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The purpose of this study is to evaluate the impact of Marcellus Shale on housing, specifically, to evaluate the changes in the cost and stock of single family home, new construction, low income, and rental rates.

Issue Brief

The Impact on Housing in Appalachian Pennsylvania as a Result of Marcellus Shale – Housing Vouchers

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Regional Commission

The **INSTITUTE** for
Public Policy & Economic Development

*A partnership among Keystone College, King's College, Luzerne County Community College,
Marywood University, Misericordia University, Penn State Wilkes-Barre, The Commonwealth Medical College,
University of Scranton, & Wilkes University*

Issue Brief

Marcellus Shale's Impact on Low Income Housing Vouchers

The Institute for Public Policy & Economic Development has created a series of briefs focusing on issues discovered in crafting the recent study released entitled, *The Impact on Housing as a Result of Marcellus Shale*. The study was funded by the Appalachian Regional Commission and is available in its entirety at www.institutepa.org. This brief explores impacts on residents who rent properties in counties that are being greatly impacted by drilling.

The presence of vast natural gas reserves in the region known as the Marcellus Shale – an area including much of Pennsylvania and stretching from New York to West Virginia – has been known for decades. This geography represents a large portion of Appalachia. However, recent emphasis on domestic energy production, coupled with new technologies that make the recovery of these natural gas reserves cost effective, have led to increasing interest and activity directed toward developing these resources.

Most of the counties within the Marcellus Shale area are rural, and the potential impact of widespread gas development is expected to be profound. Such development can be an economic boon. However, housing in the shale area can be affected in a number of ways; some positive and some negative.

This information on low income housing vouchers in this brief comes from interviews conducted for the study. We utilized a purposive sample of 2-5 key informants in each county of the 12 counties in the study region. A total of 32 key informants were interviewed across the twelve counties.

Semi-structured interviews were conducted with key informants asking about awareness and perceptions of impacts on housing in their respective county. Also, key informants were asked to describe some of impacts of development, both positive and negative. Interviews were conducted between May and September 2011, either in person or via telephone, to accommodate the respondent's schedules.

Certain individuals were targeted, including county/city housing authority representatives, realtors, county planning and development departments. We selected these individuals by identifying leaders within specific organizations and county-based leadership positions. This analysis does not provide a statistical summary or assess the prevalence of these views among participants.

In counties where shale drilling is in an advanced stage, there are many housing issues effecting residents. The issues of most concern are a dramatic increase in rents and the shortage of affordable housing. Due to the influx of gas workers from other states (most in the region temporarily) there is a shortage of rental units. Because these workers tend to earn more than local residents, they are willing to pay higher rents. Landlords have capitalized on this by increasing rents upwards of 100 percent to 150 percent. Since the existing local residents cannot afford this increase, this results in current local tenants being forced to move out, while gas workers move in. According to on key informant, "*Traditional low*

income renters are getting squeezed out of the market". Another interview discussed his thoughts on landlords and their how they are allegedly looking for ways to get lower paying tenants to vacate a property; *"They are purposely trying to get rid of them; they are looking for reasons to terminate [the lease]."* An example was given of rents continuing to go up. Recently in Bradford County, a farmhouse was being rented for \$5000 per month.

The Department of Housing and Urban Development produces the Fair Market Rent Guidelines for use in determining section 8 housing costs and implementing the Housing Choice Voucher program. HUD provides a detailed description of the data sources used to compile the 2012 FMRs. According to HUD, FMRs are primarily used to determine payment standard amounts for the Housing Choice Voucher program, to determine initial renewal rents for some expiring project-based Section 8 contracts, to determine initial rents for housing assistance payment (HAP) contracts in the Moderate Rehabilitation Single Room Occupancy Program (Mod Rehab), and to serve as a rent ceiling in the HOME rental assistance program. HUD annually estimates FMRs for 530 metropolitan areas and 2,045 non-metropolitan county FMR areas.

The rental assistance program being impacted the most is the housing choice voucher program. This HUD program is administered by local housing agencies. It assists very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. Participants are able to find their own housing, including single-family homes, townhouses and apartments.

The participant is free to choose any housing that meets the requirements of the program and is not limited to units located in subsidized housing projects.

A family that is issued a housing voucher is responsible for finding a suitable housing unit of the family's choice where the owner agrees to rent under the program. This unit may include the family's present residence. Rental units must meet minimum standards of health and safety, as determined by the PHA.

A housing subsidy is paid to the landlord by the local housing agency on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program.

Eligibility for a housing voucher is determined by the PHA based on the total annual gross income and family size and is limited to US citizens and specified categories of non-citizens who have eligible immigration status. In general, the family's income may not exceed 50 percent of the median income for the county or metropolitan area in which the family chooses to live. By law, a PHA must provide 75 percent of its voucher to applicants whose incomes do not exceed 30 percent of the area median income. Median income levels are published by HUD and vary by location. The PHA serving your community can provide you with the income limits for your area and family size.

Subsidized/affordable housing stock are shrinking. This problem is expected to get even worse when the new HUD fair market rates kick-in in January as they are being cut to \$491.00. According to one key informant, “at that rate, you’re not even in the game.”

FMR in the vast majority of the counties in the study area is already so low that a person making a median income could not afford a two bedroom apartment. (see below table)

Renter Income and Cost			
	Renter median income	Rent affordable at renter median income	Percent of median renter income needed to afford 2 bdrm FMR
Pennsylvania	\$29,342	\$734	114%
Blair County	\$22,143	\$554	113%
Bradford County	\$24,866	\$622	94%
Cambria County	\$21,045	\$526	112%
Clearfield County	\$21,550	\$539	109%
Clinton County	\$23,342	\$584	110%
Fayette County	\$20,638	\$516	136%
Forest County	\$20,596	\$515	114%
Luzerne County	\$24,576	\$614	111%
Lycoming County	\$24,591	\$615	103%
Susquehanna County	\$25,737	\$643	94%
Tioga County	\$21,553	\$539	114%
Wyoming County	\$31,614	\$790	86%

Key informants expressed frustration with the U.S. Department of Housing and Urban Development because in some cases they have grant money that cannot be spent because they need to stay within HUD Fair Market Rent guidelines. “[There are] rumors that one of the energy companies is going to buy one of our lower income housing places....there will be 86 families out”. “It’s not likely to end any time soon”. One nonprofit organization that develops community housing had two grants denied for low developing income housing. They may reapply. “Many [organizations] are trying to get residential zoning to entice developers to build housing.” However, many long term investors are not interested in building properties. Sources have said that drilling may continue for 10-15 more years but once it ceases, there is a fair chance that many properties will eventually become vacant. This is because the vast majority of workers will have moved on and many residents who were displaced during the current housing shortage will not likely return.

Many of the vouchers are going unused. In Tioga County the voucher utilization is currently at 82-85%. The county is authorized for 213 units by HUD and only 197 are being used. Housing authorities have had to work much harder to get the same results they have in the past on utilization of housing vouchers. “For every 4-5 vouchers at least two would go on the program – had to increase those number to get same two people to be under contract”. The problem is If section 8 vouchers are not able to be used, the follow year’s budget may be cut.

Several of the counties in this study have not dealt with population growth or industry growth for the past 60 years. Most have had declining populations and economies; therefore, retrenching has been the norm. Given the fiscal situation of almost all Pennsylvania local governments, these counties are too impacted by finances and human capacity to take on the extra work. All systems are being strained. Social services agencies are traditionally underfunded and must stretch available funds to assist as many as possible. With the economic and housing situations facing the Commonwealth, they must try even harder to assist those in need. This coupled with the housing shortage and increased rents, means that most agencies are unable to help everyone who reaches out to them.

References

The Impact on Housing as a result of Marcellus Shale. Ooms, Teri and Sherry Tracewski. November 2011.

Clarke, Cheryl. <http://www.sungazette.com/page/content.detail/id/571587/Funding-loss-creates-more-housing-woes-in-Tioga-County.html?nav=5014>

Fair Market Rents for the Section 8 Housing Assistance Payments Program. U.S. Department of Housing & Urban Development Office of Policy Development & Research July 2007 (rev.)

Appendix B: Explanation of Fair Market Rent <http://www.nlihc.org/oor/oor2011/appendixb.pdf>

Housing Choice Voucher Fact Sheet.

http://portal.hud.gov/hudportal/HUD?src=/topics/housing_choice_voucher_program_section_8