

**Department: Planning, Zoning & Building
County Administration**

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 Match(County					
NET FISCAL IMPACT					
#ADDITIONAL FTE					
POSITIONS (CUMULATIVE					

Is Item Included in Current Budget? Yes No X
Does this item include the use of federal funds? Yes No X

Budget Account No:
Fund _____ Agency _____ Organization _____ Object _____

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

No fiscal impact associated with this item.

C. Departmental Fiscal Review:

Brenda J Conner

III. REVIEW COMMENTS:

A. OFMB Fiscal and/or Contract Dev. and Control Comments:

Shirley Ponce 10/12/18 OFMB 10/10/18
Shirley J. Ponce 10/15/18 Contract Dev. & Control 10/15/18

B. Legal Sufficiency

[Signature]
Assistant County Attorney

C. Other Department Review

Department Director

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)

Key Policy Issues and Recommendations Presented at March 27, 2018 BCC Workshop						Additional Recommendations		REQUIRED BOARD DIRECTION: Current Staff Recommendation
Policy Issues		Current Code	Changes Discussed March 2018	Considerations	Staff Recommendation	Housing Steering Committee	Regional Subcommittee	
Policy Issues with Agreement on Recommendations	Optional Density Bonus *	Under 'Full Incentive' Option: <ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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: <ul style="list-style-type: none">• Allow up to 100% density bonus
	Limited/No Incentive Options *	WHP offers, in addition to Full Incentive Option: <ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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: <ul style="list-style-type: none">• Eliminate No Incentive option
	Requirement for On-site WH Units *	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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: <ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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: <ul style="list-style-type: none">• Allow this flexibility
	Bedrooms Proportional to Market Rate *	No requirement	Require same distribution of bedroom unit types as in project's market rate units	<ul style="list-style-type: none">• Without this requirement, resulting WH units may be mostly one-bedroom, unsuitable for families	Establish this requirement	<ul style="list-style-type: none">• 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: <ul style="list-style-type: none">• 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

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Policy Issues with Partial Agreement on Recommendations	In-Lieu Fee *	\$81,500 (SF) \$50,000 (MF)	Increase in lieu fee to: \$120,000 (SF) \$100,000 (TH) \$75,000 (MF)	<ul style="list-style-type: none">Unchanged since program inception in 2006Engages only the residential building sectorHigher in-lieu fees increase incentive to build units, or result in additional fundsPer 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.	<ul style="list-style-type: none">Differentiate in-lieu 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: <ul style="list-style-type: none">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	<ul style="list-style-type: none">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: <ul style="list-style-type: none">Require declaration at public hearingAllow use of Expedited Application Consideration (EAC) process to amend the declaration of WHP disposition only
	Release of Obligation	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	<ul style="list-style-type: none">County create a list of agencies/not for profits/governmental entities that must be noticed for any WFH project before start of 180 day periodConcur with staff recommendation to require a marketing plan and updates by the developerCounty/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: <ul style="list-style-type: none">Replace 180 day timeframe with requirement that 75% of market rate units be CO'dEliminate discount on in lieu fee To include concurrence with Steering Committee recommendations: <ul style="list-style-type: none">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	<ul style="list-style-type: none">No exchanges have been utilized to dateConcept 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	<ul style="list-style-type: none">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	<ul style="list-style-type: none">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: <ul style="list-style-type: none">Require surety bond equal to full in lieu feeRequire developer to provide notice to County as building permits approach 85% at parent projectEvaluate exchange concept and report to BCC within 3 years of implementation To include partial concurrence with Steering Committee recommendations: <ul style="list-style-type: none">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 <u>will not</u> be stopped

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Policy Issues without Agreement	Like-for-Like WH Units *	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	<ul style="list-style-type: none">• 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 <u>not</u> require like for like requirement. Require, however, that any off-site <u>rental</u> 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.	<ul style="list-style-type: none">• 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: <ul style="list-style-type: none">• Establish this requirement, with no conversion factor
	WH Obligation on Comp Plan Amendments	No requirement	Establish a 25% requirement on the increased density	<ul style="list-style-type: none">• 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: <ul style="list-style-type: none">• 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

	Profit%			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.