

**House Urban Affairs Committee Public Hearing**  
**September 21, 2022**  
**Testimony of the Housing Alliance of Pennsylvania**

The market for attainable housing for Pennsylvania's workforce has tightened to critical levels. Northeastern Pennsylvania is a geography particularly vulnerable to housing shortages due its proximity to northern New Jersey and New York City. In the wake of the pandemic, an influx of residents from neighboring states have driven up home prices and rents causing the displacement of many residents. Additionally, the region's growing employment centers in the manufacturing and warehousing space are driving demand for housing. The entire Commonwealth is facing an affordability gap due to rapid inflation, an aging housing stock, and a lag in affordable construction.

Recent news reports cite rents in the Pocono region have doubled and tripled since the pandemic. Between increased demand from residents migrating from neighboring states and landlords having lost income during the eviction moratorium, many leases are not renewed for current tenants. For those who have been evicted, their backgrounds are showing evictions as they search for new housing.

The Monroe County Housing Authority cites approximately 700 families in the Section 8 voucher program and over 300 more on the waiting list in Monroe County.<sup>1</sup> Housing Choice vouchers become unusable if tenants are unable to find a rental due to lack of inventory or higher prices. Many landlords are reported to have gotten out of the business of renting during the pandemic, either selling properties while values were high, or because they lost revenue during the eviction moratorium.<sup>1</sup> Many units have been converted to Airbnb. An additional 4,000 families are on the waiting list for public housing in Monroe County.<sup>1</sup>

Elsewhere in Northeastern Pennsylvania demand for housing has surged, especially throughout the Scranton–Wilkes–Barre–Hazleton corridor and surrounding counties. After a decade of moderate population growth, Luzerne and Lackawanna Counties seem to be on the receiving end of a “great reshuffle” spurred by COVID-19.<sup>2</sup> Analysis of Zillow data by the Institute for Public Policy & Economic Development show that home values increased by nearly 14% between March 2020 and March 2021 — a higher growth rate than the state and nation as a whole and far above the previous five years' average increase of 5% per year.<sup>2</sup>

A study by the Center for Rural Pennsylvania found an increase in property transfers in rural counties, with many buyers from New York and New Jersey. This trend appears unlikely to reverse in the foreseeable future, with the transportation and logistics industry seeking to hire thousands of employees. Throughout Northeastern Pennsylvania, the price increases of homes

---

<sup>1</sup> Mazzenga, D. and Francis, M. (2022, August 3). As the Poconos real estate boom continues, affordable housing is in short supply. *The Pocono Record*

<sup>2</sup> O'Boyle, B. (2022, July 24). Indicators 2022: Housing options identified to meet workforce needs *Wilkes-Barre Times Leader*

and apartments suggests that new housing construction, or the rehabilitation of older or blighted housing, may not be keeping pace.

For several generations, housing costs have been outpacing growth in wages, and in recent years, rent increases have surpassed inflation. From 2010 to 2020, the consumer price index for rent of primary residence rose 37%, compared with an increase of 13% for the CPI for all items except for shelter. Home prices have roughly doubled since 2000, according to the Case-Schiller national home price index.

In the last decade, the median home price rose roughly 30% and incomes crept up just 11% over the same time period, according to a Bankrate analysis of data from the National Association of Home Builders/Wells Fargo Housing Opportunity Index.<sup>3</sup> After accounting for inflation, home prices have jumped 118% since 1965, while income has only increased by 15%, according to a separate report by online brokerage Clever Real Estate, based on Census data. To afford a home in 2021, Americans needed an average income of \$144,192 — far more than the median household income of \$69,178.<sup>3</sup>

Housing prices in Pennsylvania rose by 14% from 2020 to 2021, including a 40% increase in apartment rents since 2017 in central Pennsylvania.<sup>4</sup> In Philadelphia, almost 50% of households are “rent burdened,” defined as spending at least 30% of income on rent.<sup>4</sup>

According to the recently released Up for Growth report, only one of Pennsylvania’s 67 counties has fewer than 30% of renters who aren’t rent-burdened. Almost a dozen counties have at least 50% of renters who are rent-burdened.

The U.S. Housing and Urban Development agency defines rent-burdened as families “who pay more than 30% of their income for housing” and “may have difficulty affording necessities such as food, clothing, transportation, and medical care.” Severe rent burden would be 50%.

In April, 2022, the National Low Income Housing Coalition (NLIHC) released The Gap: The Gap: A Shortage of Affordable Homes, finding a national shortage of 7 million affordable and available rental homes for the lowest-income households. There are just 36 affordable and available rental homes for every 100 of the lowest-income renter households nationwide. Seventy-one percent of the poorest renter households are severely cost burdened, spending more than half of their incomes on housing, with little left over for other necessities. Pennsylvania is among the most severely affected states with only 39 affordable homes available for every 100 extremely low-income households.

Overlayed on the affordability gap, is a lack of construction of affordable homes since the 2008 housing crash. According to Harvard University’s annual State of the Nation’s Housing report, years of underbuilding have led to an all-time shortage of for-sale homes as well as too few affordable rentals. The undersupply of housing continued to worsen during the pandemic as more millennials than expected formed new households, and construction failed to keep up

---

<sup>3</sup> Dickler, J. (2021, November 10). Home prices are now rising much faster than incomes, studies show. CNBC.com

<sup>4</sup> Hennen, A. (2022, April 29). Affordable housing a growing concern statewide in Pennsylvania, low priority in the statehouse. TheCenterSquare.com

with new housing demand. The U.S. now has a deficit of 3.8 million homes, with the greatest supply shortages at low-income price points.

Harvard's report claims that despite a housing construction surge in 2021 and 2022, the backlog remains large enough that it could take a decade of record-level homebuilding to meaningfully increase affordability, even considering mitigating factors like rising interest rates. Part of the challenge is that most new homes are being priced at the upper end of the market.

The Harvard study also explains that investors are buying a record share of homes – especially homes in the bottom third of the market – and flipping them for a significant profit. The overall share of investor purchases was 28% in early 2022.

## **Policy Solutions**

Pennsylvania's housing shortage creates an urgent need for wider use of low-cost housing typologies and housing investments that can expand the supply of accessible homes for modest-income households.

The effects of the \$375 million housing investment made in the 2022-23 state budget should be felt in coming years. Newly created programs, Whole Homes Repairs and Housing Options should be considered permanent tools for addressing the housing shortage. Dedicated, recurring funding for these programs will be critical in the future.

Likewise, the Legislature should continue investing in the Pennsylvania Housing Affordability and Rehabilitation Enhancement Program (PHARE). HB 2665 and SB 1254 are still positioned for passage before the end of the current session to raise the cap on Realty Transfer Tax funding to the program from \$40 million to \$100 million over the course of three years. PHARE grants are critical to addressing local housing needs, closing gaps in current programs, and targeting blight.

Outside of funding, critical policy considerations must be given to landbanks to better enable them to acquire blighted and abandoned properties. Allowing landbanks the ability to petition the court for conservatorship, benefit from Realty Transfer Tax exemption, and gain the same protections from environmental liabilities as other economic development agencies are critical to opening a larger toolbox for fighting blight and recycle vacant land.

Future conversations should revisit Pennsylvania's fragmented land use policies that prevent the construction of workforce and attainable housing that could allow many employees to live near where they work. Also, landlords should have access to resource and incentives that could enable them to work with more vulnerable tenants. County governments should also have the option to create local housing trust funds to create the types of accessible housing suited to local needs.

###