

Affordable Housing for The Region's Workforce

Executive Summary — August 2005

Today there is a mismatch between the location of many jobs in metropolitan St. Louis and the location of housing that is affordable for workers who fill those positions. Entry-level and low-wage earners in particular often have a difficult time finding housing close to work.

Choices for these workers include commuting long distances or spending too much of their take-home pay to live closer to work. Other options are to move in with relatives or friends, or even stay in substandard housing or a homeless shelter, although they have steady jobs.

Diversity in housing choices provides more options for people making a range of incomes. Unfortunately, such diversity is often not found in and near job centers in this

region. Allowing this situation to continue will hinder workers and corporations in greater St. Louis. Economic advancement will be limited because employers will find it progressively more difficult to attract and retain the variety of employees they need.

Affordable-workforce housing means people who are gainfully employed are able to find decent, safe homes for their families within a reasonable commuting time frame and within their economic means. It is housing that is paid for by the working occupants. As a family's incomes and housing needs evolve through the years, a diverse housing market enables employed people to simply change homes, not communities.

"Affordable-Workforce Housing" is:

-  for people we all want in our neighborhood—hard working, family-oriented, investing in the future.
-  paying no more than 30 percent of family income for housing.
-  well-constructed and attractive, following the building codes of the community.
-  located within a reasonable commuting distance from employment.

Paying no more than 30 percent of one's total income for housing traditionally has been accepted as a standard of affordability. Many governments and other housing assistance programs use this percentage as a guideline. Those who are paying more than 30 percent are considered cost-burdened and may have difficulty affording necessities such as food, clothing, utilities, transportation, and medical care. The following numbers paint a picture of affordable housing in the St. Louis metropolitan region:

- ◆ The median household income in the St. Louis metropolitan region, which includes eight Missouri counties and eight Illinois counties, is \$65,900 (Out of Reach, 2004).
- ◆ If median wage earning families pay 30 percent of their income on housing costs they are spending \$19,770 per year on housing (\$1,648 per month).
- ◆ Of the almost 1.1 million households in the region, 244,813 of them are paying more than 30 percent of their income for housing (Census 2000).
- ◆ An extremely low-income family making 30 percent of the area's median income can afford monthly rent of only \$494 while the fair market rent for a two-bedroom unit is \$741.
- ◆ A minimum-wage worker making \$5.15 per hour must work 111 hours weekly to afford that two-bedroom apartment at fair market rent.
- ◆ A full-time worker must make \$14.25 per hour (the area's "housing wage") to afford a two-bedroom unit at the area's fair market rate (Out of Reach 2004).
- ◆ While local for sale housing prices rose 9.3 percent (*St. Louis Post Dispatch*, 2/22/05), wages and salaries in the Midwest have increased only 1.6 percent in the same 2003-2004 time period (Bureau of Labor Statistics).

Contrary to popular myth, these numbers and this issue affect more than the stereotypical fast-food employee. The U. S. Department of Housing and Urban Development (HUD) defines low-income households as a family of four earning less than 80 percent of the local area median income. In the St. Louis region, this means earning \$52,720 annually. Many people in our communities are making far less than this. These are the people we need to make our communities function. They are our teachers, our health-care providers, our support staff, and many others. The chart on the next page displays median salaries for just a few workers who fulfill extremely important functions but earn low wages (Center for Housing Policy, 2003).

When working families are not able to meet their housing needs, many endure a housing crisis. In fact, in 2004, 1,990 St. Louis County households called the Homeless Hotline because they had become homeless or were at risk of losing their house or apartment. Of that number, 612 adults were working full time and 393 were working part

time. Likewise, 3,446 St. Louis City households called the Homeless Hotline in that same time period. Of those, 813 adults were working full time and 733 were working part time (St. Louis City and County Homeless Management Information System, January 2005).

Affordable-workforce housing is an issue that affects residents of all income levels, businesses of all sizes, and legislators who are interested in the economic prosperity of their community. Across the country, communities are experiencing varying degrees of difficulty related to affordable-workforce housing development and accessibility. In high-growth areas with extremely high housing demand, state and local governments have been forced to deal with the issue and have created "carrot-and-stick" approaches to promoting construction of and access to housing for low- and mid-wage earners.

However, experts advise regions such as ours not to wait for a crisis to create needed change. Enacting a regional

plan now to strengthen the region’s housing options and increase access to homeownership for working families will strengthen the region’s economic stability. On the micro level, such a plan would allow families to spend more on goods and services by spending less on housing. On the macro level, the region could increase its appeal to new corporations considering locating or re-locating here.

To be effective, regional leaders must make coordinated decisions. Individual municipalities need to cooperate to craft a unified regional approach. It will take a collaborative and comprehensive effort to create a more-thriving region.

FOCUS St. Louis’ Affordable-Workforce Housing Task Force represents a microcosm of that comprehensive effort. The task force, consisting of a wide range of dedicated citizens including social service providers, homebuilders, government workers, bankers, renters, and homeowners, spent nine months closely examining this issue from many perspectives. The members of the task force propose creating a balanced regional housing plan. The three primary areas identified for change are: programs and services for working families, building and zoning regulations, and community awareness. This report offers solutions to this problem from a diverse cross section of our community.

Occupation	Median Annual Income
Child Care Worker.....	\$16,060
Cashier.....	\$16,110
Bank Teller.....	\$20,000
Nursing Aide.....	\$20,190
Receptionist.....	\$20,940
Data Entry.....	\$21,750
Family Social Worker.....	\$31,140
Welder.....	\$32,220
Paralegal.....	\$34,950
Elementary School Teacher.....	\$39,960
Police Officer.....	\$42,160
Librarian.....	\$44,420
Nurse.....	\$44,990
Accountant.....	\$46,410

Center for Housing Policy, 2003

Working people need an affordable place to live reasonably near their jobs, and they deserve to be moving toward homeownership. Our community will be stronger for it.

PROGRAMS AND SERVICES FOR WORKING FAMILIES

The challenge is not the lack of programs available to help people afford housing but rather that current programs do not have sufficient funds to meet the high needs of communities. Applications for assistance are routinely three to four times the level of available funding. Another challenge is the limited number of homeownership programs and funding for families earning between 80 percent and 120 percent of the area median income. Access to most government programs is limited to those under 80 percent, but even families earning \$52,000-79,000 annually still may need additional resources to become homeowners.

Examining current best practices across the nation has led the task force to recommend the following approaches for

the St. Louis region. If adopted, these recommendations will significantly impact the quantity and quality of affordable housing in Missouri and Illinois.

Employer Assisted Housing Programs: Employers’ need for a reliable, productive workforce drives the success of Employer Assisted Housing (EAH) programs. As an employee benefit, employers provide down payment or closing cost assistance that is usually forgivable over time if the purchaser remains employed by the company. *A regional consortium of existing businesses, financial institutions, and housing organizations should develop, promote, coordinate, and administer EAH programs collaboratively in the St. Louis region.*

Manufactured Housing: Manufactured housing costs approximately \$200 less per month than site-built housing. Owners of manufactured housing typically carry lower mortgage debts averaging \$23,955 as compared with site-built debts averaging \$69,227. Today's factory-built housing is attractive, blends with existing communities, can be set on permanent foundations, and does not negatively affect neighborhood property values. *Manufactured homes should be included in the mix of local housing stock throughout the region.*

Housing Trust Funds: Housing Trust Funds (HTF) are government-run programs that provide funding for a variety of housing needs, including acquisition and rehabilitation, construction of rental housing for very-low-income families, rental assistance, emergency housing aid, and home repair. A model HTF would identify new sources of funding, not have caps, be used for housing development, and maintain the integrity of the fund by not diverting HTF monies for other purposes. In Missouri and Illinois, an HTF could be funded through real estate transfer and use taxes. *To impact the St. Louis region, such model trust funds should be developed on a local, regional, state, and national basis.*

Tax Incentives: Too few tax credit programs exist for builders and developers for the construction and sale of affordable-workforce housing. A new tax credit could be supported through the Housing Trust Fund by the institution of a state-wide transfer tax on the conveyance of real estate. *Additional tax credits should be created at the state level that require developers to incorporate affordable housing into the development of market-rate units.*

Low-Income Housing Tax Credits: Low-Income Housing Tax Credits are an effective tool for encouraging affordable rental housing. *Missouri has a state tax credit, but it would have more leverage if it were transferable. Illinois does not currently have a state tax credit and would benefit from creating one. Relaxing federal restrictions on assigning tax credits would also help boost creation of affordable housing.*

Down Payment Assistance: Lacking the required down payment and closing costs to purchase a home is one of the primary reasons low-income families cannot achieve their dream of homeownership. Often families are paying rent greater than a comparable mortgage, but they do not have the disposable income needed to save for home ownership. *Down payment assistance programs should expand their reach to both traditional beneficiaries and to families earning 80-120 percent of the area median income.*

Individual Development Accounts: Individual Development Accounts (IDAs) are savings accounts that help people establish a pattern of saving with a goal of purchasing a home or other large asset. A percentage of these savings is matched by government sources. The concept of IDAs originated locally at Washington University. There are now more than 500 IDA programs nationally, yet local funding and public awareness lag behind. *IDAs should be made more widely available in this region by using funding from housing trust funds, a general revenue appropriation, or a tax credit for businesses that participate. It will then be necessary to increase awareness among potential beneficiaries.*

BUILDING AND ZONING REGULATIONS

Building regulations can impede or prevent the construction of affordable dwellings. HUD has researched these barriers nationwide and suggested possible solutions to several of the most common ones (see www.huduser.org/rbc). These barriers, plus some unique to the St. Louis region, are addressed below and solutions are offered.

Land Use and Zoning Restrictions: With the goal of increasing property values, many cities in the region have

mandated greater lot size, home area size, and changed façade requirements. However, the increased cost of building such homes reduces the availability of starter homes and other affordable-workforce housing. In the St. Louis metropolitan area, every \$5,000 added to the home eliminates 13,687 potential buyers. *Proper planning combined with less-restrictive zoning ordinances would maintain attractive neighborhoods while opening them to the possibility of affordable housing.*

Inclusionary Zoning: While sometimes controversial, inclusionary zoning ordinances have been implemented in communities across the nation. Mandatory inclusionary zoning ordinances require all new developments to include a certain percentage of affordable housing units. These ordinances may or may not offer incentives such as density bonuses, fee waivers, or subsidies. Voluntary programs offer incentives that encourage developers and communities to build affordable units. *For a municipality to receive state incentives, it should be required to show it is taking active measures to increase the affordable housing units in new construction in the community. This may include: decreasing minimum lot and home sizes, offering density bonuses, offering home builders additional incentives for including affordable units in their market rate developments, or implementing inclusionary zoning ordinances. For this to happen, state legislation is likely needed, which would require municipalities to assess their affordable housing needs and present a plan for how they will meet those needs to be eligible for state financial incentives.*

Review and Approval Process: Particularly when overlapping jurisdictions exist, the permit and approval process is excessively time-consuming and costly. The duplicative fees and the added expenses associated with delays and revising plans are passed along to the home buyer in the price of the new home. *The simple solution is for the Missouri and Illinois state legislatures to prohibit duplicative government requirements and inspections. Until such a time when this legislation may be enacted, local municipalities should opt to monitor themselves by not allowing duplicative requirements and inspections.*

Housing Codes: New housing codes lead to older homes becoming run down because it is unaffordable to keep them up to code. New codes also add to the cost of new construction. *Municipalities should invest in the time and expertise to closely examine the housing codes and decide which ones they will apply, taking into account the costs and benefits to the overall goals, including health and safety for residents and affordable housing needs.*

Excessive Governmental Fees: Impact fees—including fees for parks, schools, roads, and sewers— increase the cost of new construction, sometimes by several thousand dollars. Some see the discouragement of sprawl as a positive consequence of impact fees. However, more often development occurs despite these fees. In such cases, then, the fees lead only to increased home prices. *The region's governmental entities should review and restrict the imposition of impact fees that unnecessarily increase the cost of new homes.*

Partnering with Local Governments: Intense housing needs often breed competition within municipalities for resources to address the problem. This, combined with an often-fragmented system of governance and entrenched politics found throughout the region, leads to difficulty in addressing issues comprehensively to meet affordable-workforce housing needs. *One solution that can temper the ill effects of a plurality of needs represented by so many is for municipalities to adopt a comprehensive affordable-workforce housing plan that identifies and details priorities for areas to receive the primary attention of its funding resources.*

Title Clearance: As urban core and inner ring suburban housing stock grows older, it becomes even more apparent that the government's system for the collection of delinquent real estate taxes is often faulty, leading to an inability to assemble and inventory land for redistribution. Inability to manage the tax foreclosure process on the county level means municipalities cannot manage infrastructure decline in their communities. This problem is most focused in the communities that are distressed economically and have aging housing stock. *First, the counties must start to provide constitutional notice consistent with due process guaranties to owners who will forfeit their ownership because of delinquent real estate taxes. Second, similar to that used by St. Louis City's LRA, a process must be established that will not require each piece of ground that has been tainted with the current methods of tax collection and foreclosure to go through a condemnation.*

INCREASING COMMUNITY AWARENESS

To advance understanding about affordable-workforce housing and gain greater consensus, a marketing and education campaign designed to raise awareness of the issues confronting many working families is essential to fostering greater overall community economic development. Only when broader consensus is achieved can effective legislative and regulatory steps be taken to alleviate this growing problem.

Best Practice Learnings: The St. Louis region can learn from and extract elements of the Illinois (targeted at the Chicago region), Minnesota, and Maine public awareness campaigns. Specifically, organizers in Maine found the most effective component of the campaign to be presentations given across the state on the availability of housing opportunities at the local level because of the one-on-one conversations and relationship building this allowed for. The Minnesota campaign consisted of three stages: increasing public awareness, educating policy makers, and promoting community action. This has been effective in creating housing policy change. The Illinois campaign involved extensive market research and developed specific messages to target different segments of the community.

The campaign for the St. Louis region should emphasize two themes: an economic rationale, and an effort to dispel negative perceptions about people in need of affordable housing, conveying the message that the creation of affordable-workforce housing is a benefit to everyone in the community. The campaign will target a variety of key stakeholders and be delivered through various methods.

The Marketing Component: A marketing campaign will be built around an image that portrays the “human face” of the low-income worker group in occupations that are commonplace and essential to the well-being of any community and will be combined with a simple message to create an effective educational tool. The central message built around these images is that it is a “win, win, win” proposition for the worker, the employer, and the community at large. This segmenting of the issue across sectors of the community provides a vehicle for providing perspectives through the “three lenses” of family, employer, and community. It is only with the understanding of both community leadership and a broad base of community support that critical mass will be developed to effectively influence public policy at various levels of government.

After a community-wide effort is underway, subsequent steps will target intermediary groups such as advocacy groups, nonprofits, and civic and business leaders. The final phase will target legislators and elected officials with specific policy agenda actions and reform items outlined in this report.

The Education Component: While appeals in the past were able to aim at broadening empathy for an issue on the basis of a value, tighter local economies necessitate displaying a financial gain for communities who include housing for all their workers. It is essential to share the economic rationale for supporting affordable-workforce housing in every community, including showing the cost and benefits to the worker and their families, employers and businesses, and the community at large. There are significant anecdotal reports on the costs to each sector. More research must be done to attach actual dollar figures.

Affordable-Workforce Housing Benefits Everyone:

- 🏠 Affordable housing is good for business. Employers get more value from their workers because they are more reliable without long commutes and are more likely to stay with their current employer.
- 🏠 Affordable housing is good for neighborhoods. Communities benefit when the workforce has a stake in the community in which they live and work.
- 🏠 Affordable housing is good for families. Well-kept, reasonably priced housing provides children with a safe and healthy place to live. Children who grow up in stable housing are more successful in school and are physically and socially healthier.

WHERE TO START?

The improvements suggested here can happen if there is broad community support for increasing the availability and affordability of housing in our region. The first step is to inform community residents about the issue our region is facing regarding affordable-workforce housing. No, we are not in a crisis situation like some other parts of the country such as San Francisco and parts of Florida. This means we have a window of opportunity now to avoid a future crisis and strengthen the economic landscape of our region. We want businesses that are choosing where to locate to see that if they come to the St. Louis region *all* their workers will have housing options within a reasonable commute. We also want to keep the large companies we have from moving elsewhere. We want working families to improve their situations by moving from renters to homeowners when it is in their best interest to do so. We want reasonable commutes for all families for the sake of their quality of life, the quality of our

communities, and the quality of our environment. There are many reasons why this is important and why it is important *now*. Let's start by educating our citizenry.

Additional top priorities for implementation have been identified by the task force as:

- 🏠 A regional consortium operating to promote and manage Employer Assisted Housing programs,
- 🏠 Manufactured housing included in the mix of available housing stock in more communities, and
- 🏠 Changes to zoning regulations to promote the construction of affordable housing.

To read the full report, *Affordable Housing for the Region's Workforce*, or to become involved in implementation of these recommendations, visit www.focus-stl.org.

WEB RESOURCES

Programs for Working Families

The Center for Community Change: A social justice organization with a mission to support working poor people in creating the policy change needed to positively affect their lives. They have published a guide to housing trust funds that can be found at www.communitychange.org/shared/publications/downloads/workbook.pdf.

Fannie Mae: Fannie Mae provides an Employer Assisted Housing brochure describing the program at www.fanniemae.com. The Fannie Mae Foundation provides research and best practice model information on Employer Assisted Housing programs as well at www.fanniemaefoundation.org.

IDA Network: An online community for individuals and organizations exchanging information and ideas on how to shape IDA programs and policies. idanetwork.cfed.org

Manufactured Housing Institute: The national trade organization representing all segments of the factory-built housing industry. www.manufacturedhousing.org

National Low-Income Housing Coalition: The section on the Web site titled *2004 Advocates' Guide to Housing and Community Development Policy* contains articles on federal housing related programs, legislative proposals connected with housing, and low-income housing issues. www.nlihc.org/advocates/index.htm

Building and Zoning

The Design Advisor: A tool, resource, idea bank, and step-by step guide to design in affordable housing. www.designadvisor.org

HUD's Regulatory Barriers Clearinghouse: The site was created to support state and local governments and other organizations seeking information about laws, regulations, and policies affecting the development, maintenance, improvement, availability, and cost of affordable housing. www.huduser.org/rbc

National Association of Home Builders: Offers information on affordable housing, construction codes, economic and housing data, and congressional issues. www.nahb.org/page.aspx/landing/sectionID=87

National Association of Realtors: Field guides offer a wealth of research and links to information on topics ranging from inclusionary zoning to impact fees to low-income housing tax credits and much more.

www.realtor.org/vlibrary.nsf/pages/RefShelf

Increasing Community Awareness

Campaign for Affordable Housing: Supporting efforts nationwide to mobilize, educate, and combat NIMBYism through awareness campaigns. www.tcah.org

Local Programs and Organizations

Employer Assisted Housing Programs

Illinois Statewide Housing Action Coalition's REACH Illinois: www.statewidehousing.org

Freddie Mac: www.freddiemac.com

Homebuyer Education

Beyond Housing/NHS: www.beyondhousing.org

Justine Peterson Housing and Reinvestment Corporation: justinepetersen.org

University of Illinois Extension: www.extension.uiuc.edu

University of Missouri Extension: muextension.missouri.edu

Manufactured Housing

Contempri Homes: www.contemprihomes.com

Fuqua Homes: www.fuquahomes-mo.com



FOCUS St. Louis works to develop leadership, influence policy, and promote community connections throughout the bi-state St. Louis region. The mission of FOCUS St. Louis is to create a thriving, cooperative region by engaging citizens to participate in active leadership roles and to influence positive community change. A nonpartisan 501(c)(3), FOCUS St. Louis has four key priorities for the 16-county area: good governance, social justice, quality educational opportunities, and sustainable infrastructure.

Increasing the availability of affordable-workforce housing in the region requires everyone's involvement. If you would like to do more to improve housing opportunities for working families, contact Nikki Weinstein, Director of Citizen Engagement, at 314-622-1250 x102 or nikkiw@focus-stl.org. To download copies of this executive summary or the full report, please visit www.focus-stl.org.

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Co-Chairs

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Guest Speakers

Kevin Farrell, *Downtown St. Louis Partnership*

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For a complete listing of the FOCUS St. Louis Affordable Housing Task Force members, please visit www.focus-stl.org.