

# **Recommendations for Expanding Affordable Housing in Media Borough**

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Plan Prepared for the Borough of Media by FHI Studio



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## INTRODUCTION

This memorandum summarizes potential strategies for addressing affordable housing needs in Media Borough. It emphasizes potential solutions for a small local government and is tailored to the specific conditions in Media that were identified in:

1. Affordable Housing Stakeholder Interviews Summary
2. Affordable Housing Report (2023)

The strategy is also based on a preliminary set of goals that were discussed with Borough Council.

1. Maintain and expand affordable housing for households making under \$75,000.
2. Create opportunities for people to access starter homes, especially first-time homeowners and young families.
3. Provide more options for seniors to age in place.
4. Create opportunities for home ownership.
5. Ensure that all new larger multi-family building includes affordable housing.
6. Eliminate discrimination in the housing market that restricts access to protected classes.

The document is structured to include a more detailed discussion of two recommended strategies that the Borough should consider pursuing. This is followed by a discussion of additional strategies which provides context for why they are either not of the highest priority or why they are not recommended.

# RECOMMENDATIONS

## Inclusionary Zoning

*Has potential to support the following goals:*

- Maintain and expand affordable housing for households making under \$75,000.
- Ensure that all new larger multi-family building includes affordable housing.

## Background

Inclusionary housing programs are local policies that leverage the economic gains from rising real estate values to create affordable housing for lower-income families. An inclusionary housing program frequently requires developers to sell or rent a percent of new residential units to low- or moderate-income residents. Often, these requirements also come with incentives such as tax abatements, parking reductions, or the right to build at higher densities.

The advantage of inclusionary zoning is that it allows for the construction of affordable housing in tandem with, and integrated into, market-rate projects. This means that as new housing is built, the Borough will continue to maintain a certain minimum level of affordability. Inclusionary units are also deed-restricted, meaning they will remain affordable in perpetuity. Again, this helps to ensure that the Borough can maintain a minimum number of affordable units.

The disadvantage of such a program is that it adds cost to projects. As a result, it may slow the rate of production of housing, which can contribute to affordable housing problems. The Borough will also need to have in place proper administrative procedures for enforcing the requirement. It is also important to remember that as a small community with limited redevelopment opportunities, inclusionary zoning will not result in enough units to address all of Media's affordability issues. It is best to think of inclusionary zoning as an incremental strategy to support affordability.

## Recommendation

The Borough should update the zoning ordinance that would incentivize the construction of affordable housing within new multi-family and mixed-use buildings. Among other locations, the Borough should consider allowing more intensive multi-family development in the HBO, ROA, and Industrial zones, if it meets certain affordability requirements, among other standards.

Before any zoning update, the Borough should undertake a thorough planning process to understand the benefits and drawbacks of allowing increased density in these or other zones that would be necessary to induce the construction of more affordable housing. To the extent that such a plan is integrated into a larger vision for Downtown Media, it would help to contextualize the zoning changes within larger efforts to improve the Borough. Regardless of the approach, such a planning effort should include public, stakeholder, and property owner engagement.

The Borough's Comprehensive Plan could be an effective vehicle for such a planning process, but a stand-alone downtown planning effort could also be effective.

## **Estimated Cost**

**Planning Work:** \$20,000 - \$100,000. Costs will depend on (1) the extent of community and stakeholder engagement necessary to meet the Borough's needs and (2) the extent to which topics beyond affordable housing are integrated into the planning work. The integration of the planning work into the Comprehensive Plan would make the process more efficient.

**Rezoning:** \$5,000 - \$100,000. Rezoning could be a relatively modest cost if you only consider cost to make technical changes to the bulk standards to include incentives for affordable housing. The cost will increase to the extent that the Borough needs design standards, hybrid form-based solutions, parking modifications, or updates to other standards and would like to have community engagement beyond the formal adoption process.

## **Develop Borough-owned Property for Affordable Housing**

*Has potential to support the following goals:*

- Maintain and expand affordable housing for households making under \$75,000.
- Provide more options for seniors to age in place.

## **Background**

In the Philadelphia region, there are many non-profit and for-profit developers who work specifically on building affordable housing projects. The Delaware County Housing Authority also builds, owns, and maintains affordable housing projects. These entities can be important strategic partners that can help build more affordable housing in the Borough. A common practice is for a community like Media to offer property it owns for redevelopment, on the condition that the developer meets certain requirements, including affordability requirements.

A Borough-driven affordable housing development has the advantage of giving Media considerable control over the outcomes. As a result, the Borough will have the ability to more directly target issues identified in the Affordable Housing Report and advance its goals. It is also a time and resource-intensive process. There is no guarantee that any of the sites will attract development and changes in the market may slow or completely stop a project from advancing. Affordable housing developers will also be reliant on outside funding sources, such as the Low-Income Housing Tax Credit, which have their own criteria. As such, the Borough may not only be able to attract housing that meets its low-income needs and not its moderate-income needs.

## **Recommendation**

The Borough should assess the potential of the following Borough-owned sites to be redeveloped for affordable housing:

- municipal lot on the S.W. corner of State & Gayley Streets
- municipal lot on State Street between Apollo Pizza and Iron Hill
- municipal lot on the N.E. corner of Front & Olive
- municipal lot on the N.W. corner of Baltimore & Orange
- reconstruction of Baltimore & Olive municipal lot (future)

Each of these sites currently provides public parking. As such, their redevelopment would need to take into consideration the impact of any changes on the supply of parking and/or how existing parking could be incorporated into a redevelopment strategy.

To advance this strategy, the Borough should undertake the following steps:

1. **Contract consulting support:** The Borough should consider hiring a consultant (or consultants) who can advise and assist the Borough as it moves through the development process. This person or firm would not be responsible for redeveloping sites. Instead, they would provide expertise in RFPs/RFQs, contracts, pro-forma development/analysis, affordable housing laws, grants, and related activities to ensure the Borough is getting the best products and are protected against future liabilities. The consultant(s) may also help the Borough develop conceptual site plans (see following recommendation). This will require that the Borough issue an RFQ / RFP and include funding to pay for services. As discussed at the end of this section, the Delaware County Housing Authority could serve as an alternative to the consultant.

**Opportunities and Constraints Analysis:** The Borough should undertake a preliminary analysis of the site to determine what opportunities and constraints exist that might impact development. This could include a limited build-out analysis that examines any zoning obstacles that might need revisions and an environmental/site constraints documentation review. Since all the sites that have been identified currently serve as municipal parking, some thought should be given to how a project might impact the supply of parking. This process could also include:

- a. An internal **pro forma** to assess the financial feasibility of development, based on the vision for the site. The goal is to confirm that the project is feasible and could attract development interest, not to develop a detailed financial model of development. This pro forma will also help to establish the scale of incentives that may be needed for the project to advance. Much of the information needed to develop this pro forma can come from stakeholder interviews, desktop research, and/or the expertise of the consultant(s). The pro forma should be developed in tandem with any conceptual plans for the sites.
- b. Identification of the **incentives** that the Borough is willing to provide to developers. This may include density bonuses, property tax abatements, reducing parking requirements, and the like.
- c. A list of **grants** that the Borough is eligible for and would be willing to pursue to advance a project.

2. **Establish Vision and Goals (year 1 - 2) for one or more sites:** The Borough should conduct a community and stakeholder engagement process to identify what the Borough's goals and expectations for the sites should be. This offers the opportunity for the Borough to identify the "must haves," "would likes," and "shall nots" for redevelopment. For example, the process may identify the need to incorporate all existing parking into future redevelopment or set expectations for the scale and density of development. The vision may include:

- a. Goal statements that clearly identify what expectations the community has for redevelopment.
  - b. Pictures that illustrate the type of development the community would like to see.
  - c. Conceptual site plans to show how the goals can be fit on the site.
3. **Issue an RFQ (year 2 – 3):** A “Request for Qualifications,” or RFQ, is a process communities can use to select a development partner for their priority redevelopment sites. The goal is to (1) get the attention of potential developers and (2) identify one who can best execute the desired concept on the site(s). The RFQ could be issued for a single site or could be issued for more than one site. Where appropriate, the RFQ should identify the types of incentives that the Borough is able/willing to provide to a developer who meets their conditions. This [“How to Issue a Development RFQ”](#) guide, published by the Michigan Economic Development Corporation, provides a good overview of the RFQ process.
4. **Contract with Developer and Advance Project (Year 3+):** Should the Borough identify a partner that meets its needs, it should contract with them to develop one or more of the sites. The contract will allow the Borough to set requirements that the developer must meet to be granted the right to develop on one or more of the sites. This could include, but is not limited to:
  - a. Number of affordable units
  - b. Purchase/rental prices
  - c. Types/size of units
  - d. Other amenities or uses that will be provided (including public parking)
  - e. Site layout and/or design standards
  - f. This contract may also establish steps that the Borough will need to take to advance the project, including amending zoning or applying for grants.
  - g. Details regarding the types of incentives that will be provided.

Conversations with the Delaware County Housing Authority indicate that they would be open to partnering with the Borough on a project. The Housing Authority has extensive experience working with affordable-housing developers. As a result, they have the expertise necessary to navigate the process. If the Borough were interested in such a partnership, it should initiate conversations to identify roles and responsibilities. The next step would be entering into a Memorandum of Understanding (MOU) with the Authority. If a project were to advance, the Borough, Housing Authority, and a developer would likely enter into a contract that details the roles and rights of each entity.

## **Alternative Approaches**

The process outlined above is not the only approach for developing a Borough-owned property for affordable housing. Should it choose, the Borough could simply issue a Request for Proposals for one or more properties and allow developers to determine what would work best in the market. The advantage to such an approach is that it would substantially reduce the costs incurred by the Borough in the early stages since no planning or engagement would be necessary. This approach

also has several risks. First, developers may not be interested in taking on the risk of proposing a project if it is not clear there is strong community and political support for it. Second, it could create a situation in which a Borough-sponsored project is made public without any community input. The result could result in community opposition to a project that otherwise would be well received.

### **Estimated Cost**

Overall, the Borough could expect to spend between \$25,000 and \$225,000 on consulting services to get to a point where it could issue an RFP or RFQ. On the lower end, the Borough would be responsible for much of the community engagement and there would be limited pre-planning work to identify opportunities and obstacles and develop a preferred program. With a larger budget, the Borough could expect to produce a more detailed proposal that could include more financial modeling, site analysis, and program development, as well as more community engagement.

### **Establish Partnerships with Local Property Owners to build Affordable Housing**

*Has potential to support the following goals:*

- Maintain and expand affordable housing for households making under \$75,000.
- Provide more options for seniors to age in place.

### **Background**

Municipalities do not have to rely only on the redevelopment of property they own to advance affordable housing. The Borough can also partner with landowners who share the community's commitment to providing affordable housing. Frequently, communities partner with non-profit and/or faith-based institutions that have property that needs redevelopment, although private for-profit entity partnerships do occur.

The process for redevelopment is very similar to that outlined in the recommendations for Develop Borough-owned Property for Affordable Housing (above). The difference is that the private owner will also play an important role in establishing the goals for the redevelopment, which may include being paid for the property. At the same time, the property owner may be able to offset some of the costs of planning for the redevelopment.

### **Recommendation**

The Borough should engage the following property owners in a discussion to gauge their interest in a public-private partnership to advance the Borough's affordable housing goals.

<b>Location</b>	<b>Owner</b>
Nativity B.V.M. parish center building	Archdiocese of Philadelphia
Nativity B.V.M. parish center Edgemont Street lot	Archdiocese of Philadelphia
Over the privately owned lot for the 323 W State Street office complex	Media Real Estate

If the owners express interest in pursuing redevelopment, the Borough can start formal negotiations to initiate the steps identified in the recommendations for Develop Borough-owned Property for Affordable Housing (above). Note that property owners do not have to fully commit to an affordable housing strategy to engage in the initial planning process, nor does the Borough. An initial agreement can outline the roles and responsibilities of both entities and establish milestones for when both can determine whether the project should proceed.

## **Low-Income Household Tax Relief**

### **Background**

In 2022, the PA legislature passed [Act 58](#), the Affordable Housing Unit Tax Exemption Act. The Bill has several components, some of which are discussed in further detail in the Funding section (page 14). A key component of that legislation is that it gives local governments the authority to forgive or refund the property tax liability to low-income families *due to property tax or assessment changes*. In essence, this bill allows the Borough to protect low-income residents from potential increases in their property taxes but does not provide the Borough with the ability to forgive all property taxes. The Act only applies to municipal taxes and excludes school, state, and other taxes.

The bill has several provisions:

1. It defines low income as a taxpayer whose income does not exceed the maximum annual income allowable for an eligible claimant to participate in the Pharmaceutical Assistance Contract for the Elderly Needs Enhancement Tier (PACENET). The current income threshold is \$33,500 for single persons and \$41,500 for married couples.
2. It creates a special class of taxation for low-income people that allows municipalities to tax them differently than other classes.
3. It requires the municipality to enact an ordinance for the Act to apply in the community.
4. It establishes rules for what happens if a tax paper no longer meets the low-income requirement.
5. It allows local entities to establish a maximum amount of real estate taxes which may be refunded or forgiven and may be limited by ordinance.
6. It sets the standard that taxpayers must provide “reasonable proof of housed income” which presumably could be defined by the local ordinance.

Act 58 creates an opportunity for the Borough to provide modest, yet valuable, relief to some Media homeowners. The average increase in residential taxes, excluding multi-family housing, between 2022 and 2023 was \$61.30. Between 2020 and 2023, the difference was just under \$260. Although this is a modest amount for many Media households, it may make a difference for households on fixed incomes and those with very low incomes. As detailed in the Housing Report, average sale prices have increased 47% over the past five years. If regular re-assessments occur or tax rates change, this can mean equally high increases in property taxes over the long term which may lead to instability for low-income owners.

## **Recommendation**

The Borough of Media should enact an ordinance that would provide tax relief for low-income residents in accordance with Act 58.

## **Costs**

The exact costs of the program are difficult to estimate. The following table is copied from the Affordable Housing Report (Table 20 on page 25).

<b>Income Group</b>	<b>Total Number of Households in Income Group</b>
<b>Less than \$20,000</b>	128
<b>\$20,000 to \$34,999</b>	317
<b>\$35,000 to \$49,999</b>	342

Assuming that (1) all households making under \$34,999 qualify, (2) half the households making between \$35,000 to \$49,999 qualify, and (3) all households had the mean increase in housing costs for the borough (\$61.30), then the yearly cost to the Borough would be approximately \$38,000. This also assumes that all those eligible apply and receive the benefit. It is much more likely that the program will have substantially less impact on the Borough's finances.

There is also likely to be a yearly administrative cost associated with reviewing applications and maintaining a database of approved applicants.

## **Deepen Partnerships to Expand Access**

*Has potential to support the following goals:*

- Maintain and expand affordable housing for households making under \$75,000.
- Create opportunities for people to access starter homes, especially first-time homeowners and young families.
- Provide more options for seniors to age in place.
- Create opportunities for home ownership.

## **Background**

The State of Pennsylvania offers several programs to assist renters and potential homeowners through the Pennsylvania Housing Finance Agency (PHFA). In addition to offering home purchase loans with competitive interest rates and lower fees, PHFA offers the following assistance:

**PHFA Grant:** provides grant assistance of \$500 to help with down payment and closing costs when obtaining the HFA PreferredTM(Lo MI) loan. The PHFA Grant of \$500 does not require repayment and must be used towards the purchase of the home.

**Keystone Advantage Assistance Loan Program:** provides a second mortgage loan to help with the costs associated with the purchase of a home. Qualified borrowers can receive up to four percent (4%) of the purchase price or market value or \$6,000 (whichever is less) in down payment and closing cost assistance to be repaid monthly. The assistance loan will be amortized over a ten-year term at zero percent (0%) interest.

**Keystone Forgivable in Ten Years Loan Program (K-FIT):** available for qualified homebuyers, to assist with down payment and/or closing costs. This program provides a second mortgage loan to help buyers supplement the costs of homeownership. Eligible borrowers may receive five percent (5%) of the lesser of the purchase price or appraised value with no maximum dollar limit in down payment and closing cost assistance. The K-FIT loan is forgiven on an annual basis over ten years at a rate of ten percent (10%) a year.

**Disability Support:** Buyers with a disability or a disabled household member, who are eligible for any PHFA programs, may also be eligible to receive funds to make accessibility modifications to the home they buy and may also be eligible for up to \$15,000 in a no-interest down payment and closing cost assistance loan through the Access Downpayment and Closing Cost Assistance Program. The Access assistance loan is only available to buyers who are also using the Access Home Modification Program described below and whose gross, annual household income does not exceed 80 percent (80 %) of statewide family median income as determined by the Federal Department of Housing and Urban Development. It may not be used in conjunction with any other PHFA down payment and/or closing cost assistance program.

**HOMEstead:** buyers who qualify may receive up to \$10,000 in down payment and closing cost assistance in the form of a no-interest, second mortgage loan. HOMEstead funds are forgiven at 20 percent per year over five years for all loans closed on or after January 1, 2007. The minimum loan amount is \$1,000. The first mortgage is provided by PHFA at the same rate as the Keystone Home Loan program.

In addition, **several non-profit organizations** are currently working in Media and the surrounding communities to provide support for renters and home buyers. For example, Media Fellowship house is a HUD Certified counseling agency that provides services free of charge and can provide options specific to the client's need, create an action plan, assist with credit and budget, and a plethora of other benefits. Other organizations, such as At Home Media, have strong relationships with the community and are well-positioned to connect people with resources. Likewise, the Foundation for Delaware County provides a variety of services to support the physical and mental health and well-being of Delaware County residents. Its' Housing Opportunities Program for Equity (HOPE) program includes housing placement, advocacy, case management, tenancy and financial education, referral services, and direct financial relief. Local chapters of the NAACP are also exploring how housing access could be improved for people of color.

Finally, there are other small communities in Delaware County that are also exploring the issues of affordable housing (e.g., [the Swarthmore Development and Affordability Task Force](#)). This creates opportunities for Media to collaborate with other communities that, individually may not have the resources to direct change but collectively could have an impact.

## **Recommendation**

The Borough of Media should explore a formal partnership with local non-profits who work in Media and the surrounding community to identify ways of improving access to existing housing support programs. This would likely be a multi-year process that would begin with further identification of barriers to accessing programs and the development of strategies to overcome those barriers. The Borough could consider taking a leadership role in the development of such a partnership.

The Borough should also engage its neighboring communities and Delaware County Rental Housing Coalition to discuss how formal or informal partnerships could advance their shared goals. A semi-annual lunch or forum could serve to bring together like-minded parties.

## **Costs**

The initial costs associated with the partnership would be relatively small and likely only require staff time. As the partnership matures, the Borough will likely have to allocate resources to support collaborative efforts.

# FUNDING

## Planning

**The Transportation and Community Development Initiative (TCDI):** The Delaware Valley Regional Planning Commission TCDI grant opportunity funds local planning initiatives that also advance the goals of the region's long-range plan, [Connections 2050: Plan for Greater Philadelphia](#). DVRPC has recently undertaken an effort to better understand affordable housing in the region. An application to advance the Borough's affordable housing planning work, while supporting transit-oriented development, would likely be a competitive application.

**Community Development Block Grant (CDBG):** The CDBG Program serves to assist in developing viable communities by providing decent housing, a suitable living environment, and expanding economic opportunities, especially for persons of low- and moderate-income. The County anticipates receiving approximately \$3.0 million in CDBG funds in the upcoming program year. Applications for 2024 are due January 5<sup>th</sup>, 2024.

## Construction

[HOME Investment Partnership Program \(HOME\):](#) Funds new construction and rehabilitation of housing units for affordable rental or homeownership opportunities. All eligible uses must benefit very low-, low- and/or moderate-income households. Cities and county applicants are limited to \$750,000 funding.

[Affordable Housing Unit Tax Exemption Act \(Act 58\):](#) Act 58, discussed previously, also allows a local taxing authority to exempt from real property taxation the assessed valuation of improvements to for the creation of affordable housing units for the first two years. This can be an important incentive for affordable housing development.

[Community Revitalization Fund Program \(CRFP\):](#) CRFP provides financing for the construction or rehabilitation of critical projects providing affordable housing in commercial corridors across the Commonwealth. The Program serves as a funding mechanism to bridge the gap that exists between traditional housing programs and commercial lending sources while fostering sustainable partnerships to leverage public and private resources. Projects must be financially viable, mixed-use, and consistent with a well-defined community development or revitalization plan. Financing may be provided for the overall project and not merely for the housing or commercial development component. The minimum CRFP grant request is \$500,000 and the maximum request is \$1,000,000.

Pennsylvania Housing Affordability and Rehabilitation Enhancement Fund (PHARE) Program: The Pennsylvania Housing Affordability and Rehabilitation Enhancement Fund was established by Act 105 of 2010 to provide a mechanism by which certain funds would be used to assist with the creation, rehabilitation, and support of affordable housing throughout the Commonwealth. Projects must be developed in coordination with local stakeholders within the context of a community's strategic plans, priorities, goals, and local housing needs to achieve measurable and sustainable impact. The state will prioritize communities that have experienced significant divestment of resources compared to surrounding communities that have experienced growth, areas that may face loss of affordable housing due to gentrification, or areas offering greater opportunity and

economic diversification. Projects can receive a 4% tax credit for large-scale preservation to increase the availability of affordable housing to low- and extremely low-income households. Projects must include a minimum of 50 units and funding requests are limited to \$1 million. Low Income Housing Tax Credit (LIHTC) developments are not eligible.

## APPROACHES CONSIDERED AND DISMISSED

**Rental and purchase support:** Some stakeholders suggested that the Borough consider providing rental or purchase support subsidies. Managing a rental or purchase subsidy program would require substantial resources and far exceed the Borough's current human resource capacity. The cost of operating the program would also cut into the direct subsidies that the Borough could provide. This would substantially cut down on the benefits of such a program relative to its costs. Should the Borough be interested in increasing its staffing to develop such a program, the State does offer financial assistance through the Pennsylvania Housing Affordability and Rehabilitation Enhancement Fund. These funds could potentially allow for such a program to have benefits that outweigh its costs.

**Public Housing:** It is unlikely that the Borough could secure a public housing project that is built using public funds and managed under the Department of Housing and Urban Development. There is limited space for such an effort and the County Housing Authority is primarily focused on maintaining and upgrading its existing projects.

**Education program:** The Housing Report did not include a survey of residents in Media to understand whether they were aware of the resources available to them to access more affordable housing. As such, it is not recommended that the Borough undertake any education programs until it has a better understanding of what issues, if any, exist. Note that other organizations and the County are currently undertaking their own studies of affordable housing, which may provide important insight into these issues.

**Home improvement grants:** At this time, the Borough does not have substantial evidence that substandard housing is a major contributing factor that impacts affordability in Media. The cost of establishing such a program without a clear need would not be fiscally responsible. Should the Borough learn through follow-up engagement that such issues do exist, it should consider the extent to which the costs to manage such a program would merit the benefits it could produce. It is worth noting that the State of Pennsylvania does offer the following programs:

- **Housing Rehabilitation Loan Program:** The Housing Rehabilitation Loan Program provides qualified low- and moderate-income homeowners with 0% interest deferred loans up to \$15,000 for major system repairs.
- **Renovate & Repair (R & R) Loan Program:** This program is offered through the Pennsylvania Housing Finance Agency (PHFA). The purpose of the R & R loan is to help homeowners avoid unscrupulous lenders and contractors as well as to assist homeowners with repairs that will enhance the habitability, safety, and security of the home.

**Parking Reductions:** At this time, there is no indication that Media's parking requirements are a major driver of the rising cost of housing. Nonetheless, the Borough should consider reductions in the minimum number of parking spaces as a potential incentive for affordable housing developers, if they demonstrate that parking needs would be met.

**Source of Income Discrimination Ordinance:** Source of income discrimination is a refusal to rent to an applicant because of that person's lawful source of income or an unwillingness to consider

certain types of lawful income in qualifying a person for tenancy. One common type of source of income discrimination is a refusal to rent to applicants who receive rental assistance or a Housing Choice Voucher (Section 8). Some communities have adopted ordinances that would prohibit such discrimination. Adopting such an ordinance would require that the Borough also create a Human Relations Commission that could hear complaints. It is not recommended that the Borough pursue such an ordinance given the relatively limited number of Section 8 vouchers in the Borough, the gap between voucher value and rents which limits the potential for new voucher repaints in the Borough, and the administrative costs of maintaining a Commission.

**Limiting tear downs and permitting ADUs:** The hybrid form-based code included new bulk standards which significantly reduced the incentive to tear down smaller, more affordable homes and build larger ones. It also includes standards for allowing ADUs.