

## Amendment 5 Would Exacerbate Florida’s Affordable Housing Crisis

Sadaf Knight  
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*Housing affordability drives individual economic security and mobility and creates the foundation for a robust and vibrant economy. Investing in affordable housing development has ripple effects throughout the economy, creating good-paying jobs, increasing the financial well-being of households and generating revenue for the state. The Sadowski Affordable Housing Trust Fund is the state’s only vehicle for making long-term investments in affordable housing development. However, over the past 15 years, funding slated for the trust fund has instead been diverted toward other purposes, forgoing tens of thousands of much-needed affordable housing units.*

*On November 6, Florida voters will decide on Amendment 5, which would make generating resources to meet the needs of Florida’s families, communities and economy much harder. The measure would require a two-thirds (supermajority) vote of the state Legislature to approve any new state revenues, taxes and fees, or to eliminate tax incentives, loopholes and other such expenditures.*

*Florida currently has the wrong priorities, giving special tax breaks to big corporations while cutting funds for affordable housing development. Amendment 5 locks in these failed priorities before the state has a chance to recover from deep cuts following the Great Recession and a supermajority requirement would likely require huge funding cuts in the wake of another fiscal crisis. Amendment 5 would unnecessarily restrict investments in Florida’s future.*

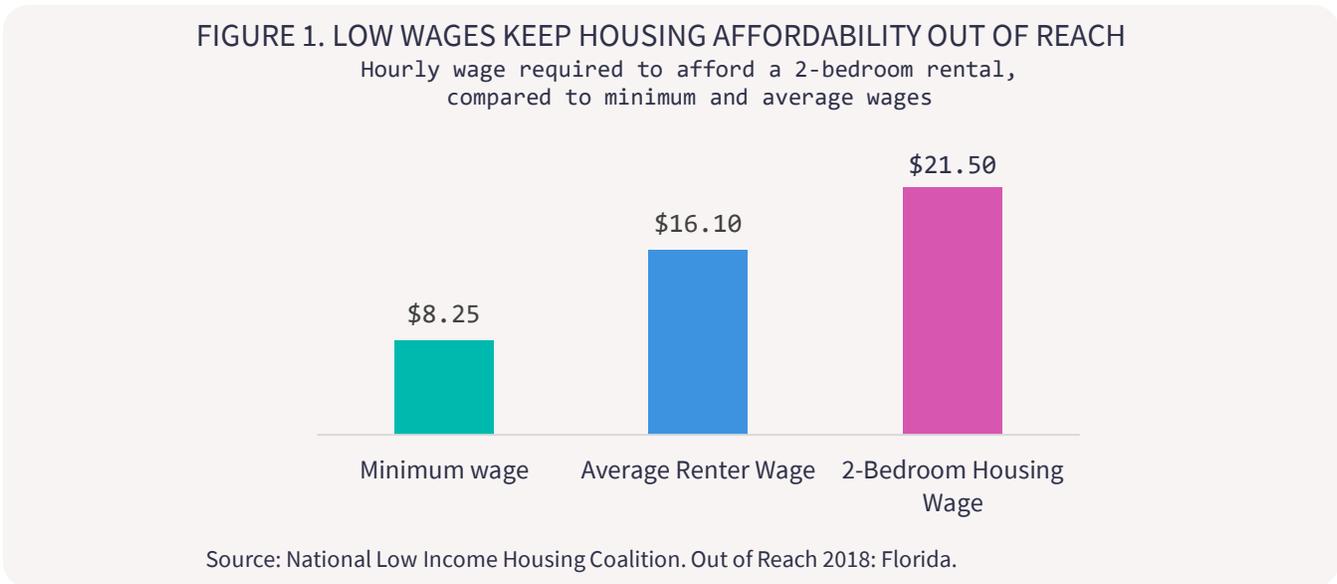
### Florida is Facing a Housing Affordability Crisis

Over the past few decades, Florida’s shortage of affordable housing has increased, resulting in the highest share of cost-burdened renters of any state (54.1 percent).<sup>1</sup> While job growth has increased in Florida since the Great Recession, many households have yet to benefit from any of the resulting economic gains. Household incomes in 2015 were \$5,630 less than they were in 2007 (adjusted to 2016 dollars). In 2016, 1 in 5 Floridians were paid at or below \$10 per hour, the highest share of low-wage workers in 11 years. Between 2005 and 2016, 44.5 percent of all new employment — almost half of all jobs created — paid low wages.<sup>2</sup>

KEY HOUSING TERMS DEFINED	
Cost Burden	Households spending more than 30% of their income on housing costs
Severe Cost Burden	Households spending more than 50% of their income on housing costs
Low-Income	Individuals with incomes below 60% of the area’s median income
Extremely Low Income	Individuals with incomes below 30% of the area’s median income

With low-wage job growth, more Floridians are struggling to make ends meet. United Way’s ALICE report finds that the Household Survival Budget — the bare minimum needed for a family of four to meet their basic needs — was \$53,856 in 2015.<sup>3</sup> That is far above the earnings achievable in a low-wage job.

The average wage of renters in Florida is \$16.10 per hour, but the wage needed to afford a 2-bedroom rental is \$21.50 (See Figure 1). Floridians earning the state’s minimum wage (\$8.25 per hour) would have to work 84 hours each week just to afford a 1-bedroom rental at fair market rent.<sup>4</sup>



In order to alleviate the housing cost burden and make affordability more accessible, the state must invest in the development and preservation of affordable housing. Unfortunately, Florida’s affordable housing stock has decreased. Between 2000 and 2015, Florida’s total rental housing stock grew by 859,202 units, but only 133,527, or 15.5 percent, were affordable to low-income renters.<sup>5</sup> Florida ranks 44th in the nation for its availability of affordable housing.

According to the National Low Income Housing Coalition, Florida only has 26 units of affordable and available housing units for every 100 extremely low-income households (See Figure 2 below).<sup>6</sup>

Households of color tend to face greater challenges with housing affordability. Nationally, African-American and Hispanic households have higher housing cost burdens (45 percent and 43 percent, respectively).

Between 2001 and 2016, the rate of housing cost-burden increased faster for households of color, compared to white households. Within income groups, households of color tend to also be more cost burdened compared to white households.<sup>7</sup>

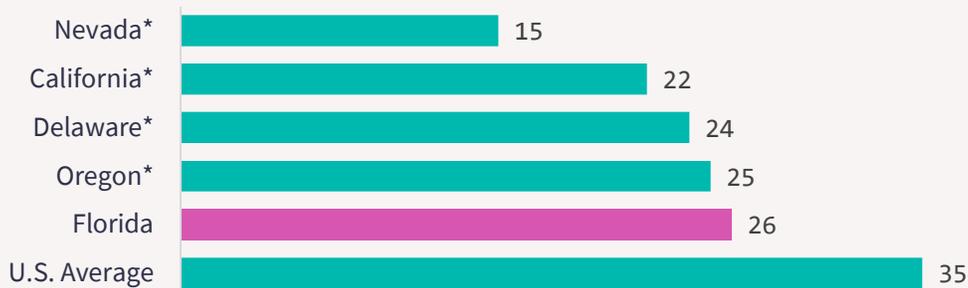
The lack of affordable housing especially impacts families without stable housing. In Florida, 32,533 individuals are homeless, while 32,304 families with children are homeless.<sup>8</sup> Displaced families who came to Florida from Puerto Rico in the wake of Hurricane Maria in 2017 may also be facing homelessness; the Transitional Shelter Assistance provided by the Federal Emergency Management Agency (FEMA), which has

provided assistance to displaced families to stay in hotels, may be ending on August 31, depending on the results of a hearing in Massachusetts District Court.<sup>9</sup>

Expanding affordable housing is critical to meet the needs of Florida’s current and future population. While the Sadowski Affordable Housing Trust Fund was set up to do just that, it has been undermined by years of “sweeps” — when the state Legislature diverts funding to use for other purposes — that have taken funding away from affordable housing to make up for revenue shortfalls elsewhere. Amendment 5’s supermajority requirement would make future sweeps more likely, further reducing the potential to expand affordable housing options to more Floridians.

FIGURE 2: FLORIDA HAS ONE OF THE MOST SEVERE AFFORDABLE HOUSING SHORTAGES IN THE NATION

Number of affordable and available units per 100 extremely low-income households



\* States with supermajority requirements similar to Amendment 5

Source: FPI Analysis of National Low Income Housing Coalition Data

## Affordable Housing is Key for Individual Prosperity and Economic Growth

Affordable housing generates economic growth that is broadly shared throughout the economy. Investing in affordable housing yields great returns for the state through job creation, revenue generation and increased individual and family financial stability.

Affordable housing preservation and development drive economic growth. Its fiscal benefits outweigh the costs to states, according to the National Association of Home Builders (NAHB). The NAHB analysis finds that taxes and revenues generated by housing development far exceed the state’s infrastructure and service costs to support that development.<sup>10</sup>

More specifically, between 2006 and 2016, every dollar appropriated by the Florida Legislature for the Sadowski trust fund resulted in \$9.50 of economic activity for the state. This includes:

- \$12.5 billion in sales and revenue generated for Florida businesses
- 94,000 jobs created
- \$3 billion in income for Floridians<sup>11</sup>

For families, access to affordable housing can lead to greater economic mobility and increased overall well-being. Individuals and families in affordable homes can avoid the trade-offs that come with deciding between the high cost of housing and other household priorities. Research has shown that these families are able to spend five times more on health care, three times more on food and twice as much on retirement savings.<sup>12</sup>

Promoting access to affordable housing is the most cost-effective way to reduce childhood poverty. Parents with affordable housing can invest more in activities and materials to enhance their children’s education and development. They can more easily participate in activities such as parent-teacher conferences and are better able to save for college tuition. Children growing up with housing instability or homelessness, on the other hand, are more likely to have lower academic performance, more learning disabilities and behavioral problems and are less likely to graduate high school. As adults, they are more likely to be in low-paying, lower-skill jobs.<sup>13</sup>

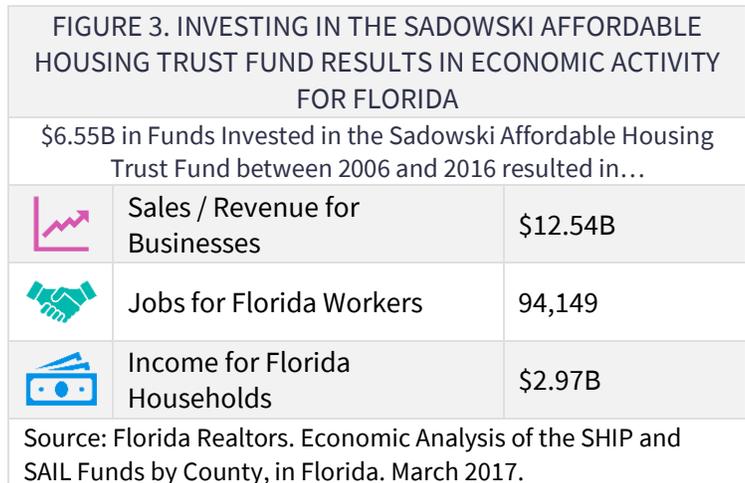
### Amendment 5 Would Lock in Florida’s Underinvestment in Affordable Housing

Despite the positive impacts of and evident need for increased affordable housing, Florida’s lawmakers have consistently underfunded the Sadowski trust fund by sweeping a large percentage its funding for the past 15 years. The fund was established by the Legislature in 1992. It is supported by the collections from the state documentary stamp tax on deeds. These funds are directed into two trust funds that make up the Sadowski trust fund: the Local Housing Trust Fund, which primarily funds the production and preservation of affordable home ownership, and the State Housing Trust Fund, which provides funding for the production and preservation of affordable multifamily rental housing.<sup>14</sup>

Since its inception, the Florida Legislature has diverted funds slated for the Sadowski trust fund to use for other purposes. Between Fiscal Year (FY) 2001-02 and FY 2017-18, more than \$2 billion was swept from the trust fund for to use in the General Revenue Fund to support other appropriations (See Figure 4). The Florida Housing Coalition estimates that these sweeps resulted in 94,000 foregone affordable housing units.<sup>15</sup>

As the state Legislature took funds away from affordable housing investments, it simultaneously enacted tax cuts that reduced revenue available to fund Florida’s programs and services. Citing the need to prioritize spending on critical services in a “tight budget year,”<sup>16</sup> lawmakers in FY 2018-19 swept \$182 million from the trust fund, while at the same time enacting tax cuts that resulted in \$174 million in revenue reductions.<sup>17</sup>

The Legislature’s own Affordable Housing Workgroup recommended that the state fully fund the housing trust fund in a report from December 2017:



*Floridians earning the state’s minimum wage would have to work 84 hours each week just to afford a one-bedroom rental at fair market rent.*

The Workgroup finds that it is critical for the State of Florida to appropriately invest in affordable housing. Not only are the state funds important on their own, but they leverage critical federal financing, all of which works together to create important employment and economic benefits for the state.<sup>18</sup>

Amendment 5's revenue restrictions would continue to put pressure on the Sadowski trust fund. By limiting legislators' ability to raise revenue to meet the needs of Florida's growing population, the Sadowski raids will continue to make up the gap in other areas. Instead of ensuring a fair and flexible tax structure that allows for full investment in all of Florida's top priorities, Amendment 5's limitations would strain funding across the board, making dollars slated for investments in affordable housing even more vulnerable.

**FIGURE 4. FLORIDA HAS HISTORICALLY UNDERINVESTED IN AFFORDABLE HOUSING**

Total sweeps of the Sadowski Housing Trust Fund, in millions, FY 2007-08 to FY 2017-18. Current dollars.



Source: Florida Housing Finance Corporation. Historical Financial Summary of Florida's State and Local Government Housing Trust Funds.

## Conclusion

Housing affordability is a critical concern for Florida's residents and its future economy. The rise in low-wage jobs and the limited stock of affordable housing mean that many housing cost-burdened Floridians are having to make impossible choices between affording their rent and other priorities such as health care or groceries. The Sadowski trust fund was established as a mechanism to invest in the preservation and development of affordable housing, but the two-decade legacy of diverting funds for other uses has resulted in thousands of foregone housing units and a persistently tight housing market for low-income households. Amendment 5's supermajority requirement would make the trust fund vulnerable to future funding sweeps, locking in Florida's underinvestment in affordable housing and exacerbating this crisis for years to come.

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