

# PLANNING COMMISSION



## STAFF REPORT DEPARTMENT OF GROWTH MANAGEMENT

<b>MEETING DATE:</b>	March 23, 2016
<b>PROJECT:</b>	Zoning Text Amendment to the Unified Development Ordinance, Section 6.5, Workforce/Affordable Housing, Sustainable Development Incentives, Establishing a Density Bonus Incentive - Public Hearing
<b>PROJECT MANAGER:</b>	Kendra Lelie, AICP Director of Growth Management Growth Management

**REQUEST:** The Unified Development Ordinance Administrator requests that the Planning Commission recommend approval to Town Council, the following application:

**ZONE-02-16-9523.** A Zoning Text Amendment to amend Article 6.5, *Sustainable Development Incentives*, establishing a Density Bonus Incentive.

**INTRODUCTION:** On November 3, 2015, the Affordable Housing Committee recommended the following amendments to Section 6.5 Sustainable Development Incentives of the Unified Development Ordinance:

1. Increase the term of affordability from ten years to thirty years.

A deed restriction, which is the term of affordability, is placed on an affordable/workforce unit to ensure that the unit remains affordable to low and moderate income households for a specific period of time. The expansion of the time required for the term of the deed restriction will enable the Town to increase the supply of affordable/workforce housing for a longer term which ensures a continual stock of affordable units for low and moderate-income families.

2. The addition of a density bonus as another incentive for the production of affordable/workforce housing will allow for an increase in the number of dwelling units on the site provided a certain number of affordable/workforce dwelling units are provided. The following is the proposed language to be included as an incentive within Section 6.5 Sustainable Development Incentives for applications of affordable/workforce housing developments within a place type and/or existing neighborhoods as designated on the Growth Framework Map specified in the Town's Comprehensive Plan or having an approved Neighborhood Plan:

*Density Bonus. Any development providing workforce/affordable housing within a Zoning District that explicitly provides for a permitted base density shall receive a density bonus as provided below:*

*Table 6.5.4: Density Bonus Incentive*

<i>Percentage of Workforce/Affordable Housing Units</i>	<i>Density Bonus</i>
<i>Minimum 25%</i>	<i>25%</i>
<i>26-50%</i>	<i>50%</i>
<i>51-75%</i>	<i>75%</i>
<i>76+ %</i>	<i>100%</i>

- *All market-rate units shall be provided on site, except that, in a development undertaken in phases, stages, or otherwise developed in distinct sections, such units may be located in other phases, stages, or section, subject to the terms of the Development Plan.*
- *Design guidelines. The project shall at a minimum meet the applicable design requirements in Article 5. The UDO Administrator shall review the project and determine if additional community features such as but not limited to additional open space, parking, lighting, streetscape elements (bike racks, street trees, sidewalks, multi-use paths), buffer plantings, tree preservation and architectural enhancements are appropriate based upon the ultimate density of the project.*

Town Council reviewed the proposed ordinance amendment at the February Town Council meeting and agreed to refer the ordinance to Planning Commission for a public hearing.

**BACKGROUND:** In response to the housing needs identified in the Housing Chapter of the amended 2007 Comprehensive Plan, the Affordable Housing Committee adopted a Neighborhood Assistance Program Strategies Plan (Plan) that provides strategies to ensure a comprehensive and sustainable approach to the promotion of affordable and safe housing, and quality neighborhoods. The Plan contains a set of objectives, strategies and benchmarks to guide the policies and use of affordable housing funds over a five-year period.

One of the goals of the Plan is to expand opportunities for decent, safe and affordable housing. The Affordable Housing Committee established several objectives to incentivize the production of affordable housing with a benchmark of using different techniques to realize the private construction of 16 affordable/workforce housing units over the next five years.

The Affordable Housing Committee reviewed and recommended the density bonus incentive ordinance as one technique to realize the objective of incentivizing the private development of affordable/workforce housing.

**PLANNING COMMISSION ACTIONS:** The Planning Commission has the authority to take the following actions with respect to the recommendation of the application to Town Council with due consideration to the UDO review criteria:

1. Approve the application as submitted by the Applicant;
2. Approve the application with conditions; or
3. Deny the application as submitted by the Applicant.

**REVIEW CRITERIA & ANALYSIS:** The Planning Commission is required to consider the criteria set forth in Section 3.5.3 of the Unified Development Ordinance in assessing an application for a Zoning Text Amendment. These criteria are provided below followed by a Staff Finding(s).

1. **Section 3.5.3.A.** The application demonstrates consistency with the Comprehensive Plan or, if conditions have changed since the Comprehensive Plan was adopted, consistency with the overall intent of the Comprehensive Plan, recent development trends and the general character of the area.

*Finding. The application is consistent with the Comprehensive Plan.*

Chapter 5, *Housing*, of the Comprehensive Plan emphasizes the need to promote affordable and safe housing and quality neighborhoods and encourages the use of infill development as a strategy to meet the affordable housing needs within the community.

*"Infill" encourages development on empty lots in existing urban areas rather than on outskirts and, therefore, discourages sprawl. Infill development can result in more efficient use of existing infrastructure, trigger an increased neighborhood-wide reinvestment, and help rejuvenate older neighborhoods.<sup>1</sup>*

The proposed amendment encourages infill development within areas in which the Town would like to see growth and existing infrastructure exists in accordance with the Town's Growth Framework Map and within existing neighborhoods that have an established Neighborhood Plan. The Housing Chapter of the Comprehensive Plan also encourages the use of inclusionary zoning. Section 6.5, Workforce/Affordable Housing of the UDO provides a voluntary inclusionary zoning option currently through the use of certain incentives including application, permit and development fee reductions.

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<sup>1</sup> Town of Bluffton Comprehensive Plan, Chapter 5, Housing, Page 5-13, 2007

The proposed ordinance enhances the existing ordinance with the inclusion of density bonus which increases the permitted residential density on the lot in exchange for a certain percentage of affordable housing.

*Inclusionary zoning, if properly applied, can have other benefits such as preventing sprawl into undeveloped land away from urban centers and utilities. It can also be used to combat gentrification where there is the potential to displace existing residents from rehabilitated neighborhoods. A mix of housing units, at various scales and prices, can also help support a healthy community that does not separate, concentrate or isolate poorer population groups and gives all residents equal access to schools, infrastructure, and community services.<sup>2</sup>*

The proposed text amendment meets the intent and goals of the Comprehensive Plan, specifically the goal of providing additional affordable housing opportunities as detailed in the Housing Chapter.

2. **Section 3.5.3.B. The application shall show consistency with demographic changes, prevailing economic trends, and/or newly recognized best planning practices.**

*Finding. The application is consistent with demographic changes, new economic trends and best planning practices.*

As the Town is experiencing increased growth rates, both in residential and commercial uses, the need for additional affordable housing options also increases. The Town has experienced a 30% increase in new residential housing units since 2012 of which 0.3% has been deed restricted affordable housing units. Best planning practices support the idea that 10-20% of all new housing units should be affordable to low and moderate income households. The proposed amendment provides an additional incentive which will aid in providing realistic opportunities for affordable housing in response to the demographic changes.

3. **Section 3.5.3.C. The application shall be an enhancement to the health, safety and welfare of the Town of Bluffton.**

*Finding. The application would enhance the health, safety and welfare of the Town of Bluffton.*

While the proposed amendment provides an incentive for increased residential density which may have a potential to have some negative impacts, the density bonus requirements ensure that any future inclusionary development comply with all applicable UDO standards including open space, pedestrian circulation, tree canopy coverage, parking

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<sup>2</sup> The Town of Bluffton Comprehensive Plan, Chapter 5, Housing, Page 5-15, 2007.

and buffers. These regulations ensure that the future development utilizing the density bonus incentive is compatible with the existing Town character and will promote a safe and healthy environment.

**4. Section 3.5.3.D. The application considers the impact on the provision of public services.**

*Finding. An impact to the provision of public services is not anticipated.*

The proposed amendment to the UDO to permit an increase in residential density for inclusionary housing developments has a potential to increase the need for additional public services such as police service, refuse disposal service and Town staff time due to an increase in population that is attributed to the additional housing units. However, the overarching intent of Chapter 6, Sustainable Development Incentives is to promote smart growth by encouraging infill development in areas where infrastructure exists thereby reducing a significant impact on the delivery of public services.

**5. Section 3.5.3.E. The application must comply with applicable requirements in the Application Manual.**

*Finding. The application has been reviewed by Town Staff and has been determined to be complete, meeting all requirements of the Applications Manual.*

**TOWN STAFF RECOMMENDATION:** Town Staff finds that the requirements of Section 3.5.3 of the Unified Development Ordinance are met and recommends that the Planning Commission approve the text amendment application.

**NEXT STEPS:**

UDO Text Amendment Procedure	Step Completed
Step 1. Public Notification	✓
Step 2. Planning Commission Public Hearing and Recommendation – March 23, 2016	
Step 3. Town Council – 1 <sup>st</sup> Reading – April 12, 2015	
Step 4. Town Council Public Hearing, 2 <sup>nd</sup> Reading – May 10, 2015	

**ATTACHMENTS:**

1. Draft Ordinance

Article 6 Sustainable Development Incentives

6.5 Workforce/Affordable Housing

6.5.1 Intent

The intent of this Section is to implement the Town’s Workforce/Affordable Housing Goals as identified in the Comprehensive Plan by providing incentives that will result in the provision of housing that is affordable to low and moderate-income families.

6.5.2 Applicability

This Section shall apply to applicable applications for the development of workforce/affordable housing units that are located within a place type and/or existing neighborhood as designated on the Growth Framework Map ~~or~~ specified in the Town’s Comprehensive Plan, or having an approved Neighborhood Plan. The application shall meet the criteria identified herein.

6.5.3 Standards

A. General Standards.

1. The development must contain residential uses, of which at least 20% of the total number of dwelling units shall qualify as workforce/affordable housing pursuant to this section. A mixture of housing types as well as uses is encouraged to be integrated throughout the development.
2. If market rate units are included in the project, workforce/affordable housing units shall be mixed with and not clustered together or segregated in any way from the market-rate units.
3. If the Development Plan contains a phasing plan, the phasing plan shall provide for the development of a proportion of the workforce/affordable housing units equal to the market rate units being developed as part of the phase. No phasing plan shall provide that the affordable housing units built are the last units in the project.
4. The exterior appearance of the affordable housing units in the project shall be made similar to the market-rate units by the provision of exterior building materials and finishes substantially the same in type and quality.

## B. Specific Standards.

1. Prior to the submittal of the applicable application for incentive described in Section 6.5.4, a workforce/affordable housing plan must be submitted to the Town of Bluffton for approval. The plan shall contain, at a minimum, the following information:
  - a. A general description of the entire development, including whether the development will contain owner-occupied or rental units, or both;
  - b. The total number and type of market-rate units and workforce/affordable housing units in the development;
  - c. The number of bedrooms in each market-rate unit and each workforce/ affordable unit;
  - d. The square footage of each market-rate unit and each workforce/ affordable housing unit;
  - e. The location within any multi-family residential structure and any singlefamily residential development of each workforce/affordable housing unit;
  - f. The proposed ownership of workforce/affordable housing units shall be described in detail; and
  - g. Any commitment by local, state, or federal entity shall be identified.
2. The provisions of this Ordinance shall apply to the development and use of the property.
3. All workforce/affordable housing units shall be marketed to the public in the same manner as the market-rate units.
4. Owner-occupied workforce/affordable housing shall meet the following criteria:
  - a. Eligibility. Sale of owner-occupied workforce/affordable housing units is limited to individuals and families earning no more than 120% of the gross Area Median Income (AMI) for Beaufort County, as published annually by the U.S. Department of Housing and Urban Development and adjusted for household

size. The workforce/affordable housing unit shall serve as the owner's primary residence for the duration of ownership or until the deed restrictions required by this Section have expired.

- b. Eligibility determination process. Prospective buyers of new workforce/ affordable housing units shall be screened and determined eligible by an individual or agency approved by the Town of Bluffton to make such eligibility determinations prior to closing. Prior to closing on a new workforce/affordable housing unit, the approved individual or agency determining eligibility shall submit an affidavit to the Town of Bluffton that sets forth the sale price and verifies the unit will be occupied by persons qualified pursuant to the requirements of this Section, in addition to any other information deemed appropriate and necessary by the UDO Administrator.
- c. Maximum housing cost. The monthly mortgage payments shall include principal, interest, property taxes, homeowner insurance, private mortgage insurance, maintenance costs, and condominium or homeowners association fees, and shall total no more than 35% of the buyer's gross monthly household income.
- d. Closing costs and related fees. The buyer of a workforce/affordable housing unit shall not pay more in closing costs than is reasonable and customary as approved by the Town of Bluffton. Buyer and seller, in accordance with their contractual obligations, shall pay reasonable and customary real estate commissions. It is reasonable and customary that the seller pays a commission to his/her real estate broker, who then shares the commission with the cooperating real estate broker representing the buyer.
- e. Term of affordability. Resale of workforce/affordable housing units shall be limited by deed restriction to the original sales price, adjusted for inflation, and to a purchaser eligible, as described above, for a period of not less than ~~ten years~~ thirty (30) years after issuance of the certificate of occupancy. The increase permitted for inflation shall be based upon the increase in the Consumer Price Index (CPI). The deed restrictions shall include but not be limited to the following:
  - (1) A copy of such executed deed restrictions shall be submitted to the Town of Bluffton for approval prior to issuance of a Certificate of Occupancy for any portion of the development.

- (2) The deed restrictions shall require notice to the Town of Bluffton of any conveyance of the workforce/affordable housing unit, and verification by an individual or agency approved by the Town of Bluffton to make such eligibility determinations that the purchaser is qualified pursuant to the requirements of this section. Prior to closing on a resale workforce/affordable housing unit, the approved individual or agency determining eligibility shall submit an affidavit to the Town of Bluffton that sets forth the sale price, verifies the purchase price is in accordance with permitted inflationary adjustments, and verifies the unit will be occupied by persons qualified pursuant to the requirements of this Section, in addition to any other information deemed appropriate and necessary by the UDO Administrator.
- f. Increase in household income during occupancy. Should a household's income increase to an amount above 120% of the Area Median Income while occupying a workforce/affordable housing unit, the household shall not be required to vacate the unit.
- g. Vacation of housing unit. Upon vacating the premises, the unit shall be sold, or made publically available for sale, to a qualifying household pursuant to the requirements of this Section.
5. Renter-occupied workforce/affordable housing shall meet the following criteria:
- a. Eligibility. Rental of workforce/affordable housing units is limited to individuals and families earning no more than 80% of the Area Median Income for Beaufort County, as published annually by the U.S. Department of Housing and Urban Development and adjusted for household size. The workforce/affordable housing unit shall serve as the renter's primary residence for the duration of the lease.
- b. Eligibility determination process. Prospective renters of workforce/ affordable housing units shall be screened and determined eligible by an individual or agency approved by the Town of Bluffton to make such eligibility determinations prior to closing. Prior to executing a lease on a new workforce/affordable housing unit, the approved individual or agency determining eligibility shall submit an affidavit to the Town of Bluffton that

sets forth the lease price and verifies the unit will be occupied by persons qualified pursuant to the requirements of this Section, in addition to any other information deemed appropriate and necessary by the UDO Administrator.

- c. Rent levels. The maximum rent level for workforce/affordable housing units is based on the schedule of Fair Market Rents for Beaufort County, as published annually by the U.S. Department of Housing and Urban Development.
- d. Lease terms. A minimum lease term of six months is required for all workforce/affordable housing units so as to avoid short-term rentals.
- e. Term of affordability. Rental workforce housing units shall be limited by deed restriction to remain affordable, as defined herein, for a period of not less than thirty (30) years ~~ten years~~ after issuance of the certificate of occupancy.
  - (1) A copy of such executed deed restrictions shall be submitted to the Town of Bluffton for approval prior to issuance of a Certificate of Occupancy for any portion of the development.
  - (2) The deed restrictions shall require notice to the Town of Bluffton of any lease renewal or new rental contract for the workforce/affordable housing unit, and verification by an individual or agency approved by the Town of Bluffton to make such eligibility determinations that the tenant is qualified pursuant to the requirements of this section. Prior to execution of a new or renewal lease on a workforce/affordable housing unit, the approved individual or agency determining eligibility shall submit an affidavit to the Town of Bluffton that sets forth the lease price, verifies the lease price is in accordance with the applicable Fair Market Rent, and verifies the unit will be occupied by persons qualified pursuant to the requirements of this Section, in addition to any other information deemed appropriate and necessary by the UDO Administrator.
- f. Increase in household income during occupancy. Should a household's income increase to an amount above 80% of the median family income while occupying a rental workforce/affordable housing unit, the household shall not be required to vacate the unit immediately. The tenant may renew

the lease for one additional term, not to exceed one year. Upon vacating the premises, the rental unit shall be rented or made available for rent to a qualifying household pursuant to the requirements of this Section.

6. Deed restrictions are required to achieve the following:
  - a. Standard deed restrictions for all workforce/affordable housing units produced pursuant to the requirements of this Section are required and subject to approval by the Town of Bluffton.
  - b. Such restrictions shall include, at a minimum, the following elements in conformance with this Section:
    - (1) Duration.
    - (2) Occupancy requirement and restrictions against leasing/subleasing.
    - (3) Restriction on resale.
    - (4) Requirement to notify the Town of Bluffton in the case of conveyance, lease renewal, or establishment of a new rental contract.

#### 6.5.4 Incentives

- A. Upon Town of Bluffton approval, any workforce/affordable housing development application is eligible for the incentives described herein. Incentives may be provided for the following application and/or development agreement fee types:
  1. Master Plan Application;
  2. Development Plan Application;
  3. Subdivision Plan Application;
  4. Building Permit Application;
  5. Development Agreement Fees:
    - a. Interim Development Agreement Fee; and/or
    - b. Boat Ramp Repair Fund Fee.
- B. Application/Permit Fee Reduction. As applicable, the Town of Bluffton may issue an application and/or development agreement fee rebate for

the application types identified in Section 6.5.4.A, based upon the following schedule:

- 1. 20%-30% of total project dwelling units are determined to be workforce/ affordable housing units: Town of Bluffton shall provide a 25% fee reduction for all applicable applications. The Building Permit Application and Development Agreement Fee rebates shall be limited to those dwelling units that qualify as workforce/affordable.
- C. Density Bonus. Any development providing workforce/affordable housing within a Zoning District that explicitly provides for a permitted base density shall receive a density bonus as provided below:

Table 6.5.4: Density Bonus Incentive

<u>Percentage of Workforce/Affordable Housing Units</u>	<u>Density Bonus</u>
<u>Minimum 25%</u>	<u>25%</u>
<u>26-50%</u>	<u>50%</u>
<u>51-75%</u>	<u>75%</u>
<u>76+%</u>	<u>100%</u>

- 1. All market-rate units shall be provided on site, except that, in a development undertaken in phases, stages, or otherwise developed in distinct sections, such units may be located in other phases, stages, or section, subject to the terms of the Development Plan.
- 2. Design guidelines. The project shall at a minimum meet the applicable design requirements in Article 5. The UDO Administrator shall review the project and determine if additional community features such as but not limited to additional open space, parking, lighting, streetscape elements (bike racks, street trees, sidewalks, multi-use paths), buffer plantings, tree preservation and architectural enhancements are appropriate based upon the ultimate density of the project.