Affordable Housing Zoning Incentive

Advisory Committee Meeting #2 - March 24th 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

Tina Axelrad
   - Zoning Administrator

Chris Gleissner
   – Development Projects Manager

Melissa Thate
   – Housing Policy Officer

Sarah Showalter
   – 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
Best Practices Research

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

<table>
<thead>
<tr>
<th>State</th>
<th>Requirements for Affordable Housing Policies/Programs (e.g. requires rent control or Inclusionary Housing)</th>
<th>Neutral Role in Affordable Housing Policies (e.g. enables, does not require)</th>
<th>State law limits or prohibits Affordable Housing Policies (e.g. bans rent control)</th>
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</thead>
<tbody>
<tr>
<td>Colorado</td>
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<td>California</td>
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<td>Georgia</td>
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<td>Minnesota</td>
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<td>Oregon</td>
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<tr>
<td>Texas</td>
<td>✓</td>
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<td>Washington</td>
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# Colorado Peer Context

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<thead>
<tr>
<th></th>
<th>Denver</th>
<th>Aurora</th>
<th>Boulder</th>
<th>Broomfield</th>
<th>Longmont</th>
<th>Fort Collins</th>
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</thead>
<tbody>
<tr>
<td><strong>Housing Trust Fund</strong></td>
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<tr>
<td>Linkage fee</td>
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<tr>
<td>Fee-in-lieu</td>
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<td>✓</td>
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<tr>
<td>General Fund contributions</td>
<td>✓</td>
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<td>Mill levy</td>
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<td></td>
<td>✓</td>
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<tr>
<td><strong>Inclusionary zoning (IZ)</strong></td>
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<td></td>
<td></td>
<td>20% rental and for sale*</td>
<td>20% rental/ 10% for sale</td>
<td>12% for sale only</td>
</tr>
<tr>
<td><strong>Density bonus</strong></td>
<td>38th &amp; Blake pilot</td>
<td>Negotiated</td>
<td>Holiday neighborhood only</td>
<td>20%, as IZ offset</td>
<td>8 to 12 du/acre option</td>
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</tbody>
</table>
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:
• ¾ 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%

<table>
<thead>
<tr>
<th>Affordability Level/Housing Type</th>
<th>Increase in Residential Density &gt; 35%</th>
<th>Residential Use where not previously Allowed</th>
</tr>
</thead>
<tbody>
<tr>
<td>30% AMI rental + 50% AMI ownership</td>
<td>5% @ 30% AMI and 6% at 50% AMI</td>
<td>5% @ 30% AMI and 11% at 50% AMI</td>
</tr>
<tr>
<td>30% AMI rental + 80% AMI ownership</td>
<td>5% @ 30% AMI and 15% at 80% AMI</td>
<td>5% @ 30% AMI and 20% at 80% AMI</td>
</tr>
<tr>
<td>50% AMI for sale</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>80% AMI for sale</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>110% AMI for sale</td>
<td>40%</td>
<td>40%</td>
</tr>
</tbody>
</table>
Los Angeles (continued)

Transit Oriented Communities (TOC) bonus:

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

<table>
<thead>
<tr>
<th>TOC Tiers</th>
<th>Maximum Density Bonus Above Base</th>
<th>% ELI Affordable</th>
<th>or % for VLI</th>
<th>or % for LI</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – Low Transit Access</td>
<td>50%</td>
<td>8%</td>
<td>11%</td>
<td>20%</td>
</tr>
<tr>
<td>2 – Medium Transit Access</td>
<td>60%</td>
<td>9%</td>
<td>12%</td>
<td>21%</td>
</tr>
<tr>
<td>3 – High Transit Access</td>
<td>70%</td>
<td>10%</td>
<td>14%</td>
<td>23%</td>
</tr>
<tr>
<td>4 – Regional Transit Access</td>
<td>80%</td>
<td>11%</td>
<td>15%</td>
<td>25%</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>MHA zone suffix</th>
<th>low area</th>
<th></th>
<th>medium area</th>
<th></th>
<th>high area</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(M)</td>
<td>%</td>
<td>$</td>
<td>%</td>
<td>$</td>
<td>%</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>5%</td>
<td>7.64</td>
<td>6%</td>
<td>14.46</td>
<td>7%</td>
<td>22.65</td>
</tr>
<tr>
<td>(M1)</td>
<td>8%</td>
<td>12.28</td>
<td>9%</td>
<td>21.83</td>
<td>10%</td>
<td>32.47</td>
</tr>
<tr>
<td>(M2)</td>
<td>9%</td>
<td>13.64</td>
<td>10%</td>
<td>24.29</td>
<td>11%</td>
<td>35.75</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>MHA zone suffix</th>
<th>%</th>
<th>$</th>
<th>%</th>
<th>$</th>
<th>%</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>(M)</td>
<td>5%</td>
<td>5.58</td>
<td>5%</td>
<td>7.81</td>
<td>5%</td>
<td>8.92</td>
</tr>
<tr>
<td>(M1)</td>
<td>8%</td>
<td>8.92</td>
<td>8%</td>
<td>12.55</td>
<td>8%</td>
<td>14.22</td>
</tr>
<tr>
<td>(M2)</td>
<td>9%</td>
<td>10.04</td>
<td>9%</td>
<td>13.94</td>
<td>9%</td>
<td>16.17</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>City</th>
<th>Base Development 5 Stories 100 Units</th>
<th>Incentive Development 12 Stories 280 Total Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>38th &amp; Blake</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Austin</td>
<td>N/A</td>
<td>28</td>
</tr>
<tr>
<td>Atlanta</td>
<td>N/A</td>
<td>42</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>20</td>
<td>70</td>
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<tr>
<td>Minneapolis</td>
<td>8</td>
<td>22</td>
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<tr>
<td>Portland</td>
<td>15</td>
<td>42</td>
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<tr>
<td>San Jose</td>
<td>15</td>
<td>42</td>
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<tr>
<td>Seattle</td>
<td>10</td>
<td>28</td>
</tr>
</tbody>
</table>

**80% AMI UNITS REQUIRED**

**7 Story Incentive**
- Multi Family Development
- Additional 180 Units

**5 Story Base**
- Multi Family Development
- 100 Units
# Summary of Fee-in-lieu for Density Bonus Options

<table>
<thead>
<tr>
<th>City</th>
<th>&lt;$1 ft</th>
<th>$1-10 ft</th>
<th>11-20 ft</th>
<th>21-30 ft</th>
<th>31-40 ft</th>
<th>41-50 ft</th>
<th>50+ ft</th>
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</thead>
<tbody>
<tr>
<td>Austin</td>
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<tr>
<td>Atlanta</td>
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<td>$125,000-167,000 per affordable unit</td>
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<tr>
<td>Los Angeles</td>
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<td></td>
<td>No Fee-in-lieu offered</td>
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<td>Minneapolis</td>
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</tbody>
</table>
# Summary of Other Incentives Offered

<table>
<thead>
<tr>
<th></th>
<th>Property Tax Reductions</th>
<th>Parking Reductions</th>
<th>Impact Fee Exemptions/Fee waivers</th>
<th>Expedited Review</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austin</td>
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<td>Atlanta</td>
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</table>
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

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.
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.
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.