

WORKFORCE HOUSING

Subsidy idea has flaws for owners

BY MICHAEL S. WEINER

With the current cycle of real estate prices eliminating many people from the housing market, panic and discomfort have set in among city and county officials concerned that firemen, policemen, teachers and others will not be able to live in certain areas. Law firms are immersed in drafting ordinances to promote what has come to be called workforce housing.

In each municipality, the attempt to provide workforce housing is a result of heartfelt intentions to allow the middle-class working family to own a home. While these aspirations are honorable and desirable, the early attempts at providing workforce housing are misleading and in the long run ineffective. The market is far better equipped to deal with this social need than is government.

The median house price of slightly more than \$400,000 in Palm Beach County means that one-half of homes sold for less than this price. If government subsidizes additional housing at less than this price, then there will be more choices in this portion of the market. On the surface, this seems to be a benefit, but take a closer look.

Neighborhoods that need the greatest improvement — those neighborhoods where prices have lagged behind — will now have greater competition because of government intervention. In the last 10 years, we have seen a tremendous reinvigoration of older neighborhoods that were thought to be less desirable. Today they are thriving.

The current workforce housing concept gives the working middle class all the burdens of home ownership but none of the benefits. In each of the schemes we have seen there is a complicated procedure for being certain that a particular unit remains in an "affordable pool." Whenever such a unit goes up for sale, it will be priced not by the market but by the municipality, probably at a price less than an unrestricted home. The most likely outcome is that this differential will grow, not diminish. The working middle class will have to pay for homeowners association dues, insurance, mortgage payments, upkeep, maintenance and renovations. It may not be as good a bargain as they expect.

We will also have government involved in, and redefining, our relationship with our most highly prized

asset. For example, what would happen if a qualified participant were to receive an inheritance? What would happen if a family member moved in, changing the income of the household? What would happen in the event of death? Would families be able to pass this house along or be forced to sell? Any notion that this is a "homestead" seems to be gone.

While it is the goal of the Legislature to have the units be indistinguishable from each other, over time it will soon become apparent which homes are deed restricted and which homes are not. The system will discourage maintenance or esthetic changes, since the price will be regulated and it will be highly unlikely that the owner will be able to receive a return on investment.

What will happen if the deed restrictions are violated? Will the government get into the business of evicting people? Will there be a difference between those who made an honest mistake and those who engaged in fraud? Who will be monitoring and policing this portion of the program?

The whole movement for affordable housing is responding to a small blip on the economic screen. Increases in house prices over the last 10 years have caused some people to panic. However, this increase is out of the ordinary. If you look at the statistics over a long period of time, housing price increases, for the most part, are typically no better or worse than any other capital asset.

The other point to consider is that home ownership should not be considered an inalienable right. This phenomenon is truly one applicable only to suburban areas and not to cities where renting is an acceptable residential option regardless of income levels. Government's role here is to provide quality housing, not necessarily ownership.

While the intentions of workforce housing are admirable, it would appear that under the current guidelines governments are proposing to take on a role that is inappropriate and not manageable. It would be wise to take another look at the various formulas and come up with better and more practical solutions.

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