Expanding Housing Affordability

Advisory Committee Meeting
March 2, 2021
Welcome.

Laura Aldrete, Executive Director of Community Planning and Development (CPD) and Britta Fisher, Executive Director of Housing Stability (HOST)
Agenda

• Project Overview
• Context Setting (Housing Need and Complementary Strategies)
• Market-Based Tools (Explained, Outcomes, Lessons Learned, Peer City Findings)
• Considerations – Committee feedback
• Process and Outreach – Committee feedback
• Next Steps
Meeting Norms

• Remain open-minded and avoid judging ideas prematurely.
• Be open and candid with ideas, needs, and concerns.
• Encourage participation from all members.
• Be concise and speak to the point. Encourage others to contribute.
• Listen to understand.
• Be respectful. Avoid side conversations. Refrain from interrupting.
• Be future-focused. Do not reopen previous discussions unless the information and circumstances have substantially changed.
• Be present during discussions.
Project Overview
Expanding Housing Affordability
Through Market-Based Tools

Project Objective
To establish market-based programs for new development that complement existing tools and resources, enabling the City to address housing needs for low-to-moderate income households in every neighborhood.
The City is exploring the following complementary tools through the **Expanding Housing Affordability** project

- Linkage Fee Updates
- Inclusionary Housing
- Incentive Zoning Expansion
Guiding Principles

• An **equitable** program that addresses housing needs for households in every Denver neighborhood

• A **predictable** program that provides clarity and transparency of process, requirements, and outcomes

• A **market-based** program that responds to varied market feasibility conditions and partnership opportunities
Project Process

2021

Expanding Housing Affordability
Builds upon research, and feedback and outreach as a part of the AHZI project

Q1 2021
Sharing Findings of Housing Needs & Best Practices

Q2-Q3 2021
Financial Feasibility Analysis & Exploring Policy Alternatives

Q3 2021
Confirming Policy Alternatives & Drafting

Q4 2021
Legislative Review with City Council & Planning Board
Advisory Committee
Member Expectations

• **Share ideas** and feedback throughout the process.
• **Constructively engage** in discussions with people holding a different viewpoint.
• **Come to meetings prepared** for discussion by reading meeting materials in advance.
• **Stay actively involved** and up-to-speed throughout the process.
• **Use your networks**, audiences and groups you are affiliated with to communicate about the project and obtain input.
• Provide feedback on community engagement activities and support specific implementation activities, as requested.
Context Setting

Denver's Housing Need and Complementary Strategies
Why do we have affordable housing needs?

Supply and Demand Imbalances

Housing development can take **YEARS**

- Acquire land
- Rezone
- Obtain permits
- Finance project
- Buy materials
- Hire labor

Housing demand can change in **MONTHS**

- New households
- Relationship changes
- Relocating for jobs or school
Why do we have affordable housing needs?

Cost of labor, supply of materials, interest rates, mortgage qualifications change frequently with economic conditions and federal regulations.

Housing costs have been outpacing wage growth in many employment sectors.

 Discriminatory policies have denied many people the opportunity for wealth creation and improved housing opportunities.
Part of a larger housing strategy

Housing an Inclusive Denver Strategies

**STABILIZE**
residents at risk of involuntary displacement

**CREATE**
affordable housing in vulnerable areas and in areas of opportunity

**PROMOTE**
equitable and accessible housing through program investments or policy actions

**PRESERVE**
affordability and housing quality

*EXPANDING HOUSING AFFORDABILITY Through Market-Based Tools*
How is affordable housing created?

**Dedicated affordable housing** are income-restricted units that are created through public assistance or market-based programs.

**Naturally occurring affordable housing (NOAH)** are units that may rent or sell at affordable levels, but do not have legally binding affordability requirements.
## Denver’s 20-Year Housing Needs

<table>
<thead>
<tr>
<th>Housing Units</th>
<th>Public Sector</th>
<th>Private Sector</th>
<th>Market-Rate Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>50% AMI and below</td>
<td>Federal</td>
<td></td>
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<tr>
<td>51 – 60% AMI</td>
<td>State</td>
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<tr>
<td>61 – 80% AMI</td>
<td>Local</td>
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<td>81 – 100% AMI</td>
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<td>101-120% AMI</td>
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<tr>
<td>121% AMI and above</td>
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</table>

**Gap**

In Current Tools
## Denver’s 20-Year Housing Needs

### Housing Units

<table>
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<tr>
<th>50% AMI and below</th>
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</thead>
</table>

### Public Sector
- Federal
- State
- Local

### Private Sector
- Market-Rate Development

- Market-based tools can leverage the private sector to complement housing supply at both ends of the continuum

- **Incentive Zoning**
- **Inclusionary Housing**
Check-In

What clarification questions do you have after watching the Denver Housing Market video?
Market-Based Tools

• Explained
• Outcomes
• Peer Cities
• Opportunities for Improvement
• Future Policy Discussion
Linkage Fee Current Tool

Applies Citywide to all new development

New development of retail, office, housing or industrial

Fees are used to create affordable housing elsewhere in the city

Developer pays the fee at the time of development
Linkage Fee

Background

Studied in 2016, effective in 2017

Nexus study (legally justified fee) $9 – 119 per/sf

Financial feasibility study found $7 per/sf was financially feasible

Current fees $0.43 to $1.83 per/sf
Linkage Fee Outcomes

Total Fees Assessed $69M
Fees Exempt $43.9M
Net Fees Collected $24.1M

Source: Acela Permit information
## Linkage Fee Peer Cities

<table>
<thead>
<tr>
<th></th>
<th>&lt;$1 per/sf</th>
<th>$1-10 per/sf</th>
<th>$11-20 per/sf</th>
<th>$21-30 per/sf</th>
<th>$31-40 per/sf</th>
<th>$41-50 per/sf</th>
<th>$50+per/sf</th>
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</thead>
<tbody>
<tr>
<td>Denver</td>
<td>Multi-Unit $1.61 per/sf Incentive Area Fee: $6.44</td>
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<tr>
<td>Austin (ZI)</td>
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<td>Atlanta (B)</td>
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<tr>
<td>Los Angeles (B)</td>
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<td>No Fee-in-lieu offered</td>
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<td>Minneapolis (I)</td>
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<td>Portland (I)</td>
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<td>San Jose (B)</td>
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<td>Seattle (B)</td>
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ZI = Zoning Incentive Only ; B = Blended Program; I = Inclusionary Only
Linkage Fee
Opportunities for Improvement

• The implementation approach (exempt by concept) led to a significant loss in funds generated.
  • Therefore, implementation should be considered and discussed concurrent to the policy decision to set expectations on the front end.

• Fees that are within financial feasibility limits do not slow development
  • Therefore, any revisions to the linkage fee should be guided by financially feasibility.

• The build-alternative has not yielded many units.
  • Therefore, if creation of units is our policy preference, the build-alternative should be calibrated to the market and become the more financially logical choice than paying the fee.
Linkage Fee
Future policy discussions

Informed by guiding principles (equity, financial feasibility, and predictability) and outreach

- Fee per square foot assessed by use
- Options for alternative satisfaction of requirements
- Implementation/effective date
Inclusionary Housing Ordinance (IHO) Prior Tool

Applied citywide to all new for-sale 30+ units of residential development.

- A portion of units are required as affordable.
- The remaining units are market rate.
- Restricted by state-law to only apply to for-sale housing.
Inclusionary Housing

IHO Outcomes

Requirement:
- 10% of units affordable for a minimum of 15 years
- Affordability range from 50 – 95%, 80% AMI average with a fee-in-lieu option

Source: IHO Housing Report 2015
Inclusionary Housing
Potential Tool

May apply citywide to all new residential development

A portion of units are required as affordable

The remaining units are market rate

If state law changes, could apply to both rental and for-sale housing.
Inclusionary Housing
Peer Cities

• Inclusionary housing is a tool becoming a more common solution in cities with rising costs like Denver

• Programs are most successful when…
  • Mandatory and apply to the entire jurisdiction
  • Program requirements are calibrated to sub-market cost
  • Incentives are used to achieve greater levels of affordability and offset the cost of providing affordable units
Inclusionary Housing
Opportunities for Improvement from IHO

• Typically, it was more feasible (especially in high-cost areas) to pay cash in lieu of building affordable units.
  • Therefore, to produce affordable units in high-cost areas where there is the greatest access to opportunity (jobs, transit, services, amenities) requirements along with the cash in lieu need to be tailored to market cost.

• Some of the units are no longer affordable because of the 15-year affordability requirement, or due to tracking challenges.
  • Therefore, longer affordability periods should be pursued along with a robust monitoring system.

• The threshold for 30 or more units of for-sale only captured a small portion of market development activity.
  • Therefore, to increase outcomes, applicability should explore all types of housing (rental & ownership) along with a smaller development size threshold.

• The IHO didn’t adequately respond to the varied needs of neighborhoods housing costs.
  • Therefore, program requirements must consider sub-market differences.
Inclusionary Housing
Future policy discussions
Informed by guiding principles (equity, financial feasibility, and predictability) and outreach

- Project threshold size for build-requirement
- Percentage of units that must be affordable
- Affordability level of rental and ownership units
- Affordability term/length
- Geographic variants
- Options for alternative satisfaction of requirements
- Development/zoning/parking incentives
- Implementation/effective date
Incentive Zoning — Existing tool in small areas

May apply to centers, corridors and transit rich areas

Incentive Height

A greater portion of units are required as affordable

The remaining units are market rate

New housing development

Fees are used to create more affordable housing elsewhere in the city

Developer pays the increased fee at the time of development

New retail, office, or industrial development
Incentive Zoning  Outcomes

38th and Blake Pilot Project
Adopted in 2018
7 developments used the height incentive
Produced 95 affordable units and 1,843 market rate units
Incentive Zoning
Peer Cities

• Cities with similar legal limits to Colorado communities often use incentives as their primary tool to achieve mixed-income development

Incentives commonly...

• Complement mandatory inclusionary programs

• Offer a variety of incentives
  • Density
  • Expedited permitting
  • Fee reductions
  • Reduced parking
Incentive Zoning
Opportunities for Improvement from 38th & Blake

• The current system does not promote predictability of outcomes.
  • Therefore an incentive system should be simple and predictable, like a straight-forward requirement for a set % of affordable units within a project.

• The current system promotes the construction of affordable housing on-site or within the area.
  • Therefore a citywide system should continue to promote on-site affordable housing creating mixed income housing.

• The current system provides base heights that, in some instances, exceed market demand.
  • Therefore, an incentive system should take into account market realities and strike a balance between current and potential entitlements.

• The current system provides housing primarily at 80% AMI, which often does not serve the needs of the surrounding community.
  • Therefore, an incentive system should address deeper AMI levels.

• The current system provides increased height as the only incentive which is not always the most attractive incentive.
  • Therefore, an incentive system should offer multiple incentives.
Incentive Zoning
Future policy discussions

Informed by guiding principles (equity, financial feasibility, and predictability), adopted plan recommendations, and outreach

• Geographic applicability
• Building height increase
• Percentage of units that must be affordable
• Affordability level of rental and ownership units
• Affordability term
• Additional zoning incentives
• Implementation/effective date
## Tool Parameters & Opportunities

<table>
<thead>
<tr>
<th>Tool Parameters</th>
<th>Linkage Fee</th>
<th>Inclusionary Housing</th>
<th>Incentive Zoning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solutions must be financially feasible</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Applies to NEW development (Currently) (non-residential if IH)</td>
<td>✔️</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Could apply to NEW residential development</td>
<td></td>
<td>✔️</td>
<td>✔️</td>
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</tbody>
</table>

**Tool Opportunities**

- Provides funding for affordable housing along the continuum: ✔️
- Creates mixed-income housing: ✔️
- Complements federal, state and local programs/funds: ✔️
Based on peer city research, programs are most effective when:

• Inclusionary housing is mandatory;
• Requirements apply to the whole jurisdiction;
• Demand is pent up for both affordable and market rate housing;
• Fees-in-lieu reflect the cost of developing affordable units;
• Program requirements are clear and predictable;
• Requirements are calibrated to submarket costs; and
• Incentives are used to achieve greater levels of affordability, offset compliance costs, and/or promote voluntary affordable housing for a higher income segment.
Check-In

• What clarification questions do you have on past/current tools in Denver or peer cities after reviewing the Background Report and Peer City Programs and Outcomes video?

• Any clarifying questions about the three tools being explored?
Discussion

• What did we miss? Are there other opportunities for improvement that haven't been captured?

• Are there tools from peer cities that you are particularly interested in exploring for Denver?

• What should staff be thinking about as we develop initial policy ideas for consideration?
Project Process and Community Engagement
Project Process

2021

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Q1 2021
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Community Engagement Process

Advisory Committee

Community

Focus Groups

Project Team
Community Engagement Goals

• Informing the community by distributing accurate, objective, and timely information;
• Fostering understanding of the housing market, zoning opportunities and affordable housing;
• Identifying and addressing questions and concerns;
• Soliciting input and feedback to ensure key issues, interests and needs are integrated into the process and project outcomes; and
• Building awareness around the project and informing outcomes.
Community Engagement Principles

• Tailoring content and discussions to the specific needs and interests of the community;
• Leveraging existing community groups and networks;
• Being efficient and respectful of the time volunteered by all participants; and
• Engaging in diverse representation with a variety of socio-economic backgrounds and perspectives.
Community Engagement Process

Phase 1: Sharing Findings of Housing Needs and Best Practices

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

How
- Connecting with existing community groups and industry organizations
- Co-hosting focus groups to listen and learn
- Listening sessions via staff “office-hours”
- Partnering with council offices to share information and participate in existing meetings

When
- March and April 2021
Community Engagement Process

Phase 2: Financial Feasibility Analysis & Exploring Policy Alternatives

Purpose
- Building a shared understanding of financial feasibility measures and outcomes
- Gaining feedback on policy alternatives for each tool (e.g., understanding trade-off priorities)
- Listening to community concerns, ideas and considerations
- Answering questions

How
- Connecting with existing community groups and industry organizations
- Co-hosting focus groups to deep-dive into particular topics or community needs
- Listening sessions through staff office-hours
- Partnering with council offices to share information and participate in existing meetings
- Virtual citywide open house events

When
- June – July 2021
Community Engagement Process

Phase 3: **Confirming Policy Alternatives & Drafting**

**Purpose**
- Refining policy alternatives based on community feedback
- Building consensus for policy proposals

**How**
- Connecting with existing community groups and industry organizations
- Co-hosting focus groups to deep-dive into particular topics or community needs
- Listening sessions through staff office-hours
- Partnering with council offices to share information and participate in existing meetings

**When**
- September – October 2021
Community Engagement Process

Phase 4: **Legislative Review**

**How**
- Planning Board Public Hearing
- City Council Committee Meetings
- City Council Public Hearing

**When**
- November - December 2021
Advisory Committee Ask

• Connect project team with existing community groups and organizations
• Co-host community meetings/events (e.g. focus groups, etc.)
• Re-share content from CPD/HOST in newsletters (project team will provide content)
• Bring feedback and ideas to each AC meeting
• Other ideas/opportunities to engage community?

• Staff is here to support you – call/email us always!
Public Comment

(10m)
Next Steps
Next Steps

Near Term (March-April)
• Outreach as identified in Phase 1

Short Term (April-May)
• Conducting financial feasibility analysis for Phase 2
• Creating policy alternatives for Phase 2
• Advisory Committee Meeting in May