HOUSING ANALYSIS & PLANNING

PRESENTATION TO CITY COUNCIL - OCTOBER 12, 2021

Contents

- Affordable Housing Defined

- Median Income Levels

- Economics of Affordable Housing Development

- Center for Regional Analysis Housing Study – Top 5 Findings

- City of Lancaster Interim Housing Strategy – Key Goals and Programs

- Affordable Housing Project Development & ARPA

Affordable Housing Defined…

- In reality, "affordable" varies by household

- How do we measure housing affordability?
  - Housing Cost Burden = 30% or more of gross income spent on housing costs
  - Extreme Housing Cost Burden = 50% or more of gross income spent of housing costs

- Housing Programs funded with public $ use Area Median Income (AMI) or Median Family Income (MFI) levels to determine eligibility

Median Income Levels

Income (as a percentage of Median Family Income)	Category
Below 30%	Extremely Low-Income
30% - 50%	Very Low-Income
50% - 80%	Low to Moderate Income
80% - 120%	Moderate/Middle Income

60% and below applies to <u>rental</u> housing projects funded by the HOME Investments Partnership Program
80% and below applies to <u>homeowner</u> projects funded by the HOME Investments Partnership Program
***Further regulations apply to ensure affordability based on household income

Economics of Affordable Housing Development
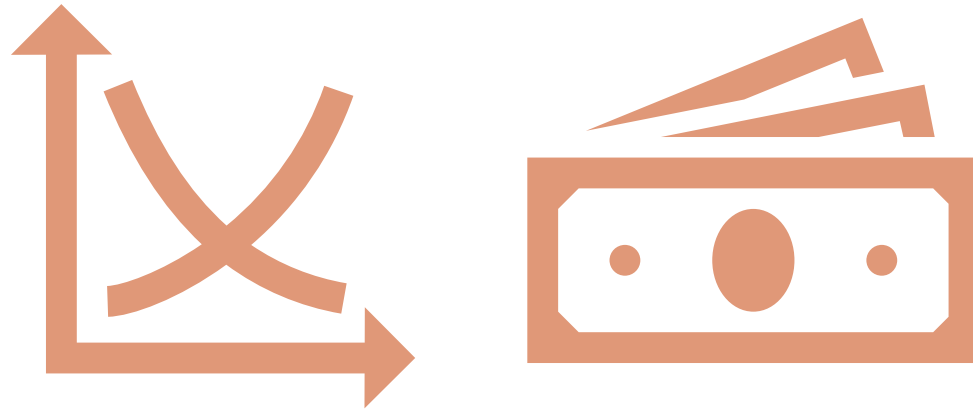
Why is affordable housing so difficult to achieve?

- When rents or sale prices are fixed at a low-income level to serve residents, it costs more to build than the housing developer can recover from the project

- There is a gap between the cost of construction of the housing and return on investment

- Public funding MUST fill that gap for developers, otherwise affordable housing development cannot and will not happen (same for market rate and nonprofit developers)

Housing Availability in the City of Lancaster and Implications for Housing Affordability

1. **Housing affordability challenges are caused by both supply and demand dynamics.**

   a. On the supply side, the available housing stock is acting as a constraint and upward pressure on price.

   b. On the demand side, housing cost burden is widespread, largely as a result of low household incomes.

   c. Shortage drives prices up, and incomes are not adequate to meet market prevailing rental rates.

Housing Availability in the City of Lancaster and Implications for Housing Affordability

2. **The City of Lancaster has a housing shortage**.

Vacancy rates are low, particularly when we factor in that housing age / quality is likely limiting the availability of housing units.

The implications of a sustained tight housing market are to either cause displacement or create incentives for housing stock to be run down.

Housing Availability in the City of Lancaster and Implications for Housing Affordability

3. **The type of housing stock in the city does not align with the household composition of its residents.**

   The majority of the City's housing was built for larger families, but many households are now smaller.

   a. 56% of residential units is comprised of single-family dwellings, with 83% of these units having three or more bedrooms. In contrast only 30% of the City households have children under the age of 18.

   b. 22% of the City's housing units are one-bedroom but 30% of the City's households live alone.

Housing Availability in the City of Lancaster and Implications for Housing Affordability

4. **The opportunities to increase housing supply in the City are limited.**

Intentional development in combination with land use and zoning policy that facilitates housing density are critical to significantly increase housing availability.

Housing Availability in the City of Lancaster and Implications for Housing Affordability

5. **Housing Cost Burden is widespread, reflecting the income profile of City residents.**

The housing situation is a challenge for a wide range of household incomes, not just the lowest income.

Interim Housing Strategy – Policy Targets

3 Overarching Quantitative Policy Targets for the Next 5 years

- The City will facilitate the creation of 2,000 new housing units, with the goal of at least 15 percent affordable.

- The City will protect and improve 1,000 existing low-to moderate-income homes.

- The City will evaluate and address every rental housing unit in the City, with the goal that at least 85 percent are rated fair or good condition.

Interim Housing Strategy – Main Goals

5 Strategic Goal Areas

1. PRODUCE	2. PROTECT	3. AQUIRE	4. INNOVATE	5. SUSTAIN

- Under each strategic goal, there are 3-4 key program tools or activities that we will use to realize that goal

- In total, 18 program tools / activities for implementation

  - Possible for additions / subtractions depending on performance

1. PRODUCE

Produce housing units in new construction to meet demand and expand the number of available homes, both affordable and market-rate.

a. Comp Plan / Land Development / Zoning

b. Investment Capital

c. Subsidy for Affordable Units
   ➢ Example: Landis on King Street

2. PROTECT

Protect, maintain, and improve the quality of existing housing to help keep households safe and affordable.

a. Housing Inspections & Maintenance

b. Lead Remediation & Healthy Homes
   ➢ Example: City Lead Safety Program and LGH Penn Medicine Lead Free Families Initiative

c. Critical Repair Grants and Loans
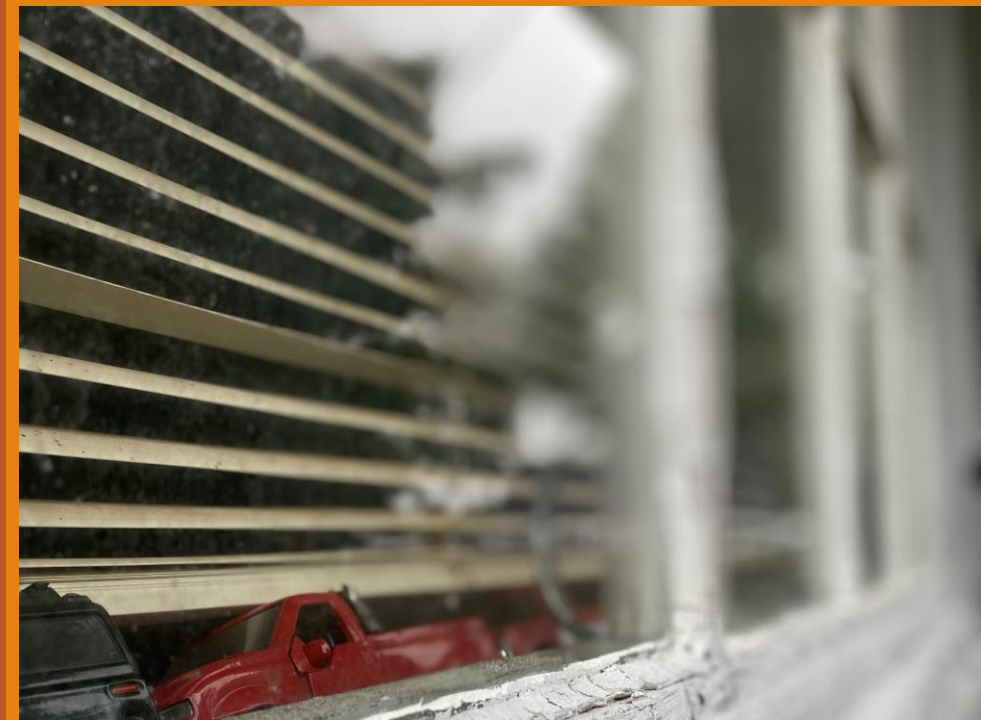
3. ACQUIRE

Acquire properties and redevelop for the express purpose of neighborhood revitalization and affordability.

a. Redevelopment Authority (RACL)

b. Land Bank

c. City-Led Conversion
   ➢ Example: 213 College Ave

d. Transitional Facility / Facilities

TMENTS @ COLLEGE AVE. PHASE 1

4. INNOVATE

Innovate by exploring emerging housing design types, which may facilitate lower-cost housing units.

a. Home Sharing and Community Living Models

b. Accessory Dwelling Units

c. Tiny Homes
   ➢ Example: 765 Joseph St

d. Reduced Parking Requirements

5. SUSTAIN

Sustain and foster housing stability and neighborhood vitality.

a. Safety Nets: Emergency Rental Assistance – Eviction Prevention

b. Home Ownership Protections

c. Pathways to Home Ownership

   ➢ Example: Tenfold / SoWe Down Payment Assistance Program

d. Homeless Shelter Resources

Big Picture Proposal: $5M Allocation to Implement the Interim Housing Strategy

Review of Individual Projects / Expenditures through the City Council Economic Development Committee

Example Project in the Works: 838 Marietta Ave

American Rescue Plan Act (ARPA)