

**PENNSYLVANIA HOUSE OF REPRESENTATIVES
MAJORITY POLICY COMMITTEE
JULY 21, 2011
LANCASTER CITY COUNCIL CHAMBERS**

**TESTIMONY OF GLENN YODER, PRESIDENT, LANCASTER COUNTY
ASSOCIATION OF REALTORS®**

Good Morning Representatives. My name is Glenn Yoder, President of the Lancaster County Association of Realtors®, a trade association with over 1,500 members. Our membership is comprised of licensed real estate agents, certified appraisers, banks, mortgage companies, home inspectors, settlement services, title companies and law firms. Thank you for this opportunity to discuss the regulatory and business environment in Pennsylvania.

The diversity and multiplicity of industry sectors connected to the transfer of real property and construction is the primary reason the housing industry is viewed as a national leading economic indicator. Here in Lancaster County, 17.2 percent of our gross regional product is produced through real estate transactions and construction services, making the housing industry the second largest economic sector behind manufacturing (21 percent). From 2006 through 2010, the real estate transfer tax generated \$97 million in revenue for municipal governments and school boards right here in Lancaster County, with another \$97 million being sent to the State during that period. A healthy housing sector provides support and funding for effective local government and quality education.

One of the core issues facing consumers and Realtors® is the availability of affordable housing at all price points. As a general rule when determining what constitutes affordable housing, a typical household should pay no more than 30 percent of its annual income on mortgage payments or rent. Right now, there are over 12 million households in America which are paying in excess of 50 percent of their household income towards housing costs. A lack of affordable housing hurts consumers at all price points, particularly first time home buyers, and prevents many households from meeting basic needs such as food, clothing and health care. Availability of affordable housing is important for balanced growth within Pennsylvania's communities. Employers and job creators must be able to attract and retain a workforce with affordable housing that is located in neighborhoods close to their place of work. Providing employer-assisted housing benefits is an effective program that enables employees to live near their place of work. Such benefits enable employers to reduce costs associated with employee turnover, and can include loans for down payments or closing costs.

One of the best ways to lower housing costs is to streamline the permitting process at all levels of government. Time is money in the housing industry. Pennsylvania's permitting process often involves working with municipal, county and state boards and agencies, requiring permits and approvals for public water and sewer tap-in fees, environmental issues, traffic impacts, permits and approvals, fire protection, electrical work and so on. Mandating the co-approval of permits among the various levels of government would reduce construction costs and delays.

Traditional neighborhoods, with their emphasis on a variety of housing styles and walk ability, are very popular with home buyers. The availability of housing at all price points within these communities enable homeowners to choose the amount of home they need at different periods in their lives without ever leaving their neighborhood. Municipal officials and agencies should be encouraged to support traditional neighborhood design projects as a means of facilitating smart growth on a regional scale. Education of citizens and local officials regarding the long-term benefits of traditional neighborhood design is vital to ensure communities accommodate their inevitable growth in a smart fashion. Unfortunately, many municipal comprehensive plans and zoning ordinances make it cost-prohibitive to construct traditional neighborhoods, forcing developers to undergo a lengthy planning process involving variances and exceptions. Pennsylvania's Municipalities Planning Code should make it easy to create smart growth neighborhoods by right, not through a series of regulatory hoops that add time and money to the cost of housing.

Another method of increasing housing affordability is the use of tax credits. Tax credits can be used by those who construct housing, employers who provide financial assistance towards their employees housing needs and to individuals and businesses that donate land for the construction of affordable housing. Tax credits provide substantial benefits for the holder of the credit and the motivation to create affordable workforce housing.

There is a direct relationship between a strong commercial real estate market and a healthy and affordable supply of housing. Pennsylvania's commercial market would benefit from a universal set of requirements for site and project approval. There is currently a lack of cohesive zoning among municipalities. Many businesses seeking to open or expand or relocate operations in multiple municipalities discover they must comply with a variety of municipal regulations, many exceeding existing construction codes with additional requirements and mandates. Providing consistency and certainty for commercial projects, no matter which municipality they are located in, would lead to lower project costs.

In many commercial adaptive re-use projects, requirements for the Americans with Disabilities Act come into conflict with municipal regulations regarding historic preservation. This situation arises primarily within urban areas. If a municipality is unwilling to grant waivers in such instances, there is literally nothing further that can be done with the property in question. Similar difficulties arise when small business owners in urban areas seek to create residential quarters on top of their commercial properties and face difficulties reconciling commercial and residential codes. Pennsylvania's Municipalities Planning Code and existing construction codes should make it easy for commercial and residential uses to be blended together, helping revitalize urban areas and provide housing opportunities.

Pennsylvania currently collects almost \$10 billion in property tax revenue, representing almost two-thirds of all local tax collections. The lack of other broad-based local taxes to generate revenue has led to reliance on the property tax to fund education. Until 1983, Pennsylvania was required to provide 50 percent of the median actual expenses per student. In 1983 this statutory goal was removed and there is no continuing formula to serve as the basis for annual adjustments to state aid for basic education. As a result, school districts rely on the property tax to make up for the declining state share of education costs. Increasing the state share to 50 percent through broad-based consumption and/or income taxes would be a predictable and sustainable method of funding education in a variety of market conditions.

In recent years there have been proposals in Pennsylvania's General Assembly to apply the sales tax to real estate services. As with most goods and services, instituting a tax on an economic activity such as buying or selling a home is similar to raising the price on said economic activity. A sales tax on real estate services would increase closing costs and the cost of homeownership, reduce the demand for housing and increase the costs of operating real estate brokerages if the sales tax is applied to services purchased by brokerage firms such as accounting, data processing and legal services. Applying the sales tax to real estate services would increase the cost of housing for potential homeowners.

Pennsylvania's General Assembly has taken two very important steps in recent months towards making the American dream of homeownership more affordable for consumers. Act 1 of 2011, repealing the mandate for automatic sprinkler systems in new residential single-family construction and Act 8 of 2011, prohibiting private transfer fees during the transaction of real estate will both make housing more affordable. We appreciate the support of the representatives and senators who stood with us on this issue.

Thank you again and I would be happy to answer any questions.

