

Affordable Housing, part 2: Building New Housing

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 *Latest post in a series on Affordable Housing* 

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ref: [Affordable Housing, part 1: What does housing affordability look like in Bethlehem?](#)

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BUILDING NEW HOUSING

Building affordable housing is often the first thing we think of, and new development was the primary focus of the March 23rd meeting. Construction of new housing undoubtedly has a place in our city's priorities, but the complexities of promoting development as an affordable housing strategy are worth discussing. Bethlehem has only had 2,000 new units of housing built in the last 20 years—[The Reinvestment Fund's analysis of the Bethlehem's housing market](#) indicated that a defining characteristic is “The absence of virtually any new construction activity in Bethlehem,” in part because of limited land that is available and appropriate for housing construction. They also highlighted the relative affordability (compared to other cities) of Bethlehem's older housing stock, citing a median sales price across the City of \$155,385, although that has increased a bit since the start of the pandemic, as the Lehigh Valley Planning Commission has indicated.

So, should we be focused on building new housing? When it comes to building new “affordable” homes for homeowners, the cost of construction is so high that new homes tend to sell for more than the median price for the city as a whole—even those built with subsidies. As part of the CACLV-proposed City Lights development in south Bethlehem, we were anticipating subsidized, affordable, workforce housing selling for \$160k+—and the project still fell apart due to financial challenges. In her [podcast](#), urban planner Abby Kinney puts it succinctly,

“No new housing is going to be affordable without subsidy.” Is there demand for new housing in Bethlehem? Sure, and that means we should probably build where it’s reasonable to do so. Although the traditional logic of markets suggests that increasing supply should reduce demand and result in a lower equilibrium price, this doesn’t seem to work out with housing, for a number of reasons. One important thing to consider is induced demand: if we build more housing, that doesn’t mean only Bethlehem residents will have access to it. We may attract folks from elsewhere who previously weren’t interested in living in our city. Building housing may help to keep prices from increasing rapidly due to scarcity (as we’ve seen during the pandemic), but just building new housing is not an affordable housing strategy. And building affordable housing with subsidies is ongoing and doable but is not likely to be an option on a broad scale—in addition to the range of individuals for which this housing is actually affordable being limited.

Given the relative scarcity of vacant land in the city, development often means knocking down existing properties to build. Of course, this is a better choice when properties are obsolete or uninhabitable—but it can mean knocking down something more affordable to put up something that will be more expensive. Should we be investing money in the development of new, single family homes for purchase? Maybe some, but I think that there may be other ways to have a more significant impact.

Let’s talk now about development of multi-family housing. We’ve seen a lot of proposals for apartment buildings in our downtowns. While these projects may have merit from an economic development perspective or as a way to support downtowns, as affordable housing projects, there are a few questions we need to consider:

- Are they destroying existing affordable housing to build?
- What level of affordability is being used to set new rental prices? The fairly universal standard, set by the federal government, is [Fair Market Rent](#), which is \$891 for a 1 BR, \$1,139 for a 2 BR, and \$1,474 for a 3 BR unit in the Lehigh Valley. Unless they are subsidized substantially, private developers who choose to incorporate affordable units into their projects in exchange for density bonuses (existing city incentives that gives advantages to developers who are willing to include affordable units in their projects) will charge the

maximum that is allowed under “affordable” rules, and they may still lose money on those units.

- How do those rents compare to existing rents in the city? They are all higher than the median rents, which come in at \$835, \$1,102, and \$1,300. Median rents are even lower in our downtowns, coming in around \$1,000 in the Southside business district and about \$1,150 in the Northside downtown for a 3-bedroom unit. We showed that approximately 50% of renters already can’t afford their homes at current rental prices. New “affordable” apartment rentals will be priced higher than the top 50% of rental properties in the city. There may be a good reason to build these units, but as an affordable housing strategy, they are not likely to make much of a dent.

Put simply, we cannot build our way out of this. We are talking about almost 10,000 households in Bethlehem that are struggling with housing costs. These folks currently live in homes and are part of communities. They send their children to their neighborhood school, know their neighbors, and in many cases have invested years and money into their current living situation. While some may be glad to move into a new home, many would likely find it easier and more desirable to stay put. Let’s make sure that our strategies include ways to support the thousands of families that are happy in their homes but could just use some help paying the bills.

Inclusionary zoning is another idea that has been floated in the city, which would require developers to dedicate a certain percentage of any project to affordable housing. Putting the legality of the approach aside, if we are going to implement an inclusionary zoning policy that actually makes units affordable to members of our community, then we need to think about what that threshold is, and develop our own, city-specific measures of affordability. Fair Market Rent is calculated regionally and does not reflect the housing market in the city of Bethlehem. That, and/or just charge developers a per-unit fee that goes into an affordable housing trust fund to support rehab of existing properties.

second in a series, to be continued . . .