

NEWS & *views*

Economic Development Division

FALL 2006

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News & Views, published quarterly, is the newsletter of the Economic Development Division of the American Planning Association. We welcome articles, letters, suggestions and information regarding workshops and other educational opportunities for economic development professionals. Please forward your submissions by email to our Editor, Dr. Ned Murray, AICP (address below).

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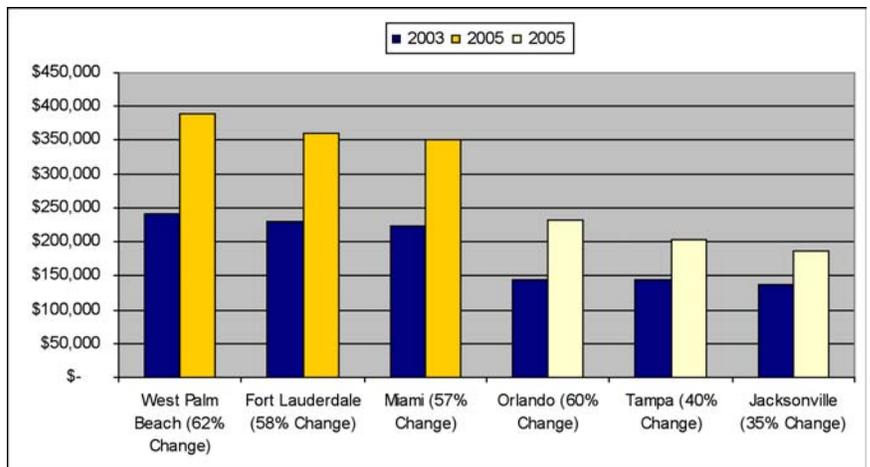
Economic Development Officials Push Palm Beach County Workforce Housing Agenda

Ned Murray, Ph.D., AICP

The Housing Leadership of Palm Beach County, Inc. (HLC/PBC), a public/private partnership spearheaded by economic development officials, was formed this past January to address the growing concerns in Palm Beach and South Florida over the impact of affordable housing on the ability of local employers to attract and retain workers. The membership of the economic development driven initiative included the county's Economic Council, Business Development Board, Workforce Alliance and the five largest Chambers of Commerce.

The Palm Beach County Workforce Housing Needs Assessment was prepared by The Metropolitan Center at Florida International University (FIU) on behalf of the Housing Leadership Council. The purpose of the *(continued on page 3)*

**Median Single-Family Home Prices
 Florida's Largest Metropolitan Statistical Areas (MSAs)
 2003-2005**



Source: FIU Metropolitan Center

THOUGHTS FROM THE CHAIR



To paraphrase the Beatles:
HELP, WE NEED SOMEBODY...

Anyone interested in working on the following initiatives for the Division? We need your input and welcome your participation! If you're interested in helping with either area, please contact me at rhondap@ufl.edu.

(1) A Chair and committee for the 2007 EDD Awards. Each year, the Division holds a competition to select an economic development project for a \$1,000 award and recognition at the annual conference to be held in Philadelphia April 14-18, 2007.

(2) *Research Linkage* volunteers willing to write for a new feature of the EDD website (www.planning.org/economic/). This will help increase traffic and reduce the static nature of the website while providing another value-added member service. We need several student members to provide updates each month about new research studies and projects and other informative items to post to this section on the website. Ideally, the research items will be something new to APA so there is not duplication.

It's Now Easier To Be Green:

There's so much interest in sustainability and innovative ideas and programs popping up all over the globe. How do economic development planners incorporate these approaches into their activities? This issue's article on local based businesses helps, and here's another source: www.eiolca.net. The Green Design Institute of Carnegie Mellon provides an on-line program — the Economic Input Output-Life Cycle Assessment software — to calculate the environmental impacts of producing goods or services. Spend a little

time looking at this extremely useful site. It's based on the U.S. Department of Commerce's U.S. economy 491 sector industry input-output model — the stuff economic developers just love. With the model, you can see the implications of not only increasing economic activity by sector, but the environmental impacts (conventional air pollutants, energy, toxic releases, and greenhouse gases) associated with the economic activity. Now that's powerful, and a great way to help infuse economic development planning with concepts of sustainability. Another generation of input-output modeling, and it's free — Leontief would likely be proud. ■

— Rhonda Phillips, AICP, CED

IN THIS ISSUE OF NEWS & VIEWS



It is our pleasure to provide two informative articles in the Fall issue of *News and Views*. The lead article, "Economic Development Officials Push Palm Beach County Workforce Housing Agenda," submitted by yours truly, highlights the efforts of economic development leaders in

Palm Beach County, Florida to address the impacts of a growing affordable housing shortage on the ability of local businesses to attract and retain workers. Our second article, "Sustainable Economic Development: Is BALLE the Answer?" written by Donna Isaacs, provides an interesting account of the Business Alliance of Local Living Economies (BALLE), a network of businesses committed to building "local living economies."

Please consider submitting an article for a future issue — it's a great way to promote successful and innovative economic development planning initiatives in your community. Contact me at (305) 349-1444 or murrayn@fiu.edu with your thoughts and suggestions. ■

— Ned Murray, AICP, Editor



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PALM BEACH COUNTY WORKFORCE HOUSING, CONT. FROM P. 1

Housing Needs Assessment was to provide a quantitative study that would serve as a baseline for understanding and measuring Palm Beach County’s housing supply and demand relationship.

In establishing their organization, the HLC/PBC set forth a *vision* of “attainable housing for all members of the Palm Beach County workforce” and a *mission* to “increase the availability of housing throughout Palm Beach County for the workforce at all income levels.”

The HLC/PBC has three primary *goals*:

- To conduct **research** on the state of workforce housing in Palm Beach County through credible, independent experts;
- To **identify strategies and funding options** that can be implemented by utilizing a combination of government, industry and private cooperation and partnerships; and
- To promote, support and implement, through **education and advocacy**, plans that will help provide attainable workforce for every city and the unincorporated areas of Palm Beach County.

The methodology used by the FIU Metropolitan Center in the research and preparation of the Palm Beach County Workforce Housing Needs Assessment was to link current and future housing demand and supply factors and conditions with existing and future

population and employment characteristics and projections. The housing demand and supply assessment examines the existing and future housing needs of Palm Beach County’s resident worker population and provides several layers of affordability gap analysis based on prevailing wages, household incomes, and housing values. The study attempted to clearly illustrate the important relationship between housing supply and demand, and the economic significance of creating and maintaining an adequate supply of affordable homeowner and renter housing.

Palm Beach County’s future housing demand will be largely determined by ongoing and planned economic development activity that will result in expanded employment opportunities. Essentially, populations follow job growth. Employment and population growth will occur through the retention and expansion of existing firms and new economic growth resulting from start-ups, spin-offs, and relocations to Palm Beach County. The future demand for housing will be defined by the location, type, and wage levels of Palm Beach County’s future employment growth.

To better understand the current state of employment in Palm Beach County with respect to the recruitment and retention of workers, the “Housing Demand

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PALM BEACH COUNTY WORKFORCE HOUSING, CONT. FROM P. 3

Analysis” element of the study included an “Employer Survey.” The purpose and intent of the survey was to examine the extent to which housing values in the Palm Beach County are impacting the ability of employers to recruit and retain employees. The survey was designed as a telephone interview consisting of both closed- and open-ended questions, designed to elicit elaboration on several potential aspects of the correlation between housing and employment. The survey included the top 50 employers in Palm Beach County and a sampling of approximately 150 smaller employers based on industry type, size, and geographical representation within Palm Beach County. Key statistical findings from the survey results included the following:

- The majority of Palm Beach County employers (58.4%) reported the cost of housing in Palm Beach County has impacted their ability to **recruit** new employees.
- 70.6% of large employers (100 or more employees) indicated the cost of housing in Palm Beach County has impacted their business/institution’s ability to **recruit** new employees.
- 44.2 % of employers indicated that the cost of housing in Palm Beach County has impacted their ability to **retain** existing employees.

- 72.6% of large employers indicated that the cost of housing in Palm Beach County has impacted their ability to **retain** existing employees.
- The majority of employers (69.1%) who consider Palm Beach County’s cost of housing to be impacting their recruitment ability believe that it is caused by a gap between wages and housing prices.
- The cost of housing has affected recruitment efforts for all levels of employees, with entry-level positions (38.3%) being the most affected, followed by technicians and trade personnel (34.4%).
- 67.8% of employers who recognized that the cost of housing in Palm Beach County has impacted their ability to recruit new employees have had to expand or modify their recruitment methods to attract prospective employees.

The need to protect and preserve an adequate inventory of workforce accessible housing is a growing economic development challenge in Palm Beach County and all of South Florida. Rapidly appreciating housing values have diminished the supply of affordable owner and renter units, thus creating a severe mismatch with the housing demand of the local workforce. The economic imbalance is exacerbated by
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PALM BEACH COUNTY WORKFORCE HOUSING, CONT. FROM P. 4

Palm Beach County Leading Occupations by Percent of Area Median Income (AMI)

Occupational Category	<50% AMI \$25,884	<80% AMI \$41,732	<120% AMI \$ 62,862	<150% AMI \$ 78,709	150+ AMI 78,709+
<i>Top 5 Occupations with the Most Numbers of Employees</i>					
Waiters and Waitresses	X				
Cashiers	X				
Landscaping and Grounds keeping Workers	X				
Retail Salespersons	X				
Office Clerks, General	X				
<i>Sample of Targeted Workforce Occupations</i>					
Elementary School Teachers		X			
Secondary School Teachers			X		
Police and Sheriff' Patrol Officers			X		
Registered Nurses			X		
<i>Top 5 Occupations Gaining the Most New Jobs</i>					
Waiters and Waitresses	X				
Combined Food Preparation and Serving Workers, Including Fast Food	X				
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	X				
Retail Salespersons	X				
Registered Nurses		X			

Source: FIU Metropolitan Center

the lack of production of workforce-priced owner and renter housing units. In addition, wholesale speculation in the investment market during 2004-2005 directly contributed to the rapid conversion of multi-family rental housing into condominiums resulting in a substantial loss of the existing rental housing inventory.

Palm Beach County is a large land area and larger still with respect to disparities in household income and property values. Yet, Palm Beach County is bound together by a single economic base, principally comprised of service-providing industries that fuel the larger tourism economy of South Florida. Additionally, resident and non-resident population growth has spurred significant growth in the Professional Services, Construction, and Health Care and Social Assistance industries. This is an important understanding, as local labor markets are fairly structured and have a certain level of geographic arrangement that relates to housing supply and demand.

The study's analysis of Palm Beach County's labor market found that the vast majority of local employment is found in low-wage occupations within the service sectors of the economy. In fact the average annual wage in Palm Beach County for all occupations

is only \$27,851. This has profound implications from a local policy standpoint, because in order to effectively address the demand for resident worker housing, Palm Beach County and its municipalities must first consider the relationship between housing supply and demand and the dynamics of the local labor market.

Housing Demand Assessment

1) Significance

Housing demand is largely driven by several key factor conditions — local employment patterns, shifts in population and household growth, and household income. Employment is the principal driver of population and household growth. Moreover, job availability and the opportunity for career advancement are the magnets for sustained population and household growth, including growth in personal and household income. Conversely, economic decline and associated job loss has the opposite effect, typically resulting in decreases in population, households and household income with a profound effect on residential markets. Therefore, a clear understanding of the relationship

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PALM BEACH COUNTY WORKFORCE HOUSING, CONT. FROM P. 5

between current and projected employment and wages, population and households and household income is fundamental to a housing demand analysis.

2) Analysis — Key Findings

The industry and employment analysis performed in the study shows that Palm Beach County's economic base is principally comprised of service-providing industries, most notably, Retail Trade, Health Care and Social Assistance, Accommodation and Food Services and Administrative Support & Waste Management, Remediation Services. In total, service-providing industries account for 87 percent of all jobs in Palm Beach County. While service-providing industries are essential to Palm Beach County's economy and do offer livable wages among many of the associated occupations, the vast preponderance of employment is found in low-wage earning occupations. In fact, Palm Beach County's 2005 median annual wage for all occupations was only 27,851.

Palm Beach County's economic and employment profile is reflected in the median household incomes of both owner and renter-occupied housing units. The study's income analysis shows that 32 percent of the County's owner-occupied housing units earn 80 percent or less than the area median income (AMI). For renter-occupied units, 55 percent of households earn less than 80 percent of the AMI. With the exception of a few affluent municipalities, the employment and income profiles of Palm Beach County's municipalities are remarkably similar. This is due to the fact that the employment of the housed labor force within the larger communities of Palm Beach County is representative of the service-providing industries that comprise the County's economic base.

In calculating housing affordability, the standard ratio used by most mortgage lenders and housing professionals is that housing expenses should not exceed 30 percent of a household's gross monthly income. The study's housing demand analysis indicates that 31 percent of Palm Beach County's owner-occupied households are currently paying in excess of 30 percent of their income for housing expenses. The housing demand analysis also shows that 65 percent of Palm Beach County's renter households currently pay in excess of 30 percent of their income for housing expenses. Strikingly, nearly 50,000 renter households in Palm Beach County are currently paying in excess of 50 percent of their monthly income for housing expenses.

The housing affordability calculations for occupations include certain targeted workforce occupations,

such as teachers, nurses, police officers and firefighters. Based on the current annual salaries of these workforce occupations, the affordable purchase price of a single-family home or condominium, with the exception of registered nurses (\$220,239), would also need to be less than \$200,000. Elementary (\$134,176) and secondary (\$167,345) school teachers, at the low end of the targeted workforce wage scale, have the lowest affordability thresholds.

Future housing demand will be determined by employment and population growth. The Florida Agency for Workforce Innovation (AWI) projects that Palm Beach County will add an additional 111,797 jobs between 2005 and 2013. According to Palm Beach County Planning Department population growth estimates, the County will increase by approximately 327,000 persons during this approximate time span (2005-2015). Based on this estimate, population growth should be sufficient to absorb the projected job gain. Significantly, population projections show an increase of 147,979 persons within the larger workforce age group (ages 20-64), including 52,224 persons within the younger 20-34 workforce aged group.

Coincidentally, the projected increase in the workforce population will occur in municipalities where the largest concentrations of the workforce currently reside. This is due to the fact that Palm Beach County's employment and occupation mix is projected to remain fairly constant during the next 20 years and in-County mobility will be severely restricted due to extremely high housing values in the balance of municipalities.

3) Impact of Current and Future Demand

Palm Beach County's housing demand will be spurred by continued economic growth and net migration. Current and future demand creates the need for single-family and rental housing units priced at levels consistent with the household incomes and occupational wages of the local labor market, including various targeted workforce occupations. The ability of Palm Beach County and its municipalities to provide for this demand will ultimately determine the County's capacity for housing its current and future workforce.

Recent trends show that job creation (13,934 jobs per year) is outpacing single-family housing (10,000+ units) starts in Palm Beach County, thus creating a shortage of single-family homes, particularly for households earning less than 120% of the AMI. Likewise, the current annual demand of 5,656 additional rental apartment units per year is far outpacing new rental

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PALM BEACH COUNTY WORKFORCE HOUSING, CONT. FROM P. 6

housing starts and only minimally addressing the rental housing needs of Palm Beach County's households earning less than 80 percent of the AMI.

Based on employment and occupations projections, Palm Beach County's future housing demand will total approximately 98,000 units between 2005-2025. Future housing demand will consist of 28,906 units for households earning 80-120% of the AMI and 69,060 units for household earning less than 80 percent of the AMI. Future housing demand will be greatest in West Palm Beach (11,018 units), Boynton Beach (7,619 units), Royal Palm Beach (6,108 units) and Greenacres (5,727 units).

The AWI projection of 111,797 new jobs in Palm Beach County by 2013 has significant housing demand implications, due to the direct correlation between the growth in the workforce age (20-64) population and housing demand and location. Currently, the largest concentrations of the workforce age population are located in West Palm Beach (55,527), Boca Raton (46,394), Delray Beach (36,749) and Boynton Beach (36,720). Projections for 2025 indicate that the largest

increases will occur in Wellington (20,241), West Palm Beach (17,026), Royal Palm Beach (14,283), Boynton Beach (12,273) and Jupiter (12,032).

The results of the "Employer Survey" conducted as part of the Palm Beach County Housing Needs Assessment indicated a positive correlation between housing demand and local employment. Existing housing demand with respect to local choice and affordability has impact the ability of local employers to recruit and retain their workers. The survey findings concluded that the situation is particularly acute among lower wage, entry level and technical/trade levels of employment. This is to be expected as lower-wage workers are most impacted by a rise in housing costs and have limited mobility within the housing market. However, lower-wage workers comprise the vast majority of Palm Beach County's resident employees. While hard statistical evidence is lacking, there is substantial anecdotal evidence and other indicators, e.g. the aforementioned employer survey, that workers are leaving the county in

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Palm Beach County Affordability Gaps by Leading Occupations

Occupational Category	Single-family Affordability Gap	Condo/Town House Affordability Gap
Top 5 Occupations with the Most Numbers of Employees		
Retail Salespersons	(\$318,565)	(\$139,973)
Office Clerks, General	(314,668)	(136,077)
Cashiers	(335,883)	(157,292)
Waiters and Waitresses	(351,872)	(173,281)
Landscaping and Grounds keeping Workers	(329,126)	(150,534)
Sample of "Target Workforce" Occupations		
Elementary School Teachers	(258,723)	(81,308)
Secondary School Teachers	(225,554)	(50,186)
Registered Nurses	(172,661)	39
Police and Sheriff Patrol Officers	(203,471)	(29,705)
Top 5 Occupations Gaining the Most New Jobs (2005-2013)		
Registered Nurses	(\$172,661)	\$39
Retail Salespersons	(318,565)	(139,973)
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	(337,833)	(159,241)
Waiters and Waitresses	(351,872)	(173,281)
Combined Food Preparation and Serving Workers, Including Fast Food	(348,808)	(170,217)

Source: FIU Metropolitan Center

PALM BEACH COUNTY WORKFORCE HOUSING, CONT. FROM P. 8

search of more affordable housing opportunities in Martin and St. Lucie Counties to the north and Broward County to the south.

Current and Projected Housing Supply

1) Significance

Housing supply factors include the total number of units by type, price range, tenure and absorption. Housing supply analysis must also consider development trends and projections based on building permit data and planned development activity. Furthermore, it is essential that a housing supply analysis capture the dynamics of a housing market, particularly in locations undergoing inflationary housing booms such as South Florida where property appreciation rates have skyrocketed and where investors have significantly altered the housing supply through the wholesale conversion of the multi-family rental housing stock into condominiums. When combined with housing demand, these supply factors enable analysts to extrapolate data about employment, population and household incomes to determine the relative balance between local supply and demand.

2) Analysis — Key Findings

Palm Beach County's housing supply/inventory has increased by 67,286 units or 13 percent between 2000-2006. During this period the County has averaged over 12,200 new housing units per year. The largest increases occurred in Unincorporated Palm Beach County (28,481 units), West Palm Beach (7,403 units), Wellington (4,968 units), Jupiter (4,458 units), Palm Beach Gardens (4,088 units) and Royal Palm Beach (4,063 units). The highest growth rates occurred in Royal Palm Beach (50 percent growth) and Wellington (34 percent growth).

While there has been a 13 percent growth in the Palm Beach County's housing supply since 2000, there has been a steady decline in both single-family and multi-family housing starts in the past two years. Single-family housing starts peaked in 2003 (10,788 starts) but declined by 4 percent in 2005 with an additional 8.5 percent (8,900 starts) decline projected for 2006. Likewise, multi-family housing starts declined 4.7 percent from a peak of 4,578 units in 2004 to 4,364 units in 2005. A further 9.9 percent (3,930 starts) is projected for 2006.

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PALM BEACH COUNTY WORKFORCE HOUSING, CONT. FROM P. 9

The vacancy rate for apartments in Palm Beach County is at an all time low. Since 2003, the County's vacancy rate has declined from approximately 6 percent to a low of 2.4 percent in November 2005. The apartment market vacancy rate declined to 2.8 percent in August 2005 down from 3.6 percent in August of 2004. The lowest vacancy rates are found in east West Palm Beach (0.7 percent), Delray Beach (1.3 percent) and Central and West Boca Raton (2.0 percent).

The major factors contributing to the low rental apartment vacancy rates in Palm Beach County has been condominium conversions that have resulted in the loss of nearly 14,000 rental units in the past year alone, and the decline in rental apartment construction. Although the annual demand for rental apartments in Palm Beach County is approximately 5,656 units, there were only 1,332 apartment units completed and a mere 450 units started as of the third quarter of 2005. As a result of the low supply in rental units, the County has less than a month's supply of new rental apartment units on the market at any given time.

Current housing values for single-family homes and condominiums are the result of a substantial market appreciation period that began with a 10 percent increase from 2001-2002, then rapidly escalated to 62 percent for single-family and 56 percent for condominiums between 2003-2005. Double digit increases in median sale values are evident throughout Palm Beach County.

Rents in Palm Beach County have increased by 52 percent since 2000. As of November 2005, the average rent for a two-bedroom apartment in Palm Beach County is \$1,122. An analysis of new market rate rental activity in Palm Beach County in 2005 indicates that most rental housing development is upscale with rents ranging upwards of \$1,000-\$2,000 a month. Likewise, planned market rate rental development in 2005 was also directed toward the upscale rental market. Tax credit apartment developments, which target house-

holds earning between 30-60% of the area median income (AMI), currently average \$774.00/month.

3) Impact of Current and Future Housing Supply

Palm Beach County's current supply of owner and renter housing has undergone an unprecedented increase in value over the past two years that has created a severe demand/supply imbalance. Palm Beach County's current median sale price (\$390,000) and average rent (\$1,122) far exceed the affordability level of most households, irrespective of most occupation and income categories, thus creating severe cost burdens for owner and renter households alike.

The severity of Palm Beach County's housing supply and demand imbalance is perhaps best quantified by the median house price-to-income ratio, a key economic indicator in assessing local market trends and vitality. Nationally, the median house price-to-income ratio has more than tripled in the past five years in many high priced metropolitan markets such as New York City, Boston, and Los Angeles. In comparison, the median house price-to-income ratio in Palm Beach County has increased from 5:1 to 7:1 in just the last three years.

In addition, Palm Beach County's affordable housing supply imbalance has been exacerbated by three important market conditions: 1) the continuing trend toward upscale single and multi-family development that is incompatible with the housing demand of the majority of Palm Beach County's working residents, 2) the substantial loss of the County's rental housing supply as a result of condominium conversions, and 3) the overall decline in rental housing production.

Despite widespread demand throughout Palm Beach County for housing that is affordable for working households earning less than 120 percent of the AMI, nearly all planned residential development is priced at

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PALM BEACH COUNTY WORKFORCE HOUSING, CONT. FROM P. 10

levels that only households earning well in excess of 200 percent of the AMI can afford. So, while overall housing production has declined in the past two years, the level of affordable housing production has been virtually non-existent. In the past three years, over 22,000 rental units have been converted into condominiums, nearly 14,000 in the past year alone. The loss of rental housing to condominium investment has been Countywide and has created cost pressures that have had a ripple effect across the rental housing market. Most evident has been the steady decline of vacancy rates to an overall level of 2.4 percent. As of June 2005, only 83 new rental units were in inventory, far below an acceptable supply to meet the current rate based on an estimated annual demand of 5,656 units. The decline in new rental housing production, as evidenced by the absence of construction start-ups during 2005 and projected for 2006, has created added cost pressure in the rental market.

Housing Affordability Gap Analysis

The housing affordability gap analysis for Palm Beach County and its municipalities revealed the extent of the demand/supply imbalance that has emerged during the past three years. The home price to income ratio for the county and most municipalities now far exceeds the national average. Rapid appreciation in the single-family home market coupled with the substantial loss of rental inventory has created a local housing supply that is financially unattainable for most Palm Beach County households. Significantly, only 17 percent of Palm Beach County's households earn more than \$100,000 annually. And, more strikingly, approximately 90 percent of Palm Beach County's households would be unable to purchase a single-family home at the current median sale price.

The analysis shows that affordability gaps for single-family homes are widespread throughout Palm Beach County. The current (\$392,900) median sale price for a single-family home in Palm Beach County creates a \$209,471 affordability gap based on the \$52,825 area median income (AMI). Significantly, affordability gaps are particularly acute in many of the larger municipalities that house the County's workforce. While substantial affordability gaps are not

surprising in exclusive enclaves such as South Palm Beach, Highland Beach and Juno Beach, the widespread level of unaffordability among the balance of Palm Beach County's municipalities was a striking revelation. In fact, 29 of the 37 municipalities in Palm Beach County show affordability gaps for single-family home purchase. In 26 of these municipalities the affordability gap exceeds \$100,000.

The current (\$220,200) median sale price of a condominium in Palm Beach County creates an affordability gap of \$35,265 based on the household AMI. Affordability gaps within the condominium market are also widespread.

Housing affordability gap levels in the rental market were found to be extreme. The average rent in Palm Beach County in 2005 was \$1,122/month, a 52 percent increase from 2000. Rent levels in municipalities with large concentrations of rental housing and workforce populations, including Palm Beach Gardens (\$1,700), Delray Beach (\$1,622), West Palm Beach (\$1,600) and Boca Raton (\$1,600) are above the Palm Beach County average rent price. The current average rent for Palm Beach County and most municipalities exceeds the affordability level of all households earning 80 percent or

less of the area median income (AMI).

The housing demand analysis indicates that 294,565 (55 percent) of Palm Beach County's households earn less than 120 percent of the AMI. In fact, 104,389 households earn less than 50 percent (25,884) of the AMI, which, coincidentally, is just under the median annual wage (\$27,851) in Palm Beach County. Clearly, there is an extreme imbalance and mismatch between the housing demand of the majority of households and workers in Palm Beach County and the cost of the existing housing supply.

Assessment of Housing Supply and Demand Conditions on Future Employment and Economic Growth

The study re-affirmed the direct correlation between employment growth and future housing demand.

(continued next page)

Despite widespread housing demand throughout Palm Beach County for housing that is affordable for working households earning less than 120 percent of the AMI, nearly all planned residential development is priced at levels that only households earning well in excess of 200 percent of the AMI can afford.

PALM BEACH COUNTY WORKFORCE HOUSING, CONT. FROM P. 11

Historically, metropolitan areas that have experienced economic growth have also seen strong housing demand, including appreciating housing values. Housing prices tend to rise as jobs and incomes continue to grow.

A number of factor conditions influenced the explosive 2003-2005 housing market in Palm Beach County and South Florida, including economic growth, a heavy investor market, low mortgage interest rates and the proliferation of less conventional mortgage financing products such as adjustable rate mortgages (ARMs) and negative interest mortgages.

Most economic analysts predict that the drop in single-family home starts and new home sales that became evident in the last six months of 2005 will continue in 2006 and 2007. Home price appreciation is also expected to decrease to more modest single digit levels with estimates of 5-6% annually, though initial depreciation could continue through the first six months of 2006 as the market adjusts to the inflationary pattern of the last three years. This will most likely occur in the upper end of the housing market and in certain geographical sub-markets. However, the increasing inventory of single-family homes currently on the market is concerning. In fact, Palm Beach County single-family home sales in April 2006 declined by 43 percent from April 2005, a negative trend that has continued since November 2005 and has returned Palm Beach County to a mid 1990s sales activity level. Statewide, this six-month decline is only comparable to the high price markets of Naples and Sarasota. Likewise, condominium sales have also plummeted with a 50 percent decline in sales from April 2005 to April 2006.

Many observers and analysts, including the National Association of Realtors (NAR), believe that continued job growth and net migration will maintain the local housing market in South Florida, thereby preventing a housing market bust. Historical trends show that home price declines are rare and, in general, have only occurred as a result of prolonged job loss in a given housing market. Despite the general optimism that a housing market bubble burst is unlikely, and that a return to more modest appreciation levels will increase demand once again, there are three interrelated factors to consider with respect to Palm Beach County's housing market: 1) the growing affordable housing supply shortage, 2) an unwavering home value to income ratio and, most importantly, 3) an incessant development pattern that has produced a housing supply mismatch with the market demands of Palm Beach County's existing and future resident workforce.

Palm Beach County's affordable housing shortage is largely due to inflationary housing values that far exceed the income of County residents; the substantial loss of multi-family rental housing through condominium conversions; and the overall decline in new housing construction. The loss of the County's affordable housing supply through rapid inflation and condominium conversions is not recoverable. While housing values are expected to adjust to overall demand in the housing market, projected economic growth and demand for second "resort" homes will continue to drive the market for single-family homes and condominiums. Rent prices will also remain high due to the current low inventory and sharp decline in rental housing production.

The high median home value to median household income ratio is not likely to lower despite a recent decrease in median sales values and a projected return to modest appreciation levels. The current ratio of greater than 7:1 is extreme and creates affordability gaps that cannot be addressed without deep subsidies and/or a heightened level of new affordable housing production. This market condition should persist due to the continuation of an economic growth pattern in Palm Beach County that is tourism-based with new employment occurring largely in low-wage service and retail occupations. So, while job growth has been significant in recent years and, in fact, outpaced new housing starts, there is little correlation between demand and current housing values. Furthermore, with only a 1 percent growth in per capita income from 1999-2003 it is unlikely that Palm Beach County's economic growth, now or in the foreseeable future, can offset the relative high cost of housing.

Furthermore, substantial evidence now exists that Palm Beach County's employees are moving to other counties in search of affordable housing opportunities. This growing competitive disadvantage may become acute as commute times become longer and more expensive with the price of fuel, and as counties to the north expand their employment base with commercial and retail development to accommodate current and projected population growth. The results of the employer survey indicate that this dynamic is already occurring and that it is impacting both the recruitment and retention of Palm Beach County's employees. ■

For a full copy of the Palm Beach County Workforce Housing Needs Assessment, send your request to Ned Murray at murrayn@fiu.edu.

Sustainable Economic Development: Is BALLE the Answer?

by Donna Isaacs

The Business Alliance of Local Living Economies, or BALLE, as it is more commonly known, is on a mission “to catalyze, strengthen, and connect” businesses committed to building local living economies. Inspired into action in 2001 after a presentation by David Korten titled *Living Economies for a Living Planet*, co-founder Judy Wicks proposed a Local Network Initiative which had the qualities extolled by previous leaders like Martin Luther King, Jr. and Mahatma Gandhi before him: an economic system based on the qualities of “oneness, caring, sharing and non-violence” — A Living Economy. The Local Network Initiative was subsequently established as the Business Alliance of Local Living Economies (www.pcdf.org/Living_Economies/Dialogue/judy_wicks.htm).

In just five years, BALLE has grown to approximately 35 business networks with over 11,000 business members. Its co-founder, Judy Wicks, was voted one of America’s 25 Most Fascinating Entrepreneurs in 2004 by *Inc.* “because she’s put in place more progressive business practices per square foot than any other entrepreneur” (www.inc.com). Ms. Wicks is president and founder of White Dog Enterprises, Inc., a popular restaurant in Philadelphia. The White Dog Café is a \$5 million per year enterprise that will serve you a meal with a healthy serving of social responsibility. Guest Speakers, Storytelling, Art, Music and Movies cover topics from Iraq to Green Building, from Water to the Economy, and from Food Choices to Moral Values. Nothing is off the table, no pun intended.

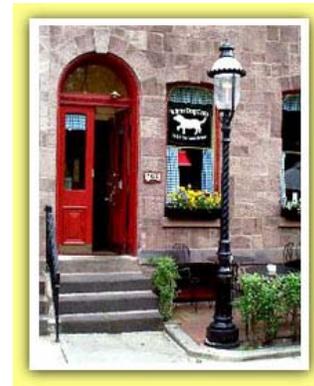
Although extremely successful, you will not see a White Dog Café pop up in your neighborhood because one of the principles extolled by the BALLE network and embraced by Judy Wicks is doing business locally.

Although extremely successful, you will not see a White Dog Café pop up in your neighborhood because one of the principles extolled by the BALLE network is doing business locally.

The White Dog Café opened its doors at 3420 Sansom Street in January 1983 and where it remains to this day. While White Dog Café will not become a franchise it has gone through several expansions from the first floor coffee and muffin shop to the backyard grill and even into an adjacent building when the cold weather made the outdoor area inoperable during the winter season. Ms. Wicks is quoted in a recent *New York Times* article as saying, “The major purpose of business is to serve. We do well by doing good because we’re known to do the right thing and people appreciate that.” The right thing includes paying a living wage to all of her 100+ employees including the dishwasher. It also includes purchasing green energy (wind power) to operate her business and sourcing her food from local organic

farmers. This allows her to provide her patrons fresh healthy dishes while supporting the local economy.

Social initiatives started by Judy Wicks include the Philadelphia Sister Restaurant Project which encourages her customers to visit restaurants and cultural sites in neighborhoods they would not otherwise visit to, “increase understanding,



White Dog Café, Philadelphia

build citywide community, and support minority businesses and cultural institutions.” This program is taken globally in her, “Table for Six Billion, Please!” where countries visited include Nicaragua, Cuba, Mexico, the Netherlands, Lithuania, Vietnam, and Israel/Palestine (www.whitedog.com).

The principles shared by BALLE and its 11,000 members including The White Dog Café have also found expression in the work of important economic thinkers, such as Jane Jacobs and more recently Michael Shuman, both of whom advocate small businesses as a vital segment of a healthy local economy.

In *The Economy of Cities*, Jane Jacobs describes the

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implications of economic expansion in cities with regard to small business. “Our remote ancestors,” she writes, “did not expand their economies much by simply doing more of what they had already been doing... They expanded their economies by adding new kinds of work... Innovating economies expand and develop.” Division of labor and increased specialization occurs not by simply increasing the frequency of old tasks, but by subdividing the work into fragments which can be isolated and tweaked to a new end. For instance, a standard sit-down restaurant may spin off several other businesses, such as a local organic farmer, or an entertainer, or a local delivery business. This is the essence of a thriving, innovative economy; however, it is not the way that large corporations function. Imagine a company that manufactures plumbing components opening divisions that manufacture toy cars, or computers, or shoes. While the product or process of the large company may apply to these smaller divisions—may indeed have contributed to their creation—it is impractical to unite so many disparate enterprises with varying expansion rates and missions, and it impedes their individual growth.

Thus, while large companies have great wealth and power at their disposal, they are essentially limited because they are the “results of economic creativity in the past.” They cannot take advantage of the wide variety of goods and services available within a community. As a result, Ms. Jacobs observes that it is not the large organizations that are going to provide the new goods and services of the future, but rather, “large numbers and great diversity of economic organizations, some of which, of course, grow large in their heydays.”

Michael Shuman, attorney, economist and author of *Going Local: Creating Self-Reliant Communities in a Global Age* and more recently *The Small-Mart Revolution: How Local Businesses Are Beating the Global Competition*, presented similar findings in his keynote presentation at the University of Florida’s Campus and Community Sustainability Conference 2006. The core of BALLE is local living economies, and Shuman defines businesses that fit that mold as locally-owned,

self-reliant and exporting, and socially responsible. These traits are the keystones of what he called LOIS, or local ownership and import substitution. LOIS companies build on the strengths of the people and networks in their communities, use resources sustainably, and use local materials rather than imports as much as possible. Shuman articulated these concepts in his presentation and positioned the conversion to local living economies as a movement FOR local business rather than a movement AGAINST big-box large corporations.

Mr. Shuman offers three major reasons to embrace the concept of LOIS. First, LOIS firms do not move. They remain within the community, meaning that they generate greater wealth. Also, because they are community-based, failed LOIS businesses do not lead to catastrophe. Their employees were from the area rather than implant workers.

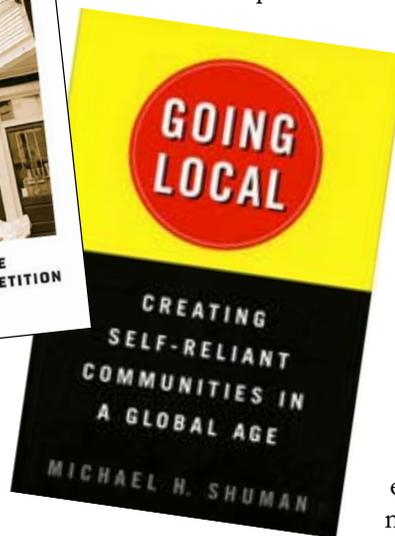
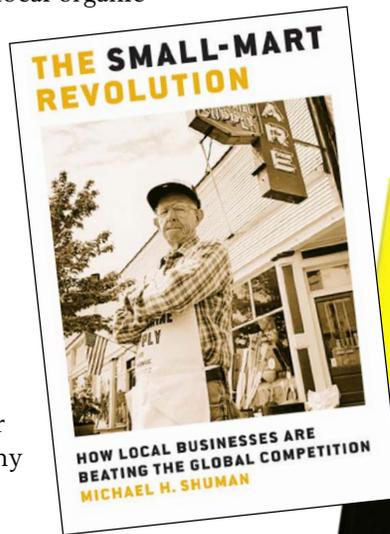
They have higher standards for employee wages and benefits. “Prosperity follows,” he writes in *Going Local: Creating Self-Reliant Communities in a Global Age*, “when ownership, production, and consumption become intimately connected with place.”

The second reason is that LOIS firms have a higher economic multiplier than non-LOIS corporations. He mentioned that of every dollar

spent in a locally owned business, 45 cents remains in the community. This is in comparison to only 13 cents if it is spent at a non-locally owned establishment — a franchise or chain.

Third, Shuman suggests, LOIS businesses fit with cutting-edge economic development theories. They contribute to smart growth and downtown revitalization because they fit perfectly into the re-imagination of cities as mixed-use, dynamic, and creative places. As planners we have heard this previously from Jane Jacobs in *The Death and Life of Great American Cities*, where she outlines the four conditions required to create a vibrant diversified city (see box above). Whereas Shuman focuses on businesses and Jacobs on the built environment, they both stress density and diversity as components of a vibrant (sustainable) community.

(continued next page)



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To generate exuberant diversity in a city's streets and districts, four conditions are indispensable:

- 1) The district, and indeed as many of its internal parts as possible, must serve more than one primary function; preferably more than two. These must insure the presence of people who go outdoors on different schedules and are in place for different purposes, but who are able to use many facilities in common.
- 2) Most blocks must be short; that is, streets and opportunities to turn corners must be frequent.
- 3) The district must mingle buildings that vary in age and condition, including a good proportion of old ones so that they vary in the economic yield they must produce. This mingling must be fairly close-grained.
- 4) There must be a sufficiently dense concentration of people, for whatever purposes they may be there. This includes dense concentration in the case of people who are there because of residence.

— As presented by Jane Jacobs in *The Death and Life of Great American Cities*.

There are numerous ways to encourage the cultivation of small, locally-owned businesses. Entrepreneurship training, such as that at White Dog Café, encourages youth, creates mentorship networks, and helps fledgling companies through incubation. Small businesses can also be mobilized through bazaars and cooperatives. "Think local first" can be the sounding cry of large purchasers, such as universities, who can

encourage, rather than require, good (not perfect) behavior. Localization helps as well: not just moving closer to the city and conserving energy, but cutting out middle steps such as eliminating credit cards when it is possible to pay in cash. Mobilize consumers with coupon books, labels denoting local producers, and "Buy Local" celebration weeks. Mobilize investors as well, by creating local stocks and exchanges. Finally, reform public policy to provide equal market incentives in taxes and securities for businesses of all sizes and origins.

Shuman sometimes appears anti-global, but he clarifies that "Going local does not mean walling off the outside world." Neither does it mean eliminating large corporations. Rather, it means putting large and small companies on a level playing field. He argues that tax incentives are biased towards attracting large businesses, so by utilizing a modifier to reflect the economic benefits of small versus large more funds will be kept circulating in the local economy which will spur more growth and investment: a sustainable economy. As Jacobs pointed out, "City diversity itself permits and stimulates more diversity."

If the energy and enthusiasm of the 475 members attending this year's annual BALLE conference in Vermont is any indication of the conviction of those involved in this movement, then the Small-Mart Revolution is coming. ■

Donna Isaacs is a graduate research assistant at the Powell Center for Construction and Environment at the M.E. Rinker School of Building Construction in Gainesville, FL. She can be reached at d Isaacs@ufl.edu.

Welcome to Our New Members...

Greg Albert	Buffalo, NY	Matthew W. Forshee	Fayetteville, GA	Jeanette L. Nelson	San Antonio, TX
Patrick Andrade	Louisville, KY	Adam J. Heinen	Milwaukee, WI	Amy Palmer, AICP	Bartow, FL
Robert D. Atkinson	Houston, TX	Le H. Hua	Santee, CA	Adam C. Ploetz, AICP	Westborough, MA
Andrew Baque	Solon, OH	Brooke Huerta	Bee Cave, TX	Christian A. Popoli	High Springs, FL
Saul, Bolivar	Montebello, CA	Angela Hurley	Gulfport, FL	Darlene J. Restich	Oakdale, PA
Steven J. Brown	Iowa City, IA	Zuri C. James	Chicago, IL	David J. Ricci	San Jose, CA
Arthur D. Chambers AICP	Rockville, MD	Elizabeth C. Johnston	Berkeley, CA	Jayne Robb	Bayboro, NC
Robert W. Chave, AICP	Edmonds, WA	Jenna Kachour	Los Angeles, CA	V.L. Rosch	Bordentown, NJ
Jack Cloud, AICP	Albuquerque, NM	Nathaniel J. Kirsch	Toledo, OH	Sarah Smolek	Muncie, IN
Pasqual Contreras	Portland, OR	Damon Lambert	Cherokee, NC	Bryan T. Swanson	Countryside, IL
Thomas J. Dabareiner, AICP	Novi, MI	Shannon Landwehr	Bethesda, MD	Amy M. Talbot	Chicago, IL
Danielle Devlin, AICP	South Milwaukee, WI	Jennifer Leister, AICP	Morton, PA	Sammone Walker	Madison, MS
Neil Dixon	Middleton, WI	Hung, Liang	Chino Hills, CA	William D. Waters	Ft. Lauderdale, FL
Matthew J. Eskew	DeKalb, IL	Teresa M. Machado	Orange, CA	Julia Yeh	San Mateo, CA
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We invite you to learn more about the Economic Development Division of APA at our website: www.planning.org/economic.

Calendar of Upcoming Events

December 11-15, 2006

NeighborWorks Training Institute, New Orleans, LA, www.nw.org/training

January 28-30, 2007

International Economic Development Council (IEDC) Leadership Summit: The Power of Collaboration, Rancho Bernardo Inn, San Diego, CA www.iedconline.org

February 6-7, 2007

"Homeland Security: The Ripple Effect" Symposium, American Public University System, Washington, DC www.apus.edu/disaster

February 8-9, 2007

National Conference on Disaster Planning for the Carless Society, New Orleans, LA www.carlessevacuation.org

February 8-10, 2007

New Partners for Smart Growth: Building Safe, Healthy and Livable Communities, Local Government Commission, Los Angeles, CA www.newpartners.org

March 18-20, 2007

International Economic Development Council (IEDC) Federal Economic Development Forum, Hyatt Regency Hotel, Arlington VA www.iedconline.org

April 14-18, 2007

APA's 2007 National Planning Conference, Philadelphia Convention Center, Philadelphia, PA www.planning.org/2007conference/

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