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## **City of Gainesville Policy Program Preliminary Research & Analysis**

**TOPIC:** Municipal Housing Bonds (Supplemental)  
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**REQUESTED BY:** Commissioner Johnson

### **EXECUTIVE SUMMARY**

The Florida Constitution states that municipalities may issue bonds from property taxes which will mature in 12 months or more only to finance or refinance capital projects authorized and approved by a vote of the electors.<sup>1</sup> Municipalities are permitted to issue bonds when they determine that major investments are needed for infrastructure and that these investments can't be funded through their normal tax revenues. This means that municipalities can issue bonds to create affordable housing, however, this money cannot be used to fund housing services or general government services.<sup>2</sup> Municipal housing bonds are nearly always funded through an increase in property taxes, as documented in the previous report. The major exception to this is Charleston, South Carolina, which, as detailed in the last report, funded the bond through rent revenue from the new homes. However, this has led to a delayed issuance of the bond for over two years, as there has been no revenue to build new homes because the bond has not been adequately funded.

Since the original report in June of 2019, voters in Durham, North Carolina, and San Francisco, California, have voted to issue municipal housing bonds designed to create affordable housing. Some cities in the original report, including Portland, Oregon, and Los Angeles, California, have failed to deliver on voter

<sup>1</sup> [http://www.lakelandgov.net/portals/CityClerk/Charter%20Review%20Committee/Agendas/2016/06-15-16/IV%20\(a\)%20-%20Public%20Finance.pdf](http://www.lakelandgov.net/portals/CityClerk/Charter%20Review%20Committee/Agendas/2016/06-15-16/IV%20(a)%20-%20Public%20Finance.pdf)

<sup>2</sup> <https://belonging.berkeley.edu/belongingrichmond-affordablehousingbonds>

promises related to the municipal housing bond, while Miami, Florida, has officially begun funding affordable housing projects from their municipal housing bond.

## **HISTORY/BACKGROUND INFORMATION**

### City of Gainesville

In June of 2019, the Gainesville City Commission voted to raise property taxes by 11.5 percent, which is estimated to raise approximately \$4 million for the general budget. This equates to approximately \$348,000 being raised per percentage point increase in property taxes.<sup>3</sup> These numbers can be utilized to approximate how much the City of Gainesville could raise for a housing bond through a further property tax increase.

## **PRELIMINARY RESEARCH AND FINDINGS**

### New Municipal Housing Bonds

#### Durham, North Carolina

In November of 2019, the city of Durham, North Carolina, overwhelmingly passed a housing bond issue, which authorized the city to issue up to \$95 million in bonds to fund affordable housing development projects and requiring an estimated additional property tax of \$16 per \$100,000 in assessed property value for 20 years. This is the largest municipal housing bond issued in the State of North Carolina, and the city has estimated that the average additional property tax required to repay these bonds will be about \$37/year.

Revenue from the bond issue is set to go to the Durham Affordable Housing Bond Investment Plan, with the goals to build 1,600 new affordable housing units and preserve 800 affordable rental units, move 1,700 homeless individuals and households into permanent housing, provide 400 affordable home ownership opportunities for first time homebuyers, and help 3,000 low income renters and homeowners remain in or improve their homes. This bond issue is accompanied by city legislation passed earlier in the year which allowed for denser housing developments in the downtown area.<sup>4</sup>

#### San Francisco, California

San Francisco, California passed Proposition A in November of 2019, which established a \$600 million housing bond. From this, the city has committed \$220 million to producing housing for low income people and extremely low income renters, \$150 million to rehab certain public housing projects, \$150 million for senior housing, \$60 million to preserve rental housing for middle income residents, and \$20

<sup>3</sup> <https://www.wcjb.com/content/news/Gainesville-city-commissioner-vote-yes-to-increased-GRU-rates-and-property-taxes-510895111.html>

<sup>4</sup> [https://ballotpedia.org/Durham,\\_North\\_Carolina,\\_Housing\\_Bonds\\_\(November\\_2019\)](https://ballotpedia.org/Durham,_North_Carolina,_Housing_Bonds_(November_2019))

million to new housing for teachers.<sup>5</sup> The city estimates that 2,800 units of affordable housing will begin construction in the next four years.

The bond will be funded through a property tax increase, and based on the city controller's estimates of the cost to fund the bond, the highest estimated annual property tax increase for the owner of a home with an assessed value of \$600,000 would be approximately \$102.76.<sup>6</sup>

### **Update on Municipal Housing Bonds from Original Report**

#### **Miami, Florida**

As noted in the original report, the City of Miami earmarked \$100 million of a general bond for affordable housing in 2017. In late June of 2019, the City Commission officially designated \$7 million of that fund to go towards five affordable and workforce housing projects in the city.<sup>7</sup>

#### **Los Angeles, California**

Despite being approved in 2016, the first homeless housing project in L.A. funded by the \$1.2 billion municipal housing bond didn't open until January of 2020. The development is the first to open of approximately 20 projects currently under construction, and work is set to begin on another 30 throughout 2020. The 62-unit project was initially scheduled to open in October of 2019, and the city has acknowledged that the rollout of the ballot measure has hit roadblocks along the way. However, the city has stated that they expect to see the opening of a new homeless housing project every three weeks, and every two weeks by 2021.<sup>8</sup>

#### **Portland, Oregon**

A report by the Portland City Auditor released in December of 2019 stated that Portland leaders failed to deliver on promises made to voters regarding affordable housing. The audit focused on the \$258.4 million affordable housing bond passed in 2016, and stated that the city had used vague language when laying out commitments, didn't consistently determine how realistic its promises were, that it lacked consistent monitoring to ensure commitments are delivered on, and that it had diverged from some voter promises. Additionally, the city's annual public report related to the housing bond was late. In response to the report, the city has established volunteer oversight committees related to the housing bond.<sup>9</sup>

#### **Emeryville, California**

In June of 2018, voters in Emeryville, California, approved the City of Emeryville to issue \$50,000,000 in bonds with a tax rate of 4.912 cents per \$100 of assessed property value to fund housing projects. It is

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<sup>5</sup> <https://nextcity.org/daily/entry/big-housing-bonds-pass-in-san-francisco-and-durham-nc>

<sup>6</sup> <https://www.spur.org/voter-guide/san-francisco-2019-10/prop-a-affordable-housing-bond>

<sup>7</sup> <https://therealdeal.com/miami/2019/06/28/miami-approves-7m-in-bond-money-for-affordable-housing/>

<sup>8</sup> <https://www.latimes.com/california/story/2020-01-07/homeless-housing-project-proposition-hhh-bond-measure>

<sup>9</sup> <https://www.oregonlive.com/politics/2019/12/audit-portland-city-council-fell-short-on-promises-to-voters-on-recent-tax-bond-measures.html>

estimated that this measure will cost typical property owners approximately \$49 per \$100,000 of assessed (non-market) home value per year. The bond is for a 25 year term.<sup>10</sup>

The City recently completed a \$64 million affordable housing development in July of 2019, which houses 87 apartment units. To qualify for the units, applicant household incomes must be below 60% Area Median Income thresholds, which ranges from \$78,200 for 1 person to \$120,650 for 5 people.<sup>11</sup>

In 2017, Emeryville had a population of approximately 11,500 people. The median value of owner-occupied housing units is \$479,600, and the median annual household income is roughly \$100,500.<sup>12</sup> In comparison, Gainesville has a population of 133,857, the median value of owner occupied housing is \$154,400, and the median household income is \$36,389.<sup>13</sup>

#### Chapel Hill, North Carolina

In November of 2018, voters in Chapel Hill approved a \$10 million bond for affordable housing. As of February of 2019, the city had not allocated any of the funding from the bond towards affordable housing.<sup>14</sup> The bond is subsidized by an increase in taxes by one cent per \$100.

Chapel Hill has a population of approximately 60,998. The median value of owner-occupied housing is \$409,200, and the median annual income is \$68,640.<sup>15</sup>

### **Additional Affordable Housing Options**

Below are short summaries of additional options municipalities have taken in regards to affordable housing. Any of these options can be expanded upon in additional reports, if desired.

#### Reduction or Elimination of Single Family Zoning

- Several cities have implemented citywide rezoning in their plans to address housing affordability, specifically geared towards increasing high density development. Generally, this involves either significantly reducing or entirely eliminating single family zoning. Changing these zoning requirements can allow for developers to build duplexes and triplexes on what was formerly single family lots, and can increase the housing capacity in neighborhoods, in addition to potentially creating more housing density near public transit stops. The policy of single-family zoning has also been closely associated with racial and class segregation within cities, and research has indicated that reducing or ending the policy can make significant strides towards reducing segregation.

<sup>10</sup> <https://www.ci.emeryville.ca.us/DocumentCenter/View/10411/Frequently-Asked-Questions?bidId=>

<sup>11</sup> <https://evilleeye.com/news-commentary/gov-newsom-tours-emeryville-affordable-housing-project-as-two-week-application-period-opens/>

<sup>12</sup> <https://www.census.gov/quickfacts/emeryvillecitycalifornia>

<sup>13</sup> <https://www.census.gov/quickfacts/fact/table/gainesvillecityflorida,chapelhilltownnorthcarolina,emeryvillecitycalifornia/PST045219>

<sup>14</sup> <https://www.dailytarheel.com/article/2019/02/affordable-housing-explainer-0207>

<sup>15</sup> <https://www.census.gov/quickfacts/fact/table/chapelhilltownnorthcarolina,emeryvillecitycalifornia/PST045219>

- An example of this policy can be found in Minneapolis, Minnesota, which entirely eliminated single-family zoning, which once made up 70% of the city's residential land.<sup>16</sup> While the city has yet to see significant effects of the policy, as it was approved in late 2019, they expect a successful implementation of the policy to result in the creation of approximately 50 units a year. These numbers will largely come from increasing density along transit corridors, although the city expects that additional efforts such as decreasing parking requirements, lowering city fees, and expediting permit and zoning approvals will also assist the city in making housing more affordable.
- The State of Oregon additionally passed a law in late 2019 requiring cities with a population of more than 10,000 to permit duplexes in neighborhoods that were once zoned for single-family zoning, although this law has also yet to be substantially implemented.<sup>17</sup>

#### Amending Accessory Dwelling Units Requirements

- Amending zoning laws to make it easier for residents to build accessory apartments can help individuals, primarily the very young and very old, retain their housing instead of being priced out of their area. Accessory dwelling units (ADUs) can provide both a secondary income for homeowners and more affordable housing options for renters.
- These changes can include shrinking the lot size required to build an ADU, allowing ADUs to be built in closer proximity to each other, allowing ADUs to make up larger percentages of lots, allowing new homes to build ADUs, and decreasing parking requirements for ADUs.
- Municipalities which have implemented similar policies include Montgomery County, Maryland,<sup>18</sup> the State of California,<sup>19</sup> and the City of Seattle.<sup>20</sup>
- The City of Portland, Oregon, has adopted more lenient ADU ordinances in an effort to increase housing supply within city boundaries, and now allow ADUs in all residential zones with relaxed development standards. The city additionally offers an early assistance process to help with project development for ADUs, and they have created a guide which outlines ways to bring existing, nonconforming units into compliance. The city considers ADUs to be more affordable than other housing types because of the efficiency of the units in using fewer resources and reducing housing costs. The city has noted that allowing more ADUs has increased their housing supply, and that city residents viewed ADUs positively and were satisfied with the changes made.<sup>21</sup>

#### Inclusionary Zoning

- Inclusionary zoning policies are programs that require or incentivize the development of affordable housing alongside market-rate units. Mandatory inclusionary zoning programs require developers to include affordable units in their building plans in order to obtain development rights, while in voluntary programs, developers can earn incentives such as tax breaks and density bonuses in exchange for including units for sale or rent below-market rate.

<sup>16</sup> <https://gwwash.org/view/73141/montgomery-county-just-made-it-easier-to-build-an-accessory-apartment>

<sup>17</sup> <https://magazine.realtor/daily-news/2019/08/12/oregon-becomes-first-state-to-ban-single-family-zoning>

<sup>18</sup> <https://gwwash.org/view/73141/montgomery-county-just-made-it-easier-to-build-an-accessory-apartment>

<sup>19</sup> <https://nextcity.org/daily/entry/california-adu-applications-skyrocket-after-regulatory-reform>

<sup>20</sup> <https://seattle.curbed.com/2019/10/1/20894074/seattle-adu-backyard-cottage-construction-permit>

<sup>21</sup> <https://www.huduser.gov/portal/publications/adu.pdf>

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- In the State of Florida, local governments may have an inclusionary zoning mandate but, in exchange, must provide incentives to fully offset all of the developer's costs for his or her affordable housing contribution.<sup>22</sup>
- Municipalities which have implemented similar policies include Davis, California,<sup>23</sup> and Washington, D.C.<sup>24</sup>
- Washington, D.C.'s inclusionary zoning program went into effect in 2009 and the first units became available in 2011. The region's policy only applies to residential projects of 10 units or more, and requires that 8 to 10 percent of the project's square footage be designated as below market rate housing. Although the program started out with minimal effects, in recent years the program has been more effective, generating 191 units in 2016, making for a total of 402 units over the program's first nine years. The slow start in implementation is largely due to lawsuits with developers.<sup>25</sup>

#### Local Housing Trust Funds

- Housing trust funds are established, ongoing, publicly funded sources for low-income housing development. The State of Florida does have a housing trust fund, the Sadowski Fund, however cities in the State of Florida are permitted to create their own, additional, trust funds. Local housing trust funds provide funding for increasing the stock of affordable housing in cities, and can create revenue when a state lacks funds.
- Municipalities which have established local housing trust funds include Juneau, Alaska,<sup>26</sup> Pinellas County, Florida,<sup>27</sup> and Coconut Creek, Florida.<sup>28</sup>
- Juneau, Alaska, is generally seen as a local housing trust fund success story, as they established their local housing trust fund in 2010 to fill a local need for more affordable housing options. The fund specifically sought to expand use of capital to develop housing units, the number of one-bedroom rental units for low-income residents, and long-term affordability. The City currently has over \$400,000 in the fund and has two years' worth of operating costs in reserve, an amount which they believe will continue to sustain them into the future, and is focusing on creating workforce housing for its residents.<sup>29</sup>

## **PRELIMINARY COST/BENEFIT ANALYSIS**

### Costs

- A municipal housing bond would likely need to be funded through a property tax increase, which would require a ballot referendum.

<sup>22</sup> <https://www.faahq.org/news/gov-ron-desantis-signs-legislation-to-prohibit-unfunded-inclusionary-zoning-mandates>

<sup>23</sup> <https://www.cityofdavis.org/residents/affordable-housing-program>

<sup>24</sup> <https://www.citylab.com/equity/2018/07/citylab-university-inclusionary-zoning/565181/>

<sup>25</sup> <https://www.citylab.com/equity/2018/07/citylab-university-inclusionary-zoning/565181/>

<sup>26</sup> [https://www.nlc.org/sites/default/files/2019-03/SMLReport2019\\_FINAL\\_0306\\_32pgs.pdf](https://www.nlc.org/sites/default/files/2019-03/SMLReport2019_FINAL_0306_32pgs.pdf)

<sup>27</sup> <http://www.pinellascounty.org/community/HousingTrustFund.htm>

<sup>28</sup> <https://www.coconutcreek.net/sd/housing-resources>

<sup>29</sup> <https://citiesspeak.org/2019/06/14/why-housing-trust-funds-became-unifiers/>

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- With the size of Gainesville, the amount able to be raised for a housing bond may not be enough to significantly alter the present status of affordable housing in the city.

Benefits

- The policy could assist the city in building new affordable housing.