Many Struggle to Keep a Roof over Their Heads

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Comedian W.C. Fields once quipped, “The cost of living has gone up another dollar a quart.” Some think he was talking about a quart of milk, something associated with groceries as an important cost of living indicator. Others remember the comedian talking about a quart of spirits, a commodity associated with the cost of entertainment.

Analysts include items like housing, transportation, utilities, health care, and groceries to develop the cost of living index. To set up an index, they typically fix the U.S. average cost of items to 100. They score particular areas on whether local costs are higher or lower than the US average. A local cost of living below 100 means things are cheaper than average for the country. If an area is more expensive, its cost of living is over 100.

The current overall cost of living for Texas is 90. In addition, the state is lower than the U.S. average on each category of items. The score for San Angelo of 83 is even lower than the State, and current data indicates local residents pay only about 60 percent of the national average for housing.

On the other hand, the local cost of utilities is higher with a score of 109. This means many local residents enjoy price advantages to acquire housing, but the cost to heat or cool a typical residence exceeds the state and national averages.

The realization that San Angelo’s vaunted low cost of living does not mean price advantages apply to all categories of essentials or to all neighborhoods prompted us to conduct more in-depth analysis. We especially wanted to assess whether the low cost of living means housing is more affordable for all homeowners and renters in the local community.

A key factor for homeowners is whether families have sufficient income to bear the costs of acquiring and keeping a house. Median family income has been rising nicely in San Angelo recently. According to Census Bureau estimates, it increased by 6.4 percent from 2010 through 2013.

Another key factor is price. Between 2010 and 2013, Census Bureau housing value estimates showed the median value for America’s owner-occupied housing decreased by 2.7 percent. However, this trend did not hold for the Lone Star State. The estimates indicate a rise in San Angelo of 15.3 percent between 2010 and 2013. The gain across Texas was 3.4 percent.

Of course, income or price alone does not determine affordability. Instead, affordability fluctuates according to the relationship between the factors. That is why the Real Estate Center at Texas A&M University gives annual calculations for housing affordability in the metropolitan areas of Texas. Their particular computation tabs the relationship between an area’s median family income and the amount required to get a loan on a median priced house.

The 2014 affordability number from the Real Estate Center pegs the median income in San Angelo at 1.93 times the required amount. Most importantly, the number represents a 25 percent decline in housing affordability since 2010.

Given that homeownership in San Angelo is becoming less affordable overall, we wondered how the current trend affects owners and renters in the various neighborhoods of the city. To investigate, we adjusted the Real Estate Center’s method to create similar affordability indicators based on available data for the city’s 20 residential census tracts.

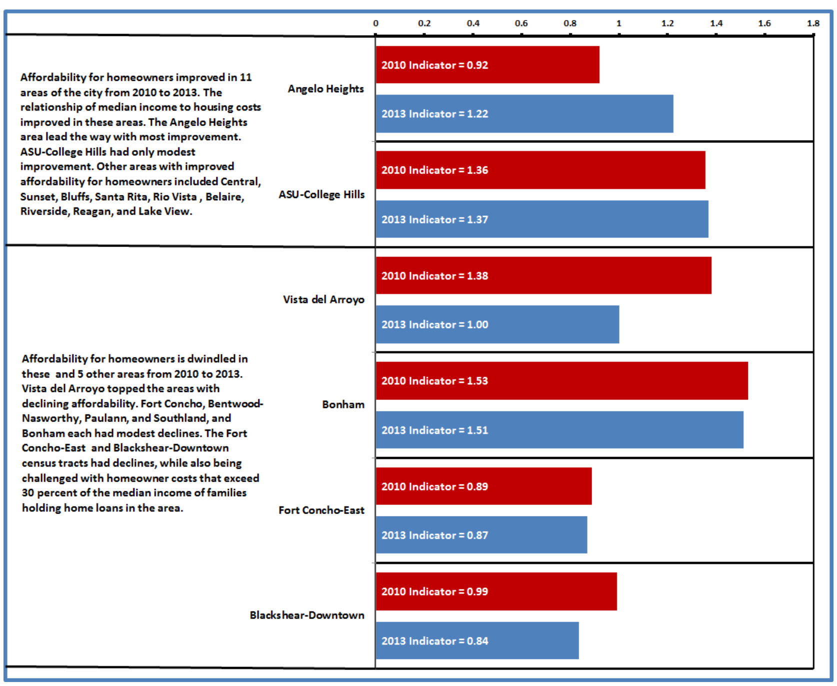
To determine affordable levels of housing cost in neighborhoods, we employed a standard used by the US Department of Housing and Urban Development. The standard homeowner says costs are entirely affordable if the total to pay a home loan, taxes, and regular monthly bills is no more than 30 percent of household income.

Our neighborhood indicators compare the median income of families who have existing home loans to their median housing costs. The tabulation for a neighborhood is larger than one if housing costs are less than 30 percent of median family income. The score is smaller than one if the costs exceed 30 percent of the median income.

Similarly, the indicator for renters is greater than one if the median gross rent (the rental amount plus regular bills) is less than 30 percent of the median household income of area renters. The score is less than one if gross rent exceeds 30 percent of the renters’ median income.

The neighborhood results indicate homeowner affordability improved from 2010 to 2013 in 11 of the 20 census tracts of the city. Angelo Heights led the way with a 33 percent improvement in the relationship between the median income of families with home loans and the amount needed to have affordable housing costs. Each of the 11 areas with improved affordability had costs in 2013 below 30% of the median family income of area homeowners.

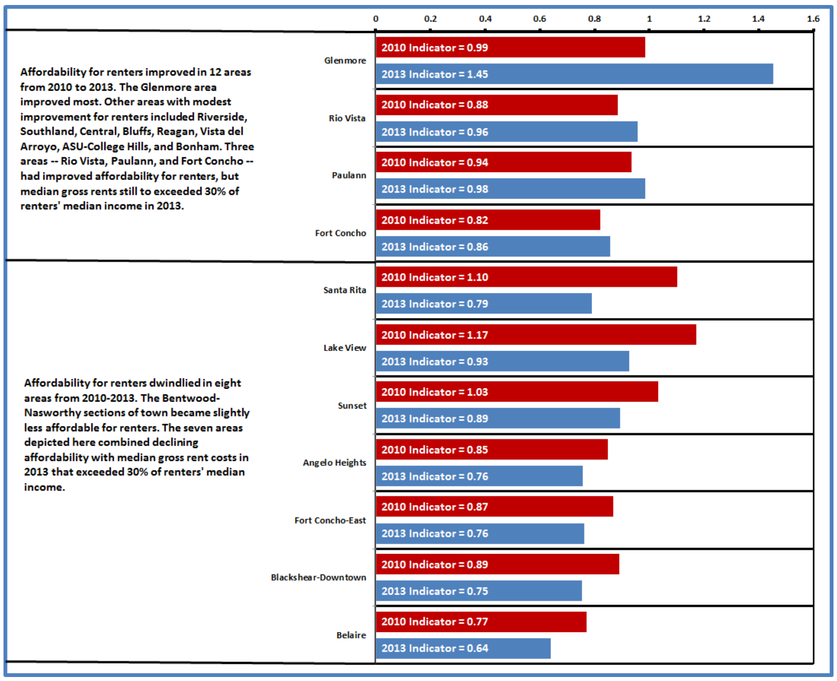
Homeowner Affordability in San Angelo Neighborhoods



On the other hand, affordability diminished in eight areas for the period. Vista del Arroyo topped the areas with declining affordability, while Fort Concho, Bentwood-Nasworthy, Paulann, Southland, and Bonham each dropped more modestly.

Changes in affordability for renters are more challenging across the city. To begin, it is important to know that rental affordability is not a side issue affecting only a small number of citizens. On the contrary, renting a home is on a growth trajectory. The Census estimate for 2013 indicates renters occupied 40 percent of San Angelo’s nearly 38,000 occupied housing units and the number was up by four percent from 2010. This means, of course, that home ownership is on a corresponding downward path.

Rental Affordability in San Angelo Neighborhoods



Our tabulations between median renter income and gross rent costs in the various neighborhoods show that renting became more affordable from 2010 to 2013 in the majority (12) of the city’s census tracts. The Glenmore area leads the way with a 47 percent improvement.

Still, the fact renters in 2013 were beyond affordable cost levels in half of the 20 census tracts of the city made renting more difficult than homeownership. Three areas -- Rio Vista, Paulann, and Fort Concho – saw slight improvements in renter affordability since 2010, but gross rents continued to exceed 30% of the renters' median income in 2013.

Median gross rents also exceeded affordability based on the median income of renters in seven other parts of the city. In contrast, median costs for homeowners exceeded median family income in only two census tracts in 2013, the Fort Concho-East and Blackshear-Downtown areas.

W.C. Fields might say a quart of rent went up too much in parts of the city. The trouble with his focus, however, is that it draws attention to only one side of the cost of living equation.

Indeed, thinking about the cost of living on essentials like housing frequently becomes preoccupied with price issues and too often degenerates into hostile divisions over the merits of subsidizing costs to reach “affordability” for some community members. Just look at the angry, ugly, painfully stereotyped town hall meeting that occurred recently over the prospect of an affordable housing development being located in a prosperous section of our own city.

The alternative is to give at least equal, if not more, attention to the income half of the equation affecting affordability. It is a good thing, for instance, that Walmart recently announced the company will raise starting pay to $9 per hour and increase wages for many of its existing workers.

It is curious, on the other hand, that the announcement generated a flurry of attention in the nation's business news. Josh Bivens, a wage and labor analyst at the Economic Policy Institute observed, "Wages rising should be the norm . . . and should happen all the time without fanfare. The fact that an announcement that some workers in one company might get a raise is treated as a newsworthy blockbuster shows just how far we have to go before we have an economy . . . working for most Americans."

Massachusetts Institute of Technology conducts ongoing research to develop regular estimates of living wages reflecting the income needed for a minimum standard of living across the country. Their current living wage estimate for a family of four is $18.70 in Texas and $17.89 in San Angelo.

As a community, we should have open debate about what wages a family needs to meet essential needs. We could then strive to continue the current trend toward rising incomes to reach such levels. That is preferable to a community divided by shameful efforts to encourage city government to adopt decisions favoring segregation of affordable housing to already "low income" concentrated sections of the community.