



MEMORANDUM

P.O. Box 4100 ♦ FRISCO, COLORADO 80443

TO: MAYOR AND TOWN COUNCIL
FROM: DANELLE COOK, HOUSING PROGRAM MANAGER
RE: BONUS DENSITY INCENTIVE
DATE: JULY 12, 2022

Summary and Background: Creating more affordable housing is not a new pursuit for the Town of Frisco. Over the past few decades, Frisco has implemented various different strategies to increase both the availability and affordability of housing. Among them is the bonus density incentive. In general terms, a density bonus is an incentive-based tool that permits a developer to exceed the maximum allowable density on a site in exchange for building workforce housing.

The Frisco bonus density incentive dates back to 1998 with the adoption of Ordinance 98-7. The original code provision was only applicable to the Central Core Zone District. It required that at least one unit or a minimum of 25% of the total number of bonus units (whichever was greater) was deed-restricted. Additionally, at least one deed-restricted unit had to be a minimum of one-bedroom in size and all units had to be at least 500 square feet.

Later that year, the bonus density code was revised again under Ordinance 98-17, to specify that the 500 square-foot-minimum only applied to studios, and no more than half of the bonus units could be studios.

In 2005, the approval of Ordinance 05-28 expanded the bonus density incentive to the Accommodations Zone District, but the parameters were slightly different. A minimum of 50% of the total number of bonus units had to be deed restricted.

Shortly thereafter, the definition of '*Affordable Housing*' was revised with Ordinance 05-31 and required that deed-restricted units generated through the bonus density incentive were proportional in size to the corresponding bonus market-rate units.

In 2006, Town Council expanded the density bonus incentive to include a third zone district: the Mixed Use Zone District (refer to Ordinance 06-02). To qualify, at least 50% of the bonus units had to be deed restricted.

At the subsequent Town Council meeting two weeks later, the Central Core Zone District density bonus incentive, was revised to match that of the Mixed Use Zone District (refer to Ordinance 06-03). The revision increased the required number of deed-restricted units from 25% to 50% of the total number of bonus units, and the unit mix and square footage requirements were deleted from the code language. However, that language was added back into the code when a formal

definition of '*density bonus*' was adopted with Ordinance 06-06. The density bonus definition required that a minimum of 50% of the total number of bonus units were deed restricted, at least one affordable unit was one-bedroom in size, and that any studio had to be at least 500 square feet.

Also in 2006, Ordinance 06-22 further revised the qualifications for density bonus within the definition of '*Affordable Housing*.' The definition already stated that, to qualify for the density bonus, the required deed-restricted units had to be proportional in size to the additional bonus market-rate units. However, the revision further specified that the smallest deed-restricted unit could be no more than fifteen percent smaller in gross floor area than the largest bonus market-rate unit.

On February 26, 2008, Town Council approved Ordinance 07-14, amending the bonus density incentive to create an off-site option. The developer could either elect to provide 50% of the total number of bonus units as affordable deed-restricted units on-site, or the developer could instead choose to provide at least two affordable housing units for each corresponding bonus dwelling unit at an off-site location within the Town of Frisco boundaries. This amendment only applied to the Mixed Use and Central Core Zone Districts. It also added a definition of off-site affordable housing to clarify that the Summit Combined Housing Authority (SCHA) would oversee the marketing and sale of all affordable housing established through any Town program, in addition to having SCHA qualify individuals for the units.

On April 14, 2009, Town Council approved Ordinance 09-07 and Ordinance 09-08. The purpose of these two Ordinances was to make the bonus density incentive language uniform throughout the Town Code.

In 2017 with adoption of the new Unified Development Code (UDC), the Accommodations Zone District became the Gateway Zone District, which included the bonus density incentive.

Finally, the bonus density incentive was last revised on April 9, 2019, with the approval of Ordinance 19-04, which added the requirement that all affordable housing units generated by the bonus density incentive had to be deed-restricted at 100% of the area median income (AMI).

The Town of Frisco bonus density incentive has evolved over time. The purpose of this discussion is to consider proposed revisions to the density bonus incentive.

Analysis: Since implementation of the density bonus incentive in 1998, 29 deed-restricted workforce housing units have been constructed across 7 different projects as a direct result of the bonus density incentive provided in the Town Code. In other words, the density bonus incentive has generated more than one deed restricted unit per year and accounts for 18% of all deed-restricted units within Frisco boundaries.

In spring of 2022, Town Council established a Workforce Housing Development Committee, which consists of two Town Council members and Town staff. The purpose of the committee was to invite developers to discuss any obstacles preventing them from building affordable housing, and brainstorm possible solutions. After meeting with multiple development teams, the committee learned that the developers were trying to take advantage of the density bonus incentive, but it was no longer a financially feasible option for them, due to the cost of construction. As a result, the developers requested to combine the bonus density with either Town-funded subsidies or allow for a higher AMI in the deed restriction. The committee concluded that the density bonus

incentive is no longer working as originally intended. Recently, another developer came forward with a potential Low Income Housing Tax Credit (LIHTC) project, and expressed concerns that the LIHTC requirements conflicted with the Town's standard deed restriction. In response, Town staff proposes a code revision that would allow two options, in addition to the two existing options, for a total of 4 options.

The current version of the bonus density incentive can be found in Town Code Section 180-5.5.1. *'Affordable Housing - Incentives'*. It allows two density bonus options for new development in the CC, GW, and MU Zone Districts. The first option incentivizes the developer to build on-site workforce housing units by allowing multi-family projects to exceed the maximum density, provided that a minimum of 50 percent of the total number of bonus units is deed restricted at 100 percent of the area median income (AMI). To qualify, each deed-restricted unit shall be no more than 15 percent smaller in gross floor area than the corresponding bonus market-rate unit.

While the first option requires the affordable units to be built on-site, the second option allows the affordable units to be built off-site. The developer may exceed the maximum allowable density, provided that for each bonus unit allowed, at least two deed-restricted units are constructed off-site within a one-mile radius of the Town of Frisco. In the event that the deed-restricted units are constructed off-site, the total combined floor area of every two off-site affordable units shall be equal to or greater than the floor area of the corresponding on-site density bonus unit. However, in no instance shall an off-site affordable housing unit be less than 600 square feet in gross floor area.

In addition to these two options, Town staff proposes a third option that would allow a development to exceed the maximum density, provided that 100% of the bonus units are restricted with the deed restriction that the Town is currently utilizing under the Housing Helps program, which requires occupants to work a minimum of 30 hours per week in Summit County, but has no AMI limitation. This would create an option that is financially feasible for a developer, doubles the number of deed restricted units created, and would require no subsidy from the Town.

The fourth option would be similar to the first option, with a provision for LIHTC projects. LIHTC projects require that the units are deed-restricted to average 60% AMI, but do not allow restrictions on where the occupants work. With this proposed option, the development would be allowed to exceed the maximum density, provided that a minimum of 50 percent of the total number of bonus units are deed restricted. In the event that LIHTC is combined with the bonus density incentive, a new deed-restriction template would be utilized, omitting the requirement that the occupant work in Summit County for 30 hours per week in order to comply with LIHTC requirements.

The addition of these two options is based on the premise that there is a wide range of affordable and workforce housing needs, and multiple options and programs could be used to address each segment of housing needs. When taxpayer dollars are spent on workforce housing, these projects should be focused on fulfilling the highest priority need, such as lower AMI rental units, while private development projects could address other areas of the housing spectrum.

Financial Impact: Since 1998, the bonus density incentive was always intended to inspire developers to construct workforce housing units with zero financial contribution from the Town. If the Town were to subsidize deed-restricted units that were generated by the bonus density incentive, then the Town would be contributing monetary value to the developer in two ways: density and dollars.

The Town of Frisco's annual budget includes funds for workforce housing. The 2022 budget allocates just over \$7M for workforce housing. These funds are spent on staff salaries, Town-owned employee rental units, Housing Helps, Frisco Housing Locals, the anticipated purchase of 602 Galena, and Granite Park. Zero dollars were budgeted for bonus density subsidies.

Alignment with Strategic Plan: In the 2020/21 Strategic Plan, Town Council identifies increasing full-time resident occupancy to 50% as a top priority, and a method to create an inclusive community. Additionally, Frisco Town Council aspires to double the amount of deed restricted workforce housing units within the next 5 years. Building flexibility into the density bonus incentive will assist in achieving these goals.

Environmental Sustainability: Ensuring availability of workforce housing has indirect benefits to the environment, as employees presumably would live closer to their places of employment, and likely would drive fewer miles to work, reducing vehicle emissions.

Staff Recommendation: Staff requests that Town Council consider these options and provide direction to staff to move forward with drafting Code amendments for consideration by the Planning Commission and Town Council.

Approved By:

Diane McBride, Interim Town Manager
Don Reimer, Community Development Director
Leslie Edwards, Finance Director

Attachments: None