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Workforce Housing: The New Economic Imperative?
By Carol A. Bell

The Need for Workforce Housing

"Workforce housing" has emerged in recent months as a concern not only of housing advocates but also policy makers and employers. 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.

Last year the National Housing Conference published "Paycheck to Paycheck: Working Families and the Cost of Housing in America," which studied the availability of decent, affordable housing for workers in five "vital occupations" in 60 of the nation's largest housing markets. Noting that administrative support and clerical occupations and service jobs account for about one-third of the nation's workforce, the analysis looked at workers in these occupations: janitors, elementary school teachers, police officers, licensed practical nurses, and retail salespersons. The report found that janitors could rent a one-bedroom apartment for no more than 30 percent of their income in only 6 of the 60 metropolitan areas, and salespersons could afford a one-bedroom on the same income standard in just 3 of the areas. The report also looked at homeownership and determined that households dependent on one elementary school teacher's or one police officer's salary alone cannot afford to buy a median priced home in two-thirds of the metropolitan areas. "Licensed Practical Nurses are priced out of all but the lowest cost-to-income markets," the report continued, "while Janitors and Retail Salespersons cannot afford to purchase a home across the board."

Demonstrating the growing level of concern about workforce housing, a crowd of more than 300—including policy makers, employers, and representatives of business groups—

attended a recent (April 2002) Workforce Housing Summit in San Francisco. And Boston Mayor Tom M. Menino, President of the U.S. Conference of Mayors, as one of his first actions when he took over USCM in May, called mayors together for a National Housing Forum to address the need for workforce housing.

Economic Implications

The shortage of housing for low- and moderate-wage workers is taking an economic toll across the country.

A study conducted late last year (2001) for the Family Housing Fund in Minnesota found a serious shortage of workforce housing in the Twin Cities (Minneapolis-St. Paul) metropolitan area. The report said: "The Twin Cities loses out on roughly \$128 million in annual consumer spending because it does not provide workforce housing to meet pent-up demand. The lack of workforce housing also causes Twin Cities businesses to lose out on an estimated \$137 million in income annually because prospective workers cannot find housing."

Long Island (New York) is the home of Levittown, once the quintessential model of affordable homeownership. But today "...children who grew up on Long Island cannot afford to live here," according to Matthew Crosson, as quoted in the New York Times. Crosson, president of the Long Island Association, a business group, also told the Times "There is no more important human or economic problem confronting Long Island today than affordable housing." The Times went on to say that "...employers have a hard time recruiting workers and paying the salaries to meet housing costs." Mr. Crosson said "We're strangling ourselves."

Some workers can only find affordable housing by living far from their jobs and enduring long commutes—which does not make for a happy workforce. Availability of affordable housing within a reasonable commuting distance is a key factor for business location decisions.

An Action Agenda

Employers are beginning to take an active role in ensuring availability of workforce housing.

The San Francisco Chamber of Commerce has organized the Workforce Housing Initiative, a partnership of employers and government agencies. In announcing the Initiative—geared to moderate-income workers—the chamber said "...many employers have reported that it is very difficult to recruit and retain workers in San Francisco." As part of the Initiative, the Chamber is establishing the San Francisco Workforce Housing Fund, which will finance second mortgages made through the Initiative to provide homeownership opportunities for workers.

Even in more affordable housing markets, concern about availability of workforce housing for critical public service occupations is triggering action. Hibernia National Bank recently launched a low-cost flexible mortgage program targeted to school teachers, firefighters, and police officers in Louisiana and East Texas.

Employer-assisted housing initiatives have gained popularity in recent years, partly in response to the diminishing availability of workforce housing. Some employers provide direct financial assistance to help their workers purchase homes, or support efforts such as the Workforce Housing Initiative, but those strategies only address the demand side of the equation.

Some employers are recognizing that it is in their own interests to help address the supply side as well. For example, the Greater Minnesota Housing Fund provides incentives for employers to contribute toward development of affordable rental housing. The Silicon Valley Manufacturers Group—an organization of employers in one of the country's most expensive housing markets—has been actively involved in housing issues for several years. Its Housing Action Coalition sends members to speak at public meetings in support of new housing developments.

The Housing Trust Fund of Santa Clara County (California) is a public-private partnership that includes "corporate investors." One of the Fund's strategies is to provide gap financing for affordable housing development projects. The Fund has raised more than \$20 million since 1999; major business contributors include Hewlett-Packard, Adobe, Intel, and media company Knight Ridder.

From NIMBY to YIMBY

Despite concern about the need for workforce housing, NIMBY ("Not in My Backyard") attitudes persist, hindering efforts to build more affordable rental and ownership housing. But some anti-NIMBYism efforts are emerging.

Most people would not think of Maine as an expensive place to find housing. Yet the Maine State Housing Authority (MSHA) is so alarmed 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. MSHA is sponsoring an advertising campaign portraying firefighters, teachers, and nurses as unable to find affordable housing in the communities where they work. Michael Finnegan, MSHA Director, commented "Many people may not realize that preventing the development of housing, over time, will eventually destroy the community's ability to accommodate economic growth."

Residents of the Parkside neighborhood in San Francisco recently "shot down a plan to build an apartment building for 15 to 20 school teachers—at least partly on fears that such 'project housing' would lead to increased crime in their neighborhood" as reported by the San Francisco Business Times. But in the same city, the San Francisco Organizing Project, composed of religious and community leaders, has established a YIMBY—"Yes, in My Backyard"—initiative to encourage affordable housing development.

When the Family Housing Fund distributed its report "Workforce Housing: The Key to Ongoing Regional Prosperity," an accompanying cover letter stated that "workforce housing is not only a sound investment, but also a critical investment for the Twin Cities' future economic prosperity." The report argued that subsidies for workforce housing would benefit the region's economy, estimating that each dollar of subsidy investment would stimulate a net gain of \$8.13 in economic benefit to the region over the next 15 years. If money talks, these figures should attract a few listeners.

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