

Inclusionary Housing and Affordable Housing Impact Fees

Town Council

MJ Adams, AICP, Affordable Housing Manager

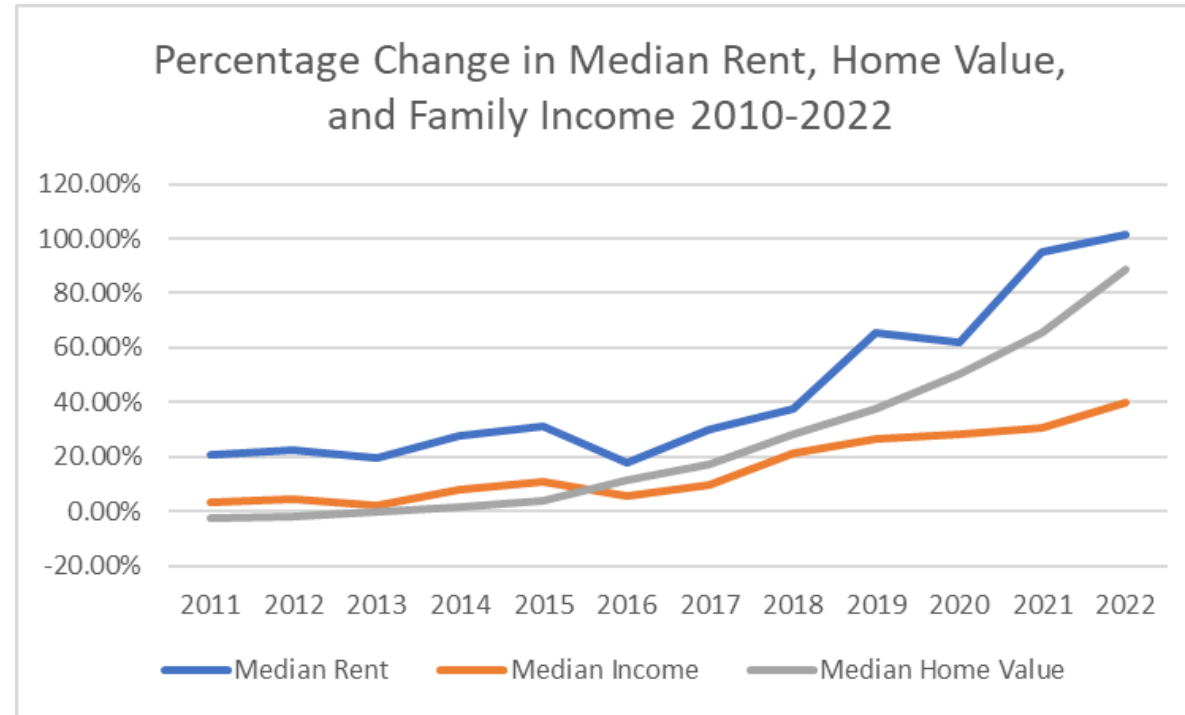
Eric Leveridge, Housing Management Analyst

July 23, 2024

Presentation Overview

- Why?
- Overview of Inclusionary Housing Ordinance (IHO)
- Overview of Affordable Housing Impact Fee (AHIF)
- Next Steps

Housing Cost Increases > Wage Increases



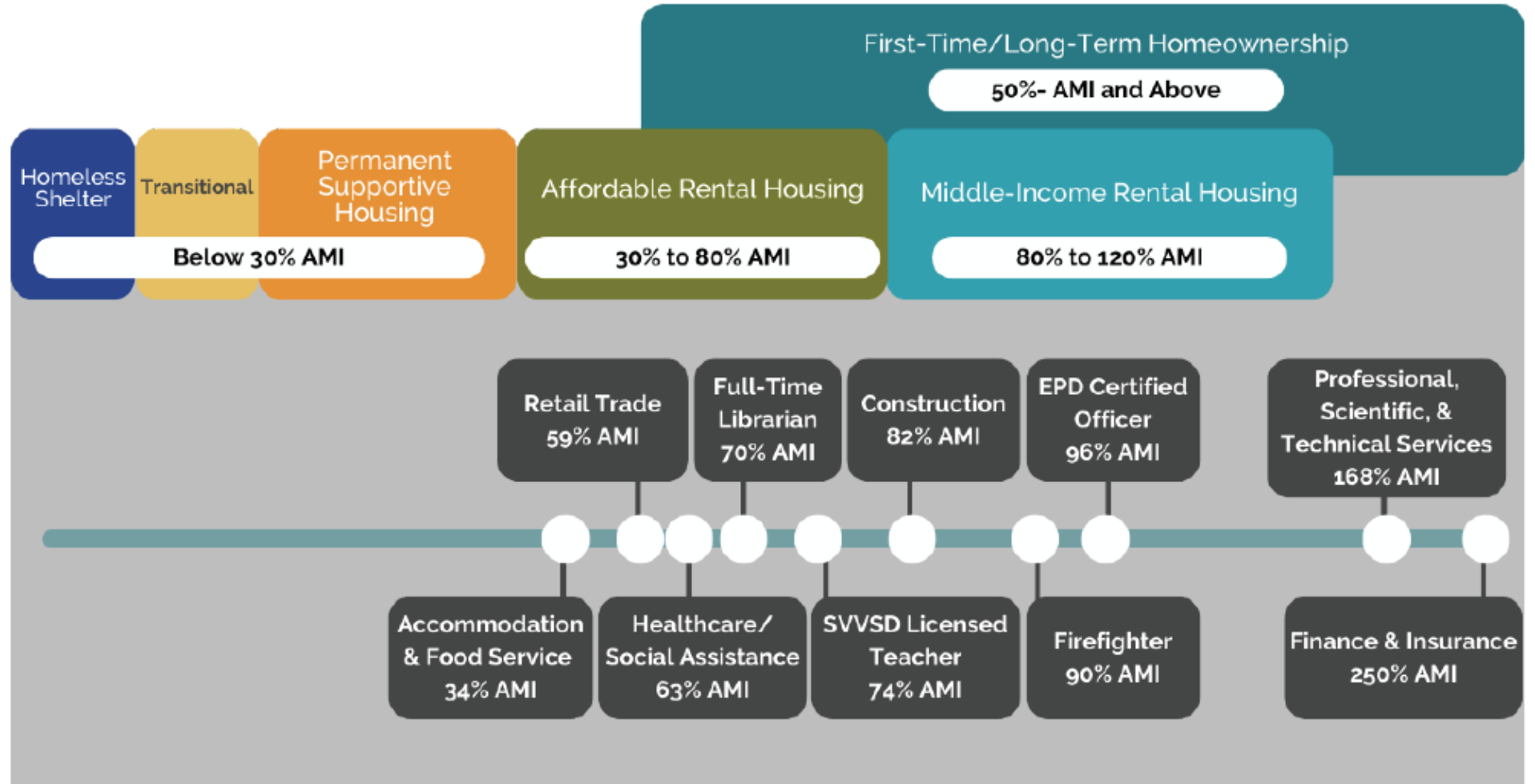
- Rents increased 101%
- Home values increased 89%
- Incomes increased 40%

Area Median Income (AMI) Levels

AMI Income Levels		2024			
	1 person	2 person	3 person	4 person	5 person
60%	\$61,320	\$70,080	\$78,840	\$87,600	\$94,620
80%	\$81,760	\$93,440	\$105,120	\$116,800	\$126,160
90%	\$91,980	\$105,120	\$118,260	\$131,400	\$141,930
100%	\$102,200	\$116,800	\$131,400	\$146,000	\$157,700
110%	\$112,420	\$128,480	\$144,540	\$160,600	\$173,470
120%	\$122,640	\$140,160	\$157,680	\$175,200	\$189,240

Workforce Housing Opportunity Gap

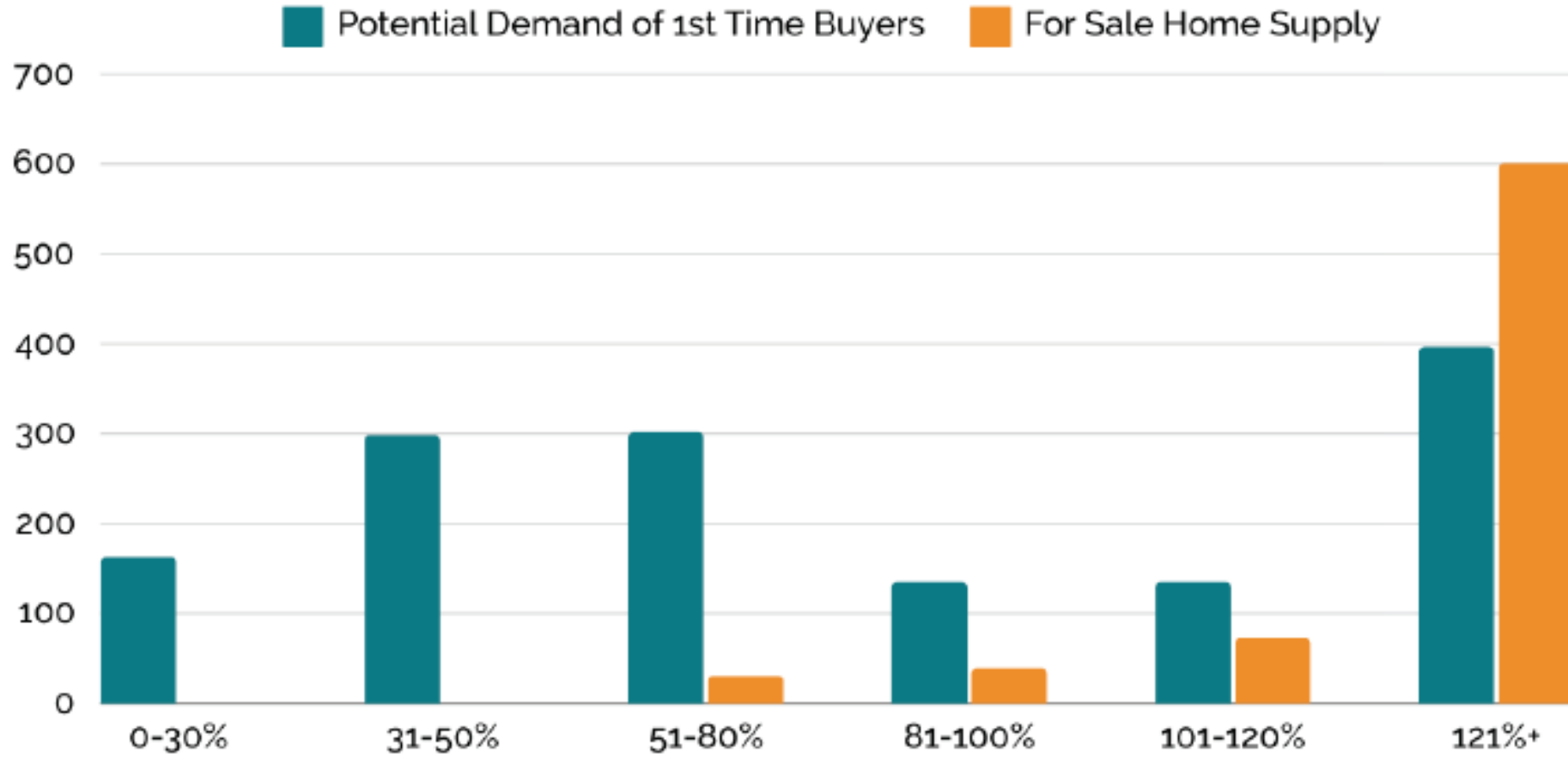
Employment Wages in Erie, Colorado



Sources: Colorado Housing and Finance Authority, *The Housing Continuum White Paper*, April 2024; Economic & Planning Systems, Inc.; High Plains Library District - Jobs; St. Vrain Valley Schools Salary Schedule; Mountain View Fire Rescue - Entry Level Firefighter Positions; Erie Police Department - Pay and Benefits.

Homeownership Opportunity Gap

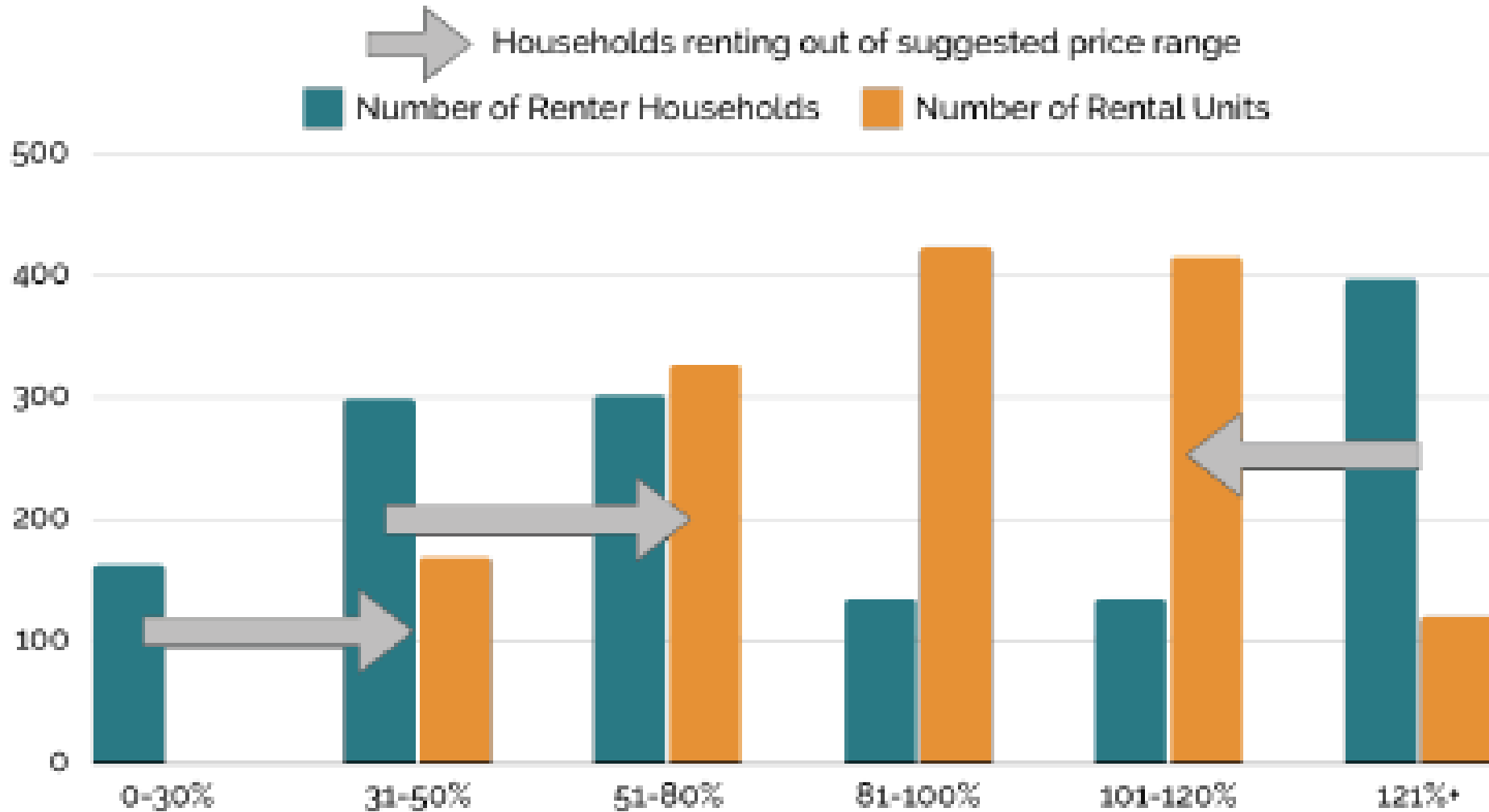
Erie For-Sale Ownership Gaps, 2022



Source: American Community Survey 2022 5-Year Estimates and local sales data

Rental Opportunity Gap

Erie Rental Unit Gaps, 2022



Source: American Community Survey 2022 5-Year Estimates

Affordable Housing Toolbox

- Public-Private Partnerships
- Land Use Regulations
- Other Local Actions
- Market-Based Tools



Affordable Housing Toolbox

- **Public-Private Partnerships**
 - **Land Acquisition**
 - Cheesman St
 - Page Property
 - **County/State/Federal Grants**
 - ARPA
 - DOLA
 - **Economic Incentives**



Affordable Housing Toolbox

- **Land Use Regulation**
 - Comprehensive Plan
 - ADUs
 - Expedited Permitting

Affordable Housing Toolbox

- **Other Local Actions**
 - Affordable Housing Division
 - Housing Needs Assessment
 - Affordable Housing Policy
 - Metro District Policy
 - Regional Housing Partnership
 - Proposition 123 Commitment



Affordable Housing Toolbox

- **Market-Based Tools**
 - Voluntary
 - Linkage (Impact) Fees
 - Requirements (Inclusionary Housing)

Leveraging the market

Market-Based Tools:

Policies that leverage new market-rate development to help deliver affordable outcomes for the community

*Used with permission
From Roots Policy Housing
Colorado Presentation 2023*

Voluntary Development Incentives

Residential developers are offered zoning or land use incentives in exchange for including some affordable units in their development (commonly 5%-20% of units are must be affordable in order to obtain incentives). Participation is optional.

Linkage (Impact) Fees

Commercial and/or residential linkage fees based on a "rational nexus" between new development and the demand for affordable housing created by such development.

Requirements (Inclusionary Zoning/Housing)

Residential developers are required to include some affordable units (5%-20%) in their development or pay a fee in lieu of building affordable units. Can be combined with incentives or offsets, but program participation is not optional.

Erie adopted fast track permitting in July 2023.

How Inclusionary Housing Works

Market and Policy Conditions

Roots Policy

Inclusionary is a **“market-driven” program**—it leverages new development to create affordable units that meet the community’s needs.

Without the creation of new market-rate housing, the inclusionary program won’t create any new affordable units.

The policy doesn’t have to yield a neutral impact on developer proformas, but the magnitude of the impact should be manageable. A feasibility analysis can help communities balance policy goals and the impact to development and market dynamics.



Effect on development costs?

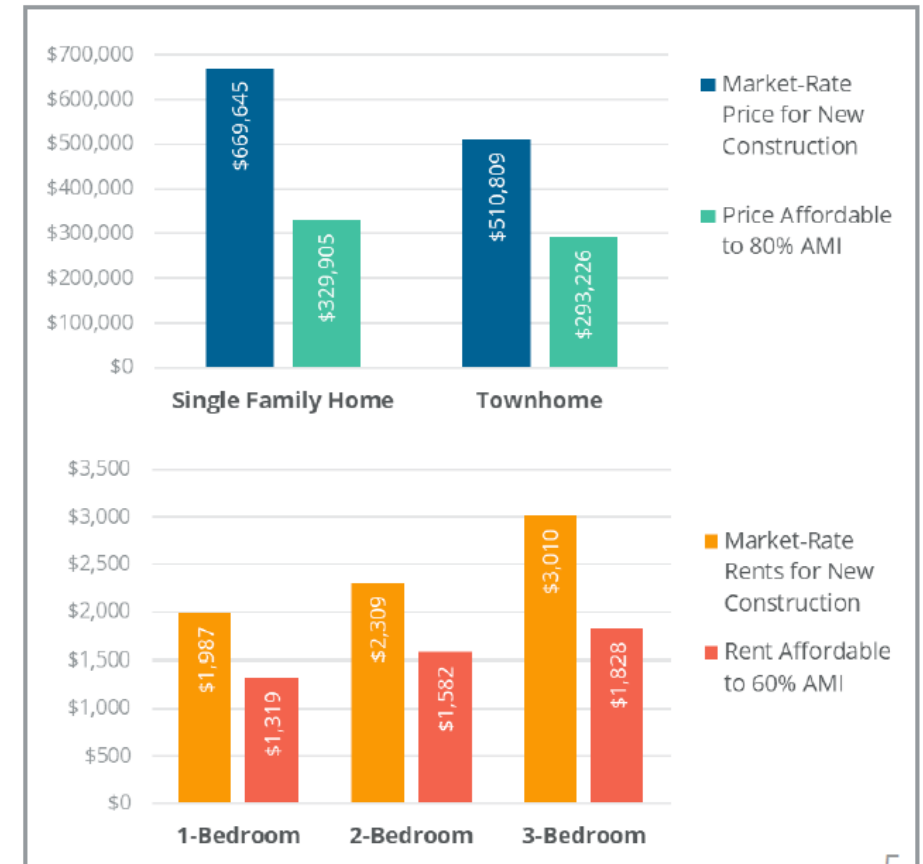
How are individual projects impacted?

Roots Policy

- How does IZ hit the proforma?

When developers build the affordable units, development costs are roughly the same, but project revenue goes down on the set-aside affordable units, which rent or sell below market prices.

When paying the in lieu, development costs go up (as does debt service on the project).



Will this affect new housing production?

How do markets adjust?

Roots Policy

- Does IZ produce affordable units?

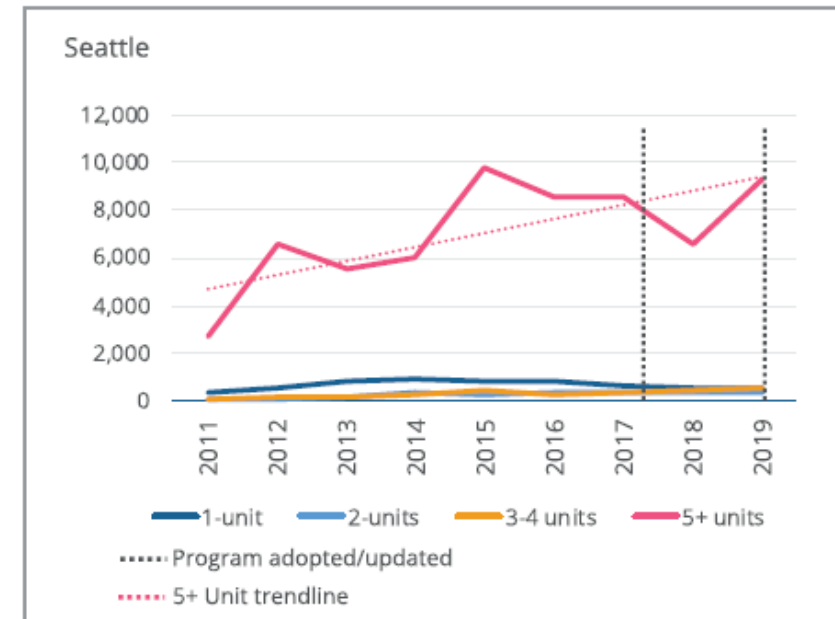
Yes, if the ordinance is structured to promote unit production direction; **if the community has a moderate volume of development**; and if the inclusionary requirement is reasonable.

- Does IZ increase housing costs?

It depends. In many cases there is no cost increases at all; in some cases, IZ has been shown to raise market prices by up to 3% (less than a typical annual rent increase). Other market factors (low supply, high material and labor costs, investor-driven returns) have a much greater impact on prices than an inclusionary policy.

- Does IZ slow housing production?

The timing of implementation can impact the flow of projects in the short-term but studies find no long-term impacts on supply.



Inclusionary Housing in the Region

Community	Project Minimum	Ownership Affordability (% of units)	Ownership AMI	Rental Affordability (% of units)	Rental AMI	Fee in Lieu
Boulder	n/a	25%	80% below 80% AMI; 20% below 120%	25%	80% below 60% AMI; 20% below 80% AMI	\$50,000-301,000
Superior	10	15%	below 80% AMI	15%	below 80% AMI	TBD
Louisville	n/a	12%	50% below 60% AMI; 50% at 60-80% AMI	12%	50% below 60% AMI; 50% 60-80% AMI	Ownership \$9.24 sq/ft; rental \$4.72 sq/ft
Longmont	2	12%	below 80% AMI	12%	below 50% AMI	Ownership \$13.50 sq/ft; rental \$5.93 sq/ft
Broomfield	Ownership 25; Rental 3	10%	below 80% AMI	20%	below 60% AMI	\$25,000-50,000/unit
Erie (draft)	8	15%	75% below 120% AMI; 25% below 100% AMI	15%	75% below 80% AMI; 25% below 60% AMI	TBD

Inclusionary Housing

- 15% of units affordable
 - Applies to developments of 8+ units
 - Options to:
 - Build on site; or
 - Dedication of land; or
 - Payment of fee-in-lieu; or
 - Combination of above.



Homeownership Housing

- Affordable Homeownership (15 % of units)
 - 75% of homes affordable to 120% AMI (up to \$175,200 (household of 4)
 - 25% of homes affordable to 100% AMI (up to \$146,000 (household of 4)
 - Income eligibility determined at time of purchase
 - Annual certification of owner-occupancy
 - Perpetual deed restriction
 - Allowable limited appreciation and capital improvements

Rental Housing

- Affordable Rental (15% of total units)
 - 75% of apartments affordable to 80% AMI (below \$116,800 for a household of 4)
 - 25% affordable to 60% AMI (below \$87,600 for a household of 4)
 - Income eligibility determined at lease up and certified annually thereafter
 - Annual monitoring/compliance – City of Boulder IGA
 - Perpetual deed restriction

Feedback from Development Community

- Resources needed to increase affordable housing should come from broader resources, not just new residential development
- Consider including commercial development to help share the cost of supporting affordable housing
- Give developers flexibility on how to meet requirements (developer's choice among options).
- Use care on setting % and fees – could have chilling effect on the market if not tuned to market conditions;

Feedback from Development Community

- Appreciate the use of the Boulder County numbers for affordability measure.
- Create incentives to support on site affordable housing units (ie fees waivers/rebates)
- Be clear on timeline of when it goes into effect – give development community chance to build it into their pro formas.
- Fee-in-lieu option can reduce the risk for the developer.
- Inclusionary housing might make it more difficult to serve the “attainable” sector of the market.

Feedback from Development Community

- Fee-in-lieu option gives the Town greater :
 - Say in what type of affordable housing gets developed
 - Influence on where the affordable housing is located
 - Ability to leverage other public resources which could yield more units than on site requirements
 - Ability to create public/private partnerships with developers who know how to manage affordable housing development and compliance

Affordable Housing Impact Fee

- Apply to housing units already entitled by 12/31/2024; or have complete first submittals received by 12/31/2024
- Also apply to small developments (less than 8 units) exempt from inclusionary housing requirements
- Apply to non-residential development ?
- Fees calculated on square footage basis
- Collected at issuance of building permit
- All revenue dedicated to support affordable housing incentives

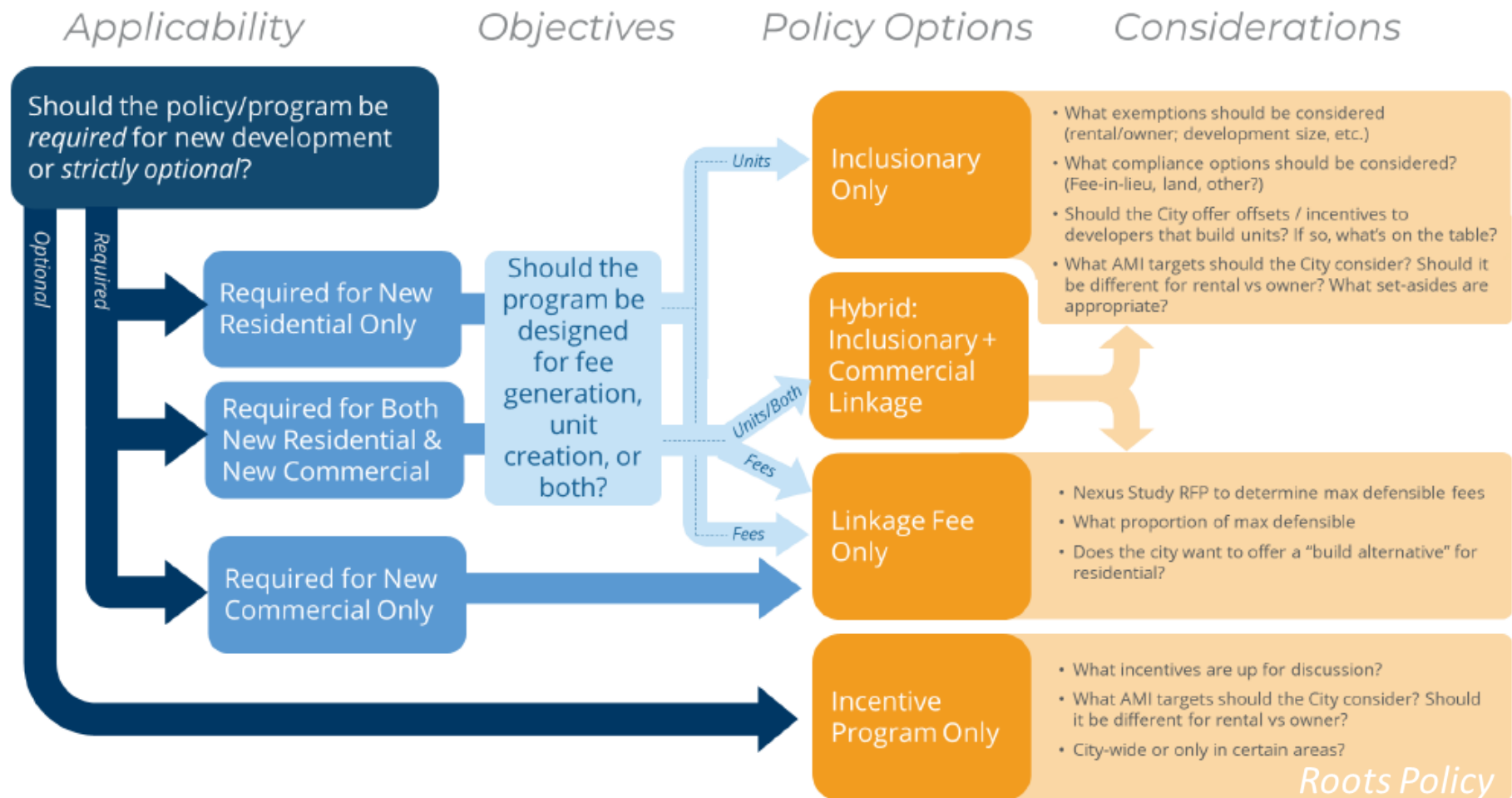


Why both Inclusionary Housing and Affordable Housing Impact Fee?

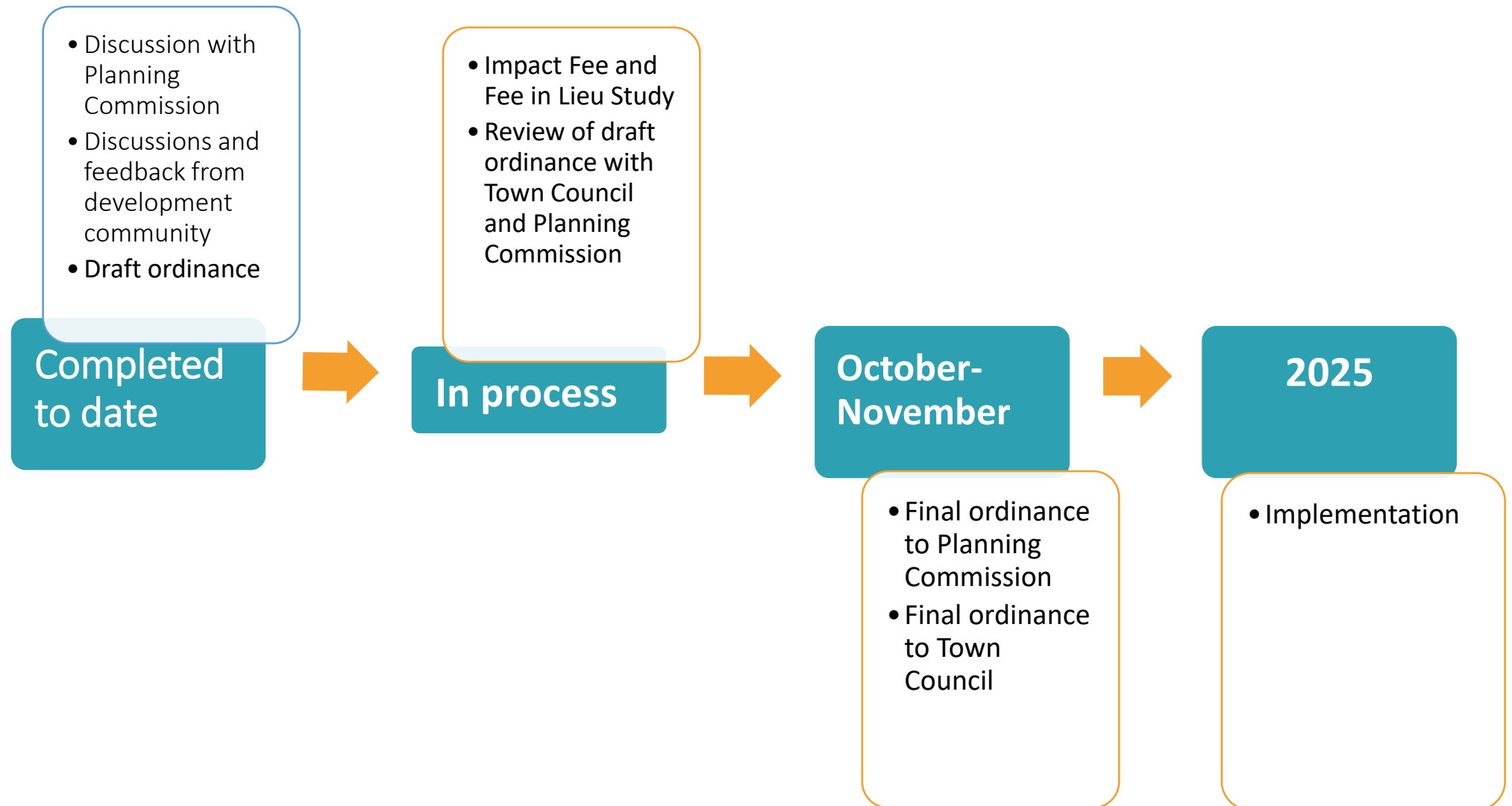
- What about commercial development?
 - also has an impact on the need for affordable housing
 - policy decision for Town that may also affect economic development goals
- Generate a dedicated revenue stream to help the Town achieve affordable housing goals
 - All fee in lieu and affordable housing impact fees will be dedicated to support affordable housing.

Options

Inclusionary/Linkage Policy Options



Flowchart/Project Timeline



Questions & Discussion

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