

CITY COUNCIL COMMUNICATION



MEETING DATE: October 24, 2023

ITEM NUMBER: 9.

SECOND READING: November 14, 2023

{{customfields.ResoOrdNumber}}

TYPE OF ITEM: Consent

PRESENTED BY:

**Molly O'Donnell, Housing & Community Investment Director,
Molly.O'Donnell@longmontcolorado.gov**

SUBJECT/AGENDA TITLE:

A Bill For An Ordinance Amending Chapter 4.79 Of The Longmont Municipal Code On Fee Waivers For Attainable Housing

EXECUTIVE SUMMARY:

Staff has been working to design the fee waiver program since the beginning of 2023 and first presented a concept Attainable Housing Fee Waiver Program to Council in April. At the October 3, 2023 City Council Study Session, staff presented the parameters of a refined program based on research efforts and stakeholder engagement. Council provided feedback on key elements of the program and gave direction to staff to bring forward an ordinance for Council consideration. This ordinance fulfills this direction from Council.

Second reading and public hearing on this proposed ordinance are scheduled for November 14, 2023.

COUNCIL OPTIONS:

1. Approve Code Changes to Chapter 4.79 of the Longmont Municipal Code.
2. Provide staff with other direction.

RECOMMENDED OPTIONS:

1. Approve Code Changes.

FISCAL IMPACT & FUND SOURCE FOR RECOMMENDED ACTION:

Fee waivers may result in reduced building permit revenue if developers choose to build attainable units instead of market rate units.

BACKGROUND AND ISSUE ANALYSIS:

Chapter 4.79 of the Municipal Code currently allows developments building affordable rental or for-sale homes beyond the inclusionary housing requirement to qualify for building permit fee waivers and fee offsets paid out of the Affordable Housing Fund. To qualify for the

affordable fee waivers, a percentage of the development must be affordable to households below 50% of the area median income (AMI) for rental and 80% AMI for ownership units. Market conditions in recent years have caused a gap in supply of for-sale housing affordable to households earning between 80% and 120% AMI. Creation of an attainable housing incentive program would aid in narrowing the gap in order to have a sufficient supply of housing for existing and prospective Longmont residents at all income levels.

Staff is proposing the following elements to incentivize the building of attainable for-sale housing, which would require modifications to Chapter 4.79 of the Municipal Code.

- Require developers to demonstrate a financial need for the waiver.
- Require developers/builders participating in the program to restrict sales prices in accordance with the Inclusionary Housing Program's Maximum Sales Limits, updated and published annually.
- Require income qualification for buyers.
- Require an owner-occupancy restriction.
- Require a deed restriction for all units receiving a fee waiver. More detail on this element is outlined below.
- Require developers to apply for fee waiver. Staff would use a ranking sheet to score projects on the following desired characteristics:
 - Commitment to providing a preference to employer-sponsored units for employees to purchase a portion of the homes. This criterion is intended for those projects that partner with public or private sector employers to invest in units to serve their employees. The City could be one of such employers.
 - Commitment to providing a preference to individuals employed or relocating to Longmont for employment to purchase a portion of the homes.
 - Deepness of affordability within the 80-120% range.
 - Exceptional benefits to the community provided guided by the goals laid out in Envision Longmont.
- Allow administrative approval for projects that score high enough to qualify for a 45% fee waiver.
- Require Council approval for fee waivers beyond the 45% threshold.
- Require an open-book development agreement with the City for projects seeking more than a 45% fee waiver.
- For projects that score high enough for a 75% fee waiver, allow developers to request 100% fee waiver from Council.

Deed Restriction Options

Staff's recommendation is to balance allowing households to build generational wealth and be able to step into the open market with using City investment to help as many people as

possible. Therefore, the proposed structure for requiring deed restrictions is presented below:

Small Investment Projects:

For those units that receive a fee waiver of 45% or below, require a deed restriction that drops off after 10 years. So if a homeowner stays in the home for 10 years, then they can sell at market rate afterwards. If a homeowner sells before 10 years, they must sell the home within the maximum sales price limits, but the deed restriction would not convey to the second owner or subsequent owners.

Large Investment Projects:

For those units that receive a fee waiver above 45%, a rolling deed restriction would be attached to the property. The deed restriction would be for 10 years. If the homeowner sells before that time, they would be required to sell within the maximum sales price limits AND the 10-year clock would restart for the new owner. The rolling deed restriction would be in place for 3 sales of the property or 30 years, whichever happens first, as long as the home is in the program for a minimum of 10 years (unless a homeowner elects the buyout option described further below).

Buyout Option

A buyout option is proposed to allow homeowners to sell at market rate to non-income-qualified buyers to protect against extreme financial hardship due to personal financial crisis or significant disruption to the local economy. The buyout option mirrors what is currently including in Code for buyers of permanently deed restricted homes in the affordable housing program. A homeowner would need to request Council consider allowing them to exercise the buyout option. The owner would be required to transfer equity to the City based on the difference between the most recent affordable sales price and the estimated market price of the unit at the time of most recent sale. This process would be outlined further in policies and procedures that staff would create to complement the program.

ATTACHMENTS:

Attachment 1: Revised Ordinance