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ALLEGHENIES AHEAD on Housing

A Regional Housing Strategy

SAP&DC czb

Prepared by czbLLC for the Southern Alleghenies Planning & Development Commission

Acknowledgements

ALLEGHENIES AHEAD
A Regional Housing Strategy

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EXECUTIVE SUMMARY

Housing is a priority in the Southern Allegheny region. That much has been clearly articulated by recent plans at the regional level and by efforts undertaken in communities throughout the six counties.

But why is housing—a very broad topic—a priority? What problems related to housing need to be solved in the region? And what does it mean to address these problems in ways that might actually result in better outcomes for the region's households, its economy, and its ability to compete and thrive in the decades ahead?

Alleghenies Ahead on Housing is a Regional Housing Strategy that delves into these questions in order to provide the region, its counties, and its communities with a framework for making well-informed decisions about policies and investments that influence the quality of the region's housing opportunities. As a follow-up to the *Alleghenies Ahead* Comprehensive Plan, it does so under the guiding principle to "plan regionally and implement locally," recognizing that shared priorities can best be addressed by shared strategies that are customized to fit local conditions and strengths.

While many important housing indicators in the region—prices, vacancy rates, homeownership rates—vary from place to place, the overarching problems that need solving across the region are similar. So, too, is the general toolkit of policies and programs that will be responsive to these problems and the approach that will be needed at the sub-regional level to take action.

A persistent pattern of soft demand

There are stark differences, of course, between housing conditions found in parts of Johnstown, in the region's stable suburban communities, in seasonal enclaves near lakes and mountains, and in a broad range of other community types. But a **common thread that connects all of the region's housing sub-markets is demand that has been either somewhat or exceedingly soft for years if not decades.** Numerous trends examined in *Alleghenies Ahead on Housing* point to this pattern.

Stagnant or declining number households

There were 5,000 fewer households in the region in 2020 than 2000; only one county (Fulton) experienced household growth, but at a rate of just 0.3% per year

Surge in chronic vacancies

Chronically vacant or abandoned housing units climbed from 5,000 in 2000 to over 15,000 by 2020, with significant percentage increases in all six counties; these are only the most conspicuous properties among the region's growing inventory of blighted housing

Lagging home values and rents, and low price appreciation

Home values and rents kept pace with inflation in much of region between 2000 and 2020, but remained far behind national levels; the region's pandemic bounce in home prices mirrored the national bounce (in percentage terms) but only after lagging far behind during the previous decade

Limited "willingness" to pay

Very few of the region's households with incomes above $50,000 (51% of all households) are used to spending what they can technically afford to spend on housing due to the region's low home prices and rents; because of this, and plentiful inexpensive options, they may not be willing to spend what it actually costs to build new housing

Concentrated levels of need

One-third of the region's households have incomes below $35,000 and have a limited ability to pay for housing; the options they tend to have are older properties in the parts of cities or boroughs with the highest rates of poverty and chronic vacancy—environments that thwart the upward mobility of these households while preventing the recovery of weak markets

On the present course defined by soft demand, the housing market is unlikely to resolve blight, improve existing housing conditions, or hasten the production of new housing opportunities on its own. A new course is needed for different outcomes to be realized.

A central conclusion of *Alleghenies Ahead on Housing* is that deliberate and strategic interventions are needed—of a greater scale and complexity than currently exist—to spur the types and levels of investment that will produce a more competitive housing supply and stronger levels of demand.

A Vision for Housing

Allegheniesd Ahead on Housing describes a basic, three-pronged vision for housing based on analysis of existing conditions, key issues and priorities expressed during the planning process, and the core values embedded in the region's shared comprehensive plan.

This vision, and the measurable outcomes that describe progress towards the vision, serve as the basis for a decision-making framework and for a responsive **Regional Housing Toolkit**.

1 A stronger housing market

Supply and demand are in a healthier balance, allowing the private market to function in ways that produce more positive community outcomes

2 A more adaptable housing market

A more functional market responds more readily to changing preferences, producing better matches between households and housing

3 A response to need that promotes community vitality

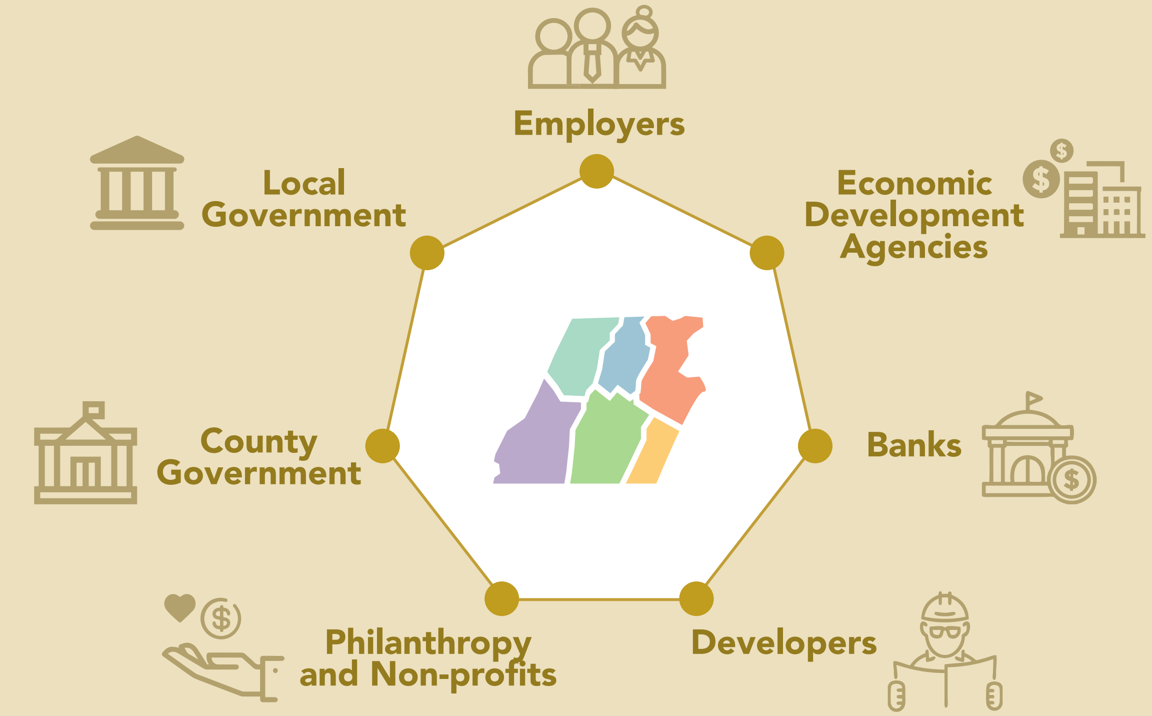
Housing for households with low incomes are in better condition and can be found in areas with good services and economic opportunities

The Regional Housing Toolkit

The toolkit is designed to represent the broad range of interventions that will move the region closer to its vision for housing, and most of them represent tools for overcoming soft demand and high risk. Not all tools will be applicable to the conditions, goals, and capacity of every community. Choosing and resourcing the right combination of tools will be decisions to make at the sub-regional level.

- **Rental rehab subsidies for existing market-rate units**
- **Rent subsidies to developers/owners of new market-rate units**
- **Equity pool for new rental or mixed-use developments**
- **Financial support to homeowners for above-market home upgrades**
- **Acquisition, rehab, and resale of existing homes**
- **Subsidies for infrastructure and amenities to developers of new subdivisions**
- **Purchase commitments for new homes at sufficient prices**
- **Buy-back agreements for buyers of new homes**
- **Proactive acquisition, demolition, and land banking of obsolete/blighted housing**
- **Rehab or new construction subsidies for income-restricted housing**
- **Additional public or charitable aid for emergency shelter construction/expansion with supportive services**
- **Expanded regulation of rental conditions with strong enforcement**
- **Land use and development regulation updates**

A model for implementation: localized housing strategy coalitions



Steering the region's housing market, and its diverse sub-markets, onto a healthier course is not something that can be accomplished without diverse local partnerships working collaboratively to choose the right tools, commit the right resources, and find the right opportunities to experiment.

Alleghenies Ahead on Housing provides guidance on how to identify and cultivate these localized coalitions—which must reflect the economic, institutional, and civic networks that are unique to each place. As these coalitions emerge and take action, their experiences will become valuable learning tools for other coalitions, and the Southern Alleghenies Planning & Development Commission can play a critical role in connecting coalitions and supporting their work.

A Call to Action

Functioning coalitions will only emerge in parts of the region where the leadership and will exists to form and sustain them. In some cases, informal coalitions already exist and have potential to grow. In other places, coalitions will need to be formed from scratch if there is any interest in achieving different housing outcomes. All will require passionate local leaders and team-builders who begin with some basic questions:

- *Why does better housing matter to me and my business, institution, or community?*
- *What role can I play, or what skills can I offer?*
- *What does my community's coalition look like, or what should it look like to have a shot at success?*
- *Who should I connect with to get the conversation started?*
- *What are our coalition's goals? What is our plan?*

Introduction

Housing in the Southern Alleghenies region was long viewed as a resource that could largely manage itself—or, more specifically, a resource that could be adequately managed and stewarded by market forces alone. That view has been changing, especially over the past decade.

For years, it was reasonable to expect that blighted or dilapidated properties would be viewed as opportunities for investment, with good buyers emerging to fix them and return them to active use. Or that a livable but tired-looking property would change hands and get the updates and modernization it needed. Or that an expressed need for a new housing type would eventually translate into a profitable development opportunity for a savvy builder. The only housing issue that truly seemed to merit public intervention was housing for very low-income households and, perhaps, regulation of the very worst rental properties to resolve public health and safety hazards.

These long-held expectations have broken down in much of the region, or have become increasingly less likely, due to decades of soft demand rooted primarily in population and household loss. Markets do not function like they once did. Low profitability and high risk—owing to relatively low prices and rents—have limited investments in housing for decades now. And not just investments by landlords, developers, real estate investors, and banks, but the routine investments of typical homeowners in roofs, siding, bathrooms, and the like.

Recognition that a more proactive position on housing is needed by the region's counties and communities has been steadily growing. It is now widely accepted that many if not most blighted and abandoned homes require some form of direct public action to resolve—or else risk the shared consequences of having properties rot in plain sight for years. The same can be said about code enforcement and the role that it can play in protecting the tax base and the investments of all property owners.

It has also become more widely accepted that—except for certain types of luxury or recreational housing, or one-off homebuilding—the market cannot be expected to produce new or substantially rehabbed housing without some form of assistance to bring costs into line with what households in the region are willing to pay. Market-rate housing initiatives in Johnstown and Altoona are examples of this changing attitude.

The most recent and profound change in perspective on housing, however, is related to economic development. More than at any time in the past, sufficient and attractive housing opportunities are viewed as an important factor—perhaps even a precondition—for successfully attracting and retaining skilled workers and the businesses and institutions that employ or serve those workers. If housing and quality of life in the region are not suitable, people who can live and work almost anywhere will exercise their options.

Getting Ahead on Housing

Considering these evolving views in the Southern Alleghenies, a central challenge for the six counties and their communities is to navigate a path forward—to respond coherently and effectively to a complex issue that encompasses so many distinct but related sub-topics: market-rate housing, affordable housing, vacancy and blight, residential quality of life, the geography of poverty, and municipal tax bases and fiscal capacity.

The breadth and complexity of housing as a public policy issue, and the fact that the Southern Alleghenies is a region of six counties, 237 local jurisdictions, and numerous other public and private entities that have a hand in housing decisions, means there are certain realities that the region must acknowledge if it wants to translate its evolving views on housing into something that resembles a genuine strategy for getting ahead:

- When it comes to most housing-related issues in the region, there will be no singular tools or policies that will make a meaningful difference. A collection of tools, to be used in different combinations in different parts of the region, is needed.
- Implementation will always, ultimately, take place locally. But no community in the region can, or should be expected to, go it alone. Collaboration and coordination at multiple levels will determine whether momentum towards desired outcomes can be generated and maintained.
- Nor can any community in the region expect to realize meaningful changes in their housing prospects without making difficult choices and putting local resources on the table. A portrait of progress in the years ahead will reflect where strong local commitments have been made.

Alleghenies Ahead on Housing: A Regional Housing Strategy has been developed, in light of these realities, to help the region's communities define and navigate a forward path on housing. It does not represent a prescriptive to-do list to apply universally but a tool for making sound, purposeful, and coordinated decisions with regard to policies, resources, and opportunities throughout the region. It does so by providing the following:

- A shared understanding of housing market conditions, how they relate to current housing outcomes, and the implications for responsive strategy development;
- A forward-looking vision for housing, tied to measurable outcomes, that can be advanced through the application of principles to a wide range of decisions;
- A framework for coordinating the implementation of specific tools and strategies through localized partnerships.

Alleghenies Ahead

Alleghenies Ahead on Housing: A Regional Housing Strategy is an outgrowth of *Alleghenies Ahead*—the region's shared comprehensive plan that was adopted by all six counties in 2018. That plan identified housing and blight as among several shared priorities in the region. Since then, and in the wake of COVID-19, housing has been called out as a priority in the region's *Recovery and Resilience Plan*.

Alleghenies Ahead called attention to several concerning trends that had pushed housing toward the top of the region's list of issues, including the region's demographic disadvantages and rapid aging, the high share of senior homeowners across the region (33%), rising numbers of vacant and abandoned housing units, and limited options for middle- and upper-income households.

The plan's "six is stronger than one" approach to tackling complex issues has gained traction, most notably, on the issue of broadband, where a regional Broadband Task Force has been instrumental in competing for federal resources and establishing Alleghenies Broadband, Inc.

Introduction

Planning Process Overview

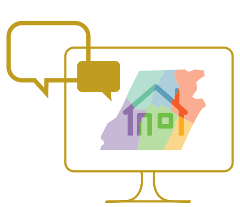
In the summer of 2022, the Southern Alleghenies Planning & Development Commission (SAP&DC) selected czbLLC to facilitate the development of a regional housing strategy.

The planning process included analysis of federal and state housing data, as well as reviews of local real estate data, plans, policies, and recent projects.

The project was further informed by...

A project advisory committee of regional stakeholders

Two rounds of discussions with local experts on affordable housing, market-rate housing, and the relationship between housing and business/ economic development



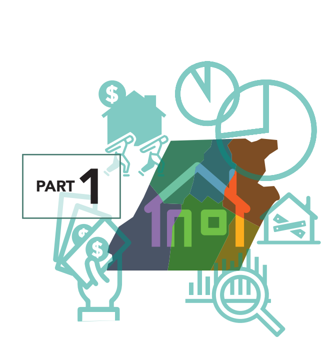
An online open house that included a public survey which gathered feedback from 323 individuals

Introduction

How to Use this Document

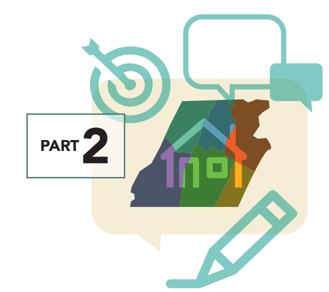
Alleghenies Ahead on Housing was developed to analyze housing conditions and trends in the region, define a vision and decision-making framework for housing investments, and identify tools and implementation methods to put the strategy into service for the region's communities.

The findings and recommendations are divided into three parts, as well as a supplemental section with detailed information on the individual counties:



Market Trends, Conditions, and Key Issues

Part 1 calls attention to the most important trends that have influenced the region's housing market in recent decades. It makes important distinctions between "need" and "demand" for housing, identifies housing market types in the region, and explores the strategic implications of prevailing housing market conditions. It describes soft demand, in summary, as the primary housing problem that needs to be solved.



Housing Vision and Decision-Making Framework

Based on conditions defined in Part 1, along with qualitative feedback on priority issues to address, Part 2 begins by describing a regional vision for housing tied to specific outcomes. To translate the vision into a useable decision-making framework, Part 2 also identifies vision-aligned principles that can be applied to a wide range of situations where choices have an impact on housing.

Part 3: Tools and Implementation Guidance

Part 3 lays out a Regional Housing Toolkit, with specific tools and inputs that are responsive to the region's vision for housing. It then describes an approach to implementation whereby localized coalitions select and utilize tools that are relevant to local needs and priorities.

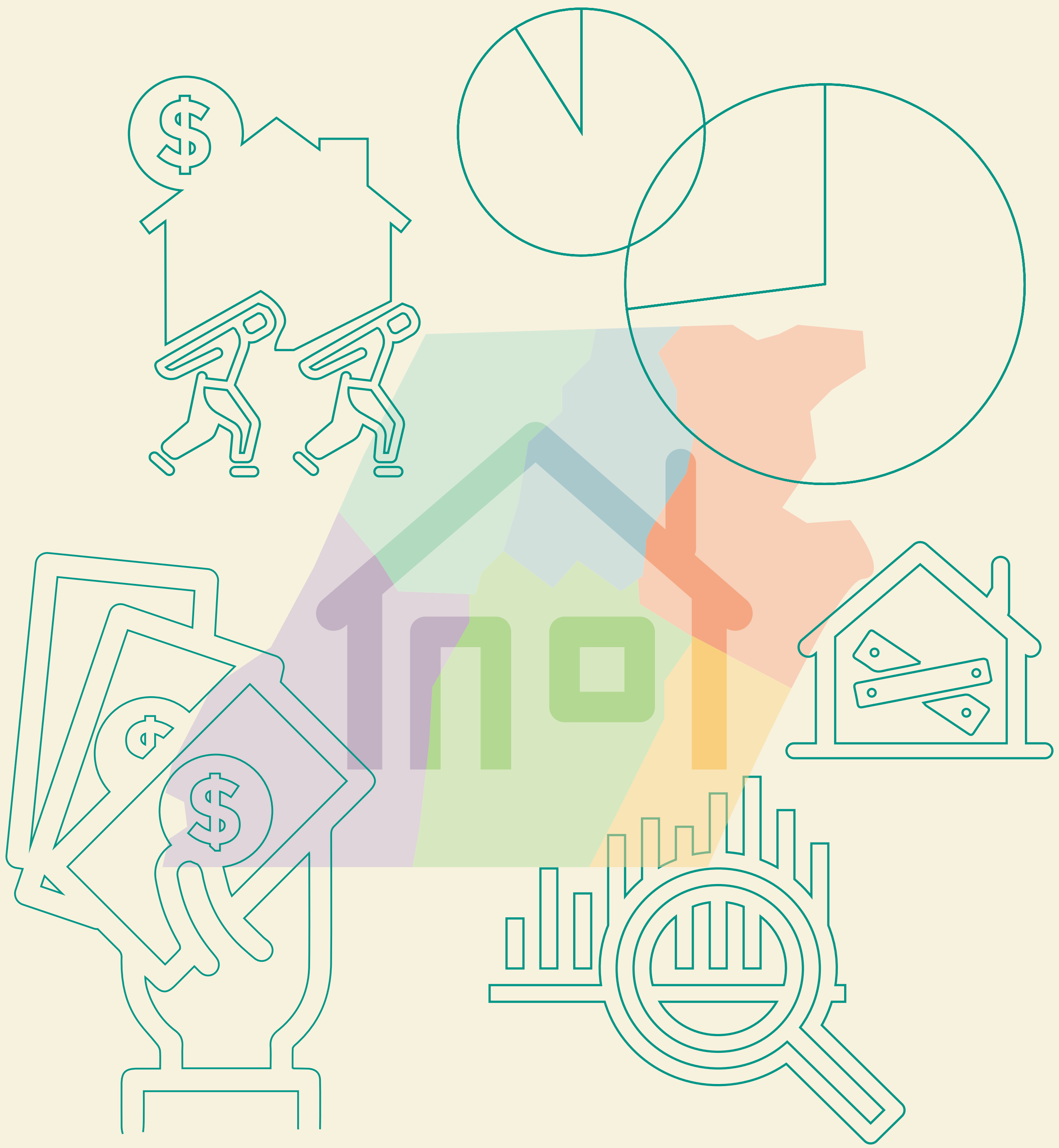
County Close-Ups

Much of the data and information presented in Parts 1-3 are regional in nature. After Part 3, customized information for each county is presented to supplement data from earlier parts of the document or to demonstrate implementation concepts.

PART 1 Market Trends, Conditions, and Key Issues

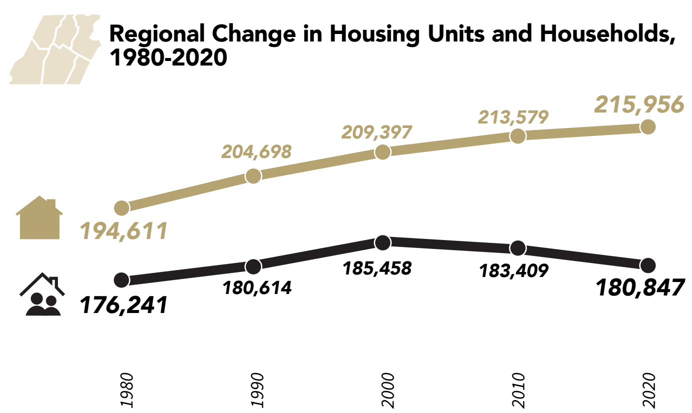
The housing landscape in the Southern Alleghenies region is incredibly diverse, from neighborhoods dominated by declining rental properties, to seasonal enclaves near lakes and mountains, and everything in between. The following pages examine this patchwork of localized markets and how they come together to tell a story about the housing opportunities and challenges that the region's communities and households face today.

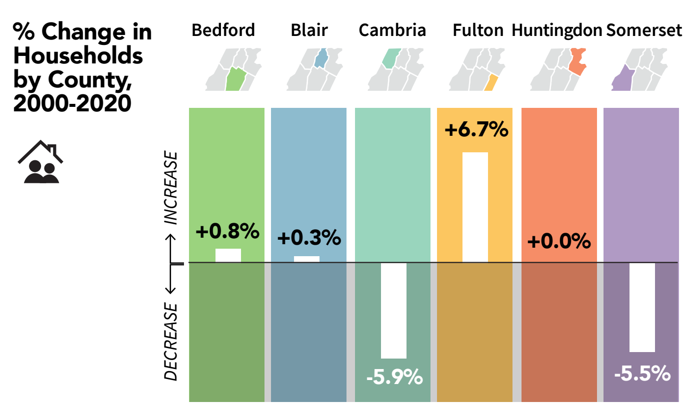
This examination finds that while each county and each community represents a distinct set of housing conditions, they are all influenced by—and must strategically respond to—soft levels of demand that restrict investment, dampen housing conditions, and undermine the long-term health of the housing supply.



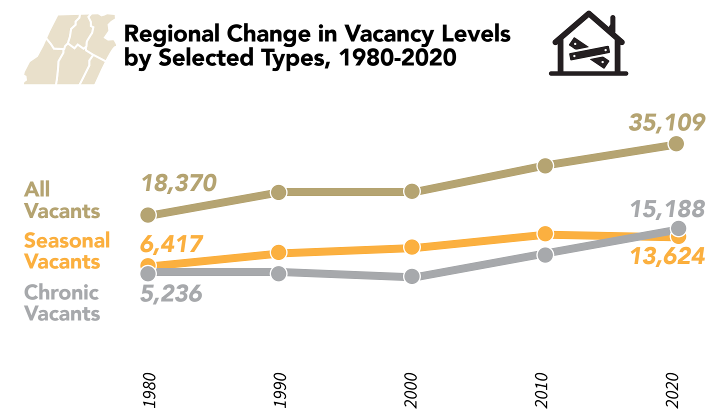
Influential Long Range Trends

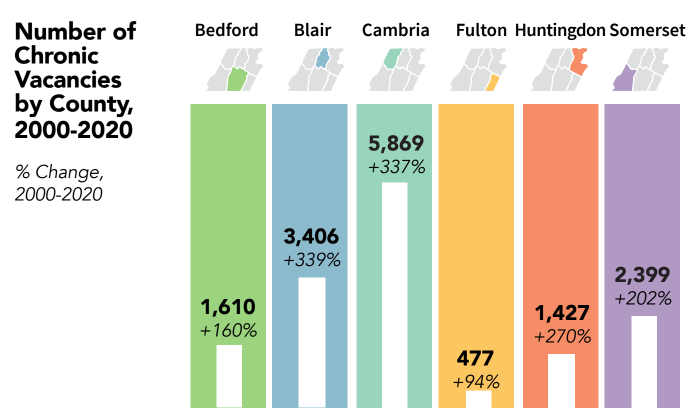
Recent housing market volatility in the Southern Alleghenies owing to the COVID-19 pandemic is important to understand but difficult to assess due to limited short-term data at the time of this planning process. Across the U.S., though, the pandemic has tended to accelerate or amplify trends that were already well-established. So, **what trends have been shaping the region's housing markets in recent years and decades?**



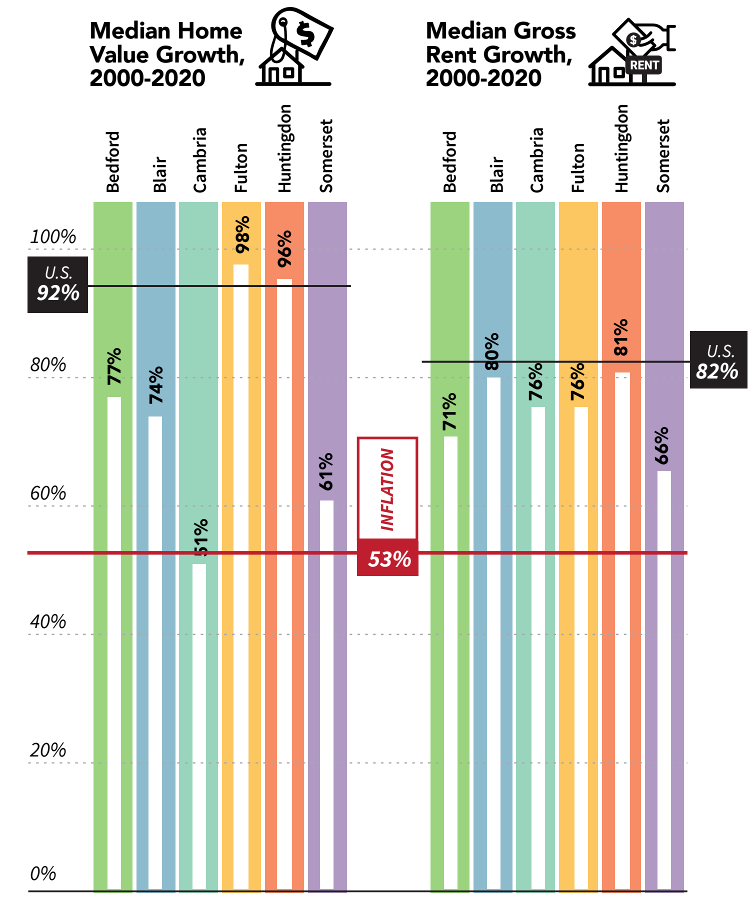


Source: U.S. Census Bureau, Decennial Census (1980-2010) and American Community Survey 5-year estimates (2020)

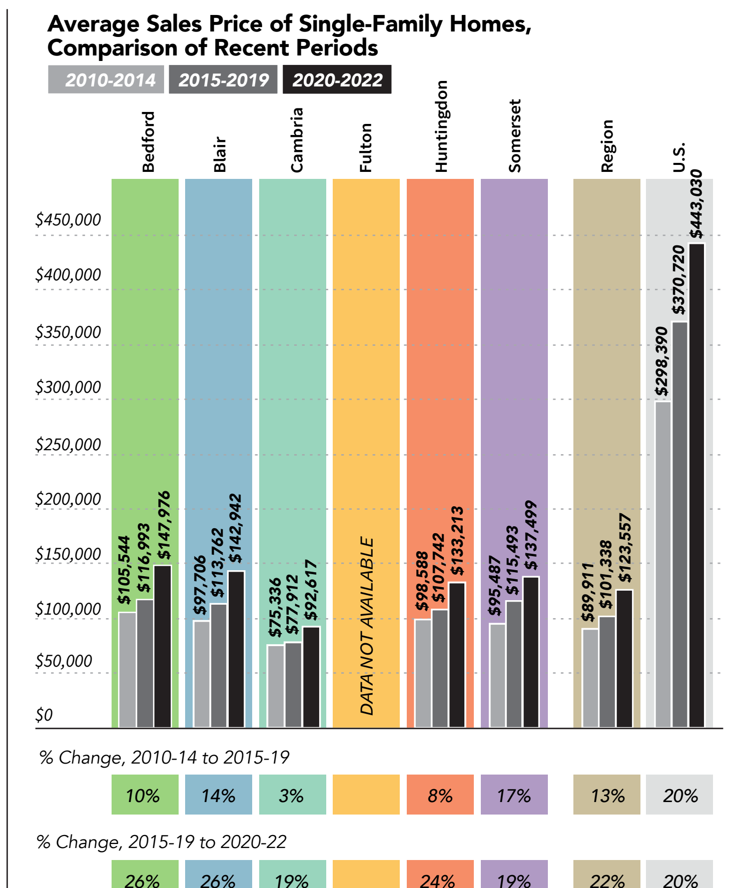




Source: U.S. Census Bureau, Decennial Census (1980-2010) and American Community Survey 5-year estimates (2020); chronic vacancies and potential abandonments are reported by the Census Bureau as "vacant, other"



Source: U.S. Census Bureau, Decennial Census (2000) and American Community Survey 5-year estimates (2020); inflation based on Bureau of Labor Statistics' CPI calculator



Source: czb analysis of county-level assessment databases with information on most recent sale date and price for single-family homes; U.S. data drawn from St. Louis Fed's FRED system

The number of households has been stagnant or declining in most of the region since 2000

Households, which include families as well as individuals who live alone, are the basic units of consumption in a housing market and are a more meaningful number to track than total population. Since 2000, the region has lost nearly 5,000 households while adding over 6,500 housing units.

Within the region, Cambria and Somerset counties experienced declines of over 5% while Bedford, Blair, and Huntingdon counties held steady. At 6.7%, Fulton was the only county to experience growth in line with the state average since 2000 (6.9%).

Vacancies—especially chronic vacancies—have surged

Generally stagnant or declining numbers of households, combined with a rising number of housing units, has meant a growing number of vacant housing units since 2000. While units that are used for seasonal or recreational purposes represent a significant share of all vacancies, that share dropped from 45% in 2000 to 39% in 2020.

Furthermore, by 2020, the number of seasonally vacant units was surpassed for the first time by units that are chronically vacant and potentially abandoned—the number of which has tripled regionwide since 2000.

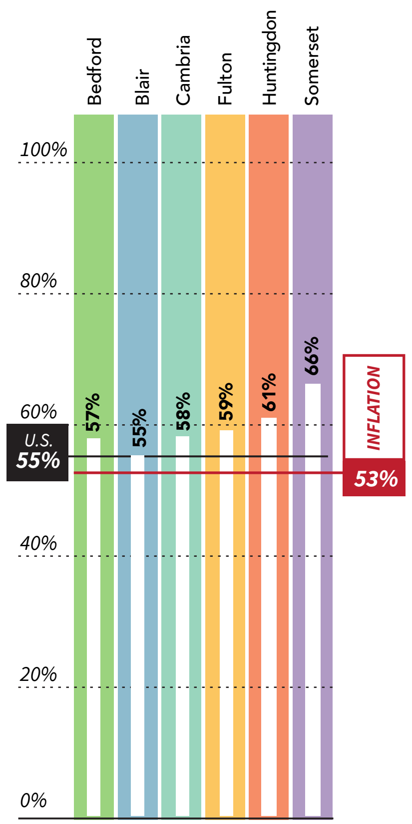
Home values and rents have kept ahead of inflation, but remain relatively low

Changes in homes values and rents in the region vary significantly from county to county and generally reflect geographic patterns of vacancy and household decline. For the most part, though, home values and rents have stayed ahead of inflation since 2000—the lone exception being home values in Cambria County, which rose just behind the rate of inflation.

At the same time, home values and rents trailed national rates of growth in most cases between 2000 and 2020. For a region where every county started the century with lower median values and rents that the U.S. as a whole, this meant that most counties fell further behind—especially Cambria and Somerset counties, where home values were under 50% of the national median by 2020 (see table on next page).

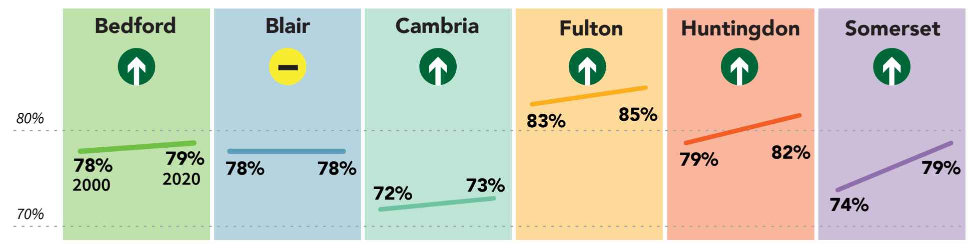
Since the start of the COVID-19 pandemic, rapid growth in sales prices has been widely observed in the region—and prices have, indeed, posted significant gains since 2020 when compared to average prices in the five years preceding the pandemic. Gains have even mirrored national percentage gains. But average prices remain well below national averages throughout the region.

Median Household Income Growth Since 2000

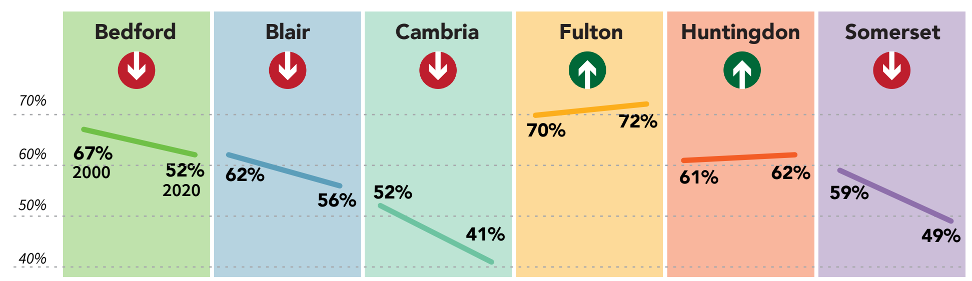


Source: U.S. Census Bureau, Decennial Census (2000) and American Community Survey 5-year estimates (2020); inflation based on Bureau of Labor Statistics' CPI calculator

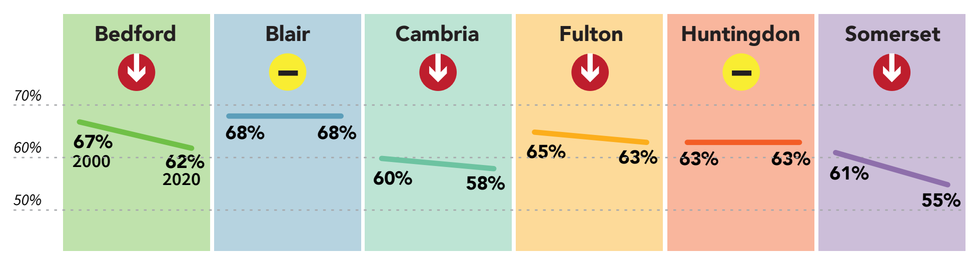
Median Income as a % of U.S. Median, 2000 and 2020



Median Home Value as a % of U.S. Median, 2000 and 2020

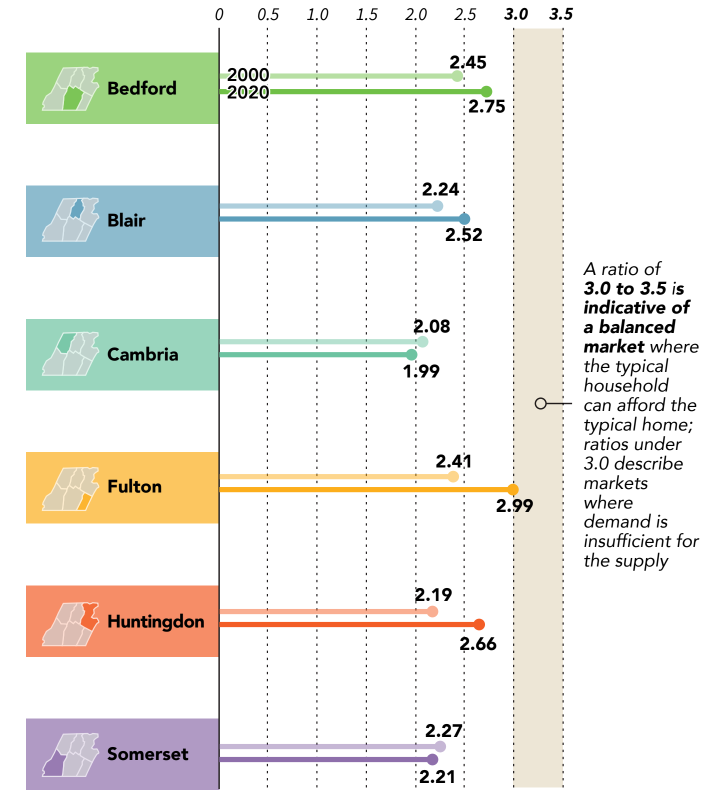


Median Gross Rent as a % of U.S. Median



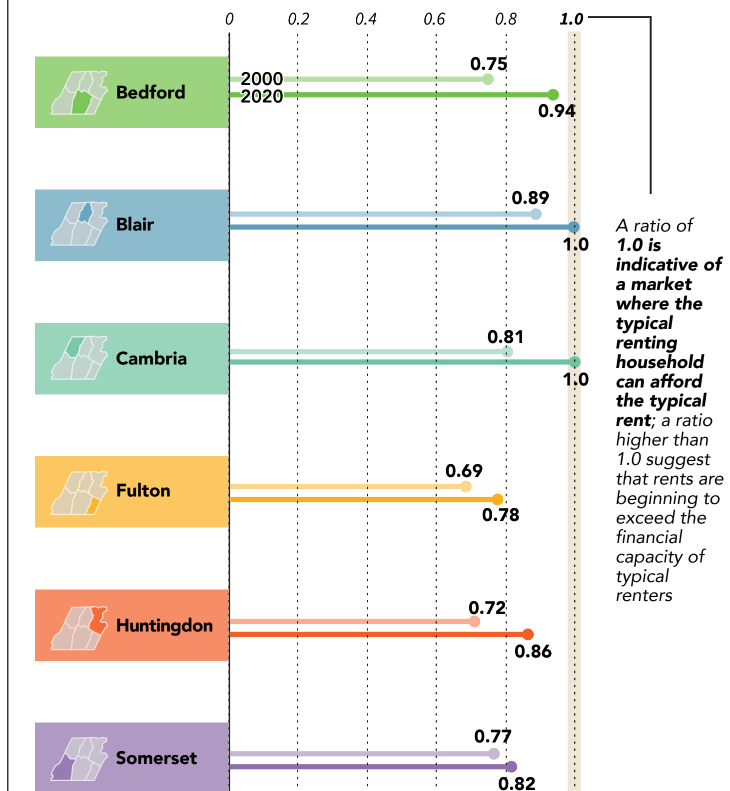
Source: U.S. Census Bureau, Decennial Census (2000) and American Community Survey 5-year estimates (2020)

Homeownership Affordability Value-to-Income Ratio



Source: 2020 American Community Survey, 5-year estimates for median home value and median household income

Rental Affordability Actual Rent-to-Affordable Rent Ratio



Source: 2020 American Community Survey, 5-year estimates for analysis of median renter incomes and median gross rent

Household incomes in the region kept pace with inflation and outperformed national income growth since 2000

Alongside housing costs, income is the other key determinant of housing affordability and opportunity. And despite a declining or slow-growing job market in most of the region since 2000, incomes managed to outperform inflation in all counties—and they even outperformed the national growth rate in every county except Blair, which matched the national growth rate.

As with home values and rents, median incomes in the region have been and remain below the national median. But the region's incomes are closer to national levels than the region's housing costs and have gained ground since 2000, even as housing costs in the region mostly fell further behind national levels. The consequence of these divergent income and cost trends is that, broadly speaking, the region has remained a very affordable market for the median household (and most households) at a time when many markets have struggled with a crisis of affordability.

The region has been and continues to be very affordable for the typical household—a double-edged sword that points to decades of soft demand and declining conditions

When the region's incomes and housing costs are analyzed together, they point to highly affordable housing for most of the region's households. For example, the home value to income ratio in all six of the region's counties is 3.0 or lower, which means that a household earning the median income has more than enough financial capacity to afford a home priced at the median value. Places with ratios above 4.0, on the other hand, become increasingly unaffordable to the typical household.

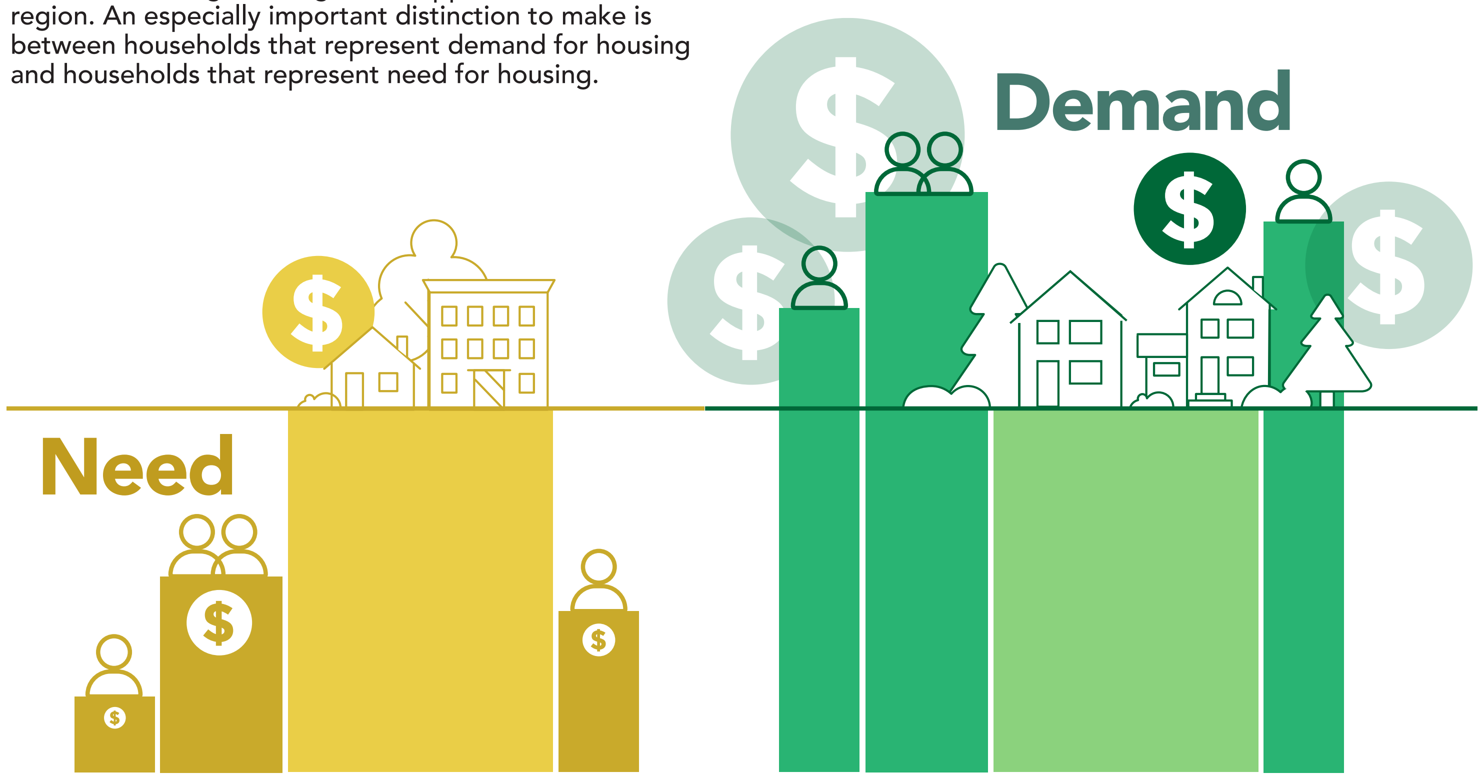
While good for affordability, low value to income ratios are a sign of soft demand and probable underinvestment in the housing stock. This is especially true when ratios fall below 2.5, as they currently do in Cambria and Somerset counties, which were the only counties to see a decline in this ratio between 2000 and 2020. The four other counties experienced modest gains, though Fulton was the only one to achieve a healthy ratio by 2020.

Rental housing has also been broadly affordable in the region based on comparisons of what renters can afford and actual rents. As with the homeownership market, rental ratios suggest imbalanced markets where supplies exceed demand. All six counties, however, saw improvements between 2000 and 2020. While this may be a sign that demand for rentals has improved, it also reflects generally low renter incomes in the region.

Existing Conditions: Need and Demand

The long-range trends that have shaped the region's housing markets also influence how different households experience the task of finding a housing unit—and the degree of choice they are able to exercise. While the region remains a broadly affordable one due to decades of soft market conditions, households with smaller incomes have far fewer options and operate very differently in the housing market than households with more resources.

Understanding levels of choice and how they differ from household to household is critical to understanding the nature of housing challenges and opportunities in the region. An especially important distinction to make is between households that represent demand for housing and households that represent need for housing.



Need for housing exists when a household has an insufficient ability to pay for housing on the private market and, as a result, has very limited choices.

A household that requires assistance to pay for adequate housing represents **a need that is either met by some form of public subsidy (an income-qualified unit or rent assistance, for example) or remains an unmet need.**

Demand for housing exists when a household has sufficient means to pay for housing and is willing to pay for a given unit or location.

A household that **chooses a home or apartment in the Southern Alleghenies and is able to afford their housing payment** represents demand for housing.

Need

Every household, whether a family of six or an individual living alone, represents a unit of housing consumption in the region. The number of households and the number of occupied housing units are equivalent.

The Rent/Own Split represents the balance of renters and homeowners within each income range

Affordable rent or monthly housing payment is based on the longstanding rule of thumb that a household can afford to spend up to 30% of its gross monthly income on housing.

Affordable home purchase price is based on the longstanding rule of thumb that a household can afford to buy a home (with conventional financing) priced at 3-times its annual gross income.

Cost burdened renters or owners are those that spend more than 30% of their gross monthly incomes each month on housing costs (rent or mortgage)

	Less than $20,000	$20,000-$34,999	$35,000-$49,999
Number of Households	31,606	30,555	27,398
Share of all households	17%	17%	15%
Rent/Own Split	52% / 48%	33% / 67%	27% / 73%
Affordable Rent or Monthly Housing Payment	$500 or less	$500 - $874	$875 - $1,250
Affordable home purchase price	Homeownership not affordable	$60,000 - $104,999	$105,000 - $150,000
RENT **Share of Renters Cost-Burdened**	70%	47%	17%
OWN **Share of Owners Cost-Burdened**	63%	27%	15%

Source: Combined data from all six counties from the 2020 American Community Survey, 5-year estimates

Key findings about housing need in the Southern Alleghenies

One out of every three households earns less than $35,000 and has highly constrained housing options

Just over 62,000 households, or 34% of all households in the region, earn incomes that significantly restrict their range of affordable and decent housing options. Those that earn less than $20,000 have the fewest options and are almost evenly split between renting and homeownership. For the renters, paying too much for low-quality housing is a common experience. For the homeowners, having too few resources to maintain properties in a state of good repair is the main threat to housing stability.

31,000 households earn low incomes AND are housing cost-burdened

Of the 62,000 households that earn less than $35,000, half spend more than 30% of their incomes on their monthly housing costs and represent the core of the region's housing needs. 16,000 of these households are cost-burdened renters. Cost burdens begin to ease substantially as incomes rise above $20,000 (especially for homeowners) and become much more muted for those with incomes above $35,000.

7,500 households currently receive some form of housing assistance, dwarfing the level of need

Of the households that earn less than $35,000 and are not cost-burdened, 7,522 received some form of assistance in 2020 according to HUD, almost all of which is covered by federal or state housing programs. Those include residents of affordable housing complexes and recipients of vouchers or other payment assistance programs. To meet the needs of the 16,000 cost-burdened renters, the number of assisted households would have to more than double.

Demand

	$50,000-$74,999	$75,000--$99,999	$100,000-$149,999	$150,000+
Number of Households	33,522	24,303	23,141	10,322
Share of all households	19%	13%	13%	6%
Rent/Own Split	18% / 82%	11% / 89%	8% / 92%	5% / 95%
Affordable Rent or Monthly Housing Payment	$1,250 - $1,874	$1,875 - $2,499	$2,500 - $3,749	$3,750+
Affordable home purchase price	$150,000 - $224,999	$225,000 - $299,999	$300,000 - $349,999	$350,000+

Source: Combined data from all six counties from the 2020 American Community Survey, 5-year estimates

Key findings about housing demand in the Southern Alleghenies

Just over half of the region's households represent true "demand" for housing

In 2020, 91,000 households in the region (or 51%) earned $50,000 or more, putting them in a position to afford monthly housing payments of at least $1,250. These households are more than able to pay prevailing housing costs in the region and are able to choose from a wide range of housing options in a wide range of community types. Understanding the factors that drive the choices they make, or why they choose one location or type of housing over another, is (or should be) an important determinant of efforts to attract or retain these households, their labor, and their discretionary incomes.

One-in-five households make over $100,000 and are the drivers of housing demand in the region, but many may not be willing to spend what they are capable of spending

The 33,000 households that made over $100,000 in 2020 have an exceptionally high ability to pay for housing relative to prevailing costs in the region. To the extent there there is competition over well-maintained homes in appealing residential environments, these households and their willingness to exercise their spending capacity will shape the terms of the competition.

However, decades of soft market conditions and disinvestment have likely dampened the willingness of many of these households to spend what they would otherwise spend in stronger markets, including how much they invest in home improvements. For some, low costs are a boon and allow them to put their incomes toward other household priorities (education, recreation, etc.). Others may appreciate the low costs but find themselves frustrated by less than optimal housing options and conditions. For the region, withheld investments in housing by these households is a factor that dampens the appeal of the housing stock and the region's ability to compete for new households that could locate anywhere.

Need, Demand, and the Cost of New or Rehabbed Housing

Households that fit under the category of NEED represent an "ability to pay" problem for the region's housing market, while those that fit under the category of DEMAND may represent a "willingness to pay" problem. In either case, the math of housing development presents a challenge if new or substantially rehabbed housing is an aspiration for communities in the region.

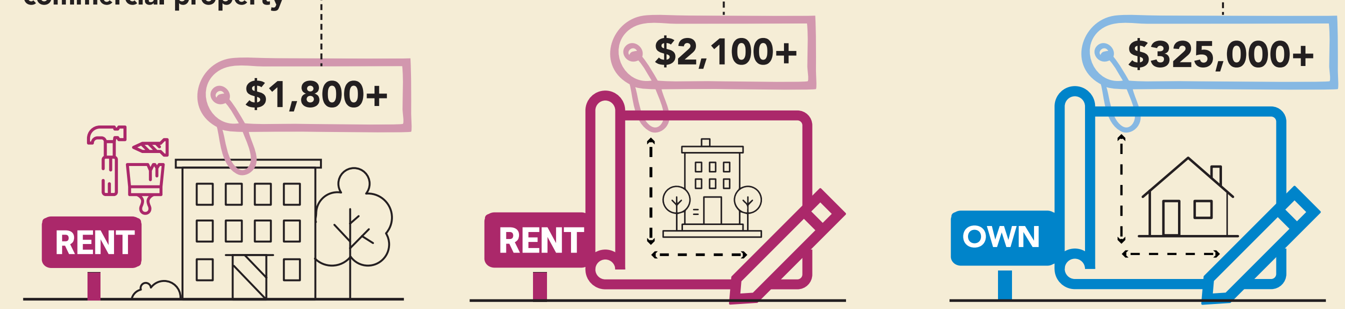
To demonstrate this challenge, the following figures represent break-even pricing for housing development in late 2022, or the prices that a developer would have to charge, at minimum, if they receive no form of financial assistance or subsidy:

Break-Even Pricing on New or Rehabbed Housing

Rent for a unit in a substantially **rehabbed multi-family property** or an **adaptively reused commercial property**

Rent for a unit in a **newly built multi-family property**

Price of a **new single-family home**



Source: Break-even pricing analysis based on regional construction and development costs reported by R.S. Mean, as well as prevailing terms and rates for debt and equity financing in late 2022

The costs of new or substantially rehabbed housing well exceed the "ability to pay" of any household earning less than $75,000, but especially those earning less than $35,000. To provide new or rehabbed housing to households at the lower end of the region's income spectrum, subsidy must be provided to fill this "ability to pay" gap.

At the same time, while these costs are generally affordable to households earning $75,000 or more, they well exceed what the vast majority of those households currently pay and are used to paying for housing in a region with a plethora of inexpensive options. Combined with poor physical conditions and tepid market conditions in much of the region, households that are able to pay this much are unlikely to be willing to do so. To provide new or rehabbed housing to serve these households, subsidy must be provided to fill this "willingness to pay" gap.

The type of subsidy or financial incentive needed will depend on the degree to which "ability" and "willingness" gaps are present and the strength of the local submarket. **But prevailing conditions in the region suggest that almost every new or rehabbed housing product, except for the luxury market, requires assistance.**

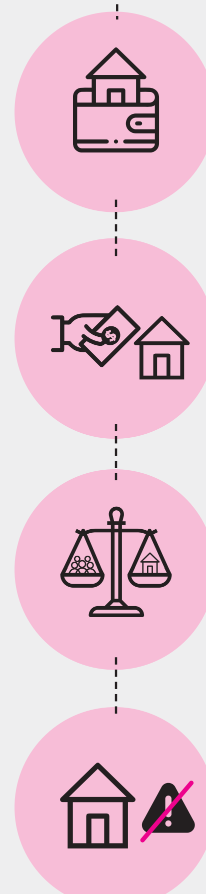
Regional Sub-Market Market Typology

Need and demand for housing—and the "ability" and "willingness" challenges they represent for the region—are not evenly distributed across or within the six counties. Exactly how they are distributed has significant implications for understanding local market conditions, the types of problems that need solving in a given place, and the extent to which the private sector can be relied upon to respond to a community's housing goals.

To better understand these distinctions at a geographic level, a housing market typology has been produced that categorizes every Census block group in the region into one of five sub-market types, with the middle "average" category representing average conditions for the Southern Alleghenies region. A combination of place- and people-based factors—including home values, rents, vacancy rates, incomes, and dependence on transfer payments—were used to develop this typology, which reflects the inverse nature of need and demand in the region: where demand is high, need tends to be low; and where demand is low, need tends to be high.

From a housing policy and intervention standpoint, the implication of a location's market categorization is also an inverse rule: where demand is lowest, the public sector role in leading the market must be greater to account for high levels of private risk and low expectations of profit. While the public sector role will be more muted in areas where demand is already high, the region's "willingness" challenge suggests that even in high demand areas, risks will often need to be mitigated to instill sufficient levels of private sector confidence.

Generally speaking, in areas **where demand is stronger...**

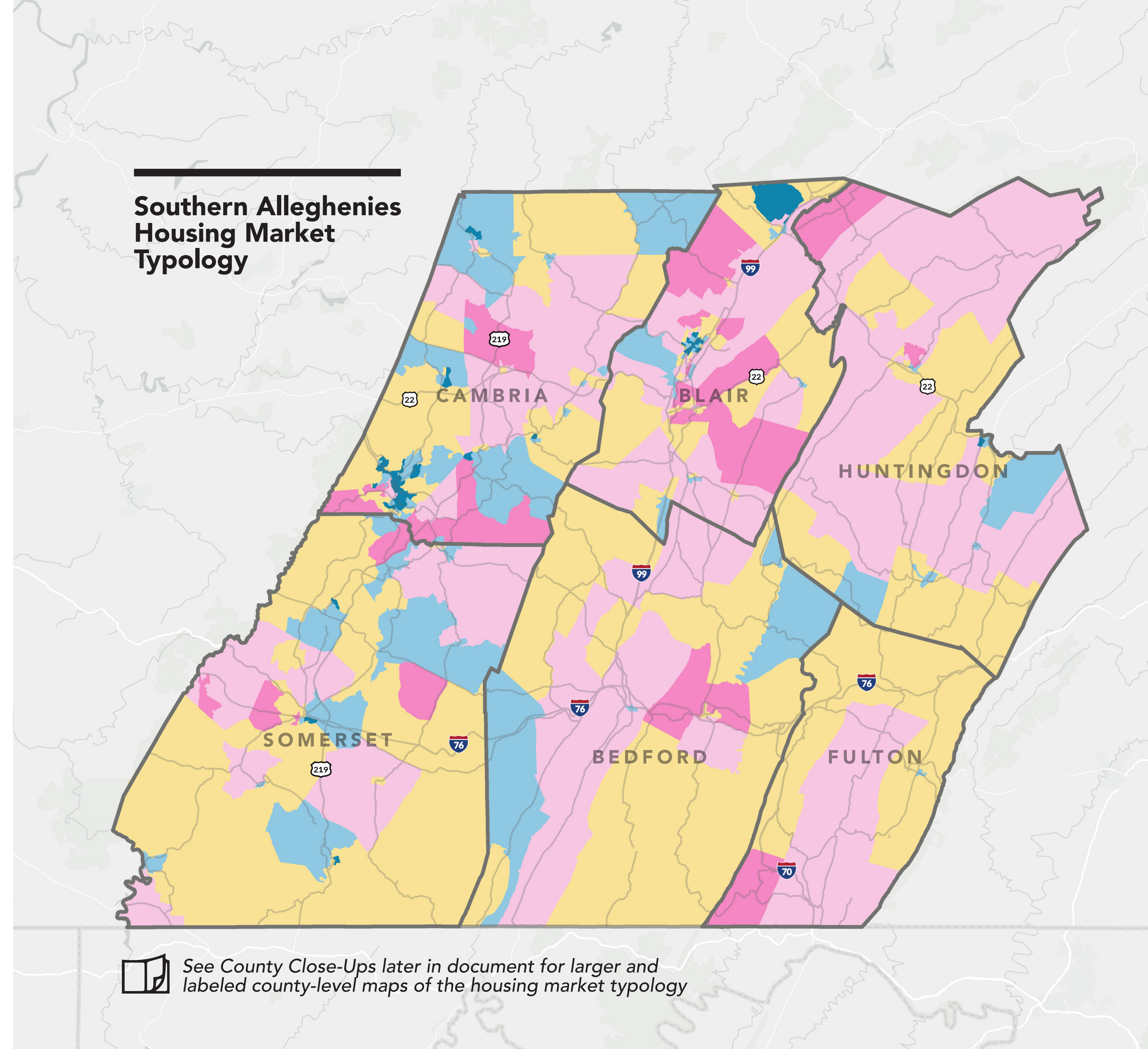


Ability to pay for housing is stronger

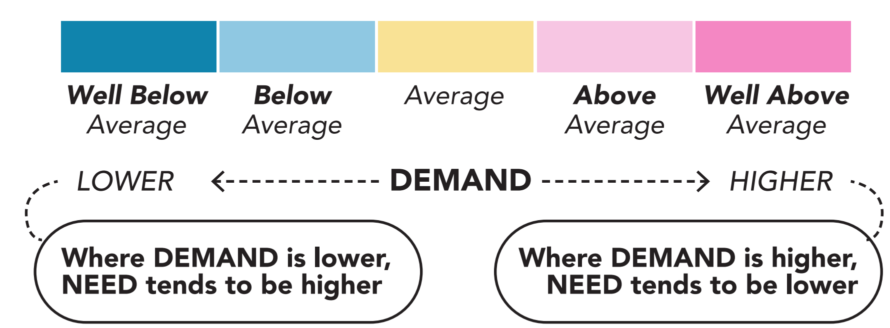
Willingness to pay for housing is stronger

Supply and demand dynamics are healthier

New market-rate housing has fewer demand-related obstacles



See County Close-Ups later in document for larger and labeled county-level maps of the housing market typology



Indicators of Demand

The following indicators of demand were used to develop this housing market typology and are based on data drawn at the Census block group level from the 2020 American Community Survey's 5-year estimates. *Detailed county-level maps are available in the County Close-Ups section of this document.*

Median Value of Owner-Occupied Homes

Median Gross Rent

Share of Housing Units that are Chronically Vacant

Median Family Income

Share of Households Receiving SNAP and/or Public Assistance

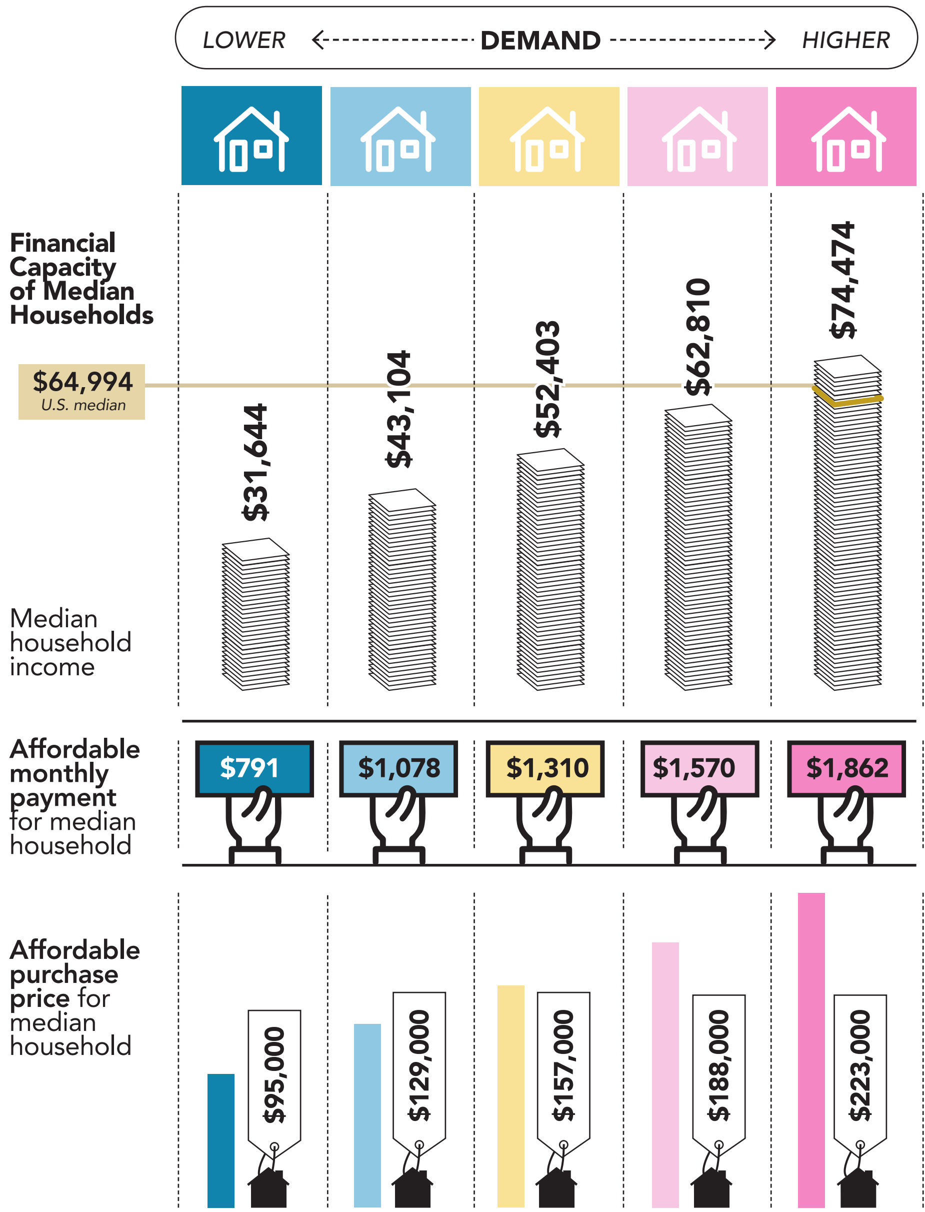
Indicators of Household Financial Capacity

Sub-markets in the region with lower levels of demand are located almost exclusively in the region's two cities and many of its boroughs. These are markets characterized by low levels of household financial capacity, which translates into a highly restricted ability to spend on housing.

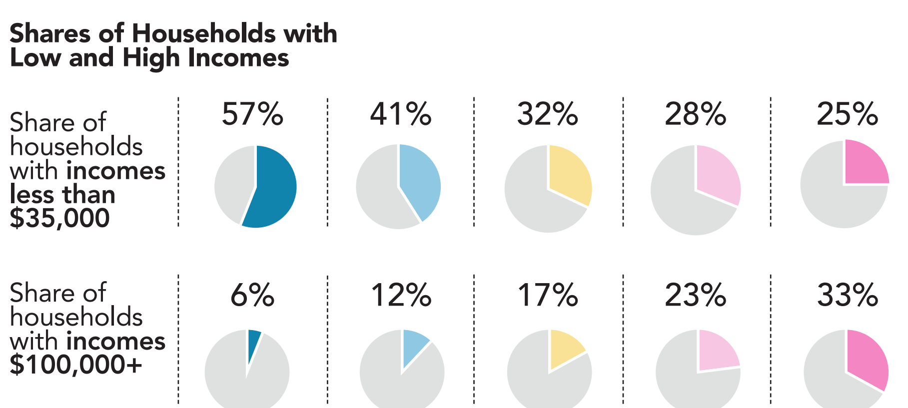
For example, in the sub-markets with the lowest levels of demand, the typical household earned less than $32,000 in 2020 and was able to spend no more than $791 per month on housing. The purchasing power of that household, meanwhile, was $95,000, with a highly limited ability to spend on substantial home upgrades. To the extent that households in these markets have home purchasing options, those options will tend to be among the least expensive options in the region and feature some of the poorest physical conditions.

At the same time, and often on the outskirts of the region's cities and boroughs, the region's stronger markets featured nearly double the capacity to spend on housing in 2020. The median income in the strongest markets, where one-third of households earned $100,000 or more, was nearly $75,000. The typical household in those markets could afford to spend nearly $1,900 per month on housing.

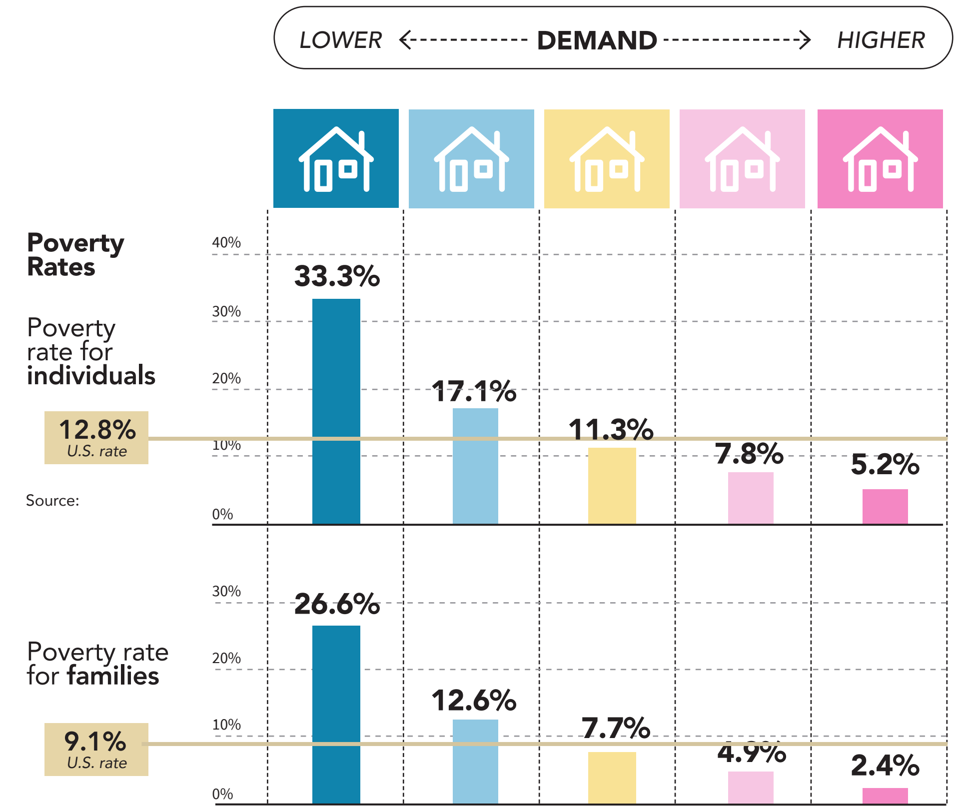
In the region's average markets, meanwhile, typical households in 2020 earned just over $50,000 and had capacity to spend around $1,300 per month on housing. The geography of these average markets runs the gamut from older suburban neighborhoods, to rural areas, to small portions of the region's cities and boroughs.



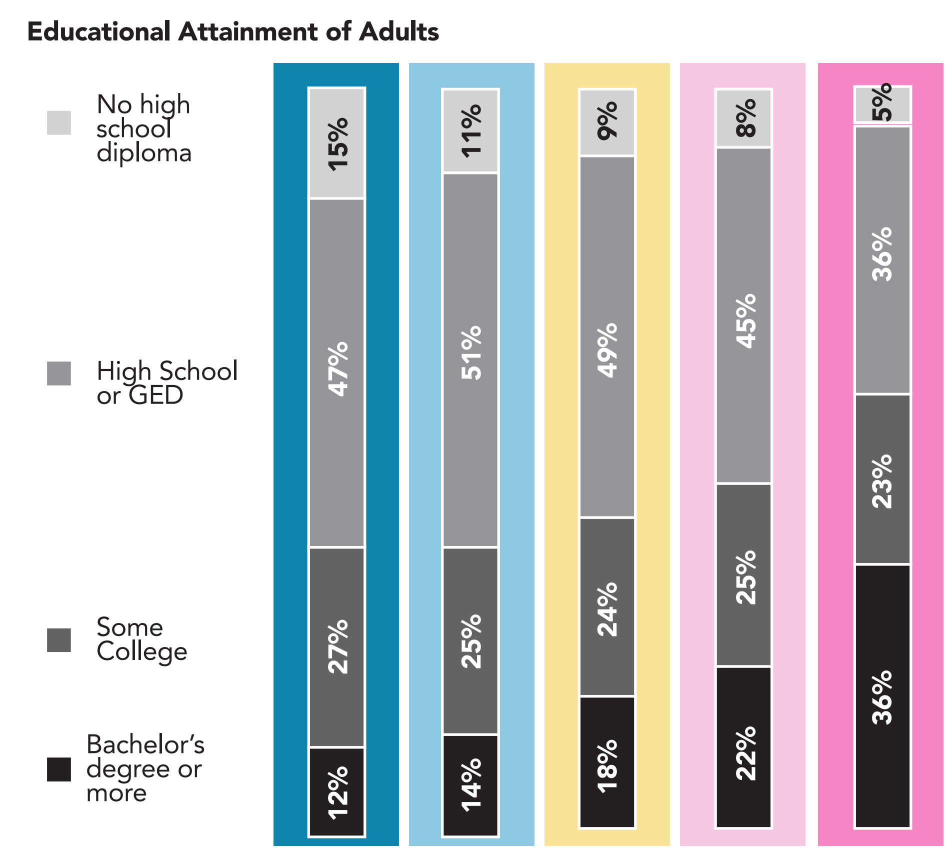
Source: Census Block Group analysis of 2020 American Community Survey 5-year estimates; affordable monthly payments represent 30% of median income; affordable purchase price represents approximately 3-times the median income



Source: Census Block Group analysis of 2020 American Community Survey 5-year estimates



Source: Census Block Group analysis of 2020 American Community Survey 5-year estimates



Source: Census Block Group analysis of 2020 American Community Survey 5-year estimates

Income levels in the region's five market types mirror the poverty rates found there. In the areas where demand is lowest, high levels of need are demonstrated by a 33% poverty rate for individuals—2.6-times higher than the national poverty rate and nearly 3-times higher than the rate in the region's average markets. Poverty rates for families show even higher disparities between the region's markets, with a rate that is 3.5-times higher in areas of lowest demand compared to areas of average demand.

Incomes also mirror levels of education attainment. Areas with the highest levels of demand also have, by far, the highest rate of adults with at least a bachelor's degree (36%). And while the share of adults without a high school diploma or GED has been reduced significantly throughout the region in recent decades, the share in areas of lowest demand (15%) is 3-times higher than in areas with the highest levels of demand.

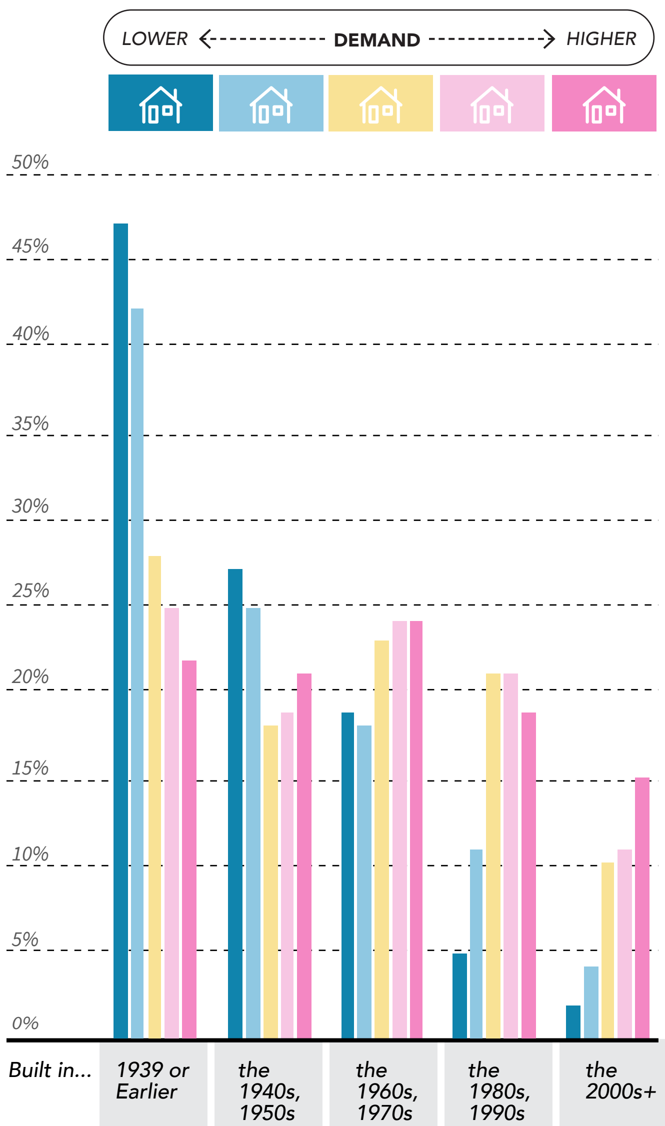
Characteristics of Housing Supply

Sub-markets in the Southern Alleghenies with the lowest levels of demand—where households with low levels of financial capacity are highly concentrated—also have the region's oldest housing and its highest share of rental housing. In those areas of Johnstown, Altoona, and a handful of the region's larger boroughs, nearly 50% of all housing units were built before 1940 and one-third of all housing units are in multi-family properties.

In the region's four other market types, around 80% or more of all housing units are in single-family homes and one is more likely to find housing constructed since 2000—though the share of relatively new housing in the region's highest demand areas is still no more than 15%.

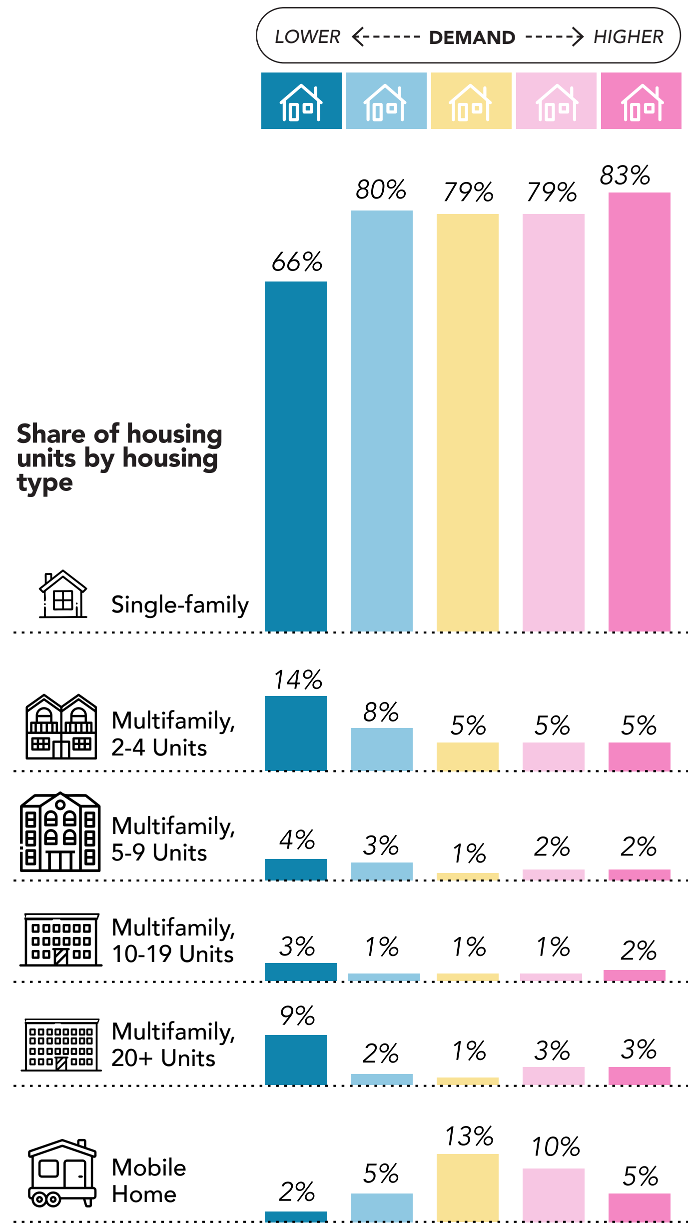
While the relative scarcity of multifamily properties in the region's stronger markets makes it more challenging for lower-income households to access those markets, it is noteworthy that mobile homes are a significant part of the housing stock in the region's average markets and the markets that are just above average.

Share of housing units built during select time periods



Source: Census Block Group analysis of 2020 American Community Survey 5-year estimates

Share of housing units by housing type



Source: Census Block Group analysis of 2020 American Community Survey 5-year estimates

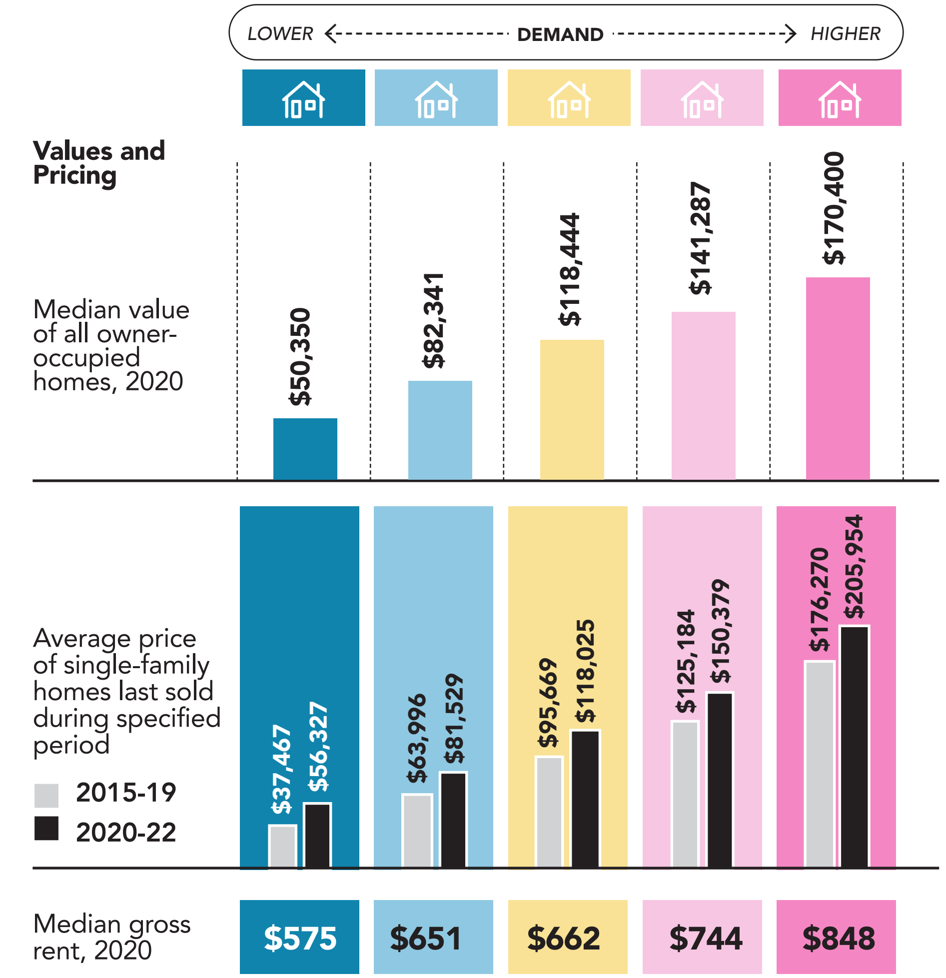
Indicators of Housing Values, Pricing, and Occupancy

The combination of age, quality, and demand for housing in each of the region's market types are reflected the prevailing housing costs, levels of absentee-ownership, and chronic vacancy rates.

For example, the median value of owner-occupied homes in areas with the strongest levels of demand was $170,400 in 2020, or 44% higher than the median value in the region's average markets and 238% higher than in the region's softest markets. Very similar differences are seen in prices of properties sold in recent years, though prices in weaker markets have risen much faster (in percentage terms) since the COVID-19 pandemic began. And while median rents were much more even across the region's five market types (a general reflection of low elasticity when it comes to rental pricing), they were 47% higher in the strongest markets compared to the weakest ones.

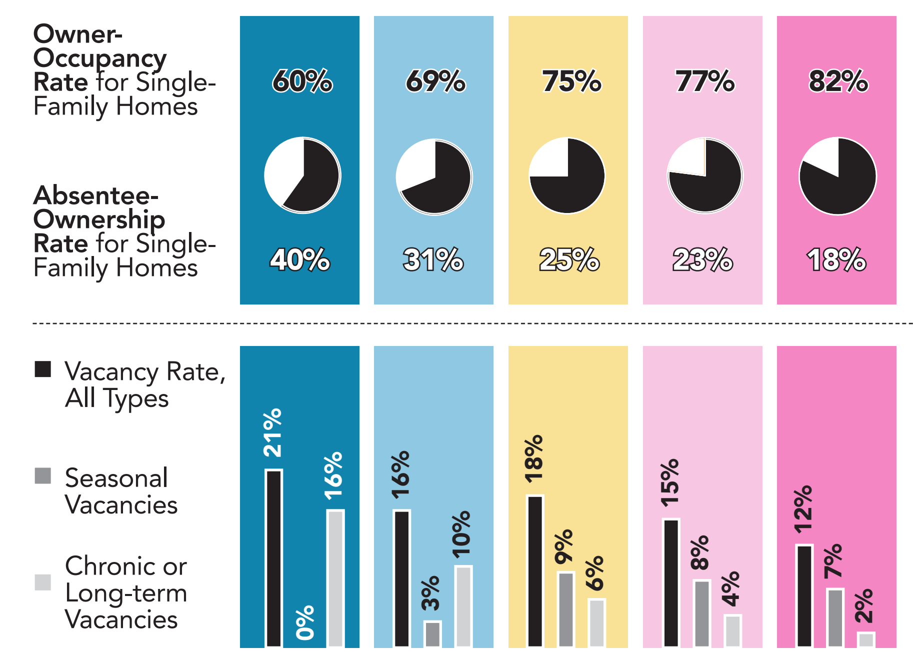
The lower prices and values in areas of weaker demand are a reflection, in part, of surpluses of housing. In markets with the lowest demand, for example, 16% of all housing units are chronically vacant or abandoned, compared to just 2% of units in areas with the highest demand. Differences in demand are also reflected in the prevalence of absentee-ownership of single-family housing. In the region's softest markets, fully 40% of all single-family homes are absentee-owned because interest in the properties from potential owner-occupants is too low to compete with amateur investors and slumlords.

Values and Pricing



Source: Census Block Group analysis of 2020 American Community Survey 5-year estimates for median value and median gross rent; average sales price figures are based on most recent sales reported in county-level assessment databases and does not include Fulton County sales

Occupancy and Vacancy



Source: Census Block Group analysis of 2020 American Community Survey 5-year estimates for vacancy types; analysis of absentee-ownership based on comparison of owner and property addresses as reported in county-level assessment databases

Intersection of Need and Demand in the Housing Market

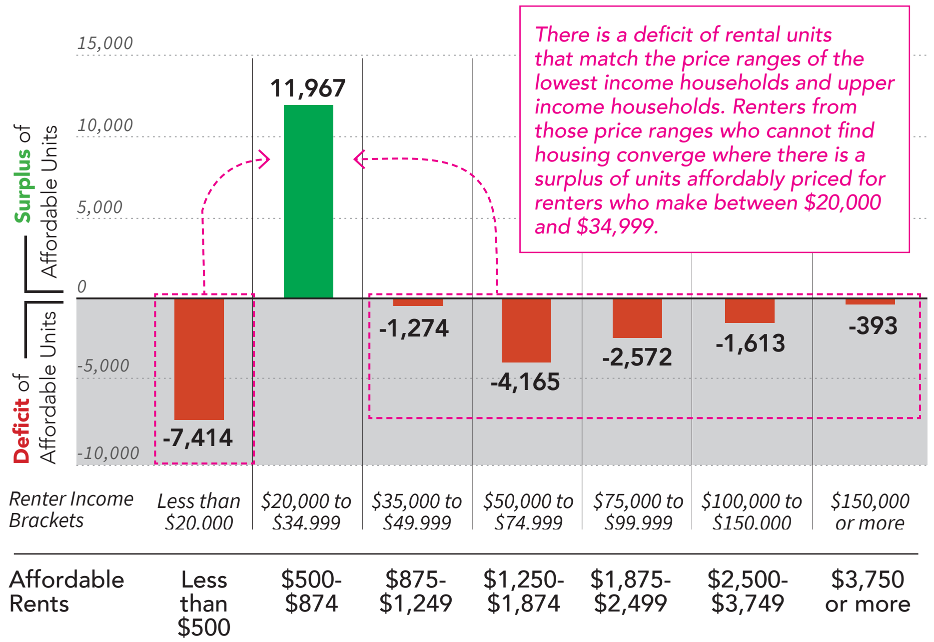
While the typology reveals how need and demand have become concentrated in certain areas across the six counties, and how some sub-markets in the region have profoundly different demographic and housing profiles, it would be misleading to conclude that the region's sub-markets are somehow isolated from each other.

A gap analysis is one way to gauge how need and demand intersect across all sub-markets and affect housing opportunities at various income ranges. It measures the difference between the number of units in a given price range—values for ownership units and monthly gross rent for rental units—and the number of households for whom the price range is affordable.

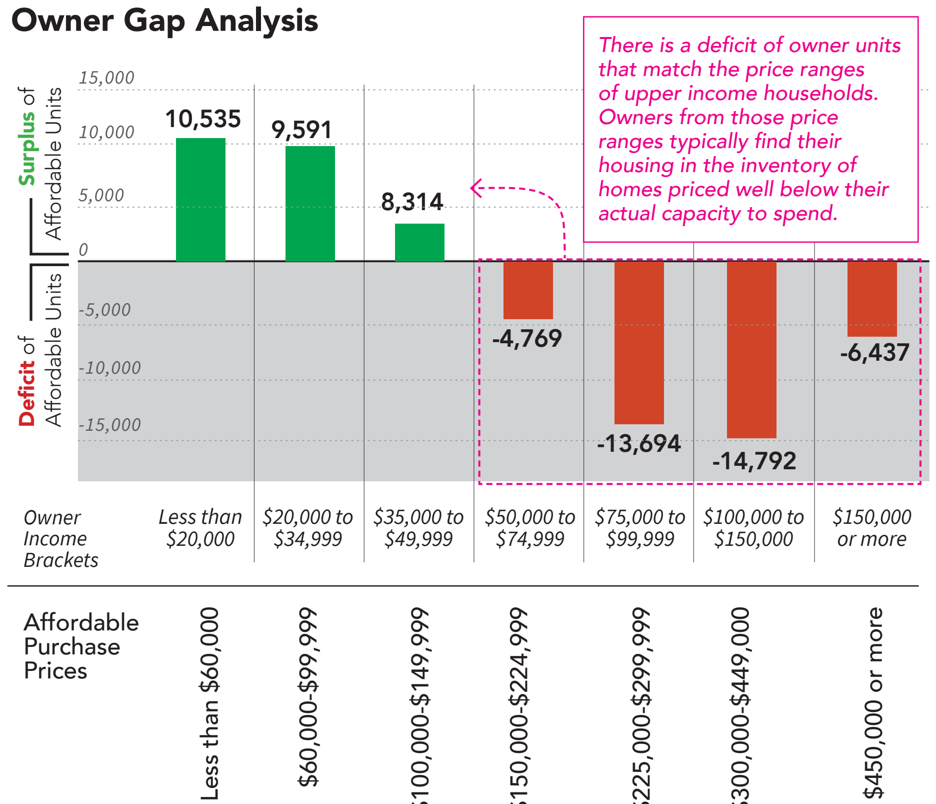
A gap analysis of the region's rental market reveals a shortage of affordable units for households with very low incomes (below $20,000). But it also reveals a shortage of units that reflect the true spending capacity of households that make more than $35,000. The result is that low-income households are forced to wade into a price range that they cannot afford, where they encounter competition from higher-income households who have to look "down market" because of a shortage of high-quality market-rate units.

A similar dynamic plays out in the home ownership market. A shortage of ownership opportunities that fit the true price ranges of upper income households pushes many of those households down market into sub-satisfactory options. For households making $35,000 to $50,000, competition from above can limit access to decent starter housing.

Renter Gap Analysis

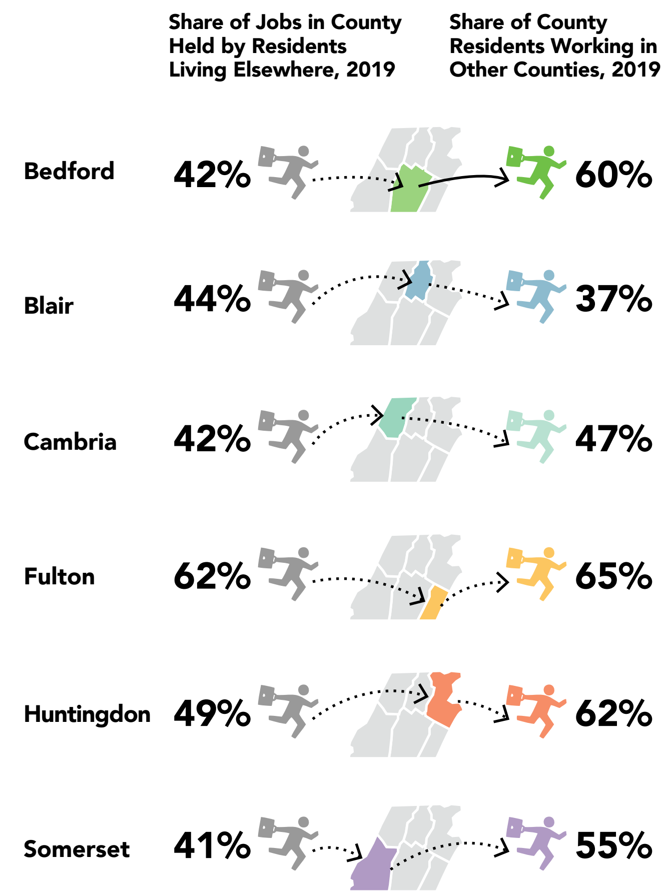


Owner Gap Analysis



Source: Analysis of household incomes and housing costs in all six counties from the 2020 American Community Survey, 5-year estimates

Housing Impact of Job Geography and Yearly Household Churn



Source: U.S. Census Bureau's Longitudinal Employer-Household Dynamics survey, 2019 (latest year available)

Flow of Tax Filers, 2019-2020

	INFLOW	OUTFLOW	BALANCE	Difference in Average Income of Incoming Versus Outgoing Tax Filers
Bedford	776	712	64	$5,243
Blair	1,626	1,761	-135	-$503
Cambria	1,843	1,988	-145	-$2,787
Fulton	301	276	25	$10,935
Huntingdon	710	708	2	$3,061
Somerset	1,089	1,023	66	$244

Source: Internal Revenue Service, County-to-County Migration Data Files

An understanding of housing trends and demand in the region must acknowledge the role that the economy plays in supplying the incomes that households use to pay for housing. And, overall, the story in the Southern Alleghenies is one of overall stagnancy, with the number of workers employed in the six counties declining by 2% (from 172,000 to 168,000) between 2002 and 2019, according to the Census Bureau's Longitudinal Employer-Household Dynamics survey, though increases were experienced in Blair, Fulton, and Huntingdon counties.

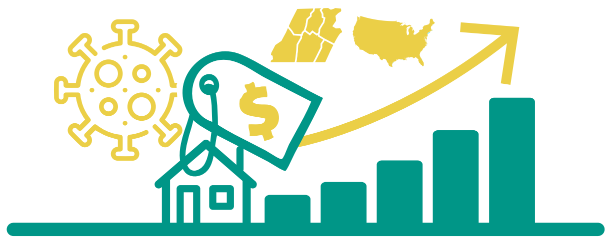
What that same survey also reveals, however, is the continued blurring of the linkages between where a person lives and where they work. By 2019, more than 40% of jobs in all six counties were held by residents of other counties (within or beyond the region), while more than 50% of residents in four of the counties commuted to work in another county. Those shares (both the imported and exported workers) increased significantly for all six counties between 2002 and 2019, and that pattern has likely been accelerated by COVID-19 and the rise of remote-working.

From a housing standpoint, these trends reinforce the importance of housing quality and community quality when it comes to being an attractive place for a worker to settle and stay even if they work two counties over or remotely for a company in Texas. And an important part of community quality is ensuring housing opportunities for workers that provide services and amenities that bolster quality of life.

While it remains too soon to know exactly how COVID-19 has influenced commuting and migration patterns in the region, and how any changes have spilled over into housing markets in a lasting way, pre-COVID migration patterns are worth understanding if they point to underlying conditions that have been amplified by the pandemic. In the decade preceding the pandemic, it was often the case that the four most rural counties experienced modest net inflows of households each year (as measured by address changes on tax filings), and that those moving in tended to have higher incomes than those moving out. For the two more urban counties, Blair and Cambria, the reverse was true.

Key Takeaways

The long-range and more recent housing trends examined in Part 1 suggest a series of fundamental takeaways that should shape how the region, its counties, and communities approach housing investments and policies going forward.



The pandemic and its impacts on living and working patterns present opportunities for the region, but it does not yet appear to have fundamentally changed underlying conditions

It remains too early to know if the pandemic has or could alter the region's housing market in significant ways. Among the few indicators currently available are the sales prices of single-family homes since 2020. The impression that prices had dramatically risen during the pandemic are, indeed, reflected in the data, with average prices in the region rising 22% above average prices during 2015-2019.

This increase, however, was very close to the national average, and prices in the region remain far below national levels, suggesting that the region rode the same wave as other regions while its relative position remained static.

While relatively low prices, rural character, and proximity to major metropolitan areas represent opportunities that may appeal to a growing number of households, it must be acknowledged that the region is a "buy low" opportunity because of long-range trends that have not disappeared and continue to influence the region's markets.

On its own, and on its present course, the market is unlikely to resolve blight, improve existing housing conditions, or hasten the production of new housing opportunities

Those long-range trends reflect years of soft market conditions that have limited what households are willing to spend on housing in the region, while also growing the supply of properties with substantial levels of deferred maintenance. This means that almost every community in the region must grapple with a basic truth that dictates investment behaviors: returns on investment are simply too low—and levels of risk too high—for the market to correct the region's most deep-seeded housing issues.

If this is to change, deliberate and strategic interventions are needed—of a greater scale and complexity than currently exist—to spur the types and levels of investment that will produce a more competitive housing supply and stronger levels of demand.

Housing needs in the region— whether met or unmet—are nearly synonymous with areas of highly concentrated poverty, low economic opportunity, and blighted housing conditions

Households with the fewest means and without assistance seek out the least expensive housing possible, which tends to be older, in worse repair, and clustered near remnants of the former industrial economy. Efforts to assist these households have historically followed a similar logic—providing subsidized housing in locations where poverty rates are already higher and where land is relatively inexpensive to save on acquisition costs. Consequently, these efforts result in some housing needs being met while also reinforcing weak markets and high concentrations of poverty.

This longstanding pattern consigns many if not most of the region's urban and rural centers to a perpetual state of fiscal deprivation, ensuring that there is never enough money to invest in the services, amenities, and infrastructure that will allow them to compete for a fair share of the region's existing demand (the 91,000 households making $50,000 or more). No amount of Act 47 grants or other state and federal resources (as currently designed and programmed) will change this, nor will they protect counties and healthier communities in the region from being held back by poorly performing cities and boroughs .

It also consigns many of the region's most vulnerable households to residential environments that are not conducive to economic mobility and healthy families. If this is to change, efforts to provide affordable housing will need to incrementally pursue a different and more balanced approach that distributes affordable housing opportunities more evenly.

Soft demand is the central problem to solve

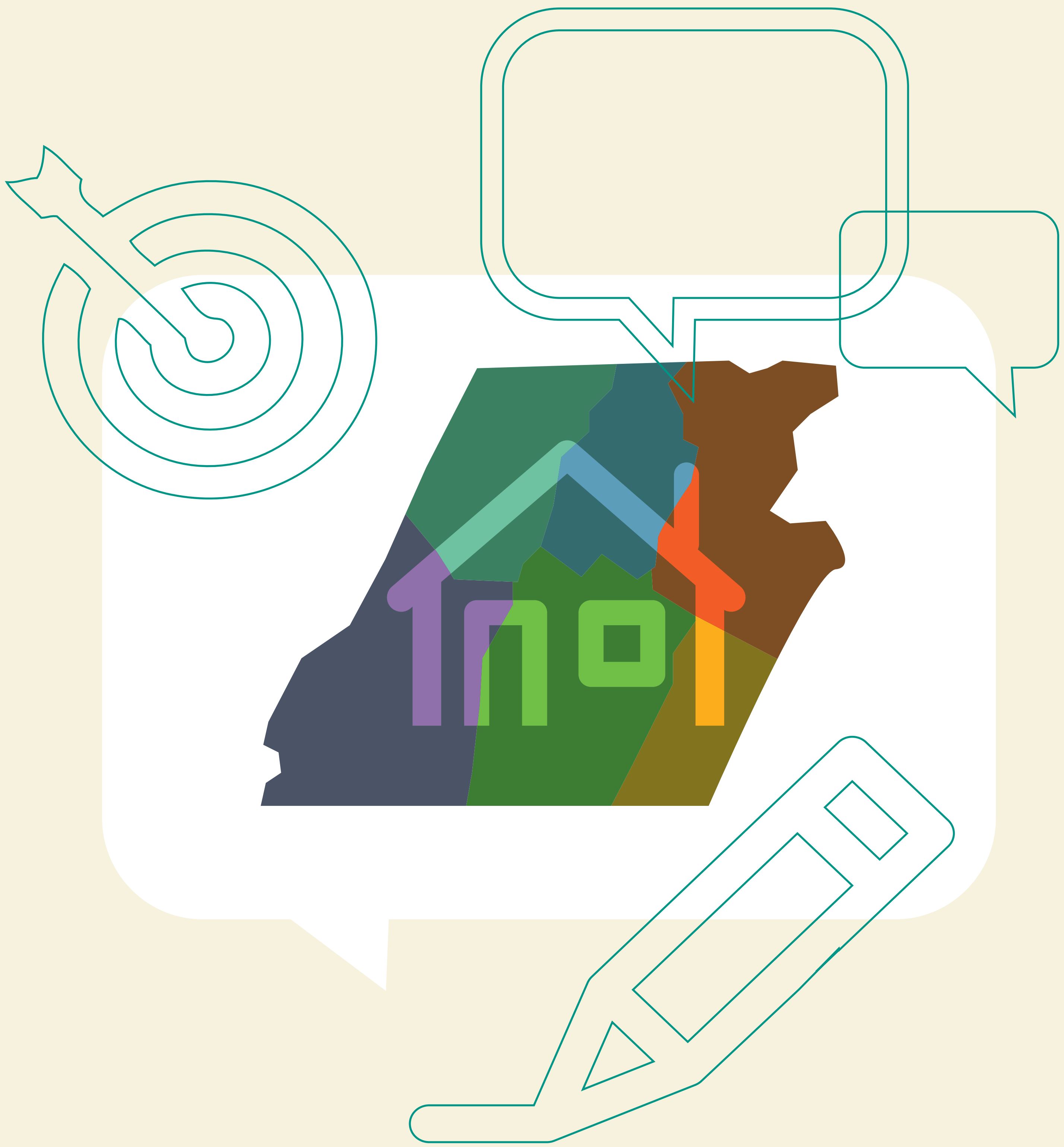
Changing the region's course on almost any housing issue will require a reoriented understanding of the problems the region's counties and communities are trying to solve. Vacancy, blight, and underinvestment in housing are not the problems to solve. They are symptoms of demand that has been too soft for too long, profoundly shaping the choices and investment behaviors of market actors.

Any strategy that fails to recognize and address how soft demand impacts housing investments—and the need to intervene in ways that grow confidence and ameliorate risk—is destined to treat symptoms unsustainably without treating the core problem.

PART 2 Housing Vision and Decision-Making Framework

Every community in the Southern Alleghenies will have its own goals and priorities when it comes to housing. But a regional vision for housing that speaks broadly to many of these localized goals, while reflecting the issues facing the entire region, is needed to provide a sense of shared direction. What common outcomes are the region's communities aiming for, and how can they pull in the same direction to get there?

The following pages define a regional vision for housing, the outcomes that will reflect movement towards that vision, and a set of principles to apply on a wide range of choices that counties and their communities will make in coming years.



Elements of a Vision for Housing in the Southern Alleghenies

At a minimum, a housing strategy must provide a basis for making the myriad decisions that have an impact on the region's housing—a basis that includes a well-defined vision for housing that can be translated into **outcomes and principles**.

Outcomes

Principles

The vision of *Allegheny Ahead on Housing* draws from a combination of sources, including **conditions** revealed by analysis in Part 1, discussions and stakeholder **feedback** from the planning process, and general guidance provided by the **region's shared comprehensive plan**.

Imperatives from Existing Conditions

The findings presented in Part 1 represent imperatives that should inform how investment and policy decisions are made. These include:

- **Proactively improve soft market conditions that feed cycles of disinvestment, blight, low standards, and low or declining confidence—do not assume that the market will eventually resolve these weaknesses on its own in a timely or satisfactory manner**
- **Address the surplus of obsolete housing that dampens investment and limits the range of appealing housing options in the region**
- **Steer away from addressing housing need in ways that compound or reinforce established patterns of concentrated poverty and low-demand markets**
- **Inform and connect highly decentralized decision-making and investments across a wide range of community and market types**

OPEN HOUSE

Expressed Issues and Housing Priorities

An online survey during the fall of 2022 found that **three issues rose to the top regionally and within individual counties** when people were asked to choose priorities from a list of housing issues:

- **Too many poorly maintained homes and rentals, and/or too many vacant homes**
- **Adequate housing is too expensive or hard to find**
- **There are not enough newly built or fully rehabbed housing options**

Several observations about housing challenges and opportunities in the region were raised in discussions with groups of stakeholders during the planning process. These included...

Holding down the cost of new development or rehabs so that prices and rents reflect what the market will bear is an essential challenge in the region

Among those who play a direct role in shaping the region's housing supply, well-coordinated conversations are currently rare

Many households, especially seniors, feel stuck in their current housing situations because of very limited alternatives that are adequate and accessible

Overcoming the degraded condition of existing rentals in the region is a challenge for all of the region's cities and boroughs, and for organizations that aim to connect households in need with decent and stable housing

Housing is increasingly viewed as an economic development priority in the region, but many communities are ill-equipped to help facilitate housing investments and connect them to broader quality of life investments

Incoming high-wage households often struggle to find products that match their preferences and spending power, while middle-wage earners struggle to find high-quality options in their price range

Comprehensive Planning Core Values

Allegheny Ahead, the adopted comprehensive plan for all six counties, identified housing and blight as a critical regional issue and as one of the top priorities in Blair, Cambria, Huntingdon, and Somerset counties.

The plan also provided a set of core values and complementary planning principles to guide decision-making. Those principles, which are highly relevant to the topic of housing, included:

We must first look within

With housing, as with other topics of importance to the region, any progress will require—first-and-foremost—a willingness to commit local resources and to make hard decisions. Nothing of lasting value can be achieved if the region's communities reflexively look to Harrisburg or Washington to solve their problems.

We must work together

In recent years, the region has demonstrated again and again the power of collaboration and coordination, including major strides made on the issue of broadband. Coordination within communities, across communities, and across different sectors are no less needed on a topic as complex and pervasive as housing.

We must protect our region's natural beauty and historic character

In many ways, degraded housing conditions in the region today are noticeably at odds with the region's natural beauty and the environmental gains made in recent decades. And because much of the region's most distressed housing is within its historic cities and boroughs, it dampens sorely needed investment in aging structures and infrastructure.

We must support creativity

The status quo—existing policies, programs, and other interventions aimed at housing—has not been sufficient to resolve longstanding issues. Flexibility and innovation are a necessity if different outcomes are desired, and creativity must be embraced (and risks tolerated) for this to happen.

Vision for Housing in the Southern Alleghenies

The elements used to define a vision for housing in the Southern Alleghenies point overwhelmingly to a future where the condition of the housing stock, and the appeal of the region's housing options, are improving because people are more confident about investing in their communities. This confidence translates over time into a stronger supply of housing and into households that are increasingly willing to pay for higher standards.

This is not a vision, however, that can be anticipated on the region's present course. Part and parcel of this vision is the assumption that proactive and highly coordinated interventions will put the region on a different course—one that embraces housing as a critical tool of economic development and community improvement that cannot be left to chance. It must be shaped and guided to serve community goals and to put the region's cities, boroughs, and townships on a more sustainable fiscal footing so that they can invest in the services and infrastructure that will reinforce housing demand.

This vision for housing has three distinct but interlocking components

1 A stronger housing market

Housing markets in the Southern Alleghenies are experiencing a healthier balance of supply and demand, encouraging stronger levels of private investment in the existing housing supply and investment in new housing products. Partnerships throughout the region are finding creative ways to boost confidence and demand, making a broad range of property owners and housing consumers much more willing to invest in high standards.

2 A more adaptable housing market

Market strength is resulting in a housing supply that reflects a more complete "housing ladder," increasing the likelihood that households will find housing options that match their life stage and preferences. People can more easily downsize, upsize, or move to different types of communities, and no longer feel "stuck" in their current housing.

3 A response to need that promotes community vitality

Forms of housing assistance are delivered in a manner that aids the health and economic mobility of households while improving the fiscal and economic vibrancy of the region's communities. Assistance is no longer viewed as synonymous with having to live in areas of concentrated poverty and declining community conditions.

Outcomes to Measure Progress

How will the region and its communities know if they are moving towards this vision for housing?

The three components of the vision give clear direction for a series of tangible outcomes that can be measured and tracked with specific measurements. There may be additional measurements to track in individual communities, but these metrics will represent the most basic and essential evidence for movement in the right direction (or an absence of backsliding)— and an indication that interventions are having the desired impact.

OUTCOMES	Demand strengthens and private housing investment rises	Vacancy and blight diminish	Socioeconomic disparities diminish	
METRICS	Value-to-income ratio	Chronic vacancy rate	Share of households that are cost-burdened renters earning less than $35,000	Share of renters who earn less than $35,000 and live in Census tracts with a poverty rate of 20%+

COUNTY BASELINES

County	Value-to-income ratio	Chronic vacancy rate	Share of households that are cost-burdened renters earning less than $35,000	Share of renters who earn less than $35,000 and live in Census tracts with a poverty rate of 20%+
Bedford	2.75	6.6%	6.9%	0%
Blair	2.52	6.0%	11.8%	42%
Cambria	1.99	8.9%	9.2%	37%
Fulton	2.99	6.6%	6.2%	0%
Huntingdon	2.66	6.3%	6.4%	14%
Somerset	2.21	6.3%	6.8%	9%

Source: 2020 American Community Survey 5-year estimates used for all baseline measurements; value-to-income ratio uses median home value and median household income; "chronic" vacancy is reported by the Census Bureau as "vacant, other"

Principles for Housing Interventions

The vision for housing describes a desired, long-term destination. The outcomes describe measurements for tracking movement in the direction of that destination. On a day to day basis, however, it will be the consistent application of vision-aligned principles that will make this strategy's decision-making framework tangible and increase the likelihood that the vision can be achieved.

Five such principles have been identified. While not every principle will be relevant to every decision under consideration, some combination of them will almost always be relevant. The act of discussing and debating how to apply each principle is a vital part of implementing this regional housing strategy. The more principles that can be credibly applied through the implementation of a given project, program, policy, or investment, the closer the region will get to having hundreds or even thousands of decisions each year pulling in the same vision-aligned direction.

PRINCIPLE	WHY?	EXAMPLE
1 Preserve and strengthen average or stronger markets	In a soft regional market, it is critical to not take areas of strength and stability for granted. Protecting them and making them stronger is the most cost-efficient route to a healthier and more functional regional market.	Prioritizing the use of demolition resources in stable but vulnerable areas Avoiding a "worst-first" mindset when it comes to infrastructure repair
2 Build a firm floor beneath the rental market	The degraded condition of much of the region's rental stock is unhealthy for the overall market and for the households that live in substandard units. Drawing and enforcing a firm line for rental quality is fair to good landlords, fair to tenants, and fair to homeowners who live near rental properties.	Instituting rental licenses and inspections to ensure basic quality of all units Partnering with landlords to upgrade rental units Bolstering enforcement resources/capacity to make existing regulations more effective
3 Cultivate AND incentivize demand	Insufficient willingness to pay what it costs to deliver new housing, or to keep existing properties in good condition, is a problem that requires work at two ends: (1) cultivating stronger demand by improving the region's quality of place, and (2) bridging existing demand gaps through subsidies and incentives.	Upgrades to infrastructure and amenities near new housing investments Coverage of financial gaps for new housing investments to overcome currently soft demand
4 Strive for mixed-income results	Status quo settlement patterns in the region ensure that its cities and large boroughs will always be constrained by high rates of poverty and disinvestment, and that low-income households will almost always live in high-poverty environments. This hamstrings the entire region and can only be addressed by intentionally seeking mixed-income results going forward.	Ensuring that market-rate housing developments have an affordable component whenever possible Avoiding the development of income-restricted housing in weak markets unless a project will lead the local market
5 Connect and coordinate	Standalone interventions or projects of any type are destined to fail in the Southern Allegheneies. Every effort must be made to ensure that any single intervention is directly or indirectly tied to multiple others so that scarce resources are synchronized for maximum market impact.	A "whole block" effort in a downtown that combines new market-rate housing, rehab of existing affordable units, and investments in new lighting, trees, and sidewalks Stricter code enforcement of rental properties combined with resources for rehab partnerships with landlords

Allegheniens Ahead on Housing

Decision-Making Framework

Putting the decision-making framework into action will not be as simple as robotically checking boxes. It will require deliberation and interpretation on a routine basis at the county and municipal levels to gauge whether a policy being passed, a development being aided with incentives, investments in local infrastructure, the direction provided by a long-range plan, or any other action with a housing impact aligns with the vision and other components of the decision-making framework.

What might be evaluated within this framework?

A housing development proposal that requires public action (a variance, financial assistance, infrastructure)

PROPOSAL

Allocation and use of public resources that will impact housing investments

- for demolition or blight remediation
- for quality of life amenities
- for affordable housing
- for housing investment incentives
- for capital infrastructure

Public policies that will impact housing investments

- General, small area, or corridor plans that give market direction
- Development standards and land use regulations
- Code enforcement

Decision-Making Framework

Vision

How does this (or how will this) reflect our vision for housing or move us closer to that vision?

- ☐ A stronger housing market
- ☐ A more adaptable housing market
- ☐ A response to need that promotes community vitality

Outcomes

Which outcomes does this (or will this) make us likelier to obtain?

- ☐ Demand strengthens and private housing investments rise
- ☐ Vacancy and blight diminish
- ☐ Socioeconomic disparities diminish

Principles

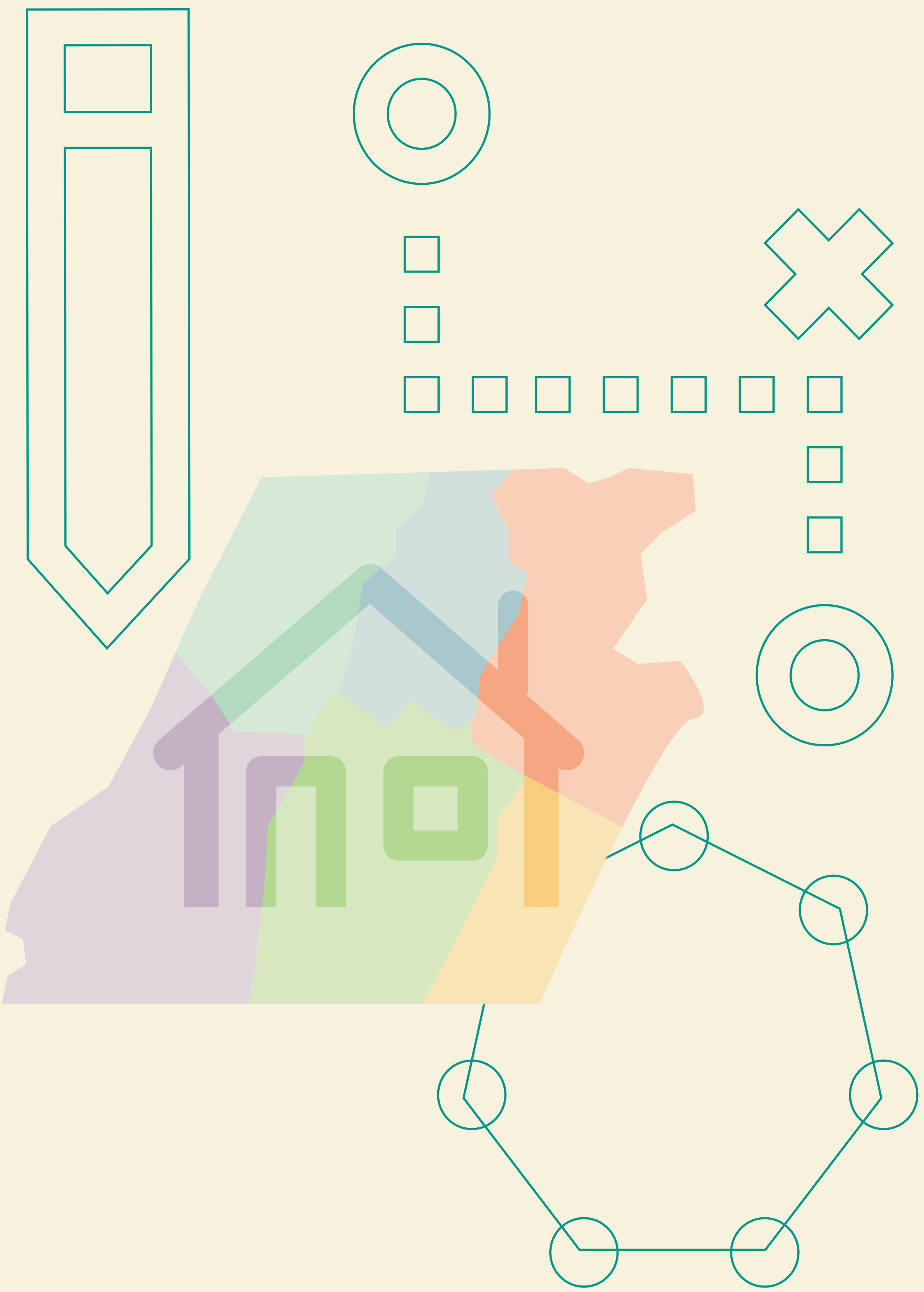
How does this (or will this) apply relevant Principles for Housing Intervention?

- ☐ **Principle 1** Preserve and strengthen average or stronger markets
- ☐ **Principle 2** Build a firm floor beneath the rental market
- ☐ **Principle 3** Cultivate AND incentivize demand
- ☐ **Principle 4** Strive for mixed-income results
- ☐ **Principle 5** Connect and coordinate

PART 3 Tools and Implementation Guidance

Steering the region's housing markets in a direction that will result in stronger demand and a healthier housing supply is not something that can be accomplished through a few policy adjustments or the addition of a few new housing programs. And it is not something that any regional authority can manage or control. Rather, any movement towards the regional vision for housing will occur through the cumulative and coordinated actions of localized partnerships that draw from a set of tools that are responsive to local opportunities and goals.

To help guide implementation processes, the following pages describe a regional housing toolkit that can be applied in different combinations across the six counties by diverse coalitions of public and private partners. Regional coordination and information-sharing will play a vital role in the implementation of this regional housing strategy, but the ability of localized coalitions to form, work together, and take risks together will determine the success and durability of any housing effort.



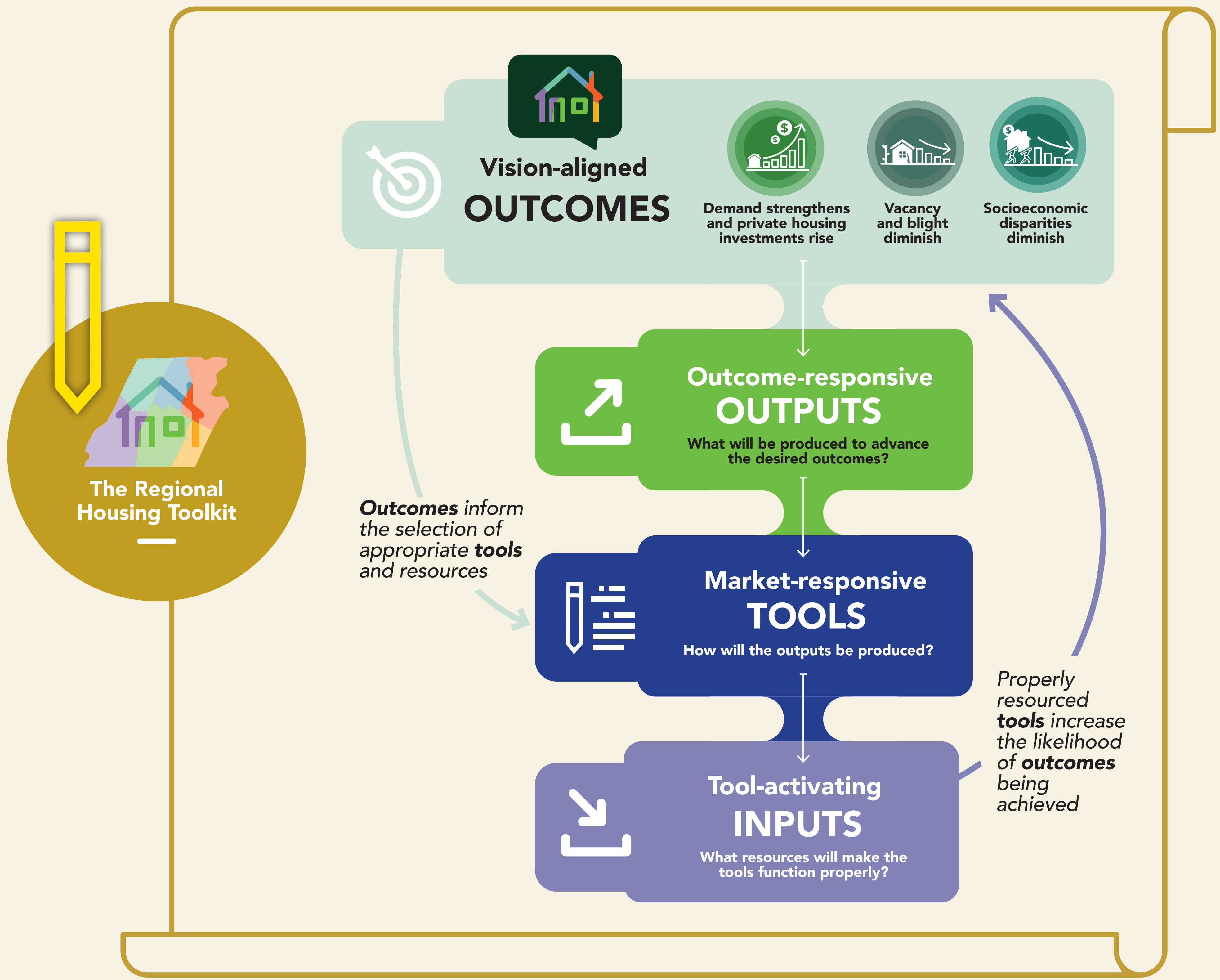
Allegheenies Ahead on Housing

Regional Housing Toolkit

Actions and investments that are not tethered to a vision and its associated outcomes do not constitute a strategy. Rather, they represent a random assortment of activities that seem like good things to do but are not sustainable because they fail to connect to an overarching understanding of "why" they are being performed or how they might advance the community in a meaningful way.

And, even if there is a vision and a clear set of justifiable outcomes, actions performed without an understanding of market conditions and local context will still fall short of constituting a strategy—at least a strategy that has any likelihood of implementation.

The Regional Housing Toolkit that follows is structured to provide **actionable strategic guidance by connecting market context presented in Part 1 with the decision-making framework from Part 2—providing a set of tools that are appropriate for the challenges and opportunities present in the Southern Alleghenies.** This general toolkit, as described later in Part 3, is designed to be customized to reflect localized goals, resources, capacity, and political willingness, recognizing that different combinations of these tools implemented at the local level is how the regional vision will be advanced.



Outcome-responsive OUTPUTS

Vision-aligned OUTCOMES

Demand strengthens and private housing investments rise

Vacancy and blight diminish

Socioeconomic disparities diminish

The three outcomes identified in Part 2 can be translated into a series of **responsive outputs**, including the nine identified in this toolkit. While these outputs are general in nature and could easily be found in any region's housing toolkit, **what matters is how they connect to the vision for housing in the Southern Alleghenies**, or **"why"** they represent appropriate outputs for this region.

While the term "output" is suggestive of a specific volume or quantity of housing to produce or rehab, such numbers are largely irrelevant to a housing strategy for a region that is not growing, particularly with regard to market-rate housing. There is no need for the region's communities to calculate absorption rates or to fear overproduction of high-quality housing. Even if new investment is accelerated in the region through the use of this toolkit, it will occur at a pace that allows sufficient time to gauge the market's response to new or improved housing products and to inform future investments. The challenge in front of the region is not to set and meet potentially unrealistic production goals, but to accomplish and learn from small gains.

Outcome-responsive OUTPUTS

Vision-aligned OUTCOMES

Output	Demand strengthens and private housing investments rise	Vacancy and blight diminish	Socioeconomic disparities diminish	WHAT	WHY
New rentals	✓			Rental units in newly built structures, including infill projects in already developed areas	Create a stronger housing supply that communicates higher standards and provides a wider range of appealing housing options; bolster demand in established communities
Rehabbed rentals	✓	✓		Substantially rehabbed rental units and units created in adaptively reused buildings	
New single-family homes	✓			Newly built single-family housing, infill or new subdivision, developed for-sale	
Rehabbed single-family homes	✓	✓		Substantially rehabbed single-family housing, with investment by owner-occupant or flipper	
Improved existing rental stock	✓	✓	✓	Investments in existing rentals that elevate conditions and resolve deferred maintenance, but short of full rehab	Make incremental improvements to the existing housing supply so that living conditions are healthier, housing becomes more appealing and marketable, and general housing standards are elevated
Improved existing single-family stock	✓	✓		Investments in existing homes that elevate conditions and resolve deferred maintenance, but short of full rehab	
Demolition of obsolete and blighted housing	✓	✓	✓	Active acquisition and demolition of housing that has no market and is not feasible to rehab due to condition or location	Reduce the dampening effect of blight on broader housing investments; improve confidence and demand in established communities; prevent uninhabitable housing from being occupied; help bring supply and demand into greater balance
Expansion of affordable housing opportunities in stronger markets	✓		✓	New or rehabbed housing units with income-restrictions that are located in average or stronger markets	Create housing opportunities in healthier settings with higher potential for economic mobility; avoid the perpetuation of concentrated poverty and its limiting effect on market strength and municipal fiscal health
Sufficient emergency shelter and services			✓	Selective expansion of emergency shelter capacity and services to meet needs that are not being met	Manage homelessness in a way that improves the safety and health of vulnerable individuals, improves community safety, and makes household stability more likely going forward

Market-responsive TOOLS

Outcome-responsive OUTPUTS

- New rentals
- Rehabbed rentals
- New single-family homes
- Rehabbed single-family homes
- Improved existing rental stock
- Improved existing single-family stock
- Demolition of obsolete and blighted housing
- Expansion of affordable housing opportunities in stronger markets
- Sufficient emergency shelter and services

Market-responsive TOOLS

The tools necessary to produce the outputs identified in this Regional Housing Toolkit are straightforward expressions of what is needed to overcome barriers that prevent the private market from generating the outputs on its own (or generating them at a pace that would achieve the region's housing vision in an acceptable timeframe).

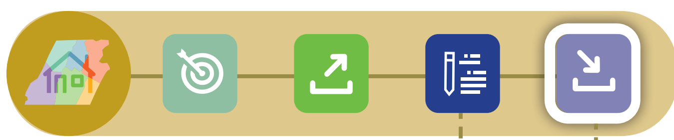
Some of these tools are already used to some degree in parts of the region, though many are not—especially financial tools designed to spur private investment, which are particularly important for the region's soft-market conditions.

Market-responsive Tools	WHY	HOW
Rental rehab subsidies for existing market-rate units	Prevailing rents are generally too low to justify substantial rental rehabs of the kind needed to elevate the quality of the region's rental stock	Matching grants or forgivable loans to rental property owners who rehab existing units
Rent subsidies to developers/owners of new market-rate units	Without subsidy, the cost to develop new rentals requires rent levels that are far higher than prevailing rents, creating risks that are often too high for developers and their investors	Grants or forgivable loans to lower total development costs, and/or provide tax abatements or exemptions to lower ongoing operating costs
Equity pool for new rental or mixed-use developments	Investor equity is a critical part of rental housing development, and return on investment in the region is often too low to attract investors; patient, long-term capital is needed to fill this gap	Coordination among groups of local investors who are committed to the region and willing to invest in local housing development; potential facilitation by wholly owned subsidiaries of local economic development agencies that gather equity commitments and provide ownership structure (LLCs) for individual projects
Financial support to homeowners for above-market home upgrades	In markets where home values are low or price appreciation has lagged, homeowners who have resources to invest in their homes may hesitate to do so for fear of outstripping their home's value; investment is withheld and conditions stagnate or decline	Grants or forgivable loans to homeowners who make above market (or beyond appraisal) improvements to their homes
Acquisition, rehab, and resale of existing homes	Actors in the private market already look for buy-low acquisition opportunities that they rehab and resell—a practice known as flipping; more of this needs to happen, and at a higher level of quality, to bolster the region's single-family housing stock	Not-for-profit development corporation use of revolving capital to support above-market rehabs by: • Partnering with private housing rehabbers on above-market rehabs of existing homes, or • Directly acquiring, rehabbing, and re-selling existing homes

Market-responsive Tools	WHY	HOW
Subsidies for infrastructure and amenities to developers of new subdivisions	Development costs for new housing, including site preparation, require pricing that exceeds what many households are willing to pay; cost offsets allow prices to be lowered	Full or partial coverage of new infrastructure costs (road, sewer, water, lighting, greenspace) via bond or other revenues to lower development costs incurred by developers
Purchase commitments for new homes at sufficient prices	Speculative new home development can be slowed or scuttled by a need to have purchasers lined-up in advance at prices sufficient to make the project feasible	Address developer risk by committing to purchase yet-to-be-built homes at a price that ensures a sufficient but not excessive profit to the developer
Buy-back agreements for buyers of new homes	A buyer of a new house in a soft market may hesitate for fear that the price they pay for a new home will be difficult to recoup when they decide to sell, putting them underwater	As an alternative or supplement to purchase commitments for new homes, enter into a buy-back agreement with new home buyers that guarantees original sale price plus inflation when the owner decides to sell
Proactive acquisition, demolition, and land banking of obsolete/blighted housing	A critical part of improving the region's housing supply (and demand) is the removal of obsolete and blighted properties that hurt confidence and dampen investment in other properties; there is no financial rationale for the private sector to do this work	Commit public resources to acquire and demolish properties; clean vacant sites and plan for short- or long-term site management
Rehab or new construction subsidies for income-restricted housing	Without subsidy, the cost to develop new housing far exceeds what low-income households are able to pay	Utilize federal and state funding streams for affordable housing; use local resources to further leverage those funding streams

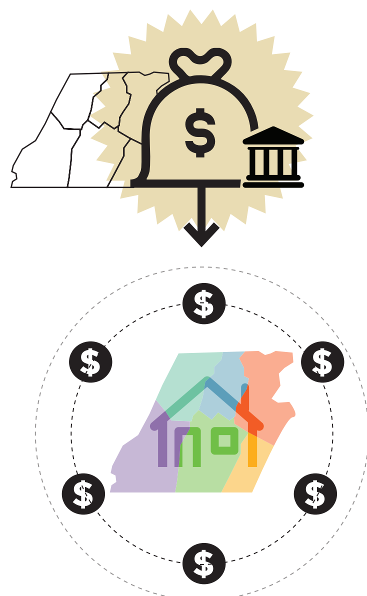
Market-responsive Tools	WHY	HOW
Additional public or charitable aid for emergency shelter construction/ expansion with supportive services	Public and charitable resources are the only means of meeting this need	Shelter and service providers within the Continuum of Care identify unmet needs and seek federal, state, and philanthropic support for execution
Expanded regulation of rental conditions with strong enforcement	A commitment to holding all landlords to a minimum standard is fair for good landlords, dissuades bad landlords from entering or staying in the market, and ensures habitability of occupied rentals	Property maintenance codes that are clearly communicated and well enforced, with coordination between administrative and judicial officers; high levels of enforcement will often require a routine inspection regimen
Land use and development regulation updates	Existing land use regulations may be outdated or too restrictive in ways that limit the development of desired housing products or the market adaptability of existing structures	Identify local housing goals within the context of local plans and update regulations to align with housing goals

Tool-activating INPUTS



Tool-activating INPUTS

In general, the tools in this toolkit go above-and-beyond currently practiced tools, or call for using existing tools in different or expanded ways. To activate these tools with proper resources, it must be recognized that there is no replacement for the flexibility and timeliness of funding dedicated by county and local governments, or provided by local private sources (such as corporate citizens or philanthropy). **The dedication of local resources signals that housing is a priority to take seriously and ensures that activities are undertaken on local terms.**



Dedicated local resources are key to sustainable progress on housing priorities

Federal and state resources do, of course, play an important role when it comes to housing for income-qualified households—this will continue to be the case and should follow the decision-making framework in Part 2 to the extent possible. And they can play important roles in supporting investments to market-rate housing, especially through infrastructure, amenities, planning, and historic preservation.

To a large extent, though, federal and state resources are currently ill-suited to help communities confront the housing problems that result from soft demand, since they are primarily designed to respond to housing needs. This housing strategy, however, represents a fresh opportunity to engage state representatives and agencies as partners, and to find ways for state resources to support the types of housing tools that help soft markets recover. The Pennsylvania Housing Finance Agency (PHFA), through programs that help to improve the quality and marketability of existing housing, represents a good model in this regard.

Tool-activating INPUTS

Market-responsive TOOLS	Estimated Costs: STRONGER MARKETS	Estimated Costs: SOFTER MARKETS	Requirements or Considerations	Potential Sources
Rental rehab subsidies for existing market-rate units	$20,000 subsidy per rehabbed unit	$30,000 to $40,000 per rehabbed unit	Subsidies should be matched by landlord capital and work should be required to meet specifications for above market quality; skilled project management needed to form partnerships with landlords and supervise work	Municipal general funds; local corporate or philanthropic partnerships
Rent subsidies to developers/ owners of new market-rate units	$50,000 per unit	$75,000 to $100,000 per unit	New construction should meet specifications for above market quality; rents should be maintained at below-cost for an agreed upon period of years	Municipal general funds and/or tax abatements; local corporate or philanthropic partnerships; RACP; historic tax credits for adaptive reuse projects
Equity pool for new rental or mixed-use developments	Equity commitments of up to 25% of total development cost; minimum 15 years	Equity commitments of up to 33% of total development costs; minimum 15 years	Solicitation and coordination of investors may be needed and would require administrative overhead, especially if economic development agencies provide legal structure for individual projects	Equity commitments from local corporate executives and others with resources to invest and a rationale for doing so in a way that improves local housing opportunities
Financial support to homeowners for above-market home upgrades	Up to $50,000 per property	Up to $100,000 per property	Scope of work should be required to meet specifications for above market quality; graduated repayment requirements upon resale should be based on when the owner sells (how long they stay) and resale price; skilled project management needed to work with homeowners and supervise work	Municipal general funds and/or tax abatements on the value of improvements; local corporate or philanthropic partnerships; PHFA home improvement lending tools
Acquisition, rehab, and resale of existing homes	**ALL MARKETS** Up to $500,000 in capital per project for acquisition and rehab, to be fully or partially recouped at sale; acquisition will be more costly in stronger markets and rehab costs may be more costly in weaker markets		Require resale to owner-occupants; design contracts with private rehabbers that guarantee sufficient but not excessive profit regardless of sale price after rehab; use profits from sales (when profits are made) to offset losses or capitalize other projects; skilled project management needed to identify opportunities and form partnerships	Municipal general funds and/or tax abatements on the value of improvements; local corporate or philanthropic partnerships

Tool-activating INPUTS

Market-responsive TOOLS	Estimated Costs: STRONGER MARKETS	Estimated Costs: SOFTER MARKETS	Requirements or Considerations	Potential Sources
Subsidies for infrastructure and amenities to developers of new subdivisions	Potential for shared coverage of certain infrastructure costs with developer; exact share dependent on targeted market prices for completed homes	Expectation of full public sector coverage of all or most infrastructure costs to control price of completed homes	Use infrastructure investments to elevate market standards	Revenue from local bonds for capital improvements to be paid by new taxable value; municipal general funds
Purchase commitments for new homes at sufficient prices	Assume purchase price is at cost plus 15%; sell at market value (result will be narrow profit or loss)	Assume purchase price is at cost plus 15%; sell at market value (result is likely to be a loss of 10% to 25%)	Lower the liability posed by purchase commitments by investing in quality of place to stimulate demand by future buyers	Municipal general funds; local corporate or philanthropic partnerships
Buy-back agreements for buyers of new homes	Cost of agreement may be minimal or zero and serves primarily to shore up buyer confidence	Cost of agreements likely to be greatest for near-term resales in the softest markets	Require occupancy of home for a minimum period of time for the agreement to take effect (such as three years); lower the liability posed by buy-back agreements by investing in quality of place to stimulate future demand	Municipal general funds; local corporate or philanthropic partnerships
Proactive acquisition, demolition, and land banking of obsolete/blighted housing	Demolition costs for typical residential properties will range from $10,000 to $20,000 in all markets; acquisition costs will be tend to be higher in stronger markets if acquired by negotiated sale, and stronger markets also present a higher probability of lots being sold and productively reused		For this to be viewed as a true investment, target acquisition and demolition opportunities that are likely to have the highest positive market impacts due to their visibility (impact on market confidence) and/or proximity to stronger blocks and community assets	Municipal general funds; local corporate or philanthropic partnerships; pairing of new revenue sources with existing sources (Community Development Block Grants and other federal or state anti-blight sources)

Tool-activating INPUTS

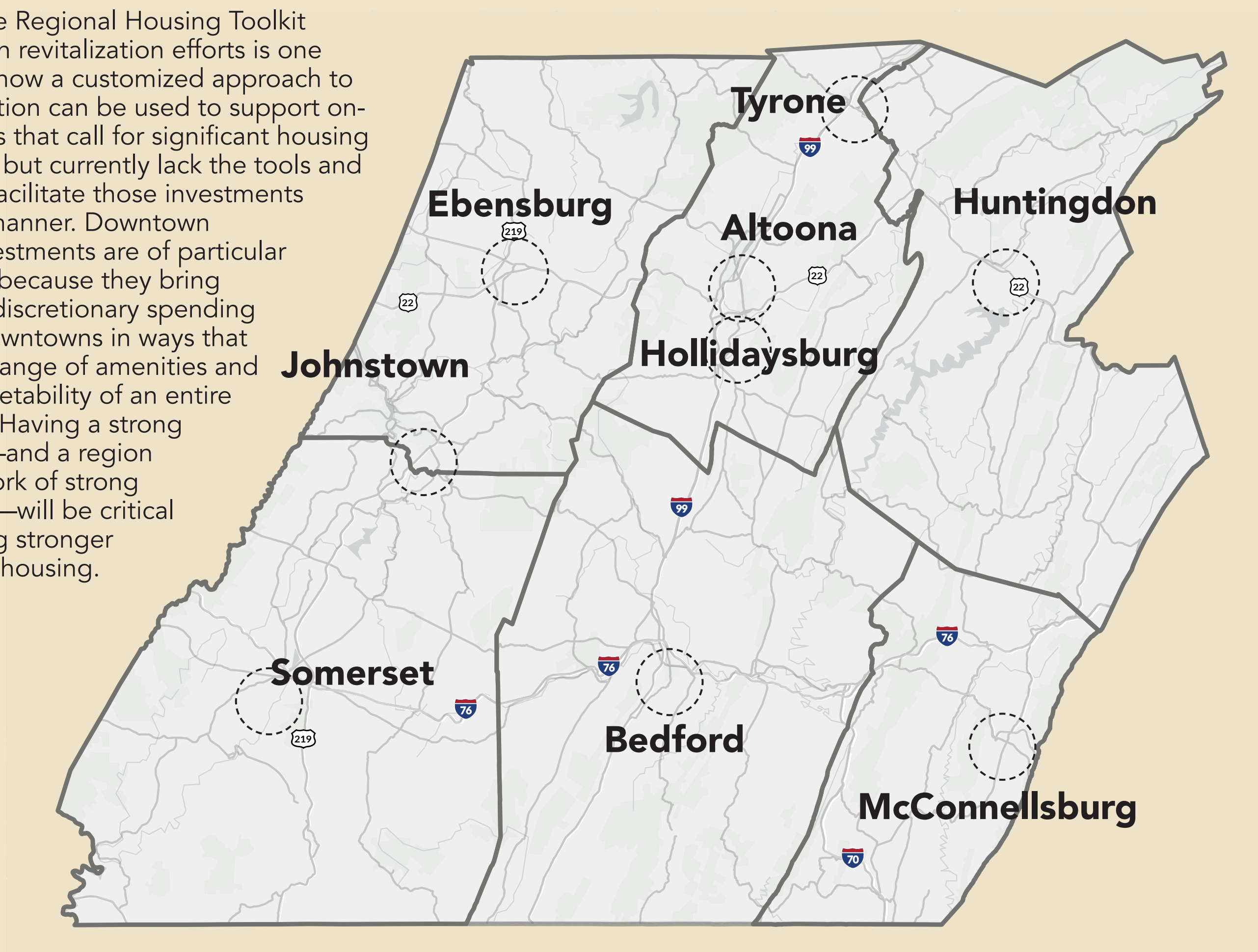
Market-responsive TOOLS	Estimated Costs: STRONGER MARKETS	Estimated Costs: SOFTER MARKETS	Requirements or Considerations	Potential Sources
Rehab or new construction subsidies for income-restricted housing	On average, the development of an income-restricted rental unit in the region will require a **$100,000 capital subsidy** to close the gap between construction costs and restricted rents. The subsidy will tend to be higher where incomes are lower, and they may also be higher where markets are stronger and site acquisition costs are higher.		Although costs and potential community pushback may be greater in stronger markets, locating new income-restricted housing in those markets (especially in tandem with other investments) present the best opportunities to improve economic mobility and strengthen the region's cities and boroughs	Federal and state programs for affordable housing, including CDBG, HOME, and Low-Income Housing Tax Credits (LIHTC); LIHTC can be particularly useful in advancing mixed-income developments
Additional public or charitable aid for emergency shelter construction/expansion with supportive services	The cost of additional shelter space will depend on the size and nature of the project		If services in a community are deemed to be over capacity and in need of expansion, consideration should be given to small-scale capacity increases rather than concentrating large numbers in a single space—costs will be higher but the burden on an individual location or neighborhood will be more manageable	Local public and/or charitable resources to leverage federal and state resources
Expanded regulation of rental conditions with strong enforcement	Violation rates will tend to be lower and the costs of compliance more manageable for landlords due to higher market rents	Violation rates will tend to be higher and compliance costs may be cost-prohibitive without assistance	Simply passing a stronger property maintenance code or creating a registration or licensing program tied to inspections is not sufficient—investments in enforcement capacity are needed; enforcement should be flexible enough to find solutions with willing landlords	Municipal general funds, partially offset by fees and fines
Land use and development regulation updates	Costs to update or re-write a municipality's regulations will depend on the extent of the technical work required and how much of that work can be performed in-house		Land use and development regulation updates should be tied to updated plans; updated zoning should not be seen as a tool that "makes a market" where a market does not currently exist, as bonuses or other incentives may still be necessary to realize development goals	Municipal general funds paired, as necessary, with state support for local planning initiatives

Alleghenies Ahead on Housing Toolkit Customization

The Regional Housing Toolkit is a reflection of overall regional market conditions and how to respond to those conditions in ways that are likely to advance the regional vision for housing. While it is possible that all tools in the toolkit may be applicable and implementable within particular parts of the region, it is far more likely that a community or group of communities will select particular tools to apply towards specific conditions and local goals. Indeed, prioritizing the implementation of certain tools and doing so in a manner that aligns with the decision-making framework—as well as the local capacity and willingness to pay for and administer the tools—is perfectly in keeping with the *Alleghenies Ahead* Comprehensive Plan's approach to planning regionally and implementing locally.

Downtowns

Applying the Regional Housing Toolkit to downtown revitalization efforts is one example of how a customized approach to implementation can be used to support on-going efforts that call for significant housing investments but currently lack the tools and systems to facilitate those investments in a timely manner. Downtown housing investments are of particular importance because they bring vitality and discretionary spending power to downtowns in ways that bolster the range of amenities and overall marketability of an entire community. Having a strong downtown—and a region with a network of strong downtowns—will be critical to cultivating stronger demand for housing.



From the Regional Housing Toolkit, the following tools are especially applicable to downtown market-rate housing investments:

Rental rehab subsidies for existing market-rate units

Many of the region's downtowns already have market-rate housing to some degree, some of it newer and much of it older and in need of investment to lead the market and create a more appealing range of housing opportunities.

Rent subsidies to developers/owners of new market-rate units

Opportunities for adaptive reuse of underutilized commercial buildings into market-rate housing remain plentiful in the region's downtowns. Reactivating long-dormant spaces builds the critical mass necessary to expand amenities, which boosts the willingness of future renters to pay closer to what it actually costs to undertake this form of development.

This tool also applies to infill development on vacant lots and surface parking lots within and around the region's downtowns. This type of development usually follows on the heels of successful adaptive reuse activity—after a market has been strongly demonstrated.

Equity pool for new rental or mixed-use developments

Investor interest is a critical and often missing piece of the development puzzle in the region, especially when potential projects are competing with so many more lucrative investment opportunities beyond real estate. Local investment capital, and its ability to bring hesitant banks to the table, can be difficult to corral without communicating a clear vision and practical strategies.

Land use and development regulation updates

Land use and development regulations in the region tend to be decades-old and may not be good fits for guiding downtown reinvestments that are oriented around adaptive reuse and mixed-use projects. Updating codes to reflect modern downtown development types may be an appropriate and overdue step for several or the region's communities, though doing so will not change underlying market weaknesses.

Interpretation of building codes also plays a powerful role in shaping adaptive reuse processes and development costs. The UCC is what it is, but local governments and their code officers can choose to be flexible partners who work with developers to find creative solutions to code compliance.

Allegheníes Ahead on Housing Toolkit Customization

Another example of a customized application of the Regional Housing Toolkit is a focus on so-called "middle neighborhoods." These are residential streets in boroughs, cities, and more densely populated townships that have long been beacons of residential stability—healthy homeownership rates, reasonable levels of home maintenance, attractive settings for raising families. Within the context of a region with a soft housing market, however, these areas are vulnerable to disinvestment and decline, and have experienced declining rates of homeownership. As their housing stocks continue to age, deferred maintenance may take hold (if it hasn't already) and lead to declining confidence and a hesitance to spend on routine maintenance as well as home updates and modernizations.

Middle Neighborhood Preservation

Intervening in these neighborhoods while they are still stable is a very cost-effective approach to preserving and improving the region's housing supply. Given their proximity to the region's downtowns and Main Streets, it is also a complementary strategy to downtown revitalization and other investments in key regional assets.

*This list is based on an effort to identify middle neighborhoods in the Southern Alleghenies. Each place listed has Census block groups with population densities of at least 2,000 persons per square mile that also fit within the "**average**" or "**above-average**" sub-markets identified in Part 1. Maps of the middle neighborhoods in each county are included at the end of this document in the County Close-Ups.*

Bedford	Blair	Cambria	Fulton	Huntingdon	Somerset
Bedford	Altoona	Cresson	McConnellsburg	Huntingdon	Berlin
Everett	Belwood	Ferndale		Mount Union	Boswell
	Duncansville	Gallitzin		Orbisonia	Meyersdale
	Hollidaysburg	Johnstown		Rockhill	Paint
	Martinsburg	Nanty-Glo			Rockwood
	Roaring Spring	Portage			Somerset
	Tyrone	Sankertown			Windber
	Williamsburg	Southmont			

From the Regional Housing Toolkit, the following tools are especially applicable to middle neighborhoods:

Financial support to homeowners for above-market home upgrades

A home in a middle neighborhood in the Southern Alleghenies could be in need of $50,000 to $100,000 in repairs and updates. A typical owner will hesitate to do the work (even if they can afford it) if the home is worth less than $200,000, and a bank will see an appraisal gap. Helping a homeowner make those necessary repairs and updates is key to breaking the cycle of low values, low reinvestment, and declining conditions.

Acquisition, rehab, and resale of existing homes

Assisting with high-quality flipping is one of the best ways to update a middle neighborhood's housing stock and keeping single-family homes appealing to owner-occupants.

Proactive acquisition, demolition, and land banking of obsolete/blighted housing

While spending money on demolition will feel to most communities like good money after bad, strategic acquisition and demolition in a middle neighborhood can have a significant return on investment if it renews the confidence of neighboring property owners and is tied to other neighborhood investments.

Expanded regulation of rental conditions with strong enforcement

Code enforcement is most effective in markets where there is still a rationale for reinvestment by property owners. It is an ideal tool in middle neighborhoods and ensures that the worst landlords—those that are simply in it for the cash-flow and not the long-term value of an asset—do not see them as good business opportunities.

Rental rehab subsidies for existing market-rate units

Assistance with moderate reinvestment in existing rentals—especially alongside stronger regulations and enforcement of rental conditions—can reposition marginal and declining properties and ensure they become elements of stability on their blocks.

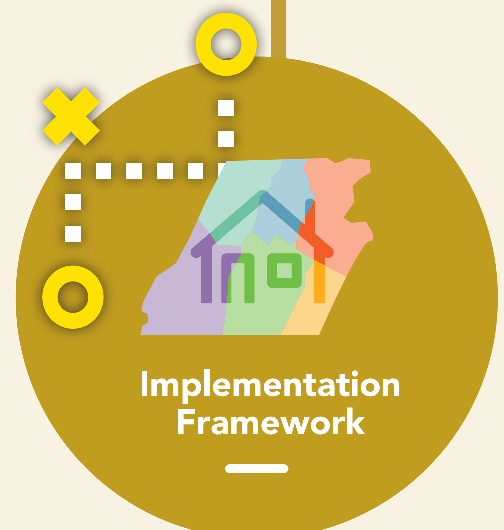
Allegheies Ahead on Housing
Implementation Framework

This regional housing strategy covers an area with six counties and 237 municipalities in a state with a strong tradition of home rule, which means that **implementation must take the form of carefully coordinated partnerships between willing governments—especially local municipalities—and other public and private stakeholders**. Such implementation partnerships are increasingly the norm in the region under the comprehensive planning framework provided by *Allegheies Ahead*.

While local government has, by far, the most authority over housing development and regulation (what can go where, what standards of maintenance must be met and how rigorously they are enforced) most tools in the Regional Housing Toolkit represent financial tools that can—and, likely, must—involve the coordination of diverse resources and skillsets.

Among the observations made during the *Allegheies Ahead* comprehensive planning process is that many—perhaps most—local governments in the region have very low capacity to implement more than the most basic forms of local services, especially in areas where housing conditions are poorest. Municipal finances are already stretched to the limit, it's a challenge to keep boards and commissions functioning with citizen volunteers, and risk aversion is high. Such constraints are all the more reason to promote a multi-jurisdictional and multi-sector approach to selecting, resourcing, and implementing market-responsive housing strategies.

What might a multi-jurisdictional and multi-sector approach look like? In most cases, it would involve complementary layers of work occurring simultaneously at different geographic scales. Work at the regional and county levels would inform and support localized work that would be defined by collaborations between local governments, banks, developers, corporate partners, philanthropy, and other parties that have a vested interest in the improvement of local housing markets.



Complementary Work at Different Scales

Geographic Scale of Governments, Agencies, and other Public or Private Entities

Regional-level	County-level	Local-level
General Roles		
Collaborative processes that inform and accelerate localized implementation	**Planning, policy, and resource-support to accelerate localized implementation**	**Coalition-building; priority-setting; adoption and implementation of new or modified policies and practices**
Examples of Specific Roles and Activities		
Ad hoc committees or coalitions to champion specific changes to current practices or allocations of new resources	County Commission guidance and support for updated local codes or plans to facilitate housing development	Resource commitments to fund new or expanded activities and the associated capacity to administer those activities
Platforms for sharing experiences and best-practices in the region among private and public sector partners	Resource commitments by County Commissions to support housing activities, including administrative capacity	Changes, as needed, to zoning, building code interpretation, and decision-making process to facilitate desired forms of housing investment
Multi-county and multi-agency efforts to seek, raise, or allocate resources toward specific housing activities (especially federal or state resources)	Establishment of County-level programs that partner with municipalities and/or non-profit agencies	Updates to local plans to comprehensively support desired forms of housing investment
	Formation of subsidiaries at economic development authorities to facilitate real estate projects with multiple equity partners	

Formation of sub-regional coalitions of public and private stakeholders to define and implement localized strategies

Alleghenies Ahead on Housing

Localized Housing Strategy Coalitions

A coalition-based model for the selection and implementation of new or expanded housing strategies was first broached in the region in the I-68 Regional Alliance's 2022 Housing Study—a group that includes Bedford and Somerset counties. While the I-68 Regional Alliance's work is focused on market-rate housing development, the same model is applicable to the broader work called for in this regional housing strategy.

Under this model, much depends on local initiative and organization—the ability of high-capacity stakeholders to identify necessary partners, convene those partners, and begin the work of defining a localized strategy that aligns with *Alleghenies Ahead on Housing*.

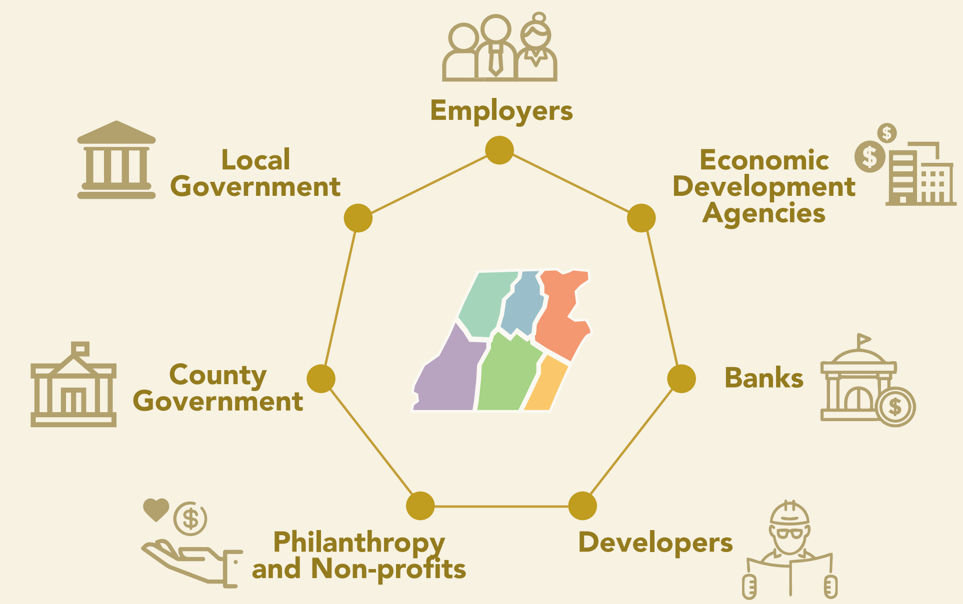
Who should be at the table?

Every coalition will be different and a reflection of local context. But coalitions are likely to require a similar set of components or partnerships to have a high probability of success. These include employers, local government, county government, economic development agencies, foundations, banks, and developers.

Who convenes?

A convening force is the essential starting point for any local market-rate housing coalition, and it could be any of the potential partners identified here. Unless an individual and/or entity is willing to throw their energy and relational capital into this, a coalition will not materialize or will not be sustainable.

It is likely to be the case that only a few coalitions will emerge throughout the region early on, in areas where housing is already a subject of discussion and where conveners exist and are in a position to act. These early coalitions can serve as models for other parts of the region as their actions take tangible form and inspire other potential conveners.



Employers

Having one or more influential local employers as part of a coalition—be it a business or an institution such as a hospital or college—will be helpful in making the case that market-rate housing is an economic development issue worthy of local attention and investment. They can bring credibility to the work of the coalition as well as capital and non-financial resources (capacity to convene, financial analysis skills, etc.).

Local Government

A coalition should include representatives from the local governments in the coalition's desired area of work—which may be hyper-focused on one part of one jurisdiction or stretch across several jurisdictions. Local government partners are likely to serve a number of critical roles which may include updating land use regulations, assembling real estate, investing in infrastructure, and ensuring that housing investments are well-aligned with other quality of place strategies.

County Government

Participation by county government will bring planning capacity, regional perspective, and regional resources to the work of local coalitions—especially in cases where county officials are helping to shepherd the work of multiple coalitions at once.

Economic Development Agencies

Similar to the participation of employers in a coalition, the presence of a local or county-level economic development agency will signal the importance of housing as an economic development issue. These agencies may also play fundamental roles in designing and administering financial tools, setting up project ownership structures as conduits for pooled equity, and ensuring that projects are aligned with local workforce development goals.

Philanthropy and Non-profits

Where present, and where their missions dovetail with housing and quality of place endeavors, foundations can serve as a critical source of leadership and flexible, patient capital. And in communities where unmet housing needs are a priority, the non-profits that interact with those in need will play a critical role.

Banks

The presence of local or regional financial institutions in a coalition will ensure that the needs of debt holders are a grounding force in the development of local strategies and the calibration of tools to reflect the size and nature of local financial gaps. It is often the case that banks with strong local stakes are motivated to find risk management solutions for projects that have the potential to elevate the local market and that have strong support from a range of committed partners.

Developers

As with the presence of a bank in a coalition, the presence of a real estate developer with local knowledge and experience can provide perspectives that ensure that tools are effectively resolving financial barriers to project feasibility. Not-for-profit housing developers should also have a presence on coalitions when meeting unmet needs are among a coalition's goals.

Allegheniies Ahead on Housing Getting Started

Putting together a working toolkit—with functioning examples in the region of many or all of the components of the Regional Housing Toolkit—will take time, effort, and coordination. That work must begin with a solid foundation for coordination and additional planning. The first few years of implementation should reflect this. Building and sustaining a regional conversation around *Alleghenies Ahead on Housing* will be important tasks, therefore, for 2023 and 2024.

2023

Form a Southern Alleghenies Housing Task Force

A lack of regional discussion and coordination on housing issues—in both the public and private sectors—was identified during the planning process as a condition that would likely hold back a Regional Housing Strategy if not addressed.

An important opportunity to seize in 2023, therefore, is the creation of a Housing Task Force to take a leading role as "owners" of the Regional Housing Strategy and as coordinators of discussions that will drive future implementation steps. Given the breadth of housing as an issue, a Task Force that includes two or more focused sub-committees is likely to be beneficial.

The value of the regional task force model in the Southern Alleghenies has already been demonstrated by the Broadband Task Force and the leading role that it has played in advancing the broadband priorities in *Alleghenies Ahead*.

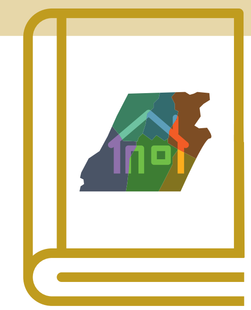
Recognize, Support, and Expand Existing or Emerging Coalitions

There are already localized partnerships in the region that are working to improve housing outcomes—many of them informal. Recognizing that these partnerships exist and bringing them under the supportive umbrella of the Regional Housing Strategy represents an opportunity to leverage existing relationships and experience, and to connect them to each other and to a wider regional conversation.

For coalitions that already exist, or that have been emerging in recent years, key questions will include:

- Which tools in the Regional Housing Toolkit do you already have experience working with? What have you learned, and what do you need to accomplish more?
- How can your coalition be expanded or supplemented by additional partners that would fill important gaps?
- What policy reforms or added resources need to be championed locally or regionally to advance the housing vision in your part of the region?

2024



Develop Annual Housing Action Plans

A potentially important function for a Southern Alleghenies Housing Task Force is the development of annual action plans, starting in 2024, to prioritize its work and to identify specific state, regional, county, and local actions that would advance the work of localized housing coalitions.

Advocacy and education are likely to play important roles in any annual action plan, especially if policy reforms or local funding commitments to certain activities are needed to activate parts of the Regional Housing Toolkit.

As this work advances, it will be critical to view ***Alleghenies Ahead on Housing*** as a housing strategy that can and should be adapted to reflect emerging opportunities and lessons learned.

County Close-Ups

The trends and issues that are broadly shared by the six counties of the Southern Alleghenies are important to understand as a solid basis for collaborations between the counties or between groups of communities in different counties. Even the most disparate parts of the region often have more in common with each other than they do with many other parts of Pennsylvania, let alone other parts of the U.S.

These commonalities can only be fully leveraged, though, with an appropriate respect for local context. Every group of communities in the region represents a similar but distinct web of assets, institutions, market dynamics, and ways of doing business. A particular policy solution that works in one place may be profoundly out of step with the market conditions or political landscape elsewhere in the region.

The following County Close-Ups provide a more focused look at each of the six counties, including more granular versions of region-level information presented elsewhere in *Allegheniess Ahead on Housing*. Each Close-Up includes the following content customized at the county level:

-Overview and Key Issues

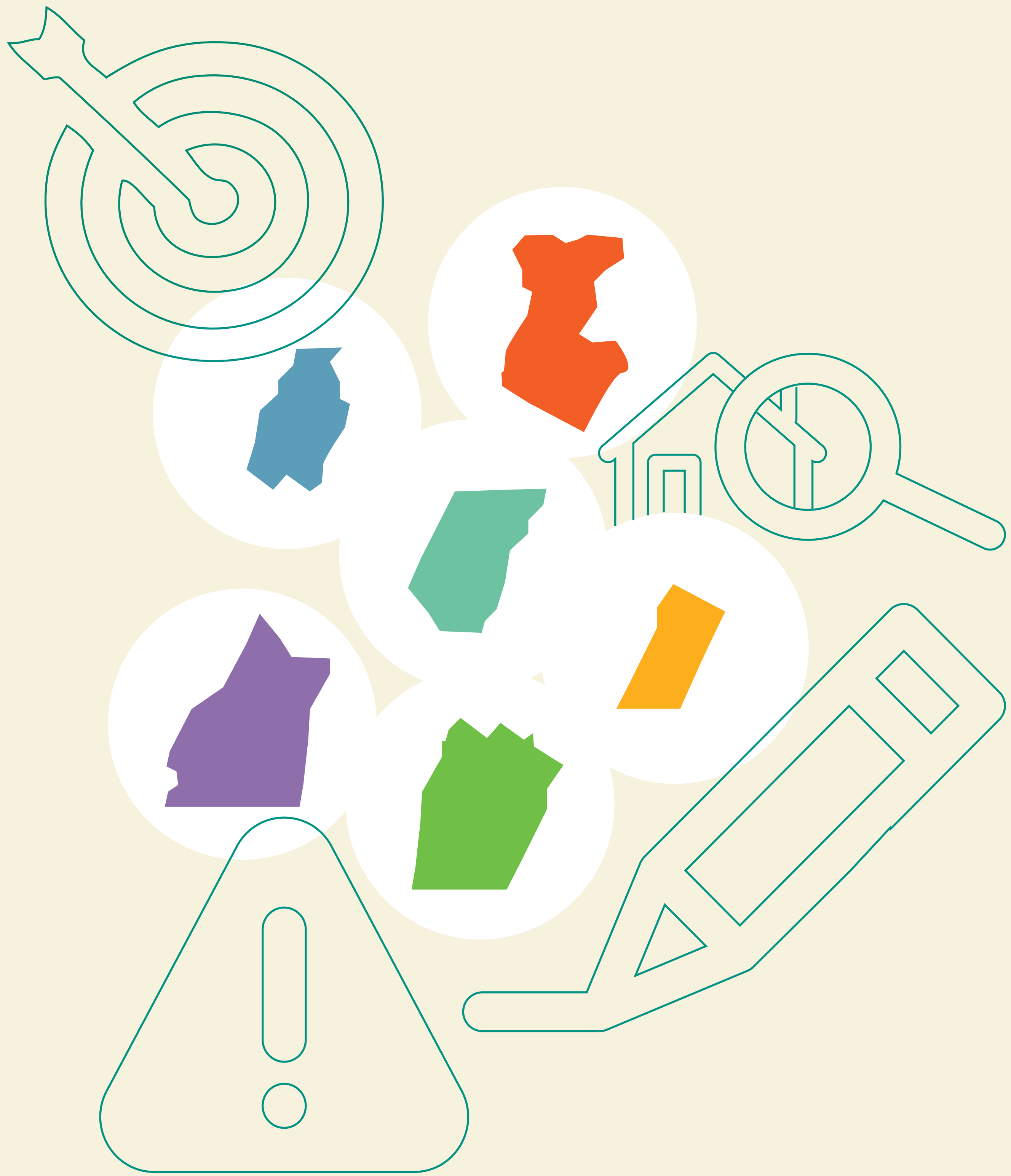
-Market Typology

-Need/Demand Analysis

-Gap Analyses

-Downtown Development Demonstrations

-Middle Neighborhood Preservation



BEDFORD COUNTY

Overview and Key Issues

Bedford County has one of the stronger housing markets in the region. Even though it experienced modest population loss between 2000 and 2020 (-4.8%), the number of households in the county grew by 0.8%—the second highest growth rate in the six counties. Bedford also had the second strongest value-to-income ratio in the region in 2020 (2.75), though its ratio was still lower than 3.0 and indicative of a market with relatively soft demand. Home values, home prices, and rents that remain well below national levels are further evidence of soft demand.

Soft demand does not, however, mean that it is easy to find housing in the county. Market pressures pushing northward from the D.C. suburbs influence the home-buying market in the southern end of the county. Elsewhere, deferred maintenance and poor conditions make it challenging to find homebuying or rental options that are in decent, move-in condition—a situation that is challenging some the county's top employers.

Difficulty finding adequate housing, as well as a sense that there are too many poorly maintained or vacant homes, were the top two issues identified in the *Alleghenies Ahead on Housing* survey for Bedford County. These top concerns were reflected by interest in housing policy tools that aim to accelerate the development of new rentals and homes, and to spur more home rehabs.

Top-Ranking Housing Issues from 2022 Online Survey

OPTIONS	REGION	BEDFORD
Too many poorly maintained homes and rentals OR too many vacant/abandoned homes	1	2
Adequate housing is too expensive or hard to find	2	1
There are not enough newly built or fully rehabbed housing options	3	3
Neighborhoods are unappealing		
Utilities are too expensive		
Transportation is too expensive or challenging	4	3
Not enough housing options for populations with special needs		

Online survey participants were given a list of options and asked to "select no more than three housing issues that you think are the most important issues facing your community." The results above highlight and rank the issues that received more than 10% of the selections from 323 completed responses at the regional level and 75 completed responses from Bedford County.

Top-Ranking Housing Activities to Fund from 2022 Online Survey

OPTIONS	REGION	BEDFORD
Subsidize the development of new apartments that would be income-restricted to households earning $35,000 or less		
Subsidize the development of new apartments that would be rented without income restrictions	3	1
Build emergency housing for those experiencing homelessness		
Subsidize the development of new housing geared towards seniors		
Help to rehab dilapidated houses to make them appealing and affordable for first-time buyers	1	2
Subsidize the development of new homes for first-time buyers	5	3
Help to rehab existing rentals to improve condition with stable rent	6	
Demolish abandoned or blighted housing	2	4
Assist homeowners who have difficulty paying for basic maintenance	4	

Online survey participants were given a list of options and asked to distribute $5 million from a hypothetical county housing fund to the activities they preferred. The results above highlight and rank the issues that received more than 10% of the funding distributed by 323 completed responses at the regional level and 75 completed responses from Bedford County.

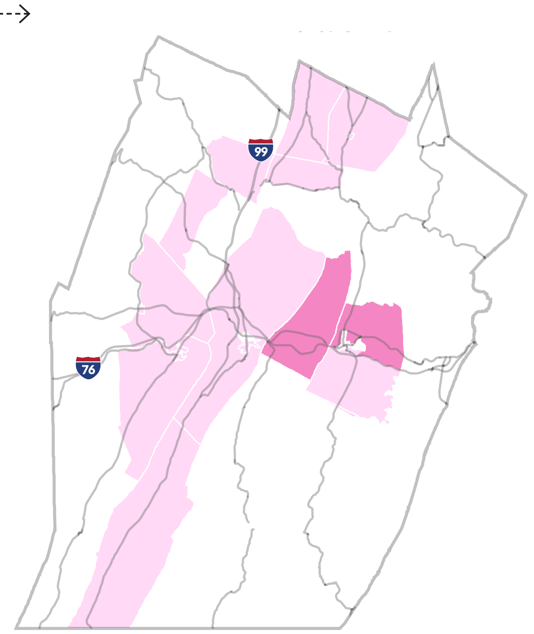
OPEN HOUSE

Bedford County — Market Typology

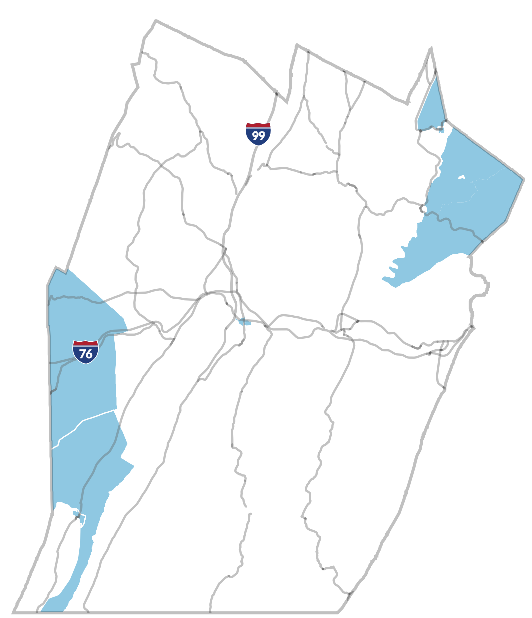
WELL BELOW AVERAGE | BELOW AVERAGE | AVERAGE | ABOVE AVERAGE | WELL ABOVE AVERAGE

DEMAND

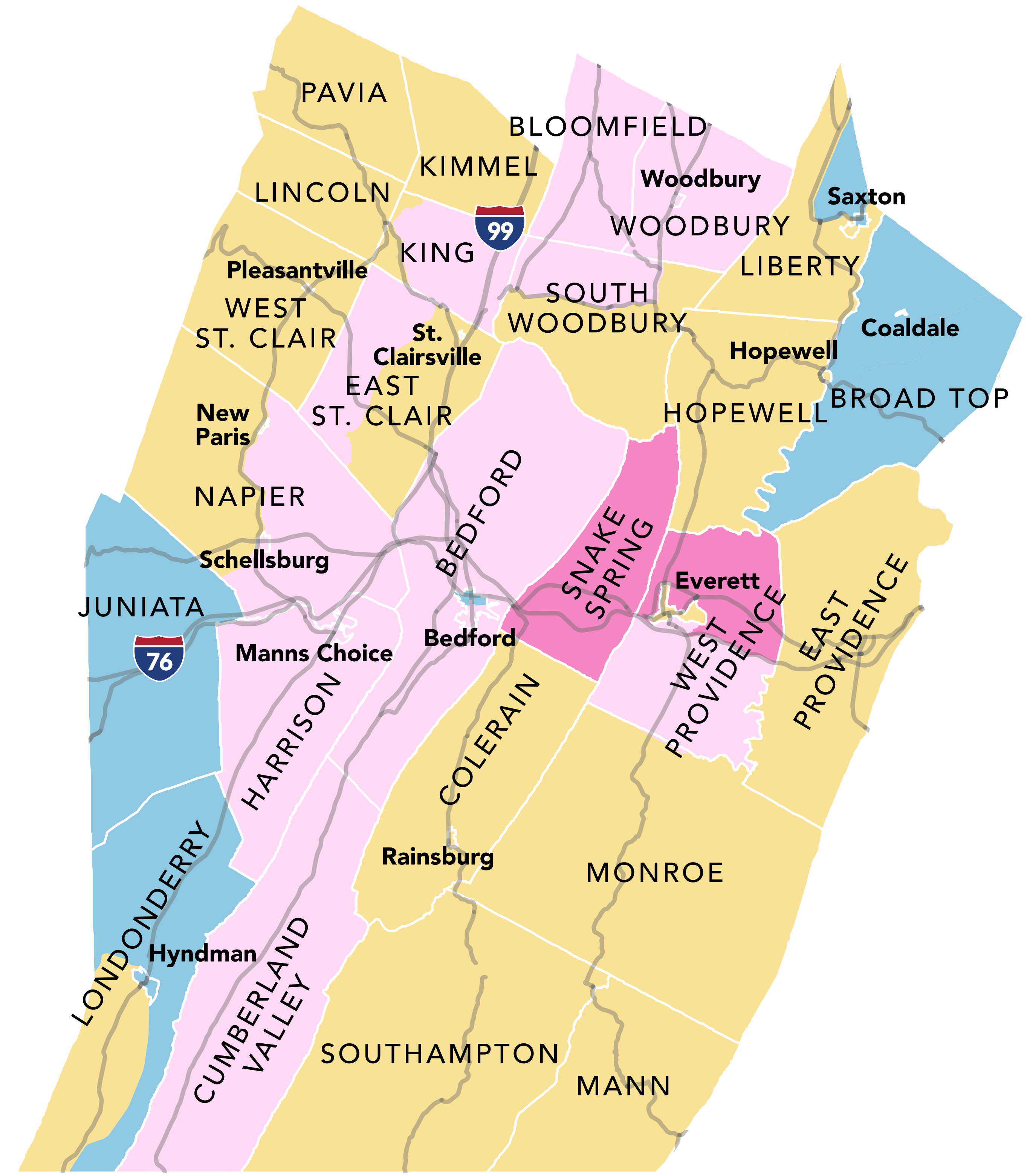
The overall market geography of Bedford County reflects the county's position as **one of the region's stronger markets**, with most communities in the county having levels of demand that are average or above-average.



The **strongest levels of demand** are found in central areas between **Bedford** and **Everett** boroughs (along the Pennsylvania Turnpike) and radiate to the south and north along the I-99/220 corridor.



Very few areas in Bedford County have **below-average levels of demand**. Those that do, though, include portions of **Bedford** and **Saxton** boroughs and all of **Hyndman** borough.



Bedford County Market Typology

DEMAND

Lower DEMAND Higher

This is a detailed county-level version of the regional typology map presented on page 22 and features Census block groups as the unit of analysis. See page 22 for details on the typology's data components.

Bedford County

Need/Demand

	Need			Demand			
	Less than $20,000	$20,000-$34,999	$35,000-$49,999	$50,000-$74,999	$75,000-$99,999	$100,000-$149,999	$150,000+
Number of Households	3,597	3,201	2,903	3,795	2,924	2,490	1,020
Share of all households	18%	16%	15%	19%	15%	12%	5%
Rent/Own Split	43% / 57%	23% / 77%	23% / 77%	14% / 86%	12% / 88%	9% / 91%	2% / 98%
Affordable Rent or Monthly Housing Payment	$500 or less	$500 - $874	$875 - $1,250	$1,250 - $1,874	$1,875 - $2,499	$2,500 - $3,749	$3,750+
Affordable home purchase price	*NA*	*$60,000 - $104,999*	*$105,000 - $150,000*	*$150,000 - $224,999*	*$225,000 - $299,999*	*$300,000 - $349,999*	*$350,000+*
RENT Share of Renters Cost-Burdened	69%	40%	18%	1%	<2%	<2%	<2%
OWN Share of Owners Cost-Burdened	51%	28%	19%	9%	<4%	<4%	<4%

Source: 2020 American Community Survey, 5-year estimates

See the region-level versions of this Need/Demand table, along with explanatory notes, in Part 1 on pages 18-20.

Key findings about housing need and demand in the Bedford County

Levels of need and demand in Bedford closely mirror regional conditions. 34% of all households in both the region and Bedford County earn less than $35,000, for example, and are much more vulnerable (especially renters) to cost burdens. Unlike the region, though, most of Bedford's lowest-income households are owner-occupants and face the challenges tied to maintaining older properties with highly restricted incomes.

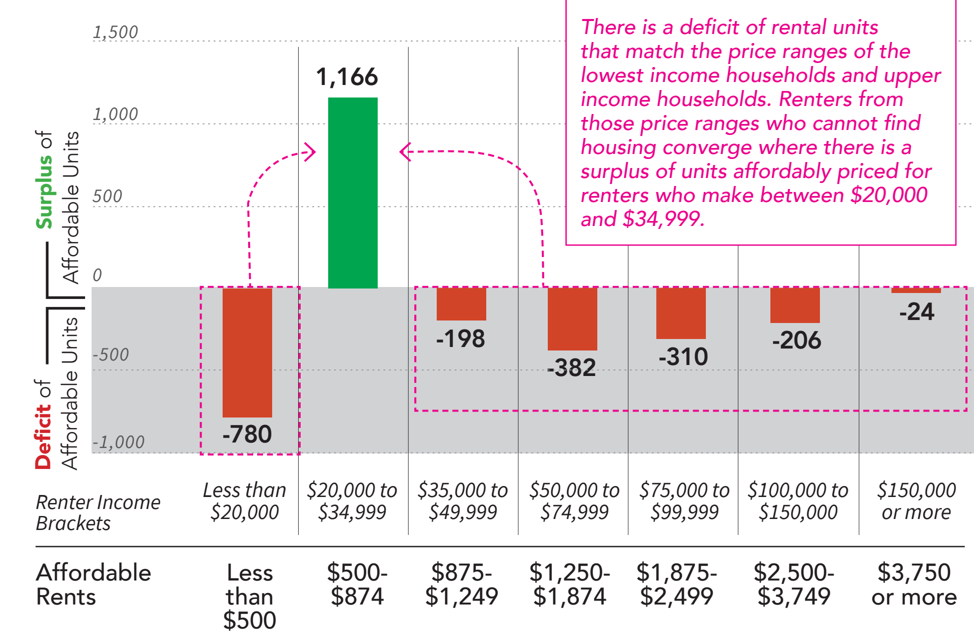
On the demand side, the share of households making $100,000 or more is slightly smaller in Bedford County (17%) than the rest of the region (19%).

Bedford County

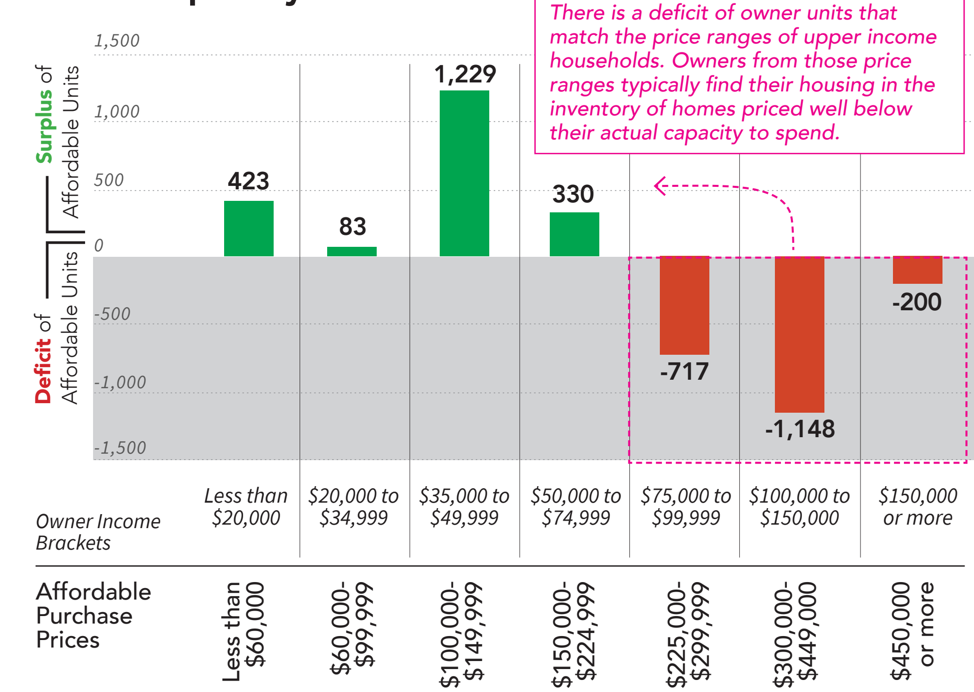
Gap Analyses

Similar to the region's gap analyses presented in Part 1 on page 28, Bedford County has shortages of rental and owner-occupied housing units priced for households in higher income brackets. This has the effect of pushing higher income households into a relatively low price range where they compete with lower-and moderate-income households for units that tend to be older and have suffered from deferred maintenance.

Renter Gap Analysis



Owner Gap Analysis



Source: Analysis of household incomes and housing costs from the 2020 American Community Survey, 5-year estimates

Bedford County

Downtowns

123 S. Juliana Street | Downtown Bedford

THE OPPORTUNITY

This two-story building in the heart of Bedford borough is a former furniture store with an underutilized second floor. A project to retain the first floor retail space while adding eight new residential units to the second floor would add to the vibrancy that the borough has been carefully cultivating in recent years.

What would it cost to realize this opportunity?

ESTIMATED DEVELOPMENT COSTS

Inclusive of acquisition at fair market value and residential construction costs per square foot of $190 (based on the property's current condition and prevailing construction costs in the region), the total residential development cost of this mixed-use project is estimated to be…

$2,347,800

with a residential development cost, per unit, of $293,475

The **8 units** of developed housing would include:

4	**1 bedroom / 1 bathroom apartments @ 850 square feet**
4	**2 bedroom / 2 bathroom apartments @ 1,000 square feet each**

Note: This downtown development example, while hypothetical, is a realistic demonstration of housing development financial math in early 2023.

*What rents would have to be charged to make this project work, **unassisted**, with traditional debt and equity?*

UNASSISTED FINANCING

Under healthy market conditions, this project would be financed as follows:

10%	**Owner Equity**	**$234,800**
20%	**Investor Equity**	**$469,600** *(at 9% over a 15-year term)*
70%	**Bank Debt**	**$1,643,500** *(at 5% over a 30-year term)*

To make monthly payments on the bank loan and equity investments, and to cover all operating and management expenses, the rents necessary to break even would be…

BREAK-EVEN RENTS

$2,400 154% AMI — **1 bedroom / 1 bathroom**

$3,250 209% AMI — **2 bedroom / 2 bathroom**

While Bedford County is one of the region's stronger county-level markets, and Bedford borough is one of the region's more desirable residential environments, these rents may create levels of perceived risk that are too high to make the project feasible.

*How might the project be **assisted** to lower the required rents, lower risks, and attract sufficient financing?*

STRATEGICALLY ASSISTED FINANCING

Market rent subsidies and identification of investors with local ties would make this project more likely to advance.

MARKET RENT SUBSIDIES

A public/private housing coalition *in Bedford creates a fund to assist high-quality market-rate projects at $25,000 per unit*	**$200,000**
A façade improvement program *is created to assist with construction costs on historic buildings, and is used here to aid with new windows*	**$75,000**

+ EQUITY POOL

BCED identifies local housing investors *to cover equity investment needs*	**$469,600**

10%	**Owner Equity**	**$234,800**
20%	**Investor Equity**	**$469,600** *(at 9% over a 15-year term)*
58%	**Bank Debt**	**$1,368,500** *(at 5% over a 30-year term)*
12%	**Market Rent Subsidy**	**$275,000**

BREAK-EVEN RENTS

$2,150 138% AMI — **1 bedroom / 1 bathroom**

$2,850 183% AMI — **2 bedroom / 2 bathroom**

The subsidies allow debt costs to be lowered, which are then used to reduce the required rents to levels that better reflect market "willingness" for new, high-quality rentals in Bedford borough.

Bedford County

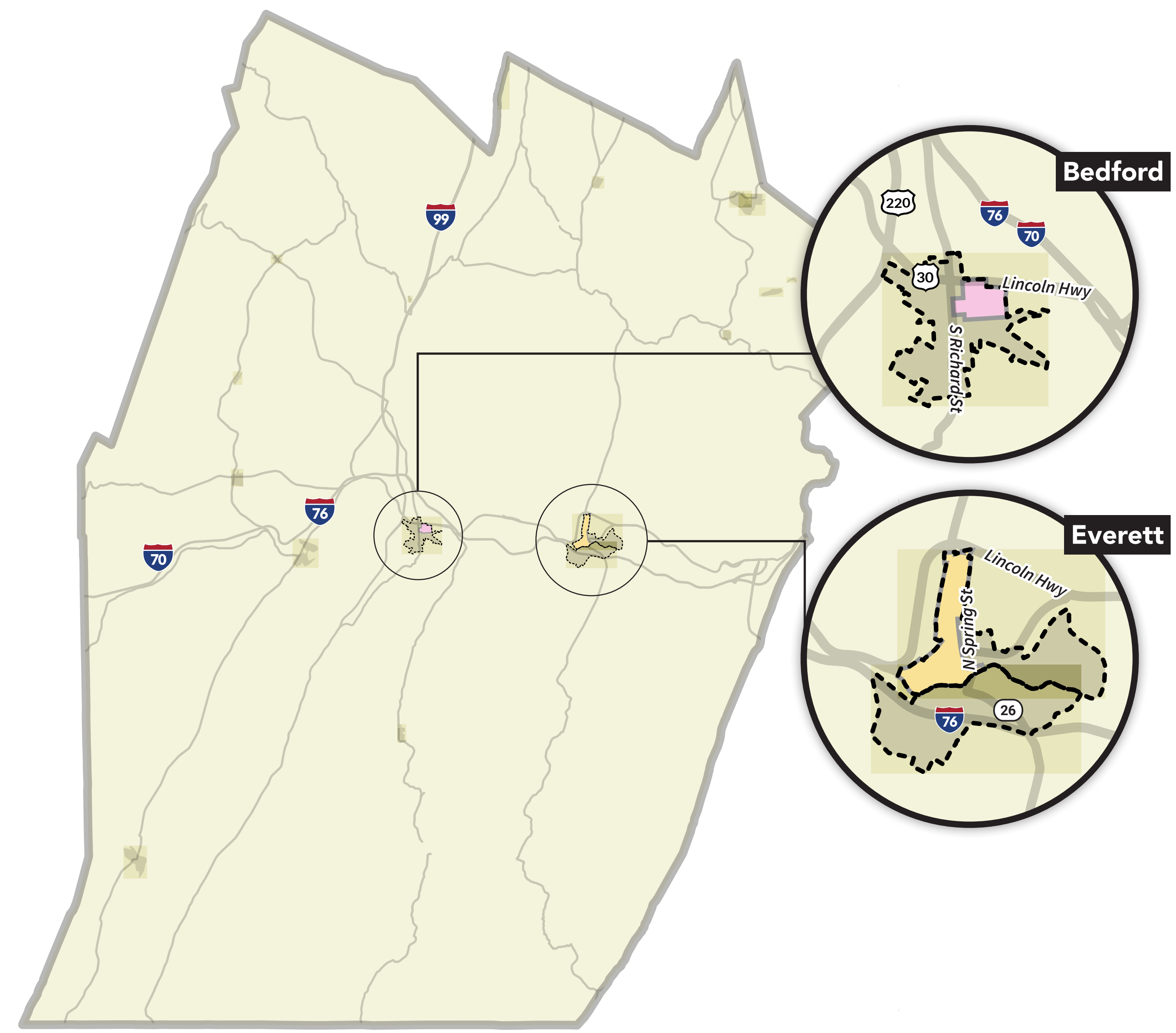
Middle Neighborhood Preservation

Two parts of Bedford County fit this housing strategy's definition of "middle neighborhood" based on their combination of population density and **average** or **above-average** market conditions.

Average | ***Above** Average*

These include the parts of **Everett borough** west of North Spring Street, as well as the northeastern section of **Bedford** borough east of Richard Street and north of John Street.

Refer to the **tools listed on page 59** for the types of interventions that are especially appropriate for strengthening these areas.



Middle Neighborhood Preservation DEMAND *Average* ***Above** Average*

BLAIR COUNTY

Overview and Key Issues

While Blair County's population peaked in 1940, it has experienced a much shallower decline than many other urban counties in Pennsylvania. Since 2000, the number of households actually grew by 0.3%, and the county's home value-to-income ratio moved in a positive direction—suggesting that demand is healthier now than it was at the turn of the century.

These positive indicators, however, exist alongside evidence of the toll of disinvestment over several decades. The number of chronically vacant housing units jumped by 339% between 2000 and 2020—the largest increase in the region, and a top issue in the eyes of many respondents to the *Allegheneies Ahead on Housing* survey. And housing prices and rents are—as in the rest of the region—relatively low in the national context, creating a gap between what it costs to build or rehab housing today and what households are willing to spend.

Nonetheless, Blair County has been home to noteworthy housing investments in recent years—including several projects in Altoona—that demonstrate how to strategically respond to financing gaps and make projects feasible. Connecting these positive developments to each other and to improvements in quality of place remains a key challenge and opportunity. So, too, is the reality that Blair County has some of the strongest sub-markets in the region (highest levels of demand) as well as some of the weakest (highest levels of need)—requiring careful planning and coordination to maintain those strengths while putting weaker markets in a position to stabilize.

Top-Ranking Housing Issues from 2022 Online Survey

OPTIONS	REGION	BLAIR
Too many poorly maintained homes and rentals OR too many vacant/abandoned homes	1	1
Adequate housing is too expensive or hard to find	2	2
There are not enough newly built or fully rehabbed housing options	3	3
Neighborhoods are unappealing		
Utilities are too expensive		4
Transportation is too expensive or challenging	4	
Not enough housing options for populations with special needs		

Online survey participants were given a list of options and asked to "select no more than three housing issues that you think are the most important issues facing your community." The results above highlight and rank the issues that received more than 10% of the selections from 323 completed responses at the regional level and 83 completed responses from Blair County.

Top-Ranking Housing Activities to Fund from 2022 Online Survey

OPTIONS	REGION	BLAIR
Subsidize the development of new apartments that would be income-restricted to households earning $35,000 or less		
Subsidize the development of new apartments that would be rented without income restrictions	3	3
Build emergency housing for those experiencing homelessness		4
Subsidize the development of new housing geared towards seniors		
Help to rehab dilapidated houses to make them appealing and affordable for first-time buyers	1	1
Subsidize the development of new homes for first-time buyers	5	
Help to rehab existing rentals to improve condition with stable rent	6	
Demolish abandoned or blighted housing	2	2
Assist homeowners who have difficulty paying for basic maintenance	4	3

Online survey participants were given a list of options and asked to distribute $5 million from a hypothetical county housing fund to the activities they preferred. The results above highlight and rank the issues that received more than 10% of the funding distributed by 323 completed responses at the regional level and 83 completed responses from Blair County.

OPEN HOUSE

Blair County

Market Typology

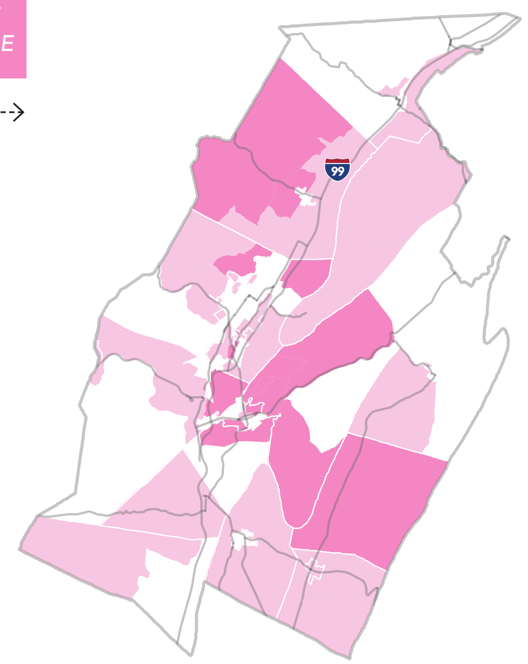
WELL BELOW AVERAGE | BELOW AVERAGE | AVERAGE | ABOVE AVERAGE | WELL ABOVE AVERAGE

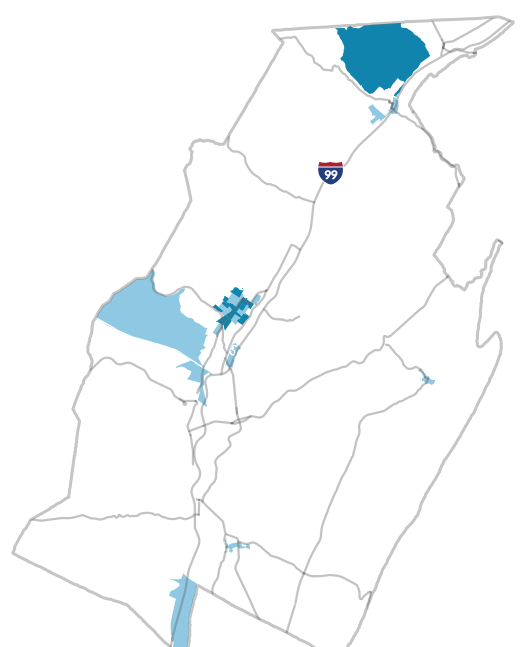
DEMAND

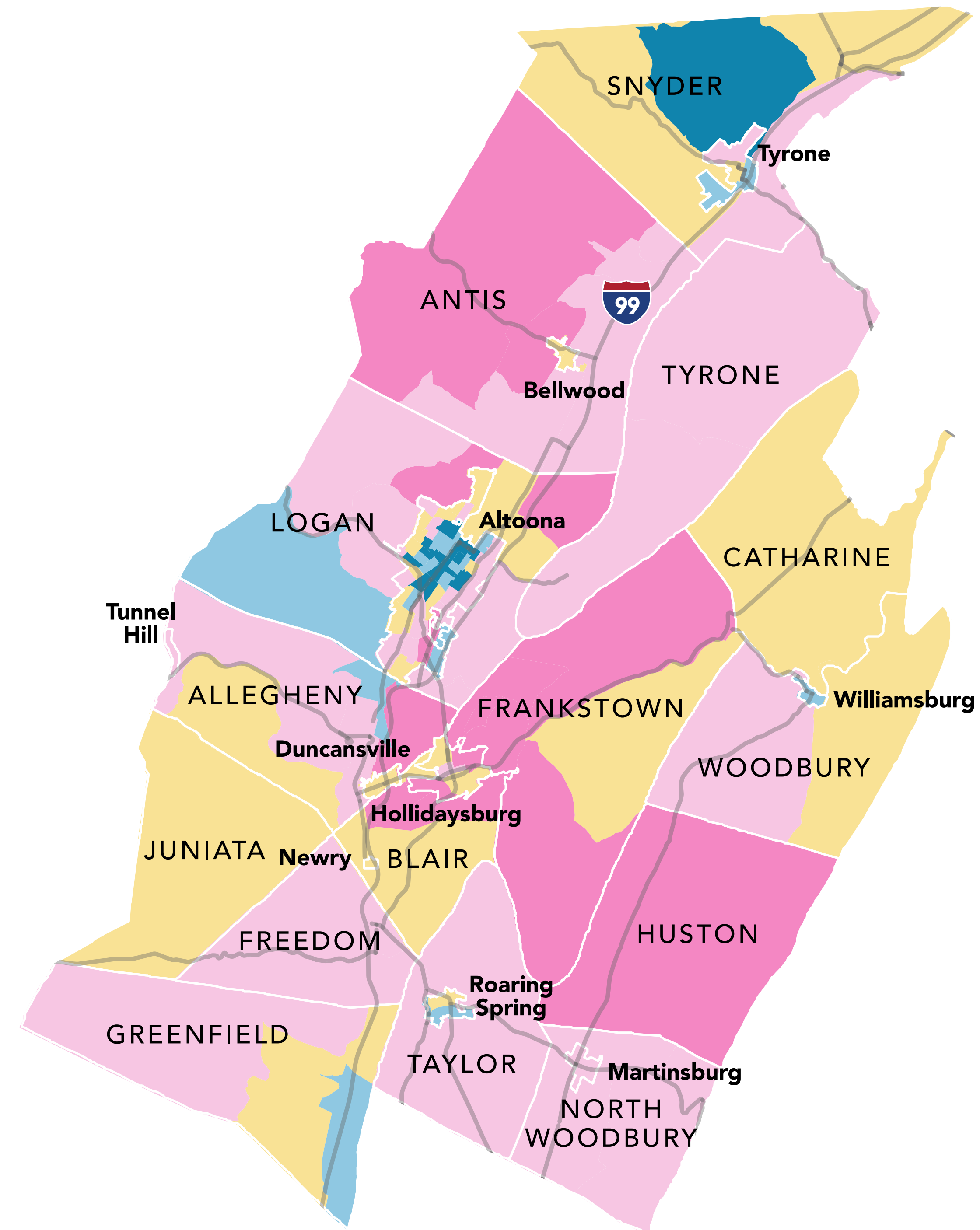
Blair County has **one of the highest concentrations of sub-markets with above-average demand** in the region. These markets can be found throughout the county, but especially in areas within and around **Hollidaysburg** and **along the I-99 corridor north of Altoona**.

At the same time, the county has the **second highest concentration of below-demand** markets in the region, primarily within the **City of Altoona** but including parts of ***Tyrone***, **Roaring Spring**, and **Williamsburg** boroughs.

The **City of Altoona's market** geography represents a particular challenge for housing policy and strategies. Core parts of the city are some of the **weakest markets in the region**. Those neighborhoods are surrounded by stronger neighborhoods that are vital to the city's fiscal viability but are vulnerable to decline due to their proximity to blighted conditions.







Blair County Market Typology

DEMAND

Lower DEMAND Higher

This is a detailed county-level version of the regional typology map presented on page 22 and features Census block groups as the unit of analysis. See page 22 for details on the typology's data components.

Blair County — Need/Demand

See the region-level versions of this Need/ Demand table, along with explanatory notes, in Part 1 on pages 18-20

	Need			Demand			
	Less than $20,000	$20,000-$34,999	$35,000-$49,999	$50,000-$74,999	$75,000-$99,999	$100,000-$149,999	$150,000+
Number of Households	9,344	8,334	7,735	9,390	6,685	6,682	3,477
Share of all households	18%	16%	15%	18%	13%	13%	7%
Rent/Own Split	60% / 40%	37% / 63%	35% / 65%	24% / 76%	12% / 88%	10% / 90%	6% / 94%
Affordable Rent or Monthly Housing Payment	$500 or less	$500 - $874	$875 - $1,250	$1,250 - $1,874	$1,875 - $2,499	$2,500 - $3,749	$3,750+
Affordable home purchase price	*NA*	*$60,000 - $104,999*	*$105,000 - $150,000*	*$150,000 - $224,999*	*$225,000 - $299,999*	*$300,000 - $349,999*	*$350,000+*
RENT **Share of Renters Cost-Burdened**	74%	62%	28%	3%	<1%	<1%	<1%
OWN **Share of Owners Cost-Burdened**	65%	29%	17%	6%	<2%	<2%	<2%

Source: 2020 American Community Survey, 5-year estimates

Key findings about housing need and demand in the Blair County

Levels of need and demand in Blair County generally mirror regional conditions. The same share of households (34%) earn less than $35,000, and the share of households earning more than $100,000 is slightly greater (20% versus 19%).

The biggest difference between Blair County and the region is that higher percentages of lower income households are cost-burdened in Blair County. 62% of renting households earning $20,000 to $34,999 are cost-burdened in Blair compared to 47% in the region, for example, owing to Blair County having the highest median gross rent in the region.

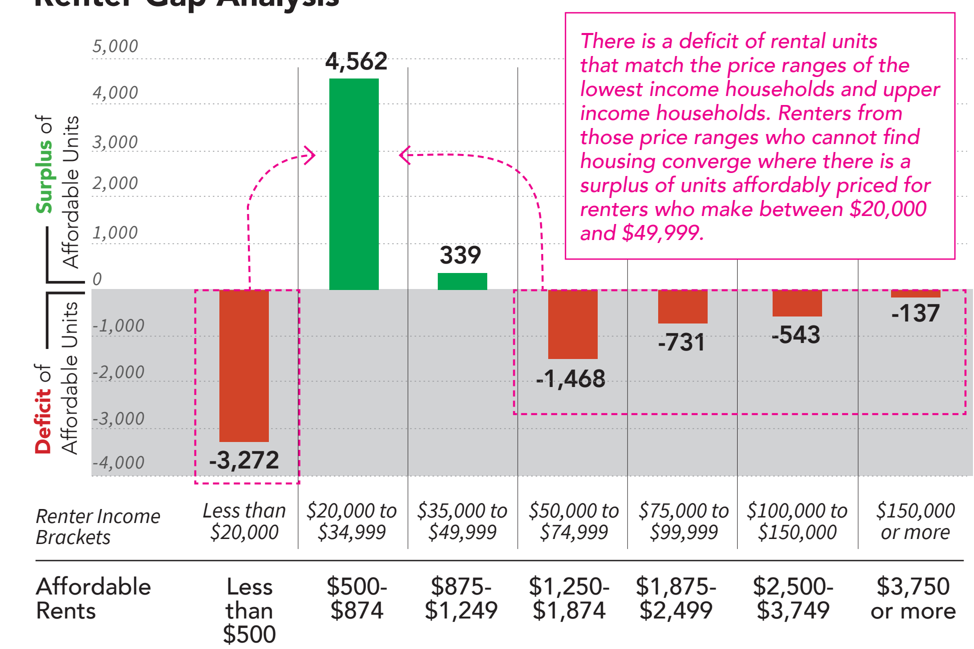
Blair County — Gap Analyses

While Blair County's gap analyses are broadly similar to the region's gap analyses presented in Part 1 on page 28, the patterns are more pronounced at the bottom of the market, especially for renters. Low-income households outnumber the volume of very low-rent units by nearly 3,300, pushing those households up market and into competition with moderate- and higher-income households.

While the shortage of rental units priced for higher-income households is less severe in Blair County than some other counties in the region, this may be the result of many would-be renters who have chosen, because of sparse options, to buy instead. Options above $225,000 in the homeownership market are also sparse, however, resulting in a gap of nearly 10,000 units across the three highest income brackets.

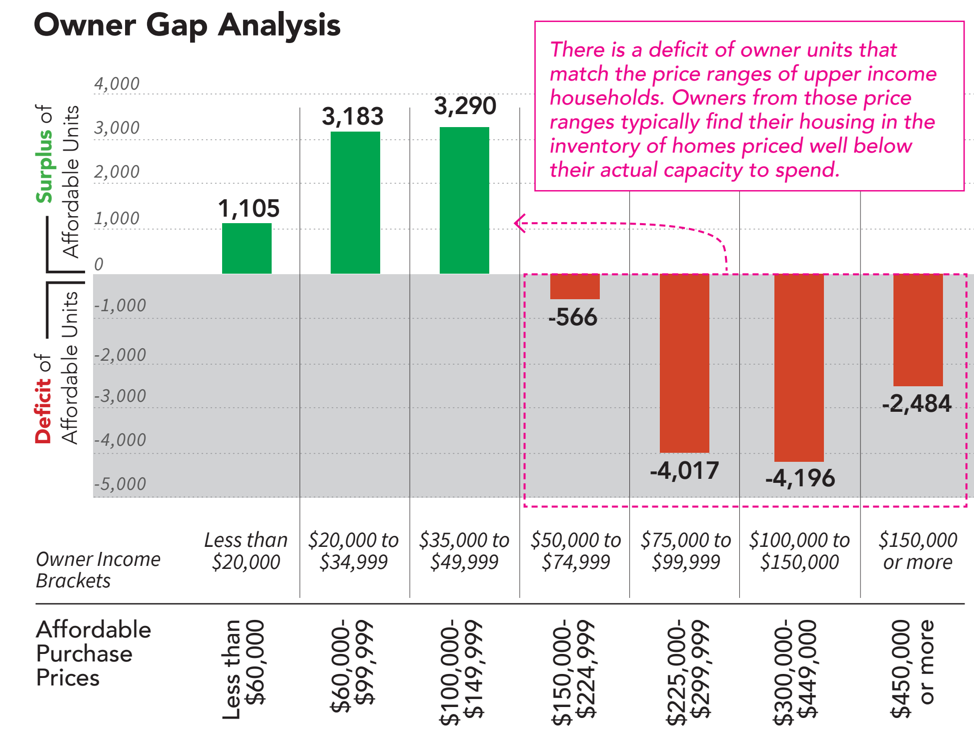
RENT

Renter Gap Analysis



OWN

Owner Gap Analysis



Source: Analysis of household incomes and housing costs from the 2020 American Community Survey, 5-year estimates

Blair County

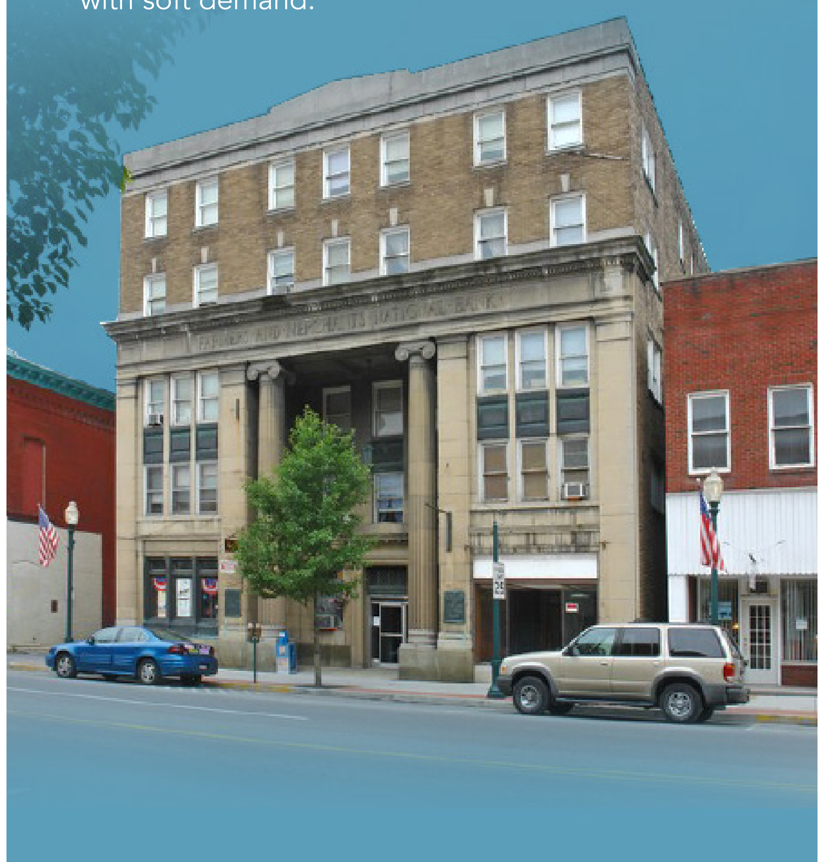
Downtowns

Farmers and Merchants National Bank — Downtown Tyrone

THE OPPORTUNITY

The old Farmers and Merchants National Bank is a prominent and underutilized Class C commercial property in the middle of downtown Tyrone and the Tyrone Borough Historic District.

Revitalization of this property through a mixed-use project with 30 apartments on the upper four floors and commercial space on the ground floor would be a significant infusion of activity on Pennsylvania Avenue and provide high-quality market-rate apartments in a part of Blair County with soft demand.



What would it cost to realize this opportunity?

ESTIMATED DEVELOPMENT COSTS

Inclusive of acquisition at fair market value and residential construction costs per square foot of $192 (based on the property's current condition and prevailing construction costs in the region), the total residential development cost of this mixed-use project is estimated to be…

$6,435,100

with a residential development cost, per unit, of $214,500

The **30 units** of developed housing would include:

21	**1 bedroom / 1 bathroom apartments @ 725 square feet**
8	**2 bedroom / 2 bathroom apartments @ 1,025 square feet each**
1	**2 bedroom / 2.5 bathroom apartment @ 1,200 square feet**

Note: This downtown development example, while hypothetical, is a realistic demonstration of housing development financial math in early 2023.

*What rents would have to be charged to make this project work, **unassisted**, with traditional debt and equity?*

UNASSISTED FINANCING

Under healthy market conditions, this project would be financed as follows:

10%	**Owner Equity**	**$643,500**
20%	**Investor Equity**	**$1,287,000** *(at 9% over a 15-year term)*
70%	**Bank Debt**	**$4,504,000** *(at 5% over a 30-year term)*

To make monthly payments on the bank loan and equity investments, and to cover all operating and management expenses, the rents necessary to break even would be…

BREAK-EVEN RENTS

103% AMI	158% AMI	183% AMI
$1,800	**$2,775**	**$3,200**
1 bedroom / 1 bathroom	**2 bedroom / 2 bathroom**	**2 bedroom / 2.5 bathroom**

At this time, rents at these levels may be perceived as unattainable, making the project too risky to attract equity investors and a lender.

*How might the project be **assisted** to lower the required rents, lower risks, and attract sufficient financing?*

STRATEGICALLY ASSISTED FINANCING

Market rent subsidies and identification of investors with local ties would make this project more likely to advance.

MARKET RENT SUBSIDIES	**Federal Historic Rehabilitation Tax Credits,** *for this eligible property covering 20% of construction costs*	**$1,096,000**
	State Historic Tax Credits *added to the federal credits*	**$500,000**
	Joint grant *from Blair County and Borough of Tyrone to support downtown housing*	**$300,000**
EQUITY POOL	**Local equity investors** *identified through ABCD Corp. to cover project equity needs*	**$1,096,000**

10%	**Owner Equity**	**$643,500**
20%	**Investor Equity**	**$1,287,000** *(at 9% over a 15-year term)*
41%	**Bank Debt**	**$2,608,000** *(at 5% over a 30-year term)*
29%	**Market Rent Subsidy**	**$1,896,000**

BREAK-EVEN RENTS

80% AMI	120% AMI	143% AMI
$1,400	**$2,100**	**$2,500**
1 bedroom / 1 bathroom	**2 bedroom / 2 bathroom**	**2 bedroom / 2.5 bathroom**

The subsidies allow a reduction in rents, but they are also used to keep project quality high in order set new standards for the market.

Blair County

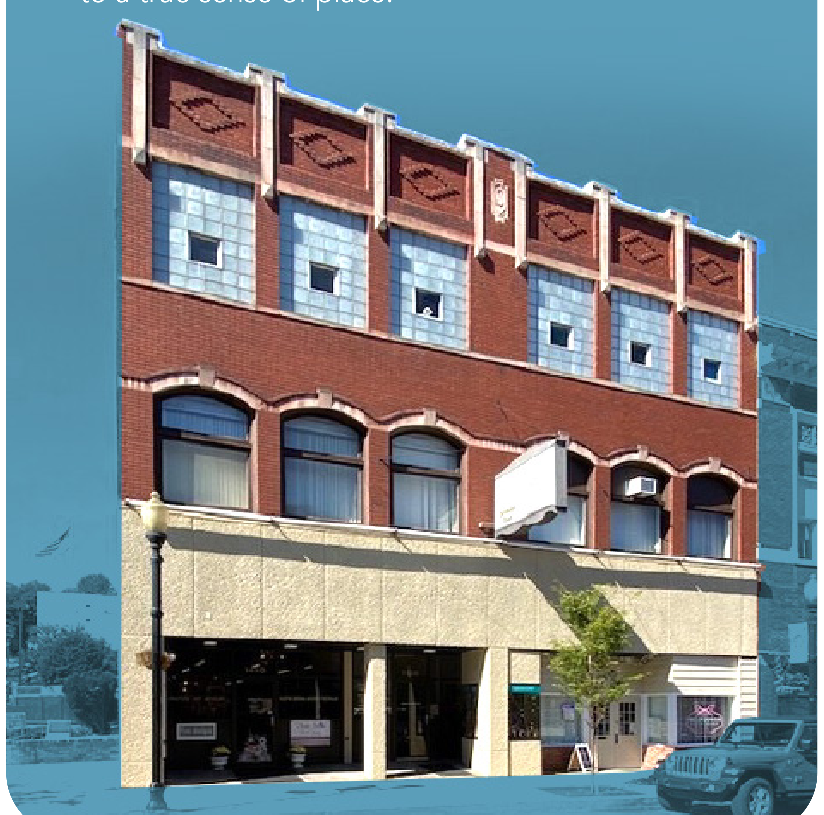
Downtowns

1408 11th Avenue | Downtown Altoona

THE OPPORTUNITY

Across the street from Heritage Plaza and around the corner from a new brewery and other investments, this three-story commercial building represents an opportunity to bring additional households and vitality to an emerging focal point of downtown Altoona.

The redevelopment of office spaces on the second and third floors into eight apartments, combined with updates to first-floor commercial space and restoration of the façade, represents the type of small project that can steadily add up to a true sense of place.



What would it cost to realize this opportunity?

ESTIMATED DEVELOPMENT COSTS

Inclusive of acquisition at fair market value and residential construction costs per square foot of $185 (based on the property's current condition and prevailing construction costs in the region), the total residential development cost of this mixed-use project is estimated to be…

$1,889,300

with a residential development cost, per unit, of $237,400

The **8 units** of developed housing would include:

4	**1 bedroom / 1 bathroom apartments @ 750 square feet**
4	**2 bedroom / 2 bathroom apartments @ 950 square feet each**

Note: This downtown development example, while hypothetical, is a realistic demonstration of housing development financial math in early 2023.

*What rents would have to be charged to make this project work, **unassisted**, with traditional debt and equity?*

UNASSISTED FINANCING

Under healthy market conditions, this project would be financed as follows:

10%	**Owner Equity**	**$189,900**
20%	**Investor Equity**	**$379,900** *(at 9% over a 15-year term)*
70%	**Bank Debt**	**$1,329,500** *(at 5% over a 30-year term)*

To make monthly payments on the bank loan and equity investments, and to cover all operating and management expenses, the rents necessary to break even would be…

BREAK-EVEN RENTS

111% AMI	151% AMI
$1,950	**$2,650**
1 bedroom / 1 bathroom	**2 bedroom / 2 bathroom**

Over the past decade, new market-rate apartments in Altoona have set higher standards and proven an appetite for high-quality units renting for $1,500+. But rents that start at around $2,000 still seem risky and may scuttle attempts at traditional financing.

*How might the project be **assisted** to lower the required rents, lower risks, and attract sufficient financing?*

STRATEGICALLY ASSISTED FINANCING

Market rent subsidies and identification of investors with local ties would make this project more likely to advance.

MARKET RENT SUBSIDIES

Challenge grant *from three major local employers to support high-quality housing development and spur public sector participation*	**$150,000**
Joint grant *from Blair County and City of Altoona in response to challenge grant*	**$150,000**

+

EQUITY POOL

Local equity investors *identified through ABCD Corp. to cover project equity needs*	**$379,900**

10%	**Owner Equity**	**$189,900**
20%	**Investor Equity**	**$379,900** *(at 9% over a 15-year term)*
54%	**Bank Debt**	**$1,029,400** *(at 5% over a 30-year term)*
16%	**Market Rent Subsidy**	**$300,000**

BREAK-EVEN RENTS

94% AMI	128% AMI
$1,650	**$2,250**
1 bedroom / 1 bathroom	**2 bedroom / 2 bathroom**

Proposed rents are now more in line with market willingness in Altoona's growing apartment market, while still elevating standards for housing in the downtown core.

Blair County

Downtowns

314-316 Allegheny Street — Downtown Hollidaysburg

THE OPPORTUNITY

A group of doctors in Blair County is looking into a trio of buildings in the heart of Hollidaysburg. They know about the shortage of high-quality rentals in the region for upper-income households and they believe that Hollidaysburg—with its historic charm and easy access to the region's best shopping and services—is the place to indulge their interest in real estate development.

Assembling the buildings into a single project has the potential to maximize the number of units produced, achieve some economies of scale, retain the largest storefront as leasable commercial space, and bolster the vitality of an important block.

What would it cost to realize this opportunity?

ESTIMATED DEVELOPMENT COSTS

Inclusive of acquisition at fair market value and residential construction costs per square foot of $200 (based on the property's current condition and prevailing construction costs in the region), the total residential development cost of this mixed-use project is estimated to be…

$2,933,000

with a residential development cost, per unit, of $293,000

The **10 units** of developed housing would include:

4	**1 bedroom / 1 bathroom apartments @ 800 square feet**
3	**2 bedroom / 2 bathroom apartments @ 1,000 square feet each**
3	**2 bedroom / 2.5 bathroom apartments @ 1,200 square feet each**

Note: This downtown development example, while hypothetical, is a realistic demonstration of housing development financial math in early 2023.

*What rents would have to be charged to make this project work, **unassisted**, with traditional debt and equity?*

UNASSISTED FINANCING

Under healthy market conditions, this project would be financed as follows:

10%	**Owner Equity**	**$293,300**
20%	**Investor Equity**	**$586,600** *(at 9% over a 15-year term)*
70%	**Bank Debt**	**$2,053,100** *(at 5% over a 30-year term)*

To make monthly payments on the bank loan and equity investments, and to cover all operating and management expenses, the rents necessary to break even would be…

BREAK-EVEN RENTS

126% AMI	163% AMI	194% AMI
$2,200	**$2,850**	**$3,400**
1 bedroom / 1 bathroom	**2 bedroom / 2 bathroom**	**2 bedroom / 2.5 bathroom**

While new units in Hollidaysburg can garner higher rents than almost anywhere else in the region, acquisition costs there are also higher. Those costs, combined with the high cost of construction within the idiosyncratic spaces of these narrow buildings, would result in rents that do not yet seem achievable.

*How might the project be **assisted** to lower the required rents, lower risks, and attract sufficient financing?*

STRATEGICALLY ASSISTED FINANCING

Market rent subsidies would make this project more likely to advance.

MARKET RENT SUBSIDIES

Federal Historic Rehabilitation Tax Credits *for this eligible property covering 20% of construction costs*	**$586,600**
State Historic Tax Credits *added to the federal credits*	**$100,000**

33%	**Owner Equity and Market Rent Subsidy**	**$979,900**
20%	**Investor Equity**	**$586,600** *(at 9% over a 15-year term)*
47%	**Bank Debt**	**$1,366,800** *(at 5% over a 30-year term)*

BREAK-EVEN RENTS

100% AMI	126% AMI	154% AMI
$1,750	**$2,200**	**$2,700**
1 bedroom / 1 bathroom	**2 bedroom / 2 bathroom**	**2 bedroom / 2.5 bathroom**

Access to historic preservation tax credits within the Hollidaysburg Historic District is a significant asset that makes this project more feasible. The doctors increase their equity stake in order to use the credits themselves and achieve a more realistic rent structure.

Blair County

Middle Neighborhood Preservation

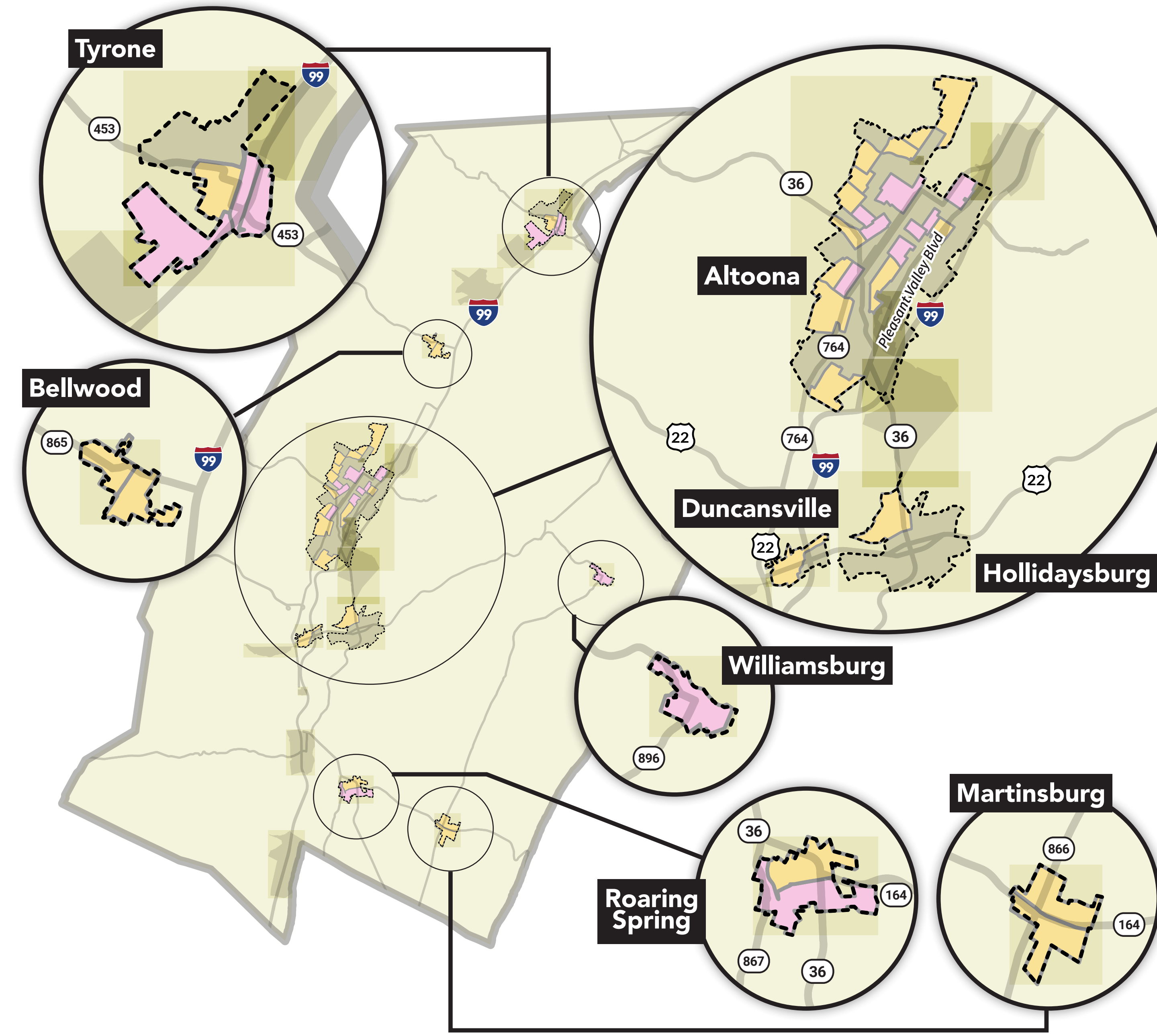
All or parts of eight communities in Blair County fit this housing strategy's definition of "middle neighborhood" based on their combination of population density and **average** or **above-average** market conditions.

Average

***Above** Average*

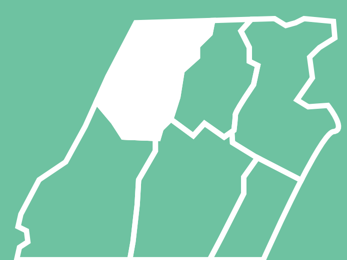
These areas include all of **Roaring Spring, Martinsburg, Williamsburg**, and **Bellwood**. They also include the western end of **Duncansville**, northern **Hollidaysburg**, and the southern section of **Tyrone**. In the City of **Altoona**, middle neighborhoods are located along much of the city's western edges, as well as areas just west of Pleasant Valley Boulevard.

Refer to the **tools listed on page 59** for the types of interventions that are especially appropriate for strengthening these areas.



Middle Neighborhood Preservation DEMAND *Average* ***Above** Average*

CAMBRIA COUNTY



Overview and Key Issues

Among U.S. counties that had at least 100,000 residents by 1970, only four counties—those that include Detroit, New Orleans, Baltimore, and St. Louis—have experienced steeper population losses than Cambria County. That, more than anything, explains the deep and lasting weaknesses in Cambria County's housing market, which trailed the region's other counties on most measurements of market activity and demand between 2000 and 2020. Indeed, since the start of COVID-19, average home sale prices in the county have risen but remain below $100,000.

This history and its implications for housing conditions and investments in Cambria County are not news. Vacant housing, poor maintenance, and a dearth of appealing housing options are among the top issues voiced in the county, and the need to accelerate the pace of demolition while spurring investment in new and rehabbed housing is well-recognized. The perennial challenge is to make the most of limited resources to realize positive incremental movement—especially in an environment where the gap between costs and what people are "willing" to pay is substantial.

The enduring appeal of some of the strongest residential environments in the region—from Ebensburg to Westmont, to the budding of downtown Johnstown—represent significant assets to build coordinated housing strategies around. In a county that has the highest degree of political fragmentation in the region, a coalition-style approach to housing strategies is both necessary and could set the stage for collaboration on a number of related fronts.

Top-Ranking Housing Issues from 2022 Online Survey

OPTIONS	REGION	CAMBRIA
Too many poorly maintained homes and rentals OR too many vacant/abandoned homes	1	1
Adequate housing is too expensive or hard to find	2	3
There are not enough newly built or fully rehabbed housing options	3	2
Neighborhoods are unappealing		
Utilities are too expensive		
Transportation is too expensive or challenging	4	
Not enough housing options for populations with special needs		

Online survey participants were given a list of options and asked to "select no more than three housing issues that you think are the most important issues facing your community." The results above highlight and rank the issues that received more than 10% of the selections from 323 completed responses at the regional level and 31 completed responses from Cambria County.

Top-Ranking Housing Activities to Fund from 2022 Online Survey

OPTIONS	REGION	CAMBRIA
Subsidize the development of new apartments that would be income-restricted to households earning $35,000 or less		
Subsidize the development of new apartments that would be rented without income restrictions	3	3
Build emergency housing for those experiencing homelessness		4
Subsidize the development of new housing geared towards seniors		
Help to rehab dilapidated houses to make them appealing and affordable for first-time buyers	1	2
Subsidize the development of new homes for first-time buyers	5	
Help to rehab existing rentals to improve condition with stable rent	6	
Demolish abandoned or blighted housing	2	1
Assist homeowners who have difficulty paying for basic maintenance	4	

Online survey participants were given a list of options and asked to distribute $5 million from a hypothetical county housing fund to the activities they preferred. The results above highlight and rank the issues that received more than 10% of the funding distributed by 323 completed responses at the regional level and 31 completed responses from Cambria County.

OPEN HOUSE

Cambria County

Market Typology

WELL BELOW AVERAGE | BELOW AVERAGE | AVERAGE | ABOVE AVERAGE | WELL ABOVE AVERAGE

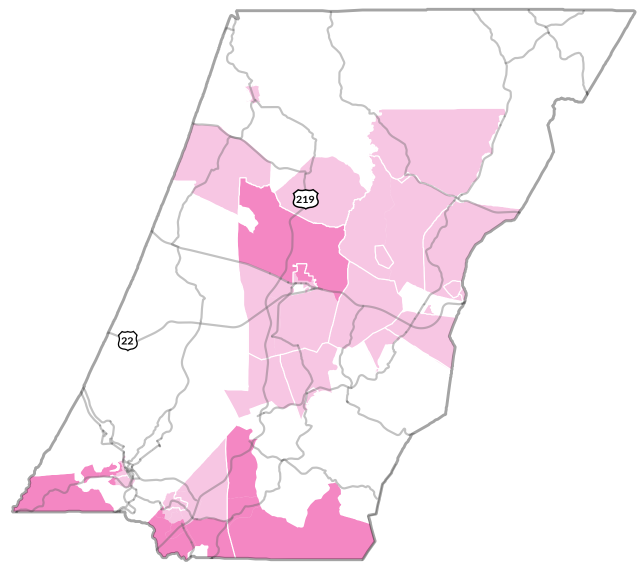
<------ DEMAND ------>

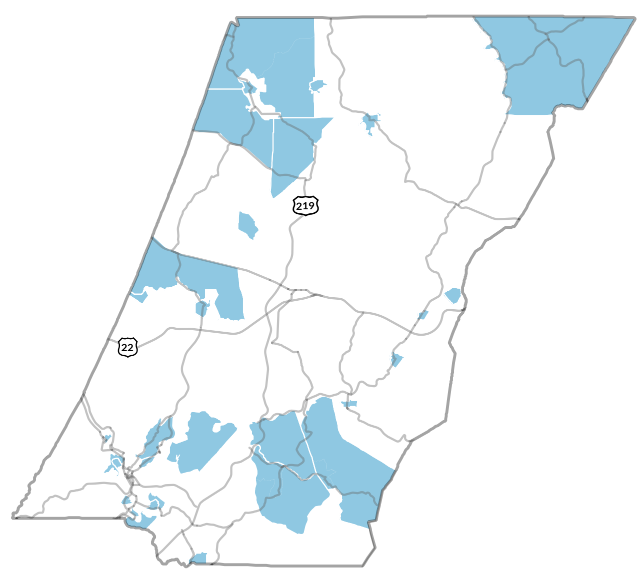
Cambria County, as a whole and internally, has the most complex market geography in the Southern Alleghenies.

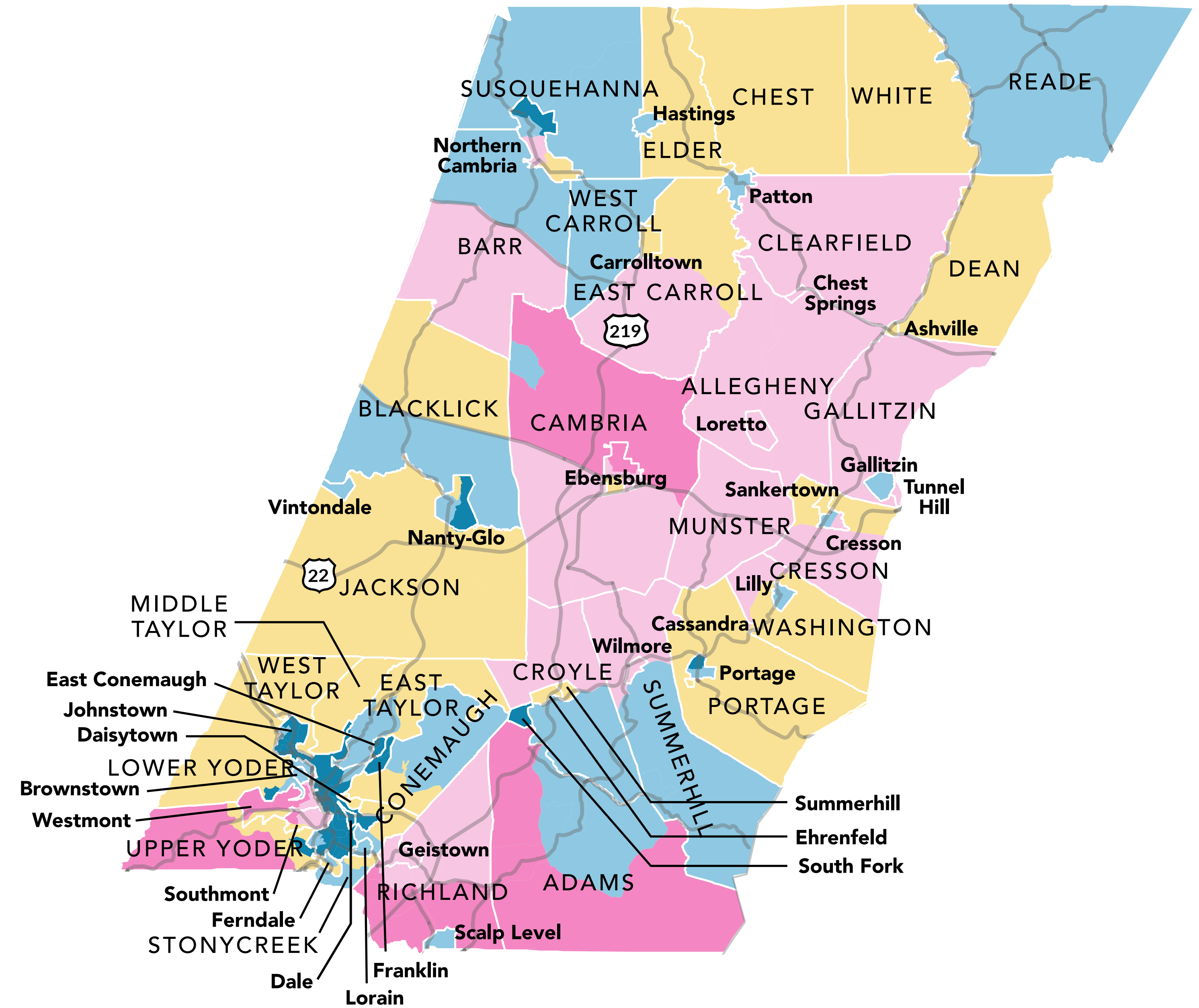
Tightly wound **around Johnstown, for example, are all five of the region's sub-market types**. The city and the older industrial boroughs are almost exclusively comprised of below-average markets with high levels of need and low levels of demand. Alongside those markets are average markets that largely include older Johnstown suburbs. The **highest demand parts of Greater Johnstown** can be found in the relatively high income enclaves of **Westmont** and **Southmont**, as well as newer suburban communities in **Upper Yoder** and **Richland** townships.

At the northern end of the county, the Borough of Northern Cambria has four of the five market types, **surrounded by townships of relatively low demand**.

Central Cambria County on the other hand, with its easy access to both Greater Johnstown and Altoona, has **one of the widest areas of consistently strong markets in the entire region**, particularly in and around **Ebensburg**.







Cambria County Market Typology

DEMAND

Lower <--- DEMAND ---> Higher

This is a detailed county-level version of the regional typology map presented on page 22 and features Census block groups as the unit of analysis. See page 22 for details on the typology's data components.

Cambria County | Need/Demand

	Need			Demand			
	Less than $20,000	$20,000-$34,999	$35,000-$49,999	$50,000-$74,999	$75,000-$99,999	$100,000-$149,999	$150,000+
Number of Households	10,669	10,221	8,629	10,339	6,954	7,202	2,919
Share of all households	19%	18%	15%	18%	12%	13%	5%
Rent/Own Split	54% / 46%	34% / 66%	27% / 73%	16% / 84%	10% / 90%	6% / 94%	5% / 95%
Affordable Rent or Monthly Housing Payment	$500 or less	$500 - $874	$875 - $1,250	$1,250 - $1,874	$1,875 - $2,499	$2,500 - $3,749	$3,750+
Affordable home purchase price	*NA*	*$60,000 - $104,999*	*$105,000 - $150,000*	*$150,000 - $224,999*	*$225,000 - $299,999*	*$300,000 - $349,999*	*$350,000+*
RENT Share of Renters Cost-Burdened	67%	40%	6%	<1%	<1%	<1%	<1%
OWN Share of Owners Cost-Burdened	67%	26%	11%	6%	<2%	<2%	<2%

Source: 2020 American Community Survey, 5-year estimates

See the region-level versions of this Need/Demand table, along with explanatory notes, in Part 1 on pages 18-20.

Key findings about housing need and demand in the Cambria County

Cambria County has higher levels of need than any other county in the region, though not by a large margin. 19% of households earn less than $20,000, compared to 17% in the region. The reverse is true when it comes to demand, with 48% of households earning $50,000 or more compared to the regional share of 51%.

Notably, even with higher levels of need, lower shares of households are cost-burdened in Cambria County than in the region's other urban county (Blair) because of Cambria's low rents. And Cambria's higher income households also spend less of their incomes on housing because of lower prices, resulting in what are likely to be higher "willingness" gaps in Cambria than in any other county.

Cambria County | Gap Analyses

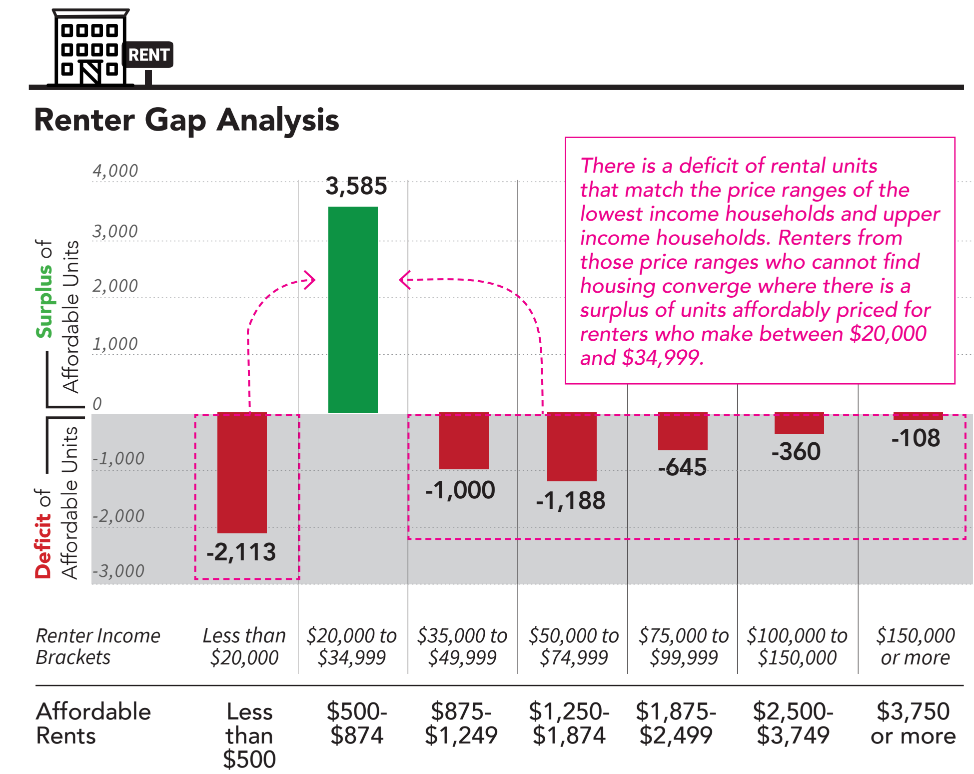
Cambria County's gap analyses demonstrate just how low rents and home prices are in the county, especially when compared to the actual buying power of county households.

While the rental gap analysis shows, for example, a deficit of nearly 2,100 very low-rent units (compared to the number of very low-income households), it shows an ever larger deficit (3,300) of units priced for all renting households that earn more than $35,000. The bulk of the rental activity in the county, consequently, occurs within a fairly narrow range where households of all incomes compete over the same modest offerings.

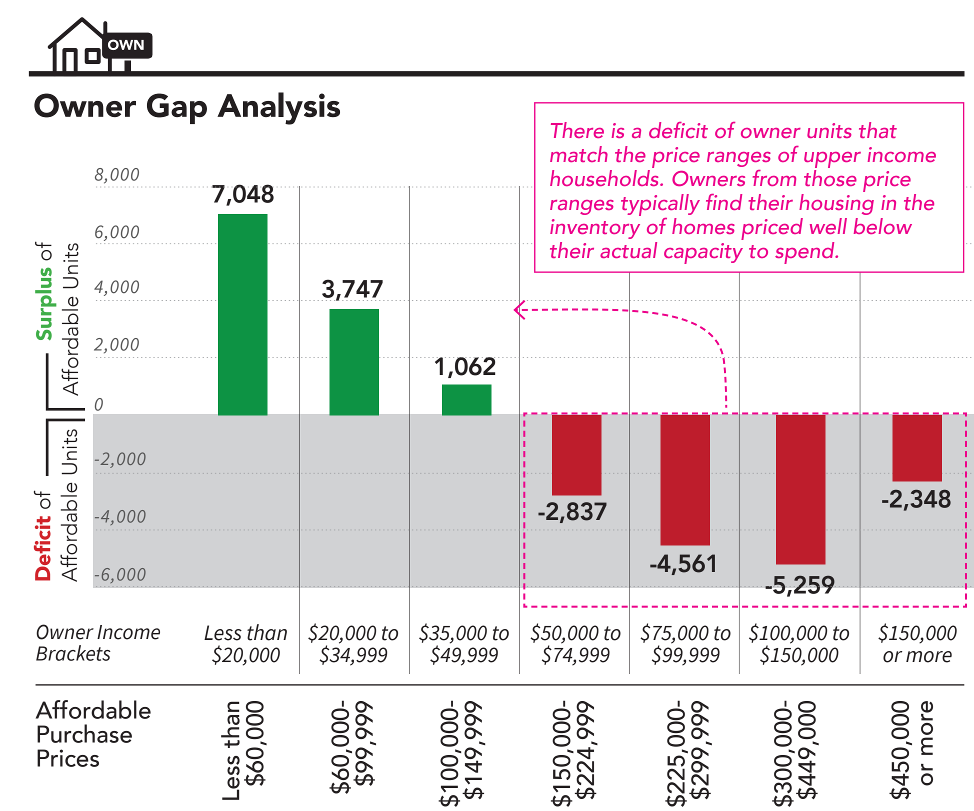
The owner gap analysis, meanwhile, reveals a relative glut of homes priced at under $100,000 compared to the number of home-owning households with incomes in that price range. Those homes represent very affordable purchase opportunities, and perhaps unsatisfactory but available options, for many households earning more than $50,000.

See the region's gaps analysis for additional context on page 28.

Renter Gap Analysis



Owner Gap Analysis



Source: Analysis of household incomes and housing costs from the 2020 American Community Survey, 5-year estimates

Cambria County

Downtowns

129 S. Center Street

Downtown Ebensburg

THE OPPORTUNITY

Located across the street from the Cambria County Courthouse in the core of downtown Ebensburg, 129 S. Center Street is an underutilized property in a prime location. Maintaining office space on the ground floor while reactivating the upper floors with 9 apartments will help to capitalize on quality of place investments along Center Street while adding to the charm of one of the region's most desirability communities.

What would it cost to realize this opportunity?

ESTIMATED DEVELOPMENT COSTS

Inclusive of acquisition at fair market value and residential construction costs per square foot of $200 (based on the property's current condition and prevailing construction costs in the region), the total residential development cost of this mixed-use project is estimated to be…

$2,145,300

with a residential development cost, per unit, of $238,400

The **9 units** of developed housing would include:

7	**1 bedroom / 1 bathroom apartments @ 750 square feet**
2	**2 bedroom / 2 bathroom apartments @ 1,050 square feet each**

Note: This downtown development example, while hypothetical, is a realistic demonstration of housing development financial math in early 2023.

*What rents would have to be charged to make this project work, **unassisted**, with traditional debt and equity?*

UNASSISTED FINANCING

Under healthy market conditions, this project would be financed as follows:

10%	**Owner Equity**	**$214,500**
20%	**Investor Equity**	**$429,000** *(at 9% over a 15-year term)*
70%	**Bank Debt**	**$1,502,000** *(at 5% over a 30-year term)*

To make monthly payments on the bank loan and equity investments, and to cover all operating and management expenses, the rents necessary to break even would be…

BREAK-EVEN RENTS

Rent	AMI	Unit
$2,100	128% AMI	1 bedroom / 1 bathroom
$2,950	180% AMI	2 bedroom / 2 bathroom

Ebensburg is part of the higher-demand market area of central Cambria County, and this property is well-located in the heart of the borough. The project, as proposed, may still struggle to attract traditional financing with these rents.

*How might the project be **assisted** to lower the required rents, lower risks, and attract sufficient financing?*

STRATEGICALLY ASSISTED FINANCING

Market rent subsidies and identification of investors with local ties would make this project more likely to advance.

MARKET RENT SUBSIDIES	**A county housing investment fund,** *paired with matching funds from the borough, are used to subsidize new housing in core areas @ $30,000 per unit*	**$270,000**
	Bond revenues *for strategic housing investments from the Cambria County Industrial Development Authority are used to offset the costs of elevator/circulation upgrades*	**$100,000**
+ EQUITY POOL	**Local equity investors** *identified and organized through JARI*	**$429,000**

10%	**Owner Equity**	**$214,500**
20%	**Investor Equity**	**$429,600** *(at 9% over a 15-year term)*
53%	**Bank Debt**	**$1,137,000** *(at 5% over a 30-year term)*
17%	**Market Rent Subsidy**	**$370,000**

BREAK-EVEN RENTS

Rent	AMI	Unit
$1,800	110% AMI	1 bedroom / 1 bathroom
$2,600	159% AMI	2 bedroom / 2 bathroom

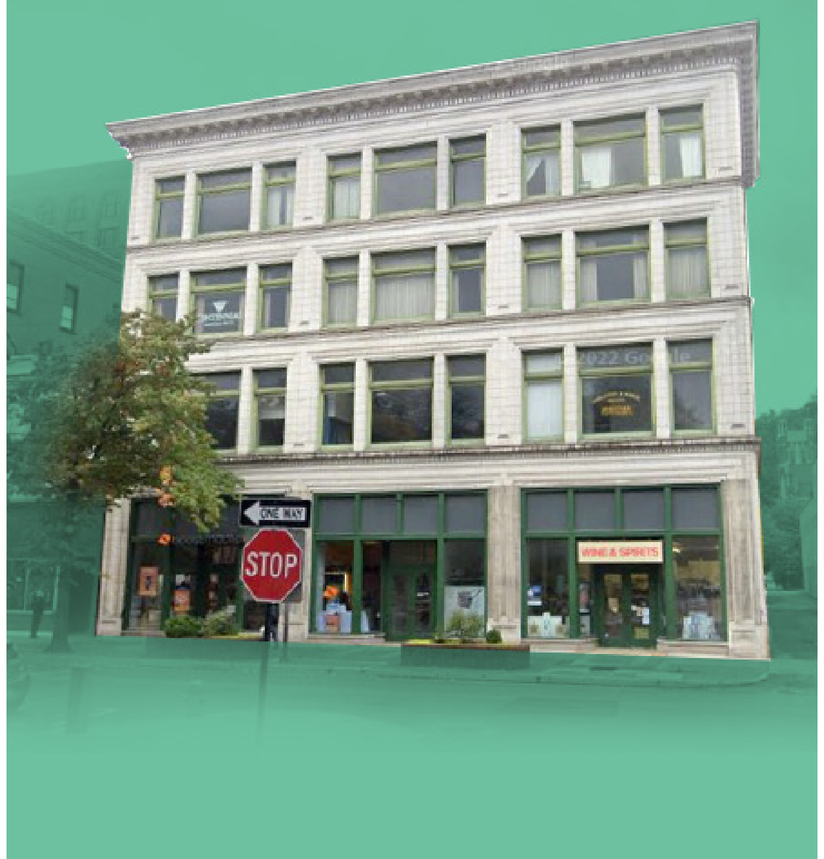
Strategic infusions of public funding make this project viable, while still setting strong new standards for housing in Cambria County.

Cambria County — Downtowns

430 Main Street — Downtown Johnstown

THE OPPORTUNITY

Investments in a number of buildings close to Central Park—as well as investment in the park itself—has started to create a sense of critical mass in downtown Johnstown. A mixed-use redevelopment of the old Nathan's Department Store would add to this emerging energy and create space for 30 households with discretionary incomes to support new restaurants, retail, and other services in the city's core.



What would it cost to realize this opportunity?

ESTIMATED DEVELOPMENT COSTS

Inclusive of acquisition at fair market value and residential construction costs per square foot of $185 (based on the property's current condition, the need for circulation improvements and prevailing construction costs in the region), the total residential development cost of this mixed-use project is estimated to be…

$6,833,300

with a residential development cost, per unit, of $227,777

The **30 units** of developed housing would include:

20	**1 bedroom / 1 bathroom apartments @ 850 square feet**
10	**2 bedroom / 2 bathroom apartments @ 1,150 square feet each**

Note: This downtown development example, while hypothetical, is a realistic demonstration of housing development financial math in early 2023.

*What rents would have to be charged to make this project work, **unassisted**, with traditional debt and equity?*

UNASSISTED FINANCING

Under healthy market conditions, this project would be financed as follows:

10%	**Owner Equity**	**$683,300**
20%	**Investor Equity**	**$1,366,7000** *(at 9% over a 15-year term)*
70%	**Bank Debt**	**$4,783,3000** *(at 5% over a 30-year term)*

To make monthly payments on the bank loan and equity investments, and to cover all operating and management expenses, the rents necessary to break even would be…

BREAK-EVEN RENTS

- **$1,950** 119% AMI — 1 bedroom / 1 bathroom
- **$2,700** 165% AMI — 2 bedroom / 2 bathroom

Interest in market-rate downtown apartments in Johnstown has been rising, and consumer "willingness to pay" has been rising, too. But these rents are still 20% to 33% higher than the market is likely to bear at this stage of the city's revitalization efforts.

*How might the project be **assisted** to lower the required rents, lower risks, and attract sufficient financing?*

STRATEGICALLY ASSISTED FINANCING

Market rent subsidies and identification of investors with local ties would make this project more likely to advance.

MARKET RENT SUBSIDIES

Federal Historic Rehabilitation Tax Credits *for this eligible property covering 20% of construction costs*	**$1,366,700**
Bond revenues *for strategic housing investments from the Cambria County Industrial Development Authority are used to offset the costs of elevator/circulation upgrades*	**$150,000**

+

EQUITY POOL

Local equity investors *identified and organized through JARI*	**$1,366,700**

10%	**Owner Equity**	**$683,300**
20%	**Investor Equity**	**$1,366,700** *(at 9% over a 15-year term)*
48%	**Bank Debt**	**$3,266,6000** *(at 5% over a 30-year term)*
22%	**Market Rent Subsidy**	**$1,516,700**

BREAK-EVEN RENTS

- **$1,600** 98% AMI — 1 bedroom / 1 bathroom
- **$2,150** 131% AMI — 2 bedroom / 2 bathroom

This building is individually listed on the National Register and part of a historic district, so use of historic preservation tax credits is the most lucrative form of market-rate subsidy available. Pairing them with some local resources makes the project feasible and puts 30 additional households next to Central Park.

Cambria County

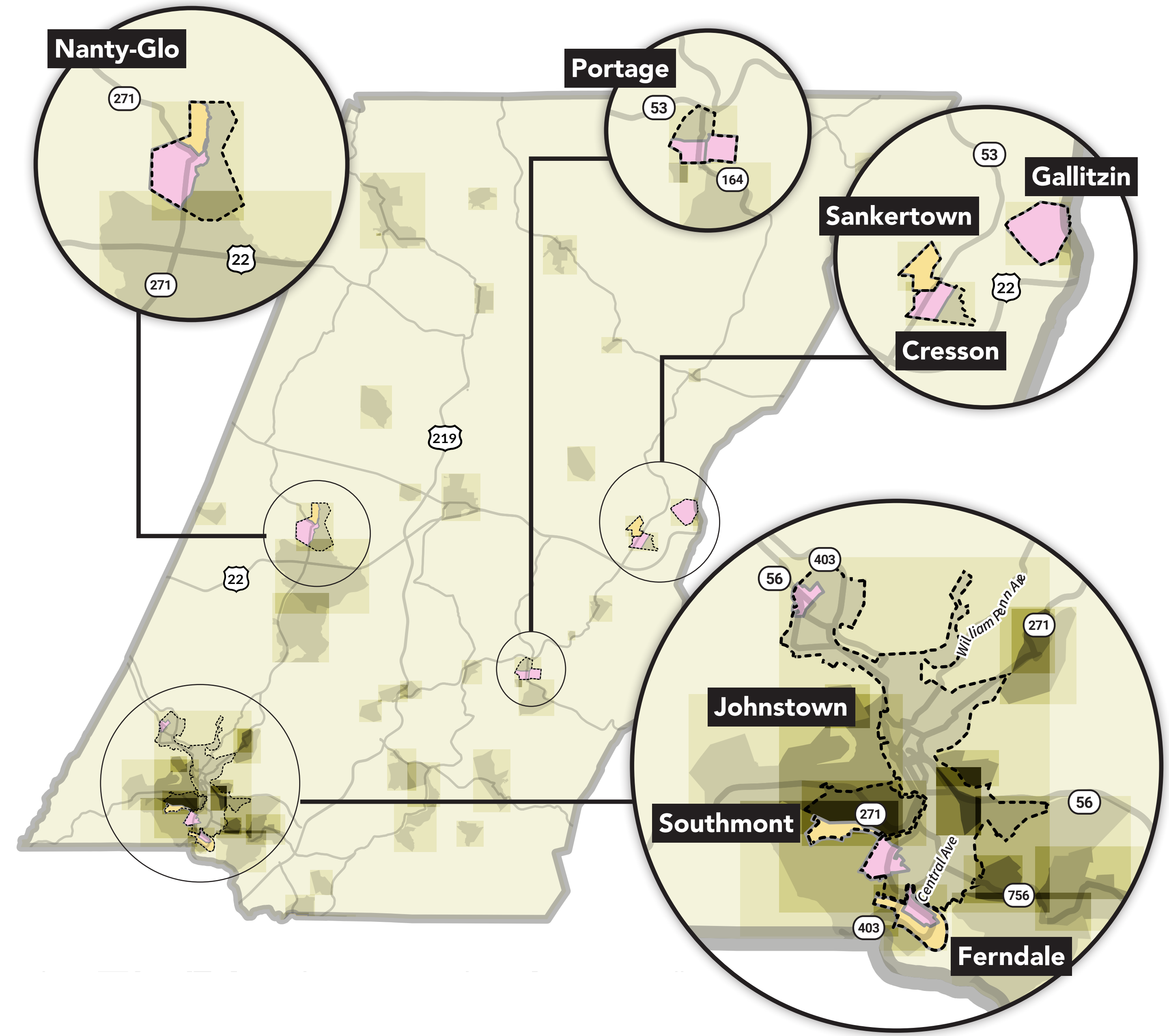
Middle Neighborhood Preservation

Compared to the region's other urbanized county (Blair) Cambria County has relatively few areas that fit this housing strategy's definition of "middle neighborhood" based on their combination of population density and average or above-average market conditions. Consequently, it is important to recognize where those areas are, how to preserve them, and how to use them as a catalyst to strengthen adjacent residential areas.

Average | ***Above** Average*

Cambria County's middle neighborhoods include all of **Gallitzin, Sankertown**, and **Ferndale**, and parts of **Portage**, **Nanty-Glo**, and **Southmont**. They also include **small parts of the City of Johnstown**: Oakhurst at the very northern end of the city, and Roxbury at the far southern end.

Refer to the **tools listed on page 59** for the types of interventions that are especially appropriate for strengthening these areas. While areas like Westmont and Ebensburg are excluded from this definition of middle neighborhood due to their placement in the region's strongest market category, many of the same tools would be appropriate in those areas.



Middle Neighborhood Preservation DEMAND *Average* ***Above** Average*

FULTON COUNTY

Overview and Key Issues

In addition to being the smallest county in the region and the one closest to growing metropolitan markets, Fulton is an outlier in many ways when it comes to housing in the Southern Alleghenies. It was the only county to record noteworthy levels of household growth (+6.7%) between 2000 and 2020. It had the highest rate of growth in home vales. It had the lowest rate of growth in chronically vacant units. And, in 2020, it posted the only value-to-income ratio in the region that suggested a healthy balance of demand and supply.

These positive trends come, however, with many of the challenges inherent to small housing markets that are almost exclusively rural. Supply that is limited in quantity and diversity makes it a challenge for households to move within the county as their needs change—a particular problem for senior households looking for smaller and more manageable housing opportunities. There is also limited infrastructure to support new housing, adding costs and uncertainty to project development.

While relatively strong market conditions make reinvestment in existing housing stocks more likely—especially by cash buyers filtering in from the south and east—resources for property maintenance and improvements in a rural setting compete with higher transportation and utility costs. Indeed, the presence of poorly maintained or vacant homes ranked second among key housing issues identified by Fulton County residents in the *Allegheniees Ahead on Housing* survey.

Top-Ranking Housing Issues from 2022 Online Survey

OPTIONS	REGION	FULTON
Too many poorly maintained homes and rentals OR too many vacant/abandoned homes	1	2
Adequate housing is too expensive or hard to find	2	1
There are not enough newly built or fully rehabbed housing options	3	3
Neighborhoods are unappealing		
Utilities are too expensive		5
Transportation is too expensive or challenging	4	4
Not enough housing options for populations with special needs		

Online survey participants were given a list of options and asked to "select no more than three housing issues that you think are the most important issues facing your community." The results above highlight and rank the issues that received more than 10% of the selections from 323 completed responses at the regional level and 24 completed responses from Fulton County.

Top-Ranking Housing Activities to Fund from 2022 Online Survey

OPTIONS	REGION	FULTON
Subsidize the development of new apartments that would be income-restricted to households earning $35,000 or less		
Subsidize the development of new apartments that would be rented without income restrictions	3	3
Build emergency housing for those experiencing homelessness		
Subsidize the development of new housing geared towards seniors		1
Help to rehab dilapidated houses to make them appealing and affordable for first-time buyers	1	
Subsidize the development of new homes for first-time buyers	5	
Help to rehab existing rentals to improve condition with stable rent	6	
Demolish abandoned or blighted housing	2	
Assist homeowners who have difficulty paying for basic maintenance	4	2

Online survey participants were given a list of options and asked to distribute $5 million from a hypothetical county housing fund to the activities they preferred. The results above highlight and rank the issues that received more than 10% of the funding distributed by 323 completed responses at the regional level and 24 completed responses from Fulton County.

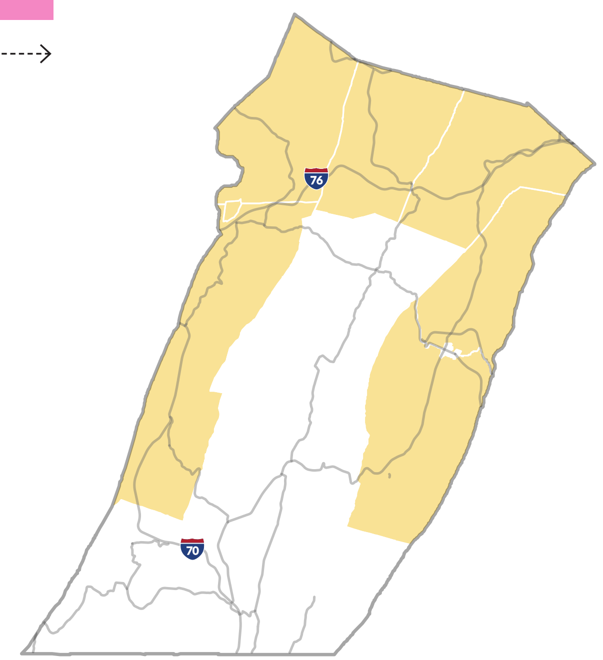
OPEN HOUSE

Fulton County

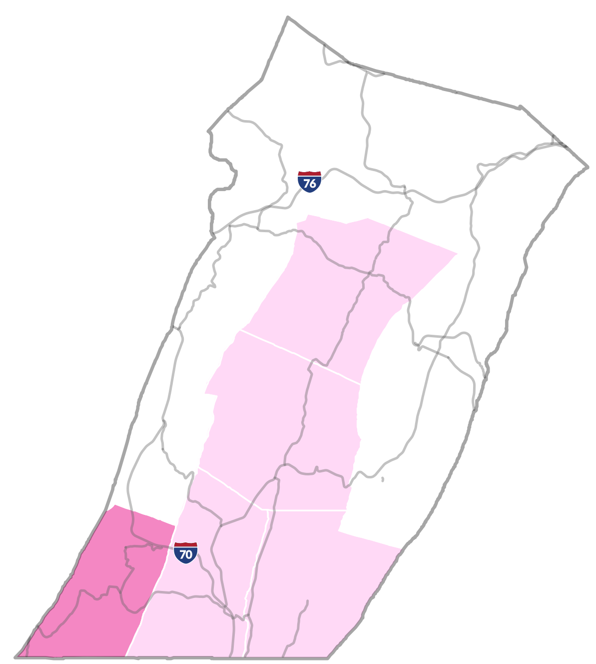
Market Typology

WELL BELOW AVERAGE	BELOW AVERAGE	AVERAGE	ABOVE AVERAGE	WELL ABOVE AVERAGE

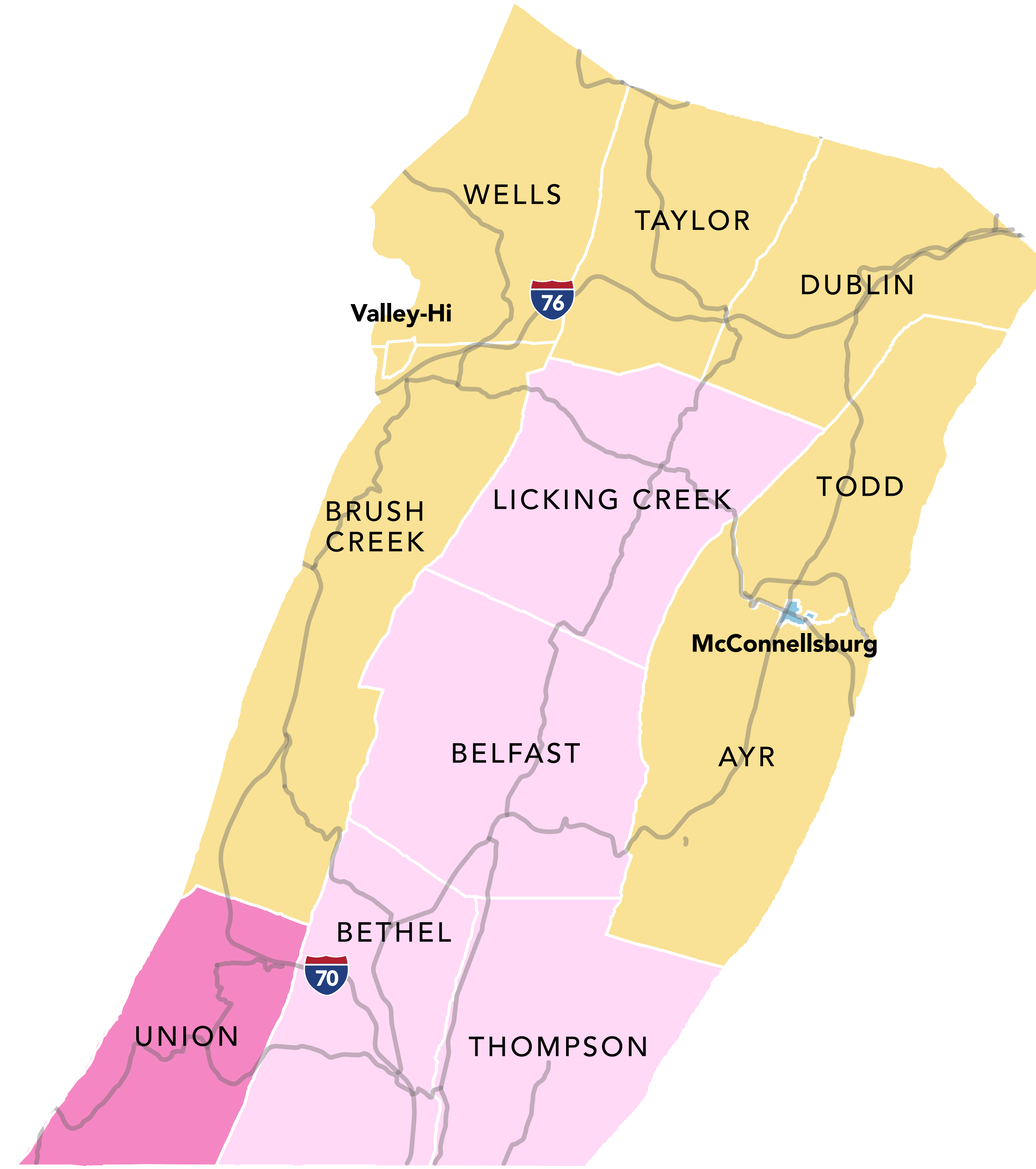
<-- DEMAND -->



With the exception of McConnellsburg borough, about half of Fulton County is covered by housing markets of above-average demand while the other half exhibits **average levels of demand**.



Areas of **highest demand** are located along the Maryland border and include the **I-70 corridor**, as well as areas along much of the **Route 655 corridor**.



Fulton County Market Typology

DEMAND Lower <-- DEMAND --> Higher

This is a detailed county-level version of the regional typology map presented on page 22 and features Census block groups as the unit of analysis. See page 22 for details on the typology's data components.

Fulton County — Need/Demand

	Need			Demand			
	Less than $20,000	$20,000-$34,999	$35,000-$49,999	$50,000-$74,999	$75,000-$99,999	$100,000-$149,999	$150,000+
Number of Households	909	957	848	1,150	1,015	856	305
Share of all households	15%	16%	14%	19%	17%	14%	5%
Rent/Own Split	44% / 56%	27% / 73%	25% / 75%	17% / 83%	19% / 81%	5% / 95%	5% / 95%
Affordable Rent or Monthly Housing Payment	$500 or less	$500 - $874	$875 - $1,250	$1,250 - $1,874	$1,875 - $2,499	$2,500 - $3,749	$3,750+
Affordable home purchase price	NA	$60,000 - $104,999	$105,000 - $150,000	$150,000 - $224,999	$225,000 - $299,999	$300,000 - $349,999	$350,000+
Share of Renters Cost-Burdened	64%	48%	13%	0%	0%	0%	0%
Share of Owners Cost-Burdened	73%	25%	18%	11%	<3%	<3%	<3%

Source: 2020 American Community Survey, 5-year estimates

See the region-level versions of this Need/ Demand table, along with explanatory notes, in Part 1 on pages 18-20.

Key findings about housing need and demand in the Fulton County

Based on Fulton County's position as the region's strongest county-level housing market, it is little surprise that the county has a lower share of lower-income households than the region as a whole (31% versus 34%) and a higher share of households earning $50,000 or more (55% versus 51%).

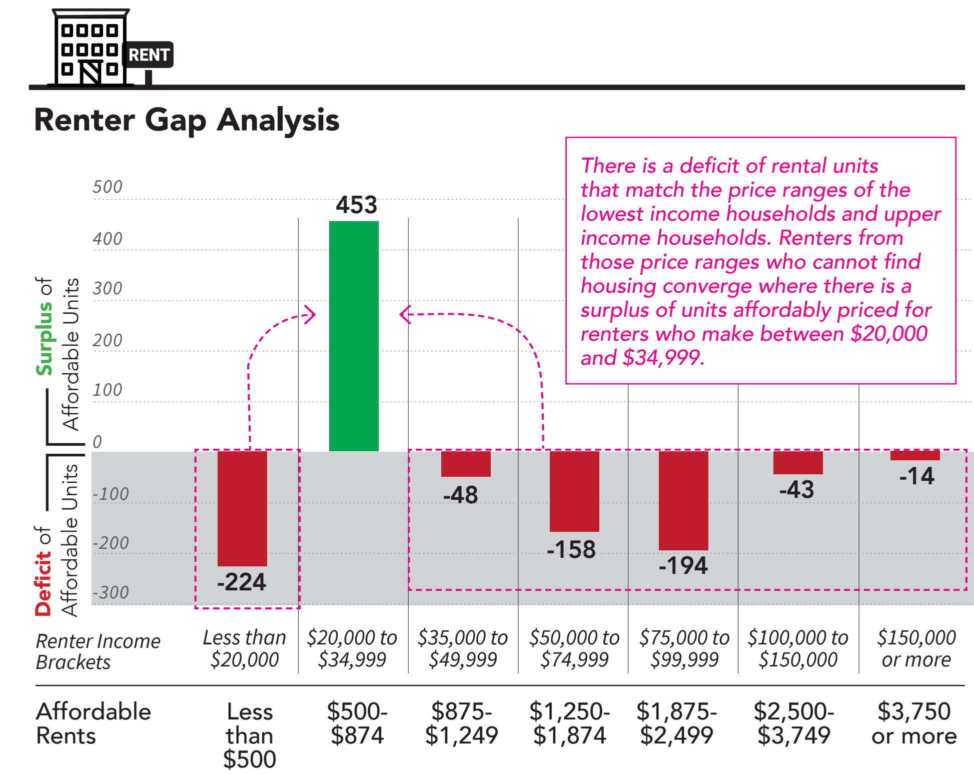
One notable feature of need and demand in Fulton County is that a higher share of low-income homeowners (making less than $20,000) are cost-burdened than low-income renters. This may reflect, in many instances, homeowners who bought their homes later in life when they had healthy incomes (in their 50s for example) and retired while still having many years left on a mortgage. They might not truly struggle with their monthly payments but are classified as cost-burdened nonetheless.

Fulton County — Gap Analyses

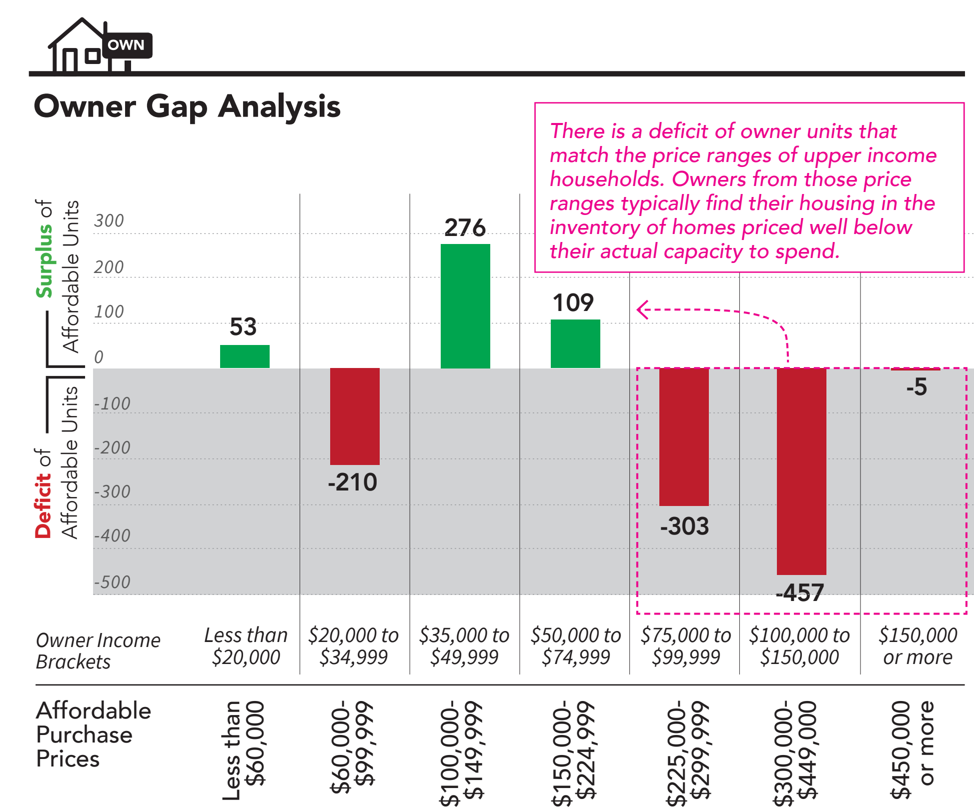
Fulton County's rental gap analysis is broadly similar to the regional pattern presented in Part 1 on page 28. There is a deficit of both very low-cost rentals and higher-cost rentals compared to the number of renting households in those respective income brackets. This produces stiff competition over modestly-priced rentals that best fit the price range of households earning between $20,000 and $34,999.

The county's owner gap analysis is unusual in the Southern Allegheneis in that there is a small surplus of very low-cost owner-occupied homes (properties that are vulnerable to transitioning into rentals) as well as a surplus of homes priced between $100,000 and $225,000. While there is a deficit of higher priced homes, as in every county in the region, Fulton's deficit begins at a higher price range than most. This is a reflection of Fulton County's higher median home price and a more pronounced inventory of homes priced above $150,000.

Renter Gap Analysis



Owner Gap Analysis



Source: Analysis of household incomes and housing costs from the 2020 American Community Survey, 5-year estimates

Fulton County

Downtowns

104 Lincoln Way West | Downtown McConnelsburg

THE OPPORTUNITY

This two-story commercial property on historic Lincoln Way in McConnellsburg is just to the west of the borough's busiest and most visible intersection.

Revitalization of this property with refurbished commercial frontage and three market-rate residential units on the second floor will bolster other investments along Lincoln Way and provide high-quality housing in the heart of the borough.

What would it cost to realize this opportunity?

ESTIMATED DEVELOPMENT COSTS

Inclusive of acquisition at fair market value and residential construction costs per square foot of $200 (based on the property's current condition and prevailing construction costs in the region), the total residential development cost of this mixed-use project is estimated to be…

$873,600

with a residential development cost, per unit, of $291,200

The **3 units** of developed housing would include:

2	**1 bedroom / 1 bathroom apartments @ 800 square feet**
1	**2 bedroom / 2.5 bathroom apartment @ 1,200 square feet**

Note: This downtown development example, while hypothetical, is a realistic demonstration of housing development financial math in early 2023.

*What rents would have to be charged to make this project work, **unassisted**, with traditional debt and equity?*

UNASSISTED FINANCING

Under healthy market conditions, this project would be financed as follows:

10%	**Owner Equity**	**$87,300**
20%	**Investor Equity**	**$175,000** *(at 9% over a 15-year term)*
70%	**Bank Debt**	**$612,000** *(at 5% over a 30-year term)*

To make monthly payments on the bank loan and equity investments, and to cover all operating and management expenses, the rents necessary to break even would be…

BREAK-EVEN RENTS

- **$2,300** 143% AMI — **1 bedroom / 1 bathroom**
- **$3,700** 229% AMI — **2 bedroom / 2 bathroom**

The small number of units that can be configured for this property, along with high construction costs to adapt the second floor, would result in rents that well exceed the market—making this a risky project to pursue through traditional financing.

*How might the project be **assisted** to lower the required rents, lower risks, and attract sufficient financing?*

STRATEGICALLY ASSISTED FINANCING

Market rent subsidies and identification of investors with local ties would make this project more likely to advance.

MARKET RENT SUBSIDIES

A large local industrial employer *agrees to subsidize and pre-lease the larger 2 bedroom unit in order to have an apartment for management near the plant*	**$50,000**
The State Historic Preservation Tax Credit *is leveraged (building is within McConnellsburg Historic District) to offset 25% of construction costs*	**$218,000**

EQUITY POOL

A small group of doctors *who practice in Fulton County are investing in real estate and agree to supply the equity for this project*	**$175,000**

10%	**Owner Equity**	**$87,300**
20%	**Investor Equity**	**$175,000** *(at 9% over a 15-year term)*
39%	**Bank Debt**	**$343,300** *(at 5% over a 30-year term)*
31%	**Market Rent Subsidy**	**$268,000**

BREAK-EVEN RENTS

- **$1,650** 102% AMI — **1 bedroom / 1 bathroom**
- **$2,700** 167% AMI — **2 bedroom / 2 bathroom**

Local private-sector commitments of equity and subsidy, combined with utilization of the state tax credit, make the project much more likely to obtain debt financing.

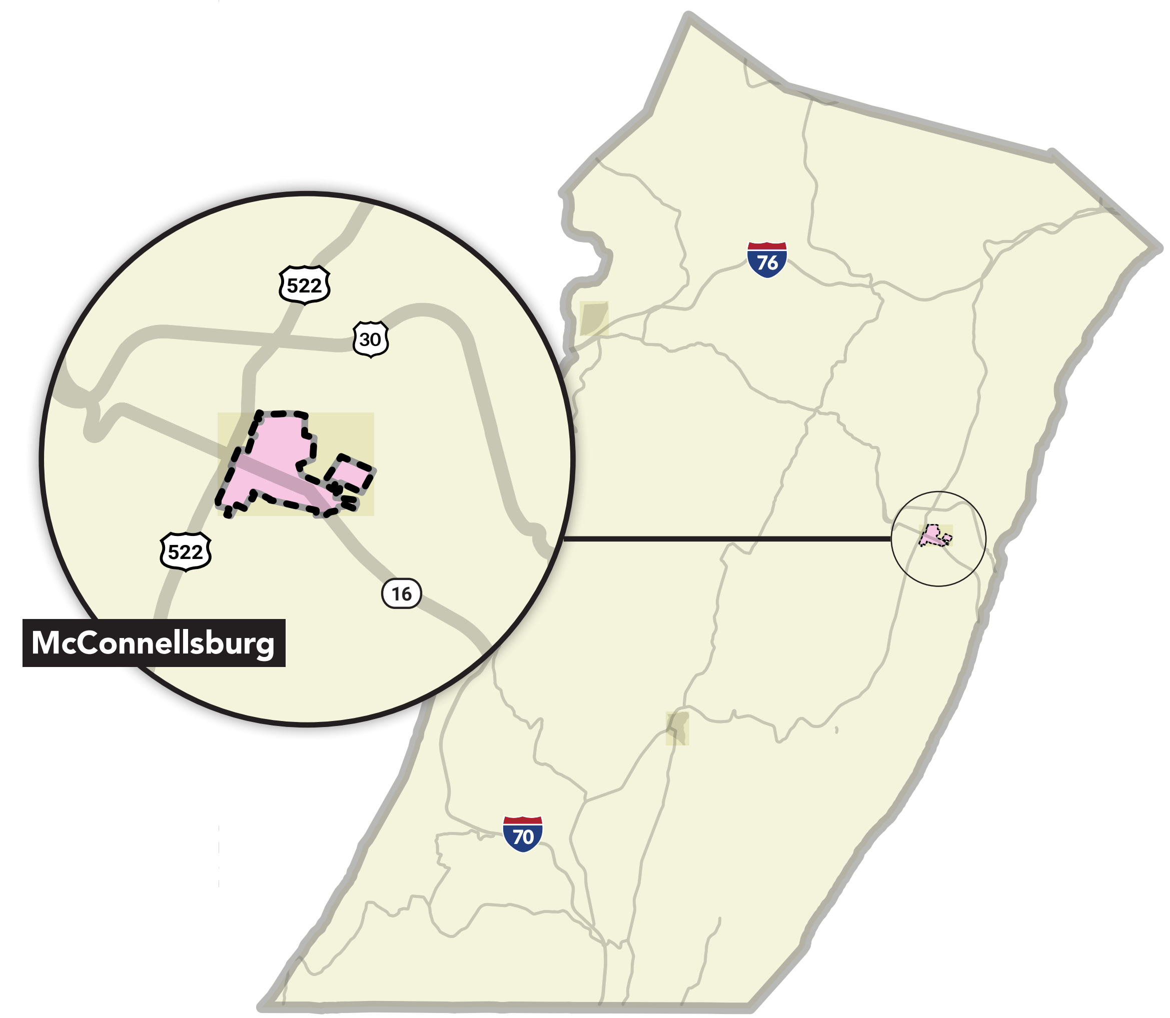
Fulton County

Middle Neighborhood Preservation

The entirety of **McConnellsburg** borough fits this housing strategy's definition of "middle neighborhood" based on its combination of population density and **above-average** market conditions.

Average | ***Above** Average*

Refer to the **tools listed on page 59** for the types of interventions that are especially appropriate for strengthening residential streets in Fulton's county seat.



Middle Neighborhood Preservation DEMAND *Average* ***Above** Average*

HUNTINGDON COUNTY

Overview and Key Issues

Huntingdon County has one of the most complex and hard-to-interpret housing markets in the region. On the one hand, there are several long-term indicators that point to limited demand—from a 0% household growth rate since 2000, to the third highest increase in chronic vacancies in the region since 2000, to average sale prices since 2020 that place it in the bottom half of the region.

At the same time, most of the county's geography fits within sub-market types that have higher-than-average demand, particularly the northern half of the county that abuts the dynamic State College market. Huntingdon was also one of only two counties to see its median home value gain ground against the U.S. median between 2000 and 2020. And it experienced the second highest jump in its value-to-income ratio, which rose from 2.16 in 2000 to 2.66 by 2020—firmly in the direction of a healthy 3.0 ratio.

Against this backdrop of good news and bad news, the housing issues that stand out in Huntingdon County are very much in line with those that stand out across the region—especially in the more rural counties: a housing stock with increasingly visible signs of disinvestment, small inventories of decent homes on the market at any given time, and the complicating factor that transportation poses to choices that buyers and renters make—especially for a county where 62% of employed residents travel to jobs in other counties.

Top-Ranking Housing Issues from 2022 Online Survey

OPTIONS	REGION	HUNTINGDON
Too many poorly maintained homes and rentals OR too many vacant/abandoned homes	1	1
Adequate housing is too expensive or hard to find	2	2
There are not enough newly built or fully rehabbed housing options	3	4
Neighborhoods are unappealing		
Utilities are too expensive		
Transportation is too expensive or challenging	4	3
Not enough housing options for populations with special needs		

Online survey participants were given a list of options and asked to "select no more than three housing issues that you think are the most important issues facing your community." The results above highlight and rank the issues that received more than 10% of the selections from 323 completed responses at the regional level and 71 completed responses from Huntingdon County.

Top-Ranking Housing Activities to Fund from 2022 Online Survey

OPTIONS	REGION	HUNTINGDON
Subsidize the development of new apartments that would be income-restricted to households earning $35,000 or less		
Subsidize the development of new apartments that would be rented without income restrictions	3	
Build emergency housing for those experiencing homelessness		
Subsidize the development of new housing geared towards seniors		
Help to rehab dilapidated houses to make them appealing and affordable for first-time buyers	1	1
Subsidize the development of new homes for first-time buyers	5	
Help to rehab existing rentals to improve condition with stable rent	6	2
Demolish abandoned or blighted housing	2	4
Assist homeowners who have difficulty paying for basic maintenance	4	3

Online survey participants were given a list of options and asked to distribute $5 million from a hypothetical county housing fund to the activities they preferred. The results above highlight and rank the issues that received more than 10% of the funding distributed by 323 completed responses at the regional level and 71 completed responses from Huntingdon County.

OPEN HOUSE

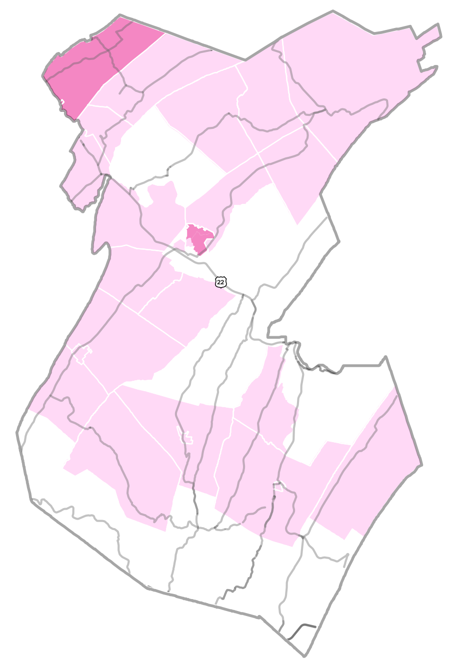
Huntingdon County

Market Typology

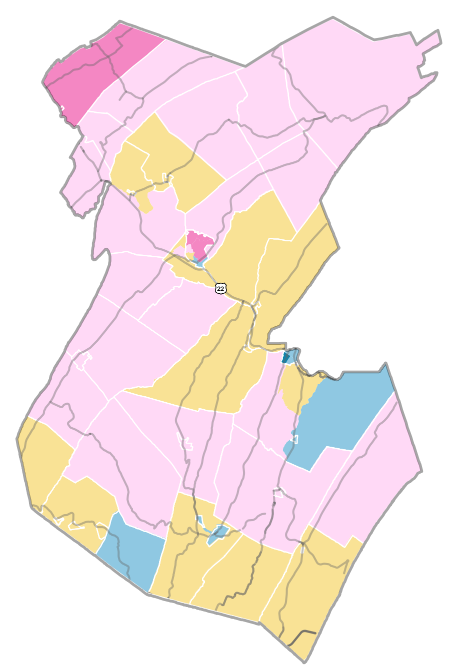
WELL BELOW AVERAGE	BELOW AVERAGE	AVERAGE	ABOVE AVERAGE	WELL ABOVE AVERAGE

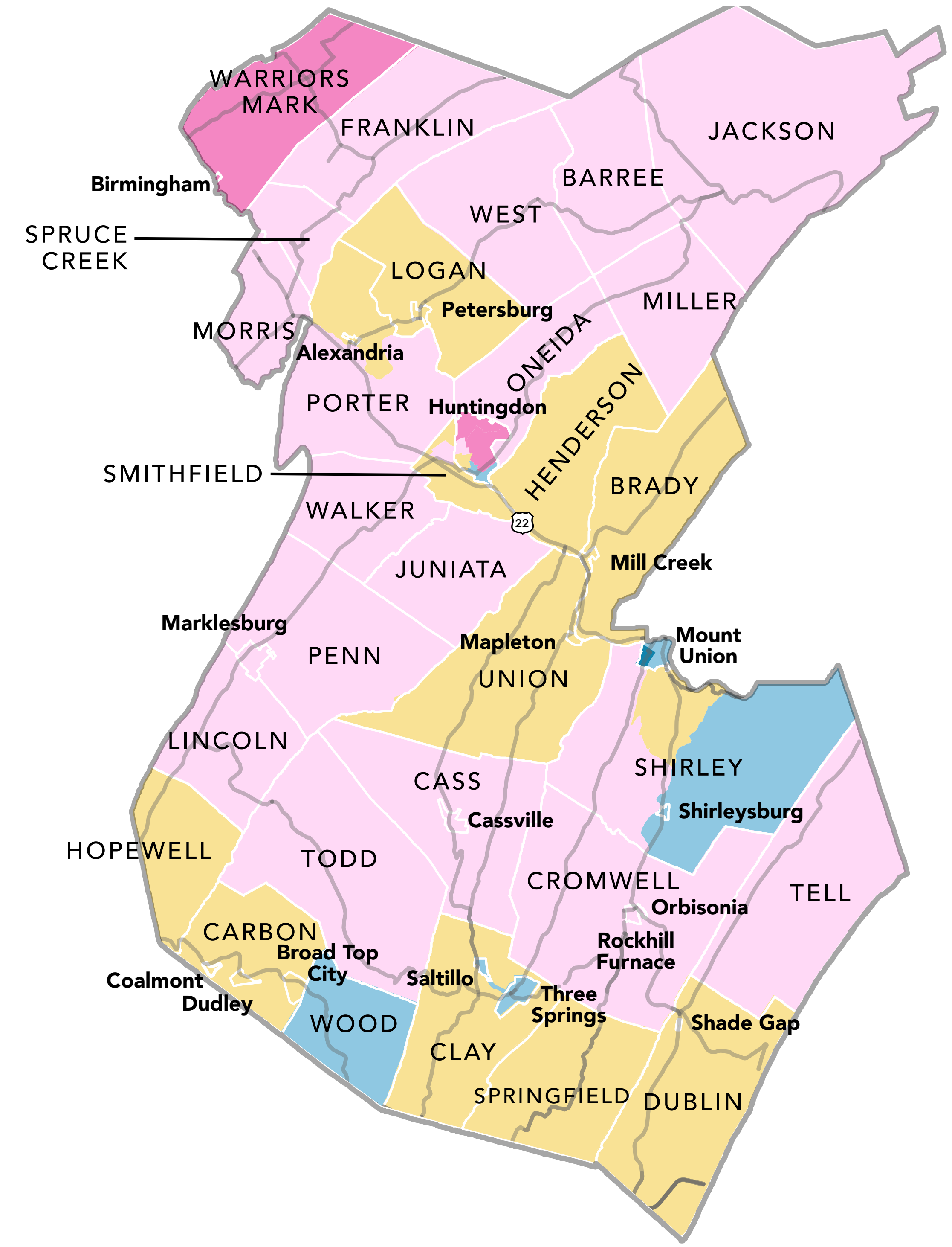
DEMAND

The **northern half of Huntingdon County** generally exhibits **above-average** levels of demand, particularly in **Warriors Mark** along the **I-99 corridor** and much of the **north side of Huntingdon** borough.



The historic core of Huntingdon borough is a **mix of market conditions** (ranging from below-average to above-average), as is much of the southern portion of the county. **Mount Union** borough includes areas of especially **low demand**, and markets noticeably **weaken along the county's southern border** with Bedford and Fulton counties.





Huntingdon County Market Typology

DEMAND

Lower DEMAND Higher

This is a detailed county-level version of the regional typology map presented on page 22 and features Census block groups as the unit of analysis. See page 22 for details on the typology's data components.

Huntingdon County — Need/Demand

	Need			Demand			
	Less than $20,000	**$20,000-$34,999**	**$35,000-$49,999**	**$50,000-$74,999**	**$75,000-$99,999**	**$100,000-$149,999**	**$150,000+**
Number of Households	2,531	2,672	2,614	3,259	2,362	2,316	1,025
Share of all households	15%	16%	16%	19%	14%	14%	6%
Rent/Own Split	45% / 55%	35% / 65%	20% / 80%	20% / 80%	15% / 85%	9% / 91%	5% / 95%
Affordable Rent or Monthly Housing Payment	$500 or less	$500 - $874	$875 - $1,250	$1,250 - $1,874	$1,875 - $2,499	$2,500 - $3,749	$3,750+
Affordable home purchase price	*NA*	*$60,000 - $104,999*	*$105,000 - $150,000*	*$150,000 - $224,999*	*$225,000 - $299,999*	*$300,000 - $349,999*	*$350,000+*
Share of Renters Cost-Burdened	59%	41%	18%	2%	0%	0%	0%
Share of Owners Cost-Burdened	59%	27%	17%	9%	<2%	<2%	<2%

Source: 2020 American Community Survey, 5-year estimates

See the region-level versions of this Need/Demand table, along with explanatory notes, in Part 1 on pages 18-20.

Key findings about housing need and demand in the Huntingdon County

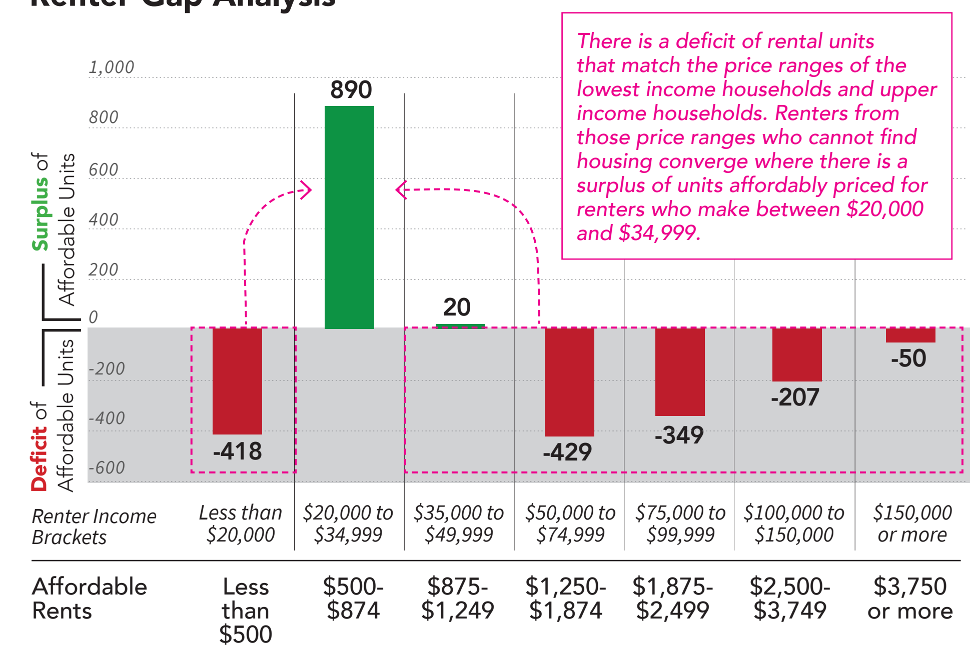
Huntingdon County's Need/Demand profile is very similar, overall, to the regional profile, though it does have slightly lower shares of households constituting "need" and slightly higher shares of households constituting "demand."

Notably, the lowest-income households in the county (earning less than $20,000) are equally likely to be cost-burdened (59%) regardless of whether they rent or own. As in other rural counties in the region, a higher percentage of all cost-burdened households are homeowners rather than renters and present challenges when it comes to reinvestment and routine maintenance in the housing stock.

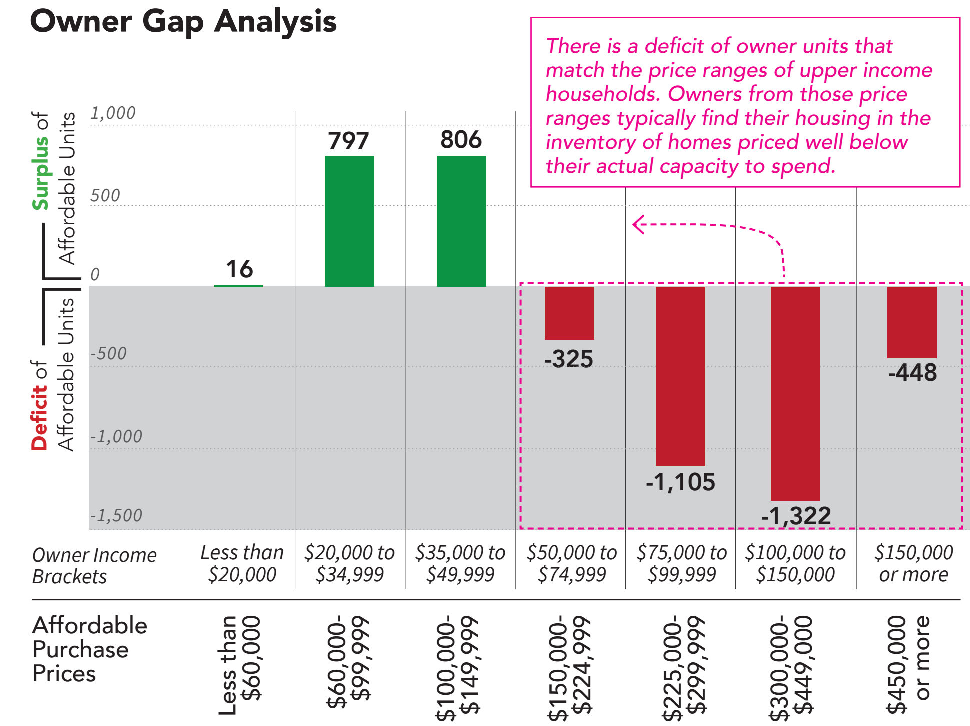
Huntingdon County — Gap Analyses

Similar to the region's gap analyses presented in Part 1 on page 28, Huntingdon County has shortages of rental and owner-occupied housing units priced for households in higher income brackets, especially when incomes pass the $50,000 mark. This pushes many of the households that constitute "demand" into down market rental or homebuying situations, and into direct competition with the county's lower-income households over housing units that likely exhibit some levels of deferred maintenance.

Renter Gap Analysis



Owner Gap Analysis



Source: Analysis of household incomes and housing costs from the 2020 American Community Survey, 5-year estimates

Huntingdon County

Downtowns

708 Washington Street | Downtown Huntingdon

THE OPPORTUNITY

The old Park Furniture Building on Washington Street in Huntingdon is one of the borough's largest commercial buildings and is largely underutilized today. Limited demand for commercial office space makes residential redevelopment of the upper floors a realistic way to reactivate the building and boost the vitality and tax base of downtown's western end.

A project to add 20 units to the upper two floors while modernizing the ground floor commercial spaces has emerged to realize this opportunity.

What would it cost to realize this opportunity?

ESTIMATED DEVELOPMENT COSTS

Inclusive of acquisition at fair market value and residential construction costs per square foot of $170 (based on the property's current condition and prevailing construction costs in the region), the total residential development cost of this mixed-use project is estimated to be…

$4,407,500

with a residential development cost, per unit, of $220,376

The **20 units** of developed housing would include:

14	**1 bedroom / 1 bathroom apartments @ 850 square feet**
6	**2 bedroom / 2 bathroom apartments @ 1,000 square feet each**

Note: This downtown development example, while hypothetical, is a realistic demonstration of housing development financial math in early 2023.

*What rents would have to be charged to make this project work, **unassisted**, with traditional debt and equity?*

UNASSISTED FINANCING

Under healthy market conditions, this project would be financed as follows:

10%	**Owner Equity**	**$440,800**
20%	**Investor Equity**	**$881,500** *(at 9% over a 15-year term)*
70%	**Bank Debt**	**$3,085,200** *(at 5% over a 30-year term)*

To make monthly payments on the bank loan and equity investments, and to cover all operating and management expenses, the rents necessary to break even would be…

BREAK-EVEN RENTS

Rent	AMI	Unit
$2,000	129% AMI	1 bedroom / 1 bathroom
$2,450	158% AMI	2 bedroom / 2 bathroom

A project of this size, and with these rents, may attract traditional financing closer to metropolitan Philadelphia, where demand is stronger and prevailing rents are generally higher. It is unlikely to be financed, unassisted, in Huntingdon County.

*How might the project be **assisted** to lower the required rents, lower risks, and attract sufficient financing?*

STRATEGICALLY ASSISTED FINANCING

Market rent subsidies and identification of investors with local ties would make this project more likely to advance.

MARKET RENT SUBSIDIES

A consortium of local employers, *organized by Huntingdon County Business & Industry, collaborate to subsidize the construction of, and pre-lease, five of the apartments; conditioned on the subsidy being matched by county and local assistance*	**$200,000**
Joint grant *by Huntingdon County and Borough to match contribution by local business community*	**$200,000**

25%	**Low Income Housing Tax Credit**	**$1,102,000**
66%	**Bank Debt**	**$2,906,000** *(at 5% over a 30-year term)*
9%	**Market Rent Subsidy**	**$400,000**

BREAK-EVEN RENTS

Units	AMI	Type	Rent	Unit
10	110% AMI	Market Rate	**$1,700**	1 bedroom / 1 bathroom
4	50% AMI	Affordable	**$775**	1 bedroom / 1 bathroom
6	142% AMI	Market Rate	**$2,200**	2 bedroom / 2 bathroom

A project of this scale can be boosted by a mixed-income approached that uses Low Income Housing Tax Credits to replace equity. This requires that 20% of units be affordable at 50% AMI, providing a range of rent levels for Huntingdon borough's diverse market.

Huntingdon County

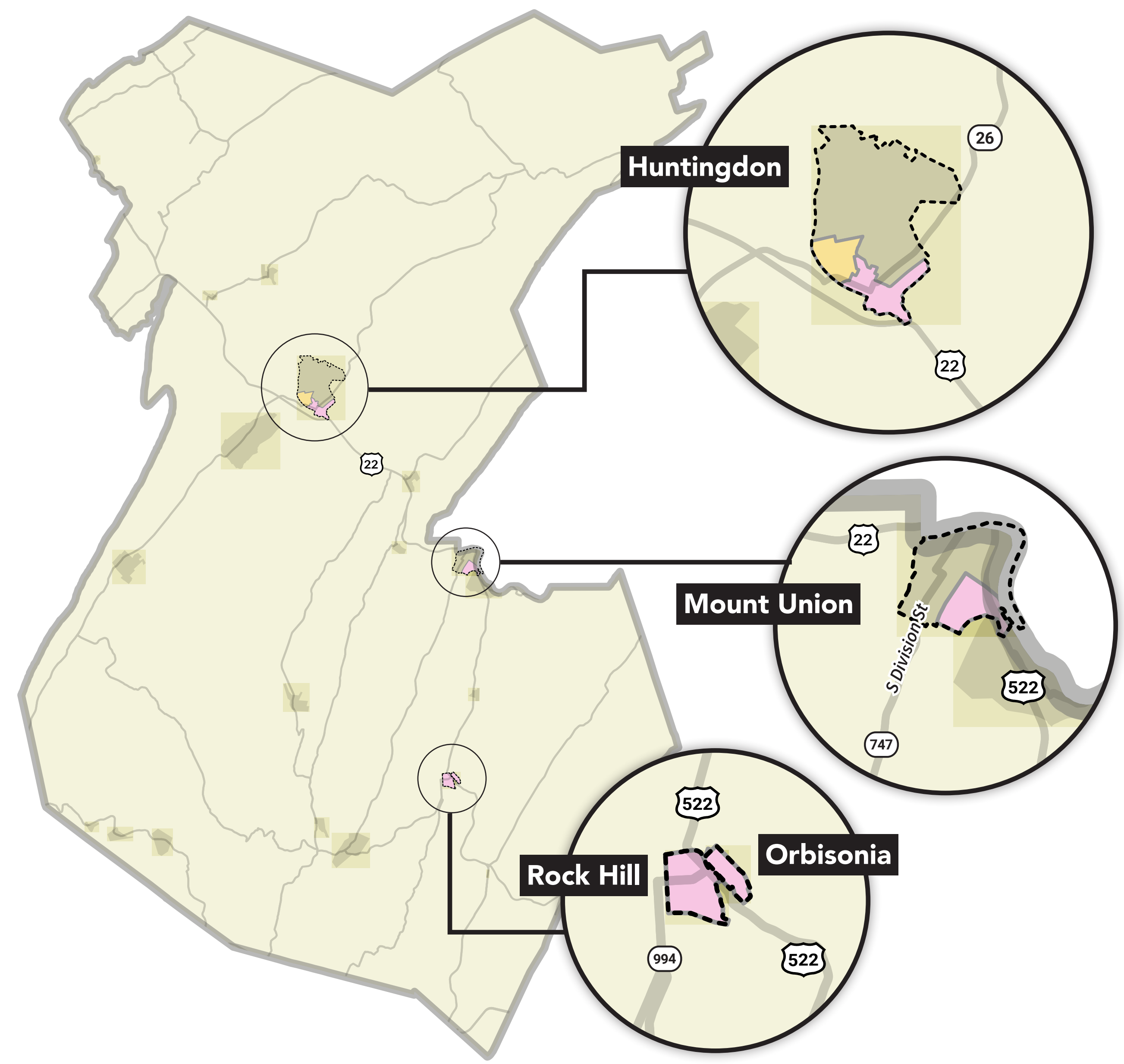
Middle Neighborhood Preservation

Three parts of Huntingdon County fit this housing strategy's definition of "middle neighborhood" based on their combination of population density and **average** or **above-average** market conditions.

Average | ***Above** Average*

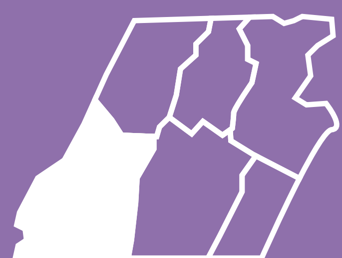
These include all blocks in the adjacent boroughs of **Rock Hill** and **Orbisonia**, the southeastern section of **Mount Union** (east of Division Street, south of Shirley), and the southern edge of **Huntingdon**, inclusive of that borough's historic core.

Refer to the **tools listed on page 59** for the types of interventions that are especially appropriate for strengthening these areas.



Middle Neighborhood Preservation DEMAND *Average* ***Above** Average*

SOMERSET COUNTY



Overview and Key Issues

Somerset County's long-term housing indicators mirror the realities of a market that has been absorbing the second-highest population and household losses in the region (behind Cambria County) since 2000, due in part to economic dislocations tied to the energy sector. Home values and rents, for example, grew at the second-slowest rates in the region, including a median home value that is now just 49% of the national median. The value-to-income ratio has moved backwards, indicating weakening levels of demand. And the presence of vacant or poorly maintained properties—the #1 housing issue according to the *Alleghenies Ahead on Housing* survey—has become harder to ignore, with a 202% jump in chronically vacant units since 2000.

At the same time, there are also signs of resilience. Somerset County had the fastest household income growth rate in the region since 2000, rising from the second lowest median income in 2000 to a tie for third place in the six county region by 2020. And while the county did experience an uptick in chronic vacancies, the uptick was much lower than the increases in Cambria, Blair, and Huntingdon counites—which might be explained by the fact that Somerset experienced the greatest increase in seasonal or recreational housing in the region—from 3,250 to 5,454 units—between 2000 and 2020.

While the growth in the county's service sector and recreational housing has likely had a stabilizing influence on the market, households with lower incomes that play a critical role in the service sector workforce are feeling pressures in this unsettled environment—struggling to find decent, available, conveniently-located, and affordably priced housing. The county's core population centers with good transportation access—such as Windber, Somerset, and Meyersdale—represent opportunities for strategic investments in better housing that could also help realize Main Street revitalization goals.

Top-Ranking Housing Issues from 2022 Online Survey

OPTIONS	REGION	SOMERSET
Too many poorly maintained homes and rentals OR too many vacant/abandoned homes	1	1
Adequate housing is too expensive or hard to find	2	2
There are not enough newly built or fully rehabbed housing options	3	3
Neighborhoods are unappealing		
Utilities are too expensive		
Transportation is too expensive or challenging	4	
Not enough housing options for populations with special needs		

Online survey participants were given a list of options and asked to "select no more than three housing issues that you think are the most important issues facing your community." The results above highlight and rank the issues that received more than 10% of the selections from 323 completed responses at the regional level and 22 completed responses from Somerset County.

Top-Ranking Housing Activities to Fund from 2022 Online Survey

OPTIONS	REGION	SOMERSET
Subsidize the development of new apartments that would be income-restricted to households earning $35,000 or less		
Subsidize the development of new apartments that would be rented without income restrictions	3	3
Build emergency housing for those experiencing homelessness		
Subsidize the development of new housing geared towards seniors		
Help to rehab dilapidated houses to make them appealing and affordable for first-time buyers	1	2
Subsidize the development of new homes for first-time buyers	5	4
Help to rehab existing rentals to improve condition with stable rent	6	
Demolish abandoned or blighted housing	2	1
Assist homeowners who have difficulty paying for basic maintenance	4	

Online survey participants were given a list of options and asked to distribute $5 million from a hypothetical county housing fund to the activities they preferred. The results above highlight and rank the issues that received more than 10% of the funding distributed by 323 completed responses at the regional level and 22 completed responses from Somerset County.

OPEN HOUSE

Somerset County

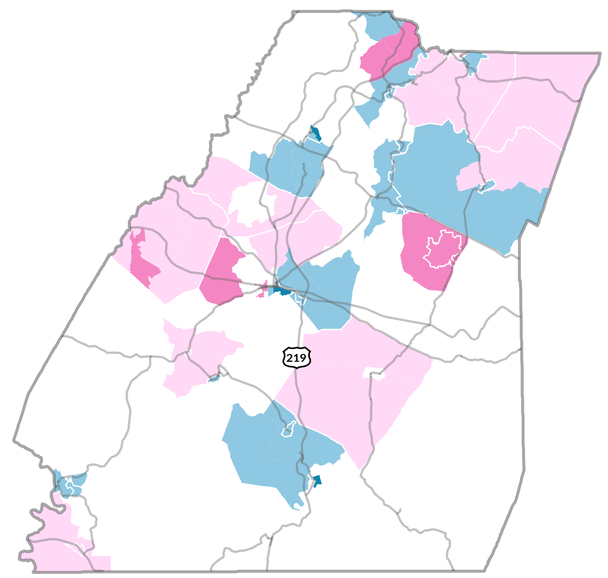
Market Typology

WELL BELOW AVERAGE	BELOW AVERAGE	AVERAGE	ABOVE AVERAGE	WELL ABOVE AVERAGE

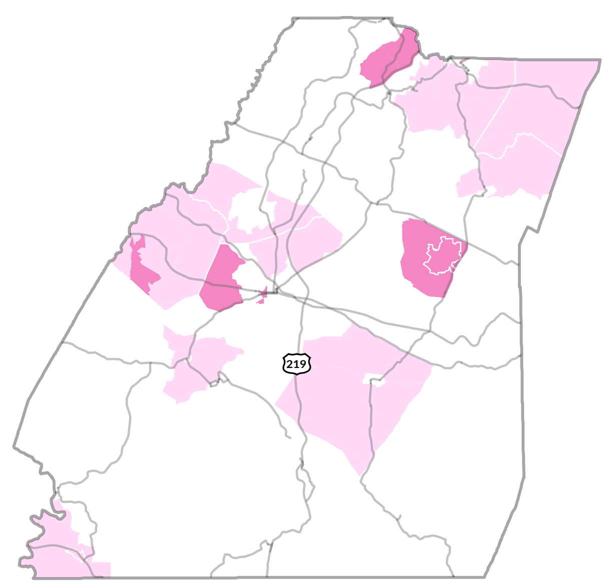
← DEMAND →

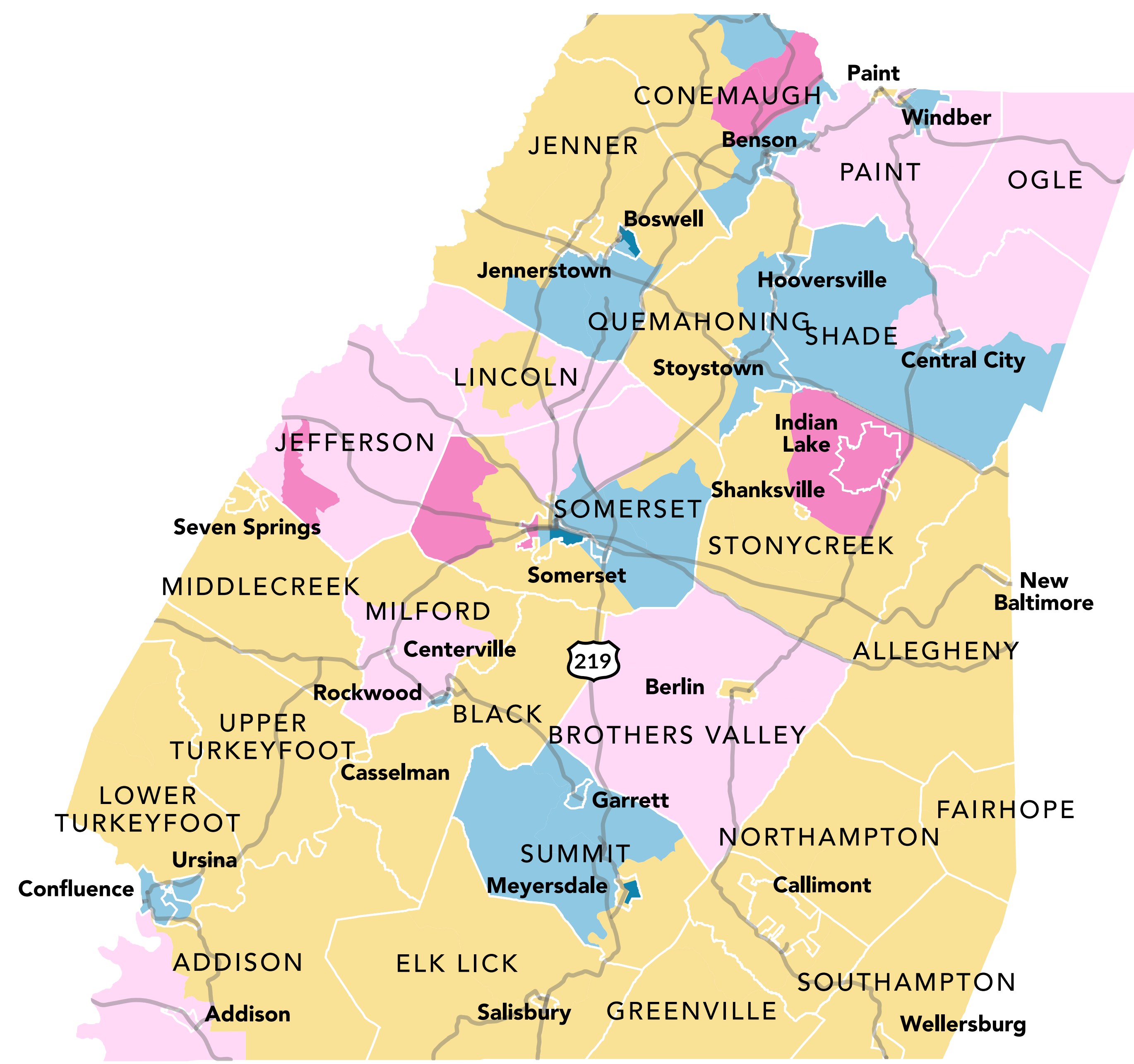
The **bulk of Somerset County's** geography exhibits levels of demand that fall within the regional **average**. It's largest **population centers**, however, have **very diverse market conditions**.

These **diverse areas** include the communities just **south of Johnstown**, where there are a combination of relatively **high demand markets in Conemaugh** and **Paint** townships alongside **below-average demand in Windber** borough. **Somerset** borough and township, meanwhile, have **below-average** market conditions on their **eastern sides**, as well as **stronger** conditions on their **western and northern ends**.



Areas around **Indian Lake** and **Seven Springs** demonstrate the growth of the county's seasonal housing market and exhibit **healthy demand** for units in areas with access to those recreational areas.





Somerset County Market Typology

DEMAND Lower ← DEMAND → Higher

This is a detailed county-level version of the regional typology map presented on page 22 and features Census block groups as the unit of analysis. See page 22 for details on the typology's data components.

Somerset County — Need/Demand

See the region-level versions of this Need/Demand table, along with explanatory notes, in Part 1 on pages 18-20.

	Need			Demand			
	Less than $20,000	$20,000-$34,999	$35,000-$49,999	$50,000-$74,999	$75,000-$99,999	$100,000-$149,999	$150,000+
Number of Households	4,556	5,170	4,669	4,363	3,595	1,576	1,025
Share of all households	15%	18%	16%	19%	15%	12%	5%
Rent/Own Split	44% / 56%	29% / 71%	23% / 77%	12% / 88%	8% / 92%	7% / 93%	4% / 96%
Affordable Rent or Monthly Housing Payment	$500 or less	$500 - $874	$875 - $1,250	$1,250 - $1,874	$1,875 - $2,499	$2,500 - $3,749	$3,750+
Affordable home purchase price	NA	$60,000 - $104,999	$105,000 - $150,000	$150,000 - $224,999	$225,000 - $299,999	$300,000 - $349,999	$350,000+
Share of Renters Cost-Burdened	72%	37%	9%	4%	0%	0%	0%
Share of Owners Cost-Burdened	63%	27%	16%	6%	<3%	<3%	<3%

Source: 2020 American Community Survey, 5-year estimates

Key findings about housing need and demand in the Somerset County

The distribution of need and demand in Somerset County closely mirrors the region's overall need and demand profile.

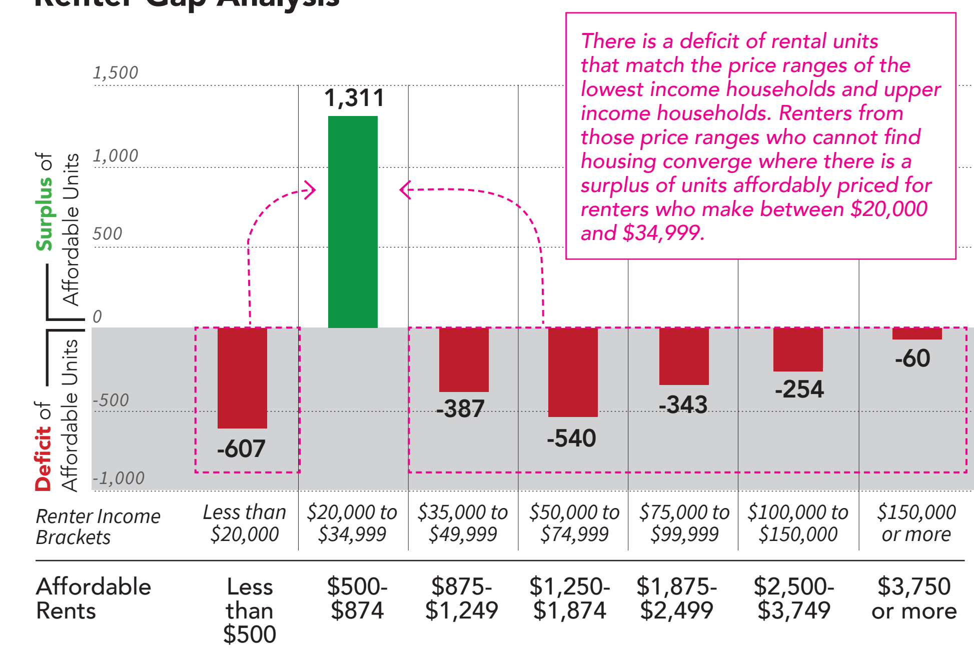
A notable difference, though, is the much sharper drop-off in the rate of cost-burdened renters between households earning less than $20,000 and those earning between $20,000 and $34,999. Only 37% of renters in that latter category are cost-burdened, compared to 47% in the region and 62% in Blair County. This owes primarily to Somerset County having the lowest median gross rent in the region, at just 55% of the national median as of 2020.

Somerset County — Gap Analyses

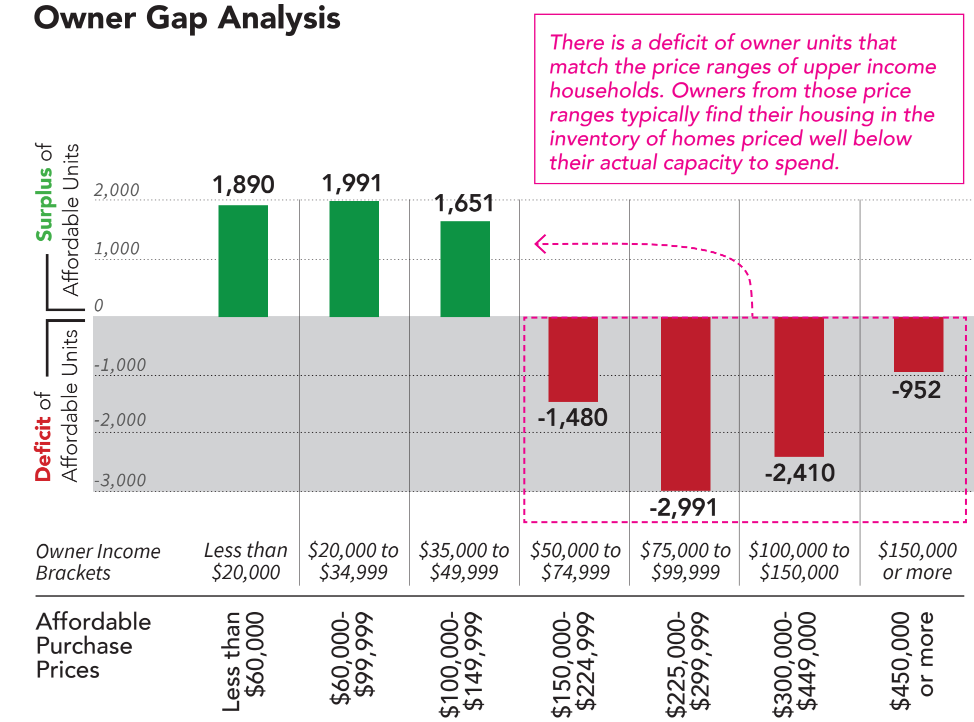
Somerset County's gap analyses are very similar to the regional versions presented in Part 1 on page 28. The county has pronounced shortages of rental and owner-occupied housing units priced for households in higher income brackets. This has the effect of pushing higher income households into lower price ranges where they compete with lower- and moderate-income households for units that tend to be older and have suffered from deferred maintenance.

Many of the surplus owner units in the lower price ranges (under $100,000) are likely to have too little demand to compete for owner-occupant buyers and are vulnerable to becoming absentee-owned rentals.

Renter Gap Analysis



Owner Gap Analysis



Source: Analysis of household incomes and housing costs from the 2020 American Community Survey, 5-year estimates

Somerset County

Downtowns

Glades Court Building — Downtown Somerset

THE OPPORTUNITY

Glades Court is a four-level commercial property (including basement) at Main & Center in the heart of Somerset borough—just a block from UPMC Somerset. The top two floors have been leased office space for decades, but it has been a struggle in recent years to find tenants.

A transition of those two office floors into 16 rental units would add to the emerging vibrancy of downtown Somerset while providing a sorely-needed supply of high-quality rentals.

What would it cost to realize this opportunity?

ESTIMATED DEVELOPMENT COSTS

Inclusive of acquisition at fair market value and residential construction costs per square foot of $170 (based on the property's current condition and prevailing construction costs in the region), the total residential development cost of this mixed-use project is estimated to be…

$3,727,800

with a residential development cost, per unit, of $232,900

The **16 units** of developed housing would include:

11	**1 bedroom / 1 bathroom apartments @ 800 square feet**
5	**2 bedroom / 2 bathroom apartments @ 1,000 square feet each**

Note: This downtown development example, while hypothetical, is a realistic demonstration of housing development financial math in early 2023.

*What rents would have to be charged to make this project work, **unassisted**, with traditional debt and equity?*

UNASSISTED FINANCING

Under healthy market conditions, this project would be financed as follows:

10%	**Owner Equity**	**$373,000**
20%	**Investor Equity**	**$745,000** (at 9% over a 15-year term)
70%	**Bank Debt**	**$2,609,000** (at 5% over a 30-year term)

To make monthly payments on the bank loan and equity investments, and to cover all operating and management expenses, the rents necessary to break even would be…

BREAK-EVEN RENTS

- **$2,100** 131% AMI — **1 bedroom / 1 bathroom**
- **$2,800** 175% AMI — **2 bedroom / 2 bathroom**

Rents of at least $2,100 are high for the Somerset market, and there are few if any existing rentals (beyond short-term rentals near Seven Springs) that command these prices. Such a project is considered high risk and may not attract financing.

*How might the project be **assisted** to lower the required rents, lower risks, and attract sufficient financing?*

STRATEGICALLY ASSISTED FINANCING

Market rent subsidies and identification of investors with local ties would make this project more likely to advance.

MARKET RENT SUBSIDIES

- **Consortium of local employers** *collaborate to subsidize the construction of, and pre-lease, six of the apartments* — **$300,000**
- **County issues a housing bond** *to stimulate market-rate housing development and improve the tax base; provides $25,000 per unit to qualifying projects* — **$400,000**

+

EQUITY POOL

- **Local equity investors identified** *and organized through Somerset Redevelopment Authority* — **$745,000**

10%	**Owner Equity**	**$373,000**
20%	**Investor Equity**	**$745,000** (at 9% over a 15-year term)
51%	**Bank Debt**	**$1,909,000** (at 5% over a 30-year term)
19%	**Market Rent Subsidy**	**$700,000**

BREAK-EVEN RENTS

- **$1,750** 110% AMI — **1 bedroom / 1 bathroom**
- **$2,350** 147% AMI — **2 bedroom / 2 bathroom**

The combination of pre-lease commitments, lower rents, and local equity partners lowers the perceived risk of this project.

Somerset County

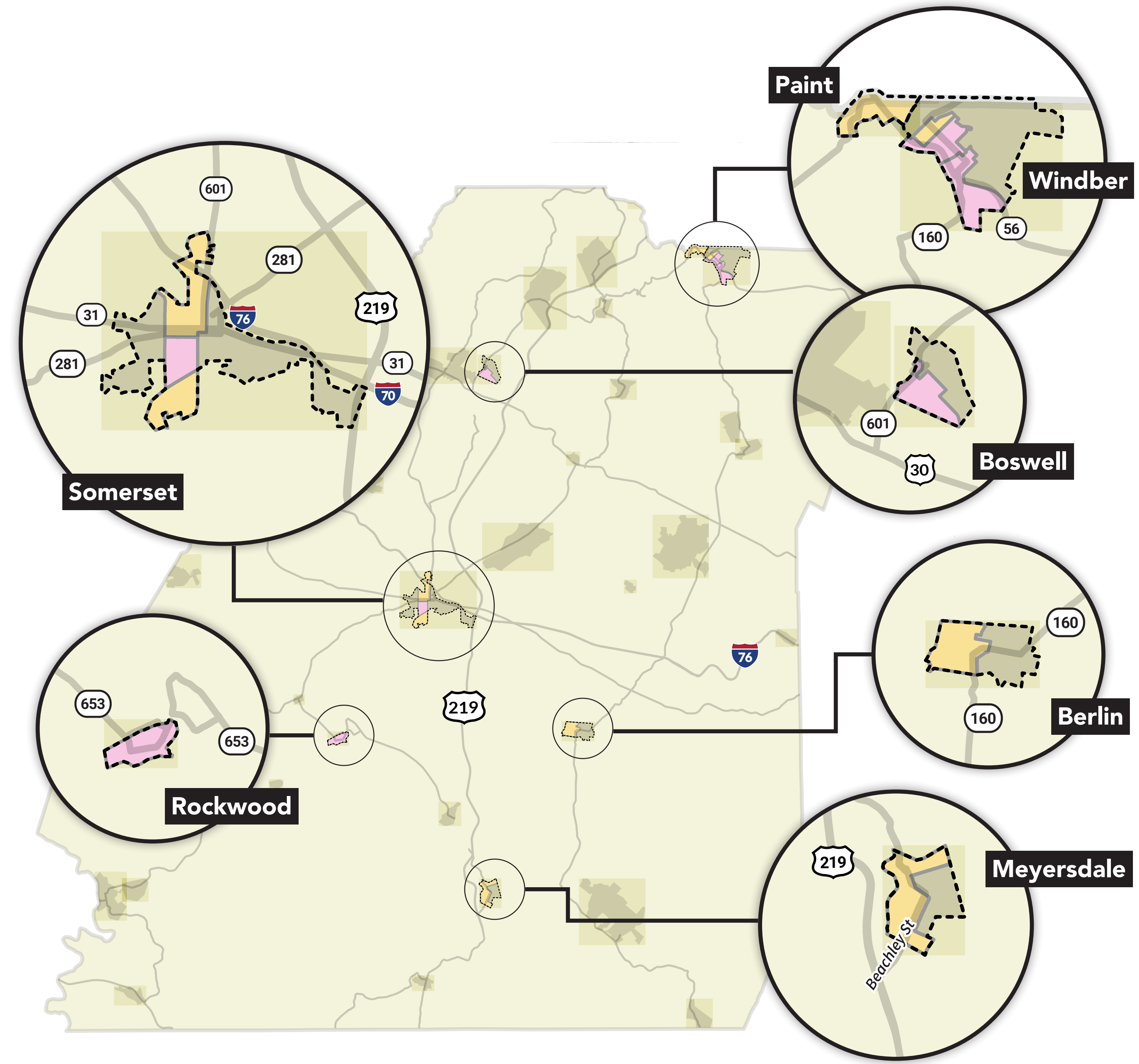
Middle Neighborhood Preservation

Several small parts of Somerset County fit this housing strategy's definition of "middle neighborhood" based on their combination of population density and **average** or **above-average** market conditions.

Average ***Above*** *Average*

These areas include all of **Paint** and **Rockwood** boroughs, the western sections of **Berlin** and **Meyersdale**, the southern portions of **Boswell** and **Windber**, and the north-south section of **Somerset** borough between Center and Franklin Avenues.

Refer to the **tools listed on page 59** for the types of interventions that are especially appropriate for strengthening these areas.



Middle Neighborhood Preservation DEMAND *Average* ***Above*** *Average*

APPENDIX

APPENDIX

Alleghenies Ahead on Housing – Online Survey Summary and Details Responses

The online survey for Alleghenies Ahead on Housing was open between October 17 and November 23, 2022, at the project's website (allegheniesshousing.org). During that time, 323 completed surveys were submitted.

Of those responses, 95% were completed by full-time residents of the region's six counties and 5% were completed by individuals who live in other counties but are employed in the region, are former residents, or have some other connection to one of the counties.

The purpose of the survey was to gather broad public feedback on housing issues to supplement data analysis and stakeholder conversations. In particular, the survey sought to identify housing-related issues that are viewed as priorities regionally and within each county. Analysis of county-level issue prioritization from the survey is provided within each County Close-Up.

Summary of Participation of and General Themes

The 323 individuals who completed the online survey skewed towards middle-aged homeowners with higher incomes than the county medians and who are generally satisfied with their current housing.

In particular:

- 87% of respondents were homeowners
- 53% were in 45-64 range
- 81% earned more than $50,000 (vs. 51% of HHs in region)
- 87% spent less than 30% of their monthly household income on housing
- 57% had lived in their current residence for 10+ years
- 91% were satisfied or very satisfied with their current housing situation

Although the general responses should not be interpreted as a representative sample of the region's population, focused analysis of response patterns tied to specific groups (younger people, older people, those dissatisfied with their current housing, those who are cost-burdened, those with lower incomes, and renters) found that the same groups of priorities cut across income, age, and tenure boundaries.

The condition of the region's housing stock (owned and rented) was a genuine concern that transcended location, income, age, and tenure, for example, especially due to its impact on the availability of decent housing options.

Investments to bolster housing conditions and expand the supply of high-quality housing options also ranked highly, especially if they can be attuned to address local opportunities.

Vacancy and abandonment were concerns across the region, but were particularly pronounced in the results from Cambria and Somerset counties.

While only 9% of respondents expressed clear dissatisfaction with their current housing, those who did express it were:

- Disproportionately renters
- 52% of the dissatisfied were renters
- 37% of renters were dissatisfied compared to 5% of owners
- Distributed across age ranges
- Disproportionately lower-income households with limited housing choices

Detailed Survey Responses

In which county do you reside on a full- or part-time basis?
(year-round or part-time)

	Answer	Percent
1.	Bedford	24.51%
2.	Blair	27.12%
3.	Cambria	10.13%
4.	Fulton	7.84%
5.	Huntingdon	23.20%
6.	Somerset	7.19%
	Total	100%

Do you own or rent your housing?

	Answer	Percent
1.	Own	87.54%
2.	Rent	12.46%
	Total	100%

How old are you?

	Answer	Percent
1.	Under 18	0.00%
2.	18-24	3.28%
3.	25-34	12.79%
4.	35-44	15.41%
5.	45-54	34.10%
6.	55-64	18.69%
7.	Above 64	15.74%
	Total	100%

A household's housing options (type, size, quality, location) are largely determined by income. Please select the income range below that best describes your household's gross income (before taxes) in 2021.

	Answer	Percent
1.	Below $20,000	0.98%
2.	$20,000 to $34,999	4.92%
3.	$35,000 to $49,999	9.51%
4.	$50,000 to $74,999	17.05%
5.	$75,000 to $99,999	26.23%
6.	$100,000 to $149,999	20.66%
7.	$150,000 or more	16.72%
8.	I would rather not answer this question	3.93%
	Total	100%

What percentage of monthly income does your household currently spend on rent or a mortgage payment?

	Answer	Percent
1.	20% or less	38.03%
2.	21% to 30%	19.67%
3.	31% to 50%	11.80%
4.	51% or more	1.97%
5.	I own my home free and clear	28.52%
	Total	100%

APPENDIX

How long have you lived in your current residence?

	Answer	Percent
1.	Less than 2 years	12.46%
2.	2 to 5 years	15.08%
3.	5 to 10 years	15.08%
4.	10 to 20 years	27.21%
5.	More than 20 years	30.16%
	Total	100%

Please select the options that best describe your current housing environment.

	Answer	Percent
1.	Rural	38.56%
2.	Suburban	9.40%
3.	Small town or borough neighborhood	46.08%
4.	Urban neighborhood	5.33%
5.	Seasonal or recreational setting	0.63%
6.	Other	0.00%
	Total	100%

Please select the option that best describes your level of satisfaction with your current housing.

	Answer	Percent
1.	Very satisfied	46.23%
2.	Satisfied	44.92%
3.	Not satisfied	7.21%
4.	Very dissatisfied	1.64%
	Total	100%

If you are not satisfied with your current housing, please select the statements that best reflect the cause of your dissatisfaction.

	Answer	Percent
1.	It costs too much (rent, mortgage, or taxes)	13.79%
2.	It's too difficult or costly to maintain	8.62%
3.	I don't like the location	17.24%
4.	The condition of the structure (inside or outside) is poor or declining	29.31%
5.	I don't like my neighbors	8.62%
6.	It used to suit my needs or my family's need, but it no longer does (too big or too small)	18.97%
7.	Other	3.45%
	Total	100%

In the county where you live on a full-time or part-time basis, please select no more than three housing issues from the following list that you think are the most important issues facing your community. If you don't live in one of the region's six counties, select no more than three housing issues that you perceive to be the biggest challenges for the county you are most familiar with or connected to.

	Answer	Percent
1.	Too much vacant or abandoned housing	9.32%
2.	Too many poorly maintained homes and rentals	23.30%
3.	Adequate housing is too expensive or hard to find	21.51%
4.	There are not enough newly built or fully rehabbed housing options	13.50%
5.	Neighborhoods are unappealing	5.14%
6.	Utilities are too expensive	8.12%
7.	Transportation is too expensive or challenging	11.23%
8.	Not enough housing options for populations with special needs	5.38%
9.	Other	2.51%
	Total	100%

Imagine that the county where you live on a full- or part-time basis has established a special housing fund to support investments that will improve the quality of the housing supply. The fund has been started with $5 million from a combination state, local, and corporate resources. If you served on a committee that had to decide how to spend the $5 million, what types of investments would you support? From the options below, please distribute the funding in a manner that makes the most sense to you. The minimum amount you can spend on a specific activity is $1 million, and you may spend all $5 million on the same activity, if you wish.

	Answer	Percent
1.	Subsidize the development of new apartments that would be income-restricted to households making less than $35,000	7.54%
2.	Subsidize the development of new apartments that would be rented without income restrictions (market-rate)	12.00%
3.	Build emergency housing for individuals or families experiencing homelessness	9.05%
4.	Subsidize the development new housing geared towards seniors	9.51%
5.	Help to rehab dilapidated houses to make them appealing and affordable for first-time buyers	18.10%
6.	Subsidize the development of new homes for first-time homebuyers	10.23%
7.	Help to rehab existing rental units to improve their condition while maintaining current rent levels	9.97%
8.	Demolish abandoned or blighted housing to limit its impact on the community	12.66%
9.	Assist homeowners who have difficulty paying for basic maintenance	10.95%
	Total	100%

ALLEGHENIES AHEAD on Housing

A Regional Housing Strategy

FEBRUARY 2023

SAP&DC czb

Prepared by czbLLC for the Southern Alleghenies Planning & Development Commission