



## Insufficient Affordable Housing Limits Florida's Economic Potential

Florida is a great place to visit, and even greater place to live. But for many Floridians struggling to make ends meet and looking to contribute to the state's economy, it's just not affordable.

Many low- and moderate- income households face housing costs that exceed 30 percent of their income. In addition, many face a lengthy commute to work, which compounds that cost burden. Affordable housing proximate to employers would not only alleviate this burden, but it would also spur economic growth, by providing new businesses with a reliable workforce and enabling residents the time and resources necessary to grow their communities.

Florida's local communities and state policymakers both have a role to play in encouraging the development of affordable housing that will relieve a significant burden on families struggling to secure their future and help businesses start and grow.

Terry Golden  
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Most households have a limited amount of available resources, and the proportion of income that cost-burdened families spend on housing cannot simultaneously be available for spending in the community. Struggling families that spend more than 50 percent of their income on housing (or housing and transportation) spend 41 percent less on food and 74 percent less than their counterparts who live in affordable housing.<sup>1</sup>

Entrepreneurs and business owners looking to grow their companies acknowledge that the availability of affordable housing substantially affects their ability to recruit and retain qualified entry- and mid-level employees, according to a variety of surveys from the Center for Housing Policy. The Center further cites surveys in which the availability of affordable housing is a primary concern of companies as they make siting decisions.<sup>2</sup>

Traffic congestion from commuters negatively impacts businesses as well as employees. Congested roads increase business operating costs and shrink the area from which customers and clients are drawn. These problems are also a significant deterrent to business relocation in a community. As Florida's policy makers look to encourage job creation and the state's overall

economy, recognition of these facts suggests they should increase available funding and undertake other measures that will increase the stock of affordable housing.

## The Context of Housing Affordability in Florida

Florida has an affordable housing crisis. This problem is exemplified by the 36 percent of Florida households who pay more than 30 percent of their incomes for housing and the 18 percent who pay more than 50 percent<sup>3</sup>. Payments for housing include the mortgage or rent, monthly utilities, property taxes, homeowner's insurance, and neighborhood or condominium association fees. Appendices A and B differentiate Florida counties by their proportion of cost-burdened and severely cost-burdened households.

For the purpose of this report, we use "affordable housing" as defined by the Florida Housing Coalition<sup>4</sup>:

"affordable housing" refers to privately owned housing that receives a subsidy to bring its rent or purchase price down to a level affordable to a low- or moderate-income family. Except for the subsidy, affordable housing is indistinguishable from non-luxury market-rate housing – it has the same architectural and landscaping styles, and often has basic amenities like energy efficient appliances and community gathering spaces. Substandard housing is, by definition, not affordable housing.

Just as substandard housing is not considered affordable housing, neither are the public housing developments with which many are familiar. Affordable housing is not owned and managed by the government, unlike public housing.

Why does this matter? Housing is only one, albeit the largest, of the monthly expenses for most households. Other recurring expenses include transportation, clothing, groceries, and health care. The more a household's income is consumed by housing, the fewer resources are available for savings or spending on other goods and services in their communities.

According to the Consumer Financial Protection Bureau, the cost of housing should not exceed 28 percent of monthly gross income<sup>5</sup>. All debt, including student loans, credit cards, and car loans, should not exceed 36 percent (although federal regulations allow 43 percent in specific instances). The same logic can be applied to affordability in the rental market.

Housing prices are a reflection of the cost of developing the housing and the price a local market will tolerate. The relationship between housing prices and wages, if any, is weak. In Florida, increases in housing prices outpace increases in wages. In February 2016, the *Miami Herald* reported that median house prices in Miami-Dade County rose by nine percent over the previous year, but the corresponding wage increase was only four percent. Worse, median house prices in neighboring Broward County rose 11 percent, with a corresponding wage

increases of three percent. These discrepancies worsen housing affordability problems for low- and moderate-income households.

As defined by the U.S. Department of Housing and Urban Development, Fair Market Rent “means the rent that would be required to be paid in the particular housing market area in order to obtain privately owned, decent, safe and sanitary rental housing of modest (non-luxury) nature with suitable amenities. This Fair Market Rent includes utilities (except telephone).<sup>6</sup>

The statewide average for Fair Market Rent for a two-bedroom apartment in Florida is \$1,038. For affordability purposes, households must have an annual income of \$41,517 (\$19.95 per hour) to pay fair market rates. The required income increases to \$50,000 in south Florida and \$59,000 in the Florida Keys. A two-adult household in which each person earns the minimum wage cannot afford such rent. Based on a statewide average wage of \$14.49 per hour (\$30,139 per year), far too many Florida households can only afford rent of \$754<sup>7</sup>.

	Annual Full-Time Wage <sup>1</sup>	Hourly Full-Time Wage	Affordable Rent <sup>2</sup>
Minimum Wage	\$16,744	\$8.05	\$419
Average Wage	\$30,139	\$14.49	\$754
Fair Market Wage <sup>8</sup>	\$41,517	\$19.96	\$1,038

One way that households address housing affordability is to rent a property that would otherwise be cost prohibitive. The effect of this decision is to limit other areas of household spending. The most frequent reductions are in food and health care<sup>9</sup>. Another effect is a limit in funds that can be saved for emergencies, retirement, education, or other long-term purposes. Ironically, the Florida Housing Coalition notes that cost-burdened renters would pay less in mortgage on an average three-bedroom home<sup>10</sup>, but the cost of rent limits the ability to save for a down payment.

Households also address housing affordability by renting or buying a property in a more affordable area than one close to where they work. In metropolitan regions, people must commute from home to work. These commutes, compounded by thousands of workers, result in traffic congestion, carbon emissions, and loss of leisure or family time. In addition, commuting costs can transform affordable housing to consume as much or more income as cost-burdened households. The Center for Neighborhood Technology identifies metropolitan Miami and Tampa as the first and third most expensive metropolitan areas in the United States, respectively, based on the combined cost of housing and transportation<sup>11</sup>.

People who cannot access affordable housing may move in with family or friends. Most households maximize available space. The lengthy addition of one or more people to an established environment can create stress for both host and guest.

Finally, aside from homelessness, the last option available is substandard housing. Such housing may pose an environmental hazard from existing mold or asbestos or it may be insect infested. It may have tainted water from lead pipes or have lead paint. It may have faulty wiring, which poses a safety and fire hazard. It may be located in an area prone to criminal activity. Substandard housing may also feature unscrupulous landlords who prey on their tenants.

### Benefits of Affordable Housing to the State and its Communities

The phrases “affordable housing” and “workforce housing” are generally indistinguishable. The distinctions, if any, refer to the income range for whom the specific housing is intended. As used across the literature, workforce housing is generally intended for workers earning from 60 to 120 percent of area median income. Affordable housing extends to residents whose income is less than 60 percent of area median income.

The availability of workforce housing has real implications for business productivity and profits. Businesses located in areas where housing costs exceed wages have difficulty recruiting and retaining adequate employees<sup>12</sup>. Some find it necessary to pay higher wages to compensate workers for their long commutes. Tyson Foods calculated that it cost \$2,500 (in 2005) to replace an experienced employee. With estimated turnover of 15 percent, it cost Tyson \$26 million per year to replace lost employees. While few Florida businesses match the scale of Tyson, the corresponding loss to small- and mid-sized businesses is likely to be an equal or greater proportion of corporate income.

A 2001 study of workforce housing<sup>13</sup> demand estimated a backlog need for 5,000 housing units in Minneapolis/St. Paul. The researchers estimated that, if the backlog was developed and occupied, the twin cities would garner recurring revenues of \$128 million in consumer spending, plus \$137 million in business income. Adjusted to 2016 dollars, this housing would generate \$361 million annually in spending and business income for the area.

Additional affordable housing similarly offers multiple benefits for cities and counties in Florida. Generally, property taxes on the housing generate recurring revenues for the local governments. To the extent that affordable housing reduces foreclosures, it limits costs to localities for court, legal, and recordkeeping expenses, as well as foregone utilities revenues. Foreclosures reduce the value of nearby homes, in turn reducing property taxes for the affected homes. Further, access to affordable housing can reduce household need for other services associated with limited financial resources.

The National Association of Home Builders analyzed the economic impact of affordable housing in 2010 and identified two sets of impacts<sup>14</sup>, construction impacts and recurring post-construction impacts. The analysis identified the following impacts based on 100 multifamily housing units:

	Construction Impact (Nonrecurring)	Annual Impact (Recurring)
Local income	\$7.9 million	\$2.4 million
Local taxes and other revenues	\$827,000	\$441,000
Local jobs	122	30

Economic impacts of constructing affordable housing are comparable to construction of corresponding market-rate housing units. The number of local jobs created increases to 32 when the affordable housing is built for seniors.

When existing housing stock is updated for energy efficiency, economic impacts continue for contractors, laborers, and materials suppliers. Moreover, energy modifications can stretch household budgets by reducing utilities costs and provide a little financial relief for participating families. The estimated annual household savings from energy updates is more than \$400.

In one report, the families that live in affordable housing save about \$500 per month. Most of these savings are reinvested in the community on food, clothing, transportation, and healthcare<sup>15</sup>. These basic household needs could not be addressed without the availability of the housing. Affordable housing is especially crucial for seniors because of their higher health care costs.

Increased economic activity, multiplied by the number of affordable housing households, creates local jobs in the wholesale/retail trade, healthcare, education, and for local eating establishments. It increases retail vitality in affordable housing communities and increases the availability of goods and services to residents<sup>16</sup>.

In addition to local spending, housing relief allows participants to make modest investments. Specifically, residents may save for their own education or that of their children and for retirement. If the residents live in a rental property, they may save for the down payment on a mortgage<sup>17</sup>.

In addition to household savings, affordable housing saves social services funding. For seniors and adults with developmental disabilities, the cost of Medicaid Home and Community-Based Services is one-third the cost of services in a nursing home or intermediate care facility<sup>18</sup>.

The most vibrant communities are those in which people live, work, and play. Communities that serve solely as a work location lose the full economic benefit of those who drive in to work, but take their social and economic capital with them when they return home. These people make their everyday purchases close to home. They make their civic contributions where they live. When home is in the same community as work, the community gets the full benefit of residents' economic power. The Ontario Non-Profit Housing Association summarizes this issue best<sup>19</sup>:

Vibrant communities with good schools, safe neighborhoods, and efficient public transit will only attract skilled employees if they also offer a large supply of good-quality affordable housing for young couples and new families.

### What Can Communities Do?

The provision of affordable housing is a shared partnership between state and local government, contractors and developers, lenders, employers, and other interested parties. It requires creativity and expansive vision on the part of participants. While it clearly requires public funding, it also requires insight on the part of local governments. Numerous examples of successful affordable housing ventures exist nationwide.

There are a host of strategies that local governments may employ to increase the supply of affordable housing<sup>20</sup>. Specifically, local governments can:

- Transfer or sell surplus land or underutilized land for affordable housing development.
- Transfer or sell unused buildings to be developed as affordable housing.
- Examine and waive density requirements for affordable housing developments.
- Streamline processes for redeveloping homes for affordable housing purposes.
- Reexamine rehabilitation requirements for affordable housing to remove requirements that do not relate to safety, but drive up development costs.
- Expedite permitting and review for affordable housing construction.
- Form partnerships with employers and nonprofits to create employer-assisted housing.
- Preserve and retain properties at the end of their affordable housing tenure.
- Form partnerships to create down payment assistance programs that are repaid upon resale of the property.

### What Can State Policy Makers Do?

To help fund affordable housing programs, the Florida Legislature dedicates a portion of the documentary stamp tax on deeds to support state and local affordable housing into the Sadowki Trust Fund. State policy makers, however, routinely raid the resources that flow into this fund and use it for other purposes.

For state fiscal year 2016-17 the Legislature appropriated \$200.1 million to support two programs implemented by the Florida Housing Finance Corporation<sup>21</sup>. They also diverted \$117 million to other purposes.

Even at this level of state investment, Florida ranks 49<sup>th</sup> in all states for affordable and available housing<sup>22</sup>. There are only 23 affordable, available rentals for every 100 households at 30 percent or less of the area median income. This increases to 36 rentals for every 100 households at 31 to 50 percent of the area median income. Clearly, more needs to be done.

The state's two main affordable housing programs are outlined below.

The State Housing Initiatives Partnership (SHIP) program primarily funds the production and preservation of housing for low- and moderate income households. The funds are allocated to cities and counties, which decide how funds will be disbursed locally. The provisions of sections 420.9075 and 420.9072, Florida Statutes, delineate the parameters for spending SHIP funds as follows:

- At least 65 percent for homeownership activities.
- At least 75 percent for construction or rehabilitation.
- At least 60 percent for low-income housing assistance, of which at least half must target very low-income households.
- A maximum of 25 percent for rental housing activities
- A maximum of 10 percent for administration

The Legislature appropriated \$135.5 million for SHIP for 2016-17. Of this funding, \$5.2 million is earmarked for the provision of services to homeless people.

The State Apartment Incentive Loan (SAIL) program provides funding for multifamily housing construction and rehabilitation. The Florida Housing Finance Corporation awards the funds, on a competitive basis, to use in conjunction with other funds to create the housing units. The Legislature appropriated \$64.6 million for SAIL, of which \$10 million is earmarked for housing for persons with developmental disabilities. Another \$20 million is earmarked for workforce housing in the Florida Keys.

Funding for affordable housing construction and renovation is contingent upon the property being available for a prescribed period of time (no less than 15 years). With multi-family housing, the development must earmark a defined percentage of units for this period. Affordable housing funds are also used to subsidize rent payments in the existing market. Eligibility for these subsidies is based on a combination of household income and prevailing rental rates in the community. In some cases, the rental assistance is tied to a specific development, but voucher assistance is also available for rental assistance in the community-at-large. In addition, affordable housing funds may be used to provide down payment assistance to eligible households who otherwise qualify for a mortgage. A description of the various programs and funding levels for each is provided by the Florida Housing Finance Corporation<sup>23</sup>.

The affordable housing programs supported by the Sadowki Trust Fund have been shown to have an enormous spin off benefit to Florida's economy. According to the Florida Housing Coalition, each dollar of state and local funding for affordable housing leverages \$4 - \$6 in federal, private, and other funding. A review of the activity of the Florida Housing Finance Corporation in 2014<sup>24</sup> concluded that the activities of the Corporation had generated:

- \$3.69 billion in economic output

- \$1.27 billion in income
- \$1.91 billion in value added
- 27,150 full- and part-time jobs

These figures compare favorably to the returns claimed for Florida’s nominal economic development programs. Clearly affordable housing investment more than pays for itself and contributes to the state’s economic bottom line. This return on investment makes it especially distressing that the Legislature swept \$117 million that would otherwise have been appropriated for additional affordable housing initiatives during the 2016 Legislative Session. The Legislature should increase its support for affordable housing in coming years both as an investment in economic development and as a means to improve the quality of life of it many families struggling to make ends meet.

## Conclusion

Florida is a low-wage state in which the cost of housing far outpaces income. The need for affordable housing is not a function of unemployment or underemployment, but rather, the difference between entry- and mid-level wages and housing costs. People who work full-time should be able to find safe, decent housing in reasonable proximity to their employment. This is not the case for far too many Floridians.

In order to foster vibrant Florida communities, job growth and the state’s overall economy, affordable housing near places of work is crucial. It allows Florida’s businesses to start and grow and its families to have the time, resources, and motivation to invest economically and socially in their communities. This investment is fundamental to a community and economy that thrives.

At a minimum, all of the revenues earmarked for the Sadowki Trust Fund must be used to provide safe, decent, affordable housing. Additional resources should be invested as a means of stimulating economic growth and relieving the cost burden on Florida’s families.

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<sup>1</sup> Joint Center for Housing Studies of Harvard University. (2016) *The State of the Nation’s Housing: 2016*. p. 32. Retrieved from

[http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/jchs\\_2016\\_state\\_of\\_the\\_nations\\_housing\\_lowres.pdf](http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/jchs_2016_state_of_the_nations_housing_lowres.pdf)

<sup>2</sup> Center for Housing Policy. (2011) *The Role of Affordable Housing in Creating Jobs and Stimulating Local Economic Development: A Review of the Literature*.

<sup>3</sup> Shimberg Center for Housing Studies, University of Florida, Regional and Local Profiles. Retrieved from <http://flhousingdata.shimberg.ufl.edu/a/profiles>.

<sup>4</sup> Florida Housing Coalition. (2016). *Home Matters Report from the Florida Housing Coalition: 2016*.

<sup>5</sup> Consumer Financial Protection Bureau. (2015) Your home loan toolkit: A step-by-step guide.

<sup>6</sup> 24 C.F.R. Part 5. Subtitle A (4-1-16 Edition) Definitions. <https://www.gpo.gov/fdsys/pkg/CFR-2016-title24-vol1/pdf/CFR-2016-title24-vol1-part5-subpartA.pdf>

<sup>7</sup> National Low Income Housing Coalition. (2016) *Out of Reach*.



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<sup>8</sup> Supra at 7

<sup>9</sup> Supra at 1

<sup>10</sup> Supra at 5

<sup>11</sup> Center for Housing Policy and Center for Neighborhood Technology. (2012) *Losing Ground: The Struggle of Moderate-Income Households to Afford the Rising Costs of Housing and Transportation*.

<sup>12</sup> Joint Center for Housing Studies, Harvard University & Center for Workforce Preparation, U.S. Chamber of Commerce. (2005)

<sup>13</sup> Maxfield Research, Inc. and GVA Marquette Advisors. (2001) *Workforce Housing: The Key to Ongoing Regional Prosperity, A Study of Housing's Economic Impact on the Twin Cities*. Minneapolis, MN: Family Housing Fund.

<sup>14</sup> National Association of Home Builders. (2010) *The Local Economic Impact of Typical Housing Tax Credit Developments*.

<sup>15</sup> Cohen, R. & Wardrip, K. (2011) *The Economic and Fiscal Benefits of Affordable Housing*. Planning Commissioners Journal. 83.

<sup>16</sup> Enterprise Community Partners, Inc. and Local Initiatives Support Corporation, Inc. (2010) *Affordable Housing for Families and Neighborhoods: The Value of Low-Income Housing Tax Credits in New York City*.

<sup>17</sup> Enterprise Community Partners. (2014) *Impact of Affordable Housing on Families and Communities: A Review of the Evidence Base*.

<sup>18</sup> Supra at 2

<sup>19</sup> Ontario Non-Profit Housing Association. (2014) *Affordable Housing as Economic Development: How Housing Can Spark Growth in Northern and Southwestern Ontario*. p. 18.

<sup>20</sup> Supra at 16

<sup>21</sup> Specific Appropriations 2223 and 2224, Chapter 2016-66, Laws of Florida.

<sup>22</sup> Center for American Progress. (2016) *State of the States Report 2015*.

<sup>23</sup> Florida Housing Finance Corporation. (2015) *2014 Annual Report*. pp. 10-18.

<sup>24</sup> Center for Economic Forecasting and Analysis, Florida State University. (2015) *Economic Contributions of the Florida Housing Finance Corporation in Florida in 2014*.