



City of Jacksonville, Florida

**Report of the
Affordable and Workforce Housing
Task Force**

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The affordable housing crisis

The affordable housing crisis is not unique to Jacksonville – it is being felt from coast to coast in the United States. The issue has become a crisis in recent years due to several factors, the combined effect of which have severely hurt the ability to produce affordable housing. Specifically, land costs have increased dramatically; housing values have hyper-appreciated; and the prices of construction materials and insurance have escalated significantly as well. Furthermore, interest rates are rising. Wages are not keeping pace, and neither are local, state or Federal affordable housing programs. While the need is growing, available resources are shrinking. Funds for affordable housing produce fewer units than those funds once could produce. And the situation is continuing to worsen.

In April 2006, then City Council President Kevin Hyde appointed a City Council Task Force on Affordable and Workforce Housing (the “Task Force”). He appointed Councilwoman Elaine Brown to chair the Task Force. Three specific policy areas of study would include:

1. Leveraging the availability of City-owned land to spur affordable housing production;
2. Furthering existing and establishing new City partnerships with both not-for-profit and for-profit developers to bring affordable housing to the market; and
3. Identifying and making recommendations about legislative and regulatory barriers to the development of affordable housing.

The first meeting of the Task Force was held May 8, 2006. At this meeting, Task Force members began putting together the framework for the discussions to be held over the next several months. The following discussion topics were addressed by representatives of City government, non-profit affordable housing developers, and for-profit market rate and affordable housing developers at its first meeting:

- What is affordable housing?
- What are Jacksonville’s housing needs today?
- How are fees and regulatory measures impacting affordable housing development?
- What are Jacksonville’s development challenges, and what are some of the potential solutions?
- What should affordable housing look like?
- Sustainability: how is housing affordability maintained?
- Local Government Participation in the Housing Development Process – the local government’s perspective
- Local Government Participation in the Housing Development Process – the builders’ perspective

Many people devoted a significant amount of their time to the work of the Task Force from April through December of 2006. It was very clear to see in the Task Force meetings that Jacksonville has a very talented pool of individuals who are committed to improving the quality of, and increasing the supply of, affordable housing in Jacksonville.

What is affordable housing?

A homeowner or family is considered to be “cost burdened” when that homeowner or family pays over thirty percent (30%) of their gross monthly income on housing costs (including rental payments for renters, or mortgage payments, insurance and taxes for homeowners). According to the Shimberg Center for Affordable Housing’s “Florida Housing Data Clearinghouse,” in 2005 in Jacksonville, over 81,000 households paid more than 30% of their income for housing, and over 30,000 households paid more than 50% of their income for housing. For housing to be considered affordable, a homeowner or renter should pay 30% or less of their gross monthly income on housing costs. A family who earns less income annually will experience a more dramatic impact in terms of cost burden as housing costs rise.

The Florida Association of Realtors has stated that the median sales price for a single-family home in Jacksonville was \$200,000 in May 2006 – a 17% increase from the median sales price in May 2005 of \$171,400. This 2005 to 2006 trend is consistent with the City’s recent increases in sales prices (source: Office of Federal Housing Enterprise Oversight). For the five years ended December 31, 2005, sales prices in Jacksonville increased over 76%. For the one year ended December 31, 2005, sales prices increased 19.9%. In contrast, family incomes in Jacksonville have experienced an annual increase of barely 3% per year. On a statewide basis, Florida ranks second (2nd) in the nation, with a five-year increase in sales prices of over 107%.

Jacksonville’s median sales price for the month of August 2006 was \$202,300. While sales prices are predicted to decline slightly in the near term, the price points for the lower end range of homes will remain out of reach for individuals and families in the affordable and workforce housing income levels.

Definitions of Key Terms

Area Median Income (“AMI”) – the median family income in Duval County, Florida, adjusted for family size, as published annually by the Florida Housing Finance Corporation on behalf of the U.S. Department of Housing and Urban Development.

Workforce person or household – a person or family with total annual gross household income of 100% to 140% of Duval County’s AMI, adjusted for family size. A workforce household typically contains at least one full-time wage earner whose net earnings comprise at least 50% of the total household income. Such households traditionally have annual family incomes which exceed the limits set by traditional housing assistance programs.

Moderate-income person or household – a person or family with total annual gross household income of 81% to 100% of Duval County’s AMI, adjusted for family size.

Low-income person or household – a person or family with total annual gross household income of 51% to 80% of Duval County’s AMI, adjusted for family size.

Very low-income person or household – a person or family with total annual gross household income that is 31% to 50% of Duval County’s AMI, adjusted for family size.

Extremely low-income person or household – a person or family with total gross household income that is 30% or less of Duval County’s AMI, adjusted for family size.

Family Income and Wages

For 2006, the published median family income for Jacksonville is \$60,300 for a family of four.

The “Housing Wage” is defined as the minimum a wage earner must make in order to afford fair market rent. According to the National Low-Income Housing Coalition’s 2005 “Out of Reach Report,” the fair market rent for a three-bedroom apartment in the Jacksonville Metropolitan Statistical Area is \$940 per month. Jacksonville’s Housing Wage for that three-bedroom apartment is \$37,600 annually. The hourly wage needed to afford the average three-bedroom apartment is \$18.08 per hour – working 40 hours per week. As such, a family must work a minimum of 118 hours per week at today’s minimum wage in order to afford the average three-bedroom apartment in Jacksonville. Note the following annual income levels by profession (per the 2006 Florida Research and Economic Database, for Jacksonville MSA):

- Elementary school teacher - \$25,326 for entry level; \$38,408 average
- Family social worker - \$23,684 for entry level; \$49,077 average
- Police officer - \$32,254 for entry level; \$36,602 average

Based on the foregoing, the faces once considered in need of affordable housing have indeed changed.

What is Workforce Housing?

Recently, the new “buzz words” in the affordable housing industry are “workforce housing” and “attainable housing.” These new terms are more reflective of the expansion of the affordable housing problem in Jacksonville and throughout the United States – *more people and more workers at higher income levels are unable to afford housing*. The new terms have been adopted in numerous municipalities across the country as the terms “low-income housing” and “affordable housing” have been criticized as derogatory labels. The term workforce housing has typically been used to date in Florida to describe a low-paid professional, a person who actually earns more money than the low-income individuals typically thought to benefit from affordable housing programs. The term workforce housing was not created to imply that “consumers” of affordable housing are unemployed. One very specific definition of Workforce Housing, as provided earlier in this report, is housing provided for a person or family with total annual gross income of 100% to 140% of Duval County’s AMI, adjusted for family size. As stated previously, such households traditionally have annual family incomes which exceed the limits set by traditional housing assistance programs.

Recommendations

During the Task Force meetings, numerous individuals representing key stakeholder groups provided information and made specific recommendations on a variety of aspects of affordable housing. Those recommendations are summarized in the body of this report, along with specific implementation steps where appropriate. During the past several months, a significant amount of research was conducted to determine what other jurisdictions in Florida and across the country are doing to address their affordable and workforce housing needs. Many of the recommendations under consideration have been implemented successfully in other communities; however, some will require further evaluation as to their appropriateness for use in Jacksonville.

The City is already moving forward with specific actions which will improve the environment for the development and retention of housing which addresses the continuum of Jacksonville's housing needs.

The recommendations which are presented within this report are intended to be a starting point for ongoing discussion, and will serve as a guide for elected officials, City staff, and community stakeholders as they continue to address Jacksonville's ongoing needs for affordable and workforce housing.

The following page provides an Executive Summary of the Recommendations.

Executive Summary of Recommendations

1. Preserve Existing Affordable Housing
2. Make Affordable Housing a Priority in the Disposition of City-Owned Land
3. Update the City's Comprehensive Plan
4. Create an Affordable/Workforce Housing Development Office
5. Strengthen the Affordable Housing Components of DRIs
6. Continue to Build Support for the "Seeds of Change: Growing Great Neighborhoods" Program
7. Improve Infrastructure
8. Use CDBG Funds on Complementary Projects
9. Coordinate Drainage and Open Space Requirements in All Neighborhoods
10. Encourage Employer-Assisted Housing Programs
11. Adopt the "Don't Borrow Trouble" Program to Increase Financial Literacy and Homebuyer Readiness
12. Eliminate Barriers to Efficiently Allocating Housing Resources and Improve Communications with the Mayor's Office and the City Council
13. Mandate Long-Term Affordability
14. Ensure Shared Appreciation & Recapture Funds
15. Continue Local Bond Issues
16. Create an Affordable/Workforce Housing Trust Fund
17. Create a Revolving Loan Acquisition Fund
18. Create a Predevelopment Fund and Facilitate Title Clearances
19. Create a Local SAIL Product
20. Accumulate Funds for Downtown and Infill Housing
21. Become More Aware of and Involved with FHFC's Programs
22. Encourage Development Along Transportation Corridors and Mass Transit
23. Appropriately Assess Ad Valorem Taxes
24. Study the Save Our Homes Amendment to the Florida Constitution and Proposed Increase in the Homestead Exemption
25. Support the "Scrap the Cap" Initiative
26. Support Insurance Reform
27. Expedite Review Processes
28. Waive or Defer Permitting Fees
29. Implement Density Bonuses
30. Consider Fractional Permits for Increased Density
31. Transfer Development Rights
32. Provide Other Incentives
33. Combat NIMBYism
34. Utilize Architectural Design Standards
35. Develop Strategies to Better Address the Homeless and the Extremely Low-Income
36. Encourage Inclusionary Communities by Incentives, Not Mandates
37. Implement Community Land Trusts
38. Authorize a Nexus Study

1. **Preserve Existing Affordable Housing**

The Florida “Affordable Housing Study Commission” (the “Study Commission”) was formed as a State-wide coalition to recommend improvements to public policy to stimulate affordable housing production. The focus of the Study Commission’s 2005 “Final Report” was the preservation of affordable rental housing. Several of the Study Commission’s recommendations should be adopted in Jacksonville - due to the following factors:

- The aging of the City’s housing stock;
- Thousands of market rate rental units have been converted into condominiums;
- The lost multifamily units have not yet been replaced by new affordable housing;
- Thousands of affordable housing units near the end of their mandatory affordable housing compliance periods (i.e., the units were built in exchange for a commitment by the property owners to maintain the affordability of the units at predetermined levels over set periods of time);
- Federal funding for programs that preserve affordability continue to decrease; and
- Property owners wishing to exit the State’s affordable housing system are not required to provide any notice to state or local governments.

In Jacksonville, the following steps should be taken to preserve affordable housing units that are already in place – because the preservation of existing multifamily units is less expensive and more efficient than new construction (The MacArthur Foundation has estimated that it costs 50% to 75% less to preserve an affordable unit than to build a new one):

- a. Support the State’s implementation of the recommendations made in the Study Commission’s 2005 “Final Report.”
- b. Obtain information on rental units that have been financed by various programs offered by HUD, the Florida Housing Finance Corporation (“FHFC”) as well as City-funded rental units. Specifically, study mortgage status, Land Use Restriction Agreements and Extended Use Agreements (which have been recorded in the public records) to determine what income levels are being served by the units and when the mandatory compliance periods will end.
- c. Create incentives for developers to preserve affordable units in Jacksonville which approach the end of their extended use commitments.
- d. Offer funding such as low-interest loans or capital improvement grants to improve and maintain the physical condition of existing affordable housing units in Jacksonville – not only those units which were assisted by the Commission or its predecessor, the Duval County Housing Finance Authority, but also units assisted by the FHFC or the Jacksonville Housing Authority, or those affordable units developed by the private sector.

2. **Make Affordable Housing a Priority in the Disposition of City-Owned Land**

A task force of representatives of the Housing & Neighborhoods Department, the Department of Public Works, Parks and Recreation, the JEDC and the City’s Real Estate Division has been formed to develop an inventory of City-owned land which may be appropriate for affordable housing and disposition criteria to foster affordable housing development. The City has been working on creating a list of City-owned land for a long

period of time. It is recommended that finalizing that list be made a priority. In fact, finalizing such a list is now a requirement of a recently enacted Florida House of Representatives Bill (HB 1363) – this listing must be completed by State Statute prior to July 1, 2007.

Also, land that is determined to be appropriate for the construction of affordable or workforce housing should be given top priority for disposition to qualified affordable housing developers (prior to the City declaring such land as “surplus”) through a competitive Request for Proposals process. The City should consider beginning with properties in specific targeted neighborhoods – such as Lavilla, Brooklyn and East Jacksonville. Furthermore, parcels which surround City-owned land should be evaluated to see if the exchange of land with surrounding property owners would benefit the City’s overall goal to develop infill, affordable housing.

In 2006, Riverside Avondale Development Organization (“RADO”), a community-based nonprofit entity devoted to the development of affordable housing in Jacksonville, obtained land in North Riverside from the City of Jacksonville for the development of affordable housing. The land was previously used by the City’s Parks and Recreation Department for storage. Twelve single family homes will be developed on the three-acre site, priced at approximately \$145,000 each. This is a prime example of how City-owned land that is appropriate for the development of affordable housing was put to productive use.

The City should also review all existing DRIs within Duval County to review any land which may be suitable for affordable housing and/or land which, per the DRI, is required to be developed as affordable housing.

3. Update the City’s Comprehensive Plan

The City must update the Housing Element of its “Comprehensive Plan - Evaluation and Appraisal Report” with current data on the supply and need for affordable housing. The current plan is significantly out of date. An update would provide better guidance to City employees – in the Planning & Development Department, the Housing & Neighborhoods Department and the Jacksonville Economic Development Commission – as they review and comment on new residential development proposals. The Housing & Neighborhoods Department should work with the Planning Department to complete the housing element of the updated Comprehensive Plan.

4. Create an Affordable/Workforce Housing Development Office

The City should create an office within the Housing & Neighborhoods Department which will have all of the knowledge as to potential affordable housing mechanisms and processes. This office should assist all affordable housing developers in the process of planning and processing developments targeted for affordable and workforce developments. The office would provide technical assistance to facilitate the movement of developments through the necessary permitting procedures. Those developments with longer term affordability restrictions should receive priority. The office would not only certify that a proposed development is affordable but would walk the developer through the City’s processes, including identifying available incentives. The office should be in close contact with every City department involved in the development of affordable and workforce housing to expedite required approvals. The idea is to streamline and coordinate the approval and

permitting process by creating a one-stop shop for developers to utilize in the development process.

5. Strengthen the Affordable Housing Components of DRIs

The Florida Times-Union reported on April 15, 2006 that for the largest developments in Florida, known as Developments of Regional Impact (“DRI” or “DRIs”), there are provisions for affordable housing. However, the formulas which are used in the State’s standards for DRIs typically result in no new affordable housing units developed. The standards include a “safe harbor” provision wherein developers can take credit for affordable housing that is within a 20-minute (or 10-mile) drive from a new DRI. For instance, a development on Jacksonville’s Westside could “count” affordable housing on the east side of the St. Johns River to meet its affordable housing provisions. Also, other developments within that same range could “count” that same affordable housing development in its analysis as well. This results in the double counting of affordable housing units, and the net production of NO new affordable units.

The City of Jacksonville should work with the State of Florida to improve DRI rules to consider implementing higher standards for the production of new affordable housing units and to ensure that existing units are not double counted.

Recently Florida House Bill 1363 (Senate Bill 322) has revised Chapter 380 of the Florida Statutes to encourage workforce housing in new and existing DRIs. Generally, a developer can increase residential units by an added 50% as long as 15% of the additional units are dedicated to workforce housing. The City of Jacksonville’s planning and housing staff should become educated on the provisions of this newly enacted legislation and promote this incentive when working with the development community.

6. Continue to Build Support for the “Seeds of Change: Growing Great Neighborhoods” Program

This program will attract private equity investments in the targeted neighborhoods through economic incentives and other programs to unify neighborhoods which are experiencing decay. Proper code enforcement and improved infrastructure in these neighborhoods will encourage reinvestment in the neighborhoods.

7. Improve Infrastructure

The need for roads, curbs, City sewer and City water is great in older neighborhoods surrounding the urban core. In these areas there is land which could be developed for affordable or workforce housing, but the necessary infrastructure costs prohibit such development. Community Development Block Grant (“CDBG”) dollars could be used in certain neighborhoods to defray the cost to the developer(s). The Water and Sewer Expansion Authority (“WSEA”) also has money for this infrastructure, but they require nearly a dollar-for-dollar match.

The City should look Citywide to prioritize specific areas of town for infrastructure improvements over a longer term, multi-year period. This work should be coordinated with funding plans for affordable housing in the infill neighborhoods. Improved infrastructure will help housing by encouraging and enabling existing houses to remain stable and to encourage infill construction, capitalizing on public transportation, and maximizing the

current infrastructure that exists.

The Pine Forest Water and Sewer Infrastructure project offers an excellent affordable housing infill model. The project's developer, the Housing Partnership of Northeast Florida, leveraged their planning and financial resources with several City agencies to create an affordable housing infill development project. City infrastructure agencies (WSEA, CDBG funds and JEA) provided the required utilities. Following this example, the City should consider the viability of using its bonding capacity as a matching opportunity with existing infrastructure resources.

Further, improving and providing new infrastructure (i.e., water, sewer, electric, drainage and roads) to support infill development requires a commitment to develop or redevelop a community. For example, considerable public investment has occurred in communities such as East Jacksonville, Riverside, Moncrief and Springfield. Much of the water, sewer, electric and drainage projects were done primarily on the commitment of public dollars without a firm private sector commitment to develop. With such a level of public investment in infrastructure, there must be a coordinated plan to optimize the investment through work with non-profit and for-profit entities alike.

8. Use CDBG Funds on Complementary Projects

When the Commission was formed in 2003, it was determined that 40% of the City of Jacksonville's CDBG funds would fall under the Commission's purview. The remaining 60% of CDBG funds remained within the City's Planning and Development Department for funding to eligible recipients.

Since the creation of the Housing & Neighborhoods Department ("HAND") in early 2006, 100% of the City's CDBG funds (of approximately \$7 million) are under the Department's umbrella. The Housing & Neighborhoods Department should evaluate the advantages of distributing the 60% not allocated for housing on complementary projects – such as drainage, sidewalks, community centers, etc. in neighborhoods in which the Commission invests its funds.

Additionally, targeting the CDBG dollars with other resources, such as Jacksonville Economic Development Commission ("JEDC") assisted projects, will also ensure that more dramatic results can be achieved by the leveraging all of the City's CDBG funds.

9. Coordinate Drainage and Open Space Requirements in All Neighborhoods

Work with the City's Public Works Department and the St. Johns River Water Management District to develop a program on a wider scale for the revitalization of older, infill neighborhoods for affordable housing development. The City should continue to explore methods to provide shared, master drainage design, as well as shared recreation areas. These efficiencies will ultimately lower the cost of the housing units.

10. Encourage Employer-Assisted Housing Programs

Employees of Baptist Health in Jacksonville are eligible for down payment assistance for a home purchase. For a first-time homebuyer, Baptist Health will match up to \$6 for every \$1 contributed by the employee, up to a total of \$6,000. The match is forgiven after a stated number of years of continuous full-time employment. Baptist Health has determined that as

a result of the program, they garner more loyal employees and thereby reduce employee turnover. The City should study Baptist Health's program as a model and encourage other employers to form similar affordable housing programs.

11. Adopt the “Don’t Borrow Trouble” Program to Increase Financial Literacy and Homebuyer Readiness

Increase and extend support for the Housing & Neighborhoods Department's commitment to the “Don’t Borrow Trouble” program – a nationally recognized public awareness campaign focused on educating consumers on predatory lending and foreclosure prevention. It is a pre-home buyer counseling program developed by Freddie Mac. “Don’t Borrow Trouble” was pioneered in Boston in 1999 and has proven to significantly reduce predatory lending and foreclosures. The program has been implemented in 43 major cities in the United States.

According to the Jacksonville Area Legal Aid's recent study, the three zip codes in Jacksonville with the highest number of foreclosures in the first quarter of 2006 – 32208, 32209 and 32218 – also have experienced the highest number of murders. It has been proven repeatedly across the country that foreclosure rates are directly linked to violent crime and with lowered property values. As families lose their biggest asset (their homes), they are forced to relocate, and children often must change schools, which often negatively impacts student performance. Families lose their credit, which leads to reduced access for safe housing and reduced employment opportunities.

The Jacksonville Business Journal reported August 9, 2006 that Jacksonville had the 15th highest foreclosure rate in the country during the second quarter of 2006, with one property foreclosed for every 195 households, and the 7th highest foreclosure rate in the first quarter of 2006. The second quarter rate is 1.8 times higher than the national average.

12. Eliminate Barriers to Efficiently Allocating Housing Resources and Improve Communications with the Mayor’s Office and the City Council

The City's Housing & Neighborhoods Department (“HAND”), the Commission and the Jacksonville Housing Finance Authority (“JHFA”) have assembled a very talented team of professionals that are well versed in affordable housing. The JHFA's bond team professionals, the JHC and JHFA board and HAND staff are second to none.

Many developers who come to Jacksonville state that the City's approval processes are often redundant and time consuming. The Commission's dollars are *not* City of Jacksonville general fund dollars. As such, the approvals should not mirror the approvals required for other City departments. The following list includes potential process improvements that will expedite the delivery of affordable housing units which will, as a result, lower the cost of those units to the end users. Accordingly, the following recommendations would improve the City's overall processes related to affordable housing development:

- a. AAA credit enhancement - tax-exempt bond transactions with AAA credit enhancement pose no risk of loss to the JHFA or the City of Jacksonville. As such, a developer who has submitted a bond application to the JHFA for funding, and whose application has been approved by the JHFA's Financial Advisor and the JHFA Board of Directors, should not be required to gain the approval of the City Council Auditor, the Council's committees or the

City Council itself. These steps simply add time – up to eight (8) additional weeks of time - to the approval process and are clearly not necessary. Alternatively, the City Council could be provided with regular reports on housing activities which would ensure an appropriate level of oversight.

b. De-obligation of funding – the Commission periodically reviews providers which were previously awarded funding but for which those funds, for one reason or another, have not yet been drawn down. Those funds are subsequently de-obligated and are thus available for allocation to other housing providers. A reporting mechanism could be put in place to apprise the Council Auditor or City Council Finance Committee when the de-obligation of funds takes place.

c. Reallocation of funds – the Commission should have the ability to reallocate funds within categories and providers – for example, moving funds from one provider to another (both of which provide homeownership counseling), or moving funds within one nonprofit (for instance, a nonprofit that distributes down payment assistance and rehabilitation funds). The Commission is well aware of which providers have the ability to produce units at any given time. Again, the afore mentioned reporting mechanism to the Council Auditor or City Council Finance Committee would provide information when such transactions take place.

d. Executive Director approval authority – give the Housing & Neighborhood Department’s Executive Director the ability to approve funding of affordable housing from program income (e.g., funds received from loan repayments, fees earned from early bond issue retirements, fund balance, etc.) within certain predetermined dollar limits and after Board approval.

e. “Universal Cycle” – the Housing & Neighborhoods Department currently conducts an annual “Universal Cycle” application process wherein a housing provider applies for a portion of approximately \$15 million of total funds in January of each year. The process is referred to as the Universal Cycle because money is available from all of the programs that the Commission administers – SHIP, HOME, CDBG, HOPWA, etc. The applications which are received typically outnumber available money by a factor of 3:1. While this process is fair, clean and encourages competition for funds, the process is too long. It typically takes an applicant approximately eleven (11) months to apply for and obtain funding. During this time frame, interest rates may increase, land prices increase, and the cost of construction materials may increase. The affordable units therefore become less affordable during the lengthy process. Additionally, land sellers typically are resistant to have their properties under contract for an extended period of time, pending the housing provider’s receipt of money from the City.

The Commission and the staff of the Housing & Neighborhoods Department must study in detail the Universal Cycle process, identify its constraints and improve the process. The application and funding cycle must be shortened. Certain recommendations which should be considered could include conducting smaller, more frequent cycles during the fiscal year, or the City Council pre-approving how the Commission’s money will be spent – such as 30% of the funds on housing rehabilitation, 10% on first-time homebuyer down payment assistance, etc.

f. Financing vehicles – the JHFA recently set up a \$2 million fund (the “Subsidy Pool”) to help lower the cost of funds for bond deals by providing second mortgage money at a lower interest rate. The program contained certain requirements, such as a recorded mortgage to the JHFA, stated interest rate, amortization period, etc. The program enabled the JHFA to issue bonds to construct one new multifamily community in northwest Jacksonville and to renovate two aging apartment communities – one in northwest Jacksonville and one in Arlington. These bond deals would not have happened without the Subsidy Pool money.

Instead of each individual transaction being separately approved by the City Council (i.e., all three multifamily communities), the program parameters should only be required to be approved on the front end. For instance, the program parameters to be approved would include: (i) second mortgage requirement, (ii) below market interest rate, (iii) guarantees from the principals, etc.

g. Local government support loans – the City should amend Ordinance 2002-174-E to remove the requirement that local government support loans must be secured in their entirety during the full term of the loan by an irrevocable standby, evergreen letter of credit. The requirement to provide a letter of credit was created by the Duval County Housing Finance Authority and was thought to be a disincentive for the local government loans to remain outstanding for the entire loan term (typically 40 years). The disincentive has not proven to be true, however. Rather, as the local government support loan typically has the lowest interest rate and debt service requirement of the loans on the tax credit developments, the local government loans have *not* been paid off prior to their maturities. Additionally, the letter of credit requirement has deterred developers from developing 9% tax credit housing in the City of Jacksonville – as no other counties in Florida require their loans to be secured by letters of credit. Accordingly, the provision to require a letter of credit should be removed from Ordinance 2002-174-E.

In order to fully inform the City Council about the JHC’s affordable housing activities, the Executive Director of the Housing & Neighborhoods Department should provide quarterly reporting to the Mayor’s Office and the City Council of affordable housing activities conducted within the quarter, such as units produced, activities funded, etc. The Jacksonville Housing Commission must remain accountable to the City for the creation of affordable units.

13. **Mandate Long-Term Affordability**

The Housing & Neighborhoods Department and the Jacksonville Housing Commission must ensure that housing that is assisted with City funds be affordable long term – not just initially. To that end, the City must require written deed restrictions, recorded in the public records, regarding affordability periods. Placing deed restrictions on assisted properties will discourage “flipping” practices, where the value of the public subsidy, and the affordable unit itself, is ultimately lost. In addition, stronger restrictions may discourage the predatory practices of home equity loan providers, and may serve as additional protection for seniors who are frequent targets for such practices.

Currently, the Jacksonville Housing Commission (the “Commission”) utilizes subordination agreements which ensure that the Commission’s funds are repaid upon transfer of title (i.e.,

death, sale or refinance). While it is clearly good that the Commission's funds are repaid and recycled, the City should ensure that the units remain affordable for the long term.

14. Ensure Shared Appreciation & Recapture Funds

As housing prices in Florida have increased dramatically over the past several years, income levels have remained relatively flat. As such, local government housing programs have to provide larger subsidies on a per unit basis. According to the Florida Housing Coalition, when a SHIP-assisted homebuyer decides to sell their home, they do not have to sell that home to a lower income household. As a result, the SHIP-assisted units are frequently lost from a City's affordable housing stock. Some communities in Florida are exploring the concept of "shared appreciation" wherein the homebuyer and the local government which provided the SHIP assistance share in the gain from the sale of the home. The local government can then use those proceeds to reinvest in additional affordable housing units. The concept of shared appreciation should be considered in Jacksonville – not only in the City's SHIP awards, but in the City's other housing programs as well.

The Commission should continue to pay attention to providing funding in the forms of loans and recoverable grants, rather than outright grants. Such recaptured funds will indeed provide additional affordable housing for Duval County.

15. Continue Local Bond Issues

In the current favorable interest rate environment, the JHFA should continue to issue local bonds for first mortgages for qualified first-time homebuyers. Additionally, the JHFA should supplement this program with down payment assistance from fund balance, loan repayments and/or sources other than housing funds which are received from Federal and state sources in order to increase, not supplement, production.

16. Create an Affordable/Workforce Housing Trust Fund

The City should create an Affordable/Workforce Housing Trust Fund which will be funded by assessments on market rate housing developments in the City. The use of funds from the trust fund should be limited to developments where 30% or more of the units are committed by deed restriction as affordable housing as an incentive to produce affordable units.

17. Create a Revolving Loan Acquisition Fund

The City should create a low-interest revolving loan acquisition fund to help housing developers acquire land for affordable housing. This will reduce the cost of debt service to the developers and ultimately the price of the homes to the homeowners. This loan acquisition fund could be created from Commission accumulated program income, from City General Fund dollars, or a bond issue.

18. Create a Predevelopment Fund and Facilitate Title Clearances

The Housing & Neighborhoods Department should create a fund for affordable housing developers to use to clear existing title issues, nuisance abatement issues and environmental issues – to expedite the ultimate development or redevelopment of these lots for affordable or workforce housing. Developers have hundreds of lots in Jacksonville in their portfolios which could benefit from such a program. Those lots are plagued with legal matters which have slowed down their re-use.

Additionally, affordable housing developers should seek assistance from the Florida Housing Coalition and Florida Legal Services, which provide pro bono legal services to non-profits seeking to clear title.

19. Create a Local SAIL Product

The Jacksonville Housing Commission should develop a product similar to FHFC's State Apartment Incentive Loan ("SAIL"), which provides below market rate interest loans to affordable housing developments. A certain portion of the interest rate must be paid on an annual basis. Interest above that rate is paid based on the available cash flow of the underlying property, with the balance due upon a sale or refinance.

20. Accumulate Funds for Downtown and Infill Housing

The City should set aside a specific percentage of Tax Increment Financing ("TIF") annual revenues for loans or grants for affordable and workforce housing developments (addressing the continuum of housing needs) in downtown Jacksonville and other targeted, infill neighborhoods. This could be accomplished through the "Rev Grant" program, which is administered by the JEDC. The Rev Grant program provides specific tax advantages to the developer, and can serve as a source of incentives for housing developers.

21. Become More Aware of and involved in FHFC's Programs

The City of Jacksonville, the Housing & Neighborhoods Department and the Commission should become more active in the programs and policies of the Florida Housing Finance Corporation. The City must ensure that it is aware of all of the state's affordable housing programs that may benefit Duval County. City staff should also become more involved in the rule making and design of these programs on the front end, to ensure that Jacksonville has a favorable opportunity for development of affordable housing using state rather than local dollars.

By way of example, 2006 House Bill 1363 created a new pilot program called the "Community Workforce Housing Innovation Pilot Program," which is intended to spend \$50 million to promote the development of local regulatory incentives and the creation of public-private partnerships to finance, build and manage workforce housing. The funding will target essential services personnel such as teachers, police workers and health care workers. Funds will be provided for the construction or rehabilitation of housing through loans with interest rates of 1% to 3%, which may be forgivable if the units meet long-term affordability requirements. Unfortunately, Duval County is not one of the Florida counties targeted by this new program. By becoming more active in the development and rule-making of FHFC's new programs, and its annual revisions to its existing programs, Duval County could better leverage its dollars with FHFC's dollars.

22. Encourage Development Along Transportation Corridors and Mass Transit

Consider targeting the development of workforce and affordable housing in areas where individuals and families can make the best use of transportation corridors and mass transit – thus maximizing public investment in existing infrastructure.

23. Appropriately Assess Ad Valorem Taxes

The City must ensure that its Property Appraiser's Office values multifamily rental

properties which have existing commitments to provide affordable housing based on such restrictions in accordance with Chapter 193.011(2) of the Florida Statutes. For instance, an apartment community which has a recorded Land Use Restriction Agreement to provide 100% of its units for residents whose income levels are at 60% or less of the City's area median income for a term of 50 years must be valued by the Property Appraiser's Office as such, and not based on a market value type approach.

Additionally, the City should consider creating a similar law on a local level which would require the valuation of single family properties in conformity with such properties' income restrictions.

24. Study the Save Our Homes Amendment to the Florida Constitution and Proposed Increase in the Homestead Exemption

Recently Lee County, Florida Property Appraiser Ken Wilkinson announced that he is spearheading a citizens initiative in 2008 to allow taxpayers to take advantage of the tax break for primary residences. Specifically, property tax increases for homeowners are currently limited to the lesser of 3% per year, or the percentage increase in the Consumer Price Index. The citizens' initiative would allow the resident to apply the cap to a new home anywhere in Florida, but it would be limited to the percentage of the old house's market value (represented by its taxable value). While this initiative would certainly save residents on property taxes, the effect of the significant lost real estate tax revenue to local jurisdictions merits further study.

Additionally, Florida's House of Representatives has considered doubling the state's homestead exemption from \$25,000 to \$50,000 over a ten-year period. This would require the voters to amend the State Constitution. The \$25,000 exemption was established in 1982 and has not been increased since. It is estimate that the statewide cost would be \$2.2 billion over ten years. For Jacksonville, the exemption is estimated to cost the City \$46 million per year. Doubling the exemption would be a \$92 million hit to the City's budget. This significant of an increase could have a devastating impact on the City's budget and cannot be recommended at this time.

25. Support the "Scrap the Cap" Initiative

The State of Florida created a real estate transfer tax in 1992 in an act named for former Miami-Dade legislator William Sadowski, who died that year. This tax, known as the documentary stamp tax, equates to 20 cents on each \$100 of real estate sales prices. The money collected is deposited into a trust fund known as Florida's Affordable Housing Trust Fund (the "Trust Fund"). 70% of the Trust Fund is dedicated to local governments through the State Housing Initiatives Program ("SHIP") and 30% to the state to fund successful programs such as the State Apartment Incentive Loan ("SAIL"). Florida's Trust Fund has proven to be one of the most successful vehicles for the creation of affordable housing in the United States.

In the current fiscal year (2006-2007), there is estimated to be \$940 million in Trust Fund money; however, \$507 million of the total was *not* appropriated for affordable housing – only \$433 million was appropriated. Since 2003, the Trust Fund balance has grown as a result of an increase in real estate activity, while the state's affordable housing demands have been unmet. The City should continue to support this mechanism for fueling Florida's

affordable housing needs and ask that the legislature appropriate the full amount received and earmarked every year.

Additionally, the legislature has enacted an annual cap of \$243 million on expenditures for affordable housing going forward, which will become effective in FY 2007-08. This cap was intended to reflect “normal” year collections of documentary stamp taxes (i.e., prior to the rapid escalation in prices recently experienced). Representative Mike Davis of Naples has coined the phrase “Scrap the Cap” – to remove the arbitrary cap to allow the spending of collected funds for affordable housing programs. The City should support Rep. Davis’ efforts to “Scrap the Cap” by voicing its concerns to the Duval County legislative delegation prior to and during the 2007 legislative session.

Additionally, the City should encourage the State legislature to utilize all funds in the Trust Fund on an annual basis for affordable housing – rather than sweeping “unappropriated” funds into the State’s general revenue.

26. Support Insurance Reform

Support the efforts of the recently formed “Property and Casualty Insurance Reform Committee,” (the “Committee”) which is chaired by Lieutenant Governor Toni Jennings and is currently studying Florida’s insurance issues, to make recommendations to improve competition and create incentives for insurance policy writing in all markets.

Furthermore, encourage the Committee to expand the mission of the Trust Fund to help mitigate the impact of rapidly increasing insurance premiums for low-income families by using surpluses in the Trust Fund to help pay to strengthen the homes of poor people in order to lower their insurance premiums.

The Coalition of Affordable Housing Providers, Inc. (“CAHP”) is undertaking a study, facilitated by the FHFC, to determine the viability of creating an insurance company in Florida to cover affordable housing properties only. The City of Jacksonville should support this effort – as escalating insurance premiums are crippling the development of new affordable housing developments and the operation of existing developments.

27. Expedite Review Processes

The City of Jacksonville should expedite its approvals for qualified affordable developments. Chapter 651 of the City of Jacksonville Code should be amended to expedite approvals for the development of affordable and workforce housing. Additionally, specific timeframes and deadlines should be created for such expedited approvals.

Lengthy timeframes for governmental approvals are often disincentives for the development of affordable housing. Speedier permitting will prevent affordable housing developers from paying interest on land for many months while awaiting permits. In order for an affordable development to qualify for an expedited response, the project should: (a) set aside a certain percentage of its units as affordable or workforce housing; and (b) the developer should be required to execute a Land Use Restriction Agreement to ensure that the units remain affordable for a stated long-term period.

28. Waive or Defer Permitting Fees

The City of Jacksonville and the JEA should waive or defer permitting fees for affordable and workforce housing units. This will decrease the ultimate cost of the units to the end users. The reported surplus in accumulated permit fees could be used to offset the waived or deferred fees.

29. Implement Density Bonuses

Several jurisdictions in Florida are promoting density bonuses, which are intended to allow developers to build more units per acre than that which is currently allowed under zoning codes. This may also encourage developers instead of building one large market rate house to build perhaps two or three smaller units that would provide much needed affordable or workforce housing.

For example, a development of twenty (20) or more units with a minimum 30% of its units designated as affordable housing, and meeting the City's other requirements for obtaining a density bonus, may allow the maximum density to increase by up to 25%, depending upon site specific restrictions and surrounding land uses. Perhaps a sliding scale could be utilized to create additional units in developments with deeper set asides.

30. Consider Fractional Permits for Increased Density

The Monroe County (Florida Keys) Commission is currently reviewing the issue of fractional permits, wherein units of 750 square feet or less would use only half of a building permit. Coupling this type of permit with the density bonus would allow for more affordable units. Jacksonville should study further the concept of fractional permits, while keeping in mind any unintended effect on administrative work to the City.

31. Transfer Development Rights

The City should allow the transfer of concurrency reservations from one property to another – if such transfer is clearly for the construction of new affordable housing units.

32. Provide Other Incentives

The City should review all of its regulations and processes to determine where additional incentives could be created for affordable or workforce housing developments, such as:

- (i) Reduced setbacks;
- (ii) Fair Share discounts;
- (iii) Additional height building ability;
- (iv) Use of nonconforming lots for infill development; and
- (v) Discounted or waived tap fees.

The City's Fair Share program generally results in higher charges for developments which are closer in to the City. In many instances, concurrency/Fair Share costs may prove to be \$6,000 to \$10,000 per dwelling unit. This process often results in developers building further away from the City. As an alternative, the City should encourage infill affordable housing and should therefore mitigate the negative impact of pricey Fair Share on affordable housing development.

33. Combat NIMBYism

According to the National Multi Housing Council's ("NHMC") May 1, 2006 White Paper, recent studies reinforce that compact development such as apartments are good for a community. However, developers that elect to meet these housing needs often encounter Not In My Back Yard ("NIMBY") activists who are not fully informed. The NMHC has concluded that research indicates that apartments, including affordable apartments, are not a threat to local property values, and they are a net plus to communities.

The City of Jacksonville would do well to encourage the development of additional apartments in the City, including the development of high-quality affordable and workforce apartments. Considering the significant condominium conversions in recent years, there is currently a deficit of multifamily rental units available. As the price of land, construction materials and interest rates have risen, the Commission may have to provide greater incentives to foster the development of affordable multifamily rental units.

34. Utilize Architectural Design Standards

Consider utilizing architectural design standards to improve the quality and aesthetics of workforce and affordable housing and/or to ensure product consistency.

35. Develop Strategies to Better Address the Homeless and the Extremely Low-Income

Cities across the United States have developed and implemented long-term plans to end homelessness. Under the guidance of the "Task Force to End Homelessness" of Jacksonville's Emergency Services and Homeless Coalition (the "Coalition"), such a long-term plan, a ten-year plan, was created for Jacksonville.

The reality of homelessness is that most people would like to ignore the issue in hopes that it will go away. The reality is that it will not go away, and the problem has worsened over the last several years. The cost to the City of Jacksonville to manage homelessness has been stated to exceed \$35 million per year. As such, the City should address homelessness issues from a holistic approach – i.e., money spent on housing or programs for the homeless population will save money in other areas of the City's budget (e.g., healthcare, justice systems, etc.).

Additionally, there is a need for additional Extremely Low-Income housing units in the City of Jacksonville.

In order to address these issues, the City should:

- a. Study existing incentives to promote the development of additional Extremely Low-Income units;
- b. Tap into and leverage City funds with FHFC's programs for "deeper targeting" and the production of Extremely Low-Income units;
- c. Consider adding a position within the Housing & Neighborhoods Department which would be an advocate for the development of housing units for the Extremely Low-Income and the homeless population;
- d. Study funding plans in place in other cities to capitalize long-term operating reserves to benefit such housing developments; and
- e. Encourage the preservation of existing Extremely Low-Income and homeless affordable

units and facilities.

In short, the City must develop strategies to better address the Extremely Low-Income and homeless populations. Funds which are required to build supportive housing units, such as those proposed by the Coalition's Blueprint to End Homelessness, are significant and warrant further study.

36. Encourage Inclusionary Communities by Incentives, Not Mandates

Under an inclusionary zoning system, builders are required to set aside a percentage of the homes that they build for lower cost units for qualifying buyers, typically 80% of Area Median Income. Much has been written about inclusionary zoning policies since they were introduced in Virginia in 1971. The best track records for inclusionary zoning are in San Francisco, Los Angeles, Washington D.C., Boston and Denver. Note that the communities that typically implement inclusionary zoning policies have higher income levels than Jacksonville's area median income.

The National Association of Home Builders has stated that inclusionary zoning forces builders to charge more for the market-priced housing stock, which leads to fewer homes built and ends up pushing builders to other areas, thus creating more sprawl. It also has criticized such zoning for deed restrictions governing some homes and not others in the same neighborhood. Furthermore, residents have often complained that lower income families have not been able to maintain their homes to the same standards as their higher income earning neighbors.

The City of Tallahassee was the first jurisdiction in Florida to adopt an inclusionary housing ordinance. Its ordinance was adopted in October 2005, and it provides incentives to developers but mandates that developments of 50 or more units price 10% of the units below \$160,000. If they do not price the units accordingly, the developers must pay fines which range from \$10,000 to \$25,000 per unit not built.

The City of Jacksonville would do better to refine its existing affordable housing programs, and to consider those recommendations which have been made within this report, rather than to create mandatory inclusionary zoning policies, which have *not* been successful in creating a significant number of affordable units in the United States over the last three decades.

The City could require, however, developers to set aside a portion of a development's units for affordable or workforce housing units – if such development receives any direct City funding or incentives.

37. Implement Community Land Trusts

A Community Land Trust refers to the vehicle of separating land from building (i.e., a house) for the purpose of transferring title to the house without selling the land. A nonprofit organization (generally a nonprofit housing development organization) typically holds title to the land and manages the ground leases (typically 99-year terms) on the Community Land Trust properties. According to the Florida Housing Coalition, as a result, homeownership becomes more affordable because the transfer of title to the homeowner does not include the price of the land. The ground lease has terms which ensures through

resale provisions that the property will remain affordable in perpetuity. The income restrictions are recorded and will “run with the land” (i.e., binding the current land owner as well as any subsequent owners). The resale provision typically provides a reasonable rate of return to the homeowner, but that appreciation may be less than market appreciation. The provision usually contains a right of first refusal for the land trust to buy the home back from the homeowner upon sale.

38. Authorize a Nexus Study

The City should authorize a Nexus Study to examine the impact of the development of non-residential property on the supply of housing for Jacksonville’s residents. The Nexus Study would examine options for working with commercial developments to support the need for affordable housing for the work force their developments create and answer three basic questions: (1) is there an adequate supply of affordable housing in Duval County and, if not, how great a need exists for such housing?; (2) is there a relationship between new commercial development and the kind of job growth that affects the need for affordable housing; and (3) what options exist for commercial developments to ensure that they are contributing positively and fairly to the creation of affordable housing?

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