

SARASOTA COUNTY GOVERNMENT  
PLANNING AND DEVELOPMENT SERVICES

*INTEROFFICE MEMORANDUM*

**To:** The Board of County Commissioners  
Jim Ley, County Administrator

**THRU:** Susan Scott, Deputy County Administrator

**FROM:** Larry Arnold, Manager, Community Development, Planning & Development Services

**RE:** Sustainable Community Housing

**DATE:** November 10, 2004

Today's presentation continues the Board's consideration of the role of availability and access to housing in achieving the goal of a "Sustainable" Sarasota County. The interrelationship among Sustainable Housing and outcomes linked to the BCC approved strategic initiatives: Mobility, Neighborhood Preservation and Enhancement, Growth Management, Human Services, Water/Natural systems and Economic Development are demonstrated in the following graphic.



The Board's leadership in the adoption of Housing Principles, establishment of a Housing Fund and supporting the creation of a Community Land Trust in late September launched a long- range community-based initiative to create a comprehensive housing strategy.

The following is an update of the needs data presented in the SCOPE Affordable Housing Study. After consideration of the data, Staff looks to the Board to provide input on tools and policies to include in the update of the comprehensive plan and implementation regulations to realize a comprehensive housing strategy.

### **Local Response and Recognition**

Sarasota County's community has looked at housing needs through several studies. In addition to the annual review by the Office of Housing and Community Development, the most comprehensive recent study was the SCOPE Affordable Housing Study. A group of 43 community representatives met 26 times between July 2001 and February 2002. The SCOPE report included data from a statewide affordable housing study that concluded that in 1998 28,459 households were paying too much of their income for housing<sup>1</sup>, with that number projected to increase to 33,553 by 2010. <sup>2</sup>

To follow through on the recommendations of the SCOPE Affordable Housing Study, a Community Housing Work Group was convened in February 2004. The Work Group presented their report to the Board in April 2004 in which they recommended 10 action items to address the Community's housing needs.

### **Economic Development and Sustainable Community**

The community's housing needs and economic vitality are interdependent. This interdependence is dramatically illustrated by the fact that the Economic Development Corporation of Sarasota County is targeting a minimum of \$36,115; which correlates to a family income (assuming a second wage earner earning the area median wage of \$23,080) of \$59,195 or 112 percent of AMI. This suggests that housing resources may be best utilized in the 80 to 110 percent AMI range, thus leveraging the community's investment in Economic Development and directly supporting that strategic focus of Community Sustainability. In this vein, the Sarasota County Economic Development Strategic Plan of January 2004 states:

*We strongly endorse on-going efforts to increase the supply of affordable housing, because housing cost is a key consideration in attracting and retaining the skilled employees that Sarasota County will need...*

### **Local Employer Recognition**

Independent from other community efforts and the Economic Development Corporation's work, in August 2004, four of the county's major employers were asked about housing needs for their employees and if they were willing to participate in the effort to address housing needs. Sarasota Memorial Hospital, the Sarasota County School Board, PGT Industries, and the Ritz-Carlton went on record as recognizing a growing concern relative to workforce housing and stated their commitment to actively participate in community-based efforts to address housing needs.

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1 By Federal definition, a household is cost burdened and needs affordable housing if they pay more than 30% of their income toward housing costs.

2 Affordable Housing Study Commission Report, 2001

## **National Recognition**

A number of local Professional Associations are working in conjunction with their National counterparts in response to the need for Affordable Housing. On October 19, 2004, the Sarasota Association of Realtors held a roundtable discussion to begin the development of a broad-based private sector response to the need for Affordable Housing. Among the groups represented at the roundtable were the local homebuilders and their associations. One of the top priorities of the National Association of Home Builders (NAHB) is to expand housing opportunities for working families. NAHB along with the American Bankers Association, America's Community Bankers, Mortgage Bankers Association and the National Association of Realtors developed a policy paper entitled, *Housing Policy for the 21<sup>st</sup> Century, September 2004*, that adopted Guiding Principles including:

*Governments should play an important role in housing because decent and safe housing provides positive economic, social and political benefits that stabilize neighborhoods and communities and benefit all members of society.*

*The private sector has been, and should continue to be, the primary mechanism for meeting the housing needs of most citizens.*

As is the case throughout the country, the affordability pressures here are not expected to ease. Adding to the existing pressure is the cost of supplying new housing. Regulations and resistance to high-density development make it difficult to replace or add community housing to the existing housing stock. The Community Housing Tool Box looks at some of these regulations to determine what changes can be made to facilitate the development and rehabilitation of housing.

## **Process for developing a Housing Strategy**

The County Comprehensive Plan, the 2005-2010 Consolidated Plan along with the implementing regulations are the primary components of a housing strategy. These documents guide the BCC in its decision-making process. During the initial update review of the Comprehensive Plan, affordable housing was identified by the, Planning Commission, and the Board as an issue to be addressed in the updated plan. Any policy changes within the Comprehensive Plan will likely result in amendments to the Land Development or Zoning Regulations. This series of updates and amendments will take place over the next 12 to 18 months and will include multiple public workshops and public hearings before the Planning Commission and the Board of County Commissioners. In conjunction with the Roundtable process, meetings with business, civic organizations and the community, staff is developing a broad-based housing education and public information program. The combination of these activities will provide for ongoing community collaboration and participation as the tools and related programmatic materials are put together over the next six to nine months.

## **Need**

From 2002 to 2003 the percentage of households within Sarasota County that spent an increasing portion of their income on housing increased dramatically compared to prior years. Renters continue to pay a disproportionate amount of their income on housing.

## **Cost Burdened Households, Unincorporated Sarasota County**

Year	Owners	# Owner Households	Renters	# Renter Households
2000	18%	21,744	32%	12,890
2002	20.5%	18,422	42%	8,023
2003	26%	23,533	43%	14,961

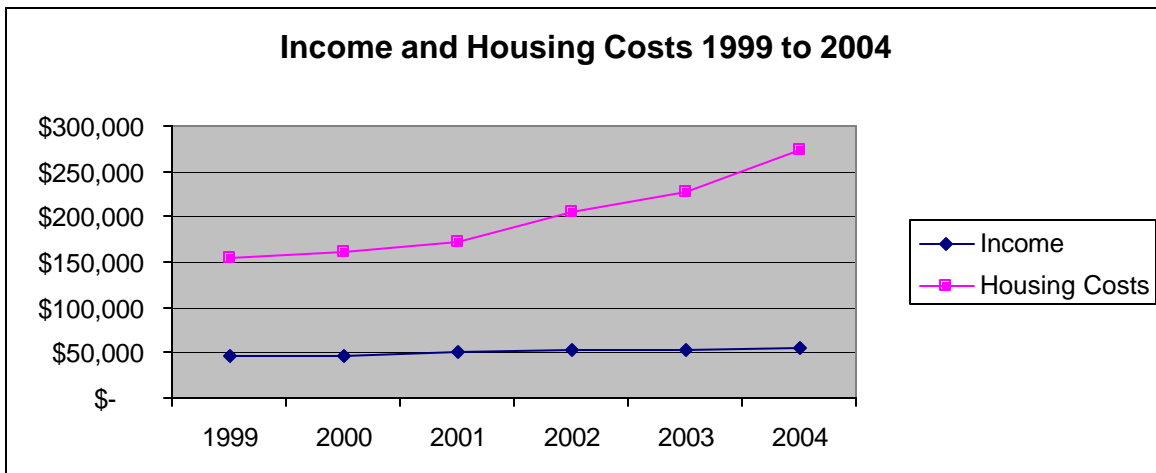
Although it can be reasonably argued whether the 30% (cost burdened) standard is a realistic number in today's housing market, 35% of homeowner households within Sarasota County pay more than 35% of their income on housing costs. For households that rent, 36% pay more than 35% of their income for housing costs.<sup>3</sup>

Reviewing the number of households that are severely cost burdened (in excess of 50%) paints an even more compelling picture of the extent of Sarasota County's housing need. As the following chart illustrates, in 2002 there were over 13,000 severely cost burdened households in Sarasota County. This number is projected to increase by over 40 % to over 18,000 severely cost burdened households by 2025.

**Projected Severely Cost-Burdened Households (50%+), Unincorporated Sarasota County**

Tenure	2005	2010	2015	2020	2025
Owner	8,391	9,176	10,027	10,889	11,658
Renter	5,437	5,703	5,954	6,213	6,546

Local market trends can drastically affect the affordability of housing. The median sale price for an existing home in June 2003 was \$230,000. By June 2004 that number had increased to \$275,000, or a 19% increase.<sup>4</sup> Meanwhile the median family income has increased from \$52,600 to \$54,300 or a 3.2% increase for this same time period.<sup>5</sup> A five-year graphic comparison of Sarasota County's income and housing costs clearly demonstrates the issue.



3 Source: American Community Census for 2003

4 Source: Sarasota Realtor Magazine, figures represent all listings reported in the Sarasota Association of Realtors Multiple Listing Service.

5 Source: HUD calculated median family income

What does making the median wage mean when looking at income available for housing? A tenured employee in a support position for Sarasota County makes the median wage. After taxes and typical withholdings this employee has \$14,229.70 to support herself and her two dependents. The median rent for a two-bedroom apartment in Sarasota County is \$746. After paying rent, this employee has \$439.81 for her remaining expenses for the month. For an employee to be able to purchase a home in the county, based on the median home price of \$275,000, the employee would need to be earning \$51,000 annually. <sup>6</sup>

David Ellis, an executive with the National Association of Home Builders stated, "My advice to Sarasota is that you had better be proactive and start getting ahead of the curve."<sup>7</sup>

### **Future Needs in the Context of Changing Demographics**

The population for Sarasota County continues to grow and age as the "baby boomers" are drawn here by our quality of life. Seventy percent of all the homestead properties within the county were purchased within the last ten years.<sup>8</sup> The county population is expected to reach 378,900 by 2010.<sup>9</sup> By then the population of 25-49 year olds will comprise 24% of the total population as compared to 28% today, reflecting a relative decrease of 4%. During that same time period, the number of residents comprising the over 60 population will increase by 25% and will comprise 41% of the population as compared to 38% today. In 2015, the County's over 60 population will have increased by 44%, to 177,615.

Another method of measuring housing need involves examination of projected construction needs for low and moderate income households. This chart provides insight on the need for Community Housing but also shows that the greatest needs are projected for the 60 to 120% AMI categories. This data aligns with the County's economic development programs' targeted business categories.

**Construction Need for Low-Income Households by Income as a Percentage of AMI, Sarasota County <sup>10</sup>**

<b>Household Income as % AMI</b>	<b>2002-2005</b>	<b>2002-2010</b>	<b>2002-2015</b>	<b>2002-2020</b>	<b>2002-2025</b>
<20%	246	796	1,374	1,990	2,607
20-29.9%	237	765	1,332	1,976	2,682
30-39.9%	278	900	1,574	2,325	3,125
40-49.9%	326	1,056	1,836	2,678	3,539
50-59.9%	362	1,167	2,018	2,927	3,850
60-79.9%	729	2,372	4,138	6,017	7,871
80-119.9%	1,379	4,473	7,757	11,195	14,525
Total	3,557	11,529	20,029	29,108	38,199

By 2010 more than 50% of the housing stock will be approaching 40 years of age or more and will be in need of rehabilitation or repair to remain a viable part of the housing inventory, as the shrinking availability of State Housing Trust Fund monies decreases the ability of OHCD's

<sup>6</sup> 30 year fixed mortgage at 5.5% and 10% down

<sup>7</sup> Sarasota Herald Tribune, Sticker Shock Priced out of Paradise: Naples, October 3, 2004

<sup>8</sup> Source: Sarasota County GIS and Sarasota County Property Appraiser.

<sup>9</sup> Sarasota County Planning & Development Services

<sup>10</sup> Source: Florida Housing Data Clearinghouse, Shimborg Center, University of Florida, 2004

rehabilitation program to keep these units in the Community Housing stock.

### **Impact of Unmet Housing Need**

Housing is linked to many outcomes of all the strategic focus areas. Therefore by not addressing the need for housing, there are multiple impacts to the community. Economic development efforts can be impacted if the supply of housing doesn't keep pace with the growth of jobs and in-migration. The inability of households to find housing near their jobs causes them to pay more for transportation and increases roadway capacity. Increased traffic also impacts the natural systems through emissions, run-off into the bays and the loss of green space for additional roadways and urban sprawl.

### **Tool Box**

The tools proposed in the Community Housing Tool Box help to address the need for housing within this County by recognizing the link between low-wage jobs and the need for housing through tools such as linkage fees and density increases. Allowing increased development in areas where public infrastructure, including water, wastewater and transportation options, is in place adheres to the principles of smart growth and fosters the development of housing.

### **Process Improvement:**

The County has incentives to encourage Community Housing, including expedited processing of rezonings and/or special exception petitions, expedited Site & Development review, and expedited building permit review. Based on input from the Board in October, staff will explore ways to improve the processing time of Developments of Critical Concern.

### **Incentives for Community Housing:**

In addition to the existing and proposed processing improvements, the county should provide other incentives for the private and non-profit sectors to produce community housing.

- Use alternative monies and/or other potential funding sources to pay for all or a portion of the impact fees on Community Housing units.
  - **Result:** Reduction in cost to produce a dwelling unit by  $\pm$  \$10,000
  - **Example:** Fort Collins, CO created a rebate system for the payment of impact fees on a graduated scale depending on the affordability of the unit, the lower the price of the unit the higher the rebate.
- Reduce on a proportionate basis (number of community housing units and income level to be served to number of market units) permitting fees for projects including Community Housing: building and inspection fees, Site & Development review fees for mixed-use projects, and subdivision and platting fees.
  - **Result:** Reduction in cost to produce unit
  - **Example:** Not-for-profit developer has 40,260 square foot lot with RSF-3 zoning. The developer wishes to construct 4 townhouses on the lot. Two of the units will be affordable to those earning 80% and below of AMI (Area Median Income) and two units will be affordable to those earning 120% and below of AMI.
    - Existing Fee to subdivide: \$3,552.90
    - Proposed Fee (with reduction of 35%): \$2,309.38
- Provide a mechanism for approval of a density bonus to increase density within the zoning district for developments providing Community Housing.

### **Regulations to Provide Community Housing:**

Designing and planning for Community Housing means designing and planning for flexibility and choice. The current zoning regulations already encourage the development of mixed-use projects by allowing residential development within commercial and office districts by right. Many redevelopment parcels are optimal sites for Community Housing but cannot meet the requirements of the zoning regulations. Amending the zoning regulations to allow greater flexibility and thereby increase the opportunity to make Community Housing feasible within most developments is often an effective tool. Such amendments would need to be undertaken in a studied fashion to ensure compatibility with adjacent properties in order to maintain reasonable expectations regarding use and property value based on the existing zoning regulations.

Another of the Guiding Principles for Community Housing states:

*Density, properly applied by design and location, is a viable catalyst for Community Housing.*

- Allow "Granny Flats"
  - **Example:** Santa Cruz, CA developed a set of design guidelines for accessory dwelling units that regulates placement on the property, size and height to ensure compatibility with existing neighborhoods.
- Allow more than one housing type on a block
  - **Example:** A new subdivision in Montgomery County, MD based on Traditional Neighborhood Design allows townhouse, single-family houses and flats over flats on the same street. Examples of this type of development exist within the City of Sarasota just two blocks from the County Administration Building on Merrill Street.
- Reduce required parking
  - **Result:** Reduces the amount of area (cost) of land that needs to be dedicated to parking.
  - **Example:** Model Community Housing developments have required parking ratios per unit of 1 to 1.25 parking spaces per unit. Examples include New Holly Urban Village in Seattle at 1 space per unit, and 1.25 for the single family detached cottages (975 s.f.) in Langley Washington.
- Reduce lot area per dwelling unit in multi-family developments that provide Community Housing
  - **Result:** Allows increased density resulting in the development of Community Housing units along with market rate units. Other than the PED, Planned Economic Development District, that allows 25du/ac the existing zoning ordinance allows up to 13 du/acre. The Zoning Ordinance needs an implementing zoning district that allows densities higher than 13du/ac.
- Sustain the affordability of housing developed with the input of public resources by preserving the affordability through a deeded covenant that specifies a resale formula to keep the house affordable to another qualified buyer.
  - **Result:** Public resources invested in Community Housing will retain their value by ensuring when the unit is sold; it will be affordable to the next income qualified buyer.
  - **Example:** Fairfax County, VA has a Declaration of Affordable Dwelling Units Covenants that requires a 15-year control period that ensures affordability of the unit. In addition, if the unit is for sale prior to the fifteen-year period, the unit must be offered exclusively for 30 days to the Housing Office or Housing Commission. With the first resale after the expiration of the control period one half of the difference between the net sale price and the initial price plus the gain permitted during the control period must be contributed to the Housing Trust Fund to promote the development of affordable housing.
- Adoption of a Linkage Fee Ordinance that requires a fee on construction based on the wage rate of jobs generated by the project and the demand placed on the existing

housing supply. Linkage fees vary widely across the county from \$.15/s.f. to \$15.58/s.f.

- **Result:** \$723, 096 for the Housing Fund, based on the following: modest linkage fee of \$.50 applied to all non-residential construction, with the exception of not-for-profits, based on the last three year average for permits issued by Sarasota County.
  - **Example:** Boston created a linkage fee program in 1986 that has resulted in more than \$45 million dollars and the construction of 5,000 dwelling units. The program is comprehensive and required developers of large-scale commercial, retail, hotel or institutional structures pay a fee for the construction of affordable housing off-site. Boston allows developers to defer payment on the 7-12 year schedule to allow developers to pay linkage fees out of operating revenues rather than from "up front" equity investment, reducing the financing necessary to begin construction. There is an incentive cash out provision to encourage early payment.
  - **Example:** Seattle, Washington had a voluntary linkage payment program which allows developers of commercial properties to purchase extra floor-area ratio (FAR) by providing amenities, historic preservation, child care or affordable housing OR a developer can buy the bonus FAR at \$20/sf. The cash out is high because the city wants to encourage the construction. The modest results from the program resulted in the program being revamped to the Boston model.
  - **Example:** Cambridge, MA has a linkage fee of \$3.86/sf. Payment is due by first occupancy. The program allows a 3,000 s.f. exemption.
  - **Example:** Winter Park, FL adopted a linkage fee effective October 2003, of \$.30/s.f. for all construction except for affordable housing units and not-for-profit construction.
- Adoption of a Balanced Housing Ordinance that requires each new or replatted development with a residential component provide community housing. The most effective programs allow flexibility in the ways in which requirements can be met with a variety of incentives including: density, in lieu fees dedicated to housing fund, land dedication, flexible design standards, reduced parking requirements and lot sizes. Every community that implements a Balanced Housing Ordinance tailors it to meet the needs of the community. However at a minimum all Balanced Housing Ordinances address:
- Number of market rate units at which the requirement to provide Community Housing units kicks in (25, 50, or 100)
  - Benefits and incentives to private sector for constructing units
  - Quality and aesthetics of units
  - Payment in-lieu
  - Depositor for the payments in-lieu
  - Term of affordability
  - Administration
- **Result:** Based on the average number of residential units platted over the last three years (1,934), at a required rate of 15% of replatted or newly platted lots/units, 290 Community Housing units would be dedicated each year.
  - **Example:** The most successful program in the county is in Montgomery County, MD. Since the program's inception, in 1974, over 10,600 moderately priced dwelling units have been built, of which about 72 percent have been for-sale units in 300 subdivisions. For-sale units built under this program are relieved of their resale restrictions after 10 years and rental units are relieved of their restrictions after 20 years. Profits after the resale restriction are split between the seller and the county. Developers receive a density bonus up to 22% and must set-aside 12.5% to 15% of the units as affordable. Developers may convey land suitable for construction of affordable units to the County. Developers may propose to contribute to the Housing Initiative Fund (\$46,000/unit) however approval is difficult to obtain.
- Amend Impact Fee Ordinance for dwelling units to charge fees based on the size of the

unit and fixtures.

- **Result:** Smaller units are made more affordable because impact fees are based on the size of the house and are not a flat rate.
- **Example:** Collier, Martin, Lake, Palm Beach, Dade and Indian Counties charge impact fees based on the square footage of the unit. Because affordable units are most often smaller than market units, this lessens the cost burden on the affordable units.

## Summary

As stated in our September 28, 2004, report to the Board, “there is no one silver bullet” to solve the Community’s housing needs. The needs are varied and complex and the solutions are community wide and by their very nature long term. Today’s direction to staff on the “tools” will continue a proactive approach towards sustainability. Further collaboration will occur to successfully achieve the desired outcomes which will be in the Housing Strategy that will be presented to the Community in the spring of next year and brought to you for adoption next summer.