

Palm Beach County

Workforce Housing Needs Assessment

Prepared for:

Housing Leadership Council of Palm Beach County, Inc.

Prepared by:

**Florida International University
Metropolitan Center**



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CREDITS

The Metropolitan Center at Florida International University:

The Metropolitan Center at Florida International University (FIU) delivers information and expertise to decision makers, community leaders and citizens as they seek to forge solutions to urban problems. The Center is engaged in the study of housing, demographics, economics and politics in South Florida. The overall goal of the Center, as an "applied research" institute, is to provide decision-makers with the best possible information to forge solutions to the problems confronting South Florida's urban areas. Toward that goal, the Center provides research, training, and technical assistance to governmental and nonprofit institutions in South Florida.

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EXECUTIVE SUMMARY

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 of Palm Beach County, Inc. (HLC/PBC). The purpose of the Housing Needs Assessment is to provide a quantitative study that will 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.

To this end, the FIU Metropolitan Center's approach was to:

- ▶ Prepare a comprehensive housing database and analysis designed to assist Palm Beach County in determining future housing policies and strategies;
- ▶ Combine economic and housing market analyses, utilizing the most current and reliable primary and secondary data sources; and
- ▶ Provide a clear and workable database that can be updated regularly.

The methodology used by the FIU Metropolitan Center in the research and preparation of the Palm Beach County Workforce Housing Needs Assessment is 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 attempts 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.

The study provides further evidence that the economic base of Palm Beach County and South Florida is largely supported by the nondurable service-providing industries. These industries currently comprise 87 percent of Palm Beach County's employment base. While the majority of these jobs are directly related to South Florida's tourism-based economy, recent economic growth in Palm Beach and South Florida has been fueled by unprecedented population growth. Growth in the Retail Trade, Health Care and Social Assistance, Administrative Support, and Waste Management and Construction industries are all directly attributed to the region's continued population growth.

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 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 include 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 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. At the core of the labor market are the primary jobs, those that consist of career professional and technical positions with livable wages and benefits, including teachers, nurses, police officers and firefighters. Surrounding the core primary jobs is the secondary labor market consisting of generally low-wage and unstable employment in the nondurable goods sector, including the consumer services areas of the local economy. 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.

The study determined that Palm Beach County and South Florida underwent an explosive three-year housing boom between 2003-2005 that resulted in a severe housing supply and demand imbalance. In the single-family housing market, the median house price-to-income ratio, a key economic indicator in assessing local market trends and vitality, increased from 5:1 to 7:1 during the three-year period, thereby outpacing other high priced metropolitan markets. Rapid appreciation created an inflationary housing market that opened substantial affordability gaps in many of Palm Beach County's municipalities based on existing household incomes.

The housing market imbalance is also evident in Palm Beach County's rental housing. The average rent in Palm Beach County is currently \$1,122 per month, which represents a 52% increase from 2000. Rent levels in municipalities with large concentrations of rental housing and workforce populations including West Palm Beach, Boynton Beach, Delray Beach, and Boca Raton are above the Palm Beach County average rent price. Of particular importance to Palm Beach County's leading industries and occupations, the current average rent price exceeds the affordability capacity of all households earning 80 percent or less of the area median income (AMI).

Home price appreciation is expected to decrease to more modest single digit levels, with estimates of 5-6 percent 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 an issue of concern. In fact, Palm Beach County's 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.

Palm Beach County's affordable housing shortage is largely due to several key factors, including inflationary housing values that far exceed the income of most County residents; the substantial loss of multi-family rental housing through condominium conversions and the overall decline in new housing construction. Other contributing factors include rising interest rates, increases in construction costs and materials and the increasing costs associated with homeownership (taxes, insurance, etc.).

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, vacancy rates and sharp decline in rental housing production.

Further, the high home value to income ratio is not likely to lower despite a recent decrease in median sale 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- and population growth-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 resident worker demand and current housing values.

Additionally, recent employment projections provided by the Florida Agency for Workforce Innovation (AWI) show an increase of 111,797 new jobs in Palm Beach County by 2013. This has significant housing demand implications, due to the direct correlation between the growth in the workforce age (20-64) population and current/future 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).

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. The following "key findings" highlight the important housing demand and supply factors that Palm Beach County will need to consider in order to effectively address its resident worker housing needs.

Key Findings

- ▶ Palm Beach County's median annual wage for all occupations is \$27,851.
- ▶ Service providing industries account for 87 percent of all jobs in Palm Beach County.
- ▶ According to the Florida Agency for Workforce Innovation (AWI), the largest growth in employment is expected to occur in Administrative Support & Waste Management, Remediation Services and Health Care and Social Assistance. The majority of the occupations associated with this employment earn less than \$30,000 annually.
- ▶ Palm Beach County has a housing supply imbalance that has been exacerbated by a 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.
- ▶ The substantial loss of Palm Beach County's rental housing supply as a result of condominium conversions coupled with the overall decline in rental housing production has resulted in record-low vacancy rates and soaring rent prices throughout the County.
- ▶ Only 17 percent of Palm Beach County's households earn more than \$100,000 annually.
- ▶ The housing affordability gap based on the current median sale price (\$392,900) of a single-family home in Palm Beach County is \$209,071.
- ▶ Approximately 90 percent of Palm Beach County's households would be unable to purchase a single-family home at the current median sale price.

- ▶ Municipalities within Palm Beach County with high concentrations of the resident workforce also have some of the largest affordability gaps, including Boca Raton, Delray Beach, Boynton Beach, Greenacres, and Palm Beach Gardens.
- ▶ Municipalities with high concentrations of Palm Beach County's resident workforce also show some of the highest appreciation rates (2004-2005) for single-family homes, including West Palm Beach (36%), Greenacres (31%), Lake Park (29%) and Delray Beach (28%).
- ▶ The affordable home purchase price is among the lowest in Palm Beach County's municipalities with largest concentrations of the workforce, including West Palm Beach,(\$134,146), Delray Beach (\$161,622) and Boynton Beach (\$147,772).
- ▶ Based on employment and occupations projections, Palm Beach County's future workforce housing demand (50-120% of AMI) will total approximately 98,000 units between 2005-2025.
- ▶ Future housing demand will consist of 28,906 units for households earning between 80-120% of AMI and 69,060 units for household earning less than 80% of AMI.
- ▶ Future housing demand will be greatest in municipalities with currently high concentrations of the resident workforce, including West Palm Beach (11,018 units), Boynton Beach (7,619 units), Royal Palm Beach (6,108 units) and Greenacres (5,727 units).

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INTRODUCTION AND METHODOLOGY

The housing market in Palm Beach County and Southeast Florida, like many metropolitan areas throughout the nation, is facing serious challenges. In recent years, rapidly escalating increases in housing values has threatened to make housing unaffordable for low and moderate-income households, as well as the working middle class. At the local level, many in both the public and private sectors have come to recognize the link between an adequate supply of affordable housing and sustainable economic growth. To develop this understanding and to move forward with real policies and solutions to address these housing issues, it is important for communities to assess the critical relationship between local housing supply and demand.

The growing housing affordability crisis has serious consequences:

- ▶ **First, we are putting Palm Beach County's economy at risk.** High housing costs make it difficult to fill jobs and discourages businesses from locating to or expanding in the area. Meanwhile, many young college graduates from our state college and university system are forced to pursue jobs in other areas of the country that have a lower cost of living. Based on this study's findings, this dynamic is already occurring.
- ▶ **Second, we are threatening the social fabric of our communities and neighborhoods.** Due to escalating housing costs, people cannot afford to maintain their existing community ties or live close to their jobs or extended families. Many of us could not even afford to buy our own homes at today prices.

Palm Beach County and its 37 municipalities are each challenged to respond to this affordable housing crisis by recognizing the critical role they play in housing policy and strategy formulation. This point is echoed in the recent "The State of the Nation's Housing 2006" report produced by the Joint Center for Housing Studies at Harvard University. The report states the following:

"In today's environment, perhaps the biggest housing challenge of all is to create the political will to make a more concerted assault on the nation's affordability problems. The fact that local business communities are beginning to make workforce housing a priority is a positive sign that this commitment may be developing. In addition, as the impacts of high housing costs and metropolitan sprawl increasingly affect the day-to-day lives of middle- and upper-income households, the voices calling for housing policy reform may become louder."

The report goes on to state that "making significant headway will be difficult without the combined efforts of all levels of government to expand housing subsidies, create incentives for the private sector to build affordable housing, institute land use policies that reduce the barriers to development and educate the public about the importance of affordable housing." Given the extreme housing market conditions that currently exists in Palm Beach County and Southeast Florida with respect to the mismatch between housing values and household incomes there is a need for bold solutions that will require the formation of working private-public partnerships and new levels of inter-governmental cooperation.

Defining Affordable Housing and Measuring Affordability

Housing affordability is generally defined as the capacity of households to consume housing services and, specifically, the relationship between household incomes and prevailing housing prices and rents. The standard most used by various units of government is that households

should spend no more than 30 percent of their income on housing. This is also the standard definition for housing programs administered by the Department of Housing and Urban Development (HUD) and most state programs, including various housing programs administered through the State of Florida's Housing Finance Corporation (FHFC) and Department of Community Affairs (DCA). However, this definition of housing affordability has its limitations because of the inability to determine whether households spend more than 30 percent of their income on housing by necessity or choice. Specifically, the definition does not consider that upper income and smaller households can afford to spend much more than 30 percent of their incomes on housing and still have enough income left over to satisfy other basic needs, whereas low income households that pay even 10 percent of their incomes on housing costs may be forced to forgo essential medical care and healthy food (The Brookings Institution, 2002).

Affordability Indices

One measure of housing affordability is the cost of homeownership, commonly conveyed through housing affordability indices. These indices generally indicate that affordability increased substantially toward the end of the last decade, primarily as a result of lower interest rates during that period. A housing affordability index for an area brings together the price and the income elements that contribute to housing affordability. The following describes the most recognized affordability indices:

- ▶ **National Association of Realtors (NAR) Index:** The most common index is that produced by the National Association of Realtors (NAR). The NAR index measures the ability of the median income household in an area to afford a median priced house. In addition to the median income and median house price in an area, the NAR index considers current mortgage interest rates, assumptions about the down payment required to purchase the median price home, and the maximum percentage of household income that can be spent on housing. An index of 100 indicates the typical (median) family in the area has sufficient income to purchase a single-family home selling at the median price (Shimberg Center for Affordable Housing, 2004)
- ▶ **Housing Opportunity Index:** The National Association of Home Builders (NAHB) has developed a Housing Opportunity Index, which is defined as the share of homes affordable for median household incomes for each metropolitan statistical area (MSA). The NAHB Index has certain intuitive limitations, however, as housing affordability scores are generally more favorable in metropolitan areas that are also rated as "least desirable places to live" according to Places Rated Almanac (Brookings Institution, 2002).

The "median house price-income ratio" used by the National Association of Realtors and other housing analysts is 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, Los Angeles and South Florida.

While housing affordability indices are useful tools, they typically examine affordability from only an ownership perspective. For households of lower income in a rapidly appreciating housing market, rent price increases have far exceeded growth in incomes, thus worsening the housing affordability problem.

Link between Economic Growth and Housing Need

Palm Beach County's housing affordability problem has widespread economic impacts, including a growing recognition of the important link between an adequate affordable housing supply and economic growth. Many of Florida's business sectors, including professional services, retail trade, and health care, are finding it increasingly difficult to attract and maintain workers for entry and mid-management positions. There is increasing evidence that working families have begun to move to locations which have more affordable housing, both in and outside the State of Florida.

Methodology and Scope of Study

The Palm Beach County Housing Needs Assessment was prepared by The Metropolitan Center at Florida International University (FIU) on behalf of the Housing Leadership Council of Palm Beach County, Inc. (HLC/PBC). The purpose of the Housing Needs Assessment is to provide a quantitative study that serves as a baseline for understanding and measuring Palm Beach County's housing supply and demand relationship and its impact on the economic sustainability of the county and its municipalities.

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Specifically, the study includes the following elements:

- ▶ **Housing Supply Analysis:** This section provides estimates of the current housing inventory/supply in Palm Beach County based on housing type, tenure, values and geographic sub-area.
- ▶ **Housing Demand Analysis:** This section examines current and projected workforce demand based on a labor market and economic base analysis, as well as population and household trends.
- ▶ **Housing Demand and Supply Assessment:** This section assesses the relationship between current and projected housing supply and demand and determines the level of impact on housing affordability and economic sustainability.

I. HOUSING SUPPLY ANALYSIS

The Housing Supply Analysis provides an assessment of the existing inventory of housing in Palm Beach County and its municipalities, including the condition of the housing stock, vacancy and absorption rates, housing values and development trends. For the purposes of this study, **housing inventory** is defined as the total number of housing units in the County, including occupied and unoccupied units. **Housing supply**, on the other hand, refers to the amount of units available for sale or rent at any given time.

Housing Inventory by Type

Inventory of Single-Family and Multi-Family Units

Since 2000, the housing inventory in Palm Beach County has increased by 13 percent, growing from 535,791 units to approximately 603,077 in 2006. Unincorporated Palm Beach County and West Palm Beach account for the majority of the housing inventory in Palm Beach County. These areas, along with Wellington, also reported the highest levels of growth since 2000. Multi-family housing (313,675 units) represents the majority of the county's housing inventory with the largest concentration (129,134 units) found in Unincorporated Palm Beach County.

Figure 1: 2006 Inventory of Single-family and Multi-family Units: Top Ranking Jurisdictions

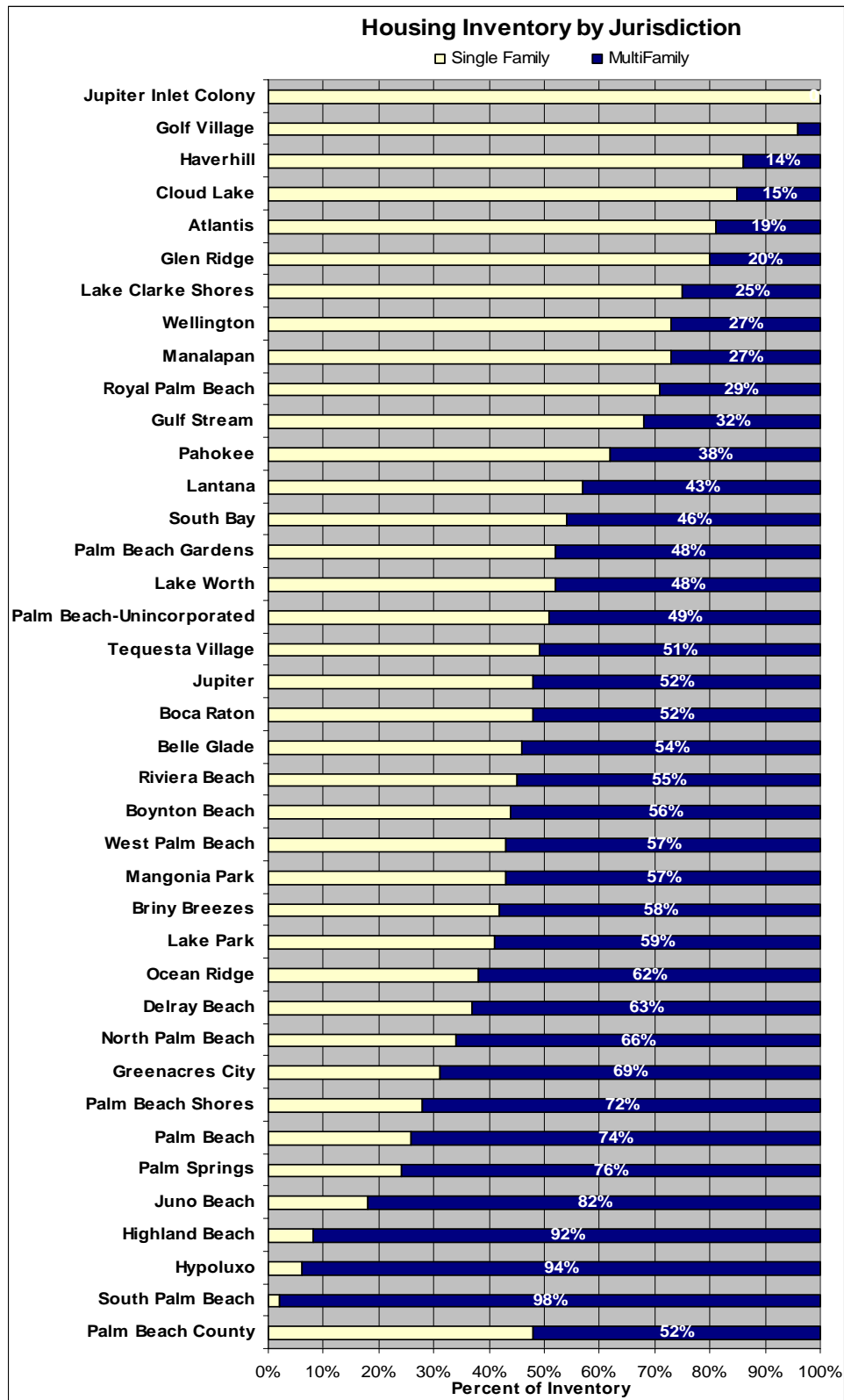
Total Inventory	Inventory	% of Palm Beach County Inventory
Palm Beach County	603,077	100.00%
Unincorporated	264,879	43.92%
West Palm Beach	47,432	7.86%
Boca Raton	39,270	6.51%
Delray Beach	33,563	5.57%
Boynton Beach	32,630	5.41%
Single-family Inventory		
Palm Beach County	289,402	100.00%
Unincorporated	135,745	46.91%
West Palm Beach	20,363	7.04%
Boca Raton	18,946	6.55%
Boynton Beach	14,401	4.98%
Wellington	14,265	4.93%
Multi-family Inventory		
Palm Beach County	313,675	100.00%
Unincorporated	129,134	41.17%
West Palm Beach	27,069	8.63%
Delray Beach	21,294	6.79%
Boca Raton	20,324	6.48%
Boynton Beach	18,229	5.81%

Source: Real Quest, 2006 and 2000 U.S. Census

Does not include mobile homes, boats and other housing structures.

As shown in Figure 2, the distribution of single-family and multi-family homes varies considerably among the municipalities in Palm Beach County. However, many of the highest concentrations (greater than 50 percent) of multi-family housing are located in the larger eastern municipalities, including Delray Beach, West Palm Beach, Boynton Beach and Boca Raton.

Figure 2: 2006 Housing Inventory by Jurisdiction



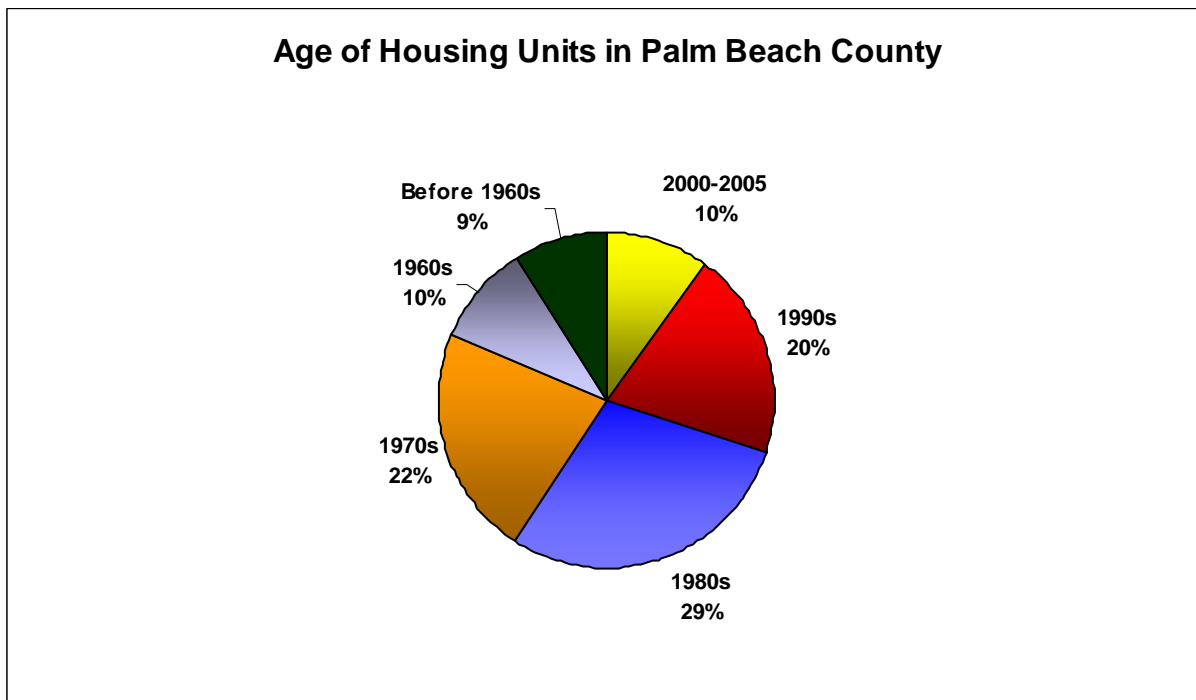
Source: Real Quest, 2006 and 2000 Census
Does not include mobile homes, boats and other

Condition of Existing Housing

Age of Housing

The age of a jurisdiction's housing is an important indicator in determining the overall condition of the housing stock. The assumption is that older housing units tend to require more repairs and upgrades than newer housing. Despite the level of growth and development over the past ten years, approximately 41 percent of Palm Beach County's housing units are now over 25 years old (Figure 3 below).

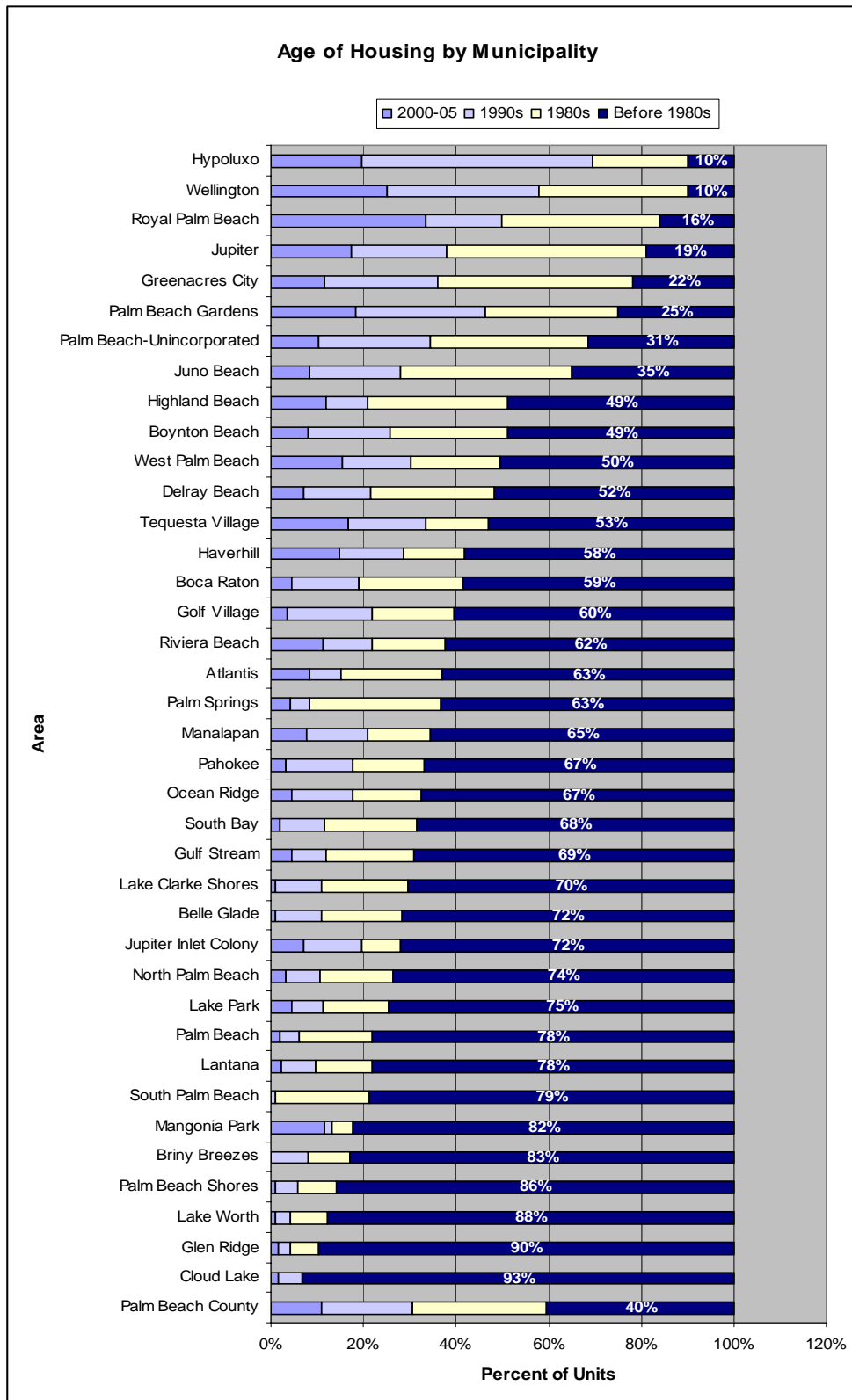
Figure 3: Age of Housing Units in Palm Beach County



Source: Real Quest, 2006 and 2000 U.S. Census

The distribution of older housing is significantly greater in municipalities than the County as a whole (See Figure 4). Many of the highest concentrations of the County's older housing stock are located in eastern Palm Beach County municipalities, such as Lake Worth, Lantana, and Lake Park, and the Glades communities of Belle Glade, South Bay and Pahokee.

Figure 4: Age of Housing Units by Municipality

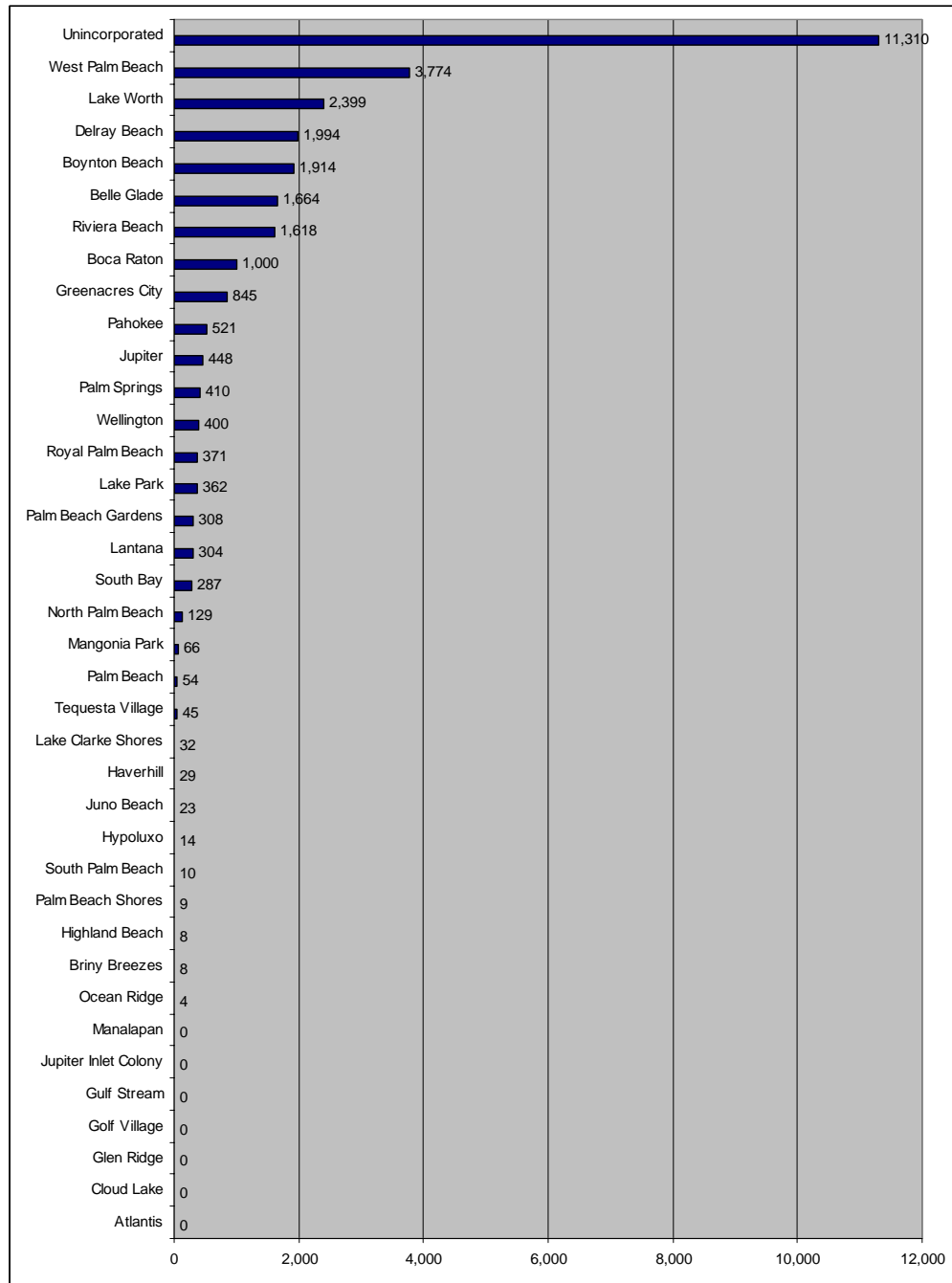


Source: Real Quest, 2006 and 2000 U.S. Census

Housing Problems and Substandard Housing

According to the U.S. Census, Palm Beach County had 30,360 substandard units in 2000. **Substandard units** are defined as existing housing with any of the following problems: lack of complete plumbing, lack of kitchen facilities, and/or overcrowding. Figure 5 reveals that the highest concentration of substandard housing is found in Unincorporated Palm Beach County (11,300 units). The largest concentrations of municipal substandard housing are found in the older eastern cities, including West Palm Beach (3,774 units) and Lake Worth (2,399).

Figure 5: Substandard Housing by Municipality: 2000



Source: 2000 U.S. Census

Housing Occupancy

Owner-occupied Units

According to the U.S. Census, approximately 400,047 units or 74.7 percent of Palm Beach County's occupied housing units are owner-occupied. The high level of homeownership is even more pronounced among municipalities, with half the cities demonstrating ownership rates higher than 70 percent (See Figure 6). The high levels of homeownership can be attributed to several factors, including the increase in single and condominium construction in the past ten years, low interest rates, a greater variety of mortgage options and government programs encouraging homeownership. Owner-occupancy levels are highest in the smaller "enclave" communities such as Atlantis, Manalapan and Golf Village. Contrastingly, owner-occupancy levels are the lowest in established eastern municipalities such as Lake Park, Lake Worth and Riviera Beach and the Glades communities of South Bay, Belle Glade and Pahokee.

Renter-occupied Units

Renters occupy approximately 135,771 units or 25.3 percent of the occupied housing units in Palm Beach County. However, there has been a notable loss of rental units in last few years as a result of condominium conversions. The vast majority of rental units (107,974 units) are located in Unincorporated Palm Beach County. The highest municipal concentrations are found in West Palm Beach (12,075 units), Delray Beach (7,002 units) Lake Worth (6,415 units) and Boca Raton (5,482 units).

Condominium Conversions

From 2005 to 2006, Palm Beach County lost 13,385 units or 10 percent of its rental inventory to condominium conversions. Such transactions call for multi-family rental properties to be renovated, converted to condominiums, and resold for a profit. The dramatic increase in condo conversions in recent years has been fueled by the large cash returns to both investors and rental property owners.¹ As shown in Figure 7, the municipalities that experienced the highest losses were West Palm Beach (4,514 units), Boca Raton (2,295 units) and Boynton Beach (2,201 units). The result has been the reduction of affordable rental housing options and increased market pressure on the remaining rental inventory. In recent months, however, some condo conversion projects have reverted to rental housing due to a slowing of sales in the condominium sales market.

Vacancy Rates

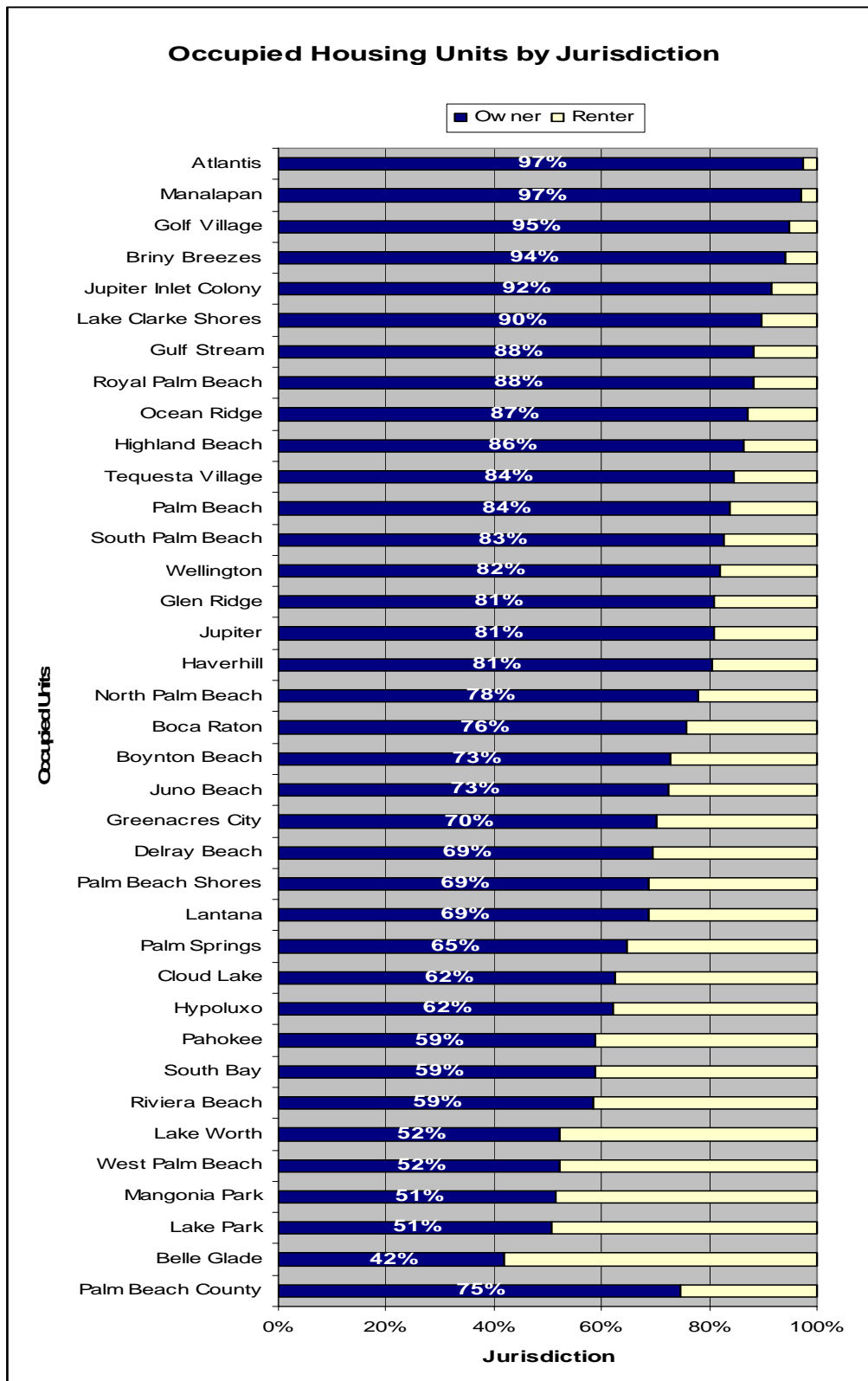
The vacancy rate for apartments in Palm Beach County is at an all time low. From 2003 to November 2005, the County's vacancy rate has declined from approximately 6 percent to 2.4 percent. The high level of condominium conversions in the past two years has been a major factor contributing to the current record low vacancy rates.

Absorption of Rental Units

Another major factor that has contributed to record low apartment vacancy rates in Palm Beach County has been the overall decline in rental housing construction (see Figure 8). Despite an annual demand of approximately 5,656 units in Palm Beach County, there were only 1,332 apartment units completed and a mere 450 units initiated as of the third quarter of 2005. As a result of the low supply in rental units, the County has less than a 1-month supply of new rental apartment units on the market at any given time. The average number of units absorbed per month in 2005 was 182 units.

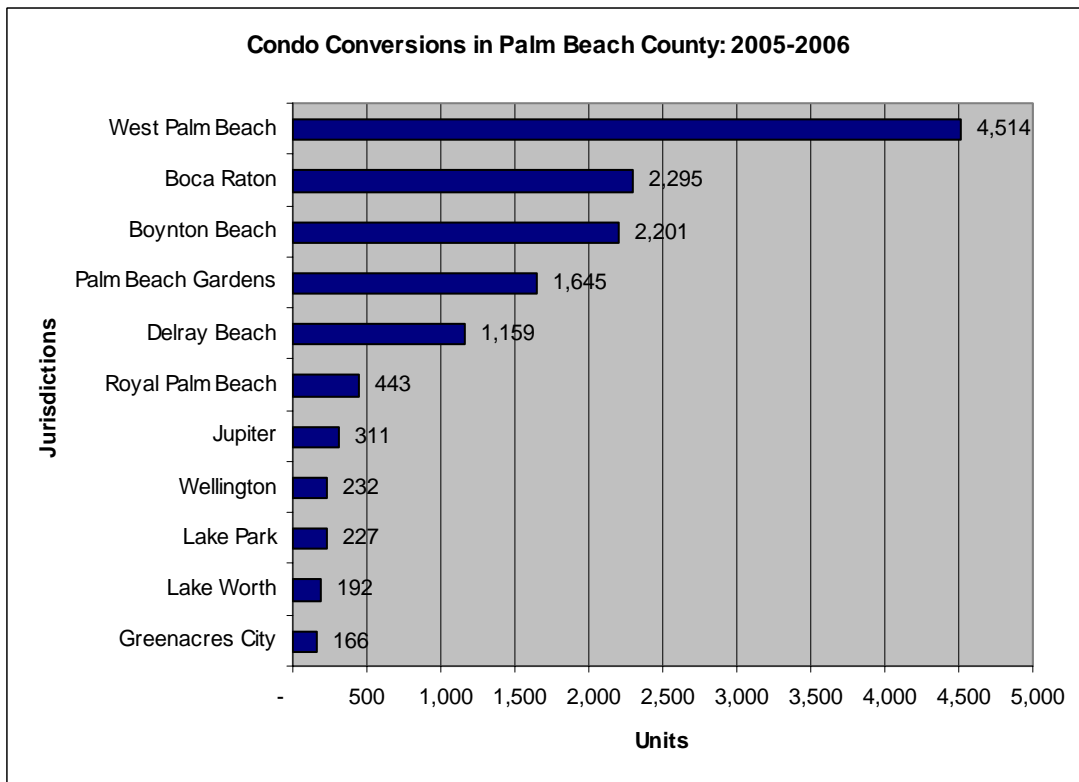
¹ Jow Gose. Condo Conversion Craze. National Real Estate Investor. June 1, 2004.

Figure 6: Owner-Occupied Units by Jurisdiction



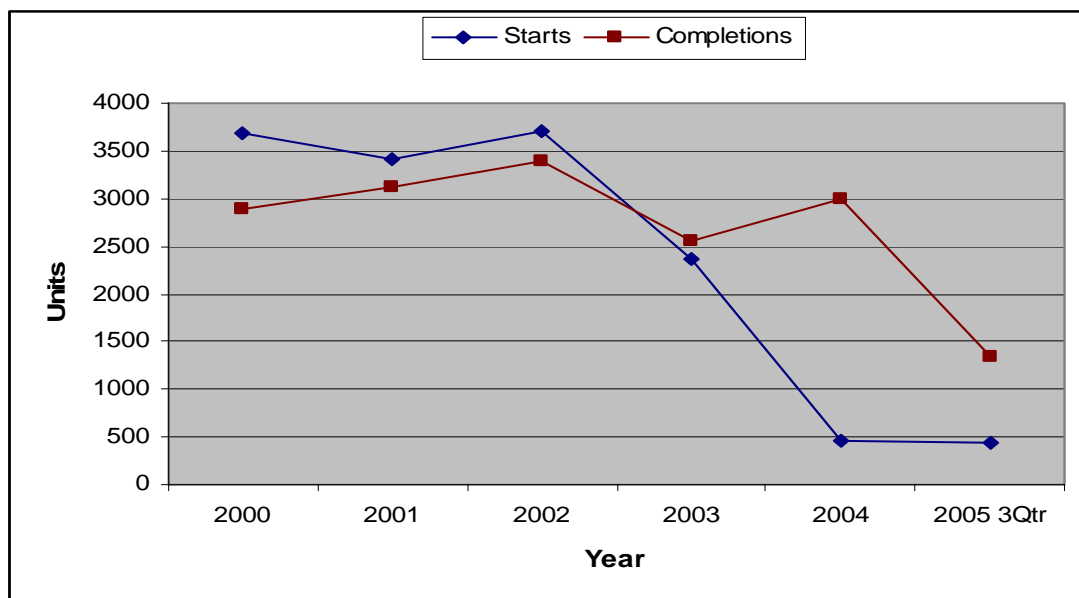
Source: 2000 U.S. Census and RealQuest, 2006

Figure 7: Condo Conversions by Municipality: 2005-2006



Source: Apartment Realtor Advisor and 2000 U.S. Census

Figure 8: New Rental Apartments: Starts and Completions from 2000-3rd Quarter 2005



Source: Palm Beach County Quarterly Housing Report: Fourth Quarter 2005. Reinhold P. Wolff Research, Inc.

Development Trends

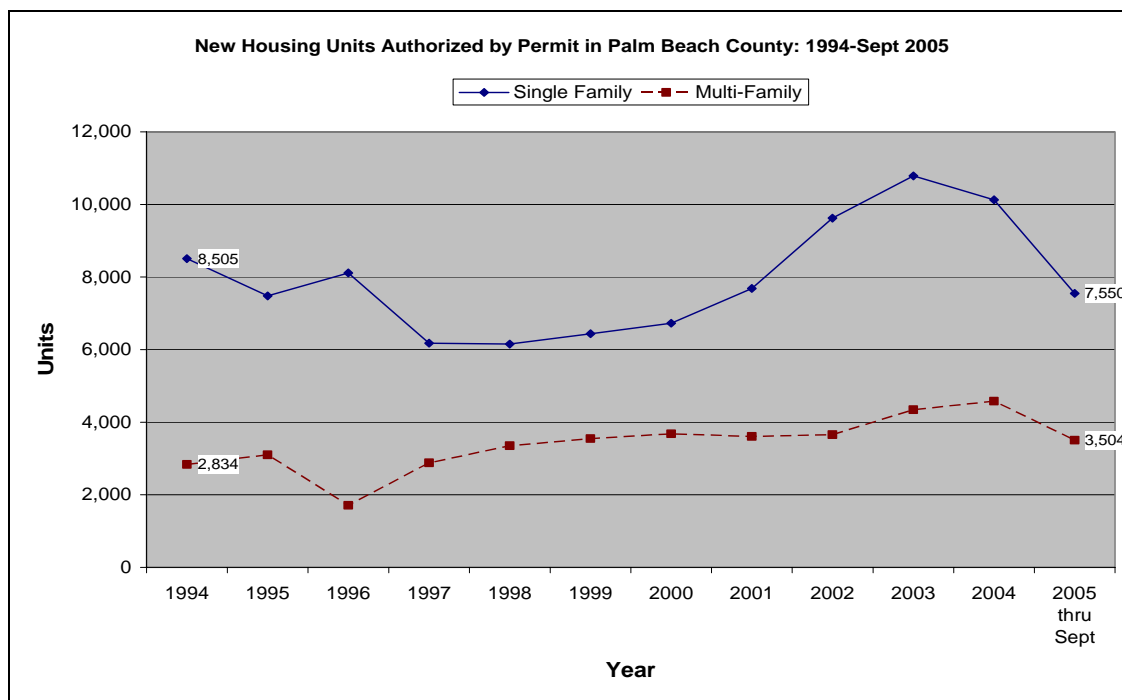
Housing Permits

Although Palm Beach County's housing inventory has grown steadily since 1997, the number of authorized building permits has declined in recent years. 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).

Palm Beach County's new housing construction (2000-2006) is comprised of 43,895 single-family and 16,723 multi-family units. Unincorporated Palm Beach County absorbed 55 percent (24,018 units) of the new single-family homes. Municipalities with the largest increases include Wellington (3,768 units), West Palm Beach (3,576 units), Royal Palm Beach (3,130 units), Palm Beach Gardens (2,483 units) and Jupiter (2,024 units). The largest increases in new multi-family units occurred in West Palm Beach (3,058 units), Unincorporated Palm Beach County (2,531 units), Jupiter (2,062 units), Boynton Beach (1,376 units) and Delray Beach (1,323 units).

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. From the third quarter of 2004 to the third quarter of 2005, single-family permit activity decreased by 6 percent. Multi-family permits experienced an even deeper 16 percent decline during this period.

Figure 9: New Housing Units Authorized by Permit in Palm Beach County: 1994-Sept 2005



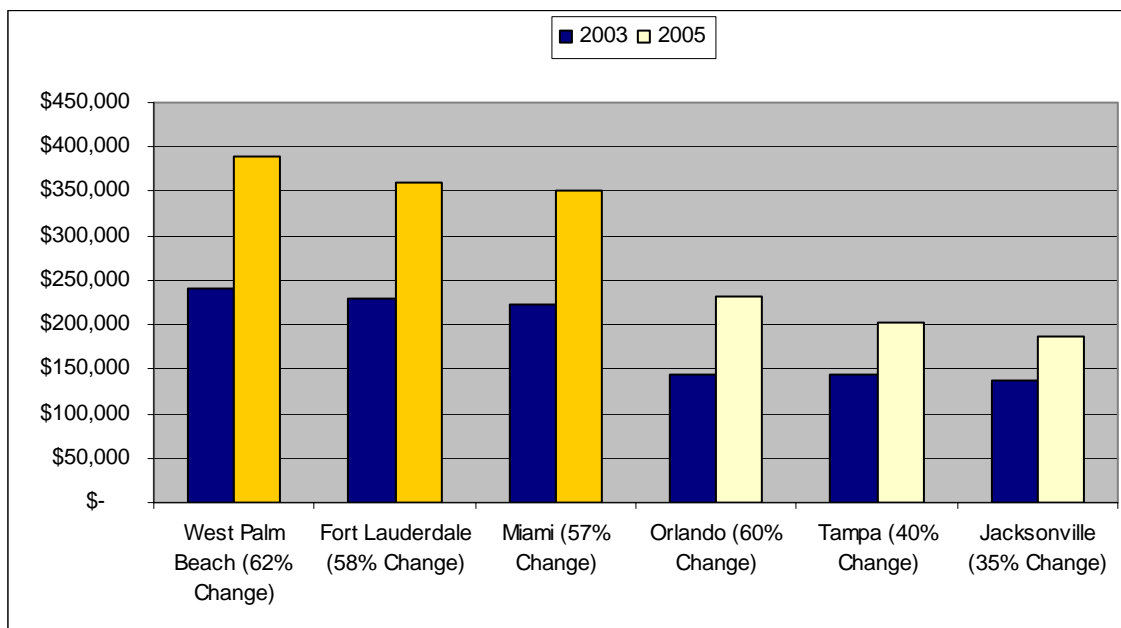
Source: Palm Beach County Quarterly Housing Report: Fourth Quarter 2005. Reinhold P. Wolff Research, Inc.

Real Estate Market

Owner Market

In the last three years, the growth in real estate values has been unprecedented at the national, state and local levels. The rapid increase in single-family home prices has been especially strong in the South Florida market. In fact, South Florida accounted for some of the highest appreciation rates in the nation and the State.²

Figure 10: Median Selling Price for a Single-family Home in Largest Metropolitan Statistical Areas (MSAs): Year End 2003 and 2005



Source: Florida Association of Realtors 2006

Single-Family

The median sales price for a single-family home in Palm Beach County increased from \$315,000 in 2004 to \$390,100 in 2005, an appreciation of 24 percent in one year. Individual municipalities show similar rates of appreciation ranging from 21 to 36 percent during this period. Current housing values for single-family homes 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 increase for single-family between 2003-2005. Double digit increases in median sale values are evident throughout Palm Beach County. The highest appreciation rates for single-family homes occurred in West Palm Beach (36%, \$329,950 median value), Royal Palm Beach (33%, \$365,000 median value) and Greenacres (31%, \$390,000 median value).

Condominiums/Townhouses

Condominium/townhouses have also experienced a considerable appreciation in real estate values. The median sales price for a condominium/townhouse in Palm Beach County increased

² Florida Association of Realtors' Sales Report for the Quarter ending December 2005

from \$165,000 in 2004 to \$215,000 in 2005, an increase of 30 percent. Except for a few variations, most municipalities experienced an appreciation rate between 25 to 45 percent.

Appreciation rates for condominiums between 2003-2005 soared in many municipalities, including Jupiter (71 percent/\$334,000 median value), Greenacres (43%, \$215,000 median value) and Lake Worth (34%, \$142,500 median value). During the third quarter of 2005, 38.9 percent (671 units) of all condominium sales were in the \$175,000-\$249,999 price range followed by 25.5 percent (441 units) of sales in the \$250,000-\$349,999 price range. During this quarter, the highest median sales prices for condominiums occurred in East Boca Raton (\$304,000) and West Palm Beach (\$300,000).

Figure 11: Median Sales Price by Jurisdiction: 2004-2005

	Single-family			Condominium		
	2004	2005	% Change	2004	2005	% Change
Palm Beach County	315,000	390,100	24%	165,000	215,000	30%
Mangonia Park	73,500	124,900	70%	---	75,000	---
Pahokee	60,500	102,500	69%	N/A	N/A	N/A
Palm Beach Shores	387,500	625,000	61%	264,250	349,000	32%
Ocean Ridge	830,000	1,225,000	48%	425,000	250,000	-41%
Atlantis	390,000	529,500	36%	166,000	225,000	36%
North Palm Beach	405,000	550,000	36%	245,500	275,000	12%
West Palm Beach	242,500	329,950	36%	125,000	164,000	31%
Royal Palm Beach	275,000	365,000	33%	165,935	202,900	22%
Greenacres City	297,500	390,000	31%	150,000	215,000	43%
Lake Park	179,900	232,500	29%	180,000	231,500	29%
Wellington	360,000	465,000	29%	193,750	249,000	29%
Delray Beach	363,500	465,000	28%	128,500	163,000	27%
Palm Beach Garden	398,250	510,000	28%	212,000	268,250	27%
Boynton Beach	274,000	349,000	27%	160,550	210,000	31%
Jupiter	387,750	484,000	25%	195,000	334,000	71%
Boca Raton	369,900	457,500	24%	177,000	235,000	33%
Highland Beach	3,435,000	4,268,000	24%	482,500	600,000	24%
Palm Springs	185,000	229,000	24%	76,000	150,000	97%
Palm Beach	415,000	512,000	23%	320,000	375,000	17%
Riviera Beach	129,700	160,000	23%	218,450	258,000	18%
Lantana	196,750	240,000	22%	190,000	190,000	0%
Lake Worth	253,500	308,000	21%	106,000	142,500	34%
Lake Clarke Shores	319,000	370,000	16%	152,000	219,000	44%
South Bay	62,180	68,450	10%	---	---	---
Belle Glade	65,500	70,500	8%	---	---	---
Haverhill	204,000	220,000	8%	---	127,000	---
Tequesta Village	401,000	412,000	3%	189,529	269,900	42%
Manalapan	2,726,000	2,395,000	-12%	419,000	---	---
Hypoluxo	1,292,500	787,500	-39%	247,500	320,000	29%
Jupiter Inlet Colony	1,915,000	972,500	-49%	---	---	---
Juno Beach	517,450	---	---	367,500	430,000	17%
South Palm Beach	---	---	---	272,000	396,000	46%

--- No sales reported for the year

Municipalities for which sales data was not available were not included on the list

Source: MLS

Market Trends

Nationwide and in South Florida, there is evidence that the rapid appreciation in both single-family homes and condominiums of the last few years has contributed to an oversupply of properties for sale, creating significant slowdowns in the market. Factors contributing to the slowdown in the housing market include inflationary housing values, rising interest rates, increases in construction costs, and building materials and the increasing costs associated with homeownership (taxes, insurance, etc.). These factors are indicative of an over priced housing markets.

Although there are signs that the housing market is slowing down, housing values are still escalating. As of March 2006, the median price of a single-family home in Palm Beach County was \$392,900, an increase of approximately 1 percent from March 2005. The median sales price of condominium/townhouses escalated from \$215,000 to \$220,200 during the same period. It is premature to determine what impact the slowdown in the market will have on the housing market. Sales trends in various housing sub-markets will need to be monitored closely over the next 1-2 years.

Rental Market

In addition to the surge in home sale prices, rental prices have also experienced a dramatic increase throughout South Florida. In 2000, the median rent for a two-bedroom apartment in Palm Beach County was \$700. In 2005, the rent for a two-bedroom unit was approximately \$1,122, an increase of 52 percent. At the municipal level, rent prices are significantly higher. Residential leases range from \$1,375 in Palm Springs to \$3,225 in the Town of Palm Beach.

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 households earning between 30-60% of the area median income (AMI), currently average \$774.00/month. The highest average rents in Palm Beach County are East Boca Raton (\$1,609) and Delray Beach (\$1,375). Rising rent prices are attributed to the low inventory of market rate multi-family rental housing and record low vacancy rates. This condition has been exacerbated by condominium conversions within the past year and the general decline in rental housing production over the last several decades.

II. EXISTING HOUSING DEMAND

Housing demand refers to the amount and type of residential property desired for purchase or rent in a given market at a given time. The elements that affect housing demand include growth and change in the labor market and industrial base, housing values, household income and population and household composition. Each of these key elements will be discussed in this section. The economic analysis begins with a discussion of Palm Beach County's existing labor market and economic base, including its major industries, occupational employment, and wage rates. Subsequent analysis is given to projected industry and employment growth, including the fastest growing occupations in Palm Beach County.

Labor Market and Economic Base

Local housing and labor markets are inextricably linked to one another. Essentially, industries are served by local housing markets that provide choices and opportunities for both existing and expanding labor markets. As such, the availability of an existing supply of various housing types and price levels must be maintained to address the housing demand of the variety of occupations that comprise the local industrial base.

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 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.

In order to effectively develop local policies and strategies that address the demand for workforce housing, Palm Beach County and its municipalities must first consider their larger economic development vision and goals and the relationship between housing supply and demand and the dynamics of the local labor market. Local labor markets are fairly structured and have a certain level of geographic arrangement that relates to housing supply and demand. Housing choice and affordability are key indices in determining the relative strength of this important supply and demand relationship.

Local labor markets are comprised of two major employment areas, primary and secondary, and several tertiary areas that include the job training and welfare segments of the labor market. For the purpose of this analysis, focus is given to the two major employment areas of Palm Beach County's labor market. At the core of the labor market are the primary jobs, those that consist of career professional and technical positions with livable wages and benefits. This level of employment is often associated with "knowledge-intensive" industries that offer significant opportunities for career mobility. Primary employment is generally found in Central Business Districts (CBDs) and office parks located within larger metropolitan areas including suburban locations. Surrounding the core primary jobs is the secondary labor market that consists of generally low-wage and unstable employment in the nondurable goods sector, including the consumer service areas of the local economy. Secondary employment is generally scattered throughout a city and the larger metropolitan area.

The economic base of Palm Beach County and South Florida is largely supported by the non-durable service providing industries. These industries currently comprise 87% of Palm Beach County's employment base. While the majority of these jobs are directly related to South Florida tourism, recent economic growth in Palm Beach and South Florida has been fueled by unprecedented population growth. Growth in Retail Trade, Health Care and Social Assistance, Administrative Support and Waste Management and Construction industries are all directly attributed to the region's continued population growth. Together, these industries comprise the economic base of Palm Beach County and all of South Florida.

The most recent 2004 *County Business Patterns* (Figure 12) clearly shows that Palm Beach County's major industry employers are found in the service providing sectors of the economy, including Retail Trade (72,924), Health Care and Social Assistance (63,556), Accommodation and Food Services (52,317); and Administrative Support & Waste Management, Remediation Services (40,989), followed by Professional, Scientific & Technical Services (36,530) and Construction (35,752). In total, these industries alone comprise 302,068 jobs or 64% of Palm Beach County's employment base.

Figure 12: Major Industry Employers Palm Beach County: 2000-2004

Industry	2000 Employees	2004 Employees	2000-2004 Change	% Change
Total Employees	448,651	470,989	22,338	5%
Retail Trade	67,135	72,924	5,789	9%
Health Care & Social Assistance	59,041	63,556	4,515	8%
Accommodation & Food Services	42,247	52,317	10,070	24%
Administrative Support & Waste Management, Remediation Services	58,161	40,989	(17,172)	(30%)
Professional, Scientific & Technical Services	29,019	36,530	7,511	26%
Construction	29,643	35,752	6,109	21%

Source: County Business Patterns, 2000-2004

The most recent employment data for Palm Beach County released by the Florida Agency for Workforce Innovation (AWI) shows the most significant growth continuing within the same major industries (see Figure 13). A closer look at industry sub-sectors shows that for the 2005-2006 reporting period, employment growth was strongest in Employment Services (9.5 percent), General Merchandise (7.8 percent), Ambulatory Health Care Services (6.8 percent) and Administrative and Waste Management Services (6.5 percent).

Figure 13: Nonagricultural Employment in Florida: West Palm Beach, Boca Raton, Boynton Beach MD

Industry Title	Total Employment		Change from	
	April	April	Apr 2005 to	
	2006	2005	Number	%
Total Nonagricultural Employment	592,000	575,500	16,500	2.9%
Total Private	525,500	509,200	16,300	3.2%
Goods Producing	63,000	61,100	1,900	3.1%
Construction	43,800	41,800	2,000	4.8%
Specialty Trade Contractors	25,800	25,400	400	1.6%
Manufacturing	19,100	19,300	-200	-1.0%
Service Providing	529,000	514,400	14,600	2.8%
Private Service Providing	462,500	448,100	14,400	3.2%
Trade, Transportation, and Utilities	105,000	103,000	2,000	1.9%
Wholesale Trade	22,300	22,200	100	0.5%
Retail Trade	72,500	70,900	1,600	2.3%
Food and Beverage Stores	15,000	15,300	-300	-2.0%
General Merchandise Stores	12,400	11,500	900	7.8%
Transportation, Warehousing, and Utilities	10,200	9,900	300	3.0%
Information	10,900	11,000	-100	-0.9%
Financial Activities	40,600	39,400	1,200	3.0%
Finance and Insurance	24,900	24,700	200	0.8%
Depository Credit Intermediation	8,000	7,600	400	5.3%
Professional and Business Services	129,100	122,900	6,200	5.0%
Professional and Technical Services	37,200	36,500	700	1.9%
Management of Companies and Enterprises	8,900	8,500	400	4.7%
Administrative and Waste Services	83,000	77,900	5,100	6.5%
Employment Services	52,900	48,300	4,600	9.5%
Education and Health Services				
Ambulatory Health Care Services	32,900	30,800	2,100	6.8%
Hospitals	16,700	16,700	0	0.0%
Leisure and Hospitality	73,700	71,300	2,400	3.4%
Accommodation and Food Services	57,000	54,800	2,200	4.0%
Accommodation	11,200	10,700	500	4.7%
Food Services and Drinking Places	45,800	44,100	1,700	3.9%
Other Services	26,000	25,400	600	2.4%
Total Government	66,500	66,300	200	0.3%
Federal	6,200	6,200	0	0.0%
State	9,200	9,200	0	0.0%
Local	51,100	50,900	200	0.4%

Source: Florida Agency for Workforce Innovation: Employment by Industry, 2006

The Florida Agency for Workforce Innovation's (AWI) most recent *Quarterly Census of Employment & Wages* (QCEW-ES-202, 3rd Quarter, 2005) for Palm Beach County provides annual salaries and wages for all industries. According to the employment and wage census, average annual wages in Palm Beach County ranged from a low of \$18,212 (51,097 jobs) in Accommodation and Food Services to \$58,932 (34,446 jobs) in Professional, Scientific & Technical Services. However, the bulk of employment was found in Retail Trade (69,039 jobs/\$27,704 annual wage) followed by Health Care and Social Assistance (67,887 jobs/\$42,876 annual wage) and Administrative Support & Waste Management & Remediation Services (59,632

jobs/\$29,976 annual wage). Employment in Local Government in Palm Beach County accounted for 46,796 jobs, with an average annual wage of \$40,812.

However, a closer look at “occupational” employment and wages for Palm Beach County by ‘occupation category” and “hourly wage” provides a more telling picture of the local workforce. The 2004 Labor Market Statistics report produced by the Florida AWI indicates the specific “occupations” found within the broader industrial classifications shown above. The Labor Market Statistics report provides total employment figures and 2005 hourly wage estimates for all occupations, including mean, median, entry- and experienced- level wage rates.

Figure 14 indicates that Palm Beach County’s largest occupational employment is found in retail and services. These occupations generally have low entry and median hourly wage rates. In fact, many of the occupations that comprise Palm Beach County’s major employment base – retail sales persons (22,570 jobs/\$10.55 median hourly wage), office clerks (13,510 jobs/\$10.59 median hourly wage), cashiers (13,430 jobs/\$8.17 median hourly wage), waiters and waitresses (13,070 jobs/\$6.85 median hourly wage) – are also represent the bottom of the occupation wage scale.

Figure 14: Top Occupational Employment: 2006 Wage Estimates

Occupation	Total Employed	Median Hourly Wage	Median Annual Wage
Retail Salespersons	22,570	\$10.55	\$21,944
Office Clerks, General	13,510	\$10.59	\$22,027
Cashiers	13,430	\$8.17	\$16,993
Waiters and Waitresses	13,070	\$6.85	\$14,258
Landscaping and Grounds keeping Workers	11,150	\$8.79	\$18,283
Registered Nurses	11,120	\$27.99	\$58,219
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	9,970	\$8.48	\$17,638
Laborers and Freight, Stock, and Material Movers, Hand	9,400	\$8.34	\$17,347
Customer Service Representatives	9,050	\$13.58	\$28,246
Bookkeeping, Accounting, and Auditing Clerks	8,890	\$15.07	\$31,346

Source: Florida Agency for Workforce Innovation, Occupational Employment and Wages, 2006

The above occupational employment and wage statistics indicate that Palm Beach County’s labor market structure is largely skewed toward the secondary labor market (low wage retail and service sector occupations). As previously noted, these low-wage occupations offer little in terms of benefits, job security and career mobility. However, these occupations represent the industries that comprise Palm Beach County’s economic base and, as such, must have access to an adequate supply of housing types at affordable price levels.

Household Composition and Household Income

Very Low to Moderate Income Households

Generally, very low-, low- and moderate-income households are categorized based on the area median income (AMI). The area for the purposes of this study is Palm Beach County. The following describes the income limits for each category:

- **Low-Income:** Below 50% of the median for the area
- **Moderate-Income:** Between 51-80% of the median for the area
- **Middle-Income:** Between 81-120% of the median for the area

Figure 15 identifies the number of low- and moderate- income households in Palm Beach County. As indicated, in 2005 approximately 39 percent of households in the County were found to be within the low- to moderate-income categories.

When analyzed by tenure, the data reveals that 56 percent of renter households in Palm Beach County are low-to-moderate-income (less than 80 percent of AMI) compared to 33 percent of owner households.

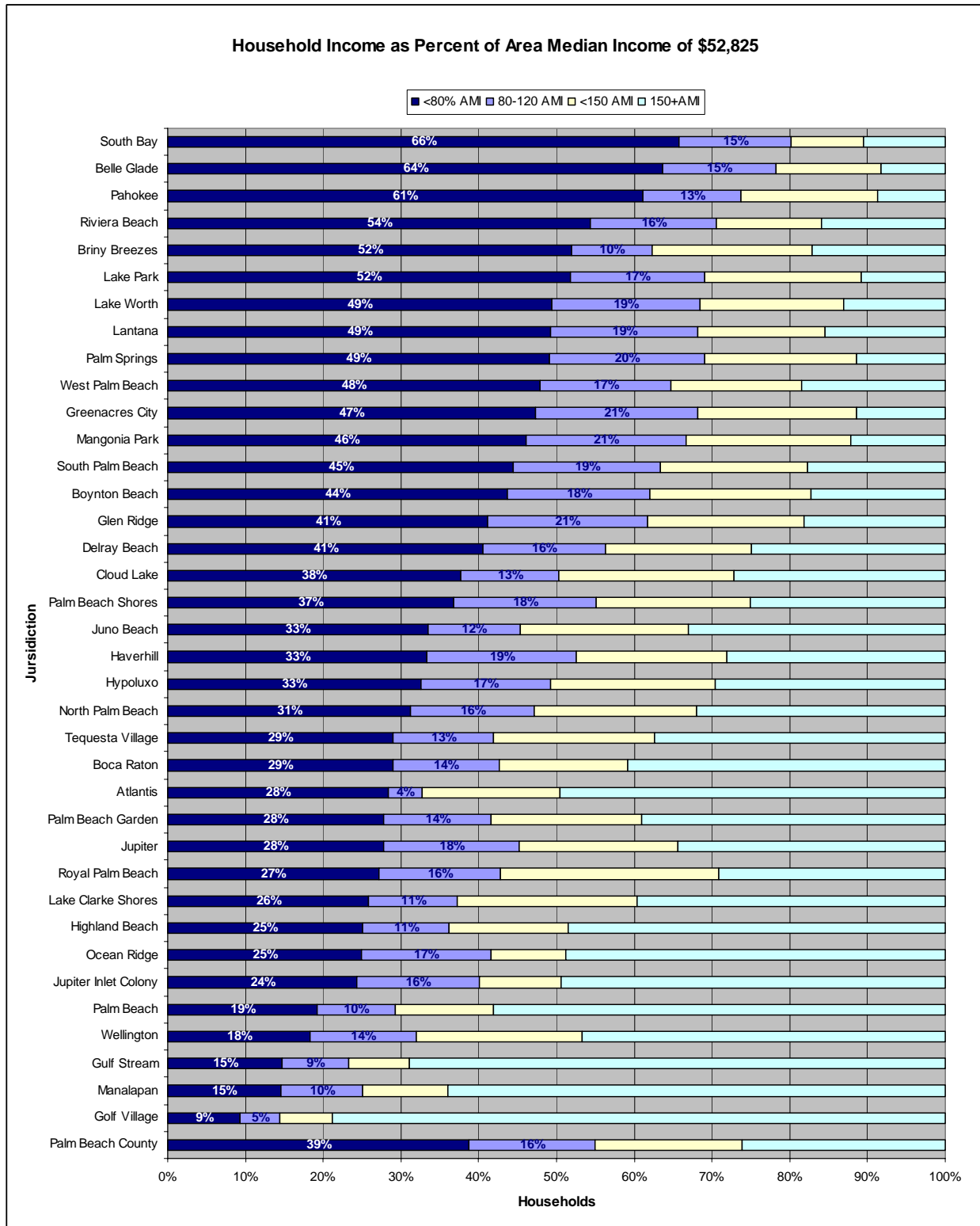
**Figure 15: Tenure by Household Income as Percent of Area Median Income:
2005 Area Median Income (AMI): 52,825***

Tenure	Household Income	Housing Units	%
Owner-occupied Housing Units			
Low Income: <50% AMI	25,884	61,700	15%
Moderate Income: <80% AMI	41,732	69,321	17%
Middle Income: <120% AMI	62,862	62,908	16%
High Income: <150% AMI	78,709	80,436	20%
High Income: 151% + AMI	78,709+	125,682	31%
	Total	400,047	100%
Total Low to Moderate Income	41,732 or Less	131,021	33%
Renter-occupied Housing Units			
Low Income: <50% AMI	25,884	42,689	31%
Moderate Income: <80% AMI	41,732	33,941	25%
Middle Income: <120% AMI	62,862	24,006	18%
High Income: <150% AMI	78,709	20,564	15%
High Income: 151% + AMI	78,709+	14,571	11%
	Total	135,771	100%
Total Low to Moderate Income	41,732 or Less	76,630	56%
Total			
Low Income: <50% AMI	25,884	104,389	19%
Moderate Income: <80% AMI	41,732	103,262	19%
Middle Income: <120% AMI	62,862	86,914	16%
High Income: <150% AMI	78,709	100,999	19%
High Income: 151% + AMI	78,709+	140,253	26%
	Total	535,818	100%
Total Low to Moderate Income	41,732 or Less	207,651	39%

Source: 2000 U.S. Census
Adjusted for inflation and housing growth.

The concentrations of low- and moderate-income households become more visible when viewed at the municipal level. As shown in Figure 16, the highest concentrations of poorer households are found in the Glades communities of South Bay (66 percent low and moderate), Belle Glade (64 percent low and moderate), Pahokee (61 percent low and moderate), and many of the older eastern cities, including Riviera Beach (54 percent low and moderate), Lake Worth (49 percent low and moderate) and West Palm Beach (48 percent low and moderate).

Figure 16: Household Income as Percent of Area Median Income by Municipality



Source: Metropolitan Center

Affordability Gap and Cost Burden

Given the disparity between incomes and housing prices discussed above, it is important that a “Housing Affordability Gap Analysis” be performed to determine the extent of workforce housing demand. For the purpose of this study, **workforce** is defined as households that earn 120 percent of the AMI or less, as these are the households most likely to be cost burdened by the existing housing prices. It is important to note, however, that cost burden is also evident at the 120-150 percent AMI range though, as shown, very few occupations fall within this income.

The following section provides a Housing Affordability Gap Analysis. The analysis is also performed by target workforce occupations. **Housing affordability** is defined as housing costs that do not exceed 30 percent of monthly gross income. The computation for the housing affordability was performed using the median sales price for a single-family home and a condominium/town home in relation to the median household income or annual occupational wage. Favorable financing terms are applied (Fixed 30-year mortgage at 6.2 percent interest with a 5 percent down-payment) with taxes and insurance included. Debt ratios are not factored into the housing affordability calculations.

It is important to note that municipalities with a median income over 150 percent of the AMI and with populations of less than 5,000 people were not included in the affordability gap analysis. These municipalities are largely comprised of small wealthy “enclaves” with a small number of home sales. Figure 17 and Figure 18 list separately the enclave communities and “general municipalities” with pertinent information regarding housing inventory, household income, population and residential sales values.

Figure 17: Enclaves (Municipalities with incomes higher than 120% of the AMI and populations of 5,000 or less), AMI=\$52,825

Place	2000 Single-family + Multi-family	2000-06 Single-family + Multi-family	Total Housing Units	2006 Median Household Income (2000 Adjusted for inflation)	Population Projection 2005	Median Sale Price Condo/TH	Median Selling Price Single-family Home
Wealthy (Over 150% AMI)							
Golf Village***	136	5	141	\$234,454	225	N/A	N/A
Gulf Stream***	605	29	634	172,306	722	N/A	N/A
Manalapan**	262	22	284	149,838	321	N/A	2,651,700
Highland Beach****	3,618	486	4,104	85,562	4,153	775,000	4,134,000
Atlantis**	1,177	109	1,286	83,253	2,208	225,000	525,000
Ocean Ridge**	1,446	70	1,516	82,791	1,633	250,000	1,300,000
High Income (121-150 AMI)							
Jupiter Inlet Colony****	242	18	260	77,297	378	N/A	487,500
Lake Clarke Shores**	1,466	14	1,480	71,892	3,470	225,000	409,000
Cloud Lake****	59	1	60	65,207	170	N/A	N/A
Juno Beach****	2,279	228	2,507	64,783	3,805	425,000	552,450

Source: MLS, RealQuest, 2006 and 2000 U.S. Census

*Due to low amount of Single-Family sales, median price was calculated based on sales from Jan 2005 to March 2006

**No sales of Single-Family homes as of March 2006

***Single-Family Median based on sales from Jan to March 2006

+ Due to low amount of Condominiums/Town home sales, median price was calculated based on sales from Jan 2005 to March 2006

** No sales Condominiums/Town homes as of March 2006

*** Condominium/Town home Median based on sales from Jan to March 2006

Figure 18: General Municipalities: (Municipalities with incomes at or below 120% of the AMI and populations of over 5000), AMI=\$52,825

Place	2000 Single-family + Multi-family	2000-06 Single-family + Multi-family	Total Housing Units	2006 Median Household Income (2000 Adjusted for inflation)	Population Projection 2005	Median Sale Price Condo/TH	Median Selling Price Single-family Home
Wealthy (Over 150% AMI)							
Palm Beach*	9,897	208	10,105	110,852	9,257	439,900	572,500
Wellington	14,667	4,968	19,635	82,376	47,973	273,500	470,000
High Income (121-150 AMI)							
Boca Raton	37,559	1,711	39,270	70,626	77,818	265,000	510,000
Palm Beach Gardens	17,554	4,088	21,642	70,073	39,347	275,000	549,900
Tequesta Village	2,784	563	3,347	68,958	5,450	288,750	615,000

Place	2000 Single-family + Multi-family	2000-06 Single-family + Multi-family	Total Housing Units	2006 Median Household Income (2000 Adjusted for Inflation)	Population Projection 2005	Median Sale Price Condo/TH	Median Selling Price Single-family Home
Jupiter	20,610	4,458	25,068	64,410	46,488	361,000	487,500
Royal Palm Beach	8,112	4,063	12,175	64,200	28,513	219,950	371,000
Middle Income (81-120% AMI)							
North Palm Beach	7,322	242	7,564	62,321	12,517	276,500	530,000
Haverhill***	526	92	618	59,377	1,594	N/A	N/A
Hypoluxo**	1,560	397	1,957	58,946	2,919	250,000	N/A
Palm Beach Shores**	1,170	10	1,180	55,438	1,298	349,500	627,000
Delray Beach	31,180	2,383	33,563	50,842	64,250	205,000	479,000
Boynton Beach	29,995	2,635	32,630	46,709	66,382	233,750	350,000
Glen Ridge***	115	2	117	46,304	283	N/A	N/A
South Palm Beach***	915	0	915	46,158	1,807	369,000	N/A
Greenacres City**	13,485	1,876	15,361	43,304	31,873	215,000	375,000
West Palm Beach	40,029	7,403	47,432	43,109	45,868	209,750	310,000
Palm Springs*	5,946	257	6,203	42,232	13,709	195,000	246,450
Lantana**	4,256	108	4,364	41,785	9,530	215,000	235,500
Moderate Income (51-80% AMI)							
Briny Breezes***	59	0	59	40,540	410	N/A	N/A
Lake Park**	3,498	167	3,665	39,837	9,014	231,500	237,100
Mangonia Park****	490	65	555	38,526	1,402	N/A	N/A
Riviera Beach†	13,672	1,822	15,494	37,642	31,905	264,000	190,000
Lake Worth	15,336	176	15,512	35,207	36,279	149,000	310,000
Pahokee**	1,429	61	1,490	31,335	5,963	N/A	110,000
South Bay***	843	19	862	27,616	2,572	N/A	N/A
Belle Glade***	5,094	49	5,143	26,628	14,587	N/A	73,000

Source: MLS, RealQuest, 2006 and 2000 U.S. Census

*Due to low amount of Single-Family sales, median price was calculated based on sales from Jan 2005 to March 2006

**No sales of Single-Family homes as of March 2006

***Single-Family Median based on sales from Jan to March 2006

+ Due to low amount of Condominiums/Town home sales, median price was calculated based on sales from Jan 2005 to March 2006

** No sales Condominiums/Town homes as of March 2006

*** Condominium/Town home Median based on sales from Jan to March 2006

Affordability Gap by Owner Households

Housing affordability calculations reveal a substantial “affordability gap” for single-family homes in Palm Beach County with affordability gaps ranging from \$18,000 to \$447,430. 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, most notably, West Palm Beach, Palm Beach Gardens, Riviera Beach, Greenacres and Boynton Beach. 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 is striking. 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.

Although there may be relatively lower home sale prices in some sub-markets, depressed single-family home values within a larger inflationary market should be viewed with caution. Depressed housing values are usually indicative of substandard housing conditions or other neighborhood-related factors.

Figure 19: Affordability Gap for Single-family Homes by Municipality

Single-family Homes					
Area	2005 Median HH Income	Affordable Home Price @ Median	Median Selling Price	Number of Sales in 2006	Affordability Gap @ Median
Palm Beach County	\$52,825	\$183,429	\$392,900	---	(\$209,471)
Belle Glade*	26,628	75,149	73,000	15	2,149
Boca Raton***	70,626	238,580	510,000	365	(271,420)
Boynton Beach***	46,709	147,772	350,000	265	(202,228)
Briny Breezes**	40,540	131,387	N/A	N/A	N/A
Delray Beach	50,842	161,622	479,000	143	(317,378)
Glen Ridge**	46,304	152,687	N/A	N/A	N/A
Greenacres City*	43,304	137,983	375,000	22	(237,017)
Haverhill**	59,377	190,406	N/A	N/A	N/A
Hypoluxo**	58,946	199,096	N/A	N/A	N/A
Jupiter***	64,410	215,181	487,500	130	(272,319)
Lake Park*	39,837	120,684	237,100	68	(116,416)
Lake Worth***	35,207	106,156	310,000	273	(203,844)
Lantana*	41,785	130,937	235,500	206	(104,563)
Mangonia Park**	38,526	127,937	N/A	N/A	N/A
North Palm Beach*	62,321	204,332	530,000	115	(325,668)
Pahokee*	31,335	92,000	110,000	14	(18,000)
Palm Beach*	110,852	374,431	572,500	80	(198,069)
Palm Beach Garden***	70,073	232,255	549,900	153	(317,645)
Palm Beach Shores*	55,438	179,580	627,000	12	(447,420)
Palm Springs*	42,232	134,861	246,450	56	(111,589)
Riviera Beach***	37,642	114,201	190,000	45	(75,799)
Royal Palm Beach***	64,200	216,866	371,000	102	(154,134)
South Bay**	27,616	78,628	N/A	N/A	N/A
South Palm Beach**	46,158	146,660	N/A	N/A	N/A
Tequesta Village*	68,958	226,817	615,000	15	(388,183)

Single-family Homes					
Area	2005 Median HH Income	Affordable Home Price @ Median	Median Selling Price	Number of Sales in 2006	Affordability Gap @ Median
Wellington***	82,376	276,336	470,000	130	(193,664)
West Palm Beach***	43,109	134,146	310,000	330	(175,854)

*Due to the low amount of sales, the median sales price was calculated based on sales from Jan 2005 to March 2006.

**No sales as of March 2006

*** Median based on sales from Jan to March 2006

The affordability gaps for condominiums and town houses in Palm Beach County are less than the gaps for single-family homes, ranging from a low of \$3,084 to a high of \$216,448. 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 AML. Affordability gaps within the condominium market are also widespread, but not as extreme as the single-family market. Affordability gaps exist in 20 municipalities and, excluding the County's enclave communities, the largest gaps are found in Riviera Beach (\$143,907), Jupiter (\$143,422), Palm Beach Gardens (\$89,528), Boynton Beach (\$80,097) and West Palm Beach (\$69,713).

Figure 20: Affordability Gap for Condo/Town House by Municipality

Condo/Townhouse					
Area	2005 Median HH Income	Affordable Home Price @ Median	Median Selling Price	Number of Sales in 2006	Affordability Gap @ Median
Palm Beach County	\$52,825	\$184,935	\$220,200	--	(\$35,265)
Belle Glade**	26,628	81,040	N/A	N/A	N/A
Boca Raton***	70,626	238,580	265,000	428	(26,420)
Boynton Beach***	46,709	153,663	233,750	210	(80,087)
Briny Breezes**	40,540	136,942	N/A	N/A	N/A
Delray Beach***	50,842	167,514	205,000	276	(\$37,486)
Glen Ridge**	46,304	156,424	N/A	N/A	N/A
Greenacres City*	43,304	143,874	215,000	29	(71,126)
Haverhill**	59,377	196,298	N/A	N/A	N/A
Hypoluxo***	58,946	199,096	250,000	11	(50,904)
Jupiter***	64,410	217,578	361,000	100	(143,422)
Lake Park*	39,837	126,576	231,500	76	(104,924)
Lake Worth***	35,207	112,061	149,000	146	(36,939)
Lantana*	41,785	136,828	215,000	98	(78,172)
Mangonia Park**	38,526	133,828	N/A	N/A	N/A
North Palm Beach***	62,321	210,224	276,500	44	(66,276)
Pahokee**	31,335	97,892	N/A	N/A	N/A
Palm Beach***	110,852	374,431	439,900	45	(65,469)
Palm Beach Garden***	70,073	185,472	275,000	100	(89,528)
Palm Beach Shores*	55,438	185,472	349,500	14	(164,028)
Palm Springs***	42,232	140,753	195,000	26	(54,247)
Riviera Beach*	37,642	120,093	264,000	104	(143,907)
Royal Palm Beach	64,200	216,866	219,950	44	(3,084)
South Bay**	27,616	84,520	N/A	N/A	N/A
South Palm Beach*	46,158	152,552	369,000	35	(216,448)
Tequesta Village***	68,958	232,708	288,750	24	(56,042)
Wellington***	82,376	278,257	273,500	55	4,757
West Palm Beach***	43,109	140,037	209,750	589	(69,713)

*Due to the low amount of sales, the median sales price was calculated based on sales from Jan 2005 to March 2006.

**No sales in 2006 as of March

*** Median based on sales from Jan to March 2006

Source: MLS, 2000 Census and 2006 Bureau of Labor Statistics (Median income is adjusted for inflation)

Affordability Gap by Renter Households

An affordability gap for monthly rent was observed in all municipalities with the exception of Tequesta Village and Wellington where median household incomes are among the highest in Palm Beach County. Housing affordability gap levels in the rental market are 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 monthly rent. 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).

Figure 21: Affordability Gap for 2 Bedroom Rental Apartment by Municipality: 2006

Area	2005 Median HH Income	Rental		
		Affordable Rent @ 30% of Income	Median Rent	Affordability Gap @ Median
Boca Raton	\$70,626	\$1,506	\$1,600	\$(94)
Boynton Beach	46,709	996	1,400	(404)
Briny Breezes	40,540	865	1,400	(535)
Delray Beach	50,842	1,084	1,622	(538)
Glen Ridge	46,304	988	1,375	(388)
Greenacres City	43,304	924	1,600	(676)
Haverhill	59,377	1,266	1,600	(334)
Hypoluxo	58,946	1,257	1,375	(118)
Jupiter	64,410	1,374	1,400	(26)
Lake Park	39,837	850	1,700	(850)
Lake Worth	35,207	751	1,375	(624)
Lantana	41,785	891	1,375	(484)
Mangonia Park	38,526	897	1,600	(703)
North Palm Beach	62,321	1,329	1,700	(371)
Palm Beach	110,852	2,364	3,225	(861)
Palm Beach Garden	70,073	1,494	1,700	(206)
Palm Beach Shores	55,438	1,182	1,600	(418)
Palm Springs	42,232	901	1,375	(474)
Riviera Beach	37,642	803	1,600	(797)
Royal Palm Beach	64,200	1,369	1,600	(231)
South Palm Beach	46,158	984	3,225	(2,241)
Tequesta Village	68,958	1,471	1,400	71
Wellington	82,376	1,757	1,600	157
West Palm Beach	43,109	919	1,600	(681)

*Due to the low amount of sales, the median sales price was calculated based on sales from Jan 2005 to March 2006.

**No sales in 2006 as of March

Source: MLS, 2000 U.S. Census and 2006 Bureau of Labor Statistics (Median income is adjusted for inflation)

Affordability Gap by Occupations

Applying the median single-family home price of Palm Beach County (\$392,900), a Housing Affordability Gap Analysis was performed for a sampling of occupations that represent the majority of the workforce in the County, including often targeted occupations such as teachers, registered nurses and police officers.

As shown in Figure 22, most of the “target workforce” occupations fall at or below the 120 percent of AMI category. In comparison, the “Top 5 Occupations with the Most Employees” are all under 50 percent of the AMI.

Figure 22: Occupations by Area Median Income of \$52,825: 2005

Occupational Category	<50% AMI \$25,884	<80% AMI \$41,732	<120% AMI \$ 62,862	<150% AMI \$ 78,709	150+ AMI 78,709+
Top 5 Occupations with the Most Numbers of Employees					
Waiters and Waitresses	X				
Cashiers	X				
Landscaping and Grounds keeping Workers	X				
Retail Salespersons	X				
Office Clerks, General	X				
Sample of Workforce Occupations					
Waiters and Waitresses	X				
Combined Food Preparation and Serving Workers, Including Fast Food	X				
Cashiers	X				
Hairdressers, Hairstylists, and Cosmetologists	X				
Retail Salespersons	X				
Cooks, Restaurant	X				
Construction Laborers	X				
Secretaries, Except Legal, Medical, and Executive		X			
Maintenance and Repair Workers, General		X			
Automotive Service Technicians and Mechanics		X			
Elementary School Teachers, Except Special Education*		X			
Secondary School Teachers, Exc. Special and Voc. Ed.*			X		
Police and Sheriff's Patrol Officers			X		
Registered Nurses			X		
Accountants and Auditors			X		
General and Operations Managers					X
Lawyers					X
Top 5 Occupations Gaining the Most New Jobs					
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

Using the 30 percent affordability standard, the gap analysis indicates that housing is unaffordable for all of the occupations sampled, except for lawyers, general/operations managers and accountants. With affordability gaps well in excess of \$200,000 for most occupations, homeownership may be unattainable for many of Palm Beach County's resident workforce.

Figure 23: Housing Affordability by Occupation Based on Median Price of a Single-family Home in Palm Beach County: 392,900

Occupational Category	Single-family Affordability Gap	Condo/Town House Affordability Gap
<i>Top 5 Occupations with the Most Numbers of Employees</i>		
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)
<i>Sample of "Target Workforce" Occupations</i>		
Lawyers	\$32,848	\$205,548
General and Operations Managers	(52,348)	120,352
Accountants and Auditors	(167,148)	5,552
Elementary School Teachers, Except Special Education*	(258,723)	(81,308)
Secondary School Teachers, Exc. Special and Voc. Ed.*	(225,554)	(50,186)
Registered Nurses	(172,661)	39
Police and Sheriff's Patrol Officers	(203,471)	(29,705)
Cooks, Restaurant	(315,749)	(137,158)
Combined Food Preparation and Serving Workers, Including Fast Food	(348,808)	(170,217)
Waiters and Waitresses	(351,872)	(173,281)
Hairdressers, Hairstylists, and Cosmetologists	(320,002)	(141,411)
Cashiers	(318,565)	(157,292)
Retail Salespersons	(295,401)	(139,973)
Secretaries, Except Legal, Medical, and Executive	(314,575)	(116,809)
Construction Laborers	(271,835)	(135,983)
Automotive Service Technicians and Mechanics	(271,835)	(93,244)
Maintenance and Repair Workers, General	(278,855)	(100,263)
<i>Top 5 Occupations Gaining the Most New Jobs (2004-2012)</i>		
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

III. FUTURE HOUSING DEMAND

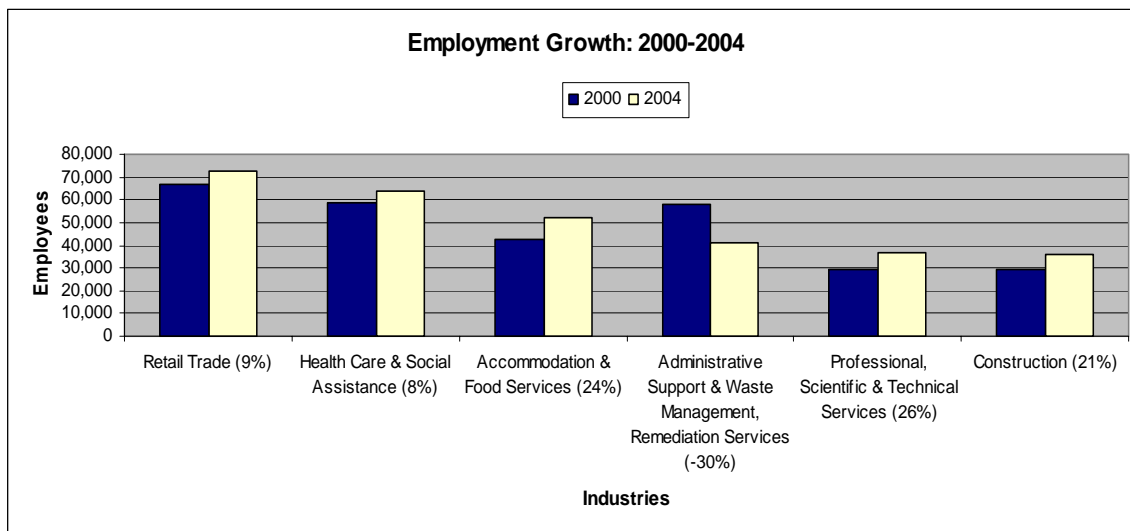
Industry and Employment Growth

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. Employment 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. Basically, populations follow job growth and the demand for housing will be defined by the location, type and wage levels of Palm Beach County's future employment growth.

Through 2005, Florida continues to have the fastest job growth rate and lowest unemployment rate of the ten most populous states in the nation. The current 3.0 percent unemployment rate (April, 2006) is below the national average and has remained so since mid-2002. Palm Beach County's 2.85 percent unemployment rate has run similar to its Tri-County neighbors, Miami-Dade (3.6 percent) and Broward (2.7 percent) Counties.

An analysis of recent economic growth in Palm Beach County shows most of the new job growth occurring within the County's existing industrial and employment base shown in Figure 24. While Retail Trade continues to be the largest employment sector, Professional, Scientific and Technical Services, Construction and Accommodation and Food Services have been the fastest growing. In fact, during the five-year period of 2000-2004, employment growth in Professional, Scientific and Technical Services (26 percent growth) led all industries, followed by Accommodation and Food Services (24 percent growth), Construction (21 percent growth). Health Care and Social Assistance, Palm Beach County's second largest employment base, had an 8 percent growth keeping pace with the largest industry employer, Retail Trade. Accommodation and Food Services (10,070) and Professional, Scientific and Technical Services (7,511) created the most jobs. Administrative Support & Waste Management, Remediation Services, the County's fourth largest employment base (40,989), declined by 30 percent during the five-year reporting period as jobs in "employment services" were drastically reduced. In total, the top industries created 27,710 jobs or 75 percent of Palm Beach County's employment growth between 2000-2004.

Figure 24: Palm Beach County Employment Growth 2000-2004



Source: U.S. Census Bureau, County Business Patterns

A more detailed analysis of the top three industry employment sectors – Retail Trade, Health Care and Social Assistance and Accommodation and Food Services – finds a concentration of employment within certain industry sub-sectors. Palm Beach County's Retail Trade industry largely consists of Food and Beverage Stores (16,323 jobs), most notably Supermarkets and Grocery Stores, followed by General Merchandise Stores (10,037 jobs). Employment in the Health Care and Social Assistance industry is largely found in Ambulatory Health Care (27,879 jobs), General Hospitals (14,079 jobs) and Nursing and Residential Care Facilities (12,424 jobs). Palm Beach County's Accommodation and Food Services industry employment is highly concentrated in Food Services and Drinking Places (40,199). The fastest growing industry in the County, Professional, Scientific & Technical Services, finds most of its employment in Legal Services (8,149 jobs), Computer Systems Design & Related Services (6,934 jobs) and Accounting, Tax Preparation, Bookkeeping & Payroll Services (6,791 jobs).

Although the economic base of Palm Beach County and South Florida is largely supported by the Retail Trade and Leisure & Hospitality industries, there is significant diversity within other sectors of the local economy. Palm Beach County's Construction Industry accounts for 38,000 jobs, Merchant Wholesalers of durable and non-durable products account for nearly 20,000 jobs, while the Credit Intermediation & Related Services (Banking) industry sub-sector accounts for nearly 12,000 jobs in the County. Figure 25 provides a list of major employers and is representative of the goods and service-producing industries that comprise Palm Beach County's economic base.

Figure 25: Select Top Producing Employers: 2005

Company	Approx Employees	Product	City
Select Top Goods-Producing Employers			
U.S. Sugar Corp.	2,100	Agriculture	Belle Glade
Florida Crystals	2,000	Agriculture	West Palm
Palm Beach Newspapers	1,475	Newspaper Publishing	West Palm
Pratt & Whitney Rocketdyne	1,100	Aerospace Engineering	West Palm
DiVosta Building Corp.	1,090	Construction	PB Gardens
A. Duda & Sons Growers	1,070	Agriculture	Belle Glade
Thomas Produce Co.	1,000	Agriculture	Belle Glade
IBM Corp.	1,000	Electronics R&D	Boca Raton
Hollander Home Fashions	900	Home Furnishings	Boca Raton
Rexall Sundown	670	Pharmaceutical	Boca Raton
Siemens Companies	650	PBX Systems	Boca Raton
Implant Innovations	525	Dental Implants	PB Gardens
Walgreens Distribution	500	Pharmaceuticals, Consumer Goods	Jupiter
Osceola Farms Co.	500	Agriculture	Belle Glade
Belcan Engineering Group	467	Aerospace Engineering	PB Gardens
Sugar Growers Coop.	463	Agriculture	Belle Glade
Pepsi Cola Bottling Co.	450	Bottled Soft Drinks	Riviera
LRP Publications	450	Multimedia Publishing	PB Gardens
Lockheed Martin Corporation	363	Aerospace Engineering	Riviera
Catafumo Construction, Inc	310	Construction	PB Gardens
Hardrives, Inc.	300	Highway Construction	Delray
Thies Distributing	300	Beer Distribution	Boca Raton
NABI	254	Pharmaceuticals	Boca Raton
Sikorsky Aircraft	250	Helicopters	West Palm
American Media International	250	Newspapers	Boca Raton
Anspach Companies	185	Surgical Equipment	PB Gardens
Leading Service-Producing Employers			
School Board	21,618	Education	County Wide
Palm Beach County	6,379	County Government	West Palm
Tenet Healthcare Corp.	5,000	Healthcare	County Wide
Columbia PB Healthcare System, Inc.	3,750	Healthcare	County Wide

Company	Approx Employees	Product	City
Florida Power & Light (Hdqtrs)	2,924	Utilities	Juno
Office Depot (Hdqtrs)	2,680	Office Supplies	Delray
Boca Raton Resort & Club	2,200	Hotel	Boca Raton
City of Boca Raton	1,991	City Government	Boca Raton
The Breakers	1,800	Hotel	Palm Beach
Boca Raton Community Hospital	1,700	Health Care	Boca Raton
City of West Palm Beach	1,700	City Government	West Palm
Florida Atlantic University	1,400	Higher Education	Boca Raton
Veterans Affairs Medical Center	1,400	Health Care	West Palm
Jupiter Medical Center	1,400	Health Care	Jupiter
BellSouth	1,300	Communications	West Palm
Bethesda Memorial Hospital	1,280	Health	Care Boynton
South Florida Water Management District	1,202	Regional Gov't., Special Purpose	County Wide
Washington Mutual Bank	1,061	Banking	County Wide
PGA National Resort & Spa	1,000	Hotel PB	Gardens
NCCI	990	Insurance Actuarial	Boca Raton
Wackenhut Corporation	990	Security Services	PB Gardens
Bank of America	961	Banking	County Wide
Wachovia	950	Banking	County Wide
Palm Beach Community College	927	Higher Education	Lake Worth
City of Boynton Beach	914	City Government	Boynton
Tropical Shipping	600	Port Shipping Company	Riviera
Palm Beach Atlantic University	514	Higher Education	West Palm
Applied Card Systems	500	Call Center-Credit Cards	Boca Raton
SYSCO Food Services	405	Food Distribution	Riviera
Florida Public Utilities	365	Utilities	West Palm
Lynn University	350	Higher Education	Boca Raton
Oasis Group	325	HR Services	West Palm
Lynn Insurance	300	Insurance	Boca Raton
AMR (American Medical Response)	213	Ambulance Service	Lake Worth

Source: Table replicated from Business Development Board of Palm Beach County, Inc.

According to the Florida AWI, Palm Beach County is projected to gain 111,473 jobs between 2005-2013, an average annual increase of nearly 13,934 new jobs per year (see Figure 26 below). The largest growth in employment is expected to occur in Administrative Support & Waste Management, Remediation Services (18,673 jobs), followed by Health Care and Social Assistance (16,676 jobs) and Government (12,565 jobs). These industries, alone, constitute 43 percent of Palm Beach County's projected job gain between 2005-2013.

Figure 26: Palm Beach County Employment Growth by Industry: 2005-2013

Title	Employment 2005	2013	Annual Change Total	%
Total, All Industries	614,057	725,530	13,934	2.27
Professional and Business Services	113,969	145,606	3,955	3.47
Education and Health Services	76,561	96,156	2,449	3.20
<i>Administrative and Support and Waste Management</i>	70,219	88,892	2,334	3.32
<i>Health Care and Social Assistance</i>	67,973	84,649	2,084	3.07
Trade, Transportation, and Utilities	102,865	117,248	1,798	1.75
Government	65,709	78,274	1,571	2.39
Local Government	50,616	61,667	1,381	2.73
<i>Professional, Scientific, and Technical Services</i>	35,167	46,153	1,373	3.90
Leisure and Hospitality	66,851	77,588	1,342	2.01

Title	Employment 2005	2013	Annual Change Total	%
<i>Retail Trade</i>	71,361	79,089	966	1.35
<i>Accommodation and Food Services</i>	51,817	59,121	913	1.76
Financial Activities	39,447	46,750	913	2.31
Construction	38,554	44,958	800	2.08
<i>Wholesale Trade</i>	22,017	27,500	685	3.11
<i>Finance and Insurance</i>	24,826	29,626	600	2.42
Other Services (Except Government)	23,744	27,901	520	2.19
<i>Arts, Entertainment, and Recreation</i>	15,034	18,467	429	2.85
<i>Educational Services</i>	8,588	11,507	365	4.25
Self-Employed and Unpaid Family Workers	46,773	49,280	313	0.67
<i>Real Estate and Rental and Leasing</i>	14,621	17,124	313	2.14
<i>Management of Companies and Enterprises</i>	8,583	10,561	247	2.88
Manufacturing	20,591	22,260	209	1.01
Information	11,061	12,461	175	1.58
State Government	9,032	10,376	168	1.86
<i>Durable Goods Manufacturing</i>	14,165	15,194	129	0.91
<i>Transportation and Warehousing</i>	7,959	8,885	116	1.45
<i>Non-Durable Goods Manufacturing</i>	6,426	7,066	80	1.24
Federal Government	6,061	6,231	21	0.35
Mining	39	54	2	4.81
Agriculture, Forestry, Fishing and Hunting	7,893	6,994	-112	-1.42

Source: Florida Agency for Workforce Innovation, Labor Market Statistics, 2006

A more detailed analysis of industry sub-sectors indicates that the highest annual employment growth rate between 2005-2013 will be in Educational Services (4.25 percent), Social Assistance (4.05 percent), ISPs, Web Source Portals and Data Processing Services (3.91percent) and Professional, Scientific & Technical Services (3.90 percent). Among the top twenty growth rate sub-sectors in Figure 27 below are most of Palm Beach County's largest industry employers, including Administrative and Support Services, Local Government, Professional, Scientific and Technical Services and Ambulatory Health Care Services.

Figure 27: Industry Sub-sector Growth by Total New Employment

Title	Employment 2005	2013	Annual Change Total	%
Educational Services	8,588	11,507	365	4.25
Social Assistance	7,918	10,481	320	4.05
ISPs, Web Search Portals, and Data Processing Services	1,403	1,842	55	3.91
Professional, Scientific, and Technical Services	35,167	46,153	1,373	3.90
Merchant Wholesalers, Durable Goods	11,909	15,523	452	3.79
Miscellaneous Manufacturing	1,428	1,845	52	3.65
Broadcasting (except Internet)	2,073	2,672	75	3.61
Credit Intermediation and Related Activities	11,728	15,038	414	3.53
Air Transportation	771	985	27	3.47
Administrative and Support Services	69,205	87,673	2,308	3.34
Nursing and Residential Care Facilities	12,562	15,889	416	3.31
Furniture and Home Furnishings Stores	3,425	4,316	111	3.25
Ambulatory Health Care Services	30,563	38,294	966	3.16
Electronics and Appliance Stores	2,297	2,868	71	3.11

Source: Florida Agency for Workforce Innovation (AWI), Labor Market Statistics, 2006

According to the Florida AWI, the fastest “type of company” projected to grow in Florida between 2005-2013 is Administrative and Support Services (3.8 percent growth rate) followed by Social Assistance (3.4 percent growth rate) and Ambulatory Health Care Services (3.2 percent growth rate). Companies in the Administrative and Support Services sub-sector group are engaged in activities that support the day-to-day operations of other organizations (e.g., general management, personnel administration, clerical activities, cleaning activities) and are often integral parts of the activities of establishments found in all sectors of the economy. As previously discussed, Palm Beach County’s existing and projected employment base is concentrated in service and retail industries and occupations. This is generally consistent with statewide projections for companies expected to grow between 2005-2013 (see Figure 28 below). In fact, the three fastest growing types of companies statewide – Administrative and Support Services, Social Assistance, and Ambulatory Health Care Services - also rank within the top growth industries in Palm Beach County.

Figure 28: Types of Companies Expected to Grow in the State of Florida: 2005-2013

Title	Employment 2005	Employment 2013	Annual Change Total	%
Administrative and Support Services	784,003	1,021,812	29,726	3.79
Educational Services	122,093	156,186	4,262	3.49
Social Assistance	99,892	127,250	3,420	3.42
Nursing and Residential Care Facilities	155,406	192,426	4,628	2.98
Management of Companies and Enterprises	70,939	87,415	2,060	2.90
Professional, Scientific, and Technical Services	414,143	504,421	11,285	2.72
Ambulatory Health Care Services	329,805	401,524	8,965	2.72
Motion Picture and Sound Recording Industries	14,537	17,681	393	2.70
Museums, Historical Sites, and Similar Institution	5,780	6,998	152	2.63
Specialty Trade Contractors	346,664	417,832	8,896	2.57
Waste Management and Remediation Service	15,893	19,013	390	2.45
Amusement, Gambling, and Recreation Industries	135,510	161,992	3,310	2.44
Water Transportation	12,637	15,074	305	2.41
Rental and Leasing Services	49,526	58,557	1,129	2.28
Membership Associations and Organizations	168,349	198,281	3,742	2.22
Nonstore Retailers	23,320	27,322	500	2.15
Building Material and Garden Supply Stores	78,290	91,713	1,678	2.14
Local Government	733,874	859,556	15,710	2.14
ISPs, Web Search Portals, and Data Processing Services	25,040	29,269	529	2.11
Furniture and Home Furnishings Stores	41,037	47,950	864	2.11

Source: Recreated from Florida Agency for Workforce Innovation (AWI) - Labor Market Statistics: Industry Projection Data 2005-2013

Occupational Growth

Growth in occupations is directly related to industrial growth, which in turn is determined by critical factor and demand conditions including the availability of labor, changing markets and emerging technologies. Housing supply and affordability are also important factor conditions (inputs) that impact the ability of local industries to recruit and retain workers. Understanding the specific occupations that comprise both the existing and future industrial base allows communities to better address the existing and future housing demand of their workforce.

The Florida AWI provides projections for the fastest growing occupations and those gaining the most new jobs during the period of 2005-2013. The top three occupations projected to gain the “most new jobs” include Retail Salespersons (2,882 jobs), Registered Nurses (2,865 jobs) and Landscaping and Groundskeeper Workers (2,706 jobs). The top three “fastest growing” occupations include Computer Software Engineers, Systems Software (820 jobs/7.12 percent

annual change), Computer Software Engineers, Applications (894 jobs/7.03 percent annual change) and Network Systems and Data Communications Analysts (547 jobs/3.67 percent annual change). Average wages for these growing occupations vary considerably, ranging from the low of \$9.95/hr for Landscaping and Groundskeeper Workers to \$39.63/hr for Computer Software Engineers, Systems Software (See Figures 29 and 30 below)

Figure 29: Occupations Gaining the Most Jobs in Palm Beach County 2005-2013

Title	Employment		Annual %	Average Annual Openings		2000 Average Hourly Wage
	2005	2013	Change	Due to Growth	Total	
Retail Salespersons	22,888	25,770	1.57	360	1,166	12.45
Janitors and Cleaners, Except Maids and Housekeeping	15,045	17,545	2.08	312	586	8.41
Office Clerks, General	13,850	15,738	1.7	236	532	11.09
Cashiers	13,484	15,091	1.49	201	837	8.46
Waiters and Waitresses	13,445	15,627	2.03	273	936	6.89
Laborers and Freight, Stock, and Material Movers, Hand	12,069	13,129	1.1	132	518	8.72
Registered Nurses	11,670	14,535	3.07	358	587	27.33
Landscaping and Grounds keeping Workers	10,094	12,800	3.35	338	543	9.95

Source: Recreated from Agency for Workforce Innovation - Labor Market Statistics: Industry Projection Data 2005-2013

Figure 30: Fastest Growing Occupations 2005-2013

Title	Employment		Annual %	Average Annual Openings		2000 Average Hourly Wage
	2005	2013	Change	Due to Growth	Total	
Registered Nurses	11,670	14,535	3.07	358	587	27.33
Landscaping and Grounds keeping Workers	10,094	12,800	3.35	338	543	9.95
Customer Service Representatives	10,077	12,567	3.09	311	452	14.11
Sales Reps., Wholesale and Manufacturing, Other	8,527	10,692	3.17	271	480	26.65
Maintenance and Repair Workers, General	7,645	9,375	2.83	216	355	14.8
Food Preparation & Serving Workers, Including Fast Food	7,495	9,225	2.89	216	522	7.02
Accountants and Auditors	6,529	8,060	2.93	191	307	31.74
Receptionists and Information Clerks	6,279	7,805	3.04	191	336	11.57
Elementary School Teachers, Except Special Education	5,948	8,037	4.39	261	381	23.09
Child Care Workers	4,984	6,250	3.18	158	285	9.04

Source: Recreated from Agency for Workforce Innovation (AWI) - Labor Market Statistics: Industry Projection Data 2005-2013

Palm Beach County Employer Survey

As previously stated, there is an inextricable link between local housing and labor markets. Industries are served by local housing markets that provide a spectrum of choice and opportunity for both existing and expanding labor markets. As such, it is important to periodically gauge the health of the local employment base with respect to housing demand and supply and any effect they may have on the labor market.

The Housing Demand Analysis element of the Palm Beach County Housing Needs Assessment included an "Employer Survey" (see Appendix B) that was intended to examine the extent to which housing values in the County are impacting the ability of employers to recruit and retain employees. The Palm Beach County Employer Survey was designed as a telephone interview. The survey instrument consisted of both closed- and open-ended questions designed to elicit elaboration on many potential aspects of the correlation between housing and employment.

The survey included the top 50 employers in Palm Beach County and a further judgmental sampling of approximately 150 smaller employers based on industry type and geographic representation within Palm Beach County. The results of the telephone survey were entered into a SPSS format and cross-tabulated. The SPSS file also serves as a database and benchmark for further survey research.

The following is a statistical summation of the key findings from the Palm Beach County Employer Survey:

- ▶ 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.
- ▶ The cost of housing has effected recruitment efforts for all levels of employees with entry level positions (38.3%) most effected followed by technicians and trade personnel (34.4%).
- ▶ 70.6% of large employers (100 employees or more) and 46.2% of businesses employing less than 100 people consider the cost of housing in Palm Beach County has had an impact on recruiting new employees.
- ▶ The majority of employers (69.1%) who consider the Palm Beach County cost of housing to be affecting their recruitment ability also think that it is caused by a gap between wages and housing prices.
- ▶ 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 its recruitment methods to attract prospective employees.
- ▶ 70.6% of large employers indicated the cost of housing in Palm Beach County has impacted their business/institution's ability to **retain** existing employees, compared to 46.2% of smaller employers.
- ▶ 82.5% of employers who consider "proximity to workplace" and "commute time" important to their employees estimated the average round trip commute time of their employees to be 45 minutes or less.

Based on the statistical analysis of the Palm Beach County Employer Survey, there is a significant correlation between the employers' ability to recruit and retain workers and the cost of housing in Palm Beach County. It also appears that employers are aware of the causes and implications of housing costs and the relationship to recruitment, marketing, and the commute

time of employees. These issues will be further analyzed in the concluding Housing Demand and Supply Assessment.

Future Housing Demand Projections

Future housing demand will be determined by employment and population growth. The axiom is that people follow jobs. As previously cited, the Florida Agency for Workforce Innovation (AWI) projects that Palm Beach County's employment will grow by 111,473 jobs between 2005-2013 or approximately 13,934 new jobs annually. Florida AWI projections indicate that Palm Beach County's employment base will continue to expand and with substantially the same employment mix through 2013. In most metropolitan markets the ratio between new employment growth and housing demand is approximately 1:1.5. Historically, Palm Beach County's ratio of job growth to housing demand has been relatively equal. This is primarily due to the high level of service sector employment that is absorbed by existing households.

The methodology for projecting future housing demand calculates Palm Beach County's projected employment growth by industry type and population projections to 2025 disaggregated by projected growth in the working age population (ages 20-64). Population projections provided by the Florida Bureau of Economic and Business Research (BEBR) indicate that the County will grow to 1,742,508 residents by the Year 2025. These population projections include an increase of 178,202 persons within the workforce age population. Through 2015, growth in the county's workforce age population (131,436) will keep pace with projected employment increases through 2013. Significantly, between 2015 and 2025 it is expected that there will be a concomitant decline in job gain and population growth as near build-out occurs in Palm Beach County. Based on these projections, nearly 75 percent of the County's growth (2005-2025) in its workforce age population will occur in the next ten years.

Based on these projections, it is estimated that future employment and workforce age population growth through Year 2025 will create the additional demand for approximately 97,966 housing units affordable to households earning less than 120 percent of the AMI. The demand will include approximately 28,906 new workforce housing units (80-120 percent of the AMI) and 69,060 workforce housing units for households earning less than 80 percent of the AMI. The method for calculating affordability is based on the projected employment mix and level of income according to occupations. These figures are then disaggregated to the municipal level based on projected growth in workforce age populations, household incomes and existing employment mix. As previously stated, these calculations, based on Florida AWI projections through 2013, assume a very similar and proportional employment mix.

Figure 31: Projected Housing Demand 2005-2025

Place	Demand Below 80% AMI	Demand for 80-120% AMI	Total Demand from Below 120% AMI
General Municipalities			
Palm Beach County	69,060	28,906	97,966
Boca Raton	1,131	538	1,669
Boynton Beach	5,365	2,254	7,619
Delray Beach	3,680	1,438	5,118
Glen Ridge	7	4	11
Greenacres City	3,978	1,749	5,727
Haverhill	106	61	167
Hypoluxo	851	438	1,289
Jupiter	3,333	2,106	5,439
Lake Park	658	215	873
Lake Worth	2,037	785	2,822
Lantana	349	135	484

Place	Demand Below 80% AMI	Demand for 80-120% AMI	Total Demand from Below 120% AMI
Mangonia Park	32	14	46
North Palm Beach	212	108	320
Palm Beach Gardens	1,073	530	1,603
Palm Beach Shores	63	30	93
Palm Springs	1,947	799	2,746
Riviera Beach	1,404	419	1,823
Royal Palm Beach	3,889	2,219	6,108
South Palm Beach	571	241	812
Tequesta Village	57	25	82
Wellington	3,710	2,756	6,466
West Palm Beach	8,144	2,874	11,018
Enclave			
Atlantis	20	3	23
Highland Beach	132	58	190
Juno Beach	386	140	526
Unincorporated Areas			
South	6,522	2,676	9,198
Northeast	858	352	1,210
Northwest	1,510	619	2,129

Source: Metropolitan Center

As shown in Figure 31, the greatest future demand for workforce housing will occur in West Palm Beach (11,018 units) and the South Unincorporated Area (9,198 units). Other municipalities with high future demand include, Boynton Beach (7,619 units), Wellington (6,466 units) and Royal Palm Beach (6,108 units). Figure 34 depicts the various regions in the Unincorporated Areas and the municipalities in Palm Beach County.

It is important to note that future demand does not include the “existing” workforce housing demand within each of the above municipalities and sub-geographies. For each municipality and sub-geography, the total “unmet” existing workforce housing demand must be carried forth and added to the above future demand calculations.

Figure 32: Housing Demand 80-120% of AMI

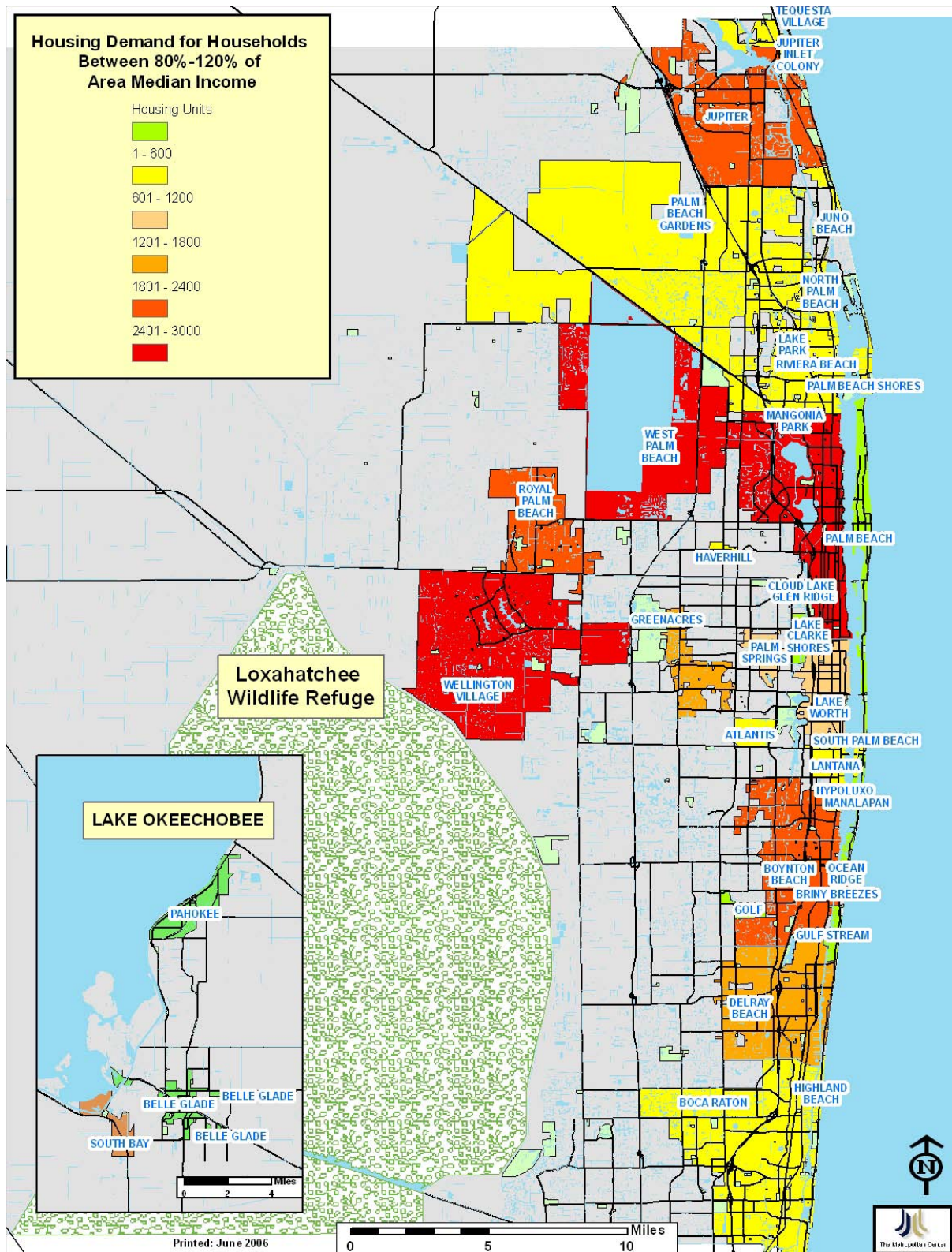


Figure 33: Housing Demand Below 80% of AMI

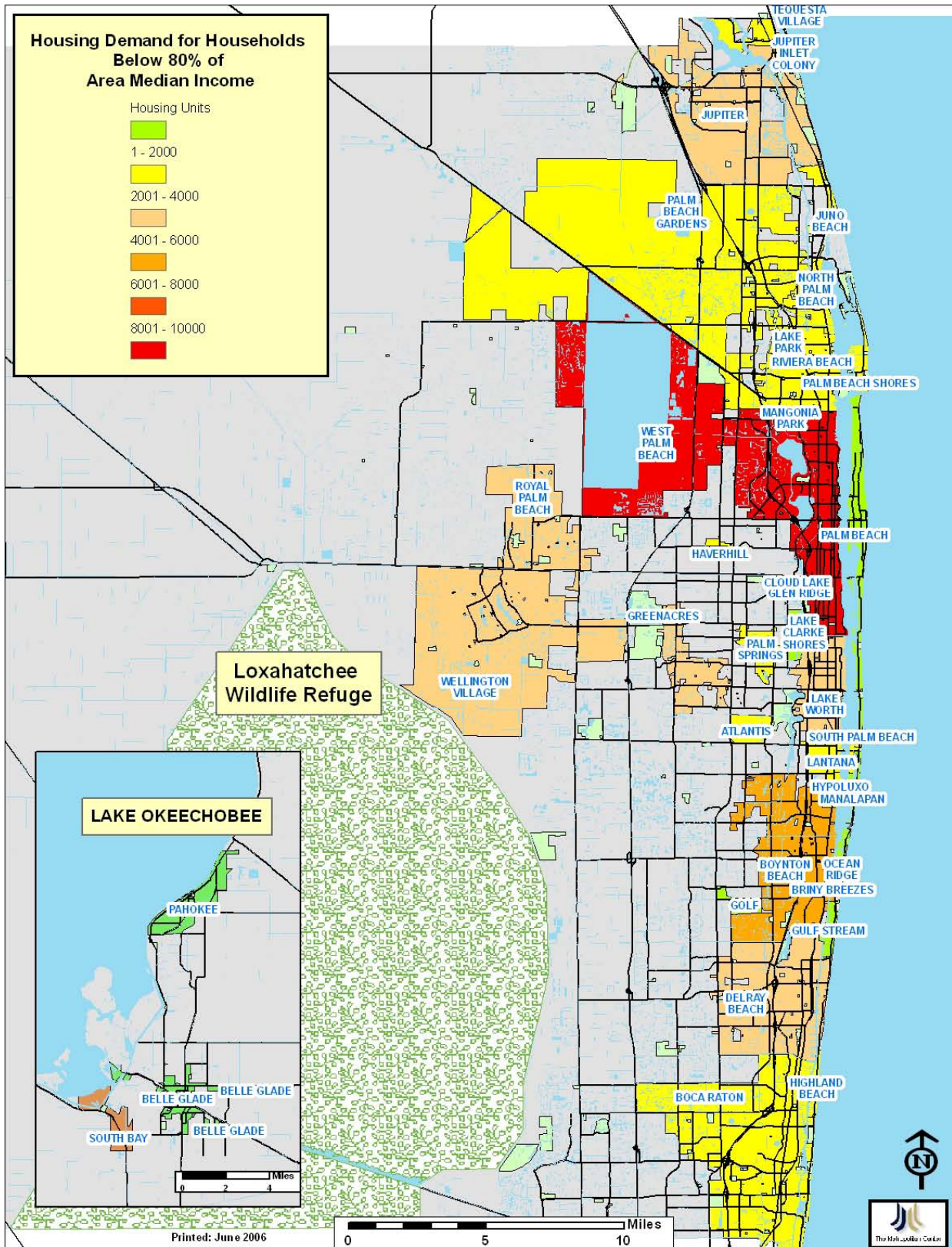
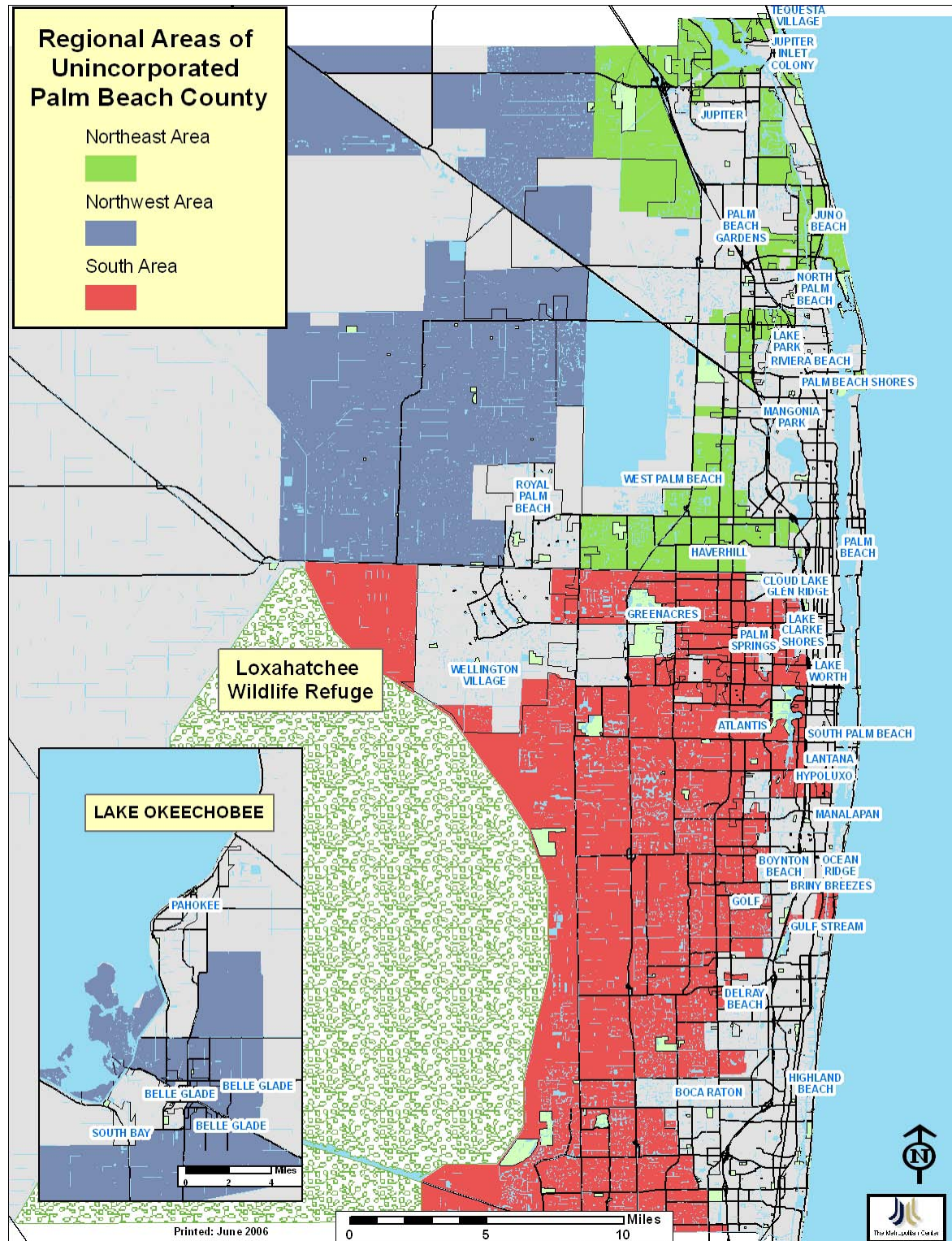


Figure 34: Regional Areas of Unincorporated Palm Beach County



IV. HOUSING SUPPLY AND DEMAND ASSESSMENT

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 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 Section II 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. In fact, many of the more populated municipalities in Palm Beach County have household median incomes that are less than the AMI, including: Lake Worth (35,207), Riviera Beach (37,642), West Palm Beach (43,109), Greenacres (43,304), and Boynton Beach (46,709). 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 demand analysis included affordability calculations based on median household and occupational income using conventional lending terms and underwriting standards. The analysis determined that for 19 of Palm Beach County's municipalities the affordable purchase price for a single-family home would need to be less than \$200,000. Significantly, affordability levels are

lowest in many of the County's more populated municipalities, including Lake Worth (\$112,061), West Palm Beach (\$134,146), Greenacres (\$143,874), Boynton Beach (\$147,772) and Delray Beach (\$161,622). Coincidentally, these municipalities also comprise the largest concentrations of the County's workforce (See Figure 35).

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

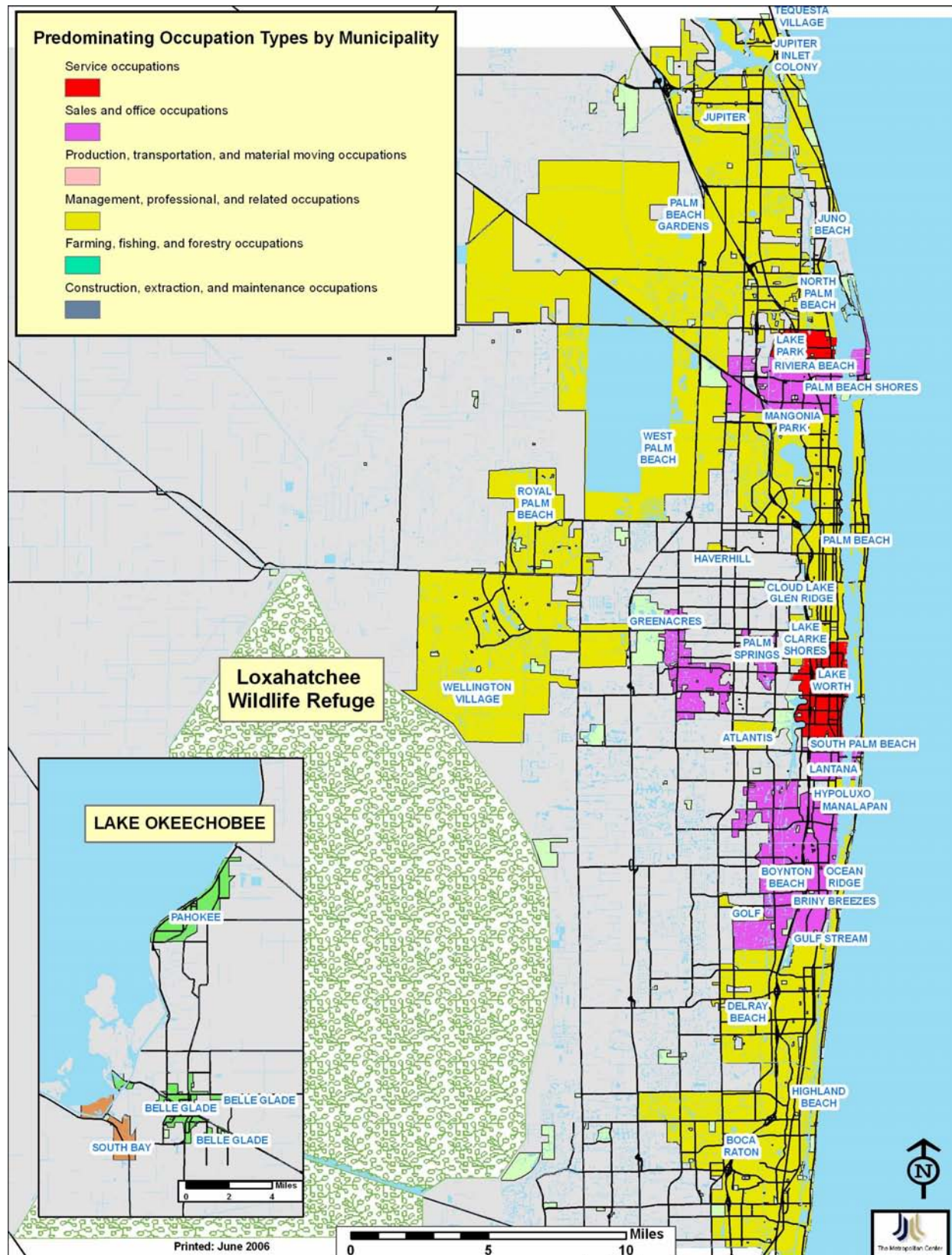
Palm Beach County's housing demand will be spurred by continued economic growth and net migration. Current and future demand creates the need for single-family and rental housing units priced at levels consistent with the household incomes and occupational wages of the local labor market, including various 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 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

Figure 35: Concentration of the Leading Occupations by Municipality



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, as noted throughout this study, 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 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

As indicated in the preceding Housing Supply Analysis, in Section III, 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).

Palm Beach County’s new housing construction (2000-2006) is comprised of 43,895 single-family and 16,723 multi-family units. Unincorporated Palm Beach County absorbed 55 percent (24,018 units) of the new single-family homes. Municipalities with the largest increases include Wellington (3,768 units), West Palm Beach (3,576 units), Royal Palm Beach (3,130 units), Palm Beach Gardens (2,483 units) and Jupiter (2,024 units). The largest increases in new multi-family units occurred in West Palm Beach (3,058 units), Unincorporated Palm Beach County (2,531 units), Jupiter (2,062 units), Boynton Beach (1,376 units) and Delray beach (1,323 units).

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.

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. The highest appreciation rates for single-family homes occurred in West Palm Beach (36 percent/\$329,950 median value), Royal Palm Beach (33 %, \$365,000 median value) and Greenacres (31%, \$390,000 median value).

Appreciation rates for condominiums between 2003-2005 soared in many municipalities, including Jupiter (71 percent/\$334,000 median value), Greenacres (43 percent/\$215,000 median value) and Lake Worth (34 percent/\$142,500 median value). During the third quarter of 2005, 38.9 percent (671 units) of all condominium sales were in the \$175,000-\$249,999 price range followed by 25.5 percent (441 units) of sales in the \$250,000-\$349,999 price range. During this quarter, the highest median sales prices for condominiums occurred in east Boca Raton (\$304,000) and West Palm Beach (\$300,000).

As previously noted in Section III, 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 households earning between 30-60% of the area median income (AMI), currently average \$774.00/month. The highest average rents in Palm Beach County are east Boca Raton (\$1,609) and Delray Beach (\$1,375).

Importantly, 41 percent of the County's housing supply is now over 25 years old. The age of the housing stock is an important element of a housing needs assessment due to the fact that often with age comes deferred maintenance issues that can become costly and result in the eventual loss of housing units. Older housing in various pockets can also be a source of relatively affordable housing in an appreciating market such as South Florida. Indeed, many of these pockets are located in older sections of eastern Palm Beach County municipalities such as Lake Worth, Lantana, and Lake Park. However, this housing stock needs to be preserved in order for it to be a viable inventory of affordable housing.

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.

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 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. 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 reveals 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, most notably, West Palm Beach, Palm Beach Gardens, Riviera Beach, Greenacres and Boynton Beach. 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 is striking. 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, but not as extreme as the single-family market. Affordability gaps exist in 20 municipalities and, excluding the County's enclave communities, the largest gaps are found in Riviera Beach (\$143,907), Jupiter (\$143,422), Palm Beach Gardens (\$89,528), Boynton Beach (\$80,097) and West Palm Beach (\$69,713).

Housing affordability gap levels in the rental market are 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

As previously discussed, there exists a direct correlation between employment growth and future housing demand. 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.

As previously discussed, 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.

While much focus has been given to Palm Beach County's loss of affordable housing in terms of cost, conversion and new production, there is also the need to address the age and condition of the existing housing stock. As noted, approximately 41 percent of Palm Beach County's housing stock is now over 25 years old. Included in this amount are 52,595 housing units that are now over 45 years old. Older housing typically comprises a significantly large inventory of relatively affordable housing in a housing market. However, evidence clearly shows that as the housing stock ages, code and deferred maintenance issues increase substantially. In most of the higher priced metropolitan areas in the country, workers can usually locate relatively affordable housing in certain geographical sub-markets or pockets that have not undergone rapid appreciation. Older, single-family homes in many of the less affluent neighborhoods in eastern Palm Beach County will need to be preserved as part of a viable affordable housing supply.

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.