



Opportunity Housing Ordinance Planning Commission

February 14, 2019

Housing Opportunity Ordinance – Primary Goal

Incentivize creation of new affordable housing units *while furthering private market* development



Ordinance Highlights

- Requirements (9% minimum) based on economic study (Nexus Study)
- Provides flexible compliance options
- Flexibility/incentives increase with increase in affordability
- Phase in period – to test, evaluate, and educate
- Routine evaluation to respond to market changes



Ordinance Overview

Applicability

- City wide with transit area focus
- New or major rehabilitation projects with 20 or more units

Minimum Requirements

- Mandatory 9% of total units developed affordable at 60% AMI and below.
- Note: SF threshold = 110% AMI

Flexible compliance options

- Onsite, offsite, in-lieu, NOAH preservation

Menu of tools and incentives

- Designed to support unit production and the creation viable projects

Six month phase-in period

- Possible exemption for concept plans received during phase-in period that are approved w/in 24 months

Creation of affordable housing trust fund

- Funds a wide range of eligible activities to support unit production & preservation

Program evaluation

- Annual performance reporting with five year evaluation

Compliance Options: Four Approaches

	Compliance Approach	Housing Plan Required?	Access to Tools & Incentives	
Track 1	Build units on-site	Yes	Yes	<ul style="list-style-type: none"> Affordable Housing Agreement
Track 2	Payment in lieu – no affordable units built	No	No	<ul style="list-style-type: none"> Payment (\$9.60/SF) to Trust Fund prior to certificate of occupancy
Track 3	a) Build off-site b) Land dedication c) Partner w/affordable housing developer d) Convert existing market rate to affordable	Yes	Only for approaches that create/preserve affordable units	<ul style="list-style-type: none"> Affordable Housing Agreement
Track 4	NOAH Preservation (purchase/preserve existing NOAH property)	Yes	Yes	<ul style="list-style-type: none"> Affordable Housing Agreement Deed Restriction

Documentation & Evaluation

- ***Affordable housing plan***- Submit with development application. Describes compliance approach and proposed tools and incentives.
- ***Affordable housing agreement*** – Submit prior to issuance of building permit. Establishes commitments and obligations of City and applicant/developer.
 - *Applicant/developer must submit annual report to City demonstrating compliance with agreement.*
- ***Evaluation***
 - *Staff provides annual report on implementation to City Council.*
 - *Ordinance provisions evaluated at least every five years.*

Regulatory Tools and Incentives – *Building & Site Design*

- Density Bonus
- Height Bonus
- Floor area ratio bonus
- Parking reductions
- Enclosed parking space conversion allowance
- Minimum unit size reduction
- Alternative exterior materials allowance
- Storage space reduction



Tools and Incentives – *Process & Fees*

- Development fee waivers
- Development fee deferment
- Landscape fee in-lieu reduction
- Expedited plan review



Tools and Incentives - *Financial*

- Land write down on city owned land
- Housing TIF
- Project based housing vouchers
- Housing Trust Fund



Implementation Strategy:

Use regulatory tools before fiscal tools

Market Expectation

**Development project
\$1M notional profit**

With OHO

\$300k notional loss from pure market units

\$700k notional profit

1. REGULATORY TOOLS TESTING

- Lower parking req'mts
- Density /FAR/Height bonuses
- Reduced unit sizes
- Alternative exterior materials
- Reduced storage req'mts




2. FISCAL TOOLS (if needed)

- Tax increment financing
- Development fee waivers
- City owned land write downs

Test value of regulatory incentives before applying any fiscal incentives to balance project costs

1. Calculating Value of Incentives *(using actual developer numbers)*

EXAMPLE PROJECT



- 100 units
- 9% Affordable (60% AMI)
- Unit size 1,176 (2 BR)
- Dev cost psf: \$2.21 (\$25.9m)

SMALLER UNITS

- 1,176 SF → 940 SF / Unit
- \$52,156 per unit saved
- 9 units
- **\$469K OFFSET VALUE**

20% smaller affordable units



REDUCED PARKING

- 200 stalls required
- 60 stalls waived (30%)
- \$35k / stall
- **\$2.1M OFFSET VALUE**

30% fewer parking stalls



TOTAL VALUE CREATED

- **\$2.57M VALUE OFFSET DEVELOPMENT COSTS**

7.8% lower development costs under the OHO

Note: Not all developments are the same. Incentives applied reflect the context of each project.

2. Compare Cost of 9% to Value of Incentives

Cost of affordable units
with no regulatory relief

\$260k per unit
Cost for 9% affordable
units = \$2,340,000
million

Regulatory
incentive offset

Smaller unit size +
parking reduction =
\$2.6M offset to the 9%
requirement

Regulatory tool value

+\$260k
Value to project

Note: Not all developments are the same. Incentives application reflect the context of each project

Anticipated Timeline

12/20/18
PC
(Study Session)



1/8/19
NOAH Work
Group



1/14/19
City Council
(Study Session)



1/22/19
HRA



2/14/19
PC
(public hearing)



1/28/19
HRC



1/24/19
PC
(open public hearing)



1/22/19
Board of Health



2/25/19
City Council
*(public hearing &
adoption)*



Phase In Period
(6-months)



Effective Date
(@ Sept 1, 2019)

Next Steps: What happens after the OHO adopted?

Three primary steps during six month phase in period

1

Implementation Guidelines

- Create master table of applicability and incentives
- Draft guidelines for implementation
- Build financial modeling tool for development testing
- Draft evaluation and performance metrics
- Create training materials, target audience and education goals
- Create checklist for use by internal and external parties

2

Training & Education

External focus

- Refine & publish a project check financial tool to verify what (if any) incentives apply to a given project
- Hold public informational sessions with developers

Internal focus

- Draft conceptual process flows
- Test projects against ordinance tools (New construction and NOAH)
- Create web based communication tool
- Hold **staff** sessions around potential application challenges and responses

3

Monitoring & Feedback

- Refine ordinance, if needed
- Conduct demonstrations of potential software options
- Set goals for the monitoring and feedback process
- Confer with other jurisdictions to discuss their approaches and challenges
- Implementation and ongoing refinement

Next Steps: Two options for incorporating comments

*Revise
before
adoption*

- Critical modifications
- Straight-forward modifications

*Revise
after
effective
date*

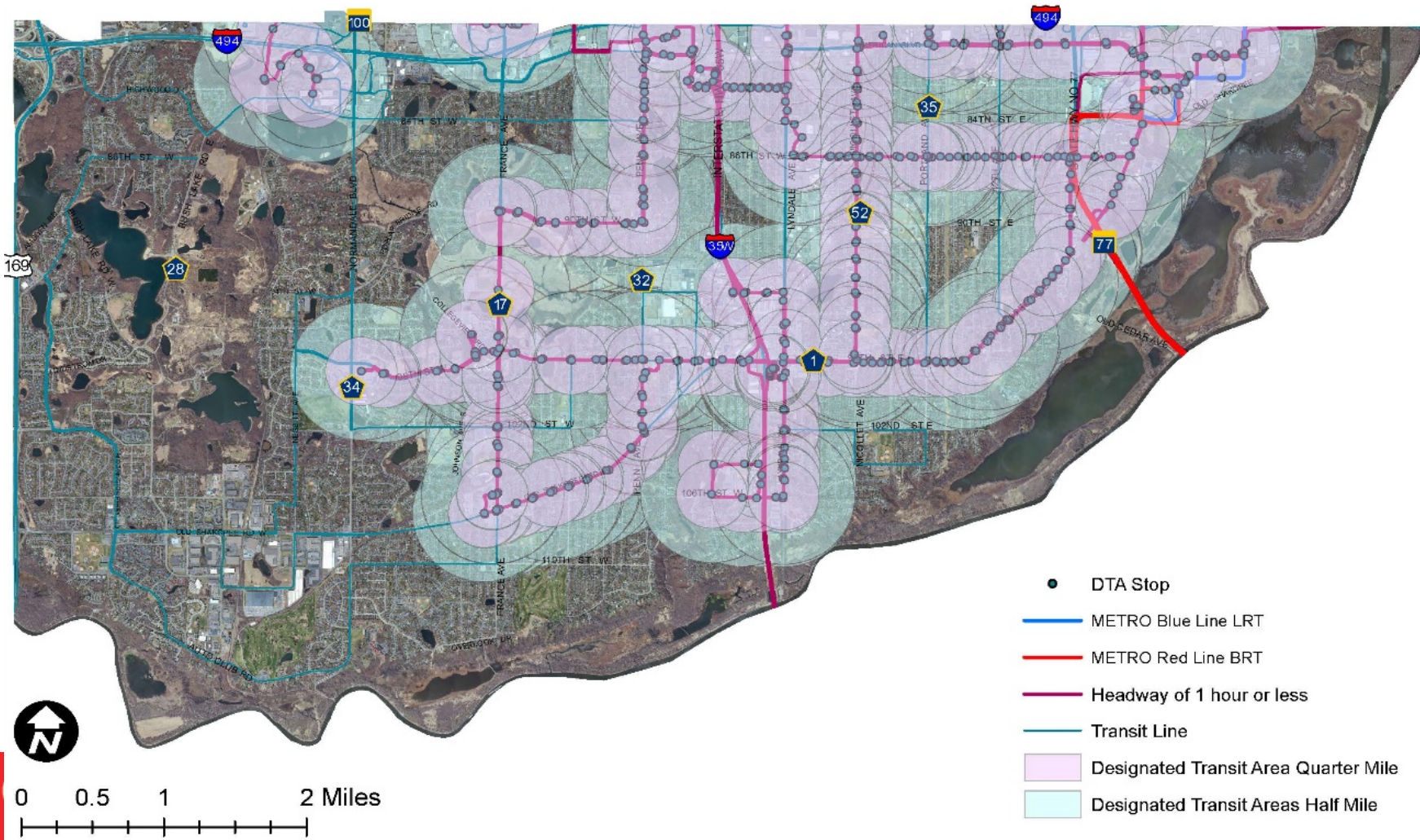
- Items needing further evaluation and testing

Staff Recommendation

Motion: In Case PL2019-2, I move to recommend approval of an Ordinance amending Chapters 2, 9, and 14 of the City Code to encourage creation of opportunity housing units and preservation of existing affordable housing buildings, attached to this report, for City Council consideration.

QUESTIONS?

Designated Transit Areas



Incentives for Affordable Housing - Summary

The following standards were considered but are not recommended as incentives:

- Landscaping Quantities (Trees and Shrubs)
- Screening
- Setbacks
- Lot Width
- Lot Size
- Lighting
- Sidewalks
- Trash
- Bluff Protection
- Steep Slopes
- Tree Preservation
- Green Space
- Impervious Surface Coverage
- Shadowing

Incentive	Affordability Levels		
	Low Income But Capped at 60% AMI	Very Low Income	Extremely Low Income
	51% to 60% AMI	31% to 50% AMI	At or Below 30% AMI
Density Bonus Within Designated Transit Area (DTA)	1 additional unit allowed per very low income unit provided capped at 50% density increase	2 additional units allowed per extremely low income unit provided capped at 50% density increase	2 additional units allowed per extremely low income unit provided capped at 50% density increase
FAR Bonus Within Designated Transit Area (DTA)	1,000 sq. ft. additional floor area allowed per low income unit provided capped at 50% FAR increase	2,000 sq. ft. additional floor area allowed per very low income unit provided capped at 50% FAR increase	2,000 sq. ft. additional floor area allowed per extremely low income unit provided capped at 50% FAR increase
Height Bonus	1 story/10 feet	1 story/10 feet	1 story/10 feet
Parking Stall Reduction	10% outside DTA 20% inside DTA	15% outside DTA 30% inside DTA	20% outside DTA 40% inside DTA
Enclosed Parking Space Conversion	10%	25%	50%
Minimum Unit Size Reduction	10%	20%	30%
Alternative Exterior Materials Allowance (facades not facing public streets)	50%	75%	100%
Storage Space Reduction	50%	50%	50%
Landscaping – Fee in Lieu Waiver on Highly Constrained Sites	NA	100%	100%
Development Fee Waivers Within Designated Area	Sliding Scale	Sliding Scale	Sliding Scale
Development Fee Deferments	Eligible for 12 month deferral with 9% qualifying units and 24 months with 20%	Eligible for 12 month deferral with 9% qualifying units and 24 months with 20%	Eligible for 12 month deferral with 9% qualifying units and 24 months with 20%
Expedited Review of Plans	Eligible (up to 60% AMI only)	Eligible	Eligible
Land Write Down	Potentially Eligible	Potentially Eligible	Potentially Eligible
Housing TIF	Potentially Eligible	Potentially Eligible	Potentially Eligible