

Policy Issues Regarding a Potential “Non-Residential” Affordable Housing Linkage Fee Program for Broward County

**Prepared by Broward County Environmental Protection and Growth Management
Department – November 24, 2015**

BACKGROUND

In 2007, Broward County retained the Metropolitan Center at Florida International University (FIU) to conduct a Housing Linkage Fee Nexus Analysis for Broward County. The analysis was submitted to the County on October 29, 2007, and determined the impacts of non-residential (e.g. retail, commercial, office) development on demand for affordable housing in Broward County. The premise of a housing linkage fee concept is that new non-residential (e.g. commercial) development will generate a range of occupations and wage rates that will, in turn, create the demand for new housing at various affordability levels.

On April 15, 2008, the County Commission held an Affordable Housing Workshop, and the Commission’s consensus was for staff to further pursue the development of a housing linkage fee program for Broward County. In this regard, County staff was directed to seek input from interested parties on key policy issues related to a housing linkage fee and also update the data and analysis from the FIU Study. In September, 2008, County staff issued a document entitled “Policy Issues Regarding a Potential Housing Linkage Fee Program for Broward County”, which included staff recommendations for such a program concerning fee levels, exemptions/waivers, use of revenues, municipal linkage fee programs, and timing of fee assessments. However, staff also recommended that the linkage fee not proceed at that time due to current economic conditions. Staff recommended that consideration of the fee be renewed when economic conditions are more favorable.

On October 15, 2013, the Broward County Commission held a workshop on affordable housing and indicated a consensus to revisit the housing linkage fee program for Broward County. On June 24, 2014, the County Commission retained the Metropolitan Center at FIU to update to the Broward County Housing Linkage Fee Nexus Study prepared in 2007 to establish the current nexus costs per square foot for various employment categories for the purpose of considering the establishment of a countywide affordable housing linkage fee for new non-residential development. On January 30, 2015, the FIU report was accepted by Broward County staff. Please see Exhibit 1. The updated data and analysis from the FIU study establishes the current nexus costs per square foot for various employment categories. Please see Table 3.9: Nexus Costs per Square Foot, on page 34 of Exhibit 1.

On May 13, 2015, staff held a public workshop to solicit input from municipalities, the development community, affordable housing proponents, and other affected and interested stakeholders. Approximately 70 persons attended representing a range of viewpoints and expertise. At the workshop, a status of housing affordability in Broward County was presented by MC/FIU staff. County staff also presented a review of the Housing Linkage Fee Study and solicited feedback concerning linkage fee implementation issues, including potential fee levels, fee waivers, fee distribution and use, and timing of assessments. Examples of estimated total costs for four development scenarios (hotel, retail, 1 story warehouse, office) were also presented for information and discussion. The topics of questions and comments expressed at the workshop included exemptions for brownfield redevelopment and mixed use development, avoiding concentrations of affordable housing, potential fee thresholds, potential economic impacts, including those on small businesses, focusing on rental housing, and alternative funding sources.

At this time, County staff is of the opinion that the rational nexus to consider the establishment of a countywide affordable housing linkage fee has been provided. In addition, County staff is of the opinion that the analysis previously completed by County staff in 2008 regarding policy issues remains relevant and may be used to identify updated recommendations. In this light, following are items concerning implementation of a countywide affordable housing linkage fee program.

The 2007 Linkage Fee Study and the 2008 County staff issued document entitled “Policy Issues Regarding a Potential Housing Linkage Fee Program for Broward County” is available upon request.

IMPLEMENTATION ISSUES

Fee Levels

Based on the 2008 staff report, two fee categories were considered, \$1.00 per square foot for “retail and office (including restaurants)” and \$0.50 per square foot for “other non-residential.” During the staff-level workshop on May 13, 2015, the ranges below were presented for discussion for the previously discussed categories:

*Retail and Office
(including restaurants)
Other non-residential*

***Between \$1.00 and \$5.00 per square foot
Between \$0.50 and \$2.50 per square foot***

2015 Update: The 2008 County staff paper recommended \$1.00 per square foot for retail and office (Including restaurants) and \$0.50 per square foot for other non-residential uses. A justification for recommending a higher fee at this time would be for better consistency with the updated 2014 nexus costs per square foot, which range from \$224.45 to \$883.76 per square foot, which are substantially increased compared to the

2007 nexus costs which ranged from \$24.43 to \$97.10 per square foot. According to MC/FIU, which prepared the updated 2014 rational nexus analysis, the significant changes in employment/household demand numbers are due to the fact that the study update was able to access and analyze actual commercial properties with precise data (as opposed to national standards) from the Broward County Property Appraiser combined with ES-202 employment data.

It is estimated that if fees of \$5.00 per square foot for retail and office and \$2.50 for other non-residential had been in effect during 2014, over \$10 million would have been collected for affordable housing programs.

2015 County EPGM Recommendation: Due to the updated nexus costs per square foot, which range from \$224.45 to \$883.76 per square foot, which are substantially increased as compared to the 2007 nexus costs which ranged from \$24.43 to \$97.10 per square foot, EPGM staff recommends that one rate at \$1.00 per square foot be established for all non-residential categories. If the \$1.00 per square foot rate had been applied in 2014, it is estimated that over \$2 million would have been collected by the County.

Exemptions/Waivers

In 2008, Staff considered the following exemptions/waivers:

- Public projects/facilities (including public schools)
- Houses of worship
- Not-for-profits
- Any municipality with its own linkage fee program in effect prior to the adoption of the County's program

2015 Update: Staff notes that the County Attorney's Office has expressed concern about "exempting" some types of development from an affordable housing fee. "Waiver" of fees is an option, subject to "waived" project fees being covered via alternative County funding sources.

- **2015 County EPGM Recommendation:** EPGM staff recommends that waivers be established for all the above listed development types, and that municipalities may be exempted only if they have adopted their own linkage fee program which has been demonstrated to have fee levels equal to or greater than the County's.

Use of Revenues

Staff believes that consideration should be given that funds collected via the County linkage fee be used solely for programs administered by the Broward County Housing Finance and Community Redevelopment Division to construct or rehabilitate housing for very-low, low, and moderate income persons, split among three (3) geographic areas (north, central, and south), each of which will be combinations of County Commission Districts. The County would retain 3% of all revenues for administrative costs.

2015 Update: Staff notes that the 2008 paper considered distributing funding to municipal SHIP or HOME housing programs and awarding the balance of funding through a competitive process. It is felt that Staff's alternative consideration described above may better ensure that program funds are sufficient to be utilized for maximum benefit.

However, County fees would not be collected from or allocated to those municipalities which have established an equivalent or more stringent linkage fee program.

2015 EPGM Recommendation: EPGM staff recommends that funds collected via the County linkage fee be used for programs administered by the Broward County Housing Finance and Community Redevelopment Division to construct or rehabilitate housing for very-low, low, and moderate income persons, split among three (3) geographic areas (north, central, and south), each of which will be combinations of County Commission Districts. The County would retain 3% of all revenues for administrative costs and to assist in covering the costs of eligible waivers.

Timing of Fee Assessments

Staff feels that that a County housing linkage fee should be assessed and collected prior to application for a building permit within any local government within Broward County which has not enacted a linkage fee program equivalent to or more stringent than the County's. Linkage fee payment would coincide with the collection of transportation concurrency fees with the environmental approval for these building permit applications, all of which are performed by the County's Planning and Development Management Division.

2015 Update: Staff's opinion at this time reflects no change from the September 2008 discussion.

2015 EPGM Recommendation: EPGM staff recommends that fees should be assessed and collected prior to application for a building permit within any local government within Broward County which has not enacted a linkage fee program equivalent to or more stringent than the County's.

EXHIBIT

1. Broward County Housing Linkage Fee Nexus Study – 2014