



## Community Outlook Survey



### Rental Unaffordability, Homelessness, and Declining Resources Identified as Key Challenges in Housing and Neighborhood Development

The Federal Reserve Bank of Philadelphia’s *Community Outlook Survey (COS)* monitors trends affecting the well-being of low- and moderate-income (LMI) households and communities in the Third Federal Reserve District, which encompasses Delaware, southern New Jersey, and the eastern two-thirds of Pennsylvania. Each quarterly survey focuses on one of four topical areas: housing and neighborhood development; workforce and economic development; health, wellness, and family services; and household financial stability.

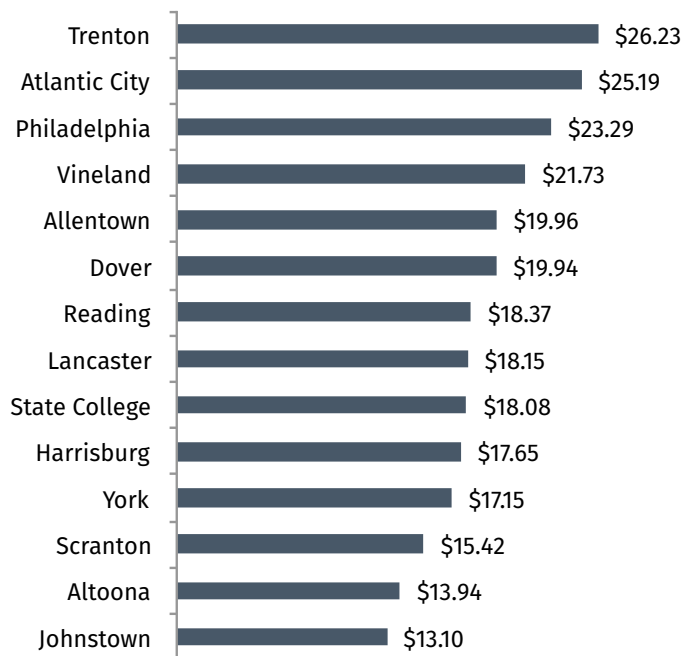
The 1Q2017 *COS*, focusing on the theme of **Housing and Neighborhood Development**, was sent to participants in January 2017. Survey responses were welcomed from representatives of community-based organizations, direct service providers, and public agencies engaged in housing and neighborhood development activities in LMI communities. A total of 24 organizations responded, with 58 percent from Pennsylvania, 21 percent from New Jersey, and 21 percent from Delaware. Respondents were asked to describe the most pressing challenges in their neighborhoods in a series of open-ended questions. Qualitative research methods were used to identify key challenges and promising solutions reported by survey respondents. The findings are summarized here and include direct quotes from the respondents.

#### Pressing challenges

**1. Many LMI households struggle to find affordable rental housing, particularly in neighborhoods where quality of life is improving.**

**Figure 1.** Hourly wage needed to afford two-bedroom unit at Fair Market Rent, 2017

*Selected Third District MSAs*



Source: Authors’ calculation using U.S. Department of Housing and Urban Development 2017 Fair Market Rents (FMRs).

FMRs are gross rent estimates that include the cost of shelter and some tenant-paid utilities. Assumes full-time, full-year employment of 2,080 hours. A unit is considered affordable if FMR does not consume more than 30 percent of household income.

The most commonly cited challenge among respondents was the unaffordability of rental housing. Over two-thirds of lower-income renter households in Delaware, New Jersey, and Pennsylvania were housing cost burdened in 2014, with challenges particularly concentrated among single-parent households and renters with disabilities.<sup>1</sup> Respondents explained that many households' incomes have remained stagnant or have fallen as a result of employment instability. At the same time, growth in the demand for rental housing has outpaced growth in the supply of units, leading to higher market rents. Figure 1 displays the minimum hourly wage an individual would need to earn to afford a two-bedroom unit in a selection of Third District metropolitan statistical areas (MSAs). In many MSAs, these hourly wages substantially exceed those of entry-level employment opportunities or occupations accessible to workers without college degrees.

**Table 1.** Median gap between affordable and actual gross rent for cost-burdened, very low-income households, 2014\*

Area	Monthly Amount
Delaware	\$325
Dover MSA	\$435
New Jersey	\$500
Atlantic City MSA	\$501
Trenton MSA	\$379
Pennsylvania	\$283
Allentown MSA	\$319
Harrisburg MSA	\$275
Lancaster MSA	\$342
Philadelphia MSA	\$365
York MSA	\$255

Source: Federal Reserve Bank of Philadelphia, Rental Housing Affordability Data Tool; available at [www.philadelphiafed.org/rentalhousing](http://www.philadelphiafed.org/rentalhousing)

Very low-income: household income 31–50 percent of regional median family income.

\* For all areas other than New Jersey, Pennsylvania, and the Philadelphia MSA, estimates refer to 2010–2014.

<sup>1</sup> Lower-income: household income ≤ 80 percent of regional median family income. A household is considered cost burdened if gross rent exceeds 30 percent of monthly household income. Estimates for Delaware pertain to the 2010–2014 period. From Federal Reserve Bank of Philadelphia, Rental Housing Affordability Data Tool; available at [www.philadelphiafed.org/rentalhousing](http://www.philadelphiafed.org/rentalhousing).

Participants report that families and individuals are increasingly burdened by their housing costs and, in certain areas, are being priced out of neighborhoods they have called home for many years. These dynamics contribute to overcrowding as families “double up” to mitigate high housing costs. Table 1 lists the monthly amount that a typical cost-burdened, very low-income household paid beyond their maximum affordable rent in 2014. For example, in the Atlantic City MSA, the typical cost-burdened, very low-income household (monthly income \$1,700–\$2,770 for a family of four<sup>2</sup>) paid over \$500 more than they could afford for rent each month, suggesting that unaffordable housing costs consume a substantial portion of residual income.

Furthermore, respondents noted that existing adequate-quality, low-cost housing is often in areas with high crime and limited access to things such as reliable public transportation and quality schools. Recent research from the Community Development Studies & Education department (CDS&E) found that between 2000 and 2014, the city of Philadelphia lost one-fifth of its low-cost rental stock, with losses concentrated in gentrifying neighborhoods that experienced substantial reinvestment during the study period.<sup>3</sup>

*Another group in need, our “working poor,” is even larger. They make up 20 percent of our population. Service and factory wages here seldom top \$14/hr and more often they are minimum wage (\$7.25/hr). For these people, affording housing on their own incomes is entirely out of reach.*

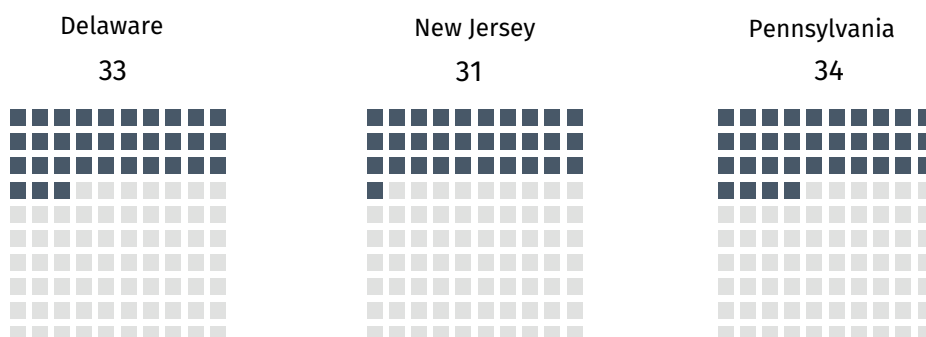
*Many of our clients work in the health-care field as CNAs [certified nursing assistants] or HHAs [home health aides], and they are dependent on the number of clients and hours per client to maintain 40 hours a week. When they lose clients and subsequently lose income, many single parents face eviction and homelessness. With the number of applications for public housing spiraling out of control,*

<sup>2</sup> Authors' calculations based on U.S. Census Bureau 2010–2015 American Community Survey, Table B19113.

<sup>3</sup> Seth Chizeck, “Gentrification and Changes in the Stock of Low-Cost Rental Housing in Philadelphia, 2000 to 2014,” *Cascade Focus*, Federal Reserve Bank of Philadelphia, Community Development Studies & Education Department, January 2017; available at [www.philadelphiafed.org/-/media/community-development/publications/cascade-focus/gentrification-and-changes-in-the-stock-of-low-cost-rental-housing/cascade-focus\\_5.pdf?la=en](http://www.philadelphiafed.org/-/media/community-development/publications/cascade-focus/gentrification-and-changes-in-the-stock-of-low-cost-rental-housing/cascade-focus_5.pdf?la=en).

**Figure 2.** Affordable and available units per 100 extremely low-income renter households, 2014\*

Third District States



Source: Federal Reserve Bank of Philadelphia, Rental Housing Affordability Data Tool; available at [www.philadelphiafed.org/rentalhousing](http://www.philadelphiafed.org/rentalhousing)

\* For Delaware, these estimates pertain to 2010–2014.

Extremely low-income: Household income is  $\leq 30$  percent of regional median family income.  
Affordable and available: Gross rent for the unit is  $\leq 30$  percent of the monthly income of a household at the given income level and the unit is either vacant or occupied by a household at or below that income level.

**families are faced with finding affordable housing that only exists in areas with higher crime rates.**

**Overcrowding is a result of a lack of affordable options. Because there is also a lack of housing rentals in general, many families are doubling up because they can't afford to live on their own.**

## 2. Funding uncertainty and capacity constraints continue to limit service providers' ability to meet client needs.

Whether due to growing demand or diminishing resources for housing-related services, several respondents mentioned that their organizations struggle to meet the needs of their clients. According to the Joint Center on Housing Studies of Harvard University, only one-in-four income-eligible renters actually receive housing assistance of any kind.<sup>4</sup> As illustrated in Figure 2, in 2014 there simply were not enough affordable units available to the lowest-income renters in Delaware, New Jersey, and Pennsylvania. The lack of available housing assistance

<sup>4</sup> "Chapter 1: Executive Summary," in Joint Center for Housing Studies of Harvard University, *The State of the Nation's Housing 2016*. Cambridge, MA: Harvard University, 2016; available at [www.jchs.harvard.edu/research/state\\_nations\\_housing](http://www.jchs.harvard.edu/research/state_nations_housing).

and inadequate supply of affordable units make burdensome housing costs widespread among the most vulnerable renters.

Many respondents expressed concern that federal funding for community development activities will continue to decline in the next few years. As shown in Table 2, cities across the Third District have seen substantial declines

in funding allocations from key federal programs over the past decade. In addition to housing-related activities, many of these programs support case management and neighborhood development efforts. Several respondents discussed the challenges of sustainably funding collaborative communitywide efforts and gaining the buy-in of all participating organizations.

**We continue to see families where loss of employment or poor decisions have led to eviction and homelessness. Even though we have a centralized intake to work with the families to connect them to housing providers, we do not have the funds to work with the families long term so we see them going through the system multiple times. We need resources to provide long-term case management support for these families to help them make good decisions and reach self-sufficiency.**

**We are anticipating a continued decrease in the funding available for case management services and pressure to reduce the time we spend working with individual families. The requested outcomes are based on numbers of families served, not the quality of the service.**

**Table 2.** Change in funding allocations from U.S. Department of Housing and Urban Development formula programs (in millions, 2016 dollars)

*Selected Third District Cities*

City	2007	2016	% Change
Allentown	4.2	3.4	-19.6%
Atlantic City	2.0	1.4	-31.1%
Bethlehem	2.4	1.6	-33.3%
Camden	5.1	3.8	-25.2%
Chester	2.0	1.4	-33.9%
Harrisburg	3.0	2.7	-10.6%
Lancaster	2.7	1.7	-35.3%
Philadelphia	83.7	58.1	-30.6%
Reading	4.6	3.4	-26.3%
Scranton	4.6	3.1	-33.4%
Wilmington	4.2	3.2	-21.9%
York	2.4	1.6	-32.7%

Source: Authors' calculations using U.S. Department of Housing and Urban Development, Community Planning and Development Program Funding Allocations from [www.hudexchange.info/grantees/allocations-awards/](http://www.hudexchange.info/grantees/allocations-awards/)

Adjusted to 2016 dollars using BEA Implicit Price Deflators for GDP for state and local government consumption expenditures.

Includes funds distributed for the Community Development Block Grant (CDBG), HOME Investment Partnership (HOME), Housing for Persons With AIDS (HOPWA), and Emergency Solutions Grant (ESG) programs.

### 3. Homelessness remains a persistent challenge.

A number of survey respondents reported that addressing homelessness remains a challenge for many communities. The lack of affordable housing options coupled with volatile income sources has led individuals and families to seek emergency shelter. Respondents note that such emergency housing continues to be in short supply. In 2016, there were roughly 1.8 homeless individuals per emergency shelter bed in Delaware, roughly 1.9 per bed in New Jersey, and 1.8 in Pennsylvania. Though each of these states saw substantial improvements in

this indicator from 2007 to 2016, there continues to be unmet need.<sup>5</sup>

Though the long-term solution to homelessness is often access to permanent housing supports, respondents noted that such programs are generally inaccessible. Figure 3 depicts the average number of months admitted households spent on waitlists for public housing and the Housing Choice Voucher (HCV) program (sometimes referred to as “Section 8”) in a selection of Third District cities. In nearly all of these cities, waitlist times for both programs exceed one year, with waits of two or more years common. Furthermore, at the time of writing, none of these cities were accepting applications for the HCV waitlist. In Philadelphia (not pictured in the graph), the waitlists for both public housing and HCVs have been closed indefinitely as the Housing Authority works through the existing backlog of applicants.<sup>6</sup>

*There is a high demand for rental housing in Delaware, which has driven up the cost and decreased the availability of units. This in turn is causing people to lose housing and many are “couch surfing” or homeless. The shelters in*

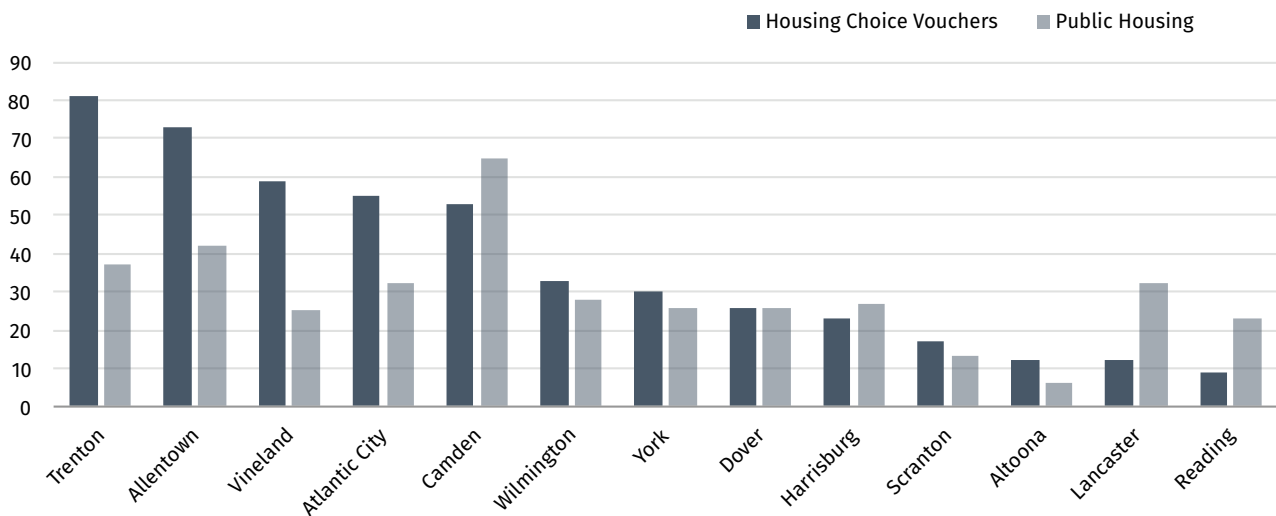
*Delaware are routinely full and the situation is dire with little resources to help those in need. Waiting lists for housing choice vouchers and subsidized housing are long, up to four years, so no immediate answers or solutions are forthcoming.*

<sup>5</sup> Emergency shelter beds are defined as those funded through the federal Emergency Solutions Grant program. Homeless individuals may also access housing through transitional housing, safe havens, supportive housing, and locally funded programs. Authors' calculations based on U.S. Department of Housing and Urban Development 2007–2016 Point-in-Time estimates and Housing Inventory Count data; available at [www.hudexchange.info/resource/3031/pit-and-hic-data-since-2007/](http://www.hudexchange.info/resource/3031/pit-and-hic-data-since-2007/).

<sup>6</sup> See the Philadelphia Housing Authority web page on admissions at [www.pha.phila.gov/housing/admissions.aspx](http://www.pha.phila.gov/housing/admissions.aspx) (date accessed: 2/27/2017).

**Figure 3.** Average months spent on waiting lists for households in housing assistance programs, 2016

*Selected Third District Cities*



Source: U.S. Department of Housing and Urban Development, Picture of Subsidized Households 2016; available at [www.huduser.gov/portal/datasets/asstshg.html](http://www.huduser.gov/portal/datasets/asstshg.html)

*The Permanent Supportive Housing Program I supervise has 12 slots, with an additional 10 coming online in March. We have a waiting list of over 45 individuals that meet our criteria and perhaps another 250 names of people who most likely meet our criteria.*

**4. Lack of access to capital and/or shortage of properties for housing development reinforce affordability challenges.**

While many responses focused on the demand side of rental housing affordability, others discussed challenges on the supply side. Respondents explained that developers often lack the appropriate capital or land to respond to growing demand, leading to a tight housing market that is particularly challenging for LMI families and seniors. Public resources for expanding the supply of affordable units are scarce and face uncertain futures as federal, state, and municipal budget priorities shift. Where development is occurring, respondents expressed a mix of optimism and concern that new units will primarily cater to higher-income households.

*The macro trends are that there is not enough affordable rental and homeownership units, thus affecting all the other situations mentioned – overcrowding, credit issues, etc. And there is not enough capital/funding put on the streets to dramatically increase the number of units.*

*Rentals are hard to find and very expensive for families. It is impossible for families to afford the market rate homes. We can build and finance affordable homes for these families, but it is difficult for us to find available properties to build/rehab.*

*Affordable housing, especially in the city of Lock Haven [PA], is in very short supply. Affordable senior housing levels are also far below demand. This is a function of inadequate housing capacity as well as cost.*

## Opportunities

When asked, “Over the past year, have you seen any promising trends or changes?” the following were cited as promising opportunities for improvement by survey respondents.

### 1. Land Banks

In several areas throughout the District, land banks are being developed as a tool to return vacant, tax-delinquent properties back into productive use. While the specifics vary depending on state authorizing legislation and local needs, land banks are generally formed as vehicles for strategically acquiring and maintaining tax-reverted problem properties. A land bank’s long-term goal may be to make these properties marketable to private purchasers (e.g., by extinguishing liens or resolving title issues) or to hold and maintain them to reduce blight in neighborhoods with weak real estate markets.

*After many years of talks and discussions, it appears a local land bank will be in place within two years.*

### 2. Philadelphia bond program for home repair

The need for housing rehab and repair in Philadelphia has challenged communities for years.<sup>7</sup> The city is responding to the issues regarding the quality of its housing stock by issuing new bonds to finance needed repairs

<sup>7</sup> See the 1Q2016 *Community Outlook Survey* for a discussion of these issues; available at [www.philadelphiafed.org/community-development/community-outlook-survey/2016/2016q1](http://www.philadelphiafed.org/community-development/community-outlook-survey/2016/2016q1).

for those on the Basic Systems Repair Program waiting list. An additional loan program will be available to homeowners seeking a way to make necessary repairs in order to remain in their homes.

*City Council has passed an ordinance that increases the realty transfer tax by 0.1 percent in order to float a bond to support the repair of deteriorating homes in Philadelphia.*

### 3. Centralized intake process

In several areas throughout the District, respondents were pleased with the coordination of services through a centralized intake process available to clients. Though collaborating in this way makes obtaining necessary services much easier for clients, some respondents noted that it is difficult to find funding to maintain the coordination in a way that is suitable to all cooperating organizations.

*Your Way Home in Montgomery County is a positive, centralized intake process that has all housing providers working together using one set of guidelines. This is a public-private partnership that has developed the systems and provided funding.*

*In Bucks County, providers have created a centralized intake process called Housing Link. The real issue is that we are struggling to work with the county to come up with consistent funding to support the process.*

## Digging deeper: More resources from CDS&E

For a more in-depth look at topics discussed in this report, see the following publications from the Community Development Studies & Education Department of the Federal Reserve Bank of Philadelphia:

“Gentrification and Changes in the Stock of Low-Cost Rental Housing in Philadelphia, 2000 to 2014”; available at [www.philadelphiafed.org/-/media/community-development/publications/cascade-focus/gentrification-and-changes-in-the-stock-of-low-cost-rental-housing/cascade-focus\\_5.pdf?la=en](http://www.philadelphiafed.org/-/media/community-development/publications/cascade-focus/gentrification-and-changes-in-the-stock-of-low-cost-rental-housing/cascade-focus_5.pdf?la=en)

Rental Housing Affordability Data Tool; available at [www.philadelphiafed.org/community-development/housing-data-dashboard](http://www.philadelphiafed.org/community-development/housing-data-dashboard)

“Fiscal Stress in the Small Postindustrial City: Causes, Consequences, and Implications for Community Development”; available at [www.philadelphiafed.org/-/media/community-development/publications/special-reports/fiscalstress.pdf?la=en](http://www.philadelphiafed.org/-/media/community-development/publications/special-reports/fiscalstress.pdf?la=en)

“Beyond the Numbers: A Qualitative Exploration of Affordability and Availability of Rental Housing in the Third Federal Reserve District: 2015”; available at [www.philadelphiafed.org/-/media/community-development/publications/cascade-focus/cascade-focus\\_4-btn.pdf?la=en](http://www.philadelphiafed.org/-/media/community-development/publications/cascade-focus/cascade-focus_4-btn.pdf?la=en)

“A Practitioner’s Summary: Gentrification and Residential Mobility in Philadelphia”; available at [www.philadelphiafed.org/-/media/community-development/publications/discussion-papers/discussion-paper\\_a-practitioners-summary.pdf?la=en](http://www.philadelphiafed.org/-/media/community-development/publications/discussion-papers/discussion-paper_a-practitioners-summary.pdf?la=en)

“Spotlight on Research: Housing Options for Homeless Families”; available at [www.philadelphiafed.org/community-development/publications/cascade/86/07\\_housing-options-for-homeless-families](http://www.philadelphiafed.org/community-development/publications/cascade/86/07_housing-options-for-homeless-families)

## Authors



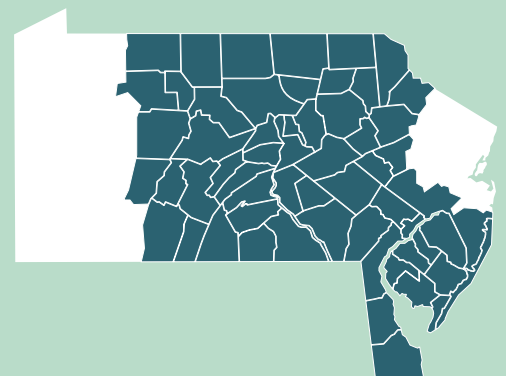
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## The Third Federal Reserve District

The Federal Reserve Bank of Philadelphia serves the Third District, which covers eastern Pennsylvania, southern New Jersey, and Delaware. The Bank’s Community Development Studies & Education Department supports the Federal Reserve System’s economic growth objectives by promoting community development in low- and moderate-income communities and fair and impartial access to credit in underserved markets.





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