



Testimony

Submitted on behalf of the
Pennsylvania Chamber of Business and Industry

Public Hearing on the

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Senate Urban Affairs & Housing Committee

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Chairman Farry, Chairman Saval, and members of the Senate Urban Affairs and Housing Committee, my name is Alex Halper, and I am the Vice-President of Government Affairs for the Pennsylvania Chamber of Business and Industry. The PA Chamber is the largest, broad-based business advocacy association in Pennsylvania. We represent employers of all sizes, crossing all industry sectors throughout the Commonwealth.

The Commonwealth currently ranks below the national average for workers available per job opening; there are currently only 66 individuals available for every 100 job openings in Pennsylvania¹. This labor shortage is detrimental to employers and stifling economic growth. For decades, our workforce has been a selling point to businesses considering moving to or expanding in Pennsylvania and we risk losing that advantage if these trends are not reversed. Progress will require concerted action from all stakeholders and lawmakers advancing policies that encourage people into the workforce and address barriers to employment.

One of those barriers is access to housing. According to 2022 United States Census data, housing was the number one reason people moved within their state and the third highest reason for out-of-state moves². It is paramount that the Commonwealth work to address housing availability and affordability, so

¹ <https://www.uschamber.com/workforce/america-works-data-center>

² <https://www.census.gov/library/stories/2023/09/why-people-move.html#:~:text=Reasons%20For%20Moving,-The%20CPS%20ASEC&text=There%20are%2020%20specific%20reasons,accounting%20for%2041.6%25%20of%20movers.>

Pennsylvania businesses are equipped with all the tools necessary to recruit and maintain quality workers, I thank the committee for the opportunity to testify today on the problems and potential solutions in housing.

Current State of Housing

Up for Growth, a national, cross-sector member network committed to solving the housing shortage and affordability crisis, has a grim opinion of the PA housing market. They rank Pennsylvania as the 13th worst state in the country for the production of needed housing, noting that we need 98,000 more housing units statewide. Additionally, in September of this year, there were only 36,000 homes for sale, a 15.3 percent decline year over year. The strain in the housing market extends to renters; only one of Pennsylvania's 67 counties has fewer than 30 percent of renters who pay less than a third of their income on housing costs³. Comprehensively, the Pennsylvania housing situation extends to every corner of our Commonwealth and every housing situation.

Lack of data

The PA Chamber routinely hears from businesses across the Commonwealth about the ongoing struggle to recruit workers, and housing is a recurring theme. Even in an economy in which employer budgets are strained by higher material costs,

³ <https://upforgrowth.org/apply-the-vision/housing-dashboard/>

supply chain disruptions and other inflationary pressures, employers are taking it upon themselves to creatively help address their workers' high housing costs. For example, Federal Resources Corporation (FRC), a cybersecurity and professional services firm based in Erie, launched a program that provides their employees over \$200 a month if they choose to live in the city of Erie. This program is just one of many examples of businesses trying to attract workers in a hyper-competitive environment by assisting with housing costs. At the same time, Pennsylvania, lacks constructive, available aggregate data to demonstrate the economic impact that housing directly has on our economy. It is important for lawmakers and all stakeholders to have access to quality data on the housing market, its impact on the economy and, importantly, an analysis of housing challenges comparing costs and availability. the Commonwealth.

Employers use many creative methods to recruit workers, including support for housing costs, as the FRC example demonstrates; however, housing availability can be more difficult to address, as housing, of course, cannot be created at the snap of a finger.

Housing Impact on Business

According to a Zillow study of people who moved cities in 2020, average home values were nearly \$27,000 lower than in their previous ZIP code, yet the average home size among that same group was 33 square feet larger than their previous

home⁴. Furthermore, the proliferation of remote work allows workers greater freedom to choose other areas to reside, placing Pennsylvania at a dire disadvantage given our high cost of housing. This trend is problematic for businesses that are already struggling to fill their open positions. The out-migration from areas with high housing costs makes it difficult for businesses to choose to expand their operations in the Commonwealth or even operate to their fullest potential in their current location. One study estimated that rising housing costs and lack of available units could cost up to 2 percent of gross domestic product, or more than \$400 billion a year in lost economic output nationwide⁵. While the Commonwealth has lost residents in all but one year since 2010, businesses are forced to either sacrifice their potential or move their operations to a state with a more plentiful workforce that is supported by lower costs of living, including housing.

Broader Impact on Businesses

The housing crisis does not just impact a business's ability to recruit a reliable workforce, it is also bad for the economy. Housing is the average American's highest monthly expense. In fact, as the largest expense, shelter accounts for more than one-third of the weighting in the Consumer Price Index, meaning higher rent and home

⁴ <https://wpde.com/news/nation-world/many-americans-moved-to-less-pricey-housing-markets-in-2020>

⁵ <https://www.whitehouse.gov/cea/written-materials/2021/09/01/alleviating-supply-constraints-in-the-housing-market/#:~:text=One%20study%20finds%20that%20this,lost%20economic%20output%20each%20year.>

costs have an outsized influence on the inflation rate⁶. When rent and mortgage costs increase, the discretionary spending for the average person decreases and hence, the economy cannot reach its potential. The decrease in spending has a real-life impact on businesses selling their particular good or service to customers with less discretionary spending.

Additionally, the construction industry, particularly the construction of housing, has a tremendous positive impact on the overall economy. In 2020, building an average single-family home generated 2.9 jobs and \$129,647 in tax dollars, an average rental property creates 1.25 jobs and \$55,000 in tax revenue, and remodeling generates .75 jobs and \$29,000 in taxes⁷. The construction of housing units, also, has a great impact on downstream job creation in lumber, heating/electrical work, concrete, and many more industries, that suffer when housing construction does not meet the demand. Unfortunately, current conditions do not allow the Commonwealth to capitalize on the wide benefits that construction brings to the overall economy.

Supply Chain

Many of the challenges that cause the overall business community to struggle are the same challenges that cause a slow-reacting housing market. Issues like supply

⁶<https://www.bls.gov/opub/hom/cpi/calculation.htm#:~:text=The%20aggregate%20index%20for%20any,the%20long%2Dterm%20monthly%20indexes.>

⁷ <https://www.nahb.org/~media/NAHB/news-and-economics/docs/housing-economics-plus/special-studies/2020/special-study-national-impact-of-homebuilding-and-remodeling-april-2020>

chain disruptions and dependence on products that are stuck in a long delay drive up building costs and slow the time to completion for projects already underway. Many variables can impact supply chains, including geopolitical developments, global health factors and others over which state lawmakers have minimal control. Other factors can be improved by smart public policy over which lawmakers do have some control and the General Assembly should pursue an agenda that focuses on pro-growth policies including improving Pennsylvania's tax environment, as well as regulatory and permitting reform.

Zoning Reform

Despite a strong push to build more housing of all types, developers and citizens are often met with local opposition or unpredictable zoning ordinances that make investments in housing less appealing. For years, zoning laws like minimum lot sizes, mandatory parking requirements, and prohibitions on multi-family housing have restricted the ability of developers and citizens alike to explore creative solutions to the lack of housing in the Commonwealth. Lawmakers should consider embracing policies that allow for these creative solutions.

In the wake of the recent shift to more remote working, the zoning ordinance struggle is evident, as an influx of unoccupied office spaces have hit the market. These spaces are at first appealing to transition to residential space, but are unfortunately too often the victim of overburdensome local and state regulation. A 2022 U.S Chamber

of Commerce study found that almost half (46percent) of commercial real estate professionals indicate zoning and permitting is impacting their ability to convert current office space into other types of real estate with nearly one in four (23 percent) saying it is the most important factor⁸. Given the dire need for housing, the Commonwealth cannot afford to let unworkable requirements prevent a wide swath of available space from being reconfigured for residential use, especially given the desire among developers to facilitate the building of new housing.

Trades Workers

The previously mentioned workforce crisis is often exasperated in technical fields and the skilled trades which is problematic when you consider the role they play in the building of new homes and apartments. Addressing the stigma surrounding trade jobs, easing the licensing burden of CTC instructors, and increasing the availability of blue-collar workers will naturally ease both the cost and time for the construction of all types of homes.

Therefore, the PA Chamber strongly supported Act 76 of 2019, which implemented several key reforms to address skilled trades workforce shortages in the Commonwealth. Further, we urge the administration and General Assembly to prioritize expediting the state's licensing system, specifically for those seeking to

⁸ [https://www.uschamber.com/economy/the-future-of-the-office-survey#:~:text=The%20Future%20of%20Office%20Space%20May%20Be%20Tied%20Up%20in%20Red%20Tape&text=Almost%20half%20\(46%25\)%20of,is%20the%20most%20important%20factor.](https://www.uschamber.com/economy/the-future-of-the-office-survey#:~:text=The%20Future%20of%20Office%20Space%20May%20Be%20Tied%20Up%20in%20Red%20Tape&text=Almost%20half%20(46%25)%20of,is%20the%20most%20important%20factor.)

become CTC instructors⁹. Often applicants have cited months-long waits with little predictability from the State. These unnecessary burdens disincentivize potential educators in desperately in-demand trades. Similarly, out-of-state teachers should not need to navigate a complicated licensing process to transition to the Commonwealth. In line with Senate Bill 843, introduced by Senator Dave Argall (R-Schuylkill), the Interstate Teacher Mobility Compact is a welcome start in addressing these concerns and we urge further conversation about ways to streamline instructor certification upon moving to the Commonwealth¹⁰. We know that reversing the housing crisis will require significant building over several years and the Commonwealth must be prepared with the manpower necessary to meet the demand. Without reforms to our CTC program, costs will still remain high due to the smaller pool of available tradesmen.

Conclusion

In conclusion, the impact that housing has on businesses and the overall economy is vast, complex and will take strategic collaboration to address the necessary systemic changes that will provide a housing market that meets the needs of residents, future Pennsylvanians and employers. Lawmakers should work with key stakeholder,

⁹ <https://www.legis.state.pa.us/cfdocs/legis/li/uconsCheck.cfm?yr=2019&sessInd=0&act=76>

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<https://www.legis.state.pa.us/CFDOCS/Legis/PN/Public/btCheck.cfm?txtType=PDF&sessYr=2023&sessInd=0&billBody=S&billTyp=B&billNbr=0843&pn=0963>

including local and state elected officials, businesses, housing advocacy groups, developers, and chambers of commerce, to address these challenges.

Thank you for the opportunity to testify and I am happy to answer any questions.