

# **Incentive Zoning**

**City Plan Commission  
September 20, 2018**

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**City of Dallas**

# Background – Definition

- Incentive zoning refers to a type of zoning that incentivizes developments to provide
  - Housing at a variety of income levels and in a variety of locations
  - Community benefits, such as improved design, green infrastructure, connections to transit
- Incentives include an increased building envelope (such as height), less required parking, or other accommodations.
- Incentive zoning is voluntary.



# Background

- **HUD rules** require the City to affirmatively further fair housing
  - Actively encourage housing at a wide variety of price points throughout the city; work to desegregate housing
- **forwardDallas!**: encourage more housing near jobs within the city; encourage a wide range of housing options (2006)
- **Neighborhood Plus Goal 6.2**: Expand affordable housing options and encourage its distribution throughout the city and region (2014)
- **HUD Voluntary Compliance Agreement**: encourage the development of affordable housing throughout the City (2015)
- Dallas City Council **Housing Committee** request to initiate review of incentive zoning proposal (2016)
- **Housing Policy** approved May 9, 2018 - supported incentive zoning as one of many tools and programs.



# Background – Housing Policy Overview

- The problem:
  - Housing shortage of approximately 20,000 housing units.
  - Six out of ten families are housing-cost burdened.
  - Supply of housing has not kept pace with the 2.9% annual population growth in the DFW metro area
- Guided by a Market Value Analysis (MVA) completed by the Reinvestment Fund in early 2018.
  - Analytical tool used to classify residential real estate conditions throughout the entire city at granular level
  - Helps guide type of investments based on market conditions given limited City resources
  - Allows a way to measure impact over time



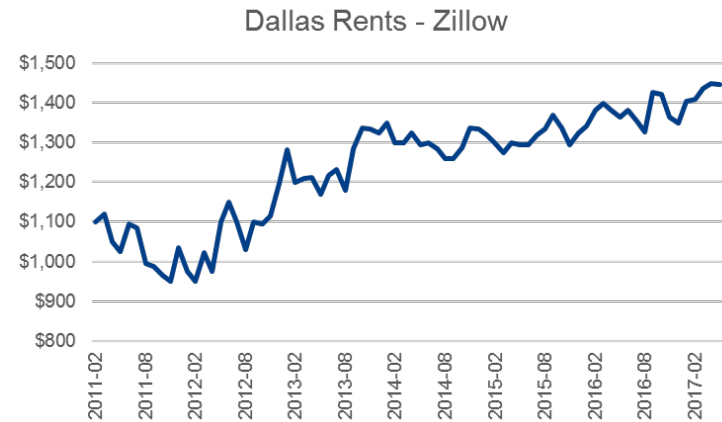
# Housing Policy

- The broad goals:
  - Create and maintain housing throughout Dallas
  - Promote greater fair housing choices
  - Overcome patterns of segregation and concentrations of poverty through incentives and requirements.
- Strategies include
  - incentivizing new development of housing affordable to residents of the city
  - preserving/replacing existing affordable units
  - providing direct assistance to residents

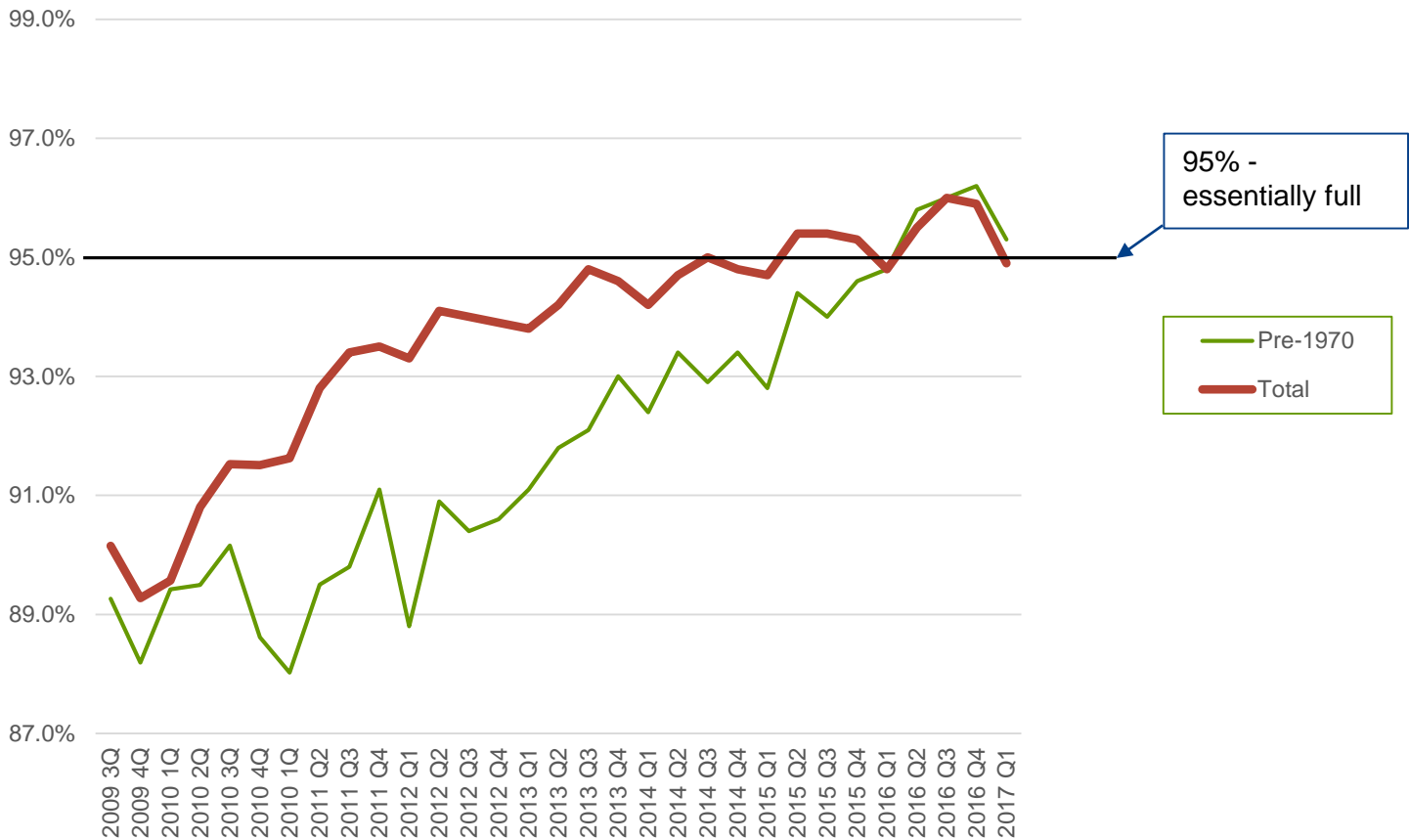


# Background – Rents

- Per MPF Research Inc., average rent in Dallas has now topped \$1,100 a month, up from \$850 five years ago.
- Zillow Group researchers paint an even more stark picture: median rents for the communities they tracked rose to \$1,400 a month from a low of \$950 five years ago.



# Background – Occupancy



Source: M/PF Research



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# Background – Housing Economics

- Economic principle:
  - The lower the supply the higher the price.
- “A recent Freddie Mac market commentary noted that the total number of housing starts (single family plus multifamily) in 2015 was 30 percent below the historical average between 1970 and 2007. The National Association of Realtors estimates that the nationwide supply of for-sale and rental units combined is **3 million units** short of current demand.”\*

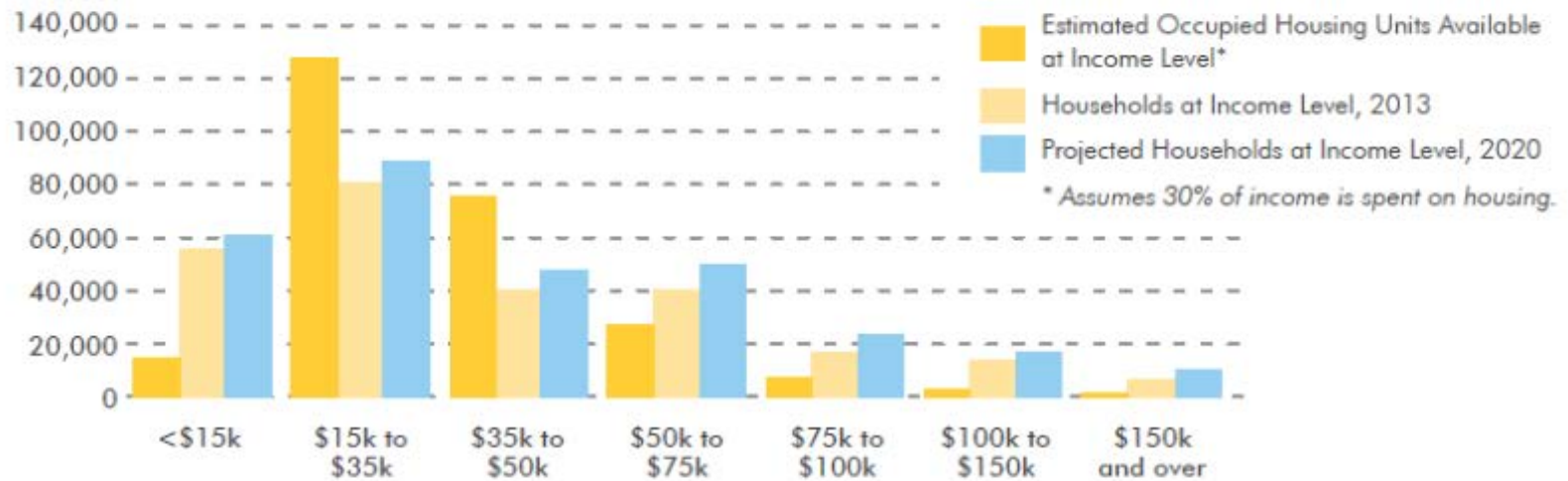
\*Stockton Williams, ULI. Understanding the Scope of the Housing Shortage in the U.S. 8/22/2016.  
<https://urbanland.uli.org/development-business/housing-shortage-u-s/>





# Background – Demand by HH Income

Future Rental Demand by Household Income  
Compared to Current Occupied Rental Housing



Source: Envision Tomorrow Balanced Housing Model and ACS 2013, 5-Year estimates.



# Background – Rent Burden

Renter Households - City of Dallas				
Percentage of Income Used for Rent + Utilities				
Income:	Total	< 20%	20-29%	>30%
Less than \$20,000:	65,679	1,120	3,313	61,246
\$20,000 to \$34,999:	61,092	1,939	13,184	45,969
\$35,000 to \$49,999:	45,437	7,469	24,379	<b>13,589</b>
\$50,000 to \$74,999:	46,816	19,937	21,005	<b>5,874</b>
\$75,000 or more:	50,358	40,233	8,822	1,303
Zero or negative:	8,420	-	-	-
No cash rent	5,751	-	-	-
Total	283,553	70,698	70,703	127,981

Source: 2016 American Community Survey table B25106

Nearly **50,000** renter households could afford higher-quality units if they were available.

- More than **20,000** households in Dallas earn \$35,000 - \$75,000 and still pay more than 30% of their income in rent.
- Incentive zoning can help to serve these families without additional financial incentives.
- Frees up Housing funds for more vulnerable families.



# Background – Rent Burden & Filtering

- Two ways to help families that are cost-burdened
  - One – directly subsidize the creation of new, affordable units, or subsidize the rent in any available unit.
  - Two – create additional housing units overall and let the market solve the issue over time through filtering.
    - *Filtering* allows families with means to move to new units, leaving a vacancy for others to utilize.
    - Filtering is less efficient in areas with short supply
- This proposal does both:
  - It encourages higher-density new development (increased supply) *and* reserves some of those new units directly for families in a certain income band.



# Background – Housing Policy Goals

- Create, annually:
  - 3,733 homeownership units (55% market rate, 45% low/mod-income)
  - 2,933 rental units (40% market rate, 60% low/mod-income).
- Focus on serving families at 30% to 120% Area Median Income (AMI).

Housing Policy Three-Year Production Goals					
Percentage of HUD Area Median Income Dallas Metro		Homeownership		Rental	
		Production Goals	%	Production Goals	%
Market Rate	120%	933	55%	587	40%
	100%	1,120		587	
Extremely Low, Very Low, and Low Income	80%	1,307	45%	733	60%
	60%	37		440	
	50%	n/a		293	
	30%	n/a		293	
Total		3,733		2,933	



# Housing Policy Direction

- The Housing Policy directs the creation of a voluntary inclusionary (incentive) zoning code amendment.
  - Incentivize rental units using by-right development bonuses
  - Create mixed income housing in multifamily and mixed-use districts
  - Available throughout the city in multifamily and mixed-use districts
  - Adopt design principles to encourage walkability, reduce the need for parking, and require open space.

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# Incentive Zoning

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# Incentive Zoning – Voluntary

- Development bonuses under this program are **voluntary**. If a developer does not want to take advantage of the bonus, he or she can
  - Utilize the existing zoning without the bonus
  - Apply for a zoning change



# Incentive Zoning - Elements

- **Adjust by-right development constraints** in some zoning districts to allow for additional building envelope in return for a certain percentage of units to be reserved for families below particular income levels.
- **Differentiate provision of reserved units** based on whether the property is in a strong, weak, or transitioning area.
- **Include design standards** to encourage walkability and community gathering space.





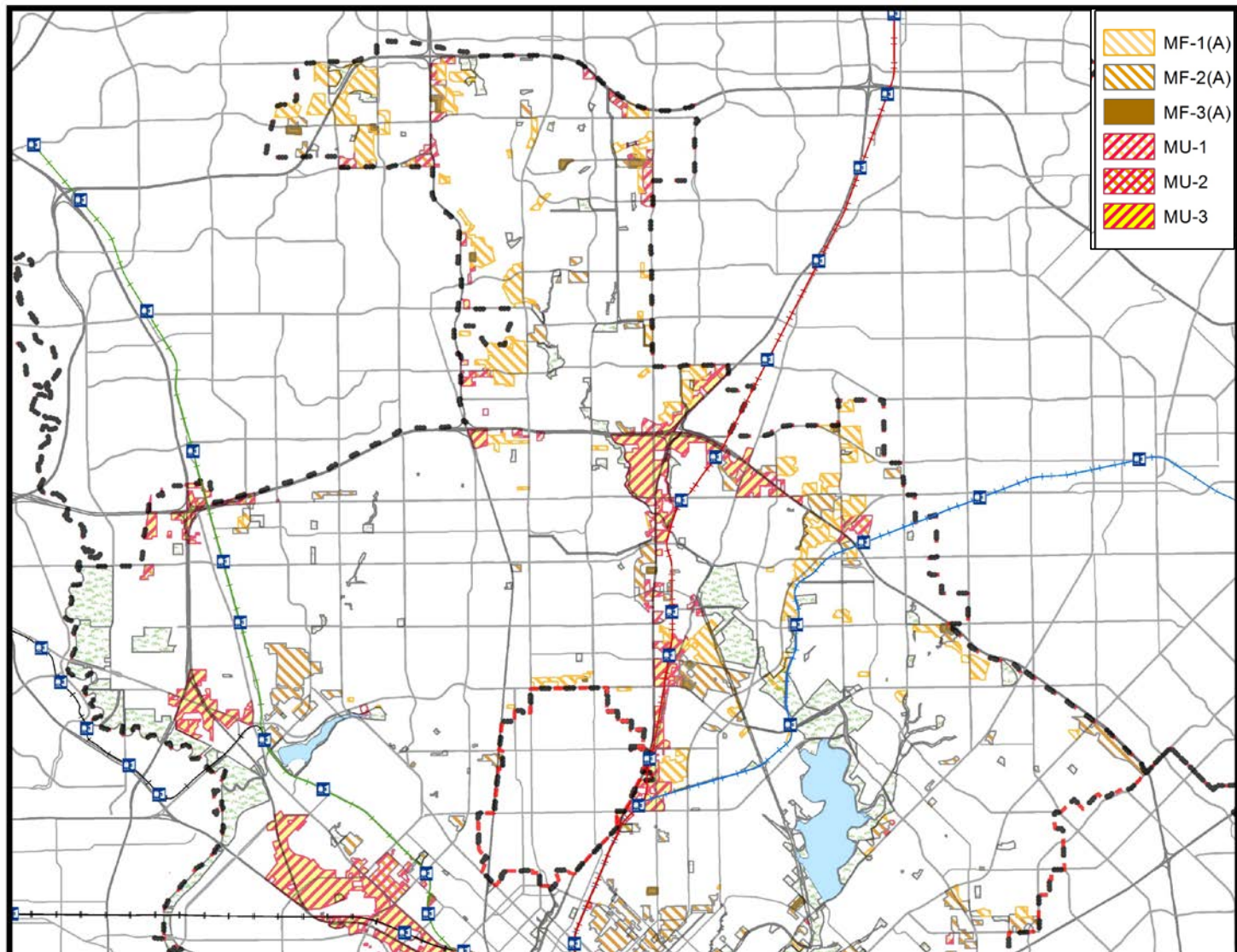
# Incentive Zoning - Potential Location

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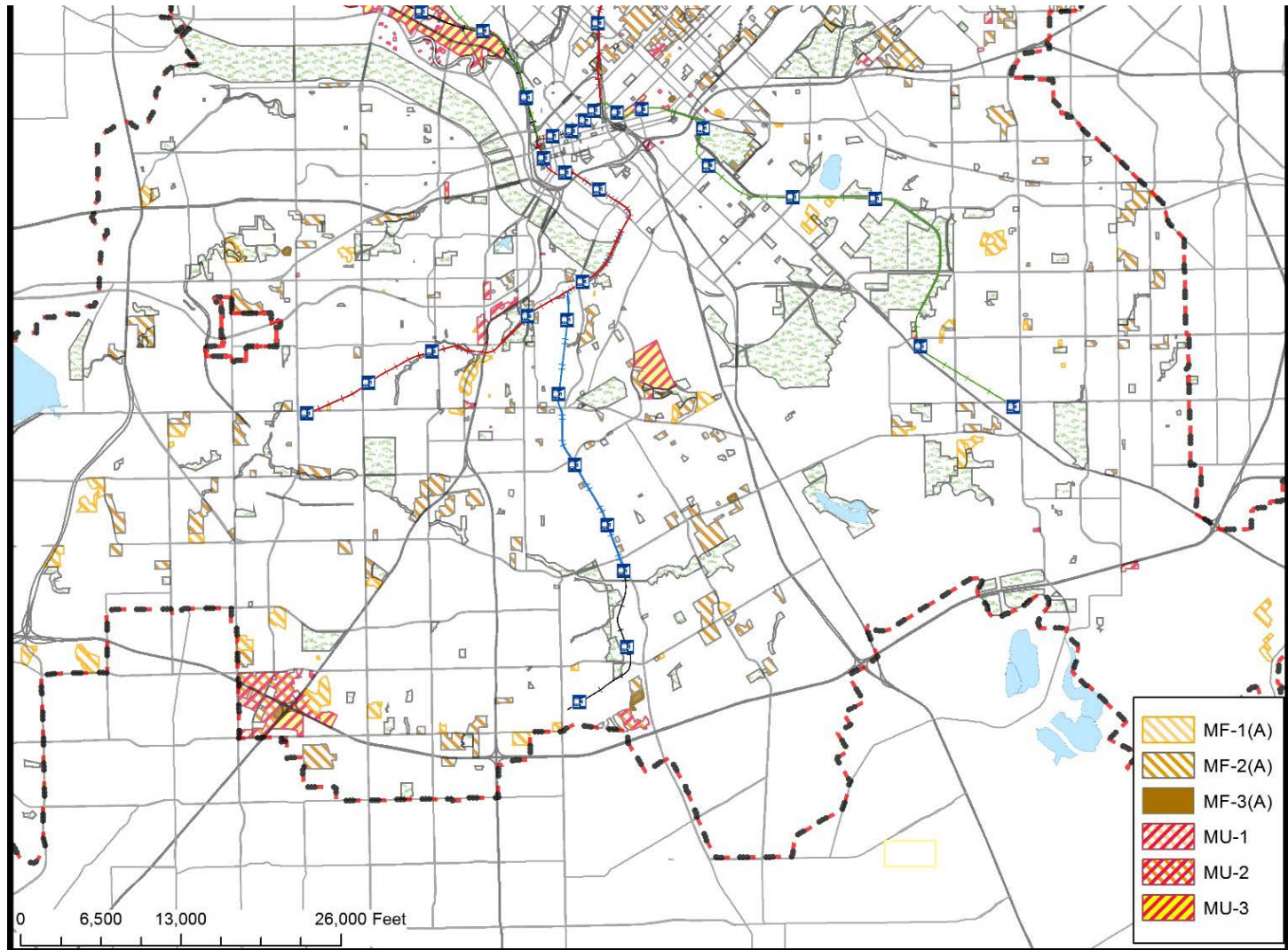


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# Location – Zoning Districts

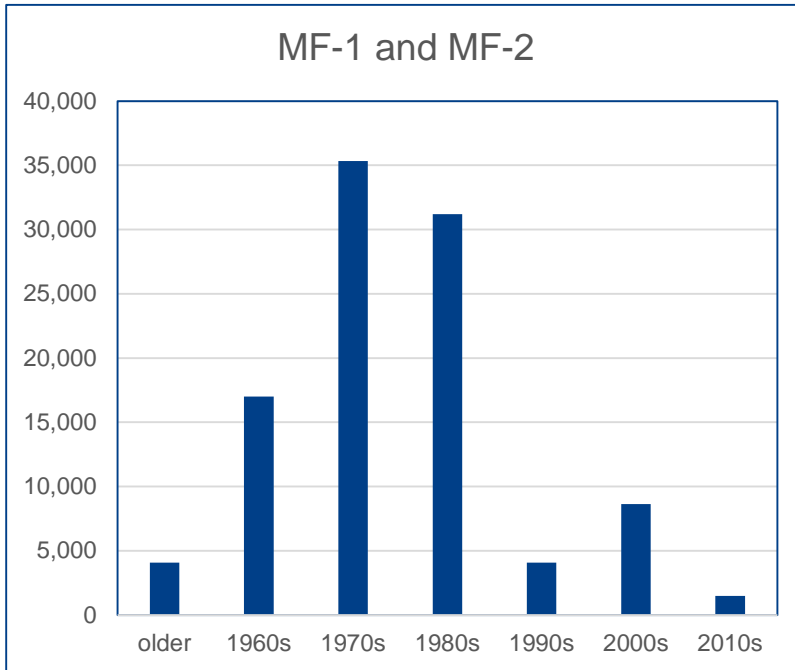


# Location – Zoning Districts

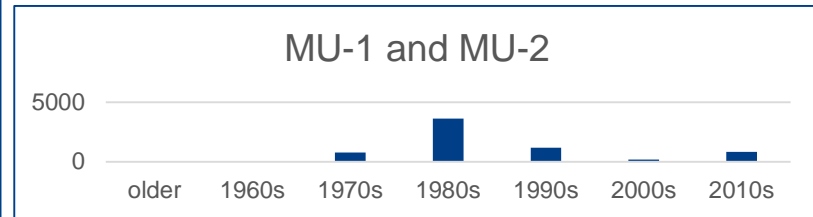


# Location – Why these districts?

- Few developers utilize this zoning in its current form.



- Below and to the left are charts showing the number of units, grouped by decade of construction, that exist under MF-1(A), MF-2(A), MU-1, and MU-2 zoning classifications.
- By comparison, each decade produced 30,000 to 50,000 units overall that are still in service.
- =>These districts are not being fully used in their current form.



Data sources: DCAD parcel table, DCAD commercial detail table, City of Dallas zoning districts; staff analysis

# Location – MF-1(A), MF-2(A), MF-3(A)

	MF-1(A)	MF-1 (SAH)	MF-2(A)	MF-2 (SAH)	MF-3(A)
Minimum front yard	15	15	15	15	15
Minimum side yard	10	10	10	10	10-20
Minimum rear yard	15	15	15	15	10-20
Max units per acre	-	15-30	-	20-40	90
Floor area ratio	-	-	-	-	2.0
Max height	<b>36</b>	<b>36</b>	<b>36</b>	<b>36</b>	<b>90</b>
Max stories	-	-	-	-	-
Max lot coverage (%)	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>
Min lot size per unit	1,000-1,800	1,000-1,800	800-1,200	800-1,200	450-550

\*SAH – Standard Affordable Housing – approximately 20 locations throughout Dallas;  
Districts created in response to the now-expired Walker Consent Decree.





# Location – MU-1, MU-2, and MU-3

	MU-1	MU-1 (SAH)	MU-2	MU-2 (SAH)	MU-3	MU-3 (SAH)
<b>Minimum front yard</b>	15	15	15	15	15	15
<b>Minimum side yard</b>	0-20	0-20	0-20	0-20	0-20	0-20
<b>Minimum rear yard</b>	0-20	0-20	0-20	0-20	0-20	0-20
<b>Max units per acre</b>	15-25	10-25	50-100	30-100	-	50-no max
<b>Floor area ratio</b>	0.8-1.1	0.8-1.1	1.6-2.25	1.6-2.25	3.2-4.5	3.2-4.5
<b>Max height</b>	80-120	80-120	135-180	135-180	270	270
<b>Max stories</b>	7-9	7-9	10-14	10-14	20	20
<b>Max lot coverage (%)</b>	80	80	80	80	80	80

\*SAH – Standard Affordable Housing – approximately 20 locations throughout Dallas;  
Districts created in response to the now-expired Walker Consent Decree.



# **Incentive Zoning - Differentiate by strong, transitioning, or weak areas**

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# Market Value Analysis (MVA)

- Completed by the Reinvestment Fund in early 2018.
  - Data-driven tool to analyze the local real estate market at a census block level.
  - Built on local administrative data and validated by local experts.
- Nine market value categories, A through I



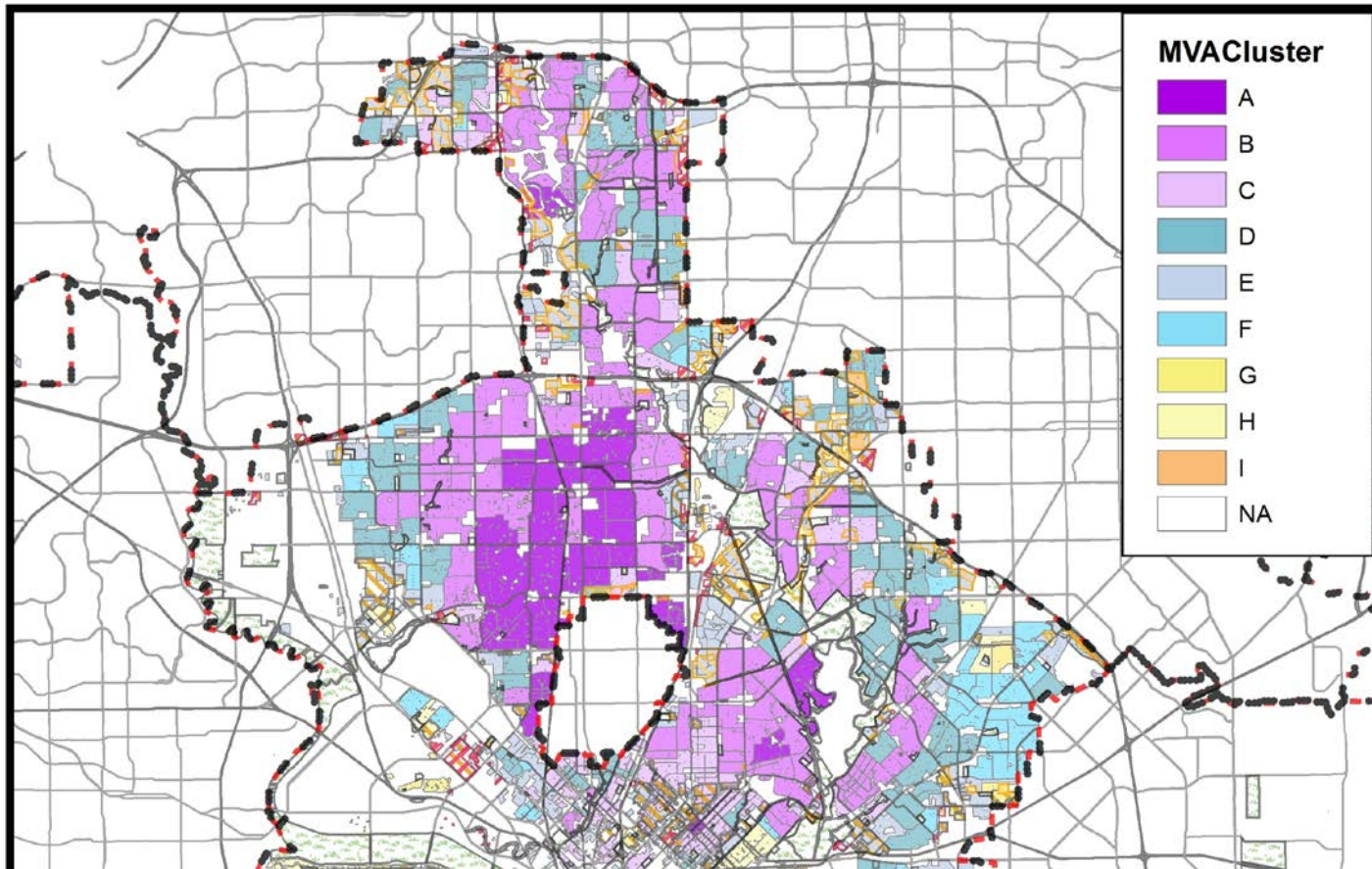


# MVA Categories

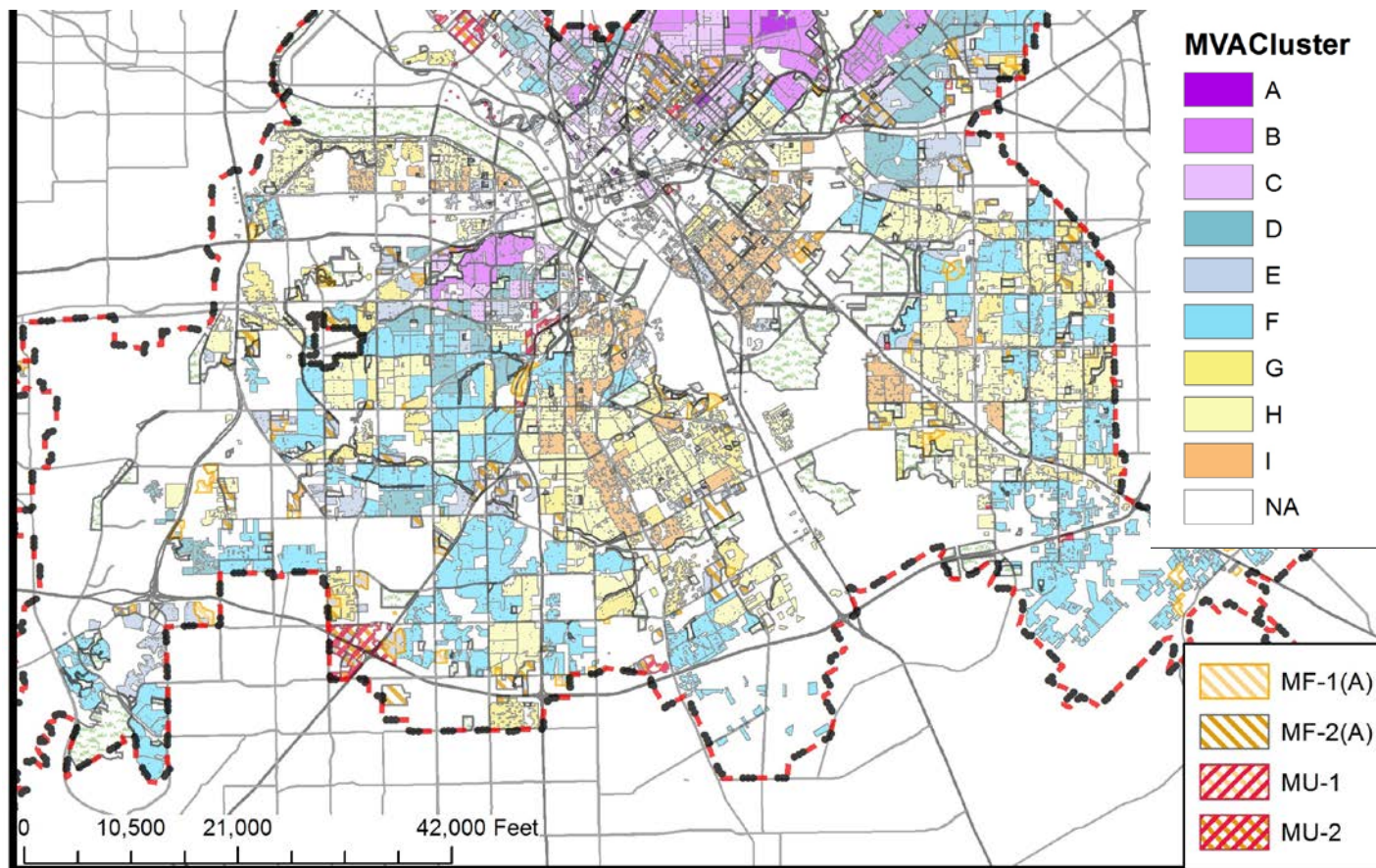
- Market category A, B, or C
  - Housing units - median ~\$390,500 and up
  - Higher than average rates of new construction and rehabilitation
  - Lower than average rates of subsidized units, code violations, vacancy, and foreclosure filings
- Market category D, E, or F
  - Housing units - median between \$117,600 to \$267,100
  - Average rates of new construction, rehabilitation, and subsidized units
  - Slightly lower rates of code violations and vacancy, but slightly higher rates of foreclosure
- Market category G, H, or I
  - Housing units - median between \$41,500 and \$91,300
  - Lower than average rates of new construction and rehabilitation
  - Higher than average rates of subsidized units, code violations, vacancy, and foreclosure filings



# MVA Categories



# MVA Categories



# Incentive Zoning – Bonuses

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# Bonuses – Districts – MF-1(A) & MF-2(A)

MF-1(A) and MF-2(A) Districts								
	Current	Category A, B, C			Category D, E, F			Cat. G, H, I
		5% at 51%-60%	5% at 51-60% & 5% at 61-80%	5% at 51-60% & 5% at 61-80% & 5% at 81-100%	5% at 61-80%	10% at 61-80%	10% at 61-80% & 5% at 81-100%	5% at 81-100%
Setbacks	10-15'	no changes						
Max units per acre	none	no changes						
Floor area ratio	none	no changes						
Height	36'	51'	66'	85'	51'	66'	85'	85'
Max stories	no max	no changes						
Lot coverage (residential)	60%	80%	80%	85%	80%	80%	85%	85%
Min lot size unit	varies	remove requirements						
Res. Proximity Slope	required	no changes						
Transit Oriented Development		Max lot coverage of 85%. One parking space per unit. Of the required parking, at least 15 percent must be available for guest parking.						



# Bonuses – Districts – MF-3(A)

MF-3(A) Districts								
	Current	Category A, B, C			Category D, E, F			Cat. G, H, I
		5% at 51%-60%	5% at 51-60% & 5% at 61-80%	5% at 51-60% & 5% at 61-80% & 5% at 81-100%	5% at 61-80%	10% at 61-80%	10% at 61-80% & 5% at 81-100%	5% at 81-100%
Setbacks	10-20' setbacks; urban form: 20'; tower spacing: 30'							
Max units per acre	90	100	120	150	100	120	150	150
Floor area ratio	2.0	Maintain requirements but apply to non-residential only						
Height	90'	90'	105'	120'	90'	105'	120'	120'
Max stories	no max	no changes						
Lot coverage (residential)	60%	80%	80%	85%	80%	80%	85%	85%
Min lot size unit	varies	remove requirements						
Res. Proximity Slope	required	no changes						
Transit Oriented Development		Max lot coverage of 85%. One parking space per unit. Of the required parking, at least 15 percent must be available for guest parking.						



# Bonuses – Districts – MU-1

MU-1 District								
	Current	Category A, B, C			Category D, E, F			Cat. G, H, I
		5% at 51%-60%	5% at 51-60% & 5% at 61-80%	5% at 51-60% & 5% at 61-80% & 5% at 81-100%	5% at 61-80%	10% at 61-80%	10% at 61-80% & 5% at 81-100%	5% at 81-100%
Setbacks	0-20'	no changes						
		current + 65=	current + 80=	current + 105=	current + 65=	current + 80=	current + 105=	current + 105=
Max units per acre	15-25	80 to 90	95 to 105	120 to 130	80 to 90	95 to 105	120 to 130	120 to 130
FAR (total dev)	0.8-1.1	Remove FAR requirement for residential uses						
Height	80-120	no change						
Stories	7-9	no change						
Lot coverage	80%	no change						
min lot size/bdrm	n/a	no change						
Res. Proximity Slope	required	no changes						
Transit Oriented Development		Additional 15 units/acre on density and max lot coverage of 85%. One parking space per unit. Of the required parking, at least 15 percent must be available for guest parking.						
Note:		Maximum FAR applies to non-residential uses only.						



# Bonuses – Districts – MU-2

MU-2 District								
	Current	Category A, B, C			Category D, E, F			Cat. G, H, I
		5% at 51%-60%	5% at 51-60% & 5% at 61-80%	5% at 51-60% & 5% at 61-80% & 5% at 81-100%	5% at 61-80%	10% at 61-80%	10% at 61-80% & 5% at 81-100%	5% at 81-100%
Setbacks	0-20'	no changes						
Max units per acre	50-100	current + 40 = 90-140	current + 60 = 110-160	current + 80 = 130-180	current + 35 = 85-135	current + 55 = 105-155	current + 75 = 125-175	current + 75 = 125-175
FAR	1.6-2.25	Remove FAR requirement for residential uses.						
Height	135-180	no change						
Stories	10-14	no change						
Lot coverage	80%	no change						
min lot size/bdrm	n/a	no change						
Res. Proximity Slope	required	no changes						
Transit Oriented Development		Additional 15 units on density and max lot coverage of 85%. One parking space per unit. Of the required parking, at least 15 percent must be available for guest parking.						
Note:		Maximum FAR applies to non-residential uses only.						





# Bonuses – Districts – MU-3

MU-3 District								
	Current	Category A, B, C			Category D, E, F			Cat. G, H, I
		5% at 51%-60%	5% at 51-60% & 5% at 61-80%	5% at 51-60% & 5% at 61-80% & 5% at 81-100%	5% at 60-80%	10% at 60-80%	10% at 61-80% & 5% at 81-100%	5% at 81-100%
Setbacks	0-20'	no changes						
Max units per acre	None	none						
FAR	3.2-4.5	+0.5	+1.0	+1.5	+0.5	+1.0	+1.5	+1.5
Height	270	no change						
Stories	20	no change						
Lot coverage	80%	no change						
min lot size/bdrm	n/a	no change						
Res. Proximity Slope	required	no changes						
Transit Oriented Development		Additional 1.0 FAR and max lot coverage of 90%. One parking space per unit. Of the required parking, at least 15 percent must be available for guest parking.						
Note:		FAR bonus limited to residential uses only.						



# Bonuses – Parking

- 1 1/4 space per unit.
  - Reduction from Chapter 51A requirements
- Of the required parking, at least 15 percent must be available for guest parking.
- No additional parking is required for accessory uses that are limited principally to residents.



# Bonuses – Transit Proximity

- Transit proximity defined as ½ mile radius from a fixed-line transit station.
  - Includes trolley stops, train stations, transfer centers, transfer locations, and transit centers and any transit stop with a climate-controlled waiting area. Transit agencies served include Dallas Area Rapid Transit, TRE, high speed rail, and trolley service.
- For developments with transit proximity: 1 parking space per unit. Guest parking requirements parallel developments without transit proximity.



# Incentive Zoning - Design Standards

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# Design Standards - Overview

- Additional design controls can reduce auto dependency, reduce the need for parking, and encourage alternative modes of transit.
- Encourage walkability
  - Minimal space for automobiles between building and street
  - Ground-floor entrances open directly to sidewalk or open space
  - Pedestrian amenities - wide sidewalks and street trees.
  - Ground floor transparency
  - Only short fences with pedestrian gates allowed in front.
- Provide 10% of the property as open space
  - Benefits people, pets, plants and/or the planet
  - Intended to provide active and passive recreation (such as playgrounds), to provide landscaping area, or to enable groundwater recharge, for example. Open space is not intended to be driven or parked upon.

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# Design – Yard, Lot, and Space

- Additional encroachments allowed, such as seat walls, bicycle racks, sculptures, awnings
- Front yard fences limited to maximum of four feet
- Building heights controlled by development bonus and subject to applicable residential proximity slopes



# Design – Parking/Passenger Loading

- Parking
  - Residential: 1 ¼ space per unit for developments without proximity to transit
  - Except when configured as parallel or indented parking, prohibited between façade and street
  - Max of 15% of total allowed in side yard as surface parking
  - Parking structures wrapped by other uses or similar in materials to main building
  - Assigned parking for reserved units dispersed
- Passenger loading spaces required



# Design – Screening/Transparency

- Off-street service areas must be screened
- Transparency/permeability required on street-facing facades
  - One window and one primary entrance required
  - No more than 25 continuous linear feet of street-fronting façade may lack a transparent surface.
  - Minimum of 60% street-level dwelling units open onto and connect to sidewalk
- Non-required fences – minimum of 50% open





# Design – Sidewalks/Lighting

- Sidewalks - minimum average width of six feet and clear/unobstructed width of five feet
  - Minimum clear/unobstructed may be reduced to four feet to accommodate utilities and existing trees
- Buffer between the sidewalk and the street to protect pedestrians from traffic.
- Pedestrian lighting required
- Exterior lighting must be oriented down



# Design – Open Space

- At least ten percent of the lot must be unobstructed to the sky and must be reserved as open space for activity such as active or passive recreation, playground activity, groundwater recharge, or landscaping
  - At or below grade or aboveground: outside roof deck, rooftop garden, playground area, pool area, patio, or similar type of outside common area.
  - Open spaces shall be maintained at no public expense.
  - Landscape areas that fulfill Article X may also fulfill these requirements if all conditions are met
- Private balconies, sidewalks, parking spaces, parking lots, and drive aisles are **not** considered open space.<sup>42</sup>



# Incentive Zoning- Procedures

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# Process

- MVA verification letter
- Building permit application
  - Deed restriction
- Building permit issuance
  - Phases allowed with an approved project plan
- Certificate of occupancy issued with proof of compliance with deed restrictions
- Ongoing compliance monitored by Housing and Fair Housing departments
- May not discriminate on the basis of source of income
  - Provides housing opportunities for families with rental assistance or vouchers, as applicable.



# Development Requirements

- All reserved units
  - Provided onsite
  - Dispersed throughout residential buildings
  - Dispersed pro rata throughout unit types (with minor exceptions)
  - Comparable finish-out
- Eligible families/households:
  - Provided similar access to common areas and parking locations



# Next Steps

- City Plan Commission consideration
- Council Committee briefing
- City Council consideration



# Appendix





# Examples of mixed-income communities

- Mixed-income communities in Dallas



Image: Billingsley Company



Sylvan Thirty – 75 units/acre

# Examples of mixed-income communities

- Mixed-income communities in Dallas



Image: Lang Partners  
Zang Triangle – 91 units per acre



Oaks Trinity – 55 units per acre



# Four Story Wrap



- 4 acres
- 311 total units
- 70 units/acre
- 4 stories
- Garage parking
- Setbacks similar to MF-1(A) and MF-2(A)



# Five Story Podium



- 2 acres
- 164 total units
- 105 units/acre
- 5 stories
- underground parking
- Setbacks similar to MF-1(A) and MF-2(A)
- Mixed income





# Six Story Podium



- 2.6 acres
- 340 total units
- 120-130 units/acre\*
- 6 stories (5 over podium)
- Garage parking
- Lot coverage 80-85%\*
- Setbacks similar to MF-1(A) and MF-2(A)
- 15% set aside is 51 units
- \*almost works under current proposal

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# Prior Actions

- November 5, 2014 – **Voluntary compliance agreement (VCA)** signed with the U.S. Department of Housing and Urban Development (HUD) to encourage the development of housing at a wide variety of price points and create greater economic opportunity in areas of concentrated poverty.
- October 7, 2015 – Council adopted **Neighborhood Plus** – a neighborhood revitalization plan.
  - Goal 6.2: Expand affordable housing options and encourage its distribution throughout the city and region
- December 2015 – Staff began research of a voluntary inclusionary zoning (VIZ) program to help meet the requirements of the agreement with HUD and Goal 6.2 in **Neighborhood Plus**.



# Prior Actions

- October 2016 through March 2017 – staff met with:
  - Housing, City Attorney's Office, Code, Building Inspection
  - Habitat for Humanity
  - Inclusive Communities Project
  - Members of the development community
- Housing Committee was briefed on VIZ on May 16, 2016; August 1, 2016; and May 15, 2017.
- ZOAC was briefed June 2017 – September 2017
- Council briefed on a market value analysis on January 17, 2018
- Council and its Economic Development and Housing Committee were briefed on a Comprehensive Housing Policy March-April 2018
- Council approved the Comprehensive Housing Policy on May 9, 2018





# Incentive Zoning

**City Plan Commission**  
**September 20, 2018**

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<http://dallascityhall.com/departments/sustainabledevelopment/planning/Pages/Code-Amendments.aspx>