

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 Section 15.05.220 Of The Longmont Municipal Code On Inclusionary Housing

EXECUTIVE SUMMARY:

At the July 18, 2023, City Council Study Session, Council directed staff to revise the Inclusionary Housing code and Fee-in-lieu (FIL) methodology based on Root Policy Research's recommendations presented in the City of Longmont Inclusionary Housing Policy Review report (Attachment 1). Staff has prepared an amended ordinance (Attachment 2) and modified FIL methodology (Attachment 3) for consideration. In addition to minor code language modifications to provide clarity and improve implementation efficiency, the following substantive changes have been made:

- Removed the alternative agreement requirement and City Council approval requirement for on-site rental projects. (D.2, E.6,)
- Amended the on-site rental compliance option to an administrative approval process (K.1.b).
- Amended the credit compliance option to prohibit credit allocation for any project receiving federal, state, or local subsidies (I.1.c)
- Amended the fee-in-lieu (FIL) methodology to reflect a modified affordability gap (new construction) method. The FIL methodology amendment, if adopted, would set the rental FIL rate at \$5.93 per finished square foot and the for-sale rate at \$13.50 per finished square foot. The implementation of the proposed rate increase will be in accordance with Longmont Municipal Code 15.05.220.2.b.

FIL Update Implementation

Developers have expressed some concern for the impact of the proposed FIL increase given the extraordinary market conditions that are straining market rate residential developments recently. There are a few developments that are close to final site plan approval, the point in time where the FIL amount due is solidified, that have requested that Council consider options that could provide flexibility for those projects, including extending the effective date to as far

as May 2024, phasing in implementation, or allowing projects past a certain point in the process to move forward under the prior FIL calculation. When the Inclusionary Housing Code was originally written, it included provisions regarding the point in time when projects would be subject to the regularly updated FIL calculation.

To provide some background on timing of implementation: the FIL was due to be updated in late 2021 but was delayed due to staff capacity during COVID-19, onboarding of new staff, and to consider the results of the Housing Needs Assessment. Options for a revised FIL methodology were presented to Council in July 2023 and notification of the pending Ordinance for consideration was sent to developers with projects in the development review pipeline in August.

Staff recommends that Council consider one of the developers' suggestions: modifying the effective date of the Ordinance. Several options for the effective date of the Ordinance are outlined below:

1. Modify the Ordinance only for the 2023 FIL update.
 - a. Do not modify the effective date. The Ordinance would go into effect 10 days after publication once passed on second reading and public hearing according to the standard timeline for Ordinance implementation. The effective date in this instance would be November 27, 2023.
 - b. Modify the effective date of the Ordinance to January 2, 2024. This date would align with the annual publishing of the fee manual so that all City development fees are posted together on a consistent schedule.
 - c. Modify the effective date to another date deemed suitable to Council.

Council can also choose to direct staff to make the modifications to the Code to provide more clarity and predictability for future updates to the FIL calculation. If so, staff recommends the following:

Modify Chapter 15.05.220(E)(2)(a) of the Code to set ongoing implementation timelines. Staff suggests the Code should state that the City would present the updated FIL calculation to Council and provide notification to developers in the review pipeline by July 31st of every third year and make it effective January 2nd of the following year.

If this Code change is made, the next update would be presented to Council by July 31, 2026, and effective January 2, 2027.

Based on Council direction regarding these options at first reading of the Ordinance, staff will make revisions to the Ordinance to present for second reading.

Middle Tier Incentive Adjustments

As part of consideration of the proposed Attainable Housing Fee Waiver Program, on October 3, 2023, Council directed staff to bring back an ordinance to adjust the Middle Tier Incentive element of the Inclusionary Housing Program to properly scale the total attainable housing and affordable housing incentives. Because the Middle Tier Incentive is contained in Chapter 15.05.220(F) of the Code, the proposed adjustments are grouped with this ordinance modifying the Inclusionary Housing Program.

Chapter 15.05.220(F) of the Municipal Code currently allows a developer to provide some or all of its homes as middle-tier housing, the affordable housing obligation is then reduced when sales prices meet the following:

Middle Tier	Affordable Reduction
80-100% AMI	100% reduction
110-110% AMI	60% reduction
110-120% AMI	20% reduction

The Middle Tier Incentive is proposed to remain in Code, but be modified to the following scale to remain in balance with other attainable and affordable housing incentive elements:

Middle Tier	Affordable Reduction
80-100% AMI	45% reduction
100-110% AMI	30% reduction
110-120% AMI	10% reduction

COUNCIL OPTIONS:

1. Approve the Ordinance and Fee-in-Lieu Methodology on first reading and set second reading and Public Hearing for November 14, 2023, with an effective date of Council's choosing.
2. Approve the Ordinance and Fee-in-Lieu Methodology on first reading and set second reading and Public Hearing for November 14, 2023, with an effective date of Council's choosing AND direct staff to modify the Code to set ongoing implementation timelines.
3. Approve the Ordinance with modifications.
4. Reject the Ordinance and provide further direction to staff.

RECOMMENDED OPTIONS:

Approve the Ordinance on first reading and set second reading and Public Hearing on November 14, 2023, with an effective date of Council's choosing and direct staff to modify the Code to set ongoing implementation timelines.

FISCAL IMPACT & FUND SOURCE FOR RECOMMENDED ACTION:

CITY COUNCIL COMMUNICATION



No impact to the General Fund. Affordable housing revenues would increase with the revised fee-in-lieu methodology.

BACKGROUND AND ISSUE ANALYSIS:

N/A

ATTACHMENTS:

Attachment 1: Root Policy Research – City of Longmont Inclusionary Housing Policy Review

Attachment 2: Revised Ordinance

Attachment 3: Inclusionary Housing Fee-in-Lieu Methodology