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City Housing Needs Assessment and Strategic Plan Bethlehem, PA



ATRIA PLANNING
Informed planning for better communities



Overview

1. Team Introductions
2. Study Overview
3. Summary of Housing Needs
4. Summary of Existing Housing Conditions
5. Community Engagement & Preliminary Housing Strategies
6. Next Steps

Team Introductions



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Reinvestment Fund is a mission-driven nonprofit organization that brings financial and analytical tools to partnerships that work to ensure that everyone has access to essential opportunities.



ATRIA PLANNING
Informed planning for better communities

Atria Planning is a woman-owned business that specializes in housing needs assessments, affordable housing, community development and market analysis. We help organizations assess current conditions and future potential through research of demographic, financial, and physical characteristics.



COLLABO is a dynamic planning and urban design practice leading innovative and equitable neighborhood revitalization projects that generate positive results and improve the lives of local residents.



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Housing Plan Goals

To develop a housing strategy that:

1. Is grounded in a data-informed understanding of housing needs and current market conditions - local, regional, and national market trends.
2. Factors in the economic, fiscal, and political realities that define the City's scope of action and influence in the housing market.
3. Will make the most progress for the most people possible given prevailing market conditions and City capacity.

Study Overview

- Assess Housing Needs
 - Identify housing needs for Bethlehem residents with different incomes, race/ethnicity, tenure, age and household types
 - Project housing demand
- Assess Prevailing Market Conditions
 - Update the 2018 Market Value Analysis
 - Review Regulatory Policy & Development capacity
 - Identify Areas of Opportunity
- Gather Community Perspectives
- Identify Key Issues and Potential Strategies





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Housing Needs Assessment

Summary of Housing Needs

- Moderately priced rental housing (1 bedrooms less than \$1,000; family units less than \$1,500) for local workers
- Preservation of existing moderately priced rental units to mitigate displacement and potential homelessness of very low-income households
- Homeownership opportunities less than \$200,000
- Rental assistance and home repair assistance to seniors on fixed incomes
- Transitional housing and low-rent units for homeless families and individuals combined with supportive services
- Land/buildings to increase the supply of rental housing

Housing in Context

- Recent surge in housing demand increasing rent prices in Lehigh Valley
 - Less expensive housing than New York – New Jersey – Philadelphia region
 - Working from home during and after Covid-19
 - More retirees as baby boomers
 - Would-be first-time homebuyers cannot access homeownership market
- Roughly 8,000 building permits issued in region 2019 – 2022 but 2/3 are single family and nearly all multi-family are market rate units
 - ~2% rental vacancy rate (6-7% considered ‘healthy’)
- Increase in costs (construction, shipping, labor, land) plus inflation make it challenging to build housing; developers meeting demand of middle and upper end of market
- Job growth and housing demand in the region will continue to increase
- Bethlehem, like other cities in region, has limited land for development – solutions require regional housing planning

Supply & Demand Challenges

- Rental vacancy rate recently reported at less than 2% - a “crisis” in supply
 - (healthy rates between 6% and 8%)
- Increased demand spike in rent for all units; the “naturally” affordable rental units at the bottom of the market (apartments priced below \$1,000 a month) are effectively gone
- Roughly 8,000 building permits issued in region 2019 – 2022 but construction takes longer due to material costs and labor shortages
 - 2/3 are single family and nearly all multi-family are market rate units.

	Median Rent Oct. 2022	Units Available
Studio	\$1,168 - \$1,290	6
1 Bedroom	\$1,515 - \$1,638	35
2 Bedroom	\$1,870 - \$1,924	34
3 Bedroom	\$2,050 - \$2,130	23

Source(s): Zillow Rental Market Report and Zumper Bethlehem Rental Market Report



What is Affordable?

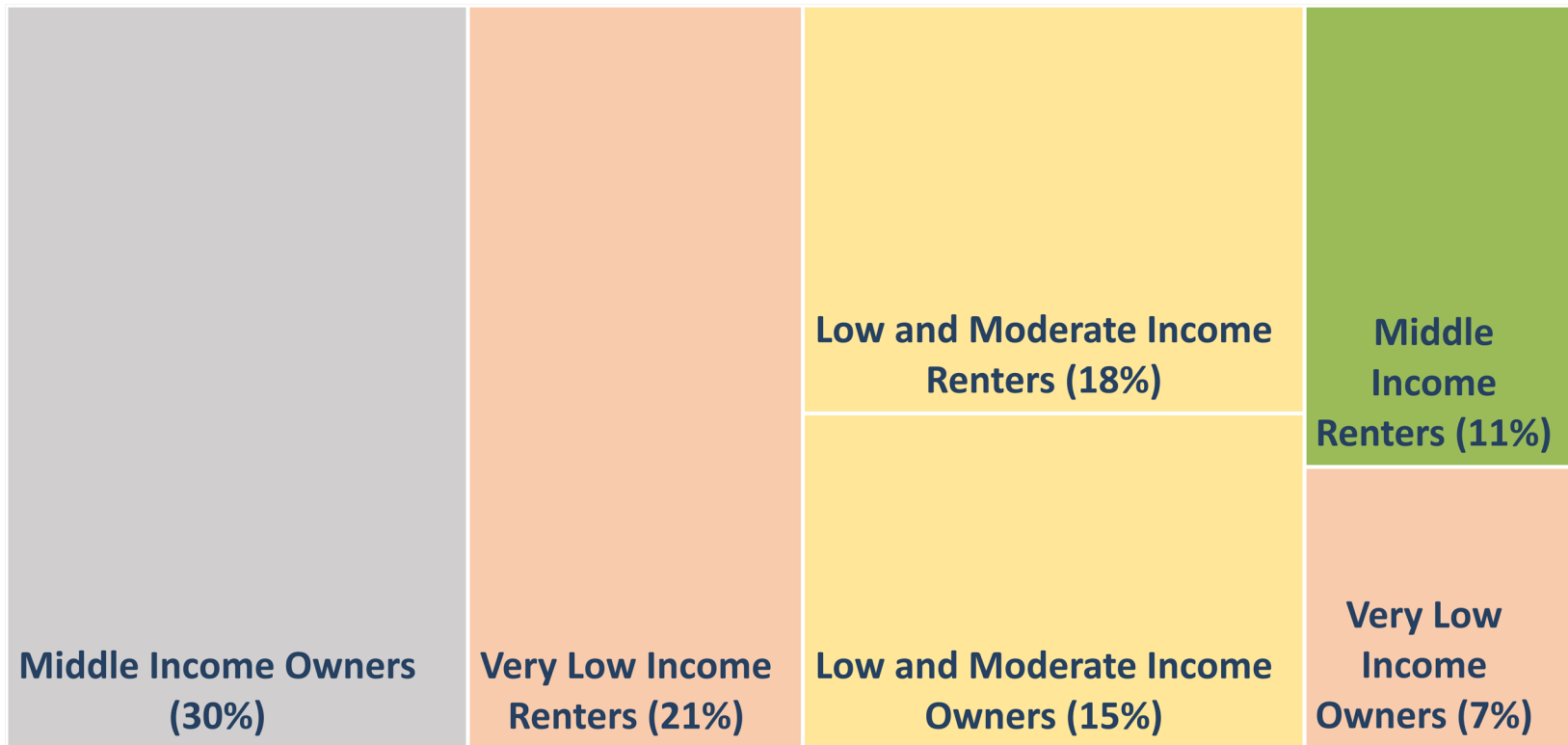
	Extremely Low Income	Very Low Income	Low Income	Moderate Income	Fair Market Rent (FMR)	Market Rent
	<30% of AMI	30% - 50% AMI	50% - 80% AMI	80% - 100% AMI	(Voucher value)	
1-person (Studio)	less than \$480	\$480 - \$790	\$790 - \$1,270	\$1,270 - \$1,590	\$834	~ \$1,200
2-person (1-bedroom)	less than \$550	\$550 - \$900	\$900 - \$1,450	\$1,450 - \$1,810	\$939	~ \$1,600
Family of 4 (3-bedroom)	less than \$680	\$680 - \$1,130	\$1,130 - \$1,810	\$1,810 - \$2,270	\$1,542	~ \$1,900

Home Price	Extremely Low Income	Very Low Income	Low Income	Moderate Income
1-Person	\$71,259	\$118,715	\$190,123	\$237,579
Family of 4	\$101,649	\$169,464	\$271,263	\$339,078

Source: HUD Income Limits 2022 for the Allentown-Bethlehem-Easton MSA; HUD published Fair Market Rent 2022; affordability based on 30% of income or less on housing costs

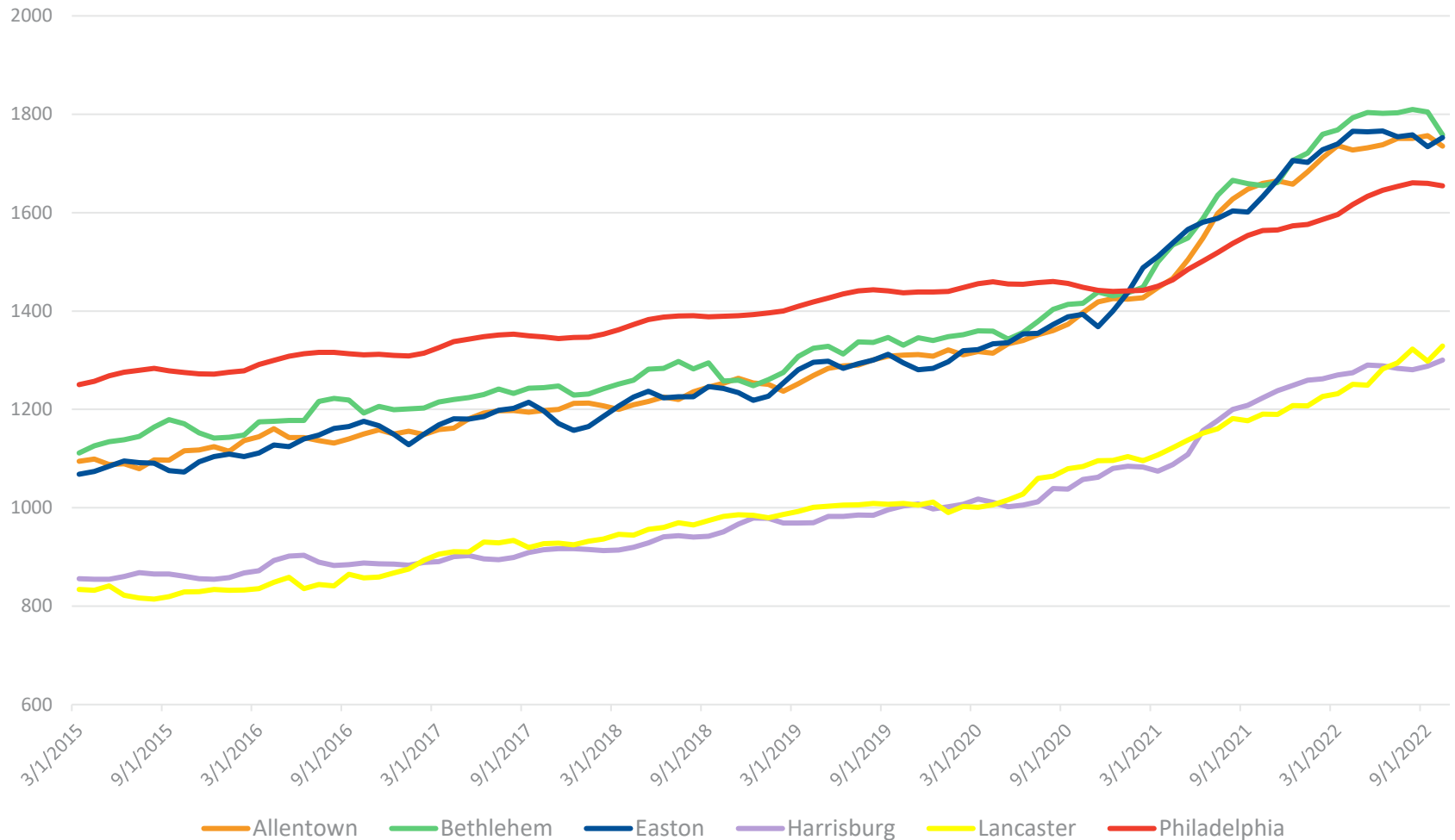
Income By Renter/Owner in Bethlehem

61% of Bethlehem's households are low and moderate income.



Source: HUD CHAS 2015 – 2019 retrieved August 2022

The Lehigh Valley is expensive, particularly for renters...



Source: Zillow Observed Rent Index: ZORI is a repeat-rent index that is weighted to the rental housing stock to ensure representativeness across the entire market, not just those homes currently listed for-rent. The index is dollar-denominated by computing the mean of listed rents that fall into the 40th to 60th percentile range for all homes and apartments.

Who could afford housing in 2019 and how has that changed?

2019

	Rent (1 Person)	Purchase (Family of 4)
<30% AMI	No	No
50% AMI	No	No
80% AMI	Yes	Yes
100% AMI	Yes	Yes

2022

	Rent (1 Person)	Purchase (Family of 4)
<30% AMI	No	No
50% AMI	No	No
80% AMI	No	No
100% AMI	Barely	Yes

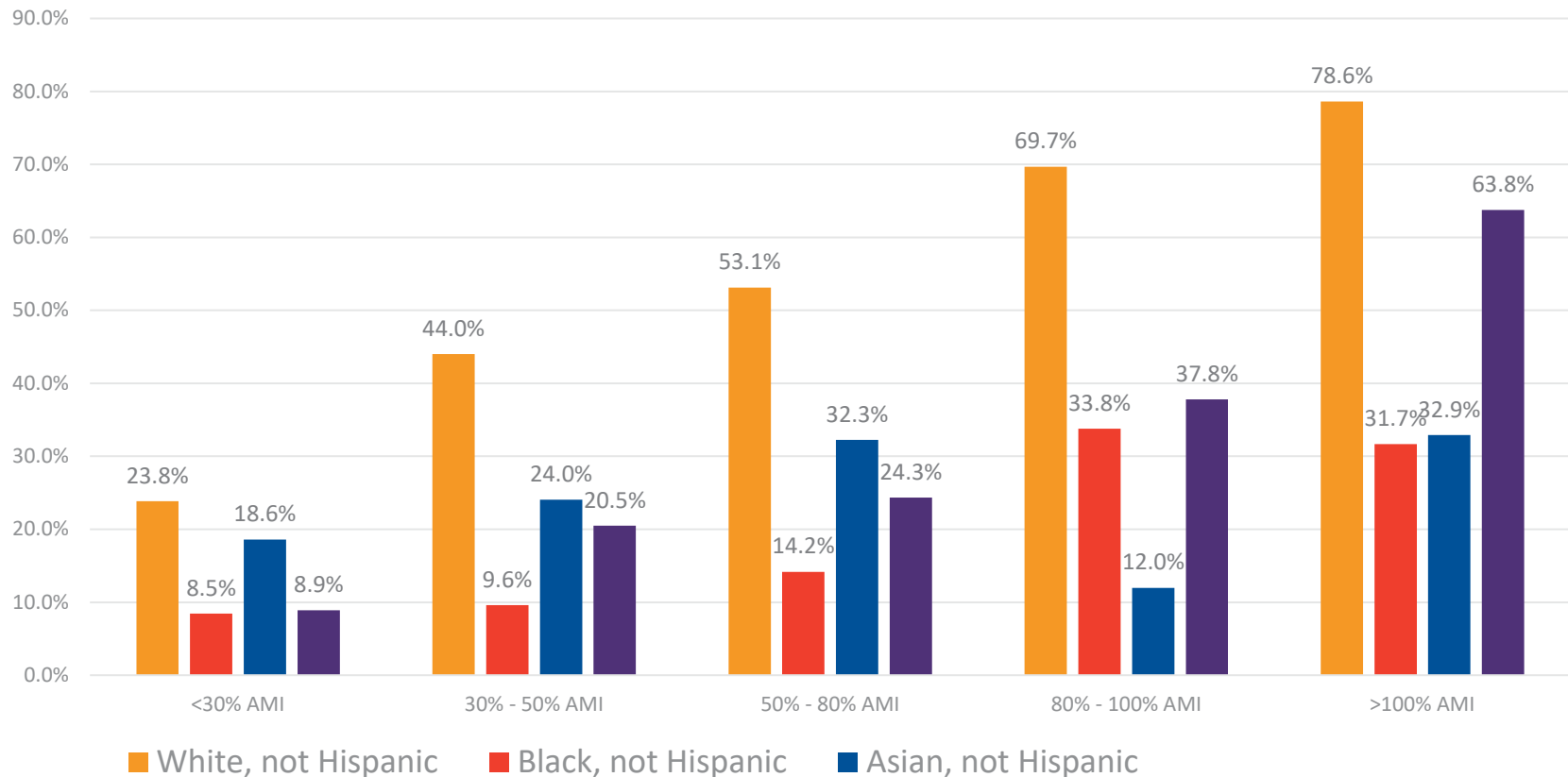
Affordability by Occupation

Position	Monthly Housing Budget	How hard will it be to find an apartment affordable to them?
Cook	\$567	Nearly Impossible
Cashier	\$587	Nearly Impossible
Retail Salesperson	\$705	Nearly Impossible
Packager	\$758	Nearly Impossible
Bus Driver	\$959	Very Challenging
Office Clerk	\$946	Very Challenging
Social Worker	\$1,217	Very Challenging
Paralegal	\$1,226	Very Challenging
Mailperson	\$1,357	Tough
Librarian	\$1,532	Tough
Web Developer	\$1,849	Doable
Nurse	\$1,946	Doable

Source: U.S. Bureau of Economic Analysis Median Wage by Occupation, 2021

Access to Homeownership by Race/Ethnicity

- Black/African American, Latino and Asian families have substantially lower homeownership rates than White/non-Hispanic households, even controlling for income
- With continually increasing rents and high interest rates, first-time homeownership is harder to achieve



Homelessness & Those At Risk

- With virtually no supply of rental units priced less than \$1,000, working families are at risk of homelessness
 - Bethlehem Area School District reported 414 homeless children registered in District
 - 53% increase in homeless families from 2020-2022
- Growing concern regarding rent increases for families who were renting “naturally affordable” apartments before pandemic.
- Ongoing needs for supportive services, emergency assistance, sheltering, and transitional housing

Bethlehem Households with Affordability Challenges

Income	<30% AMI	30% - 50% AMI	50% - 80% AMI	80% - 100% AMI	>100% AMI	All Households
Renters	2,673	1,697	1,837	143	170	6,520
Renters (%)	66.7%	74.8%	46.4%	11.9%	5.4%	44.8%
Owners	593	767	819	307	328	2,781
Owners (%)	79.6%	65.8%	31.9%	18.3%	3.8%	18.8%
All	3,266	2,464	2,656	450	498	9,301
All (%)	68.7%	71.7%	40.7%	15.6%	4.2%	31.7%

Source: HUD CHAS 2015 – 2019 retrieved August 2022

What would it take to address Bethlehem's affordable housing needs?

\$51 million annually in subsidy....

	Households with Cost Burden	Assumed gap (using low threshold for 1-Bedroom)	
Extremely Low Income	2,673	\$1,050	\$33,679,800
Very Low Income	1,697	\$700	\$14,254,800
Low Income	1,837	\$150	\$3,306,600
Total	6,207		\$51,241,200

Estimated cost to meet the affordability gap for low income renters



—

There are not
enough resources
to meet the need.

What can local
government do?



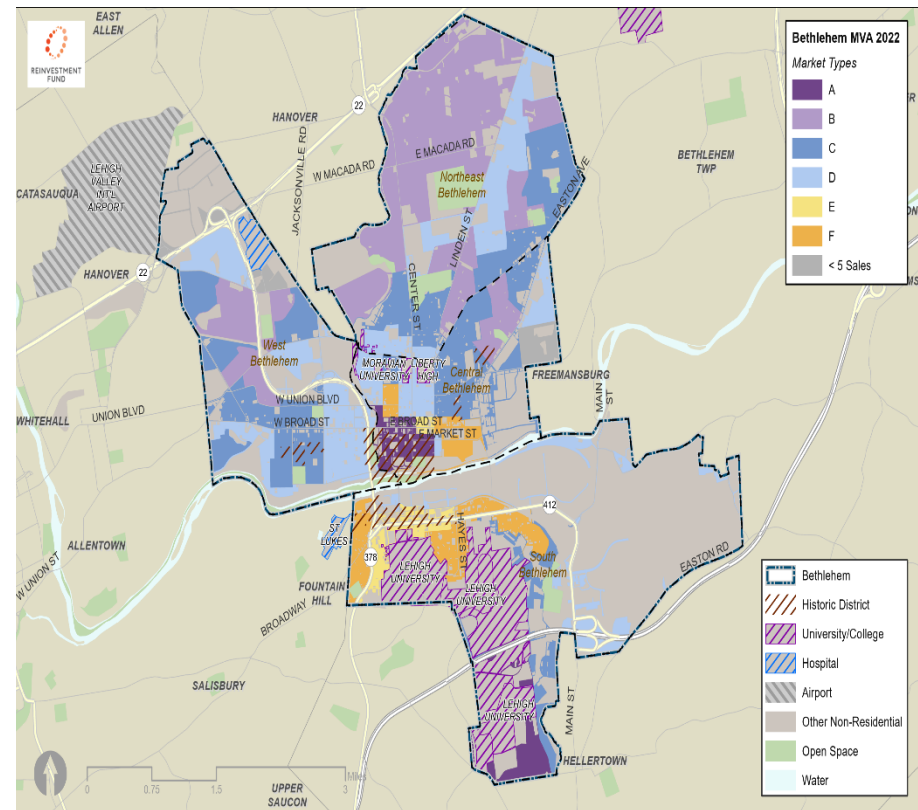
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Understand Existing Conditions – Market Value Analysis

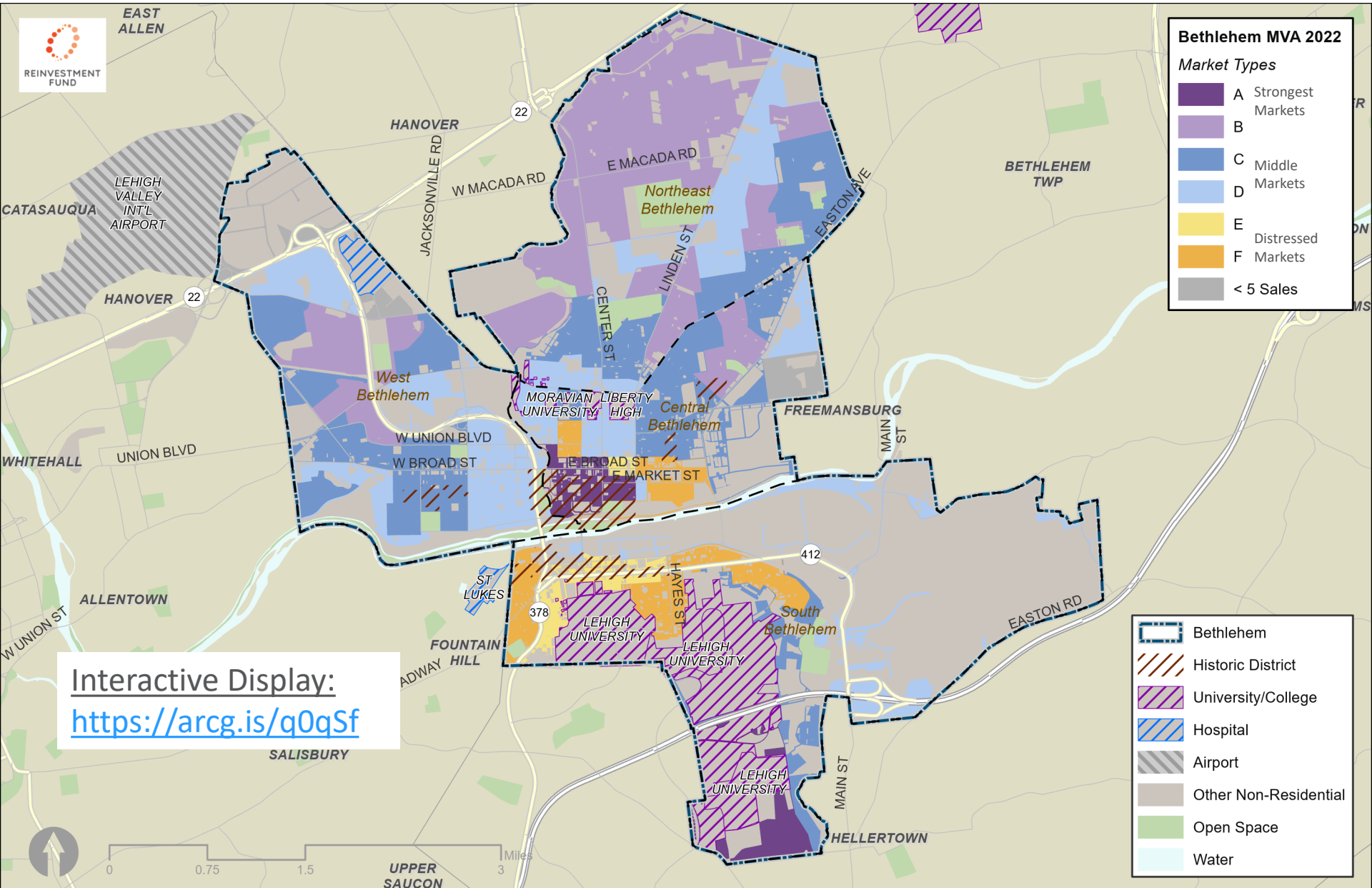
The Market Value Analysis

The **Market Value Analysis (MVA)** is a tool to help residents and policymakers identify and understand the elements of their local real estate markets. It is an objective, data-driven tool built on local administrative data and validated with local experts.

With an MVA, public officials and private actors can more precisely target intervention strategies in weak markets and support sustainable growth in stronger markets.



MVA Results



Bethlehem MVA 2022

Market Types

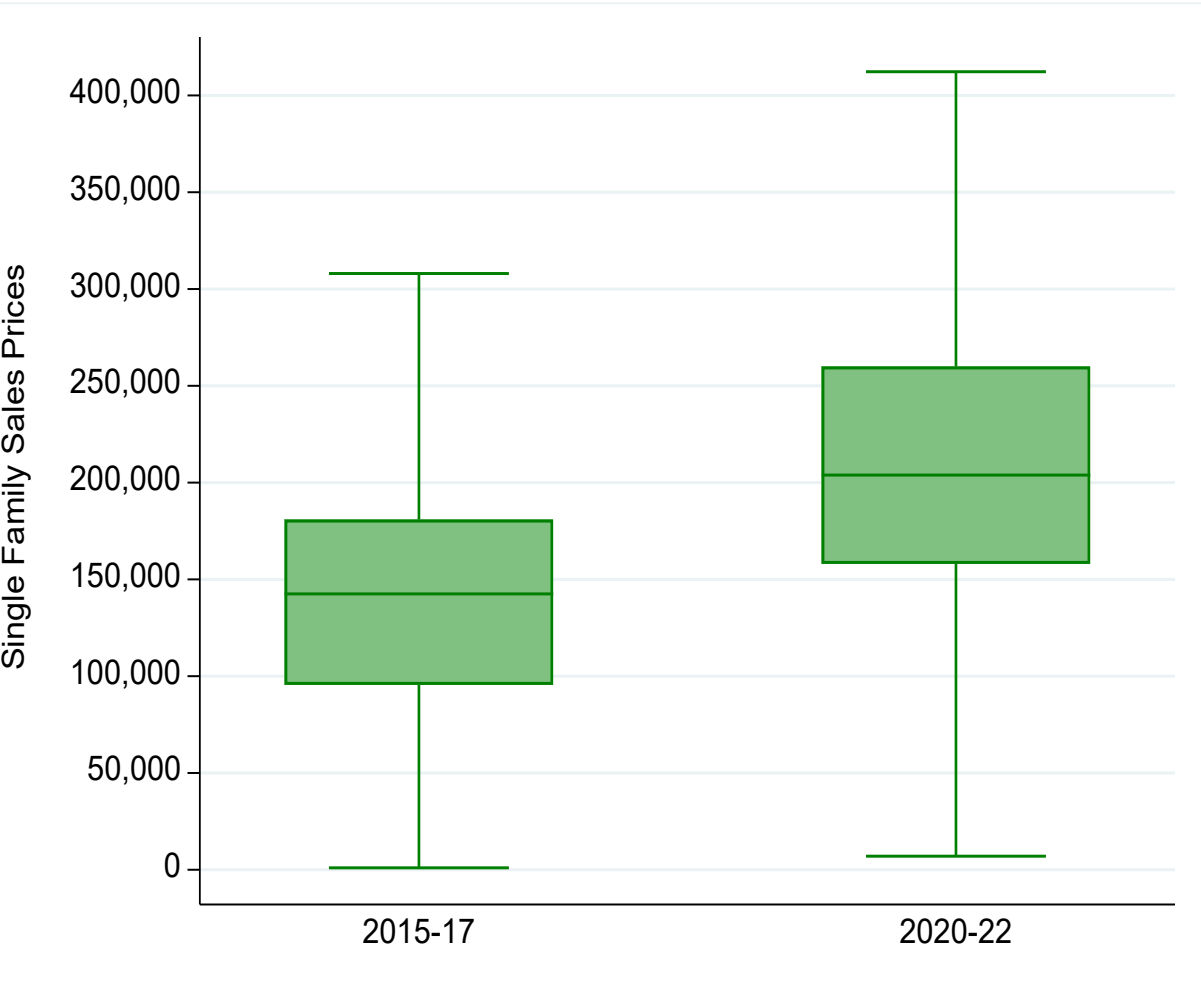
- A Strongest Markets
- B
- C Middle Markets
- D
- E Distressed Markets
- F
- < 5 Sales

- Bethlehem
- Historic District
- University/College
- Hospital
- Airport
- Other Non-Residential
- Open Space
- Water

Interactive Display:
<https://arcg.is/q0qSf>



What's Really Changing in Bethlehem: Home Sales Prices



Median Sales Price:
\$142,500

Median Sales Price:
\$203,866
(+43%)

50% of all home sales are 'in the box'

In 2015-17 three quarters of homes in Bethlehem sold for less than \$181,000

In 2020-22 three quarter of homes in Bethlehem sold for more than \$158,000

National Median Sales Price in 2022: ~ \$390,000

Figure Excludes Outlier Sales Values





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Housing Affordability - what places are accessible to residents at different income levels?

Displacement Risk - what places might residents be experiencing displacement pressure associated with rising home prices?

Unaffordable Block Groups for Residents with Incomes at 80% of City Median Income (CMI)



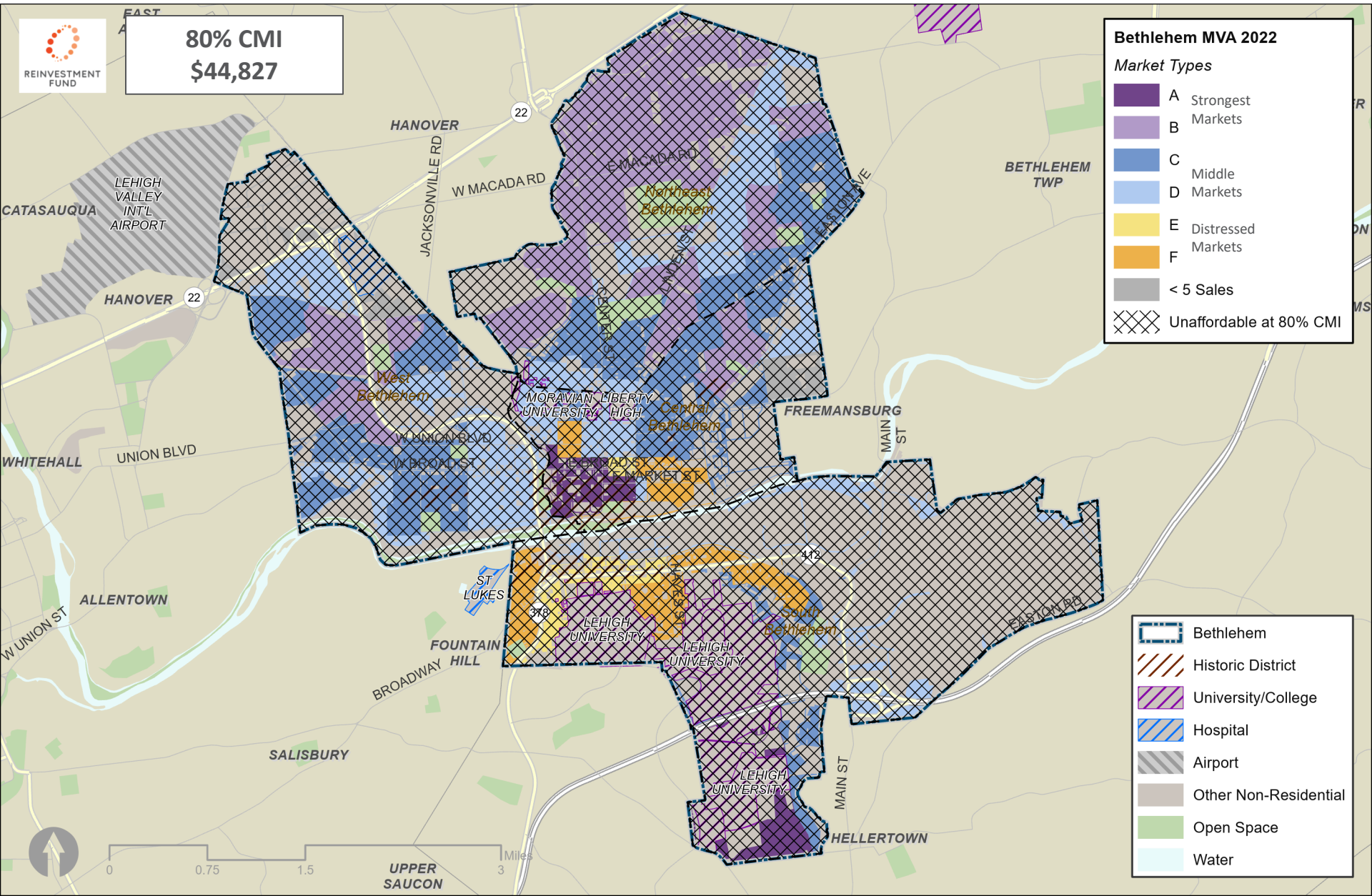
80% CMI
\$44,827

Bethlehem MVA 2022

Market Types

- A Strongest Markets
- B Markets
- C Middle Markets
- D Markets
- E Distressed Markets
- F Markets
- < 5 Sales
- Unaffordable at 80% CMI

- Bethlehem
- Historic District
- University/College
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- Open Space
- Water



Unaffordable Block Groups for Residents with Incomes at 100% of CMI



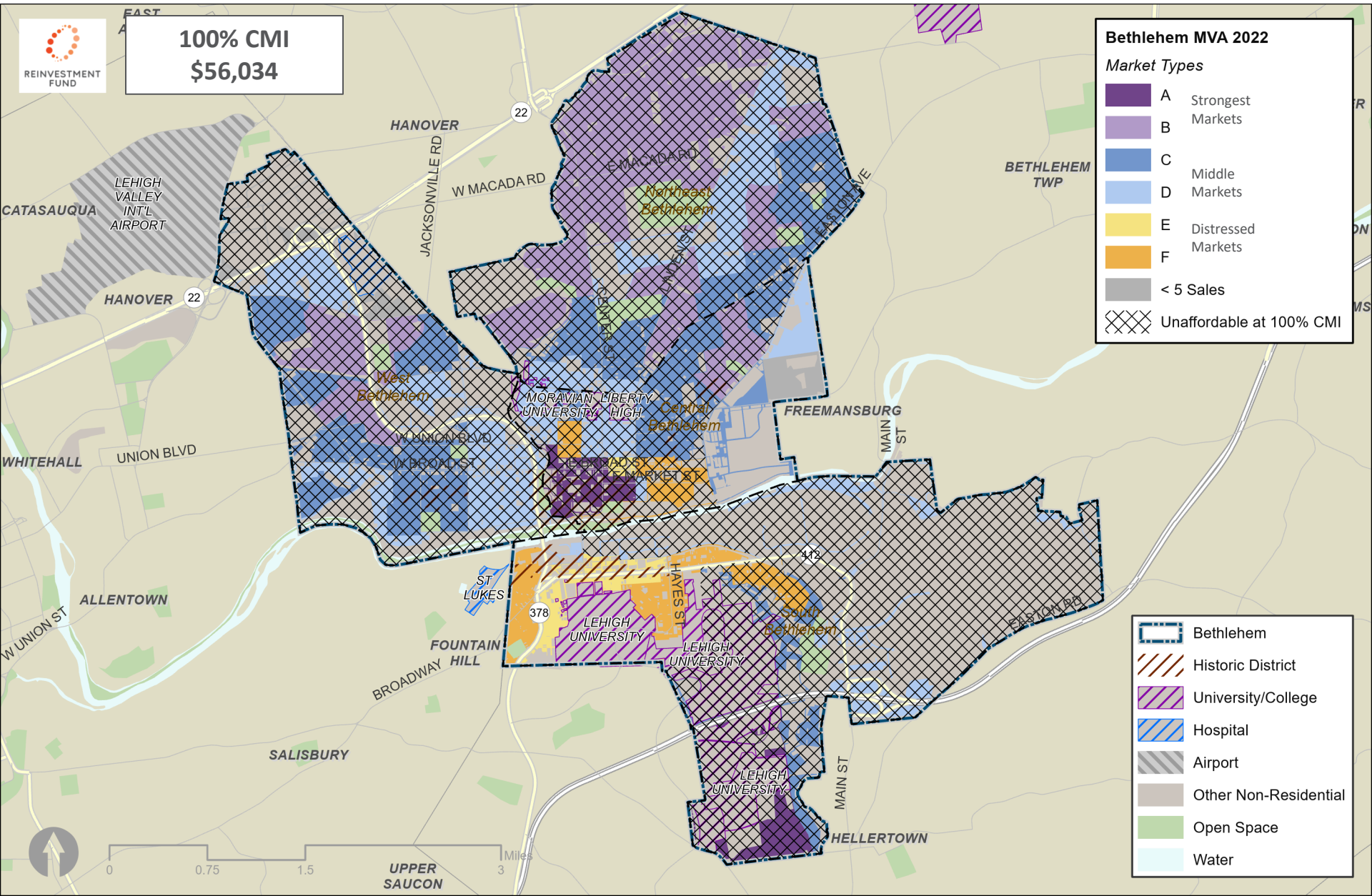
100% CMI
\$56,034

Bethlehem MVA 2022

Market Types

- A Strongest Markets
- B Markets
- C Middle Markets
- D Markets
- E Distressed Markets
- F Markets
- < 5 Sales
- Unaffordable at 100% CMI

- Bethlehem
- Historic District
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- Other Non-Residential
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Unaffordable Block Groups for Residents with Incomes at 120% of CMI



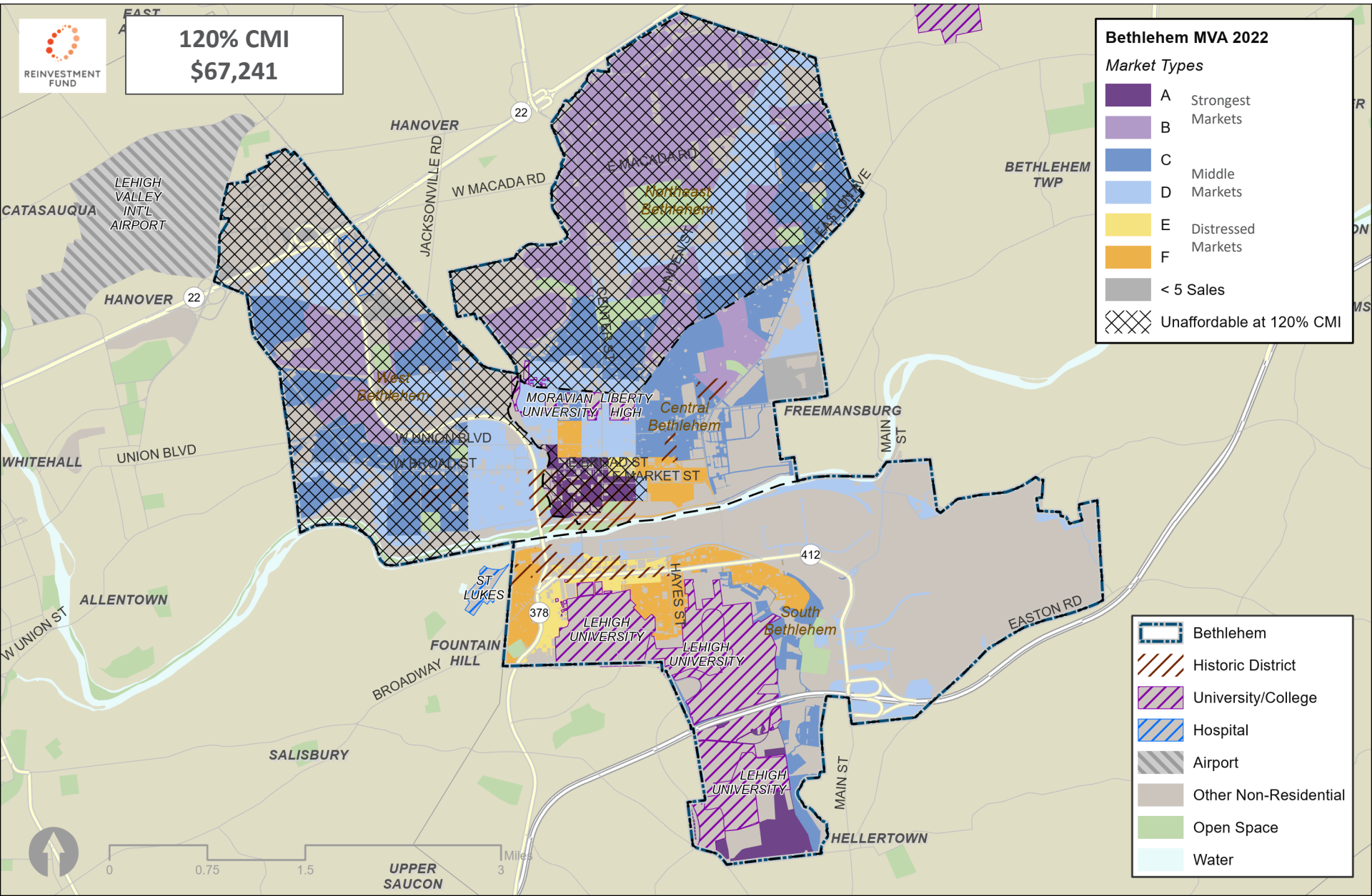
120% CMI
\$67,241

Bethlehem MVA 2022

Market Types

- A Strongest Markets
- B Markets
- C Middle Markets
- D Markets
- E Distressed Markets
- F Markets
- < 5 Sales
- Unaffordable at 120% CMI

- Bethlehem
- Historic District
- University/College
- Hospital
- Airport
- Other Non-Residential
- Open Space
- Water



Unaffordable Block Groups for Residents with Incomes at 150% of CMI



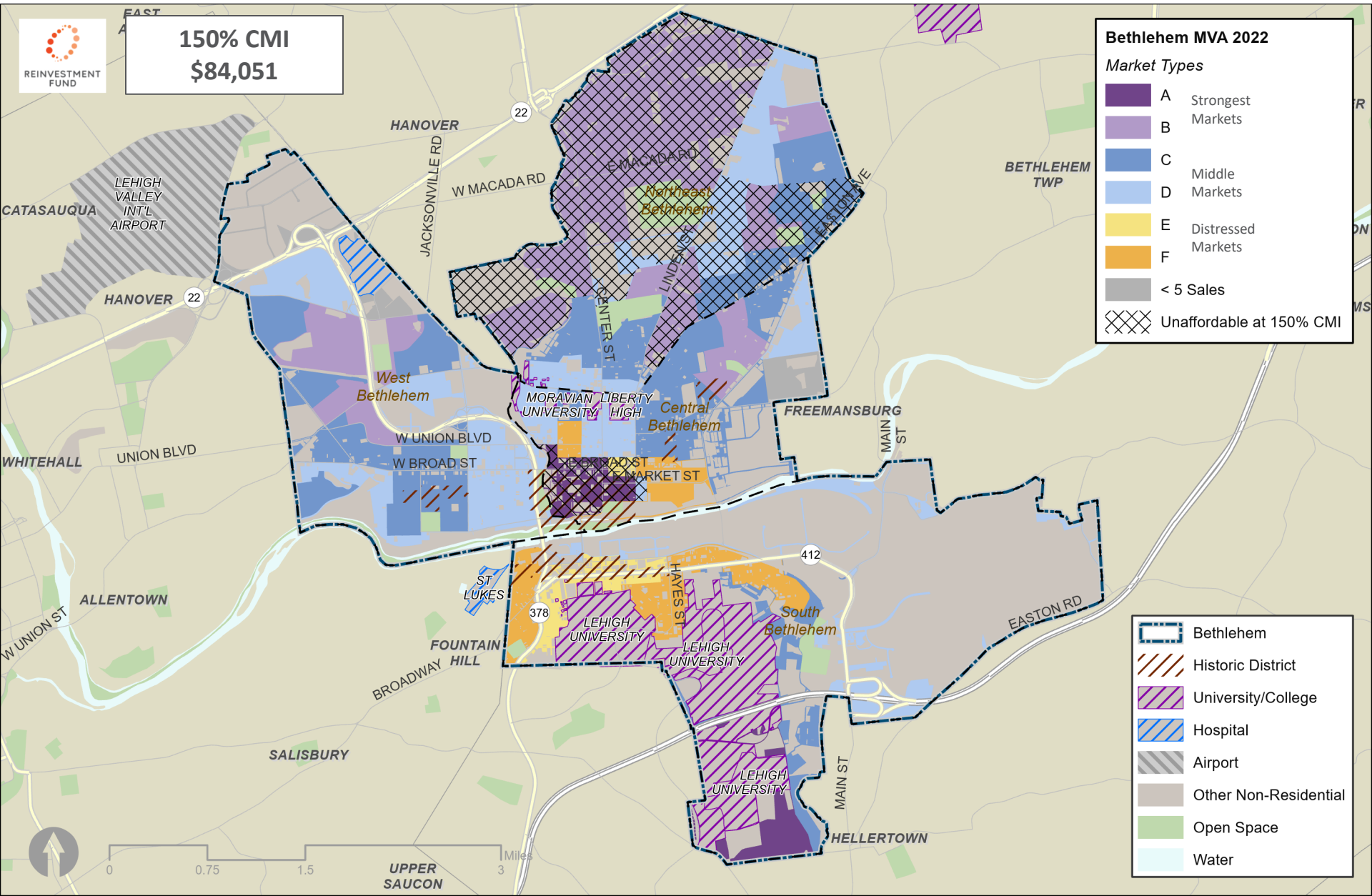
150% CMI
\$84,051

Bethlehem MVA 2022

Market Types

- A Strongest Markets
- B Markets
- C Middle Markets
- D Markets
- E Distressed Markets
- F Markets
- < 5 Sales
- Unaffordable at 150% CMI

- Bethlehem
- Historic District
- University/College
- Hospital
- Airport
- Other Non-Residential
- Open Space
- Water



Measuring Resident Displacement Risk

Our Approach to Measuring Housing Market Pressure and Resident Displacement Risk

The concern driving this approach is to measure the *involuntary* aspect of displacement.



Households forced to leave their neighborhoods due to circumstances beyond their control (e.g., rising taxes, rent increase, condo conversion, neighborhood decline).

The analysis identifies areas where current housing prices may be unaffordable to long-term residents.



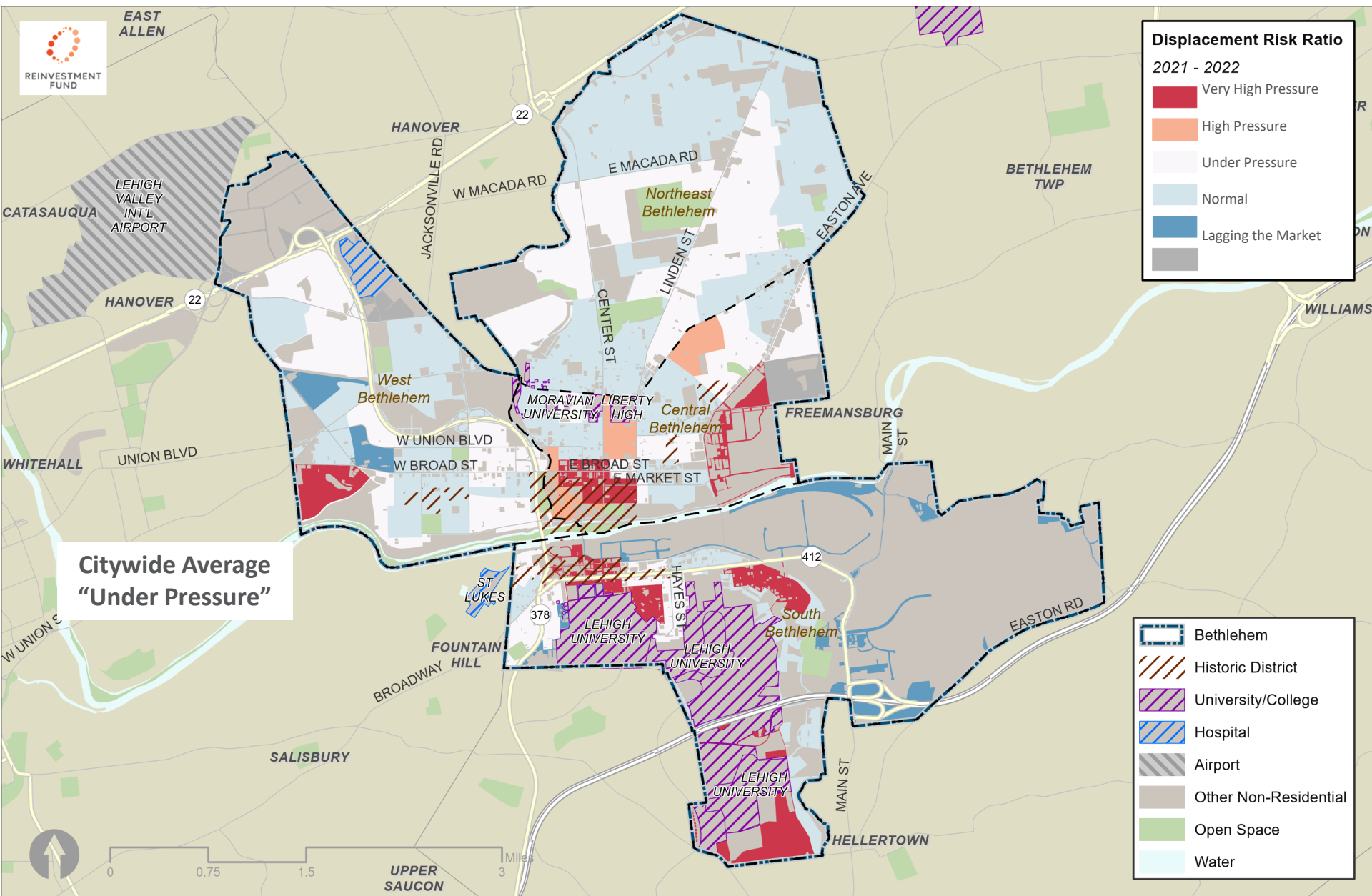
Assumes housing should be close to 3x family income (following HUD guidelines).

Examines changes in the ratio of a long-term residents' income to housing prices to spotlight areas of concern.



Healthy neighborhoods should be stable or follow regional trends. Areas with rapid increases (or decreases) in this ratio signal potential concern.

Displacement Risk: 2021 - 2022



Displacement Risk Ratio
2021 - 2022

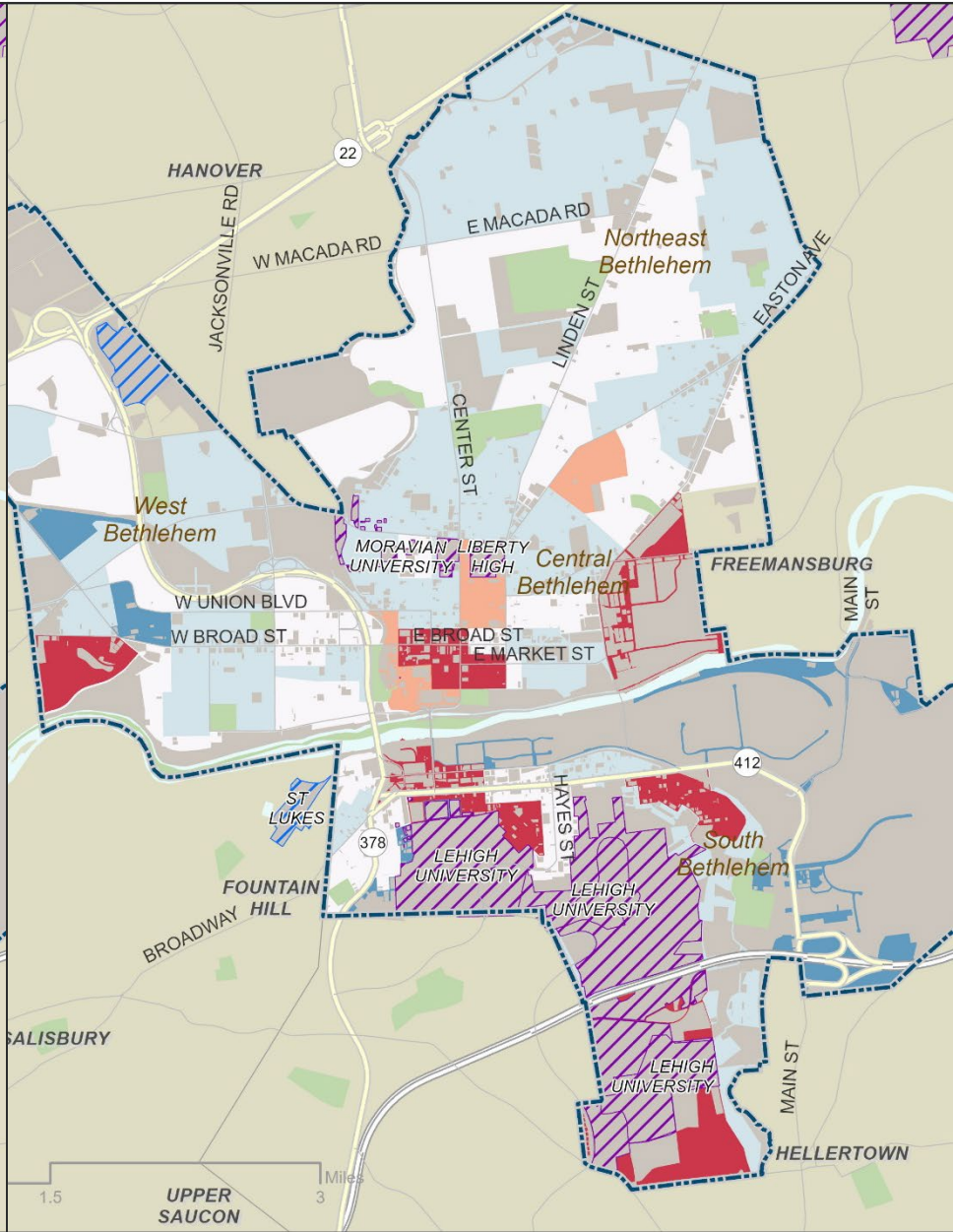
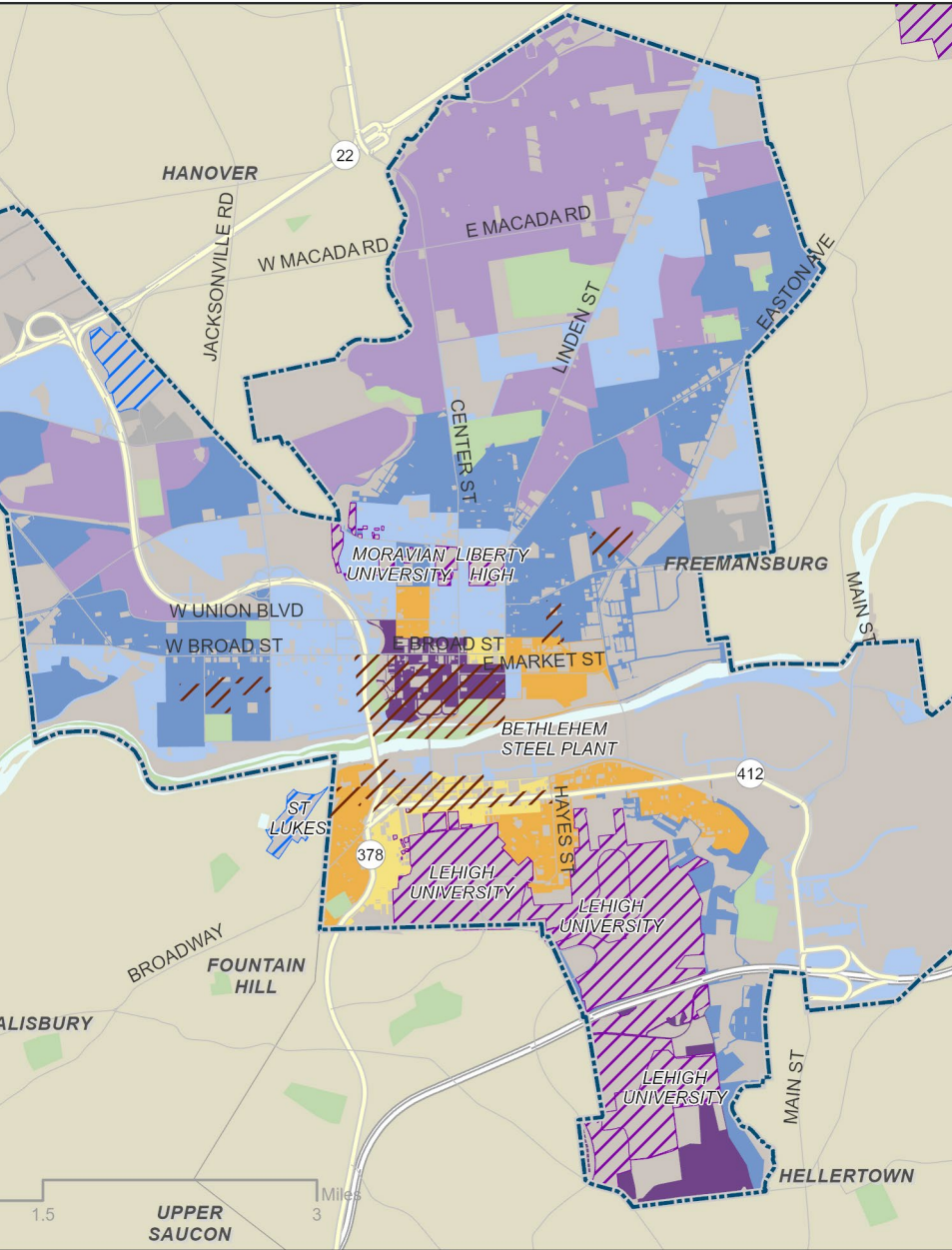
- Very High Pressure
- High Pressure
- Under Pressure
- Normal
- Lagging the Market
-

Citywide Average
"Under Pressure"

- Bethlehem
- Historic District
- University/College
- Hospital
- Airport
- Other Non-Residential
- Open Space
- Water

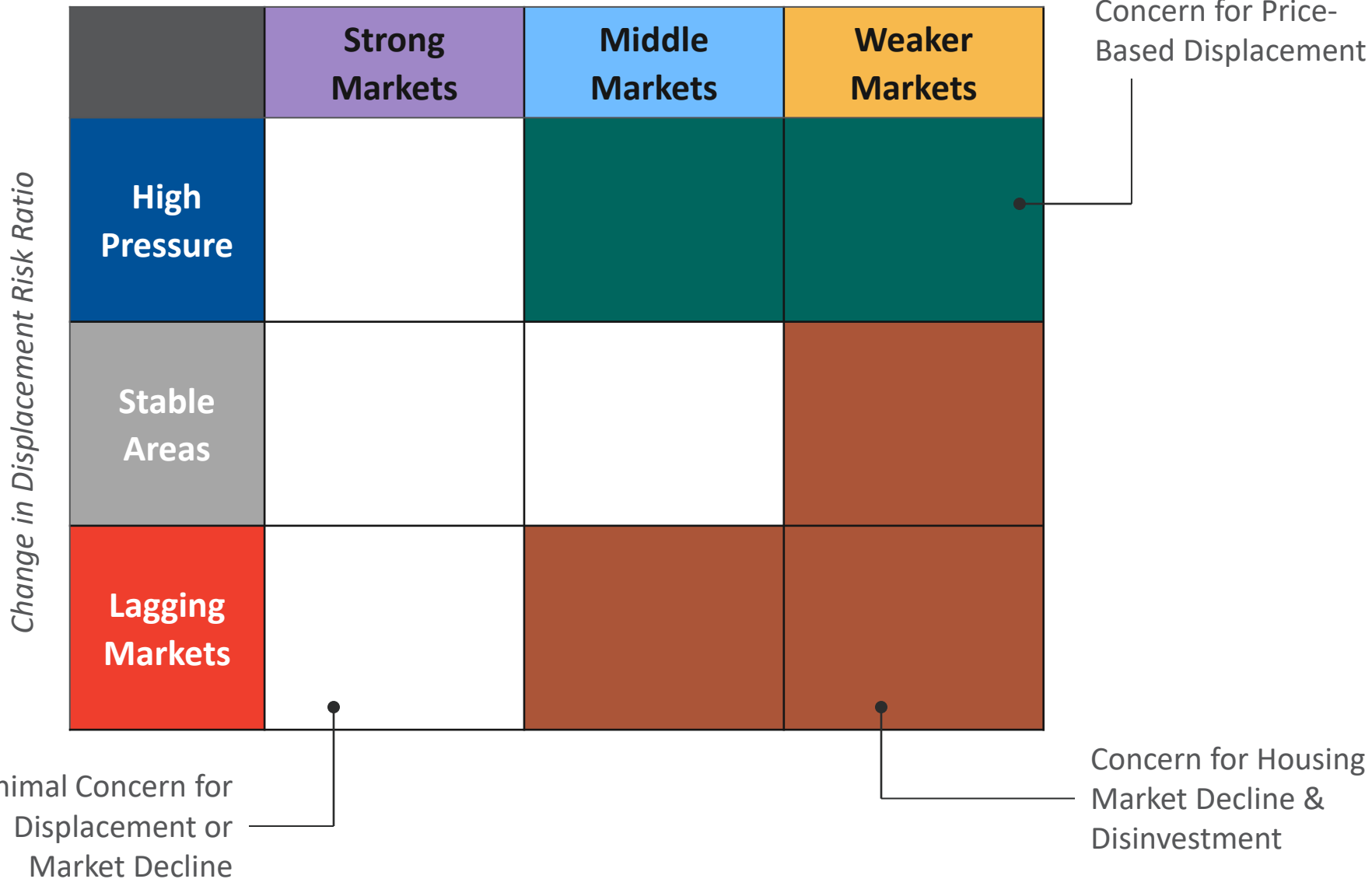


Existing Market Conditions and Displacement Risk

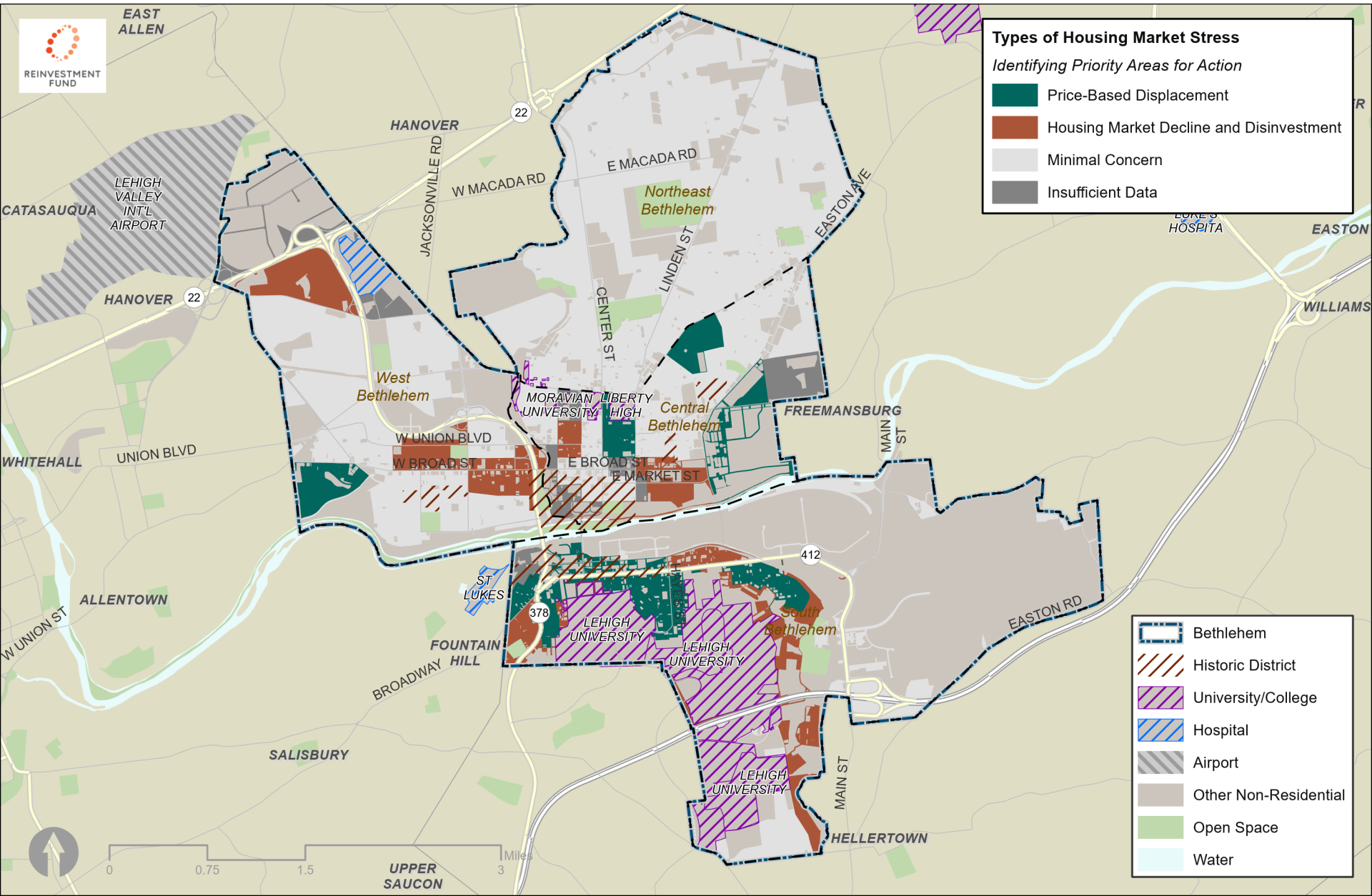


Identifying Types of Housing Stress

Market Value Analysis Classifications



Priority Areas for Action



Types of Housing Market Stress
Identifying Priority Areas for Action

- Price-Based Displacement
- Housing Market Decline and Disinvestment
- Minimal Concern
- Insufficient Data

- Bethlehem
- Historic District
- University/College
- Hospital
- Airport
- Other Non-Residential
- Open Space
- Water





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Gathering Community Perspectives & Developing Housing Strategies

Community Engagement Activities

- Pop Ups – Tables set up at existing events asking participants to take part in a Housing Improvement Activity, a Housing Survey, and a map activity indicating where they reside.
 - 11 events from October to December
- Community Housing Survey
 - Administered from October 20 to December 15, 2022
 - 3,219 participants completed some or all of the Survey in person or online through the We Build Bethlehem platform.
- Focus Groups & Interviews with Key Housing Informants
 - 5 Focus Groups with 28 informants
 - 12 Interviews

General Approach to Increase Affordable Housing

Lower Costs

- Make it cheaper to build

Increase Funding

- Apply for grants/ TA for others to apply for grants

Leverage

- Use available funds as gap finance/revolving loan funds

Partner

- Contributions from employers, institutions, foundations and pooling resources with other jurisdictions

Bethlehem's Opportunities and Challenges

Challenges	Opportunities
<ul style="list-style-type: none">• Building and land costs• No available land• Competitive and unpredictable funding sources• NIMBYism• Continually escalating rents• Extremely low vacancy rates (~2%)• Virtually no units available for less than \$1,000 per month• Student housing demand	<ul style="list-style-type: none">• Job growth• Developer interest• Location• Strong housing market• Affordable housing market• Momentum for housing policies• Non-profit and institutional partners

City Authority & Capacity

With limited capacity to acquire, develop or manage housing, Bethlehem will need developers, non-profit organizations, other housing agencies and lenders to partner.

YES

- Permitting
- Zoning
- Code Enforcement
- Grant applications
- Public-Private Partnerships
- HUD and other Housing Programs
- Available funds
- Land or building acquisition
(in a limited way)

NO

- Housing construction
- Real estate finance
- Property management
- Public housing development



Current Affordable Housing Efforts in Bethlehem



LERTA

Affordable housing fund via LERTA



Housing inspections

Every rental is inspected at least once every three years.



Residential rehab/facade

Loans to qualified low-income property owners.



Lead/Healthy Homes grant

Prevents landlords from hiking rents after improving properties.



First-time homebuyer

Can provide up to 10% of down payment plus closing costs.



New Bethany Ministries

Eviction prevention and rapid rehousing.

Priority Areas to be Discussed at March 7 Meeting: Opportunities and Challenges

1. Preserve Existing Affordable Housing
2. Address Housing Needs of the Most Vulnerable
3. Create More Affordable Housing Units
4. Address Regional Housing Needs
5. Build Capacity and Momentum for Development

Housing Plan Goals

To develop a housing strategy that:

1. Is grounded in a data-informed understanding of housing needs and current market conditions - local, regional, and national market trends.
2. Factors in the economic, fiscal, and political realities that define the City's scope of action and influence in the housing market.
3. Will make the most progress for the most people possible given prevailing market conditions and City capacity.

Next Steps

- March 7th Council Meeting
 - Affordable Housing Strategies Primer
- Draft Housing Strategy Document in Consultation with:
 - Housing Committee – made up of local housing stakeholders to provide key insights into strategy identification, feasibility, selection and geographic differentiation
 - City of Bethlehem Housing and Economic Development
- Final Housing Strategy Roll-Out in Late Spring

Questions

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