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Research & Strategic Analysis

Summary of Findings

Housing Market Analysis
Lancaster County, Pennsylvania

September, 2013

NOTE: This document is a brief summary of the most salient findings of the analysis of Lancaster County's housing market. It should not be considered a substitute for the full report which covers the county and all of its 60 municipalities singly and in clusters with rich and nuanced data that cannot be conveyed in bullet points. Study findings, summarized here at the county level, raise provocative questions concerning appropriate techniques for meeting the overall objective of providing greater housing affordability and diversity throughout the county, many of which can only be implemented at the municipal level.

Issue: There is a dire need for rental housing throughout the county, particularly affordable units, but also market-rate units. Newer, professionally-managed market-rate properties in the county cater mainly to above-median income renters.

- The median household income in Lancaster County in 2011 was $53,387; the median renter household income was $30,697; the median rent was $834.
- Almost half (47.8 percent) of the renter households in the county are cost-burdened—paying more than 30 percent of their income for rent.
- Renter demand by income ranges and rental supply by affordability ranges are not well-matched. In particular, households with incomes at or below 30 percent of the HUD Area Median Family Income are either under-housed or cost-burdened.
- The county rental affordability index is 77, meaning the median income for county renter households is 23 percent lower than the income required to qualify for the median-priced rental unit. Median rents are mismatched with median renter incomes across all transects.
- Occupancy rates at nearly all county rental properties exceed 95 percent. These extremely high occupancy rates, combined with the cost-burden carried by a majority

of renters at these properties, point to a severe shortage of rental housing, at all price points, throughout the county.

Issue: A sizeable percentage of new detached and attached housing is out of reach of resident households based on median homeowner incomes, and the production of new for-sale housing throughout the county remains out of step with the changing housing preferences of the 21st Century housing market.

- The median owner household income in 2011 was $64,255; the median housing value was $187,300.
- The county's housing stock currently contains more than 55 percent single-family detached houses, and the majority of permits issued are for single-family units. In contrast, over the next 15 years, single-family detached units will comprise only 40 percent of market preferences.
- The county ownership affordability index is 176, meaning that the median income for owner households is 76 percent higher than the income required to qualify for the median-priced owner-occupied dwelling unit. In many municipalities, this is less an indication of high median income, but rather reflective of the low median values of owner-occupied housing units.
- The 21st Century housing market is increasingly comprised of one- and two-person households, with preferences for smaller housing units. Areas with concentrations of housing units with four or more bedrooms, which comprises a growing percentage of the county housing stock, may therefore ultimately be at a competitive disadvantage.

Conclusion: A continuation of current trends in Lancaster County—with the emphasis on new for-sale housing construction concentrated in single-use, single-family subdivisions, new rental construction largely limited to market-rate rents, and a lack of diversity in both housing types and affordability—risks economic stagnation and declines in housing values.

- The county's population and household growth has occurred mostly outside the city and the boroughs. The general trend has been a continued geographic dispersion of housing units, households and population.

- The county's commutation and vehicle ownership patterns are reflective of its settlement patterns, with a high reliance on single-occupancy vehicles and limited transportation options.
- Nearly 72 percent of all Lancaster County households have a combined housing and transportation cost burden of 45 percent of income or higher.
- In 2009, for the first time, more households moved out of the county than moved in.
- Market preferences in the county, as in the nation, are moving steadily toward walkable, mixed-use neighborhoods, but many households, lacking housing choice, continue to settle for single-use subdivisions instead.
- Currently, in terms of lifestage, empty nesters and retirees (Baby Boomers) comprise the largest segment of county households, at 52 percent of all households. Traditional and non-traditional families (Generation X) represent 29 percent, and younger singles and couples (the Millennial generation) 19 percent.
- However, over the next five years, younger singles and couples will make up over 45 percent of the market for new and existing housing units in the county; traditional and non-traditional family households will represent 31 percent; and empty nesters and retirees 24 percent.
- In terms of tenure propensities, approximately 57 percent of the potential market would be likely to own their units, and 43 percent would be likely to rent. Of the households that would be likely to own their units, 11 percent would prefer condominiums (multi-family), 18 percent would prefer rowhouses, townhouses, or duplexes (single-family attached), and 71 percent would prefer single-family detached houses.
- The protracted ownership housing slump due to the housing crash and Great Recession has led to a measurable shift in market preferences from home ownership to rental dwelling units, particularly among younger households. At the same time, there has been a significant shift in preferences from exurban and rural subdivisions toward mixed-use neighborhoods.
- The Millennial generation's attitude toward home ownership and their financial capacity in light of their unprecedented student debt load will determine when, and

if, first-time home buying returns to "normal" levels. Without first-time buyers, housing sales volume is diminished. Would-be move-up buyers cannot sell their existing dwellings to improve their housing situation. At the end of the housing resales sequence is the huge Baby Boom generation who are expected to begin a great housing sell-off during the forecast period; but, without a reasonable level of first-time buyers at the beginning of the sequence there may not be sufficient numbers of buyers for the Baby Boomer houses.

LANCASTER COUNTY HOUSING DATA

—2000 CENSUS; 2013 NIELSEN ESTIMATES—

Number of Housing Units 2000:	179,952	
Number of Housing Units 2013:	206,952	
Number Occupied:	197,403	95 percent
Number Owner-Occupied:	135,065	68 percent
Median Housing Value:	$189,315	
Number Renter-Occupied:	62,338	32 percent
Median Monthly Rent:	$834 *	
Median Year Built:	1973	27% prior to 1949; 4.6% since 2005
Number of Housing Units 2013:	206,952	
Single-Family Detached:	115,000	55.6 percent
Single-Family Attached:	41,062	19.8 percent
Duplex (Two Units):	8,855	4.3 percent
Multi-Family (Three+ Units):	33,731	16.3 percent
Mobile Home/Trailer:	8,277	4.0 percent
Number of Households 2000:	172,575	
Number of Households 2013:	197,403	
1- and 2-Person Households:	118,366	59.9 percent
Average Household Size:	2.61	

* Estimate from 2011 American Community Survey.

—2008 – 2012 BUILDING PERMITS—

Five-Year Total:	6,303
Single-Family:	4,723
Two-Family:	234
3-4-Family:	198
5+-Family:	1,148
2008 Total:	1,434
Single-Family:	1,160
Two-Family:	8
3-4-Family:	30
5+-Family:	236
2009 Total:	1,255
Single-Family:	983
Two-Family:	64
3-4-Family:	74
5+-Family:	134
2010 Total:	1,373
Single-Family:	1,141
Two-Family:	32
3-4-Family:	20
5+-Family:	180
2011 Total:	1,076
Single-Family:	653
Two-Family:	46
3-4-Family:	47
5+-Family:	330
2012 Total:	1,165
Single-Family:	786
Two-Family:	84
3-4-Family:	27
5+-Family:	268

—2008 – 2012 MLS SALES—

Five-Year Total:	21,615
Single-Family:	20,702
Condominium:	913
2008 Total:	4,463
Single-Family:	4,267
Condominium:	196
2009 Total:	4,465
Single-Family:	4,296
Condominium:	169
2010 Total:	4,109
Single-Family:	3,944
Condominium:	165
2011 Total:	3,962
Single-Family:	3,792
Condominium:	170
2012 Total:	4,616
Single-Family:	4,403
Condominium:	213

—2011 AMERICAN COMMUNITY SURVEY ESTIMATES—

Median Household Income:	$53,387
Median Owner Income:	$64,255
Ownership Affordability Index:	176
Cost-Burdened w/ Mortgage:	33.2%
Cost-Burdened No Mortgage:	15.7%
Median Renter Income:	$30,697
Renter Affordability Index:	77
Cost-Burdened:	47.8%

—MARKET POTENTIAL FOR LANCASTER COUNTY: 2013-2017—

Households by Lifestage 2013:	197,395 Households	
Empty Nesters & Retirees:	102,940	52.1 percent
Traditional & Non-Traditional Families:	57,925	29.3 percent
Younger Singles & Couples:	36,530	18.6 percent
Five-Year Market Potential 2013-2017:	115,175 Households	
Empty Nesters & Retirees:	27,425	23.8 percent
Traditional & Non-Traditional Families:	36,025	31.3 percent
Younger Singles & Couples:	51,725	44.9 percent
Tenure Preferences 2013-2017:	115,175 Households	
Renter Households:	49,550	43.0 percent
Owner Households:	65,625	57.0 percent
Empty Nesters & Retirees:	27,425 Households	
Rental Preferences:	7,300	26.6 percent
Owner Preferences:	20,125	73.4 percent
Traditional & Non-Traditional Families:	36,025 Households	
Rental Preferences:	11,790	32.7 percent
Owner Preferences:	24,235	67.3 percent
Younger Singles & Couples:	51,725 Households	
Rental Preferences:	30,460	58.9 percent
Owner Preferences:	21,265	41.1 percent
Target Market Incomes 2013-2017:	115,175 Households	
Incomes Below 30% AMI:	18,620	16.1 percent
Incomes Between 30-50% AMI:	15,115	13.1 percent
Incomes Between 50-80% AMI:	21,840	19.0 percent
Incomes Between 80-100% AMI:	12,545	10.9 percent
Incomes Above 100% AMI:	47,055	40.9 percent
Renter Households:	49,550 Households	
Incomes Below 30% AMI:	9,885	19.9 percent
Incomes Between 30-50% AMI:	7,385	14.9 percent
Incomes Between 50-80% AMI:	9,900	20.0 percent
Incomes Between 80-100% AMI:	5,330	10.8 percent
Incomes Above 100% AMI:	17,050	34.4 percent
Owner Households:	65,625 Households	
Incomes Below 30% AMI:	8,735	13.3 percent
Incomes Between 30-50% AMI:	7,730	11.8 percent
Incomes Between 50-80% AMI:	11,940	18.2 percent
Incomes Between 80-100% AMI:	7,215	11.0 percent
Incomes Above 100% AMI:	30,005	45.7 percent

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Research & Strategic Analysis

ASSUMPTIONS AND LIMITATIONS—

Every effort has been made to insure the accuracy of the data contained within this analysis. Demographic and economic estimates and projections have been obtained from government agencies at the national, state, and county levels. Market information has been obtained from sources presumed to be reliable, including developers, owners, and/or sales agents. However, this information cannot be warranted by Zimmerman/Volk Associates, Inc. While the methodology employed in this analysis allows for a margin of error in base data, it is assumed that the market data and government estimates and projections are substantially accurate.

Absorption scenarios are based upon the assumption that a normal economic environment will prevail in a relatively steady state during development of the subject property. Absorption paces are likely to be slower during recessionary periods and faster during periods of recovery and high growth. Absorption scenarios are also predicated on the assumption that the product recommendations will be implemented generally as outlined in this report and that the developer will apply high-caliber design, construction, marketing, and management techniques to the development of the property.

Recommendations are subject to compliance with all applicable regulations. Relevant accounting, tax, and legal matters should be substantiated by appropriate counsel.

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Research & Strategic Analysis

HOUSING MARKET ANALYSIS

Of
Lancaster County, Pennsylvania

September, 2013

Conducted by
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STUDY CONTENTS

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INTRODUCTION

Lancaster County's charm and physical beauty—from its historic boroughs and increasingly vibrant city to its carefully-groomed working landscape enhanced by enduring traditions—can serve to mask the growing challenges it shares with many, if not most locations across the United States. American communities are struggling with constrained budgets, inadequate and often failing infrastructure, and a growing mismatch between housing and households: the available housing stock has increasingly become disconnected from the characteristics and housing desires of the 21st Century market.

In the effort to restore, maintain or develop communities that balance economic, social and environmental interests, municipal leaders must navigate the intricate interconnectivity that both underlies and complicates sustainability. There is no single path to creating healthy communities; instead, as John Muir wrote just over a century ago, "When we try to pick out anything by itself, we find it hitched to everything else in the Universe."

This analysis has been undertaken in acknowledgement of that complex interconnectivity in its approach to uncovering meaningful information and, with the knowledge of that information, to establishing effective tools to mitigate the challenges and leverage the opportunities of Lancaster County's housing market. To deal with the complex interconnectivity, the establishment of housing market potential in this analysis goes beyond the scope of conventional housing needs analysis; in addition to identifying past trends and establishing current conditions, this analysis employs target market analysis to examine the characteristics and qualitative aspects of the current and future housing market in more detail than basic demographic analysis can provide.

NOTE ON SOURCES:

> Wherever possible, the data presented on a table will be from sources available at every level of geography. For each table, the compiled information generally represents the most recent data available and from within a common time frame; however, there are instances when—endeavoring to present the most accurate information—the data originates from different years.
>
> Mapping of much of the data included in THE HISTORICAL AND CURRENT CONTEXT below is provided in a separate document by Sarcinello Planning & GIS Services.
>
> Mapping to illustrate the suitability of locations within the county for affordable housing is also provided in a separate document by Sarcinello Planning & GIS Services.
>
> An updated analysis of the 60 municipal zoning ordinances is provided in a separate document by Thomas Comitta Associates, Inc.

CONCLUSIONS

A clearly-defined set of objectives is required for the findings of this housing market study to be meaningful. Some of the findings raise provocative questions concerning appropriate techniques for meeting the overall objective of providing greater housing affordability and diversity throughout Lancaster County.

The matter of where efforts should be concentrated is a particularly complex issue. Concentrating within the City of Lancaster would yield the greatest efficiency by serving the greatest number of households at the lowest cost. Under the more nuanced measure of affordability provided by the Housing + Transportation Index methodology, affordable housing unit production dollars spent within the city will go further because of the city's relative transit efficiency compared with most of the rest of the county. Conversely, adding affordable housing to the city would increase an existing high concentration of affordable units which could, in turn, lead to negative social consequences from a concentration of poverty. A policy that encourages new affordable housing to be built only within mixed-income properties or within the neighborhood context would mitigate these potentially negative social consequences.

It is clear that there is a dire need for rental housing throughout the county, particularly affordable as well as market-rate rental units. Almost half (47.8 percent) of the renter households in the county are cost-burdened—paying more than 30 percent of their income for rent. Rental affordability is even worse in some of the municipalities. According to the Census Bureau, more than 70 percent of the renters in suburban West Lampeter Township are considered to be cost-burdened; in the Borough of Strasburg, and semi-rural East Drumore and West Donegal Townships, the percentage of cost-burdened renters exceeds 60 percent. Most of the newer rental properties in the county have contributed to, rather than lessened the problem: the high costs of land, materials, labor, infrastructure, and the challenges associated with acquiring development parcels that are zoned for multi-family housing inevitably means that, without incentives or subsidy, new rental properties will require market-rate rents to be financially feasible.

It is also clear that the production of new for-sale housing throughout the county remains out of step with the changing housing preferences of the 21st Century housing market. The county's housing stock is currently comprised of more than 55 percent single-family detached houses, and the majority of permits issued are for single-family units.

The analysis of market potential over the next 15 years establishes that, as a preferred housing type, single-family detached units comprise approximately 40 percent of the total potential market, a significantly lower percentage than the county's existing 55 percent. In many markets around the country, single-family detached units were heavily overbuilt in exurban locations during the housing boom. Because of lack of buyers, even today when the housing market is in recovery, many of those houses stand empty, and municipal leaders, planners, and developers have still not arrived at a reasonable solution for dealing with the vacancies and the fiscal and social consequences.

The implication for Lancaster County of a continuation of current trends—with an emphasis on new for-sale housing construction concentrated in single-use, single-family subdivisions and new rental construction largely limited to market-rate rents and without providing diversity in both housing types and affordability—is the potential risk of stagnation and declines in housing values, with more households continuing to move out of the county than move in (which happened for the first time in 2009).

It is possible that in this century's first decade, with the housing crash, changed social attitudes, and transformed demographics, America's prolonged post-World War Two dispersal of isolated auto-oriented real estate development finally ended. Certainly, over the mid-term, what is still considered to be a "normal" housing market will remain disrupted. With urban-oriented, student debt-burdened Millennials unable or disinterested in buying, first-time home purchases continue at very low levels, undermining the foundation of the for-sale housing market sequence of buyers from move-up to move-down. In this new context, from the fiscal policy perspective, it would be imprudent to continue to enable the unabated dispersion of isolated subdivisions across the county's landscape.

Currently in the county, as in the nation, as identified in the target market analysis, market preferences are moving steadily toward walkable, mixed-use neighborhoods, instead of single-use subdivisions in isolated locations. This provides an opportunity to expand housing options for Lancaster County residents in a more sustainable pattern—in the city, in the boroughs, in the centers of older suburbs and in the historic small-scale hamlets and villages. Although there are significant, non-market obstacles that must be overcome—from financial feasibility and infrastructure issues, inappropriate zoning, and lack of transportation options—achieving a balanced mix of housing options throughout the county would lead to greater economic efficiency. Affordable housing production can be an important tool toward achieving that end, particularly when leveraged in a mixed-income context to assist with development feasibility. The programs and policies implemented to enable affordable housing, if used to create, restore, preserve or enhance more economically-efficient mixed-use walkable neighborhoods, will provide the broadest social, economic and fiscal advantage to Lancaster County residents, municipalities and institutions. The county's much-need affordable housing, then, can benefit everyone.

THE HISTORICAL AND CURRENT CONTEXT

The physical, demographic and economic characteristics of Lancaster County and its 60 municipalities span a wide range from the City of Lancaster's urban core to predominantly rural townships. Throughout this analysis, data for the county's municipalities have been presented not only for each municipality, but also in five groupings of settlement patterns, as established for the 2005 Update of the Housing Element of the Lancaster County Comprehensive Plan: Lancaster City; 18 Boroughs; nine Suburban Townships; 17 Semi-Rural Townships; and 15 Rural Townships.

Analysis of the 60 municipalities by gross housing density and degree of urbanism shows that, even within the same grouping, no two municipalities are exactly alike. (*For municipal housing densities, see* Table 1A.) Note: In calculating gross densities, the total number of dwelling units for the county and each municipality (2013 estimates provided by the Nielsen Company) is divided by the land area, which includes all residential and non-residential uses, transportation rights-of-way, recreational land and open space, but excludes land covered by water.

Lancaster County as a whole has a gross density of only 0.34 units per acre.

Surprisingly, at 5.06 dwelling units per acre of land, the City of Lancaster is not the most dense of the 60 municipalities; Ephrata Borough has the highest gross density in the county at 6.13 dwelling units per acre.

Excluding Ephrata, gross housing density in the boroughs ranges from 0.91 dwellings per acre in Adamstown to 3.1 units per acre in Columbia. Gross densities in the remaining 15 boroughs range between 1.3 units per acre (Quarryville) and 2.88 units per acre (Lititz), for an overall borough average of 2.3 dwellings per acre.

Gross housing density in the suburban township ranges from 0.21 dwellings per acre in East Lampeter Township to 1.8 dwellings per acre in Lancaster Township. In addition to Lancaster Township, only Manheim Township has a gross density higher than one unit per acre; the densities of the six remaining suburban townships range between 0.3 units per acre

(East Cocalico Township) and 0.76 units per acre (East Hempfield Township), for an average in the category of 0.69 dwellings per acre.

Gross housing density in the semi-rural townships ranges from 0.08 dwellings per acre in Eden and Sadsbury Townships to 0.34 dwellings per acre in Manor and West Donegal Townships, for an average in the category of 0.18 dwellings per acre.

Gross housing density in the rural townships ranges from 0.06 dwellings per acre in Colerain and Drumore Townships to 0.27 dwellings per acre in Upper Leacock Township, for an average in the category of 0.12 dwellings per acre.

The average housing densities across the urban-to-rural transect shows the expected decrease in density—from 5.06 dwelling units per acre of land area in the City of Lancaster to the 0.12 dwellings per acre average in the rural townships. However, there are instances of municipal housing density within one category that are more similar to the average density in another category; for the most part, development which has occurred since 2005 accounts for these anomalies.

Another quantitative measure of density is embedded within the Target Market Methodology, with household types arrayed across the Nielsen Company's urban-to-rural transect: Metropolitan Cities, Small Cities/Satellite Cities, Metropolitan Suburbs and Town & Country/Exurbs. These geographic delineations of urbanicity were established using density centiles (density scores based on population calculations as opposed to dwelling units within an overlaid grid structure, *see* NOTES ON POPULATION DENSITY CENTILES *below*) and also include an assessment of a geographic location's position in relation to the region. The grid structure allows for the variations in urbanicity that can occur within any given location.

<u>Metropolitan</u> <u>Cities</u> have high population density scores, falling mostly between 85 and 99. Households in this classification live within the downtowns and classic high-density neighborhoods found in the heart of America's largest cities. While almost always anchored by a downtown central business district, these areas often extend beyond a city's limits into surrounding jurisdictions to encompass many high-density first-ring suburbs—America's earliest suburban expansions.

Small Cities/Satellite Cities are less densely populated than Metropolitan Cities, with population density scores typically between 40 and 85. Households in this classification live within America's smaller second- and third-tier cities, which represent the population centers of smaller regions. The thousands of satellite cities, typically within higher density suburbs encircling major metropolitan centers, usually have far greater affluence than their small city equivalents.

Metropolitan Suburbs have population density scores between 40 and 90, and surround either Metropolitan Cities or Small Cities/Satellite Cities. Although their population densities are similar to Small Cities/Satellite Cities (*see above*), Metropolitan Suburbs are not the centers of their regions, but rather a continuation of the density decline radiating from the city center. While some Metropolitan Suburbs may be employment centers, the lifestyles and commuting patterns of households who live in them are likely to be from one Metropolitan Suburban to another, or to the Metropolitan City or Small City/Satellite City core, rather than within the Metropolitan Suburb itself.

Town & Country and Exurban areas have low population densities with scores less than 40. The town aspect of this category covers the thousands of small towns, villages, and hamlets scattered throughout the rural heartland; the exurbs include the low-density developments far beyond the outer beltways and suburban rings of America's major metros. The exurban segments have slightly higher densities and are more affluent than their rural neighbors.

Lancaster County, its municipalities, and their five groupings, then, were also analyzed using these geographic designations of urbanicity. (*See* Table 1B.) The county's households are located within all four of the geographic designations: 1.6 percent in Metropolitan Cities; 17.3 percent in Small Cities/Satellite Cities; 25.5 percent in Metropolitan Suburbs; and 55.6 percent in Town & Country/Exurbs.

The City of Lancaster's households are located within three of the four geographic designations: 31.4 percent in Metropolitan Cities; 73.1 percent in Small Cities/Satellite Cities; and 13.5 percent in Metropolitan Suburbs.

The aggregation of the 18 boroughs falls into all four of the geographic designations: 0.4 percent in Metropolitan Cities (150 households in Elizabethtown Borough); 43.7 percent in Small Cities/Satellite Cities; 10.4 percent in Metropolitan Suburbs; and 45.5 percent in Town & Country/Exurbs.

The aggregation of the nine suburban townships falls into three geographic designations: 0.6 percent in Small Cities/Satellite Cities; 58.5 percent in Metropolitan Suburbs; and 40.9 percent in Town & Country/Exurbs. East Cocalico Township is unique as it is the only suburban township that has no households classified in Metropolitan Suburbs; all East Cocalico households are in the Town & Country/Exurban category.

The aggregation of the 17 semi-rural townships falls mostly within two geographic designations: 10.7 percent in Metropolitan Suburbs; and 89.3 percent in Town & Country/Exurbs. Twenty-five households (0.1 percent) in West Earl and Rapho Townships fall into the Small Cities/Satellite Cities designation. With 60 percent of its households in the Metropolitan Suburbs designation, Manor Township appears to more suburban than semi-rural.

The aggregation of the 15 rural townships falls almost completely in Town & Country/Exurbs, with 99.4 percent in this category. The exception is 130 households in Elizabeth Township that are categorized as Metropolitan Suburbs.

Based on the density and urbanicity tables, consideration should be given to making some adjustments in the municipal groupings in future analyses and applications. For example, East Cocalico Township appears to be a better fit for the semi-rural than the suburban category; and, conversely, Manor Township seems more suited to the suburban category than the semi-rural.

NOTES ON POPULATION DENSITY CENTILES:

> Population Density Centiles are based on a contextual measure of density developed by Claritas prior to its purchase by the Nielsen Company. The nation's land area is divided into a grid of same-size units to establish population density centiles, reducing any potential distortion caused by the variation in census tract and block group land areas, and helping to smooth the impact of population gaps in urban centers.

—HOUSING STOCK CHARACTERISTICS—

Lancaster County's general housing stock characteristics—with higher-density multi-family and attached structures dominating its urban areas and increasing percentages of lower-density detached houses moving outward along the urban-to-rural transect—is similar to both Pennsylvania and the nation.

As measured by building permits, residential development in the county, even through the deep housing recession, has been consistently biased toward suburban and semi-rural locations. Residential sales in the county have also been dominated by suburban locations. Conversely, affordable and special-needs housing is concentrated in urban areas.

Housing affordability is a significant concern for renter households. Newer, professionally-managed market-rate properties cater mainly to above-median income renters. Similarly, a sizeable percentage of new detached housing, and a surprising percentage of attached housing, is out of reach of resident households based on median homeowner incomes.

Lancaster County's settlement pattern is distinguished by its polycentricity: a largely low-density landscape dotted with higher-density nodes from small hamlets and villages to the mixed-use boroughs and central city. This settlement pattern should easily accommodate redevelopment and infill construction, provided that the required infrastructure is either present or financially feasible and appropriate zoning is in place.

—Housing Stock Characteristics: Number, Tenure, Rents and Values—

Findings—

Of Lancaster County's estimated 206,952 housing units in 2013, 95 percent are occupied. Of those 197,403 units, 68 percent, or 135,065 units, are owner-occupied; the remaining 62,338 units are renter-occupied. The estimated 2013 median value of all owner-occupied unit in Lancaster County is $189,315; the estimated median rent in 2011 was $834 a month.

The City of Lancaster's seven percent vacancy rate is not the highest among all municipalities; at 10 percent, Fulton Township, in the rural grouping, has the highest municipal vacancy rate, and three boroughs have vacancy rates higher than or equal to the city's: Columbia Borough at eight percent, and Adamstown and Marietta Boroughs at seven percent each.

Lancaster County's 68 percent homeownership rate is slightly lower than Pennsylvania's 70 percent, but higher than the nation's 65 percent. The City of Lancaster has the lowest homeownership rate in the county at 44 percent, which is a rate comparable to or even higher than the homeownership rate in most cities in America. The homeownership rate is highest in rural Martic Township at 88 percent. The ownership pattern generally increases as density decreases, ranging from an average of 64 percent in the boroughs, an average of 71 percent in the suburban townships, an average of 76 percent in the semi-rural townships, to an average of 78 percent in the rural townships.

Lancaster County's estimated $189,315 median housing value in 2013 is 16 percent higher than Pennsylvania's $163,603 and 10 percent higher than the nation's $171,345. The county's estimated $834 median rent in 2011 was 35 percent higher than Pennsylvania's $617 and 16 percent higher than the nation's $722 median rent.

The City of Lancaster's 2013 estimated median housing value of $106,129 is the lowest among all, as is the city's estimated median rent of $696 in 2011. The rural townships have the highest weighted median housing value at $217,983, followed by the suburban townships at $208,322. The suburban townships have the highest weighted median rent, at just over $1,000 per month, followed closely by the semi-rural townships at $995 per month. At $269,054, Colerain Township has the highest individual municipal median housing value; West Donegal Township has the highest individual municipal median rent of $1,721 per month.

Significance—

Lancaster County's pattern of housing tenure and values is similar to many regions in the nation in the late 20th Century: a central city, with a relatively low rate of home ownership and lower-than-average rents and ownership housing values, surrounded by a lower-density polycentric region where rents, housing values and home ownership rates are higher, in some cases substantially higher, than in the central city. Although the more recent trend toward walkable, mixed-use centers at a range of scales from villages to the central city is slowly being realized in Lancaster County, the increase in values demonstrated by comparable walkable communities elsewhere in the nation has not yet been achieved in the county.

Sources and Methodology—

Data are 2013 estimates from the Nielsen Company, except for the median rent which is from the United States Bureau of Census American Community Survey 2011 five-year estimates. The medians for the boroughs, suburban townships, semi-rural townships, and rural townships were determined by weighting the individual municipal rents and housing values within each grouping (*See* Table 2.) Please note that housing values are not the same as average sales prices. Housing values are estimated and projected based on the most recent decennial Census data and include all owner-occupied housing; sales prices are averaged by the Lancaster multiple listing service and cover only dwellings that have sold during a specific period. (*For average sales prices from 2008 through 2012, see* Tables 9A *through* 9E.)

—Housing Stock Characteristics: Age of Housing Units—

Findings—

The oldest housing stock is in the City of Lancaster and Columbia and Marietta Boroughs, where more than half the housing stock was built before 1939. The municipalities with the youngest housing stock are in suburban Warwick Township where the median year built is 1987; in the semi-rural townships of Clay, Mount Joy and West Donegal and Mountville Borough (median year built 1985); and in the suburban townships of East Cocalico and West Lampeter (median year built 1984).

The median year built by municipal groupings are: City of Lancaster, earlier than 1939; for all boroughs combined, 1965; for all suburban townships combined, 1978; for all semi-rural townships combined, 1980; and for all rural townships combined, 1976.

Significance—

The age distribution of Lancaster County's housing stock follows the historic development pattern of most regions across the country, with the oldest housing stock concentrated in urban centers—the city and many of the boroughs—and newer housing stock in the suburbs and exurban fringe—the suburban and semi-rural townships. The county also contains older farmsteads built predominantly during the 18th and 19th Centuries.

Based on the experience of many cities, for example, Philadelphia and Baltimore, the county should encourage the renovation and upgrading of existing buildings, particularly those of architectural merit, in order to capitalize on the positive impact historic rehabilitation has had on individual neighborhoods. In particular, within designated historic districts, home values are typically higher than the median and these neighborhoods are more likely to gain than lose residents.

Sources and Methodology—

Data are 2013 estimates from the Nielsen Company. Reporting for municipalities with the oldest housing stock—designated on the table with an asterisk—shows the median year built as 1939; however, 1939 appears when at least half of the housing units were built prior to 1939 but there is no data available to determine the median. (*See* Table 3.)

—Housing Stock Characteristics: Affordability by Tenure—

Findings—

In the county, the ownership affordability index is 176, meaning that the median income for owner households is 76 percent higher than the income required to qualify for the median-priced owner-occupied dwelling unit. Conversely, the rental affordability index is 77: the median income for county renter households is 23 percent lower than the income required to qualify for the median-priced rental unit. This contrast holds true within every municipal grouping with the exception of the rural townships, where the average rental affordability index is 101. Nevertheless, 22 of the 60 municipalities have a rental affordability index of 100 or higher—seven of the boroughs, one of the suburban townships, six of the semi-rural townships, and eight of the rural townships.

Significance—

By standard affordability measures, housing affordability is mainly a concern for renter households. Although there is a concentration of rental affordability difficulty in the City of Lancaster, the lowest indices are spread across all geographic groupings and in both large and small concentrations of rental units. A number of municipalities have particularly low Rental Affordability Indices (RAI), *i.e.*—median rents are mis-matched with median renter incomes:

West Donegal Township (semi-rural)	1,021 occupied rental units	44 RAI
Millersville Borough	841 units	46 RAI
West Lampeter Township (suburban)	2,201 units	51 RAI
Strasburg Township (semi-rural)	260 units	60 RAI
Mount Joy Township	821 units	66 RAI
City of Lancaster	12,476 units	67 RAI
Elizabeth Township (rural)	207 units	69 RAI
Martic Township	227 units	70 RAI
Lititz Borough	1,572 units	73 RAI
East Drumore Township (semi-rural)	468 units	73 RAI
Mountville Borough	489 units	75 RAI
Columbia Borough	1,902 units	77 RAI

Applying the rental qualification measure of 25 percent of gross monthly income, a renter household living in the City of Lancaster with an income equivalent to the median income of all city renter households ($22,378) would qualify for a maximum monthly rent of $466 (compared to the median rent of $696). (Rental affordability is calculated using a qualifying income ratio of 25 percent, less than the HUD standard of 30 percent for rent and utilities to account for lack of specific utility cost data.) The rural township group is the only grouping where the household at the median renter income could afford more than the median rent. The other groupings fall short:

	Renter Household Median Income	Maximum Monthly Rent	Median Rent
Boroughs	$32,015	$667	$749
Suburban townships	$39,006	$814	$1,010
Semi-rural townships	$40,516	$844	$995
Rural townships	$39,190	$816	$809

The strong ownership affordability indices in Lancaster City and some of the boroughs is less an indication of healthy median incomes, but rather reflective of the low median values of owner-occupied housing units. These low median housing values are due in part to the high median age of the housing stock and in part to the poor condition, generally from lack of maintenance, that often accompanies older housing stock. The City of Lancaster, and Columbia and Marietta Boroughs all have ownership affordability indices over 225, yet they have median housing values well below the county average and all three have a median housing age older than 1939 (*see again* Table 3 *for median ages of housing stock*).

Using an approximation measure for home ownership qualification of two-and-a-half- to three-times gross income, a household living in the City of Lancaster with an income equivalent to the median income of all owner households in the city ($49,891) could purchase a unit priced between approximately $124,700 and $149,700 (compared to the median housing value of $98,500). Comparable owner median income, median price range, and median housing value data for the municipal groupings are shown on the table on the following page:

	OWNER HOUSEHOLD MEDIAN INCOME	MEDIAN PRICE RANGE	MEDIAN HOUSING VALUE
Boroughs	\$63,521	\$161,600 to \$193,900	\$170,572
Suburban townships	\$77,380	\$187,400 to \$224,900	\$208,433
Semi-rural townships	\$68,336	\$169,500 to \$203,400	\$197,692
Rural townships	\$65,439	\$162,400 to \$194,850	\$217,983

It should be noted that standard affordability indices are of limited real-world value, since they compare income and housing costs within specific geographic locations, and cannot take into account the impact of the incomes and housing propensities of households that might move to those locations (market potential) if appropriate housing were available.

Sources and Methodology—

Data are from the United States Bureau of Census American Community Survey 2011 five-year estimates. The affordability indices were calculated for this study by Zimmerman/Volk Associates. The ownership affordability index employs the methodology used by the National Association of Realtors, assuming a 20 percent down payment and a 30-year fixed-rate mortgage at 4.5 percent interest with a qualifying ratio of 25 percent of income.

The rental affordability index also uses a qualifying income ratio of 25 percent, less than the HUD standard of 30 percent for rent and utilities to account for lack of specific utility cost data. An index of 100 means that a renter household with the median income has exactly enough income to qualify for the rent on the median-cost rental unit; or an owner household with the median income has exactly enough income to qualify for the rent on a median-priced dwelling unit. An index above 100 indicates that the median-income household is more highly income-qualified, whereas an index below 100 indicates that the median-income household does not qualify for the median-cost unit. (*See* Table 4.)

—Housing Stock Characteristics: Overcrowding; Substandard Conditions; Cost-Burdened—

Findings—

Lancaster County does not veer substantially from the national averages in the measures of overcrowding, substandard conditions, and cost-burdened households.

The 1.6 percent of the county's occupied housing units that are classified as overcrowded is well below the 3.1 percent national average. Statistically, overcrowding is a problem in rural Bart and Drumore Townships since the percentage of units classified as overcrowded exceeds nine percent, or three times the national average; however, in absolute numbers this totals only 144 units. In contrast, the City of Lancaster, with an overcrowding rate of only 3.2 percent, has nevertheless the highest absolute number of overcrowded units at 703.

The 0.6 percent of county dwelling units lacking complete plumbing facilities is exactly the national average; the one percent of county households lacking complete kitchen facilities is slightly above the 0.9 percent national average. At 6.1 percent, East Petersburg Borough has the highest percentage of units without full plumbing and kitchen facilities, although the City of Lancaster and Elizabethtown Borough each have greater numbers of substandard units in those categories. Nine of the 18 boroughs report no substandard units; three of the nine suburban townships have no substandard units; all but two of the 17 semi-rural townships—Providence and Strasburg—have a percentage of units that lack either or both complete plumbing and kitchen facilities; and all but three of the 15 rural townships—Conoy, Elizabeth, and Martic—have units without full plumbing and/or kitchen facilities.

The 33.2 percent of county households with a mortgage that have housing costs of 30 percent or more of household income is below the 37.5 percent national average. Rural Bart Township, semi-rural Sadsbury Township, and rural Leacock Township stand out for relatively high percentages of cost-burdened mortgaged households at 57.7 percent, 59.1 percent and 61.7 percent respectively.

The 15.7 percent of county households without a mortgage that have housing costs of 30 percent or more of household income is slightly above the 15.5 percent national average.

Semi-rural Mount Joy and Penn Townships and Adamstown Borough have relatively high percentages of cost-burdened households without a mortgage at 23.9 percent, 28.6 percent and 32.7 percent respectively.

Although it is a high percentage, the 47.8 percent of county renter households that have gross rent of 30 percent or more of household income is below the 51.5 percent national average. Several municipalities in the county have very high percentages of cost-burdened renters: suburban West Lampeter Township at 70.4 percent; semi-rural West Donegal Township at 69.2 percent; semi-rural East Drumore Township at 63.3 percent; and Strasburg Borough at 62.4 percent.

Significance—

The adverse housing conditions of overcrowding and substandard conditions cited above, because of their relatively small numbers, tend to be relatively isolated instances rather than the arc of a broader pattern. The fact that Lancaster County's average renter cost burden is below the national average, which could be perceived as somewhat heartening for the county, nevertheless indicates that rental housing affordability is a national, not just a county problem. The renter cost burden appears to be a significant challenge in many of the county's municipalities, not just the four cases cited.

Sources and Methodology—

All data are from the United States Bureau of Census American Community Survey 2011 five-year estimates. Overcrowding is defined as households living in units in which there is an average of more than one person per room. Substandard conditions cover dwelling units which lack complete plumbing and/or kitchen facilities. Cost-burdened households are defined as those households who spend more than 30 percent of their income on housing costs. (*See* Table 5A.)

—Housing Stock Characteristics: Estimates of Renter Housing Need—

Findings—

There is an estimated need, based on 2010 data, for an additional 5,000 units of rental housing in Lancaster County affordable to households with incomes at or below 30 percent of HUD's Area Family Median Income (HAMFI). There is a theoretical surplus of units affordable to households with incomes between 30 and 80 percent of HAMFI, and a theoretical deficit of units affordable to households with incomes above 80 percent of median.

Significance—

Based on this analysis, renter demand by income ranges and rental supply by affordability ranges are not well-matched in the county. In particular, households with incomes at or below 30 percent of HAMFI are either under-housed or cost-burdened.

The clear shortfall of rental housing affordable to households with incomes at or below 30 percent of median means that those households are likely living in dwelling units that cost more than 30 percent of their income or may even be homeless. The theoretical surplus of units affordable to households with incomes between 30 and 50 percent of median is only 18 percent higher than the shortfall of units affordable to households with incomes below 30 percent of median, making it likely that those households are taking up much of that surplus, despite the resulting housing cost burden.

Conversely, there is a theoretical surplus of units affordable to households with incomes between 50 and 80 percent of median that is within only one percent of the estimated shortfall of units affordable to households with incomes greater than 80 percent of median.

The aggregate data, combining all income groups and all dwelling units, indicates a net county-wide surplus of just over 1,000 rental units, which is less than two percent of all units and can be accounted for through normal rental turnover. Any rental housing market with vacancy rates of less than five percent is considered to be seriously under-served.

Sources and Methodology—

All data are from the United States Department of Housing and Urban Development's Comprehensive Housing Affordability Strategy (CHAS) data, which are, in turn, custom tabulations compiled for HUD by the U.S. Census Bureau. The data are tabulated from the 2006-2010 American Community Survey. Although estimates of renter households are broken out by five income groups delineated by percentage of HUD Area Median Family Income (HAMFI), estimates of rental housing affordable by HAMFI group are only available in four income groups: 30 percent of HAMFI or less, over 30 percent of HAMFI to 50 percent of HAMFI, over 50 percent of HAMFI to 80 percent of HAMFI, and over 80 percent of HAMFI. As a result, in the rental needs analysis households with incomes over 80 percent of HAMFI to 100 percent of HAMFI and over 100 percent of HAMFI have been combined. Units that lack complete kitchen and/or plumbing facilities, of which there are only a small number, have not been included in the calculations. (*See* Table 5B.)

—Housing Stock Characteristics: Housing Type by Units in Structure—

Findings—

Lancaster County currently has a slightly lower percentage of detached single-family houses (55.6 percent) than the State of Pennsylvania (56.9 percent) or the nation (61.6 percent). In contrast, the county has a higher percentage of attached single-family units (19.8 percent) than either the state (18.2 percent) or the nation (5.8 percent). The county's percentage of two-family units (4.3 percent) is lower than the state's (4.8 percent), but higher than the national average (3.8 percent). Conversely, the county's percentage of multi-family buildings with three or more units (16.3 percent) is lower than the nation's (22.2 percent), but higher than the state's (15.9 percent). The county has a lower percentage of mobile homes (four percent) than either the state (4.3 percent) or the nation (6.6 percent).

The municipalities with the highest percentage of detached houses are the rural townships of Martic (87.7 percent), Colerain (86.8 percent), Drumore (84.3 percent), Elizabeth (81.8 percent) and Brecknock (81.7 percent), as well as Terre Hill Borough (89.3 percent). The municipalities with the lowest percentage of detached houses are the City of Lancaster (16 percent), the boroughs of Columbia (31.7 percent), Mountville (36.2 percent) and Marietta (38.9 percent), and the suburban township of Lancaster (34.9 percent).

Mobile homes represent four percent of the housing stock in the county as a whole, just 0.3 percent in the City of Lancaster, two percent in the boroughs, approximately three percent in the suburban townships, approximately eight percent in the semi-rural townships, and 6.4 percent in the rural townships. At 22.6 percent of its housing stock (or 599 units), semi-rural Providence Townships has both the highest percentage and greatest number of mobile homes; Terre Hill Borough reportedly has none.

Taken together, townhouses and duplexes make up a sizeable percentage of the county's housing stock in every municipal grouping. In the City of Lancaster, 54 percent of the housing units are townhouses or duplexes. These housing types comprise over a quarter of the housing stock in nine boroughs, Columbia (43.5 percent), Mountville (39.1 percent), Denver (37.4 percent), Ephrata (35 percent), Mount Joy (30.1 percent), Marietta (29.4 percent), Lititz (28 percent), East Petersburg (27.4 percent) and Elizabethtown (25.7

percent), one suburban township, Lancaster (35 percent), and one semi-rural township, Manor (26.1 percent).

The municipalities in which multi-family units make up more than a quarter of the housing stock are the suburban townships of West Lampeter (31.1 percent) and Lancaster (29.1 percent), the boroughs of Elizabethtown (31.9 percent) and Marietta (26.9 percent), and the City of Lancaster (29.6 percent). Fifteen townships have less than five percent of their housing stock in multi-family units. The high percentage of multi-family units in West Lampeter Township is due to the presence of the Willow Valley Retirement Community; excluding Willow Valley, the distribution of housing types within the township is likely to be comparable to the other suburban townships.

Significance—

The general pattern of attached structures and multi-family buildings comprising greater percentages of the housing stock in the city and boroughs with detached houses becoming increasingly prevalent moving from suburban through semi-rural to rural locations is similar in construct and proportion to the historical patterns of development of both Pennsylvania and the nation as a whole

In large part, these historical patterns evolved based on the availability of transportation options; apart from farm communities, development outside the core cities did not occur in significant amounts until, initially, the introduction of streetcars and then later, the construction of a road network that made rural and exurban areas readily accessible by automobile. Deviations in some municipalities can be generally ascribed to suburban and exurban development, or the lack thereof, and the number of small hamlets and villages located throughout the county.

Redevelopment and infill construction should be quite compatible with the existing housing stock in most municipalities, again assuming that the required infrastructure is either present or financially feasible and appropriate zoning is in place.

Sources and Methodology—

Data are 2013 estimates from the Nielsen Company and the United States Bureau of Census. Although data are available, for purposes of clarity because of their extremely small numbers, dwelling units designated as boats, recreational vehicles, vans and other miscellaneous types have not been included the calculations. (*See* Table 6.)

—Housing Stock Characteristics: Number of Bedrooms in Unit—

Findings—

At 43.6 percent, dwelling units with three bedrooms—a standard for a significant number of newly-constructed single-family house—comprise a plurality of the housing stock in the county. Three-bedroom units comprise 34 percent of the housing stock in the City of Lancaster, 46 percent in the boroughs, 41.8 percent in the suburban townships, 46.9 percent in the semi-rural townships, and 47.3 percent in the rural townships.

While units with two bedrooms are the next most prevalent unit type in the county at 21.4 percent, as well as in the boroughs at 24.6 percent, this is not the case in the other municipal groupings. At 23.4 percent, one-bedroom units edge out two-bedrooms (23.3 percent) as the second most prevalent unit type in the City of Lancaster. Four-bedroom units are the second most prevalent unit type in the suburban townships (23.4 percent), in the semi-rural townships (20.2 percent), and in the rural townships (22.3 percent).

Outside of the City of Lancaster, five of the boroughs (Columbia, Elizabethtown, Lititz, Mount Joy, and New Holland), two of the suburban townships (East Hempfield and Lancaster), and two of the semi-rural townships (Manor and West Donegal), there are insignificant percentages and/or numbers of units with no bedroom (efficiency or studio units) in the remaining 50 municipalities. The City of Lancaster has the highest total number (at 651 total units) and highest percentage (at 2.7 percent) of efficiency or studio units. Eight boroughs, three suburban townships, nine semi-rural townships, and nine rural townships have no efficiency or studio units at all.

Significance—

Lancaster County has a logical pattern of bedroom distribution. Smaller, higher-density housing types with fewer bedrooms are located in the city and most of the boroughs, while the bedroom count increases as one moves from suburban and semi-rural to rural townships. However, because the 21st Century housing market is increasingly comprised of one- and two-person households, those municipalities with larger concentrations of housing units with four or more bedrooms may find themselves at a competitive disadvantage.

General rental preferences now include a preponderance of studio, one- and two-bedroom units; general ownership preferences now include a majority of one- and two-bedroom units for condominiums, two- and three-bedroom units for townhouses, and three-bedroom units for single-family detached houses.

Sources and Methodology—

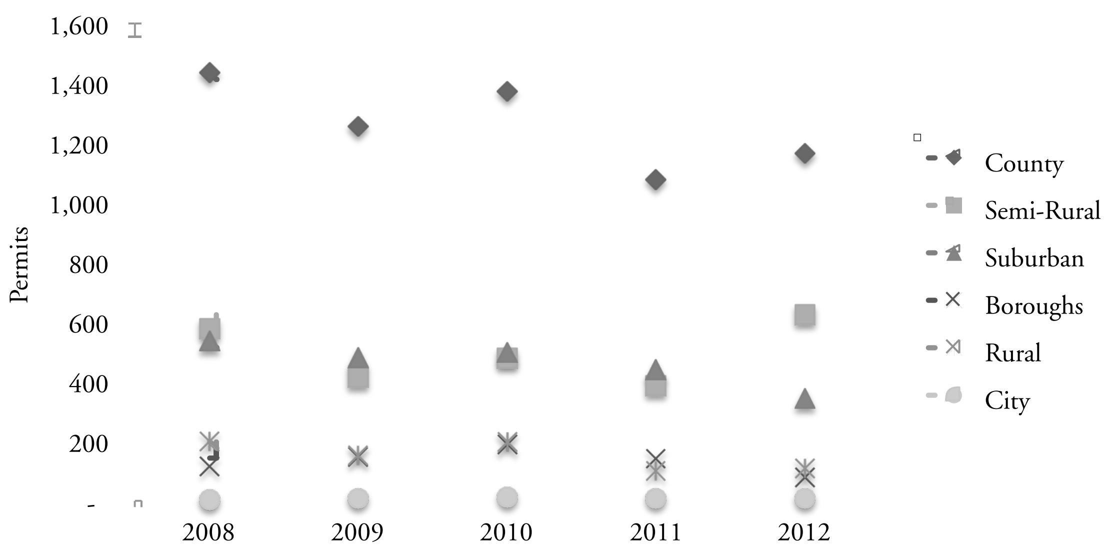
Data are from the United States Bureau of Census American Community Survey 2011 five-year estimates. (*See* Table 7.)

—Housing Stock Characteristics: Building Permits—

Findings—

Over the five-year period from 2008 through 2012, a period which coincides with the nation's deepest housing slump since the Great Recession, residential building permit activity generally declined throughout Lancaster County. Total permits pulled in the county during that period fell from a peak of 1,434 permits in 2008 to a nadir of 1,076 permits in 2011 rising slightly to 1,165 permits in 2012. The rebound in 2012 was due to a significant increase in permits in the semi-rural townships, with one-year increase of 62 percent, from 385 permits issued in 2011 to 624 permits issued in 2012. Mount Joy and Rapho Townships accounted for a significant share of the increased number of permits. While there was a slight increase of permit activity in 2010 in all municipal groupings, other than in the semi-rural townships permit activity continued to decline in 2011 and 2012.

Building Permits
Lancaster County, Pennsylvania
2008 Through 2012



Single-family units, which include attached as well as detached units, represent the largest percentage of permits issued throughout the county over the five-year period. According to the Census Bureau, all of the permits issued in the City of Lancaster over the same time frame were single-family (attached and/or detached) units; 72 percent of the permits issued in the boroughs were for single-family (attached and/or detached) units; 77 percent in the suburban townships; 69 percent in the semi-rural townships; and 85 percent in the rural townships. Given the relative numbers of single-family attached and detached units already located in the county and each of the municipalities, most of the single-family permits issued are likely for detached houses.

Significance—

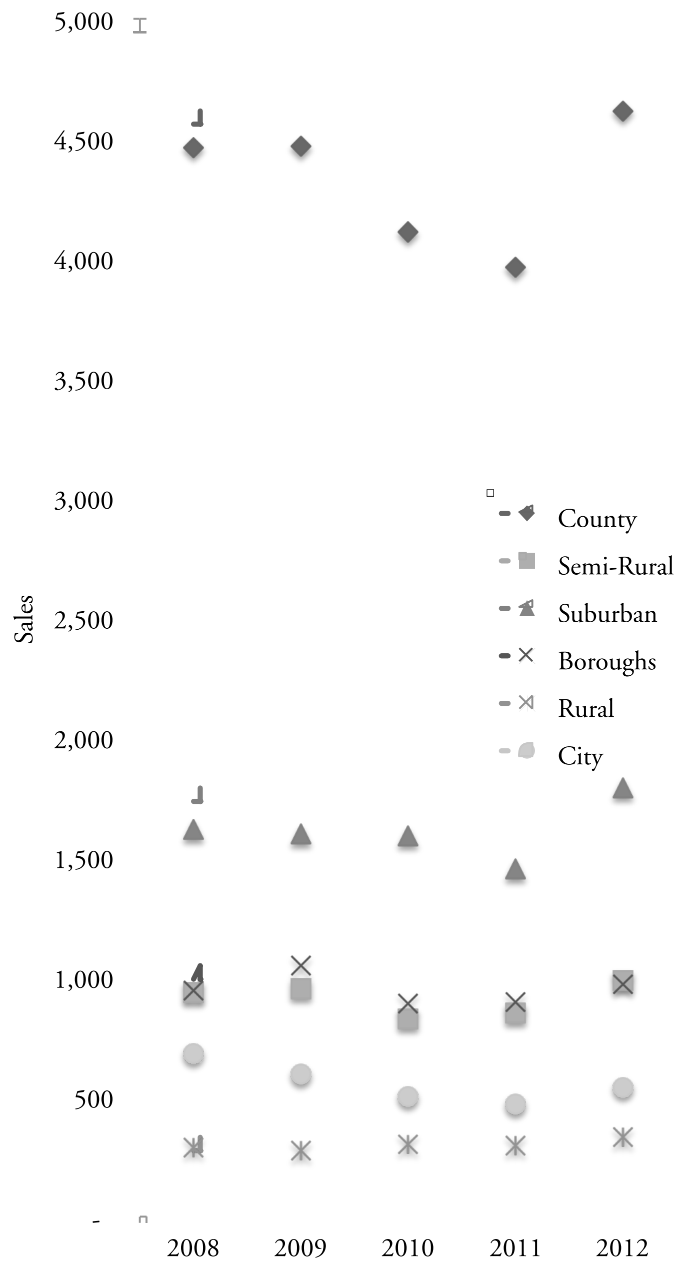
As measured by permits, residential development in the county, even through the deep housing recession, has shown a consistent bias toward single-family development in suburban and semi-rural locations. Activity in the boroughs and particularly the City of Lancaster has been quite low, despite the national trend toward revitalization and enhancement of walkable, mixed-use neighborhoods.

Permit data suggests that the county lags the nation in this respect, in part because zoning in very few municipalities supports a mix of housing types or uses, in part because few places have the water or sewer capacity that would support additional higher density housing, and in part because few developers are capable of undertaking the complexity of mixed-use or mixed-income development. (See also the SUMMARY OF ZONING ORDINANCE ANALYSES prepared by Thomas Comitta Associates, Inc. in conjunction with this HOUSING MARKET ANALYSIS.)

Sources and Methodology—

Data cover the years 2008 through 2012 as compiled by the United States Bureau of Census. (*See* Table 8.)

Sales Through Multiple Listing Service
Lancaster County, Pennsylvania
2008 Through 2012

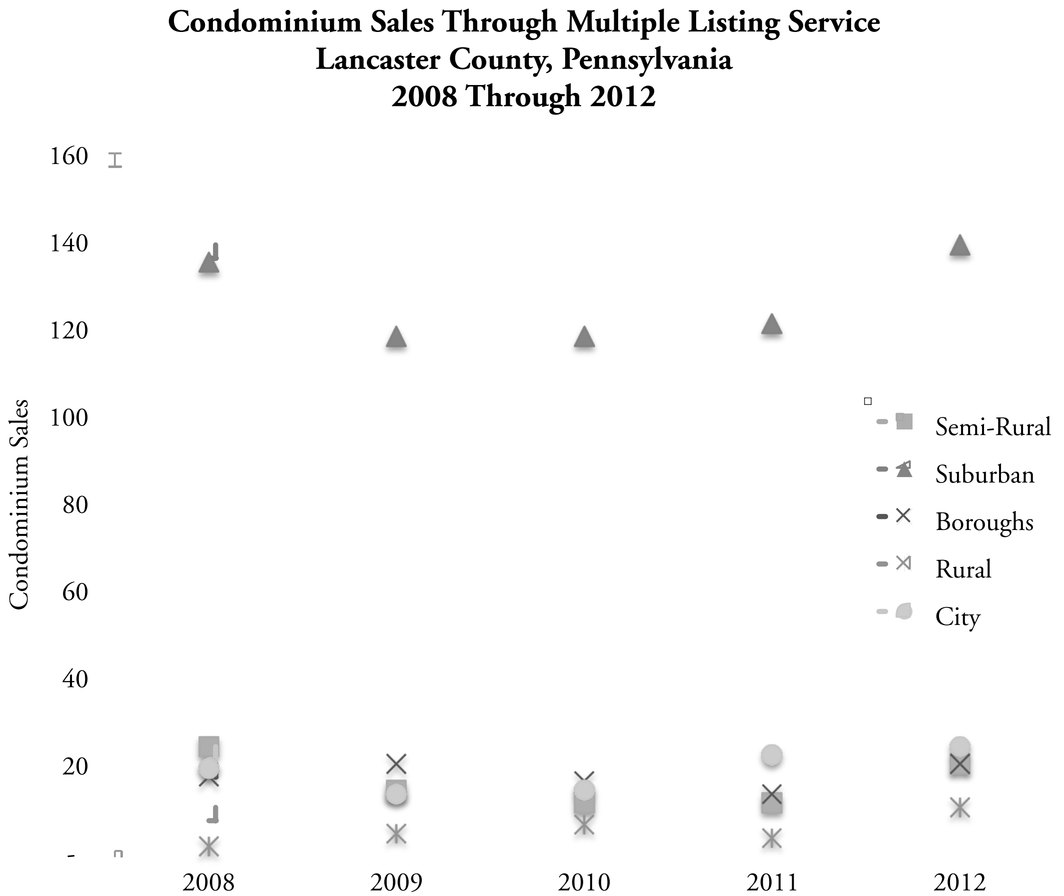


—Housing Stock Characteristics: Units Sold Through Multiple Listing Service—

Findings—

From 2008 through 2011—again, a period which coincides with the deep national housing recession—residential sales generally declined, and then rebounded in 2012. Sales in the county totaled approximately 4,465 units in 2008 and 2009, slipping to 3,962 units in 2011. Sales increased by over 16 percent to 4,616 units in 2012.

Half of the 2012 increase was in the suburban townships, where sales showed a one-year increase of 23 percent from 1,452 units in 2011 to 1,789 units in 2012. In every municipal grouping, 2012 sales surpassed 2008 totals, with the exception of the City of Lancaster where the 539 sales in 2012 were nearly 21 percent below the 681 total sales in 2008.



Condominiums represent a very small part of residential sales, between 3.9 and 4.6 percent of the annual totals. Both the City of Lancaster and the boroughs have higher condominium sales in 2012 than they did in 2008. These 2012 totals, however—a mere 24 units in the city and 20 units in all the boroughs combined—are insignificant compared with the 139 condominium sales in the Suburban Townships in 2012.

Significance—

Residential sales in the county have been dominated by suburban locations. From 2008 to 2012, the suburban townships' share of total sales has increased from 36 percent to 39 percent; the 2012 sales rebound saw semi-rural township sales jump by 16 percent. Through 2012, the amount of sales activity in the boroughs has been second only to the suburban townships

The lowest sales activity has consistently been in the rural townships and in the City of Lancaster, although the trend during the housing slump has been generally upward for the rural townships and declining for the city. The one area where the county's more urban areas are showing increased sales, condominiums, is statistically a tiny segment, and dwarfed by condominium sales in the suburban townships. By this measure also, Lancaster County trails behind the nation's urban revival.

Sources and Methodology—

Data were compiled from the Lancaster County Association of Realtors (LCAR) Multiple Listing Service (MLS) database, which includes new and resale units in the county sold through every LCAR member real estate broker. Not all sales are included in the MLS database; properties sold through a broker's exclusive listing and units sold directly by a private owner or developer may not be included in the MLS data. (*See* Tables 9A *through* 9E.)

—Affordable Housing Properties—

Findings—

The 4,363 units in the 71 affordable housing properties compiled in this analysis represent just two percent of the total housing stock in Lancaster County. The highest concentration of units, by number (1,929), and percentage of total housing stock (8.1 percent), is represented by the City of Lancaster's 26 affordable properties. The 1,674 units in the 32 affordable properties in the boroughs represent four percent of the boroughs' housing stock. There are 680 units in 10 properties in the suburban townships, and only three properties with a total of 80 units are located in the semi-rural and rural townships.

Each of the affordable housing unit categories are also concentrated in the county's more urban municipalities. Just under half of the subsidized units are located in the City of Lancaster and another third are located in the boroughs. Sixty-two percent of the non-subsidized affordable units are located in the boroughs. Nearly 90 percent of the seniors properties are found in the City of Lancaster, and almost 89 percent of the properties with units for the disabled are in either the City of Lancaster or the boroughs.

Significance—

In common with most regions across the nation, affordable and special-needs housing is concentrated in urban areas. It is logical that seniors housing and housing catering to the disabled are located in mixed-use urban areas where services are also concentrated. It is much less desirable for affordable units in managed properties to represent such a small share of suburban and rural housing stock, particularly since high percentages of the renter households living in those locations are cost-burdened.

Sources and Methodology—

Data were compiled from several sources: Community Basics, Inc., the Housing Development Corporation (HDC) MidAtlantic, the Lancaster City Housing Authority, the Lancaster County Redevelopment Authority, and the United Way of Lancaster County, augmented by Internet searches. These properties contain units in one or more of five categories: Subsidized, with rent based on 30 percent of household income or approved flat rents; Non-Subsidized, where the full rent is below market rate for that area, and rents vary according to income; Elderly, where only seniors may reside; Disabled, where there are units designed to accommodate disabled residents; and Homeless, properties with programs to house the homeless. These categories are not mutually exclusive in any given property. (*See* Table 10.)

—Summary of Selected Rental Properties—

Findings—

Market-rate rents in the 66 Lancaster County properties ranged from $550 for a 450-square-foot studio, to $2,340 for a 1,315-square-foot one-bathroom loft, both located in the City of Lancaster.

Studio units, which, with the exception of the City of Lancaster, are uncommon in the county, generally rent for between $550 and $825 per month for units containing between 450 and 585 square feet, or $1.15 to $1.53 per square foot. One-bedroom units generally rent for between $650 and $1,200 per month for between 575 and 1,200 square feet of living space, although there are some one-bedroom units as large as 1,300 square feet; one-bedroom rents per square foot generally range from $0.75 to $1.30 per square foot. Two-bedroom units generally rent for between $750 and $1,300 per month for units containing between 700 and 1,400 square feet, or $0.65 to $1.25 per square foot. Three-bedroom units generally rent for between $850 and $1,600 per month for between 1,000 and 1,600 square feet of living space, or $0.70 to $1.20 per square foot.

Units in the semi-rural properties are generally larger and with higher rents than those in the other groupings, although properties in the suburban townships generally have higher rents per square foot.

Over 45 percent of the rental properties, and nearly 70 percent of the units, were located within suburban townships. Properties located in the suburban townships are also generally the largest in size, with an average of 198 units per property, compared with a 52-unit average in the City of Lancaster, a 100-plus unit average in semi-rural properties, a 128-unit average in rural properties, and the borough property average of 141units.

Occupancy rates at nearly all of the rental properties exceed 95 percent, which is considered to be functional full occupancy.

Significance—

Not surprisingly, higher-income renters live in newer, professionally-managed properties. The rental ranges in the 66 market-rate rental properties clearly target above-median income renters. Applying the rental qualification measure of 25 percent of gross monthly income—as noted in the earlier discussion of affordability (*see again* Table 4)—the city renter household maximum monthly rent of $466 is well below the rent range of the surveyed properties located in the City of Lancaster. (Rental qualification using an income ratio of 25 percent, less than the HUD standard of 30 percent for rent and utilities, assumes a five percent of income allocation for utilities.)

The borough renter household maximum monthly rent of $667 would apply to few of the units located in the surveyed borough properties.

The suburban township renter household maximum monthly rent of $813 would cover the rent at a large number of the studio and one-bedroom apartments located in the surveyed suburban township properties.

The semi-rural township renter household maximum monthly rent of $844 would cover only a few of the one-bedroom units in one of the Manor Township properties, and none of the units located in the surveyed properties in other semi-rural townships.

The rural township renter household maximum monthly rent of $816 would cover only the rents of the one-bedroom apartments and some of the two-bedroom townhouses at Chelsea Village in Upper Leacock Township.

Neither a borough renter household maximum monthly rent of $667, nor a semi-rural renter household maximum monthly rent of $844, is sufficient to meet the rent of any two- or three-bedroom units in the surveyed properties in their respective municipal grouping. Similarly, a suburban township renter household maximum monthly rent of $813 is below the average rent for all unit types and less than the rent on any three-bedroom unit in the suburban properties.

The extremely high occupancy rates at most of the rental properties in the survey, combined with the cost-burden carried by a majority of renters at these properties, point to a severe shortage of rental housing, at all price points, throughout the county.

Sources and Methodology—

Data on a variety of market-rate rental properties, typically larger, newer, professionally-managed properties, were compiled through Internet searches, augmented by primary telephone research. (*See* Table 11.)

—Summary of Selected For-Sale Multi-Family and Single-Family Attached New Home Subdivisions—

Findings—

New for-sale multi-family (condominium) properties covered in the survey are represented by three properties, one in the City of Lancaster, and one each in Ephrata and Lititz Boroughs. The least costly new housing option in the county are 1,250-square-foot condominiums in Ephrata Borough that are priced at $122,500. The most expensive condominiums are 1,575-square-foot units in the City of Lancaster that are priced at $329,000. Condominium prices per square foot range from $98 to $209. According to Metrostudy, in the first seven months of 2013, there have been only two closings in these condominium properties. It should be noted, however, that condominium mortgage qualification has been exceptionally strict since the sub-prime mortgage crisis, leaving many normally-qualified households unable to purchase.

New attached single-family properties—including single-story villas, duplexes and townhouses—are more common throughout the county, located within the boroughs and townships, and including a rural township. Duplexes range in price from $162,900 for a 1,250-square-foot unit in East Cocalico Township, to $315,900 for a 2,453-square-foot unit in Rapho Township. Duplex prices per square foot range from $117 to $182. Townhouses (single-family attached units) range in price from $147,500 for a 1,320-square-foot townhouse, to $335,000 for a 2,267-square-foot townhouse, both located in Manor Township. Townhouse prices per square foot range from $87 to $148. According to Metrostudy, in the first seven months of 2013, there have been four closings in the one villa property, 20 closings in seven duplex properties, and 22 two closings in nine townhouse properties.

Significance—

Although condominium and attached single-family units are among the least costly new housing options in the county, many priced below $175,000, higher-density new housing is not limited to cost-conscious buyers; over half of the 21 higher-density properties are selling units priced over $200,000 and three have units priced over $300,000.

Under the ownership qualification measure of three times gross income, the City of Lancaster owner household maximum unit price of $149,700 is below the least-costly unit in the one City property among the surveyed properties. The borough owner household maximum unit price of $193,900 would purchase a townhouse or duplex in only two of the four properties selling new units in the boroughs. The suburban township owner household maximum unit price of $224,900 would purchase a townhouse or duplex in six of the eight properties located in the suburban townships. The semi-rural township owner household maximum unit price of $203,400 would purchase a townhouse or duplex in just two of the six properties located in the semi-rural townships.

Presumably, once more rational condominium mortgage qualification practices return, a greater number of condominiums will be developed providing a broader range of moderately-priced new housing options.

Sources and Methodology—

Base data on properties currently marketing newly-constructed for-sale multi-family and single-family attached units were compiled by Metrostudy, a national real estate data provider, significantly augmented through Internet searches. (*See* Table 12.)

—Summary of Selected For-Sale Single-Family Detached New Home Subdivisions—

Findings—

Newly-constructed detached single-family houses are for sale in each of the municipal groupings with the exception of the City of Lancaster. The most expensive new house currently offered is a 3,559-square-foot unit in suburban Manheim Township priced at $749,250. In contrast, the lowest price for a new detached unit is $159,900 for a 1,648-square-foot house in the Rosedale development located in semi-rural Earl Township. Overall, sales prices per square foot range widely from $80 to $211.

There is some variation in properties according to municipal grouping. In the boroughs, new detached houses are priced from $142,000 to $575,000, with prices per square foot ranging from $94 to $170. In the suburban townships, new, non-age-restricted detached houses are priced from $127,900 to $749,250, with prices per square foot ranging from $80 to $211. New detached houses in non-age-restricted semi-rural townships are priced from $127,900 to $437,990, with prices per square foot ranging from $85 to $178. In the rural townships, new, non-age-restricted detached houses are priced from $155,470 to $499,900, with prices per square foot ranging from $109 to $185.

According to Metrostudy, in the first seven months of 2013, there have been 15 closings in the eight properties in the boroughs, 44 closings in the 17 non-age-restricted suburban township properties, 37 closings in the 10 non-age-restricted semi-rural township properties, and eight closings in the seven non-age-restricted Rural Township properties.

Seven properties included in the survey are restricted to residents aged over 55. One such property is located in suburban East Hempfield Township with units priced from $272,335 to $330,945, or from $148 to $175 per square foot. In the semi-rural townships, five age-restricted properties are selling units priced from $217,900 to $399,900, or from $123 to $184 per square foot. In rural Leacock Township, one age-restricted property has units priced at $281,458, or $113 per square foot. According to Metrostudy, in the first seven months of 2013, there have been 31 closings in the seven age-restricted properties.

Significance—

A substantial percentage of newly-constructed detached housing is out of reach of resident households with the median home owner income, again, using an ownership qualification measure of three times gross income.

The borough owner household maximum unit price of $193,900 would purchase a new detached house in only two of the nine properties located in the boroughs. The suburban township owner household maximum unit price of $224,900 would purchase a new detached house in only four of the 17 non-age-restricted properties located in the suburban townships. The semi-rural township owner household maximum unit price of $203,400 would purchase a new detached house in five of the 10 non-age-restricted properties located in the semi-rural townships. The rural township owner household maximum unit price of $194,850 would purchase a new detached house in just two of the seven non-age-restricted properties located in the rural townships. The owner household maximum unit prices in any of the municipal groupings is too low to purchase a new detached house in any of the age-restricted properties in the county.

Over two-thirds of the new single-family detached subdivisions are located in suburban or semi-rural municipalities and over 82 percent of sales have been within those municipal groupings. Age-restricted properties have an even greater non-urban bias with 71 percent of properties and 81 percent of closings located in semi-rural townships.

Despite the evolution of housing consumer attitudes nationally in favor of walkable, mixed-use locations, detached houses in single-use subdivisions remain a majority, or at least a plurality of housing types within the suburban and semi-rural municipalities. With the exception of less land-hungry small-lot single-family units such as cottages and bungalows, new single-family detached development remains challenging in urban environments. The heavy bias towards detached single-use subdivisions in suburban and exurban locations is another indication that Lancaster County trails behind the nation's urban revival.

Sources and Methodology—

Base data on properties currently marketing newly-constructed single-family detached units were compiled by Metrostudy, a national real estate data provider, significantly augmented through Internet searches. Custom-built houses and single houses built on speculation are not included. (*See* Table 13.)

—DEMOGRAPHIC CHARACTERISTICS—

The City of Lancaster stands apart from the balance of Lancaster County. The city's households are significantly younger and less affluent and its families are much more likely to live in poverty; the city is home to nearly 48 percent of the county's African-American population and just over half of the county's Hispanic population.

The county's population and household growth has occurred mostly outside the city and the boroughs. Over 73 percent of population and household growth and 76 percent of the housing unit growth has occurred in the suburban and semi-rural townships. The general trend, mainly over the pre-2009 housing boom, has been a continued geographic dispersion of housing units, households and population.

—Demographic Characteristics: Population, Households, Median Household Income—

Findings—

Lancaster County's average household size of 2.6 is the same as the average for the nation, and slightly higher than the state average of 2.4 percent. Comparing municipal groupings, and excepting the City of Lancaster, average household size is inversely proportionate to residential density. The rural townships have the highest average household size (3.0 persons per household) and the lowest residential density (0.12 units per gross acre), while the boroughs have the lowest average household size (2.5 persons per household) and the second-highest residential density (2.3 units per gross acre) after the City of Lancaster.

Median age in Lancaster County is 38 years, slightly older than the national median of 37.5, but younger than the 40.3 Pennsylvania median age. Comparing municipal groupings, the suburban townships have the oldest median age (41.9) while the youngest median age is in the City of Lancaster (31.8), followed by the rural townships (34.9), the boroughs (37.3) and the semi-rural townships (38.3).

Lancaster County's median household income of $51,000 is higher than both the nation's median of $49,300 and Pennsylvania's median of $49,400. The suburban townships have the highest estimated household median income at $58,900, which is five percent higher than the $56,000 estimated household median income in the semi-rural townships, and nine percent higher than the $54,000 estimated household median income in the rural townships. Median income is at a different scale in the City of Lancaster, where the household median is only $29,700, and in the boroughs, where the estimated household median income is $46,600.

Significance—

The City of Lancaster, with its significantly younger and less affluent demographic, is unique in the county, but typical of most smaller cities across the United States. Household size in many of the county's townships is biased toward higher averages due to the presence of plain sect households, who tend to have more children or reside in multi-generational households.

Sources and Methodology—

Data are 2013 estimates from the Nielsen Company. (*See* Table 14.)

—Demographic Characteristics: Change in Population, Households and Housing Units—

Findings—

From 2000 through 2013, the number of persons, households, and housing units increased in the county and in every municipal grouping. The only population losses were in Elizabethtown and Marietta Boroughs; no municipality saw a reduction in the number of households. The greatest proportionate gains in population, households and housing units were in the semi-rural (19 percent in population, 23 percent in households and 24 percent in housing units) and suburban (15 percent in population, 17 percent in households and 19 percent in housing units) township groupings. One significant exception to the general trend is Adamstown Borough which saw increases of 59 percent in population, 50 percent in households and 53 percent in housing units.

Municipalities with the greatest population increases are: Manheim Township (5,643); the City of Lancaster (3,919); Manor Township (3,441); East Lampeter Township (3,330); East Donegal Township (2,686); Warwick Township (2,569); East Hempfield Township (2,509); West Lampeter Township (2,461); Lancaster Township (2,192); Rapho Township (2,126); and Mount Joy Township (2,122).

Many of the same municipalities had the greatest household increases including: Manheim Township (2,598 households); Manor Township (1,575); the City of Lancaster (1,401); West Lampeter Township (1,230); Warwick Township (1,225); East Hempfield Township (1,221); East Lampeter Township (1,220); Rapho Township (1,046); and East Donegal Township (1,037).

Since household increases are directly tied to increases in housing units, these same municipalities also had the greatest housing increases including: Manheim Township (2,737 housing units); Manor Township (1,694); East Hempfield Township (1,480); West Lampeter Township (1,479); Warwick Township (1,360); East Lampeter Township (1,268); East Donegal Township (1,146); Rapho Township (1,121); and the City of Lancaster (900).

Since the increase in population from 2000 through 2013 was less than the increase in households in every municipal grouping except for the City of Lancaster, the average household size declined in those municipalities. In the county, the average household size declined 1.9 percent. The highest percentage drop in average household size was 3.1 percent in the semi-rural townships. The only increase in average household size was 0.2 percent in the City of Lancaster.

Significance—

Forty-one percent of Lancaster County's growth in the number of dwelling units occurred in its suburban townships. Since household growth and, hence, population growth are predicated on the creation of new dwelling units, the suburban townships also accounted for 37 percent of the county's population growth and over 38 percent of its household growth. As noted previously, the general trend over the study period, then, has been continued geographic dispersion of housing units, households and population from the urban centers to the suburban, semi-rural, and rural regions.

Since the study period takes in both the pre-crash overheated housing market and the extended post-crash weakened housing market, it is likely that most of the household dispersion occurred prior to 2009.

Sources and Methodology—

Data are actual counts from the 2000 Census and 2013 estimates the Nielsen Company. (*See* Table 15.)

—Demographic Characteristics: Household Income Ranges—

Findings—

As with the county median household income data (*see again* Table 14), the suburban townships have the highest percentage of affluent households (21.8 percent) as measured by incomes of $100,000 and higher, followed by the rural townships (17.4 percent affluent households) and semi-rural townships (17.2 percent). The City of Lancaster has the lowest percentage of affluent households (5.8 percent), and the highest percentage of households earning less than $25,000 a year (43.4 percent). Municipalities with 25 percent or more households earning under $25,000 a year include the Boroughs of Columbia (35.6 percent), Millersville (31.2 percent), Elizabethtown (30.5 percent), and New Holland (25.4 percent) and suburban Lancaster Township (27.1 percent).

Significance—

The income pattern demonstrated by Lancaster County and its 60 municipalities—older, higher-density areas generally correlating with concentrations of below-median income households, while lower-density areas with significant new development have greater concentrations of affluence—is common throughout the nation. It may seem obvious to note that the high concentration of below-median income households in the City of Lancaster reflects the high concentration of affordable housing units in the city (*see again* Table 10), whereas the higher concentrations of above-median income households outside the city reflect the higher concentrations of higher-priced new housing. However, a literature review by Levy, McDade and Dumlao (2010) documented that the well-being of low-income residents improves in mixed-income communities, suggesting that additional housing opportunities for these households would be better located outside the city. Conversely, it would be beneficial to the city to strive for a more balanced mix of affordable and market-rate units.

Sources and Methodology—

Data are 2013 estimates from the Nielsen Company. (*See* Table 16.)

—Demographic Characteristics: Families by Poverty Status—

Findings—

Because of the generally higher incomes in the county, only seven percent of Lancaster County's family households are living at or below the poverty level, compared with nine percent of Pennsylvania family households and nearly 11 percent of family households nationally. Over 75 percent of the county's family households in poverty have children present, compared with over 76 percent in Pennsylvania and 78 percent nationally.

In the City of Lancaster, nearly a quarter of the family households are living in poverty and 85 percent of those households have children present. After the City of Lancaster, the next highest concentration of family households in poverty is found in the Borough of Columbia, where over 18 percent of family households are in poverty and 84 percent of those households have children present. Family households living in poverty are present throughout the county, representing over six percent of family households in the boroughs, 4.6 percent of family households in the suburban townships, five percent of family households in the semi-rural townships, and 5.7 percent of family households in the rural townships.

Significance—

Although family households living in poverty are found in every borough and township throughout the county, the highest concentration is found in the City of Lancaster where a third of all the county family households in poverty reside. This is due in part because the city has the highest concentration of affordable housing units, but also because the city is where most of the services provided to low-income households are found. Since a large percentage of families in poverty do not own automobiles, housing choice is limited to those areas that provide both services and affordable housing in close proximity. (*See again* Table 10.)

Sources and Methodology—

Data are 2013 estimates from the Nielsen Company. The Census Bureau uses a set of income thresholds that vary by family size and composition to determine which families could be considered to be living in poverty. If a family's total income is less than the threshold, then every person in that family is considered to be living in poverty. The poverty definition uses income before taxes not including capital gains or noncash benefits (*e.g.*—public housing, Medicaid, and food stamps). Thresholds do not vary geographically, but they are updated for inflation using the Consumer Price Index (CPI-U). The 2013 poverty guideline for a family of four persons for the continental United States is $23,550. The family designation includes all households with children as well as all married couples, regardless of whether children are present in the household. (*See* Table 17.)

—Demographic Characteristics: Families by Poverty Status—

Findings—

Of the 3,170 homeless program participants where age was specified, 23 percent were under 13 years of age, and another 4.5 percent were between the ages of 14 and 18; more than a quarter of the homeless were therefore mostly elementary-school-age children or children who had not yet entered school. The program participants were over 58 percent male, 70 percent white and 89 percent reported that they were homeless for the first time. Of disabilities reported by the homeless participants, the most prevalent was a mental health problem (24.9 percent of program participants surveyed) followed by a physical disability (7.8 percent), drug abuse (7.5 percent) and alcohol abuse (6.1 percent).

Significance—

The homeless in Lancaster County defy stereotypes. Persons seeking assistance with homelessness are mainly white, include a surprising number of children, and overwhelmingly report being homeless for the first time. For many of the program participants, the exigencies of the housing crash of 2008, including the higher than typical numbers of foreclosures, and the Great Recession, which resulted in significant job reductions across the United States and in the county, induced their homeless condition. The previous residences of nearly all of the program participants are located throughout the county; very few are from outside the county.

Sources and Methodology—

Data are for calendar year 2012, based on a survey of 3,186 clients of homelessness-related social services programs compiled by Lancaster County Behavioral Health and Developmental Services. (*See* Table 18.)

—Demographic Characteristics: Ethnicity—

Findings—

Lancaster County's population is 88 percent white, compared with 81 percent of Pennsylvania's population and 71 percent of the nation as a whole. African-Americans represent 3.8 percent of the county's population, compared with 11 percent of Pennsylvania's and nearly 13 percent of the nation's. Just over nine percent of the county's population is of Hispanic origin, compared with 6.3 percent of the state and nearly 17.3 percent of the nation

The City of Lancaster has the greatest ethnic diversity, with African-Americans comprising 16.4 percent of its population and persons of Hispanic origin representing 41.2 percent. Elsewhere in the county, the population is overwhelmingly white: 91.9 percent of the population of the boroughs, 88.2 percent of the suburban townships, 95.3 percent of the semi-rural townships, and 96.6 percent of the rural townships.

Significance—

In ethnic make-up, the City of Lancaster is unique in the county. The geographic distribution of the county's population by ethnicity exhibits self-selected segregation of the white population outside the city. Unfortunately, this is also an ethnic pattern representative of many regions in the United States, although one that is likely to change over time, due to the increasing numbers of non-white households throughout the country.

Sources and Methodology—

Data are 2013 estimates from the Nielsen Company. The "Other" category combines Native Hawaiian and other Pacific Islanders, as well as any other race alone, or persons of two or more races. The race categories, *i.e.*—categories other than "Hispanic/Latino," add to 100 percent. The "Hispanic/Latino" category is separate and non-exclusive; those persons of Hispanic/Latino heritage are also counted within one of the race categories. (*See* Table 19.)

—Demographic Characteristics: Persons per Household—

Findings—

Just under a quarter of Lancaster County's population lives alone, compared with nearly 29 percent in Pennsylvania and 27 percent in the nation. Sixty percent of the county's households consist of just one or two persons, lower than the 62.7 percent of households in the state, but slightly higher than the 59.5 percent of households nationally. The municipal grouping with the highest percentage of one- and two-person households is the boroughs, at more than 64 percent; the lowest percentage of one- and two-person households is found in the rural townships, at 52.4 percent.

While the City of Lancaster has the highest percentage of one-person households, at 32.1 percent, it also has the lowest percentage of two-person households, at 28 percent; the city also has the lowest percentage of three-person households (15.5 percent). Four-person households represent 12 percent of all households in both the city and the boroughs. The boroughs have the lowest percentage of five-person households (4.9 percent) and six-plus-person households (2.9 percent).

The highest percentage of two-person households is in the aggregation of the semi-rural townships, at 37.4 percent. Taken together, the rural townships have the highest proportion of three-person households (16.2 percent), four-person households (14 percent), five-person households (7.9 percent) and six-plus-person households (9.8 percent). The rural townships, despite representing just 11.9 percent of all county households, nevertheless have over 23 percent of the county's very large households, those with six or more persons.

Significance—

Lancaster County municipalities follow the typical pattern of greater numbers of one- and two-person households living in urban areas and, conversely, a preponderance of households with three or more persons living in more suburban and rural areas. The significantly larger households found in the county's rural townships is due to the presence of the plain sects, who, as noted previously in this study, tend to have more children and are more likely to live in multi-generational households.

Sources and Methodology—

Data are 2013 estimates from the Nielsen Company. (*See* Table 20.)

—ECONOMIC CHARACTERISTICS—

Lancaster County has a lower-than-average percentage of white-collar workers, but a higher-than-average median wage. However, the county's relatively high average median wage is offset by the county's relatively high median housing value and median rent.

With the exception of the City of Lancaster, the county's commutation and vehicle ownership patterns are reflective of its settlement patterns, with a high reliance on single-occupancy vehicle commutation and, hence, vehicle ownership rates similar to that of the state as a whole. Relatively short commute times in the county and limited transportation options also explain the high reliance on single-occupancy vehicles for commutation.

Again, other than those households living in the City of Lancaster, a very high percentage of county households live in neighborhoods where the combined housing and transportation cost burden is at or exceeds 45 percent of household income—a newly-devised more comprehensive housing affordability standard.

—Economic Characteristics: Labor Force—

Findings—

Of the Lancaster County population aged 16 and older, 33 percent are not in the labor force, compared with 36.8 percent in Pennsylvania and 35.3 percent in the nation.

(As noted, the 2011 unemployment estimates are for comparative purposes only. The 4.2 percent 2011 county unemployment estimate is substantially lower than the latest estimate from the United States Bureau of Labor Statistics which has a preliminary June, 2013 unemployment rate of 6.8 percent for the county, down from the 6.9 percent rate in June 2012.)

The City of Lancaster's estimated unemployment rate of 12.8 percent in 2011 was the highest in the county, more than three times higher than the county unemployment rate of 4.2 percent. Four other municipalities also had high estimated unemployment in 2011: the Boroughs of Manheim at 11.7 percent, Christiana at 11 percent, and East Petersburg at 10.2 percent, and rural Fulton Township at 10.1 percent.

Significance—

Labor force participation rates are slightly lower than those of the state and the nation as a whole, but not enough of a variation to be significant. However, the higher unemployment rates in some of the urban and rural areas is cause for concern.

Sources and Methodology—

Data are from the United States Bureau of Census American Community Survey 2011 five-year estimates, which is the source with the latest estimates at the municipal level. The 2011 unemployment estimates for the municipalities and municipal groupings are included for comparative purposes only. (*See* Table 21.)

—Economic Characteristics: Occupation Classification—

Findings—

White-collar workers make up 56.8 percent of the Lancaster County labor force, compared with 60.7 percent in Pennsylvania and 60.8 percent in the nation. Blue-collar workers make up 27.2 percent of the county's labor force, compared with 21.7 percent in Pennsylvania and 20.6 percent in the nation. Surprisingly, given the number of semi-rural and rural townships in the county, service and farm workers make up just 16 percent of the county's labor force, compared with 17.5 percent in Pennsylvania and 18.6 percent in the nation.

Blue-collar workers make up over a third of the labor force in five boroughs—Columbia, Denver, Ephrata, Marietta, and Terre Hill, in suburban East Cocalico Township, in six semi-rural townships—Clay, Earl, East Earl, Eden, Providence, and Salisbury, and eight rural townships—Bart, Brecknock, Caernarvon, Conoy, Leacock, Martic, Paradise, and West Cocalico.

White-collar workers as a percentage of work force are above the state and national averages in three boroughs—Adamstown, East Petersburg, and Manheim, five suburban townships—East Hempfield, Manheim, Warwick, West Hempfield, and West Lampeter, and two semi-rural townships—Manor and Mount Joy.

Service and farm workers as a percentage of work force are above the national average in the City of Lancaster, in five Boroughs—Columbia, Denver, Elizabethtown, Millersville, and New Holland; two semi-rural townships—Providence and Strasburg, and seven rural townships—Colerain, Conestoga, Drumore, Fulton, Leacock, Little Britain, and Paradise.

Significance—

Lancaster County's lower-than-average percentage of white-collar workers, who are typically higher-paid than blue-collar or service/farm workers, does not engender a lower-than-average median household income. One factor in this apparent anomaly is the higher-than-average median wage in the County (*see also* Table 23 *below*).

Sources and Methodology—

Data are 2013 estimates from the Nielsen Company. According to the United States Department of Labor, Bureau of Labor Statistics, white-collar workers include office, clerical, administrative, sales, professional, and technical employees, as distinguished from production and maintenance employees who are usually referred to as blue-collar workers; white-collar workers are in four occupational groupings: professional specialty and technical; executive, administrative, and managerial; sales; and administrative support, including clerical. Blue-collar workers are manual laborers, usually those employed in production, maintenance, and related occupations, and paid by the hour or on an incentive basis; blue-collar workers fall into four major occupational groups: precision, production, craft, and repair occupations; machine operators, assemblers, and inspectors; transportation and material moving occupations; and handlers, equipment cleaners, helpers, and laborers. Service workers are employed in a protective service, food service, health service (health and dental aides), cleaning and building service, or personal service occupations. Farm workers are engaged in wide-variety of farm-related occupations, including animal care, general crop production, and food and vegetable production. (*See* Table 22.)

—Economic Characteristics: Occupational Employment and Wages—

Findings—

In 2012, the average median hourly wage for all occupations in Lancaster County was $19.08, compared with $16.78 in Pennsylvania and $16.71 for the nation. The calculated median income for the county based on this hourly wage median was $39,686 a year, considerably higher than the $34,902 in the state and $34,757 in the nation.

Significance—

While Lancaster County's average median wage was over 14 percent higher than Pennsylvania's and the nation's in 2012, the other side of the housing affordability equation is that the county's median housing value is 10 percent higher than the nation's and 16 percent higher than the state's, and the county's median rent is 16 percent higher than the nation's and 35 percent higher than the state's (*see again* Table 2).

Sources and Methodology—

Data are for May, 2012 from the United States Department of Labor, Bureau of Labor Statistics. The "Median Annual Income" is calculated from the median hourly wage, assuming 52, 40-hour weeks for which wages are paid. (*See* Table 23.)

—Economic Characteristics: Occupational Employment by Municipality—

Findings—

Several of Lancaster County's occupations, all of them in blue-collar or service/farm job categories, have a higher-than-average percentage of total employment when compared to the nation: production; transportation and material moving; construction and extraction; installation, maintenance and repair; and farming, fishing and forestry. In three occupations, the county is significantly below the national average: sales; protective services; and business and financial operations.

Significance—

The breakdown of the county's occupations provides the detail by municipality behind the broad occupational employment data: a predominantly higher-than average percentage of blue-collar workers, and concomitant below-average percentage of white-collar workers. Blue-collar employment is typically reimbursed on an hourly basis; full-time white-collar employment is typically paid on a salary basis. Although some blue-collar jobs have high hourly wages, in general, white-collar jobs are typically the highest-income jobs in an area. The type of new businesses that locate in the county, and where they are located, could therefore have a significant impact on housing affordability. If a new business with predominantly blue-collar workers locates in a municipality with high housing costs, it is likely that few of the workers will be able to live in close proximity to their work unless, at the same time, new housing is developed that would accommodate the financial capabilities and housing preferences of those workers.

Sources and Methodology—

Data are 2013 estimates from the Nielsen Company. (*See* Table 24.)

—Economic Characteristics: Transportation to Work—

Findings—

Just over 79 percent of Lancaster County workers drive alone to work, a higher percentage than either Pennsylvania (76.8 percent) or the nation (76.3 percent). Eighty-four percent of workers in the county's suburban townships drive alone to work, as opposed to only 67.5 percent in the City of Lancaster.

Workers in the county's rural townships are most likely to carpool at 12.7 percent, compared with 9.3 percent of the county as a whole and 10 percent of workers nationally. Only 1.2 percent of county workers use public transportation for their commute, compared with 5.4 percent in the state and 4.9 percent in the nation; in contrast, 6.7 percent of City of Lancaster residents use public transportation for their commute.

Although relatively small, at just 0.7 percent, the percentage of Lancaster County workers who walk to work is nevertheless significantly higher than either the state or the nation. More than 10 percent of the City of Lancaster's residents walk to work, reflecting a relatively high jobs-to-housing balance—one ideal of a sustainable mixed-use neighborhood. Only the Borough of Elizabethtown has a higher percentage of workers who walk to their places of employment, at 11.9 percent.

County workers are more likely than state and national averages to work at home; in the county's rural townships 7.8 percent of workers work at home, compared with 4.8 percent in the county, 3.6 percent in the state and 4.3 percent in the nation.

Significance—

The county's commutation patterns are reflective of its settlement patterns and limited transportation options (the only public transportation option are buses run by the Red Rose Transit Authority), with a high reliance on single-occupancy vehicles in most of the county except the city. In this case, it is advantageous to live in the more urban areas of the county, where the likelihood of jobs/housing proximity is considerably higher than in the suburban and semi-rural areas, which are notable for their high percentages of residential uses and limited concentrations of employment.

Sources and Methodology—

Data are 2013 estimates from the Nielsen Company. (*See* Table 25.)

—Economic Characteristics: Automobile Ownership—

Findings—

Automobile ownership, or lack thereof, in the county is similar to that of Pennsylvania and the nation, with 8.9 percent in Lancaster County, 11.8 percent in the state, and 9.1 percent in the nation. Similar to the state and the nation, the most common number of vehicles owned is two, followed by one vehicle. One difference that distinguishes county vehicle owners is the relatively high percentage, 12.7 percent, who own five or more vehicles, almost 10 times the state's 1.3 percent.

The highest percentage of households with no vehicles is in the City of Lancaster (24.5 percent) followed by the rural townships at 12.8 percent, a percentage influenced by the high number of plain sect households that do not own motorized vehicles for religious reasons.

Significance—

The county's vehicle ownership rates, like the type of commutation to work, reflect the county's settlement patterns and is almost self-reinforcing. The high reliance on single-occupancy vehicle trips in most of the county requires high vehicle ownership; high vehicle ownership permits a high use of single-occupancy vehicle trips.

Sources and Methodology—

Data are 2013 estimates from the Nielsen Company. (*See* Table 26.)

—Economic Characteristics: Travel Time to Work—

Findings—

Lancaster County households have, on average, shorter commute times than households living either Pennsylvania as a whole or the nation as a whole. Nearly 74 percent of Lancaster County and City of Lancaster workers have commute times of less than a half hour, compared with 64 percent in the state and 65 percent in the nation. Thirty-five percent of county workers have commutes of less than 15 minutes. Conversely, only 10.6 percent of county workers have commutes over 45 minutes, compared with 16.4 percent in the state and 15.4 percent in the nation.

Significance—

The relatively short distances and lack of traffic congestion between most residences and places of employment enable the high reliance on single-occupancy vehicles for commutation in the county. However, as more workers use single-occupancy vehicles on the same roads to get to their places of employment, the increase in traffic volume is likely to increase travel times significantly.

Sources and Methodology—

Data are 2013 estimates from the Nielsen Company. (*See* Table 27.)

—Economic Characteristics: Annual Household Transportation Costs—

Findings—

Over two-thirds of Lancaster County households have annual transportation costs of $14,300 a year or higher. The one exception is in the City of Lancaster where only 2.5 percent of the households have a transportation cost that high; almost three-quarters of city households have transportation costs under $12,500.

Significance—

As measured by transportation cost alone, location efficiency is most pronounced in the City of Lancaster, and also significant in the boroughs. Households with very high annual transportation costs, over $15,400 per year, represent more than a third of all households countywide, but less than five percent of all borough households and no households in the city.

Sources and Methodology—

Data are from the Center for Neighborhood Technology's Housing + Transportation Index. The average total cost of household transportation is defined as the sum of auto ownership costs, auto use costs, and public transit costs, as modeled for the typical household. The transportation costs estimated in this model include not only the costs of commuting to and from work, but also all other travel that is part of the household daily routine. (*See* Table 28.)

NOTE: Other than the county as whole, Housing + Transportation Index data are only available for the city, boroughs and seven census-designated places (CDPs).

—Economic Characteristics: Housing Plus Transportation Cost as a Percent of Income—

Findings—

Nearly 72 percent of all Lancaster County households, and 51 percent of households in the boroughs, have a combined housing and transportation cost burden of 45 percent of income or higher. In contrast, just under seven percent of households in the City of Lancaster have a combined housing and transportation cost burden that high.

In addition to the county, Lancaster City, and the boroughs, the analysis included two census-designated places (CDPs)—Reamstown and Willow Street—in suburban townships; three CDPs—Maytown, Gap, and Rheems—in semi-rural townships; and two CDPs—Paradise and Leacock-Leola-Bareville—in rural townships.

Less than five percent of the households in Gap have a combined housing and transportation cost burden of 45 percent of income or higher, lowest of the seven CDPs. Just over a quarter of the households in Reamstown, just under 40 percent of the households in Leacock-Leola-Bareville, and all of the households in Maytown, Rheems, and Paradise have a combined cost burden between 50 and 60 percent of income. All of the households in Willow Street have a combined cost burden of 45 percent of income or higher.

Significance—

Under the Housing + Transportation Index's expanded affordability criteria, nearly 72 percent of Lancaster County households live in neighborhoods where this combined cost burden is at or exceeds the 45 percent benchmark.

Sources and Methodology—

Data are from the Center for Neighborhood Technology's Housing + Transportation Index, showing the aggregate cost of housing and transportation as a percentage of household income. Housing costs are calculated based on monthly owner costs and median gross rent from the American Community Survey 2009 five-year estimates. Transportation cost is defined as the sum of auto ownership costs, auto use costs, and public transit costs, as modeled for the typical household. (*See* Table 29.)

NOTES: The common measure of housing affordability recommends that housing cost no more than 30 percent of income, ignoring transportation costs, which are typically a household's second largest expenditure. Based on research in metro areas ranging from large cities with extensive transit to small metro areas with extremely limited transit options, the Center for Neighborhood Technology has found 15 percent of income to be an attainable goal for transportation affordability. Combining these measures, the Housing + Transportation Index recommends that combined housing and transportation costs consume no more than 45 percent of annual household income.

Again, in addition to the county, Housing + Transportation Index data are only available for the city, boroughs and seven census-designated places (CDPs).

MARKET POTENTIAL FOR LANCASTER COUNTY

Findings and Significance—

The depth and breadth of the potential market for new and existing market-rate, workforce, and affordable housing units in Lancaster County and its 60 municipalities over the next five years were determined through analysis of the housing and neighborhood preferences and financial capacities of the draw area households, identified through Zimmerman/Volk Associates' proprietary target market methodology. The methodology includes examination of migration, mobility and geo-demographic characteristics of households currently living within defined draw areas. The projections of market potential for 2018 through 2022, and for 2023 through 2027 are a combination of conventional growth projections and informed judgments based on the socio-economic and lifestyle characteristics of draw area households.

Based on analysis of migration and mobility data—obtained from taxpayer records compiled by the Internal Revenue Service for the years 2005 through 2009, the most recent data available, and from the 2011 American Community Survey five-year estimates—the potential target markets for new and existing housing units in Lancaster County are currently living in the county itself; a regional draw area comprised of York, Berks, Dauphin, Lebanon and Cumberland Counties; a metropolitan draw area consisting of the Philadelphia-area counties of Philadelphia, Montgomery, Delaware, and Bucks, and a national draw area representing all other United States counties represented in Lancaster County migration.

As derived from migration, mobility and target market analysis, then, the draw area distribution of market potential (those households with the potential to move within or to Lancaster County each year over the next five years) would be as shown on the following table:

Market Potential By Draw Area
Lancaster County, Pennsylvania

Lancaster County:	67.7%
Regional draw area:	11.6%
Metropolitan draw area:	2.9%
Balance of US:	17.8%
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2013.

Approximately two-thirds of the potential market are households that would be moving from one residence to another within the county itself and that would not, for the most part, contribute to an increase in households. The remaining third of the potential market are households that would be moving to the county from locations outside the county, and, depending on whether the county's current and future housing stock meets their housing preferences, are the source of household growth. If the county does not contain the appropriate housing stock, the number of households that choose to move to the county each year will not exceed the number of households that move out, and any household growth would necessarily come from new household formations within the county itself. Since new household formations are also highly dependent on the existence of appropriate housing stock, the county should ensure that new housing accommodates the housing preferences and financial capabilities of the 21st Century housing market, rather than reflecting the development patterns of the past.

As determined by the target market methodology, more than 23,000 households represent the annual potential market for new and existing housing units in Lancaster County each year over the next five years. (*See* Table 30.) The five-year total potential market exceeds 115,000 households.

The tenure and housing preferences of the 115,175 households that represent the market for new and existing housing units in Lancaster County over the next five years are shown on the following table (*see also* Tables 31 *and* 32):

Potential Housing Market
New and Existing Dwelling Units
Lancaster County, Pennsylvania

Housing Type	Number of Households	Percent Of Total
Multi-family for-rent (lofts/apartments, leaseholder)	49,550	43.0%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	7,045	6.1%
Single-family attached for-sale (townhouses/live-work, fee-simple/ condominium ownership)	11,975	10.4%
Single-family detached for-sale (houses, fee-simple ownership)	46,605	40.5%
Total	115,175	100.0%

The 115,175 households that represent the market for new and existing housing units in Lancaster County over the next five years have been additionally segmented by income, based on the Lancaster County MSA median family income (AMI), which, for fiscal year 2013 is $65,600 for a family of four, as follows:

- Households with incomes below 30 percent AMI (a significant percentage of these households typically qualify only for public housing or older existing units).
- Households with incomes between 30 and 50 percent of AMI (in addition to existing units, these households typically qualify for new affordable rental housing or heavily subsidized new ownership housing);
- Households with incomes between 50 and 80 percent of AMI (these households typically qualify for new and existing workforce or affordable rental housing or subsidized new and existing ownership housing);
- Households with incomes between 80 and 100 percent AMI (these households typically qualify for existing market-rate rentals or new workforce or affordable for-sale housing); and

- Households with incomes above 100 percent AMI (these households generally have sufficient incomes to rent or purchase market-rate housing).

The tenure and housing preferences of the 115,175 draw area households, segmented by income bands, are shown on the following table:

Five-Year Market Potential
For New and Existing Housing Units
Lancaster County, Pennsylvania
2013 - 2017

Housing Type		Number of Households	Percent of Total
Multi-family for-rent	*	9,885	19.9%
Multi-family for-rent	†	7,385	14.9%
Multi-family for-rent	**	9,900	20.0%
Multi-family for-rent	††	5,330	10.8%
Multi-family for-rent	***	17,050	34.4%
(lofts/apartments, leaseholder)			
Subtotal:		49,550	100.0%
Multi-family for-sale	*	1,165	16.5%
Multi-family for-sale	†	920	13.1%
Multi-family for-sale	**	1,295	18.4%
Multi-family for-sale	††	750	10.6%
Multi-family for-sale	***	2,950	41.4%
(lofts/apartments, condo/co-op ownership)			
Subtotal:		7,045	100.0%
Single-family attached for-sale	*	1,885	15.7%
Single-family attached for-sale	†	1,555	13.0%
Single-family attached for-sale	**	2,245	18.7%
Single-family attached for-sale	††	1,290	10.8%
Single-family attached for-sale	***	5,000	41.8%
(townhouses/live-work, fee-simple/ condominium ownership)			
Subtotal:		11,975	100.0%
Single-family detached for-sale	*	5,685	12.2%
Single-family detached for-sale	†	5,255	11.2%
Single-family detached for-sale	**	8,400	18.0%
Single-family detached for-sale	††	5,175	11.1%
Single-family detached for-sale	***	22,090	47.4%
(houses, fee-simple ownership)			
Subtotal:		46,605	100.0%
Total		115,175	100.0%

* Affordable to households with incomes below 30 percent of AMI.
† Affordable to households with incomes between 30 and 50 percent of AMI.
** Affordable to households with incomes between 50 and 80 percent of AMI.
†† Affordable to households with incomes between 80 and 100 percent of AMI.
*** Affordable to households with incomes above 100 percent of AMI.

SOURCE: Zimmerman/Volk Associates, Inc., 2013.

Based on the incomes and financial capabilities of the target households that represent the potential market for new and existing units in the county over the next five years, approximately 16.2 percent (18,620 households) have incomes less than 30 percent AMI; 13.1 percent (15,115 households) have incomes between 30 and 50 percent AMI; just under 19 percent (21,840 households) have incomes between 50 and 80 percent AMI; 10.9 percent (12,545 households) have incomes between 80 and 100 percent AMI; and 40.9 percent (47,090 households) have incomes above 100 percent AMI.

Comparable market potential data for each of the 60 municipalities, individually and in the municipal groupings, are provided, in different formats, on Tables 33 through 36 and in detail in Appendix Four, Tables 1A through 60E. Also included in Appendix Four are graphic presentations of key data for municipal groupings.

Mapping to illustrate locations of affordable housing, the locations of employment as it relates to affordable housing, and to employment in general within the county is provided in a separate document entitled AFFORDABLE HOUSING SUITABILITY ANALYSIS is provided by Sarcinello Planning & GIS Services.

TARGET MARKET ANALYSIS

The protracted ownership housing slump has led to a measurable shift in market preferences from home ownership to rental dwelling units, particularly among younger households, yielding a higher share of consumer preference for multi-family rentals even among relatively affluent consumers than would have been typical just five years ago. At the same time, there has been a significant shift in preferences from exurban and rural subdivisions toward mixed-use neighborhoods,

American households have been changing dramatically over the past decade, in ways that should enhance the effort to create mixed-income communities. The significant transformation of American households (particularly shrinking household size and the predominance of one- and two-person households) over the past decade, combined with steadily increasing traffic congestion and fluctuating gasoline prices, has resulted in important changes in neighborhood and housing preferences, with major shifts from predominantly single-family detached houses in lower-density suburbs to higher-density apartments, townhouses, and detached houses in urban and mixed-use neighborhoods. This fundamental transformation of American households is likely to continue for at least the next decade.

This transformation has been driven by the convergence of the preferences of the two largest generations in the history of America: the Baby Boomers (currently estimated at 77 million), born between 1946 and 1964, and the estimated 78 million Millennials, who were born from 1977 to 1996 and, in 2010, surpassed the Boomers in population. The convergence of two generations of this size—simultaneously reaching a point when urban housing matches their life stage—is unprecedented.

In addition to their increasingly shared preference for urban and mixed-use, walkable neighborhoods, the Boomers and Millennials are changing housing markets in multiple ways. In contrast to the traditional family (married couples with children) that comprised the typical post-war American household, Boomers and Millennials are households of predominantly singles and couples. As a result, the 21st Century home-buying market now contains more than 63 percent one- and two-person households, and the 37 percent of the homebuyers that could be categorized as family households are equally likely to be non-traditional as traditional families. A major consequence of this evolution is that mixed-income development is now more likely to succeed than when suburban preferences dominated the housing market.

As determined by the target market analysis, then, the potential market—represented by lifestage—for new and existing housing units in Lancaster County over the next five years would be as follows (*see again* Table 30):

- Younger singles and couples: 44.9 percent;
- Traditional and non-traditional family households: 31.3 percent; and
- Empty nesters and retirees: 23.8 percent.

MARKET CAPTURE OVER THE NEXT FIVE YEARS

After more than 25 years' experience in scores of cities and counties across the country, and in the context of the target market methodology, Zimmerman/Volk Associates has determined that, over the near term (the next one to two years), those households that would prefer new construction, rather than existing or renovated previously-occupied units, currently represent approximately 10 percent of the potential rental market, and five percent of the potential for-sale market, given the production of appropriately-positioned new housing. (Until the collapse of the housing market in the fall of 2008, newly-constructed dwelling units comprised approximately 15 percent of all units sold in the nation; in 2012, that percentage had dropped to just 8.5 percent of all units sold.)

Longer-term (three to five years), those households that would prefer new construction, rather than existing or renovated previously-occupied units, would comprise approximately 15 percent of the potential rental market, and 10 percent of the potential for-sale market, again given the production of appropriately-positioned new housing.

Based on a 10 percent (short-term) to 15 percent (longer-term) capture of the potential market for new rental housing, and a five percent (short-term) to 10 percent (longer-term) capture of the potential market for new for-sale housing units, Lancaster County should be able to support up to 1,647 new housing units per year over the short term (next one to two years) and up to 2,800 units per year in the longer term (three to five years), as shown on the following table:

Annual Capture of Market Potential Over the Next Five Years
Lancaster County, Pennsylvania

HOUSING TYPE	ANNUAL NUMBER OF HOUSEHOLDS	ANNUAL CAPTURE RATE	NUMBER OF NEW UNITS PER YEAR
Rental Multi-Family (lofts/apartments, leaseholder)	9,910	10% to 15%	991 to 1,487
For-Sale Multi-Family (lofts/apartments, condo/co-op ownership)	1,409	5% to 10%	70 to 141
For-Sale Single-Family Attached (townhouses/live-work, fee-simple ownership)	2,395	5% to 10%	120 to 240
For-Sale Single-Family Detached (houses, fee-simple ownership)	9,321	5% to 10%	466 to 932
Total	23,035		1,647 to 2,800 units

SOURCE: Zimmerman/Volk Associates, Inc., 2013.

NOTE: Target market capture rates are a unique and highly-refined measure of feasibility. Target market capture rates are *not* equivalent to—and should not be confused with—penetration rates or traffic conversion rates.

The **target market capture rate** is derived by dividing the *annual* forecast absorption—in aggregate and by housing type—by the number of households that have the potential to purchase or rent new housing within a specified area *in a given year*.

The **penetration rate** is derived by dividing the *total* number of dwelling units planned for a property by the *total* number of draw area households, sometimes qualified by income.

The **traffic conversion rate** is derived by dividing the *total* number of buyers or renters by the *total* number of prospects that have visited a site.

Because the prospective market for a location is more precisely defined, target market capture rates are higher than the more grossly-derived penetration rates. However, the resulting higher capture rates are well within the range of prudent feasibility.

A small percentage of these new units will replace units that are lost or demolished, between 30 and 40 percent of the new units will accommodate households moving into the county, and the remaining units will be leased or purchased by newly-formed households and households already living in the county.

Depending on development feasibility, number of units, cost of infrastructure, dollar value of subsidies and/or incentives, and other factors that have an impact on the cost of housing, the actual market capture by income will vary dramatically.

New rental housing subsidized using low-income housing tax credits would capture a percentage of the potential rental market with incomes between 50 and 80 percent AMI, but would not capture any of the potential rental market with incomes above 100 percent AMI.

Conversely, a new mid-rise condominium would capture a percentage of the potential condominium market with incomes above 100 percent AMI, but would not likely capture any of the potential condominium market with incomes less than 100 percent AMI without substantial subsidy.

PROJECTIONS OF MARKET POTENTIAL

Forecasts beyond five years are, by necessity, highly speculative. Market potential—the number and types of households that have the desire and ability to move to a specific location—is essentially unpredictable over the long term. A single catalytic event can transform a previously vicious cycle of neighborhood decline, decay and abandonment into a virtuous circle of sweat-equity redevelopment, adaptive re-use, new construction and gradual tenure shift toward a higher percentage of ownership.

Conventional analyses project past trends into the future, usually concentrating on the predictable demographic changes of current populations and households, often without sufficient consideration given to households that have the potential to move into an area. Yet it is just this potential from in-migrating households that has translated into neighborhood revitalization across the nation. For example, no model, however sophisticated, could have forecast the demographic changes that occurred in Houston after the in-migration of Katrina evacuees, not to mention the racial shift and increased affluence in post-Katrina New Orleans.

The long-term forecasts in this analysis are a combination of conventional growth projections and informed judgments based on the socio-economic and lifestyle characteristics of draw area households. The 115,125-household market potential for the county in 2013 through 2017 was correlated with the long-term growth context established by the Lancaster County Planning Commission in its 2040 county population projections. (*See* Table 37, Population Trends and Projections.) A core assumption is that population change is directly proportionate to change in market potential.

The correlation yielded county market potential totals through two additional five-year increments: a five-year total market potential of 120,000 households between 2018 and 2022 and a five-year total market potential of 124,500 households between 2023 to 2027. (*See* Table 38.) Over the forecast period, the percentages of household types and housing tenures are expected to shift.

As the trailing edge Millennials begin to form their own households, younger singles and couples will make up an increasingly larger percentage of the potential market, rising from a 44.9 percent share in the short term period 2013-2017 to 45.4 percent in the mid-term period, 2018 to 2022, and to 45.5 percent over the long term, 2023 to 2027. This market segment's rental market potential will also rise slowly over the study period, from 58.9 percent in the short-term to 59.4 percent in the mid-term, and 59.6 percent long-term.

As the trailing edge Baby Boomers move into retirement age, empty nesters and retirees will also comprise an increasingly larger percentage of the potential market, increasing from 23.8 percent of the potential market in the short term period 2013-2017 to 24.7 percent in the mid-term period, 2018 to 2022, and to 24.8 percent over the long term, 2023 to 2027. This market segment's rental market potential will increase significantly over the study period, from 26.6 percent in the short-term to 28.5 percent in the mid-term, and 28.8 percent long-term.

The size of the family market potential, both traditional and non-traditional families, will shrink slightly from the short term period, 2013-2017, to the mid-term period, 2018-2022, falling from 36,025 to 35,900 households. However, between the mid-term and the long-term, as the Millennials increasingly form families, the size of the family market potential will rise to 37,000 households. Although family market potential will increase in size over the overall forecast period, they will continue to represent an increasingly smaller percentage of the potential market, falling from 31.3 percent of the potential market in the short term period 2013-2017 to 29.9 percent in the mid-term period, 2018 to 2022, and to 29.7 percent over the long term, 2023 to 2027. This market segment's ownership market potential follows the same pattern.

Over the forecast period, the income distribution of the potential market is also expected to shift. Although the number of households in each income band is projected to increase over the forecast period, the share of the market held by each income band will vary over time, although not significantly. (*See* Table 39.)

As a percentage of the total potential market, households earning less than 30 percent AMI per year will drop from a 16.2 percent share (short-term) to a 15.9 percent share (mid-term) to a 15.7 percent share (long-term) of the total potential market. However, the share of the total potential market held by renter households in this income bracket will rise from 8.6 percent short-term, to 8.7 percent mid-term, remaining at 8.7 percent long-term. This increase—and the slight percentage increase in households with propensities to purchase multi-family for-sale units over the same time frame—only partially offsets the decline in the share of owner households with the propensity to purchase single-family units.

As a percentage of the total potential market, households earning between 30 and 50 percent AMI per year will fall from a 13.1 percent share (short-term) to a 12.9 percent share (mid-term) of the total potential market, then rising to a 13 percent share (long-term) of the total potential market.

As a percentage of the total potential market, households earning between 50 and 80 percent AMI per year will steadily decline from a 19 percent share (short-term) to an 18.7 percent share (mid-term) to an 18.6 percent share (long-term) of the total potential market.

As a percentage of the total potential market, households earning between 80 and 100 percent AMI per year will rise from a 10.9 percent share (short-term) to an 11.8 percent share of the total potential market (both mid-term and long-term).

Finally, as a percentage of the total potential market, households earning over 100 percent AMI per year will decline from a 40.9 percent share (short-term) to a 40.6 percent share (mid-term) of the total potential market, then rising to a 40.8 percent share (long-term) of the total potential market.

As noted, unpredictable factors can have a significant impact on market potential, both in quantity and character. There are market dynamics—choices that households make—that are certain to have an impact, but what those choices will be are also unknown.

The Millennial generation's attitude toward home ownership and their financial capacity in light of their unprecedented student debt load will determine when, and if, first-time home buying returns to "normal" levels. Without first-time buyers, housing sales volume is diminished. Would-be move-up buyers cannot sell their existing dwellings to improve their housing situation in a better neighborhood, better and/or larger dwelling. At the end of the housing resales sequence is the huge Baby Boom generation who are expected to begin a great housing sell-off during the forecast period; but, without a reasonable level of first-time buyers at the beginning of the sequence there may not be sufficient numbers of buyers for the Baby Boomer houses.

The Millennials' influence on the housing resales sequence is just one unknown. The question of whether the Millennials will stay in urban neighborhoods after they have children could have a profound impact on cities, towns and the centers of traditional suburbs. If, as we suspect, a significant percentage of the largest generation in American history remain committed to urban living, the resales chain, particularly in the exurbs, will be severely disrupted. The older, denser suburbs can enhance their walkable mixed-use cores. The thinly-settled exurbs cannot without wholesale redevelopment on a massive scale.

Although perhaps not a major impact at the county level, technological changes can also influence settlement patterns and, hence, market potential. For example, advances and reductions in cost in wastewater treatment technology could alter dramatically the ability of existing small-scale hamlets and villages in the county to accommodate more housing and a greater diversity of land uses.

PROJECTIONS OF MARKET CAPTURE

Projections of market capture beyond five years are even more speculative than projections of market potential. It would not be unreasonable, however, to apply the same capture rates used for the short-term time frame, as those capture rates will produce both a low and a high forecast for each subsequent study period.

Based on a 10 percent (lower-range forecast) to 15 percent (upper-range forecast) capture of the potential market for new rental housing, and a five percent (lower-range forecast) to 10 percent (upper-range forecast) capture of the potential market for new for-sale housing units, Lancaster County should be able to support between 1,730 and 2,931 units per year during the 2018 to 2022 time frame as follows:

Annual Capture of Market Potential Between 2018 and 2022
Lancaster County, Pennsylvania

HOUSING TYPE	ANNUAL NUMBER OF HOUSEHOLDS	ANNUAL CAPTURE RATE	NUMBER OF NEW UNITS PER YEAR
Rental Multi-Family (lofts/apartments, leaseholder)	10,590	10% to 15%	1,060 to 1,589
For-Sale Multi-Family (lofts/apartments, condo/co-op ownership)	1,520	5% to 10%	76 to 152
For-Sale Single-Family Attached (townhouses/live-work, fee-simple ownership)	2,545	5% to 10%	127 to 255
For-Sale Single-Family Detached (houses, fee-simple ownership)	9,345	5% to 10%	467 to 935
Total	24,000		1,730 to 2,931 units

SOURCE: Zimmerman/Volk Associates, Inc., 2013.

Based on a 10 percent (lower-range forecast) to 15 percent (upper-range forecast) capture of the potential market for new rental housing, and a five percent (lower-range forecast) to 10 percent (upper-range forecast) capture of the potential market for new for-sale housing units, Lancaster County should be able to support between 1,797 and 3,042 units per year during the 2023 to 2027 time frame as outlined on the following page.

Annual Capture of Market Potential Between 2023 and 2027
Lancaster County, Pennsylvania

HOUSING TYPE	ANNUAL NUMBER OF HOUSEHOLDS	ANNUAL CAPTURE RATE	NUMBER OF NEW UNITS PER YEAR
Rental Multi-Family (lofts/apartments, leaseholder)	11,030	10% to 15%	1,103 to 1,655
For-Sale Multi-Family (lofts/apartments, condo/co-op ownership)	1,770	5% to 10%	89 to 177
For-Sale Single-Family Attached (townhouses/live-work, fee-simple ownership)	2,780	5% to 10%	139 to 278
For-Sale Single-Family Detached (houses, fee-simple ownership)	9,320	5% to 10%	466 to 932
Total	24,900		1,797 to 3,042 units

SOURCE: Zimmerman/Volk Associates, Inc., 2013.

Sources and Methodology—

The technical analysis of market potential for Lancaster County and its 60 municipalities included delineation of the draw areas, based on the most recent migration data for Lancaster County, and incorporating additional data from the 2010 Census and 2011 American Community Survey One- and Five-Year Estimates.

The evaluation of market potential for the county and its municipalities was derived from target market analysis of households in the draw areas, and yielded:

- The depth and breadth of the potential housing market by tenure (rental and ownership) and by type (apartments, attached and detached houses); and
- The composition of the potential housing market (empty-nesters/retirees, younger singles/couples, traditional and non-traditional families).

NOTE: The Appendix Tables referenced here are provided in a separate document.

Delineation of the Draw Areas (Migration Analysis)—

Taxpayer migration data provide the framework for the delineation of the draw areas—the principal counties of origin for households that are likely to move to Lancaster County. These data are maintained at the county and "county equivalent" level by the Internal Revenue Service and provide a clear representation of mobility patterns. As noted above, the migration data for the county has been supplemented by mobility data from the 2011 American Community Survey Five-Year Estimates.

The migration, mobility and target market analyses show that the impact of the Great Recession on household mobility has been significant, with fewer households moving each year since 2007.

Appendix One, Table 1.
Migration Trends—

Between 2005 and 2009 (the most recent years for which migration data are available from the Internal Revenue Service), the number of households moving into Lancaster County declined from nearly 7,700 households in 2005 to just over 6,700 households in 2009. Approximately 10 percent of the county's in-migration is from adjacent Chester County to the east, and another 25 to 30 percent is from five counties adjacent to or near Lancaster County: York, Berks, Dauphin, Lebanon and Cumberland Counties. The Philadelphia area counties to the east of Lancaster (Philadelphia, Montgomery, Delaware, and Bucks Counties) account for eight to nine percent (approximately 600 to 700 households) of in-migrating households per year.

Over the same period, the number of households that moved out of Lancaster County also declined, from more than 7,100 out-migrating households in 2005 to 6,775 households in 2009. The number of net households gained through in-migration fell from 545 households in 2005 to just 55 households in 2008. In 2009, the county experienced a net migration loss of 45 households.

Although net migration provides insights into a county's historic ability to attract or retain households compared to other locations, it is those households likely to move into an area (gross in-migration) that represent that area's external market potential.

Based on the migration data, then, the draw areas for new and existing housing units within Lancaster County have been confirmed as follows:

- The primary (internal) draw area, covering households currently living within Lancaster County.

- The regional draw area, covering households with the potential to move to Lancaster County from Chester, York, Berks, Dauphin, Lebanon and Cumberland Counties.
- The metropolitan draw area, covering households with the potential to move to Lancaster County from Philadelphia, Montgomery, Delaware, and Bucks Counties.
- The national draw area, covering households with the potential to move to Lancaster County from all other U.S. counties.

Migration Methodology:

County-to-county migration is based on the year-to-year changes in the addresses shown on the population of returns from the Internal Revenue Service Individual Master File system. Data on migration patterns by county, or county equivalent, for the entire United States, include inflows and outflows. The data include the number of returns (which can be used to approximate the number of households), and the median and average incomes reported on the returns.

TARGET MARKET CLASSIFICATION OF COUNTY HOUSEHOLDS—

Geo-demographic data obtained from the Nielsen Company (formerly Claritas, Inc.), provide the framework for the categorization of households, not only by demographic characteristics, but also by lifestyle preferences and socio-economic factors. An appendix containing detailed descriptions of each of these target market groups is provided along with the study.

Appendix One, Table 2.
Target Market Classification—

An estimated 197,395 households live in Lancaster County in 2013. County-wide median income is estimated at $51,000, approximately 3.4 percent above the national median of $49,300. Median home value within the county is estimated at $189,300, more than 10 percent higher than the national median of $171,300. Over 52 percent of the county's households are classified as empty nesters and retirees, another 29.3 percent are traditional and non-traditional families, and the remaining 18.5 percent are younger singles and couples. (*See* Appendix One, Table 2.)

Target Market Methodology:

The proprietary target market methodology developed by Zimmerman/Volk Associates is an analytical technique, using the PRIZM NE household clustering system, that establishes the optimum market position for residential development of any property—from a specific site to an entire political jurisdiction—through cluster analysis of households living within designated draw areas. In contrast to classical supply/demand analysis—which is based on supply-side dynamics and baseline demographic projections—target market analysis establishes the optimum market position derived from the housing and lifestyle preferences of households in the draw area and within the framework of the local housing market context, even in locations where no close comparables exist.

Clusters of households (usually between 10 and 15) are grouped according to a variety of significant "predictable variables," ranging from basic demographic characteristics, such as income qualification and age, to less-frequently considered attributes known as "behaviors," such as mobility rates, lifestage, and lifestyle patterns.

Mobility rates detail how frequently a household moves from one dwelling unit to another; lifestage denotes what stage of life the household is in, from initial household formation (generally when a young person moves out of his or her parents' household into his or her own dwelling unit), through family formation (generally, marriage and children) to retirement (generally, no longer employed); and lifestyle patterns reflect the ways households choose to live, *e.g.*, an urban lifestyle includes residing in a dwelling unit in a city, most likely high-density, and implies the ability to walk to more locations than a suburban lifestyle, which is most likely lower-density and typically requires automobile ownership to get to non-residential locations. Zimmerman/Volk Associates has refined the analysis of these household clusters through the correlation of more than 500 data points related to housing preferences and consumer and lifestyle characteristics.

As a result of this process, Zimmerman/Volk Associates has identified 41 target market groups with median incomes that enable most of the households within each group to qualify for market-rate housing, and an additional 25 groups with median incomes in which a much smaller number of households is able to qualify for market-rate housing. The most affluent of the 66 groups can afford the most expensive new ownership units; the least prosperous are candidates for the least expensive existing rental apartments.

Once the draw areas for a property have been defined, then—through field investigation, analysis of historic migration and development trends, and employment and commutation patterns—the households within those areas are quantified using the target market methodology. The potential market for new market-rate units is then determined by the correlation of a number of factors—including, but not limited to: household mobility rates; median incomes; lifestyle characteristics and housing preferences; the location of the site; and the competitive environment.

The end result of this series of filters is the optimum market position—by tenure, building configuration and household type, including specific recommendations for unit sizes, rents and/or prices—and projections of absorption within the local housing context.

DETERMINATION OF THE POTENTIAL MARKET FOR LANCASTER COUNTY (MOBILITY ANALYSIS)—

The mobility tables, individually and in summaries, indicate the average number and type of households that have the potential to move within or to Lancaster County each year over the next five years. The total number from each county is derived from historical migration trends; the number of households from each group is based on each group's mobility rate.

Appendix One, Table 3.
Internal Mobility (Households Moving Within Lancaster County)—

Zimmerman/Volk Associates uses U.S. Bureau of the Census data and American Community Survey data, combined with Nielsen data, to determine the number of households in each target market group that will move from one residence to another within a specific jurisdiction (internal mobility).

Using these data, Zimmerman/Volk Associates has determined that an average of 15,600 households currently living in the county have the potential to move from one residence to another within the county each year over the next five years. More than 43 percent of these households are likely to be younger singles and couples (as characterized within 13

Zimmerman/Volk Associates' target market groups); another 30.9 percent are likely to be traditional and non-traditional families (in 16 market groups); and the remaining 25.8 percent are likely to be empty nesters and retirees (in 25 market groups).

Appendix One, Tables 4 through 6; Appendix Two, Tables 1 through 6; Appendix Three, Tables 1 through 4.
External Mobility (Households Moving to Lancaster County)—

These tables summarize the average number of households in each target market group living in each draw area county that are likely to move to Lancaster County each year over the next five years (through a correlation of Nielsen data, U.S. Bureau of the Census data, and Internal Revenue Service migration data).

Appendix One, Table 7.
Market Potential for Lancaster County—

This table summarizes Appendix One, Tables 3 through 6. The numbers in the Total column on page one of this table indicate the depth and breadth of the potential market for new and existing dwelling units in Lancaster County each year over the next five years originating from households currently living in the draw areas. An average of 23,035 households have the potential to move within and to Lancaster County each year over the next five years. Nearly 45 percent of these households are likely to be younger singles and couples (as characterized within 16 Zimmerman/Volk Associates' target market groups); another 31.3 percent are likely to be traditional and non-traditional families (in 20 market groups); and the remaining 23.8 percent are likely to be empty nesters and retirees (in 30 market groups)

The draw area distribution of market potential (those 23,035 households with the potential to move within and to Lancaster County each year over the next five years) is shown on the table on the following page:

Market Potential By Draw Area
Lancaster County, Pennsylvania

Lancaster County:	67.7%
Regional draw area:	11.6%
Metropolitan draw area:	2.9%
Balance of US:	17.8%
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2013.

Appendix One, Tables 8 through 10.
Five-Year Tenure, Income Levels, and Housing Preferences of the Target Households—

The five-year aggregate of market potential for Lancaster County exceeds 115,000 households. These 115,175 households have been categorized by tenure propensities to determine renter/owner ratios. Approximately 43 percent of these households (49,550 households) comprise the annual potential market for new and existing rental units. The remaining 57 percent (65,625 households) comprise the annual potential market for new and existing for-sale (ownership) housing units. (*Reference* Appendix One, Table 8.)

These households have also been segmented by income, based on the Lancaster County MSA median family income (AMI), which, for fiscal year 2013 is $65,600 for a family of four, as follows:

- Households with incomes below 30 percent AMI (a significant percentage of these households typically qualify only for public housing or older existing units).
- Households with incomes between 30 and 50 percent of AMI (in addition to existing units, these households typically qualify for new affordable rental housing or heavily subsidized new ownership housing);
- Households with incomes between 50 and 80 percent of AMI (these households typically qualify for new and existing workforce or affordable rental housing or subsidized new and existing ownership housing);
- Households with incomes between 80 and 100 percent AMI (these households typically qualify for existing market-rate rentals or new workforce or affordable for-sale housing); and

- Households with incomes above 100 percent AMI (these households generally have sufficient incomes to rent or purchase market-rate housing).

The income delineations in the Lancaster County MSA, effective as of December, 2013, and derived from the area median family income (AMI) of $65,600 for a family of four are as follows:

Fiscal Year 2013 Income Limits
Lancaster County, Pennsylvania

NUMBER OF PERSONS IN HOUSEHOLD	30% OF MEDIAN	50% OF MEDIAN	80% OF MEDIAN
One	$13,900	$23,150	$37,050
Two	$15,900	$26,450	$42,350
Three	$17,900	$29,750	$47,650
Four	$19,850	$33,050	$52,900
Five	$21,450	$35,700	$57,150
Six	$23,050	$38,350	$61,400
Seven	$24,650	$41,000	$65,600
Eight	$26,250	$43,650	$69,850

SOURCE: U.S. Department of Housing and Urban Development.

The segmentation by income of the five-year aggregate of the 49,550 households that represent the market for rental units is detailed on the following table. (*See again* Appendix One, Table 8.)

Renter Households By Income Band
Lancaster County, Pennsylvania

INCOME BAND	NUMBER OF HOUSEHOLDS	PERCENTAGE
Below 30% AMI	9,885	19.9%
Between 30% and 50% AMI	7,385	14.9%
Between 50% and 80% AMI	9,900	20.0%
Between 80% and 100% AMI	5,330	10.8%
Over 100% AMI	17,050	34.4%
Total:	49,550	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2013.

The segmentation by income of the five-year aggregate of the 65,625 households that represent the market for ownership units is detailed on the table on the following page. (*See again* Appendix One, Table 8.)

Owner Households By Income Band
Lancaster County, Pennsylvania

INCOME BAND	NUMBER OF HOUSEHOLDS	PERCENTAGE
Below 30% AMI	8,725	13.3%
Between 30% and 50% AMI	7,705	11.7%
Between 50% and 80% AMI	11,985	18.3%
Between 80% and 100% AMI	7,230	11.0%
Over 100% AMI	29,980	45.7%
Total:	65,625	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2013.

Of the 65,625 households that represent the five-year aggregated potential market for new and existing ownership units in the county, just under 11 percent (or 7,045 households) comprise the potential market for multi-family ownership (condominium or cooperative) units. The distribution by income of these 7,045 households is detailed on the following table. (*See also* Appendix One, Table 9.)

Multi-Family Owner Households By Income Band
Lancaster County, Pennsylvania

INCOME BAND	NUMBER OF HOUSEHOLDS	PERCENTAGE
Below 30% AMI	1,165	16.5%
Between 30% and 50% AMI	920	13.1%
Between 50% and 80% AMI	1,295	18.4%
Between 80% and 100% AMI	750	10.6%
Over 100% AMI	2,915	41.4%
Total:	7,045	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2013.

Of the 65,625 households that represent the five-year aggregated potential market for new and existing ownership units in the county, 18.2 percent (or 11,975 households) comprise the potential market for new and existing single-family attached (rowhouse/townhouse/live-work) ownership units. The categorization by income of these 11,975 households is detailed as shown on the following page. (*See again* Appendix One, Table 9.)

Single-Family Attached Owner Households By Income Band
Lancaster County, Pennsylvania

INCOME BAND	NUMBER OF HOUSEHOLDS	PERCENTAGE
Below 30% AMI	1,885	15.7%
Between 30% and 50% AMI	1,555	13.0%
Between 50% and 80% AMI	2,245	18.7%
Between 80% and 100% AMI	1,290	10.8%
Over 100% AMI	5,000	41.8%
Total:	11,975	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2013.

The remaining 71 percent (46,605 households) represent the five-year aggregated potential market for new and existing single-family detached (house) ownership units. The distribution by income of these 46,605 households is detailed as shown on the following table. (*See again* Appendix One, Table 9.)

Single-Family Detached Owner Households By Income Band
Lancaster County, Pennsylvania

INCOME BAND	NUMBER OF HOUSEHOLDS	PERCENTAGE
Below 30% AMI	5,685	12.2%
Between 30% and 50% AMI	5,255	11.3%
Between 50% and 80% AMI	8,400	18.0%
Between 80% and 100% AMI	5,175	11.1%
Over 100% AMI	22,090	47.4%
Total:	46,605	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2013.

DETERMINATION OF THE POTENTIAL MARKET FOR EACH OF THE 60 MUNICIPALITIES—

The potential market for new and existing housing units within each of the 60 municipalities includes the same draw areas as for the county as a whole. Zimmerman/Volk Associates uses U.S. Bureau of the Census data, combined with Nielsen data and 2011 American Community Survey Five-Year Estimates, to determine which target market groups, as well as how many households within each group, are likely to move in a given year.

Appendix Four, Table 1A through 60A.
Target Market Classification—

These tables detail the estimated number of households living in each of the 60 Lancaster municipalities in 2013, as well as each municipality's median income, median home value, and lifestage classification.

Appendix Four, Table 1B through 60B.
Internal Mobility (Households Moving Within Each Municipality)—

As noted above, Zimmerman/Volk Associates uses U.S. Bureau of the Census data and American Community Survey data, combined with Nielsen data, to determine the number of households in each target market group that will move from one residence to another within a specific jurisdiction (internal mobility).

Appendix Four, Table 1C through 60C.
Market Potential for Each of the 60 Municipalities—

The numbers in the Total column on each of these tables indicate the depth and breadth of the potential market for new and existing dwelling units in each municipality each year over the next five years originating from households currently living in the draw areas.

Appendix Four, Table 1D and E through 60D and E.
Five-Year Tenure, Income Levels, and Housing Preferences of the Target Households—

These tables detail the five-year aggregate of market potential for each municipality categorized by tenure propensities to determine renter/owner ratios. The five-year aggregates have also been segmented by income, based on the Lancaster County MSA median family income (AMI), and by housing type: multi-family for rent; multi-family for-sale, single-family attached for-sale, and single-family detached for-sale.

Target Market Data—

Target market data are based on the Nielsen (formerly Claritas) PRIZM geo-demographic system, modified and augmented by Zimmerman/Volk Associates as the basis for its proprietary target market methodology. Target market data provides number of households by cluster aggregated into the three main demographic categories—empty nesters and retirees; traditional and non-traditional families; and younger singles and couples.

Zimmerman/Volk Associates' target market classifications are updated periodically to reflect the slow, but relentless change in the composition of American households. Because of the nature of geo-demographic segmentation, a change in household classification is directly correlated with a change in geography, *i.e.*—a move from one neighborhood condition to another.

However, these changes of classification can also reflect an alteration in one of three additional basic characteristics:

- Age;
- Household composition; or
- Economic status.

Age, of course, is the most predictable, and easily-defined of these changes. Household composition has also been relatively easy to define; recently, with the growth of non-traditional households, however, definitions of a family have had to be expanded and parsed into more highly-refined segments. Economic status remains clearly defined through measures of annual income and household wealth.

A change in classification is rarely induced by a change in just one of the four basic characteristics. This is one reason that the target household categories are so highly refined: they take in multiple characteristics. Even so, there are some rough equivalents in household types as they move from one neighborhood condition to another. There is, for example, a strong correlation between the *Suburban Achievers* and the *Urban Achievers*; a move by the *Suburban Achievers* to the urban core can make them *Urban Achievers*, if the move is accompanied by an upward move in socio-economic status. In contrast, *Suburban Achievers* who move up socio-economically, but remain within the metropolitan suburbs may become *Fast-Track Professionals* or *The VIPs*.

Household Classification Methodology:

Household classifications were originally based on the Claritas PRIZM geo-demographic segmentation system that was established in 1974 and then replaced by PRIZM NE in 2005. The revised household classifications are based on PRIZM NE which was developed through unique classification and regression trees delineating 66 specific clusters of American households. The system is now accurate to the individual household level, adding self-reported and list-based household data to geo-demographic information. The process applies hundreds of demographic variables to nearly 10,000 "behaviors."

Over the past 25 years, Zimmerman/Volk Associates has augmented the PRIZM cluster systems for use within the company's proprietary target market methodology specific to housing and neighborhood preferences, with additional algorithms, correlation with geo-coded consumer data, aggregation of clusters by broad household definition, and unique cluster names. For purposes of this study, only those households in groups with median incomes of $50,000 or more are included in the tables.

POLICIES AND PROGRAMS

New affordable housing in Lancaster County can be encouraged and its long-term benefits to the greater community can be enhanced through initiatives, ideally engaging <u>both the public and private sectors</u>. Policies and programs to maximize the capture of the potential housing market and the impact of investment in new housing, including alternative homeownership strategies, are outlined with references in many instances to locations where the programs have proven to be effective. These references can also serve as important benchmarks for those recommended policies that are already in effect in Lancaster County.

Given the demographic composition, financial capacity, and unit and housing preferences of the households that make up the market potential for Lancaster County and its municipalities, some programs are likely to be of greater assistance to potential lower-income homebuyers than others. Some of the programs assist potential homeowners directly in purchasing homes; others provide home improvement assistance. Many, as noted at the end of this section, can also help mitigate the displacement that can occur in redeveloping neighborhoods.

PROGRAMS AND STRATEGIES TO SUPPORT AFFORDABLE HOUSING DEVELOPMENT

—*Mixed-Income Development*—

A number of states, counties and cities have addressed the issue of affordable housing through what are known collectively as inclusionary zoning policies. These policies take a number of different approaches, but two of the most "successful" in terms of actually getting substantial numbers of affordable housing units built, are in Montgomery County, Maryland and the State of New Jersey. Montgomery County requires that at least 12 to 15 percent of the dwelling units proposed for a new development of 50 or more units be affordable, which is defined as 60 percent of the area median income. The State of New Jersey requires that each municipality provides its "fair share" of affordable housing, as determined by the Council on Affordable Housing (COAH). The individual municipality can achieve its fair share in a variety of ways:

- By loans to residents to create accessory apartments affordable to low-income households;
- By developing and building the required number of units;
- By paying a per-unit amount of dollars, determined by COAH, to another New Jersey municipality that has a high proportion of residents living in substandard dwelling units; or
- By providing those units within new projects, through density bonuses to the developer.

However, successful development of mixed-income housing rests on several critical principles that are common to the establishment of all healthy neighborhoods:

1. Buildings must be designed to enhance the public realm, facing well-defined, walkable streets, to provide the "eyes on the street" that will ensure public safety.
2. The affordable and market-rate units should be interspersed throughout the building or buildings, rather than located in "affordable buildings" or single-use "pods."
3. For new construction within existing neighborhoods, logical relationships between densities and tenures must be established, from both the market perspective and the property management perspective. In the case of Park duValle in Louisville, Kentucky, this was achieved through a progression of density on the street, moving

from a six-unit apartment building on the corner to a rental duplex or triplex building to for-sale single-family detached houses in mid-block.

4. The occupants' income level or tenure should not be discernible from the street. All units should have the same exterior quality of materials and design.

—Gap Financing Pool—

Many infill development opportunities within Lancaster County, particularly those in the City of Lancaster, the boroughs, and many of the villages that are scattered throughout the county, are likely to be small scale—in most cases, fewer than 50 units and often fewer than 25. These small properties lack development efficiency; since fixed costs are spread over fewer units, the cost per unit is higher without any corresponding increase in market value. Small properties have historically had difficulties attracting public capital assistance in any form; because of their small size, they are generally not considered to have the potential for catalytic impact. (This is one of the long-standing ironies of American urban initiatives: the properties that are large enough to have gained government support are often self-contained and have significantly less impact on surrounding uses than the same number of units in smaller, pedestrian-oriented properties.)

A revolving loan pool for subordinated, low-interest gap funding should be established to put the financial feasibility of smaller properties on an equal footing with larger properties.

<u>Gap funding should be available to both adaptive re-use and to new construction</u>. The gap fund should be very flexible in order to respond to the special needs of each small, highly-individual property. Gap funding is typically structured as low-interest debt in a second or third position, but can incorporate interest accrual or other features designed to address the short-term financing impediments to residential developments that are essentially sound when viewed over the long term.

The Greater Downtown Partnership of Detroit has assembled a $23 million fund to provide gap financing; the fund has been used to assist in the renovation and conversion of downtown buildings from commercial to residential use, which have made downtown a bright spot in an otherwise notoriously troubled city.

Smaller cities can be successful with smaller funds: Louisville, Kentucky matched the $3 million dollars contributed by six downtown banks, the sum of which, when augmented by $1 million from the state and local businesses, created a $7 million gap financing pool. The Lowell Plan, a private non-profit organization in Lowell, Massachusetts is currently building a $20 million pool, targeted specifically to assist residential and mixed-use developers, following the commercial funding pool created during the 1990s that was successful in stimulating retail development in the downtown.

—*Land Bank*—

An important redevelopment tool for government is the land bank, a public authority used to control, manage and redevelop tax-foreclosed property. When the land bank takes control of a tax-delinquent property, taxing authorities—typically the municipality and school district—forgo their right to unpaid taxes. The benefits are substantial: public costs associated with vacant buildings—police, fire, maintenance, etc.—are decreased, as is the negative impact on local property values; when properties are ultimately moved back onto the tax roles revenues are increased; well-organized land banks can assemble properties for significant redevelopment initiatives when developable land is often scarce. Legislation enabling Pennsylvania municipal entities with a population of 10,000 or greater to establish a land bank was signed into law in October, 2012. There are over 80 land banks enabled or operating nationally, including Pennsylvania's first recently enacted in Dauphin County.

—*Aggressive Control of Vacant Buildings*—

Even without implementing a land bank, owners of vacant, abandoned, and otherwise blighted properties can be motivated to improve or sell their properties. In an effort to control blighted properties, the City of Easton, Pennsylvania recently enacted a blighted property registration and tracking system, backed up with mandatory fees that can be a substantial incentive for action; all vacant properties are required to register at fees starting at $250 and escalating to $5,000 for properties vacant for 10 years, plus $500 for each additional year of vacancy.

—*Sales Tax Incentives*—

One method of directing development into specific target areas is through the exemption from city sales tax on building materials that are incorporated into a qualifying development, either new construction of adaptive re-use, in the target area. This program could be introduced for a limited time period as an inducement to accelerate construction. The City of Albany, New York has a similar exemption for qualifying commercial and industrial structures.

—*"Arts District" Housing*—

Resident artists, many living on modest incomes, can add vibrancy to emerging neighborhoods; a recognizable arts district can be a significant enhancement to real estate values. But often the artists who pioneered neighborhood revitalization are displaced by the economic pressures of gentrification. A proven approach to maintaining a stock of affordable housing and live-work space for artists is the use of dedicated Low-Income Housing Tax Credits (LIHTC). In addition to household-size income qualification, prospective residents are also subject to a portfolio review to assure that at least one member of the household is a working artist. This program can be augmented with federal and state historic tax credits to redevelop existing buildings within an historic district.

Artspace Projects, Inc., based in Minneapolis, Minnesota, has redeveloped several buildings for artists in St. Paul, Minneapolis and Duluth using this strategy and has provided consultation services, with planned projects, for equivalent redevelopments in Buffalo; Jackson, Michigan; Salt Lake City; Detroit; and Philadelphia among others.

—*Sales and Income Tax Incentive for Artists*—

Since working artists are critical to the establishment of an urban arts district, arts-based commerce can be encouraged through targeted tax relief. The City of Providence, Rhode Island has populated its DownCity Arts and Entertainment District through the use of sales and income tax exemptions. Artists and artisans in DownCity are exempt from state and local sales taxes; and resident artists are exempt from personal state income tax. The program has been deemed so successful that the Rhode Island General Assembly subsequently passed legislation to establish similar districts in two other Rhode Island cities, Westerly and Pawtucket.

PROGRAMS AND STRATEGIES TO SUPPORT HOMEOWNERSHIP

—*Lease-Purchase Programs*—

Lease-Purchase Programs are valuable because they provide homeownership opportunities to potential homebuyers who are initially unable to qualify for a loan from any source. They do need to be carefully structured so that the terms of the lease provide for both a reasonable rent premium that is credited to the purchase price and a reasonable specified period in which the potential homeowner is able to purchase the property. These programs have been successfully used in the conversion of units in a rental building to condominiums, as well as for individual unit purchases.

—*Individual Development Accounts*—

Eligible low-income persons can open individual development accounts into which personal deposits are matched by the sponsoring entity upon withdrawal for an eligible use at ratios from one-to-one to six-to-one. Although there are a number of eligible uses for the account funds, including education costs and small-business start-ups, the most popular use is for homeownership. In Grand Rapids, Michigan, individual development accounts are offered by the Inner City Christian Foundation which contributes three dollars for every one dollar saved by the account holder, provided the account holder's savings are at least $28 per month. In the Reynoldstown neighborhood of Atlanta, Georgia, individual development accounts are funded by the United Way and administered by the Reynoldstown Revitalization Corporation; after homeownership and budget counseling, residents with the required $1,200 in savings receive $4,800 for a housing purchase in specific neighborhoods, or slightly less if the purchase is the neighborhoods but still in the county.

—*Shared-Equity/Shared-Appreciation Homeownership Programs*—

Shared-Equity/Shared-Appreciation Homeownership Programs—which have the effect of reducing the purchase price of a dwelling unit to make it affordable to a lower-income buyer—have become more common with the disappearance of subprime, interest-only, and other non-traditional mortgages. The unit price is lowered through a subsidy by a non-profit or government agency, either as a direct subsidy or through incentives to the developer for including affordable housing; the buyer, in return, upon resale of the unit must share any home price appreciation with the entity providing the subsidy, which would apply the funds to future subsidies. A program in which a local non-profit or consortium of non-profits took the investor position in a shared-appreciation program could maintain long-term affordability of low- and moderate-income owner-occupied dwelling units.

—*Employer-Assisted Housing*—

In order to increase homeownership opportunities, many cities have, in collaboration with local employers, universities, and medical institutions, created employer-assisted housing benefit plans for employees. Through these initiatives, often known as "Live Near Your Work" programs, employers provide eligible employees with a forgivable loan of a set amount—typically between $2,000 and $15,000, depending on local housing costs—as well as housing information and education, and innovative financing options. These initiatives are designed to promote urban revitalization by targeting dwelling units in the downtowns and in-town neighborhoods.

Franklin & Marshall College offers three employer-assisted housing benefit plans for employees through its two "City Life" neighborhood housing programs within a defined area adjacent to the campus: Settlement Assistance, and Curb Appeal. Under the Settlement Assistance program Franklin & Marshall provides a deferred payment loan up to $10,000 for down payment, closing costs, and property improvements. The college also provides a deferred payment loan up to $5,000 for the re-conversion of a subdivided house back to single-family occupancy. The Curb Appeal program deferred payment loans match homeowner dollars one-to-one up to $5,000, for property improvements, with matching funds limited to exterior "curb appeal" improvements. There are no interest payments and these loans are be forgiven after five years.

A "Live Near Your Work" program has been highly successful in Baltimore, where more than 90 employers participate, and more than 2,100 families have benefited since the program's inception in 1997.

In Seattle, the City and Washington State have created the House Key Plus Seattle program, which offers first-time buyers loans at below-market interest rates. Since its start in 2004, the program has provided 71 homebuyers, with incomes no more than 80 percent of the area median income, an average assistance of more than $40,700.

—*Down Payment Assistance*—

Amassing a down payment is one of the greatest barriers to homeownership for low- and moderate-income households. As noted above, programs such as Individual Development Accounts and Employer-Assisted Housing can provide help with housing down payments, and local efforts in this areas should be encouraged. For example, the Michigan State Housing Development Authority (MSHDA) has a Down Payment Assistance Program that provides no-interest, non-amortizing loan up to $7,000 to income-qualified buyers. The loan has no payments and is due when the property is sold or transferred, or the first mortgage is refinanced or paid off.

—*Community Land Trusts*—

Rather than providing direct financial assistance to individual potential or existing homeowners, community land trusts typically acquire and hold land as a means of preserving long-term affordability, and most have policies in place, usually built into the ground lease, that restrict prices. There are now more than 250 community land trusts operating in 46 states and the District of Columbia.

—*Limited-Equity Cooperatives*—

Limited-equity housing cooperatives can provide ownership opportunities for low-income households, but also limit the return from unit resales. Like community land trusts, they do not include direct financial assistance. They are valuable in that they provide a mechanism for resident-controlled multi-family housing, with typically lower housing costs, and are another means of providing long-term affordability in the neighborhood. The National Association of Housing Cooperatives estimates that there are 425,000 limited-equity cooperatives nationwide.

—*Home Purchase Rehabilitation Program*—

A home purchase rehabilitation program would provide loans of, say, $5,000 to $35,000 to qualified first-time homebuyers for the purchase of dwelling units that require specific rehabilitation repairs, ranging from roof work to new appliances. The Pennsylvania State Housing Development Authority (PHFA) has a Purchase Improvement Loan program that allows qualified buyers to add between $1,000 and $15,000 for repairs or improvements to a conventional PHFA first mortgage. The total of the purchase price and repair/improvement costs cannot exceed PHFA price limits and the "as completed" appraised value must justify the cost of repairs.

MITIGATING DISPLACEMENT

Creating new market-rate housing in existing neighborhoods can lead to gentrification of those neighborhoods; gentrification can have significant benefits to existing residents, such as reductions in crime, development of greater variety in food and other shopping options, and the potential, over time, for greater transportation choices. However, higher property taxes and escalating residential and commercial rents in gentrified neighborhoods can push long-term residents and businesses to move out.

Displacement of low- and moderate-income and elderly households as a result of gentrification can be minimized through many of the same policies and programs that support affordable housing development. Inclusionary zoning and other strategies to create mixed-income housing, for example, insure that there is a continued supply of affordable dwelling units.

—*Lower-Income Home Ownership Tax Abatement*—

In neighborhoods with rapidly rising housing values, a lower-income home ownership tax abatement program can be instituted, in which a five-year tax abatement and exemption from recording fees and transfer taxes would be available to resident homeowners who meet the income level requirement and whose residences are less than a stated amount in value. Non-profit organizations and shared equity investors would also be eligible for the tax abatement.

—*"Development Without Displacement"*—

PolicyLink, the Oakland, California-based non-profit, teamed with the Chicago Rehab Network, a coalition of neighborhood- and community-based housing developers, to establish resources that promote "Development without Displacement." Most of the housing-related resources echo the programs that promote affordable housing development and facilitate homeownership among low- and moderate-income households.

In northern California, the Association of Bay Area Governments administered a Development without Displacement grant program, awarding grants to 22 cities. One city, Richmond, California, enacted an equitable development initiative which enabled the creation of a community land trust and established a "just cause" eviction ordinance to protect tenants in foreclosed properties.

A housing rehabilitation program was a key element—along with scattered-site infill development—of a plan to combat potential displacement in the Bartlett Park neighborhood in St. Petersburg, Florida, that was in the early stages of gentrification. Funding was marshaled from private non-profits as well as city, state and federal CDBG and HOME programs and used to amortize or forgive rehabilitation loans. The City originally offered deferred-payment rehab loans, but ceased the practice when owners faced financial hardship when selling a low-value property with a deferred debt obligation.

In another case of early gentrification, potential displacement was addressed in the Oak Park neighborhood in Sacramento, California through programs to develop vacant lots and redevelop vacant buildings. The Boarded and Vacant Homes Program provides development fees for the purchase and rehabilitation of qualified vacant detached houses, many of which had been rental properties with absentee owners. Rehabilitation must meet a minimum expenditure and the rehabbed unit must be sold to an income-qualified owner-occupant. The developer fee is paid once the sale is complete.

A similar program, the Vacant Lot Development Program, is funded through tax-increment financing and the city's housing trust fund's per-square-foot linkage fee on commercial development. Developer fees are offered for construction of houses on vacant lots to be sold to income-qualified buyers; fees are scaled to the number of bedrooms and bathrooms.

In a case of firmly-established gentrification, the City of Seattle used its citywide housing levy funds for development and preservation of affordable housing in its central area. Since the first affordable housing levy was put on the ballot in 1981, voters have approved one bond and four levies, allowing the city to fund over 10,000 affordable apartments for low- and moderate-income workers, seniors, and homeless persons and families, and to provide down-payment loans to more than 600 first-time buyers as well as rental assistance to more than 4,000 households.

Seattle also has a special "HomeWise" program that provides free weatherization to income-qualified homeowners or rental owners with income-qualified tenants. Greater control over energy costs reduces the financial pressures to move for low- and moderate-income homeowners.

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ASSUMPTIONS AND LIMITATIONS—

Every effort has been made to insure the accuracy of the data contained within this analysis. Demographic and economic estimates and projections have been obtained from government agencies at the national, state, and county levels. Market information has been obtained from sources presumed to be reliable, including developers, owners, and/or sales agents. However, this information cannot be warranted by Zimmerman/Volk Associates, Inc. While the methodology employed in this analysis allows for a margin of error in base data, it is assumed that the market data and government estimates and projections are substantially accurate.

Absorption scenarios are based upon the assumption that a normal economic environment will prevail in a relatively steady state during development of the subject property. Absorption paces are likely to be slower during recessionary periods and faster during periods of recovery and high growth. Absorption scenarios are also predicated on the assumption that the product recommendations will be implemented generally as outlined in this report and that the developer will apply high-caliber design, construction, marketing, and management techniques to the development of the property.

Recommendations are subject to compliance with all applicable regulations. Relevant accounting, tax, and legal matters should be substantiated by appropriate counsel.