



Alachua County, FL Special Meeting

Meeting Agenda - Final

Tuesday, September 6, 2022

1:30 PM

BoCC Special Meeting: Growth Management Items Only

The public may attend and participate in this meeting. Public comment will be in person only. Public comment will be taken for each agenda item, and the public will also have an opportunity to speak about items not on the agenda at the end of the meeting. Members of the public who wish to speak are asked to limit their comments to three minutes.

Masks for vulnerable citizens are strongly recommended

The public may view the meeting on Cox Channel 12 and the County's Video on Demand website: http://alachua.granicus.com/ViewPublisher.php?view_id=8

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All persons are advised that, if they decide to contest any decision made at any of these meetings, they will need a record of the proceedings and, for such purpose they may need to ensure that verbatim record of the proceedings is made which record includes the testimony and evidence upon which the appeal is to be based. (Section 286.0105 Florida Statutes)

If you have a disability and need an accommodation to participate in this meeting, please contact the Alachua County Equal Opportunity Office at (352) 374-5275 at least 2 business days prior to the meeting. TTY users please call 711 (Florida Relay Service).

Approval of Agenda

Items for Discussion

22-0357 Inclusionary Housing Discussion

[Presentation Inclusionary Housing BoCC Sept6 2022.pdf](#)

[FAQ FL Housing Coalition Inclusionary Housing.pdf](#)

[Email from FHC Re Inclusionary Housing.pdf](#)

[Grounded Solutions IH Feasibility Studies Summary Report.pdf](#)

[Grounded Solutions Best Practices Inclusionary Housing Feasibility Study.pdf](#)

[Gainesville HR&A EZ-IZ Study Dec2021.pdf](#)

22-0751 Planning Parcel and Traditional Neighborhood Development (TND)
Standards for Non-residential/Affordable Housing

[TND Planning Parcel.pdf](#)

Closing Comments

Public Comment

Commission Comment

Adjourn



Agenda Item Summary

Agenda Date: 9/6/2022

Agenda Item No.:

Agenda Item Name:

Inclusionary Housing Discussion

Presenter:

Ivy Bell, Senior Planner, Growth Management Department, (352) 374-5249

Description:

At its March 1, 2022 meeting, the Board of County Commissioners directed staff to bring back information about what would be involved and costs for doing an inclusionary housing study for Alachua County. Staff will provide a presentation about inclusionary housing, including what that term means, specific requirements for inclusionary housing in Florida Statutes, benefits and limitations of inclusionary housing, what is involved with an inclusionary housing feasibility study, program design considerations, and potential next steps should be Board wish to move forward with an inclusionary housing policy for Alachua County.

Recommended Action:

Receive presentation and provide direction to staff on whether the Board wants to pursue establishment of an inclusionary housing policy for Alachua County.

Prior Board Motions:

March 1, 2022: The Board of County Commissioners directed staff to bring back information about what would be involved and costs for doing an inclusionary housing study.

Fiscal Consideration:

There are no specific fiscal impacts associated with this policy discussion.

If the Board wishes to proceed with an inclusionary housing feasibility study and establishment of an inclusionary housing program, it would require assistance from a professional consultant with experience in conducting such studies and designing inclusionary housing programs for local governments. There would be costs to the County associated with the professional consulting services that would be required. Specific costs will depend on the direction that is given to staff by the Board at this meeting. Staff anticipates bringing back specific information on estimated costs at a future meeting should be Board wish to move forward.

Strategic Guide:

Housing

Background:

Inclusionary housing is a local land use policy that is intended to increase the stock of affordable

housing in the community. An inclusionary housing policy generally requires or incentivizes housing developers to include residential units that are affordable to households of specified income levels as part of new residential developments.

For mandatory inclusionary housing programs, a local program would typically require a housing developer to include a certain number of affordable units within a new development or pay a fee in lieu of constructing the affordable units. The number of affordable units required is typically calculated as a percentage of the total number of units within the development. The local government is required to provide incentives to fully offset all costs to the housing developer for providing such affordable housing units pursuant to Florida Statute Section 125.01055.

If or when the Board wishes to proceed with establishing an inclusionary housing program for Alachua County, the first step would be to conduct a feasibility study with the assistance of a professional consultant. The feasibility study would provide a data-based foundation for an inclusionary housing policy. Specifically, it would examine how various combinations of inclusionary housing requirements and incentives will impact the continued viability of the local housing market. The feasibility study would help determine optimal levels for inclusionary requirements that can be accommodated comfortably in the local market given the costs, revenues and incentives available locally. More specifically, this would involve determining the costs to the developer for providing affordable units and the value of the potential incentives offered by the County to offset those costs.

The inclusionary housing feasibility study would also consider various program design options including:

- Mandatory vs. voluntary participation
- Countywide or specific geographic areas
- Development size threshold and/or type that activates requirements
- Percentage of housing units required to be affordable
- Target income levels for affordability
- Design characteristics and location of affordable units within development
- Control period (how long housing units must remain affordable)
- Incentives offered to offset cost to developer
- Option for fee in lieu of construction of affordable units
- Administrative process for implementation

Staff has had preliminary discussions with the Florida Housing Coalition (FHC) about potentially working with the County on an inclusionary housing program. FHC has worked with multiple Florida local governments on inclusionary housing, including current work with the City of Tallahassee/Leon County. FHC is funded in part through the State's Affordable Housing Catalyst Program to provide technical assistance to local governments on housing issues. Based on discussion with FHC staff, the amount of time and work that is likely going to be required to conduct the Study and related outreach and training would likely exceed FHC's available State funding for such work, so the County would need to provide some funding to FHC to assist with the inclusionary housing study and other program design and implementation issues. In addition to having extensive experience working with Florida communities on housing issues, the costs to the County of working with FHC would likely be

far less than if the County seeks assistance from a private consulting firm.



Inclusionary Housing Discussion

Board of County Commissioners Special Meeting
September 6, 2022

County Commission Direction

At its March 1, 2022 meeting, the Board of County Commissioners directed staff to bring back information about what would be involved and costs for doing an inclusionary housing study.

What is Inclusionary Housing?

- Land use policy intended to increase the stock of affordable housing in the community.
- Requires or incentivizes housing developers to include units that are affordable to households of specified income levels as part of new residential development.
- Number of affordable units required or permitted is typically a percentage of the total number of units in the development.
- Incentives must be provided which offset the financial impact to the housing developer, per Florida Statute.

Statutory Requirements for Inclusionary Housing

- House Bill 7103, signed into law in 2019, revised Sec. 125.01055, Florida Statutes (“Affordable Housing”) to provide the following:
- **Inclusionary housing ordinance may require developer to:**
 - Provide a specified number or percentage of affordable units within a development, OR
 - Contribute to a housing fund or alternative in lieu of building the affordable housing units
- **In exchange, a County must:**
 - Provide incentives to fully offset all costs to developer of its affordable housing contribution
- **Incentives may include:**
 - Density or intensity bonuses
 - Reducing or waiving application fees
 - Granting other incentives

Inclusionary Housing Benefits and Limitations

Benefits

- Increase stock of affordable housing that is available in the community
- Promotes distribution of affordable units throughout the community (not concentrated in pockets)
- Can be relatively low cost to local government depending on the types of incentives offered

Limitations

- Highly dependent on market forces
- Focuses only on new development
- Costs may be passed on to consumers of market rate housing
- Potential inconsistent application across local jurisdictions

Key Comprehensive Plan Policies Relating to Potential Inclusionary Housing Program

Policy 7.1.6(c), Future Land Use Element: ... provision should be included within the land development regulations for awarding density credit based on provision for inclusionary housing ...

Housing Element:

GOAL 1 To promote safe, sanitary, and affordable housing for all current and future Alachua County residents.

OBJECTIVE 1.1 Alachua County shall provide for the development of affordable housing, dispersed throughout the County, through policies which focus on the following areas:

- **Land use** and facilities
- Methods to promote the **dispersion of affordable housing**, and
- Manufactured housing

Policy 1.1.4 It is and shall be the policy of the Board of County Commissioners to **promote the dispersion of newly built affordable housing units** within developments throughout the entire County...

Policy 1.2.8 Establish **regulatory incentives for the development and redevelopment of housing units affordable to very low and extremely low-income households**. The new units are to be located within proximity to major employment centers, high performing public schools and public transit.

Affordable Housing Definitions

Affordable Housing: Affordable means that monthly rent or monthly mortgage payments including insurance and property taxes generally do not exceed 30 percent of that amount which represents the percentage of the median adjusted gross income for households qualifying under the definitions for low-income, moderate-income and very low-income.

Extremely Low: Household AGI \leq 30% of household median AGI for area

Very Low: Household AGI \leq 50% of household median AGI for area

Low: Household AGI \leq 80% of household median AGI for area

Moderate: Household AGI \leq 120% of household median AGI for area

Definitions from Alachua County Comprehensive Plan

AGI = Annual Adjusted Gross Income

Inclusionary Housing Policy Design Considerations

- Mandatory vs. Voluntary
- Countywide or specific geographic areas
- Development size threshold and/or type that activates requirements
- Percentage of housing units required to be affordable
- Target income levels
- Design characteristics and location of affordable units within development
- Control period (how long housing units must remain affordable)
- Incentives offered to offset cost to developer
- Option for fee in lieu of construction of affordable units
- Administrative process for implementation

Inclusionary Housing Feasibility Study

- Data-based foundation for an inclusionary housing policy
- Examines how various combinations of inclusionary housing requirements and incentives will impact the viability of the local housing market
- Helps determine optimal levels for inclusionary requirements that can be accommodated comfortably in the local market given the costs, revenues and incentives available locally.

Inclusionary Housing Feasibility Study

- Identify multiple inclusionary housing policy scenarios to test
 - % of affordable units required and depth of affordability
 - Development typologies common to this area
- Test inclusionary housing policy impact of each scenario on the economic viability of new residential development
- Determine costs to developer of providing affordable units and dollar value of possible incentives to offset costs, as required by statute
- Provide recommendations on program administration

Example - City of Tallahassee

- Inclusionary Housing Policy in effect since 2005
- Requires single family residential developments of 50 or more units to provide a minimum of 10% inclusionary units
- Inclusionary units may be provided within the development or in certain off-site locations, or pay a fee-in-lieu
- Currently considering changes to lower required threshold to 20 units, include multifamily developments, and create uniform, mandatory ordinances for City and Leon County
- Florida Housing Coalition assisting City with current updates

Example - City of Gainesville (under discussion)

- City Study analyzed causes of and potential strategies to address various affordable housing issues
- Among other matters, the Study addressed the question of whether an inclusionary housing policy would be a feasible and effective tool for producing new affordable housing within the City of Gainesville.



City of Gainesville Inclusionary Housing Study

Study recommended that the City consider establishing an Inclusionary Housing policy with the following parameters:

- Applicable to new multi-family residential developments with 10+ units
- 10% of units required to be set aside for households earning up to 80% AMI
- Required in certain geographic areas; voluntary outside those areas
- Fee-in-lieu option of \$120K-160K per required affordable unit, adjusted every two years
- Incentives analyzed included bonus density and public land contribution

Consultant Assistance for Inclusionary Housing Study

- **Florida Housing Coalition**

- Funded through State 's Affordable Housing Catalyst Program to provide technical assistance to local governments on affordable housing programs
- Experience working with Florida communities on various housing programs
- Assisting City of Tallahassee with changes to its inclusionary housing program

- **HR&A Advisors**

- National real estate, economic development, and public policy consultant
- Completed Inclusionary Housing study for City of Gainesville

- **Grounded Solutions Network**

- National consultant network that focuses on inclusionary housing programs

Inclusionary Housing Program Implementation

New County program would need to be administered within the development permitting process:

- Inclusionary requirements would need to be reviewed, calculated, and approved through development review or building permit process
- Ongoing monitoring of sale and rental prices, eligibility requirements
- Accounting process needed for in-lieu fee payments
- Continuous program management
- Staff training

Potential Next Steps on Inclusionary Housing

- Provide direction on whether the Board wants to pursue establishment of an inclusionary housing program. Next steps may include:
 - Refer to AHAC for input and return to BoCC with recommendations
 - Additional BoCC workshops
 - Direct staff to prepare a Scope of Work for inclusionary housing study
 - Work directly with Florida Housing Coalition on Feasibility Study*
 - Initiate RFP process to seek bids for Feasibility Study*

** Funding would need to be allocated by the Board for these options.*

Questions and Board Discussion

Inclusionary Zoning & HB 7103 FAQ

Contact: Kody Glazer, Legal Director, glazer@flhousing.org



What is Inclusionary Zoning (IZ)? 1

What is mandatory IZ and how is it different than voluntary IZ? 2

What are the common characteristics of a mandatory inclusionary zoning ordinance? 2

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The 2019 Legislative Session produced House Bill 7103, which changed how cities and counties in Florida can develop and implement inclusionary zoning (IZ) ordinances. The Florida Housing Coalition supports IZ as a best practice for boosting the supply of affordable housing in growing or rapidly gentrifying communities. Local governments and housing advocates must understand HB 7103 and what it means for IZ, especially its requirements around cost offsets for developers and its explicit permission for cities and counties to incorporate IZ.

What is Inclusionary Zoning (IZ)?

- Inclusionary zoning is a local land use regulation that requires some market-rate developers to include a percentage of affordable housing within a market-rate development.
- IZ can come in a variety of forms. IZ can be an ordinance that covers an entire jurisdiction, an overlay district over a redeveloping area with affordable housing requirements, a negotiated development agreement, or another method.
- Most IZ structures provide for flexibility in implementation including:

- 1) allowing developers to build the required affordable units **offsite** at another location;
- 2) providing an option to pay a **fee in-lieu** of the production of affordable units;
- 3) allowing developers to donate **land in-lieu** of production; and
- 4) offering a **mix of incentives** to offset the costs associated with IZ.

What is mandatory IZ and how is it different than voluntary IZ?

- A mandatory IZ ordinance requires a market rate developer to include a percentage of affordable housing or below-market rate units within a market-rate development.
- By contrast, voluntary IZ ordinances aim to *encourage* the private sector to build affordable housing. A voluntary IZ ordinance offers incentives such as density bonuses, height bonuses, parking reductions, or other zoning bonuses in exchange for the developer building affordable housing units.
- Mandatory IZ is more successful than voluntary programs in developing affordable housing. Typically, voluntary programs are only utilized by developers already in the business of building affordable housing and do not attract market-rate developers. Market-rate developers often leave voluntary incentives on the table and opt to continue to build market-rate units.

What are the common characteristics of a mandatory inclusionary zoning ordinance?

- Threshold number of market rate units that activate the IZ requirement w/a corresponding percentage of affordable units required;
- Requirement that affordable units are comparable in quality and aesthetics to market rate units;
- Benefits or incentives to assist the private sector in providing the affordable units;
- Provision for payment in-lieu where nature of development makes it practically infeasible to include affordable units;
- Housing trust fund as the depository for the payments in-lieu;
- Term of affordability; and
- Policies for administration of the program and opportunity for appeal.

It is important to note that an IZ ordinance should provide for long-term or permanent affordability; the affordable units produced under an IZ program must be preserved for the long haul. An inclusionary housing ordinance that delivers developer benefits in exchange for required affordable housing but fails to require the housing stay affordable long-term is not an ordinance worth adopting. Failure to provide long term affordability will create a windfall to the lucky owner of the affordable home when the land use restriction agreement expires. The local government will have given away valuable incentives and find that it has nothing to show for it.

How did House Bill 7103 change inclusionary zoning practices in Florida?

House Bill 7103 became law on July 1, 2019 and in part, amended Florida's inclusionary zoning statutes (F.S. 125.01055 for counties and F.S. 166.04151 for municipalities). The new statutory

language explicitly allows cities and counties to implement mandatory inclusionary zoning ordinances. In exchange, HB 7103 requires local governments to provide incentives to “fully offset all costs” to the developer as a result of the affordable housing requirement.

For example, if there is a 100-unit market-rate development and a 10% inclusionary requirement, the local government would need to “fully offset all costs” associated with the 10 required affordable units. Local government can do so by providing incentives such as a density or intensity bonus, reducing or waiving fees, or by granting other incentives. Local government can also offset costs by granting an up-zoning that raises the value of the developer’s property.

How does a local government offset all costs associated with a mandatory IZ ordinance?

There are different methods in which a local government can keep developers economically whole when implementing IZ. Local governments can offer density bonuses, height bonuses, reduce or waive fees, and grant other incentives. The main issue will be how a local government *calculates* the amount of costs that are being offset.

The Florida Housing Coalition created a four-step process for compliance with HB 7103. This is only one method to calculate cost offsets; there can be other methods of compliance.

1. Identify the Costs

- First, identify the costs of the affordable units.
- For example, if a developer is required to build 30 affordable units as part of 200-unit complex, identify the cost of the 30 units.
- This chart below shows some of the costs associated with development. Utilize a local government staff member or consultant with development expertise to lead this analysis on a project by project basis.

Construction Costs	Construction Materials Labor General Contractor Overhead
Land Costs	Per Acre Total Cost Cost per Unit
Parking Space Costs	Required Parking
Soft Costs	Impact Fees Architectural & Engineering Costs Planning Approval Fees Environmental Clearance Building Permit Fees Legal & Insurance Fees

Other Development Costs	Required Landscaping Outdoor & Common Area Amenities Setback & Other Structural Standards Infrastructure
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2. Determine the Revenue Gained from the Affordable Units

- Next, determine the revenue gained on the sale or rental of the required affordable units.
- Developers will still gain revenue from the required affordable units albeit not at market-rate.
- This is where we get the total cost to offset. The total cost the local government will need to offset is the cost to build the affordable units (step 1) minus the revenue on the sale or rental of the affordable units (step 2).

<p>Cost to Build Affordable Units (Step 1)</p> <p>- Revenue on Sale/Rental of Affordable Units (Step 2)</p> <hr/> <p>Cost to Offset under House Bill 7103</p>
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3. Identify Which Costs Local Government Can Reduce

- Once the local government knows how much in costs it needs to offset, the local government will need to identify which development costs they can reduce.
- Identifying the development costs that can be reduced will aid the final calculation in how a local government keeps developers economically whole under HB 7103.
- Using the chart in step 1, the bold items represent an example of certain development costs that can be reduced by the local government.

Construction Costs	Construction Materials Labor General Contractor Overhead
Land Costs	Per Acre Total Cost Cost per Unit
Parking Space Costs	Required Parking

Soft Costs	Impact Fees Architectural & Engineering Costs Planning Approval Fees Environmental Clearance Building Permit Fees Legal & Insurance Fees
Other Development Costs	Required Landscaping Outdoor & Common Area Amenities Setback & Other Structural Standards Infrastructure

4. **Bundle Incentives to Keep Developer Economically Whole**

- Once the local government knows how much in costs it will need to offset and which development costs it can reduce, the local government can then bundle various incentives to comply with HB 7103.
- Common incentives include density/intensity bonuses, height bonuses, impact & other fee reductions, lower parking requirements, up-zoning.
- The local government should create a calculation tool to identify the value of various incentives and how they fully offset the costs of an inclusionary housing requirement.
- Using a development professional or consultant can be helpful.

It is important to note that density bonuses alone are likely to be more than enough to comply with HB 7103. If density bonuses do not completely offset costs, then add on the other incentives, such as reduced parking and fee waivers.

What is Land Value Capture? How does it come into play for compliance with HB 7103?

Land value capture (LVC) is a concept that enables communities to recover and reinvest increases in land values that result from public investment and other governmental action. For example, the act of rezoning a parcel of land from an agricultural use to a residential use substantially increases the parcel's value. Under LVC principles, a local government would recover some of this increase in value for public benefit.

Inclusionary zoning can be a vital tool for reinvesting property value increases created by government action. A local government could link IZ directly with local rezoning decisions. A locality could require the inclusion of affordable housing whenever it increases the value of land from actions such as rezoning agricultural land to residential, for example. This strategy can be particularly effective in rural and agricultural parts of the state that are prime for large-scale development due to development patterns and the planning for new roads.

Land value capture should be included in the economic analysis for compliance with HB 7103. Local government should use the increase in land value due to rezoning and other government actions as part of the calculation to “fully offset all costs” associated with IZ requirements. In areas with low allowable densities and intensities, a rezoning to a more intense

use, which would allow the development to build more units, could cover the costs of an affordable housing contribution without the need for additional incentives.

How does a local government best implement an in-lieu of fee? How do in-lieu fees work under HB 7103?

The creation of an in-lieu fee depends on local preferences. It depends on whether the locality wants to encourage on-site development or whether it wants to collect the revenue for other affordable housing purposes. If an in-lieu fee is set too low, the market-rate developer will likely opt to pay the fee which in total may not be enough to provide housing assistance under an affordable housing program. Generally, the higher the fee, the higher chance that developers will choose to build units on site.

There are several ways to implement an in-lieu fee. One of which is called the “production costs method.” Under this method, the fee is based on the average amount invested to produce an additional off-site affordable unit. For example, if it generally costs \$300,000 to build a new unit and a qualified low income buyer could generally afford a \$200,000 home, the fee would be \$100,000. A fee could also be calculated by the difference in price between market rate and affordable units. Cities typically base their fees on a consultant report that estimates the market prices and rents for a given area.

Under HB 7103, in-lieu fees are more difficult to administer. Using our four-step compliance method found above, when a developer participates in an IZ program by physically producing the required affordable units, they are still receiving revenue from the disposition of those units. This revenue gained lowers the total cost the local government is required to offset. With an in-lieu fee, the developer is gaining no revenue and thus, the local government would need to offset dollar-by-dollar the amount paid.

As an example, if it cost \$1 million to construct the required affordable units and the developer received \$650,000 in revenue from the disposition of the units, the local government would need to offset \$350,000 in costs. However, if an in-lieu fee of \$1 million was paid, the local government would need to offset \$1 million in costs as the developer is not gaining any revenue from an in-lieu fee.

How are inclusionary zoning ordinances different from linkage fees? Are linkage fees covered by HB 7103?

In short, linkage fees are not governed by HB 7103. A linkage fee is a type of development exaction where a local government collects a fee, typically on non-residential development, to be placed in a housing trust fund. The foundation for the linkage fee is the connection between the workforce housing needs generated by the industrial, commercial, or other type of development that generates employment. The legal basis for linkage fees is found in the two-part *Nollan/Dolan* U.S. Supreme Court test.

Linkage fees are not inclusionary housing ordinances. An inclusionary housing ordinance is a land use regulation and need only be related to advancing a legitimate government purpose. A linkage

fee is an exaction, akin to an impact fee. This distinction between exactions and land use ordinances is important when understanding the impact of HB 7103. The new state mandate to “fully offset all costs” only applies to “inclusionary housing ordinances”; linkage fees are not inclusionary housing ordinances. Therefore, local governments do not need to provide cost offsets for linkage fees.

What is the Florida Housing Coalition’s role in inclusionary zoning?

1. Education

Mandatory inclusionary zoning is currently a relatively uncommon form of land use regulation found in the state of Florida. Less than a dozen local governments in Florida currently have mandatory inclusionary zoning policies. Although local governments are aware that inclusionary zoning ordinances are in operation in parts of the state, there has been reticence to adopt inclusionary housing policies due to push-back from the homebuilding industry and uncertainty about legal parameters. However, in a time where Florida is seeing an increase in population and an increase in the need for affordable housing, inclusionary zoning can be a valuable tool for creating affordable units.

Although IZ is still relatively uncommon in Florida, IZ ordinances are increasingly being considered for adoption by local governments as evidence mounts and consensus is reached that it is in the best interest of both employers and their workforce that residential developments provide a balance of market rate and below market rate housing. A main reason why the 2019 Legislative Session did not produce an outright ban on mandatory IZ is because an influential Hillsborough County Commissioner voiced her opposition to a full preemption of mandatory IZ. Her point, as was the point of local governments across the state, is that local governments should have mandatory IZ as a tool in their toolbox of methods to address the affordable housing crisis.

With over twenty years of inclusionary housing expertise, the Florida Housing Coalition is available to provide education on inclusionary zoning and its benefits for the affordable housing stock of our state. The Coalition is also available to provide training and technical assistance on HB 7103 and how a local government can comply with the new state requirements regarding mandatory inclusionary zoning.

2. Local Government Planning & Administration

Affordable housing development requires a healthy partnership between the public and private sector. The same is true with an inclusionary zoning ordinance. Successful IZ ordinances engage the private sector to produce affordable units without deterring new housing development. HB 7103 provides a level of comfort that will enable counties and municipalities to add inclusionary housing policies to their toolkit. Because localities are now required to “fully offset all costs” associated with an IZ ordinance, the private sector will be more inclined to develop in areas with mandatory IZ.

Inclusionary housing policies are not simple to craft or administer, but they are essential for large scale developments and to prevent gentrification in areas of redevelopment. Inclusionary zoning

can be particularly useful in rural or agricultural areas that due to development patterns or planned new roadways, will see a substantial increase in housing development. The Florida Housing Coalition can assist in drafting and revamping inclusionary ordinances to comply with the new statutory framework found in HB 7103. The Coalition can also assist in strategies for implementing best practices to administer long-term affordability under an IZ ordinance.

3. Advocacy

The 2019 Florida Legislative Session brought a statewide challenge to the legality of inclusionary zoning. In fact, the first iteration of the infamous HB 7103 contained an outright ban on mandatory IZ. Due to the hard work of the Florida Housing Coalition in partnership with the Florida League of Cities, Florida Association of Counties, 1000 Friends of Florida, local government advocates, and other housing professionals, we were able to stem the ban on mandatory IZ and reach the compromise found in HB 7103.

The Florida Housing Coalition will continue to advocate at the state and local level for IZ as one tool to increase the stock of affordable housing.

[Contact Us](#)

If you have any questions on Inclusionary Zoning and how the Florida Housing Coalition can assist your work, please contact us at glazer@flhousing.org or 954-804-1320.

From: Ashon Nesbitt <nesbitt@flhousing.org>
Sent: Friday, July 15, 2022 11:55 AM
To: Ivy M. Bell <imb@alachuacounty.us>
Cc: Kody Glazer <glazer@flhousing.org>; Jaimie Ross <ross@flhousing.org>
Subject: RE: Alachua County Inclusionary Housing Presentation

CAUTION: This email originated from outside your organization. Exercise caution when opening attachments or clicking links, especially from unknown senders.

Good morning Ivy,

The Florida Housing Coalition has assisted virtually every local government with the adoption of their inclusionary housing policies that has one. Most of this work was done under the auspices of our Catalyst contract with the state, meaning there was no cost to the local jurisdiction. However, the amount of work that is entailed with education, developing policies, adopting an ordinance, and assisting with the implementation of ordinances is more than what is allowed under our contract with the State. What we have learned over the years, is that without the in-depth assistance that is required for adopting a well-crafted ordinance this is an undertaking that may not have successful results. The inclusionary housing policy must start with education, community buy-in, and the use of best practices that will result in long term affordable housing. A well-crafted inclusionary housing policy will be a 4-way win: A win for the local government; a win for the developer; a win for the community as a whole; and a win for the household that will live in the homes created by the inclusionary ordinance.

Here is a list of communities the Coalition has worked with over the years. (Please note that some ultimately did not implement ordinances, which we can address why)

- Palm Beach County
- Jupiter
- Village of Islamorada
- Miami-Dade
- Clearwater
- Collier County
- Tallahassee/Leon County

Currently, we see there is a greater emphasis on methods of quantifying the value of incentives to insure compliance with state law. Doing this well involves understanding existing land use regulations and how they affect the feasibility of developments in your local context. We are currently working with Tallahassee and Leon County to determine how to revise their existing strategy and expand application to Leon County involving this type of analysis. With that said, we recommend a phased approach:

- Feasibility study to determine the costs of development in Alachua County and how incentives would need to be structured for inclusionary to work (i.e. creating the 4-way win described above), and
- Implementation (ordinance drafting, analysis tools, program procedures, staff training, etc.) based on the feasibility study

Do you have a sole-source maximum? We could phase the scope of work to fit within that. Our primary interest is successful implementation. Happy to discuss further.

Best regards,

Ashon J. Nesbitt
Florida Housing Coalition

Ph: 850-878-4219
Cell: 813-476-4170

STRENGTHENING Inclusionary Housing Feasibility Studies

CONVENING SUMMARY



More than 800 communities across the United States have adopted inclusionary housing policies, which require or incentivize the production of affordable housing when new market-rate housing is built. While these programs are no substitute for public investment in affordable housing, they have become an important supplemental source of additional affordable units—particularly in high-cost cities where they are well established.

In nearly every community, however, these programs are controversial. One common concern is that these programs will impose costs that can't be supported by project budgets and lead to reductions in the supply of new market-rate housing and, ironically, higher housing costs overall. While research into the economics of

inclusionary housing programs is still very limited, the best available research¹ shows convincingly that it is possible for inclusionary housing programs to produce meaningful levels of new affordable housing without measurably impacting the rate of new production or the level of market prices or rents.

However, research also shows that caution is appropriate; there is evidence of some programs experiencing modest negative impacts on production. The difference is in the design of the programs. Well-designed programs set requirements at a level that can be accommodated comfortably given the revenues, costs and incentives available locally, but beyond a certain level, the requirements can be a burden and developers may choose not to build.

¹ Schuetz, Jenny, Rachel Meltzer, and Vicki L. Been. *The Effects of Inclusionary Zoning on Local Housing Markets: Lessons from the San Francisco, Washington DC and Suburban Boston Areas*. Furman Center for Real Estate & Urban Policy, New York University, 2008.

This research has encouraged a trend toward completion of economic feasibility studies to support the adoption or refinement of inclusionary housing programs. A feasibility study will generally identify several residential development prototypes that are most commonly being built in a local area. It will also research the revenues (rents, sales prices, etc.) and costs (construction, soft costs, financing costs, operating costs, etc.) in order to understand the general profitability of each type of project. A feasibility study for an inclusionary housing program will use this model of project profitability to test the likely impact of public policy changes. If, for example, the city imposes a requirement that 10 percent of all new units be affordable to lower-income households, a study should show how that requirement would impact the profitability of each of the identified prototypes.

While most inclusionary housing programs that exist today were likely developed without the benefit of this kind of feasibility study, it is increasingly common for cities to commission a study before adopting a new program or changing the requirements of an existing program. And these studies are now recommended widely as a best practice in industry publications about inclusionary housing.

In 2017, California adopted AB 1505,² which ensures the legality of mandatory inclusionary housing requirements for rental housing.³ One provision of this new law establishes a limited circumstance in which the state can ask to review a feasibility study for a rental inclusionary ordinance that requires more than 15 percent of units be affordable to lower-income households. The feasibility study can be prepared upon the state's request to review, or if available, the locality can submit a study that was prepared at the time the ordinance was adopted. The law allows the state to review whether the study was conducted with a methodology that follows best professional practice. While its application may be limited, this may be the first time that a state has adopted legislation regarding inclusionary housing feasibility studies.

Given the growing interest and importance of these studies, it is somewhat surprising that there has been very little formal attempt to articulate best professional

practice. Published feasibility studies share many common elements but differ in some important ways; there is currently no clear single standard methodology.

Convening

In response to this need, Grounded Solutions Network, The Turner Center for Housing Innovation at UC Berkeley and the Lincoln Institute of Land Policy collaborated to convene a one-day expert discussion of inclusionary housing feasibility studies. (Full disclosure: Grounded Solutions Network conducts inclusionary housing feasibility studies on a fee-for-service basis.) On July 17, 2018, we brought a group of national experts to the University of California at Berkeley to discuss best practices for feasibility studies. The group included eight consultants with extensive professional experience producing these studies, five academic researchers with expertise in housing economics and research experience relevant to inclusionary housing, and seven consumer representatives with experience commissioning or overseeing these studies on behalf of public agencies or nonprofit housing organizations, as well as nine representatives from the sponsoring organizations.

In preparation for the daylong convening, we also surveyed participants about their views on key issues and interviewed a number of the consultants.

While it is fair to say that this diverse group did not agree on every important point, there was a notable degree of agreement. The purpose of this document is to capture some of that agreement (and disagreement) in order to further the field and provide concrete guidance to public agencies that are commissioning feasibility studies. In the following pages, we attempt to represent diverse points of view and highlight areas of broad agreement. This report does not reflect the views of any specific participant.

We also developed a sample Statement of Work (attachment A) as a tool for jurisdictions that are commissioning inclusionary housing feasibility studies. This language can be included in a feasibility study Request for Proposals.

² For more details on the provisions of AB1505, see https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201720180AB1505

³ Mandatory inclusionary housing requirements for ownership housing were already legal. The state also has a density bonus law which requires municipalities to provide density bonuses and other concessions to projects that provide affordable housing.

Definitions

Feasibility studies identify a ‘**hurdle rate**’ for profit. Projects that earn more than that rate will be considered ‘feasible’ while those below the hurdle will be deemed ‘infeasible.’

The hurdle rate can be measured using different metrics such as **Return on Cost**, which compares the likely proceeds from selling a project to the cost to develop it, or **Yield on Cost**, which measures roughly how much net revenue will be generated each year relative to what it cost to build a project.

Discounted cash flow models project costs and revenue on a yearly basis over time. **Static proformas** use a simpler measure of profitability (like Return on Cost or Yield on Cost) and do not take into account the timing of costs and revenue.

Residual Land Value is the amount a developer of a project could pay for land (after accounting for other all costs, including construction costs) and still earn the required level of profit.

Key Takeaways

This document includes a high-level summary of the key takeaways from the convening. A full report with more in-depth discussion of each key issue area is available at www.inclusionaryhousing.org/resources/#feasibility.

Methodology:

What are the most reliable methods for evaluating the feasibility of potential development projects? How should feasibility studies address land values?

- 1 There is no single best methodology appropriate for all circumstances; consultants should be given some latitude to propose the best methodology for the circumstances. It is important that whatever methodology is used be clearly communicated and fully documented in the consultant’s final report, or in an appendix to the report.

- 2 Similarly, participants agreed that there is no one single measure of feasibility that is best suited for every situation. Some researchers felt more comfortable with one metric or another, but no concerns were expressed that any commonly used measures were inappropriate.
- 3 There was some debate about the advantages and disadvantages of discounted cash-flow models relative to static proformas. Some felt that the cash-flow models led to more accurate results, while others felt that they were overly sensitive to input assumptions in a way that makes them less useful.
- 4 All participants, however, agreed that static proformas were sufficient and could accurately model feasibility in all situations, suggesting that this approach should be standard practice in most cases because it is easier for a broader audience to understand.
- 5 While all participants agreed that, over time, much of the impact of inclusionary housing requirements is absorbed by landowners in the form of lower residual land values (RLV), there was not agreement on how best to reflect this in feasibility study results. Most of the consultants participating reported that they project changes in RLV in some but not all cases.
- 6 There was general agreement that studies based on the RLV were not inherently better or worse than studies structured around a profitability hurdle rate (minimum profitability). Whether a study is structured to calculate RLV or not, the results should be similar in the sense that proposed requirements should have roughly the same impact on feasibility. Some felt that RLV calculations made the results harder to explain to the public, while others felt that very challenge was helpful in guiding public agency staff and elected officials to better understand the medium- to longer-term impacts of inclusionary policies. But all agreed that, as one participant observed, “land is always the residual, whether you calculate it or not.”
- 7 Participants also discussed the potential for new online tools to manage a greater volume of data and lead to more consistent, transparent and readily understood results.

Variation over time:

Policymakers struggle with how to interpret results given variation in conditions over the market cycle. How should findings for a given point in time guide policies that will last through market cycles?

- 1 Most participants strongly agreed that feasibility study results should not be trended or based on projected future changes in revenues or costs.
- 2 Instead, there was general agreement that studies should include sensitivity analysis, which tests the impact of a range of potential changes in key inputs. Instead of predicting what will happen, a sensitivity analysis shows what would happen if market conditions changed in certain ways.

Geographic Variation:

Even in strong market cities there are large variations in the market strength of different neighborhoods. What assumptions are necessary to generalize across a range of market locations?

- 1 All participants agreed that it sometimes makes sense to separately analyze distinct neighborhood submarkets when project budgets allow. But participants identified a number of limitations to submarket analysis, which suggests it may not be a best practice. For example, it can be difficult and expensive to obtain appropriate data for submarkets within a city, particularly for submarkets where development has not been happening recently. And submarket analysis tends to lead policymakers in the direction of geographically-targeted inclusionary housing requirements, which can be very challenging to implement.

Transparency:

How much detail into the underlying assumptions and model can/should be provided to cities and/or the public?

- 1 Participants all agreed that reproducibility should be the standard for full transparency. Every study should disclose all the inputs and assumptions that another qualified researcher would need to reproduce the same results in their own spreadsheet.
- 2 There was agreement that conducting feasibility studies with the engagement of a local Technical Advisory Committee could lead to much stronger policy

outcomes. While participants didn't necessarily agree that this practice should be implemented in every study, our discussion suggests that this somewhat rare practice should be much more widespread.

One theme that arose repeatedly was the challenge of ensuring that the complex and technical results of these feasibility studies were actually being used to set the resulting policies. A number of convening participants expressed frustration that the economic analysis was sometimes partially overlooked when policies were ultimately adopted in a largely political process. Cities have sometimes commissioned lengthy and expensive studies only to subsequently adopt policies that didn't appear to be directly informed by the study's findings. There was agreement that doing more to improve public understanding of feasibility results could result in stronger and more data-driven policy decisions.

A point of agreement was that more effort should be directed to helping policymakers and the general public understand the limitations of these studies and their inherent imprecision. Sometimes cities want to treat the results of feasibility studies like appraisal results, but this may be the result of a misunderstanding of these studies' role and limitations. Limited data and the inherent diversity in the economics of different development projects mean that feasibility studies which only examine a small number of project prototypes will never be as objective and definitive as policymakers may want them to be. Instead of providing a definitive answer to what is feasible in all cases, participants stressed that feasibility studies should be seen as providing a reality check and a way to illustrate the potential impact of proposed policy changes. Similarly, feasibility studies do not provide the single correct policy answer; in fact, successful adopted policies do not always exactly mirror the results of the feasibility study. Participants seemed to agree that a wider understanding of these limitations could lead to more humility in the policy design process. Because all of the important economic feasibility questions cannot be answered definitively, and because economic feasibility studies examine a single point in time and cannot accurately project how market changes will affect development feasibility, policies should build in periodic assessment and opportunities for program refinement.

Attachment A

Sample Statement of Work Inclusionary Housing Feasibility Study

In order to make it easier for jurisdictions that are commissioning Inclusionary Housing Feasibility Studies to incorporate some of the convening participants' recommendations, following is sample language for a Statement of Work. Of course, many of the specific requirements will need to be modified for local circumstances.

Scope of Services:

The goal of this project is to help local policymakers to better understand how potential inclusionary housing requirements would impact the feasibility of new residential development. The goal of any potential inclusionary housing policy would be to produce meaningful numbers of affordable housing units without imposing requirements that create a hardship for development of new projects and ultimately result in less development. The City understands that there are a great variety of different projects which will be impacted differently by any potential policy and that any analysis will necessarily only reflect the impact on small subset of typical projects. As a result, the feasibility study is only one part of the City's process for determining the appropriate policy. The intention is to use this modeling exercise to inform policymakers and ground the ultimate policy as much as possible in real market conditions.

The selected vendor will be required to complete the following tasks:

Task 1: Background Research and Feasibility Analysis

Conduct a thorough and transparent analysis of the economic feasibility of potential inclusionary housing requirements including:

- A** Review previously completed housing and economic feasibility studies.
- B** Review relevant state laws and regulations [such as the California State Density Bonus law (GC 65915) and AB 1505 (2017)].

- C** Research recent development activity in the area and identify [four to six] common development prototypes for use in the feasibility analysis. These prototypes should include representative ownership and rental projects.
- D** Collect data related to revenues and costs for projects similar to the identified prototypes.
- E** Collect data from developers and investors to document the profitability of residential real estate under current conditions.
- F** In consultation with City staff and local real estate industry stakeholders, identify the typical level of profitability of recent residential projects (based on the yield on cost, return on cost or other comparable measure).
- G** In close coordination with jurisdiction staff, identify three to five specific policy design alternatives that will be evaluated. Each alternative should include a specific set of affordable housing requirements and potential incentives or offsets to the cost of compliance.
- H** Develop project pro formas that illustrate the economics of development of each prototype [in each submarket area if applicable] under current conditions and requirements and under each of the defined policy alternatives.
- I** [Option A: Compare the profitability of development for each prototype under each policy scenario with the threshold for minimum profitability established for the current market in order to evaluate the feasibility of each alternative]

[Option B: Compare the residual land value available for each prototype under each policy alternative with current prices in the local land market in order to evaluate the feasibility of each alternative]
- J** Conduct a sensitivity analysis to identify the extent to which variations in key inputs such as market rents or construction costs would lead to different findings regarding feasibility.

Task 2: Technical Advisory Committee

Plan and facilitate up to three meetings of a technical advisory committee of local industry and policy stakeholders, including:

- A** Advise the jurisdiction on the selection and composition of the committee. The committee will include no more than 10 people selected for their direct and specialized knowledge of local market conditions and housing needs and will include representatives of the real estate development industry as well as advocates for affordable housing. Jurisdiction staff will coordinate outreach, recruitment, scheduling and meeting logistics.
 - B** Produce intermediate work product to share with committee members in advance of meetings in order to guide discussion of key details related to defining project prototypes used in the study and identifying appropriate costs, revenues and minimum profitability requirements.
 - C** Produce preliminary draft feasibility results and sensitivity analysis and share with committee members. Revise analysis, as appropriate, based on feedback from committee.
 - D** Develop meeting agendas and facilitate discussion at each meeting.
 - E** Produce meeting notes which capture points of agreement as well as the range areas of disagreement (without attributing specific statements or positions to individuals).
- (requirements and incentives) evaluated and the findings regarding economic feasibility of each prototype under each policy alternative.
- D** Recommendations for the design of an inclusionary housing policy based on the results of the analysis, including:
 - A** The share of affordable housing units that could be required in new residential housing projects without significant negative impacts on the rate of residential building (or a range of potential supportable requirements).
 - B** The income targets for required affordable rental and ownership units.
 - C** The mix of incentives, if any, which would be needed to make the recommended level of affordable housing requirements financially feasible.
 - D** The level (or range) of in lieu fees which would result in the fee option being roughly financially equivalent to the cost of onsite compliance for typical projects.
 - E** Recommendations of additional housing policy alternatives for consideration by the jurisdiction which might complement the proposed inclusionary housing policy or better address market conditions and needs identified in the course of the study.
 - F** Recommendations regarding best practices for ongoing monitoring and public disclosure of the effectiveness of the inclusionary housing policy (i.e. number of units produced, share of projects selecting the in lieu fee option, etc.) as well as a proposed timeline and process for updating the policy regularly over time or in the event of significant changes in market conditions.

Task 3: Final Report

Produce a final written report including:

- A** A summary of the research process, including public feedback and the range of input from the Technical Advisory Committee
- B** An accessible and jargon-free overview of the feasibility study methodology and its most significant findings.
- C** A more technical yet concise description of the specific methodology employed, the general attributes of the studied prototypes, the policy design options
- G** One or more technical appendices which provide detailed disclosure of the specific inputs and other assumptions at the level of detail that would enable another qualified professional to reproduce the results presented in the study.
- H** One or more technical appendices presenting the results of sensitivity analysis documenting the extent to which the study results would be different under differing assumptions for key inputs including rents, home prices, construction costs and land costs.

Task 4: Presentations

Lead two study sessions for City Council and other stakeholders to review the study results including:

- A** Produce a single presentation deck describing the methodology, findings and recommendations.
- B** Lead a presentation of findings as part of a study session of the City Council.
- C** Lead a presentation on other subcommittees or working groups, to be determined.
- D** Respond to follow-up questions from council members, as needed.
- E** [Optional: Conduct one or more public education sessions on inclusionary financial feasibility for communities that will be directly affected by the policy, particularly any communities that are under-represented in the technical advisory committee.]



Best Practices for Inclusionary Housing Feasibility Studies

Why complete a feasibility study?

When considering whether to adopt or revise an inclusionary housing policy, local government agencies often retain an economic consultant to prepare a feasibility study. These studies evaluate the economic tradeoffs involved in requiring a certain percentage of affordable units in new residential or mixed-use projects. These studies are intended to help policymakers ensure that new policies and programs are economically sound, will not deter development, and will deliver the types of new affordable units the local community needs.

What is the difference between a feasibility study and a nexus study?

Feasibility studies are related, but distinct, from nexus studies. The goal of a feasibility study is to determine how a new inclusionary policy would affect market-rate housing development costs and profits. Local jurisdictions use nexus studies to establish housing development impact fees or commercial linkage fees to fund housing programs. The goal of a nexus study is to quantify the new demand for affordable housing that is generated by new commercial or market-rate housing development.

According to the standard set by a pair of U.S. Supreme Court cases, *Nollan v. California Coastal Commission* and *Dolan v. City of Tigard*, together known as *Nollan/Dolan*, municipalities imposing a fee program must meet two requirements. First, there must be an “essential nexus” between the impact of the development and the required fee. Second, the fee must be “roughly proportional” to the impact of the development. Municipalities may address these requirements using a nexus study.

In general, cities should undertake a nexus study when implementing any inclusionary housing policy to meet the widely accepted and relatively robust standard under the Supreme Court ruling in *Penn Central Transportation Co. v. New York City*. Under *Penn Central*, inclusionary

policies can vary significantly in terms of their impacts on developers as long as they leave property owners with some profitable use of their properties.

Nexus studies are legally advisable prior to implementation of development impact fees in some states. Feasibility studies are generally advisable for both inclusionary housing policies and housing development impact fees.

What goes into a feasibility study?

Every study differs based on the needs and market conditions of the specific area. In general, however, they follow a similar outline, as follows:

- 1) **Introduction and Policy Context:** A description of the purpose and scope of the study.
- 2) **Background Economic Trends and Market Conditions:** An in-depth analysis of the local economy and the market conditions affecting residential development.
- 3) **Economic Analysis of Hypothetical Development Project:** Based on prevailing economic conditions and using assumptions from the market analysis, a feasibility analysis uses development pro formas to test the economic impact of varying inclusionary requirements on hypothetical development projects or prototypes. In short, this process models how inclusionary requirements might affect the bottom line profitability of market-rate residential development.

This section should also include a sensitivity analysis. In the sensitivity analysis, assumptions from the market analysis—loan interest rates, for example—are dialed to their highest and lowest reasonable levels to examine how sensitive the final estimates of profitability are to variations in cost and revenue assumptions.

- 4) **Findings and Recommendations:** The financial feasibility analysis will include a conclusion that discusses the likely effect of requiring various percentages of affordable units at varying affordability levels in combination with certain types of developer incentives.

Best practice standards for inclusionary housing feasibility studies

Grounded Solutions Network (formerly Cornerstone Partnership) has prepared the following best practices for designing and preparing inclusionary housing feasibility studies. This list is based on a review and analysis of professional feasibility studies and policy reports from across the United States. These standards are meant to help advocates and policymakers design effective requests for proposals and to inform the development of scopes of work for inclusionary housing economic feasibility studies.

1) Introduction and Policy Context

- Studies should make their purpose clear at the outset and describe the policy context that frames the need for an economic analysis. For example, suppose a community is looking to revise an existing inclusionary housing policy or program to achieve more production or deeper levels of affordability. In this case, the introduction should describe these specific policy challenges and how the study will address them.

2) Background Analysis and Assumptions

- Studies should include an outreach component to gather feedback from local real estate experts, developers, and affordable housing stakeholders. The purpose of this outreach is two-fold: (1) to gain buy-in and legitimacy from the real-estate and development community; and (2) to refine assumptions about development costs and revenues beyond what is available through publicly accessible data sources.
- Studies should include a detailed description of all cost assumptions and other data points. To the extent possible, feasibility analyses should not consist of “black box” models with proprietary methodologies that are difficult to understand or evaluate. For example, if a report uses a capitalization rate to derive the value of a hypothetical rental project, that rate should be clearly shown and the rationale for selecting that rate clearly explained.

3) Analysis of Hypothetical Development Projects

- Studies should clearly describe the proposed methodology for analyzing the economic feasibility of inclusionary housing policies or programs. A project is economically feasible when it is predicted to reap adequate profit to warrant the risk of large up-front investments for land, entitlements, and construction. Adequate profit, also known as the development “hurdle rate,” is measured in one of several ways. The most common measures are: internal rate of return, percent of construction costs, percent of total development costs, or percent return on equity. Grounded Solutions typically recommends that feasibility studies use a percent of total development costs as a measure of profitability. This measure is the most common and transparent. Regardless of the metric selected, consultants should justify their measure of profitability as well as the hurdle rate (e.g., 12%-15%) that they use to define feasibility.
- Studies should include the preparation of hypothetical development prototypes or pro formas to test the feasibility of inclusionary housing policies under varying market conditions and development scenarios.

- Feasibility models should be structured to allow for the testing of alternative levels of affordability in combination with incentives. In addition to allowing for an adjustment of the total number of affordable units, models should allow for mixing affordability levels by Area Median Income (AMI) and unit type.

4) Findings and Recommendations

- With reference to the key policy questions initially posed in the introduction, studies should make clear findings about the economic viability of different policy structures and requirements.
- Final reports should include an Executive Summary which clearly presents findings and recommendations in language that is accessible to non-experts.

Exclusionary Zoning & Inclusionary Zoning Study

Final Report
December 2021

DRAFT

HR&A

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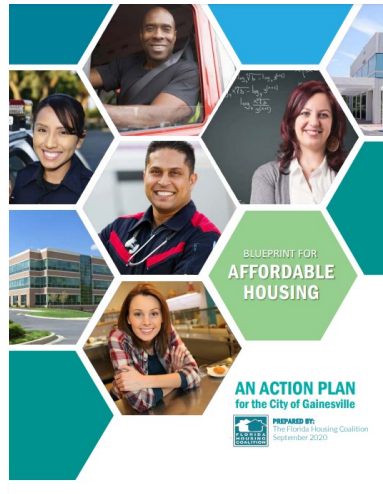
Executive Summary

Project Overview | HR&A Advisors was engaged by the City of Gainesville to analyze the causes of and potential strategies to address housing instability and racial inequities.

This study responds to the following guiding questions:

1. What drives housing instability and inequities in Gainesville?
2. How do exclusionary land use controls drive local housing market trends?
3. How can changes to exclusionary land use controls make housing in Gainesville more equitable?
4. Is an inclusionary zoning policy a feasible and effective tool for producing new affordable housing in Gainesville?
5. What other programs and policies are needed to address housing instability and inequities?

Project Overview | The City of Gainesville has been committed to creating a path toward an equitable housing landscape. This study is additive to these efforts.



Recent Housing Efforts in Gainesville:

- Gainesville's **Housing Action Plan** (2020) calls for diversifying funding sources, increased zoning flexibility, and permanent affordability.
- Gainesville's current **Comprehensive Planning Process** includes a chapter exploring housing strategies to house all Gainesville residents.
- The **Gainesville Community Reinvestment Area** has pursued urban infill housing and worked to attract investment to underserved parts of the city.
- The **Gainesville Housing Authority** has partnered with private developers to subsidize permanently affordable housing.
- The **Gainesville Housing and Community Development Department** continues to administer funding and programs through CDBG, HOME and SHIP programs.

Existing Conditions | An analysis of existing conditions in Gainesville reveals several distinct but related issues that are driving instability and unequal housing outcomes.



Racial Segregation

In Gainesville, race is a key determinant of where you live, access to diverse housing options and homeownership, and the value of your home.



Housing Cost Burden

Extreme housing cost burden, driven primarily by low incomes, is a key driver of housing instability in Gainesville.



Housing Access and Quality

New rental housing in Gainesville has disproportionately benefited student renters, and non-student renters live in older, less diverse housing types as a result.

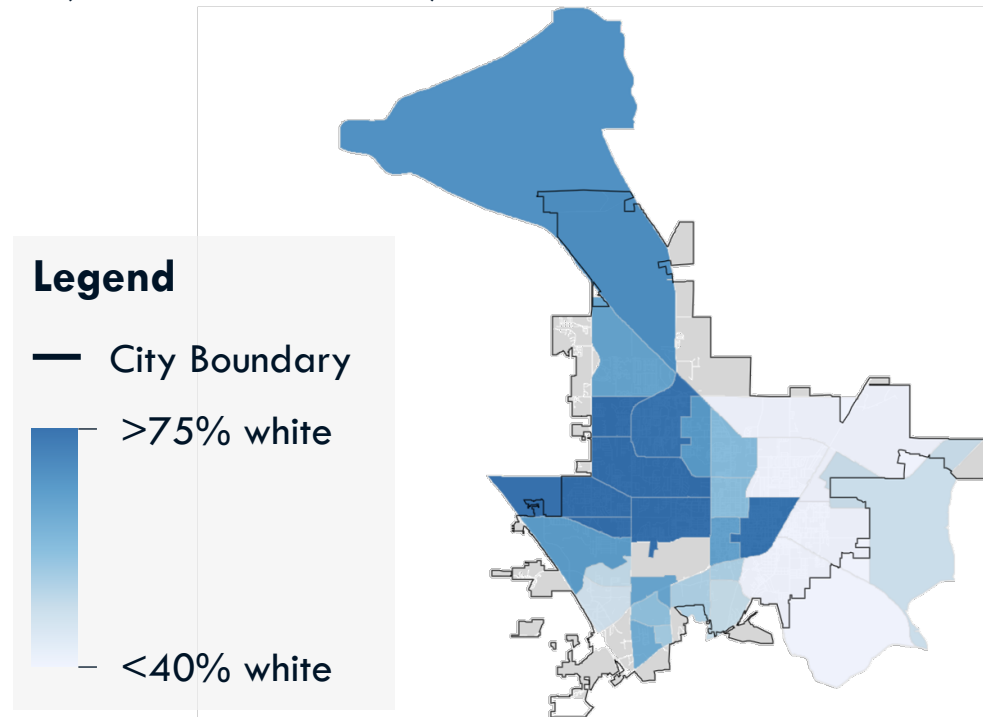
Existing Conditions | In Gainesville, race is a key determinant of where you live, your access to diverse housing options and homeownership, and the value of your home.



Racial Segregation

- White households are more likely to live in single-family homes (which are typically owned, rather than rented).
- Gainesville's Black population occupies "missing middle" housing, or buildings with 2-4 units, at a high rate relative to the population. These units tend to be more affordable in Gainesville.
- Homes in predominately white neighborhoods are assessed at higher values, increasing the wealth that accrues to white households.

Share of Non-Hispanic or Latinx white Households (Census Tracts, All)



Source: Social Explorer – ACS 2019 (5-Year Estimates)

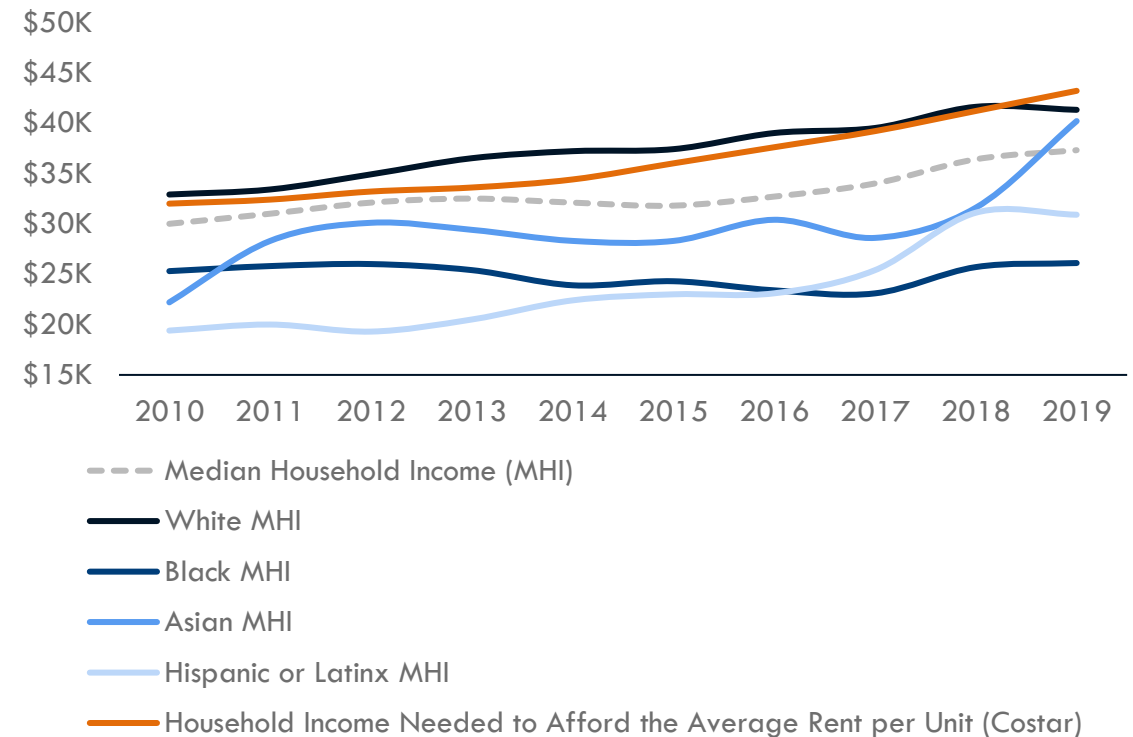
Existing Conditions | Extreme housing cost burden, driven primarily by low incomes, is a key driver of housing instability in Gainesville.



Housing Cost Burden

- Renters across all racial groups earning <\$35K annually experience high rates of housing cost burden.
- Race is a predictor of household income and poverty in Gainesville. Only white and Asian households earn above Gainesville's median household income. Black households make 73% of the median.
- The average rental unit is currently only affordable to the typical white or homeowner household in Gainesville.

Income at which Average Rental Unit is Affordable by Race (All)



Source: Social Explorer – ACS 2019 (5-Year Estimates)

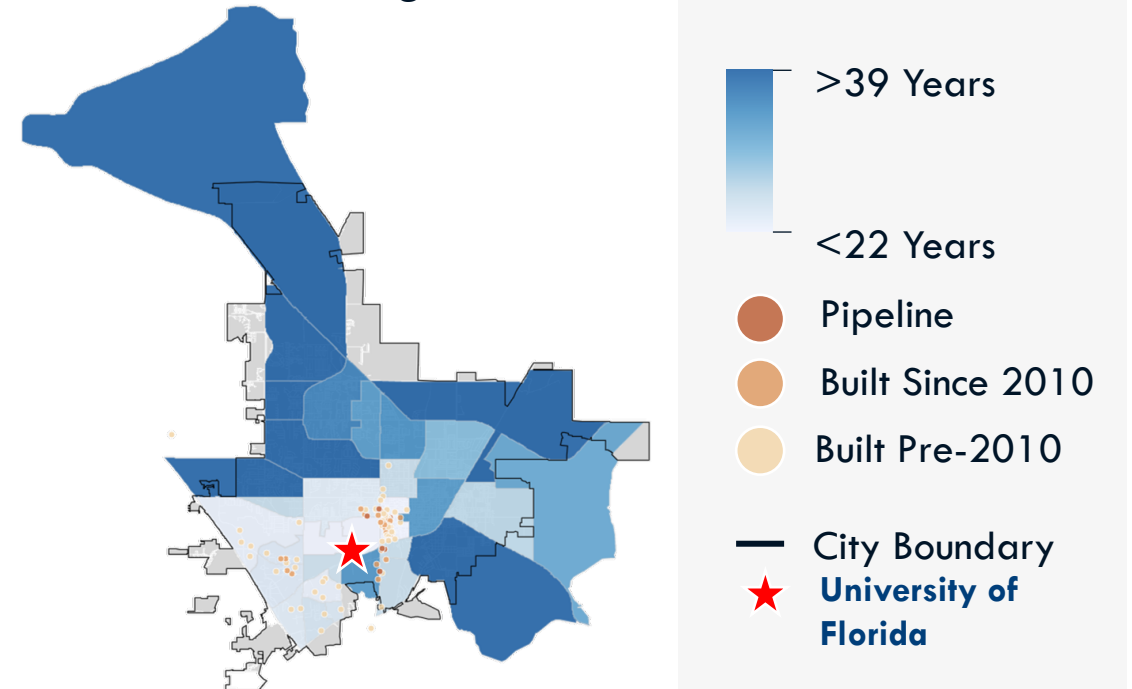
Existing Conditions | The student housing market is the strongest rental market in Gainesville. Non-student renters are not benefitting from new housing at the same rate.



Housing Access and Quality

- Student renters are the primary beneficiaries of new rental housing development in Gainesville, which makes it more difficult for non-students to access such housing.
- Student renters make up 36% of the total population but comprise 50% of the population that lives in housing built after 2000.
- The average household in Gainesville struggles to access homeownership, especially Black, Hispanic or Latinx, and renter households. As a result, 61% of households in the City are renters. Less than a third of Black and Hispanic or Latinx households are homeowners.

Median Age by Census Tract and Student Housing*



*Includes both student housing (i.e., housing that exclusively serves students) and student-focused housing (i.e., housing that caters to students but is available to all residents).

Source: Social Explorer – ACS 2019 (5-Year Estimates)

Land Use | This study explores how land use tools can help to create a housing landscape in which who you are does not determine your housing options.

While there are many housing tools, programs, and mechanisms that can improve housing equity and affordability, this study is tasked with assessing two specific land use strategies.



Land Use Tools use municipal regulations and zoning authority to indirectly improve affordability by increasing the supply of housing and to directly require the production of affordable units.



Subsidy Tools, in the form of below-market rate loans, grants, or other public resources, close the gap between what a household can afford to pay and the costs to develop and operate housing.



Tenants' Rights Tools preserve existing affordable housing and housing stability by using laws and regulations that protect current occupants.

Land Use | Land use mechanisms analyzed here include: (i) redressing exclusionary policies and (ii) implementing an inclusionary zoning program.



In general, land use tools are most effective at addressing the housing needs of moderate-income residents and are not effective at addressing the housing needs of low- and very low-income residents.

Redressing exclusionary policies is a strategy to expand housing options throughout the city, creating housing opportunities for residents of all racial and economic statuses in places that households want and can afford to live in.

Inclusionary zoning, while not necessarily the antidote to exclusionary zoning, is a strategy to produce regulated affordable housing for moderate income households in the private market by incentivizing, requiring, and/or subsidizing private housing developers to deliver new affordable housing when they build new market rate housing.

These two land use strategies can, but don't necessarily need to, work hand in hand. While this study focuses on two specific land use strategies, future housing plans should consider the full landscape of housing tools to increase housing stability and equity in Gainesville, including subsidy and tenants' rights tools.

Recommendations | This study makes recommendations on land use strategies that can help drive an equitable housing landscape in Gainesville.



The City should **redress existing exclusionary land use controls**, with a particular focus on those that have the highest exclusionary impact in Gainesville, including strict lot utilization and parcel constraints, strict design and compatibility requirements, and occupancy and mobile home limitations.

The City should implement a **mandatory IZ policy** requiring that rental developments with at least 10 residential units provide a 10 percent set-aside of units that are affordable to households earning up to 80 percent of Area Median Income, offering a density bonus incentive of up to 30 percent. If possible, the City should also explore additional incentives, such as a synthetic TIF, to deepen affordability (e.g., to create units affordable to 60 percent of AMI).

*Both of these strategies should be used in combination with a **set of housing tools** to address the housing needs of low- and very low-income Gainesville residents, who have the highest housing need. HR&A recommends that the City of Gainesville work to identify revenue sources for an Affordable Housing Trust Fund and assess the possibility of deploying local subsidy for affordable housing.*

Exclusionary Land Use Controls | Exclusionary land use controls exclude a diverse (often racially diverse) range of households from residential neighborhoods.

Exclusionary land use controls both directly limit the types of housing that can be built, and indirectly limit housing access by contributing to prohibitive housing costs. While zoning is a recognizable land use control, it is one of many tools that local government uses to control *how, where, and what kind* of development occurs. County and State land use regulations and housing policy, such as HB 7103, also play a role in determining development patterns in Gainesville. HR&A developed criteria with which to review Gainesville's Code of Ordinances.

Exclusionary land use controls are local regulations that:

- 1. Directly decrease or limit housing supply in residential areas** (*strict lot utilization and parcel constraints*)
- 2. Increase the cost to build new housing** (*strict design and compatibility requirements*)
- 3. Limit the use of existing housing** (*strict occupancy limitations and mobile home location limitations*)

*Each of these dynamics
drives disparate outcomes
by race.*

Exclusionary Land Use Controls | Changing exclusionary land use controls is an important tool for reducing racial and economic exclusion across a housing market.



Benefits of Changing Exclusionary LUCs:

- No public funding required to induce private development
- Increases the overall supply of housing
- Can help address legacies of racial segregation by driving new housing supply more evenly across the city
- Reduces the ability of a limited constituency to prevent the creation of housing
- Supports economic growth and expands the City's tax base

Without reducing exclusionary land use controls, all other housing strategies, and those that require subsidy in particular, are less effective and more costly.

Exclusionary Land Use Controls | The City of Gainesville should complete in-depth land use analyses to consider the following changes to exclusionary land use controls.

Actions to Consider

- Reduce setbacks in low and moderate density residential areas.
 - Permit lot splits in minor subdivisions.
 - Reduce minimum lot dimensions.
 - Allow housing typologies beyond single family ("missing middle", 2-4 unit housing) in residential districts with strict lot utilization constraints.
-
- Eliminate compatibility requirements between multifamily and single family uses.
 - Reduce expensive design standards in historic preservation districts.
-
- Identify additional areas to permit mobile home uses.
 - Eliminate single family occupancy limitations in low density districts.
 - Increase the bedroom limit in the University of Florida Context Area when a structure includes more than one dwelling (attached housing).

Outcomes



1. Increase the amount and type of housing in residential areas



2. Decrease the cost to build and maintain housing



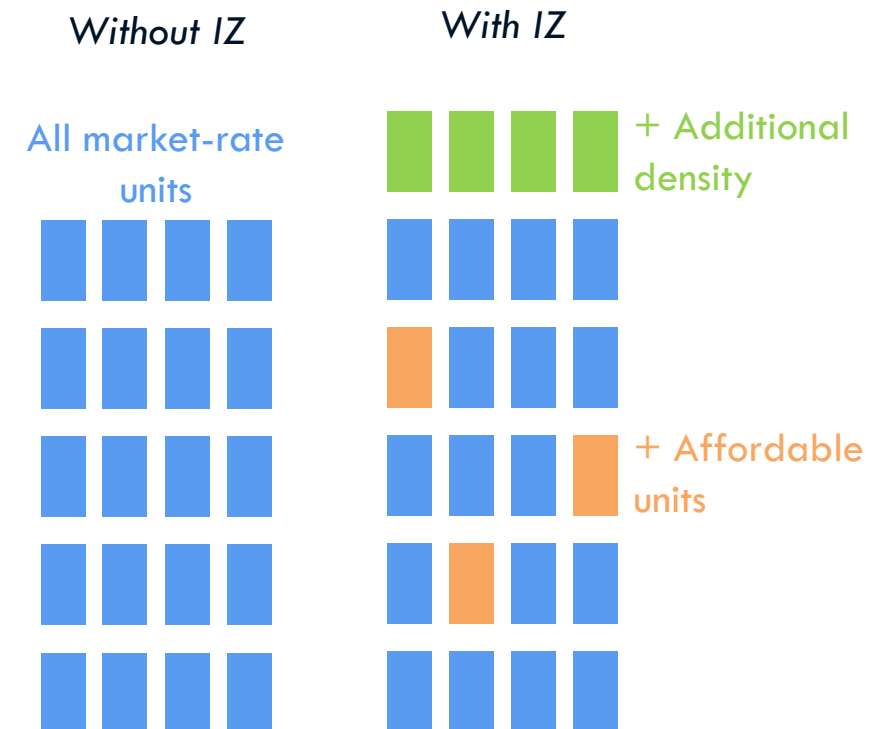
3. Increase options for the use of existing housing

Inclusionary Zoning | The goal of an inclusionary zoning policy is to support Gainesville's housing needs through the creation of affordable housing.

Inclusionary zoning is a land use tool that requires or encourages developers to create affordable units in new market-rate residential and commercial developments. Incentives such as reduced parking requirements, additional density allowances, or tax abatements are sometimes provided to encourage participation.

More than 1000 jurisdictions across 30+ states have inclusionary zoning programs. These programs vary along many design considerations, including whether the program is voluntary or mandatory, what amount and depth of affordability is required, if it applies to rental or for-sale development, whether there are alternative compliance pathways such as the payment of a fee in-lieu, and what incentives are available. These policy elements are adjusted based on local policy priorities, housing market strength, and affordability needs.

Illustrative IZ Policy with Density Bonus Incentive



Inclusionary Zoning | Inclusionary zoning is one of many tools that can support housing affordability, and it presents a variety of benefits and limitations.

Benefits of IZ

Captures value of land in areas with strong housing markets. The Gainesville market has seen steady market-rate development in recent years in some neighborhoods, suggesting the potential to support development of some affordable housing.

Serves households earning up to 80% of Area Median Income (AMI), which is an area of need for Gainesville.

Does not require public subsidy, though public subsidy may be provided as an incentive to achieve more or deeper affordability.

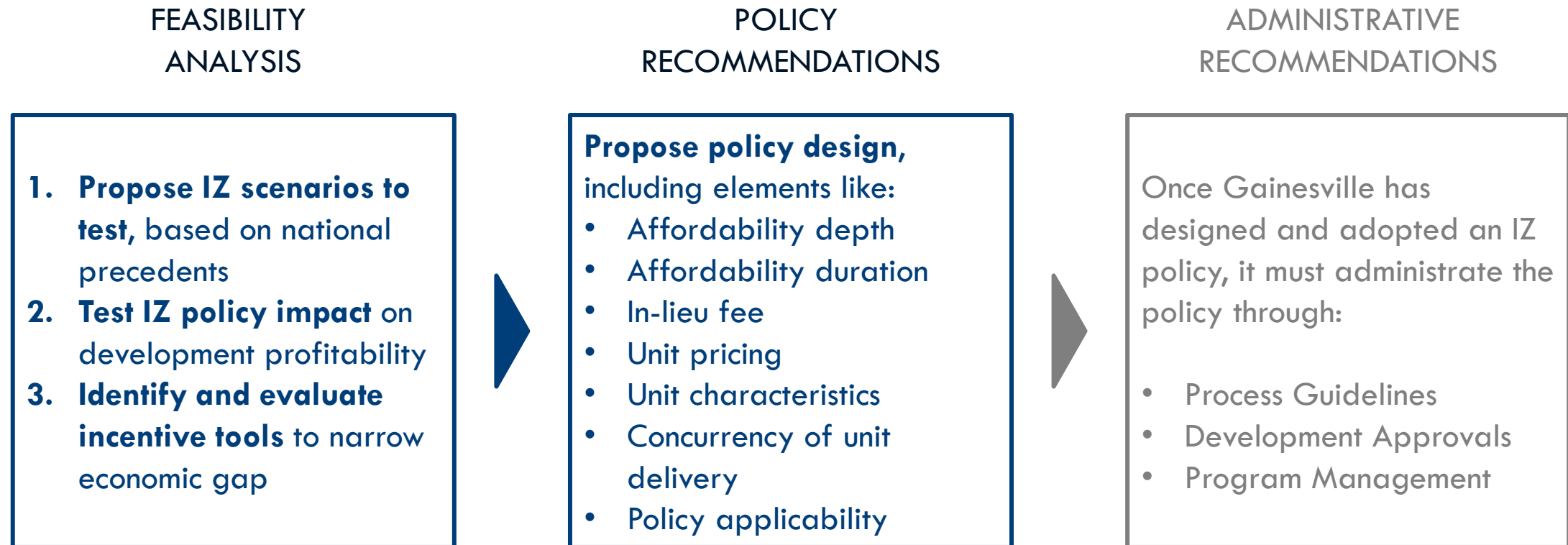
Limitations of IZ

Does not work in weaker housing markets and submarkets, where an overly restrictive IZ policy risks decreasing housing development, which ultimately harms affordability by both failing to deliver the mandated IZ units and limiting overall housing supply. An IZ policy that is overly restrictive relative to nearby jurisdictions also risks driving new development outside of political boundaries.

Do not serve very deep levels of affordability need, such as for households earning up to 30% AMI. For these residents, other alternatives such as housing vouchers should be layered with increased supply of rent-restricted affordable housing.

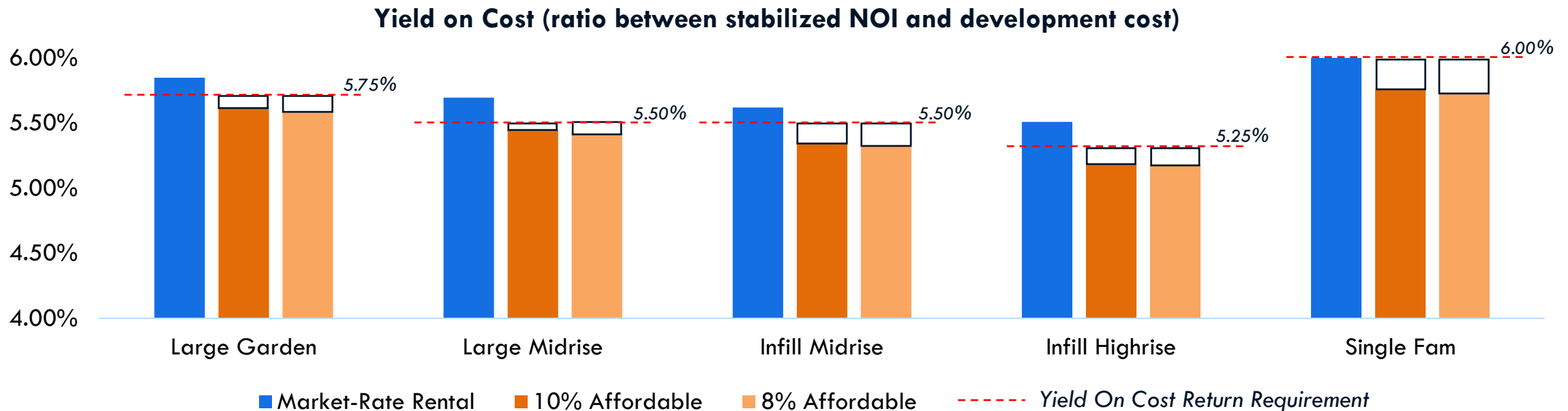
Need to triangulate and optimize between maximizing depth of affordability, ensuring continued housing development, and limiting the cost of incentives.

Inclusionary Zoning | HR&A tested the feasibility and impact of an inclusionary zoning policy in Gainesville and provided recommendations for policy design.



Inclusionary Zoning | HR&A's modeling finds that 10% and 8% IZ requirements bring project profitability below threshold return requirements for all five typologies.

Project profitability was measured using Yield on Cost, calculated for each property type using a 10-year cash flow model. The model was populated with assumptions gathered from empirical market data and developer interviews (see summary table of assumptions in the Appendix). The calculations below give a sense of the average directional impact and relative magnitude of policies. Falling below the return threshold does not mean every deal will die, but that fewer deals will happen; similarly, not every project above the return threshold will necessarily happen. Based on our model, **the likely profitability gap for a developer per required affordable unit is between \$16,000 to \$140,000.**



Inclusionary Zoning | A range of incentives are available to overcome the gap in expected financial returns.

Incentive	Proposal	Tradeoffs
Additional density	<i>Offer up to 30% additional density (more units)</i>	Can deliver strong financial value for owners without directly spending public dollars, but impact is limited if developers are currently building below existing land use regulations.
Public land contributions	<i>Waive an appropriate portion of public land costs (if density bonus is not sufficient)</i>	A highly valuable tool that reduces upfront development costs, but applicability may be limited (based on City land holdings).
Expedited review	<i>Always prioritize and expedite review for IZ projects, target 2 weeks</i>	Little to no cost to City; likely not valuable enough to be a “but for” incentive
By-right development	<i>Consider by-right approvals for IZ projects</i>	Little to no cost to City; likely not valuable enough to be a “but for” incentive
Synthetic Tax Increment Financing	<i>Explore mechanism for tax-increment financing to further deepen affordability</i>	Some cost to City, need to establish mechanism for residential properties, and requires Council vote; offers way to provide valuable subsidy without commitment of new dollars
Direct subsidy	<i>Not recommended unless reliable source of funding is identified and subsidy is used towards deepening affordability</i>	<ul style="list-style-type: none"> • No sustainable, reliable source of ongoing funding • Highly valuable to developers, but costly to the City, and likely not the highest-impact/efficiency use of limited housing funds
Parking development	<i>Not recommended</i>	Not meaningful as parking requirements are already low, sometimes below market demand

Inclusionary Zoning | HR&A recommends that Gainesville adopt an IZ policy with a 10% set-aside for households earning up to 80% AMI, with the option of an in-lieu fee.

These requirements should be periodically reviewed and adjusted, every two years.

Key Program Design Element	Recommendation
Set Aside & Affordability Requirements: calibrating depth and amount of affordable units, vs. feasibility of requiring units	<ul style="list-style-type: none"> 10% affordable units at 80% AMI
In-Lieu Fee / Flexibility for Compliance	<ul style="list-style-type: none"> Establish in-lieu fee option, set at \$120-160K per affordable unit that would have been built under IZ; adjust fee level every two years
Development Scale (Size of Developments Subject to IZ)	<ul style="list-style-type: none"> Apply IZ requirements to multifamily residential developments with ten or more units
Applicability (Voluntary vs. Mandatory, Applicability to Existing Developments)	<ul style="list-style-type: none"> Voluntary opt-in for geographies outside of IZ policy Incentives applicable to non-market rate units Not applicable to existing development
Affordability Term / Duration	<ul style="list-style-type: none"> 99 years
Unit Pricing (based on household income and size)	<ul style="list-style-type: none"> Follow existing HUD guidelines
Unit Characteristics	<ul style="list-style-type: none"> Ensure affordable units are identical with market-rate units
Concurrency of Delivery of Affordable Units	<ul style="list-style-type: none"> Include a concurrency requirement
Fractional Units	<ul style="list-style-type: none"> Adopt normal rounding rules, rounding up for fractional units above 0.5

Next Steps

Exclusionary Land Use Controls

- Provide guidance to the Department of Sustainable Development on key land use code elements for revision (all or a subset of those identified in this study).
- Implement land use control changes through land use code changes and other code or regulation changes, as needed.

Inclusionary Zoning Policy

- Explore priorities for affordable housing preservation and production to determine whether an inclusionary zoning policy is the highest-priority next step.
 - If IZ is not the highest-priority policy, pursue alternatives, such as an affordable housing trust fund.
 - If IZ is the highest-priority policy, begin to prepare for implementation by establishing an “owner” for policy design and development.

Existing Conditions: Housing Instability in Gainesville

Several distinct but related issues are driving housing instability and unequal housing outcomes in the City of Gainesville.

**Racial Segregation**

In Gainesville, race is a key determinant of where you live, access to diverse housing options and homeownership, and the value of your home.

**Housing Cost Burden**

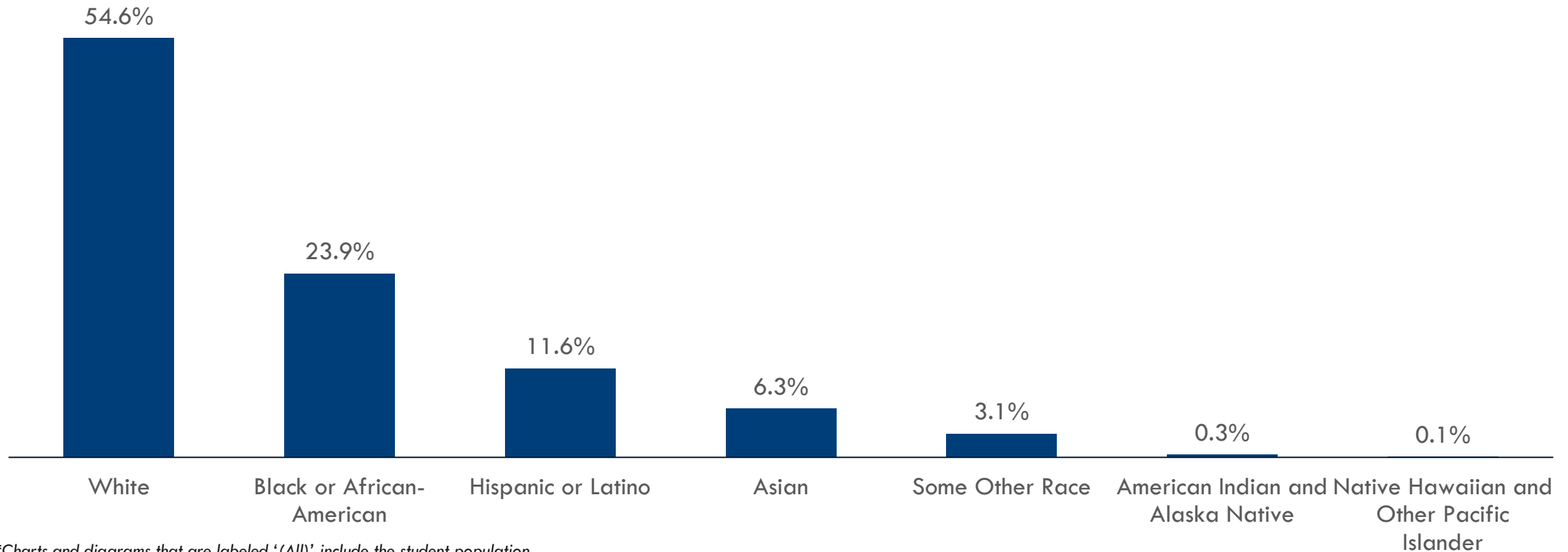
Extreme housing cost burden, driven primarily by low incomes, is a key driver of housing instability in Gainesville.

**Housing Access and Quality**

New rental housing in Gainesville has disproportionately benefited student renters, and non-student renters live in older, less diverse housing types as a result.

Gainesville's population is predominately (55%) white. Black or African Americans are the next largest racial group, making up ~24% of the population.

Percent of Total Population by Race (All)*



*Charts and diagrams that are labeled '(All)' include the student population.

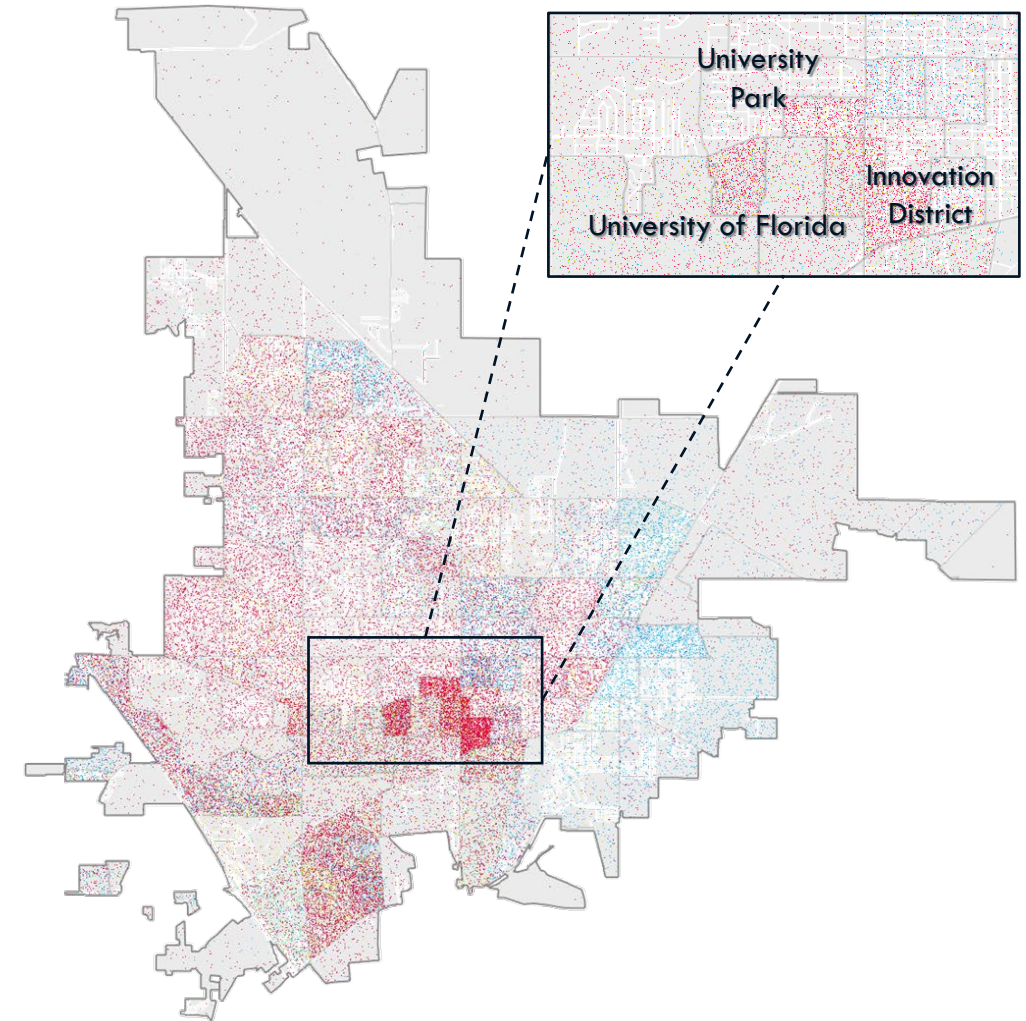
Source: Social Explorer – ACS 2019 (5-Year Estimates)

Gainesville is racially segregated.

White households are increasingly concentrated in west and northwest Gainesville, while Black households are concentrated in east Gainesville and increasingly in the southeast part of the City.

Racial Dot Density Map (All) - Legend

- 1 Dot = 2 People
- White Only
- Black Only
- Asian Only
- Hispanic/Latinx

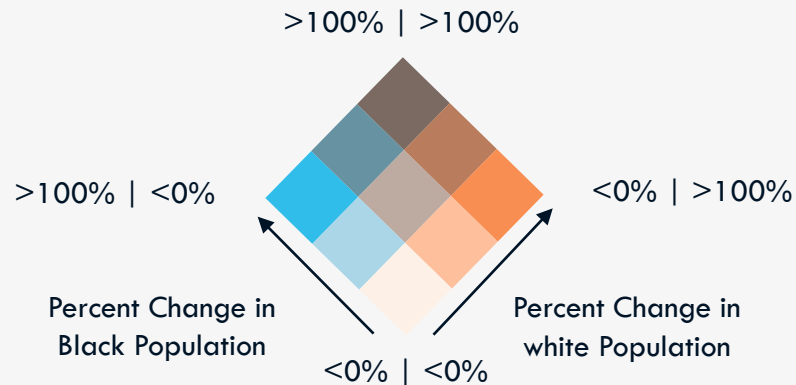


Source: Social Explorer – ACS 2019 (5-Year Estimates)

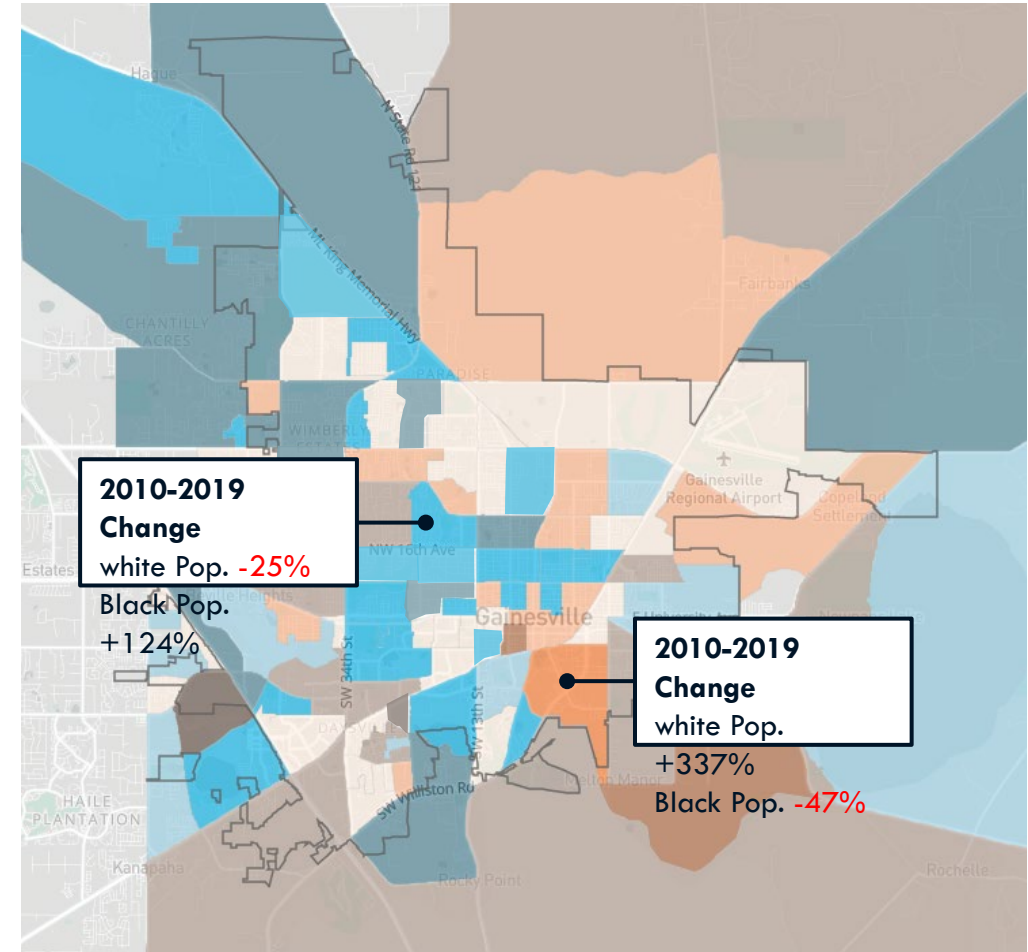
Race directly shapes population change in Gainesville.

In several areas, an increase in the Black population coincides with a decrease in the non-Hispanic white population, and vice versa. Many of the census block groups to the south of NW 16th Ave and along the Western portion of Gainesville are experiencing growth in their Black population, while also experiencing a loss in the white population. Northern Gainesville in particular has seen a substantial growth in white households while simultaneously losing Black households.

Population Change by Race (All) - Legend



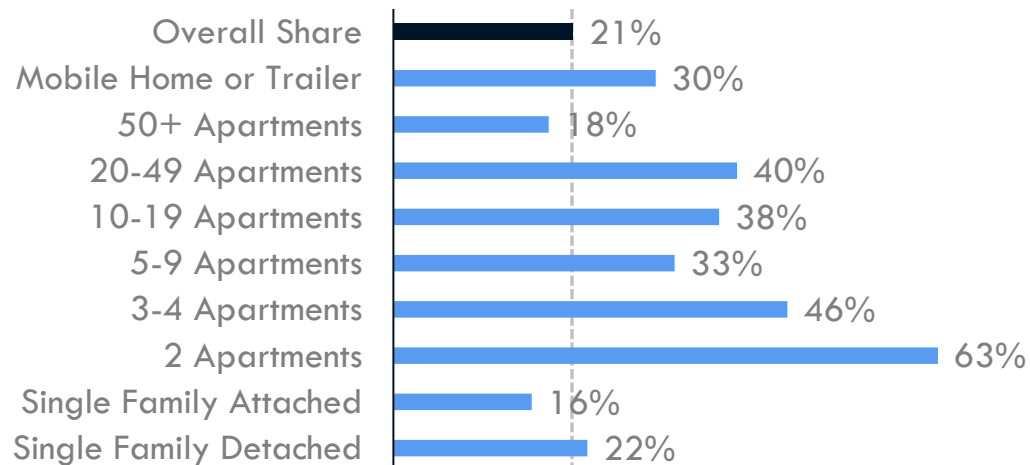
Source: Social Explorer – ACS 2010, 2019 (5-Year Estimates)



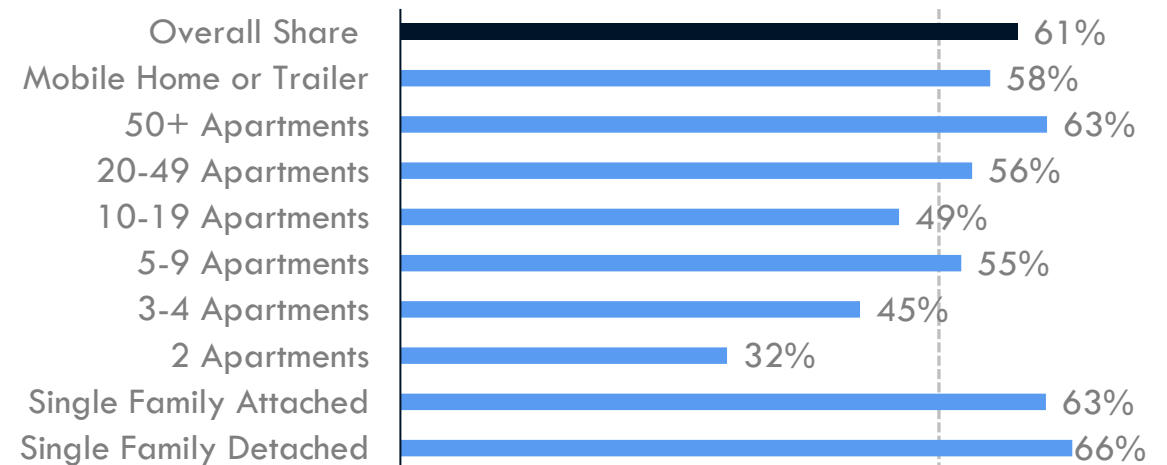
Race determines not only where people live in Gainesville, but also the type of housing in which they live.

Gainesville's Black population occupies "missing middle" housing, or buildings with 2-4 units, at a high rate relative to the population, while white households are underrepresented in this typology. White households are more likely to live in single-family homes (which are typically owned, rather than rented) and large apartment complexes. The differences in occupancy by race reflect housing affordability trends. In Gainesville, missing middle housing tends to be more affordable to low- and middle-income residents compared to single-family homes and multifamily buildings.

Share of Black Households by Housing Type (Non-Student)



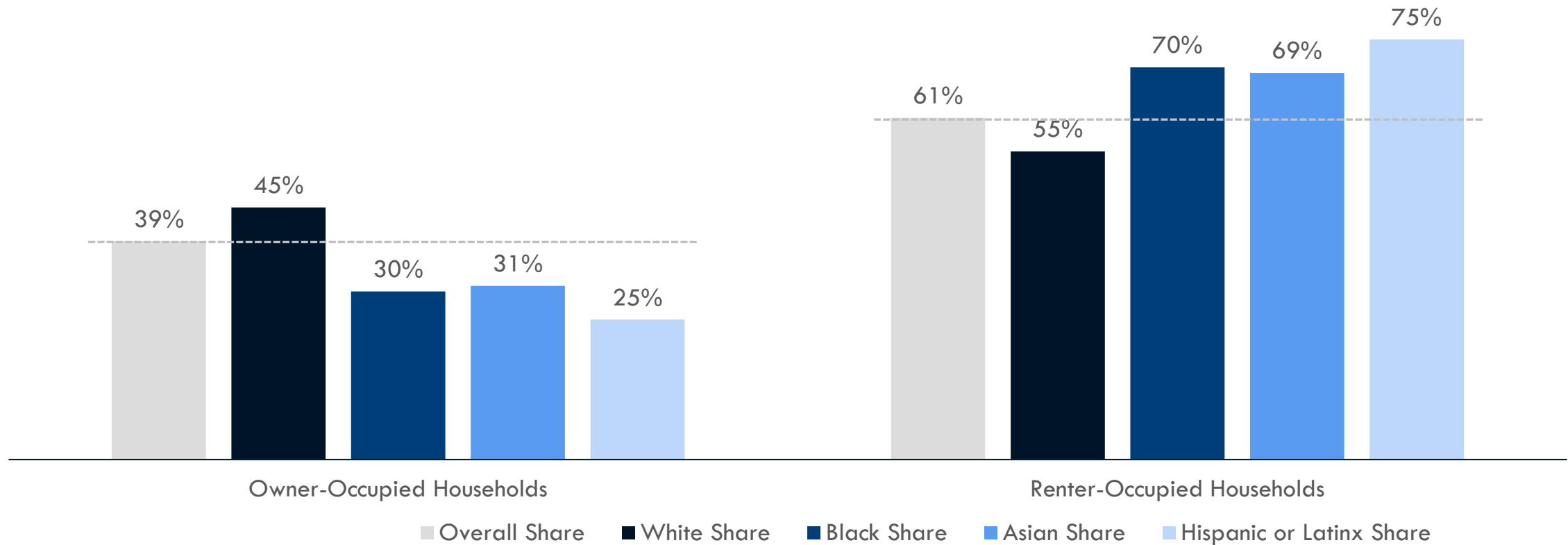
Share of Non-Hispanic White Households by Housing Type (Non-Student)



Source: Public Use Microdata Sample (PUMS) ACS 2019 (5-Year Estimates)

White households are more likely to own homes than non-white and or Hispanic households, cementing a disparity in generational wealth-building.

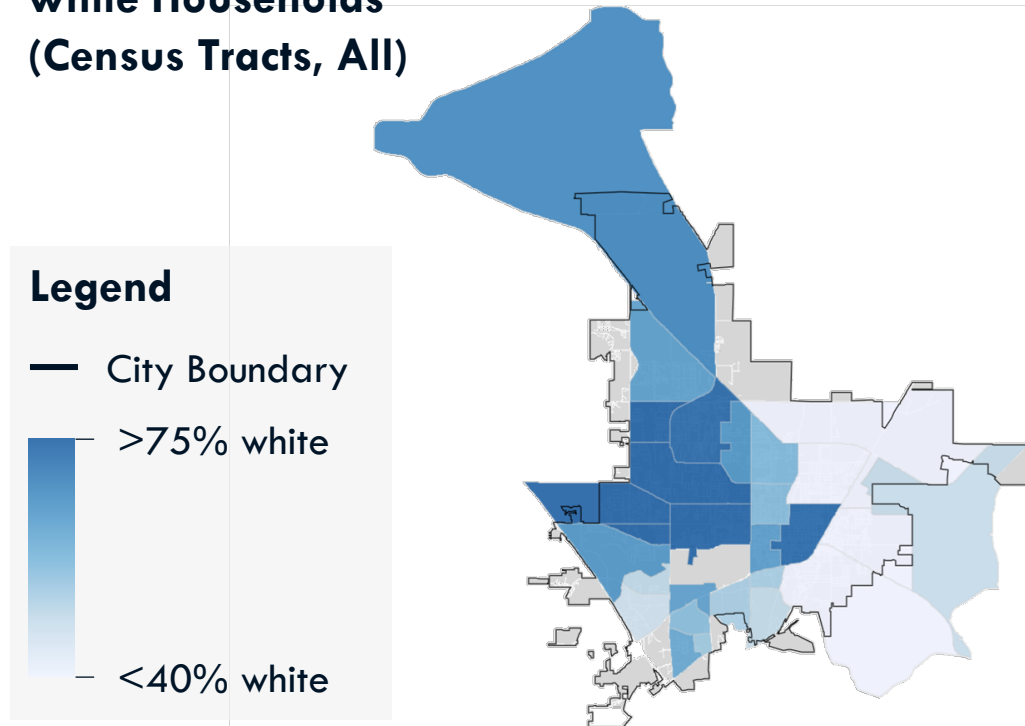
Tenure by Race (All)



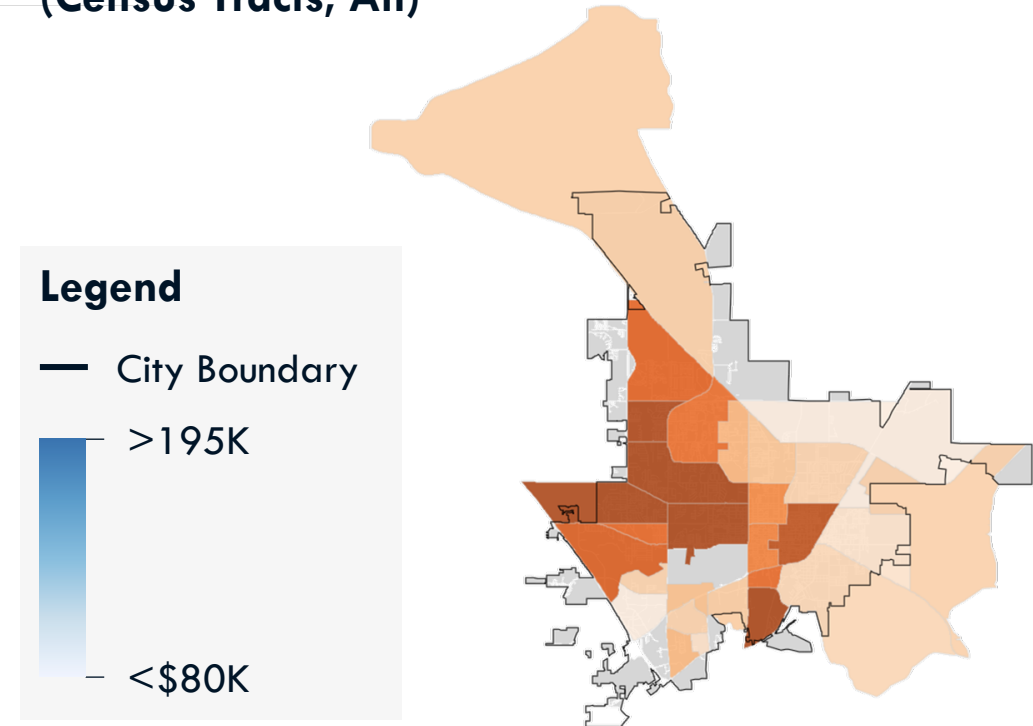
Source: Social Explorer – ACS 2019 (5-Year Estimates)

Predominately white neighborhoods correlate with higher median assessed home values, increasing the wealth that accrues to white households.

**Share of Non-Hispanic or Latinx
white Households
(Census Tracts, All)**










**Median Home Value
(Census Tracts, All)**



Source: Social Explorer – ACS 2019 (5-Year Estimates)

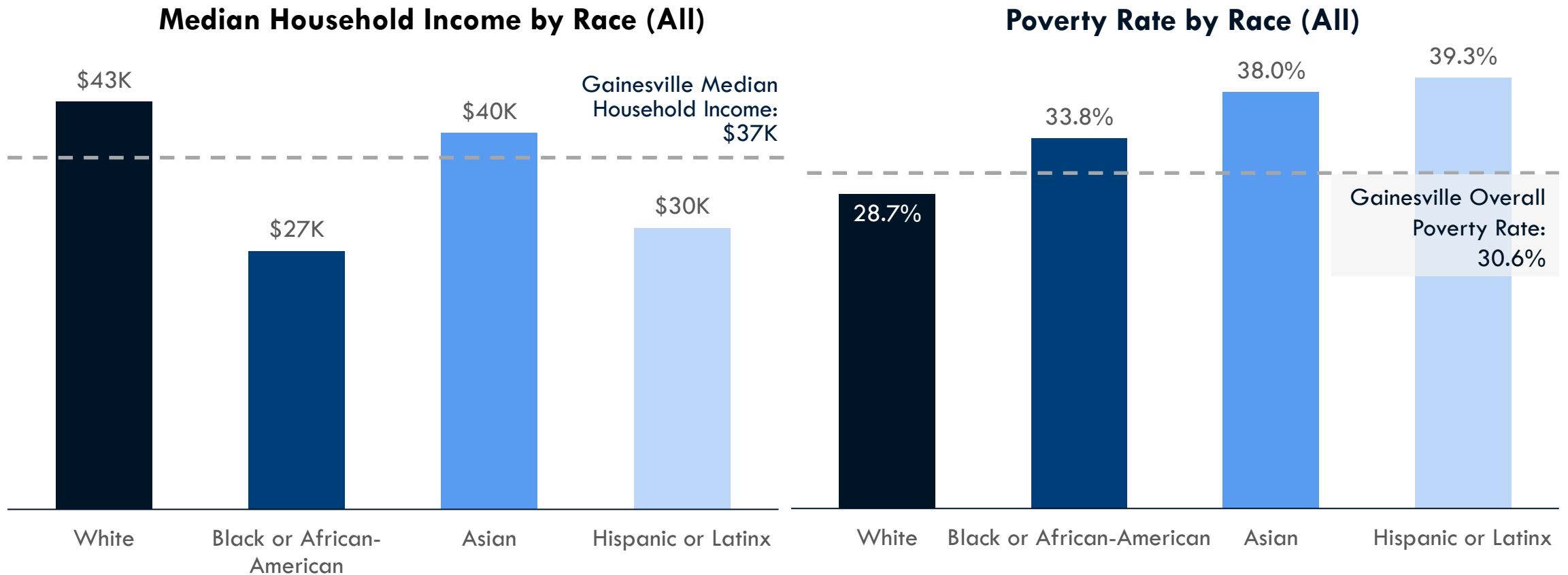
Low household incomes, especially for renters, are a key driver of housing cost burden and instability in Gainesville.

- Housing cost burden is defined by the cost of housing *relative* to incomes. The more a household spends on housing costs, the less **residual income** it has available for other basic needs, such as food and childcare. The median household income is about **\$37,000 in Gainesville**, well below what it costs to maintain a stable living standard.
- A household is considered **cost burdened** when it spends more than 30% of its gross income on housing costs. This measure can be more impactful for lower income households, as they struggle to live with **low residual incomes**.
- When affordable rental housing is unavailable, low-income households face housing instability and are more vulnerable to unsafe living conditions, overcrowding, and costly and harmful evictions.

MONTHLY COSTS		
2 adults and 2 children Gainesville metro area		
 HOUSING		\$894
 FOOD		\$892
 CHILD CARE		\$899
 TRANSPORTATION		\$1,134
 HEALTH CARE		\$1,098
 OTHER NECESSITIES		\$720
 TAXES		\$627
MONTHLY TOTAL		\$6,265
ANNUAL TOTAL		<u>\$75,183</u>

*EPI's Family Budget Calculator measures the community-specific income a family needs in order to attain a modest yet adequate standard of living. Source: Economic Policy Institute, 2018

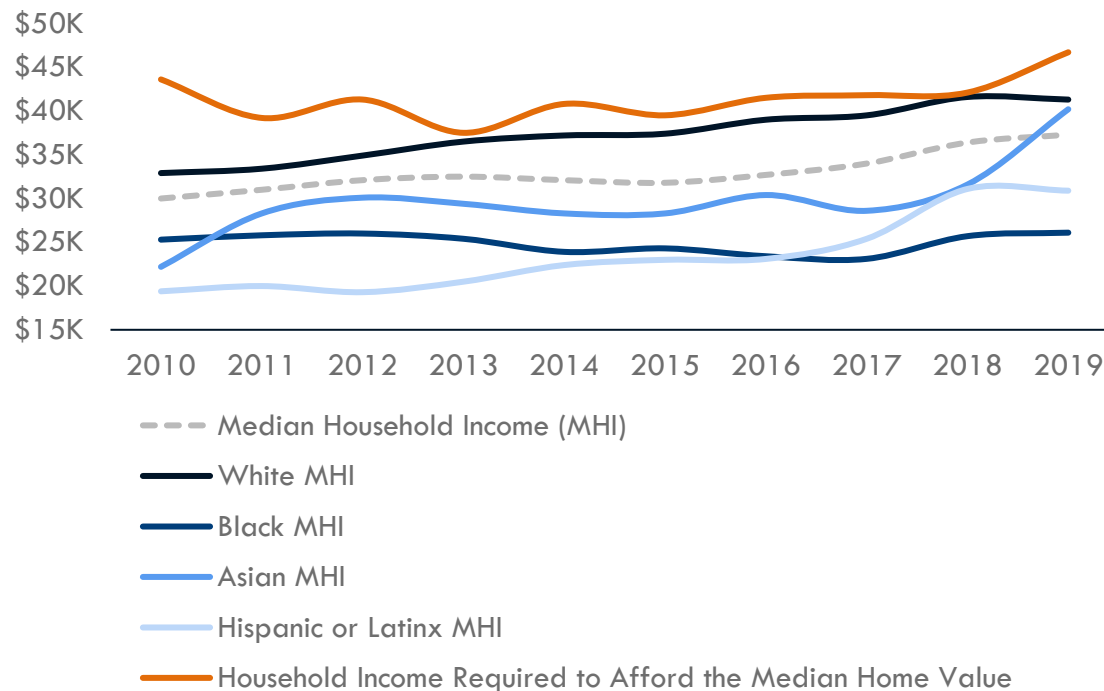
Race is a strong predictor of household income. Only white and Asian households earn above the median. Black households earn 73% of the median.



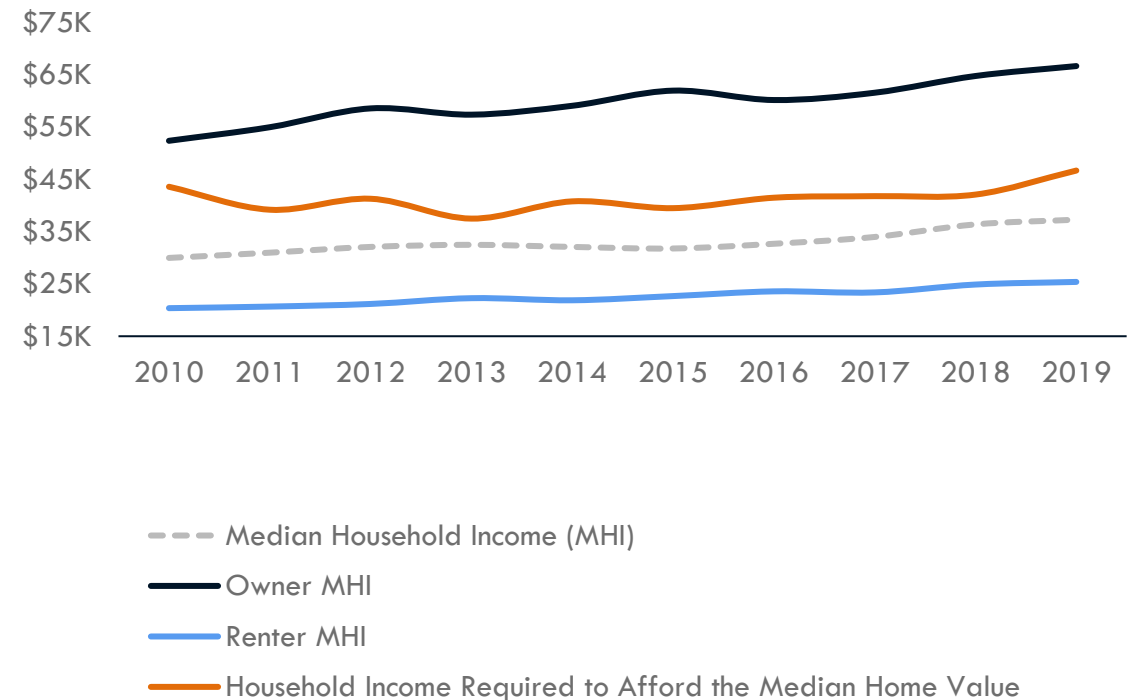
Source: Social Explorer – ACS 2019 (5-Year Estimates)

Homeownership remains unattainable for the average household in Gainesville, especially Black, Hispanic and renter households.

**Income at which Median Home is Affordable
by Race (All)**



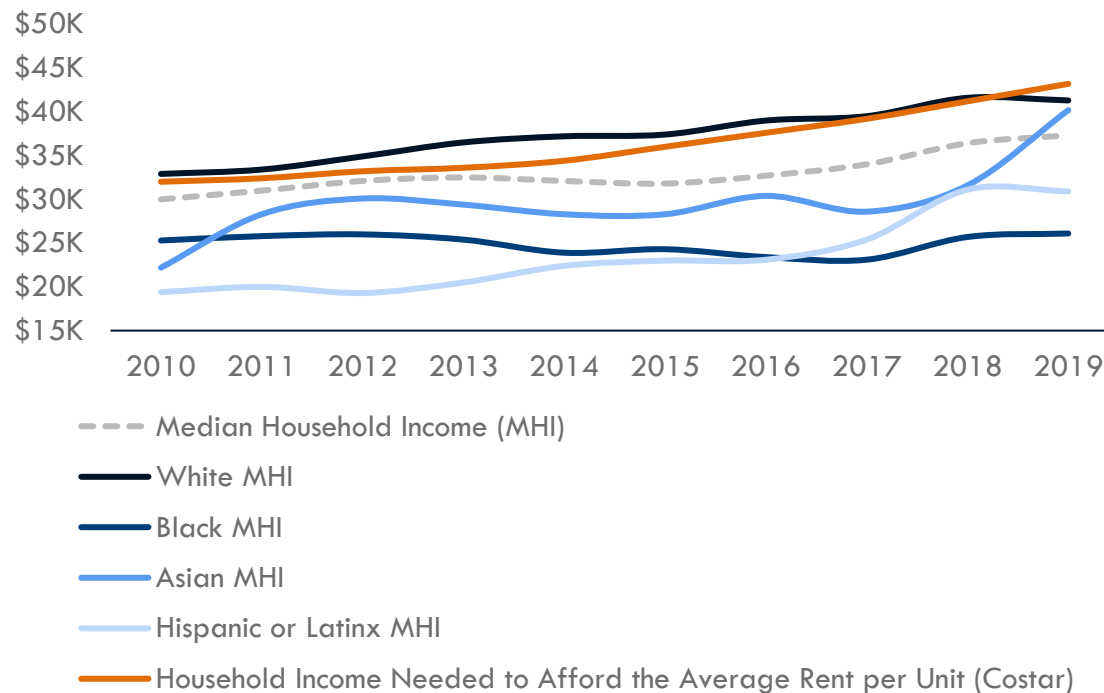
**Income at which Median Home is Affordable
by Tenure (All)**



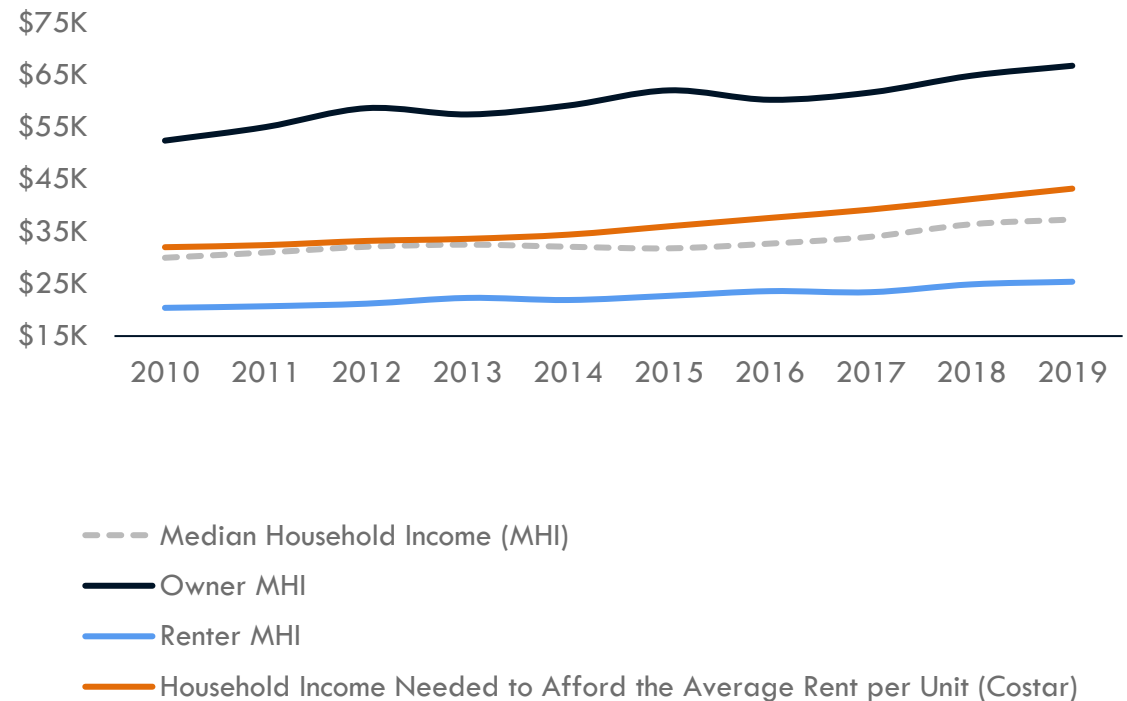
Source: Social Explorer – ACS 2010-2019 (5-Year Estimates)

The average rental unit is only affordable to the typical white or owner-occupied household in Gainesville.

Income at which Average Rental Unit is Affordable by Race (All)



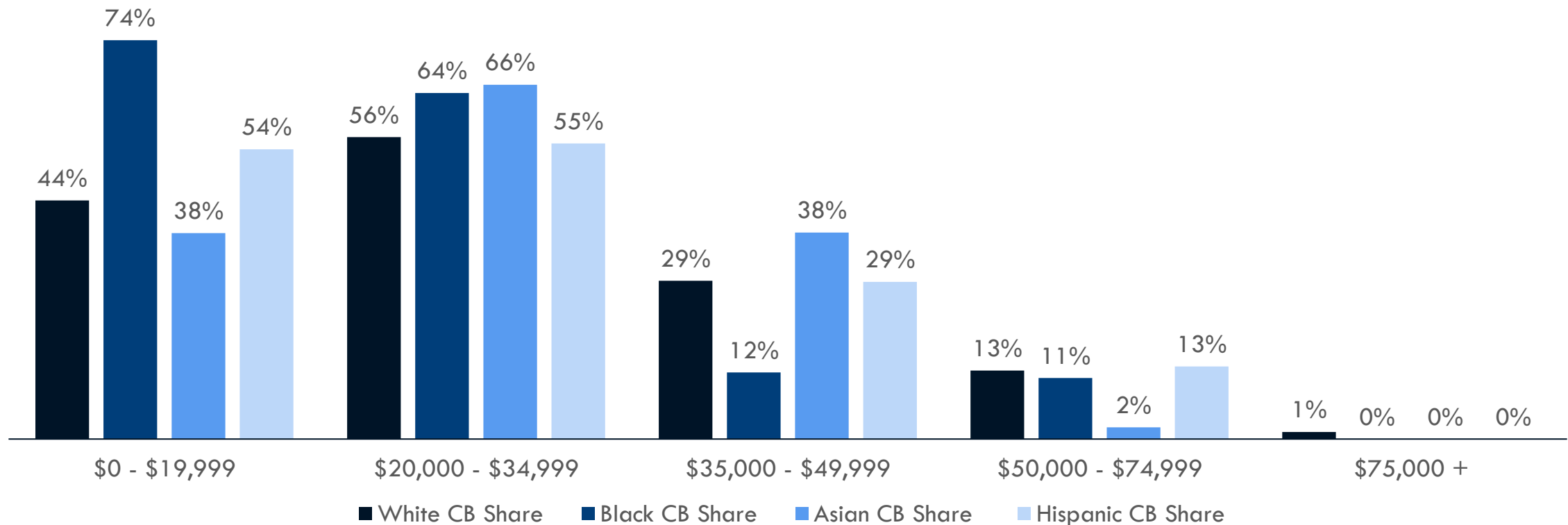
Income at which Average Rental Unit is Affordable by Tenure (All)



Source: Social Explorer – ACS 2010-2019 (5-Year Estimates)

Renters of all races earning <\$35K per year experience high rates of housing cost burden, indicating a need for more affordable rental units.

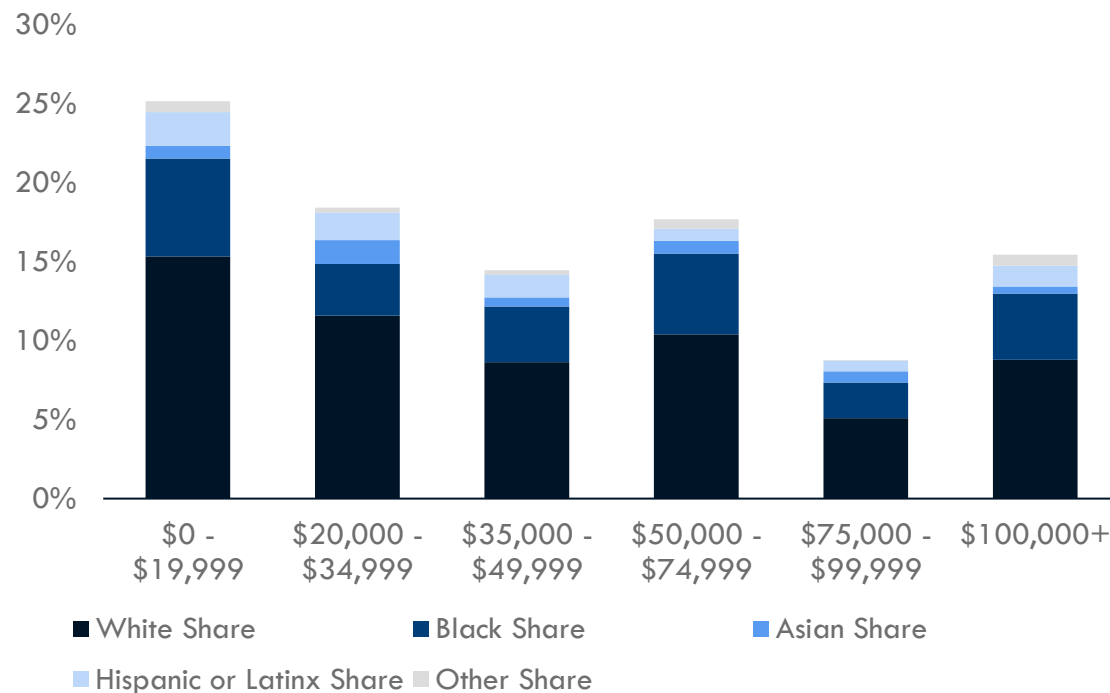
Share of Cost Burdened Renters by Race (Non-Student)



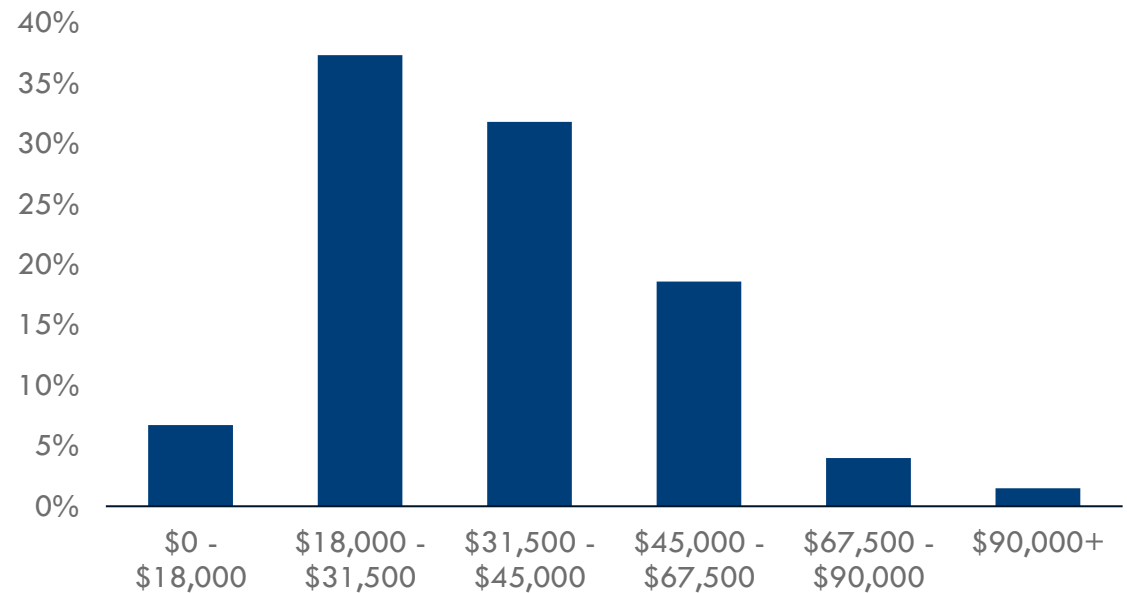
Source: Social Explorer – ACS 2019 (5-Year Estimates)

Homeownership remains unattainable for the average household in Gainesville, especially Black, Hispanic and renter households.

Distribution of Non-Student Renters by Income Group



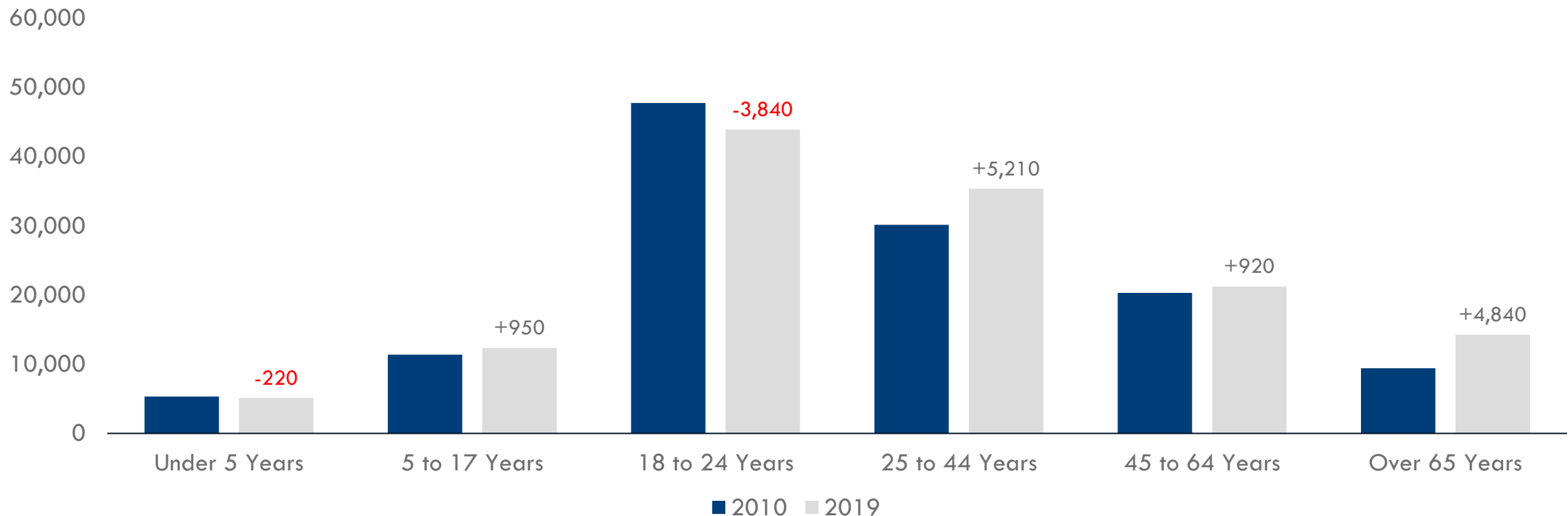
Distribution of Rental Units Affordable to Each Income Group (Non-Student)



Source: Public Use Microdata Sample (PUMS) ACS 2019 (5-Year Estimates)

Nearly a third of Gainesville's population is between ages 18 to 24, illustrating the significant student population in schools such as University of Florida.

Population Change by Age Group (All)

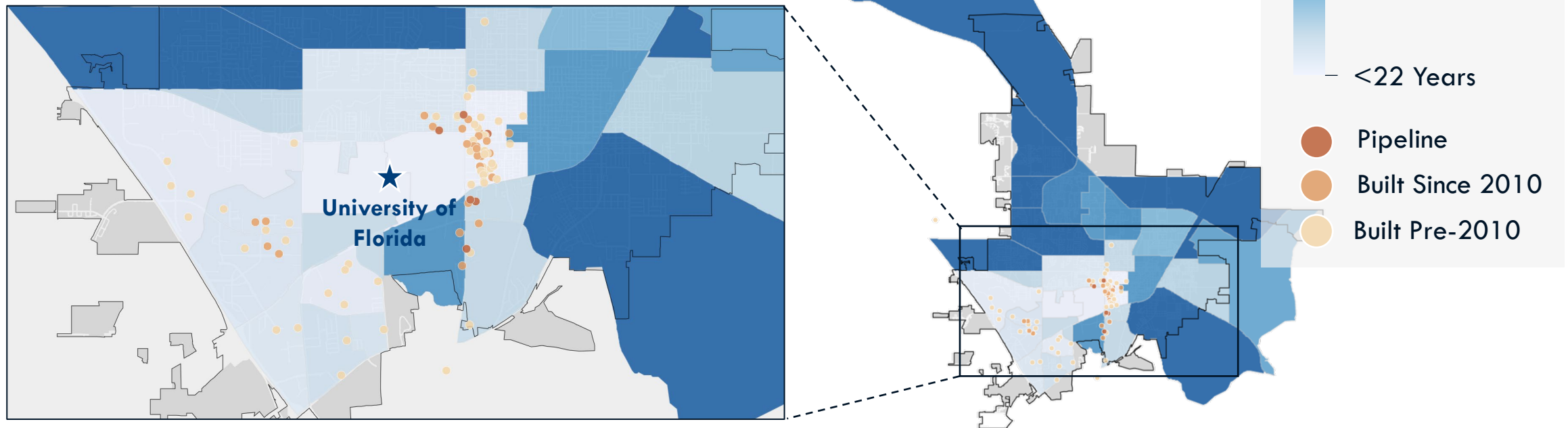


Source: Social Explorer – ACS 2019 (5-Year Estimates)

36 percent of all rental units in Gainesville exclusively serve or cater to students.

Younger residents are concentrated around the southwestern parts of Gainesville, in proximity to the University of Florida. Older adults live in the northern and southern suburbs of the City.

Median Age by Census Tract and Student Housing*



*Includes both student housing (i.e., housing that exclusively serves students) and student-focused housing (i.e., housing that caters to students but is available to all residents).

Source: Social Explorer – ACS 2019 (5-Year Estimates), Costar

Exclusionary Land Use Controls

Land use regulations shape the amount, type, and location of newly developed housing, which ultimately affect the cost and affordability of housing.



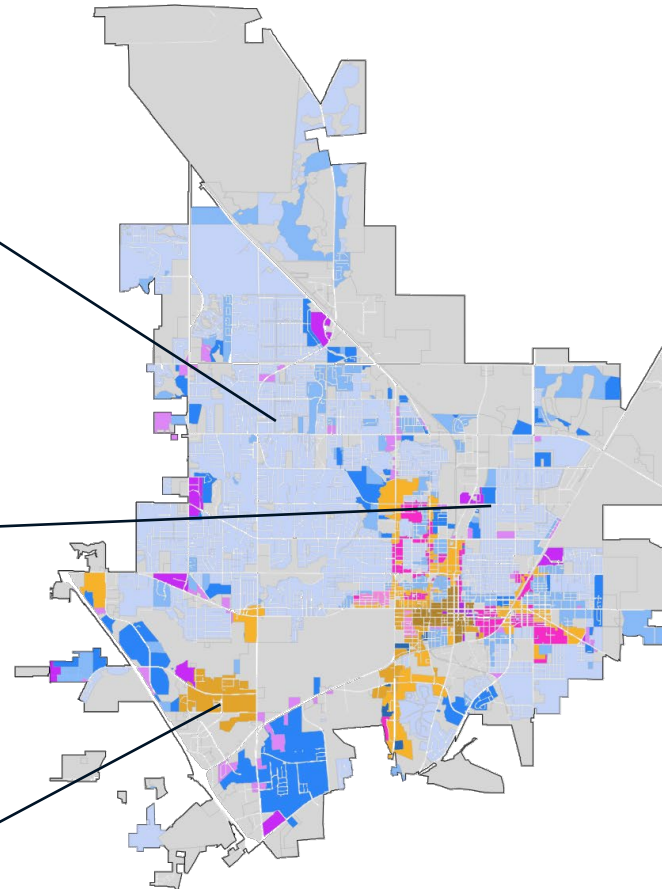
Springtree | Single-Family | 1977



Chelsea Apts. | Rental | 1992



Integra 24 | Rental | 2020



Land use is important because allowing housing supply to grow to match demand is the foundation of creating affordability in a housing market. Without sufficient supply and a range of housing options, all other housing strategies are less effective and more costly.

Legend

- | | |
|--------------------|------------------------|
| Single-Family | Mixed-Use High |
| Residential Low | Mixed-Use Residential |
| Residential Medium | Mixed-Use Office/Resi. |
| Residential High | Urban Mixed-Use |
| Mixed-Use Low | Urban Mixed-Use High |
| Mixed-Use Medium | Urban Core |

Exclusionary land use controls exclude racially diverse households from residential areas: directly, by limiting what housing is built, and indirectly, by pushing up housing costs.

While zoning is the most recognizable land use control, it is one of many tools that local government uses to control how, where, and what kind of development occurs. County and State land use regulations and housing policy, such as HB 7103, also play a role in determining development patterns in Gainesville. For the purposes of this analysis, HR&A focused on local land use controls that the City of Gainesville has direct control over. HR&A reviewed the existing literature on exclusionary land use controls, the relationship between racial and economic segregation, and the connection between land use controls and the cost of housing. This literature review revealed the following themes:

- Exclusionary land use controls are rooted in explicitly racist local policy but take new forms that are primarily economic.
- “Growth management” or “smart growth” tactics, which limit the extent to which diverse housing types can be built at a rate that accommodates the preferences and price points of a diverse population, can have the same exclusionary impacts.
- The results of this economic exclusion is that non-white residents continue to be excluded from high opportunity* neighborhoods, face continued barriers to asset-building through lower assessment values, and can face displacement pressures as the burdens of growth and new development are not distributed equitably across cities.

*HR&A reviewed a range of academic and professional sources including the Lincoln Institute of Land Policy, and the National Bureau of Economic Research, among others. For a complete list of sources reviewed, see Appendix I. *Enterprise Community Partners measures neighborhood opportunity through housing stability, education, health and well-being, economic security, and mobility.*

HR&A defines exclusionary land use controls as local regulations that fit at least one of three criteria, each of which drives disparate outcomes by race.

Exclusionary land use controls are local regulations that:

1. **Directly decrease or limit housing supply in residential areas**
(strict lot utilization and parcel constraints)
2. **Increase the cost to build new housing**
(strict design and compatibility requirements)
3. **Limit the use of existing housing**
(strict occupancy and mobile home limitations)

Changing exclusionary land use controls reduces racial and economic exclusion across a housing market by increasing housing supply and diversity and reducing housing costs.



Benefits of Changing Exclusionary LUCs:

- No public funding required to induce private development
- Increases the overall supply of housing
- Can help address legacies of racial segregation by driving new housing supply more evenly across the city
- Reduces the ability of a limited constituency to prevent the creation of housing
- Supports economic growth and expands the City's tax base

Without reducing exclusionary land use controls, all other housing strategies, and those that require subsidy in particular, are less effective and more costly.

Using the three exclusionary criteria, HR&A reviewed Gainesville’s Code of Ordinances to analyze the implementation and impact of land use controls in Gainesville.

The following slides describe the implementation and impact of land use controls by category.

Key Exclusionary Land Use Controls in Gainesville’s Code of Ordinances by Criteria

Criteria	Code of Ordinance Provisions
Directly decreases or limits housing supply in residential areas	<ul style="list-style-type: none">• Lot utilization constraints (e.g., setbacks, minimum lot dimensions, height limits, density limits)• Parcel constraints (lot split limits)
Increases the cost to build new housing	<ul style="list-style-type: none">• Design and compatibility constraints (e.g., historic preservation/conservation overlay, development compatibility)
Limits the use of existing housing	<ul style="list-style-type: none">• Occupancy limitations• Mobile home location

Lot utilization constraints constrain the development potential of an individual lot, increasing the price point of new housing and reducing the diversity of housing types.

While there are important reasons for lot utilization constraints, when too constraining, they limit the number of housing typologies that are feasible to build on a lot. When these constraints are widespread, they limit the diversity of housing across a city and drive up the price point of individual units as developers seek to maximize the value of each lot. These exclude a broad range of households from being able to access and benefit from new housing.

Primary lot utilization constraints in Gainesville's code of ordinances:

**Residential
Density Limits**

Density limits constrain the number of units that can be built per acre of land, regardless of setbacks or height restrictions.

Setbacks

Strict minimum setback requirements on lots that permit multifamily dwellings limit the number of units that can be built, in some cases below the number of units that would otherwise be permitted through density limits.

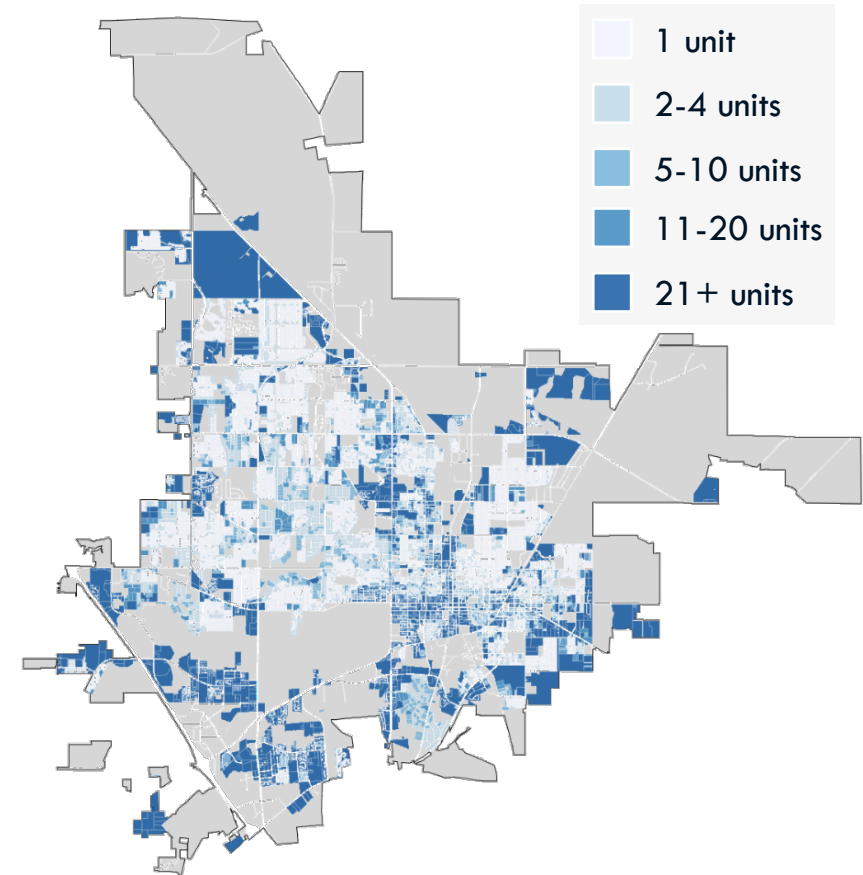
Height Limits

Building height limitations can prevent the construction of vertical housing typologies which accommodate more households on a given lot compared to single-family development.

Residential density limits are the most restrictive lot utilization constraint. In Gainesville, **63%** of residential parcels allow for the construction of only one housing unit.*

Density Limits Adjusted to Lot Size*

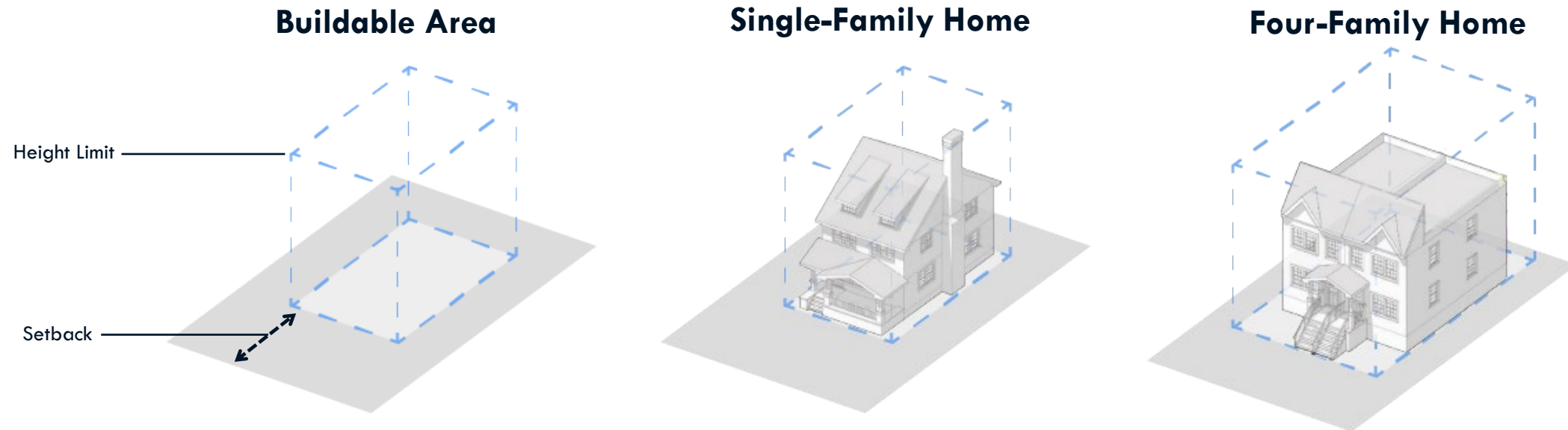
Zoning District	Max Density (Code)	Max Density Adjusted to Median Lot Size	Total Land Area in Gainesville	% of Total Residential Land Area
RSF-1	3.5 units/ac	1.2 units	5,793 ac	42.0%
RSF-2	4.6 units/ac	1.1 units	1,506 ac	10.9%
RSF-3	5.8 units/ac	1.1 units	814 ac	5.9%
RSF-4	8.0 units/ac	1.3 units	323 ac	2.3%



*One unit includes all values greater than 0 to less than 1.5, 2-4 units includes all values greater than or equal to 1.5 and less than 4.5, and so on. Excludes Planned Development zones.

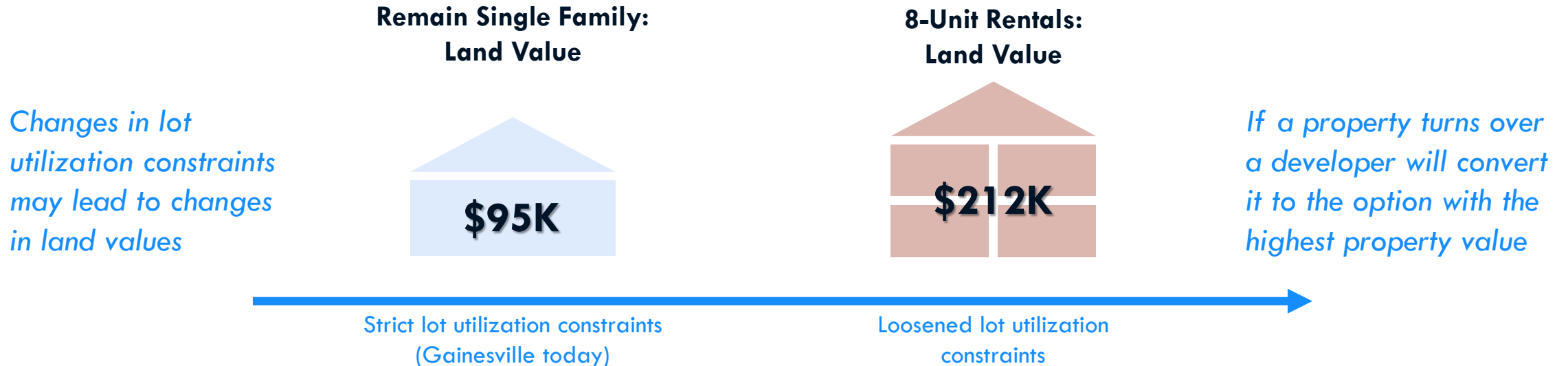
Strict lot utilization constraints incentivize developers to build larger single-family homes to maximize land value. This hurts the affordability of new for-sale housing supply.

Setbacks and height limits work together to form the **buildable area** of the lot, and the density limit determines how many units can be built within that buildable area. When the City sets strict constraints, developers will generally build larger single-family homes to maximize the value of the land within those constraints. When they are not strict, developers will generally build more units on one lot, which can house more families at a more moderate price point.



Loosening lot utilization constraints would encourage developers to build different, denser housing typologies that house more families.



HR&A analyzed development costs at the parcel level for a typical 8,500 SF lot in Gainesville and modeled land-owners decisions in response to reducing residential density limits. When developers are less constrained on a lot, they will build the number of units that maximizes the land value. Analyzing the **land value*** of different typologies on the same lot demonstrates this decision-making.



*"Land value" in this context refers to residual land value (RLV), or the price an investor will pay in a market, arms-length transaction for a piece of property and its development rights, calculated based on anticipated revenues, total development costs, and required return threshold. The 8-unit rental scenario assumes 2-bedroom units of 980 SF using the same lot coverage limits as the baseline scenario but no density limit. Sources: CoStar, Zillow, Gainesville parcel data.

Reducing lot utilization constraints creates more opportunities for families to access new housing at a lower price point.

Changing the number of units built on a single site means that units are delivered at different **price points** based on the intensity of the use.

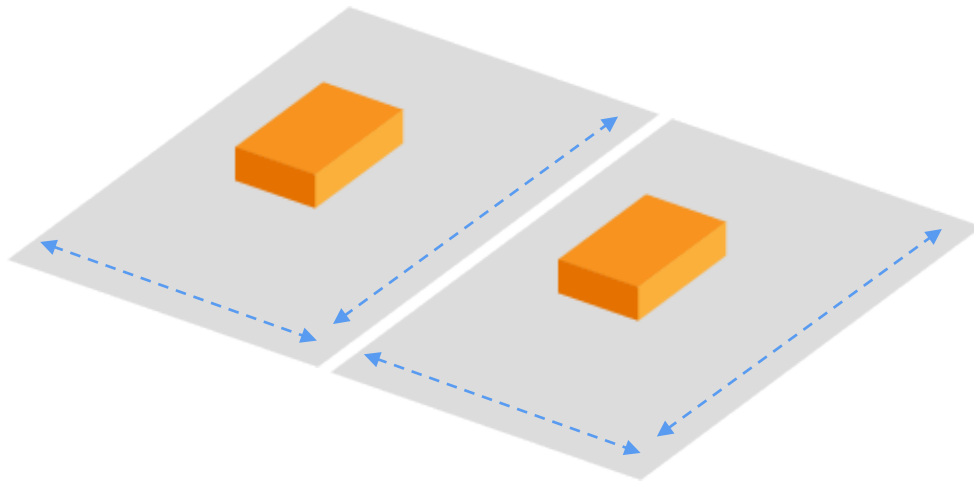
	 Remain Single Family	 8-Unit Rentals
Home Price/Rent of New Housing	\$378K	\$1,500 per unit
Annual HH Income Needed to Afford*	\$78K	\$61K
Families Housed per Parcel	1	8

**Assumes a housing cost burden ratio of 30% as per the United States Department of Housing and Urban Development.
Sources: Zillow, CoStar*

Parcel constraints limit the intensity of use of a *group* of parcels, reducing the likelihood that new, large housing developments include diverse housing types at a range of prices.

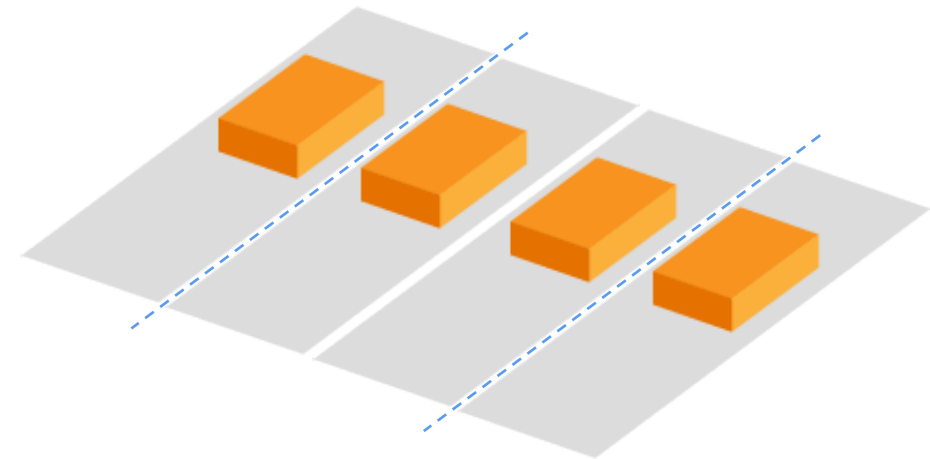
Minimum Lot Dimensions

Lot dimension requirements include minimums on lot width, depth, and overall area. In combination with lot utilization constraints, such requirements result in fewer single-family houses that can be built in an area.



Lot Split Limits

Lot split limits in minor subdivisions prevent developers and existing homeowners from subdividing larger lots to accommodate additional housing units at a more affordable price point.



Design and compatibility requirements increase the cost to build and maintain housing, which raises cost burdens for low-income homeowners and excludes renters.

Historic Preservation Overlays

Historic preservation overlays can require homeowners to construct and maintain certain architectural and aesthetic features on their properties. The upfront investment and upkeep costs related to design requirements makes these homes more expensive and can make homeownership less attainable for low- and moderate-income households in Gainesville.

Development Compatibility Requirements

The Code of Ordinances uses density restrictions and design requirements to physically separate multifamily and single-family residential development. Not only does this directly exclude residents of multifamily buildings, who tend be renters, in certain situations owners of multifamily properties must incur the costs related to building and maintaining buffer areas and partitions, which in turn limits the financial feasibility of denser (and more affordable) housing typologies.



Multifamily property owners must construct and maintain a decorative masonry wall if their property abuts a single-family home.

Strict occupancy requirements encourage developers to build single-family structures rather than attached housing, which would allow more families to live on the same lot.

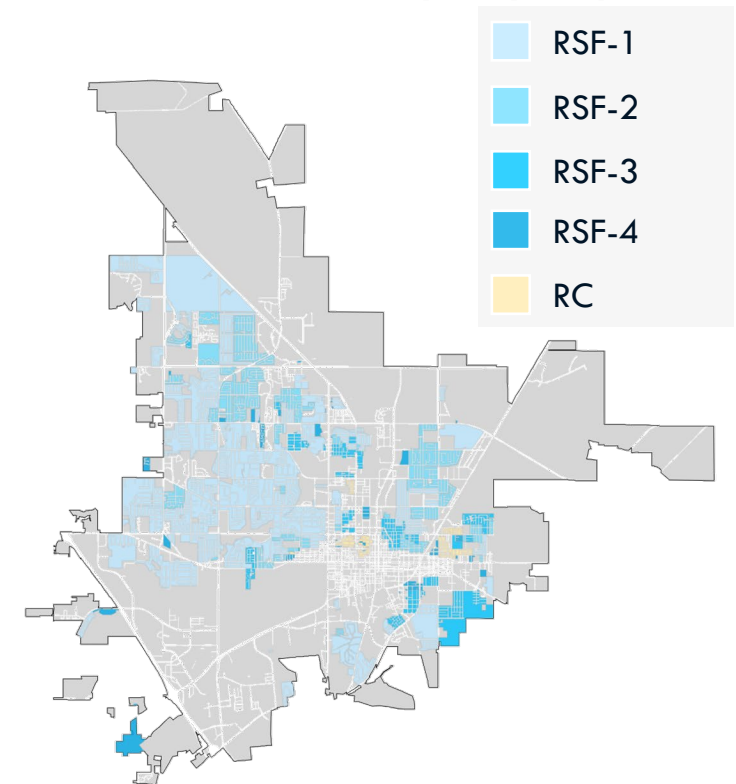
Occupancy Requirements

Occupancy requirements prohibit more than one family from living in one structure, which in turn excludes households with a diverse range of housing needs and preferences. The Code of Ordinances prohibits more than one family from occupying a dwelling in RSF-1, RSF-2, RSF-3, RSF-4, and RC zoning districts. These districts comprise **61%** of the total residential land area in Gainesville. The requirement is also applicable to residential PDs with a maximum residential density of eight units per acre.

Bedroom Limits

In the University of Florida Context Area, the City limits the number of bedrooms that can be located within a single structure. This encourages developers to build single-family houses rather than attached houses, which would have a higher total bedroom count. Placing a cap on bedrooms also constrains the housing supply for large households.

Zoning Districts with Occupancy Requirements



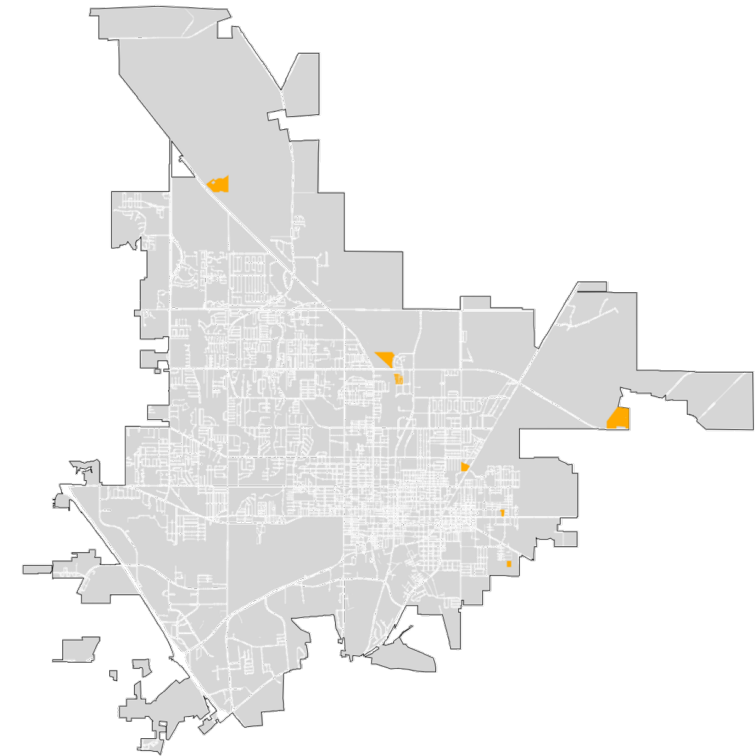
Limitations on the location of mobile homes in Gainesville exclude low-income households for whom mobile homes are an affordable homeownership option.

Mobile homes are a form of naturally occurring affordable housing for lower-income residents. Such homes (as well as other alternative formats such as tiny homes) provide more flexible and financially attainable living arrangements compared to traditional single- or multifamily units.

In Gainesville, mobile homes are only permitted in MH zones, which comprises only **1.3%** of the total residential land area. Because of the zoning restrictions on mobile home construction, lower-income residents may:

- Face greater challenges in seeking homes that meet their financial needs
- Be especially vulnerable to displacement, given that landowners have a financial incentive to redevelop MH-zoned lots to more lucrative single- or multi-family typologies. When these lots are redeveloped, there are very limited options for where mobile home-owners can relocate, leaving them vulnerable to displacement from Gainesville.

Zones Where Mobile Homes are Permitted



The City of Gainesville should complete in-depth land use analyses to consider the following changes to exclusionary land use controls.

Actions to Consider

- Reduce setbacks in low and moderate density residential areas.
- Permit lot splits in minor subdivisions.
- Reduce minimum lot dimensions.
- Allow housing typologies beyond single family ("missing middle", 2- to 4-unit housing) in residential districts with strict lot utilization constraints.
- Eliminate compatibility requirements between multifamily and single family uses.
- Reduce expensive design standards in historic preservation districts.
- Identify additional areas to permit mobile home uses.
- Eliminate single family occupancy limitations in low density districts.
- Increase the bedroom limit in the University of Florida Context Area when a structure includes more than one dwelling (attached housing).

Outcomes



1. Increase the amount and type of housing in residential areas



2. Decrease the cost to build and maintain housing



3. Increase options for the use of existing housing

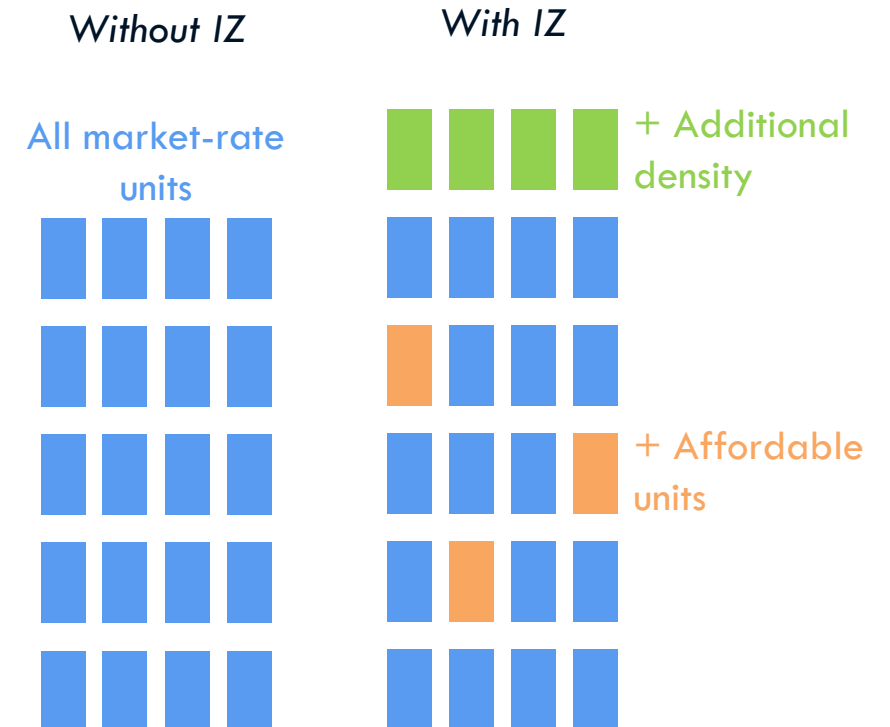
Inclusionary Zoning Feasibility

The goal of an inclusionary zoning policy is to support Gainesville's housing needs through the creation of affordable housing that the market would not otherwise build.

Inclusionary zoning is a land use tool that requires or encourages developers to create affordable units in new market-rate residential and commercial developments. Incentives such as reduced parking requirements, additional density allowances, or tax abatements are sometimes provided to encourage participation.

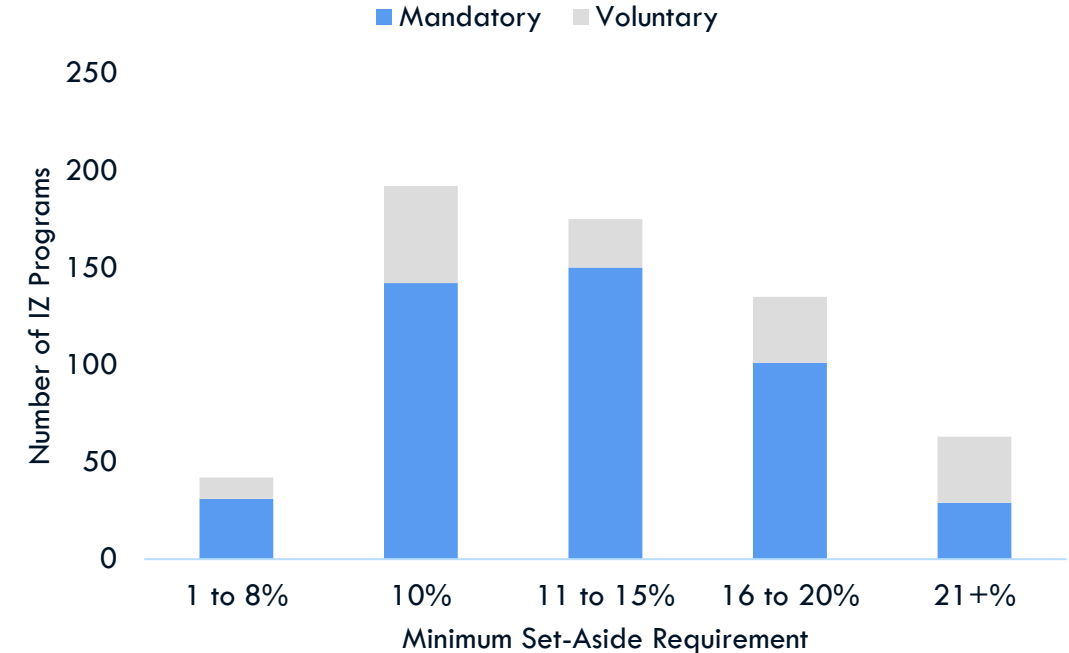
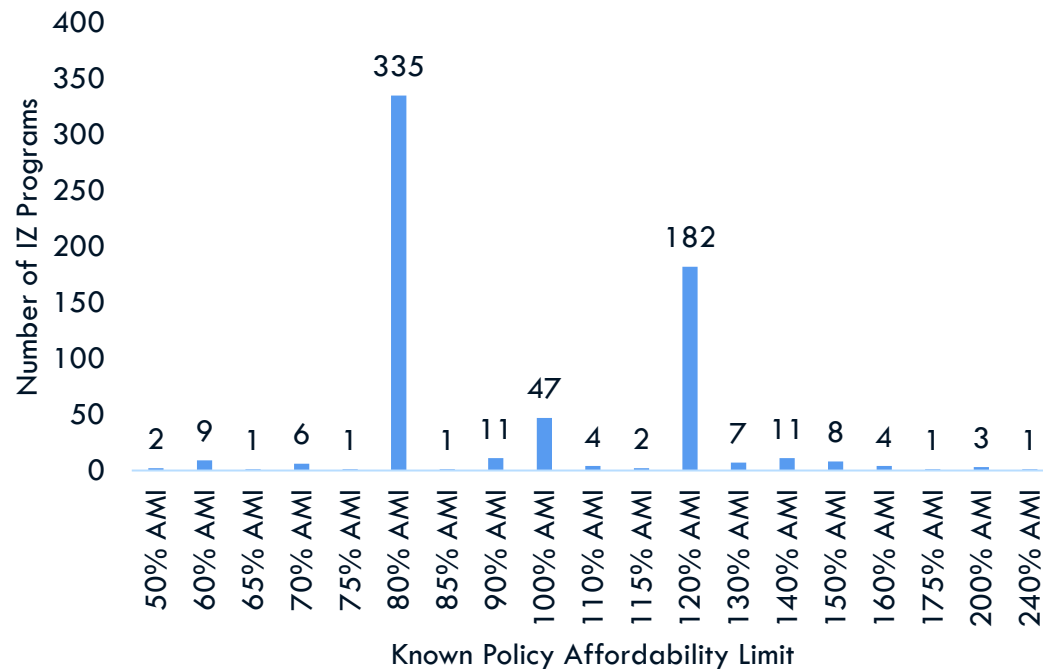
More than 1000 jurisdictions across 30+ states have inclusionary zoning programs. These programs vary along many design considerations, including whether the program is voluntary or mandatory, what amount and depth of affordability is required, if it applies to rental or for-sale development, whether there are alternative compliance pathways such as the payment of a fee in-lieu, and what incentives are available. These policy elements are adjusted based on local policy priorities, housing market strength, and affordability needs.

Illustrative IZ Policy with Density Bonus Incentive



IZ policies around the country typically serve households earning up to 80% or 120% AMI, and require 10, 15, or 20% minimum set-asides.

For programs with greater than 20% affordability set-aside requirements, over half of the IZ programs are voluntary. The depth and amount of affordability required in each program depends on the strength of the local housing market. The programs also vary in the incentives that are offered to support housing development.



Source: HR&A analysis of Grounded Solutions Network Inclusionary Housing Database, 2020.

Inclusionary zoning is one of many tools that can support housing affordability, and it presents a variety of benefits and limitations.

Benefits of IZ

Captures value of land in areas with strong housing markets. The Gainesville market has seen steady market-rate development in recent years in some neighborhoods, suggesting the potential to support development of some affordable housing.

Serves households earning up to 80% of Area Median Income (AMI), which is an area of need for Gainesville.

Does not require public subsidy, though public subsidy may be provided as an incentive to achieve more or deeper affordability.

Limitations of IZ

Does not work in weaker housing markets and submarkets, where an overly restrictive IZ policy risks decreasing housing development, which ultimately harms affordability by both failing to deliver the mandated IZ units and limiting overall housing supply. An IZ policy that is overly restrictive relative to nearby jurisdictions also risks driving new development outside of political boundaries.

Do not serve very deep levels of affordability need, such as for households earning up to 30% AMI. For these residents, other alternatives such as housing vouchers should be layered with increased supply of rent-restricted affordable housing.

Need to triangulate and optimize between maximizing depth of affordability, ensuring continued housing development, and limiting the cost of incentives.

Florida State law requires that local governments seeking to use IZ policies align market economics and public benefit.

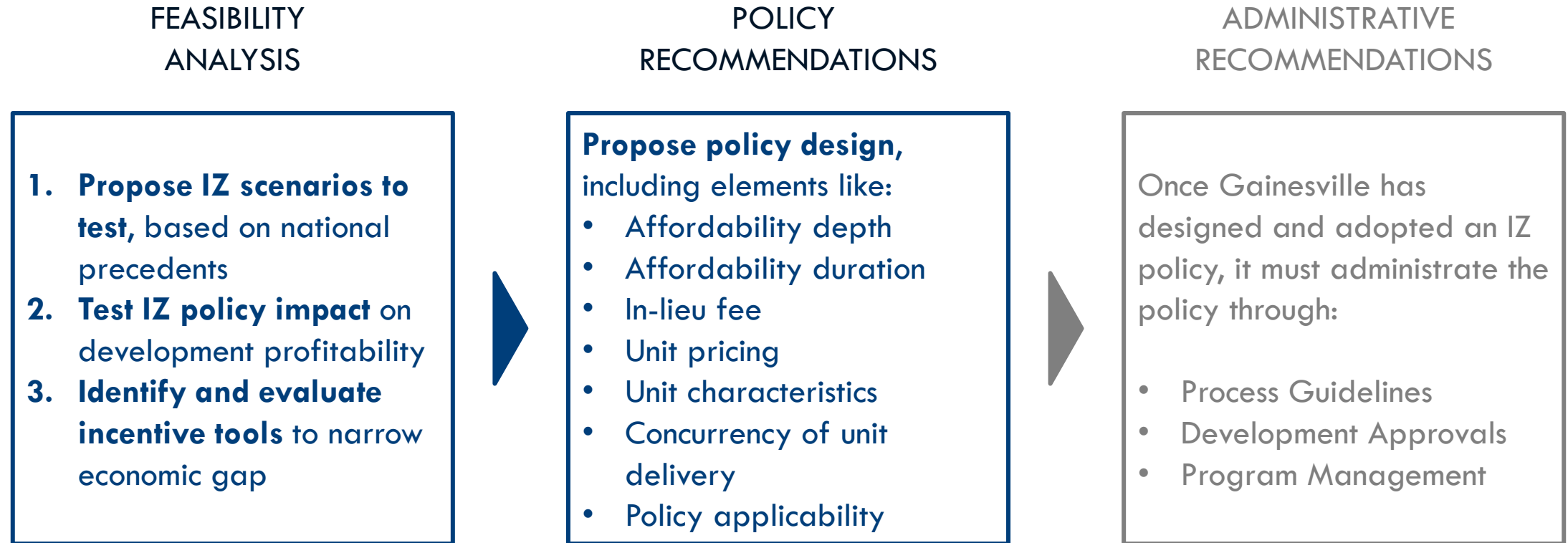
Section 125.01055 of Florida’s statutes authorizes localities to increase the supply of affordable housing using land use mechanisms, such as inclusionary housing or linkage fees. Inclusionary housing ordinances may require a specific set-aside of housing units or an in-lieu fee.

In May 2019, the Florida Legislature passed HB7103, which amended this statute to require municipalities in Florida to use incentives to “fully offset all costs” to a developer associated with creating affordable housing units from inclusionary zoning. These incentives may include (but are not limited to) density bonuses, reduced or waived fees, or granting other incentives.

For example, in August 2019, **Palm Beach County** revised the **Workforce Housing Program (WHP)**, a mandatory inclusionary program for 10+ units in Urban/Suburban tiers, to create incentives that reflect the number of affordable units. Similarly, in October 2019, **The City of Ocala** updated the **Affordable Housing Incentive Fund** to offset some of the costs of developing affordable units with money accrued from new development.

Sources: [The Florida Legislature](#), [Florida Housing Coalition](#), [City of Gainesville Affordable Housing Advisory Committee](#)

HR&A tested the feasibility and impact of an inclusionary zoning policy in Gainesville and provided recommendations for policy design.



Ultimately, HR&A recommends that Gainesville adopt an IZ policy with a 10% set-aside for households earning up to 80% AMI, with the option of an in-lieu fee.

These requirements should be periodically reviewed and adjusted, every two years.

Key Program Design Element	Recommendation
Set Aside & Affordability Requirements: calibrating depth and amount of affordable units, vs. feasibility of requiring units	<ul style="list-style-type: none"> 10% affordable units at 80% AMI
In-Lieu Fee / Flexibility for Compliance	<ul style="list-style-type: none"> Establish in-lieu fee option, set at \$120-160K per affordable unit that would have been built under IZ; adjust fee level every two years
Development Scale (Size of Developments Subject to IZ)	<ul style="list-style-type: none"> Apply IZ requirements to multifamily residential developments with ten or more units
Applicability (Voluntary vs. Mandatory, Applicability to Existing Developments)	<ul style="list-style-type: none"> Voluntary opt-in for geographies outside of IZ policy Incentives applicable to non-market rate units Not applicable to existing development
Affordability Term / Duration	<ul style="list-style-type: none"> 99 years
Unit Pricing (based on household income and size)	<ul style="list-style-type: none"> Follow existing HUD guidelines
Unit Characteristics	<ul style="list-style-type: none"> Ensure affordable units are identical with market-rate units
Concurrency of Delivery of Affordable Units	<ul style="list-style-type: none"> Include a concurrency requirement
Fractional Units	<ul style="list-style-type: none"> Adopt normal rounding rules, rounding up for fractional units above 0.5

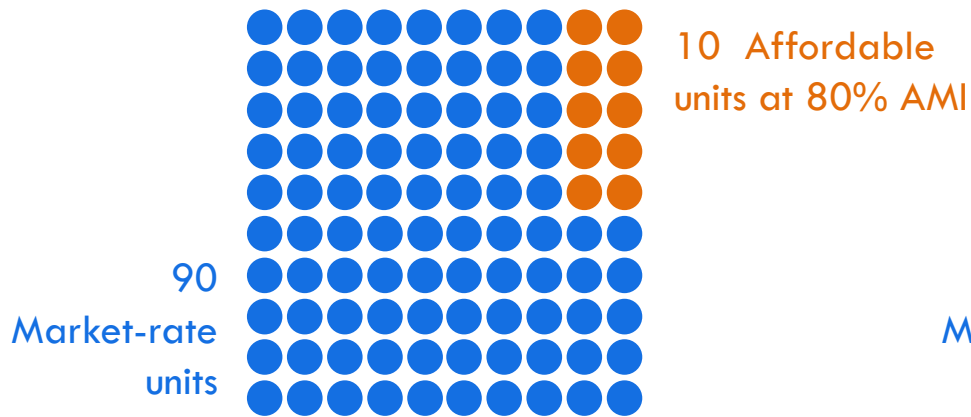
Inclusionary Zoning – Feasibility Analysis

To evaluate the potential impact of IZ, HR&A considered two policy scenarios that present a tradeoff between amount and depth of affordability.

One scenario requires a 10% set-aside of affordable units at 80% AMI, and one requires an 8% set-aside of units at 60% AMI. These scenarios were selected based on precedent IZ policies around the nation.

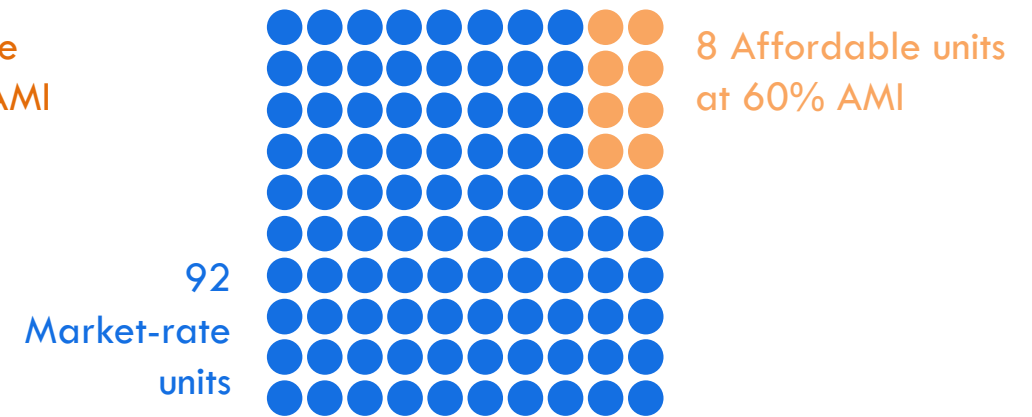
Scenario 1, 10% Affordability Set-Aside at 80% AMI

Example 100-Unit IZ Project



Scenario 2, 8% Affordability Set-Aside at 60% AMI

Example 100-Unit IZ Project



If a mandatory inclusionary zoning policy with a 10% set-aside or an 8% set-aside would have been in place from 2018 to 2020, approximately 250 units or 200 units of affordable housing would have been created, respectively, based on the amount of market-rate multifamily residential housing that was built in those years.

HR&A observed five common types of new development in the Gainesville market and tested the feasibility of an IZ policy against each of these development types.



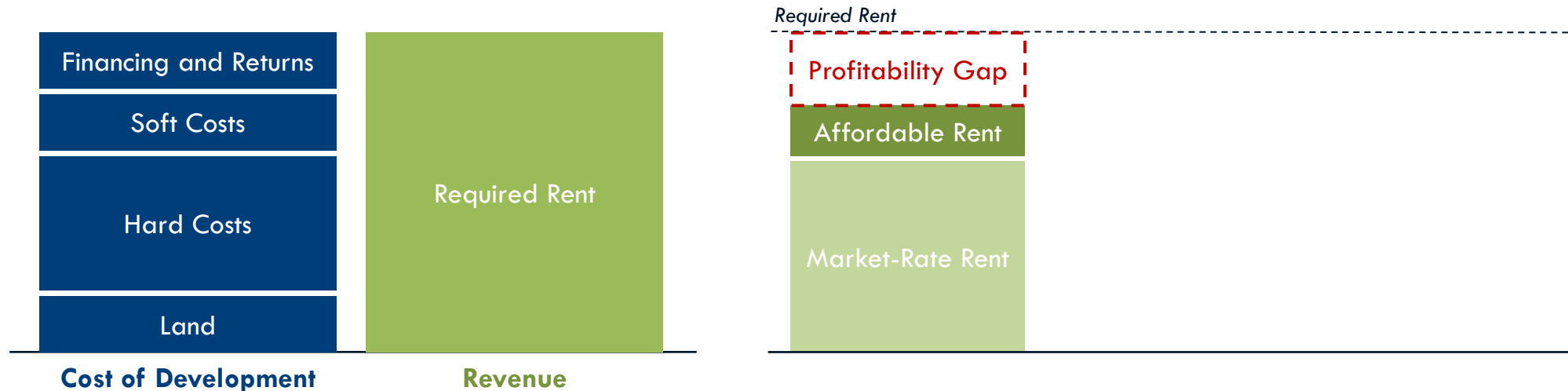
	Large Garden	Large Midrise	Infill Midrise	Infill Highrise	Single-Family
Neighborhood	West and NW Gainesville	West and NW Gainesville	Innovation District, University Heights	Innovation District, University Heights	West and NW Gainesville
Lot Size	Large	Large	Small	Small	Large
Number of Stories	3 – 4	4 – 5	4 – 6	7+	1 – 2
Example Recent Developments (student-oriented developments)	<ul style="list-style-type: none"> • Novo Markets West • 23West • The Mayfair 	<ul style="list-style-type: none"> • City Place at Celebration Pointe • Liv+ Gainesville 	<ul style="list-style-type: none"> • Cascades • Midtown Apartments 	<ul style="list-style-type: none"> • The Standard • Evolve Gainesville 	<ul style="list-style-type: none"> • 88th Street Cottages • Dream Gainesville

*The “single-family” rental developments are built in bulk on a single piece of land and are essentially “horizontal multifamily.” Recent developments include market rate development and “student-oriented developments,” which are those occupied by, and marketed to, students, but not limited to them, separate from dorms or private student housing.

Detailed descriptions in Appendix.

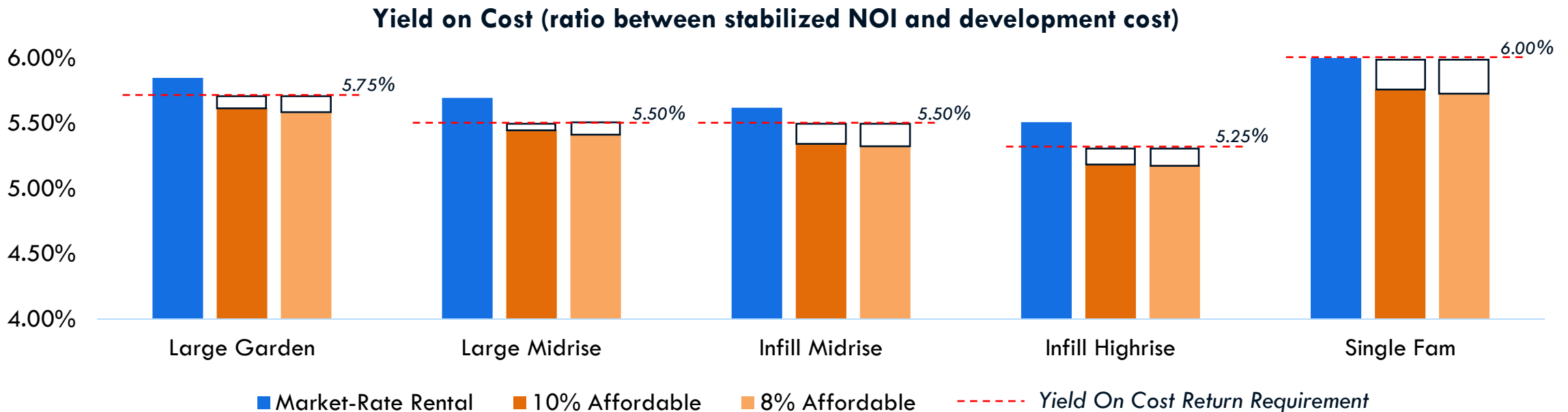
HR&A set up a development model that calculates the financial impact of requiring affordable units for each building typology.

Implementing an inclusionary zoning policy constrains rental revenue, which may reduce project revenues and make a project unprofitable if those revenues can no longer cover development costs. Without sufficient incentives, a mandatory policy could reduce affordability by creating infeasible developments and restricting the production of new units.



HR&A's modeling finds that 10% and 8% IZ requirements bring project profitability below threshold return requirements for all five typologies.

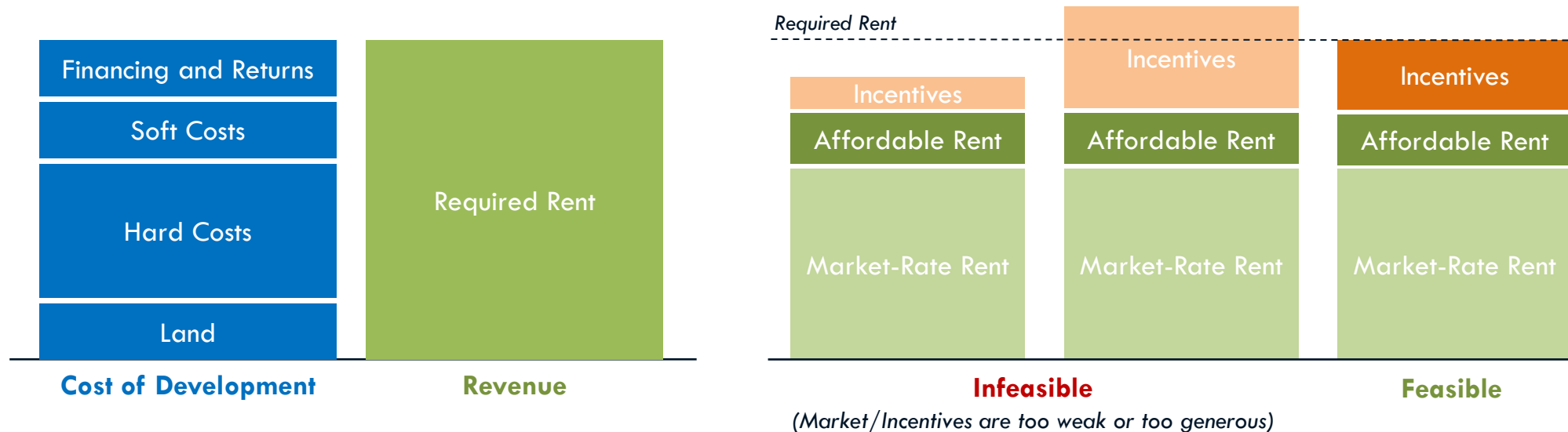
Project profitability was measured using Yield on Cost, calculated for each property type using a 10-year cash flow model. The model was populated with assumptions gathered from empirical market data and developer interviews (see summary table of assumptions in the Appendix). The calculations below give a sense of the average directional impact and relative magnitude of policies. Falling below the return threshold does not mean every deal will die, but that fewer deals will happen; similarly, not every project above the return threshold will necessarily happen. Based on our model, **the likely profitability gap for a developer per required affordable unit is between \$16,000 to \$140,000.**



Bringing new construction projects to meet expected developer returns requires providing incentives that make up the profitability gap.

Using our model, HR&A calculated the dollar value of incentives that would bring a project to a threshold level of feasibility, calibrated such that incentives are neither too weak nor too generous.

Inclusionary Zoning Feasibility | Identifying Appropriate Incentives for Development under IZ



After considering a range of tools, HR&A tested two forms of incentive to overcome the profitability gap.

**Applicable,
impacts modeled**

Additional Density

The City can approve additional density and/or height to counter the loss of revenue associated with affordability.

Public Land Contribution

Where applicable, the City could contribute some or all land, reducing development costs.

**Likely applicable,
not modeled**

Expedited Review

The City may be able to expedite review of certain permits and applications, but the value of this time is not fixed.

By-Right Development

The City could streamline the development process, but this may not shape the “go/no-go” decision for a project.

Needs further consideration

Minimum Parking Reduction

The City already plans to waive parking requirements in many urban areas.

Direct Subsidy

Direct subsidy can be costly and requires identification of a consistent and substantial source of funding. This incentive requires further analysis of (1) the efficiency of using public funds to create new units relative to other methods and (2) the depth of affordability that can and should be achieved with these resources.

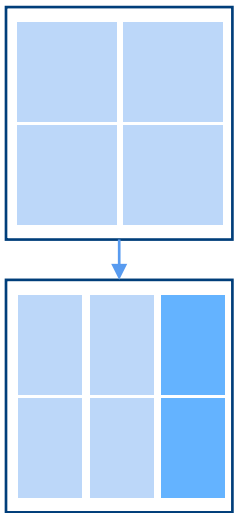
Synthetic Tax-Increment Financing

The City could establish a mechanism in its budget to offset a portion of real estate taxes for IZ properties. In Gainesville, there is precedent for a synthetic TIF for commercial developments, but not yet residential.

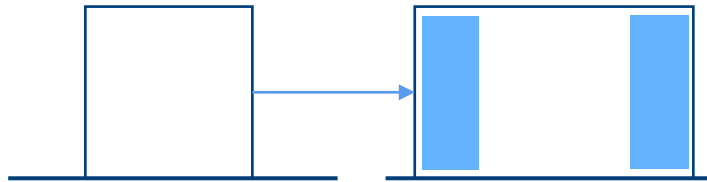
Granting “additional density” to fill the feasibility gap can take several forms from a regulatory perspective to achieve the desired level of profitability.

Our model represents “additional density” as an increase in the number of units, and a commensurate increase in both rents and development costs. In practice, this additional density can be achieved through several zoning and land use changes, including the ones below:

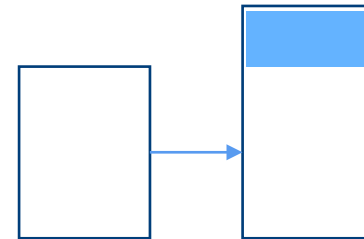
Smaller units



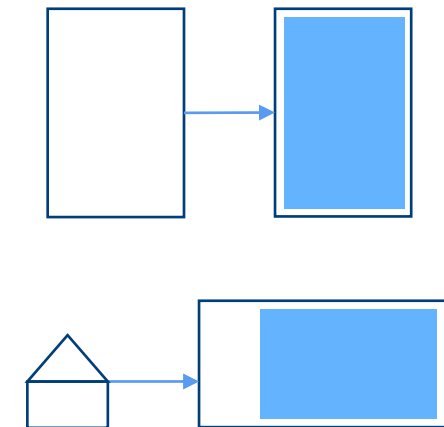
Relaxed setback requirements and increased lot coverage



Additional height allowances



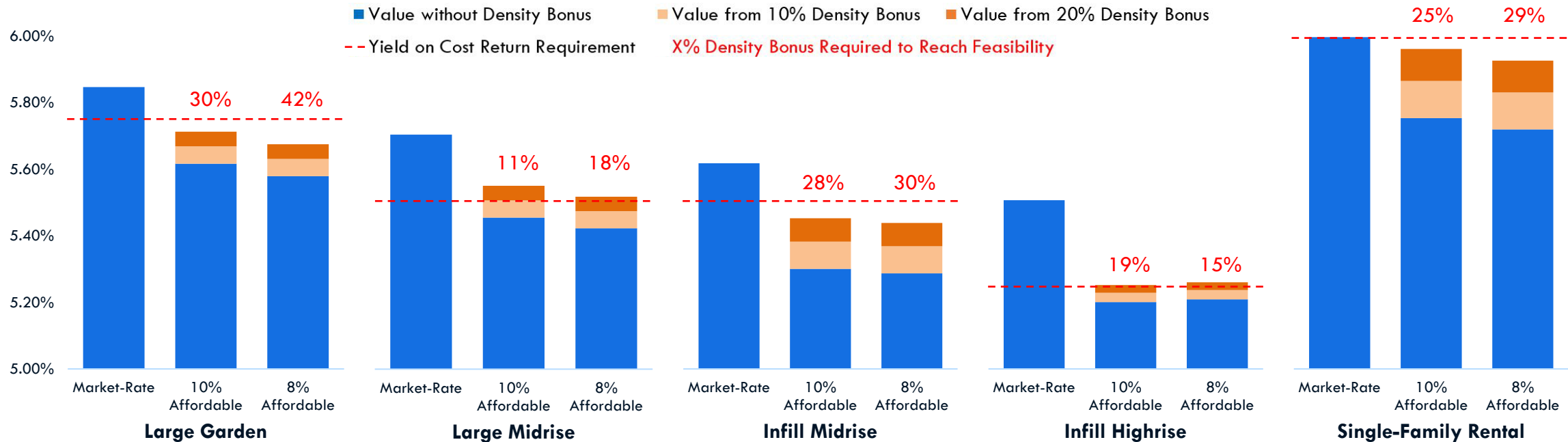
Wholesale land use change (e.g., commercial to resi, single-family to multifamily)



A density bonus of up to 30 percent would help projects meet developer return expectations for all typologies under a 10% IZ requirement.

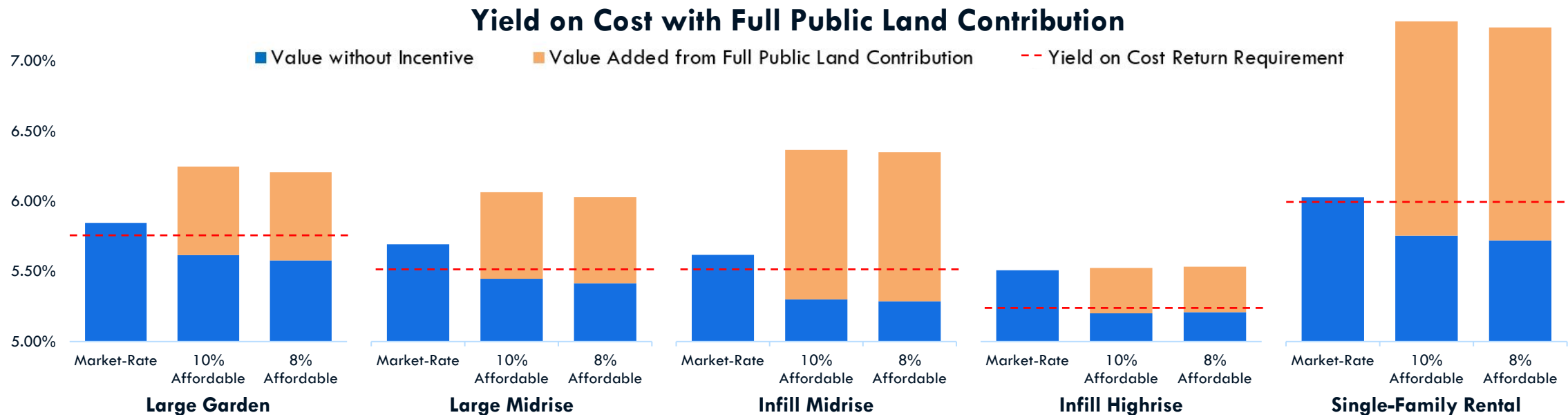
While additional density is an attractive incentive, the real-world value of additional density is constrained by market demand. Many developers are not currently building up to existing height restrictions because it is costly to build more vertically. A density bonus would be most meaningful for typologies that are currently brushing up against density restrictions—namely, infill high-rise typologies.

Yield on Cost with IZ Density Bonus



To the extent that public land is available and suitable for new multifamily development, local governments can provide public land to support provision of affordable units.

Waiving the cost of public land in disposition to a developer would be highly valuable as it reduces upfront development costs. In fact, HR&A's modeling found that contributing the full value of public land (estimated to be between \$4M to \$6M in market value for our hypothetical test cases), exceeds normal developer returns without IZ. This indicates that the City could either waive a portion, but not all, costs associated with the purchase of public land, or could apply a steeper affordability requirement to development of housing on public land (some cities do this today, for instance, requiring up to a 25% set-aside requirements instead of 15% for projects receiving public land contributions).



Inclusionary Zoning – Policy Recommendations

Set-Aside and Affordability Requirements

PRECEDENTS

City	Affordability Level	Portion of Development
Atlanta, GA	60-80% AMI	10% of units for incomes \leq 60% AMI, or 15% of units for incomes \leq 80% AMI
Boston, MA	70% AMI	13% of total number of units on-site (citywide; percentage varies by zone)
Burlington, VT	65% AMI	15% of units, depending on the avg. price of the market-rate homes
New Orleans, LA	60% AMI	10% of units (Tier 1); 5% of units (Tier 2); voluntary (Tier 3)
Newtown, MA	80-120% AMI	10% of total habitable space
Norwalk, CT	60% AMI (based on state income)	10% of total units
Seattle, WA	60% AMI	5-7% of total units
Stamford, CT	50% AMI	10% of units
Washington, D.C.	60% MFI; tenant must not spend $>$ 41% of income on housing	8-10% of residential square footage

HR&A Recommendation

HR&A recommends that the City of Gainesville implement an IZ policy that requires a set-aside of 10% of units affordable to households, all affordable to households earning 80% of AMI.

In-Lieu Fee

IZ programs often offer developers an option to opt out of developing on-site affordable housing through a financial payment, or in-lieu fee. The in-lieu fee creates flexibility for meeting an IZ requirement and provides funding to support affordable housing that is not being developed by the market, including larger family-sized units, supportive housing, and other forms of housing to serve **specific low-income populations**.

PRECEDENTS

Cities such as Boston, MA have written fees as specific dollar amounts in their policies, while other cities including Portland, OR and San Francisco, CA charge in-lieu fees based on a specified amount per gross square foot of development. In either case, the fee is typically developed based on the difference in market value between a market rate unit and an IZ unit. As market conditions change, the fee must be reevaluated to ensure it remains appropriately priced for the market.

HR&A Recommendation

HR&A recommends that the City of Gainesville establish an in-lieu fee option. The fees should be collected at the issuance of a building permit for the development, and the City should clearly outline how the fees will be deposited into a specified fund for affordable housing. Within an implementation and procedures manual developed separate from policy language, the City should require funds generated through in-lieu fees to be deployed within areas of opportunity—as defined by the City’s affordable housing task force to align production with identified City goals.

Adjustments to the in-lieu fee should be considered every two years to ensure it is set at an appropriate level as market conditions evolve. The IZ policy should clearly outline the process for updating, collecting, and expending fees. In some communities, a failure to update fee formulas has led to artificially low fee levels and developers overwhelmingly choosing to make fee contributions rather than construct on-site units.

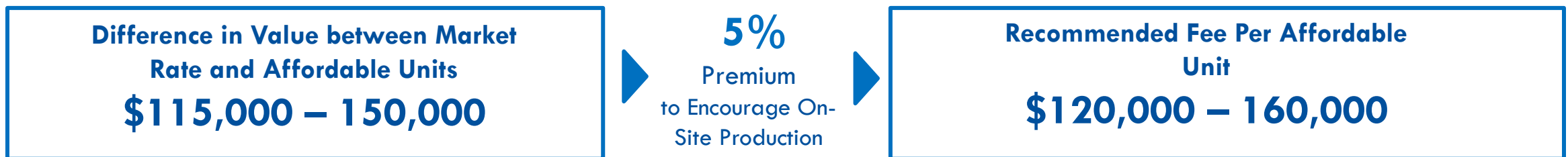
In-Lieu Fee

CALCULATING THE IN-LIEU FEE

In order to ensure that developments in highly desirable neighborhoods still have an incentive to build affordable units on-site, the fee should be set above “average” opportunity cost to more closely resemble the true opportunity cost for high-end buildings. In Gainesville, it will be most appropriate to set this fee based on the most common building typologies. Under this structure, developers choosing to pay the fee will create the largest benefit to the surrounding community, who will receive the benefit of a fee that is larger in total financial worth than the subsidy that would flow to the affordable units within a given development.

HR&A Recommendation

Based on the analysis of current market conditions in Gainesville, the current fee in lieu fee in Gainesville should be \$120,000 to 160,000 per affordable rental unit. The fee calculation is based on the average per-unit difference in market value between building a fully market-rate development and a development that satisfies the IZ requirements. HR&A recommends applying an **additional 5-10% premium to the calculated fee in order to incentivize developers to produce units on-site, in line with City policy goals.**

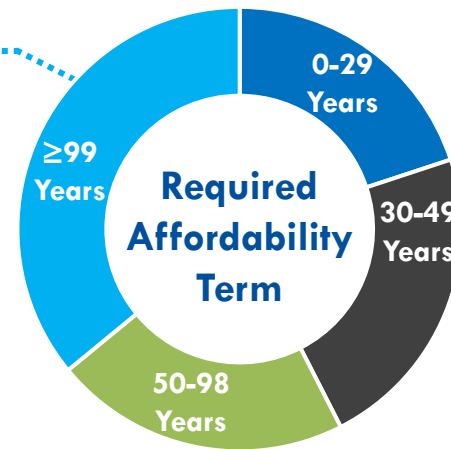


Affordability Term

Affordable housing created through IZ programs vary in the length of time units are required to remain affordable. The term of affordability typically begins for rental units when the unit is granted a certificate of occupancy and for for-sale units at the time a unit is initially sold.

Long-term affordability is viewed as a best practice for preserving affordable housing and newer IZ policies are increasingly focused on long-term affordability.

36% of cities with an IZ policy require an affordability term at or greater than 99 years.



HR&A Recommendation

HR&A recommends that Gainesville establish an affordability term of 99 years. Long-term affordability will reinforce a sustainable model for affordable housing production in Gainesville and relieve pressure that developments to replace units as their term expires. HR&A's financial analysis supports this term of affordability.

Source: HR&A Analysis of Grounded Solutions Network Inclusionary Housing Database

Development Scale

As a policy that uses the value of market rate development to support the creation of affordable housing, IZ policies typically establish a minimum project size for developments subject to an IZ requirement.

PRECEDENTS

The minimum development scale to require IZ varies by jurisdiction, though most are between ten and twenty units. Washington, DC applies IZ to developments with ten or more units and Portland, OR applies its IZ policy to projects with twenty or more units. Some jurisdictions, including Washington, DC, provide a process for opting into IZ in developments smaller than the minimum requirement if the developer desires to utilize IZ incentives. Niche multifamily residential development types including assisted living facilities and dormitories are typically exempt from adhering to IZ policies due to their different living typologies.

HR&A Recommendation

HR&A recommends Gainesville apply IZ requirements to multifamily residential of ten or more units, though smaller developments should be permitted to voluntarily opt-in in exchange for receiving incentives provided by the IZ policy.

Inclusionary requirements should not be imposed on single-room occupancy (SRO) buildings, such as assisted living facilities or student dormitories. For the purposes of exclusion from IZ, assisted living should be considered separately from independent living and other group homes. IZ should still apply to new market-rate housing that may be student-oriented, i.e., marketed to or occupied by students.

Applicability

VOLUNTARY PARTICIPATION

For developments outside of geographies requiring IZ participation, the HR&A team recommends permitting **voluntarily opt-in for developments to provide affordable units in exchange for IZ zoning incentives**. Receipt of tax abatement or other tax reduction tools in these locations is not tied to meeting an affordability requirement. However, for any scenario in which public funds are being provided, the City should pursue affordable housing and other public goals to the extent possible.

APPLICABILITY OF POLICY TO PLANNED DEVELOPMENT

The City should establish that the policy does not apply to developments that have already been approved. Developments which have already received a permit should not have a requirement to provide IZ units after gaining development approvals. Although this will slow the near-term production of affordable housing, requiring IZ units can significantly alter the financial feasibility of a development and cause an already approved development to no longer be feasible. **However, the HR&A Team recommends that the City provide an opt-in option for approved developments.** Opt-in policies allow development which have already gained approval to voluntarily provide IZ units in exchange for the incentives offered for IZ developments.

HR&A Recommendation

HR&A recommends a policy that has: (1) voluntary opt-in for geographies outside mandatory IZ, (2) available incentives applicable to non-market rate units, and (3) should not apply to developments already approved (with an opt-in option for projects interested in seeking IZ incentives).

Unit Pricing

Unit pricing refers to the rent charged per unit. These are not regulated by Department of Housing and Urban Development (HUD) guidelines, unlike other housing programs. As a result, there is variation in strategy used.

A complete pricing formula must contain:

- **The share of household income for housing that is considered affordable.** Using an affordability standard of 30% of gross household income for housing costs—including rent and utilities—aligns with federal guidance and is most appropriate.
- **Unit size pricing based on household size.** Area Median Income, the common metric used for affordable housing programs, adjusts income limits by household size.
- **The income level used for pricing.** Based on IZ policy recommendations, the policy should clearly state that maximum rental cost levels for inclusionary units are equivalent to an affordable rent at 60% and 80% of AMI (per household).
- **The specific items included in housing costs.** All utilities paid by tenants and owners should be included in the affordability calculation (e.g. water, gas, electric) based on published utility allowances.

HR&A Recommendation

HR&A recommends developing a formula for unit pricing based on existing HUD guidelines. A formula must address share of household income considered affordable (30%), unit pricing based on household size, the income levels used for pricing, and the specific items included in housing costs (utilities, etc.)

Unit Characteristics

Common practice is to ensure IZ units are substantially similar to market rate units and are integrated into the rest of the building.

PRECEDENTS

Most jurisdictions, including San Mateo, CA and Washington, DC, require affordable units to be largely indistinguishable from market rate units. Important considerations include IZ unit location in building, quality of finishes, size, and unit mix relative to market rate units in the building.

HR&A Recommendation

HR&A recommends Gainesville require IZ housing units to be largely indistinguishable from market rate units and be integrated into the rest of the building, including specific guidelines such as:

- Scattering IZ units throughout the building so as not to be co-located on one floor or in less desirable areas of the building,
- Matching the quality of in-unit feature and finishes between affordable and market rate units, and
- Ensuring that IZ units resemble the makeup of the building in terms of unit size and unit mix.

Development Concurrency

Concurrency guidelines ensure IZ units within a development are delivered at the same time as market rate units. Without concurrency guidelines, there is risk that the delivery of IZ units may be delayed until after market rate units are constructed and completed, or never built.

PRECEDENTS

Concurrency is commonplace in IZ programs across the country and policies may use simple and direct language to ensure developers understand their responsibilities for providing a proportional number of affordable units in the same timeframe as market rate units.

HR&A Recommendation

HR&A recommends Gainesville include a concurrency requirement as part of an IZ policy, which will require IZ units to be made available at the same time as market rate units.

Fractional Units

Affordability requirements based on a percentage of total development regularly produce fractional inclusionary unit requirements. For example, a 42-unit building with a 10% affordability set-aside would be required to produce 4.2 affordable units. It is common practice to clarify how such cases should be handled.

PRECEDENTS

Although some jurisdictions require developments to round up to the next highest whole number, the American Planning Association's (APA) model policy for fractional units suggests using normal rounding where fractions above .5 round up to the next highest whole number while fractions below .5 round down to the next lower whole number. In the example 42-unit building above, the APA model policy would produce four units of affordable housing.

HR&A Recommendation

HR&A recommends that Gainesville follow APA guidelines and adopt normal rounding rules for determining the count of IZ units (fractions above .5 round up to the nearest whole unit).

Summary of Recommendations

These requirements should be periodically reviewed and adjusted, every two years.

Key Program Design Element	Recommendation
Set Aside & Affordability Requirements: calibrating depth and amount of affordable units, vs. feasibility of requiring units	<ul style="list-style-type: none"> 10% affordable units at 80% AMI
In-Lieu Fee / Flexibility for Compliance	<ul style="list-style-type: none"> Establish in-lieu fee option, set at \$120-160K per affordable unit that would have been built under IZ; adjust fee level every two years
Development Scale (Size of Developments Subject to IZ)	<ul style="list-style-type: none"> Apply IZ requirements to multifamily residential developments with ten or more units
Applicability (Voluntary vs. Mandatory, Applicability to Existing Developments)	<ul style="list-style-type: none"> Voluntary opt-in for geographies outside of IZ policy Incentives applicable to non-market rate units Not applicable to existing development
Affordability Term / Duration	<ul style="list-style-type: none"> 99 years
Unit Pricing (based on household income and size)	<ul style="list-style-type: none"> Follow existing HUD guidelines
Unit Characteristics	<ul style="list-style-type: none"> Ensure affordable units are identical with market-rate units
Concurrency of Delivery of Affordable Units	<ul style="list-style-type: none"> Include a concurrency requirement
Fractional Units	<ul style="list-style-type: none"> Adopt normal rounding rules, rounding up for fractional units above 0.5

Appendix

Appendix

Exclusionary Land Use Controls Literature Review

1. Gregory Ingram and Yu-Hung Hong, “Fiscal Decentralization and Land Policies”, 2007, Lincoln Institute of Land Policy.
2. Edward Glaeser and Joseph Gyourko, “The Impact of Zoning on Housing Affordability”, 2002.
https://www.nber.org/system/files/working_papers/w8835/w8835.pdf
3. Robert Manduca, “How Rising U.S. Income Inequality Exacerbates Racial Economic Disparities”, 2018, The Washington Center for Equitable Growth <https://equitablegrowth.org/how-rising-u-s-income-inequality-exacerbates-racial-economic-disparities/>
4. Christopher Silver, “The Racial Origins of Zoning in the American Cities”, 1997. <https://www.asu.edu/courses/aph294/total-readings/silver%20--%20racialoriginsofzoning.pdf>

Appendix

Precedent IZ Requirements

Existing IZ policies vary in their design, depending on local market conditions, public goals, and available tools.

City	Affordability Level	Length of Affordability	Portion of Development	In-Lieu Fee Amount Per Rental Unit
Atlanta, GA	60-80% AMI	20 years	10% of units for incomes \leq 60% AMI, or 15% of units for incomes \leq 80% AMI	\$124,830 - \$167,364 (varies by geography)
Boston, MA	70% AMI	30 years, with the right to renew for 20 years	13% of total number of units on-site (citywide; percentage varies by zone)	\$68,400 (market-rate); \$380,000 (affordable)
Burlington, VT	65% AMI	99 years	15-25% of units, depending on the avg. price of the market-rate homes	No in-lieu fee
New Orleans, LA	60% AMI	99 years	10% of units (Tier 1); 5% of units (Tier 2); voluntary (Tier 3)	HR&A proposal: \$29,100 (market-rate); \$291,000 (affordable)
Newtown, MA	80-120% AMI	40 years	10% of total habitable space	
Norwalk, CT	60% AMI (based on state income)	In perpetuity	10% of total units	Fee based on a percentage of State of CT median income; percentage varies by affordability level of unit
Seattle, WA	60% AMI	75 years	5-7% of total units	\$5.00 - \$32.75 per square foot
Stamford, CT	50% AMI	Life of building	10% of units	Fee based on a percentage of SMSA median household income; percentage varies by affordability level of unit
Washington, D.C.	60% MFI; tenant must not spend >41% of income on housing	Life of building	8-10% of residential square footage	No in-lieu fee

Appendix

IZ Model Typology 1: Large Garden

Large Garden style apartments, have primarily been built in West or Northwest Gainesville, where land is more available and cheaper.

Large Garden style apartments generally consist of multiple buildings of 3 to 4 stories spread across a large lot.

Recent example developments include The Mayfair, Park Avenue Apartments, 23 West, and Novo Markets West in the pipeline.



Year Built	2018
Land Area (sf)	601,729
Stories	3
Units	243
Parking	392
Avg PSF Rent	\$1.32



Year Built	2016
Land Area (sf)	663,419
Stories	3
Units	298
Parking	400
Avg PSF Rent	\$1.58

Appendix

IZ Model Typology 2: Large Midrise

Large Midrise style apartments have predominantly been built in West Gainesville.

Large Midrise style apartments generally consist of single or few buildings in 3-4 stories spread across a large lot.

Recent example developments include Liv+ Gainesville and The City Place at Celebration Pointe.



Year Built	2020
Land Area (sf)	130,000
Stories	4
Units	235
Parking	
Avg PSF Rent	\$2.24



Year Built	2021
Land Area (sf)	108,900
Stories	4
Units	220
Parking	400
Avg PSF Rent	\$1.84

Appendix

IZ Model Typology 3: Infill Midrise

Typology 3 consists of Infill Midrise style apartments in University Heights (East of the campus) or the Innovation District.

Infill Midrise style apartments are usually a single wood-frame building of 4 to 5 stories built on a small lot in more land-constrained areas, such as near downtown.

Almost all of these infill properties have been targeted to students, which leads to higher per-square foot rents, larger units, and higher operating costs.

Recent example developments include Social 28 and Cascades.



Year Built	2015
Land Area (sf)	45,739
Stories	6
Units	169
Parking	
Avg PSF Rent	\$2.75



Year Built	2018
Land Area (sf)	84,942
Stories	5
Units	67
Parking	50
Avg PSF Rent	\$2.20

Appendix

IZ Model Typology 4: Infill Highrise

Typology 4 consists of Infill Highrise style apartments in University Heights.

Infill Highrise style apartments are usually a single building of 7 stories or higher.

Almost all of these infill properties have been targeted to students, which leads to higher per-square foot rents, larger units, and higher operating costs.

Recent example developments include the Hub on Campus or the Standard at Gainesville.



Year Built	2020
Land Area (sf)	96,155
Stories	8
Units	201
Parking	25
Avg PSF Rent	\$1.91



Year Built	2017
Land Area (sf)	61,420
Stories	11
Units	430
Parking	250
Avg PSF Rent	\$2.67

Appendix

IZ Model Typology 5: Single-Family Rental

Typology 5 consists of single-family rental properties in West or Northwest Gainesville.

Most single-family rentals are bulk construction of single-family homes in large plots of land.

Recent example developments include the 88th Street Cottages and The Retreat at Gainesville.



Year Built	2020
Land Area (sf)	166,835
Stories	2
Units	27
Parking	
Avg PSF Rent	\$1.33



Year Built	2016
Land Area (sf)	827,828
Stories	2
Units	82
Parking	150
Avg PSF Rent	\$1.70

Appendix

Inclusionary Zoning Model Assumptions

We used a yield on cost analysis to estimate the amount of value that can be derived from different types of development. The yield on cost was calculated using a 10-year cash flow model that used a range of assumptions gathered from market data and developer interviews.

	Large Garden	Large Midrise	Infill Midrise	Infill Highrise	Single-Family Rental
Total Land (SF)	600,000	300,000	60,000	40,000	500,000
Land Cost (PSF)	\$10	\$15	\$120	\$120	\$10
All-in Construction Costs (GSF)	\$161	\$184	\$207	\$230	\$115
Average Unit Size (NSF)	1,150	935	1,003	1,080	1,420
Market Rent (NSF)	\$1.80	\$2.10	\$2.40	\$2.70	\$1.60
Parking Rent (space/month)	\$125	\$125	\$225	\$225	\$50
Operating Expense per unit	\$4,500	\$5,000	\$6,500	\$7,500	\$5,000
Cap Rate	4.50%	4.25%	4.25%	4.00%	4.75%

Appendix

Summary of IZ Incentive Impacts

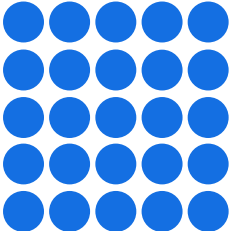
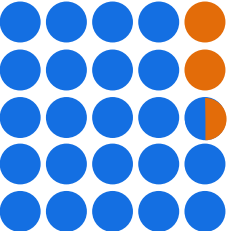
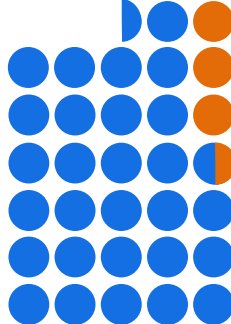
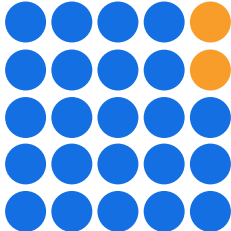
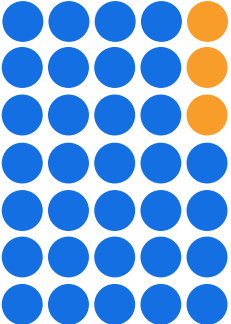
	Large Garden	Large Midrise	Infill Midrise	Infill Highrise	Single-Family Rental
Target Yield On Cost	5.75%	5.50%	5.50%	5.50%	6.00%
Today's Yield On Cost	5.85%	5.69%	5.57%	5.53%	6.03%
Scenario 1					
10% (all 80% AMI)	Infeasible	Borderline	Infeasible	Borderline	Infeasible
+ 15% Density	Borderline	Feasible	Borderline	Borderline	Borderline
+ 30% Density	Feasible	Feasible	Feasible	Feasible	Feasible
+ 100% Land Contribution	Feasible	Feasible	Feasible	Feasible	Feasible
Scenario 2					
8% (all 60% AMI)	Infeasible	Borderline	Infeasible	Borderline	Infeasible
+ 15% Density	Borderline	Borderline	Borderline	Feasible	Infeasible
+ 30% Density	Borderline	Feasible	Feasible	Feasible	Feasible
+ 100% Land Contribution	Feasible	Feasible	Feasible	Feasible	Feasible

Appendix

IZ Example Project: Large Garden

○ = 10 units

● Market Rate Unit
(\$1440 for 1 Bedroom)● 60% AMI Unit
(\$824 for 1 Bedroom)● 80% AMI Unit
(\$1099 for 1 Bedroom)

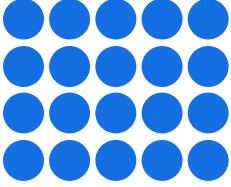
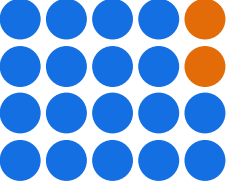

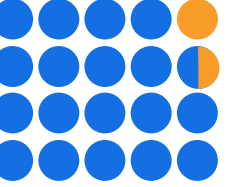
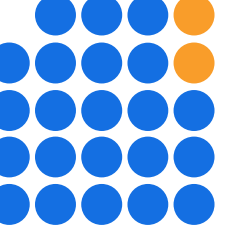
	Today	10% IZ No Density Bonus	10% IZ 30% Minimum Density Bonus to achieve Feasibility	8% IZ No Density Bonus	8% IZ 40% Minimum Density Bonus to achieve Feasibility
					
Yield On Cost (5.75% target)	5.85%	5.62%	5.75%	5.58%	5.75%
Total Units	250	250	325	250	350
Affordable Units	0	25	33	20	28

Appendix

IZ Example Project: Large Midrise

○ = 10 units

● Market Rate Unit
(\$1680 for 1 Bedroom)● 60% AMI Unit
(\$824 for 1 Bedroom)● 80% AMI Unit
(\$1099 for 1 Bedroom)


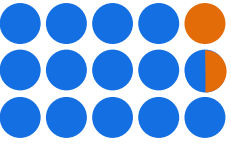
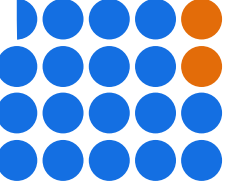
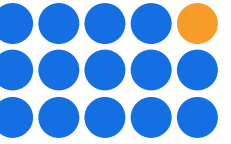
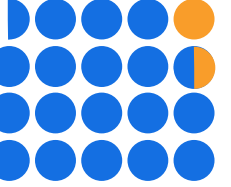
	Today	10% IZ No Density Bonus	10% IZ 10% Minimum Density Bonus to achieve Feasibility	8% IZ No Density Bonus	8% IZ 10% Minimum Density Bonus to achieve Feasibility
					
Yield On Cost (5.50% target)	5.69%	5.45%	5.50%	5.42%	5.50%
Total Units	200	200	220	200	240
Affordable Units	0	20	22	16	19

Appendix

IZ Example Project: Infill Midrise

○ = 10 units

● Market Rate Unit
(\$1920 for 1 Bedroom)● 60% AMI Unit
(\$824 for 1 Bedroom)● 80% AMI Unit
(\$1099 for 1 Bedroom)

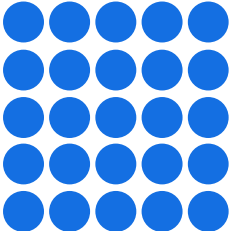
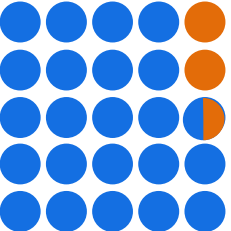
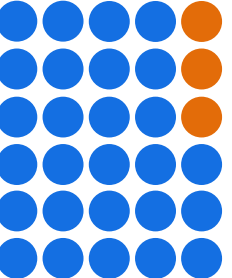
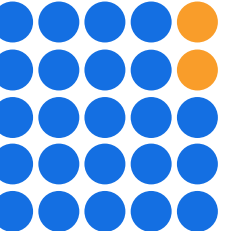
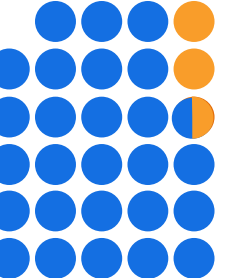
	Today	10% IZ No Density Bonus	10% IZ 30% Minimum Density Bonus to achieve Feasibility	8% IZ No Density Bonus	8% IZ 30% Minimum Density Bonus to achieve Feasibility
					
Yield On Cost (5.50% target)	5.57%	5.30%	5.50%	5.29%	5.50%
Total Units	150	150	195	150	195
Affordable Units	0	15	20	12	16

Appendix

IZ Example Project: Infill Highrise

○ = 10 units

● Market Rate Unit
(\$2160 for 1 Bedroom)● 60% AMI Unit
(\$824 for 1 Bedroom)● 80% AMI Unit
(\$1099 for 1 Bedroom)

	Today	10% IZ No Density Bonus	10% IZ 20% Minimum Density Bonus to achieve Feasibility	8% IZ No Density Bonus	8% IZ 15% Minimum Density Bonus to achieve Feasibility
					
Yield On Cost (5.25% target)	5.53%	5.20%	5.25%	5.21%	5.25%
Total Units	250	250	300	250	288
Affordable Units	0	25	30	20	23

Appendix





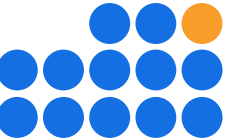
IZ Example Project: Single Family

○ = 10 units

● Market Rate Unit
(\$1440 for 1 Bedroom)

● 60% AMI Unit
(\$824 for 1 Bedroom)

● 80% AMI Unit
(\$1099 for 1 Bedroom)

	Today	10% IZ No Density Bonus	10% IZ 25% Minimum Density Bonus to achieve Feasibility	8% IZ No Density Bonus	8% IZ 30% Minimum Density Bonus to achieve Feasibility
					
Yield On Cost (6.00% target)	6.03%	5.76%	6.00%	5.72%	6.00%
Total Units	100	100	125	100	130
Affordable Units	0	10	13	8	10



Agenda Item Summary

Agenda Date: 9/6/2022

Agenda Item No.:

Agenda Item Name:

Planning Parcel and Traditional Neighborhood Development (TND) Standards for Non-residential/Affordable Housing

Presenter:

Jeffrey Hays, AICP

Description:

A Discussion of the "Planning Parcel" concept as it pertains to land development regulations. Additionally, a discussion of options related to the potential substitution of an affordable housing component for non-residential requirements within a TND.

Recommended Action:

Here the Presentation

Prior Board Motions:

April 12th 2022, the Board request staff to review:

Implementing "Planning Parcel" concepts beyond use just for Ecological regulations

Provide options for possible amendments to Traditional Neighborhood Developments to substitute affordable housing component for otherwise required non-residential development.

Fiscal Consideration:

NA

Strategic Guide:

Housing

Background:

Based on the structure of some land development regulations, there is some potential for property owners to split parcels and avoid certain regulation thresholds. The County currently uses a "Planning Parcel" concept to deter using these techniques to avoid certain environmental regulations. The County has not applied the Planning Parcel concept to other land development thresholds in the Comprehensive Plan or Land Development Code. Staff will review potential options for the Board to consider.

Some developers of TND projects have expressed a concern regarding the required non-residential

portion of these developments. Staff will review options for the Board to consider including potentially allowing for some affordable housing to be provided in lieu of the non-residential development in TNDs.



Traditional Neighborhood Development Regulations and Planning Parcel Concepts

*Options for amending Unified Land Development
Code (ULDC) to address issues*

Background

- April 12th 2022, the Board request staff to review:
 - Implementing “Planning Parcel” concepts beyond use just for Ecological regulations
 - Provide options for possible amendments to Traditional Neighborhood Developments to substitute affordable housing component for otherwise required non-residential requirement

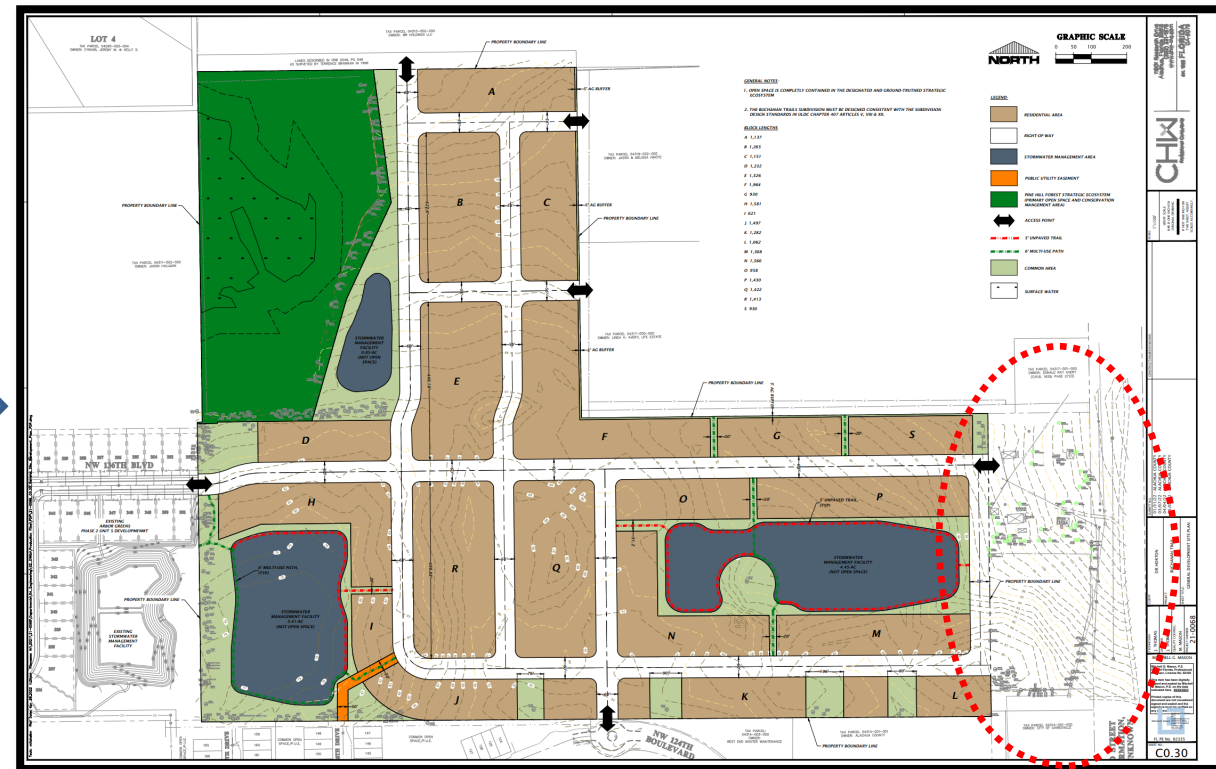
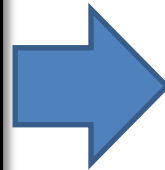
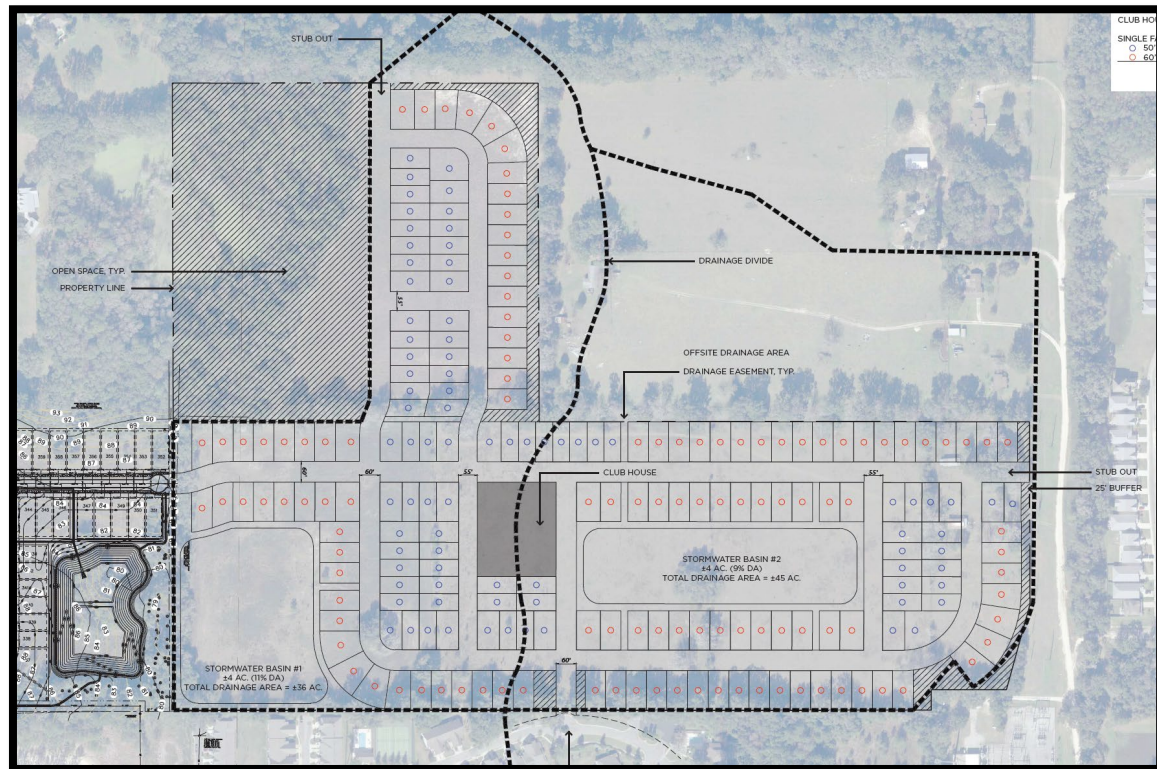
Planning Parcel

- Planning parcel: The parcels included within the entire contiguous land area under common ownership or control as of May 2, 2005, even if the project proposal or application includes only a portion of such lands.

Planning Parcel

- Currently implementation of Planning Parcel only pertains to Strategic Ecosystem, Significant Habitat, and Listed Species Habitat
- Recent development applications have seen strategic splitting of properties with the effect of avoiding Traditional Neighborhood Development regulations and connection to certain transportation facilities or adjacent neighborhoods.
- Likely would be used to avoid any existing or future regulation that has a threshold (Inclusionary Zoning, etc).

Planning Parcel



Development of a Planning Parcel

- **Sec. 406.19. - Development of planning parcel.**
- Planning parcels containing significant plant and wildlife habitat or listed species habitat shall not be disaggregated, processed in piecemeal fashion, reviewed, or developed in any manner that results in lesser natural resources protections than would otherwise be required if all land under common ownership or control were considered as a single proposal. To this end, where development or alteration of only a part of a planning parcel is proposed, the following shall be required:

Development of a Planning Parcel

- **Sec. 406.19. - Development of planning parcel.**
- (a) In common ownership as of 2005 or 5 years before proposal
- (b) Detailed natural resources assessment
- (c) Develop a master plan detailing that resource protection isn't limited by development of individual properties
- (d) Each individual application demonstrates consistency with master plan.

Broadening Implementation of Planning Parcel Concept

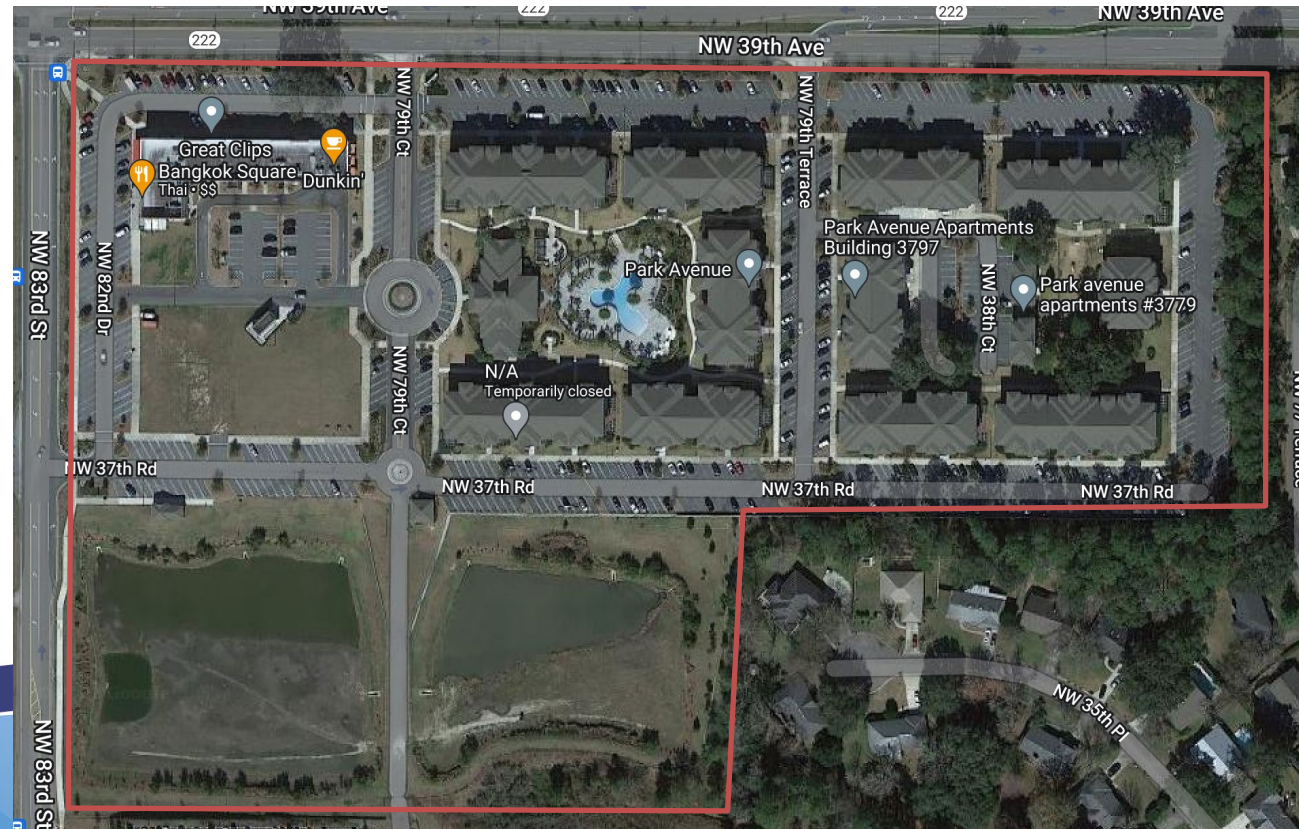
- ULDC amendment to reference Planning Parcel concept to ensure that splitting of parcels does not have the effect of circumventing any land development regulation.

TND Allowances / Requirements

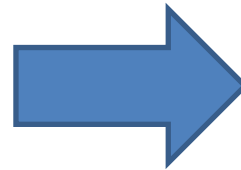
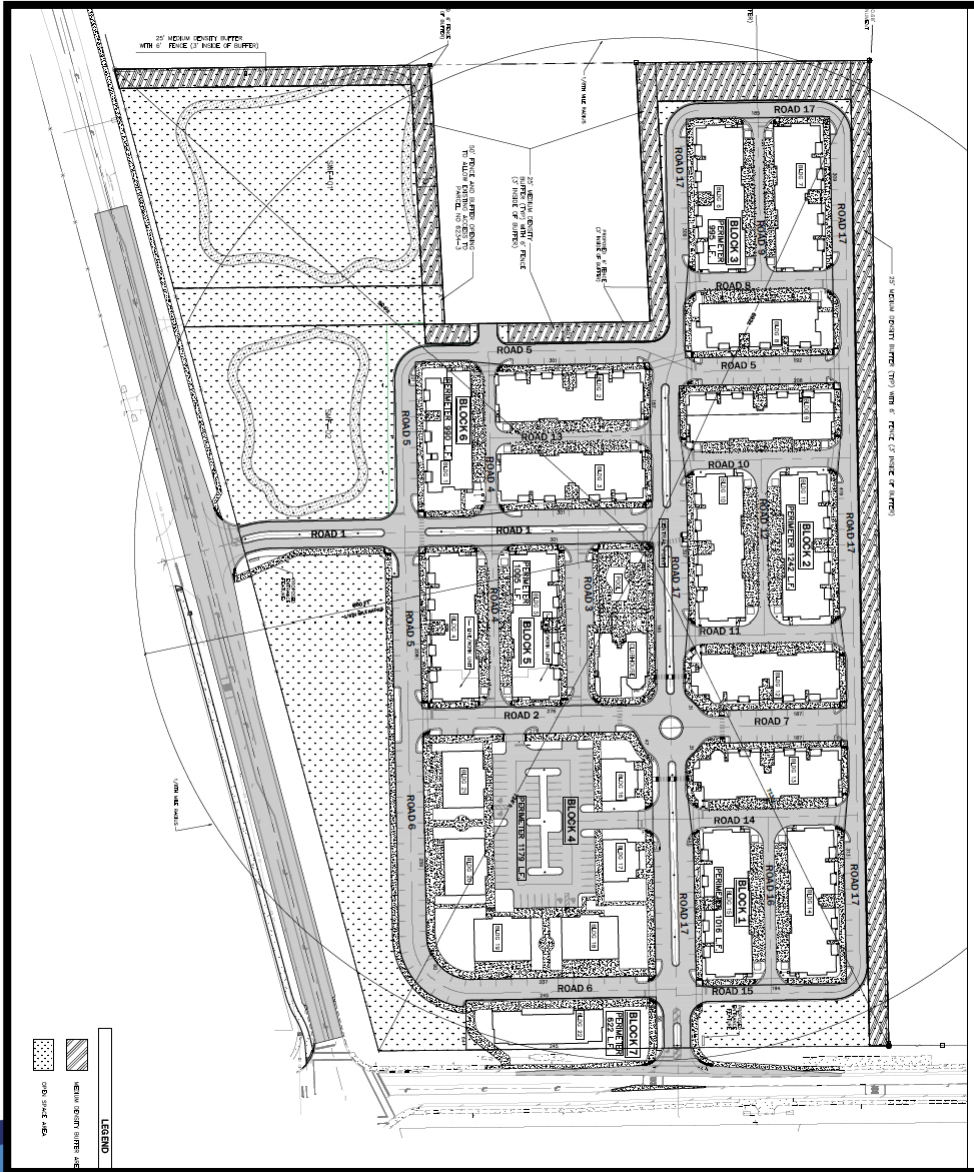
- Traditional Neighborhood Developments (TNDs)
 - Allowed in all Urban Residential Land Use Categories as well as Activity Centers
 - Required for Residential developments over 150 units along a rapid transit corridor and 300 units anywhere else as well as non-residential developments over 25 acres.
 - Requires higher minimum densities and allows for higher maximum bonus densities (ie, 4-12 Units per acre in Low Density Residential)
 - Allows for/requires non-residential development for mixed use component. (Minimum of 10,000 sq ft plus minimum of 50 sq per dwelling unit)

Typical TND Scenario

- 300 dwelling units. (Mix of 1-3 bedroom rental units).
- 300 unit TND requires 25,000 sq ft of non-residential uses (civic, office, retail, etc)



TND Requirement Issues



Live/Work Modular Construction Allowance

- Currently TND regulations require non-residential component to contain at least 25% of retail/commercial
- Remaining 75% could simply be constructed as “live-work” townhome units which could contain professional offices on first floor but could also be used as 100% living space



Affordable Housing/Non-residential Conversion

- Market Rent on 2 bedroom/1,000 sq ft unit = Approx \$1,600
- 2022 Affordable Rents for Alachua County for different income levels for family of three:
 - Extremely Low - \$553
 - Very Low - \$922
 - Low - \$1,476
- Possible monthly affordable housing “opportunity costs”: \$124 (Low Income) - \$1,047 (Extremely Low) per unit
- Tracking Inclusionary units would require staffing and cost for County.

Options

- 1) Keep regulations unchanged. Market timing will allow for infill of non-residential uses over time.
- 2) Confirm in Code that live-work units with a 1st floor built to a non-residential standard may count towards the 75% of non-residential that can be something other than retail.
- 3) Amend Comp Plan and Code to allow for inclusionary affordable housing units to substitute for non-residential space on a 1:1 sq ft basis.



Questions?