Expanding Housing Affordability

Community Open House
November 4, 2021
Agenda

- Brief staff presentation with Menti Questions
- Responses to pre-submitted questions
- Live question and answer via Zoom

Technical issues can be submitted in the chat.
Recent housing context

Denver has added 56,000 more households since in 2010.

The cost of housing has increased 2x the rate of incomes since 2010.

However, not everyone has benefitted.
Go to Menti.com
Enter Code: 9188 0460
What happens when housing is unaffordable?

- Lower-income individuals and families are often deprived of housing in areas with access to jobs, multi-modal transportation, parks and other amenities—which can further inequities
- Less money flows into the local economy as people are spending more of their income on housing or living in other locations
- Economic growth slows because employers cannot find workers
- Traffic and carbon emissions increase, and public infrastructure costs grow as workers locate further away from jobs, kid’s schools and their support networks
The City has been doing a lot.

Since 2018…

- **506 ownership units** have been created with HOST funding; and
- **1,838 rental units** have been created with HOST funding
- **95 rental units** have been created through zoning incentives
- And
- **547 rental units** have been preserved with HOST funding

**18,975** households through Housing Counseling programs, West Denver Renaissance Collaborative ADU, program and others.

**14,820** households through programs such as Temporary Rental and Utility Assistance (TRUA); eviction assistance; home repairs; accessibility upgrades, and energy efficiency upgrades.
And yet, we need more affordable housing.

We need everyone (including the development industry) to be a part of the solution to meet the scale of housing needs.

That is what this project is about.
What is Mandatory (Inclusionary) housing?

Mandatory (inclusionary) housing is a tool used by over 900 communities across the nation to tap into the economic gains from new development and to create affordable housing.
Denver previously had a program

And there was significant demand for this program.

• Applied to large (30+ unit) for-sale developments and produced over 2,000 affordable homes.

• However, state law limits made it impossible to apply these standards to rental housing.

Fortunately, this year there was a change at the state allowing Denver and other communities across the state to create a holistic program.
We are **Proposing Mandatory (Inclusionary) Program for Denver.**

This would ensure...

as new housing is built, new affordable housing is created.

![Diagram showing Market Rate Housing and Affordable Housing](image)
Proposed On-Site Rental requirements

Requires **8%** rental units to be affordable to households earning less than **$50,304** a year (60%AMI)

or

Requires **12%** of rental units to be affordable to households earning less than **$50,304** and **$63,950** a year (6% at 60% AMI and 6% at 80% AMI)
Here is an example development...

If a new 200-unit rental development was built outside of downtown*....

- 16 units would need to be affordable and serve...

* In areas like downtown, affordability contribution is slightly higher.
Proposed On-Site Ownership Requirements

Requires 10% of homes to be affordable to households earning less than $63,950 a year (80% AMI)

or

Requires 15% of homes to be affordable to households earning less than $63,950 and $83,840 a year (7% at 80% AMI and 6% at 100% AMI)
What other options are proposed?

State law requires at least one alternative to building affordable units on-site. Therefore, the developer may instead:

Pay a proposed **fee-in-lieu** ($268,000 - $478,000) per affordable unit required to fund affordable housing.

or

Negotiate an alternative affordable housing plan. These could include:

- **Family friendly housing** and amenities
- Homes serving households with **lower incomes**
- **Land dedication** for affordable housing
- Concurrent **off-site** affordable housing in the neighborhood
What development incentives are proposed?

- In order to promote the **creation of affordable housing**
- Create more housing overall, and
- Improve the project feasibility

**Baseline Incentives**
- Build Affordable Units On-Site
- Parking Reduction
- Permit Fee Reduction

**Enhanced Incentives**
- Parking Exemption
- Height Increase
- Affordable Housing Review Team*

**Increased Affordability**
Increase the affordability contribution (2-3% more affordable units)

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- **Fee-In-Lieu**
- **No Incentives**
How can I learn more and share my ideas?

The project website has a lot of great resources.
• If you feel like information is missing, let us know!

You can share your thoughts and questions tonight, or, submit comments online.

Invite staff to connect with your community to share more feedback.

Please submit comments and ideas before the end of the year so we can improve the proposal!
Common Questions
How does this effect overall housing?

Research shows that modest mandatory housing policies, such as this, do not result in materially higher rents, sale prices or reduce overall development.

- And incentives can actually increase the supply of housing overall.

This is why over 900 jurisdictions across 25 states have deployed similar programs to support the creation of affordable housing.

Source: Grounded Solutions
How did we ensure this will not adversely impact housing costs?

The city is committed to finding balanced solutions that meet housing needs, complement existing programs and maintain a strong housing market. Financial feasibility is critical to ensure that new housing will continue to be built with these requirements in place.

Financial feasibility informed the mandatory requirements to build affordable units on-site. Finding that development can support the requirements of 8% of rental units at 60% AMI and 10% of ownership units at 80% AMI.
What affects housing costs?

Land, labor, and material prices have increased substantially in the past 10 years.
How does this ensure that existing residents benefit from new housing?

Alignment w/ HOST Prioritization Policy (in development):
• Affirmative marketing requirements
• Potential set-aside for a portion of affordable units for residents that currently or previously lived in the neighborhood
Where are "by-right" height incentives proposed to apply?

**Applicability:** Available in DZC **Commercial Mixed Use** or **Multi Unit Zone Districts** of 3+ stories

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<th>Existing Height</th>
<th>Incentive Height</th>
<th>Height with Incentive</th>
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How would the “by-right” height and parking incentives operate together?

If… there is an existing 3-story zone district
The developer could build the required
• 5 affordable units and 60 market rate units within the 3 stories.

Or…

The developer could provide more affordable units and build 4 stories (no rezoning required).
• 8 affordable units and 71 market rate units within 4 stories.
What about single-unit/duplex and non-residential development?

All development that do not fall under the Mandatory Housing requirement, or are otherwise exempt, will instead pay an increased “Linkage Fee” on a per-square foot basis, just as they do today.

<table>
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<th>Development Type:</th>
<th>Recommended Fee:</th>
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| Single Unit, Two-Unit, or Multi-Unit of 1 – 7 units | Less than 1,400 sf per unit: $4 per/sf  
More than 1,400 sf per unit: $6 per/sf |
| Commercial, Office, Sales Services & Repair | All Other Areas: $6 per/sf  
Downtown: $8 per/sf |
| Industrial and Manufacturing | $4 per/sf |
Don’t we already have a lot of housing funds and programs?

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<tr>
<th>Unsheltered</th>
<th>&lt;30% AMI</th>
<th>31-50% AMI</th>
<th>51-60% AMI</th>
<th>61-80% AMI</th>
<th>81-99% AMI</th>
<th>100% AMI +</th>
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Funds and programs are prioritized to serve those with the greatest housing needs.

City Partners (DEDO and DHS)

Local Partners (DHA, D3 Bond Initiative)

State Partners (CDOH, CHFA to provide rental assistance, gap financing)

Federal funding and programs

Mandatory Housing

Market Rate Rental Production

Market Rate Ownership Production
How did we ensure that housing remains affordable?

Unlike Naturally Occurring Affordable Housing (NOAH), this requires income-restricted affordable housing with a 99-year covenant. This guarantees that the units will remain affordable for future generations.

Additionally, the city has a dedicated compliance team to ensure that the units are rented or sold to those who qualify and remain affordable.
Next Steps

City staff are collecting **feedback through the end of the year**.
- Submit comments online
- Attend upcoming virtual office hours (November 9th at 5:30pm)
- Invite us to connect with your community or organization

Provide a revised proposal in early 2022
Planning for the legislative process in Spring of 2022.