



MEMORANDUM

AGENDA ITEM #12b

DATE: MAY 5, 2003
TO: COUNCIL MEMBERS
FROM: STAFF
SUBJECT: AFFORDABLE HOUSING MEASURES

Introduction

At the Council meeting on February 3, 2003, the board requested information about best management practices for affordable housing. Council staff has prepared this report outlining some of the measures being undertaken around the country to address the provision of affordable housing.

The South Florida Region is growing at the rate of more than 600,000 persons per decade, and is projected to continue this phenomenal growth through the year 2030. By that time the Region's population is estimated to reach 5.9 million. Broward County is beginning to experience major redevelopment efforts in many of its older communities. Miami-Dade County is struggling with pressures on its Urban Development Boundary and threats to its agricultural areas. With its geographic restrictions and unique ecological concerns, potential for growth in Monroe County is limited. The effects of the forces that are in play in this environment, such as rising land values, cultural diversity, a tourist economy and changing family demographics are clearly shown in the areas of affordable housing demand and school overcrowding.

The strategies required to alleviate the Affordable housing problem in South Florida are difficult to address merely at the local level when the issues related to the availability of housing are influenced by the regional housing market. The efforts of one city to provide housing for lower income residents may seem futile if neighboring communities do not make similar efforts. The shortage of housing affects a wide variety of residents in our region, particularly those families or households earning 50% (\$19,000) or less of the region's annual median household income.

Council Actions

The issues relating to affordable housing have long been recognized in South Florida and the Council has made a number of efforts to address them. In the early 1990's the Council created the South Florida Affordable Housing Task Force. The work of that group resulted in recommendations that lead to the development of the Affordable Housing Element of the current *Strategic Regional Policy Plan for South Florida (SRPP)*. The goals and policies in that element are

directed at ensuring the availability of adequate affordable housing for all income ranges within a reasonable commute distance from employment centers; increasing and improving affordable housing supply through revitalization of existing neighborhoods; and decreasing the cost and increasing the efficiency of providing affordable housing in the region.

In 2001 the Council held a Regional Housing Summit in which input was taken from a broad range of people and agencies, and obstacles to the provision of affordable housing were identified. Cost and economic factors were ranked as the greatest obstacles. The need for government support and leadership ranked very highly.

Affordable Housing Tools and Best Practices

Council staff has identified a number of effective actions in the country that are being used to address the affordable housing problem. These are briefly described below with examples of where they are being implemented.

Inclusionary Zoning Ordinance

Description: Local government action to encourage or require a certain percentage of units of new development or redevelopment to be set aside for low- or moderate-income dwelling units.

Examples of where it's implemented:

- Approximately 75 localities in California
- Montgomery County, Maryland
- Tallahassee, Florida
- Fairfax and Loudoun Counties, Virginia
- Longmont, Colorado
- Santa Fe, New Mexico

Regional Fair Share Programs

Description: Programs that address affordable housing on a regional level by acknowledging that every member jurisdiction in a region should share some of the burden of providing for the housing needs of all members of a region's population. The program's intent is the equitable distribution of affordable housing for lower-income people throughout a region or state, particularly where there are greater economic opportunities. Fair Share programs can be voluntary and incentive-based or mandated by law.

Examples of where it's implemented:

- New Jersey (mandatory)
- Connecticut (voluntary)
- Massachusetts (voluntary)

Mixed-Income Development; Mixed-Financing; and Mixed Partnerships

Description: The Quality Housing and Work Responsibility Act of 1998, then referred to as the Public Housing Reform Act, introduced new approaches to providing housing for the poor and it focused on Mixed-Income development. Housing authorities were encouraged to avoid concentrating poverty by mixing higher-income families in lower-income developments and lower-income families in higher-income developments. The federal government also made it clear that housing authorities were to look for alternate sources of funding. This has resulted in the

proliferation of public/private partnerships and mixed financing. The Mixed-Income approach to development is also attracting the interest of private developers.

Examples of where it's implemented:

- Sabal Walk Apartments, The Hampton Apartments, and Mainstreet Apartments, Clearwater, Florida
- The Village at Techwood, Atlanta, Georgia
- Tres Placitas Community, Albuquerque, New Mexico
- Normandie Village, East Hollywood, California
- Harbor Point, Boston, Massachusetts
- Timberlawn Crescent, Montgomery County, Maryland

Housing Trust Funds

Description: Many states and localities have created a fund through various mechanisms dedicated to developing affordable housing for low and moderate-income families. Uses for housing trust funds include housing construction and rehabilitation, land acquisitions and site development, mortgage loan financing, reduction of interest rates for construction loans, and residential conversion of commercial structures.

The State of Florida's State Housing Initiative Program (SHIP) funds make up a housing trust fund that functions at the state level. There may also be opportunity for a housing trust fund at the regional level in South Florida. This could be a tool used as part of a Fair Share program whereby communities that are severely limited in their ability to produce affordable housing units can pay into a housing trust fund similar to a land bank used for environmental mitigation.

Examples of where it's been implemented:

- Alexandria, Virginia
- San Diego, California
- Washington State

Community Land Trusts

Description: A Community Land Trust removes land from the usual real estate market. The Trust, a nonprofit organization, buys land and existing houses or builds new houses and then sells or leases (often with an option to buy) the housing to residents at affordable prices. This technique is useful in areas where land values are inflated. It can be used as a mechanism to stop the displacement of low-income residents when an area undergoes urban revitalization and gentrification.

Examples of where it's implemented:

- Vermont
- Jackson Hole, Wyoming
- Cincinnati, Ohio
- Key West, Florida

Combined Affordable Housing and Land Conservation Efforts

Description: Projects that bring housing trusts and land trusts together can help to integrate and balance interests that sometimes compete, i.e., environmental conservation and affordable housing.

Examples of where it's implemented:

- Vermont
- Wisconsin
- Minnesota

Linkage Fees

Description: Linkage fee programs link the approval of commercial or office development, particularly those that generate low wage jobs, with a requirement that affordable housing units, or fees in lieu of units, be provided by the developer. Linkage fees may be mandatory, or incentive-based by granting density bonuses to the commercial development in exchange for affordable housing contributions. Mandatory programs may raise the question of legal issues. Most linkage programs offer a variety of options to the developers such as a choice of combination of fee and housing unit construction, provision of financing for affordable housing, or land donation.

Examples of where it's implemented:

- Winter Park, Florida (mandatory)
- San Francisco, California (mandatory)
- Santa Monica, California (mandatory)
- Montgomery County, Maryland (mandatory)
- Aspen, Colorado (mandatory)

Linkage Incentives and Linkage Requirements

Description: Some local governments link the approval of commercial or office development to requirements or incentives for provision of affordable housing.

Examples of where it's implemented:

- Boulder, Colorado (reduced parking requirements as incentive)
- Nantucket, Massachusetts (mandatory provision of affordable housing as a ratio to new commercial development)

Density Bonuses and Expedited Permitting

Description: Among the most common incentives are density bonuses and expedited permitting. A number of local governments in the South Florida Region make use of these incentives. In a recent memorandum from Broward County's legal staff it has been suggested that the County could provide for density bonuses through the allocation of additional units using the Rules of Flexibility.

Examples of where it's implemented:

- Hollywood Florida (density bonuses)
- Fort Collins, Colorado (expedited review)
- Monterey County, California (expedited review)
- Montgomery County, Maryland

Live Where You Work Programs

Description: Governments and employers team up to promote employees buying homes in the same area as their place of work. Employers offer financial assistance with the employee's closing cost.

Examples of where it's implemented:

- Baltimore, Maryland
- Milwaukee, Wisconsin

Livable Wage Ordinances

Description: A policy set by local government or by a private company that requires a minimum wage for its employees, higher than the federal minimum wage, in order to better match the wage required to afford adequate housing.

Another possible approach to livable wage ordinances is the use of government subsidies to bridge the gap between a private company's offered wage and the increased minimum livable wage. Only small and micro-businesses with small profit margins would be eligible.

Since 1994, 51 cities, counties, and school districts have instituted a living wage ordinance.

Examples of where it's implemented:

- Miami-Dade County, Florida
- Baltimore, Maryland
- Broward County, Florida

Subsidies, Fee Waivers and Reimbursement of Fees

Description: Because of the obstacles presented by high land values and the effects of growth management initiatives some local governments have recognized the need to reduce the cost of residential development to encourage affordable housing. Typically this is done through direct subsidies, often using Community Development Block Grant funds, or through rebates or waivers of development fees. Miami-Dade County is currently considering the use of a 20 per cent subsidy of new development costs in specified areas. The County is also considering offering 10 per cent tax abatement for five years for new affordable housing projects in certain areas.

Examples of where it's implemented:

- Arvada, Colorado (fee waiver)
- Longmont, Colorado (fee waiver)
- Hillsborough County, Florida (fee waiver)
- Orange County, North Carolina (impact fee rebate)

Affordable Housing Preservation

Description: Techniques designed to keep existing affordable dwelling units affordable. Most areas of the country are facing the expiration of regulatory agreements covering a significant percentage of privately owned, federally assisted rental housing. These units will become market rate units unless something is done to preserve their affordable status.

Examples of where it's implemented:

- State of California
- Montgomery County, Maryland

Regional Affordable Housing Strategies

In some regions local governments and regional agencies have developed comprehensive and multi-faceted affordable housing strategies. Two examples include the City of Charlotte, North Carolina, and the Metro Council of Oregon.

Charlotte, North Carolina, with a population growth of almost 21 percent between 1990 and 1998, developed an Affordable Housing Strategy through a nine-month process involving representatives from banks and financial institutions, private housing developers, non-profit housing providers, housing support agencies, and citizens-at-large. The group developed a report entitled *Affordable Housing Strategy, Report of the City of Charlotte Housing Strategy Stakeholders*, September 2000. The stakeholders identified five priority issue areas:

- Regulatory requirements
- Locational policy
- Financing (supply and demand)
- Homeownership versus rental housing
- Economic diversity

The plan includes strategies that support the three basic goals of the City's Housing Policy:

- Preserve the existing housing stock
- Expand the supply of low- and moderate-income housing
- Support family self-sufficiency initiatives

While the Charlotte initiative is a local process its comprehensiveness provides a good model for a more broad reaching regional approach.

Metro Council, is a regional government agency in the State of Oregon that serves more than 1.3 million residents in Clackamas, Multnomah, and Washington Counties, and the 24 cities in the Portland, Oregon metropolitan area, a region experiencing rapid and dramatic growth. The Metro Council determined that affordable housing "is a growth management and land use planning matter that is of metropolitan concern and will benefit from regional planning." The State of Oregon addressed the growing issue of affordable housing by the creating the Affordable Housing Technical Advisory Committee in 1998 to provide assistance to the Metro Council on matters relating to affordable housing.

The Committee consists of 28 representatives from local governments, nonprofit and for-profit developers, the business and financial community, affordable housing advocates, and representatives from the governor's office, Oregon Housing and Community Services Department, and the U.S. Department of Housing and Urban Development. Thus, the goal of Affordable Housing Technical Advisory Committee was to develop a strategy for addressing the housing needs of current and future residents of the Metro region that could be implemented on a regional level through the cooperation of the cities and counties. As such, the Committee developed *The Regional Affordable Housing Strategy*, a planning document that provides an assessment of the region's housing needs and establishes short-term, 5-year regional housing goals, long-term goals extending to 2017, as well as strategies needed to achieve the region's housing goals. The document was not designed to be a regulatory tool, but rather as a policy plan that offered recommendations to local governments to further encourage actions that addressed the following elements:

- Fair Share Strategy – fair share targets to be based upon housing inventories and other factual information concerning the regional demand, supply and cost of housing and

buildable lands, and the income levels and housing needs of current and future residents. Metro will monitor the existing and new supply to determine the effectiveness of the delivery of affordable housing in the region.

- Land Use Planning Tools – the Committee was directed to consider tools which include performance standards for: replacement housing ordinances to ensure that existing affordable housing units lost to demolition or non-residential development are replaced with an equal number of new affordable housing units; density bonus incentives that are high enough to ensure that it is profitable for developers to build affordable units; region-wide mandatory inclusionary housing based on constitutionally valid zoning if cooperative programs have not produced significant results; and Urban Growth Boundary considerations.

Metro Council’s Local Government Involvement:

In order to encourage local government involvement, the Committee included a resource list in *The Regional Affordable Housing Strategy* document intended to serve as a “cookbook” of tools and strategies to encourage the development of more affordable housing. Local governments in turn determined which of the tools and strategies that were applicable to their communities and incorporated various strategies in their local comprehensive plans, understanding that there was no “one size fits all” approach. The table below includes the strategies that are provided in *The Regional Affordable Housing Strategy*.

Each strategy includes an overall description, examples of the strategy in use on the ground, other considerations or potential limitations, and recommendations for implementation at the regional and local levels.

Table 1. Strategies for Local Government

Cost Reduction	Land Use & Regulatory	Regional Funding
<ul style="list-style-type: none"> • System Development Charges • Permit Fees • Property Tax Exemption • Local Government and State Coordination • Land cost and availability, including donation of tax foreclosed properties and land banking or land assembly, and construction type (size, design) • Off-site Improvements • Local Regulatory Constraints and Discrepancies in Planning and Zoning Codes, and Local Permitting or Approval Process • Building Codes Requirements • Parking 	<ul style="list-style-type: none"> • Long-term or Permanent Affordability • Density Bonus • Replacement Housing • Inclusionary Zoning (voluntary & mandatory) and urban growth boundary considerations • Transfer of Development Rights • Elderly and Disabled Housing • Regional Housing Resource/ Database 	<ul style="list-style-type: none"> • Maximize Existing Resources <ul style="list-style-type: none"> – Training Program – Consistent Consolidated Plans in the Region – Allocation of HOME Funds – Promote changes in HUD and other Federal Programs – Enterprise Foundation Regional Acquisition Fund • New funding Source <ul style="list-style-type: none"> – Employer Sponsored Housing – Real Estate Transfer Tax – Uses and Administration of a New Regional Housing Fund.

Metro Council’s Public Involvement:

The Metro Council recognized Neighbors of proposed affordable housing developments are often concerned that the new housing will “...negatively impact their neighborhood with increased criminal activity, increased loitering, increased traffic, stress on schools and city services, changes in neighborhood character, and decreased property values. However the Metro Council points out

that public involvement in the planning process, is crucial to the successful development of affordable housing in any area. Some strategies identified in *The Regional Affordable Housing Strategy* include: encouraging neighborhood involvement in the design of affordable housing, providing good management, keeping grounds and structures well maintained, and signing good neighbor agreements. When good design is incorporated into the development affordable housing many residents may not even realize that “affordable” housing exists in their neighborhoods because it is flawlessly “weaved” into the housing stock of the existing neighborhood.

Conflicts with Growth Management Incentives

In an effort to manage growth caused by new development, many local governments utilize tools such as imposing development restrictions or charging impact fees to help offset the cost of providing new services like roads and schools, in order to meet the additional demand created by new development. Despite the fact that these tools help in restraining development, studies have shown that they have often had adverse effects on the supply of affordable housing in many jurisdictions. A recent study by the Brookings Institution points out that some growth restrictions may have had a negative impact on affordable housing because many state and local referenda that were adopted during the 1990s restricted new land supply without requiring that already built up places receive denser development to compensate for the loss of buildable lots. This reduces the supply of housing and may lead to a rise in housing prices.

Another common growth management tool used is an impact fee. These may also have the unintended effect of increasing housing prices, as the cost associated with impact fees is usually shifted from the developer to the consumer. The increase in housing cost may have an exclusionary effect as these units often become less affordable for individuals in a lower income bracket. In a research conducted by the Fannie Mae Foundation, assessing the impact of Florida’s Growth Management Act on housing prices and affordability, researcher Jerry Anthony suggests that Florida’s growth management strategy including the use of impact fees has resulted in higher housing costs to consumers. For instance in areas such as Martin County higher impact fees have resulted in an increase in housing cost in contrast to Brevard County, where lower impact fees combined with a focus on affordable housing programs have curbed housing prices in that county. As noted above, local governments in many parts of the country are addressing this problem by way of fee waivers and subsidies.

Recommendation

Direct staff to pursue specific policy language for inclusion in *the Strategic Regional Policy Plan for South Florida*, with measurable goals for use in the review of local government comprehensive plan amendments and Evaluation and Appraisal Reports. Policy language being considered should include, but not be limited to development of regional affordable housing production goals similar to the regional strategy being implemented by Oregon’s Metro Council program.