# *Legislation*

- BL2016-133- establishes Inclusionary Housing program with any rezoning
- BL2016-134- addresses other bonuses and processes
- Grant Program
- Dedicated funding included in budget
- If needed, an ordinance to expand the role of the Housing Trust Fund Commission

# *BL2016-133*

Incentivize Inclusionary Housing with any additional development entitlements requested through the rezoning process.

# *Exceptions*

- Less than five residential units
  - includes developments on adjoining sites under common control developed within five years of each other
- Development in already affordable areas.

# *Proposed set aside*

*Based on housing grant or $20,000 (UZO/collectors)/$10,000 (outside UZO)*

| | Rental at 60% AMI | Rental at 80% AMI | Rental at 100% AMI (available in the UZO only) | For-sale at 80% AMI | For-sale at 100% AMI (available in the UZO only) |
|---|---|---|---|---|---|
| Single-family, Two-family, and Multi-family uses less than 3 stories | 20% of total residential floor area | 30% of total residential floor area | n/a | 20% of total residential floor area | 30% of total residential floor area |
| Multifamily uses (3 to 6 stories) | 15% of total residential floor area | 25% of total residential floor area | 35% of total residential floor area | 15% of total residential floor area | 25% of total residential floor area |
| Multifamily uses (≥ 7 stories) | 10% of total residential floor area | 20% of total residential floor area | 30% of total residential floor area | 10% of total residential floor area | 20% of total residential floor area |
| The Metropolitan Housing Trust Fund Commission may approve a mixture of AMI levels, provided the mixture is equivalent to the set asides above. The equivalency of the mixture of AMI levels and the approval shall be documented in the Inclusionary Housing Plan. | | | | | |

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# *Proposed set aside*

- The for sale set aside is applied to the total floor area of the development.
- Even with lowered set aside percentages, the sensitivity analysis shows that projects are still not feasible.
- Prior to final report, EPS will determine whether set asides applied only to additional floor area requested would make the project feasible.

# *Examples*

| | Rental at 60% AMI | Rental at 80% AMI | Rental at 100% AMI (available in the UZO only) | For-sale at 80% AMI | For-sale at 100% AMI (available in the UZO only) |
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| The Metropolitan Housing Trust Fund Commission may approve a mixture of AMI levels, provided the mixture is equivalent to the set asides above. The equivalency of the mixture of AMI levels and the approval shall be documented in the Inclusionary Housing Plan. | | | | | |

- If a rental project with 100,000 square feet of residential floor area requests another 50,000 square feet of residential uses, the resulting building is greater than seven stories and the developer chooses to provide housing at 80% AMI, then 20% of the 150,000 square feet, or 30,000 square feet, must be provided as housing at 80% AMI.

- The calculation is based on a square foot requirement instead of a unit requirement in order to facilitate the flexibility of unit sizes that can be rented or sold to families.

# *Examples*

| | Rental at 60% AMI | Rental at 80% AMI | Rental at 100% AMI (available in the UZO only) | For-sale at 80% AMI | For-sale at 100% AMI (available in the UZO only) |
|---|---|---|---|---|---|
| Single-family, Two-family, and Multi-family uses less than 3 stories | 20% of total residential floor area | 30% of total residential floor area | n/a | 10% of total residential floor area | 15% of total residential floor area |
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| The Metropolitan Housing Trust Fund Commission may approve a mixture of AMI levels, provided the mixture is equivalent to the set asides above. The equivalency of the mixture of AMI levels and the approval shall be documented in the Inclusionary Housing Plan. | | | | | |

- If a for-sale project with 100,000 square feet of residential floor area requests another 50,000 square feet of residential uses, the resulting building is greater than seven stories and the developer chooses to provide housing at 80% AMI, then 10% of the 150,000 square feet, or 15,000 square feet, must be provided as housing at 80% AMI.
- This set aside may not be feasible.
- If applied to only the additional floor area, 10% of the 50,000 square feet, or 5,000 square feet, must be provided as housing at 80% AMI.

# *In lieu options*

- Allows for in lieu construction within ½ mile from the project site
- Allows for in lieu contribution at the following rates:

| | Within the UZO | Outside of the UZO |
|---|---|---|
| Residential uses | Per square foot equivalent of 50% of the affordable sales price at 100% AMI for Davidson County for 20% of the total residential floor area in a for-sale project or for 30% of the total residential floor area in a rental project. | Per square foot equivalent of 50% of the affordable sales price at 80% AMI for Davidson County for 10% of the total residential floor area in a for-sale project or for 20% of the total residential floor area in a rental project. |
| The affordable sales price shall be determined by the Metropolitan Housing Trust Fund Commission annually based on:<br>a. A maximum down payment of 5.0%,<br>b. Current Year AMI thresholds adjusted for household size published by HUD,<br>c. Prior six-month average rate of interest based on the Fannie Mae Yield on 30-year mortgage commitments (price at par) plus one-half point (0.5%) spread,<br>d. 30-year mortgage term,<br>e. Any homeowner fees, taxes and insurance, and<br>f. Typical unit size. | | |

# *In lieu contribution*

- The current in lieu contributions would be approximately:

| | Within the UZO | Outside of the UZO |
|---|---|---|
| Residential uses | $118 per square foot of Inclusionary Housing requirement | $91 per square foot of Inclusionary Housing requirement |

- Approximately equal to the cost of the construction of the affordable or workforce units for rental and for-sale single-family/townhomes
- For other projects, construction costs increase to the point that the gap between the affordable sales prices and the market rate sales price increases, making the in lieu contribution option a lower cost alternative than construction.

# *Examples*

- In the UZO:
  - $3.5 million (30,000 square feet x $118) for a rental project
  - $1.8 million (15,000 square feet x $118) for a for-sale project.
    - $600,000 (5,000 square feet x $118) for a for-sale project.
- Outside of the UZO:
  - $2.7 million (30,000 square feet x $91) for a rental project.
  - $1.4 million (15,000 square feet x $91) for a for-sale project
    - $450,000 (5,000 square feet x $91) for a for-sale project.

# *Construction, Occupancy and Enforcement*

With the building permit application, the Owner/Developer shall submit an Inclusionary Housing Plan, which documents the following:

1. Number of total residential units
2. Use public resources or public property.
3. Number of affordable or workforce housing units
4. Income levels of targeted families for affordable or workforce housing units.
5. The proposed rents or sales prices and guarantee of limits on future rent increases or sales prices.
6. Location of affordable or workforce housing units.
7. Sizes of affordable or workforce housing units.
8. Bedroom counts of affordable or workforce housing units.
9. Census tract market rate pricing or rental rates for the project site and, if applicable, the in lieu site.
10. The party responsible for compliance reports, with approval from the Metropolitan Housing Trust Fund Commission.

# *Construction, Occupancy and Enforcement*

- Inclusionary Housing units shall be
  - at least 80% of the average size of market rate units.
  - breakdown of bedroom counts of Inclusionary Housing units shall be similar to the breakdown of bedroom counts for the market rate units in the project.
  - Remaining floor area utilizes the in lieu contribution option.

- Exteriors of Inclusionary Housing units shall closely resemble the exteriors of other units in a project.

- The owner shall ensure to the satisfaction of the Metropolitan Government that the Inclusionary Housing units will:
  1. be occupied by eligible households.
  2. be maintained for:

     15 years for rental units and 30 years for for-sale units

# *DTC*

- Removes existing language in the bonus height program, which applies only to workforce housing.

- Inserts language into the bonus height program that is consistent with the Inclusionary Housing program for projects outside of the DTC, which applies to both affordable and workforce housing.

# *BL2016-134*

## *Other Proposed Zoning Code Amendments*

Incentivize Inclusionary Housing with any additional development entitlements requested by a development, including:

- Bonus residential floor area through Adaptive Residential Uses,
- Special Exceptions for height,
- Downtown Code (DTC) bonus height program.

Deferred indefinitely by Metro Council to allow additional community input.

# *Grant Program and Dedicated Funding*

For the Zoning Code amendments to be effective, several other decisions not within the purview of the Planning Department need to be made:

- identifying a dedicated funding source for for-sale project incentives and other affordable and workforce housing initiatives,
- developing a grant program for rental projects, and
- identifying the entity that will administer the Inclusionary Housing programs.

All have fiscal impacts to the Metropolitan Government. Determinations needed:

- level of funding, which affects set aside requirement that is feasible
- balanced against the need for funding for other Metro initiatives

# *Grant Program and Dedicated Funding*

- Rather than 50% of increase in tax liability, EPS will continue to work on identifying a more precise formula for the grant program.
- Will ensure that the application of the Inclusionary Housing program is, at a minimum, a neutral impact to a rental development.
- Will ensure that Metro is allocating the appropriate amount of revenue.

# *Organizational Recommendations*

*Expand Role of the Barnes Fund*

Authorized to receive entirety of local dedicated funding source

- Limited portion for administration (≤8%)
  - Expanded staffing implication
- Remainder for program (≥92%)
  - Identify analytical-, community needs-, priority-based process by which allocation of funding is established
  - Identify process by which funds are distributed (via competitive NOFA, grants, etc.)

Authorized to:

- Acquire land
- Develop land for affordable housing (for-sale or rental)
- Own and operate affordable housing
- Maintenance assistance program
- Administer a downpayment assistance program
- Work with for-profit developers

Structure MOU with non-profit partners to make loans with funds

# *Contract with EPS*

- Application of set aside for for-sale projects only to additional floor area
- Formula for grant program
- Analysis of rental and for-sale housing needs and gaps by census tract
- Calibration of Density Bonus Options, including costs of various bonuses, weighting  bonuses and phasing of changes to the Zoning Code.

# *Next Steps*

- BL2016-133
  - Adds Inclusionary Housing requirement with requests to increase entitlements through the rezoning process.
  - Public input prior to possible substitute for first reading in April.
  - Public hearing in May
  - Effective by July 1, 2016

- BL2016-134
  - Incentivize Inclusionary Housing with any additional development entitlements requested by a development, including:
    - Bonus residential floor area through Adaptive Residential Uses,
    - Special Exceptions for height,
    - Downtown Code (DTC) bonus height program.
  - Expanded public input process. What are the right incentives to include? How should they calibrated? How should they be phased?