

FOCUS

Market not kind to low-income renters

BY MEGAN KAMERICK | HMGW STAFF

The cost of rental housing continues to be too high for about one third of the U.S. population, according to a recent study. And while New Mexico and Albuquerque are not the least affordable places to live, they are too expensive for many low wage earners.

The study, "Out of Reach 2004," is an annual report by the National Low Income Housing Coalition, a nonprofit group based in Washington, D.C. Using data from the 2000 Census and the U.S. Department of Housing and Urban Development, it evaluates wages levels and the costs of rental housing.

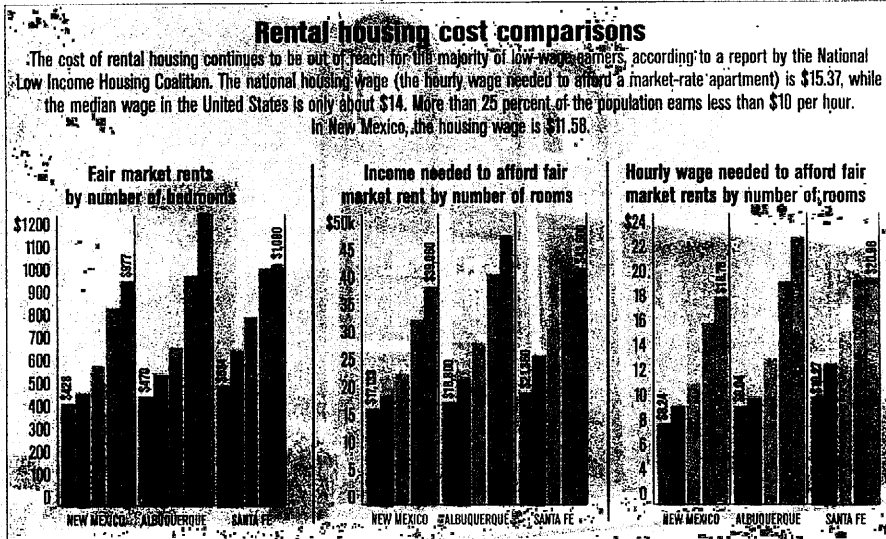
Affordability is a problem because there is a shortage of such housing and wages haven't kept pace with the rising cost of rent, says Katie Fisher, organizer with the Coalition. The group does not advocate addressing just one or the other, she says.

"Most economists would argue that if you just raise the minimum wage to meet the housing wage, then housing costs grow and the gap continues to exist," Fisher says. "We advocate meeting somewhere in the middle."

The housing wage is the hourly pay required to afford a market-rate two-bedroom apartment. HUD defines the fair-market rent figure as the dollar amount below which 40 percent of the standard quality housing units rent. The study also estimates affordability based on 30 percent of income, the standard set by federal housing policy and used in many subsidy programs.

The national housing wage for a two-bedroom unit, according to the Coalition, is \$15.37. However, the median hourly wage in the United States is only about \$14 per hour and more than one fourth of the population earns less than \$10 an hour. Most of the least affordable cities are in California. San Francisco leads the pack with a housing wage for a two-bedroom apartment of \$29.60, followed by Stamford-Norwalk, Conn., where the housing wage is \$27.63.

In New Mexico, the housing wage is \$11.58 per hour. A very low income household in the state (those that earn \$14,375, which is 30 percent of the area median income of \$47,916) can afford monthly rent of no more than \$359, while the fair-market



rent on a two-bedroom apartment is \$602. A minimum wage earner can afford just \$268, and someone living on Social Security Income (SSI), who receives \$564 monthly, can afford just \$169, while the fair-market rent for a one-bedroom unit is \$492.

More than one in four New Mexicans pay too much for housing, says Elisabeth Monaghan with the New Mexico Mortgage Finance Authority, which works on housing issues and administers the federal low-income tax credit program for the state.

Housing is unaffordable to two-thirds of New Mexico renters who earn less than \$20,000, she says. Plus, more than half of the state's housing was built before 1980, and much of it requires significant maintenance.

"As far as rentals are concerned, I think we're sort of losing the battle," says Doug Chaplin, who once worked with the city of Albuquerque's affordable housing program, and with Fannie Mae. He is a consultant with Cantera Consultants and Advisors Inc. in Albuquerque. He attributes this to several factors, mainly the wage levels in New Mexico and the increasing cost of construction.

"On the positive side of housing, we're seeing a lot of first-time homebuyers getting into housing," Chaplin says. However, that demand has resulted in land that was previously zoned for multi-family development being "down-zoned" for single-family projects. "Simple supply and demand suggests a looming larger problem than what we have today."

Joe Ortega says his organization is preparing for the day when interest rates jump to 9 percent, which will put a large dent in the homebuying market and result in more renters seeking units. Ortega is executive vice president with YES Housing Inc., a nonprofit multifamily housing developer. His group's projects include housing for the elderly and disabled, a sector where there is tremendous demand that will continue to grow, Ortega says.

YES also develops housing with different rent structures that serve two or three demographic groups. These might be people just starting their work lives, or people recently divorced and evaluating their next moves in life. They are often women thrown back into the workplace through leaving welfare or separating from a spouse, Ortega says.

"Someone making \$7 or \$8 an hour and who has a couple of kids is really going to have difficulty proving their ability to pay rent in Albuquerque," he says. "They almost need to have a roommate to do that. There just isn't enough in subsidy dollars to help people in that situation."

YES buys properties and renovates them, using a variety of funding sources such as low-income housing tax credits, financing through HUD or low-interest bond financing.

"Apartments trade for very expensive rates in Albuquerque, so it's difficult for us to be a buyer and then you still have to find the financial resources to make the deal work," he says. "The demand for apartments is

twice as high as the supply," says Todd Clarke with NM Apartments Inc., leading to higher rental rates. Clarke adds that regulation costs, including the city's new impact fees add to the cost of development and thus to higher rents as well. About 15 years ago, the city created an innovative private sector initiative, buying property foreclosed on by the Resolution Trust Corporation after the savings and loan crisis, he says. The city ploughs profits from the buildings back into the program to subsidize a certain number of tenants. So most of these buildings have a mix of tenants getting subsidies and those paying market rate rents, but it would be difficult to tell them apart, he says, and that works.

"Most people deep down want to live in a neighborhood slightly better than they can really afford because it challenges them and stimulates them to do better," Clarke says.

He worries, however, that the political will to expand affordable housing fluctuates because the decision-making relies on elected officials. "It's an unfortunate political animal," Clarke says. "It's really a regional problem that should be dealt with on a much larger scale, he adds."

The federal low-income tax credit program, administered by the Internal Revenue Service, is the largest method of encouraging affordable housing development. Developers who use the credits must keep a percentage of their apartments affordable. The developers usually sell the credits to syndicators, who then sell

2004 renter households

Estimated renter median income	# of area income or less	# earning 30% of area median income	# earning 30-50% of area median income
NM \$26,012	28,846	22,909	
ABQ \$28,885	13,871	11,189	
SF \$34,487	2,791	2,200	

2004 annual median income (AMI)

Annual	Monthly	30 percent of AMI*
NM \$47,916	\$3,993	\$14,375
ABQ \$54,200	\$4,517	\$16,280
SF \$66,000	\$5,500	\$19,800

them to corporations seeking tax relief.

The tax credit program is very effective, but is insufficient to meet demand, says Fisher with the Low Income Housing Coalition. Fisher's group has been pushing for four years to create a national housing trust fund that would match state and federal dollars used for affordable housing. The bill had support in the House of Representatives last year, but did not make it to the floor. Had it made it out of committee, Fisher says, it likely would have passed. "So we're taking it up again in the 109th Congress. We're very certain we'll see some big movement." The fund would finance 1.5 million units of low-income housing over the next 10 years.

In New Mexico, Gov. Bill Richardson and the MPA are pushing for the legislature to create a state housing trust fund, says Monaghan. The fund would provide more funds for low-interest gap financing or grants for affordable projects. "The MPA receives requests every year for two or three times the amount of funding we have available in existing resources for housing development, rehabilitation and downpayment assistance," she says.

In addition, the MPA is pushing for a state affordable housing tax credit. Under this program, for every dollar donated to an MPA approved affordable housing project, businesses, individuals, and local governments would receive a 60-cent credit toward their state tax liability. The credits would be transferable, so donors who don't pay tax, such as local govern-

RENTALS: Low income housing stigmatized

turnover of its students, Clarke says. "The correlation was lack of affordable housing, which led to the parents having a steady migration from hotel to apartment to hotel to the streets," her says. "That can translate to a heavy cost for the community, he adds. "It costs what, \$40,000 a year now to 'house' someone in prison?" Clarke says. "What would have been the cost of good education and housing to reduce the number of prisoners later?" "Out of Reach 2004" is available at the Low Income Housing Coalition's Web site at www.ihhc.org

FROM PAGE 20
 ments and nonprofits, could sell them. Such efforts could face an uphill battle, however. Low-income rental housing remains highly stigmatized, say Chaplin and Clark, with opponents invoking the specter of poorly run, crime-ridden apartments. "Those who are successful look at those who are less successful and see them as a static group," Chaplin adds. In reality, they are quite dynamic, moving in and out of different income levels and situations. Affordable housing helps maintain a community's stability, Chaplin says. A recent study by the city of Albuquerque indicated that one particular elementary school had a 100 percent



The New Mexico Mortgage Finance Authority (MFA) is the state's housing finance agency and the largest provider of affordable housing finance.



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