

# Case Study - Palm Beach County, FL



**Population: 1,518,477**

**Median Household Income: \$68,874**

**Median Value of Housing Units: \$316,600**

**Median Gross Rent: \$1,534**

**Households: 581,119**

**Person Per Household: 2.51**

## **Problem/Need/Opportunity**

In February of 2021, Palm Beach County conducted an Affordable Housing Needs Assessment to provide community leaders and the public with detailed background on the key market factors and conditions impacting the supply and demand for affordable housing in the County and its municipalities with the goal of providing guidance for policy direction and programs on both a short- and long-term basis.

The Affordable Housing Needs Assessment reached several critical conclusions:

- The scope and scale of Palm Beach County's affordable housing needs are substantial.
- Housing affordability in Palm Beach County are growing Economic and Quality of Life concerns that can't be ignored.
- Palm Beach County's affordable housing needs require an immediate focus on rental housing preservation and production.
- The scope and scale of Palm Beach County's affordable housing issues should make it a top policy priority and will require a substantial level of public and private capital investment far in excess of traditional federal and state funding programs.

In the post-recession economic recovery period since 2012, significant changes have occurred in the housing market that has impacted both owner and rental housing supply and demand and overall affordability. The contributing market factors and conditions include:

- Declining homeownership and increasing renter housing demand.
- Lower rental vacancy rates and increasing rent prices.
- A lack of affordable housing production and depressed household incomes.
- Affordable rental housing production has not kept pace with increasing affordable rental housing demand.
- Escalating rent prices fueled by a rental housing shortage are significantly impacting Palm Beach County's working families and households.
- The vast preponderance of local workers earns wages in service sector occupations, including educational and health services, retail trade, and leisure and hospitality.

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## Housing Need:

Palm Beach County's housing development activity increased significantly post-Great Recession. According to Reinhold P. Wolff Economic Research, new housing units authorized by building permits began escalating in 2011 and have continued unabated through 2019 averaging over 5,300 housing starts annually. There has been a significant increase in demand in Palm Beach County's rental market. While supply has not kept pace with demand, new rental activity has increased significantly in the past five years averaging 2,982 starts and 2,500 completions annually since 2015.

The dynamics driving Palm Beach County's housing affordability issues are a combination of factors that include:

1. The inventory and development of housing unit stock over time.
2. Demand factors include population growth, household lifestyle preferences, and local as well as non-regional housing purchasers and renters.
3. Economic dynamics, including job creation, occupational structure, and household earnings and income.

The significant growth of severely cost-burdened renters is the most pressing problem for Palm Beach County which is due to three market conditions:

1. The increasing demand for renter housing throughout Palm Beach County resulted in low vacancy rates and a spiraling increase in rent prices.
2. The lack of affordable rental housing production.
3. Rent prices are increasing faster than wages.

## Programs

The Palm Beach County Planning, Zoning, and Building Department is responsible for the processing of Comprehensive Plan policies and Unified Land Development regulations regarding workforce and affordable housing for consideration by the Board of County Commissioners. Other County departments and agencies provide prospective homebuyers or renters with information related to housing programs.

### The Affordable Housing Program (AHP)

The Affordable Housing Program (AHP) was initially adopted by the Board of County Commissioners in October 2009. The AHP is a voluntary program and only applies to residential development in unincorporated Palm Beach County. A proposed project must have a minimum of ten (10) permitted units by right (not including bonus units) to be eligible for consideration. The AHP may be used by an applicant seeking additional density for an affordable housing development. The applicant elects to provide at a minimum 65% of the total number of dwelling units targeted to households at incomes of 60% of the Area Median Income (AMI) and below. In any proposal, a maximum of 20% of all units will target incomes of 30% and below AMI. AHP units shall not be subject to restrictions beyond income qualifications except those restrictions imposed by a governmental agency providing affordable housing financing.

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## Workforce Housing Program (WHP)

Palm Beach County began a voluntary workforce housing program in 2004. Only 62 units were approved or were in the review process between February 2005 and March 2006. On August 22, 2019, the Board of County Commissioners adopted amendments to the Comprehensive Plan and Unified Land Development Code, revising the County's Workforce Housing Program. These revisions were the result of a series of meetings with industry and interested parties, and several workshops of the Board of County Commissioners, to address policy issues and lessons learned in the implementation of the program. The new program became effective on September 29, 2019.

The revised Workforce Housing Program included several key changes:

- Increases in-lieu fees.
- Streamlines process for density bonuses up to 50%.
- Enables potential density bonuses up to 100% in urban residential land use designations, subject to compatibility review.
- Incentivizes the production of on-site, for-sale, single-family workforce units.
- Creates an "exchange builder" option for the delivery of workforce units.

Due to recent changes in program requirements, the County has produced 485 workforce housing units for rent and 92 units, including single-family homes, townhomes, and condominiums, for sale.

### Program Funding & Impact:

- » Affordable Housing Impact Fee- Investment earnings from impact fees support programs.
- » Voluntary program produced only 62 units.
- » Revised program (2019) produced 485 workforce housing units for rent & 92 for sale.

## Transfer of Development Rights (TDR) Program

Palm Beach County's Transfer of Development Rights (TDR) Program is a voluntary program that allows a property owner to achieve a density bonus by purchasing the increase in density in new residential developments within the Urban/Suburban Tier in unincorporated Palm Beach County from the PBC TDR Bank, or from a property owner with land in a designated sending area, without going through the land use amendment process. In order to increase density, the site must meet requirements to become a designated receiving area and follow defined procedures. All TDR units are built on the development site.

- TDR/Workforce Housing Program (WHP) Requirements: Thirty five (35) percent of all TDR units shall be provided as WHP units.
- TDR/WHP Preliminary Analysis Request: Any property owner, or an authorized agent of the property owner, may request a TDR and Workforce Housing Program preliminary analysis which will indicate the maximum residential development potential of a site.

## Conversion of Underutilized Retail Centers for Residential Use

In January 2019, changes were adopted to the Unified Land Development Code to allow properties with a Commercial designation and an underlying residential designation to utilize both the non-residential and residential development potential within one Multiple Use Planned Development. In addition, the County's Workforce Housing Program includes provisions that help facilitate the conversion of underutilized retail

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centers with underlying residential designations in the Urban/Suburban Tier. In areas with a concentration of very low and low-income households, a density bonus of up to 100% may be available. Additional density may also be available through the Transfer of Development Rights. Other Comprehensive Plan provisions, such as the Urban Redevelopment Area, allow for the redevelopment of commercial property as residential or mixed-use.

## Impact Fee Affordable Housing Assistance Program

In Fiscal Year 2022, The Palm Beach County Department of Housing & Economic Development (HED) announced the availability of \$1,353,370 in Impact Fee Affordable Housing Assistance Program (IFAHAP). The Palm Beach County Board of County Commissioners (BCC) authorized the utilization of County impact fee investment earnings to support the construction of affordable owner-occupied, for-sale, and rental housing in Palm Beach County.

- **ELIGIBLE COSTS:** Palm Beach County Roads, Parks, and Public Building impact fees associated with the construction of affordable housing are the only costs eligible for IFAHAP funds. The requested amount may not exceed the actual Road, Park, or Public Building impact fee amount for the affordable housing project.
- **ELIGIBLE APPLICANTS:** For-profit and non-profit developer entities which seek to build affordable rental or for-sale housing units, and persons who seek to build owner-constructed housing units for owner occupancy as their principal place of residence.
- **PROJECT LOCATION LIMITATIONS:** Projects must be located within Road Impact Fee Zones 1 through 5; Park Impact Fee Zones 1 through 3; or Public Building Impact Fee Zone. Maps of these zones are included in the application packet.
- **OCCUPANCY AND AFFORDABILITY REQUIREMENTS:** All affordable housing units which receive assistance under the IFAHAP must be occupied by households whose incomes do not exceed one-hundred forty percent (140%) of the Area Median Income. Affordability restrictions on all assisted units will be no less than 30 years.
- **PROPERTY RESTRICTIONS:** IFAHAP assistance and the associated affordability requirements will be secured by a Declaration of Restrictions recorded on title to the assisted property.

## Best Practices/Lessons Learned

In 2006, Palm Beach County commissioners created a workforce housing program to build more middle-class housing—particularly for police, fire fighters, teachers and other government employees and essential workers. Developers building new residences in the unincorporated county would have to sell or rent a portion of them at prices affordable to middle-class residents.

Over time, commissioners have weakened the workforce housing program's requirements, allowing developers to provide fewer moderately priced houses and apartments. Facing pressure from influential builders, the county repeatedly cut the number of moderately priced homes required from the developers. Initially, the county wanted developers to provide 20% of new housing built in areas outside cities to be designated as workforce housing.

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The builders balked, which led to negotiations between the developers and county staff. The staff agreed to lower the minimum requirement to 15%. By the time the commissioners approved the program a month later, that figure had dropped to 7%. It was later cut to 2.5%, with the only chance of builders adding more workforce housing coming with county approval for increased density to build more units on their properties.

### **Weak Oversight**

In January of 2023, disclosures of tenants being overcharged forced the county inspector general to conduct an audit of the county's largest program that addresses housing unaffordability. Violations found at an apartment complex revealed weak oversight that allowed the complex to count vacant units toward its required number of workforce units, and in some cases, even when eligible tenants were paying higher rents in regular units nearby.