To: Denver Planning Board  
From: Analiese Hock, CPD-Planning Services  
RE: Expanding Housing Affordability (EHA) – Citywide regulatory project in partnership with the Department of Housing Stability (HOST)  
Date: 7/28/2021

We look forward to connecting with you on the Expanding Housing Affordability (EHA) project next Wednesday August 4th at Planning Board. As a reminder, this effort is focused on tools for new market-rate development to create new affordable housing and meet Denver’s growing housing needs.

Specifically, the city is looking to:

- Update the city’s linkage fee for new commercial and industrial development,
- Create an inclusionary housing program that would require new development to include affordable units, and
- Create additional incentives and off-sets to achieve greater affordability in new residential development.

A key step in this project is ensuring new requirements are financially feasible. The city hired Root Policy Research and ArLand Use Economics to create a financial feasibility model informed by data on real building costs, operating costs, rents and sales prices on recent projects. The model incorporates variations by geographic submarket and by development prototype/height. It does not yet reflect any incentives or off-sets that may be explored over the course of this project, which would improve the financial feasibility.

**Key Findings:**

Key Findings: The complete report along with the executive summary can be found on the project website (www.denvergov.org/affordabilityincentive). Please note this is a technical report and is not a policy recommendation or a draft proposal. It provides critical data needed to develop and evaluate future policy proposals. The findings of this report do not include the in-depth analysis of incentives or off-sets. Incentives and off-sets will be a part of the inclusionary program and will ultimately increase feasibility. Additionally, the findings of this report do not account for typical market adjustments that occur after significant regulatory changes.

**Linkage Fee Feasibility:**

Linkage fees are one-time fees imposed on new development and are designed to offset the impact of new development demand for affordable housing. The city’s current linkage fees are well below the legally justifiable fee and well below the feasibility study from 2016. The updated linkage fee feasibility focused on commercial prototypes and found the following fees could be supported while maintain feasibility metrics. Specifically, commercial could support linkage fees from $7 to $9 per square foot for retail, office, and hotel developments and in some scenarios up to $11 per square foot. Industrial development could support linkage fees up to $6 per square foot.

**Inclusionary Housing Feasibility:**

Inclusionary housing requires new residential development to include a portion of affordable housing units on-site and create mixed-income housing. The feasibility results for rental find that new development can support 5% of units at 50% of AMI up to 15% of units at 80% AMI in high cost submarkets. The feasibility results for ownership are find that new development can support 8% of units at 70% AMI up to 18% of units at 120% AMI in high cost submarkets.
Changes at the state law
This spring, the Colorado state legislature passed HB21-1117, which allows Denver and other communities across the state to require affordable housing on all new for-sale and for-rent housing. Specifically, the bill...

• Enables “local governments to regulate the use of land to promote the construction of new affordable housing units”
• Requires a “choice of options… and creates one or more alternatives to the construction of new affordable housing units on site”
• Requires that local governments demonstrate their commitment to “increase the overall number and density of housing units… or create incentives to the construction of affordable housing units”
• Does not authorize a local government to adopt or enforce any ordinance or regulation that would have the effect of controlling rent on any existing private residential housing unit in violation of the existing statutory prohibition on rent control

The bill goes into effect in fall of 2021. The city will be perusing an inclusionary policy in alignment with these requirements of the bill.

Key Themes from Outreach
The purpose of this outreach phase was as follows:

• Informing the community of the project purpose, timeline, and opportunities to participate
• Building a shared understanding of current programs, outcomes, and lessons learned from peer cities and Denver programs
• Listening to community priorities, ideas, and considerations
• Answering questions

Outreach was conducted using the following approaches:

• Connecting with existing community groups and industry organizations
• Office Hours
• Partnering with council offices to share information and co-host community events
• Community Connector information sessions
• Focus Groups
• Feedback Forms

Additionally, information was made accessible on the project website including reports, summaries, common questions and responses, and four informational videos: 1) Affordable Housing Basics; 2) Project Overview; 3) Denver’s Housing Market; and 4) Peer City Research. A complete summary of the feedback themes and originations/community groups reached are found on the project website Get Caught Up: Project Archive.

Next Steps:
Questions and comments related to the feasibility can be submitted via the online form. Staff will work with the consultants to respond to comments and make any adjustments as appropriate. City staff will continue to engage with the community and stakeholders to review policy drafts later this fall and throughout the duration of the project.