

## Inclusionary Zoning (IZ)

Inclusionary zoning (IZ) refers to regulation that requires a given share of new construction to be affordable by people with low to moderate incomes. The goal behind the regulation is to encourage the development and availability of housing accessible to a broad range of household incomes. The legal nexus for this type of program is based on the need to offset the demand for affordable housing that is created by commercial and market rate residential development.

### A (Very) Brief History of IZ in Santa Fe

- **Housing Opportunity Program (HOP)** was City's first inclusionary zoning program, established in 1998. % requirement was based on market value.
- **Santa Fe Homes Program (SFHP)** was implemented in 2006, with a standard requirement of 30% for homeownership and 15% for rental housing.
- **In 2014**, amendments were made lowering the SFHP requirement to the current level of 20% for homeownership projects.
- **In 2016**, amendments went into effect allowing fee-in-lieu by right (did not need Governing Body approval) for multi-family rental units - sunsets on Dec 31, 2019.

### Policy Objectives for Proposed Amendments

- Improve/make transparent certainty of how regulation will be applied.
- Make feasible/incentivize providing rent-restricted units on-site in newly developed rental housing projects.
- Ensure that development of new market rate units isn't inhibited/discouraged.
- Maintain trust fund revenues for development & redevelopment of nonprofit, public and tax credit 100% affordable rental units.
- Establish capacity/framework for managing on-site affordable units, certifying incomes, and leveraging tenant-based subsidy.

### Offer a "Menu" of Options

**Option #1 – FILO (Fee-in-Lieu of):** Methodology for calculating the fee stays the same (based on 15% inclusionary requirement and assesses "affordability gap" between market rents and what's affordable to 65%AMI renter). Fees are deposited into Affordable Housing Trust Fund and used according to NM Affordable Housing Act to support capital costs of rental housing or to provide direct financial assistance to renters. Fee increases from current fee schedule by 20% each year over 5 years according to the following schedule (using current example of 240 unit apartment project):

<b>Permitted by 6/30/20:</b>	\$ 1,167/unit	<b>Permitted by 6/30/23:</b>	\$ 1,868/unit
<b>Permitted by 6/30/21:</b>	\$ 1,401/unit	<b>Permitted by 6/30/24:</b>	\$ 2,101/unit
<b>Permitted by 6/30/22:</b>	\$ 1,634/unit	<b>After 7/01/24:</b>	\$ 2,335/unit

NOTE: Calculation of the fee depends on the unit mix of the specific project and used data updated annually so these numbers are illustrative and do not reflect an exact forecast.

### Option #2 – 100% Low Priced Dwelling Unit (LPDU)

- 100% of units are rented at Fair Market Rents (FMR);
- Incomes of renters can't exceed 120% AMI;
- Cannot discriminate re. source of income and must accept rental assistance voucher if all other terms of tenancy are met;
- Permanent residency (no short term rentals).

### Option 2 - Rent/Income Limits

2019	Max. Rent	HH Size	Max. HH income
Studio	\$ 900	1	\$61,500
1 BR	\$ 1,021	2	\$70,250
2 BR	\$ 1,176	3	\$79,100
3 BR	\$ 1,547	4	\$87,850
4 BR	\$ 1,706	5	\$94,850

### Option #3: - 15% Inclusionary Set Aside

- 15% of units are rented to households earning no more than 80%AMI;
- Cannot discriminate re. source of income and must accept rental assistance voucher if all other terms of tenancy are met;
- Owner/Manager is partnered with subsidy/services provider to conduct income certification, provide support services and provide tenants for units;
- Owner/Manager provides management/operating services related to physical unit;
- Permanent residency (no short term rentals).

### Option 3 - Rent/Income Limits

2019	Max Rent	HH Size	Max. HH Income
Studio	\$ 833	1	\$33,300
1 BR	\$ 951	2	\$38,050
2 BR	\$ 1,071	3	\$42,850
3 BR	\$ 1,190	4	\$47,600
4 BR	\$ 1,285	5	\$51,400

### What are the incentives?

- All options are entitled to 15% density bonus if all code requirements (lot coverage, setbacks, parking, etc.) are met;
- Option 2 receives 15% reduction in all associated development fees and permits from the City's Land Use Department;
- Option 3 receives 30% reduction in all associated development fees and permits from the City's Land Use Department;
- Value of fee reductions/waivers held in lien and forgiven after end of compliance period unless sanctions for noncompliance are imposed.
- Projects may be subject to additional incentives (expedited review and approval, relaxed parking standards, setbacks, etc. as per LINC Overlay example)\*.

\*NOTE: These incentives will be considered by the Planning Commission independently of the Chapter 26 amendments.

### Approval Schedule (subject to change):

- **Oct 16:** *Community Development Commission, 3:30pm (500 Market St)*
- **Oct 22:** *Economic Development Advisory Committee, 11am, (500 Market St)*
- **Oct 28:** *Public Works, 5pm City Council Chambers (200 Lincoln Ave)*
- **Oct 30:** *City Council Request to Publish, 5pm City Council Chambers (200 Lincoln Ave)*
- **Nov 4:** *Finance Committee, 5pm City Council Chambers (200 Lincoln Ave)*
- **Dec 11:** *City Council Public Hearing, 7pm City Council Chambers (200 Lincoln Ave)*

NOTE: For tracking updated meeting status + amendments, go to: [https://www.santafenm.gov/legislative\\_services](https://www.santafenm.gov/legislative_services).