

Research Brief

Florida's Affordable Housing Needs after the Bust April, 2009

Florida's urban areas were heavily impacted by the housing boom and bust of the last six years. Different parts of the state (like Miami, Orlando, Jacksonville and even Cape Coral) and the state overall have had some of the highest foreclosure rates in the country at different points in the last two years.¹ But the boom and bust have affected different sectors of the housing market differently. While the middle- and higher-priced sectors of the housing market are now oversupplied, including thousands of financially "distressed" properties, the market for the lowest cost rentals is increasingly under-supplied given the size of the demand in Florida. This report uses census data from the 2007 American Community Survey to provide an updated snapshot of the state's housing needs.

Census data from 2007 reveals the extent to which housing costs have out-stripped incomes. In Florida over one-quarter (25.52%) of the state's renters were "severely" cost-burdened by their housing expenses, meaning they were spending 50% or more of their monthly income on rent and utilities. As Table 1 below shows, this ranks Florida's renters as the 4th most cost-burdened in the country, behind Michigan, California and New York, and higher than the national average of 22.94%.

Table 1. Number and Percent of Renter Households who Spend 50% or More of Monthly Income on Housing Expenses by State

State	Number	Percent
Michigan	247,533	25.73%
California	1,299,414	25.70%
New York	808,074	25.67%
Florida	536,311	25.52%
Illinois	345,523	24.46%
New Jersey	249,728	24.39%
Oregon	121,300	23.74%
District of Columbia	33,064	23.69%
Colorado	135,776	23.59%
Massachusetts	202,210	23.57%
<i>Average of 50 States</i>		22.94%

Source: U.S. Census Bureau, 2005-2007
American Community Survey

Florida compares even less favorably for homeowners with a mortgage (Table 2 below). Almost 20% of the state’s mortgaged homeowners are spending 50% or more of their monthly income on housing costs, including mortgage payments, taxes and insurance, which is the second highest rate in the country behind only California and far above the national average (13.7%).

Table 2. Number and Percent of Mortgaged Homeowners who Spend 50% or More of Monthly Income on Housing Expenses by State

State	Number	Percent
California	1,174,149	21.74%
Florida	627,570	19.21%
Hawaii	30,527	17.56%
New York	442,183	17.19%
Nevada	75,542	17.14%
New Jersey	255,800	16.94%
Rhode Island	27,630	15.00%
Massachusetts	171,732	15.00%
Illinois	323,900	14.05%
Oregon	91,560	13.83%
Arizona	147,079	13.65%
<i>Average of 50 States</i>		13.70%

Source: U.S. Census Bureau, 2005-2007
American Community Survey

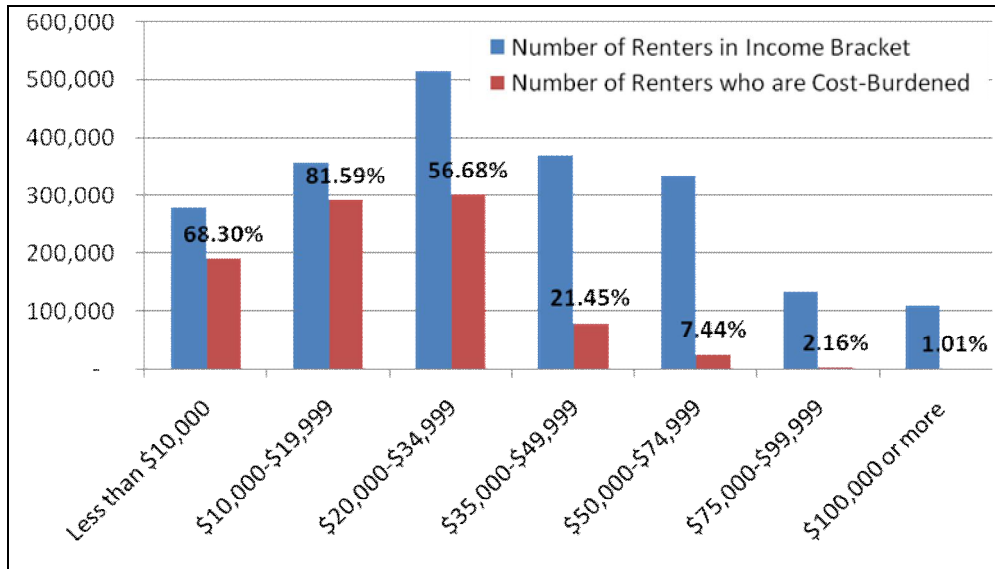
Despite the conversion of many recently built units to rentals because they can no longer be sold in the deflated housing market, most analysts agree that once the present market “correction” is over the nation as a whole but especially urbanized areas will still face a significant shortage of rental housing. Demographic forecasts for this and next decade suggest “there will be strong demand for apartments that will outstrip supply”.ⁱⁱ The shortfall is particularly great among the lowest cost rentals. While the recent housing boom built hundreds of thousands of middle- and higher-priced homes and condos, Florida like many states is facing a crisis shortage of housing that is affordable to lower income families.ⁱⁱⁱ

Charts 1 and 2 below show the number and percent of renters and mortgaged owners in the State of Florida who are cost-burdened by their housing expenses in the 2005-2007 period. As Chart 1 illustrates, renting households making less than \$35,000 are the most likely to be cost-burdened by their housing expenses. About 68% of the lowest income renters (making less than \$10,000), 82% of renters earning \$10,000 to \$19,999 and 56.7% of renters earning \$20,000 to \$34,999 are spending 35% or more of monthly income on rent and utilities.

For homeowners with a mortgage (see Chart 2 below), the problem of cost-burden reaches higher up the income ladder. The majority of homeowners making under \$50,000 are cost-burdened; nearly 100% of those with incomes under \$20,000, about 85% of homeowners making \$20,000 to \$34,999 and 66% of those with incomes between \$35,000 and \$49,999. Thus as the

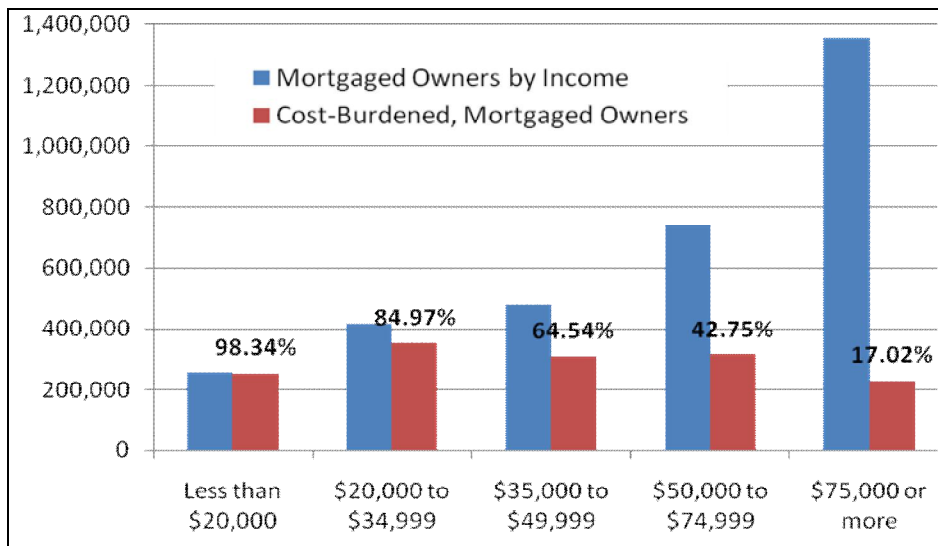
forementioned charts and tables show, rather than simply investing in any new housing construction, there is an urgent need to invest in the most affordable segments of the housing market—the units occupied by households making around \$35,000 and less in the case of renters, and \$50,000 and less in the case of homeowners.

Chart 1. Number of Renting Households in Florida Spending 35% or More of their Monthly Income on Rent and Utilities
(Percent of cost-burdened renters per income bracket in parentheses)



Source: U.S. Census Bureau, 2005-2007 American Community Survey

Chart 2. Number and Percent of Mortgaged Homeowners in Florida Spending 30% or More of their Monthly Income on Rent and Utilities
(Percent of cost-burdened owners per income bracket in parentheses)



Source: U.S. Census Bureau, 2005-2007 American Community Survey

Beyond the need to invest in lower cost sectors of the housing market, there is also an important difference between urban and rural parts of the state. As Table 3 below shows, housing costs have outstripped incomes to a greater extent in urbanized areas than non-urban areas. Among renters in urban areas of Florida, for example, nearly 53% spent more than 30% of their monthly income on housing costs, compared to about 41% in rural areas. Among mortgaged homeowners where the urban-rural difference is not as great, 45.6% of urban homeowners are cost-burdened compared to about 40% in rural parts of the state. *Although there are important infrastructure needs in all parts of the state, the housing crisis has clearly affected urban areas more than rural areas*, at least in terms of the share of people who are cost-burdened by their housing expenses, especially for renters.

Table 3. Percent of Renting Households Spending 30% or More of Household Income on Rent and Utilities

Geography	Renters	Mortgaged Homeowners
Florida	51.9%	44.8%
▪ Urban	52.8%	45.6%
▪ Rural	40.8%	39.8%
▪ In Metropolitan areas	52.1%	45.0%
▪ In principal cities of metropolitan areas	53.4%	46.2%

Source: U.S. Census Bureau, 2005-2007 American Community Survey

The latest housing data therefore confirm and reinforce trends that have persisted for at least a decade. The lowest income households among renters and homeowners in the state of Florida are in urgent need of housing cost relief, especially in the state’s large urban areas. Florida ranks as one of the states with the highest levels of housing cost-burden—fourth worst among renting households and second worst among mortgaged homeowners. If working families earning \$50,000 and less continue to be priced out of the housing market the state as a whole will not be able to attract the workforce for the future that it needs. The present housing market “correction” does not solve the affordability problem because housing prices can never return to their pre-housing boom levels. Moreover, the present oversupply of housing is concentrated in middle- to upper-tiers of the housing market. The most affordable sectors, particularly low cost rentals, are drastically under-supplied given the size of the demand in Florida, and these shortfalls need to be addressed urgently. For starters, this means that localities need to enact and enforce affordable housing mandates and the state needs to repeal the cap on the Sadowski Act Trust funds, to make affordable housing construction and preservation a meaningful reality.

ⁱ Bandell, Brian. 2009. Florida tops nation for delinquent mortgages. *South Florida Business Journal*, Residential Real Estate, March 5; Rho, Hye Jin, Danilo Pelletiere and Dean Baker. 2008. *The Changing Prospects for Building Home Equity: An Updated Analysis of Rents and the Price of Housing in 100 Metropolitan Areas*. Center for Economic and Policy Research, National Low Income Housing Coalition. October. Available from <http://www.cepr.net/documents/publications/>; Jacksonville Business Journal. 2007. *Florida ranks No. 3 for November foreclosures*. December 17; Journal Staff. 2007. Foreclosures.com: Florida ranks 2nd in pre-foreclosures. *South Florida Business Journal*, August 6; Journal Staff. 2007. South Florida cities rank high in foreclosures. *South Florida Business Journal*, August 15; ACORN. 2007. *Foreclosure Exposure 2: The Cost to our Cities and Neighborhoods - Report for Miami-Miami Beach-Kendall*: Association of Community Organizations for Reform Now, Research Department. Report Available from www.acorn.org.

ⁱⁱ Foong, Keat. 2009. New Renters Will Outstrip the Supply of Apartments Despite Economic Downturn, Says Associated Estates CEO. *Multi-Housing News* March 26; See also the Harvard Joint Center for Housing Studies' *State of the Nation's Housing 2008*, available from <http://www.jchs.harvard.edu/>.

ⁱⁱⁱ The Affordable Housing Study Commission. 2006. *A Preservation Strategy for Florida's Affordable Multifamily Housing*. Final Report available from <http://www.floridahousing.org/NR/rdonlyres/63332252-F3EA-486A-9F59-B95E7F6CDE56/0/AHSCFinalReport2006.pdf> ; Shimberg Center for Affordable Housing. 2007. *Rental Market Study*. Shimberg Center, University of Florida. Prepared for the Florida Housing Finance Corporation, September 14.