

AFFORDABLE HOUSING



A Report of the Association of Florida Community Developers



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INTRODUCTION

Introduction

The Association of Florida Community Developers is a voluntary association of various development companies and their supporting consultants whose mission is to promote the health and viability of the community development industry.

Originally formed in 1984 by six of Florida's premier community development companies, the Association today includes some 32 member development companies. They are joined by 39 other firms that provide support services to the development industry in the form of planning, engineering, architecture, marketing and legal services.

The development of housing as a part of the master-planned community experience has been and remains the core undertaking of the community development industry. As such, it is appropriate that the Association participate in the dialogue surrounding the accessibility of home ownership in Florida.

Housing has long been a staple of American society and no place is that more true than in the state of Florida. The economic engine that has made this nation the envy of the world has also afforded its citizens an abundance of safe and decent housing. According to realtor.com, the national home ownership rate in the Fourth Quarter of 2004 was 68.8%. While the state of Florida exceeded that rate in 2004 (72%), in more recent years many residents have found it more and more difficult to afford housing in their own communities. In Florida, housing prices are rising faster than incomes in most areas, pricing a significant portion of the local workforce and families out of the housing market.

Politicians from across the state are inundated with the mantra that housing has suddenly become "unaffordable," particularly for those who are the service providers in our economy. The sheer volume of newspaper articles, study commissions, task forces, and politicians jumping into the discussion suggest that there is, at a minimum, something of a sea

change in the attitude of the citizenry that cannot be ignored.

Association members are increasingly being confronted by demands at the local, regional, and state level of government to create solutions regarding "housing affordability." The government is pressuring developers to provide affordable housing by either mandating developers designate a defined portion of their housing developments for low and moderate income buyers, or by providing incentives to the developer to voluntarily do so. These incentives are designed to ease the economic impact on the developer, and range from expedited permitting to density bonuses and waivers and, in some instances, donations. By providing one or more of these incentives, it is assumed that the costs associated with producing affordable housing can be spread or lessened, thereby making the production of affordable housing more readily obtainable.

It is against this backdrop that the Association decided to examine the issue first hand. There can be no doubt that the problem exists. However, this examination is undertaken with the firm belief that the remedies proposed are all too frequently driven by the immediate need to placate a particular constituency or political agenda, and without real research into whether, and to what extent, any of the proposed remedies will work.

The goal of the Association is to input into the dialogue the real world functioning of housing markets. We seek to explore the impact of market data to determine whether and to what extent it may temper the various tools being proposed by state and local governments. In addition, we seek to explore what drives the cost of housing, including cost of raw materials, regulatory costs, and the market forces of supply and demand. We are seeking to test these government programs, in the hope and expectation that we might propose a better way to deal with the lack of affordable housing, or at least to identify those programs that either do not work or have proven to give rise to a variety of unintended consequences that only serve to make the problem worse.



Our approach has been to first examine the history of affordability to see what precedent there has been for framing the issue today. Next, we want to understand where we are today. In doing so, we hope to look beyond the data and see where it fits into the marketplace and what impact that might have on the issue. As a part of that analysis, we also want to examine the various tools and legislative initiatives now in use and being proposed to see how those apply or do not apply. At the same time we will make some judgment as to which ones, either alone or in concert with others, seem to be going in the right direction.

Lastly, we seek to craft a series of recommendations to be utilized by state and local government that represent the cumulative experience of this industry, in the belief that the common experience we share offers the best opportunity to define a path to ensuring the desired outcome: **a robust mix of housing products at a variety of price points, designed to provide a significant majority of Florida residents with the ability to participate in the American dream of owning their own home.** We remain hopeful that our effort will contribute positively to the affordable housing discussion.

EXECUTIVE SUMMARY

Executive Summary

The AFCD summarizes here the essential points that are developed in more detail in the report that follows. These represent the essential positions that are held by the Association on the issues addressed.

- 1. In the current political and fiscal environment, there is no silver bullet to solve this problem.** The most successful communities will use numerous tools and constantly adjust those tools to changing market realities.
- 2. For purposes of the analysis presented here, the AFCD defines “workforce housing” as housing for those who are generally middle income and earning between 80% and 150% of the Area Median Income.** The AFCD focuses on this segment of the market not because those earning incomes at the low or very low categories are not in need, but because the Association is better equipped by experience to focus on and address issues facing the moderate income bracket.
- 3. The members believe in two overriding goals for any program designed to address “workforce housing”.** First, for those who take advantage of any program designed to assist one in getting into and owning a home, they must be able to realize the economic appreciation of the home over time. Second, the development of “community” by definition suggest a robust mix of housing products at a variety of price points, designed to provide a significant majority of Florida residents with the ability to participate in the owning their own home.
- 4. Because the Sadowski Act is the major source of funds to assist in the development of both workforce and affordable housing, the members support the full funding of the Sadowski Act by the Florida Legislature.** The AFCD does not support a cap on Sadowski Act funding believing that such a cap is inconsistent with the idea of an affordable housing crisis and only serves to unduly burden the

private sector providers of the workforce housing product.

5. **The AFCD believes that the myriad of programs that have been put together by both the state and local government are under utilized in part because they are not well known or understood.** Accordingly, the AFCD applauds the efforts of the state to develop improved ways of getting the word out, and particularly to the constituents that are the target home-buyers. Additional efforts are required however to ensure that programs intended to help get the opportunity to do so. New ways of marketing what is available are essential if the full potential of the available revenue for this enterprise is to be realized.
6. **The Association will seek to improve its understanding of the options and programs available in order that it and its constituent members can better engage the process of providing "workforce" housing.**
7. **The present "crisis" in the availability of "workforce" housing is in some measure a result of unsustainable conditions which have coalesced at a unique time in our history.** These are higher than normal sales pace fueled in part by "investor buying," and higher than normal price increases resulting in part from shortages in building materials and increased time and expense in the delivery of the house to market caused in part by regulatory overlays of the Federal, state and local government. These have contributed to higher than normal margin expansion. Stated differently, the market could not keep pace with the in migration of new residents into Florida and these conditions, coupled with a mortgage market and rates that could accommodate practically any lending request resulted in the revaluation of Florida's housing stock and forced the price of housing to historic levels.



8. **Against this backdrop, the Association believes that great care should be taken in fashioning significant changes to public policy for the provision of "workforce" housing as the return to more normal absorption rates of housing product and pricing is already emerging in the market place.** Any programs adopted should allow more flexibility and include provision for constant reevaluation to make sure they are meeting market needs.
9. **To accommodate the production of "workforce" housing, the Association believes that a lessening or elimination of selected impact fees is appropriate in selected instances.** They should also be on the docket when local government requires as a condition precedent to the right to build and sell market rate housing product, that the developer provide some number of "workforce" units at a price that is less than market.
10. **The Association believes that the "density bonus" is also an integral part of the tool kit necessary to the achievement of "workforce" housing.** The "density bonus" should be available in appropriate circumstances to assist the developer in expending capital to achieve the goal of below market housing product.



SOURCE: CANIN ASSOCIATES

11. **If the intent is to maximize the potential for developers and homebuilders to construct the inventory of housing that qualifies as “workforce,” then government must rethink the process that one goes through to get permission to build.**

The outcome of that rethinking must recognize that some measure of lessened review or expedited permitting is an appropriate trade off to satisfy another societal goal and that is the production of “workforce housing”.

12. **The AFCD believes that to the extent government compels a developer or homebuilder to produce housing product at a defined price point designed to satisfy the demand for “workforce” housing and it does so without an offset to accommodate the price differential, it has in effect imposed a special tax on one segment of society (new homebuyer) that is disproportionate in its fairness and inappropriate in its application.** The Association is prepared to concede that a requirement to dedicate some percentage of the to be built housing inventory should be targeted to the “workforce”

category, but only where government is a co-participant through the granting of meaningful economic concessions that serve to make up for the lost opportunity costs resulting from the sale of below market rate housing.

13. **Growth management, zoning and other regulatory overlays on land are recognized as useful and appropriate to the orderly development of land.** Although, it is uniformly recognized that these tools have a cost and where government seeks to impose a requirement that below market housing be produced, government must participate in that undertaking and include some mechanism that recognizes these additional costs and makes an effort to ameliorate or eliminate all or a portion of them. By doing so, the AFCD believes that local governments will be perceived as supporting a much needed public service without laying out significant public resources. While fee waivers and other revenue adjustments do reduce public revenues, they represent a politically palatable public expense that is preferable to a public subsidy. This protocol is not viewed as a public expenditure and is therefore a more palpable way of funding public needs.
14. **Inclusionary zoning has applicability only in the most restrictive of circumstances and should not be employed, as it sometimes appears, as a quick fix that relieves political pressure from elected officials.** It is inherently discriminatory and by all accounts does not produce the quantity of units, nor sustain them long term, that the proponents of the idea have advertised. What it does do is lower the total value of the housing inventory. If it is to be employed, the AFCD would only support it as part of a more comprehensive strategy that included other economic offsets to better equalize the economic consequences with market rate housing product.

15. **The idea of Community Land Trust is a positive part of the mix of tools that can be employed to address “workforce housing” shortfalls in particular markets, but care must be taken to not unduly restrict the timing and availability to owners of appreciation in the value of the home on resale.** While controlling the resale of the home keeps them within reach of moderate-income families in perpetuity, the Association is skeptical of this as a realistic tool for those that are in the moderate income level addressed here as workforce housing candidates. By contrast, the Association believes that this demographic will not only desire the benefits of home ownership, but our goal should be to provide it. By doing so, we provide the potential for that family to become a “move-up” buyer and as such, reap the benefits of building home equity. Further, the Association believes that many of these programs require an inordinate length of time to realize any equity and ignore at some level the useful life of the home and the fact that the owner of the “sticks and bricks” is the one that kept it up and in the inventory for the next owner.

16. **Our housing stock is regulated by a variety of overlapping codes and regulations that restrain creative design solutions that would allow for the density required to make affordable housing inventories economically feasible.** These same regulations provide various impediments to the integration of affordable housing into the larger community. These administrative constraints should be adjusted to foster a regulatory system that allows for a diverse housing products that can be efficiently and cost effectively delivered. We have learned how to design “livable density,” but in many instances are precluded from doing so by government responding to its own regulations or to the “public perception” that affordable housing depresses values generally and creates additional infrastructure burdens that



cannot be overcome. Examples include regulatory constraints such as setbacks, height limitations, sidewalk width requirements, limitations on garage apartments minimum square footages and the like. These are only illustrative, but they should also be in the mix as local government looks at design options to accommodate the development of affordable housing.

17. **The downward movement of housing prices coupled with what historically has been the upward trend in wages, albeit slower than wage earners would desire, nonetheless offers the hope for some compression between housing prices and qualifying income.** As that compression continues, service providers, who are the subject of this analysis, may in time be able to reenter the market and find market rate product that they can afford.

WORKFORCE HOUSING AND SOCIAL EQUITY

Workforce Housing and Social Equity

It has been understood by some and advocated by others in our society that the provision of adequate housing is a basic right; a part of the social contract that we have with each other. There is an increasing body of thought that the obligation to provide affordable housing is more than a legal obligation but is, in many respects, a "moral obligation." Support for this thesis can be found in any number of articles and literature on the nature of the social contract as it relates to housing.¹

As the Supreme Court of New Jersey stated in the case of *Southern Burlington County NAACP v. Township of Mount Laurel*, 92 N.J. 158, 456 A. 2d 390, at 450, n.34 (1983), "...the explicit requirement of lower income units in a zoning provision may be necessary if the municipality's social goals are to prevail over neutral market forces. Zoning does not require that the land be used for maximum profitability, and on occasion the goals of zoning may require something less."

At the Urban Land Institute's Fall Meeting in Los Angeles in November, 2005, a panel discussion moderated by Stacey D. Stewart, President and CEO of the Fanny Mae Foundation in Washington, D.C., explored the problems of housing affordability and its impact on society. The panel noted that housing, in combination with other elements that provide the basis for a sound community – education, employment, public safety, health care, etc – is one of the benchmarks of social equity.² A lack of housing disrupts family life and unfairly burdens hard-working men and women. Ms. Stewart pointed out that, "... there is no place in this entire country – not one place – where a family earning the minimum wage can afford a two-bedroom apartment. The real question is, how much longer can this go on before there are permanent consequences that will irreparably damage our social fabric?"³

The significance of this question is a material driver in the suggestion of a social contract that mandates adequate housing for all. While there have always been the "haves" and "have-nots" in American society, there is an emerging view that the line of demarcation between the two has become increasingly wide and that the ability of the have-nots to become members of the class of haves is becoming more and more difficult to achieve. Housing, or the lack of it, is one



SOURCE: CANN ASSOCIATES

of the primary determinants to inclusion in the middle class that constitutes the backbone of American society. As a result, the resolution of this issue is important in a discussion of housing affordability.

One cause of the increase in housing costs is the price of construction itself. The cost of raw materials continues to rise, and since land is a nonreplenishing resource whose value escalates as its scarcity increases this combination of factors translate into higher housing prices. Unfortunately, these housing costs have been rising over the past 15 to 20 years at several times the rate of inflation, while real wages have been relatively flat in comparison.⁴ In addition, the rising costs of construction and redevelopment together with the stagnation of wages and increasing costs associated with

government exactions, all serve to exacerbate the housing crisis.

But that is only part of the problem. There are also significant sociological impediments to the placement of affordable housing within a community that create part of a cultural divide that impacts the ability to produce this type of housing.

For example, efforts to provide affordable housing encounter many familiar hurdles. In most communities, the more affluent residents believe that the construction of affordable housing will lower their neighborhood's property values, bring in "undesirable elements," and lead to an increase in crime. Low income residents also tend to fear that the units will be poorly designed and unappealing, will create higher densities and require their neighborhood to bear a

1. Lockwood, Charles, "Housing for All," *Urban Land*, May 2006, Creating Inclusive Communities in Florida, a publication of Florida Housing Coalition in cooperation with 1,000 Friends of Florida, 2005; Housing Facts and Findings; Fannie Mae Foundation, Vol 6. No. 1, 2004

2. Lockwood, Charles, "Housing for All," *Urban Land*, May 2006 @50

3. Lockwood, Charles, "Housing for All," *Urban Land*, May 2006 @50

4. Lockwood, Charles, "Housing for All," *Urban Land*, May 2006, quoting John K. Stewart, founder and President of the John Stewart Company in San Francisco



disproportionately high share of affordable housing. All residents generally assume that the inclusion of affordable housing will negatively impact the quality of public services, such as schools, fire protection, police protection, and the like. If affordable housing units are to be successfully integrated into communities, it is incumbent on both the government and the developer to assure the community that its fears are unfounded. In fact, the evidence suggests that the impact of one additional housing development on a community's public services is typically blown out of proportion in the stereotypical suburban neighborhood.⁵

The AFCD believes that the notion of social equity or social engineering is implicit

in each of the various solutions proposed for affordable housing at both the local and state level; that the idea of a social contract for housing for all impacts the discussion both directly and indirectly. While there is a decided reluctance to predicate the targeted outcome on the idea that "it is owed" or in some way we have a moral responsibility to address the issue, it cannot be denied that this notion provides some of the justification for the efforts of so many cities, counties and the Florida legislature on this issue.

In addition to this moral argument, there is also an economic argument to the government justification for forcing developers to create affordable housing. There is a growing body of evidence that suggests

5. Ibid @50, quoting Marty Jones, President of Corcoran Gennison Companies in Boston

that, as and to the extent we fail to address this issue, we further marginalize a significant segment of our society and deprive them of the ability to meaningfully grow their individual net worth and to become and remain self-sustaining economic contributors. It follows, then, that one of the ways we contribute to the long-term health of the economy is to ensure individuals have the ability to purchase a home. This undercurrent is present in the discussion as well, and constitutes a subtle, but real idea that it is in our economic self-interest to ensure that as many families as possible can have adequate and safe housing.

While it is beyond the scope of this report to explore in any meaningful way the sociological implications of the affordable housing issue, it does seem clear that these ideas of social equity are being forced upon the developer as a rationale for the

government to compel the production of “affordable or workforce housing.” This rationale, and the mandates that follow, clearly push the developer far beyond his role of providing the construction of site infrastructure and buildings and requires a dramatic change and expansion of the developer’s corporate mission to include a “social mission” that may not be about maximizing economic potential. Developers need to realize reasonable economic returns if we are to ensure the ability of the community development and homebuilding industry’s participation in the solution. It seems simple, but it is only when development occurs that government has the ability to suggest that the “social mission” be included in the development order, and development can only occur over the long run if the developer can earn a return on invested capital.

“The problems associated with a growing inability of the working middle class to own homes go well beyond the obvious. Home ownership creates a sense of place and purpose. It connects people to the community in which they live and infuses an owner with confidence, stability and continuity. In short, home ownership underscores a vision of the future. The inability to purchase a home clearly then detracts from the social and psychological benefits.”

Sheriff John H. Rutherford. Presentation to 9th Annual Regional Cooperation Summit-Affordable Workforce Housing, sponsored by the NE Florida Regional Planning Council and St. John’s County. August 9, 2006.

“Housing policy is in dire need of a paradigm shift. We have allowed housing advocates to frame and define the policy agenda for housing. The debate has centered on the housing unit as a measure of affordability, when in fact the hard construction cost of a housing unit is not necessarily an indication of its value. A popular approach to addressing housing affordability is increasingly inclusionary zoning. This term, itself, is a euphemism, crafted carefully to appear as an anecdote to the problematic exclusionary zoning. However, inclusionary zoning is simply a mandate to sell a fraction of housing units to select groups at below market cost. While exclusionary zoning relates to a much broader set of measures used by government to limit density, minorities, or unwanted land uses or businesses.”

Fiscelli, Chris, “New Approaches to Affordable Housing: Overview of the Housing Affordability Problem.” Reason Foundation, Policy Update 20; April 2005

DEFINING AFFORDABILITY: AN OVERVIEW OF THE PROBLEM

Defining Affordability: An Overview of the Problem

The first and most apparent task in preparing this report is to provide a uniform definition of the term “affordability.” The U.S. Department of Housing and Urban Development defines “affordable” as housing, including rent and basic utilities that costs no more than 30% of a household’s monthly income.

The lack of affordable housing is most apparent to those who live in households with the lowest incomes. The government has provided definitions for “low to moderate-income households,” which are often divided into four categories: those of extremely low income (ELI), making less than 30% of the Area Median Income (AMI); those of very low income (VLI), making between 30% and 50% of the AMI; low income (LI), those making between 50% and 80% of the AMI, and moderate income (MI), those earning between 80% and 120% of the AMI. It is within the category of “moderate income” households that the term “workforce housing” has evolved. These moderate income households include many of our service providers – teachers, nurses, fire fighters, police officers and other essential workers. In high-cost areas of the state of Florida, as well as around the country, these moderate income households are finding it increasingly difficult to affording decent housing.⁶

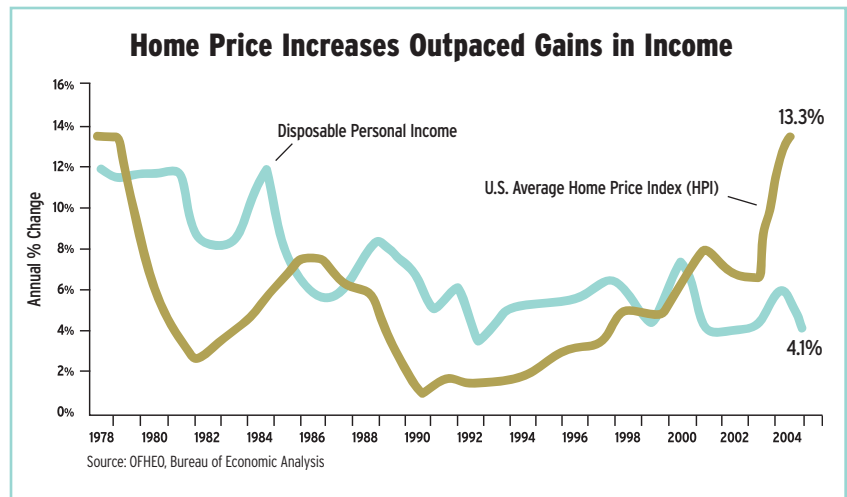
This report will focus on “moderate income persons seeking to obtain workforce housing,” not because the other components of affordability are not important, but because the Association believes that its membership is uniquely positioned to contribute to the solution of the problem at this level, leaving to government and philanthropic organizations the task of dealing with the housing crisis at the extremely low, very low- and low-income levels. **Accordingly, for purposes of the analysis presented here, “workforce housing” will be described as housing for those who are generally middle income and earning between 80% and 120% of the Area Median Income.** These are households with at least one full-time worker, whose members earn incomes too low for them to afford to pay market prices for homes or apartments in the communities where they work but, by most definitions, too high to

enable them to qualify for significant federal housing subsidies.

The significance of the housing problem was highlighted at numerous affordable and workforce housing summits around the state of Florida. The conclusions and findings from these various summits are as follows:

- Housing prices have increased dramatically over the past five years.
- Wages have not kept pace with rising housing prices.
- Half of Central Florida's workforce has an annual household income between \$25,000 and \$75,000. Over 93% of the county's potential first-time home buyers earn less than \$75,000 per year.
- For sale housing that would be affordable to these income groups is, for the most part, not being produced in the region.
- Rental housing is disappearing from the market, largely because of condominium conversions and reduced multifamily construction.
- An increasing percentage of renter households are spending more than 30% of their income for housing.
- The homeownership rate for 25 to 34 year olds in Orange County decreased between 1990 and 2000.
- The dramatic increase in land acquisition, utilization and development costs.
- The costs of infrastructure such as roads and schools being financed through impact fees and exactions on the development community in lieu of using long term government financing.

Historically, the rule of thumb for lenders and the housing market was that a household could afford a home that cost 2.5 to 3 times the annual income, depending on outstanding debt load. For example, a household with an income of \$57,400.00 (HUD's 2006 estimate for Area Median Income in Metro Orlando) could afford to buy a home priced between \$144,000.00 and \$172,000.00. A lower income household, for example, one



with an income of \$45,900.00 could afford only an \$115,000.00 to \$138,000.00 home. Today, it is not uncommon for home prices to equal 3.5 to 4 times a household's annual income and in Orlando today, the median home sales price has risen from 2.2 to 4.5 times the median family income. This translates to seriously unaffordable housing in central Florida based on standardized housing affordability ratings.

The increase in home prices over the past five years in Florida places our state in a unique position nationally. The Office of Federal Housing Oversight (OFHEO) Housing Price Index shows that of the twenty metropolitan areas in the United States with the highest rates of home appreciation, ten are located in Florida. As an example, metropolitan Orlando's median home price appreciation of \$122,000.00 over the last five years equals a 95% increase. More significant is that this increase translates into an additional \$34,000.00 a year that a household would need in order to keep pace with the rising cost of housing. Obviously, wages are not increasing at the same pace as housing prices, which contributes to the affordable housing problem. It is that differential that has moved many of our core service providers out of the housing market and it is that differential and what to do about it that this discussion is about.

6. Affordable Housing-Designing an American Asset (Washington, D.C.: ULI, The Urban Land Institute and Schmitz, Adrienne, et al, National Building Museum-2005)

AFFORDABLE HOUSING IN FLORIDA

Affordable Housing in Florida

Florida has an enviable record of developing a menu of programs to fund affordable housing. The greatest successes have occurred when the current economic conditions are recognized and addressed and the private sector is a participant in identifying and implementing the solutions.

A. HISTORY AND THE COMPREHENSIVE PLAN

The State of Florida has been active in the affordable housing debate for a long period of time, and has undertaken a number of significant initiatives, each designed to contribute materially to both the process and the outcome in building affordable housing inventory. In addition to the moral obligation for a state to provide housing for its citizenry discussed above, it can be asserted that there is also a legal obligation for government to provide housing for the entire current and anticipated population. In Florida, Section 163.3177 Fla. Stat. (2000) and Rule 9J-5 of the Florida Administration Code require that each community, county and the State of Florida adopt a housing element in their Comprehensive Plan which must contain standards, plans, and principles as follows:

- The provision of housing for all current and anticipated future residences of the jurisdiction.
- The elimination of substandard dwelling conditions.
- The structural and aesthetic improvement of existing housing.
- The provision of adequate sites for future housing including housing for low-income, very low-income, and moderate-income families, mobile homes, and group home facilities and foster care facilities, with supporting infrastructure and public facilities.
- Provision for the relocation housing and identification of historically significant and other housing for purposes

of conservation, rehabilitation or replacement.

- The formulation of housing implementation programs.
- The creation and preservation of affordable housing to minimize the need for additional local services, and avoid the concentration of affordable housing units only in specific areas of the jurisdiction.

In addition, the Florida Administrative Code at 9J-5 states:

“The purpose of this element is to provide guidance to local governments to develop appropriate plans and policies to demonstrate their commitment to meet identified or projected deficits in the supply of housing. These plans and policies address government activities, as well as provide direction and assistance to the efforts of the private sector.”

In order to understand what might be an appropriate set of options to address the issue, it is first necessary to survey the myriad of programs presently available in Florida to assist those needing some help in acquiring adequate, decent, and affordable housing.

In addition, the State requires developers to address affordable housing in conjunction with the development of communities that are regulated as Developments of Regional Impact (DRI). For example, in order to get approval for such a development, the developer must measure and address affordable housing both within and outside the proposed development boundary.⁷ We analyze here the history of the methodology employed by Regional Planning Councils and the Department of Community Affairs in addressing the issue in the context of the Development of Regional Impact.

B. DEVELOPMENTS OF REGIONAL IMPACT AND AFFORDABLE HOUSING

Developments of Regional Impact are development undertakings that are situated in such a way that they affect more than one county, or municipality. These developments affect regional infrastructure and are therefore required to obtain approval from the Department of Community Affairs and the Regional Planning Council, as well as the county or municipality where the development is located. As part of the approval process today, developers must assure these agencies that efforts have been made to provide adequate affordable housing.

Because Florida law assumes that all current and anticipated residents of these developments, including those with special needs, are expected to have access to adequate housing, developers undertaking a DRI are expected to account for and report on the availability of affordable housing both within the proposed development and outside of it within a defined commute distance.⁸

The Florida Department of Community Affairs has adopted rules to ensure uniform review of Developments of Regional Impact. These rules include the establishment of uniform statewide standards and guidelines for affordable housing evaluations, as well as, public facilities, archaeological resources, transportation, air quality and the like.⁹ Specifically, the Regional Planning Council must determine whether **“The development will favorably or unfavorably affect the ability of people to find adequate housing reasonably accessible to their places of employment.”**¹⁰

The rule regarding adequate housing in regional developments is structured to determine housing supply and demand.¹¹ “Housing demand” is defined as the number of housing units necessary to

7. Application for Development Approval, Question 24

8. In order to ensure continuity of data and the ability to use data consistently between one jurisdiction and another, the Florida Department of Community Affairs contracts with the Shimberg Center at the University of Florida in Gainesville, to develop the methodologies used to analyze the availability of affordable housing, and to perform the assessments necessary to allow

local governments to have the data they need for implementing these relevant provisions of the Growth Management Act in their individual jurisdictions.

9. Subsection 380.06(23) F.S.

10. paragraph 380.06(12)(a)3., F.S.

11. Rule 9J-2.048, F.A.C.



accommodate the very low, low, and moderate-income persons employed within the proposed development. "Housing supply" is the available number of existing, affordable housing units reasonably accessible to the development. "Housing need" is the number of affordable housing units that will be necessary to accommodate the lower income households employed within the development that will not already be included within the development or will not be available or reasonably accessible to the development site. Housing is "reasonably accessible" if it is located within a commute time of 20 minutes or a commute distance of 10 miles from the development, whichever is less.

When the housing need is 5% of the applicable threshold or 50 units, whichever is greater, there is a significant impact on adequate housing, and the developer is required to mitigate. Mitigation is based on a determination of significant housing need, which can be accomplished either by providing affordable housing units within the site or within a reasonably accessible distance from the site, by rehabilitating vacant substandard units reasonably accessible to the site, or by paying a sum of money to a local government to be used to

build "affordable housing" somewhere within the geography of the issuing government.¹²

There is a growing belief that the rules and guidelines set forth by the Department of Community Affairs may cause skewed results and may not accurately predict the availability of affordable housing. Accordingly, many local governments have developed their own ad hoc approach for requiring a certain number of affordable housing units to be included within the development site even when the DRI analysis indicates no significant housing need. For example, the Southwest Florida Regional Planning Council is developing its own affordable housing methodology and requirements in DRI reviews, which appears to be inconsistent with the requirements of the rules advanced by the State. The creation of these local methodologies appears to frustrate the statutory requirements for uniform statewide standards for DRI reviews, but this region has promulgated its own special conditions that advance the affordable housing agenda on its own terms.

The clear purpose of the State rule relating to affordable housing in these regional developments is to mandate that the private development industry be responsible for providing adequate, affordable housing to the citizenry. Developers are required not only to analyze the affordable housing demand and supply within the development's boundaries and the immediately accessible commute area, but in the event of a deficit, they must mitigate for that deficit.

The rules and guidelines established by the State fail to address the issue of how the developer should mitigate for any deficit. Further, the State fails to assign a target consumer, so that the developer can determine what price point the housing units must be valued at. The AFCD accepts the outcome provided in the DRI review process, including the duty to mitigate, but the mitigation, if it requires the actual production of housing product, should not be compelled as a quid pro quo for the right to develop. In the alternative, the local government should either accept

a cash contribution or make a proffer to the developer as discussed below to offset the costs associated with the sale of below-market housing product.

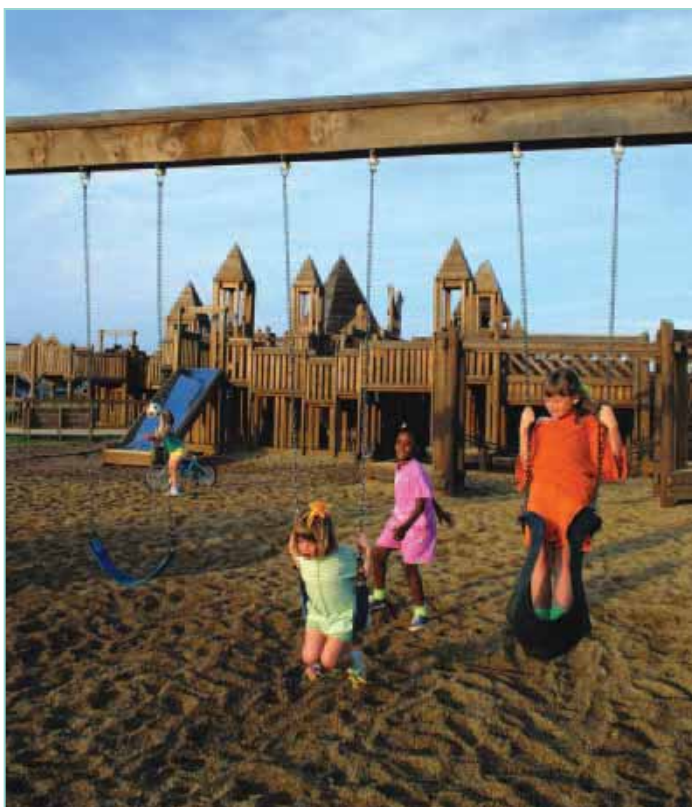
C. FLORIDA'S COMMITMENT TO AFFORDABLE AND WORKFORCE HOUSING

Florida has an enviable record of developing a menu of programs to fund affordable housing. Although Florida had a late start into the housing game, when it began to address the issue, it fast became a leader in the country in innovative programs. The greatest successes in the last 30 years have occurred when the current economic conditions are recognized and addressed and the private sector is a participant in identifying and implementing the solutions as shown by the following short history.

Initially the programs targeted between 80% and 120% of median-income families, but the later programs have focused on 30% to 60% of median-income families leaving fewer options for the moderate-income family for assistance from the government. For example, the Florida Community Loan Fund is a statewide community development financial institution that provides technical assistance to non-profit organizations involved in affordable housing.

As recently as last year the Florida legislature added to the inventory of programs when it passed an omnibus affordable housing bill (HB 1363) which earmarked close to \$500 million for new and existing programs. One of the programs was the Community Workforce Housing Innovations Pilot program (CWIP) which broadened the target beneficiaries for housing assistance to income up to 150% focusing on service workers. Because these programs are extensive, but worthy of note, a more detailed discussion of them can be found in Appendix A of this report.

It is important to understand where Florida has been in order to know how to



approach the future. What follows is a brief history of the progress that has been made and a brief description of two programs that bear special mention. The William E. Sadowski Affordable Housing Act and the Florida Land Trust Institute.

CREATION OF A HOUSING AGENCY FOR THE STATE OF FLORIDA:

In the late 1970s, with interest rates soaring and affordable housing becoming a major economic issue, a state Blue Ribbon Housing Committee identified a need to create a state agency that could receive and access federal housing funds and that could be empowered to sell tax exempt bonds. This was well received but the power to sell bonds required a constitutional amendment. In 1980, Bob Graham led the charge to place this amendment on the ballot with five progressive constitutional

12. After Rule 9J-2.048, F.A.C., was adopted, the East Central Florida Regional Planning Council (RPC) developed an affordable housing methodology, which was similar in concept to the State rule, but provided for a simpler and more user friendly formula. After certain modifications were made to the East Central Florida rules, the Department of Community Affairs approved of developers using the East Central Florida RPC methodology as an alternative to the State rule. Currently, the East Central Florida Regional Planning Council methodology is used exclusively for the housing analysis in development reviews in lieu of the State rule requirements.

amendments called “Five for Florida.”

The Florida Housing Finance Agency was created and was able to begin to finance affordable housing for very low-, low- and moderate-income persons and families initially through the use of tax exempt bonds.

This was a significant event in that Florida was one of the last state housing agencies created nationally; it was behind in accessing housing related funds that other states had been using for years. Organized as a state entity with separate powers, the FHFA was initially administratively attached to the Department of Community Affairs. It was created with a nine-member board, appointed by the Governor. The main two principles characterize how the FHFA did business: 1) work in partnership with the private and non-profit sectors to deliver housing, and 2) privatize operations to keep staff small and costs low.

During the first six years of the Agency, the only financing resources available were tax exempt mortgage revenue bonds. This program created funds for both rental properties and single-family mortgages which served income levels up to 120% of median income. Over \$1.38 billion bonds were sold producing over 28,509 units from 1980 to 1986.

The national Tax Reform Act of 1986 brought many changes. The act eliminated many of the tax incentives for multifamily real estate development, introduced the unified volume cap for all private activity bonds, and created the Low Income Housing Credit (LIHTC).

In addition to the volume cap, came the requirement to serve lower-income families, and although the program was left intact by congress, it was no longer an effective vehicle again until the late 90s and interest rates dropped. The only economically viable housing program left on the table after 1986 was the LITC program. Although complex and initially inefficient, the LITC program provided a source of private equity funds through syndication. Both the industry and the Agency worked to make it a success.

1987 AFFORDABLE HOUSING STUDY COMMISSION:

The next milestone in affordable

housing and a significant turning point for Florida and the FHFA, was the creation and implementation of the 1987 Affordable Housing Study Commission recommendations. The composition of the members was a primary reason for the success of the developed programs. Appointing active members of the industry (active developers, bankers, advocates and builders), who were able to give input, became the basis for the next 20 years of successful programs.

This Commission recognized the economic conditions that were created by the passage of the national 1986 Tax Reform Act changing all the real estate tax rules. In addition, limitations had been placed on traditional real estate lenders (savings and loans) affecting the flow of funds for new rental developments. These changes negatively impacted the provision of housing for the lowest income families in Florida.

The Commission used a set of comprehensive guidelines established by the full commission to frame and establish these new programs:

- **The private sector should be the primary delivery vehicle for housing, with the state and local incentives put in place to encourage the development of Affordable housing.**
- **State money must be heavily leveraged.**
- **State money must be spent on housing, not program administration.**
- **State money should be used, whenever possible, as loans not grants.**
- **Local Government should provide some incentives and financial assistance with state aid available for those that do.**
- **Mixed-income projects should be encouraged, avoiding a concentration of low-income residents in one area or project.**

It was determined by the Commission, that a dedicated source of funds would be needed to meet the housing needs in the coming decades. In addition, the commission recommended three new basic programs. These programs were:

1. AFFORDABLE HOUSING DEMONSTRATION LOAN PROGRAM

- a. This program was the precursor to the State Apartment Incentive Loan Program (SAIL) which provided 0%-6% cash flow second mortgage funds for multifamily loans for up to 25% of total project costs

2. A DOWN PAYMENT ASSISTANCE PROGRAM (HAP)

- a. Provided dollars to work with the first time home buyer programs to encourage homeownership

3. A DEMONSTRATION PROGRAM FOR CONSTRUCTION AND PERMANENT FINANCING FOR THE DEVELOPMENT COMMUNITY

These programs worked in conjunction with private industry lenders, having the state take the initial risks in exchange for serving lower-income families and inducing the lending industry back into the business of apartment lending.

These programs were designed as “incentive-based” programs and helped to move the growth management plans forward by encouraging housing elements to become “active” and began the process of regulatory reform in communities statewide.

These programs still exist today and are the basis for the majority of the housing built in the last 20 years.

The Commission worked in conjunction with the FHFA to lobby for funding. In 1989, Florida received its first significant state appropriations for affordable housing in the form of a \$15 million appropriation. This was the foundation for the next most important event and legislation in Florida’s history of providing for affordable housing.

D. THE WILLIAM E. SADOWSKI AFFORDABLE HOUSING ACT

The Florida Legislature enacted the William E. Sadowski Affordable Housing Act in 1992. It created a dedicated revenue



source by increasing the Documentary Stamp Tax by .10 cents in 1992 and reallocating an additional .10 cents of existing documentary stamp tax revenues from the general revenue beginning in July 1995. Monies from the Documentary Stamp Tax are split between the Florida Housing Finance Corporation and all counties and entitlement municipalities. In Florida, the Sadowski Act is the source of revenue for implementation of virtually all of Florida’s grant or loan activities at the state level.

The most recent legislative session funded the Sadowski Act in the amount of \$433 million, but interestingly, that left a balance of \$507 million to be allocated to other programs. These funds could have been directed to the affordable housing effort.¹³ **The AFCD supported then and supports now the full funding of the Sadowski Act.**

The failure to fully fund the Sadowski Act in light of articulated problems is inexplicable, unless the legislature is only paying lip service to what others perceive

13. Foresight - Newsletter of 1000 Friends of Florida, Summer 2006, Volume 19, Number 2



as an unprecedented need. Certainly, the number of communities addressing the issue of affordable housing suggests that at least, at some level, the legislature failed to take advantage of what may prove to have been an extraordinarily unique opportunity to accumulate a fund of record proportions; a fund resulting from the same real estate activity that is credited with creating the problem. The run up in real estate values could have been and should be a lynchpin to benefit those who are left behind.

The Sadowski Act also created the State Housing Initiative Partnership program (SHIP).¹⁴ Through this program, local governments receive annual allocations of money for housing based on population. The income is distributed monthly and these monies are used to implement the housing element of the local Comprehensive Plan consistent with the SHIP plan adopted by local government. Sixty-five percent of the monies are to be used for home ownership activities. Seventy-five percent of the monies are to be used for construction activities. No monies are allowed to be used for ongoing tenant subsidies. Importantly, local government is required to implement regulatory reform in the form of expedited permitting for affordable housing and complete an ongoing process of review of all land

development regulations, Comprehensive Plan Amendments, and ordinances that increase the cost of housing prior to adoption.

The legislature has clearly understood that regulatory processes increase cost and have mandated that county and municipal governments take steps to expedite affordable housing permits in an effort to lower costs. How is it then that so few local governments have in fact taken to heart not only the letter of the law, but the spirit and intent of the law?

It is instructive to note that the Legislature, in imposing these constraints on local government, recognizes implicitly, if not explicitly, that land development regulations and other development controls increase the cost of housing. The Sadowski Act also reactivated the Affordable Housing Study Commission, a 21-member panel of gubernatorial appointees, which makes an annual report to the Governor, the Speaker of the House and the President of the Senate. This Commission has observed and made note of the second major obstacle to the development of "affordable housing" – the neighborhood opposition that is too frequently encountered when a developer brings its plans to a local elected body

for permitting or land use approvals.

To address this problem, the Florida Legislature did adopt an amendment to its fair housing laws to prohibit land use decisions that are based on the source of financing in the development or proposed developments. Any action taken by a local government denying the land use or permitted request based on the fact that housing is subsidized, violates the Florida Fair Housing Act.¹⁵ Accordingly, low-income persons are now effectively a protected class for purposes of land use decisions which impact affordable housing.

The problem with this prohibition is in generating the proof that the basis of the decision of the elected body was based on the source of funding as contrasted with a host of other concerns, such as traffic, schools, sewers, etc. A skilled government attorney will counsel his or her board and the government staff to make their findings and determinations without reference to the source of funds thereby leaving the persons seeking the units and those opposed unsure of the basis of denial. The result is that the mission of the act goes unfulfilled. Legal recourse notwithstanding, the clear intent of the law is thwarted and more importantly, the affordable units that might have been built are not.

E. FLORIDA COMMUNITY LAND TRUST

The Florida Community Land Trust Institute has created a vehicle known as the "Community Land Trust," which essentially separates the land from the building (house) for the purpose of transferring title to the house without selling the land. Through this mechanism, home ownership becomes more affordable because the transfer of title to the home owner does not include a fee interest in the land, thereby effectively removing the cost of land from the price of the home. The sale price to the proposed occupant is based solely on the value of the improvements. The land is then transferred to a 501(c)(3) corpora-

tion, which provides a 99-year ground lease to the home owner. Under the terms of the ground lease, there is a resale provision which ensures the property will remain affordable in perpetuity. The ground lease also requires that the home be sold to an income eligible buyer at an affordable price, but will provide a right of first refusal in favor of the community land trust. While the resale provision will typically provide a reasonable return to the home owner, the appreciation is going to be far less than standard market appreciation.

A buyer examining this opportunity can fairly conclude that this provides home ownership in a market where the alternative is to rent or move away. Accordingly, the AFCD believes this arrangement is an important part of the mix of options that deserves support. From the perspective of a local government, the Community Land Trust provides a way of creating permanent housing stock with a single subsidy and preserves it over the long term.

In saying that, it is important to consider whether or not this particular program is well suited to the target group that is the subject of this analysis. The Associations' sense is that it is not. The group of presently underserved home buyers that constitute the "middle class service providers" are not those that are seeking to limit the economic upside of homeownership over the long term, but are those that desire to invest and stay the course in order to become a move-up buyer realizing on the appreciation that has historically characterized homeownership in the United States. The limitations on that outcome that are part of the Community Land Trust program do not seem well suited to that demographic. However, that reality should not temper the enthusiasm for the portion of the population potentially served by the Community Land Trust.

It seems clear that a Community Land Trust can play an important role in the effort to increase affordable housing inventories,

14. Section 420.9067, F.S.

15. Florida Fair Housing Act, §760.26 F.S. (2006)



and, in particular, it can play an important role in the task of preserving those inventories over the long term. However, in order for the Land Trust to work in Florida, it is important to recognize that there are a variety of markets and submarkets, and that each has economic conditions and political climates that are unique. Accordingly, how any one or more particular applications of the Community Land Trust are structured will be dependent upon the nature of the products to be produced, the resale provisions to be employed, and the caps on appreciation and equity sharing that are proposed to make the undertaking have market acceptance. The resale formula is important, not only to the person who will buy the “sticks and bricks,” but it is equally important to the local government as it attempts to make certain that the home itself can move generationally to other home buyers, and thereby maintain its affordable housing inventory in the geographic area served by the Community Land Trust.¹⁶

The majority of Community Land Trust legal instruments contain “appraisal based” formulas to determine the amount of appreciation that the homeowner takes from the sale or transfer of the unit. These

typically set the maximum price as the sum of what the seller paid for the home plus a certain percentage of any increase in market value as measured by appraisals. There are variations on this formula, but the core idea is to allow the unit owner to recover some portion of the upside in value while making certain the unit itself remains affordable and accessible for the next down line buyer.

Community land trusts are held out as creative approaches to enabling home ownership, keeping homes affordable for future buyers, and retaining the public’s investment in underlying land. It is also pointed out that the individual that participates in home ownership through a community land trust has the tax benefit of paying a mortgage rather than rent; has a greater sense of stability in the community and will eventually realize a fair return, if not necessarily a market return, when they sell their home.¹⁷

It should be observed, however, that counterarguments can be made. By artificially restricting the market value of homes, it detracts from a homeowner’s ability to build equity in – what for most people is their most tangible form of wealth – their house. This may also reduce incentives for homeowner maintenance and improvements. Further, the Association is concerned that community land trust-like arrangements could ultimately lead to a subclass of housing stock as well as a subclass of homeowner. Whether the benefits of home ownership under a community land trust outweigh these downsides is a valid question. This debate has led to the concept of a “buy-in” or “earned” ownership where property rights do not occur at inception/move-in, but rather are earned over time so that the market value of a piece of property and the house on it can be realized in full, eventually.

The Association believes this to be an important part of the mix of options that are available to the affected public. The market characteristics of this particular type of housing product and the limitations on realizing the full dollar value of the appreciation does not, in the opinion of

the Association, make it attractive to the demographic that the Association is discussing here. However, where the potential to earn full ownership over time is made a part of the process, the attractiveness of this option to the working group we are addressing here is materially improved, even if it does mean that the supply of affordable product is not fully maintained. Important to this discussion is the realization that by limiting the ability of one to realize the recovery of appreciation, you limit the mobility of the individual to acquire the next home and return the home being sold to the market place at the market rates. Part of the attractiveness of this approach is the misplaced belief that it is necessary to do so in order to maintain a perpetual inventory of "affordable housing."

While the AFCD would support the notion that a perpetual supply of affordable housing is necessary and desirable, it does not see the solution to that paradigm to be the maintenance of 25- to 30-year-old housing stock. It seems contrary to ordinary human experience to believe that an occupant of this housing inventory will live there for that period and once vacated, the unit will be immediately habitable by the next user. To the contrary, we believe that absent a stake in the appreciation that is real and capable of being monetized by the owner, the owner will not perform required maintenance to the unit beyond what is necessary for day to day living, leaving significant deferred maintenance to the next owner or to the Land Trust. The Association believes, particularly for the middle-class service providers, that one of the real goals of home ownership is to participate in and realize on the appreciation using it as a "move-up" buyer, the Land Trust housing as presently conceived and with its limitations on that outcome, makes it unattractive on a large scale and

particularly to those that we classify as our "workforce." Participation in the appreciation of home real estate is an important part of securing the economic future of the country and should therefore be a part of the structure of any program designed to address "workforce housing."

F. OTHER PROGRAMS

Finally, the AFCD attaches as Appendix "A" a list of programs administered by the state and designed to assist in the development of affordable housing. While the list is relatively complete, it is not exhaustive, but only illustrative. It suggests that there is and remains a significant commitment of time and resources that are dedicated to address the problems of housing affordability. What it also suggests is that the targeted beneficiaries of these programs, including the members of the Association, are ill informed about the depth and breadth of the states efforts to provide a menu of alternatives that if properly utilized, could contribute in a meaningful way to addressing the affordable housing shortfall. In light of this conclusion, **the AFCD applauds the efforts of state to develop improved ways of getting the word out, and particularly to the constituents that are the target homebuyers. Additionally, the AFCD members take some responsibility for increasing their understanding of the options and programs available so that when confronted with a demand that they, as individual developers, produce affordable housing, we will be better informed concerning the opportunities available to close the costs gap.**

16. The city of Chicago approved in January a Community Land Trust as an initiative designed to control the sales prices of houses and condominiums originally built as affordable housing units. The trust will own the land under the homes built as affordable housing and provide it to homeowners through a long-term ground lease. When homeowners move, they will be able to sell the home for an amount determined by the resale values set forth in the ground lease. The resale formula is

included in the deed restriction in order to ensure the long term affordability of the unit. By controlling the resale price, the trust will guarantee the original owner a reasonable profit but keep the home affordable for lower-and middle-income buyers over the long term.

17. Jamie Ross. Presentation to the 9th Annual Regional Cooperation Summit - Affordable Workforce Housing.

MARKET DYNAMICS: THEIR IMPACT ON AFFORDABILITY

Market Dynamics: Their Impact on Affordability

There is little mention of the market in the public discourse regarding workforce housing. The fundamental reality is that both the community developer and the home builder must achieve an adequate return on invested capital if capital is to be attracted to the production of housing, whether it is sold at market or at something below value. Ultimately, all capital must be accounted for.

A. THE INVISIBLE HAND OF THE MARKET

One of the fundamental problems with the discussion of affordable or workforce housing is a failure to understand how the market impacts the decision making process, particularly when one considers the roles played by the community developer and the home builder. The community developer does not, in the ordinary course, develop housing, but develops the land resources necessary for utilization by the home builder.

It is the home builder that buys land from the community developer upon which it builds a housing product, and then brings that house to market. In recent years, the distinction between the home builder and the community developer has been blurred, as the home builder has increasingly undertaken the role of the community developer and in like manner, the community developer has undertaken to build homes for its own account.

In the case of the home builder acting as community developer, the determination of the home builder to get into the community development business is driven in no small measure by its desire to have available, when needed, the land inventory essential to preserving needed absorption of housing product to sustain profitability. In the case of the community developer, it in like manner has entered the home building industry, not so much to compete with the more typical providers, but to fill particular niche areas where there is a perceived absence of builders at particular price points or product types. In both instances, the two sides of the residential housing delivery system are driven by the common need to make a return on invested capital at a level that will sustain their respective businesses. That

need drives the allocation of capital to both sides of the home building delivery system and without both sides seeing an opportunity to gain a satisfactory return on invested capital, the system breaks down and production is compromised.

It seems simple, but there is little mention of this basic phenomenon in the public discourse regarding affordable or workforce housing. The fundamental reality is that on both sides of the housing transaction, both the community developer and the home-builder expect to make a profit. Whether or not each contributor to the end housing product will achieve its return objectives is a straight forward calculation. It takes the relevant costs associated with the production of the end product and applies that against a market return necessary to attract investment capital from those that provide it. If the builder and developers profit are maintained and the home sales price is fixed the only variable is the land costs. Stated differently, the delivery of housing product must account for all cost. Since government seeks, in the implementation of affordable and workforce housing programs, to control costs, the only place where costs can be adjusted to accommodate the outcome is in the land. If the desired returns can be shown on a pro forma as capable of being achieved, an investment is made and both sides of the system move into high gear in an effort to make the prognosticated return a reality.

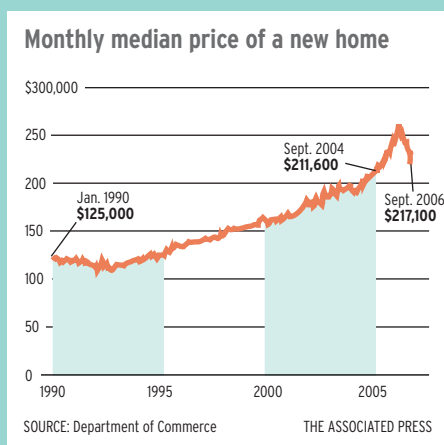
When viewed in the context of the production of “affordable housing,” it seems clear that without a reasonable opportunity to make money in doing so, the likelihood of significant amounts of capital being directed to this undertaking is remote. Without government intervention to make up for lost profits, neither builders nor developers have any incentive to build “affordable nor workforce housing.”

B. FLORIDA – A HEATED REAL ESTATE MARKET

The real estate market is not static. Evidence of this is easily observable for while we have always had a need to provide

HOME PRICES DECLINE

The median price for a new home sold in September dropped 9.7% from September 2005 – the sharpest year-over-year decline in 35 years and the lowest median price in two years.



housing inventory for a segment of our society that for one reason or another lack the ability to make and sustain an income that would allow them to acquire housing, the current situation that gives rise to this report and much of the current rush to “find a solution” is driven by the significant increase in real estate values that have resulted in larger numbers of people being excluded from the home ownership opportunity.

As has been noted earlier, the ability to purchase a home is determined by the income of the people living in the home and the structure of the financing used to purchase the home. Stated differently, income eligibility determines the ability of the family to afford a home and the amount of income determines the amount of financing that one can obtain in the private market.

Income eligibility is defined in terms of area median income, adjusted for family size. An available measure for determining affordability is the Housing Opportunity Index (HOI). This index simply states the percentage of homes sold in a given area

that would have been affordable to the household with the area's median income. The government defines affordability as not using more than 28% of one's income to purchase a home. Some local governments have pushed that percentage to 30% percent. Using this methodology for the analysis, we know that as late as the fourth quarter of 2004, 52% of the households earned sufficient income to qualify for home purchase and that number has remained relatively constant on a national basis.

As values in real estate escalate without a concomitant rise in income, increasingly larger numbers of people are denied the ability to own a home. It is exactly this phenomenon that has created the current problem. In the last couple of years real estate values across the state of Florida have risen sharply, while wages have remained relatively static, or at least have not increased at the same rate as real estate values.

As a result, an increasingly larger percentage of persons are no longer eligible to obtain the financing needed to purchase a home. A significant percentage of these persons are our school teachers, firemen, policemen and other service providers in our economy.

Notwithstanding the foregoing, we recognize that has been significant appreci-

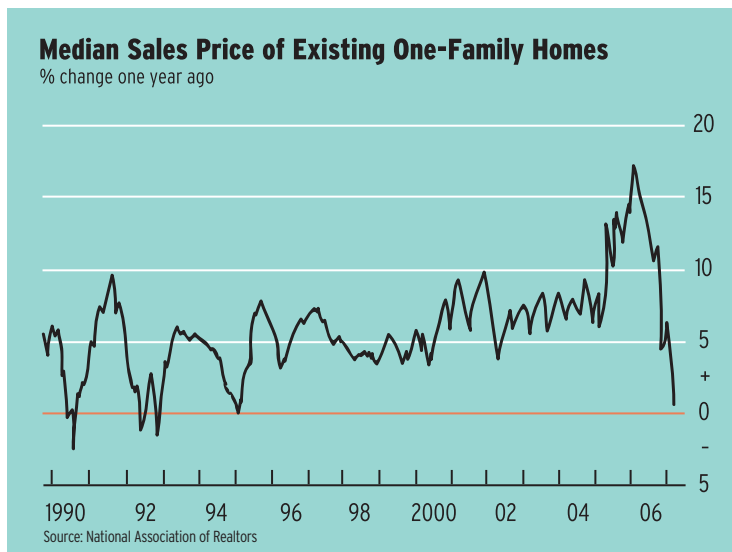
ation in housing values, that revaluation is not uniform and is applicable to selected markets in Florida. However, that is the point to be made. This phenomenon applies differently to selected markets, thereby confirming the dynamics of the real estate market and dispelling the notion that there is a "one size fits all" solution to the disintermediation caused by the recent revaluation of Florida's housing stock.

The political response to this perceived crisis has been largely to subsidize rental housing development, mandate "for sale" units be built and sold below market to income restricted populations, or in some cases, to control appreciation through government intervention. Unfortunately, most political solutions aimed at making housing more affordable don't consider real world functioning of housing markets, and if they do not make matters worse, the prescriptions seem to have unintended consequences that further exacerbate the problem.

C. THE PENDULUM SWINGS; THE MARKET ADJUST

As this report is being prepared we know that the market is adjusting, not only in Florida, but across the nation. On August 23, 2006, the latest figures showed that July prices of previously owned homes rose at their slowest pace in more than 11 years. In the past 12 months they are still (just) up in nominal terms but down in real terms. The number of units sold fell by 11.2% from a year ago and the stock of unsold homes reached its highest level since 1993. This falling of demand is reflected as well in housing starts, which when seasonally adjusted fell by 2.5% in July and were 13.3% lower than just last year. Building permits are also down nation wide by 20.8% year on year.¹⁸ The real worry in some quarters is how far prices will fall and where will the biggest hurt come from: unrealized value or value that was over leveraged by those who bought while the value was high.

JMP Securities reports that over the past two years there was a surge in home-builder earnings in excess of 40% per year that was a **result of unsustainable conditions:**





higher than normal sales pace, higher than normal price increases, and higher than normal margin expansion. (emphasis added). In hot markets such as Florida, demand outstripped supply resulting in absorption rates or sales per community rates that were in some instances 50-100% higher than normal. Much of this demand was driven by “investor” buyers whose intention was to flip the homes for a profit. This resulted in builders taking orders faster than their ability to deliver them and in huge backlog increases. In order to better control the sales-backlog-delivery pace, builders tried to limit the number of homes released for sale and took advantage of the situation to boost prices at unheard of rates: sometimes as much as 30-50% in one year. Because builders typically lock in their costs at the beginning of a project and purchase the land a few years before the homes are built, margins surged as prices rose faster than costs to build them.¹⁹

Now the same analysts report that the sales pace is off by as much as 50% from year ago levels and across most previously “hot” markets, sales are off at least 20% year on year and median prices have begun to pull back as well. Over the last eight

years, existing home sales in Florida had increased, reaching a high of nearly 249,000 homes in 2005. However in October of 2005, home sales began to fall over most of Florida and by January 2006, sales were down about 19% year on year. Median prices peaked in July 2005 at \$252,300, up a sizable 33% year on year, but as with sales, the median price has fallen to \$244,200. These price levels still represents a 25% increase year on year, but the real news is that housing inventories are up significantly with brokers reporting 30 new listings for every sale. In southeast Florida, for example, inventories currently stand at about 45,000 listings, up 132% year on year from 19,400 a year ago which is in turn up 81% from 10,750 the year before. With inventories now standing at 290,000 homes, the state has a sixteen month supply.²⁰

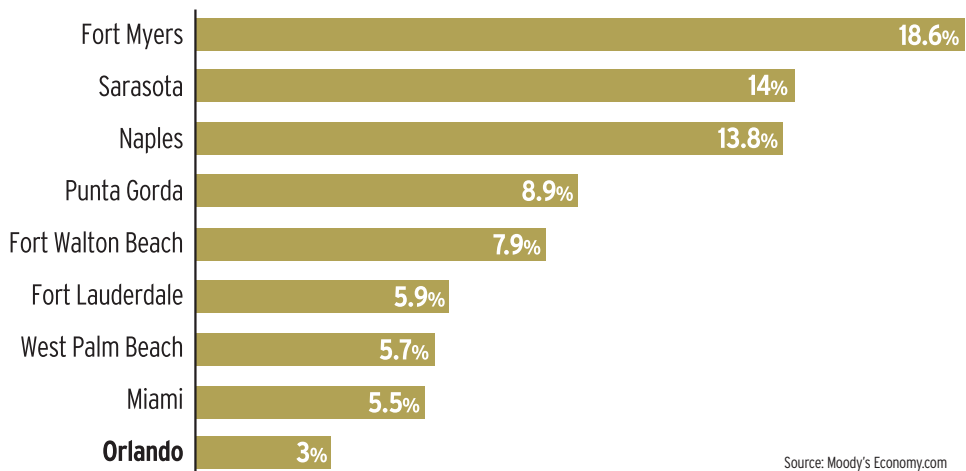
Moody's Economy.com after analyzing data from 379 U.S. metropolitan areas, concluded that 133 of them will experience slumps in their existing home prices this year or during the next one to four years. Of those, more than 20 metro areas, including several in Florida, will see a “crash” in their median price of 10 percent or more, the company predicted. Of the

18. House Prices in America, Gimme Shelter; The Economists, August 26th, 2006

19. JPM Facts and Disclosures; JPM Securities, April 10, 2006

20. JPM Facts and Disclosures; JPM Securities, April 10, 2006

Projected Percentage Change in Median Home Price During Current Slowdown



nine Florida markets expected to drop, three are expected to crash with drops of 10 percent or more, while six others should experience a “correction” of less than three percent. Metro areas in Polk, Volusia and Brevard counties are not expected to see prices decline at all.

What this means is that we are seeing incentives and discounts in order to move inventory. These are now the rule of the day and these have the effect of compressing margins on new homes and as one would expect. That has resulted in significantly reduced earnings for the nation’s major homebuilders and improved opportunities for the nation’s homebuyers.²¹

In all events, the point to be made is that the market is volatile. It will fluctuate up and down over time, but over the long term, it has proved to be a reasonably safe place to put what is characterized as a person’s “most significant personal expenditure.” It is this reality that gives the members of AFCD some pause in the current discussion for it affirmatively appears that the reaction of government is to impose outcomes that bear little or no relationship to market forces that continue to be at work in the housing economy.

The experience of the members with government programs designed to address conditions like that being discussed here

is that the solutions proposed and implemented take so long to mature that by the time they are in place and functioning, the market or other circumstances have changed so that the solution no longer addresses the problem. More often than not, another problem has arisen and the program that was supposed to have solved or contributed to the solution now exacerbates the problem that currently exists. Government solutions that do not include in their mandate the flexibility to change and address new and unanticipated issues are almost certainly doomed to failure, or at best will only address a portion of the problem while leaving other portions unaddressed. Such results help to fuel the skeptics among those intended to benefit and discourage those who might otherwise seek assistance as government intends for them to do. Both outcomes undermine the credibility of government, but more importantly, they limit the ability of government to participate in solutions to the problem.

D. THE MARKET WILL ASSIST IN ADDRESSING THE PROBLEM

The problems we seek to address through the multiple programs available are significant in their scope and in the main targeted to reach persons who need the help. However, they are not tested



against market conditions and no provision is included in any of them for making adjustments to reflect changes in market conditions. **The downward movement of housing prices coupled with what historically has been the upward trend in wages, albeit slower than wage earners would desire, nonetheless offers the hope for some compression between housing prices and qualifying income such that the service providers, that are the subject of this analysis, may see a time in the not too distant future when they can reenter the market and find market rate product that they can afford.**

Respected Professor Emeritus of Urban & Regional Planning at the University of Florida, Dr. James C. Nicholas, points out the housing price escalation began in earnest in Florida in 2000-'01. During the period of 2000-'06, housing prices rose on the average 108% while income during the same period rose 36%. During this time, even though land and material costs have risen, demand exploded – primarily among external consumers. Interest rates were low, capital gains taxes on housing were

cut, real estate became a good investment and money flowed to that market – making it more expensive and less accessible to local residents. According to Nicholas, the market is working, but we have not liked what it is doing. He predicts though that as incomes continue to rise, the affordability of housing will become less of an issue for the working and middle class.²²

Delray Beach architect, Michael Weiner, who is actively participating in Palm Beach County debates on affordable housing, makes similar arguments. He points out that government is having a knee-jerk reaction to this perceived crisis. While the rush to adopt affordable housing ordinances and inclusionary zoning may be based on the best of intentions, it often is shortsighted and comes with unintended consequences. When government, rather than the market, establishes the pricing of homes, it will ultimately be the affordable housing home owner that suffers. Deed restricted homes will be relegated to a below market rate status, and their real value will not be attained. Weiner concludes that the income gap is the real basis of the affordable housing problem. His solution: let the market work.²³

While the AFCD believes that the market must be respected, the Association also understands that a part of the increase in housing prices is a result of a revaluation of Florida's housing inventory. As such, future upward adjustments in income are not likely to close the gap between income and price sufficiently to eliminate some adjustments in the housing delivery system if Florida is going to achieved housing for all.

E. PROGRAMS TO AUGMENT THE MARKET

An examination of the housing costs variables that the developer can control or which are capable of being controlled by government should be examined to see where relief might be appropriate if we are to attract entrepreneurial capital to this

21. JMP Facts and Disclosures; JMP Securities, April 10, 2006
 22. Dr. James C. Nicholas. Presentation at the 9th Annual Regional Cooperation Summit - Affordable Workforce Housing.

23. Johnston, John. "Weiner: Marketplace Taking Care of County's Affordable Housing Crunch." Boca Raton News, August 2, 2006.

enterprise. Implicit in this discussion is the notion that no one development should be compelled to do more than mitigate its deficit. Stated differently, AFCD believes no one development should be required to subsidize what is acknowledged to be a societal problem that compels a sharing of the burden by all.

To the extent therefore, that government compels a developer or homebuilder to construct affordable housing within any development project and to do so without any economic consideration flowing from the government, government has imposed a “housing tax” which the developer or homebuilder must pass through to others that buy homes at market rates in the development. There is no escaping the conclusion that ultimately all costs must be recovered and that ultimately all developers and homebuilders must produce margins that will allow them to attract capital for the next development or they go out of business.

F. EXACTIONS VS. INCENTIVES

Accordingly, the Association examines here areas where government might grant some measure of relief in exchange for the developers’ commitment to produce some amount of affordable or workforce housing within its development. Before commencing a discussion of these options it is necessary to first note that pursuant to Chapter 420 F.S. and Rule 91-37 Fla. Adm. Code, each county or municipality accepting state funds to support local affordable housing initiatives is required as a condition to taking those funds to establish within their jurisdiction an Affordable Housing Advisory Committee to review the established policies and procedures, ordinances, land development regulations, and adopted local comprehensive plan and to recommend specific initiatives to encourage or facilitate affordable housing or the adoption of new policies, procedures, regulations, ordinances or plan revisions. At a minimum they are required to make recommendations on affordable housing incentives in the following areas:

What one can observe is the state has contemplated considerable flexibility in its attempt to create a tool chest to accommodate the difference in cost between market rate housing product and that which is to be sold at a cap to meet affordability standards. In fact, it can be said that the state intended to use a carrot and not a stick. It

- **The expedited processing of permits for affordable housing products.**
- **The modification of impact fee requirements, including the reduction or waiver of fees and alternative methods of fee payment.**
- **The allowance of increased density levels.**
- **The reservation of infrastructure capacity for housing for very low-income persons and low income persons.**
- **The transfer of development rights as a financing mechanism for housing low and very-low income persons.**
- **Modifications to land development codes to allow for reductions in parking, set backs, side walks and street requirements.**
- **The allowance of zero lot line development.**

recognized that solutions should be incentive based, not mandates. The failure has been and continues to be in the willingness of local government to creatively look for ways to undertake these types of initiatives to assist in bringing the development community into the process. The tendency has been to see the need for affordable or workforce housing as an “exaction” to be demanded as the price for admission to the balance of the development process, leaving to the developer the problem of costs recovery. To be successful in this endeavor, the solution demands that it be a shared undertaking to solve a shared problem.

Against this back drop, the AFCD discusses several of the above mentioned concepts in more detail.



SOURCE: CANIN ASSOCIATES

1. IMPACT FEE WAIVERS

Impact fees are acknowledged to be adding thousands of dollars to the price of a new home and no local government in Florida is known to have a program in place that ameliorates or eliminates these fees, either in whole or in part, as a trade-off for the development of affordable housing. **The AFCD believes that a lessening or elimination of selected impact fees is appropriate in the development of affordable housing and should be on the docket when local government seeks to impose a requirement that the developer provide some number of affordable units as a condition precedent to the right to build and sell market rate product.** This is particularly true when the fees collected do not translate into improved infrastructure that is discernable by the residents purchasing homes in the assessed development. Where the fees give rise to benefits conferred on the development, then it is arguable that the market value of the development is enhanced, but even in that circumstance, the payment of standard rate impact fees where the end product is intended to qualify as “afford-

able housing” is inappropriate. At its most basic, this represents simple equity. It reflects a balancing of a societal benefit in the form of produced affordable housing being offset by the lessening of a societal burden on the producer. The loss in revenue from the waiver or reduction of impact fees spreads the costs more generally and the Association believes this to be appropriate.

AFCD recognizes that the economic shortfall resulting from a lessening or waiver of impact fees on any specific project may need to be replaced from other revenue in order to maintain current funding levels for local governments Capital Improvement Element as such funding cannot lawfully be recouped from projects that do not meet the “rational nexus” test. But AFCD would suggest that this is an area where the documented shortfall that assists the development of affordable housing is reimbursed by the state so that the burden of affordable housing delivery is more equitably shared.

2. DENSITY BONUS

Most local governments in Florida have set housing densities that are suburban-based and while that is beginning to change, the results of several decades of public conditioning that views increased density as something to be avoided is still a pervasive thought. Increased density is highlighted as one of the strongest tools for inducing the construction of affordable housing. Some communities, while not mandating set-asides, are increasing fees that developers must pay for higher densities in order to generate funds for affordable housing. In Bonita Springs, for example, an Affordable Housing Density Bonus cash contribution was established in 2002. Originally, the cash contribution for each unit of greater density was \$11,000. This summer that per unit contribution was raised to \$15,000 for multi-family housing and \$25,000 for single-family homes. In fact, one economic consulting firm has suggested to the city council that the cash contribution be increased to \$131,000 for every unit of increased density allowed beyond the existing 10-units per acre.²⁴

The idea of a density bonus as an incentive to produce affordable housing clearly has merit, but whether it can trump other perceived planning goals remains open to question. In an article published on September 7, 2006 in the Sarasota Herald-Tribune, the editor takes issue with the idea of a density swap for affordable housing. He notes that the proposal which would require 20 of the 200 units to be affordable is “too little bang for the buck.” In this instance, efforts to increase the percentage of units to 15% would dissuade developers from participating as it would make the margins too thin. The article continues and notes a design constraint as well. City staff apparently was willing to loosen regulations so that more stories might be added to accommodate affordable product, but the paper opposes this as well commenting that it violates “the spirit of painstakingly negotiated downtown building rules.”

This dialogue is significant not for the particulars of the Sarasota or Bonita

“THE ASSOCIATION BELIEVES THAT THE “DENSITY BONUS” IS THEREFORE AN INTEGRAL PART OF THE TOOL KIT NECESSARY TO THE ACHIEVEMENT OF AFFORDABLE HOUSING AND SHOULD BE AVAILABLE IN APPROPRIATE CIRCUMSTANCES TO ASSIST THE DEVELOPER IN EXPENDING CAPITAL TO ACHIEVE THE GOAL OF BELOW MARKET HOUSING PRODUCT.”

Springs experience but because it highlights the tension in the system when one seeks to balance the ledger in order to attract capital to the enterprise of building affordable housing. In that sense, these two undertakings serve as an icon for defining the problem and what one sees is local government not really wanting to give up anything in exchange for obtaining affordable housing product, but seeking instead to cast the problem as a responsibility of the developer/homebuilder.

The AFCD takes it as a given that most public officials have come to understand that sprawling, low-density development is unsustainable, financially and otherwise. Further, the membership believes that most public leaders want to create vibrant, economically strong communities where citizens can enjoy a high quality of life in a physically and environmentally responsible manner. The question is how to achieve it and the consensus view is that a variety of tools are required to achieve it and foremost among those is increasing the density of existing and new communities.²⁵ It is no accident that within the framework of that paradigm, there exists the potential to use some portion of that density to allow for the inclusion of affordable housing. In fact, without the increased density,

the problem of providing for affordable housing is exacerbated. But a word of caution here. With both transportation and school concurrency giving rise to large unfunded or underfunded public infrastructure, a density bonus, as noted by David Powell in his article for the Florida League of Cities in September/October, 2006, may well be an illusory incentive.

Spurred by the necessity of holding the line on land costs, but increasingly attuned to the issues of community and livability, AFCD members are all experimenting with building more compact communities: smaller lot sizes, smaller streets, more efficient parking and integrally designed public open spaces and community facilities. Members of the Association are also looking at ways to increase the intensity of the land use: for example, accessory dwelling units over garages, and residential uses -live/work units and lofts – intermixed with retail uses. All of these changes in the development paradigm can, if properly utilized create a circumstance where the trade off for giving the density bonus in exchange for the concurrent development of affordable housing serves a dual agenda of supporting first, the goal of developing “community” and in doing so supporting the second goal of making that community inclusive by attracting capital to the development of affordable housing.

The Association believes that the “density bonus” is therefore an integral part of the tool kit necessary to the achievement of affordable housing and should be available in appropriate circumstances to assist the developer in expending capital to achieve the goal of below market housing product. The Association believes that the amount of density bonus should in most instances be double the demand of government for affordable housing and that the density in excess of those committed to affordable product should be able to be sold at market.

3. EXPEDITED PERMITTING

It is understood that the costs and risks of residential development are significant when the regulatory process requires a substantial investment at the front end of the process with no assurance what one will emerge with by way of vested entitlements at the backend of the process. The ability to survive changes in the market place are in no small measure dependent on the ability to predict with certainty not only what one will be entitled to build, but what conditions will be imposed on the building process. Unfortunately, the entitlement process creates enormous uncertainty and in doing so, adds additional costs to the development process.

Now add to the mix the requirement that the developer provide some measure of below market product to satisfy government’s desire for affordable housing and the need for some measure of expedited permitting should be self-evident. Delay and uncertainty characterizes the entitlement process generally and must be eliminated if entrepreneurial capital is to be attracted to the affordable housing undertaking. Importantly, this may also require the political will of the elected officials to override not only the NIMBY element, but may require that a whole new set of regulatory review procedures be developed for the production of affordable housing.

The Association believes that if we are to be serious about maximizing the potential for developers and homebuilders to construct the inventory of housing that qualifies as “affordable,” then government must rethink the process that one goes through to get permission to build. The outcome of that rethinking must recognize that some measure of lessened review is an appropriate trade off to satisfy another societal goal and that is the production of “affordable or workforce housing.” The AFCD recognizes that almost all local governments have defined approval processes that are different depending upon whether

24. Morales, Pedro. “Higher Fees Proposed for Building in Bonita.” Ft. Myers News-Press, August 1, 2006.

25. Haughey, Richard M. Higher Density Development: Myth and Fact. Washington D.C.: ULI-the Urban land institute, 2005



you are new construction or redevelopment etc. **Accordingly, the Association recommends that local government define a specific set of expedited review criteria for affordable housing that is separate and definable and that recognizes as its underlying protocol that the review will be accomplished and approvals given on an expedited calendar. In those instances where local government has an expedited permitting process for affordable housing, local government should implement it and make sure it works.**

4. INCLUSIONARY ZONING

Inclusionary zoning was conceived in the late 1960s to counteract the exclusionary practices of many growing suburban jurisdictions and the decline in federal funding for lower-priced housing. Today, it is estimated that some 350 to 400 communities administer mandatory or voluntary programs to include affordable housing in new residential development. One of the most noted examples is Montgomery County, Maryland where an ordinance in place since 1974 requires that all residential developments of 35 units or more must

dedicate 12.5% of those units to low- and moderate-income housing. As a result, it is cited that 13,000 affordable housing units have been brought on line. However, as of 1999, less than 4,000 of these remained affordable insofar as resale restrictions have expired.²⁶

California has also been a leader in inclusionary zoning. As of 2004, twenty percent of communities in the state required it. However, in a study reported by the Reason Foundation, there is little empirical evidence to suggest that these mandatory affordable housing set asides have resulted in appreciable more units of affordable housing being constructed. In fact, the Reason Foundation Study concluded that: Inclusionary zoning produces few units; it burdens the rest of the housing market with higher costs making market rate product less and less affordable; and it actually restricts the supply of homes while costing the government revenues. In short, artificial price controls do not address the cause of affordability problems.²⁷

Increasingly it seems accurate to say that the affordable housing crises are really phenomena of confusing poverty with housing prices. Professors Edward Glaeser and Joseph Gyouorko analyze the degree to which housing is expensive in relation to the cost of construction of new units versus housing prices in the real estate market. What they have found is that the majority of houses in the United States are priced close to their construction cost. Expensive homes in high-cost areas are a result of government regulations such as zoning codes and other restrictions. Almost all of the high-cost areas in the country are extremely regulated by government. In particular, zoning strictness is highly correlated with expensive home prices. Their conclusion is that in order to lower housing prices, government should reform barriers to new construction in the private sector.²⁸

Anecdotal experience would seem to confirm this reality. Rules mandating the inclusion of affordable units may work to a limited extent and can be a supportive element of housing strategy, but to date

have been of limited effectiveness measured in dwelling units produced since they typically do not apply to all development but only to certain categories, such as developments over some threshold size. Mandates then effectively become an incentive to avoid developing in that category.²⁹

A question that needs to be asked is who ends up paying for below-market rate homes? One can debate that question, but the costs are necessarily borne by someone. Because they are imposed on the new housing market – and not paid for by government – the costs will be borne by some combination of developers, new homebuyers, and landowners. Exactly who among this group shoulders more of the burden depends on market conditions and supply and demand. All of the evidence suggests that the cost will not be borne by the developer or the homebuilder, but by the new homebuyer, thereby effectively imposing a tax on the new homebuyer.

The question that recurs is whether or not the imposition of this tax on this limited segment of society is fair and equitable. Are we in fact asking a small group to subsidize what we recognize to be a societal problem?

The Association believes this is a tax on one segment of society (new homebuyer) that is disproportionate in its fairness and inappropriate in its application. We are prepared to concede that a requirement to dedicate some percentage of the to be built housing inventory should be targeted to the “affordable” category, but only where government is a co-participant through the granting of meaningful economic concessions that serve to make up for the lost opportunity costs resulting from the sale of below market rate housing.

Absent that equalizer, it is clear that losses from price controlled units must be spread over some combination of buyers and sellers of the remaining market rate units. Additionally, the presence of large

scale inclusionary units in the market place has the effect of depressing market rate housing in the surrounding neighborhood.

5. CONCURRENCY AND AFFORDABLE HOUSING

Florida’s Growth Management Act states at Subsection 163.3177(10)(h) F.S. that:

“It is the intent of the Legislature that public facilities and services necessary to support development shall be available concurrent with the impacts of development.” Rule 9J-15.0055 Fla. Adm. Code requires that local government adopt a concurrency management system that ensures that the adopted level of service standards are met and maintained. The 2006 Legislature enlarged the number of mandatory elements to which concurrency is to be applied by adding schools. Prior to that time schools were an option for counties and only Palm Beach County had complied with the requirements of Subsection 163.3177(13) F.S.

As a part of the concurrency process, local governments must adopt and enforce comprehensive plans including importantly a Capital Improvement Element (CIP). The CIP must contain standards to ensure availability and adequacy of the mandatory elements at the level of service determined. Therein lies the problem as the AFCD looks forward. Local governments have relied in large measure on impact fees to insure that the CIP was properly funded, and now with the addition of schools to mix, AFCD foresees a significant potential not only for selective moratoria on new development, but the pressure to impose even higher impact fees to sustain development. Because all costs must be accounted for in the pricing of real estate and therefore housing, the expansion of concurrency to include schools will result in increased costs of housing. Concurrency with unfunded infrastructure makes a density bonus illusory.

26. Salsish, Jr., P.W. “The Impact of Land Use Laws on Affordable Housing,” St. Louis University School of Law, December 2003

27. Howell, Benjamin and Stringham, Edward. “Do Affordable Housing Mandates Work? Evidence from Los Angeles County and Orange County.” Reason Foundation Public Policy Institute, Los Angeles, California, Policy Study No. 320, June 2004.

28. Glaeser, Edward L. and Gyourko, Joseph “The Impact of Building Restrictions on Housing Affordability,” Federal Reserve Bank of New York Economic Policy Review, June 2003.

29. Herr, Phillip B. “Zoning for Housing Affordability,” Massachusetts Housing Partnership Fund, 2003.



G. SMART GROWTH

It is curious that as the affordable housing problem has matured, it has done so at a time when an emerging planning paradigm of “smart growth” also seeks to take hold of the land development industry. While the tenants that comprise the test of smart growth are variously debated, it is clear that there are certain guiding principles that are uniformly viewed as necessary to qualifying as a smart growth development. Among those are (1) range of housing choices; (2) compact building design; (3) mixed land use; (4) walkable communities; (5) direct development to existing communities and (6) provision of transportation choices. Notable among this list is the notion of the need for a range of housing options. Indeed, the case can be made that if smart growth is to be truly smart, it must promote affordable, mixed income housing.³⁰

However, when the smart growth initiatives started to make inroads into the planning circles around the country, it was driven as much by environmentalism and traffic as any concern for affordable housing. In point of fact Weiss notes the smart growth movement was “focused much more on physical improvements to the built environment and protection of

natural resources than any concern for providing affordable housing”³¹

In recent months, the Association has noted some strong movement from that ethic and as such, the Association expects the pressure to address affordability in housing to continue in the near term and beyond.

That said, critics of anti-sprawl practices that fit under the rubric of smart growth argue that smart growth may even increase the cost of housing by decreasing the supply of land, thereby increasing housing prices.³² Anecdotal evidence and the experience of Association members suggest there is not enough experience with the smart growth initiatives to make a definitive connection between smart growth and the limitations on land availability and therefore, one cannot say that smart growth, as a planning paradigm, is any more at fault than any other development paradigm.

Suffice to say here that it is clear that the regulatory overlay coupled with a healthy amount of NIMBYISM, serve to undermine the effort to maintain land inventory at a price point that will support the development of affordable housing.

It is precisely these situations that have created a perception that smart growth and affordable housing are opposing forces. Ensuring an adequate supply, distribution and quality of affordable housing is a litmus test for smart growth. Among the perceived criticisms of smart growth, particularly that related to affordable housing, is that it limits the quantity of land available for development, thereby driving up housing prices and by doing so interferes with the ability of the market to provide affordable housing.³³

The unanswered question from the Association’s perspective is whether smart growth under any of its various guises as implemented in the field is any different than any other government overlay that experience demonstrates has a depressing effect on land availability. Implicit in this discussion is the recognition by the AFCD that smart growth and other limitations imposed on development are all too often the result of an effort to limit or stop growth – rather than a comprehensive

strategy to accommodate and manage it.

Smart growth and other purported limitations on growth should recognize that growth will occur and then be designed to seek ways to accommodate it. While growth boundaries may be one way of achieving the objective, they do not by themselves constitute a smart growth strategy. Rather the strategy must include concentrated efforts to protect low-income residents, increase opportunities for development through higher density, and expand the range of housing choices thereby balancing housing and preservation goals.³⁴

Notwithstanding that assessment, a Brookings Institute study reviewed the literature on the connection between growth-management practices and housing affordability and found the single most important influence on housing prices was market demand, regardless of whether or not growth-management practices were present.³⁵ Although the report concluded that both traditional land use regulation and growth-management policies can raise the cost of housing, it nonetheless concluded that the trade-off that growth management provides in improving the distribution of affordable housing throughout a region, if carefully implemented, will have no, or only minor, impact on housing affordability.

This conclusion contrasts sharply with the conclusion advanced by Edward Glaeser, a professor of economics at Harvard University and Joseph Gyourko, the Martin Bucksbaum Professor of Real Estate and Finance at the University of Pennsylvania's Wharton School. In a paper entitled "The Impact of Building Restrictions on Housing Affordability" published in June 2003 in the FRBNY Economic Policy Review, the author's first note that housing prices are determined by both demand and supply concerns. Continuing they argue that physical houses can be supplied almost perfectly



elastically. As such they continue, "... the limits on housing supply must come from the land component of housing."

Because land is inelastically supplied, this naturally creates a limit on the supply of new housing. Alternatively, they view land as fairly abundant, but argue that zoning laws and growth management initiatives serve to restrict supply and thereby drive up the underlying costs. Testing their hypothesis mathematically they conclude that the difference in the scale of changes in the price of land between various markets suggests that high home prices have more to do with regulation than with the operations of a free market for land.³⁶

Finally, the authors examine the correlation between land prices and measures of zoning. The variable they focused on was a survey measure of the average length of time between application for rezoning and the issuance of a building permit for a modest size, single family subdivision of fewer than fifty units. Again using mathematical modeling, they find "a strong positive relationship, so that when the

30. Weiss, Jonathan D; "Preface: Smart Growth and Affordable Housing," *Journal of Affordable Housing & Community Development Law*, Vol 12, Number 2, Winter 2003

31. Weiss Id. @167

32. Thomas Sowell, "Hand-Wringing over High Cost of Housing," *Wash. Times*, Sept. 3, 2002, at A15

33. "Affordable Housing and Smart Growth: Making the Connection Work," Smart Growth Network and National Neighborhood

Coalition Washington, D.C. 2001

34. Id.@20

35. Arthur C. Nelson et al., "The Link Between Growth Management and Housing Affordability: The Academic Evidence" (2002)

36. Edward L. Glaeser and Joseph Gyourko, "The Impact of Building Restrictions on Housing Affordability," *FRBNY Economic Policy Review*, June 2003 @ p.31

index increases by one, 15% or more of the housing stock becomes quite expensive.” This results in an implied “zoning tax” and the amount is increased by the length of time it takes to get a permit to be issued for the development of the subdivision. Increasing a single category in terms of permit issuance lag results in the model of a nearly \$7 per square foot increase in the implicit zoning tax. Importantly, they note that any increase in the number of variables driving the entitlement process results in a corresponding increase in the implicit zoning tax.³⁷

Centralized land use planning at the state, regional and local levels, tied to statewide planning goals, is often promoted as the solution to improving the overall quality of urban life. In this context, the notion of “smart growth” is simply the latest iteration of a planning paradigm that serves to provide a short hand description of what current scholarship has determined for the present to be best practices. This idea includes the whole panoply of the regulatory overlay that is designed to control growth. More than a dozen states, including Florida, have adopted statewide growth management legislation.

Yet, surprisingly little analysis has examined the real world impacts of these programs based on their performance despite the potential for significant negative side effects. Decades of scholarly research has shown growth controls can reduce housing affordability if they increase costs and limit the supply of new units. Yet, with the exception of a few case studies of individual cities and regions, almost no attention has been paid to the practical effects of implementing this new wave of statewide planning reforms; virtually all of the attention has centered on designing and passing smart growth legislation and implementing the plans.

In Florida, the architects of the Growth Management Act anticipated that the law might have negative impacts on housing affordability. They required local plans to address housing affordability as a specific, defined housing issue. The Legislature even adopted a housing goal that Florida

will “ensure that decent and affordable housing is available for all residents” by 2010. Florida planners took their role as enforcers of the State Growth Management Act principles seriously: more than half of the comprehensive plans for Florida cities, and two-thirds of the plans for its counties were rejected by the Florida Department of Community Affairs because they failed to comply with this element of the State’s growth management law.

In a report prepared by Dr. Samuel R. Staley, PhD, and Leonard C. Gilroy, AICP, for the reason of the Public Policy Institute, we know the housing prices changed in Florida’s urban counties between 1994 and 2000, controlled for density, household size, and proximity to the Orlando metropolitan area. Household income data were unavailable, yet the results suggested:

- Density was not an important factor in explaining rising home prices in Florida, but the size of the household was.
- Urban counties in the Orlando metropolitan area had significant lower rates of housing price increases.
- The number of years a county has been planning and complies with the Florida Growth Management Act significantly increased housing pricing, explaining about 20% of the growth between 1994 and 2000. Looking at other Florida counties, it was clear that the faster they brought their plans into compliance with Florida’s Growth Management law, the faster they had increases in house prices, and it now seems clear in 2006 that this analysis predated the significant revaluation of Florida’s housing inventory which further exacerbated the problem that we seek to analyze here.³⁸

In sum, this study found a disconnect between the goals of statewide growth management laws that seek to ensure affordable housing for our residents, and the effects of the growth management policies when implemented. Growth Management Act compliance has resulted in higher housing prices and decreased

housing affordability, thus, making the goal of homeownership less attainable for renters and lower income households.³⁹ This outcome is concurred in by Danielle Arigoni in her paper entitled “Affordable Housing and Smart Growth-Making the Connection,” in which she advises that “Government should remove zoning and regulatory barriers; streamline lengthy approval processes, and eliminate code criteria such as minimum setbacks, buffers, and parking requirements that act as impediments to affordable housing.”⁴⁰

The effective government regulations and exactions on affordable housing have also been well documented by the U.S. Department of Housing and Urban Development which in 2003 began an initiative to work with state and local governments to remove regulatory barriers. The Department established a regulatory barriers clearinghouse (www.huduser.org) as well as successes in overcoming them. Exclusionary, discriminatory and unnecessary regulations can account for adding up to 30% of the cost of housing. In New Jersey, government regulations have increased housing costs by 35%, and in California, impact fees can add up to \$45,000 to the price of a new home. HUD identifies the increasing complexity of environmental regulation, the misuse of smart growth, suburban NIMBYISM, increased government impact fees and urban barriers, such as building codes and restrictions on rehabilitation and infill as the trends which have effectively stymied the construction of affordable housing.⁴¹

This conclusion does not surprise the Association members, whose own modeling and business planning carries with it a cost, either explicit or implicit to account both for the entitlement risk and the time it takes to accomplish the entitle-



ments so that development might proceed. Reconciling the seemingly conflicting results of various writers and researchers and is best done by recognizing, as the Association does, that **growth management, zoning and other regulatory overlays on land are here to stay, but what it does serve to justify is the conclusion that any attempt to address affordable housing from the land development industry must include some mechanism that recognizes these additional costs and makes an effort to ameliorate or eliminate all or a portion of them.**

37. Id. @ 34

38. Stanley, Samuel R., PhD and Gilroy, Leonard C. “Smart Growth and Housing Affordability: Evidence from Statewide Planning” Reason Foundation Policy Institute, Los Angeles, California, Policy Study No. 287, 2001.

39. Stanley, Samuel R., PhD and Gilroy, Leonard C. “Smart Growth and Housing Affordability: Evidence from Statewide Planning” Reason Foundation Policy Institute, Los Angeles, California, Policy Study No. 287, 2001.

40. Arigoni, Danielle, “Affordable Housing and Smart Growth-Making the Connection,” Smart Growth Network and the National Neighborhood Coalition, U.S. Environmental Protection Agency, Community and Environment Division, 2001.

41. “Why Not In Our Community? Removing Barriers to Affordable Housing,” U.S. Department of Housing and Urban Development 2004.



H. THE FLORIDA EXPERIENCE

So what has been the experience with government exactions in Florida? A survey of Association Members suggests that increasing impact fees and low-density requirements have made it difficult, if not impossible to develop affordable housing.

To date, there has been minimal experience with inclusionary zoning and set asides for price controls in Florida, but it appears that that is about to change. Palm Beach County has this spring enacted a complex ordinance limiting prices on 11-20% of new homes in a development to \$164,000 - \$300,000. As an incentive, the ordinance will allow 30% more units than existing zoning regulations allow.⁴² The ordinance also provides for a cash-out option, but at a cost of approximately \$110,000 per unit, it is cost prohibitive. While the jury is out on how the implementation of this ordinance will affect the construction of affordable housing in Palm Beach County (where the median price of a home is \$391,000), some developers are already indicating that they cannot accommodate these mandates within their business plans. As a result, they are no longer seeking to invest in non-entitled property in the county.

Other Florida communities are also entertaining set-asides and inclusionary zoning proposals. St. Lucie County is considering an 8% set aside for affordable housing in new developments. Sarasota County is looking at the potential of mandating 10% of units in large-scale projects to be dedicated to affordable housing, with a \$75,000 per unit cash-out option.⁴³ In Tallahassee, where inclusionary zoning requires 10% of units in developments of 50 or more to be priced at no more than \$159,378, home builders are challenging the ordinance on the basis that this is shifting the burden of affordable housing construction to consumers of market rate product.⁴⁴ In addition, home builder companies report dealing with mandatory set asides in Collier County and in St. Johns County, where one developer opted to cash out rather than build affordable housing.

Another example is in Broward County where the county commission is considering adoption of an ordinance that would allow it to delay approvals on large projects within municipalities until cities demonstrate that they are doing something about affordable housing.⁴⁵ This, in turn, is leading some Broward communities to bring up

local-option real estate transfer taxes as the way to fund affordable housing.⁴⁶

While it remains to be seen whether inclusionary mandates, affordable housing cash contributions, or new taxes will have a significant impact on increasing the stock of affordable housing in Florida, it seems more likely that such measures will drive developers out of the market. As an alternative, the costs will be passed on to buyers of market rate product, and as such, the financial burden of creating affordable housing will be shifted to the consumer. As one developer representative noted, affordable and workforce housing is a community issue, not a developer issue. Local governments have a legal mandate to ensure housing, pursuant to the Local Government Comprehensive Planning and Land Development Regulation Act of 1985⁴⁷, but they do not have the right to push that mandate solely onto the private sector that delivers the end product, but they do not have the right to push that mandate solely onto the private sector that delivers the end product.⁴⁷

The Association believes that the notion of inclusionary zoning has applicability only in the most restrictive of circumstances and should not be employed, as it sometimes appears, as a quick fix that relieves political pressure from the elected officials. It is inherently discriminatory and by all accounts does not produce the quantity of units nor sustain them long term that the proponents of the idea have advertised. What it does do is lower the total value of the housing inventory across the board. If it is to be employed, the AFCD would only support it as part of a more comprehensive strategy that included other economic offsets to better equalize the economic consequences with market rate housing product.

GOVERNMENT INCENTIVES.

So, if government exactions are impediments to the construction of

affordable housing, are government incentives inducements? HUD's Regulatory Barriers Clearinghouse documents hundreds of cases where communities across the United States have, as the Association has suggested, waived fees, accelerated permitting, removed building permit caps, offered increased densities and other creative efforts to attract the private sector into the affordable housing market. Tax incentives can be found throughout the country: in Southampton, New York, tax assessments on affordable housing are phased-in; Ft. Collins, Colorado, waives sales and use taxes on materials used in the construction of affordable housing; the value of multi-family housing in rehabilitated properties is waived from property taxes for ten years in Seattle; and Hawaii offers tax exempt savings accounts for first-time home builders.⁴⁸

Counties and municipalities in Florida are also introducing incentives to attract the private sector to affordable housing construction. In the Manatee/Sarasota market-the fifth least affordable in the state-Manatee County is instituting a graduated package of incentives for builders that voluntarily dedicate from 10-25% of new units to affordable housing (priced at \$160,000 or less). Fast track permitting and increased densities (at the discretion of the county commission), lower impact fees, assistance in funding amenities such as sidewalks and landscaping, and down-payment assistance to affordable housing buyers in the form of state SHIP (State Housing Initiative Partnership) grants are all part of the package.⁴⁹

Indian River County is considering a proposal to allow smaller lots and waive buffer requirements. At the same time, however, they are looking to restrict sale prices for ten years on affordable housing units, which the local advisory committee

42. Reid, Andy. "From Cabin to Condo." South Florida Sun-Sentinel. June 30, 2006.

43. Haughey, John. "Commission Weighs Incentive Carrot, Policy Stick." Sarasota Sun-Herald. June 20, 2006.

44. Dion, Ed. "Inclusionary Zoning Raises the Cost of Housing." Tallahassee Democrat, letter to the editor. March 26, 2006.

45. McNeal, Natalie P. "New Rule Targets Affordable Housing Needs." Miami Herald, June 30, 2006.

46. Payne, Wingate. "Spend all the Sadowski Funds on Housing." Miami Herald, August 1, 2006.

47. Ross, Jamie. "Creating Inclusive Communities in Florida." The Florida Housing Coalition and 1000 Friends of Florida. February 2005.

48. www.huduser.org, Regulatory Barriers Clearinghouse.

49. Followell, Melissa. "Expo Showcases Affordable Housing." Bradenton Herald. June 16, 2006.



has rejected as being unenforceable.⁵⁰ Boca Raton is hosting workshops on affordable housing and directing staff to bring proposals forward. Meanwhile, in Lee County, the Horizon Council has held community workshops to examine the problem. There, the average home price is \$290,000. However, the average resident in the county can only afford a home priced at \$122,000.⁵¹ Increased densities, including a consideration of row houses in the community of Cape Coral, are being eyed as possible solutions.

Likewise in Lee County, the Housing Development Corporation is funding the Bonita Springs Area Housing Corporation to establish a community land trust.⁵²

While affordable housing advocates hail HB 1363 as the most substantial legislation addressing affordable housing in Florida since the passage of the Sadowski Act in 1992, they nonetheless continue to criticize the State's reluctance to lift the spending cap on the Sadowski Affordable Housing Trust Fund which is funded through documentary stamp taxes and provides grant monies to local governments to fund affordable housing. The fund receives from \$500-600 million annually and presently has \$940 million available.

However, the legislature has never fully appropriated the fund and as a result, this year \$507 million dollars will not be eligible for expenditure. In 2007 the fund is slated to be capped at \$243 million dollars. **The AFCD does not support a cap believing that such a cap is inconsistent with the idea of an affordable housing crisis and only serves to unduly burden the private sector providers of the affordable housing product.**

Have government subsidies and incentives in Florida made a difference when it comes to attracting the private sector into building more affordable housing? The truth is that there seems to be very little research and evidence to point to any hard conclusion.⁵³ Jamie Ross, Affordable Housing Director at 1000 Friends of Florida and a recognized expert in affordable housing in Florida, suggests that while government incentives are very important to those companies and builders that are in the affordable housing market already, they are not likely to entice market-based developers to pursue affordable housing. Simply put, there is no evidence to date to suggest that a smattering of incentives will really induce someone to change their business.⁵⁴

However, Ross does suggest that the right combination of government exactions (inclusionary zoning, which she has analyzed nationwide and supports) combined with enough government incentives may be the key to inducing more developers into the affordable housing market. Ross is quick to point out that she appreciates concerns from the development and builder community about inclusionary zoning; as she notes, we need to make it feasible and, indeed, profitable for the building community to come into this market (emphasis added). She sees large-scale projects as the most logical location for incorporation of affordable housing product.⁵⁵

Ross does suggest that government has the ability through planning, financial incentives and regulatory reform to institutionalize comprehensive programs and policies that will attract the private sector to the affordable housing construction market. Within the planning arena, local governments must take seriously their

responsibilities for ensuring the availability of affordable housing. This means tailoring their comprehensive plans to identify lands close to employment centers and transportation facilities and earmarking such properties for affordable housing. (As Ross points out, it is highly unlikely that a developer would pursue a comprehensive plan amendment in order to build affordable housing.)

Likewise, land development regulations, zoning and codes must be crafted to implement the comprehensive plan affordable housing policies. This may mean streamlining the approval processes for affordable housing developments to minimize opportunities for NIMBYISM, among other things. In the financial arena, local governments should waive or reduce impact fees and water and sewer hook-ups for affordable housing. Local government should also take the lead in working closely with development interests in order to coordinate financing opportunities between federal, state and local sources. And last, but not least, regulatory reform must be tackled. As Ross notes, any land use regulation that is not required for the purposes of health, safety and public welfare should be eliminated. This means things like minimum square foot requirements, setbacks, parking and garage requirements, etc., should come off the books.⁵⁶

Would the local government incentives that Ross lays out make a difference? Based on developer feedback, it probably would. The community development industry sees government incentives as helpful – obviously, anything that accelerates permitting processes and cuts costs will be useful. But unless incentives are comprehensive (for example, streamlined permitting must be adopted across all agencies, and it must really be streamlined, not just in name alone; densities must be increased and



mixed-use developments encouraged; impact fees must be dramatically reduced) it is unlikely that they will do enough to really trigger the construction of affordable housing. As more communities struggle with solutions, this will be fertile ground for research and analysis to determine just what programs and policies will be successful in addressing the acknowledged need for affordable and workforce housing in Florida. That said, the AFCD sees the solution as **a shared responsibility and not another exaction to be obtained from the development community.**

50. Stephens, Henry A. "Indian River County Affordable Housing Proposal Needs More Work Panel Says." *Stuart News*. June 16, 2006.
51. Reed, Jennifer Booth. "Bleak Housing Situation Tackled." *News-Press*. June 23, 2006.
52. Capero, Christina. "Non-profit Land Trusts Offer Housing Solution." *News-Press*. July 2, 2006.
53. Telephone interview with Bill O'Dell. Shimberg Center for Affordable Housing, University of Florida July 19, 2006.
54. Telephone interview with Jamie Ross. 1000 Friends of Florida.

June 7, 2006. The notion that government incentives are extremely important to builders in the affordable housing market was also pointed out to the author by Brian Flaherty, Chairman of the Pinellas County Housing Authority and a long-time builder of affordable housing.

55. Jamie Ross. Presentation at the 9th Annual Regional Cooperation Summit - Affordable Workforce Housing.
56. Ross, Jamie. "Creating Inclusive Communities in Florida." *The Florida Housing Coalition and 1000 Friends of Florida*. February 2005.

DESIGN AND ITS IMPACT ON AFFORDABLE HOUSING

Design and Its Impact on Affordable Housing

A part of the solution to the development of enhanced workforce housing inventory rests with our ability to design this housing with sensitivity not only to how it looks, but to its place in the larger community. State building codes and local land development regulations too often serve to constrain developers, builders and their supporting design professionals from finding creative housing solutions. These administrative constraints have dampened the pursuit of housing diversity and the efficient delivery of new or redeveloped housing.

A. GOOD DESIGN CAN BE AFFORDABLE

Affordable housing does not have to be ugly housing. Whenever “affordable housing” is mentioned, people tend to shutter and conjure up images of a basic rectangular house with a wide gable across the front, bland and beige, with little or no ornament, rendered with little aesthetic value. As the rendering demonstrates, good design does not have to be limited to higher end housing product.



SOURCE: CANN ASSOCIATES

Good design is not a luxury, it is a necessity. It's not an expense, but a method. And it is even more necessary when there are challenging construction cost limits. Design is an appropriate functional and aesthetic solution to a need.

Affordable housing is no exception. There are proven ways that affordable housing can look good and effectively blend in comfortably in most neighborhoods. The design of Highland Oaks are a good example.



SOURCE: CANIN ASSOCIATES

HIGHLAND OAKS



SOURCE: CANIN ASSOCIATES

AVALON 50' REAR LOAD BUNGALOW

Good design is also the key to getting construction costs under control. One of the single most important factors in constructing housing is having floor plans that minimize construction material waste and improve the efficiency in which they are built.

For instance, if concrete block is used for the exterior walls, then the outside dimensions of a house plan should conform to standard block modules. This reduces the need for half blocks or the need to cut blocks. If wood stud walls are used instead, then the outside dimensions should align with standard stud spacing. Construction costs can also be saved up on the roof. Roofs should be very simple, and never complex. Trusses are usually spaced

an even 24" apart, so the length of the house should measure to an even number of truss spaces at two foot intervals. Other techniques may include shared plumbing walls, aligned walls, minimized hallways or sizing bedrooms so that carpet can be rolled out in a single width across the bedroom floor with no edges cut and wasted.

Good floor planning is vital. Affordable house plans do not require that rooms

have to be small and cramped. Good design requires taking advantage of every square inch available and that we that it have purpose. Good floor plan design means that rooms are sufficiently sized to accommodate both comfortable furniture settings and easy foot traffic patterns through rooms. It means you have adequate storage space. Vaulted ceilings and lots of sunlight create a perception of larger space. Families that occupy affordable homes should not have any less enjoyment of their home or use of their space simply because it was built less expensively than other homes.

What will these houses look like? Beauty can be obtained by using the correct design of the building form alone. The Greeks, Romans and classical architects have given us tried and proven mathematical formulas and geometries to use in their endless quest to attain the

perfected form. A building with good proportion and one that is in harmony with its scale is almost universally perceived as beautiful and as a preferred structure.

Achieving this first, gives rise to a simple style that relies less on ornament and other unnecessary architectural adornments (refer to the Katrina Cottage in the case studies below). "Design" doesn't have to be expensive, just done right. If design is done right, it will allow for less conflict through the entitlement process and more cost effective construction, while at the same time resulting in a product that can blend seamlessly into the overall landscape.

Let's look at a few case studies where jurisdictions, developers, builders and designers have made a commitment to attainable housing, and they ought to be applauded for investing the time and effort to achieve fantastic aesthetic results in new neighborhoods.



SOURCE: CANIN ASSOCIATES

**CASE STUDY NUMBER 1:
HAMPTON PARK, ORLANDO**

Hampton Park is located in downtown Orlando, and it is a redevelopment of a 17-acre block that used to be distressed public housing units. The new development was developed for the Orlando Housing Authority by Colonialtown Community Builders, a joint venture between Orlando Neighborhood Improvement Corporation and First City Realty and Development.

The United States Department of Housing and Urban Development (HUD)





awarded the Orlando Housing Authority a \$6.8 million HOPE VI Grant to demolish the distressed homes and to build a new mixed-income, mixed-use community.

Portions of the grant money were also used for homeownership opportunities for low-income public housing residents in the Section 8 program of Orlando and Orange County.

Residing in the City of Orlando's Historic Overlay District, the new homes had to mimic the historic homes found throughout downtown Orlando. The goal for this infill development was for the houses to blend seamlessly with the historic architectural styles of older homes on the surrounding streets. The affordable homes were intended to be indistinguishable from the market-rate homes.

A great variety of housing types are found there: forty-two single and two-story detached family houses, ten detached, zero-lot townhomes that face Hampton Park, eight attached townhomes and five two- and three-story office/town homes. There is also a forty-eight unit HUD designated elderly apartment complex.

At its completion in May 2006, Hampton Park resulted as a win-win project for the new residents and the established neighbors alike.

CASE STUDY NUMBER 2: ART IN ARCHITECTURE PROGRAM, HOLDEN HEIGHTS

The idea of Holden Heights was to build a showcase of well-designed, affordable houses for buyers with moderate incomes using down payment assistance programs offered through Orange County.

Art in Architecture is a program put together by a group of local realtors, architects and builders that set out to demonstrate that affordable housing can look good on the outside and live well on the inside. The designs of the four houses were undertaken by local architectural firms and the Young Architects Forum.

Four houses were designed, each have a unique appearance – an intentional outcome with four different designers. The overall goal for this program is to create well-designed affordable housing. The profits made from the sales of these homes go back into the Art in Architecture foundation to build more houses.

The Art in Architecture program has been recognized by the National Association of Realtors as one of the top affordable housing projects in the country.



CASE STUDY NUMBER 3: HABITAT FOR HUMANITY

In 2004, the Florida Society of the American Institute of Building Design worked in cooperation with Habitat for Humanity (HFH) of Lake County by facilitating a design competition to its residential design members. HFH was able to choose the best design from the top entries. Each designer had to follow the same written design program, with criteria that catered to a particular site in Eustis, Florida. The winning design was a simple cottage design which smartly responded to construction cost restraints and provided roomy living plan space. A comfortable front porch allows for an extra sitting room outside, so the residents can interact with their neighbors.

Habitat for Humanity International recently collaborated with the Institute of Classical Architecture and Classical America (ICA&CA) to design and build affordable homes with classic designs in some historic districts throughout the



SOURCE: CANIN ASSOCIATES

United States. With the first three prototypes built in Savannah, GA, Rochester, NY and Norfolk, VA, the ICA&CA will design, develop and then distribute a publication that will include architectural design, community planning and landscape architecture principles to help other Habitat for Humanity affiliates across the country building traditional-styled homes to fit with the architecture and context for their region.

CASE STUDY NUMBER 4: LAKE HUNTLEY, LAKE PLACID, NEW YORK

In the town of Lake Placid in the heart of the state sits a vacant 16-acre corner lot with a portion touching the edge of Lake Placid. In its past life, the property was once planned for a mobile home community.

Inspired by the coastal town of Seaside in Florida's panhandle, one builder had a vision to develop the property with all the charm of the beautiful Seaside houses, but utilizing modular construction. This presented quite a design challenge, as modular housing had not yet been known for attractive architectural style. Modular housing is an attractive, affordable option to site-built homes because it offers incred-

ible time savings and a better quality product built in a controlled environment.

A modular home is fabricated in a factory and designed to fit unique design and engineering specifications. Three different homes were designed – a one-story, a one-and-a-half story and a full two-story plan with optional garages. The land plan yielded a density of 5.5 units to the acre with 28'-wide lots and allowed the garages to be in the backyards of the home sites.

What one should conclude from this brief review is that cost-efficient construction can allow for the development of innovative affordable housing.



B. REGULATORY FLEXIBILITY, A CORNERSTONE OF GOOD DESIGN

The Association believes that a part of the solution to the development of enhanced affordable housing inventory rests with our ability to design this housing with sensitivity not only to its design but its place in the overall community. The overall density of affordable housing projects has gone down in recent years, yet it still must be built in a fairly dense fashion in order for the project to be financially feasible. Architects and land planners have been learning how to do that and have found ways to be creative at distinguishing density through the strategic placement of open space, through the use of quadraplex configurations, and using topography and building construction to minimize the potential for “bulk” in new construction.

Association members recognize that new development must fit into existing communities while having to have higher density than the surrounding area to offset restrictions on rents or prices. This is particularly true where there is an effort to not only build affordable housing, but to integrate it into the larger community. All of these concerns beg for solutions in the regulatory process that allow greater creativity in design and flexibility in product placement.

To a large extent the design and delivery of our housing stock is regulated by State Building Codes coupled with Local Land Development Regulations. Developers, Builders and their supporting Design Professionals are frequently restrained from creative housing solutions due to the complexity and expense of producing products which waiver from the prescribed standards. This administrative constraint has dampened the pursuit of housing diversity and the efficient delivery of new or redeveloped housing that meet the range of social and economic requirements in the Florida marketplace.

Prior to the adoption of local subdivision regulations, zoning codes and public works standards initiated in the 1950s, previous generations of affordable housing were

provided in the form of neighborhoods, towns and cities which provided for young families, the workforce, senior citizens and immigrants. This was accomplished historically with less access to energy, materials and services and with significantly less community affluence than we enjoy today.

Frugality and social necessity took precedence over Land Development Regulations resulting in land development patterns and building typology designed with remarkable simplicity, significant density, and flexibility to adapt to economic conditions.

Empirical lessons which have relevance to the affordable and workforce housing issues facing our existing communities are imbedded within our past history of development and will require renewed understanding and implementation by the public sector, private sector and social sector in order meet our current housing needs.

Regulatory drivers which have eroded our ability to design and deliver more cost-effective solutions include the following:

1. **Exclusive residential zoning and Future Land Use categories which remove the ability of the resident to legally pursue a home-based occupation.** This condition has marginalized the ability of a primary or secondary business to contribute to the residential mortgage debt service and in many cases required the additional expense of dedicated office or shop space as well as additional vehicle ownership. Building typology to allow live work buildings and residential over nonresidential ownership needs to be made available to a broader segment of our population.



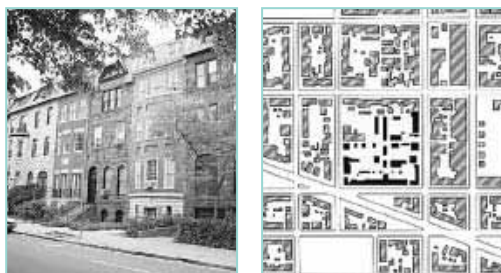
2. Residential zoning regulations which prohibit the ability of the primary owner occupant to rent a room or garage apartment. This restriction has removed many thousands of empty bedrooms from the rental pool and helped drive up the cost of land in order to meet the market demand for rental housing. The supplemental income to an owner occupant can be significant over the course of time and allow senior citizens the ability to age in place. Modern covenants and restrictions could enforce the rental characteristics of single-family dwellings rather than rely on the public sector to enforce zoning based restrictions.



SOURCE: GENESIS GROUP

3. Subdivision regulations and zoning codes which require minimum lot frontage on a dedicated public or private street meeting public works standards. This requirement has led to inefficient subdivision patterns and expensive infrastructure on a per lot basis. Affordable housing has historically been provided by delivering higher priced housing associated with the predominant street or boulevard frontage while relegating the more affordable housing stock to alley frontage or lane frontage positions as well as internal block locations. Economic and social benefits are produced by allowing the perimeter adjacent residents to monitor the activities of the more affordable housing units without a strong visual connection to the public streets. Revising these provisions of the local regulations would allow Carriage House Condominiums or fee simple ownership of smaller-scale

residences with simple architectural features to be integrated within higher-end residential neighborhoods.



SOURCE: GENESIS GROUP

4. Concurrency mitigation requirements for schools and transportation when applied to affordable housing produces disproportional impact fees. Affordable housing can be located within reasonable walking distance to a transit stop will not only address access to the community, but where it is done, could give rise to some relief on transportation impact fees. New community scale site plans should provide internal transit stops within a half-mile radius of residential units to allow for existing or future transit accessibility. The reduction in cost of ownership of one automobile per affordable house equates to over \$40,000 in increased mortgage purchasing power. Concurrency exemptions designed to support alternative transportation modes for affordable housing is needed at all scales of housing delivery.



SOURCE: GENESIS GROUP

Reinvestment by a younger population is necessary to maintain owner-occupied neighborhoods and avoid excessive periods of deferred maintenance. Many older neighborhoods are simply out of style and are in need of renovations and additions to bring the housing stock to meet the expectations of the market place. Reductions in antiquated and excessive building setbacks are needed in many older



SOURCE: GENESIS GROUP

neighborhoods which would allow for housing reinvestment to occur where community infrastructure already exists. Front setback reductions are particularly important to allow the capital reinvestment

in the homes to be visible from the street and provide curb appeal while bringing floor plans up to current market expectations. An example is shown above.

MIXED-USE VILLAGES

Despite the lack of regulatory support to plan, design and produce more affordable housing choices that are in demand, several examples have been produced by the development industry in Florida and particularly California which provide the expected affordable results and deliver very successful and livable neighborhoods. Several planned communities are imple-

menting mixed-use Village and Town Centers in locations where single-use, non-residential development would typically occur. These centers include civic elements along with a variety of residential housing choices, which allow both home occupations with live-work and room rentals by an owner occupant.



SOURCE: GENESIS GROUP

Many of these mixed-use villages are able to employ additional site planning and building typologies designed to reduce the overall cost of ownership for those desiring a more urban housing style and successfully co-locate market rate and affordable units within close proximity.

Higher-end residential communities or neighborhood enclaves with significant

amenities located within counties with relatively low-median, income levels have had success with providing affordable housing within the residential enclave. These examples required the cooperation of local regulators to allow creative site planning and building typology to produce the affordable components as well as lower the overall cost of development.



CARRIAGE HOUSE CONDOS

The above community of 750 units on 75 acres of developable land utilizes a wide range of housing priced from \$90,000 to over 1million. Affordable design features include garden walk lots which have no street construction within the platted right-of-way, and courtyard lots which only have a small

common green connection to the street frontage. Additionally, Carriage House condominiums are positioned (parking areas) adjacent to many of the market rate condominiums and serve to provide garages and storage for the market price units.



SITE PLAN OPTIONS

For design to be an effective tool in the delivery of affordable housing, it must be supported by enlightened Land Development Regulations, which allow for waivers from many of the site planning conventions which are resulting in increasing development costs.

A further study looking at increasing

density found that by using a 45'-wide townhouse in a six-unit configuration a density of 12.3 dwelling units per acre could be achieved. The units designed for this study consisted of two bedrooms with two-and-a-half baths along with grand rooms and eat-in kitchens.



SOURCE: CANIN ASSOCIATES

Another iteration took the 15'-wide townhome and designed them as a triple unit achieving 9.5 dwelling units per acre. With this configuration and careful attention to detail, including placement of the entry doors and front porches, one can achieve triple units that appear as single-family homes. These units not only fit well into a master planned community, but are also an excellent infill housing solution.



SOURCE: CANIN ASSOCIATES

Single-family detached homes designed with 25' and 30' widths with front-load garages and lane-loaded garages achieved a density of 7.5 dwelling units per acre. The front-loaded garages are designed to keep from having a streetscape of garage doors. The shared drives reduce the amount of paving allowing for greener streetscapes. Both designs used simple building shapes and traditional materials to create attractive streetscapes that will enhance the overall development along with keeping land development cost down.

Finally, manufactured housing designed in a 28'-wide footprint along with rear-loaded garage allows one to achieve 6.2 dwelling units per acre. These homes are designed for manufacturing off-site are available in one-story, one-and-a-half story and two-story housing types. Front porches

are available for all the designs to create an appealing streetscape. The use of manufactured components not only controls the quality but brings down the construction cost and labor cost. Examples are shown below.



SOURCE: CANIN ASSOCIATES



SOURCE: CANIN ASSOCIATES

C. FINAL THOUGHT

The Association believes that our ability to use any one or more of these alternatives requires government to reexamine its role in the housing delivery system, but what this brief discussion demonstrates is that cost-effective, quality alternatives are attainable if we can creatively adjust and limit the regulatory impediments to their implementation.



APPENDIX

A. FLORIDA COMMUNITY LOAN FUND

The Florida Community Loan Fund is a statewide community development financial institution which provides loan capital and technical assistance to non-profit organizations that have insufficient access to capital from conventional lending sources. Loans are made exclusively to organizations involved in affordable housing, economic development, and essential social services in urban and rural low-income communities throughout Florida. The Loan Fund has over \$11 million to lend and is used to make below-market interest rates or flexible loans available to eligible non-profits. Capital for this undertaking is raised from individuals, banking institutions, foundations and units of federal, state and local governments.⁵⁷

The Fund provides loans ranging from \$5,000.00 to \$1 million with variable terms and interest rates. To qualify for a loan under this program, the non-profit organization must provide: (1) affordable housing benefiting low-income families; (2) supportive housing for low-income or at-risk and special-needs clients; (3) community facilities to deliver shelter or services to low-income families and neighborhoods; or (4) economic development projects that are targeted to low-income neighborhoods.

Loan applications are evaluated based on the potential social impact of the investment. After the loan is made, the Fund tracks this impact by documenting the number and type of affordable housing units built or renovated, the number of "livable wage" jobs or job training opportunities created, the number of businesses financed, the number and type of community facilities built or renovated, and the number and type of people served by units of social services provided.

B. FLORIDA HOUSING FINANCE CORPORATION

The Florida Housing Finance Corporation (FHFC) administers a number of programs that help low-income individuals afford safe, decent housing. Homeownership programs administered by the FHFC include the First Time Homebuyer Program, the Homeownership Loan Program and several different down payment assistance programs.

1. DOWN PAYMENT ASSISTANCE

The FHFC administers a number of programs that help low-income individuals afford safe, decent. Homeownership programs administered by the FHFC include the First Time Homebuyer Program, the Homeownership Loan Program and several different down payment assistance programs.

The Florida Housing Finance Corporation offers down payment and closing cost assistance to eligible homebuyers. These funds are often provided in conjunction with the First Time Homebuyer Program, but are also available through the Homeownership Assistance Program, the HOME Investment Partnerships program, the Homeownership Assistance for Moderate Income Program and Three Percent Cash Assistance Program. In all but the Cash Assistance Program, the down-payment and closing cost assistance is a loan, given in the form of a second mortgage on the property.

The Homeownership Assistance Program provides up to \$10,000.00 in down payment assistance. The HOME Investment Partnerships Program (HOME) provides up to a maximum of: 25% of the purchase price of the home, \$14,999.00 (\$25,000.00 in high cost counties), or the amount necessary to purchase the home, whichever is less. The Homeownership Assistance For Moderate Income (HAMI) Program makes assistance available up to \$5,000.00. The last program, the Three-

Percent Cash Assistance Program, provides the borrower with up to 3% of the loan amount to use for down payment and closing costs.⁵⁸ These programs are discussed more fully below.

2. FIRST TIME HOMEBUYER PROGRAM

The First Time Homebuyer Program is intended to make purchasing a home more affordable for low-to-moderate income families. The Program offers low-interest 30 year fixed-rate loans, as well as down payment and closing costs assistance, which greatly reduces the out of pocket expense to the first time home buyer.

Program eligibility is based on household income and the sale price of the home. In order to qualify for the program, household income must not exceed the maximum limits for income and sales price in the county where the home is located. Besides these income requirements, participants must have never owned a home, may not claim a mobile home as real property, must have established credit-worthiness, and must not have owned and occupied a home as their primary residence within the past three years.

In addition, participants in the First Time Homebuyer Program are required to complete a Homebuyer Counseling Course. This course address issues such as money management and savings plans, in order to ensure that these participants will continue to grow their economic worth.⁵⁹

3. HOME OWNERSHIP ASSISTANCE PROGRAM (HAP)

The Home Ownership Assistance Program is one of three subprograms that make down payment assistance available. This program was created to consolidate the Homeownership Assistance Program (HAP) Construction Loan, the HAP Permanent Loan, and the HOME Homeownership Loan programs into a combined rule and application process. The funding source for this program is the Sadowski Act Funds.⁶⁰ This

57. See www.FCLF.org

58. <http://www.floridahousing.org/Home/HomebuyersRenters/FTHB/DownpaymentAssistance.htm>

59. <http://www.floridahousing.org/Home/HomebuyersRenters/FTHB/.htm>

60. See www.floridahousing.org

particular program is designed to result in the development of a project that is fully qualified as affordable with rigorous income limitations.⁶¹

The HAP Construction Loan provides up to \$1,000,000.00 in a five-year, zero percent interest construction loan to eligible developers. Eligible developers include nonprofit developers and nonprofit sponsors, and local governments and public housing authorities, and developments that have received funding from Florida Housing's Predevelopment Loan Program. A minimum of four housing units constitutes an eligible development for HAP construction loans. To qualify for the HAP Construction Loan, at least 30 percent of the homes in the development must be sold to homebuyers who have an adjusted income that does not exceed 50 percent of the area median income. Another 30 percent of the homes must be sold to homebuyers who have an adjusted income that does not exceed 80 percent of the area median income. Any remaining homes must be sold to households that have an adjusted income that does not exceed 150 percent of the area median income.

The HAP Permanent Loan Program provides up to \$30,000.00 in a second mortgage, at zero percent interest, to eligible homebuyers who are purchasing a home that was built by a participating developer. In order to be eligible, a household's adjusted income may not exceed 80 percent of the area median income. The term of the loan is the lesser of 30 years or the term of the first mortgage, and is due upon maturity, sale, refinancing or rental of the property.

The HOME Homeownership Loan Program provides construction loans to both non-profit and for-profit developers. The program also provides eligible homebuyers, those whose adjusted income does not exceed 80 percent of the area median income, with a zero percent second mortgage loan for up to 25 percent of the purchase price of the house.

4. HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME)

The HOME Investment Partnerships Program (HOME) is federally governed and funded. It was enacted in 1990 as part of the Cranston-Gonzalez National Affordable Housing Act and provides participating jurisdictions, such as the State of Florida and some eligible cities within Florida, with the opportunity to administer and distribute federal funds to expand the supply of decent, safe, and affordable housing in accordance with the goals and strategies outlined in their consolidated plans.⁶² HOME funds may be used to provide home purchase or rehabilitation financing assistance to eligible homeowners and new homebuyers; to build or rehabilitate housing; or for other expenses related to the development of non-luxury housing, including site acquisition or improvement, demolition of dilapidated housing to make way for HOME-assisted development, and payment of relocation expenses.⁶³

Funds obtained from this source must be used to assist low-income persons or households. Twenty percent of the HOME-assisted units must be occupied by households whose annual income does not exceed 50 percent of the median family income for the area; and the balance of the units must be occupied by households whose annual income does not exceed 60 percent of the median family income for the area. There is a companion program for rental properties.⁶⁴

5. MORTGAGE CREDIT CERTIFICATE

The Mortgage Credit Certificate program allows a homebuyer to claim a federal tax credit for a portion of the mortgage interest paid each year. Credits are issued at rates varying from 10 to 50 percent, up to \$2,000.00, based on the amount of mortgage interest paid per year. The credit is non-refundable but may be carried forward for up to three years.

Any first time homebuyer whose income generally does not exceed 115% of the area median income is eligible for the

Mortgage Credit Certificate program. All mortgage loan types are eligible and must be underwritten according to FHA, VA, Rural Development, or conventional loan criteria.

Homeowners normally claim an itemized deduction for the amount of mortgage interest paid each year when preparing their annual federal taxes. This itemized deduction only reduces the amount of taxable income. However, the Mortgage Credit Certificate will allow the homebuyer the benefit of a dollar for dollar reduction of their tax bill in the event that income taxes are owed.⁶⁵

6. MULTIFAMILY MORTGAGE REVENUE BONDS

The Multifamily Mortgage Revenue Bond Program (MMRB) provides below market-rate loans to non-profit and for-profit developers who set aside a certain percentage of their apartment units for low income families. Affordable housing developers are able to use the dollars from this program in conjunction with other Florida Housing programs, such as the Affordable Housing Guarantee Program, discussed below.

To be eligible for the program, at least 20 percent of the units must be reserved for households earning at or below 50 percent of the area median income. The developer has the option to set aside 40 percent of the units for households earning at or below 60 percent of the area median income.⁶⁶

7. FLORIDA AFFORDABLE HOUSING GUARANTY PROGRAM

The Florida Affordable Housing Guaranty Program was created by the Florida Legislature as part of the William E. Sadowski Affordable Housing Act of 1992. The stated purpose of the program and the Act is:

- stimulating creative private sector lending activities to increase the supply and lower the cost of financing or refinancing eligible housing;

- creating security mechanisms to allow lenders to sell affordable housing loans in the secondary market; and
- encouraging affordable housing lending activities that would not have taken place or that serve persons who would not have served but for the creation of this program.

The Guaranty Program encourages affordable housing lending activities through the issuance of guarantees and the obligations incurred in obtaining single- and multi-family mortgage revenue bond financing for affordable housing. It does not provide direct funding of developments, but facilitates direct funding by reducing the lenders' and bond holders' risks through the issuance of the guarantee. In addition to other eligibility requirements, each development must set aside a minimum of 20% of its units for moderate income (the 120% or less of area median income) households unless they are subject to more stringent restrictions.⁶⁷

8. ELDERLY HOUSING COMMUNITY LOAN

The Elderly Housing Community Loan program provides loans of up to \$750,000.00 to developers who are making substantial improvements to elderly housing. The developer is required to match at least 15 percent of the loan amount to pay the cost of the proposed repairs or improvements.

Funds are available for the purpose of building preservation, sanitation repairs or improvements required by federal, state or local codes, or life safety or security related improvements.

Eligible housing developments must provide housing for the elderly as defined in Section 420.503 Florida Statutes. Any person or entity, public or private, for-profit or nonprofit that provides housing for the elderly is eligible for the program.⁶⁸

61. <http://www.floridahousing.org>

62. www.hud.gov

63. See www.hud.gov

64. See www.floridahousing.org

65. <http://www.floridahousing.org/Home/HomebuyersRenters/MCCP/default.htm>

66. www.floridahousing.org

67. See www.floridahousing.org

68. www.floridahousing.org

9. LOW INCOME HOUSING TAX CREDITS

The Housing Credit (HC) Program is governed by the U.S. Department of Treasury under Section 252 of the Tax Reform Act of 1986 and Section 42 of the Internal Revenue Code, as amended. It provides for-profit and nonprofit organizations with a federal tax credit in exchange for the acquisition and substantial rehabilitation, substantial rehabilitation, or new construction of low and very low income rental housing units. The Credit can be used for 10 years after the development is completed and placed in service.

To be eligible, each development must set aside a minimum percentage of the total units for eligible low or very low income residents for the duration of the compliance period, which is a minimum of 30 years. After the fourteenth year, however, the developer has an option to convert the units to market rates. At least 20 percent of the housing units must be set aside for households earning 50 percent or less of the area median income, or 40 percent of the units must be set aside for households earning 60 percent or less of the area median income.

10. STATE APARTMENT INCENTIVE LOAN (SAIL)

The State Apartment Incentive Loan program (SAIL) provides low-interest loans to affordable housing developers. This program is available to individuals, public entities, not-for-profit, and for-profit organizations that propose the construction or substantial rehabilitation of multifamily units that are affordable to very low income households.

To qualify, the development must reserve a minimum of 20 percent of the units for households earning 50 percent or less of the area median income. Developments that use housing credits in conjunction with this program may use a minimum set-aside of 40 percent of the units for residents earning 60 percent of the area median income.

If a development maintains 80 percent of its unit's farm workers, commercial fishing workers or homeless people, it

may qualify for loan interest rates of one percent. For all other developments, the interest rate is set at three percent. In most cases, a SAIL loan may not exceed 25 percent of the total cost of the development and can be used in conjunction with other state and federal programs.

11. PREDEVELOPMENT LOAN PROGRAM

The Predevelopment Loan Program (PLP) assists nonprofit and community based organizations, local governments, and public housing authorities with planning, financing and developing affordable housing. Eligible organizations may apply for a loan of up to \$500,000 for predevelopment activities such as rezoning, title searches, legal fees, impact fees, administrative costs, soil tests, engineering fees, appraisals, feasibility analyses, audit fees, earnest money deposits, insurance fees, commitment fees, administrative costs, marketing expenses, and acquisition expenses. Technical Assistance is also provided.

12. STATE HOUSING INITIATIVE PARTNERSHIP

The State Housing Initiatives Partnership (SHIP) program provides funds to local governments on a population-based formula as an incentive to produce and preserve affordable housing for very low-, low, and moderate-income families. These funds are derived from the collection of documentary stamp tax revenues, which are deposited into the Local Government Housing Trust Fund. SHIP funds are distributed on an entitlement basis to all 67 counties and 50 Community Development Block Grant entitlement cities in Florida. The minimum allocation per county is \$350,000. SHIP dollars may be used to fund emergency repairs, new construction, rehabilitation, down payment and closing cost assistance, impact fees, construction and gap financing, mortgage buy-downs, acquisition of property for affordable housing, matching dollars for federal housing grants and programs, and homeownership counseling. Each participating local government may use up to ten percent of their SHIP funds for administrative expenses.

13. DEMONSTRATION LOANS. (CH. 420.507 F.S.)

Florida Housing issues Demonstration Loans under authority of 420.507, S.F. Demonstration Loans are issued through a request for proposals (RFP) process one or more times throughout the year. Each RFP is developed to address a certain type of special needs housing. Demonstration Loans have been approved for housing for homeless people and elders, farm workers, persons with disabilities and victims of domestic violence.

14. AFFORDABLE HOUSING CATALYST PROGRAM

The Affordable Housing Catalyst Program provides on-site and telephone technical assistance and training on the State Housing Initiatives partnership Program (SHIP), the HOME Investment Partnerships Program and other affordable housing programs. This technical assistance includes assisting agencies in leveraging those dollars with other public and private funding sources, training on forming local and regional public/private partnerships, working effectively with lending institutions, implementing regulatory reform, training for board of directors, implementing rehabilitation and emergency repair programs, developing volunteer programs, assisting with the design and establishment of fiscal and program tracking systems, and compliance requirements of state- and federal-funded housing programs. Workshops are conducted throughout the year at locations around the state.

C. HB 1363

The 2006 legislature did pass HB 1363, the omnibus housing bill, which contained numerous housing initiatives designed to address the issues of affordable housing. Included is a pilot program, which is also supported by the Association that is intended to provide enhanced opportunities for workforce housing for "essential services personnel" (teachers and policemen), while also providing statutory changes to ensure the development of apartments for the working poor. This program is now labeled the Community Workforce Housing

Innovation Pilot program (CWHIP) and it seems to have some potential for accomplishing its design objectives.

Through this program the state of Florida is offering incentives for affordable housing. This bill provides more than \$500 million for affordable housing while directing local governments to identify all government-owned lands that could be available for affordable housing development and using incentives for public/private partnerships to provide workforce housing. In addition, the legislation created a new program for home ownership financing which allows eligibility for those earning incomes at 140% of median thus bring an additional segment of society into the ranks of the eligible. This is designed to extend public financing benefits to service sector employees, in addition to the State Housing Initiatives Program (SHIP) program which targets lower income earners. This year \$50 million has been appropriated to implement the "CWHIP." The Florida Housing Finance Corporation anticipates issuing a Request for Proposals in October and expects to fund ten projects targeting high cost and high-growth areas at \$5 million per project.



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