



## **Military Housing Needs Assessment for 2004 Summary and Conclusions Prepared for the Governor and Legislature**

### **Introduction**

Florida currently hosts 21 active military installations and three joint commands distributed throughout 13 counties. Almost 80,000 active-duty military personnel are stationed in Florida, with approximately 42,000 spouses and 33,000 school-age dependents. As of Fiscal Year 2002, defense spending accounted for \$21.7 billion in Florida wages, pensions, goods and services. Total defense spending accounted for \$44 billion, or 9.8 percent of Florida's gross state product and 714,500 jobs.

In 2004, Congress authorized the U.S. Department of Defense (DoD) to initiate a base realignment and closure (BRAC) round in 2005. For the BRAC 2005 effort, DoD intends to eliminate 25 percent of the nation's installation capacity, or approximately 45 bases nationwide.

In an effort to minimize the risks of losing more installations, the Florida Legislature passed Senate Bill 1604 which, among other things, directed Florida Housing Finance Corporation (Florida Housing) to undertake an assessment of the needs of active duty military personnel and their families living in Florida for affordable housing. Florida Housing determined that the scope of the needs assessment was complex enough that Florida Housing should contract with a market analyst to perform the study. To this end, Florida Housing initiated an Invitation to Negotiate process and contracted with Strategic Planning Group, Inc. to perform the assessment.

The completed assessment includes a 312 page report and an 81 page executive summary. Florida Housing has prepared this summary of the assessment findings and has developed conclusions and recommendations as required by Senate Bill 1604.

### **Parameters of the Assessment**

Pursuant to SB 1604, the assessment provides information on the population characteristics of service personnel and their families with total gross incomes of up to 80 percent of the local area's median income who are living off base. Additionally, information is provided about the housing supply, including the conditions of existing multifamily rental housing and the availability of homeowner housing.

The following 17 active military installations and joint commands,<sup>1</sup> by region, are part of the assessment:

**West Panhandle:**

Naval Air Station Pensacola, including Corry Station and Saufley Field, and Naval Air Station Whiting Field;

**East Panhandle:**

Eglin Air Force Base, Hurlburt Field, Tyndall Air Force Base, and Naval Support Activity Panama City;

**Northeast Florida:**

Naval Station Mayport, Naval Air Station Jacksonville, Blount Island Command, and Naval Aviation Depot Jacksonville;

**Central Florida:**

MacDill Air Force Base, including U.S. Central Command and U.S. Special Operations Command, Cape Canaveral Air Force Station, Patrick Air Force Base, and Team Orlando Modeling and Simulation Community;

**South Florida:**

U.S. Southern Command, Naval Air Station Key West, and Homestead Air Force Reserve Base.

The assessment includes a review of previous studies concerning the military's impact on Florida, descriptions of each installation, demographic statistics and housing criteria of the military, the number of military personnel assigned to each installation, provision of on-installation housing, military wage and allowance compensation,<sup>2</sup> and review of recent military housing assessments. Community-wide inventory and demand assessments include discussions with local military housing offices, off-installation housing assessments, Multiple Listing Service data for each area, 2000 U.S. Census data, proprietary inventory data, and conversations with local realtors and apartment associations.

Military rank, family size and composition determine military housing requirements. Most military installations have on-installation housing that provides accommodations for family and unaccompanied personnel. Although not all personnel can be housed on-base, the presence of housing and community support facilities to accommodate 10 percent of the families in each grade as well as housing for key and essential personnel, historic housing and housing for members whose regular military wage and allowance compensation is less than 50 percent of the local median family income are established as the minimum requirements for each installation.

Off-installation housing requirements and standards are based on rental housing standards established by DoD and interpreted by the individual military branches. According to the military, housing must be within a reasonable commute distance of the installation and not in an area designated by the installation commander as unacceptable for health or safety reasons. The housing must be no more expensive than the local median housing costs as determined by DoD for each pay grade. Housing must meet minimum size standards (often above sizes considered

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<sup>1</sup> Four installations currently have less than 20 active duty military personnel and, therefore, are not included in this report.

<sup>2</sup> Military personnel and their families receive not only a basic salary, but also housing and subsistence allowances which are tax free. In order to accurately compare households incomes, one must not only compare military income plus allowances, but also adjust income for the tax advantages.

standard for civilians; this is based on rank); however, size alone is generally not sufficient consideration to make housing unsuitable. Additionally, units must be well maintained with various amenities, including air conditioning and/or heating systems, and washer and dryer connections or facilities on site. For rental purposes, manufactured homes and government-subsidized housing are not considered suitable housing for military personnel.<sup>3</sup> All homes occupied by a military homeowner are considered to be acceptable, regardless of any other criteria.

Florida Housing considers housing affordable if a household pays no more than 40 percent of its annual income for housing, including utilities. Households who pay more than 40 percent of their income for housing are considered cost burdened and may have difficulty affording necessities, such as food, clothing, transportation and medical care. In order to accurately compare household incomes, the study compares 40 percent of the total military wage and allowance compensation of those active duty military personnel making up to 80 percent of area median income (AMI) to housing costs in the areas around each subject installation.

## **Findings**

Of the almost 80,000 military personnel and their families stationed in Florida, roughly 25,700 have incomes in the AMI ranges examined in this assessment. Of these, approximately 13,600 families and unaccompanied personnel live off base and are the focus of the assessment.

Overall, the study did not expose any major housing affordability or availability problems for military personnel. Interestingly, military wages exceed the state average by 133 percent (\$45,373 vs. \$34,232), positioning most military personnel and their families above the local AMI. Only the lowest ranked personnel (Enlisted 1 – 5 and Officer 1 in most areas) fall below 80 percent of AMI and no military personnel fall below 45 percent of AMI. This population represents just under 64 percent of the total active duty personnel in the nation.<sup>4</sup>

Military personnel required to live off-base can either buy or rent. The lower ranked personnel are more likely to rent than own; when on-base housing is not available, 100 percent of Enlisted 1 personnel rent, while the rate of renters decreases steadily to only 7.5 percent of Enlisted 9 personnel renting off-base housing. Officers are generally more likely to purchase a home, with 28.6 percent of Officer 1 personnel owning their homes and up to 100 percent of Officer 7 and above personnel owning their homes. Of the Enlisted 1 – 5 and Officer 1 personnel that make up the target population in Florida, approximately 75 percent are renters.

Due to low interest rates and the availability of Veterans Administration home loan guarantees, the assessment states that the overall rate of homeownership appears to have increased in the last several years. This has allowed the rental market to accommodate more military and civilian renters. The average military ownership rate for the installations studied is approximately 57 percent for military families and 19 percent for unaccompanied personnel.

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<sup>3</sup> Florida Housing believes this does not include more recently constructed properties financed by programs such as the Low Income Housing Tax Credit Program.

<sup>4</sup> Due to the way each installation reported its personnel numbers, it is impossible to calculate an exact number of personnel by rank or with incomes below 80 percent of AMI.

### **Military Rental Housing Need**

On the rental side, for those personnel between 45 and 80 percent of AMI, there is only one *potential* affordability issue that arises for military families requiring rental units of three or more bedrooms. These larger units are most often available as single family homes rather than apartments. Statewide, fewer than 106 military families in this income range require three or more bedrooms and may be cost burdened.

Almost one-half of these possibly cost burdened families, approximately 51, are found at MacDill Air Force Base in Tampa, where 2,728 military families live off base. It is important to note that these figures do not represent actual families, but are based on a comparison of the personnel's compensation to U.S. Department of Housing and Urban Development established Fair Market Rents in each area. This does not mean that housing is unavailable; rather, it means that these large families may possibly have a harder time finding adequately sized, affordable housing. Additionally, it is possible that spousal income may assist the family to find adequate housing. More than 57.1 percent of military spouses are employed; however, the percentage is only 26.2 for Enlisted 1 – 4 personnel who make up the bulk of the target population. The study did not include any income from spouses of military personnel, so the impact from second incomes cannot be determined.

In the near future, personnel attached to Blount Island Command in Jacksonville, may begin to experience a slight affordability problem. Starting in 2005, the military housing allowance for Blount Island will be tied to Kings Bay, Georgia thereby decreasing the allowance between \$102 and \$151 for the target population depending on rank and family composition. This will primarily affect the affordable rental options for lower ranked military personnel with large families requiring three or more bedrooms. This accounts for fewer than ten families out of the 90 military families living off base. Note that occupancy levels in the Jacksonville apartment market are generally low at this time, including rates for affordable apartment units financed through Florida Housing's programs. This is due to continued low interest rates for homeowner mortgages which have allowed many families to become homeowners for the first time.

### **Military Homeownership Housing Need**

On the homeownership front, the only affordability issue found is at Naval Air Station Key West, where the current price of ownership housing exceeds the 40 percent housing cost burden measure and only 55 out of 222 off-base personnel own their own homes. This is below the average of 42 percent of homeownership found at the other installations studied.

The civilian population in Monroe County also has a pronounced affordability problem due to the high demand for housing by tourists. The middle income workforce, including teachers, firefighters and police, has difficulty buying a home in the Keys. A review of the Multiple Listing Service for December of 2004 shows that the average purchase price of a two-bedroom home was \$899,420, significantly out of reach for all but the highest ranked personnel. There is currently an excess supply of on-installation housing that, if used, would reduce the demand for off-installation housing. Note that military personnel are not affected more than the general population in this regard. The civilian workforce also has difficulty finding affordable rental housing, although this does not appear to be a problem for military personnel.

## **Housing Problems as a Result of the 2004 Hurricane Season**

The Assessment did not consider impacts to housing need as a result of the 2004 hurricane season. The main reason for this is that existing sources of data used for the report are mostly older than six months. Florida Housing did examine whether any of the 17 installations were located in the wake of the hurricanes, and finds only that the West Panhandle naval stations were impacted by Hurricane Ivan. Several hundred military families were displaced by the hurricane, and were provided temporary shelter by the Federal Emergency Management Agency. However, all of these families have now moved back into permanent housing. The U.S. Navy considers the Pensacola area to be an “Area of Critical Housing Concern” because of the difficulty of obtaining housing, and requires personnel relocating to the area to sign a lease before moving their families to the area.

## **Conclusion**

Florida has an affordable housing problem. According to the 2004 Rental Market Study prepared by the Shimberg Center for Florida Housing, there are an estimated 1.2 million renter and homeowner households in the state with incomes between zero and 60 percent of AMI that pay more than 40 percent of their incomes for housing.<sup>5</sup> Military personnel, however, are compensated at a higher rate than the civilian population and enjoy housing and subsistence allowances when required to live off-base. As a result, there are extremely limited affordability problems for these personnel.

The only potential rental affordability problem for military personnel appears at the lowest enlisted levels for personnel requiring three or more bedroom units. The affordability issues raised by this study are not representative of actual cost burden problems, but indicate the *possibility* that affordable, large units may be difficult to locate. A total of 106 military families are possibly impacted in this manner.

In Monroe County, homeownership housing presents an affordability problem for all middle to low income households wishing to purchase homes. Both the civilian and military workforces struggle to find affordable ownership options. There is, however, adequate rental housing affordably priced for military households as well as a surplus of on-installation housing.

Two recent changes in DoD regulations and policy should begin to reduce potential affordability problem experienced by service members. First, starting in 2005, the military housing allowance will be calculated to cover 100 percent of estimated housing costs of military personnel. Until this change, small out-of-pocket contributions to housing costs were assumed by personnel, estimated at 3.5 percent of the housing costs in 2004. Secondly, unaccompanied personnel will now be allowed to share off-base accommodations with other military personnel without sacrificing any of their housing allowance. This will allow two or more single personnel to rent larger, more expensive units without increasing their housing cost burden.

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<sup>5</sup> The 2004 Rental Market Study can be found on the Florida Housing website at <http://www.floridahousing.org/Home/Newsroom/Publications/statewiderentalmarketstudy.htm>

As a result of the assessment's findings, Florida Housing has no recommendations for changes to the state's affordable housing programs, because this comprehensive assessment shows a minimal potential housing need for rental housing and a minimal homeownership need in Key West where civilians also struggle to find affordable housing. In fact, military households with incomes between 45 and 80 percent of AMI appear to have fewer affordability problems than their civilian counterparts – no doubt due to their military compensation and the provision of on-base housing for the lowest income personnel.

Florida Housing's mission is to help ensure that all low income households have access to safe, affordable housing. In 2004 alone, over 15,000 units of rental housing and 12,000 units of ownership housing were allocated funds through the various federal and state programs administered by Florida Housing. These units will serve Floridians with incomes between zero and 120 percent of AMI, with a majority serving the 40 to 60 percent AMI population. In Hillsborough County, location of MacDill Air Force Base, 928 units of rental housing were funded. To ensure that affordable rental housing is available in Monroe County, Florida Housing prioritizes development in the Keys, financing 412 rental units there since 2002. While this number may seem low, the dearth of land in Monroe County, combined with land and construction costs as well as environmental constraints, has limited the total amount of development throughout the Keys.

To address ownership issues, Florida Housing has raised the maximum purchase price levels for homeownership programs throughout Florida, but none are higher than that for Monroe County, at \$343,799. However, the county must add additional subsidy to these first mortgages to ensure that the homes can be purchased. Most importantly, through the work of the Department of Community Affairs, Florida Housing and others, since 2001 the Keys have seen the development of two community land trusts to preserve land in perpetuity for affordable homeownership. These land trusts are run by nonprofit organizations that own the land under the homes and provide 99-year leases to homebuyers, thus taking the price of the land out of the property transaction and keeping purchase prices much lower over the long term.

Finally, the 2005 Executive Budget Recommendations provide \$354.4 million to fund affordable rental and homeownership housing to help rebuild communities that lost housing in last summer's hurricanes. The Hurricane Housing Work Group has proposed a series of strategies to leverage that funding to help local markets respond to housing recovery needs.