



DATE: June 4, 2025

TO: Marla Y. Newman, Director of Community Development and Neighborhood Connections

THROUGH: B. Lamont Taylor, Housing Services Manager

FROM: Rebekah Shamberger, Housing Specialist

SUBJECT: Affordable Housing Incentive Zoning Policy Enhancement Recommendation

The Town's existing Affordable Housing Incentive Zoning Policy was adopted by Council on June 27, 2023. The development of a policy was a recommendation of the Affordable Housing Plain (AHP) adopted in February 2021. The intent of its creation is to provide zoning incentives to spur construction of long-term affordable units in Apex. The policy outlines a menu of zoning incentives available to residential developers. After one year of implementing the Affordable Housing Incentive Zoning Policy, adjustments are necessary to improve developer participation and long-term affordability compliance standards.

Since the adoption of the policy, Council has approved three (3) rezonings or planned unit developments (PUD) that have designated five (5) percent or more of total units as affordable per the policy.

This memo outlines policy considerations to increase voluntary developer participation of the Affordable Housing Incentive Zoning Policy ("Policy"). After evaluating the initial developer incentives and potential alternatives, the staff would propose the following policy considerations to advance the goal of affordable housing production in Apex.

Section 1. Overview

1.3 Applicability

Minimum Applicability Standards	Current Policy	Proposed Policy Enhancement
Minimum Development Unit Size Threshold	20 Units/Lots	10 Units/Lots
Minimum Affordable Housing Rental/Ownership On-site Unit/Lot Percentage (%)	5%	10%
Maximum Affordable AMI Percentage (%) - Ownership	135%	120%
Maximum Affordable AMI Percentage (%) – Rental	100%	80%
Minimum Affordability Period - Ownership	20 years	20 years
Minimum Affordability Period – Rental	Negotiable	30 years
Targeted Prices – Ownership	-	No more than HUD Home New Construction Sales Price
Targeted Prices – Rental	-	NCHFA Fair Market Rent per the AMI

Section 1. Overview

Section 1.4 Alternatives

Section 1.4.1 Fee in Lieu

Current Policy Alternative	Proposed Enhancement	Proposed Enhancement Example
<p>Proposals that differ from the minimum Policy recommendations will be considered alternative proposals. The applicant should specify if the alternatives are less than, equivalent to, or greater than the minimum Policy recommendations in the Affordable Housing Proposal (AHP). An applicant is not precluded from requesting one or more zoning-based, non-financial, or financial incentives if proposing an alternative proposal (i.e. different on-site residential affordable housing unit or lot percentage, different Area Median Income (AMI) percentage, different affordability term, etc.), that differs from the Town's minimum Policy recommendation. The Town Council may approve, conditionally approve, or deny any proposal including an alternative proposal. The Town may retain the services of a consultant or outside legal counsel to review the reasonableness of the submitted proposal.</p>	<p>Fee in Lieu</p> <p>As an alternative to on-site units, a fee in lieu is recommended to be dedicated to the Affordable Housing Fund. The equivalent of 10% of the development units should be provided to the Town as gap financing for the development for future affordable rental units.</p> <p>The Town Council may approve, conditionally approve, or deny any proposal including an alternative proposal. The Town may retain the services of a consultant or outside legal counsel to review the reasonableness of the submitted proposal.</p>	High Density Single-Family Residential Rezoning
		Development Acreage 10 acres
		Projected Maximum Unit Count 80 Units
		Minimum Applicable Designation 80 units x 10% = 8 affordable units
		Fee in Lieu Calculation
		Median Development Unit Sales Price \$600,000
		HUD HOME New Construction Sales Price \$382,000
		Sales Price Difference \$218,000
		AHIZP Designated Units 8 Units
		Fee in Lieu Calculation \$218,000 x 8 units
		Fee in Lieu Amount \$1,744,000

Section 1. Overview

Section 1.4 Alternatives

Section 1.4.2 Lots in Lieu

Current Policy Alternative	Proposed Enhancement	Proposed Enhancement Example
<p>Proposals that differ from the minimum Policy recommendations will be considered alternative proposals. The applicant should specify if the alternatives are less than, equivalent to, or greater than the minimum Policy recommendations in the Affordable Housing Proposal (AHP). An applicant is not precluded from requesting one or more zoning-based, non-financial, or financial incentives if proposing an alternative proposal (i.e. different on-site residential affordable housing unit or lot percentage, different Area Median Income (AMI) percentage, different affordability term, etc.), that differs from the Town's minimum Policy recommendation. The Town Council may approve, conditionally approve, or deny any proposal including an alternative proposal. The Town may retain the services of a consultant or outside legal counsel to review the reasonableness of the submitted proposal.</p>	<p>Lots in Lieu</p> <p>As an alternative to developer built onsite affordable units, the equivalent to 10% of onsite lots is recommended to be dedicated to an affordable housing developer to develop as affordable housing.</p> <p>The Town Council may approve, conditionally approve, or deny any proposal including an alternative proposal. The Town may retain the services of a consultant or outside legal counsel to review the reasonableness of the submitted proposal.</p>	High Density Single-Family Residential Rezoning
		Development Acreage 10 acres
		Projected Maximum Unit Count 80 Units
		Projected Lots per Units 80 Lots
		Minimum Applicable Lot Designation 80 lots x 10% = 8 Lots
		Lots in Lieu Calculation
		Projected Lots 80 Lots with 1 unit per lot
		AHIZP Designated Lots 8 Lots
		Lots in Lieu Calculation 80 Lots x 10%
		Lots in Lieu Dedication 8 onsite lots to be conveyed

Section 1. Overview

Section 1.4 Alternatives

Section 1.4.3 Land in Lieu

Current Policy Alternative	Proposed Enhancement	Proposed Enhancement Examples
<p>Proposals that differ from the minimum Policy recommendations will be considered alternative proposals. The applicant should specify if the alternatives are less than, equivalent to, or greater than the minimum Policy recommendations in the Affordable Housing Proposal (AHP). An applicant is not precluded from requesting one or more zoning-based, non-financial, or financial incentives if proposing an alternative proposal (i.e. different on-site residential affordable housing unit or lot percentage, different Area Median Income (AMI) percentage, different affordability term, etc.), that differs from the Town's minimum Policy recommendation. The Town Council may approve, conditionally approve, or deny any proposal including an alternative proposal. The Town may retain the services of a consultant or outside legal counsel to review the reasonableness of the submitted proposal.</p>	<p>Land in Lieu</p> <p>As an alternative to developer built onsite affordable units/lots, the equivalent to 10% of onsite lots is recommended to be dedicated to the Town to develop affordable homes in the future.</p> <p>The Town Council may approve, conditionally approve, or deny any proposal including an alternative proposal. The Town may retain the services of a consultant or outside legal counsel to review the reasonableness of the submitted proposal.</p>	High Density Single-Family Residential Rezoning
		Development Acreage 10 acres
		Projected Maximum Unit Count 80 Units
		Projected Acreage per Unit .125 acres
		Minimum Applicable Affordable Unit Designation 80 x 10% = 8 affordable units
		Land in Lieu Calculation
		Projected Acreage per Unit .125 acres
		AHIZP Designated Units 8 Units
		Land in Lieu Calculation .125 acres x 8 units
		Land in Lieu Dedication 1 acres of offsite developable land

Section 4. Town Incentives

Section 4.1 Higher Density Zoning District

Current Incentive	Proposed Enhancement	Proposed Enhancement Example
Higher Density Zoning District An applicant may apply for a zoning district that allows more housing types and density than otherwise indicated on the 2045 Land Use Map to increase overall project density to support the provision of affordable housing.	Higher Density Zoning District An applicant may apply for a zoning district that allows more housing types and density than otherwise indicated on the 2045 Land Use Map to increase overall project density to support the provision of affordable housing, if the development designates a minimum 10% of total unit amount as affordable.	Current Zoning Designation: Rural Residential - 1 dwelling per acre
		2045 Land Use Map Designation: Medium Density - Up to six (6) units per acre
		Higher Density Rezoning Requested: High Density Single-Family Residential – Up to eight (8) units per acre
		Development Acreage 10 acres
		Projected Maximum Unit Count Based on Zoning Designation 80 Units
		Minimum Affordable Unit Designation 80 Units x 10% = 8 units

Section 4. Town Incentives
Section 4.1.2 Density Bonus

Current Incentive	Proposed Enhancement	Proposed Enhancement Example	
Density Bonus A density bonus encourages the production of affordable housing by allowing applicants to build more units or lots within the development than would otherwise be allowed by the proposed zoning district. If rezoning to the High-Density Multi-Family Residential-Conditional Zoning (HDMF-CZ), an applicant may propose a zoning condition that increases the allowed density above the 14 dwelling units per acre that the HDMF zoning district permits. An increase to at least 16 dwelling units per acre would be supported by this incentive.	Density Bonus A density bonus encourages the production of affordable housing by allowing applicants to build more units or lots within the development than would otherwise be allowed by the proposed zoning district. If rezoning to the High-Density Multi-Family Residential-Conditional Zoning (HDMF-CZ), an applicant may propose a zoning condition that increases the allowed density above the 14 dwelling units per acre that the HDMF zoning district permits. An increase to at least 20 dwelling units per acre would be supported by this incentive. Fifty percent (50%) of the units created through the density bonus must be designated towards affordability, in addition to the original ten percent (10%) that was designated as affordable.	Development Acreage	
		10 acres	
		Projected Maximum Unit Count	
		140 Units	
		Minimum Applicable Designation	
		140 units x 10% = 14 affordable units	
		Projected Maximum Unit Count with Density Bonus	
		140 units + 60 Density Bonus Units	
		Unit Designation with Density Bonus	
		Market Rate (MR) Units	126 Units
		AHIZP Units	14 Units
		Density Bonus MR Units	30 Units
		Density Bonus Affordable Units	30 Units
		Final Unit Designation Totals	
		Market Rate Units	156 Units (78% of Total Units)
		Affordable Units	44 Units (22% of Total Units)

Section 4. Town Incentives

Section 4.1.3 Development Standards

Current Incentive	Proposed Enhancement
<p data-bbox="128 334 459 362">Development Standards</p> <p data-bbox="128 370 1045 670">Adjustments to the development standards listed below may be requested in order to support the development of affordable housing. In all cases, the type and amount of incentives proposed will be reviewed in conjunction with the 2045 Land Use Plan (as amended from time to time by the Town Council), including the Land Use Map and Context Areas Map, and the character of the surrounding area. The incentives listed below in (a), (b) and (c) are applicable in any CZ district, without the need to rezone to a PUD-CZ district.</p> <ul data-bbox="128 678 636 789" style="list-style-type: none">a. Increased maximum building heightb. Reduced minimum building setbacksc. Reduced minimum lot widths	<p data-bbox="1073 334 1404 362">Development Standards</p> <p data-bbox="1073 370 1990 670">Adjustments to the development standards listed below may be requested in order to support the development of affordable housing. In all cases, the type and amount of incentives proposed will be reviewed in conjunction with the 2045 Land Use Plan (as amended from time to time by the Town Council), including the Land Use Map and Context Areas Map, and the character of the surrounding area. The incentives listed below in (a), (b) and (c) are applicable in any CZ district, without the need to rezone to a PUD-CZ district.</p> <ul data-bbox="1073 678 1990 1136" style="list-style-type: none">a. Increased maximum building height Applicants rezoning to High-Density Multi-Family-Conditional Zoning (HDMF-CZ) may request to increase the building height to accommodate the density bonus increase from 14 units an acre to 20 units an acre to ensure the inclusion of affordable units.b. Reduced minimum building setbacks Applicants may request a reduction of minimum building setbacks to accommodate the inclusion of affordable units.c. Reduced minimum lot widths Applicants may request to reduce minimum lot widths to accommodate the inclusion of affordable units.

Section 4. Town Incentives

Section 4.1.4 Resource Conservation Area

Current Incentive	Proposed Enhancement
Resource Conservation Area Reduction The maximum reduction in Resource Conservation Area (RCA) that may be requested is 10%. The amount of reduction that may be supported by staff will depend upon the percentage of units or lots provided as affordable housing and the amount of RCA required for the property.	Resource Conservation Area Reduction An applicant may request a Resource Conservation Area reduction of 10% as an incentive when the minimum 10% of total units within the proposed development is designated as affordable. The maximum reduction in Resource Conservation Area (RCA) that may be requested is 10%. This incentive is applicable in any CZ district, without the need to rezone to a PUD-CZ district.

Section 4. Town Incentives

Section 4.1.5 Parking Reductions

Current Incentive	Proposed Enhancement
Parking Reductions A reduction in the required amount of parking may be requested for developments that are pedestrian-oriented mixed-use and/or within .25-mile of an existing or planned bus stop. This incentive is applicable in any CZ district, without the need to rezone to a PUD-CZ district.	Parking Reductions An applicant may request a parking reduction for developments that are pedestrian-oriented mixed-use and/or within .25-mile of an existing or planned bus stop as an incentive when the minimum of 10% of total units within the proposed development is designated as affordable. This incentive is applicable in any CZ district, without the need to rezone to a PUD-CZ district.

Section 4. Town Incentives

Section 4.1.5 Grants and Reductions

Current Incentive	Proposed Enhancements
<p>Loans, Grants, and Reimbursements</p> <p>The Town may choose to provide financial assistance in the form of a grant for reimbursement of certain development fees to help offset some of the total development costs for providing residential affordable housing units or lots within a development. Funds shall be structured in a manner that directly reduces the housing cost for the end user in the form of a lower purchase price or monthly rental cost. The Town may also choose to provide financial assistance in the form of a loan or grant within a development to assist with the creation of residential affordable housing units or lots. This incentive is subject to Town funding availability and will be evaluated on a case-by-case basis.</p>	<p>Grants and Reductions</p> <p>An applicant may request financial assistance in the form of a grant for reimbursement of certain development fees to help offset some of the total development costs for providing residential affordable housing units or lots within a development. Funds shall be structured in a manner that directly reduces the housing cost for the end user in the form of a lower purchase price or monthly rental cost. This incentive is subject to Town funding availability, and will be evaluated on a case-by-case basis.</p> <p>Town Financing</p> <p>Applicants may request Town financing to help ensure affordable units within the proposed development. The designated affordable units must be targeted to incomes at or below 80% of the AMI and must include units that are targeted to 60% of the AMI or below.</p> <p>Water and Sewer Fee Reduction</p> <p>Applicants may request Town financing in the form of a 10% reduction of the Water and Sewer Fee to help ensure affordable units within the proposed development. The designated affordable units must be targeted to incomes at or below 80% of the AMI and must include units that are targeted to 60% of the AMI or below.</p> <p>Parks and Recreation Fee Reduction</p> <p>Applicants may request Town financing in the form of a 10% reduction of the Parks and Recreation Fee to help ensure affordable units within the proposed development. The designated affordable units must be targeted to incomes at or below 80% of the AMI and must include units that are targeted to 60% of the AMI or below.</p>

