

HOW WE LIVE
WHERE WE LIVE

Duval County's Housing Dilemma



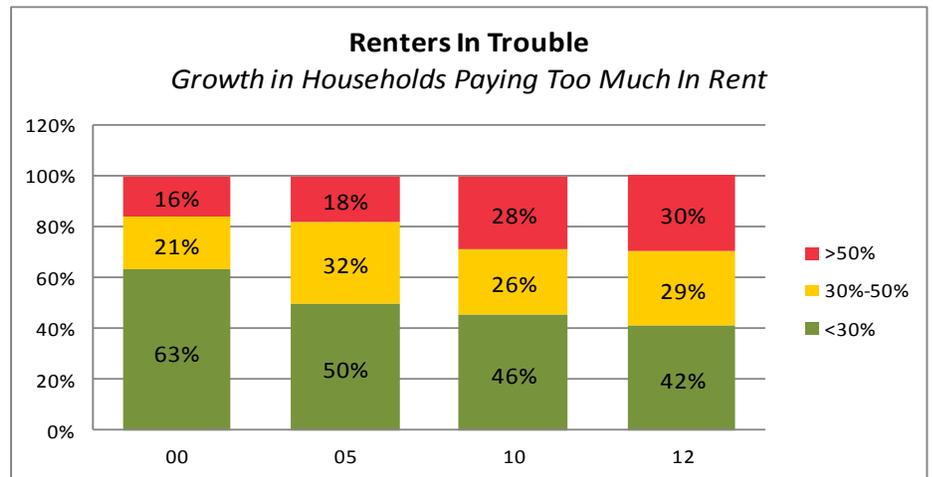
The Growing Crisis Confronting Renters, And How We All Will Feel the Consequences

Though conversations about housing frequently focus on home ownership, renters are an important part of the economic fabric of our community.

Indeed, most of us are renters at some point in our lives, most often as we are entering or exiting the economic mainstream -- young adults entering the workforce, young families establishing ourselves in the community or elderly residents trying to downsize.

In the past decade, almost half of the new households established in Duval County have been renter households. With growing frequency, those renters are struggling to find rental units that are within their budget.

*In fact, the rental market in Duval County is in crisis: **In 2012, one out of two renters spent so much of their income on rent that they put themselves and their families in financial jeopardy.***



More Duval County renters struggle to make ends meet: In 2000 only 16% of renters paid more than 50% of their income in rent. By 2012, almost one-third of renters were paying 50% or more of their income for rent, leaving too few dollars to pay for food, transportation, child care, health care and other necessities.

HOW RENTS AND RENTERS HAVE CHANGED SINCE 2000

This rental crisis is driven by one of two things: wages that are too low or rents that are too high. In Duval County in the last decade, both trend lines — rents and wages — moved in the wrong direction.

STAGNANT INCOMES — In 2000, the median household income for renters in Duval County was \$28,123. By 2012 (most recent data available), it was \$29,966. That looks like a 7% increase.

In inflation-adjusted dollars, however, the renter median household income actually declined 23% in that period, dropping from \$38,754 to \$29,966 (in constant 2012 dollars).

The Great Recession is responsible for most of the income losses. While most people were negatively impacted by the recession, renters were especially hard hit, as they tend to be younger, less well paid, less established in their working life and, therefore, more likely to be unemployed for some period of time.



Homeowners, who tend to be older and more financially established, saw a smaller (17%) decline in income.

RISING RENTS — While renter income declined, rents increased 39%, to \$893 a month in 2012. Adjusted for inflation, the median rent increased 7% from 2000 – 2012 (in constant 2012 dollars).

THE RESULTING CRISIS — With renters' inflation-adjusted incomes dropping 23% and rents rising 7%, we have a growing gap between what renters can afford and what is available in the market.

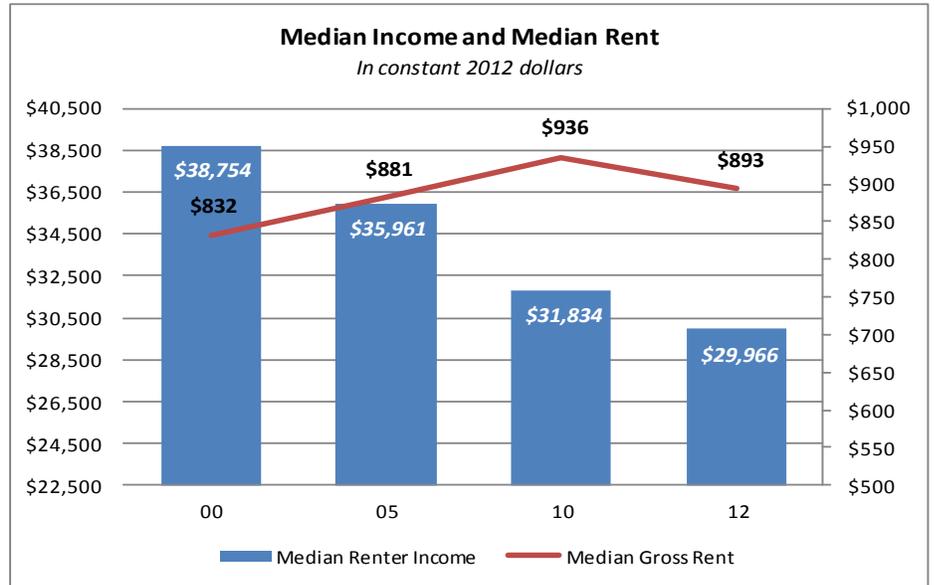
THE EXPANDING MARKET OF RENTERS AND RENTALS

As household incomes in Duval County declined during the decade, the foreclosure crisis converted many homeowners into renters. At the depths of the recession, Florida had the third highest foreclosure rate in the nation. In Duval County, one out of every 24 housing units received at least one foreclosure notice in 2010.

Meanwhile, extremely tight credit delayed the purchase of homes by first-time buyers, forcing them to continue renting.

Between 2005 and 2012, the number of renter households in Duval County grew by 12% while the number of owner households *declined* by 9%. In all, from 2000 – 2012, there was a total increase of 21,038 renter households.

The local homebuilding industry was not blind to this increased demand. Construction of rental units boomed



during the decade, increasing the number of rental units by 15% — 18,756 new units.

It may appear that Duval County produced close to enough rental units to meet increased demand. Unfortunately, the newly added rental units were generally too expensive for large numbers of the renter population.

Not only did new properties coming online carry higher rents, existing properties that carried some type of rental assistance began to go off the market in the second half of the decade. From 2007-2011, more than 1,000 units with rental assistance left the market — either being abandoned or converted to market-rate rents.

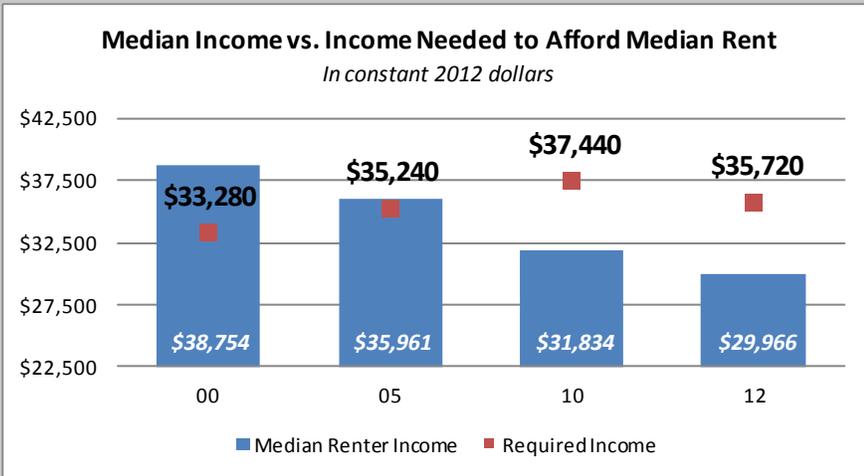
The bottom line is this: though the market may have added enough supply to meet demand, much of the supply was priced too high for those who needed it.

WHAT IS AVAILABLE FOR LOWER-INCOME RENTERS IN DUVAL COUNTY?

The frequent perception is that Duval County has an abundance of public, affordable and/or assisted housing available for low-income renter households.

In fact, that is not the case.

PUBLIC HOUSING is available for extremely low-income individuals and families — but in extremely limited numbers. There are 2,789 public housing units owned by the Jacksonville Housing Authority, and there is an extensive waiting list. According to the Housing Authority's website, wait times can range from a low of 4 months for a 4-5 bedroom unit, to a high of 48 months for a 1-2 bedroom unit. For those who do access public housing, the renter must pay 30% of the household's income in rent.



HOW DO WE KNOW WHAT RENTERS CAN AFFORD?

For renters — and for homebuyers, for that matter — the rule of thumb is this: to maintain household financial health, spend no more than 30% of your household income on gross rent.

Observing that rule ensures that there are adequate funds available for other expenses, such as food, clothing, transportation, child care, health care, insurance, taxes and so forth.

In a market where the median rent is \$700 a month, for example, a renter household should earn at least \$28,000 to stay within the 30% guideline.

But in Duval County in the past decade, as median household income fell and median rents rose, it became increasingly difficult for renter families to meet the 30% guideline.

As the chart illustrates, from 2000-2005, the household income needed to wisely afford median rents was comfortably below the median household income for renters. But by 2010, the income needed to wisely afford median rents was significantly higher than the median household income for renters. At the

mid-point of the market, renters could not afford the rent and stay within the 30% guideline.

In the face of this gap, households stretch the budget. They spend more than 30% of their income on rent.

The chart on Page 1 shows the dramatic shift in renter household financial health since 2000. At the start of the decade, two out of three renter households were on solid financial footing. A decade later, only half were.

Renter households in financial straits can swell the lines at the food pantry and the soup kitchen, increase demand for emergency assistance to pay the utility bill and show up in the emergency room without health insurance. Their children may lack the resources needed for school and appropriate care during the day. Renters in this market — whether hard-working families, young people making entry-level wages, the elderly or the disabled — all find it tougher and tougher to make ends meet.

HOUSING CHOICE VOUCHERS are HUD-funded vouchers issued to low-income families to enable them to find affordable rentals on the private market. The supply is limited -- 7,292 vouchers are available for Duval (some of which may be used in surrounding counties). A renter using a voucher pays 30% of household income for rent, with the public housing authority paying a subsidy directly to the landlord to make up the difference.

ASSISTED RENTALS are privately-owned rental housing units where the owner and/or developer receives subsidies from federal, state or local government in exchange for maintaining restrictions on tenant incomes and rents. For example, a developer may build an apartment complex where all or some of the units are designated for tenants whose household incomes are within certain ranges. A variety of government-supported mechanisms may be used to bridge the gap between what the tenant pays and what the fair-market rent on the unit might be. In Duval County, there are 20,631 assisted rental units.

Combined, there are about 29,000 assisted rental units in Duval County. However, in 2011 there were more than 32,000 renter households that earned less than 30% of the area median income, suggesting the need outpaces the available inventory.

We know that the lower the income, the greater the shortage of rental units that are both affordable and available. For every 100 tenants with incomes under \$17,500, there are 38 units that are both affordable and available.

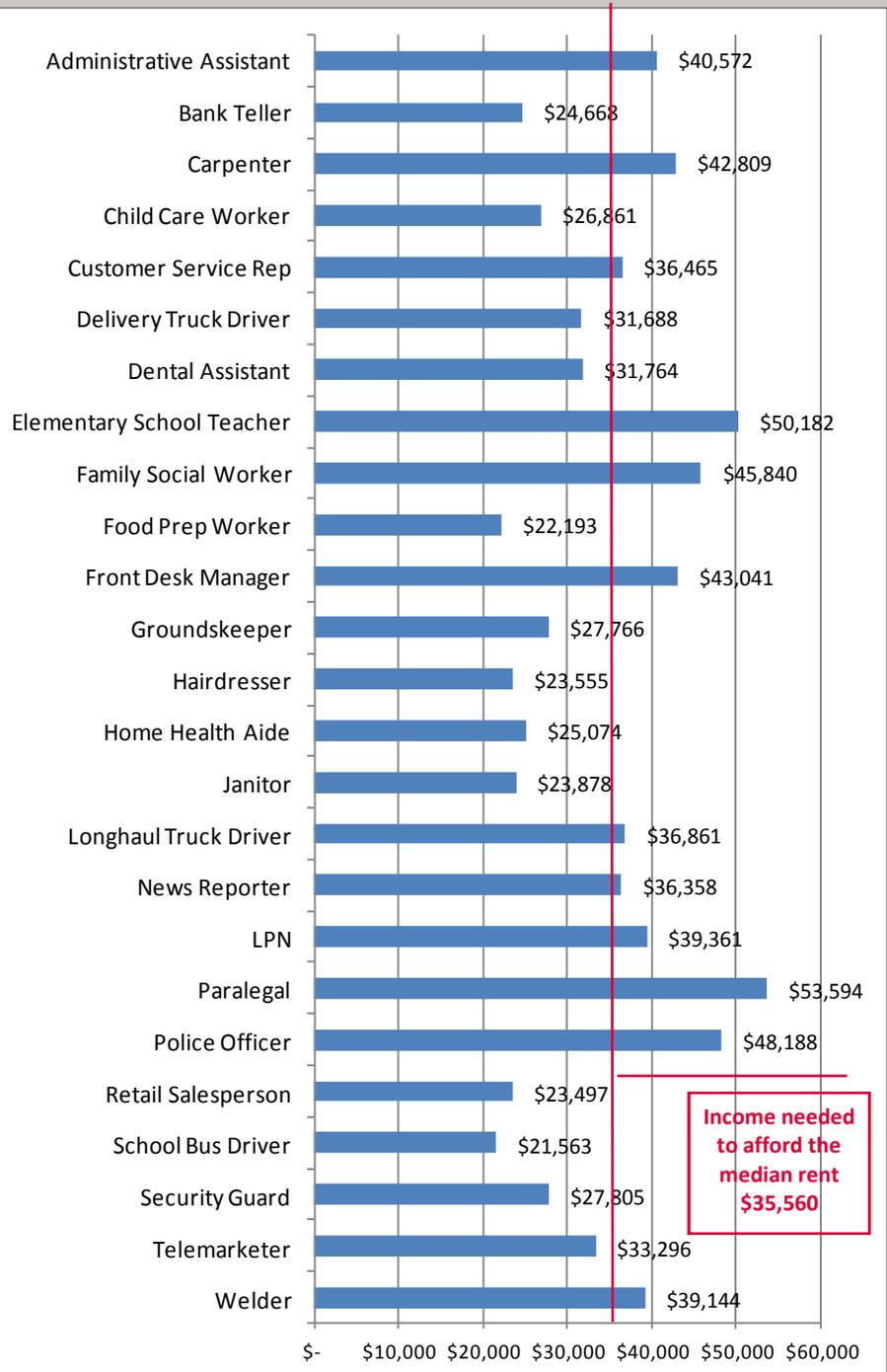
FOUR STEPS FOR DUVAL COUNTY LEADERS TO ENSURE ADEQUATE RENTAL HOUSING

There are practical, achievable strategies for community leaders who understand the importance of providing an adequate supply of rental housing for all income-level workers.

In Duval County, four basic steps would help move the community's housing market forward:

- 1. ASSESS THE MARKET AND PUT THE HOUSING COMMISSION BACK TO WORK.**
- 2. RESTORE AND MAINTAIN USE OF THE STATE OF FLORIDA SADOWSKI FUNDS TO SUPPORT HOUSING.**
- 3. GROW DEVELOPER CAPACITY AND AVAILABLE CAPITAL TO SUPPORT LOCAL EFFORTS.**
- 4. SUPPORT SIGNATURE PROJECTS CREATING HOUSING OPPORTUNITIES, ESPECIALLY IN THE DOWNTOWN NEIGHBORHOOD.**

WHAT WORKERS EARN
MEDIAN SALARIES BY OCCUPATION — METRO JACKSONVILLE



Workers in many occupations fail to earn enough to afford the median rent in Jacksonville. This list of median earnings by occupation in metro Jacksonville was compiled by the Center for Housing Policy, the nonprofit research affiliate of the National Housing Conference (NHC).

To learn more visit <http://www.nhc.org/chp/p2p/>.

1. THE CITY OF JACKSONVILLE SHOULD ASSESS THE RENTAL HOUSING MARKET AND PUT THE HOUSING COMMISSION BACK TO WORK

The City of Jacksonville's most recent countywide assessment of affordable and workforce housing was completed in 2006 during the administration of Mayor John Peyton. In 2007, the now-defunct Jacksonville Economic Development Commission addressed downtown workforce housing as part of a report on downtown development.

Since then, the community has experienced major economic upheaval with the Great Recession of 2008-2009 and its after-effects. Both the socioeconomics of our residents and the housing landscape have changed markedly. Yet we have no up-to-date assessment of our community's housing needs or its housing inventory.

A current housing assessment is an important tool for the community. In addition to mapping the current landscape, it can establish goals and priorities for the future. Thoughtfully executed, such an assessment can serve as a community guide that will transcend election cycles and administrations and build the kind of institutional knowledge that is needed for sustainable community development.

RECOMMENDATION: The Jacksonville City Council should appoint a Housing Task Force and charge the members with reviewing the 2006 and 2007 reports and recommendations and conducting a comprehensive assessment of the community's housing needs and inventories, with equal emphasis on home ownership and rental properties.

Task Force members should come from the 19 City Council representatives. Staffing for the task force should be provided by independent professionals with costs underwritten by a combination of public and private investments.

The Jacksonville Housing and Community Development Commission serves as the housing agency for the City of Jacksonville, charged with creation of affordable housing and the eradication of substandard housing with the goal of developing and maintaining healthy communities.

The Commission is scheduled to have 11 members, six of whom are to be appointed by the mayor and confirmed by City Council and five of whom are to be appointed by the Council.

As of November 1, 2013, however, the Commission had but six members: Charles Commander — Co-Chair, Busey Armstrong — Co-Chair, Daniel Albert, Ajani Dunn, Phillip Mobley and Mel C. Norwood.

Moreover, the Commission meets infrequently and irregularly. In 2013 (through November 1) the Commission met in January, twice in April, once in July and twice in October, including the emergency meetings called to take care of time-sensitive matters.

If the City of Jacksonville is to make any progress on affordable housing issues, it needs leadership and the Housing and Community Development Commission is the designated site for that leadership. To be effective, the Commission must have a full complement of members and meet regularly to fulfill its duties with due diligence.

RECOMMENDATION: Mayor Alvin Brown and/or the members of the Jacksonville City Council should complete appointments to the Housing and Community Development Commission and the Commission should resume regular monthly meetings.



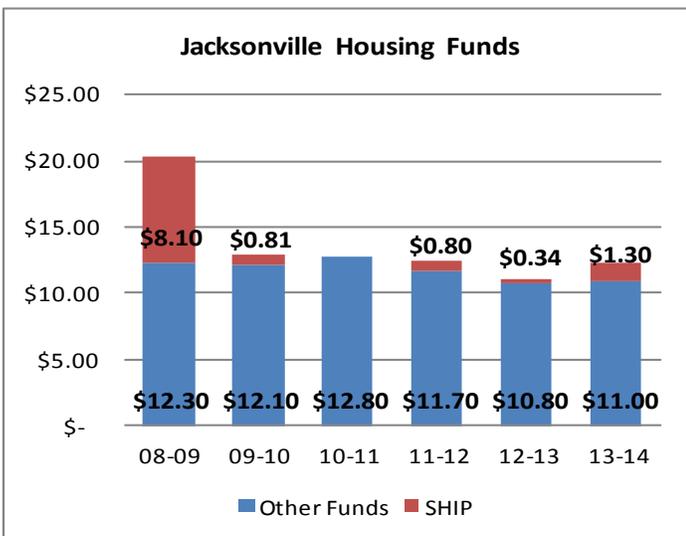
2. THE DUVAL DELEGATION AND CITY LEADERS SHOULD WORK TO RESTORE AND MAINTAIN FULL FUNDING OF THE SADOWSKI HOUSING TRUST FUND

The William E. Sadowski Act of 1992 created a dedicated source of revenue for state and local housing programs from a portion of the documentary stamp taxes on transfer of real estate. Those state funds were to be set aside in a state trust fund, with 70% distributed to local governments to address local housing priorities (the State Housing Initiatives Partnership program, or SHIP) and 30% designated for creating or improving rental communities throughout the State of Florida.

For the past four years, however, the Florida Legislature has elected to sweep the majority of the designated documentary stamp funds into the state's general revenue fund, providing little funding for housing during the state's most severe housing crisis in almost a century.

In Duval County, Sadowski funds have been used to repair housing for seniors, create housing for persons with developmental disabilities and youth aging out of foster care, and create opportunities for our working families to become homeowners for the first time.

Since 1998, the City of Jacksonville has received more than \$81 million in SHIP funds, resulting in a positive economic impact for Northeast Florida of more than \$839 million and resulting



Duval County has seen the virtual evaporation of SHIP funds — the largest component of Sadowski funding — since 2009, while other housing funding (CDBG, HOME, HOPWA and ESG funds) has remained comparatively stable.

BY THE NUMBERS

Statewide, every \$10 million of Sadowski funding for housing generates:

- ◆ \$60.5 million in housing that is constructed or sold
- ◆ 1,060 jobs
- ◆ \$40.5 million in earnings
- ◆ \$298,000 in state and local taxes
- ◆ \$1 million in direct sales taxes
- ◆ \$103.6 million in total economic impact

Source: Sadowski Coalition

in approximately 8,000 new or retained jobs. The creation of new homeowners has also resulted in a positive impact on tax revenue for the City.

During the last four years, the decisions made by the Florida Legislature to use the Sadowski funds primarily for other legislative priorities has cost the City of Jacksonville approximately \$25 million in lost revenue for our residential communities.

With the economic recovery, documentary stamp collections are greater than in recent years. In fiscal 2013-14, the City of Jacksonville could receive as much as \$9 million for the purpose of funding local housing priorities.

RECOMMENDATION: The Duval Delegation must work vigorously with its legislative colleagues and state advocacy groups to ensure that the Florida Legislature allocates these tax revenues to the purpose for which they were intended. The Mayor, City Council, local business leaders and key stakeholders must become fully engaged to support the appropriation of ALL funds collected for the purpose of addressing local housing priorities.

3. THE COMMUNITY MUST INVEST IN BUILDING THE CAPACITY OF NONPROFIT DEVELOPERS AND GROW CAPITAL TO SUPPORT ALL DEVELOPMENT EFFORTS

Jacksonville needs local developers with the capacity to participate in and lead development and redevelopment projects, as well as local capital to support those projects.

BUILDING CAPACITY

Development begins with developers, but the developers must have the capacity to do the work. What do we mean by “capacity”?

- ◆ Resource Capacity: The ability to raise, manage and sustain funding.
- ◆ Organizational Capacity: Good leadership, adequate staffing and good operations.
- ◆ Programmatic Capacity: Subject-matter expertise, training and strong skills.
- ◆ Networking Capacity: The ability to grow, nurture and maintain a strong network of supporters.
- ◆ Political Capacity: The ability to demonstrate benefit to the community.

To grow and maintain capacity, organizations need the core operating support to access technical assistance and provide professional development for staff and leadership. Cutting “administrative expenses” to focus more funding on “program” ultimately undermines programming by starving the organization of the resources it needs to grow and maintain its capacity.

Organizations such as LISC Jacksonville (www.liscjacksonville.org) excel at building the organizational capacity of community development organizations, making them effective and efficient partners in communities.

RECOMMENDATIONS:

Public and private grantmaking entities should invest first in the core functions of local development organizations and subsequently in the projects those organizations wish to undertake.

The City of Jacksonville should continue to support LISC Jacksonville through a line-item in the City budget.

GROWING CAPITAL

Development also requires investment of capital, and there are opportunities for both public and private investment.

Private capital can be provided from foundations, social investors and anchor institutions — hospitals, colleges and universities that need to ensure that their employees can afford to live nearby. (To learn more, see *Partnerships for Community Impact: Higher Education and CDFIs Working Together*, under Reports at www.dupontfund.org.)

Private investments can be made through community development financial institutions (CDFIs and other investment vehicles), which operate much like conventional lending institutions but with a focus on investing in economically disadvantaged communities (see www.opportunityfinance.net). These dollars can be used to support property acquisition, pre-development costs and energy retrofits to enhance affordability.

Private investors also can benefit from New Market Tax Credits, which offer tax credits in exchange for equity investments in qualifying projects.

RECOMMENDATIONS:

Business and philanthropic leaders in Jacksonville should work to increase the pool of low-cost capital from foundations, social investors and anchor institutions in support of affordable rental properties.

Leaders should identify opportunities to draw on New Markets Tax Credit to stimulate investment.

4. PROVIDE LEADERSHIP AND SUPPORT ON KEY DEMONSTRATION PROJECTS

The Jacksonville Economic Development Commission's Downtown Committee Residential Task Force Downtown Workforce Housing Strategy report (April 2007) notes downtown Jacksonville is becoming one of the most desired areas for residential development due to its emergence as a fast growing job market with one of the youngest workforces in Florida. There are more than 1,200 businesses, with approximately 55,000 employees, working downtown. Downtown Jacksonville is celebrated in many events, including the monthly Art Walk and annual One Spark events.

Downtown is a central hub for the arts as home to the Jacksonville Symphony, the Times-Union Center for the Performing Arts, the Florida Theatre and MOCA Jacksonville. Downtown also is one of the nation's top destinations for diverse sporting events hosting the annual Florida-Georgia game, major college championships, the Jacksonville Jaguars, Jacksonville Suns and the Jacksonville Sharks. New restaurants and pubs have opened downtown bringing energy to what was once a barren landscape for evening entertainment.

Nurturing a critical mass of downtown residents, increasing access to the river and fostering an attractive and safe environment can help downtown Jacksonville continue to develop as a healthy and vibrant neighborhood.

There are a number of vacant and under-used buildings that, through redevelopment, might make prime locations for rental housing. Each could present unique opportunities for housing people from the creative class, students, professionals and families who prefer an urban lifestyle.

For example:

THE LERNER BUILDING on Adams Street across from the Carling, one block off Main Street, is partially redeveloped, and could house 8-10 artists or musicians looking for live/work space. This property currently is privately owned; however, City incentives could transform it into viable, and tax-producing, realty.

THE FLORIDA THEATER BUILDING, owned by the City of Jacksonville, could house 20-80 artists (performers, musicians, visual artists, etc.) seeking living/studio space. The location is ideal for artist loft housing and could be redeveloped in partnership with the City and the local nonprofit development community to create housing for the city's burgeoning creative class.

VACANT PRIVATELY-OWNED SPACES, such as 218 Adams Street and the apartments above Chamblin Bookmine, could be redeveloped into housing that offers moderate income workers easy connections to transportation systems. Through the public/private partnership vehicle, the private sector could provide needed capital and equity and the City could provide incentives.

RECOMMENDATIONS:

The City should continue to provide financial incentives — through Historic Preservation Grant programs, funds held by the Downtown Investment Authority and other resources — to address the financial gaps when developing this downtown neighborhood.

Vacant and under-used properties currently owned by the City should be transferred to competent developers who have a proven track record of building housing and who have a sensitivity to the unique character of downtown Jacksonville.

Properties that have experienced long-term decay and accrued multiple code enforcement actions should be foreclosed upon and then transferred to developers for active re-use as a residential building.

The City needs to actively deploy strategies to address the parking needs of its future residents.

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