

**2018 Community Lending Plan**  
**December 2017**



## Executive Summary

The Federal Home Loan Bank of Pittsburgh (Bank) is pleased to provide its 2018 Community Lending Plan (Plan). The Plan provides an outline of the Bank's proposed activities for 2018 that will assist its members in reaching their housing and community development goals for the communities they serve.

The Federal Housing Finance Agency (FHFA) Community Investment Cash Advance (CICA) regulation requires each Federal Home Loan Bank (FHLBank) to complete an assessment of the credit needs and market opportunities for community lending in its district. The regulation also requires each FHLBank to develop an annual plan on or before January 31 of each year. The plan must be approved by the FHLBank's Board of Directors and submitted to the FHFA. While encouraging the FHLBanks to develop new programs and initiatives, the regulation ultimately promotes renewed participation of members in the housing and community development of their communities.

Within this Plan, the Bank provides a summary of the credit needs and market opportunities identified by the Bank for its district, which includes Delaware, Pennsylvania and West Virginia. These findings were derived from a variety of sources, including meetings with members and community stakeholders, research from various state and federal agencies, the results of the Bank's 2014 Housing Needs Assessment and information gathered in conjunction with the preparation of the Bank's Strategic Plan.

The Bank continues to offer our "community dividend" to support affordable housing and community investments, which includes a suite of products and initiatives that provide members the resources needed to expand their lending and investing in affordable housing and community development. These community-related offerings are funded through the Bank's earnings either through a required annual contribution to the Affordable Housing Program (AHP) or voluntary Bank contributions to programs such as Banking On Business (BOB) and Blueprint Communities®. The products and programs offered by the Bank are important to our membership and the communities they serve.

In 2018, the Bank will continue efforts to assist our members and other stakeholders in the district to address the increasing challenges for affordable housing and community development.

## Market Assessment

The Bank's Strategic Plan and Housing Needs Assessment are the primary tools used to evaluate the credit needs and market opportunities in its three-state district. In addition, other secondary data sources and inputs from key stakeholders are employed in order to stay abreast of market changes and opportunities. These other sources include:

- State Consolidated Plans
- National housing studies
- Affordable Housing Advisory Council (Council) consultation
- Engagement of strategic partners

## Strategic Plan

The Bank has a mission to assure the flow of credit to our members to support housing finance and community lending, and we provide related services that enhance their businesses and vitalize their communities.

The Bank's Strategic Plan focuses on five strategic objectives: (1) Deliver Member Value; (2) Balance Risk and Return; (3) Develop, Reward and Engage Employees; (4) Promote Diversity and Inclusion; and (5) Champion Continuous Improvement.

The Bank's community investment activity is highlighted within the Deliver Member Value strategic objectives, including increasing product usage and building strategic relationships. The plan recommended the exploration of an appropriate level of discretionary community investment related expense and the assessment of options to create new or expand existing (Banking On Business and Blueprint Communities) discretionary products.

The Plan includes specific multifamily housing and small business goals:

1. *Multifamily Housing:* Over the five -year plan horizon 2017 - 2021, commit \$100 million under the AHP and \$35 million under the Community Lending Program for multifamily housing.
2. *Small Business:* Over the five-year plan horizon 2017 - 2021, commit \$19 million to community financial institutions under the Banking On Business Program.

## Housing Needs Assessment

In 2014, the Bank engaged The Reinvestment Fund (TRF), a research and policy organization based in Philadelphia, to conduct an analysis of housing needs using key data indicators. TRF subcontracted with Diana T. Myers and Associates Inc. to provide data analysis relative to the housing needs for the homeless and persons with special needs. In addition, Bank staff completed an overview of national housing issues and trends, which provided a foundation for assessing the needs in the Bank's district.

The resulting Housing Needs Assessment report was used by Bank management, the Council and the Board of Directors to establish an outcomes framework, which is discussed later in the Plan, and set housing priorities for the district. These priorities guide decisions for scoring criteria for AHP and the creation of AHP set-asides, such as support for first-time homebuyers under the First Front Door product. The Bank established the following priorities based on the Housing Needs Assessment, research and national trends:

- **Expanding and preserving affordable rental housing.** The recommendations section of the consultant's report indicated that "there is a persistent and disparate financial stress on renters when compared to owners." The stress is most acute for the following specific populations:
  - Persons with disabilities – having relatively low incomes and the highest housing cost burden
  - Homeless – the number of homeless decreased from 2007-2012, but the need persists for those that are chronically homeless, veterans and homeless families
  - Extremely low income (30 percent of area median income [AMI]) and very low income (50 percent of AMI) – these households have relatively high housing cost burdens
  
- **Providing improved conditions and/or an opportunity for:**
  - Households living in substandard conditions
  - Renters seeking homeownership
  - Minority households
  - Owners at risk of foreclosure
  - Seniors
  
- **Other needs identified in the assessment, including housing for:**
  - Rural households
  - Veterans
  - Young adults aging out of foster care
  - People released from prison

## State Consolidated Plans

The Consolidated Plans for Delaware, Pennsylvania and West Virginia were reviewed as part of the data-gathering process for the Plan. The Consolidated Plans are a Department of Housing and Urban Development (HUD) requirement intended to address the critical housing and community development needs of each state, provide housing market analysis and summarize the state's methods of distributing federal funds to local governments and organizations.

Pennsylvania is in the fourth of year of the 2014-2018 Consolidated Plan. The 2017 Action Plan evaluated past performance, summarized citizen participation, and set forth a plan prioritizing the following 11 housing objectives:

- Improve quality of housing stock through rehabilitation
- Assist individuals and families with finding affordable housing through new rental units and rental assistance
- Assist individuals and families with obtaining necessary public services
- Provide flexibility to local government officials to meet municipal needs for preserving neighborhoods by providing assistance for infrastructure and community facility projects
- Provide assistance to municipalities to clear and demolish substandard housing and rid communities of health and safety hazards
- Provide rental assistance for persons living with HIV/AIDS to find affordable housing
- Address housing needs of the homeless, providing necessary supportive services through the Continuum of Care
- Further fair housing and address impediments to housing choice
- Develop economic opportunities especially in rural areas
- Assist families and individuals to become homebuyers and encourage neighborhood economic stability
- Build capacity of community-based organizations to meet resident needs and encourage planning

Delaware is in the third year of its five-year Consolidated Plan for Housing and Community Development 2015-2019. The following general goals have been derived from the state's annual strategic planning and public participation process and identified in its 2017 Action Plan as the most pressing housing and community development needs:

- Preserve and expand Delaware's stock of affordable rental housing
- Help Delaware families achieve and sustain homeownership, by providing homebuyer assistance and rehabilitation assistance for existing homeowners
- Reduce the family and community impact of foreclosure via prevention and recovery programs
- Provide resources for local communities to address community development needs
- Assist in ending homelessness and ensure that those at risk of homelessness have access to affordable, integrated, supportive housing options, including permanent supportive housing

West Virginia is in the third year of the five-year Consolidated Plan. After completing the planning and public participation process, the 2017 Action Plan confirmed three primary and a secondary list of goals:

*Primary Goals*

- Provide decent affordable rental housing
- Create economic opportunities
- Create suitable living environments

*Secondary goals*

- Increase the supply of affordable rental housing
- Support homeownership opportunities for low to moderate income first-time homebuyers
- Increase affordable, accessible housing opportunities for special needs populations
- Support local efforts to assure that households in a housing crisis are able to obtain and/or maintain housing stability
- Support job creation or retention efforts
- Support local community development efforts to assist low- to moderate-income citizens to achieve an improved quality of life by supporting locally developed strategies to protect, maintain, and expand access to facilities, and services and to revitalize deteriorating downtown and residential neighborhood areas
- Support local government efforts to provide affordable infrastructure systems to strengthen the foundations for economic growth and alleviate conditions that affect environmental quality, public health, or welfare

## **National Housing Studies**

According to the State of the Nation's Housing 2017, produced by the Joint Center for Housing Studies of Harvard University, nationwide:

- Construction of single-family homes picked up by 9.4 percent in 2016, to 781,600 units, outpacing growth in multifamily construction for the first time since the recession
- Meanwhile, rental markets are extremely tight despite the relatively strong pickup in multifamily construction. The rental vacancy rate fell for the seventh straight year in 2016, dipping to 6.9 percent—its lowest level in more than three decades, and the vacancy rate for professionally managed apartments was just 4.4 percent
- Homeownership rates continued a 12-year decline in 2016. However, the decline is slowing and there is evidence of the homeownership rate stabilizing in 2016 and continuing in 2017. Within the Bank's district, Pittsburgh has the highest homeownership rate of any metropolitan area at 69.2 percent and Philadelphia is one of eight metropolitan areas with rising homeownership rates

In 2015, the trend in the number of cost-burdened renter households continued to fall for the fifth year to 32.9 percent, a one percent decrease

- In the Bank's three-state district, cost-burdened owner-occupied households continue to outnumber cost-burdened renter households, as evidenced in the respective state Consolidated Plans:
  - In Pennsylvania: 289,825 renters and 300,350 owner-occupied households experience cost-burden
  - In West Virginia: 105,159 renters and 119,426 owner-occupied households experience cost burden
  - In Delaware: 38,815 renters and 47,410 owner-occupied households experience cost burden
- In 2015, the number of the share of very low income people living in concentrated poverty – living in census tracts with poverty rates of 40 percent or more – continued to rise, as it has since 2000, from 43 percent to 54 percent. Notably, the recent growth in concentrated areas of poverty has been in rural areas and at the edges of metropolitan areas, perhaps as a result of the growing influx of high income earners to urban areas.

### **Affordable Housing Advisory Council Consultation**

The Bank's Council has 15 members who represent a cross-section of housing and community development professionals from the Bank's district. The Council's purpose is to advise the Bank's Board and management on housing and community development matters in the district. Council members also assist the Bank in developing an ongoing understanding of specific needs and help build relationships with the community investment stakeholders.

The Council actively participated in the Housing Needs Assessment mentioned previously and worked closely with Bank staff to establish an outcomes framework for the AHP that would measure the progress against three key benchmarks:

- Increase the percentage of subsidy approved for rental housing for persons with special needs, homeless households and households with extremely low income
- Increase the percentage of projects approved that involve member financial participation
- Increase the average score in the Community Stability category for approved projects

Based on the 2017 AHP competitive funding round results, the table below presents the outcomes when measured against the benchmarks established by the outcomes framework.

### AHP Outcomes Framework

Outcome	Benchmarks 2012-2014	Goal 2015-2017	2015-2017 Actual
<b>Priority Housing Needs*</b> Increase the percentage of subsidy approved for rental housing for: <ul style="list-style-type: none"> <li>• Special needs</li> <li>• Homeless</li> <li>• Extremely low income</li> </ul>	40% 25% 26%	45% 30% 31%	46% 33% 30%
<b>Member Engagement</b> Increase the percentage of projects approved that involve member financial participation	42%	50%	88%
<b>Community Impact</b> Increase the average score in the community stability category for approved projects	9.89 points (note: only 2014 round information was used for the benchmark)	14 points	11.43 points

\*Priority housing needs identified in 2014 Housing Needs Assessment

For 2018, the Bank's AHP Implementation Plan (AHP Plan), which establishes the Bank's scoring priorities and feasibility standards for the competitive AHP funding round will be revised to reflect the following changes based on the input of the Council:

- **Feasibility:** Other reserves limited to four percent for low-income housing tax credit projects and one percent for non-low-income housing tax credit projects; calculation for reserves edited to exclude acquisition costs from the total development costs
- **Member Financial Participation:** Clarify lines of credit as eligible for scoring points and when member financial participation must be used/drawn own
- **Donation and Readiness to Proceed:** Property conveyance form will be used to validate donation of property and site control
- **Not-For-Profit Sponsorship:** Clarify requirements for the letter from an umbrella organization establishing the relationship with an affiliate, including that the letter must be dated within six months of the application's due date
- **Community Stability:** Timeframe for the approved community plan changed from seven to ten years; clarify that an awarded community designation must be certified by a local, state, federal government entity or quasi-government entity and that the local implementing agency may sign the certification form for a Blueprint Community; rename two certification forms

### Engagement of Strategic Partners

The Bank engages strategic partners to enhance and sustain external partnerships that result in direct and indirect business opportunities for the Bank with its members and other key stakeholders. As it related to community investment, the Bank enhanced or created new relationships by sponsoring and participating in conferences, article placement, joint event

planning and execution, and engaging in strategic discussions. The aim is to strengthen partnerships ensuring broad-based member and other key stakeholder use of the Bank's affordable housing and community development products.

## **Community Dividend**

The Bank's community dividends work on a number of levels. From the most basic (dollars) to the most profound (changing lives), these dividends are returns to our members and the communities they serve.

At their most basic, community dividends are the funds that members can access to make communities better. In 2017, in addition to the \$1.25 billion revolving pool for CLP, this included awarding \$23.1 million for the AHP, \$9.3 million for FFD, \$6 million for BOB, \$1.5 million for a special Disaster Relief Program in West Virginia and \$200,000 for Blueprint Communities®. We also think of community dividends as the community investment products themselves, which deliver these dollars through our members.

Another aspect of community dividends relates to the business advantages enjoyed by members who utilize our products. Frequently we hear how relationships that started with a grant or cost-of-funds loan fostered additional business opportunities for our members.

Community dividends reach beyond the funds, products and business advantages they provide to members. They also answer real community needs such as housing, development, jobs and dreams, and they make a profound impact on individual lives by offering dignity, security, progress and hope. In all of these ways, community dividends are making a difference.

## **Opportunities**

Based on information gathered from the primary and secondary sources outlined above the Community Investment Department identified the following priority opportunities for 2018:

- Expand the use of the Bank's community investment products, increasing member participation
- Build strategic partnerships by strengthening relationships with multiple stakeholders, coordinating investment of limited resources among funders, developing banking partnerships and convening stakeholders to share best practices and ideas to address significant issues
- Provide education and networking for members that expands their opportunities to support community investment
- Prioritize rehabilitation and preservation, including owner-occupied housing, home modifications for seniors and persons with disabilities, and preservation of existing subsidized units
- Support comprehensive community development by developing community leaders and local capacity and rewarding community and affordable housing developments that are consistent with sound local planning and have the potential for the greatest impact
- Expand the usage of First Front Door as a resource for expanding homeownership opportunities for first-time homebuyers
- Support economic development by encouraging the creation/expansion of small businesses through access to appropriate capital resources

- Focus on the most critical housing needs in the district, including extremely low-income households, persons with disabilities, and homeless individuals and families
- Expand discretionary community investment programs as identified in the strategic plan. Developing a new discretionary program enhances the member “community dividend” and increases member value; a key strategic plan goal. It also broadens the constituencies supporting the bank, and provides an effective response to the higher demand driven by reduced federal resources for affordable housing and community projects.

## 2017 Performance and 2018 Goals

Goal Title	2017 Goal	2017 Performance	2018 Goal
<b>1. Expand the use of the Bank's community lending products and services</b>			
a. Increase the number of members using the Bank's community investment products	Achieve at least 135 member uses of community investment products	As of Oct. 31, there have been 160 uses of community investment products by 110 different members. Products include the Affordable Housing Program (AHP), First Front Door (FFD), Banking On Business (BOB) and the Community Lending Program (CLP)	Increase member uses of community investment products:  Minimum: 141 Target: 154 Maximum: 171
b. Technical assistance and education	Provide technical assistance resources and educational opportunities to both members and key program participants	<p>The Bank held three member Community Investment workshops throughout the district, providing an opportunity for members to receive updates on product offerings, CRA opportunities, and exchange information with an aim to increase community investment product usage. Representatives of the OCC, FDIC and the Federal Reserve discussed of CRA best practices. 100 participants representing 48 members attended</p> <p>The Bank organized and recorded informational webinars for members and non-member stakeholders that reviewed community investment products: Four for AHP; one BOB, and six FFD (including brief instructional tutorials)</p> <p>Bank staff fielded 124 technical assistance requests during the 2017 AHP funding round. In addition, the Bank continued to offer its member/sponsor matching assistance service and had 32 requests for matching. Matches were made for 26 of those requests and 18 of those matches resulted in an application being submitted</p>	Provide technical assistance resources and educational opportunities to both members and key program participants
c. Commit AHP funds	Commit all funds available to eligible projects and increase the number of members using the AHP product to 41	In 2017 \$23.1 million was committed to 51 eligible projects, exhausting the available funds and resulting in 1,507 units created or retained. In 2017, 43 different members participated in the AHP	Commit all funds available to eligible projects and increase the number of members using AHP
d. Commit FFD funds	Commit all funds available to eligible projects and increase the number of members using the FFD product to 50	In 2017, \$9.34 million was committed to 1,913 eligible homeowners, exhausting the available funds. In 2017, 54 members applied for funds	Carryout a campaign to increase the number of members using FFD
e. Commit CLP funds to specific projects	Commit CLP to 40 specific CLP projects	The Bank has committed \$129.3 million in 2017 CLP funding to 47 specific projects through Oct. 31, 2017, as compared to \$45.7 million and 30 projects through Oct. 31, 2016	Increase the number of members using the CLP product  Commit CLP to 50 specific CLP projects
f. Commit BOB funds to eligible small businesses	Commit all funds available to eligible small businesses and increase the number of members using the BOB product to 30	In 2017, the Bank both adjusted the process by which members could access BOB and conducted a campaign to make members more aware of BOB. As of Oct. 31, 2017, the Bank has committed \$5.4 million of the \$6 million lending authority to 29 members supporting 54 small businesses, resulting in 800 jobs created or retained, as compared to \$4 million committed to 16 members and 37 businesses as of Oct. 31 2016	Commit all funds available to eligible small businesses and increase the number of members using BOB

Goal Title	2017 Goal	2017 Performance	2018 Goal
<b>2. Build strategic partnerships and address priority housing and community development needs</b>			
a. Blueprint Communities®	Continue to support the efforts of the existing Blueprint Communities in Pennsylvania, West Virginia and Delaware	<p>Partnered with the Pennsylvania Downtown Center to provide technical assistance to six communities in Pennsylvania and three communities in West Virginia</p> <p>Partnered with University of Delaware to graduate and provide technical assistance to three Delaware communities</p> <p>Awarded \$20,000 in mini-grants to Pennsylvania Blueprint Communities</p> <p>Awarded \$3,000 in mini-grants to Delaware Blueprint Communities</p> <p>Created evaluation and recertification workbooks to enhance the evaluation methodology for Blueprint Communities</p> <p>Recertified six Pennsylvania communities</p> <p>Provided \$8,385 in scholarships to West Virginia, Pennsylvania and Delaware communities to attend various conferences and trainings</p>	Continue to support the efforts of the existing Blueprint Communities in Delaware, Pennsylvania and West Virginia. Complete the pre-development for a new cohort to be launched in 2019 in West Virginia
b. Enhance and build strategic partnerships by enhancing and creating relationships with members, members' regulators and other stakeholders	Enhance relationships with housing finance agencies, CDFIs and other key stakeholders	As of October 31, 2017, the Bank recorded 15 housing- and community-development-related strategic partnership progress points, developing and advancing relationships with housing finance agencies, CDFIs and other key stakeholders through activities such as co-sponsoring events and collaborative ventures	Enhance and build strategic partnerships by enhancing and creating relationships with members, members' regulators and other stakeholders
c. Address priority needs	Continue to use the housing needs assessment supplemented by current research/data to guide policy and product-related decisions, and increase the percentage of Bank funding for priority needs	<p>As of October 31, 2017, allocated \$587,500 in Disaster Relief to members in response to severe flooding and property damage in West Virginia during 2016.</p> <p>The Bank engaged key internal and external stakeholders in a dialogue on the most effective use of potential new discretionary funding. Based on that dialogue it was determined that a new initiative to support homeless services in the Bank's district that lead to stable housing for individuals and/or families who are homeless or determined to be at-risk of homelessness. Bank management will recommend approval of a new Homeless Initiative in December 2017</p>	Implement a new Homeless Initiative for 2018

*“Blueprint Communities” is a registered service mark of the Federal Home Loan Bank of Pittsburgh.*



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