

INDIAN RIVER COUNTY, FLORIDA

M E M O R A N D U M

TO: Jason E. Brown; County Administrator

THROUGH: Phillip J. Matson, AICP
Community Development Director

FROM: Bill Schutt, AICP
Chief, Long Range Planning

DATE: February 10, 2020

SUBJECT: Consideration of Affordable Housing Advisory Committee Recommendations

It is requested that the following information be given formal consideration by the Board of County Commissioners (BCC) at its regular meeting of February 18, 2020.

DESCRIPTION AND CONDITIONS

In December of 2018, the Indian River County BCC requested that its Affordable Housing Advisory Committee (AHAC) discuss, study, and review the affordable housing issue within the county and develop new recommendations to encourage the development of new affordable housing. Since receiving that direction, the committee has met a total of 6 times. Through its meetings, the AHAC first began by defining what is “affordable housing”, then the AHAC moved on to review and quantify the scale of the affordable housing problem within the County, and then to identify governmental and non-governmental actions that could be taken (beyond current adopted policies and regulations) to help facilitate the development of more affordable housing.

At their first meeting on February 14, 2019, the AHAC discussed the term “**affordable housing**” and the fact that it is generally defined as a circumstance where housing expenses (monthly rent or mortgage payment including taxes and insurance) are covered by no more than 30% of a household’s gross income. In later meetings, the AHAC reviewed the **28/36 Rule, which further refined the definition to also take into account other debt**. The 28/36 Rule is a common rule followed by lenders that says that a household should spend a maximum of 28 percent of its gross monthly income on housing expenses (mortgage, taxes, insurance) and 36 percent on total debt service (housing expenses plus other monthly debt payments).

As part of the AHAC's analysis, the 28/36 rule was applied to varying income ranges starting with a single minimum wage job earning just under \$18,000 per year up through a household earning \$75,000 per year **to determine maximum monthly housing payments by income category**. That maximum housing payment information was compared to the development sales and rental prices for new single family and town home units currently available for sale and to newer rental project rent rates. This analysis found that there are currently **no new single-family home or townhome purchase options for households with annual incomes below \$65,000** and found similarly that there are **no market rate rental apartment complexes options for households earning less than \$50,000 to \$55,000 per year**. To quantify the issue, approximately 52%, or 30,000 households in Indian River County do not have a high enough income (assuming a FHA Mortgage with 3% down payment) to afford the lowest priced market rate new home option currently available in the County or to rent a market rate apartment. The problem gets worse when looking at projections to the future. Based on Census and County growth projections there will be **a need for over 5,000 new housing units by 2030 that will not be built by developers of market rate developments (homeownership or rental)**.

The AHAC found that the reason that new homes are not being built to be sold to households with annual incomes of less than \$65,000 and why apartments are not being developed to address income ranges below \$50,000 to \$55,000 is purely economics. As evaluated in detail by the AHAC, the hard costs (land, overall site development costs, and building construction costs) and soft costs (impact fees, design and engineering costs, etc.) when combined drive the sales price of homes and rental rates of apartments to costs only sustainable by higher income groups. The AHAC reviewed potential options for reducing development costs and incentivizing affordable housing development (beyond the County's current methods) and on January 22, 2020, the AHAC completed its list of recommendations for BCC consideration (Attachment 1).

That list includes recommendations for setting affordable housing development targets, revising the County's expedited permitting process and Land Development Regulations, reducing or eliminating impact fees, identifying vacant land and encouraging redevelopment opportunities, advocating for increased funding, and requesting municipalities within the County to review and modify their regulations to encourage affordable housing.

At this time, the AHAC requests the BCC review and consider the list of recommendations and provide direction to staff and the AHAC.

ANALYSIS

The AHAC's 15 recommendations, along with a brief description and actions needed for implementation, are listed on Attachment 1. While some of these recommendations are straightforward and easy to implement, such as adopting targets and meeting regularly, others, such

as modifying land use and zoning maps and amending development and permitting policies are complicated long-term tasks with potential legal and personal property ramifications. Some of these implications are discussed in more detail in Attachment 2.

In summary, there is an unmet need for as many as 5,000 new affordable housing units in the County by 2030. Although funding is available, it is often diverted by the state to other projects not related to affordable housing. Challenges exist in the County to develop affordable housing that are market based. Those challenges may be reduced through action by the BCC and its municipalities on the list of recommendations from the AHAC. Some of the actions can be implemented more quickly than others and some will take some time to analyze and if appropriate for the County to implement.

FUNDING

Funding in the amount of \$10,000 for the purchase of the former Gifford Gardens property (AHAC recommendation number 8) will be provided via budget amendment from General Fund – Cash Forward October 1st Account Number 00119981-099910.

RECOMMENDATION

Staff recommends that the Board of County Commissioners (BCC) review and consider the list of Affordable Housing Advisory Committee Recommendations, discuss any proposed changes the BCC would like, and approve the list for implementation (as may be modified by the BCC). Specifically, staff recommends that the BCC approve the negotiated price of \$10,000 for the former Gifford Gardens property and authorize the chair to execute any documents necessary to effectuate the sale.

ATTACHMENTS

- 1) List of Affordable Housing Advisory Committee Recommendations
- 2) Affordable Housing Advisory Committee Recommendations Detailed Discussion