

LIHTC MONTHLY REPORT

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Stuck in the Middle: A Trend Toward Workforce Housing?

Part one of two

By Alex Ruiz, Staff Writer, Novogradac & Company LLP

The lack of affordable housing within reasonable commuting distance adversely affects communities' ability to foster economic growth, according to the recent Fannie Mae Foundation report, "Workforce Housing: The New Economic Imperative?" Its findings suggest that workforce housing has emerged in recent months as a concern not only of housing advocates but also of policy makers and employers.

State and local housing agencies, not-for-profits and private investors provide housing in many forms, from homeless shelters to low-income housing tax credit (LIHTC) rental units and HOPE VI developments. But recently, a segment of the population that does not qualify for low-income housing has been offered greater access to affordable housing: the nation's middle-income workforce. "Even the term itself, "workforce housing," was rarely heard until recently. But with housing costs in many areas increasingly exceeding the financial reach of many low- to moderate-wage workers, people are taking notice," the report says.

The paper found that the issue is a growing concern in many areas of the country:

- A study conducted late last year for the Family Housing Fund in Minnesota reported a serious shortage of workforce housing in the Twin Cities (Minneapolis-St. Paul) metropolitan area. The report indicated that the area loses out on approximately \$128 million in annual consumer spending because it does not provide workforce housing to meet demand.
- Long Island, New York is the home of Levittown, once the quintessential model of affordable homeownership. But, says Matthew Crosson, president of the Long Island Association, "There is no more important human or economic problem confronting Long Island today than affordable housing ... employers have a hard time recruiting workers and paying the salaries to meet housing costs."
- The Maine State Housing Authority (MSHA) is so troubled by the shortage of workforce housing and by reports citing local opposition as one of the prime obstacles to developing housing, that it has launched a counterattack to NIMBYism with an advertising campaign portraying firefighters, teachers, and nurses as unable to find affordable housing in the communities where they work.

The issue has also been raised during recent congressional hearings on affordable housing production. In September, Boston mayor Thomas Menino told the Senate Housing and Urban Affairs Subcommittee on Housing and Transportation, "the housing crisis is not just a problem on the two coasts, as many believe. Studies have shown housing costs rising dramatically in states such as Minnesota and Colorado. And I recently received an invitation to speak in North Carolina on this issue, so the problem is clearly expanding beyond what we think of as the high cost communities."

A Force Divided? How Workforce Housing Initiatives May Affect Low-Income Housing Efforts

Some low-income housing advocates object to resources being set aside for middle-income homebuyers instead of dedicating those resources to the needs of very-low-income renters. But because there is no federal subsidy aimed at moderate-income populations, and most of the workforce-housing initiatives being proposed are not related to low-

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income housing programs, it is unlikely that they will have a direct, negative effect on LIHTC investment or funding for other government subsidies.

The one notable exception could be the proposed single-family affordable housing tax credit. As proposed, the credit would benefit both low- and moderate-income homebuyers and would pose virtually no recapture risk for the investor. It could conceivably divert investment away from the LIHTC. However, according to reports from some of the larger corporate investors in the low-income housing tax credit, such as Fannie Mae, competition may not be devastating. For instance, Franklin D. Raines, Fannie Mae chairman and CEO, sent a letter earlier this year to President Bush pledging that the new credit would not diminish Fannie Mae's investment in the LIHTC. "Fannie Mae will purchase single family affordable housing tax credits proposed by your administration upon enactment, while also maintaining at least our current level of investment in [LIHTCs] as the nation's largest investor in these tax credits," the letter says.

A report released early this year by the Urban Land Institute (ULI) examines the issues facing the middle-income working class. "Federal housing subsidies provide no help for this group, as they target only lower-income households," ULI says. "Mayors, local housing advocates and business leaders all see the cost of housing growing faster than the incomes of the local workforce, and see most new housing construction occurring far from cities and jobs."

One solution, according to ULI, may lie in zoning. "There has been inclusionary zoning in California, New Jersey, Massachusetts and Montgomery County, Md., for 30 years or more. It can take many forms. The key is to encourage housing development at all income levels," the report says.

One obvious edge workforce housing does have, however, may in the arena of public opinion and community support. Historically, finding acceptance for low-income housing has proved difficult largely due to community opposition. Support for workforce housing may be easier to garner, however, because some of the common reasons cited in opposition to conventional, or low-income, affordable housing development do not apply.

NIMBYism, the sentiment of Not In My Back Yard, often includes arguments of diminished property values, poor construction or design, or increased crime rates and traffic problems. These arguments are sometimes formed by misconceptions based on the stereotype of the population that LIHTC properties serve.

But by serving moderate-income working families — teachers, nurses, police, firefighters, municipal workers and the like — workforce housing has a public relations edge that low-income housing traditionally has not. This can be seen clearly in MSHA's campaign in cooperation with the Workforce Housing Coalition. A brochure published by the coalition uses this example of affordable housing myths:

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Myth: All people who live in affordable housing are on welfare or won't fit into my neighborhood.

Reality: The word "affordable" simply means that housing costs shouldn't be more than 30 percent of a family's income. As housing costs rise, more and more of us have to struggle to keep up. Most residents of modern affordable housing developments work full-time at low- or moderate-income jobs. A rent increase, divorce, job loss or other adverse circumstance may cause others to need affordable housing. Many people who need this housing are already working in our towns. The question is whether they can afford to remain here."

In Georgia, 40 percent of respondents to a survey by the Georgia Economic Developers Association (GEDA) indicated that workforce housing was a major selling point for attracting new industry to their community. Moreover, almost 50 percent of GEDA members said the availability and quality of an existing workforce was a factor for businesses locating in their communities.

This is, in fact, one of the few instances in which LIHTCs have been mentioned as a possible solution. GEDA's 2001 report on the findings in that survey, "Workforce Housing in Georgia" came up with several policy suggestions, including a call for the Georgia Congressional delegation to co-sponsor federal legislation that would enhance the use of the LIHTC in rural Georgia by widening the income eligibility requirement for qualified tenants. ❖

Next month: Learn how San Francisco, one of the least affordable housing markets in the nation, is facing the challenges in housing its workforce.

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