Housing Strategies Tech Memo

Implementation Tools to Address Housing Affordability in the Planning Area

MULTIMODAL COMMUNITY PLANNING STUDY

NEXT STOP FORT LAUDERDALE

Advancing the Vision

May 2019

MEMORANDUM

To: Craig Pinder and Jim Hetzel
City of Fort Lauderdale 290 N.E. 3rd Avenue
Fort Lauderdale, FL 33301

From: Sujata Srivastava, Strategic Economics

Date: May 15, 2019

Project: Next Stop Fort Lauderdale Planning Study

Subject: Final Housing Strategies Tech Memo

INTRODUCTION

Housing is considered "affordable" by HUD when a household pays approximately no more than 30 percent of their gross income on housing costs. When a household pays more, they are considered "housing-burdened." While housing affordability is crucial for households of all income levels, low and moderate-income households are especially vulnerable to being housing-burdened, especially in high-growth cities such as Fort Lauderdale. As market trends raise housing prices in urban core neighborhoods, low and moderate-income households might either choose to relocate, or might be displaced to a metropolitan area's suburban outskirts where land value, and therefore housing costs are less expensive.

When low and moderate-income households move to find less expensive housing, either by choice or because they have been priced out of their existing home, there is a transportation cost tradeoff. Transportation costs for households in car-dependent areas are substantially higher than for households in transit-supportive, or "location-efficient" areas.

A study on working-class households that moved to suburban communities in 28 U.S. metropolitan areas shows that households ultimately spend large portions of their gross income on transportation costs when car-dependent. In Fort Lauderdale, the average household spends 40 percent of gross income on housing, and an additional 23 percent of gross income on transportation, for a combined household and transportation (H + T) cost of 63 percent of gross income. By comparison, the average H+T cost is 52 percent in Miami; 48 percent in Atlanta; and 53 percent in Orlando. [1] Households in walkable, transit-oriented neighborhoods have significantly lower transportation costs, with housing and transportation costs totaling approximately 41 percent. [2] An H+T cost of 45 percent is considered affordable.

[1] Center for Neighborhood Technology (www.cnt.org)
[2] Reconnecting America, "Mixed-Income Housing Near Transit: Increasing Affordability with Location Efficiency," 2009.

Fort Lauderdale is already experiencing an increase in home prices and rents in downtown and adjacent neighborhoods. New investments in development projects, transportation, and other infrastructure is likely to increase housing values even more, potentially displacing low and moderate-income households, and making it harder for low and middle-wage workers to live in the area. Providing a greater range of housing options for households of all incomes will enable many workers to shorten their commute by living closer to their jobs, and reduce their spending on housing and transportation.

AFFORDABLE HOUSING NEEDS IN THE PLANNING AREA

The following summarizes the need for affordable and workforce housing from existing workers in the planning area as well as potential future residents that would like to live in the downtown and surrounding neighborhoods.

Demand from Existing Workers

Nearly 50,000 workers commute into the planning area every day. According to data from the U.S. Census Longitudinal Employment-Housing Dynamics (LEHD) survey, the planning area has 49,000 in-commuters. These workers do not live within the planning area.

More than 30 percent of workers that are employed in the planning area work in low and middle-wage service sector jobs. These sectors include retail, accommodation/food services, health care, and education, which pay lower average wages than professional office jobs.

The average worker in accommodations, food services, and retail industries cannot afford a market-rate apartment in the planning area. The average single worker employed in accommodations and food services can afford a monthly rental rate of $675. The average single retail worker can afford a monthly rental rate of $817. The rents that are affordable to service workers are much lower than market-rate rents in the planning area.

Future Market Potential

About 56 percent of potential new renters that could move into the planning area are lower income households. According to the market study prepared by Zimmerman Volk Associates, there is market potential for up to 6,745 households annually to move into the planning area over the next five years. Out of that total market potential, about 62 percent is for renters. More than half of the potential renters have incomes of less than 80 percent of the median family income (under $45,280 for a single-person household and under $64,640 for four-person family).

About 66 percent of potential new owners that could move into the planning area are low and moderate income households. Owner households make up 38 percent of the market potential, and 66 percent are households earning 120 percent or below of median family income.

New housing units in the planning area are not affordable to low and moderate income households. Newly constructed rental units have monthly rents between $1,549 and $2,227 for studios and between $2,066 and $5,585 for two-bedroom units. These rents are affordable to households with incomes of 100 percent to 120 percent of the median family income or higher. New ownership housing in the study area is priced at approximately $660,000 which is affordable for households at 140 percent of MFI or above.

STRATEGIES

1. Implement Inclusionary Zoning

Inclusionary zoning policies require that market-rate housing developers provide a certain percentage of units at prices or rents that are affordable to lower-income households. Many inclusionary zoning ordinances provide alternative means of compliance with the requirement. Depending on the community, these alternatives could include allowing developers to provide a payment in lieu of affordable housing units, constructing affordable units off-site, or dedicating land for affordable housing.

The state of Florida enacted a law in May 2019 that limits local jurisdictions' deference in implementing mandatory inclusionary zoning policies, or in other words, inclusionary zoning requirements that are broadly applied to all development projects. Following the passage of HB7103, Florida jurisdictions are still permitted to require that developers provide affordable housing set-asides in residential development projects, but they must offer incentives to offset the cost associated with providing the below-market units. Such incentives could include density bonuses, fee waivers, or others.[3]

Based on the experience of other cities, some issues that the City of Fort Lauderdale would need to consider in developing inclusionary housing policies include the following:

- **Will implementing these policies hinder new development?** Development costs (land, construction materials, and construction labor) in coastal South Florida communities are high and continue to rise. Inclusionary housing requirements would increase development costs for market-rate housing projects, without significantly increasing revenues because of the cap on rents/sales prices for affordable and workforce units. If rents in Fort Lauderdale flatten while construction costs and land costs continue to rise, it may become challenging for private developers to continue building market-rate housing in the planning area. Taking into account the recent passage of HB7103, a feasibility study should also assess the financial impact of various incentives to offset costs of providing affordable units, and determine which would be most appropriate, given Fort Lauderdale's specific development context . Some cities phase in inclusionary requirements over time, giving the market more time to adjust to the new policies.
- **What income levels would be served?** Based on the analysis, the planning area has a need for units at all income levels. It will be important to define the desired income targets for inclusionary units in rental projects and owner projects. Many cities require that rental housing developments include units affordable to households with incomes below 80 percent of MFI, while ownership housing targets households with incomes below 120 percent of MFI. It is important to note that the market is successfully delivering rental housing for households at 120 percent MFI and above, and ownership housing for households at 140 percent MFI and above. The inclusionary policy in the planning area should create targets that are below the income levels currently served by market-rate housing.
- **What would the City's role be in administering these programs?** Any rental affordable housing units produced through the inclusionary housing policy would be managed by the property

[3] https://www.flsenate.gov/Committees/BillSummaries/2019/html/2070

owners. For-sale units produced through these policies would be subject to deed restrictions that limit the resale price, in order to maintain the affordability of the units over the long term. The City's role would be to monitor and enforce the terms of resale, to ensure that the units remain income-restricted. It may be possible for the City to partner with a nonprofit agency or another government agency to conduct the monitoring and enforcement activities.

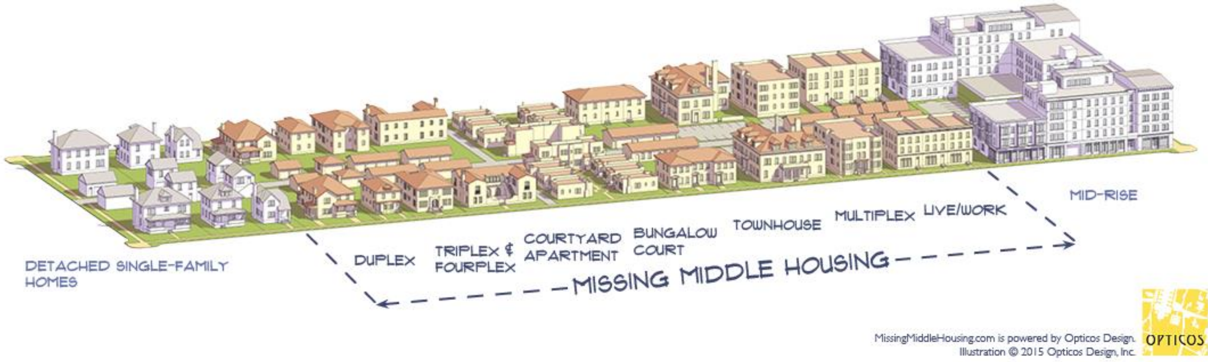
2. Enable Missing Middle Housing Types

Missing Middle housing includes housing types that are denser than a typical detached single-family home, but less dense than mid-rise or high-rise buildings. Missing middle projects include a diversity of housing types, such as townhomes and rowhouses, small apartment buildings, duplexes, accessory dwelling units (ADUs), and even "small lot single-family" houses. These housing types may also be more compatible with the character of some lower density neighborhoods, such as Sailboat Bend, Poiciana Park, Croissant Park, and Rio Vista. Missing Middle housing units typically cost less per unit to build than large-lot single-family homes because they are more compact.

Permitting ADUs by right in single-family zones is a relatively simple way to increase density in residential neighborhoods while avoiding the many obstacles typical to building larger projects, such as land assembly, site planning, or financing requirements. An ADU, which is sometimes referred to as a "granny flat," "in-law unit," or "backyard cottage" is a secondary unit that shares a lot with a single-family home. Individual homeowners can add ADUs to their lots without requiring a third-party developer, after which, they have an opportunity to earn rent revenue. ADUs come in many forms and can be detached from or incorporated into the primary dwelling. They can be newly constructed or converted from existing structures, such as garages. ADUs are considered a type of "gentle density" in which building them increases the housing supply while minimally impacting their neighborhoods. ADUs do not typically require the demolition of existing buildings, and therefore have a significantly smaller neighborhood impact compared to larger-scale development.

Studies have shown that removing minimum floor area and parking requirements, easing owner occupancy requirements, waiving fees, and providing technical assistance are the most effective ways to spur development of missing middle housing types.[4] For example, the City of Santa Cruz, California, created an "Accessory Dwelling Unit Manual" and a set of seven architect-designed accessory dwelling unit prototypes that fit the local requirements. The City also provides fee waivers (and in past years, low-interest loans) for homeowners who agree to rent their second units only to low- or very low-income households. Funding for the program is provided by a Sustainable Communities Grant from the State of California Pollution Control Financing Authority.

[4] Karen Chapple, Jake Wegmann, Farzad Mashhod, and Rebecca Coleman, "Jumpstarting the Market for Accessory Dwelling Units: Lessons Learned from Portland, Seattle and Vancouver," Urban Land Institute, 2017.


DETACHED SINGLE-FAMILY HOMES
DUPLEX
TRIPLEX & FOURPLEX
COURTYARD APARTMENT
BUNGALOW COURT
TOWNHOUSE
MULTIPLEX
LIVE/WORK
MID-RISE
MISSING MIDDLE HOUSING
MissingMiddleHousing.com is powered by Opticos Design.
Illustration © 2015 Opticos Design, Inc.
OPTICOS

LOS ANGELES CASE STUDY: SMALL LOT ORDINANCE

In 2005 Los Angeles took steps to enable the development of single-family attached, small lot ownership units by enacting the Small Lot Ordinance (LAMC 12.22-C, 27). This policy is aimed at increasing infill development on underutilized and vacant lots now zoned for commercial and multifamily use. The Small Lot Ordinance provides a framework for subdividing lots into up to fifteen fee simple parcels and creating higher density residential developments than most typical Los Angeles residential neighborhoods by amending the definition of a "lot" specifically for this purpose. Small Lot subdivisions are not subject to city regulations requiring 20 feet of street frontage, they have reduced setbacks, and each lot can have up to three units. Furthermore, these lots can be sold outright to homebuyers, distinguishing small lot properties from condos or apartments, thereby increasing homeownership opportunities without the burden of establishing home ownership associations. The City released a set of Small Lot Design Guidelines to assist the public in understanding relevant zoning requirements. The design guidelines offer creative solutions to dealing with tight unit spacing, and help architects consider parking requirements, driveways, open space, and housing footprints to adhere with regulations while bearing in mind concerns such as residents' privacy, natural light, and ventilation. [1] Small lot initiatives like Los Angeles' increases homeownership at lower costs, and spur housing development by circumventing regulatory and funding issues that can delay larger-scale projects. While the Small Lot Ordinance is not applicable for lots in existing single-family zones, the City of Los Angeles does allow homeowners in all single-family zones to add accessory dwelling units to their lots under certain circumstances. Moreover, if the location is well-served by transit, the new unit is exempt from having to provide a parking space.

Sources:

cityLAB UCLA, "Building an ADU: Guidebook to Accessory Dwelling Units in the City of Los Angeles." https://www.ladbs.org/docs/default-source/publications/misc-publications/adu-guidebook.pdf?sfvrsn=12

City of Los Angeles Municipal Code, Chapter 1, Article 2, Section 12:22.
http://library.amlegal.com/nxt/gateway.dll?f=templates&fn=default.htm&vid=amlegal:lapz_ca

City of Los Angeles, "Small Lot Design Guidelines,"
https://planning.lacity.org/policyinitiatives/Housing/SmallLot/SmallLotPolicy_DesignGuide.pdf

3. Expedite Approvals and Permitting

According to stakeholders, many of the sites within the planning area that are located outside regional activity centers and Downtown Master Plan areas have unclear development standards that might not meet the intent of creating connected and walkable places. Getting mixed-use developments approved has been complicated for some projects, and development applications on the east side of the study area that meet the goals for the Downtown RAC are still getting turned down. Developers would like to see clearer development standards and definition of the priority locations for development, as well as expedited permitting for high-priority projects.

The City's code update should provide enhanced clarity and predictability to help ensure successful walkable areas within the planning area. Specifically, there are issues across the Northwest and South Andrews Master Planning areas (both of which have been codified) and the Downtown Master Plan (which has some of the master plan elements codified), and how these additional design criteria supplement and at times contradicts the overall Land Development Code of the City. The plans provide a range of design requirements along with design "suggestions" that create too many negotiations for each plan that is reviewed. As a result, there is a lot of staff time spent negotiating with developers that creates an inefficient review process and lack of surety for the applicants. Developers are supportive of form-based codes and of adding height as an incentive. In general, when there is a clear vision for a neighborhood, developers are more willing to fund improvements and community benefits.

The recently passed HB7103 legislation also establishes a maximum timeline for municipal development permit approval processes. It requires that jurisdictions acknowledge development permit applications within 30 days of submission, at which point they must inform the applicant if their application is complete or deficient. Once the application is considered complete, a jurisdiction must make a final decision on the permit application within four months if the approval is not contingent on a public process/hearing, or six months if it is. The City should ensure that their permitting process is in line with this legislation, regardless of whether expedited permitting is offered as an incentive.

SAN DIEGO CASE STUDY: EXPEDITED PERMITTING PROGRAM

Expedited Permitting for Affordable, In-Fill Housing & Sustainable Buildings: The City of San Diego allows for a fast-track discretionary and ministerial permit processing for housing projects that are consistent with the city's plans. Under the expedited process, eligible projects are reviewed 25 percent faster than the standard process. Eligible projects include developments providing any share of designated affordable and workforce housing units, as well as "urban infill housing" developments located in the city's Transit Priority Areas Projects. Projects with 100 percent affordable units are reviewed 50 percent faster, and expedite fees are waived.

Overview of San Diego expedited permitting program:
https://www.sandiego.gov/sites/default/files/dsdib538.pdf

4. Implement Density Bonuses as Incentive Zoning

Municipalities can support livability goals by providing developers zoning incentives in exchange for incorporating community benefits into their projects. Voluntary density bonus programs are a common type of incentive zoning, which is expressly permitted in HB7103. Typically, incentive zoning ordinances allow developers to exceed the base density in certain locations, if they provide specified community benefits. Density bonuses are often applied in transit station areas and downtowns. Through the use of density bonuses as incentives, municipalities can gain valuable amenities that sustain livable communities, including additional affordable housing units.

The City of Fort Lauderdale has a density bonus in place for the Northwest Regional Activity Center Zone, which awards increased density for projects that provide a percentage of units at affordable rents or sales prices. The development code allows a maximum height of up to 110 feet for areas west of NW 2nd Avenue, and up to 65 feet in areas east of NW 2nd Avenue if 10 percent of the units are affordable. However, according to stakeholders, the program has not been an effective incentive for producing affordable units in the NW RAC.

The City of Fort Lauderdale should review the land use incentives provided in the NW RAC, and identify the potential modifications that could make the program more attractive to developers. Based on this review, the City should develop similar zoning incentives to help maximize the development of affordable housing in the South RAC and unified flex zones.

5. Create and Expand Local Funding

The City of Fort Lauderdale can play an important role by funding housing for low and moderate income households, working closely with the State of Florida, Broward County, affordable housing developers, and other stakeholders. According to affordable housing developers in Fort Lauderdale, there is a funding gap of between $50,000 and $100,000 per unit.

Federal and state subsidies for affordable housing have been in decline. Since 2001, the Florida legislature has diverted $2.2 billion from the Sadowski Fund, which is intended to fund affordable housing statewide.

Broward County has implemented strategies to expand the amount of funding available for affordable housing. In November 2018, Broward County voters approved the creation of an Affordable Housing Trust Fund (AHTF) to assist low and moderate income residents. The County has pledged to invest $15 million over three years, through a combination of General Fund revenues and tax increment from expiring community reinvestment areas (CRAs). In addition, it is anticipated that there will be contributions from cities; donations from the private sector and nonprofits; and other investments to the AHTF.

The City of Fort Lauderdale has an Affordable Housing Trust Fund as well, but the available balance is currently under one million dollars. The City does not have a dedicated funding source to replenish the AHTF. According to stakeholders, the City has traditionally not been a major source of funding for affordable housing projects. Affordable housing developers have relied on a mix of Low Income Housing Tax Credits (LIHTC), Florida Housing, and county funds to assist with financing projects.

The City of Fort Lauderdale may explore strategies to raise additional revenues for the City's AHTF to provide dedicated funding for affordable and workforce housing development. Some potential strategies to increase revenues include:

- Increasing the property tax rate (millage)
- Allocating tax increment from expiring CRAs
- Implementing a new jobs-housing linkage fee on new commercial development projects
- Placing a percentage of net proceeds from the sale of City owned commercial and industrial lots in the AHTF. The AHAC recommends placing 15% of proceeds into the AHTF.

In addition, the City can continue to dedicate city-owned properties in the planning area for affordable and workforce housing units, as it has done for the 2.3 acre property at 1801 Southwest Avenue. The industrial site, which was initially intended to serve as an operations facility for the Wave streetcar, was recently deeded for $1 to the Housing Authority of Fort Lauderdale to build 100 new affordable and workforce housing units.[5]

SEATTLE CASE STUDY: PROPERTY TAX LEVY FOR AFFORDABLE HOUSING

Since 1981, the City of Seattle has placed ballot measures to raise a housing bonds and levies to pay for affordable housing production and preservation. In 2016, 70 percent of Seattle voters approved a new property tax levy totaling $290 million over seven years for a wide range of activities, including: production and preservation of affordable rental apartments; loans for acquisition and rehabilitation of properties to serve low income households; operations and maintenance for affordable housing projects; assistance to first-time homebuyers; and emergency rental assistance for people at-risk of becoming homeless. The average cost of the levy to Seattle property owners is estimated at $122 per year.

https://www.seattle.gov/Documents/Departments/Housing/Footer%20Pages/2016HousingLevy_FactSheet.pdf

[5] https://therealdeal.com/miami/2018/11/14/atlantic-pacific-partnership-buys-fort-lauderdale-land-plans-affordable-housing-project/