Expanding Housing Affordability

Advisory Committee Meeting
February 10, 2022
**Zoom Logistics**

**Interpretation** will be provided. Click the globe on the bottom of your screen and select language of choice.

**Chat** should only be used for technical needs

**Raise hand** to participate in conversation

Stay on **mute** when not actively talking

If possible, keep your **camera on**
Land Acknowledgement

We honor Elders past, present, and future, and those who have stewarded this land throughout generations. We also recognize that government, academic and cultural institutions were founded upon and continue to enact exclusions and erasures of Indigenous Peoples. May this acknowledgment demonstrate a commitment to working to dismantle ongoing legacies of oppression and inequities and recognize the current and future contributions of Indigenous communities in Denver.
• Gain understanding of feedback received to date
• Review staff response to feedback received through December 31, 2021, as reflected in the public review draft
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.
The city is proposing a new requirement that would ensure that as new housing is built, new affordable housing is created too.

This will be done through the creation of a Mandatory Housing Program with Incentives and a Linkage Fee update.
The proposed policy recommendation seeks to balance:

- Current and future housing needs
- Analysis of other cities programs and successes
- Past/current Denver program lessons learned
- Financial feasibility
- Extensive stakeholder feedback
EXPANDING HOUSING AFFORDABILITY

Through Market-Based Tools

Project Outreach & Feedback:
July – December 2021

1 Open House
2 Council Budget and Policy Meetings
2 Planning Board Meetings
3 Advisory Committee Meetings
19 Community groups or industry organization presentations & discussion
3 Community Office Hours
10 Focus Groups

75 individual comments + 18 questions
8 letters representing multiple industry and community organizations and ongoing discussions

*Detailed summary available online
Linkage Fee

Context

Feedback Received

Response and Changes Made
Part of a larger strategy

Funding Sources: 2022 HOST Budget

- Federal, State and Private Grants $12.9M (e.g., Community Development Block Grants (CBDG), HOME Investment Partnership Program)
- Local Funds
  - General Fund ($34M)
  - Property Tax ($8.9M)
  - Sales & Use Tax ($12.3M)
  - Homeless Resolution Fund ($40.9M)
  - Other Community and Econ Dev Funds ($14.1M)
    - Linkage Fee ($14.1M)
- Other Funds - $19.3M
- ARPA Stimulus - $50.3M

To date, the Linkage fee has produced $33M in revenue. This funding along with MJ sales tax, property tax have supported the creation of 3,200 affordable homes.
Program Applicability
New Construction of:

1-9 Units
- Linkage Fee
- Mandatory Housing
  To build affordable units onsite
- Enabling for Alternative Compliance
- And providing Incentives

10+ Units
- Linkage Fee

All new development contributes to creating more affordable housing

Office Retail Industrial

Does NOT apply to tenant finishes, renovations, affordable housing projects or similar, small additions to SU/TU, or accessory dwelling units (ADUs).
## Linkage Fee 2021 Study Findings

<table>
<thead>
<tr>
<th>Use</th>
<th>Current Fees (per square foot)</th>
<th>Feasibility Findings (Max Fee)</th>
<th>Legally Justifiable Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-9 units, up to 1,600 sf per unit</td>
<td>$0.66</td>
<td>$9.60-14</td>
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<td>1-9 units, units more than 1,600 sf</td>
<td>$0.66</td>
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<tr>
<td>Other residential uses</td>
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<tr>
<td>Commercial, Sales, Service – Typical Market</td>
<td>$1.86</td>
<td>$7-9</td>
<td>$56.74-119.29</td>
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<tr>
<td>Commercial, Sales, Service – High Market</td>
<td>$1.86</td>
<td>$10</td>
<td>$56.74-119.29</td>
</tr>
<tr>
<td>Industrial, manufacturing, wholesale, agricultural.</td>
<td>$0.44</td>
<td>$6</td>
<td>$28.51</td>
</tr>
</tbody>
</table>
Addressing Key Comments: Linkage Fee

<table>
<thead>
<tr>
<th>What we heard</th>
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<td>Increase linkage fees and disincentivize loss of attainable housing, especially via scrapes and rebuilds of homes</td>
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<tr>
<td>Serve lower-income households and persons experiencing homelessness</td>
<td>Linkage fee already serves households from 0 – 80% AMI and is legally limited to “increase the supply” of new affordable housing</td>
</tr>
</tbody>
</table>
## Proposed Linkage Fee

### 1-9 Units

<table>
<thead>
<tr>
<th>Use</th>
<th>Current Fees</th>
<th>Effective July 1, 2022</th>
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<tr>
<td>Commercial, Sales, Service – High Market</td>
<td>$1.86</td>
<td>$3.90</td>
<td>$5.95</td>
<td>$8.00</td>
<td>$10</td>
<td>$56.74-119.29</td>
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<td>Industrial, manufacturing, wholesale, agricultural.</td>
<td>$0.44</td>
<td>$0.96</td>
<td>$1.48</td>
<td>$2.00</td>
<td>$6</td>
<td>$28.51</td>
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Annual adjustments for inflation will resume in 2025

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**Office Retail Industrial Hotel**

- Office
- Retail
- Industrial
- Hotel
Will the linkage fee increase rents for tenants?

• Linkage Fee is a ONE-TIME fee (not a tax) on NEW development (not tenant finishes)

• Market rents are a result of market and local economics that are responding to constant changes in land values, construction and labor costs, development amenities, loan rates, investor expectations, etc.

• Therefore, changes to cost are not likely to be fully passed on to the tenants.

• However, if the linkage fee (one-time cost) was passed on fully to the tenants, it would result in a 0.85% rent increase for office, hotel, retail.
Check-In
Do these changes adequately **balance** the most commonly shared concerns?

Are there additional modifications that could improve on these proposed changes?
Mandatory Housing & Incentives
Context
Feedback Received
Response and Changes Made
Mandatory Affordable Housing

10+ Units

Applies to NEW Development of 10 or more units

• Does not apply to...
  • renovations of existing developments,
  • areas with pre-existing housing agreements, or
  • or affordable housing projects
Program Priorities
As new housing is built, new affordable housing is built by…

• Creating mixed-income housing throughout the city
• Increasing funding to support the creation and preservation of affordable housing
### Mandatory Housing Summary

**Build On-Site**
- High-cost market: Build On-Site Option #1 or #2
- Typical-cost market: Build On-Site Option #1 or #2

**Alternative Compliance**
- Fee per affordable unit required
- Negotiate Alternatives (land dedication, family housing, lower AMI)

**Baseline Incentives**
- Parking Reduction
- Permit Fee Reduction

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

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

Enhanced incentives subject to geographic applicability.
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<td>• increased permit fee reduction amount in high-cost market areas</td>
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<td>Lowered the percent required of affordable units in ownership developments and increased applicability of MAH to 10 units</td>
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<td>Remove market area distinctions</td>
<td>The DRMC already requires annual reporting of city housing programs and outcomes. Supplementary dashboard will be created specific to these tools' outcomes and metrics</td>
</tr>
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<td>Promote homeownership opportunities</td>
<td></td>
</tr>
<tr>
<td>Greater accountability, tracking and transparency on program outcomes and market impacts</td>
<td></td>
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## Build On-Site Summary

| Build Onsite Option | Typical Markets  
(All Other Areas of the City) | High-Cost Markets  
(Downtown, Cherry Creek) |
<table>
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<th></th>
<th></th>
</tr>
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<tr>
<td><strong>On-Site Rental</strong></td>
<td>8% of total units at 60% AMI</td>
<td>10% of total units at 60% AMI</td>
</tr>
<tr>
<td><strong>On-Site Ownership</strong></td>
<td>8% of total units at 80% AMI</td>
<td>10% of total units at 80% AMI</td>
</tr>
<tr>
<td><strong>On-Site Rental</strong></td>
<td>12% of total units averaging 70% AMI serving households up to 80% AMI</td>
<td>15% of total units averaging 70% AMI serving households up to 80% AMI</td>
</tr>
<tr>
<td><strong>On-Site Ownership</strong></td>
<td>12% of total units averaging 90% AMI serving households up to 100% AMI</td>
<td>15% of total units averaging 90% AMI serving households up to 100% AMI</td>
</tr>
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**Changes made in response to feedback:**
To promote more homeownership opportunities >> lowered the percent of units required for ownership
To serve a greater range of incomes >> changed build-on-site option #2 to a one-time average serving households 0 – 80% AMI rental
## Base Incentives

**Base Incentives: By-Right**

Incentives are designed to promote the creation of affordable housing and create more housing overall while providing moderate cost off-sets

<table>
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<tr>
<th>Incentive</th>
<th>Fee Reduction</th>
<th>Parking Reduction</th>
<th>NEW - Linkage Fee Ground Floor Exemption</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$6.5 – 10K per affordable unit</td>
<td>Reduction of 0.5 spaces per unit</td>
<td>For commercial, sales, service uses</td>
</tr>
</tbody>
</table>

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<tr>
<th>Applicability</th>
<th>Citywide</th>
<th>Citywide</th>
<th>Citywide</th>
</tr>
</thead>
<tbody>
<tr>
<td>Build On-Site</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Fee-In-Lieu</td>
<td>☒</td>
<td>☒</td>
<td>☒</td>
</tr>
<tr>
<td>Affordable Projects</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

✅ - Incentive available; ✗ - Incentive not available

**Changes made in response to feedback:**
To promote more affordable housing >> increased permit fee reduction to all affordable units
To address market distinctions >> increased permit fee reduction in high-cost market areas to $10K per unit
To create more incentives and promote commercial spaced >> created a new incentive to exempt ground floor commercial from paying the linkage fee when building affordable units on-site

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**DENVER THE MILE HIGH CITY**

**EXPANDING HOUSING AFFORDABILITY Through Market-Based Tools**

27
Mandatory Housing: On-Site Example

New 5-story rental residential with 85 total units and 5,500 sf retail.

- Build On-Site **Option 1**: 8% of units at 60% AMI = **7 affordable units**

  Or

- Build On-Site **Option 2**: 12% of units averaging 70% AMI = **10 affordable units**

**Plus Base Incentives**

- Exemption from Linkage Fee = $33,000 value
- Permit Fee Reduction: up to $65,000 (50% cap on commercial construction permit fee)
- Parking Reduction of 0.5 spaces per unit

$98,000 in financial incentives + and parking reduction
## Enhanced Incentive Requirements

<table>
<thead>
<tr>
<th>Build Onsite Option</th>
<th>Typical Markets (All Other Areas of the City)</th>
<th>High-Cost Markets (Downtown, Cherry Creek)</th>
</tr>
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<tr>
<td></td>
<td>On-Site Rental</td>
<td>10% of total units at 60% AMI (up from 8% at 60% AMI)</td>
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<tr>
<td></td>
<td>On-Site Ownership</td>
<td>10% of total units at 80% AMI (up from 8% at 80% AMI)</td>
</tr>
<tr>
<td>#1 Enhanced Incentives</td>
<td>On-Site Rental</td>
<td>15% of total units averaging 70% AMI serving households up to 80% AMI (up from 12% at 70% AMI)</td>
</tr>
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<td>On-Site Ownership</td>
<td>15% of total units averaging 90% AMI serving households up to 100% AMI (up from 12% at 90% AMI)</td>
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<tr>
<td>#2 Enhanced Incentives</td>
<td>On-Site Ownership</td>
<td>15% of total units averaging 70% AMI serving households up to 80% AMI (up from 12% at 70% AMI)</td>
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**Changes made in response to feedback:**

- To promote more homeownership opportunities >> lowered the percent of units required for ownership
- To serve a greater range of incomes >> changed build-on-site option #2 to a one-time average serving households 0 – 80% AMI rental
Incentives

Incentives are designed to promote the creation of affordable housing and create more housing overall while providing moderate cost off-sets

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<th>Baseline Incentives – By-Right</th>
<th>Enhanced Incentives – By-Right In exchange for greater affordability</th>
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<th>Specific Zone Districts</th>
<th>Transit-rich areas</th>
<th>Citywide</th>
</tr>
</thead>
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<tr>
<td>Build On-Site</td>
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<tr>
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<td>✗</td>
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</tr>
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</table>

- ✔️ - Incentive available; ✗ - Incentive not available ✔️ - incentive available based on capacity
## Enhanced Incentives: Height Increase

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

<table>
<thead>
<tr>
<th>Existing Height</th>
<th>Incentive Height</th>
<th>Height with Incentive</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>2</td>
<td>7*</td>
</tr>
<tr>
<td>8</td>
<td>4</td>
<td>12*</td>
</tr>
<tr>
<td>12</td>
<td>4</td>
<td>16*</td>
</tr>
<tr>
<td>16</td>
<td>6</td>
<td>22*</td>
</tr>
<tr>
<td>20</td>
<td>10</td>
<td>30*</td>
</tr>
</tbody>
</table>

**Existing Height**

- **Option 1:**
  - 5 Stories, 1 affordable unit
  - 8% of units at 60% AMI
  - 85 Total Units
  - Linkage fee or ~1% of units at 80% AMI

**Option 1 + Incentives**

- 5 Stories, 7 Aff. Units
- 10% of units at 60% AMI
- 130 Total Units

**Option 2**

- 5 Stories, 20 Aff. Units
- 15% of units at 70% AMI
- 130 Total Units

**Option 2 + Incentives**

- 7 Stories, 20 Aff. Units
- 15% of units at 70% AMI
- 130 Total Units

*Additional protected districts standards apply in some building forms restricting building height within 175' of PDs.*

**Interactive Map Link:**

https://geospatialdenver.maps.arcgis.com/apps/webappviewer/index.html?id=1a1116583f3b477a8bfedf0b8fc21818

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**EXPANDING HOUSING AFFORDABILITY**

**Through Market-Based Tools**
Mandatory Housing: Example Incentive Development

New 7-story rental residential (typical market) with 130 total units and reduced parking (0.5 per space) and 5,500sf ground floor retail.

• Build On-Site **Option 1 + Incentives**: 10% of units at 60% AMI = **13 affordable units**

Or

• Build On-Site **Option 2 + Incentives**: 15% of units averaging 70% AMI = **20 affordable units** serving households up to 80% AMI

**Plus Incentives**

• Exemption from Linkage Fee ($33,000 value)
• Permit Fee Reduction: up to $65,000 (50% cap on commercial construction permit fee)

*Note: Given Denver’s form-based code – a reduction in parking allows for more market rate and affordable units.*
### Mandatory Housing: Alternative Compliance

#### Proposed Fee-In-Lieu

<table>
<thead>
<tr>
<th></th>
<th>High Cost</th>
<th>Typical</th>
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<tbody>
<tr>
<td>Per affordable unit required at 10% of total units</td>
<td>Per affordable unit required at 8% of total units</td>
<td></td>
</tr>
<tr>
<td>Rental</td>
<td>$311,000</td>
<td>$250,000 - Developments of 1 – 7 stories</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$295,000 - Developments of 8+ stories</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$250,000 - Townhome Developments</td>
</tr>
<tr>
<td>Ownership</td>
<td>$478,000</td>
<td>$408,000 - All other developments</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$250,000 - Townhome Developments</td>
</tr>
</tbody>
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**Changes made in response to feedback:**

To promote homeownership opportunities >> lowered the fee in lieu multiplier for ownership and lowered the fee in lieu for townhome development

To tailor fees to development costs >> created further calibration for rental fee-in-lieu in typical markets

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**Notes:**

- Developments of 1 – 7 stories
- Developments of 8+ stories
- Townhome Developments
Addressing Anti-Displacement

Fee-In-Lieu Funds collected in neighborhoods identified as Vulnerable to Displacement will be prioritized for spending in these areas towards affordable housing creation and preservation.
Negotiated Alternatives

• In limited circumstances, a better outcome may be achieved through a negotiated agreement
  • Applicant must demonstrate how alternative better meets the goals of HOST’s Strategic Plan, Comprehensive Plan, Blueprint Denver, Small Area Plans, as they relate to housing
  • Must be reviewed and approved by HOST and recorded prior to permit

• Examples:
  • Dedication of land for affordable housing (value & zoning thresholds)
  • Fewer affordable units but at lower AMIs (in no case <5% of units)
  • Fewer affordable units but with larger formats (in no case <5% of units)
  • Off-site development in close proximity (~2x affordable units required)
High-Impact Developments

Developments of a certain scale require more tailored solutions

- 10+ Acres OR
- 5+ Acres w/ city approved financing tool (TIF, Met District, etc.)
  - E.g., Loretto Heights, Denargo Market, Fox Park

- Requirements:
  - Must meet or exceed citywide MAH & Linkage Fee Standards
  - Must provide documentation of:
    - Detailed community outreach efforts, including orgs & individuals
    - How the proposed development is responsive to the community outreach

- Similar examples to negotiated alternatives with higher thresholds
Check-In

Do these changes adequately balance the most commonly shared concerns?

Are there additional modifications that could improve on these proposed changes?
Public Comment
(15 min)
Use raise hand feature and staff will promote you to speak.
Next Steps
Implementation Recommendation

For Mandatory Requirement or Linkage Fee (projects under SDP review)
• Concept site development plan submitted by June 30, 2022
• Must have final SDP approved by August 30, 2023 (14-month window)
• Projects subject to LDR and/or Subdivisions must have final SDP approved by December 31, 2023 (18-month window)

For Linkage Fee (projects under residential review)
• Building permit submitted by June 30, 2022
• Must have building permit approved and issued by December 30, 2022 (6-month window)

Note: June 30th date assumes council adoption prior.
Next Steps

- February: Release Public Draft; Public Outreach; LUTI (2/8, 2/15; 2/22); Planning Board (2/16); Advisory Committee Meeting (2/10); Open House (2/17); Office Hours; Organization outreach and follow up
- March: Public comments close (3/14); final Advisory Committee Meeting; identify and make final revisions; publish Planning Board Review Draft;
- April: Planning Board and LUTI public hearings
- May: City Council First Reading
- June: City Council 2nd Reading and public hearing; R&R public meeting
Appendix
Advisory Committee Role

• The EHA Advisory Committee will provide input throughout the process to ensure key issues and interests are considered and to promote buy-in from a wide range of stakeholders on the proposed approach.

• Reminder:
  • This is a diverse group with various lived and learned experiences and perspectives on this topic.
  • The role of this group is to find areas of compromise to end with a balanced proposal that everyone can “live with.”
How is Denver addressing housing need?

Department of Housing Stability (HOST)

- Stabilizing people at risk of involuntary displacement and connecting them to housing resources
- Supporting people experiencing a crisis and connecting them to shelter services and short-term and permanent housing
- Creating and preserving existing affordable housing
- Connecting residents at any income level to new housing opportunities
Developing Complementary Tools to Create Affordable Housing

Unsheltered | <30% AMI | 31-50% AMI | 51-60% AMI | 61-80% AMI | 81-99% AMI | 100% AMI +

Funds and programs are prioritized to Linkage Fee 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 Production

Market Rate Rental Production

Market Rate Ownership Production
Current Housing Needs: Rental

Housing needs are greatest below 60% AMI where the cost burden is significant.
New development serves households above 80% AMI.
Future Housing Needs

Denver 20-Year Rental Needs
- 50% AMI and below: 4,500
- 51 - 60% AMI: 2,500
- 61 - 80% AMI: 7,000
- 81 - 120% AMI: 9,500
- 121% AMI and above: 12,000

Denver 20-Year Ownership Needs
- 80% AMI and below: 6,000
- 81 - 120% AMI: 4,000
- 121 - 150% AMI: 15,000
- 151% AMI and above: 10,000

Public/private partnerships including mandatory housing
- 50% AMI and below: 4,500
- 51 - 60% AMI: 2,500
- 61 - 80% AMI: 7,000
- 81 - 120% AMI: 9,500
- 121% AMI and above: 12,000

Government subsidy
- 50% AMI and below: 4,500
- 51 - 60% AMI: 2,500
- 61 - 80% AMI: 7,000
- 81 - 120% AMI: 9,500
- 121% AMI and above: 12,000

Private market
- 50% AMI and below: 4,500
- 51 - 60% AMI: 2,500
- 61 - 80% AMI: 7,000
- 81 - 120% AMI: 9,500
- 121% AMI and above: 12,000
Overview of Tools

**Mandatory (Inclusionary) Housing**: Requires a portion of new housing units to be affordable and provides incentives.

**Linkage Fee**: Ties 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.
Why did the City conduct a Nexus Study?

To understand the link between new market-rate housing and non-residential development in the city and the demand for affordable housing.

Because… development does NOT meet the housing needs of low-wage employees, a linkage fee is justified to help create affordable housing.
Denver’s First Linkage Fee

- Informed by a Nexus Study and Feasibility Study
- Effective in 2017
- Generated over $33M in funds to support the creation of new affordable housing
- Conservative fees adopted
  - Fees below feasibility, and
  - Lower than peer cities
- Did not have an adverse impact on development

<table>
<thead>
<tr>
<th>Adopted Linkage Fee</th>
<th>Use</th>
<th>Fee per/sf</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Residential Uses, International Residential Code (SU, TU)</td>
<td>$0.60</td>
</tr>
<tr>
<td></td>
<td>Residential Uses, International Building Code (Multi-Family)</td>
<td>$1.50</td>
</tr>
<tr>
<td></td>
<td>Commercial, Sales, Service Repair</td>
<td>$1.70</td>
</tr>
<tr>
<td></td>
<td>Industrial, manufacturing, wholesale, agricultural.</td>
<td>$0.40</td>
</tr>
</tbody>
</table>
## Peer Cities Commercial Linkage Fee

<table>
<thead>
<tr>
<th>City</th>
<th>Fee per/sf</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austin, TX</td>
<td>$12 – 18**</td>
</tr>
<tr>
<td>Boston, MA</td>
<td>$15.29</td>
</tr>
<tr>
<td>Cambridge, MA</td>
<td>$12</td>
</tr>
<tr>
<td>Los Angeles, CA</td>
<td>$3.11 – 5.19 *</td>
</tr>
<tr>
<td>San Jose, CA</td>
<td>$3 – 15 *</td>
</tr>
<tr>
<td>Seattle, WA</td>
<td>$5.58 – 17.50 *</td>
</tr>
<tr>
<td><strong>Denver Current</strong></td>
<td>$1.83</td>
</tr>
</tbody>
</table>

* Fees vary based on market area with higher fees in high-cost areas (e.g., downtown)

** Incentive height/FAR assessed only
Why not increase fees to the legally justifiable fee?

The fee applies to new development

New development only occurs when return expectations are met and projects are profitable

If projects maintain expected returns, development is built

\[ 260,000 \text{ sf of new development} \times 8 \text{ sf fee} = 2,080,000 \text{ for affordable housing} \]

& new jobs are created

If costs are too great, nothing gets built

\[ 0 \text{ sf of new development} \times 56 \text{ sf fee} = 0 \text{ for affordable housing} \]

& no new jobs
What is exempt from the linkage fee?

**Existing Exemptions:**

- Project is subject to a pre-existing contractual agreement to provide affordable housing.
- Projects that has an affordable housing obligation as a part of its zoning (e.g., conditions of zoning)
- Project that is built by a charitable, religions or non-profit entity that is deed restricted to ensure affordability
- Affordable housing project
- Project that is built by a charitable, religions or non-profit entity that is deed restricted to provide housing shelter or housing assistance
- Development by a government for education or governmental use
- Reconstruction of a structure that was destroyed by a disaster
- Addition of 400 sf to an existing single-unit or two-unit structure
- Project is an accessory dwelling unit (ADU)

**NEW Exemption:** Project is an educational use

**NEW MAH Incentive:** Exempt ground floor commercial uses - when building affordable units on-site
## How does the proposed fee (2024) affect feasibility?

<table>
<thead>
<tr>
<th>Use</th>
<th>Current</th>
<th>Proposed</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Office (3-Story)</strong></td>
<td>$1.86 psf</td>
<td>$6.00 psf</td>
<td>$4.14 sf</td>
</tr>
<tr>
<td></td>
<td>ROC: 6.1%</td>
<td>ROC: 6.0%</td>
<td>ROC: (0.1%)</td>
</tr>
<tr>
<td></td>
<td>COC: 6.6%</td>
<td>COC: 6.3%</td>
<td>COC: (0.3%)</td>
</tr>
<tr>
<td></td>
<td>IRR: 11%</td>
<td>IRR: 10.2%</td>
<td>IRR: (0.8%)</td>
</tr>
<tr>
<td></td>
<td>ROE: 9%</td>
<td>ROE: 8.4%</td>
<td>ROE: (0.6%)</td>
</tr>
<tr>
<td><strong>Office (16-Story)</strong></td>
<td>$1.86 psf</td>
<td>$8.00 psf</td>
<td>$6.14 sf</td>
</tr>
<tr>
<td>High Market Area</td>
<td>ROC: 6.0%</td>
<td>ROC: 6.0%</td>
<td>ROC: (0.0%)</td>
</tr>
<tr>
<td>High Market Area</td>
<td>COC: 6.5%</td>
<td>COC: 6.2%</td>
<td>COC: (0.3%)</td>
</tr>
<tr>
<td>High Market Area</td>
<td>IRR: 10.7%</td>
<td>IRR: 10.0%</td>
<td>IRR: (0.7%)</td>
</tr>
<tr>
<td>High Market Area</td>
<td>ROE: 8.8%</td>
<td>ROE: 8.3%</td>
<td>ROE: (0.5%)</td>
</tr>
<tr>
<td><strong>Industrial Warehouse</strong></td>
<td>$0.44 psf</td>
<td>$2.00 psf</td>
<td>$1.66 psf</td>
</tr>
<tr>
<td></td>
<td>ROC: 6.1%</td>
<td>ROC: 6.0%</td>
<td>ROC: (0.1%)</td>
</tr>
<tr>
<td></td>
<td>COC: 6.6%</td>
<td>COC: 6.4%</td>
<td>COC: (0.2%)</td>
</tr>
<tr>
<td></td>
<td>IRR: 12.2%</td>
<td>IRR: 11.9%</td>
<td>IRR: (0.3%)</td>
</tr>
<tr>
<td></td>
<td>ROE: 9.0%</td>
<td>ROE: 8.7%</td>
<td>ROE: (0.3%)</td>
</tr>
</tbody>
</table>

Short Term Return Metrics: Return on Cost (ROC): >6%  Cash on Cash (COC): >6%
Long Term Return Metrics: Internal Rate of Return (IRR) > 10%  : Return on Equity (ROE): >6%

All prototypes can be found in figure II-2 and II-3 of the feasibility analysis.

Proposed increases are all well below the legally justifiable fee and maintain feasibility metrics.
Why do larger homes pay a larger fee?

**Intent:**
Incentivize the development of more moderately sized/attainable housing when possible.

- **2,800 sf new build single-unit**
  
  $2,800sf \times $7 = $19,600$
  
  **total**

- **Triplex with 1,550 sf units**
  
  $1,550sf \times $4 = $6,200 per unit$
  
  **$16,200 total**
Why increase applicability of MAH from 8 – 10 units?

Developer will build 7 larger, more expensive units to stay eligible to pay the linkage fee.

Developer will build 9 smaller, more attainable units to stay eligible to pay the linkage fee.

Regardless of the threshold, developers will always build under. Therefore, it's better to create more attainable homes which increase the supply and provide similar/or more funding to the linkage fee.

Other Cities’ Threshold:
- San Jose: 10 units +
- Atlanta: 10 + units
- Portland: 20 + units
- Minneapolis: 20+ units
- Denver IHO (old): 30+ units

Other cities only apply to some geographies or processes (e.g., variance)
## Mandatory Housing: Other Cities

<table>
<thead>
<tr>
<th>City</th>
<th>On-Site Build Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlanta, GA</td>
<td>10% of units at 60% AMI or 15% of units at 80% AMI</td>
</tr>
<tr>
<td>Austin, TX</td>
<td>Incentive Only Programs: 10% of units affordable to 60 – 120% AMI</td>
</tr>
<tr>
<td>Boston, MA</td>
<td>13% of units at 70% AMI</td>
</tr>
<tr>
<td>Longmont, CO</td>
<td>12% of all units at 60% AMI rental and 80% AMI ownership</td>
</tr>
<tr>
<td>Los Angeles, CA</td>
<td>Rental: 10% of units at 40% AMI; 15% of units at 65% AMI; 20% of units at 80% AMI.</td>
</tr>
<tr>
<td></td>
<td>Ownership: 5 – 20% of units of 135% AMI</td>
</tr>
<tr>
<td>Minneapolis, MN</td>
<td>8% of units at 60% AMI; or 4% of units at 30% AMI; or 20% of units at 50% AMI</td>
</tr>
<tr>
<td>Portland, OR</td>
<td>8-10% of units at 60% AMI or 15-20% of units at 80% AMI</td>
</tr>
<tr>
<td>San Jose, CA</td>
<td>Total of 15% of units with 5% at 100% AMI; 5% at 60% AMI; and 5% at 50% AMI; or 10% at 30% AMI</td>
</tr>
<tr>
<td>Seattle, WA</td>
<td>5 – 11% of units at 40 – 80% AMI</td>
</tr>
</tbody>
</table>
How does the build-on site requirements impact feasibility?
How does the build-on site requirements impact feasibility?
Goals of EHA Citywide Applicability to 38th & Blake Station Area

• Generate more affordable housing in all projects (base and incentive) in important TOD area

• Create consistency and predictability across more areas of the city and minimize custom administration

• Continue to support greater development capacity near transit, jobs, amenities, etc.
38th & Blake Incentive Overlay Strategy

- Remove the Incentive Overlay and rezone to new base districts where standard EHA incentive heights match current IO-1 max height

<table>
<thead>
<tr>
<th>EXISTING</th>
<th>PROPOSED</th>
</tr>
</thead>
<tbody>
<tr>
<td>16 Stories</td>
<td>16 Stories</td>
</tr>
<tr>
<td>Current IO-1 Max Height</td>
<td>Proposed EHA Max Height</td>
</tr>
<tr>
<td>~5% Affordability</td>
<td>8 - 12% Affordability</td>
</tr>
<tr>
<td>5 Stories</td>
<td>12 Stories</td>
</tr>
<tr>
<td>Current Base Height</td>
<td>New Base Height via Rezoning</td>
</tr>
<tr>
<td>No Affordability Required (Linkage Fee)</td>
<td>10 - 15% Affordability</td>
</tr>
</tbody>
</table>
Goals of EHA Citywide Applicability to Downtown

- Generate more affordable housing in all projects (base and incentive)
- Create consistency with citywide approach
- Continue to support more development capacity near transit, jobs, amenities, etc.
- Continue to encourage residential development
- Accommodate other incentives that already exist (ie, historic preservation, public art, etc.)
Preliminary Strategy to EHA Citywide Applicability in Downtown

1. **Apply new mandatory EHA requirements to existing base/incentive structures**
   - Meet mandatory requirements below the Base FAR/Height (ie, 10% units at 60% AMI)
   - Provide enhanced requirements to qualify for Incentive FAR/Height (ie, 12% units at 60% AMI)

2. **Maintain existing bonuses for other priorities like historic preservation**
   - Utilize combination of alternative bonuses and mandatory requirements to qualify for incentive FAR/Height

3. **Maintain fee-based incentive mechanism for commercial projects**
   - Utilize linkage fee multiplier for commercial projects to qualify for Incentive FAR/Height
### Downtown Strategy – Residential Example (D-C)

<table>
<thead>
<tr>
<th>EXISTING</th>
<th>PROPOSED (Scenario 1)</th>
<th>PROPOSED (Scenario 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>10.0 FAR</strong>&lt;br&gt;Current D-C Base FAR</td>
<td><strong>10.0 FAR</strong>&lt;br&gt;Proposed D-C Base FAR</td>
<td><strong>10.0 FAR</strong>&lt;br&gt;Proposed D-C Base FAR</td>
</tr>
<tr>
<td>No Affordability Required (Linkage Fee)</td>
<td>12% AH</td>
<td>10% AH + Alternative Incentives</td>
</tr>
</tbody>
</table>

**EXISING**
- **Up to 20.0 FAR**
  - Current D-C Max FAR
  - No Affordability Required (Linkage Fee)

**PROPOSED (Scenario 1)**
- **Up to 20.0 FAR**
  - Proposed D-C Max FAR
  - 10% AH

**PROPOSED (Scenario 2)**
- **Up to 20.0 FAR**
  - Proposed D-C Max FAR
  - 10% AH
Downtown Strategy – Office Example (D-C)

**EXISTING**
- Current D-C Base FAR: 10.0 FAR
- Max FAR: Up to 17.0 FAR
- No Affordability Required (Linkage Fee)

**PROPOSED (Scenario 1)**
- Proposed D-C Base FAR: 10.0 FAR
- Proposed D-C Max FAR: Up to 17.0 FAR
- Updated Linkage Fees x 2

**PROPOSED (Scenario 2)**
- Proposed D-C Base FAR: 10.0 FAR
- Updated Linkage Fees
- Updated Linkage Fees + Alternative Incentives

No Affordability Required (Linkage Fee)