

Chairman and Members of the Pennsylvania House Republican Policy Committee:

Good morning, and thank you for the opportunity to testify today. My name is Sherry Capello, and I serve as the Mayor of Lebanon. I appreciate the Committee's willingness to hear directly from local officials who are working every day on the front lines of Pennsylvania's housing challenges.

I especially appreciate the Committee's desire to hear practical, on-the-ground experiences and real-world challenges facing our communities. Too often, housing discussions happen at a theoretical level, but local governments are dealing daily with the actual impacts these policies have on families, neighborhoods, employers, and economic growth.

In Lebanon City, housing is not simply a development issue. It is directly tied to affordability, workforce retention, economic opportunity, neighborhood stability, and quality of life.

The City recently completed a Housing Needs Assessment, and the findings confirmed what we are experiencing every day. Lebanon City has an estimated housing gap of nearly 2,000 units over the next five years, including more than 1,400 rental units and over 500 for-sale units.

The shortage exists at nearly every affordability level. Our vacancy rates are extremely low — only one-half of one percent for multifamily apartments — while affordable housing developments maintain waiting lists in the thousands.

At the same time, families are facing financial pressures unlike anything we have seen in years. The rising costs of groceries, gas, utilities, insurance, and everyday living expenses, combined with the rapidly increasing cost of housing itself, have significantly reduced the ability of many residents to afford homeownership. Even when families qualify financially, the cost of purchasing and maintaining a home often makes ownership feel unattainable.

In many cases, there is simply not enough financial incentive or opportunity available for working families to pursue homeownership successfully.

We are seeing this challenge firsthand through local housing programs.

The City partners closely with the Lebanon County Redevelopment Authority, which administers a countywide First-Time Homebuyer Program using HOME funding through the Pennsylvania Department of Community and Economic Development.

While we greatly appreciate this funding source, the reality on the ground is that the program has become increasingly difficult to utilize effectively.

One challenge is the cap placed on acquisition costs for eligible homes. In today's housing market, very few available homes fall within those price limitations. Additionally, the property must fully comply with HOME program standards and code requirements at the time it is sold to the homebuyer.

In practice, many affordable homes require rehabilitation before they can qualify. This means the Redevelopment Authority must first acquire the property using its own funds, complete the rehabilitation work to HOME standards, and only then sell the home to the first-time buyer.

The practical question becomes: where are local agencies supposed to obtain the upfront acquisition and rehabilitation funding needed to make these projects work?

The program did not always operate this way, and the increased complexity has made implementation significantly more difficult for local communities.

Similarly, our Lebanon City Land Bank has faced major changes in how it acquires properties. Originally, the Land Bank was designed to utilize judicial tax sales to acquire blighted or abandoned homes at reduced costs for rehabilitation and resale to owner-occupants.

However, in today's market, very few properties ever make it to judicial sale. Instead, properties are increasingly purchased at sheriff sale or sold privately before reaching that stage.

As a result, the Land Bank has had to shift toward private acquisitions, which often means purchasing properties at or near market value — despite the fact that these homes typically require substantial rehabilitation.

The financial reality is difficult. By the time acquisition, construction, code compliance, and carrying costs are added together, the total investment often exceeds what the property can reasonably sell for to an owner-occupant household.

Programs such as PHARE funding through the Pennsylvania Housing Finance Agency have been incredibly valuable in helping address these gaps. Our Land Bank has successfully used PHARE funds for acquisitions and rehabilitation projects, while the Redevelopment Authority utilizes PHARE funding for housing accessibility improvements and senior home repair programs.

However, because PHARE is one of the more flexible and effective housing funding tools available, it has become extremely competitive statewide. Demand for these limited dollars continues to grow while local needs continue to outpace available resources.

Another practical challenge local governments face is program consistency. We deeply appreciate the state staff members who work with us and provide technical assistance, but when policies, interpretations, or program requirements change frequently — often with new program management — it becomes difficult for local agencies and nonprofit partners to sustain momentum and effectively plan long-term projects.

Housing development and rehabilitation projects take years to complete. Stability and predictability in program administration are critically important.

Another reality we face is that many housing assistance programs have extremely strict income limitations. While those programs serve an important purpose, they often leave out working families who earn too much to qualify for assistance, but not enough to realistically afford today's housing costs.

At the same time, even when buyers qualify for assistance, there is an extremely limited supply of homes available to purchase.

The City is now exploring additional tools, including the use of federal Community Development Block Grant funds for mortgage subsidy or down

payment assistance programs. However, even those programs face practical market limitations. Although the allowable purchase cap was recently increased to approximately \$234,000, many homes now exceed that amount due to rising market values.

In other words, the funding tools often no longer match the realities of the housing market.

Despite these challenges, cities like Lebanon are also filled with opportunity.

One of the greatest opportunities we see is the adaptive reuse of underutilized upper floors in our downtown buildings. Across Pennsylvania's older communities, we have beautiful historic buildings with vacant upper stories sitting above active storefronts. These spaces could provide desperately needed housing while simultaneously revitalizing downtown business districts.

However, one of the largest barriers is the cost of bringing these buildings into compliance with modern building and life-safety codes — particularly elevator systems and fire suppression sprinkler systems required under Pennsylvania's Uniform Construction Code.

Private property owners are often willing to invest in the apartments themselves. The challenge is the extraordinary cost of the code-compliance infrastructure needed to make these projects feasible.

I previously raised this issue directly with Governor Shapiro and Lieutenant Governor Davis during a meeting with fellow mayors from across Pennsylvania. I encouraged the creation of a dedicated state funding stream specifically designed to help municipalities, developers, and property owners offset the costs associated with elevators, sprinkler systems, and other major code-compliance improvements tied to upper-floor residential conversions.

This type of targeted investment could transform communities across Pennsylvania.

It would create housing without additional suburban sprawl, preserve historic buildings, revitalize downtowns, expand the tax base, support small businesses, and strengthen workforce attraction and retention efforts.

Most importantly, it would represent practical policy informed by real-world local experience.

Local governments are doing their part. We are collaborating with counties, redevelopment authorities, land banks, nonprofits, developers, and housing organizations to address these challenges creatively and responsibly. But local governments cannot solve this crisis alone.

State policy decisions matter. Funding flexibility matters. Program consistency matters. And practical implementation matters.

I encourage this Committee to continue engaging directly with municipalities because local leaders see firsthand how these policies affect real families and real communities every single day.

Housing is not just about buildings. It is about economic opportunity, workforce stability, public safety, neighborhood vitality, and the future success of Pennsylvania communities.

Thank you again for the opportunity to testify today, and I would be happy to answer any questions.

Submitted by: Sherry Capello, Lebanon City Mayor