

# Insufficient Affordable Housing Limits Florida's Economic Potential

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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.

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.

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

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.

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

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.

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. 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, 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.

People who cannot find 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. 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 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 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: construction impacts and

	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

recurring post-construction impacts. The analysis identified the following impacts based on 100 multifamily housing units.

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. 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 healthcare 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.

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.

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.

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 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 Sadowski Trust Fund. The affordable housing programs supported by the Sadowski 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 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

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. **HNN**

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