Affordability and Availability of Rental Housing in Pennsylvania

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Housing: The Key to Ending Homelessness

May 13, 2011

Disclaimer: The views expressed here do not necessarily reflect the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.
## Background: Rental Housing Characteristics in 2000

<table>
<thead>
<tr>
<th>Rental Housing</th>
<th>U.S.</th>
<th>PA</th>
<th>Lehigh</th>
<th>Northamptun</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Year Built</td>
<td>1969</td>
<td>1955</td>
<td>1961</td>
<td>1951</td>
</tr>
<tr>
<td>% Small Structures (1 to 4 Units)</td>
<td>51%</td>
<td>62%</td>
<td>52%</td>
<td>67%</td>
</tr>
<tr>
<td>% Heads of Households Age 65 or Older</td>
<td>14%</td>
<td>20%</td>
<td>22%</td>
<td>21%</td>
</tr>
</tbody>
</table>

SOURCE: 2000 Census Data, American Factfinder
### Background: Rental Housing Characteristics

<table>
<thead>
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<th>Northampton</th>
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</thead>
<tbody>
<tr>
<td><strong>Population Change 1990 - 2006</strong></td>
<td>20%</td>
<td>4%</td>
<td>15%</td>
<td>17%</td>
</tr>
<tr>
<td><strong>Total Housing Units Change 1990 - 2005-07</strong></td>
<td>23%</td>
<td>10%</td>
<td>15%</td>
<td>21%</td>
</tr>
<tr>
<td><strong>Renter-Occupied Housing Units Change 1990 - 2005-07</strong></td>
<td>11%</td>
<td>4%</td>
<td>11%</td>
<td>11%</td>
</tr>
</tbody>
</table>

*2010 census data confirm that population and total housing unit growth in Lehigh Valley continue to outpace Pennsylvania.*

Overview of Rental Housing Study

• Assess rental housing conditions and affordability and availability of rental housing
  – Pennsylvania - state, regional, and local levels
  – United States, Pennsylvania’s neighboring states

• Three groups of lower-income renter households:
  ELI = Incomes ≤30% AMI
  VLI = Incomes between 30.1% - 50.0% AMI
  LI = Incomes between 50.1% - 80.0% AMI

• Two data sets used (2000 and 2005-06)
Key Finding 1: ELI Renters Have Greatest Needs in Pennsylvania

• ELI renters are most likely to have severe cost burdens and severe shortages of housing that is both affordable and available to them.
Nearly 70% of ELI Renters Have Severe Cost Burdens

% of Renters Who Are:
- Not Burdened
- Moderate Cost Burden
- Severe Cost Burden

SOURCE: FRB Philadelphia calculations based on 2005 and 2006 ACS Data
What Rental Housing Is Affordable, and What Is Affordable and Available to ELI Renters?

Total Rental Housing Stock

% of Total Rental Housing Stock That Is:
- Not Affordable
- Affordable, but Occupied by Higher Income
- Affordable and Available

SOURCE: FRB Philadelphia calculations based on 2005 and 2006 ACS Data
ELI Renters Have the Greatest Shortage of Affordable and Available Rental Housing Units in Pennsylvania

In Thousands

Affordable and Available Rental Units
Lower-Income Renter Households

Note: Data to calculate shortages/surpluses of affordable and available units are cumulative.

SOURCE: FRB Philadelphia calculations based on 2005 and 2006 ACS Data
Key Finding 2: Conditions and Shortages Got Worse Mid-Decade

• In Pennsylvania, the shortage of rental housing that was both affordable and available to ELI renters increased significantly from 170,000 units to 220,000 between 2000 and 2005-06.
Severe Cost Burdens for ELI Renter Households in 2000

Severe Cost Burden Percentages

- 31% - 40%
- 51% - 60%
- 41% - 50%
- 61% - 70%

SOURCE: FRB Philadelphia calculations based on 2000 CHAS data, HUD User
Severe Cost Burdens for ELI Renter Households in 2005-06

Severe Cost Burden Percentages
- 41% - 50%
- 51% - 60%
- 61% - 70%
- 71% - 80%
- 81% - 90%
- 91% - 100%

SOURCE: FRB Philadelphia calculations based on 2005 and 2006 ACS Data
Affordable and Available Housing Units Per 100 ELI Renter Households, 2000

SOURCE: FRB Philadelphia calculations based on 2000 CHAS data, HUD User
Affordable and Available Housing Units Per 100 ELI Renter Households, 2005-06

SOURCE: FRB Philadelphia calculations based on 2005 and 2006 ACS Data
Key Finding 3: Nearly 60% of Pennsylvania’s Shortage Occurred in Only Seven Areas

- In absolute terms, 59% of Pennsylvania’s shortage of rental housing units for ELI households was attributable to seven areas at mid-decade:

  Allegheny, Bucks, Delaware, Erie, Lehigh/Carbon, Montgomery, and Philadelphia
New Data Analyzed

- Used HUD’s CHAS tabulations of the 2005-07 ACS

- Analysis expanded to include both renters and homeowners

- Philadelphia Fed’s website includes tables with the new data in a format similar to tables in the original report
Key Findings of 2005-07 ACS Data

• Renters tend to have much lower incomes than owners
  - Over 2/3 of renters fall into one of the lower-income groups eligible for HUD rental programs, whereas only 1/3 of owners had incomes this low (below 80% median)
    • Lehigh: 69% renters vs. 32% owners
    • Northampton: 66% renters vs. 29% owners

• Renters are more likely to be ELI (27%) than are owners (7%)
  • Lehigh: 27% renters vs. 5% owners
  • Northampton: 23% renters vs. 5% owners
Key Findings of 2005-07 ACS Data

• Even though PA’s ownership rate was high (72%), there were more ELI renters (376,000) than ELI owners (246,000)

  • Lehigh County: 70% ownership rate
    10,400 ELI renters vs. 4,900 ELI owners

  • Northampton County: 76% ownership rate
    6,100 ELI renters vs. 3,700 ELI owners
Key Findings of 2005-07 ACS Data

• Owners were as likely to have housing problems as renters of equivalent income
  - 3/4 of ELI renter households and 4/5 of ELI owners had some type of housing problem, either a cost burden or a housing unit problem
    • Lehigh: 79% renters vs. 82% owners
    • Northampton: 77% renters vs. 88% owners

• Cost burdens, not housing unit problems, were by far the most common problem for owners and renters
  • Trend continues in Lehigh Valley
New Data Show Shortage Worsened Between 2000 and 2005-07 in PA

- The shortage of units affordable and available to ELI renters worsened between 2000 and 2005-07.

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2005-06</th>
<th>2005-07</th>
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</thead>
<tbody>
<tr>
<td>Absolute Shortage of</td>
<td>170,000</td>
<td>220,000</td>
<td>223,000</td>
</tr>
<tr>
<td>Units for ELI renters</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Affordable and Available</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Units Per 100 ELI Renter</td>
<td>49</td>
<td>43</td>
<td>41</td>
</tr>
<tr>
<td>Households</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Results also reinforce findings of original study*

Shortages for ELI Renters in Lehigh and Northampton Counties
Also Considerable and Worsening

<table>
<thead>
<tr>
<th>Model</th>
<th>Lehigh</th>
<th>Northampton</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absolute Shortage of Units for ELI Renters</td>
<td>4,800</td>
<td>6,400</td>
</tr>
<tr>
<td>Affordable and Available Units Per 100 ELI Renter Households</td>
<td>43</td>
<td>39</td>
</tr>
</tbody>
</table>

SOURCE: FRB Philadelphia calculations based on 2000 CHAS Data and 2005-07 CHAS data from ACS
Absolute Shortage of Units More Than Doubles When Owners Included

- New analysis examines affordability and availability of units for owners and renters combined

(Note: Data are not available at 0-30% AMI threshold for this analysis)

<table>
<thead>
<tr>
<th>Absolute Shortage of Units Affordable &amp; Available</th>
<th>Pennsylvania</th>
<th>Lehigh</th>
<th>Northampton</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;50% AMI</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Renters Only Only</td>
<td>136,000</td>
<td>6,300</td>
<td>4,100</td>
</tr>
<tr>
<td>Owners and Renters</td>
<td>372,000</td>
<td>13,700</td>
<td>11,200</td>
</tr>
</tbody>
</table>

SOURCE: FRB Philadelphia calculations based on 2005-07 CHAS data from ACS
Other Factors to Consider

- How are mortgage foreclosures affecting the rental housing market?
- What other factors exist and drive the local housing market? (population, vacancy rates, locations of homes and jobs, etc.)
- Who are the ELI renters with the most severe problems, and what are their needs?
- What is the quality of the existing rental housing stock?
The report is now available online:

www.philadelphiafed.org/community-development/publications/

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