

Lakeland facing affordable housing dilemma

By: Sara-Megan Walsh | The Ledger
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A household is considered affordable if the total cost of rent or mortgage payments, taxes, utility fees and insurance make up no more than 30% of the household's gross income. That's not happening in Lakeland.

LAKELAND — The nation is in the midst of an affordable housing crisis, and Lakeland is not an exception. Brenda Petty-Moore said she was shocked when she was forced to confront the reality of the city's apartment-rental market last year. She and her brother, Charles Moore, were given an eviction notice forcing them to move out of Swan Cove Apartments last May after a leaky roof caused significant mold issues. The notice kicked off a "frustrating" hunt for an affordable two-bedroom apartment priced at \$950 a month or less.

"It took more than four months to find a relatively reasonable place to move to and rent," Petty-Moore said. "It's a bad situation in Lakeland. I couldn't believe it, but as I talked to more people, I discovered it is a common problem."

The city is experiencing a shortage of quality, affordable housing for its residents because of several market issues. And the city has little to no influence over many of those forces, Mayor Bill Mutz admitted.

"We don't have control," he said.

Key factors include a shortage of housing supply, skyrocketing development costs and a growing population, according to a study produced for the city by Lakeland-based Kimley-Horn & Associates during the past two years. In the study, a household was considered affordable if the total cost of rent or mortgage payments, taxes, utility fees and insurance made up no more than 30% of the household's gross income.

"There are national challenges and there are these local challenges," senior project manager William Roll of Kimley-Horn & Associates said. "The national challenges are orders of magnitude bigger than the local challenges."

Wages vs. Rent

In Lakeland and across the country, workers' wages have not kept pace with increasing land and construction costs. Theresa Maio, the city's planning and housing manager, calculated an employee needs to earn a minimum wage of \$17.90 an hour to afford a one-bedroom apartment or make at least \$22.10 for a two-bedroom apartment in Lakeland assuming a 40-hour work week. However, the median income is only \$39,706 per year, or a little more than \$19 an hour.

For Petty-Moore, her search for an apartment was complicated because she was semi-retired, out of work and recovering from a hip-replacement surgery. Her brother is employed full time by Sykes Enterprises, but the rental rates of \$1,100 to \$1,300 a month would have financially stressed their budget.

"I had to ask when did Lakeland reach that point of asking so much for a two-bedroom, one-bathroom apartment?" Petty-Moore said. "I was not expecting those inflated prices."

The cost of renting an apartment is rapidly rising nationwide. The city's study found the total number of housing units priced at \$800 a month shrank by 2%, while there was a 97% increase in apartments rented for \$2,000 or more a month in 2017.



Petty-Moore, who is a senior citizen like 52.7% of the city's households, said she considered moving into a senior housing development to find a lower-priced apartment or condominium. However, she said many restricted communities already have a waiting list of a year or more.

Lack of Affordability

“We built 64 apartments in Wauchula and it filled up the day that we got the sticker of occupancy,” said Gene Strickland, a real estate broker for developers and former Lakeland city manager. “It had a list from here to the parking lot of people waiting. It was pathetic.”

Strickland worked with Fort Lauderdale-based Green Mills Group on Aida Palms, a 96-unit North Lakeland affordable housing complex that opened in July 2017. The complex was fully leased upon its grand opening. “They never even saw the apartments they were getting,” said Amanda Steuwe, community manager for Aida Palms.

Steuwe said the complex had a waiting list of more than 800 individuals seeking to rent a unit and each day it continues to increase. Since 2017, she'd only had a handful of people move out and a few evictions.

“We have a 100% renewal rate,” she said.

There are 27 complexes offering more than 3,200 affordable apartments for rent in Polk County to low-income families and seniors. In 2018, these units were 98.2% occupied, according to data compiled by the Florida Housing Finance Corp., a nonprofit created by the state Legislature roughly 35 years ago to help provide affordable housing opportunities for residents. The organization estimates more than 9,700 additional apartments are needed to provide adequate housing for the county's low-income residents.

“We don't do market studies anymore. The day we finish construction, it's filled,” Strickland said.

Aida Palms is the only apartment complex of five units or more to be completed within the city since 2016. The city doesn't track apartment buildings of less than five units. Mutz has said he hopes to see 500 new units built by 2023. The proposed 305-unit Mirrorton development by the Tampa-based Framework Group is awaiting its final permits from the city. The 80-unit East Parker Street development proposed by Green Mills could help the city meet its goal if construction moves forward.

Making the leap: renter to owner

Another factor compounding issues in the apartment rental market is Florida's record low homeownership rate. It's estimated only 64.1% of residents owned their homes in 2017, slightly above the national average but still down from the state's 66.3% average during the past 34 years, according to figures released by the state in September. “Apartments now capture more revenue than they ever have, and homeownership is at the lowest level in 50 years. Affordability is at the heart of that,” said Bob Adams, owner and president of Highland Homes.

The Lakeland-based builder with more than 40 years' experience said he has seen first-time buyers squeezed out of the market because of increasing home prices and the federal government gradually increasing interest rates. Jeff Bagwell, one of the founders of the Keystone Challenge Fund, said while home costs are a factor, it's more a matter of financially burdened renters being able to save a few dollars and cents.

“The biggest issue with low- and moderate-income people is down-payment assistance and closing costs,” he said. “They are used to paying rent. They can pay \$800 a month rent.”

Bagwell said he meets an increasing number of individuals financially buried under student debt.

“People come in here all the time with \$20-, \$30- or \$40,000 in student loans and I ask, ‘Did you get your degree?’ ” he said. “They tell me no.”



Bagwell said potential homeowners who are trapped with a large monthly student loan payment and spending up to 50% of their income on rent often rely on federal or state assistance to help bridge the gap.

Housing — a priority?

The Keystone Challenge Fund receives money indirectly from the state, filtered through Polk County and the city of Lakeland, to offer low- to moderate-income families with down-payment assistance and closing costs. The funds come from the State Housing Initiatives Partnership Program.

The Keystone Challenge Fund and Lakeland's Community Redevelopment Agency are out of assistance funds for the current fiscal year and its future SHIP funding is still being calculated.

Maio said Lakeland is slated to receive funding from the U.S. Department of Housing and Urban Development of \$935,111 in Community Block Development Grants, down 4.4% from 2018, that can be used for property acquisition, housing rehabilitation, or to benefit a public service. In addition the city will receive \$362,966 in HOME Investment Partnership Program funds — down 13% from last year — to offer aid to low-income households through down-payment assistance or rehabilitation.

The city held a public meeting May 13 to solicit input from residents on how these federal funds would be best spent.

The state's doc stamp tax raised more than \$335 million for the Sadowski Trust Fund, but lawmakers approved only about \$200 million will be used for affordable housing as was the fund's original intent. Half of the state funding has been set aside to help Hurricane Michael victims, with another \$8 million solely for workforce housing in Jacksonville. The remaining cities and counties across Florida, including Lakeland, have to figure out how to split the remaining \$77 million fairly.

Maio said it is unclear exactly how much Lakeland will receive, but she hopes it will be a slight increase from roughly \$150,000 in 2018.

“If there's no funding, that hurts my entry-level buyers. They can't save up the down payment,” Bagwell said. “If I can't put them into entry-level houses, they are staying in apartments longer which, of course, causes a crunch.”

Priced out

It's not that there aren't homes being built in Lakeland. In 2018, the city issued more than 400 permits for construction of single-family homes, according to Jason Wiley, Lakeland's business development manager. Wiley said that's more than double the city's yearly average.

Despite this construction, there's a shortage of houses for sale on the market sending the average sale price higher. In January 2019, approximately 300 homes were sold, according to Wiley, out of approximately 900 that are on the market. That's enough to meet three months of demand. By comparison, he said there were approximately 1,800 houses on the market five years ago.

“What is a concern is the lack of inventory,” he said. “There's not many opportunities. We are in a very competitive sellers market.”

Buyers are seeing fewer choices and the demand has caused the average price of a Lakeland home to rise above \$200,000.

“It's a number we haven't seen before,” Wiley said.



Lakeland's options

Mayor Mutz said he recognizes that Lakeland's study states the city has little to no direct control over many of the factors controlling housing affordability.

One of its first recommendations was for the city to conduct a study and reassess its impact fees, or a charge to developers for improvements the city needs to make to roadways, sidewalks or other structures due to the new construction. Tom Wodrich, the city's chief planner for Community and Economic Development, said the city already reviews its impact fees every five years and a study is currently underway.

The commission unanimously decided at its May 7 planning meeting to commit \$250,000 each year starting in fiscal year 2020 to help address the city's housing issues.

"Everyone says affordable housing is something we should do, but you have to build a plan around it," Mutz said.

Looking within

Maio said Lakeland Community Redevelopment Agency has whittled a list of more than 700 properties down to a group of 116 parcels totaling 40 acres that could be suitable for housing projects. The majority of the 116 properties are less than 1 acre in size each, according to Maio, and zoned for single-family housing.

"We hear a lot of criticism around the community about how much land the city owns and we're sitting on this stock," Commissioner Scott Franklin said. "I really hope we can set some aggressive goals to get this property off our roll and into constructive uses."

Maio said city staff believes some of the sites could be combined into larger plots that may be attractive to developers. She said it provides an opportunity to create housing for what's called the "missing middle," like townhouses that provide an incremental step between moving from multi-family apartments to a larger single-family lot. Maio presented a draft concept for "Olive Street Townhouses," that proposes eight, 1,500-square-foot townhomes be built side by side to provide transitional "missing middle" housing.

Lakeland commissioners have not yet decided how the \$250,000 they agreed to set aside each year to address housing affordability will be spent. Maio suggested the city could set it up as a revolving loan fund or offer some type of affordable housing incentive. The city will hold a June 28 workshop on its affordable housing policies and goals for the 2020 fiscal year.

"We do everything else well," Mutz said. "We bring in new companies but if we don't bring places for people who are in the workforce to live, then we haven't finished our job."

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