

# Inclusionary Housing and Affordable Housing Impact Fees

## **Town Council**

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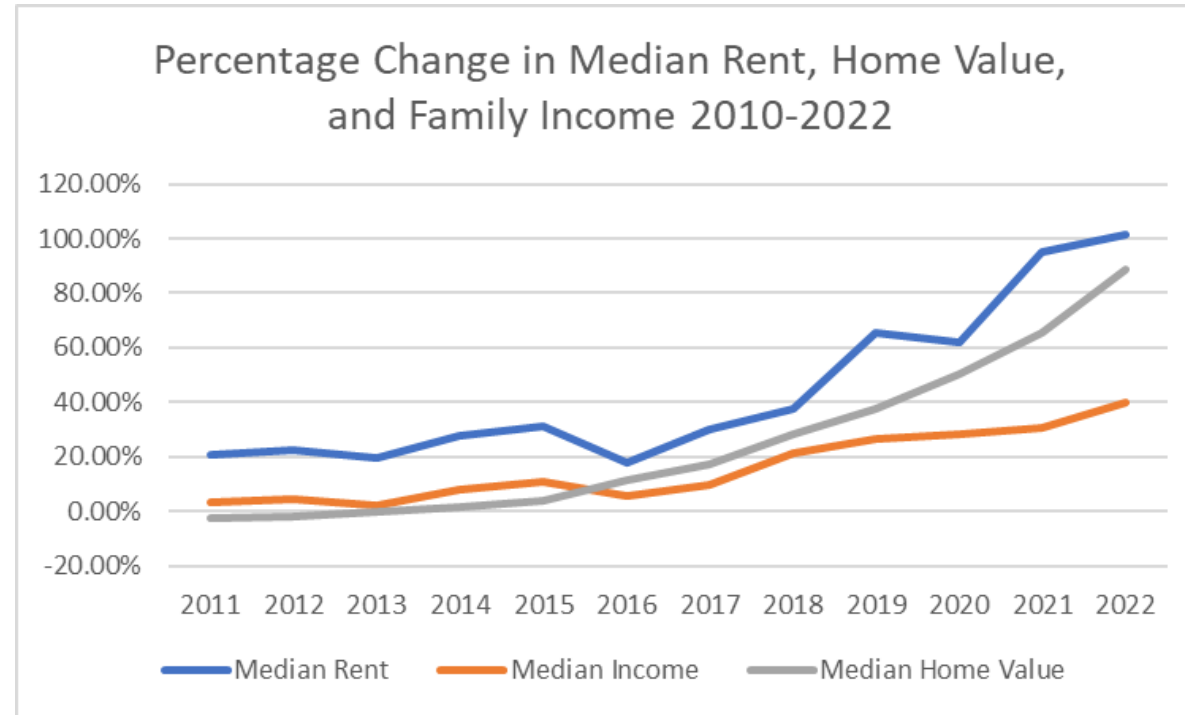
July 23, 2024



# 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%

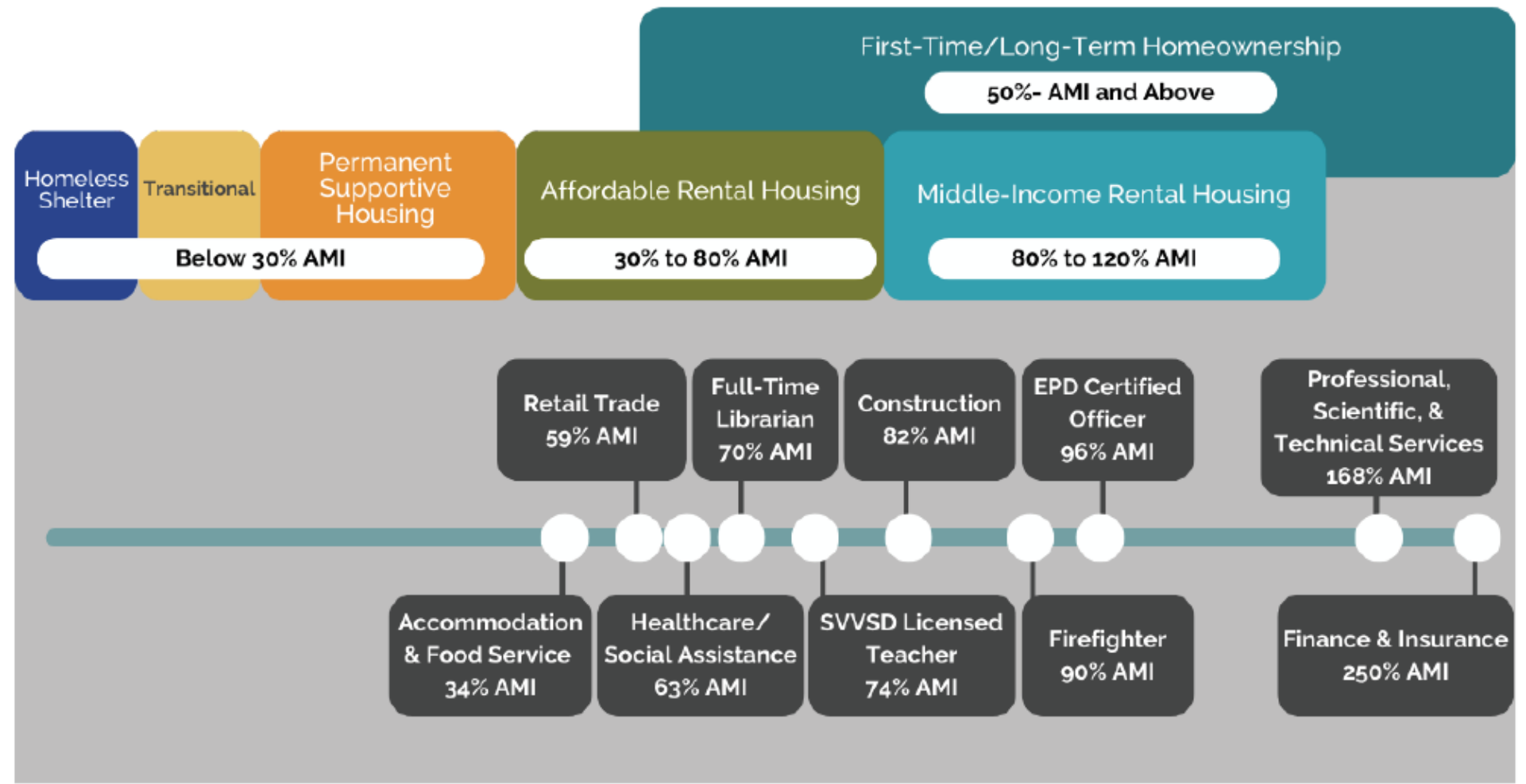
# Area Median Income (AMI) Levels

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	<b>\$116,800</b>	\$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	<b>\$175,200</b>	\$189,240	



# Workforce Housing Opportunity Gap

## Employment Wages in Erie, Colorado

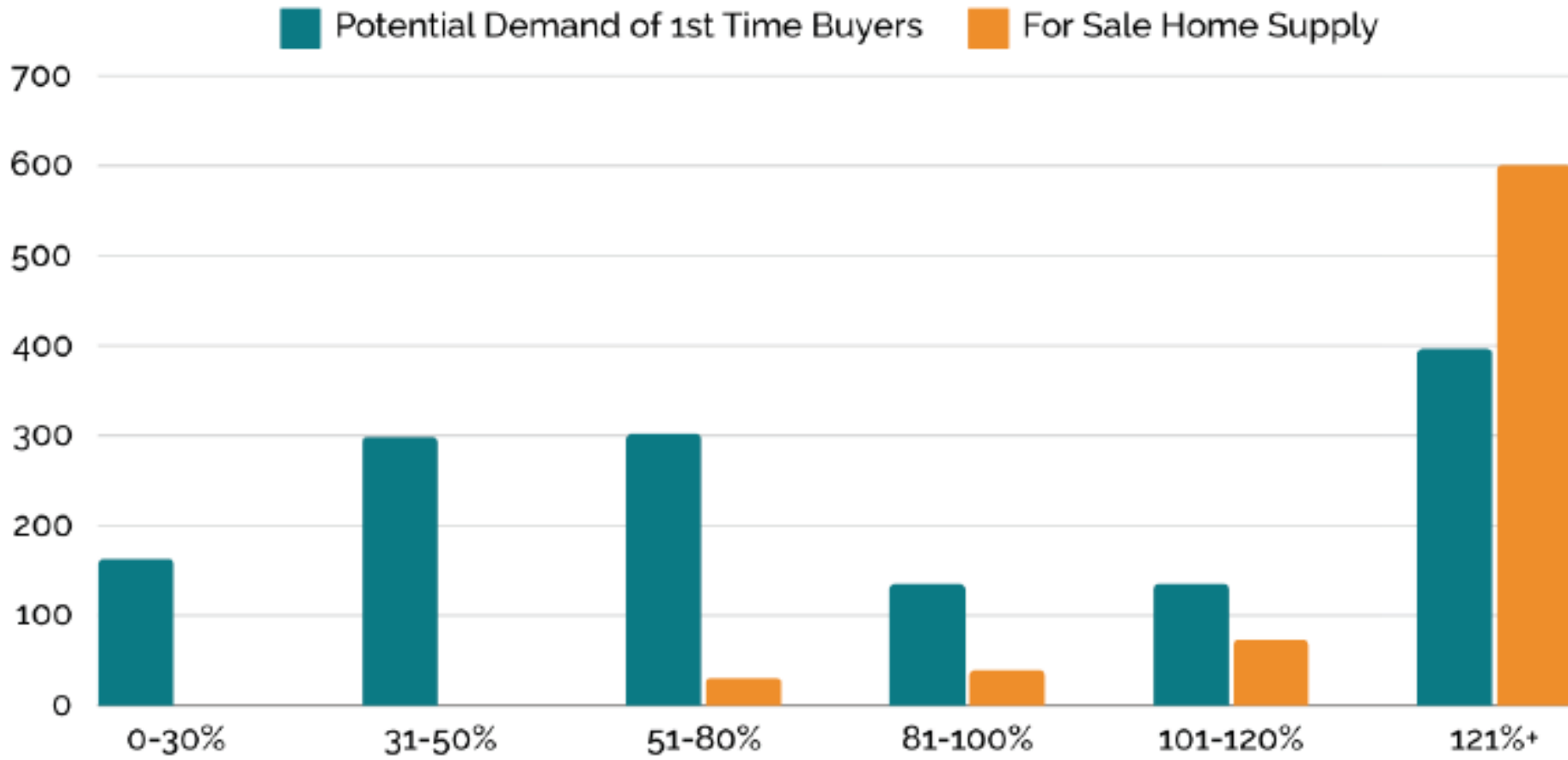


Sources: Colorado Housing and Finance Authority, The Housing Continuum White Paper, April 2024; Economic & Planning Systems, Inc.; High Plains Library District - Jobs; St. Vrain Valley Schools Salary Schedule; Mountain View Fire Rescue - Entry Level Firefighter Positions; Erie Police Department - Pay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



# Homeownership Opportunity Gap

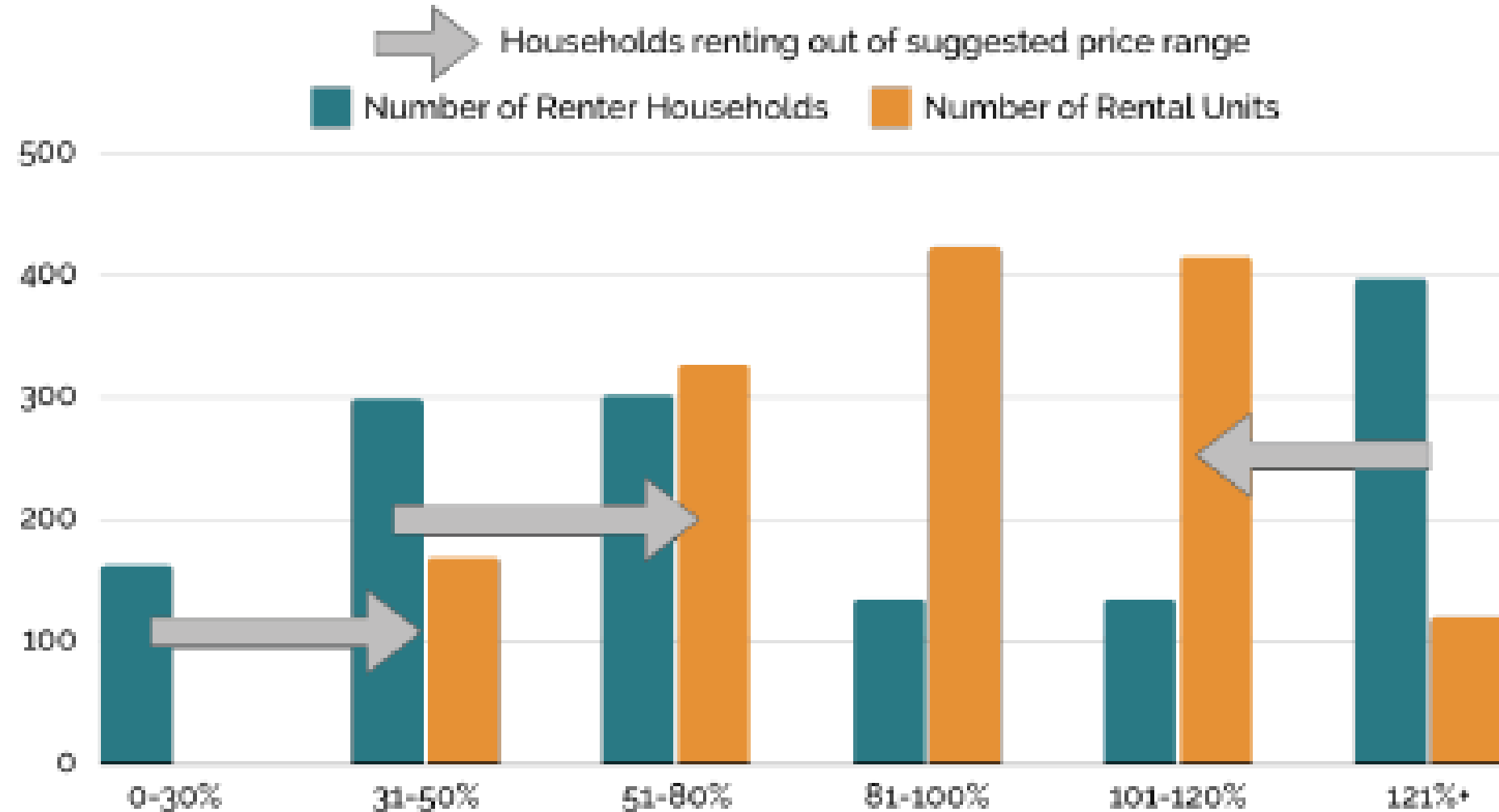
## Erie For-Sale Ownership Gaps, 2022



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*

Erie adopted fast track permitting in July 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.

# 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?

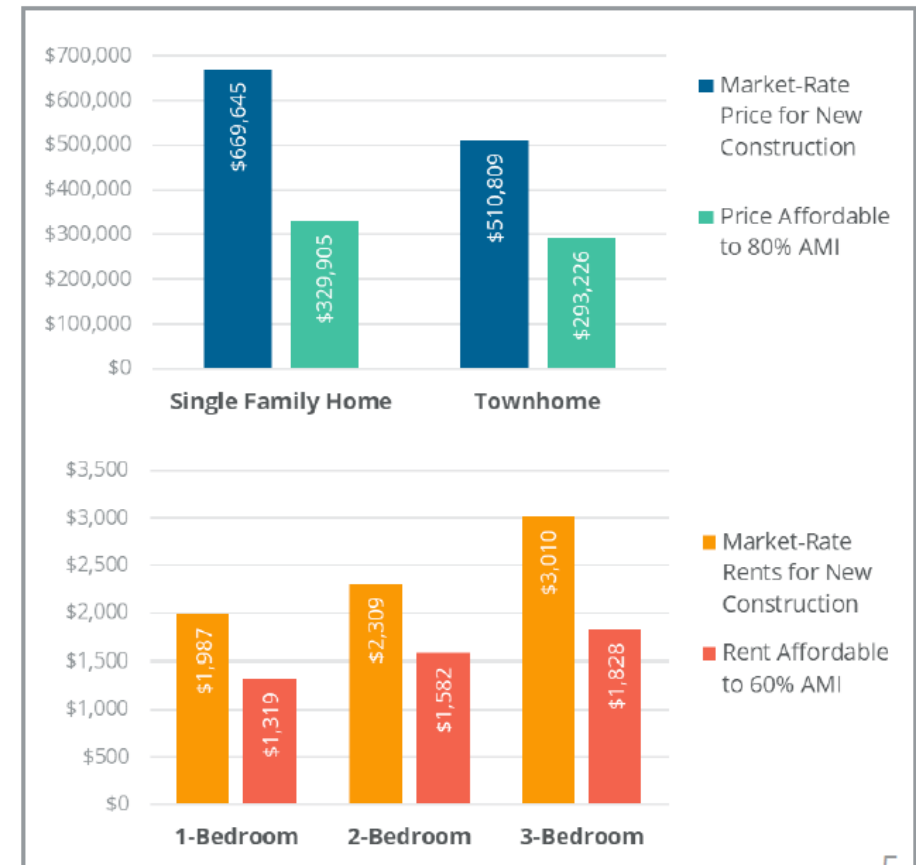
## *How are individual projects impacted?*

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?

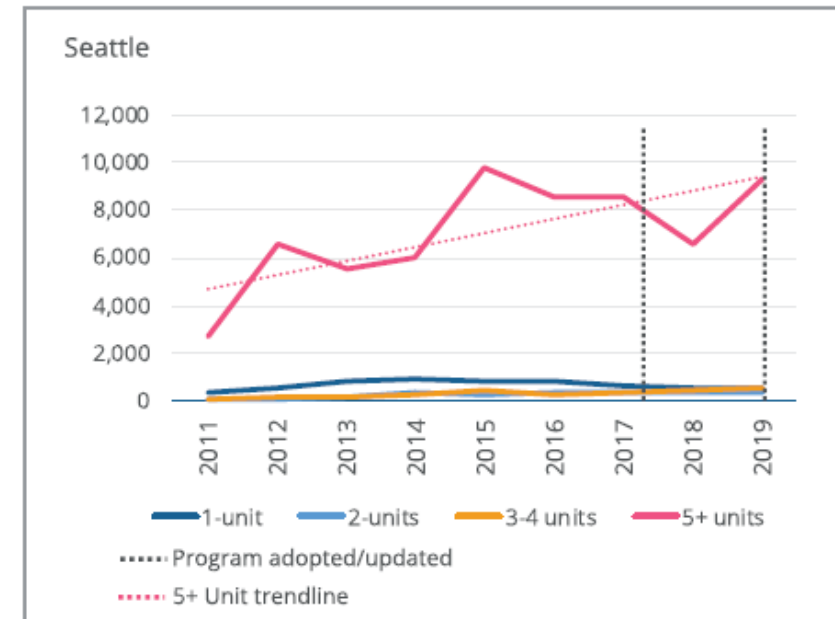
Yes, if the ordinance is structured to promote unit production direction; **if the community has a moderate volume of development**; and if the inclusionary requirement is reasonable.

- 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
<b>Erie (draft)</b>	<b>8</b>	<b>15%</b>	<b>75% below 120% AMI; 25% below 100% AMI</b>	<b>15%</b>	<b>75% below 80% AMI; 25% below 60% AMI</b>	<b>TBD</b>



# 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





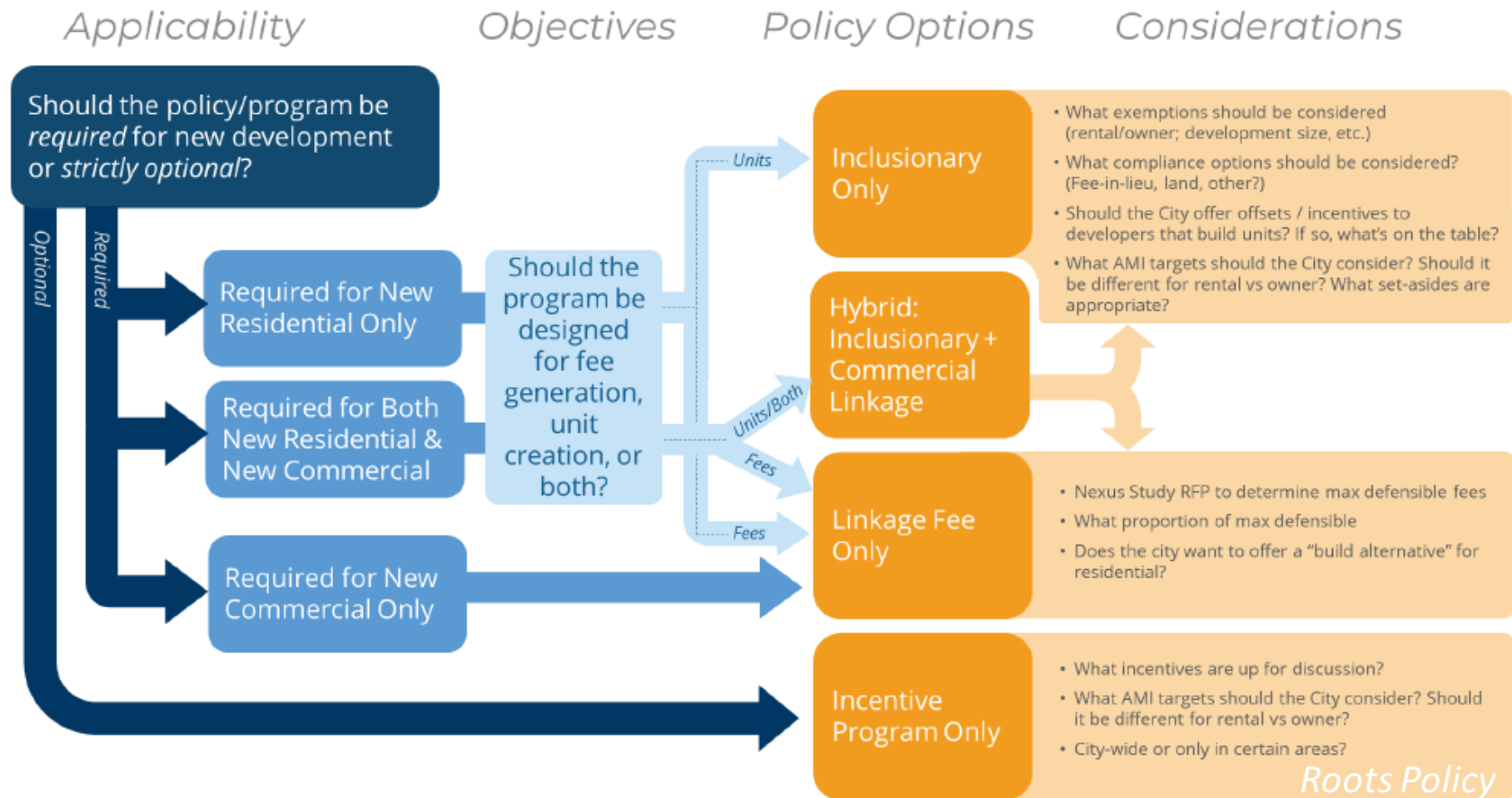


# Why both Inclusionary Housing and Affordable Housing Impact Fee?

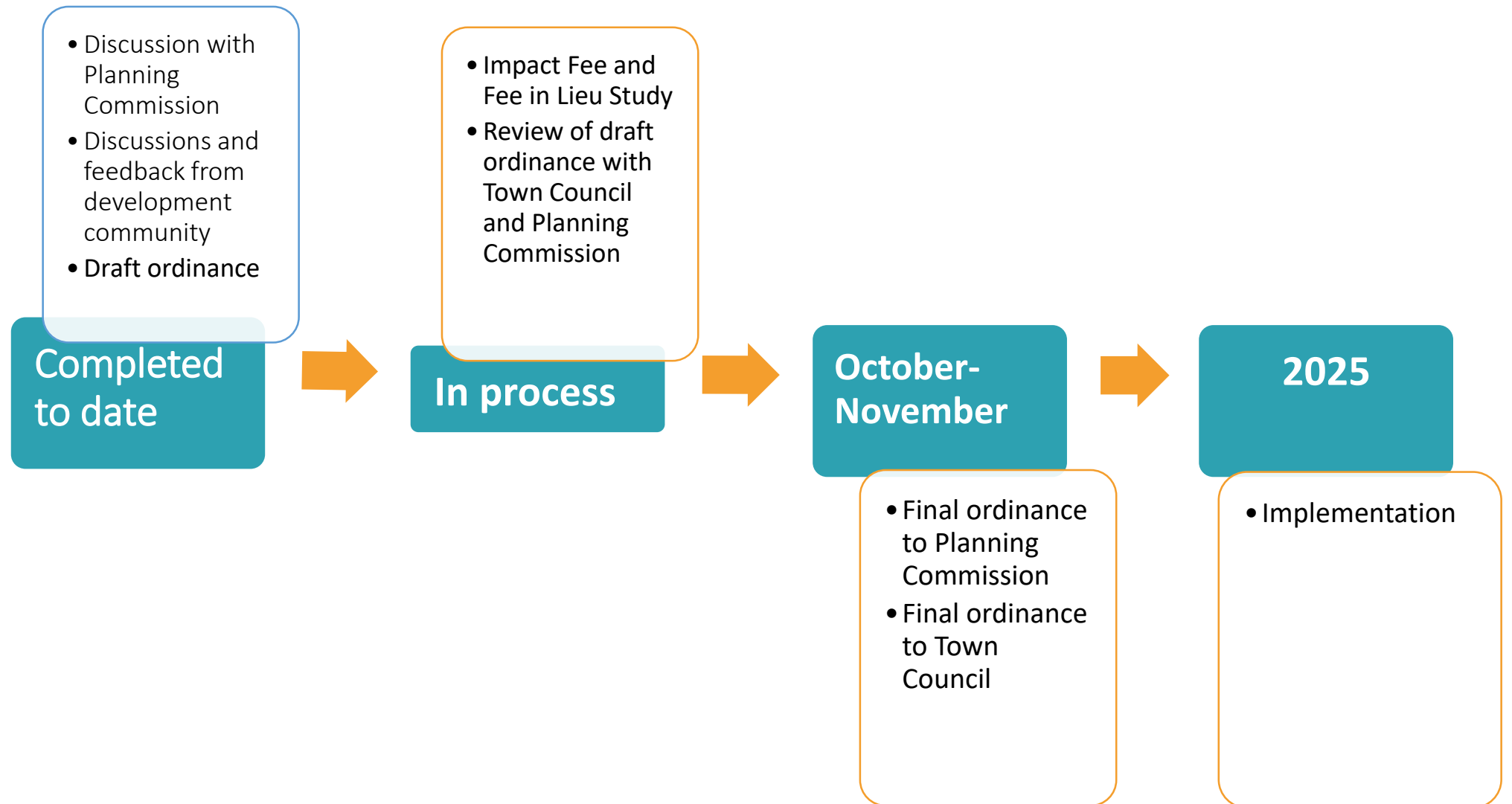
- What about commercial development?
  - also has an impact on the need for affordable housing
  - policy decision for Town that may also affect economic development goals
- Generate a dedicated revenue stream to help the Town achieve affordable housing goals
  - All fee in lieu and affordable housing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

# Options

## Inclusionary/Linkage Policy Options



# Flowchart/Project Timeline



# Questions & Discussion

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