

Part 2: Introduction



PART 2

INTRODUCTION

Purpose of the Study

Since 2000 the Lehigh Valley has experienced a period of hyper-growth compared to the rest of Pennsylvania. Over the past five years, population has increased by an average of 3,543 residents annually. Housing has increased by 13,693 units for an annual average of 2,739 units. The median sales price of a single family home increased from \$127,000 in 2002 to \$189,000 in 2006. When adjusted for inflation, this represented an increase of 37% in just four years.

The demand for housing in this regional market has obviously been very high, but is the supply addressing the needs of all households? In order to afford a house priced at \$189,000, an annual household income of at least \$58,431 is required.¹ However, 114,166 households had incomes under \$50,000 in the Lehigh Valley. This represented 49% of the total 235,376 households. What is the supply of housing available to these households?

To answer these and other questions on housing affordability, the Lehigh Valley Planning Commission initiated this study. The scope of this study includes the following elements:

- Defining the context for housing in Lehigh and Northampton Counties
- Summarizing housing issues and opportunities
- Defining the housing supply and demand characteristics of a variety of affordable housing types in the Lehigh Valley
- Identifying barriers to affordable housing in the region
- Evaluating the inherent organizational strengths and weaknesses of the Lehigh Valley in addressing housing needs, and
- Prioritizing identified needs and establishing a strategic plan of action.

Affordable Housing Defined

In the first quarter of 2006, the Census Bureau ranked the Lehigh Valley 75 out of 265 metropolitan areas in terms of hot housing markets as a result of double-digit price increases.² When the topic of affordable housing is discussed, it is often assumed that the term refers exclusively to housing for lower income households. In fact, affordable housing simply means paying no more than 30% of gross household income for housing expenses including mortgage or rent, utilities, insurance and taxes, regardless of income

¹ Assuming a 30-year fixed rate mortgage at 7% and estimating \$225/month in property taxes and \$30/month in insurance.

² Jeanne Bonner, "The Lehigh Valley was the second-hottest housing market in the State for the 12 months ending March 31," *The (Allentown) Morning Call*, sec. D-1, June 2, 2006. The Lehigh Valley metropolitan area, as defined by the U.S. Census Bureau and as referenced in this article, includes the Pennsylvania counties of Lehigh, Northampton and Carbon as well as Warren County, New Jersey.

level. Generally speaking, however, lower income households experience a greater financial burden in obtaining safe and decent housing that costs no more than 30% of their gross monthly income.

Median Household Income

Median household income is often the benchmark against which housing affordability is measured. For this report, the median household incomes for Lehigh County and Northampton County as reported in the 2005 Census American Community Survey (ACS) were used. The median household income was \$48,957 in Lehigh County and \$53,696 in Northampton County. While other data sources are available, they typically provide income data for the Allentown-Bethlehem-Easton, PA/NJ Metropolitan Statistical Area (MSA) which also includes Carbon County, PA and Warren County, NJ. By using data that reflects only the two counties in the study area, and no more, the issue of housing affordability can be more accurately analyzed.

Furthermore, the use of ACS income data is not tied to household size. It is determined by dividing the income distribution into two equal groups, one having incomes above the median, and other having incomes below the median. The resulting median dollar amount is representative of the entire county regardless of household size.

The Lehigh Valley Defined

For the purposes of this study, the Lehigh Valley is defined as the counties of Lehigh and Northampton in Pennsylvania, which is under the jurisdiction of the Lehigh Valley Planning Commission. Data reported under the heading of the Lehigh Valley includes data for these two counties only, unless otherwise noted.

Use of Data from Different Years

In many instances, data were available for a series of years and, in the case of real estate data, for a series of months. Whenever possible, comparisons of different data sets were made for the same year. If, however, data were not available for a particular year, the closest available year was used.

Data Sources

Data from many reliable sources were used to compile this report. These included:

- *U.S. Census Bureau.* The decennial censuses up to 2000 were used. American Community Survey (ACS) data from 2005 was available for Lehigh and Northampton Counties, the cities of Allentown and Bethlehem and the Commonwealth of Pennsylvania. ACS data was not available for areas under 65,000 in population and was not, therefore, available for the City of Easton.

ACS data are collected from a sample of housing units and used to produce estimates of the actual figures that would have been obtained by interviewing the entire population using the same methodology.

The *Pennsylvania State Data Center* was also used as a resource for census data.

- *U.S. Department of Housing and Urban Development, State of the Cities Data System.*
 - Building permit data as reported to the U.S. Census Bureau by municipalities was accessed at <http://socds.huduser.org/permits/index.html?>
 - Data describing the affordability mismatch issues and housing problems of all households by income level based on the 2000 decennial census was accessed at <http://socds.huduser.org/chas/index.html?>
- *U.S. Department of Labor, Bureau of Labor Statistics.* Calculations for inflation were accessed at <http://www.bls.gov/bls/inflation.htm>.
- *An Analysis of Housing and Markets in Northeastern Pennsylvania* prepared by czbLLC for the Pennsylvania Housing Finance Agency (March 2006). This resource is referred to as the “PHFA housing market study” throughout this document.
- *Choices in Pennsylvania: Developing a Rational Framework for Housing Investment in Pennsylvania* prepared by The Reinvestment Fund (2004).
- *Lehigh Valley Association of Realtors Multiple Listing Service.* Monthly Market Updates from 2002 through 2006.
- *Back to Prosperity: A Competitive Agenda for Renewing Pennsylvania* prepared by The Brookings Institution for the Commonwealth of Pennsylvania (December 2003).
- *Two Steps Back: City and Suburban Poverty Trends 1995-2005*, a policy publication of The Brookings Institution’s Living City Census Series (December 2006).
- *Pennsylvania State Police and New Jersey State Police.* Both of these organizations’ websites contained valuable data on crime for the region.
- *Pennsylvania Department of Education.* School test scores and other relevant data were provided.
- *National Low Income Housing Coalition.* The NLIHC prepares *Out of Reach*, a side-by-side comparison of wages and rents in every county, metropolitan area and state in the U.S. The 2006 report calculates the amount of money a household must earn in order to afford a rental unit at a range of sizes at the area’s HUD Fair Market Rent based on the generally accepted affordability standard of paying no more than 30% of gross income for housing costs. From these calculations the hourly wage a worker must earn to afford the FMR for a two-bedroom home is derived. This figure is the Housing Wage.
- *Lehigh Valley Profile and Trends* prepared by the Lehigh Valley Planning Commission (May 2006).
- *Lehigh Valley Economic Development Corporation’s website.*