

## **Workforce Housing In Arizona: Squeezing Children and Families**

Across Arizona, headlines exclaim new record highs in housing costs, not just in metropolitan Phoenix and Tucson, but also in smaller Arizona communities. What's more, these increases in housing costs are far outpacing income gains. Many families have seen their budgets squeezed, and safe, quality housing is falling further out of reach for many of Arizona's workforce.

### **Housing Costs Far Outpacing Income Gains**

While housing costs leap upward, many Arizonans' incomes are not keeping pace. This has been true in communities big and small across Arizona, for both renters and homeowners.

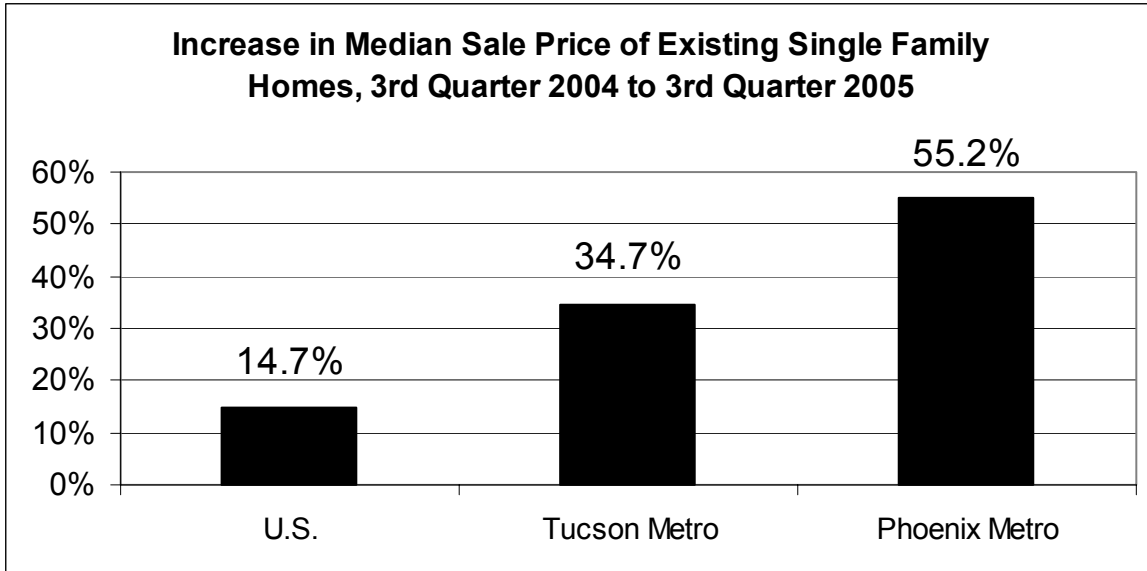
The chart below shows how Fair Market Rent, as determined by the U.S. Department of Housing and Urban Development (HUD), grew far faster than the income of renters in communities across Arizona between 1998 and 2004.

<b>Location</b>	<b>% Change in Median Renter Income</b>	<b>% Change in Fair Market Rent for One Bedroom Apartment</b>	<b>% Change in Fair Market Rent for Two Bedroom Apartment</b>
Statewide	0.4%	32.8%	27.2%
Flagstaff Metro	-9.2%	72.7%	50.6%
Phoenix Metro	6.6%	36.5%	31.1%
Tucson Metro	0.0%	28.8%	24.5%
Yuma Metro	-19.8%	31.1%	17.5%

*Source: National Low Income Housing Center "Out of Reach" reports, 1998 and 2004.*

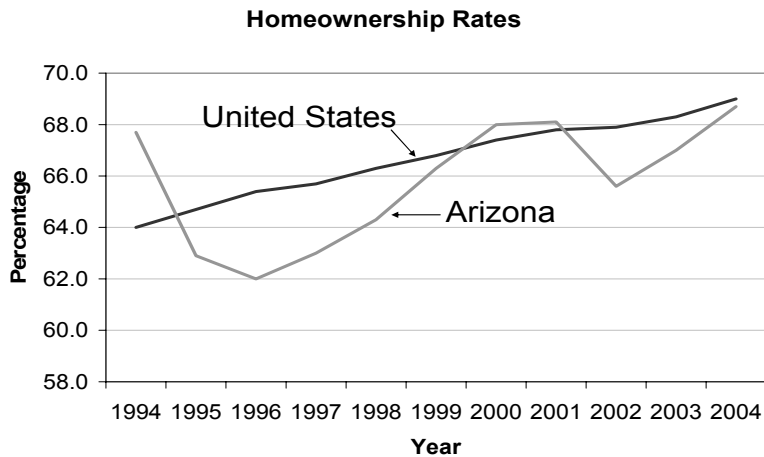
Homeowners are also experiencing a similar squeeze. The median sale price of an existing single family home in the metropolitan Phoenix area reached \$268,000 in the third quarter of 2005, the highest ever recorded, and a 55% increase over the same quarter in 2004.<sup>1</sup> In the Tucson area, the median sale price of an existing single family home increased 35%, to \$242,300, in the same period.<sup>2</sup> For the United States as a whole, the median price for an existing single family home rose just 15%, to \$215,900. This means that the cost of an existing single family home in Phoenix is 24% above what it is nationally, and in Tucson it is 12% above what it costs nationally.

By comparison, median family income in Arizona has increased an average of just 3% a year so far this decade, a rate that has been fairly consistent across the state.<sup>3</sup> And while the cost of single family homes in Arizona is now above the national average, the median income of families with children remains 15% below what it is nationally.<sup>4</sup>



### Arizona Homeownership Rate 40<sup>th</sup> in Country, Below National Average in 8 of Past 10 Years

While many still regard Arizona as a state where families can afford to buy a home, the home ownership rate has been below the national average in 8 of the past 10 years, and as of 2004 (the most recent year for which statistics are available), Arizona ranks 40<sup>th</sup> in the nation in homeownership.

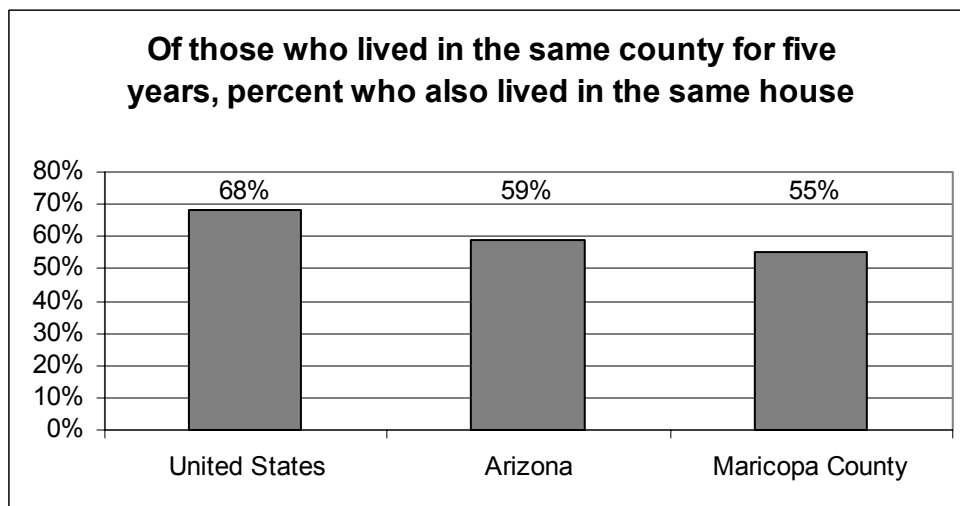


Also, Arizona ranks 35<sup>th</sup> among the 50 states in the percentage of children living in owner occupied housing.<sup>5</sup> Children who live in owner occupied housing have demonstrated higher academic outcomes, even when controlling for such factors as income level. It is believed that the academic advantages of children living in owner occupied housing are due to an environment that is more stable and more conducive to learning.<sup>6</sup>

## Arizonans Move Frequently, Making Them More Vulnerable to Housing Price Increases

Families who move more frequently are more vulnerable to fluctuations in housing prices than those who have already purchased a home at a set price, or those who are locked into long term leases on their housing. Therefore, it is concerning that Arizonans are more mobile than the nation as a whole. Many Arizonans move here from other states, with fewer than 35% of residents having been born in this state.<sup>7</sup> Moreover, the 2000 U.S. Census showed that 80% of Arizonans had been in their current residence for at least a year, compared with 84% nationwide.

Even long time Arizona residents are more likely to change residences than the national average. Among those who have lived in the same county for at least 5 years, Arizonans were 14% less likely than the nation as a whole to have also lived in the same house for 5 years. In Maricopa County, families are even more mobile, being 20% less likely than the nation as a whole to have stayed in the same house for 5 years if they had been in the county for at least 5 years.



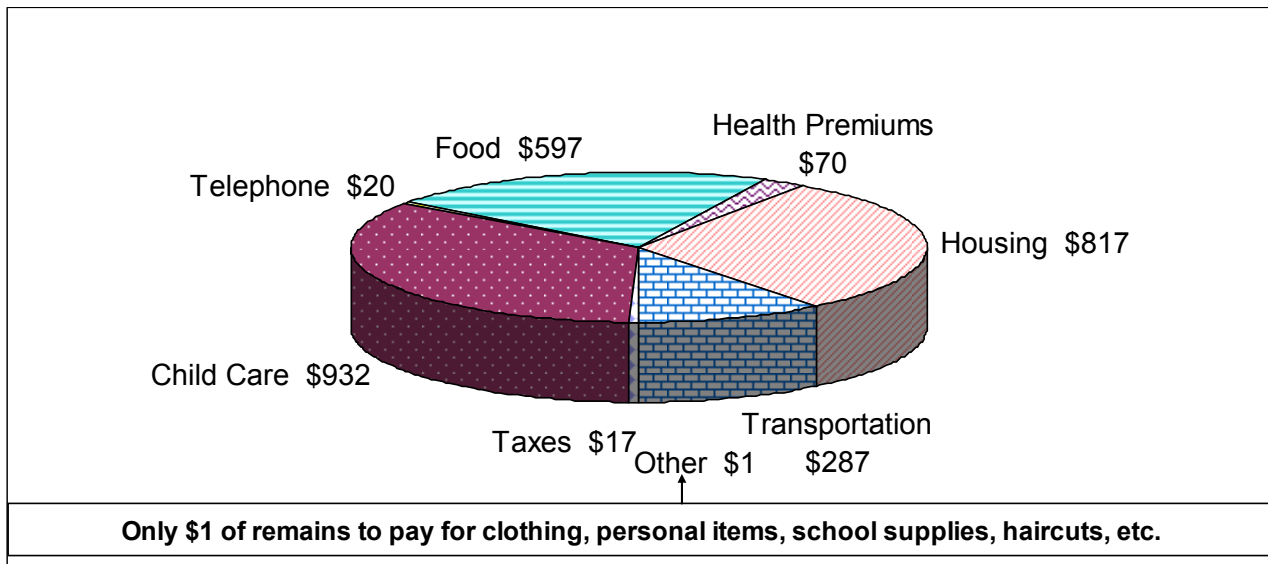
Numerous studies have shown that a stable housing situation where students do not frequently change schools has a positive effect on students' test scores and increases their odds of graduating from high school, even when considering a variety of variables.<sup>8</sup> Additionally, a study conducted by the Children's Sentinel Nutrition Assessment Project (C-SNAP) showed that children who live in low-income families with housing subsidies have healthier growth outcomes than children in low-income families who do not receive housing subsidies.<sup>9</sup> This further demonstrates that stable, affordable workforce housing is beneficial for children, and prevents other necessities from being squeezed when housing costs take up a larger share of a family's budget.

## Many Working Families Struggle to Afford the Basics

The chart below shows monthly expenses for a married couple family with income just under \$33,000 annually in the Phoenix area. This income is about 70% above the federal poverty level.

While families often are creative in finding ways to accommodate increased housing costs, the chart below shows there is little wiggle room if the cost of any one item increases faster than income.

*Monthly expenses for a married couple with children: a 3-year old and a 7-year old. Each parent works full time and earns \$7.91 an hour for an annual household income of approximately \$32,895*



Source: Children's Action Alliance Family Pie Chart: 170% of Poverty.

**Taxes** are calculated using tax preparation software, and include federal and state income taxes as well as payroll taxes, minus the Earned Income Tax Credit, Child Care Tax Credit, and the Child Tax Credit.

**Child Care** costs are based on the 2004 Market Rate Survey by the Maricopa County Office of Research and Reporting.

**Telephone** costs are approximate for a basic residential line, as quoted on the websites of Cox and Qwest, plus applicable taxes. This does not include long distance or other add on features.

**Food** costs are based on the U.S. Department of Agriculture's Cost of Food at Home for August 2005. The "Low Cost Plan" is used.

**Housing** is based on the 2005 Fair Market Rent for a 2 bedroom apartment in the Phoenix metropolitan area, as determined by the U.S. Department of Housing and Urban Development. Utilities are included.

**Health Premiums** are based on Kids Care and HIFA Parents programs through AHCCCS.

**Transportation** costs are derived from "The Self Sufficiency Standard for Arizona" for 2002, and are updated to 2005 using the Consumer Price Index for urban consumers in the transportation category.

## Conclusion

While headlines tell us that Arizona's housing prices have seen record gains recently, it is also true that housing costs have been rising faster than incomes for some time in our state, creating a shortage of affordable workforce housing. Arizona's workforce needs affordable and safe housing, and future generations of Arizonans need a stable and nurturing home environment in which they can grow and excel.

<sup>1</sup> Data from National Association of Realtors

<sup>2</sup> Data from National Association of Realtors

<sup>3</sup> National Low Income Housing Center's annual reports, "Out of Reach", 1998-2004.

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<sup>4</sup> 2005 *Kids Count Data Book* analysis of latest data (2003) from U.S. Census Bureau's American Community Survey. Annie E. Casey Foundation

<sup>5</sup> 2005 *Kids Count Data Book* analysis of latest data (2003) from U.S. Census Bureau's American Community Survey. Annie E. Casey Foundation

<sup>6</sup> Haurin, Donald & Haurin, R. Jean & Parcel, Toby (2002). "Does Home Ownership Affect Child Outcomes?" *Real Estate Economics*, Volume 30.

<sup>7</sup> U.S. Census: 2000 Decennial Census

<sup>8</sup> "Columbus Public Schools Student Mobility Research Project Report." October 2003. Commissioned by The Columbus Foundation. Research conducted by Community Research Partners.

R. Haveman & B. Wolfe (1994). *Succeeding Generations: On the Effects of Investments in Children*. New York: Russell Sage Foundation.

Rumberger, R.W., & Larson, K.A. (1998). *Student Mobility and the Increased Risk of High School Dropout*. *American Journal of Education*, 107(1), 1-35. E-j 583 043.

<sup>9</sup> "Subsidized Housing and Child Nutritional Status: Data from a Multisite Surveillance Study." Children's Sentinel Nutrition Assessment Project (C-SNAP), 2004.