PALM BEACH COUNTY BOARD OF COUNTY COMMISSIONERS

WORKSHOP SUMMARY

Meeting Date: October 23, 2018

Department: Planning, Zoning & Building

County Administration

I. EXECUTIVE BRIEF

Title: Workforce Housing Program Policy Discussion and Direction

Summary: Staff is seeking policy direction from the Board on proposed modifications to the Workforce Housing Program (WHP), outlined in Attachment 1. Proposed modifications were initially presented to the Board at the March 27, 2018 Workshop at the Convention Center, following economic analysis completed by the County's consultant, and stakeholders meetings with residential builders, housing non-profit organizations and other interested parties held in early 2018. March 27th workshop, the Board directed staff to gather additional input from the Housing Steering Committee and regional subcommittees created following the 2017 Housing Summit. These groups provided their recommendations at an August 23, 2018 BCC Zoning Hearing (red text in Attachment 1). There are eleven key policy issues. Staff and the Steering Committee are in agreement on five recommendations (items with green border on Attachment 1); there is partial agreement on four policy issues (yellow border), and no agreement on two issues (pink border). At this workshop, staff will present the eleven threshold policy issues to the Board for discussion and direction, in order to proceed with code revisions to the WHP. Matt Kowta of BAE Urban Economics, the County's economic consultant, will discuss the economic analysis of the currently proposed changes. Collectively, the proposed provisions reflect the ongoing effort to evaluate and enhance the WHP to better reflect the current housing economic market as well as address the concerns expressed by the Board at its informational workshop held on April 25, 2017. At the time of that workshop, there were 720 multi-family WHP units built and no single-family units. The Board emphasized the need to increase the number of for-sale workforce housing units and to review the in-lieu (buy-out) fee of \$81,500. As the Board is aware, the WHP applies only in the Urban/Suburban Tier of unincorporated County and elsewhere by conditions of approval. It is one of several initiatives implemented by the County to facilitate the construction of workforce-affordable housing units. Countywide (RPB).

Background and Policy Issues: The County's WHP program was established in 2006, and modified in 2010 in response to economic conditions at the time. It requires that a percentage of units in residential developments in the Urban/Suburban Tier be provided as for-sale or rental workforce housing, affordable to households having 60% to 140% of area median income. The 2018 Area Median Income in Palm Beach County was \$74,300 for a family of four. The WHP provides a number of benefits for developers, including an optional density bonus in exchange for a larger percentage of units dedicated as workforce housing. The program also offers several options to meet the WHP obligation, including construction of the workforce housing units on site or off site, or making an inlieu payment. Since the inception of the program, the in-lieu fee amount has been set by the Board at \$81,500 per for-sale unit and \$50,000 per rental unit. To date, nearly \$4,000,000 has been collected in in-lieu fees for 48 for-sale units in 12 developments. Currently, there are 121 for-sale townhome WHP units under development in five projects and more than 700 rental units.

Attachments:

1) WHP Key Policy Issues for Board Direction

2) Economic Analysis - Profitability Table from BAE Urban Economics

Recommended by:	Pal	10(16)18	:===
	Department Director	Date	
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Approved by:	Falo		
	Assistant County Administrator	Date	

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2019	2020	2021	2022	2023
Capital					
Expenditures					
Operating					
Costs					
External					
Revenues					
Program					
Income(County)					
In-Kind					
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Workforce Housing Program Key Policy Issues for Board Direction, October 23, 2018 Workshop (red text indicates recommendations of the Housing Steering Committee and Regional Subcommittees)

K	ey Policy Issues and Reco	mmendations Presented a	it March 27, 2018 BCC Worksl	пор	Additional Recommendations		REQUIRED BOARD DIRECTION: Current Staff	
olicy Issues	Current Code	Changes Discussed March 2018	Considerations	Staff Recommendation	Housing Steering Committee	Regional Subcommittee	Recommendation	
Optional Density Bonus *	Under 'Full Incentive' Option: • LR-1 to LR-3: limited to 30% bonus • MR-5 and higher: based on concentration of VL-L income households and other factors	Increase density bonuses to allow up to 100% density bonus, subject to compatibility	 Potential benefit to developer, but requires early engagement of residents, staff Density bonus not valuable to low density builders 	Allow up to 100% density bonus	Concur with staff recommendation		Move forward with March 2018 recommendation, and in concurrence with Steering Committee recommendation: • Allow up to 100% density bonus	
Limited/No Incentive Options *	WHP offers, in addition to Full Incentive Option: • Limited Incentive Option, reduces bonus and obligation in half • No Incentive Option, for projects with all WH units, all on site, no bonus density	Eliminate existing No Incentive option	These options were added to the program during recession	Eliminate No Incentive option	Concur with staff recommendation		Move forward with March 2018 recommendation, and in concurrence with Steering Committee recommendation: • Eliminate No Incentive option	
Requirement for On-site WH Units *	No requirement for units to be on-site (except under 'No Incentive' Option)	Reduce obligation by 10% if all WHP units are built on site	 To assist with affordability, on-site WH units can be provided in a separate 'pod' with reduced amenities and HOA fees 	Revise as proposed to incentivize onsite construction	Concur with staff recommendation		Move forward with March 2018 recommendation, and in concurrence with Steering Committee recommendation: Revise as proposed to incentivize onsite construction	
Income Category Flexibility	No requirement	Case by case, allow buyer to purchase WHP unit for another income level, if qualifying ratios are met and unit is available	 Due to family size or other factors, a WH purchaser may need a different unit type or size not available in their income category 	Allow this flexibility	Concur with staff recommendation		Move forward with March 2018 recommendation, and in concurrence with Steering Committee recommendation: • Allow this flexibility	
Bedrooms Proportional to Market Rate *	No requirement	Require same distribution of bedroom unit types as in project's market rate units	Without this requirement, resulting WH units may be mostly one-bedroom, unsuitable for families	requirement	 Any for sale (SF, ZLL, TH, and Condo) WFH units have a minimum of 2 bedrooms with each bedroom being a minimum of 100 sf Require 25% of for sale (SF, ZLL, TH, and Condo) WFH units be 3 bedrooms or more, with each bedroom being a minimum of 100 sf No restriction on rental WFH projects relative to number of bedrooms per unit or SF of each bedroom 		 Move forward with revised recommendation, and in concurrence with Steering Committee recommendation: Any for sale (SF, ZLL, TH, and Condo) WFH units have a minimum of 2 bedrooms with each bedroom being a minimum of 100 sf Require a minimum of 25% of for sale WFH units to be 3 bedrooms or more, with each bedroom being a minimum of 100 sf No restriction on rental WFH projects relative to number of bedrooms per unit or SF of each bedroom 	

Ke	y Policy Issues and Recommendations Presented at March 27, 2018 BCC Workshop				Additional Recommendation	REQUIRED BOARD DIRECTION: Current Staff	
Policy Issues	Current Code	Changes Discussed March 2018	Considerations	Staff Recommendation	Housing Steering Committee	Regional Subcommittee	Recommendation
In-Lieu Fee*	\$81,500 (SF) \$50,000 (MF)	Increase in lieu fee to: \$120,000 (SF) \$100,000 (TH) \$75,000 (MF)	 Unchanged since program inception in 2006 Engages only the residential building sector Higher in-lieu fees increase incentive to build units, or result in additional funds Per CPI, \$81,500 in 2005 would be \$112,951 in 2018 	Increase to: \$120,000 (SF) \$100,000 (TH) \$75,000 (MF)	The Steering Committee is not taking a formal position on the staff suggested in lieu increase, for or against. More information and understanding is needed in order to take a position.	 Differentiate inlieu fees by SF,TH, & MF (North) Use in-lieu fees for other costs such as impact and permit fees (North) 	Move forward with March 2018 recommendation, to include partial concurrence with Regional Subcommittee recommendation: • Increase to: \$120,000 (SF) \$100,000 (TH) \$75,000 (MF)
Select WHP Option at Public Hearing	Developer can revise selected method to meet WH obligation until final DRO or 1st building permit	Require developer to declare method at public hearing, and return to BCC to change method		Require declaration at public hearing	 Concur with staff recommendation; however, include the option to post performance surety to encourage off-site construction v. in lieu payment at first building permit. Create expedited process to amend the declaration through BCC process 		 Move forward with March 2018 recommendation, to include partial concurrence with Steering Committee recommendation: Require declaration at public hearing Allow use of Expedited Application Consideration (EAC) process to amend the declaration of WHP disposition on
Mith Partial Agreement on Recommendations Belease of Oplication of Second Oplication of Seco	After 180 day good faith effort to market WH units, developer can request release from obligation and pay significantly reduced in lieu fee, if market rate units in project/phase are 80% under contract	After 180 day good faith effort to market WH units concurrent with market rate units, developer can request release from obligation and pay significantly reduced in lieu fee, if market rate units in project/phase are 80% sold (recorded deed). Requirement for marketing plan and updates by developer.	Current provision creates disincentive to market WHP units	Revise this provision	 County create a list of agencies/not for profits/governmental entities that must be noticed for any WFH project before start of 180 day period Concur with staff recommendation to require a marketing plan and updates by the developer County/HLC include on their respective websites the information on the project, including, but not limited to, location, floor plans, pricing, sales office location, contact information, and procedures to qualify for WFH units 		 Move forward with revised recommendation: Replace 180 day timeframe with requirement that 75% of market rate units be CO'd Eliminate discount on in lieu fee To include concurrence with Steering Committee recommendations: Provide specific requirements for notification, marketing, and developer updates in an accompanying procedure
Exchange Program *	Not addressed (not precluded under current code)	Formalize an 'exchange option' allowing a developer to contract with another party to build required WH units, with either party providing surety in amount equal to full in lieu fee	 No exchanges have been utilized to date Concept proposed by builders in 2016 WHP review, includes 2 fee levels; however, If surety is less than in-lieu fee, County would not be made whole 	Allow exchange with requirement for surety equal to full in lieu fee	 Support the exchange program with performance surety for participating exchange projects set 20% lower than the code required in lieu payment to incentivize developers to participate in the exchange. Provide off-site exchange project three years to complete the required WFH units with staff discretion to extend for good cause (such as the WFH units being close to being completed). The exchange in lieu fee payment (if subsequently required to be paid) by the workforce builder is also set 20% lower than the code required in lieu payment. Decouple the market rate project from the WFH project once surety is posted for projects participating in the exchange 	 Allow exchange program not tied to in-lieu amount nor parent project (North) Include Exchange Program (Central) 	 Move forward with revised recommendation, to include partial concurrence with Regional Subcommittee recommendation: Require surety bond equal to full in lieu fee Require developer to provide notice to County as building permits approach 85% at parent project Evaluate exchange concept and report to BCC within 3 years of implementation To include partial concurrence with Steering Committe recommendations: Decoupling: If 100% of WHP units are not CO'd prior to building permits for 85% of parent project units, surety bond is paid to PBC, but parent project will not be stopped.

	Ke	y Policy Issues and Recommendations Presented at March 27, 2018 BCC Workshop				Additional Recommendations		REQUIRED BOARD DIRECTION: Current Staff
Policy Issues		Current Code	Changes Discussed March 2018	Considerations	Staff Recommendation	Housing Steering Committee	Regional Subcommittee	Recommendation
ues without Agreement		No requirement	Require some or all WH units to be same type (SF,TH, or MF) and same ownership type (for-sale, rental) as parent project, (but not same size, finishes, or location- NA if not on site); or allow conversion factor (1 SF unit=1.5 MF unit) for some or all required units	 Like for Like requirement would result in more single- family units Conversion factor would result in more total units for projects opting for conversion 	Establish this requirement	Do not concur with staff recommendation. Rather, do not require like for like requirement. Require, however, that any off-site rental WFH units are calculated at 1.5 times the required on-site for sale (SF, ZLL, TH, and Condominium) WFH units. Condominium units should be construed as for sale units and not multi-family units.	 Allow conversion factor of 1 SF = 1.5 MF (North) Modify Like-for-like to allow for substantial renovation and preservation of existing SF or MF unit (Central) 	Move forward with March 2018 recommendation: • Establish this requirement, with no conversion factor
Policy Issu		No requirement	Establish a 25% requirement on the increased density	 BCC has imposed similar condition of approval on most recent amendments Historically, amendments were not subject to WHP, but projects using the amended designation were 	Establish 25% requirement on density increase	Do not concur with staff recommendation. Rather, the ULDC/Zoning approval is the appropriate mechanism for a determination as to a projects required WFH obligation, as the Zoning approval (development order) takes into account any density bonuses/TDRs being requested		 Move forward with March 2018 recommendation: Apply the following on the entire new FLU: WHP units must be provided on-site, at 10% if project is SF, or 25% if MF.

^{*} Deviations from staff's recommendation will have a direct impact on BAE analysis

Workforce Housing Program Summary Economic Analysis – Profitability Table from BAE Urban Economics, Inc.

The following table summarizes the profitability analysis conducted by BAE Urban Economics on behalf of Palm Beach County, for the October 23, 2018 Board of County Commissioners' Workshop on proposed changes to the Workforce Housing Program. This analysis has been revised and updated from the analysis presented at the March 2018 BCC Workshop, to reflect the current staff recommendations for the key policy issues (see Attachment 1), and to reflect current market conditions.

Profitability Summary for 10-23-18 BCC Workshop

			Cap Rate	
	LR-2	LR-3	MR-5	HR-8
Buyout	12.2%	9.5%	9.6%	5.56%
Onsite Like for Like (LFL)	11.5%	9.5%	13.5%	5.73%
Onsite LFL – 10% WFH Discount	12.2%	10.1%	14.0%	5.73%
Offsite LFL	12.6%	10.6%	14.7%	5.75%
Exchange LFL	12.5%	10.0%	12.3%	NA

Density Bonus: LR2-3, 65%; MR-5, HR-8, 85%

Buyouts: \$120k SFD; \$100k TH; \$75k MF

Updated below market rate sale prices and rents to 2018 figures.

Updated financing costs to account for increased interest rates.

Updated market apartment rents to reflect 2018 rates.

Market sales prices not updated, as no significant sale price increases were evident.