

# CITY COUNCIL COMMUNICATION



**MEETING DATE:** May 17, 2016

**ITEM NUMBER:** 4.A.

**SECOND READING:** N/A

**TYPE OF ITEM:** Study Session

**PRESENTED BY:** Kathy Fedler, Housing and Community Investment Manager  
303-651-8736 kathy.fedler@longmontcolorado.gov  
Consultant Presentation from Economic and Planning Systems, Inc.  
(EPS)

**SUBJECT/AGENDA TITLE:** Final update and presentation of Affordable Housing Incentive Plan

**EXECUTIVE SUMMARY:** During meetings on May 12, June 30, October 20, 2015, and at the Council Retreat in early 2016, City Council has explored, considered and provided feedback and direction on several areas of support for affordable housing efforts including: mandates for production of affordable housing; City policies and tools; revenue generating options; and incentives for production of affordable housing. These last two areas are going to be further explored in more detail at Council's meeting on May 17.

To date, Council has provided guidance and direction on the following:

- Direction to make our affordable housing policy an incentive-based program only; no mandates to be included
- Further exploration of local construction defects legislation (still being researched and pending outcome of the 2016 State legislative session)
- Guidance to include the preservation of existing affordable housing in programs/policies
- Approval to consider creating 50 -100 units of affordable housing annually, and attempting to dedicate \$1 million annually in funding to the Affordable Housing Fund
  - Approved \$425,000 annually be transferred from the General Fund to the Affordable Housing Fund starting in 2016, ensuring 42.5% of the revenue generating goal is met
  - Eliminated several revenue generation options, helping to narrow research focus
  - Approved using all of the 2016 CDBG budget for affordable housing programs/projects
  - In addition, the Housing and Human Service Advisory Board contributed a one-time transfer in 2016 of \$100,000 to the Affordable Housing Fund.

**Council direction given to date in this area will result in the creation of 77 new affordable rental units with 2016 sources of funding.**

- Ensure that the Longmont Area Comprehensive Plan (Envision Longmont) includes a strong focus on affordable housing
- Ongoing work on Regional Affordable Housing Strategies has resulted in specific strategies and action items being drafted. Next step is to present a draft to stakeholders, then, perhaps, have local governments approve the Regional Strategic Plan.



The presentation on May 17 will focus on:

- 1) Potential Incentive Tools – what they are; how they impact three prototypical projects; the value of the incentives; what the city will gain; and a recommended Incentive Program.
- 2) Potential Revenue Sources – what they are; what level they would need to be set at to generate \$500,000 annually (since the City has already committed \$425,000 annually); and impacts to the community for each resource option.

Once Economic and Planning Systems, Inc. (EPS) consultants complete their presentation, staff will ask Council to provide final guidance on the following recommendations and outstanding action items.

**A. Is our goal to have 10% of the City’s housing stock be permanently affordable?**

If Council remembers, this was discussed at the Council Retreat and there seemed to be consensus that this is a lofty goal, but one that can be achieved over a period of time. It was also discussed that it can always, and really should be, revisited periodically to determine if this is still the right goal.

**B. How do we want to realign our Incentives based on the recommendations from EPS’ presentation?**

1. Fee Waivers:

- i. Allow impact fees to be fully waived and not backfilled?

During preliminary discussions with Public Works/Natural Resources and Longmont Power & Communications staff on the financial impacts to the respective Water/Sewer System and Electric Community Investment Fee (ECIF) Funds, it was suggested that any adjustment to the impact fees to allow for an Affordable Housing waiver would have to have a net zero impact to these funds. A further assessment would need to be conducted in order to determine the impact of this recommendation (not to backfill waived fees) on these Funds and some options for keeping the Funds whole. Initial feedback from City consultants was that a rate increase, not a system development fee increase, could be considered to cover this type of affordable housing subsidy. There was also discussion about setting some “caps” on the amount of subsidy from these Funds to limit the financial impacts. If Council would like to explore this further, PWNR and LPC could conduct an assessment of the impacts on the funds with some options for keeping the funds whole, and we would bring that back for final action.

- ii. Allow fees to be waived on all units in a development, not just on the affordable units? This is basically how the current program operates.
- iii. Allow all fees we charge (except for County Sales Tax) to be waived (see Table 1, page 3 of the Memo)?

2. Density Bonus
3. Height Bonus, when applicable
4. Property Tax Abatement/Rebates

5. Make incentives for affordable developments a “by-right” administrative approval.

Allowing certain approvals, variances or changes (such as a density bonus) that are still within code allowances to be administratively approved, allows for more certainty to the developer. This makes the affordable housing option much more palatable to the developer knowing they won’t have the expense of preparing options and drawings and documentation for an approval or variance that might be allowed but not approved. If Council is interested in this option, it would be further evaluated and parameters determined during the Land Development Code update.

**C. Revenue Generating Resources – which should be put into place?**

1. Continued incremental increases to the transfer from the General Fund to the Affordable Housing Fund
2. Sales Tax
3. Excise Tax
4. Use Tax
5. Occupational Tax
6. Linkage Fee

**D. City Policy – should we codify a policy that any land considered surplus that the city owns, be offered first for affordable housing development?**

This may be through an RFP or other method, but a process and structure would be outlined and brought back for formal approval.

**E. Change the Period of Affordability for Rental developments to 30 years?**

As noted in the Memo, this increase will help the city get closer to the permanent affordability stated in the goal, and better aligns with the financing terms from other funding sources.

**Next Steps:** Once direction is given tonight, code changes and other actions that might be needed will be drafted and brought back to Council for formal approval. Those changes or direction that can be accomplished and put into place administratively will move forward immediately so that we can begin work toward reaching the city’s affordable housing goal.

**COUNCIL OPTIONS:** Provide direction and decisions on what to move forward and/or approve.

**RECOMMENDED OPTIONS:** Provide staff direction.

**FISCAL IMPACT & FUND SOURCE FOR RECOMMENDED ACTION:** To be determined upon Council direction.

**BACKGROUND AND ISSUE ANALYSIS:** N/A

**ATTACHMENTS: #1 – EPS Memo on Recommended Affordable Housing Incentive Strategy**