

Affordable Housing - At What Cost?

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Affordable Housing, we hear the term over and over, but just what is affordable housing? Is it attainable by all? In the Affordable Housing realm, it equates to a household paying no more than 30% of their gross household income towards housing expenses. That could be a mortgage payment consisting of principal, interest, taxes and insurance (PITI), or it could be a rent payment. Typically, affordable housing is dealing with those households that are below 120% of Area Median Income (AMI). The further down you go in AMI, the harder it becomes to find safe, decent and affordable housing.

According to the 2003 “Out of Reach” Report, done annually by the National Low Income Housing Coalition, a household in Pinellas County would need to make \$15.02 an hour to “afford” a two-bedroom apartment at Fair Market Rent (FMR). The 2004 FMR for a two-bedroom apartment is \$781 per month. The report further stated that a household earning minimum wage - \$5.15/hr – would have to work 117 hours, in one week to afford a two-bedroom apartment. For a household to afford a one-bedroom apartment at a FMR of \$630 per month, they would need to earn \$12.12/hour (\$25,200 annually) or work 94 hours at minimum wage to afford a one-bedroom unit.

The 2004 Median Income for a family of four in Pinellas County is \$51,200. That income represents 100% AMI. A family of four who is Very-Low Income (50% AMI) would earn \$25,600. What can that family afford to pay for their housing expenses? Using the “affordable” definition, that family can afford to pay \$640 per month. As mentioned above, the FMR for a one-bedroom is \$630 a month. Realistically, a family of four could not live in a one-bedroom apartment. If they were to rent a two-bedroom apartment, the amount of their household income going towards rent would equal 37%, above the 30% benchmark. Lastly, a person who earns minimum wage (29% AMI or \$10,506 annually), to have an affordable housing expense, could only afford to pay \$268 per month.

In terms of for sale housing, what can a household of four who is at 50% AMI afford? Using the same \$25,600 and looking at what amount of mortgage they can afford, factoring in taxes and insurance, and figuring a 95% loan-to-value mortgage, using a 6.0% interest rate, fixed for 30 years, it would be in the range of \$80,000, to keep the payments (PITI) affordable. It is becoming harder and harder to find a home in Pinellas County in the \$85,000 range. Almost non-existent! The most recent Purchase Price Study prepared for Hough & Company and the Pinellas County Housing Finance Authority, showed the average purchase price for existing and new homes in Pinellas County at \$169,451 and \$239,360, respectively.

In Pinellas County we have seen a very rapid rise in home values over the past five years. Additionally, over the past year, the cost of construction, especially for materials such as concrete, steel, and lumber have skyrocketed. At the same time incomes have only modestly increased over the past years. What this has created is an “affordability gap”, which represents the cost of what a person can afford, and what is available. The homes

that we are building in Clearwater through our Infill Program have been ranging from \$130,000 to \$140,000, including lot.

It all boils down to a supply issue. There is definitely a demand for safe, decent and affordable housing. The question becomes, how to get it? It takes creative financing and sources of financing that do not carry a debt payment and/or has a reduced interest rate. Affordable Housing is not a dream, but continues to be a distant reality for many.

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