In many cities across the country, it is increasingly difficult for middle-income workers to buy or rent housing in the areas in which they work. This is in part due to wages not keeping up with increasing costs of living but is also due to the limited supply of housing affordable to these workers. In response to limited affordable housing options in the areas where they work, many middle-income workers move to the outer fringes of a region, leading to longer commute times for the worker, higher levels of traffic, and other negative externalities for the surrounding area (Parlow, 2015).

The term “Workforce Housing” is becoming increasingly used in affordable housing circles, but what exactly does it mean? The purpose of this article is to provide a definition of Workforce Housing, offer a brief history of its origins in the U.S., and briefly discuss ways municipalities can help stimulate the creation of more Workforce Housing in their communities.

Definition

According to the Urban Land Institute (ULI), Workforce Housing is defined as housing affordable to households earning between 60 and 120 percent of area median income (AMI). Workforce housing targets middle-income workers which includes professions such as police officers, firefighters, teachers, health care workers, retail clerks, and the like (Parlow, 2015). Households who need workforce housing do not qualify for subsidy programs such as the Low-Income Housing Tax Credit (LIHTC) program or the Housing Choice Vouchers program (formerly known as Section 8), which are the two major programs in place for addressing affordable housing needs.

Origins

Workforce Housing finds its origins within the backdrop of affordable housing; therefore, to best understand Workforce Housing, it is important to understand how affordable housing has evolved in the U.S. over the past several years. Starting with the Housing Act of 1949, and up to the Housing and Community Development Act of 1974, affordable housing was largely driven by supply-side measures from the government. In this supply-side approach, local governments built, maintained, rehabilitated and owned public housing for low-income individuals (Parlow, 2015). However, due to the immense demand for affordable housing and limited public resources to keep up with the demand, governments began moving away from this approach. Instead, governments began to focus their efforts on engaging the private sector in affordable housing development.

The Housing and Community Development Act of 1974 launched two initiatives, the Section 8 program and the Community Development Block Grant (CDBG) program, highlighting a shift in policy from government led affordable
housing development to private sector affordable housing efforts (Parlow 2015). Instead of operating as affordable housing developers, the government would instead support the demand-side of affordable housing by providing vouchers and subsidies to low-income households, who could then use these subsidies in the private market. Additional legislation was later enacted to further build the supply-side of affordable housing, including the creation of the Low-Income Housing Tax Credit (LIHTC) program in 1986, the HOME program, and the Homeownership and Opportunity for People Everywhere (HOPE) program.

Workforce Housing

It was within this affordable housing landscape that the need for Workforce Housing emerged. From the 1940’s to the 1990’s, housing was affordable to many middle-income workers due to wages remaining relatively correlated with costs of living, and homeownership becoming more affordable through the introduction of the 30-year amortizing loan. However, during the late 1990’s and early 2000’s, incomes began to lag behind rising costs of living, and housing supply for middle-income workers grew stagnant, causing an acute need for Workforce Housing especially in larger metropolitan areas (Parlow, 2015). The Great Recession of 2007 to 2009 further exacerbated the issue of housing affordability for middle-income workers by significantly reducing the production of new housing units across the nation. Because affordable housing programs focused on serving households making 60 percent or lower of AMI, middle-income workers were left with fewer housing options available to them in the cities where they worked.

Workforce Housing Implementation Strategies

The economy and housing market has widely recovered since the Great Recession, and as of the third quarter in 2017, housing prices were one-percent higher than their peak in 2006 (CoreLogic, 2017). Today’s high demand paired with low supply has driven housing prices up and out of reach for many middle-income workers, and many local governments are exploring and implementing strategies to stimulate workforce housing creation. In a panel report published by the Urban Land Institute, ULI offered recommendations and a detailed implementation plan to Collier County, Florida to help the County address its Workforce Housing needs. The following are a few strategies pulled from this report:

- Create a dedicated housing trust fund
- Repurpose vacant land and underutilized retail space
- Adopt inclusionary zoning (see a prior CED blog post on the topic here)
- Create a community land trust (see a prior CED post on the topic here)
- Update land development codes to encourage development in already urbanized areas
- Allow single-family homeowners to build and rent out accessory dwelling units

A significant first step a city can take to encourage Workforce Housing development is to start the conversation within their communities and help raise awareness. There are often misconceptions associated with Workforce Housing and housing affordability that a local government would need to dispel so that communities can become supportive of housing affordability initiatives. As Workforce Housing continues to become increasingly scarce across the U.S., those local governments who understand what Workforce Housing is, how it fits within the affordable housing landscape, and the strategies available to them will be the governments best postured to serve their middle-income workers.

Sonyia Turner is pursuing her Masters in City and Regional Planning from UNC-Chapel Hill, and is specializing in housing and community development. Sonyia is a Community Revitalization Fellow with the Development Finance Initiative (DFI).

References
