



# Inclusionary Housing Ordinance

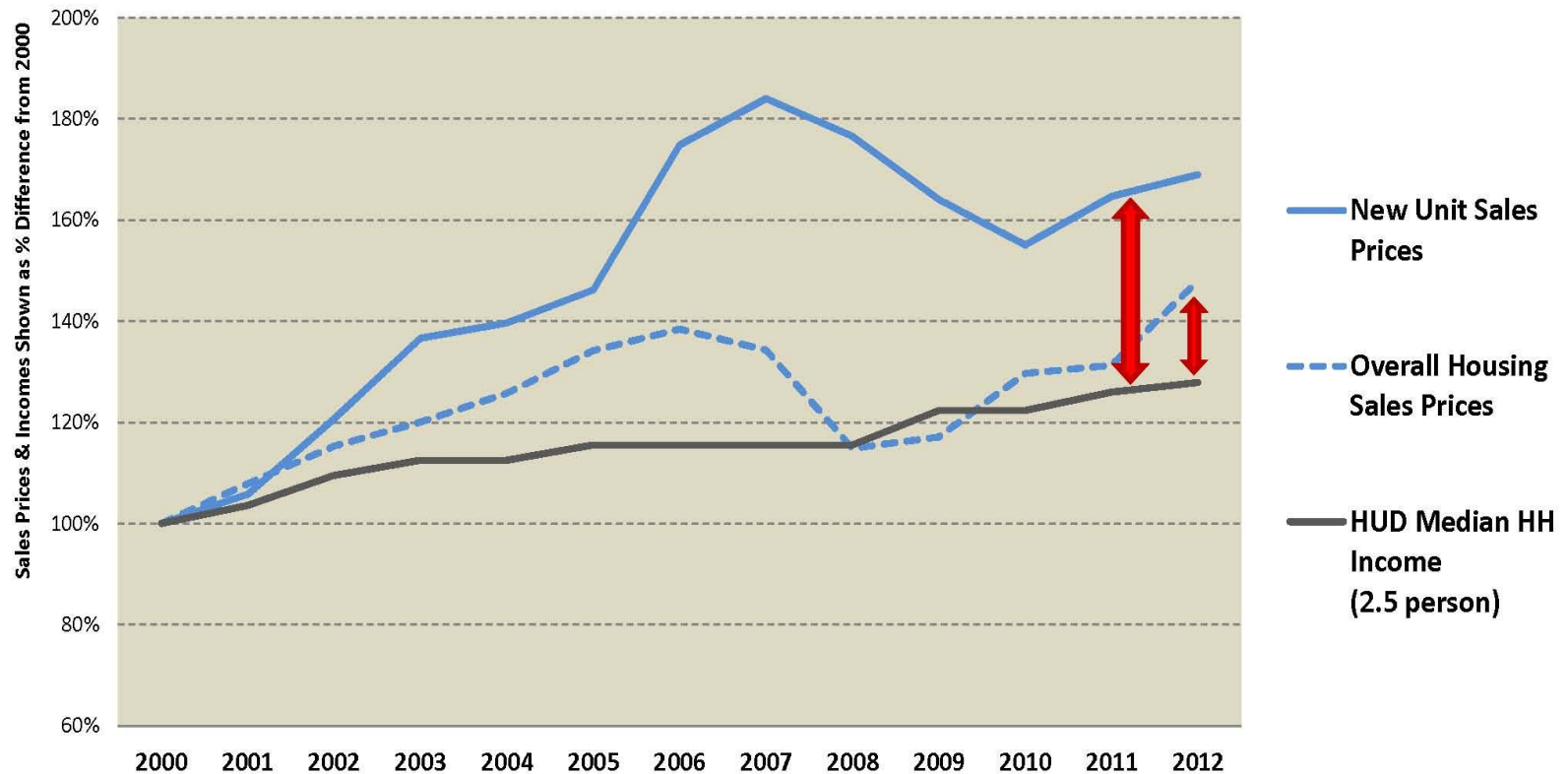
SWB Committee – Action Item

August 5, 2014

Robin Kniech, Councilwoman At Large

- I. Updated Background Information
- II. Review of Proposed Revisions
- III. Questions/Discussion

# The Need: Gap Between Incomes and Prices



Source: U.S. Census; HUD; Genesis Group; Economic & Planning Systems

Since 2000, **the affordability gap has widened by \$100,000**, an increase of 169% (\$159,000 in 2012 vs. \$59,000 in 2000)

*Affordability gap: the difference between the Median Sales Price and what a household with median income can afford.*

In 2012, the affordability gap for a household earning 100% AMI was \$159,000.

- o At 100% AMI (\$67,500), a household could afford a \$279,500 home.  
A gap of \$159,000 ( $\$438,500 - \$279,500 = \$159,000$ )

- o At 80% AMI (\$54,000), a household could afford a \$223,100 home.  
A gap of \$215,400 ( $\$438,500 - \$223,100 = \$215,400$ )

# Denver IHO Outcomes by the Numbers

Metric	Unit Count	Details	Timeline
Total number of affordable for-sale units built in the last 5 years	20	<ul style="list-style-type: none"> <li>Only 3 condo projects built during these years (only 1 was subject to the ordinance)</li> <li>4 of these units were built in the one and only project subject to the ordinance (zero buyout during the period)</li> <li>Remainder built as a result of prior, large-scale developer agreements</li> <li>There is no scenario by which <i>any</i> inclusionary ordinance could have built more units, since it can only build at the pace of the market</li> </ul>	2009-present
Total number of on-site, affordable for-sale homes built under ordinance requirements	82	33 of these units were built by Mercy next-door to the subject development project, Legacy, and IHO buyout funds were used to lower the affordability of these units from 95% of AMI to 80% of AMI	2002-present
Total number of mixed-income rental units that will be built with IHO buyout dollars	447*	<ul style="list-style-type: none"> <li>223 affordable units at 2300 Welton</li> <li>68 affordable units in a 108 unit mixed-income project (*40 market-rate units not counted), Chestnut at Union Station</li> <li>156 units Park Hill Village West</li> </ul>	2002 – present (some not yet built)
Number of additional units leveraged and built through customized agreement	60	As part of its customized plan IHO requirement, the Gates Redevelopment project built 60 units of affordable rental at Broadway Junction before the remainder of the project was put on-hold	2009
Number of units pending through an off-site developer partnership	8	Pending final OED and Council approval, a requirement for 7 on-site condos in Cherry Creek will be converted into 8 family-size town-homes at a TOD on the West Line	2014 pending
Total number of affordable units built, financed, or leveraged by the IHO	<b>589</b>	82 for-sale, on site + 60 rental from customized plan + 447 paid for with IHO funds (does not count the 8 units that have not yet been approved)	2002-Present



# Denver IHO Outcomes by the Numbers, cont.

Metric	Unit Count	Details	Timeline
Total number of for-sale homes created through developer agreements	1,062	Stapleton, Green Valley Ranch, Lowry	2002-Present
Total number of <u>on-site</u> , affordable <u>for-sale</u> homes built	<b>1,144</b>	82 on site + 1,062 Large scale developer agreements	2002-Present
Total number of all affordable homes (rental and for-sale) built financed or leveraged through the IHO or similar developer agreements	<b>1,651</b>	589 IHO units + 1,062 Large scale developer agreements (does not count 8 units not yet approved)	2002-Present
Total number of <i>additional</i> <u>on-site</u> , <u>for-sale</u> homes would have been built if those paying cash-in-lieu built instead	Estimated 115-125		2002-Present

## Ordinance Features that Stay the Same

### **I. No change to the City-wide Build Requirement** (Ord. Sec.105(a))

- Default remains 10% city-wide
- Default is homes affordable to 80% of AMI -- 95% of AMI for “high cost” structures with underground parking and elevators (typically 8-story and above)
- Default length of affordability is 15 years

### **II. No change to 30-unit Threshold Triggering Ordinance** (Ord. Sec.105(a))

- History since 2002 indicates lowering would create small number of additional units

## Ordinance Features that Stay the Same

### **III. Provisions for Voluntary Participation to Access Incentives**

- For-sale projects of fewer than 30 units
- Rental projects (although more details moved to regulations, allowing for easier updating) (Ord. Sec.114)

### **IV. Annual Report by OED** (Ord. Sec.120)

- Every 12 months
- Similar to the original ordinance, this version has a public hearing and full evaluation of the ordinance built-in – within 5 years of passage of changes
- NEW – Mayor's Housing Advisory Committee to provide oversight (Housing Plan)



## Proposed Concept for Revised IHO Developer Requirements

(items in red indicate proposed revisions)

Projects of 30 units or more trigger requirements

### OPTION ONE Formulaic Requirement Build 10%

- 10% applies citywide
- Per Unit Subsidy varies based on location (Zones Low, Medium, and High)

### OPTION TWO Buyout with cash (redesigned to discourage this option)

Cash in lieu varies based on location  
(Zones Low, Medium, and High)

### OPTION THREE Alternative Satisfaction (Different type or location)

- Partnerships encouraged to leverage resources
- Units must meet housing plan but can be different than what formula would have built
- Facilitated and evaluated by 3rd party contract housing advisor to city

## Ordinance Changes

### I. **An Enhanced Culture of Flexibility** (Ord. Sec.106(b))

- Explicit support for alternative satisfaction, providing developers more options to create units on-site or off-site that may work better for their proforma
- Requirement for OED to provide developers interested in alternative satisfaction assistance in developing proposals to do so

(OED has committed to hire an Independent Advisor to provide technical assistance and support to developers)

## Details of Flexibility

In lieu of building the required number of MPDUs, *when consistent with the plans, rules, regulations, and policies of the department of Community Planning and Development and OED*, the director may approve an alternative plan to:

- Build fewer MPDUs with more total bedrooms
- Build fewer MPDUs at affordability levels lower than the typical AMI required
- Build fewer MPDUs for populations of special need or high priority (for example, fully accessible)
- Build fewer MPDUs for a longer control period; or
- Build more rental MPDUs in lieu of for-sale

This Flexibility can be used on or off-site. Off-site alternatives are limited to:

- The same or proximate statistical neighborhood
- Within five-tenths (.5) miles of a light rail or commuter rail station as defined in rules and regulations and approved by the director;

## Changes

### **II. Variable Cash in Lieu/Incentives by Neighborhood Zones** (Ord. Sec.106 and Sec.107); Regs.

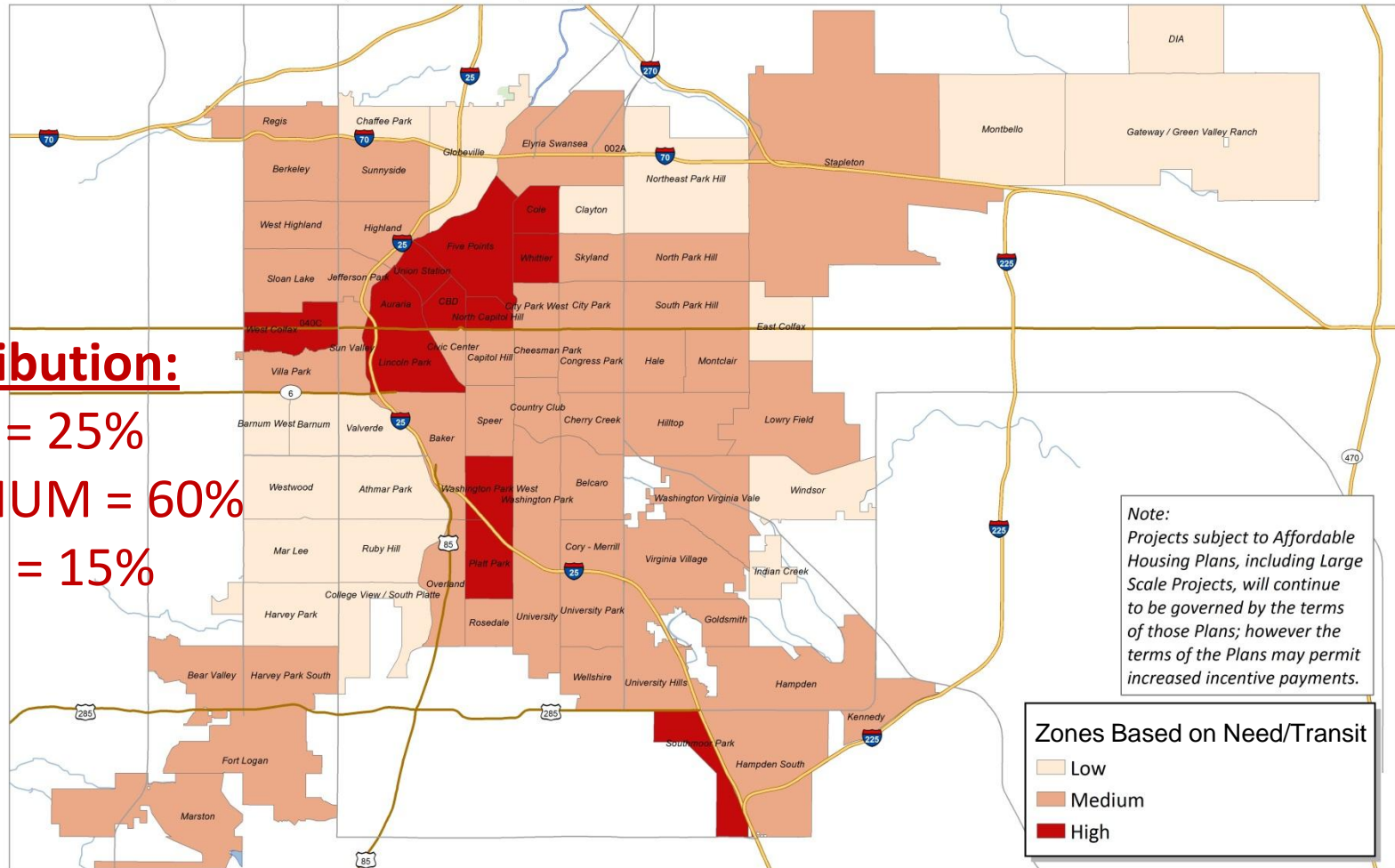
- Median for-sale home prices and proximity to transit used to create three zones by statistical neighborhood
- Per-unit incentive payments and cash-in-lieu will vary based on zones
  - Up to \$25,000/unit for incentive (Sec. 107(a))
  - Up to 100% of AMI for buyout (Ord. Sec.106(b)(1)(G))
- Zones and amounts determined in regulations, so can be evaluated and adjusted every 2-3 years, if needed
- A \$5,000 bonus incentive for providing deeper affordability to 60% of AMI (not due to an alternative/flexible plan) (Ord. Sec.107(a))

## Details of Zones

- Virtually no change for 60% of the city
- Decreased cash in lieu for areas with lowest home prices (25% of city) to minimize creation of units in areas where they are more likely to compete with market-rate units, lowering of incentive payments to prioritize scarce resources to areas of greatest need
- Dramatically increased per-unit cash incentive payment for homes built in high need areas (15% of the city) to improve economics of building affordable homes where needed most, while increasing the cash-in-lieu payment to deter projects from paying cash instead of building on-site OR through flexibility

# Regulations: “Zones” for variable cash-in-lieu or incentives

Denver Housing Economic Study - IHO Zone Maps Options





# Regulations: Tiered Cash-in-Lieu and Incentives by Zone

## Tiered Cash In Lieu (CIL) and Incentives - By Zones (Regs)

\*Final as of 8/1/2014

Zone	*CIL	*Cash Incentives
High	70% of Sales Price	\$25,000 per unit
Medium	50% of Sales Price (Existing)	\$6,500 per unit (Existing adjusted by inflation)
Low	25% of Sales price	\$2,500 per unit * Except within ½ mile of transit, which receives the medium incentive

## Changes

### **III. Removing the Limit on Incentive Payments in a Year** (Ord. Sec.107(a))

- High-cost condo structures that cannot phase their affordable homes, like a single-family home developer could, will NOT be subject to the \$250,000 annual incentive payment limit, and can receive the entire incentive they are due

### **IV. Smaller Threshold for Customized Plans** (Ord. Sec.103(u) - definition of an MPDU)

- Any GDP or PUD that includes a for-sale component of more than 30 units that would trigger the ordinance
- Any master planned development exceeding 1000 housing units



## Changes

### **V. Clarification of Uses of Special Revenue Fund** (Ord. Sec.102(h) and Sec. 103(z) - definition of special revenue fund))

- First priority is payment of incentives, director must adopt policy that preserves some funds for this use
- Second priority is preservation or creation of affordable housing, with an effort to use funds generated in high zones in proximity to where the funds were generated where practicable
- Use of fund for administrative expenses limited to 5%

## Changes

### **VI. Clarification of Non-cash incentives** (Ord. Sec.108)

- Will now be available to any project building MPDUs (no requirement to build extra units to qualify)
- Density bonus: Consistency with new zoning code – only a few sections allow for some floor area benefit for MPDUs
- Parking reduction: Consistency with new zoning code – allows a 20% reduction for some zone districts (market factors limit effectiveness, but no reason to remove a possible benefit, for example near transit)
- Expedited permitting: Making more general, with details to be updated in the regulations

# Proforma - Development Prototypes (EPS)

- **2-Story** (~17 units / acre)
  - 1.50 acres / **26 units (3 MPDUs)**
- **5-story** (~86 units / acre)
  - (4 stores residential over 1 floor structured parking)
  - 1.50 acres / **129 units (14 MPDUs)**
- **8-story** (~248 units / acre)
  - 0.75 acre / **186 units (19 MPDUs)**
- **20-story** (~340 units / acre)
  - 0.75 acre / **254 units (26 MPDUs)**

# Proforma – Results (EPS)

	Onsite MPDU Construction				IHO Buyout Option			
	(Existing IHO)	(Proposed IHO Structure)			(Existing IHO)	(Proposed IHO Structure)		
	Current Subsidy	Neighborhood			Current CIL Amount	Neighborhood		
		LOW	MED	HIGH		LOW	MED	HIGH
Subsidy per MPDU Cash In-Lieu (CIL) @ 80% AMI (two-bdrm) @ 95% AMI (two-bdrm)	\$5,500	\$2,500	\$6,500	\$25,000	50% \$96,762 \$126,423	25% \$48,381 \$63,211	50% \$96,762 \$126,423	70% \$135,467 \$176,992
Project Profit 2-Story 5-Story 8-Story 20-Story								
Project Profit 2-Story 5-Story 8-Story 20-Story								
Profit Over / Under Existing 2-Story 5-Story 8-Story 20-Story								
Profit Over / Under Existing 2-Story 5-Story 8-Story 20-Story								

# Public Meeting & Feedback

More than 100 participants came to learn about and give feedback on the proposed revisions to the Inclusionary Housing Ordinance



*Left: Participants learned about the proposed revisions in a group presentation*



*Above: In small group break-out discussions, participants gave feedback on the ordinance and proposed revisions*

# Public Meeting Feedback

When asked to rate their support:



Having a policy focused on new for-sale housing: 87% of respondents supportive or a policy for new for-sale housing



Current Ordinance (one size fits all): 18% of respondents were supportive of the current ordinance



Proposed Changes: 3 Variable Zones: 72% of respondents were supportive of the variable zones



Proposed Changes: More Flexibility: 93% of respondents were supportive of more flexibility



Proposed Changes: Whole Package: 65% of respondents were supportive of the while package

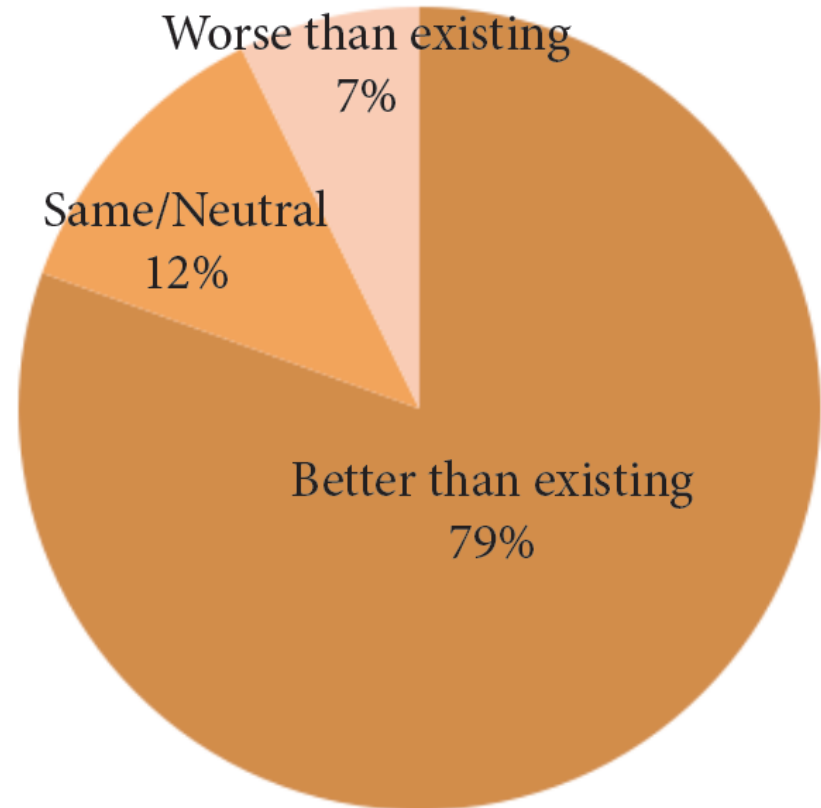




# Public Meeting Feedback

When asked whether the proposed ordinance was better, the same, or worse than the existing ordinance:

**79% of participants thought the proposed ordinance was “better than existing”**



## Schedule

August 12<sup>th</sup> – Mayor Council

August 18th - First Reading at Council

- 1 hour Courtesy Public Hearing

August 25<sup>th</sup> - Second Reading at Council

September – Finalizing draft regulations

Oct/Nov – posting, hearing, adoption of regs

December 1<sup>st</sup> - Effective date for ordinance



# Denver City Councilwoman At-Large

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