



AFFORDABLE HOUSING ISSUES IN SOUTH FLORIDA

South Florida's landscape is changing as our communities approach build-out and the region's population, one of the most diverse in the nation, continues to grow. These dynamics create a rise in the demand for housing relative to the supply, resulting in rising housing prices. The landscape is also changing in a figurative sense in terms of federal, state, and regional approaches to providing housing that is affordable to the population.

WHAT IS AFFORDABLE HOUSING?

Affordable housing is defined by Chapter 420, Florida Statutes, as a situation where the cost of monthly rents or monthly mortgage payments, including taxes, insurance, and utilities, does not exceed 30 percent of the median adjusted gross annual income for very low, low and moderate income households. Income and housing cost ranges are normally defined for a family of four and vary by county. Very low income is defined as an income up to 50% of median income, low income is from 50 to 80% of median income, and moderate income is 80 to 120% of median income.

1999 INCOME RANGES				
County	Median Income*	Very Low Income (50% of Median)*	Low Income (50-80% of Median)*	Moderate Income (80-120% of Median)*
Broward	\$53,200	up to \$26,600	\$26,601-\$42,500	\$42,501-\$63,840
Miami-Dade	\$42,400	up to \$21,200	\$21,201-\$33,920	\$33,921-\$50,880
Monroe	\$49,000	up to \$24,500	\$24,501-\$39,200	\$39,201-\$58,800

*Source: U.S. Department of Housing and Urban Development, Fiscal Year 1999 annual estimates of median family income limits (in accordance with Section 3(b)(2), U.S. Housing Act of 1937, as amended.

The tables below show what home prices and rent ranges are considered affordable in the South Florida Region.

1999 HOME PRICE RANGES (OWNER OCCUPIED)*			
County	Very Low Income	Low Income	Moderate Income
Broward	up to \$71,294	\$71,295-\$110,964	\$110,965-\$163,856
Miami-Dade	up to \$58,558	\$58,559-\$90,835	\$90,836-\$133,872
Monroe#	up to \$65,000	\$65,001-\$105,134	\$105,135-\$157,700

*Source: compiled from 1999 DRI ADA affordable housing studies.
#Source: 1999 State Housing Initiative Partnership Program Costs.

1999 RENT RANGES (PER MONTH)*			
County	Very Low Income	Low Income	Moderate Income
Broward	up to \$632	\$633-\$1,029	\$1,030-\$1,563
Miami-Dade	up to \$474	\$475-\$783	\$784-\$1,187
Monroe#	up to \$710	\$701-\$1,136	\$1,137-\$1,708

*Source: compiled from 1999 DRI ADA affordable housing studies.
#Source: 1999 State Housing Initiative Partnership Program Rents.

Nationally, among very low, low, and moderate income groups, finding and keeping affordable housing is most difficult for very low-income households, followed by low-income, and then, moderate income. South Florida is no exception to this trend. According to projections from the Shimberg Center for Affordable Housing at the University of Florida, in 2000, 71.4% of very low-income households, 54.8% of low-income households, and 30.7% of moderate-income households in Broward, Miami-Dade, and Monroe Counties had a housing cost burden of 30% or more of their income.



WAGES AND INCOME RELATIVE TO HOUSING PRICES

The South Florida economy is heavily dependent on the service and retail trades which historically generate a large number of minimum wage and lower wage jobs. Although housing prices in the state of Florida may appear more affordable when compared to other areas of the country, Florida's housing prices are offset by lower income levels "resulting in housing affordability problems for a substantial portion of the population of the state" according to the Shimberg Center's *The State of Florida's Housing, 2000* report. To illustrate, the Median Monthly Housing Cost in Broward County rose almost 10% more than the Average Wage & Earnings per Job in the time period from 1990 to 1998. South Florida's 1998 median sale price for single family housing stock is considerably higher than the state's median price of \$105,000, with the Fort Lauderdale MSA at \$129,000, Miami-Dade County's at \$128,000, and Monroe County's at \$212,500.

A study by E & Y Kenneth Leventhal Real Estate Group that ranks housing costs by the percentage of median family income spent on rent or mortgages states that South Florida remains one of the nation's least affordable places with only four cities in the country more expensive than Miami. This is especially significant considering that Miami-Dade County had the fourth highest percentage of the total population in poverty (21.1%) among the 35 counties in the nation with a population of at least one million according to the Census Bureau's 1997 *Small Area Income and Poverty Estimates*.

In Broward County, in order to afford what is considered a Fair Market Rent (FMR) for a two-bedroom apartment by the Department of Housing and Urban Development (HUD) a person would have to make \$13.81 per hour – 268% of the current minimum wage of \$5.15. A person working at minimum wage would have to work 107 hours a week to afford a two bedroom at FMR. Although Monroe County has the highest two-bedroom FMR of the region, Miami-Dade County has the greater percentage of renters (52 percent) unable to afford their FMR because of the lower wages earned by renters, an observation included in the report, *Imaging the Region*, prepared by the FAU/FIU Joint Center.

Fair Market Rents are typically considerably lower than actual median market-rate rents. To illustrate this, the FMRs for 1996 were compared with average monthly rents according to a 1996 survey by the Bureau of Economic & Business Research. For that year:

- Monroe County's average rent was \$888 compared to the FMR of \$763.
- Miami-Dade County's average rent was \$764 compared to the FMR of \$718 for the Miami PMSA.
- Broward County's average monthly rent was \$809 compared to the FMR of \$683 for the Fort Lauderdale PMSA.

Some local governments and private companies are beginning to address this issue by instituting a minimum livable wage for their employees. Miami-Dade County's Livable Wage Ordinance of 1999 established the livable wage to be \$8.56 per hour plus health benefits. If a contractor does not provide its employees with health benefits, employees must be paid an additional \$1.25 per hour. The County's livable wage ordinance applies to County employees and County service contracts. In the private sector, Holland & Knight, one of the nation's largest law firms, recently established a living wage of \$12.00 per hour for its employees in the state of Florida.

TRANSIT ISSUES

The Fort Lauderdale/Miami area ranks fourth in a survey of the 28 most expensive metropolitan areas for commuting according to the recent study, *Driven to Spend*, by the Surface Transportation Policy Project and the Center for Neighborhood Technology. It states that the Fort Lauderdale/Miami area households spend an average of \$6,684 a year on transportation, amounting to 19% of their entire household expenditures, more than they spend on education, food, or health care. Poorer families spent the largest percentage of their incomes on transportation expenses associated with buying, maintaining, repairing, and fueling a vehicle. Enabling households to eliminate one car from their annual budget would significantly increase the dollars they have to spend on housing. Efforts have begun to stimulate mixed-use development of employment centers, shops and housing around Tri-Rail stations but successful station-area development will require concentrated collaborative work between developers, local governments, and Tri-Rail.

LENDING PRACTICES - REFLECTING COST SAVINGS IN TRANSPORTATION AND UTILITIES

The Location Efficient Mortgage (LEM) is an innovative new mortgage product based on the concept that when people live in a location efficient community, they do not require a car, or can drive it less. This translates into savings that the LEM's underwriting standards allow to be taken into consideration. Consequently, the borrower qualifies for a larger mortgage so long as other requirements are met. The LEM is not available in Florida at this time. Fannie Mae is sponsoring a test of the LEM in Chicago, Seattle, the San Francisco Bay Area, and Los Angeles County.

The Energy Efficient Mortgage is another new concept that allows lenders to take into account the savings on utility bills that energy-efficient homes provide. Fannie Mae, Freddie Mac, and FHA are implementing these mortgages. Many private lenders and some government agencies are now starting to offer variations of this type of mortgage.

GREEN BUILDING

The concept of green building focuses on the interconnected goal of constructing homes in ways that save both costs to the environment as well as costs of home utilities. Locally, the Florida Green Building Coalition, Inc. (www.floridagreenbuilding.org) is in the process of establishing a set of standards for a statewide Green Home voluntary certification program. The Miami-Dade Green Coalition is supporting the statewide effort as well as working at the county level to promote green building guidelines in the construction of County facilities. It is currently working with the Miami-Dade Housing Agency in developing a Hope VI project in Liberty City utilizing green building guidelines. The South Florida Green Design Council is a program of Third Planet (www.thethirdplanet.org), a public charity that promotes green building in Broward and Palm Beach Counties.

IMPACT OF BUILD-OUT ON PROPERTY PRICES

Over the last three years in Miami-Dade and Broward Counties, residential land values increased at a higher rate than land values in general. In Monroe County residential land values increased at about the same rate as land values in general. A Sun-Sentinel Special Report dated March 19, 2000, predicts that "build-out will start pushing up prices countywide [Broward] soon after Weston runs out of land for new houses in 2002. Homes likely to see the greatest appreciation proportionately are those selling for less than \$150,000 where demand is expected to exceed supply."

According to the study, *Eastward Ho! Development Futures: Paths to More Efficient Growth in Southeast Florida*, prepared by the Center for Urban Policy Research at Rutgers University, land cost for a single family home is 25% of the total new housing cost, 20% of the cost for townhouse/duplex units, and 10% of cost for multi-family units. This proportion is not expected to change through the year 2020 unless development patterns change.

MIXED-FINANCE, MIXED-INCOME HOUSING, AND MIXED-PARTNER APPROACH TO PUBLIC HOUSING

HUD has been encouraging Public Housing Authorities (PHAs) to seek mixed-financing in a variety of ways. A HUD rule now permits PHAs to use a combination of private and/or public financing and public housing capital funds (such as HOPE VI funds) to develop public housing units. The "Mixed-Finance Rule" allows public housing capital funds to be passed by the PHA to a third party who can develop and own the public housing units. The goal of this approach is to facilitate the leveraging of federal dollars with private and/or other public funds. The desired outcome is the transformation of the traditionally isolated type of public housing communities into mixed-income communities that are more integrated into the fabric of the larger community. This approach encourages partnerships between PHAs, local and state government, and for-profit and non-profit organizations to supplement expertise and resources.

In South Florida, the Miami-Dade Housing Agency has joined with HUD and the State of Florida to develop the first public housing Assisted Living Facility in the nation, the Helen Sawyer Plaza. A private management company, M.I.A. Consulting Group, Inc., administers the facility.

Another innovative partnership in the region involves a five-acre lot that had been deed restricted by its former owner to service low-income families in Oakland Park, Broward County. Designated to be used for homeownership opportunities for Broward Housing Authority clients, the housing authority donated the land with conditions to the County. The Housing Finance Authority agreed to use its funds to plat the property and provide infrastructure (sewer, roads, etc.) and to offer grants to the tenants in public housing enabling them to become homeowners in the Oakland Park property. The project is currently in the platting process. Twenty-three tenants will get \$10,000 in equity in the new homes and there may also be construction loans available. A lottery system will probably be used to select the recipients among those eligible.

All six housing authorities in Broward County signed a Memorandum of Understanding with the Broward County Human Services Division. The signed agreement allows the Broward Housing Authority to send tenants to Broward County Family Success Centers where they can be referred to education programs that can take the place of community service. For those that do community service, the County agreed to take the responsibility of overseeing the program. This agreement addresses a collaborative approach to HUD's requirement that tenants of public housing carry out community service if they are not disabled, not working, and not in job training.

Another agreement was signed by five of Broward's housing authorities to erase geographic jurisdictional boundaries. This minimized the paperwork and burdensome process associated with maintaining boundaries. For example, if a person with a housing voucher from one city's housing authority goes to another Broward city, the County housing authority can be asked to oversee the voucher. This also expands the location opportunities for tenants. Where a person with a Section 8 voucher in one city obtains employment in another city, the Section 8 voucher is now portable for housing in the new city. In the past, the voucher would not have been portable for one year.

There are emerging roles for PHAs. They can be a developer, or find a developer and provide significant capital and operating subsidy for a development with the private developer becoming the owner. PHAs can also be a "steward", where the PHA contracts with a developer of a multi-family housing project or an owner of an existing development to make a portion of the units available for public housing tenants.

AGING HOUSING STOCK

While the state of Florida has a relatively young housing stock, Miami-Dade County has the oldest average housing stock among the state's metropolitan counties with an average age of 32 years compared to the state average of 24 years. The Fort Lauderdale MSA, Broward County's stock has an average age of 23, and Monroe County, 25 years. Since rehabilitation is typically required at 40 years, this will emerge as an issue in coming years.