

Workforce Housing in North Carolina Backgrounder



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Contents

What are “Workforce” and “Workforce Housing?”	Pg. 3
What makes a home “affordable?”	Pg. 4
Community Issues	Pg. 4
Shortage of highest-quality critical workers	Pg. 4
Attracting and retaining business	Pg. 5
The Problem of Sprawl	Pg. 5
Disappearing Working Middle Class	Pg. 6
Brookings Institute Study	Pg. 6
Local Economic Issues	Pg. 6
Commuting Costs	Pg. 7
Private Business/Economic Development Issues	Pg. 7
What REALTORS® are doing	Pg. 8
<i>Certified Workforce Housing Specialists</i>	Pg. 8
Affordability Gap Data: Raleigh	Pg. 8
Affordability Gap Data: Asheville	Pg. 9
Affordability Gap Data: Wilmington	Pg. 10

Workforce Housing Backgrounder

WHAT IS A “WORKFORCE” AND WHAT IS “WORKFORCE HOUSING?”

There is a growing recognition that the lack of housing options for young families, professionals, service personnel, and critical workers is a major concern for communities.

Recent research on working families and critical housing needs conducted by the Center for Housing Policy, the research affiliate of the National Housing Conference, concluded that the number of America’s working families paying more than 50% of their income for housing has grown by 76% in just over half a decade. A communities’ ability or inability to meet the housing needs of these working families can seriously impact stability and economic viability. As a result the state is negatively affected.

“Workforce” refers to jobs in our communities at which employees earn 50% to 120% of area median household income (AMI) in the given MSA. Many of these are key jobs and the people critical workers:

- Police patrol officers
- Fire fighters
- Teachers and aides
- Nurses and health care workers
- Home healthcare workers
- Eldercare workers
- Childcare workers
- Social workers
- Medical technicians



Other jobs in the second tier of Workforce Housing candidates include: Security guards, nurse’s aides, educational assistants, accountants, maids, call-center workers, bank tellers, cooks, food preparation workers, waiters and waitresses, cashiers and pharmacy assistants, hair dressers and manicurists, hotel receptionists and clerks, ambulance drivers, poultry, fish and meat processors, sewing-machine operators, laundry and dry-cleaning operators, and agricultural workers.

What makes a home “affordable?”

Based on criteria set by mortgage lenders, the Department of Housing and Urban Dev. (HUD) concludes that no more than 30% of household income should be allocated to housing Principal, Interest, Taxes and Insurance (PITI). Typically, pricing calculations that define Workforce Housing use 30% of household income as the maximum threshold of affordability.

Seven out of ten U.S. communities are considered “affordable” to the typical household. But, in almost all metro regions of the country, when the definition of affordability includes both housing and transportation costs—at 45% of income—the



number of communities affordable to households earning the area median income decreases significantly. Nationally, the number of affordable communities declines to 40 percent, resulting in a net loss of 48,000 neighborhoods with combined housing and transportation costs that stress the average family's budget.

Ideally, Workforce Housing aims at satisfying the housing needs of family households earning 50% to 120% of area median household income (AMI) in a given MSA. Ideally, Workforce Housing aims at providing for-ownership single-family homes priced and financed in 30-year fixed-rate monthly terms equal to approximately 15% to 30% of median household income within a given MSA.

COMMUNITY ISSUES

Shortage of highest-quality critical workers

Homeownership affordability findings for critical workers reveal that police officers cannot afford to purchase the median-priced home in 86 (41%) of the 208 U.S. homeownership markets studied (none of our three NC pilot MSAs), elementary school teachers in 83, and licensed practical nurses in 146, janitors in 202, and retail salespeople in 207.



Today, [2007] fewer than half of Seattle’s workers live in the city. Senator Patty Murray calls this lack of affordable housing a “silent epidemic.”

Attracting and retaining business

Richard Syron, Chairman and CEO of Freddie Mac, says, “the workforce housing issue...affects our companies, our transportation systems, our environment, our zoning, and, of course, the family lives of our people. And, ultimately, it forces us to ask what kind of society we want to be, and what kind of communities we want to have.”

According to a 2005 Harvard University study: Driven by rapidly increasing housing costs in some markets, workers have had to live further and further away from their places of employment to find housing that they can afford. In some markets, the mismatch results from employers moving out of urban areas and into suburban areas, putting more distance between relatively low-wage jobs and workers who remain in cities because they cannot afford suburban home prices. From the business perspective, the mismatch—whatever its cause—places a burden on employees that can affect retention and productivity.

When you consider where companies are locating in suburban, even rural settings, it is increasingly evident the trend of people following jobs has been turned on its head, and as one public policy consultant put it, “the jobs are now following the people.”

The Problem of Sprawl

Cities experience more and greater sprawl, leading to factors that negatively affect the quality of life for all residents in the community and outlying areas:

- Increased traffic congestion
- Longer commutes that steal time from family and work productivity
- Built-in costs of owning, maintaining and insuring multiple automobiles per household
- Dependence on gasoline and no transportation alternatives to offset rising gas prices
- Sprawl contributes heavily to air and water pollution
- Sprawl can lead to higher taxes needed to pay for public services—schools, libraries, police and fire departments—to cover larger service areas
- Excessive public costs for infrastructure—new and extended roads and utility lines to dispersed development
- Decline in economic opportunity in existing towns and cities
- Premature disinvestment in existing buildings, facilities and services in urban and village centers
- Relocation of jobs to peripheral areas at some distance from population centers
- Isolation of employees from activity centers, homes, daycare and schools
- Reduced ability to finance public services in urban centers

- Heavy vehicle use contributes to respiratory & cardiovascular disease, overall mortality
- Declining physical activity due to sedentary lifestyles has been linked to rising incidence of obesity, diabetes and associated ailments
- Increased time spent in traffic increased risk of traffic crashes and pedestrian injuries
- Sprawl eliminates the traditional communal places of neighborhoods and towns: the town square, village green, town center, main street and traditional gathering places for social contact, economic activity and civic engagement are all lacking

DISAPPEARING WORKING MIDDLE CLASS

Brookings Institute Study

Please see:

http://www.brookings.edu/metro/pubs/20060622_middleclass.pdf

According to Stacey D. Stewart, President and CEO of the Fannie Mae Foundation, decline of this younger, working middle class signals bad news for many communities. Without a satisfied and supportive middle class striving to realize the promise of economic advancement, a key plank of capitalist theory, and in turn, democratic culture, is threatened.

LOCAL ECONOMIC ISSUES

Economic development competitiveness is seriously affected by lack of housing for critical workers. Even high wage industries require numerous lower-wage support employees. For example, physicians, lawyers and business executives require receptionists, technicians and cleaners.

If a community has a high cost of living, businesses may have difficulty filling positions, be forced to pay higher wages, have higher turnover, and more employees working multiple jobs, reducing their availability and work quality.



For example, if basic transportation and housing costs are \$300 per month higher than other communities, local employers must pay an extra \$1.88 per hour. If these costs are \$700 per month higher, employers must pay an

extra \$4.38 per hour.

Commuting Costs: A recent Greenwich, Conn. study

The average employee in this study consumes 455 gallons of gasoline driving to work each year, assuming an average consumption rate of 22 miles per gallon. At a rate of \$4.00 per gallon, this equates to over \$1,800 per employee or approximately \$6,820,000 for the 3,743 commuters. This does not include additional costs of driving, just fuel. Based on the miles driven, the non-residential workforce generates 4 tons of carbon dioxide (CO) per employee, or over 15,000 tons total per year.

PRIVATE BUSINESS/ECONOMIC DEVELOPMENT ISSUES

It's no secret businesses look to locate in areas with good quality of life for their employees and an environment welcoming to business and industry. Businesses commonly cite five main reasons for relocating, according to Sharon K. Ward, an economic development consultant in Allentown, Pennsylvania. These are labor and work force issues, the desire to reach new markets, the need to upgrade facilities or equipment, the desire to lower costs or increase cash flow, and considerations about quality of life.

One of the highest priorities businesses—especially smaller, more tightly run companies—consider when choosing a location is the availability of a reliable labor force. According to Fannie Mae's H. Beth Marcus, director of the National Community Lending Center in Washington, they may simply look elsewhere if there is no pool of employees living near the proposed location.

“When I moved my business into Brooklyn 20 years ago, 20 percent of my workers were from the neighborhood. Now less than 2 percent are, and it's because of the cost of housing. We have had to shorten our working hours due to commuting times. The situation hurts us,” noted participant Norman Brodsky, President of Citistorage, Inc., in Brooklyn N.Y.

“The average cost and overhead to fill a vacant position is about \$2,500, which may be low, but if we turn over 15 percent of our workforce with two or more years of service, we incur about \$26 million in associated costs,” says Ken Kimbro, Senior Vice President of Human Resources at Tyson Foods, Inc.

WHAT REALTORS® ARE DOING

REALTORS® are committed to the long-term viability and success of their communities. Many are receiving extra training and a highly specialized education to become Certified Workforce Housing Specialists so they may help the struggling working middle class neighborhood heroes in Raleigh, Asheville, and Wilmington own their own homes in the community they serve. REALTORS® are committed to serving and saving our everyday, neighborhood heroes.



Homes4NC, with the help of its parent organization, North Carolina Association of REALTORS® and corporate partner, Bank of America, is aggressively working to meet the need by establishing pilot Workforce Housing programs in three NC cities: Asheville, Raleigh and Wilmington. The pilot program has three goals:

1. Providing a thorough education and training program for REALTORS® to achieve official certification as Workforce Housing Specialists, thus helping more families buy homes in their communities;
2. Educating and informing potential homebuyers through a REALTOR® network about financial programs, tools, and available housing options that can help address the problem of affordability in their communities;
3. Helping bring state, regional and city government, civic and business leaders, and employers' attention to bear on the problem.

AFFORDABILITY GAP IN THREE PILOT NC METROPOLITAN STATISTICAL AREAS

RALEIGH

2009 Median Priced Home: \$199,000

Income needed to purchase: \$59,403

Sample Median Annual Salaries

Nurses (LPN) \$39,772

Police Patrol Officer \$49,991

Fire Fighter	\$40,606
Elem. School Teacher	\$50,590
Sec. School Teacher	\$52,751
Retail Salesperson	\$22,205
Day Care Teacher	\$27,593
Janitor	\$24,469
Accountant	\$50,564
Urban Planner	\$41,196
Family Social Worker	\$44,591
Home Health Aide	\$23,014
Bank Teller	\$25,707

ASHEVILLE

2009 Median Priced Home:	\$180,000
Income needed to purchase:	\$53,731

Sample Median Annual Salaries

Nurses (LPN)	\$36,439
Police Patrol Officer	\$45,802
Fire Fighter	\$37,203
Elem. School Teacher	\$46,351
Sec. School Teacher	\$48,330
Retail Salesperson	\$20,344
Day Care Teacher	\$25,281
Janitor	\$22,419
Accountant	\$46,327
Urban Planner	\$37,743
Family Social Worker	\$40,854
Home Health Aide	\$21,085
Bank Teller	\$23,553

WILMINGTON

2009 Median Priced Home: \$223,697

Income needed to purchase: \$66,775

Sample Median Annual Salaries

Nurses (LPN)	\$37,290
Police Patrol Officer	\$46,331
Fire Fighter	\$37,382
Elem. School Teacher	\$46,695
Sec. School Teacher	\$47,760
Retail Salesperson	\$21,682
Day Care Teacher	\$25,885
Janitor	\$22,210
Accountant	\$47,562
Urban Planner	\$39,528
Family Social Worker	\$42,535
Bank Teller	\$25,659

SOURCE: Data on the median-priced home are from the National Association of Home Builders' Housing Opportunity Index for the fourth quarter (4Q) of 2009. The annual income needed to qualify for a mortgage was calculated using the average prevailing interest rate, assumes a 10 percent down payment and the use of private mortgage insurance, and includes principal, interest, taxes and insurance. Wage data are as of November 2009 and were obtained from a proprietary database of salary information by geographic location maintained by Salary.com. Information provided by Center for Housing Policy, *Paycheck to Paycheck: Wages and the Cost of Housing in America*.

MORE INFORMATION

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MEDIA CONTACT

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