

**TO: Planning, Policy Development and
Legislation Committee**

Date: July 24, 2002

FROM: Mr. Nicolas Benjamin

For Action
 For Information
 Meeting Notes

SUBJECT: Affordable Housing in Merced County

PROPOSED MOTION: The Committee recommends to the Board that it adopt the following statement of support: “In the interest of the entire business community and the working people of Merced, the Workforce Investment Board of Merced County actively supports the development of affordable workforce housing in our community.”

DISCUSSION: See Attachment

ATTACHMENT: Statement of Need

Merced County Workforce Investment Board

Statement of Need:

The Necessity for Workforce Housing in Merced

The city of Merced is growing at a rapid pace. With an expected 30% population increase in the next eight years Merced County Association of Governments (MCAG), the City must embrace growth in all sectors, be they in the business community, in retail or service industries, or in regard to housing options for the booming population. All of the above sectors of economic and community growth are closely intertwined. The growing population will necessitate an increase in availability of goods and services, which will increase sales and customer base for local businesses, which will mean an expanding job base and increased demand for employees, whom will require additional housing, and with their families, will fuel further population growth. Equal growth among every part of this cycle is essential to the future of Merced's economic and social well-being.

Without adequate growth in housing production, the projected population increase of 21,470 new citizens by 2010 will be disastrous for the city of Merced (MCAG). Merced's workforce cannot and will not expand without a significant increase in new housing production. The current lack of housing production coupled with the existing housing shortage in the city has already impacted the price of owning or renting a home. From January 2001 to April 2002, the median home price in Merced increased by 50.7% in only 15 months, which represents an astronomical 40% increase in median home price per year according to figures from the Merced County Association of Realtors and County of Merced statistics. Similar cost increases are being experienced by the 53.5% of Merced residents who rent rather than own their housing (2000 US Census).

As the costs of renting or owning a home skyrocket, Merced residents of moderate and low incomes are rapidly being "priced out" of housing in our city. This effect is felt most significantly by the 44% of Merced households that subsist on low or very low incomes, according to MCAG. Citizens of "low income" are working residents who earn hourly wages at minimum wage or even higher, most of whom are not eligible for public assistance. In fact, policymakers have begun to abandon the term "affordable housing" in favor of the more accurate term, "Workforce Housing." In Merced County, those who qualify as "low income" residents in need of affordable workforce housing are those whose annual earnings are at or below the following income levels:

1 person household:	22,050
2 person household:	25,200
3 person household:	28,350
4 person household:	31,500
5 person household:	34,050
6 person household:	36,550

Purchase prices for traditional single-family homes are escalating beyond the reach of these income groups, and many families are forced to rent their housing. According to the 2000 US Census as noted above, 53.5% of Merced residents now rent their housing, compared to a national average of approximately 35% renters. The increasing number of renters in Merced has produced a citywide vacancy rate below one percent and extensive waiting lists at many rental communities.

It is clear that the City of Merced needs thousands of new housing units to accommodate the 30% population boom predicted to occur by 2010 (MCAG). As a function of open market economics, the private housing industry will address the needs of the above moderate income groups long before they look to lower income groups as a viable market. This means that in order to maintain balanced housing stock for all economic sectors of the community, local governments and other interested groups must pay special attention to the housing needs of lower income groups. If affordable workforce housing is not produced at a faster rate, cost of living in Merced will rise unchecked, and local wages will follow, to the detriment of all businesses.