



MEETING DATE: July 18, 2023

ITEM NUMBER: 5.B

SECOND READING:

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TYPE OF ITEM: Special Reports/Presentations

PRESENTED BY:

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SUBJECT/AGENDA TITLE:

Inclusionary Housing Program 2022 Annual Report and City of Longmont Housing Affordability Needs Assessment & Inclusionary Housing Policy Review

EXECUTIVE SUMMARY:

Inclusionary Housing Program 2022 Annual Report:

2022 marked the fourth full year of the Inclusionary Housing (IH) Ordinance. During this year, the IH program continued to contribute towards achieving the City's goal of providing 12% of all housing stock as affordable by 2035. 2022 saw the largest single-year unit generation gain since the City started tracking annual gains in 2003. 2022 was also a notable year because the City's fee-in-lieu revenues have ramped up significantly as developments that started entitlement review after the 2018 onset of the program are now reaching completion. The trend is anticipated to increase exponentially starting in 2023, resulting in significant fee-in-lieu revenues.

Information in Attachment #1 includes pertinent information about the program and how the program compares to the overall housing market.

2022 Program Highlights:

- Number of affordable rental units permitted: 245
 - Fields on 15th (LIHTC): 88
 - The Spoke (LIHTC): 73
 - Farm Haus (IH onsite units): 33
 - Vivo (IH onsite units): 26
 - Cinnamon Park Senior (LIHTC): 25
- Number of affordable for-sale units permitted: 0
- Number of affordable units from the prior Inclusionary Zoning program lost due to release of deed restriction: 1 (for-sale)
- Net unit gain: 244
 - 175% increase from 2007, formerly the highest per-year generation
- Total fee-in-lieu received in 2022: \$469,294
 - 277% increase from 2021

- IH options selected
 - 20% committed to on-site affordable units
 - 18% are undecided
 - 56% have selected fee-in-lieu (increase from 50% in 2021)

Incentives used in 2022:

- Two projects that received building permits in 2022 utilized the fee waiver program for a total fee reduction of \$573,101.98.
- The Affordable Housing Fund offset fees for 3 developments that provided more than the minimum requirement for affordable homes for a total fee offset of \$297,823.
- Multiple projects have requested density bonus, reduced setbacks and lot widths, and parking reductions.

FIL Projections 2023-2025

- Estimated fee-in-lieu projected for the next 3 years based on projects undergoing entitlement review: \$12,770,291

Program Metrics:

Some of the Metrics we are tracking include:

- **Trends in where affordable units are being provided**
 - In areas along the Main Street corridor, developments already receive density and height bonuses, often negating the need for those affordable housing incentives. As a result, projects in this key area close to transit and employment opportunities have opted for fee-in-lieu rather than mixing in onsite affordable units.
- **How affordable units are being provided**
 - There has been a steady increase in the number of developers from year to year that select the fee-in-lieu option, with most rental developments selecting this option.
- **Gain/loss in affordable units compared to 12% goal**
 - We need to create 208 new affordable homes annually while maintaining/preserving all existing affordable homes to meet our desired goal of 12% of housing stock as affordable by 2035.
 - ARPA funding helped us exceed this target in 2022 and is expected to continue boosting production through 2028. Prop 123 may boost unit generation as well. However, our projections do not show we will meet the 208-unit annual goal for 2023-2025 unless additional projects come forward from private developers of affordable housing.

City of Longmont Housing Affordability Needs Assessment & Inclusionary Housing Policy Review:

Boulder County communities typically analyze housing needs data on a 5-year cycle as part of the Consolidated Planning Process in order to receive HUD funding through the CDBG and HOME programs. The last comprehensive housing analysis relied on 2019 data. Because the City's IH Program began in 2018 and because of the severe impact to housing from the 2020



pandemic, the City has desired to perform a more in-depth analysis of Longmont-specific data to be able to make meaningful assumptions about our community needs to guide new programs and modify existing programs around affordable and attainable housing.

City Council accepted a planning grant from the State of Colorado Department of Local Affairs (DOLA) in February 2022 to conduct a housing needs assessment and affordable inclusionary housing policy review. After a Request for Proposals was released in spring 2022, no bids were received. After adjusting the delivery schedule, four proposals were received. Root Policy Research was awarded the contract and began work in December 2022.

Root's comprehensive assessment of the City's demographic framework and housing market and affordability trends include a deep dive into housing stock, household growth, rental and for-sale affordability gaps, and what is needed to accommodate Longmont's current and future residents. Root also analyzed the City's IH Program parameters and progress since 2018 to compare it to other similar programs on the front range and provide recommendations to refine or revise the program to best meet the City's goals.

Root has completed the review of the IH structure and intended outcomes, as well as the fee-in-lieu option. Future work will analyze the City's affordable development incentives, which will be presented to Council at a later date.

Attachment #2 is the City of Longmont Affordability Needs Assessment & Inclusionary Housing Policy Review.

Regular IH Updates

Council adopted the revised Maximum Sales Price methodology in October 2022. Each year in the spring, HUD releases annual income limit data, which prompts staff to update program requirements to reflect the new data. The Maximum Sales Price has been updated accordingly and is in effect for the IH program, and is attached for your information as Attachment #3.

According to the codified IH methodology for calculating fee-in-lieu, the fee should be updated using current data every three years. The last update was due at the end of 2021, but was delayed since the Housing Needs Analysis and IH Incentive Review report was pending. The updated calculation according to the existing methodology, as well as recommended options for modification, are provided by Root Policy Research and included in the report in Attachment #2.

COUNCIL OPTIONS:

1. Provide feedback on information provided.

CITY COUNCIL COMMUNICATION



2. Provide staff with direction regarding the recommendations made by Root Policy Research on the Inclusionary Housing Program.
3. Provide staff with direction for future studies desired of Root Policy Research.

RECOMMENDED OPTIONS:

N/A

FISCAL IMPACT & FUND SOURCE FOR RECOMMENDED ACTION:

N/A

BACKGROUND AND ISSUE ANALYSIS:

N/A

ATTACHMENTS:

- Attachment 1 – Inclusionary Housing Program 2022 Snapshot
- Attachment 2 – City of Longmont Affordability Needs Assessment & Inclusionary Housing Policy Review
- Attachment 3 – 2023 IH Maximum Sales Price Update