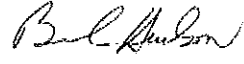


TO: Honorable Tom Corbett, Governor
Honorable Eugene DePasquale, Auditor General
Honorable David Argall, Chairman, Senate Urban Affairs & Housing Committee
Honorable Jim Brewster, Minority Chairman, Senate Urban Affairs & Housing Committee
Honorable Chris Ross, Chairman, House Commerce Committee
Honorable Curtis Thomas, Democratic Chairman, House Commerce Committee

FROM: Brian Hudson, CEO 
Pennsylvania Housing Finance Agency

DATE: March 25, 2013

SUBJECT: Pennsylvania Housing Affordability and Rehabilitation Enhancement Program (PHARE)
2012 Annual Report

Enclosed for your review is the initial Annual Report for the Pennsylvania Housing Affordability and Rehabilitation Enhancement Program (PHARE) as required by Act 105 of 2010.

BACKGROUND

In November 2010, the Pennsylvania Housing Affordability and Rehabilitation Enhancement Program ("PHARE") was enacted (Act 105 of 2010), establishing a housing trust fund. The fund can be used for a variety of purposes, including: providing dwellings for rent or purchase to low and moderate-income individuals or families; increasing the availability or quality of housing for elderly persons and accessible housing for persons with disabilities; preventing and reducing homelessness; development and rehabilitation of distressed neighborhoods; mortgage or rental assistance including housing counseling, foreclosure prevention and refinancing products; or providing loans or grants to low and moderate income owner occupants for repairs or improvements of their homes.

Funding allocated to projects may be used for predevelopment activities, acquisition of property, site preparation and construction, reconstruction and repair of existing structures, improvements and infrastructure. Funds may be used as a set aside for matching funds for counties that have established optional county affordable housing funds under 53 Pa. C.S. Ch. 60 (known as "local trust funds"). PHARE funds may not supplant existing resources dedicated to affordable housing activities, but they may be used to support, expand and enhance other programs administered by PHFA.

Under PHARE, PHFA may give preference to projects that meet specific goals, consider geographical distribution of program funds to ensure that all areas of the Commonwealth may participate, and make 30% of funds available for housing programs benefitting households with income less than 50% of the median area income.

In February, the Governor signed Act 13 of 2012 into law, providing for impact fees relating to activity in the Marcellus Shale region of the Commonwealth. The "Impact Fee" Act includes funding for PHARE. Funding in the amount of \$2,500,000 for 2011 and \$5 million annually thereafter is specified for deposit in the PHARE fund at Treasury. The Impact Fee Act has restrictions on which counties may receive funding. Under the Impact Fee legislation, not less than 50% of the funds must be used in 5th, 6th, 7th and 8th class counties.

Act 105 of 2010 did not “take effect” until such time as funding was made available for the PHARE Program. The funding for PHARE was not available until Act 13 of 2012 was enacted therefore making PHARE fully in effect and including the provision that an Annual Report be delivered.

PHARE required PHFA to adopt a plan establishing priorities each year and describing the method in which program funds will be distributed. The 2012 plan was posted for public comment on March 1, 2012 and the Final 2012 Plan was adopted by the PHFA Board of Director in July, 2012.

Following adoption of the Final 2012 Plan, a Request For Proposals for the Marcellus Shale/PHARE Fund was posted on August 1, 2012 and proposals were due to the Agency on November 2nd. The PHFA Board reviewed the applications and adopted a resolution authorizing funding for the 2012 Marcellus Shale-PHARE Program and Projects on December 13, 2012.

Below is a listing of projects and amounts awarded in 2012 under the PHARE Program. PHFA is currently completing grant documents with counties with successful PHARE applications so that funds may be disbursed.

2012 PHARE Fund Awards

| County | Project/Program Name | Amount Awarded/Reserved* |
|--------------|--|--------------------------|
| | Total Available Funds: \$7,925,535.00 | |
| Beaver | New Brighton Gateway Revitalization | \$300,000 |
| Bradford | Bradford County Rental Rehabilitation Program | \$275,000 |
| Bradford | Wyalusing Meadows* | \$500,000 |
| Bradford | 400 Main* | \$500,000 |
| Butler | Housing Improvement Impact Program | \$200,000 |
| Butler | Landmarks Building Improvement Program | \$150,000 |
| Cambria | Cambria County PHARE Rental Rehabilitation Project | \$150,000 |
| Centre | Centre County PHARE Rental Rehabilitation Program | \$150,000 |
| Clinton | Clinton County Homeowner-Occupied Housing Rehabilitation Program | \$300,000 |
| Columbia | Columbia County Case Management and Rental Assistance | \$50,000 |
| Fayette | Glen at Three Oaks | \$300,000 |
| Greene | Gateway Senior Housing* | \$600,000 |
| Indiana | Clinton Street Gardens Homeless Veterans Housing Complex | \$155,000 |
| Jefferson | Jefferson County Housing Emergency Repair Assistance Program | \$225,000 |
| Lycoming | Brodart Neighborhood Improvement District | \$200,000 |
| Lycoming | Memorial Homes | \$900,000 |
| McKean | NewBury Commons* | \$50,000 |
| Sullivan | Sullivan County Rental Assistance Program | \$80,000 |
| Susquehanna | Susquehanna County Rental Rehabilitation Program | \$411,000 |
| Tioga | Tioga County Rental Rehabilitation Program | \$275,000 |
| Washington | Washington Trust Building* | \$625,000 |
| Westmoreland | Owner-Occupied Housing Rehabilitation Pilot Program | \$125,000 |
| Wyoming | Landlord Rental Rehabilitation Program | \$750,000 |
| Wyoming | Bridge View Commons | \$300,000 |
| | Total | \$7,571,000 |

* Received reservation of funds contingent upon approval of Low Income Housing Tax Credits

Note: PHFA Administrative Costs, 5% of total available funds.