

LUTI - Informational Item

Affordable Housing Zoning Incentive

www.denvergov.org/affordabilityincentive

Supporting Denver's Housing Need

STABILIZE

residents at risk of involuntary displacement

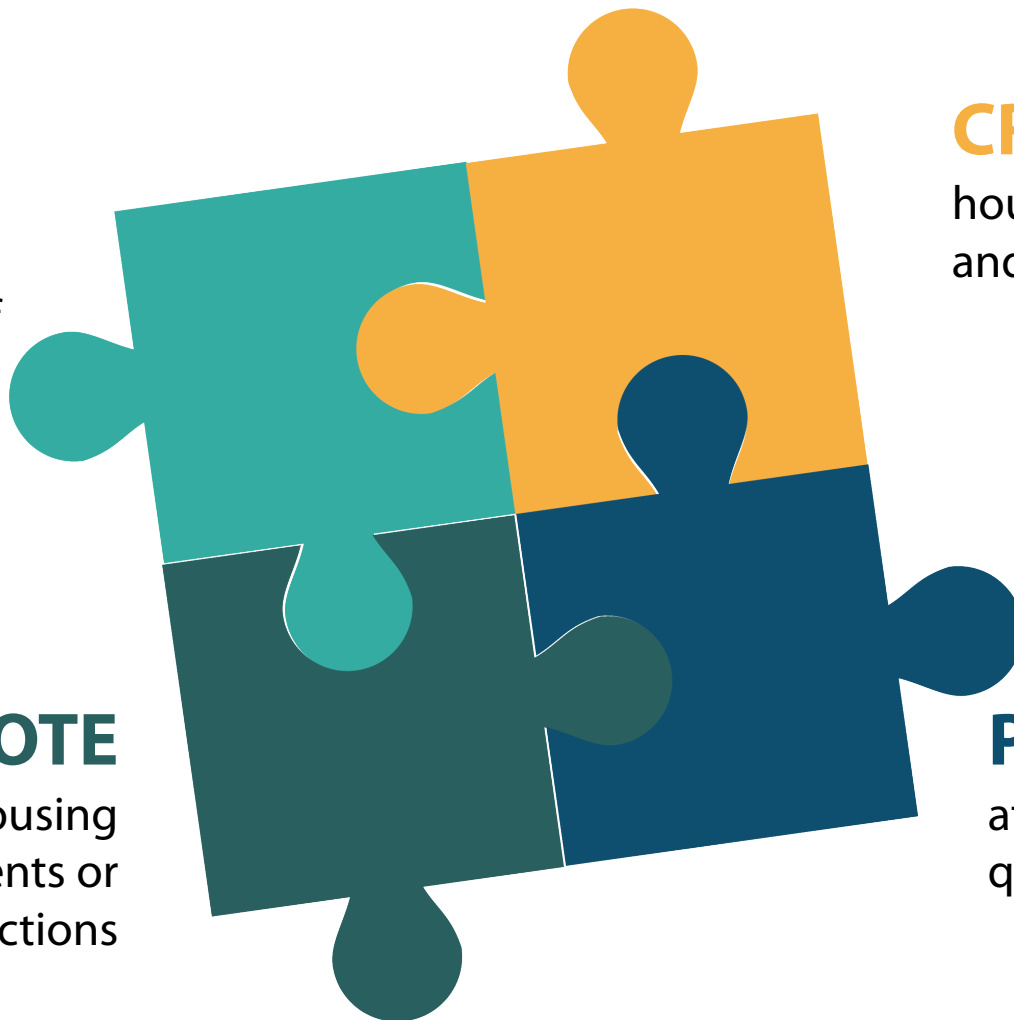
PROMOTE

equitable and accessible housing through program investments or policy actions

CREATE affordable housing in vulnerable areas and in areas of opportunity

PRESERVE

affordability and housing quality



Supporting Denver's Housing Need



CREATE affordable housing in vulnerable areas and in areas of opportunity

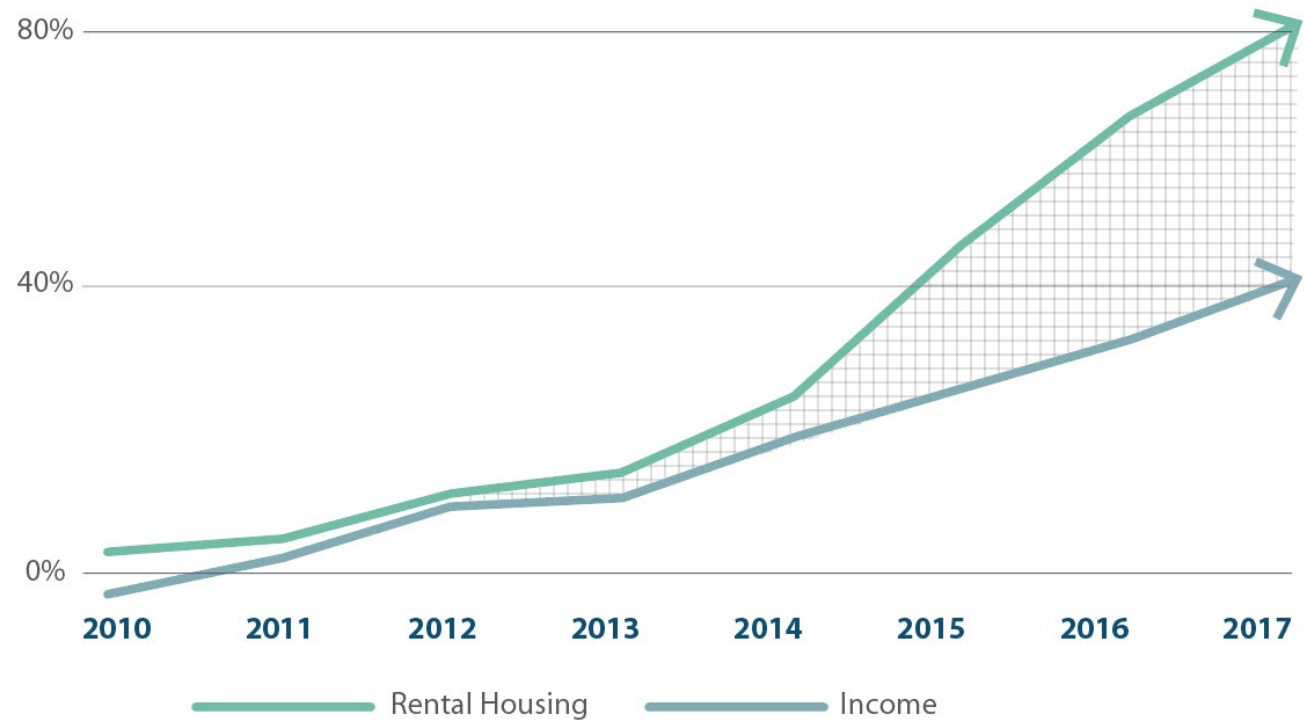
PROMOTE equitable and accessible housing through program investments or policy actions

Current (and growing) need for affordable housing

Today in Denver, approximately

1 in 3 households are **cost burdened**, and

1 in 5 households are **severely cost burdened**.



Source: Denver Housing Dashboard, Via American Community Survey (ACS)

Policy Guidance: Comprehensive Plan 2040

Our city's adopted plans recognize the important role that housing can play in creating an equitable, sustainable, and inclusive Denver.

Through the Denveright process, we had over **24,930** touch points with the community and a resounding theme throughout the process was for **more affordable housing and equitable growth**.





Project Purpose

To encourage the creation of affordable and mixed-income housing, especially in transit rich areas.

→ Primarily through citywide zoning incentives and other regulatory tools

This should be done in such a way that the system leads to the creation of affordable housing that meets the housing needs of the community and creates predictability for the neighborhood and developer.

Project Process



What is incentive zoning?

A tool to encourage a developer provide a public benefit in exchange for relaxed standards or additional height.

For example, communities can benefit from a portion of the increased development capacity.



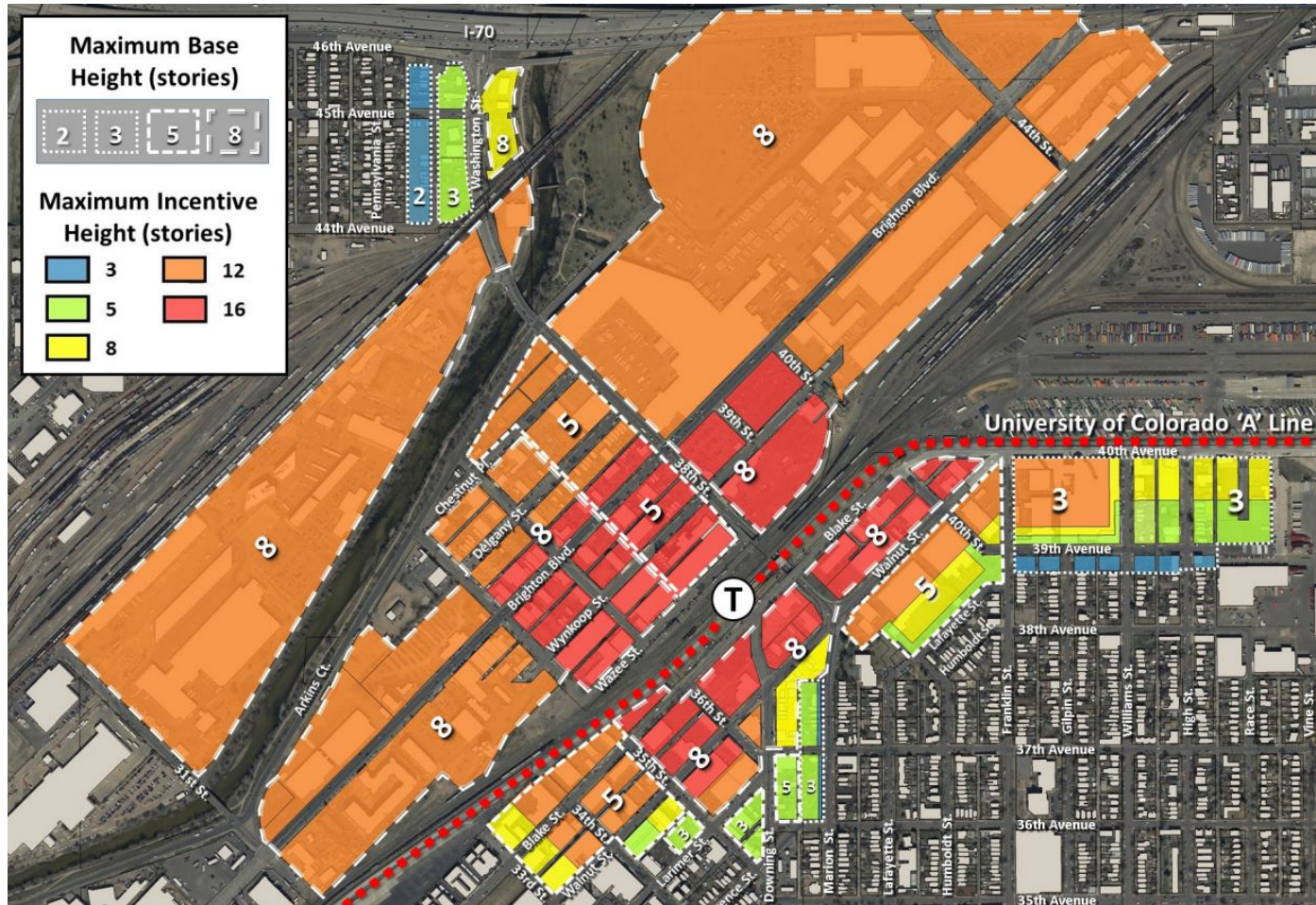
INCENTIVE
Achieved when
community benefit
is provided

BY-RIGHT

Why not Require Affordable Housing?

- 1981 Colorado prohibited rent control
- 2000, Telluride decision
 - Inclusionary policies on rental housing was found to be a form of rent control and could only apply to for-sale housing
- Currently the city must work within voluntary/incentive systems to achieve affordable housing

38th and Blake Station Area Plan



- Base heights and incentive heights were developed in the Planning Process
- Bases range from 2-8 stories with incentive heights ranging from 3-16 stories



Adopted 2017

Incentive Overlay: 38th and Blake

- Adopted February of 2018
- Outcomes (as of January 2020):
 - 4 approved projects: provided 36 affordable units in all four projects, 5.6% as affordable
 - About half of the projects leverage incentive
- Benefits:
 - Predictable system for developers
 - Captures the impacts of both commercial and residential projects
- Drawbacks:
 - Base height is sufficient for the majority of development
 - Yield of affordable units is lower than anticipated (target of 10% affordable)
 - The requirement for 80% AMI units does not meet community need

Peer City Research: Primary Findings

Peer cities examined: Atlanta, Georgia; Los Angeles, California; San Jose, California; Seattle, Washington; Austin, Texas; Minneapolis, Minnesota; Portland, Oregon

- 1) The majority of peer cities have implemented mandatory or incentive-based systems in the past 2-3 years to respond to affordable housing needs
- 2) All peers have tiered requirements based on AMI targets v. a broader < 80% AMI requirement (30 – 80% AMI)
- 3) Linkage fees (fees-in-lieu for mandatory programs) are much higher than Denver's (up to \$35 per/sf)
- 4) Required affordable units are much higher than Denver's (up to 50% of units as affordable)

Primary Findings (continued)

5) Peer city experiences suggest that the following conditions and program designs are important to produce outcomes:

- Pent up demand for both affordable and market rate housing (e.g., Atlanta, Los Angeles, Portland);
- Relatively low base heights (Los Angeles);
- Ample opportunity to apply the bonus along transportation corridors, moderate- to high-density districts, and within planned residential areas (Los Angeles, San Jose);
- Fees-in-lieu that reflect the cost of developing affordable units;
- Incentives in addition to density bonuses; and
- Proper calibration to submarket costs and demand (Seattle).

Criteria for Successful Solutions

Solutions that are developed to create a citywide incentive system should balance multiple community objectives.

City staff and the Advisory Committee will use the four criteria to evaluate draft alternatives to help determine the preferred strategy.

- **Equity**

- Does the proposed incentive system take into account the different needs of Denver's neighborhoods and produce equitable outcomes?

- **Market Reality**

- Will the proposed system attract the development community to use the incentive and work in different markets?

- **Clear Expectations**

- Will the proposed system create a predictable system that provides clarity of expectations to the developers and outcomes to the community?

- **Accountability**

- Will the proposed system allow for successful implementation, administration, tracking, and monitoring?

Considerations Based on Peer City and 38th and Blake Research

To respond to the diverse needs of Denver's most vulnerable residents and community needs, Denver's system should **allow for affordability level blends** (e.g., 10 percent of units at 80 percent AMI combined with 5 percent of units at 50 percent AMI) and allow for lower unit contributions for low-AMI units.

Denver's existing base heights are higher than those offered through successful peer city bonus programs. To be effective, the citywide system will likely **need modifications to base heights**.

The citywide system should **prioritize the construction of affordable units** over a fee-in-lieu option.

The citywide system should be tailored to submarket cost differences; proximity to transit; neighborhood context; and to achieve equity goals. **Careful calibration should occur to respect these different contexts** without creating an overly complex system.

Density bonuses are not always the most meaningful incentives, the citywide system should **explore additional incentives** such as expedited review, parking reductions, and other financial incentives.

Next Steps: Evaluating Alternatives

- Financial feasibility analysis to determine what level of incentives are needed to provide a strong commitment to affordable housing
- Proposed alternatives would vary based on:
 - Market sub-cost (land cost and rents achieved);
 - Zoning and Blueprint places context (e.g. Downtown, urban center, general urban, urban, urban edge, suburban, industrial, master planned); and,
 - Equity considerations from Blueprint Denver.
- Also exploring expansion of expedited review and fee reduction pilot program as a part of the incentive
- Examining incentives related to vehicle parking and removing existing known barriers

Next Steps: Outreach

- How Development Works: learning session on August 25, 4:30 – 5:30 pm via Zoom. Register at www.denvergov.org/affordabilityincentive
- Advisory Committee Meeting #4 in September 1st & 15th
- Community Meetings and City Hosted Focus Groups in September and October
- Existing Groups outreach
- Opportunity for Council Partnership

**To learn more or participate,
visit the project website:**

www.denvergov.org/affordabilityincentive