MEMO TO CITY COUNCIL

Request to Include Topic on the City Council Agenda

From:	Caleb Hood, Community Development	**Meeting Date:**	April 19, 2022
Presenter:	Caleb Hood	**Estimated Time:**	30 Minutes
Topic:	Attainable Housing		

Recommended Council Action:

Discussion and direction for next steps to further housing attainability.

Background:

Housing costs in the Treasure Valley are at historic highs and supply is struggling to keep up with demand. The City has some existing tools that address housing choice and encourage housing options for all, but those tools do not necessarily or directly address the cost of providing housing. Staff would like to review some of the current policies and programs (tools) the City has regarding housing attainability and share some ideas to see if there is any interest in pursuing additional or enhance existing policies and/or programs related to housing in Meridian.

This is a very complex topic with many variables, data sets, studies and opinions. For the purposes of this memo, Staff is using the term "attainable housing" to express that the implied goal is for housing to be available to meet the need in the community. Generally, the lending industry standard is that no more than 30-35% of a household's income should be spent on housing. With the rising housing costs, and a competitive market, it is becoming more and more difficult to acquire housing in our area. Therefore, Staff believes that some effort should be put forth to try and positively impact the current housing situation.

The City plays a role in the housing equation, but this problem is bigger than the City, the region or even the State. Any substantial, positive impact the City is to have on the housing attainability problem must include partnerships and collaboration. There are many variables that tend to drive prices higher – supply, demand, cost of land, availability and cost of building materials and labor to build – which the City has little to no influence over. Further, cities in Idaho are fairly limited in what programs may be implemented; the State has preempted cities from enacting many local ordinances allowed in other States. For example, in Idaho a City cannot require affordable housing units of a developer, where many other States do allow or even require inclusionary zoning practices. This memo and the discussion next week, does not dwell on potential changes to State Code but instead puts forth some viable options currently allowed by law that could have a positive impact on housing acquisition.

The City of Meridian is a HUD designated entitlement community with a Community Development Block Grant (CDBG) program which addresses fair housing and analyzes affordability and any impediments to housing choice. Late last year, the City initiated the development of the 2022-2026 Consolidated (Con) Plan – a 5-year workplan that lays out potential projects using CDBG funds. The City's consultant will be completing a housing market analysis that will look at the number of housing units, cost of housing, condition of housing, needs in our community, etc. as part of the Con Plan development, which should be adopted this summer. There will likely be some overlap, and more detailed information and data presented as part of the City's Con Plan discussion and adoption.

Request:

In advance of the presentation of the City's consultant's housing analysis and recommendation to the Council of the Con Plan, Staff has created a list of tools (below). This list is in table format and includes information on each identified tool that is either: 1) currently being used by the City, 2) not being currently used, but shows some potential for further investigation, or 3) might be used in the future but not immediately. In each of these three levels, Staff includes recommendations that are primarily based on how successful the tool may be. This is expressed in a cost-benefit column with the cost largely representing staff time to research and implement and the benefit side being loosely defined as how popular the tool may become. This list of existing and potential tools that may positively affect housing attainability is not exhaustive, but hopefully gives Council a good idea of what Meridian is currently doing and a sense of what additional steps may be warranted.

Potential funding sources, grants and partnerships have not been comprehensively identified in the table below. At this point, Staff has identified some of what we do to positively impact housing choice and cost and included some additional options and recommendations. Staff is asking Council what, if any, policies and/or programs should be explored further. After this initial discussion, Staff envisions following-up with Council to present additional information and more detailed research so Council can better understand the level of effort and cost-benefit of the options.

Tool (Policy / Program)	Summary	Estimated Level of Effort & Benefit	Miscellaneous Notes / Thoughts	Staff Recommendation
Currently being used, but could be expanded				
Mixed-Use Land Use Designations and Zoning	By planning for integrated land uses, the City is making it possible for residents to live close to where they work and play. This can positively affect the cost of transportation, freeing up disposable income for other necessities/costs like housing.	High impact or benefit, relatively low cost for the City to implement.	This is a somewhat passive approach, but Staff believes it will be effective in the long term. Staff could evaluate additional areas where housing and jobs could be grouped together on the FLUM.	Maintain current processes and look for future opportunities to encourage additional housing opportunities near major transportation corridors and activity centers.
Accessory or Secondary Dwelling Units	The City's UDC (Title 11-4-3-12) allows a secondary dwelling unit (aka – guesthouse, granny flat, tiny house, carriage house, caretaker unit, etc.) on the same property as a single-family dwelling.	Relatively low impact/benefit; does not get used much today.	Allowing an additional dwelling unit on a single-family lot is probably the most popular tool used by cities currently to combat the housing crunch. However, many CCR's may restrict these types of dwelling units.	The City should advertise this option more and evaluate the current standards to ensure barriers aren't limiting its use.
Smaller Houses	The City has a minimum house size in the R-2 (1,500 sf) and R-4 (1,400 sf) zoning districts. Smaller structures could reduce the overall costs to construct.	Relatively low effort; likely not a huge impact or benefit.	City Code requires all dwellings (not manufactured or mobile homes) to be constructed on a foundation and connected to municipal services. This may also be a related barrier.	Conduct survey to see if Code changes to remove minimum house sizes would be useful. Explore other similar construction requirements in Code that drive the cost to construct higher in residential zones.
Adaptive Reuse	Reuse or rehabilitation of structures that historically were not used for housing. (Think conversion of a big-box store or offices to apartments.)	Level of effort is low for the City, but relatively high for a developer. Impact could be high and a win-win, especially if incentives/partnerships are developed.	Conversion to residential is often costly. Instead of buildings sitting vacant though and contributing to blight, they could be repurposed. Gap financing could be an incentive, especially if for workforce housing.	Explore with developers their appetite and Building Code considerations to understand feasibility. Also look at gap financing and other programs to encourage.

Development Fee Waivers	Reduction or waiver of fees to develop. Could be planning, development review, inspection and/or impact fees.	Medium level of effort to develop waiver findings and impact is likely medium too.	There is current Code (MCC 10-7-8) that exempts affordable housing projects from police, fire and parks impact fees. Could expand to other fees (eg – application and/or development review).	Explore additional City or other government fee waivers for attainable housing projects.
Down-Payment Assistance / Principal buydown	Direct offset of costs to homebuyer upon closing.	Relatively low effort, but relatively low impact as only a few families can participate.	The CDBG program has funded in the past. Funds are limited, eligibility and availability of housing stock are also issues that would need to be addressed if the program expands.	Continue current practice; wait to see if Con Plan recommends any changes.
Public Transportation (Bus Service)	Providing a more robust public transportation network with transit options make it possible to forego owning a car and the associated costs.	High level of effort with a medium-high impact on housing.	Like Mixed-Use Land Uses and Zoning above, the availability of public transportation is a tool to potentially reduce the overall cost to live in a place.	Look for transit funding sources that are not out of the City's general fund.
Not currently being used, but could be				
Expedited Permitting & Review	Move qualified projects to the front of the line for review and permitting.	Low level of effort, but relatively low positive impact (doesn't move the needle much.)	Development review and permitting is already streamlined/efficient.	Evaluate to see what steps in our process could be streamlined or even removed for projects.
Weird Lots	Allow dwellings on substandard parcels previously approved for other uses, for example open space or skinny lots.	Relatively low (to medium) level of effort, with relatively low impact.	Could largely apply downtown (infill) where there are more narrow lots, lots without frontage, etc. (See City of Clovis, CA)	Explore adding these provisions to City Code, especially downtown.
Density Bonuses	Allow additional dwelling units for projects that set aside housing for low-moderate income families (or other groups like the elderly or veterans).	Medium level of effort with the potential for high impact.	This is a relatively common practice in other communities outside Idaho. Would need to be volunteer program, couldn't require.	Explore how this may work in Meridian and report back to Council. (Inclusionary Zoning)
Gap Financing / Housing Opportunity Revolving Loan Fund	Gap financing. Financing may include loans, grants, and/or equity investments that are subordinate to private funding and/or federal tax credits.	Unknown level of effort, but this has been identified as one of the top issues or barriers to developing workforce housing; high impact/benefit.	Research is needed to understand what how this could work to stimulate housing redevelopment. The State is looking at using ARPA funds for gap financing of housing units.	Track what is occurring at the State level (Workforce Housing Advisory Commission) and prepare to be involved.

Donation of Property	Donating or trading underutilized or "surplus" City land for the development of dwellings. Churches or other similar non-profits could be encouraged too – even if for longer-term lease instead of donation or sale.	Relatively low level of effort, with potential for high impact.	One of the biggest things developers of affordable housing projects have mentioned as most helpful – finding and acquiring land.	Identify any City owned properties that might be good candidates to use for housing.
Development Agreements	With annexation or rezone, the City could enter into an agreement with the developer, that runs with the land, addressing more detailed housing provisions. Could also be done through deed restrictions and/or with CUP approvals.	Medium level of effort, but tracking over time would be tedious.	Would need to work closely with the development community and Legal staff on potential DA/CUP/deed provisions. Couldn't do it as inclusionary zoning, would need to be voluntary.	Explore further and research if any cities in Idaho do something similar.
Not being used, but others are				
Allow Waivers or Exceptions for Affordable Housing Projects	Like the City's PUD process, relief from standard code requirements like lot size, parking, height, frontage, density could be granted in exchange for affordable dwelling units.	Depends on scope.	This is similar to Density Bonuses and Development Agreements in this table. A case-by-case negotiation would likely occur with each project as standards would be difficult, but maybe not impossible, to develop.	The City does have a PUD process which allows applicants to seek relief from UDC standards. It is likely the Con Plan will address this; wait.
Require Set-Asides	For projects of a certain size, outright require a certain percentage (typically 10-20%) of dwelling units to be reserved below market rate.	Medium to high level of effort with medium to high benefit.	This would require a lot of education and discussion. Set-asides could be limited to a certain number of years or in perpetuity. (Inclusionary Zoning)	Generally speaking, this concept is currently not allowed by State Code.
Help with Soft Costs	Subsidize projects by paying for soft costs like, design, engineering, etc.	Medium level of effort, lower impact.	This could be fairly inexpensive, but could be tedious to develop standards, agreements and then track over time.	Lower benefit, and more up-front work to develop a program so recommend waiting.
Housing Development Opportunity or Trust Fund	Leverages other resources to help make "affordable" and "workforce" housing more attractive. Other, "market rate" dwellings/projects pay into fund.	High impact, potentially high level of effort.	Staff needs to further explore and understand how this will work in Idaho.	The Legislature recently allocated $50M for workforce housing.

Urban Renewal Areas	When residential is in a URA, funds could be used to reimburse.	Unknown	This could get very complex, depending on what is eligible. This can be done but historically residential is not called for in a URA plan.	Nothing immediately, but discuss with MDC potential.
Incentives for Veteran and/or Senior Housing	Could explore some of the tools above for projects providing housing for seniors, veterans or other groups.	Unknown	Developing standards and requirements and then tracking over time would take resources.	Do nothing at this time.
Property Tax Exemptions	Waiver or reduction of property taxes.	Higher level of effort as State law would likely need to change.	Could explore legislation, or similar to City impact fee waivers, the general fund could be used to off-set property taxes.	Do nothing at this time.
Contributed Capital	Reimburse for the public expenses/needs provided with the project.	Unknown	Would need Legal, Finance, Public Works to help understand what might be eligible.	Later phase of exploration.