

Proposal Overview -- Updated March 2022

This legislative review draft is the result of a few years 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 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 increase the supply of housing and mitigate 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.

How will this address housing affordability?

Under the city's proposal, all residential developments of 10 or more units would create the amount of affordable housing specified in option 1 or option 2 of the below table, or meet the alternative compliance options.

Options for Building Affordable Homes On-site			
		High Markets	Typical Markets
Option 1	Rental housing	10% of total units at 60% AMI*	8% of total units at 60% AMI
	Ownership housing	10% of total units at 80% AMI	8% of total units at 80% AMI
Option 2	Rental housing	15% of total units serving an effective average of 70% AMI	12% of total units serving an effective average of 70% AMI
	Ownership housing	15% of total units serving an effective average of 90% AMI	12% of total units serving an effective average of 90% AMI
Base Incentives Available		Parking Reduction: reduction of 0.5 parking spaces Permit Fee Reduction: \$10,000 per affordable unit in High Markets or \$6,500 per affordable unit in Typical Markets, not to exceed 50% of the total commercial/residential permit fees	

*AMI = [Area Median Income](#)

Projects that exceed the requirements in the above table may be eligible for additional incentives, such as:

- By-right height increase in all mixed-use and multi-unit zone districts of 3 or more stories
- Parking exemption within ¼ mile of fixed rail transit stations
- Permit review through a dedicated affordable housing review team (subject to staffing capacity)

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:

- A **fee in-lieu** of the affordable units required. Fees range from \$250,000 - \$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.

Projects of 10 or more acres and/or leveraging tax increment financing (TIF) or Metro Districts are considered high-impact and require a housing agreement that is in alignment with housing goals and is responsive to community outreach on housing needs.

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 nine or fewer units and non-residential uses (commercial, office, retail, industrial, etc.).

Development Use Type	Current Fees	Effective 7/1/22	Effective 7/1/23	Effective 7/1/24	Effective 7/1/25
Single Unit, Two Unit, or Multi Unit of 9 units or fewer AND 1,600 square feet (sf) or less per unit	\$0.66 or \$1.64 (building code depending)	\$1.75	\$2.83	\$3.92	\$5.00
Single Unit, Two Unit, or Multi Unit of 9 units or fewer AND more than 1,600 sf per unit		\$2.50	\$4.33	\$6.17	\$8.00
All other residential uses (e.g., congregate living)		\$2.25	\$3.83	\$5.42	\$7.00
Commercial, Office, Sales Services & Repair, Civic, Public or Institutional – Typical Market Area	\$1.86	\$2.90	\$3.93	\$4.97	\$6.00
Commercial, Office, Sales Services & Repair, Commercial, Office, Sales Services & Repair, Civic, Public or Institutional – Hight Market Area	\$1.86	\$3.65	\$5.43	\$7.22	\$9.00
Industrial, Manufacturing, Wholesale & Agricultural	\$0.44	\$0.96	\$1.47	\$1.99	\$2.50
<i>Starting July 1, 2026, fees will be adjusted annually for inflation</i>					

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 site plan submitted by June 30, 2022; AND
- final SDP approved by August 30, 2023 (14-month window)

Projects subject to Large Development Review and/or subdivision requirements must have a final SDP approved by December 31, 2023 (18-month window)

Projects under **residential review** (single/two-unit) could continue under existing rules if they have a:

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

These programs are intended to 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](#).

Additional resources and further details can be found on the project webpage: www.denvergov.org/affordabilityincentive