



what is WORKFORCE HOUSING

Workforce housing is an important topic for the nation, for Florida and for Central Florida. Interest in promoting workforce housing is being fueled by the recognition that an economically diverse population is important to the region's economic vitality and quality of life. In Central Florida, strong job growth (67,000 jobs in the past year) and rapid population growth (112,000 people between 2004 and 2005) have resulted in an increased demand for housing. At the same time, soaring real estate prices have made finding affordable housing a challenge for many of the region's workers, including teachers, police officers, firefighters, health care workers, retail clerks, administrative personnel and others, all of whom are essential to the economic vitality of the region and the success of its corporations, institutions and governmental services.

Orange County Mayor Richard T. Crotty and the Board of County Commissioners are hosting this Workforce Housing Summit to explore the pressing need to provide housing for Central Florida's workforce. This report describes some significant characteristics of the workforce in Central Florida as a first step toward determining the housing needs of the community.

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Workforce Housing in Central Florida

- Housing prices have increased dramatically over the past five years.
- Wages have not kept pace.
- Half of Central Florida's workforce has annual household incomes between \$25,000 and \$75,000. Over 93% of the County's potential first time homebuyers earn less than \$75,000 per year.
- For-sale housing that would be affordable to those income groups is, for the most part, not being produced in the region.
- Rental housing is disappearing from the market, largely because of condominium conversions and reduced multi-family construction.
- An increasing percentage of renter households are spending more than 30% of their income for housing.
- The homeownership rate for 25-to-34 year olds in Orange County decreased between 1990 and 2000.

Historically, the rule of thumb for the housing market was that households could afford a home that cost 2.5 to 3 times their annual income, depending on their outstanding debt load. A household with an income of \$57,400 (HUD's 2006 estimate for area median income in metro Orlando) could, therefore, afford to buy a home priced between \$144,000 and \$172,000. A lower income household, one with an income of \$45,900, could afford a \$115,000 to \$138,000 home. An even lower income working household, one with an income of \$28,700, could afford between \$72,000 and \$86,000 for a home. Homes at these price levels in central Florida are virtually nonexistent. It is not uncommon today for home prices to equal 3.5 or even 4 times a household's annual income. Between 2000 and 2006, the median home sales price in metro Orlando has risen from 2.2 to 4.5 times the median family income, which ranks the metro area as seriously unaffordable (see tables at right).

The rental market in recent years also has become less affordable. Even before the record-setting condominium

conversions in 2005, rental housing cost was increasing faster than household income. In 2004, over half (51%) of metro Orlando's renters were spending more than the recommended 30% of their income for housing, up from 41% just 4 years before. Nearly 22% of all renter households were spending more than half of their income for rent in 2004, up from 18% in the year 2000.

The affordable housing issue in Central Florida has become an issue for the region's workforce. The time when households with one full-time worker—or even two full-time workers—could take for granted that they would be able to afford to live in the community where they work is disappearing. The region's workers, including teachers, firefighters, service workers and others vital to the community, increasingly find themselves priced out of the housing market.

Metro Orlando Income-Home Price Comparison

Year	Median family income	Median home sales price	Price/income
2000	\$49,600	\$109,300	2.2
2001	\$52,000	\$120,300	2.3
2002	\$54,700	\$130,300	2.4
2003	\$52,700	\$143,500	2.7
2004	\$54,700	\$164,500	3.0
2005	\$55,100	\$231,400	4.2
2006*	\$57,400	\$259,700	4.5

Source: Median family income, HUD; Median single family existing home sales price, Florida Association of Realtors.

* Years 2000 through 2005 are year-end figures; Year 2006 is the latest available figure, March 2006.

Housing Affordability Ratings

Rating	Home price/Income ratio
Severely unaffordable	5.1 and more
Seriously unaffordable	4.1 to 5.0
Moderately unaffordable	3.1 to 4.0
Affordable	3.0 or less

Source: Demographia.

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Workforce profile

Matthew and Darianis

Matthew has been a police officer for the past 3 years with the Kissimmee Police Department. He and his fiancée, Darianis, live in a rental apartment complex in Kissimmee, and Darianis works as a loan officer at a Kissimmee bank, where she also has 3 years experience. Their combined income falls between \$67,000 and \$70,000 per year.

They have been looking for a home to buy for over a year now. They would prefer to stay in Osceola or in south Orange County, somewhere near their jobs. They have been pre-qualified for a mortgage of just over \$210,000, but have not been able to locate anything they considered affordable. They looked into purchasing a condominium for \$170,000. The monthly principal and interest on the loan would have been \$900, a price they felt they could afford. After adding taxes, insurance and condominium association fees and folding closing costs into the mortgage, however, the monthly payment would have jumped to nearly \$1,500. With their other debt, including car loans and his student loan (Matthew has a bachelor's degree), this was a monthly payment they did not feel they could afford.

Matthew has done research to determine whether programs to assist police officers are available in the area. He found one such program in Delray Beach (see inset) through which police officers were able to purchase homes in the City at below market prices. He wishes that such a program existed here in central Florida.

Another program he found offered down payment assistance to purchase homes, but the maximum purchase price, \$120,000, was too low for any of the housing for sale in the area. Also, at \$67,000 to \$70,000, Matthew and his fiancée earn too much to qualify for most government



housing assistance programs. (In metro Orlando, a 2-person household would have to earn less than \$55,080 to be eligible for housing assistance.)

Matthew grew up in Osceola County, and his fiancée grew up in Orange County. They have considered moving elsewhere to find affordable housing. One possible location is Deltona, where housing is more affordable. If they made such a move, he and his fiancée most likely would find jobs closer to their new home, rather than commuting to the jobs they have in Osceola County. But Matthew would rather stay in the community he grew up in and loves.

Delray Beach's workforce housing initiative

In 2003, the Delray Beach City Commission purchased the last large piece of undeveloped land in the northwest section of the city, with the goal of creating an affordable and attractive neighborhood. The result: they recouped the cost of the land through sale of the land to a developer, who then built 268 homes for middle class families such as police officers, firefighters, teachers and other local workers. The homebuyers purchased the homes with assistance from the City, with a subsidy that is forgiven if they remain employed there for five years. This project was completed and the homes sold by June 2005.

Who are Our Workforce?

To determine which households in this area are most likely to need affordable workforce housing, household income and affordability ranges are compared to existing housing and new housing construction.

What do our owner and renter households earn? The chart to the right shows households in Orange County by income level and homeownership status. Within the income range of \$25,000 to \$74,999, there are 52% of the County's homeowners and 52% of its renters. A significant percentage of the County's renters (41%) earn less than \$25,000 per year, and though many households in that income group are worker households, they almost certainly would need some form of subsidy in this housing market.

What can they afford? The three income groups in the \$25,000 to \$75,000 range could afford—at most—between \$575 and \$1,825 in rent, or they could afford to purchase homes priced from \$90,000 to \$265,000. (See table below.)

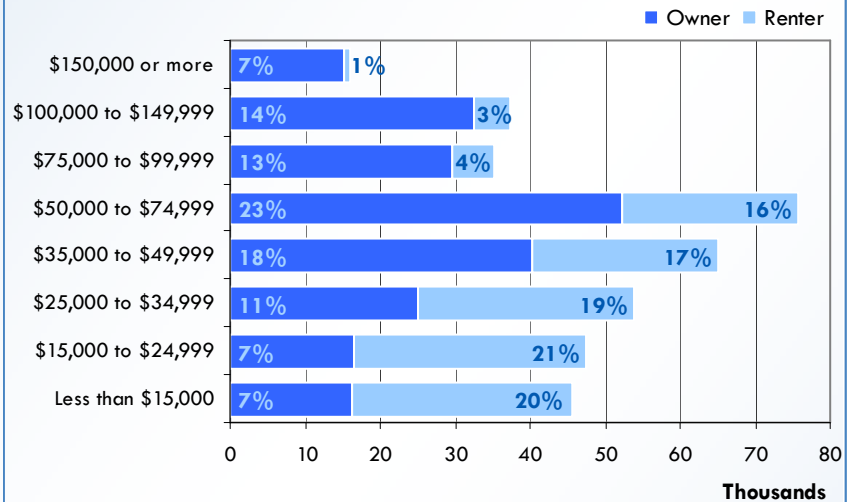
What's being built? In Central Florida, over 100 residential developments currently are under construction or recently completed. Of those developments, none fall within the affordability range for the first group listed in the table above; one (a renovation of one-bedroom, 800 square foot villas) falls within the affordability range for the second group; and 13 are affordable to the third group, although most fall near the top of the affordability range.

Existing housing: The latest figures on existing home sales from the Florida Association of Realtors (March 2006) show a median sales price for single family homes of \$259,700, also near the top of the affordability range. This figure represents a 32 percent increase over the median sales price from one year ago.

What Can Workforce Households Afford?

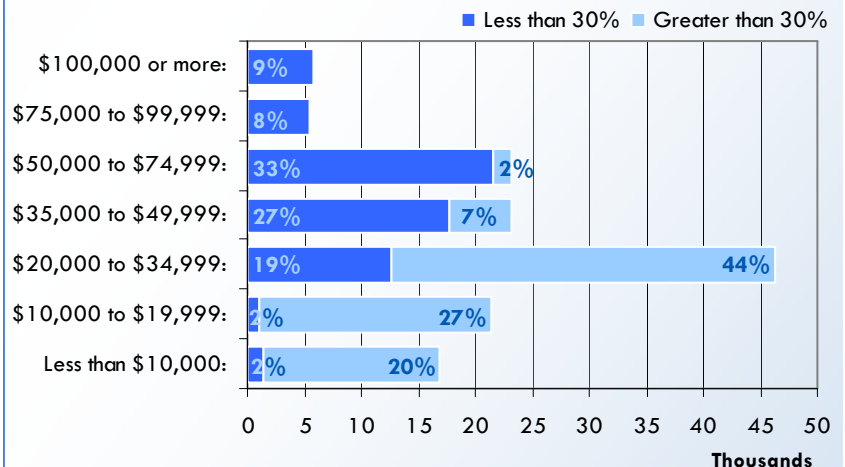
	Income	Monthly Rent	Purchase Price
1	\$25,000—\$34,999	\$575—\$825	\$90,000—\$125,000
2	\$35,000—\$49,999	\$825—\$1,200	\$125,000—\$180,000
3	\$50,000—\$74,999	\$1,200—\$1,825	\$180,000—\$265,000

Household Income and Homeownership, Orange County



Source: US Census Bureau, 2004 American Community Survey.

Percent of Income Spent on Rent by Income Level, Orange County



Source: US Census Bureau, 2004 American Community Survey.

What about rental units? Over 18,000 rental units in metro Orlando have been converted to condominiums since the year 2000, 15,000 in the last year alone. This has exacerbated a shortage of rental housing in the area. Multifamily rental developers are now competing with condominium developers for the same land, and rental developers—particularly developers of affordable rental housing—are at a disadvantage in what they can afford to pay for the land.

The chart above shows renter household income and percent of income spent on rent. At higher income levels there is not much rent burden, but there are a lot of renters, perhaps because they can't afford to purchase housing in this market.

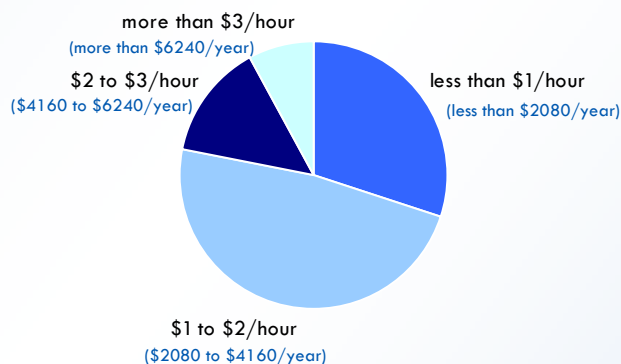
Home Prices and Wages, 2000-2005

Housing price increases and stagnant wages over the past several years have exacerbated the housing situation in Central Florida.

Home prices have increased rapidly between 2000 and 2005. Over the past five years, home prices in Central Florida have surged upward. The chart at right shows the nation's twenty metro areas with the most rapid home price appreciation between 2000 and 2005. These figures, taken from the Office of Federal Housing Enterprise Oversight's (OFHEO) Housing Price Index, show that of the 20 metropolitan areas in the U.S. with the highest rates of home price appreciation, 10 are in Florida, including all 4 of Central Florida's metro areas. Metro Orlando's median price appreciation of \$122,000 over the past five years translates into \$34,000 in additional income a household would need just to keep up with the price of housing.

Wages have not kept up. Wages over the past five years have not kept pace with the increase in home prices. Looking at 50 service occupations that represent almost 40 percent of the County's jobs, the change in median wage between 2000 and 2005 was less than \$1 per hour for 15 occupations; between \$1 and \$2 per hour for 24 occupations; between \$2 and \$3 per hour for 7 occupations; and greater than \$3 per hour for only 4 occupations.

Increase in Median Wage, Orange County Selected Occupations*, 2000-2005



* This chart represents 50 occupations that together comprise 40 percent of Orange County's total employment.
Source: Florida Agency for Workforce Innovation, OES 2000-2005.

Metropolitan Statistical Areas with Highest Rates of House Price Appreciation

Percent Change in House Prices
Period Ended December 31, 2005

MSA	1-Year	5-Year
Phoenix, AZ	40	93
Naples, FL	39	135
Fort Myers, FL	36	131
St. George, UT	35	72
Prescott, AZ	32	87
Lakeland, FL	32	81
Orlando, FL	32	95
Coeur d'Alene, ID	32	80
Merced, CA	31	142
Daytona Beach, FL	31	113
Fort Walton Beach, FL	31	112
Visalia, CA	30	119
Sarasota, FL	30	120
Flagstaff, AZ-UT	30	88
Tucson, AZ	30	82
Palm Bay-Melbourne, FL	30	131
Bend, OR	29	80
Fort Lauderdale, FL	29	135
Bakersfield, CA	29	136
Punta Gorda, FL	28	125

Source: Office of Federal Housing Enterprise Oversight (OFHEO), March 2006.



This monograph about workforce housing was prepared for the Central Florida Workforce Housing Summit, held on Friday, May 5, 2006.

