

## Part 9: The Affordable Housing Market In the Lehigh Valley



## PART 9

# THE AFFORDABLE HOUSING MARKET IN THE LEHIGH VALLEY

### Key Stakeholders

In addition to collecting hard data (household projections, housing inventories, etc.) for this report, regional housing developers were interviewed. These organizations (both nonprofit and for-profit) were identified as playing critical roles in the planning, financing and development measures associated with creating new affordable housing units for lower income households in Lehigh and Northampton Counties.

A total of 12 housing developers in the Lehigh Valley were identified and interviews and/or surveys were conducted with them. These included the following:

- **Alliance for Building Communities** – ABC is based in Allentown but works throughout the region. ABC maintains its status as a community housing development organization (CHDO) with the HOME participating jurisdictions of Allentown, Bethlehem and Easton. (ABC also works with Berks County as a CHDO.) ABC has been in existence for close to 30 years and has developed many units in both Lehigh and Northampton Counties.
- **Housing Association Development Corporation** – HADC has been in existence for 27 years and has a proven record of developing and managing rental housing as well as for-sale units. HADC has recently hired staff to focus exclusively on obtaining funding sources in the face of severely reduced federal monies for new affordable housing construction. With the North Street Renewal Project, a multi-phase, for-sale new construction project underway in Allentown, as well as multiple scattered-site rehab/resale projects, HADC is working at capacity.
- **Moravian Development Corporation** – MDC was created by the Bethlehem Area Moravians, Inc. in 1971. The agency is based in Bethlehem where it developed and operates three adjacent apartment buildings comprising 318 units occupied by low and moderate income senior citizens. MDC has undertaken its developments periodically over the past thirty years: the first in 1973, then in 1979, and lastly in 1999. Currently under construction is MDC's fourth project, Moravian House IV, which will provide 8 handicapped-accessible units.
- **Habitat for Humanity** – Habitat for Humanity of the Lehigh Valley undertakes its homeownership activity throughout the region but does most of its work as infill projects in the three cities. The organization will have completed construction on 10 new owner-occupied units by the end of 2006 with another 10 units projected for completion in 2007. The homes are currently appraising at \$180,000 but are sold to households qualifying as very low income households. Habitat hopes it can increase production up to 12 or 15 units per year and mix new construction with more substantial rehab projects. (Presently, only about 20% of Habitat's pipeline includes rehabilitation. In previous years, the City of Allentown transferred ownership of dilapidated housing units to Habitat for only \$1, allowing Habitat to acquire and rehabilitate structures affordably. The City

no longer runs this program.) Upcoming projects for the organization include the Easton HOPE VI project (6 lots are designated for Habitat) and a 27-lot development consisting of 30 units in Bethlehem's Southside Redevelopment Area.

- **Pennrose Properties** – Pennrose has developed over 8,000 units of affordable housing in the Mid-Atlantic region, primarily in Pennsylvania. The company's portfolio comprises mixed-use, mixed-income, and multi-family housing for families and the elderly. Pennrose works heavily through partnerships with private sector investors, townships and municipalities, elected officials and community leaders, public housing authorities, and community non-profit organizations. Through its affiliated companies, Pennrose also offers integrated property management and maintenance services for multi-family and mixed-use developments.

The three city public housing authorities can also be considered affordable housing developers since each of the agencies have new development projects underway.

- **Allentown Housing Authority** – The authority owns and operates 1,122 units of public housing and administers 1,056 Section 8 vouchers within the city. Currently, AHA is collaborating with Pennrose Properties to redevelop Hanover Acres and Riverview public housing units into 269 new rental units and 53 new for-sale units through the federal HOPE VI Program.
- **Bethlehem Housing Authority** – The authority owns and operates 1,451 units of public housing and 497 Section 8 vouchers. The authority is seeking HUD funding to replace 3 one-bedroom units which were lost due to soil collapse. Additionally, the authority is preparing to submit an application to HUD to finance and develop 20 new garden apartments at Bayard Street.
- **Easton Housing Authority** – The authority owns and operates 555 units of public housing and administers 310 Section 8 vouchers within the city. The authority was just recently awarded a HOPE VI grant and will collaborate with a for-profit developer to redevelop Delaware Terrace and Delaware Terrace Annex public housing units into 89 new for-sale units and 55 new rental units.

Three other nonprofit organizations were also surveyed: Neighborhood Housing Services of the Lehigh Valley (NHS), Valley Housing Development Corporation (VHDC) and Bethlehem YMCA. However, each of these organizations has a unique situation that excludes it from the list of affordable housing providers that can be counted to regularly contribute to the creation of future affordable housing opportunities in the Lehigh Valley.

Both NHS and VHDC are no longer active in developing new affordable housing. NHS' attempt at developing and operating low-income rental housing in Allentown (23 rehabilitated units on 10th Street proved a difficult experience in the late 1980s and early 1990s. The agency has not developed any new housing since, choosing to focus instead on housing counseling, homebuyer training, and housing rehabilitation assistance for home owners—all of which contributes to preserving the affordable housing stock.

Until recently, the Lehigh Valley had a strong development agency in the VHDC, a nonprofit development arm of the Lehigh County Housing Authority. Turnover in the organization's leadership and heavy indebtedness carried over from previous developments has left VHDC in fiscal hardship. The agency is currently focused primarily on the preservation of existing affordable rental units rather than on new development. For these reasons, the two organizations were not included in the

evaluation of organizational capacity as entities currently planning and developing new affordable housing.

The Bethlehem YMCA has maintained single-room occupancy (SRO) units for single men within the Bethlehem Community for more than fifty years. Many of the men who reside at the YMCA have medical issues such as drug and alcohol abuse, loss of employment and/or family difficulties, and/or mental health issues. The organization is working towards a dormitory renovation that will allow it to continue to provide decent, safe, affordable housing to its residents while providing them with a service enriched environment. The YMCA is currently planning a substantial rehabilitation of the 56 existing SRO units will result in 27 SRO units and 10 efficiency units for homeless individuals for a total of 37 units. Twenty-three of the SRO units will be rented to those whose incomes are at or below 40%, 50% or 60% of the area median income and the additional four units will be set as market rate units. The YMCA has expressed a desire to undertake this project but it is not the intent of the organization to enter into the realm of affordable housing development on a regular and permanent basis.

Additionally, Bethlehem Housing Authority assisted in the formation of a nonprofit arm of its own. Bethlehem Homes, Inc. (BHI) was chartered to support affordable housing in the City. BHI and BHA are currently exploring the steps required to move from organizational set-up to actual production.

## Evaluation of Pipeline Projects

In an effort to identify *new* affordable housing units that are expected to be made available to lower income households for occupancy over the coming years, housing providers also were surveyed to identify projects they have in the pipeline. The “pipeline” refers to all proposed affordable housing projects that are in various stages of pre-development or construction. It is important to note that the pipeline projects list is a fluid one, constantly changing as housing units are completed and occupied, and as new projects are planned, financed and initiated. The chart on the following page summarizes the pipeline projects identified in the Lehigh Valley in the last quarter of 2006 and includes only those projects that would add *new* affordable housing units to the region’s inventory.

A total of 616 new affordable housing units are proposed or planned over the next several years. Of these:

- 382 units will be rental units available for households at or below 60% of median income, depending on the financing source
  - 42 units will be designated for elderly households
  - 8 units will be designated for persons with developmental disabilities
  - 332 units will be designated for families or general occupancy
- 234 units will be owner-occupied units for sale to households at or below 80% of median income.

The new LIHTC projects represent the first tax credit allocations awarded to the Lehigh Valley since 2003. Together, these projects will create 322 new affordable rental units.

Figure 9-1

New Affordable Housing Units in the Pipeline in the Lehigh Valley in 2006										
Developer / Manager	Project	Type	Location	Est. Occupancy	Units	Number of Units & Bedroom Sizes	Target Income*	Rent or Sales Price Range	Status	Financing
Alliance for Building Communities	Livingston Senior Manor	New Con. Rental	Bethlehem	Oct 2006	Garden apts.	42 one-bdrm units	Up to 50% AMI	Section 8	Construction underway	HUD Sect. 202, Sect. 8 Rental Asst., Act 137
Housing Association Development Corporation	Scattered Site Rehab	Rehab Owner	Allentown	Jun 2007	Rowhouse	2 four-bdrm units	Up to 80% AMI	\$75,000 to \$79,000 per unit	Construction underway	City CDBG, City HOME, Private and corporate donations, Construction financing
	North Street Renewal Project	New Con. Owner	Allentown	Sep 2007	Townhouses	9 four-bdrm units	Up to 80% AMI	\$85,000 to \$95,000 per unit	Construction underway	City CDBG, City HOME, DCED Brownfields, DCED Neighborhood Partnership, DCED Community Revitalization, Act 137, Local banks and corporations, Local foundations
Moravian Development Corporation	Moravian House IV	New Con. Rental	Bethlehem	Aug 2008	3-story apt. building	8 one-bdrm units		\$663/month	Funding approved	City HOME, HUD Sect. 811, County MH/MR, DCED
Habitat for Humanity of the Lehigh Valley	Home Building Program	New Con. Owner (48) and Rehab Owner (3)	Allentown (2 rehabs) Easton (1 rehab) Bethlehem (48 new)	2011	Single family	51 units (average 3-bdrm units; 1 & 2-family units)	35%-55% AMI	\$100,000 per unit (interest-free mortgage)	Construction underway on 11 units	City CDBG, County CDBG, City HOME, State HRA, PHA, Donations
Habitat for Humanity and Bethlehem Homes, Inc.	Southside Redevelopm't Area	New Con. Owner	Bethlehem	2009-2011	Single family	30 units, varies	Up to 50% AMI	To be determined	In early planning stages	
Allentown Housing Authority and Pennrose Properties (HART-Hanover Acres and Riverview Terrace)	HART Home Ownership	New Con. Owner	Allentown	2008	Single family	53 units (all 3-bdrm units; 1 & 2-family units)	24 units: <80% AMI; 29 units: 80%-100% AMI	\$100,000-\$140,000 per unit	Construction underway	HOPE VI, LIHTC, County HOME, PHFA, FHLB, DCED, Owner Equity
	HART Rental Phases 1A & 1B	New Con. Rental	Allentown	2009	Multi-family	158 units (32 1-bdrm 82 2-bdrm 42 3-bdrm 2 4-bdrm)	Up to 60% AMI	Phase 1A: \$200-\$250/month; Phase 1B: \$250-\$950/month	LIHTC approved	LIHTC
	HART Rental Phases 2A & 2B	New Con. Rental	Allentown	To be determined	Multi-family	111 units (Phase 2A: 16 1-bdrm; 26 2-bdrm; 18 3-bdrm) (Phase 2B: 10 1-bdrm; 20 2-bdrm 10 3-bdrm; 11 4-bdrm)	20%-60% AMI	\$250-\$670/month	Early planning stages	LIHTC, HOPE VI, City HOME, PHA, FHLB
Bethlehem Housing Authority	Bayard Street	New Con. Rental	Bethlehem	2009	Garden apts.	20 units (17 one-bdrm units; 3 two-bdrm units)	Up to 50% AMI	30% of income	Submitting application Dec 2006	Capital Fund
Easton Housing Authority	HOPE VI	New Con. Owner	Easton	2010	Single family	89 units	Up to 50% AMI			
	HOPE VI	New Con. Rental	Easton	2010	Multi-family	43 units	Up to 50% AMI	30% of income	Funding approved	HOPE VI
<b>Total Units in the Pipeline</b>						<b>616</b>				

\*Based on Area Median Income (AMI)

Source: Affordable Housing Providers; Mullin & Lonergan Associates, Inc.

Of the 616 new units of planned affordable housing identified in the pipeline, 454 units will be constructed with HOPE VI financing. Under the HOPE VI Program, public housing authorities are provided funding to demolish severely distressed public housing units and replace them with new and/or rehabilitated units. The intent of the HOPE VI Program is to eliminate densely populated and poorly designed large housing developments and replace them with smaller scaled developments of fewer units. As a result, more housing units are demolished than constructed and/or rehabilitated, thus decreasing the total number of affordable housing units in the local housing stock. Such is the case in the Lehigh Valley.

Easton Housing Authority's HOPE VI initiative will involve the demolition of 238 units at Delaware Terrace/Annex, a 250-unit complex. The remaining 12 units will be rehabilitated and 89 new owner units and 43 new rental units will be constructed. As a result, the existing 250-unit development will be replaced with 132 new units and 12 rehabilitated units. However, this project will result in a permanent net loss of 106 affordable housing units from the region's inventory. To offset the loss, HUD will provide the Authority with 250 Section 8 vouchers. This represents 144 additional vouchers than the total number of units in the original housing development.

A similar situation will occur with Allentown Housing Authority's HOPE VI Program. Hanover Acres and Riverview Terrace are two contiguous housing developments consisting of a total of 421 units, all of which will be demolished. In their place, the Authority will construct 269 new rental units and 53 new owner units for a total of 322 new units. This will result in a permanent net loss of 99 units from the affordable housing inventory. To offset the loss, HUD will provide the Authority with 341 Section 8 vouchers. This represents 242 additional vouchers than the total number of units in the original housing development.

The following chart illustrates the impact of the HOPE VI demolition on the region. The planned development of 616 new units of affordable housing will not completely replace the 659 units slated for demolition. An overall net loss of 43 units from the affordable housing inventory is anticipated. The two HOPE VI initiatives underway in Easton and Allentown are positive projects that will provide new affordable housing and comprehensive neighborhood revitalization to blighted neighborhoods. However, the net loss of 43 affordable housing units further underscores the need for greater capacity among affordable housing developers in the Lehigh Valley.

Figure 9-2

<b>Net Change to Affordable Housing Inventory</b>			
	<b># New Units to be Constructed</b>	<b># Existing Units to be Demolished</b>	<b># Net Units to be Constructed</b>
<b>Elderly</b>			
Livingston Senior Manor	42	0	42
<b>Family</b>			
HADC - Scattered Site Rehab	2	0	2
North Street Renewal	9	0	9
Habitat - Home Building Program	51	0	51
Habitat - BHI	30	0	30
Bayard Street	20	0	20
Easton (HOPE VI)*	89		
Easton (HOPE VI)*	43	238	(106)
HART Homeownership (HOPE VI)	53		
HART Rental (HOPE VI; 1A & 1B)**	158		
HART Rental (HOPE VI; 2A & 2B)**	111	421	(99)
<b>Disabled</b>			
Moravian House IV	8	0	8
<b>Totals</b>	<b>616</b>	<b>659</b>	<b>(43)</b>

\*Easton Housing Authority will also receive 250 Section 8 vouchers as part of its HOPE 6 Program.

\*\*Allentown Housing Authority will also receive 341 Section 8 vouchers as part of its HOPE 6 Program.

Source: Affordable Housing Providers

## Organizational Capacity

To determine the degree to which affordable housing providers in the Lehigh Valley possess the ability to carry out their missions, their organizational capacity was evaluated. The following chart provides a summary of this assessment for the five affordable housing developers responding to the survey.

Three primary criteria were used to assess the organizational capacity of the developers. These included:

- Access to capital for pre-development costs
- The number of staff persons dedicated exclusively to housing development, and
- The rate of productivity.

Access to capital financing for pre-development costs enables a developer to perform a market study, conduct a Phase I environmental assessment and obtain site control in a timely manner. Without ready access to pre-development funds, developers are very limited in their ability to explore the feasibility of a project. Among the developers who concentrate exclusively on the development of affordable housing, Moravian Development Corporation and Habitat for Humanity indicated ready access to capital.

The number of staff dedicated exclusively to housing development indicates how much time and effort a developer can devote to creating new housing. A staff of several full-time employees working exclusively on locating sites and developing financing packages, as well as overseeing construction, enables a developer to focus on its mission to build housing. Responses to this question varied with Alliance for Building Communities reporting 4 staff persons (plus consultants as needed), Moravian Development Corporation and Habitat reporting 6 persons each, and Housing Association Development Corporation reporting 12 staff persons. Pennrose reported 20 staff persons dedicated to affordable housing development activities.

Finally, the number of affordable housing units created compared to the number of years of experience in affordable housing development indicates the level of productivity of a developer. Pennrose Properties, a large national firm, averages approximately 374 units annually. Among the more regional developers, Alliance for Building Communities has the highest volume of production at 18 units. Habitat for Humanity has averaged 15 units annually.

Two other long-time players, Moravian Development Corporation and Housing Association Development Corporation, have produced a high volume of units as well, but at a different pace. MDC has concentrated its efforts in Bethlehem with elderly rental units built in various stages (1973, 1979 and 1999.) MDC is currently building 8 handicapped accessible rental units. HADC, meanwhile, is focused within Allentown, renovating and building new units at a steady annual rate. The experience they have accumulated over the years should not be overlooked as a valuable resource to the region and their efforts should be strongly encouraged to continue.

Figure 9-3

<b>Organizational Capacity of Affordable Housing Developers in the Lehigh Valley in 2006</b>					
<b>Criteria</b>	<b>ABC</b>	<b>HADC</b>	<b>MDC</b>	<b>Habitat</b>	<b>Pennrose</b>
Concentrates exclusively on development of affordable housing	no	yes	yes	yes	no
Ready access to capital for site control and other development expenses	yes	no	yes	yes	yes
Number of years of experience in real estate development	28	28	30	5	35
Number of years of experience in affordable housing development	28	28	30	4	35
Number of fulltime staff members dedicated to housing development	4	12	6	6	20
Number of affordable rental housing projects	9	19	4	0	143
Number of LIHTC projects undertaken	3	1	1	4	128
Number of affordable rental housing units constructed	181	12	318	0	8803
Number of affordable rental housing units rehabilitated	189	28	0	0	3701
Number of affordable rental housing units currently under management	328	37	318	0	7727
Number of affordable home ownership units constructed and sold	na	0	0	60	591
Number of affordable home ownership units rehabilitated and sold	125	230	0	0	0
Average annual production rate (total number of units constructed and rehabilitated divided by number of years in affordable housing)	18	10	11	15	374
Experience in partnering with other affordable housing providers on real estate development projects	na	yes	yes	yes	yes
Primarily operates in Lehigh and/or Northampton County	owner: yes rental: no	yes	yes	yes	no

Source: Affordable Housing Providers; Mullin & Lonergan Associates, Inc.

One final note on organizational capacity involves the experience of VHDC and provides a valuable learning tool to other area nonprofit and for-profit developers looking to enter into or expand their affordable housing production.

- **Debt capacity.** The majority of affordable housing developments in the Commonwealth support very little, if any, fully amortizing conventional debt, whereas many of the VHDC developments obtained conventional financing resulting in “stressed” operating budgets and relatively little or negative cash flow.
- **Achievable operating budgets.** There are many variables when determining a workable operating budget, however, adequate contingencies need to be planned in order to account for spikes in operating costs. Many of the VHDC developments are experiencing cash flow problems due to higher than anticipated real estate taxes, insurance costs, and utility expenses. Additionally, other operating costs may have been kept “tight” in order to support a higher amount of “hard debt”, which in the end only exacerbates the problem.

Conservative operating projections and identification of “soft” mortgage financing are two of the keys to ensuring long-term financial success in affordable housing.

## Common Impediments to Developing Affordable Housing

The following impediments to developing affordable housing in the Lehigh Valley were identified by developers and others interviewed for this report:

- The high cost of land, specifically undeveloped land
- Difficulty in finding land
- Inadequate supply of development sites in general
- Insufficient supply of land zoned for multi-family housing
- Relocation and demolition costs in projects involving site assembly
- The NIMBY (“Not In My Backyard”) response
- In distressed areas, achievable rents are too low to meet operating expenses, thereby making some projects unfeasible to finance or require high subsidies.
- The increasing costs of ongoing property management such as real estate taxes, insurance, management and maintenance, which make it difficult for developers to offer quality management services, thereby making smaller projects less viable
- The cost of lead-based paint abatement is significantly increasing the rehabilitation cost of older housing units, and subsequently, causing a decrease in the number of housing units rehabilitated.
- Non-profit developers having an inadequate supply of capital to meet pre-development expenses severely limits their ability to explore the feasibility of potential projects as prospects arise.
- Total development costs are greater than achievable sales price for homeownership projects. As a result, the actual cost of developing housing can be twice as high as the sales price of affordable units to lower income households.
- In high growth areas, market rate projects offer higher profit margins to builders and developers thereby reducing the supply of labor and number of firms interested in affordable housing.

- Market rate transactions on owner-occupied dwellings offer fewer challenges and higher commissions to Realtors.
- Continuously shrinking state and federal funding sources to subsidize affordable housing projects.

## Collaborative Housing Issues and Opportunities

Collaboration occurs in many forms when developing affordable housing. Inexperienced nonprofit organizations will often partner with a for-profit developer in order to gain a better knowledge of the development process. Service organizations that identify a housing need for a specific client base can partner with an area nonprofit or for-profit developer in order to facilitate the construction of needed housing for their specific client group. Sometimes, a nonprofit may have a larger development in mind which will require the financial strength of a for-profit developer.

Based upon interviews and available data, it appears that some collaboration is beginning to occur in the Lehigh Valley as it relates to affordable housing production. These efforts include:

- Allentown Housing Authority and Pennrose Properties are collaborating to construct 269 new rental and 53 new owner-occupied units at Hanover Acres and Riverview Terrace. Demolition has been completed on 322 units at Hanover Acres and will continue on 99 units at Riverview. Financing includes HOPE VI and LIHTC.
- Easton Housing Authority was recently awarded a HOPE VI grant which will require the Authority to seek a development partner.
- Habitat for Humanity is exploring partnering with other non-profits such as Bethlehem Homes, Inc. to create up to 30 new for-sale units in South Bethlehem

As previously mentioned, the Lehigh Valley has a total of five public housing authorities who know and understand what it takes to manage and operate affordable housing. The Valley also has a few nonprofit organizations that have affordable housing development experience which can certainly be expanded.

## Underutilized Affordable Housing Financial Resources

Most of the pipeline projects reviewed as part of this study involved mainstream financing sources that are commonly used in affordable housing development, such as Community Development Block Grant (CDBG) funds, HOME funds, programs administered by the Pennsylvania Department of Community and Economic Development (DCED), low income housing tax credits (LIHTC), the Penn Homes Program administered by the Pennsylvania Housing Finance Agency (PHFA), and HUD's Section 202 / 811 Programs. This is a positive reflection on the local affordable housing development industry and its ability to understand and utilize major funding tools. The competition for these funds is intense. The fact that some of these tools are used in the Lehigh Valley reflects the capacity of local affordable housing developers to compete successfully for scarce resources.

There are, however, numerous financing tools that are not being used. One such program is the Homeownership Construction Initiative (HCI) administered by the Pennsylvania

Housing Finance Agency (PHFA). This financing mechanism has emerged as an important tool to create affordable sales housing within the context of a broader urban revitalization plan. The Commonwealth of Pennsylvania is supportive of urban revitalization planning efforts that lead to successful development projects. In order to qualify for “impact project” funding from the Commonwealth, it is important for the Lehigh Valley to have several revitalization projects in various stages of planning and development at all times.

Another tool worth considering involves the use of tax-exempt mortgage revenue bonds to create a bi-county pool of funds for homeowner rehabilitation financing. A redevelopment authority or a housing authority would issue the bond. Bond proceeds would be loaned to homeowners to improve their properties. Each participating homeowner would grant a mortgage and note as collateral for the transaction. The bonds would be backed by the recorded mortgages. Certain income restrictions would apply in order for the bonds to address a public purpose. Furthermore, sources of subsidy could be used to create various tiers of borrowers based on household income. For example, CDBG funds could be used to subsidize or “buy down” the rate of interest on transactions targeted to households with incomes less than 80% of median. This tier might repay their loans at an APR of 0%. Act 137 funds or State HRA funds could be used to “buy down” the rate of interest on transactions targeted to households with incomes between 80% and 115% of median. This tier might repay their loans at an APR of 3%. Households above 115% would borrow at the (unsubsidized) tax-exempt rate in the 5% APR range. In terms of timing, it is most advantageous to issue the bonds when interest rates are low in order to lock in a low tax-exempt rate. As homeowners repay their loans, the authority would use the repayments to service the debt on the bonds.

In order to further expand the supply of affordable housing in the Lehigh Valley, affordable housing developers should be encouraged to consider several sources of financing, which are underrepresented among current projects:

- Rural Local Initiatives Support Collaborative (LISC) as a source of pre-development financing
- Act 137 funds received from the counties’ respective Affordable Housing Trust Funds, especially as a source of cash for debt service on large scale projects
- PA DCED’s new Core Communities Housing Program (CCHP) as well as Housing and Redevelopment Assistance funds
- Mixed income projects (both rental and homeownership) in more affluent areas of the counties where above average rents and sales prices can support the market rate component of the project
- CDBG and HUD Section 108 loans, used primarily in support of projects involving rehabilitation or for infrastructure improvements. Under the CDBG Program, predominantly residential targeted areas designated by HUD as Neighborhood Revitalization Strategy Areas (NRSA) are more easily qualified for mixed income housing.
- PHFA’s Mixed Use Facility Financing Initiative (MUFFI) for the rehabilitation of vacant downtown buildings that can support ground floor commercial and upper floor residential uses. This tool can be combined effectively with historic tax credits.

- PHFA’s Neighborhood Revitalization Initiative for projects involving the rehabilitation of existing owner-occupied residential structures and/or infill development on vacant lots in urban residential neighborhoods.
- Fannie Mae, the largest purchaser of low income housing tax credits in the nation, offers loan products to local governments, for-profits and non-profits to bridge or leverage other financing resources.
- PA Neighborhood Assistance Act tax credits
- PHFA New Markets tax credits
- The Federal Home Loan Bank’s Affordable Housing Program, and
- U.S. Department of Agriculture’s Rural Development Programs such as Self-Help Housing, Rural Home Loan Partnership, 538 Guaranteed Rural Rental Housing, and Community Facilities Program for Housing.

## Findings

- There are opportunities available for more collaborative initiatives between for-profit developers and nonprofit organizations in the Lehigh Valley. By partnering with an experienced for-profit developer, a smaller nonprofit can enhance its capacity in budgeting, planning, financing and construction management skills.
- There are also opportunities for public housing authorities to create new affordable housing outside of HOPE VI funding.
- Developers identified the insufficient supply of land zoned for multi-family housing as one of the factors driving up the cost of land acquisition and development. Outreach initiatives focused on educating public officials and planning commissions on the benefits of affordable housing may encourage the rezoning of more land to multi-family zoning designations, as well as eliminate unnecessary and excessive development standards for multi-family housing.
- Active and productive nonprofit housing developers need ready access to capital in order to finance the front-end soft costs associated with new development. Utilizing a lesser-restrictive source of financing for this (such as Act 137 Housing Trust Fund resources) would enable nonprofits to seek out more development opportunities and fully investigate the financial feasibility of potential projects early on.