
City of Fort Lauderdale Inclusionary Housing Feasibility Study and Recommendations

Prepared for:

Fort Lauderdale City Commission
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Exhibit 1

Purpose of the Study

The City of Fort Lauderdale Affordable Housing Advisory Committee (AHAC) was reestablished in 2008 as mandated by HB 1375, which required each local municipality and county receiving State Housing Initiatives Partnership (SHIP) funds to convene a committee. The original charge to the Committee was to review established policies and procedures, ordinances, and land development regulations, and prepare a report that recommends specific actions or initiatives to encourage or facilitate affordable housing. The Affordable Housing Advisory Committee Report prepared for the Florida Housing Finance Corporation was adopted by the City Commission at their December 16, 2008 Regular Meeting by Resolution Number 08-290.

One of the recommendations provided in the report and adopted by the City Commission was the permanent establishment of the Affordable Housing Advisory Committee to further evaluate affordable/workforce housing policies and tools for the City of Fort Lauderdale. As a result of the March 2, 2010 City Commission Workshop, the Affordable Housing Advisory Committee was directed to prepare an Affordable Housing Strategic Implementation Plan which was presented in the August 23, 2011 City Commission Workshop.

In the Affordable Housing Strategic Implementation Plan, the AHAC recommended that the City establish an Inclusionary Housing Program. An Inclusionary Housing Program requires the addition of affordable housing in new residential developments. Some of the benefits of this type of program include: production of low-income housing in areas that lack sufficient affordable units, performance as a market driven tool that does not require large amounts of subsidy, provision of more disposable income to households to spend on goods and services in the local economy, positive impacts that address the pattern of racial and economic segregation, and assistance in preventing sprawl by locating housing near jobs and services instead of on the suburban fringes where land costs are low.

In this study, the housing needs assessment and affordability analysis demonstrates the demand for an Inclusionary Housing Program in the City of Fort Lauderdale. The analytical analysis to support the payment-in-lieu and the financial analysis of the set-aside options present the necessary data to structure and create a viable program. The Affordable Housing Advisory Committee recommends that this feasibility study be used as a guide for the City Commission to begin the process to enact an Inclusionary Housing Ordinance for the City of Fort Lauderdale.

Summary of Recommendations

In summary, the Affordable Housing Advisory Committee recommends that the City of Fort Lauderdale adopts a mandatory inclusionary zoning ordinance that requires all development applications that have ten (10) or more residential units to provide at least ten percent (10%) of the units at prices that are affordable to households below 80 percent of AMI, or in the alternative make a payment-in-lieu of \$100,000 per unit to the City's Affordable Housing Trust Fund.

Housing Needs Assessment and Affordability Analysis

The results of the housing needs assessment and affordability analysis present a strong case for the need for an Inclusionary Housing Program in the City of Fort Lauderdale. Four different metrics were used to determine the affordability and availability of housing in Fort Lauderdale. These were affordability of single-family homes, affordability of condominiums, affordability of the median 2010 rent, and number of homes available in the City based on an affordable home price of 300 percent of annual household income. The affordability of housing is based on two generally-accepted standards: for general housing costs, not more than 30 percent of gross annual income should be devoted to housing-related costs, including rent or mortgage payments, utilities, taxes, and insurance, while for home purchases specifically, an affordable home will not be priced at the time of sale at more than 300 percent of the gross annual household income.

Affordability of Single-Family Homes

Between 2005 and 2010, the median household income in Fort Lauderdale rose and then declined, losing ground slightly to 2005 levels (Table 1). The affordability of for-sale homes improved significantly over this period, with the median home price declining from \$410,000 in 2007 to \$200,000 in 2010. Nevertheless, an affordability gap of \$70,000 continued to exist in 2010, implying that even in the depths of the real estate crash, a median-income-earning household could not safely afford the purchase price of the median-priced Fort Lauderdale home. This affordability gap will continue to rise as the market recovers.

Affordability of Condominiums

A very similar trend was seen for condominium prices as for single-family homes; the affordability gap for condos between 2005 and 2010 declined significantly, yet remained at approximately \$60,000 in 2010 (Table 2). This affordability gap will continue to rise as the market recovers.

Availability of Affordably-Priced For-Sale Homes

Table 3 indicates the number of Fort Lauderdale homes available for sale at a particular date (April 1, 2012) as monitored by Zillow.com. The numbers of affordably-priced houses to household income categories were as follows:

- 1 affordable for-sale home for every 76.3 median-income-earning households
- 1 affordable for-sale home for every 466 households earning 30% of AMI
- 1 affordable for-sale home for every 75.9 households earning 50% of AMI
- 1 affordable for-sale home for every 28 households earning 80% of AMI
- 1 affordable for-sale home for every 19.2 households earning 120% of AMI

A clear shortage of for-sale housing priced affordably is evidenced for the lowest-earning households in the city. When compared to the amount of selection for households earning 120 percent of median income (defined by HUD as “moderate income”), the selection for the lowest-earning households is less than five percent.

Affordability of Median 2010 Rent

Also shown in Table 3, only households earning the median annual income or higher could afford the median 2010 household rent in Fort Lauderdale, with the lowest-earning households facing an affordability gap of \$732 each month. This indicates that only half of the city's households, whether they rented in 2010 or not, may have avoided a housing cost burden. In fact, cost-burdened households comprised a significant share of total households in Fort Lauderdale. According to American Community Survey's 2010 1-Year Estimate, 18,284 households that rent in Fort Lauderdale, out of an estimated 72,824 total households, paid more than 30 percent of household income towards rent, with 19,513 owner-occupying households paying more than 30 percent of household income towards housing costs. These two cohorts represented 25 percent and 26.8 percent of total households, respectively, or more than half of total households when combined.

Targeted Population and Affordability Period

Based on the housing needs assessment and affordability analysis, it is evident that the greatest need for affordable housing occurs at 80 percent of the area median income and lower. Therefore, the Affordable Housing Advisory Committee makes the recommendation that the Inclusionary Housing Program targets households at 80 percent and below of the area median income. For example, HUD estimates the median family income for Fort Lauderdale in 2012 at approximately \$62,600. If the program was implemented this year, it would aim to target families that earn \$50,240 or less annually.

Some inclusionary housing programs target different AMI thresholds in order to guarantee that the program serves all income levels. For example, the City of Sacramento requires that developers set aside 15 percent of all units as affordable. One-third of those units must be reserved for households earning between 50 percent and 80 percent of the AMI. The other two-thirds of those units must be reserved for households making less than 50 percent of the AMI. This is another factor the Commission may consider in order to properly serve the targeted population.

The City Commission will also need to determine the affordability period for the units being set aside. Typically, a 30-year term is adopted. The Affordable Housing Advisory Committee recommends that the City Commission also considers a term of 30 years but establishes a minimum term of 15 years.

Table 1: City of Fort Lauderdale, Single-Family Home Affordability Gap

Year	Median Household Income	300% of Median Household Income	Median Sales Price	Affordability Gap
2005	\$44,169	\$132,507	\$360,000	\$227,493
2006	\$48,759	\$146,277	\$365,000	\$218,723
2007	\$52,264	\$156,792	\$410,000	\$253,208
2008	\$49,493	\$148,479	\$369,000	\$220,521
2009	\$48,148	\$144,444	\$210,000	\$65,556
2010	\$43,320	\$129,960	\$200,000	\$70,040

Table 2: City of Fort Lauderdale, Condominium Affordability Gap

Year	Median Household Income	300% of Median Household Income	Median Sales Price	Affordability Gap
2005	\$44,169	\$132,507	\$355,000	\$222,493
2006	\$48,759	\$146,277	\$349,900	\$203,623
2007	\$52,264	\$156,792	\$330,000	\$173,208
2008	\$49,493	\$148,479	\$280,000	\$131,521
2009	\$48,148	\$144,444	\$200,000	\$55,556
2010	\$43,320	\$129,960	\$190,000	\$60,040

Table 3: City of Fort Lauderdale, Comparison of Income Thresholds to Homes for Sale and Monthly Rent Costs

Household Income Category	Median Household Income	Homes For Sale by Income Threshold	Number of Households per Income Threshold	Maximum Affordable Monthly Rent	Monthly Rent Affordability Gap Based on \$1,057 Median Rent
Median AMI	\$43,320	477	36,412	\$1,083	+\$26
30% AMI	\$12,996	25	11,652	\$325	-\$732
50% AMI	\$21,660	112	8,498	\$542	-\$515
80% AMI	\$34,656	312	8,722	\$866	-\$191
120% AMI	\$51,984	628	12,055	\$1,300	+\$243

Note: Median Household Income was obtained from the American Community Survey 1-Year Estimates. The Median Sales Price was obtained from the Florida Housing Data Clearinghouse. Data for sale by income threshold was obtained from Zillow.com on April 1, 2012, when a total of 3,486 single-family homes and condos were on the market in Fort Lauderdale. The number of households per income threshold was derived from the income thresholds in the ACS 2010 1-Year Estimates, Table DP03. The median rent was obtained from the ACS 2010 1-Year Estimates.

Financial Analysis of the Set-Aside Options

Several different calculations are commonly used by cities to determine the inclusionary housing ordinance requirements for market rate projects. BAE Urban Economics, a public-benefit real estate development consulting practice, has repeatedly conducted feasibility studies for inclusionary housing programs by using baseline pro formas representing current and expected development projects in the targeted market. The baseline pro formas illustrate different project scenarios and test the impact of inclusionary percentages ranging from 15 to 40 percent to determine financial feasibility. The Affordable Housing Advisory Committee recommends this as a suggested and more comprehensive approach for the financial analysis of the set-aside if the Commission would like additional research to be undertaken beyond what the AHAC has provided.

The Affordable Housing Advisory Committee decided the best approach, as the first step, is to do a comparative analysis by examining the most common set-aside other cities elected to adopt. According to PolicyLink, the typical range is 10 to 25 percent for the set-aside. The average set-aside used by other cities highlighted in this report is approximately 10 percent (Table 4). The Affordable Housing Advisory Committee recommends that the City consider adopting the most common set-aside used by other cities, which requires all development applications that have ten or more residential units to provide at least ten percent of the units at prices that are affordable to households below 80 percent of AMI. Many of the cities that have enacted inclusionary zoning programs have been successful at increasing their affordable housing stock with minimal impact to the overall financial feasibility of projects. Although the ten percent set-aside is conservative, the AHAC believes this is a reasonable set-aside to initiate the program.

Table 4: Comparative Analysis of Set-Aside

Location	Population	Housing Units	MHI	Set-Aside, Trigger*	Income*
Boulder, CO	97,585	42,475	\$52,618	20%, 1 unit	<80% AMI
Boston, MA	621,383	277,949	\$49,893	10%, 10 units	<120% AMI
Cambridge, MA	105,337	50,099	\$64,790	15%, 10 units	<65% AMI
Davis, CA	65,740	25,613	\$58,771	10%, 5 units	<80% AMI
Denver, CO	604,414	285,859	\$45,074	10%, 30 units	<95% AMI
Fairfax County, VA	1,086,743	408,079	\$103,010	6.25-12.5%, 50 units	<70% AMI
Loudon County, VA	315,134	109,955	\$119,540	6.5%, 50 units	<70% AMI
Montgomery County, MD	976,203	376,023	\$89,155	12.5-15%, 50 units	<65% AMI
Sacramento, CA	467,503	192,372	\$46,731	15%, 9 units	<80% AMI
San Diego, CA	1,311,886	514,366	\$60,037	10%, 10 units	<100% AMI
San Francisco, CA	805,463	376,777	\$71,745	10%, 10 units	<120% AMI
Santa Fe, NM	68,157	36,675	\$44,090	11-16%, 1 unit	<65% AMI

Note: The City of Fort Lauderdale's population is 166,039, has approximately 94,496 housing units, and has a median household income of \$43,320 (ACS 2010 1-Year Estimates). Population, housing units, and median household income for each city were obtained from the ACS 2010 1-Year Estimates. The set-aside, trigger, and income were obtained directly from each city approximately five years ago.

*Each inclusionary zoning program is summarized for comparison purposes but many of the programs are more comprehensive than what has been provided in this table.

Analytical Analysis to Support the Payment-In-Lieu

Many Inclusionary Housing Programs allow for the option of an in-lieu fee payment made to a citywide affordable housing fund that is appropriated for the construction of affordable housing. There are several calculations municipalities use to determine the payment-in-lieu. For example, the City of San Francisco uses various factors, including the projected value of the affordable units had the developer constructed them on-site, to calculate the payment-in-lieu. In Denver, Colorado, developers may contribute an in-lieu fee to a special revenue fund in an amount equal to 50 percent of the price per affordable unit not provided. In Boston, the payment-in-lieu is calculated by determining the average subsidy needed to develop a unit of affordable housing and is adjusted annually.

To assist in the determination of the payment-in-lieu for the City of Fort Lauderdale, data was collected on multiple affordable housing projects within the incorporated city boundary developed in the last five years (Table 5). Based on this data, the average cost to build an affordable housing unit in the City of Fort Lauderdale is \$111,324. This figure includes hard costs only. If total development costs are included, the average cost to build an affordable housing unit in the City of Fort Lauderdale is \$186,002.

The AHAC recommends that the City Commission establish a payment-in-lieu fee at \$100,000 per unit to start the program but consider an amount that is consistent with the hard costs of developing an affordable housing unit and update this fee on an annual basis.

Table 5: Costs to Build Affordable Housing Units in the City of Ft. Lauderdale

Development Name	Year Placed in Service	Units	Demographic	Development Type	Hard Cost/Unit	Total Cost/Unit
Dixie I	2008	122	Elderly	Garden	\$81,709	\$138,812
Dixie II	2008	32	Family	Garden	\$110,213	\$244,302
Dixie III	2009	100	Family	Garden	\$94,987	\$162,253
NWGI	2011	143	Elderly	Garden	\$97,834	\$166,925
NWGIII	2012	150	Family	Townhomes	\$95,806	\$189,129
Kennedy	Under construction	132	Family	Mid-rise	\$92,241	\$213,760
Crystal Lake	2007	190	Family	2-3 story mid-rise apartments and townhomes	\$100,871	\$133,494
Highland Gardens II	2008	100	Elderly	2-3 story mid-rise apartments	\$101,585	\$143,734
Tallman Pines	2008	200	Family	3 story mid-rise apartments	\$110,000	\$152,638
East Village	2012	155	Family	3 story mid-rise apartments	\$126,451	\$206,675
Progresso Point	2012	76	Family	High rise apartments	\$152,789	\$280,302
Crystal Lake Townhomes	Under construction	10	Family	2 story mid-rise apartments	\$171,400	\$200,000

Source: Carlisle Development/Housing Authority of the City of Fort Lauderdale and Broward County Housing Authority.

Developer Incentives

Multiple developer incentives can be considered for an inclusionary housing program. For example, the City of Denver provides a \$5,000 reimbursement for each for-sale unit for up to 50 percent of the total units in the development. In addition, a \$10,000 reimbursement is given for each affordable rental unit if the unit is priced for households at 50 percent of the area median income (AMI) or below. Denver reduces parking requirements by up to 20 percent of the required zoned parking if the developer produces at least one additional affordable unit for every ten parking spaces reduced. Denver also offers an expedited review process and provides a density bonus of 10 percent to developers.

The City of Sacramento offers expedited permitting for affordable units, fee waivers, and less stringent design requirements. Although San Francisco does not offer many incentives to developers, the city does reduce environmental review and building permit fees for affordable units. Conversely, in San Diego, the city does not offer any developer incentives, such as fee waivers or density bonuses because, according to an economic analysis conducted for the city, it was shown that developers could easily cover the cost of affordable units through the sale of market-rate units.

The Affordable Housing Advisory Committee recommends that the City of Fort Lauderdale consider developer incentives such as a twenty percent (20%) density bonus for developers participating in the inclusionary zoning program.

Summary of Findings

The housing needs assessment and affordability analysis demonstrates that there is a demand for an Inclusionary Housing Program in Fort Lauderdale based on the level of need for affordably priced for-sale homes and affordable rentals. In the aggregate, households in Fort Lauderdale have demonstrated over the past few years, up to and including the latest year for which data is available, an unsustainable tendency to own or rent homes with housing costs that consume more than 30 percent of their household income.

The AHAC adheres to conventionally accepted definitions of housing affordability and notes from the affordability assessment presented in this study that a substantial share (around half) of total Fort Lauderdale households either must purchase homes priced more than the recommended 300 percent of annual income and/or devote more than the recommended 30 percent of household income to housing costs.

In developing an inclusionary housing program, the AHAC recommends that the City Commission targets households at 80 percent and below of the AMI. In addition, the Commission may want to consider different AMI thresholds in order to guarantee that the program serves all income levels. Many inclusionary zoning policies mandate an affordability period of at least 15 years. The AHAC suggests a longer affordability period (at least 20 to 30 years) to provide sufficient time for the affordable housing stock to expand.

Based on the comparative analysis, the AHAC recommends all development applications that have ten or more residential units to provide at least 10 percent of the units at prices that are affordable to households below 80 percent of AMI. The AHAC also suggests the Commission may want to consider another methodology, such as the baseline pro formas, to analyze the impact of inclusionary percentages ranging from 15 to 40 percent to determine financial feasibility.

A developer incentive the AHAC recommends the Commission may want to consider for the inclusionary housing program is a twenty percent (20%) density bonus. This bonus would give developers that participate in the inclusionary zoning program an increase in density over the otherwise maximum allowable residential density.

To be viable, a payment-in-lieu fee should be calculated at a value equivalent to the cost it would have been had the developer constructed the units on-site. In Fort Lauderdale, the average hard cost over the last five years to build an affordable housing unit in the City of Fort Lauderdale was \$111,324. The AHAC recommends the Commission establishes a fee of at least \$100,000 or consistent with the average hard cost per unit from the previous year.

Summary of Recommendations

The Affordable Housing Advisory Committee recommends that the City of Fort Lauderdale adopts a mandatory inclusionary zoning ordinance that requires all development applications that have ten (10) or more residential units to provide at least 10 percent of the units at prices that are affordable to households below 80 percent of AMI, or in the alternative make a payment-in-lieu of \$100,000 per unit to the City's Affordable Housing Trust Fund.