Workforce Housing Code Amendment Application

Background and Updates:

An amendment to the workforce housing division of the Land Development Regulations has been submitted by a private applicant to the City. The amendment primarily relates to the City's Workforce Housing Ordinance. It also include a proposal that would allow for the transfer of development rights, unrelated to workforce housing (i.e. transferring BPAS/ROGO units from one site to another.) Following several Planning Board meetings and conversations with staff, the applicant has made modifications to the original proposal, resulting in the proposed amendment summarized in this document.

For ease of review, the proposal has been split into four separate agenda items covering the four main topics of the proposal. At the February 20, 2025 meeting, the Planning Board reviewed Item #1 below, and recommended approval with conditions. Items #2 through 4 are still pending Planning Board review. All amendments require final approval by the City Commission.

The key components of the four topics are summarized on the next page, however the summary is high-level and not all-inclusive; please read the applicant's full proposed amendment for full details. A few key terms are summarized below as well.

Helpful Terms:

Inclusionary Housing/Zoning: Inclusionary housing or inclusionary zoning refers to a range of policies and practices that mandate or provide incentives for the inclusion of affordable housing units in new developments to encourage mixed-income neighborhoods and increase the supply of affordable housing.

- **Residential Inclusionary Housing:** Inclusionary housing that applies to residential developments. Example: when an apartment complex is built, a certain percentage of the units are set aside for affordable housing.
- **Commercial/Non-residential Inclusionary Housing:** Inclusionary housing that applies to commercial developments, to mitigate a portion of the employee housing demand created by the developer. Example: when a shopping center is built, the developer builds or provides for a certain number of affordable housing units.

Linkage: When the affordable housing component of a development can be met on an off-site property. Example: a townhouse development builds market-rate units in Location A, and the affordable units are built on another site at Location B.

Fee-in-Lieu: When a development has an affordable housing requirement, a developer can pay a fee in lieu (in exchange for) physically building an affordable housing unit. The fee goes into the City's Affordable Housing Trust fund which is used to support the development of affordable housing.

Applicant's Proposed Amendments:

1. WORKFORCE HOUSING DEFINITIONS & RESIDENTIAL INCLUSIONARY HOUSING

The applicant proposes amendments to Sections 122-1466 and 122-1467 of the City of Key West Workforce Housing Ordinance. Section 122-1466 provides definitions, and Section 122-1467 lays out the fundamental requirements of the Workforce Housing Ordinance. The current Code is broadly summarized below:

Section 122-1466 provides definitions for income classifications and other relevant terms:

- Defines unit classifications for low-, low-, median-, moderate-, and middle-income unit units (for example, "moderate income" is a household whose income doesn't exceed 120% of the median household income in Monroe County.)
- Provides that maximum rental rates for workforce units shall not exceed 25% of the monthly income for each classification. See the City of Key West Work Force Housing Income, Rent, and Sales Limits on the last page for this document for an example of how this works.
- Section 122-1466 also provides a definition for "development and redevelopment" which is used to identify which types of projects are subject to the workforce housing requirements.
- Per Section 122-1466, "Development or redevelopment" means "any development or redevelopment that increases the size of a unit(s), the number of units, or the need for additional affordable workforce housing as evidenced by additional services or intensity."

Section 122-1467 describes when and how the workforce housing requirement applies:

- Requires that 30% of units in new and redeveloped housing developments are maintained as workforce-affordable units for 50 years. The requirement for "redeveloped" housing based on the definition above was passed by the City Commission in 2019.
- Describes the "spread" of income/rental/sales limits for required workforce units (i.e. how units should be divided between low, median, and middle-income).
- Allows linkages required workforce units to be built at an off-site location within Key West or Stock Island
- Allows developers to pay a fee-in-lieu of building a required affordable unit ($200,000 per unit)
- Provides exemptions for nursing homes, assisted living facilities, and developments that are already proposed as affordable workforce developments.
- Describes how a developer can request a waiver of the requirements from the City Commission.

At the February 20, 2025 Planning Board meeting, the Board recommended approval of an amendment to these sections, outlined below:

- Removes the workforce housing requirement for "redevelopment" projects; only new developments (i.e. developments with new BPAS allocations) would be subject to the requirements
- Expands the geographical area where linkages may be built, to include any site between Key West and Shark Key.
- Modifies the "spread" of income/rental limits:
  - Removes requirement to include low-income units
  - For developments with less than 10 units, allows all units to be middle-income (highest income/rental limit)
  - For developments with 10+ units, allows higher income/rental limits for units with 2+ bedrooms
- Changes maximum rental prices of workforce units from 25% of monthly income to 30%
- Changes fee-in-lieu from $200,000 per unit to $400,000 per unit; or the current maximum sales price for a two-bedroom affordable unit as established under Section 122-1466 (11), whichever is higher.
- Redefines the lowest and highest income category:
  - Low-income changes from ≤60% to ≤50% of Monroe County's median household income;
  - Middle-income changes from ≤140% to 160% of Monroe County's median household income.
  - This change which households are eligible to occupy low- and middle-income units, and what the maximum rental rates can be.

2. COMMERCIAL INCLUSIONARY HOUSING:

The Comprehensive Plan provides objectives for Commercial Inclusionary Housing, but the City has not yet integrated them into the Land Development Regulations. The application has provided a proposal for how workforce housing requirements would apply to commercial development:

- **Calculating Housing Demand**: The amendment defines housing demand created by different types of commercial use, per 10,000 square feet of floor area. It proposes workforce housing requirements based on that demand. Hotels are exempted from the floor area calculation, provided that occupancy is not increased.
- **Housing Requirements:** Requires developers to mitigate 50% of the new housing demand created by a development:
  - **New Development:** New development that creates commercial floor area on a site that didn't already have commercial floor area must mitigate 50% of the housing demand of the entire floor area
  - **Redevelopment with Expansion:** Redevelopment that increases commercial floor area would have to mitigate 50% of the housing demand for the *additional* floor area;
  - **Redevelopment with Change in Use**: If an existing development changes to a use that needs more housing (e.g., turning a factory into an office), it must cover 50% of the new housing demand proportionately based on the size of the change.

- **Exemptions**: Certain types of projects are exempt from these requirements, such as small expansions that don't change the type of use or exceed a 1,000 square-foot increase. It would also allow developers to petition the City Commission for waivers/exemptions to the requirement.

- **Linkage:** A developer can build required affordable units at an off-site location within a 30-mile radius/west of Big Pine Key.

- **Fee-In-Lieu:** As an alternative to building a required affordable unit, a developer may pay a fee-in-lieu, which is determined by commercial floor area. Unlike the fee-in-lieu for residential inclusionary housing, there would not be a flat fee for each required unit; it would be different for different types of commercial development. For example, the fee-in-lieu for 10,000 square feet of new development would be $333,610 for commercial retail, $243,970 for industrial uses, and $784,920 for office uses.

- **Other Compliance Options:** As an alternative to building a required affordable unit, a developer may directly provide housing to employees.

3. WAIVERS FOR PERFORMANCE STANDARDS AND SITE PLAN REQUIREMENTS:

The amendment would provide certain allowances for properties that develop at least 40% of units as affordable, within the General Commercial, High Density Residential, Medium Density Residential, Medium Density Residential-1, Historic Residential Commercial Core-2 zoning districts:

- **"Non-Hardship Variances":** This amendment would allow the Planning Board to waive site and performance standards (like setbacks and parking) through a "non-hardship variance." The Code currently allows the Planning Board to grant variances these requirements if the request meets the variance criteria of Section 90-395. This amendment would allow the Planning Board to waive these requirements without meeting the Code's variance criteria:

    - **Setbacks**: Setbacks may be waived to five-feet, as long as the lot does not abut a single-family lot or zoning district not subject to these waivers
    - **Parking**: Parking may be reduced to 1 space per 2 units in the historic district, and 1 space per unit outside of the Historic District
    - **Landscaping:** Waive to the greatest extent practicable
    - **Impervious surface:** Waive to the greatest extent practicable
    - **Lot Coverage:** Waive to the greatest extent practicable
    - **Building Coverage:** Waive to the greatest extent practicable

- **Density**: Allows a density of 40 units per acre. Through the Live Local Act, Florida Statutes provides that developments with at least 40% affordable units would be able to have a density of 40 units per acre in all mixed-use districts in the City. This amendment would expand that to allow 40 units per acre in 3 residential zoning districts

- **Height:** Allows height of up to three stories on top of parking, plus additional height for pitched roofs, roof lines, parapets and elevator shafts.
- **Arts in Public Places:** The amendment would waive the Arts in Public Places requirement.

4. TRANSFER OF DEVELOPMENT RIGHTS (BPAS UNIT TRANFERS):

This portion of the amendment is not connected with any workforce housing requirements. It would allow for residential development rights to be transferred from one site to another. For example, a property that has a BPAS unit could transfer the right to develop that unit to another property.

CITY OF KEY WEST
Work Force Housing
Income, Rent and Sales Limits
2024

Maximum Income Limits					
Household Size	**Very Low 60%**	**Low 80%**	**Median 100%**	**Moderate 120%**	**Middle 140%**
1 Person	$ 50,138	$ 66,850	$ 83,563	$ 100,275	$ 116,988
2 Persons	$ 57,263	$ 76,350	$ 95,438	$ 114,525	$ 133,613
3 Persons	$ 64,463	$ 85,950	$ 107,438	$ 128,925	$ 150,413
4 Persons	$ 71,588	$ 95,450	$ 119,313	$ 143,175	$ 167,038
5 Persons	$ 77,325	$ 103,100	$ 128,875	$ 154,650	$ 180,425
6 Persons	$ 83,063	$ 110,750	$ 138,438	$ 166,125	$ 193,813
7 Persons	$ 88,800	$ 118,400	$ 148,000	$ 177,600	$ 207,200
8 Persons	$ 94,500	$ 126,000	$ 157,500	$ 189,000	$ 220,500

Maximum Monthly Rental Rates					
Unit Size	**Very Low 60%**	**Low 80%**	**Median 100%**	**Moderate 120%**	**Middle 140%**
Efficiency	$ 1045	$ 1,393	$ 1,741	$ 2,089	$ 2,437
1 Bedroom	$ 1193	$ 1,591	$ 1,988	$ 2,386	$ 2,784
2 Bedrooms	$ 1343	$ 1,791	$ 2,238	$ 2,686	$ 3,134
3 Bedrooms	$ 1491	$ 1,989	$ 2,486	$ 2,983	$ 3,480
4 Bedrooms	$ 1611	$ 2,148	$ 2,685	$ 3,222	$ 3,759

Maximum Sales Price					
Unit Size	**Very Low 60%**	**Low 80%**	**Median 100%**	**Moderate 120%**	**Middle 140%**
Efficiency	$ 125,344	$ 208,906	$ 292,469	$ 417,813	$ 543,156
1 bedroom	$ 143,156	$ 238,594	$ 334,031	$ 477,188	$ 620,344
2 bedrooms	$ 161,156	$ 268,594	$ 376,031	$ 537,188	$ 698,344
3 bedrooms	$ 178,969	$ 298,281	$ 417,594	$ 596,563	$ 775,531
4 bedrooms	$ 193,313	$ 322,188	$ 451,063	$ 644,375	$ 837,688

Per City Ord. Sec.122-1466 to Sec.122-1472

Income limits are published by the

United States Department of Housing and Urban Development

4/1/2024