

The City and County of Denver released a *draft policy proposal* in October 2021 aimed at creating more affordable homes in Denver. This summary document overviews the draft proposal. To view the entire proposal and share your comments/questions, please visit www.denvergov.org/affordabilityincentive.

Proposal Overview

This proposal is the result of many months of work balancing the perspectives of industry and neighborhood stakeholders, identifying current and future housing needs, studying comparable programs in other cities, and developing a detailed financial feasibility analysis using real building costs, operating costs, rents and sales prices from recent local projects. It will help create new, mixed-income communities in Denver that contain affordable homes priced within reach of our workforce—teachers, firefighters, restaurant workers, and everyone else who helps make our city great. This is an issue that affects all of us, and as a city we can do more to address the housing needs of all residents.

The draft proposal includes provisions for mandatory affordable housing and an update to the existing linkage fee.

- **Mandatory affordable housing** ties the creation of new market-rate housing (commonly serving higher-income households) to the creation of affordable housing, resulting in mixed-income developments and neighborhoods citywide. Understanding that these policies will have an impact on home builders, the proposal includes **zoning and financial incentives** to partially offset costs.
- **Linkage fees** tie the impacts of new development to the need for affordable housing. These fees play a critical role in funding new affordable housing throughout the city. Under this proposal, residential projects that build affordable units as part of the development would not pay linkage fees.

Mandatory Affordable Housing for New Residential Developments ≥ 8 Units

The proposed approach seeks to balance current and future housing needs, analysis of other cities, past Denver program lessons learned, financial feasibility and community and industry feedback.

Under the draft proposal, developers constructing housing of eight or more units would build the amount of affordable housing specified in option 1 or option 2 of the below table for a period of 99 years.

Options for Building Affordable Homes On-site			
		High-Cost Markets	Typical Markets
Option 1	Rental housing	10% of total units at 60% AMI*	8% of total units at 60% AMI
	Ownership housing	12% of total units at 80% AMI	10% of total units at 80% AMI
Option 2	Rental housing	8% of total units at 60% AMI and 7% of total units at 80% AMI (15% total)	6% of total units at 60% AMI and 6% of total units at 80% AMI (12% total)
	Ownership housing	9% of total units at 80% AMI and 9% of total units at 100% AMI (18% total)	8% of total units at 80% AMI and 7% of total units at 100% AMI (15% total)

*AMI = [Area Median Income](#)

To align with state law, which requires alternatives to the mandatory requirement, the proposal includes **alternative compliance options** that would still contribute to affordable housing needs. These include:

- **Fee in-lieu** of the affordable units required. Fees range from \$268,000 - \$478,000 and would vary by tenure (rental/ownership) and market area (typical/high).

- Or **discretionary agreements** that allow for flexibility and benefit the community in alignment with city housing goals. These could include land dedication for new affordable housing development; fewer units but restricted at a greater depth of affordability; developments providing larger layouts, more bedrooms, and family-friendly amenities; or concurrent off-site development of affordable housing.

The proposal also includes **zoning, financial, and process incentives** to help partially offset costs and support further affordability. Incentives available to projects that build the required affordable units could include:

- Permit fee reduction of \$6,500 or \$7,500 per affordable unit at 60% AMI on rental and 80% AMI on ownership
- Reduced parking ratio of 0.5 spaces per unit

Incentives for projects to exceed the required affordable units onsite by 2-3% could include:

- Height increase (subject to geographic limitations)
- Parking exemption (subject to geographic limitations)
- Permit review through a dedicated affordable housing team (subject to staffing capacity)

Linkage Fee for Other Development Types

Updates to the linkage fee are based on financial feasibility. The linkage fee supports the city’s Affordable Housing Fund, which is a critical source of funding for deeply affordable homes. The linkage fee would only apply to new residential developments of seven units or fewer and non-residential uses (commercial, office, retail, industrial, etc.). Current linkage fee amounts for comparison are available at www.denvergov.org/affordablehousingfee.

Development Type	Proposed Fees
Single Unit, Two Unit, or Multi Unit of 7 units or fewer AND 1,400 square feet (sf) or less per unit	\$4 per/sf
Single Unit, Two Unit, or Multi Unit of 7 units or fewer AND more than 1,400 sf per unit	\$6 per/sf
Commercial, Office, Sales Services & Repair	Typical Cost: \$6 per/sf High Cost: \$8 per/sf
Industrial, Manufacturing, Wholesale & Agricultural	\$4 per/sf

Effective Dates

When considering effective dates, the city balances the immediate need for affordable units with the need to provide adequate time for existing projects to receive approval under current regulations or design for new regulations, as well as adequate time for the city to effectively implement new requirements. Ultimately, this proposal must be adopted by City Council before it will become effective. If approved, the city anticipates the following effective dates:

Projects under **Site Development Plan (SDP) review** could continue under existing rules if they have a:

- concept SDP submitted by June 30, 2022;
- AND a final SDP approved by August 30, 2023 (14-month window).

Projects under **residential review** could continue under existing rules if they have a:

- building permit submitted by June 30, 2022, and all applicable plan review fees paid;
- AND a building permit approved and issued by December 30, 2022 (6-month window).

Mandatory housing and the linkage fee complement Denver’s existing housing programs, all of which are critical to addressing the spectrum of housing need. To learn more about Denver’s housing programs, please visit the Department of Housing Stability’s [5-Year Strategic Plan](#) and the [Denver Affordable Housing Dashboard](#).