

Workforce Issues in Affordable Housing

Michael Skipper

As others from the Housing Policy Roundtable have described, the lack of affordable housing supply is placing tremendous pressure on individuals in our basic workforce in Delaware. There are few houses selling for less than \$150,000. There is increasing competition for those houses, and prices are rising rapidly. Even with mortgage interest rates at 40-year lows over the last two years and bank mortgage products with ever greater flexibility, professionals such as teachers, police persons, fire fighters and clerical workers are finding it more difficult to buy or rent decent, quality housing.

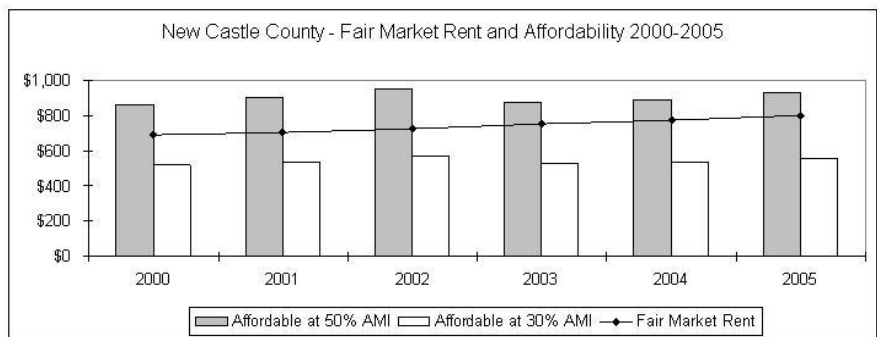
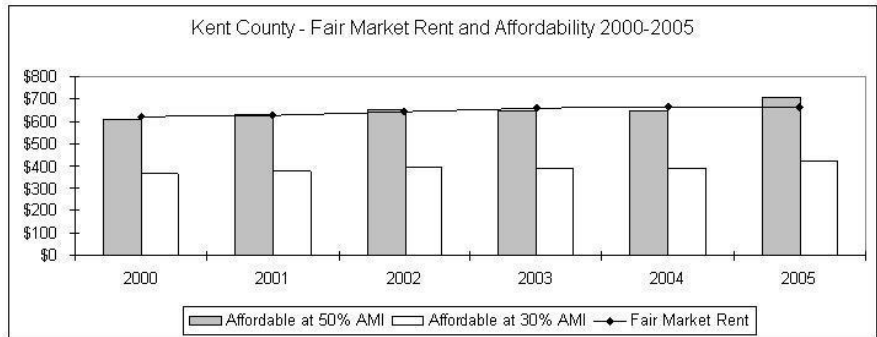
Let me give a couple of examples: A teacher with a salary of \$34,300 and no other debt would qualify for a 100% mortgage for a property selling for \$185,000 with a special first-time homebuyer rate of 5%. That sounds pretty good. However, that same teacher with \$350 in monthly debt for a car or other items would only qualify for a \$133,000 house at the special rate or \$120,000 at the prevailing market rate of 6%.

A New Castle County policeman with a salary of \$43,000 per year and \$350 in monthly debt would fare somewhat better and could qualify for a house at \$182,000 at the 5% discounted rate or \$165,000 at a 6% market rate.

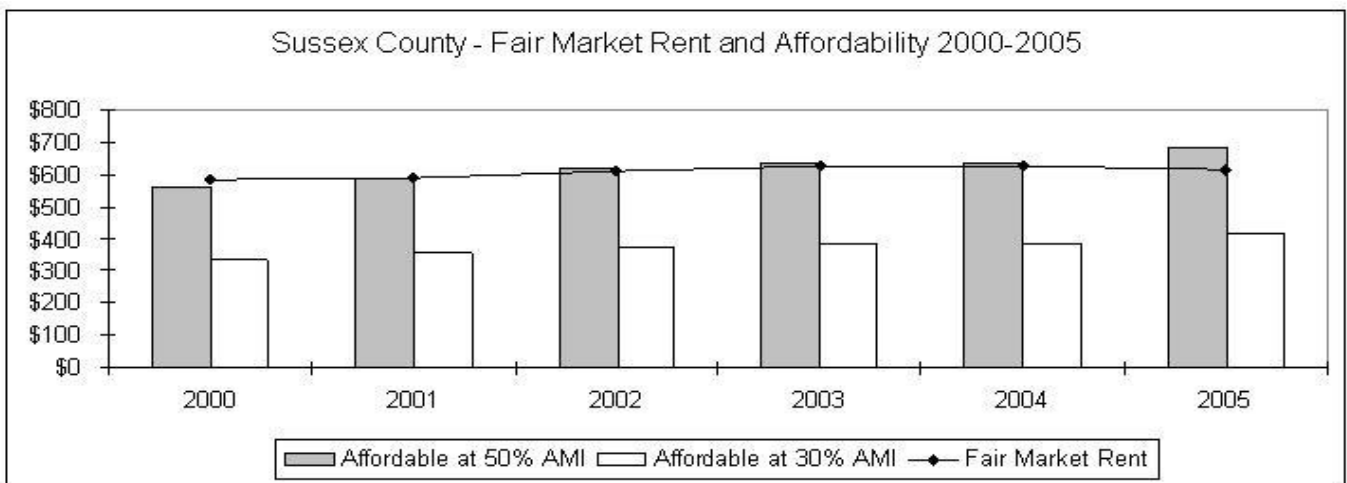
The real crunch comes with hourly workers. Assume a worker with an hourly rate of \$15, over twice the minimum wage. The most expensive house that person could qualify for would be \$115,000, even at a discount rate and with no other debt.

Of course, dual incomes would

improve these scenarios, but many of the people in our workforce are single or single heads of household and can not rely on a second income. Some of the legislators have surely faced this dilemma with their own children or other family members as they enter

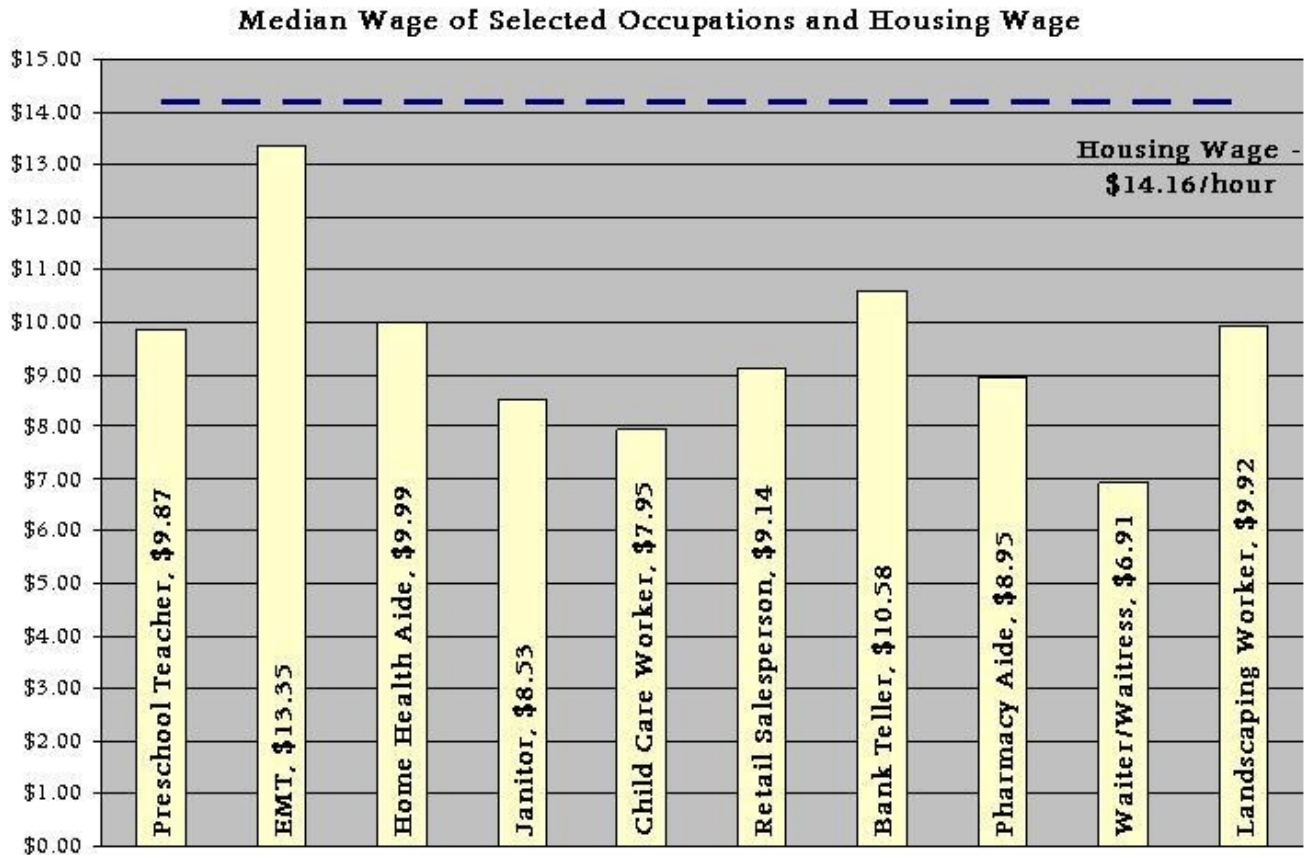


Sources: U.S. Dept. Of Housing and Urban Development.



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Sources: National Low Income Housing Coalition and Delaware Department of Labor.

their twenties and try to find a place to buy. The same type of scenarios are happening in the rental market.

The long-term effect of the lack of affordable housing is more difficult to measure. Although the Delaware unemployment rate has been historically low, if workers are not able to find affordable housing, they choose to live elsewhere. In order for Delaware to continue have a strong economic base, continual steps must be taken to assure that individuals and

families in our key workforce can have a decent, affordable place to live.

Summary

We recognize that the housing issues we have described today are complex and will require many and varied solutions. We will be working, hopefully with the legislature and the Delaware State Housing Authority, to develop longer-term steps to address the supply, production and financing issues highlighted today.

However, I want to reiterate, on behalf of the Roundtable, that we are asking for one specific thing today. We ask that the legislature appropriate an additional \$8 million into the Housing Development Fund during this session. This additional appropriation will provide immediate funds which can be leveraged to provide needed affordable housing opportunities for the workforce in Delaware.

Michael Skipper is Vice President of Wilmington Savings Fund Society. This article is taken from remarks made at a luncheon workshop at Legislative Hall in Dover on June 8, 2005.