

Agenda Item: **11:00 A.M.**

**PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS**

WORKSHOP ITEM SUMMARY

Meeting Date: January 23, 2007

WORKSHOP

Department: Housing and Community Development

Submitted By: Housing and Community Development

I. EXECUTIVE BRIEF

Title: Palm Beach County Affordable Housing Study (2006) and Palm Beach County Workforce Housing Study (2006).

Summary: The Palm Beach County Affordable Housing Study (2006) was prepared by Strategic Planning Group, Inc. (SPG). The Study focuses on the housing needs of very-low, low, and moderate-income households (0-120% AMI), and includes countywide demographic information; housing affordability criteria, such as affordable rents and home purchase prices; current conditions and recent trends in the local housing market; incidences of cost burden and other housing problems; projections of growth-generated demand for additional housing units for 2006-2010; and housing displacement due to condominium conversions, mobile home redevelopment, and hurricanes.

The Palm Beach County Workforce Housing Study (2006) was prepared by SPG to provide similar information as the Affordable Housing Study, but for workforce income groups specific to the County's new Workforce Housing Program (60-150% AMI) that were not addressed in the scope of the Affordable Housing Study. Countywide TKF

Background and Policy Issues: At the direction of the Board of County Commissioners, the Palm Beach County Affordable Housing Study (2006) was commissioned to provide an update to the 2000 Affordable Housing Study, and consequently utilizes the same or similar methodologies for geographic division of the county into housing sectors and for calculation of various data items. However, the scope of the 2006 Study was expanded to include an additional income group eligible under the SHIP Program (81-120% AMI) and to provide information on certain more recent occurrences such as condominium conversions, mobile home redevelopment, and hurricane damages.

Strategic Planning Group, Inc. was selected, via RFP, to prepare the Study. Subsequent to initiation of Study preparation, PZB identified income groups for the County's new Workforce Housing Program which were not addressed in the scope of the Affordable Housing Study. Consequently, to address certain data needs for this Program, a Workforce Housing Study was requested from the consultant and procured through confirming order. The Studies were funded by the County utilizing a combination of federal Community Development Block Grant (CDBG) and State Housing Initiative Partnership (SHIP) funds.

The Studies provide countywide demographic information; housing affordability criteria, such as affordable rents and home purchase prices; current conditions and recent trends in the local housing market; incidences of cost burden and other housing problems; projections of growth-generated demand for additional housing units for 2006-2010; and housing displacement due to condominium conversions, mobile home redevelopment, and hurricanes. The Affordable Housing Study focuses on the housing needs of very-low, low, and moderate income households as defined by HUD and the State of Florida (0-30% AMI, 31-50% AMI, 51-80% AMI, and 80-120% AMI). The Workforce Housing Study focuses on the housing needs of PBC Workforce Housing Program income groups (60-80%, 81-100%, 101-120%, 121-150%). The Studies will assist in the preparation of various planning documents, the targeting of County-administered housing programs, and the formulation of local housing policies.

Attachments:

- a) Executive Summary of the Palm Beach County Affordable Housing Study (2006)
- b) Executive Summary of the Palm Beach County Workforce Housing Study (2006)
- c) Palm Beach County Affordable Housing Study (2006)
- d) Palm Beach County Workforce Housing Study (2006)

Recommended By: *Edward [Signature]* 12/20/06
 Department Director Date

Approved By: *Sharon [Signature]* 12/27/2006
 Assistant County Administrator Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years:	20_____	20_____	20_____	20_____	20_____
Capital Expenditures:	_____	_____	_____	_____	_____
Operating Costs:	_____	_____	_____	_____	_____
External Revenues:	_____	_____	_____	_____	_____
Program Income (County):	_____	_____	_____	_____	_____
In-Kind Match (County):	_____	_____	_____	_____	_____
NET FISCAL IMPACT:	_____	_____	_____	_____	_____
# OF ADDITIONAL FTE POSITIONS (Cumulative):	_____	_____	_____	_____	_____

Is Item Included In Current Budget? Yes _____ No _____

Budget Account #: Fund _____ Agency _____ Org. _____ Object _____ Reporting Category _____

B. Recommended Sources of Funds/Summary of Fiscal Impact:

No Fiscal Impact. *associated with this item.*

C. Departmental Fiscal Review:

Larry D. Brown

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Administration Comments:

[Signature] 1-2-07

OFMB
1/2/07

[Signature] 1/3/07

Contract Administration

B. Legal Sufficiency:

[Signature] 1/4/07

Assistant County Attorney

C. Other Department Review:

Department Director

This summary is not to be used as a basis for payment.

Attachment "a"

**Executive Summary
Palm Beach County Affordable Housing Study**

EXECUTIVE SUMMARY

INTRODUCTION

Strategic Planning Group was engaged to conduct the 2005 Affordable Housing Study for Palm Beach County (PBC). One of the stated purposes of the study was to prepare housing needs projections based on the same methodology as the Palm Beach Affordable Housing Study of 2000, in order to facilitate comparisons of findings. In order for these comparisons to be made, it is important to also understand the differences in the information being used and the accuracy of projections used in the 2000 Study to that of actual 2000 Census data used in the 2005 Study.

The following table (ES-1) illustrates the Population and Household Data used for each study. In the 2000 Study, the population projections for PBC were 1,041,767. The actual 2000 Census used in the 2005 Study was 1,131,191, a variance of 89,424 residents (8.6%). In the projections and estimates of 2005 population, this variance had grown to 137,896 residents, a 12.2% variance.

A similar pattern is shown for the number of households in PBC. In 2000, the actual number of households was 474,175, while the 2000 study used an estimate of 446,132, a variance of 6.3%. By 2005, this variance represented 52,933 households.

Table ES-1: Population and Household Data and Projections, Comparison of the 2000 and 2005 Affordable Housing Studies.

	2000	2005	2010
Population			
2000 Study	1,041,767	1,132,706	1,224,566
2005 Study			
Actual 2000 Census	1,131,191		
Estimate		1,270,602	1,298,959
Variance	89,424	137,896	74,393
	8.6%	12.2%	6.1%
Households			
2000 Study	446,132	550,374	N/A
2005 Study			
Actual 2000 Census	474,175		
Estimate		603,307	N/A
Variance	28,043	52,933	-
	6.3%	9.6%	-

Source: 2000 PBC Affordable Housing Study, Strategic Planning Group, Inc. 2006.

The purpose of this analysis is to illustrate the significance of the updated 2000 information as a basis to project future housing needs. Based on the projections prepared in the 2000 Study, the needs assessment is understated. As the data is further segmented into income categories, the importance of the variances can be seen when used to project housing needs. While there is only a 6.3% variance in the number of actual households used in the two studies, there are differences in the composition of households based on tenure and income categories.

Palm Beach County Affordable Housing Study

Tables ES-2 (Owner) and ES-3 (Renter) illustrate the incremental change of households in the level of cost burden and severe cost burden by income categories and by housing sector. Table ES-3 shows the increase of the number of owner units identified as having either a cost burden or severe cost burden when compared to the 2000 Study. The greatest change in need has occurred at the lower income categories, while the level of cost burden at the higher income categories has decreased slightly based on actual Census data.

Table ES-2: Incremental Change in Owner Household Cost Burden between the 2000 and 2005 PBC Affordable Housing Studies

Housing Sector	0-30% of Median		31-50% of Median		51-80% of Median		81-95% of Median		Total	
	Cost Burden	Severe Cost Burden	Cost Burden	Severe Cost Burden	Cost Burden	Severe Cost Burden	Cost Burden	Severe Cost Burden	Cost Burden	Severe Cost Burden
A	943	767	350	75	48	(125)	(163)	(66)	1,178	651
B	68	56	(41)	(47)	(90)	(140)	(133)	(33)	(196)	(164)
C	759	610	63	(29)	(125)	(127)	(189)	(91)	508	363
D	135	104	(138)	(172)	114	(45)	(40)	(80)	71	(193)
E	1,295	1,080	65	28	(237)	(49)	(55)	(3)	1,068	1,056
F	2,948	2,738	371	235	(378)	(100)	(304)	(43)	2,637	2,830
G	563	440	216	55	(174)	(99)	(293)	(9)	312	387
H	761	634	115	(41)	145	(41)	(38)	(42)	983	510
I	2,238	1,911	390	182	(664)	(101)	(212)	(19)	1,752	1,973
J	1,488	1,539	432	203	(509)	(229)	(203)	(12)	1,208	1,501
K	1,556	1,335	385	244	70	115	14	36	2,025	1,730
L	2,563	2,335	505	402	450	34	(130)	48	3,388	2,817
M	204	160	120	61	65	17	20	3	409	241
N	1,415	1,249	3	(115)	(514)	(282)	(486)	(141)	418	711
O	1,003	749	211	42	(92)	(110)	(222)	(72)	900	609
P	2,197	1,958	483	194	(244)	(116)	(74)	(13)	2,362	2,023
Q	681	529	34	33	(109)	(19)	14	7	620	550
R	600	449	125	25	(66)	(78)	(157)	(51)	502	345
Total	21,417	18,643	3,689	1,375	(2,310)	(1,495)	(2,651)	(583)	20,145	17,940

Note: The 96 - 120% of AMI income category has been omitted since it was not included in the 2000 study.
Source: 2000 Census, Strategic Planning Group, Inc., 2006

Table ES-3 shows the increase of the number of renter units identified as having either a cost burden or severe cost burden when compared to the 2000 Study. Again, while there is an increase in the total number of owner and renter units with costs burden, the Census data indicates that the numbers are greater in the lower income categories. The numbers indicating absolute change also easily identifies those housing sectors having the greatest amount of cost burden by income category.

Palm Beach County Affordable Housing Study

Table ES-3: Incremental Change in Renter Household Cost Burden between the 2000 and 2005 PBC Affordable Housing Studies

Housing Sector	0-30% of Median		31-50% of Median		51-80% of Median		81-95% of Median		Total	
	Cost Burden	Severe Cost Burden	Cost Burden	Severe Cost Burden	Cost Burden	Severe Cost Burden	Cost Burden	Severe Cost Burden	Cost Burden	Severe Cost Burden
A	384	301	106	(27)	(289)	(48)	(80)	(33)	121	193
B	38	30	38	15	4	(13)	5	1	83	33
C	562	429	44	(156)	(365)	(48)	(168)	(26)	73	199
D	78	58	78	17	(8)	(45)	(135)	(16)	13	14
E	988	778	(103)	42	(306)	9	19	21	596	850
F	2,788	2,509	77	(2)	(737)	6	(127)	(8)	2,001	2,505
G	254	203	159	25	33	(9)	(37)	6	409	225
H	524	409	121	(36)	(105)	(43)	(56)	(1)	484	329
I	1,448	1,198	328	(112)	(631)	(36)	(90)	4	1,055	1,054
J	1,564	1,268	(381)	(58)	(1,010)	117	33	39	206	1,366
K	1,195	966	345	78	(103)	(11)	(51)	6	1,386	1,037
L	1,410	1,146	632	116	(206)	(8)	(9)	18	1,827	1,272
M	65	55	45	19	12	2	0	0	122	76
N	688	543	107	(144)	(331)	(91)	0	1	462	309
O	651	488	71	(242)	(808)	(337)	40	(41)	(46)	(132)
P	1,694	1,483	560	41	(535)	(109)	0	(5)	1,719	1,390
Q	206	469	27	138	53	38	0	10	286	655
R	399	299	43	(147)	(609)	(248)	29	(30)	(138)	(126)
Total	14,932	12,612	2,295	(435)	(5,941)	(874)	(627)	(54)	10,659	11,249

Note: The 96 - 120% of AMI income category has been omitted since it was not included in the 2000 study.
Source: 2000 Census, Strategic Planning Group, Inc., 2006

IMPACT OF SIGNIFICANT CHANGES TO HOUSING AFFORDABILITY

There are various factors that impact the equation of housing affordability including: housing prices, interest rates, lending criteria, housing costs like insurance and utilities, and the impact of conversions in apartments and mobile homes.

As shown by the following Table ES-4, the median sale price of existing single-family homes escalated at very high rates over the last four years in Palm Beach County. One factor has been the historically low mortgage rates that have enabled home buyers to purchase more expensive homes than they would have normally been able to purchase in the years leading up to 2001.

Table ES-4: Existing Single-Family Median Home Prices, 1994 to 2005

Year	Median Sales Price	% Change
1994	\$117,600	-
1995	\$122,700	4.3%
1996	\$126,900	3.4%
1997	\$132,700	4.6%
1998	\$128,100	-3.5%
1999	\$133,800	4.4%
2000	\$138,600	3.6%
2001	\$149,600	7.9%
2002	\$194,600	30.1%
2003	\$241,300	24.0%
2004	\$300,900	24.7%
2005	\$390,100	29.6%

Source: Florida Association of Realtors.

Palm Beach County Affordable Housing Study

While home prices may soften due to the number of families being displaced from the marketplace, the continued rise in interest rates by the Federal Reserve, rising insurance costs due to hurricane damages, and escalations in energy and transportation costs have further eroded the affordability gap for many families in Palm Beach County. A family earning the County's median income of \$62,100 could only afford to pay \$272,573 for a home assuming a cost burden of 30%, a 5 % down payment and a 30-year mortgage at 6% interest. Therefore, there exists at the end of 2005, a significant gap between what households can afford for housing compared to the cost of housing. At a 10% interest rate, that same family income can only support a home selling for \$186,220.

The time period of 2002-2005 saw significant apartment/condominium conversion. The four-year period resulted in a loss of over 12,000 apartments to the rental sector (Table ES-5).

Table ES-5. Apartment Conversion Dislocation – 2002-2005

Year	Units	Value	Avg Value
2002	690	\$84,700,000	\$122,754
2003	932	\$121,920,000	\$130,815
2004	2,936	\$388,600,000	\$132,357
2005	7,510	\$1,254,795,435	\$167,083
Total	12,068	\$1,850,015,435	\$153,299

Source: Real Capital Analytics and Strategic Planning Group, Inc., 2006

According to McCabe Research & Consulting, Palm Beach had 5,800 condo conversions, which is significantly lower than *Real Capital Analytics* estimates. Regardless of the exact number (which is in question), condo conversions have significantly reduced the existing rental supply. However, it has had an opposite impact on ownership housing. As shown in Table ES-5, the conversion, on average, has produced significant low/moderate-income ownership housing with the average unit value at \$167,083 in 2005.

To a large degree, condo conversions have been fueled by real estate investors, not homeowners. Starting in January 2006, the condo conversion market has slowed significantly as lenders have tightened credit requirements.

There are two general types of displacement with regard to mobile homes, higher-value development and hurricanes. The first is the loss of units to higher-value development. While communities desire to increase their tax base with higher-value development, the unit owners/renters are displaced from this type of affordable housing.

The second form of displacement has been through the impact of the last two hurricane seasons. Based on data supplied by the Palm Beach Department of Public Safety, there were 2,721 mobile homes that were totally destroyed by Hurricane Wilma alone and another 399 mobile homes that suffered major damage.

HOUSING MARKET ACTIVITY

Throughout the sections of the report describing housing market conditions by housing sector, two major sources of data were utilized in developing the analysis. Historical data for 2005 was developed by acquiring a listing of all recorded deeds from the Palm Beach County Tax Assessor's Office. This information was then adjusted to eliminate "related-party" transactions that occurred for small dollar amounts, which clearly do not reflect market values. Secondly, transactions that had inadequate entries, such as the lack of type of home or number of bedrooms, were eliminated. The second source of data was developed through the Multiple Listing Service (MLS) for homes listed for sale in Palm Beach County during the second week of April 2006.

2005 New Home and Resale Market Activity

The recorded deed data was used in determining the status of the new home and resale market during 2005, by type of unit (single-family, zero-lot line, condominiums and town houses, and mobile homes). Each type was then categorized by the number of bedrooms (1BR, 2BR, 3BR, or 4BR+). The established market value, as determined by the actual transaction in 2005, was compared to the maximum purchase price criteria established in Chapter 2 of this report by income categories and number of bedrooms.

Of the 59,423 original transactions, 39,618 were used in this analysis. Table ES-6 identifies the number of useable new home and resale transactions by housing sector. This table also reflects the number of transactions where the market value and number of bedrooms fall within the affordable income categories previously defined.

Table ES-6: Current Home Sales Market Activity, 2005

Housing Sector	Affordable Units			Total Transactions			%
	New	Resale	Total	New	Resale	Total	
A	31	321	352	709	2,190	2,899	12.1%
B	0	20	20	215	379	594	3.4%
C	0	450	450	551	2,462	3,013	14.9%
D	0	140	140	121	988	1,109	12.6%
E	7	1,022	1,029	66	1,261	1,327	77.5%
F	17	2,022	2,039	42	3,423	3,465	58.8%
G	0	372	372	19	1,473	1,492	24.9%
H	40	367	407	130	1,849	1,979	20.6%
I	286	2,273	2,559	293	2,865	3,158	81.0%
J	143	1,467	1,610	262	1,918	2,180	73.9%
K	26	1,642	1,668	92	2,853	2,945	56.6%
L	0	1,662	1,662	234	3,867	4,101	40.5%
M	1	9	10	453	344	797	1.3%
N	0	1,474	1,474	28	3,025	3,053	48.3%
O	0	463	463	10	1,785	1,795	25.8%
P	172	1,569	1,741	420	3,406	3,826	45.5%
Q	2	11	13	2	11	13	100.0%
R	0	483	483	96	1,776	1,872	25.8%
	725	15,767	16,492	3,743	35,875	39,618	41.6%

Note: The total number of transactions were adjusted to eliminate related-party transaction and those with incomplete data entry.
 Source: Strategic Planning Group, Inc., 2006.

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Table ES-7 reflects the total 2005 sales activity for new homes in Palm Beach County, distributed by housing types, number of bedrooms, and income categories. Of the total number of new home transactions analyzed, 725 units or 19.4% were within the affordable income categories.

Table ES-7: New Home Sales by Type of Unit and Number of Bedrooms, 2005

Income Category	SF				Zero Lot-line				Condo/Townhomes				MH			Total
	1 BR	2 BR	3 BR	4 BR	1 BR	2 BR	3 BR	4 BR	1 BR	2 BR	3 BR	4 BR	1 BR	2 BR	3 BR	
0% to 30%	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	2
30% to 50%	0	0	1	0	0	0	0	0	0	0	0	0	0	0	2	3
50% to 80%	0	2	4	0	0	0	0	0	0	0	25	0	0	0	2	33
80% to 120%	0	20	59	14	0	0	29	53	0	117	395	0	0	0	0	687
Total	0	24	64	14	0	0	29	53	0	117	420	0	0	0	4	725

Source: Strategic Planning Group, Inc., 2006

Table ES-8 shows the total 2005 sales activity for resale homes in the County distributed by housing types, number of bedrooms, and income categories. Of the total number of resale home transactions analyzed, 15,767 units or 44% were within the affordable income categories.

Table ES-8: Resale Homes by Type of Unit and Number of Bedrooms, 2005

Income Category	Single-Family				Zero-lot Line				Condo/Townhomes				Mobile Homes			Total
	1 BR	2 BR	3 BR	4 BR	1 BR	2 BR	3 BR	4 BR	1 BR	2 BR	3 BR	4 BR	1 BR	2 BR	3 BR	
0% to 30%	1	7	2	0	0	0	0	3	208	117	9	0	0	13	2	362
30% to 50%	4	51	44	1	0	1	0	0	975	420	5	0	0	17	8	1,526
50% to 80%	11	224	353	54	0	4	2	0	783	3,128	243	1	0	6	13	4,822
80% to 120%	15	510	562	129	0	44	207	26	746	5,005	1,785	22	0	0	6	9,057
Total	31	792	961	184	0	49	209	29	2,712	8,670	2,042	23	0	36	29	15,767

Source: Strategic Planning Group, Inc., 2006

2006 CURRENT MARKET ACTIVITY

The Multiple Listing Service (MLS) data was collected during the second week of April 2006, through the National Association of Realtors. The total number of listings for PBC during this period was 33,616, of which 2,103 were within the affordable income categories based on the distribution by number of bedrooms and asking price.

Table ES-9 identifies the number of listings by housing sector. This table also shows the number of listings where the asking price and number of bedrooms fall within the affordable income categories.

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Table ES-9: Total MLS Listings by Housing Sector, 2006

Housing Sector	Affordable Units	Total Units	%
A	7	2,635	0.3%
B	3	1,490	0.2%
C	7	1,634	0.4%
D	-	1,441	0.0%
E	80	1,824	4.4%
F	470	4,069	11.6%
G	91	1,708	5.3%
H	195	3,070	6.4%
I	120	826	14.5%
J	301	2,004	15.0%
K	52	1,615	3.2%
L	108	1,424	7.6%
M	3	1,708	0.2%
N	255	1,665	15.3%
O	2	2,111	0.1%
P	127	2,823	4.5%
Q	13	35	37.1%
R	268	1,534	17.5%
Total	2,103	33,616	6.3%

Source: MLS and Strategic Planning Group, Inc., 2006

Table ES-10 shows the total 2006 market activity for residential listings in PBC distributed by housing types, number of bedrooms and income categories. Of the total, 2,103 units or 6.3% were within the affordable income categories.

Table ES-10: Current Home Market Activity, 2006

Income Category	Single-Family				Multi-Family				Mobile Homes			Total
	1 BR	2 BR	3 BR	4 BR	1 BR	2 BR	3 BR	4 BR	1 BR	2 BR	3 BR	
0% to 30%	0	0	0	0	0	0	0	0	0	1	0	1
30% to 50%	0	1	1	0	91	9	0	0	0	10	2	114
50% to 80%	1	2	10	0	381	180	0	1	0	29	8	612
80% to 120%	1	38	60	13	236	969	36	2	0	12	9	1,376
Total	2	41	71	13	708	1,158	36	3	0	52	19	2,103

Note: Based on a total of 33,616 MLS listings, National Association of Realtors, April 2006.
Source: Strategic Planning Group, Inc., 2006.

The recent trend in the conversion of apartment units to condominiums has had a dual impact. The converted units have provided an affordable alternative for homeownership. However, the decrease in the supply of apartment units has increased occupancy rates throughout South Florida, which in turn has caused a rise in apartment rental rates.

Palm Beach County Affordable Housing Study

Table ES-11 reflects the current market rent amounts by type of unit at apartment communities in each Housing Sector. A complete listing of apartment complexes is provided in the Appendices.

Table ES-11: Average Apartment Rent by Type of Unit, 2006

HS	Units	1BR	2BR	3BR	4BR+
A	1,469	\$ 970	\$ 1,250	\$ 1,582	\$ -
B	1,212	\$ 1,115	\$ 1,397	\$ 1,660	\$ -
C	2,811	\$ 1,185	\$ 1,212	\$ 1,345	\$ -
D	234	\$ 900	\$ -	\$ -	\$ -
E	2,265	\$ 659	\$ 786	\$ 925	\$ -
F	9,667	\$ 872	\$ 1,191	\$ 1,365	\$ -
G	3,330	\$ 773	\$ 987	\$ 1,086	\$ -
H	1,598	\$ 1,005	\$ 1,276	\$ 1,493	\$ 1,915
I	3,358	\$ 754	\$ 861	\$ 1,101	\$ -
J	3,153	\$ 786	\$ 956	\$ 1,415	\$ -
K	4,068	\$ 1,035	\$ 1,298	\$ -	\$ -
L	2,362	\$ 994	\$ 1,201	\$ 1,447	\$ -
M	-	\$ -	\$ -	\$ -	\$ -
N	1,723	\$ -	\$ 1,660	\$ 2,080	\$ 2,530
O	2,149	\$ 1,302	\$ 1,613	\$ 2,094	\$ -
P	7,992	\$ 932	\$ 1,149	\$ 1,383	\$ -
Q	384	\$ -	\$ -	\$ -	\$ -
R	4,297	\$ 980	\$ 1,298	\$ 1,560	\$ 2,260

Source: Strategic Planning Group, Inc. 2006.

Table ES-12 reflects the distribution of rental units by income categories and housing sectors. While there are several sectors with larger percentages of units at the lower income categories, the county-wide averages indicate that 50.3% of the total rental units fall within income categories greater than 120% or more of the AMI, while the remaining 22.9% are in the income categories of 50% of the AMI or below.

Table ES-12: Rental Unit Distribution by Income Group, 2000

Housing Sector	Income Categories											
	0 - 30%		31% - 50%		51% - 80%		81% - 120%		120%+		Total	%
Units	%	Units	%	Units	%	Units	%	Units	%			
A	369	8.2%	252	5.6%	401	8.9%	873	19.4%	2,607	57.9%	4,502	100.0%
B	5	2.9%	4	2.3%	12	7.0%	35	20.5%	115	67.3%	171	100.0%
C	548	9.8%	296	5.3%	469	8.4%	1,045	18.7%	3,230	57.8%	5,588	100.0%
D	31	3.9%	25	3.1%	65	8.2%	187	23.5%	487	61.3%	795	100.0%
E	1,776	20.7%	755	8.8%	781	9.1%	1,493	17.4%	3,774	44.0%	8,579	100.0%
F	4,509	21.2%	1,680	7.9%	1,872	8.8%	3,467	16.3%	9,741	45.8%	21,269	100.0%
G	87	6.3%	61	4.4%	123	8.9%	329	23.8%	781	56.6%	1,381	100.0%
H	318	8.3%	176	4.6%	268	7.0%	655	17.1%	2,414	63.0%	3,831	100.0%
I	1,366	15.4%	789	8.9%	926	10.4%	1,768	19.9%	4,017	45.3%	8,866	100.0%
J	2,657	16.5%	1,498	9.3%	1,610	10.0%	3,011	18.7%	7,327	45.5%	16,103	100.0%
K	1,058	13.5%	629	8.0%	845	10.8%	1,689	21.5%	3,638	46.3%	7,859	100.0%
L	514	12.0%	304	7.1%	411	9.6%	883	20.6%	2,173	50.7%	4,285	100.0%
M	2	8.0%	1	4.0%	1	4.0%	4	16.0%	17	68.0%	25	100.0%
N	521	10.7%	284	5.8%	394	8.1%	898	18.4%	2,771	56.9%	4,868	100.0%
O	679	9.6%	424	6.0%	551	7.8%	1,181	16.7%	4,235	59.9%	7,070	100.0%
P	1,763	14.3%	934	7.6%	1,083	8.8%	2,245	18.2%	6,341	51.3%	12,366	100.0%
Q	1,993	34.2%	507	8.7%	425	7.3%	769	13.2%	2,133	36.6%	5,827	100.0%
R	447	6.6%	277	4.1%	433	6.4%	1,009	14.9%	4,602	68.0%	6,768	100.0%
Total	18,643	15.5%	8,896	7.4%	10,670	8.9%	21,541	17.9%	60,403	50.3%	120,153	100.0%

Source: 2000 Census, Strategic Planning Group, Inc., 2006.

Attachment "b"

**Executive Summary
Palm Beach County Workforce Housing Study**

EXECUTIVE SUMMARY

INTRODUCTION

Strategic Planning Group was engaged to conduct the 2005 Affordable Housing Study for Palm Beach County (PBC). Subsequently, the County engaged SPG to conduct a similar study of the workforce segment of the housing market by the same housing sectors used in the Affordable Housing Study for comparison purposes. Therefore, the methodologies and geographical areas used in the Workforce Housing Study are the same as in the Affordable Housing Study. For purposes of this analysis, the workforce segment has been defined as households with incomes between 61% and 150% of the County's average median income (AMI), which has been categorized into 61% to 80% of AMI, 81% to 100% of AMI, 101% to 120% of AMI, and 121% to 150% of AMI throughout the study. The study assumes that no household should pay more than 30% of its income for housing and that affordability is defined as a maximum home price of 2 1/2 times household income. Income ranges are shown below.

Table ES-1: 2005 Income Groups and Associated Income Ranges (four-person household)

Income Group (%)	Maximum Annual Income (\$)	Income Range (\$)
61-80% of Median	\$49,680	\$31,051 to \$49,680
81-100% of Median	\$62,100	\$49,681 to \$62,100
101-120% of Median	\$74,520	\$62,101 to \$74,520
121-150% of Median	\$93,150	\$74,521 to \$93,150

Source: PBC Planning Department, Strategic Planning Group, Inc., 2006

The maximum affordability of ownership housing is shown in Table ES-2 adjusted for household size.

Table ES-2: Maximum Home Price By Bedrooms Per Unit, Adjusted for Household Size in Palm Beach County

	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom
60% of Median	\$ 70,625	\$ 84,750	\$ 98,000	\$ 109,250
80% of Median	\$ 94,188	\$ 113,000	\$ 130,625	\$ 145,750
100% of Median	\$ 117,750	\$ 141,250	\$ 163,250	\$ 182,000
120% of Median	\$ 141,375	\$ 169,500	\$ 196,000	\$ 218,625
150% of Median	\$ 176,625	\$ 211,875	\$ 244,875	\$ 273,000

Note: 2.5 times household income, assuming a household size of 1.5 persons per bedroom.
Source: Strategic Planning Group, Inc., 2006

The maximum rental rates by bedroom are shown in Table ES-3.

Palm Beach County Workforce Housing Study

Table ES-3 Maximum Contract Rent by Bedrooms per Unit (\$/month) Adjusted for Unit Size in Palm Beach County

	Efficiency	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom
60% of Median	\$ 561	\$ 600	\$ 720	\$ 833	\$ 929
80% of Median	\$ 747	\$ 801	\$ 961	\$ 1,110	\$ 1,239
100% of Median	\$ 935	\$ 1,001	\$ 1,201	\$ 1,388	\$ 1,547
120% of Median	\$ 1,122	\$ 1,006	\$ 1,441	\$ 1,666	\$ 1,858
150% of Median	\$ 1,403	\$ 1,501	\$ 1,801	\$ 2,081	\$ 2,321

Note: Represents 85% of Maximum Gross Rent figures defined by the Florida Housing Finance Corporation
 Source: Strategic Planning Group, Inc., 2006

WORKFORCE HOUSING DEMAND

Based on SPG's analysis, Palm Beach County had a demand for 151,005 workforce ownership housing and 44,499 workforce rental units as shown in Table ES-4. The main report provides information on demand by each of the County's 18 housing sectors.

Table ES-4: Demand For Owner and Renter-occupied Housing by Income Category, 2005

Housing	61-80%	81-100%	101-120%	120-150%	Total
	#	#	#	#	#
Ownership	50,146	42,187	29,572	29,100	151,005
Rental	15,666	12,605	8,251	7,977	44,499

Strategic Planning Group, Inc. 2006

FUTURE WORKFORCE HOUSING DEMAND

SPG, utilizing Palm Beach County MPO population and household projections for 2010, determined that the County would need an additional 15,200 workforce housing units over the next four year time period of which 12,000 units should be owner occupied housing and 3,200 units being rentals.

Table ES-5: Incremental Owner Housing Needs - 2006 to 2010 by Income Group between 61% and 150% of County-wide Median

Housing Sector	Income Groups												Total Incremental
	61-80%			81-100%			101-120%			121-150%			
	2006	2010	Chg	2006	2010	Chg	2006	2010	Chg	2006	2010	Chg	
Ownership	48,536	52,252	3,716	41,170	44,436	3,266	29,139	31,633	2,494	28,836	31,360	2,524	12,000
Rental	16,200	17,280	1,080	13,035	13,924	889	8,503	9,125	622	8,205	8,814	609	3,200

Strategic Planning Group, Inc. 2006

IMPACT OF SIGNIFICANT CHANGES TO HOUSING AFFORDABILITY

There are various factors that impact the equation of housing affordability including: housing prices, interest rates, lending criteria, housing costs like insurance and utilities, and the impact of conversions in apartments and mobile homes.

As shown by the following Table ES-6, the median sale price of existing single-family homes escalated at very high rates over the last four years in Palm Beach County. One factor has been the historically low mortgage rates that have enabled home buyers to purchase more expensive homes than they would have normally been able to purchase in the years leading up to 2001.

Palm Beach County Workforce Housing Study

Table ES-6: Existing Single-Family Median Home Prices, 1994 to 2005

Year	Median Sales Price	% Change
1994	\$117,600	-
1995	\$122,700	4.3%
1996	\$126,900	3.4%
1997	\$132,700	4.6%
1998	\$128,100	-3.5%
1999	\$133,800	4.4%
2000	\$138,600	3.6%
2001	\$149,600	7.9%
2002	\$194,600	30.1%
2003	\$241,300	24.0%
2004	\$300,900	24.7%
2005	\$390,100	29.6%

Source: Florida Association of Realtors.

While home prices may soften due to excess inventories and the number of investors leaving the marketplace, the continued rise in interest rates by the Federal Reserve, rising insurance costs due to hurricane damages, and escalations in energy and transportation costs have further expanded the affordability gap for many families in Palm Beach County. A family earning the County's median income of \$62,100 could only afford to pay \$272,573 for a home assuming a cost burden of 30%, a 5 % down payment and a 30-year mortgage at 6% interest. Therefore, there exists at the end of 2005, a significant gap between what households can afford for housing compared to the cost of housing. At a 10% interest rate, that same family income can only support a home selling for \$186,220.

The time period of 2002-2005 saw significant apartment/condominium conversion. The four-year period resulted in a loss of over 12,000 apartments to the rental sector (Table ES-7).

Table ES-7. Apartment Conversion Dislocation – 2002-2005

Year	Units	Value	Avg Value
2002	690	\$84,700,000	\$122,754
2003	932	\$121,920,000	\$130,815
2004	2,936	\$388,600,000	\$132,357
2005	7,510	\$1,254,795,435	\$167,083
Total	12,068	\$1,850,015,435	\$153,299

Source: Real Capital Analytics and Strategic Planning Group, Inc., 2006

According to McCabe Research & Consulting, Palm Beach had 5,800 condo conversions, which is significantly lower than *Real Capital Analytics* estimates. Regardless of the exact number (which is in question), condo conversions have significantly reduced the existing rental supply. However, it has had an opposite impact on ownership housing. As shown in Table ES-7, the conversion, on average, has produced significant low/moderate-income ownership housing with the average unit value at \$167,083 in 2002.

To a large degree, condo conversions have been fueled by real estate investors, not homeowners. Starting in January 2006, the condo conversion market has slowed significantly as lenders have tightened credit requirements.

Palm Beach County Workforce Housing Study

CURRENT HOUSING MARKET ACTIVITY

Throughout the sections of the report describing housing market conditions by housing sector, two major sources of data were utilized in developing the analysis. Historical data for 2005 was developed by acquiring a listing of all recorded deeds from the Palm Beach County Tax Assessor's Office. This information was then adjusted to eliminate "related-party" transactions that occurred for small dollar amounts, which clearly do not reflect market values. Secondly, transactions that had inadequate entries, such as the lack of type of home or number of bedrooms, were eliminated. The second source of data was developed through the Multiple Listing Service (MLS) for homes listed for sale in Palm Beach County during the last half of September 2006.

2005 New Home and Resale Market Activity

The recorded deed data was used in determining the status of the new home and resale market during 2005, by type of unit (single-family, zero-lot line, condominiums and town houses, and mobile homes). Each type was then categorized by the number of bedrooms (1BR, 2BR, 3BR, or 4BR+). The established market value, as determined by the actual transaction in 2005, was compared to the maximum purchase price criteria established in Chapter 1 of this report by income categories and number of bedrooms.

Of the 59,423 original transactions, 39,618 were used in this analysis. Table ES-8 identifies the number of useable new home and resale transactions by housing sector. This table also reflects the number of transactions where the market value and number of bedrooms fall within the affordable income categories previously defined.

Table ES-8: Current Home Sales Market Activity, 2005

Housing Sector	Work Force Units			Total Transactions			WF Units as a % of Total		
	New	Resale	Total	New	Resale	Total	New	Resale	Total
A	66	614	680	709	2,190	2,899	9.3%	28.0%	23.5%
B	0	48	48	215	379	594	0.0%	12.7%	8.1%
C	0	854	854	551	2,462	3,013	0.0%	34.7%	28.3%
D	0	293	293	121	988	1,109	0.0%	29.7%	26.4%
E	9	1,005	1,014	66	1,261	1,327	13.6%	79.7%	76.4%
F	18	1,820	1,838	42	3,423	3,465	42.9%	53.2%	53.0%
G	0	627	627	19	1,473	1,492	0.0%	42.6%	42.0%
H	40	497	537	130	1,849	1,979	30.8%	26.9%	27.1%
I	292	2,006	2,298	293	2,865	3,158	99.7%	70.0%	72.8%
J	159	1,227	1,386	262	1,918	2,180	60.7%	64.0%	63.6%
K	28	2,043	2,071	92	2,853	2,945	30.4%	71.6%	70.3%
L	1	1,931	1,932	234	3,867	4,101	0.4%	49.9%	47.1%
M	2	62	64	453	344	797	0.4%	18.0%	8.0%
N	0	1,779	1,779	28	3,025	3,053	0.0%	58.8%	58.3%
O	0	629	629	10	1,785	1,795	0.0%	35.2%	35.0%
P	189	2,112	2,301	420	3,406	3,826	45.0%	62.0%	60.1%
Q	2	6	8	2	11	13	100.0%	54.5%	61.5%
R	0	725	725	96	1,776	1,872	0.0%	40.8%	38.7%
	806	18,278	19,084	3,743	35,875	39,618	21.5%	50.9%	48.2%

Note: The total number of transactions were adjusted to eliminate related-party transaction and those with incomplete data entry.
Source: Strategic Planning Group, Inc., 2006.

Table ES-9 reflects the total 2005 sales activity for new homes in Palm Beach County, distributed by housing types, number of bedrooms, and income categories. Of the total number of new home transactions analyzed, 806 units or 21.5% were within the workforce income categories.

Palm Beach County Workforce Housing Study

Table ES-9: New Home Sales by Type of Unit and Number of Bedrooms, 2005

Income Category	SF				Zero Lot-line				Condo/Townhomes				MH			Total
	1 BR	2 BR	3 BR	4 BR	1 BR	2 BR	3 BR	4 BR	1 BR	2 BR	3 BR	4 BR	1 BR	2 BR	3 BR	
61% to 80%	0	2	4	0	0	0	0	0	0	0	25	0	0	0	1	32
81% to 100%	0	0	20	4	0	0	1	9	0	27	276	0	0	0	0	337
101% to 120%	0	0	56	13	0	0	28	44	0	90	119	0	0	0	0	350
121% to 150%	0	1	38	3	0	0	3	2	0	1	39	0	0	0	0	87
Total	0	3	118	20	0	0	32	55	0	118	459	0	0	0	1	806

Source: PBC Property Appraiser's Office, Strategic Planning Group, Inc., 2006

Table ES-10 shows the total 2005 sales activity for resale homes in the County distributed by housing types, number of bedrooms, and income categories. Of the total number of resale home transactions analyzed, 18,278 units or 51% were within the workforce income categories.

Table ES10: Resale Homes by Type of Unit and Number of Bedrooms, 2005

Income Category	SF				Zero Lot-line				Condo/Townhomes				MH			Total
	1 BR	2 BR	3 BR	4 BR	1 BR	2 BR	3 BR	4 BR	1 BR	2 BR	3 BR	4 BR	1 BR	2 BR	3 BR	
61% to 80%	11	163	268	54	0	4	2	0	375	2,301	206	1	0	1	12	3,398
81% to 100%	9	219	219	54	0	31	52	1	353	2,406	702	12	0	0	6	4,064
101% to 120%	6	291	343	75	0	13	155	25	394	2,579	1,102	10	0	0	0	4,993
121% to 150%	4	304	598	175	1	120	557	137	507	2,041	1,350	29	0	0	0	5,823
Total	30	977	1,428	358	1	168	766	163	1,629	9,327	3,360	52	0	1	18	18,278

Source: PBC Property Appraiser's Office, Strategic Planning Group, Inc., 2006

2006 CURRENT MARKET ACTIVITY

The Multiple Listing Service (MLS) data was collected during the last half of September 2006, through the National Association of Realtors. The total number of listings for PBC during this period was 41,366, of which 5,644 were within the workforce income categories based on the distribution by number of bedrooms and asking price. Table ES-11 identifies the number of listings by housing sector. This table also shows the number of listings where the asking price and number of bedrooms fall within the workforce income categories.

Table ES-11: Total MLS Listings by Housing Sector, 2006

Housing Sector	Work Force	Total	%
A	133	2,922	4.6%
B	47	1,718	2.7%
C	83	1,823	4.6%
D	1	1,564	0.1%
E	293	2,121	13.8%
F	591	4,760	12.4%
G	328	1,999	16.4%
H	414	3,660	11.3%
I	349	1,015	34.4%
J	568	2,291	24.8%
K	243	1,763	13.8%
L	651	1,993	32.7%
M	66	1,216	5.4%
N	502	2,163	23.2%
O	103	2,945	3.5%
P	714	4,331	16.5%
Q	63	443	14.2%
R	494	2,639	18.7%
Total	5,644	41,366	13.6%

Source: Strategic Planning Group, Inc., 2006.

Palm Beach County Workforce Housing Study

Table ES-12 shows the total 2006 market activity for residential listings in PBC distributed by housing types, number of bedrooms and income categories. Of the total, 5,644 units or 13.6% were within the affordable income categories.

Table ES-12: Current Home Market Activity, 2006

Income Category	SF				MF				MH			Total
	1 BR	2 BR	3 BR	4 BR	1 BR	2 BR	3 BR	4 BR	1 BR	2 BR	3 BR	
61% to 80%	0	5	14	0	323	281	5	0	2	19	16	645
81% to 100%	0	17	27	8	212	640	25	0	0	12	20	961
101% to 120%	2	65	95	25	253	895	83	0	1	2	7	1,428
121% to 150%	1	158	239	91	238	1,489	380	10	0	1	2	2,609
Total	3	245	375	124	1,026	3,285	493	10	3	34	45	5,643

Note: Based on an analysis of MLS listings, National Association of Realtors, September 2006.
Source: Strategic Planning Group, Inc., 2006.

The recent trend in the conversion of apartment units to condominiums has had a dual impact. The converted units have provided a more affordable alternative for homeownership. However, the decrease in the supply of apartment units has increased occupancy rates throughout South Florida, which in turn has caused a rise in apartment rental rates.

Table ES-13 reflects the current market rent amounts by type of unit at apartment communities in each Housing Sector. A complete listing of apartment complexes is provided in the Appendices.

Table ES-13: Average Apartment Rent by Type of Unit, 2006

HS	Units	1BR	2BR	3BR	4BR+
A	1,469	\$ 970	\$ 1,250	\$ 1,582	\$ -
B	1,212	\$ 1,115	\$ 1,397	\$ 1,660	\$ -
C	2,811	\$ 1,185	\$ 1,212	\$ 1,345	\$ -
D	234	\$ 900	\$ -	\$ -	\$ -
E	2,265	\$ 659	\$ 786	\$ 925	\$ -
F	9,667	\$ 872	\$ 1,191	\$ 1,365	\$ -
G	3,330	\$ 773	\$ 987	\$ 1,086	\$ -
H	1,598	\$ 1,005	\$ 1,276	\$ 1,493	\$ 1,915
I	3,358	\$ 754	\$ 861	\$ 1,101	\$ -
J	3,153	\$ 786	\$ 956	\$ 1,415	\$ -
K	4,068	\$ 1,035	\$ 1,298	\$ -	\$ -
L	2,362	\$ 994	\$ 1,201	\$ 1,447	\$ -
M	-	\$ -	\$ -	\$ -	\$ -
N	1,723	\$ -	\$ 1,660	\$ 2,080	\$ 2,530
O	2,149	\$ 1,302	\$ 1,613	\$ 2,094	\$ -
P	7,992	\$ 932	\$ 1,149	\$ 1,383	\$ -
Q	384	\$ -	\$ -	\$ -	\$ -
R	4,297	\$ 980	\$ 1,298	\$ 1,560	\$ 2,260

Source: Strategic Planning Group, Inc. 2006.

Table ES-14 reflects the distribution of rental units by workforce income categories and housing sectors.

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Table ES-14: Rental Unit Distribution by Income Group, 2000

Housing Sector	Income Categories									
	61% to 80%		81% to 100%		101% to 120%		121% to 150%		Total	
	Units	%	Units	%	Units	%	Units	%	Units	%
A	584	30.5%	534	27.9%	388	20.3%	408	21.3%	1,914	100.0%
B	18	21.4%	17	20.2%	22	26.2%	27	32.1%	84	100.0%
C	709	30.2%	629	26.8%	477	20.3%	532	22.7%	2,347	100.0%
D	96	23.7%	113	27.9%	111	27.4%	85	21.0%	405	100.0%
E	1,174	39.5%	857	28.8%	533	17.9%	411	13.8%	2,975	100.0%
F	2,877	40.3%	2,103	29.5%	1,156	16.2%	1,000	14.0%	7,136	100.0%
G	194	24.1%	231	28.7%	191	23.8%	188	23.4%	804	100.0%
H	402	25.5%	404	25.6%	329	20.8%	443	28.1%	1,578	100.0%
I	1,395	38.5%	1,121	30.9%	624	17.2%	487	13.4%	3,627	100.0%
J	2,467	39.9%	1,780	28.8%	1,043	16.9%	886	14.3%	6,176	100.0%
K	1,254	36.8%	929	27.3%	656	19.3%	566	16.6%	3,405	100.0%
L	612	33.3%	500	27.2%	386	21.0%	342	18.6%	1,840	100.0%
M	2	16.7%	2	16.7%	4	33.3%	4	33.3%	12	100.0%
N	664	29.8%	606	27.2%	451	20.3%	504	22.7%	2,225	100.0%
O	1,029	31.9%	843	26.1%	620	19.2%	732	22.7%	3,224	100.0%
P	1,965	34.4%	1,623	28.4%	1,077	18.9%	1,048	18.3%	5,713	100.0%
Q	646	40.7%	501	31.6%	242	15.3%	197	12.4%	1,586	100.0%
R	758	26.7%	796	28.1%	552	19.5%	728	25.7%	2,834	100.0%
Total	16,846	35.2%	13,589	28.4%	8,862	18.5%	8,588	17.9%	47,885	100.0%

Source: 2000 Census, Strategic Planning Group, Inc., 2006.