

# Affordable Housing Zoning Incentive

*Advisory Committee Meeting #2 - March 24<sup>th</sup> 2019 via Zoom*

# Online Meeting Courtesy

- **Mute** yourself when you are not speaking
- **“Raise your hand”** via the participant list and the facilitator will call on you
- **Help us manage the chat** - add “D” before your comment if you want to ensure we integrate it into the conversation (as opposed to reviewing it closely later)
- **Bring a learning mindset** as we adapt to new technology needs together

# Welcome, Introductions and Agenda

3:30 – 3:45 pm

# Staff Team



Analiese Hock  
– Project Manager



Brandon Shaver  
– Project Team



Israel Cruz  
– Project Team



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– Zoning Administrator



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– Citywide Planning Manager, Interim Director

# Consultant Team



Heidi Aggeler  
- Root Policy Research



Mollie Fitzpatrick  
- Root Policy Research



Arleen Taniwaki  
- ArLand Use Economics



Laura Sneeringer  
- Consensus Building  
Institute

# Agenda.

- Criteria for Successful Solutions
- Introduce Peer City Research
- Break
- Considerations for Denver
- Next Steps

# COVID-19 Disclaimer

- Content and research begun far before the spread of COVID
- We are working to respond and modify in response

# Criteria For Successful Solutions

*3:45 – 4:10 pm*



# Criteria for Successful Solutions

- Solutions that are developed to create a citywide incentive system should balance multiple community objectives.
- City staff and the Advisory Committee will use the four criteria to evaluate draft alternatives to help determine the preferred strategy.

# Criteria for Successful Solutions

- **Equity**

- Does the proposed incentive system take into account the different needs of Denver's neighborhoods and produce equitable outcomes?

- **Market Reality**

- Will the proposed system attract the development community to use the incentive and work in different markets?

- **Clear Expectations**

- Will the proposed system create a predictable system that provides clarity of expectations to the developers and outcomes to the community?

- **Accountability**

- Will the proposed system allow for successful implementation, administration, tracking, and monitoring?

# Check In

Are they clear – any questions on what each of the criteria is getting at?

Are there any key values/ considerations that are not integrated into these criteria that should be?

# Peer City Research

*4:10 – 4:55 pm*



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# Best Practices Research

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## Objectives:

1. Understand how peer cities are implementing affordable housing zoning incentive (AHZI) and inclusionary zoning programs
2. Understand how peer city systems can inform a citywide system for Denver

# Selection for Peer Cities

- 1) Presence as a major city within a combined metropolitan statistical area with a similar population to the Denver metropolitan area; and/or
- 2) High housing costs including a history of high housing costs or recent, rapid escalation in costs; and/or
- 3) Existence of an affordable housing zoning incentive (AHZI) and/or a blended inclusionary housing and AHZI program (“blended program”).

# Selected Peer Cities

## Zoning Incentives Only

- Austin, Texas

## Inclusionary Zoning Only

- Minneapolis, Minnesota
- Portland, Oregon

## Blended Programs

- Atlanta, Georgia
- Los Angeles, California
- San Jose, California
- Seattle, Washington

# Peer Cities not Included in Analysis

- 1) Nashville, TN—State blocked implementation of inclusionary housing program
- 2) Charlotte, NC—Developers were not taking advantage of the city's past program which was revised in late 2019. Little to no data on effectiveness
- 3) Salt Lake City, UT—Early stages of exploring density bonuses



# State Law Considerations

	Requirements for Affordable Housing Policies/Programs (e.g. requires rent control or Inclusionary Housing)	Neutral Role in Affordable Housing Policies (e.g. enables, does not require)	State law limits or prohibits Affordable Housing Policies (e.g. bans rent control)
Colorado			✓
California	✓		
Georgia			✓
Minnesota			✓
Oregon	✓		
Texas			✓
Washington		✓	

# Colorado Peer Context

	Denver	Aurora	Boulder	Broomfield	Longmont	Fort Collins
 <b>Housing Trust Fund</b>	Linkage fee	✓		✓		
	Fee-in-lieu			✓	✓	✓
	General Fund contributions	✓	✓	✓		✓
	Mill levy	✓				
 <b>Inclusionary zoning (IZ)</b>			20% rental and for sale*	20% rental/ 10% for sale	12% for sale only	Under consideration
 <b>Density bonus</b>	38 <sup>th</sup> & Blake pilot	Negotiated	Holiday neighborhood only		20%, as IZ offset	8 to 12 du/acre option

# Inclusionary Zoning Peers

# Minneapolis

Implementation date: December 2019

## **Rental requirement:**

Development size: 20+ units

Onsite requirements: Range from 4% of all units (30% AMI) to 20% (50% AMI)

Other options:

- Offsite option approved by City Council
- In-lieu land donation approved by planning director
- Fee-in-lieu: \$15/sq ft (< 7 stories) to \$22/sq ft (8+ stories)

# Minneapolis (continued)

## **Ownership requirement:**

- Affordability unit requirement: 4% (70% AMI)
- Offsite option approved by City Council
- In-lieu land donation approved by planning director
- Fee-in-lieu: \$15/sq ft (< 7 stories) to \$22/sq ft (8+ stories)

**Other incentives:** Property tax reductions

**Program outcomes:** Program too new

# Portland

Implementation date: February 2017

Incentive-based system

## **Requirements:**

Development size: 20+ units

Onsite requirements: 15% (80% AMI) or 8% (60% AMI)

*Unique feature: Can build onsite and reconfigure for larger bedrooms and reduce onsite requirement*

Offsite: 20% (60% AMI) new build or 25% (60% AMI)/15% (30% AMI) in conversion/preservation of existing development

# Portland (continued)

Fee-in-lieu: \$23-\$27 gross square feet. No parking reductions

## **Program outcomes:**

600 affordable units created:

- $\frac{3}{4}$  are studios and 1 bedrooms
- 44% are 80% AMI
- 56% are 60% AMI

10% of all units developed are affordable

# Check In

Does the advisory committee have **clarifying** questions about inclusionary zoning peers city programs?



# Affordable Housing Zoning Incentive Programs

# Atlanta

Implementation date: January 2018

## **Requirements:**

Development size: 10+ units in two overlay districts

Onsite requirements: 15% (80% AMI) or 10% (60% AMI)

## **Three incentives selected from following options:**

- 15% density bonus based on FAR
- Transferrable development rights (for non-affordable/unused density)
- No minimum residential parking requirement

# Atlanta (continued)

## Incentive options (continued):

- 25% reduction on commercial parking requirement
- 21-day guarantee for permitting
- “Major project status”—project meeting with cross-department representatives

Most-used incentives to date = expedited review and major project status. FAR density bonus not widely used. Developers not currently building to base heights

**Program outcomes:** 730 units developed; no fee-in-lieu payments

# Austin

Implementation date: Various; bonuses have been offered since 2004  
10 different programs

## **Requirements:**

Onsite requirements: 10% affordable units (60-120% AMIs)

Offsite: 20% (60% AMI) new build or 25% (60% AMI)/15% (30% AMI) existing

Fee-in-lieu: 50 cents to \$12/gross bonus sq ft

All developments must accept Housing Choice (Section 8) vouchers

**Program outcomes:** 24,500 units created by various programs;  
3,000 density bonus only programs (not counting expedited review)

# Los Angeles

Implementation date: 2017

Projects with zone change or density increase > 35%

Affordability Level/Housing Type	Increase in Residential Density > 35%	Residential Use where not previously Allowed
30% AMI rental + 50% AMI ownership	5% @ 30% AMI and 6% at 50% AMI	5% @ 30% AMI and 11% at 50% AMI
30% AMI rental + 80% AMI ownership	5% @ 30% AMI and 15% at 80% AMI	5% @ 30% AMI and 20% at 80% AMI
50% AMI for sale	11%	11%
80% AMI for sale	20%	20%
110% AMI for sale	40%	40%

# Los Angeles (continued)

## Transit Oriented Communities (TOC) bonus:

Tiers indicate extent of transit options. No fee-in-lieu option

TOC Tiers	Maximum Density Bonus Above Base			or % for LI
	Height*	% ELI Affordable	or % for VLI	
1 – Low Transit Access	50%	8%	11%	20%
2 – Medium Transit Access	60%	9%	12%	21%
3 – High Transit Access	70%	10%	14%	23%
4 – Regional Transit Access	80%	11%	15%	25%

# Los Angeles (continued)

## **Program outcomes, 2019:**

5,662 affordable units produced of the 27,000 residential units approved

21% of all units

## **Pre-2019:**

1,150 affordable units produced of the 16,500 residential units approved

7% of all units

# San Jose

Implementation date: State density bonus (1976)

## **Requirements:**

Affordable rental or for sale units:

5% (50% AMI) → 20% bonus; 11% → 35% bonus

10% (60-70% AMI) → 20% bonus; 20% → 35% bonus

For sale only: 10% (110% AMI) → 5% bonus; 40% → 35% bonus

Options for senior housing; child care facilities; condo conversions  
land donations

**Program outcomes:** State standards have been ineffective in San Jose



# Seattle

Implementation date: 2017 – 2019

Unique to Seattle: Rezone of areas where inclusionary zoning would apply to allow greater density

## **Requirements:**

Rental units: 40-60% AMI, depending on unit size

Owner units: 65-80% AMI

## **Units developed and fee-in-lieu paid depends on:**

- Market characteristics (low, medium, high cost)
- Upzone benefit (M1 or M2)

**Program outcomes:** Too early to tell although strong developer interest

# Seattle (continued)

## MHA requirements

**Note:** MHA payment requirements are updated annually using a consumer price index (CPI) adjustment method. The tables below reflect current payment requirements as of **March 2019**. A zoning reviewer at SDCI can confirm the applicable payment calculation amount for a specific project. For more detail, see [Tip.257](#).

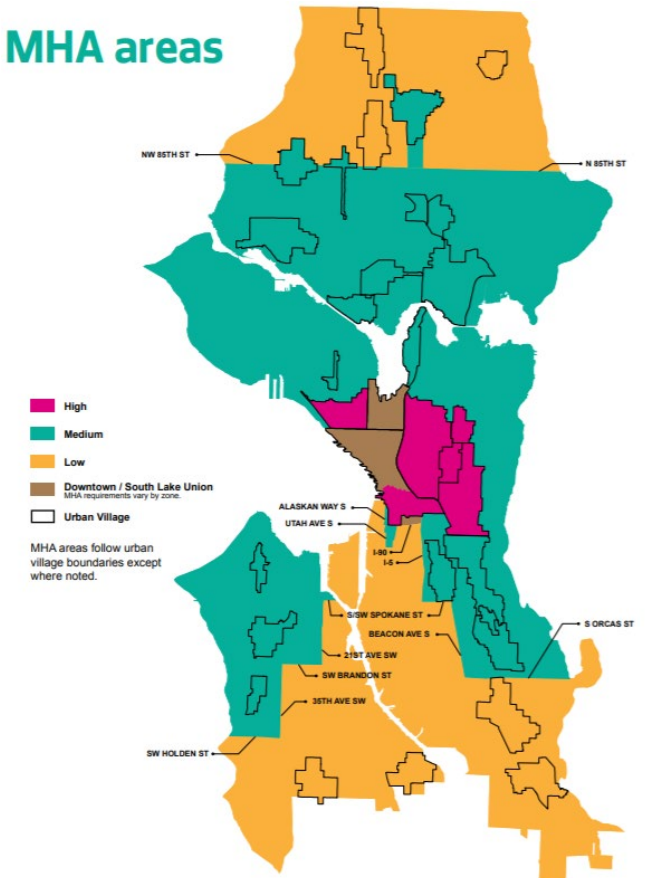
### Residential and live-work outside Downtown, SM-SLU, and SM-U 85 zones

MHA zone suffix	low area		medium area		high area	
	%	\$	%	\$	%	\$
(M)	5%	\$7.64	6%	\$14.46	7%	\$22.65
(M1)	8%	\$12.28	9%	\$21.83	10%	\$32.47
(M2)	9%	\$13.64	10%	\$24.29	11%	\$35.75

### Commercial outside Downtown, SM-SLU, and SM-U 85 zones

MHA zone suffix	low area		medium area		high area	
	%	\$	%	\$	%	\$
(M)	5%	\$5.58	5%	\$7.81	5%	\$8.92
(M1)	8%	\$8.92	8%	\$12.55	8%	\$14.22
(M2)	9%	\$10.04	9%	\$13.94	9%	\$16.17

## MHA areas



# Check In

Does the advisory committee have **clarifying** questions about the incentive zoning peers city programs?

# Primary Findings

# Primary Findings

- 1) The majority of peer cities have implemented mandatory or incentive-based systems in the past 2-3 years to respond to affordable housing needs
- 2) All peers have tiered requirements based on AMI targets v. a broader < 80% AMI requirement
- 3) Linkage fees (fees-in-lieu for mandatory programs) are much higher than Denver's
- 4) Required affordable units are much higher than Denver's

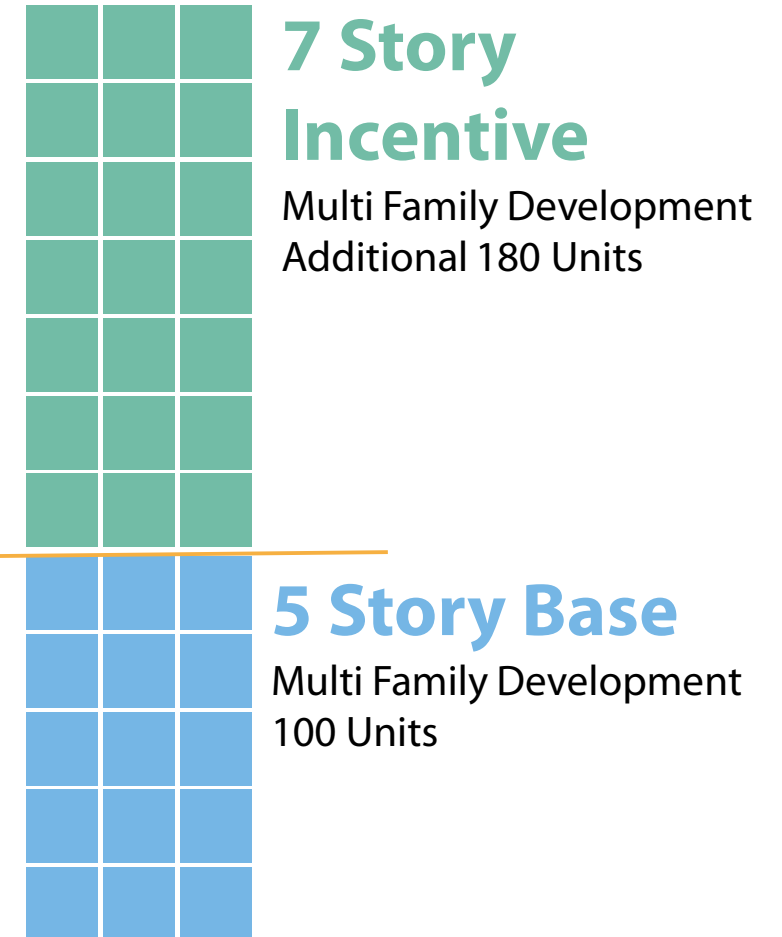
# Primary Findings (continued)

5) Peer city experiences suggest that the following conditions and program designs are important to produce outcomes:

- Pent up demand for both affordable and market rate housing (e.g., Atlanta, Los Angeles, Portland);
- Relatively low base heights (Los Angeles);
- Ample opportunity to apply the bonus along transportation corridors, moderate- to high-density districts, and within planned residential areas (Los Angeles, San Jose);
- Fees-in-lieu that reflect the cost of developing affordable units;
- Incentives in addition to density bonuses; and
- Proper calibration to submarket costs and demand (Seattle).

# Primary Findings

80% AMI UNITS REQUIRED		
	Base Development 5 Stories 100 Units	Incentive Development 12 Stories 280 Total Units
38 <sup>th</sup> & Blake	1	10
Austin	N/A	28
Atlanta	N/A	42
Los Angeles	20	70
Minneapolis	8	22
Portland	15	42
San Jose	15	42
Seattle	10	28



# Summary of Fee-in-lieu for Density Bonus Options

	<\$1 ft	\$1-10 ft	11-20 ft	21-30 ft	31-40 ft	41-50 ft	50+ ft
Austin	●————●						
Atlanta	\$125,000- \$167,000 per affordable unit						
Los Angeles	No Fee-in-lieu offered						
Minneapolis			●————●				
Portland				●————●			
San Jose				●●		●————●	
Seattle		●————●					



# Summary of Other Incentives Offered

	Property Tax Reductions	Parking Reductions	Impact Fee Exemptions/Fee waivers	Expedited Review
Austin				
Atlanta				
Los Angeles				
Minneapolis				
Portland				
Seattle				

# Break

4:55 – 5:05pm

*Please stay online, simply mute and turn off your camera.*

*Submit any questions that you may have during the break in the chat box.*

# Considerations for Denver

*5:05 – 5:55pm*

# Considerations for Denver

## 1

To respond to the diverse needs of Denver's most vulnerable residents and community needs, Denver's system should **allow for affordability level blends** (e.g., 10 percent of units at 80 percent AMI combined with 5 percent of units at 50 percent AMI) and allow for lower unit contributions for low-AMI units.

# Considerations for Denver

## 2

Denver's existing base heights are higher than those offered through successful peer city bonus programs. To be effective, the citywide system will likely **need modifications to base heights.**

# Considerations for Denver

## 3

The citywide system should **prioritize the construction of affordable units** over a fee-in-lieu option. To meet the housing needs, the system should encourage the development of affordable units.

# Considerations for Denver

## 4

The citywide system should be tailored to submarket cost differences; proximity to transit; neighborhood context; and to achieve equity goals. **Careful calibration should occur to respect these different contexts** without creating an overly complex system.

# Considerations for Denver

## 5

Density bonuses are not always the most meaningful incentives, the citywide system should **explore additional incentives** such as expedited review, parking reductions, and other financial incentives.



# Small Group Report Back

Any concerns with the provided considerations?

What is most important about these considerations for a successful incentive system?

Based on research from Denver and peer cities, which considerations should be added to this list?

# Next Steps

5:55 – 6:00 pm

# Next Steps\*

- Small Group Outreach to the following:
  - Registered Neighborhood Organizations (RNOs)
  - Business and Property Owners (BIDs)
  - Vulnerable populations (low-income households, renters, refugees, etc.)
  - Non-Profit Affordable Housing Developers
- Outreach to existing organizations to provide informational updates
- Next AC meeting to evaluate potential incentive systems May-June\*

\*All next steps are contingent upon impacts of COVID and ensuing that we can provide inclusive outreach and feedback

**Thank you.**