

Central Platte Valley-Auraria

Proposed Height Incentive System

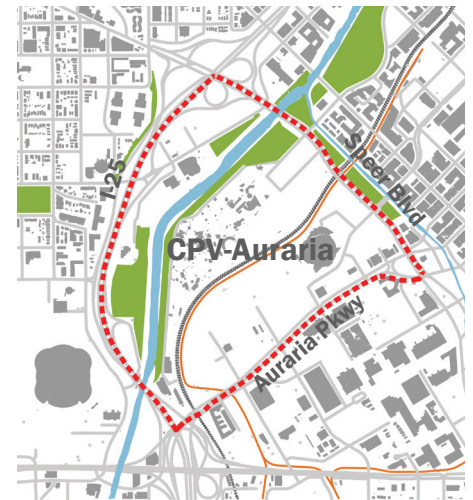
Updated November 20, 2018

The Downtown Area Plan Amendment for Central Platte Valley-Auraria, adopted by the Denver City Council in June 2018, recommends creation of new zone districts to promote development that is transit-oriented and provides benefits to the community, such as integrated affordable housing and space for community-serving uses. The Plan Amendment calls for the Central Platte Valley-Auraria district to “develop into a place that welcomes and attracts people of all ages, races, religions, or incomes who want to live, work or play downtown.” To promote this objective, the plan specifically calls for:

- “A variety of market-rate and affordable housing to accommodate diverse households and incomes in the plan area” (plan page 60)
- “Requirements to ensure that affordable and workforce housing is provided in the plan area” – including requirements beyond those included in the citywide linkage fee (plan page 60)
- “Housing that is appropriately located throughout the plan area” (plan page 61)
- “Leveraging increases in allowed building intensity to promote community benefits” – including zoning incentives or negotiated development agreements to provide community benefits such as affordable housing (plan page 86)

City Council members Albus Brooks and Rafael Espinoza have proposed to implement the plan vision through a Denver Zoning Code (DZC) text amendment to establish three new zone districts (the D-CPV zone districts). The Office of Economic Development (OED) and Community Planning and Development Department (CPD) are sponsoring proposed companion legislation to establish related affordable housing incentives in Chapter 27 of the Denver Revised Municipal Code (DRMC).

This document provides a summary of the proposed incentive system that would allow taller building heights in the D-CPV zone districts for development that provides increased affordable housing and other specific community benefits. To obtain the right to build to incentive heights, developers would have to provide affordable units, pay fees or provide community-serving space. Large projects would prepare an affordable housing plan to meet incentive provisions.



Implementation

The incentive system described in this document is proposed for implementation through a Denver Zoning Code text amendment, as well as a related amendment to the Denver Revised Municipal Code (DRMC) to establish affordable housing provisions for use of incentive height. Property owners would submit official zoning map amendment applications to rezone individual properties to a D-CPV zone district allowing use of the incentive system.

The Denver City Council must adopt all zoning code and DRMC amendments in public hearings. See Next Steps on page 8 for more information.


Background: Development with Affordable Housing Fee or Build Alternative

The Denver City Council adopted the Affordable Housing Fee in 2016 with the goal of building a multi-million dollar fund for affordable housing. All new development projects citywide must either pay this fee or result in the construction of a certain number of affordable units. Required fees and/or units are based on the gross square footage (GSF) of a development and requirements vary depending on the type of development (e.g. commercial, residential, industrial, etc.). They are calculated as follows, according to formulas established in the ordinance:

Fee: *Development type-specific fee x GSF = \$ Fee project must pay*

Units: *Development use-specific "Build Alternative" coefficient x GSF/1,000 = X units (note: unit fractions above 0.5 are rounded to the next whole unit)*

As described in the following pages, the proposed incentive height system for the D-CPV zone districts is based on multiples of the formulas above. The example scenarios below show how the citywide fee works for a typical development anywhere in the city. This same system would apply to any development in the D-CPV zone districts that does not propose to use incentive height.




Example Residential Development That Does Not Use Incentive Heights

5 Stories
Residential
Total Floor Area:
75,000 GSF
Approx. 75 total units in structure

→ **Fee:** $\$1.55^1 \times 75,000 \text{ square feet} = \mathbf{\$116,250}$

→ **Units:** $0.0168^2 \times (75,000/1,000) = \mathbf{1 \text{ affordable unit}}$



Example Commercial Development That Does Not Use Incentive Heights

5 Stories
Commercial
Total Floor Area:
75,000 GSF

→ **Fee:** $\$1.76^3 \times 75,000 \text{ square feet} = \mathbf{\$132,000}$

→ **Units:** $0.0228^4 \times (75,000/1,000) = \mathbf{1 \text{ affordable unit}}$

Images: Kane Realty Corp. (top), Minneapolis Star-Tribune (bottom)

1. \$1.55 is the fee per square foot required of residential development per the Affordable Housing Fee Ordinance, adjusted for inflation as of July 1, 2018
2. 0.0168 is the coefficient used to calculate Build Alternative unit requirements for residential development per the Affordable Housing Fee Ordinance
3. \$1.76 is the fee per square foot required of commercial development per the Affordable Housing Fee Ordinance, adjusted for inflation as of July 1, 2018
4. 0.0228 is the coefficient used to calculate Build Alternative unit requirements for commercial development per the Affordable Housing Fee Ordinance

Proposed Requirements for Development Using Incentive Height

To implement plan amendment objectives, the proposed new D-CPV districts set a 5-story ('base height') threshold beyond which special affordable housing provisions would apply.

Development to base heights would be assessed according to the citywide system described on page 2. Development above the base height ('incentive height') would be subject to additional affordable housing provisions that would vary depending on the size of the project:

- **Standard Projects** (projects not meeting the definition of a 'large/phased' project) could access incentive requirements by meeting formula-based affordable unit or fee requirements.
- **Large/Phased Projects** (projects built on 5+ acres, with 500+ residential units, or meeting other conditions outlined on page 8) could access incentive height by preparing an affordable housing plan providing a comparable quantity of affordable units as would be required for a smaller 'standard' project while also addressing a range of affordability levels and other conditions as outlined on page 8.

The specific provisions that would apply to 'standard' projects and 'large/phased' projects are summarized below.

Proposed Formula-based System for 'Standard' Projects

Projects not meeting the definition of a 'large/phased' project (see page 8) could access incentive height by meeting formula-based affordable unit or fee requirements similar to the requirements currently applied in the 38th and Blake Incentive Overlay (IO-1), but with a 6x multiple of citywide requirements applied to incentive height (38th and Blake applies a 4x multiple to incentive height). The requirements would apply up to the maximum overall height ('incentive height'), which is proposed to vary from 12 stories, to unlimited height, depending on the D-CPV zone district.

Options for meeting incentive requirements when developing a 'standard' project would vary depending on whether the project includes primarily residential or non-residential uses as summarized on the following pages.



Affordable Unit Requirements When Using the Proposed Formula-based System for 'Standard' Projects

Residential units provided to meet incentive height requirements must be:

- *Affordable to households earning below 80% Area Median Income (matches citywide requirements)*
- *Similar in size and configuration to the market rate units that generated the requirement.*
- *Located within the development, or in the D-CPV Zone Districts (may partner with other developers to provide units)*

Formula-based System for 'Standard' Projects Residential Structures Using Incentive Height

When a residential structure (a structure with more than 50% of floor area devoted to residential uses) seeks to make use of incentive height, the project would be required to integrate affordable residential units on the subject property or within the surrounding D-CPV zone districts. Residential structures would not be allowed to pay fees in lieu of producing affordable units. The number of units required for a structure to obtain incentive height is proposed to be six times what would be required by the “Build Alternative” section of the Affordable Housing Fee ordinance for square footage above the base height, plus the units that would be required based on the square footage of the entire structure.

EXAMPLE SCENARIO: RESIDENTIAL STRUCTURE USING INCENTIVE HEIGHT

This example scenario considers a 12-story residential structure with a total square footage (GSF) of 180,000 square feet. In this scenario, the first 5 stories (base height) comprise 75,000 square feet, while the 7 stories above (incentive height) produce an additional 105,000 square feet of residential units.

Using the proposed incentive system, the affordable unit requirement would be calculated in two steps using coefficients derived from the citywide Affordable Housing Fee Build Alternative. First, calculate the number of Build Alternative units required based on the total square footage of the structure. Next, calculate the additional number of units required above the base height, using the square footage above the 5th story and the standard Build Alternative coefficient (0.0168 for residential development) multiplied by six:

Unit Requirement above Base: $GSF/1000 \times (\text{Citywide Affordable Housing "Build Alternative" coefficient} \times 6) = X \text{ units above Base}$ (note: unit fractions above 0.5 are rounded to the next whole unit)

The unit requirement calculation for this example scenario is illustrated below.

<p>Incentive Height 7 Additional Stories 105,000 GSF</p>		<p>Example Residential Structure</p> <p>Incentive Required Units: $(105,000/1000) \times (0.0168 \times 6)$ = 11 affordable units</p> <p>+</p>
<p>Base Height 5 Stories 75,000 GSF Approx. 180 total units in structure</p>	<p>Citywide Required Units (For Total Project GSF): $(180,000/1000) \times 0.0168$ = 3 affordable units</p> <p>Total Affordable Units: 14</p>	

Example Residential Structure Using Incentive Height

Image: Kutnicki Bernstein Architects

Formula-based System for 'Standard' Projects Commercial/Mixed-Use Commercial Structures Using Incentive Height

Commercial or mixed-use structures with less than 50% of their floor area devoted to residential uses would have three options for obtaining incentive height:

1. Payment of the citywide Affordable Housing Fee plus an additional incentive fee on square footage above the base height;
2. Construction of affordable residential units (on- or off-site, but within a surrounding D-CPV zone district); or
3. Payment of the citywide Affordable Housing Fee and provision of subsidized space for community-serving or nonprofit uses.

Examples of community-serving uses that could be considered for option 3 include arts-related activities like maker spaces and studios; retail of goods needed in the community (e.g. pharmacies, grocery stores); needed services, such as child care and medical clinics; and nonprofit organizations. Applicants would enter into an agreement with the Denver Office of Economic Development (OED), which would consider the proposed use in light of area needs. The value of the space provided must be equal to the waived incentive fees.

EXAMPLE SCENARIO: COMMERCIAL STRUCTURE USING INCENTIVE HEIGHT

This example scenario considers a 12-story commercial office building with a total square footage (GSF) of 180,000 square feet. As with the residential development scenario, in this example the first 5 stories (base height) comprise 75,000 square feet, while the 7 stories above (incentive height) includes an additional 105,000 square feet of commercial space.

Example calculations for the fee, unit and community-serving use options available to this example commercial structure are provided on the following page.



Image Source: denver-cityscape.com

Definitions Used in this Document

Affordable Housing Fee: A fee on commercial and residential development in the City and County of Denver assessed to help fund the creation and/or preservation of affordable housing. (Chapter 27, Article 5 of the Denver Revised Municipal Code)

Build Alternative: A number of affordable residential units that may be provided in lieu of paying the Affordable Housing Fee, as specified by Chapter 27, Article 5, Division 2, Sec. 27-155 of the Denver Revised Municipal Code.

Base Height: The maximum number of stories that can be constructed without providing extra affordable units or paying additional fees beyond the standard Affordable Housing Fee.

Incentive Height: Additional stories permitted beyond the base height in return for additional fees, a specified number of affordable units, or other community benefits.

Gross Square Footage (GSF): the sum of floor area in a building.



Incentive Height

7 Additional Stories
105,000 GSF

Base Height

5 Stories
75,000 GSF

Example Commercial Structure Fee Option

Incentive Fee: $(\$1.76 \times 6) \times 105,000$ square feet = **\$1,108,800**

+

Citywide Fee: $\$1.76 \times 180,000$ square feet = **\$316,800**

Total Fee: \$1,425,600



Incentive Height

7 Additional Stories
105,000 GSF

Base Height

5 Stories
75,000 GSF

Example Commercial Structure Unit Option

Incentive Units: $(105,000/1000) \times (0.0228 \times 6) =$ **14 affordable units**

+

Citywide Units: $(180,000/1000) \times 0.0228 =$ **4 affordable units**

Total Affordable Units: 18



Incentive Height

7 Additional Stories
105,000 GSF

Base Height

5 Stories
75,000 GSF

Example Commercial Structure Community-Serving Use Option

Community Serving Use: Negotiated Community-Serving Use Agreement with Office of Economic Development to provide community-serving uses in lieu of incentive fee. Agreement should provide value equal to waived incentive Fee.

Citywide Fee: $\$1.76 \times 180,000$ square feet = **\$316,800**

Total Requirement for Incentive Height: \$316,800 + Community-Serving Uses

Example Office Structure Using Incentive Height

Image: SIBSCO

EXAMPLE SCENARIO: MIXED-USE COMMERCIAL STRUCTURE USING INCENTIVE HEIGHT

This example scenario considers a structure with a 5-8 story podium supporting a 38 story hotel tower and a 28 story residential tower. The total square footage (GSF) is 900,000 square feet with 500,000 square feet of hotel and 400,000 square feet of residential (about 400 total residential units). 416,666 square feet of hotel and 333,333 square feet of residential is located above the base height. Because the structure contains more than 50% non-residential square footage (the hotel) it would have the option to build units, pay an increased affordable housing fee or pay an affordable housing fee and execute a community-serving use agreement.

Example calculations for the unit and fee options are provided below.

Incentive Height

33 Additional Stories of Hotel

23 Additional Stories of Residential

416,666 GSF Hotel


333,333 GSF Res

Base Height

5 Stories

83,333 GSF Hotel

66,667 GSF Res



Example Mixed- Use Commercial Structure Fee Option

Incentive Fee: $(\$1.76 \times 6) \times 416,667 \text{ GSF (Hotel)} + (\$1.55 \times 6) \times 333,333 \text{ GSF (Residential)} = \mathbf{\$7,449,997}$

+

Citywide Fee: $\$1.76 \times 500,000 \text{ GSF (Hotel)} + \$1.55 \times 400,000 \text{ GSF (Residential)} = \mathbf{\$1,500,000}$

Total Fee: \$8,949,996

Incentive Height

33 Additional Stories of Hotel

23 Additional Stories of Residential

416,666 GSF Hotel


333,333 GSF Res

Base Height

5 Stories

83,333 GSF Hotel

66,667 GSF Res



Example Mixed- Use Commercial Structure Unit Option

Incentive Units: $(.0228 \times 6) \times (416,667 \text{ GSF}/1,000) \text{ (Hotel)} + (.0168 \times 6) \times (333,333 \text{ GSF}/1,000) \text{ (Residential)} = \mathbf{91 \text{ units}}$

+

Citywide Required Units: $.0228 \times (500,000 \text{ GSF}/1,000) \text{ (Hotel)} + .0168 \times (400,000 \text{ GSF}/1,000) \text{ (Residential)} = \mathbf{18 \text{ units}}$

Total Affordable Units: 109

Proposed Affordable Housing Plan for 'Large/Phased' Projects

The proposed system would require a 'large/phased' project to prepare an affordable housing plan to indicate how the project would provide affordable housing to obtain incentive height. Such a plan would provide flexibility for large projects to meet affordable housing objectives through strategies best-suited to the project's unique needs while also meeting the community's affordable housing objectives, including units affordable at a variety of income levels. Note that 'large/phased' projects that do not seek to use incentive height would not be required to prepare an affordable housing plan.

'Large/phased projects' would include developments that:

- Include 500 or more residential units;
- Will be built on 5 or more acres;
- Will be built in more than one phase;
- Will use one or more City-approved financing tools, such as tax increment financing (TIF) or a metro district

An affordable housing plan for a large/phased project would address:

- Provision of affordable housing units within the area of the plan (generally integrated into buildings with market rate housing, although some housing may be provided in stand-alone tax credit buildings).
- A method of calculating required affordable housing units that provides at least a comparable number of affordable units as would have been provided if the formula-based system for 'standard' projects were applied to the project (note that deeper levels of affordability or other factors may be considered when determining comparing unit quantity). A plan may also propose to use the formula-based system applied to 'standard' projects while addressing the additional considerations below.
- Provisions to address key goals of the City's five-year housing plan, including the provision of units that are income-restricted to households with a variety of income levels (including 30% of AMI or less and 60% of AMI or less) and units in a range of sizes (two-bedroom and three-bedroom) and tenure types (for-sale and rental), to the extent that is reasonably possible within the development.
- Length of time that units will be designated as affordable (the dedication period shall be no shorter in duration than citywide standards for build alternative units in effect when the plan is executed).

An affordable housing plan would be executed as a legal development agreement that runs with the land rather than being attached to a specific property owner.



Next Steps

The proposed Denver Zoning Code and Denver Revised Municipal Code text amendments that would establish the height incentive system described in this document must be adopted by the Denver City Council. Tentative adoption schedule:

- November 27, 2018: City Council Land Use & Transportation Committee
- December 17, 2018: City Council public adoption hearing

Members of the public are invited to speak at the public adoption hearing. Comments received prior to meetings and hearings will be conveyed to City Council.

Comments and Project Updates

Please email questions and comments to Principal City Planner Abe Barge at abe.barge@denvergov.org

For more information and project updates, please visit the project web site, accessible from the Denver Zoning Code Text Amendments page at www.denvergov.org/textamendments

