



# CITY COUNCIL ACTION FORM

<b>DEPARTMENT</b> Community Development	<b>PRESENTED BY</b> Kathryn Dunleavy - Associate Planner	<b>DATE</b> July 2, 2024
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## AGENDA ITEM

Ordinance 2024-07: An Ordinance of the City Council for the City of Salida, Colorado amending Chapter 16, Article XIII of the Salida Municipal Code regarding inclusionary housing.

## BACKGROUND

The City originally adopted its Inclusionary Housing requirements and regulations in 2018. The City has periodically modified the Inclusionary Housing requirements to be responsive to changes in the market as well as practicalities in enforcement of the regulations. However, the purpose of the Inclusionary Housing Ordinance remains the same:

- (a) Promote the construction of housing that is affordable to the community's workforce;
- (b) Retain opportunities for people that work in the City to also live in the City;
- (c) Maintain a balanced community that provides housing for people of all income levels; and
- (d) Ensure that housing options continue to be available for very low-income, low-income, moderate, and middle-income residents, for special needs populations and for a significant proportion of those who work and live in the City.

## **PROPOSAL:**

The proposed amendments to Chapter 16, Article XIII of the Code, consist of:

- (a) Minor clarifications, edits or added/modified verbiage that do not change the substance of the Ordinance; such as clarifying the utility allowance; and
- (b) Addition of language to address inclusionary housing scenarios not clearly identified in the current ordinance, such as LIHTC projects, community land trusts, and other scenarios; and
- (c) Four substantive updates that address current market trends and align with administrative realities:

- 1) **Increase the ownership unit AMI income buffer from 10% (currently) to 19%.** Current interest rates are proving to be a challenge to finding qualified buyers. The larger buffer is intended to offset that challenge. With this change, a household earning up to 119% AMI would qualify for a unit restricted to 100% AMI maximum sales price; a household earning up to 139% AMI would qualify to for a unit restricted to 120% AMI maximum sales price; and a household earning up to 159% AMI would qualify for a unit restricted to 140% AMI maximum sales price;

**2) Modification of the AMI range targeted by the ownership units.** With the increases in the Chaffee County AMI (14.6% over last 2 years), and with some market rate housing being offered in the 150% and up AMI range, units at the 160% AMI range are competing with the lower end of market prices, and therefore are not a critical component of missing-middle housing at this time. Additionally, continuing deed-restrictions at the 160% AMI level may be setting unrealistic sales price expectations for developers who commit to building the IH units, or for the qualified owners who purchase them and resell in the future. (This has proven to be an issue in other communities similar to Salida). Therefore, this update proposes adjusting the AMI range to 100% through 140%, but with a 130% maximum average that takes effect after the first built IH unit.

Because this proposal incorporates 100% AMI into the required range, it removes the current incentive for a 100% AMI unit to count as 1.5 units. (Note that the incentive for rental units at 60% AMI remains; they will still count as 1.5 units). With this modification, coupled with the increase in the allowed income buffer noted in item 1, the intention is to provide criteria that would create favorable conditions for a pool of qualified buyers for the 100% AMI units. The chart below represents how this proposal differs from the current ordinance:

Current Ordinance		Proposed Ordinance	
AMI Range:	120% to 160%	<b>AMI Range:</b>	<b>100% to 140%</b>
Required Avg:	140% or less	<b>Required Avg:</b>	<b>130% or less after 1<sup>st</sup> unit</b>
First 5 built units:	1 <sup>st</sup> : 140% 2 <sup>nd</sup> : 120% 3 <sup>rd</sup> : 160% 4 <sup>th</sup> : 140% 5 <sup>th</sup> : 120%	<b>First 5 built units:</b>	<b>1<sup>st</sup>: 140%</b> <b>2<sup>nd</sup>: 120%</b> <b>3<sup>rd</sup>: 100%</b> <b>4<sup>th</sup>: 140%</b> <b>5<sup>th</sup>: 120%</b>

**3) Timing of Fee-in-lieu Payment.** The fee schedule has always required that the fee-in-lieu of a built unit be set at the time of building permit application, and this was always the intent of the ordinance. However, due to some vagaries of the language in the Ordinance, as well as language utilized in IH agreements, this has not been the practice. The proposed updates are to provide clarity on timing of payment, and to provide two different scenarios for payment of the FIL:

- a. For projects of 5 or fewer units, the FIL is set at the time a complete building permit application is received. Half of the payment would be due at the time of building permit and the remaining half at time of C.O. This is the same payment structure that is currently utilized for System Development Fees and that structure is well understood and works well, therefore we suggest replicating what is working.
- b. For developments of 6 or more units, the entire FIL (which is the fractional payment of any fractional unit required) would be required to be paid no later than the first building permit being issued in the development. The FIL could be paid as early as recordation of the plat, but Staff believes requiring that would be unnecessarily burdensome; this timeline offers flexibility while

ensuring that payment does not wait until the very last lots apply for permits, as it is not unusual for developments to have a handful of vacant lots decades after initial construction begins.

- 4) **Reduce maximum household AMI for renting an ownership unit.** The current code specifies that when an ownership unit is rented (per conditions allowable in the code and/or deed restriction), it can be rented at a price affordable to a household making 100% AMI. This proposal changes that to 80% AMI.

## **FISCAL IMPACT**

Fiscal Impact statement does not apply to this application.

## **RECOMMENDATION**

Planning Commission voted 6-0 to recommend City Council approve the proposed text amendments in Ordinance 2024-07.

Staff recommends approval of Ordinance 2024-07.

## **MOTION**

A City Councilmember should state “I move to \_\_\_\_\_ Ordinance 2024-07 on first reading and set the second reading and public hearing for July 16, 2024”, followed by a second and a roll call vote.

## **ATTACHMENTS**

Draft Ordinance 2024-07