Welcome Home:

City of Allentown Housing Needs Assessment and Strategic Plan

2024-2029

Acknowledgements

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Executive Summary

In the past five years, Allentown's housing prices have become too expensive for most of the city's residents and prices continue to rise. This upward shift in housing prices has occurred throughout the Lehigh Valley, but in Allentown, where more than half the population is Latino and the median city income is 40% less than the region, the ramifications are severe and disproportionately impact communities of color.

This housing plan frames the city's current housing challenges and proposes a set of intervention strategies to address them. These strategies focus on efficiently using city resources and building key partnerships to a) increase the supply of affordable rental housing and homeownership opportunities; and b) preserve the affordability of the existing housing stock to mitigate displacement of existing Allentown residents.

Allentown's housing plan comes at an opportune time. The housing market spiked in 2020-2021, largely due to the COVID-19 pandemic. Allentown, the Lehigh Valley, and many other mid-sized markets in eastern Pennsylvania attracted new residents (particularly from the New York-New Jersey region) and experienced a swift and substantial increase in home prices and rents.

The inflationary pressure on the housing market has impacted all households, especially renters. People who were struggling to make ends meet prior to 2020 are now facing greater housing affordability challenges. Households who earned $50,000 per year in 2019 could afford to buy a home in Allentown and now cannot. And Allentown renters who earn less than $40,000 per year are getting priced out altogether, disproportionately impacting Black, Asian, and Latino households. Meanwhile, residents who are earning minimum wage, underemployed, or on fixed incomes through disability or retirement benefits, are especially vulnerable to evictions and becoming homeless.

Housing stakeholders and representatives from the City and Allentown Housing Authority acknowledge that there are not enough resources to fully address the housing affordability crisis. Without government subsidy, developers cannot build new units affordable to low and moderate income households. The subsidy that is available is limited, competitive to obtain, and restrictive to use.

Allentown's housing stakeholders also recognize that the problem is regional and should be addressed at a regional level. This will require collaboration among other jurisdictions and county governments, and leadership from the Lehigh Valley Planning Commission to develop a regional housing plan.

To ensure the plan is implementable, its strategies focus on actions the City can take using its available resources and authority. This includes zoning and land use decisions; securing additional funding; buying and transferring property; and incentivizing the private sector and non-profit organizations to build and rehabilitate housing.

Photo: New residential development in the Lehigh Valley, Tuske Homes

Key Findings

The Lehigh Valley has been growing steadily over the past decade and housing production has not kept pace. As a result, housing costs have skyrocketed. In Allentown, rents have increased 45% and home prices have increased 64% on average in the past five years.[1] Housing costs are now too high for moderate income earners – more than half of Allentown's residents – whereas in 2019 they were not.[i]

In 2019, a household earning the city's median income of roughly $40,000 per year could afford to rent in Allentown or even purchase a moderately priced home. Today, that same household would need to earn an additional $10,000 per year to afford most one-bedroom apartments and an additional $30,000 per year to purchase a home.

[i] Moderate income defined as households earning less than 80% of Area Median Income, equivalent to $54,000 for an individual. 51% of Allentown's households earn less than $50,000 per year (ESRI Business Analyst 2023 estimates).

Change in Allentown Home Prices

2019

Typical 1-Bedroom Apartment -
$905

Income Needed -
$36,000 *per year*

Typical Home -
$174,000

Income Needed -
$36,000 *per year*
*(*4.5% interest rate)*

2024

Typical 1-Bedroom Apartment -
$1,200

Income Needed -
$48,000 *per year*

Typical Home -
$284,000

Income Needed -
$80,000 *per year*
*(*7.5% interest rate)*

Source: Zillow Home Value Index. Assumes 30% of income on housing costs.

While most of Allentown's households are feeling the financial strain of housing prices, households earning less than $30,000 per year are at risk of displacement, severe housing cost burden, and even homelessness. This includes a significant share of the workforce - necessary occupations in health care, childcare, and the service and retail industries – that cannot afford current rents. It also includes households on Social Security retirement or disability benefits.

Between 2019 and 2022, Allentown lost one third of its rental housing stock priced below $1,000 per month while the number of units priced above $2,000 per month tripled. In two point-in-time surveys of available apartments conducted in the spring and summer of 2024, 4% to 8% of units were priced below $1,000 per month.

The supply of "naturally affordable" rental housing has rapidly diminished in the city.

What is affordable rent?

Cashier

Median Hourly Wage:
$13

Affordable Rent:
$665

Health Aide

Median Hourly Wage:
$14

Affordable Rent:
$776

Childcare Worker

Median Hourly Wage:
$13.50

Affordable Rent:
$700

Source: Bureau of Labor Statistics Occupation and Wages for the Allentown-Bethlehem-Easton MSA effective May 2023. Assumes 30% of income on housing costs.

Rising rents also affect those experiencing homelessness. The goal for every individual and family without housing is to secure a permanent, safe home that is affordable to them. Those who are experiencing homelessness – including those with debilitating mental or physical conditions; victims of domestic violence; homeless youth; and homeless families – will find it especially hard to secure an affordable apartment to transition into self-sufficiency.

The city's rising home prices are not unique; this is occurring throughout the Lehigh Valley and in all mid-sized cities within eastern Pennsylvania. Bethlehem, Easton, Harrisburg, Scranton, Lancaster, York, and Reading have all seen home prices rise by more than 30% in the past five years.

Even more revealing is the change in home prices within the bottom tier of homes sold. The average price of a home in the bottom 35th percentile nearly doubled in Allentown between 2019 and 2024. This captures the upward trend in home prices as well as an increase in investor purchases and rehabilitation activity apparent in similar mid-sized Pennsylvania cities. Investor purchases and the decline in lower priced homes is concentrated in areas just outside of Center City where the Latino population exceeds 60%.[2]

This limits the opportunity for affordable homeownership in these areas and threatens displacement for long-term renters of single-family homes (33% of renters in the city).

Table 1: Average Price of Homes in 0-35th Percentile Range

	May 2019	May 2024	5-Year Change
Allentown	**$113,119**	**$206,498**	**83%**
Bethlehem	**$147,620**	**$247,783**	**68%**
Easton	**$136,626**	**$242,487**	**77%**
Reading	**$71,060**	**$147,421**	**107%**
York	**$100,683**	**$171,252**	**70%**
Scranton	**$60,089**	**$130,572**	**117%**

Source: Zillow Home Value Index

Allentown, like most mid-sized cities within eastern Pennsylvania, is in high demand. The supply of historic, affordable homes in walkable neighborhoods and close to larger job centers (New York, Philadelphia, and Washington D.C.) has drawn in higher-income residents. This trend is expected to continue and impact the socio-demographic profile of the city.

According to ESRI forecasts, the city is expected to gain 2,602 households earning more than $100,000 per year and lose 2,067 households earning less than $50,000 per year between 2023 and 2028 indicating a significant change in Allentown households as lower income renters are squeezed out of the market.

However, there are several opportunities to mitigate displacement while still reinvesting in the community.

Allentown still has a **significant number of vacant lots and empty homes** that provide an opportunity for rehabilitation and infill development. This includes an estimated 1,800 unoccupied and likely abandoned homes[ii] and an additional 1,000 vacant lots identified by the Lehigh County Tax Assessor's Office, with one in four owned by a public entity. This provides a significant opportunity for housing rehabilitation programs and infill development.

The city is **adopting a revised zoning ordinance** that promotes higher density development and reduces regulatory hurdles to allow for alternative housing models. This will provide more opportunity to develop diverse types of housing within the city's vacant lots, including townhomes, multi-family developments, and alternative housing models like Accessory Dwelling Units (ADUs), and reconfigure existing buildings for higher density residential use.

Allentown has a **Redevelopment Authority that can efficiently acquire and transfer property for redevelopment**. This provides the city with the opportunity to purchase vacant homes and lots and transfer to developers for affordable housing production, preserving a share of properties at risk of price escalation.

The City has the authority to **secure additional funding for housing programs** by competing for federal, state, and foundation grants; increasing or re-allocating permitting, realty transfer tax or licensing fees; and with an amended home rule charter, increasing tax revenue from businesses, non-resident workers, and real estate transfers.

[ii] According to the American Community Survey 2021 5-Year estimates, there were 1,759 vacant homes (margin of error + 350) in the city that excludes vacant units in the housing market (for rent or sale, rented or sold but not yet occupied); vacation homes, and homes for migrant workers.

The Housing Plan

Using feedback from community housing stakeholders, the proposed housing plan focuses on providing more homeownership opportunities for low and moderate income Allentown residents; preserving housing affordability for renters and owners, including increasing the supply of subsidized housing and stabilizing rents of moderately priced market rate units; and providing equitable housing opportunities for minority households and vulnerable populations.

The Plan is sequenced to maximize impact as follows:

Phase 1 - Groundwork

To lay the groundwork for implementation, the City should focus on revising the zoning code to increase development opportunities for a mix of housing types targeting a diverse socio-economic mix of households and to streamline current processes in code enforcement, rental registration, and inspections. This includes offering affordable housing incentives, increasing density, allowing more diverse housing types, and streamlining permitting and licensing processes to alleviate administrative inconsistencies.

Phase 2 – Resources

To implement housing programs of scale, the City should obtain additional funding to supplement existing housing programs and strategically acquire properties that can be readily available to developers for new construction and rehabilitation projects. Additional funding can be secured through additional grant applications and finding new funding streams through reallocation of existing sources and fees; and amending the home rule charter to allow for additional revenue. In order to efficiently implement this plan the City will need to secure a source of revenue that can be flexible in its application.

Phase 3 – Initiatives

Once the City has the groundwork and resources (funding and land) in place, it will be in the right position to create and administer housing programs that incentivize the private and non-profit sectors to build new units, rehabilitate existing units, and preserve affordable housing. This includes affordable housing incentive packages, grants, loans, and access to city-controlled properties.

Phase 4 – Partnerships

Allentown's housing challenges are commonly shared throughout the region and should be addressed collectively through partnerships and collaboration with other housing stakeholders. The City should collaborate with the Lehigh Valley Planning Commission, peer municipal and quasi-municipal entities, and allied nonprofit organizations to create a regional plan for workforce housing needs tied to transportation and job centers, address regional homelessness, and to advocate for legislative changes at the state- and federal-level.

Background

Allentown's Housing Plan was developed between July 2023 and May 2024 with the assistance of a consulting team that includes Reinvestment Fund, Atria Planning, and May 8 Consulting. It was developed simultaneously with several interrelated initiatives, including the City's *Zone Allentown* zoning ordinance update; the 2025-2029 Consolidated Plan; the Lehigh Valley Planning Commission's (LVPC) Regional Plan; Allentown's Blueprint Communities; and more recently, Allentown's Recompete Plan, which was awarded $20 million by the U.S. Economic Development Administration in August 2024 for economic and workforce development.

The Housing Plan includes four components:

1. **Housing Needs Assessment**: Analysis of socio-economic and housing metrics to identify key housing challenges experienced by Allentown's low, moderate, and middle income residents.
2. **Market Value Analysis (MVA):** Assessment of baseline real estate market information conducted by Reinvestment Fund which identifies areas (census block groups) that represent the highest-demand markets, areas of greatest distress, and the market types in between to inform place-based decision-making.
3. **Displacement Risk Ratio (DRR):** The DRR is a Reinvestment Fund analytical tool which identifies places where households may be experiencing economic pressure associated with rising home prices due to circumstances beyond their control (e.g., rapidly rising taxes / insurance, rent increases, or conversion of rental property into owner occupied stock) that may cause them to leave a neighborhood.
4. **Housing Plan**: Recommended strategies for the City to address housing challenges using its available and potential resources.

The findings and strategies were informed by a series of focus groups, interviews, and housing committee meetings among community stakeholders. The Plan is a draft in its current form and will be modified based on additional community engagement with the public and through further strategic planning sessions with the Housing Committee and other partners.

Allentown in Context

Allentown is the largest city in Lehigh Valley, with a population of approximately 128,000, and is the 3rd largest city in Pennsylvania.[3]

Like most mid-sized manufacturing cities, it experienced population decline in the latter half of the 20th century but reversed course in the 2000s, spurred by the region's burgeoning e-commerce trade and the strength of the healthcare and manufacturing industries. Between 2010 and 2023, the city added close to 10,000 people (8% growth compared to 2% growth in the state).

The region is within an hour's drive from Philadelphia and 90 minutes from New York City – positioning the Lehigh Valley as an ideal distribution hub for e-retailers like Amazon and Walmart. Between 2010 and 2022, the number of jobs in Transportation & Warehousing nearly tripled, currently employing 38,000 workers.[4]

Photo: Warehouse in Lehigh Valley. Source: Michael Corkery, "A New Crop in Pennsylvania: Warehouses," New York Times, May 27, 2021. Credit: Erin Schaff

The Lehigh Valley also attracts retirees and remote workers who have the option to choose where they live, drawn to the region's (relatively) affordable housing options, health care, and high quality of life.[5]

The COVID-19 pandemic accelerated growth as remote work became commonplace, inducing an influx of new residents from neighboring, more expensive markets. In 2021, 3,300 households moved to Lehigh County from the New York and Philadelphia metro areas and New Jersey.[6]

In the next 30 years, the Lehigh Valley is expected to grow substantially, adding approximately 75,000 jobs and 100,000 people.[7] But this growth will largely occur in the suburbs and smaller townships, with Allentown only growing by 0.2% per year, roughly 7,400 additional residents over a 30-year period (0.2% annual growth rate compared to 0.5% for the Lehigh Valley). Lower Macungie, Upper Macungie, and Saucon Townships immediately adjacent to Allentown, meanwhile, will collectively add more than 30,000 new residents.[8]

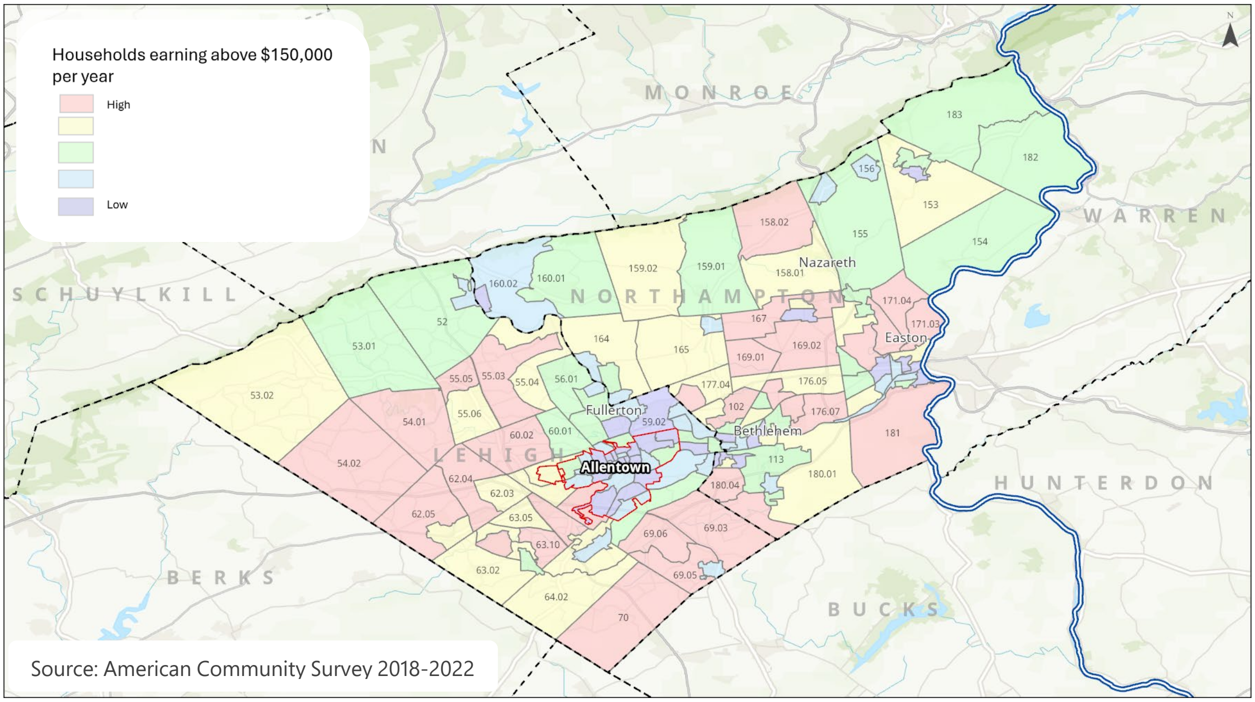
Allentown is mostly built out with limited land for housing development; only 3% of lots are vacant (i.e. do not have a structure on them) which includes usable vacant lots for parking, parks, and open green space.[9]

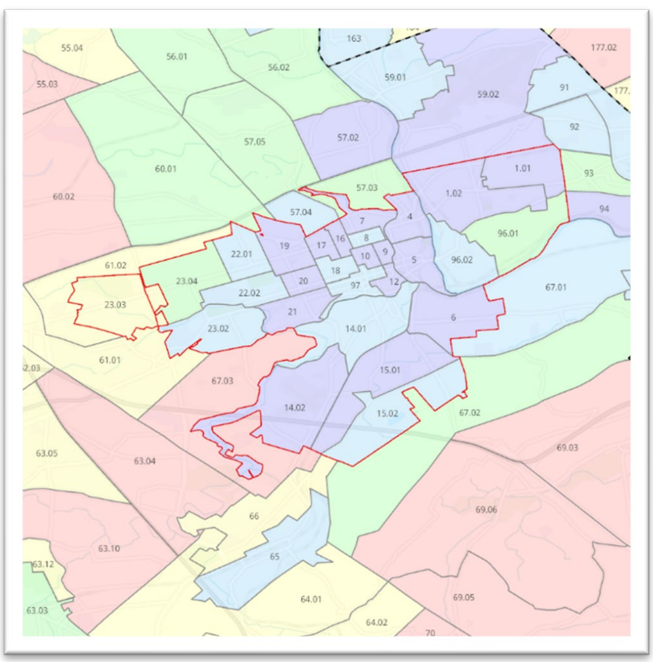
Like most cities, more than half of Allentown's households are low to moderate income. The city also has a significant Latino population. More than half of Allentown's residents self-identify as Latino and one in four were born in either Puerto Rico or the Dominican Republic. In comparison to the Lehigh Valley, Allentown's families tend to be larger with more children, and more families are led by single mothers. Educational attainment is lower, and unemployment is significantly higher at 9.6%.

The city's housing stock is also more diverse than the region, with a well-rounded mix of single-family homes, small multi-family structures, and apartment buildings. Single family homes are also older, smaller, and more likely to be row home than a stand-alone home.

	City	Region
Fewer than Five Rooms	35%	22%
Built Before 1970	73%	51%
Small Multi-Family Buildings (2-9 units)	23%	12%
Row Homes & Townhomes	38%	21%
Homeownership Rate	42%	69%
Foreign Born Population	20%	10%
Latino Population	55%	18%
Born in Puerto Rico	14%	4%
Born in Dominican Republic	9%	2%
Didn't Finish High School	19%	9%
Single Mothers	11%	5%
Children 14 and under	22%	17%
*Median Income	$ 48,694	$ 76,031
Unemployment Residents in Labor Force	9.6%	5.5%

Map 1: Households Earning Above $150,000 Annually



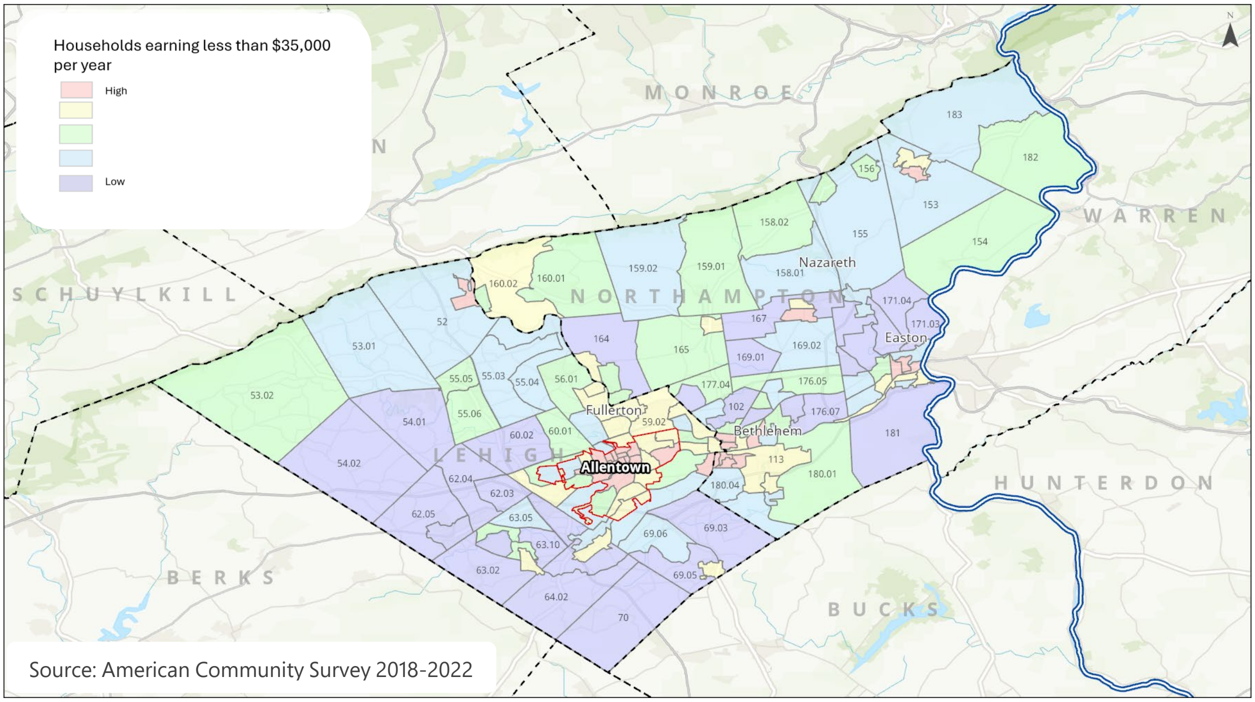


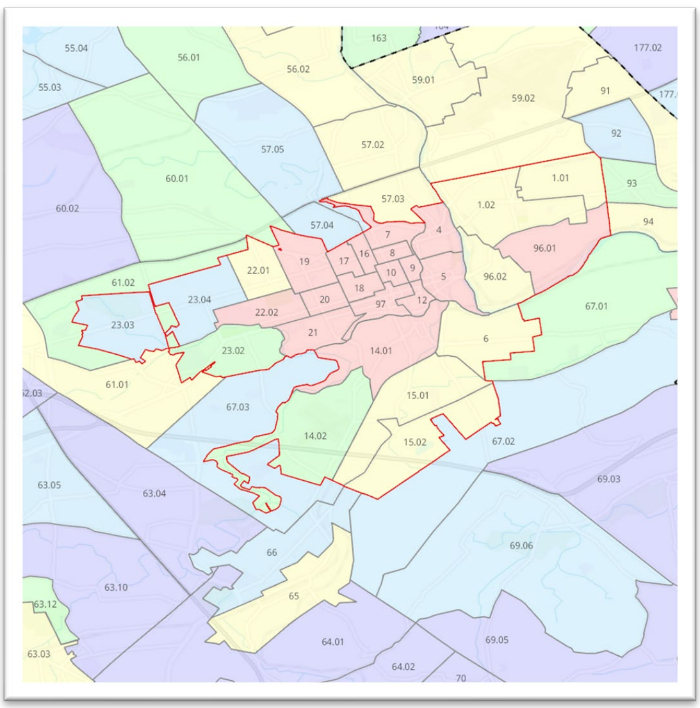
Map 1 illustrates a ranking of all Census Tracts within the Lehigh Valley into quintiles. The lowest quintile is the bottom 20% and the top quintile represents the top 20%.

Census Tracts shaded pink have the highest concentration of households earning above $150,000 annually (a benchmark for high-earning households), and Census Tracts shaded purple have the lowest concentration of households earning above $150,000 annually.

The City of Allentown, with few households earning above $150,000 annually, is surrounded by higher income areas, particularly south and west, where new growth is expected to occur.

Map 2: Households Earning Less than $35,000 Annually



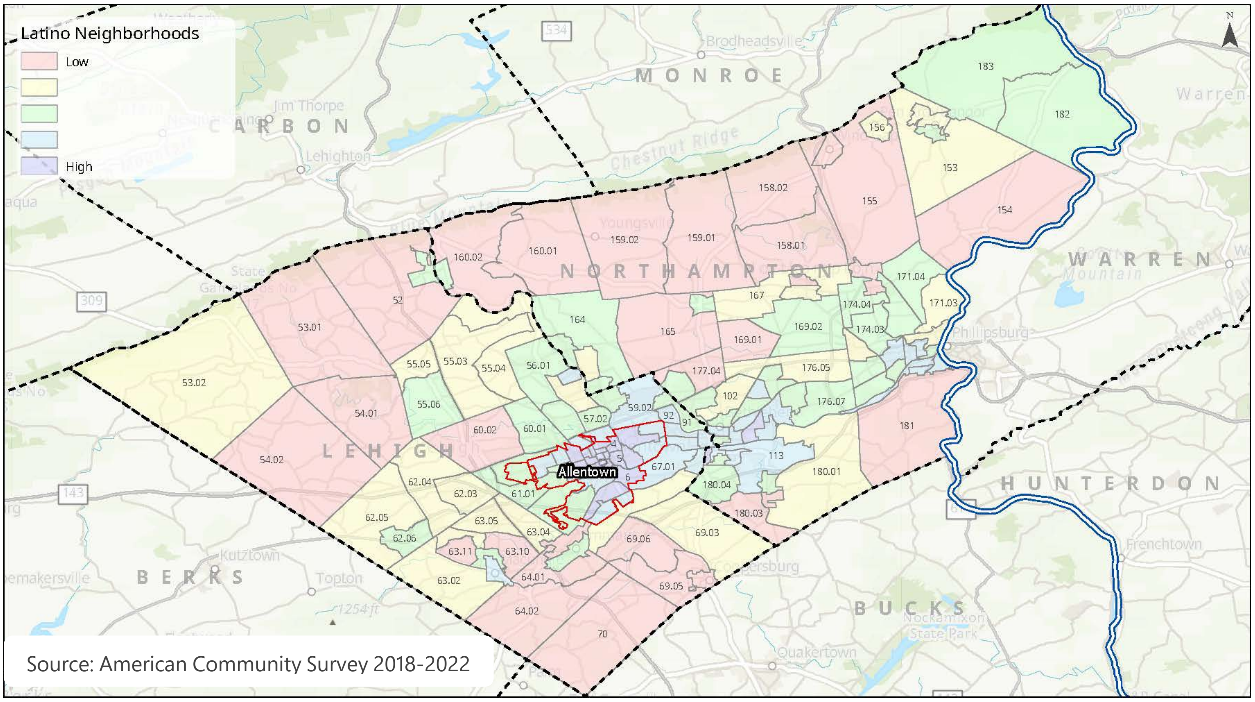


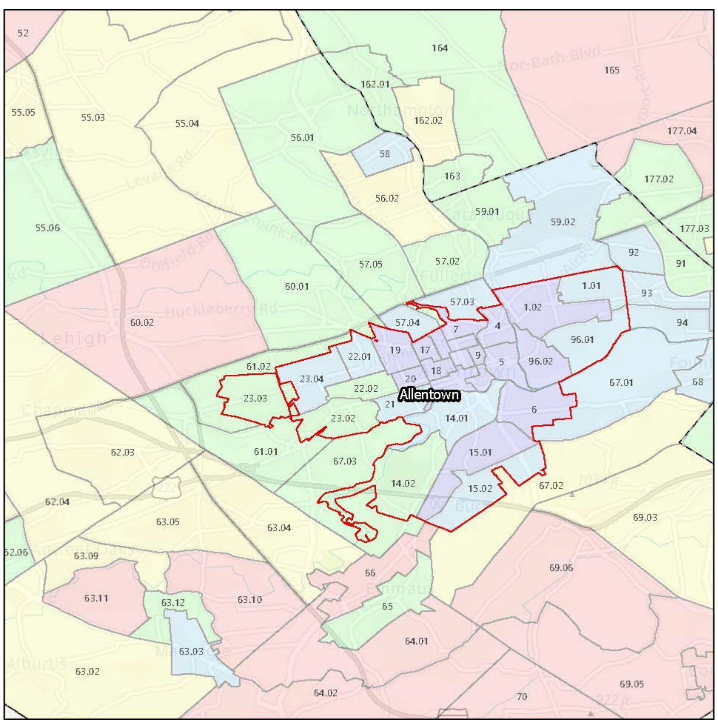
Map 2 illustrates a ranking of all Census Tracts within the Lehigh Valley into quintiles. The lowest quintile is the bottom 20% and the top quintile represents the top 20%.

Census Tracts shaded pink have the highest concentration of households earning less than $35,000 annually (a benchmark for very low income households), and Census Tracts shaded purple have the lowest concentration of households earning less than $35,000 annually.

The City of Allentown has the largest concentration of households with very low incomes and in stark contrast to the surrounding, more suburban areas .

Map 3: Latino Neighborhoods



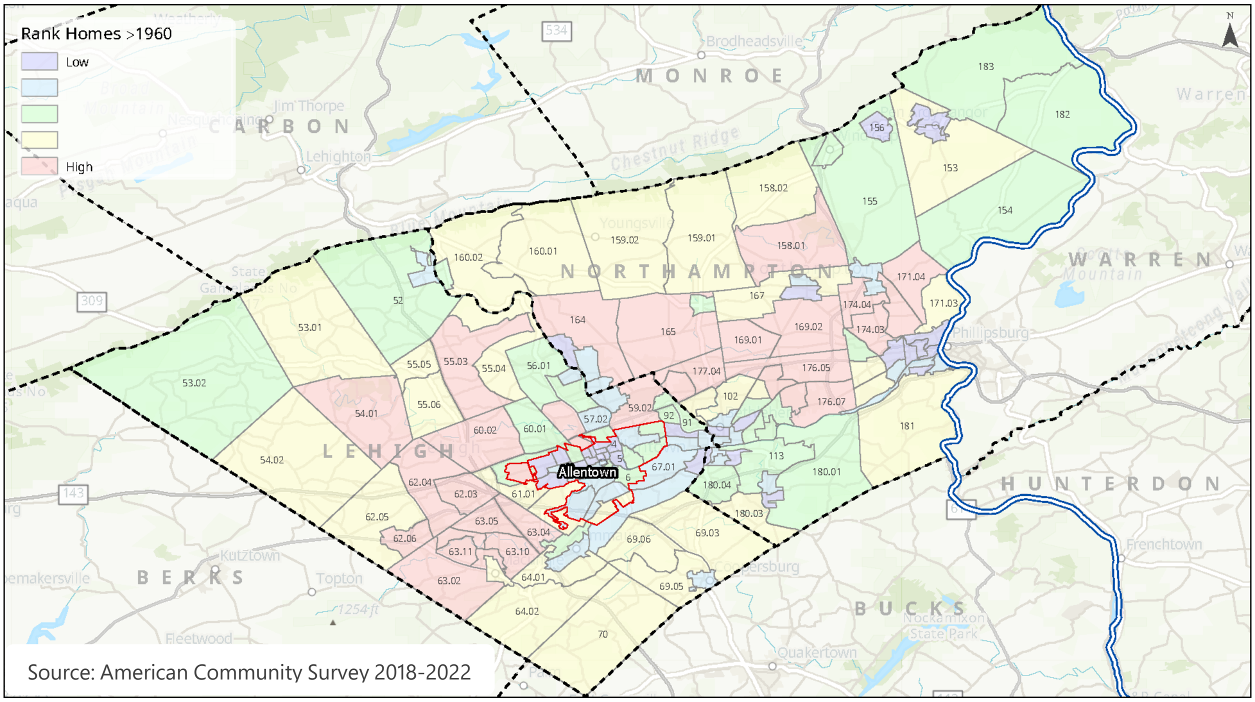


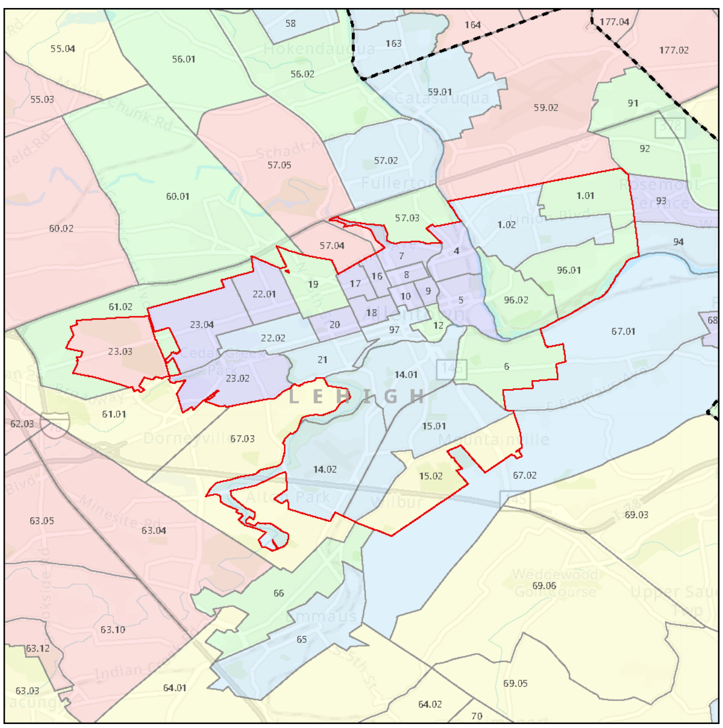
Map 3 illustrates a ranking of all Census Tracts within the Lehigh Valley into quintiles. The lowest quintile is the bottom 20% and the top quintile represents the top 20%.

Census Tracts shaded blue have the highest concentration of Latino households and Census Tracts shaded pink have the lowest concentration.

The City of Allentown has the largest concentration of households with very low incomes and in stark contrast to the surrounding, more suburban areas .

Map 4: Homes Built After 1960





Map 4 illustrates a ranking of all Census Tracts within the Lehigh Valley into quintiles. The lowest quintile is the bottom 20% and the top quintile represents the top 20%.

Census Tracts shaded blue have the highest concentration of homes built before 1960 (a benchmark older homes), and Census Tracts shaded pink have the highest concentration of homes built after 1960 (a benchmark for suburban development).

The smaller Census Tracts within Allentown (near the center) have the oldest homes, whereas the larger Census Tracts on the outskirts have more homes built after 1960. Overall, Allentown's housing stock, like Bethlehem and Easton, are older, with more rowhomes and both smaller units (worker housing) and very large homes for wealthy residents during Allentown's industrial heyday.

Housing Prices

In the past five years, housing prices have surged across most housing markets in the U.S.

During this same period, Allentown's rents and home prices have also skyrocketed: rents have gone up 45% and home prices have increased 64%.[10]

Rents and homeownership are now unaffordable for most Allentown residents. In 2019, a household in Allentown earning the city median income of $41,000 could generally find an affordable apartment or even buy a home.[iii] This is no longer the case.

In 2024, an Allentown household earning median income would need to earn $13,000 more per year to afford a typical apartment and $25,000 more per year to afford a typically priced home.[iv]

The most critical change in Allentown's housing market is the lost supply of "naturally affordable" housing – apartments renting for below $1,000 per month and homes in good condition that sell for less than $200,000 without any form of subsidy. These figures represent the price points at which a household earning 80% of

Area Median Income

Area Median Income (AMI) represents the midpoint of a metro area's income distribution. HUD uses this standard to establish income thresholds, which in this case is the Allentown-Bethlehem-Easton MSA. This figure includes all households within the Lehigh Valley. Because suburban residents earn, on average, more than city residents, HUD's AMI for the Lehigh Valley is 40% higher than the actual midpoint for Allentown residents.

Area Median Income, 2023

Allentown-Bethlehem-Easton MSA - $76,031

City of Allentown - $54,193

HUD and other agencies further categorize households by income and household size to establish income limits for their programs. For example, at least 75% of Section 8 voucher holders must earn less than 30% of AMI, and renters must earn less than 60% of AMI to qualify for LIHTC rental units.

Income Limits for the Lehigh Valley, 2023

	1 PERSON	2 PEOPLE	4 PEOPLE
30% AMI	**$20,160**	**$23,040**	**$28,770**
50% AMI	**$33,600**	**$38,400**	**$47,950**
60% AMI	**$40,320**	**$46,080**	**$57,540**
80% AMI	**$53,760**	**$61,440**	**$76,720**
100% AMI	**$67,200**	**$76,800**	**$95,900**

Source: Novogradac and Company

[iii] In 2019, a household earning Allentown's median income of $40,835 could afford $1,020 in monthly rent or a $200,000 home at a 4.5% interest rate.
[iv] 2024 median income based on 2023 median income adjusted for inflation.

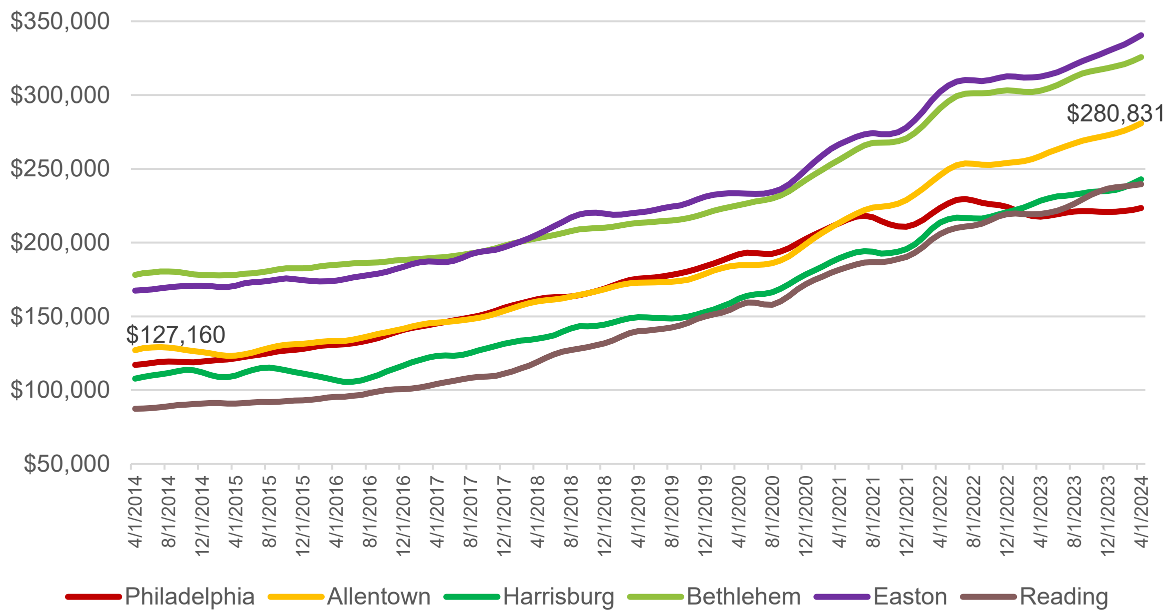
Allentown's median income could afford rent and a household earning 100% of Allentown's median income could afford to buy a home.

Indeed, Allentown is like many mid-sized cities in eastern Pennsylvania, where home prices increased significantly after 2020 and have become unaffordable to local residents. The Housing Price to Income ratio (HPI) is a useful metric to gauge the overall affordability of a housing market. It is the comparison of the typical home price to median income. A healthy ratio is between 2 and 4 (a home priced two to four times the median income). In 2023, Pennsylvania's HPI was 3.6 and Allentown's HPI was 4.9. The cities of Bethlehem, Easton, Lancaster, Reading, and Harrisburg had HPIs between 4.7 and 5.2.[11]

The issue is even more pronounced in the rental market. In a healthy rental market, a household earning a moderate income (80% of AMI) should be able to afford a typically priced rental unit (defined as paying no more than 30% of income on rent). In Allentown, a moderate income earner would need to pay 44% of their income for a typically priced rental unit. This is comparable but still higher than Philadelphia (43%), Bethlehem (41%), York (40%), Scranton (38%) and Easton (37%).

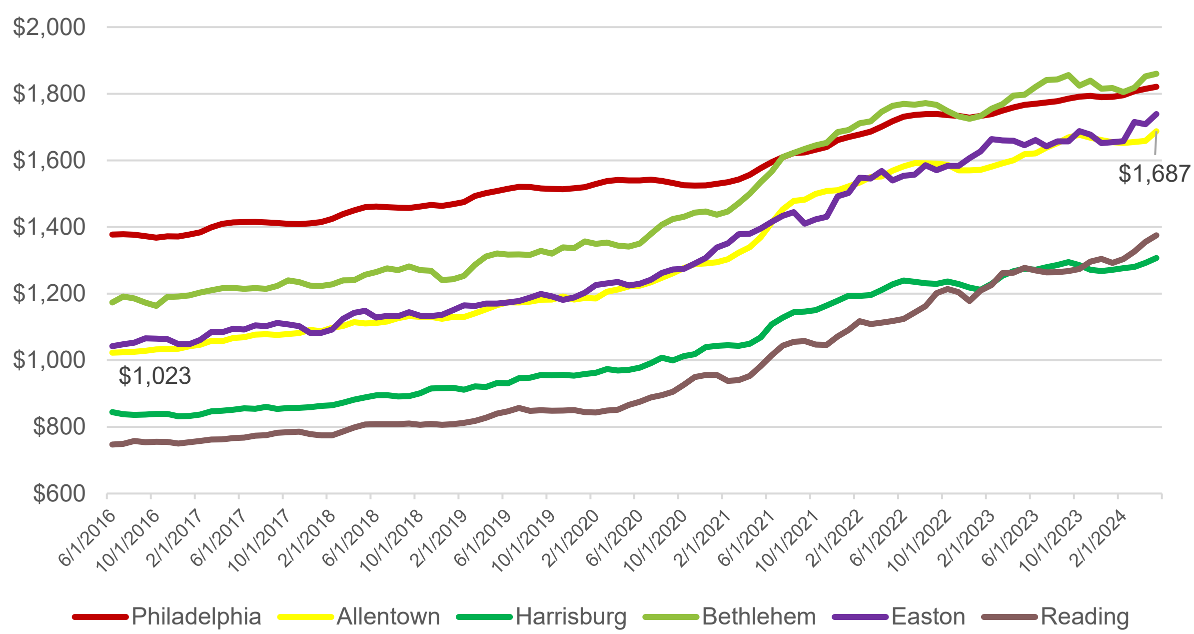
The rise in prices has ramifications for all income groups. Most moderate income renters cannot afford to buy a home in Allentown and may choose to buy elsewhere. Because renters tend to be younger, this may have the unintentional consequence of pressuring younger families (who are disproportionately Latino) out of the city. Renters with lower earnings will struggle to remain in the region altogether or else pay an excessive portion of their income on housing or end up living in homes in poor and/or overcrowded conditions. Residents with the lowest incomes – those making minimum wage or on fixed incomes - are the most vulnerable to displacement and even homelessness.

Chart 1: Typical Home Price



Source: Zillow Home Value Index

Chart 2: Typical Rent



Source: Zillow Observed Rent Index

Home prices in Allentown continue to rise despite a cooling market in other areas of the country. Rents have cooled but are still increasing. The significant leap in rent prices occurred during the first year of the COVID-9 pandemic, increasing 12% compared to 5% nationally.

Chart 3: Year over Year Change in Home Prices, 2019 - 2024

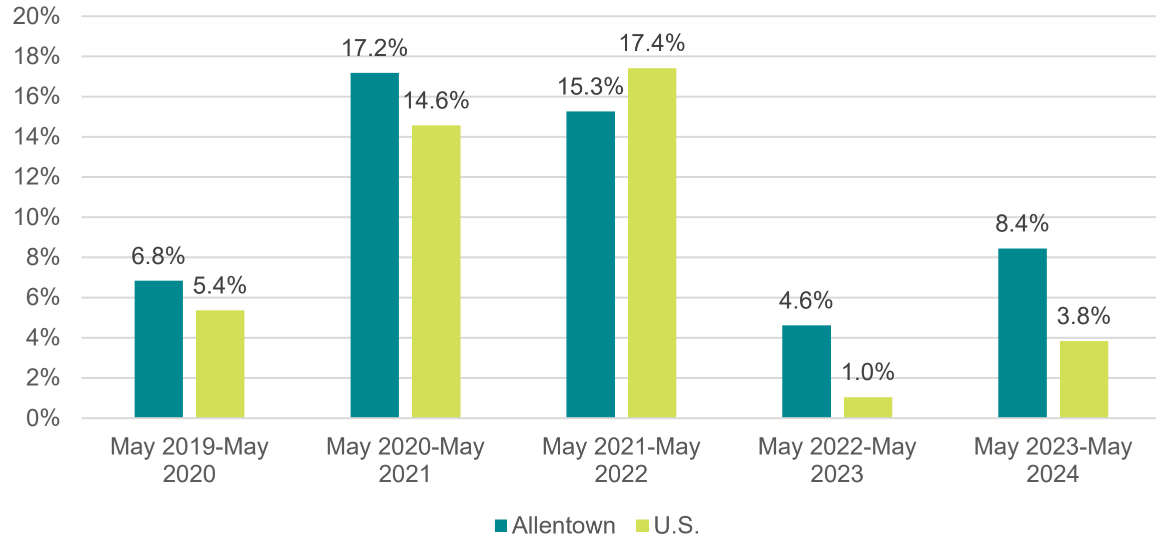
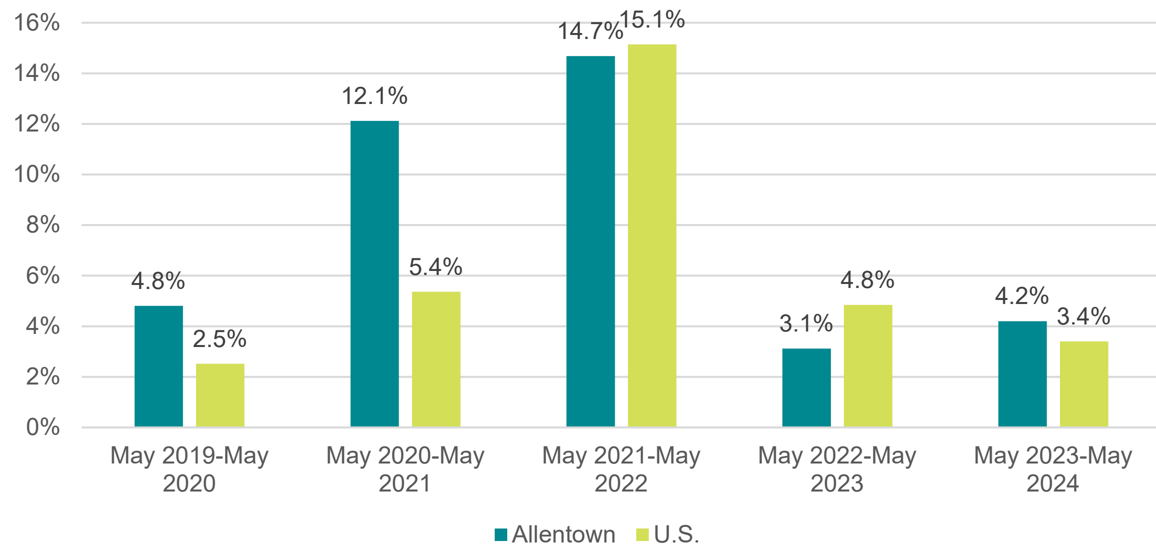


Chart 4: Year over Year Change in Rents, 2019 – 2024



Source: Zillow Observed Rent Index

Housing Supply

The primary reason for the rapid increase in home prices is a lack of supply compared to demand.

Rental Market

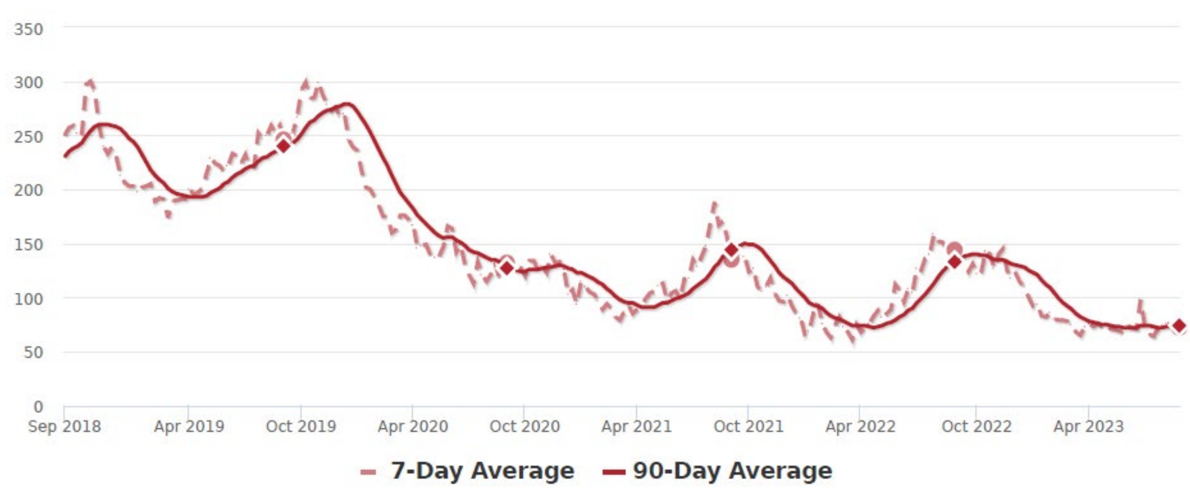
According to two rental surveys from June 2024, the rental vacancy rate in Allentown is between 0.8% to 1.4% vacancy rate, indicating a dire shortage of rental housing. A healthy vacancy rate for a rental market is between 5% and 8%.

The availability of low-priced units is even more limited. In the same survey, only 2% of listings (eight apartments) were priced under $1,000 per month.

For Sale Market

Prior to 2020, the Allentown housing market had roughly 200 to 275 homes listed for sale, equivalent to 1% to 1.5% vacancy. This is comparable to national figures and is considered a healthy vacancy rate among homes –for sale. By the summer of 2023, the number of listings dropped to 70 homes, or 0.4%. This is below the already low national figure of 0.7%, indicating a severe housing shortage.

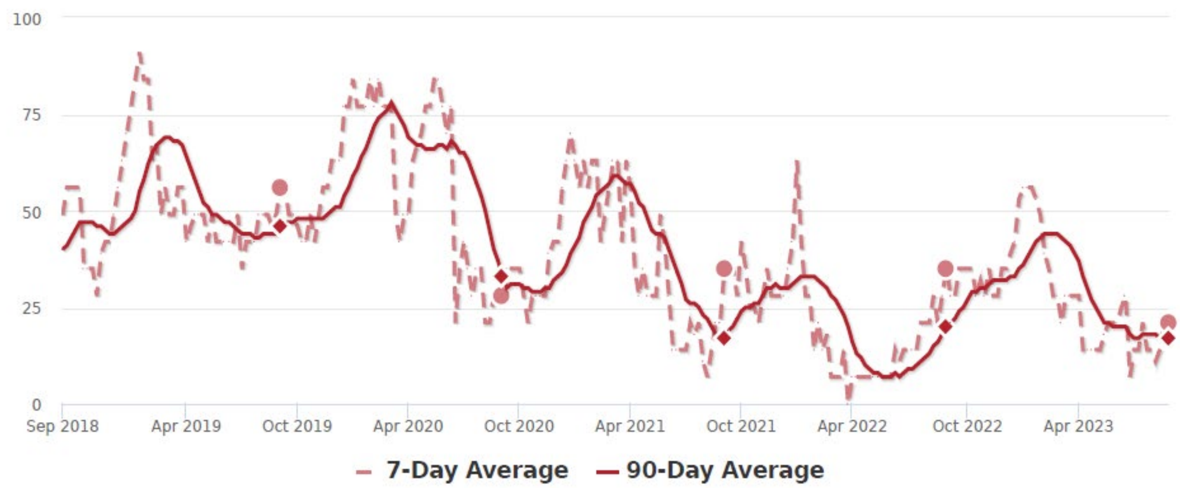
Chart 5: For-Sale Home Inventory in Allentown



Source: Altos Research

Due to the housing shortage, the average number of days it takes to sell a home has dropped significantly in recent years. In June of 2019, the average number of days a home was on the market before accepting an offer was 45 days. In June of 2022, it was less than two weeks. More recent data (June 2024) reports the median number of days homes are on the market before accepting an offer is seven days.[12]

Chart 6: Median Days Homes are on the Market in Allentown



Source: Altos Research

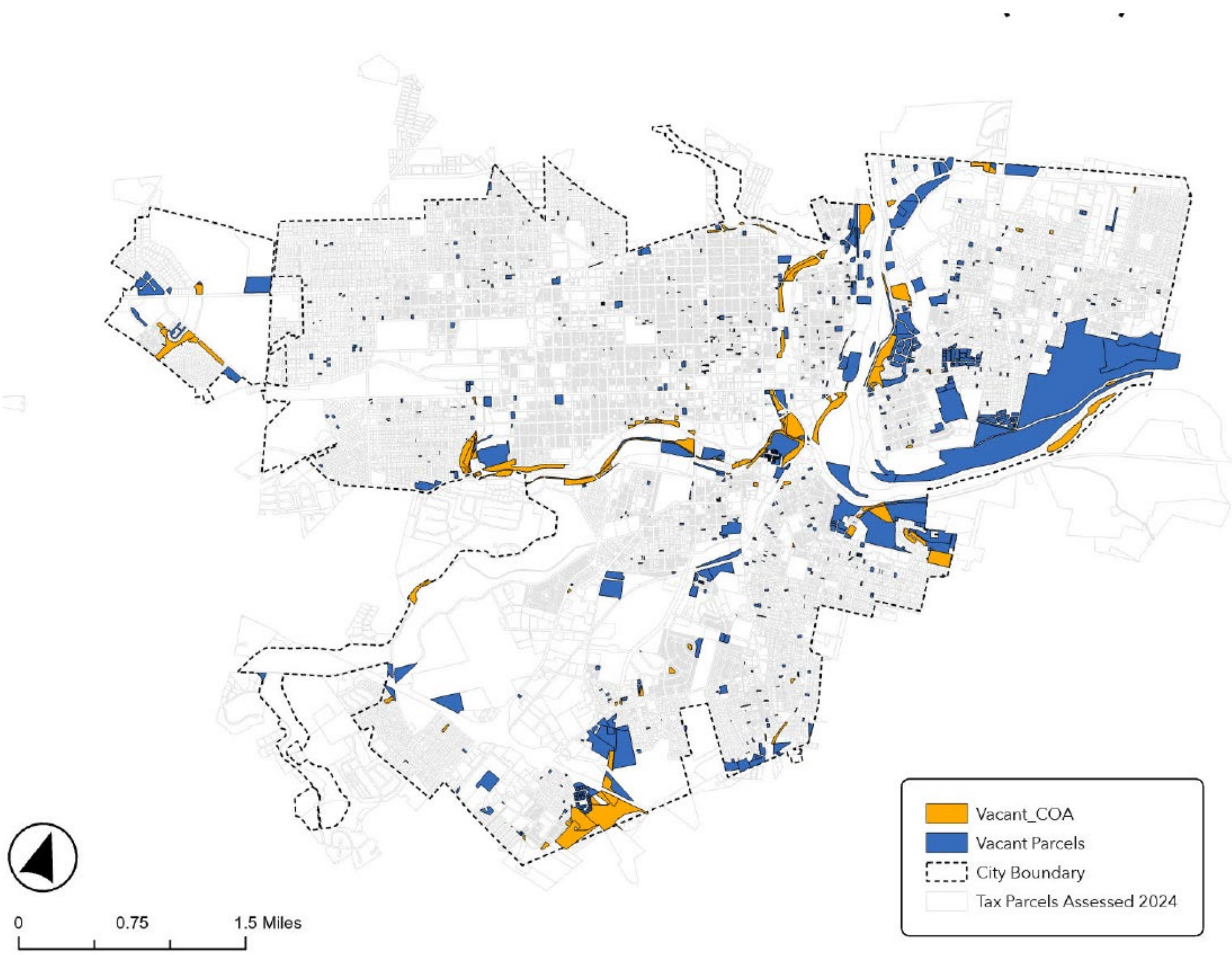
Vacant Properties

Unlike Bethlehem and Easton, Allentown still has a significant number of vacant lots and empty homes that provide an opportunity for rehabilitation and infill development.

According to the 2022 5-Year American Community Survey, there were close to 1,800 homes that were not classified as for sale or sold, for rent or rented, a vacation home, or a home for migrant workers. This "Vacant-Other" category is a reasonable proxy for vacant homes available for redevelopment. In both Bethlehem and Easton, that figure was roughly 500).

Additionally, the County Assessor's Office identified roughly 1,000 vacant lots (i.e. lots with no structures on them) in the city, with 248 owned by a public entity, The City of Allentown owns 183 vacant lots).

Map 5: Vacant Lots in Allentown



Source: City of Allentown using Lehigh County Assessor Records

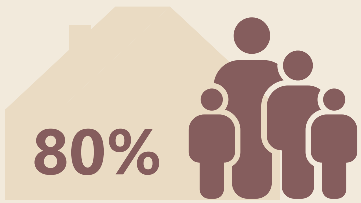
Housing is Unaffordable to Most Allentown Residents...

Typical Rent, 1 Bedroom -
$1,200

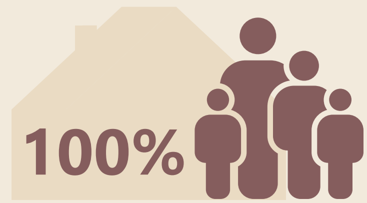
Typical Home Price
$285,257

Annual Income Needed
$48,000

Annual Income Needed
$80,000



Household Earning 80% of City's Median Income
$43,350



Household Earning 100% of City's Median Income
$54,193

Residents Experiencing Housing Challenges

HUD publishes an annual tabulation of households who experience at least one of three housing challenges categorized by income and tenure. Housing challenges is defined in the ***Comprehensive Housing Affordability Strategy*** (CHAS) data as: 1) paying more than 30% of income on housing; 2) living without adequate kitchen or plumbing facilities; and 3) living in overcrowded conditions, defined as more than one person per room, not including kitchens or bathrooms.[v]

Table 2: Renters Experiencing Housing Challenges

Renters	Allentown			Lehigh Valley		
	Number	% with Housing Challenges	% of Population	Number	% with Housing Challenges	% of Population
<30% AMI	6,762	78.0%	18.9%	19,127	76.2%	7.6%
30% - 50% AMI	4,920	82.0%	13.8%	15,429	81.7%	6.1%
50% - 80% AMI	4,475	47.4%	12.5%	17,963	52.5%	7.1%
80% - 100% AMI	2,152	18.0%	6.0%	8,142	21.9%	3.2%
>100% AMI	2,998	7.9%	8.4%	20,421	6.9%	8.1%
Total	21,307	56.6%	59.7%	81,082	49.1%	32.2%

Table 3: Owners Experiencing Housing Challenges

Owners	Allentown			Lehigh Valley		
	Number	% with Housing Challenges	% of Population	Number	% with Housing Challenges	% of Population
<30% AMI	1,488	86.6%	4.2%	8,938	85.2%	3.6%
30% - 50% AMI	1,906	62.7%	5.3%	12,851	63.9%	5.1%
50% - 80% AMI	3,032	28.7%	8.5%	26,584	39.4%	10.6%
80% - 100% AMI	1,921	9.4%	5.4%	17,463	23.0%	6.9%
>100% AMI	6,053	2.7%	17.0%	104,731	5.5%	41.6%
Total	14,400	25.7%	40.3%	170,567	21.2%	67.8%

Source: HUD CHAS 2023 release using 2016-2020 American Community Survey data

[v] 99% of households with housing challenges are cost burdened; a small fraction fall into the other two categories of overcrowding and inadequate living conditions.

A larger share of Allentown renters and homeowners experience housing challenges than the Lehigh Valley, and the issue is most prevalent for households earning less than 80% of AMI.

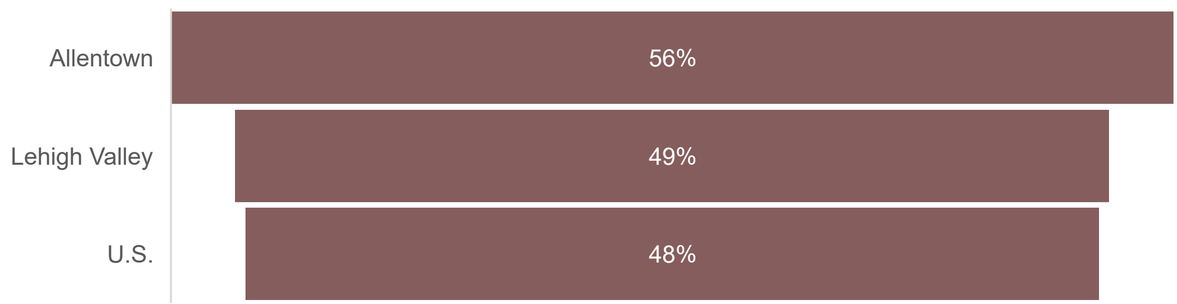
Rental Housing

This is the worst time on record for rental housing affordability.

According to Harvard's Joint Center for Housing Studies *America's Rental Housing 2024* report, half of all renters are cost burdened (defined as paying more than 30% of income on housing) in the U.S., more than any other time on record. [13] In Allentown, the condition is worse.

At 56%, a larger share of Allentown renters experience housing cost burden than in the U.S. or Lehigh Valley.[vi]

Chart 7: Renters Experiencing Cost Burden



Source: HUD CHAS 2023 release using 2016-2020 American Community Survey data

This can largely be accounted for by the increase in rents outpacing wage increases. The loss of naturally affordable rental housing has had a tremendous impact on the rental housing market.

In 2019, a typical apartment cost $1,151 per month; by 2024, that figure had risen to $1,657, a 44% increase. Rental prices have continued to increase in the Lehigh Valley despite prices stabilizing nationally, indicating continued strong demand for rental housing in the region.

[vi] The most recent HUD CHAS data uses 5-Year American Community Survey data from 2020 and does not reflect housing challenges post Covid-19. Therefore, the housing challenges are likely to be substantially higher.

Table 4: Rents for Available Rental Units

Allentown	Price	Y over Y Change	Supply
1 BR	$1,200	+$50	86
2 BR	$1,745	+$245	54
3 BR	$1,950	+$75	58
All Units	$1,657	+$220	213

Source: Zillow Rental Market Survey June 2024

Table 5: Asking Rents for Available Units in Other Cities

	1 BR	2 BR	3 BR
Allentown	$1,200	$1,745	$1,950
Bethlehem	$1,500	$1,837	$1,925
Easton	$1,350	$1,790	$2,275
Philadelphia	$1,450	$1,700	$1,898
Morristown	$2,400	$3,099	$3,245

Source: Zillow Rental Market Survey June 2024

The rapid escalation in rents is due to a large influx of population in recent years, attracted to strong job growth, a high quality of life, and affordable housing relative to their origin.

The Lehigh Valley's strong economy in health care, warehousing, and manufacturing has attracted new residents over the past decade. The Lehigh Valley continues to be a mecca for ecommerce warehousing and distribution facilities. Between 2013 and 2023, the Lehigh Valley added over 27,000 workers in the logistics industry, employing 1.6 times the national average.

Simultaneously, a growing number of remote workers, many from the New York metro area, have relocated into the Lehigh Valley to take advantage of lower housing prices. According to IRS filings in 2021, 4,514 households moved into Lehigh County from another state, 29% of whom are from the New York region.

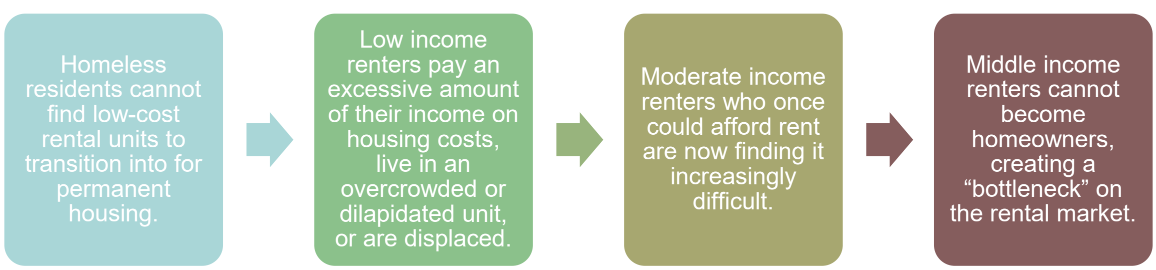
Despite concern that higher income residents from New York are pressuring prices upwards, the data from 2021 indicates otherwise, with reported incomes substantially lower than average reported income for existing Lehigh County residents ($80,000 compared to $47,000). This conveys that most new residents from New York are low, moderate, and middle income households and are likely relocating to the Lehigh Valley for better economic opportunities and quality of life.

Table 6: Top Five Counties for In-Migration into Lehigh County outside of Pennsylvania

County of Origin	Filers	Average Income Filed
Bronx County, NY	397	$33,151
Kings County, NY	291	$45,364
Queens County, NY	198	$39,515
New York County, NY	177	$64,011
Essex County, NJ	112	$40,982

Source: IRS County In-Migration 2021

Housing demand from in-migration and lack of available rental housing has created a rental housing shortage across the region. According to a national survey conducted by RentCafe at the start of 2024, the Lehigh Valley was ranked the 3rd most competitive small rental market in the country with an unsustainably low ***rental vacancy rate at 3.9%*** (compared to 6.9% for the U.S.).[14] This is an improvement from the height of the market in 2022, when rental vacancy rates were an estimated 2%, but still does not provide enough available stock to be considered "healthy" - between 5% and 7%. There are an estimated ten households competing for the same rental unit, 30% higher than the national average. This heightened competition pressures prices upwards and allows landlords to require additional upfront costs and be particularly restrictive in who they rent to. When competition is this high, it is easier for landlords to be selective in choosing tenants, and potentially violating fair housing regulations discreetly.



Because the Lehigh Valley income thresholds are higher than in Allentown, there is a mismatch between what a low income resident in Allentown can afford and the low income threshold established by affordable housing programs under HUD or the Low Income Housing Tax Credit

(LIHTC) program . For example, an Allentown household would need to earn above 80% of the City's AMI to afford a LIHTC apartment.

As a result, "affordable" apartments built using the LIHTC program without additional subsidy are not actually affordable to low income Allentown residents. To be affordable to Allentown's low income residents, the units would need to be priced at or below the 50% AMI threshold.

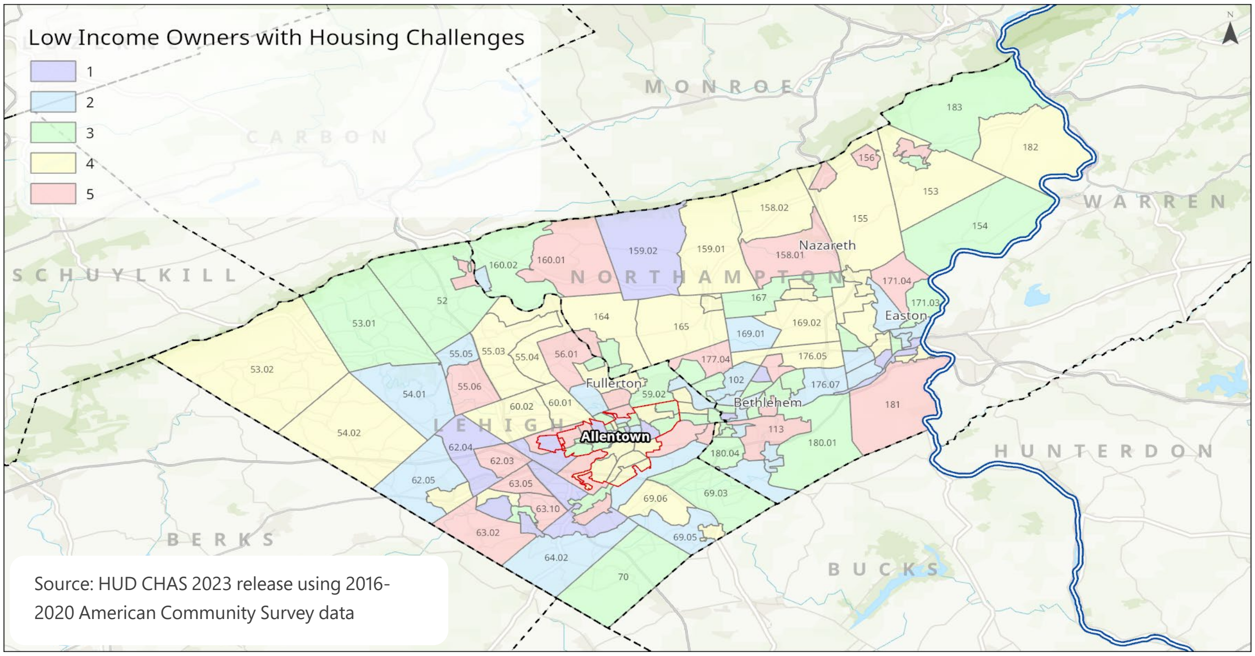
Table 7: Income Thresholds for Two-Person Household, 2023

	City	HUD Threshold – Metro Area
50% AMI	**$27,097**	**$38,400**
60% AMI	**$32,516**	**$46,080**
80% AMI	**$43,354**	**$61,440**
100% AMI	**$54,193**	**$76,800**
120% AMI	**$65,031**	**$92,160**

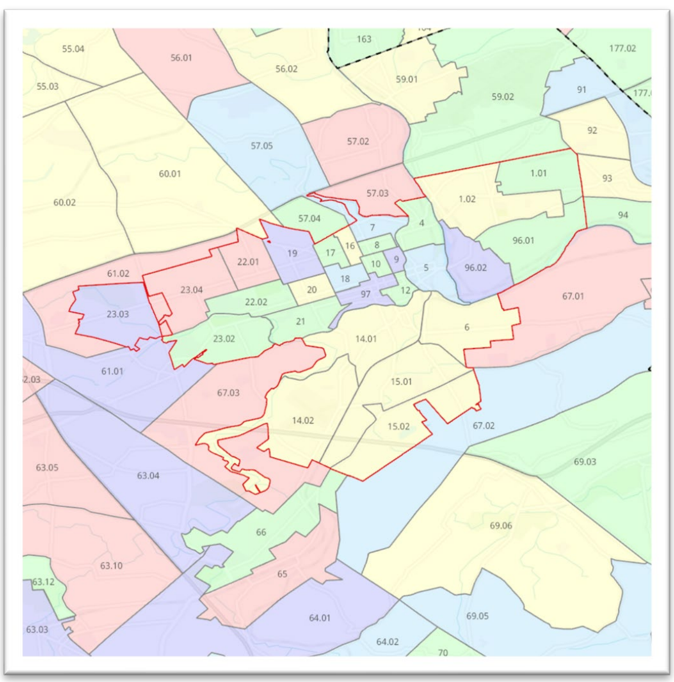
Source(s): Novogradac LLC and ESRI BAO

Map 6: Low Income Homeowners with Housing Challenges

*Challenges defined as paying more than 30% of income on housing expenses, living without basic kitchen or plumbing facilities, or living in overcrowded conditions.



Source: HUD CHAS 2023 release using 2016-2020 American Community Survey data



Map 6 illustrates a ranking of all Census Tracts within the Lehigh Valley into quintiles. The lowest quintile is the bottom 20% and the top quintile represents the top 20%.

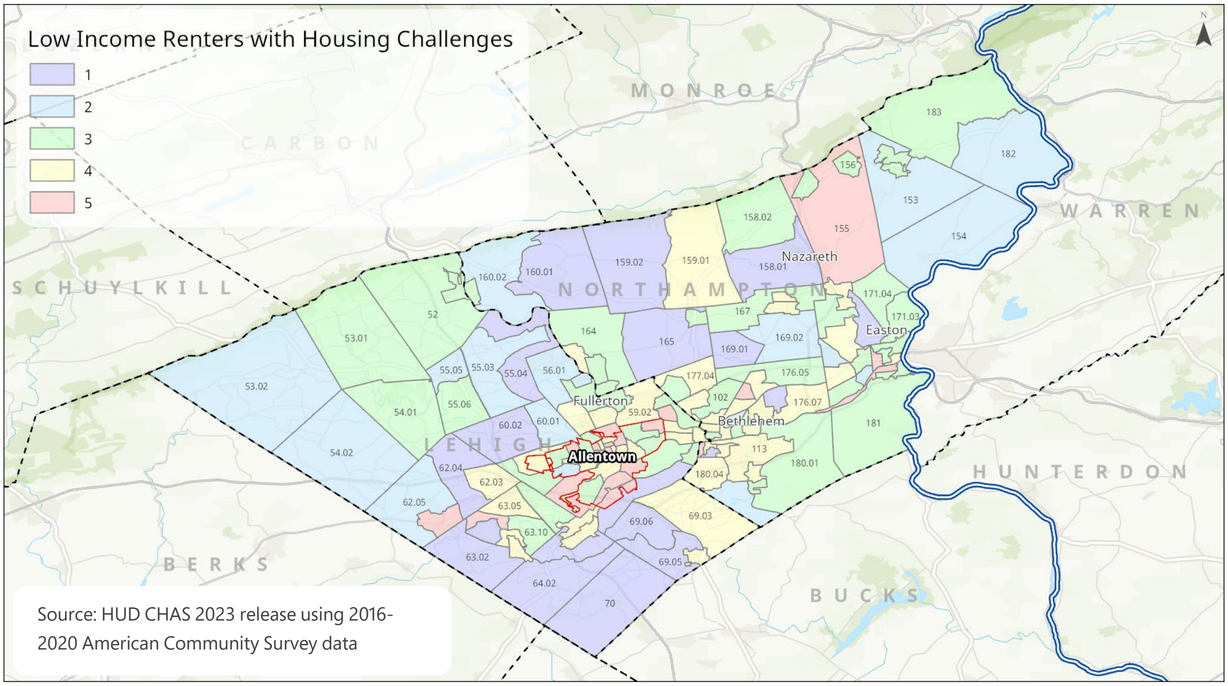
Census Tracts shaded blue have the lowest concentration of low income homeowners with housing challenges and Census Tracts shaded pink have the highest concentration of low income homeowners with housing challenges.

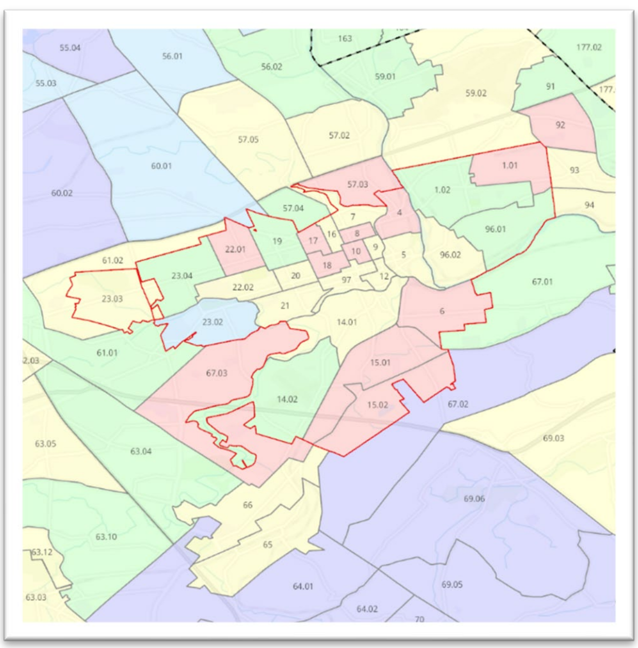
In the more suburban areas of Allentown (where housing is more expensive), low income homeowners experience greater housing challenges. In contrast, the denser areas of the city, with smaller and less expensive row homes, low income Allentown homeowners can afford housing prices.

Note: Data represented here is pre-COVID-19 Pandemic.

Map 7: Low Income Renters with Housing Challenges

*Challenges defined as paying more than 30% of income on housing expenses, living without basic kitchen or plumbing facilities, or living in overcrowded conditions.





Map 7 illustrates a ranking of all Census Tracts within the Lehigh Valley into quintiles. The lowest quintile is the bottom 20% and the top quintile represents the top 20%.

Census Tracts shaded blue have the lowest concentration of low income renters with housing challenges and Census Tracts shaded pink have the highest concentration of low income renters with housing challenges.

In Allentown, low income renters experience far more significant housing challenges than most other areas of the Lehigh Valley.

Note: Data represented here is pre-COVID-19 Pandemic.

Workforce Housing Needs

Home prices and rents in Allentown are now unaffordable for most workers in the region. This includes low-paying jobs and skilled labor positions.

The U.S. Bureau of Labor Statistics provides annual data on occupations and median annual earnings for all metro areas in the U.S. According to this data, there were 357,960 jobs in the Allentown MSA in May 2023, and more than half (53%, or 191,000 workers) could not afford $1,150 per month on rent (the estimated typical rent for a one-bedroom apartment in May of 2023).[15] Nearly all employees (83% of all workers) could not afford to purchase a typically priced home of $263,041.[16]

Many critical jobs that drive the local economy, including occupations within the manufacturing, transportation, warehousing, and healthcare industries, could not afford housing in Allentown. Chart 7 lists the top 25 jobs in the region by total employees. Only nurses, accountants, teachers, truck drivers, and managers could afford to rent a typically priced one-bedroom in the city. The top three occupations – laborers, home health aides, and stockers – pay less than $40,000 per year or less than half of area median income.

According to MIT's Living Wage Calculator,[vii] a worker would need to earn roughly $22 per hour, or $46,000 per year, to afford living in the Lehigh Valley.

The high cost of living has driven wages up, particularly in high-demand positions within manufacturing, warehousing, and distribution. For example, the wages for stock fillers and packagers nearly doubled between 2019 and 2024, now paying close to $40,000 per year. Low-paying jobs in retail and food service also experienced a roughly 40% pay increase in the past five years and now pay between $13 and $17 per hour. This is a significant gain but still falls short of what is necessary to be able to afford housing in Allentown.

Additionally, many skilled labor positions do not pay enough to rent a one-bedroom apartment at a starting salary. For example, at the 10th percentile of annual earnings (comparable to a starting salary), many positions, including police officers; electricians; mechanics; social workers; web developers; teachers; urban planners; firefighters; IT Analysts; and paralegals, do not earn enough

[vii] MIT's Living Wage Calculator is an online tool which conveys the income a household would need in various U.S. cities to be able to afford basic amenities like housing, food, and transportation. To view their methodology, see: https://livingwage.mit.edu/pages/methodology

to rent a one-bedroom apartment in Allentown. Companies may have difficulty recruiting recent graduates if housing is too expensive compared to pay.

It is challenging for employers to attract skilled workers in high demand if housing is unaffordable to them. This is a major concern for the entire Lehigh Valley.[viii]

Table 8: Housing Affordability for the Top 25 Occupations in the Allentown MSA, May 2023

Occupation	*Employees*	*Median Income*	*Maximum Rent*	*Maximum Purchase Price*	*Change Median Income 2019 - 2023*
Laborers and Stock Movers	17,070	39,640	$991	141,730	30.8%
Home Health Aides	10,060	29,450	$736	105,261	19.1%
Stockers and Order Fillers	9,450	38,880	$972	139,013	47.5%
Registered Nurses	9,370	82,160	**$2,054**	**293,758**	18.7%
Fast Food and Counter Workers	8,800	28,660	$717	102,544	42.1%
Retail Salespersons	8,480	31,620	$791	113,127	39.5%
Cashiers	8,350	28,990	$725	103,688	35.2%
General and Operations Managers	7,330	100,780	**$2,520**	**360,404**	-3.2%
Heavy and Tractor-Trailer Truck Drivers	7,250	59,140	**$1,479**	211,523	23.2%
Office Clerks, General	7,080	42,310	$1,058	151,313	18.8%
Industrial Truck and Tractor Operators	6,620	48,150	**$1,204**	172,193	34.9%
Janitors	6,400	35,950	$899	128,573	26.2%
Customer Service Representatives	6,270	39,240	$981	140,300	14.2%
Secretaries	5,100	43,900	$1,098	157,033	16.8%
Misc Assemblers and Fabricators	5,080	45,180	$1,130	161,610	16.1%
Waiters and Waitresses	4,800	29,600	$740	105,833	24.1%
Nursing Assistants	4,720	38,510	$963	137,726	20.4%
Maintenance and Repair Workers, General	4,100	49,890	**$1,247**	178,343	12.3%
First-Line Supervisors of Office and Admin	3,980	61,640	**$1,541**	220,390	9.3%
Packers and Packagers, Hand	3,670	39,420	$986	141,015	46.4%
Teaching Assistants	3,470	36,320	$908	129,860	24.6%
Elementary School Teachers	3,250	81,560	**$2,039**	**291,613**	7.6%
Cooks, Restaurant	3,240	34,270	$857	122,566	22.7%
Accountants and Auditors	3,050	76,210	**$1,905**	**272,449**	15.6%
Shipping, Receiving, and Inventory Clerks	3,020	44,700	$1,118	159,894	37.2%

Source: Atria Planning using data provided by Bureau of Labor Statistics Occupation and Wages, May 2019 and May 2023. (In May 2023 the typically priced one-bedroom was $1,150 per month and the typically priced home was $263,041)

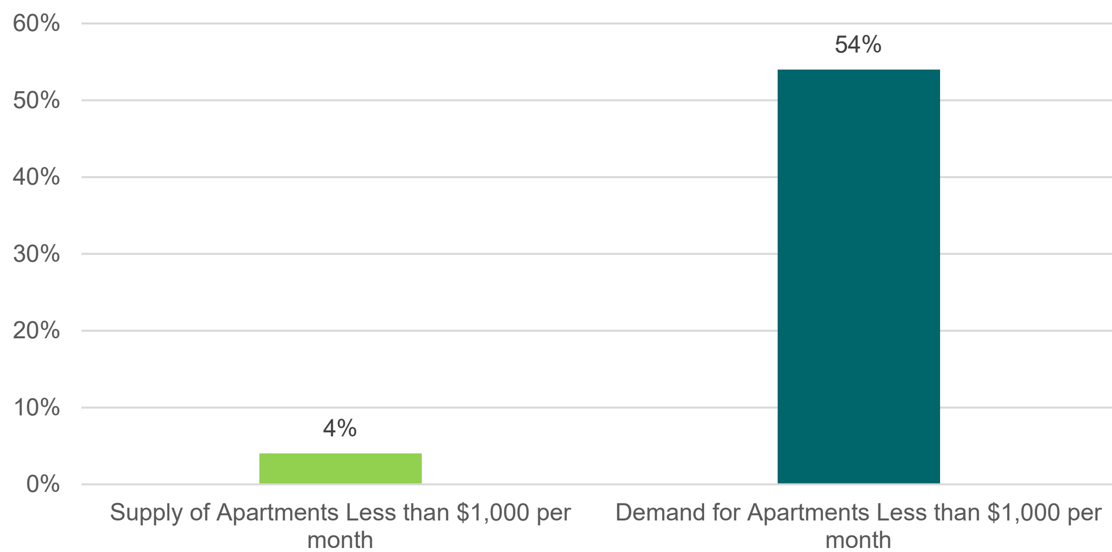
[viii] Lehigh Valley Planning Commission reports a deficit of 9,000 housing units in the region in the 2023 Regional Plan update.

Displacement Risk

The upward shift in housing prices has made it unaffordable for most renters to remain in Allentown.

More than half of the renters living in Allentown (54% or 13,460 households) earn less than $40,000 per year and cannot afford to pay more than $1,000 per month in rent, yet in a July 2024 survey of Allentown apartment listings, only 4% of available units were priced below this threshold.[17]

Chart 8: Gap in Allentown's Affordable Rental Supply



Source(s): RentCafe survey July 2024 and HUD CHAS

The lowest earning renters face the greatest risk of displacement.

Roughly 30% of Allentown's renters (~7,800 households) earn less than $25,000 per year and cannot afford to pay more than $625 per month on rent. This includes people with low wage, full-time jobs[ix], persons on fixed incomes due to disability or age, and those who are underemployed due to lack of childcare or transportation.

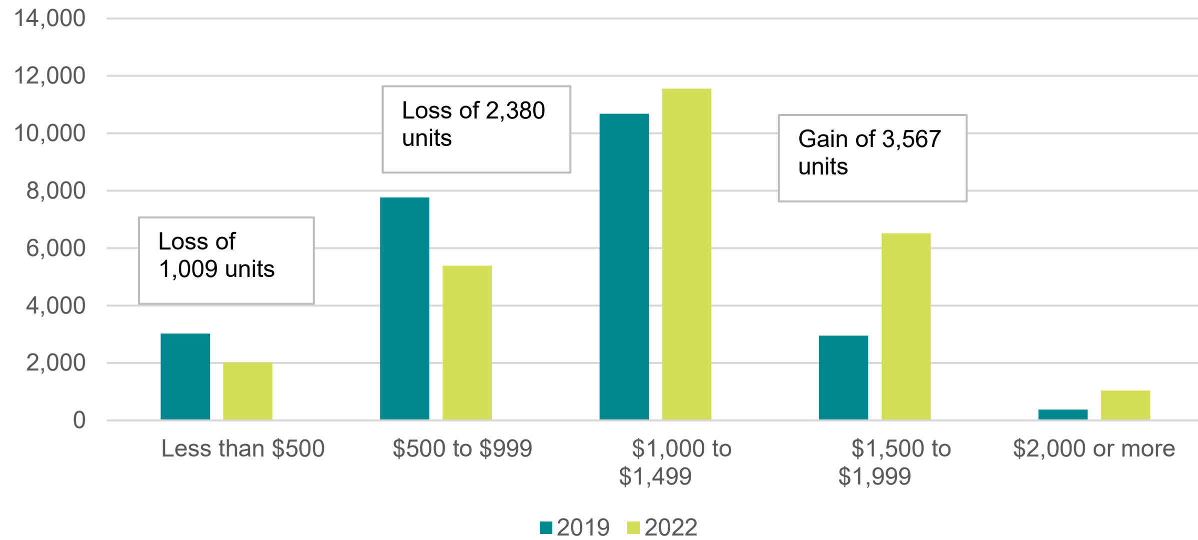
The Allentown Housing Authority provides rental assistance for one third of these renters (1,100 Housing Choice Vouchers and 1,500 units). The remaining 5,300 renter households earning less

[ix] A person earning minimum wage ($7.25 per hour) would earn $16,000 per year working full-time. A person earning $10 per hour would earn $21,000 per year working full-time.

than $25,000 per year without a housing subsidy will struggle to remain in Allentown if their rent increases.

The loss of naturally affordable housing is evident in the most recent Census data. Between 2019 and 2022, Allentown lost one third of its housing stock priced below $1,000 per month while the number of units priced above $2,000 per month tripled.

Chart 9: Change in Asking Rents in Allentown, 2019 - 2022



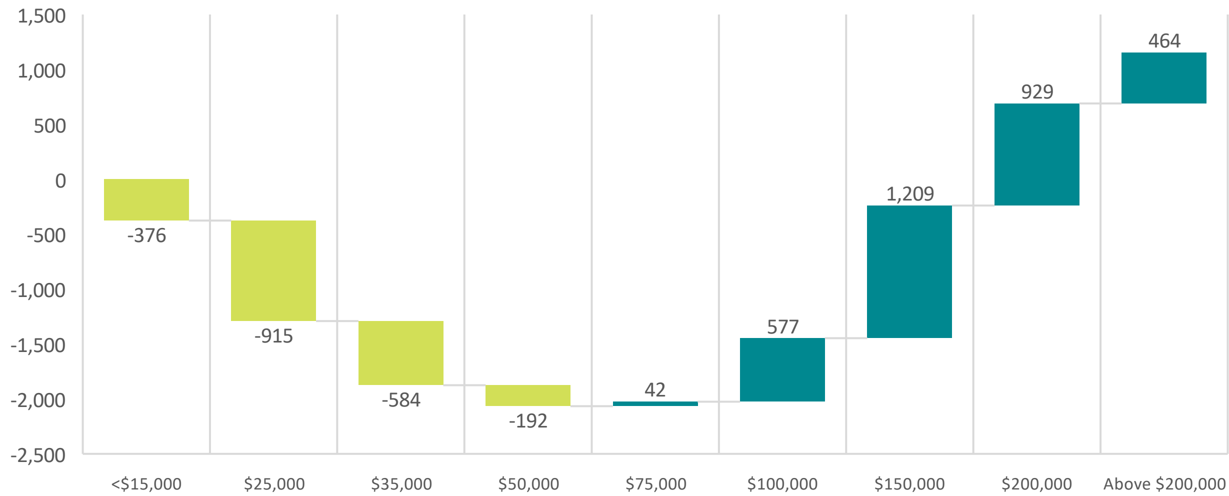
Source: American Community Survey 1-Year 2019 and 2022

Market analysts are forecasting a significant demographic shift in Allentown, with a loss of low income households and an influx of higher earners. These projections foreshadow the impact housing affordability will have on the city's low-income population.

Projections produced by ESRI Business Analyst indicate an overall loss of 2,067 households earning less than $50,000 per year and a gain of 2,602 households earning more than $100,000 per year over a five-year period (2023 – 2028). This can largely be attributed to a forecasted displacement of existing residents rather than wage gains as the growth among moderate income households is minimal.

Because the majority (78%) of households earning less than $50,000 per year are renters, the displacement risk is highest among the low income renter population.

Chart 10: Projected Household Income Distribution Change, 2023 - 2028



Source: ESRI BAO

Displacement Risk Ratio

To understand the areas of the city most at risk of displacement, Reinvestment Fund conducted a Displacement Risk Ratio (DRR) analysis for all Allentown block groups.

The DRR identifies places where households may be experiencing economic pressure associated with rising home prices due to circumstances beyond their control (e.g., rapidly rising taxes / insurance, rent increases, or conversion of rental property into owner occupied stock) that may cause them to leave a neighborhood. At the same time, potential new residents with similar economic circumstances to those of typical residents a decade ago would find it very difficult to move into these markets, leading to a change in demographics. Block groups with low and falling DRR values may be at risk of disinvestment. The DRR in Allentown was calculated as follows:

- Establish long-term resident incomes using the 2014 Census median family income for each block group in Allentown.
- Use Consumer Price Index (CPI) to inflate block group incomes each year through end of analysis period.
- Calculate the ratio of long-term resident income to actual home prices over time for each block group
- Calculate final DRR value by adjusting each block group ratio by subtracting the citywide ratio to establish a city-wide reference.
- Compare DRR values over time.

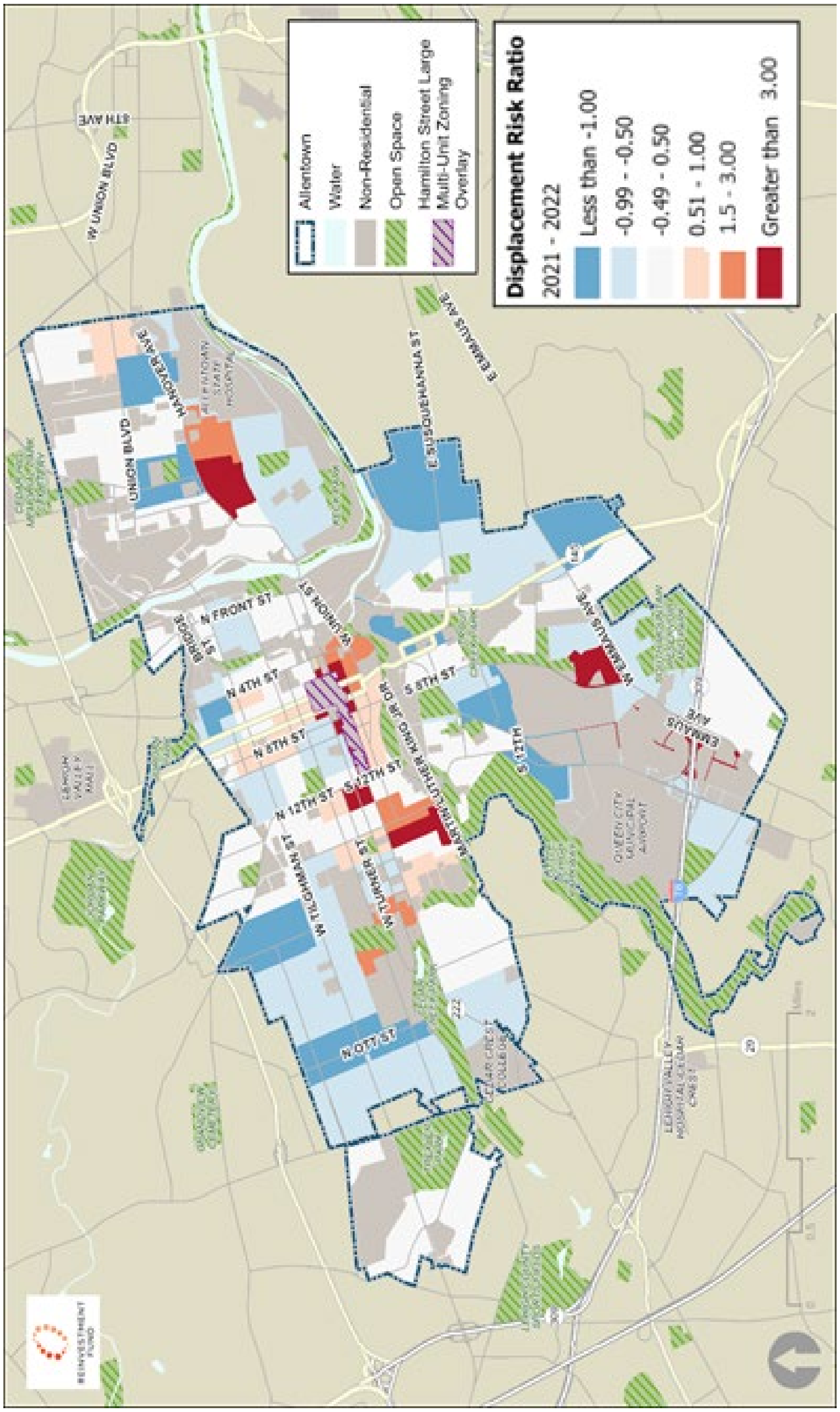
Block groups with DRR scores of 3.0 or above are generally considered at high risk of displacement, or 'high pressure'. The overall DRR for Allentown was 2.92 indicating that despite sale price increases in recent years, the city is not experiencing high displacement risk overall. In comparison, Bethlehem had a citywide DRR of 3.52 and Philadelphia's was 4.25. However, there are a few areas in the city with heightened DRR values, including Center City and pockets of the West End, Southside, and East Allentown.

Price pressure in and around Center City is driven by two factors: increased interest in downtown living encouraged by new amenities and development, and a national trend of focused investor acquisition of the lowest priced single family homes within targeted markets. High displacement risk in East Allentown is attributable to notably low median family incomes among long-time residents, while on the Southside high home prices associated with a large development of new homes are driving the DRR higher even though the incomes of longtime residents are moderate.

Map 8 presents the spatial distribution of the DRR:

- High Pressure Areas: Block groups with values greater than 3.0
- Average Pressure Areas: Block groups with values -1 to 3.0
- Market Affordable or Lagging: Block groups with values less than -1.0

Map 8: Displacement Risk Ratio



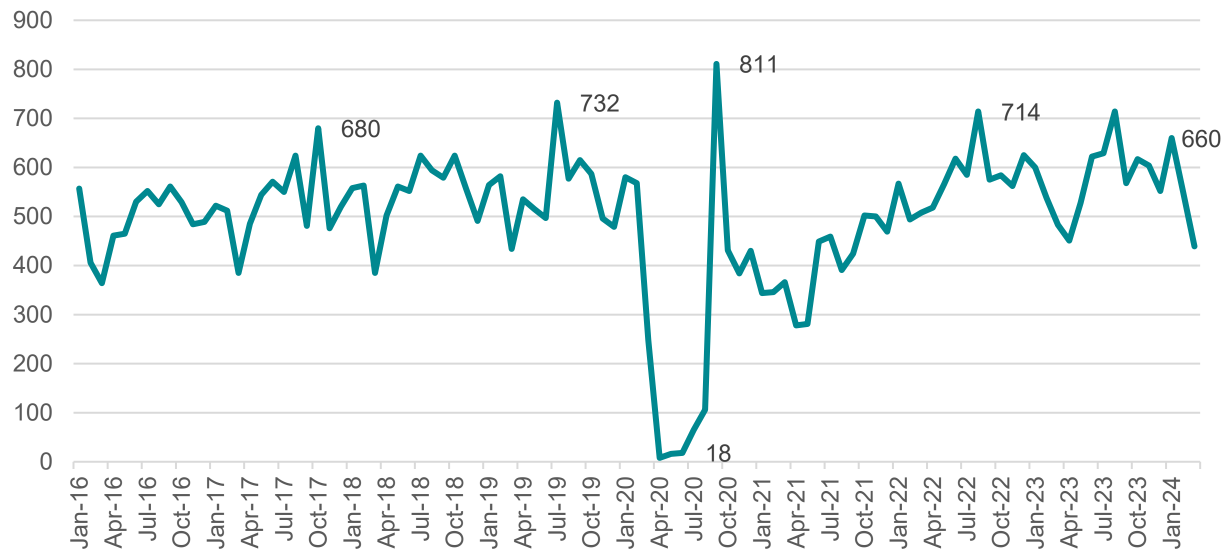
Evictions

Very low income renters face the greatest risk of eviction.

Some renters are forced to move when they cannot afford rent increases. Others may face eviction when they fall behind in rent, or when their landlords opt not to renew their lease, and they cannot find an alternative housing option.

In the past year, Lehigh County had the 3rd highest eviction filing rate in the state after York and Dauphin counties, affecting 1 in 7 households.[18] Since March 2020, landlords have filed 23,347 eviction notices in the county.

Chart 11: Eviction Filings in Lehigh County



Source: Legal Services Corporation, Civil Court Data Initiative. Note the sharp decline in May 2020 coincides with the eviction moratorium under the COVID-19 American Rescue Plan Act.

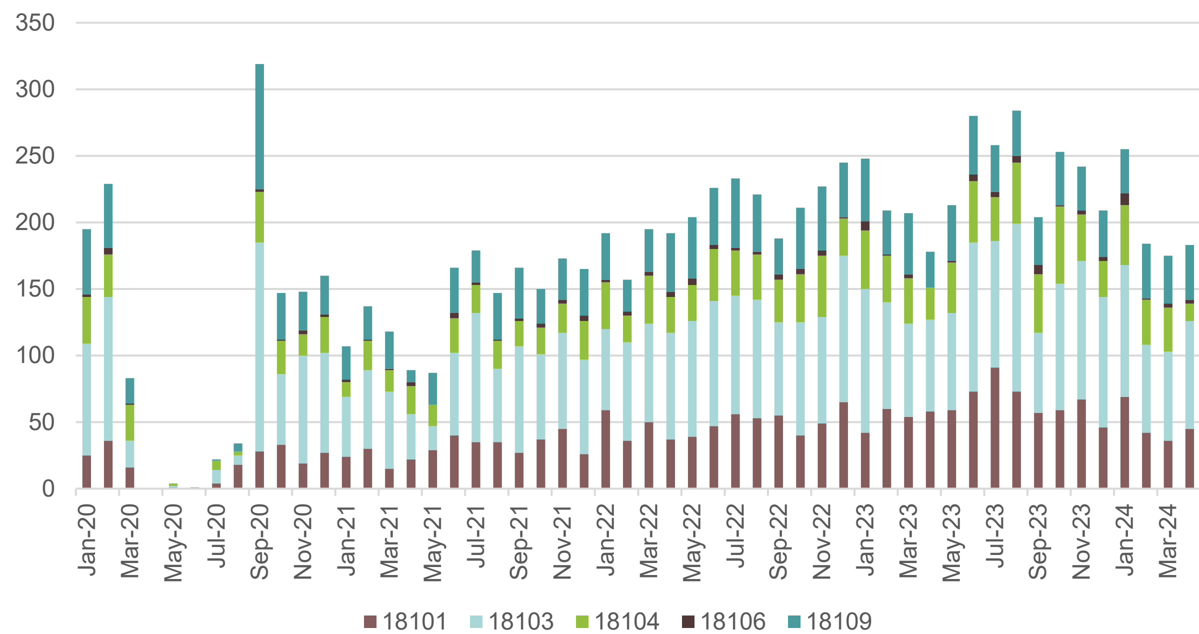
Eviction filings do not necessarily represent an eviction but rather the first legal step a landlord takes in the eviction process.

In Pennsylvania, a landlord has the grounds to file for eviction if a tenant is overdue on rent; they are in violation of their lease agreement; they are engaging in illegal activity on premise; or their lease is expiring. The grounds for eviction were updated in 2023, explicitly stating a landlord may evict a tenant when the lease expires. Although there is no publicly accessible data categorizing the grounds for eviction filings, we can infer that a large share of filings is due to increased rents –

renters who can no longer afford their home and are in arrears or landlords opting not to renew leases in search of higher-earning tenants. With rents increasing by 45% on average in the past five years, landlords have a clear financial incentive to raise rents and/or not renew preexisting leases.

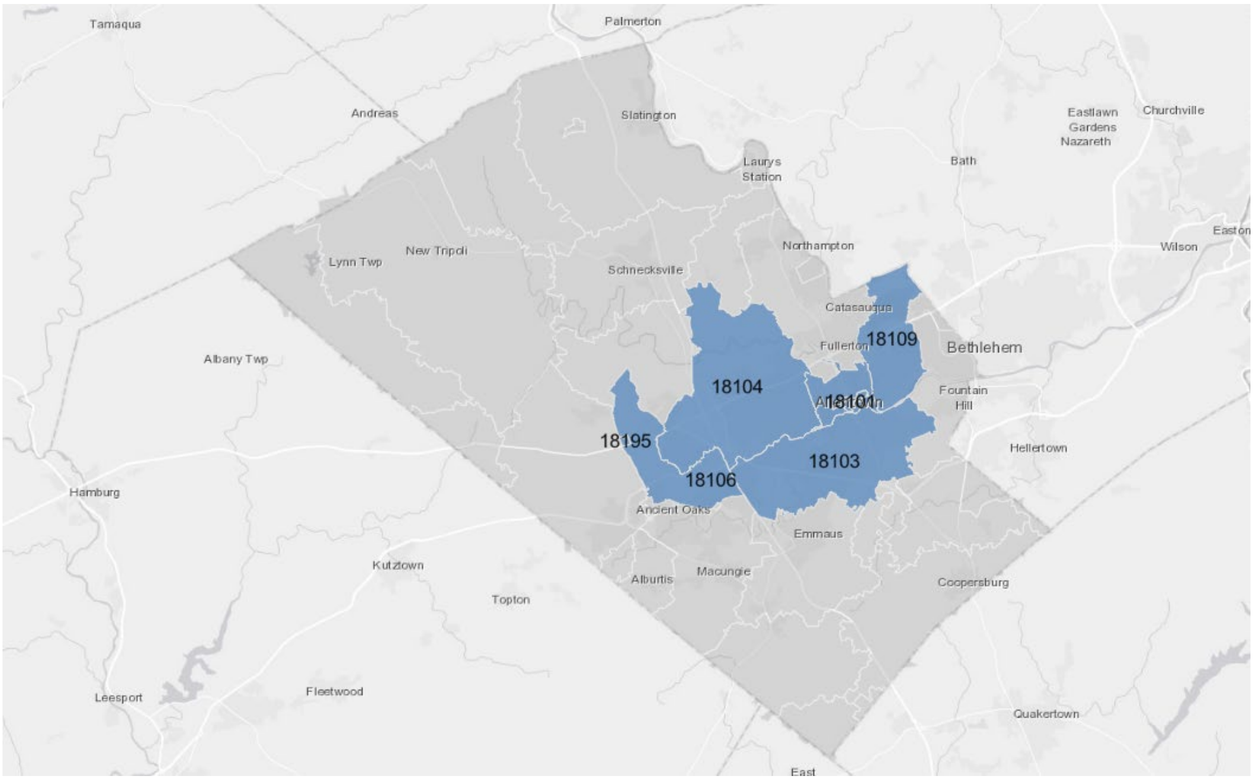
The bulk of eviction filings occurred in Center City (zip code 18101) and Southside (zip code 18103).

Chart 12: Eviction Filings by Zip Code



Source: Eviction Lab Note: includes zip codes that extend beyond Allentown city boundaries

Map 9: Zip Code Map of Allentown



Source: City of Allentown (opendata.allentownpa.gov)

Building Limitations

It is difficult to build more housing units, particularly affordable units, in Allentown. This is due to high construction costs, limited availability of land, incompatible zoning regulations for certain types of housing, and additional soft costs associated with infill development.[x]

The cost to build new housing units is the highest on record. In real numbers:

- A one-bedroom apartment costs an estimated $300,000 to construct and a renter would need an annual salary of roughly $80,000 to afford it;
- A three-bedroom home costs roughly $450,000 to construct and a homebuyer would need to earn roughly $120,000 per year to purchase it. [19]

Construction costs are not expected to decrease. The COVID-19 pandemic put strain on global supply chains, inflating material costs by 20% to 40%.[20] These prices are increasingly rising given the ongoing demand for building materials and high inflation rates.

Labor costs have also increased due to overall wage increases in the economy along with heightened competition for a skilled labor force. An electrician in the Lehigh Valley, for example, earned $26.45 per hour on average in 2019; in 2023, this had gone up to $36.02, a 36% increase in a four-year period.[21]

Table 9: Estimated Development Cost by Unit Type

	Apartment	Condo	Single Family Home	Townhome
Size (sq.ft.)	**700**	**900**	**1,600**	**1,200**
Cost per sq.ft.	**$329**	**$340**	**$216**	**$302**
Development Cost	**$230,300**	**$306,000**	**$345,600**	**$362,400**
Plus Land (30%)	**$299,390**	**$397,800**	**$449,280**	**$471,120**

Source: RS Means 2022 Residential Construction Survey for Allentown MSA

Higher development costs and higher interest loans have made it especially difficult to build housing for moderate and middle income families. Indeed, according to a June 2024 survey of 43 new developments within Lehigh County, there were no listings under $300,000 and only one development with townhomes priced less than $400,000.[22]

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[x] Infill development refers to the construction of housing or commercial projects on unused or underutilized land within a developed urban area.

This issue is not unique to the region; places across the U.S. are recognizing this relatively new problem and are introducing subsidized housing programs for households earning above 80% of AMI.[xi] Naturally, high development costs make it even more difficult to build affordable rental housing. for those that need it most – households earning less than 50% AMI and especially households earning less than 30% of AMI.

The primary funding source for building affordable rental housing – the Low Income Housing Tax Credit (LIHTC) Program - targets households earning between 50% and 60% of AMI. Any affordable housing development trying to serve households who earn less than this generally needs additional funding through other government programs to fill the gap - dollars that are limited and highly competitive to obtain.

The public and private sectors are exploring ways to lower development costs, some traditional and some more experimental. There are several housing initiatives that have grown in momentum in recent years, supported through government subsidies and land use policies. This includes:

Rehabilitation of existing units is generally less expensive per square foot than new construction, even accounting for higher acquisition costs. One local non-profit estimated the cost to purchase and rehabilitate a vacant row home in Allentown costs between $200,000 and $250,000.

Building smaller units can reduce development costs and is a growing solution for extremely low income households, providing transitional housing and cooperative housing with shared facilities for those experiencing homelessness and other vulnerable populations.

Alternative construction methods like prefabrication and 3D printing may lower development costs by reducing the cost of materials and construction time.

Revising the zoning code to allow for diverse housing options throughout the city can reduce overall development costs by a) shortening the back-and-forth review period needed to approve special use permits, allowing projects to start construction sooner, b) allowing more units to be built per acre with increased density allowances, and c) allowing existing residential properties to be reconfigured for more units.

[xi] For example, Philadelphia has a workforce homeownership program targeted to households earning between 80% and 120% of AMI in which vacant land is transferred to non-profit builders at no-cost for "workforce" housing construction.

Equitable Housing

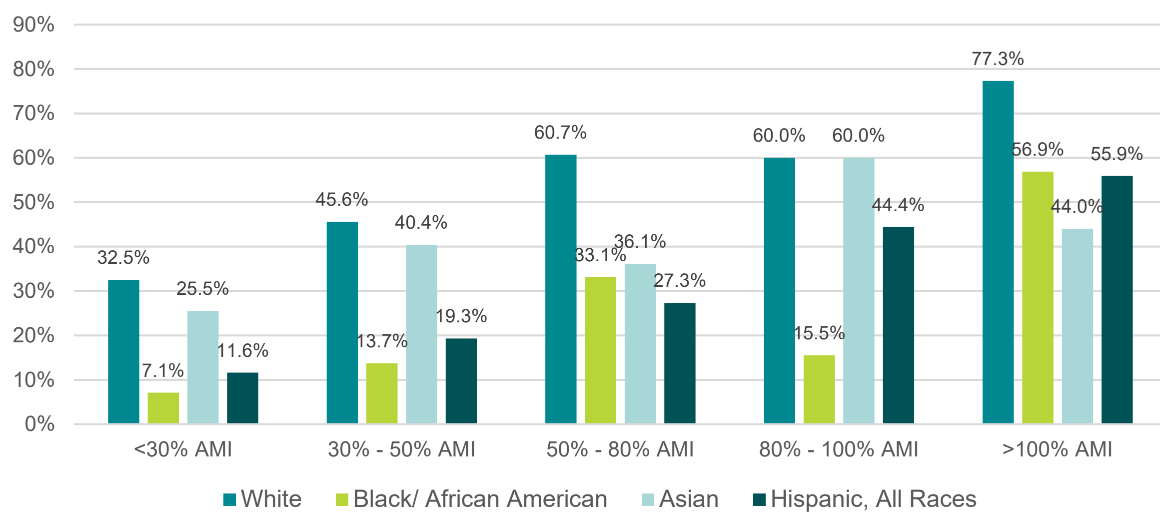
Many housing policies and practices of the 20th century were directly and indirectly discriminatory against non-White households.

On a national scale, most banks did not underwrite mortgages in minority neighborhoods, limiting access to loans for minority applicants. During the post-war housing boom of the 1940s and 1950s, there was more opportunity to purchase a home in a White neighborhood than a Black, Latino, or Asian neighborhood, leading to disinvestment of minority communities. This trend persisted even after the Fair Housing Act was signed in 1973. Land use decisions, urban renewal projects, environmental issues, and public housing investments have shown to have a disproportionate, negative impact on minority communities.

In Allentown, this has resulted in lower homeownership rates, more housing challenges, and a higher risk of homelessness among Black, Latino, and Asian residents.

Regardless of income, White households are far more likely to be homeowners than other racial groups. Chart 13 illustrates this disparity; even among households earning less than 30% of AMI, one-third of White households are homeowners compared to 7% and 12% for Black and Latino families.

Chart 13: Homeownership Rate by Income in Allentown



Source: HUD Comprehensive Housing Affordability Strategy 2023 release using American Community Survey 5-Year 2016-2020

The most striking disparity is the homeownership gap among households earning between 50% and 80% of AMI (roughly $40,000 to $60,000 per year for a 2-person family). Households within this income range are the usual target for first-time homeownership programs and purchasers of "starter homes." In Allentown, White households in this income range are twice as likely to be homeowners than Latino or Black households.

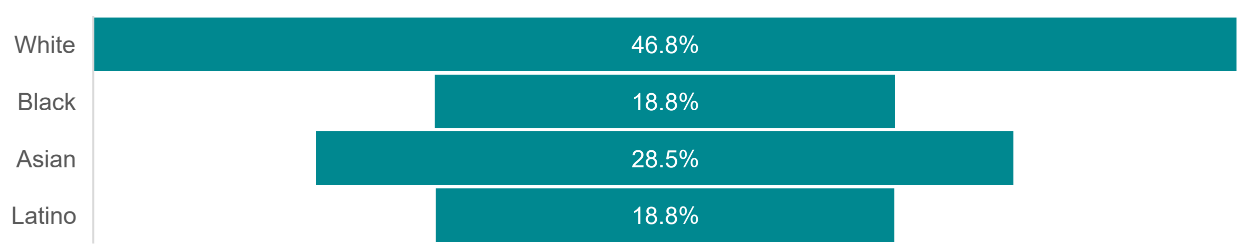
This disparity is partially due to the city's history; homeownership was more accessible at a time when Allentown was predominantly White. In 1970, 97% of Allentown residents were White, and the median home value was $12,400, twice the city's median income.[23] In 2022, 36% of Allentown residents were White, while the median home value was $206,200, or four times the city's median income.[24]

Residents who had the opportunity to buy a home in Allentown decades ago now have the benefit of lower housing payments and more equity built in their homes. They are predominantly White. Meanwhile, renters (who are disproportionately non-White) have borne the impact of rapid price increases. In 2022, the average Allentown homeowner with a mortgage paid less than $1,500 per month (including taxes and insurance) while the typical monthly rent was $1,570.[25]

The homeownership gap is one of the main reasons minority households are more likely to experience housing challenges regardless of income.

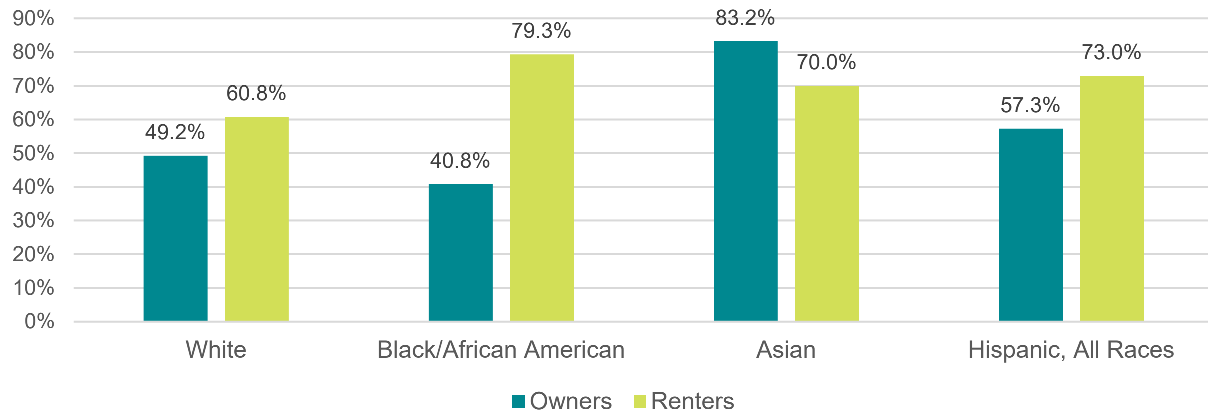
Nearly half of Allentown's White, low income households are homeowners; more than double the rate of Black and Latino homeownership. But low income renters are far more likely to experience housing cost burden and housing insecurity, subjected to unpredictable rent increases and eviction.

Chart 14: Homeownership Rate among Low Income Households in Allentown



Source: HUD Comprehensive Housing Affordability Strategy 2023 release using American Community Survey 5-Year 2016-2020

Chart 15: Low Income Households Experiencing Housing Challenges by Race/Ethnicity



Source: HUD Comprehensive Housing Affordability Strategy 2023 release using American Community Survey 5-Year 2016-2020

Because Black, Latino, and Asian households in Allentown are more likely to be renters, and renters are far more vulnerable to changing housing prices, Allentown's minority households are also more likely to experience evictions and displacement.

Homeless and Those at Risk

People experiencing homelessness, or who are at risk of becoming homeless, have the greatest housing need in any community. Numerous studies indicate the mental and physical toll of housing insecurity, including higher rates of long-term illnesses, early mortality rates, higher risks of physical violence, and post-traumatic stress.

Very low income renters are at a heightened risk of eviction and becoming homeless. In Allentown, 1 in 5 renters earn 30% of AMI or less and pay more than half of their income on housing costs. This leaves very little for other necessary expenses like food, medical care, and transportation. When an unanticipated cost arises like a medical emergency or car repair, households in this predicament will likely fall behind in rent. As previously noted, 1 in 7 renters in Lehigh County were subject to an eviction filing in the last year.

Table 10: Households at Risk of Homelessness: Earning Less than 30% of AMI with Severe Cost Burden

	Allentown	Lehigh County	Northampton County
Renters	5,345	7,910	4,320
% All Renters	21.3%	16.0%	13.0%
Owners	1,045	3,380	2,680
% All Owners	5.9%	3.7%	3.3%
All	6,390	11,290	7,000
% All Households	14.9%	8.1%	6.1%

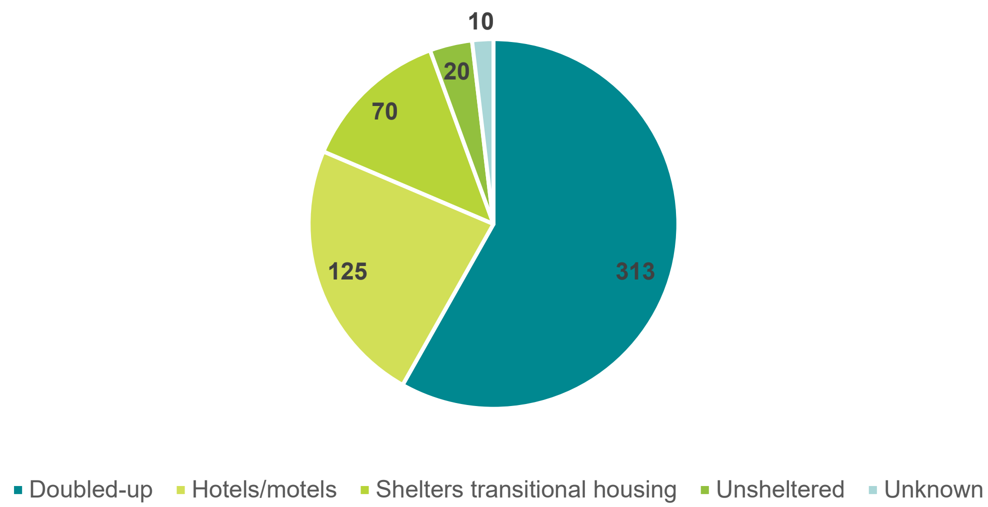
Source: HUD Comprehensive Housing Affordability Strategy 2023 release using American Community Survey 5-Year 2016-2020

Allentown's homeless population is difficult to quantify. One measure is the Point in Time (PIT) Survey conducted every January, where Continuum of Care service providers and volunteers spend a day surveying unhoused individuals and families. Most of the surveyed are currently in some form of temporary housing program since most of the unhoused not receiving assistance are naturally harder to find. They may be living in their cars; occupying a vacant home or building; or in a makeshift camp in a discreet location. According to the most recent (2023) PIT survey, there were 465 unhoused individuals accounted for and 80% were either in a shelter or transitional housing. 40% were children.

Another source of data is the Department of Education. Schools are required to report unhoused students under the McKinney-Vento Act. According to data from the Allentown School District, there were 538 unhoused children attending schools in Allentown. More than half were doubled up in someone else's home and another 20% were living in motels.

To estimate Allentown's homeless population, we can extrapolate from the school district data. If 40% of the population in the PIT Survey is under 18, and there are 538 unhoused children attending Allentown schools, then the city's homeless population (including precariously housed) is closer to 1,300.

Chart 16: Unhoused Children in the Allentown School District, 2021-2022 School Year



Allentown currently has 359 beds available for the unhoused provided by eight organizations, with 67% in shelters.[26] Only 52 beds are in transitional housing units, indicating a significant gap in longer-term housing solutions for people experiencing homelessness.

Residents with Disabilities

Approximately 17,000 residents in the city – or 18% of the population - has a disability. Among these residents:

- 69% are not working
- 30% did not finish high school or equivalent
- One in three live below the poverty line
- Twice as likely to use public transportation than those without disability

Individuals with limited income who have a disability or are older adults are challenged to afford housing without some form of subsidy.

In Allentown there are currently 2,428 households receiving Supplemental Security Income (SSI), or 5.5% of all households. This represents households with few financial resources and a limited capacity to work due to their age (older 64 years old) and/or disability status. In 2024, individuals with SSI receive $943 per month while a two-person household receives $1,415 per month. This limited funding is to pay for food, housing, and other living expenses. Without subsidized housing, SSI recipients may experience extreme housing cost burden, live in precarious housing conditions (e.g. renting a room without a formal lease or living in a motel), or experience homelessness. The U.S. Social Security Administration the National Alliance to End Homelessness estimates 25% - 30% of individuals experiencing homelessness have a disability.[27]

Not every low income person with a disability and who cannot work is awarded SSI. Indeed, roughly half of Americans who have a disability that restricts or prohibits them from working receive benefit.[28]

Table 11: Allentown Residents with a Disability who have Difficulty in Self-Care, Independent Living, Mobility, and Cognitive Function

Age Group	Self-Care	Independent Living	Mobility	Cognitive
<18	**505**	**NA**	**233**	**2,798**
18 to 34	**1,633**	**3,305**	**581**	**2,362**
35 to 64	**284**	**900**	**4,124**	**4,331**
65 to 74	**1,349**	**2,405**	**1,417**	**557**
75+	**944**	**2,099**	**1,558**	**878**
Total	**4,715**	**8,709**	**7,913**	**10,926**

Source: American Community Survey 2017-2021

Older Adults

Low-income homeowners in retirement age experience unique housing challenges.

Fixed Income. Most older adults are on fixed incomes from pensions, retirement savings and social security, which may remain the same every month or increase nominally. In comparison, home maintenance, utility costs, home insurance, and property taxes are increasing at a much faster rate.[29] Seniors are more likely to experience housing insecurity in their later years due to these secondary housing costs.

Aging in Place. They are also more likely to experience age-related disabilities requiring accommodation in their homes so that they may remain in their homes for as long as possible. Because senior care facilities are so expensive, this is a less expensive intervention while allowing seniors with newfound disabilities to remain in their communities with access to their existing social networks. Retrofitting activities may include installing ramps or walk-in tubs, “digitizing” homes for voice control of lights and temperature settings, and internal security cameras as a safety measure.

Photo (left): Wheelchair ramp at rowhome. Credit: Zigmunds Disgalivis, November 19, 2018. Photo (right): Older factory worker. Credit: SeventyFour, July 21, 2017

People are living longer. With people living longer than past generations, it is also necessary to consider long-term quality of life measures, including social, mental, and physical health. The importance of planning for “quality” years by ensuring access to fitness, mental stimulation, and friendships is a growing aspect for senior housing development. This includes access to amenities like parks, senior centers, and fitness centers.

Seniors Working. Another distinct characteristic of seniors unlike past generations is the continuation of employment long past retirement age. This can be attributed to growing economic insecurity; longer lifespans require more savings. But it is also a trend among financially stable older adults, highlighting the positive benefits of work towards general health.

Because more seniors are working, they may need access to public transit or live near job centers.

Caregivers. An often-overlooked consideration regarding senior housing development is the importance of intergenerational living for many families. This includes a) seniors who care for their grandchildren, and b) children who care for their senior parents. Both situations may be true at the same time within the same household.

Senior homeowners are least likely to experience housing challenges among household types, largely because they are more likely to have purchased their home at an earlier age when prices were lower and may no longer have a mortgage. Yet ancillary costs of owning a home - property taxes, insurance, utilities, repairs, and regular maintenance - can create significant financial hardships for low-income senior homeowners.

Senior renters in Allentown are particularly vulnerable. They are more likely to earn extremely low incomes and are at risk of displacement and/or homelessness without subsidized housing. An estimated 790 senior renters earning below 50% of AMI need subsidized housing.

There are 3,411 low-income senior households paying more than 30% of their income on housing in Allentown, including 1,634 renter households and 1,737 owner households.

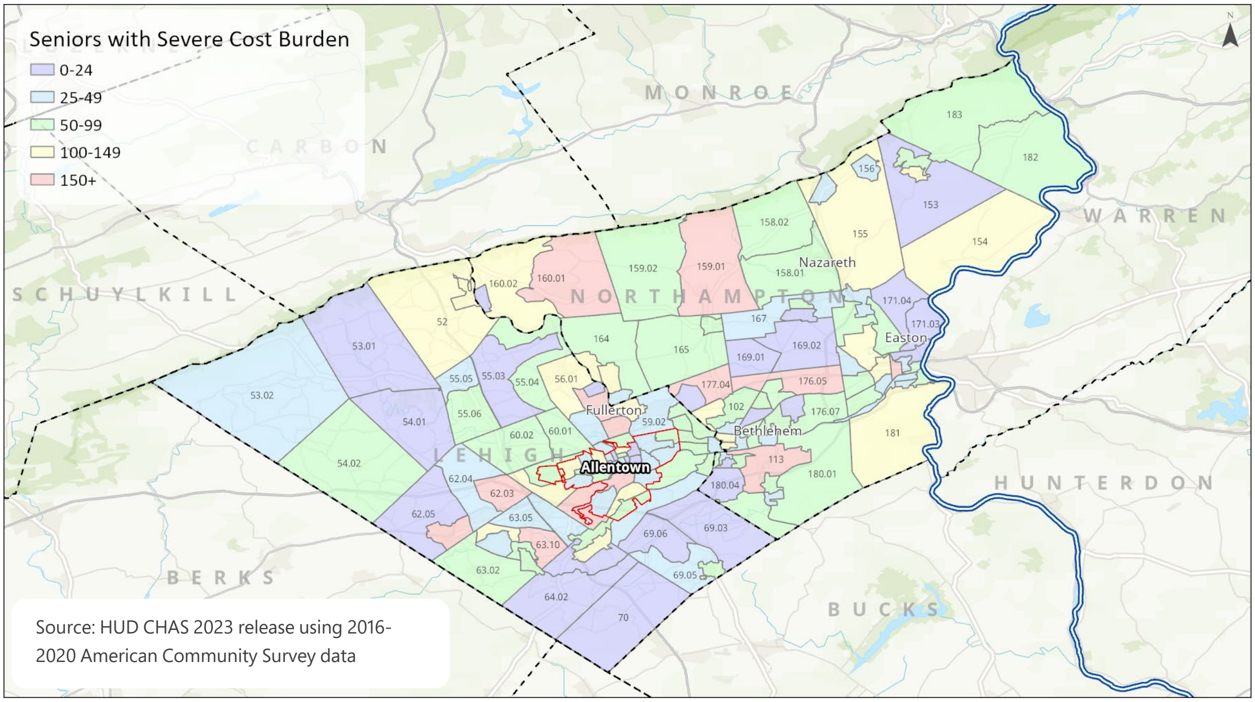
Table 12: Senior Households with Housing Cost Burden in Allentown

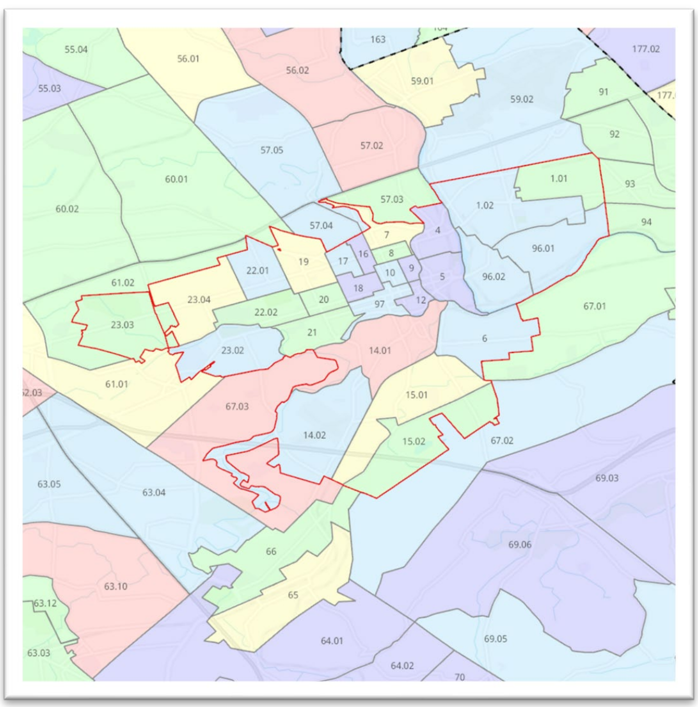
	Owners			Renters		
	All	% Cost Burdened	% Extremely Cost Burdened	All	% Cost Burdened	% Extremely Cost Burdened
<30% AMI	675	81.6%	47.1%	1,648	52.8%	37.9%
30% - 50% AMI	1,190	57.1%	19.2%	1,041	60.5%	15.8%
50% - 80% AMI	1,561	28.4%	15.3%	518	45.8%	4.8%
80% - 100% AMI	451	13.7%	0.0%	311	4.5%	0.0%
>100% AMI	1,603	3.4%	0.6%	370	6.2%	0.0%

Source: HUD CHAS 2023 release using 2016-2020 American Community Survey data

Map 10: Low Income Seniors with Severe Cost Burden

*Severe cost burden defined as paying more than 50% of income on housing expenses.





Map 10 illustrates the number of senior households who earn less than 80% of AMI and pay more than 50% of their income on housing expenses and are severely cost burdened.

Census Tracts shaded in pink and yellow have the highest number of senior households with severe cost burden.

In the Lehigh Valley and within Allentown, this tends to be in low density areas and may be attributed to higher maintenance costs and taxes associated with larger homes, since most seniors are homeowners who do not have a mortgage.

Note: Data represented here is pre-COVID-19 Pandemic.

Limitations of Existing Tools and Resources

Housing is not a guaranteed right in the U.S. and yet many cannot afford it without some form of assistance. This includes low-wage workers, very low-income households on fixed incomes due to disability or age, and the un- or underemployed. In Allentown alone, there are roughly 6,400 households who earn less than 30% of AMI (~$25,000 per year) and pay more than half of their income on housing costs.

Housing programs offered through federal agencies like HUD and the Internal Revenue Service are designed to address some of this need using construction and rent subsidies, but resources are insufficient and regulations limit what can be built and who can benefit. Many of Allentown's housing stakeholders identified several of these limitations in focus group sessions.

For example, the Low Income Housing Tax Credit (LIHTC) Program, the primary funding tool for affordable rental housing in the U.S, has an extremely competitive and expensive application process, requiring developers to pay for engineering assessments, environmental reviews, architectural drawings, market studies, and the like and with no guarantee of being awarded. Non-profit developers, in particular, do not have the capital or resources to compete on a regular basis. In 2024, only one-third of applications submitted to the Pennsylvania Housing Finance Agency's competitive 9% funding round were awarded.

Additionally, with construction costs higher and tax credit equity lower, the capital generated from the sale of credits is no longer enough to fund most projects without additional grants. Developers must then compete for additional funding sources they may or may not be awarded. This adds a layer of complexity and volatility to financing a project, as each government funding source has separate scoring criteria, regulations, and requirements that do not always align. This frequently impacts project schedules and creates onerous compliance monitoring processes. With delays, the cost of labor and materials also rises, resulting in a higher development cost than what was originally funded. This creates an unanticipated gap that developers must "plug" last minute to finish a project.

Another source of frustration shared by for-profit and non-profit developers are state and federal prevailing wage requirements that increase project costs. For example, a typical hourly rate for an entry-level house painter in Allentown is $18 per hour yet under prevailing wage requirements, the minimum hourly rate is $27 per hour plus an additional $18 per hour in fringe benefits. Contractors must pay prevailing wage rates for all projects receiving federal grants valued at or above $2,000 and all state grants valued at or above $25,000.

Market Value Analysis

To inform the Housing Needs Assessment, Reinvestment Fund produced a Market Value Analysis (MVA) for the City of Allentown. The MVA is an analytic tool built on local administrative data to establish a baseline of real estate market information and guide housing and community development strategies using objective data analysis. The MVA is an internally referenced index of a community's residential real estate markets. It identifies areas (census block groups) that represent the highest-demand markets as well as the areas of greatest distress, and the market types in between. MVA results provide insight into the variation in market strength and weakness within and between traditional neighborhood boundaries –which typically contain multiple sub-markets.

Public sector, philanthropic, and private sector stakeholders use the MVA to better design programs or target interventions to stimulate or fill gaps in private market activity. Where different market types meet on the map there is a greater potential for change in market direction.

When analyzing markets, Reinvestment Fund is guided by these core principles:

- Scarce public resources alone cannot create a market where none exists.
- Public resources must leverage or clear the path for private investment.
- Public investment in stressed markets should be built on local nodes of strength (for example: anchor institutions, parks, strong adjoining markets).
- Decisions should be informed by objectively analyzed quantitative and qualitative data.
- All residents deserve high-quality government services.

Public dollars will go further and be more impactful when decisions are guided by a data-based understanding of an area and a "build from strength" approach to investment. Successful implementation of these principles requires coordination across public and private sectors and should meaningfully engage residents in the decisions that shape their communities.

The MVA process was conducted in close collaboration with City staff and a local advisory committee to obtain and validate the data components of the MVA, as well as to validate the final MVA model results. Once the data were assembled and field-validated, and mapped for all block groups, Reinvestment Fund used a statistical technique known as cluster analysis to complete the MVA. A cluster analysis creates groups that have similar characteristics across a set of indicators. The goal is to form distinct sets of block groups that are similar to one another, and different from block groups in other clusters. Using this approach, the MVA identified seven distinct market categories in Allentown; each of the city's 91 block groups is assigned to one of these categories.

The following data elements were used to create the 2023 MVA:

Category	Indicator
Property Value and Investment	Median Home Sales
	Variance of Sales Prices
	Housing Permits
Market distress	Code Violations
	Vacant Residential Properties
Housing stock composition	Land Use
	Tenure
	Subsidy
	Density

Market Value Analysis Results

The Allentown MVA, completed in December 2023, identified seven market categories in the city ("A" through "G"). We group these markets into broader sets of *strong*, *middle*, and *distressed*. Strong markets are typically not policy priorities because they function well on their own. Middle markets may be appropriate for strategies to preserve long term stability, open opportunities to more moderate-income households, and prevent market decline. Distressed markets may need more intensive and carefully targeted interventions.

Although housing stakeholders expressed concerns about vacancy and poor housing quality, the data and field surveys did not indicate major concentrations of either, especially as compared to other cities with recently completed MVAs including Philadelphia, Pittsburgh, and Baltimore. All the market types had some evidence of private investment activity; none were completely dormant markets.

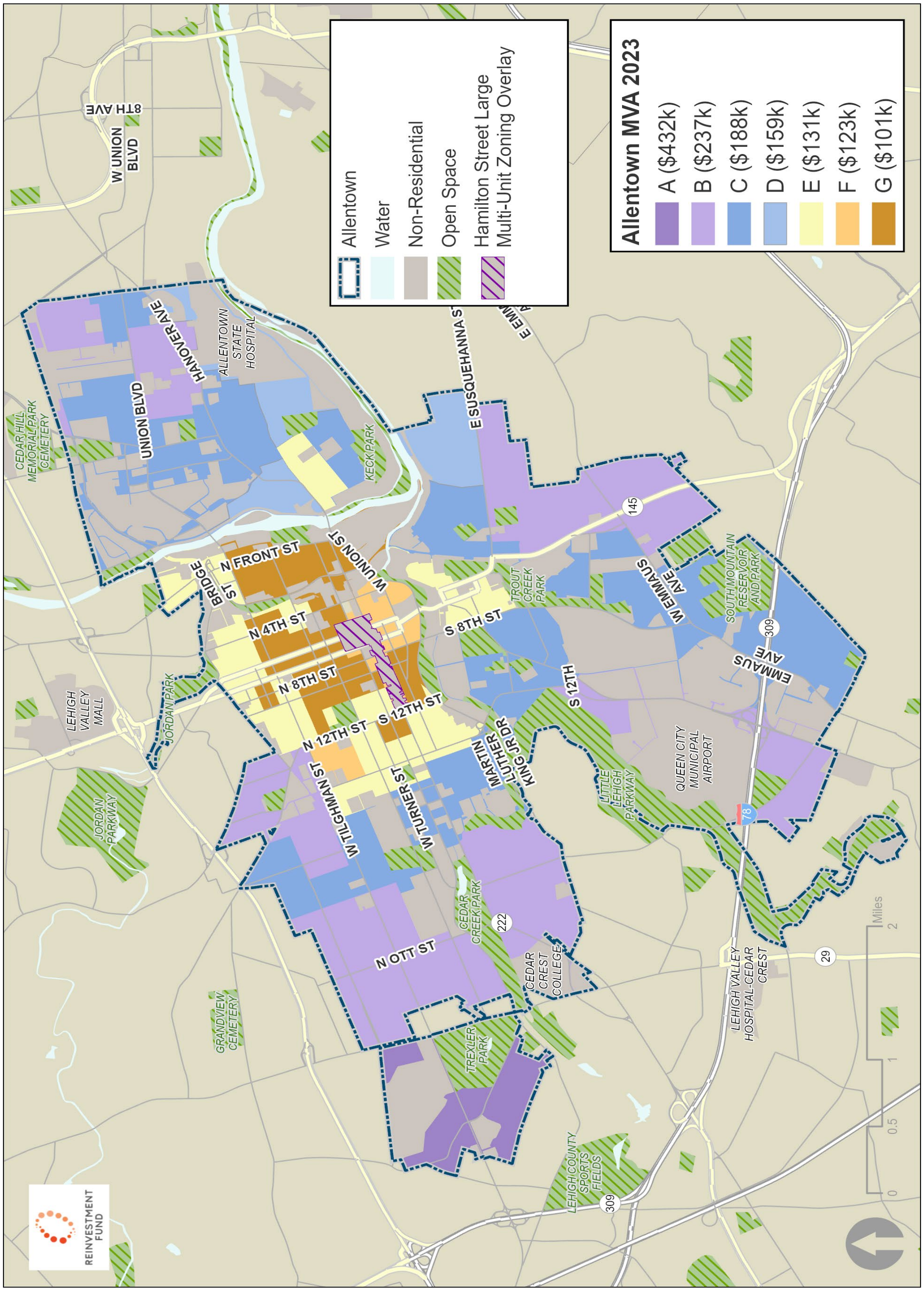
Table 13 presents the summary results of the MVA for the seven market types. The values presented in each column represent the average value of each indicator for all block groups in each market type, i.e. in E Markets a median sales price of $131,000 represents the unweighted average median sales prices for all 21 E block groups.

Table 13: Average Block Group Categories by Market Type

	Strong Markets		Middle Markets			Distressed Markets		
MVA	A	B	C	D	E	F	G	Avg,
# Block Groups (91)	2	19	25	3	21	4	17	NA
Property Value and Investment								
Median Sale Price, 2021-2023	$432,000	$257,000	$188,000	$159,000	$131,000	$123,000	$101,000	$170,000
Sale Price Variation, 2021-2023	0.29	0.29	0.31	0.42	0.43	0.47	0.51	0.38
% Units w/Permit	3.1%	6.5%	4.3%	7.4%	4.8%	9.0%	5.2%	5.3%
Market Distress								
% Units/Violations	0.3%	2.8%	3.7%	4.2%	7.3%	3.0%	10.8%	5.6%
% Vacancy (Code Violations)	0.2%	0.6%	1.0%	1.5%	2.4%	1.9%	3.8%	1.8%
Housing Stock Composition								
% Parcels Commercial/ Industrial	1.3%	3.7%	6.8%	1.6%	4.3%	20.9%	5.5%	5.6%
% Owner Occupied	34.4%	78.4%	48.2%	43.2%	34.0%	18.5%	24.9%	45.1%
% Rentals w/Subsidy	0.0%	0.5%	1.4%	59.5%	2.8%	20.5%	2.2%	4.4%
Residential Units per Acre	2.5	6.4	13.3	3.2	29	42	31.8	19.6

Source: Reinvestment Fund

Map 11: Allentown MVA 2023



Strong Markets

There are just two block groups in Allentown's A market category. These markets generally had the highest home sale prices (and little variation therein), low levels of distress, and little industrial and commercial use. They are largely characterized by higher end rental properties (two-thirds of households rent) and a relatively small number of large, single-family homes that are much newer than the average city home and which drive the high sale prices. The median sale price in a typical A market block group ($432,000) was 2.5 times the citywide average. While the average owner occupancy was well below average, there were no subsidized renter households present. Overall, "A" markets were the lowest density in the city, though portions of them had multifamily housing.

The 19 B market block groups had the highest homeownership rates in the city, at close to 80%, and above average permitting activity. They also had higher than average sale prices but, on the whole, prices were substantially lower than in A markets (less than 1.5 times the city average). While denser than A markets, B markets were still among the city's lowest density areas. Both A and B markets had very little code violation activity and vacancy.

Middle Markets

The C market areas had the largest number of block groups among the seven categories (25), comprising more than a quarter of the city's block groups. Prices were just above the city average, and there was a roughly even mix of renters and owners. These markets had a mix of land uses, with a slightly higher than average share of industrial and commercial parcels. These were stable markets –permitting, code violations, and vacancy were all below average.

There were just three D market block groups, and they were set apart largely by their concentration of subsidized renter households (60% of all renters, compared to just 4.4% of renter households citywide). There was also a substantial presence of homeowners in these markets, at 43.2% of households, which was close to the citywide homeownership rate of 45%, and sale prices were also close to the city's average. Permitting was elevated while code violations, and vacancy were below average. These areas were relatively low density.

"E" market made up the second largest market category, with 21 block groups. These areas had lower than average sale prices and indications of housing market distress illustrated by elevated violations and vacancy. E markets had above average density and more renters than owners. These markets generally formed a ring between the stronger market areas and the stressed markets and are well positioned to benefit from neighborhood stabilization interventions.

Stressed Markets

The city's handful of F markets (just 4 block groups) are transitional neighborhoods notable for the mix of trends they have experienced in recent years. Although they had low sale prices on average, they also exhibited significant market activity, with the highest permitting levels in the city and below average code violations. These markets, which are located almost exclusively in the Center City area, were by far the highest density category (42 units/acre) and had the greatest presence of commercial and/or industrial uses (21%). These markets also had the lowest homeownership rates and an above average share of renters with subsidy (20%).

"G" markets displayed the most significant housing market distress. They had the lowest average sales price in the city ($101,000), the highest vacancy and code violation levels and low homeownership. Only a small share of renter households was subsidized. These markets were clustered in the middle of the city, to the north of Center City.

Key Market Factors in Allentown

Allentown is notable for the concentric arrangement of its housing market types: stressed markets are concentrated in the city's core, which are then surrounded by progressively stronger markets, with the strongest markets generally located on the city's periphery. See Map 11, which presents the spatial distribution of these different market types across the city. This means that stressed markets do not have the opportunity to build from adjacent market strength; instead, strategies should build from internal nodes of strength. One exception is the Hamiliton Street overlay; this area of Center City Allentown has seen the construction of many higher-end apartment buildings in recent years. These projects have increased residential density and the economic diversity of residents, but they essentially function together as a group as a separate submarket.

Comparing the Allentown MVA to the recently completed MVA for Bethlehem, PA provides insights into regional trends, and similarities and contrasts with the city's nearest urban neighbor. The strongest market category in Bethlehem had a similar average sale price ($414,000 compared to $432,000 in Allentown) while the average sale price in Bethlehem's most distressed market was about $45,000 higher than in Allentown's G market. The range of residential density across the markets was wider in Allentown (ranging from 2.5 homes per acres to 45, with a citywide average of about 20 homes per acre) than in Bethlehem (ranging from 4.1 homes per acres to 27, with a citywide average of about 12 homes per acre). Subsidized housing was much more concentrated in Allentown, where it was largely in D and F markets, than in Bethlehem where shares were above average in four of the six markets. There are limitations to comparability, however. For example, code enforcement practices may vary significantly between jurisdictions so comparing violations may not be useful. It is also worth noting that Bethlehem had just six identified market types and the number of distinct housing market types does tend to grow with population size; Philadelphia and Pittsburgh each had 9 distinct markets in recent MVA and a wider range of sales prices and other characteristics.

MVA's Place-Based Recommendations

Strong Markets (A & B): Allentown's A and B markets are predominantly single-family, suburban-style neighborhoods on the outskirts of the city. These areas may be appropriate for increased density in accordance with the form-based code. These areas may also support more moderately priced rental housing and homeownership opportunities like townhouse development to increase income and housing diversity.

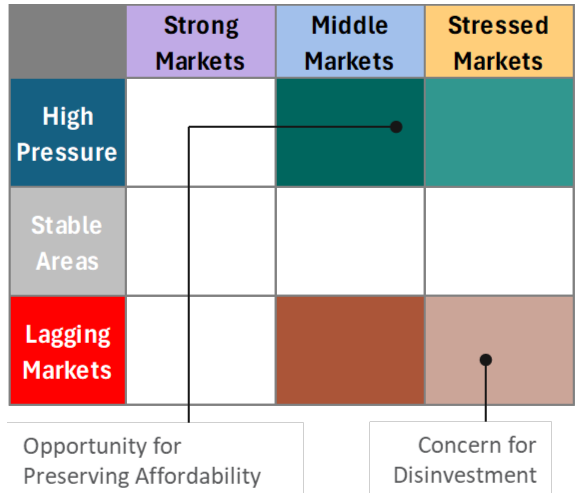
Middle Markets (C, D and E): The C & D markets are stable, with a higher percentage of renters and subsidized housing units than the A and B markets along with a greater number of non-residential buildings. These markets also have a greater number of large, vacant parcels that can support larger development. Affordable, mixed-income, and mixed-use development would be appropriate in these markets, along with adaptive-reuse of non-residential buildings and housing construction for moderate income homebuyers.

The E market is showing signs of decline, with higher vacancy and code violations. Housing repair programs for distressed homes, development of new units through rehabilitation of vacant homes, strategic demolition and infill development, and neighborhood quality of life improvement initiatives can help stabilize these areas.

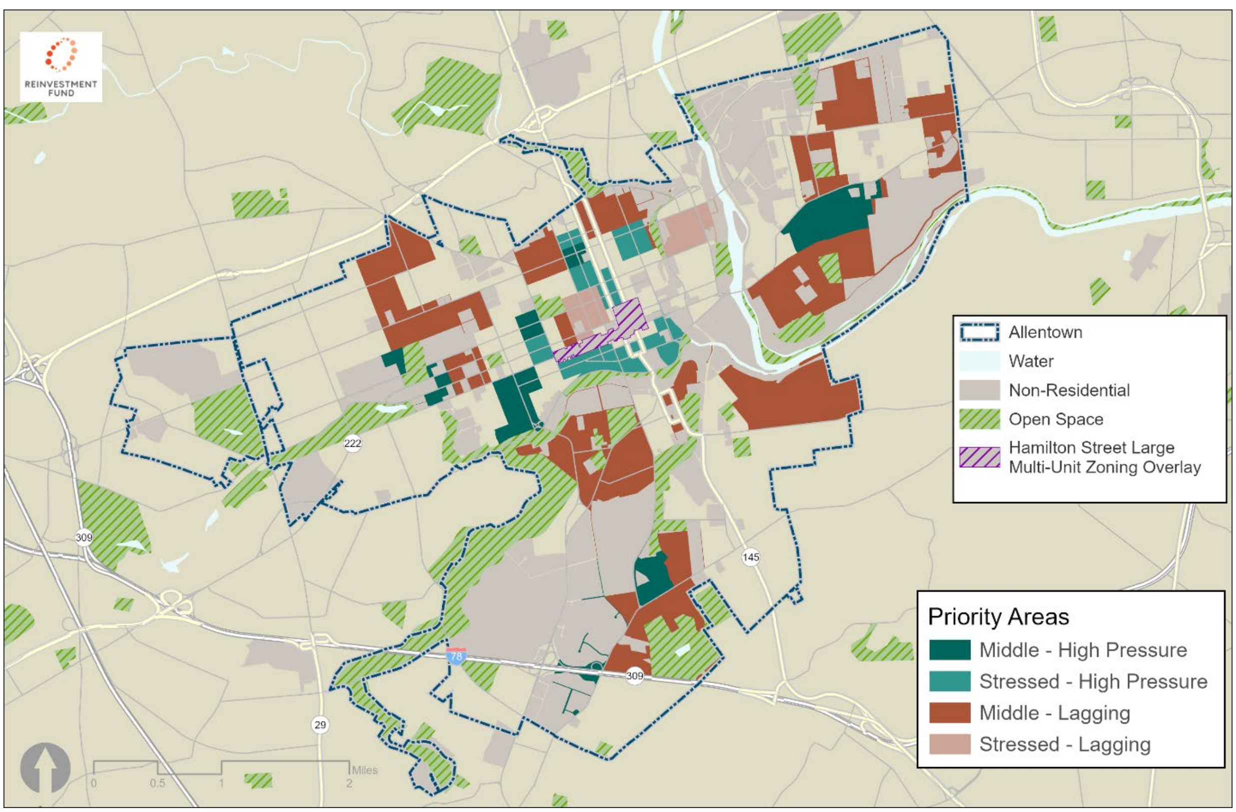
Distressed Markets (F & G): The F & G markets have experienced the most significant change in recent years, with high permitting activity and low ownership rates. These markets face the greatest risk of displacement due to investor activity and rapidly increasing home prices. Emphasizing affordable homeownership, neighborhood improvement, and displacement mitigation strategies are critical. With high density and high vacancy, there is an opportunity for infill development at different prices points to maintain economic diversity and rehabilitation of existing structures.

MVA and Displacement Risk Ratio

Combining the DRR and the MVA can provide a more precise way to identify areas where residents are likely experiencing displacement pressure that should be a priority for intervention. Strong markets (A & B) are not a top priority because intervening when they experience price pressure is too costly and when prices lag there is generally not a risk of disinvestment. Middle (C, D, E) and Stressed markets (F & G) present both the opportunity to act before conditions change too much and the need for extra support. Map 12 illustrates the middle and distressed markets that have experienced significant price pressure(in green shades) and those that face risk of disinvestment (in brown shades).



Map 12: Affordable Preservation and Neighborhood Stabilization Areas



Housing Plan

Housing Plan Overview

The proposed housing plan focuses on activities the City of Allentown has the authority and capacity to lead and uses a tiered and mostly chronological approach.

The City aims to preserve housing affordability, increase the affordable housing stock, and assist low and moderate income households find housing stability. Because the City does not build housing, it must rely on its public, non-profit, and private sector partners to create new units and rehabilitate distressed housing stock.

As a city government, Allentown has the authority to:

- regulate zoning and land use;
- create housing programs using its existing resources and funding;
- pursue additional resources by applying for grants;
- purchase, own, and transfer properties through its Land Bank and Redevelopment Authority;
- increase funding for city priorities through additional fees, taxes, and set-asides (which may or may not require public approval); and
- advocate for policy changes at the state and federal level.

The recommended strategies within this housing plan aim to create the right regulatory framework and incentives to spur new construction and rehabilitation; preserve affordability in city-subsidized projects; increase homeownership opportunities for Allentown residents; and prevent homelessness.

Component 1 - Groundwork

To lay the groundwork for implementation, the City should focus on revising the zoning code to increase development opportunities for a mix of housing types targeting a diverse socio-economic mix of households and to streamline current processes in code enforcement, rental registration, and inspections. This includes affordable housing incentives, increasing density, allowing more diverse housing types, and streamlining permitting and licensing processes to alleviate administrative inconsistencies.

Component 2 – Resources

To implement housing programs of scale, the City should obtain additional funding to supplement existing housing programs and strategically acquire properties that can be readily available to developers for new construction and rehabilitation projects. Additional funding can be secured through additional grant applications and finding new funding streams through reallocation of existing sources and fees; and amending the home rule charter to allow for additional tax revenue.

Component 3 – Initiatives

With the legal, fiscal, and procedural groundwork and resources (funding and land) in place, it will be in the right position to create and administer housing programs that incentivize the private and non-profit sectors build new units, rehabilitate existing units, and preserve affordable housing . This includes affordable housing incentive packages, grants, loans, and access to city-controlled properties.

Component 4 – Partnerships

Allentown's housing challenges are commonly shared throughout the region and should be addressed collectively through partnerships and collaboration with other housing stakeholders. The City should collaborate with the Lehigh Valley Planning Commission and stakeholder organizations throughout the Lehigh Valley to create a regional plan for workforce housing needs tied to transportation and job centers, address regional homelessness, and to advocate for legislative changes at the state- and federal-level.

Groundwork	Revise zoning code Improve existing code enforcement policies Offer tax abatement for affordable housing
Resources	Increase funding Acquire land
Initiatives	Preserve Affordability Rehabilitate aging housing stock Increase supply of housing for low- and moderate-income households Increase homeownership opportunities for Allentown residents Prevent homelessness and displacement
Partnerships	Regional planning to address workforce housing needs, homelessness, and infrastructure investments Advocacy for affordable and workforce housing goals at the state and federal level

Existing Initiatives

City of Allentown's Community Housing office operates within the Community & Economic Development under the Bureau of Building Standards & Safety to increase the quantity of healthy, safe, and affordable housing that build strong neighborhoods. Federal and State funding provide grant opportunities for lead remediation, healthy homes improvements, hazard reduction, façade improvements, and targeted revitalization efforts. Additionally, Community Housing coordinates efforts with non-profits and other agencies within the city, creating partnerships that address the social determinants of health, housing, and community connection for our at-risk population.

The primary source of funding for this mission is currently a 5.7-million-dollar HUD Lead Hazard Reduction and Healthy Homes grant (PALHD0432-20). Administration of the Lead Hazard Reduction Program (LHRP) includes all data collection, reporting, financial management and oversight. Day-to-day operations include outreach, application processing, risk assessment, scope writing, project management, and contractor development.

The LHRP objective is to eliminate the incidence of childhood lead poisoning by reducing the lead hazards in housing units where children under the age of six reside or frequent; or in units occupied by pregnant women. In partnership with this aim, the Allentown Health Bureau refers the families of lead poisoned children who are seeking assistance with lead hazard reduction. Over the course of 54 months, 250 pre-1978 housing units of low-mod income families will become lead-safe and healthy thanks in large part to the resources of this grant.

In 2023, the City of Allentown was awarded a 2-million-dollar U.S. Department of Housing and Urban Development (HUD) Healthy Homes Production grant (PAHHP0110-23). Administration of the awarded the Healthy Homes Production (HHP) grant includes all data collection, reporting, financial management and oversight. Day-to-day operations include outreach, application processing, healthy homes assessment, scope writing, project management, and contractor development.

The HHP objective is to provide a comprehensive approach to addressing multiple diseases and injuries in the home by focusing on housing-related hazards in a coordinated fashion, by addressing a variety of high-priority environmental health and hazards such at radon, asbestos, plumbing and electrical safety concerns. The grant is currently in the implementation phase. Over the course of 42 months, 135 housing units of low-mod income families will become safe & healthy thanks to the resources of this grant.

Additional Community Housing programs include:

Hazard Program - Community Housing utilizes Community Development Block Grants to provide funding (as available) to income qualified homeowners to address emergency hazards in the home. Leaking roofs, loss of heat, broken water lines, etc., are just some of the emergencies that can create a financial hardship for a homeowner without the means to correct the hazard.

Systematic Façade Program - Community Housing has utilized Community Development Block Grants to improve the Community---one block at a time---where our families live, work and play. Systematic property inspections are completed, and façade grants are provided to income qualified owners/landlords (as available) to complete exterior repairs. Block rehabilitation is done to promote cleaner and safer neighborhoods, increase property values, and improve the quality of life for the residents. Since 2018, a total of fifty-eight (58) façade projects have been completed, comprising of nineteen (19) on Gordon Street, fifteen (15) on 8th Street, and twenty-four (24) on Walnut Street. There are currently no façade projects planned.

Food Assistance - Community Housing utilizes Community Development Block Grants to provide food assistance to families who are in hotel relocation during Lead Hazard & Healthy Homes project work. The current HUD Lead and Healthy Homes grant program does not provide a food stipend. While program participants are made aware that they will be responsible for the expense of food, occasionally a family will have such limited funds that the extra expense of purchasing prepared foods during relocation is extremely taxing to their household budgets. Often these families are already under stress from managing the health care of a lead-poisoned child. Food assistance provides much needed relief to get them through the up to 10 days they are out of their homes. Program funds are available on an as needed basis to families who are at or below 50% of the average median income. Funds are distributed via gift card or voucher to grocery stores or restaurants that are appropriate to the family’s specific dietary and cultural requirements. To date, five families have received food assistance while in relocation.

Independent Living Home Modification – 2022 Pilot Program - Community Housing utilizes Community Development Block Grants to provide funding to help low-income people living with disabilities or older adults to remain in their homes through low-cost, high-impact home modifications. Targeted modifications will reduce the risk of falls, improve general home safety, increase accessibility, and improve the homeowner’s functionality within their dwelling. The program addresses local conditions of aging housing stock, assisting people living with disabilities to have improved accessibility in their homes and helping older adults "age in place." To date, four families have received Home Modification Assistance.

Component 1. Groundwork

There is consensus among developers that the current zoning ordinance makes it difficult to develop anything other than single family housing outside the Center City, adding an unnecessary obstacle for most multi-family housing projects and other alternative housing solutions. Similarly, the property maintenance requirements and rental registration process was found confusing and at times redundant, adding administrative costs that get transferred onto renters while allowing "slum" landlords to continue to operate.

The City is currently revising its zoning code, rental licensing, and inspections practices so that they are aligned with housing priorities and increase transparency and efficiency. Additionally, the City would like to incentivize affordable housing through a tax abatement program.

1.a. Revise Zoning Ordinance (in progress)

Allentown is currently in the process of passing a new, form-based zoning code that offers greater flexibility for a variety of housing types and incentivizes affordable housing development.

The existing zoning ordinance limits multi-family development in many of the city's corridors. The revised zoning code creates more opportunities for multi-family development, the conversion of commercial buildings into residential units, and alternative development models while maintaining respect for the neighborhood fabric through design and building footprint regulations.

These changes include:

- Permitting accessory dwelling unit (ADU)s in some rowhomes and single-family homes, providing additional revenue for some homeowners and/or creating a unit for a family member (adult child or older parent);
- Permitting the conversion of vacant commercial buildings into new housing units and permitting residential use in areas formerly zoned exclusively commercial;
- Enabling more infill development by reducing lot width requirements;
- Providing opportunities to develop non-traditional development types including very small units that target vulnerable populations (e.g. Single Room Occupancy projects);

- Allowing larger homes to be reconfigured into multiple units so long as parking requirements, building design requirements, and minimum unit sizes are met; and
- Encourage developers to build affordable housing units or contribute to an affordable housing trust fund through zoning incentives that may include reduced parking requirements; height or density bonuses; reduced unit size requirements; reduced permitting fees; and additional staff support through the permitting process.

1.b. Revise Permitting and Code Enforcement Practices (in progress)

In November of 2023, May 8 Consulting provided the City with a technical document recommending ways to improve its rental registration, code enforcement, home inspection, and blight designation practices. These recommendations are intended to provide clarity to landlords and property owners, reduce redundancy, and align more with the City's housing goals. Following are highlights of these recommendations:

- Adopt the International Property Maintenance Code to clarify housing standards.
- Provide more detail, justification, and clarity to the rental registration and inspection process.
- Incentivize landlords to register their rental properties and keep their properties in compliance through reduced fees and less frequent inspections.
- Require property owners to register their long-term vacant properties so that they may be held accountable for negative impacts to surrounding properties and health hazards;
- Penalize landlords and property owners with a negative track record (blight designation, "slum" landlords) by revoking rental licenses, the ability to purchase property, and additional fines.

1.c. Tax Abatement Program (Local Economic Revitalization Tax Assistance, or "LERTA")

A LERTA is a tax abatement program that encourages developers to invest in a designated priority area. Developers who substantially rehabilitate or construct a new property within a LERTA-designated area may receive a tax abatement, paying taxes on the original building assessment rather than the higher tax assessment of the improved property. The tax abatement is typically a 10-year graduated abatement on improvements. Cities may include an affordable housing requirement within a LERTA District. The City of Bethlehem, for example, has two LERTA districts with affordable housing requirements. In these districts, projects with more than 10 residential units must designate 10% of units as affordable to low income residents or pay a fee (ranging from $25,000 to roughly $52,000 per unit) towards an affordable housing fund.

Allentown may establish a LERTA district with an affordable housing requirement that can either increase the overall supply of affordable housing for a period of 10 years (the length of the tax abatement period) or increase funding for affordable housing projects.

Considerations

State legislation established LERTAs to incentivize redevelopment of deteriorated buildings and distressed areas by offsetting higher development costs or lower rents in less desirable areas. An additional affordable housing requirement may negate these benefits. The City will need to assess these benefits to ensure the additional affordable housing requirement does not act as a deterrent to development.

Additionally, because the duration of any affordability requirement cannot extend beyond the benefit, after 10 years any affordable unit built because of LERTA will convert to market rate.

Component 2. Resources

The second step will be for Allentown to increase its resources - namely funding and publicly controlled property - to incentivize housing rehabilitation/ construction targeted towards Allentown residents and put vacant properties back into use.

2.a. Increase Funding

The City of Allentown has limited resources to incentivize affordable housing development. It largely relies on its HUD annual allocation of Community Development Block Grant (CDBG) and HOME dollars to fund low- and moderate-income housing. In 2024, this totaled $3.36 million, with a significant portion allocated to non-profit organizations and non-housing related community development projects. With new construction prices at roughly $300 per square foot and rehabilitation costs averaging between $90 - $120 per square foot, the City will need other sources of funding to meet its housing production goals.

An additional concern is the limited flexibility and administrative cost associated with federal grant projects. When projects use federal dollars, they are usually restricted to households earning less than 80% of AMI and development costs are much higher due to additional legal requirements, fees, and labor laws. By some accounts, the use of federal funding can almost double construction costs.

Therefore, it is important for the City to secure a significant commitment of additional funding for its housing programs and establish a housing fund. A City-controlled housing fund is necessary to make a significant impact on the affordable housing crisis. The City will be in a position to fund its housing programs not eligible for federal dollars (like many proposed affordable housing preservation programs) and take a proactive role in guiding future development to include more units affordable to low and moderate income families. Funding sources may include a one-time commitment (that may be allocated over several years) and/or a consistent ongoing source of revenue sufficient to increase affordable housing production and preservation, in addition to any competitive grant funds the City is successfully awarded.

Sample List – Housing Grants

Organization	Grant
HUD	Choice Neighborhoods Continuum of Care Competition Pathways to Removing Obstacles to Housing Preservation and Enhancement Initiative for Community Enhancement
EPA	Brownfields Grants Funding Environmental and Climate Justice Community Change Grant Program
FEMA	Hazard Mitigation Grant Program
State of Pennsylvania	PHARE Fund Bipartisan Infrastructure Law Grant (PA DOT) Main Street Matters
U.S. Treasury	Capital Magnet Fund
Federal Home Loan Bank of Pittsburgh	Affordable Housing Program Blueprint Communities
Foundations	Harry C. Trexler Trust

Pursue Funding Opportunities

The City can pursue funding from government agencies and foundations to support specific housing initiatives. Funding is typically in the form of competitive grants with time-consuming applications and no guarantee of award. The City can pursue more grants with the assistance of an on-call, part-time, or full-time grant writer and by creating standard forms and templates common with most grant applications.

Establish a Housing Trust Fund

Allentown will need to establish and manage a housing trust fund to make a significant impact on the city's affordable housing crisis. This is a reasonable and doable activity that cities are increasingly establishing and relying on to direct its affordable housing initiatives.

Municipal Housing Trust Funds (HTFs) are a common mechanism for cities to supplement HUD allocations and fund projects not well-suited for federal grants. There are currently over 100 city HTFs in 36 states including small cities like Red Wing, Minnesota and Lawrence, Kansas.

Since the early 1990s, Pennsylvania counties have established HTFs using increased fees on mortgage and deed recordings under the Optional County Affordable Housing Funds Act. Lehigh County has an operational HTF which allocated $500,000 in its 2023 funding cycle.

Philadelphia and Pittsburgh are the only two cities with HTFs in the state, funded by document recording fees supplemented with local revenue sources. In 2020, Philadelphia passed an ordinance to increase HTF funds through new property tax revenue on expiring tax abatement properties. Its HTF budget that year was $61 million. The Pittsburgh Housing Opportunity Fund provides $10 million annually beginning in 2018 with a 12-year commitment funded through an increase in realty transfer taxes. The annual amount earmarked for the HTF in Philadelphia and Pittsburgh is $39 and $33 per person, respectively.

Allentown, as the third largest city in the state, can reasonably dedicate $3.75 million annually ($30 per person). Even half this amount ($15 per person) would generate $9.4 million over a 5-year period.

Funding Sources

Allentown is limited in how it may increase taxes beyond property tax as a 3rd Class city but may expand options by amending its home rule charter. As an example, voters in the City of Pittston approved a home rule charter in 2013 that allowed for an increase in earned income tax and realty transfer taxes. Today, the city's earned income tax revenue is two times the property tax revenue.

Beyond an increase in property taxes, funding sources may include:

-One-time or annual set-aside from the General Fund

-Revenue generated from code enforcement fees or permitting fees

-Revenue generated from contributions to a HTF as part of incentive zoning

-Reducing the number of tax-exempt properties

-Other tax increases through an amendment to the Home Rule Charter that may include earned income tax that includes non-residents; local services tax for non-residents; flat rate business tax; and/or an increase in realty transfer taxes.

Considerations

Local HTFs offer the greatest flexibility but are also more vulnerable to public oversight.

If HTF funding requires public approval, then it will more likely be approved when the goals align with widespread public interest. For example, the City of New Orleans increased its property tax rate for an HTF that focused exclusively on blight removal and neighborhood improvements. HTF funds were used for the acquisition and disposition of vacant properties. Ultimately, non-profit developers received the bulk of these properties to build affordable housing.

HTF funds may be prioritized for projects that are ineligible or not competitive for other grants. Smaller projects cannot compete for Low

New Orleans Neighborhood Housing Improvement Fund

In 1991, the City of New Orleans passed an ordinance to create a fund specific to neighborhood and home improvement to address deteriorating homes and blight. The Neighborhood Housing Improvement Fund (NHIF) was funded with a 0.91 mill tax which generates approximately $4 million per year.

Initially, the fund was dedicated to pay for code enforcement and legal fees as part of the blight process. Over time, the City increased funds towards home improvements and housing rehabilitation, focusing more on incentives rather than punitive measures to meet the ordinance's initial purpose of creating stronger housing stock and neighborhoods. This expanded further in 2015 to develop new, affordable housing.

Voters did not renew the fund in 2019, but in 2023, voters approved a large set-aside of $17 million from its American Recovery Act allocation for a Housing Trust Fund (HTF). In the fall of 2024, voters will decide whether to create an annual set-aside of the General Fund.

Income Housing Tax Credits, for example, and yet there are ample opportunities for smaller, infill development. Projects that target households earning between 60% and 100% AMI address workforce housing needs but are also not eligible for credits. Lastly, projects that are cost-effective with HTF dollars but are not with federal funding may be a priority. [For example, if a rehabilitation project is $20,000, the City may choose to apply HTF funds to the project to avoid triggering Davis-Bacon wage requirements.]

The administration and oversight of the HTF should also be considered. The fund may be administered through the City's Community and Economic Development Department that manages other housing grants, or as a separate oversight committee.

2.b. Acquire Land

Allentown, as an urbanized area, has a limited number of vacant parcels suitable for redevelopment. The larger vacant lots that can support bigger projects sell for a premium and are usually purchased by market rate developers. There is an abundance of smaller, vacant lots and buildings in Allentown, but most of these properties are too small for an affordable housing multi-family project or a planned unit development. They can, however, be redeveloped for small-scale rental housing or for homeownership using through "scattered site" infill development.

Developers are generally not interested in doing scattered site, infill development because it is challenging. One major issue is acquisition of multiple properties. It is more time-consuming and expensive for developers to enter into purchase agreements and sale contracts with multiple small properties rather than one large vacant lot.

To incentivize developers to build on the numerous vacant lots in Allentown, the City may strategically acquire "clusters" of vacant lots in close proximity to one another and then transfer or sell these properties to developers. The City has the legal mechanism to do this through the Allentown Redevelopment Authority (RDA) and Land Bank.

Expand Role of Land Bank

In 2021, the City passed an ordinance allowing the Allentown Redevelopment Authority (RDA) to also function as a land bank. The RDA historically has restricted its acquisition to blighted and tax delinquent properties. However, the 2021 ordinance allows the RDA, through the Land Bank, to acquire, hold, and transfer any property that meets the purpose of the ordinance - "to prevent and mitigate blight, and to facilitate the redevelopment and reuse of vacant, abandoned, and tax delinquent properties in accordance with locally determined goals and priorities…"

Workforce Housing Program at work in Francisville neighborhood, Philadelphia

Philadelphia identified a need for homeownership opportunities among the 80% to 120% AMI population. This income group earned too much to qualify for traditional subsidies that are capped at 80% of AMI and earn too little to afford market rate housing. Because there was little subsidy to address this need, the City aimed to establish a program that was impactful without requiring significant gap financing. The result – the Workforce Housing Program (WHP) – provides discounted land to developers to lower overall project costs so that homes can be sold at affordable rates.

The city analyzed housing prices and trends across the city to identify areas at risk of gentrification but were still affordable. The results included the Francisville neighborhood, an area with rapidly increasing prices. The City sold 16 lots to a developer at a discounted rate of $14,000 per parcel allowing the builder to sell the homes for $229,900 each.

Potential homebuyers were also referred to additional grant assistance available through partner lending institutions, and all homes have restrictive covenants ensuring they remain owner-occupied and affordable to workforce households for 10 years, or if sold within ten years, the covenant passes onto the buyer for an additional 10 years.

The RDA is authorized to conduct appraisals, negotiate real property purchases or trades, and to borrow money from lenders, cities, counties, and state and federal to further carry out its purpose.

There are an estimated 1,000 vacant parcels and 1,800 vacant, available homes for rehabilitation in Allentown that may be acquired by the RDA to "facilitate the redevelopment and reuse."

The RDA, in partnership with the Department of Community & Economic Development, may create an acquisition strategy aligned with proposed housing programs.

Considerations

- The acquisition strategy will presumably require identifying vacant parcels of interest and their owners and working with a local broker to determine the feasibility of acquisition.
- The City may be able to negotiate for less than the appraised value in exchange for other benefits (e.g. waived fees, tax abatements) or through property swaps.
- The City can work with its agency and non-profit partners to identify feasible sites.
- Properties transferred for homeownership and select rental projects may be included in a Community Land Trust to preserve long-term affordability.

Target Properties for Affordable and Moderately-Priced Housing

- Scattered site "packages" of multiple properties in proximity to one another that may collectively function as one project, including rental or homeownership.
- Properties zoned appropriately for alternative housing models targeting vulnerable populations
- Areas at heightened risk of gentrification to preserve long-term affordability
- Block clusters with a concentration of vacancy
- Areas within or adjacent to strong market areas

Pool available land owned by partner agencies and organizations

The City and partner agencies own property that may be available for housing development. With a housing shortage and high land prices, this may be a cost-effective way to lower development costs.

According to assessor records from 2023, the Allentown Parking Authority, Allentown School District, and City of Allentown collectively own 436 parcels of which 209 are vacant (i.e. have no structures). There may be opportunities to disposition some of these vacant lots for housing development.

The City should work with its partner agencies to identify which of these properties is available for transfer to the Land Bank. The City may acquire properties through purchase or property swap.

Component 3. Housing Initiatives

With land, funding, and zoning reform underway, the City has the capacity to introduce programs that address its housing goals. This includes:

1. ***Preserve affordability in rental housing and homes for sale.***
2. ***Rehabilitate aging housing stock.***
3. ***Increase supply of housing affordable to Allentown residents.***
4. ***Increase homeownership opportunities for Allentown residents.***
5. ***Prevent homelessness and displacement.***

Table 14 represents the proposed housing initiatives and how each address one or more goals.

The first housing initiative is the creation of a Community Land Trust (CLT); and the following construction and financial assistance programs.

Table 14: Housing Initiatives Aligned with Housing Goals

	Preserve affordability	Rehabilitate aging housing stock	Increase supply of affordable housing	Increase homeownership	Prevent homelessness and displacement
Community Land Trust	❍			❍	
Small Landlord Renovation Program	❍	❍	❍		
Vacant Home Rehabilitation Program	❍	❍	❍	❍	
Homeowner Repair Program	❍	❍			
Affordable Housing Construction Program	❍		❍		
First Time Homebuyer Program	❍			❍	
Eviction Remediation Program					❍
Housing Emergency Fund					❍

Construction Programs

1. Small Landlord Rental Repair Program
2. Vacant Home Rehabilitation Program
3. Homeowner Repair Program
4. Affordable Housing Construction Program

Financial Assistance Programs

1. First Time Homebuyer Program
2. Eviction Remediation Program
3. Emergency Housing Fund

The City currently administers the federal grants under the CDBG, HOME and ESG programs, with a 2024 allocation of $3.56 million. These funding sources can serve as one "bucket" of funding alongside any local funds and grant awards. By doing so, the City has flexibility in deciding which funding sources make the most sense for each project.

For the sake of simplicity, it is recommended the City make these funds available through one annual application process where applicants may apply to one or more programs at the same time. For example, an organization may provide home repair services to both landlords and homeowners or may rehabilitate vacant homes and new construction. The gives the City greater flexibility in selecting projects.

The City may also prioritize applications that use city-designated properties for development or rehabilitation, tying into the Land Bank acquisition activities.

3.a. Preserve Affordability

Home prices and rents surged in Allentown and much of the Lehigh Valley beginning in the fall of 2020 and are not expected to drop. The typical home price is now $280,000 and a moderately priced rental unit is $1,657 per month, representing a 63% and 44% increase over the past five-years, respectively.

The loss of "naturally affordable" housing is a critical issue for the city, where 51% of all households earn less than $50,000 per year and 27% of all households earn less than $25,000 per year. This includes longstanding residents and necessary workers within hospitals, childcare centers, city employees, and the hospitality industry.

Even with these price increases, Allentown remains more affordable than Bethlehem and Easton. It is the opportune time for the City to take the initiative and establish long-term affordability mechanisms for future projects receiving City-managed funds and other incentives.

Affordable Housing Covenants

The City can ensure long-term affordability on many of its funded projects through affordability covenants that limit the resale price of ownership units or tie rents to established income thresholds to maintain the affordability of the units. This can be accomplished through regulatory agreements, deed or mortgage restrictions, options or other legal agreements for a set period of time or in perpetuity. As an example, Boulder requires all affordable development funded with city funds or on city land to be affordable for 99 years.

Facilitate the creation of a Community Land Trust

The City may wish to restrict affordable housing covenants to larger projects and work with a Community Land Trust (CLT) to ensure long-term affordability of homeownership units.

In general, a CLT is a nonprofit organization that acquires, owns, and oversees land in perpetuity for the common good.

In its most common form, CLTs are one version of a shared equity homeownership model with long-term affordability requirements. Homes are sold at below market rate to a low or moderate income family. The CLT retains ownership of the land and caps home value appreciation so that it remains affordable in perpetuity.

The homeowner usually pays a nominal rent to the CLT for the ground lease (which covers administrative fees). Appreciation value may be capped at 3% per year to meet affordability requirements. At time of sale, the homeowner receives a portion of equity but less than what would occur without CLT affordability restrictions. This also keeps the sale prices lower than adjacent non-CLT properties, providing homeownership opportunities for existing residents who do not income-qualify for the area's market rate homes.

CLTs have been shown to be a successful model in areas with high housing demand, increasing prices, and resident displacement risk.

CLTs have expanded significantly in recent years, and more municipalities and states (Vermont, for example) are taking the lead in establishing them.

For example, Houston's CLT was created in 2018 by the City of Houston and community partners after a year-long planning process and feasibility study. Its programs included the New Home Development Program that assists homebuyers purchase new homes built on lots owned by the Houston Land Bank, and the Homebuyers Choice Program, providing $100,000 assistance to residents to purchase a market rate home. In both cases, the Houston CLT retained ownership of the land.

Considerations

Formation – Cities are taking more of a leadership role in forming CLTs today, including providing funding to develop an administrative plan that either creates a new quasi-public entity or non-profit organization, or expands the role of an existing entity.

Mortgages – Obtaining a loan for a ground-leased home is more complicated than a standard mortgage. CLTs often partner with a local bank who underwrites a loan secured through Freddie Mac's Community Land Trust mortgage products.

Taxes – The City will likely need to coordinate with the county to reduce the homeowner's property tax bill so that it reflects the purchase price versus market value.

Administration – The CLT is a non-profit entity that may include City-appointed Board members. Day-to-day management of a CLT is limited for existing properties but will require administration at time of property transfer. An existing entity with administrative capacity and no conflict of interest is well-suited to oversee a CLT.

Focus Area - CLTs can be city-wide or focused on a specific neighborhood. Neighborhood-focused CLTs tend to be low to moderate income areas with a significant minority displacement.

3.b. Rehabilitate aging housing stock

It is important for the city to maintain its existing housing stock while preserving affordability. This can be challenging considering rising costs in construction labor, materials, and property insurance. A property owner may not have the funds to make necessary repairs or may find a greater incentive in selling their property to market rate investors.

A significant focus will be incentivizing and enabling small-scale landlords, developers, and homeowners to improve their properties in exchange for some level of commitment towards affordability.

Small Landlord Rental Repair Program

The City may preserve affordable rental housing and improve its housing stock by offering grants or low-interest repair loans to landlords in exchange for rent caps and/or income restrictions for future tenants.

Affordable rental housing in Allentown is primarily located in smaller buildings. Roughly 70% of rental units in the city are in smaller structures (less than 10 units) and one in four renter households rents out a rowhome.[x] The owners of these properties tend to be individual investors, and according to national data, 30% of individual investor landlords are also low and moderate income.[x]

Small-scale landlords who own rental units in need of repair may not have the funding needed, and if they do, will likely raise rents to recoup the repair costs. All the while, the high housing prices in the homeownership market create an incentive to sell the property outright.

Potential Program Structure

Amount:	$25,000 limit per unit with CDBG; $40,000 per unit with local funds
Eligibility:	Structures with less than 10 units
Eligible Uses:	System repairs; structural repairs; energy efficiency improvements; retrofitting for accessibility
Terms:	Low interest loan, forgivable with long-term affordability requirements
Target Areas:	MVA Class C – E Markets
Requirements:	Rent at or below 80% AMI or rent escalation cap; right-of-first refusal to Community Land Trust at time of sale at appraised value
Compliance:	Annual self-certification with rental inspection
Funding Source(s):	CDBG/HOME

Vacant Home Rehabilitation Program

Allentown has an estimated 1800 homes with long-term vacancy, many of which need substantial rehabilitation.[30] This presents an opportunity for the City and its partners to acquire and rehabilitate these properties to be used as rental housing or homes for sale to low- and moderate-income households, which can be done through its existing CDBG and HOME allocation.

Housing vacancy is not a substantial problem in Allentown compared to places like Philadelphia or Wilmington, Delaware, but there are enough vacant homes to support an acquisition/rehabilitation program and mitigate the loss of naturally affordable units. In 2024, investor purchases accounted for 26% of all low-priced home sales in the U.S., the highest on record.[31] This intervention strategy can help to counteract this trend.

Potential Program Structure

Funds will be provided through a low-interest or 0% interest loan available to for-profit and non-profit developers. Properties will have long-term affordability requirements through participation in a Community Land Trust, covenant or deed restriction.

Per unit:	$100,000 Cap
Eligibility:	Vacant Single-Family and multi-family buildings with less than 10 units
Terms:	0% forgivable loan with long-term affordability requirements
Target Areas:	MVA Class C – E Markets
Requirements:	Rent at or below 80% AMI; sale at or below 100% of AMI; deed restriction
Funding Source(s):	CDBG/HOME/Housing Trust Fund

Homeowner Repair Program

Many low and moderate income homeowners struggle to maintain their homes. With rising insurance, taxes, and utility expenses, many homeowners on fixed incomes have little left over to make necessary repairs or improve the efficiency of their homes to save on utility bills.

This not only impacts the homeowner but also the neighborhood. Deferred maintenance on one property can visibly degrade a block and lower property values for adjacent properties.

The City's code enforcement currently penalizes property owners with serious maintenance issues through fines, but this does not address the homeowners who cannot afford to make repairs. This program addresses that gap.

It is recommended the City contract with one or more entities to administer the program rather than accept applications from individual homeowners and use its existing CDBG and HOME funds, along with HTF funds for smaller projects to avoid the administrative burden of federal grants and/or to address the needs of homeowners who do not qualify for federal grants due to their inability to prove ownership (heir's rights issues) or income restrictions.

Potential Program Structure

Per unit:	$40,000 Cap
Eligibility:	Homeowners earning less than 100% of AMI
Eligible Uses:	System repairs; façade improvements; structural repairs; energy efficiency improvements; retrofitting for accessibility; historic preservation
Terms:	Low interest loan, forgivable with long-term affordability requirements
Requirements:	Affordability covenant/right of first refusal at time of sale for Community Land Trust
Compliance:	Proof of income and self-certification
Considerations:	Use federal funds for projects that cost less than $25,000 and for homeowners earning less than 80% of AMI; create project specific to one element of rehabilitation (for example, energy audits and efficient systems) with costs less than $25,000 per home.
Funding Source(s):	CDBG/HOME/Housing Trust Fund

3.c. Increase supply of housing affordable to Allentown residents

The Lehigh Valley has a housing shortage that affects all municipalities within the region. This has pressured prices upwards and increased competition for the more affordable units. Longstanding Allentown residents are getting priced out of the city due to the loss of "naturally affordable" housing that was available prior to the COVID-19 Pandemic, namely apartments priced below $1,100 per month and homes priced below $175,000.[xii]

Developers are not able to build new units affordable to the majority of the city's residents because construction costs are too high. Any new development in Allentown targeted to low, moderate, or middle income households will require subsidy. Larger projects (multi-family, mixed-use development, or planned development) will likely require non-federal gap funding to be financially feasible. This includes Low Income Housing Tax Credit (LIHTC) projects, which require

[xii] An Allentown household earning median income could afford a typically priced rental unit or home in 2019; today they would need to earn an additional $15,000 per year.

more gap funding than previous years due to decreased credit value, higher interest rates, and higher development costs overall.

Affordable Housing Construction Program

The Affordable Housing Construction Program is intended to provide gap funding for two to five larger projects over the next five years. This may include:

- LIHTC 4% and 9% projects;
- conversion of commercial buildings into residential use;
- mixed use, mixed income redevelopment projects;
- large-scale scattered site development projects for rental housing or homeownership;
- Multigenerational homeownership;
- Permanent supportive housing for formerly homeless and/or persons with disability;
- Affordable homeownership (e.g. a cottage or townhome development); and/or
- Other multi-family project without utilizing LIHTC

The City should have legal and financial expertise in-house or through contract to ensure projects are not overfunded and the City's best interests are reflected in legal agreements and compliance requirements. This may include profit-sharing agreements; loan repayment terms; property management requirements; design oversight; and energy efficiency requirements and monitoring. This is the most expensive program to administer but can be very effective in place-making, creating mixed-income communities, revitalizing areas, and partnering with large-scale national developers for multi-phased development. The City may dedicate a portion of its CDBG funds for acquisition, pre-development costs and on-site infrastructure needs, but it will need ultimately need to augment with additional funding from a City HTF to subsidize new construction activities and activities targeting households earning above 80% of AMI.

Potential Program Structure

Per unit:	$100,000 cap per unit
Eligibility:	Projects with 20 or more units
Eligible Uses:	New construction or substantial rehabilitation for rental housing or homeownership affordable to low, moderate, and middle income households.
Terms:	Low or zero interest loan
Requirements:	Long-term affordability covenant (e.g. 99 years or in perpetuity)

Compliance:	Annual compliance requirements which defer to other federal grant requirements with exception for local more stringent requirements
Considerations:	Prioritization for City's targeted redevelopment sites; public housing partnerships; regional workforce housing initiatives
Funding Source(s):	CDBG/HOME/Housing Trust Fund

3.d. Increase homeownership opportunities for Allentown residents

The price of a typical home in Allentown increased by more than $100,000 in the past five years (from $172,973 to $280,831). In April of 2019, a household earning $45,000 could afford to buy a typically priced home; today that figure is $70,000. Among renters, an estimated 76% cannot afford to buy a moderately priced home in the city and half experience housing cost burden. There is limited opportunity to save enough for a down payment or afford a mortgage for most renters in the city, and that was not the case five years ago.

First Time Homebuyer Program

In combination with the Vacant Home Rehabilitation Program that subsidizes construction costs, the City may provide financial assistance to potential homebuyers for down payment and closing cost assistance. This may be combined with other first-time homebuyer programs. For example, The First Front Door Program administered by the Federal Home Loan Bank of Pittsburgh offers $15,000 in closing cost and downpayment assistance to first time buyers, and an additional $5,000 for minority applicants. With these two programs combined, an applicant earning Allentown's median income could afford a moderately priced home (~$250,000).

Potential Program Structure

Per homeowner:	$20,000 plus closing cost assistance
Eligibility:	First-time homebuyers earning less than 100% of AMI or City employees employed at least two years
Terms:	Participation in first-time homebuyer training
Priorities:	Homes redeveloped through City programs
Funding Source(s):	CDBG/HOME/Housing Trust Fund

3.e. Prevent homelessness and displacement

With the price surge in rental housing, it is no surprise that eviction filings have increased above pre-Pandemic levels. In 2023, Lehigh County recorded 6,906 eviction filings, a 44% increase from 2021 when the CARES Act provided additional resources to prevent evictions. Even more alarming, the Allentown School District reported 528 homeless students aged 5 to 17 in the 2021-2022 school year, a 247% increase from the prior year.

The City should complement regional and local organizations that work to address homelessness by providing homeless prevention services through an eviction diversion program; and by providing a source of funding that can be used by homeless service providers in emergency events where traditional funding sources are ineligible.

Fund Eviction Prevention Services

The CARES Act provided jurisdictions with financial assistance to prevent evictions and homelessness in the name of public health and safety. This program, which expired in early 2022, illustrated how cost-effective homeless prevention strategies can be.

Cities are now adopting versions of this program across the country. Philadelphia, for example, requires all landlords to apply and be approved for the Eviction Diversion Program at least 30 days prior to filing an eviction. Landlords work with mediators to negotiate a solution, oftentimes a lump sum of back rent, to rescind the eviction notice.

The Third Street Alliance in Easton currently operates an Eviction Prevention Program developed under the CARES Act which has continued with local and philanthropic support. This program, which could be expanded to Allentown or replicated, provides mediation services to landlords and tenants, receives referrals from magisterial judges regarding qualifying eviction filings, and offers financial assistance for delinquent rent. This may be augmented with additional services including foreclosure mitigation, financial literacy programs, and legal assistance to support tenants' claims against "bad actor" landlords.

Partner agencies include Catholic Charities of the Allentown Diocese, Lehigh Conference of Churches, The Easton Neighborhood Center, New Bethany Ministries, and Project of Easton.

The City may provide additional funding to this collective earmarked for Allentown residents in need to prevent families from losing their homes, becoming homeless or displaced from the community.

Create a funding reserve for emergency homeless services

A reoccurring recommendation from homeless service providers in the Lehigh Valley was to set aside funds for emergency housing services. The existing resources to address homelessness have limitations on how funds can be used and do not always align with exact needs. Eligible costs this funding reserve may be used towards include:

- legal services related to immigration issues or mortgages;
- substance abuse detoxification programs;
- costs for furniture and other household items;
- pet security deposits;
- deposits exceeding two months' rent;
- and storage fees.

The City may earmark a funding reserve specifically for necessary costs not allowable under other federal funding sources. Non-profit organizations may request funding from the City on a case-by-case basis according to need.

Component 4. Foster Regional and Organizational Partnerships

Steps one through three focus on actions that the City can spearhead using the tools and resources it possesses. This step (which can and should happen concurrently) relies on participation from other organizations and jurisdictions, highlighting how Allentown is part of a much larger context. The Lehigh Valley shares the same housing needs with a fluid population that moves across jurisdictions to access jobs and more affordable housing opportunities.

4.a. Regional Planning Consortium

The Lehigh Valley is experiencing a severe shortage of housing and new construction will not address the housing needs of low-, moderate-, or middle-income households.[32] The need for moderately priced housing affects the entire metro area, including Allentown. But at the same time, the three cities (Allentown, Bethlehem, and Easton) hold two-thirds of all subsidized apartments yet comprise one-third of the region's population [33] while the smaller jurisdictions in the region limit affordable housing development through zoning regulations and public opposition.

The housing shortage is a regional problem and should be addressed at the regional level.

The Metropolitan Planning Organization (MPO) for the region, the Lehigh Valley Planning Commission (LVPC), is the federally designated organization managing regional Department of Transportation (DOT) investments. In 2021, Congress passed the Infrastructure Investment and Jobs Act (IIJA), the largest infrastructure investment in decades totaling over $560 billion. The IIJA also established new guidelines and recommendations for MPOs that extend beyond transportation planning, including a recommendation that MPOs develop Housing Coordination Plans that link transportation plans with housing options, which would require joint planning efforts among jurisdictions.

Regional planning goals that fall under the IIJA recommendations include:

- Connecting housing and employment through transportation investments;
- Tying higher density development to road expansions and extensions;
- Aligning transportation dollars with affordable housing development; and
- Investing transportation funding in distressed communities.

The LVPC incorporates these recommendations in their 2023 FutureLV Regional Plan, including linking transportation funding to desired outcomes and encouraging density in urban centers and corridors through road improvements and multi-modal enhancements. The LVPC also calls for zoning reform education for participating jurisdictions and dedicating its infrastructure funding towards the centers and corridors that can support multi-family construction.

This FutureLV plan is to guide regional development for the next 25 years. Allentown, as one of the 62 municipalities, can take an active role in future regional planning efforts pertaining to a regional equitable housing plan that addresses workforce housing; homelessness; and community improvements that fall under the IIJA.

4.b. Advocacy

Local and regional stakeholders identified several housing strategies and needs that require advocacy at the state level. Presumably the advocacy efforts would be directed by the regional planning consortium to avoid duplication of efforts and amplify the need.

First, the city and other jurisdictions in the Lehigh Valley need clarity on what is and is not permitted under state law.

Pennsylvania is a Dillon's Rule state, where the governance of 3rd class cities must be sanctioned by the state. However, a jurisdiction may exercise any authority or perform any activity not denied by the Constitution under a Home Rule charter.

As a city with 128,000 people, Allentown is the 3rd most populous in the state behind Philadelphia and Pittsburgh but is categorized as a 3rd class city under the state law. This designation restricts what Allentown is authorized to do unless it is explicitly permitted in its Home Rule charter. Jurisdictions have varying opinions regarding what ordinances, fees, and general policies they are permitted to adopt under the Pennsylvania Municipalities Planning Code. For this housing plan in particular, Allentown should seek more clarity on whether inclusionary zoning and rent increase limits are permitted.

Inclusionary Zoning – It is not distinctly clear whether inclusionary zoning is allowable under current statute. The act of requiring a developer to build affordable housing or pay a fee is a common tool that jurisdictions around the country use to fund affordable housing development. The State of Pennsylvania has even issued guidance on inclusionary zoning practices. However, Pittsburgh was sued by the Builders Association of Metropolitan Pittsburgh in 2022 for its inclusionary zoning ordinance, claiming it was in violation of its Home Rule Charter and was in effect, an illegal taking of private property.

At this time, inclusionary zoning policies which require developers to pay a fee in order to build within the city are likely not an appropriate tool for Allentown, as they are most effective in cities where housing demand is so high that developers will build regardless of additional fees. That is not likely the case under current market conditions, where there are still pockets of the city struggling with vacancy. Therefore, it makes sense to use incentive zoning as an alternative, which is currently allowable. However, inclusionary zoning may make sense if adopted as a regional approach where other Lehigh Valley communities include similar restrictions in their downtowns and large multi-family projects

Rent Increase Limits – Rapidly increasing rents cause displacement of low income renters, which we have seen in many areas of the Lehigh Valley. One solution to address this is limiting the increase in rent to a reasonable level. Jurisdictions within New Jersey are authorized to establish rent increase limits to address local housing needs, but it is not clear whether Allentown is permitted the same authority under the current Planning Code.

During the stakeholder engagement process, local developers made several additional recommendations regarding city and regional advocacy, including:

- Raising the threshold at which projects must follow prevailing wage laws from $25,000 to $100,000.
- Increasing fees to record dees and mortgages from $35 to $100.

- Expunging or sealing no-fault eviction records.
- Creating a set-aside or priority points for Lehigh Valley LIHTC projects.

Target Areas

Reinvestment Fund's MVA and DRR are useful tools to help focus specific housing programs in areas of need and leverage private-sector investment. The MVA categorizes Allentown's block groups into Strong, Middle, and Distressed Markets in the MVA, and further identifies which of these markets are experiencing significant market pressure or are lagging in market activity.

Map 12 illustrates where these various market types are located within the city, based on data from 2021 – 2023 and are subject to change from year to year. Therefore, it will be important for the City to understand market conditions beyond what these maps represent using local knowledge and updated data., particularly in areas currently deemed distressed with low market activity.

To **mitigate gentrification risk and displacement**, the City will need to focus on affordable housing preservation in areas with relatively depressed market value (MVA's distressed markets) but recent price escalation and investor purchases (DRR's "high pressure" areas). The loss of naturally affordable housing stock in these areas can happen quickly; therefore, the City should prioritize programs that can be implemented within the first year using existing resources. This includes:

- Acquisition and Land Banking
- Small Landlord Rental Repair Program (with affordability covenants)
- Homeowner Repair Program (with affordability covenants)

In the longer term, the City should transfer properties it has land banked in these areas to developers participating in the Vacant Home Rehabilitation Program. Single-family and duplex properties should automatically be included in a CLT in combination with the First Time Homebuyer Program. Similarly, land banked multi-family properties may be transferred to developers for rehabilitation with long-term affordability covenants. For land banked vacant lots, the City should set aside a portion of funding in the Affordable Housing Construction Program to develop new units (rental and homeownership).

Homeownership for low and moderate income households makes sense in most markets within the city. It can be a revitalization tool in distressed or declining markets, helping to stabilize neighborhoods, and an equitable housing tool in strong markets, providing affordable housing opportunities in higher priced neighborhoods.

Affordable rental housing includes a wide range of project types. ranging from scattered site infill development of rowhomes and small multi-family structures to large-scale mixed use development with commercial and retail spaces. It also includes a range of incomes, from permanent supportive housing for formerly homeless, HUD-assisted households, workforce rental housing, and mixed income housing that includes market rate apartments. Because if this, all areas of the city are appropriate for affordable rental housing.

Table 15 provides a general set of recommendations for where various housing types are most appropriate. This relates back to Reinvestment Fund's combined MVA and DRR and any subsequent updates.

Table 15: Housing Goals by Market Type

	Strong Markets	Middle Markets	Distressed Markets High Pressure	Distressed Markets Low Pressure
Mitigate Displacement			●	
Mixed Income Development	●	●	●	●
Deeply Affordable Rental Housing		●	●	
Affordable Rental Housing	●	●	●	●
Low Income Homeownership		●	●	●
Moderate Income Homeownership	●	●	●	●
Permanent Supportive Housing		●	●	

Implementation

Table 16 outlines a sample budget for implementing the housing plan with potential outcomes. The "per unit limit" column is a suggested funding limit per unit under each of the grant programs and the resulting program cost. Administrative costs include consulting fees and internal operating costs. Under this premise, the City would have the opportunity to repair 300 homes; add 150 new units affordable to low and moderate income households; and assist 100 low to moderate income renters become homeowners.

This scenario assumes all City HOME and CDBG dollars will be earmarked for affordable housing. Even with this assumption, the City will still need to secure an additional $3 million annually to meet these unit goals (equivalent to roughly $25 per resident annually). It does not account for any funds being recouped from a revolving loan or additional grants awarded to the City.

Table 16: Budget Example

	Per Unit Limit	5-Year Goal	Annual Cost Estimate
Property Acquisition	**NA**	**NA**	**$500,000**
Homeowner Repair Program	**$40,000**	**150**	**$1,200,000**
Rental Repair Program	**$25,000**	**150**	**$750,000**
Home Rehabilitation Program	**$75,000**	**50**	**$750,000**
First Time Homebuyer Program	**$25,000**	**100**	**$500,000**
Affordable Housing Construction Program	**$100,000**	**100**	**$2,000,000**
Eviction Prevention and Mediation	**NA**	**NA**	**$40,000**
Emergency Assistance			**$25,000**
Total Units		**550**	**$5,700,000**
Plus administration (15%)			**$855,000**
Annual Budget Estimate			**$6,555,000**
HOME/CDBG Allocation			**$3,600,000**
Annual Gap			**$2,955,000**

Table 17 suggests a generic timeline for critical action items to ensure programs can be implemented within the first two years and larger construction projects using city-acquired land under the plan can begin predevelopment activity by Year 3. It is recommended the City dedicate a responsible individual or department to further define metrics based on final goals and the available budget for each program.

Table 17: Timeline and Metrics

Phase 1	New Zoning Ordinance/Affordable Housing Incentives
	Streamline, standardize, and refine internal processes for code enforcement, rental registration, inspections process
	Contract with grant writer; standardize grant writing materials
	Hire contractor to work with City and partners to develop a Community Land Trust Administrative Plan
	Allocate current and future year CDBG/HOME/Other City Funds to acquisition and housing programs
	Work with City leadership and residents to identify Housing Trust Fund revenue sources; use data to socialize housing needs in support of HTF
	Identify vacant parcels for land banking and draft acquisition strategy; contract with real estate broker and appraiser; begin to acquire properties
	Dedicate staff person to engage with regional housing planning efforts
Phase 2	Establish Housing Trust Fund
	Property Acquisition for Land Bank
	Establish Community Land Trust
	Contract with Grant Administrator to develop housing programs (RFPs, application scoring criteria, program guidelines)
	Establish grant management compliance, monitoring, budget procedures
	Rollout - Homeowner Repair Program
	Rollout - Rental Repair Program
	Rollout - First Time Homebuyer Program
	Rollout - Emergency Rental Assistance Program
	Coordination: Non-profit Consortium; Landlord Network
	Advocacy at State and Federal Leve - Regional Housing Committee
Phase 3	Proposal solicitation for larger parcels
	Rollout - Affordable Housing Construction Program
	Regional Housing Plan - Workforce Housing; Homelessness

[1] Zillow Home Value Index and Observed Rent Index for all rental units, May 2019-May 2024 for Allentown City.
[2] American Community Survey 2021 5-Year Estimates by Census Tract. The Wards and Center City have a Latino population of 67% and 69%, respectively.
[3] U.S. Census Population Estimates 2023
[4] Federal Reserve Bank of St. Louis
[5] U.S. News and World Report, Best Places to Retire Rankings, 2022-2023.
[6] Internal Revenue Service 2021 County to County Migration Aggregate Report.
[7] Lehigh Valley Planning Commission, 2023 Future LV: The Regional Plan, November 15, 2023.
[8] Ibid.
[9] County Assessor's Records
[10] Zillow Home Value Index and Observed Rent Index May 2019 to May 2024.
[11] Zillow Home Value Index and ESRI BAO.
[12] Altos Research.
[13] Harvard Joint Center for Housing Studies, America's Rental Housing 2024, https://www.jchs.harvard.edu/americas-rental-housing-2024.
[14] Rent Café, https://www.rentcafe.com/blog/rental-market/rental-competitiveness-index/us-hottest-rental-markets-start-of-2024/.
[15] U.S. Bureau of Labor Statistics, Occupational Employment and Wage Statistics, May 2023,
[16] Ibid. Assumes 7.5% interest rate.
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[18] Legal Services Corporation, Civil Court Data Initiative, May 2023 to April 2024 eviction filings.

[19] RS Means Construction Cost Survey for Residential Development 2022 provided by Federal Home Loan Bank of San Francisco.
[20] National Association of Home Builders, https://www.nahb.org/blog/2022/05/building-materials-up-more-than-19-percent-year-over-year.
[21] Bureau of Labor Statistics, Occupation and Wages Survey
[22] Builders Digital Experience, NewHomeSource.com, June 2024
[23] U.S. Decennial Census 1970
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[25] American Community Survey 1-Year 2022 and Zillow Observed Rent Index May 2022
[26] 2023 Inventory List for Eastern Pennsylvania Continuum of Care
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[28] Kimberly Blanton, "What's Stopping People from Applying for Disability," Center for Retirement Research at Boston College, April 16, 2024, https://crr.bc.edu/whats-stopping-people-from-applying-for-disability/
[29] Jeremy Schneider, "Sustainability Insights: The Impact Of Rising Insurance Premiums On U.S. Housing," S&P Global, April 2024.

[30] American Community Survey 2022 1-Year. Reflects number of vacant units that are not: for sale, sold, for rent, rented, vacation homes, or for migrant workers.
[31] Redfin Analytics, https://investors.redfin.com/news-events/press-releases/detail/1049/investors-bought-26-of-the-countrys-most-affordable
[32] June 2024 survey of new construction, with no homes listed under $350,000.
[33] HUD Low Income Housing Tax Credit Database and HUD Picture of Subsidized Households, data retrieved October 2023.