Summary of Proposed Changes to SFCC 26.1 Rental Requirements
Updated July 12, 2019

Effectively, these proposed amendments are applied to any multi-family project of 15 or more units. They keep the fee-in-lieu option (which is calculated on an "affordability gap" basis and described in the Admin Procedures) and creates two options for providing affordable units on-site. One allows higher rents but requires a higher percentage of units being set-aside and the other offers deeper affordability but fewer restricted units with a shorter compliance period. The idea is to encourage market-based solutions, rather than relying on a regulation that requires a pro-forma that is challenging to finance.

1) Fee Option

The fee option would continue to be assessed according to an "affordability gap" calculation which determines the difference between a Fair Market Rent (FMR) and the rent affordable to a renter earning 65% of the area median income (AMI). The steps of the calculation are as follows:

1. Multiply the number of units (broken out by BR size) X .15% = # of affordable units
2. Multiply the number of affordable units by the fee/BR type = monthly fee by BR size
3. Multiply the monthly fee by 24 months = Project Fee

Using a 160-unit project as an example, the following table is used to calculate the fee, according to the schedule currently in place (updated according to 2019 data):

BR Size	# Units	Aff'd Units*	Fee/BR Type*	Monthly Fee	Project Fee
Studio	0	0	$280	$0	$0
1	56	8.4	$357	$2,999	$71,971
2	88	13.2	$468	$6,178	$148,262
3	16	2.4	$737	$1,769	$42,451
TOTAL	**160**	**24**		**$10,945**	**$262,685**

*Santa Fe is considered a "high cost" area per HUD's Fair Market Rent data for 2019 which adds 10% to the affordability gap calculation.

This calculation results in approximately $1,642 being paid per unit. This fee schedule is in place until December 31, 2019. The proposed amendment would assess fees at a graduated rate as of January 1, 2020. The sooner units are permitted, the lower the fee:

- 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

Using the above example, based on 2019 data, the graduated fee would be implemented as follows:

	# Units	Aff'd Req'm	Current Fee	Permitted by 6/30/20	Permitted by 12/31/20	After 1/1/21
TOTAL	160	24 units	$ 262,685	$ 328,356	$ 394,028	$ 525,370
	Fee per market rate unit		**$ 1,642**	**$2,052**	**$ 2,463**	**$ 3,284**

2) 100% Low-Priced Dwelling Unit

In this option, 100% of units are rented at rents that don't exceed 110% of HUD's Fair Market Rent (FMR) rent limits for the Section 8 program in place at the time the unit is leased. In turn, these units will be rented to renters earning no more than 120% of the area median income (AMI). The term of compliance for these projects is 10 years, at the end of which the units can revert to market rate rents. The Owner/Operator will be required to fulfill annual reporting to the City to demonstrate compliance. The project cannot discriminate on the basis of income source and is required to accept tenants with rental assistance vouchers, if all other residency requirements are met. The tenants must be full-time residents and the units rented for long-term use only. Using 2019 data, the schedule below provides guidelines for the rent limits of these units and the maximum allowable income for eligible renters.

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

3) 15% On-site Set Aside

In this option, the Owner/Operator sets aside 15% of the market rate units for renters earning no more than 65% AMI. Rents will be restricted at levels affordable to this income tier. The calculation to determine the number of set-aside units is as follows: 160 X .15 = 24 units. The Owner/Operator will be required to work with a rental assistance subsidy provider who in turn will manage tenant income certification, reporting to the City, and other supportive services. The term of compliance for the set aside is five years, at the end of which the units will have the option to revert to market rate rents. Using 2019 data, the schedule below provides guidelines for the rent limits of these units and the maximum allowable income for eligible renters.

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

Tenant Management and Income Certification

The incomes of renters in set-aside units will be verified using standard HUD income certification processes. In the case of a waiting list, these units will be prioritized for renters with rental assistance vouchers, funded either through HUD, the State of NM or the City of Santa Fe. These renters will be income-verified and supported through the subsidy provider. For non-subsidized renters, income verification will be done through a housing services provider under contract with the City's Office of Affordable Housing.

Developer Incentives

Developers complying with the SFHP rental requirement through any of the options described above are entitled to a 15% density bonus, as described in SFCC 14.11(G). Development fees (application, impact fees, infrastructure and building permits) in Option #2 will be reduced by 15% and reduced by 30% in Option #3, the value of which will be held with a City lien, forgivable at the end of the compliance term. In the event that the requirement is violated, the fees will be recouped. Other land use processes and requirements will be waived or reduced as appropriate, such as on-site parking and streamlined/self-certified plan review.