylvania Displacement Risk Ratio.

Additional information regarding housing in Pittsburgh can be found in the FY 2015 Annual Action Plan, the FY 2015-2019 Five Year Consolidated Plan, and FY 2015-2019 Analysis of Impediments to Fair Housing Choice (AI). The City of Pittsburgh as an entitlement community under the U.S. Department of Housing & Urban Development's (HUD) Community Development Block Grant (CDBG), HOME Investment Partnership (HOME), Emergency Solutions Grant (ESG), and Housing Opportunities for Persons with AIDS (HOPWA) Programs, has prepared and submitted these reports to HUD for review.

I. Policy Tool: Pittsburgh Housing Trust Fund

Why Does Pittsburgh Need This?

In the face of decreasing state and federal funding for affordable housing, there is a clear need to develop a local pool of resources for the City of Pittsburgh. Two of the city's primary federal allocations for rent subsidies and affordable housing production, the HOME Investment Partnerships Program (HOME) and the Community Development Block Grant program (CDBG) have decreased by 52% and 28% respectively since 2010.⁴ Existing programs, such as tenant-based vouchers, are underutilized in part due to the limited availability of housing stock that complies with U.S. Department of Housing and Urban Development (HUD) quality standards. In 2013 over 25% of the nearly \$42 million in funding for the Housing Choice Voucher program was used for other purposes because households issued vouchers could not find housing where their vouchers could be utilized; 41% of voucher recipients returned their vouchers unused. While the City's housing needs have grown in recent years, the available resources to address these needs have shrunk. A housing trust fund would provide a substantial pool of resources to directly target the most pressing needs in our City.⁵

The Affordable Housing Task Force (AHTF) recommends the creation of the Pittsburgh Housing Trust Fund (Trust Fund) with the goal of providing a substantial pool of resources to directly target the most pressing housing needs in our City. The Trust Fund would be seeded with a dedicated, substantial, sustainable investment of public dollars and the City could also pursue additional sources of financing through bank Community Reinvestment Funds and philanthropic dollars to address the affordable housing and neighborhood stabilization needs facing the City.

What is a Housing Trust Fund and How Can It Be Used?

According to the Center for Community Change, there are 471 local housing trust funds across the country. Housing trust funds systematically shift affordable housing funding from annual budget allocations to a commitment of dedicated public revenue to address a specific community's greatest housing needs⁶. This tool has gained popularity in other communities because it is a way to ensure local control over local revenue in a time when diminishing funds from the state and federal level have made securing those limited resources increasingly competitive. A well-designed housing trust fund, with devoted revenue and commitment to serving the greatest housing needs, can make a dramatic impact on residents experiencing the greatest need, while increasing neighborhood stability.

In St. Louis, Missouri, the Housing Trust Fund provided \$9.9 million in grants and loans to nonprofit agencies and developers in FY 2013/2014, with 40% of funds serving households at 20% Area Median Income (AMI) and below. In turn, 254 new homes were created, 122 homes were made accessible, and 374,454 people were provided with a variety of housing crisis services, such as counseling, rental assistance and transitional housing. The St. Louis Housing Trust Fund has been in operation since 2002.⁷

4 City of Pittsburgh Department of City Planning, Urban Design Ventures, Consultant "FY 2015-2019 Analysis of Impediments to Fair Housing Choice". Submitted to HUD April 13, 2015.

5 HUD FY 2013 Voucher Renewal Funding Awards, <http://portal.hud.gov/huddoc/2013hcvrenewfundawardspha.xls> & HUD FY 2013 Voucher Management System Summary, http://portal.hud.gov/huddoc/vms_summary_data2013.xls

6 "What Are Housing Trust Funds?" Housing Trust Fund Project. <http://housingtrustfundproject.org/our-project/about/>.

7 "Affordable Housing Commission Report to the Community 2013/2014." City of St. Louis Missouri. https://www.stlouis-mo.gov/government/departments/affordable-housing/documents/upload/Annual-Report_press.pdf.

Created in 2001, the Washington, DC Housing Production Trust Fund has produced or preserved 9,900 units providing affordable housing to an estimated 18,000 people with 40% of the funds serving households at 30% AMI and below. For every trust fund dollar invested, \$2.50 was leveraged from other sources.⁸ It is such a valuable resource that Washington, DC has just approved sustaining the fund at \$100 million dollars for the next two years.⁹

Created in 2005, the Philadelphia Housing Trust Fund has raised nearly \$109 million and assisted more than 27,000 households, with 50% of funds prioritized to households at 30% AMI and below. To date, the Fund has produced 1,482 new or rehabilitated homes, provided repairs for 2,281 homes and 12,986 heaters, improved accessibility for 1,381 households, homelessness prevention for 2,713 households, and utility assistance for 6,399 Philadelphia families. In addition over the past ten years an estimated 9,655 construction jobs were created.¹⁰

Vision and Recommendations for a Pittsburgh Housing Trust Fund

The most valuable trait of a housing trust fund is its flexibility to target needs that are unmet by other affordable housing programs. In Pittsburgh, and across the country, the vast majority of existing affordable housing programs do not target the deepest affordability needs. This need, at 30% of AMI, is in fact the level of affordability with the greatest need in Pittsburgh.¹¹

Providing housing for Extremely Low-Income (ELI) households (30% AMI) is also one of the most difficult forms of affordable housing to create. Even when developers are able to put together the resources (public and private) necessary to construct these homes, they lack the ongoing revenue from the property - primarily collected through tenant rents - to both operate and maintain the quality of the housing while continuing to keep the rents affordable to ELI households. The AHTF recommends that the Trust Fund have the maximum impact on families earning at or below 30% of AMI (\$24,300) and seek the deepest possible affordability for rents.

In addition to a focus on housing for Extremely Low-Income households, the AHTF recommends, to the extent possible, a focus on lasting affordability. Current affordable housing programs typically provide for affordability periods of 30 years or less, which then require the City to re-invest scarce resources in order to preserve affordability. There are few if any resources to support conversion to tenant ownership or acquisition of properties by a community land trust. The creation of a Pittsburgh Housing Trust Fund offers a way to meet this critical need and increase the effectiveness and sustainability of public subsidy dollars. It also offers a critical opportunity to leverage existing programs, such as Low Income Housing Tax Credits (LIHTC), CDBG and HOME. The 4% LIHTC section of the report goes into more detail about how the program could be leveraged.

8 “The Coalition for Nonprofit Housing and Economic Development.” CNHED. <https://www.cnhed.org/hptf/>.

9 “The Housing Production Trust Fund.” DC Fiscal Policy Institute. April 11, 2016. <http://www.dcfpi.org/wp-content/uploads/2016/04/16-04-HPTF-Brief.pdf>.

10 “Expanding Housing Opportunities and Revitalizing Neighborhoods.” Philadelphia Housing Trust Fund. December 2015. <http://www.phila.gov/ohcd/wp-content/uploads/2015/12/hft-ten-year-report.pdf>.

11 Damewood, Robert. Building Inclusive Communities: A Review of Local Conditions, Legal Authority, and Best Practices for Pittsburgh. Pittsburgh: Housing Alliance of Pennsylvania, 2015, establishes a figure of more than 21,000 affordability gap of units available and affordable to households with incomes of 30% and below of AMI. Mullin & Lonergan, Housing Needs Assessment. Report to the AHT, 2016, arrives at an affordability gap of 17,241 rental units for households with incomes of 50% and below of Pittsburgh Median Household Income.

Income Targeting

The greatest unmet housing need in Pittsburgh currently exists for households earning less than 30% of Area Median Income (\$24,300 for a family of four). Based on this local data as well as national best practices to specify precise income targets, the AHTF strongly recommends:

- 50% of the funds should be targeted to families and individuals earning at or below 30% of AMI;
- 25% of the funds should be targeted to families and individuals earning at or below 50% of AMI; and
- 25% of the funds should be targeted to families and individuals earning at or below 80% of AMI.

Funding the Fund

The purpose of the Trust Fund is to provide a flexible, renewable, and sustainable source of revenue to expand the supply of homes within the reach of Pittsburghers with low incomes and invest in neighborhood stabilization efforts across the city.

To achieve this goal, the AHTF recommends The Pittsburgh Housing Trust Fund be funded with a minimum \$10 million per year in sustainable revenue sources.^{12,13}

| An Illustrative Example of What \$10 million Per Year Could Produce in This Scenario | |
|--|------------|
| <i>Potential Number of Units Produced/Made Available each Year</i> | 684 |
| Production of new affordable housing at \$50,000 per unit | 54 |
| Rental Assistance at \$10,000 per unit for 12 months | 180 |
| Rental Rehab at \$10,000 per unit | 270 |
| Inclusionary Housing Cash Subsidy at \$10,000 per unit | 180 |
| Under this scenario, the Pittsburgh Affordable Housing Trust Fund could produce and/or make available 6,840 units over the course of 10 years. | |
| The Housing Needs Assessment report to the AHTF identified 17,241 unit affordability gap for households with incomes 50% and below of the Pittsburgh Median Household Income (MHI). | |

Below is a list of potential revenue streams that the AHTF vetted along with the estimated annual revenue each potential stream could generate. The Trust Fund Committee of the AHTF met 17 times, researched national best practices, reviewed potential revenue sources with city staff, and collected and analyzed extensive data.

It is important to note that any figures shown under “Estimated Amounts” are general estimates based on current conditions. Relevant City Departments would need to further evaluate any potential revenue sources for projections and reliability as part of the work involved in preparing legislation for the Pittsburgh Housing Trust Fund.

The AHTF recommends that the Housing Trust Fund have multiple revenue streams. Research of best practices showed that having multiple stream leads to stability in a trust fund. Having a single revenue stream proved to be problematic for the Philadelphia Housing Trust Fund (HTF). The Philadelphia HTF revenue comes from the deed recording fee. In 2008, when the Great Recession hit, the need for housing assistance rose while the revenue for the fund shrank due to the slump in homes sales.

¹² *Potential Number of Units Produced/Made Available each Year* - Assumes 20% of Trust Fund Assets are used to preserve existing affordable housing

¹³ *Production of new affordable housing at \$50,000 per unit* - Average gap financing in a 4% LIHTC project.

Throughout this process, the committee prioritized identifying diverse revenue streams and spreading the cost burden across multiple sectors. The potential revenue streams listed in the first table below, while initially identified as a potential options, cannot be utilized at this time because the City lacks the legal authority and will need to seek state authorization.¹⁴

| Potential Revenue Source that Require State Authorization* | Estimated Amount |
|--|------------------|
| Increase to the Hotel Tax of \$1/ room per occupied night | \$2 million/year |
| Increase to the Local Service Tax | Amount TBD |
| Commercial Development Linkage Fee (requires nexus study) | Amount TBD |

* Any figures listed are general estimates based on current conditions.

The Committee then researched if revenue for the Trust Fund could be captured from existing tax sources. The revenue streams identified below could contribute to the Trust Fund annually—and should be pursued—but are not sufficient without additional sources.¹⁵

| Potential Revenue Source from Existing Taxes* | Estimated Amount |
|--|--------------------|
| Expiring Tax Increment Financing (TIFs) | \$3 million/year |
| Expiring Tax Abatements (LERTA; Local Economic Stimulus; Act 42) | Amount TBD |
| 50% of the future growth of Wage Tax (starting year of passage) | \$1.5 million/year |

* Any figures listed are general estimates based on current conditions.

Ultimately, the Committee found new sources of revenue will be necessary to reach the minimum revenue goal of \$10 million annually. When pursuing these new sources of revenue, the Committee strongly recommends Council work to minimize the impact these sources would have on low to moderate income Pittsburghers.¹⁶

| Potential Revenue Source from Dedicated Increases* | Estimated Amount |
|--|------------------|
| ½ mil increase in the Real Estate Tax | \$8 million/year |
| 1% increase in the Realty Transfer Tax | \$9 million/year |

* Any figures listed are general estimates based on current conditions.

Should the Mayor and City Council decide to pursue potential revenue sources from dedicated tax increases, it is recommended that these be subject to a public referendum.

Lastly, The Committee research found the Housing Trust Fund will be in position to leverage funds in the private market such as pooled Community Reinvestment Act funding from local, regional, and national banks and pooled Program Related Investment funding from foundations once there is a sustainable commitment of public dollars.

¹⁴ *Hotel Tax increase of - \$1/room per occupied night* - Calculated by taking the total number of rooms in Pittsburgh multiplied by the average vacancy rate.

¹⁵ *Expiring Tax Increment Finance (TIF)* - Estimated by URA Staff and *50% of the future growth of Wage Tax* - When looking at the City Budget it is estimated that there will be growth of \$3 million annually. This is 50% of that future growth.

¹⁶ *1/2 mil increase in the Real Estate Tax* - Estimates based on presentation regarding Real Estate Tax and *1% increase in the Realty Transfer Tax* - Estimate reflects the extra revenue that would have been raised when using 2015 City Budget numbers.

Long Term Affordability

Over 1,700 of the City's affordable housing units - originally granted 15- or 30-year affordability periods - have deed restrictions that will expire over the next five years.¹⁷ While a number of these developments (16 of 37 total developments) are owned by nonprofit organizations, in some cases the expiration of the deed restrictions will put the City in the position of either having to invest its limited resources into preserving these existing units or allowing the deed restrictions to expire and potentially lose these affordable units. By adopting a lasting affordability policy as other communities have done, the city could protect the existing public investment of affordable housing.

A 2006 study of Vermont's permanently affordable housing policy highlighted an example of cost savings to the public. A 336-unit project located in Burlington was built in 1969 for \$6 million. The development was purchased and rehabilitated (with state and federal funds) by the residents in 1989 for \$12 million and ultimately assessed for \$29 million in 2005. When the Low Income Housing Tax Credit (LIHTC) period expired, Burlington spent \$340,000 for capital improvements and to maintain affordability. At the time of the report, the cost to construct 336 affordable new units was estimated at \$53-60 million.¹⁸

Based on national best practice research, as illustrated by this example, The AHTF set the goal of creating the longest possible periods of affordability for units that receive Trust Fund investment, with strong resale and recapture provisions for units that are not permanently affordable. This goal is intended to maximize the effectiveness and sustainable impact of public subsidy dollars. To meet this goal, the AHTF recommends:

- At least 50% of all housing units produced or preserved through an investment of Trust Fund dollars be affordable for 99 years or the life of the building (e.g. community land trust, tenant purchase); and
- The following minimum standards be set for all other units:
 - Rental housing: 5 years to 30 years, depending on the level of investment
 - For-sale housing: a secured loan that must be repaid upon conversion to a non-affordable unit.

The AHTF recognizes there may be challenges that come with this recommendation specific to Trust Fund investment in LIHTC projects and there will need to be further research conducted to better understand those impacts.

Supporting Neighborhood-Based Development

The AHTF determined that it is a priority to ensure that neighborhoods have the ability to protect affordable housing resources and make sure they are well managed and that there is broad-based support for the activities of the Trust Fund which are consistent with local neighborhood plans, The AHTF recommends:

1. The Trust Fund shall require all applicants for projects of four units or more to secure a letter of support from the appropriate neighborhood-based nonprofit organization(s). The Governing Board may allow for exceptions to this requirement in the following situations:

- There are no neighborhood-based nonprofits in the neighborhood where the project is located.

¹⁷ Mullin & Lonergan, "Housing Needs Assessment," 55.

¹⁸ Libby, James. "The Policy Basis Behind Permanently Affordable Housing: A Cornerstone of Vermont's Housing Policy Since 1987" (2006) <http://www.vhcb.org/pdfs/permanentaffordability06.pdf>

- The Governing Board determines that the project is necessary to affirmatively further fair housing and there is no neighborhood-based nonprofit available to participate.
 - The project addresses the rehabilitation of rental units in exchange for enforceable commitments to accept rental assistance and provide housing for special needs populations.
2. The Trust Fund shall give added weight to those projects of four or more units that have neighborhood-based nonprofit applicants or co-applicants with the ability to approve major project decisions and a right of first offer to acquire the properties.

Accessibility

The City is experiencing a severe shortage of decent, safe and sanitary housing that is accessible to people with mobility impairments and other disabilities. The local housing market is currently not meeting the demand for accessible housing.¹⁹

To address this concern, the AHTF recommends all projects that receive Trust Fund dollars, to the greatest extent feasible, include a minimum of 10% of all units accessible to individuals with mobility impairments, and a minimum of 4% accessible to individuals with sensory impairments for new construction and new housing rehabilitation projects. To the extent feasible, all units should be visitable and convertible.

Organizational Structure, Oversight and Accountability

The AHTF reviewed and researched governance models from trust funds across the country and brought together different best practices to meet the specific needs of Pittsburgh. The final model, proposed below, places a high priority on maximizing the flexibility of the Trust Fund to respond to shifting housing market conditions while ensuring community input to the operations of the Trust Fund occurs in a meaningful and ongoing way. To achieve these goals, as well as to ensure effective oversight and accountability, the AHTF makes the following recommendations.

1. The Trust Fund be run by a five-person Governing Board (three public representatives, two citizen members) that establishes Trust Fund policies and gives final approval to decisions regarding the use of funds, and an 12-person Advisory Board (three public representatives, eight citizen members) that makes recommendations regarding policies and the use of funds, and provides oversight of the performance of the Trust Fund. Members of both the Governing and Advisory Boards are appointed by the Mayor of the City of Pittsburgh and approved by City Council.

Governing Board Membership²⁰:

- One member from Mayor's Office
- One member from City Council
- One member from Urban Redevelopment Authority
- One member who represents low-income tenants, low-income homeowners, the homeless, or a neighborhood based nonprofit that serves a low-income population and resides in a CDBG-eligible census tract
- One member from the nonprofit development community

19 ACTION-Housing Inc. and Regional Housing Legal Services for the United Way of Allegheny County "Housing Choice in Allegheny County - An analysis of options for individuals with disabilities."(April 1, 2015)

20 The composition of the board should allow for representation from both the Pittsburgh Public School District and Allegheny County in the event funds are provided to the Trust Fund from either entity.

Advisory Board Membership:

- The Mayor’s Office representative on the Governing Board
 - The City Council representative on the Governing Board
 - The Urban Redevelopment Authority representative on the Governing Board
 - A representative of the Housing Authority of Pittsburgh
 - One member who is a low-income tenant earning less than 30% of AMI or who represents a Tenant Association, a majority of whose members are tenants who earn less than 30% of AMI.
 - One member who is a low-income homeowner earning less than 80% AMI or who represents low-income homeowners and resides in a CDBG-eligible census tract
 - One member from the nonprofit community
 - One member who is homeless, formerly homeless, has a disability, or is an advocate for persons who are homeless and/or have disabilities
 - One member from the for-profit development community
 - One member from the nonprofit development community
 - One member from a Neighborhood Based Nonprofit that serves a low-income population and resides in a CDBG-eligible census tract
 - One member from a lending institution
2. The Governing Board and Advisory Board make decisions at monthly meetings that are open to the public and that provide an opportunity for public comment. The agenda and minutes of these meetings should be available to the public.
 3. An audit and report of Trust Fund activities be made publicly available on an annual basis.
 4. The Trust Fund have an open and competitive selection process for all projects receiving Trust Fund investment.
 5. The Trust Fund establish an administrative services contract with the URA to perform administrative functions related to the operations of the Trust Fund and provide staff support and technical assistance to the Governing Board and Advisory Board. Specific duties should include:
 - Administration;
 - Technical review and underwriting of proposals;
 - Construction review and monitoring;
 - Approval of draw requests and disbursement of funds;
 - Loan management and servicing;
 - Reporting; and
 - Compliance monitoring and enforcement.

Next Steps: Let’s Put This Tool to Work for Pittsburgh

Immediate Goals

“Housing Trust Fund” Ordinance is introduced, passed, signed into law, and established with:

- Devoted ongoing revenue annually for the Fund;
- Established purposes for which monies in the Fund may be used; and
- To create a Housing Trust Fund Governing Board and Advisory Board.

Short-Term Goals (2016)

- The Governing Board and Advisory board will be appointed and meeting in regular session monthly and shall conduct its first meeting no later than forty-five (45) calendar days after its members are appointed.

- Meetings of the Governing Board and Advisory Board shall be public and shall be advertised in a manner designed to ensure that the decisions are open and transparent and there is opportunity for public comment. Meeting agendas and notes on proceedings will be posted publicly.
- The City will enter into contract with the URA to administer the Fund.
- The Governing and Advisory Boards determine programmatic uses of funds* and complete other necessary steps to ensure investments can be made during 2017.
- The City will have researched and proposed sufficient revenue to capitalize the Housing Trust Fund at \$10 million.

Mid-Term Goals (2017-18)

- The Trust will be operational and ready to receive and process project applications.
- The Housing Trust Fund will have multiple devoted revenue streams that will produce \$10 million in annual revenue.
- Coordinate legislative efforts, with partners across the commonwealth when possible, to secure revenues that require state authorization.

***Recommended Programmatic Uses for Consideration by Advisory and Governing Boards**

These recommended uses are not intended to predetermine which programs the Trust Fund should select, but to provide examples that show the intent of the AHTF in recommending a trust fund. The AHTF recommends the Pittsburgh Housing Trust Fund support projects that focus on the following:

- Ensuring that Pittsburgh's communities are economically diverse by ensuring that there are homes that are affordable to people of all income levels throughout the city. The fund will be used to ensure that communities experiencing rapid growth and becoming unaffordable continue to offer both owner-occupied and rental options that are quality, available and affordable to people with incomes at or below 80% AMI, with a specific focus on people with incomes at or below 30% AMI.
- Ensuring that there is an adequate supply of homes that are affordable and available to people experiencing homelessness or at imminent risk of homelessness. Funds can be used for rental assistance, rapid re-housing, permanent supportive housing, housing first and/or other homeless housing purposes that benefit people living on 30% AMI or below, especially youth, families, veterans, people who are chronically homeless and those with disabilities.
- Ensuring that people with low-incomes (80% of AMI and below) have access to quality rental homes. Funds can be used to rehabilitate rental housing that is privately or publicly owned and occupied by someone with a low income, or used to augment development through public investment or subsidy program that benefits people with low-incomes such as, but not limited to, the Low-Income Housing Tax Credit.
- Ensuring that the City invests in and rebuilds homeownership for people of modest means; specifically, people with incomes at or below 80% AMI. Funds can be used for home rehabilitation or repair, homeownership counseling pre- or post-purchase, closing costs payment assistance, foreclosure prevention and mitigation, and tangled title assistance when other resources are unavailable.
- Ensuring that housing investments remain affordable over the long term, to be defined as no

less than 30 years, but with a goal of 99 years or in perpetuity. This includes but is not limited to restrictive covenants, Community Land Trusts, shared-equity and deed-restricted housing.

- Ensuring that neighborhoods are revitalized by investing in and reusing properties that are abandoned, vacant and/or in need of repair. This includes but is not limited providing resources to secure & maintained vacant and abandoned properties to prevent further deterioration.

II. Policy Tool: Increasing Utilization of 4% Tax Credit (LIHTC)

Why Does Pittsburgh Need This?

The Low Income Housing Tax Credit (LIHTC) program is an indirect federal subsidy used to finance the construction and rehabilitation of low-income affordable rental housing. The tax credits give investors a dollar-for-dollar reduction in their federal tax liability in exchange for providing financing for the development of affordable rental housing. This investor equity contribution subsidizes low-income housing development, thus allowing some or all the units to rent at below-market rates. In return, investors receive annual tax credits for a period of 10 years. The owners of the LIHTC development must keep the units rent restricted and available to low-income tenants for 30 years.

The Pennsylvania Housing Finance Agency is the state housing finance agency which receives an annual allocation of federal LIHTCs from the Internal Revenue Service. In any given year, the City of Pittsburgh typically closes (i.e. starts the construction of) between two and five developments through the 9% LIHTC program (explained below). Some of these developments are 100% affordable, while others are mixed-income developments, where a portion of the units are affordable and the balance of the units are rented at market rate rents. The affordable units are the only ones that would receive LIHTC equity. Most newly constructed tax credit developments have between 20 and 70 affordable units. Existing tax credit developments where LIHTC is used to preserve the project's affordability may have as many as 150 units. Therefore, there are usually between 100 and 250 affordable units constructed or preserved through the 9% LIHTC in Pittsburgh each year.

The 4% LIHTC program is an underutilized source of funding for mixed-income and 100% affordable developments. Key opportunities for Pittsburgh to increase the number of projects using the 4% tax credit include:

- Supporting the acquisition and moderate rehabilitation of existing housing stock;
- Supporting the recapitalization and preservation of existing affordable housing stock in need of moderate rehabilitation;
- Financing development for mixed-income housing, with mixes ranging from 20% affordable units at 50% or below of AMI to 100% affordable projects; and
- Leveraging proposed financing from the Pittsburgh Housing Trust Fund.

While the 4% tax credit does not provide the same level of equity generation as the highly competitive 9% LIHTC, it could be effectively used for the preservation of existing affordable housing. Developers can use the 4% LIHTC in combination with other sources to acquire scattered site housing units to rehabilitate.

A recent example of a situation where 4% LIHTCs worked well for the preservation of affordable housing involved the moderate rehabilitation of a 100-unit affordable housing building. The project involved upgrading the HVAC system, replacing the roof, and performing minor unit repairs, in addition to a number of other small repairs. The total development cost for this project was \$11.25 million. As you can see below, this project would not have been possible without the \$3 million from the tax credit equity created by the 4% LIHTC program.

| An Illustrative 4% Tax Credit Project Budget - The Preservation of 100-unit Affordable Housing Building | | | | |
|---|--------------|--|--------------------------|--------------|
| Source | Amount | | Use | Amount |
| Bank Loan | \$4,250,000 | | Acquisition | \$4,500,000 |
| Seller Note and Subordinate Loan | 4,000,000 | | Rehabilitation Costs | 3,700,000 |
| | | | Prof. & Financing Fees | 1,100,000 |
| 4% LIHTC Equity | 3,000,000 | | Reserves, OH, Soft Costs | 1,950,000 |
| Total | \$11,250,000 | | Total | \$11,250,000 |

How can the 4% Low Income Housing Tax Credit Program Be Used?

The LIHTC program (9% and 4%) is designed to cover the gap between the cost of developing an affordable rental property and the size of the first mortgage financing (i.e. debt service; loan) that the property can support given that it contains rent-restricted units affordable for households at 60% median income or below.²¹ The 9% program is able to cover nearly 90% of the cost of development but is distributed through a highly competitive application process. Moreover, the federal government allocates a limited amount of the 9% tax credits to each state. In light of these challenges and the need to increase the number of available affordable units, the AHTF recommends for the City to investigate ways to better utilize and leverage the 4% LIHTC program.

Doing so will not be without its challenges. Most notably, the 4% program produces less than half of the funding that the 9% program provides. As such, the 4% tool often needs to be packaged with other municipal, state, federal, and/or private funding sources, to the extent that these sources are available. However, in all situations, the 4% credits must be used in combination with tax-exempt bond financing. This type of debt financing offers lower interest rates than traditional debt financing, thereby increasing the amount the project is able to borrow.

According to the Federal Tax Code, developments using tax-exempt bond financing are required to meet the following criteria:

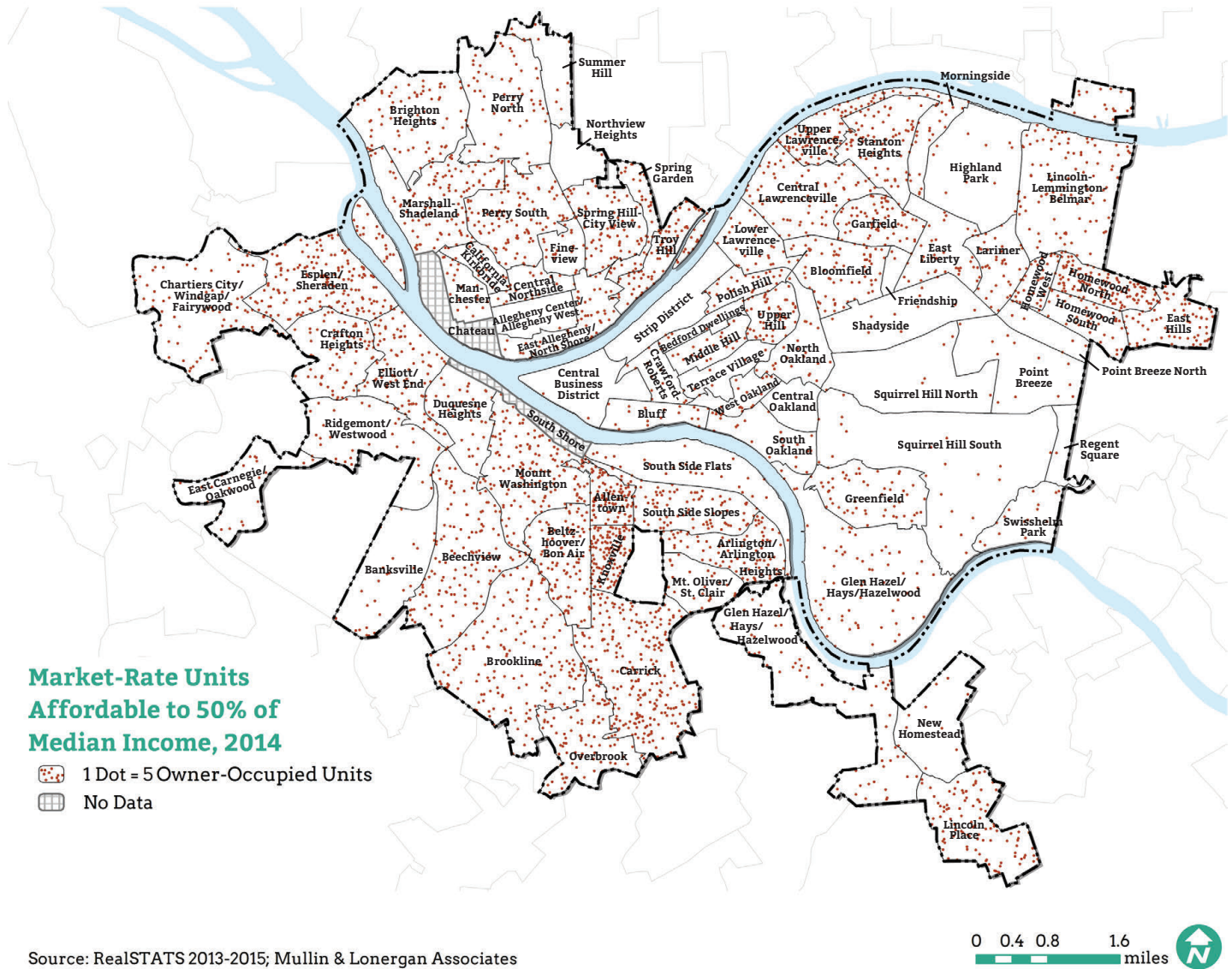
- At least 40% of the units are sold or rented at an affordable rate for families at 60% AMI or below; or
- At least 20% of the units are sold or rented at an affordable rate for families at 50% AMI or below.

While utilizing the 4% LIHTCs can work well for affordable housing preservation projects, as illustrated above, they may not be able to fill the funding gap in more costly rehabilitation or new construction projects. However, in a mixed-income development where the market rents are high enough to help subsidize the development of the affordable units then the equity generated from the sale of 4% tax credits could potentially be large enough to sufficiently fill any financing gap. The AHTF recommends further study of the effectiveness of this tool for Pittsburgh’s emerging housing markets.

There are positives and negatives to using the 4% credits for acquisition and rehabilitation projects, whether they are large or small. Large rehabilitation projects of approximately 100 units with rehab costs of approximately \$40,000 per unit are able to more easily absorb the various financing and legal fees inherent in LIHTC projects. As such, packaging two 50-unit rehabilitation properties may be an ideal way to preserve the affordability of smaller scale buildings while offsetting these transaction costs.

21 “Increase the Availability of Affordable Homes.”Center for Housing Policy, National Housing Conference. http://www.housingpolicy.org/toolbox/strategy/policies/4_percent_tax_credit.html

Number of Market-Rate Owner Units Affordable to 50% of the City's Median Income

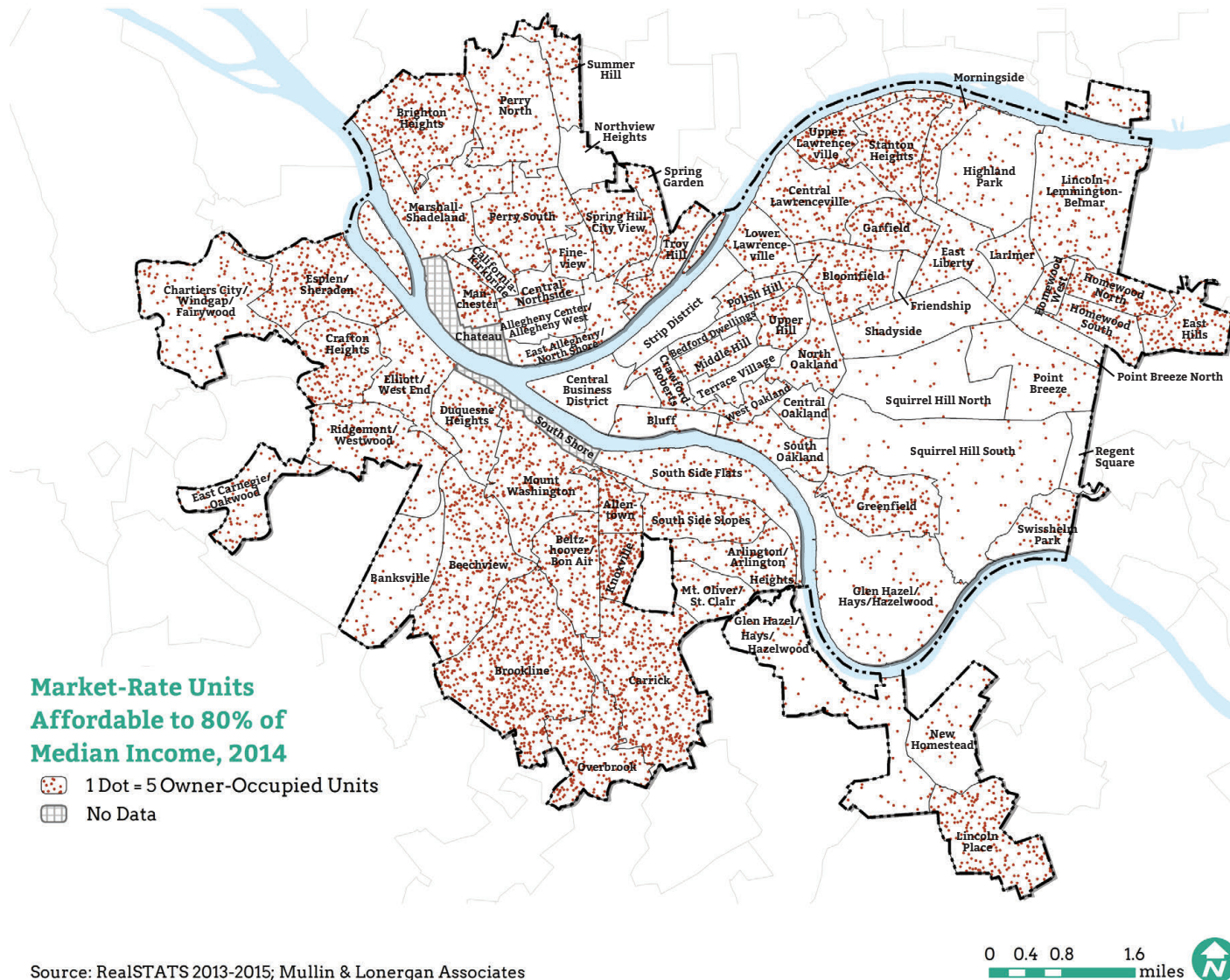


Source: RealSTATS 2013-2015; Mullin & Lonergan Associates

Many of Pittsburgh's neighborhoods correspond precisely to one tract. Some of the smaller ones share one or more tracts with other neighborhoods; in these instances the neighborhoods were grouped together into a single unit.

Figure 5: Market Rate Rental Units Affordable to 50% of the City Median Income

Number of Market-Rate Owner Units Affordable to 80% of the City's Median Income



Source: RealSTATS 2013-2015; Mullin & Lonergan Associates

Many of Pittsburgh's neighborhoods correspond precisely to one tract. Some of the smaller ones share one or more tracts with other neighborhoods; in these instances the neighborhoods were grouped together into a single unit.

Figure 6: Market Rate Owner Units Affordable to 80% of the City Median Income

Vision and Recommendations for Increasing 4% LIHTC Usage in Pittsburgh

In strong markets, there is the potential for developers to use the 4% tax credits in combination with other incentives and funding to leverage more affordable units in otherwise purely market-rate developments. In other words, by using this mixed-income approach, developers can package the 4% credits with traditional loan and equity financing to make affordable housing production more feasible. The City should work with both market-rate residential developers, PHFA, and other partners to determine existing barriers to this approach and work to address the same and streamline the process in order to unlock this power tool. Several specific challenges to address are outlined below.

- Including 4% tax credits adds complexity, reporting, and monitoring to a project that otherwise may not have these restrictions. As such, there is likely a steep learning curve for a purely market-rate developer in using the program. The AHTF recommends for the City and PHFA to explore conducting trainings for market-rate developers to learn about the 4% LIHTC program in order to help reduce this learning curve.
- The AHTF recommends holding a developer and investor forum in order to discuss and develop potential solutions to the following challenges:
 - Traditional capital markets require returns between 15% and 25%. These returns are difficult to achieve in 4% LIHTC developments.
 - The 4% tax credit requires the tax credit investor is part of the ownership structure. This can present a challenge for traditional equity investors who would also hold an ownership stake.
 - Tax credit investors often view the 4% LIHTC deals as opportunities to build and strengthen relationships with an affordable housing developers rather than for the business terms itself, given the lower yields. As such, a market-rate developer with a single project may have difficulty attracting an investor for the credits at a competitive rate.

As discussed and illustrated earlier, the 4% LIHTC can be used as an effective tool to preserve affordable housing stock in need of a moderate rehab. In these situations the equity raised from the 4% tax credits, in combination with a HUD-insured mortgage, have the potential to provide the gap financing needed to preserve the affordable housing for another 30 years. The AHTF recommends that the City and URA market this approach to projects nearing the end of their deed restrictions. This recommendation pairs with the recommendation for a preservation database discussed under the Preservation of Housing and Protection of Residents section.

Another potential way to utilize the 4% LIHTC would be as a neighborhood stabilization tool. The tax credit would provide a highly valuable resource to acquire and rehabilitate existing vacant and dilapidated buildings. A block-by-block strategy could be used in neighborhoods where there is significant need and done in conjunction with a broader mixed-income approach. In this scenario, market-rate units would be able to help finance the gap. The AHTF recommends further investigation and exploration around creating a program to facilitate and administer this process.

Recognizing that the 4% tax credits may not always be enough to fill the financing gaps on projects, in addition to the creation of the Pittsburgh Housing Trust Fund, the AHTF recommends the City take the following actions:

- Work with PHFA, the Pennsylvania Department of Community and Economic Development and Department of Revenue, and the PA State Legislator to establish a state (i.e. not federal) Low In-

come Housing Tax Credit program. Similar programs already exist in 17 states plus the District of Columbia.²² Many of these states allow developers to use both the state LIHTC and either the 9% or the 4% federal LIHTC in the same development. This may be one way to drastically reduce the financing gaps generated by the 4% federal LIHTC and increase the utilization of this tool.

- Work with developers to utilize and the Housing Authority of the City of Pittsburgh (HACP) to continue and expand their competitive process for gap financing and project-based vouchers. Through this program HACP would be able to provide gap financing to 4% LIHTC project with HACP Project-Based Vouchers, thereby lessening or eliminating the need for additional subsidy. The Project-Based Vouchers represent deeply affordable units for the residents while helping to provide a secure operating stream for the project.

Next Steps: Let's Put This Tool to Work for Pittsburgh

Immediate Goal

- Convene a forum for developers interested in producing mixed-income housing to discuss the issues outlined above and determine recommendations and solutions.

Short-Term Goals (2016)

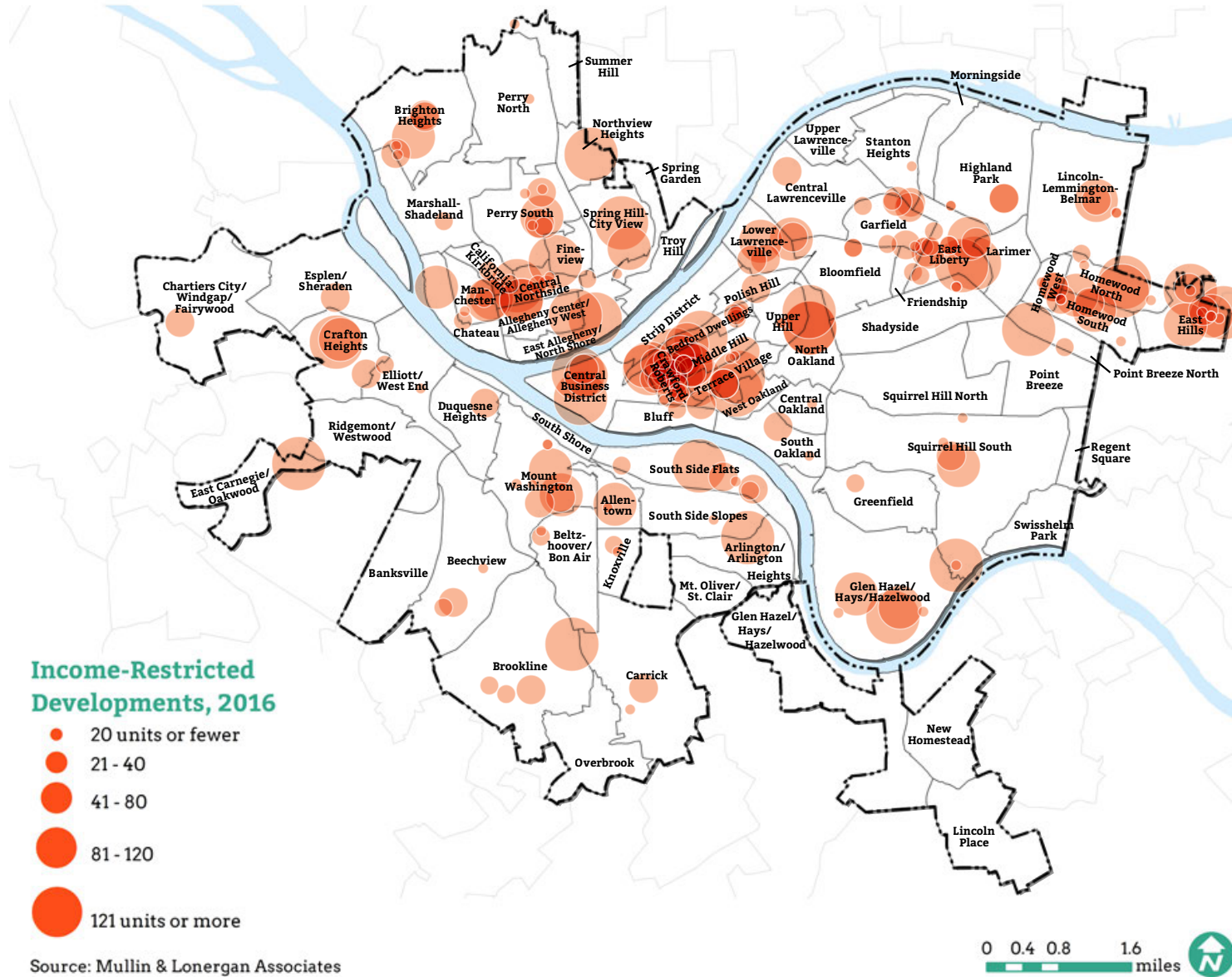
- Identify a source for the Affordable Housing Trust Fund. It is imperative that the City and URA have a source of funds to fill the gaps often generated in 4% LIHTC developments. This is an important tool in ensuring the successful implementation of a broader strategy to increase the utilization of the 4% tax credits.
- Conduct developer education on: Applying for the 4% LIHTC and volume cap (i.e. tax exempt bond) authorization from PHFA; and closing the financing package.

Mid Term Goal (2017-18)

- Fund pilot projects to demonstrate the effectiveness and feasibility of the 4% LIHTC program for the range of project types discussed above. This will help to evaluate which project types currently represent the most effective avenues for increasing the utilization of this tool in Pittsburgh.

²² "Low Income Housing Tax Credit: State Programs." Novogradac Affordable Housing Resource Center. http://www.novo-co.com/low_income_housing/lihtc/lihtc_state_programs_descriptions.php.

Developments with Income-Restricted Units in 2016

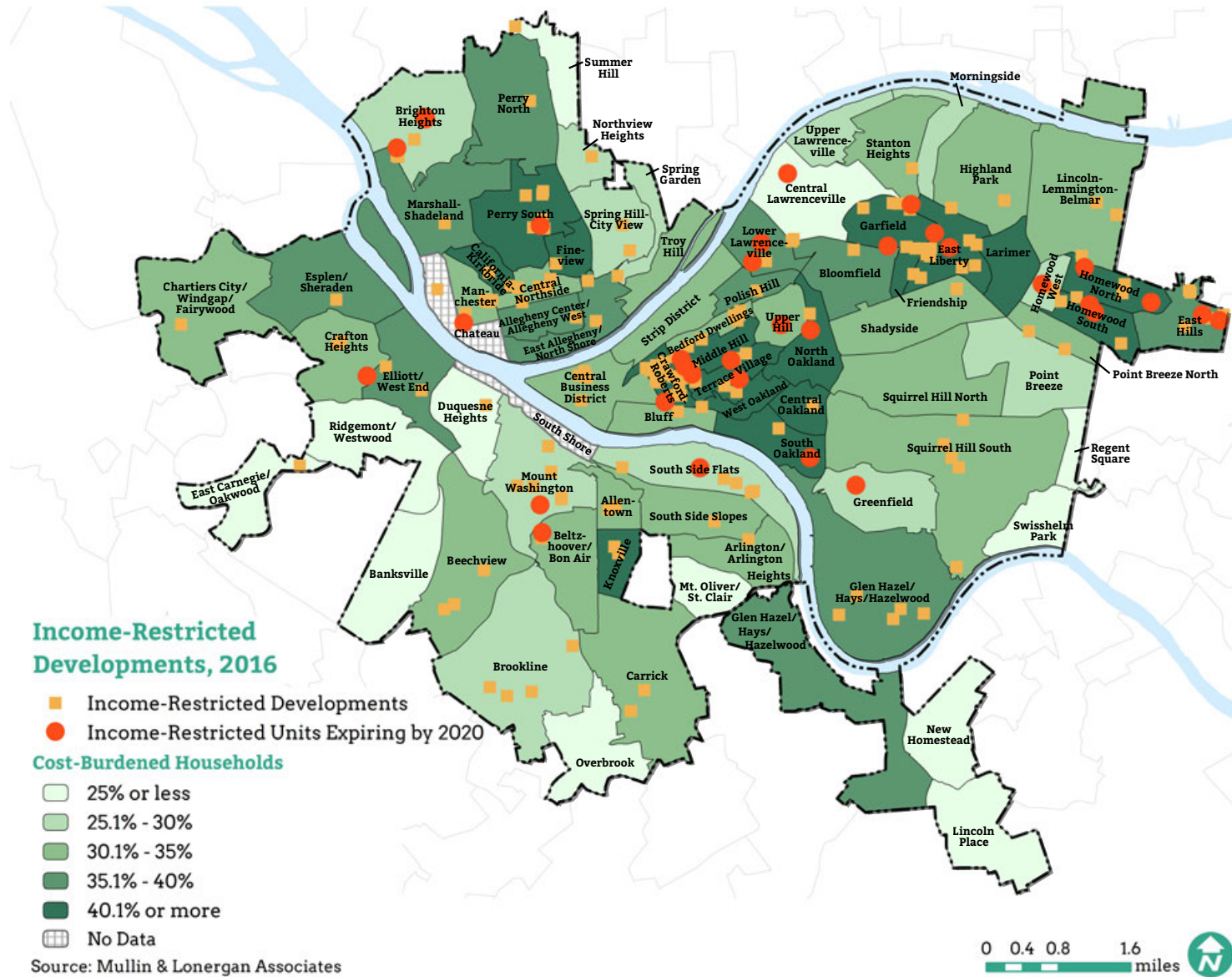


Source: Mullin & Lonergan Associates

Many of Pittsburgh's neighborhoods correspond precisely to one tract. Some of the smaller ones share one or more tracts with other neighborhoods; in these instances the neighborhoods were grouped together into a single unit.

Figure 3: Developments with Income Restricted Units, 2016

Income-Restricted Units Set to Expire by 2020



Many of Pittsburgh’s neighborhoods correspond precisely to one tract. Some of the smaller ones share one or more tracts with other neighborhoods; in these instances the neighborhoods were grouped together into a single unit.

Figure 4: Income Restricted Units Set to Expire by 2020

III. Policy Tool: Preservation of Housing and Protection of Residents

Why Do We Need Preservation in Pittsburgh?

Celebrating its bicentennial, with 200 years of history and experience in providing shelter for its citizens, Pittsburgh is at a point in its evolution where there is great need, significant constraints, and unrealized opportunities to meet all its residents' housing needs. At this moment, the City finds itself poised to grow, to welcome new residents into its boundaries. For the first time in decades, market rate housing development is able to occur with little to no public subsidy. The upper boundary of our real estate market is increasing in value at a rapid rate and there are many positive outcomes brought with this. However, without conscientious, intentional supports built into the system, the unintended consequence is that the entire market, including the lower ends, are also rising, vastly outpacing wages and creating housing insecurity for many individuals and families. The dynamic creates an urgency to implement a wide array of interventions that work towards housing stability, as the foundation for economic stability, across the City.

Analysis has shown that of the roughly 150,000 residential units which currently exist in the City, there is still a shortage of more than 17,000 unit of affordable housing for households at or below 50% of Pittsburgh Household median income²³. There has been significant work completed by the Affordable Housing Task Force to provide recommendations and options on how to address this critical unmet need.

In addition to increasing the resources and policies in place to create new affordable housing units, we also need to understand and protect our existing supply of housing of all types in order to ensure the City can make meaningful progress in expanding available housing opportunities. The preservation of our current housing stock is a core component to comprehensive affordable housing policy. In fact, national research has shown it is on average 40% more economical to preserve an existing unit than it is to create a new one.²⁴ With Pittsburgh's older housing stock and significant topographic variation the cost to renovate or restore a unit in Pittsburgh is often more expensive than in most other areas of the country, so the average savings may not be as great here. The AHTF is recommending the City of Pittsburgh include, alongside and in coordination with the suite of other recommendations, a series of measures which are targeted to preserving our existing supply of affordable housing; maximizing the sustainability of future investments in affordable housing development; and protecting low and moderate income residents.

What is Preservation of Housing and How Can It Be Used?

For purposes of this report, we distinguish between two types of rental housing: 1) Deed-or-Income Restricted (D/IR), and 2) Naturally Occurring Affordable Housing (NOAH). D/IR refers to those units of housing, almost entirely rental, which are affordable at some level (e.g., 30, 50, 80% AMI) due to a legal restriction placed on the unit(s), usually based on its funding source. This restriction has a corresponding timeline, most often 30 years or less. After the restriction expires, the regulated rent ceiling goes away and the unit(s) are then able to be priced according to what the market may allow. Conversely, NOAH refers to units – rental or homeowner – which are currently affordable to the occupant due to the natural market conditions, either in the monthly rent or mortgage payment and corresponding utility and maintenance costs.

There are currently 15,809 units of D/IR housing in the City of Pittsburgh that were constructed over the 23 Mullin & Lonergan, "Housing Needs Assessment," 6. The report notes that there are 132,379 occupied units (i.e. households), and an additional 22,563 units that are vacant, including units listed for sale or for rent.

²⁴ National Low Income Housing Coalition, "National Housing Trust Fund" Report, 2015.

last 20-30 years. Of this total, 1,729 units of D/IR housing will lose their restrictions over the next five years.²⁵ placing another 1,729 individuals or families at potential risk of being ‘priced out’ of their home and looking for another place to live. While the other recommendations included in this report provide for the creation of new units, there are many interventions – legislative and programmatic – which have proven effective at keeping these units affordable, thereby keeping residents in place and allowing those experiencing more significant housing cost burdens to inhabit the newly created units.

At the time of this report, there is a substantial amount of rental and homeowner NOAH in the City. As Figures 3 and 4 illustrate, there is a significant amount of both rental and owner-occupied NOAH across the city for households at the median household income. Figures 3 and 4 on page 22, where there are rental NOAH units affordable to households at 50% of the median household income and owner NOAH units affordable to households at 80% of the median household income, respectively.

Vision and Recommendations for Preservation of Housing in Pittsburgh

The national trends in preserving the existing supply of affordable housing include comprehensive, continuous data management; extending the life of affordability through refinancing or additional requirements in initial funding; tenant protections; and pools of funds for rehabilitation by owners and landlords.

The recommendations addressed in this section of the report all fall within the above categories of national best practices, with references to specific existing programs or legislation, while accounting for local conditions and landscape.

1) Preservation of existing deed-restricted affordable housing

1.1 Create a Local Preservation Program, including a Preservation Database, as well as explore a Preservation Compact, or Ordinance.

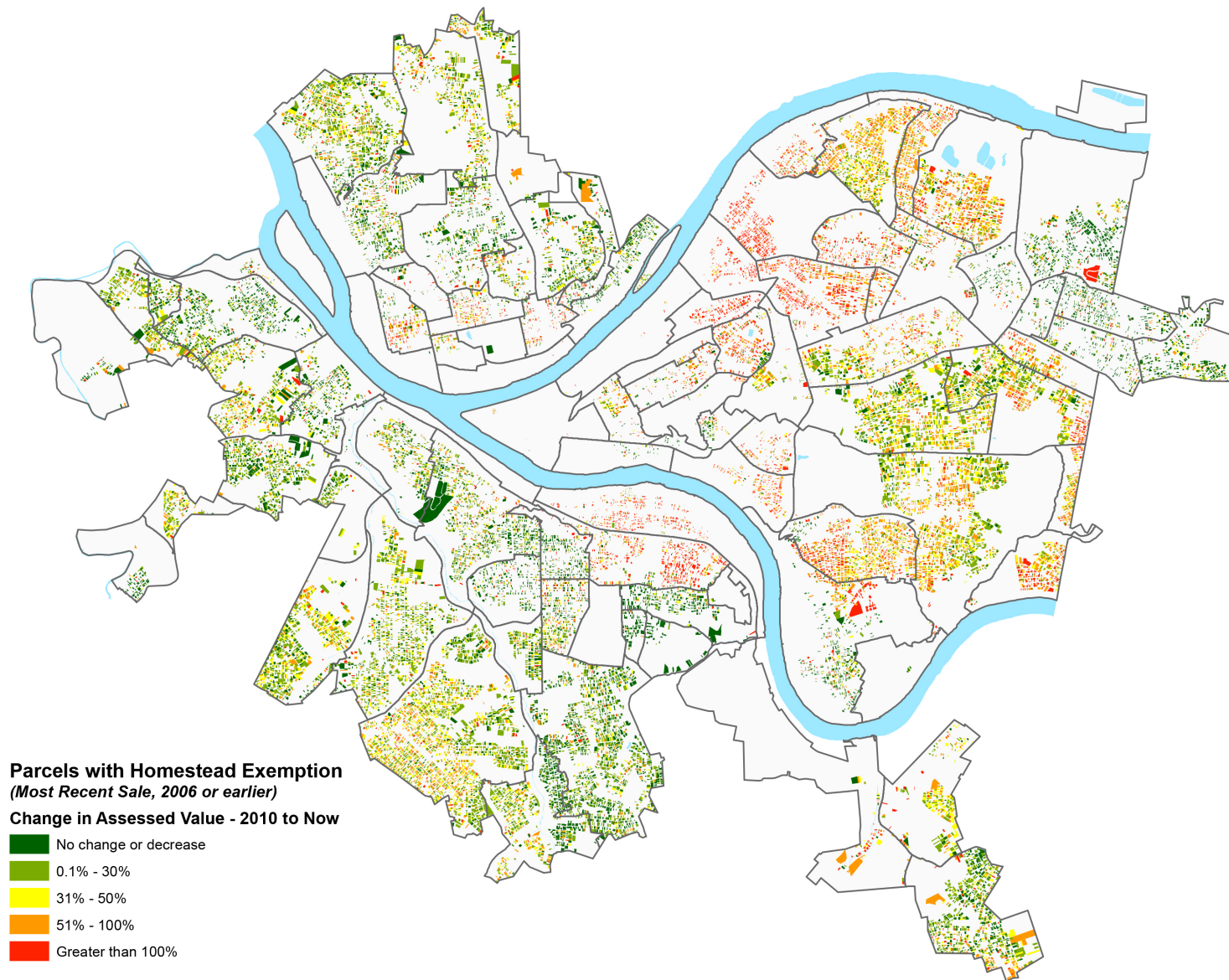
A centralized repository of information regarding the existing units of D/IR can provide critical information that the City currently does not have. One possible place to host this could be the Western PA. Regional Data Center. It should be publicly accessible and would allow for monitoring of property conditions and use limitations through the life of each unit’s restriction. This database should have dedicated staff and oversight to ensure the coordination and alignment of resources and the multiple entities involved in these projects. It will serve the purposes of monitoring compliance, providing an understanding of the quality of the existing stock, and act as an ‘early warning system’ to provide the City and related public and private agencies advanced notice (e.g., 12 months) on upcoming releases of use restrictions as well as overall conditions of the property. California²⁶ and Washington, D.C.²⁷ have existing models that the Task Force recommends for further study.

When a unit or building with multiple units is set for expiration, the advance notice should trigger a coordinated conversation amongst parties to provide the opportunity for the public sector, in possible partnership with the private sector, to keep deed-restricted units affordable after the expiration of restric-

²⁵ Mullin & Lonergan, “Housing Needs Assessment,” 51.

²⁶ “Requisite Analysis.” California Department of Housing and Community Development (HCD). http://www.hcd.ca.gov/housing-policy-development/housing-element/ehn_atrisk.php.

²⁷ Taitan, Peter A., and G. Thomas Kingsley. “District of Columbia Housing Monitor.” Neighborhood Info DC. December 2008. <http://www.urban.org/sites/default/files/alfresco/publication-pdfs/1001153-District-of-Columbia-Housing-Monitor.PDF>.



Many of Pittsburgh's neighborhoods correspond precisely to one tract. Some of the smaller ones share one or more tracts with other neighborhoods; in these instances the neighborhoods were grouped together into a single unit.

Figure 5: Change in Assessed Value for Longtime Owner-Occupants

tions by intervening at a number of possible points in which refinancing, recapitalization, or a possible sale of the development may be desired by the current ownership structure.

Directly related to the creation of a local preservation database, the Task Force recommends enacting a preservation ordinance. This policy would require a pre-emptive action on the part of the owner of deed-restricted affordable housing in advance of selling the property or increasing the rents above existing affordability restrictions (once moving from D/IR into unrestricted or market-responsive). The purposes of this action would be to allow the City, a public agency, or the tenants/community the opportunity to step in and preserve the affordability through negotiating a purchase. It could take one of two recommended forms:

- A purchase option/right of first offer for tenants or a tenant-endorsed nonprofit.²⁸
- A 12-month advanced notification to the City or URA (mirroring HUD's 12-month notice requirements), in cases where funding from the City, URA, or Trust Fund (above) was involved in the creation of the project, along with a policy to pursue negotiated purchase or eminent domain.²⁹

There are a number of questions for further consideration, including the particular administrative aspects of such a database, the need for additional staff, as well as City legal authority to enact tenant opportunity to purchase laws, among others. This may warrant consideration of creating a specific working group to further study the details of this recommendation.³⁰ The Task Force recommends this working group, if created, report back to Council with its findings by the end of 2016.

1.2 Related Initiatives by Other Entities

The Task Force recognizes the significant role the Housing Authority of the City of Pittsburgh (HACP) plays with regards to D/IR housing. In fact, as operator of nearly 3,000 units of D/IR housing, coordination and partnership to the greatest extent possible, is to the benefit of both HACP and the City of Pittsburgh. The Task Force recommends the City work directly with HACP on the following initiatives and policy opportunities:

- One-to-one replacement housing - Work with HACP to develop and adopt a one-for-one replacement housing policy.^{31,32} In particular, replacement housing should not continue to include vouchers from the Housing Choice Voucher program, where the tenants is are responsible to find their own housing on the private market, in place of actual units, beyond a de minimis amount. Although this option should be provided to any tenant, should she/he/they desire it. The number of units replaced should also be determined by the number of existing standing units, not just currently occupied units.
- Leverage Move-to-Work Flexibility Extension – As one of the few Move-to-Work public housing authorities, HACP has greater flexibility to implement various programs and initiatives as well as additional financial resources. The recent extension of the program provides even more opportunity to partner with the HACP in ways previously not considered. The Task Force recommends

28 Kass, Benny L. "D.C. Landlords Must Give Tenants a Chance to Buy Property." Washington Post. July 17, 2004. <http://www.washingtonpost.com/wp-dyn/articles/A54955-2004Jul16.html>.

29 "Chapter 3001 Affordable Housing Preservation and Portland Renter Protections." The City of Portland Oregon. November 13, 2015. <https://www.portlandoregon.gov/citycode/?c=28481>.

30 "Strategies That Work: Preserving Affordable Rental Housing." The Preservation Compact - A Rental Housing Strategy for Cook County. 2014. <http://www.preservationcompact.org/>.

31 "Replacement Housing." Seattle Housing Authority. <http://www.seattlehousing.org/redevelopment/replacement/>.

32 "One-for-one Replacement." City of San Francisco. <http://administrative.sanfranciscocode.org/41/41.13/>.

deeper exploration of the Move-to-Work program with a set of recommendations on partnership and programming be made no later than the end of 2016.

- Bridges Beyond Blight Pilot Program – In the summer of 2016, Mayor Peduto and his Administration created a concept paper/pilot program proposal which monetizes the value of an equivalent Housing Choice Voucher payment and couples that funding with more traditional financing to invest into stabilizing existing structures using local contractors, and moving an individual or family into a renovated unit, keeping funds available in a maintenance pool in escrow, e.g., as well as potentially moving the family onto the path of homeownership. While the myriad of components may not all be able to be realized in a single program, the concepts and innovative use of federal funds merit deeper consideration.

2) Lasting affordability requirements on public funding

Attaching longer terms, such as “99-year” or “life of the unit” terms, to all local public agency loans and grants to affordable housing developers (see Housing Trust Fund recommendations) will maximize use of City resources and ensure housing opportunities for future generations. Currently, most City funding requires 10, 15, or 30-year terms of affordability. Shorter-duration control periods can result in a loss of affordable units and thus a loss of the public investment for the jurisdiction. This, in turn, requires the jurisdiction to invest more resources just to maintain existing affordable housing stock. In evaluating the structure of lasting affordability requirements, the City should study how best to monitor compliance, methods for enforcement, and provisions for adequate property maintenance reserves.

2.1 Provide for preservation activities in the Housing Trust Fund

The Task Force recommends the creation of the Pittsburgh Housing Trust Fund, as described earlier. We also recommend that the Trust Fund have the ability to be used in supporting the preservation of D/IR and NOAH – both rental and homeownership. We acknowledge the current market challenges are more acute for low and moderate income renters. However, preserving and stabilizing both our existing homeowners and the existing housing stock that can be used to provide opportunities for transitioning renters into homeownership should also be considered as viable, necessary solutions to easing some of the pressures on the rental market. If preservation activities targeted at homeowners are not strong and more homeowners transition to renters, we risk creating more stress in this area.

As discussed above, it is also important that the Trust Fund prioritizes lasting affordability. We recommend the City explore mechanisms to attach affordability time requirements to any funding from the Trust Fund on both the creation of new units as well as in the dollars used towards preservation activities discussed in this section.

2.2 Define and set thresholds for when public subsidies and benefits trigger preservation restrictions

As the City further clarifies the definition and types of investment it considers to be public subsidy when concerning new affordable housing development, the Task Force recommends the same be considered pertaining to preservation requirements. More specifically, the preservation of existing affordable units should be considered as eligible activities under the expanded use of the 4% LIHTC and/or as part of the requirements which may be considered and set in any Inclusive Housing Ordinance. We recommend the City specifically consider both targets as well as minimum thresholds specific to preservation. Further exploration by staff on national best practices and local application should be completed in coordination

with the timelines of the other recommendations.

2.3 Related Initiatives by Other Entities

The Task Force recommends the City seek lasting affordability requirements on state agency resources. We acknowledge the significant role the Pennsylvania Housing Finance Agency (PHFA) plays in funding a majority of D/IR units-both new construction as well as preservation. The Task Force recommends the City engage in advocacy at the state level for lasting affordability related to PHFA financing or LIHTC award to a 50-year period, an increase from the current 30 year requirement, as was done in the 2016 PHARE Plan.³³ This could be accomplished by awarding bonus points to sponsors who either commit to a term of affordability of 50 or more years³⁴, and/or provide for a larger maintenance reserve to maintain the quality of the housing over the longer period.

Similarly, the Task Force recommends the City work closely with the URA to provide a strong preference for projects that provide commitments or partnership structures which better ensure lasting affordability periods. When requesting gap financing, these projects could: provide either an enforceable commitment to maintain affordability for the “life of the unit” or 40 to 50 years; be proposed by a neighborhood based nonprofit organization (as defined in the Housing Trust Fund section); or be a joint venture with a nonprofit partner (who is recognized as a capable developer) who has a right of first offer to acquire the project at the end of the affordability period.

In addition to placing lasting affordability requirements, which can be placed on the front end of a project at the financing stage, these terms can also be placed onto projects at the redevelopment or refinancing phase of existing deed-restricted affordable housing. When purely affordable developments are transitioning into mixed-income or an existing mixed-income project is looking to re-capitalize and utilize public resources, the City should ensure that affordable units stay in place to the greatest extent possible. In addition to the consideration of public resources, there is also opportunity to prioritize or award additional points to proposals received by various public agencies where the developer or owner proposes to set aside a portion of their own revenues to subsidize the ability to sustain affordable units within their project for the life of the unit(s). The Task Force recommends the City work with these agencies, including HACP, the URA, the Pittsburgh Land Bank, and Pittsburgh Housing Development Corporation to consider and implement policies which do this.

3) Naturally Occurring Affordable Housing (NOAH)

In the community forums, a majority of participants expressed the need to support existing homeowners, improve existing rental housing, and provide resources for the rehabilitation of Pittsburgh’s existing housing stock – all items which fall under the umbrella of ‘naturally occurring affordable housing,’ NOAH. The Preservation Work Group expanded its horizon to encompass this feedback and engage in initial explorations around preservation of NOAH. As part of these discussions and due diligence, several themes emerged:

- There are several existing relevant ordinances which can be more fully utilized to make an impact

³³ “Act 58 of 2015.” The Pennsylvania General Assembly. <http://www.legis.state.pa.us/cfdocs/legis/li/uconsCheck.cfm?yr=2015>.

³⁴ “Supporting Permanently Affordable Housing in the Low-Income Housing Tax Credit Program: An Analysis of State Qualified Allocation Plans.” National Community Land Trust Network. January 2013. http://www.uno.edu/cola/planning-and-urban-studies/docs/NelsonSorcerNCLTN_LIHTC_Final2013.pdf.

on these issues;

- There are challenges in the homeownership market that need to be more fully addressed;
- There is a need for additional tenants and landlord support; and
- There are numerous programmatic interventions, including coordination of existing resources and pursuing new opportunities.

The following recommendations to preserve existing affordable housing and protect existing homeowners and renters are reflective of the initial findings of the Preservation Work Group. All require more research as an immediate next step.

3.1 Defend and fully implement existing ordinances

NOAH includes a portfolio of properties which are occupied or unoccupied, tenant or owner-occupied. To best protect this existing supply, there are already a series of ordinances which have been signed into law in the City of Pittsburgh which can make further impact. These include: Rental Registration (2014-1020, signed 12/18/2015), Source of Income Discrimination (2015-2062, signed 12/18/2015), Vacant Property Registry (2013-1666, signed 10/1/13), and the Pittsburgh Land Bank (2014-0025, signed 4/22/14). Each one of these ordinances has already been through the legislative process and has the ability to interact with and positively impact Pittsburgh's housing market.

Having a strong rental registration program can be instrumental in monitoring the overall quality of NOAH, in order to better protect residents' health and safety. Pittsburgh enacted a rental registration ordinance in December 2015, but implementation has been stayed pending legal challenge. The Task Force recommends fully defending this legislation so that it may be implemented as soon as possible.

Adding 'Source of Income' to the City's Code for protected classes serves to ensure that individuals and families cannot be discriminated against for their income, as long as it is a legal source of funds. While this ordinance further achieves the fair housing goals of the City, it is also facing legal challenge. The Task Force recommends the City also fully defends this legislation so that it may be implemented as soon as possible. Upon a successful defence, there will be implementation challenges for the City to address, specifically with HACP. The Task Force recommends the City work closely with HACP, the Pittsburgh Commission on Human Relations, and the PA Human Relations Commission through the implementation process, including coordinating and working with both landlords and tenants to provide the support necessary to comply with the ordinance.

Similar to a rental registry and a preservation database, a vacant property registry can show where unoccupied structures are located, their condition, and identify possible targets for acquisition and preservation. Pittsburgh's ordinance is specific to bank-foreclosed, or real-estate owned, properties. It was enacted in 2013 but never implemented. The Task Force recommends the various registries and databases be coordinated in their implementation to better align and effectively use resources, rather than create duplicative systems.

The Pittsburgh Land Bank (PLB) was created in 2014 and is in the process of becoming fully operational. Its role in land ownership will have significant impacts on Pittsburgh's real estate markets and quality of life. Part of its mission is to 'support socially and economically diverse communities and strengthen the City's tax base.'³⁵ Similarly, the Land Bank is encouraged to adopt low income and affordable hous-

³⁵ The Pittsburgh Land Bank ordinance, 2014-0025, 4.

ing targets in its disposition powers 'so as to support the development of mixed-income neighborhoods across the City of Pittsburgh.³⁶ This directly meets the goal of the Task Force to provide recommendations which support and create diverse, vibrant mixed-income communities, through a range of approaches including prioritizing sales to owner occupants, CLTs, neighborhood based NPOs; ability to provide opportunities for small scale developers; below market sales for affordable housing; deed-in-escrow program. Carving out the role of the land bank in its operations and policies specific to affordable housing should take place in concert with the PLB's own timeline of being operational by January 2017.

3.2 Establish a real estate tax circuit breaker provision

One way to preserve existing affordable owner-occupied housing is by easing or eliminating rapid spikes in assessment due to a change in market conditions through real property tax relief provisions. Targeting these tax relief provisions at longtime, low and moderate income owner-occupants will protect them against unaffordable increases in their property tax assessments due to rapid increases in the market value of surrounding properties.

Allegheny County enacted a real estate tax exemption in 1990 that effectively capped tax assessment increases on the homes of longtime owner-occupants to five percent from the previously established market value. Various municipalities within the county took advantage of the program, including the City of Pittsburgh. This program was successfully challenged in court, however, and was struck down in 1995. While City code still includes language enabling the program, it appears to be dormant for some time. There are a number of issues that have to be resolved before the exemption can be implemented:

- Encourage the Allegheny County Board of Property Assessment, Appeals and Review to establish guideline for municipalities to create compliant Long-time Owner Occupant Protection (LOOP) exemption;
- Encourage Allegheny County to amend the County Code to designate Pittsburgh as an area covered by the full extent of the Pennsylvania statutory LOOP authorization;
- Amend the existing language in the Pittsburgh code of ordinances to ensure compliance with the state enabling legislation;
- Investigate opportunities to build program design concurrent with the School District of Pittsburgh;
- Publicize the availability of the LOOP exemption following its reintroduction.

3.3 Tenant Protections

Pennsylvania is regarded as both a strong property rights state as well as a strong tenant protections state. When it pertains to the deepest levels of affordability, given Pittsburgh's existing market conditions where the supply of deeply affordable housing does not come close to meeting the demand, the Task Force recommends additional protections to protect tenants from displacement and potential homelessness due to rapidly rising markets and corresponding rental rates. It is important that tenants have the time and resources to find housing while providing for a landlord or property owner to be able to manage their property as they desire within the boundaries of existing regulations. Initial research has pointed to three specific opportunities that can meet both of these criteria. The Task Force recommends the following:

- Support Just Cause Eviction provisions for housing developments receiving public assistance;
- Support Tenant Protection provisions for housing developments receiving public assistance;

³⁶ The Pittsburgh Land Bank ordinance, 2014-0025, 13.

- Support Relocation Assistance provisions for housing developments receiving public assistance;

In addition, the AHTF recommends further research on the potential to amend the Pennsylvania Landlord Tenant Act to expand protection for tenants.

3.4 Programmatic Opportunities regarding Naturally Occurring Affordable Housing

In an expanding and growing housing market low and moderate income renters and homeowners become increasingly vulnerable as rental rates, assessments, and taxes can all rise more rapidly than wages. A number of other potential programs have been suggested to preserve and improve the existing supply of NOAH in Pittsburgh. The Task Force believes the following policy and programmatic initiatives merit further investigation:

Homeowners:

- Coordinate existing housing rehabilitation programs with devoted staff to align resources (refer to the current efforts around the Green and Healthy Homes Initiative as a model);
- Increase the Homestead Exemption from its current level of \$15,000;
- Create a grant and/or low-cost loan program for owner-occupied rehabilitation (possibly through the HTF or URA);
- Provide for community-based low-cost maintenance services for seniors and people with disabilities;
- Equity protection program to provide tangled title intervention and prevention services such as low cost legal assistance and estate planning (e.g. NLSA's Tangled Title Project)
- Reverse mortgages and/or rehab grants combined with a right of first offer with programs that guarantee ongoing affordability (e.g. by a community land trust);
- Encourage new homeowners through raising awareness of and increasing resources for programs such as the Family Self-Sufficiency Program of HACP, NeighborWorks and the Financial Opportunity Centers.

Renters:

- Tax exemption in high opportunity areas for landlords pricing units at Fair Market Rents that are in good condition;³⁷
- Provide a matching grant for code-driven rental rehab in exchange short term affordability and commitment to work with rental assistance;³⁸
- Create a reimbursement fund at HACP for landlords that will mitigate damages resulting in occupancy of a tenant enrolled in a rental assistance program or Housing Choice Voucher program³⁹ & Oregon;⁴⁰
- Create incentives for owners of NOAH multi-family rental housing in areas bordering strong markets or showing signs of market increases to sell to a community based nonprofit organization or community land trust.

37 "Building Vibrant Communities." The Chicago Housing Authority. <http://www.thecha.org/>.

38 "Housing Rehabilitation Program." Greene County Pennsylvania. <http://www.co.greene.pa.us/secured/gc2/depts/hs/housing/CompleteAppPkg.pdf>.

39 The Housing Resource Center at LHOP. "Landlord Risk Reduction Fund." Housing Alliance of Pennsylvania. April 21, 2014. <http://www.housingalliancepa.org/sites/default/files/Landlord Risk Reduction Fund Proposal.pdf>.

40 "Housing Choice Vouchers: Landlord Guarantee Assistance." State of Oregon. <https://www.oregon.gov/ohcs/Pages/housing-choice-landlord-guarantee-assistance.aspx>.

Next Steps: Let's Put This Tool to Work for Pittsburgh

Preservation of existing deed-restricted affordable housing

Immediate Goal

- Creation of committee to explore a preservation database and ordinance. Baseline staff considerations made for 2017 City of Pittsburgh Operating Budget

Short-Term Goals (2016)

- Creation and implementation of the preservation database
- Engage Allegheny County leadership on structure of real estate assessments for affordable housing units

Mid-Term Goals (2017-18)

- Introduction and passage of a preservation ordinance
- Introduction and passage of Allegheny County policy to set assessment amount for D/IR units for the life of the restriction
- Work with HACP to evaluate one-for-one replacement policy and determine a timeline for potential adoption. Housing Authority encouraged to adopt policy of one-to-one replacement to the extent financially feasible. Possible pilot Moving to Work Demonstration Program in process for 2018 implementation.

Long-term affordability requirements on public funding

Immediate Goal

- Dedicate resources to define public subsidy and set thresholds to tie to preservation activities

Short-Term Goals (2016)

- Coordination and implementation of the Housing Trust Fund Recommendations
- Convene local public agencies (URA, HACP, PLB) with existing members of the Task Force to further explore how to incorporate lasting affordability opportunities into their funding and project award decision-making

Mid-Term Goals (2017-18)

- Approach PHFA to include lasting affordability requirements in their qualified allocation plan (QAP) for 2018 funding
- City agencies are piloting lasting affordability in their processes throughout 2017

Naturally Occurring Affordable Housing (NOAH)

Immediate Goals

- Initiate full legal review of the Rental Registry and Source of Income Ordinances and related statutes
- Initiate conversations with Allegheny County entities on the changes necessary to successfully implement the LOOP tax relief program
- Engage legal experts to explore the LOOP authorization as applicable to the Pittsburgh School

District. If applicable, initiate conversations with the District for their participation.

- Create a local expert committee, including appropriate City staff and existing Task Force members, to explore the policy programmatic recommendations listed above.
- Provide consideration for coordinating staff in the 2017 City operating budget

Short-Term Goals (2016)

- Take steps necessary to defend the Rental Registry and Source of Income Ordinances in Court or make appropriate amendments to the same
- Coordinate with the Pittsburgh Land Bank as they develop their policies and procedures to incorporate the recommendations outlined above
- County Code amendments made to allow LOOP program
- Programmatic and policy recommendations received from committee, prompting 2017 action

Mid-Term Goals (2017-18)

- Implementation of Rental and Vacant Property Registries
- LOOP program implemented, including advertisement and education materials

IV. Policy Tool: Inclusionary Housing

Why Do We Need Inclusionary Housing in Pittsburgh?

Facing concerns about rising housing costs, Pittsburgh is preparing to take decisive action to create and preserve affordable housing opportunities. This task is not simple – it will require significant investments of public resources to implement innovative solutions. As the City addresses its urgent housing needs, it is simultaneously wrestling with historic racial and economic divisions. Today, residents in many of Pittsburgh’s low income communities have unequal access to healthy food, employment opportunities, safe parks, and more. This problem is not unique to Pittsburgh – recent national research shows that the zip code where a person grows up is a powerful determinant of their future success.⁴¹ The poverty rate in the neighborhood where a child grows up makes more of a difference to their economic future than the income of his or her parent(s).⁴²

Acknowledging that where we live matters, the Affordable Housing Task Force has placed a priority on increasing and maintaining economic integration across the City. Mixed-income communities do not come about by chance, nor generally does the housing market “naturally” create mixed-income housing developments. Fortunately, there is a well-proven policy that can help to create and preserve mixed income communities: inclusionary housing. Inclusionary housing policies are not a panacea for Pittsburgh’s affordable housing need, but as one tool used in concert with the other Task Force recommendations, inclusionary housing would be particularly good at achieving the following goals:

- Ensuring that the benefits of Pittsburgh’s economic growth and new housing development are shared with the broader community;
- Helping neighborhoods with rising rents to retain a mix of housing by incorporating lasting affordability into new buildings;
- Creating new affordable housing in high-opportunity neighborhoods; and
- Building workforce housing near jobs to reduce transportation costs and pollution.

What is Inclusionary Housing and How Can It Be Used?

Inclusionary housing policies encourage affordable housing opportunities to be built within new market-rate developments, thereby furthering the City’s goal of mixed-income communities. The Task Force sees inclusionary housing as a critical complement to other local housing strategies. Inclusionary housing can further goals to build and retain mixed-income neighborhoods, and create housing for a stable workforce in the city.

Inclusionary policies are flexible and highly customizable. For inclusionary to work well, the ordinance must be thoughtfully designed to suit local market conditions and housing needs. The Task Force has considered best practices as well as research on local conditions, such as a report prepared for the Housing Alliance of Pennsylvania⁴³. The Task Force has also considered preliminary findings of the Housing Needs Assessment and Financial Feasibility Assessment to inform the following recommendations for an inclusionary housing policy.

41 Chetty, Raj and Hendren, Nathaniel. “The Impacts of Neighborhoods on Intergenerational Mobility: Childhood Exposure Effects and County-Level Estimates.” Harvard University, 2015.

42 Sharkey, Patrick. “Neighborhoods and the Black-White Mobility Gap”. Pew Charitable Trusts, 2009.

43 Damewood, Robert. Building Inclusive Communities: A Review of Local Conditions, Legal Authority, and Best Practices for Pittsburgh. Pittsburgh: Housing Alliance of Pennsylvania, 2015

At this juncture, the Task Force is prepared to recommend goals and guidelines for an inclusionary housing ordinance, but also recognizes that there is more work to be done. Preliminary guidelines are thus coupled with immediate next steps to refine guidelines into concrete and specific policy recommendations for City Council to consider. The ultimate recommendations will be tailored to local market conditions, local housing needs and known national best practices.

Vision and Recommendations for a Pittsburgh Inclusionary Housing Policy

The overarching goal driving the Task Force recommendations is to increase the housing opportunities for the City's residents. This will require preserving affordable units that already exist (discussed in the Preservation section), supporting more affordable housing development (discussed in the Trust Fund and LIHTC sections) and ensuring that most new development include at least a small portion of affordable housing units on-site. With these strategies all working in tandem, the goal of the Affordable Housing Task Force is for at least 20% of all residential development in the City of Pittsburgh to be priced affordably for low income residents.

Incentives, and potential requirements, of the inclusionary housing policy should be stronger in areas where significant new development is occurring and affordability challenges are most acute. Thus, the inclusionary housing policy should apply across the entire City but also be tailored to meet the unique conditions of different neighborhoods. Because neighborhood markets differ, requirements and cost-off-setting measures should be balanced against one another in a way that is sensitive to neighborhood conditions and works with the existing as-of-right zoning allowances. The Task Force strongly recommends that the following list of recommendations be further developed into policy with a balance of requirements and cost-offsets that results in a productive inclusionary policy that is also financially feasible for local developers.

Throughout the City, developers may receive increased height and density in return for the provision of affordable housing.

Increased height or density is a common incentive in inclusionary housing policies. The ability to create more units on a given parcel of land can significantly reduce a developer's cost per unit and thus make the overall development more profitable. Height allowances are likely to be an incentive in districts currently zoned as the Local Neighborhood Commercial (LNC), Urban Neighborhood Commercial (UNC) and Urban Industrial (UI). In these zoning areas developers frequently request special permission to increase height and density, while fitting into the context of the development. Height and density allowances may well be effective incentives in areas beyond the LNC, UNC and UI zoned neighborhoods.

Additional study is needed to determine all areas of the City where additional height would be valuable to developers and compatible with neighborhood character. In addition, this study will address the limited number of existing height and density bonuses, for a higher level of LEED achievement, as well as proximity to transit, and review how these can be layered with potential affordable housing incentives to achieve combined goals for affordability, sustainability, and transit-oriented development. Ultimately, the density bonus policy should be simple, clear and predictable so that developers can create pro forma models (i.e. development and operating budgets) and development plans that incorporate the zoning incentives. Further research and discussion with residents and the development community will allow the affordable housing task force to recommend a standard exchange of affordable housing units for height

and density allowances.

Throughout the City, developers receiving direct public subsidy (tax benefits like TIF and LERTA, or purchasing publicly owned land below market value) should be required to set aside units for low-income households.

Currently, a majority of market rate development in Pittsburgh receives some form of tax benefit or direct assistance from the City. The AHTF recommends that developments that receive direct public financial support should contribute to the public good by providing some affordable housing. The Task Force suggests studying whether a 15% minimum requirement will be feasible by layering tax abatement programs and other City contributions.

Currently there are several efforts underway that will inform how tax incentives and other public subsidy could be used as incentives for affordable housing development. The Pennsylvania Housing Alliance is leading a research project on how to streamline and improve the existing City tax abatement programs. Simultaneously, the People Place Planet and Performance Initiative (p4) establishing metrics to incentivize key City goals, including affordable housing, for projects receiving public benefits. In addition, the City is partnering with civic organizations to develop frameworks for equitable development with PolicyLink and other national local and national organizations. Because development-by-development negotiations can be very time consuming and can have costly or unpredictable results, the Affordable Housing Task Force recommends that the City work with the Pennsylvania Housing Alliance and the URA to design a formulaic approach to monetary incentives.

In addition, it would be valuable to establish a more predictable assessment structure in Allegheny County to make these and other programs more effective for developers and property owners. For projects whose assessment includes affordable units, the AHTF recommends the City work with Allegheny County to provide a set assessed value per affordable unit for as long as the deed restriction or other program remains in place.

In a potential pilot Affordable Housing Opportunity Overlay zone, all new development should be required to include a minimum of 5% affordable housing, and minimum of 15-20% for developments receiving public benefit, as referenced above.⁴⁴

The pilot could be tested in neighborhoods with the highest return on investment. There is still remaining work that must be done in establishing the standards of the potential overlay zones. In cases where developers are unable to achieve this set-aside for financial reasons, a process could be available to request a hardship waiver. It is the intent of the Affordable Housing Task Force that most developers within such an overlay zone would actually include a significantly greater percentage of affordable housing - 20% - through utilizing the incentives outlined earlier. Just as elsewhere in the City, developers in the overlay zones may receive increased height in return for voluntary provision of affordable housing above the minimum requirement.

The policy should serve individuals and families earning up to 50% AMI for rental opportunities and up to 80% AMI for ownership opportunities.

⁴⁴ Peninger Consulting, performed financial feasibility on common residential building prototypes in the Pittsburgh market. These prototypes were reviewed with the Task Force and the local real estate development community. Sensitivity testing was conducted on the strongest prototypes to understand the financial feasibility of including affordable units.

Pittsburgh has a shortage of high quality apartments that are affordable for renters earning less than 50% of median income. Additionally, 50% AMI is a common income cap for federal and state housing programs like the Low Income Housing Tax Credit. Furthermore, households earning less than 50% AMI are eligible for Housing Choice Voucher payments to supplement their direct rent payments. Property owners with inclusionary units could thus receive Fair Market Rent for their units and, simultaneously, the City would unlock a resource that often goes unused.

The City's Analysis of Impediments to Fair Housing Choice includes a recommendation for creating for-sale housing that is affordable for families earning up to 80% of area median income.⁴⁵ Though a large portion of existing homes for sale remain affordable, newly-constructed homes in Pittsburgh are currently unaffordable to households earning 80% of median. An income cap of 80% AMI also aligns well with local, state, and Federal programs.

The policy should apply to all housing developments (both rental and ownership) that are at least 25 units in size.

Most of the new housing being built is six story buildings with over 25 units. Small infill development is less common today in Pittsburgh. Additionally, there are concerns that some smaller developments have slimmer profit margins and would be unable to offer low-income units while still remaining financially viable.

The policy may offer developers the flexibility to meet requirements by building units off-site or investing in the preservation of existing buildings.

Offering developers the flexibility to meet requirements in alternative ways can prevent any potential adverse market effects of inclusionary housing policy. Many inclusionary housing policies offer developers at least one alternative to on-site construction.

Constructing the affordable housing units off-site would allow market rate developers to partner with experienced affordable housing developers who can also leverage resources such as the 4% LIHTC to create more affordable units at the same cost.

Pittsburgh has a significant stock of aging and vacant buildings that could be rehabilitated and converted into affordable housing. The preservation option could serve dual purposes: creating more affordable units for the same cost and improving distressed properties.

If inclusionary units are created off-site or through a preservation project, the policy should ensure that the public receives equal or greater benefit (in terms of the number, size and quality of units) as when on-site units are created. Units should be required to be located in areas of higher opportunity and/or within a defined distance of the originating development.

Given the local priority on promoting socio-economic integration, Pittsburgh should design a policy that encourages on-site development whenever it is practical. If preservation projects or off-site developments are allowed, developers should be asked to build more units or units at deeper levels of affordability. As a result, the "average" developer would select the on-site option and when off-site or preservation options are selected, there would be a clear public benefit to offset the loss of mixed-income housing.

⁴⁵ City of Pittsburgh Department of City Planning, Urban Design Ventures, Consultants. "FY 2015-2019 Analysis of Impediments to Fair Housing Choice." Submitted to HUD April 13, 2015

It is common amongst inclusionary policies with an off-site option to require that the off-site developments are within a certain distance (i.e., reasonable proximity) of the market-rate buildings. This helps to ensure that they are built in desirable places rather than geographically isolated neighborhoods with limited access to transportation and amenities. Such a policy is advisable but should be reviewed for alignment with fair housing law prior to implementation.

It is a best practice to limit subsidy programs that can be used in off-site or preservation projects to ensure that the inclusionary policy complements rather than undermines other local housing strategies. When public resources such as General Fund dollars or 9% Low-Income Housing Tax Credits are used to subsidize affordable units required by an inclusionary policy, this can result in diverting scarce resources away from other critical uses, such as housing for seniors, veterans and other vulnerable populations

The policy could potentially allow developers to fee-out of building units in specific circumstances, but on-site development is preferred. Thus the in-lieu fee option, if offered, should be structured to incentivize on-site development.

The Task Force was convened to make recommendations that would promote mixed-income development in neighborhoods across the city. Nationally, programs that allow developers to opt-out of the inclusionary housing program by paying a fee are less likely to result in mixed-income neighborhoods and can sometimes further concentrate affordable housing into exclusively low-income neighborhoods. However, in specific circumstances an in-lieu fee option could be mutually beneficial to the city and the developer. In such circumstances, which would need to be clearly defined, developers could be allowed to pay a fee into the Pittsburgh Housing Trust Fund. These fees would then supplement other Trust Fund resources for important investments such as housing preservation and homeownership programs.

Units should remain affordable for a minimum of 30 years and perhaps longer. Unit affordability should renew upon sale of the real property or of the ownership interest in the same.

There is general consensus among inclusionary housing practitioners that lasting affordability is essential. It assures the highest return on public investment in affordable housing production, supports long-term neighborhood stability as market pressures increase, and enables the municipality to create a substantial number of units over time even with modest per-building requirements. Local inclusionary housing policies frequently preserve the affordability of housing for longer durations than many other affordable housing programs. Eighty-four percent of homeownership inclusionary housing programs, and 80 percent of rental programs require units to remain affordable for at least 30 years.⁴⁶ In some programs, such as Montgomery County, MD, Fairfax County, VA, and San Mateo, CA, renewal-upon-sale requirements result in lasting affordability because homes tend to be sold within 30 years.

Design requirements should ensure that affordable units are built to reasonable standards.

Inclusionary units should be indistinguishable from market rate units on the outside and all building amenities and entrances should be shared. Inclusionary units should be distributed in various parts of the building so as not to be relegated to undesirable locations. Particularly high-value units (such as those on the top floor) could be reserved for market-rate occupants.

⁴⁶ Hickey, Robert, Lisa Sturtevant, Emily Thaden. "Achieving Lasting Affordability through Inclusionary Housing" (Working Paper), Lincoln Institute of Land Policy, 2014.

Lower-income families residing in inclusionary housing buildings should not feel conspicuous or ostracized. Building designs that could result in segregation between lower-income families and higher-income families are clearly contrary to local policy goals. The design requirements suggested should ensure fairness, enhance integration and prevent developers from creating substandard units. At the same time, allowing some areas of flexibility for developers to reduce costs could help with feasibility.

The city should identify resources and strategies for monitoring to ensure developers, landlords, renters and homeowners are complying with the policy. Systems should be implemented to provide education and assistance to all parties and to enforce requirements through time, including during construction, marketing, lease-up/sale and re-rental/resale.

Program administration, including monitoring and stewardship of the affordable units over time, is critical for a well-functioning program. Without adequate enforcement an inclusionary housing policy has no “teeth.” Staff responsible for monitoring and enforcement would likely be housed in either the URA or the Planning Department. Another common practice is to contract with local nonprofit entities to steward inclusionary housing units or place units into a local land trust.

Next Steps: Let’s Put This Tool to Work for Pittsburgh

The AHTF recommends forming a working group, drawing on AHTF members who have been integral to developing further recommendations focused exclusively on the development of the Inclusionary Housing and Incentive Zoning Policies. The working group will may elect to work with a consultant to provide expertise on Inclusionary Housing models and to help move the process forward efficiently.

The working group should continue discussions needed to confirm or alter preliminary recommendations and to investigate as-yet unresolved detailed questions (outlined below)* while planning to present detailed recommendations to Council in 2016. Broadly stated, the working group should be responsible for the following activities:

Immediate Goals

- Engage neighborhoods and the housing development community regarding height and density bonuses.
- Explore the potential need for a nexus study.
- Analyze information about the potential value of various zoning incentives and tax incentives.
- Define the criteria for potential Affordable Housing Opportunity Overlay zone.
- Establish monitoring agencies responsible for implementing and enforcing the program.
- Work with the City Law Department and involve inclusionary housing legal experts as needed to ensure compliance with local, state and federal law.

Short-Term Goal (2016)

- Specific policy recommendations should be vetted by council and adopted by resolution and ordinance as appropriate.

Mid-Term Goals (2017-18)

- Identified monitoring agencies should draft administrative procedures for the program.
- The Inclusionary Housing policy would come into effect for developers seeking planning approval to build in Pittsburgh.

*Detailed questions for the Inclusionary Housing Policy Committee (to be convened) to research:

- Will lasting affordability of rental units (e.g. 99 years or the life of the building) be required?
- What barriers must be addressed to make lasting affordability feasible for developers?
- What type and location of preservation projects will qualify?
- What will be the allowable areas for off-site and preservation projects?
- Should developments smaller than 25 units also contribute toward the city's affordable housing needs by paying a per-unit fee into the Pittsburgh Housing Trust Fund?
- How will the pricing of ownership units ensure that low-income buyers are able to afford all home-ownership costs?
- How can requirements or cost-offsets on development be standardized to enhance fairness and predictability?
- What proof will be required to demonstrate financial hardship?
- How will the city define "particularly high-value units" while still ensuring that inclusionary units are scattered throughout the building?
- What percentage of income-restricted units will be accessible, visitable or convertible?

Glossary

Act 42- If you purchase, build a new home, or make home improvements on your home in the City of Pittsburgh, your Allegheny County, City of Pittsburgh and District School taxes can be lowered for 3 years. If the home is located within a Targeted Growth Zone, your City of Pittsburgh, and District School taxes can be lowered for ten years after the property is reassessed.⁴⁷

Affordable Housing- In general, housing for which the occupant(s) is/are paying no more than 30 percent of his or her income for gross housing costs, including utilities. Please note that some jurisdictions may define affordable housing based on other, locally determined criteria, and that this definition is a guideline.⁴⁸

Affordable Housing Gap- The difference between the number of units needed to house low-income rental households and the number of affordable and available rental units.⁴⁹

Area Median Income (AMI)- The median income of a certain geographic region defined annually by the US Department of Housing and Urban Development (HUD).

Bonds- An obligation to repay debt in the form of certificate(s) in denominations of \$1,000 or more and bearing long-term interest rates. A bond makes it possible for a company or government to borrow large sums of money in the public markets at lower rates of interest than typical bank financing would be able to provide.⁵⁰

Capital improvements- An addition on, or restoration of, an already existing structure that will enhance the value of the property or extend its useful life. This can be on both large and small scale properties.⁵¹

Community Development Linkage Fee- Linkage fees connect other forms of development with a community's needs for affordable housing. Linkage fees can help to leverage private markets to produce affordable housing.⁵²

Community Development Block Grant Program (CDBG)- A federal program with the mission to develop viable communities by promoting integrated approaches that provide decent housing, a suitable living environment, and expand economic opportunities for low- and moderate-income persons. The primary means toward this end is the development of partnerships among all levels of government and the private sector, including for-profit and nonprofit organizations.⁵³

Community Land Trust- A Community Land Trust is a private, nonprofit organization created to acquire

47 "Tax Abatement." Urban Redevelopment Authority. http://www.ura.org/pittsburgh_residents/tax_abatement.php.

48 "HUD Glossary of Terms." Office of Policy Development and Research Department of Housing and Urban Development. https://www.huduser.gov/portal/glossary/glossary_a.html.

49 Mullin & Lonergan, Housing Needs Assessment. Report to the AHTF, 2016, 60

50 "Economic Development Finance." National Development Council. <https://www.ndconline.org>

51 "Capital Improvement Definition." Investopedia. 2006. <http://www.investopedia.com/terms/c/capitalimprovement.asp>.

52 "Tool: Commercial Linkage Fees." Puget Sound Regional Council. <http://www.psrc.org/growth/housing/hip/alltools/linkage-fee>.

53 "HUD Glossary of Terms." Office of Policy Development and Research Department of Housing and Urban Development. https://www.huduser.gov/portal/glossary/glossary_a.html.

and hold land for the benefit of a community and provide secure affordable access to land and housing for community residents. In particular, Community Land Trusts attempt to meet the needs of residents not served by the prevailing market. Community Land Trusts prohibit speculation and absentee ownership of land and housing, promote ecologically sound land-use practices, and preserve the long-term affordability of housing.⁵⁴

Community Reinvestment Funds - Funds available from banks in accordance with the Community Reinvestment Act (CRA) enacted by Congress in 1977. The CRA was passed to encourage depository institutions to help meet the credit needs of the the communities in which they operate, with an emphasis on low- and moderate- income areas.⁵⁵

Construction Finance- The means by which a construction project is financed. In the construction of affordable housing, financing can come from regular construction loans, low income housing tax credits (LIHTC), tax exempt bonds, and other affordable housing subsidy sources.

Deed/Income Restricted Housing - Deed restrictions place legal restrictions on real estate. This is done by including language in the deed that enforces certain terms or conditions that must be followed when the property transfers ownership. An affordability deed restriction preserves the property as a low- or moderate-income housing unit by placing conditions on the property.⁵⁶

Department of Housing and Urban Development (HUD)- HUD's mission is to increase homeownership, support community development, and increase access to affordable housing free from discrimination. In order to accomplish this, HUD will encourage high standards of ethics, management and accountability and forge new partnerships — particularly with faith-based and community organizations.⁵⁷

Developer- A person, or organization, that purchases property to develop and/or rehabilitate to ultimately sell or rent.

Escrow- An escrow is an amount of funds held by a neutral third party on behalf of the other parties in a transaction. These funds are held by the escrow holder until it receives appropriate notice that all obligations have been fulfilled. Escrows may be held during the purchase of a home or by a mortgage servicer to pay a property's insurance or property taxes.⁵⁸

Equity- A right to claim an interest in property after all obligations are satisfied. Equity in a company is measured as the excess of assets over liabilities. (Assets - Liabilities = Equity)⁵⁹

Extremely Low-Income (ELI) Households - Those with incomes at or below 30 percent of area median income (AMI). Department of Housing and Urban Development (HUD) programs use “area median incomes” calculated on the basis of local family incomes, with adjustments for household size.⁶⁰

54 Brown, Michael. Burlington Associates in Community Development LLC, 2007.

55 “Community Reinvestment Act (CRA).” Federal Reserve Bank. https://www.federalreserve.gov/communitydev/cra_about.htm.

56 “Fair Housing RI Technical Assistance Guide.” Fair Housing Rhode Island. 2007. http://www.fairhousingri.org/tech-guide/11_LongtrmAff_ResaleRestQA.pdf

57 “HUD Glossary of Terms.” Office of Policy Development and Research Department of Housing and Urban Development. https://www.huduser.gov/portal/glossary/glossary_a.html.

58 “Escrow Definition.” Investopedia. 2003. <http://www.investopedia.com/terms/e/escrow.asp>.

59 “Economic Development Finance.” National Development Council. <https://www.ndconline.org>

60 “HUD Glossary of Terms.” Office of Policy Development and Research Department of Housing and Urban Development.

Feasibility Study - An evaluation made by a qualified professional of the benefits and problems of implementing a specific plan of action. Usually required in order to determine the risk in a project.⁶¹

Federal Tax Code - The Federal Tax Code, or the Internal Revenue Code, refers to Title 26 of the U.S. Code, which stipulates all rules pertaining to income, gift, estate, sales, payroll and excise taxes.⁶²

Finance Gap - The difference between total development costs and the sources leveraged based on anticipated profits or cash flows.

Home Investment Partnerships Program - Provides grants to states and localities that communities use - often in partnership with local nonprofit groups - to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership, or to provide direct rental assistance to low-income people.⁶³

Home Rule Charter - A Home Rule Charter is a municipality's organizational plan or framework that is similar to a constitution. It is formulated by a municipality itself and is adopted by popular vote of the citizenry. Home Rule allows the local municipality to set up its own system of self-government without receiving a charter from the state.⁶⁴

Homestead Exemption - Tax exemption offered by the City of Pittsburgh since 2001 which reduces a home's taxable value for City, School District, and Carnegie Library taxes. To receive the Homestead Exemption, the property must be owner-occupied.⁶⁵

Hotel Tax- A government tax on hotel rooms and other lodgings, usually earmarked to fund local governmental initiatives.⁶⁶

Housing Subsidy - The Department of Housing and Urban Development (HUD) offers different types of rental assistance to low- and moderate-income renters. The first is through privately owned subsidized housing. HUD offers subsidies to private landlords in exchange for renting to low- and moderate-income people. In this case, the subsidy is given directly to the owner of the property. With the Housing Choice Voucher Program (Section 8), vouchers are given directly to renters who may choose where they want to live, within certain requirements. With a voucher, a renter is responsible to pay 30% of their income toward rent and utilities. The third is public housing which is owned and managed by Public Housing Authorities. This is also known as a project based subsidy.⁶⁷

https://www.huduser.gov/portal/glossary/glossary_e.html

61 "Economic Development Finance." National Development Council. <https://www.ndconline.org>

62 "Internal Revenue Code (IRC) Definition." Investopedia. 2008. <http://www.investopedia.com/terms/i/internal-revenue-code.asp>.

63 "HUD Glossary of Terms." Office of Policy Development and Research Department of Housing and Urban Development. https://www.huduser.gov/portal/glossary/glossary_h.html

64 "Home-Rule Charter Law & Legal Definition." US Legal. <http://definitions.uslegal.com/h/home-rule-charter/> ; <http://definitions.uslegal.com/h/home-rule/>.

65 "Real Estate FAQ's." Department of Finance. <http://pittsburghpa.gov/finance/real-estate-faq>.

66 "Define Hotel/Motel Occupancy Tax." Travel Industry Dictionary. <http://www.travel-industry-dictionary.com/hotel-motel-occupancy-tax.html>.

67 "Rental Assistance." U.S. Department of Housing and Urban Development (HUD). http://portal.hud.gov/hudportal/HUD?src=/topics/rental_assistance.

Housing Trust Fund - Housing trust funds are distinct funds established by city, county or state governments that receive ongoing dedicated sources of public funding to support the preservation and production of affordable housing and increase opportunities for families and individuals to access decent affordable homes. Housing trust funds systematically shift affordable housing funding from annual budget allocations to the commitment of dedicated public revenue. While housing trust funds can also be a repository for private donations, they are not public/private partnerships, nor are they endowed funds operating from interest and other earnings. ⁶⁸

Housing Rehabilitation - The alteration, improvement, or modification of an existing structure. This can include adding rooms outside of the existing walls of the structure. However, the addition of a housing unit is considered new construction.⁶⁹

HOME Investment Partnerships Program (HOME) - Provides formula grants to states and localities that communities use - often in partnership with local nonprofit groups - to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership, or to provide direct rental assistance to low-income people.⁷⁰

Just Cause Eviction - A landlord may only evict a tenant for specific reasons, or with just cause. These include 1) failure to pay rent; 2) failure to live up to the written or oral lease agreement; and 3) the time for which the unit has been rented is up, and the landlord wants the tenant to move. If there is no written lease, the law considers it an oral month-to-month lease which can be terminated by either the landlord or the tenant at the end of any month. ⁷¹

Land Bank - A land bank is a public or community-owned entity created in order to acquire, manage, maintain, or demolish vacant, abandoned or blighted properties. ⁷²

Low-Income Family - families whose [combined] income does not exceed 80 percent of the median family income for the area.

Local Economic Revitalization Tax Assistance (LERTA) - LERTA allows a local taxing authority to exempt improvements to a business property if such property is located in a deteriorated area.⁷³

Local Economic Stimulus - Real estate tax abatement for the City of Pittsburgh real estate tax. This is available to developers of projects in excess of \$1 million. The abatement is based on the incremental increase of the assessed value created by the improvements to the property. ⁷⁴

68 "Advocacy Skillshare: New Report Applies Equity Lens to Housing-Health Intersection." Housing Trust Fund Project. <http://housingtrustfundproject.org/>.

69 "HOME and CDBG Guidebook" U.S. Department of Housing and Urban Development (HUD). <https://www.hudexchange.info/resources/documents/HOME-CDBGGuidebook.pdf>

70 "HUD Glossary of Terms." Office of Policy Development and Research Department of Housing and Urban Development. https://www.huduser.gov/portal/glossary/glossary_h.html

71 "PENNSYLVANIA EVICTIONS." The National Landlord Tenant Guides. <http://www.rentlaw.com/eviction/paeviction.htm>.

72 "What is a Land Bank" Neighborhood Stabilization Program Grants/U.S. Department of Housing and Urban Development (HUD) <https://www.hudexchange.info/resources/documents/LandBankingBasics.pdf>

73 "Local Economic Revitalization Tax Assistance (LERTA)." YCEA. <http://www.ycea-pa.org/start-locate-grow/financing-incentives/lerta/>.

74 "Abatement Program Table" Urban Redevelopment Authority. http://apps.pittsburghpa.gov/finance/Current_Abatement_ProgramTable_effective_8-1-14.pdf

Local Services Tax - The Local Services Tax is a local tax payable by all individuals who hold a job or profession within a taxing jurisdiction imposing the tax. It is due quarterly on a prorated basis determined by the number of pay periods for a calendar year.⁷⁵

Low Income Housing Tax Credit (LIHTC) - A tax incentive intended to increase the availability of low-income housing. The program provides an income tax credit to owners of newly constructed or substantially rehabilitated low-income rental housing projects.⁷⁶

Market Rate Rental Housing - Rental properties that are rented by people who pay, or have paid, market value to lease or rent the property.⁷⁷

Metropolitan Statistical Area (MSA) - An area with at least one urbanized area of 50,000 or more population, plus adjacent territory that has a high degree of social and economic integration with the core, as measured by commuting ties.

Mortgage - The pledging of property to a creditor as security for repayment of a debt.⁷⁸

Moving to Work (MTW) - Is a demonstration program that provides public housing authorities (PHAs) the opportunity to design and test innovative, locally-designed strategies to help residents find employment, become self-sufficient through supportive services, and increase housing choices for low-income families. The MTW program allows for more flexibility in how PHAs use federal funds and grants exemptions from many public housing and voucher rules.⁷⁹

The City of Pittsburgh's MTW goals are 1) to reposition the Housing Authority of the City of Pittsburgh's (HACP) housing stock to expand affordable housing options and stabilize neighborhoods and 2) to use programs and policies to promote work and self-sufficiency for those who are able and promote independent living for the elderly and disabled.⁸⁰

Naturally Occurring Affordable Housing (NOAH) - Existing housing that is currently affordable to the occupant due to the natural market conditions.

Neighborhood Stabilization - Stabilization of communities that suffer from foreclosure and abandonment; through the purchases and redevelopment of foreclosed, abandoned and residential properties.⁸¹

Ordinance - An ordinance is a decree or law passed by a local government that is enforceable only within its boundaries. To have effect of the law, the ordinance cannot conflict with any higher laws, such as those of the state or federal laws or constitutional provisions.⁸²

75 "Local Services Tax (LST-1)." Berkheimer. <http://www.hab-inc.com/faqs/employer-local-services-tax-faq/>.

76 "HUD Glossary of Terms." Office of Policy Development and Research Department of Housing and Urban Development. https://www.huduser.gov/portal/glossary/glossary_1.html

77 "Housing Type Definitions." Homebase for Housing. <http://homebaseforhousing.org/Education/Definitions.cshtml>.

78 "Economic Development Finance." National Development Council. <https://www.ndconline.org>

79 "Moving to Work - Public and Indian Housing." U.S. Housing and Urban Development (HUD). http://portal.hud.gov/hud-portal/HUD?src=/program_offices/public_indian_housing/programs/ph/mtw.

80 "Moving to Work Demonstration Program Year 16 (FY2016 Annual Plan) Housing Authority City of Pittsburgh." http://static1.firemandev.info.s3.amazonaws.com/galleries/general/Moving%20to%20Work%20Documents/2016_MTW_Annual_Plan.pdf

81 "HUD Glossary of Terms." Office of Policy Development and Research Department of Housing and Urban Development. https://www.huduser.gov/portal/glossary/glossary_n.html

82 "What Is Ordinance?" BusinessDictionary.com. <http://www.businessdictionary.com/definition/ordinance.html>.

Permanent Financing - After construction has been completed, a mortgage loan or bond issue is acquired to repay the short term construction loan. The mortgage loan or bond issues is known as permanent financing.⁸³

Program Related Investments (PRI) - Investments made by a foundation to support charitable activities. This may include an investment in low-income housing or programs that will improve a distressed community.⁸⁴

Qualified census tract - A qualified census tract is any census tract in which at least 50% of households have an income less than 60% of the area median income (AMI). The Pennsylvania Housing Finance Authority (PHFA) gives priority to these areas when awarding low income housing tax credits (LI-HTC).⁸⁵

Real Estate Tax- an annual tax imposed by a local government payable by the owner of the real estate being taxed. The tax is based on an established tax rate which is usually a percentage of the assessed value of the property.⁸⁶

Realty Transfer Tax - A tax collected by the county Recorder of Deeds on realty transfers. Within the Commonwealth of Pennsylvania, the tax is assessed at one percent of the value of the real estate being transferred.⁸⁷

Recapture Provisions - The recipient of a low income homeownership or rehabilitation program subsidy for a residential unit may be required to pay the subsidy amount back upon the sale of the property. Recapture provisions may differ depending on the guidelines of each program.⁸⁸

Rental Registration - A rental unit must be registered with the City of Pittsburgh along with a designated responsible local agent before it may be rented out. Registration includes a fee and safety inspection. Permit registration must be renewed annually. Rental registration aims to curb absentee landlords.⁸⁹

Right of First Offer - With a right of first offer, a business partner or tenant has the right to make the first offer on a property. The seller may then accept or reject that offer. ⁹⁰

Section 8 voucher - Provides rental assistance to low-income families who are unable to afford market rents. Assistance may be in the form of vouchers or certificates.

Tangled Title - A tangled title occurs when there are legal problems with the ownership of a person's

83 "What Is Permanent Loan?" BusinessDictionary.com. <http://www.businessdictionary.com/definition/permanent-loan.html>.

84 "Program-Related Investments." Internal Revenue Services. <https://www.irs.gov/charities-nonprofits/private-foundations/program-related-investments>.

85 "Data Catalog." Qualified Census Tracts. <https://catalog.data.gov/dataset/qualified-census-tracts>.

86 "Property Tax." The Free Dictionary By Farlex. [http://legal-dictionary.thefreedictionary.com/Real estate tax](http://legal-dictionary.thefreedictionary.com/Real+estate+tax).

87 "PA.gov." Realty Transfer Tax. [http://www.revenue.pa.gov/GeneralTaxInformation/Tax Types and Information/Pages/Realty-Transfer-Tax.aspx#.V0W0LWbD-mw](http://www.revenue.pa.gov/GeneralTaxInformation/Tax+Types+and+Information/Pages/Realty-Transfer-Tax.aspx#.V0W0LWbD-mw).

88 "Qualification as Affordable Housing: Homeownership." Legal Information Institute. <https://www.law.cornell.edu/cft/text/24/92.254>.

89 "PA Rental of Residential Housing." City of Pittsburgh. <http://ecode360.com/13710733>.

90 "Right of First Offer vs. Right of First Refusal." Small Business. <http://smallbusiness.chron.com/right-first-offer-vs-right-first-refusal-26182.html>.

home. This happens when a person thinks they own the house they live in, but their name is either not on the deed or on the deed with many others. This usually occurs in a rent-to-own or lease/purchase situations or after the death of a relative without a will.⁹¹

Tax Abatements - A tax abatement is a reduction of tax liability for a definite period given in exchange for conducting a certain task. In Pittsburgh, tax abatements can be given to certain homeowners who build or make improvements to their property.⁹²

Tax Assessment - A tax assessments, also known as a property assessment, is a dollar value assigned to a property to calculate property taxes. An assessment value is not necessarily the same as the fair market value.⁹³

Tax Increment Financing (TIFs) - A tool used by cities and other development authorities to finance certain types of development costs. The public purposes of a TIF are the redevelopment of blighted areas, construction of low- and moderate income housing, provision of employment opportunities, and improvement of the tax base.

Tax-Exempt Bond Financing - Tax-Exempt Bond Financing allows local or state governments to issue bonds, which are not subject to state or federal income tax, in order to carry out improvement projects.⁹⁴

Tenant-based Vouchers - The tenant-based voucher allows the recipient to choose where they would like to live, including with a private landlord that will accept the voucher. The renter will pay approximately 30% of their income toward rent and utilities, the program will pay the difference. This subsidy is usually limited to fair market rents.⁹⁵

Urban Redevelopment Authority (URA) - A public administrative unit given responsibility for the renovation of blighted urban areas.⁹⁶

Very Low-Income Household - Households whose incomes do not exceed 50 percent of the median area income for the area, as determined by HUD, with adjustments for smaller and larger families and for areas with unusually high or low incomes or where needed because of facility, college, or other training facility; prevailing levels of construction costs; or fair market rents.⁹⁷

91 "Legal Problems with Homeownership (Tangled Title)." Department of Records. http://www.phila.gov/records/document-recording/tangled_title.html.

92 "Tax Abatement." Urban Redevelopment Authority. http://www.ura.org/pittsburgh_residents/tax_abatement.php.

93 "Assessed Value Definition." Investopedia. 2003. <http://www.investopedia.com/terms/a/assessedvalue.asp>.

94 "Tax-exempt Bond." The Free Dictionary By Farlex. http://financial-dictionary.thefreedictionary.com/tax-exempt_bond.

95 "Housing Type Definitions." Homebase for Housing. <http://homebaseforhousing.org/Education/Definitions.cshtml>.

96 "Redevelopment Authority." The Free Dictionary By Farlex. http://www.thefreedictionary.com/redevelopment_authority.

97 "HUD Glossary of Terms." Office of Policy Development and Research Department of Housing and Urban Development. https://www.huduser.gov/portal/glossary/glossary_v.html

APPENDIX A

AHTF Subcommittees and Members

Policy and Recommendations

The Policy and Recommendations committee is tasked with assessing a variety of housing policies, for both short and long term implementation. They analyze best practices nationally and locally, focusing on preserving affordability, building mixed-income communities, and measures for anti-displacement. This committee has been conducting a long term analysis of potential policies that will achieve the tasks assigned to the task force. They will eventually produce the recommendations made to the Mayor and City Council.

Committee Members:

Councilman R. Daniel Lavelle, Ray Gastil, Congressman Mike Doyle, Councilman Rev. Ricky Burgess, William Brooks, Fred Brown, Sara Davis Buss, Majestic Lane, Gale Schwartz, Robert Hurley, Marc Cherna, Barney Oursler, Mark Masterson, Linda Metropulos, Sam Williamson

Community Engagement

The Community Engagement committee advises the Task Force on the most comprehensive way to include the community in the Task Force recommendations. The committee made up of community organizations, politicians, union organizers, and many other representatives. This committee has organized the outreach campaign to include Pittsburgh's residents. Five community meetings have been held in the various sectors of the city - North, South, East, West, and Central. These meetings, held in partnership with Art of Democracy, are in the Deliberative Democracy format.

Committee Members:

Councilman R. Daniel Lavelle, Ray Gastil, Councilman Dan Gilman, Representative Ed Gainey, Richard Butler, Majestic Lane, Gale Schwartz, Barney Oursler, Chris Koch*

* Not an Affordable Housing Task Force member.

Needs Assessment

The Needs Assessment committee is tasked with studying and analyzing data, trends, and market demands associated with the local and regional housing markets. They review the existing housing conditions in the City of Pittsburgh and perform demand analysis, find gaps within the market, and provide projects and scenario studies. A Needs Assessment report is prepared by the Pittsburgh based housing and community development firm of Mullin & Lonergan Associates.

Committee Members:

Councilman R. Daniel Lavelle, Ray Gastil, Senator Jay Costa, Fred Brown, Tom Cummings, Carla Falkenstein, Bill Gatti, David Weber, Valerie McDonald-Roberts, Tamara Dudukovich

Feasibility

The Feasibility committee is tasked with studying the implications and impacts associated with the various policies and programs being reviewed by the Task Force. They assess the legal, financial, and organizational capacity to support new policies and programs aimed at building mixed-income communities and preserving affordability. A Feasibility Analysis Report is being developed by the San Francisco-based urban economics firm of Peninger Consulting.

Committee Members:

Councilman R. Daniel Lavelle, Ray Gastil, Councilman Rev. Ricky Burgess, Senator Jay Costa, Tom Cummings, Tamara Dudukovich, Bill Gatti, Valerie McDonald-Roberts, Linda Metropulos, Bob Dame-wood*, Macy Kisilinsky*

* Not an Affordable Housing Task Force member.

Staff Representatives and/or Additional Subcommittee Participants

Policy and Recommendations

Nikkilia E. Lu, *SEIU-32BJ*
Alex Wallach Hanson, *Pittsburgh United*
Celeste Scott, *Pittsburgh United*
Jessica Smith Perry, *Urban Redevelopment Authority*
Shaina Madden, *Urban Redevelopment Authority*
Bethany Davidson*, *Urban Redevelopment Authority*
Bob Damewood, *Regional Housing Legal Services*
Joe Heffley, *Office of Congressman Mike Doyle*
Cindy Daley, *Housing Alliance of Pennsylvania*
Liz Hersh*, *Housing Alliance of Pennsylvania*
Marita Bradley, *Office of Councilman Rev. Ricky Burgess*
Shawn Carter, *Office of Councilman Rev. Ricky Burgess*
Charles Keenan, *Allegheny County Department of Human Services*
Josiah Gilliam, *Homewood Children's Village*
Peter Kaplan, *Building Inclusive Communities Working Group*

Community Engagement

Andre Scott, *Office of Representative Ed Gainey*
Erika Strassburger, *Office of Councilman Dan Gilman*
Alex Wallach Hanson, *Pittsburgh United*
Celeste Scott, *Pittsburgh United*

Needs Assessment

Jamie Glasser, *Office of Senator Jay Costa*
Josiah Gilliam, *Homewood Children's Village*
Jessica Smith Perry, *Urban Redevelopment Authority*
Shaina Madden, *Urban Redevelopment Authority*
John Ginocchi, *TREK Development*
Vanessa Murphy, *TREK Development*

Feasibility

Jessica Smith-Perry, *Urban Redevelopment Authority*
Shaina Madden, *Urban Redevelopment Authority*
John Ginocchi, *TREK Development*
Vanessa Murphy, *TREK Development*
Marita Bradley, *Office of Councilman Rev. Ricky Burgess*
Michael Polite, *Ralph A. Falbo Incorporated*
Zak Thomas, *Neighborhood Allies*

*Liz Hersh served as an Affordable Housing Task Force member until February 2016. Bethany Davidson served as an Affordable Housing Task Force member until April 2016.