COUNCIL STAFF REPORT

CITY COUNCIL *of* SALT LAKE CITY

TO: City Council Members

FROM: Nick Tarbet
Public Policy Analyst

DATE: January 2, 2018

RE: **Informational Report: Administration's Report on Inclusionary Zoning**

<u>Item Schedule:</u>
Briefing: January 2, 2018
Set Date:
Public Hearing:
Potential Action:

ISSUE AT-A-GLANCE
The Council will be briefed on the Administrations Inclusionary Zoning report. Inclusionary zoning is defined as ordinances that require or encourage developers to include affordable units in new residential developments.

The Administration's Transmittal notes the purpose of the memo is to:

> "provide more detail on one of the potential tools to require and incentivize the provision of affordable housing. HAND's work in this area is being guided by the recommendations of our local experts embodied in both the Affordable Housing Finance Working Group and the Affordable Housing Strategy Working Group, and the provisions set forth in both the Citywide Housing Policy and Plan Salt Lake."

The memo is comprised of the following sections:
- What is inclusionary zoning?
- Preliminary analysis of inclusionary zoning
- Limitations and failures in inclusionary zoning programs
- Evaluation of the Transit Stations area (TSA) zone
- Conclusion

Additionally, the following attachments are included with the report:
- Summary of TSA projects
- Affordable Housing Finance Working Group (April 2016)
- A case for incentive zoning polices in Salt Lake City. Case Study, Steve Erickson Consulting (May 2016)

POTENTIAL DISCUSSION POINTS

- The Council may wish to discuss the goals they would like to see achieved through inclusionary zoning.

- Based on the research presented by the Administration, do any of the programs presented interest the Council more than others?

- Since this is an informational only briefing; does the Administration intend to come back to the Council with recommendations?

- Does the Council wish to provide guidance as to the type of public engagement that would be anticipated before possible recommendations are consider by the Council?

ADDITIONAL INFORMATION

Inclusionary Zoning Survey

In November 2017, the Administration sent out a survey on inclusionary zoning. According to the webpage, the intent of the survey to "gather public feedback on inclusionary zoning in general and to inform decision-making going forward."

Housing Plan: Growing Salt Lake

The Salt Lake City Council adopted the Housing Plan on December 12, 2017. One of the objectives identified in the plan calls for the possibility of an inclusionary zoning ordinance (*pp 23-24 Growing SLC*)

> **2.1.2 Consider an ordinance that would require and incentivize the inclusion of affordable units in new developments**.
>
> The need for large scale inclusion of affordable housing has driven the exploration of an inclusionary zoning (IZ) policy. Such practices fit into a larger theme surrounding a comprehensive strategy to increase affordable housing and increase the available housing stock across the "affordable" spectrum. Inclusionary zoning programs refer to local land use ordinances that require or encourage developers to include affordable units in new residential developments, either applied to an entire city or focused on a distinct geographic area. Affordability is often achieved through an indirect subsidy to residential developers—including through increased development capacity or other accommodations during the development review process—and therefore the public cost of generating affordable homes can be relatively low.
>
> The Housing and Neighborhood Development Division's staff have produced an analysis (see full report in the Appendix) of how an inclusionary zoning program may be structured, namely identifying the need for an incentive to be paired with any requirement therefore easing the financial burden on developers while increasing the likelihood for partnership. This strategy could eliminate the common criticisms of inclusionary programs related to slowing overall development and unduly increasing costs for developers who simply pass those costs on to consumers. The Division is also researching options that would focus inclusionary requirements on city-owned properties, or designated target areas, such as Redevelopment Agency Project Areas. Any future inclusionary program could also feature a payment in-lieu of construction option.

Additionally, two statements from the Council's *Guiding Principles for Evaluating and Appropriating City Funds on Housing Developments,* which were included in Growing SLC, support exploring inclusionary zoning.

> #3. Incentivize affordable housing within areas of high opportunity.
>
> # 9. Collaborate with the private sector to include affordable units in developments that are planned or in progress, which otherwise might not have affordable units.

JACQUELINE M. BISKUPSKI
Mayor

**DEPARTMENT *of* COMMUNITY
and NEIGHBORHOODS**

CITY COUNCIL TRANSMITTAL

Patrick W Leary
Patrick Leary, Chief of Staff

Date Received: October 26, 2017
Date sent to Council: October 26, 2017

TO: Salt Lake City Council
Stan Penfold, Chair

DATE:

FROM: Mike Reberg, Community & Neighborhoods Director

SUBJECT: **Inclusionary Zoning Considerations**

STAFF CONTACT:

Melissa Jensen
Director, Housing and Neighborhood Development
801-535-6035
Melissa.Jensen@slcgov.com

Sean Murphy
HAND Housing Policy Manager
801-535-6168
Sean.Murphy@slcgov.com

DOCUMENT TYPE: Information Only

RECOMMENDATION: N/A

BUDGET IMPACT: No budget impact at this time.

BACKGROUND/DISCUSSION:

In February, the Council received a draft of the new Housing Master P lan HAND has been developing, *Growing SLC: A Five Year Housing Plan*. Since that time, HAND staff also scheduled individual meetings with Council Members interested in discussing the plan in detail and conducted additional public outreach. While the plan is still under review there are several key pieces that require lead time such as inclusionary zoning.

During public outreach, HAND heard strongly from advocates of affordable housing that Inclusionary Zoning was an important topic to bring forth for discussion.

The purpose of this brief is to provide more detail on one of the potential tools to require and incentivize the provision of affordable housing. HAND's work in this area is being guided by the recommendations of our local experts embodied in both the Affordable Housing Finance Working Group and the Affordable Housing Strategy Working Group, and the provisions set forth in both the Citywide Housing Policy and Plan Salt Lake.

What is Inclusionary Zoning?

Inclusionary zoning (IZ) refers to local land use ordinances that require or encourage developers to include affordable units in new residential developments. In other communities, the requirement to build those affordable units is often offset through an indirect subsidy to residential developers—such as increased development capacity or other accommodations during the development review process—and therefore the public cost of generating affordable homes can be relatively low.

In 2014, the Lincoln Institute of Land Policy produced the first comprehensive inventory of over 500 IZ programs throughout the United States.[1] Programs vary in approach and success rates have also varied. Below is a brief summary of characteristics of these programs:

- **Most programs were developed since the 2000s.** 45% of all programs around the US were adopted between 2000 and 2009. Another 8% have been adopted since 2010.

- **Most programs are concentrated in 3 states.** While 27 states and DC now have IZ programs of some kind, California, New Jersey and Massachusetts contain a majority of programs. Park City has Utah's only mandatory policy.

- **IZ programs typically target moderate- & low-income households.** Broadly speaking, most IZ programs are focused on household incomes from 51-80% AMI. Few programs include more deeply targeted units for very low income households (0% AMI and below). Most programs have different affordability levels depending if the residential development is for-sale or for-rent (with higher AMI for ownership versus rental). Some programs provide options based on affordability targeting (i.e. 15% of units if 80% AMI, 10% of units if 50% AMI).

---

1 Robert Hickey, Lisa Sturtevant, and Emily Thaden, "Achieving Lasting Affordability through Inclusionary Housing" (2014) The Lincoln Land Institute's (http://www.lincolninst.edu/publications/working-papers/achieving-lasting-affordability-through-inclusionary-housing).

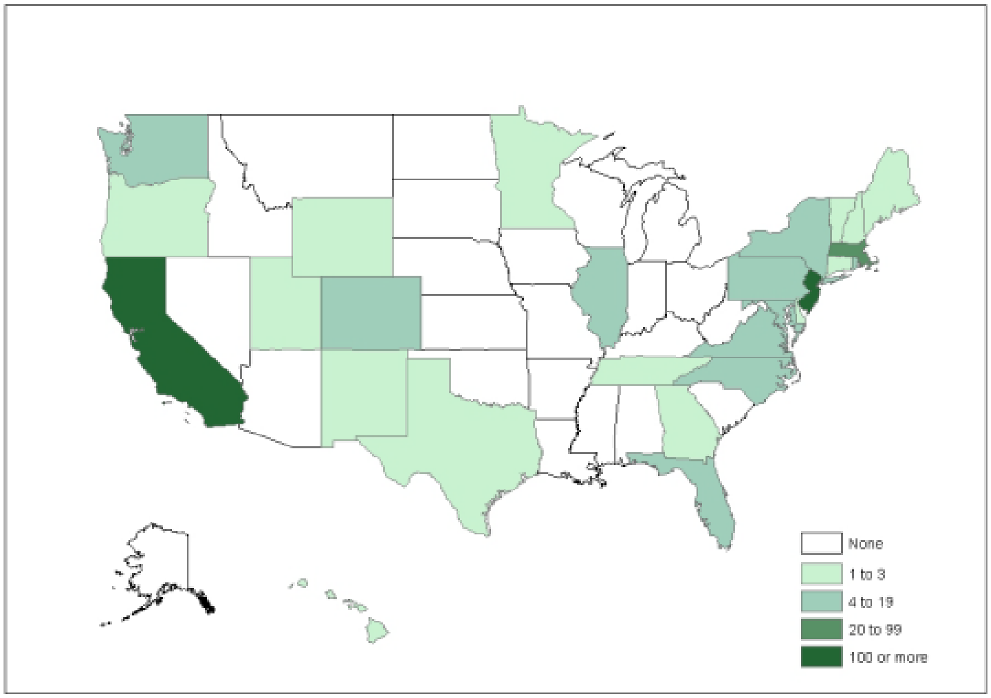
- **Most programs are mandatory and uniform.** The vast majority of these policies are mandatory, rather than voluntary, and apply uniformly across a jurisdiction. A single policy is preferable in terms of clarity for the development community and ease of administration. However, there are examples of inclusionary policies that are designed with flexibility to address the needs of diverse neighborhoods. These approaches are explored later on in this transmittal.

- **A built-in regulatory and monitoring mechanism is crucial to program success.** Currently, Salt Lake City has a built-in monitoring process for any project that receives grants and loans for affordable units from the city-administered funding sources. A similar monitoring program would need to be developed for ensuring compliance under an IZ program. Such programs are typically funded through annual fees on a per unit basis.

- **Payments vs. Units**. Cities differ in what their programs require/prefer. Some cities have programs that require units built on-site while others offer options including paying a fee or building units off-site. These considerations seem to be driven by:
    - the strength of the local economy and real estate values,
    - real estate demand and availability, and
    - the politics of the city and state.

- **These are evolving programs.** These are relatively young programs subject to market change and pressure, and they require consistent maintenance and upkeep. D.C.'s program began in 1990 and has undergone several large revisions since, the latest over the course of 2015-16. Seattle is attempting its third major overhaul of their IZ program, and, if successful, this revision will mark a distinct shift in how the program operates. That revision process is now two years in the making. San Francisco is constantly fine-tuning its process as well. All three cities have allocated significant staff resources to implementation, monitoring, and ongoing revision of their programs.

Fig. 1 – Concentration of IZ programs across US states



Preliminary Analysis of Inclusionary Zoning
The Affordable Housing Finance Working Group recommended exploring options around inclusionary zoning. Please see attached report listed below as Attachment B. The Working Group's recommendations were to evaluate inclusionary zoning in certain geographically-targeted areas, including transit corridors. The Working Group recommended evaluating a policy which would require 5-10% of new construction of projects over 50 units be affordable to households with low and moderate incomes. The Group was amenable to the exploration of alternative mitigation approaches, such as in-lieu fees or off-site provision. Given the recommendations, HAND staff have researched different options with a particular focus on the TSA zone as it has been under review with affordable housing impact in mind. IZ is not a comprehensive solution to the housing affordability gap; however, an effective, limited IZ program could help fill the need for affordable housing options for low income households.

The City also contracted with Steve Erickson Consulting, whose expertise includes affordable housing and legislation, to conduct a review of inclusionary zoning programs and provide recommendations on the subject. That report includes a review of seven different programs around the United States and considerations specific to the Salt Lake market, along with a series of other elements about IZ. It is listed below as Attachment C.

Based on preliminary research and feedback, HAND has investigated several options for how the City might implement an IZ policy.

A potential first step that is in line with the Housing Plan would be to formalize what the City has done in practice on development of public lands. Internally, in alignment with the Housing Policy, affordability is often negotiated on city-owned surplus properties.

In terms of a broader strategy, HAND investigated several options.

- A program with mandatory participation above a certain scale of development, though flexibility on compliance options would be offered such as:
    - Constructing required affordable units on-site,
    - Constructing required affordable units off-site,
    - Making a payment in-lieu of constructing units,
    - Investing in an affordable housing development,
    - Providing land for affordable housing development

- A program that would be voluntary with developer incentives or subsidies provided to encourage production. This program could apply city-wide or be a targeted approach.

- A program that would be mandatory but restricted to a specific geographic area (the TSA zone is explored below). Examples of cities with narrowly-targeted inclusionary policies are provided below.

Examples of targeted inclusionary policies:

1) Based on census tract

Census tracts can be used to geographically target population and household income change, which indicate economic and housing market strength and provide evidence necessary to abate declining affordability. Examples of this approach include Charlotte, NC and Tallahassee, FL.

2) Based on zoning district

The rationale behind this targeting is that there are certain zoning areas where the level of development intensity provides more opportunity to support mixed-income development. Examples of this approach include Austin, TX and Washington, DC.

3) Based on project type

This targeting is the most fine-grained. An example of this approach is Chicago's Affordable Requirements Ordinance which applies the inclusionary policy to projects that: a) receive a zoning change, b) include land purchased from the City; c) receive City financial assistance; d) are part of a planned development in a downtown zoning district.

To the extent that the policies above are targeted based on metrics, they will be most effective if the data is clear, reliable and regularly updated. The analysis by Lincoln Land

Institute of these targeted policies is that clarity is important to their efficacy and a priority should be placed on streamlining and standardizing to the extent possible.[2]

The concern with any geographically-confined approach, is that development could simply be displaced. In the example of a policy applying to the TSA zone, the residential multi-family zoning that abuts the TSA would need to be carefully assessed for development potential: if those zones allow for similar building size as the TSA, then development could be pushed just outside of the TSA.

Another approach would be to develop a voluntary, subsidized program. This would require a significant funding source or incentives sufficient to spur inclusionary development but would alleviate many of the perceived issues related to discouraging development.

This method would limit the chance that developers would either pass costs on to other customers in the market or price the remaining units in a project high enough to cover the cost of constructing the affordable units. It would also limit the potential that the added cost of including affordable units makes development infeasible and negatively impacts housing supply.

The downside is that any subsidized program would require a significant and consistent source of funding. A program that relies on development incentives is also feasible but would need to be properly calibrated and frequently re-evaluated to ensure the proper structure. An incentive-based program is most effective in the strongest housing markets.

Limitations and Failures in IZ Programs

HAND staff reached out to national experts in the field in order to explore the lessons learned from adopters of IZ programs.

1) IZ programs can increase housing costs.

> This can occur; recent studies have shown that home prices can increase by 1-3% after IZ programs are established. This research has focused on impacts to the single-family home market. Impacts on rental markets have not been calculated in these studies. Experts believe future work on the subject will include an analysis of rental markets.

- While this is a valid criticism in various markets around the country, those increases have only ranged from 1-3%. The research suggests this occurs when developers who are subject to building affordable units in multifamily developments may transfer costs to their single family home products.

[2] "Inclusionary Communities: Creating and Maintaining Inclusive Communities", a joint report from Cornerstone Partnership, the National Community Land Trust Network, and the Lincoln Land Institute (http://www.lincolninst.edu/publications/policy-focus-reports/inclusionary-housing).

- If Salt Lake used an approach based on subsidies and/or incentives, this issue should be mitigated.

2) Up-zoning prior to inclusionary implementation decreases potential for effective incentives to build affordable.

Seattle is now moving into its third iteration of IZ. In one of its previous programs, the city began with a strategic up-zone of various districts as a means of spurring increased density. The city later decided to implement an inclusionary structure but its efforts ran aground because certain incentives, such as density bonuses, became less attractive as developers were already able to build as dense as the market demanded.

- This is a meaningful and practical concern for Salt Lake. In zones that may be the most likely candidates for an IZ program (such as the downtown and TSA zones), developers may already have ample space to build as dense as the market will allow (i.e. economic-feasibility of building type and subterranean parking).

- This is also a very detailed calculation to make: the actual building density allowed in each zone vs. what is currently being built. Getting the calculation right requires a thorough understanding of the development economics to right-size the incentives.

3) Achieving the right balance of options amid a changing housing market is crucial.

During the initial rollout of their IZ program, Arlington, VA set its in-lieu payment option too low. As many municipalities do, Arlington was trying to offer developers multiple options under the new program, including developing on-site units or paying into a common housing fund. However, the municipality set the payment so low that no developers chose to build on-site. And in such a constrained land market, the city then had a difficult time purchasing land to develop affordable projects with its housing fund. While Arlington's land market is quite a bit different than Salt Lake's, this example highlights both the need to carefully balance the options offered to developers and points to the value of purchasing land in high-rent areas of the city for future development, such as through a Community Land Trust (CLT). While flexibility is preferred by the development community, it is important to consider the policy and implementation implications.

4) Regulatory requirements must match the affordable market's need (affordability levels and unit types).

Montgomery County, MD, which has what is arguably one of the most successful IZ programs in the country, recognized a failure to accurately match their unit size requirement (bedroom count) to the needs of the affordable market. They ended up with more affordable studios and 1-bedrooms than affordable market consumers needed. They've since adjusted requirements to focus on need for multi-bedroom affordable units. New York City is realizing the same issue: only studio and 1-bedroom apartments are being built under their IZ program, leaving virtually no options for families currently living in the city's homeless shelters.

- Salt Lake's affordable market needs vary as well, and any future legislation should be driven by the city's housing needs assessment to ensure requirements match the evolving needs of consumers. By their nature, inclusionary programs are tied to what the market is producing, as the required affordable units will reflect the unit mix of the market rate housing being produced. In recent years, market rate rental housing has skewed towards smaller units.

Why Evaluate the TSA Zone?

HAND has taken a look retroactively at what a mandatory inclusionary policy could have produced in a narrow geographic area, the TSA zone, to provide an estimate of potential impact. This zone was selected as a case study due to its unique features and existing priority for affordable housing. The TSA zoning district was adopted in 2010 along North Temple Boulevard and in 2012 along 400 South between 200 East and 900 East. It is intended to promote high quality mixed use development near the TRAX stations. The zone is a special zoning district that is limited in its geographic scope and has been a test-bed for innovative zoning practices in Salt Lake, most notably a fast-tracked plan and permit approval process that is performance based and eliminates the need for Planning Commission approval if projects meet enough development criteria.

City Council initiated a petition to evaluate and improve the TSA zoning ordinance in June 2016. One of the specific objectives of this review was to adjust the score to further incentivize affordable housing. At Planning Commission and City Council hearings, there was discussion of considering a base requirement for affordable housing units for all development in the TSA zone. In lieu of a base requirement, in June 2017, City Council approved modifications to the point system which increases available points for providing affordable housing up to 60 points, including new points for providing affordable housing in "high opportunity" areas.

What if Salt Lake had already implemented a TSA inclusionary housing policy?

While it is not possible to accurately project development, we can look at the maximum affordable housing that could have been produced assuming a mandatory policy in place at the outset of the TSA zone to frame an understanding of the order of magnitude.[3]

3 Note that in order to accurately estimate the impact, a more thorough analysis would need to be done which would consider each project's financial feasibility. In some cases, a mandatory affordable requirement may have reduced the total number of market-rate units a developer could build.

Table 1 - Total Multi-Family Unit Production in TSA since 2011

Total Development (Includes built, under construction and in approvals)	All	Affordable	Affordable %
North Temple	2,392	369	15%
400 South	861	134	15%
Total	**3,253**	**503**	**15%**

In considering the impact of a possible inclusionary zoning ordinance on the TSA zone, the developments that would have been impacted were those that both (1) currently hold no affordable units, and (2) are not less than 50 units in size. If the City had imposed an affordable housing requirement since the inception of the TSA zone based on those requirements, 2,323 units would have been impacted. Had that been the case, an additional 232 affordable units would have been built in the TSA zone, bringing the total affordable units to 735, or 22% affordable:

Table 2 - Total & Projected Affordable Units in TSA

Number of privately-developed affordable units currently in TSA (includes projects in planning process)	503
Number of privately-developed affordable units under a 10% requirement **(additional units)**	**232**
Total	735

A full list of projects in the TSA zone is attached below as Attachment A.

Conclusion

Based on initial research, a key takeaway from other cities is that these programs must be carefully adjusted to meet both the local economy and political environment.

Outlined here are the most pressing challenges to consider in any future legislation:

Geographic Boundaries: Given the diversity of Salt Lake City's neighborhood housing markets and the novelty of this housing tool to Utah, a targeted geographic focus may be considered for a new IZ program. This report evaluated the TSA zone. Additional locations for an IZ program to consider may include the Downtown residential zones or RDA areas.

Unintended Consequences: A concern in implementing an IZ program is inadvertently pushing out middle-market units. This occurs if developers increase rents on market-rate units to recover the loss on those affordable units. Two strategies to mitigate this risk are: 1) making the program voluntary and providing subsidies/incentives; 2) limiting the program to areas where the market fundamentals support a mandatory program.

Monitoring: The City currently has no process for monitoring affordability compliance on units that might be produced under such program. A process would need both be adopted and funding identified (typically a per unit annual cost paid by the developer/owner). There is potential to work with a third party for compliance (i.e. UHC) on these units to minimize administrative burden.

Extremely-Low-Income (ELI) Needs: IZ programs do not typically include housing for ELI populations (households at or below 30% of Area Median Income); a community in great need in Salt Lake City. These units would have a higher financing gap in a private development requiring additional subsidies/incentives. If the city wants to include units for extremely-low-income individuals in an IZ program, it would also need to address long-term operating considerations, such as additional funding for resident services (i.e. case management).

In-lieu Fees: Providing the option of paying in-lieu fees or requiring payments instead of constructing units has been a strategy for many cities. However, in Utah, requiring a payment without offering other options to a developer could be viewed as a de facto impact fee. If a payment is just one of several options, that challenge may be avoided. In California, inclusionary zoning policies for rental housing have faced legal challenges which has led many municipalities to adopt affordable housing impact fees as an alternative means of producing affordable housing units. Many of these ordinances offer developers the option to build units instead of paying the fee.

An IZ program could work in Salt Lake City, but it would need to strike the correct balance between requirements and incentives. Further, such a policy should be contemplated in the context of impact as compared to or paired with other affordable strategies. Successful programs are fine-tuned to the local market and are not considered a panacea for solving a housing crisis. Whether such a program would be best suited to specific zones or investment areas around the city needs more investigation, but a strategically-focused IZ program that is supplemented by gap financing from the city and/or development incentives is a policy option that could be explored. The goal of a successful program would be to boost the number of units for low and moderate income households in mixed-income communities without overburdening the development community. Such a balance would require considerable analysis and frequent revisiting.

PUBLIC PROCESS: Not applicable

EXHIBITS:

Attachment A: TSA Zone Projects

Attachment B: Affordable Housing Finance Working Group Report

Attachment C: Workforce Housing: A case for incentive zoning policies in Salt Lake City

Attachment A – TSA Zone Projects

North Temple Development (All, includes East and West of I-15)					
Development Name	**Address**	**Total Units**	**Market**	**Affordable**	**Status**
4th West (Lofts at Gateway)	255 N 400 W	486	486	0	Under Construction
Hardware Village	155 N 400 W	409	409	0	Under Construction
300 West Apts	308 W North Temple St	240	240	0	Permits Approved
City Station	644 W North Temple St	131	131	0	Built
Bodhi Apartments	750 W South Temple St	80	20	60	Under Construction
North 4th	355 N 500 West	112	31	81	Under Construction
Villa Nueva	909 W 200 N	12	12	0	TSA Approval Only
251 N Cornell St (Corroon)	251 N Cornell St	146	15	131	TSA Approval Only
Orange Street	30 N Orange St	263	263	0	Under Construction
West Station 1	175 N Harold St	145	145	0	Built
West Station 2	233 N Redwood Rd	148	148	0	Under Construction
Lotus Townhomes	1950 W North Temple St	28	28	0	TSA Approval Only
Jeremy Street Triplex	1089 S Jeremy St	3	3	0	Built
North Temple Flats	1999 W North Temple St	168	71	97	Permits Approved
Signature Books	551 W 400 N	5	5	0	Built
Euclid Corners	1002 W 200 S	16	16	0	PC Approval Only
TOTALS		**2392**	**2023**	**369**	
PERCENT			**84.6%**	**15.4%**	

400 S Development (All)					
Development Name	**Address**	**Total Units**	**Market**	**Affordable**	**Status**
4th and 4th	380 S 400 E	213	213	0	Permits Approved
Encore	489 E 400 S	189	189	0	Built
Seasons on the Boulevard	460 E 400 S	99	99	0	Built
First Step House*	440 S 500 E	26	0	26	Built
Liberty Boulevard	455 S 700 E	266	212	54	Under Construction
9th East Lofts	444 S 900 E	68	14	54	Built
TOTALS		**861**	**727**	**134**	
PERCENT			**84.4%**	**15.6%**	

Attachment B – Affordable Housing Finance Working Group Report

SALT LAKE CITY HOUSING AND NEIGHBORHOOD DEVELOPMENT

AFFORDABLE HOUSING FINANCE WORKING GROUP

REPORT AND RECOMMENDATIONS

APRIL 2016

TABLE OF CONTENTS

1 INTRODUCTION

In 2013, Housing and Neighborhood Development (HAND) identified a gap of 8,240 rental apartment units for those at 40% or below the area median income of Salt Lake County. In 2016, updated numbers revealed a slightly smaller gap of approximately 7,600 units however the decrease is a result of a growth income level and not additional housing units. Salt Lake City renters are cost burdened with half paying more than 30% of their income on housing costs; more troublesome is that a quarter of renters in Salt Lake City are paying more than 50% of their income toward housing costs.

Salt Lake City has seen a market rate multifamily boom with rents at all-time highs and vacancy rates at historic lows. Yet affordability remains an issue in the city despite the increase in new units. A projected multifamily pipeline created by HAND staff shows a healthy number of new units coming to market over the next few years, with a good number targeted to those with low incomes; however, even with these new units, there remains a large gap in Salt Lake City's affordable housing market.

One of the predominant impediments to the creation of affordable housing is the lack of funding resources available to the for-profit and non-profit housing development communities. The primary sources for funding construction of new or rehabilitation of existing housing consist of 4% and 9% Low Income Housing Tax Credits and other gap funding sources that include the State's Olene Walker Housing Trust Fund and the City's Housing Trust Fund. Other federal sources include HUD financing tools such as a 221(d)4, Section 8 vouchers, and federal grants such as HOME and Community Development Block Grants. While tax credits are a useful tool they are very competitive and may require the developer to take on more expensive debt thus requiring higher rents. Funding from federal grants, such as CDBG and HOME, has been reduced over the past ten years and also as stringent restrictions.

Understanding the difficulties of funding affordable housing, HAND created a **Finance Working Group** comprised of for-profit and non-profit developers, CRA lending institutions, representatives from Utah Housing Corporation and the National Development Council, and Housing Trust Fund Board members who met over a two month period with the objective to identify possible financing tools and policy recommendations. These include potential funding sources on city, county, and statewide levels and changes to current city ordinances and policies to incentivize and help finance the large gap in affordable housing.

The group understands that to see an increase in affordable housing in the city, that new funding sources must be created in conjunction with changes to City policies and ordinances.

WORKING GROUP MEMBERS

Steven Akerlow - Morgan Stanley
Joni Clark - Salt Lake CAP
Irena Edwards - Key Bank and Housing Trust Fund Board member
Ryan Hackett - Utah Non-Profit Housing Corp
Michael Lohr - Goldman Sachs
Jeff Nielsen - Wasatch Development Group
Claudia O'Grady - Utah Housing Corporation
Ali Oliver - UTA and Housing Trust Fund Board member
Chris Parker - Giv Group
Amy Rowland - National Development Council
Marion Willey - Utah Non-Profit Housing Corp

Salt Lake City Staff included: Mike Akerlow, Melissa Jensen, Sean Murphy, Todd Reeder, Tammy Hunsaker, Marina Scott

THE PROCESS

The group met over a two month period for a total of six meetings during which time they identified a number of tools and then developed financial pro formas on specific case studies using those tools. The agenda was as follows:

Meeting 1 – Discussed meeting schedule, goals, and expectations

Meeting 2 – Created and discussed list of possible financing and policy tools

Meeting 3 – Reviewed Case Study 1: Sugar House development

Meeting 4 – Presentation from UTA regarding Transit Oriented Development; reviewed Case Study 2: High Opportunity Area; reviewed Case Study 3: Small Scale Acquisition

Meeting 5 – Presentation and discussion of recommended solutions

Meeting 6 – Joint meeting between Finance Working Group and Non-Profit Housing Strategy Group to gather input on solutions and gained consensus on recommendations

The Housing Finance Working group recommends that the Housing Trust Fund Board, Mayor Biskupski and the Salt Lake City Council endeavor to explore the following recommendations as possible solutions for the affordable housing shortage in Salt Lake City. Affordable housing requires a long-term strategy with some short-term solutions that make building, acquiring, and preserving units actionable and sustainable. The group presents these recommendations with the understanding that public input, feasibility, and detailed analysis of impact is further required.

2 GLOSSARY

AFFORDABLE HOUSING DEFINITIONS

The following list of terms is by no means inclusive but serves as a reference for informed discussion. The term "affordable housing" truly means housing that is affordable for anyone. Categories within affordable housing include moderate income, low income and extremely low income. To foster clear communication, HAND staff has compiled the following list of often used terms and definitions and where possible, the source of those definitions.

AFFORDABLE HOUSING: A home is generally considered affordable if the household pays 30% or less of their gross income (before taxes are taken out) towards rent/mortgage payments. The term usually refers to homes affordable to people with low, very low and extremely low income, including low-wage working families, seniors on fixed incomes, veterans, people with disabilities and the homeless. There are different kinds of affordable homes, including public housing (owned by the local housing authority), Section 8 vouchers that help people rent privately owned homes, and privately owned housing developments with restricted rents.
HUD Definitions of Affordable Housing:
<u>Low Income:</u> Income does not exceed **80%** of Area Median Income (AMI)
<u>Moderate Income:</u> Income does not exceed **60%** of AMI
<u>Very Low Income:</u> Income does not exceed **50%** of AMI
<u>Extremely Low Income:</u> Income does not exceed **30%** of AMI
http://nonprofithousing.org/wp-content/uploads/Media-Packet-Affordable-Housing-Glossary.pdf

AFFORDABILITY RENT FORMULA: The industry standard for calculating affordable rents according to area median income. The formula uses the published income limit tables from HUD with a combination of FMR. For example, a family of 3 at 50% AMI is making roughly $33,250 annually and can afford a 2 bedroom apartment at about $800/month minus utilities. The formula is technical and also accounts for slight variances but ensures that projects have consistent rent rates that accommodate a variety of incomes.

AFFORDABLE MARKETS: This refers to communities that are driven by market forces that also align with HUD's definitions of "affordable rent". These markets can change at any time and have no obligation to remain affordable.

AREA MEDIAN INCOME (AMI): The median income of each Metropolitan Statistical Area (MSA) and each county based on all wage-earners in the area. The U.S. Department of Housing and Urban Development (HUD) issues a listing of AMIs each year. AMI is used to determine the eligibility of applicants for both federally and locally funded affordable housing programs and depends on family size.
http://nonprofithousing.org/wp-content/uploads/Media-Packet-Affordable-Housing-Glossary.pdf

AREAS OF OPPORTUNITY: Areas of opportunity have been best described this way "places that effectively connect people to jobs, quality public schools and other amenities" (HUD Secretary Shaun Donovan). HUD frequently refers to these as "geographies" of opportunity and has created an opportunity index in order to quantify such opportunity throughout the US. The most notable work has been done by Jim Woods in 2004.

FAIR HOUSING: Title VIII of the Civil Rights Act of 1968 (Fair Housing Act) prohibits discrimination in the sale, rental and financing of dwellings based on race, color, religion, sex or national origin. In Utah, state law also includes source of income as a recognized protected class.
http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/progdesc/title8

FAIR MARKET RENT (FMR): Rental rates set by the U.S. Department of Housing and Urban Development (HUD), that represents the estimated monthly rent for a modest apartment. FMRs determine the eligibility of rental housing units for the Section 8 program and serve as the payment standard used to calculate subsidies under the Rental Voucher program.
http://nonprofithousing.org/wp-content/uploads/Media-Packet-Affordable-Housing-Glossary.pdf

HOUSING ASSISTANCE PAYMENT (HAP): Section 8 Housing Assistance Payment Contracts ("HAP Contracts")provide that the resident pays a portion of the Contract rent (the resident's portion is limited to a percentage of the resident's income), with the remainder of the Contract Rent bein paid under the HAP contract as a Housing Assitance Payment. For example, if the Cotnract Rent is $600 and the resident's protion is $200, the HAP portion would be $400.
https://www.hudexchange.info/resources/documents/Glossary-of-Multifamily-Affordable-Housing-Preservation-Terms.pdf

HOUSING COST BURDEN: When 30% or more of a household's income is spent on housing costs. Many households are severely over-burdened and pay more than 50% of their income towards housing (see Severe Cost Burden).
http://nonprofithousing.org/wp-content/uploads/Media-Packet-Affordable-Housing-Glossary.pdf

HOUSING CHOICE VOUCHER / SECTION 8 PROGRAM: Federal rent-subsidy program under Section 8 of the U.S. Housing Act, which issues rent vouchers to eligible households. The voucher payment subsidizes the difference between the gross rent and the tenant's contribution of 30% of adjusted income, (or 10% of gross income, whichever is greater). There are two main types of voucher programs:
Tenant Based: The subsidy remains with the tenant and allows them to move to a unit that best suits their needs.
Project Based: The subsidy remains with the unit and the property qualifies tenants according to the parameters of the program.
http://nonprofithousing.org/wp-content/uploads/Media-Packet-Affordable-Housing-Glossary.pdf

HOUSING FINANCE AGENCY (HFA): Each State has a Housing Finance Agency in Utah it is Utah Housing Corporation (UHC). UHC manages Utah's low income housing tax credit program and allocation process, distributing over $6.7MM in 2016. HFAs are State-chartered, were established to help meet the affordable housing needs of State residents, have statewide authority to finance affordable housing, and typically are governed by a board of directors appointed by the Governor.
https://www.hudexchange.info/resources/documents/Glossary-of-Multifamily-Affordable-Housing-Preservation-Terms.pdf

INFILL DEVELOPMENT: A strategy for accommodating growth and preventing sprawl through greater density and efficiency in land use development within existing urban boundaries.
http://nonprofithousing.org/wp-content/uploads/Media-Packet-Affordable-Housing-Glossary.pdf

LOW INCOME HOUSING TAX CREDIT PROGRAM (LIHTC): The LIHTC program was created in the Tax Reform Act of 1986, and it includes both competitively allocated "9 percent" tax credits and non-competitive "4 percent" tax credits. Developer-owners of LIHTC properties can claim credits against their federal income tax liability, for up to ten years after the property is completed and leased up, provided that the property remains in compliance with LIHTC requirements. Typically, a LIHTC property is owned by a limited partnership or limited liability company in which the real estate developer is the general partner or managing member and in which corporate investors hold the remaining ownership interests. In Utah, many of the industrial banks are the primary investors in these partnerships providing a unique market for purchase of these credits.
https://www.hudexchange.info/resources/documents/Glossary-of-Multifamily-Affordable-Housing-Preservation-Terms.pdf

MARKET RATE HOUSING: Rental housing that is privately owned but charges rents consistent with the property amenities as well as local housing market prices and conditions. Typically, these property owners do not receive direct subsidies. Conventional market-rate properties may offer rental housing that is also considered "affordable".
https://www.fanniemae.com/content/fact_sheet/wpworkhouse.pdf

MIXED-USE DEVELOPMENT: A building or group of buildings that combines multiple revenue producing uses in an integrated and coherent plan. As an example, a mixed-use development might include retail space on the ground floor, offices on the middle floor, condominiums on the top floors and a garage on the lower level.
http://nonprofithousing.org/wp-content/uploads/Media-Packet-Affordable-Housing-Glossary.pdf

PUBLIC HOUSING: Public housing was established to provide decent and safe rental housing for eligible low-income families, the elderly, and persons with disabilities. Public housing comes in all sizes and types, from scattered single family houses to high rise apartments for elderly families. There are approximately 1.2 million households living in public housing units, managed by some 3,300 HAs.
http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph

PUBLIC HOUSING AUTHORITIES Local government agencies that are authorized to manage housing for very low- and extremely low-income households, either as public housing, through Section 8 vouchers, or with other types of affordable housing. Generally, households pay no more than 30% of their income for rent and the remainder is subsidized by the Federal government through HUD.
http://nonprofithousing.org/wp-content/uploads/Media-Packet-Affordable-Housing-Glossary.pdf

QUALIFYING CENSUS TRACTS: A Qualified Census Tract (QCT) is any census tract (or equivalent geographic area defined by the Census Bureau) in which at least 50% of households have an income less than 60% of the Area Median Gross Income (AMGI). HUD has defined 60% of AMGI as 120% of HUD's Very Low Income Limits (VLILs), which are based on 50% of area median family income, adjusted for high cost and low income areas.

RACIALLY/ETHNICALLY CONCENTRATED AREAS OF POVERTY: A census tract where the number of families in poverty is equal to or greater than 40 percent of all families, or an overall family poverty rate equal to or greater than three times the metropolitan poverty rate, and a non-white population, measured at greater than 50 percent of the population.

SEVERE HOUSING COST BURDEN: When 50% or more of a household's income is spent on housing costs.
http://nonprofithousing.org/wp-content/uploads/Media-Packet-Affordable-Housing-Glossary.pdf

3 FINDINGS

OVERVIEW

During the group's discussions, several key findings emerged as issues facing developers and those financing affordable housing. While there are many issues, the following are five key findings from the group that helped inform the recommendations.

SUBSIDY AMOUNTS

The working group dedicated significant time to determining what kind of subsidy would be needed for the development of affordable housing units. Scenarios from throughout the city were presented to the group for their consideration of varying sizes, a range of AMI's, and uses. Land location continues to be the key determining factor in the subsidy needed. The working group concluded that the gap ranged from \$12,000 - \$50,000 per unit when used in conjunction with 4% credits and \$67,000 - \$360,000 per unit without any other subsidy. Concluding that in order to increase the affordable housing stock a significant financial commitment would need to be made.

WORKING WITH THE CITY

The development professionals in the working group felt that the City could be a better and more collaborative partner in affordable housing development. They are unsure of what's available to them as far as incentives, fee waivers, expedited processes, etc. If the City wants more affordable housing developers building new units, the working group felt that the City needs to create a more streamlined and productive environment.

9% TAX CREDITS

The working group recognizes that the 9% tax credits are the single most important tool for providing financing for affordable housing. Because of the amount of equity created as a result of the 9% credits, many projects using this tool are able to provide units to those with extremely and very low incomes. However, the process to get these tax credits is extremely competitive and occurs only once each year. Many times developers will have to wait 2 to 3 years before they may get the credits which can increase costs.

4% TAX CREDITS

The 4% tax credits do not provide as much equity as the 9% tax credits and therefore require other funding sources. To be eligible for the tax credits, a developer must also get a Private Activity Bond which is more than 50% of the cost of the project. These bonds are expensive to finance and thus drive up the costs of the project resulting in higher rental rates. As a result, 4% tax credit projects often are targeted to those at 60% of area median income. The Private Activity Bonds are allocated by the State and have an annual cap which over the past couple of years has been expended by the spring. However, these credits may change and become less desirable if interest rates increase.

SMALL ACQUISITION AND DEVELOPMENT

The working group believes that a critical component missing is affordable housing in smaller developments. These may include townhomes, cottages, small apartment buildings, etc. However, land and development costs are typically higher which results in a higher sales or rental rate. The group stated that these types of units are an effective tool for addressing affordability but the financing is not available for medium density projects.

SALT LAKE CITY HOUSING TRUST FUND

The City's Housing Trust Fund is recognized as a valuable and necessary tool to maximize the tax credits and to leverage other available funding sources. The working group discussed the need for the fund to be sustainable with a constant funding source in addition to more flexibility to do projects that might not fit the status quo.

4 RECOMMENDATIONS

OVERVIEW

The Finance Working Group began their work by creating a list of over 20 financing tools and policy changes that may result in additional funding or incentives for developers to build affordable housing in Salt Lake City. They categorized their recommendations into three groups: **policy, incentives, and funding resources.**

The working group notes that concessions may need to be made within each recommendation and continued conversation is needed on how each solution could be modified for the greatest good. This includes dialogue on not only solutions but the ability to monitor and administer those solutions. The group also noted that further clarity of the definition of affordable housing is needed in order to ensure consistency on the parameters in which each solution is discussed. **In addition, the group generally felt the Housing Trust Fund Board should be the main body that manages and recommends subsidies either in the form a loan or a grant to the Mayor and City Council.** Each recommendation also had various discussions on ease, convenience and timeliness as key factors to offering any incentive or subsidy to developers. Lastly, it is noted that each solution should be explored in the context of leveraging legislative dollars, county collaboration and feedback to the State's affordable housing group.

5 POLICY RECOMMENDATIONS

INCLUSIONARY ZONING

Inclusionary Zoning policies are common around the country and ensure that as cities change and develop, affordability is included in the early stages of development. An inclusionary zoning ordinance requires that any new residential construction has a certain percentage of affordable units included. Some cities will also allow developers to make “in lieu” payments should they decide not to include affordable units. Inclusionary zoning throughout the country has typically been targeted at those between 40%-120% AMI. These policies also have the ability to limit concentrated areas of affordability and poverty. While other policies around zoning could be explored to include density and other incentives the group focused on inclusionary zoning due to its success throughout the nation.

Salt Lake City continues to be a high performing market that attracts businesses, residents, and developers. In the opinion of the group inclusionary zoning would not be an outright deterrent for development however, considerations for compliance and design of the policy would be critical in the long-term impact of the policy.

RECOMMENDATION

A citywide inclusionary zoning policy should be considered as a long-term strategy for ongoing affordability. This zoning would require that 5%-10% of new construction of over 50 units be affordable to people with low to moderate incomes. The group was amenable to the option of “in lieu” fees which could range from $60,000 - $250,000 per unit should a developer decide not to include any affordable units. Pricing would vary depending on the location of the units and the need for affordability in the desired area. Distinct policy elements would have to be designed for multi-family developments and single-family developments. Variations could be added to this policy including targeting geographic areas where there is a lack of affordable housing, incentive zoning and upzoning waive certain parameters in order to allow for more density at which time the developer would include an affordable component.

In addition, the group recognizes the need and expense to ensure that the inclusionary zoning requirements are being met. Such compliance would include auditing rent rolls and incomes, inspecting units, and enforcing when necessary.

CASE STUDIES

Seattle, Washington
San Francisco, California
Washington D.C.

IMPACT

A citywide ordinance would ensure that affordability is being included in all housing projects or providing a revenue to subsidize future housing. The impact of this policy would most likely be seen through infill development and development on the west side where the majority of land is still available.

THE MISSING MIDDLE

Over the past 5 years, Salt Lake City has seen a multi-family renaissance with thousands of units built, under construction, or in the permitting process. While new single family construction, especially in subdivisions, has been somewhat limited due to a scarcity of undeveloped land, there is still a strong market particularly where homes are torn down and rebuilt or go through extensive remodeling. While much of the new construction in the city has been at market rate, there has been a slight increase in affordable multi-family and single family homes.

The "Missing Middle" refers to an absence of multi-unit, clustered housing or other medium density housing types compatible in scale with single family homes that help meet the demand for not only urban living, but for affordability as well. Examples of these unit types include townhomes, duplexes, accessory dwelling units such as carriage homes or mother-in-law apartments, and small scale apartment buildings or bungalow courts.

Current zoning in Salt Lake City tends to favor either single family or high density multi-family with limited opportunities for missing middle type housing. The Residential Multi-Family zone (RMF) allows some of this type of housing to be built however the density requirements in that zone are such that large land parcels would be necessary for development. As a result of the larger parcels and therefore higher price, it becomes difficult to build medium density housing at an affordable price. The Planning Division recognizes that there are barriers in building this type of housing in the current ordinance.

Accessory dwelling units, townhomes, and small scale apartment buildings are sensitive to the look and feel of single family neighborhoods and can be sold or rented to those with fixed incomes. Housing types such as these are ideal for the city's shifting demographics including those who are aging in place, students graduating from college, young families who want to remain in the city, and those who are living on a working wage.

RECOMMENDATION

Creating missing middle housing in the city will require changes to current zoning ordinances. Any solution or proposal will need to be coordinated through the Planning Division.

To create more affordable housing opportunities, the working group recommends that the City Council seriously consider Accessory Dwelling Units as a tool to providing affordable housing units throughout the city. ADU's provide affordable housing to family members, aging adults, young families, single parents with children, those with disabilities.

The group also recommends that the City Council address the efficacy of density bonuses. In some cities, density bonuses are used as an incentive for affordable housing, yet most developers in Salt Lake City do not take advantage of them because of the increased cost of other building systems.

6 INCENTIVES

INCENTIVES

Incentives are items that would increase some affordability but may not have a direct monetary correlation. In addition, the working group believes these are some of the more immediate actions that might be able to be taken.

COMMUNITY LAND TRUST

A Community Land Trust is an entity that develops and stewards affordable housing, community gardens, civic buildings, commercial spaces and other community assets on behalf of a community. They are public or community-owned entities generally created to acquire, manage, maintain, and repurpose vacant, abandoned, and foreclosed properties. In addition, they can be used in an opportunistic fashion to purchase land at an affordable price in an attempt to preserve it. While a public entity may manage the Trust, a nonprofit structure allows public entities like a city to contribute but also provides an opportunity for tax-deductible donations to be made in the form of property.

An alternative to a trust is the strategic effort of land banking for affordable housing purposes. This would include a committed plan for buying and preserving land and buildings that are currently hard to access or it is anticipated as communities gentrify that the property will be hard to access. This method also ensures affordability by maintaining ownership but offering long-term leases.

RECOMMENDATION

Land Banking and participating in Community Land Trust are some of the most powerful tools for long-term preservation of affordable housing. The group agreed that any revenue targeted for affordable housing should be partially used for land acquisition and preservation in either of these entities. Further, the land within the trust should be developed by a wide variety of public and private entities according to what each community needs. Both a Community Land Trust and a model of land banking bring extreme value and it is recommended that the administration prioritize the analysis of these unique models.

CASE STUDIES

Champlain, Vermont
Albuquerque, New Mexico
Durham, North Carolina

IMPACT

Geography	2014	2015
West Side Single Family	$215,000	$234,750
East Side Single Family	$305,000	$319,250
West Side Multi-Family	$171,250	$185,250
East Side Multi-Family	$178,750	$193,500
East Side Median Land Cost	$98,750	$125,000
West Side Median Land Cost	$80,000	$79,500

Salt Lake County Median Sales Price

An annual investment of $1,000,000 would produce roughly 5 pieces of land and while that may appear minimal, this would be preserved in perpetuity ensuring long-term affordability.

TAX ABATEMENT

Abatement is a reduction in the level of taxation faced by an individual or company. Examples of abatement include tax decrease, a reduction in penalties or a rebate. If an individual or business overpays its taxes or receives a tax bill that is too high, it can request abatement from the taxing authorities. This incentive would allow affordable housing developers the ability to increase their financial capacity for debt service and therefore add some affordability in the overall project.

RECOMMENDATION

Salt Lake City should consider sponsoring a statewide tax abatement program in collaboration with the State and Salt Lake County. The tax abatement should be in proportion to the level of affordability in any given housing project. Meaning that if the percent of affordability is 50% the tax relief should correlate at 50% and should be validated annually. The group agreed that this long-term strategy would significantly incentivize affordability on an ongoing basis.

CASE STUDIES

Washington, D.C.
New York City, New York
Portland, Oregon

IMPACT

A tax abatement of roughly $40,000 per year would leverage an additional $600,000 in available debt increasing the developers ability to add affordable units.

INCREASED CITY ACCESS

The ease in which developers are able to do business with Salt Lake City was a key area identified to help incentivize affordability. The group discussed many variations of how this might work and the value it would bring to each project. The intention of this recommendation is to expedite current affordable projects and increase mixed income development.

RECOMMENDATION

The City should create a decision making body represented by each department that reviews project transactions jointly, commits to a response time and has the ability to waive fees (in accordance with policies). This group could only be accessed by developers who commit to a percentage of units at a specific level of affordability. Authority is a key component of this policy and the group would need to be able to act quickly to waive fees and expedite affordable housing developments through the permitting process. For example:

- Impact Fees
- Density
- Parking Requirements
- Design Changes

In addition it is recommended that a housing ombudsman be the point person to facilitate and communicate with the group and the developers.

IMPACT

Based on a recent affordable housing development in Salt Lake City:

Cost Type	Amount
Impact Fees (total for all units)	$899,816
Permit Fees	$102,771
Parking Meter Fee	$51,744
Waiting Period (5 Months) Interest & Revenue	$100,000
Waiting Period (5 Months) Tax Credit Adjustment	$160,000
Total	**$1,314,331**

7 FUNDING RESOURCES

FUNDING RESOURCES

A committed revenue source is an integral part of funding the subsidies needed for affordable housing. While incentives create lasting partnerships and support for affordability they are not sufficient to house those at 40% AMI and below long term. These may be the most challenging yet critical recommendations to consider.

EQUITY INVESTING

Currently Salt Lake City issues a Request for Proposals for a development, negotiates a purchase price and then sells the property to the developer. Equity investing would allow the City to contribute equity through a land or cash donation in exchange for a return on its investment. The group contemplated several forms of equity and joint venture scenarios with diverse return expectations. This form of contribution is seen as a way to create sustainable funding over a long term period but requires a much higher risk tolerance than generally seen from public entities.

RECOMMENDATION

The City should explore a limited partnership agreement structure in which they offer a percentage of equity for a higher return. This would require a comfort in investing in projects with a limited amount of affordability in order to produce revenue that could be reinvested as a subsidy for existing or future projects.

IMPACT

The standard for general investors is a 10% return, however, since the City's main interest is sustainability the target would range from 4-5% returns which would be fully reinvested in subsidy, loans, or land acquisition for future affordable housing development.

CITY-ISSUED BOND OR LEVY

A general obligation bond, revenue bond, other types of bonds or levy would supply an initial investment in affordable housing. This type of revenue would help address the current gap that exists by providing immediate subsidy to developers, however, without a plan to issue a bond every 5-7 years it doesn't provide much sustainability.

RECOMMENDATION

A bond issuance should be explored in order to address the current gap. It is recommended that the administration and Council explore the feasibility of being a bond issuer. Further, if there is a model that allows the bond dollars to be revolving through the loan fund that would be a very effective tool for leveraging such dollars. As a supplemental recommendation the group favors a legislative appeal to increase the amount the Private Activity Board issues toward multifamily housing as a way to leverage additional 4% tax credits.

CASE STUDIES

Charlotte, North Carolina: $15MM every 2 years for 8 year cycle
Austin, Texas: $55MM one time bond
Miami, Florida: $3B over 40 years ($195MM for affordable housing)
California: $3B over 30 years
Seattle, Washington: $140MM levy voter approved every 7 years

IMPACT

Bond Amount	Per Unit Cost	Units
$15,000,000	$50K - $100K	225 – 300 Units
$25, 000,000	$15K - $25K	1,000 – 1,667

CITY AND/OR COUNTY FEES

Fees arose in the group as the most consistent, fair, and long term solution to begin to fill the gaps on affordable housing and mixed use/income developments. Notably, fees can also be a polarizing issue for communities drawing out opposition to affordable housing and whose role it is to pay for it. This is seen as an approach that should be viewed through a long-term lens with the most-long term impact.

REAL ESTATE DOCUMENT FEES

Document Fees (Transaction Fees) are a mechanism designed to produce revenue from specific transactions at the City/State level. Such revenues are then a dedicated source of funding for a specific public purpose. While variations are wide the group specifically explored a document/real estate recording fee which is the most common fee used across the country for this purpose. This would produce significant revenue and provide a consistent source of funding for affordable housing.

RECOMMENDATION

While a document fee would provide significant revenue the group preferred options that remained in the jurisdiction of the city. They felt that any fee would be valued so long as the city had the authority to charge it and that it was in some way related to the real estate/housing markets. However, should the possibility arise to impose a fee that could benefit both the county and the city it would be favored within the working group.

CASE STUDIES

Philadelphia, Pennsylvania: $12MM annual revenue
Washington State: $27MM
Oregon State: $12MM

IMPACT

At a $25 fee for each home sold in Salt Lake County, revenues and potential units would be as follows:
2014: 14,767 homes sold
$369,175 in revenue
$50K-$100K per unit cost
5 affordable units

LINKAGE FEE AND/OR IMPACT FEES

Commercial linkage fees are a form of impact fee assessed on new commercial developments or major employers based on the need for workforce housing generated by new and expanding businesses. An impact fee would be imposed on property developers by municipalities for the new infrastructure that must be built or increased due to new property development. These fees are designed to offset the impact of additional development and residents on the municipality's infrastructure and services, which include the city's water and sewer network, police and fire protection services, schools and libraries. These fees can also be levied against any individual or entity where its actions create an externality within a municipality. These fees are one of the more consistent mechanisms to fund affordable housing seen throughout the country.

RECOMMENDATION

The working group recommends that either a linkage fee or impact fee be explored. With anticipated growth of the Salt Lake City market over the next decade these fees would play a critical role in supporting affordable housing. Lastly, it is recommended that the City conduct the necessary diligence of a nexus study as quickly as possible in order to validate how much revenue would be produced and assess the actual link of development on affordable housing. The group also notes that exceptions can and should be made for industry specific businesses that the city is trying to attract.

CASE STUDIES

Somerville, Massachusetts: $500,000
Boston, Massachusetts: $7MM

PEER-TO-PEER RENTAL FEES

Peer-to-peer fees are increasingly common in urban, tourist, driven cities. This approach could supply revenue that would see an increase over the next 10 years, however, there is consideration for compliance in a gig economy like peer-to-peer rental such as Airbnb. Hotel fees would be easier to administer but could garner larger opposition.

RECOMMENDATION

The city should explore how an occupancy fee could be charged in the peer-to-peer market. Currently, the compliance and implementation of enforcing fees is new and best practices are still being formed. In addition, this is an opportunity to be innovative in our approach and curve the impact this market is having in urban areas throughout the county. In Salt Lake City there is no zone clarity for this type of rental and Housing & Zoning Enforcement is currently shutting down these enterprises in residential zones. It is recommended that a permit fee and occupancy fee are explored to determine the best benefit to the community.

IMPACT

It is estimated that Airbnb has approximately 150 units available online in Salt Lake City. If a permit fee of $350 were charged that would generate $52,500 in revenue. If an occupancy fee of $5 per person were charged (average stay of three people with 200 stays per year at each location) it would generate $450,000 in revenue.

8 STAFF RECOMMENDATIONS

OVERVIEW

The working group understands that the preceding recommendations are effective tools but they may require more due diligence, public outreach, and support and/or action from legislative bodies including the City Council, the County, and the State. HAND staff has evaluated the proposals and recommends the following:

INCLUSIONARY ZONING A form of inclusionary zoning may work in Salt Lake City in certain geographically targeted areas. These areas could include transit corridors and east side locations. HAND staff recommends that the Mayor and the Council evaluate best practices and determine how inclusionary zoning could work in Salt Lake City to produce more affordable housing.

PEER-TO-PEER HAND staff recommends that the Mayor and Council consider peer-to-peer occupancy and permit fees as a source of revenue. While this may be new to many cities and possibly difficult to enforce, it could be a strong generator of revenue for affordable housing.

HOUSING BOND OR LEVY To generate a funding source large enough to address the affordable housing needs in the city, HAND staff recommends that the Mayor and Council approve a housing bond or levy that is voter approved and repeated every predetermined number of years.

COMMUNITY LAND TRUST To ensure preservation of existing affordable housing and to secure property in high opportunity areas HAND staff recommends that the City work with a non-profit to create a community land trust.

ZONING HAND staff recommends that the Mayor and City Council approve ADU's throughout the city; create a density program that would be an incentive to developers; and examine the RMF density requirements so that medium density products could be built on smaller parcels in neighborhoods.

IMPACT FEE/LINKAGE FEE As an ongoing funding source to the Housing Trust Fund, HAND staff recommends that the City impose an affordable housing impact fee or linkage fee.

INCREASED CITY ACCESS The creation of a team within the City that could make quick decisions and an ombudsman who could help navigate city processes would reduce costs for affordable housing developers. Reduced costs translate into more housing units. The ability for this team to waive fees and make quick decisions is crucial to its success.

ADDENDUM

CASE STUDIES FOR THE WORKING GROUP

COMPREHENSIVE LIST OF TOOLS
EVALUATED BY THE WORKING GROUP

Affordable Housing Development - Case Study Summaries

The Process: Teams were asked to consider three different housing development opportunities. The goal was to model a mixed-income development financing scenario for each case study that didn't use the 9% Low Income Housing Tax Credit (LIHTC), but still included some units affordable to households with incomes below 40% of the Area Median Income. The projects could include market rate units as well. Teams were allowed to consider a reduction of the land cost and use of other available affordable housing subsidies to make the proposed projects feasible. The proposals are summarized below, in a format which illustrates the subsidy amount needed per affordable unit.

CASE STUDY 1: Sugarhouse Land - Old Deseret Industries Property

This 1.4 acre site at 2234 S Highland Dr. is city-owned and is in a High Opportunity (low poverty) neighborhood. It is zoned CSHBD-1 (Sugarhouse Business District), with a potential building height of 105 feet, and is valued at $3MM. The site is <u>not</u> in an area that qualifies for the tax credit basis boost.

	With 4% Credits		**Conventional (no LIHTC)**	
Proposal Specifics		**Notes**		**Notes**
# Units Proposed	110		60	
Development Cost Per Unit	$142,844	$1MM land cost	$140,740	$0 land cost
# of Units @ 60% ami	77	70%	0	
# of Units @ 40% ami	33	30%	12	20% affordable
		100% affordable		
Sources per Unit				
Bank Debt Supported	$53,499		$88,733	
Equity	$50,023	1.18 pricing	$29,901	10% IRR
Developer Loan	$4,545		$0	
Public Debt	<u>$18,182</u>	$2MM OW+City	<u>$22,106</u>	$1MM City
Remaining Gap/unit	$16,594		$0	
Total Subsidy	$5,825,386	w/ full land cost	$4,326,350	w/ full land cost
Subsidy Required per Affd. Unit	**$52,958**		**$360,529**	

Findings: The 4% LIHTC provided additional equity, but the project still needed significant subsidy to be feasible; over $5.8MM for a 110 unit project, with all units meeting the tax credit rent requirements. This is primarily because the location does not provide the 30% boost in credit basis that makes downtown 4% tax credit projects more feasible.

With 20% of the units affordable, the conventionally-financed project required an extremely high subsidy per affordable unit of $360K. The model assumes that a conventional equity investor would need to receive the same rate of return a 100% market rate project would provide in order to allow the developer to commit the affordable units. The project would require 100% of the land cost to be contributed, as well as requiring an additional $1MM in soft subordinate financing.

CASE STUDY 2: Vacant Land at 454 E South Temple

This site is privately-owned land in a Historic Landmark District and High Opportunity Area. The site is 1.14 acres, and was listed for $3.7MM. The zoning is R-MU. Site is located in a LIHTC Basis Boost Area. The teams were asked to do essentially the same exercise as in Case Study #1; provide as many units affordable to households at or below 40% ami as possible, either using 4% credits or within a market rate development.

	With 4% Credits + Boost		Conventional (no LIHTC)	
Proposal Specifics		Notes		Notes
# Units Proposed	110		70	
Development Cost Per Unit	$174,760	$3.5MM Land	$171,844	$2.7MM Land
# of Units @ 60% ami	77	70%	0	
# of Units @ 40% ami	33	30%	7	10% affordable
		100% affordable		
Sources per Unit				
Bank Debt Supported	$53,207		$129,423	
Equity	$107,727	1.18 pricing	$42,421	10% IRR
Developer Loan	$4,545	Repaid in 15 yrs	$0	
Public Debt	$9,281	$1MM OW	$0	
Modeled Gap/unit	$0		$0	
Total Subsidy	$1,220,900	w/ full land cost	$800,000	w/ full land cost
Subsidy Required per Affd. Unit	**$11,099**		**$114,286**	

Findings: With the same unit mix as the previous case study, the 4% LIHTC model yielded a much more feasible project, requiring only an $11K per unit subsidy. The difference was almost entirely due to the additional equity available with the tax credit basis boost which the location provides. This example illustrates the value of a basis boost eligible sites in creating affordable units with minimal additional subsidy.

Once again, the conventionally-financed project was much less feasible, with a required subsidy of $114K per affordable unit; and only 10% of the units restricted at a 40% ami affordable rent level.

CASE STUDY 3: Acquire Existing Downtown Apartment Building

Subject is a 20 unit, 1925 vintage multi-family building located at 254 S 300 E. The building sits on .20 acres and includes 16 parking spaces. The building is privately-owned and is being marketed for a purchase price of $2,935,000. It was substantially renovated in 1998, and has had other major capital improvements in the last few years.

The teams were instructed to investigate the feasibility of providing some portion of the units at affordable rent levels without using tax credits.

	Conventional (no LIHTC)		Conventional (no LIHTC)	
Proposal Specifics	half@ 40% ami	**Notes**	all @ 60% ami	**Notes**
# Units Proposed	20		20	
Development Cost Per Unit	$152,625	$60K in rehab	$173,775	$500K in rehab
# of Units @ 60% ami	0		20	100% affordable
# of Units @ 40% ami	10	50% affordable	0	
Sources per Unit				
Bank Debt Supported	$67,226		$78,750	
Equity	$17,941	10% IRR	$21,000	10% IRR
Developer Loan	$0		$0	
Public Debt	$50,000	$1MM City	$50,000	$1MM City
Modeled Gap/unit	$17,459		$24,025	
Total Subsidy	$1,349,171		$1,480,500	
Subsidy Required per Affd. Unit	**$67,459**		**$74,025**	

Findings: Though the existing rents in the building are very close to 60% ami rents already (avg. $853/unit), the teams found that the operating expenses provided by the seller were unreasonably low, making the building essentially overpriced. Using a market level of operating expenses, and assuming some level of capital improvements were likely to be necessary (this amount varied between teams), the result was a necessary subsidy of around $70K per unit, depending on the depth and percentage of affordability being modeled.

COMPREHENSIVE LIST OF TOOLS EVALUATED BY WORKING GROUP

Tool Name	Description	Tool Parameters	Type
General Obligation Bond	Funding to support the preservation, assistance, and new development of affordable housing	This would be designed to address the current gap in the community (8,200 units)	One time funding
Private Activity Bond	Funding to support the preservation, assistance, and new development of affordable housing	This would be designed to address the current gap in the community (8,200 units)	One time funding
Tax Allocation	Would provide subsidy from General Fund to affordable housing developers	Roughly $39K annually for 15 years	Incentive
Inclusionary Zoning	Ordinance that requires a given share of new construction to be affordable	Policy can vary and the requirement may be substituted with "in lieu" fees	Policy
Community Land Trust	Develop and steward affordable housing and other neighborhood spaces on behalf of a community	Generally held by a nonprofit group but contributed to by the city	Preservation
Letter of Credit	Offering a letter of credit for a certain percent of an affordable housing transaction so that the developer can access higher LTV and lower cash flow transactions	Varied	Incentive
Loan Loss Reserve	Using the Housing Trust Fund allocation to leverage private dollars. The money would act as a first loss position but actual dollars loaned would come from a financial institution pool. City would be the first in and then subordinate its own position.	Varied but the loan parameters are likely to be less flexible then current structure	Incentive
Density Bonus	Zoning tool that that permits developers to build more housing units, taller buildings, or more floor space than normally allowed, in exchange for provision of a defined public benefit	Varied	Incentive
SLC Deal Team	A cross functional team (similar to RDT) that meets to review applications and apply waivers. Important that the group have decision making authority	Decisions would be based upon certain parameters but also leave some discretion to the team	Incentive
Energy Efficiency Waiver	Having a standard that is more cost effective such as Enterprise Green Certification	Varied	Incentive
Car Charging Requirements	Flexibility on requirement based on the merits of the project	Varied	Incentive
Impact Fee Waiver	Additional fee waiver on properties that have some affordable housing but is not 100%	Varied	Incentive
Reduce Parking Restrictions	Reduce ratio of parking needed and encourage finance institutions to support that ratio	Instead of 1:1 it would be 1:2	Incentive
Design Leniency for "Hard to Develop"	Flexible design standards on hard to develop properties (like historic or environmental land issues)	Varied	Incentive
Affordability Term in Housing Trust Fund Ordinance	The term in which a property needs to remain affordable to access certain benefits such as tax credits or Housing Trust Fund dollars	Currently HTF ordinance has a 55 year term. A fee could be instituted in cases in which the developer changes the affordable units to market rate	Preservation
Peer to Peer Short Term Rental Services (Airbnb)	Additional Tax on overnights stays in single family homes.	Can vary but include whether or not it is a primary residence or additional property etc…	Revenue Generation
Deed & Mortgage Document Recording Fees	Fees collected when deed and mortgage documents are being recorded	Generally all transactions and fees can range from $50 - $130)	Revenue Generation
Real Estate Transfer Fee	Charge on real estate based on the sale price of the property being transferred	.50% & 1% Can be limited or equally instituted (i.e. no fee for family transfers)	Revenue Generation
Impact/Linkage Fee	Commercial linkage fees are a form of impact fee assessed on new commercial developments or major employers based on the need for workforce housing generated by new and expanding businesses	Generally determined by studies that can equate impact on community to a dollar amount.	Revenue Generation

Attachment C - Workforce Housing: A case for incentive zoning policies in Salt Lake City

WORKFORCE HOUSING

A CASE FOR INCENTIVE ZONING POLICIES IN SALT LAKE CITY

STEVE ERICKSON CONSULTING

444 Northmont Way

Salt Lake City, Utah 84103

Erickson.Steve1@comcast.net

(801) 554-9029

MAY 2016

Executive Summary

Salt Lake City has an acute shortage of housing that is affordable to low-income and extremely low-income households. A review of the literature and the experiences of other cities shows that Incentive Zoning programs and policies are a proven, widely implemented and successful tool to address affordable housing needs - without placing undue burdens on developers and with minor effects upon the broader housing market.

This study reviews how existing sources of affordable housing finance and potential new financial incentives can work in conjunction with an inclusionary housing program to stimulate more development of income-targeted, subsidized housing units. Incentive zoning (also referred to as inclusionary zoning or inclusionary housing) policies can complement and enhance the success of transit-oriented developments by assuring that affordable units are available to the working families that transit serves.

The study recommends implementation of mandatory Inclusionary Zoning in transit station areas and redevelopment project areas. It identifies policy choices to be made, reviews options for administration of inclusionary programs, makes recommendations for a number of other policy changes, offers a broad implementation strategy and timetable, and suggests topics for additional research.

The report examines current market conditions and finds them favorable for implementing Inclusionary Zoning policies in Salt Lake City. It also looks at the political and legal context for implementing IZ and suggests close scrutiny by policy makers in the process of implementing IZ.

INTRODUCTION

Salt Lake City's Mayor, Administration and Council all recognize a significant shortage of affordable housing units for the City's moderate-income households and a worsening housing crisis for its extremely-low income residents.

Recent analyzes have found that 35% of all households in Salt Lake City and half of all renters are "rent burdened" – paying more than 30% of their household income for housing and utilities[1]. Half of all households in the City are renters, and at 2.7%, the rental vacancy rate is at a 14-year low, and rents are rising faster than household incomes and the general rate of inflation[2]. The City-funded study by BBC Research & Consulting found that 8,240 units are required just to meet the current, pressing housing needs of the extremely-low income (Eli) population in the City[3]. And recent assessments have identified serious, systemic impediments to Fair Housing that have resulted lowered opportunities for education, employment, health care, and affordable housing in a number of neighborhoods in the City and regionally[4].

With the City looking to meet its new 5000 Doors goals for preservation and development of new affordable units over the next ten years, and with public support growing for higher density, mixed-use, transit-rich, and walkable, sustainable community development[5], the time is right for some major policy initiatives to make dramatic strides toward greater, long-term affordability in our housing stock.

The City Division of Housing and Neighborhood Development commissioned this report to examine affordable housing strategies, policy recommendations to address housing needs and goals, and approaches, methods and timelines for policy implementation. In particular, HAND directed this study to look specifically at options and incentives for inclusionary housing, the pros and cons of inclusionary housing programs, what other municipal governments nationally are doing to develop more affordable housing, what strategies and practices work best, and how Salt Lake City might use this information to tailor policies and programs more likely to succeed in our unique marketplace.

<u>What is Incentive Zoning?</u>

Incentive zoning planning ordinances offer developers various inducements to provide affordable housing or other benefits to the community. Most commonly, the primary inducement is a density bonus giving the developer more units, buildings or floor area in exchange for providing the benefit, which could take the form of open or park space, green building design, a day care center, or other specified benefits

[1] Salt Lake City Consolidated Plan, 2015-2019
[2] Cushman and Wakefield Consulting, 2015
[3] Housing Market Study, Salt Lake City Corporation, BBC Research and Consulting, September, 2013
[4] Salt Lake City: Fair Housing Equity Assessment, Bureau of Economic and Business Research, 2013
[5] Envision Utah, 2015

to meet community needs or improve quality of life. Other developer incentives that local governments offer may include direct financial assistance, land, fee waivers, expedited permitting, reduced parking requirements, property tax exemptions or abatements, and other inducements, either alone or in combination. One of the advantages of incentive zoning is that it allows the community to structure its package of incentives and public benefits to meet its particularized market, needs and desires.

What is Inclusionary Zoning?

Inclusionary zoning, a form of incentive zoning sometimes referred to as inclusionary housing or inclusionary up-zoning, is a legal and policy mechanism that requires or encourages the private sector to include a percentage of affordable dwelling units as part of a market rate development in exchange for density bonuses, expedited permitting, reduced land costs or property tax relief, direct subsidies, etc. Over 400 cities and counties nationwide have enacted IZ ordinances, and some have decades of experience in administering these policies and programs.

The terms incentive zoning, inclusionary zoning, inclusionary housing, and inclusionary up-zoning are used interchangeably in this report (abbreviated as IZ).

Inclusionary housing policy should not erase developers' profit margin, but should seek balance in a partnership to meet affordable housing goals.

How is "Affordable Housing" defined?

Housing is affordable for a household if the monthly cost of housing and utilities does not exceed 30% of that household's monthly gross income. Development of new affordable housing should be targeted to households according to HH size and income relative to the Area Median Income (AMI). Rental housing targets are generally set to meet that 30% of income standard in a range of 30% of AMI or less up to 80% of AMI or less. Homeownership targets range from 80% of AMI to 100% or 120% depending upon the program.

It is important to understand that IZ policies are not a panacea to affordable housing shortages and "need to be thought of as a piece of the larger regulatory framework"

(Scheutz, et.al., Furman Center, 2008).

Mismatch in Rental Market, Salt Lake City, 2011

Income Range	Maximum Affordable Rent, Including Utilities	Renters Number	Renters Percent	Rental Units Number	Rental Units Percent	Rental Gap
Less than $5,000	$125	2,966	8 %	397	1 %	(2,568)
$5,000 to $9,999	$250	4,608	12	1,168	3	(3,441)
$10,000 to $14,999	$375	2,773	7	1,667	4	(1,106)
$15,000 to $19,999	$500	3,119	8	1,994	5	(1,126)
$20,000 to $24,999	$625	3,569	9	6,847	17	3,279
$25,000 to $34,999	$875	5,866	15	14,125	35	8,259
$35,000 to $49,999	$1,250	6,225	16	8,284	21	2,059
$50,000 to $74,999	$1,875	4,920	13	4,467	11	(453)
$75,000 or more	$1875+	4,267	11	999	3	(3,268)
Total/Low Income Gap	**38,312**		**100 %**	**39,947**	**100 %**	**(8,240)**

Source: 2011 American Community Survey and BBC Research & Consulting.

METHODOLOGY

This study is primarily based upon a review of the existing literature that has analyzed Inclusionary Zoning/Housing policies and practices around the country, recently and over the past five decades.

City staff was consulted regarding current zoning practices in Salt Lake City, staff capacity, sources of revenue for housing programs, and potential legal concerns.

There have been numerous case studies done on the performance of individual cities' and counties' incentive zoning programs, and some of them go into detailed analysis and evaluation. It is not the intent of this study to add to that body of research work, but it is within the scope of this study to examine a few cities to look for lessons learned and best practices that might help inform or guide decision-makers in Salt Lake City in their deliberations around adopting inclusionary housing policies.

The selection of cities' IZ policies to review for this study was not scientific, but is weighted toward western cities that Salt Lake City has looked to for examples of smart urban growth and housing policies. Some consideration was given to comparability in size and housing market characteristics. Generally, the cities chosen are larger, with higher household incomes. IZ programs that cover counties or larger regions (e.g. Fairfax County, VA) were not included. The study chose to focus on Portland, OR, Denver, CO, Seattle, WA, Austin, TX, San Diego, Stamford, CT, and Sacramento, CA.

THE PROS/CONS AND EFFECTS OF INCENTIVE ZONING ON THE MARKET

Though the first IZ program was established in 1972 and hundreds more have been adopted since, IZ remains controversial and often misunderstood.

Supporters point to a number of community benefits from inclusionary policies, including the development of affordable units that require less direct public subsidy. Numerous case studies have concluded that IZ is an effective mechanism for increasing the supply of affordable dwellings and for mixing households of different incomes. Supporters argue that IZ can mitigate or offset affordable housing losses to redevelopment and gentrification, and promote economic and racial integration. IZ aids economic development by providing housing for a growing workforce at a cost that allows them more disposable income to circulate in the economy. Additionally, IZ policies can leverage other sources of money, lock in long-term affordability, and deter disinvestment and flight to suburban communities.

Critics of IZ argue that it is unfair to place the burden of producing affordable housing on private sector developers - and indirectly, upon the purchasers of their market-rate of products[6]. Some opponents have challenged IZ as an exaction that can amount to an unconstitutional takings if the policy devalues land or reduces profits too much without providing offsets or opt outs that are not punitive. Essentially, developers make the argument that if the community believes that affordable housing is an important policy goal, then the entire community should pay for it.

IZ BENEFITS

- "Strengthens Communities
- Prompts Market-Driven, Fiscally Responsible Solutions
- Stimulates Economic Development
- Supports Smart Growth Principles and Protects Against Disinvestment
- Enhances Economic and Racial Integration
- Overcomes NIMBYism
- Offers Predictability and a Level Playing Field to Developers"

(Brunick, 2004.)

EFFECTS OF IZ ON THE MARKET

Other major criticisms of IZ center on its potentially deleterious impacts upon the broader housing market. These concerns have been the subject of a considerable body of research over the years, with differing conclusions.

[6] Effects of Inclusionary Zoning on Local Housing Markets, Furman Center, March 2008

Critics contend that:

- IZ slows down development of market rate units.
- IZ increases the price of housing.
- Developers will take their business elsewhere to avoid the requirements and lower profits under IZ.

Some studies have found that, that in some communities, IZ has constrained production and increased the price of single family homes, while there is no evidence of this in other cities[7] [8]. Bento's research recognized the complexity of analyzing market effects due to the great diversity of types of IZ programs and the large number of variables involved: "a voluntary program that relies on incentives might not have any economic impacts, while a mandatory program that requires many, deep, and long-term discounts could have significant economic effects." Bento found that inclusionary programs "do not come without costs"[9].

Other case studies, including studies of the large number of IZ programs in California, found (California Coalition for Rural Housing, 2004, Rosen, 2002, Calavita and Grimes, 1998)[10] found no correlation between housing starts and costs and inclusionary housing policies.

There is little evidence in the literature of these negative effects upon rental housing.[11]

The research provides no evidence that developers flee areas with IZ ordinances. Rather, the evidence indicates that it is more likely that developers will negotiate for greater off-sets (e.g. subsidies, density bonuses) or to pay less for certain inputs (e.g. land, fees, taxes). And there is experience in some cities (e.g. San Francisco, San Diego, Boston) where both development and affordable housing production can thrive under IZ programs that are both mandatory and offer few cost offsets.[12]

It is worth noting that, of the hundreds of IZ programs operating for decades, only two communities repealed them. The courts invalidated the above-mentioned Fairfax County, VA ordinance because the program did not provide any offsets for developers. Later, the County re-established a mandatory program that has been quite successful. Prince George's County, MD, ended its effective program after deciding it had achieved its fair share of the affordable units in the D.C. metro area.[13]

---

[7] Tombari, Edward, "The Builders Perspective on Inclusionary Zoning", National Assoc. of Homebuilders, 2005
[8] Bento, Antonio, et. al. "Housing Market Effects of Inclusionary Zoning", *Cityscape*, 2009.
[9] Bento, *IBID.*
[10] Brunik, Nicholas, "The Impact of Inclusionary Zoning on Development", Business and Professional People for the Public Interest, 2004.
[11] Brunick, Furman Center, *IBID.*
[12] Brunick, *IBID*.
[13] Brunick*, IBID*.

There do not seem to be any references in the research literature identifying communities where IZ has been deemed a complete failure.

Overall, research and experience indicates that larger market forces - such as the national business and real estate cycles, the strength of the local economy and housing market, land costs and availability, interest rates - have a much greater effect upon whether or not housing gets developed.

While IZ ordinances have been widely successful at producing significant numbers of "workforce" housing units (for moderate income households), they have been less effective at creating deeply targeted housing for households earning below 60% of the area median income.

Certainly it is a complex subject, but the overall consensus of researchers appears to be that if there are any negative impacts on the market, these are quite modest.

INCENTIVES FOR DEVELOPERS

The incentives listed below were culled from literature and from the websites of the cities in the case studies in this report.

<u>Zoning or Regulatory-based Incentives</u>

Density Bonus - Most IZ programs, both mandatory and voluntary, rely upon density bonuses as the primary offset for developers.

Density bonuses are commonly calculated based upon Floor Area Ratio (FAR) formula. FAR is the ratio of built floor space to parcel size. Increasing the FAR allows more development or more units per square foot (i.e. higher density), thereby increasing the value and profitability of the project. Usually this means building higher, and density bonuses often take the form of allowing a project to add another floor in order to achieve higher density/more usable square feet. Reduced building setbacks can also help accommodate additional FAR.

Expedited review and permitting is another commonly employed tool to offset inclusionary requirements or incentivize participation in IZ. Reducing parking requirements for higher density yet affordable projects can be a significant costsaving incentive for developers. Salt Lake City is familiar with making these deals – and with their potential for controversy.

There is some evidence in the literature and in cities' experiences that too many options for developers to obtain a density bonus can prove counterproductive to the production of affordable housing. If it is too easy or less expensive for developers to gain additional FAR or access to other benefits by, for example, providing certain amenities or design features, then the more challenging option of providing on-site affordable housing may get short-shrift and the objective of increasing stock may not be met (see Portland and Seattle examples, below). Also, developers want simplicity, consistency and predictability in the density bonus program, so fewer and more focused options for receiving the bonus may be preferable. In both cases – the number and the cost of options – it is – important to strike a balance.

SLC should review the performance of its form based code in incentivizing affordable housing production to determine if the bonus options offered should be reduced or reprioritized.

<u>In Lieu Fees</u>

Most local governments that have mandatory (or voluntary) IZ programs offer developers an opportunity to opt out or "buy out" of the requirement to provide a percentage of affordable housing on-site in their projects by paying a fee in lieu. The fees are typically placed in a housing trust fund or other account to facilitate development or preservation of affordable housing elsewhere within the jurisdiction.

Fees are often set based upon a financial "affordability gap" analysis that measures the difference between the sales prices or rents affordable to various types of moderate to extremely low-income households and the market sales prices or market rent costs. The fees can be adjusted to various neighborhoods or areas with differing housing market characteristics, and are annually adjusted according to the consumer price index, increases in household incomes, housing market inflation, or similar indices.[14]

Overall, offering alternatives to construction of onsite affordable units is favored by developers. Of course, fees are often controversial and subject to revisions. Establishing an accepted rational nexus for the fee, keeping it consistent and predictable, and finding the "sweet spot" where the fee is neither too high nor too low is the goal.

Some communities have built up large accounts of unspent cash in their housing trust funds or other accounts because developers have found the "buy out" to be more economical than providing the onsite inclusionary housing. Essentially, if the in lieu

[14] Porter, Douglas R. and Davison, Elizabeth B., "Evaluation of In-Lieu Fees and Offsite Construction as Incentives for Affordable Housing Production", *Cityscape*, 2009.

fees are too low, developers tend to buy out of their affordable housing requirement - if the fees are too high, the risk is that fewer and more expensive units will be produced. Fees set too low have increased reliance upon in lieu funds as a source of development capital, and have tended to concentrate development of affordable units in lower income neighborhoods, contrary to the intent of IZ programs to generate affordable housing in high opportunity areas and disperse the housing widely.

Chicago is engaged in a debate over its in lieu fee program, which has generated far more housing units from the fees collected than it has produced on-site. Advocates are concerned that most of the units built with the in lieu fee have been concentrated in the City's poorer neighborhoods, and that the fee ($100,000 per unit) is too low.[15] Other cities have had similar experiences, which suggests that the in lieu fee should be reviewed regularly and revised as needed.

Offsite Development

Jurisdictions may offer the option for developers to produce an equivalent number of affordable units in another location. These sites may be where the government owns property, where costs are lower, where housing is more suitable or will spur additional development or neighborhood revitalization, or other factors. Cities may allow developers to donate land or property to meet the inclusionary requirement or the in lieu fee obligation, or allow a transfer of the density bonuses awarded to another site.

Financial Incentives

The City could consider providing new sources of financial support to incentivize construction of inclusionary housing. Funds could be contributed to IZ projects as loans or grants to lower income targets and assure the desired price restricted units are built without undue profit-loss to the developer. There are a number of options to do so – some are suggested here.

General Obligation Bonds

GO Bonds can be used to capitalize the City's Housing Trust Fund, which in turn can leverage these dollars with other funding sources to produce or preserve affordable housing. Seattle used this strategy effectively, with voters approving its first housing bond 30 years ago and successive bonds in the 2000's. The City is now engaged in a lively debate around a proposed $500 million bond to build housing for very low-income renters.

Austin, Texas voters first approved a $55 million GO Bond for housing in 2006, which was slated to produce 3,055 units, with 2,242 targeted to house low-moderate

[15] Hertz, Daniel Kay, "Chicago Rethinks Rules for Developers to Increase Affordable Housing", Next City Daily, 12/12/2014.

income households. Most of this money ($33 m.) was designated for supportive and rental housing for households at 30% to 50% AMI, with $22 set aside for first-time homebuyers (at 80% or less of AMI). The bond repayment was estimated to cost an owner of a median-priced home $6 a year, and the bond was expected to have a total economic impact of $420 million over 10 years[16]. Austin passed a second, $65 million GO Bond for affordable housing in 2013.

Miami-Dade County has received authorization from Florida voters for up to $195 million in GO bonds for affordable housing.[17]

California has long been a leader in using GO bonds for affordable homes. San Francisco voters will decide on a housing GO Bond of $310 million this November. Chicago is debating a housing bond strategy.

Use of General Obligation bonds for low-mod housing is a proven strategy that produces housing and pays off in economic impacts.

Property Tax Levy

Some cities, notably Seattle, have chosen to enact a property tax to support affordable housing preservation and development (see case study below). This financing option certainly requires a great deal of education and organizing to achieve a broad consensus, put an initiative on the ballot and get voter approval, but it has proven both successful and sustainable in Seattle.

Property tax exemptions/abatements – Most counties nationally allow a property tax abatement for individual taxpayers based on income, age, or other status, but some have granted exemptions in order to produce low to moderate income housing. Portland and New York City have successful models of this approach to incentivizing development and enhancing affordable housing finance.

Hotel Room Taxes

A few local governments have dedicated hotel room taxes to affordable housing programs or housing trust funds, and several are currently considering doing so. Columbus, OH, for instance, dedicates a portion (.43%) of an overall 10% hotel tax rate, which generates $1 million/year for its housing trust fund. King County WA just approved a $45 m. bond backed by a hotel room tax for workforce housing around transit that will produce over 900 units. Santa Monica, CA, Ashville, NC, and Lawrence, KS are currently considering enacting hotel tax set asides for affordable housing.

Local governments in Utah may levy hotel room taxes and use them for general fund purposes (UC 59-12-352 (4)). Counties can charge a Transient Room Tax (TRT) of

[16] Housing Works Austin, website;
[17] "Support Housing Bond Issues", HousingPolicy.Org, 2010.

up to 4.35% on stays of up to 30 days, and cities may charge an additional 1.5% TRT. Salt Lake City's total hotel room tax rate is 11.85% (including all sales taxes).

Tax abatement incentive programs

Can be offered in zones or neighborhoods where cities want to preserve and rehabilitate existing affordable homes and affordable housing (e.g. multi-family units with lapsing affordability contracts) or to encourage new affordable housing development. This approach is more similar to tax increment financing than "circuit breaker" abatement programs offered across broader jurisdictions that provide property tax relief to low-income, seniors, disabled or veteran households on an appeal basis (as Salt Lake County offers). The latter is designed to keep low-income folks from losing their homes, whereas the rehab and new development incentive for builders is a relatively new innovation. (Counties may adopt rules: UC 59-2-1101.)

Pittsburgh offers qualifying developments in distressed neighborhoods the opportunity to receive a 10-year exemption from real estate taxes on the increased value of the new affordable housing properties, up to a $250,000 cap.[18] New York City's J51 Program repairs and renovates tens of thousands of units each year through its housing trust fund, using real estate tax exemptions and abatements to allow owners to recoup the cost of repairs.

Development Linkage Fees

The rationale for development linkage fees is that increasing growth and new development result in a greater need for more affordable housing. These fees can be used to mitigate the increased demand upon the existing stock of affordable housing. Linkage programs have the potential to produce significant revenues to produce workforce housing.

A number of cities have enacted development linkage fees to support affordable housing development, including Boston and Cambridge, MA, San Diego, San Francisco, Sacramento, and Alexandria, VA. Linkage fees may apply to either or both residential and commercial properties, which may include office, hotel, retail, manufacturing, warehouse, institutional developments, etc.

As with inclusionary housing programs, there is variety to which types developments cities have chosen linkage fees to apply. Municipalities typically set a fee structure based on the development type, typical ratio of workers per square foot, and an analysis that establishes a relationship between the facility's impacts on the need for lower income housing, as measured by the increase in the number of lower income households resulting from the jobs created by the new development. The fee may be established separately by ordinance or may be folded into a broader inclusionary zoning ordinance that includes both residential and commercial properties.

[18] HousingPolicy.org, 2015

A THEORETICAL BASIS FOR ESTABLISHING THE NEXUS FOR HOUSING LINKAGE PAYMENTS	
[1]	Total square feet ÷ square feet/worker* = number of workers
[2]	Number of workers ÷ workers/household** = number of households
[3]	Number of households x lower income percentage*** = number of lower income households
[4]	Number of households x resident percentage (expected to reside)**** = number of lower income resident households
[5]	Lower income households x per unit subsidy cost = maximum linkage payment

*Square feet/worker should be determined not on a case by case basis, but on the basis of the space category (office, retail, manufacturing, warehouse/distribution, etc.)

**Ratio of workers/households should be based on the ratio between workers and those households containing a member of the labor force, not all households, as shown in Census data.

***The lower income percentage should be determined as a single standard based on Census data.

Alternatively, it can be calculated separately for each space category.

****The percentage of lower income households expected to reside can be set as the percentage of the Stamford workforce currently residing in the city, or it can be adjusted to reflect a policy choice of increasing that percentage.

Source: City of Stamford, CT, Affordable Housing Strategy, vol. 1 Strategy Report, 2001.

Existing Sources of Affordable Housing Finance:

Low Income Housing Tax Credits (LIHTC) – The LIHTC, created as part of the Federal Tax Reform Act of 1986, has been the biggest and most reliable source of affordable housing finance in Utah for many years. The LIHTC, allocated and administered here by the Utah Housing Corporation, raises equity capital for affordable housing projects which makes rent restrictions feasible for the developer. Two types of tax credits are available under the LIHTC program. The 9% credit is generally reserved for new construction and is designed so that the 10-year stream of credits ensure a 70% subsidy of a project's qualified basis. The amount of tax credits available in any year is capped by a population formula, making the 9% credit highly competitive.

The less well-known (and perhaps underutilized) 4% Tax Credit is used for rehabilitation of existing housing and for new construction that is financed with tax exempt bonds. A major advantage of the 4% credit is that the state allocation cap does not apply to the 4% credits which are packaged with the federal tax exempt bonds. New York City's 50/30/20 Mixed Income Model also leverages these credits and bonds with local funds to develop housing that mixes 50% market rate rentals with 30% of units targeted for middle income households earning 60% to 80% AMI and 20% rent restricted according to LIHTC guidelines.

Greater use might be made of the State's Private Activity Bond for affordable multi-family housing. In recent years, the Board has given higher priority to housing, having allocated $176 million in bonds to multi-family affordable housing projects between 2010 and 2014. Use of this bond in conjunction with the 4% LIHTC, which effectively leverages both sources, has been done by only a handful of developers (e.g. Housing Authority of Salt Lake City, Cowboy Partners).

State Housing Tax Credit – Utah offers a 9% state income tax credit for investors in affordable housing projects. The Utah LIHTC mirrors and follows the federal LIHTC, and is targeted to households earning 60% or AMI or less.

Rehabilitation (Historic) Tax Credits – Can be used for rehabilitation of historic buildings, including use as affordable rent-restricted housing for households earning 80% or less of AMI. For buildings on the National Historic Register, the credit is 20%; for non-listed buildings put into service before 1936, the credit is 10%.

Traditional sources of funding for affordable housing that the City is quite familiar administering include HOME, CDBG, and the Salt Lake City Housing Trust Fund, as well as several funds targeted to provide housing and services for homeless persons and families.

RDA - Salt Lake City has been a leader in Utah in utilizing its Redevelopment Agency's resources to develop affordable housing, including dedication of up to 20% of Tax Increment revenues (TIF) for that purpose. This approach had also been used extensively by California municipalities until the state terminated RDAs, and a TIF housing set-aside has been a major driver of Portland's affordable housing programs (see case study below). The RDA can bring other resources and leverage to bear to preserve and increase the affordable housing stock in the City, including. (As an example, New York City's redevelopment authority has been aggressive in acquiring surplus and underutilized public properties for conversion to affordable housing development.) The Salt Lake City RDA works closely with HAND, and funds the Housing Trust Fund. It is essential that affordable housing be a top priority for the RDA throughout its project areas if the City is to address fully the magnitude of the need in the community.

CRA loans/grants – Salt Lake City is working to establish a pool of funds from banks with Community Reinvestment Act obligations to underwrite and support affordable housing projects. The additional leverage from such a pool will make the limited available government funding stretch much further (see Denver's TOD model, below).

CASE STUDIES

Portland, OR

Portland has offered voluntary density bonus and transfer programs since 1988 (the Oregon Legislature prohibited mandatory inclusionary zoning in 1999). Today there are 18 different bonus options and six transfer of floor area ratio (FAR) options developers may choose. Unfortunately, the Affordable Housing Replacement Fund option has never been used by developers as its costs have been deemed too high.

That is not to say that the density bonus and transfer programs haven't worked. For instance, these incentives added over 2 million square feet of residential property in the central city, and produced 1,500 to 1,700 units, and many community amenities (e.g. Willamette River Gateway) through 2007.[19] But they don't appear to have been effective as an affordable housing development tool. The City is now making a concerted effort to revise the program.

Part of the problem with Portland's IZ efforts has been the array of options lacked simplicity and certainty, and that the options compete with one another, leading developers to choose the least costly option to obtain the density bonus. Design amenities like the bicycle Locker Room and Eco-Roof bonus options have been valued more fairly relative to market price for transferable FAR, and thus have been option of choice.

As do most cities, Portland matches its zoning/density incentives with an array of local and federal funds to produce affordable housing. Affordable units that are produced using the incentives program get accounted for under other programs, making it harder to assess the direct impact of the bonus/transfer incentives.

The consensus of consultants and the Portland Housing Bureau is to refocus on incentivizing developers to use of the program for the top priority benefits sought by policy-makers: affordable housing, historic preservation and open space. The plans are to adjust the bonus program to provide a stronger incentive for on-site affordable housing and to extend the IZ city-wide.[20] In addition, the City will examine creating an in lieu fee option expected to raise $120 m. to over 200 million over 20 years.

The Portland Housing Bureau projects that the changes to the incentive program could result in 35 to 60 affordable units at 80% AMI or less annually and 800 to 1,300 new units over 20 years. The policy debates around IZ were also in the forefront in the 2015 Oregon Legislature, where an effort to eliminate the prohibition of mandatory IZ (HB 2564) failed. That effort will be revived next year.

Where Portland has been most successful in providing affordable housing is through its largest program, the Affordable Housing Set Aside. The set aside is 30% of tax increment income from urban redevelopment areas (URAs) in most of the City. (In

[19] Johnson Gardner, LLC, "Evaluation of Entitlement Bonus & Transfer Programs" for the City of Portland, 2007.
[20] Portland Housing Bureau, "State of Housing in Portland", 2015.
Economic Planning Systems, Inc. "City of Portland Central City Incentive Policy Study", 2015.
Johnson Gardner, *IBID*.

August, 2015, the City Council approved increasing the set-aside for affordable housing to at least 50%.)

The TIF set-aside has produced some $235 million for affordable housing since 2006 that has produced over 1,800 affordable units. The program puts a strong emphasis on providing housing or rehab for households earning below 30% AMI (480 units in FY 2013-14), though eligibility rises to 100% AMI for homeownership units.

Three tax exemption programs promote development and rental rehab The Non-Profit Limited Tax Exemption (NPLTE) allows nonprofits to maintain exemptions on the value of the land and improvements of rental properties rented to eligible tenants. The Multiple-Unit Limited Tax Exemption (MULTE) program exempts the residential improvements value from taxation for a ten year period. After ten years, the taxes due are assessed on the full value of the property. The program has an annual cap, and is available in certain locations, such as in TODs or near public transit stations and in "opportunity areas". The Homebuyer Opportunity Limited Tax Exemption (HOLTE) exempts home improvements from real property taxation for 10 years (the land remains taxable). At the end of the exemption period, the taxes are levied on the full assessed valuation. Homes must meet income and sales cap requirements, and only 100 new applications are approved annually.[21] Today, there are approximately 14,500 units receiving tax exemptions - a steady average over the years of program operation. The NPLTE comprises 72% of the 3 exemptions, MULTE 17%, and HOLTE 11%.

Other Development Incentives

Portland has eliminated residential parking requirements for certain downtown neighborhoods, allows fee waivers for affordable housing developments, and uses surplus land to incentivize low income housing development. The City does not issue general obligation bonds or employ a levy program, or issue tax exempt special purpose (housing) bonds, but does contribute $10 to $14 million to housing and homeless programs annually from its General Fund. Portland also makes extensive use of the 4% tax credit program, which now rent restricts over 200 units.

Also of note, in 2002, the City adopted a no net loss policy in Central City to maintain no fewer than 8,286 rental units serving households from 0% to 60% of AMI. Despite 1,204 new units being built in the district since 2002, there are now just 6,861 such units.

<u>Denver, CO</u>

Beginning in 1999, initial efforts to stem the loss of affordable units and develop new affordable units through rezoning were negotiated on a project by project basis, with

[21] Portland Housing Bureau, *IBID*.

varying percentages of affordable housing, pricing levels and eligibility levels, leading to inconsistency and difficulties in managing the program and enforcing compliance. A task force convened to address these concerns led to Denver enacting its "Moderately Priced Dwelling Unit" program in 2002 (also referred to as the Inclusionary Housing Ordinance – "IHO"). Importantly, the ordinance included substantial rehabilitation as an eligible activity, but excluded a mandate for rentals, which was determined to be a form of rent control.

The ordinance required 10% of for sale units in projects of 30 or more units be affordable to households earning at or below 80% of AMI (95% AMI in high cost structures). The duration of affordability was set at 15 years. The 10% set-aside (or a voluntary 10% set-aside for rental projects) could earn a 10% density bonus. The City retained discretion to allow in lieu cash or off-site housing to opt out of this requirement. Incentives offered to developers included incentive payments, a density bonus, decreased parking requirements, and expedited plan reviews. A mechanism was put in place to recapture value when properties were sold.

The ordinance was revised in 2006, 2010 and again in 2013. The latter revisions allowed nonprofits to purchase units for use as affordable rentals and created a tiered homeowner income eligibility structure that allows her AMI to rise based on the years of ownership. The City found that the voluntary incentives for rental housing production were not resulting in enough new construction to address growing needs and that the change to a "form based code" nullified the incentive to obtain maximum density. A number of ordinance revisions were made in 2014 to allow greater flexibility in negotiating plans and off-site developments, in lieu payments were adjusted, and allowing fewer units in exchange for more bedrooms, lower AMIs or serving special needs, eligibility for homeowners was upped to 100% of AMI. The City recognized that stronger private/public partnerships and additional dedicated City resources would be needed to kick the program into higher gear.[22]

The ordinance is location-specific, with certain neighborhoods designated as Low, Medium or High according to development costs. Sales prices, rents and in lieu payments are adjusted accordingly. In lieu payments are substantial – as high as $224,680 for a four-bedroom for-sale unit in a High cost district.

Over its 15 year history, the Inclusionary Housing Ordinance has produced a total of 1,166 units. The IHO Special Fund, which has collected over $7.6 million of in lieu payments and has received nearly $3 million in City funds and other program income, has paid out $2.7 million in developer incentives and rebates and has invested $2.7 million in projects leveraging over $94 million to produce 479 units. The fund has a balance of over $4.3 million.[23]

Similar to Salt Lake City's 5000 Doors campaign, the Building Denver's Future housing planning process set 2008-2018 targets of 5,500 affordable rental units,

[22] Heydman, Laurie J., "Denver Affordable Housing Program History to 2014" (presentation), 2014.

[23] Denver Office of Economic Development, "Denver Inclusionary Housing Ordinance 2015 Interim Report", 2015.

including 3,500 units at less than 30% AMI, and 2,500 homeownership opportunities for low-moderate income "workforce" households. The plan emphasizes locating these new units in transit corridors.

Denver's TOD Fund (2009) was started with seed money of $2.5 million from the City's General Fund, which leveraged private investments from banks and foundations to capitalize the Fund at $15 million. Enterprise Community Partners manages the program for the City. The Urban Land Conservancy serves as a land bank for the TOD program, acquiring land and property for redevelopment as affordable housing or public facilities. Low interest loans of up to $5 million for 5 years can be made to support multi-family rental housing for 60% AMI or below, and multi-family for-sale housing at 95% AMI or less. A 10% equity contribution is required, and all eligible properties must be within ½ mile of fixed rail transit stations or ¼ mile from high-frequency bus stops. As of April 2013, the TOD Fund had preserved or created 626 affordable units, acquired 8 properties, supported 120,000 square feet of commercial space for community assets, and created over 700 jobs.[24]

Seattle, WA

Incentive zoning in Seattle was first applied to commercial buildings Downtown in 2001, providing additional density for projects providing affordable housing downtown or paying an in lieu fee. The density bonus incentives were expanded incrementally until program incentives now applies throughout much of the city. The IZ program, which has been voluntary since its inception, was expanded in 2006 to apply to residential multi-family projects. Income targets are for households with incomes up to 80% AMI (rental) and 100% AMI (homeownership) for durations of at least 50 years.

Developer participation and housing production under incentive zoning has been uneven and underwhelming. Since 2001 through the end of 2013, only 56 units of rent-restricted (below 80% AMI) housing has been built on-site. Most developers have chosen to opt-out of on-site inclusionary housing and pay the in lieu fee to access the density bonus. As a consequence, the in lieu or "bonus" program has produced far more units and units at lower AMI levels than the on-site option.

The bonus program has received $31.6 million through 2013, and $27.2 million in bonus contributions has been committed to a total of 1,570 units. (Analysis by Cornerstone Partners estimates that 616 units would not have been built without contributions from the bonus program.[25])

The City has concluded that the major factor in this shift from on-site provision of housing to payment in lieu fee was that the fee was set too low. A second problem

[24] Urban Land Conservancy, "Denver Transit Oriented Development Fund", 2015.
Enterprise Community Partners, "Denver Regional Transit-Oriented Fund", 2015.

[25] "Seattle's Incentive Zoning Program", Cornerstone Partners, 2014.

was that the time taken to commit and spend bonus funds was too long, typically nearly seven years. The City has since taken action to correct both problems. On the upside, the bonus housing widely dispersed throughout Seattle, so these affordable units were not concentrated in higher poverty areas and many were constructed in areas of greater socio-economic opportunity.[26] The City's incentive zoning package includes an important tool for preserving housing in the downtown area, a transfer of development rights program, which allows commercial developers to purchase unused density from owners of downtown properties with affordable housing or other community benefits. Excess development rights (or unused/underdeveloped floor area) can be sold to developers needing residential floor area beyond a base height or floor area ration (FAR) limit. The program is critical to preserving low-income housing in the downtown area, and the sales proceeds can assist affordable housing development, open space or historic sites and landmarks in various zones. The TDR Bank has transferred over 5 million square feet of extra floor area and received over $20 million in payments since 2001.

Seattle is currently engaged in lively discussions around a proposal by the Mayor and City Council to make the Incentive Zoning program mandatory and to enhance it with a development linkage fee while off-setting the cost to developers with a modest density up-zone citywide. The linkage fee on all new development would range from $5 to $17 per square foot, depending upon the location of the development. The so-called "Grand Bargain" legislation would mandate 5% to 8% of all new units be affordable for 50 years at 60% of AMI or less, creating an estimated 6,000 new units of affordable housing throughout Seattle.[27]

The initiative was spurred and based in part upon the recommendations of the Housing Affordability and Livability Agenda advisory committee (HALA). The 28 member HALA deliberated for 10 months before releasing 65 recommendations. The plan sets goals of 20,000 new homes for low and moderate income households over the next decade. HALA proposes to double the existing 2009 Seattle Housing Levy to $190 million when it expires in 2016.

Seattle Housing Levy – Seattle established its reputation regionally and nationally for its commitment to support affordable housing initiatives through voter-approved housing bonds and property tax levies. In 1981, voters approved a $48.17 million Senior Housing Bond that produced or contributed to 1,297 affordable senior housing units. Building on that public support and success, voters endorsed four subsequent housing levies, each of which exceeded its stated goals.

These four levies supported an array of affordable housing services, including rental production and preservation, homebuyer assistance, homeowner housing repair, special needs housing, homelessness prevention, acquisition and opportunity loans,

---

[26] Seattle Office of Housing; Cornerstone Partners, *IBID.*

[27] "Seattle Unveils 'Grand Bargain'", Affordable Housing Finance, September 14, 2015.

and other services. To date, the senior bond and the four levies have contributed to 10,316 units and assisted 6,617 households. (See table below.)[28]

1981 Bond	$48.17 m.	1,297 units
1986 Levy	$49.98 m.	1,818 units
2002 Levy	$59.2 m.	2,459 units 4,735 households
2009 Levy (to date)	$149 m.	2,119 units 1,882 households

A third major City initiative, the Multifamily Tax Exemption Program (MFTE), provides a property tax exemption for up to 12 years to developers and owners of multifamily rental and for-sale residential projects. Rental properties can receive the exemption in exchange for rent-restricting at least 20% of the units during the period of exemption. For condominiums, the MFTE applies directly to the owner of each income and price restricted unit, so long as the entire building or complex complies with the 20% set-aside requirement.

The affordability restrictions for rental units range from less than 65% AMI to less than 85% AMI depending upon the number of bedrooms. Affordability level of for-sale units is capped at 100% AMI or 120% AMI depending upon unit size. The MFTE program operates in 39 targeted areas throughout much of the City. Rental projects have consistently outnumbered for-sale projects since 1998. From 1998 through 2014, the MFTE has been applied to a total of 4,975 units (4,859 rental, 116 for-sale) in 1,796 projects.[29]

Austin, TX

Austin's inclusionary housing program, the S.M.A.R.T. (Safe, Mixed-Income, Accessible, Reasonably-priced, Transit-Oriented) program was launched in 2010 to stimulate the production of low-moderate income housing throughout the City. The program is voluntary – the Texas Legislature prohibits mandatory IZ. The program assists both homeownership and rental project development.

The program offers a number of fee waivers and expedited reviews of projects, and access to public funds and resources to leverage private investment, and increases the incentives as the percentage of "reasonably priced" units in the project increases. The reasonably priced standard for rental units is 80% of AMI or less; for for-sale units it is 125% of AMI or below. The affordability requirement is quite short – just 5 years for rental projects (unless other funding sources require longer affordability) and just 1 year for homeownership units. Since the program was created, it has

[28] City of Seattle, Office of Housing (seattle.gov/housing/levy)
[29] City of Seattle, *IBID*.

produced a total of 558 affordable units. The City estimates that 5,592 units are in the pipeline.

The City offers density bonuses through 12 different programs, each with different overlays in different neighborhoods, with differing requirements and community benefits. These programs were adopted over time, and the City is now planning to consolidate and simplify them into a more comprehensive and cohesive strategy that will reduce confusion, inconsistency and unpredictability for developers and the community. Developers participating in the S.M.A.R.T. program may have access to these density bonuses.

The S.M.A.R.T. program is one of several affordable housing programs in Austin. The largest, the Rental Housing Developer Assistance Program, has produced 3,109 units since its inception. The newer Vertical Mixed-Use program has assisted in construction of 164 affordable units. Austin's Housing Trust Fund created in 2000 and financed with ongoing revenue, including dedication of 40% of certain tax increment income, is a source of subsidy and gap financing for the various City program. The City also has a Land Trust program.

The City passed an ordinance in 2009 creating a "station area plan" requirement for Transit Oriented Development Districts with a goal that at least 25% of new housing in TODs will offer homeownership opportunities for households earning 80% of AMI or less and serve renters at or below 60% of AMI. The plan also sets targets for inclusion of households in lower income brackets. The City's TOD program has produced 38 units to date.[30]

In 2006, 62% of voters approved a GO bond of $55 m. to develop units for 30-50% AMI, senior housing, and transitional/supportive housing for homeless. The bond produced 2,409 affordable housing units. A 2009 GO Repair! Program, financed with bond funds, assists with home repairs for households earning 80% of AMI or less, and a 2013 bond is expected to produce thousands of new units city-wide.

<u>San Diego, CA</u>

San Diego's city-wide Inclusionary Affordable Housing ordinance, adopted in 2003, evolved from a 1992 IZ requirement placed on a rapidly developing section of the North City that proved successful. In this "Future Urbanizing Area (FUA)", comprised of several neighborhoods, developers were and still are required to set-aside on-site 20% of units as affordable to households earning 65% or less of AMI for rentals and 100% or less of AMI for for-sale units. The FUA regulations remain the same, separate from those of the subsequent ordinance. The FUA IZ program had generated an estimated 1,200 units by 2003, and was projected to produce 2,400 units by build-out of these neighborhoods.[31] The 2003 ordinance expanded IZ throughout the city, set a requirement of 10% of units affordable at 65% AMI

[30] City of Austin, Neighborhood Housing and Community Development.
[31] Brunik, et.al., 2003. *IBID*.

(rentals) and 100% of AMI (for-sale), and applied it to all developments of 2 units or more. Developers can opt out of the on-site requirement by paying a fee in lieu, which is updated regularly, and currently ranges from $1.90 to $9.51 per square foot for residential projects, depending upon the number of units in the development. Condominium conversion projects may pay an in lieu fee of $0.95 to $4.75/sq.ft., or they may be exempted from the fee if all units sell for less than 80% of AMI.[32]

The City created the San Diego Housing Trust Fund in 1990 and funded it with a commercial development linkage fee following a nexus study in 1989. Though the linkage fee (Housing Impact Fee) was halved in 1996, it has generated $2-$3 million per year. The changes to the Inclusionary Affordable Housing Ordinance designated the in lieu payments stream to the HTF. Last fiscal year (2014-15), the HTF received over $16 million from the Inclusionary Housing Fund, which, coupled with the Housing Impact Fee, helped finance six rental housing projects that will provide 432 affordable apartments.

These two income streams have raised over $51 million since 1990 that has financed 3,957 affordable rental units for low-income families, seniors, and persons with disabilities. The HTF, administered by the San Diego Housing Commission, provided funding to over 900 first-time homebuyers and $19 million in grants to nonprofits for transitional housing for the homeless, chronically mentally ill and domestic violence survivors.[33] (San Diego Housing Commission, 2015)

The Commission owns and manages 2,260 affordable units and 154 public housing units, and its nonprofit, Housing Development Partners, owns 946.

Revisions to the 2003 ordinance added some of the standard array of incentives, including density bonuses in exchange for affordable units or donation of land, off-site development (transfer of set-aside requirement or bonus), provision of child care centers and reduced parking requirements. The City will not consider development fee waivers or approving building heights above limits set by the Coastal Commission. Prior to the elimination of redevelopment programs in California, Tax Increment Financing (TIF) was a major source of affordable housing finance and development, producing over 7,000 new affordable units through the SDHC revenue bond program, over 1,500 units through the Collaborative Program, and assisting over 12,000 low-income families with housing rehabilitation through the HELP loan program. The 20% TIF set-aside for housing provided over $250 million for affordable housing. Also of interest, the City requires replacement of affordable units (whether rent-restricted by law or covenant or simply occupied by low or very-low income residents).

<u>Stamford, CT</u>

Stamford enacted its inclusionary zoning "Below Market Rate (BMR) Housing Program" in 2003. The policy requires a 10% minimum affordable housing set-aside

[32] San Diego Housing Commission.
[33] *IBID*.

for all residential development of 10 or more units, with an income target for both rental and homeownership units at 50% or less of area median income. Duration of affordability is in perpetuity, secured with deed covenants.[34]

The program is zoning-based, applies city-wide, and like San Diego, offers no incentives for developers. Developers can opt out of the inclusionary requirement through payment of an in lieu fee set as a percentage of the AMI, an unusual if not unique feature of Stamford's program. The City maintains waiting lists for rental and homeownership units, offers down payment assistance, verifies incomes and monitors for compliance. Marketing, leasing and eligibility certification are responsibilities of the developers. Since its inception, the BMR Housing Program has produced 449 units (347 rental 102 homeownership) through March, 2014.[35]

Sacramento, CA

The City of Sacramento adopted its Mixed Income Housing Ordinance in 2000 in response to pressing workforce housing needs during a booming residential and commercial development market. The ordinance requires an affordable housing set-aside of 15% for all residential developments of 10 or more units within designated "new growth areas" (undeveloped areas, new annexations, large redevelopment areas). The set-aside requires 5% of units be affordable at 80% or less of AMI and 10% be affordable to households earning 50% or less of AMI. The duration of the affordable housing requirement is 30 years.[36]

It is important to note that the County of Sacramento, West Sacramento, Folsom, and other communities in the County and throughout the region also have inclusionary housing programs. Affordable housing goals for individual municipalities are set regionally so that each strives to achieve its fair share of the regional need.[37]

Approximately 1,500 affordable units were produced by the IZ program from 2001-2006, according to the City's Housing Element. However, the housing market crashed hard in 2009, as median home prices plummeted from $339,500 to $129,750 in 2006 to 2011, over 22,000 foreclosures occurred from 2006 through 2012, and fewer than 200 new units were built in 2012. As a result, the Mixed Income Housing program came to a standstill, and pressures have built since to eliminate or revise it.[38] The statewide elimination of the redevelopment TIF set-asides for affordable housing has contributed to the stall, and the court ruling (see Palmer case, below) that California cities must have a negotiated agreement with developers and agree to concessions in order to require affordable units has created uncertainty for the

[34] City of Stamford, Community Development Office.

[35] Hickey, Strudevant and Thaden, Lincoln Institute, July 2014.

[36] City of Sacramento.

[37] County of Sacramento.

[38] "Sacramento Area Governments Relax Affordable Housing Policies to Attract Development", Sacramento Bee, March 2, 2014.

program going forward. IZ programs in the state are now advised to show a nexus between the inclusionary requirements and the need for affordable housing.[39] Sacramento is now considering adjustments to the MIH program to allow off-site housing or a fee in lieu, provide a lower set-aside requirement (10%) and more flexibility for developers, make the program city-wide rather than new growth area-specific, and enact a development fee of $2.58 per square foot to produce over $100 million over the next 20 years to incentivize more affordable unit construction.

AFFORDABLE HOUSING IN TRANSIT-ORIENTED DEVELOPMENTS

Next to housing, transportation is the largest household cost for the vast majority of American – and Salt Lake City – households. The average U.S. family spends 19% on transportation – higher in lower density communities, much lower in high density neighborhoods with ready access to services. Nationally and locally, lower-income persons, people of color, people with disabilities, and renters are the most dependent upon and the most frequent users of public transit.

The housing/transportation cost burden is greatest on lower income households. In Salt Lake City, a moderate income renter household of 3 (at 80% of AMI) spends 44% of its gross monthly income on housing and transportation, while a single renter at 20% of AMI spends 107% of his/her income on those two costs (see sidebar).

<u>Salt Lake City's Location Affordability Index</u>

Household	Housing Cost +	Transportation Cost =	Location Affordability
Median Income Family $60,329 (100% AMI) 4 persons, 1 commuter	27%	19%	46%
Moderate Income HH $48,263 (80% AMI) 3 persons, 1 commuter	33%	17%	50%
Single Working Person $ 30,165 (50% AMI)	39%	20%	59%
Single Parent Family $30,165 (50% AMI) 3 persons, 1 commuter	46%	25%	71%

Source: HUD www.locationaffordability.info.aspx

A location affordability "score" above 45% of income is considered not affordable.

However, access to transit can lower that burden substantially by thousands of dollars per year on average, up to $9,743 annually if households use transit rather than

[39] Keyser Marston Associates, Inc. 2013.

driving, according to one study[40]. Seen in this light, making access to affordable high quality transit is a highly effective anti-poverty strategy.

Including affordable housing in TODs also provides better access to jobs for working families, opportunities for better education, economic advancement and quality of life. Research has noted substantial health benefits from location-efficient job/housing opportunities. Less time commuting means less stress and more time for engaging in healthier activities. Better access to health care, more disposable income, walkable communities, and proximity too fresh food stores contribute, too. And there are community health benefits from less air pollution and less carbon emissions contributing to climate change.

Transit-oriented developments increase the value of nearby land and property due their inclusion of or proximity to desirable amenities such as retail, parks or community spaces, walkable mixed use neighborhoods, and improved and accessible transit options. These increased values can result in increased costs or limited availability of housing near TODS[41]. Property value premiums can rise up to 18% for a condominium, 32% for a single-family home, and 45% for an apartment near transit in some places[42]. IZ programs and can seek to recapture some of this induced value.

Transit agencies are unanimous that their primary mission is to provide transit, not affordable housing. Yet many actively support affordable housing policy and community benefits agreements practice – and more, like the Utah Transit Authority, are part of this growing trend – because it supports their missions.

"Recent research demonstrates that one of the most economically efficient strategies for providing public services is to ensure that housing near public transportation is affordable to people with a range of incomes."

(Reconnecting America, 2012)

Transit agencies benefit from affordable housing in TODs through increased ridership and fare revenue and by becoming more competitive for federal grants. Replacement of surface parking with garages is facilitated, decreased paratransit costs, Transit agencies can play a key role in through their ability to secure land around transit stations and stops which can be used for development. The agencies also can hold land while developers of affordable housing put together the often complicated funding packages necessary to make a project "pencil out".

Affordable housing in transit areas can bring other money to the table as well. Over 32 state housing finance agencies, including the Utah Housing Corporation, provide

[40] American Public Transit Association, 2012

[41] "Affordable Housing in Transit-Oriented Development", U.S. General Accounting Office, September 2009.

[42] "Capturing the Value of Transit", Belzer, et.al., 2008

additional points in the allocation of LIHTCs for transit-oriented affordable housing. There are also transit location mortgage products that can assist homebuyers by allowing a higher loan to value because household living close to transit have reduced transportation costs and can use those savings to make a higher monthly payment.

This combination of factors make a compelling case for IZ in TODs and transit station areas.

ADMINISTRATION OF IZ PROGRAMS

For cities like Salt Lake City that have little or no experience operating inclusionary housing programs, the challenges of creating a new IZ program administrative infrastructure may appear daunting. Clearly, like any public program or asset, the units created by an IZ policy must be marketed, managed and monitored over time, which will require adequate staffing that has an on-going cost which must be met.

Other than a couple of well-known instances of program mismanagement in the early years of inclusionary zoning programs (e.g. California Coastal Commission and Orange County Housing Authority in the late 1970's/early 1980's, Santa Barbara in 2006), there is little in the literature regarding serious legal and/or compliance problems with IZ programs. Effective administration is critical to program success in both the short and long term, so it is important to plan ahead and anticipate issues and potential pitfalls.

It is likely that the City could manage the first year or two of an IZ program with one or two FTE. This would be particularly true of an IZ rental program, as cities report that the costs of administering IZ programs that apply to rental housing are relatively small. Some IZ programs fund staffing requirements through monthly fees to residents or through sales and resales fees, others tap General Funds. The City and staff can grow gradually into administering a developing IZ program, would allow the time and experience to spot any red flags or make course corrections in policy.

Contracting monitoring and compliance responsibilities to an outside entity is an option that some jurisdictions have chosen. Most however have chosen to administer IZ policies "in house". Of 20 programs surveyed by in 2014, 17 administer all or part of their IZ programs in house. Most of those that contracted for administration, did so with Community Land Trusts or Housing Authorities, and most contracted the for sale portion of their IZ program and portfolio.[43]

Some cities place the primary responsibility for eligibility determinations, marketing and other administrative duties on the developer and/or its property management team. This can reduce costs for the municipality and simplify the system for the residents. Cities can retain and manage waiting lists, others use a first come, first served approach, and some (e.g. Denver) have a lottery system for applicants. As

[43] Hickey, et. al., *Op cit*.

long as the selection process is fair and transparent for applicants, any of these strategies can work. It's also important that developers are assured predictability and equal playing field.

Income limits for program participants will need to be defined, including whether the set-aside threshold or requirement should target more than on level of income (e.g. x% of units should be affordable to households earning less than 60% of AMI, x% at 30% or less of AMI, etc.). Policy choices should also be made regarding who is responsible for documentation collection and review.

Best practices call for provisions for long-term or in-perpetuity affordability. These should be spelled out in the ordinance and executed in the deeds or covenants for individual IZ projects or projects funded with in lieu fee revenue.

KEY ADMINISTRATIVE RESPONSIBILITIES

The specific requirements for ongoing administration of any particular inclusionary housing program will depend on the specific requirements and policy goals of the program. However, there are a number of common administrative requirements that many programs share. Some of the most signify- cant requirements are described below:

For inclusionary homeownership projects:

1. Overseeing **production** of new affordable housing units
2. **Pricing** units so that they are affordable, initially and at resale
3. **Marketing** inclusionary housing opportunities to eligible residents
4. **Educating** potential buyers about ownership and program requirements
5. **Screening and selecting** buyers who meet eligibility standards
6. Ensuring that buyers have access to appropriate **financing**
7. **Monitoring** units to ensure owner occupancy and payment of taxes and insurance
8. Managing the process of **resale** from one owner to the next
9. **Enforcement** of requirements (as necessary)

Inclusionary rental projects generally require less intensive ongoing administration but will frequently include:

- Overseeing **production** of new affordable housing units
- **Pricing** (setting rents) so that they are affordable, initially and over time
- **Marketing** inclusionary housing opportunities to eligible residents
- **Monitoring** units to ensure owner occupancy and payment of taxes and insurance *("Delivering on the Promise of Inclusionary Housing: Best Practices in Administration and Monitoring", Jacobus, PolicyLink, 2001. Reprinted with the expressed written consent of the author and publisher.)*

It is reassuring to recall that jurisdictions have been administering successful IZ programs for decades, so clearly the administrative challenges posed by creating a new IZ program can be overcome. The City has experience in administering rehabilitation and first-time homeownership programs, which will be a big plus going forward with the IZ homeownership component, and the experience of the Housing Trust Fund in managing a portfolio of loans should smooth adaptation to managing the IZ rental program.

Salt Lake City's Housing Trust Fund

As of the end of 2015, the City's Housing Trust Fund had an annual budget of $6.5 million for new loans, and a cash balance of $10 million. The Fund has $20 million in outstanding housing loans that generates just over $500,000 in program income (loan payments) in an average year. The HTF receives varying amounts of funding from the Redevelopment Agency, ranging from $100,000 to high of $900,000 last year.

Loans or grants are made to for-sale units for households earning 80% of AMI or less. Loans or grants for rental projects are targeted to households earning 60% of AMI or less.

Typically, the HTF provides gap financing for tax credit projects. The HTF recently has negotiated with developers for a higher percentage of affordable units (up to 20%) in market rate/mixed-income developments in order to receive HTF financing.

The average loan amount is $382,000, but loans have been issued in the $750,000 to $1,000,000 range. Average funding per affordable unit is $6,000 and is increasing. New criteria for this subsidy range is being developed. The HTF has assisted preservation and renovation of existing affordable units, and have approved some grants for homeless vouchers and matching funds, and to buy down units to 40% of AMI. The Fund would also like to establish a preservation loan pool and use its existing loan pool more flexibly to assist non-LIHTC projects.

The HTF staff is experienced and qualified to manage these assets, and could do the same with a portfolio of IZ units and an in lieu fee account or pool of funds.

The Trust Fund will play an increasingly important role in any new policies addressing the City's homeless and affordable housing crises. It is likely that the HTF will need additional staffing, capacity and expertise to accomplish this expanding workload, regardless of whether an IZ policy is adopted. The HTF currently has the ability to underwrite and process loans, but will require more capacity to assure that units stay affordable through the compliance period, monitor loan payments and compliance, and to use its loan pool resources for non-tax credit developments.

HAND has expressed a need for the City Council to revisit the HTF ordinance to provide more structure and policy guidance (now too vague) while maintaining flexibility and staff discretion to work effectively with developers on a project by project basis.[44]

Housing Authority of Salt Lake City

The Housing Authority has been an active, major player in developing affordable housing near transit in recent years. The City should encourage and incentivize the Housing Authority (e.g. through land write-downs, HTF funding) to continue this partnership on projects delivering affordable housing.

In some communities, the local PHA has a role in the administration of the IZ. This is a policy option that should be reviewed by the Administration and City Council. While that is not recommended in this study, the HASLC could partner with HAND and the City's HTF in monitoring and assuring compliance, particularly where there are residents of IZ units who have Housing Choice Vouchers. Likewise, in rental units receiving LIHTC equity, the City could partner with the Utah Housing Corporation to monitor and assure compliance with federal and IZ program rules.

Paying for Administration

There are a number of options that various jurisdictions have chosen to pay for administration and monitoring of IZ programs. General Fund allocations are the most predictable and reliable. Local housing trust funds (program revenues) are another option. Ongoing administrative fees can be charged monthly or annually to property owners (akin to HOA fees) in homeownership programs and built in to rental project pro formas and operating budgets. Homeownership programs can charge sales and resale fees.[45]

Federal funds are another potential source of administrative funding (e.g. HOME, CDBG, which allow a percentage of funds to be spent for admin.), though using these funds would reduce the amount available for other programs or housing projects.[46]

KEY FINDINGS

IZ programs utilize market forces to create public benefits.

---

[44] Information provided by HAND.

[45] Delivering on the Promise of Inclusionary Housing: Best Practices in Administration and Monitoring", Jacobus, Rick, PolicyLink, 2001.

[46] Jacobus, *Ibid*.

There is great diversity among IZ programs – they vary widely community to community.

Advantages of IZ programs are that they can be flexible and can evolve over time, adapting to meet specific policy goals, adjusting to shifting market conditions, and residents' and developers' preferences.[47]

"IZ programs that grant density bonuses and exempt smaller projects produce more affordable housing." [48]

IZ can be customized for specific neighborhoods and residential/mixed-use zones.

IZ works best in housing markets that are "hot" and where there are low base zoning restrictions and residents support higher densities.[49]

IZ policies that apply to a broad area (e.g. county) and a range of development types, including non-residential (office, retail) uses, have a greater impact by producing more affordable housing. [50]

IZ should be less risky where long-term sustained growth supports demand, making the market less susceptible to prolonged downturns.

Mandatory IZ programs produce more affordable units than voluntary IZ programs.

IZ programs are not a panacea for meeting affordable housing, just one tool among many. By itself, an IZ policy is limited in what it can accomplish in terms of numbers of affordable units that can be developed.

IZ should work in conjunction with existing development resources (esp. LIHTC) to achieve wider and deeper affordability in the community.

IZ can be administered effectively and at relatively low cost if programs are designed with the knowledge that they must be actively monitored and managed over time.

POLICY CHOICES

[47] Schuetz, et.al., 2009.
[48] *Ibid*.
[49] Hickey, 2014.
[50] *Ibid.*

The Administration and the City Council, should they decide to establish an IZ policy and program, have a number of decisions to make as to how best to structure and administer such a program. Those choices include:

Should the IZ program be mandatory, voluntary, or a combination of the two?

Should the IZ program include both rental and homeownership developments?

What should be the threshold for triggering IZ incentives and requirements (e.g. number of units, floor area, land value, taxable value)?

What income levels will benefit from the affordable housing? Should the program target provision of a mix of moderate, low, very-low, and extremely-low income units?

Should the IZ program be applicable to nonresidential uses as well as residential developments?

If the IZ requirements apply to nonresidential construction, which types of such construction should be included and which excluded (e.g. churches, public buildings)? What should be the basis for determining the contribution to affordable housing (e.g. square footage, number of employees)?

What will be the duration of affordability for rental units? For for-sale dwellings?

How will the program control affordability in resales of homes?

Should the IZ program apply City-wide or to specific zones or neighborhoods? Should the program be tailored to meet individual neighborhood needs and characteristics?

Will the program allow for on-site units only, or can the inclusionary targets be met with off-site equivalents?

Can developers make payments in lieu to satisfy requirements or receive incentives?

How will the program assure that affordable units are of substantially equivalent size and quality with market-rate units?

Who will administer the program? How will program administration be funded?

How much flexibility and discretion will be allowed for staff to work with developers to make projects economically successful while achieving the programs goals?

Should the program include a technical assistance component to assist - and increase the capacity within - the development community to create affordable inclusionary housing?

How will the IZ program be coordinated or integrated with other housing programs?

SALT LAKE CITY INDICATORS:

MARKET CONDITIONS FOR HOUSING AND REAL ESTATE DEVELOPMENT

According to the literature, one of the key indicators for successful implementation of inclusionary zoning policies is the strength of the housing market. A strong, growing, housing market is certainly the case in Salt Lake City at this point in time.

It is beyond the scope of this report to estimate how much revenue might accrue from any particular incentives or requirements under a new IZ program, but it is important to note that the Salt Lake market is bullish and there is considerable value from new real estate development from which a portion could be captured to help finance affordable housing development and preservation for low-income, working class households.

In the past 5 years (2010 through 2014), 120 single family homes were built in Salt Lake City. These homes had an aggregate value of $36.8 million. One hundred ninety-five condominium units in 23 buildings were permitted during these years, with a total valuation of $18.5 million. New apartment buildings with 3 or more rental units permitted during the previous five-years produced 1,278 dwelling units with a value of $185.5 million.

As further evidence of Salt Lake City's hot real estate market, in the first 6 months of 2015, 1,033 new residential units were permitted, a whopping 367% increase over the same period in 2014. The value of these new units was just over $118 million, an increase of nearly 558%.

A review of data provided by HAND of all permits issued in the City from July 2008 through July 2015 reveals that only a handful townhomes and single family developments were of more than one home, and just two contained 10 or more dwellings (20 and 12 units, respectively). According to the Planning Division, subdivisions or planned unit developments of multiple single family homes in the City will be constrained by the lack of large parcels due to the City being largely "built out", by zoning, and by relatively high land prices. This leads to a conclusion that an IZ program in the City would create few additional homeownership opportunities in single-family dwellings for low-moderate income households.

By contrast, Salt Lake County-wide, 8,948 single family homes with a value of over $2.2 billion were permitted, as were 3,366 condominium units valued at $507 million. These County figures are provided to lend weight to the argument that this broader geographical base would support a robust IZ program that could produce a high number of affordable single family homes, creating greater access to opportunities ….while more equitably distributing the "burden" of …. Of course, the City has no control over whether a County-wide IZ program could be implemented, but the City could and should take a leadership role for inclusionary housing by making a strong case to the County and municipal leaders of the need for such a program and for policies to create more affordable housing valley-wide.

Salt Lake City 2010-14	# of bldgs.	Units	Value ($000)
Single family homes	120	120	38,826
Duplexes/Twin homes	2	4	314
Condominiums	23	175	16,936
Apartments (3+ units)	18	1,278	131,337
Other	6	0	104
Subtotal, New Residential	169	1,157	185,518
Subtotal, New Non-residential	696		756,834

Salt Lake County 2010-14*	# of bldgs.	Units	Value ($000)
Single family homes	8,948	8,948	2,212,424
Duplexes/Twin homes	125	250	41,884
Condominiums	849	3,346	505,624
Apartments (3+ units)	177	6,040	689,652
Other	117	223	7,211
Subtotal, New Residential	10,216	18,807	3,456,796
Subtotal, New Non-residential	5,491		2,416,663

(* includes Salt Lake City figures)

(Source: BEBR Utah Construction Information Database)

Non-residential construction

In SLC between 2010 and 2014, 687 non-church or non-public buildings were built, with a total valuation of $7.32 billion. The value of new non-residential development permitted in the first half of 2015 ($40.3 million) increased 68.7% over the first 6 months of last year.

CURRENT ZONING AND DEVELOPMENT GUIDELINES

Generally, Salt Lake City is characterized by low-base zoning in most neighborhoods, where there is opportunity for inclusionary up-zoning to take place.

Historically, large lots with low density dominated the land in the City outside of the immediate downtown area. As the City grew, in-fill development of mostly single family dwellings took place on the interiors of large blocks, creating reasonably dense residential neighborhoods through the post-WWII era.

Beginning in the 1960's and extending through at least the early 1990's, the market leaned toward larger single family lots and dwellings, and neighborhood activists worked diligently to protect existing residential neighborhoods through down-zoning efforts, eschewing mixed uses in many residential zones. This movement coincided with planning preferences and priorities that sought to concentrate similar uses (e.g.

commercial zones, government zones, arts areas). By the late 1990s through today, the market demand and the planning emphasis shifted toward a return to traditional neighborhood design (aka "new urbanism") promoting walkable neighborhoods, friendlier sidewalks and public spaces, more mixed uses in areas throughout the City, and higher densities in the urban, downtown core. To further this trend, the City recently adopted "Form-Based Zoning" for certain areas of the City.

Form-based zoning codes focus on the design and physical layout of the land use rather than emphasizing the primacy and type of the land use itself. So, instead of focusing on a single or primary use of a section of land (i.e. designating it R-1 for single family dwellings only), form-based zoning offers the flexibility to work with residents and developers – both on a neighborhood and on a project by project basis - to create mixed-use and higher density development. This encourages greater community integration, walkability and use of non-auto transit options, energy-efficient "green" building, certain design features, and other community benefits, including affordable housing.

However, while form-based zoning creates opportunities for affordable housing, it doesn't necessarily encourage or require production of mixed-income or affordable housing. In fact, form-based codes increase the development value of privately owned land. The very physical and social amenities that form-based zoning encourages will raise values and over time result in gentrification. This is especially true as blighted or underdeveloped areas where the land uses and values are less than optimal, and where opportunities for residents are limited, are redeveloped. Best practices should aim to recapture in community benefits some of this zoning-induced added value. Policy needs to be structured to incentivize or require inclusion of affordable housing in these locations in order to deter or offset this potential and upward pressure toward gentrification.

Since density bonuses are allowed now under form-based zoning within most areas that already permit multi-family and/or commercial development without requiring inclusionary housing, there isn't much "headroom" to provide zoning-based density incentives for developers (e.g. more floor area/higher floor area ratio, additional floors) to include a percentage of affordable units in their projects.

The City should re-examine its development guidelines under its form-based codes, which currently score or weight its decisions to award greater density based more on a project conforming to certain physical attributes and design standards than on providing affordable dwelling units. In other words, developers can get more points toward density bonuses for more easily, less expensively achieved sustainability features and other design amenities than they receive for including affordable units in their projects. Revising the development guidelines is particularly important if the City chooses to make provision of affordable units voluntary. Development guidelines as they apply to the Transit Station Areas currently and how they might apply to RDA Project Areas would be an appropriate place to start that reassessment.

Other notable challenges for IZ and density bonuses are the need to appropriately integrate taller buildings in or nearby existing, often lower density neighborhoods, and the need to work with developers when building heights go above five stories and require stronger building materials and higher construction standards (hence higher costs and potentially lower profits). The City staff are well-aware of these issues, and how they could affect an IZ program. With the former, the City has attempted to lessen the impact on neighborhoods by "stepping down" heights closer to less dense neighborhoods and by working with neighbors to address concerns and allay fears. The latter is more challenging for an IZ policy – density bonuses that allow one or even two additional floors above five stories may still not pencil out financially for developers without additional subsidy. This subject needs to be explored more carefully as policy-makers examine or proceed towards implementing IZ.

Lastly, the City is largely "built out" in terms of vacant land available for larger- scale residential single family dwelling subdivisions. Escalating land prices where these larger parcels still exist will tend to dictate a higher value and higher density uses than single family detached units. Hence development will continue to trend toward in-fill residential and mixed uses, higher densities, and condominium and townhome homeownership options as opposed to single family detached homes.

This has implications for a successful IZ policy. Most successful IZ programs have a robust inclusionary component for single family subdivision development that creates significant numbers of affordable homeownership opportunities and generates substantial income through in lieu payments for offsite housing as well. Salt Lake City would need to focus on inclusion in condominiums in any IZ policy in order to derive enough new affordable homeownership opportunities and revenues to make this residential component of an IZ ordinance worthwhile.

POLITICAL AND LEGAL CONTEXT

The current Salt Lake City administration and City Council are well aware of the current shortage in affordable housing stock and are poised to take actions to ameliorate that crisis. The Mayor's 5000 Doors initiative to develop or preserve 5,000 affordable units over the next five years is indicative of this understanding and sense of urgency.

Public awareness of the shortage of affordable rental housing may be more muted, but there is heightened concern about the still large number of homeless persons and households in the City that is a highly visible symptom of this worsening housing crisis. Recent reports that nearly half of Salt Lake City's renters are shouldering rents beyond their budgets (Salt Lake Tribune, 10/29/15) and that home sale prices jumped 15.4% over the previous quarter (SLT, 10/28/15) underscore the extent of the problem.

The neighborhood context for higher densities and up-zoning is more complex, with some neighborhoods (e.g. Central City) apparently comfortable and supportive while others are more reluctant or resistant to taller buildings and higher densities. Areas near transit stations are becoming more accustomed to higher densities, but are seeing rents rise quickly with few affordable units being built amidst this boom.

Council members and neighborhood advocates have expressed concerns that the City's housing initiatives, including any IZ program, not exacerbate existing income disparities by disproportionately impacting neighborhoods with lesser opportunities and lower property values.

Low-income housing advocates concerns have focused more on the opportunities missed, as numerous new multi-family developments have sprouted in the east downtown-Fourth South Street transit corridor, with little of that affordable to working families and lower income households. Advocates worry that the housing boom will cool off before the City has policies and financing in place to seize the chance to induce or require developers to build affordable units along with those of market rate.

Some of the larger and more successful IZ programs nationwide (e.g. Montgomery County, MD, Fairfax County, VA) have a large land and population base to draw upon. This is not really the case in Salt Lake City proper, where the City is largely built out as discussed above, and the larger land and population base is dispersed throughout Salt Lake County, where the most explosive growth is taking place.

Zoning policies in the County and in other cities within the County generally are not very accommodating to mixed-use, mixed-income or higher density development, are not form-based, and, in some communities, tend to produce exclusionary rather than inclusionary results. Large lot size requirements, expensive exterior design requirements, and limited areas that allow multi-family housing increase the cost of housing development in these communities, effectively excluding many low and moderate income households. Residents often resist changes that would bring greater diversity to their neighborhoods – the well-known NIMBY syndrome. This pattern of zoning policy also holds generally true in adjacent Davis and Utah County communities.

This puts an additional burden of providing municipal services upon those communities where housing is less expensive and upon communities like Salt Lake City that make proactive efforts to be inclusive and are centers of employment for commuters from suburban communities.

All of this suggests that there is much public education to be done to begin to level the playing field in what is becoming a more regional housing and job market….SLC take a leadership role in working with other Wasatch Front municipal government leaders to encourage them to do their fair share to meet regional housing needs and challenges.

Legal Concerns

In 2006, the State of Utah enacted a prohibition against rent control. The statute (57-20-1) states that (1) "a county, city, or town may not enact an ordinance or resolution that would control rents or fees on private residential property unless it has the express approval of the Legislature" and (2) "this section does not impair the right of a state agency, county, city, or town to enforce its zoning, building, and planning authority."

This is relevant to the discussion of enacting an IZ ordinance in Salt Lake City because IZ programs in Colorado have been found by the courts to be a form of rent control and have struck down mandatory IZ in those states. Additionally, the States of Texas and Oregon have passed legislation prohibiting local IZ ordinances – a reminder that the Utah Legislature has that same prerogative - and has nullified City actions in the past.

On the encouraging side, the California Supreme Court upheld the mandatory IZ program in San Jose (*California Building Industry Association v. City of San Jose*). That decision was appealed to the U.S. Supreme Court in the summer of 2015, and on February 29, 2016, the U.S. Supreme Court denied certiorari, allowing the IZ program to continue.[51]

It is probably advisable that prior to or as part of enactment of an IZ ordinance, the City should establish a rational and historical nexus between the development of higher-end housing, commercial properties and other land uses and the lack of affordable housing and the need for inclusionary housing policy to promote the general welfare of the public. This could be accomplished by a study similar to those that local governments routinely do in order to justify impact fees.[52]

To date, no cases regarding rent control have been brought to Utah courts. This information is provided simply to alert policy-makers that enacting IZ in the City is not without risk of legal challenge.

Overall, despite some limitations and concerns, the market, the current zoning, and the political/legal context for enacting Incentive Zoning in Salt Lake City is quite positive.

---

[51] "U.S. Supreme Court leaves San Jose Housing Law in place", Mintz, Howard, *The Mercury News*, 2/29/16.

[52] Enterprise Community Partners, 2004.

POLICY RECOMMENDATIONS

Steve Erickson Consulting recommends that Salt Lake City enact a mandatory, incentive-based inclusionary zoning ordinance that applies to all residential construction within Transit Station Area overlay zones and all Redevelopment Project Areas. It is fair and justifiable that the City should expect and receive community benefits from infrastructure and transit improvements that have been or will be made by government actions, and which have increased the value of property for owners/developers. Affordable housing should be the top priority among those social benefits.

The IZ program should be mandatory for all residential developments of 10 or more units within these areas, requiring a 10%-15% set-aside of affordable units.

The affordable units should serve a range of targeted income levels (i.e. a percentage of units affordable at differing ranges of AMI).

The program should establish a duration of affordability of fifty years or more.

Affordability requirements for homeownership units and rental units should be set separately. Resale restrictions as well as duration of affordability should be included in the program.

The City should offer significant off-sets for inclusionary housing within these areas, including a density bonus. This will require revising the Transit Station Area Development Guidelines to give significantly more weight to inclusion of housing.

The program should include options for developers to develop affordable units off-site, transfer density bonus off-site and to make payments in lieu or contribute property to the City's Housing Trust Fund in lieu providing units.

Other financial off-sets should be available to developers. These could include but not be limited to fee waivers, parking requirement reductions (see menu of options in previous sections of this report).

The program should set guidelines for providing incentives for projects that have significant other sources of subsidy (e.g. LIH tax credits) so as to maximize their value to the project while assuring that the City's contribution is not an inappropriate or unfair subsidy of one developer's profits over another.

The City should study the economic feasibility and impacts of implementing a City-wide inclusionary policy that is voluntary except in TSA and RDA areas.

These actions would be a first step toward a City-wide IZ ordinance and program, allowing the City to adjust the program as experience dictates. The logical expansion beyond this geographic recommendation would be the various mixed-use "nodes" that the City is looking to foster and grow (e.g. 9th & 9th).

The City should conduct a cost/benefit analysis of requiring a development linkage fee system for commercial real estate development in TSA zones and RDA Project Areas and/or City-wide.

Alternately, if the City chooses not to proceed with a mandatory IZ program in TSA and RDA areas, I would recommend enacting an ordinance that would make affordable housing in new developments city-wide voluntary, with a requirement of 10% affordability in 10 units or more being the threshold to qualify for the off-sets (incentives).

The City should consider seeking voter approval of an affordable housing general obligation bond a portion of which would be earmarked to the Housing Trust Fund to be used in part to encourage developer participation in the IZ program.

Alternatively, the City should consider enacting a property tax levy to help support the IZ program.

The City Council, acting as the Redevelopment Agency Board, should examine current practices of dedicating a portion of TIF revenue to the Housing Trust Fund and determine if the original 20% set-aside for affordable housing is being met, is adequate for current needs or should be revised. The RDA should be encouraged to insist upon a robust housing set-aside in all CDAs going forward.

The City should consider adopting a "No Net Loss" policy for developments that demolish or displace rent-restricted housing and housing occupied by low-income households.

The City should take a hard look at the expanding the current HAND staffing capacity for administering an IZ program as well as any potential expansion of affordable housing resources which may result from proposed policy initiatives. The City should consider whether an additional staff person to assist developers and build greater capacity within the development community to compete for, construct and manage affordable housing would be wise and justified.

The City should create an affordable housing task force to deliberate on these issues and help guide policy going forward (e.g. HALA in Seattle). The City has several boards that oversee and establish or advise housing policy, including the Planning Commission, the HAAB Board, the Housing Trust Fund Board, and the CDBG Advisory Council. This task force would not supplant these, but would utilize and incorporate their expertise in advising the Administration on IZ policy issues and implementation strategies. This approach can work effectively to get community buy-in and to resolve concerns and conflicts in a lower profile/lower pressure forum than in Planning Commission or City Council hearings.

The City should advocate for State and Regional funding for workforce/affordable housing.

The Mayor and other City leaders should work closely with Salt Lake County leaders and the Council of Mayors in the County towards a regional fair share approach to meeting the regional affordable housing needs.

Recommendations for Additional Research

An economic analysis and revenue projections of various IZ incentives and requirements should be conducted as soon as possible after the City has resolved to proceed with establishing an IZ policy.

A feasibility study and cost/benefit analysis of expanding the IZ program to include commercial development linkage fee should be conducted.

IMPLEMENTATION STRATEGIES

Short-term (next 6 to 12 months):

The City Council should adopt a resolution approving the creation of an Incentive Zoning policy before the end of 2016. The Council should determine the basic elements and parameters for this program and give direction to Council staff, to HAND and to the Planning Division those issues that should be explored further before they are or are not incorporated into the overall IZ policy and program.

The Administration, with Council staff, should draft an IZ ordinance following the Council's policy direction and that of the Mayor. By the end of this summer or early autumn, this draft ordinance and policy direction should go to the Planning Division staff and Planning Commission for further review.

The Planning Commission process should conclude with final recommendations in before the end of 2016, at which time the Council should adopt the final ordinance and the Administration should begin the process of implementing the IZ program by the spring of 2017.

The City Administration should draft and submit to the Council for approval a housing loss mitigation ordinance and implementation plan (no net loss).

The City should formulate plans and proposals for providing financial and other incentives to stimulate production inclusionary housing and more affordable units.

The City should review and adjust the scoring of multi-family developments to further incentivize inclusion of affordable units in housing projects.

The City should convene an affordable housing task force (similar to Seattle's HALA) that includes key staff and housing Board members, developers, advocates, and neighborhood representatives to advise the city on implementation of an IZ program.

Long-term (2018 and beyond):

The Administration should monitor the performance of the IZ program on a regular basis, at least annually. The City Council should review the IZ program at least annually and make adjustments to the overall policy as needed.

Eligibility and pricing, as well as all other program aspects that are sensitive to financial values should be adjusted annually to account for inflation, household income growth, interest rates, market shifts, etc.

The City should initiate discussions about IZ policies and other affordable housing programs and incentives with municipal governments County-wide.

The City Administration and Council will need to monitor the impact of the IZ program, adjust as necessary and appropriate.

The City should look to expand the geographical base within the City of the IZ program.

REFERENCES

Affordable Housing Finance, "Seattle Unveils 'Grand Bargain'", September 14, 2015.

American Public Transit Association, 2012, "Public Transit Riders Will Reap Big Savings As They Look To Dump The Pump".

BBC Research & Consulting, "Housing Market Study", for Salt Lake City Corp., September, 2013.

Belzer, Dena, Eaton, Nancy, Fogarty, Nadine, and Ohland, Gloria, "Capturing the Value of Transit", Center for Transit Oriented Development, 2008.

Bento, Antonio, Lowe, Scott, Knaap, Gerrit-Jan, and Chakraborty, Arnab, "Housing Market Effects of Inclusionary Zoning, *Cityscape: A Journal of Policy Development and Research*, Volume 11, Number 2, 2009.

Board of Supervisors of Fairfax County v. Degroff Enterprises, Inc. 198 S.E. 2nd 600 (VA 1973).

Boston Redevelopment Authority, "Survey of Linkage Programs in Other U.S. Cities with Comparisons to Boston", May, 2000.

Brunick, Nick, Goldberg, Lauren and Levine, Susannah, "Large Cities and Inclusionary Zoning", Business and Professional People for the Public Interest, November, 2003.

Brunick, Nicholas, "The Impact of Inclusionary Zoning on Development", Business and Professional People for the Public Interest, 2004.

California Department of Housing and Community Development, "Inclusionary Housing Publications", August 2008.

Cornerstone Partners, "Seattle's Incentive Zoning Program", February, 2014.

Cushman & Wakefield Consulting, "Apartment Market Report", for Salt Lake City Corp., 2015.

Denver Office of Economic Development, "Denver Inclusionary Housing Ordinance 2015 Interim Report", 2015.

Economic Planning Systems, Inc. "City of Portland Central City Incentive Policy Study", 2015.

Enterprise Community Partners, Inc., "Inclusionary Zoning Program Design Considerations", 2004.

Enterprise Community Partners, "Denver Regional Transit-Oriented Fund", 2015.

Gadon, John H. and Lane Powell Spears Lubersky LLP, "Using the New Markets Tax Credit to Finance Affordable Housing – It Is Doable", NMTC Report, Volume II, Issue II, February 2003.

Good Jobs First, "Making the Connection: Transit Oriented Development and Jobs", 2006.

Hertz, Daniel Kay, "Chicago Rethinks Rules for Developers to Increase Affordable Housing", *Next City Daily*, 12/12/2014.

Heydman, Laurie J., "Denver Affordable Housing Program History to 2014" (presentation), 2014

Hickey, Robert, "After the Downturn: New Challenges and Opportunities for Inclusionary Housing, Center for Housing Policy, February, 2013.

Hickey, Robert, "Inclusionary Upzoning: Tying Growth to Affordability," July, 2014.

Hickey, Robert, "Making Inclusionary Housing More Flexible: Four Ideas for Urban Settings", Center for Housing Policy, July, 2015.

Hickey, Robert, Studevant, Lisa and Thaden, Emily, Achieving Lasting Affordability through Inclusionary Housing", Lincoln Institute of Land Policy, July, 2014.

HousingPolicy.Org, "Support Housing Bond Issues", Center for Housing Policy, 2010.

HUD User, "Inclusionary Zoning and Mixed-Income Communities", U.S. Department of Housing and Urban Development, Spring 2013.

Jacobus, Rick, "Delivering on the Promise of Inclusionary Housing: Best Practices in Administration and Monitoring", PolicyLink and Burlington Associates in Community Development, 2007.

Johnson Gardner, LLC, "Evaluation of Entitlement Bonus & Transfer Programs" for the City of Portland, 2007.

Keyser Marston Associates, Inc. 2013.

Kneich, Robin, and Pollack, Melinda, "Making Affordable Housing at Transit a Reality: Best Practices in Transit Agency Joint Development", FRESC and Enterprise, undated.

Kneightly, Mark P., "Introduction to the LIHTC", Congressional Research Service, 2/12/2013.

The Mercury News, U.S. Supreme Court leaves San Jose Housing Law in place", Mintz, Howard, 2/29/16.

National Low Income Housing Coalition, "Out of Reach 2015".

Otak, Inc. and Peninger Consulting, "Seattle Workforce Housing", May, 2014.

Porter, Douglas R. and Davison, Elizabeth B., "Evaluation of In-Lieu Fees and Offsite Construction as Incentives for Affordable Housing Production", *Cityscape: A Journal of Policy Development and Research*, Volume 11, Number 2, 2009.

Portland Housing Bureau, "State of Housing in Portland", 2015.

Reconnecting America, "Locating Affordable Housing near Transit: A Strategic Economic Decision", undated.

Ross, Jaimie, "The Advent of Form-Based Codes: A Critical Time to Ensure Mixed Income Communities, Florida Housing Coalition, *The Housing News Network*, undated.

Tombari, Edward, "The Builder's Perspective on Inclusionary Zoning", National Association of Home Builders, November, 2005.

Sacramento Bee, "Sacramento Area Governments Relax Affordable Housing Policies to Attract Development", March 2, 2014.

Salt Lake City Consolidated Plan, 2015-2019.

Schuetz, Jenny, Meltzer, Rachel and Been, Vicki, "The Effects of Inclusionary Zoning on Local Housing Markets: Lessons from the San Francisco, Washington DC and Suburban Boston Areas", Furman Center for Real Estate and Urban Policy, New York University, March 2008.

Urban Land Conservancy, "Denver Transit Oriented Development Fund", 2015.

U.S. GAO (Government Accountability Office), Affordable Housing In Transit-Oriented Development, September 2009.

Utah Economic and Business Review, Access to Opportunity in Wasatch Counties", Bureau of Economic and Business Research, Volume 75, Number 1, 2015.

Wood, James, Downen, John, Benway, DJ, and Li, Darius, "Salt Lake City: Fair Housing Equity Assessment, Bureau of Economic and Business Research, 2013.

Wood, James, Downen, John, Benway, DJ, and Li, Darius, "Regional Analysis of Impediments to Fair Housing Choice in Salt Lake County", Bureau of Economic and Business Research, May, 2014.

Summary of program elements

City	Set-Aside	Affordability/Duration	Incentives	Units Produced	Administration
Portland, OR	Voluntary	Varies according to funding source	Property tax density bonus, TIF set-aside funds,	undetermined	Portland Housing Bureau
Denver, CO	Mandatory 10% for for-sale projects of 30 or more units, Voluntary 10% for rental projects	For-sale units 100% AMI or less, rentals 80% AMI or less 15 years	Density bonus, cash incentives, parking requirement reductions	1,166	In house (TOD program outsourced)
Seattle, WA	Voluntary 10%	80% AMI or less for rentals, 100% AMI for homeownership units 50 years minimum	Density bonus, housing levy funds, tax exemptions	56 on-site, 1,750 through bonus program	In house
Austin, TX	Voluntary 10%	For-sale units 125% AMI, rental units 80% AMI or less 5 years for rentals, 1 year for for-sale units	Fee waivers, expedited review and permits, density bonus	558	In house
San Diego, CA	Mandatory 10% city-wide	65% AMI for rentals, 100% for-sale	55 years	3,975	San Diego Housing Commission
Stamford, CT	Mandatory 10% affordable units for projects with 10 or more units	50% of AMI or less in perpetuity	None	449 total – 347 rental, 102 for-sale (as of 3/2014)	In-house, developers certify eligibility Admin costs covered by General Fund
Sacramento, CA	Mandatory 15% set-aside for project with 10 or more units in specified new growth areas	1/3 at 50% to 80% AMI, 2/3 at 50% or less of AMI 30 years	Density bonus of 25%, TIF, HTF development fees, fee waivers, state and federal subsidies, other	1,500	In house

Selected Cities' Housing Profiles

City	Salt Lake	Portland	Denver	Seattle	Austin	San Diego	Stamford	Sacramento
Population	190,844	603,650	634,265	634,541	912,791	1,381,069	128,278	485,199
Median HH Income	$45,862	$52,158	$50,488	$64,541	$53,946	$64,058	$76,779	$49,753
Housing Units	80,724	265,196	288,191	309,612	354,241	516,033	50,573	190,911
Owner Occupied	49.5%	53%	48%	46%	45%	47.9%	42.1%	48.4%
Renter Occupied	50.5%	47%	52%	54%	55%	52.1%	57.9%	51.6%
Median Gross Rent	$826	$905	$872	$1,072	$978	$1,329	$1,541	$1,776
Median Home Value	$236,600	$268,800	$251,200	$415,800	$220,500	$437,400	$515,400	$225,900

Source: U.S. Census, 2014