AFFORDABLE/WORKFORCE HOUSING

POPULATION BASED INDEX MODEL

METHODOLOGY

Affordable Housing Advisory Committee and

Collier County Community and Human Services

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Background and Purpose

Through a cooperative partnership between the Affordable Housing Advisory Committee (AHAC), Collier County Community and Human Services (CHS) [formerly Housing, Human and Veteran Services] and Comprehensive Planning in the Growth Management Division, the Housing Element of the Growth Management Plan was amended during the Evaluation and Appraisal Report in 2012 to require development of a method of indexing the demand, availability and cost for affordable/workforce housing throughout the County. The Housing Index Model is meant to replace the arbitrary number previously identified in the Housing Element to construct 1,000 affordable/workforce housing units each year to meet the County's demand for affordable/workforce housing units. The outcome is to meet the following Goals, Objectives and Policies of the Housing Element:

Goal 1: To create an adequate supply of decent, safe, sanitary and affordable/workforce housing for all residents of Collier County.

> **Objective 1:** Provide new affordable housing units in order to meet the current and future housing needs of legal residents with very low, low and moderate and affordable workforce incomes, including households with special needs such as rural and farmworker housing in rural Collier County.
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> > **Policy 1.1:** The Department of Housing, Human and Veteran Services (now CHS) shall establish a method of indexing the demand for very low, low, moderate and affordable workforce housing.
> >
> > **Policy 1.2:** The Department of Housing, Human and Veteran Services (now CHS) shall establish a method of indexing the availability and costs of very low, low, moderate and affordable workforce housing.
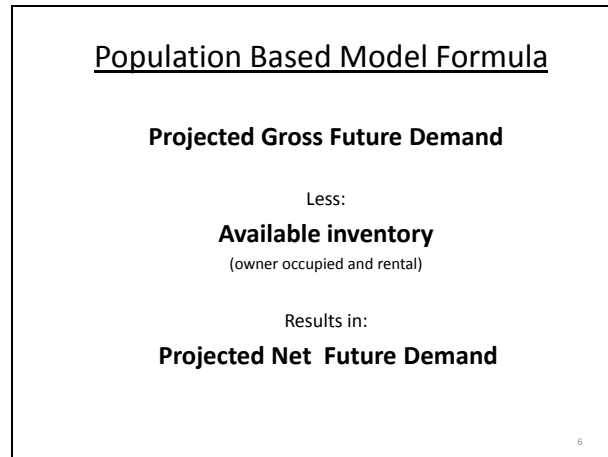> >
> > **Policy 1.3:** The Department of Housing, Human and Veteran Services (now CHS) shall develop methods to predict future need, based on the Indexes established in Policies 1.1 and 1.2 above.
> >
> > **Policy 1.4:** The Department of Housing, Human and Veteran Services (now CHS) shall establish necessary strategies, methods and tools to support this Objective.

Based upon the outcome of the predictive model, response strategies will be made available to decision makers to consider in attempting to meet the needs identified. For instance, if a large need was identified, the decision makers may wish to activate certain development incentives in order to encourage the development of additional affordable/workforce housing.

Core Model: Population Based

Population is the main driver that is quantifiable and commonly utilized to project future demand for affordable/workforce housing[1]. The key secondary factors are area median income, housing prices, persons per household, and the Housing Opportunity Index. The objective is to create a simple model based on accepted principles and available and validated data. The population based model is a very simple model, as shown below.

Population Based Model Formula

Projected Gross Future Demand

Less:

Available inventory
(owner occupied and rental)

Results in:

Projected Net Future Demand

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And the next chart shows a sample projection using currently available and validated data and following the approved growth management planning premises.

Projected Net Demand for New Affordable Housing in 2016

A. 2015 Est. County Population	B. Net Population Growth Percent – Annual (Match GMD)	C. Net Pop Growth (persons) between 2015 and 2016	C1. Net pop divided by 3 persons per household to determine # of HH	D. # of NEW HH needing affordable, workforce housing in 2016 (<120% AMI)
350,286	1.02%	3,573	1,191	701

0 -50% AMI: Rental	50.1 – 120% AMI: Owned
Gross Demand Rental Housing Units 273	**Gross Demand Owned Housing Units** 428
Vacancy Rate 4.8% **Equates to no availability**	**LESS NABOR Single Family & Condo Inventory**(<$200K) **701** Dropped over 500 from July 2014
Net Projected Demand: Rental 273	**Net Projected Demand: Owned** -0- If >0, then deduct number permitted

Sample

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[1] Affordable Housing Needs Assessment, Population and Household Projection Methodology, Prepared by the Shimberg Center for Affordable Housing, Rinker School of Building Construction, College of Design, Construction and Planning, University of Florida, September 2006

Once the model is in use additional data sources may be explored to continue to refine the information and provide a current and local viewpoint. All sources will be disclosed when the information is presented for review and consideration.

Calculation Elements

The model uses the HUD standard income categories based on AMI[2] and assumes those persons earning 120% of AMI and above can compete in the marketplace for housing. Therefore, the need for additional affordable/workforce housing will be centered on those households earning less than 120% of AMI.

The population is projected forward one year at the growth factor used by Comprehensive Planning in the Growth Management Division (currently 1.02%). Further, for planning purposes, it is assumed those making less than 50% AMI are in need of rental units, and those earning more than 50.1% of AMI could qualify for homeownership; with recognition there are many that cross one way or the other, yet this is a reasonable basis for planning.

The gross demand for 2016 in this sample is a need for 428 owned units and 273 rental units. From this, we deduct available inventory, using currently available data such as NABOR listings and Southwest Florida Apartment Association vacancy rate data, resulting in a net demand for 2016 for -0- owned units and 273 rental units.

When in operation, the Board of County Commissioners would be presented with the projected need as well as a set of recommendations to consider in order to meet the future need identified.

Supplemental Information

It is recognized that population changes alone may not determine the need for affordable/workforce housing. It is commonly held that market conditions and income conditions greatly impact the availability of housing in general, and more specifically, affordable/workforce housing.[2] Through extensive research and discussion, additional supplemental data and facts that affect the need for affordable/workforce housing have been identified. Such factors as the Housing Opportunity Index, cost burdened rates of households, occupancy rates, and housing prices were examined. When the model is in operation, additional supplemental information may become available to reference.

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[2] Reforming America's Housing Finance Market, A Report to Congress, US Department of the Treasury and US Department of Housing and Urban Development, February2011

The Housing Opportunity Index

The published National Association of Home Builders Wells Fargo Housing Opportunity Index (HOI) is a very relevant data set to review and consider because it is a reliable indicator of overall affordability of housing in our community available to the households earning 100% AMI. This is presented as meeting the requirements under Policy 1.1 and 1.2 noted earlier. As shown in the graphic illustration below, in simple terms, when income stays the same and the housing prices go up, affordability is decreased. Due to the nature of the recent drastic housing market fluctuations, the chart illustrates that following this data on a real time basis can be an indicator of demand for and availability of additional affordable/workforce housing units in our community.
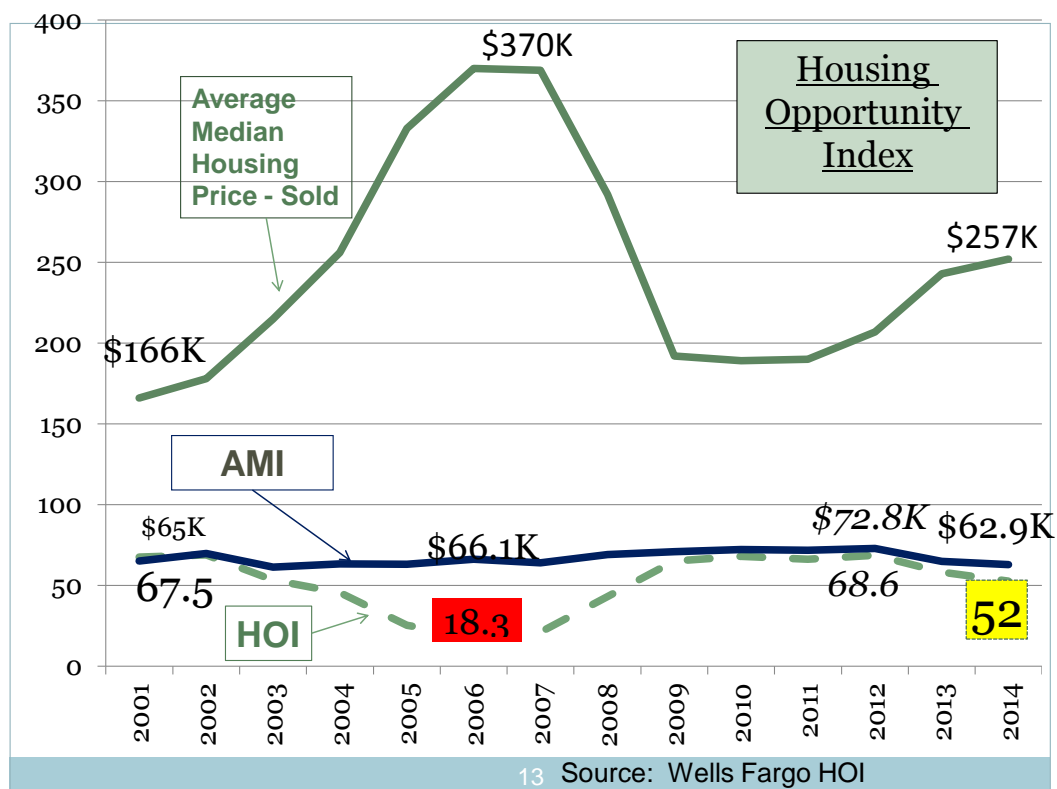

The HOI is defined as the "share of housing sold in the area that would have been affordable to a family earning local median income based on standard mortgage underwriting criteria (assumes 30% of gross income is spent on housing with 10% down payment)"[3]. For income, County staff uses the annual median family income estimates for the Naples/Marco Island Metropolitan Area published by the US Department of Housing and Urban Development

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[3] Source: National Association of Home Builders – Wells Fargo Housing Opportunity Index based on information provided from sales transaction records from CoreLogic. The data includes information on state, county, date of sale and sales price of homes sold.

(HUD). If the HOI is over 50, the County is deemed to have sufficient availability for those households earning 100% of the AMI. Following this is very useful to identify and react to trends.

Cost Burdened Levels

There is information that indicates certain households are "cost burdened"[4] or "severely cost burdened" in our county[5]. Housing cost burden reflects the percent of income paid for housing by each household living in a geographic area. Based on recent US Census Bureau survey's, the number and percent of households paying more than thirty percent (30%) of their income for housing are reported for communities with populations of 20,000 or more. Households spending more than 50 percent are considered to be "severely cost-burdened." Housing is generally considered to be affordable if the household pays less than 30 percent of income.[6] The below graphic represents the cost burdened situation for Collier County.
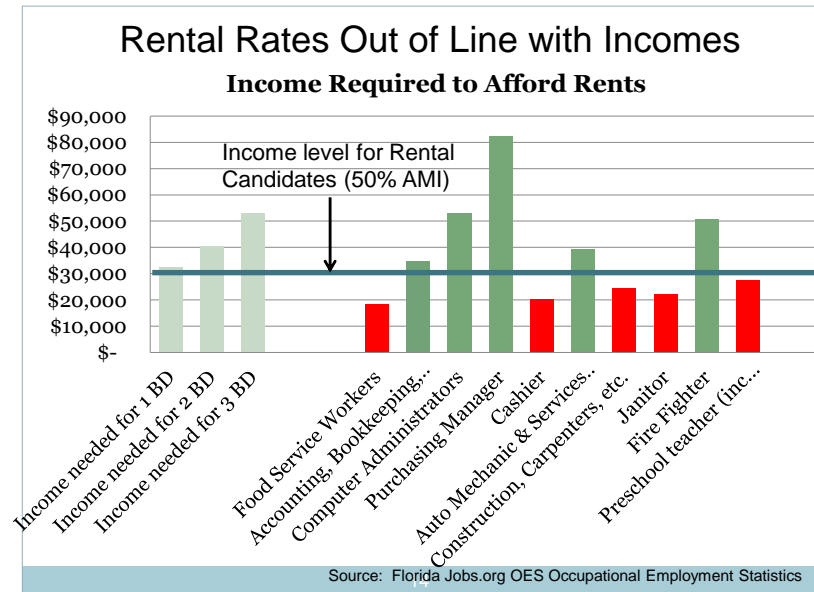

*Schimberg 2015 HH projections   16
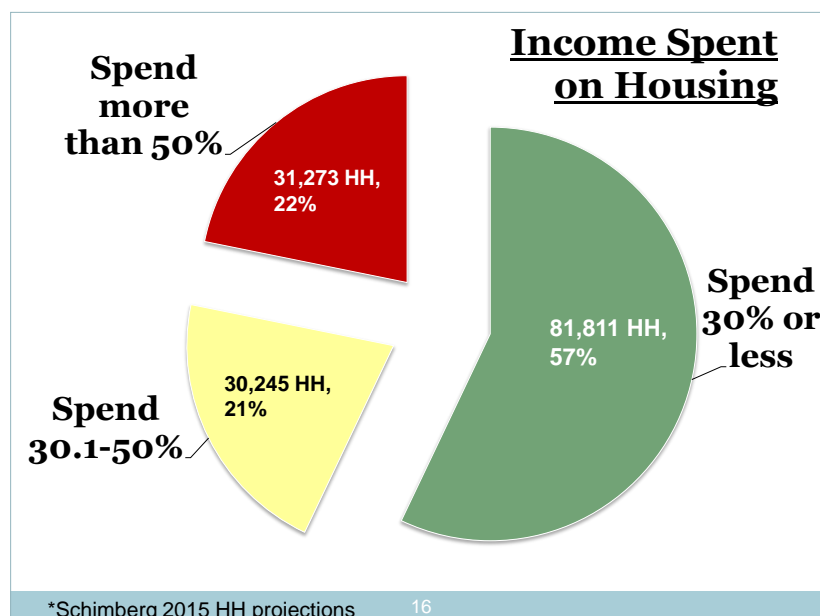
As indicated in the following chart, the wages of many workforce positions are insufficient to afford the rental rates in Collier County.

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[4] HUD defines "cost burdened" as a household paying more than 30% of their annual income for a mortgage payment.
[5] HUD defines "severely cost burdened" as a household paying more than 50% of their annual income for a mortagepayment
[6] Florida Housing Data Clearinghouse, Shimberg Center for Housing Studies, University of Florida derived from figures produced from University of Florida Bureau of Economic and Business Research

Rental Rates Out of Line with Incomes
Income Required to Afford Rents

Income level for Rental Candidates (50% AMI)

Categories: Income needed for 1 BD, Income needed for 2 BD, Income needed for 3 BD, Food Service Workers, Accounting, Bookkeeping..., Computer Administrators, Purchasing Manager, Cashier, Auto Mechanic & Services..., Construction, Carpenters, etc., Janitor, Fire Fighter, Preschool teacher (inc...)

Source: Florida Jobs.org OES Occupational Employment Statistics

Responding to the Model and Model Operations

While the core model is population based, decisions concerning the need for additional affordable/workforce housing are not one dimensional. Therefore supplemental information will also be provided for consideration. Semi-annually, the model will be updated and the supplemental factors already noted will be reviewed. In addition, it is envisioned that the semi-annual review would also include other relevant factors and data that emerges over time.

The ultimate objective is to determine whether there is a gap between the need and availability of affordable/workforce housing; then determine what actions will be taken to close the gap. Should there be a gap, the most likely recommendations would be to activate, re-activate or modify the various incentives available in our community (Appendix 8 details the existing incentives.) It is certainly also possible that new incentives or programs may be recommended or developed in response the identified need.

The AHAC, staff and members of the public are beginning to work on a set of recommendations (referred to as a tool-kit) of potential incentives, programs, or regulation that can be deployed in response to the needs identified in the population based model and the supplemental information reviewed.

Recommendation

The working group recommends use of the population based core model and review of supplemental information as presented herein as the first generation affordable/workforce housing index model.