

TO: City-County Planning Board Members
FROM: Tiffany White, Project Planner
DATE: September 24, 2020
SUBJECT: Bonus Density for Affordable Housing UDO revisions / UDO-CC7 Staff Report

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As part of its 2020-2021 work program, the City-County Planning Board requested that staff review the existing Unified Development Ordinances (UDO) provision for *Bonus Density for Affordable Housing* (section 4.1.6) and make recommendations for any necessary modifications. The *Bonus Density for Affordable Housing* provision has been included in the UDO since its inception in 1994, yet has never been used. In 2015, staff prepared a report with information on the Density Bonus provision, and voluntary inclusionary zoning programs in general (attached), although this report did not modify the provision itself. The *Winston-Salem/Forsyth County Housing Study and Needs Assessment* (HSNA) prepared by Enterprise Community Partners for the City's Community Development Department in 2018 also recommended reevaluation of this ordinance to determine whether changes to the provision could increase affordable housing production in our area (Objective 1, Recommended Strategy #3, p. 26). The following memo contains research and recommendations for a proposed ordinance amendment (UDO-CC7).

Background

Bonus density for affordable housing provisions provide a process by which developers gain the opportunity to build additional units above the base density in a zoning district, if a certain portion of the units in the project are set aside for affordable housing. These types of provisions can be found around the state and country, although use of such provisions varies widely. Within North Carolina, density bonuses can be found in some form in several communities, including Asheville, Chapel Hill and Charlotte, although such provisions have not frequently been used. In other parts of the country, specifically in dense, high-cost locations in California, the Northeast, and some southern cities including Atlanta, density bonuses are more widely used. It should be noted that many of these locations also have some form of inclusionary zoning regulations which impact the utilization of Density Bonus provisions, since provision of a certain number of affordable units would already be mandated via inclusionary zoning.

Currently, the *Bonus Density for Affordable Housing* provision for Winston-Salem/Forsyth County allows for the following:

- A 25% density bonus for duplex or multifamily units if 40% of the units are available to residents making less than 60% Area Median Income (AMI), or if 20% of the units are available to residents making less than 50% AMI.
- A 25% density bonus for single family residential development if 25% of the units are sold/rented to residents making less than 80% AMI.

For example, a developer proposing a 20-unit duplex project and utilizing the density bonus would be granted an additional 5 units (25% increase) if 10 units (based on the new total number of 25 units) are available for individuals making less than 60% AMI.

Currently, the affordability provisions are required to remain for a minimum of 15 years, and are administered through either the City of Winston-Salem Community Development Department (CD) or the Forsyth County Housing and Economic Development department (FCHED). As noted in the 2015 evaluation of this provision, Winston-Salem/Forsyth County continues to be in line with our peer communities in both our bonus percentage and the parameters of affordability required to trigger the bonus density.

Evaluation of Current Provision

While reevaluating this provision, staff identified several developers who have worked locally with affordable housing, and invited them to review and comment on the provision. Specifically, staff asked whether the Bonus Density provision was an incentive to building affordable housing in our community as it is currently written, or if modifications to the ordinance might make it more attractive to encourage greater inclusion of affordable units. Across the board, developers stated that in general, Bonus Density provisions in any form were not attractive in our local market for three main reasons:

- our overall population density is not high enough to make efficient use of density bonuses;
- in general, our zoning districts already allow enough density to meet demand, and;
- land here is not expensive or scarce enough to drive density bonus use.

All of the developers interviewed thought that Density Bonus provisions were a good incentive to provide affordable units, just not in the Winston-Salem/Forsyth County area at this time. Other comments about the existing Density Bonus provision included some concern about the 15 year time period of affordability, and the fact that donation of developable land by the developer was a deal killer, since any desirable land would be utilized by the developer.

Staff also asked the developers what other incentives might make the inclusion of affordable units in their projects more attractive. For example, other communities provide parking incentives and/or setback variance incentives for affordable units. The developers stated that setback variances would not be much of an incentive in the local market, but that parking incentives, such as a reduction of the number of spaces per affordable unit, might be attractive in some situations. Additional information on potential parking changes is discussed below.

Developers also indicated that the most attractive local incentives to affordable housing were changes to stormwater regulations, waived or reduced impact or system development fees, and direct municipal funding for projects. These incentives are outside the purview of this report, and outside the scope and enforcement of the UDO itself - however, if affordable housing incentives are a priority for Winston-Salem and Forsyth County, it may be beneficial for City and County management to investigate how to modify these regulations to boost the development of affordable units.

Because enforcement of the *Bonus Density for Affordable Housing* provision is provided by FCHED and CD, Planning and Development staff also invited these departments to review the UDO language to ensure that it complied with current policies. Several updates were suggested so that the provision would comply with revised Department of Housing and Urban

Development (HUD) guidelines as well as departmental compliance changes. Staff also proposes modifying Bonus Density language so that it more directly correlates to other City/County affordable housing programs, specifically the *Affordable Workforce Housing Assisted with City Funds* policy, which gives developers access to municipal funding in exchange for reserving a portion of their units as affordable housing. Consistency across departments regarding Affordable Housing regulation and enforcement will make it easier for staff to manage these programs and will also make the use of these programs more developer-friendly. The proposed Ordinance language will allow for any future modifications to housing programs administered by FCHED and CD to correlate to the UDO Bonus Density provision without necessitating future Ordinance revisions. Additional modifications to UDO language were included to clarify calculations of affordable units.

Finally, staff also reached out to the Housing Authority of Winston-Salem (HAWS) as they are the largest developer of affordable housing in the area. HAWS reviewed the provision, and made some suggestions for modifying the regulatory language similar to what CD had recommended.

In addition to the above revisions, staff is proposing removing the donation of land provision from this section. As mentioned above, developers stated this would never be an aspect of the provision that would be utilized, and retaining it only adds confusion to the UDO. It is likely that this part of the provision was included as an early attempt at land banking, which is a way for municipalities to aggregate land to hold in trust until it is possible for the land to be developed as affordable housing. Current methods of land banking are done differently, however, and any future local attempt at land banking would adhere to those new methods.

Parking Reductions for Affordable Housing

As stated previously, many communities across the country allow for parking reductions for affordable units as an incentive for affordable housing. The majority of communities researched across the country required only one (1) parking space per affordable unit regardless of unit size. Several communities also allowed for further reductions based on location, such as transit adjacent areas or other densely populated areas close to transportation or job centers. Durham, for example, allows for projects that comply with their Density Bonus program to have a minimum of zero parking units per affordable unit if they are located in the Compact Neighborhood Tier, an area analogous to our GMA 2.

Parking for affordable housing does have other factors, however. For example, projects that use funding from the Federal Low Income Housing Tax Credit program must comply with the regulations of that program, which include their own parking mandates. As such, a reduction in parking minimums for affordable units may be an incentive to some projects, but other external standards may reduce the effectiveness of such an incentive.

A 2019 report from Planning staff on Affordable Housing Opportunity Sites indicated that the most desirable location for affordable units is along transit lines, to help reduce the Housing and Transportation Index (H&T), a value that assesses overall affordability costs. In addition, UDO-283, an amendment which allowed for multifamily housing projects in additional zoning districts along identified Growth Corridors, also took the availability of transit into consideration when determining those updates. Based on these factors, staff believes that reducing total parking requirements for multifamily projects in more densely populated areas

of the city and county would help reduce the total cost of the projects, allowing for both greater housing availability and increased affordability.

Staff is proposing alternative parking compliance provisions for multifamily development that is within one-quarter (1/4) mile of an identified *Legacy* Growth Corridor or Activity Center and within one-quarter (1/4) mile of an existing transit line regardless of unit size or affordability. Not specifically tying parking reductions to affordable units for projects that receive incentives will allow such developments to remain in compliance with the UDO even after the required affordability period ends, while still accomplishing the goal of encouraging more affordable units based on reduced construction costs. Such a provision would also lower the H&T Index for residents because of the requirement for proximity to transit.

Conclusion

Despite our history of relatively stable housing prices, Winston-Salem and Forsyth County have not been immune to increased housing demand and rising prices that are a nationwide trend in 2020. Ensuring that the UDO includes provisions which promote housing affordability and incentivize developers to increase the supply of affordable units will be imperative in the coming year. The changes proposed by UDO-CC7 will help in accomplishing these goals.