

CITY OF DESTIN



AGENDA ITEM

LPA MEETING DATE: December 6, 2007

TO: Local Planning Agency

FROM: Community Development Director, Gerald Mucci

DATE: November 29, 2007

SUBJECT: Referral, Review, and Recommendation of Ordinance No. 07-26-LC, which is an Ordinance that would create Section 19.05.00 Attainable Workforce Housing of the Land Development Code from City Council.

I. BACKGROUND:

On November 5 the City Council considered the draft attainable workforce housing ordinance on 1st reading (ordinance attached as **Exhibit "A"**). The recommendation of the Local Planning Agency (LPA) to deny the approval of that draft ordinance was considered by the City Council. After deliberation, the City Council moved as follows:

Motion: To send the ordinance back to the LPA and direct them to schedule public hearings necessary to address the concerns; and then bring the ordinance back to the City Council in a timely fashion, passed 7-0.

During the City Council's deliberations, Councilman Bagby recommended several revisions to the draft ordinance as follows:

- In Section 19.05.08 B. 7 .d., added "...and/or to the qualifying non-profit agency."
- In Section 19.05.09 A. 2. a. (paragraph below the 2nd table), a more predictable manner of determining unit size and the required mitigation has been added.
- In Section 19.05.09 C. and D., added new "5" specifying that location of attainable workforce housing must be within the City limits of the City of Destin.
- In Section 19.05.09 E. added requirement that conveyed land should be within Destin's city limits.
- In Section 19.05.09 F., added the words "...concurs with the applicant's position that..." instead of "determines."
- A provision is added that clarifies that a combination of two or three of the mitigation strategies can be used to satisfy requirements.

These changes have been incorporated into the attached draft ordinance.

II. ROLE OF THE LOCAL PLANNING AGENCY:

Florida Statutes Chapter 163, Section 163.3174 (4) introduces the responsibilities of the LPA as follows:

“The local planning agency shall have the general responsibility for the conduct of the comprehensive planning program”

...and provides a list of specific responsibilities quoted in **Exhibit “B”**.

Among those responsibilities is (d) which states *“Perform any other functions, duties, and responsibilities assigned to it by the governing body or by general or special law.”*

The City Council referred this item back to the LPA in the context of the legislative role of the Planning Commission set forth in subsection (c) of Section 4 which states:

(c) Review proposed land development regulations, land development codes, or amendments thereto, and make recommendations to the governing body as to the consistency of the proposal with the adopted comprehensive plan, or element or portion thereof, when the local planning agency is serving as the land development regulation commission or the local government requires review by both the local planning agency and the land development regulation commission.

The heart of this responsibility is to review proposed land development codes (which includes the draft attainable workforce housing ordinance now before the LPA) for consistency with the adopted comprehensive plan.

The relevant policies of the Comprehensive Plan to the draft attainable workforce housing ordinance are listed in **Exhibit “C”**.

The questions before the LPA are these:

1. Is the draft ordinance consistent with the relevant provisions of the Comprehensive Plan?
2. If not, which provisions are they inconsistent with?
3. To achieve consistency, how should the draft ordinance be revised?

In carrying out these responsibilities, the LPA members should be aware of the substantial work effort and research that many other Destin citizens, the consultants, and the City Council have undertaken over the previous three years with regard to workforce housing. This prior work effort was carried out to implement the Comprehensive Plan mandates to provide affordable housing in a tangible manner.

This prior work effort is comprised of the following activities:

1. The City Council created the Attainable Workforce Housing Committee in response to concerns of the business community's difficulty in attracting and retaining employees.
2. Analysis was conducted that confirmed that the gap between feasible salaries and the cost of housing (due primarily to high land costs) made housing significantly out of reach for most workers in Destin.
3. Over a two year period, this Committee invited and dialogued with literally dozens of experts from Okaloosa County, the greater Florida Panhandle region, and the state of Florida, including experts from the Florida Housing Coalition, bankers, Realtors, housing specialists, developers specializing in attainable workforce housing, representatives of non-profit corporations, and public agency officials.
4. Definitions of attainable workforce housing and occupancy criteria were developed.
5. A wide variety of approaches to increase the inventory of attainable workforce housing were researched and considered.
6. The Committee concluded that a Community Land Trust was the mechanism best suited to the nature of Destin's affordability problem.
7. The Committee researched various funding sources and determined that traditional federal and state sources did not meet the "attainable workforce" housing needs of the City. The Committee presented their recommendations to the City Council to endorse the creation of the Destin Community Land Trust, an independent not for profit organization, and to create a sustainable source of funding to enable the City to partner with either the Destin Community Land Trust or similar entities to create the needed workforce housing inventory over time.
8. The City Council concurred with the Committee's recommendations.
9. The City Council authorized the City attorney to assist in the creation of the Destin Community Land Trust which was born in January 2007.
10. The City Council approved a request for proposal for an attainable workforce housing linkage fee study to be conducted along with the impact fee update. This study was completed in the summer of 2007.
11. Numerous newspaper articles were published, public discussions held, and an advertised public workshop with the consultants was conducted around the topic of the proposed linkage fees during the first half of 2007.

The purpose in providing this background is to encourage the LPA to avoid the desire to "reinvent the wheel" by restudying all the work that has been done to get where we are today. It is appropriate for the LPA to assure the draft ordinance is consistent with the Comprehensive Plan or to provide recommendations on how to modify the ordinance to achieve consistency. However, it is not an appropriate use of City resources to repeat the work that brought us to this point.

III. DISCUSSION:

Even with the recent decline in housing prices after their peak in 2005, housing costs have remained beyond the means of most employees of businesses in the City. The trend toward even greater disparity between housing prices and wages is expected to resume in the next two to three years as the housing market recovers from recent reduced prices. It will take at least that long for an effective attainable workforce housing program to take root.

To address this housing cost disparity, the City Council contracted with Duncan Associates and Dr. James Nicholas to prepare a study and recommendation, as well as an implementing ordinance. The ordinance is **Exhibit “A”**. The study is **Exhibit “I”**.

The attached draft ordinance (**Exhibit “A”**) reflects City Council direction concerning a proposed Attainable Workforce Housing/Linkage Fee ordinance.

Addressing this disparity between housing cost and wages is a significant strategic objective of the City. The Housing Element of the Comprehensive Plan contains a Goal, Objectives, and Policies that lay the groundwork for the current recommendation to Council. **Exhibit “B”** summarizes the portions of the Housing Element that support the current action. The proposed Attainable Workforce Housing/Linkage Fee Ordinance implements these provisions of the Comprehensive Plan.

In the long term, the objective is to enable those who *work* in the City to *live* in the City. This will sustain and enhance the sense of community that exists now and that has historically existed. Without such policy and action on the part of the City, the market will continue to price workers out of our local housing market, reducing our sense of community, and transforming Destin into a center of absentee ownership with workers whose off-work lives are elsewhere. The City’s sustainable quality of life and sense of community require positive action to retain our workers by creating greater housing affordability. Additionally, the commuting necessitated by such separation will impose substantial costs on the individuals and the City, which are avoided by providing workforce housing opportunities within the City.

The focus of the draft ordinance is for new development to provide attainable workforce housing for the employees attributable to that new development. It also provides alternatives. If such housing is not tangibly provided, linkage fees provide an equitable means for the private sector to contribute toward this need. The goal of the ordinance is to have attainable workforce housing available to Destin employees and not to collect linkage fees. Linkage fees would be paid as a last resort and only if there is no other means of achieving attainable workforce housing.

The City Council endorsed a moderate approach for the implementation of these linkage fees. The attached draft ordinance provides charges at the rate of 25% of the consultant-recommended amount in 90-days from date of adoption (the effective date), and 50% of the consultant-recommended amount one year from the effective date of the ordinance for new construction.

This would result in fees for the sampling of uses listed in Table 2, below:

Table 2: Proposed Linkage Fees

Use	Study-Recommended Amount	25% in 90-days	50% in one year
Shopping center (per sq. ft.)	\$27.19	\$6.80	\$13.60
Office (per sq. ft.)	\$11.42	\$2.86	\$5.71
Restaurant, sit down (per sq. ft.)	\$27.19	\$6.80	\$13.60
Hotel/motel (per sq. ft.)	\$26.33	\$6.58	\$13.17
2,500 sq. ft. residence (full-time)	\$240.02	\$60.01	\$120.01

Table 3, below, depicts several development scenarios, showing the total workforce housing mitigation proposed by the attached ordinance:

Table 3: Mitigation Based on Various Development Scenarios

25% Rate	Providing Housing(1)			Paying the Fee	
Land Use Within Development	Rate	Unit	# Workforce Housing Units	Rate (\$)	Total (\$)
6,000 sq. ft. sit down restaurant	0.2525	per 1,000 FT ²	1.52	\$6.80	\$40,800
5,000 sq. ft. retail	0.2525	per 1,000 FT ²	1.52	\$6.80	\$34,000
100 unit hotel	0.2445	per Room	0.10	\$2,632	\$263,200
50 dwelling unit condominium	0.0298	per Dwelling	1.49	\$42.64	\$2,132

50% Rate	Providing Housing(1)			Paying the Fee	
Land Use Within Development	Rate	Unit	# Workforce Housing Units	Rate (\$)	Total (\$)
6,000 sq. ft. sit down restaurant	0.5050	per 1,000 FT ²	3.03	\$13.60	\$81,600
5,000 sq. ft. retail	0.5050	per 1,000 FT ²	3.03	\$13.60	\$68,000
100 unit hotel	0.4890	per Room	0.20	\$5,268	\$526,800
50 dwelling unit condominium	0.0595	per Dwelling	2.98	\$85.27	\$4,264

(1) On-site or off-offsite

The policy preference is for the development to provide the number of workforce dwelling units, either on-site or off-site, that mitigates the impact of that development on workforce housing. Charging “linkage fees” would be the “implementation phase of last resort” to implement attainable workforce housing in accordance with the draft ordinance. The first two options would be 1) for the developer to provide such housing on-site, and 2) for the developer to make arrangements to provide such housing off-site. Absent the ability to do options 1 or 2, these “linkage fees in lieu of housing” would apply.

There has been some concern expressed that implementing linkage fees at this time during a slow market may further weaken the recovery. The facts are these: The current market exists because supply exceeds demand. At worst, increased fees will have only a slight affect on marginal projects, potentially resulting in a slight reduction in additional supply. That is not a bad thing in this market. Such a reduction, if it occurs, is more likely to assist market recovery. In addition, linkage fees are only charged on *new* development. *Existing* development would not be subject to these fees.

III. LOCAL PLANNING AGENCY DISCUSSION: During their meeting of October 4, 2007, the LPA discussed the following (the minutes of the LPA are attached as **Exhibit “D”**):

- ❖ The LPA expressed a desire to be involved in alternative measures for providing attainable workforce housing, especially to eliminate “legislative barriers” to attainable workforce housing. The LPA believes there has not been enough input from the builder/developer community.
 - The primary purpose of the LPA is to review proposals for consistency with the Comprehensive Plan. With regard to this specific attainable workforce housing draft ordinance, their role is also to review for consistency with the Comprehensive Plan. Their request to be involved in the review of additional future proposed legislation relating to “elimination of legislative barriers to attainable work force housing” in the coming months is appropriate.
 - There has already been considerable energy devoted to this issue by other City Council-appointed or City Council-endorsed Committees and citizens. The City Council-appointed Attainable Workforce Housing Committee devoted over two years studying approaches to providing attainable workforce housing, participated in dozens of discussions with public, private, and non-profit housing-related organizations and individuals, and created recommendations that were endorsed by the City Council. These recommendations included both the formation of the Destin Community Land Trust as well as a linkage fee to address the impacts created by new employers who generate the need for additional work force housing.
 - The consultant who prepared the Attainable Work Force Housing Study and draft ordinance conducted an advertised public workshop inviting public and private sector participation where the proposal was explained in detail and dialogue was invited.

- ❖ The LPA expressed concern that the qualification criteria for rental or purchase of homes was not yet developed, and therefore it is premature to adopt a “linkage fee” at this time.
 - While it is true that presenting a “vision” of what “X” amount of revenues collected two or three years from now might buy in the form of workforce housing would be desirable to help promote understanding, it is equally true that the accuracy of such vision would be highly variable at this time. The Attainable Workforce Housing Committee worked for two years researching and developing qualification and market criteria that were valid *for that point in time*. The lesson learned from that experience was that such information is time sensitive. A given set of criteria grows stale after a few months depending on how dynamic the market is. It is impossible to develop such standards a year or more in advance of their utilization due to numerous changing factors, including changing interest rates, changing home prices, changing land prices, and other changing supply and demand characteristics.
 - When resources are available two or three years from now, the recommended approach calls for the City to prepare a request for proposal (RFP) to be offered to affordable housing developers and related non-profit organizations such as the Destin Community Land Trust. At that time the RFP could specify a combination of such things as the type of housing needed, the size, zoning, and location of properties to be acquired, and the qualifications criteria for occupants. The RFP could require a statement of proposed leveraging strategies and commitment to secure other funding, i.e. other revenue sources that would be used to supplement the funds provided through the City.

- ❖ The LPA expressed concern that we are in a depressed real estate market and therefore we should not increase any fees.
 - Increasing, maintaining existing fees, or even reducing fees will not benefit the current real estate market. Such action will not increase demand. It will not enable housing construction to resume. Real estate development will not resume until *demand increases*. No amount of additional supply will increase demand. The current “depressed market” is a result of *oversupply* of various real estate products relative to demand – not *too little* supply.
 - The consultant team assembled by Duncan Associates opined that a depressed market is the very best time to adopt fees of this nature. They reason that when there is little development activity, the fees will have little impact on the “depressed” market.
 - Linkage fees will only apply to new construction. Existing homes represent over 95% of the homes on the market in Destin. Existing homes are not subject to these new fees.
 - The depressed housing market is a temporary phenomenon. In the long term, the desirability of this coastal area, the extremely limited amount of available land and the demographic retiree bubble will increase housing demand (and prices) in this area. Real estate price appreciation is expected to continue within the next two years with or without additional fees.
 - The growing *disparity* between income and housing costs is expected to resume and increase within the next two years.
 - It will take at least 18 months to two years for any significant revenue stream from linkage fees to be realized.
- ❖ The LPA expressed concern that the combination of a new linkage fee in conjunction with the proposed increase in impact fees (which are proposed to be substantially reduced below the consultant’s recommendation) will depress our commercial market.
 - The commercial market drives the demand for attainable work force housing beyond the available supply which in turn increases prices.
 - The draft attainable work force housing ordinance is a form of “inclusionary zoning” wherein the new development that creates additional demand for affordable housing provides their fair share of work force housing.
 - The option of last resort provided in the draft ordinance is a payment of a fee in lieu of providing a fair share of attainable workforce housing units. This fee is called a “linkage fee.” This approach was recommended by the Attainable Work Force Housing Committee and the consultant engaged by the City Council.
- ❖ The LPA expressed their belief that the “free market” will adjust wages and housing prices so that housing will once again be affordable.
 - The “free market” is distorted by many external factors, not the least of which is substantial, unsustainable, government subsidies of our road network at taxpayer’s expense that perpetuate long (30 to 40 mile) commutes.
 - Rising gas prices greatly exacerbate this problem for the employee, the local and the national economy.
 - It is unrealistic to assume that wages of the thousands of *service* workers in the City will increase to the point where those households can afford even the few \$200,000 homes now available in Destin. That requires close to a \$70,000 household income! Even if average

home prices in Destin continue to drop from the existing average of \$400,000 down to \$300,000 (a worse case scenario) housing will still remain unaffordable for the majority of workers in the City who earn less than \$62,000 per year.

- The “free market” bids up the price of land for economic uses more productive than housing. In an area like Destin, housing for workers needs to compete for scarce land whose price is bid up by commercial interests (lodging, retail, etc.), causing housing to become unaffordable. This phenomenon will resume within the next two years and continue into the longer term future.
- Housing in Destin will become increasingly unaffordable in Destin not so much because of the temporary “housing price bubble”. That was a short term phenomenon. Housing will continue to be unaffordable relative to local wages because the following free market megatrends will continue to be a force to reckon with over the next two decades:
 - The highly desirable coastal location of Destin.
 - The tourist economy which places a high demand on lands for income-generating tourism uses.
 - Keen competition for “higher and better” economic uses of the very limited supply of property which generate more income than work force housing does.
 - The coming tide of baby boomers seeking ideal locations to retire or enjoy second homes. Coastal areas continue to be in high demand for this purpose.
 - The limited supply of land due to the surrounding bodies of water and the majority of the south half of the County consumed by Eglin Air Force Base.

On October 4, the LPA moved to disapprove the recommended staff motion. The motion passed by a vote of 6-0, with Mr. Nissley, Mr. Lee, Mr. Rice, Mr. Cannon and Mr. Jackson voting in favor of the motion. Ms. Wright was absent. (See minutes in **Exhibit “D”**.)

- IV. **CONCLUSION:** The City Council requested the LPA to re-address their concerns at a public hearing and to bring the ordinance back to the City Council in a timely fashion. The City Council has already offered compromise by proposing that the initial mitigation adopted by the City be only 25% of the consultant’s recommendation, and increase that to 50% of the consultant’s recommendation after one year.

Staff finds the proposed ordinance consistent with the Comprehensive Plan (see **Exhibit “B”**) and recommends approval of Ordinance 07-26-LC.

V. **RECOMMENDED MOTION:**

The following motions are offered:

- a. I move that the LPA find the proposed Ordinance 07-26-LC consistent with the Goals, Objectives and Policies of City of Destin Comprehensive Plan: 2010, and request staff to forward this finding to the City Council.

OR

- b. I move that the LPA find the proposed Ordinance 07-26-LC inconsistent with the Goals, Objectives and Policies of City of Destin Comprehensive Plan: 2010, and have identified the following as the basis for this finding:
 - i.
 - ii.
 - iii.

OPTIONAL

- c. Notwithstanding the above findings, the LPA recommends the following changes to the proposed Ordinance 07-26-LC:
 - i.
 - ii.
 - iii.

Exhibits:

- A. Proposed Ord. No. 07-26-LC**
 - 1. Attainable Workforce Housing Study**
- B. Legislatively specified responsibilities of the LPA**
- C. Comprehensive Plan – applicable Housing Element excerpts**
- D. LPA minutes of October 4, 2007 meeting.**