

Housing Affordability Study
Phase Three Report DRAFT

to the
City of Naples CRA



from
Bright Community Trust



21 March 2022

DRAFT

Phase 1 & 2 Highlights



INTRODUCTION

The Naples community prides itself on being a leader, particularly in *quality-of-life* measures. Naples land development policies strive to protect beaches, natural space, and neighborhood character, helping to make Naples a desirable place to live. However, Naples' desirability is also a source of high land values, putting pressure on the cost of housing, and increasingly pricing out the local workforce. As such, housing affordability is garnering attention from community leadership.

Naples land use policies value low-rise buildings, large single-family residential units/lots, and a surplus of on-site parking. As regulatory requirements, these policies displace potential housing supply from locating in Naples. This memo provides recommendations for relieving regulatory burdens that make it difficult to produce affordable housing and offers targeted strategies for advancing affordable housing in the short- and long-terms.



Naples maintains low development presence along beach



Other beach communities develop their shorelines

The Challenge

Today in Naples, a middle-income family of four (4) at 120% the *Area Median Income (AMI)* with good credit can barely afford a \$400,000 home. The cost of land is more than 50% of the overall price, especially in the Naples Community Redevelopment Area (CRA). Zillow.com indicates only two homes for sale with a listing price under \$500,000 in Naples (on March 20, 2022); the lowest priced example being a 535-square foot condominium listed at \$425,000 – which is both out of reach for a family of four, even at 120% AMI, and too small.

The cost of housing is rising across the United States and the median price to own or rent in Naples is consistently higher than the state and national medians over the last two decades. There are numerous reasons why housing is more and more expensive, such as the fact that Naples is a very desirable place to live in Florida. However, data suggests that the primary determinant of rising housing costs is a lack of housing supply. According to Redfin, a national real estate brokerage, housing inventory in 2021 was at an all-time low, with less than 3 weeks of housing supply in December 2021. Real estate professionals consider a “healthy market” to have no less than 6 months of supply.

There are structural barriers to increasing affordable housing supply in Naples, such as high construction labor/material costs and low vacant land inventory. Still, a growing body of research points to restrictive land use regulations as the primary impediment. Figure 1 indicates that there are properties within the City's Community Redevelopment Area with land values that *could* justify more housing units than what exists today but are held at artificially low densities by zoning regulations. To this end, this memo recommends measures to encourage the realization of these potential units.

TARGETING LOCATIONS IN THE CRA

We used property appraiser and WalkScore.com data to characterize the form and function of neighborhoods within the CRA. In doing so, we were able to identify target areas for policy/development interventions that are also context sensitive.

Property Appraiser Data

Property appraiser data from the Florida Department of Revenue (FDOR) helped us identify the location of publicly owned and/or vacant lands. This data also helped us gain a perspective about the utilization of land within the CRA. In this exercise, we consider underutilized or publicly owned lands as candidates for various approaches to housing intervention.

Land Value per Unit

Land value (distinct from improvement/building value) signals the desirability of land. Higher land values indicate higher desirability. Natural resources/features, public investments, and concentration of jobs are main determinants of land value and desirability. Landowners will choose to develop their property to capture potential land value, also known as economic land rent. To this end, the *Land Value per Unit* analysis seeks to gauge where landowners *could* add residential units to capture greater economic land rent. This analysis is simple and can only tell us where additional units would make sense, but not necessarily the number or type of units.

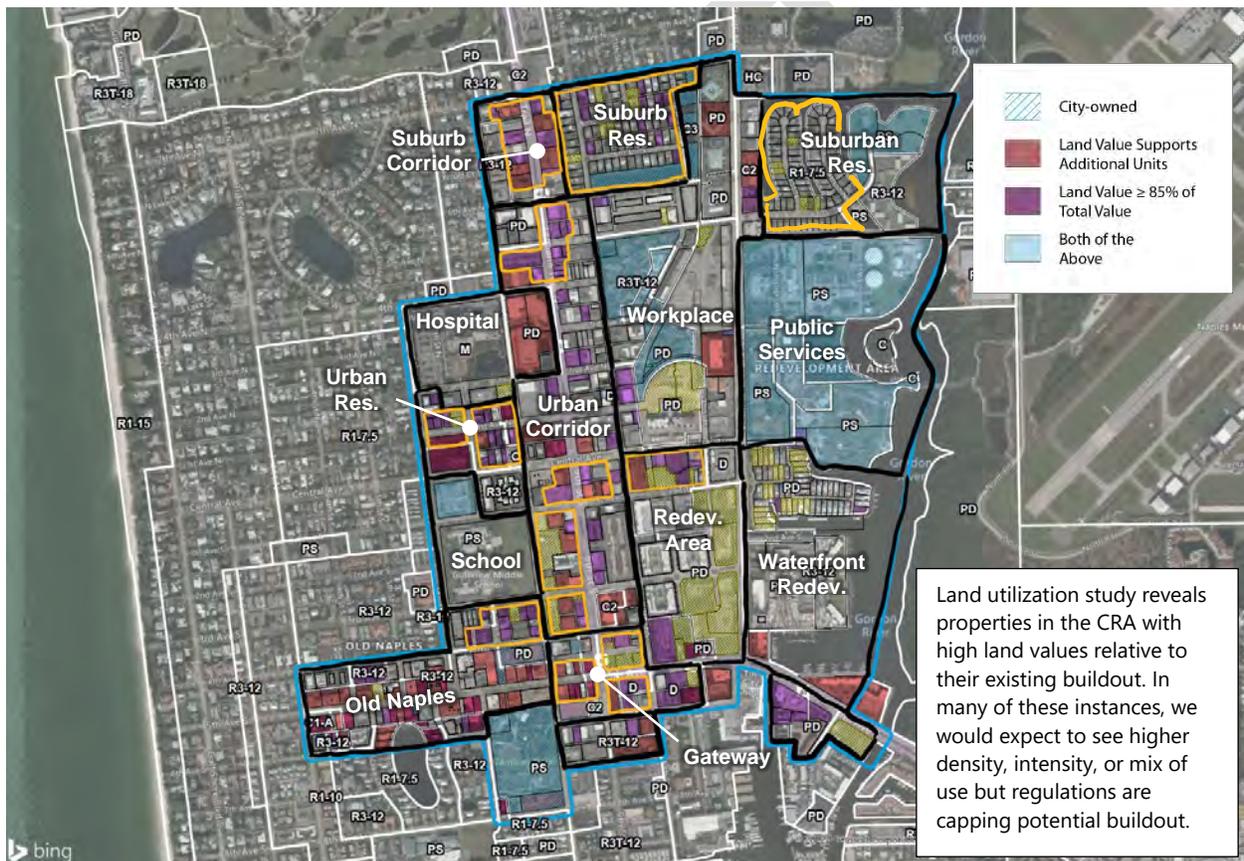
Our analysis plots the standard deviation of Land Value per Unit across Collier County and isolates the values 1.5 standard deviations or greater from the mean, a sample representing approximately 7.5% of all the values. Theoretically, these properties have comparatively *high* land values, relative to the number of residential units they host, and could economically justify adding more units.

Land Value as a share of Total Value

The analysis described above excludes properties that do not have residential units on them. Therefore, we also looked at the *land value as a share of total appraised value* to gauge land utilization. In theory, properties in which land values account for a sizable portion of their overall value are candidates for redevelopment. Our analysis isolated properties in which land value accounted for more than 85% of total appraised value, signaling the potential for redevelopment.

Figure 1 provided below shows the output of our land value analysis. The analyses reveal that many properties within the CRA appear to be underutilized.

Figure 1

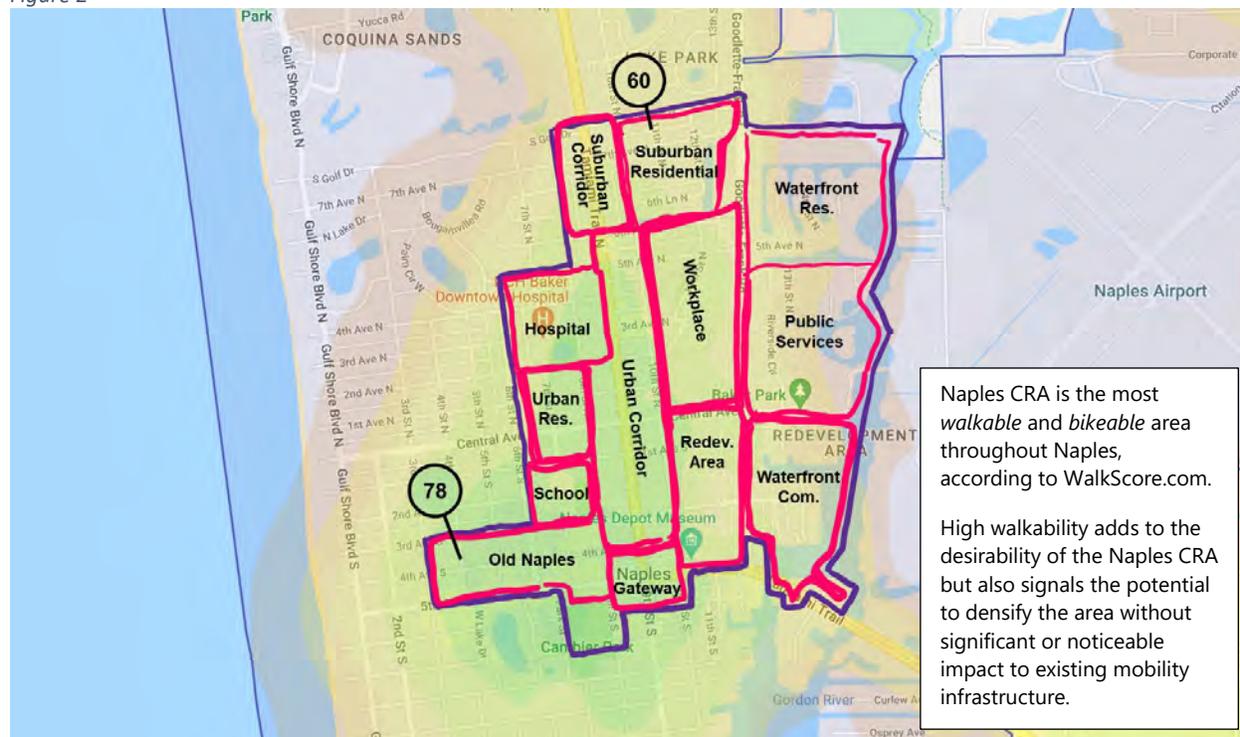


Walkscore

WalkScore.com data provided a perspective about the availability of pedestrian and bicycle infrastructure, amenities such as retail and parks, and block and intersection characteristics (see Figure 2, below). Research shows that walkable, bikeable communities are among the most desirable to live in and benefit people at all income levels by making it easier to access daily goods and services. Adding housing to walkable areas not only addresses housing supply but

also location affordability. To this end, our analysis aims to target walkable areas for policy/development intervention.

Figure 2



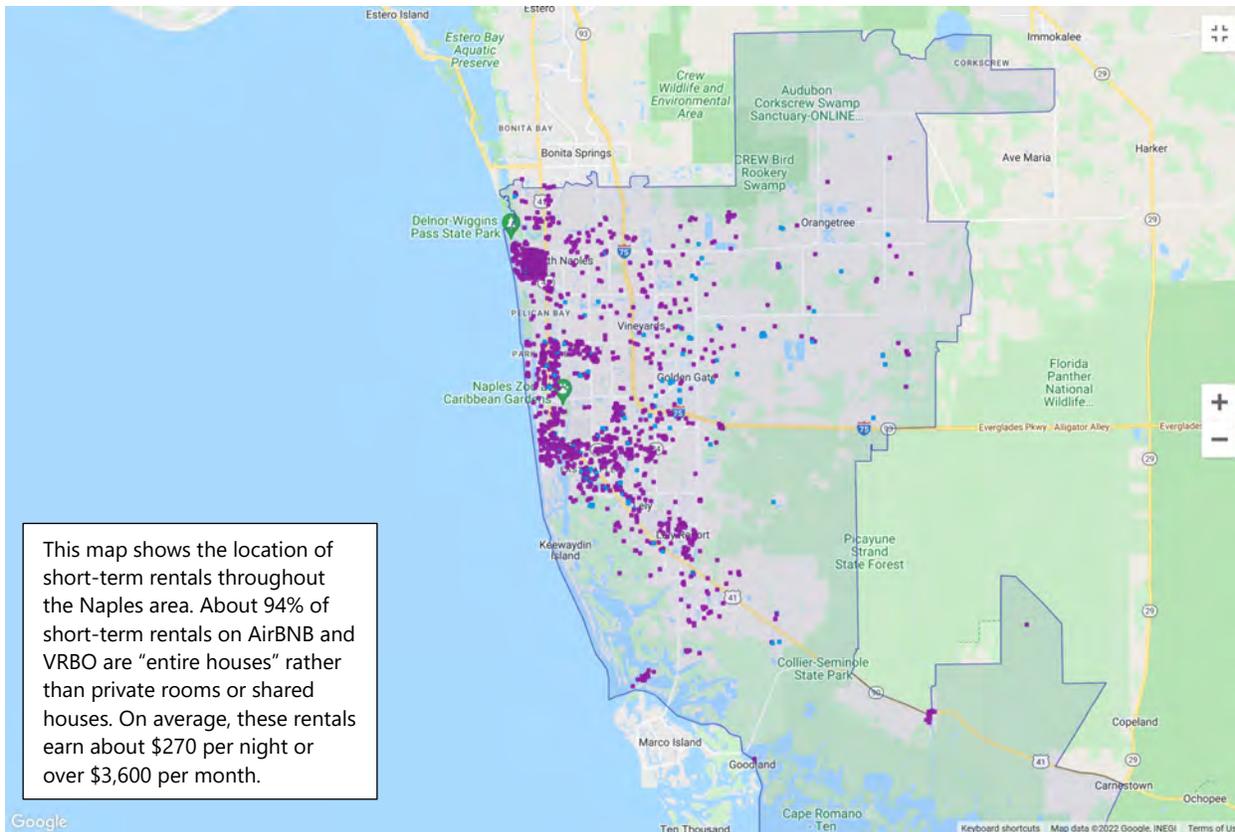
STRATEGIES

Address potential issues that arise from investor/institutional purchase of residential properties that reduce available housing supply, including short-term rentals.

Investor and institutional home buyers impact the availability of housing supply. In some cases, these buyers are in a position to update housing stock more cost effectively than individual owners. However, in other cases they may be removing supply for workforce rental/ownership (such as in the case of short-term rentals).

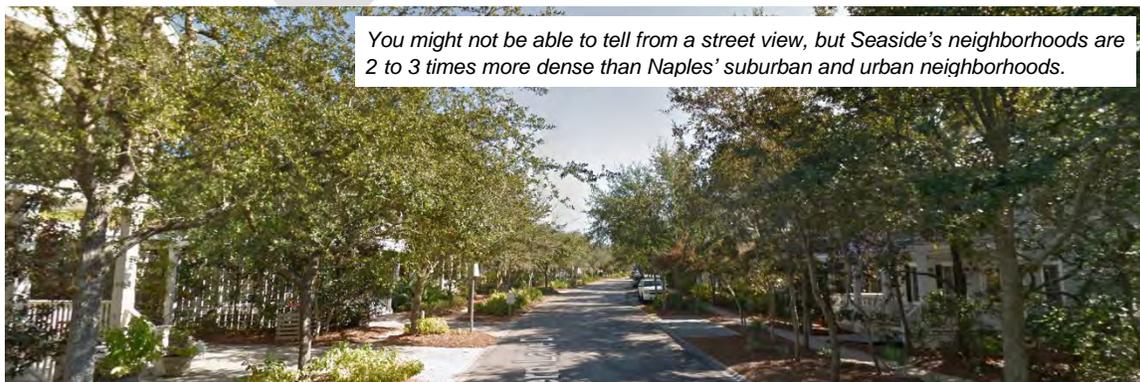
For example, AirDNA, a data resource for tracking short-term rentals hosted on AirBNB and VRBO, indicates over 2,600 short-term rentals in the Naples area. A significant share of these rentals are located within Naples, and a handful are within the CRA. Although in some instances, short-term rentals support temporary workforce housing (such as for traveling nurses), in many cases they keep potential full-time housing supply out of the marketplace.

Naples has existing ordinances that could help curb the number of units held as short-term units, but these ordinances require enforcement.



Revise land development regulations to allow “gentle density” increases throughout the Naples CRA

As mentioned above, property appraiser data suggests that the CRA market desires more units than what exists today. In the short-term, we can layer in additional units by relieving land development code regulations to allow a broader range of housing options. Communities such as Seaside, FL (along the panhandle) and Laureate Park (southeast Orlando) provide examples of how a mix of housing types can help increase density while maintaining strong neighborhood character.





Leverage "value capture" from public investments along US-41 to cross-subsidize housing units with mixed-use and mixed-income development.

In the coming decades, US 41 will become the target of significant public reinvestment as entities such as the Florida Department of Transportation, Collier County, and City of Naples transition this corridor from a car-centric arterial to a walkable, multimodal, and placemaking asset. The Downtown Naples Mobility & Connectivity Study (2017) and Collier MPO 2045 Long Range Transportation Plan (2020) indicate numerous opportunities for major improvements along US 41, particularly at its intersections.

As a result of these public investments, nearby land values will inevitably increase, and the private sector will respond with redevelopment. Through various ownership models (such as City/CRA and/or Land Trust acquisition) and incentive programs (such as height and density bonus for affordable units), the City of Naples can leverage the increase in land value to subsidize new affordable housing units.

TYOLOGIES

The Laneway House

The laneway house is a single unit that addresses the alley or "laneway", to the rear of the primary unit which addresses the local (or primary) street at the front. The laneway unit may share lots with the primary unit or the lot can split into two fee simple tandem lots. The laneway unit may attach to the primary unit, or it may detach, providing an area for open space between both units.



The laneway house is an effective typology for adding gentle density to the CRA's suburban residential areas because it preserves the neighborhood's prevailing form and scale along the primary street, while making more efficient use of the alleyways. There is precedent for laneway housing in Naples to great effect, particularly in the urban neighborhoods in and around the CRA.



Laneway units, Seaside

The Duet (or side-by-side duplex)

The *Duet* (two attached units, side-by-side) is a simple typology for adding incremental density to suburban neighborhoods. The *Duet's* form and scale can easily mimic a single unit detached neighborhood character. Like the *Laneway* and *Triple Decker* types, the *Duet* provides the flexibility for a fee-simple ownership model (two distinct properties and owners) or a unified ownership model in which a household can live in one unit and rent out the other unit to help offset mortgage expenses.



Duet units, Winter Park

The Triple Decker

The triple decker is a stacked triplex, or three distinct units stacked on top of each other. A common stairwell provides access to each unit and can include an elevator as well. Like the *Laneway* and *Duet* types, the *Triple Decker* allows for a condominium ownership model (three distinct homeowners overtop a commonly owned property) or a unified ownership model in which a household can live in one unit and rent out the other two units to help offset mortgage expenses.



Triple Decker, Boston, MA

The Townhome

Townhome products would emulate the density built back in the 1980s (~18-22 du/ac) which is double the prevailing density of new builds in today's urban residential areas.

Vehicle access within alleyways can help preserve the pedestrian realm along primary streets and adequate front yard/streetscape spacing can ensure that ample tree canopy is able to mature.

Behind tree canopy, architectural detail is less important, which can help save on production cost.



*The Low-Rise Complex
(for influential increase in density)*

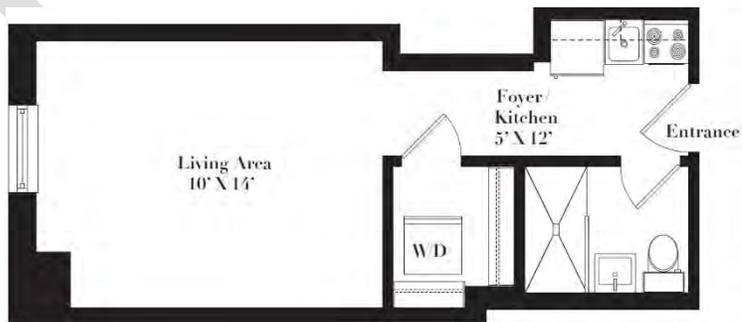
Low-rise complex

The low-rise complex offers a range of unit types and sizes that fit together around common spaces. Unit mix can include studios, one-bedroom, two-bedroom and three-bedroom apartments, as well as for-sale and for-rent units. Smaller units demand fewer parking spaces, making more room for housing or amenities. As with the townhome typology, low-rise complexes can include ample tree canopy along primary streets.

New low-rise complex development was common in Naples during the 1980s however modern zoning codes limit the viability of these development types today. Reintroducing this housing type to Naples' urban residential areas can help restore missing housing stock in walkable, well-served districts.

Micro-apartment / Hotel conversion

Micro apartments are typically no larger than 300 square feet, studio (or 1-bedroom) units. This typology aims to meet the needs of single-person households looking for affordable housing near jobs and city amenities. This is particularly pertinent for hotel conversions where rooms are already appropriately sized.



Micro-apartment (320 sq. ft.), Chicago, IL

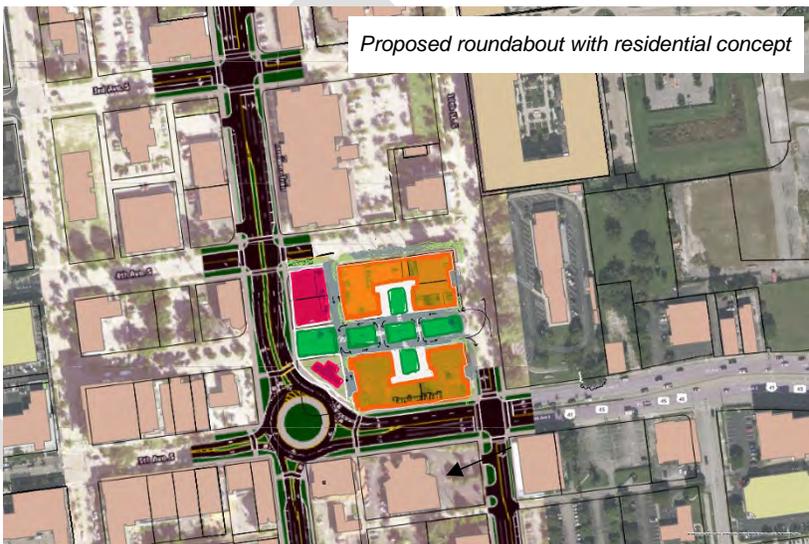
Mixed income, mixed use, midrise complex

This typology allows for the greatest opportunity to capture value from public investments made to intersections and other infrastructure items. A mix of uses optimizes the property to take advantage of the highest and best use while the mixed income offers the potential to cross-subsidize workforce housing.

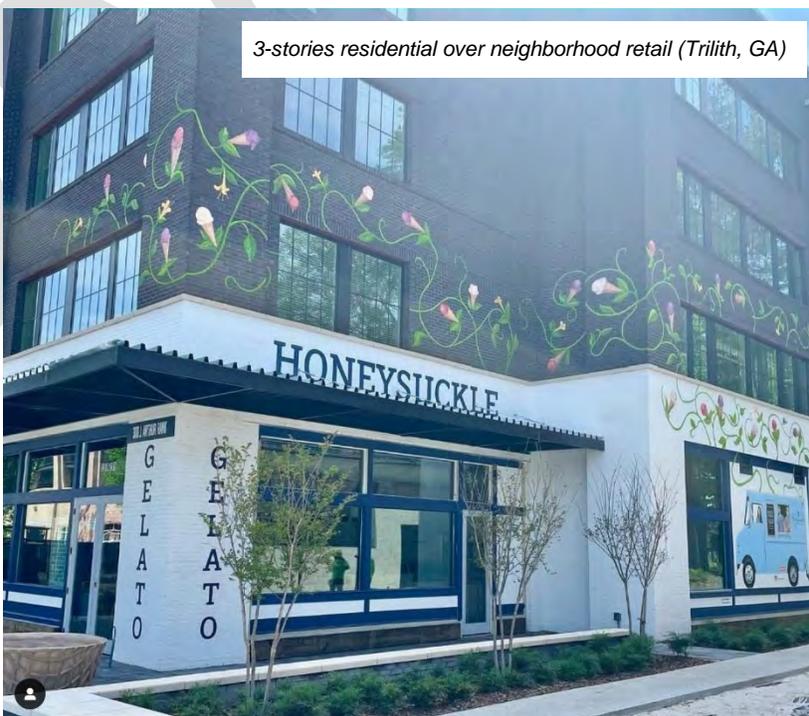
Maitland city gateway along major highway



Proposed roundabout with residential concept



3-stories residential over neighborhood retail (Trilith, GA)



RECOMMENDATIONS

Establish a "CRA Overlay District" that enables the short- and long-term strategies listed above.

The City's Comprehensive Plan provides flexibility within the Community Redevelopment Area, particularly for supporting workforce housing (Vision Plan Policy 12-1). The City can leverage these policies to establish an overlay district that relieves regulatory burdens that constrain potential housing supply in the CRA. Once tested within the CRA, the City may find value in expanding this district, or applying its rule modifications to other districts throughout Naples.

1. Measure residential density using *Floor Area Ratio (FAR)* in lieu of *Dwellings per Acre (DU/AC)*. **[Applicable to all target areas and typologies]**

People do not perceive *dwelling units per acre (DU/AC)*, rather they perceive the form and activity of a development, such as building height, mass, placement, and use. DU/AC requirements inadvertently incentivize builders to increase the size of each unit to meet pro forma goals, which drives up the per unit cost of housing. By using Floor Area Ratio (and other form-based controls such as building height) to control density, developers can decide how to maximize floor area to provide the number of units and unit sizes that the market demands, without imposing upon the neighborhood with an unexpected building form.

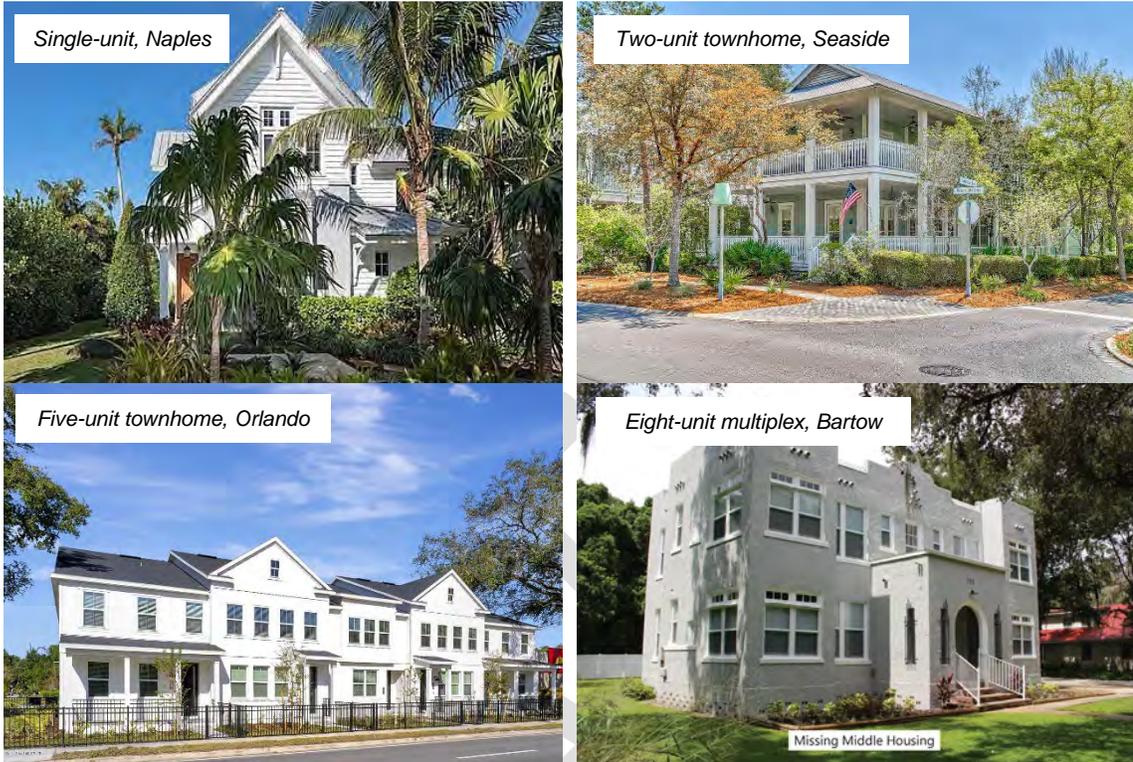
For example, new developments within the CRA's urban and suburban areas average between 0.46 and 0.54 FAR. These are large floor area ratios for single-unit developments, but moderate ratios for three-, four-, and even eight-unit developments. The CRA overlay district should allow a variety of unit types and sizes so long as their form and scale are compatible with the surrounding context – FAR measures can do this.

Similarly, new developments near the CRA's urban corridor and gateway areas average about 1.7 FAR (such as Naples Square) but achieve densities less than 30 dwellings per acre – limited by the code and parking requirements. Housing developments that adhere to FAR maximums, rather than DU/AC maximums, can mix in more, smaller units – including micro apartments.



Despite a larger building mass, Naples Square is relatively low density

Each of these properties are developed at a 0.5 FAR (or less)



2. Measure parking requirements by *number of bedrooms* in lieu of *number of units* **[Applicable to all target areas and typologies].**

Minimum parking requirements typically force the provision of more parking spaces than what a district may need, reducing land use efficiency, and increasing the price of housing. This is particularly true where parking standards are indiscriminately applied to residential units without regard to their size. Moreover, today's parking requirements do not recognize that the CRA is the most walkable area in the city and enables many households the ability to have one or fewer automobiles.

Naples' land development code requires two parking spaces per residential unit (and in the case of multifamily, an additional requirement for "guest" spaces). Although a smaller unit may have a lower parking demand, the Naples LDC requires that these units provide the same number of spaces as the larger units. The Naples CRA can "right-size" parking requirements by shifting from a *per unit* to a *per bedroom* standard of measure.

For example, new single-unit development within the CRA average 4 bedrooms per unit and new multi-unit development average 2 bedrooms per unit however both unit types

require a minimum of two parking spaces. In effect, the *per-unit* parking requirement is twice as burdensome on the multi-unit compared to the single-unit. Single units are parking at approximately 0.5 spaces per bedroom and multi-unit developments should be permitted to pursue the same standard.

Application: The CRA overlay can right-size the minimum parking requirement by switching to from a *per-unit* to a *per-bedroom* standard.

3. Reduce dwelling size requirements [**Applicable to all target areas and particularly applicable to *Accessory Dwelling and Hotel Conversion* units**]

Minimum dwelling unit sizes are necessary for assuring habitable units. Florida Building Code requires a minimum dwelling size of 120 square feet. Beyond this, FBC considers dwellings to be of habitable size. Communities that choose to further increase minimum dwelling size requirements tend to exclude people who would choose to live in smaller unit sizes, especially single-person households (which are increasing in frequency). Naples' code specifies minimum dwelling sizes based on housing type (one family and two family 1,000 sq. ft. and three family 600 ft). This requirement, compounded by additional requirements for maximum lot coverage and minimum lot size, adds to the challenge of reaching the maximum allowed density.

In some cases, multi-unit developments built before 1990 (when the modern LDC was adopted) do not meet the minimum dwelling size requirements and therefore would be prohibited if built today.



Built in 1956, this Naples apartment includes units that are 530 sq. ft.



Built in 1974, this Naples apartment includes units that are 540 sq. ft.

Application: The CRA overlay should conform to minimum dwelling sizes promulgated by Florida Building Code.

4. Reduce lot size requirements **[Applicable to Urban Neighborhoods and particularly townhome typologies]**

Zoning ordinances often justify the use of minimum lot size requirements as a means for ensuring that lots are buildable. Paradoxically, minimum lot size requirements legally render many lots unbuildable, particularly in infill conditions where lots are more likely to have size irregularities or are smaller than the minimum standard.

Minimum lot size standards force inefficient use of land, particularly when these standards reflect a preference for suburban development. For example, Naples' multifamily district (R3-12) requires a minimum lot size of 6,000 square-feet, precluding the development of modern townhomes and other small-scale multifamily products. Building codes, height, and size standards as well as market preferences will drive safe and logical lot sizes. Beyond that, the land development code does not need to dictate this standard.

5. Allow tandem lot splits **[Applicable to suburban neighborhoods]**

Naples can add conditions to R1-7.5 district standards to allow all legally conforming lots to tandem split or split into smaller lots that still present as one from the primary street. The rear lot is intended to address the laneway with a separate dwelling unit (detached or attached). Required minimum setbacks from tandem line should not exceed 7.5 feet. Consideration should be given to reducing the laneway setback to 10-feet to allow greater buildable area.



6. Reduce setback requirements [**Applicable in urban neighborhoods and along alleyways**]

Setbacks historically played a role in separating buildings to accommodate human waste removal, fire prevention, and access to utilities. Today, technological advancements render many of these historic rationales for setbacks superfluous and instead setbacks tend to reflect visual preferences for a specific pattern and frequency of building form. Naples' setbacks for zoning districts within the CRA render a sizable portion of each property unbuildable.

There are instances, particularly in Naples' urban and alleyway contexts, in which reduced setbacks will enable greater flexibility for providing adequate housing while also enhancing the public realm. For example, "build-to" lines in places like Seaside and Laureate Park help frame the street and provide a sense of safety and public surveillance.

Building placement in Seaside helps frame the public realm and abundant tree canopy softens intensity of development.



CONCLUSION

This memo provides recommendations for relieving regulatory burdens that make it difficult to produce affordable housing and offers targeted strategies for advancing affordable housing in the short- and long-terms. With a CRA overlay that relieves regulatory burden, the City is better suited to layer in workforce housing supply.

DRAFT

**Bright Community Trust
Housing Affordability Study
for
City of Naples
Community Redevelopment Area**

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Levers of Affordability

- Preservation vs New Construction
- Capital Costs
 - Land
 - Construction
 - Construction Financing
 - Professional Fees
 - Permits & Fees
 - Developer Fees
 - (+) Subsidies
- Operating Costs
 - Permanent Financing (Debt Service)
 - Rent / Mortgage
 - Utilities
 - Property Management
 - (+) Vouchers & other assistance
- Revenues
 - Internal subsidy
 - Own one, rent the other(s)
- Sources: CRA, General Revenues, Dedicated Local Funding Sources (linkage fees, upzoning fees, parking fund, etc), Surplus Lands, County Affordable Housing Trust Fund, HFA; SHIP, SAIL, Hometown Heroes; HOME, CDBG, LIHTC (9% / 4% + bonds), Project-based vouchers; Private philanthropy (Community Foundation, NAACP, Urban League, etc)
- Investing counter-cyclically – relatively lower costs for acquisition and for rehab; workforce benefits
- Length of Affordability – land trust



Affordability Challenges in Naples

Most of Florida

- Land: \$40k
- Construction: \$190k
- Soft Costs: \$50k
- TOTAL: \$280k

- Qualifying HH Income: \$75k

Naples

- Land \$200k++
- Construction: \$190k
- Soft Costs: \$50k
- TOTAL: \$440k

- Qualifying HH Income: \$115k
 - Exceeds 120% AMI



Shorter Term Strategies

- For Rent

- Enforce short-term rental ordinance
- Local workforce/retiree voucher program – 100 vouchers @ \$250/mo = \$300k/yr
- Buy & hold Naturally Occurring Affordable Housing (NOAH)
- Accessory Dwelling Unit (ADU) program – pre-approved plans, fast-track permitting, financing
- Rental & Utility Assistance; legal aid funding – housing stability
- Explore partnership with Housing Authority on management, vouchers, education



Shorter Term Strategies

- For Sale

- Land trust – preserve affordability permanently, multiple channels
- Buy vacant lots – build new affordable homes in land trust
- Buy homes below almost-affordable threshold, resell at affordable prices in land trust
- Homebuyer-directed land trust, preset subsidy amount
- Homeowner, esp seniors, repair and energy efficiency programs – local funding; explore SHIP price cap waiver; remove or loosen lien requirement



Longer Term Strategies

- For Rent

- Purchase option / first right of refusal on NOAH rental properties
- Look for portfolio acquisition options
- Focus on Housing Affordability Study Phase 2 needs identified: 1-2 person households / Studio-1BR units; Seniors (affordable, accessible, aging in place)
- Phased redevelopment to reduce displacement
- Developer incentives in exchange for affordability, can be tiered and mixed: density, intensity, setbacks, height, design, parking, fees
- Sustainability incentives/requirements – reduce resident utility bills
- Build organizational capacity in nonprofits and small businesses, especially MWBEs, for development, construction, rehab, management, social services, etc
- Hotel/motel conversion
 - 1:1 = small studio efficiencies
 - 2:1 = 1BR apartments



Longer Term Strategies

- For Rent (cont.)
 - Consolidate City (and other public entity?) functions to free up land for affordable housing development
 - Repurpose underutilized commercial & industrial land for affordable housing per new Florida statute – added benefit of avoiding NIMBY challenges
 - Strategies to lower land cost per unit:
 - ADUs
 - 2/3/4plex in single-family neighborhoods
 - Townhomes
 - Lower minimum unit sizes
 - Lower parking requirements
 - Mixed Use – residential over commercial
 - Mixed-income projects to create internal subsidies



Longer Term Strategies

- For Sale

- Land trust and co-op sales
- Financial literacy, homebuyer education, down payment assistance
- Resiliency – elevation, storm hardening
- Some rental portfolio acquisitions may be suitable for sale (in land trust)
- Discourage investor purchases that will convert for sale to rentals
- Land banking – code and other liens, NCST
- Surplus lands from City and other public sources
- Land assembly for for-sale multifamily



Longer Term Strategies

- For Sale (cont.)
 - Strategies to lower land cost per unit
 - Tandems and Duets
 - Townhomes
 - Own one, rent one or more – Duet, Boston Three-Decker
 - Mixed-income projects to create internal subsidies
 - Florida's brand new Hometown Heroes program – homeownership for essential workers – legislature funded, but no rules yet
 - Heirs' property issues
 - Build organizational capacity in nonprofits and small businesses, especially MWBEs, for development, construction, rehab, land trust, etc.



THANK YOU

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