

SUMMARY: Taskforce Formation and Recommendations

1. Taskforce Formation

The concept of using workforce housing (inclusionary zoning) as a means to meet affordable housing needs, and to disperse that needed housing, was introduced briefly to the BCC in 2001 as part of a presentation on Smart Growth initiatives by Mr. Ed McMahon of the Conservation Fund. In response to Mr. McMahon's presentation, Commissioner Newell requested that staff research the concept further, and the Board initiated an amendment in Round 01-2 to consider establishing a workforce housing requirement in the Comprehensive Plan. Following a BCC Workshop, the amendment was not adopted in Round 01-2, but was again initiated for consideration in Round 02-1. In August of 2002 the BCC adopted a comprehensive plan amendment to create a new policy within the Housing Element, to evaluate the possibility of establishing a workforce housing program for the County. There are many issues that need to be addressed to successfully establish and operate a program of this type. The first step was to bring together interested public and industry representatives to evaluate the viability and identify suitable program parameters given our local conditions.

Accordingly, the policy committed the County to establishing an advisory group to evaluate the concept of a workforce housing program and make recommendations to the Board of County Commissioners regarding appropriate program parameters. The Policy follows:

Housing Element Policy 1.5-g: By December 2003, the County shall consider establishing a workforce housing program to require that new residential developments provide a percentage of housing units for lower income households, as a means to meet affordable housing needs and to disperse that needed housing in the unincorporated County. The Board of County Commissioners shall appoint an advisory group to provide recommendations to the Board regarding the viability of such a program and appropriate program parameters.

The evaluation shall address specific parameters, including but not limited to:

- threshold size of affected development;
- program implementation area;
- unit types;
- household income levels;
- appropriate density increase;
- resale controls;
- physical unit requirements; and,
- mitigation options.

Staff met with the BCC in December 2002 requesting guidance and input from the BCC regarding interested public and industry representatives that would constitute the membership of the Taskforce. Staff then contacted the various organizations that had been discussed and asked each to nominate a representative to sit on the Taskforce. In March, 2003 the BCC appointed eleven (11) Members to this new advisory board consisting of the following representatives:

PBC Commission on Affordable Housing

Vince Larkins, Executive Director
Fair Housing Center
Lantana, FL 33462

PBC Housing Finance Authority

Judy Erwin
Member HFA
Palm Beach Gardens, FL 33418

PBC Workforce Alliance

Cathy Noel, V.P. Planning & Evaluation
PBC Workforce Alliance
Riviera Beach, FL

Economic Council of the Palm Beaches

F. Martin Perry
Attorney
West Palm Beach, FL

Gold Coast Builders Association

Matt Horan, Director of Future Planning
Centex Homes Southeast Florida
Boynton Beach, FL

Realtors Asso. of the Palm Beaches, Inc.

Steve Kettelle, Realtor
Coldwell Banker
West Palm Beach, FL

Business Development Board

Greg Fagan, Engineer
Schaefer & Fagan Consulting Engineers
Riviera Beach, FL

PBC Affordable Housing Collaborative

Sue Ann Paine, Residential Mortgage Specialist
Harris Bank
West Palm Beach, FL

Local Initiatives Support Corporation

Annetta Jenkins, Senior Program Director
Local Initiatives Support Corporation
West Palm Beach, FL

PBC Land Use Advisory Board

Neil Merin
Merin, Hunter & Codman
West Palm Beach, FL 33401

Affordable Housing Developer/Builder

Paul Romanowski, Division President
D.R. Horton Homes
Deerfield Beach, FL

The Workforce Housing Taskforce held its initial meeting in April 2003 and has met a total of eleven times.

2. Summary of Recommendations

In summary the recommendations of the Workforce Housing Taskforce are as follows:

- The Workforce Housing Program would be a voluntary program;
- The program implementation area would be inside the urban service boundary;
- The minimum number of units for an affected development would be 10 units on the basis of a minimum density bonus of at least a 10 percent;
- The household income levels to be targeted will include a combination of very low income (50% of median income or less) low income (50%-80% of median income) and moderate income (80-120% of median income) households;
- The lower cost units are to be integrated and compatible with overall development within the project;
- The lower cost units can be both rental units and for sale units;
- The overall percentage of units required to be affordable should be up to 100% of the bonus units;
- The allowable density increase should allow up to 100% of the permitted density;
- The rental unit and resale unit affordability controls should be guaranteed for a period of 10 years for ownership units and 20 years for rental units;
- Developer incentives should include: 1) a traffic concurrency exemption for those providing affordable units. The traffic exemption will be applied to the entire project; 2) an expedited permit, zoning, and land use site plan approval process. This will include the process of going through the engineering and the plating procedures; and, 3) have the county find some method to effectively offset impact fees and other development fees for the affordable units only;
- The comprehensive plan should be amended to allow workforce housing in any land use category, with the exception of conservation and recreation areas, provided that it meets the requirements near mass transportation and/or employment centers; and,
- Workforce housing should be permitted as an allowable use in any zoning classification when the requirements near mass transportation and/or employment centers are met, and with the understanding that the incentives are to be provided on a sliding scale with more incentives for very low income to lesser incentives for the higher scale of moderate incomes.

A. Taskforce Discussions and Recommendations

The role of the Taskforce is to provide recommendations to the Board regarding the viability of such a program and appropriate program parameters. The Workforce Housing Taskforce held its initial meeting in April 2003 and has met a total of eleven times.

Discussion took place on the following items.

1. **Program Implementation Area:** Recommend the geographic area where the program will be applied.

The Taskforce was provided information on the undeveloped residential land in the county in the eastern urban area, or the Urban-Suburban Tier. During discussions the Taskforce suggested that all properties with units having already been approved but un-built and properties that have been purchased as environmentally sensitive lands be removed. Staff verified that the approved but un-built properties and the environmentally sensitive lands have been removed.

The undeveloped residential land information follows:

<u>Area/Range</u>	<u>Units</u>	<u>Acres</u>	<u>Parcels</u>
One Unit	3,347	1,100	3,347
Two to Nine	2,293	1,030	519
Ten Plus	10,667	3,446	277
Total	16,307	5,576	4,143

NOTE: see Attachment #1: Map of the Undeveloped Residential Lands

The Taskforce discussed the practical use of this data. Comments included that there are no longer many real large parcels remaining undeveloped. It appeared that the parcels that would allow only one unit (3,347 parcels) could be considered for an accessory unit (e.g., garage apartment or granny flat). Comments included that the most potential for additional lower cost units would be with the parcels (277) that allowed ten or more units. The Taskforce also discussed the potential for accessory units on the parcels that would allow from two to nine units.

The Taskforce was also provided an updated map series that displays over a hundred target areas identified by the Countywide Community Revitalization Team (CCRT) and informed that the BCC recently approved the expansion of the CCRT areas within Palm Beach County and three additional priority target areas were identified. The Taskforce was informed that the new Office of Community Revitalization will be looking at areas throughout Palm Beach County that are suitable for affordable housing developments.

Taskforce discussions regarding the program implementation area included comments regarding an emphasis on the development of lower cost housing near existing and planned employment centers, transportation corridors with access to mass transit opportunities, and in areas where public services such as water and sewer could be provided. Discussions included the need to provide workforce housing as part of the redevelopment of these identified CCRT areas. A comment was made that the Business Development Boards data indicates that 95% of all businesses in this county are located within one mile of I-95.

A question was raised whether an inclusionary program that applied to any property in the unincorporated area would address the placement of lower cost housing in specific areas where employment opportunities and public services would be provided. Additional Taskforce comments indicated that the market would take these matters into consideration when proposing residential projects.

It was stated that a workforce housing program with incentives and bonus density also needs to be provided to existing developments that have yet to build-out. An example of golf course communities that may want to provide lower cost units within their developments in order to provide housing to their maintenance staff and other employees. Also mentioned was the use of accessory units or "granny flats" as an incentive for some of the properties in single family developments.

Comments were made that areas outside the urban service boundary did not provide the density needed to really provide a large number of units. These areas currently have a Future Land Use designation of RR-20 (one unit per 20 acres) or RR-10 (one unit per 10 acres). Also an area such as the Agricultural Reserve area that has high property values and low densities (one unit per 10 acres or one unit per five acres) that the provision of low to moderate income housing units would not be feasible.

Taskforce Recommendation: Mr. Fagan made a motion that the implementation area be anything inside the urban service boundary. Motion seconded and passes unanimously.

2. **Threshold Size of Affected Development:** Recommend the minimum size of developments affected by the program, typically in the range of 10 to 50 units.

Taskforce discussion included consideration of only developments of 50 units and larger. It was suggested that considering the size of the remaining undeveloped parcels it would be beneficial to include smaller parcels of at least 10 units, and also the parcels smaller than 10 units could utilize the use of accessory units (e.g., garage apartments or granny flats).

Taskforce Recommendation: Mr. Fagan made a motion that the minimum number of units for the threshold size be 10 units on the basis of a minimum density bonus of at least 10 percent increase. Motion seconded by Mr. Perry. Motion passes unanimously. Mr. Fagan noted that he would like to revisit the topic of the granny flats on smaller parcels.

3. **Household Income Levels:** Recommend the household income levels to be targeted. (very-low, low and moderate income)

The Taskforce was provided with the current Annual Income Limits Information for Palm Beach County (very-low, low and moderate household incomes) indicating the threshold household incomes by household size.

NOTE: see Attachment #2: Annual Income Limits Information for Palm Beach County and Attachment #3: Map - Distribution of Low and Very Low Income Households

Taskforce discussion focused on the lower cost housing unit requirements for the Turtle Cay residential development located within the City of Riviera Beach, which utilized the County's Traffic Performance Standards Affordable Housing Exception program. Taskforce member Paul Romanowski, D.R. Horton Homes, is the developer of Turtle Cay. Out of a total of 450 townhouse units, 45 units are to be sold to low income households (50% to 80% of the area median income), and an additional 45 units are to be sold to moderate income households (80% to 120% of the area median income).

It was noted that the moderate income (80% to 120% of the area median income) sales requirement is easily maintained. It was pointed out that many of the consumers are utilizing the SHIP Program to receive first-time homebuyers assistance, and many three and four person households and also some larger families are moving into townhomes in Turtle Cay. The lowest price unit that is not a set-aside unit is \$130,000. Average price is \$180,000. It was stated that low income (50% to 80% of the area median income) and very low-income (less than 50% of the area median income) housing is very difficult for builders to achieve.

Taskforce comments included consideration be given to two income level thresholds categories, one category being the low income and very low income (less than 80% of the area median income) and the other being moderate income (80% to 120% of the area median income). Comments included that inclusionary zoning applies to is limited to those that are less than average economical means.

Discussion ensued. It was suggested that a waiver of impact fees and water and sewer connection fees could have a huge impact on meeting the very low-income levels. Another comment was that the committee must take a couple of issues into account, the first issue would be to define the different income levels and establish a housing price, the other issue would be to look into the different incentives that are offered to the consumers. It was suggested that an economic analysis should be done to determine the housing needs by income.

Additional suggested included considering half of the affordable units be attainable for 80% of the median income and the other half not to exceed 120% and have a threshold of a certain number of units and try to meet the very low income level. In addition if there are less than 4 units of affordable housing, an 80% income level should be met. Another suggested that a larger percentage of units for low income and very low income when more than 4 units are being provided.

It was suggested that a more builder incentives be provided when a higher percentage of very low income units are provided.

Taskforce Recommendation: Mr. Fagan made a motion that all units be affordable at 80% of the median family income for a family of 4. The motion carried with 9 in favor (Greg Fagan, Matt Horan, Annetta Jenkins, Steve Kettelle, Vince Larkins, Cathy Noel, Sue Ann Paine, F. Martin Perry, Paul Romanowski) and 1 opposed (Neil Merin).

NOTE: This motion is later revised (to include a moderate income component, 80-120% of median income) as part of the appropriate density increase and appropriate set aside discussion.

Mr. Merin made a motion that there be no differentiations of unit type addressed in the ordinance between rental and for-sale units. Motion seconded by Greg Fagan, the motion passes unanimously.

- 4. Physical Unit Requirements:** Recommend the requirements to ensure that the affordable units are not discernable from market-rate units from the exterior, and that they are distributed throughout the development.

The Taskforce discussed the need to develop a flexible program that leaves a lot of room for developer creativity. Concerns were noted that this flexibility may unfortunately leave a lot of room for loopholes, but the Taskforce should allow the people that are in the industry to be creative and encourage with new ideas. It was suggested the Taskforce add a statement about the quality of the product to be provided in order to make sure there is no lessening of quality in terms of the construction of the lower cost units.

Additionally, it was stated that the County should have a system that reviews the application when the developer comes in with the plans to ensure that we are getting the creativity and not any abusing of quality control. It was added that there are existing boards and existing processes that review proposed developments to determine consistency and compliance with rules and regulations, and it was suggested to use the existing oversight mechanisms and discouraged the development of a new oversight board or mechanism.

Discussion continued that the lower cost units should be more integrated and compatible with the overall development rather than identical to the overall development. It was stated that the granny flats are actually a separate unit on the lot, but should look like granny flats and yet look integrated.

Taskforce Recommendation: Mr. Merin made motion that units be integrated and compatible with overall development within the project. Mr. Kettelle seconded the motion, and was passed unanimously.

- 5. Discuss Unit Types:** Recommend the type of unit or mix of unit types (rental units or for-sale units) to be provided, typically reflecting the unit type mix for the development as a whole.

Taskforce discussion included comments that we should allow a developer the flexibility in determining the type of unit, as there exists a need for both rental and for sale product in our housing market. It was mentioned that part of the reason for the creation of this Taskforce is the County wanted to encourage less lower income rental housing and more lower income for-sale housing. It was noted that the placement of multifamily lower income rental units was more of a concern than the amount of rental units, we don't want to cluster the units but disperse to these lower cost units.

Discussion continued that the market and the need for rental units are going to dictate the amount that's built, and the market should determine the unit type or mix.

There was a concern that in order to get the density a developer is doing all the single family for sale units and then clustering some lower cost rentals for lower income families in one area. It

was mentioned if a developer receives a density bonus and also applies for some creative financing then that should dictate the type of units and where they should be located. The need to provide rental units was again stressed, and it was noted that 36% of the nation's population will never be homeowners.

It was mentioned that this discussion is addressing only new construction, and we also need to address conversions of existing units and the rehabilitation of existing units. Discussion indicated that any new construction or any retrofit should have the same type of regulations.

Taskforce Recommendation: Mr. Fagan made motion that units be both rental and for sale units. Mr. Kettelle seconded the motion, and was passed unanimously.

6. **Appropriate Unit Set Aside:** Recommend the percentage of units required to be affordable.

and

7. **Appropriate Density Increase:** Recommend the percentage of additional units to be allowed.

The Taskforce was informed that in the County's existing Voluntary Density Bonus (VDB) program a developer can ask for an increase in density up to 100%. The requirement for the affordability (or the set aside) is 40% of the bonus units. With a 100% density bonus the affordable units would then be 20% of the total units within the entire development. In addition a VDB development must distribute all affordable units throughout the entire development, and provide varied bedroom and floor area options similar to those of the market rate units within the development. Also an analysis of the concentration of very low and low income households in the vicinity of the proposed development is done in order to distribute very low and low income households equitably, so no undue concentration (greater than 40% of all existing households) results due to the approval of the proposed VDB.

It was stated that the VDB program is not being utilized by the development community since its inception in 1993.

At this time the VDB program has produced the following:

Rental units approved	542	Rental units built	350
Ownership units approved	14	Ownership units built	10
Total approved	556	Total built	360

Taskforce discussion included that the set aside should mirror the density bonus. Discussion continued that it couldn't be the same because you have to give the developer an incentive. If developer has to have a mix of market rate units and non-market rate or affordable units there is no benefit for the developer if the additional units are only the affordable units. It was mentioned that there will be other incentives available to the developer not just the density bonus. It was stated that a developer has to give a required percentage of additional market rate units greater than the required percentage of affordable, or waive or reduce other development fees or costs.

Discussion continued with a 10% set aside of affordable units be the starting point. It was indicated that there is a need to discuss the percentage of these set aside units by specific income levels. There was a reminder that an earlier motion was for incomes no greater than 80% of median income.

It was stated that we should allow at least up to 120% of median income as used by the SHIP program, and it was mentioned that there could be a sliding scale utilizing the set aside units but based on the density increase.

A suggestion was made that the first 10% should all be no greater than 80% of median income and the next 10% should be mixed in different way.

As only a small percentage of very low income households can purchase units we should consider a different set of criteria for rental units than for the for-sale units.

It was mentioned that the density increase will assist in balancing out the affordable units as will traffic standard incentives. Project location should also be considered as the concentration of very low income and low income households needs to also be a factor for consideration.

In addition the location near work place and mass transit, other transportation systems and locations near schools needs to be considered. This is where workforce housing should be located. We may want to suggest additional incentives for these locations.

It was stated that what the Taskforce is designing is a land use tool to be used to locate lower cost housing units in areas where transportation and other needed public services are readily available.

Several members stressed that simplicity will be very important, the simpler the process the better. The more complicated the process the less likely anyone will want to use it.

It was initially suggested that the affordable units be broken out as follows:

The first 10% all be less than 80% of median income.

The next 10% would be as follows:

- 25% of units target low income (50-80 % of median);
- 50% of units target low and low-moderate income (80-100 % of median); and
- 25% of units target high-moderate income (100-120% of median)

It was discussed that there is no benefit of loading up on the 50-80% of median income as too many of these units may make it unworkable and low income households can utilize other housing programs. It was stated that this is for discussion and we must keep in mind that we are not saying if these are figures for a rental or a for sale development.

It was noted that there are not a lot of high-density pockets in the County, and that maybe 30% density bonus would be the top threshold.

Discussion ensued with a mention that the Taskforce needs to make recommendations without considering a build out scenario or setting a threshold where the density bonus would be capped. It was asked if there is a need for a market analysis to determine the need for lower cost housing units for specific areas of the county. It was then stated that as each project comes forward to the County Commissioners for approval, it would be analyzed regarding density increase or the bonus the developer is requesting and analyzed for all the other factors on a case-by-case basis.

It was reiterated that the existing VDB program requirement for the affordability (or the set aside) is 40% of the bonus units. It was suggested that the new program should utilize aspects of the existing VDB and the Traffic Performance Standards Affordable Housing Exception programs.

It was suggested the Taskforce try to create something that will blend a variety of different home prices and also in areas that make sense from a business/employment standpoint.

Discussion addressed varying levels of density increase concluding with the following table which incorporates the density bonus and the required.

% Bonus	Projects Affected # of Units	Less than 80% AMI or <50%/ 50-80%	More than 80% AMI or 80-100%/ 100-120%
10 % - 20%	10 units or more	100%	
20 % - 40%	10 units or more	20/60%	20%
30 % - 60%	10 units or more	20/50%	20/10%
40 % - 80%	10 units or more	20/40%	25/15%
50 % - 100%	10 units or more	20/30%	20/30%

Several example scenarios follow :

With a density bonus of 10%-20% all affordable units would be less than 80% of median income, targeting both very low (50 % of median or less) and low income (50-80 % of median) households.

Another example.

With a density bonus of 20%-40% all affordable units could be as follows:

- 20% of units target very low income (50 % of median or less);
- 60% of units target low income (50-80 % of median); and
- 20% of units target moderate income (80-120% of median)

Another example.

With a density bonus of 30%-60% all affordable units could be as follows:

- 20% of units target very low income (50 % of median or less);

- 50% of units target low income (50-80 % of median); and
- 20% of units target low moderate income (80-100% of median)
- 10% of the units target high-moderate income (100-120% of median)

The concept for this approach is to provide the developer with some flexibility to determine the density bonus percentage and also the target markets for the affordable units.

Taskforce Recommendation: *Mr. Fagan* referred to the chart found and made a motion that the percentage on the lower right hand corner of the chart be modified from 30/50% to 20/30% and the entire chart then be approved. Motion seconded by Mr. Merin and passes unanimously.

9. **Resale controls:** Recommend the method and time frame regarding resale or future rental of the unit.

The Taskforce was informed that currently the County requires that affordable for-sale units remain affordable for 10 years and rental units for 20 years. It was stated that if greater incentives are offered in order to provide the affordable units than maybe we should have greater restrictions on these units to guarantee their affordability.

It was mentioned that we need a balance as an incentive of home ownership is to have an opportunity to benefit from the appreciation of the property value. Discussion continued about where this appreciation money would go. The idea of setting a ceiling for the appreciation a homeowner could recoup based on various factors (shared appreciation, recoup additional investment, use an index for which includes CPI) and with the remaining appreciation placed into a housing trust fund to be used to guarantee more affordable housing funds.

Concerns were stated about creating a new program that causes an expansion or creation of new government oversight mechanisms and new or expanded departments.

It was explained that currently affordable ownership units are deed restricted for 10 years and if the unit is sold within the 10 year time frame the seller needs to find an income qualified buyer or pay a penalty in accordance with a formula defined within the restrictive covenants with the penalty payment going to the County's Affordable Housing Trust Fund.

Taskforce Recommendation: *Mr. Merin* made a motion that county staff incorporate, consolidate and streamline the existing programs (e.g. VDB and TPS Affordable Housing Exception) and also incorporate, consolidate and streamline the existing resale control criteria (e.g., unit affordability is guaranteed for a period of 10 years for ownership units and 20 years for rental units) into this new program. *Mr. Merin* stated that this should simplify things by utilizing aspects of existing programs. Motion seconded by Greg Fagan, the motion passes unanimously.

10. Developer Incentives for Workforce Housing Programs: Recommend any mitigation provisions or incentives.

In the discussions it was stated for a program to be successful, simplicity and flexibility need to be allowed, that flexibility and a variety of incentives would permit the developer some creativity in trying to find a way to solve the cost of the affordable unit delivery issues.

The following incentives were discussed by the Taskforce.

a. Expedite Permit Process

It was stated that expediting the permit process would make it much easier to generate affordable housing and help reduce the cost to the consumer. It was suggested that process be monitored to insure that the accumulation of incentives results in a reduced cost of housing.

It was mentioned that there is an expedited permit process in place for economic development projects, maybe it could be expanded to include affordable housing projects.

b. Modify Design Standards

Discussion included that it was very important for the affordable units to be incorporated and integrated within each development. Also the new residential developments should not have less stringent design standards due to the fact that a portion of the units are of lower cost.

c. Waiver or Reduction of Fees

It was stated that the County's impact fee system does not allow for exemptions. It was suggested that the County look for ways to provide relief from these fees. The Taskforce was informed that the County's Housing and Community Development Department does not waive impact fees, but currently utilizes a portion of program funding to pay the impact fees for income qualified units. It was suggested that other mechanisms and funding sources be identified and considered to pay for impact and other development fees for the affordable units.

d. Donation or Reduced Sale of Publicly Owned Land

Staff was requested to do some research on affordable housing community land trusts, in order to establish what a land trust is, what it entails, what the responsibilities are and what the success rates of these land trusts are. It was also suggested that existing institutional users such as hospitals and schools that own properties adjacent to their facilities be considered for placement of workforce housing.

e. Utilize/Coordinate Local, State & Federal Funding & Tax Incentives

It was suggested that it would be a real benefit to have consistency and coordination of all of the affordable housing programs, County and Municipalities, like similar application packages and similar funding time frames so that the affordable housing development community and the local governments could better plan and coordinate the development of affordable housing units.

f. Traffic Standards Exceptions

It was mentioned that the County currently provides a traffic exemption to residential developments that apply, and provide a component of affordable housing units.

It was explained the Traffic Performance Standards (TPS) Affordable Housing Exception was approved in 1994, and provides for TPS special methodologies that grant a reduced level of service to the Traffic Performance Standards (TPS) in order to encourage the geographic

dispersal and expansion of affordable housing opportunities. There are two types of housing developments which qualify for the special methodologies. These are Mixed Housing and 100 percent very low and low income housing developments. The Mixed Housing development can receive up to a 3 percent (3%) exception of the Average Daily Traffic Level of Service D Standard on any link, and a 100 percent very low and low income affordable housing development may be eligible for an exemption of 1 percent (1%). There is no density bonus attached to the TPS affordable housing exception.

It was mentioned that this program has also not been often used. The TPS Affordable Housing Exception program has produced the following:

Rental units approved	77	Rental units built	38
Ownership units approved	90	Ownership units built	90
Total approved	167	Total built	128

During the discussion the Taskforce members who are developers or represent the development community were asked if they could identify exactly what incentives they feel are the most important. The most important incentives would be: 1) to include a waiver of traffic standards; 2) to expedite the permit process; and, 3) include some waiver, or reduction, or subsidy for payment of development fees.

Taskforce Recommendation: Greg Fagan made a motion that the voluntary program include the following:

1. **Provide Incentive to the developer and have traffic concurrency exemption for those providing affordable units. The traffic exemption will be applied to the entire project**
2. **Develop an expedited permit, zoning, and land use site plan approval process. This will include the process of going through the engineering and the plating procedures.**
3. **Have the county find some method to effectively offset impact fees and other development fees for the affordable units only.**

Motion seconded and passes unanimously.

11. **Mandatory or Voluntary Program:** Recommend a mandatory or a voluntary program

Many Taskforce members felt strongly about not supporting a mandatory program. There was discussion on the shortage of land in Palm Beach County. It is very difficult to find large sized tracts of developable land. For builders to stay in the market place, they will be forced to go into some of the infill areas and maybe into urban type areas. In order to get critical mass in an infill area, there would have to be a density bonus increase. It seems that there will be more of an opportunity where the voluntary will make a lot more sense than the mandatory in order to get that critical mass.

It was mentioned that in the final analysis, the Taskforce is here to offer advice and recommendations on the issues and if the Taskforce feels that there should be a voluntary

program as oppose to mandatory, the committee should make that need known, if the committee feels that there should be a combination of voluntary and mandatory then that need should be made known.

Taskforce Recommendation: Mr. Perry made a motion that the Workforce Housing Taskforce feels that reworking the voluntary program and providing additional incentives in combination with current market conditions in Palm Beach County would lead to a more effective program then a mandatory program would. Motion seconded by Mr. Larkins. Motion passes unanimously.

In addition, *Mr. Merin* made a motion that in the event the County chooses not to consider this a voluntary program, all remarks and comments made at the Taskforce meetings concerning this program should not be construed as applicable to a mandatory program. Motion seconded by Matt Horan. Motion passes unanimously.

12. Additional Comments

It was noted that there was nothing prohibiting the members of the Taskforce from making additional recommendations to the Board of County Commissioners regarding issues beyond the scope of their mission.

The following issues were also discussed

a. Location of Workforce Housing

Many taskforce members felt very strongly that the incentives ought to be applied, from a land use-planning standpoint, in areas where there is an ability to draw on existing mass transit and where existing employment centers are located. This should be done in order to have a comprehensive approach for dealing with the issues created by the sprawl that exists in the county that has created such a significant problem from a traffic perspective.

It was mentioned that the County's comprehensive plan allows the opportunity for underlying residential uses, and many commercial and industrial lands in the County have underlying residential areas. It was also mentioned to encourage the use of accessory units or "granny flats" as an incentive for some of the properties in single family developments.

A comment was made that the County is presently trying to create employment centers, such as the Scripps proposal, in an area that does not currently have a large housing unit potential. In addition, areas outside of the industrial area by Pratt Whitney currently have low housing density. When Pratt Whitney originally came to Florida, they agreed that housing should not be located near them so they wouldn't be faced with a barrage of complaints they may generate. The Taskforce needs to encourage workforce housing in these areas as some of the nuisance uses may be changing, but the areas will still be employment centers.

Another site mentioned, the Vista Center, struggled for many years and the core of the Vista Center is the championship golf course, which is recognized nationally. It was felt that the Taskforce should encourage workforce housing be located near this employment center. The question is whether or not the areas near Pratt Whitney, the Vista Center or the Palm Beach Park of Commerce are going to have the land use density or a mechanism like a workforce

housing program which would allow a higher density which is needed to provide for lower cost housing. It was stated that the elected officials have to come to a decision in the near future.

Discussion continued that the workforce housing program should use the largest amount of incentives when workforce housing is directed at areas that are approximate to employment centers and mass transportation. It was also discussed that amendments should be made to the comprehensive plan to allow workforce housing in any land use classification when the housing is located in near mass transportation and employment centers. The program would make it easier to get workforce housing without any difficulties. If workforce housing is located in an industrial area or in some area that didn't currently allow for workforce housing, it would be a best to allow a loophole in the comprehensive plan that allows a person to place workforce housing anywhere as long as the criteria (near mass transportation and employment centers) is met.

It was discussed that if someone was to propose a site for workforce housing within an existing industrial area, it would be considered a lesser included use in the sense that a re-zoning would not be needed except through a more stream-line site plan review process. It was questioned if the site plan approval was an opposable process.

It was suggested that the workforce housing definition should include not only new residential development, but also existing residential developments, commercial developments, industrial development, and potentially agricultural developments where you can demonstrate the need and meet the criteria, near mass transportation corridors and employment centers.

Additional Taskforce Recommendation: Mr. Perry made a motion that the comprehensive plan be amended to create a policy that allows workforce housing in any land use category in the County, with the exception of conservation and recreation areas, provided that it meets the requirements near mass transportation and/or employment centers. Motion seconded and passes unanimously.

Additional Taskforce Recommendation: Mr. Perry made a motion that workforce housing as redefined be permitted as an allowable use in any zoning classification in Palm Beach County when the prerequisites of a mass transportation corridor and employment center be met with the understanding that the incentives to be provided on a sliding scale with more incentives for very low income to lesser incentives for the higher scale of moderate incomes. Motion seconded. After some discussion the motion passes unanimously.

b. A Funding Mechanism

The question was raised, How do you provide affordable housing with a \$10,000 per unit impact fee?

It was stated that a voluntary inclusionary housing development could end up going on properties that are outside the sphere of mass transportation or employment centers. A lot of the remaining vacant land is remote or currently isolated. It was suggested that developer could be allowed to achieve a certain bonus density for non-affordable units provided there was a monetary off-set, and the development of additional affordable housing units near mass transportation or employment centers. Perhaps, there may be a way to encourage developers to contribute toward a fund that would allow for grants or allow access to these funds to off set

the impact fees and other development fee costs for the affordable units. Another suggestion might be that a developer who has bonus density on their site can effectively take the affordable units and put them into a development that is near mass transportation or employment centers.

Some members were not in agreement with the suggestion of creating an affordable housing mitigation bank because it may be too confusing and it may create other problems. If we are looking to fund a way of reducing or eliminating impact fees on affordable housing, another revenue source would have to be created and opting out is not necessarily the answer.

It was also suggested that funding necessary to reduce or waive impact fees on affordable housing not be accomplished by increasing impact fees overall.

No formal recommendation made.

c. Cooperative Efforts with Municipalities

It was stated that the best opportunities for accessibility to mass transit exists in areas east of the turnpike and I-95, many which are predominately within the incorporate municipalities.

It was added that the County should work to encourage a more coordinated and cooperative effort for the development of affordable housing within the municipalities and many of the municipalities would embrace this concept of coordination.

A concept was suggested that would provide a developer a density bonus on a suburban site if the developer provides affordable housing in close proximity to employment centers or mass transit. The use of interlocal agreements between the County and interested municipalities may need to be looked at.

No formal recommendation made.

B. The Concept of Workforce Housing (Inclusionary Zoning)

1. What is workforce housing?

Workforce housing is a mandatory requirement or a voluntary option to reserve or provide a specific percentage of housing units for lower income households in new or redeveloped residential developments. A density bonus and/or other incentives are usually given to the developer, in exchange for providing the affordable units. There is usually a requirement that the affordable units are indiscernible from the market rate units, and that their affordability is guaranteed for a set period of time.

The level of income of these households can range from very low-to-low to moderate income. As an example, based on Palm Beach County median household incomes in 2003, a family of four in Palm Beach County is considered very low income if its household income falls below \$31,000; is considered low income if its household income falls between \$31,000 and \$50,000; and is considered moderate income if its household income falls between \$50,000 and 75,000.

In some locales which use inclusionary zoning programs the program is designed and marketed to deliver “workforce housing,” recognizing the income ranges of the target households are consistent with pay scales of many common positions in the service, retail and government industries.

2. What is “affordable” housing?

Affordable housing, as defined in the Comprehensive Plan, is housing for which monthly rents including utilities, or monthly mortgage payments including property taxes, insurance and utilities, do not exceed 30% of a household’s income. A family which is spending no more than 30% of its income to meet these costs is considered to be living in housing which is “affordable” relative to its means.

For the purposes of affordable housing delivery, the population of concern to a local government is usually the “very low” and the “low” income segment, for two reasons: 1) the market tends to provide for units affordable to higher incomes (moderate to high) as these can usually be profitably developed, and; 2) limited government resources are first directed to segments of highest need.

3. What is “affordable” in Palm Beach County?

In Palm Beach County, the 2003 median family income was estimated to be \$62,800. This figure forms the basis for determining each level of affordability, which is further broken down by family size:

<u>Income Level</u>	<u>Family Size</u>	<u>Maximum Income</u>	<u>Maximum Rent/Mortgage</u>	<u>Affordable Home Value</u>
Very Low (50% of median)	4	\$31,400	\$785	\$78,000
Low (80% of median)	4	\$50,250	\$1256	\$125,000
Moderate (120% of median)	4	\$75,360	\$1884	\$188,000

4. Who needs affordable housing?

Minimum wage is currently \$5.15 per hour. A household with one wage earner at that rate would have a yearly income of \$10,712. A two wage earner household would have an annual income of \$21,424. Both of these income levels would be categorized as very low for a family of 4 or more.

Based on the current County job classification and pay schedule and other sources, examples of common occupations that pay wages which could qualify a family of four with one wage earner as very low income include secretary, computer specialist, bus driver, cashier, child care worker, retail clerk, fast food attendant, security guard, mail clerk, social worker, or maintenance

worker. Occupations with pay wages that would qualify a family of four with one wage earner as low income include bookkeeper, librarian, teacher, dental assistant, carpenter or firefighter.

5. What is the purpose of workforce housing?

There are four major reasons usually identified for implementing an workforce housing program:

- to provide affordable housing opportunities to meet identified need with limited public expenditures
- to create economically diverse communities
- to reduce impacts of over-concentrated areas of affordable housing
- to allow for housing near dispersed employment opportunities

Workforce Housing Programs are usually community wide and apply to almost every new residential development. Thus the market engine that drives private residential development at the same time creates integrated affordable units.

The purpose of Workforce Housing Programs is to not only increase the supply of affordable housing in communities but to disperse the affordable units throughout the community. Workforce Housing Programs enable lower income families to live in homes indistinguishable from –and adjacent to- market-rate housing, and to live in communities with better access to employment and educational opportunities.

Workforce Housing Programs help communities serve the needs of local employers, including businesses, schools, and the communities themselves. Businesses find it easier to hire and retain employees who are able to live within a reasonable commuting distance. Local governments, school districts, fire and police departments benefit from employees living in the community they serve because they are more invested in its future.

Workforce Housing Programs help meet the needs of current and future residents of the community. Senior citizens have the choice to remain in the community where they have raised their children. Younger parents and single parent families can find homes in communities with good schools, parks and services.

Workforce Housing Programs are effective in a variety of housing market conditions. In gentrifying communities, the affordable units created through an inclusionary program can help offset the displacement of residents. In new and growing suburban communities, the inclusionary units can broadly disperse affordable housing needed by area jobholders.

6. Where are workforce housing programs in effect?

Approximately 100 programs are currently in effect in cities and counties around the country. The majority are in California, where there are approximately 70 programs. The first and most successful program is in Montgomery County, Maryland. This program was established in 1974, and has resulted in more than 11,000 units since its inception. Programs are also in place in other counties in Maryland and Virginia near Washington, D.C., as well as in jurisdictions in Massachusetts, Colorado, New Jersey, New York, and New Mexico.

NOTE: see Attachment #4: Examples of Inclusionary Housing Program Characteristics

Palm Beach County's Voluntary Density Bonus (VDB) Program shares some similarities with workforce housing in that a small percentage of affordable units are required to be interspersed within a new development, in exchange for increased density, but it differs from workforce housing in that participation in the VDB program is entirely voluntary.

7. How do workforce housing programs work?

A workforce housing program operates under a number of parameters which are set by the governing body in order to meet the specific needs and characteristics of the jurisdiction.

These include:

Specific Percentage : the percentage of units required to be affordable. This can take the form of a specific percentage, or a minimum and maximum. Typical percentages range from 5 % to 20%. For example, a new 200 unit development would be required to include from 10 to 40 units, depending on the percentage requirement established by the local government.

Threshold Development Size: the minimum size of developments affected by the program, typically in the range of 10 to 50 units. Smaller projects may be exempted, or may require mitigation.

Program Implementation Area: the geographic area where the program will be applied. This may include the entire jurisdiction, may target areas with low concentrations, or may conversely exempt areas with high concentrations of affordable housing. In Palm Beach County, this could also include other geographic policy considerations such as the Managed Growth Tier System.

Rental/Ownership Unit Type: the type of unit or mix of types to be provided, typically reflecting the unit type mix for the development as a whole. An ownership-only development, for example, would include ownership affordable units.

Unit Household Income Levels: the household income levels which correspond to the affordable units to be provided, typically at the very low, low, and/or moderate levels.

Affordability guarantees/resale controls: the method by which the local government is assured that any resale or future rental of the unit will be to households in the targeted income range. Affordability is usually required to be guaranteed for periods ranging from 10 to 25 years.

Physical specifications for the units: requirements to ensure that the affordable units are not discernable from market-rate units from the exterior, and that they are distributed throughout the development. However, in some types of developments such as large lot single family, provisions may be made for the required units to be accomplished through accessory units such as garage apartments or granny flats.

Mitigation Options: provisions to allow, under certain circumstances, for payments in-lieu-of the required units, or off-site provision of the units. The local government may choose to offer these options for certain types of developments, such as very small or extremely low density projects, or for developments in areas with existing concentrations of affordable housing.

9. What are the issues to be considered in implementing workforce housing?

The intent of a workforce housing program is to provide affordable housing with minimal public expenditures, in a way that creates economically diverse communities, reduces concentrations of affordable housing, and brings prospective employees and jobs closer together. However, significant issues arise in contemplating the implementation of an workforce housing program. Many of these issues are examined in depth in the literature. Key issues include:

Issue 1: Distancing people from needed jobs and/or services

The effect of an workforce housing program is to disperse affordable units throughout the community or targeted areas of a community, which can mean that the created units may be some distance from the major employment center of the community. However, this is most likely to be a concern in an urban environment, and less of a concern in an area with a suburban development pattern. In suburban areas, jobs are dispersed, especially service and retail jobs.

With regard to services, a portion of low-income residents may require access to services on an ongoing basis; others do not require services at any rate greater than non-low-income households. For example, only ½ of 1% of all trips in Palm Beach County are made using transit. Thus, a vast majority of the County's low income residents function without use of transit services. It is not the intent of an workforce housing program that all affordable housing units be dispersed; residents with an ongoing need for services can locate or remain in housing near concentrated services. In addition, services are sometimes dispersed through neighborhood and regional service centers. Finally, dispersing affordable units throughout the community can also provide an opportunity for low income households to locate near existing family or other social support structure in the community.

Issue 2: Developer Funding of the Required Affordable Units

Workforce housing programs are a means for the local government to provide needed affordable housing with limited resources, in large part because the cost burden is borne by the developer. This burden is typically addressed by providing a density bonus, which can offset the additional cost and potentially increase the overall profitability of the project for the developer. The density bonus can be equal to or greater than the number of affordable units to be provided. The local government can also reduce or defer development fees, reduce parking requirements, and provide traffic exceptions. In some cases, the local government also provides land at reduced or no cost. Some local governments implement workforce housing programs on a voluntary basis, as a means to limit the burden on developers. However, the literature indicates that voluntary programs result in very few units being produced. An indication of this, for example, is Palm Beach County's own Voluntary Density Bonus Program, which has resulted in an average of 37 affordable units per year. This is as compared with the Montgomery County, Maryland program, which has resulted in an average of 370 affordable units per year. Average annual housing unit building activity in Montgomery County represents about 70% of annual activity in unincorporated Palm Beach County.

Issue 3: The increased density may overcrowd areas and overburden services

The intent of workforce housing programs is to address the affordable housing need in the community. The program would disperse existing and projected lower-income population, which would locate somewhere within the community and which would require services regardless of their location. In addition, the added units in any given development would represent a small percentage increase, and would not likely be sufficient to overwhelm a service provider. Furthermore, if a workforce housing program were established, service providers would also revise their projections and planning for services to consider the density redistribution. It is also important to consider that, absent a workforce housing program or other means of dispersal, affordable housing is often accomplished by the development of lower-cost housing in outlying areas where land costs are lower, which furthers sprawl and problems associated with concentrations.

Issue 4: The increased density and/or the inclusion of affordable housing units reduces the value of the rest of the units; and/or the cost of the affordable units is passed on to all units and increases the cost

The literature on workforce housing reflects a recognition that, in weak housing markets, this can be an issue; however, in strong markets the demand is such that overall prices are not negatively affected. It is also important to note that, by applying the workforce housing requirement to all new development, the "playing field" is leveled with regard to impacts. In some cases, developers have indicated that in weak markets affordable housing units were the only ones selling, as demand was not affected in this price range. This underscores the importance of ensuring that the percent of units required to be affordable in a development should be kept low, and that the units not be discernable in appearance from the outside.

Issue 5: Resale restrictions hinder profits for the owner at resale, and reduce incentive to maintain a unit

Many workforce housing programs require that units be retained as affordable for a set period of time, typically from 10 to 25 years. This means that an individual or household who purchases an affordable unit would be required to sell it at an affordable price, adjusted for inflation, to another low-income resident if resold during the guarantee period. The effect of this requirement, which is intended to perpetuate the stock of affordable units, is that the seller may forgo profits which would accrue to a similar market-rate unit in the same development, and which could assist the seller in attaining a higher level of market rate housing after the sale. Local governments can either consider this to be the trade-off to the seller for having acquired the unit at an affordable rate, or can choose to address the issue through one of a number of mechanisms.

One option would be for the local government to utilize housing program funds to purchase the unit from the seller at market rate, and resell at an affordable price to another low-income household. Similarly, funds could be used to guarantee profitability for the seller by covering the gap for the seller between the market price of the unit and the affordable price, or providing a "bonus" to be applied to a future housing purchase for the seller who chooses to sell at an affordable price. Another option would be to require that at resale the seller offer the unit to income eligible households for a set period of time, before opening the sale to all buyers at the market rate. Regardless of the option chosen, a workforce housing program will require ongoing governmental involvement for the purpose of monitoring.