

## **Priced out: Growing numbers of Utahns struggle to find affordable housing**

By Jasen Lee

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Many Utahns are trying to cope with rising apartment rents and stricter credit standards that have made buying a home much harder, according to local housing advocates.

For the most part, the slumping economy is the main culprit for why so many individuals and families are finding themselves in a delicate balancing act as they try to figure out how to get into a home or find a rental unit that doesn't bust their budget.

A glut of high-end, luxury houses is also contributing to the lack of affordable housing, because owners of the expensive homes are having difficulty selling them, slowing Utah's entire housing market, said Jason Eldredge, executive vice president of sales for NewReach, a Salt Lake-based real estate research firm.

Because fewer people are able to obtain the loans necessary to buy high-end homes, people who own less-expensive homes can't move up to the costlier ones and are staying in their current homes, he said. That means there are fewer less-expensive, affordable homes available for first-time homebuyers.

Robert Mork is a 24-year old single father who is hoping to become the first person in his immediate family to purchase a house. He said he began looking for a house in August, but then the economy started to falter and took the real estate market with it.

Utah's need for affordable housing continues to outpace availability, said Shelli Goble, deputy program director for the Olene Walker Housing Loan Trust Fund. The entity is part of the state's Housing and Community Development division.

According to the agency's 2008 annual report to the Utah Legislature, home prices have stabilized, but average prices still remain above reach for many families.

On Thursday, Gov. Jon Huntsman Jr. announced a plan in the state budget that would include \$400 million in bond funding through the Utah Housing Corp. to buy mortgage-backed securities from Utah lenders.

According to agency president Bill Erickson, the proposal is an effort to help more qualified homebuyers get into affordable houses. However, the details of the proposed plan have yet to be ironed out and would take several months to implement, he said.

In October, the Salt Lake County Board of Realtors reported that the median price of homes sold in Salt Lake County was \$228,450 — the highest among four Wasatch Front counties. Weber County, at \$169,900, had the lowest median home-sales price among the group that also included Davis and Utah counties.

## **Housing Gap**

As for the rental housing market, Goble said that for low-income populations — those with income less than 50 percent of area median income — there is an 8,855-unit gap between annual need and what Olene Walker Housing Loan Fund resources provide.

Goble said Utah's cumulative need for affordable rental units is estimated at 51,000 units, with statewide vacancy rates around 5 percent, resulting in long waiting lists and rent increases of more than 9 percent over the past year.

With a \$68,000 median qualifying income required for homeownership, many working professionals — including teachers, police officers, and nurses — cannot afford to buy homes in their communities, the Salt Lake Realtors report said. And the area rental market is just as difficult for many families.

Regina Armijo, 33, and her family have spent the last three weeks living at the Road Home overflow shelter in Midvale after being forced to leave their last apartment due to a 14 percent rent increase imposed by their Murray landlord.

The family is among many people in Utah who are caught in a financial purgatory because they are finding it increasingly difficult to find affordable rental housing, said shelter executive director Matt Minkevitch. The Road Home provides support services and shelter for overcoming homelessness in addition to a variety of housing program services.

"We've had more families come to us this fiscal year than any other year on record since 1988," he said. He said the shelter has experienced a 118 percent increase since it provided 48 families with emergency shelter in 2007. "And that was before we opened up Midvale," Minkevitch added. He said his facilities currently house approximately 70 families.

Minkevitch attributed the rise in shelter requests to the slumping economy and the tightening of the Wasatch Front rental market.

"Those two things are definitely a one-two punch on families," he said.

Armijo said she would like to find an affordable three-bedroom rental so that she, her husband and the youngest two of their four daughters can stay together. Her two teenage daughters are currently living with relatives while the rest of the family remains at the Midvale shelter.

She said a major stumbling block has been trying to save up enough to just move into an apartment now that landlords are demanding so much up-front money.

"The last place we tried wanted the first month's rent, the last month, plus a security deposit," she said. "That was about \$2,000."

Armijo said her husband, Jerry, who worked in construction, has had trouble finding full-time employment during the economic downturn, making saving money even tougher. Thankfully, she said, the Road Home has provided them with food, stable shelter and help in locating affordable housing.

### **Few Vacancies**

Minkevitch said that in a softer market, landlords have an incentive to be more patient. But in the current market, with such low vacancy rates, property owners don't have to be as accommodating, he said.

"They've got a half-dozen renters out here that are beating a path to their door that will easily replace these people who are currently slow on their rental payment," said Minkevitch. "So they might be eager to get that person out."

Other housing advocates agreed that the sharp downturn has created widespread turmoil in the housing market and other areas, as well.

"The economy is having a huge impact," said Tara Rollins, executive director of the Utah Housing Coalition. "Prices in housing went up so quickly, and people's income didn't go up."

She said the recent spike in unemployment, along with the housing bust, has added to the difficulties facing many people trying to make ends meet and keep a roof over their heads. The loss of public housing units and subsidized housing vouchers that were dedicated to low-income residents has also contributed to the strain being put on the availability of affordable rental units.

"That housing was a big piece of our inventory," she said.

The economic slump has also had some unusual effects in local housing, according to market analysts. The cost of renting an apartment along most of the Wasatch Front rose slightly during the first six months this year, even though the number of vacancies also increased, according to a mid-year report.

Vacancy rates rose in three of the four Wasatch Front counties, said the August report from Apartment Realty Advisors, a real estate brokerage firm in Salt Lake City. Despite the rising vacancies, the average rent in Salt Lake County jumped 9.2 percent, compared with the same period last year, and it was up almost 4 percent during the first six months of 2008, compared with the end of last year, the report said.

People have tried to counter the effects of the tough economy by choosing less-expensive housing options.

"The cost of gas and the cost of food are pushing people back into lower-grade apartment units," said Jeb Millburn, spokesman for Apartment Realty Advisors. "Their jobs are still paying the same, it's just that everything else is going up. Housing is one of the ways that

you can save money."

## **Housing Help**

The increasing demand for the lower-grade apartments is driving up rent for those properties, but the high-end apartments have not seen similar rent increases, because of the competition from the house and condo rentals, Millburn said.

Many local housing agencies, such as the nonprofit Community Development Corp. of Utah, have seen a significant increase in the number of clients they serve.

"Our housing counseling for homebuyers has actually grown in the last 12 months," said Community Development Corp. of Utah executive director Darin Brush. But, he said, prospective homebuyers are still expressing some concern about the uncertainty in the real estate market they read about in the news.

"A lot of these families live just one medical bill or one broken-down car or one paycheck away from being in trouble," he said. "So they tend to be very deliberate in their decision-making right now, whereas a year ago, people were moving very quickly to buy a home because they worried the property was going to appreciate beyond their reach."

## **Tight Credit**

Brush said another issue that was influencing prospective homebuying clients was stricter credit standards that are being imposed by lenders.

"People who could have qualified a year ago or year-and-a-half ago for a mortgage are having more trouble," he said. "If they don't have absolutely stellar credit, then it's becoming a challenge."

He said that access to capital has not loosened up enough to allow more first-time buyers to get loans. However, his agency has been able to help some clients like Mork achieve their dream.

Mork said the house he is purchasing listed for \$180,000 and is located in Magna just a few minutes away from his workplace. He said that based on his \$34,000 income he earned as an equipment installer, he qualified for a \$135,000 mortgage, but Community Development Corp. helped find him additional financing to buy the home.

He said that buying this house will allow his 7-year old son to grow up in a stable environment with a real place to call home. Previously, Mork had rented a duplex for four years and then an apartment for six months before moving in with relatives to save money to buy a house.

Mork said he was made aware of the property by his real estate agent, who contacted CDC to arrange a showing of the house.

"The county is going to give me a deferred note, which is a second mortgage," he said. "And the CDC is going to give me \$10,000 in downpayment assistance through a forgivable grant."

He said the grant has a 15-year obligation that requires him to repay the pro-rated balance if he sells the home before the term expires. Zions Bank is also providing funding through its "Home Start" program, which matches downpayment assistance up to \$5,000, he noted.

"There is no other way I could buy a house," Mork said. "They are making me jump through all kinds of hoops to do it, but it has been pretty fabulous."