



Legislation Text

File #: 21-471, **Version:** 2

Affordable Rental Housing Fee Offset Program

Presenter:

Steve Posey, Community Development Division Manager
Charae McDaniel, Chief Financial Officer
Peter Wysocki, Director, Planning & Community Development

Summary:

The Affordable Rental Housing Fee Offset Program proposes to make available a fund that can be accessed to assist with development charges accrued to multi-family rental projects. Based on levels of affordability and guarantees of ongoing affordability, developers can apply for funds to help offset the cost of various development charges, including Land Use Review, the PLDO, Public Works, and Colorado Springs Utilities.

The program does not constitute a fee reduction or waiver. Each project applying for access to funds will continue to have all fees determined at current levels. The key difference lies in the method of fee payment. As an example, projects that qualify for a 40% fee offset would be able to access that amount from the fund while the developer/project sponsor would continue to be responsible for paying the 60% balance.

Applications for grant funds to offset development charges will be accepted while funding is available. Staff from the Community Development Division will evaluate projects for grant funding according to the following criteria:

Number of units affordable to households earning 50% or less of the area median income. (10 points available)

Ongoing affordability period (10 points available)

Number of units set-aside for special needs populations. (5 points available)

Alignment with City planning documents, including PlanCOS and HomeCOS. (15 points available)

Location in a high opportunity area. (5 points available)

Incorporation of CHFA green building standards and alignment with CSU energy conservation programs. (5 points available)

Funds will be provided on a first-come, first-served basis. Regardless of the number of applications reviewed and preliminarily approved, funds will only be made available on an annual basis up to, but not exceeding, the amounts budgeted for the program. Even if eligible, project applications received after the annual budget limitation has been met will not be eligible for a fee offset, nor will eligible projects be reimbursed or refunded in subsequent calendar years from future budgeted amounts.

Funds provided by Colorado Springs Utilities will only be used to offset utility infrastructure, including development charges, system extension and improvement costs, energy efficiency, or sustainability

costs. Funds budgeted by the Planning and Community Development Department will be used to offset a variety of other development charges, exclusive of utility infrastructure, that accrue to individual projects.

Previous Council Action:

N/A

Background:

Housing costs in COS continue to increase as household incomes remain flat. The average rent for a 2BR/1BA apartment is approaching \$1400 per month, an increase of 30% since 2015. Nearly half of all renter households in the region spend up to 50% of their income on housing. Rapidly increasing housing costs are particularly difficult for senior households on fixed incomes, as well as for working individuals and families.

Affordable housing development is highly sensitive to development cost increases. Unlike market rate projects where rents can be raised to account for higher development costs, affordable rental housing must hit rent targets to be eligible for the most common types of financing available. Maintaining lower rents on a project results in greater subsidies needed or fewer units developed.

Some development cost components are largely immune to local intervention. The price of materials is set in global markets. The availability and cost of land is largely a free market issue. Securing timely and reliable subcontract labor is increasingly set in the context of high development activity up and down the Front Range. Focusing on development charges at the local level is one of the few tools local government has available to reduce costs and encourage development of new affordable units.

Financial Implications:

Year over year funding for the offset program would come from a variety of sources, including the City of Colorado Springs Planning & Community Development Department and Colorado Springs Utilities. Administration of the program would be by the Community Development Division which has as one of its primary goals the development and preservation of affordable housing.

Board/Commission Recommendation:

N/A

Stakeholder Process:

At the direction of City of Colorado Springs, Chief of Staff, Jeff Greene, a task force convened in May, 2019, to explore the creation of a tiered development review fee structure that would encourage increased production of affordable and attainable housing. Members of the task force included staff from the City Planning & Community Development Department, Colorado Springs Utilities, and the Pikes Peak Regional Building Department. Key stakeholders from the development community included representatives from the Housing & Building Association and Nor'Wood Development. Elected officials included City Council Members Tom Strand and David Geislinger, and Board of County Commissioners member Cami Bremer.

The final report of the task force, including recommendations for implementation of a development fee structure that would encourage additional production of affordable housing in the community, is included in the City Council materials.

Alternatives:

N/A

Proposed Motion:

N/A

N/A