

Proposed Amendments to the SFHP Inclusionary Requirements for Rental Housing

... and other related housing issues ...

August 8, 2019

Market Station Offices, City of Santa Fe

Inclusionary Zoning (IZ)

Also known as inclusionary housing, IZ refers to regulation that requires a given share of new construction to be affordable by people with low to moderate incomes. -*Wikipedia*

Goal: encourage the development and availability of housing affordable to a broad range of household incomes

Nexus: offset the demand for affordable housing that is created by new development

A (Very) Brief History of IZ

- **Housing Opportunity Program (HOP)** was City's first inclusionary zoning program, established in 1998. % requirement was based on market value.
- **Santa Fe Homes Program (SFHP)** was implemented in 2006, with a standard requirement of 30% for homeownership and 15% for rental housing.
- **In 2014**, amendments were made lowering the SFHP requirement to the current level of 20% for homeownership projects.
- **In 2016**, amendments were made to allow fee-in-lieu by right for multi-family rental - sunsets in 2020.

Calculating the fee-in-lieu

- Uses the “Affordability Gap” between HUD’s Fair Market Rent (FMR) and what’s affordable rent for renter earning no more than 65% of Area Median Income (AMI)
- Multiplies the gap by 24 to determine the amount of rental assistance needed by that household for 2 years to afford the FMR
- Calculated per market rate unit and is adjusted by unit mix
- Santa Fe is “high cost area” according to HUD so add 10% to FMR

What does that really mean?

BR Size	# Market Units	Aff'd Units	Fee/Unit	Project Fee
Studio	#	# unit x .15	\$280	\$#
1	#	# unit x .15	\$357	\$#
2	#	# unit x .15	\$468	\$#
3	#	# unit x .15	\$737	\$#
TOTAL				\$#

What does that really mean?

BR Size	# Market Units	Aff'd Units	Fee/Unit	Project Fee
Studio	0	0	\$280	\$0
1	56	8.4	\$357	\$71,971
2	88	13.2	\$468	\$148,262
3	16	2.4	\$737	\$42,451
TOTAL	160	24		\$262,685

Policy Objectives

- Improve/make transparent certainty of how regulation will be applied
- Make feasible/incentivize providing rent-restricted units on-site in newly developed rental housing projects
- Ensure that development of new market rate units isn't inhibited/discouraged
- Maintain trust fund revenues for development & redevelopment of nonprofit, public and tax credit 100% affordable rental units
- Establish capacity/framework for managing on-site affordable units, certifying incomes, leveraging tenant-based subsidy

Propose a “Menu” of Options

First Option – pay the fee-in-lieu but it’s going up incrementally over 12 months to provide 48 months of subsidy to renter HH

Second Option – develop a LPDU (Low-Priced Dwelling Unit) Project with 100% rent-stabilized

Third Option – 15% on-site set aside of units rented at rents affordable to renter HH at 65% AMI

Option #1 - FILO

- Units permitted January 1, 2020 – June 30, 2020: 25% increase
- Units permitted July 1, 2020 – December 31, 2020: 50% increase
- Full Fee Implemented on January 1, 2021: 100% increase

# Units	Aff'd Req'm	Current Fee	Permitted by 6/30/20	Permitted by 12/31/20	After 1/1/21
160	24 units	\$ 262,685	\$ 328,356	\$ 394,028	\$ 525,370

- Fee/Market Rate Unit

Current Fee	Permitted by 6/30/20	Permitted by 12/31/20	After 1/1/21
\$1,642	\$2,052	\$2,463	\$3,284

Option #2 – 100% LPDU

- 100% of units are rented at FMR (+10%)
- Renters' incomes are targeted at less than 120%AMI
- Compliance period = 10 years with annual reporting required for City monitoring
- Cannot discriminate re. source of income and MUST accept rental assistance if all other requirements of tenancy are met
- Residency is permanent; no STRs

Option #2 – Cont.

- In 2019, this looks like:

2019*	Rent	HH Size	Max. HH income
Studio	\$ 900	1	\$61,500
1 BR	\$ 1,021	2	\$70,250
2 BR	\$ 1,176	3	\$79,100
3 BR	\$ 1,547	4	\$87,850
4 BR	\$ 1,706	5	\$94,850

Option #3 – 15% Set-Aside

- 15% of units are rented at rents affordable to renter households earning no more than 65%AMI
- Owner/Operator will partner with subsidy provider to market units, conduct income certification and support services.
- Management services and operating costs related to physical unit provided by Owner/Operator
- Compliance period = 5 years with annual reporting required for City monitoring
- Residency is permanent; no STRs

Option #3 – Cont.

- In 2019, this looks like:

2019	Maximum Rent	HH Size	Maximum HH Income
Studio	\$ 833	1	\$33,300
1 BR	\$ 951	2	\$38,050
2 BR	\$ 1,071	3	\$42,850
3 BR	\$ 1,190	4	\$47,600
4 BR	\$ 1,285	5	\$51,400

What are the carrots?

- All options are entitled to 15% density bonus if all other code requirements (lot coverage, setbacks, parking, etc.) can be met
- Option 2 will receive 15% reduction in all associated fees and permits from the City's Land Use Dept (SFCC-14.11(G))
- Option 3 will receive 30% reduction
- Value of fees held in lien, forgiven after end of compliance period

Next Steps

- All materials will be posted on City's website: [https://www.santafenm.gov/santa fe homes program](https://www.santafenm.gov/santa_fe_homes_program)
- Follow up thoughts, comments and feedback can be made via email: agladd@santafenm.gov
- Staff presentations to industry and other stakeholder groups (invite me!)
- Attend public meetings and hearings
- Educate your friends, family and peers

Public Meeting Schedule

- **Sept 4***: Community Development Commission; 3:30pm
- **Sept 11***: Economic Development Advisory Committee; 11:00am
- **Sept 19**: Planning Commission; 6pm
- **Sept 23**: Public Works Committee; 5pm
- **Sept 25**: City Council (Request to Publish); 5pm
- **Oct 1**: Finance Committee; 6pm
- **Oct 30**: City Council (Public Hearing); 5pm