

## EHA ADVISORY COMMITTEE SUMMARY

Videoconference Session on October 7, 2021, 4-6:30 pm

### Meeting Highlights

This session of the Advisory Committee covered the following topics:

- The current and projected affordable housing gaps in Denver; how Denver is addressing these gaps now; and the need for complementary tools to increase affordable housing.
- Review of the key considerations that were applied in the development of the staff's [proposed Expanding Housing Affordability \(EHA\) policy](#) approach.
- Review of the Mandatory Housing proposed requirements applied to developments with eight or more residential units, varied by market characteristics, affordability targets (AMI), and type of tenure (owner vs renter). The staff also reviewed proposed incentives and alternative compliance options.
- Overview of proposed linkage fee changes applicable to residential development of seven or less units and commercial and industrial development.
- Polling was conducted to prioritize areas for discussion, which highlighted support for many of the proposals and suggestions for modifications.
- The staff presented the proposed implementation schedule and timing impacts to existing and proposed projects.

Key background information is available on the [Expanding Housing Affordability website](#), including but not limited to: List of advisory committee members (on the Meet the Advisory Committee Link); Background Report (on the Resources and Downloads Link); Presentation materials for this and prior meetings (Get Caught Up: Project Archive: Advisory Committee); and four Informational Videos: 1) Affordable Housing Basics; 2) Project Overview; 3) Denver's Housing Market; 4) Peer City Research (on the Resources and Downloads Link); and 5) the Financial Feasibility Report and Executive Summary.

### Action Items

- The Project Team will continue to gather input from the City Council Budget and Policy Committee, Denver Planning Board, Community Open House, meeting with community and industry organizations and focus group events to inform the revised proposal in coming weeks. All dates and relevant details will be posted online.
- Advisory Committee members are encouraged to provide additional feedback to Analiese Hock, Project Manager from the Denver Community Planning and Development (CPD) ([analiese.hock@denvergov.org](mailto:analiese.hock@denvergov.org)) and Bradley Weinig, Denver Dept. of Housing Stability (HOST) ([Bradley.Weinig@denvergov.org](mailto:Bradley.Weinig@denvergov.org)). Additional opportunities for one-on-one conversations to answer questions have been sent out.
- Next Meeting of the Advisory Committee will be November 17, 2021 from 4- 6pm.

### Setting the Context

Brad Weinig, HOST, reviewed recent data on housing development and future housing needs in Denver. He also provided a reminder of this project's scope and the guiding principles. Housing demand is outstripping affordable housing availability in Denver due several factors including:

- Growth in population is outpacing growth in new housing development
- Increases in housing costs are exceeding increases in incomes, particularly at lower AMI levels
- Current public assistance and subsidies are unable to meet the needs of low-income households

This project is focused on two complementary tools to create new affordable housing:

- Mandatory affordable housing requirements for new development, which includes incentives and alternative compliance options; and
- Linkage fee updates.

### Mandatory Affordable Housing

Analiese Hock, CPD, presented the proposal for the mandatory affordable housing requirements, which was developed after many months of work balancing the perspectives of industry and neighborhood stakeholders, researching comparable programs in other cities, and informed by a comprehensive financial feasibility analysis .

### Key Aspects of the Mandatory Affordable Housing Proposal:

The recommended approach seeks to balance current and future housing needs, analysis of other cities, past Denver program lessons learned, financial feasibility and community and industry feedback.

To comply with this new program, developers constructing **new rental housing** in typical markets can comply by:

- Building 8% of the total units on-site affordable to households of incomes at or below 60% AMI for a period of 99-years.

**Or**

- Building a total of 12% of the total units on-site with 6% of the units affordable to households of incomes at or below 60% AMI and 6% of units affordable to households of incomes at or below 80% AMI for a period of 99-years.

In high-cost market, developers will need to provide 2-3% more affordable units at the same AMI levels.

To comply with this new program, developers constructing **new ownership housing** in typical markets can comply by:

- Building 10% of the total units on-site affordable to households of incomes at or below 80% AMI for a period of 99-years.

**Or**

- Building a total of 15% of the total units on-site with 6% of the units affordable to households of incomes at or below 80% AMI and 6% of units affordable to households of incomes at or below 100% AMI for a period of 99-years.

- To address the needs of areas vulnerable to displacement, the Project Team is recommending additional policies including:

- a. Affirmative marketing requirements
- b. Potential set-aside of funding for affordable units in those target areas

The City is also exploring opportunities for fees-in-lieu to be set aside in a sperate fund that would be into these neighborhoods.

### Key Aspects of Alternative Compliance Options

- HB21-1117 requires the city to provide at least one alternative to building affordable units on site.
- The Project Team outlined a schedule of per unit fees that could be paid in lieu of on-site construction. The fees were determined using the affordability gap method and vary based on both the market context (high-cost vs typical-cost) and type of tenure (rental vs ownership).
- In addition to fee-in-lieu payments, Staff described limited situations where HOST could develop Discretionary Agreements with developers to allow for creative outcomes such as land dedication for affordable housing, providing units at a greater depth of affordability, or providing larger unit formats that meet family needs.

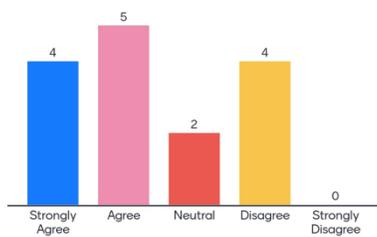
### Key Aspects of Incentives

- Baseline Incentives would be paired with mandatory requirements to promote development of affordable units on site (rather than payment of a fee-in-lieu). Proposed incentives include:
  - a. Reduction in permit fees
  - b. Reduction in minimum parking space requirements
- Enhanced Incentives would be offered to developer who are willing to provide 2-3% more units than required.
  - a. Enhanced Incentives might include an allowance for height increases, parking exemptions, and streamlining the permitting process through creation of an affordable housing review team.
- Incentives are designed to be attractive to developers and maintain financial feasibility.

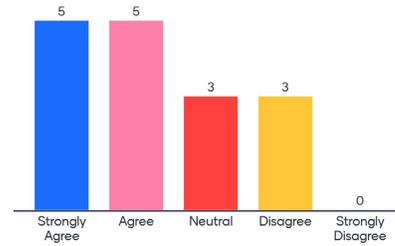
## Discussion on Mandatory Affordable Housing Proposal

Advisory Committee Members were asked to respond to a series of questions regarding their level of comfort with key aspects of the mandatory housing proposal. Results from the poll are provided below:

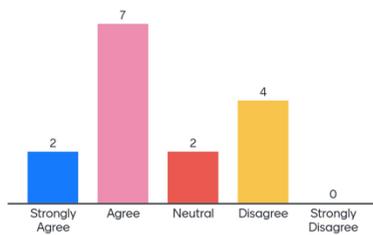
The overall mandatory program recommendations balance housing need, other cities, feasibility, and stakeholder feedback.



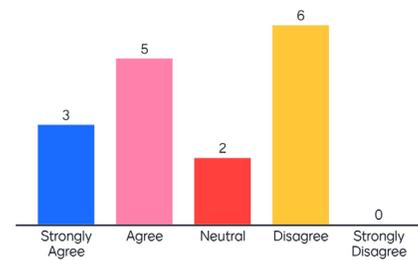
I feel comfortable with the proposed mandatory on-site affordability requirements.



I feel comfortable with the proposed alternative compliance options.



I feel comfortable with the incentives offered.



In addition, they were asked to share what they thought the proposal does well and where the proposal needed more discussion. Below is a summary of responses and the discussion that followed.

What it does well:

- The proposal is supported by thorough data and analysis and is responsive to financial feasibility.
- It provides options and some flexibility.
- The proposal targets the demonstrated need for lower income households, including both rental and ownership needs.
- Members appreciate the inclusion of incentives, including parking reductions and height incentives.
- The Fee-in-lieu encourages building on site rather than opting out.

What needs further discussion:

- More consideration of neighborhoods vulnerable to displacement
- Discussion of how the proposal can include greater distinctions between different markets and development size in Denver
- How changes in the policy could be responsive to changes in the housing market
- Impact of the differences between requirements for rental and ownership units

Where more information may be helpful:

- More information on the impact of incentives and discussion of deeper parking reductions (Updated feasibility includes analysis)
- Discussion around how the outcomes from the policies will be measured and city/developers will be held accountable (The HOST 5-Year Strategic Plan provides clear goals and measurements for this program)
- Tradeoffs between height incentives and the increased building costs
- Better understanding of the linkage between the policy proposal and the feasibility analyses conducted (See the policy proposal which references the feasibility analysis)
- Impacts on Metro districts.

In the discussion that followed, many of these same issues were reiterated. In addition, Advisory Committee members raised other points:

*Mandatory Housing requirements*

- Several individuals spoke in favor of the reasonableness of both Option 1 and Option 2 requirements.
- Another member asked the city to consider making the requirement in high-cost markets the same as typical-cost markets, arguing that the difference between affordable and market rate prices/rents in high-cost markets is too great to require a higher percentage of affordable units.
- A member said that the implementation timing is very fair and appreciated the Staff taking feedback..
- A member emphasized the importance of ensuring that there is no loss in quality on affordable units, and Analiese Hock confirmed that there are currently regulations in place. These regulations require that the units be “like for like” of the market rate units.
- One member was not comfortable with the higher percentage of affordable units required for for-sale units compared to rental units and wanted to better understand the analytical basis for the difference.
- Another member suggested that the city provide incentives or lower requirements that encourage more ownership units.

*Incentives*

- While parking incentives are helpful in the long run, according to one developer, they will not have an immediate impact because of tenants current parking needs. Height incentives are helpful also.
- One member was not convinced that the fee reductions are significant enough to “move the needle” for developers.

**Linkage Fees**

Analiese Hock reviewed the proposal for imposing linkage fees on development that would not be subject to the mandatory housing requirements, that is, residential developments with less than 8 units, commercial, and manufacturing/industrial development. The proposal updates today’s linkage fees to be in alignment the financial feasibility analysis, other cities’ policies, and market area distinctions (high cost and typical cost). Residential fees also differ by unit size to incentivize smaller, more attainable housing.

Another poll of Advisory Committee members highlighted if participants felt the proposal was hitting the mark in terms of the factors considered. Below is the result of the poll that guided discussion.

**In the context of other cities, housing needs, and feasibility, are these fee amounts appropriate?**



- One member suggested that the city look at Chicago’s Affordable Requirements Ordinance, which include more geographic distinctions and some pilot tests of the program. Analiese confirmed that the city has looked at this program and has some follow up meetings with Chicago staff in the coming weeks.
- A member suggested that the fees be further distinguished for single-unit, two-unit and multi-unit categories with the highest fees applied to single unit development, which are the lease efficient in terms of land use and infrastructure costs.
- Emphasizing that the commercial/retail space has been highly impacted by the pandemic, a member urged the city to ensure that linkage fees do not further exacerbate the economic stress in this sector.

- Another member thought that the linkage fees are calibrated “about right” relative to peer cities even though this would still make Denver lower than several cities.
- An exception might be the industrial / manufacturing sector fees. As proposed, these fees could discourage new manufacturing and related jobs for the city.
- The city should consider distinguishing the fees for warehouses from manufacturing and industrial development.

## Public Comment Period

Tyler Carlson (Evergreen Development and President of NAIOP Colorado) stated that:

- He found a number of flaws in the financial feasibility analysis compared to on-the-ground underwriting. He encouraged the committee to review NAIOP’s letter, including their pro formas.
- He is concerned that in attempting to improve the affordability of housing, the city will unintentionally decrease affordability for commercial properties and spaces for small businesses.

Tim Schlichting (Prime West Development, past president of NAIOP Colorado) remarked that:

- Prime West entered into a voluntary affordable housing agreement pre-HB-1117 by providing 10% of the units at 80% AMI, which pushed them to the edge of financial feasibility. He is concerned about these higher requirements.
- He would like to see some incentives on the income side, rather than permit fee reductions. Property tax rebates would be a more impactful way to help and incentivize developers.
- It is not clear that the height incentives will make a difference, since height increases also drive higher construction costs.

## Proposed Implementation and Next Steps

Analiese Hock noted that the implementation schedule is designed to balance the immediate need to address affordable housing, the potential impact of these changes on the market, and program staff and systems needed to effectively implement the policies.

- One member noted briefly that implementation timing is very fair and appreciate staff’s taking the feedback from the industry.

Additional outreach is planned for the coming weeks; any revisions to the policy proposal will be shared with the Advisory Committee for further input at their next meeting in November.

## Participants

### Advisory Committee Members Present

Angela Azua - Denver Inter-Neighborhood Cooperation, Colorado Latino Coalition

Councilwoman Amanda Sandoval - District 1

Candace Kristensson - University Park Community Council (current president)

Darion Mayhorn - East Colfax Neighborhood Association (member); East Colfax Community Collective (member); The Fax Partnership (board member)

Dimitrii Zavortny, sitting in for Ryan Keeney - YIMBY Denver, Capitol Hill United Neighborhoods (board delegate)

Dominique Acevedo - Northeast Denver Housing Center

Ean Tafoya - Denver Inter-Neighborhood Cooperation, Colorado Latino Coalition

Jeffery Bader - DURA

Jennie Rogers - Enterprise Community Partners, Colorado Division of Housing Strategic Housing Working Group

Jessie Adkins - Shears Adkins Rockmore

Kirsty Greer, McWhinney; RiNo General Improvement District (board member); Denver Metro Commercial Association of Realtors (board member)

Melissa McGinley sitting in for Susan Powers, Urban Ventures, Mothers of Housing Advocates, All in Denver (board member)

Nola Miguel - Globeville, Elyria-Swansea Coalition Organizing for Health and Housing Justice

Paul Varanas - Lowry United Neighbors RNO (board member)

Councilwoman Robin Kniech - At-large

Shane Southerland – Greater Park Hill Community RNO (Vice-Chair)

Tim Welland - Palisade Partners

Tony Hernandez - Southwest Improvement Council

**City Staff**

Analiese Hock, Project Manager, CPD  
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Sarah Showalter, CPD  
Jill Jennings Golich, CPD  
Brad Weinig, HOST  
Jon Colarelli, HOST  
Debra Bustos, HOST

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Mollie Fitzpatrick, Root Policy

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Eric Heinz  
Bonnie Niziolek  
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Francesca Rossi  
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Tyler Carlson  
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Mariel Beaudoin