

City of Bethlehem DRAFT PRO Housing grant application

Table of Contents

Exhibit A: Executive Summary	A1
Exhibit B: Threshold Requirements and Other Submission Requirements.....	B4
Exhibit C: Need	C7
Exhibit D: Soundness of Approach.....	D19
Exhibit E: Capacity	E42
Exhibit F: Leverage	F49
Exhibit G: Long-term effect.....	E50
Attachments not included in page counts	A52
Attachment A: Summary of Public Comment on this Application.	A53
Attachment B: Certification of compliance with NOFO public participation requirements	B55
Attachment C: Advancing Racial Equity	C57
Attachment D: Affirmative Marketing and Outreach Narrative	C63
Attachment E: Experience Promoting Racial Equity Narrative	E67

Exhibit A: Executive Summary
Applicant: City of Bethlehem

A city of approximately 78,000, Bethlehem is the second largest municipality in the Lehigh Valley region of Pennsylvania. Bethlehem is experiencing an affordable housing crisis that has dominated public policy conversations at all levels of government since 2020. The City of Bethlehem (City) has spent 2022-23 identifying housing needs, understanding existing housing conditions, identifying feasible strategies, building and leveraging local partnerships, and ultimately developing a comprehensive housing strategy to tackle the issue of housing affordability with sophisticated policy changes and financial investments. With the support of a PRO Housing grant, the City can supplement its \$5 million affordable housing budget allocation to implement strategies aimed at removing barriers to the production and preservation of affordable housing and expand data-driven programs to produce and preserve affordable units for city residents most burdened by the crisis.

The Lehigh Valley is Pennsylvania's fastest growing region, strategically located between New York City and Philadelphia with easy access to major highways. Throughout the last decade, a warehousing and logistics boom gobbled up farmland across the region, mobilizing anti-development sentiments and fueling traffic bottlenecks. The pandemic brought on an affordable housing crisis so acute that [The Wall Street Journal](#) took notice. According to the Lehigh Valley Planning Commission, the Lehigh Valley faces a shortage of 14,480 units for individuals making less than \$25,000 a year.

Bethlehem is a vibrant and socially, economically, and racially diverse city that has historically been an affordable community of opportunity for individuals of all socioeconomic backgrounds. Strong, diverse neighborhoods and a thriving urban-suburban school district have made it a desirable and welcoming community for newcomers. Bethlehem is home to Lehigh and Moravian universities, Northampton Community College, two health networks and the Wind Creek Casino and arts and entertainment complex located on the site of the former Bethlehem Steel flagship plant. The depressed post-industrial economy in Bethlehem has experienced a rebirth and an accelerating economic growth rate that was further amplified by COVID-era trends. Bethlehem's low cost of living, high quality of life and proximity to major highways made it an attractive area for the newly remote workforce.

Limited supply, record-low interest rates and extreme demand contributed to a decade's worth of real estate market growth in three years. From 2020 to the summer of 2023, Bethlehem's median home sale prices rose by more than 50% while the median rental price jumped by 41%. Local wages have not risen at the same rate as housing costs or other inflationary-driven expenses, creating a wide gap between incomes and housing costs. Some long-time Bethlehem residents are struggling to remain in the city, many are dealing with housing insecurity for the first time in their lives, and others have already been displaced. Today, the city has lost the majority of its naturally occurring affordable housing, rental rates leave an increasing number of people cost burdened and there is nowhere in the city households making 100% of city median income can afford to buy a house.

Bethlehem is largely built out and has seen a slew of infill market-rate development in recent years that has consumed most of the city's open land. Only 2.2% of City land is buildable. The city's last Low-Income Housing Tax Credit affordable housing development occurred in 2014. Bethlehem's greatest opportunities for development exist in its northern tier, an area that is predominantly White and largely zoned for single-family dwellings. There are no easy solutions to Bethlehem's affordable housing crisis, but public officials, institutional partners,

community leaders, and residents broadly share the drive and desire to make meaningful progress on the issue, committing time and resources to the work and championing progressive practices to remove barriers and support the preservation and production of affordable housing.

Bethlehem's Housing Proposal

In the fall of 2023, Bethlehem completed its first comprehensive housing strategy plan – titled *Opening Doors: Strategies to Build Housing Stability in Bethlehem* (Opening Doors) – and is prepared to tackle affordable housing barriers. Mayor J. William Reynolds and Bethlehem City Council allocated \$5 million of general fund dollars for affordable housing strategies in Reynolds' first budget. There is strong political will to implement the best strategies locally to overcome systemic barriers to affordable housing development. Opening Doors identified five multifaceted strategies to remove barriers to affordable housing production, incentivize the development of more affordable units and to protect the residents most at-risk of displacement. Strategy implementation is already underway to help the City of Bethlehem fulfill its moral obligation to ensure all its residents have access to safe and affordable housing while recognizing that affordable housing is critical to economic development, widespread community prosperity and quality of life.

The development of the comprehensive housing strategy was grounded in local data that illustrates the scope and scale of the affordable housing crisis. In May 2023, the average home price in the city was \$300,000 and the typical rent for a one-bedroom apartment was \$1,400. A household would need an annual income of roughly \$100,000 to buy a home and \$50,000 to affordably rent an apartment. The city's low-wage workers - those who earn less than \$30,000 per year - are most affected by this price escalation, facing a rising risk of displacement or homelessness. Roughly 22% of the city's population earn less than \$30,000 per year and these residents include many necessary workers in food service, retail, health care, and janitorial services, who typically cannot afford to pay more than \$800 per month for an apartment. The supply of rental units priced below \$800 per month has nearly vanished in Bethlehem. Given these escalating housing costs many Bethlehem residents are cost burdened by their housing expenses. These residents have fewer resources to meet their other day-to-day expenses or manage unexpected costs. And those who are extremely cost burdened – paying more than 50% of their income on housing - face even greater risk of eviction or losing their home should unexpected costs arise. Overall, approximately 8,300 low-income households in the city are cost burdened, and 74% of these households are renters. Alarming, 12% of Bethlehem households are considered extremely cost burdened; 78% of which are renters.

The proposed programs in the City's housing plan, identified below and discussed in detail throughout this application, focus primarily on creating additional rental housing. Access to affordable rental housing represents the most acute need facing Bethlehem residents, and investments to expand access to affordable rental housing carry the most promise to meet the needs of the greatest number of at-risk Bethlehem residents.

Opening Doors aims to complement the City's ongoing programs for first-time homebuyers, home and facade repair, and affordable housing tax incentives by leveraging available funding to maximize strategy impact; prioritizing resources toward projects that address the greatest housing needs for the greatest number of residents; creating an environment that encourages a variety of new housing developments; and working with local and regional housing partners to combine resources and collectively plan future projects.

The strategies this PRO Housing grant will support are:

Activities to increase housing production

Activity 1: Assessment of IT infrastructure and the role outdated technology plays in slowing down land development review and permit processing. This would include the implementation of recommended technological upgrades and a move to digital plan review and permitting.

Activity 2: Create gap financing revolving loan fund

Activity 3: Develop incentives package for affordable housing projects, such as expedited project review; fee and permitting waivers; property tax exemptions or incentive programs;

Activities for rental preservation

Activity 4: Implement an already designed rental rehabilitation program.

Activity 5: Develop an action plan and incentives for maintaining affordability of 196 LIHTC properties with expiring affordability by 2023.

Planning

Activity 6: Conduct a market feasibility study of Bethlehem neighborhoods to create housing production goals.

Activity 7: Develop a strategic plan for the Bethlehem Redevelopment Authority.

Activity 8: Create a community education plan to build support for affordable housing.

A PRO Housing Grant will allow the City to leverage public and private resources to address barriers to affordable housing production and increase housing affordability in Bethlehem, ensuring that the City remains a community of opportunity as it adapts to the realities of the post-pandemic regional economy.

The City of Bethlehem greatly appreciates HUD's consideration of its request for PRO grant funding.

Exhibit B: Threshold and Other Submission Requirements
Applicant: City of Bethlehem

EXHIBIT B. THRESHOLD AND OTHER SUBMISSION REQUIREMENTS

1. Resolution of Civil Rights Matters: The City of Bethlehem does not have unresolved civil rights matters as described in the Notice of Funding Opportunity at the time of application submission.
2. Timely Submission of Applications: This proposal was available in draft format for public review and comment from Monday, Sept. 30, 2024 until October 14, 2024. A public hearing on the application will be held at 11 a.m. on Oct. 3, 2024. The application will be submitted before the October 15, 2024 deadline.
3. Eligible Applicant: The City of Bethlehem is an eligible applicant under Section III. A as .02.
4. Number of Applications: The City of Bethlehem is submitting one application in response to the Pathways to Removing Obstacles to Housing (PRO Housing) NOFO.
5. Eligibility Requirements for Applicants of HUD's Financial Assistance Programs
 - Universal Identifier and System for Award Management (SAM.gov): The City of Bethlehem has an active registration in SAM.gov and the expiration date is June 28, 2025. The City of Bethlehem UEI is JUJGEKQ1V6R3.
 - Outstanding Delinquent Federal Debts: None as of the time of this submission.
 - Disbarments or suspensions, or both: None as of the time of this submission.
 - Mandatory Disclosure Requirement: Completed with application submission.
 - Pre-selection Review of Performance: The City of Bethlehem does not have delinquent federal debt of the type described.
 - Sufficiency of Financial Management System: The City of Bethlehem has long been a Community Development Block Grant Program (CDBG/HOME) entitlement. Excluding American Rescue Plan Funding, the City is currently managing about \$50 million in federal grants and awards.
 - False statements: Completed with application submission.
 - Prohibition Against Lobbying Activities: Completed with application submission.
5. Standard Application, Assurances, Certifications and Disclosures

The following attachments are included in this application:

1. Standard Form 424 (SF-424) Application for Federal Assistance
2. Assurances (HUD 424-B)
3. Applicant Disclosure Report Form 2880 (HUD 2880)
4. Code of Conduct

In addition, the application discusses how the City of Bethlehem will carry out the proposed activities in a manner that affirmatively furthers fair housing in compliance with the Fair Housing Act and its implementing regulations. All proposed activities are consistent with the Bethlehem, Easton, Allentown, Northampton ("BEAN") Fair Housing Partnership's FY 2020 Analysis of Impediments (AI) to Fair Housing Choice including its fair housing goals and strategies laid out in the Consolidate Plan. The City is in the midst of updating its AI and Consolidated Plan. Further information regarding this requirement is includes in the Soundness of Approach and

Attachment C, D and E of this application. The City of Bethlehem is a CDBG and HOME grantee.

6. Other Program-Specific Requirements

The City of Bethlehem intends to adhere to the following application requirements:

a. Limited English Proficiency (LEP) This application and all associated announcements and hearings comply with the policies and procedures set forth in the Citizen Participation Plan adopted by the City as part of its Consolidated Plan and Annual Action Plan.

b. Physical Accessibility All in-person meetings associated with this application have been held in facilities that are physically accessible to persons with disabilities.

2 c. Environmental Review: If the City of Bethlehem is selected as a recipient of PRO Housing grant funds, it will comply with applicable environmental requirements. This includes complying with environmental justice requirements as set forth in HUD's regulations at 24 CFR parts 50 and 58, which implement the policies of the National Environmental Policy Act (NEPA) and other environmental requirements.

d. Federal Assistance Assurances: To assure compliance with statutory requirements for non-construction grant programs, the City is including the required assurances in its submission to HUD.

e. 424-CBW budget form. The detailed budget form is included in the application package to HUD as an attachment.

f. Certification Regarding Lobbying The required form is included in the application package to HUD as an attachment.

g. Disclosure of Lobbying Activities (SF-LLL). The required form is included in the application package to HUD as an attachment.

Exhibit C: Need
Applicant: City of Bethlehem

Progress and commitment to overcoming local barriers to housing production.

a. Improved laws, regulations, or land use local policies

Before the pandemic, Bethlehem was a relatively affordable City, where apartments could be found for well below \$1,000 a month and modest homes could be bought for \$100,000. This meant the City's pre-COVID policy efforts focused on blight remediation, neighborhood stabilization and creating home ownership opportunities for low- to moderate-income homebuyers. This all changed rapidly over the course of the pandemic as by 2022 Bethlehem's rental market had become more expensive than Philadelphia and Pittsburgh, according to *Opening Doors*, the city's affordable housing strategy. Today, every City neighborhood is facing displacement risk pressure, the median home sales price has more than doubled and rents have risen by 41%, *Opening Doors* found. This rapid market shift has led Bethlehem to develop an aggressive housing strategy aimed at boosting local housing production and removing barriers through policy, procedural and land use reforms. Many such efforts are underway. This rapid increase in housing costs means many people are dealing with housing insecurity for the first time. Median rent increases of \$100 a month result in a corresponding 9% increase in homelessness, according to a 2020 U.S. Government Accountability Office analysis. With the expiration of pandemic-related housing assistance, there's been a 25% decline in Lehigh Valley sheltered households from 2023 to 2024 and a 138% increase in unsheltered individuals from 2020 to 2024, Point in Time Count data indicates.

Student Housing Zoning Overlay

Key barrier addressed: Zoning and restrictive land use policies; Displacement pressure; age of housing stock

Timeline: Planning began in January 2020 with overlay enactment in early 2021.

From 2017 to 2019, the City saw a rapid loss of naturally-occurring affordable housing and increasing displacement pressures in three of its Census tracts near Lehigh University. City staff worked with Community Action Development Bethlehem (CADB) to gather data and analyze best practices for the preservation of mixed-income neighborhoods. In early 2021, a student housing zoning overlay was enacted, restricting new student housing to blocks surrounding the university in hopes of preserving outlying existing neighborhoods with naturally-occurring affordable housing, while incentivizing the creation of new student housing closer to campus and the commercial core.

Outcome: This has significantly slowed the rate of investor purchases outside the overlay. In the last three years, no new student housing has been built outside of the overlay despite applications for variances and 50 grandfathered student rentals outside of the overlay have given up their student housing rental licenses via enforcement actions by the City, returning the units to the broader rental market. Once a license outside the overlay is given up it cannot be renewed. In 2016, there were 202 licensed student rentals. By 2021, there were 676. Today, there are 678, with fewer units outside the overlay and any new units within the overlay. In addition, one multi-family project with 76 units targeting students is under construction, which will likely result in additional student housing situated in residential neighborhoods returning to the broader rental market.

New zoning code with workforce housing bonuses

Barrier: Zoning and restrictive land use; outdated local systems and processes; high cost of land

Timeline: 2012; with updates expected in 2024 and 2025.

In 2012, Bethlehem enacted a new zoning code for the first time in 41 years and included a workforce housing incentive for affordable housing development. The zoning code offers density bonuses to projects where at least 10% of units are affordable, requires a 20-year affordability period, ties rents to at or below FMR and offers reduced parking minimums.

Outcome: To date, three projects are in development that have taken advantage of the incentive with 181 mixed-income units in the pipeline.

Bethlehem's 2023 affordable housing study found this is still not enough of a developer incentive, with many citing the parking minimums as still being too high and the historic districts as too restrictive. The City is interviewing zoning consultants to study its code and recommend changes for legalizing accessory dwelling units in connection with the development of an affordability program and associated incentives. Once this shorter review is complete, Bethlehem has earmarked funding to explore how to make its affordable housing zoning bonuses more attractive and incentivize missing middle housing production.

Tax incentives

Barrier: Slow production caused by limited/high cost of land; lack of available financing subsidy, zoning and restrictive land use policies; state-specific legal barriers

Timeline: 2021 and 2022.

Pennsylvania does not allow third-class cities to enact mandatory inclusionary zoning. In order to increase the supply of affordable housing created through new development, the City of Bethlehem enacted two Affordable Housing Local Economic Revitalization Tax Assistance Act districts (LERTAS), mandating the inclusion of 10% affordable units or payment of an in-lieu fee in order for developers to take advantage of a 10-year graduate tax abatement designed to stimulate development in blighted or industrial redevelopment areas. The first was created in 2021 and a second district with a higher buyout fee was approved in 2022. Pennsylvania state law only allows the LERTA designation to be applied to specific eligible properties; it cannot overlay the city.

Outcome: Three projects have taken advantage of this creating 178 new infill, market-rate units alleviating some of our overall housing shortage. The policy has generated \$485,000 for the City of Bethlehem's affordable housing fund, which will be reinvested in Bethlehem's first LIHTC development in a decade.

Affordable housing line item

Barrier: Slow production caused by limited/high cost of land; lack of available financing subsidy; zoning and restrictive land use; age of housing stock; displacement pressures; outdated local systems and processes; dwindling local nonprofit capacity; state-specific legal barriers

Timeline: 2022 to present

In 2022, Major J. William Reynolds and Bethlehem City Council launched Bethlehem's first affordable housing strategy planning process and allocated \$5 million to implement the

strategies identified in the plan, which was released in October 2023. Bethlehem made its *Opening Doors* Steering Committee, composed of nonprofit, public and private-sector partners as well as stakeholders, a permanent standing advisory body in January 2024. The committee meets publicly each quarter to provide *Opening Doors* progress updates to the community and foster partnerships. Bethlehem in 2024 also hired a new senior planner and housing policy lead tasked with leading *Opening Doors*' recommended policy, programmatic and land use reforms. At the end of the five-year implementation plan, the two new employees will act as affordable housing project concierges for developers and homeowners, while managing the new programs.

Outcome: Since launching the *Opening Doors* planning process, Bethlehem and its Steering Committee partners have been awarded more than \$2.64 million in state and federal grants to remove housing production barriers, create new affordable housing as well as prevent displacement and homelessness.

Bethlehem First-Time Homebuyers' program

Barrier: Slow production caused by limited/high cost of land; lack of available financing subsidy; age of housing stock; rising displacement pressures

Timeline: 2021 to present

The Bethlehem Homebuyer Assistance Program (BHAP) was launched in 2021 to provide down payment and closing cost assistance to first-time homebuyers interested in purchasing a home in the City of Bethlehem. The program is structured as a deferred payment loan and paired with a Community Action Lehigh Valley (CALV) first-time homebuyer's seminar and one-on-one counseling regarding home ownership, offering new buyers the guidance of HUD-certified counseling. Participants learn how to build credit, obtain a mortgage and bid on a home; assisting low-income, first-time buyers with becoming homeowners and building intergenerational wealth.

Outcome: Since its launch, the program has been marketed to more than 350 graduates of the seminar series and the program has assisted seven low- to moderate-income individuals buy homes. Rising local housing costs have made it even more difficult for first-time homebuyers to compete against well-resourced buyers.

Rental stabilization provisions tied to all rental-project assistance

Barrier: Age of housing stock; displacement pressures; state-specific legal barriers.

Timeline: 2022- to present

The City began offering landlords health, safety and code repair assistance in 2022 with its award of \$4 million in Lead and Healthy Homes grant funding. But it quickly became clear landlords intended to jack up rents after getting free property repairs. So, Bethlehem in 2023 then began tying the program to rental stabilization provisions, which cap annual rent increases and tie them to FMRs. The City intends to integrate these policies into the rental rehabilitation program it is asking this grant to support and any other incentive offered to landlords.

Outcome: To date, nine rental properties have completed the program.

Blight study and blight-certification program

Barrier: Age of housing stock; displacement pressures

Timeline: Study completed and program enacted in 2018.

Following the 2018 Bethlehem Blight Betterment Initiative plan, the City enacted a robust blight strategy to deal with vacant, abandoned and tax-delinquent properties. The City passed an ordinance denying permits to property owners with severe code violations and delinquent taxes; obtained more home repair funding for targeted blight mitigation and established neighborhood improvement plans with housing-focused initiatives.

Outcome: Today, Bethlehem only has 10 properties on its blight list as the real estate market became so hot private developers purchased the majority of properties identified by the Blight study. The Bethlehem Redevelopment Authority now partners with a nonprofit housing developer to rehab the most complex blight cases into affordable home ownership and rental units and issues a request for developers where appropriate. To incentivize affordable housing, the RDA seeks extensive grant funding to lower development costs for selected developers. This partnership has rehabbed five houses thus far and is embarking on its first multifamily project in the next year. All of the homes were sold to low- to moderate-income buyers via the Lehigh Valley Community Land Trust and any rental units produced will have long-term affordability requirements.

b. Other recent actions taken to overcome barriers to facilitate the increase of affordable housing production and preservation.

- **Furman Center:** Recognizing Bethlehem's growing housing affordability crisis, the City in late 2020 convened an affordable housing task force, which led to Bethlehem's 2021 selection as one of five U.S. communities selected to complete New York University's Furman Center's Housing Solutions Lab workshop. The program consisted of a deep assessment of the City's current affordable housing strategies and identified the need for a five-year housing strategy plan to remove and address barriers to housing production.
- **Barriers:** Slow production caused by limited/high cost of land; lack of available financing subsidy; zoning and restrictive land use; age of housing stock; rising displacement pressures; outdated local systems and processes; dwindling local nonprofit capacity; state-specific legal barriers.
- **Opening Doors: Strategies to Build Housing Stability in Bethlehem**
Implementation: The City leveraged its *Opening Doors* affordable housing planning process to build a coalition of partners committed to removing housing barriers and increasing production. All members serve on a permanent Steering Committee that publicly meets each quarter providing ongoing feedback to the city, but their organizations also play critical roles in implementing the plan's strategies. The committee includes private and public partners, like local universities, the school district and health networks, as well as Realtors, community development organizations and regional planning officials.
Only 2.2% of Bethlehem's land is available for residential development, meaning most of the City's opportunities to increase housing production will come through infill and upzoning of properties, development that is inherently more expensive and complex to achieve. These efforts have faced significant opposition in high opportunity neighborhoods that were identified through the City's market value analysis, such delays also drive up development costs.

Opening Doors' coalition building and strategic partnerships are essential to overcoming Bethlehem's high land prices – caused by a lack of vacant developable properties –, high interest rates and rising construction costs. These converging factors often make it impossible for developers to make affordable units financially feasible even with public subsidy. Thus, affordable housing projects now require increasingly significant subsidies; making it tough for the City to financially support multiple projects when it has few options to raise funds dedicated to housing under current Pennsylvania law.

All of these barriers contribute to the fact that Bethlehem's last Low-Income Housing Tax Credit project was constructed more than a decade ago. The *Opening Doors* planning process brought heightened community awareness to the affordable housing crisis, which is a relatively new phenomenon in this post-industrial city. It in 2023 spurred a nonprofit economic development developer to spend \$4 million to acquire a key piece of land – long eyed for housing development – and then donate it to an affordable housing developer. The planned 120-unit, mixed-income Gateway on 4th project intends to apply for tax credits in the next round. The City is pairing this project with a targeted housing rehab program in the surrounding neighborhood in partnership with Habitat for Humanity Lehigh Valley and CADB.

Barriers: Zoning and restrictive land use policies; displacement pressure; age of housing stock; outdated local systems and processes; slow production caused by limited/high cost of land; lack of available financing subsidy; dwindling local nonprofit capacity

The following programs stem out of this collaboration:

- **Housing Stability Collaborative:** The City of Bethlehem has supported the development of a comprehensive eviction diversion pipeline designed to preserve housing stability for residents of naturally occurring affordable housing. Northampton and Lehigh counties, where Bethlehem is located, have two of the highest rates of eviction in Pennsylvania, and the City of Bethlehem has invested in the development of a housing stability collaborative to prevent the displacement of low- to moderate-income residents and to increase the capacity of local nonprofits to serve Bethlehem residents. Three local non-profits provide a range of services along a continuum from tenant education to legal representation in eviction hearings, utilizing a “no wrong door” approach that ensures tenants are referred internally among organizations based on their specific needs. Community Action Development Bethlehem provides pre-filing support, including tenant education and advocacy, and will be launching a landlord-tenant mediation program in early 2025 supported by funding from the City of Bethlehem. Since 2020, New Bethany's rental assistance program has distributed over \$11 million in funding to households throughout Northampton County. With an additional investment of \$390,000 from the City of Bethlehem, New Bethany is continuing to provide rental assistance to tenants facing short-term housing challenges as well as case management support. Finally, North Penn Legal Services has piloted an access to counsel program at one magisterial district court in Bethlehem, providing a “lawyer for a day” for residents facing eviction.
- Choice Neighborhood Planning Grant – The City and Bethlehem Housing Authority just finished the first year of their Choice Planning Grant.

- **Barrier:** Age of housing stock, lack of available financing subsidies
- Alley House Pilot program - obtained \$2.3 million to research, develop and build model ADU program
 - **Barrier:** Slow production caused by limited/high cost of land, zoning and restrictive land use policies
- Developed rental rehabilitation program
 - **Barrier:** Displacement pressure, age of housing stock, lack of available financing subsidy, dwindling local nonprofit capacity
- Lead and Healthy Homes and owner-occupied housing rehab
 - **Barrier:** Displacement pressure, age of housing stock, lack of available financing subsidy, dwindling local nonprofit capacity
- Packer Avenue Family Shelter
 - **Barrier:** displacement pressure
- Bethlehem Emergency Sheltering
 - **Barrier:** displacement pressure
- Lehigh Valley Community Land Trust (LVCLT)- Community Action Lehigh Valley developed one of Pennsylvania's six community land trusts in 2009. Since its inception, the City has partnered with the land trust to rehabilitate blighted and older housing stock into deed-restricted affordable housing, which is sold to qualified homebuyers. The properties carry a 99-year land lease or 99-year deed restriction that ensure resale to income-qualified households while allowing owners to build equity. Since 2009, the LVCLT has acquired, rehabilitated, and resold to low- to moderate-income first-time homebuyers in the City of Bethlehem.
 - **Barrier:** displacement pressure; age of housing stock
- City provides CDBG, HOME and RDA funding to Habitat for Humanity, Community Action Development Bethlehem and Community Action Lehigh Valley to improve X facades, create X owner-occupied units, and rehab X owner-occupied units over the last X years.
 - **Barrier:** displacement pressure, age of housing stock

ii. Do you have acute need for affordable housing? What are your remaining housing needs and how do you know?

The City of Bethlehem is located in the Lehigh Valley region, one of Pennsylvania's fastest growing areas in terms of population and economic growth. Its strategic location between New York City and Philadelphia attracted an influx of new residents during the pandemic, who with newfound work flexibility were drawn by the high-quality of life and, comparatively, lower cost of living. Home to nearly 700,000 people, the region remains one of the Mid-Atlantic's fastest growing due to a rapidly expanding shipping, receiving and manufacturing industry. Over the last decade, the region's population has grown by 6.5%.

The City of Bethlehem is not a priority geography for this grant, but this city of almost 78,000 people is experiencing an acute affordable housing crisis that began with the pandemic. The city

straddles Lehigh and Northampton counties, two of the top 10 growing counties in Pennsylvania at a time much of the state is losing population. The time lag inherent in many federal datasets paints an incomplete picture of the city's and region's extreme housing needs.

Recently stakeholders cited housing affordability and availability as the biggest obstacle for regional growth, according to Lehigh Valley Economic Development Corp.'s strategic plan. The Lehigh Valley Planning Commission estimates the region is short 16,058 housing units for those earning \$24,999 a year or less and a shortage of 34,716 units for households earning more than \$100,000. With the region projected to add 100,000 new residents by 2050, the commission is in the midst of conducting a regional housing and attainability strategy that incorporates Justice40. Bethlehem is a key strategic partner in the planning.

In 2015, Bethlehem's median home sales price was \$142,500. It was \$182,000 in May of 2019 and \$302,000 by May 2023. The typical rent jumped by \$556 to \$1,910, a 41% increase. Prior to the pandemic, Bethlehem's housing market was affordable. A household earning median income could afford to buy a home and moderate-income individuals could afford to rent without being cost-burdened. Today, all areas of Bethlehem are facing displacement pressure and there is nowhere in the city someone earning the median income can afford to buy a home, according to the city's MVA analysis.

Not accounting for future growth, Bethlehem needs 719 affordable units to relieve its rental vacancy crisis. This shortage of housing drives up costs for everyone and makes it very hard for the Housing First model to operate in the region.

Median rent increases of \$100 a month result in a corresponding 9% increase in homelessness, according to a 2020 U.S. Government Accountability Office analysis. With the expiration of pandemic-related housing assistance, there's been a 25% decline in Lehigh Valley sheltered households from 2023 to 2024 and a 138% increase in unsheltered individuals from 2020 to 2024, Point in Time Count data indicates. This alarming rise in unsheltered homelessness regionally had led to growing encampments along the D&L canal in Bethlehem. A September 2024 census by the Bethlehem Health Bureau found 111 unhoused individuals living in 108 tents in the city.

Nearly half of Bethlehem households are low income, earning less than 80% of the \$68,719 area median income. And 69% of low-income households are renters, according to HUD CHAS data. A low-income individual in Bethlehem earns \$55,100 or less, while a household of four earns \$78,650, according to HUD's 2024 Income limit. The majority of the city's low-income households cannot afford current market prices. These high rental rates are exacerbated by a majority of landlords requiring three months rent to sign a lease. There is also a widespread unwillingness to accept Housing Choice Vouchers (HCVs).

As of May 2023, a household needs to earn \$100,000 annually to afford a typical home, while an individual would need to earn \$50,000 annually to afford renting a one-bedroom, *Opening Doors* found. The city's low-wage workers, employed in industries such as food service, retail and healthcare, earn less than \$30,000 a year and are increasingly at risk of homelessness and/or displacement due to affordability challenges, *Opening Doors* found.

This high cost of housing leaves many city residents cost-burdened or extremely cost burdened. More than 50% of senior renters are cost-burdened, with 50% of them earning less than 30% of AMI. Overall, 45% of Bethlehem renters are cost-burdened, compared to 18% of Bethlehem homeowners. One in five renter households experience extreme cost burden, with a large share

earning less than 30% AMI.

Rental unaffordability in Bethlehem outpaces most communities in Pennsylvania and the state average. Rent in Bethlehem is unaffordable for 51% of renter households earning less than 50% to 80% of AMI, compared to 32% for the state. This indicates an atypical shortage of rental units priced between \$1,000 and \$1,500 per month. Moreover, HUD CHAS data shows that Black and Hispanic/Latino homeowners are more likely to be cost-burdened than White, non-Latino homeowners. Approximately 40% of city residents identify as non-white, while 31% identify as Hispanic or Latino. This disparity in housing access needs to be addressed through affordable housing projects that create mixed-income neighborhoods, such as the City's Pembroke Choice Neighborhoods planning process, and open up new areas of high opportunity.

In 2023, only 10% of the 2,203 households enrolled in Coordinated Entry by the Lehigh Valley Regional Homeless Advisory Board exited to permanent housing from the by name list (BNL). The average length of time on the BNL was 152 days, the longest in the Eastern PA CoC. Of the 2,203 enrolled households 40% were families with children, the highest share in the Eastern CoC.

Equity is also a concern. The Planning Commission estimates that a person of color is twice as likely to live in poverty than their white neighbors. The number of people of color accessing the Coordinated Entry System are overrepresented when compared to the general population using U.S. Census demographic data; this is especially apparent for Black/African American and Hispanic/Latino members of the community.

iii. What key barriers still exist and need to be addressed to produce and preserve more affordable housing?

Outdated local systems and processes slow permit/development approval times and predictability

Over the last six years, a development boom in Bethlehem has resulted in nearly \$2 billion of residential and commercial construction investment in Bethlehem. The city saw just 46 residential dwelling units approved in 2014, while 1,455 were approved from 2018 to 2023. In 2021 alone, 671 units were approved. Virtually all of these new units are market rate. Even with this boom, the City has not added any permit or codes staffing nor has it upgraded any of its technology to keep up with this jump in construction. Currently, the City cannot technologically accept online permit or land development applications or offer digital plan review.

During the City's *Opening Doors* planning process, developers shared that unpredictability in the City's land development review/approval and permitting processes slow their project timelines and drive up costs. Permitting/land development delays are especially problematic for affordable housing developers who are often juggling several grantor deadlines. This unpredictability can exacerbate market conditions that, today, even leaves market-rate developers struggling to obtain financing to build approved projects. In the last year, the City has seen three developers sell projects after rising costs made their capital stacks infeasible. All project submissions to the City are made on paper, making it infeasible for staff to determine if an application is complete at the time of in-person application at the DCED counter.

This inefficient system forces applicants to wait at all points in the process from their first and last visit to City Hall, as staff check for completeness and while City staff review plans. There is no way for individuals to check their application status online, so staff spend a large chunk of each day responding to phone calls inquiring if a permit is ready. Applications inadvertently stall because the City's enterprise software does not notify a plan reviewer when it is their turn to take the next step to move an application along. All of this creates uncertainty and delays for developers which in turn drives up per unit costs that we all pay for in the form of higher rents

and home sales prices. This further strains the limited subsidy available for affordable housing development.

Pennsylvania law gives municipalities 30 business days to review commercial permits and 15 days for residential permits. The City remains quite close to these maximum guidelines. It is difficult to get actionable data on how to improve these processes due to the age of the City's enterprise software. It took more than a month for the City's IT department to be able to run the necessary reports to obtain the permitting data included in this grant proposal. This time lag makes it exceedingly difficult to make data-driven decisions. With the current system, there is no way to obtain real-time data and provide public accountability for permitting and land development timelines.

This all ties into the fact that the City's enterprise software was last updated in 2016 and introduced almost three decades ago. Currently, there is no citywide action plan for modernizing the City's IT system and making all associated City functions digital. Modernizing and digitizing City operations is a large undertaking that's been limited by cost and human capacity. A full enterprise software overhaul is needed to most fully streamline the City's land development and permitting process. Individual departments that do modernize their internal technology still must enter data into the enterprise system, which results in staff spending an inordinate amount of time on duplicative data entry to maintain adequate records in both systems. DCED has experienced this with its switch to digital online housing inspections. Clerical staff must download reports from the new Esri software and manually upload each report to a property address in the enterprise software.

Availability of financing and subsidies for affordable housing: Outdated land use policies and the limited availability of affordable housing subsidies represent the most sizable barriers to increasing housing production in Bethlehem, a post-industrial City with very little vacant land. Only 2.2% of Bethlehem's land is available for residential development, meaning most of the City's opportunities to increase housing production will come through infill and upzoning of properties, development that is inherently more expensive and complex to achieve. Recent efforts have faced significant public opposition to proposed projects in neighborhoods the City's market value analysis identified as highly-resourced areas. Such delays also drive up development costs.

As interest rates hit a 21-year high and construction costs soared, even Bethlehem market-rate developers have struggled to deliver on proposed projects. This means affordable housing developers, who operate on slim margins, require an increasing level of public subsidy to deliver affordable units.

The scarcity of developable land drives up the cost of any vacant parcels out of reach of most affordable housing and nonprofit developers. It has forced Habitat for Humanity to develop city properties with extremely steep slopes, which carry much higher project costs; thus requiring greater public subsidy to remain affordable to low- to moderate-income homebuyers. Higher per unit costs mean the City can fund fewer projects with its HOME and affordable housing funding. Even with a \$4 million land donation, the City's current proposed LIHTC project – the Gateway on 4th – needs at least \$3.1 million of City funding to help close its financing gap. This request far exceeds the City's roughly \$400,000 annual HOME allocation. The project's capital stack relies on complex layering of local, state and federal funding sources. If some of those sources are not awarded the project's timeline could be greatly extended or more local subsidy will be required.

Affordable housing developers often rely on project-based Housing Choice Vouchers to help them obtain financing. But both the Bethlehem and Northampton County housing authorities currently are in a voucher shortfall, caused by paying out higher FMRs to get more vouchers in circulation in an increasingly costly rental market. Without the option of including project-based vouchers, affordable housing developers require more public subsidy.

Bethlehem also does not have a robust incentive package to offer affordable housing developers, such as expedited project review, tax relief or pre-development financing. These are all barriers the City hopes to address with this grant proposal.

State-specific legal barriers

Pennsylvania law exacerbates the limited financing and subsidy available for affordable housing. State restrictions on local government authority mean that Pennsylvania third-class cities like Bethlehem do not have access to the full toolbox of affordable housing strategies available to some other U.S. cities. It cannot mandate inclusionary zoning, set limits on rent restrictions nor does it have much latitude to enact dedicated affordable housing fees.

Pennsylvania law dictates that local governments obtain their powers from the state and can only exercise powers the state specifically authorizes, a legal doctrine known as Dillon's Rule. Pennsylvania also assigns cities to four classes according to their population and the General Assembly can pass laws for specific classes of cities. With almost 78,000 residents, Bethlehem is a third-class city and subject to the state's Third-Class City Code.

Philadelphia has only been able to enact policies like mandatory inclusionary zoning with the assistance of state-enabling legislation that only applies to first-class cities, of which it is the only one. This is why Bethlehem's inclusionary zoning policy is offered as an incentive, not a mandate.

Pennsylvania also lags behind other states in terms of enacting zoning and land use reforms that could spur affordable housing production. In September 2024, Gov. Josh Shapiro signed an executive order to create the state's first Housing Action Plan. Bethlehem's efforts to expand housing production remain ahead of statewide efforts, which comes with unique challenges. The City remains committed to affirmatively furthering fair housing by removing exclusionary zoning barriers and is already working to do so as part of *Opening Doors*.

Aging housing stock and rising displacement pressures:

Bethlehem's rapid increase in housing costs over the course of the pandemic resulted in the loss of nearly all of the city's naturally occurring affordable housing (NOAH). The market analysis conducted as part of *Opening Doors* found it is now virtually impossible to find apartments priced below \$1,000 a month, units that were plentiful pre-pandemic. The city's 2% rental vacancy rate is at a crisis level that increases housing instability and homelessness. By 2023, 196 of Bethlehem's LIHTC -funded units will be at least 30 years old and may convert to market-rate pricing resulting in a substantial loss of subsidized housing.

Almost half of all Bethlehem residents are renters, much higher than the 32% Lehigh Valley wide. Forty-five percent of renters are cost-burdened and one in five are extremely cost-burdened. This is why the City's affordable housing study identified access to affordable rental housing as the City's most acute need.

As an historic city, Bethlehem's housing stock is older, with a median age of 1955, lower than the state age of 1964 and the metro's 1969. Any remaining NOAH units tend to be extremely old with significant repair needs and the majority are located in R/ECAP, where the median home age is even older at 1938.

Aging housing stock presents unique life and safety challenges, but in light of high construction costs and limited developable land, preservation of these units is essential to prevent further displacement.

Seventy percent of Bethlehem's 1,374 low-income homeowners are cost burdened, presenting significant challenges for them to remain in their homes. Although, only 18% of all city homeowners are cost-burdened. Displacement disproportionately impacts people of color and populations with limited English proficiency.

The City's 2017 market value analysis was updated as part of *Opening Doors* in 2022. The analysis includes a displacement risk ratio (DRR) for all Bethlehem block groups. Back in 2015-16, on average home prices were affordable to the average resident across all neighborhoods. By 2022, this citywide DRR hit 3.5 indicating that home prices were generally unaffordable across all areas of the city. Areas that are now extremely unaffordable for long-time residents also are the neighborhoods with the highest concentration of NOAH units. The strategies contained in this grant proposal aim to concentrate resources and attention where long-term residents are likely experiencing acute displacement pressure with the aim of preserving affordability in rapidly changing parts of the city.

Public opposition

The City has begun to encounter public opposition to its affordable housing strategy implementation, especially in predominantly single-family neighborhoods. Neighbors fear change to the fabric of their community and, in some communities, have begun concerted efforts to raise funds for potential legal battles and mobilized campaigns against proposed affordable housing projects.

Although, there is an overall consensus among most city residents that more affordable housing is desperately needed. Understandably, many residents do not understand the root causes of America and Bethlehem's housing crisis nor do they grasp how affordable housing strategies can be responsibly implemented in their community. Public education campaigns can demonstrate that the benefits are greater than the burden, but City staff do not have the capacity to design such a campaign.

It is clear that public education campaigns can help boost housing production. Arlington, Va.'s , planning department [found great success](#) utilizing a broad-based community engagement and research approach to build community consensus around constructing more missing middle housing. Arlington produced a five-part Research Compendium, a detailed, visual report that traced the history of the city's zoning and housing rules. This underpinned the creation of a missing middle housing policy proposal that was later enacted.

Capacity of local nonprofit developers

The major barriers to affordable housing development across the Lehigh Valley has resulted in the consolidation of nonprofit affordable housing developers and property managers. The City of Bethlehem only has one eligible Community Housing Development Organization and only a handful of nonprofit developers to partner with. Existing nonprofit developers are currently not building small-scale affordable rental housing nor do they have the resources to snatch up existing NOAH units as they come on the market. This greatly limits the City's ability to pursue both preservation and affordable housing development strategies.

Exhibit D: Soundness of Approach

Applicant: City of Bethlehem

i. What is your vision?

The City of Bethlehem seeks to remove systemic barriers within its control; increase housing production through streamlined processes and incentives allowed under Pennsylvania law and fund the construction of new affordable units.

In this application, nine activities under three strategy areas will help Bethlehem realize its vision. They fall under three categories: increasing housing production; rental preservation and planning to remove barriers and increase housing opportunities.

Activities to increase housing production

Activity 1: Assessment of IT infrastructure and the role outdated technology plays in slowing down land development review and permit processing. This would include the implementation of recommended technological upgrades and a move to digital plan review and permitting.

Activity 2: Create gap financing revolving loan fund

Activity 3: Develop incentives package for affordable housing projects, such as expedited project review; fee and permitting waivers; property tax exemptions or incentive programs;

Activities for rental preservation

Activity 4: Implement an already designed rental rehabilitation program.

Activity 5: Develop an action plan and incentives for maintaining affordability of 196 LIHTC properties with expiring affordability by 2023.

Planning

Activity 6: Conduct a market feasibility study of Bethlehem neighborhoods to create housing production goals.

Activity 7: Develop a strategic plan for the Bethlehem Redevelopment Authority.

Activity 8: Create a community education plan to build support for affordable housing.

Activity 1: Assessment of IT infrastructure and the role outdated technology plays in slowing down land development review and permit processing.

The City wishes to identify and address key barriers to housing production presented by the City's outdated enterprise software system and develop a plan to upgrade the entire enterprise. This IT infrastructure review will include a study of technological barriers related to the City of Bethlehem's code, permitting process and access/review of available data with a goal of transitioning to digital permitting and plan review. The City aims to update its outdated local systems and processes through technological upgrades that will speed up overall land development review and permit processing times and allow the City to offer expedited review for all affordable housing projects. Feedback from market-rate, affordable and nonprofit housing developers as well as residents has cited lengthy land development approvals and permitting

processes as barriers to quicker housing production. Lengthy development reviews impact the cost of new housing at all price levels and represent a key part of the risk developers take on. Creating more certainty and speeding up the development process will lower housing costs and risk.

Bethlehem has learned from neighboring Allentown, which has overhauled its entire enterprise software system over the last two years and also moved to digital plan review. Allentown emphasized the importance of documenting standard operating procedures before embarking on IT upgrades and closely reviewing drafts of auto-generated documents before sending them for the first time. Financial system interoperability is also essential to a successful transition.

The City's study should result in identified solutions to remove the barrier of outdated local systems and processes and slow production caused by the limited/high cost of land. This activity should first improve the efficiency of City permitting and land development processes, provide developers with more predictability and improve the rate and/or ease of housing production. Modernizing and digitizing City operations is a large undertaking that's been limited by cost and human capacity. A PRO Housing grant award would eliminate those barriers.

Step 1 - Utilize a consultant to conduct a City IT infrastructure study that results in a comprehensive plan for upgrading the City's enterprise software. This plan will include a transition to digital land development, permitting review and digital applications. The plan shall include cost estimates, software recommendations and a phased implementation timeline. Estimated timeline: January to December 2025

Step 2- Relying on the study, implement digital plan review, permitting and land development review. Create an online application portal, which allows applicants to check on approval status. Estimated timeline: January 2026 to June 2026.

Step 3 - Create a public facing dashboard with real-time permitting and land development metrics to allow the City to track its progress and set timeliness goals. Estimated timeline: June 2026 to September 2026.

Step 4 - Begin transition to new enterprise software. Estimated timeline: June 2026

Activity alignments:

- Identified Need (Exhibit C): Outdated local systems and processes slow permit/development approval times and predictability
- National objective: Benefiting low- and moderate-income persons
- Eligible activities: (Per Section III.F.2.b) i,ii, iii. and (Section III.F.2.c.i.) H, I, K and iii.A

Activity 2: Create gap financing revolving loan fund

There are significant barriers to housing production in Bethlehem including slow production caused by limited/high cost of land; lack of available financing subsidy and zoning and restrictive land use. Local affordable housing production is curtailed by the lack of available, buildable land, the high cost of land, rising material costs, high interest rates and supply chain disruptions. Outdated and exclusionary land use policies also prevent developers from fully maximizing buildable parcels, a barrier the City is currently addressing via an exploration of its zoning and proposing to also address via activity 3 of this proposal. These challenges mean fewer nonprofit developers than a decade ago. New projects are requiring

an increasing level of public subsidy to meet the needs of low- to moderate-income residents.

Currently, the City supports projects with HOME funding, its affordable housing trust – funded via a limited LERTA payment-in-lieu-of-fee - and a one-time \$5 million budget allocation, which is not a replenishing source. Pennsylvania law does not allow Bethlehem to implement programs, like inclusionary zoning, which has helped to spur the production of units and generate recurring revenue in states like Oregon, New Jersey and Maryland.

Utilizing *Opening Doors* data and analysis as well as the ADU HUD research grant, the City will work with an experienced consultant to develop a gap financing revolving loan fund aimed at making more affordable housing projects financially feasible in this challenging development environment. The terms and conditions of the fund, including whether a portion of the funds may be offered as a grant, affordability periods and deed restrictions will be determined as part of the planning process. The City hopes the market supports the creation of a revolving loan fund where repayment of loans can be funneled into future development projects. Once created, this would be the City's largest replenishing source of affordable housing funding. The City will design the loan program to stack with other available funding sources, such as HOME and CDBG, to maximize impact. The City hopes to offer below-market financing of debt that in turn reduces the rents or sales prices needed for economically sustainable development. Depending on planning results, the fund may offer pre-development, acquisition, construction, interim and/or permanent loans. The planning consultation period will identify the types of loans most needed in Bethlehem's market.

The City will develop clear eligibility requirements and a scoring rubric. The fund may prioritize shovel-ready projects that would not be able to proceed without this gap funding. Program priorities may also address proposed projects' locations, cost effectiveness, environmental sustainability and equitable development. Arlington County, Va.'s, Affordable Housing Investment Fund offers a strong model for Bethlehem as it incentivizes many types of housing, including naturally occurring affordable housing. Seattle's Rental Housing Program model utilizes local and federal funds with a goal of providing a mix of affordable rental housing while also meeting other specified objectives, such as housing those at-risk of homelessness.

Step 1: City will hire a consultant to assist housing policy lead with development of revolving loan fund. Timeline: January 2025 to June 2026.

Step 2: Creation of revolving loan fund, application process and eligibility criteria. Timeline: June 2026 to September 2026.

Step 3: Rolling revolving loan fund application cycle begins. Timeline: October 2026

Activity alignments:

- Identified Need (Exhibit C): Availability of financing and subsidies for affordable housing:
- National objective: Benefiting low- and moderate-income persons
- Eligible activities: (Per Section III.F.2.b.i.ii): i, ii, iii. (Per Section III.F.2.c.ii) A; B; E

Activity 3: Develop incentives package for affordable housing projects, such as expedited project review; fee and permitting waivers; property tax exemptions or incentive programs;



This activity works hand-in-hand with Activity 2's RLF creation. Gap financing paired with other types of incentives can quicken development timelines and potentially reduce the amount of direct subsidy needed to overcome the barriers of limited funding, slow housing production and zoning and restrictive land use.

The City in 2024 hired a housing policy lead and senior planner to help build out this package of incentives, the associated programs and application process. They will act as the City's affordable housing concierges, shepherding projects through feasibility exploration to completion. This team will build upon the research of best practices and incentives identified through the City's ADU zoning update, which is underway. Incentives could include expedited project review and permitting, deferred loan payments tied to affordability covenants/deed restrictions, tax rebates or incentives or tax credits. Incentives may come in the form of predevelopment or land acquisition assistance via dedicated funds in exchange for affordability covenants.

Incentives go hand-in-hand with land use reforms and gap financing. The City plans to explore incentives at every stage of the development process and implement those that are most effective for Bethlehem's market. Funding and incentives can quicken the development timeline and reduce the amount of overall subsidy needed per project.

Outside of this grant proposal funding, the City plans to review its existing workforce housing density bonus to make it more attractive to developers. Incentives developed as part of Activity 3 may complement this zoning and land use reform. The limited utilization of this density bonus shows the importance of soliciting significant community input on the feasibility of incentives prior to enactment. The City's development of its Accessory Dwelling Unit program in partnership with Lehigh University shall serve as a model for the development of any future incentives. The ADU program is guided by a Steering Committee of relevant stakeholders, who help ground truth the research and identify proper solutions for Bethlehem's unique market.

Step 1: Research, quantify and evaluate potential new incentives based on local data. (January 2026 to July 2025)

Step 2: City housing staff will conduct outreach and engagement with the development community, financial institutions and property owners, where applicable, to test market interest in various incentives. (June - July 2025)

Step 3: Incentive program build out and any necessary legislative enactment. Based on stakeholder engagement, the City will stagger the roll out of incentives. (July 2025 - December 2026)

Activity alignments:

- Identified Need (Exhibit C): Slow production caused by limited/high cost of land; lack of available financing subsidy; age of housing stock; rising displacement pressures; dwindling local nonprofit capacity; zoning and restrictive land use.
- National objective: Benefiting low- and moderate-income persons
- Eligible activities: (Per Section III.F.2.b.i.ii): i, ii, iii. (Per Section III.F.2.c.i) D, K, M, Q, U; C.ii. A, B, C, E; c.iii. C; c.iv: B, C, E, F, J, K, L

Rental preservation

Activity 4: Implement a rental rehabilitation program

Rising displacement pressures mean that Bethlehem's seen a rapid loss of its naturally occurring affordable housing stock. The City administers a successful owner-occupied rehabilitation program that rehabilitates approximately 40 housing units per year. In 2020, City leadership launched a proactive inspection and rental licensing program to better identify unsafe living conditions and pursue corrective actions against landlords through code enforcement of the City's 15,000 rental units once every three years. At this time, there are more than 2,000 units throughout the City that are not up to code, per inspections; many of which would benefit from a rental rehabilitation program. The City can better utilize these regular property inspections as a tool to both uncover housing code violations and identify potential clients who may benefit from a rental rehabilitation program. In June 2024, a Harvard-Bloomberg Fellow worked with the City's Department of Community and Economic Development connected program strategy, data analysis and stakeholder engagement to assist in creating guidelines for a rental rehabilitation program that satisfies HUD standards, prevents displacement and helps reach the City's diverse communities most in need of the resource. The rental rehabilitation program will be a low-interest loan program designed to update substandard rental units that are affordable to and occupied by low-income households. To qualify for the program, at least 51% of tenants must have incomes less than 80% AMI and the landlord must commit to renting their property to low- and moderate-income tenants for a minimum of ten years. The program provides competitive fixed interest rates of 0-3% and flexible loan terms of 5-, 10, 15-, or 20-year options as well as offering deferred payment options.

Since the program guidelines were established, the City has applied for an EPA Community Change Grant (CCG) in collaboration with Community Action Lehigh Valley and the City of Allentown, in which a portion of the budget would fund the energy-efficiency measures associated with rental rehabilitation. However, at this time, the City does not have funding to support a rental rehabilitation program and EPA CCG funds would only cover additional rental rehabilitation components related to energy efficiency, not preliminary rental rehabilitation components that would bring the units up to code. Furthermore, the City requires additional staff to carry out the program to its full potential; otherwise, the City's current owner-occupied rehab staff would be forced to decrease the number of owner-occupied rehabilitation projects they are able to complete in order to take on rental rehabilitation projects. Funding through PRO Housing would allow the City to implement its built-out rental rehabilitation guidelines.

Step 1: Finalize program guideline selections. (January 2025 to February 2025)

Step 2. Conduct landlord, Realtor and tenant engagement on proposed program design. (March 2025 to June 2025)

Step 3: Hire two full-time staff members, a financial and rehab tech specialist. (Spring of 2025)

Step 4: Launch program with eligible cases identified through rental property inspection program. (Summer 2025)

Activity alignments:

- Identified Need (Exhibit C): Age of housing stock; rising displacement pressures; dwindling local nonprofit capacity
- National objective: Benefiting low- and moderate-income persons
- Eligible activities: (Per Section III.F.2.b.i.ii): i, ii, iii. (Per Section III.F.2.c.iv) A, B, C, F, L

Planning

Activity 5: Develop an action plan and incentives for maintaining affordability of 196 LIHTC units with expiring affordability by 2023.

The City knows that by 2030 it will have nearly 200 LIHTC units with expiring affordability, but it has no plan to extend these affordability periods. This activity proposes researching potential incentives, partnerships and programs to create a Subsidized Housing Affordability Preservation Action Plan to identify the best local tools to support the long-term preservation of units with expiring affordability requirements. The City plans to survey the owners of these properties to determine their intentions and interest in various incentives. The analysis will consider the feasibility of Right of First Refusal strategies (ROFR) in Bethlehem given existing nonprofit capacity and ways to build such capacity. This Action Plan would help preserve existing affordable units and prevent displacement. Potential tools could include acquisition financing, financing for energy efficiency and decarbonization building upgrades or technical assistance.

Montgomery County, Md., has developed a three-year, short-term financing revolving loan fund for developers to acquire properties at risk of losing affordability. The county has the National Housing Trust for Community Development manage the fund, which provides advantageous terms. It also operates a nonprofit preservation fund to nonprofit housing developers and public housing authorities to acquire and preserve affordable units. These well-established programs provide potential incentive frameworks to consider as the City develops its action plan.

Activity alignments:

- Identified Need (Exhibit C): Age of housing stock; rising displacement pressures; dwindling local nonprofit capacity
- National objective: Benefiting low- and moderate-income persons
- Eligible activities: (Per Section III.F.2.b.i.ii): i, ii, iii. (Per Section III.F.2.c.iv) D; iv. A; B; D; G; M

Activity 6: Conduct a market feasibility study of Bethlehem neighborhoods to create housing production goals for public accountability.

The City's affordable housing study kicked off in May of 2022 and was released in late 2023. The plan estimated that the City needs 1,042 new rental units to alleviate its rental vacancy rate and meet current rental demand. The plan did not create neighborhood-specific production goals for rental housing and homes for sale to meet projected population growth. As part of its Choice Neighborhood Planning Grant for the Pembroke community, the City is undergoing a market study to identify production goals, price points and housing types that are most in

demand. The City hopes to expand this process to other Bethlehem neighborhoods and develop housing production goals based on local conditions.

Aligning housing production with population and economic growth is essential to create a healthy housing market offering quality homes at price points affordable to all residents. These production goals can then be aligned to the City's affordable housing strategies and lay a strong foundation to those efforts.

The housing production goals can also serve as a public accountability metric for Bethlehem as it implements identified affordable housing strategies and makes progress towards increasing housing production. The City of Philadelphia's Housing Action Plan dashboard serves as an excellent model for tracking housing production and tying unit creation to initiatives and programs.

The public often laments Bethlehem's rate of market-rate rental apartment growth and calls for more affordable units. These production goals can help bring broader context to debates over the merits of specific proposed developments. And publicly tracked metrics can show the public progress and hopefully build broader support for affordable housing development. Such a market study can overcome traditional "Not-in-my-backyard" reactions to proposed new development by providing clear cut data on existing infrastructure capacity and neighborhood-based growth targets.

Activity alignments:

- Identified Need (Exhibit C): Slow production caused by limited/high cost of land; zoning and restrictive land use policies; public opposition
- National objective: Benefiting low- and moderate-income persons
- Eligible activities: (Per Section III.F.2.b.i.ii): i, ii, iii. (Per Section III.F.2.c.i)

Activity 7: Develop a strategic plan for the Bethlehem Redevelopment Authority

The Redevelopment Authority (RDA) of the City of Bethlehem is comprised of five (5) volunteer Board members, who are appointed by the Mayor to serve six-year terms. The RDA has previously assisted in developing a first-time homebuyers' program to assist with down payments and closing costs relative to home purchases in Bethlehem. Its primary function remains blight remediation – turning such properties into code compliant, viable properties in our community.

After the close of Bethlehem Steel, the RDA focused on spurring the economic redevelopment of Bethlehem Steel and managing the associated tax increment financing district (TIF). In 2017, it led the Blight study to create a targeted blight elimination process, however, the entire plan was developed for a very different housing market. The RDA has many tools available to assist in this housing crisis, but no long-term plan for sustainable funding and, following the ending of the TIF in 2020, has seen its vital role shrink.

The activity would fund a strategic planning process for the RDA and identify areas of potential collaboration between the City, nonprofits and the development community. RDAs in Pennsylvania are afforded many powers that third-class cities are not, so such a collaboration helps to reduce the barriers posed by state law.

Activity alignments:

- Identified Need (Exhibit C): Slow production caused by limited/high cost of land; zoning and restrictive land use policies; rising displacement pressure
- National objective: Benefiting low- and moderate-income persons; preventing or eliminating slums or blight
- Eligible activities: (Per Section III.F.2.b.i.ii): i, ii, iii. (Per Section III.F.2.c.i) A

Activity 8: Create a community education plan to build support for affordable housing

Public opposition to new affordable housing development can hurt housing production in many ways. It can prevent changes to remove exclusionary zoning policies and even lead to more stringent zoning laws. The land development process includes many public touchpoints that can drag out development timelines by years. Even if a project is approved, it may face legal challenges. These significant time delays drive up the cost of housing development for all units, which we in turn pay for via higher housing costs. Even the threat of public opposition may be enough to deter developers from working in certain communities.

Understandably, many residents do not understand the root causes of America and Bethlehem's housing crisis nor do they grasp how affordable housing strategies can be responsibly implemented in their community. Public education campaigns can demonstrate that the benefits are greater than the burden, but City staff do not have the capacity to design such a campaign.

It is clear that public education campaigns can help boost housing production. Arlington, Va.'s , planning department [found great success](#) utilizing a broad-based community engagement and research approach to build community consensus around constructing more missing middle housing. Arlington produced a five-part Research Compendium, a detailed, visual report that traced the history of the city's zoning and housing rules. This underpinned the creation of a missing middle housing policy proposal that was later enacted. This activity seeks funding to engage a consultant to help the City develop a multifaceted public education campaign centered with the aims of bolstering support for affordable housing construction.

Activity alignments:

- Identified Need (Exhibit C): Slow housing production; zoning and restrictive land use policies; public opposition;
- National objective: Benefiting low- and moderate-income persons
- Eligible activities: (Per Section III.F.2.b.i.ii): i, ii, iii. (Per Section III.F.2.c.i) Planning

ii. Geographic Scope

The geographic scope of this proposal is the entire city of Bethlehem as well as smaller geographies for targeted activities, such as rental preservation. To facilitate a balanced community development approach, the City utilizes several tools available to help identify the areas that are most impacted by affordable housing barriers. When targeting these housing investments, the City utilizes its 2022 Market Value Analysis (MVA) as well as CDBG-eligible census tracts, Racially/Ethnically Concentrated Areas of Poverty (R/ECAPs) shown in Figures 1 and 2)

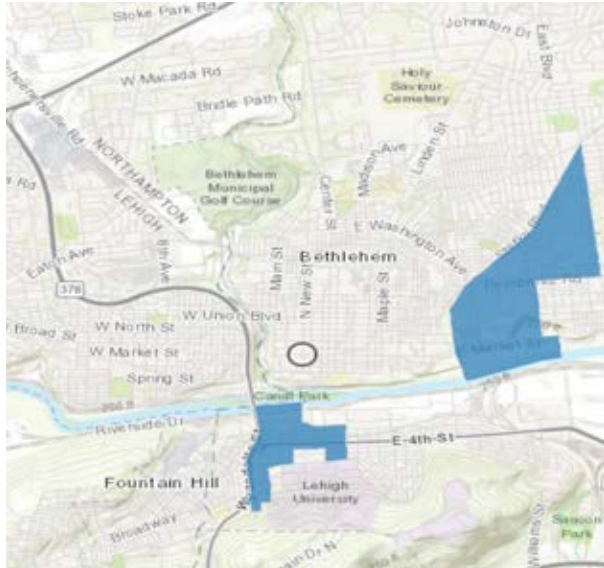


Figure 1: R/ECAP

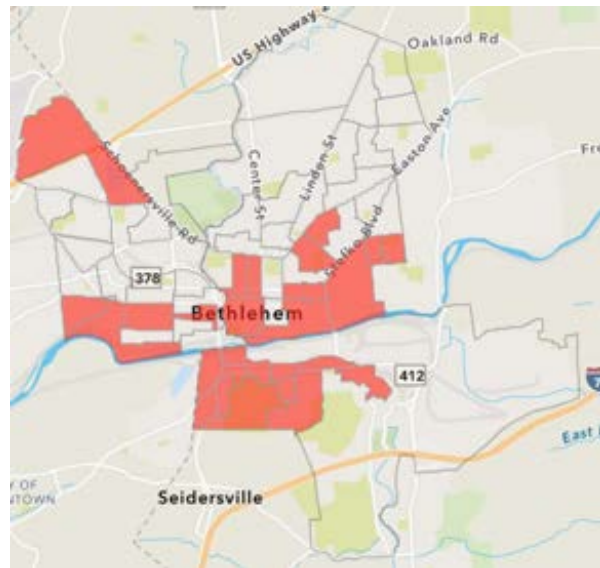


Figure 2: Low- to moderate-income Block Groups

The MVA (Figure 3) is a tool created by The Reinvestment Fund (TRF) to identify different types of residential markets and track trends over time. Bethlehem's first MVA was completed in 2017. The MVA sets a baseline of housing market information and offers insights into displacement risk (Figure 4), racial, ethnic and economic segregation across neighborhoods over time. The MVA analysis informs all of the strategies in *Opening Doors* and this grant proposal with the aim of targeting housing strategies to areas of the city that are most apt for each type of development or intervention. Characteristics used to target specific activities included the strength or weakness of the housing market as well as neighborhood composition and demographics.

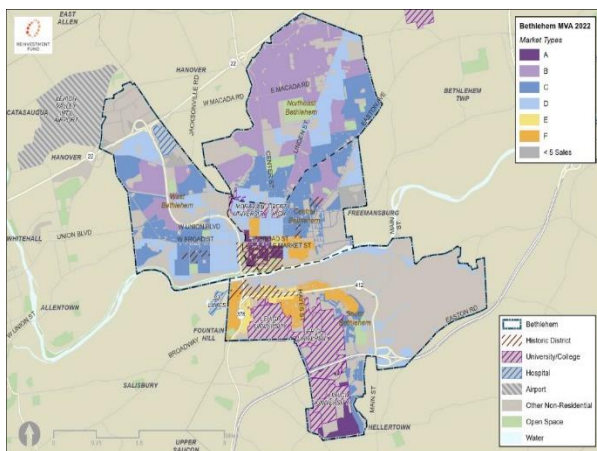


Figure 3: 2022 Market Value Analysis

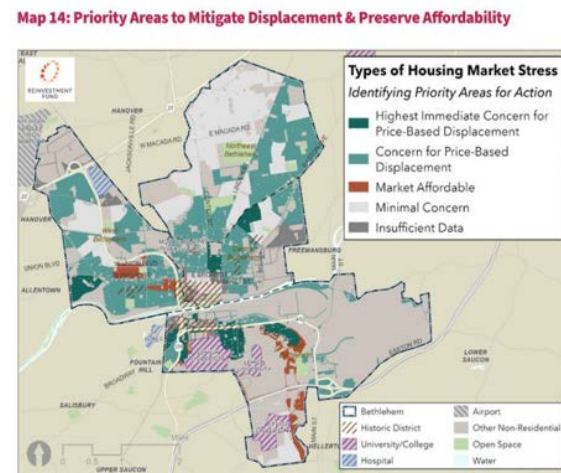


Figure 4: Priority Areas

The rental preservation activities proposed in the grant will target neighborhoods identified as market affordable and areas of concern for price-based misplacement, according to the MVA. The efforts will also utilize City code enforcement data.

Updates to the zoning ordinance, funded outside of this grant proposal, will be tailored to incentivize affordable housing development in areas that will promote desegregation. The most

promising opportunities for zoning and land use updates exist primarily north and west of downtown in the city's strongest B markets and C and D middle markets, according to the MVA.

The public education campaign developed as part of this grant will help overcome public opposition to potential projects. The revolving loan fund and incentive activities proposed in this grant will target projects in high opportunity areas and prioritize mixed-income projects that promote desegregation.

Similar to national trends, spatial analysis has emphasized that Bethlehem's densest neighborhoods are also the most affordable and have the highest populations of low-income households and individuals of Color. These neighborhoods are targeted for strategies designed to preserve affordability and housing stability, while all strategies promoting new affordable housing development are prioritized for areas of the city that could benefit from gentle increases in density and which have historically been home to a higher percentage of White and moderate- to high-income residents

iii. Who are your key stakeholders? How are you engaging them?

The City's stakeholder engagement in drafting this PRO Housing grant aligns with its Consolidated Plan and associated Citizen Participation Plan (CPP). The CPP guided the City's outreach while developing this proposal and will shape its strategy for ongoing outreach over the grant's performance period.

The City has considered stakeholder input from several recent planning processes, including *Opening Doors: Strategies to Build Housing Stability in Bethlehem*, *Opening Doors: A Strategic Plan to Address Homelessness*; the Analysis of Impediments to Fair Housing; the Bethlehem Climate Action plan; the Bethlehem Community Health Needs Assessment and associated Community Health Improvement Plan 2023-2025; the City's first draft Equity Plan and Equity tool, Northside 2027, Southside Tomorrow and other plans. Key stakeholders across all housing and community development planning includes renters and homeowners, landlords, nonprofit and for-profit developers, nonprofit partners, educational institutions, major employers, service providers, community-based organizations and elected officials.

During *Opening Doors*, more than 3,500 residents and housing stakeholders were engaged via surveys, pop-up engagements, focus group interviews and consultations. This input was incorporated into the City's priority housing strategies, which underpin this PRO Housing grant proposal.

In addition to ongoing community engagement, the City sought public participation in the development of the proposal in the following ways:

- A draft application was available for public review starting on September 30th and public comment was solicited from September 30th to October 14.
- An in-person public hearing was held on the draft application on Oct. 3 at 11 a.m. in Bethlehem's Town Hall. Information about the hearing and the draft application were shared with the City's Community Development mailing list. Notice of the public comment period, the availability of the draft application and the public hearing were all advertised in English and Spanish through:
 - Publication on the City's website.
 - Posting on the Department of Community and Economic Development's Twitter account.

- Postings were made on the Bethlehem Housing Authority website, on its Facebook page, on its bulletin boards and community spaces.

The City takes a multifaceted approach to stakeholder engagement utilizing informal pop-ups at community events, neighborhood meetings alongside traditional planning processes and stakeholder steering committees.

The City's Opening Doors, Pembroke Choice Neighborhood and Alley House steering committees are three City-run advisory boards with representation from a diverse group of housing stakeholders, ranging from Realtors to nonprofit developers to the director of equity and inclusion at a local university. The Opening Doors committee is a 25-member permanent standing body, which holds quarterly meetings to offer public updates on the City's and its partners' plan implementation progress and gain feedback from residents. The meetings typically draw large, engaged crowds where code enforcement and the quality of rental housing are frequent topics, leading to the development of Activity 4.

This type of responsive planning is at the core of the *Opening Doors* plan, which reflects the areas of greatest needs identified by residents, the most needed services and housing types. The steering committee helped formulate the final plan's strategies, which in turn informed all of the activities in this plan.

Feedback about rising evictions and dwindling rental assistance at early *Opening Doors'* meeting, led to the formation of the Housing Stability Collaborative, offering tenant advocacy, free mediation, access to counsel and rental assistance. To ensure this ongoing responsive feedback loop continues, the Opening Doors' Steering Committee became a permanent advisory body. Members both offer feedback and partner with the City on solutions across agencies and sectors.

Some of the key stakeholders consulted to develop the proposed activities aimed at boosting housing production and removing barriers to affordable housing include:

- Community Action Development Bethlehem (CADB) and Community Action Lehigh Valley (CALV), the City's only Community Housing Development Organization, are both critical partners in the alley house pilot and housing rehabilitation and facade improvements. CALV operates the Lehigh Valley Community Land Trust and the City's First- Time Homebuyers' Program. CADB employs a tenant advocate and is developing a mediation program.
- Habitat for Humanity Lehigh Valley, which both builds homes for low- to moderate-income buyers and conducts housing rehabilitation.
- Cortex Residential and Pennrose are two affordable housing developers with City projects in the pipeline. Pennrose is the developer of Bethlehem's first proposed Low-Income Housing Tax Credit project in a decade. Lehigh Valley Industrial Park's \$4 million land donation has created a unique private-public partnership development team that includes monthly meetings between LVIP, the City and Pennrose over the last 18 months, providing valuable insights into development challenges and potential solutions.
- The Pennsylvania Developers Council via its chair offered insights into beneficial development incentives and state and local affordable housing barriers.
- The Opening Doors, Pembroke Choice Neighborhood and Alley House steering committees shared insights on local barriers and needed solutions.

Key stakeholders consulted as part of the development of the rental preservation and anti-homelessness activities in this plan include:

- New Bethany Inc., a Bethlehem-based nonprofit supporting those who experience poverty, hunger and homelessness. New Bethany also is an affordable housing rental property manager, employs housing advocates and distributes the City's rental assistance fund via the Housing Stability Collaborative.
- North Penn Legal Services offered expertise in Fair Housing & Discrimination as well as data on the success of its access to counsel program.
- Bethlehem Emergency Sheltering, a volunteer-run organization operating the City's only cold-weather emergency shelter.
- The Pennsylvania Housing Alliance for its eviction mitigation and landlord engagement research.
- The Lehigh Valley Regional Homelessness Advisory Board input influenced the rental preservation activities included in this proposal, particularly the landlord engagement efforts.

A benefit of the small local affordable housing development community is the constant collaboration between the City, nonprofits and developers. The City constantly looks for innovative ways to leverage partnerships, such as with the Bethlehem Housing Authority in Choice Neighborhoods or via the ADU/alley house pilot program with Lehigh University and two nonprofits. When an opportunity to rehab a new blighted property comes up, our Community Development team works with nonprofit development partners to brainstorm the best approach and funding sources. This also makes City staff intimately aware of the challenges these developers face in trying to acquire land, assemble funding and navigate federal regulations.

The City's PRO Housing grant activities aim to streamline City development processes and create more certainty, while also removing financial barriers to housing production via the revolving loan fund and incentives packages. The City's zoning and land use reforms funded outside of this grant will also open up new areas of opportunity for development.

Throughout the grant's performance period, the City plans to hold public quarterly *Opening Doors* meetings, provide public updates on progress and solicit stakeholder feedback on proposed plans. The City will also publicly track progress via a dashboard it hopes to create as part of this application. All proposed planning activities will include extensive community outreach, such as focus groups with landlords and renters as part of the rental rehabilitation program.

The City will continue to provide monthly updates and solicit stakeholder input on affordable housing and homelessness initiatives via participation in various monthly committee meetings. PRO Housing grant activity progress would be included in these updates to the City's Northside Alive Housing Committee, which is part of a HUD Neighborhood Revitalization Strategy Area, as well as a community action-led housing committee focused on South Bethlehem. The City also has a representative on the Lehigh Valley Regional Homelessness Advisory Governing Board and participates in the RHAB's Landlord Engagement and Affordable Housing committees.

iv. How does your proposal align with requirements to affirmatively further fair housing?

While there is approximately 2% of available land for development within the City limits, potential zoning code changes can assist in removing barriers to development of affordable housing in well-resourced areas of opportunity, where a majority of housing is currently in the form of single-family housing. In addition to the market value analysis conducted as part of the City's *Opening Doors* plan and the ADU research conducted by Lehigh University as part of its

HUD-grant, the implementation of Activity 6: conduct a market feasibility study of Bethlehem neighborhoods to create housing production goals will assist the City in identifying well-resourced, or high opportunity, neighborhoods that would be well-suited for the inclusion of affordable housing development. After these neighborhoods have been identified through Activity 6, the affordable housing incentives developed as part of Activity 3 will be use when encouraging affordable housing development, like ADUs, in these well-resourced areas of opportunity.

The City will increase access for underserved groups in these areas by requiring all households be income verified, as per HUD guidelines and long-term affordability requirements be tied to the properties. The City and its partners are already familiar with imposing such requirements, as is customary with the City's owner-occupied rehab program and all CALV and Habitat for Humanity acquisition/rehab/resale and owner-occupied rehab programs. Currently, Bethlehem's racial and ethnic composition is 32% Latino, about 9% African American, 2.9% Asian and 4.3 % self-identifying as two or more races, based on the 2021 Census. About 9.4% of residents have self-disclosed disabilities (2019, Population under 65 with a Disability, ACS) and 4.9% have limited English (2019, Population with Limited English Proficiency, ACS). This data is able to be viewed interactively through our Equity Explorer Map which allows you to look at these demographics by Block Group [here](#). As Bethlehem's population is quite diverse and the majority of the city's cost-burdened residents identify as Hispanic/Latino and/or Black, the City expects that the majority of households that will benefit from the proposal's proposed activities will identify as Black and Hispanic/Latino.

• Describe your plans to remove barriers impeding the development of affordable housing that would promote desegregation. What policies or practices perpetuate segregation and how will your proposal address them?

The City plans to promote desegregation through the implementation of Activity 6: conduct a market feasibility study of Bethlehem neighborhoods to create housing production goals will assist the City in identifying well-resourced, or high opportunity, neighborhoods that would be well-suited for the inclusion of affordable housing development. After these neighborhoods have been identified through Activity 6, the use of Activity 3: develop incentives package for affordable housing projects, such as expedited project review; fee and permitting waivers; property tax exemptions or incentive programs will be used when encouraging affordable housing development (such as development in the way of ADUs) in these well-resourced areas of opportunity. Streamlining our permitting process will remove the barriers of high costs incurred by developers and long wait times through expediting the permitting process, which inadvertently impede the development of affordable housing. These activities will intentionally promote desegregation as the zoning codes that were in place at the time these well-resourced neighborhoods were created encouraged and, in fact, only allowed single-family housing units. These properties were often more expensive to purchase due to the large lot-size requirements. Allowing subdivision of these lots and changing the City's zoning code to encourage ADUs, in tandem with the implementation of Activities 6 and 3, will remove segregation practices enacted in the early and mid-twentieth century. Finally, including equity-related regulations requiring households residing in the newly developed affordable housing to be income verified as low- to moderate-income will also encourage desegregation rather than the previous market-driven approach that encourages and nearly ensures, the highest earning households benefit from the neighborhoods of highest opportunity.

• How will you ensure that your proposal will not cause affordable housing to be further concentrated in low-opportunity areas or in areas that already have ample affordable housing?

How will your proposal increase housing choice by expanding the neighborhoods in which residents who need affordable housing can live?

All proposed activities are tools meant to deconcentrate poverty. The City's MVA updates as part of the *Opening Doors* plan, demonstrates the City's distressed markets, or low-opportunity areas where the least costly housing is situated, are already built out to capacity. Due to zoning codes and the lack of single-family housing in these areas, there is limited land suitable for new development, including ADUs. The implementation of Activity 6, which will identify high-opportunity neighborhoods best-suited for the inclusion of affordable housing development, will ensure affordable housing development is not further concentrated in low-opportunity areas or in areas that already have ample affordable housing. By implementing Activity 6 and Activity 3 in tandem with changes currently underway to the City's zoning code to allow for ADUs, these three strategies will ensure there are tools in place that will encourage housing choice to expand into neighborhoods in which residents in need of affordable housing can live, thus creating mixed-income, sustainable neighborhoods. Even the internal proposed projects, like streamlining operations, would increase staff capacity for activities that would increase housing production in those resource-rich areas and make way for more pro-active, inclusive housing approaches

• How does your approach address the unique housing needs of members of protected class groups, including persons with disabilities, families with children and underserved communities of color?

Activities 2, 3, 4 and 7 will include application parameters that, when scoring the application for alignment with the City's affordable housing goals, will provide extra points for applications that will serve the unique housing needs of members of protected class groups. More points will be awarded for projects addressing multiple protected class groups. Members of protected classes would particularly benefit from activity 4, which would implement an already designed rental rehabilitation program. As landlords would be expected to keep units up to code, it would be an expectation for the housing to meet current ADA regulations. While the City of Bethlehem can't regulate rent, what we can do is try to make sure that persons with disabilities, families with children and underserved communities of color have a safe place to live and try to implement every tool necessary to curb eviction and displacement.

• Does your plan address issues identified in your jurisdiction's most recent fair housing plan or plans?

This application works to mitigate the impediments identified in the Bethlehem, Easton, Allentown, Northampton ("BEAN") Fair Housing Partnership's FY 2020 Analysis of Impediments (AI) to Fair Housing Choice, including the need for: fair housing education and outreach, affordable housing, accessible housing and public policy changes related to zoning. The City is in the midst of updating its Comprehensive Plan and AI and has been engaging the community to learn about members' housing concerns and experiences.

• Have you considered the risk of displacement associated with your proposal? How will you ensure that your planned activities do not lead to the displacement of vulnerable residents in communities of color? Describe any anti-displacement measures included in your proposal (e.g., replacement of affordable units for new construction, or right of first refusal for tenants)?

Our strategies aim to minimize displacement by utilizing the MVA to direct resources into neighborhoods feeling displacement pressures and taking steps to preserve affordability, such as in the rental rehab programs participating landlords must agree to long-term affordability provisions in exchange for funding. Considering the risk of displacement to vulnerable residents

in communities of color, the City is proposing to implement Activity 4 a rental rehabilitation program. Units currently serving vulnerable residents, which may include units identified by housing inspectors as holding multiple code violations and at-risk of condemnation, will be referred to the rental rehabilitation program to make needed repairs in exchange for a required affordability period. Both the program and associated affordability requirements curb the risk of displacement. Furthermore, Activity 3 is intended to work in tandem with Activity 4 to increase the timeliness of rehabilitation to further curb displacement. Through the Housing Stability Collaborative, the City partners with North Penn Legal Services, New Bethany and Community Action Development Bethlehem to help fund landlord/tenant mediation, tenant advocacy and rental assistance. As key housing partners, these organizations are aware of City's plans for putting forth the activities outlined in this proposal, with each assisting in their respective capacity which may include providing households at-risk of displacement with access to landlord/tenant mediation, tenant advocacy and /or rental assistance.

• How will your proposal address the housing needs of people with disabilities and increase their access to accessible and affordable housing?

We also know that 9.4% of Bethlehem residents have self-disclosed disabilities (2019, Population under 65 with a Disability, ACS). Mentioned previously, activities 2, 3 and 7 will include application parameters that, when scoring the application for alignment with the City's affordable housing goals, will provide applicants extra points for affordable housing developments and rehab projects that will serve the unique housing needs of members of protected class groups, including people with disabilities. More points will be awarded for projects addressing multiple protected class groups. For rehabilitation projects carried out under Activity 4, in which the tenant has been identified as a person with disabilities, rehabilitation efforts will include additional measures that accommodate the individual's needs. In all community development activities, the Community Development Bureau undertakes, we employ a comprehensive, holistic approach. A new LIHTC project that is underway, in partnership with Lehigh Valley Industrial Park and affordable housing developer Pennrose, will be a mixed-use development - including community spaces and provision of supportive services for residents, including social, health, employment and educational programming - near public transit and in walking distance to a number of major employers. While the City lacks many similar large-scale development opportunities due to the lack of buildable land, the City will mirror the Gateway on 4th approach when increasing the development of affordable housing, such as ADUs, in neighborhoods of high-opportunity. While many of these high opportunity neighborhoods have access to transportation and supportive services, when necessary, we will work in tandem with local nonprofits to as needed create brick and mortar, or drop-in, community service sites in these neighborhoods that are readily accessible to those residing in the newly created affordable housing units. The Community Development Bureau's Community Development and Housing Administrator, a licensed Pennsylvania attorney with background in real estate and corporate law, is well adept at overseeing affordable housing projects and ensuring the City is adhering to all federal and state regulations and has ample experience complying with ADA and accessibility requirements under the Fair Housing Act. The City's two affordable housing developer nonprofits also have extensive experience in this realm, with their leaders having a combined 40+ years developing and rehabilitating affordable housing that complies with federal and state ADA and accessibility requirements under the Fair Housing Act.

By taking a holistic approach that combines policy reform, community engagement and compliance with legal standards, the city can create a more inclusive environment that addresses the housing needs of people with disabilities, promoting independence and quality of life.

- The proposed market study will assess the local housing needs of the disabled and existing affordable housing options. Identifying detailed local housing production goals allows the City to later work with the development community to meet those needs in the structuring of the planned revolving loan fund and incentives package.
- The Bethlehem Housing Authority and Winn Residential are the City's two largest affordable housing providers for the disabled. The City and BHA work closely on a daily basis on our Choice Neighborhood Planning grant and the needs of these populations are being considered in the new Pembroke community.
- Community Development staff provide regular internal and service provider training sessions on topics such as compliance with federal laws like the Americans with Disabilities Act (ADA) and the Fair Housing Act. The City also funds North Penn via CDBG dollars to conduct public education campaigns, trainings and educational materials. Via of the Lehigh Valley and the Lehigh Valley Center for Independent Living (LVCIL) are nonprofit service providers for the disabled and City CDBG recipients, who are consulted in all City housing planning processes. The two *Opening Doors* plans included such consultations.
- The City's Accessory Dwelling Unit zoning reform project underway aims to offer residents more housing options to age in place and promote multigenerational living. During community engagement, stakeholders will weigh the tradeoffs of parking requirements, i.e. they can make an ADU much less accessible and ask questions such as should setback requirements be waived for ADA-accessible and affordable units? This project will result in an associated incentives package along with pre-approved plans for ADUs that take into account Universal Design and accessibility concerns.
- The City's housing and code inspections programs ensure compliance with ADA requirements

• Describe any equity-related educational resources, tools, or public input that have informed your proposal.

First and foremost, the City's *Opening Doors* housing plan and its associated strategies and projects assisted to inform this proposal. This plan was heavily influenced by community input through stakeholder interviews, public meetings and anonymous surveys that targeted vulnerable individuals and communities most affected by the housing crisis. Further, the City's draft Equity Tool was utilized in the drafting of this proposal and our Director of Equity and Inclusion helped write this grant application. Our Equity Explorer Map, created by the Bethlehem Health Bureau, the Mayor's Office and our partners at ESRI, helps to analyze specific areas in Bethlehem, Pa., that need more accessible resources and show areas that are in particular need of language access, accessible and affordable housing concerns and disproportionate environmental burdens. The City's Climate Action Plan team used the Geospatial Research, Analysis and Services Program (GRASP) within the CDC to create the Social Vulnerability Index (SVI) to help flag areas that will be in greatest need of support and recovery assistance in the case of a disaster or extreme weather event. This SVI comprises four categories of vulnerability—socioeconomic status, household composition and disability, minority status and language and housing and transportation. The areas with the highest social vulnerability levels mirror the City's identified target areas for affordable housing opportunities and deconcentrating poverty: the South Side and the far east and west sides (Bethlehem Climate Action Plan, 27). Finally, when determining the activities to target in this proposal, the City utilized resources provided through the Lehigh Valley Justice Institute that focus on unjust outcomes of Lehigh Valley landlord and tenant cases and the legal landscape of Lehigh County renters. This assisted in further justifying the overwhelming need for the implementation of a rental rehabilitation program to prevent eviction and displacement.

We also uploaded a draft of the application to the City's website 15 days prior to the application deadline and held a public hearing on October 3 to encourage feedback from the broader community in relation to the affordable housing-related activities requesting funding. The public hearing notice, provided in English and Spanish, was posted on the community bulletin board of City Hall, bulletin board within the Department of Community and Economic Development and Northside and Southside public libraries as well as posted on the homepage of the City website and distributed via email to community partners who engage vulnerable residents, including communities and individuals of color, low- to moderate income individuals and communities, individuals with limited English proficiency, individuals with disability and families with children.

• Do you plan to engage and support minority-, women-and veteran-owned businesses during your proposed housing production process? Do you have a diversity and equity plan in place or plan to create one?

Community Action Lehigh Valley, Bethlehem's Community Housing Development Organization (CHDO), will support the City in developing affordable units, prioritizing subcontracting with minority-, women-and veteran-owned businesses. Often, many of these businesses were once assisted through Community Action's economic development department when they were in need of a low-interest community loan or in need of technical assistance or small business development. In this way, Community Action is committed to supporting the community through various and longitudinal capacities.

DCED has its own Language Access Plan in compliance with federal regulations. The City of Bethlehem is developing a city-wide Language Access Plan as part of the City's first Equity Plan (expected completion early 2025), led by the Director of Equity and Inclusion. While the creation of that plan is still in process, many of the existing city plans from the Health Bureau and DCED have equity-centered goals, metrics and desired outcomes embedded in them. In addition, the Diversity, Equity and Inclusion Collaborative (which is part of the Greater Lehigh Valley Chamber of Commerce) is partnering with the PA CDFI Network and the Historically Disadvantaged Business Assistance Small Business Growth II Program to help minority, women and veteran owned businesses to participate in technical assistance grant opportunities; these businesses can also be engaged during our housing projects.

• Describe how you will evaluate the effect of your proposal on promoting desegregation, expanding equitable access to well-resourced areas of opportunity and furthering the de-concentration of affordable housing

DCED plans to create a housing dashboard to track new housing development in concert with other metrics using the MVA and Equity Tool to evaluate City progress promoting desegregation and expanding equitable access to well-resourced areas of opportunity. The effects of the proposal will ultimately be determined over time by residents, landlords and developers as well as longitudinal quantitative research as published by the City's equity tool.

Programs will be designed to incentivize development in areas that help the City meet its goals of desegregation and creating economic opportunity for all residents. We will track over time which of these partners are continuing to participate or are newly participating in these opportunities in those resource-rich area, as well as tracking the resident demographics that are in units/housing that are participating in those areas. As a key requirement for participation in developing and/or rehabilitating affordable housing, residents, landlords and developers will be required to maintain affordability of the unit over time. The City's Community Development Bureau will track this data to ensure compliance.

• How will you track your progress and evaluate the effectiveness of your efforts to advance racial equity in your grant activities?

The City will use metrics that measure the following:

Activity 2: Create gap financing revolving loan fund:

- Track the percentage of tenants/residents that are benefitting from housing resulting from the gap financing revolving loan fund that are from communities of color, persons with disabilities and families with children.
- Track the percentage of residents who are utilizing programs from community partners that are also taking advantage of the revolving loan fund and their outcomes

Activity 3: Develop incentives package for affordable housing projects, such as expedited project review; fee and permitting waivers; property tax exemptions or incentive programs –

- Create a dashboard that tracks average time to issue permits and land development reviews. Moving eligible projects through City approval processes faster should spur more affordable housing rental developments that benefit residents of Color, who are disproportionately renters.

Activity 4: Implement the proposed rental rehabilitation program –

- Track the percentage of residents from communities of color, who are able to stay in their housing (avoid displacement/eviction) due to the program
- Survey residents about their experience in staying in their current housing post-project to ensure that their rent has not been raised or there has not been any pressure to leave the unit

Activity 5: Develop an action plan and incentives for maintaining affordability of 196 LIHTC units with expiring affordability by 2023

- Track which units remain affordable for low-moderate income families by racial demographics
- Survey owners of units to see which incentives are most effective/what else can be done to provide low-moderate income housing

• How will PRO-Housing-funded housing units be affirmatively marketed broadly.

Affirmative Marketing Strategy

1. **Targeted Outreach Campaigns:** We will develop outreach initiatives that specifically target underrepresented communities, including those based on race, ethnicity, disability and income levels. This includes collaborating with local nonprofits, community organizations and faith-based groups that serve these populations.
 1. Bethlehem also funds and collaborates with organizations' offering workforce development programs to direct more minority-, women- and veteran-owned businesses into the construction industry. Community Action Lehigh Valley, the city's alley house pilot construction program partner, operates mentorship

programs to develop experienced contractors with diverse business owners to build local capacity and foster growth.

2. **Multilingual Materials:** All marketing materials will be produced in multiple languages to reach non-English speaking residents. This includes flyers, social media posts and informational sessions to ensure accessibility.
3. **Community Events:** We will host informational workshops and community forums in various neighborhoods to educate residents about housing opportunities and the application process. These events will be promoted through local media, social networks and community centers. The City has worked in collaboration with Community Action Development Bethlehem to conduct community meetings around the Gateway on 4th.
4. **Partnerships with Local Businesses and Organizations:** Collaborating with local businesses and organizations will help disseminate information widely. We will provide resources for these partners to share with their networks.
 1. The City participates in the Lehigh Valley Chamber of Commerce's DEI Collaborative, which has grown out of the success of its African American Business Leaders, Veterans & Military, Hispanic Chamber of Commerce, Women's, LGBTQ and Young Professionals business councils. The City shares regular updates on housing programs and priorities via the Chamber both in meetings and through its wide distribution lists.
5. **Digital Marketing:** Utilizing targeted social media ads will help us reach specific demographics more effectively. We will also require developers who benefit from these funds to maintain an updated website with clear information about available housing units and application processes.
6. **Feedback Mechanisms:** We will implement surveys and focus groups to gather feedback from community members about the effectiveness of our outreach efforts, allowing us to adjust strategies as needed.

Compliance and Evaluation

As a pass-through entity, we will ensure that all subgrant proposals are evaluated against our affirmative marketing criteria. Each subapplicant will be required to demonstrate how their project will align with our goals to further fair housing and engage with diverse communities. By maintaining transparency and accountability in our marketing efforts, we are dedicated to ensuring that all residents have equal access to housing opportunities, consistent with federal nondiscrimination requirements.

v. What are your budget and timeline proposals? (5 points)

• Provide a budget for the proposed activities that documents all projected sources of funds and estimates all applicable costs. Describe how you determined the budget and how you will ensure that the project will be cost-effective, in line with industry standards and appropriate for the scope of the project. HUD will evaluate your proposed project cost estimate on the extent to which projected sources, including PRO Housing funds and any leveraged funds, are sufficient for the scope of the proposed project as a whole.

- The budget was determined through the collaborative efforts of the Housing Bureau, Finance Department and IT Department, with oversight from the Director of Community and Economic Development and City Law Bureau. Cost estimates are based on experiential data, including already developed rental rehabilitation program guidelines

(which includes guidelines for loan packages and short-term and long-term goals associated with number of units to be rehabilitated), budgets submitted with recent funding applications, costs associated with recent consultant hired to complete market study of Bethlehem Housing Authority's Pembroke Choice Neighborhood, recommendations based on expertise of key partners and other City business references.

- With \$7M (full request), the City is proposing to complete all Activities in Exhibit D. Funding will be allocated as follows:
- \$2.5M for planning, implementation/program administration and planning costs associated with Activities 1 through 8
- \$3.5M for seed money that will assist in establishing Activity 2's gap financing revolving loan fund. Funds will be offered through competitive funding applications over four years and will be available for pre-development, acquisition and /or construction in the form of interim and/or permanent loans.
 - 2026 - 2M
 - 2027 - \$500k
 - 2028 - \$500k
 - 2029 - \$500k
- \$1M for seed money that will assist in establishing Activity 4's rental rehabilitation program. Funds will be offered through competitive funding applications and will be available for construction in the form of interim and/or permanent loans.

• Please describe how you would budget for and manage a successful project if HUD awards a different dollar amount than you are requesting. If HUD were to award less funding than you requested, include how you would specifically scale your proposal, including whether and to what extent you would scale back or remove components of your application? What is the minimum funding amount that would allow you to carry out your proposal in some form? If you were to receive only 50% of your request, what would you be able to achieve? You should also identify if the removal or scaling of activities would affect your geographic scope and how.

- The minimum amount of funding that will allow the City to carry out the proposal in some form is \$2,950,000.
 - The removal and scaling of activities would not affect the City's geographic scope.
 - Activity 1 - The City will not assess IT infrastructure and the role outdated technology plays in slowing down land development review and permit processing, nor will the City implement technological upgrades.
 - Activity 8 - The City will not hire a consultant to complete a community education plan to build support for affordable housing
 - \$700,000 will be allocated for planning, program administration and planning costs. This would include the costs of hiring consultants to complete plans and one additional staff, rather than two, to administer Activity 4: rental rehabilitation program. This will decrease the number of households able to be assisted and will push rental rehabilitation projects to the Community Development Bureau's Housing Rehab Financial Specialist and Housing Rehab Tech Specialist, who currently administer the owner-occupied rehabilitation program. This will result in less owner-occupied rehabilitation projects being completed as time will be split

between owner-occupied rehabilitation and rental rehabilitation projects. No costs will be allocated for City staff to increase capacity.

- \$1,750,000 for seed money that will assist in establishing Activity 2 - gap financing revolving loan fund. Funds will be offered through competitive funding applications over four years and will be available for pre-development, acquisition and /or construction in the form of interim and/or permanent loans.
 - 2026 - 1M
 - 2027 - \$250,000
 - 2028 - \$250,000
 - 2029 - \$250,000
 - \$500,000 for seed money that will assist in establishing Activity 4 - rental rehabilitation program. Funds will be offered through competitive funding applications and will be available for construction in the form of interim and/or permanent loans.
- Receiving \$3.5M, or 50% of the request, the City will carry out the proposal as follows:
 - The removal and scaling of activities would not affect the City's geographic scope.
 - Activity 1 - The City will not assess IT infrastructure and the role outdated technology plays in slowing down land development review and permit processing, nor will the City implement technological upgrades.
 - Activity 8 - The City will not hire a consultant to complete a community education plan to build support for affordable housing
 - \$700,000 will be allocated for planning, program administration and planning costs. This would include the costs of hiring consultants to complete plans and one additional staff, rather than two, to administer Activity 4: rental rehabilitation program. This will decrease the number of households able to be assisted and will push rental rehabilitation projects to the Community Development Bureau's Housing Rehab Financial Specialist and Housing Rehab Tech Specialist, who currently administer the owner-occupied rehabilitation program. This will result in less owner-occupied rehabilitation projects being completed as time will be split between owner-occupied rehabilitation and rental rehabilitation projects. No costs will be allocated for City staff to increase capacity.
 - \$2.3M for seed money that will assist in establishing Activity 2 - gap financing revolving loan fund. Funds will be offered through competitive funding applications over four years and will be available for pre-development, acquisition and /or construction in the form of interim and/or permanent loans.
 - 2026 - 1M
 - 2027 - \$750,000
 - 2028 - \$275,000
 - 2029 - \$275,000
 - \$500,000 for seed money that will assist in establishing Activity 4 - rental rehabilitation program. Funds will be offered through competitive funding applications and will be available for construction in the form of interim and/or permanent loans.
- Provide a schedule for completing all of the proposed activities in advance of the period of performance end date at the end of FY 2030. The schedule should identify each significant activity and milestone required for completing the planning process as well as relevant sub-

tasks and should list the planned start and completion dates of all items. The application may include additional description of the schedule in the narrative exhibits.

Please refer to Exhibit D for project schedules for completing all proposed activities in advance of the expenditure deadline at the end of FY 2030. Each activity in Exhibit D identifies significant plans and milestones required for completing the planning and implementation process. Planned start and completion dates of all items are also included in Exhibit D.

Exhibit E: Capacity
Applicant: City of Bethlehem

I. What capacity do you and your Partner(s) have? What is your staffing plan?

Established systems are already in place to ensure that program and project management for a grant of this magnitude will be implemented with ease:

The City's Community Development Bureau, which includes Housing, will lead the implementation of the proposed activities, and is led by Sara Satullo, deputy director of community development. Sara currently oversees the management of the City's CDBG/HOME programs; Housing Inspection bureau; Choice Neighborhood Planning grant; and Northside Alive program, a HUD-designated Neighborhood Revitalization Strategy area. She led the City's comprehensive affordable housing study and its strategic plan to address homelessness. She now oversees the implementation of all policy and program recommendations outlined in the plans. Sara is a member of the Lehigh Valley Regional Homeless Advisory Board's Governing Board. She will act as the grant project manager and be the primary point of contact for this grant. Her team will handle all required federal and state compliance and financial reporting.

The City's Finance Department and the Department of Community and Economic Development's Business Manager work in collaboration to manage the CDBG, HOME and other funds for subrecipients. DCED Business Manager Tiffany Wismer has over five years of experience managing the City's annual \$1.8 million CDBG and HOME allocations as well as its Choice Neighborhood Planning Grant. Tiffany works with the Community Development Bureau to manage CDBG, HOME, and other funding to subrecipients. This includes compliance with all federal housing-related financial regulations.

City of Bethlehem: The City is currently successfully awarding and administering approximately \$50 million of federal awards, not including its American Rescue Plan allocation. The 2024 Adopted Budget is in the amount of \$113.26 million.

Department of Community and Economic Development: As a direct entitlement community, Bethlehem has received \$8.3 million in CDBG/CDBG-CV and \$3.5 million in HOME/HOME-ARP funding over the last five years. This money has funded over 20 organizations and resulted in the rehabilitation of more than 150 properties and the construction of over 35 units. Currently, the department is administering a \$10 million Safe Streets for All grant, through the Department of Transportation, to redesign and repave the Broad Street corridor as well as a \$747,000 grant from the National Park Service for the revitalization of Friendship Park. In recent years, has managed over \$6.9M of Community Project Funding (CPF), including oversight of a \$2.9 million construction project for the new Bethlehem Food Co-Op Market and the \$3.7M acquisition of land for the South Bethlehem Greenway. The department is highly skilled and experienced in performing ERRs and has procurement and financial policies and procedures for federally-funded grant programs already in place.

Within DCED, the Community Development Bureau oversees the housing rehab program, all federal entitlement programs, community project funding and includes the City's housing and community development administrator and housing policy lead. The housing rehab program completes about 40 owner-occupied rehabs and emergency repairs annually.

Within DCED, the Housing Inspection Bureau employs eight inspectors and in 2020, began requiring all 15,000 city rental units be inspected at least once every three years and all homes be inspected at the time of sale. Housing inspectors rely on Esri software to file inspection reports, track compliance and geolocate violations. Inspectors perform about 7,000 to 8,000

inspections annually including recheck inspections. The inspectors possess an encyclopedic knowledge of rental unit quality, property history and ownership insights. The foster relationships with tenants and landlords and connect tenants with social workers in the Health Bureau's Community Connections program.

The Redevelopment Authority of the City of Bethlehem, a state incorporated redevelopment authority, has a strong relationship with the City of Bethlehem working on various community projects and programs aimed at meeting the national objective of blight removal. The Redevelopment Authority has assisted in the rehab of five blighted properties in the past five years and works with Community Action Lehigh Valley to administer the Bethlehem Homebuyer Assistance Program (BHAP), which assists first-time homebuyers with down payment and closing costs when purchasing a home in the City of Bethlehem. The Redevelopment Authority is staffed by Heather Bambu, grants program manager, who has more than 20 years of expertise/ The proposal includes funding to develop a strategic plan for The Redevelopment Authority of the City of Bethlehem, which will assist in guiding the Authority's work and build capacity where needed to best utilize this partnership in removing barriers to affordable housing production and preservation.

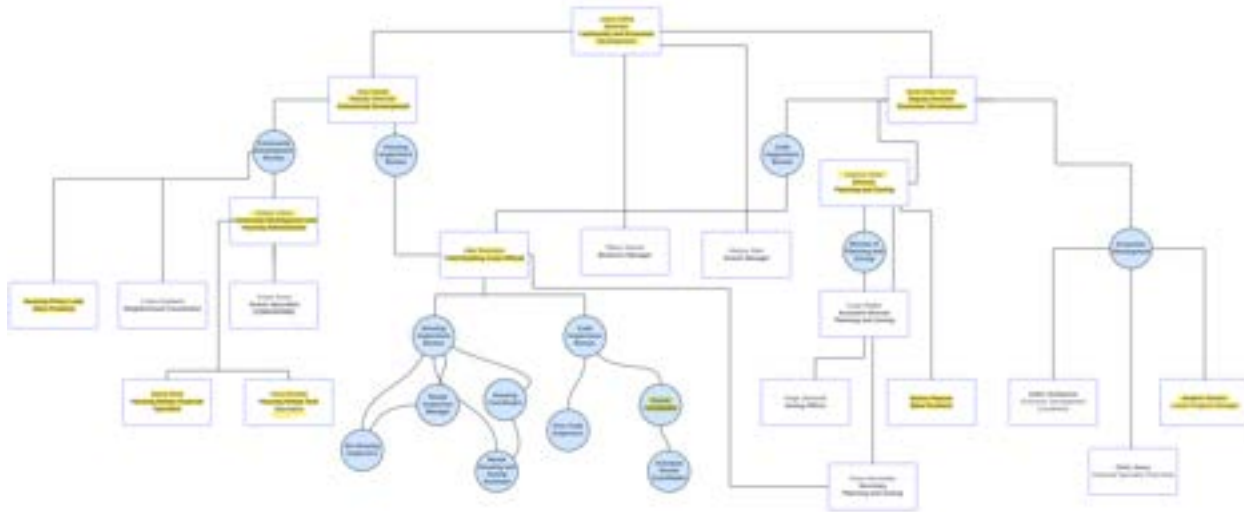
The Department of Public Works is overseen by Director of Public Works Michael Alkhal and Basel Yandem, Chief of Engineering, Deputy Director of Public Works. Basel is involved in overseeing the design and construction of all City construction projects and has over nine years of experience in project management, including managing building and housing construction, trail and park construction, pool construction and road improvements. Mr. Yandem brings a high attention to detail and quality assurance in all his work.

Director of Equity and Inclusion: In 2021, the City of Bethlehem became the first Lehigh Valley city with a Director of Equity and Inclusion, Janine Carambot Santoro. Janine works closely with the mayor, as well as other internal and external partners, to ensure access to equitable and inclusive services, policies, and practices. Janine's expertise and insights have been invaluable in the Community Development Bureau's development of the City's two housing plans – *Opening Doors: Strategies to Build Housing Stability in the City of Bethlehem* and *City of Bethlehem Strategic Plan to Address Homelessness*.

The City of Bethlehem Law Bureau helps the City achieve its policy goals and serves the public interest by providing objective, timely, and economical legal advice and advocacy to all City departments. City assistant solicitors regularly support the Department of Community and Economic Development in many areas, including program design, development and review of subrecipient contracts, compliance with federal regulations, loan terms and documents, and policy and procedures related to City planning, code, and zoning changes or updates.

Specific systems, plans, and programs related to affordable housing currently underway and/or recently completed are described in further detail under Exhibit D: Need i. Describe your efforts so far to identify, address, mitigate, or remove barriers to affordable housing production and preservation. Included in this section is the hire of two new positions – Housing Policy Lead and Senior Planner – to build capacity and assist with planning and implementation of the activities the City of Bethlehem is requesting funding for.

The organizational chart for the City's Department of Community and Economic Development, which will lead implementation of the proposed activities, is included below and identifies (denoted through highlighting) names and positions of 13 FT staff members, who will make up the key management for proposed PRO Housing activities.



City and partners' specific capacity to carry out the proposed activities:

To build the City's capacity to implement activities addressing barriers to housing, in early 2024, the City hired a Housing Policy Lead and Senior Planner – both first of their kind positions for the City of Bethlehem. Emily Folenta, the Housing Policy Lead will be heavily involved in the implementation of each activity, as described below. Her ability to actualize these activities is demonstrated through eight years of experience developing, implementing and evaluating affordable housing and community development programs and policies in the Lehigh Valley's nonprofit sector; developing and implementing community-driven strategic plans; and overseeing compliance for various community programs (including compliance related to CSBG, CDBG, and HOME programs). In 2019, as the housing planner for Community Action Lehigh Valley, Emily led the restructuring of the housing department, ultimately streamlining its programs and processes and incorporating energy efficient and sustainable practices and measures into the housing department's housing rehab program. With extensive input from the community, in 2021, she also developed South Bethlehem's six-year neighborhood revitalization strategic plan, which she is now assisting to implement in her role at the City. Having previously worked in an administrative capacity for a nonprofit affordable housing developer, Emily understands the complexities of creating and preserving affordable housing and the necessary components that ultimately allow the program to succeed in its intended purpose.

The Opening Doors steering committee, which is made up of nonprofit leaders and staff, local government, residents, institutional partners, top employers and planners will assist the Deputy Director for Community Development in oversight of all activities.

- Activity 1: Assessment of IT infrastructure and the role outdated technology plays in slowing down land development review and permit processing. This would include the implementation of recommended technological upgrades and a move to digital plan review and permitting – The City's Housing Policy Lead, IT Department, Planning and Zoning Bureau, and Code Inspection Bureau will lead the implementation of Activity 1, while the Deputy Director for Community Development will oversee.
- Activity 2: Create gap financing revolving loan fund – The city's Housing Policy Lead, Housing and Community Development Administrator, and Senior Planner will lead the implementation of Activity 2, while the Deputy Director for Community Development will oversee. The City's partners, Community Action Lehigh Valley and Habitat for Humanity

Lehigh Valley, both nonprofit affordable housing developers, will provide practical feedback when developing the program and, eventually, utilize the service/

- Activity 3: Develop incentives package for affordable housing projects, such as expedited project review; fee and permitting waivers; property tax exemptions or incentive programs – The City's Housing Policy Lead, Housing and Community Development Administrator, and Director of Equity and Inclusion will lead the implementation of Activity 3, while the Deputy Director for Community Development will oversee. The City's partners, Community Action Lehigh Valley and Habitat for Humanity, will provide practical feedback when developing the program and, eventually, utilize the service.
- Activity 4: Implement an already designed rental rehabilitation program – The City's Housing Policy Lead, Housing and Community Development Administrator, and Director of Equity and Inclusion will lead the implementation of Activity 4, while the Deputy Director for Community Development will oversee. The City's owner-occupied rehabilitation program staff, Housing Rehab Financial Specialist and Housing Rehab Tech Specialist, will carry out the program. The City's partners, Community Action Lehigh Valley and Habitat for Humanity Lehigh Valley, will provide feedback when developing the program and, eventually, work in tandem when coordinating cases.
- Activity 5: Develop an action plan and incentives for maintaining affordability of 196 LIHTC properties with expiring affordability by 2023 – The City's Housing Policy Lead, Housing and Community Development Administrator, and the Director of Equity and Inclusion will lead the implementation of Activity 5, while the Deputy Director for Community Development will oversee.
- Activity 6: Conduct a market feasibility study of Bethlehem neighborhoods to create housing production goals – The City will hire a consultant to build capacity for purposes of carrying out this activity. The City's Housing Policy Lead, Director of Planning and Zoning, Senior Planner, and Director of Equity and Inclusion will work in tandem with the consultant to lead the implementation of Activity 6, while the Deputy Director for Community Development will oversee.
- Activity 7: Develop a strategic plan for the Bethlehem Redevelopment Authority – The City will hire a consultant to build capacity for purposes of carrying out this activity. The City's Director of Community and Economic Development, Executive Director of the Bethlehem Redevelopment Authority, Bethlehem Redevelopment Authority's Grants Program Manager, Housing Policy Lead, and Director of Equity and Inclusion will work in tandem with the consultant to lead the implementation of Activity 7, while the Deputy Director for Community Development will oversee.
- Activity 8: Create a community education plan to build support for affordable housing – The City will hire a consultant to build capacity for purposes of carrying out this activity. The City's Housing Policy Lead, and Director of Equity and Inclusion will work in tandem with the consultant to lead the implementation of Activity 8, while the Deputy Director for Community Development will oversee.

As a licensed Pennsylvania attorney with background in real estate and corporate law, Robert Vidoni, Esq., Housing and Community Development Administrator will be invaluable to ensuring the City is adhering to all federal and state regulations as applicable to the PRO Housing grant. Tasked with overseeing compliance with HOME and CDBG-related requirements, Mr. Vidoni is a process and systems-oriented professional who is adept at navigating complex regulatory programs while adhering to all applicable laws – both of which reflects his capacity to assist in the process of moving to a digital plan review, permit processing, and development approvals and payments. As a former board member for the Lehigh Valley Community Land Trust and a member of the Lehigh County Affordable Housing Trust Fund Advisory Committee, Mr. Vidoni has approved affordable housing allocations and understands essential incentives that

successfully spur affordable housing development. All of which will be invaluable resources as he assists in creating the gap financing revolving loan fund. Finally, Mr. Vidoni emphasizes consideration for potential liability claims through all the work he does, which will be of further assistance in carrying out the following activities: creating a gap financing revolving loan fund and implementing a rental rehab program.

- City's experience working with and coordinating partners: The City's HOME program carries out affordable housing-related activities to benefit low- to moderate-income households, including new construction, rehabilitation, and financial assistance with down payment and closing costs for first-time homebuyers. Majority of these activities are carried out by the City's nonprofit partners, including Community Action Lehigh Valley, the City's singular Community Housing Development Organization (CHDO), and Habitat for Humanity Lehigh Valley. The City's CDBG program carries out a wide range of activities to benefit low- and moderate-income households, which includes funding and monitoring subrecipients in their work of preserving and/or producing affordable housing, as well as providing vital community services. The City's Department of Community and Economic Development has funded subrecipient work for urgent community needs that other financial resources were not available to support. In 2023, the City established a Community Recovery Fund Grant Program in an effort to improve and expand funding of invaluable community services by way of flexible guidelines not tied to federal rules and regulations and allowing for ease of use for operating and capital support. Furthermore, due to lack of grant administration capacity at the City of Allentown, in 2024, the City of Bethlehem agreed to seek ESG funding from the Commonwealth of Pennsylvania to support Lehigh Valley Regional Homeless Advisory Board service providers in administering rapid rehousing, street outreach, homeless prevention, and emergency shelter. The City will act as a pass through for this grant funding. Majority of the City's public works capital improvements projects are directly contracted through the City's Department of Public Works and the Department of Community and Economic Development has extensive experience contracting with consultants on various projects, including strategic plans, zoning code updates, etc.

Management of the HOME, CDBG, Community Recovery Fund Grant, and ESG funds, in addition to programs related to other City funds, means that City staff are experienced and proficient in the coordination of funding sources, subrecipients, community stakeholders, and other government agencies. This includes developing and managing competitive applications, managing subrecipient awards and legal documents, drawing and distributing funds, accounting of funds and program income, program and subrecipient monitoring, maintaining compliance with federal regulations, reporting to HUD and other entities as appropriate, and updating City staff, committees, Council, and residents on progress.

City of Bethlehem's comprehensive and strategic plans heavily involve community stakeholders' input, including residents, government officials spanning the cities and counties which make up the Lehigh Valley, and nonprofit leaders and direct service staff. Not only does stakeholders' input provide the direction in which to take these plans, but stakeholders remain involved in implementation of these plans to ensure they are the guiding voices that hold the City accountable. Two most recent examples of such are the City's *Opening Doors* housing plan steering committee and associated quarterly meetings to the community in which progress is shared and transparency maintained, as well as the Pembroke Choice Planning Grant's steering committee, which meets once every two months and is made up of everyone who has a stake in the community: residents, government officials, and nonprofit leaders and direct service staff. In carrying out the strategies and accompanying projects outlined in *Opening Doors*, the City continues to draw on partners' unique expertise and experience.

Deputy Director of Community Development Sara Satullo and Housing Policy Lead Emily Folenta wrote this application on the behalf of the City of Bethlehem with support from the Director of Equity and Inclusion Janine Carambot Santoro. Coordination with the City's Director of Community and Economic Development, Housing and Community Development Administrator, Housing, Planning and Code Enforcement bureaus and City Finance and IT departments ensured barriers and activities proposed are in alignment with current and future City goals, city-wide community and economic development-related plans, City staff's infrastructure needs to increase efficacy, as well as key stakeholder and subrecipient plans and capacity.

City staff and/or partners' experience working with civil rights and fair housing issues: Both the Deputy Director for Community and Economic Development and the Housing Policy Lead have extensive experience analyzing and utilizing data to identify and reduce racial and economic disparities related to various housing-related factors including, but not limited to, percentage of bank lending and interest rate for mortgages based on household's race/ethnicity and economic status; access to banks based on neighborhood racial and economic makeup; and racial and economic disparities in cost-burdened households renters v. homeowners, and households with housing-related health conditions. Both staff have utilized this data to advocate for tighter banking regulations; strategically request banks with poor track records of equitable financing to contribute higher monetary amounts toward affordable housing initiatives; and develop strategic plans, programs, and policies that support the need for targeted, equitable interventions that center minority and low-income neighborhoods and individual households. All programs the Deputy Director of Community Development and the Housing Policy Lead have designed, refined, and/or operated, in their previous and current roles, satisfy civil rights and the Fair Housing Act, including Community Action Lehigh Valley's acquisition, rehab, resale program; owner-occupied rehab program; housing counseling program (including programs geared toward first-time homebuyers and foreclosure prevention); and Bethlehem First-Time Homebuyers Assistance Program. Through the Housing Stability Collaborative, the City partners with North Penn Legal Services, New Bethany, and Community Action Development Bethlehem to help fund landlord/tenant mediation, tenant advocacy, rental assistance. The City funds North Penn Legal Services annually via CDBG to provide Fair Housing counseling and seminars as well as supporting their efforts to obtain more funding for its highly successful access to counsel program. The City sees the Housing Stability Collaborative as an essential way to affirmatively further fair housing as Lehigh and Northampton counties have some of the highest eviction rates in Pennsylvania. Currently, the City is partnering with Community Action Development Bethlehem, New Bethany, and North Penn Legal Services to implement. City funding has allowed Community Action Development Bethlehem to recently hire a tenant advocate.

At this time, it is challenging to evidence tangible, quantitative reductions in racial and economic disparities seen throughout the City of Bethlehem due to:

- Federal data lagging behind the current realities of the locality
- Many of the significant strides to increase access to, supply of, and sustainability of affordable housing have been undertaken in the past five years, which, unfortunately, concurrently occurred while the nation struggled with a global pandemic and subsequent financial recession.
- Unavailability of coordinated and longitudinal recent, relevant Bethlehem-specific equity data

d. Leverage

i. Are you leveraging other funding or non-financial contributions?

The City of Bethlehem will be awarded 10 extra points for leverage. Bethlehem Mayor J. William Reynolds and Bethlehem City Council have allocated \$5 million of general fund dollars to implement the affordable housing strategies outlined in the Open Doors plan and this PRO Housing grant application. The City also will be funding the majority of the salaries of staff members working on grant activities. The city has also received a Choice Neighborhoods grant for \$500,000.00 which will fund the development of a transformation plan for the Pembroke Village public housing development. The City has committed \$85,000 in leverage funding for Choice while the Bethlehem Housing Authority has committed \$75,000.00 in leverage funding.

Document in Attachment B highlights the allocated funds for affordable housing initiatives.

Leverage commitments as percent of grant funds requested	Points awarded
50 percent and above	10
Between 40.00 and 49.99 percent	8
Between 30.00 and 39.99 percent	6
Between 20.00 and 29.99 percent	4
Between 10.00 and 19.99 percent	2
Below 10.00 percent	0

Exhibit G: Long-term Effect
Applicant: City of Bethlehem

i. What permanent, long-term effects will your proposal have? What outcomes do you expect? (10 points) Describe how your approach seeks to permanently remove your key barriers to producing and preserving affordable housing and the measurable outcomes you expect to achieve.

Access to affordable housing is a critical issue in many cities worldwide, and Bethlehem is no exception. The lack of affordable housing options can lead to displacement, socioeconomic disparities, and reduced quality of life for residents. Through Activity 6, conducting a market feasibility study of Bethlehem neighborhoods to create housing production goals, the City will designate specific areas for the development of affordable housing. Preserving and making affordable housing available in well-resourced neighborhoods will help promote mixed-income neighborhoods, which will promote racial and socioeconomic diversity as well as reduce displacement of the City's minority and low-income residents. Stable communities foster stronger social connections, reduce crime rates, and contribute to overall well-being. Streamlining the approval process, the City can create an environment conducive to the construction of affordable housing units. Offering financial incentives to developers and property owners who create or preserve affordable housing is an effective strategy. These incentives include tax breaks, grants, or expedited permitting processes, making it economically viable for developers to engage in affordable housing projects. Fostering partnerships with the Bethlehem Housing Authority and local institutions can leverage their resources and expertise to support the development of affordable housing. Collaborative efforts can lead to the construction, preservation, and management of affordable housing units. Activity 4: implementing an already designed rental rehabilitation program will increase tenants' quality of life while protecting tenants from displacement as a result of 10-year affordability requirements attached to the loan, a crucial component for maintaining housing stability. Addressing the shortage of deeply affordable rental units is vital. Through Activity 3: develop an incentives package for affordable housing projects, Bethlehem will increase the supply of housing options for low-income individuals and families, thereby reducing demand, and subsequent housing cost burdens.

Overall, access to affordable housing enables residents to allocate their financial resources towards other essential needs, such as education, healthcare, and entrepreneurship. This, in turn, can stimulate local economic growth and job creation. Affordable housing located near employment centers can reduce commuting distances and transportation costs for residents. This not only benefits individuals but also contributes to reduced traffic congestion and lower carbon emissions. Affordable housing provides a stable and secure living environment, which positively impacts residents' physical and mental health. As the city continues the journey towards creating affordable housing for all residents, the biggest roadblock is securing adequate funding to successfully implement initiatives. The availability of financial resources will determine the speed and scale at which the city can implement affordable housing strategies. The City of Bethlehem is fortunate to have a well-developed comprehensive plan that outlines our affordable housing goals and identifies specific strategies to achieve them. This plan serves as a blueprint for actions and provides a clear vision for the future.

The positive long-term effects of these efforts are far-reaching:

- **Community Stability:** Preserving and creating affordable housing will maintain the socioeconomic diversity of our neighborhoods, fostering stronger social connections and safer communities.
- **Economic Opportunities:** Access to affordable housing empowers residents to invest in education, healthcare, and entrepreneurship, thereby stimulating local economic growth and job creation.

- Improved Quality of Life: Affordable housing provides a stable and secure living environment, promoting residents' physical and mental well-being

Attachment A: Summary of comments received on published application and a list of commenters by name/organization

Applicant: City of Bethlehem

Attachment A

Summary of comments received on published Application and list of commenters by name/organization

Please note: At the time of Application draft posting on September 30, 2024, the City had yet to hold a public hearing associated with the Application. The public hearing will be held on October 3, 2024 and Attachment A will updating following the hearing.

Attachment B: Certification of Compliance with NOFO public
participation requirements

Applicant: City of Bethlehem

Attachment B

Certification of compliance with NOFO public participation requirements

Please note: At the time of Application draft posting on September 30, 2024, the City had yet to hold a public hearing associated with the Application. The public hearing will be held on October 3, 2024 and Attachment B will updating following the hearing.

Attachment C: Advancing Racial Equity
Applicant: City of Bethlehem

Advancing Racial Equity

In accordance with Executive Order [13985](#), Executive Order 14091, *Executive Order on Further Advancing Racial Equity and Support for Underserved Communities Through The Federal Government*, and Federal fair housing and civil rights laws, your application must address the following:

- You analyzed the racial composition of the persons or households who are expected to benefit, directly or indirectly, from your proposed award activities;
- You identified any potential barriers to persons or communities of color equitably benefiting from your proposed award activities;
- You detailed the steps you will take to prevent, reduce, or eliminate these barriers; and
- You have measures in place to track your progress and evaluate the effectiveness of your efforts to advance racial equity in your award activities.

The foundation of the City of Bethlehem's affordable housing study *Opening Doors: Strategies to Build Housing Stability in Bethlehem* is its Market Value Analysis (MVA) developed by The Reinvestment Fund. The plan uses the MVA to target all housing strategies to areas of the city that are most apt for each type of development or intervention. Characteristics used to target specific activities included the strength or weakness of the housing market as well as neighborhood composition and demographics.

Similar to national trends, spatial analysis has emphasized that Bethlehem's densest neighborhoods are also the most affordable and have the highest populations of low-income households and individuals of Color. These neighborhoods are targeted for strategies designed to preserve affordability and housing stability, while all strategies promoting new affordable housing development are prioritized for areas of the city that could benefit from gentle increases in density, and which have historically been home to a higher percentage of White and moderate- to high-income residents.

The MVA (Figure 3) is a tool created by The Reinvestment Fund (TRF) to identify different types of residential markets and track trends over time. Bethlehem's first MVA was completed in 2017. The MVA sets a baseline of housing market information and offers insights into displacement risk (Figure 4), racial, ethnic and economic segregation across neighborhoods over time. The MVA analysis informs all of the strategies in *Opening Doors* and this grant proposal with the aim of targeting housing strategies to areas of the city that are most apt for each type of development or intervention. Characteristics used to target specific activities included the strength or weakness of the housing market as well as neighborhood composition and demographics.

The City seeks to build a rental rehabilitation program because 69% of Bethlehem's low-income residents are renters and the majority of rentals are concentrated in the older parts of the city. The city's remaining naturally occurring affordable housing is concentrated in South Bethlehem, where the median household age is 1941, well below the state average. Through data collected via the City's robust housing inspection program, it is clear severe code violations in older properties are concentrated in neighborhoods with higher concentrations of residents of Color. The rental preservation activities proposed in the grant will target neighborhoods identified as market affordable and areas of concern for price-based misplacement, according to the MVA.

Rising housing costs in Bethlehem mean an increasing number of low-income renters are forced to accept non-code compliant housing in exchange for lower rents.

Similar to national trends, spatial analysis has emphasized that Bethlehem's densest neighborhoods are also the most affordable and have the highest populations of low-income households and individuals of Color. These neighborhoods are targeted for strategies designed to preserve affordability and housing stability, while all strategies promoting new affordable housing development are prioritized for areas of the city that could benefit from gentle increases in density, and which have historically been home to a higher percentage of White and moderate- to high-income residents

Updates to the zoning ordinance, funded outside of this grant proposal, will be tailored to incentivize affordable housing development in areas that will promote desegregation. The most promising opportunities for zoning and land use updates exist primarily north and west of downtown in the city's strongest B markets and C and D middle markets, according to the MVA.

The public education campaign developed as part of this grant will help overcome public opposition to potential projects. The revolving loan fund and incentive activities proposed in this grant will target projects in high opportunity areas and prioritize mixed-income projects that promote desegregation.

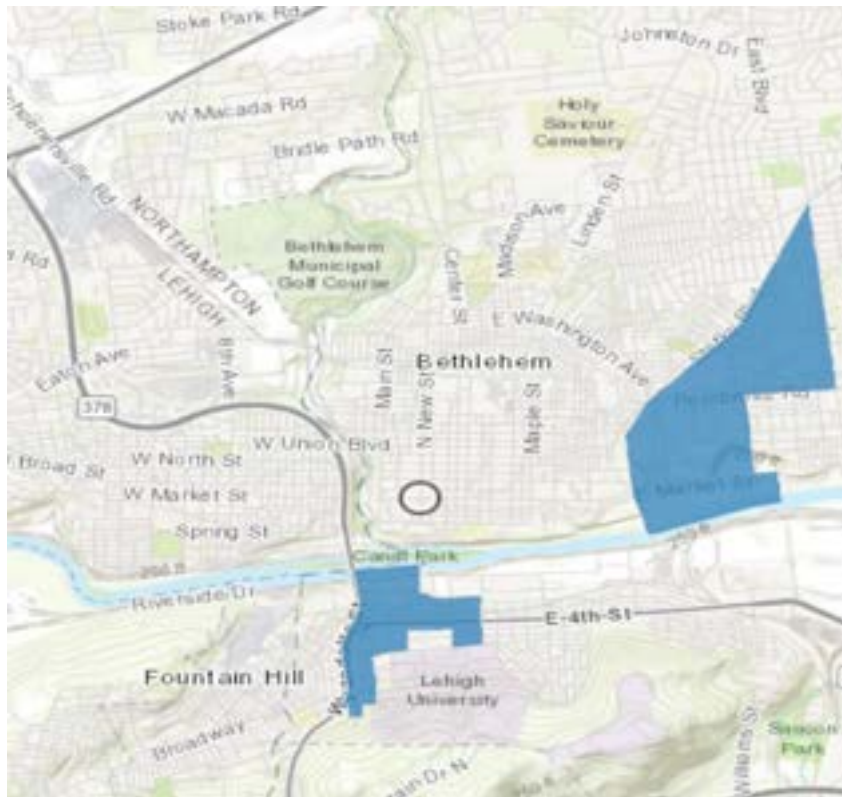


Figure 1: R/ECAP

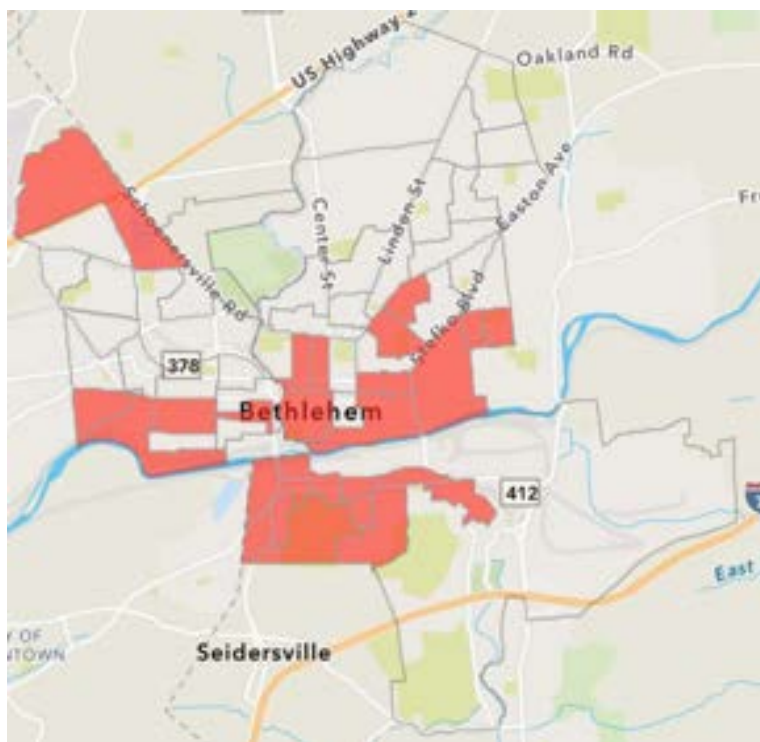


Figure 2: Low- to moderate-income Block Groups

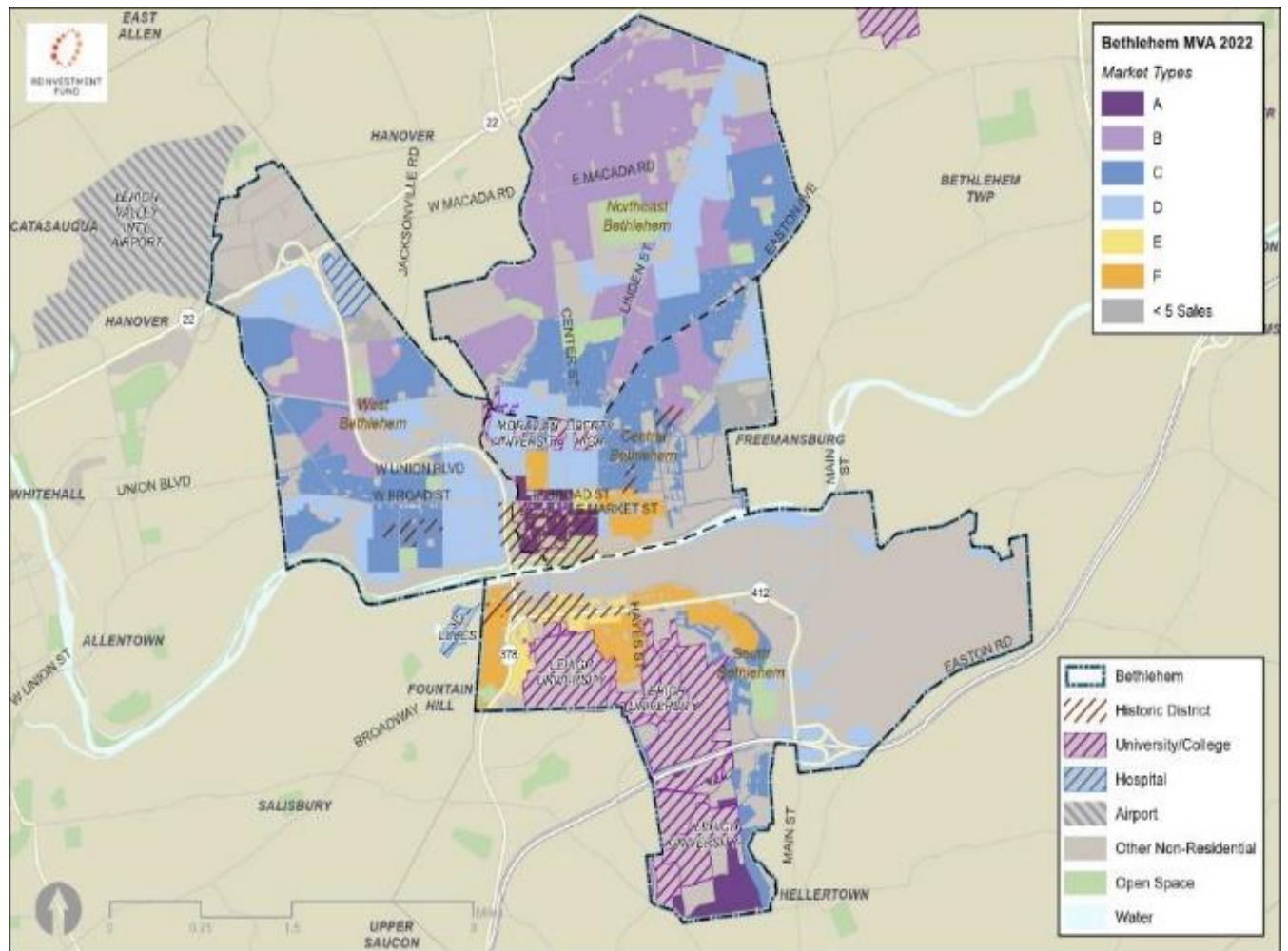


Figure 3: 2022 Market Value Analysis

Map 14: Priority Areas to Mitigate Displacement & Preserve Affordability

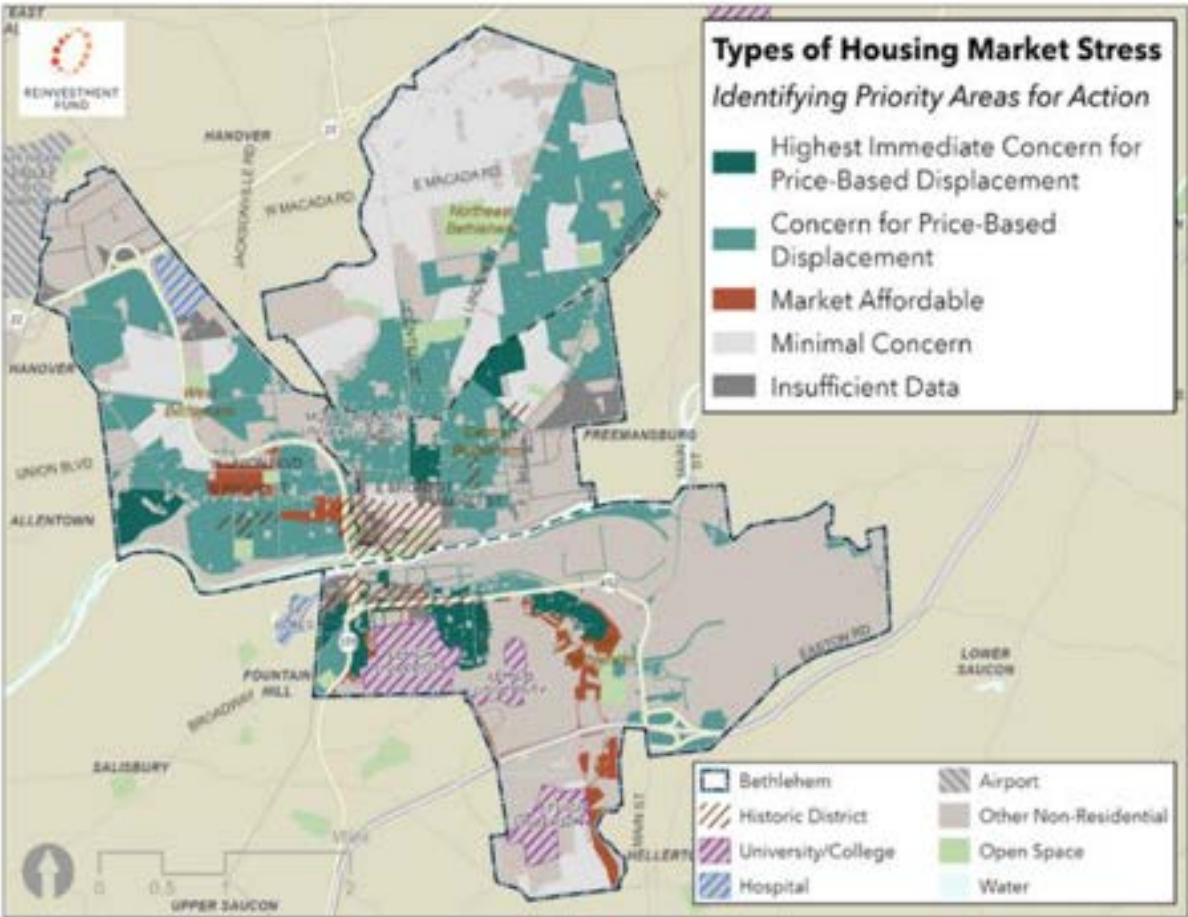


Figure 4: Priority Areas

Attachment D: Affirmative Marketing and Outreach Narrative
Applicant: City of Bethlehem

Affirmatively Furthering Fair Housing

As an entitlement community, the City has been engaged and invested in affirmatively furthering fair housing for many years. This application works to mitigate the impediments identified in the Bethlehem, Easton, Allentown, Northampton (“BEAN”) Fair Housing Partnership’s FY 2020 Analysis of Impediments (AI) to Fair Housing Choice, including the need for: fair housing education and outreach, affordable housing, accessible housing, and public policy changes related to zoning. The City is in the midst of updating its Comprehensive Plan and AI and has been engaging the community to learn about members’ housing concerns and experiences.

1. **Targeted Outreach Campaigns:** We will develop outreach initiatives that specifically target underrepresented communities, including those based on race, ethnicity, disability, and income levels. This includes collaborating with local nonprofits, community organizations, and faith-based groups that serve these populations.
 1. Bethlehem also funds and collaborates with organizations’ offering workforce development programs to direct more minority-, women- and veteran-owned businesses into the construction industry. Community Action Lehigh Valley, the city’s alley house pilot construction program partner, operates mentorship programs to develop experienced contractors with diverse business owners to build local capacity and foster growth.
2. **Multilingual Materials:** All marketing materials will be produced in multiple languages to reach non-English speaking residents. This includes flyers, social media posts, and informational sessions to ensure accessibility.
3. **Community Events:** We will host informational workshops and community forums in various neighborhoods to educate residents about housing opportunities and the application process. These events will be promoted through local media, social networks, and community centers. The City has worked in collaboration with Community Action Development Bethlehem to conduct community meetings around the Gateway on 4th.
4. **Partnerships with Local Businesses and Organizations:** Collaborating with local businesses and organizations will help disseminate information widely. We will provide resources for these partners to share with their networks.
 1. The City participates in the Lehigh Valley Chamber of Commerce’s DEI Collaborative, which has grown out of the success of its African American Business Leaders, Veterans & Military, Hispanic Chamber of Commerce, Women’s, LGBTQ and Young Professionals business councils. The City shares regular updates on housing programs and priorities via the Chamber both in meetings and through its wide distribution lists.
5. **Digital Marketing:** Utilizing targeted social media ads will help us reach specific demographics more effectively. We will also require developers who benefit from these funds to maintain an updated website with clear information about available housing units and application processes.
6. **Feedback Mechanisms:** We will implement surveys and focus groups to gather feedback from community members about the effectiveness of our outreach efforts, allowing us to adjust strategies as needed.

Bethlehem’s Opening Doors plan and MVA gave the City a trove of data and analysis of housing patterns to help identify areas of segregation and disparity. All of the strategies in the plan and in this grant proposal aim to expand housing options, prevent displacement and foster

economic opportunity for all residents, regardless of socioeconomic background. The City funds North Penn Legal Services annually via CDBG to provide Fair Housing counseling and seminars. Through the Housing Stability Collaborative, the City helps fund landlord/tenant mediation, tenant advocacy, rental assistance and it is supporting North Penn's efforts to obtain more funding for its highly successful access to counsel program.

The City sees the Housing Stability Collaborative as an essential way to affirmatively further fair housing as Lehigh and Northampton counties have some of the highest eviction rates in Pennsylvania. In this state, evictions stay on someone's record forever, even if a renter prevailed in court. The Housing Alliance of Pennsylvania's analysis of eviction filings pre- and post-pandemic found that "living in racially/ethnically concentrated neighborhoods, being a single mom with kids and paying more than 30% of income for rent are each strong predictive factors for who will face eviction. The disparities along racial and socioeconomic lines demonstrate that eviction is a strong driver of continuing inequities in our system." The alliance's analysis of eviction filings by ZIP code in all 67 counties found that the higher the percentage of renters who are people of color in a ZIP code, the higher the eviction filing rate. Over 90% of cases involve past due rent, which is why the City funds rental assistance. Evictions are a strong driver of continued inequities in our housing system, so programs to reduce them help to affirmatively further fair housing.

By focusing on preventing displacement and the production and preservation of affordable rental housing, the City's plan will disproportionately benefit Black and Hispanic/Latino residents of the city, who are far more likely to be renters than homeowners. However, the City also dedicates resources for low-income homeowners and potential homeowners through a partnership with Community Action Lehigh Valley's Homeownership Counseling programming. HUD-certified Housing Counselors offer pre-ownership counseling and foreclosure prevention services to help low-income residents, a preponderance of whom are Black and Hispanic/Latino, purchase or keep a house. The City also works with CALV to provide down payment assistance to low-income households purchasing a home.

City staff rely upon trusted community leaders and community-based organizations to act as ambassadors to help connect with residents at a grassroots level, while also conducting social media campaigns and outreach via the We Build Bethlehem website. City staff meet residents where they are online and at community events through pop-up engagements where multiple avenues of feedback are encouraged based on level of comfort and interest. As a city with a 30% Hispanic/Latino population, the City prioritizes translation and culturally competent outreach in all of its efforts.

Community engagement remains at the core of all initiatives in the Reynolds administration. Staff routinely engage residents, including those in marginalized communities in discussions about housing needs and barriers. The quarterly Opening Doors Community Update has become quite well attended as residents learned the meetings offer easy access to speak with the mayor and city staff.

Challenges related to equity and inclusion are starkly illustrated in fair access to housing. DCED works closely with the City's Director of Equity and Inclusion, who helped write this grant, to affirmatively further fair housing through both City policy, investments and community partnerships. The DEI position was created in 2022 and thus far the director has created a GIS-based Equity Too and has a draft City Equity Plan, which both looks internally and externally.

Bethlehem seeks to break down barriers between the government and its residents of Color via a neighborhood-based approach. The City operates a 16-member Latino Advisory Committee, which meets monthly to offer feedback on issues of concern such as housing, and staff across all departments participate in the NAACP's Community Advisory Board and Southside Task Force meetings.

To promote desegregation, the City is in the midst of a zoning reform effort and a Choice Neighborhood planning grant process in partnership with the Bethlehem Housing Authority in hopes of opening up new areas of opportunity.

Collaboration with the BHA on the Choice Neighborhoods planning grant will transform a neighborhood of concentrated public housing into a mixed-income community with increased opportunity through a comprehensive, neighborhood-based planning project. The project will avoid displacement of public housing residents through staged implementation strategies and will ensure that every unit of subsidized housing is replaced, so that no tenants are displaced.

The City is seeking funding to update its IT infrastructure so it can accurately and publicly track its progress in affirmatively furthering fair housing. Current available City technology doesn't offer any option to create a dashboard.

Attachment E: Experience Promoting Racial Equity Narrative
Applicant: City of Bethlehem

Advancing Racial Equity

The foundation of the City of Bethlehem's affordable housing study *Opening Doors: Strategies to Build Housing Stability in Bethlehem* is its Market Value Analysis (MVA) developed by The Reinvestment Fund. The plan uses the MVA to target all housing strategies to areas of the city that are most apt for each type of development or intervention. Characteristics used to target specific activities included the strength or weakness of the housing market as well as neighborhood composition and demographics.

Similar to national trends, spatial analysis has emphasized that Bethlehem's densest neighborhoods are also the most affordable and have the highest populations of low-income households and individuals of Color. These neighborhoods are targeted for strategies designed to preserve affordability and housing stability, while all strategies promoting new affordable housing development are prioritized for areas of the city that could benefit from gentle increases in density, and which have historically been home to a higher percentage of White and moderate- to high-income residents.

By focusing on preventing displacement and the production and preservation of affordable rental housing, the City's plan will disproportionately benefit Black and Hispanic/Latino residents of the city, who are far more likely to be renters than homeowners.

The City seeks to build a rental rehabilitation program because 69% of Bethlehem's low-income residents are renters and the majority of rentals are concentrated in the older parts of the city. The majority of remaining naturally occurring affordable housing is concentrated in South Bethlehem, where the median household age is 1941, well below the state average. Through data collected via the City's robust housing inspection program, it is clear severe code violations in older properties most frequently occur in neighborhoods with higher concentrations of residents of Color. Rising housing costs in Bethlehem mean an increasing number of low-income renters are forced to accept non-code complaint housing in exchange for lower rents.

This application focuses on the many barriers that could prevent communities of color from equitably benefiting from the proposed award activities. Bethlehem's lack of buildable land makes increasing housing production complex and recent efforts to do so in high- opportunity areas faced strong public opposition. These experiences directly informed the public education activity composed in this grant. The revolving loan fund and associate incentives will more highly weight projects that promote desegregation and benefit communities of colors.