



Housing Working Group

OCTOBER 24, 2022

Today's Meeting

- Strategy Discussion
 - Inclusionary Zoning
- Housing Developer Round Table Discussion
- Working Group Review and Strategy Support
- Working Group Messaging



Thanks for being here!

October Strategy

INCLUSIONARY ZONING, ROUND 2.5

Inclusionary Housing/ Zoning:

City ordinance outlining guidelines, requirements, and/or incentives for developers to build income-restricted housing units.

Inclusionary

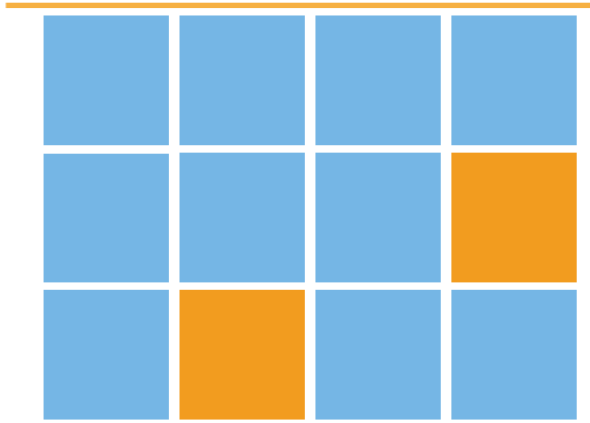


3 Story Base

■ affordable unit



Incentive



3 Story Base

■ affordable unit

What is feasibility? Why is it important?

Applies to both IZ and Incentive based systems

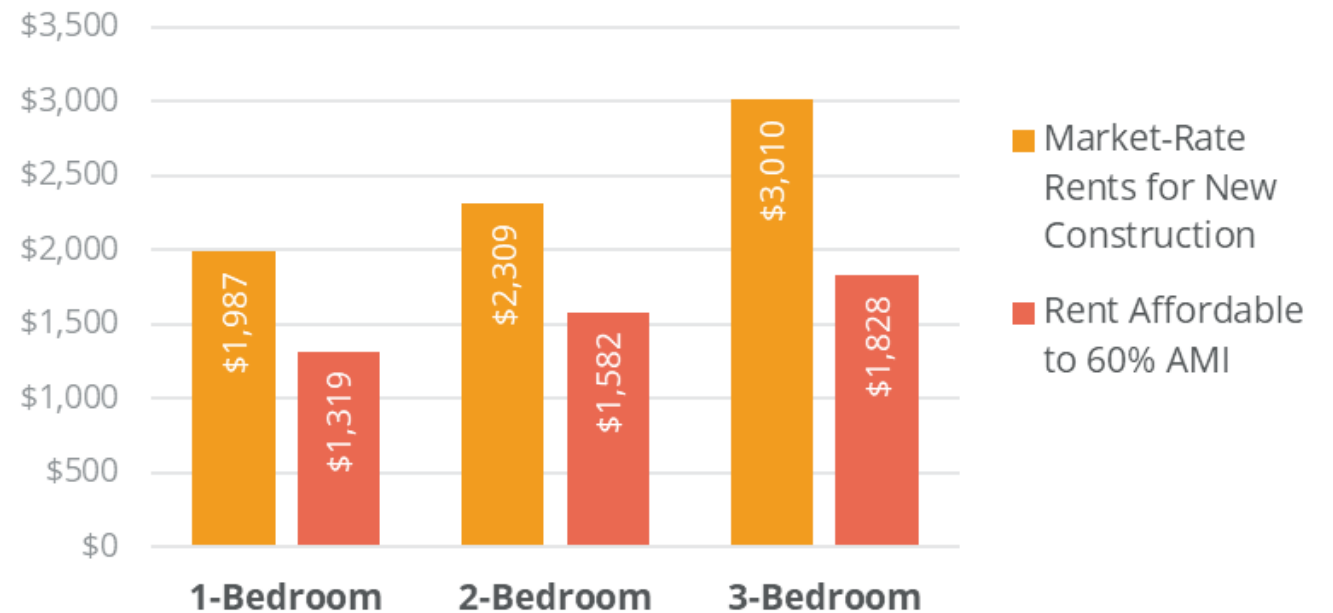
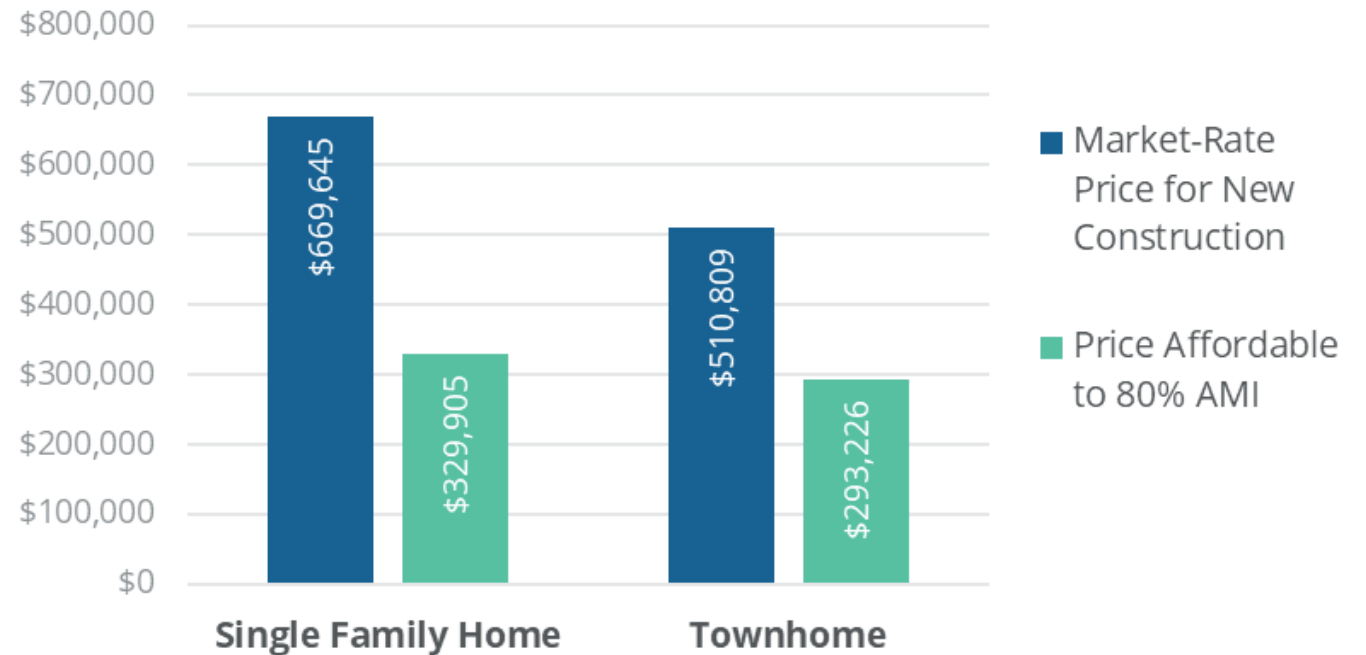
Uses real estate proformas to determine changes in financial viability of development projects with IZ requirements and/or incentive packages

These are “**market-driven**” programs—it leverages new development to create affordable units that meet the community’s needs. Without the creation of new market-rate housing, the inclusionary/incentive programs won’t create any new affordable units.



How does IZ impact development?

- Development cost
- Operating Revenue (or sale revenue)
- Role of incentives



Current Zoning Conditions

	Single-Family Detached (RU)	Duplex (RU)	Single-Family Attached (Townhouse) (RU)	Multifamily (CG)
Minimum Lot Size	4,000 sf	4,050 sf per dwelling unit	2,600 sf	22,500 per building 1,800 per dwelling unit
Minimum Area of Parcel Proposed for Development	1 acre	1 acre	1 acre	3 acres
Minimum Open Space Requirement	10%	10%	10%	10%
Maximum Density	4.9 units/acre	11.6 units/acre	11.6 units/acre	30 units per acre
Maximum Building Height	30 ft	30 ft	35 ft	50 ft <u>multifamily</u> 30 <u>multiplex</u>
Maximum Building Coverage Ratio	50%	47%	60%	25%
Minimum Off-Street Parking Requirements	2 spaces per dwelling unit	2 spaces per dwelling unit + 1 guest space per 4 dwelling units	2 spaces per dwelling unit + 1 guest space per 4 dwelling units	1.5 spaces per studio or 1 bedroom dwelling unit + 2 spaces per 2 or 3 bedroom dwelling unit + 2.5 spaces per 4 bedroom dwelling unit + 1 guest space per 4 dwelling units

Current Zoning Conditions

	Single-Family Detached (RU)	Duplex (RU)	Single-Family Attached (Townhouse) (RU)	Multifamily (CG)
Minimum Lot Size	4,000 sf	4,050 sf per dwelling unit	2,600 sf	22,500 per building 1,800 per dwelling unit
Minimum Area of Parcel Proposed for Development			1 acre	3 acres
Minimum Open Space Requirement	10%			10%
Maximum Density	4.9 units/acre		11.6 units/acre	30 units per acre
Maximum Building Height	30 ft	30 ft	35 ft	50 ft <u>multifamily</u> 30 <u>multiplex</u>
Maximum Building Coverage Ratio	50%	47%	60%	25%
Minimum Off-Street Parking Requirements	2 spaces per dwelling unit	2 spaces per dwelling unit + 1 guest space per 4 dwelling units	2 spaces per dwelling unit + 1 guest space per 4 dwelling units	1.5 spaces per studio or 1 bedroom dwelling unit + 1 space per 2 or 3 bedroom dwelling unit + 2.5 spaces per 4 bedroom dwelling unit + 1 guest space per 4 dwelling units

Base Case Proforma

Next Steps:

Adjust base case to include affordability requirements with and without incentives. Compare returns on base case to inclusionary.

- Modest declines in returns can be absorbed by a project and still maintain financial feasibility; however substantial declines could result in the relocation of a proposed project to a different jurisdiction.
- Improved returns suggest the benefit of the incentive package outweighs the cost of the affordability set-aside.

	Single Family	Townhome	3-Story Multifamily
Base Zoning Standards			
Minimum lot size (per unit)	4,000	2,600	1,800
DU/Acre	4.9	11.6	30.0
Max height	30 ft	35 ft	50 ft
Max building coverage ratio	50%	60%	25%
Parking per unit	2.00	2.25	2.25
Site and Prototype Characteristics			
Parcel Size (acres)	4.20	1.75	3.00
Lot size per unit (SF)	9,148	3,812	1,815
Total Units	20	20	72
Avg SF per unit	2,450	1,800	1,050
DU/Acre calculation from lot size	4.76	11.43	24.00
Parking type	2-car garage	1-car garage	surface
Parking ratio	2	2.5	2.25
Development Costs			
Land Costs	\$2,900,000	\$1,900,000	\$3,960,000
Hard Costs	\$7,900,000	\$6,500,000	\$15,570,000
Soft Costs	\$1,422,000	\$1,170,000	\$2,736,000
Total Development Cost	\$12,222,000	\$9,570,000	\$22,266,000
<i>Total Development Cost per Unit</i>	<i>\$611,100</i>	<i>\$478,500</i>	<i>\$309,250</i>
Revenues and Operating Expenses			
Sales Revenue	\$14,100,000	\$10,900,000	
Sale Price Market Rate (per unit)	\$705,000	\$545,000	
Annual Rental Revenue			\$1,887,840
Market-Rate Rent (per unit /mo)			\$2,300
Vacancy Rate			5%
Operating/Sales Expenses			
Cost of sale/marketing (2% of revenue)	\$282,000	\$218,000	
Annual operating cost			\$576,000
Valuation Detail			
Net Sale Value or Net Op Income (NOI)	\$13,818,000	\$10,682,000	\$1,311,840
Return on Cost	13.1%	11.6%	5.89%

IZ Feasibility Analysis

- Tested both a **5% set-aside** and a **10% set-aside**; both use **60% AMI** as the max affordable rental target and **80% AMI** as the max affordable for-sale target.
- Potential **incentives** (tested collectively):
 - Fee rebate (\$2,500 per affordable unit);
 - A 25% density bonus on single-family and townhome prototypes, measured as an increase in the allowed DU/A;
 - Parking reductions (down to 1.5 spaces per unit) for MF rental; and
 - Height bonus applied to the 3-story multifamily rental, resulting in a 5-story prototype and a 7-story prototype.

Note: height bonuses result in different construction approaches, including structured parking and, for the 7-story, a change from wood to steel construction.

For-Sale Prototypes

As expected, IZ with no incentives results in marginal declines in the return metrics, compared to the base case scenarios.

However, when incentives are paired with the potential inclusionary requirements, they fully offset the cost of the affordable units under the 10% set-aside and improve net returns under the 5% set-aside.

	Net Sale Value or NOI	Return on Cost
Single Family		
Base Case (no IZ)	\$13,818,000	13.06%
Inclusionary: 5% of units at 80% AMI		
No Incentives	\$13,486,151	10.34%
Density Bonus & Fee Rebate	\$16,857,689	15.87%
Inclusionary: 10% of units at 80% AMI		
No Incentives	\$13,154,302	7.63%
Density Bonus & Fee Rebate	\$16,442,878	13.04%
Townhome		
Base Case (no IZ)	\$10,682,000	11.62%
Inclusionary: 5% of units at 80% AMI		
No Incentives	\$10,471,207	9.42%
Density Bonus & Fee Rebate	\$13,089,008	13.97%
Inclusionary: 10% of units at 80% AMI		
No Incentives	\$10,260,413	7.21%
Density Bonus & Fee Rebate	\$12,825,517	11.71%

Rental (MF) Prototypes

Parking reduction and fee rebate help offset IZ, but still result in slight decreases to ROC relative to the base case.

Height bonuses improve NOI (despite slightly lower ROC) and also provide a solution to by-right zoning for higher structures without the need for a PUD process.

	Net Sale Value or NOI	Return on Cost
3-Story Multifamily		
Base Case (no IZ)	\$1,311,840	5.89%
Inclusionary: 5% of units at 60% AMI		
No Incentives	\$1,282,373	5.76%
Parking Reduction & Fee Rebate	\$1,282,373	5.83%
5-Story Height Bonus (no other incentives)	\$4,759,445	5.23%
5-Story Height Bonus, Parking Reduction, & Fee Rebate	\$3,079,641	5.43%
7-Story Height Bonus (no other incentives)	\$6,364,698	5.18%
7-Story Height Bonus, Parking Reduction, & Fee Rebate	\$3,231,308	5.30%
Inclusionary: 10% of units at 60% AMI		
No Incentives	\$1,252,907	5.63%
Parking Reduction & Fee Rebate	\$1,252,907	5.70%
5-Story Height Bonus (no other incentives)	\$4,636,915	5.09%
5-Story Height Bonus, Parking Reduction, & Fee Rebate	\$3,000,357	5.29%
7-Story Height Bonus (no other incentives)	\$6,192,809	5.04%
7-Story Height Bonus, Parking Reduction, & Fee Rebate	\$3,144,042	5.16%

Summary of Findings

- A 5% inclusionary set-aside is almost fully offset by the proposed incentives under all prototypes. Without incentives, a 5% set-aside has only a modest impact on returns.
- A 10% set-aside is offset by incentives only on the for-sale prototypes and has a more substantive impact on returns than the 5% set-aside when imposed without incentives.
- Multifamily height bonuses improve NOI (despite slightly lower return on cost percentages) and also provide a solution to by-right zoning for higher structures without the need for a PUD process.
- Since most multifamily developers use PUDs as opposed to by-right zoning, any inclusionary policy should automatically apply to all PUD developments as a matter of course.

Based on the results of the analysis, Root does recommend the City consider an inclusionary housing policy paired with incentives. Determination of a potential inclusionary structure should balance the feasibility results with the City's housing goals and other strategies being considered by the City.

Inclusionary Zoning & Current LDC Constraints

- Current LDC allows a customizable approach to building residential units where standard base zone district standards are not applied and standards (e.g., setbacks, parking, or density) are tailored to the project.
- Development incentives must be tied to a base standard.
- Options:
 - IZ as a stand-alone, mandatory requirement with no associated incentives (since those incentives may already be possible through the custom approach)
 - Update the LDC to move away from custom approach for residential projects and use base zone districts so that there are standards to incentivize from.
 - Update the LDC to prohibit the types of adjustments tied to IZ incentives (density, open space, parking) from occurring as part of the custom approach. This would also require a new procedure for affordable residential projects.

Developer Survey Results



- Affordable Housing Developer Preferences
 - Administrative approval, with no or very limited front-end negotiation
 - Make it easy to do small units on small lots
 - Reduce project costs
 - Participation in project funding
 - Assistance with land costs
 - Fee reductions
 - Staff affordable housing expert to trouble shoot
 - Market Rate Developer Preferences
 - Smaller lots/smaller units
 - Density bonus
 - Reduced parking
- Note: Summary pg. 5, Denver does have a cash-in-lieu option.

WG Developer Discussion

- George Thorn, Mile High Development, gthorn@milehighdevelopment.com
- Jo Davidson, Community Housing Development Association, jodavidson@community-housing.org
- John Kilrow, Shea Properties, john.kilrow@sheaproperties.com
- Jordan Connett, doing the Landing at Lima live/work units in Centennial, jordan@connettre.com

Centennial Housing Strategies Report Outline

1. Introduction

- A. About the Process
- B. Community Housing Needs Assessment
- C. DOLA/City Strategies
- D. Community Engagement Summary

2. Strategies

- A. Summary Table
- B. Recommended/Not Recommended
- C. Recommended Short-term/Long-term

3. Next Steps

(based on approach to Section 2)

4. Appendices


















- A. Summary of Public Comments
- B. Supplemental Information

DOLA Strategy Feedback Summary

Innovative Housing Strategies Support

Strategy	Working Group Feedback	Community Feedback
Remove Procedural Barriers and Reduce Costs (Land Development Code Administration)		
Expedited development review for affordable housing	Support , short-term fix (2023)	Mixed
Expedited development review for converting underutilized commercial/office property to housing	Support , mid-term fix (2-3 years)	Mixed
Subsidize or reduce development fees for affordable housing	Support , mid-term fix (2-3 years)	Support , for City fees only
New Allowances and Requirements (Land Development Code Regulations)		
Establish a density bonus program	Support , short-term fix (2023)	Mixed
Implement an inclusionary zoning policy		Support
Authorize Accessory Dwelling Units (ADUs)	Support , short-term fix (2023)	Support
Funding Mechanisms (City Budget, Partner Agencies, Potential New Function)		
Create a land donation or land banking program	Support , mid-term fix (2-3 years)	Support
Incentivize current landlords to lower prices of existing units	Do not support , prefer alternative approach	Support
Establish a dedicated funding source to subsidize infrastructure costs	Do not support , prefer alternative approach	Mixed

INNOVATIVE HOUSING STRATEGIES SUPPORT

	1 Remove Procedural Barriers and Reduce Costs (Land Development Code Administration)			2 New Allowances and Requirements (Land Development Code Regulations)			3 Funding Mechanisms (City Budget, Partner Agencies, Potential New Function)		
STRATEGY	Expedited development review for affordable housing	Expedited development review for converting underutilized commercial/office property to housing	Subsidize or reduce development fees for affordable housing	Establish a density bonus program	Implement an inclusionary zoning policy	Authorize Accessory Dwelling Units (ADUs)	Create a land donation or land banking program	Incentivize current landlords to lower prices of existing units	Establish a dedicated funding source to subsidize infrastructure costs
WORKING GROUP SUPPORT	 <u>Support</u> short-term fix (2023)	 <u>Support</u> mid-term fix (2-3 years)	 <u>Support</u> mid-term fix (2-3 years)	 <u>Support</u> short-term fix (2023)	--	 <u>Support</u> mid-term fix (2-3 years)	 <u>Support</u> mid-term fix (2-3 years)	 <u>Does not support</u> prefer alternative approach	 <u>Does not support</u> prefer alternative approach
COMMUNITY SUPPORT	<u>Mixed</u> 	<u>Mixed</u> 	<u>Support</u> for City fees only 	<u>Mixed</u> 	<u>Support</u> 	<u>Support</u> 	<u>Support</u> 	<u>Support</u> 	<u>Mixed</u> 

Recent and Upcoming Outreach

- **October 4:** Housing Workshop #3 – Newton Middle School
- **October 22:** Whiskey Warmer – Centennial Center Park
- Working Group meeting schedule – next slide
- Keep an eye on the project website for updates: centennialco.gov/housing





Working Group Next Steps

- November 7 (Monday)
 - Finalize Summary Report
- December 5 (Monday)
 - WG presentation to City Council
 - City Council will prioritize top 4 strategies
- December 7 (Wednesday, special meeting date)
 - WG presentation to Planning & Zoning Commission
 - P&Z will review and make recommendations on strategies

Project Messaging

- What are the groups key takeaways from today?
- Is there anything you would like to share?



Thank you for your time & input!

NEXT WORKING GROUP MEETING: NOVEMBER 7