



City of Stuart Housing Report

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Background

The City of Stuart received the Department of Economic Opportunity (DEO) Competitive Florida Partnership Grant, which is a two-year program that provides technical assistance and support from the DEO to improve the communities through an asset-based economic development strategy.

One portion of that grant requires development of an affordable action housing plan recognizing the inextricable link between housing and economic development. Without a sufficient supply of affordable housing, employers can be at a competitive disadvantage because of their subsequent difficulty attracting and retaining workers. Housing costs are among the top five factors affecting where households choose to live and work.

The cost of housing in most urban areas in the U.S. has increased at a significantly faster rate than incomes in the last few decades. This trend has created a jobs/housing mismatch that is a big concern for business considering relocation to the area or in some cases away from the area if the expanded workforce cannot be adequately housed. The jobs/housing mismatch has more severe consequences for low-wage employees, who may be forced to choose either substandard housing or face long commute times which affects their quality of life.

To help curb this problem, business and housing groups need to work together to plan for adequate housing. Local, state, and federal policies should also advocate for housing policies that facilitate the development of housing units serving their workforce. This report will detail best practices and recommend strategies that will further the goal of supporting economic growth and development while providing housing that is appropriate, affordable and sustainable for its workforce.

Defining the Issue

Defining the population covered by “affordable” or “workforce” housing is important to understanding the issue. The term “affordable” housing carries the connotation of public or Section 8 housing. Many low wage earners fit in this category and have access to resources for housing through a public housing authority development/voucher or be able to qualify for a LIHTC (Low Income Housing Tax Credit) development. The “workforce” category more broadly covers wage earners who may not have access to any type of assistance or subsidy, but are often cost burdened. The term “attainable” housing has come into favor because it covers all housing types and simply refers to the notion that an “attainable” home is one where people spend no more than 30% of their income on housing. The chart below defines the most commonly used definitions and income levels for various categories.

Martin County AMI (Area Median Income) for 2018 is \$ 60,500*

Income Category	Top AMI %	1 person	Top Price	Family of 4	Top Price
Extremely Low Income	30% AMI	\$ 12,750	\$ 38,250	\$ 25,100	\$ 75,300
Very Low Income	50% AMI	\$ 21,200	\$ 63,600	\$ 30,250	\$ 90,750
Low Income	80% AMI	\$ 33,900	\$ 101,700	\$ 48,400	\$ 145,200
Moderate	120% AMI	\$ 50,880	\$ 152,640	\$ 72,600	\$ 217,800
Workforce	140% AMI	\$ 59,360	\$ 178,080	\$ 84,700	\$ 254,100

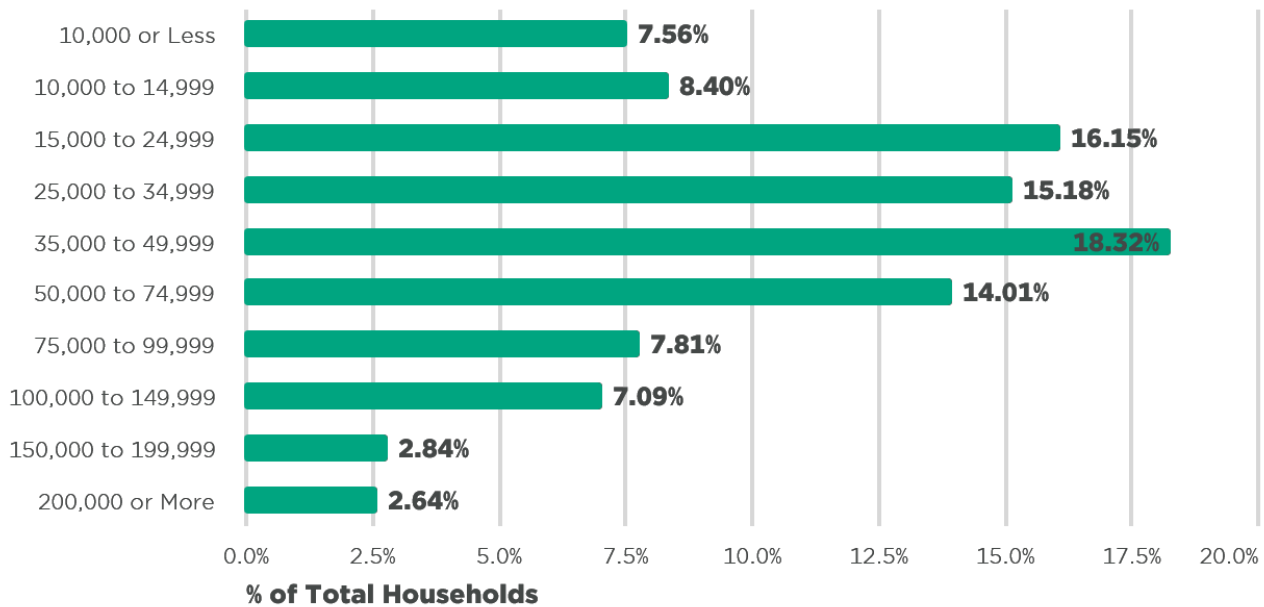
The average home price in Martin County in March of 2018 was \$370,000 and for Stuart it was \$221,657. The standard guideline for housing costs is 3 times your annual salary although some sources say this is not accurate for Florida due to insurance costs. This means the average home in Martin County is unaffordable to the workforce and the average home in Stuart is barely affordable to the highest workforce category. Even when the City attempts to attract high wage jobs, the housing costs make relocating to the area a challenge. The essential workforce needed to support those jobs (teachers, childcare workers, retail, etc.) are extremely cost burdened and effectively priced out of the homeownership market and struggle in the rental market.

*As calculated by HUD for median family income (reference HUD Data Sets 2018)

Homeownership Affordability Challenges

Like many municipalities in South Florida, Stuart has a lack of housing that is affordable to those making the average household income, usually well below the median income, which is currently \$36,500 for the City.

Household Income



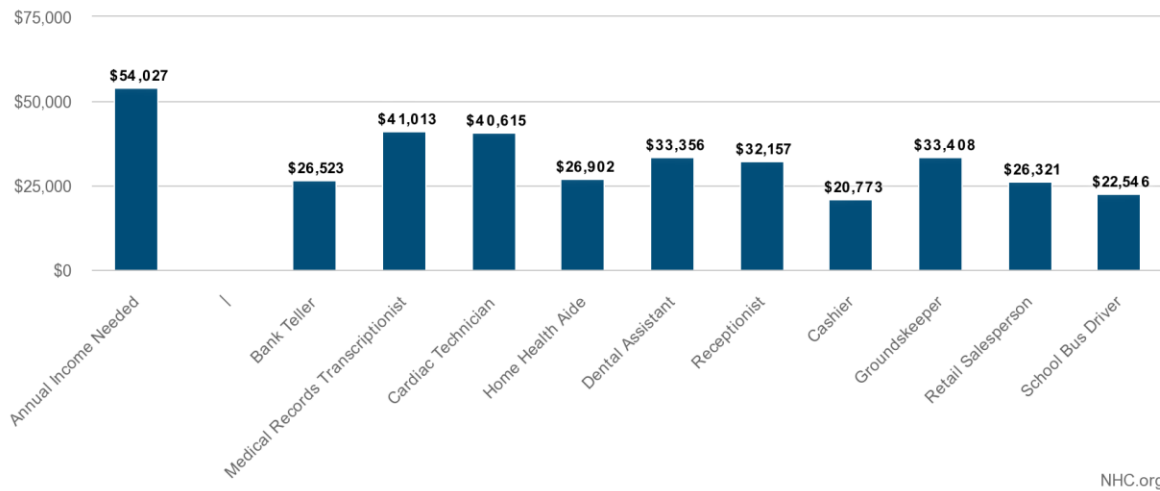
■ Stuart, FL

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Homeownership is out of reach for the average family which needs approximately \$54,000 to afford even a modestly priced home in the City. The problem is compounded by the fact that Stuart is surrounded by wealthy communities such as Palm City and Sewalls Point which makes the Area Median Income (AMI) much higher. This is important to Stuart households because many of the down payment assistance (DPA) and subsidy programs are based on the county's AMI, not average wages.

A survey of occupations show that leading categories are priced out of the homeownership market. Allied health professionals make up a large percentage of the jobs in the city but with the exception of doctors and nurses, most of these occupations are priced out of the market.

Homeownership Affordability Chart

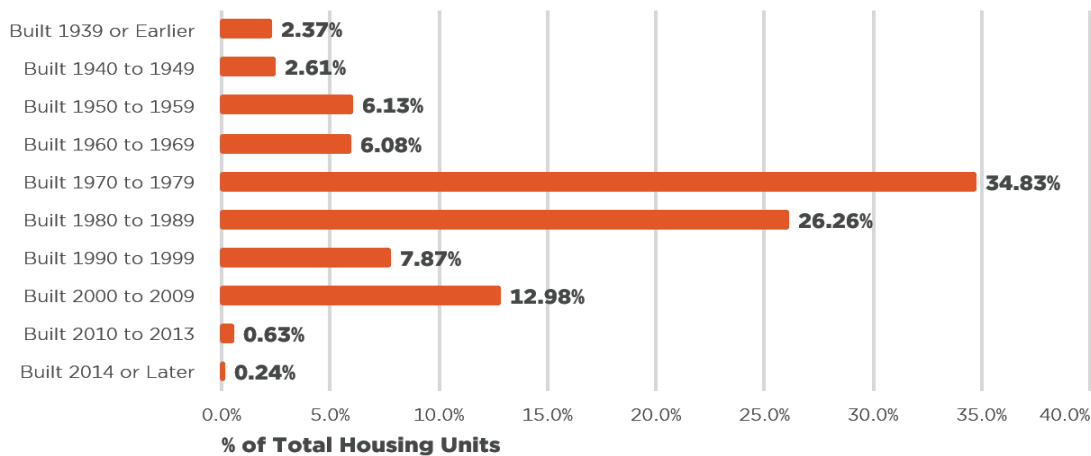


Existing Housing Stock

There are opportunities to buy “attainable” older homes in areas of the City but those present challenges. The existing housing stock is older with 78 percent of the stock being built prior to 1989 meaning the average home is more than 30 years old. Many of the homes require rehabilitation and renovation. They also require hardening to meet updated codes. Building codes changed significantly in 1992 and have been continually updated to meet the severity of storms impacting the area.

Building Age of Housing Units

Stuart



■ Stuart

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Lending Challenges

Lenders will not typically approve a loan on home unless they meet a minimal standard. Buying an older home almost ensures that significant renovations will be required before the lender will offer a conventional loan at competitive prices. A specialty lending product, such as FHA 203K loan, is required to be able to purchase a home that needs even moderate renovation. Becoming a new homeowner is challenging but the added complication of undertaking purchase rehab is almost impossible for buyers of modest means or first time buyers at any income level. They will typically have to pay rent and the mortgage while the home is under renovation increasing their housing costs for a period of time. There are lending products that offer a combined mortgage/renovation loan such as Fannie Mae's *Homestyle* loan which also offers a loan based on the value of the fully renovated home. These products also offer one closing and less fees making purchase/renovation possible but a survey of banks showed that no local lenders currently offer this type of product. Some lenders indicated they would look into offering these products if there is enough demand.

Rental Affordability Challenges

Affordable rental housing presents a special challenge to Stuart residents because of the method in which rent is calculated. Rent levels are typically based on the Area Median Income for the geographic area or MSA (Metropolitan Statistical Area). Stuart is in the middle of some very wealthy areas, such as Palm City, where the household income is over \$107,000. This has the effect of keeping rents weighted on the higher side even for subsidized units. The cost for a two bedroom apartment, even in a tax credit subsidized apartment, will be \$1,360 per month. The cost for a market rate apartment will be substantially higher. Once again many of the average employees are cost burdened in the rental market paying well beyond the recommended 30% of their income.

Rent Limits for SHIP Program

County (Metro)	Percentage Category	Rent Limit by Number of Bedrooms in Unit					
		0	1	2	3	4	5
Martin County	30%	318	365	519	681	843	968
(PSL MSA)	50%	530	567	681	786	877	968
	80%	847	908	1,090	1,258	1,403	1,549
Median: 60,500	120%	1,272	1,362	1,635	1,888	2,106	2,325
	140%	1,484	1,589	1,907	2,203	2,457	2,712

Rent limit chart from the Florida Housing Finance Corporation

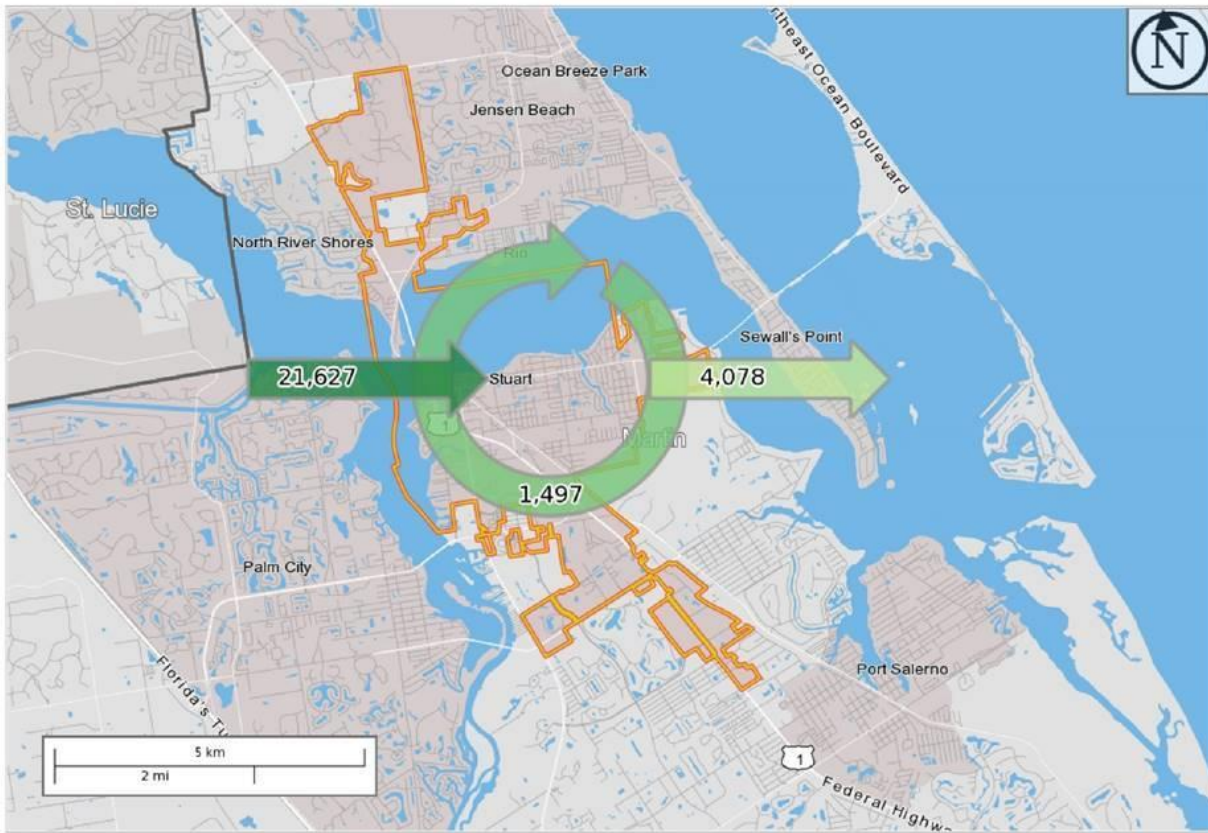
Rental units are particularly important in attracting new business and their employees. Residents who are new to the area will typically rent as a first step in relocating to the area. New, high quality units are important in attracting residents to the community. The rental market is also challenging for many of the leading occupations in the City. An average salary of \$41,360 is required to afford a two bedroom unit. The average rent for a 2-bedroom unit in 2018 is \$1,363 per month.

Housing and Transportation

By taking into account the cost of housing as well as the cost of transportation, H+T calculation provides a more comprehensive understanding of the affordability of an area. This is important for the City of Stuart because a majority of workers commute to jobs within the City.

Inflow/Outflow Counts of Primary Jobs for Selection Area in 2014

All Workers



Map Legend

Selection Areas

★ Analysis Selection

Inflow/Outflow

- ◆ Employed and Live in Selection Area
 - ◆ Employed in Selection Area, Live Outside
 - ◆ Live in Selection Area, Employed Outside
- Note: Overlay arrows do not indicate directionality of worker flow between home and employment locations.

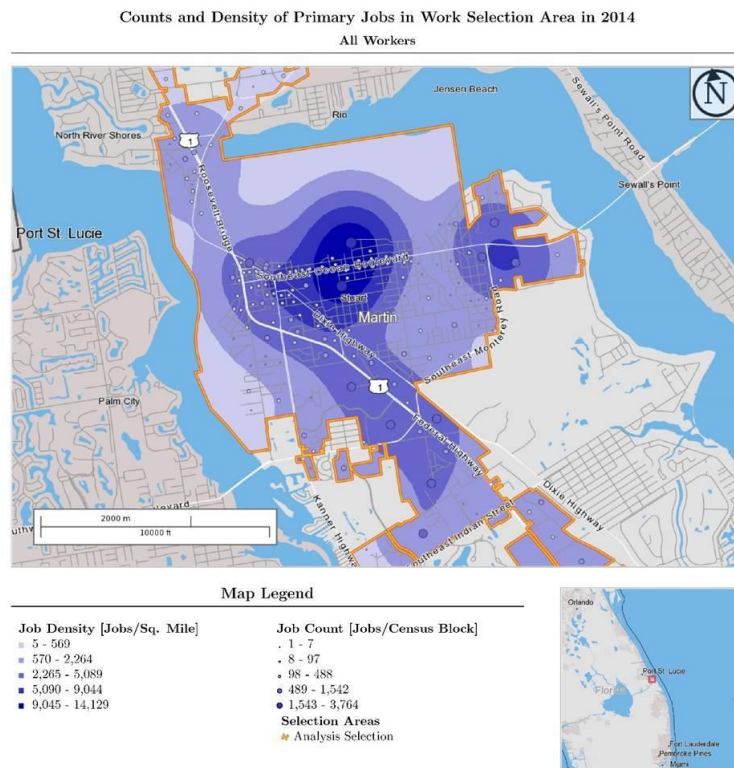


Traditional measures of housing affordability ignore transportation costs. Typically a household's second-largest expenditure, transportation costs, are largely a function of the characteristics of the neighborhood in which a household chooses to live. Compact and dynamic neighborhoods with walkable streets and high access to jobs, transit, and a wide variety of businesses are more efficient, affordable, and sustainable.

While housing alone is traditionally deemed affordable when consuming no more than 30% of income, the H+T Index incorporates transportation costs—usually a household’s second-largest expense—to show that location-efficient places can be more livable and affordable.

Martin County Housing and Transportation Index

Costs	Percent of Income
Housing Costs as a Percent of Income	38% of Total Income
Transportation Costs as a Percent of Income	27% of Total Income
Housing + Transportation as a Percent of Income	64% of Total Income



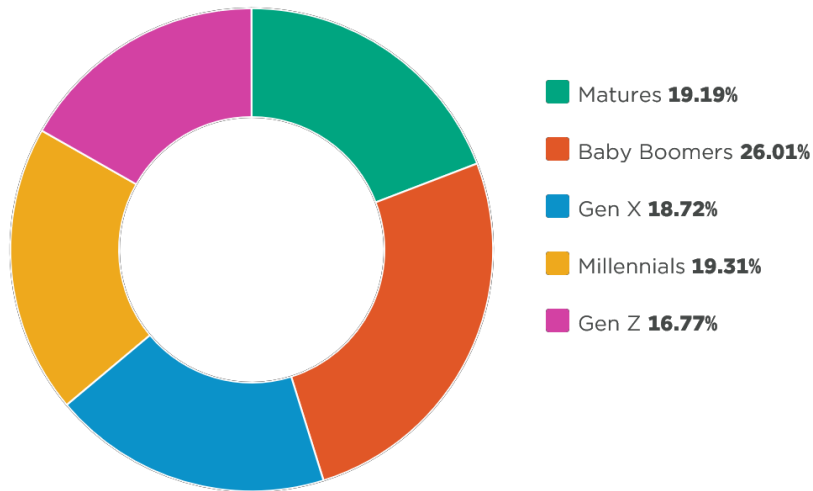
Characteristics of Target Populations

The median age of Stuart’s population is 45.7, several years younger than Martin County’s overall median age of 50.7, but still older than Florida’s overall median age of 41.4. This suggests that Stuart’s urban lifestyle is more appealing to younger residents. Over 45% of Stuart’s residents belong to either the Baby Boomer or Mature generations.

As these generations age, Stuart will need to attract prime working age professionals in order to maintain its economic vitality. In order to attract this younger demographic, affordable and varied housing options will be required.

Generations

Stuart



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Recommendations

Recommendations were driven by the factors listed above in this report and also take into account feedback from City Commissioners, City and County Staff, the Business Community, non-profits, and residents.

1. Education: Elected officials are expected to be experts on a wide variety of topics but are also challenged with limited time for training and research. The amount of information on housing issues can be overwhelming but critical to making informed decisions about housing policy. A focused training with community experts would be a way for elected officials to learn about the role and legal responsibilities in addressing affordable housing. Issues that could be highlighted include:
 - Why affordable/workforce housing is critical to the community and economic development
 - The continuum of affordable/workforce housing options
 - Federal, state and local funding sources that can be used to fund a housing strategy
 - NIMBYism (Not in My Backyard) and how to combat it
 - Tools that can be used to create greater affordable housing opportunities

A great example of an educational program for elected officials was a program conducted by the Institute for Good Government. The Treasure Coast Regional Planning Council (TCRPC) and the SFRPC (South Florida Regional Planning Council) are interested in bringing this type of program to the Treasure Coast area. A full agenda and more information on the program is included as an exhibit.

2. Housing Symposium: In conducting interviews for this report many people expressed an interest in learning about new ideas and concepts in housing in order to be able to offer diverse housing choices that appeal to a wide range of incomes, ages, culture and lifestyles. It would also be an opportunity to educate and garner interest/support among the community including residents, employers and housing stakeholder (Realtors, Housing Counselors, Lenders, etc.) Surrounding communities have done similar events and have offered assistance with recruiting speakers for an event of this type. Martin County staff members have also expressed interest in an event of this type so it could be a regional effort. Information on similar events is included as an exhibit.

3. Workforce Housing Survey: This will help quantify the needs of the workforce in the community. A survey of top employers should be undertaken to determine housing needs for current and future employees. A survey of housing preferences (rental, for-sale, amenities, and tradeoffs) should also be conducted among current and potential employees of existing and target businesses. The results of a thorough study will help inform housing policy. A sample proposal for funding is included as an exhibit.

4. Loan Pool for Buyer Assistance/Renovation: Renovation and redevelopment of infill housing offers the best opportunity for enhancing housing options since the City is approaching buildout. Unfortunately the traditional lending products used for these types of activities such as the 203k loan are not offered by many lenders. Local lenders should be approached about creating a loan pool to provide funding for down payment assistance and renovation. If created, this loan pool should generate enough income to become self-sustaining. In the meantime an effort should be made to encourage lenders to offer products like FHA's 203K or Fannie Mae's Homestyle product which are not ideal for first time homebuyers but still can be used for renovation loans. Information on specialty renovation/purchase products is included as an exhibit.

5. TOD – Transit Oriented Development: A focus on the development of new housing in areas adjacent to employment centers & transportation options will help build walkable, urban living environment to which millennials and young professionals are attracted. Research into what types of housing and mixed use projects thrive in similar environments should be conducted. The Workforce Housing Survey, if conducted, would provide critical input into what current and future employees desire in terms of housing and amenities. Incentive programs should be developed to encourage the type of development desired and to promote the inclusion of workforce units.

6. Consider Underlying Multifamily Residential Zoning of Commercial Property: The demise of the “big box” store or 1970’s era strip center continues to be an issue. The city could amend their comprehensive land use plans and zoning codes to assign property in each commercial category a multifamily residential zoning overlay (i.e., allowing for redevelopment without a comprehensive land use plan change or rezoning), but only if a predesignated percentage of those units will be used for attainable housing, preferably creating a mixed income scenario. This same concept should be explored for other nonresidential zoning categories. Information on the conversion of “strip malls” is included as an exhibit.

7. Model Affordable / Workforce Housing Codes: Instead of dealing with affordable/workforce issues on a piecemeal basis, municipalities should address their concerns on a comprehensive basis and adopt comprehensive housing codes. For example, density could be offered as an incentive for developers who are willing to include a percentage of below market rate units as part of their residential projects. In this manner, the City could design a code that would support the types of housing policy the City wants to promote. A model code is included as an exhibit.

8. Continued Support of CRA Redevelopment Activities: Redevelopment plays a critical role in the economic development opportunities for the City. Tax increment revenues are a source of funding for these efforts which were discussed and supported in previous economic development workshops:
- Increasing variety of housing options available
 - Focusing on street level neighborhood improvements
 - Expand and better market existing housing rehabilitation programs such as the CRA paint up and façade improvement programs, in order to ensure that the City’s housing stock remains viable for its future as well as current residents.
 - Continue to offer grants and loans for historic façade restoration through the CRA
9. Preservation/Creation of Affordable Housing Assets: A continued focus on the improvement and preservation of existing affordable housing assets will provide housing options for the service economy that supports economic development. Housing for workers making 30 percent or less of AMI (\$25,100 for a family of four) is critical to providing essential services to the community. This includes occupations such as childcare workers, health aides, retail and hospitality, landscaping, etc. Strategies for this recommendation include:
- Workshop/Collaboration with the Stuart Housing Authority which provides an important source of affordable rentals for low wage professions.
 - Continue to partner with Habitat for Humanity to build new affordable homes and create new opportunities for homeownership in the City of Stuart.
 - Partnership with the Housing Solutions Taskforce, a nonprofit planning to undertake affordable housing development.

10. Funding to Coordinate Housing Efforts: The City of Stuart recognizes that housing and neighborhood renewal play an important role in maintaining and enhancing the economic health and vibrancy of the overall community. Given this recognition, resources should be committed to a coordinated housing effort. The current staff will not have the capacity/time to implement recommendations so the last recommendation that either a staff person be hired or and an RFP be created to hire a consultant to coordinate housing activities.

Regional Housing Collaboration

Regionalism is important to the housing discussion. Shared investment and responsibility has to be the hallmark of regional cooperation ensuring housing costs will not be a barrier to retention and recruitment of business. Costs have been increasing in areas that have traditionally provided workforce housing such as Port St. Lucie. Emerging areas such as Indiantown may provide some units but not all potential employers will want to commute to a “bedroom community” and gas prices always effect the willingness to commute. Workforce housing must be a shared responsibility in order to ensure the economic viability of Stuart and all of Martin County. A list of Guiding Principles & Actions for regional housing efforts is included as an attachment.

Research and Input

The plan had a very tight timeframe due to staff turnover and difficulty in locating a consultant to complete the work in a short time frame. In creating this Housing Report, comprehensive review of the relevant reports and data was conducted. Stakeholder engagement was limited due to time constraints. Due to the limited timeframe the consultant had a phone interview with all City Commissioners. Meetings were held with city staff and county staff, several non-profits, two developers and several city residents. Existing documents and studies were reviewed to incorporate previous research and stakeholder input.

Documents Reviewed include:

- City of Stuart Economic Development Strategy Plan
- DEO Data Mapping
- Martin County LHAP (Local Affordable Housing Plan)
- SHIP Brochure
- City of Stuart Comprehensive Plan –Housing Element
- City of Stuart Strategic Goals

Report Submitted by:

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Exhibits

Exhibit #	Title
1	Martin County Board of Realtors Monthly Market Summary March 2018
2	ALICE Report (Asset Limited Income Constrained Employed) Martin
3	Housing & Transportation Report Summary
4	Good Government Training (Article and Agenda for Housing)
5	Housing Summit (Program for May 31, 2017 Event)
6	Housing Preference Survey Proposal
7	Renovation/Rehab Loan Products (203K and HomeStyle)
8	Key Guidelines for Developing Adaptive-Reuse Projects
9	Strip Mall Redevelopment
10	Workforce Housing: Barriers, Solutions, and Model Programs
11	Housing Incentive Strategy Report
12	Guiding Principles and Actions for Regional Efforts