

# Affordable Housing: Unlocking Florida's Economic Potential

By: Sadaf Knight



Housing affordability drives individual economic security and mobility and creates the foundation for a robust and vibrant economy. Investing in affordable housing development has ripple effects throughout the economy, creating good-paying jobs, increasing the financial well-being of households, and generating revenue for the state. The Sadowski Affordable Housing Trust Fund is the state's best vehicle for making long-term investments in affordable housing development. However, over the past 15 years, funding slated for the trust fund has instead been diverted toward other purposes, effectively forgoing tens of thousands of much-needed affordable housing units.

## Florida is Facing a Housing Affordability Crisis

Over the past few decades, Florida's shortage of affordable housing has increased, resulting in the highest share of cost-burdened renters (those paying more than 30 percent of their income on housing costs) of any state (54.1 percent).<sup>1</sup> Housing is the largest monthly expense for most households, followed by other recurring expenses such as 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.

While job growth has increased in Florida since the Great Recession, many households have yet to benefit from the resulting economic gains. Household incomes in 2015 were \$5,630 less than they were in 2007 (adjusted to 2016 dollars). In 2016, 1 in 5 Floridians were paid at or below \$10 per hour, the highest share of low-wage workers in 11 years. Between 2005 and 2016, 44.5 percent of all new employment — almost half of all jobs created — paid low wages.<sup>2</sup>

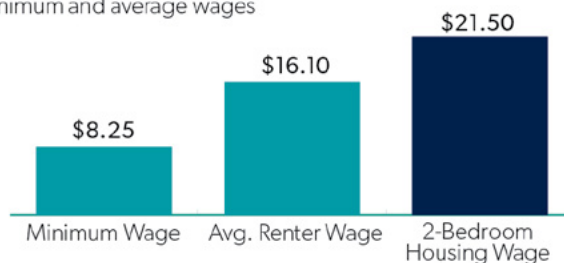
With low-wage job growth, more Floridians are struggling to make ends meet. United Way's ALICE report finds that the Household Survival Budget — the bare minimum needed for a family of four to meet their basic needs — was \$55,164 in 2016.<sup>3</sup> That is far above achievable earnings in a low-wage job.

The average wage of renters in Florida is \$16.10 per hour, but the wage needed to afford a 2-bedroom rental is \$27.58 (See Figure 1). Floridians earning the state's minimum wage (\$8.25 per hour) would have to work 84 hours each week just to afford a 1-bedroom rental at fair market rent.<sup>4</sup>

FIGURE ONE

### Low Wages Keep Housing Affordability Out of Reach

Hourly wage required to afford a 2-bedroom rental, compared to minimum and average wages

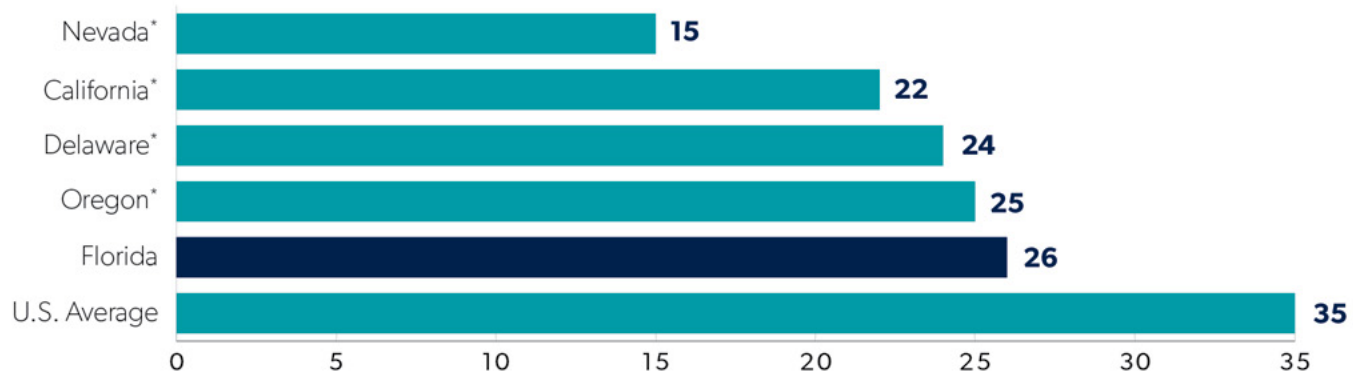


Source: National Low Income Housing Coalition. Out of Reach 2018: Florida.

FIGURE TWO

## Florida Has One of the Most Severe Affordable Housing Shortages in the Nation

Number of affordable and available units per 100 extremely low-income households



\*States with supermajority requirements similar to Amendment 5

Source: FPI Analysis of National Low Income Housing Coalition Data

Unfortunately, Florida's affordable housing stock has decreased over time. Between 2000 and 2015, Florida's total rental housing stock grew by 859,202 units, but only 133,527, or 15.5 percent, were affordable to low-income renters.<sup>5</sup> Florida ranks 44<sup>th</sup> in the nation for its availability of affordable housing, with only 26 units of affordable and available housing units for every 100 extremely low-income households (See Figure 2 below).<sup>6</sup>

Households of color tend to face greater challenges with housing affordability. Nationally, African-American and Hispanic households have higher housing cost burdens (45 percent and 43 percent, respectively). Between 2001 and 2016, the rate of housing cost-burden increased faster for households of color, compared to white households.<sup>7</sup>

The lack of affordable housing especially impacts families without stable housing. In Florida, 32,533 individuals are homeless, while 32,304 families with children are homeless.<sup>8</sup> Families displaced by natural disasters such as hurricanes also face the threat of homelessness. Following Hurricane Michael in the fall of 2018, an estimated 10,000 to 20,000 people in the Florida Panhandle were left homeless, struggling to find even short-term housing.<sup>9</sup>

### Affordable Housing is Key for Individual Prosperity and Economic Growth

Affordable housing generates economic growth that is broadly shared throughout the economy. Investing in affordable housing yields great returns for the state through job creation, revenue generation, and increased individual and family financial stability.

The fiscal benefits of affordable housing preservation and development outweigh the costs to states, according to the National Association of Home Builders (NAHB). A NAHB analysis finds that taxes and revenues generated by housing development far exceed the state's infrastructure and service costs to support that development.<sup>10</sup>

For families, access to affordable housing can lead to greater economic mobility and increased overall well-being. They can avoid the trade-offs that come with deciding between the high cost of housing and other household priorities. In one report, families living in affordable housing saved about \$500 per month.<sup>11</sup> Research has shown that these families are able to spend five times more on health care, three times more on food, and twice as much on retirement savings.<sup>12</sup>

Promoting access to affordable housing is the most cost-effective way to reduce childhood poverty. Parents with affordable housing can invest more in activities and materials to enhance their children's education and development. They can more easily participate in activities such as parent-teacher conferences and are better able to save for college tuition. Children growing up with housing instability or homelessness, on the other hand, are more likely to have lower academic performance, more learning disabilities and behavioral problems, and are less likely to graduate high school. As adults, they are more likely to be in lower-paying, lower-skill jobs.<sup>13</sup>

The availability of workforce housing also has real implications for business productivity and profits. In a 2017 Miami Herald

CEO roundtable, several south Florida CEOs noted the adverse effect of the lack of affordable housing on their businesses, including the inability to attract talent, increased commuting distances for employees, and weakened local spending by financially constrained families.<sup>14</sup>

### What Can State Policy Makers Do?

Despite the positive impacts of and evident need for increased affordable housing, Florida's lawmakers have consistently underfunded the housing programs funded by the Sadowski Act, such as SHIP and SAIL, by sweeping a large percentage of funding for the past 15 years. The Sadowski Housing Trust Funds were established by the Legislature in 1992 and are supported by the collections from the state documentary stamp tax on deeds. These funds are directed into two trust funds that make up the Sadowski trust fund: the Local Housing Trust Fund, which primarily funds the production and preservation of affordable home ownership, and the State Housing Trust Fund, which provides funding for the production and preservation of affordable multifamily rental housing.<sup>15</sup>

Investing in the Sadowski trust fund provides great benefits for the state. Between 2006 and 2016, every dollar appropriated by the Florida Legislature for the Sadowski trust fund resulted in \$9.50 of economic activity for the state. This includes:

- \$12.5 billion in sales and revenue generated for Florida businesses
- 94,000 jobs created
- \$3 billion in income for Floridians<sup>16</sup>

Since its inception, the Florida Legislature has diverted funds slated for Florida's housing programs for other purposes.

### FIGURE FOUR

## Florida has Historically Underinvested in Affordable Housing

Total sweeps of the Sadowski Housing Trust Fund, in millions, FY 2007-08 to FY 2017-18. Current dollars.






Source: Florida Housing Finance Corporation. Historical Financial Summary of Florida's State and Local Government Housing Trust Funds.

### FIGURE THREE

## Investing in the Sadowski Affordable Housing Trust Fund Results in Economic Activity for Florida

\$6.55B in Funds Invested in the Sadowski Affordable Housing Trust Fund between 2006 and 2016 resulted in...

	Sales / Revenue for Businesses	\$12.54B
	Jobs for Florida Workers	94,149
	Income for Florida Households	\$2.97B

Source: Florida Realtors. Economic Analysis of the SHIP and SAIL Funds by County, in Florida. March 2017.

Between Fiscal Year (FY) 2001-02 and FY 2017-18, more than \$2 billion was swept from the trust fund into the General Revenue Fund to support other appropriations (see Figure 4). The Florida Housing Finance Corporation estimates that these sweeps resulted in 94,000 foregone affordable housing units.<sup>17</sup>

As the state Legislature took funds from affordable housing investments, it simultaneously enacted tax cuts that reduced revenue available to fund Florida's programs and services. Citing the need to prioritize spending on critical services in a "tight budget year,"<sup>18</sup> lawmakers in FY 2018-19 swept \$182 million from the trust fund, while at the same time enacting tax cuts that resulted in \$174 million in revenue reductions.<sup>19</sup>

Full funding of the Sadowski trust fund in FY 2019-20 would be a significant step toward alleviating Florida's affordable housing crisis. The Sadowski Coalition estimates that full funding in the amount of nearly \$352 million would result in over 30,000 jobs and \$4.4 billion in positive economic impact.

## Conclusion

Housing affordability is a critical concern for Florida's residents and its future economy. The rise in low-wage jobs and the limited stock of affordable housing mean that many housing cost-burdened Floridians must make impossible tradeoffs between paying for rent and for other priorities such as health care or groceries. The Sadowski trust fund was established as a mechanism to invest in the preservation and development of affordable housing, but the two-decade legacy of diverting funds for other uses has resulted in thousands of foregone housing units and a persistently tight housing market for low-income households. Expanding the availability of and access to affordable housing will take a strong commitment from state legislators to prevent housing trust fund sweeps and to provide full funding for the Sadowski Act housing programs. **HNN**



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**Sadaf Knight** is Chief Executive Officer of the Florida Policy Institute. She has over 10 years of experience in public policy research, advocacy and nonprofit management. Most recently, she was the vice president, policy and research at Carolina Small Business Development Fund, where she provided research and analysis on public policy issues related to community development financing and economic development in the State of North Carolina. Her previous experience also includes serving as a policy analyst and community leadership fellow at MassBudget and as a program manager at New York Jobs with Justice (now called Align NY). Sadaf holds certificates in non-profit management and community development finance. She received a Bachelor of Science in conservation & resource studies from the University of California, Berkeley and a Master of Urban Planning from Columbia University.

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