

Memorandum



CITY OF DALLAS

DATE May 13, 2016

TO Honorable Members of the Housing Committee: Scott Griggs (Chair), Carolyn King Arnold (Vice-Chair), Mayor Pro-Tem Monica R. Alonzo, Tiffinni A. Young, Mark Clayton, and Casey Thomas, II.

SUBJECT Inclusionary Zoning

On May 16, 2016 you will be briefed on inclusionary zoning. The purpose of this briefing is to receive direction from the committee as to possible code amendments. A copy of the briefing material is attached for your review.

A handwritten signature in blue ink, appearing to read 'Ry - S. C.'

Ryan S. Evans
First Assistant City Manager

Attachment

c: Honorable Mayor and Members of the City Council
A.C. Gonzalez, City Manager
Christopher D. Bowers, Interim City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Eric D. Campbell, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Mark McDaniel, Assistant City Manager
Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Sana Syed, Managing Director, Public Information Office
Elsa Cantu, Assistant to the City Manager – Mayor & Council

Inclusionary Zoning

Housing Committee

May 16, 2016



Definition

- “Inclusionary zoning” refers to a type of zoning that requires (and/or incentivizes) a certain portion or percentage of housing built or preserved in an area to be affordable to very low-, low-, moderate- or middle-income households.
- Qualifying income levels are generally defined by the city and can be anything from 30% of area median income (AMI) in some cities to 150% of AMI in wealthy areas.

Mandatory versus Voluntary

- Inclusionary zoning can be *mandatory* or *voluntary*, depending on the requirements of state law and the requirements of individual cities.
- Even when a state allows mandatory inclusionary zoning, individual cities choose whether or not to *require* affordable units, and they also choose whether or not to *incentivize* or *subsidize* the affordable units.
- New York City, for example, recently passed a mandatory ordinance, but it still subsidizes some levels of affordability.

Restrictions - Texas

- In Texas, cities cannot mandate inclusionary zoning, but *can* create incentives, contract commitments, density bonuses, or other voluntary programs to increase the supply of moderate or lower-cost housing units.

Examples - Texas

- Austin has a variety of affordable housing tools, including inclusionary zoning
- San Antonio offers a density bonus for units for households at 50% and 80% of AMI.
- Houston does not have zoning and thus does not have inclusionary zoning.
- Fort Worth has encouraged density and a variety of housing types through its development standards and base zoning, not through inclusionary zoning.

Example – Austin*

- Vertical Mixed Use (2007) – density bonus and parking standards exemptions in exchange for 10% of rental units (5% owner) designated as affordable
- University Neighborhood Overlay (2004) – alternative dimensional standards for developers who set aside 10% of units at 60% of AMFI and 10% of units at 50% of AMFI
- Downtown Density Bonus (2013) - 10 bonus square feet for each 1 square foot set-aside at 80% of AMFI for rental (120% AMI for owner-occupied)

*Examples shown only. Austin has multiple incentive programs, including SMART housing, TOD, micro unit density bonus, and area-specific incentives.

Example – San Antonio

- Section 35-372 of San Antonio’s code applies when a site is “the subject of an application for a rezoning, master development plan, or subdivision plat.”
- The bonus is available according to the chart: 10% set aside for 50 years at 80% of AMI earns the developer a 20% bonus, for example:

Category	Set Aside	Density Bonus	Time Period
Low income (80% AMI)	10%	20%	50 years
Very low income (50% AMI)	5%	10%	

Examples – Other States

- Outside of Texas, cities vary in how they implement inclusionary zoning.
- Philadelphia offers floor area bonuses in four base zoning districts and height bonuses in two zoning overlay districts in exchange for affordable housing.
- Portland, in contrast, has several plan districts that control the zoning for specific areas. Portland offers density bonuses for provision of affordable housing through two of these plan districts.

Example – Philadelphia

- Chapter 14-702 of Philadelphia's code allows for a variety of floor area and height bonuses in specific base zoning districts in exchange for mixed income housing, as well as public art, public space, transit improvements, underground parking, green buildings, etc.
- Projects may use more than one bonus option.
- Developers may also make a payment in lieu of providing units.

Category	Set-Aside	Density Bonus	Time Period
80% AMI (rental) or 100% (owner-occupied)	10%	150-300% FAR 48' height	15 years

Note: Bonus varies by zone. Height bonus available only in certain overlay districts.

Example – Portland

- Portland’s code allows for a variety of bonuses in specific base zoning districts in exchange for specific amenities, additional design review, protections of landmarks, provision of housing in specific areas, etc.
- Projects may use more than one bonus option and may make a payment in lieu to the Affordable Housing Replacement Fund.
- The Central City Plan provides for middle-income housing bonus options: **30%** of the units must be affordable to households **at or below 150%** of AMI for **60** years. For each square foot of affordable floor area, the development earns 3 square feet of bonus floor area.
- The Northwest District Plan allows additional FAR of 1 to 1 if 50% of the building area is residential **and one** of these levels is met for 60 years:

Category	Set aside
30% AMI	10 %
60% AMI	20 %
80% AMI	40 %

- Portland also offers other options to increase affordability: reduced parking, accessory dwelling units, manufactured homes, etc.

Benefits of Inclusionary Zoning

- Creates mixed income housing, which affirmatively furthers fair housing
- Provides an additional tool to create affordable housing in areas of opportunity, potentially without additional financial subsidies needed
- With appropriate zoning controls, can encourage dense, urban, pedestrian-oriented and multi-modal development in targeted areas

Current Code - Dallas

- In response to the Walker Consent Decree entered in 1990, Dallas adopted 51A-4.900, which provides for increased density in exchange for affordable housing units.
 - The number of required units varies with the density requested.
 - Units are required to be deed-restricted in perpetuity.
 - Rigorous requirements for minimum unit size, unit mix, family income, family makeup, property location, etc.
- No developers have used this zoning provision.

Neighborhood Plus- Dallas

- Neighborhood Plus adopted goal:
 - 6.2.3 Develop, adopt and implement a new policy and guidelines through a variety of incentives which may include projects requesting increased development rights through zoning changes, to receive density bonuses in proportion to the number of affordable residential units provided; waiver of fees; parking reductions; tax abatements; zoning incentives; and other solutions utilized nationally.

Keys to Success

- Additional density should
 - Be targeted to areas of high opportunity near transit, jobs, and services;
 - Be disbursed throughout the city;
 - Encourage mixed income neighborhoods; and
 - be consistent with *forwardDallas!*
- Must be financially viable for the developer: Benefits of density bonuses and/or up-zoning should off-set the costs of providing the affordable units
- Should continue to encourage new residential development at all price points, benefitting all current and new citizens of Dallas
 - Basic economic principle: increased supply lowers unit price

Next Steps

- Implement recommendations of final housing plan