RECOMMENDED METHODOLOGY FOR SUPPLY & DEMAND ANALYSIS FOR BROWARD COUNTY’S AFFORDABLE HOUSING MARKET

PREPARED FOR
BROWARD COUNTY
110 NE 3RD STREET
FT. LAUDERDALE, FLORIDA 33301

ATTN: MR. RALPH STONE, EXECUTIVE DIRECTOR

DATE OF REPORT
JUNE 9, 2015

PREPARED BY
MERIDIAN APPRAISAL GROUP, INC.

ROBERT VON, PRESIDENT
STATE-CERTIFIED GENERAL REAL ESTATE APPRAISER RZ 1604
June 9, 2015

Mr. Ralph Stone, Executive Director
Broward County
110 NE 3rd Street
Ft. Lauderdale, Florida 33301

Re: Recommended Methodology for Supply & Demand Analysis for Broward County’s Affordable Housing Market

Meridian File No: 15-SNT

Dear Mr. Stone:

As requested, we have provided a recommended methodology for Supply & Demand Analysis for Broward County’s Affordable Housing Market. The intended use of this report is to provide direction to the County in terms of accurately defining affordable housing supply and demand at the municipal level. The intended user of this report is Broward County. No other use or users are intended.

The analyses, opinions and conclusions were developed and this report has been prepared in conformance with the Uniform Standards of Professional Appraisal Practice as promulgated by the Appraisal Standards Board of the Appraisal Foundation and the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.

This letter of transmittal precedes the consultation report, further describing the property and containing the reasoning and most pertinent data leading to the final conclusions. Your attention is directed to the “Certification,” which have been included within the text of this report.

Respectfully submitted,

Meridian Appraisal Group, Inc.

Robert Von, President
State-Certified General Real Estate Appraiser RZ 1604

RV:dmh
# TABLE OF CONTENTS

CERTIFICATION.......................................................................................................................... 1
RECOMMENDED DATA SOURCE, DEFINITIONS & METHODOLOGY............................................. 2

**ADDENDA**

APPRAISERS' QUALIFICATIONS
CERTIFICATION

As the undersigned consultant, I hereby certify that to the best of my knowledge and belief:

- the statements of fact contained in this report (upon which the analyses, opinion and conclusions expressed herein are based) are true and correct.

- the analysis, opinions and conclusion in the report are limited only by the assumptions and limiting conditions and special assumptions, if any, set forth and are the personal, unbiased professional analyses, opinions and conclusions of the consultant.

- I have no present or prospective interest in the subject property and have no personal bias with respect to the parties involved.

- My engagement in this assignment was not contingent upon developing or reporting predetermined results.

- My compensation is not contingent upon the development or the reporting of a predetermined conclusion or conclusions that favor the cause of the client, the attainment of a stipulated result or the occurrence of a subsequent event directly related to the intended use of this report.

- My analyses and opinions were developed and this report has been prepared in conformity with (and the use of this report is subject to) all regulations issued by the appropriate regulatory entities regarding the enactment of Title XI of the Financial Institution Reform, Recovery and Enforcement Act of 1989 (FIRREA) and any subsequent updates, the Uniform Standards of Professional Appraisal Practice, as promulgated by the Appraisal Standards Board of the Appraisal Foundation, and the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

- no one, other than the undersigned, prepared the personal unbiased professional analyses, conclusions and opinions concerning real estate that are set forth in this report unless and except as acknowledged in this report.

- I have performed within the context of the competency provision of the Uniform Standards of Professional Appraisal Practice.

Date of Report
June 9, 2015

Certified by
Meridian Appraisal Group, Inc.

Robert Von, President
State-Certified General Real Estate Appraiser RZ 1604
RECOMMENDED DATA SOURCE, DEFINITIONS & METHODOLOGY

Data Source:
I recommend that the American Community Survey (ACS) from the United States Census Bureau, which is part of the United States Department of Commerce, be utilized as the primary data source for both supply and demand calculations. More specifically, the ACS five-year estimates which are released each year for communities across the United States should be used. The current release covers 2013 and the 2014 release is expected in the fall.

This data source is free, available on the internet, updated annually and easily downloaded into Excel format for easy use. I have found no other source that has all of these characteristics.

Definitions:
For the purpose of this analysis the following definitions have been utilized:

*Very Low Income* is defined as households earning 50% of the county Area Median Income (AMI) or less.

*Low Income* is defined as households earning between 50.1 and 80% of AMI.

*Moderate Income* is defined as households earning between 80.1 and 120% of AMI.

*Affordable Housing* is defined as housing that costs no more than 30% of income for renters which includes rent plus utilities and 22% of income for home owners which includes principle and interest only. The lower “affordability” percentage for homeownership allows for some leeway regarding expenses such as mortgage insurance, taxes and other costs associated with home ownership.

Methodology:
The rental analysis utilizes a banded approach comparing supply and demand within the Very Low, Low and Moderate income bands as defined above. The rental analysis assumes that households can afford to pay no more than 30% of their income for housing.

The home ownership analysis also utilized a banded approach by comparing supply and demand within the Very Low, Low and Moderate income bands. The bands do not overlap. The analysis assumes that an affordable house would result from 22% of household income being available for principal and interest payments only. The analysis also assumes a current fixed rate mortgage interest rate of 4.50%, a 30 year amortization schedule and a 3% down payment.

Example: The city of Ft. Lauderdale
The data can be found within the American Fact Finder home page:

http://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml (control + click to follow link).
Enter the City in the dialogue box and then hit Go. The screen shot above is before hitting Go.
Select the Housing Tab then select “Selected Housing Characteristics…” under the 2013 American Community Survey.

All data from the American Community Survey can be downloaded into an Excel format for easy use.
Hit OK and then once the report fully loads hit Download. Make sure pop-ups are allowed for this site. The Download should appear in the Download folder within Windows Explorer or wherever your download path takes it. Open the file and save it to wherever you want to store it for this assignment. Open the ACS Template Excel file provided.

The ACS Template file has three tabs; one labeled ACS Template, one labeled ACS Input 1, and one labeled ACS Input 2.

The first download is copied into ACS Input 1. The area copied does not need to be the same size as in the template.

Click on the arrow to highlight the entire sheet and then hit Copy. Open the ACS Template file and click on the ACS Input 1 tab. Highlight the entire sheet by hitting the arrow and then hit Paste.

The supply portion of the for-sale analysis is now complete. On to demand.

Go back to the American Fact Finder screen. Above and to the right of the Download button is Back to Community Facts, hit that to retrieve the next data set.
The next data set is the “Financial Characteristics …” Download this file and retrieve as before. Repeat the same procedure as with the first download and paste into ACS Input 2.

That’s it. All the calculations should be complete and the analysis finished.

<table>
<thead>
<tr>
<th>Ft. Lauderdale</th>
<th>Demand(D)</th>
<th>Supply(S)</th>
<th>No Gap/(Gap)</th>
<th>Demand(D)</th>
<th>Supply(S)</th>
<th>No Gap/(Gap)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Band</td>
<td>Owner</td>
<td>Owner</td>
<td>S-D</td>
<td>Band</td>
<td>Renter</td>
<td>S-D</td>
</tr>
<tr>
<td>0-50%</td>
<td>8,833</td>
<td>6,797</td>
<td>(2,037)</td>
<td>0-50%</td>
<td>14,704</td>
<td>5,931</td>
</tr>
<tr>
<td>$0</td>
<td></td>
<td></td>
<td></td>
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<td>$30,850</td>
<td>22.7%</td>
<td>17.5%</td>
<td></td>
<td>$771</td>
<td>44.8%</td>
<td>18.9%</td>
</tr>
<tr>
<td>50.1-80%</td>
<td>5,901</td>
<td>6,947</td>
<td>1,046</td>
<td>50.1-80%</td>
<td>6,481</td>
<td>12,956</td>
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<td>$30,912</td>
<td></td>
<td></td>
<td></td>
<td>$773</td>
<td>19.8%</td>
<td>41.2%</td>
</tr>
<tr>
<td>$49,360</td>
<td>15.2%</td>
<td>17.8%</td>
<td></td>
<td>$1,234</td>
<td></td>
<td></td>
</tr>
<tr>
<td>80.1-120%</td>
<td>6,020</td>
<td>7,857</td>
<td>1,837</td>
<td>80.1-120%</td>
<td>5,331</td>
<td>6,867</td>
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<tr>
<td>$49,422</td>
<td></td>
<td></td>
<td></td>
<td>$1,236</td>
<td>16.3%</td>
<td>21.8%</td>
</tr>
<tr>
<td>$74,040</td>
<td>15.5%</td>
<td>20.2%</td>
<td></td>
<td>$1,851</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The results for Ft. Lauderdale are shown above. The left side of the chart indicates there is a 2,037 unit shortage of affordable homes for 0-50% AMI owners and surpluses in the two higher income bands. The right side of the chart indicates there is an 8,773 unit shortage for renter households earning 50% or less of the AMI for Broward County and surpluses in the two higher income bands.

**Example #2 Davie**

The same process as applied above was used to produce the results for the city of Davie as shown below. The home ownership analysis indicates a small shortage in the 50.1-80% AMI income band. The rental analysis indicates a 2,849 unit shortage within the 0-50% AMI income band and surpluses in the two higher income bands.

<table>
<thead>
<tr>
<th>Davie</th>
<th>Demand(D)</th>
<th>Supply(S)</th>
<th>No Gap/(Gap)</th>
<th>Demand(D)</th>
<th>Supply(S)</th>
<th>No Gap/(Gap)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Band</td>
<td>Owner</td>
<td>Owner</td>
<td>S-D</td>
<td>Band</td>
<td>Renter</td>
<td>S-D</td>
</tr>
<tr>
<td>0-50%</td>
<td>4,490</td>
<td>7,049</td>
<td>2,559</td>
<td>0-50%</td>
<td>3,904</td>
<td>1,056</td>
</tr>
<tr>
<td>$0</td>
<td></td>
<td></td>
<td></td>
<td>$0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$30,850</td>
<td>18.9%</td>
<td>29.7%</td>
<td></td>
<td>$771</td>
<td>43.8%</td>
<td>12.4%</td>
</tr>
<tr>
<td>50.1-80%</td>
<td>3,774</td>
<td>3,751</td>
<td>(23)</td>
<td>50.1-80%</td>
<td>1,683</td>
<td>3,235</td>
</tr>
<tr>
<td>$30,912</td>
<td></td>
<td></td>
<td></td>
<td>$773</td>
<td>18.9%</td>
<td>38.1%</td>
</tr>
<tr>
<td>$49,360</td>
<td>15.9%</td>
<td>15.8%</td>
<td></td>
<td>$1,234</td>
<td></td>
<td></td>
</tr>
<tr>
<td>80.1-120%</td>
<td>3,474</td>
<td>4,109</td>
<td>635</td>
<td>80.1-120%</td>
<td>1,615</td>
<td>2,628</td>
</tr>
<tr>
<td>$49,422</td>
<td></td>
<td></td>
<td></td>
<td>$1,236</td>
<td>18.1%</td>
<td>31.0%</td>
</tr>
<tr>
<td>$74,040</td>
<td>14.6%</td>
<td>17.3%</td>
<td></td>
<td>$1,851</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Example #3 Coral Springs**

The same process as used above was used to produce the results for the city of Coral Springs as shown below.
The home ownership analysis indicates a shortage in the 50.1-80% AMI income band. The rental analysis indicates a shortage of 3,911 units within the 0-50% AMI income band and surpluses within the two higher income bands.

**Conclusion**
Policies should be designed to provide affordable housing where there are shortages and give no credit for providing housing for income bands that have surpluses.
ADDENDA
APPRAISERS’ QUALIFICATIONS
QUALIFICATIONS OF
ROBERT VON, PRESIDENT

BUSINESS ADDRESS
Meridian Appraisal Group, Inc.
1331 Sundial Point
Winter Springs, Florida 32708
Phone: 407.637.8705   Fax: 407.875.1061
E-mail: rvon@meridianag.com

FORMAL EDUCATION
California State University, Northridge
May 1986, Bachelor of Science in Business Administration, Real Estate Finance

REAL ESTATE EDUCATION
Has completed course work for admission to the Appraisal Institute and all necessary for State-Certification and continuing education. A partial list of course work is as follows:

Course/Seminars/Continuing Education
- Real Estate Appraisal Principles
- Basic Valuation Procedures
- Standards of Professional Practice – Part A
- Standards of Professional Practice – Part B
- Capitalization Theory and Techniques – Part A
- Capitalization Theory and Techniques – Part B
- Highest and Best Use and Market Analysis
- Appraising Troubled Properties
- Advanced Applications
- USPAP Update
- MAP Valuation Training for Third Party Appraisers

EXPERIENCE
2007 – Present
Meridian Appraisal Group, Inc.
President and Principal
Responsible for the acquisition, co-ordination and review of appraisal assignments on real property. Also responsible for the preparation of appraisal assignments on various real property with specialization in multi-family apartments and A&D projects throughout Florida.

January 2004 – 2007
Realvest Appraisal Services, Inc.
President and Principal

June 1998 – 2003
Realvest Appraisal Services, Inc.
Vice President and Principal
Responsible for the acquisition, co-ordination and review of appraisal assignments on real property. Also responsible for the preparation of appraisal assignments on various real property with specialization in multi-family apartments and A&D projects throughout Florida.

1994 – 1998
Pardue, Heid, Church, Smith & Waller, Inc.
Commercial Manager and Commercial Real Estate Analyst
Responsible for the preparation and review of appraisal assignments on various real property including vacant land, subdivisions, retail centers, office buildings, apartments, industrial properties and special use properties.
QUALIFICATIONS OF ROBERT VON, PRESIDENT

(Cont’d)

1993 – 1994
Barnett Banks, Inc.
Review Appraiser
Responsible for reviewing reports for Special Assets and Corporate and Commercial Real Estate Department. Performed all appraisal reviews for the CFCRC, a consortium of 12 lending institutions.

1986 – 1993
HomeFed Bank, FSB
Senior Review Appraiser
Responsible for the ordering and review of full narrative appraisal reports for the entire east coast portfolio. Assignments completed in 14 states and the District of Columbia.

CERTIFICATIONS
& LICENSES
State-Certified General Real Estate Appraiser RZ 1604
Orlando Chamber of Commerce – Member
Downtown Orlando Partnership – Member

PROFESSIONAL
AFFILIATIONS
Board of Directors – Florida Housing Coalition