The Need for Affordable Workforce Housing

2012

Polk County Housing Trust Fund
THE NEED FOR AFFORDABLE WORKFORCE HOUSING

A Study of the Necessity of Workforce Housing in Polk County

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What is Workforce Housing?

Simply put, “[w]orkforce housing is housing for the occupations needed in every community, including teachers, nurses, police officers, fire fighters and many other critical workers.”¹ Workforce housing is also defined based on affordability; in other words, workforce housing “refers to housing that is affordable to working households that do not qualify for publicly subsidized housing, yet cannot afford appropriate market-rate housing in their community.”² The U.S. Department of Housing and Urban Development has their own definition of workforce housing – households earning between 80 and 120 percent of area median income.³ When discussing workforce housing, it is not just housing costs that must be considered, but also transportation costs as well. Regardless of which definition one picks, what is clear is that these occupations, such as fire fighters or nurses are absolutely necessary for a community. The community cannot function properly without them. Yet, because of the high housing costs, many people who provide indispensable services to the community cannot afford to live in the community they serve.⁴

In many communities there is a disparity regarding where affordable housing is located and where these vital people actually work.⁵ The lack of affordable housing near occupation centers is a problem, not only for the worker, but the employer as well.⁶ Economically the lack of affordable workforce housing in the community is a serious issue for both the worker and the employer. When there is a lack of affordable housing in a community, the employer may have a hard time retaining employees that cannot afford to live in the community; or cannot afford to
commute the long distance. This turnover, time, and training of new employees can be quite costly for the employer.

For the employee it can be economically trying as well. The economic choice facing many of these crucial workers is grim. Typically the choice comes down to one of two options; one is living in a community that one cannot afford, thus becoming severely cost burdened. The other option is to live in a more affordable area, outside the community, and commute into the community in which they work. However, at a certain distance far enough away, it is no longer economically viable to keep that job. A 2006 study by the Center for Housing Policy, found that for every one dollar a working family saves on housing, it spends another 0.77 cents on transportation costs.

The negative impact of a lack of affordable workforce housing is not just limited directly to the economy. As workers move out of the community in search of affordable housing, it increases the amount of urban sprawl, pollution, traffic congestion, and road maintenance costs to the community. In turn, these become future negative economic costs for the community. Workforce housing is one effective way of combating these various issues within a community. Workforce housing would keep essential workers in the community; this in turn would decrease the negative consequences to the economy.

**There is a Need for Workforce Housing in Polk County.**

There is a shortage of affordable, safe, and stable workforce housing for skilled entry level workers, in the Polk County area. According to a 2007 study, in Polk County less than half of the housing stock would be affordable to skilled entry-level workers. Similarly in Iowa, 24.8 percent of all homeowners are considered cost burdened. While in 2012, the Des Moines metro area ranked as the 105th most expensive place to purchase a home in the United States. The average price of a home in the Des Moines metro as of the first quarter of 2012
was 137,300 dollars. At first glance this may not seem unreasonable. Surprisingly however, the housing costs in Des Moines are more expensive than many other larger Mid-Western cities. For example, Omaha, NE ($129,500), Kansas City, MO ($124,400), St. Louis, MO ($121,000), Columbus, OH (118,000), Indianapolis, IN ($102,000), and Cleveland, OH ($92,000) are all less expensive in terms of housing costs.

The cost of housing in Iowa is not limited to home buyers; renters are affected by the market rates as well. In Iowa, 45.9 percent of all renters are considered cost burdened. As of the first quarter of 2012, it was more expensive to rent in the Des Moines metro area (about $731 per month), than it was to rent in other larger Mid-Western cities, such as Cincinnati, Cleveland, or Oklahoma City. In Iowa, in order to afford a fair market rent for a two bedroom housing unit at 30 percent of income, a worker must work 40 hours a week, 52 weeks a year at no less than $12.25 an hour. Many unskilled workers potentially make less than that; in fact in Iowa the estimated average wage for a renter is $10.29 an hour. A worker making minimum wage would need to work 68 hours per week to afford a two bedroom unit at fair market rent.

In order to afford a two bedroom rental unit in Polk County at minimum wage, a person would need 1.1 full time jobs to afford the unit. Similarly, in order to purchase a two bedroom unit in Polk County at fair market rate, at minimum wage, a person would need 1.9 full time jobs to afford the unit.

The issue of affordable workforce housing is broader than just the high housing costs. For many workers that cannot afford to live in the Des Moines metro, because of the high costs, they are forced to “drive until they qualify.” In other words, they must drive farther away from the metro area to afford housing. Unfortunately, this solution is not really a solution at all. “Families who pursue a ‘drive ’til you qualify’ approach to home ownership in an effort to reduce expenses often pay more in higher transportation costs than they save on housing thereby
placing more, not less, stress on their budgets.” Therefore, while the typical measure for housing affordability is calculated at 30 percent of income that ignores transportation costs.

The Center for Neighborhood Technology recommends that 45 percent be the new affordability benchmark. If one cannot afford housing and transportation costs at 45 percent or less of their income, then they should be considered cost burdened under this formula. When housing plus transportation costs are considered, only 39 percent of communities across the country are considered “affordable.”

Workforce housing is a way to combat driving until you qualify, and it is a way to bring down housing costs for valuable community workers, such as teachers, cops, nurses, and fire fighters that the community cannot afford to lose. Driving until you qualify for affordable housing should not be the norm in Polk County. The Des Moines metro area is considered the 17th most expensive “medium sized region” (populations of 500,000 to 1,000,000) for transportation costs. In Polk County, the average household drives an average of 21,141 miles per year. This number includes all trips, including the daily commute to and from work. This high amount of driving also means that the average household spends a large portion of their income on transportation costs. In Polk County the average household spends $14,137.68 on transportation costs. Of course, with the high amount of driving that must take place to get to and from work, greenhouse gas emissions in the Polk County area are effected as well; about 8.51 metric tons of greenhouse gas emissions are released in Polk County every year, because of the high amount of transportation.

In the Des Moines metro area the average monthly housing cost is estimated at $1,049.89; over the course of the year, the average household spends $12,598.68 on housing costs. When factoring in the cost of transportation and housing the average household in the Des Moines metro spends over $26,736 per year. The average household in the Des Moines
The Des Moines metro makes an average of $60,808.91 in income per year. The combined housing and transportation expenditures of the average household in the Des Moines metro is therefore calculated at roughly 44 percent of the household income. This number is right on the brink of what the Center for Neighborhood Technology would consider affordable. Effective workforce housing must be affordable and location efficient. Obviously it does no good if the workforce housing is not located near centers of occupation; the transportation costs will outweigh the lower housing costs. Additionally, effective workforce housing can cut down on pollution and save workers in the community money on transportation costs.

The average household in the Des Moines metro spends over $26,736 per year on housing and transportation costs. The average household income however is only $60,808.91. The Center for Neighborhood Technology estimated that 45 percent should be the demarcation line for what is considered affordable, in terms of housing and transportation costs. Therefore, in the Des Moines metro area the average household spends 44 percent of their income on transportation and housing. When using the Center for Neighborhood Technology benchmark of 45 percent for affordability, the average household is right on the edge of that number in Des Moines. However, using the traditional benchmark of 30 percent for housing affordability, it is clear that many in Des Moines could be considered cost burdened if transportation costs are included.

Many essential community workers that do not have a spouse or a second income are in an extremely burdensome financial situation. For instance in the Des Moines metro, a cashier earns $19,490 per year, custodians/maids earn $22,240 on average, a construction laborer earns $37,020, a licensed vocational nurses earn $37,710, fire fighters earn $32,170, and emergency dispatchers earn $44,020 per year. On their own these salaries of these workers compared to the average costs of just housing and transportation would clearly be cost burdened in the Des Moines metro area.
Frankly, the fact that many essential workers in the community cannot afford to live in the community they proudly serve is shameful. Workforce housing becomes even more of a pressing issue when all economic obligations are taken into account. At face value it is clear that both housing costs and transportation costs are relevant when determining who is cost burdened in the community. However, there is more to it than that. The cost of living in the community is what in the end seems to be the most probative way to determine whether a community is affordable for people working in the traditional workforce occupations.

The Iowa Policy Project put together a report based on 2011 data, which shows what is needed to survive in the community; not thrive, just survive. This is an important distinction, because this report shows what the bare bones minimum income level is for a household simply to get by every year. There is no extra money for anything; this budget covers the bare essentials. Across the State of Iowa, almost 23 percent of families earn incomes below what is needed to meet their basic needs. Furthermore, more than 25 percent of single adults fall short of meeting their basic needs as well. This means that these individuals and families must then make choices that they shouldn’t have to make. Whether that choice is moving out of the community or skipping a meal to afford transportation expenses, these are choices that Iowans should not have to make.

In 2011, the cost of living for a single parent in Iowa was $32,221 (w/ one child) or $42,471 (w/ two children). The relevant statistics measured were child care, clothing/household expenses, food, health care, rent/utilities, and transportation. Focusing on Polk County specifically, for a single person (ages 21 – 64) the cost of living per year is estimated at $19,656. For a single parent with one child the cost of living per year is estimated at $33,012 (w/ two children - $43,764), and for a married couple with one child where both parents work, as most do today, the cost is 41,328 (w/ two children - $50880). Finally, the estimated proportion of Polk County families with incomes below a basic need is 20.4
percent. Many of the typical occupations that are considered for workforce housing would be a part of the 20.4 percent of Polk County area residents who are living below a basic needs demarcation line. The bare bones cost of living analysis shows that many of these workforce occupations are cost burdened in the community.

Conclusion

The focus of this paper is on the “forgotten” subpopulation of workers. These are the people who make too much to be eligible for public housing monies, but also don’t make enough to afford market rate rent. “Workforce housing is housing for the occupations needed in every community, including teachers, nurses, police officers, fire fighters and many other critical workers.” In the Des Moines metro area, many of these workers may not make enough to live in the community they serve every day. These typical workforce occupations are absolutely necessary for a community to thrive. It is apparent that many people in the Des Moines metro area are not making enough income to even meet a basic level of need. The Polk County and Des Moines metro area communities must do a better job in offering workforce housing options for these vital workers.

As all of the numbers seem to indicate, many people in the metro area are cost burdened when it comes to housing and transportation costs. For many they must “drive until they qualify.” This should not be the solution for the Des Moines area. We can do better than that, and in the end, it really is no solution at all. In fact the increased transportation costs may even outweigh the housing savings. It is not the goal of this research paper to determine in what ways the community should offer workforce housing. Instead it is simply to illustrate the economic need for workforce housing in the Polk County and Des Moines metro areas. If Des Moines wants to continue to grow there must be measures put into place that prevent the most vital of occupations from leaving the city.
Resources

1 Housing Policy, What is Workforce Housing?, http://www.housingpolicy.org/getting_started/what.html#What+is+%22workforce+housing%22%3F (last updated Aug. 4, 2009).
3 Id.
4 Housing Policy, supra n. 1.
5 See id.
6 Id.
7 Id.
9 Id.
10 Housing Policy, supra n. 1.
11 Id.
13 Id. at 35.
16 Id.
17 Id.
18 Id.
19 Id.
23 Id. at 76.
24 Id. at 15.
25 Id. at 76.
26 Id. at 6.
27 Id.
28 See id.
29 Id. at 3.
30 See id.
32 Id. at 6.
33 Id.
34 See id.
35 Id.
36 Id.
37 Id.
38 Id.
39 Id.
40 Id.
See id.

Id.

See id.

Id.

Center for Neighborhood Technology, supra n. 25.


The Iowa Policy Project, The Cost of Living in Iowa 1, 2 (May 2012).

Id.

Id.


Id. at 3-4.

See id. at 6.

Id.

Id.

Id.

Housing Policy, supra n. 1.