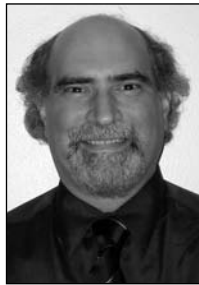




# Better Subsidy Decisions Follow From Better Information

BY STAN FITTERMAN  
FLORIDA HOUSING COALITION

The public policy response to the spike in housing prices from 2002-2005, especially in already high housing cost parts of the state, was to create the Community Workforce Housing Innovation Pilot Program where income limits go as high 140 percent, or, in certain high cost areas, 150 percent of area median income. The trend toward using public funds to serve the needs of households that earn well above average incomes was evident at a recent Florida Housing Finance Corporation board meeting, when a FHFC Board member proposed increasing the maximum income limit for the SHIP program statewide, from its current 120 percent of median to mirror the 140 percent, and 150 percent limits used in the CWHIP program.



tion of sales prices. While median prices may be high, we need to assess whether there is adequate unsubsidized housing stock affordable to families earning above 120 percent of median in a given community. With this information in hand, public policy makers can make better decisions about financing affordable housing.

## PROPERTY APPRAISER WEB SITES TO THE RESCUE

Since the median sales price is just the price in the middle, how do we obtain data on the distribution of sales prices in a community? In many counties, property appraiser Web sites have developed search tools that allow the user to search for all homes sold below a certain price point, during a specific time frame. By calculating the mortgage amount for which a family earning a certain income can qualify, these Web sites can be used to determine the number of home sales affordable to that family, over a given time. It is this data that should be used when determining whether the private market is failing to meet the housing needs of families in a given income category.

## SOME EXAMPLES

**Table 1** shows the number and percentage of the single family sales affordable to families earning 150 percent of median, in six Florida counties January 1, 2007-June 30<sup>th</sup>, 2007. The same data can also be pulled for condominium sales. The Palm Beach County property appraiser's site did not appear to have a countywide search feature for sales, so this data is from 2006 property appraiser records via the Shimberg Center.

*(continued)*

Even with the downturn in the housing market, housing prices in Florida are still well above what is affordable to Florida's workforce. In many high cost communities, the median sales price for a home is out of reach for families earning well over the median income for their respective community. With median sales prices being higher than what a family earning 130 or even 140 percent of median can afford, increasing the income limits appears to be a reasonable response. But before public policy changes the way scarce subsidies are allocated in Florida's housing programs, a more careful assessment of median sales price is in order.

## DISTINGUISHING MEDIAN FROM DISTRIBUTION OF SALES PRICES

The median is only a measure of central tendency. It is the sales price at which one-half of the sales in a community are equal to or higher than, and one half are equal to or less than. It does not show us the distribu-

**TABLE 1**

COUNTY	Median Income	150% of median	Max mortgage for family @ 150% of median <sup>1</sup>	Total Number of SF sales 01/01/07-06/30/07	# of Total SF sales affordable to HH earning 150% of median	% of Total SF sales affordable to HH earning 150% median
Alachua	\$54,200	\$81,300	\$250,683	1,253	885	71%
Escambia	\$52,500	\$78,750	\$243,000	2,574	2250	87%
Hillsborough	\$53,900	\$80,850	\$249,326	6,344	3450	54%
Palm Beach*	\$61,200	\$91,800	\$282,375	11,470	3547	31%
Pinellas**	\$51,300	\$76,950	\$237,500	19,254	11039	57%
St. Lucie	\$52,800	\$79,200	\$244,345	2,452	1613	66%

\*Data for Palm Beach County is for Jan 1, 2006 - Dec 31, 2006 \*\* Data for Pinellas County is Through October 22, 2007  
 30 year term, 7 percent interest rate, 33/45 front and back ratios, \$1,000 down payment, \$450 per month in non-mortgage monthly debt.

In every one of the counties selected, except for Palm Beach, more than half of all home sales were affordable to a family earning 150 percent of median. In Escambia County, nearly 90 percent of all single family sales were affordable to a family earning 150 percent of median. While less than one-third of single family sales in Palm Beach County were affordable to a family earning 150 percent of median, Palm Beach County has a very strong condominium market. In 2006, while there were 11,470 single family sales in Palm Beach County, there were 25,334 condominium sales. Of these condominium sales, 13,427, or nearly 53 percent were affordable to families earning 150 percent of median. This data shows that in these counties, families earning 150 percent of median already have a large percentage of the housing market available to them. This raises the question of the need for public subsidy to assist these buyers.

Table 2 shows the number and percentage of the single family sales affordable to families earning 130 percent of median, in the same six Florida counties as above, January 1, 2007-June 30<sup>th</sup>, 2007, with the Palm Beach county numbers again being from 2006.

**TABLE 2**

COUNTY	Median Income	130% of median	Max mortgage for family @ 130% of median <sup>1</sup>	# of Total SF sales affordable to HH earning 130% of median	% of Total SF sales affordable to HH earning 130%
Alachua	\$54,200	\$70,460	\$217,966	711	57%
Escambia	\$52,500	\$68,250	\$211,300	2089	81%
Hillsborough	\$53,900	\$70,070	\$216,790	2558	40%
Palm Beach*	\$61,200	\$79,560	\$245,432	2342	20%
Pinellas**	\$51,300	\$66,690	\$206,600	8980	47%
St. Lucie	\$52,800	\$68,640	\$212,473	1252	51%

\*Data for Palm Beach County is for Jan 1, 2006 - Dec 31, 2006  
 \*\* Data for Pinellas County is Through October 22, 2007  
 30 year term, 7 percent interest rate, 33/45 front and back ratios, \$1,000 down payment, \$450 per month in non-mortgage monthly debt.

Even with the lower sales price, five of the six counties still had close to 50 percent of their single family sales affordable

to families earning 130 percent of median. While only 20 percent of the single family home sales in Palm Beach County were affordable to a family earning 130 percent of median, 10,657, or 42 percent of all condominium sales were affordable to families earning 130 percent of median. With nearly 50 percent of home sales affordable to families earning 130 percent of median, this data also brings into question whether families in this income category in these counties need public subsidy to purchase housing.

**Table 3** shows the number and percentage of the single family sales affordable to families earning 70 percent of median, in the same six Florida counties as above, January 1, 2007-June 30<sup>th</sup>, 2007, with the Palm Beach county numbers again being from 2006. Hillsborough, Palm Beach and Pinellas Counties all had less than 5 percent of their single family sales affordable to families earning 70 percent of median. The condominium market in Palm Beach County was also not very friendly toward these families – only 1,907 units, or 7.5 percent of all condo sales were affordable to a family earning 70 percent of median. This data shows a continued need for subsidy for families at this end of the market.


### FURTHER REFINING THE DATA

The number of sales below a certain price point only tells a portion of the story. It doesn't tell us the location, age or size of the units. Many property appraiser Web sites allow users to search by the age, size, and location of the structure. For example, of the 820 homes sold for less than \$103,700 in Pinellas County this year, 387 (or 47%) were built prior to 1960. The search also gives the location of each home sold, allowing someone familiar with the community to determine the neighborhoods in which these lower priced homes are located.

As property appraiser's Web sites have evolved, housing administrators have more housing market information at their finger tips than ever before. This information enables the housing professional to determine whether the private housing market is meeting the needs of families at various incomes. Local and state housing programs should be targeted to income levels at which the private housing market fails. When the private market is meeting the housing needs of a certain income level, there is no need for public subsidy. The monthly payment calculator

COUNTY	Median Income	70% of median	Max mortgage for family @ 70% of median <sup>1</sup>	# of Total SF sales affordable to HH earning 70%	% of Total SF sales affordable to HH earning 70%
Alachua	\$54,200	\$37,940	\$112,065	126	10%
Escambia	\$52,500	\$36,750	\$107,168	945	37%
Hillsborough	\$53,900	\$37,730	\$111,200	172	3%
Palm Beach*	\$61,200	\$42,840	\$132,232	178	2%
Pinellas**	\$51,300	\$35,910	\$103,700	820	4%
St. Lucie	\$52,800	\$36,960	\$108,032	319	13%

**\*Data for Palm Beach County is for Jan 1, 2006 - Dec 31, 2006**  
**\*\* Data for Pinellas County is Through October 22, 2007**  
 30 year term, 7 percent interest rate, 33/45 front and back ratios, \$1,000 down payment, \$450 per month in non-mortgage monthly debt.

developed by the Florida Housing Coalition can be used to calculate the mortgage amount a family can afford. The property appraiser data and the methodology outlined above can be used to determine the percentage of community's housing market that is affordable to families earning certain incomes. This type of analysis should be done prior to increasing the income limits for a purchase assistance program. 

*STAN FITTERMAN is a Senior Technical Advisor with the Florida Housing Coalition. He is currently the program manager for delivering technical assistance under numerous contracts, including the state of Florida's Affordable Housing Catalyst program. He is recognized throughout the state as one of the foremost authorities on Florida's State Housing Initiatives Partnership (SHIP) program. Stan holds a masters degree in city planning from Georgia Tech. He provided research for the Pulitzer Prize winning newspaper series The Color of Money, and co-authored a chapter in the book From Redlining to Reinvestment.*