Meeting Highlights
This project has been expanded to include consideration of the Linkage Fee and Inclusionary Housing Ordinance, in addition to the incentive zoning previously discussed as part of the previous Affordable Housing Zoning Incentive (AHZI). Since it has been several months since the last AHZI meeting (September 2020) and there are some new advisory committee Members, this meeting was primarily an opportunity to re-orient everyone to the project purpose and discuss any questions on the background material. It was also an opportunity to obtain feedback on the analyses to date and any ideas advisory committee members are particularly interested in exploring.

The project launched in 2020 with a focus on a citywide zoning incentive. It has expanded to include an update to the city’s linkage fee and to address potential changes to state law, which currently limits what Denver can require for affordable housing. Specifically, this project will look at:

- a citywide zoning incentive that would allow projects to build taller buildings if more affordable units are included,
- an update to the city's linkage fee, which requires all new development to either include affordable housing or pay a fee that supports Denver’s affordable housing fund, and
- potential changes to state law on “inclusionary housing,” which refers to requirements that cities can establish for new for-sale or for-rent developments. Currently, state law puts strict limits on what Denver and other cities statewide can require.

Key background information is available on the Expanding Housing Affordability website, including but not limited to:

- List of advisory committee members
- Background Report (on the Resources and Downloads Link)
- Four Informational Videos: 1) Affordable Housing Basics; 2) Project Overview; 3) Denver’s Housing Market; and 4) Peer City Research (on the Resources and Downloads Link)

Project Overview and Review of Background Information
Analise Hock, CPD provided high-level background information on the project overview, Denver’s housing needs and complementary strategies, and Denver’s current and past market-based tools, including a linkage fee, inclusionary housing, and incentive zoning expansion. The slide deck can be found online on the project website.

The Project Team responded to a series of questions.

Project Purpose/ Process

As part of meeting norms – could we have a land acknowledgment? We did this in the blueprint equity training and now at city council meetings. Yes. The same language can be integrated into future meetings.

Are the potential tools still identified and prioritized, or is there still room to share other tool ideas? While the project scope is explicitly focused on the three tools (linkage fee, inclusionary housing, and incentive zoning expansion), the city is very open to additional feedback and ideas on how to best implement these tools.

Do we have a clear definition of success (e.g., a number of affordable units we’re trying to create)? We’re looking at the housing need at a 20-year horizon, which is described in the Background Report. We will want to evaluate our approaches against whether they can meet this housing need.

How are we addressing the full spectrum of housing needs (especially lower-income needs)? While this Expanding Housing Affordability project is primarily focused on the “create” housing strategy, the City of Denver is focused on the other
components (preserve, stabilize and promote) through other efforts. The Dept. of Housing Stability (HOST) does planning across all four of these areas, and across the full spectrum of AMI levels with a heavy focus on lowest-income households through annual and 3-5 year plans. The 2021 HOST Action Plan is available. The next 5-year plan is being developed and is due later in the fall. Any ideas, input, concerns that don’t fit this very focused project can still be considered and funneled to that discussion.

**How are we focusing these tools on areas with higher diversity?** While the desire is to create citywide tools we need to acknowledge that different areas of the city have different needs (e.g., some areas have high vulnerability to displacement). This EHA project will only work in conjunction with other HOST and Neighborhood Equity and Stabilization (NEST) programs.

**Understanding Need**

Could the team review the goals for how many units by demographic including age, size, and income? This seems important for determining the outcome by demographic area and evaluating success. The Background Report and Denver Housing Market video provides details. It includes a gap analysis by AMI category. It is very difficult to do this analysis by bedroom type.

I am not convinced a detailed needs-based approach is appropriate for market-based solutions. There are too many factors that are beyond the city’s control.

It can be overwhelming to consider the impacts of population growth. As much as we can clarify the outcomes we’re striving for the better.

**Have you used modeling to determine what outcomes these tools could meet?** The focus needs to be future-oriented. There is some learning by looking back, but it is difficult because the context was very different in the past. Models also can give a perception of exactness, which is not realistic.

**Incentive Zoning**

The 38th and Blake Overlay area had 5% affordable units. I’d be curious to know the unit size, bedroom counts, and AMI levels of those new apartments. Do we also understand how much less affordable the rest of the market became because of the 1,800+ market-rate units? Did we make a dent in the need for affordable, or put ourselves even further behind? I’d be interested in better understanding the lessons learned/true ramifications of that approach. A lot of the details are in the Background Report pages 22-23. All of the affordable units are at 80% AMI and the unit types and sizes are required to be the same as the market-rate units. The project did increase the number of market-rate units (which are also needed in the city) and affordable units.

- AC member: Reminder, most of the parcels in this area already had the right to develop generally, they already had zoning. There would still be market-rate development without this policy. The question was whether to leverage some affordability in exchange for an increment of the additional market rate. But absent that increment there still would have been “growth” for better or worse. One lesson of 38th and Blake, and the entire 2010 rezoning, is that we missed the opportunity to link affordability before we up zoned major portions of the city.

**How do Large Development Review (LDR) projects fall within this EHA project?** This EHA project is focused on the typical project development for a single property with entitlement in place. EHA recommendations may provide baseline information for LDR projects, but ultimately LDR will go through a process with HOST.

**Potential Negative Impacts of Incentive Zoning**

- It is important to consider where the growth will continue, and especially understand how new development will impact vulnerable areas. We can’t consider market-based solutions in isolation of other broader solutions because they could cause more harm to vulnerable communities. We can’t separate out stabilize from create because it ignores the impact from new development (i.e., displacement). When market-rate developments are raising the rent in an area that is say 40AMI, it’s going to raise the rent of homes in the area as well.

- We need careful calibration to ensure we are getting more affordability that also considers potential impacts of private development.
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Through market-based tools

How do we quickly understand what heights are allowable in different parts of the city? There are a few things to consider – what height is the current building on-site, what is the current entitlement (what can the property owner currently do without review and approval), are there potential entitlement height changes due to neighborhood planning, and what can the market handle (e.g., some areas are very aspirational).

**Linkage Fee**

How was the market feasibility analysis conducted and will it be updated for the linkage fee? The feasibility analysis will be updated and is required before any changes are made. The former study did consider different market areas, building types, and cost typology. It found that most development types could accommodate the $7 sq. ft. cost.

**Peer Cities**

Can we talk more about peer city geographic tailoring? Most of the geographic tailoring is calibrated to the level of housing costs. Seattle and Boston are the best examples of those. Seattle also incentivizes payment (not unit production) in some geographic areas with the goal of using that funding to produce deeply affordable units with nonprofit partners.

I wonder if there are any useful international comparisons (besides Toronto) that could be relevant to Denver? I understand some cities like Vienna and Tokyo have remarkable housing affordability all things considered. I do also understand though that the comparison may not be useful considering US federal law, etc.

- AC member: Many of the best models in foreign countries are based on much, much higher rates of public ownership of land and public ownership of housing than the private market-driven approach we've gravitated to in the US after the initial burst of public housing that leveled off over the past several decades.
- AC member: The form of capitalism and relationship with private property rights in the US and the role of government intervention is qualitatively different than many of our foreign counterparts, so it's very difficult to use those as relevant models in many cases.

It's challenging to square linkage fees between peer cities and Denver. I need a better understanding of the other city's scope and/or understand how to compare different approaches. We will look at these considerations more in the future.

**Misc.**

I wouldn't quite agree that we've only used one size fits all approaches. The 2014 changes to the IHO had three zones that were treated differently based on economics, and we succeeded in building more units in high cost/need areas during that era with that more customized approach. Similar to large area developments where we've negotiated unique housing agreements to fit the needs of areas better than the default "one size" policy. So we do have some evidence and experience with more tailored approaches.

Land banking may be a strategy for the city to consider to stabilize housing.

I encourage the city to eliminate using Metro Districts for affordable housing. It becomes a subsidy and results in few affordable housing units.

**Feedback Related to Current and Past Market-Based Tools**

After reviewing current and past market-based tools (from Denver and peer cities), the group was asked to share feedback on the following questions: This feedback will help the project team refine its analysis.  

- 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?

**Feedback**

- While everybody complained about the old Inclusionary Housing Ordinance, everybody ultimately did it and the predictability was useful. The linkage fee is not producing enough units. We would be better off going back to the IHO if the state legislature approves it. My preference would be to use the IHO for residential development and the
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Through market-based tools

 linkage fee on commercial and industrial development. The city has not done a good enough job in producing units in the last several years.

- I think staff needs to prioritize policies that require affordable units, are clear and easy to understand, and are calibrated to ensure that developers build units instead of paying fees.
- None of these three tools are “silver bullets”. I am in favor of all of them, but we shouldn’t expect a lot of units to be produced given market conditions. There is massive housing vs. job creation disparity in Denver (more new jobs than units being created).
- Consider whether there are ways to make a touchpoint to other decisions that are impacting the cost of housing (e.g., infrastructure).
- As a pathway to doing this from an affordable housing developer’s perspective, I don’t have any issue with the general plan (3 tools)—the devil is in the details. Add to the focus, yes we want clear expectations, but we also need some level of flexibility to utilize the tools.

Community Engagement

The meeting presentation (on the website) includes some slides related to community engagement, which were not covered due to time. The Project Team will follow-up with more detail on the community engagement approach and support needed from advisory committee members.

Public Comment Period

There was a public comment period. Observers were also able to submit questions throughout the session and their questions have been included below.

Additional context for HOST work and strategic planning

As many of the comments from the public and some comments from committee members, we outside the scope of their effort, the following is information on the Department of Housing Stability (HOST) and ongoing strategic planning.

As a new agency committed to building a healthy, housed and connected Denver, the Department of Housing Stability (HOST) is involved in a number of distinct planning efforts. While urgent needs resulting from the COVID-19 pandemic caused HOST to pause development of its 5-year strategic plan, the Department issued its 2021 Action Plan, which details immediate plans and priorities for this year. Among the work being done this year, HOST will relaunch development of its 5-year strategic plan, bridging the work previously begun in Housing an Inclusive Denver and the Three Year Shelter Expansion Plan with a shared plan that will guide our work from 2022 to 2026.

HOST works across the housing continuum to support housing stability, homelessness resolution, and housing opportunity, focusing on areas of greatest need. Funding projects that are affordable to very low-income households (earning 30% of the area median income (AMI) or below) is a core priority because challenges to obtaining affordable housing are most concentrated among households with the lowest incomes. Between 2018-2020, more than half of available housing funds (over $61 million) supported homes and programs serving those experiencing homelessness and those earning at or below 30% of AMI. You can see where HOST has invested housing resources on our Denver Affordable Housing Dashboard.

And while the funds deployed over the past three years are substantial, more tools are needed to meet the growing need. As such, HOST is also working together with Community Planning and Development (CPD) on the Expanding Housing Affordability (EHA) project. It is critical that the City use all available tools to help address housing needs, so the EHA project scope is timed to support analysis of the policy framework and financial feasibility of inclusionary housing if proposed legislation at the state level is approved.

Relevant questions included

Q: Where is the affordable housing in this region?
A: See the Affordable Housing Dashboard.
Q: Affordable according to whom? In many places such as New York City, there are subsidized rents that are made possible for anyone who cannot afford a home.
A: Housing is considered affordable if a household spends no more than 30% of their income on housing costs.

Q: Are we considering workforce permanent housing opportunities? I hope! Our tool kit has seldom talked about the relationship between employment and housing that is accessible.
A: Yes. This is why we wanted to understand housing needs in the context of job and employment trends notes in the market study video. These programs are most likely to be successful in serving households earning 60 – 80% AMI on rental and opportunity to look at higher incomes for ownership.

Q: What kind of evidence is there that federal programs/funding are providing the necessary housing at 50% AMI & below?
A: See the Affordable Housing Dashboard for more inroamtion on current housing production by AMI level.

Q: Are there specific operational definitions of "vulnerable areas" and "areas of opportunity"?
A: While Housing An Inclusive Denver references these terms frequently, it doesn't provide a formal definition. Blueprint Denver calls for three equity concepts that should guide future planning and implementation. Each equity concept includes a measurement that is mapped geographically across the city to understand disparities and patterns between neighborhoods. These equity metrics and other data points are updates annually and published online.

Q: For these housing objectives to be feasible we have to consider creating these housing opportunities throughout the metro region and not merely in Denver City and County? Is this not essential for any housing strategy?
A: Staff is working with DRCOG and other regional partners to ensure that the metro region is coordinated and can support housing needs.

Q: Does inclusionary zoning result in any publicly owned, operated, and maintained housing?
A: Commonly the city does not own, operate, maintain housing but rather partners with developers to provide funding to create affordable housing.

Q: Why are we in the position we have to put carrots in front of developers to hope they build the things our people need instead of providing for our people the things they need?
A: This project is about balancing new requirements along with incentives.

General Public Comment
The city should encourage affordable housing in multi-use development wherever possible. Eminent domain is one tool that can be used.

Next Meeting – likely May 2020, date TBD
The next meeting is anticipated to be a videoconference in May 2020. The Project Team will conduct a financial feasibility analysis and develop draft policy alternatives before this meeting and advisory committee members will be asked to provide feedback.
Advisory Committee members are encouraged to submit any questions or additional feedback to Analiese Hock, Project Manager from the Denver Community Planning and Development (CPD) (analiese.hock@denvergov.org), and to share any process feedback with Catherine Morris, the facilitator (cmorris@cbi.org). Brad Weing, Denver Dept. of Housing Stability (HOST), is the best contact for questions related to the city’s approach for the full housing spectrum (Bradley.Weinig@denvergov.org).

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Several advisory committee members represent several groups. See the membership list on the website for more details.
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