

# **An Overview of Affordable Housing**

A White Paper

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## **Introduction**

The subject of Affordable Housing has become a hotly debated topic in the U.S. and internationally. While policy makers, practitioners, and the public may agree that there is an affordable housing crisis in the U.S., developing effective solutions at the local level is often a quagmire. A contributor to a general lack of understanding of this topic is that the data that informs affordable housing programs is generally collected at a large scale (multi-county or regional level). Hence, when discussing affordable housing needs at a local community level, the data is sometimes inconsistent with overarching needs of larger geographic boundaries. Additionally, funding allocations and the geographic placement of certain affordable housing projects amplifies the points of contention and disagreement on this subject.

What is affordable housing? Is it the same as Section 8 or Public Housing? What is the difference between rent control and rent stabilization? How is low income determined and who determines it? These are just a few of the questions that often saturate the discussions of the intended audience of this paper. To provide a consistent framework for discussion, defining some key terms is necessary. Also prudent is outlining the context of the discussion.

The City of Oakland Park is one of 31 municipalities within Broward County. Over the course of the last two years, the County has ramped up its efforts to address a marked deficiency of affordable housing countywide. Part of that effort includes policies that affect land use within each of the 31 municipalities. The County's effort also requires review and acceptance of each municipality's land use policy specifically as it pertains to affordable housing.

It is imperative to point out that the current deficiency in affordable housing is a Broward County issue, not a City of Oakland Park issue. In fact, an objective review of the City's overall housing values reveals that the City has what can be considered as a disproportionate share of affordable housing when compared to Broward County. Moreover, as it relates to housing development, the City of Oakland Park should strive to increase production of higher end housing units as a means of enhancing its overall tax base.

Notwithstanding the City's favorable standing regarding affordable housing, this County-wide priority provokes intentional discussion at the level of the City's leadership. Effective discussions must be preceded by a more thorough understanding of the overall subject matter. It is this writer's objective that by appropriately framing the topic, that the City of Oakland Park can achieve an effective balance of a diverse housing stock (affordable & higher end market rate), while satisfying the priority of Broward County.

### **Purpose Statement**

The purpose of this white paper is to facilitate a practical understanding of the subject of affordable housing. This paper will briefly introduce this subject by defining several key terms commonly used in its discussion, outline the primary funding sources, and discuss contributing factors impacting where affordable housing projects get built. This paper will also reference Broward County's plan to address affordable housing and evaluate how the City of Oakland Park measures up to the County's aspirational goal.

### **Approach**

Recognizing that there is extensive literature on this subject matter, this writer has purposed to approach this paper in a very rudimentary manner so as to enable the City Commission to effectively consider the salient issues pertaining to affordable housing in the City of Oakland Park. This writer has reviewed (and incorporated highlights of) previous reports done for the City (Chapman Report), as well as studies undertaken by Broward County (Affordable Housing Needs Analysis). The analysis also comprised a review of Broward County's Affordable Housing Policy and proposed Plan Amendments.

## **Key Terms-Defined**

### *Affordable Housing:*

Housing that has a sales price or rental amount that is within the means of a household with moderate income or less. In the case of dwelling units for sale, *housing that is affordable means housing in which principal, interest, taxes, and insurance constitute no more than 30 percent of the gross household income for a household*. In the case of dwelling units for rent, housing that is affordable means housing for which the rent, heat, and utilities other than telephone constitute no more than 30 percent of the gross annual household income.

### *Area median income (AMI):*

The point at which half the households in an area make less and half make more. The median annual income figures are adjusted for family (or household) size and calculated annually by the U.S. Department of Housing and Urban Development (HUD) for every regional area in the country. Regional areas are further divided into Metropolitan Statistical Service Areas.

### *Low Income:*

A household whose income does not exceed 80 percent of the median income for the area, as determined by HUD, with adjustments for smaller or larger families. (Extremely low income=30%-50% AMI; Very low income=60% AMI; Low-Moderate income=80%-100% AMI; Workforce Housing=120%-140% AMI)

### *Public Housing:*

Public housing is decent and safe rental housing owned by a housing authority and made available to households earning below 30% of area median income, the elderly, and persons with disabilities. Public housing comes in all sizes and types, from scattered single-family houses to high-rise apartments for elderly families. Nationally there are approximately 1.3 million households living in public housing units, managed by some 3,300 public housing agencies (PHAs). The U.S. Department of Housing and Urban Development (HUD) provides funds directly to local PHAs that manage the housing for low-income residents at rents they can afford.

### *Section 8*

A federal housing assistance program in which participants pay a portion of their adjusted gross income (i.e. income after standard deductions) for rent and the remainder of the rent is paid by HUD. Section 8 is either project-based or tenant based.

### *Affordability Gap:*

The difference between the cost of an acceptable standard housing unit and what households can afford using no more than 30 percent of income. Housing affordability has long been measured as a percentage of income. Over time, the 30 percent threshold became the standard for owner-occupied housing, and it remains the indicator of affordability for housing in the United States. Keeping housing costs below 30 percent of income is intended to ensure that households have enough money to pay for other non-discretionary costs; therefore, policymakers consider *households who spend more than 30 percent of income on housing costs to be housing cost burdened*.

*Price point limits:*

The limits imposed by governing authorities for rental units or homeownership units (maximum rent or maximum purchase price, respectively). These limits are set nationally by HUD but adjusted regionally and by County based on fair market values.

**Affordable Housing Types**

Housing structures come in a variety of styles, shapes, and sizes. Historically, residential construction has evolved over time whereby new methods and materials are being used to reduce time of construction, costs, and be environmentally friendly.

For purposes of consideration under the subject of affordable housing, type of housing is better stated as use rather than type. This is because despite the form the housing structure comes in, its use is a more important term to understand.

Affordable Housing therefore is developed and/or preserved in two basic uses: **Rental** and **Homeownership**

Rental-

under this type of use, there is project-based rental and tenant-based rental. Under project-based rental, the entire building is income restricted, usually rented to tenants who earn no more than 80% AMI. In recent history, project-based rental projects have included specific populations such as Senior housing, Veteran Housing, or Transitional Housing.

Conversely, tenant-based rental housing allows the income qualified individual or household to attain occupancy in a rental unit of their choosing, so long as the landlord is amenable to annual unit inspections and supplemental rental payments coming from the governing housing program.

Homeownership-

Nationwide, the less commonly seen use of affordable housing is homeownership. This is due in large part to the obstacles faced by individuals whose household incomes fall within the defined parameters (credit worthiness, loan underwriting, down payment accumulation, etc.). Notwithstanding, there are some affordable housing homeownership programs that are effective. The types of units under this use mostly include Single Family Dwelling, Townhouses and Condominiums.

## **Funding of Affordable Housing**

Funding sources for the development (and preservation) of affordable housing range from government sources to private investment in the form of low-income housing tax credits. Additionally, some lending institutions (including Community Development Financial Institutions [CDFI's] and private endowments offer low interest loans and grants for the development of eligible projects for specific income populations. For purposes of this paper, an outline of only government sources and funding type is provided.

- ✓ Federal Government (Department of Housing and Urban Development- Community Development Block Grants [CDBG], Home Investment Partnership Program [HOME])
- ✓ State Government (Florida Housing Finance Corporation-Sadowski state and local housing trust funds)
- ✓ County Government (Trust Fund, Surtax)
- ✓ Local (City) Government (federal entitlement, Tax Increment Finance for some Community Redevelopment Agencies)

It should be noted that a single affordable housing project will often require several funding sources to fully finance the deal (capital stack). Navigating the application process, criteria, fund disbursement, and reporting can sometimes require several years of pre-development activity on the part of Developers, making the delivery of affordable housing units hard to attain. It is for this reason that some developers include market-rate housing options within a development in order to generate revenue that will cross-subsidize units set aside for lower income tenants.

## **Where Do Affordable Housing Projects Get Developed?**

As mentioned earlier in this paper, there is widespread agreement that an affordable housing crisis exists. One of the primary points of contention, however, is where said projects are built. The acronym NIMBY (Not In My Back Yard) “a colloquialism signifying one’s opposition to the locating of something considered undesirable in one’s neighborhood. The phrase seems to have appeared first in the mid-1970s. It was used in the context of the last major effort by electric utilities to construct nuclear-powered generating stations, especially those located in Seabrook, [New Hampshire](#), and Midland, Michigan.” (Kinder, 2016) And while some communities still oppose some utility installations, many of the NIMBY arguments have recently surfaced expressing opposition to the building of homeless shelters, jails, and affordable housing developments in certain communities.

Thus, a conundrum exists, the need for more affordable housing vs. community opposition to its geographic placement.

To unpack this societal dilemma, it is this writer’s opinion that one must consider the factors that contribute to the placement of affordable housing projects. Below are a few of these considerations:

- **Land Cost-** one of the primary drivers in real estate development is the cost of land. In a capital market, affordable housing projects are still subject to paying the Fair Market Value of the land.
- **Site Size & Proximity to Public Transit-** The size of the site will primarily determine the number of units that can be built thereon (density). In addition, many funding sources score project applications based on the site's proximity to public transit. This is because low income populations often rely on this as a primary mode of travel.
- **Zoning Regulations-** Zoning regulations are one of the primary mechanisms local governments have for controlling land development within its municipal boundaries. When considering a site for affordable housing development, Developers must also consider if current zoning will allow the proposed type of project.
- **Proximity to Public Services-** Historically, affordable housing projects were built near government centers where social services were rendered. While the concentration of government social service offices has evolved over the last several years, city planners and practitioners remain cognizant of the importance of incentivizing affordable housing projects in appropriate geographic locations.
- **Community Support/Opposition-** Built into any site plan approval process is the public comment period Developers must go through to ensure no significant opposition exists from stakeholders near a proposed affordable housing project. Often, however, the perception of the type and impact a project will have on a neighborhood will overshadow the reality of the proposed project.
- **Political Support/Opposition-** While some geographic locations require concurrency review and site plan approval at a county or regional level, local elected officials hold the power of initial site plan approval with their vote.

### **Broward County's Plan to Address Affordable Housing**

Although the City of Oakland Park has adopted its own Comprehensive Plan and Land Development Code, as a municipality within Broward County, the County has certain governance authority over its activities. One such area of County governance pertains to land development (Broward County Charter, Article 8). The document that outlines the County's Land Use Plan is identified as *BrowardNext*. Below are highlights pertaining to the subject of this paper:

- ✓ *BrowardNext* sought to comprehensively update the County's land use planning program within the context of meeting the challenges of Broward County's future and anticipated population growth of 235,000 new residents by the Year 2040
- ✓ Under Florida Statutes, Chapter 163, each local government is required to prepare a land use plan element for its jurisdiction, which will be more definitive to meet specific local needs; however,

this local land use element must be consistent with the Broward County Land Use Plan under the Broward County Charter

- ✓ Local jurisdictions must submit their own land use plans to the Council to be reviewed for (re)certification. If the Council determines the local land use plan is in substantial conformity with the County Land Use Plan, the Council will certify the local plan

As the content of the updated Plan was developed, the following visions were prioritized:

- Climate Change Resilience
- Targeted Redevelopment
- Multimodal
- World-Class Natural Resource Protection and Enhancement
- Affordable Housing
- Disaster Planning and Post-Disaster Redevelopment
- Renewed Intergovernmental Partnership

*BrowardNext's* Affordable Housing Priority consists of 4 Strategies. Highlighted herein is one of the strategies that is most specifically relevant to Oakland Park, given median housing prices and median incomes within the City.

⇐ STRATEGY AH-4: *Municipalities should adopt a comprehensive strategy to ensure a sufficient supply of affordable housing to help meet the needs of our population and economy*

“Ensuring a supply of affordable housing to meet the current and future needs of Broward County’s residents and economy is in the best interests of all, including municipalities. Municipalities which seek County approval of additional residential density should adopt a comprehensive strategy to ensure a sufficient supply of affordable housing” (BrowardNext, p. 24-25)

Broward County has proposed several plan amendments specifically related to Affordable Housing. The City’s Planning staff has thoroughly reviewed said amendments and provided the County its comments on each item. While a review and final determination of the proposed plan amendments is still underway, it behooves the City Commission to unpack and establish a collective understanding of affordable housing as it specifically relates to the City of Oakland Park.



### **How Does the City of Oakland Park Fare on the topic of Affordable Housing?**

In this section, this writer will seek to evaluate the City of Oakland Park's standing regarding the provision of affordable housing through the myriad of lenses outlined in this paper thus far. A blanket approach supporting the need for more affordable housing within the City without objective analysis and evaluation is perhaps short-sighted. Therefore, it is helpful to consider the following factors:

<b>Factor</b>	<b>City of Oakland Park</b>	<b>Broward County</b>
Median Housing Values	\$205,600	\$350,00
Median Household Income	\$51,317	\$56,842
Homeownership Rate	53%	62%
Average Rent	\$1,182	\$1,843
Cost Burdened Households	31%	54%

Also noteworthy is the State's price point limits for home buyers. Florida Housing Finance Corporation's purchase price limit for affordable housing homeownership programs in 2020 is \$331,888.

In 2018, the City engaged Steve Chapman to perform a comprehensive housing study. While the scope of work of that engagement did not acutely focus on affordable housing, some of the findings of that report are generally consistent with the data found in the County's Affordable Housing Needs Analysis. "Oakland Park should continue pursuing modest affordable housing strategies for its residents, but to truly be proportional to Broward County, it must focus on higher-end housing to attract households with incomes over \$75,000." (2018 Chapman Report, p. 7)

## Conclusion

Considering the metrics by which affordable housing needs are primarily evaluated, it is this writer's conclusion that the City of Oakland Park has an overrepresentation of affordable housing units, as compared to Broward County. When analyzing the median housing values, median household incomes, and homeownership rate, it can be fairly concluded that the affordability gap in the City is significantly smaller than its neighboring cities (Wilton Manors & Ft. Lauderdale), as well as Broward County as a whole. Moreover, the average rent in the City of Oakland Park is well below the average rent in Broward County.

There is an inherent challenge to prioritizing the provision of an adequate inventory of affordable housing as a county-wide initiative. As referenced earlier in this paper, there are several contributing factors that determine where affordable housing projects get built, land cost being one of the primary drivers. Taking only this factor into account helps one to understand why there would be a focus on adding affordable housing projects in Broward cities like West Park and Oakland Park, compared to other cities like Weston or Parkland. Additionally, "the critical link between housing and transportation costs has significant implications with respect to housing choice and affordability." (Broward County Affordable Housing Needs Analysis, 2018) This is significant when one considers the location of major job centers for lower income workers. Consequently, Oakland Park's geographic location amplifies its appeal for affordable housing projects (along with lower, comparable land cost).

It should be noted that municipal governments exist to provide a wide range of services to its residents (Police, Public Works, Code Enforcement, Building and Safety to name a few). Said services are funded primarily by property taxes, based on the assessed value of properties within its municipal boundaries. Therefore, one can derive that as property values increase so do tax revenues that are necessary for municipalities to keep pace with the cost of providing services to its residents. Consequently, a disproportionate inventory of affordable housing within any municipality will hinder its ability to keep pace with the cost of fulfilling its primary purpose for its residents.

The purpose of this paper was to facilitate an understanding of affordable housing, but also to evaluate how the City of Oakland Park compares to Broward County on this topic. The City's population and total housing inventory cannot be overlooked when considering a viable, long-term strategy. "According to 2012-2017 5-Year American Communities Survey (ACS) estimates, 64 percent of Broward County's housing inventory is located in the twelve (12) largest municipalities..." (Broward County Affordable Housing Needs Analysis, 2018), none of which includes the City of Oakland Park. To that end, it is this writer's conclusion that the affordable housing data gathered by Broward County reflects a greater need for increased affordable housing development in communities other than Oakland Park at this time and in the foreseeable future.

### **Next Steps for the City of Oakland Park**

As the City Commission reviews the content of this white paper, it is understood by this writer that long-term policy decisions related to affordable housing should be approached thoughtfully and responsibly. Notwithstanding, there are several short-term steps that can be taken to move forward in an effective manner.

#### **Engage Broward County in discussions pertaining to an appropriate affordable housing strategy**

This would likely entail a better understanding by City Staff of the parameters and specific benchmarks being sought by the County in order to re-certify the City's Land Use Plan. In anticipation of the need to comply with County Policy (to some degree), City Planning Staff has proactively drafted an amendment to the City's Downtown Land Use Plan to include a 15% set-aside for workforce housing of the 500 residential units being requested. This is a prudent first step.

#### **Maintain (preserve) the City's current inventory of affordable housing while attracting higher-end housing stock (\$300k +)**

While the provision of more affordable housing is at the forefront of national conversation, an often-overlooked affordable housing strategy is 'preservation'. Simply stated, keeping individuals housed that are currently not cost-burdened is of equal importance as building more units. The City of Oakland Park is in an enviable position given its median housing values and household incomes. A focus on ensuring the structural soundness and livable conditions of existing units should be given considerable weight. Additionally, attracting the construction of higher-end housing stock should also be pursued by the City. New construction at price points at or above \$300,000 will not only attract higher income residents, the valuation of these new units will have a positive increase on existing units, thus increasing the equity of the existing property owners.

#### **Consider the City's business and economic sectors to ensure appropriate growth opportunities**

It is no secret that Florida is among one of the higher cost housing markets in the country. Unfortunately, data supports that incomes across the state have not kept pace with rising housing costs. The City of Oakland Park has laid the groundwork for its Downtown revitalization and continues to cultivate business attraction. Attracting more business and targeted industry (economic development) will lead to higher wages. Higher wages for individuals who live and work in the City will thus enable the lowering of the rate of households that are cost burdened.

## **REFERENCES**

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