About this Paper

TRF created a data warehouse and mapping tool for the Pennsylvania Housing Finance Agency (PHFA). In follow-up to this work, PHFA commissioned TRF to analyze and present particular attributes of the data TRF had collected to highlight how this tool could be used. Other papers in this series address housing issues associated with homeownership affordability, the needs of persons with disabilties, the needs of the elderly, and the relationship between race and homeownership.

Rental Affordability

Summary

Pennsylvania is a very affordable place to live for the typical household. This statement is true for both renters and homeowners. Having said that, this paper will focus on the need for affordable rental housing for those households whose incomes are below average. With Pennsylvania being one of the national leaders in homeownership, fewer Pennsylvanians find themselves renting. In 2005, 28.5% of Pennsylvania's housing stock was occupied by renters compared to 33.1% nationally.

The propensity for Pennsylvanians to rent their homes has declined over the last 15 years. This recent trend makes sense in light of trends in the national housing market, including low interest rates and more flexible financing alternatives. At the same time, the stock of available rental housing is also changing across the state. Pennsylvania's remaining rental market has more single-unit structures rather than the multi-family structures of the past. This growing shift is also apparent in the increasing number of renters over the last five years who are paying higher rents, despite only a modest increase in the median rent. For example, the percentage of renters paying between $1,000 and $1,499 for rent has doubled since 2000.

A household earning the median income in Pennsylvania can afford to rent a home or apartment in most parts of Pennsylvania. For families earning less than the area median income, rental housing becomes increasingly unaffordable as income drops. The highest rents in Pennsylvania are in the eastern parts of the state and in Allegheny County. These same places also contain high concentrations of lower-wage jobs, creating a need for low rent opportunities for these workers and households.

These are also places where the need for low-income housing assistance from local housing authorities is the greatest. Long waiting lists of households needing public housing or Section 8 vouchers are already common in the southeast and parts of the southwest. Keeping in mind that a waiting list can be closed after it reaches a certain point and that some housing authorities purge their lists periodically, the long waiting lists represent a conservative estimate of low-income housing needs.

Additionally, as the number of lower-wage jobs is projected to grow over the next five years along the state's eastern border and in the southwest, the demand for affordable housing in these areas is expected to continue to rise. Most notably, Pike, Monroe and Chester Counties are expected to have at least 10% growth in lower-wage jobs, adding to the demand for low-income housing in these areas.

Rental Housing Stock

Pennsylvania traditionally has a lower percentage of renters than the national average, and its neighboring states.[1]

In 2005, 28.5% of all households in Pennsylvania rented their homes as compared to the 33.1% national average, 32.7% in New Jersey, 31% in Maryland and 30.1% in Ohio. Pennsylvania was only slightly higher than Delaware (27.6%).

The decline in the propensity to rent over the last fifteen years is concomitant with the growing homeownership rate spurred on by the unprecedented hot housing market, low interest rates and the creative financing alternatives popular over the past few years. The national average for renter-occupied housing decreased from 35.8% in 1990 to 33.1% by 2005. In New Jersey, renter-occupied housing dropped from 35.1% to 32.7%, in Maryland from 35% to 31%, and in Delaware from 29.7 to 27.6% during the same period. As for Pennsylvania, renter-occupied housing declined from 29.3% to 28.3%. Arguably that is a marginal drop, but it is a decrease from an already low figure relative to other states.

A higher percentage of renters in Pennsylvania are renting single units rather than multi-family units as evidenced by the increase in single unit rental structures over the last 15 years.

The number of rental units in both 2-9 unit and 10+ unit structure categories increased only slightly between 1990 and 2005. The big increase was of single-unit rental structures which grew from around 415,000 in 1990 to 502,000 in 2005.

Philadelphia leads the state in having the most multi-family housing development permits issued between 2000 and 2005.

Philadelphia issued close to 9,000 permits for multi-family housing during that period. Allegheny had the second highest number with more than 5,000 multi-family housing permits issued. Other counties issuing more than 1,000 permits for multi-family housing development include Montgomery, Bucks, Delaware, Lancaster, Chester, Northampton, Butler, Berks and York.[2]

Rents

Rents ranged widely in Pennsylvania in 2005; they cost as much as $2,930 in Easttown Township of Chester County and as little as $112 in the Yorktown and Poplar neighborhoods of Philadelphia County.

Percent of the Occupied Housing Stock that is Renter-Occupied: 1990-2005

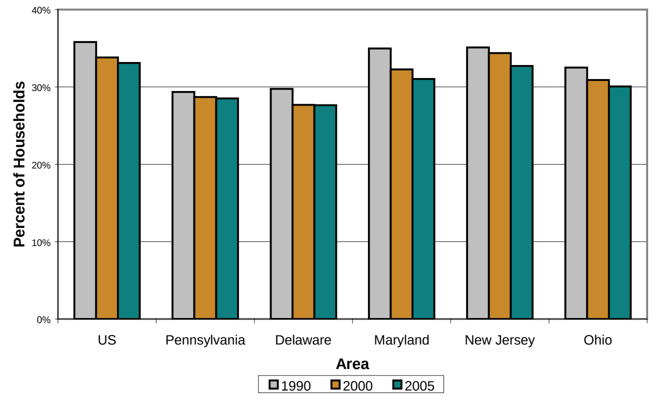


figure 1

Number of Renter-Occupied Units by Size of Structure; Pennsylvania, 1990-2005

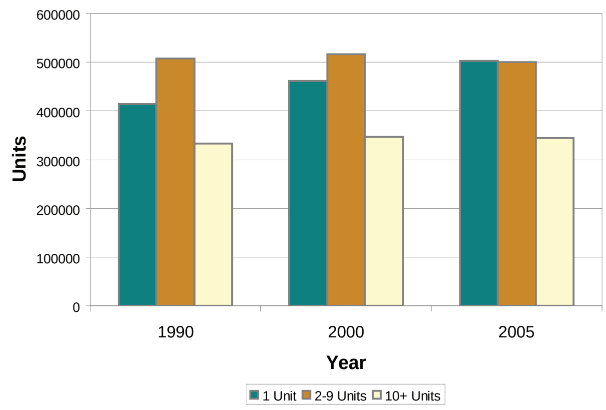


figure 2

Total Number of Multifamily Building Permits Issued Between 2000 and 2005

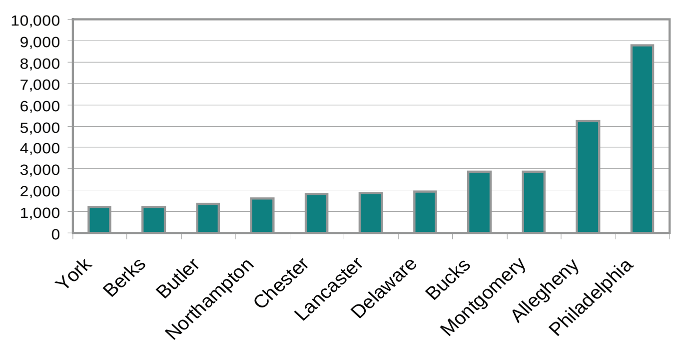


figure 3

In general, the southeast region had the highest median gross rents, while the mid-to-western parts of the state had the lowest, with the exception of Allegheny County. Many of these places had rents in excess of $2,000 (Listed in figure 4). Higher rents were also seen in the neighboring counties of the southeast region, as far north as Pike and Monroe in the northeast region and parts of Lancaster, York and even Cumberland Counties in the southcentral region.

Concentration of lower rent availabilities tend to be in, though not limited to, the central, northwest and southwest regions, such as Cambria, Somerset and Fayette Counties. Extremely low rental opportunities, are generally not found in these counties, but rather tend to coexist in pockets of higher rent areas, such as in Allegheny and Philadelphia Counties. Figure 5 shows places with rents roughly $300 or less.

Median rent in Pennsylvania grew from $531 in 2000 to $568 in 2005. Inflation aside, the percentage of lower cost ($300-$500) rental units diminished as the share of higher cost ($750-$1,500) rental stock increased during this time.[3] However, the overall increase in the percentage of higher priced rental units did not dramatically shift the state median rent to an unsustainable level.

More than two-thirds of the state experienced increases in median rent of 25% to 50%. Areas with at least a 50% increase in median rents were most often observed in the southeast region. They tend to be in communities such as Upper Darby and Chester City of Delaware County, or Horsham and Whitemarsh Township of Montgomery County.

> While the state median rent increased only modestly between 2000 and 2005, rentals in the higher price brackets increased significantly between 2000 and 2005.

The census tract that experienced the highest percentage increase (238%) in the state was in the Callowhill neighborhood of Philadelphia. Outside of the southeast region, Indiana Borough of Indiana County, Washington City of Washington County, Erie City of Erie County, Uniontown City of Fayette, Scranton City of Lackawanna, and Homestead Borough of Allegheny County, also registered substantial gains.

Communities with $2,000 or More Gross Median Rent, 2005

County	Municipality	2005
Chester	Easttown Twp	$2,930
Philadelphia	Philadelphia City (ie Upper Roxborough)	$2,851
Bucks	North Hampton	$2,844
Montgomery	Lower Merion Two.	$2,818
Bucks	Lower Makefield Twp	$2,800
Chester	Pennsbury Twp	$2,768
Delaware	Haverford Twp	$2,744
Northampton	Hanover Twp	$2,537
Delaware	Marple Twp	$2,521
Chester	Kennett Twp	$2,373
Montgomery	Upper Dublin Twp	$2,261
Montgomery	Cheltenham Twp	$2,090
Allegheny	Upper St. Clair Twp	$2,088
Delaware	Middletown Twp	$2,035
Montgomery	Lower Gwynedd Twp	$2,002

figure 4

Communities with $300 or Less Gross Median Rent, 2005

County	Municipality	2005
Dauphin	Harrisburg City	$301
Allegheny	Duquesne City	$301
Luzerne	Hazle Twp	$290
Beaver	Economy Boro	$288
Allegheny	McKeesport City	$283
Blair	Altoona City	$281
Allegheny	Rankin Boro	$279
Lackawanna	Scranton City	$265
Erie	Conneaut Twp	$211
Allegheny	Pittsburgh City	$187
Cambria	Johnstown City	$181
Philadelphia	Philadelphia City (ie Yorktown/Poplar)	$112

*Census tracts with $0 were excluded

figure 5

Median Gross Rent in Pennsylvania

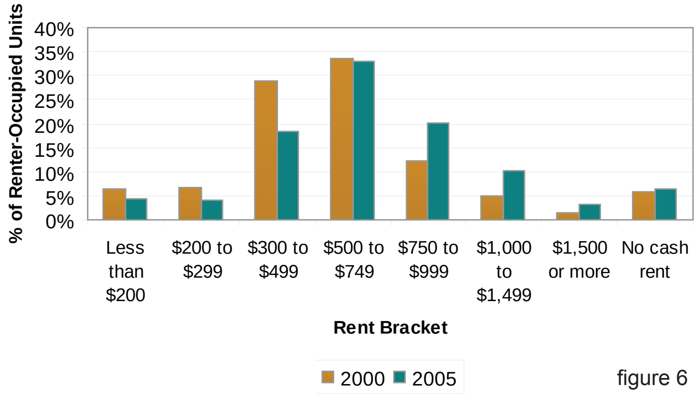
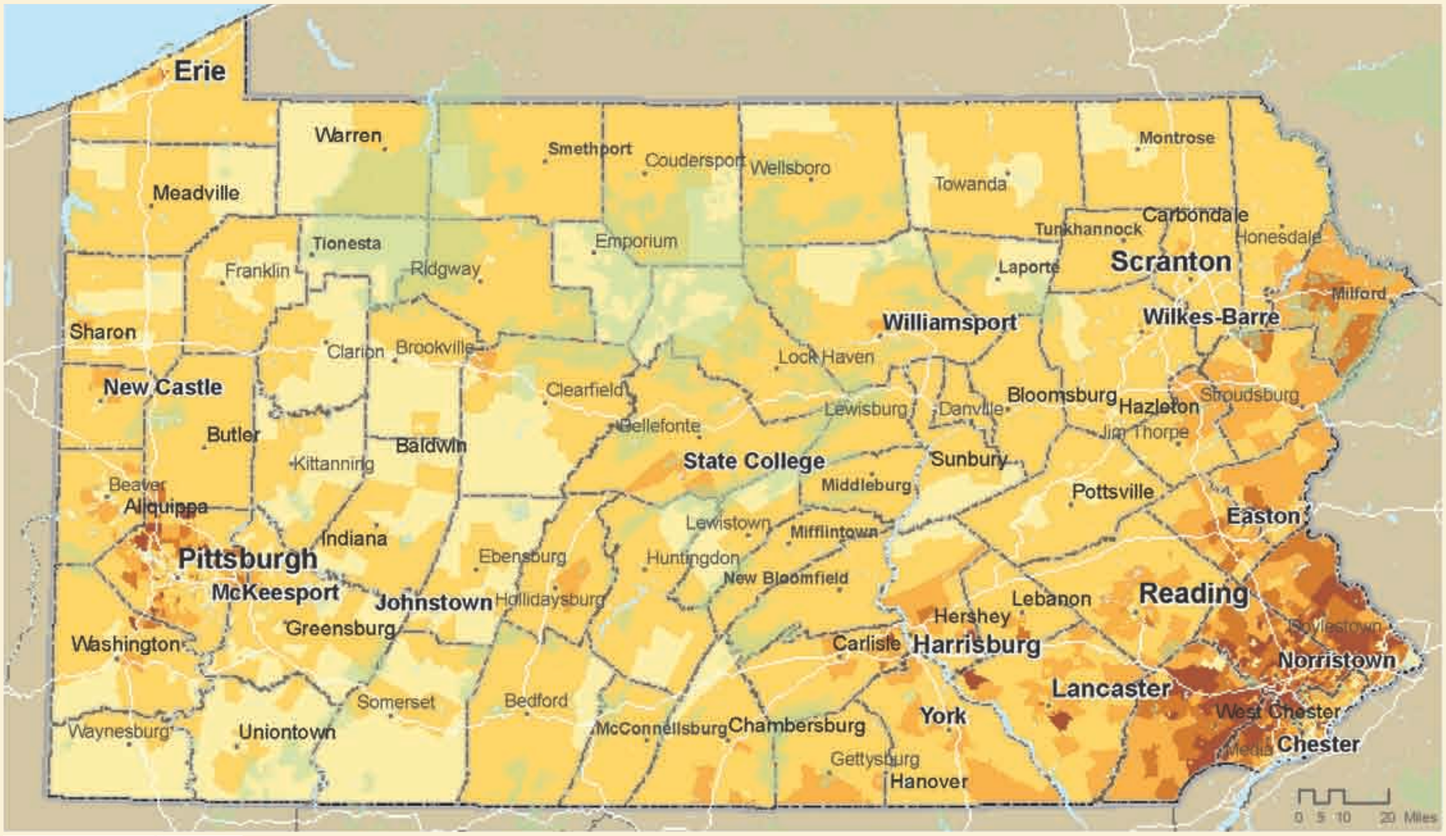


figure 6

Median Gross Rent, 2005



map 1

Source: Econsult Corporation

As the real estate market cools, increases in rents are expected to slow. Rents are not projected to increase as dramatically as they have in the past five years, either remaining the same or growing modestly. The greatest increases are expected in counties of the southeast region, and parts of the northeast, particularly in Pike County where rents are projected to grow by 25% to 50%. These are also areas which have experienced significant gains in the past five years. In addition, Blooming Grove (25.2%), Shohola (27.9%) and Lackawaxen (26.2%) Townships of Pike County are projected to experience significant increases in rents through 2010 (See map 2).

Rental Affordability Indices

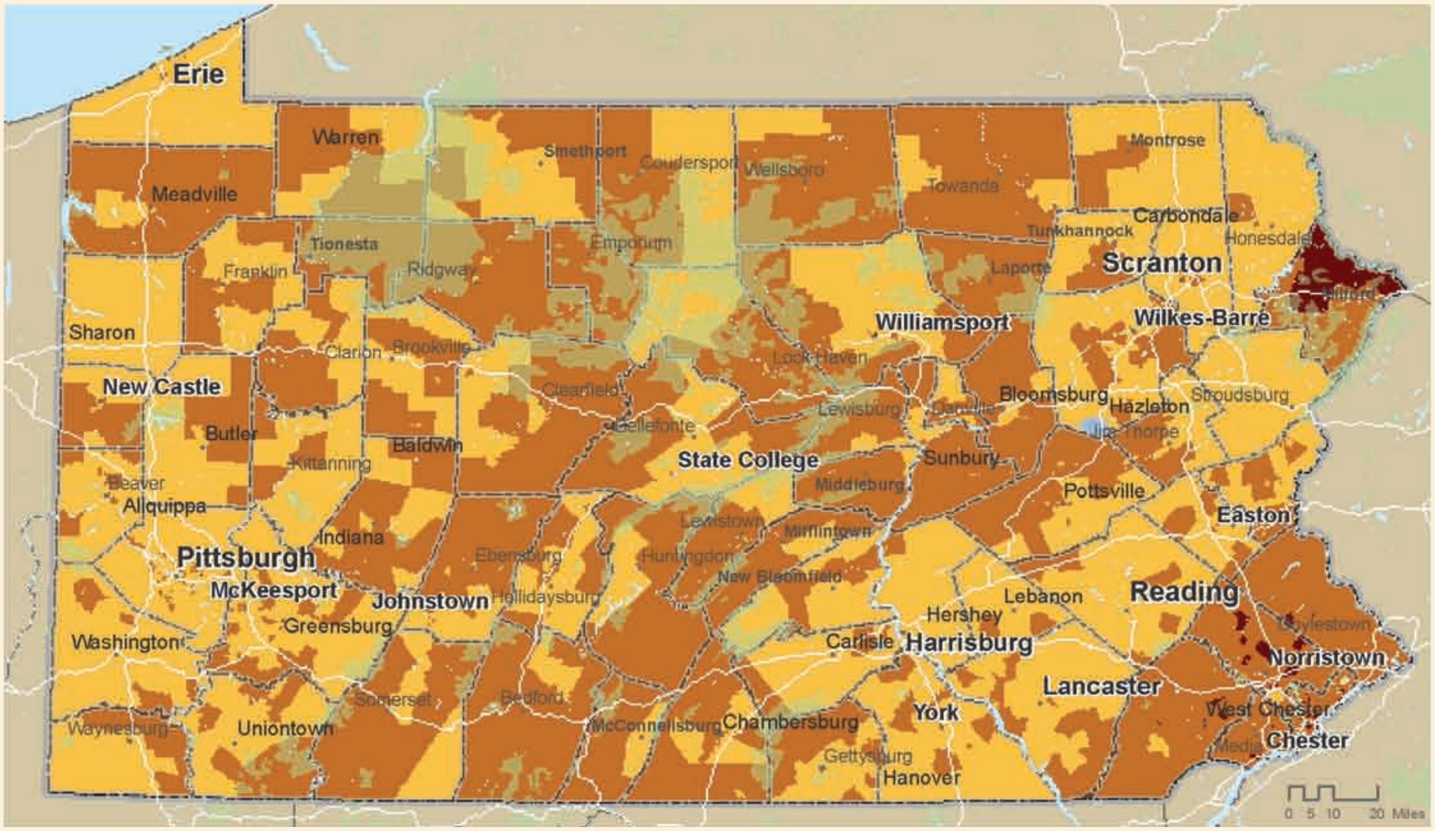
A household earning the state median of $41,522 in 2005 could afford to live in most areas throughout the state, except in some of the high-rent (and home value) suburban communities proximate to regional job markets.[4]

Though rent in Pennsylvania was generally affordable in 2005, there are a handful of places close to regional job markets such as Allegheny and Philadelphia Counties that are unaffordable to households with the state median income of $41,522. They include places such as Kennett of Chester County, Lower Makefield of Bucks County, Lower Moreland of Montgomery County, West Donegal Township of Lancaster County, Upper St. Clair of Allegheny County and Cecil Township of Washington County. Moderately affordable rents tend to surround the unaffordable places and spread generally from the southeast region to parts of Pike and Monroe in the northeast region.

In 2005, the area median income for a four-person household across the state of Pennsylvania ranged from $39,450 to $68,800, with median rent spanning from $441 to $1,100 in Forest and Montgomery Counties respectively.

When measurement is localized by using area median income rather than by state median income, rental prices are evidenced as more affordable. The small pockets of unaffordable places are similar to those evaluated at the state median, such as Easttown and Pennsbury of Chester County, Hanover Township of Northampton

Percent Change in Median Gross Rent, 2005-2010



0 or Less
0.01 - 15
15.01 - 25
Over 25

map 2

Source:TRF and Claritas, Inc.

County, Northampton and Lower Makefield of Bucks County, Lower Merion of Montgomery County, Upper Roxborough of Philadelphia County and Upper St. Clair of Allegheny County. The median rents in these places range from $2,088 in Upper St. Clair of Allegheny to $2,930 in Easttown of Chester County.

At 60% of the area median, a four-person household earns between $26,850 in Indiana and $41,280 in the southeast region. At this income, unaffordable places range in rents between $1,150 (Indiana Borough of Indiana) and $2,500 (Marple Township of Delaware).

Places that are unaffordable for those earning in this income bracket include Richland Township and Aleppo Township of Allegheny County, Doylestown and Newtown of Bucks County, Tredyffrin and Willistown Township of Chester County, Haverford and Middletown of Delaware County, Upper Dublin and Upper Merion of Montgomery County, and Cecil of Washington County.

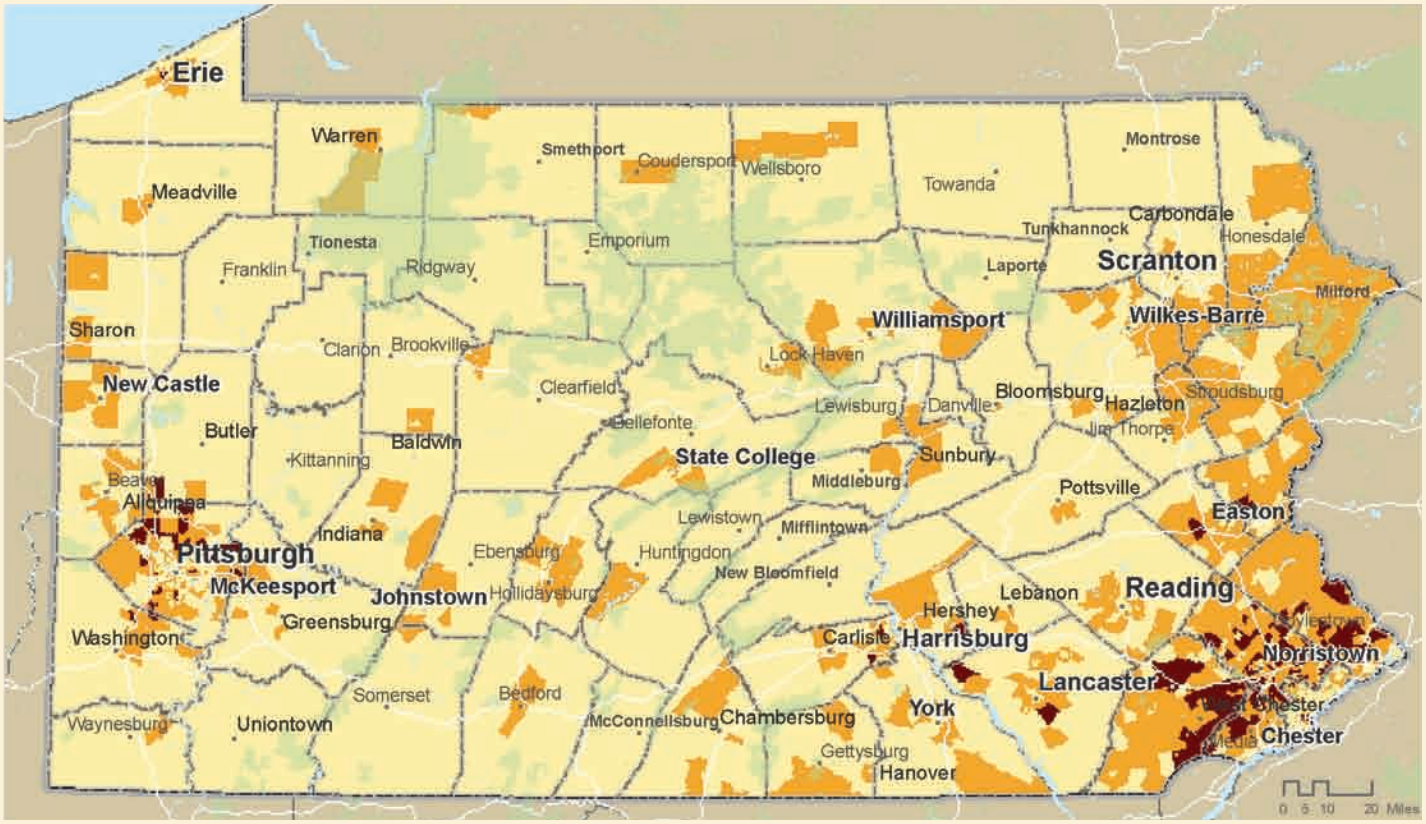
At 50% of the area median income, a four-person household earns between $24,250 and $34,400. At this income, areas with rents ranging from $1,060 to $1,540 are unaffordable.

Places that are unaffordable include Bradfordwoods and Ross Township of Allegheny County, Peters Township of Washington County, Bensalem and Bristol Township of Bucks County, East Whiteland and East Goshen of Chester County, and Abington and Cheltenham of Montgomery County (See map 3).

At 40% of the area median income, a four-person household earns between $15,780 and $27,520. For these families, rents upwards of $650 are unaffordable.

In addition to the aforementioned places, other locations that are unaffordable are in places such as Cranberry Township in Butler County, Springfield in Delaware County, South Whitehall and Lower Macungie in Lehigh County, Middle Smithfield and Coolbaugh in Monroe County, Blooming Grove and Lehman in Pike County, and Paupack and Lehigh in Wayne County. Typical rents in these places span from $650 to $1,290.

Rental Affordability Index: 50 Percent AMI for a Four-Person Household



Affordable
Moderately Affordable
Unaffordable

map 3

Source: TRF

Jobs in Lower-Wage Industries

As of 2005, the highest concentrations (more than 200,000) of jobs in lower-wage industries[5] are located in Bucks, Montgomery, Philadelphia and Allegheny Counties. However, median rents in most parts of these counties, are not affordable for those earning less than 60% of the area median income.

Counties with the fewest jobs in lower-wage industries tend to be in the mid-to-northern regions of the state, such as Potter, Tioga, Clinton and Perry Counties. These places have fewer than 10,000 jobs in the lower-wage industries (Refer to map 4).

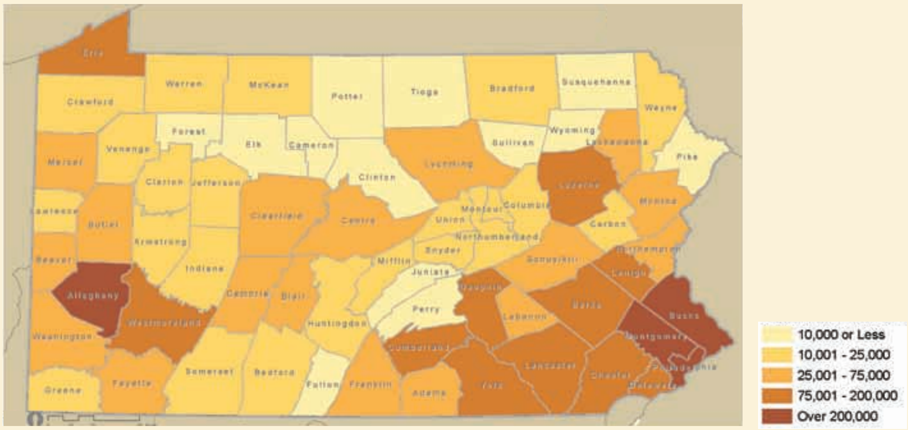
Between 2000 and 2005, counties that had the most gains (more than 10%) in lower-wage job industries were generally in the eastern portion of the state, such as Monroe, Pike, Bucks, Carbon and Northampton. Parts of these counties have rents that are either moderately affordable or unaffordable for those earning 60% of the area median income. Most areas in these counties are moderately unaffordable to those earning less than 40% of the area median income.

A few other counties also had strong growth in the number of jobs in lower wage industries, such as Clearfield, Adams, and Cumberland. These counties are however generally affordable for those earning at least 50% of the area median income.

The least (less than 3%) job growth in lower-wage industries is in the mid-to-northern parts of the state, such as Lycoming, Luzerne and Warren. These counties are moderately affordable even for those earning as little as 40% of the area median income.

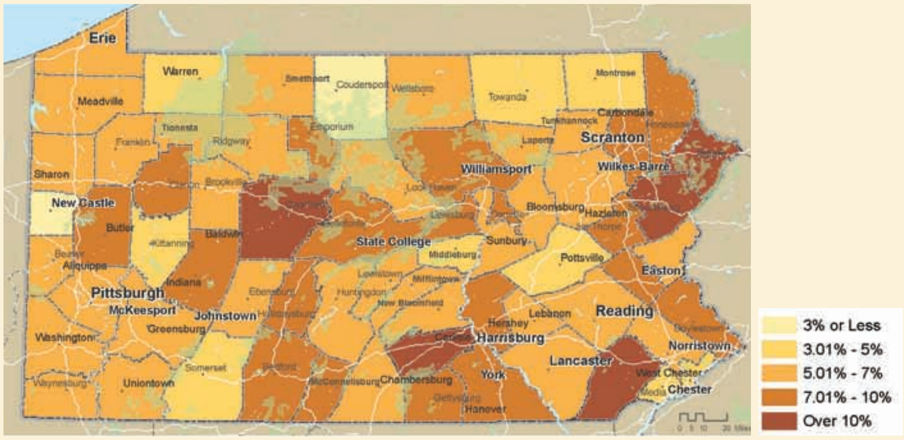
Most counties are expected to gain at least 5% in lower-wage job industries between 2005 and 2010. Counties that have experienced most gains between 2000 and 2005 are expected to continue growing at a similar rate through 2010. They are Monroe, Pike, Clearfield and Cumberland. In addition, Chester County joins the rank in anticipating significant job growth in lower wage industries (See map 5).

Lower-Wage Industries 2005



map 4

Percent Change in Lower Earning Jobs 2005-2010



Source: TRF and Woods & Pools Economics

map 5

For example, Bucks and Montgomery Counties currently have high concentrations of jobs in lower-wage industries. Renting in these counties for those earning below 60% of the area median income is financially difficult. Bucks County is anticipating 5% to 7% growth among lower-wage industry jobs, while Montgomery County expects a 3% to 5% gain. With job growth the demand for housing will increase, driving a rise in real estate values as well as a rise in rental prices in these counties. This would only underscore the need for additional affordable housing. Notably, Pike and Monroe Counties are anticipating growth of 10% or more jobs in the lower-wage industries; rents in both counties are already becoming less affordable than optimal for those earning well below the area median income.

Housing Authority Waiting Lists

Significant building activities for the multi-family market are occurring in the southeastern region of the state, however these activities may not necessarily fully meet the needs of low-income households. Data from public housing authorities suggest many

County	Total Households on Waiting Lists (Including Section 8, Without Elderly Households)
Lehigh	8,586
Dauphin	6,011
Delaware	5,608
Chester	3,668
Erie	3,651
Bucks	3,006
Berks	2,195
York	2,142
Northampton	1,932
Westmoreland	1,867
Lebanon	1,841
Luzerne	1,703
Lancaster	1,435
Montgomery	1,390
Lackawanna	1,034
Butler	1,012
Lycoming	1,005

figure 7

of the counties with significant building permits issued also have a large number of households on waiting lists for public housing or Section 8 vouchers. Counties with waiting lists that exceed 1,000 households, again, tend to cluster in and around the southeastern portion of the state, such as Delaware, Chester, Lancaster, York, Lebanon, Dauphin, Lehigh, Northampton, Luzerne and Lackawanna. Other counties whose housing authorities have long waiting lists include Butler, Westmoreland, Erie and Lycoming[6] (See figure 7 for the list). This list does not include elderly households. Including elderly households would push Monroe County to more than 1,000 households on its waiting list.

Certainly, waiting lists from housing authorities are not a precise indication of low-income housing needs, as a waiting list can be closed after it reaches a certain point; some housing authorities also purge their lists periodically. Nonetheless, the waiting lists provide a barometer of the mismatch between public and assisted housing demand and supply.

These long waiting lists, particularly in the southeast and southwest, where rents are most burdensome for low-income households, suggest that housing authorities in these counties are sometimes not a viable option for those needing affordable housing. Parts of these counties are only moderately affordable for those earning 60% of the area median income and become increasingly unaffordable for those earning less. Compounding the affordable housing crunch in these counties is the expected growth in jobs in the lower-wage industries in the very same counties. The need for low-income housing is expected to continue through 2010 in these locations as jobs in the lower-wage industries are projected to grow.

Endnotes: (1)1990 and 2000 U.S. Census and 2005 American Community Survey (2) U.S. Census 2000/Econsult Corp. (3) American Fact Finder, 2000 and 2005 (4) Rental affordability in general is defined as 30% of the area median income as defined by the U.S. Department of Housing and Urban Development (HUD), unless related to discussions that specifically explain that it relates to 30% of the state median income. (5) Jobs in lower wage industries are defined by agricultural services, farm employment, mining, trade retail, and service employment where most employees earn 80% or less the state median income. (6) This does not include information from Allegheny and Philadelphia Counties.

The Reinvestment Fund

The Reinvestment Fund (TRF) is a national innovator in capitalizing distressed communities and stimulating economic growth for low- and moderate-income families. TRF identifies the point of impact where capital can deliver its greatest financial and social influence. TRF's investments in homes, schools and businesses reclaim and transform neighborhoods, driving economic growth and improving lives throughout the Mid-Atlantic region. Since its inception in 1985, TRF has made more than $530 million in community investments. TRF's Policy and Information Services Division has emerged as a highly regarded source of unbiased information for public officials and private investors in the mid-Atlantic region. To learn more about TRF, visit www.trfund.com.

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