

# Strengthening Santa Fe Through Affordable Home Ownership

A Study By Homewise, Inc.  
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## Executive Summary

If jobs are the engine of a local economy, affordable housing is part of the fuel mix that makes it run smoothly. Just as a car engine needs a precise ratio of oxygen and gas for optimum performance, a healthy employment base requires a mix of housing to sustain it.

When a city's housing mix has too little affordable housing, and an oversupply of high cost units, the local economy will perform less efficiently than one with a better range of options. Santa Fe is already showing signs that the lack of affordable housing is putting the brakes on the local economy.

This paper demonstrates that the shortage of affordable home purchase opportunities has significant negative effects on Santa Fe's economy, as well as for families and businesses. The effects include:

- ◆ **The local economy** loses an estimated \$301.6 million in spending annually when employees live elsewhere and commute in to work rather than living in Santa Fe. The local community also loses valuable volunteer services when people cannot live where they work and must commute long distances to and from home. Experience in other high cost housing markets nationally has shown that, over the long term, jobs follow employees who move away in search of housing they can afford to buy.
- ◆ **Employers** struggle to recruit and retain employees, and must pay higher wages to compensate for high housing or commuting costs. Productivity suffers when employees face commutes of two to three hours on top of their workday.
- ◆ **Families** who commute to save money on housing find that the cost of gas and vehicle maintenance eat up much of what they thought they had gained. They have less discretionary income, and less leisure time in which to spend it. Long commutes add stress to the workday and reduce the time available to spend with family and friends.

The Santa Fe economy can realize substantial economic benefits from promoting affordable homeownership. These benefits include capturing a greater share of local spending, and being able to sustain a more diverse employment base. The value to the Santa Fe economy of helping 1,000 homeowners purchase in Santa Fe is estimated at \$64.7 million annually. Harder to measure, but equally vital, is the increased time with their families, friends, and communities that workers will realize from living in the same city where they work.

## Introduction

If jobs are the engine of a local economy, affordable housing is part of the fuel mix that makes it run smoothly. Just as a car engine needs a precise ratio of oxygen and gas for optimum performance, a healthy employment base requires a mix of housing to sustain it.

When a city's housing mix has too little affordable housing, and an oversupply of high cost units, the local economy will perform less efficiently than one with a better range of options. Santa Fe is already showing signs that the lack of affordable housing is putting the brakes on the local economy.

Between 1999 and 2006, Santa Fe households' median income increased by about 24 percent (from \$40,392 to \$50,000). During the same period, the sale price of single-family homes jumped 90 percent. This widening gap between what households earn and what it costs to purchase a home is worsening the fuel mix in Santa Fe.

This paper analyzes how the shortage of affordable home purchase opportunities negatively affects Santa Fe's economy, employers, and families. Some of these can be quantified, and some are intangible but equally vital to the health and sustainability of the community. Among the negative effects:

- ◆ **The local economy** loses an estimated \$301.6 million in spending annually when employees move outside Santa Fe County and commute in to Santa Fe to work. Santa Fe's middle class workers, not just low-income wage earners, are moving outside Santa Fe County and commuting in to work. The local community also loses valuable volunteer services when people cannot live where they work and instead spend their free time commuting. Over the long term, jobs will follow employees who move farther away in search of housing they can afford to buy.
- ◆ **Employers** struggle to recruit and retain employees and are forced to pay higher wages to compensate for high housing or commuting costs. Productivity suffers when employees face commutes of two to three hours on top of their workday.
- ◆ **Families** who commute to save money on housing find that the cost of gas and vehicle maintenance eats up much of what they thought they had gained. They have less discretionary income, and less leisure time in which to spend it. Long commutes add stress to the workday and reduce the time available to spend with family and friends.

Santa Fe cannot afford the continued out-migration of working families to surrounding communities. The following sections analyze in more detail the negative effects of the affordable homeownership problem.

## **The Effect on the Santa Fe Community as a Whole**

### ***The Santa Fe Economy Loses an Estimated \$301.6 Million Annually Due to the Lack of Affordable Housing***

Santa Fe is steadily losing its middle class. This erosion costs the city in significant ways; in lost spending and tax revenues, and in the loss of middle class families from Santa Fe neighborhoods and schools.

Homeowners spend almost two thirds (63 percent) of their annual incomes locally where they live, not where they work.<sup>i</sup> This spending is for a wide range of goods and services, such as food, clothing, household furnishings, home repairs and improvements, property taxes, and recreation.

Approximately 9,000 workers in Santa Fe used to live in the city but moved outside Santa Fe County and commute in to their jobs.<sup>ii</sup> These 9,000 workers represent \$301.6 million in annual spending that is lost from the city, equivalent to just over 6% of all local spending. If the City of Santa Fe were to capture the gross receipts taxes from all of this lost spending, it would generate an additional \$5.7 million in City revenues annually.

Of those who moved outside the county, more than a third (3,445 workers) did so in the last five years; and in last year alone, 640 workers moved outside the county, taking with them \$21.4 million dollars in annual spending. Middle class wage earners, those earning between 100% and 150% of area median income, represent almost a third of all those leaving the city in the last five years. Santa Fe's high housing costs do not just affect entry level wage earners; they are increasingly driving out middle class families who value homeownership and will migrate outwards until they find homes they can afford to purchase.

## *Healthy Economies Depend on a Diverse Workforce*

Every thriving economy depends on entry level and middle class earners provide vital services. These are workers who teach our children, provide healthcare and security, staff restaurants, work in retail stores, deliver commodities, maintain streets and buildings, and provide countless other services. High housing costs often require these employees to pay more than a third of their incomes for housing, which limits their ability to build savings or pay for other necessary expenses. Financial pressures drive them to seek better paying opportunities and shorter commutes, and even small improvements can be enough to encourage them to change jobs. This leads to frequent turnover in entry-level positions that are basic to functioning economies.

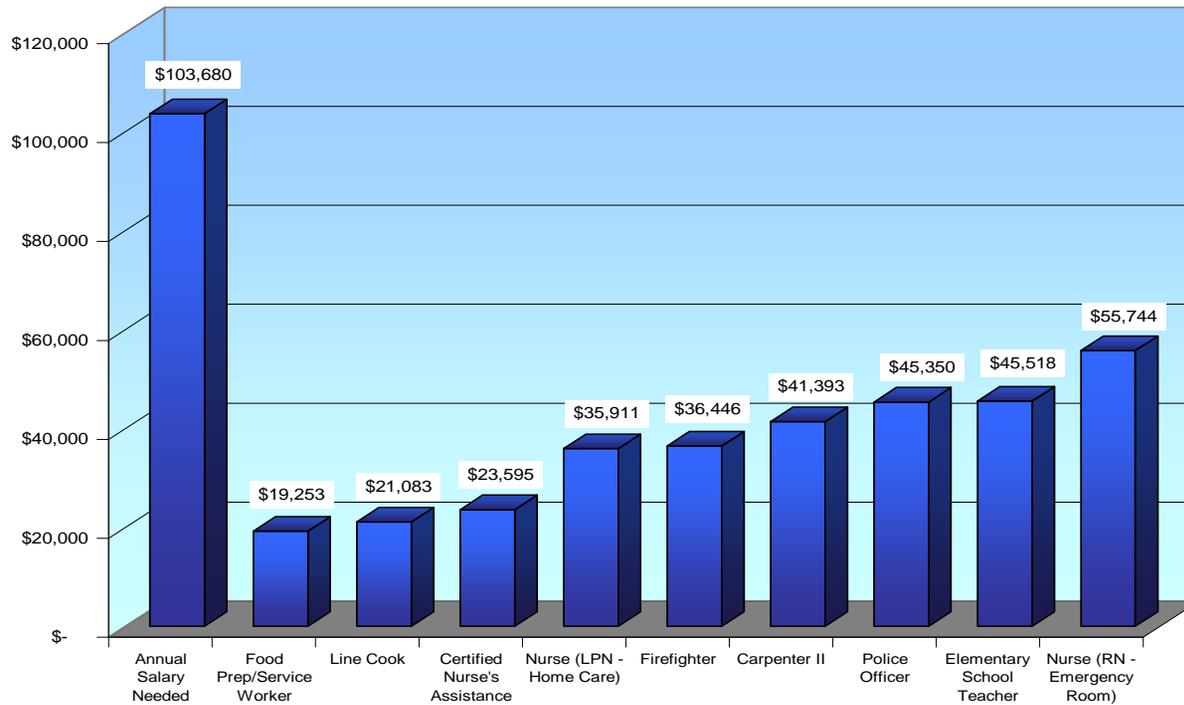
Who are the workers priced out of Santa Fe's housing market? How essential are they to Santa Fe's economy?

The evidence is overwhelming that many jobs vital to Santa Fe's economy do not pay enough to support homeownership. Significantly, even when these salaries are combined, (e.g., two-income households), they may fail to reach the total amount needed to purchase the median priced home.

The median home sale price in the city of Santa Fe at the end of June, 2007, was \$403,000. The annual income required to purchase this home was about \$103,680. As the chart on the following page illustrates, this is almost double what an emergency room nurse earns annually, and more than twice the earnings of many other essential personnel including teachers, fire fighters, and food service workers.

Exhibit 1, below, provides only a sampling of job titles, but there are many other essential personnel who will likewise not be able to afford to purchase in Santa Fe without assistance.

**Exhibit 1: Annual Income Required to Purchase the Median Priced Home in Santa Fe, Compared to Selected Annual Salaries**



This chart is modeled on similar charts created by the National Housing Conference, available on their website at [www.nhc.org](http://www.nhc.org)

The median priced home data were obtained from the Santa Fe Realtors Association for the second quarter of 2007. The annual income needed to qualify for the median priced home was calculated using a 6.5% interest rate, 30 year fixed rate mortgage. It assumed a 10% downpayment and the use of private mortgage insurance.

Wage data are as of July, 2007, and were obtained from an online database of salary information maintained by Salary.com. Salaries are for the 50<sup>th</sup> percentile for workers in that profession, customized for the Santa Fe labor market.

## *Jobs Follow Employees*

It is no secret that businesses make location decisions based in part on the cost of living for employees, in which housing plays a major role. This is true for both new and for existing businesses.

Employers know that where housing costs are high, it will mean they will have to pay higher wages to attract and keep employees, and that even with higher salaries, they will have difficulty with employee turnover. The longer employees have to commute to find housing they can afford to purchase, the more likely they are to change jobs to be closer to their homes, or to relocate to more affordable communities where it is possible to live and work in close proximity.

This means that as more people are forced out due to high housing costs, new businesses seeking to relocate will pass up Santa Fe because their research will reveal the shortage of workers. In addition, existing companies will be more likely to follow their employees to more affordable communities. This has been the experience in other high cost markets in the country. For example, in the Boston metropolitan area, research has concluded that sustained housing price increases, combined with an inability to increase supply, have led to declines in both employment and income.<sup>iii</sup> Over time, firms have chosen to relocate out of the Boston area to cities where the cost of doing business is lower.

Another study found that the Boston metropolitan area's high housing prices are "a significant factor in the decline in employment and population in Massachusetts". The study concluded that increasing the availability of starter homes for young families was critical to the region's future economic development and prosperity.<sup>iv</sup>

Santa Fe is just beginning to see the problems that are now causing serious problems in other high cost markets such as Boston. Their experience should be a warning to Santa Fe to move to protect its economic base through provision of affordable home purchase opportunities before the economy is seriously compromised.

# The Effect on the Business Community

## *Santa Fe Employers Report Difficulty in Retaining Employees*

### Santa Fe Police Department

Over the last year the Santa Fe Police Department has struggled to recruit new police officers to fill as many as 24 vacancies. With a police force of 155 officers, these vacancies represent 15% of the force. According to Santa Fe Police Chief Eric Johnson “Santa Fe’s cost of living, and especially its high housing costs, is a big impediment to attracting and retaining police officers.”

### Santa Fe Public Schools

One of Santa Fe’s largest employers is the Santa Fe Public Schools (SFPS), which employs approximately 1,700 teachers, administrators, and support staff. Roughly 850 of these are teachers. Several years ago, the school district estimated it lost about 15%-20% of its staff annually, and about 80% of those leaving indicated that high housing costs were a factor in their decision to change jobs. Assuming, conservatively, that the average cost to replace an employee is \$5,000, the public schools spend as much as \$1.7 million annually to replace personnel. This is largely attributable to the high cost of housing in Santa Fe, as teachers leave to find more affordable communities in which to live and work.

**“I couldn’t afford to teach here. I had 4 jobs. Homewise helped me to stay.”** *Teacher who bought a home with assistance from Teacherwise*

In response, SFPS and Homewise developed an initiative called Teacherwise, aimed at helping teachers and other school staff buy homes in Santa Fe. To date, Teacherwise has assisted 117 SFPS staff, including 92 teachers. In a follow-up survey, 25% of those who purchased homes said they had been considering leaving SFPS prior to their purchase.<sup>v</sup> More than half (55%) said that the help they received from Teacherwise to buy a home was an important factor that helped them remain SFPS employees.

Significantly, among those participating in Teacherwise, turnover has been dramatically reduced to 3.41 percent. This translates into less cost for the school system, and greater stability for students in the classrooms.

While Teacherwise has been effective in helping retain staff, the challenges for new employees remain. The recent survey found that staff hired in the last 12 to 18 months are twice as likely to live outside Santa Fe.

## Santa Fe Medical Providers

An acute nursing shortage has driven the St. Vincent Regional Medical Center Human Resources Department to look outside of New Mexico for personnel needs. The hospital has a program to recruit full time nurses from neighboring states and from as far away as India with costly sign-on bonuses.

Another hiring strategy the hospital has been forced to use is hiring contract nurses through an agency. These nurses work 6-12 months at the hospital and then move on to another community. They are essentially temporary workers. Agency nurses cost \$40,000 more per position annually than having a full-time long-term nurse on staff. The additional cost burden of agency fees is an operating deficit for the hospital.

**“The hospital foundation has recently made a large investment from the endowment for down payment and closing costs assistance to hospital employees as an incentive to purchase homes in the community. We believe that employees who live in the community where they work will prove to be long-term dedicated employees of the hospital.”** Robert Glick, Executive Director, St. Vincent Regional Medical Center Foundation

Despite these two measures, there remains a shortage of nurses and technicians at St. Vincent Regional Medical Center. The hospital reports that the shortage of affordable housing is a major factor contributing to their difficulty in recruiting full time nursing staff.

In addition to the hospital, other medical practices struggle to fill vacancies and often employ people living outside Santa Fe. This can lead to inconsistency of service. For example, during the major snow storms of December 2006/January 2007, La Familia Medical Center was unable to open because eighty percent of their employees could not make it to work when the weather impacted their commute. The clinic provides medical and dental care for the underserved. The only other source of health care for this population is the St. Vincent Regional Medical Center emergency room. In another example, one local dentist, unable to find hygienists locally, operates a daily shuttle service for his staff from Albuquerque. Even so, this has not eliminated his turnover and recruiting problems.

## All Employers

**“With the high cost of housing in Santa Fe, retaining good employees can be a problem.”** Michael O’Reilly, owner, Pranzo Italian Grill.

Almost two-thirds (65 percent) of employers surveyed for the 2007 City of Santa Fe Housing Needs Assessment believe that affordable housing is either the most critical or one of the most critical issues facing Santa Fe. Forty percent of employers surveyed had lost at least one employee in the last two years due to the “high cost of living in Santa Fe”, which included housing, day care, transportation, or a combination of factors.

Housing affordability problems are not limited to the lowest wage employees. While there is consensus that the problem is acute for lower wage or entry level positions, the City’s employer survey found that more than half (56%) of those who moved out of Santa Fe in the

last five years earned above the median income. In the last year alone, 22.6 percent of employees with five to ten years on the job moved outside the city, compared to just 3.7 percent of those who had worked less than five years and 3.9 percent of those with more than 10 years. This is further evidence that mid-level employees are also struggling with high housing costs.<sup>vi</sup>

### ***High Employee Turnover Costs Businesses Money***

Employers all over the country report that high home purchase costs make it challenging to recruit new employees. It is not unusual for positions to go vacant for up to a year, as prospects compare their potential incomes to the housing market and conclude they would be better off elsewhere. Candidates with families, in particular, are unhappy that in order to buy a home they would have to commute two to three hours a day.<sup>vii</sup>

High employee turnover has direct costs for businesses. These can be loosely divided into:<sup>viii</sup>

- ◆ **Separation Costs:** The cost of time devoted to exit interviews, and to administrative functions related to termination.
- ◆ **Vacancy Costs:** Costs incurred due to increased overtime pay or hiring temporary employees to cover the duties of the vacant position. These often offset any savings resulting from not filling the position.
- ◆ **Replacement Costs:** Advertising to attract applicants; entrance interviews; testing; travel/moving expenses; pre-employment administrative expenses; medical exams; and training.

The cost of employee turnover varies according to the type of job and the business, but estimates range from \$2,000 - \$3,000 for a lower wage employee to upwards of \$50,000 - \$100,000 for a higher level executive. Employers may not stop to calculate these costs, but they know intuitively that they exist.<sup>ix</sup>

As noted above under the Santa Fe Public Schools, high employee turnover due to lack of affordable housing results in measurable costs that affect a company's bottom line. Other costs are just as real but more difficult to estimate. These include the cost of customer service disruption, impact on morale, burnout/absenteeism among remaining employees, and the loss to the business of an employee's experience and "institutional memory."

### ***High Housing Costs Drive Wages Higher***

In order to attract and keep their workers, employers must offer higher wages. A primary way to cover the cost of higher wages is to charge more for goods and services produced. This in turn produces upward pressure on wages, and the cycle continues to the point where it is unsustainable.

As housing costs increase there will be continued upward pressure on employers to pay wages that will allow working families to live locally. This pressure may come formally, through action taken by the City Council, or simply through market forces as the supply of entry level or lower wage employees decreases.

Employers also find themselves sharing the cost of commuting through direct subsidies. Almost half (48.6%) of employers surveyed offer an on-site company vehicle for employee errands, and almost 46 percent provide a travel stipend. A handful of others operate a bus or shuttle service, while some provide bus passes or coupons.

**“My family has lived in Santa Fe for many generations and I appreciate the opportunities given to my employees to become homeowners through the Homewise programs. They are making Santa Fe home for the next generation.”** Rick C de Baca, Owner, Big Jo True Value Hardware

## The Effect on Families

### *Lengthy Commutes Cost Families Significant Time, Money*

Commuting adds costs for families that they may not fully grasp when they first decide to purchase outside the city. Once they move, time and money limitations may make it difficult to change to a more sustainable arrangement.

The Center for Housing Policy (CHP) has done research nationally to better understand the costs of commuting for working families. In one study, CHP found that 44 percent of working families were spending more than half of their income on housing and transportation alone. This substantially reduced the amount of funds they had for food, health care, clothing, and discretionary spending. The study also found that that for every dollar decrease in their housing costs, working families spent an additional 77 cents on transportation, a substantial portion of which could be attributable to commuting.<sup>x</sup> In other words, the savings families thought they had realized by purchasing houses far from their worksite were substantially offset by increases in commuting costs. **Lengthy commutes divert money and the leisure time to spend it out of the local economy.** Exhibit 2, below, compares the costs of commuting within Santa Fe to the cost of commuting from Albuquerque to Santa Fe. Over the course of a year, a long-distance commuter will incur \$24,123 more in time and travel costs than a local Santa Fe resident.

**Exhibit 2:**

<b>I Moved to Save Money? The Cost of Commuting From a Lower-Cost Housing Market</b>							
	<b>Each Way</b>		<b>Daily (round trip)</b>		<b>250 Workdays / year</b>		
<b>Commute</b>	<b>Time</b>	<b>Miles</b>	<b>Direct Cost*</b>	<b>Time Cost</b>	<b>Direct Cost</b>	<b>Time Cost</b>	<b>Total Time &amp; Travel Cost</b>
Within Santa Fe	15 min.	4	\$4.18	\$10.00	\$1,045	\$2,500	\$3,545
Albuquerque to Santa Fe	67 min.	63	\$65.77	\$44.80	\$16,443	\$11,200	\$27,643
<b><i>Savings Due to Shorter Commute</i></b>	<b>52 min.</b>	<b>59</b>	<b>\$61.59</b>	<b>\$34.67</b>	<b>\$15,398</b>	<b>\$8,700</b>	<b>\$24,098</b>

*\*Based on AAA: Cost of owning and operating a new vehicle & driving 15,000 miles annually, May 2007; based on 52.2 cents per mile and \$20 per hour for driver time.*

Out-of-pocket and time costs remain high even when workers commute via bus or van. Over the last five years an industry has sprung up to ferry commuters from cities like Rio Rancho to Santa Fe. Riders pay \$90 for a monthly pass; this represents an annual outlay of over \$1,080 in direct commuting costs. There is a cost in time as well. A one-way trip from Rio Rancho to Santa Fe lasts 60-70 minutes, which does not include the trip from the commuters' houses to the Park & Ride stop or the time it takes to get from the drop-off point in Santa Fe to their office. Assuming an average of 10-15 minutes on either end, a round trip commute from Rio Rancho to Santa Fe could be about three hours. Over the course of a year, commuters will spend roughly 720 hours getting back and forth to work. To put that in perspective, that is like getting in a car and driving 24 hours a day, seven days a week, for a solid month. If time is valued at \$20/hour, the cost per commuter is a staggering \$14,400 annually.

Moreover, some proportion of the 720 hours spent commuting is time each individual will not be home in time to help a child with homework, coach a soccer team, or play other volunteer roles in the community.

## **Summary of the Effects of High Housing Costs**

When faced with housing in Santa Fe that is too expensive for them to purchase, working families have four options. Each of these has negative consequences for the families, their employers, and the community at large as Exhibit 3, below, demonstrates:

**Exhibit 3: Four Consumer Responses to High Housing Costs and their Consequences**

Effect on Family	Effect on Employers	Effect on the Santa Fe Community
<b>1. Purchase a home elsewhere and commute to work</b>		
<ul style="list-style-type: none"> <li>• Increased commuting time</li> <li>• Reduced family time</li> <li>• Increased transportation costs</li> <li>• Increased employee stress from long commute</li> </ul>	<ul style="list-style-type: none"> <li>• Increased costs due to problems with employee recruitment, retention, and productivity</li> <li>• Upward pressure on wages</li> <li>• May trigger decision to relocate company</li> <li>• Increased absenteeism related to commute</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of spending in local economy</li> <li>• Essential personnel, including first responders, live far from work</li> <li>• Increased rush hour traffic congestion</li> <li>• Loss of volunteerism</li> <li>• Increased costs of building &amp; servicing roads</li> <li>• Increased pollution</li> </ul>
<b>2. Stretch budget to buy home in Santa Fe</b>		
<ul style="list-style-type: none"> <li>• Increased housing costs</li> <li>• Limited income for discretionary spending</li> <li>• Reduced ability to save for emergencies, repairs, and retirement</li> <li>• Increased risk of delinquency and foreclosure</li> </ul>	<ul style="list-style-type: none"> <li>• Increased problems with employee retention and productivity</li> <li>• Upward pressure on wages</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced spending in local economy</li> </ul>
<b>3. Continue to rent in Santa Fe</b>		
<ul style="list-style-type: none"> <li>• Lose out on chance to build wealth through home equity</li> <li>• May eventually be priced out of rental market as costs increase</li> <li>• Delayed purchase decision puts homeownership further out of reach as costs escalate</li> </ul>	<ul style="list-style-type: none"> <li>• Higher risk of employee turnover</li> <li>• Higher costs due to employee recruitment, retention, and productivity</li> <li>• May trigger decision to relocate company</li> </ul>	<ul style="list-style-type: none"> <li>• High rents decrease spending ability</li> <li>• Renters' are more likely to move</li> <li>• Reduced involvement in civic affairs</li> <li>• Families without equity cannot trade up to better their situation</li> </ul>
<b>4. Relocate to area where a home purchase near work is possible</b>		
<ul style="list-style-type: none"> <li>• Dislocation from friends and family in Santa Fe</li> <li>• Loss of Santa Fe lifestyle and recreation.</li> </ul>	<ul style="list-style-type: none"> <li>• High job turnover</li> <li>• Increased costs due to employee recruitment, training, and retention</li> <li>• Upward pressure on wages</li> <li>• May trigger decision to relocate company</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of spending in local economy</li> <li>• Loss of community</li> </ul>

Some of these negative consequences are tangible. We can measure the number of families cost-burdened by their housing payments, or hours lost to commuting that could be spent with family or volunteering in the community. Employers can calculate their cost of recruiting and training new employees when high housing costs trigger increased turnover.

Other consequences are less tangible but still vital to the health of families and the communities in which they live. It is harder to attach a monetary value to getting home in time to cook a nutritious dinner and help children with homework or the reduced stress associated with a short commute. Yet studies show that employees with long commutes are less productive at work, have more stress in their lives, and are more dissatisfied with their employment and housing situations<sup>xi</sup>. When longer commutes result in increased employee turnover or reduced effectiveness at their job, employers bear the cost.

Also difficult to measure, but just as critical, is the impact on the environment of more people commuting long distances by car. Long driving commutes generate more pollution that is associated with global warming, and prolongs patterns of wasteful energy consumption.

## Estimated Economic Benefits of 1,000 Families Buying Homes in Santa Fe

Homeowners' spending patterns differ from those of renters, shifting spending towards the purchase of goods and services that support the local economy. Investment in homeownership results in tangible economic benefits, both in the first year and over time. This is illustrated by Exhibit 4, below.

<b>Exhibit 4: Estimated Economic Benefits of 1,000 Families Buying Homes in Santa Fe</b>		
	<b>Per 1,000 Homebuyers in One Year</b>	<b>Per 1,000 Homebuyers over 10 years</b>
Spending shifted to home-related goods and services <i>(Assumes a family buying a home, with annual income of \$42,000, will spend an average of \$3,900/year in home maintenance &amp; insurance, furniture, appliances, floor coverings, and textiles)*</i>	\$3.9 million	\$39 million
Direct annual cost savings of moving 59 miles closer to work <i>(Estimated at \$15,045 annually/driver, \$1,080 for Park &amp; Ride passengers; 80% will drive and 20% will commute by bus)</i>	\$12.25 million	\$122.5 million
Time cost savings of moving 59 miles closer to work <i>(Assumes time savings of \$8,667 annually per driver and \$14,400 per Park &amp; Ride passenger; 80% will drive and 20% will commute by bus)</i>	\$9.8 million	\$98 million
Home equity wealth <i>(Assumes annual increase of \$5,250 per homeowner)</i>	\$5.25 million	\$52.5 million
Local spending captured by homeowners living in Santa Fe instead of commuting in from outside Santa Fe County <i>(\$33,515 per homeowner)</i>	\$33.5 million	335.2 million
<b>Total Estimated Benefits</b>	<b>\$64.7 million</b>	<b>\$647.2 million</b>

\* Estimates from the National Institute of Home Builders

Harder to measure, but equally critical, is the value of freeing up hundreds and thousands of hours, that would otherwise be spent on commuting, which can instead be used to participate in family functions, community volunteering, or other activities that add meaning to people's lives. Less time spent driving reduces employees' stress levels and increases productivity. Living near their work also allows people to commute by foot, bike, or local public transportation, which reduces energy consumption and lessens the impact on the environment.

## Conclusion

The mix of housing that fuels Santa Fe's economy is running thin on home purchase opportunities for moderate income families. Employees who provide essential services to the city, including first responders, teachers, nurses, and hospitality and retail workers, are finding it increasingly difficult to buy a home in or near Santa Fe. Two-thirds of Santa Fe employers believe that the shortage affordable housing is the most of one of the most critical issues facing the city today.

Working families who cannot afford to purchase homes in Santa Fe must choose between several unpalatable alternatives; continuing to rent, stretching their incomes to the breaking point to cover a mortgage, purchasing a home elsewhere and commuting to Santa Fe, and leaving the area altogether. Each of these has negative consequences for the family, for employers, and for the community as a whole.

Clearly, there is a cost to providing affordable housing to Santa Fe's workforce. Helping working families purchase homes will require some combination of downpayment and closing cost assistance and mortgage subsidies to make payments more affordable. Density bonuses and clustering will help to lower the cost of building new housing. Making both new and existing homes energy efficient will reduce the cost of operating them over the long term.

Yet there is a greater cost to not ensuring that working families can purchase homes in Santa Fe. These costs affect the local economy, businesses, and families:

- ◆ **The local community** loses \$301.6 million in spending annually from employees who move away from Santa Fe and Santa Fe County and now commute to work in Santa Fe;
- ◆ **Businesses** are experiencing increasing difficulty recruiting and retaining employees, which adds to recruiting and training costs. Businesses also face having to pay higher wages, which cuts into their bottom line. Over time, high housing costs may negatively impact business location decisions;
- ◆ **Families** lose discretionary income, and the leisure time to spend it, to lengthy commutes. Commuting is stressful to individuals, and can result in poor productivity and higher absenteeism. Long commutes also reduce people's ability to spend time with their families and to be active in their communities.

There are enormous economic benefits to providing affordable homeownership opportunities in Santa Fe. Creating 1,000 new homeowners would provide \$64.7 million in the first year alone, and an estimated \$647 million over a 10-year period.

**“I am a Santa Fe native and was so discouraged by the inability to buy a home. Thank goodness these programs exist. Owning my own home allows me to decrease the levels of stress I have in my daily life, and offers me the opportunity to move up the real estate ladder by purchasing my first home.”** *Santa Fe Public Schools staff person who received assistance from Teacherwise*

## Endnotes

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