Bryce Maretzki Statement

Senate Urban Affairs Committee Hearing

Marcellus Shale and Housing

October 25, 2012

Good morning, my name is Bryce Maretzki and I am the Director of Business Development at the Pennsylvania Housing Finance Agency (PHFA).

I would like to thank Senator Yaw and the other members of the committee for the opportunity to provide these written comments on housing as it relates to the Marcellus Shale gas development.

As background I wanted to provide a bit of context for these comments. The Pennsylvania Housing Affordability and Rehabilitation Enhancement Fund (PHARE) was signed into law in November of 2010 (Act 105) with the purpose of providing a statewide fund for the creation, rehabilitation and preservation of much needed affordable housing across the state. One of the primary provisions of Act 105 is that "at least 30% of the funds must be used for households below 50% of the median area income". Since it was enacted in 2010, PHARE has not had any funding allocated to the program and consequently, was not implemented. The PHARE legislation (Act 105, 2010) only requires implementation when funds deposited into the Fund.

With the enactment of the Marcellus Shale Impact Fee legislation and signature of Governor Corbett on February 14' 2012 (Act 13) one of the provisions in the Act provided for funds to be deposited into PHARE and managed by PHFA.

For the initial year of drilling operation (2011) there will be deposited $2.5 million and for 2012 and beyond there will be $5 million deposited annually into PHARE. In addition, PHARE will receive any excess/spillover funds from local municipalities. (A municipality may only receive the greater of $500,000 or 50% of their annual operating budget and any funds in excess of that amount will be added to the PHARE program.)

Additionally, Act 13 stipulates that the funds deposited into PHARE will be available only to counties that have drilled unconventional wells located within municipalities in the county. According to the latest information from the Pennsylvania Public Utility Commission (PUC) 36 counties are included in the monies they have received from drilling companies. (As of 9/18/12) A further provision of Act 13 requires that "not less than 50% of the funds are to be used in fifth, sixth, seventh and eighth class counties".

Beyond these specific provisions both Act 105 and Act 13 allow for the funds to be used for a wide range of housing activities that include housing programs as well as construction and related efforts. This broad range of potential eligible activities has made the funding much sought after as a resource for leveraging other funding for programs and projects.

To date, the significant activities that PHFA has implemented related to these two pieces of legislation include the following.

As required by PHARE a draft plan was developed and posted for public comment on March 1, 2012 and available for 45 days of open comment. The PHFA Board of Directors approved the final PHARE Plan and the Request For Proposals (RFP) for the initial year of funding of the Act

13/PHARE program on July 13, 2012. RFP responses are due to the Agency on November 2, 2012.

Two webinars (August 29th and October 3rd) were conducted as well as one in-person training session (September 20th) to outline the specific requirements of the RFP, the policy objectives that the Agency hopes to achieve with the funding, as well as detailed information about the eligibility requirements of application submissions. These three training opportunities have been attended by over 120 participants covering the impacted counties, governmental agencies, non-profit and for-profit housing and community development organizations, including housing authorities and social service providers.

PHFA has incorporated a number of policy objectives into the RFP that it hopes will make the program most effective at addressing the impacts on housing in the Marcellus region of the state as the gas industry continues to develop. These objectives have included the goal of ensuring that eligible counties and municipalities are put in the lead in determining how best to utilize the PHARE funds in their own communities. The eligible applicants for the funds are counties and municipalities with funds deposited into PHARE. (To date there are 36 counties that are eligible and PHFA is working with the PUC to determine the specific municipalities that are eligible and the specific funding available to each location.)

PHFA has also established a goal for PHARE of returning to each county, and the most heavily impacted municipalities, the amount of funding that they have deposited into the PHARE program from the presence of active wells. (E.g. If Bradford County has $200,000 deposited into the program PHFA will, assuming viable applications are submitted, return that level of funding to the County.)

In order to ensure that the agency can meet the legislative requirement that “at least 30% of the funds be used to assist households below 50% of the median area income” we are requiring that each application/proposal/program or project “provide at least 15% of the funds to assist households below 50% of the median area income”. In addition, in keeping with the overall affordable housing intent of the PHARE program, funds may not benefit households above 200% of the median area income.

As part of the final approved plan for the PHARE program a set of principles were enumerated that embody how the agency will approach both Act 105 and Act 13 funds. The principles include maximizing resource leveraging, addressing greatest need, fostering partnerships, and making certain the process is effective, efficient, equitable and transparent. In addition, a set of primary plan elements will be incorporated into the approach for assessing projects for this program. The elements include, an analysis of need, understanding of the real estate market, high quality design and construction, targeting of resources and stakeholder input.

To date, the response to the PHARE Plan and RFP have been very positive both in terms of the overall objectives of the programs and the specific requirements of the RFP. We anticipate that there will be at least one proposal from each of the impacted counties and likely more than one from many.

The biggest challenge will be to ensure that the overall program meets the minimum low income set aside required by PHARE, given that the requests are likely to far exceed the available funds and therefore it will be critical for counties and municipalities to carefully evaluate their own local housing needs and prioritize where these funds could be used for maximum leverage and impact. The role of public/private partnerships to effectively deploy the funds will be critical, as well as the need for communities to look at other sources of funding that could be added to the project to make it feasible.

PHFA realizes that the PHARE funds are not likely to be sufficient to fully fund any project and therefore other funding sources are critical – including county housing trust fund (Act 137) monies, Marcellus Shale Impact Fee Local Share funds and other state/federal/local and private dollars become very important to make the projects viable.

At this point we are waiting to see what we receive on November 2nd but based on the feedback and questions concerning the available funds we expect to see an interesting, creative and exciting set of responses to help address the critical need for a wide range of housing and supportive services in these communities. The data clearly points to a large and growing need and a significant impact on the affordable housing market that has been created as the natural gas development has expanded (and continues to expand) in local communities. The need will look different across the impacted region and therefore the leadership and partnership of local elected/government as well as non-profit and for profit housing organizations are important to ensure that the particular needs are most effectively addressed with these funds.

Recommendations for funding awards are expected to be made to the PHFA Board of Directors at the December, 2012 meeting and the contracting process will begin to get the funds out to the applicants in as short a period as possible. PHFA expects that the PUC will deposit the Marcellus Shale payments into the PHARE fund by late November or early December, 2012.

In closing let me thank Chairman Yaw and members of the committee for the opportunity to provide this update on the very important program that you helped create. On behalf of PHFA I look forward to working with the committee as we continue to assess and evaluate how best to implement the PHARE program. This is the initial year of operation with the Marcellus Shale funds and we fully anticipate that there will be further refinements and alterations based on the feedback we receive from a variety of stakeholders, including each of you about how the program can be made more effective at reaching its intended objectives.

Post Script – as we await the 2012 RFP responses we are already planning for the 2013 round of PHARE funding. In 2013 (for 2012 well deposits) the monies will be deposited with the PUC on April 1, 2013 therefore a new timeline for PHARE draft plan, reporting and RFP will be developed. PHFA anticipates that the 2013 PHARE RFP will be available by June 1st with applications likely due around August 1, 2013.