

WHEN WORK DOESN'T PAY:

The Challenge of Housing Our Essential Workforce



In the thirteen-county Metropolitan Louisville Region, there is a significant gap between what workers *earn* and the *cost of safe, decent housing*. This gap creates a local affordable housing crisis for working people and families.

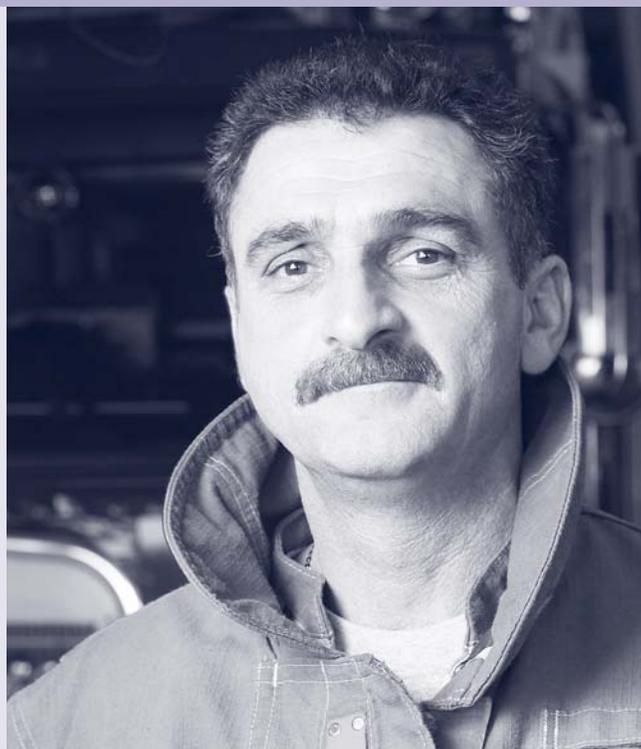
We are a community that relies on the work of nurses, child care workers, teachers, fire fighters, and many other essential laborers. However, the median wages of a child care worker, a janitor or a teacher assistant make a two-bedroom apartment in the Metro Louisville Region unaffordable.

Workers performing vital services such as educating our children, maintaining public safety, or caring for our aging, find that owning a home is difficult or impossible in the communities they serve. A fire fighter, police patrol officer or licensed practical nurse making median wages cannot afford to purchase a median priced home.

In 2004, the Metropolitan Housing Coalition reported that homeownership for first-time homebuyers has become more affordable. However, this report finds that, despite low interest rates and home prices that are comparatively reasonable for an urban area, there are whole categories of wage earners for whom homeownership remains out of reach.

To bolster the region's continuing economic growth, it is essential that housing at all price points be available in every neighborhood. This requires partnership among the business and financial sectors, local government, and Metro Louisville citizens. This paper discusses the ways our community suffers when workers essential to the economy do not earn enough to participate in the housing market.

The federal definition of **affordable** housing is that a family pay no more than 30 percent of their income for housing and utilities combined.



Fair Market Rent in the Louisville, KY-IN Metropolitan Region

Location	Cost of 2 Bedroom Apartment	Annual Income needed to rent a 2 Bedroom Apartment
Louisville, KY-IN MSA	\$597	\$23,880
Bullitt County	\$597	\$23,880
Clark County	\$571	\$22,840
Floyd County	\$404	\$16,160
Harrison County	\$472	\$18,880
Henry County	\$537	\$21,480
Jefferson County	\$597	\$23,880
Meade County	\$466	\$18,640
Nelson County	\$486	\$19,440
Oldham County	\$597	\$23,880
Shelby County	\$564	\$22,560
Spencer County	\$537	\$21,480
Trimble County	\$537	\$21,480
Washington County	\$442	\$17,680

Source: National Low Income Housing Coalition. *Out of Reach 2004*. Fair Market Rent is the U.S. Department of Housing and Urban Development's (HUD) best estimate of what a household seeking modest rental housing must expect to pay for rent and utilities in the local market. Fair Market Rent data are FY 2005 FMR levels from the HUD web site at: www.huduser.org/datasets/fmr.html.

Wages and Housing Costs

- ▶ In the Metro Louisville region, a full-time (40 hours per week) worker must earn \$11.48 per hour in order to afford a 2-bedroom apartment.¹
- ▶ Twelve of the twenty fastest growing occupations in the Louisville region do not provide workers with incomes that enable them to rent a 2-bedroom apartment. These include retail salesperson, child care worker, and home health aide.²
- ▶ One third of *renters* in the Metro Louisville region pay more than 30 percent of their incomes on housing, an excessive housing cost burden.
- ▶ The rent for a 2-bedroom apartment would consume 44% of a child care worker's monthly income.
- ▶ A teacher assistant with median level earnings in that field can afford to pay \$455 a month for housing in Metro Louisville. The current fair market rent for a 1-bedroom apartment is \$503.
- ▶ Fire fighters in the city of Louisville Metro earning median wages can afford to purchase a home valued at about \$94,000, which excludes them from buying a median priced home in 13 of the 26 Metro Council Districts.³

¹National Low Income Housing Coalition. Out of Reach 2004.

²Kentuckiana Works, 2004. Kentuckiana Occupational Outlook. Labor market research by University of Louisville and the University of Kentucky. Available on-line at <http://www.kentuckianaworks.org/outlook/default.asp>

³Median wages for a Jefferson County fire fighter (\$26,760). Kentuckiana Works, 2004. Kentuckiana Occupational Outlook. Louisville Metro Council District house values based on 2000 U.S. Census median house values. Housing affordability analysis by Metropolitan Housing Coalition. Housing affordability map available on-line at www.metropolitanhousing.org.

Income Required for Louisville Region's Essential Workers to Rent or Buy a Home

Job	Median Yearly Income Full-Time Worker	Maximum Monthly Amount Can Afford For Shelter ⁴	Percentage of Income Required to Rent 2-Bedroom Apt.	Percentage of Income Required to Own Median Priced Home
Child Care Worker	\$15,930	\$398	44%	68%
Janitor	\$17,160	\$429	41%	63%
Preschool Teacher	\$17,240	\$431	40%	63%
Teacher Assistant	\$18,220	\$456	38%	60%
Retail Salesperson	\$19,290	\$482	36%	56%
Home Health Aide	\$19,820	\$496	35%	55%
Bank Teller	\$20,290	\$507	34%	54%
Emergency Medical Technician and Paramedic	\$23,400	\$585	30%	46%
Fire Fighter	\$25,080	\$627	28%	43%
Bus Driver	\$26,410	\$660	26%	41%
Police or Sheriff's Patrol Officer	\$33,140	\$829	21%	33%
Nurse (LPN)	\$34,120	\$853	20%	32%

Wage data are from the U.S. Bureau of Labor Statistics, May 2004 Metropolitan Area Occupational Employment and Wage Estimates.

To measure mortgage capacity, mortgage payments based on a 30-year conventional fixed-rate loan with a 5 percent downpayment. Mortgage amount includes principle, interest, taxes, and insurance. Interest rate based on prevailing interest rate of 5.625 percent, May 2005.

⁴The U.S. Department of Housing and Urban Development defines affordable housing as paying no more than 30 percent of monthly income for housing and utilities combined.

Hourly Wage Needed to Rent an Apartment Compared to Wages of Essential Workers in the Louisville Region



Source: Center for Housing Policy

Rental data are from the U.S. Department of Housing and Urban Development's report on Fair Market Rents for the year 2003 and are based on a survey of recently occupied units. The Hourly Wage Needed to Afford is the hourly wage that must be earned so that this rent does not exceed 30 percent of income, a standard measure of affordability. It is based on a concept developed by the National Low Income Housing Coalition.

Wage data are from the U.S. Bureau of Labor Statistics' Occupational Earnings Survey as of 11/30/2003. While the current fair market rent data indicate a rise in rental costs, 2003 wage data are the most recent available. Therefore, for comparison purposes, we use 2003 fair market rents in relation to 2003 wages.

The price of limited housing options

The region's continued economic growth, the lives and opportunities of our children, and the long-term health of our neighborhoods are each dependent on closing the gap between housing costs and wages.

Essential workers are a critical asset to our community.

Consider our community's reliance on child care providers. Working parents across all sectors of the economy depend on reliable, quality child care. By 2012, the number of child care workers in the region is projected to grow from 2,700 to 3,600, an increase of about one third.

Yet, child care workers cannot afford to rent or own in the broad range of neighborhoods where child care is needed. The median hourly wage for child care workers is \$7.66 an hour. At that rate of pay, a child care worker would have to work 57 hours a week to purchase a \$70,000 home, which is about half the median price for the Metro Louisville region. Buying a home at this price would severely limit that worker's choice of neighborhood in the metro region.

Our children thrive in safe, decent and affordable housing.

Stable housing in our neighborhoods helps children learn and contributes to a healthier family life. Students who move from home to home and change schools are more likely to miss school and have academic problems than their peers who have

dependable housing.⁵ When parents cannot find housing near their jobs, they may take on long commutes, which can be costly and take important time away from their children at home and at school.

In the thirteen-county Metro Louisville region, 26 percent of *renters and homeowners* combined, or nearly 80,000 households, pay more than 30 percent of their incomes for housing.

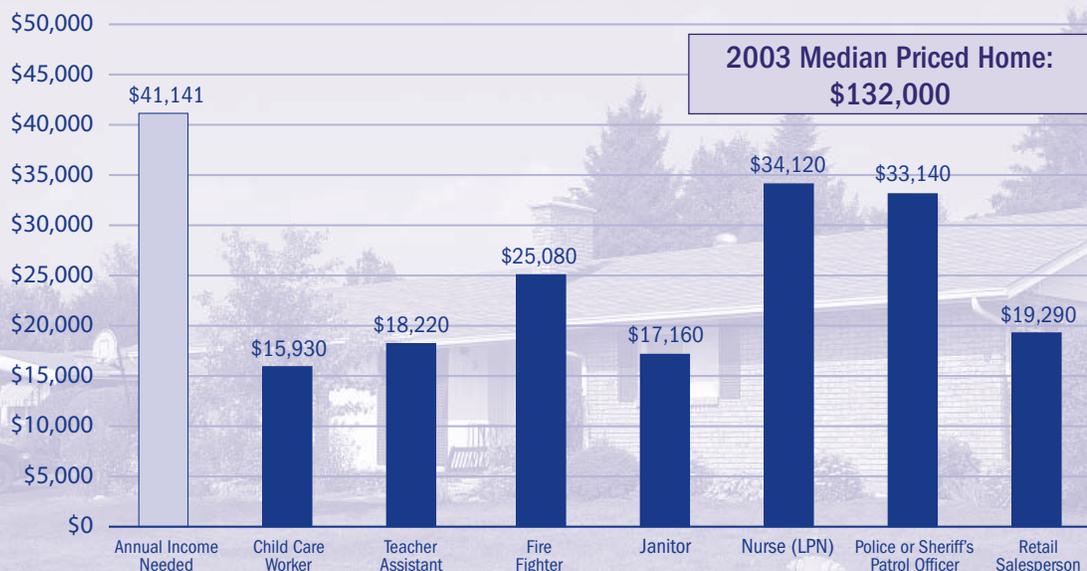
A strong and thriving local economy relies on appropriate housing affordable to our workforce.

Affordable rental housing, starter homes, and larger family homes should be accessible to working families in neighborhoods across the region.

Across the country, cities are investing in existing housing stock and providing incentives for workers to plant their roots in both established and emerging neighborhoods. Through strategic planning and critical partnerships, cities such as Cleveland have enhanced their economic development. The Cleveland Housing Network, funded through local public and private sources, contracts, and corporate sponsors, is ensuring that potential employers can count on stable, convenient housing for employees near their work sites.

⁵ Metropolitan Housing Coalition, 2004. Moving On: Student Mobility and Affordable Housing.

Median Wages Compared to Income Needed to Purchase a Median Priced Home in the Louisville Region



Source: Center for Housing Policy

Data on the median-priced home are from the National Association of Realtors' report on Existing Home Sales as of 12/31/2003. 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 from the U.S. Bureau of Labor Statistics' Occupational Earnings Survey as of 11/30/2003.

*Police or Sheriff's Patrol Officer is a category of law enforcement officer that includes duties of maintaining order, enforcing laws and ordinances, and protection of life and property in an assigned patrol district, and can include apprehension and arrest of suspects. This occupation does not include detectives and criminal investigators, first-line supervisors or managers of correctional officers.



Metropolitan Housing Coalition
P.O. Box 4533
Louisville, KY 40204-4533
(502)584-6858
www.metropolitanhousing.org

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Community solutions for a community need

There is a significant gap between what workers earn and the cost of safe, decent housing. To reduce this gap, there are two solutions — to increase wages and to create new sources and forms of housing subsidy to provide low-cost housing.

Increase Wages

Today's federal minimum wage of \$5.15 an hour is worth 26 percent less in purchasing power than it was just 25 years ago. For instance, had the minimum wage kept its 1979 purchasing power, it would be almost \$7.00 an hour today.⁶ Yet, the rise in housing costs has outpaced the increase in the minimum wage.

Living Wage Campaign – Local governments have responded to living wage campaigns by adopting ordinances to raise wages of their essential workforce. In 2002, Kentucky Jobs With Justice led a successful campaign that would have required a \$10.50 an hour wage by 2005 for city employees and many with city contracts. That success was short-lived. Louisville's merged government instead adopted a \$9.00 an hour wage that covers fewer workers.

Create New Sources and Forms of Housing Assistance

The affordability gap has only been partially addressed through federal assistance such as the **Community Development Block Grant (CDBG)** and **Section 8 rent assistance**, both of which are underfunded and facing further cuts. A **State Affordable Housing Trust Fund** exists, but has unstable and inadequate funding. We need these programs.

Our community must address the affordability gap with local initiatives. The **Alternative Development Incentive** section of the Louisville Metro Land Development Code gives private developers flexibility to build housing at different price points. However, its effectiveness has been undercut by burdensome restrictions. All thirteen counties in the region should adopt effective incentives to build housing for their essential workforce.

Non-Profit Housing Developers address the affordability gap and help revitalize neighborhoods. Local governments should build the capacity of these engines of affordable housing creation.

Local Affordable Housing Trust Fund. Nationally, over 250 local governments know housing trust funds are a proven way to provide housing for their essential workforce. These funds provide locally targeted and managed revenue for affordable housing through zero-interest loans, gap financing, and other initiatives. Revenue for a local housing trust fund must be from a dedicated, renewable source and have citizen input. Our community should create a local housing trust fund to ensure workforce housing.



Since Charlotte began work at a Louisville child care center, she has seen many young children from her class go on to school. Charlotte has held various jobs over the past 26 years, while she raised her three children, but says this job is special. "It's a great feeling to see how well the children are doing once they start school. And parents appreciate the teachers — they let you know."

Though Charlotte's work gives parents the confidence to go to their jobs, Charlotte was never able to buy a home for her family on her wages.

In 2002, Charlotte bought her first home through Habitat for Humanity, with a no-interest loan and building cost support. Before buying her home, Charlotte was paying \$400 a month for a 2-bedroom apartment, which made her apartment barely affordable. Now, Charlotte owns a beautiful 3-bedroom house and pays \$283 each month, including taxes, which gives stability to this essential worker and allows her to fully participate in her community.

⁶ Economic Policy Institute, 2005. Minimum Wage Issue Guide. Available on-line at http://www.epi.org/content.cfm/issueguides_minwage_minwage.