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AFFORDABLE HOUSING IN FLORIDA: THE CRISIS IS REAL

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One of the biggest barriers to economic stability for households in the United States is the severe shortage of affordable homes. A household is considered severely cost burdened if it spends more than 30% of its income on housing (rent or mortgage payments). Florida is in the midst of an affordable housing crisis with the third largest homeless population in the nation and more than 910,000 households spending at least 50% of their income on rent or mortgage payments.

According to the GAP report published by the National Low Income Housing Coalition earlier this month (the "**Report**"), the nation's 11.2 million extremely low income renter households account for 25.7% of all renter households and 9.5% of all households in the United States. The states with the greatest percentage of low income households with a severe housing cost burden are Nevada, Florida, California, Oregon, Arizona, and Colorado. Out the fifty largest metropolitan areas in the United States, low income renters face the most severe relative shortages in Las Vegas, NV, Los Angeles, CA, Orlando/Kissimmee, FL, Sacramento, CA, Dallas, TX and Houston, TX. The Orlando-Kissimmee-Sanford area currently ties with the Los Angeles-Long Beach-Anaheim area for second worst in the United States for available affordable housing, offering 17 available and affordable units per 100 extremely low income renter households. The Miami/Fort Lauderdale/West Palm Beach area is also in top ten metropolitan areas for the most severe shortages in affordable housing with 22 affordable and available rental homes per 100 extremely low income renter households.

So what about the solutions to the affordable housing crisis in Florida? Some argue that the Florida legislature should stop the redirecting of funds from the William E. Sadowski Affordable Housing Trust Fund (the "**Fund**") created in 1992. The Fund receives a portion of the documentary stamp taxes paid on real estate transactions, which is used to support the state's affordable housing initiatives. The Florida legislature has systematically allocated only a portion of the Fund to affordable housing initiatives, using the remaining funds to fill gaps in other budgets or for other spending priorities. Others insist on mandatory affordable-housing requirements to create more units, arguing that voluntary plans have not worked. However, requiring new developments to set aside certain percentage of units as affordable housing may have the opposite effect on housing availability in the long run: the developers may choose to not to build at all if their return on investment is slashed. As a result, the inclusionary zoning programs and mandatory affordable housing requirements necessitate government subsidies and incentives to the developers, such as tax breaks, fee waivers and density bonuses (allowing construction of the structures taller and wider than the existing zoning typically permits).

As Florida legislators and local governments weigh in on the solutions to combat affordable housing shortage, they are likely to face continuing community-based concerns about affordability and gentrification effects and the developer reservations about building affordable housing units in the absence of adequate subsidies and incentives.

For more information on this topic, please contact the author, Iryna Ivashchuk, on the firm’s Business, Finance & Tax Team.

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