EQUITABLE & AFFORDABLE SMALL-SCALE MULTI-FAMILY DEVELOPMENT

A ST. PETERSBURG, FL CASE STUDY

PREPARED BY
FLORIDA
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Table of Contents

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Equitable & Affordable Small-Scale Multi-Family Development

A St. Petersburg, FL Case Study

Executive Summary

In 2023, the City of St. Petersburg adopted NTM-1 zoning district regulations to enable "missing middle" housing (e.g., duplexes, triplexes, fourplexes, and bungalow courts). The City now has an opportunity to promote additional affordability and equitable access in the implementation of these units. To this end, this report evaluates how support from the City might help achieve the following goals with regards to implementation of these housing types now that zoning regulations are in place:

1. Facilitate general implementation of these developments (e.g., land availability and financing);
2. Encourage deeper levels of absolute housing affordability with quality housing options; and
3. Ensure benefits from new development flow to communities that historically experienced and currently experience more limited access to housing finance tools and quality housing options.

This report's evaluation is primarily based on testing various development scenarios making use of the NTM-1 zoning parameters and the City's Workforce Housing Density Bonus Program (WHDBP) affordability requirements to gauge physical feasibility on vacant NTM-1 lots in the city and financial feasibility informed by pro forma analysis. Note that the WHDBP is not currently applicable to the NTM-1 district, but flexibility on floor area ratio regulations and applicability of affordability requirements were applied to scenarios in line with the program. These scenarios illustrate what types of development are likely and what needs the City can address to ensure success of these developments. The scenarios incorporate the following assumptions, among others detailed in the report, to meet key objectives in service of the ultimate implementation goals:

- Physical parameters consistent with major NTM-1 zoning district regulations, except for additional accessory dwelling unit (ADU) by-right allowances to meet other objectives here;
- Affordability levels consistent with City WHDBP requirements;
- Use of the three currently vacant City-owned lots with NTM-1 zoning to highlight 1) how publicly owned land might subsidize affordable small-scale, multi-family units either as individual lots or as a multi-lot development opportunity and 2) how missing middle development types fit on available vacant NTM-1 lots since the City-owned sites are some of the smallest and, consequently, arguably most physically restrictive lots to develop;
- Use of modular layouts currently available on the market to study physical fit of available layouts and financial gains of shortened construction timeline;
- A focus on maximizing the number of units on the test lots to increase housing supply; and
- Defined target profitability aims as an additional 20% increase to preliminary total development costs to include combined developer fee costs and contingency for cost overruns.

These guiding objectives informed the selection of a **stacked duplex** and **stacked duplex with ADU** for rental and homeownership scenarios tested on the City-owned sites. The current land development regulations do not permit an ADU with a duplex on a site, so this scenario would require a code amendment. To study a scenario with more units, the analysis includes **fourplex** rental and homeownership scenarios tested on a larger private vacant lot with NTM-1 zoning.

Analysis of these scenarios and review of additional strategies suggests that the following strategies may help achieve overall goals of the report and warrant further evaluation for implementation:

Extend Use of the Workforce Housing Density Bonus Program to the NTM-1 District

Flexibility on floor area ratio facilitated feasibility for two of the small-scale multi-family development scenarios on individual lots. This flexibility could be offered through extension of the WHDBP to the NTM-1 district, which would also require certain levels of affordability in exchange for this flexibility.

By-Right Allowance of ADUs with Duplexes

A duplex plus ADU rental development scenario was the only scenario tested on an individual lot that met WHDBP affordability requirements with no variance and profitability aims without additional public subsidy assumed. However, developing an ADU with a duplex on the same lot is not currently permitted by the NTM-1 regulations. Allowing an ADU with a duplex would increase options to place three units on NTM-1 lots and facilitate financial feasibility of affordable rental development outside of additional public resources and/or regulatory flexibility. Flexibility or subsidy for paving unpaved alleys where there are three or more units on a lot (sec. 16.20.015.8 of the City's Land Development Regulations) should be considered for developments providing affordable units, unless exemption on another basis, such as the basis of including an ADU or an ADU in a parking exempt area, was permitted.

Public Resources and Flexibility for Affordability Requirements

Other missing middle rental and ownership scenarios aside from the duplex plus ADU may require additional public resources and/or affordability flexibility to achieve financial feasibility based on the initial profitability and affordability assumptions. Estimated funding needs range from $20,000 to $70,000 per project for rental scenarios on individual lots, with a need of $40,000 for a scenario project developing the three scattered City lots together. Needs illustrated by homeownership scenarios range from $230,000 to $490,000 per project for individual lot scenarios, with a need of $740,000 for the multi-lot scenario project. Strategies to fill these gaps may include:

Public land donated or sold/leased at reduced cost, likely a long-term strategy since currently the only vacant City-owned sites with NTM-1 zoning are the three analyzed in this report; additional vacant land owned by other public entities could also be assessed for use for affordable small-scale development.

Higher area median income (AMI) thresholds for households served (e.g., more units serving households up to 120% AMI), which could be obtained through flexibility included in the WHDBP if extended to the NTM-1 District.

Public subsidy, including construction subsidy, downpayment assistance, etc.; local funding sources and SHIP program income are generally more flexible in how they can be structured for these purposes than other existing federal and state formula/entitlement funding for housing.

Marketing these resources to developers willing to accept lower returns for providing affordable units. For example, seeking developers willing to assume a developer fee and contingency cost at a 15% increase over preliminary total development costs instead of the 20% assumed in the report scenarios.

Creation of a Gap Financing Program

With the strategies mentioned above in place for a project to meet profitability aims while incorporating affordable units, the City could further support these developments with gap financing in conjunction with primary financing from community development financial institutions (CDFIs). This financing could be structured to be repaid (e.g., revolving loan fund). Scenarios analyzed in this report provide a starting estimate for gap financing need assuming a maximum primary loan from a CDFI with an 80% loan-to-value ratio, not to exceed 85% of total development costs. Estimates range from $110,000 to $310,000 for development scenarios on individual lots and slightly more than $430,000 for the multi-lot scenario.

Establishment of Community Preference Policies

The City can evaluate prioritization of small-scale multi-family development resources and units for community members of the South St. Petersburg Community Redevelopment Area (CRA) or other target areas of the city in view of fair housing law, anti-discrimination law, and other funding source program requirements.

Introduction

With the widespread need for more diverse and affordable housing options, a wave of interest across the country has grown to reintroduce "missing middle" housing, small-scale multi-family housing types, into communities. Historically common in many older towns and cities, development of these housing types dropped off in the latter half of the 20th century due to zoning reforms that often made this housing illegal.[1]

However, efforts to bring back the missing middle must overcome more hurdles than just zoning allowances alone. Additional considerations to promote affordability and equity include:

1. Facilitating general implementation of these developments (e.g., land availability and financing);
2. Encouraging deeper levels of absolute housing affordability with quality housing options; and
3. Ensuring benefits from new development flow to communities that historically experienced and currently experience more limited access to housing finance tools and quality housing options.

Based on the City of St. Petersburg, Florida's newly adopted missing middle zoning district (NTM-1), this report provides a basis to effectively provide local government resources to achieve the aims mentioned above, in addition to ensuring that regulations do not pose a barrier to development on sites more likely to develop. Analysis also considers the accessory dwelling units (ADUs) housing type.

Regarding the first aim noted above, land, funding, and financing tools are essential to facilitate missing middle implementation in general. To the second aim, the City can incentivize deeper affordability of units with use of public resources, such as publicly owned land and public funding and financing tools, in exchange for household income and rent/sales price restrictions. Regarding the last aim, these public resources and the units resulting from new development can be prioritized for areas experiencing less investment and that have historically faced discrimination such as redlining. To this end, this report analysis includes considerations for programs serving the South St. Petersburg Community Redevelopment Area (CRA), which includes sizable historically redlined areas with restricted access to home loans.

With development scenarios as a basis for analysis to test physical feasibility of development on vacant NTM-1 lots and financial feasibility informed by pro forma analysis, the process aims to introduce more concrete information from the developer perspective to boost success of government intervention in the process and overall production of missing middle housing in the city.

In view of these considerations, this report includes the following sections:

- **Development scenario testing:** analyzes physical constraints of vacant sites with NTM-1 zoning based on existing or potential regulatory allowances and requirements; analyzes financial profitability assuming likely rents and sales prices, including a formal affordability requirement based on the City's Workforce Housing Density Bonus Program (WHDBP) to identify any need for funding or other resources to meet assumed profitability aims.
- **Financing options:** reviews likely sources of private financing to illustrate how a local government program specific to St. Petersburg would fit into the existing funding and financing landscape.
- **Integrating equity into outcomes:** focuses on how community preference might be applied to new small-scale multi-family development resources and units in target areas such as the South St. Petersburg CRA to support existing neighborhood residents in view of fair housing laws.
- **Conclusions:** offers key takeaways to inform structure of an implementation assistance program in St. Petersburg for affordable small-scale development in the NTM-1 zone.
- **Appendix:** details scenario assumptions and summarizes two case studies of local government small-scale development funding/financing programs.

1 Opticos Design, Inc. "What is Missing Middle Housing?" (2024) missingmiddlehousing.com/about

Development Scenario Testing

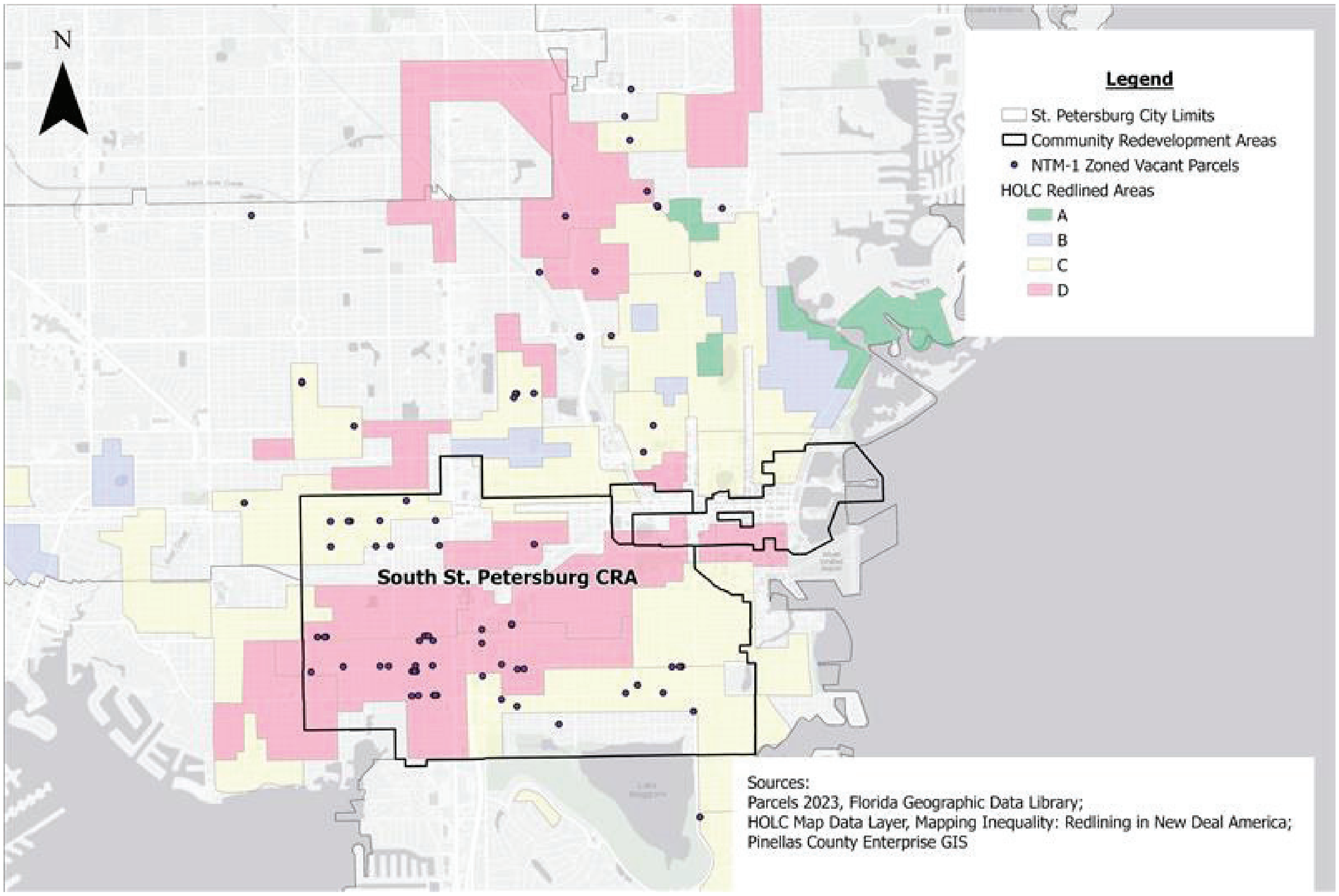
Creating the Scenarios

Lot Selection

Scenario creation begins with analysis of vacant lots with the target NTM-1 zoning. The following site characteristics focus the scenario testing:

- **NTM-1 zoning** ensures that missing middle housing types are permitted by right. Allowed housing types include up to four units per building (fourplex) and bungalow court (small units, often detached, around a shared court), as well as ADUs. The following section lays out more of the detailed regulations of this zoning district incorporated into the scenarios aside from housing types.
- **Vacant lots** focus the analysis on lots more likely to develop since there are no existing structures to demolish or account for in adding development.
- Distinction of **lots in the South St. Petersburg CRA from lots elsewhere in the city** helps account for sites where development might further investment in some of the areas that faced historic discrimination in mortgage lending via redlining (see map below); location in the CRA is used as a general proxy for those factors and also indicates where CRA tax increment financing could support local funding/financing (assuming this use of revenues would be included in the CRA Plan).
- Distinction of **City-owned lots versus private lots** helps account for where subsidy might be provided in the form of free or less expensive land via the City-owned lots. Since the three City-owned lots that are vacant and have NTM-1 zoning are the only ones in the City with these characteristics, this approach would be based on acquisitions in the longer term. These lots also provide a real-life instance of single ownership of multiple lots, allowing for analysis of a multi-lot development scenario that might influence financial feasibility. Lastly, the City-owned sites happen to be some of the smallest vacant lots with NTM-1 zoning, so it is likely that scenarios that fit on these sites would fit on other larger private sites. The table below shows site characteristics of City-owned, vacant NTM-1 lots and one private site found to accommodate a fourplex based on further calculations discussed in the next section.

Vacant Lots with NTM-1 Zoning and Historic Redlined Areas in St. Petersburg, including lots in South St. Petersburg CRA



LOTS USED FOR DEVELOPMENT SCENARIO ANALYSIS

Lot Characteristic	City-Owned Lot 1	City-Owned Lot 2	City-Owned Lot 3	Private Lot
Address	2660 18th Ave S	2312 28th St S	4800 18th Ave S	18th Ave S (address no. unconfirmed)
Acreage	0.102	0.113	0.124	0.19
Lot Length (ft)	88	90	100	117
Calculated Lot Width (ft)	50	54	53	70
Interior or Corner Lot	Interior	Interior	Corner	Assumed interior
Alley Access	Yes	Yes	Yes	Assumed access

Physical Requirements Incorporated in Scenarios

The scenario analysis incorporates aspects of the NTM-1 regulations that most directly impact housing type, amount of development, building and lot dimensions and relationships, impervious surface and building coverage, and other site development requirements affecting buildable area of the lot. Other requirements, such as architectural design and specific landscaping elements, that have less direct impact on amount and type of physical housing development potential on the site are not accounted for in the scenarios. One key assumption for the duplex and fourplex scenarios is the extension of the WHDBP to the NTM-1 district to provide an exemption from floor area ratio requirements (FAR) in exchange for affordability requirements detailed further in the financial feasibility assumptions. The appendix summarizes additional physical site regulations and assumptions included.

Additionally, all the unit layouts in the scenarios, except for the ADU, are based on modular options currently available on the market for construction. The use of modular layouts ensures layouts are consistent with Florida building code requirements and addresses some level of "market feasibility" of unit layouts as far as size and number of bedrooms/bathrooms desired by renters and buyers since a business, Steel Homes, is currently selling these units. As discussed in the next section, modular construction also provides financial benefits due to shortened construction time relative to site-built housing.

The use of modular layouts also poses limitations, including the limited types of layouts available from a review of several modular housing businesses. It also includes the assumption that the modular housing could be adequately adapted to architectural design requirements that would apply in a real-world project.

The zoning parameters, constraints of the City-owned lots and modular options, and desire to maximize the number of units within these parameters to increase the housing supply in general informed the selection of a **stacked duplex and stacked duplex with ADU for the City-owned sites.** The current land development regulations do not permit an ADU with a duplex on a site, so this scenario would require a code amendment. The analysis includes this option given examples in other cities where ADUs are permitted with duplexes (e.g., City of Tallahassee in its Multi-Modal Transportation District). The duplex plus ADU scenario considers a small detached ADU with separate parking, but an ADU above a garage scenario could also be considered; however, it is not included in this study. To study a scenario with a greater number of units, the analysis includes a scenario of a **fourplex** on the previously mentioned larger private lot. An additional way to achieve two units that is not studied here but that would open options for lots with existing units is a single-family detached home with an ADU, for which there are also modular options on the market.

Financial Testing Method and Assumptions

The financial feasibility analysis is based on year-one pro forma estimates and calculations. Financial feasibility analysis also included a multi-lot development scenario which assumed development of the three City-owned lots by one developer.

Other assumptions for financial feasibility analysis include:

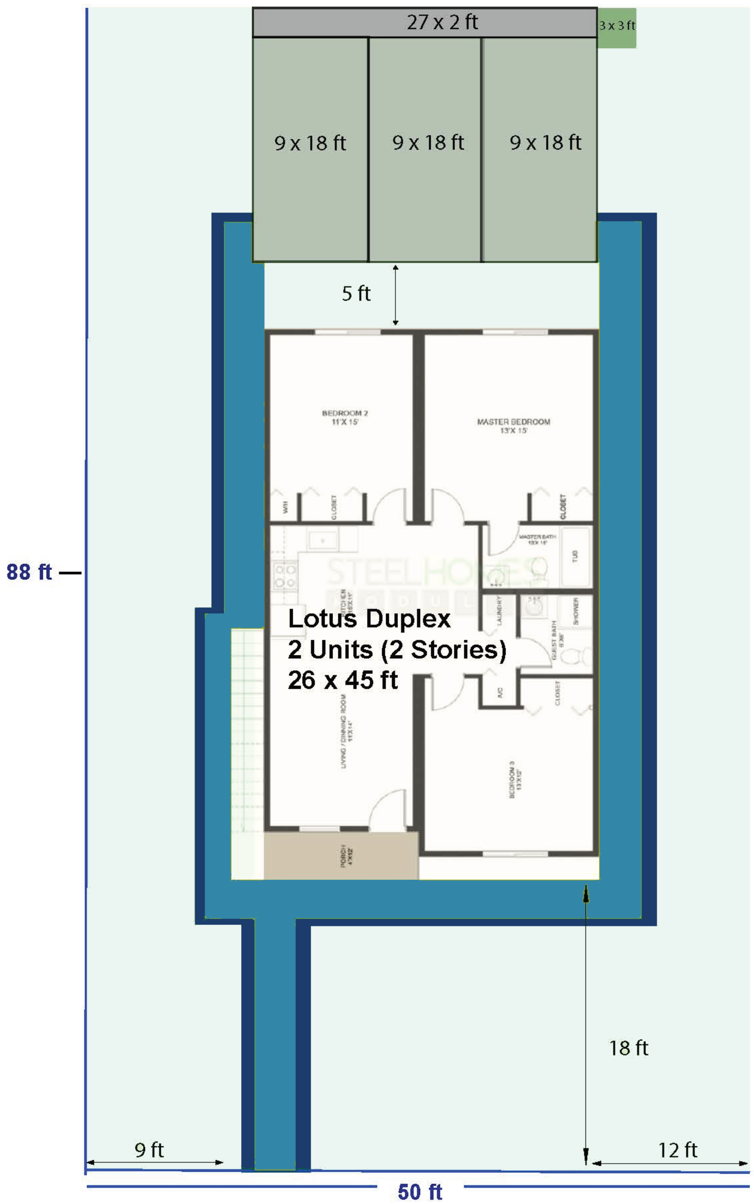
- The use of modular units allows for reduced cost assumptions for shortened development timeline.
- For total development costs calculated for the pro forma analysis, structure and site finishing costs reflect information from the modular home business Steel Homes and a comparable recent Steel Homes modular development. Fee costs reflect regulatory requirements. Soft, land, and operating costs are assumed based on prior experience of the project team.
- Scenarios include both a rental scenario and a homeownership scenario. St. Petersburg has a sizable share of rental units (37% according to 2022 American Community Survey five-year data), indicating a sizable market for rental.

- Scenarios assume the WHDBP would be extended to the NTM-1 district. Affordability assumptions for rents and sales prices are compliant with the basic WHDBP requirements as written in the policy without variance for number of units serving households at 80% Area Median Income (AMI) and below and 120% AMI and below (based on sets of six units). The SHIP rent limit at 120% AMI may be high for the ADU in the duplex plus ADU scenario, but even if it were brought down below the limit to, for example, the 80% AMI limit that is closer to market rent, the scenario would still be financially feasible. For the combined City-owned sites scenario, the WHDBP requirements are applied to the seven total units collectively. Note there is an option to vary from the straight application of requirements stated in the WHDBP for sets of units fewer than six which is not reflected in the scenarios but is considered in the findings and conclusions discussion.
- Rents for all WHDBP rental scenarios reflect State Housing Initiatives Partnership (SHIP) program rent limits for 2024 for the applicable income levels, consistent with WHDBP regulations. A capitalization rate of 8% based on debt/equity returns is assumed to capture future return on investment in these rental scenarios.
- For the sake of simplicity in analyzing ownership scenarios, the analysis assumes a form of "community association" ownership (e.g., homeownership association, condominium). In practice, this ownership structure might be complex from a legal and financing standpoint. Further discussion on alternative ownership assumptions and associated implications is provided in the financing options section. Sales prices for all WHDBP ownership scenarios reflect three times the income threshold for a household of two at 80% and 120% AMI, which adequately approximates more detailed calculations of an affordable home price based on SHIP requirements. No sources of downpayment assistance are factored into the affordable home price, but there may be Federal or State sources to supplement downpayment assistance that is currently available to applicants through the City's First-Time Homeowner Purchase Assistance Program, currently only accepting applications for homes in the South St. Petersburg CRA as of July 19,2024. The County downpayment assistance program does not apply in St. Petersburg.
- The WHDBP affordable scenario is paired with a market-rate scenario. This latter scenario helps indicate development profitability prior to adding affordability requirements. Assumed market-rate rents and sales prices are based on a review of Zillow sales and listings for units comparable to those in the scenarios. Sale of the ADU is assumed at 25% above structure cost. The market-rate ADU rent is assumed at the 120% AMI SHIP limit since this amount was robust relative to market-rate rents.
- The assumed target profitability aim for these projects is an additional 20% of preliminary total development cost estimates to include combined developer fee costs and contingency for cost overruns. With this assumption, not all 20% may flow back to the developer as profit since some may be cost overrun. Lower percentages (e.g., 15%) are discussed in the conclusions for developers willing to assume a lower developer fee while still accommodating potential cost overruns.
- Additional assumptions to estimate specific values:

Rent Collection Loss from Vacancy	5% of total annual rental income
Management Costs	5% of effective gross income after vacancy
Taxes, Insurance, Other Expenses	Estimates from project team experience
Selling Costs for Ownership Scenarios	10% of market-rate total sales

Stacked Duplex Scenario

Characteristics Based on Physical Feasibility on City-Owned Lot 1



Lotus Duplex unit layout source: Steel Homes

Site: City-Owned Lot 1

Number of Units: 2

Total Building Square Footage: 2,340 (1,170 sq ft/unit)

Beds and Baths: 3 bedrooms, 2 baths for each unit

Lot Area: 0.102 acres; 4,443 sq ft

Lot Width: 50 ft

Density: 20 units/acre

Intensity: 0.53 FAR (WHDBP exemption required)

Share of Impervious Surface Area: 51%

Share of Paved Areas of Front Yard (for interior lots): 22%

Share of Building Coverage (includes all enclosed structures): 26%

Height to Principal Structure Roofline: 2 stories assumed at 24 ft total

Height to Principal Structure Roof Peak: 2 stories assumed at 36 ft total

Front Setback: 18 ft

Side Interior Setback : 9 ft and 12 ft

Rear Setback (includes alley width): 22 ft

Building Width (includes exterior stairs): 29 ft

Parking Spaces: 3 (1.25 spaces/unit, rounded to 3)

Waste Container Pad Size: 9 sq ft

Pro Forma Analysis

Findings:

- Regarding a **rental scenario meeting WHDBP requirements, more than $20,000 in additional funding or resources** would be needed for an individual duplex site to meet profitability aims given the assumptions. The additional funding need would be eliminated with **additional subsidies such as provision of the land for free** to the developer in exchange for the affordability requirements or by using the **variance permitted by the WHDBP** to rent both units to households at 120% AMI. A developer would face nearly $330,000 in reduced profits in pursuing the WHDBP relative to market-rate development in this scenario.
- Regarding a **homeownership scenario meeting WHDBP requirements, approximately $230,000 in downpayment assistance** is needed to meet profitability aims given the assumptions. If it is assumed that this scenario is completed on **donated or leased public land with land costs essentially removed** from total costs, downpayment assistance needed is **approximately $140,000.** A developer would face more than $340,000 in reduced profits in pursuing the WHDBP relative to the market-rate development in this scenario.

Total Development Cost Estimates

Structure Cost	$234,000
Impact Fees	$2,173
Other Fees	$5,768
Soft Costs	$14,200
Land Cost	$75,000
Finish Costs	$178,850
Total Development Cost	**$509,991**

Rents Based on 2024 SHIP Rent Limits

80% AMI Rent Limit:	$1,986
120% AMI Rent Limit:	$2,980
Assumed Market Rent:	$3,800

Rental Scenario: WHDBP Requirements Versus Market Rate Rents

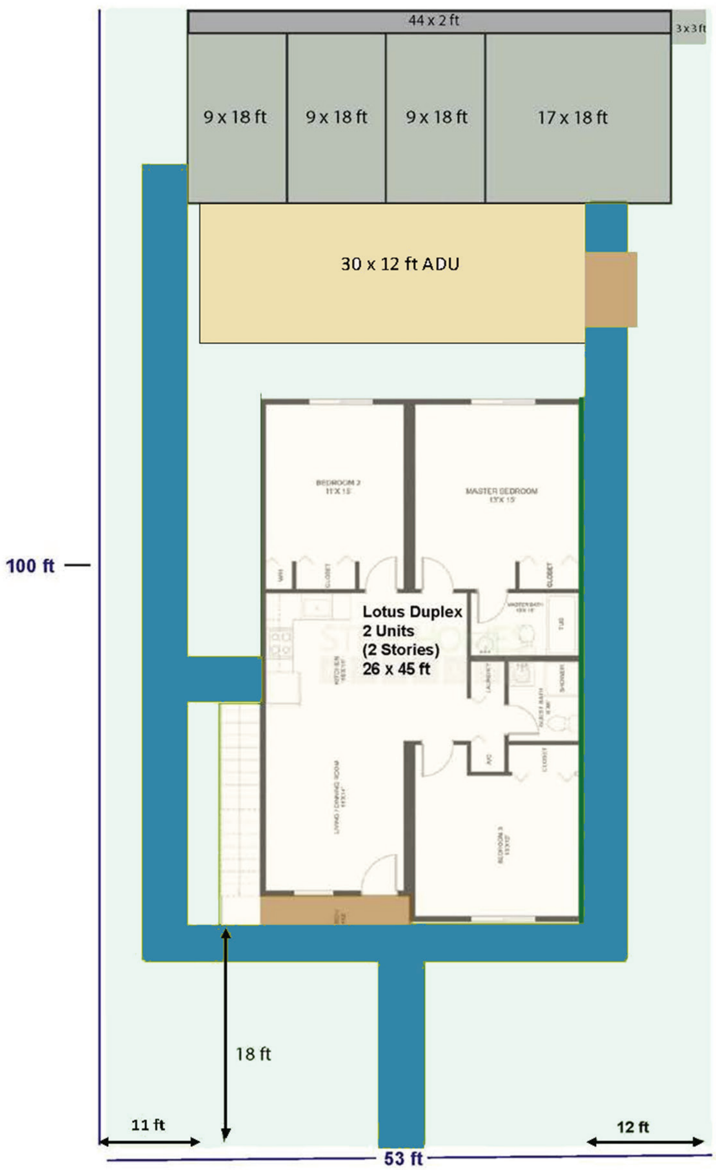
	WHDBP	Market Rate
Rental Income		
Rents by Unit	1 unit at 80% AMI: $1,986 1 unit at 120% AMI: $2,980	2 units: $3,800
Total Monthly Rent	$4,966	$7,600
Total Annual Rental Income	$59,592	$91,200
Vacancy and Collection Loss	$2,980	$4,560
Effective Gross Income	$56,612	$86,640
Expenses		
Management	$2,831	$4,332
Taxes	$2,750	$4,000
Insurance	$2,500	$2,500
Other	$1,500	$2,500
Total Expenses	$9,581	$13,332
Net Income	$47,032	$73,308
Value	$587,897	$916,350
Total Development Cost + 20% Developer Fee/Contingency	$611,989	$611,989
Profit or Loss	**$(24,092)**	**$304,361**
Return	**-4%**	**50%**

Ownership Scenario: WHDBP Affordable Prices Versus Market Price

	WHDBP	Market Rate
Sale Price by Unit	1 unit at 80% AMI: $183,450 1 unit at 120% AMI: $275,040	2 units: $400,000
Total Sales	$458,490	$800,000
Selling Costs	$80,000	$80,000
Total Development Cost + 20% Developer Fee/Contingency	$611,989	$611,989
Profit or Loss	$(233,499)	$108,011
Return	-38%	18%
Total Development Cost *Without Land Cost* + 20% Developer Fee/ Contingency	$521,989	$521,989
Profit or Loss	$(143,499)	$198,011
Return	-27%	38%

Stacked Duplex plus ADU Scenario

Characteristics Based on Physical Feasibility on City-Owned Lot 3



Lotus Duplex unit layout source: Steel Homes

Site: City-Owned Lot 3

Number of Units: 3

Total Building Square Footage: 2,700 (2,340 for the duplex with 1,170/unit and 360 for the ADU)

Beds and Baths:

3 bedrooms, 2 baths for each duplex unit
1 bedroom, 1 bath for ADU

Lot Area: 0.124 acres; 5,401 sq ft

Lot Width: 53 ft

Density (excludes ADU): 16 units/acre

Intensity: 0.50 FAR

Share of Impervious Surface Area: 71%

Share of Building Coverage
(includes all enclosed structures): 26%

Height to Principal Structure Roofline: 2 stories assumed at 24 ft total

Height to Principal Structure Roof Peak: 2 stories assumed at 36 ft total

Height to Accessory Structure Roofline: 1 story assumed to be shorter than 20-ft maximum

Height to Accessory Structure Roof Peak: 1 story assumed to be shorter than 30-ft maximum

Front Setback: 18 ft

Side Interior Setback, Side Street Setback: 12, 11 ft

Rear Setback (includes alley width): 22 ft

Building Width (includes exterior stairs): 29 ft for principal building, 30 ft for ADU

Parking Spaces: 3
(1.25 spaces/unit, rounded to 3) for principal unit, 1 for ADU
1 of 4 assumed accessible for residential of more than 2 units

Waste Container Pad Size: 9 sq ft

Pro Forma Analysis

Findings:

- Regarding a **rental scenario meeting WHDBP requirements, no additional funding or resources** would be needed for an individual duplex plus ADU site to meet profitability aims given the assumptions. A developer would also face nearly $330,000 in reduced profits in pursuing the WHDBP relative to market-rate development in this scenario.
- Regarding a **homeownership scenario meeting WHDBP requirements, approximately $270,000 in downpayment assistance** is needed to meet profitability aims given the assumptions. If it is assumed that this scenario is completed on **donated or leased public land with land costs essentially removed** from total costs, downpayment assistance needed is **approximately $150,000.** A developer would face nearly $340,000 in reduced profits in pursuing the WHDBP relative to the market-rate development in this scenario.

Total Development Cost Estimates

Structure Cost	$334,000 ($234,000 for duplex; $100,000 for ADU)
Impact Fees	$2,173
Other Fees	$6,616
Soft Costs	$14,200
Land Cost	$100,000
Finish Costs	$178,850
Total Development Cost	**$635,839**

Rents Based on 2024 SHIP Rent Limits

Unit Type	80% AMI Rent Limit	120% AMI Rent Limit	Assumed Market Rent
Duplex Unit	$1,986	$2,980	$3,800
ADU	$1,433	$2,149	$2,149

Rental Scenario: WHDBP Requirements Versus Market Rate Rents

	WHDBP	Market Rate
Rental Income		
Rents by Unit	1 duplex unit at 80% AMI: $1,986 1 duplex unit at 120% AMI: $2,980 ADU at 120% AMI: $2,149	2 duplex units: $3,800 1 ADU: $2,149
Total Monthly Rent	$7,115	$9,749
Total Annual Rental Income	$85,380	$116,988
Vacancy and Collection Loss	$4,269	$5,849
Effective Gross Income	$81,111	$111,139
Expenses		
Management	$4,056	$5,557
Taxes	$2,750	$4,000
Insurance	$3,000	$3,000
Other	$2,000	$3,000
Total Expenses	$11,806	$15,557
Net Income	$69,305	$95,582
Value	$866,318	$1,194,771
Total Development Cost + 20% Developer Fee/Contingency	$763,007	$763,007
Profit	$103,311	$431,764
Return	14%	57%

Ownership Scenario: WHDBP Affordable Prices Versus Market Price

	WHDBP	Market Rate
Sale Price by Unit	1 duplex unit at 80% AMI: $183,450 1 duplex unit at 120% AMI: $275,040 ADU affordable below 80% AMI: $125,000	2 duplex units: $400,000 ADU: $125,000
Total Sales	$583,490	$925,000
Selling Costs	$92,500	$92,500
Total Development Cost + 20% Developer Fee/Contingency	$763,007	$763,007
Profit or Loss	$(272,017)	$69,493
Return	-36%	9%
Total Development Cost *Without Land Cost* + 20% Developer Fee/ Contingency	$643,007	$643,007
Profit or Loss	$(152,017)	$189,493
Return	-24%	29%

Multi-Lot Scenario for City-Owned Lots

This scenario analyzes a case in which the City-owned lots would be developed together under one developer, with a comparison of development under the WHDBP and at market-rate rents/prices. This scenario assumes a standalone duplex on City-owned sites 1 and 2 and a duplex plus ADU on site 3. The duplex and duplex plus ADU layouts for the individual lots would mirror those analyzed in the prior two individual lot scenarios. Additionally, application of the affordability requirements is applied to the total of seven units collectively. The ADU for the purposes of the WHDBP scenarios is assumed to be rented/sold to a household at or below 80% AMI, consistent with WHDBP requirements for a seventh unit if a variance is not requested.

Finding:

- Regarding a **rental scenario meeting WHDP requirements,** the scenario for the **combined lots with WHDBP requirements** needs **slightly more than $40,000 in additional funding or resources** to meet profitability aims given assumptions**.** This gap could be closed with strategies such as **provision of land for free or a reduced amount or** by using the **variance permitted by the WHDBP** to rent the ADU at 120% AMI**.** A developer would face over $1,080,000 in reduced profits relative to the market-rate development approach.
- Regarding a **homeownership scenario meeting WHDBP requirements, nearly $740,000 in downpayment assistance** is needed to meet profitability aims given the assumptions. If it is assumed that this scenario is completed on **donated or leased public land with land costs essentially removed** from total costs, downpayment assistance needed is **nearly $440,000.** A developer would face over $1,020,000 in reduced profits in pursuing the WHDBP relative to the market-rate development in this scenario.

Multi-Lot Rental Scenario: WHDBP Requirements Versus Market Rate Rents

	WHDBP	Market Rate
Rental Income		
Lot 1 Duplex - Monthly Rent		
Duplex Unit at 80% AMI	$1,986	$3,800
Duplex Unit at 120% AMI	$2,980	$3,800
Lot 2 Duplex - Monthly Rent		
Duplex Unit at 120% AMI	$2,980	$3,800
Duplex Unit at 80% AMI	$1,986	$3,800
Lot 3 Duplex + ADU - Monthly Rent		
Duplex Unit at 80% AMI	$1,986	$3,800
Duplex Unit at 120% AMI	$2,980	$3,800
ADU at 80% AMI	$1,433	$2,149
Total Monthly Rent	$16,331	$24,949
Annual Rental Income	$195,972	$299,388
Vacancy and Collection Loss	$9,799	$14,969
Income after Vacancy	$186,173	$284,419
Expenses		
Management	$9,309	$14,221
Taxes	$8,250	$12,000

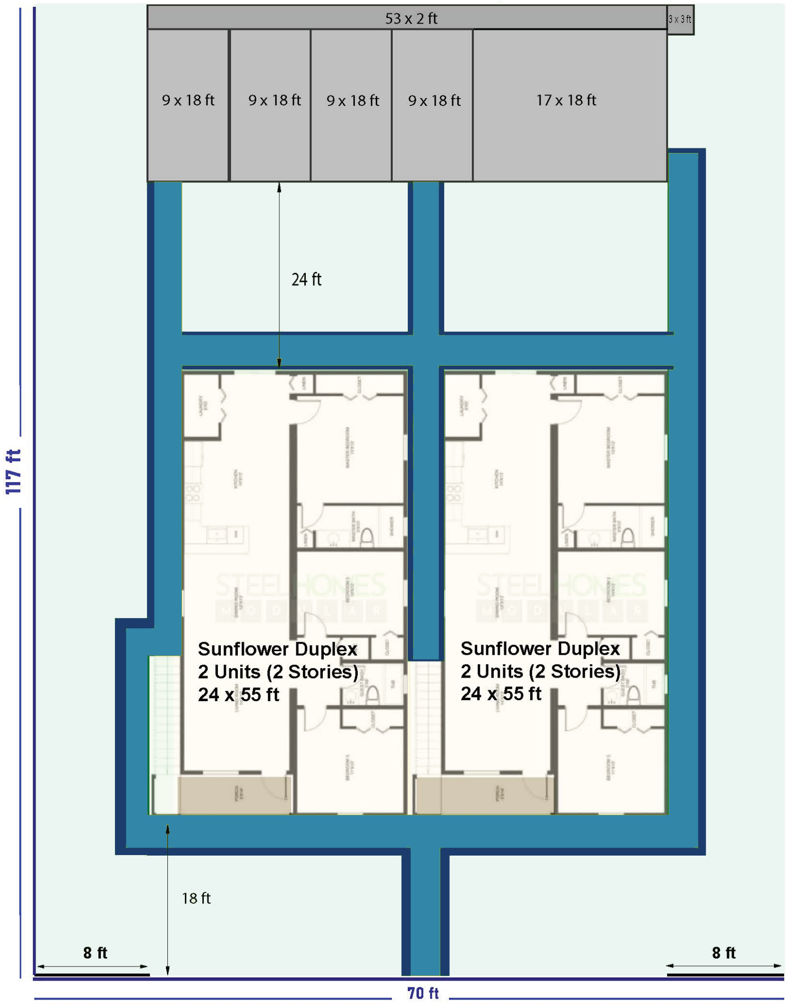
Insurance	$8,000	$8,000
Other	$5,000	$8,000
Total Expense	$30,559	$42,221
Net Income	$155,615	$242,198
Value	$1,945,184	$3,027,471
Total Development Cost + 20% Developer Fee/ Contingency	$1,986,985	$1,986,985
Profit	$(41,801)	$1,040,486
Return	-2%	52%

Multi-Lot Ownership Scenario: WHDBP Affordable Prices Versus Market Rate Rents

	WHDBP	**Market Rate**
Lot 1 Duplex – Prices		
Duplex Unit at 80% AMI	$183,450	$400,000
Duplex Unit at 120% AMI	$275,040	$400,000
Lot 2 Duplex – Prices		
Duplex Unit at 120% AMI	$275,040	$400,000
Duplex Unit at 80% AMI	$183,450	$400,000
Lot 3 Duplex + ADU - Prices		
Duplex Unit at 80% AMI	$183,450	$400,000
Duplex Unit at 120% AMI	$275,040	$400,000
ADU below 80% AMI	$125,000	$125,000
Total Sales	$1,500,470	$2,525,000
Selling Costs	$252,500	$252,500
Total Development Cost + 20% Developer Fee/ Contingency	$1,986,985	$1,986,985
Profit or Loss	$(739,015)	$285,515
Return	-37%	14%
Total Development Cost *Without Land Cost* + 20% Developer Fee/Contingency	$1,686,985	$1,686,985
Profit or Loss	$(439,015)	$585,515
Return	-26%	35%

Fourplex Scenario

Characteristics Based on Physical Feasibility on a Private Site



Sunflower Duplex unit layout source: Steel Homes

Site: Private site

Number of Units: 4

Total Building Square Footage: 4,800 (1,200/unit)

Beds and Baths: 3 bedrooms, 2 baths for each unit

Lot Area: 0.19 acres; 8,276 sq ft

Lot Width: 70 ft

Density (excludes ADU): 21 units/acre

Intensity: 0.58 FAR (WHDBP exemption required)

Share of Impervious Surface Area: 59%

Share of Paved Areas of Front Yard (for interior lots): 21%

Share of Building Coverage (includes all enclosed structures): 34%

Height to Principal Structure Roofline: 2 stories assumed at 24 ft total

Height to Principal Structure Roof Peak: 2 stories assumed at 36 ft total

Front Setback: 18 ft

Side Interior Setbacks: 8 ft

Rear Setback (includes alley width): 22 ft

Building Width (includes exterior stairs): 27 ft per building for 2 buildings; if min. building width applied to the total 54 feet, variance required.

Parking Spaces: 5 (1.25 spaces/unit) for principal unit - 1 of 5 assumed accessible for residential of more than 2 units

Waste Container Pad Size: 9 sq ft

Pro Forma Analysis

Findings:

- Regarding a **rental scenario meeting WHDBP requirements, slightly more than $70,000 in additional funding or resources** would be needed for an individual duplex site to meet profitability aims given the assumptions. A developer would also face nearly $660,000 in reduced profits in pursuing the WHDBP relative to market-rate development in this scenario.
- Regarding a **homeownership scenario meeting WHDBP requirements, approximately $490,000 in downpayment assistance** is needed to meet profitability aims given the assumptions. If it is assumed that this scenario is completed on **donated or leased public land with land costs essentially removed** from total costs, downpayment assistance needed is **approximately $280,000.** A developer would face more than $680,000 in reduced profits in pursuing the WHDBP relative to the market-rate development in this scenario.

Total Development Cost Estimates

Structure Cost	$480,000
Impact Fees	$5,013
Other Fees	$8,945
Soft Costs	$14,200
Land Cost	$175,000
Finish Costs	$357,700
Total Development Cost	**$1,040,858**

Rents Based on 2024 SHIP Rent Limits

80% AMI Rent Limit:	$1,986
120% AMI Rent Limit:	$2,980
Assumed Market Rent:	$3,800

Rental Scenario: WHDBP Requirements Versus Market Rate Rents

	WHDBP	**Market Rate**
Rental Income		
Rents by Unit	2 units at 80% AMI: $1,986 2 units at 120% AMI: $2,980	4 units: $3,800
Total Monthly Rent	$9,932	$15,200
Total Annual Rental Income	$119,184	$182,400
Vacancy and Collection Loss	$5,959	$9,120
Effective Gross Income	$113,225	$173,280
Expenses		
Management	$5,661	$8,664
Taxes	$5,500	$8,000
Insurance	$5,000	$5,000
Other	$3,000	$5,000
Total Expenses	$19,161	$26,664
Net Income	$94,064	$146,616
Value	$1,175,795	$1,832,700
Total Development Cost + 20% Developer Fee/Contingency	$1,249,030	$1,249,030
Profit or Loss	$(73,235)	$583,670
Return	-6%	47%

Ownership Scenario: WHDBP Affordable Prices Versus Market Price

	WHDBP	Market Rate
Sale Price by Unit	2 duplex units at 80% AMI: $183,450 2 duplex units at 120% AMI: $275,040	4 duplex units: $400,000
Total Sales	$916,980	$1,600,000
Selling Costs	$160,000	$160,000
Total Development Cost + 20% Developer Fee/Contingency	$1,249,030	$1,249,030
Profit or Loss	$(492,050)	$190,970
Return	-39%	15%
Total Development Cost Without Land Cost + 20% Developer Fee/ Contingency	$1,039,030	$1,039,030
Profit or Loss	$(282,050)	$400,970
Return	-27%	39%

Financing Options

Given the scale of these missing middle housing projects, the main source of funding for construction and permanent financing will come from CDFIs. Other small-scale multi-family loan products typically target larger projects with more units and with relatively large minimum loan amounts.

CDFIs are private institutions serving as intermediaries between banks and other investors and business owners, with the goal of providing access to credit and capital to underserved markets and populations. CDFI is a federal designation indicating that the majority of a CDFI's lending and other services must benefit low-income communities. CDFIs have various structures, from being arms of banks and credit unions to independent nonprofit entities. CDFIs have more flexible underwriting requirements and can take on greater risk than banks. Many CDFIs also generally offer technical assistance as part of their services to borrowers. This makes them a primary go-to for nonprofits seeking debt financing for their real estate developments, as nonprofits are typically building in low-income or economically distressed communities where several factors can negatively impact profitability.

CDFIs that could potentially provide construction to permanent financing in the St. Petersburg area include:

- Neighborhood Lending Partners
- Florida Community Loan Fund
- Launch Credit Union
- Low Income Investment Fund (national CDFI with a Georgia office and lending activity in Florida)
- Local Initiative Support Council (LISC)'s Black Economic Development Fund

A local government will typically provide gap financing for projects that use these CDFI primary loans since CDFI loans typically range up to 80% in terms of their loan to project value ratio. For a local government to directly provide primary financing, it would require much more money.

Assuming land provision or other strategies are pursued to enable profitable projects, the City potentially could provide gap financing from a revolving loan fund with the requirement that the loan be paid back since primarily up-front financing would be needed. Typical loan-to-value (LTV) ratio and loan-to-cost (LTC) ratio maximums (80% and 85%, respectively) applied to primary financing can help inform how much of total development costs could be covered by the primary financing and how much would remain for gap financing to address. Based on the scenarios reviewed for this report, that gap financing amount would need to cover remaining total development costs of approximately $110,000 to $310,000 for the individual lot developments and slightly more than $430,000 for the combined lot development after accounting for costs that could be addressed by primary financing. The table below shows the basis for these estimates when accounting for typical primary financing parameters. Estimated development values and total development costs assumed are those calculated in the Development Scenario Testing section.

Gap Financing Estimate Calculation for WHDBP Scenarios

	Stacked Duplex	Stacked Duplex Plus ADU	Multi-Lot	Fourplex
80% of Development Value Estimate	$470,318	$693,055	$1,556,147	$940,636
85% of Total Development Cost Estimate	$520,191	$648,556	$1,688,937	$1,061,675
Maximum Primary Loan Amount Assuming 80% LTV and 85% LTC Maximums	$470,318	$648,556	$1,556,147	$940,636
Estimated Gap Financing	$141,671	$114,451	$430,838	$308,394

As far as City funding sources to support monetary subsidy and/or a gap finance tool, traditional affordable housing entitlement/formula funding sources from the federal and state level flowing to St. Petersburg will have their own set of requirements to meet aside from the local WHDBP assumed in the scenarios, including monitoring and reporting requirements. The use of these funding sources is also programmed through existing plans (e.g., Local Housing Assistance Plan, Consolidated Plan, etc.), so any introduction of a new use of these funds should be considered with existing uses of these funds. One existing requirement that aligns the WHDBP requirements with existing SHIP entitlement funding is that the WHDBP affordability requirements are based on the SHIP requirements. To flesh out considerations with this funding source further as an example, there are additional requirements of use of SHIP dollars overall, such as limits on how much of the funds can be spent on rental housing and funding set-aside requirements for households with "low" (80% AMI) and "very low" (50% AMI) incomes and "special needs." While the community association ownership structure (e.g., homeownership association, condominium) assumed in the scenarios is complex to implement and may complicate financing, other scenarios such as owner-occupancy of one unit and rental of others is also complicated in using SHIP funds. For example, additional income from the rental units will count towards the income of the owner-occupant to qualify for eligibility in use of SHIP funds.

Several requirements no longer apply if using SHIP program income as opposed to SHIP funds directly from the State. "Program income" is defined in Florida Statutes as proceeds derived from interest earned on or investment of the SHIP distribution for local housing and other funds deposited into the SHIP local housing assistance trust fund, proceeds from loan repayments, recycled funds, and all other income derived from use of funds deposited in the local housing assistance trust fund. The only set-aside requirements that apply to program income are the set-asides for low and very low household incomes. Rental/ownership split, manufactured housing, "special needs", and new construction set-aside requirements do not apply for program income. For example, all program income could be used for rental.

In view of these considerations, other local funding sources, while perhaps requiring more political will to generate, are also more flexible in how they can be structured and used. General revenues and tax increment funds from CRAs (requiring an amendment to CRA Plan allowing use of funds for this purpose if not already included) are examples of flexible local funding. The City may be in a better financial position to support funding for gap financing if it is structured as a revolving loan where the money will be paid back.

While gap financing from the City paired with CDFI primary financing is a typical approach to supporting these projects, the Raleigh, NC Small-Scale Rental Development Program provides an example of how a local government provided financing for permanent-to-construction loans backed by a local bond. Details on the program structure and administration, along with additional details of a small-scale development funding program out of Minneapolis, MN, are provided in the appendix.

Integrating Equity in Outcomes

In addition to facilitating project feasibility, the City has an opportunity to promote equitable access to resources to develop these housing types and equitable access to quality homes resulting from the development. Housing strategies can incorporate community preferences and target areas to prioritize members of certain communities for housing assistance. Community preference policies can target certain areas or communities based on data showing places with a high risk of displacement, high cost burden, a historical lack of public investment, or the greatest need for affordable housing development, among others. For example, this report mentioned the South St. Petersburg CRA that intersects with sizable areas that were formerly redlined as a potential prioritization area. Note that the City currently has distinct benefits through its First-Time Homeowner Purchase Assistance Program tied to *homes* in this area (so the favorable terms are tied to the *property* being located in the CRA, in addition to other requirements such as income eligibility of the buyer) but not the *homebuyer*. Another example is a community preference policy prioritizing applications for assistance in defined census tracts with cost burden rate above a certain level.

There are generally two opportunities to employ community preferences in housing subsidy programs: 1) direct subsidy to applicants that live in or build in defined areas or communities; 2) ensuring that applicants that receive subsidy provide the assisted housing units to persons with ties to defined areas or communities. Regarding direct subsidy, a home repair program could prioritize assistance to homeowners that live in targeted areas. Regarding the second approach, a housing program could require that applications demonstrate a commitment to serving existing residents. For example, a housing program could require that a developer receiving housing subsidy set aside 20% of the units within the affordable housing development to be leased or sold with a preference to households that reside within certain targeted areas or can demonstrate a strong tie to the community where the development is located.

It is important to keep in mind that prioritizing housing resources to people who live in targeted areas must comply with requirements for any funding sources used, as well as fair housing and relevant anti-discrimination laws. The Fair Housing Act, which prohibits discrimination in a variety of housing transactions on the basis of protected characteristics, would apply to a local government prioritizing affordable housing subsidy to homeowners who live in target areas, such as a CRA for example. When establishing community preferences or target areas, it is important to consult with an attorney well-versed in fair housing and anti-discrimination law to avoid legal liability.

There are two ways for a housing provider to violate the Fair Housing Act for discriminating on the basis of a protected class (e.g., race, religion, national origin, etc.): 1) disparate treatment; and 2) disparate impact. Disparate treatment occurs if a housing provider is found to have a discriminatory intent on the basis of a protected class. For example, if a housing subsidy program targets defined areas because of the prevalence of a certain race, that would be a clear violation of the Fair Housing Act under disparate treatment. Alternatively, even if a housing provider does not have an intent to discriminate on the basis of a protected class, a fair housing violation can still occur under what is called "disparate impact." Disparate impact under the Fair Housing Act occurs when a policy or practice creates unjustified disproportionate effects against a protected class. In the context of a CRA area, for example, if a housing program targets existing homeowners within a CRA area and 95% of the existing homeowners in that area happen to consist of members of a certain race, familial status, or other protected class, that policy can be found to have a disparate impact against members of that protected class regardless of if the policymakers had an intent to discriminate.

While there is no bright-line rule for when a housing policy or practice violates the Fair Housing Act under disparate impact, existing case law gives good clues as to what not to do with a community preference for housing resources. The key is to avoid a preference that keeps a defined area racially or otherwise segregated on the basis of a protected class or makes it especially difficult for a certain demographic to receive housing assistance. It is important to consider the demographic characteristics of a targeted area before prioritizing resources to avoid fair housing liability.

One way to structure a protected-class neutral community preference or target area could be to focus assistance towards areas that are at high risk of displacement without reference to protected classes. In 2019, Seattle, Washington issued a policy that governs community preferences for City-funded homeownership and rental units to address displacement concerns and to sustain inclusive communities with its resources.[2] In its policy, a housing project located in census tracts representing "high risk of displacement areas" may consider implementing a community preference policy to help address displacement. These community preferences guidelines allow housing providers to provide additional points to applicants that are current residents of the defined area, applicants that are former residents of the area or that have family members or ancestors that are former residents, and applicants that can demonstrate a community tie or use community services in the area. The City's guidelines also spell out limits on how many units within an affordable housing project can use a community preference (no more than 50% of the units), tenant selection criteria, verification documents, and data to utilize to develop a community preference.

The City can use these considerations and examples to further evaluate community preferences in provision of small-scale development resources and affordable units for the South St. Petersburg CRA or other target areas in the City.

2 City of Seattle Office of Housing, "Community Preference Guideline": https://www.seattle.gov/documents/Departments/Housing/Programs%20and%20Initiatives/Community%20Preference/Community%20Preference%20Guideline.pdf

Conclusions

- Flexibility on floor area ratio facilitated feasibility for two of the small-scale multi-family development scenarios on individual lots. This flexibility could be offered through extension of the WHDBP to the NTM-1 district, which would also require certain levels of affordability in exchange for this flexibility.
- Regarding rental scenarios assuming application of the WHDBP without any variance from the basic affordability requirements, ***only the duplex plus ADU scenario meets profitability aims given the assumptions.*** Allowing an ADU with duplexes, which is not currently permitted in the land development code, could facilitate financial feasibility in expanding options to place three units on narrower lots while still meeting height requirements and facilitating use of modular building types that may save on construction costs. The very general assumptions of site design in this scenario create a share of impervious surface coverage of the lot nearing regulatory maximums (71% impervious surface coverage of the lot for the scenario versus the 75% regulatory maximum). This aspect may require further evaluation as a potential limiting factor if the City considers allowing ADUs with duplexes. Other regulatory adjustments from those assumed in the scenario and resulting in reduced impervious surface area could also manage the issue. For example, if ADUs allowances with duplexes were in areas where less parking would be required than assumed in the scenario (e.g., ADU parking exemption areas). Flexibility or subsidy for paving unpaved alleys where there are three or more units on a lot (sec. 16.20.015.8 of the City's Land Development Regulations), which might apply if an ADU were permitted with a duplex, should be considered for developments providing affordable units, unless the City were to exempt these developments on another basis, such as the basis that one of the units is an ADU or an ADU in a parking exemption area.
- Other rental scenarios on individual lots with WHDBP requirements need additional funding or resources ranging from $20,000 to more than $70,000 per project to meet assumed profitability aims. The multi-lot scenario on City lots is slightly more than $40,000 away from meeting profitability aims. The size of these needs indicates that the projects could meet profitability aims with one or more of the following strategies:

    1. Public land donated or sold/leased at reduced cost; removing assumed land costs would meet the additional funding needs in these scenarios.
    2. Flexibility on the affordability of the units; for example, the ADU in the multi- lot scenario could be considered a "seventh" unit beyond a set of six units to obtain a variance from WHDBP requirements to rent at 120% AMI and address the additional funding need, in accordance with WHDBP provisions.
    3. Public subsidy
    4. Marketing public resources to developers willing to accept lower returns for providing affordable units; for example, seeking developers willing to assume a developer fee and contingency cost at a 15% increase over preliminary total development costs instead of the 20% assumed in the report scenarios.

- None of the homeownership scenarios, whether for individual lots or the multi-lot scenario, meet the affordability and profitability aims. The need for additional public funding or other resources ranges from approximately $230,000 to over $490,000 for scenarios on individual lots; the need for the multi-lot scenario is more than $740,000. Given the size of these needs, all scenarios include analysis of removing land costs from the total development cost (assuming development on publicly owned land for free or nominal cost). This strategy does not fully address the additional funding need but reduces it to where downpayment assistance might be provided to fill the gap. Otherwise, affordability or profitability assumptions could also be changed (e.g., affordability at 120% AMI for more units, lower return for developer).

- As noted, the WHDBP allows for a variance from affordability requirements for sets of units with fewer than six units. These findings indicate that missing middle developments may benefit from this flexibility for feasibility. Consequently, ensuring this flexibility is easy to use from a procedural standpoint is important to facilitate these developments with formal income and rent/sales price limits.
- Publicly owned land donated or provided at reduced cost is highlighted as a helpful strategy in these scenarios. Public land can be sold or leased with a mechanism such as a long-term ground lease or community land trust. However, this approach requires more of a long-term acquisition strategy as currently the only vacant City-owned sites with NTM-1 zoning are the three analyzed in this report. Additional vacant land owned by other public entities could also be assessed for use for affordable small-scale development.
- A CDFI would be the likely source of primary financing for these types of projects. Assuming this sort of financing is involved, the City of St. Petersburg could further support these developments with gap financing to be repaid, such as a revolving loan fund, if other strategies are in place to ensure adequate profitability of the developments. The scenarios analyzed in this report provide a starting estimate for likely gap financing needed, assuming 80% loan-to-value ratio and 85% loan-to-cost ratio maximums for CDFI primary financing: approximately $110,000 to $310,000 for the individual lot developments and slightly more than $430,000 for the multi-lot scenario after accounting costs that might be addressed by primary financing.
- Alternatively, the Raleigh, NC Small-Scale Rental Development Program illustrates how a local government provided primary financing as permanent-to-construction loans backed by a local bond.
- Local funding sources, such as tax increment financing available in the South St. Petersburg CRA (assuming an allowance in the CRA plan) and general revenues, and SHIP program income would provide more flexibility in structuring requirements for a financing program than other existing federal and state formula/ entitlement funding programs.
- To promote equitable access to the benefits of missing middle housing development, the City can evaluate prioritization for small-scale development resources and provision of resulting affordable units for community members of the South St. Petersburg CRA or other target areas of the city in view of fair housing law, anti-discrimination law, and other funding source program requirements. Community preference priorities to consider for resources and units in these areas may include:
    - Current property owners
    - Current and former residents
    - Those with family members or ancestors that are former residents, and
    - Those that can demonstrate a community tie or use community services in the area.

Appendix

NTM-1 Regulatory Parameters for Development Scenarios

Max. density (excludes ADUs): 30 units/buildable land acreage

Max. intensity: 0.5 FAR

Max. floor area for ADU: 800 sq ft and, for all areas under roof, 67% of principal unit

Min. lot area: 2000 sq ft

Min. lot area with ADU: 4500 sq ft

Min. lot width: 20 ft

Max. impervious surface area: 75%

Max. paved areas of front yards for interior lots: 45%

Max. building coverage (includes all enclosed structures): 60%

Max. height to principal structure roofline: 24 ft

Max. height to principal structure roof peak: 36 ft

Max. height to ADU roofline: 20 ft

Max. height to ADU peak: 30 ft

Min. front setback: 18 ft

Min. side interior setback : 5 ft

Min. side street setback: 8 ft

Min. rear alley setback (includes alley width): 22 ft

Max. building width: 40 ft

Multi-family parking spaces/unit up to 2 bedrooms and more than 750 sq ft
(additional min. requirement of at least 1 space/unit): 0.75 space

Additional spaces for additional bedrooms for above unit: 0.5 space

Accessible parking spaces for residential of more than 2 units: 1 space required for up to
25 required spaces overall

Accessible parking space size: 306 sq ft

Non-accessible parking space size: 162 sq ft

Parking spaces/ADU of up to 2 bedrooms: 1 space

Waste container pad size: 9 sq ft

Additional notes and assumptions:

- The land development regulations allow for an ADU only with a single-family dwelling; the development scenarios include a proposed adjustment to allow ADUs with duplexes in the NTM-1 district. For the purposes of that scenario, existing requirements specific to ADU development (e.g., minimum lot area, parking, height, etc.) are assumed in addition to duplex development regulations.
- Land development regulations require paving of unpaved alleys where there are three or more units on a lot; this requirement could apply if an ADU were permitted with a duplex, unless an exemption was made for ADUs or for developments providing affordable units.
- Minimum setback requirements from land development regulations are assumed. The land development regulations note that where Florida building code building separation distances are larger, those would apply; scenarios do not account for that possible larger separation requirement.
- The development scenarios do not account for any adjustments based on floodplain management or historic district/register regulations.
- The ADU for the development scenarios is assumed to be one story in height.
- NTM-1 regulations require alley access and rear-loaded parking. Alley width is assumed to be 20 feet based on current right-of-way width requirements in the local regulations; this may not reflect existing actual alleyway widths for the lots on which scenarios are based.
- Parking exemptions applicable to ADU under certain conditions are not assumed for the scenarios.
- Pedestrian connections three feet in width are assumed to link each exterior entrance to the public rights-of-way, private open space, and parking areas.
- Impervious surface coverage is estimated based on walkways shown in the scenario diagrams and additional impervious area assumed to meet porch dimensional requirements that may not already be accommodated by modular layouts.
- Duplex and fourplex scenarios assume extension of the Workforce Housing Density Bonus Program (WHDBP, Code of Ord. Ch. 17.5, Art. V) to the NTM-1 District (the program is not currently applicable in the district) for an exemption from FAR requirements in exchange for the required mix of units serving households at 80% AMI or below and 120% AMI or below.

Case Study Review Summary

Analysis includes review of two local government small-scale development funding programs:

- Small-Scale Rental Development Program in Raleigh, NC
- Missing Middle Housing Pilot Program in Minneapolis, MN

Program structure, administration details, and funding/public land outcomes are summarized below. Information is sourced from program summaries, presentations, and public records available online.

Small-Scale Rental Development Program - Raleigh, NC

PROGRAM STRUCTURE

Funding Source: Bond

Funding Type: FY 2024 NOFA indicates loan, first or subordinate with conditions, with the purpose of construction-to-permanent financing; interest rate is 0-2% depending on project needs. Loan term is 20/30/40 years or as long as affordability is maintained.

Funding Amount: 3 rounds of $2 million, total of $6 million (Coupled with availability of 20 city-owned building sites in round 1, 13 sites in round 2, and 6 sites in round 3 with long-term land leases). Additional $150,000 noted in 2024 NOFA for optional solar incentive.

Eligible Applicants: Nonprofit developers, partnership between mission-based nonprofit and for-profit developer

Eligible Activities: Acquisition and preservation of affordable rental units, affordable rental unit construction

Affordability + Additional Requirements:

- Income cap: At least 1/3 of units serving up to 30% AMI income level.

  For remaining units:
  If exactly 1/3 of units are serving up to 30% AMI, remaining units must be reserved for up to 60% AMI.
  If more than 1/3 of units are serving up to 30% AMI, remaining units may be up to 80% AMI.
- Min. affordability period:

  2022-23 NOFA: 40 years

  2024 NOFA: aligned with loan term or longer to align with land lease
- 2024 requirement: new construction must meet/exceed SystemVision (energy efficiency) certifications
- Location within city limits
- Use of City-owned lots requires long-term land lease; otherwise, site control (fee simple ownership or option to purchase) and zoning required to be in place at application submittal

Missing Middle Types: Most of the City-owned lots allow up to a duplex plus an ADU by right; triplexes allowed in limited instances.

ADMINISTRATION AND OUTCOME DETAILS

Administering Entity: City of Raleigh's Community and Small Business Development Division of the Housing & Neighborhoods Department

Selection Process: Scoring system to determine recommendations, with approval by City Council for final funding decision

2022-23 NOFA criteria:

Financial feasibility and leveraging - 35 points
Location and site – 10 points
Development quality – 25 points
Development and management team - 30 points
Affordability bonus – 10 points
Projects must score a minimum of 75 out of 100 base scoring points.

2024 NOFA: Affordability bonus of 15 points and solar incentive bonus of 15 points; projects must score a minimum of 80 points.

Additional Administration Notes:

- 2022-2023 REFP:
- Tenant eligibility requirements mirror the Low Income Housing Tax Credit Program
- Income and rent limits follow the US Dept of Housing and Urban Development HOME program
- 2024 NOFA: tenant requirements and selection plan criteria (income and rent limits, etc.) mirror Low Income Housing Tax Credit Program
- 2024 NOFA notes annual monitoring of tenant income certifications and rents is required during term of restrictive covenants and/or long-term land lease.

Outcomes:

- 2021-22 program: 1 of 4 project applications funded with the full $2 million. Project included 27 scattered-site affordable rental units across 10 city-owned parcels, with a mix of townhomes, duplexes, single-family homes, and ADUs.
- 2022-2023 program: 2 of 4 applications funded. $700,000 for a 9-unit permanent supportive housing project for youth aging out of foster care. The project funded in 2021-22 was estimated at $8.6 million and was awarded $1.3 million additional funding, with a total of $3 million between the City of Raleigh and Wake County provided overall in 2022.

Missing Middle Housing Pilot Program - Minneapolis, MN

PROGRAM STRUCTURE

Funding Source: General revenue

Funding Type: 30-year 0% interest deferred loan secured with note and mortgage on property (or covenant for ownership)

Funding Amount:

- First year assistance provided:

  Total program funding: $500,000

  Funding per unit at 50% AMI: $70,000

  Bonus per unit for enhanced affordability/sustainability: $25,000
- Option to submit an offer to purchase City-owned lot along with funding application
- Additional program year focused on rental development only

Eligible Applicants: Developers with financial capacity, recent experience, demonstration of responsible ownership, and in good standing with the City

Eligible Activities:

New construction:

First year: rental or ownership

Second year: rental

Affordability + Additional Requirements:

- Income cap:

  Rental: min. 20% of units must serve 50% AMI or below.

  Ownership: min. of 10% of units must serve 80% AMI or below
- Min. affordability period: 30 years
- Affordability terms retained for second year of program for rental development

Missing Middle Types:

First year: development of 3-20 units

Second year: development of 2-20 units

ADMINISTRATION AND OUTCOME DETAILS

Administering Entity: City of Minneapolis Housing Department

Selection Process:

Application review criteria:

Cost effectiveness
Meets local housing needs
Equitable wealth-building
Incorporates unique design features

Additional Administration Notes: HUD income limits by household size applicable

Outcomes:

- 1st year rental and ownership program: 3 projects of 21 applications recommended for funding. Funding need totaled $1,675,000 between the projects, with recommendation to fill the gap between the $500,000 allocated through the missing middle program and the need with additional HOME program funding for the ownership units (which otherwise would produce same affordability levels). Units totaled 18 affordable ownership units and 10 rental units out of 50 total units across the projects. Project funding request breakdown:

    1. $900,000 for 18 ownership units, all affordable
    2. $285,000 for 13 rental units, 3 affordable
    3. $490,000 for 19 rental units, 7 affordable (project included ground-floor commercial)

City funded 2 additional projects through a separate program for which they met the requirements due to their size (1-4 units).

- 2nd Year rental program: 3 projects of 9 that applied for financing and City-owned site (and 1 additional that applied for City site) recommended for acquisition of site and funding. A total of $699,680 in funding recommended for a total of 9 affordable housing units out of 15 total. Project funding recommendation breakdown:

    1. $140,000 for 7 total units, 2 affordable
    2. $349,680 for 4 total units, all affordable
    3. $210,000 for 4 total units, 3 affordable

ACCESS AN ELECTRONIC VERSION OF THE

Equitable & Affordable Small-Scale Multi-Family Development

AND OTHER VALUABLE RESOURCES UNDER THE PUBLICATIONS TAB ON THE FLORIDA HOUSING COALITION'S WEBSITE AT:

www.Flhousing.org