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Article published Nov 18, 2007

## **The affordability gap**

*Housing market changes pose new challenges*

Has the fizzling of the housing bubble solved Sarasota County's affordability crisis?

No. Though the price decline has put some homes within reach of average-wage workers, other factors -- from job cuts to debt loads to market uncertainty -- have complicated efforts to close the affordability gap.

That's the word from two local specialists: Martina Guilfoil, head of the Community Housing Trust of Sarasota County, and Don Hadsell, who leads the Office of Housing and Community Development. We called them for an update on how the changing market is affecting the community's efforts to increase work-force housing.

Homes for that income level became a priority during the boom, when escalating prices threatened the area's ability to attract and retain employees. Data from 2005 showed, for example, that 18,000 households were spending at least half their income on mortgage or rent payments. To be affordable, housing should absorb no more than a third of a family's income, experts say.

To help working people acquire homes, the community pursued several strategies, including the creation of the housing trust, land-use density bonuses and additional public funding.

### Boom-time strategies

Then the housing bubble deflated, with broad consequences to the local economy. The effect on affordable housing programs was not what we expected.

Falling prices opened a door of opportunity to lower-income households, but Hadsell said applications for down payment assistance -- which helps income-challenged households get over the financial hump of home buying -- actually decreased.

In the housing trust, meanwhile, four of the low-cost dwellings sit unsold.

Guilfoil and Hadsell could only speculate on why people aren't seizing these affordable options. They offered the following theories:

- People in the targeted income range could be facing too much economic uncertainty -- such as job loss in the current downturn -- to take on the financial burden of home ownership. They may also be too debt laden and credit challenged to qualify for mortgages.
- Potential buyers may be waiting until prices bottom out.
- They may be unaware of the assistance available to them through the housing trust or Hadsell's

office.

- They may perceive that renting, rather than buying, is more attractive now. (Many homes that speculators can't unload in the seller's glut are for rent, broadening the supply.)
- Qualified buyers may believe they can do better in the private market than in the housing trust (which retains ownership of the land to preserve long-term affordability).

Time to adjust?

Whatever the cause, Sarasota faces some unsettling questions:

- If falling prices aren't enough to solve the affordability problem, what is?
- Should the community's housing strategies, assembled during the boom, be reviewed in light of the changed market?
- Are land-use density incentives, proposed for large affordable housing projects in the future, still necessary in light of the current glut of unsold homes?
- With the problems of overextended credit and job losses apparently on the rise, is there an adequate safety net for people who have homes but are at risk of losing them?

We don't have answers to these questions. They deserve further community exploration. Guilfoil hopes to do that with a focus group, and we hope others are opening discussions, as well.

Addressing the affordable housing challenge has involved a long, difficult community debate. It began to bear fruit recently, as local governments pledged millions of dollars toward the cause. This long-term commitment must continue, but the changing market adds a new dimension to the task of ensuring that the publicly funded programs meet their goal.

With so many homes for sale and prices declining, there is less urgency to build new housing. Yet the low-to-median income sector remains underserved, as the evidence from Hadsell and Guilfoil attests. The nonprofit Habitat for Humanity, however, reports continuing strong interest in its homes from another sector of low-income families.

Projects now in the planning pipeline -- such as the mixed-income rental and home ownership redevelopment of north Sarasota's public housing, and Habitat's goal of building hundreds of homes in the area -- are necessary to meet future needs. By the time they are completed, today's market pain will be long gone, we hope, and qualified buyers and renters will be eager to fill the new units.

Until then, however, affordable housing remains out of reach for too many residents. The challenge continues.