



AFFORDABLE HOUSING TASK FORCE

August 27, 2020

City of Pensacola City Hall

222 W. Main Street

Council Chambers, 1st Floor of City Hall

3:30 – 5:30 p.m.

*Members of the public may attend and participate only via live stream or phone
<https://www.cityofpensacola.com/428/Live-Meeting-Video>

*Citizens may submit an online form here <https://www.cityofpensacola.com/AHTFinput>

BEGINNING AT 1 PM

1. Call to Order and Welcome
2. Roll Call
3. Proof of Publication
4. Approval of Minutes from July 20, 2020 meeting
5. Statement by Council President Jewel Cannada-Wynn
6. Review Draft Task Force Report Recommendations
7. Discuss Equity, Accessibility, and Affordability
8. Comments from Task Force Members
9. Public Comment/Written Communications
10. Vote on Direction for the Final Report
11. Long-term Vision of the Task Force
12. Announcements
13. Adjournment

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Pensacola Affordable Housing Task Force Report

Executive Summary

In late 2019, the City of Pensacola announced its intention to form an Affordable Housing Task Force to conduct a citywide housing needs assessment and formulate a comprehensive approach to address those needs. Spurred by Council President Jewel Cannada-Wynn, the Task Force was directed to form an actionable plan to create “**500 Homes in 5 Years.**” In January 2020, the City appointed thirteen local housing leaders to the Task Force and, after an orientation in February, conducted four public hearings between March and August 2020.

Through the City Council’s leadership, the Pensacola Affordable Housing Task Force was formed to make recommendations to increase the stock of affordable housing. Now, the City needs to lead a cohesive land use, financing, and strategic partnership framework to carry out its goals. The key to success will be local leadership committed to the long-term vision of a city where all residents can afford housing. This will require, at minimum, additional City resources such as local funding and land, staff capacity to implement the 500 Homes in 5 Years Action Plan. This includes, strategic partnerships with key entities, and a mix of incentives to engage the private sector. Although the Task Force met for several months to discuss and produce the items presented in this Report, the work does not, by any means, end here. In fact, the production of this Report is the beginning to a long-term vision in connecting local institutions to promote and produce long-term affordable housing.

While certain elements of this report contribute directly to the specific goal of 500 Homes in 5 Years, it also contains considerations for a long-term vision of the City as it relates to its long-term affordable housing stock. This report discusses the pillars of “Equity, Accessibility, and Affordability” – three fundamental principles the Task Force discussed as the foundation of the City’s housing goals. In addition to the six strategies the Task Force adopted to present to the City Council, this report also provides a housing data assessment and other items that were presented to Task Force over the course of the four public meetings.

The City of Pensacola has a housing affordability crisis. Of the ten most common jobs in Pensacola, only one pays enough to afford a two-bedroom apartment at fair market rent. Similarly, most professions do not pay enough to afford a monthly mortgage payment. Pensacola’s retail workers, schoolteachers, police officers, office clerks, and other essential workers need affordable housing if Pensacola is to remain a beautiful and dynamic place to live. Alongside this general need for housing people can afford, Pensacola suffers from a profound economic divide that exists mostly along racial lines. The current stock of housing people can afford must be improved and expanded to preserve and improve the economic mobility, health, and security of Pensacola’s citizenry.

Section I of this Report describes the Task Force’s activities and considerations over the course of its existence, contains key themes that emerged throughout the four public meetings, and shares highlights from the one-on-one interviews conducted by the Florida Housing Coalition. Section II explores the pillars of “Equity, Accessibility, and Affordability” that serve as the foundation of the City’s goals. Section III presents the six main recommendations provided by the Pensacola Affordable Housing Task Force with an in-depth description of each. The Report concludes with

several appendices containing relevant housing data and the list of the eighteen strategies presented to the Task Force in third public meeting.

Task Force Recommendations:

1. Engage in Strategic Partnerships
2. Collaborate with the Private Sector to Identify Incentives that will Increase Affordable Housing Development
3. Leverage Existing City Property to Produce Affordable Units
4. Support Tax Credit Developments
5. Identify & Encourage Suitable Sites for Infill Development
6. Identify Adaptive Reuse Possibilities

I. Pensacola Affordable Housing Task Force

In January 2020, the City of Pensacola appointed thirteen local housing leaders to the Task Force and, after an orientation in February, conducted four public hearings between March and August 2020. The Task Force represents key stakeholders in the Pensacola housing industry and each member brought their unique affordable housing expertise to the group. The Task Force members and the organizations they represent will be a key part in the long-term success of the City's housing goals.

The Task Force contains the following members:

Percy Goodman, Chairperson, Executive Director, Community Enterprise Investment, Inc.

Patricia Lott, Vice Chairperson, Executive Director, Escambia County Housing Finance Authority

Douglas Brown, Executive Director, Community Action Program Committee, Inc.

George Ed Brown, Jr., Vice President, United Bank

Rick Byars, Regional Manager, Corporate External Affairs, Gulf Power Company

Frederick Gant, Attorney

Laura Gilmore, Branch Manager, Senior Loan Officer, Fairway Independent Mortgage Corporation

Carolyn Grawi, Executive Director, Center for Independent Living of Northwest Florida, Inc.

Shirley Henderson, Deputy Executive Director, Area Housing Commission

John Rickmon, Real Estate Broker

Paul Ritz, Architect, DAG Architects

Renee Wilhoit, Market Sales Leader, Synovus Mortgage Corporation

Timeline

After the Task Force was formed in early 2020, the City planned for one introductory webinar on affordable housing strategies for Task Force members, four public Task Force meetings to conclude by June 2020, and one City Council meeting to present the final report by August 2020. However, due to the COVID-19 pandemic, the timeline for the Task Force was pushed back several months. After the first Task Force meeting on February 20, the Task Force did not meet again until June 26. Because of the pandemic, the Task Force utilized a hybrid of in-person and virtual participation for the second, third, and fourth public meetings. All meeting minutes and videos are available on Pensacola's website.

Date	Meeting Description	Items Discussed
February 6, 2020	Orientation Webinar	FHC staff provided an introductory webinar describing the Task Force’s goal and introduced a series of potential affordable housing strategies and local housing data for the Task Force to consider.
February 20, 2020	Task Force Meeting #1	Council President Jewel Cannada-Wynn and Mayor Grover Robinson welcomed the Task Force, Assistant City Attorney Vanessa Moore gave an overview of the Sunshine Law and Public Records, and the Task Force kicked off by discussing some of the strategies identified in the Orientation Webinar and needs to target through their work.
June 26, 2020	Task Force Meeting #2	FHC staff presented data on housing affordability in Pensacola, subsidy strategies, and a budget analysis on existing and potential funding sources. Marcie Whitaker, Housing Department Director, discussed City housing programs, local partners, and current and past allocation of resources. The Task Force discussed ways to use the presented data to form their recommendations, to target certain needs, and briefly discussed how COVID-19 affects the City’s housing goals.
July 20, 2020	Task Force Meeting #3	Task Force discussed eighteen housing strategies and voted on six to be the focused recommendations of their Final Report.
August 27, 2020	Task Force Meeting #4	Florida Housing Coalition presented the draft version of the Final Report for the Task Force to discuss.

One-on-One Interviews with Task Force Members

II. Equity, Accessibility, and Affordability

The Task Force voted to make “Equity, Accessibility, and Affordability” the key pillars for the City’s housing goals. This section discusses each of the pillars and how they apply to the City’s actionable plan to 1) produce the concrete goal of “500 Homes in 5 Years” and 2) form and execute long-term policies to encourage the development of affordable housing.

Equity

The concept of “equity” is broad and can include three interlocking definitions: equity of access, equity of service, and long-term creation and stewardship of equity. By focusing on equity, both as equality and as wealth creation for low income families, the Task Force centered itself on the vision of a Pensacola that works for everyone.

Pensacola should work toward a future where all residents have access to housing they can afford regardless of race, ethnicity, disability, or nation of origin: this is equity of access. Pensacola has a wealth divide that is closely related to race: many census tracts with a high percentage of African Americans have median incomes that are less than a quarter of Pensacola’s wealthier, predominately white census tracts. A vision of equitable access can help make decisions to improve access across racial, ethnic, and ability lines.

Pensacola should work towards equity of service, where city, state, and federal programs benefit people across the City, rather than further entrenching areas of poverty and opportunity. Where and how the City builds affordable housing and where the City’s incentives are targeted can further entrench historic divides rather than alleviating them. The City should ensure that funds and resources are equitably distributed by geography and by race.

Finally, the concept of equity can also mean helping low income and moderate-income families build wealth through homeownership. One of the goals of “500 Homes in 5 Years” is directly aimed at helping low-income and moderate-income families move into homeownership. Helping families in this manner is not solely about building more homeownership units, per se. With more affordable rental options, households can devote less of their income towards current housing costs and save more money for a down payment to move into homeownership. Building equity through homeownership can dramatically increase family wealth for lower income households and decrease the racial and economic wealth divides of Pensacola.

Accessibility

Accessibility means that Pensacola should be a city where people with disabilities can access their own homes, as well as the homes of their friends and families. A primary focus for the Task Force was how more affordable housing and a larger focus on accessibility in new construction can help persons with disabilities (a growing share of the population as Pensacola, Florida as the entire country ages) meaningfully live in and engage with the community.

Increasing transportation options increases accessibility. Most strikingly, 80% of people by the age of 70 will have some disability or disease that makes it difficult to drive, including night blindness,

arthritis, reduced flexibility, and are more likely to take medications that harm their ability to drive. But the high transportation costs associated with long commutes and few options to walk, bike, or take transit are placing a heavy burden on many residents of Pensacola. By increasing density and the mix of uses, everything becomes more accessible for people who cannot or choose not to drive.

Accessibility means access for everyone. In a City such as Pensacola, the quality of schools, healthcare, groceries, and other businesses and services are not helpful when a large swath of the population cannot access those essential businesses and services. Creating a city where housing, services, and businesses are spread across the city increases access and improves quality of life.

Affordability

When people can afford housing, they are healthier, their children do better in school, they perform better at their job, and the whole community benefits. Making sure that all recommendations increase affordability across the city, and not concentrated in a few locations, is central to the Task Force and the City's housing goals.

Affordability means housing that does not force households to choose between food, housing, and healthcare. For many cost burdened households, particularly low-income and moderate-income cost burdened households, paying rent and a mortgage makes it nearly impossible to save or respond to an emergency. Cost burden can make it difficult to buy healthy food and makes households far more likely to be evicted or lose their job. The foremost goal of this Task Force is a Pensacola where every resident can afford a stable house and a decent quality of life.

A central feature of affordability is being able to find a type of housing that works for one's family. Because of minimum lot sizes, the prevalence of single family zoning, minimum parking requirements, minimum square footage requirements, and the current limited housing stock in general, many people in Pensacola are forced to pay for housing that is too big for them or otherwise does not meet their needs. A vision of affordable housing includes different types of houses in different types of neighborhoods that allow people to afford the housing that works best for them.

Affordability means that the City of Pensacola can attract workers and continue to thrive. A supply of housing that is affordable is not just for the people that need that housing; affordable housing benefits the whole community. When housing prices rise, teachers, police officers, firefighters, retail sales workers, waiters, and a variety of other essential workers cannot live in the city. This hurts the local economy, the future of Pensacola's children, and the safety of Pensacola. Creating a more affordable Pensacola means investing in Pensacola's collective future.

III. Task Force Recommendations on Housing Strategies

At the third public meeting on July 20, 2020, the Task Force was presented with eighteen housing strategies. These strategies were a culmination of the discussions brought out by the first two meetings as well as the orientation webinar. After a thorough two-hour discussion on each proposed strategy, the Task Force voted on six of the strategies as priority recommendations to the City Council. This section will discuss the six priority recommendations on housing strategies and summarize each with

actionable steps the City can undertake to meet its housing goals. Some of the actionable steps are incorporated into several recommendations as there are certain strategies that are common among all housing policies.

Task Force Recommendations:

1. Engage in Strategic Partnerships
2. Collaborate with the Private Sector to Identify Incentives that Will Increase Affordable Housing Development
3. Leverage Existing City Property to Produce Affordable Units
4. Support Tax Credit Developments
5. Identify & Encourage Suitable Sites for Infill Development
6. Identify Adaptive Reuse Possibilities

1. Engage in Strategic Partnerships

Summary

The City should partner with local developers, businesses, charitable organizations, educational facilities, religious institutions, and other community drivers to buy-in and boost the City's housing goals. Strategic partnerships would bolster community support and provide necessary resources to the development of housing that is affordable.

Actionable Steps

- A. Start with the organizations represented by the Task Force. Partnerships with these organizations will be vital to the City's goals.
- B. Continue to partner with Escambia County on a regional approach to affordable housing.
- C. Seek out and attract entities that can provide organizational or asset support.
- D. Host a City-wide workshop on affordable housing development to gain support, network, and move the City's goals forward.
- E. Consider authorizing the Task Force as a long-term entity to continually monitor and drive progress.
- F. Partner with neighborhood-level community groups to raise awareness about housing resources.

Discussion

A successful community housing strategy requires significant buy-in and involvement with the community – particularly with organizations that represent the interests of neighborhoods, housing developers, major employers, small businesses, special needs populations, financial institutions, religious groups, and other entities that make up the fabric of the City of Pensacola. Affordable housing should be viewed as essential infrastructure and embraced by the community as such. Access to housing that is affordable improves quality of life, allows businesses to attract and retain workers, and provides the opportunity for upward mobility. Further, the more individuals spend on housing costs, the less they have to invest in the general local economy.

To that end, the City should partner with organizations that can lend their support to the City's housing goals. Strategic partnerships can help the City 1) identify land for its goals; 2) construct the affordable housing units; 3) identify households to be served; 4) provide financing to potential

homeowners; and more. One example of a strategic partnership is to partner with local developers to build affordable housing on city-owned parcels through an established RFA process. This example is discussed at length in the third recommendation on leveraging existing city property to produce affordable units. Strategic partnerships can be formed through a competitive RFA process as well as buy-in from community organizations that have a vested moral or business interest in the availability of housing that is affordable.

A. Start with the organizations represented by the Task Force.

Partnerships with the organizations represented by the Task Force will be vital to the City's goals. These organizations can collectively provide expertise on production, development financing, homeowner lending, identifying and securing clients, and other essential facets of housing growth. The City can contract with these entities, provide assistance, or otherwise secure their long-term support in providing affordable housing.

For example, several of the organizations on the Task Force are active in constructing affordable housing. The City could continue to help provide down-payment assistance for potential homebuyers for the newly constructed affordable units. The Task Force members have shown a sincere willingness to participate in the City's housing goals and should be partnered with long-term.

B. Continue to partner with Escambia County to form a region-wide approach to affordable housing policy.

The housing affordability problem should not be left to the City of Pensacola alone. There are many residents who work in the City and reside in the County, and vice versa. As the City already does with various state and federal housing programs, a continued robust partnership with Escambia County can help the two local governments pool resources to solve what is a region-wide issue. For example, the City can continue to work with Escambia County to utilize government-owned land for affordable housing development. A consolidated effort is essential given the need and the amount of resources necessary to solve the affordable housing crisis. Similar partnerships can be entered into with other governmental agencies like the Escambia County Housing Finance Authority and Emerald Coast Regional Planning Council.

Further, as the data section of this Report highlights, many residents in the area spend too much on transportation costs. A region-wide affordable housing strategy that targets development close to public transit and increases access to public transit can go a long way toward improving quality of life and housing affordability.

C. Seek out and attract entities that can provide organizational or asset support.

In addition to the organizations represented by the Task Force, the City should work to gain the support of large employers, schools and universities, housing developers, philanthropic organizations, and similar entities. Entities like Baptist Health Care, Habitat for Humanity, the Escambia County School Board, the University of West Florida, Pensacola State College, the Community Foundation of Northwest Florida, and Catholic Charities of Northwest Florida can all help provide financial and organizational support to the City's housing goals. The City can connect with these potential partners and explore what the City can provide in exchange for resources that lead to the development of

housing that is affordable. This would involve a robust City housing program that could provide favorable financing or regulatory flexibility to the private sector to attract involvement in the City's goals.

For example, the Escambia County School Board can provide surplus land within the City to be used as a site to develop housing for teachers and other essential school personnel. A major employer could help the City identify potential applicants and front their own resources through an Employer-Assisted Housing Program, given that affordable housing is essential to attract and retain workers. A local foundation or religious institution can aid in the funding of an affordable housing development targeted to residents in need or can even provide land and development assistance on unused or underutilized church property. A financial institution could assist to meet their obligations under the Community Reinvestment Act (CRA). With a wide range of interests and institutions aiming at the same target to build at least 500 homes in 5 years, the City should be able to meet its goals and more.

D. Host a City-wide workshop on affordable housing development to gain support, network, and move the City's goals forward.

In addition to the work of the Task Force, the City could host City-wide workshops on affordable housing where all members of the development and affordable housing community join together to specifically discuss what the City can provide to engage the private sector in the City's goals. This actionable step is directly connected to the second priority recommendation "Collaborate with the Private Sector to Identify Incentives that will Increase Affordable Housing Development." Continuous information-gathering and networking opportunities can allow key stakeholders to brainstorm, discover practical solutions, and form executable plans to construct affordable housing. The City can play a key role in connecting organizations for the good of the community.

E. Consider authorizing the Task Force as a long-term entity to continually monitor and drive progress.

Although the Task Force met for several months to discuss and produce the items presented in this Report, the work does not, by any means, end here. In fact, the production of this Report is the beginning of a long-term City vision in connecting local institutions to promote and produce long-term affordable housing. As part of its efforts, the City could consider authorizing the Task Force as a long-term entity to continually monitor and drive progress of the City's goals. Alternatively, the City could merge the Task Force with the City & County Joint Affordable Housing Advisory Committee (AHAC). Using the strategies contained in this report as a foundation, a long-term entity could measure results and help keep the City on track to meet its goals.

F. Partner with neighborhood-level community groups to raise awareness about housing resources.

Garnering support and creating partnerships should go beyond the act of building homes. Residents of the community must also be aware about the City's goals so they know how to access available resources and how to have a voice in shaping the City's policies. The City could partner with neighborhood-level community groups that have a direct line to resident concerns. The City could also partner with neighborhood groups to bring substandard homes up to code through "Paint the

Town” events where a coordinated effort to fix homes in a defined neighborhood is done in a “blitz” fashion to uplift whole blocks at once.

2. Collaborate with the Private Sector to Identify Incentives that will Increase Affordable Housing Development

Summary

In collaboration with the private non-profit and for-profit sector, the City could identify or improve incentives in exchange for long-term affordable housing development. When regulatory reform is done right, developers will see a reduction in costs and the community will see more affordable housing options. The incentives can be both financial and regulatory. Financial incentives could include a revolving low-interest loan fund the private sector could access for construction costs, waiver of permitting or development costs, and other actions. Regulatory incentives could include exceptions to parking, setback, design, and other land development requirements in exchange for affordable housing.

Actionable Steps

- A. Host a workshop with developers to identify specific local land development regulations that can be amended or waived to produce affordable housing.
- B. Designate or hire a staff person to implement the City’s housing strategies.
- C. Create a revolving low-interest loan fund for affordable housing construction.
- D. Explore waiving or reducing local fees that impact development costs to produce affordable homes.
- E. Utilize the new flexibility provided in the 2020 Legislative Session’s House Bill 1339 to encourage and approve affordable housing developments.
- F. Amend the land development code and comprehensive plan as necessary to lower development costs and encourage the development of long-term affordable housing.
- G. Incorporate land value capture principles and ensure incentives (such as favorable development regulations and waivers) are conditioned on long-term affordability.

Discussion

The development of affordable and accessible housing requires a collaboration between the public and private sector; government entities cannot do it alone. Such a collaboration must involve financial and regulatory commitments to produce and preserve affordable housing. To this end, the City of Pensacola should identify and provide a variety of incentives that will increase the private sector’s involvement in the City’s housing goals. By coupling the City’s land use authority with its capacity to develop creative financing options with the private sector, the City can secure effective buy-in (a true partnership with the private sector) to build 500 Homes in 5 Years.

A. Host a workshop with developers to identify specific local land development regulations that can be amended or waived in exchange for affordable housing.

There may be certain local development regulations that unnecessarily increase the cost of development without providing a measurable public benefit. When housing development costs are made artificially high due to local land controls, housing supply can be constrained (which can lead to increased home prices) and developers may push those increased costs to the renter or homebuyer.

For example, several Task Force members expressed that the new CRA Urban Design Standards Overlay District has increased potential development costs to the point where their organizations have decided to avoid building affordable units altogether in the covered areas. These members felt that because of the new design standards, their development costs would increase to the point where they would have to shift some of the costs to the homebuyers and renters, thus lowering housing affordability.

Further, although the City provides voluntary density bonuses for affordable housing construction at Section 12-2-80 of the Land Development Code, no developer has ever utilized the available density bonus as an option. If the City does not adopt a mandatory inclusionary zoning ordinance (which the Task Force did not approve as a priority option but was presented as a strategy), then a workshop to discuss what land use bonuses would attract the private sector could be helpful. Density minimums can also be required in parts of the City to ensure more housing construction.

The City should workshop with the private sector to identify examples such as the CRA Urban Design Standards Overlay District, where housing development costs are made higher as a result of local land use controls. Such development standards will include parking requirements, setbacks, height, density, and other land use controls that regulate the composition of a developable parcel. The City should also identify land development code examples such as the density bonus provision where the City could make affordable housing development financially attractive through the land use process.

Once identified, the City could amend costly land development regulations in exchange for the development of affordable housing units. If the City amends or waives local land use controls to lower development costs, it must have assurances that the lower development costs will actually result in increased housing affordability. This can be done through deed restrictions or other land use controls that ensure the public benefit is enforceable.

B. Designate or hire a staff person to implement the City's housing strategies.

Implementing the strategies in this Report will require additional staff time and resources. The City should designate or hire a qualified individual to work full-time to implement the City's affordable housing strategies. This individual will have an exceptionally important role in coordinating with the private sector to develop units and act as the overall point-person for all things related to the City's plans to build 500 Homes in 5 Years as well as the housing development process in general.

For example, this person could act as the general liaison with tax credit and other housing developers to assist through the development process and seek housing affordability in exchange for waiving certain land use regulations. They could monitor the successes of the City's goals, constantly seek out existing and innovate funding programs for affordable housing purposes, and manage any financial incentives that the City adopts. Additionally, they would monitor long-term affordability and work to shepherd affordable housing applications through the relevant reviews to expedite permitting. This recommendation is contained within this strategy because a single person or persons dedicated to the City's housing goals could be a great benefit to the private sector in terms of increased communication and assistance. If it is too difficult to navigate the City's development process, the private sector may be disinclined to engage in the City's affordable housing goals.

C. Create a revolving low-interest loan fund for affordable housing construction.

Several of the Task Force members expressed interest in a revolving low-interest loan fund for affordable housing construction. This type of financing tool could attract greater involvement from the private sector. A zero or low-interest loan fund could be a replenishing source of capital for single-family home construction, for example. This loan fund could be tailored to solely non-profit development entities or also include for-profit applicants. This type of financing could encourage private sector development with below-market financing and fill in the funding gap for small-scale housing construction.

As an example, the City of Tallahassee in June 2020 approved a new short-term affordable housing construction program to provide loans up to \$175,000, payable in six to eighteen months. The interest rate for the loans would be less than market rate and the homes need to be sold at an affordable rate to households earning up to 100% AMI. This new program is initially funded with \$750,000 in local dollars and upon repayment, will be recycled for additional construction. There are examples across the country of successful local government-led revolving low-interest loan funds.

Two main barriers to a loan fund of this type are funding and administration. Regarding funding, the City could pool federal and state sources of money. However, given that those funding sources are limited, they may not be enough to serve the loan fund. The City could use General Revenue or other locally sourced funds, like Community Redevelopment Agency funds, to support a loan fund concept. Not only are local dollars necessary to meet the need, but the City will have more flexibility in how to use local funds. The City could partner with a financial institution in Pensacola to assist in this loan fund as part of the financial institution's obligation to serve low income communities under the Community Reinvestment Act (CRA). In regard to administration, there would need to be a staff member dedicated to ensuring compliance with the terms of the loan.

D. Explore waiving or reducing local fees that impact development costs in exchange for affordable units.

In addition to looking at structural land development regulations that may increase the cost of development, there may be fees or local government inspection processes that can be amended to lower overall development costs. The development fees associated with a potential project may discourage the development of new housing units. Further, all fees should be clearly defined at a single source to assist developers through the process. If information is difficult to gather regarding a ballpark estimate on how much in fees will be assessed on a particular project, developers may be dissuaded from engaging with the City's housing goals.

Although the City of Pensacola does not assess impact fees, which do raise the cost of development in most areas of the state, there are still some fees in the development process that can be reduced or waived for affordable housing projects. These include planning and zoning fees, permit fees, inspection fees, utility fees, and others. The City should continue to work with the Emerald Coast Utilities Authority to waive their impact fees for affordable housing development. This step would be coupled with the statutory requirement to expedite permitting for affordable housing projects to a greater degree than other developments.

E. Utilize the new flexibility provided in the 2020 Legislative Session’s House Bill 1339.

The 2020 Legislative Session produced House Bill 1339 which could bring a sea change in approving affordable housing developments. Among other items, the bill amended Florida Statute Section 166.04151 which relates to certain affordable housing policy options for municipal governments. The amended statute gives the governing body of a municipality the authority to approve the development of housing that is affordable, as defined in s. 420.0004, on any parcel zoned for residential, commercial, or industrial use notwithstanding any other law or local ordinance or regulation to the contrary. In practice, this could provide broad flexibility in approving affordable housing developments on a case-by-case basis on parcels zoned for residential, commercial, or industrial use.

First off, this new language allows affordable housing units to be developed in residential, commercial, and industrial zones without the need for a zoning change or comprehensive plan amendment. For example, an affordable housing developer can receive project approval on a commercially-zoned parcel without going through the time and cost-intensive process of a rezoning or comprehensive plan amendment; the developer would not need a change to the Future Land Use Map, for example. As to be discussed in the following strategies, this new language could be a boon for allowing missing middle housing types such as duplexes, triplexes, and townhomes, as well as adaptive reuse possibilities. The City should also take care to avoid permitting affordable housing projects on certain commercial or industrial-zoned parcels if there is an actual or perceived threat of environmental contamination. Although HB 1339 allows local governments to permit affordable housing in certain non-residential zones, the City should make sure the parcels are safe for residential use.

Using the language in HB 1339 as a tool, the City of Pensacola could approve an affordable housing project without a rezoning or comprehensive plan amendment, save the developer time and money, and ensure that the renters and homeowners of these developments experience the cost savings through lower housing prices. Alternatively, the City could use this language to encourage market-rate developers to build affordable units. The City could offer to market-rate developers that it will approve projects in certain zoning classifications without needing a rezoning in exchange for the production of a specific number of affordable units. Opening more parcels for residential development may encourage the private sector to engage with the City’s housing goals.

HB 1339 can provide broader flexibility as well to act as a “super-waiver” of land use regulations for affordable housing developments. The new statutory language states that municipalities can approve the development of affordable housing projects “notwithstanding any other law or local ordinance or regulation to the contrary.” Reading this language broadly, the City can provide project approvals that go beyond a rezoning or comprehensive plan amendment. The City could alter the individual zoning district’s parking, setback, density, and any other regulation for affordable housing developments under a broad reading of the phrase “notwithstanding any other law to the contrary.” The City could assess projects and amend regulations in exchange for affordable units on a case-by-case basis. HB 1339 could be a powerful tool to encourage affordable development.

F. Amend the land development code and comprehensive plan as necessary to lower development costs and encourage the development of long-term affordable housing.

In addition to using House Bill 1339 to approve affordable housing developments in certain zoning districts on a case-by-case basis, the City could amend its development regulations to provide

predictable standards governing housing development and affordable housing incentives. Using information gathered in a partnership with the private sector, the City could look at amending certain aspects of the land development code and comprehensive plan to encourage the development of affordable housing. Targeting regulations that impose high costs without a measurable public benefit could attract the private sector to build units in certain areas of the City. As shared above, some nonprofit housing developers have been dissuaded from building in certain areas of the City due to high costs imposed by certain land use regulations. Regulations to look at include parking requirements, design standards, setback requirements, and other laws that govern the composition of a developable parcel.

For example, overly burdensome parking requirements can be a costly endeavor and in many cases, minimum parking requirements go beyond what is truly needed for the community. The City may reconsider how it assesses minimum parking requirements or how to waive certain standards in exchange for affordable housing.

Regardless of how the City examines its development code, the City should strike a balance to ensure that it does not give too much away without seeking public benefits in return. Lowering development costs does not necessarily equate with the end product being more affordable. Regulatory reform done right requires the City to condition lowered development costs on affordability in exchange.

G. Incorporate land value capture principles and ensure incentives are conditioned on long-term affordability.

It is essential for there to be a paradigm shift in how the City approaches using its land use authority for housing. First and foremost, the goal of local government action is to promote the public health, safety, and welfare of its citizens and to be a good steward of the land for current and future generations. This requires a balancing of property rights with public interests. Under Section 163.3177(6)(f) of the Florida Statutes, every jurisdiction in Florida has the obligation to plan for and provide for housing its entire current and anticipated population, including the most vulnerable.

The City should consider the principle of land value capture when property owners request land use and zoning changes that will increase the value of their private property. Local governments contribute greatly to private land value through public-works projects, zoning changes, and other interventions. The principle of land value capture is that when public intervention occurs, such as a land use or zoning change, the public body should ensure that a portion of the increase in land value that results from that public intervention is used to meet community needs, such as workforce housing. When local government makes a land use change that increases the value of a particular land owner's property, it is not only appropriate that a portion of that increase in value come back to the community for affordable housing, but indeed, the local government obligation under Section 163.3177(6)(f) may make land value capture for affordable housing an imperative.

3. Leverage City Property to Produce Affordable Units

Summary

The City will have most control over the development of parcels that it owns. Due to the high cost and limited availability of land within the City limits, Pensacola will need to leverage its property in

exchange for the development of housing that is affordable. The City can set its own terms for how its land is used through deed restrictions and a robust RFP process. This will require identifying existing City-owned land, purchasing, or seeking the donation of land that is suitable for affordable housing. The City should also use the Housing Initiatives Fund as a model to continue a robust City-asset disposition policy where proceeds from the sale of City property can be placed in a local affordable housing trust fund.

Actionable Steps

- A. Establish a robust RFP process for affordable housing development on City-owned parcels.
- B. Identify City-owned parcels that can be utilized for affordable housing development, including parcels in commercial or industrial zones.
- C. Use the Housing Initiatives Fund as a model to continue a robust City-asset disposition policy.
- D. Purchase or seek donation of developable parcels.

Discussion

A. Establish a robust RFP process for affordable housing development on City-owned parcels.

The City should carry out a uniform RFP process that maximizes the development of affordable housing on City-owned parcels. In this context, the City would donate, sell, or sell at a discount City-owned parcels built to City specifications. The City could couple an RFP with an offer to provide down payment assistance to eligible households in the constructed units. Pensacola has multiple examples of successful RFPs in this context such as the Garden District Cottages. It is through this process where the City could target incomes, households, and essential workers that are not fully served through available funding sources. A localized RFP process can serve hyper-localized needs free from the requirements of state and federal resources.

RFPs should award points for both affordability and accessibility. There should be an affordability period that ensures that any units built on City land are affordable for the long-term. Given that available land is extremely valuable within the City limits, the units must be affordable long-term or the City will lose a valuable community asset in a short number of years. The RFP process must be designed in a way to preserve affordable housing units as a community asset. Extra points should be available for developers that can achieve permanent affordability.

Using the data section of this Report as a guide, the City should use these parcels to provide affordable homeownership or rental options for households at 80% Area Median Income and below. Further, as mentioned in the data section, the median renter household in the City makes only 66% of AMI. Therefore, if the City wishes to move more renters into homeownership, it could use the RFP process on City-owned parcels to serve lower income levels.

In regard to accessibility controls, the RFP process should require accessibility measures that go beyond minimum code standards. These requirements should be formed in concert with the organizations represented by the Task Force.

Finally, the land that is the subject to the RFP must be subject to deed restrictions that ensure that the City's housing goals are met long-term. This is where the City could utilize the staff member solely dedicated to these goals to monitor and enforce necessary deed restrictions.

B. Identify City-owned parcels that can be utilized for affordable housing development.

Due to the high cost and limited availability of land within the City limits, Pensacola will need to leverage its property in exchange for the development of housing that is affordable. Cities and counties are required by Florida's surplus lands law (Florida Statutes 166.0451 and 125.379, respectively) to prepare an inventory every three years of all real property within the jurisdiction to which the local government holds fee simple title that is "appropriate for use as affordable housing."

A parcel that could be developed for residential purposes is appropriate for use as affordable housing. Types of properties which are undevelopable or not appropriate for affordable housing would be slivers of land remaining from right of way work, or properties that would be unsafe for human habitation due to the proximity of toxic uses. All parcels that could be developed for residential use and are not absolutely needed for other governmental purposes should be placed on the inventory to further the City's housing goals. When a parcel is placed on the inventory or otherwise determined to be suitable for affordable housing development, the City has a new fundamentally important tool at its disposal. Attached as an Appendix to this Report is a sample surplus land policy for the City to implement.

Because of the new statutory language added by House Bill 1339 (as described above), the City should look beyond its parcels that are currently zoned for residential uses when determining that a piece of property is appropriate for use as affordable housing; the City should look at its parcels that are zoned for commercial or industrial uses as well. House Bill 1339 gave local governments the flexibility to use more of its land for affordable housing purposes. The Task Force also recommends that the City look at parks that may be suitable for affordable housing development.

C. Use the Housing Initiatives Fund as a model to continue a robust City-asset disposition policy.

Under Florida's surplus lands law, as introduced above, the properties on the inventory list of properties appropriate for use as affordable housing may be offered for several purposes: 1) for sale in which the proceeds are used to purchase land for the development of affordable housing; 2) to increase the local government fund earmarked for affordable housing; 3) for sale with a restriction that requires the development of the property as permanent affordable housing; 4) to donate to a nonprofit housing organization for the construction of permanent affordable housing; or 5) to otherwise make the property available for the production and preservation of permanent affordable housing. Even if a City asset is not on the inventory list, the City can still place a deed restriction on the parcel for use as affordable housing or use the proceeds from its disposition for affordable housing purposes.

City-owned parcels present a great opportunity for the City's housing goals, not only in terms of units developed, but in terms of sale proceeds that can be recycled for affordable housing purposes. Using the existing Pensacola Housing Initiatives Fund as a model, the City should continue a robust asset disposition policy that clearly defines when the parcel should be utilized for affordable housing

development and when sale proceeds are to be placed in the local affordable housing trust fund. Emphasis should be placed on using parcels for construction.

If certain assets are sold, the Housing Initiatives Fund already has a history of using the proceeds from the sale of City-owned land for down payment assistance to eligible homebuyers. More proceeds of asset disposition could be placed into this Fund to help the City meet its goals. More local dollars in the Housing Initiatives Fund means more opportunities for the City to be creative in financing development and directly assisting homebuyers and renters. A robust local Fund supported by the proceeds from the sale of City assets could support the revolving loan fund concept, down payment assistance, and other aspects of these strategies that require a greater financial City commitment.

D. Purchase or seek donation of developable parcels.

As explored by the Task Force and City Housing Staff, there is a limited supply of City-owned developable parcels for affordable housing. Therefore, considering that using City-owned land will be a key housing strategy, Pensacola should consider purchasing or seeking donation of land that can be used to build 500 Homes in 5 Years. This action step can be coupled with the strategy on adaptive reuse; the City could look to purchase buildings owned by private entities that may be underutilized or vacant to bring those buildings back into functional uses. A key to this step will be to locate City funds that could purchase property as existing state and federal resources may not be enough to meet the City's goals. A robust Housing Initiatives Fund supported with General Revenue, proceeds from the sale of City assets, and other locally sourced funds will be fundamental in purchasing property to be used as affordable housing.

Additionally, the City could partner with a financial institution that may have a portfolio of foreclosed properties that could be donated or sold at a discount to the City. A strong partnership with Escambia County, the Escambia County School Board, Escambia County Housing Finance Authority, and other entities that may have title to developable land within the City limits would be beneficial.

4. Support Tax Credit Developments

Summary

Tax credit developments are essential sources of affordable rental housing. Pensacola should work to support tax credit developments through the local development process and the Florida Housing Finance Corporation (FHFC)'s RFA process. The City should work to create an environment that attracts and assists affordable rental development through the approaches offered by these recommendations. Working with Escambia County on Local Government Areas of Opportunity Funding and local contribution possibilities, the City could target viable priority projects that benefit the community and work to ensure their selection by FHFC.

Actionable Steps

- A. Ensure that elected officials and key staff have the tools they need to avoid and overcome neighborhood opposition.
- B. Identify a staff member to monitor FHFC's funding opportunities and assist tax credit developers through the process.
- C. Form a process to prioritize projects emphasizing long-term or permanent affordability.

- D. Ensure that the development process is easy to navigate to attract the private sector.
- E. Support viable projects applying for FHFC funding.

Discussion

A. Ensure that elected officials and key staff have the tools they need to avoid and overcome neighborhood opposition.

A fundamental aspect of supporting tax credit and affordable housing development in general is to stem neighborhood opposition (often referred to as NIMBY or “not in my backyard” opposition). NIMBYism is a recurring barrier for affordable housing development in Pensacola and across the nation. Local government officials should support viable affordable housing developments by shepherding their approvals in the face of opposition. This can be done through education, addressing all legitimate opposition, reducing unnecessary approvals, and by knowing the laws that protect the property rights of affordable housing developers.

When people hear the term “affordable housing,” they tend to think the worst. Increased understanding about affordable rental housing and the positive impact it has on individuals, families, and the community at large is instrumental to gaining wide support and dispelling NIMBYism. The City can lead an education campaign using credible research and local data to support various developments and garner support from a broad range of interests to help make the connection between housing development and other community concerns. For example, the City can work with members of the local school board or parent advisory committees to attest to the imperative of stable rental housing for children to succeed in school. The City could ask members of the business community, clergy, social service agencies, and others who would be well received to connect a specific affordable housing development to how it benefits the local economy, health, and quality of life.

It is imperative to underscore the importance of affordable housing and it is equally important to exercise leadership by addressing all legitimate opposition. Legitimate, non-discriminatory concerns around issues like traffic or project design may lead the City to adjust a proposed development. However, all concerns that are rooted in racial or economic bias should be rooted out of the discussion.

Under the 14th Amendment of the U.S. Constitution, the public’s negative attitude, or fear, unsubstantiated by factors that are properly cognizable in a development proceeding, are not permissible bases for land use decisions. If the City denies an affordable rental development due to illegitimate political or otherwise irrational motives not based on rational evidence, its decision may be challenged by law. The City should use the 14th Amendment, the Fair Housing Act, and other relevant legal standards as ammunition to support affordable housing developments. In addition to barring discrimination against the federal protected classes in land use decision-making, the Florida Fair Housing Act (section 760.26 of the Florida Statutes), bars discrimination against a development based on the source of its financing. This is a powerful tool to approve projects funding through various affordable housing programs.

Property values are often at the root of neighborhood opposition. Yet, virtually without exception, property value and affordable housing research finds no negative effect on neighboring market rate property values. In fact, in some instances, affordable housing has increased the value of neighboring

property. A local government empowered with the proper resources and knowledge can go a long way toward garnering public support and dispelling the NIMBYism that could stall the City's housing goals.

B. Identify a staff member to monitor FHFC's funding opportunities and assist tax credit developers through the process.

A staff member dedicated to the tax credit development process can act as a necessary liaison to tax credit developers. Local government development processes should be easy to navigate to encourage private sector engagement. A housing coordinator or liaison can assist tax credit developments through all aspects of the local development process including necessary fees and permit approvals, relevant public hearings, funding opportunities, compliance monitoring, and other items. This staff member would also monitor all Florida Housing Finance Corporation (FHFC) funding opportunities for tax credit and bond financing and comment to FHFC as necessary to shape their RFP processes to better serve the City.

C. Form a process to prioritize projects emphasizing long-term or permanent affordability.

The County and City have had an application process to provide financial support to projects applying for FHFC that meet established criteria as a local contribution or Local Government Area of Opportunity funding. This process could grant additional points for projects that can provide longer-term affordability than required by FHFC and for projects that can serve more lower-income persons. Hillsborough County, for example, selected a project that could provide permanent affordability through their RFP process that gave additional points to developers that went above and beyond the 50-year affordability period required by FHFC for 9% tax credits. The selected project was also able to provide 20% of the units to extremely low-income residents (as opposed to the 10% required by FHFC).

The City and County can design their application process for local government support to be highly catered to localized needs. The application process can prioritize certain geographic areas, income levels, households served, and other community-driven goals. The City could further prioritize parts of the City that are eligible for other financing sources such as the New Markets Tax Credit, Opportunity Zones, Historic Tax Credits, and other place-based funding programs.

Additionally, instead of seeking applications from projects in the works, the City and County can jointly identify a parcel of land that would be ideal for tax-credit development and then launch an RFP process for the private sector to engage. A City and County could then partner with a developer that meets local specifications to construct a viable community project from the ground up.

D. Ensure that the development process is easy to navigate and flexible to attract the private sector.

This recommendation is a culmination of several other fundamentals discussed in this Report. If a local development process is too opaque or too cumbersome to navigate, the private sector will be discouraged from engaging with the City's housing goals. Similarly, if the zoning code is too restrictive, that will also discourage private sector tax credit or other affordable housing development. Several tax

credit developers in the area have noted anecdotally that viable properties that could be potential projects are zoned for non-residential uses and that it is difficult to find a parcel with proper zoning as-of-right. Instead of spending the time and money to rezone the parcels, several of these developers have decided to forgo pursuing an affordable housing deal in Pensacola. These and similar anecdotes show the need to have zoning code that allows a multitude of uses as-of-right with clear, predictable, and inexpensive standards to rezone a parcel to allow multi-family residential development. The language in House Bill 1339 could again help in this regard.

The City could also support tax credit development by making the development process easier to navigate as a whole. This is where the liaison to tax credit developers would be a boon. A one-stop shop for the private sector to understand the local development process and to help shepherd viable projects could increase private sector involvement.

E. Support viable projects applying for FHFC funding.

The City of Pensacola, in continued partnership with Escambia County and the Escambia County Housing Finance Authority (HFA), should work together to provide financial and regulatory support to projects that seek FHFC financing through competitive 9% tax credits, non-competitive 4% tax credits, multifamily mortgage revenue bonds (MMRB), and the State Apartment Incentive Loan (SAIL) Program. The City could offer support through the regulatory relief described throughout these recommendations, by responding to requests in a timely manner for necessary approvals, and through financial support as a local contribution.

5. Identify & Encourage Suitable Sites for Infill Development

Summary

Due to the built-out nature of the City of Pensacola, there may not be land available for the large-scale affordable development needed to meet demand. Therefore, the City could identify smaller sites that are suitable for infill development. These smaller parcels could be ideal for a tiny home community, single family homes with accessory dwelling units, or the “missing middle” housing types such as duplexes, triplexes, and townhomes. The City could encourage small to medium size development on these parcels through financing and regulatory incentives. The purchase of small, suitable parcels for the purpose of developing affordable housing would also benefit the City’s goals.

Actionable Steps

- A. Create an infill development program.
- B. Utilize zoning and land use flexibility to allow small unit development and manufactured housing.
- C. Purchase or seek donation of developable parcels.

Discussion

Infill development is an effective way to maximize available or underutilized land within the urban areas of the City. Infill development can be the construction of one single-family home within an existing build out neighborhood or the redevelopment of a city block that has suffered from blight and disinvestment. Pensacola’s Comprehensive Plan encourages infill development in several instances as it is stated as a policy to “[p]romote infill development of vacant and underutilized parcels

within City limits through use of appropriate land development regulations, and provision of effective urban services.” This type of development can help stabilize neighborhoods, maximize developable land, and locate new housing units where there is existing infrastructure.

A. Create an infill development program.

The City can create a comprehensive program that helps finance infill development. As an example, the City of Jacksonville, Florida has the “Infill Development Incentive Program” which is designed to further the affordable housing goals of the City. The program provides up to \$50,000 in grant funds and up to 80% of total project costs in loan funds for eligible projects in low-moderate income census blocks or tracts. For homeownership, the loan has a 0% interest rate to be repaid upon the sale of the home and for rental projects, the loan is amortized over 15 years at 0% interest. The City of Pensacola could do a similar program that targets its low to moderate income census tracts and work to ensure the homes are occupied by income-eligible households.

Miami-Dade County has a robust infill development program as well. The Miami-Dade County “Infill Housing Initiative Program” encourages the sale or transfer of County-owned properties to Infill Developers and has a comprehensive RFP process to build affordable homeownership and rental opportunities for income eligible households. Homes developed through the established process qualify for expedited permitting, a refund or deferral of impact fees, a second mortgage subsidy for qualified buyers, and construction loans, as available.

Using these two Florida local governments as a model, the City of Pensacola could help finance the developments of infill projects and make land readily available for the private sector to engage in affordable infill development. The City could use an established loan fund to assist with construction or other development costs, expedite permitting for eligible projects, provide regulatory relief to lower development costs, provide down payment assistance, and otherwise help develop long-term affordable housing on eligible lots. The City could target its lower income census tracts to form a robust infill development program.

B. Utilize zoning and land use flexibility to allow small unit development and manufactured housing.

Pensacola’s land development regulations and Comprehensive Plan contemplate the necessity for infill development. Considering that most of Pensacola is already built out, this will be a fundamental housing strategy. The land development code can be improved to allow for more small unit development and more manufactured housing, in general. Pensacola’s land development laws should be flexible enough to allow small unit development in the form of tiny homes, accessory dwelling units, microunits, and missing middle housing types.

For example, in the medium density residential land use districts (R-1AA and R-1A), that allow up to 17.4 units/acre based on the specific zone and housing type, only single-family detached, single-family attached (up to two units), and duplexes are allowed as-of-right. Pensacola could amend its zoning standards to allow tiny homes, triplexes, or quadplexes to be built in the R-1AA and R-1A zones. This would allow more units to be developed on a single parcel while still meeting the district’s density requirements (which can also be amended as necessary). Further, the City could look at amending its

zoning map and up-zone parts of the City to allow for greater density and more flexibility in housing types as-of-right.

The City could direct the Planning Department to allow tiny homes, duplexes, triplexes, quadplexes, and manufactured housing units as-of-right in more zoning districts. The residential/office land use district (R-2) is a good example of a zoning district that allows for a broad variety of housing types as-of-right. By allowing more units to be built on infill lots in this manner, there will be more predictable construction standards for developers who plan to build affordable units which will lower overall development costs. Even if the City does not undertake zoning reform for certain zoning districts, it can still allow for flexibility in housing types on a case-by-case basis through the new statutory language passed in House Bill 1339, as discussed above.

In addition to allowing more housing types, the City should assess setback requirements, parking standards, minimum lot coverage, and other land development regulations that shape the amount of developable land on an individual parcel. Allowing more lot coverage overall will allow more units to be developed and potentially increase the supply of affordable housing options.

Small unit development lends itself well for housing affordability due to the relatively small square footage. By allowing multiple smaller units to be built on a single parcel (not just one single family home), more households can reside on developable lots within City limits. Similarly, the nature of manufactured housing can provide an unsubsidized form of affordable housing. This actionable step can allow the City and encourage the private sector to be creative in maximizing the use of available land for infill development and give more residents the option to leave close to employment centers.

C. Purchase or seek donation of developable parcels.

Similar to the previous recommendation regarding utilizing government-owned parcels, the City could target the purchase or donation of smaller lots that would be ripe for a tiny home community or small unit development. The City may thrive by targeting small or oddly-shaped parcels that can be repurposed into functional uses. Similar to the discussion above, this strategy depends on available funds, available property, and a robust RFA process that can invigorate the private sector to build long-term affordable units on these parcels.

6. Identify Adaptive Reuse Possibilities

Summary

Adaptive reuse refers to the reuse of a building or structure for a purpose other than its original design. Cities have always adaptively reused buildings to revitalize neighborhoods. Today there are a large number of old, industrial urban centers where warehouses have been transformed into lively city blocks with trendy restaurants, historic homes that became law offices, and civic buildings converted to housing. However, because of a shift to remote work and online retail and a shift in the economy away from industry, there is an opportunity to convert underutilized commercial and industrial buildings into housing.

The City of Pensacola should allow, encourage, and even partially fund adaptive reuse projects that contain housing as a key component. Given the limited availability of undeveloped land within the

City limits, the City will need to explore its options to repurpose existing structures – particularly structures that it owns. Adaptive reuse can lower the economic and environmental costs associated with construction and revitalize abandoned or underutilized structures that would otherwise remain inefficient while maintaining and enhancing local character.

Actionable Steps

- A. Identify affordable and/or quality buildings for adaptive reuse.
- B. Consider amending Sec. 12-2-78 of the Land Development Code and decide on criteria for waiving local zoning rules as per House Bill 1339.
- C. Work with financial institutions on financing adaptive reuse projects.
- D. Explore creative financing sources such as Tax Credits and the Brownfields program.
- E. Assess the feasibility of Baptist Hospital as a viable project.

Discussion

A. Identify affordable and/or quality buildings for adaptive reuse.

Adaptive reuse projects have a myriad of potential benefits and risks not found in greenfield and infill development. Special care should be taken to select buildings for reuse using a variety of criteria, including the historical importance of the building, the connectivity of the site, the quality of the building, and the price of acquisition (with a particular focus on potential site donations and discounts). The City should 1) assess which of its own structures can be repurposed into housing, including parking lots and parks; 2) identify buildings which it can purchase for its affordable housing goals; and 3) support private sector adaptive reuse projects that contain housing as a key component.

The quality and utility of the building is an important factor in supporting an adaptive reuse project. Whether or not the building, once retrofitted, will be worth the investment depends on the quality of the building. The City should ask: is the structure built well enough for it to be adaptively reused into housing, or would it be more efficient to demolish it and build something new? Further, the City should look at the type and design of the building and assess how difficult and expensive it will be to convert it into housing.

Government-owned buildings and parcels should be the first candidate for adaptive reuse. If the government building no longer meets its original function, the City should assess whether the building is safe and habitable for potential housing and then explore a robust RFP process to attract private sector development. The City could also look at other structures such as underused parking lots and parks and assess whether affordable housing can be built on those parcels. Many of the most successful adaptive reuse projects adapt formerly civic buildings, such as courthouses, schools, and government offices that are surplus and could be put to a better use as affordable housing. Civic and educational buildings are also often historic and may be eligible for Historic Tax Credits. A focus on historically important buildings could allow Pensacola to accomplish two goals at once: the preservation of historic buildings and the construction of more housing that is affordable.

In addition to identifying government-owned buildings, the City could target underutilized or vacant buildings that may be worth acquiring. Here, the City will need to assess housing suitability using set-out factors in addition to the cost of acquisition: can the targeted building be acquired for free or at a

discount? The City could partner with nonprofits, congregations, or community focused businesses that may wish to donate or sell at a discount a building they no longer need.

As noted in the data appendix and throughout this report, housing and transportation costs are closely related. Adaptive reuse projects should focus on areas that allow future residents to walk, bike, or take transit to work. This saves residents money and dramatically lowers overall household costs. Walking, biking, and transit are often cheaper for cities than constructing or expanding new roads, so a focus on density and walkability improves the tax base while lowering per capita government expenditures. Supporting adaptive reuse among a defined redevelopment strategy can revitalize historically underinvested areas and create sustainable communities.

B. Consider amending Sec. 12-2-78 of the Land Development Code and decide on criteria for waiving local zoning rules per House Bill 1339.

At Sec. 12-2-78 of the City's Land Development Code, conditional use permits are available for the adaptive reuse of "vacant public, semi-public, institutional, church or historically significant structures within the R-1AA, R-1A, R-ZL, R-2A and R-2 zoning districts" which by its nature could not feasibly be redeveloped for adaptive reuse under existing zoning regulations. The City may look at expanding the conditional use permit allowances to include underutilized or underdeveloped property in addition to "vacant" property. It could also look into allowing more types of structures to be adaptively reused. Under the current conditional use provision, only a "public, semi-public, institutional, church or historically significant structure" can be adaptively reused using the set process. The City could expand the conditional use opportunity to all structures if they can meet certain habitability and defined zoning standards.

As described in previous recommendations, House Bill 1339 creates more opportunities for adaptive reuse by allowing the City to approve affordable housing on parcels zoned for commercial and industrial uses without needing a zoning change and by waiving other land use regulations in the process. These parcels may be in locations where land is cheaper and where residential development might be in higher demand because of limited supply. The language in House Bill 1339 does not foreclose the possibility of permitting mixed-use developments as long as the housing component of the development meets the definition of affordable.

House Bill 1339 creates challenges because its broad wording requires local governments to define how and where they will use their granted authority. The City should create a policy on how and where it will apply these new powers in order to do so consistently. First, the City should create a policy where it only approves adaptive reuse projects on parcels that need a zoning waiver under House Bill 1339 if the housing contained is affordable in the long-term. Then additional policies should be made in regard to setback, height, maximum lot coverage, and other structural standards that govern developable land. The geography of each parcel will be different and each parcel will have its unique set of financing difficulties. Therefore, the policies to use House Bill 1339 will need to define the process for assessing proposals to waive certain rules rather than by defining a set of rigid regulations that must be met. Flexibility in land development regulations will be key in permitting adaptive reuse projects that benefit the community.

C. Work with financial institutions on funding adaptive reuse projects.

A major challenge with adaptive reuse projects is financing. Unlike new construction, adaptive reuse projects are highly site specific to the point that they can be difficult for banks and financing companies to evaluate, and thus can be difficult for developers and local governments to receive favorable financing. Adaptive reuse projects can come with unique risks and challenges that are uncovered only once construction starts. For example, unknown environmental contaminants may be discovered through the development process as well as other structural barriers. Additionally, given that adaptive reuse endeavors typically take place on underutilized or vacant properties, there is the inherent risk of how successful the ultimate project will be if the initial use was proven unsuccessful. A lender may be turned away from a potential project without clear outcomes or predictable cash flow if the project is in an area surrounded by other underutilized or vacant properties. Due to a variety of risks, adaptive reuse financing can be difficult. Because of this increased risk to the lender, interest rates may be higher for adaptive reuse development loans than greenfield or infill development.

Adaptive reuse projects can require more focused work with financing institutions to secure funds. The City of Pensacola can work with regional and national institutions that focus on adaptive reuse or can partner with local institutions to understand how they could be a part of financing targeted projects that meet the City's housing goals. A mix of financing sources for adaptive reuse projects can be broad including banks, CDFIs, private capital, and government resources. Local government financial, regulatory, and administrative support of targeted adaptive reuse projects in areas ripe for housing construction (proximity to services, grocery stores, transportation, etc.) can increase confidence in key projects, ease lender insecurity, and ultimately assist the development of new housing units.

D. Explore creative financing sources such as Tax Credits and the Brownfields program.

While it may be more difficult for adaptive reuse projects to secure traditional financing, certain affordable housing projects may be eligible for various governmental funding programs. Adaptive reuse projects can utilize a mix of tax credit programs including the Low-Income Housing Tax Credit (LIHTC), New Markets Tax Credit (NMTC) and Historic Tax Credit (HTC), in addition to the Opportunity Zones program. The HTC program, for example, includes two separate tax credits: 1) a 20 percent credit for rehabilitation costs of buildings listed on the National Register of Historic Places; and 2) a 10 percent credit for the rehabilitation of non-historic, non-residential buildings built before 1936. Pensacola could locate which properties qualify under the HTC and target viable parcels for adaptive reuse with financial and regulatory support. There are a variety of example of adaptive reuse projects across the country that have used a blend of the three tax credits stated above, conventional financing, local government funding, and private funding.

The Brownfields program is another potential source of funding for adaptive reuse projects. Pursuant to its definition in the Florida Statutes, brownfield sites are sites that are “generally abandoned, idled, or under-used industrial and commercial properties where expansion or redevelopment is complicated by actual or perceived environmental contamination.” If an area is designated as a Brownfield, the state and federal government offer incentives for site remediation and redevelopment. For example, there is 1) a sales tax refund available for building materials purchased and used in the construction of a housing or mixed-use project located in a Brownfield area; 2) a Voluntary Cleanup Tax Credit (VCTC) in which a 50% state tax credit is provided up to a maximum annual \$500,000 per site for eligible costs for environmental cleanup work; 3) a State Brownfield job bonus refund which gives up

to \$2,500 per new job created; and 4) state loan guarantees for Brownfield projects. The federal Environmental Protection Agency offers similar grants and incentives. The state and federal Brownfields program is a great option for repurposing industrial or commercial areas.

E. Assess the feasibility of Baptist Hospital as a viable project.

Several taskforce members discussed the current Baptist Hospital site as a prime candidate for adaptive reuse. In 2019, Baptist Health Care announced it will be building a new campus at the intersection of Interstate 110 and Brent Lane. The new campus is set to open in 2023. When the hospital moves locations, the current campus could be ideal for adaptive reuse to construct new affordable housing units in conjunction with a surrounding mix of development. The City, in partnership with Baptist Health Care, Escambia County, and other necessary stakeholders, should assess the feasibility of utilizing the existing campus for adaptive reuse with affordable housing as a main component.

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