



Commission Memorandum

REPORT TO: Honorable Mayor and City Commission

FROM: Ron Brey, Assistant City Manager
Chris Kukulski, City Manager

SUBJECT: Workforce Housing Task Force Special Presentation

MEETING DATE: February 12, 2007

RECOMMENDATION: This presentation is for public and Commission information purposes. The proposal is complex and detailed and this sort of presentation is necessary for the proposal and all its interconnected elements to be understood. Most substantive provisions are coordinated and interdependent. The proposal must function as a whole.

The actions requested of the Commission are to hear the presentation, ask questions and otherwise become familiar with the provisions of the recommended ordinance. This is also an opportunity to ask the task force for consideration or reconsideration of matters of concern, if any.

The other action requested of the Commission is to direct the staff to take the steps necessary to bring this ordinance back for adoption. There is a significant legal question pertaining to the definition of household. We need to be sure that we are able to use the regulatory definition from the UDO as proposed, rather than being bound by definitions from the Fair Housing Act.

Courts have made the distinction between the two definitions and resolution may be clear but it is a necessary remaining step along with the general legal review we would always obtain in conjunction with a proposal like this.

There are also planning issues that must be addressed in conjunction with the adoption of this program. Reduced minimum lot sizes and zero lot line construction are provided as cost offsets for Workforce Housing Units in all zoning districts including R-1.

The staff recommends that the Commission hear the presentation, obtain any necessary clarifications, request that the task force address outstanding issues (if any), and direct the staff to bring the matter back as soon as possible after legal review and planning identification of needed UDO revisions. The recommended timeframe should allow for an effective date before June 30, 2007 to meet the July 1, 2007 implementation date in the proposed ordinance.

BACKGROUND: In August, 2007, the Commission appointed a twelve member workforce housing task force to identify, if possible, improvements to the workforce housing ordinance considered for adoption at that time. The initial charge gave the task force 60 days to complete their task. The task force membership was constructed to include diverse viewpoints concerning workforce housing. Membership included expertise in affordable housing programs in Bozeman, mortgage lending, affordable housing construction, development, engineering, design, workforce housing needs, clergy, real estate, and employers. The group met seventeen times beginning on September 9, 2006, with meetings often running 3 to 4 hours. Numerous subcommittees convened over the course of this effort as well, and individual assignments were often completed from meeting to meeting by individual task force members.

The task force examined each element of the original ordinance in detail. Close scrutiny resulted in the identification of numerous unforeseen issues. Each of these in turn was examined closely with various approaches considered and rejected along the way. What you have before you represents the CONSENSUS recommendation of the task force.

FISCAL EFFECTS: There are important and complicated requirements for administration of this program. Monitoring banked units and lots, administration of cash-in-lieu collections, development and monitoring of quality of construction requirements, deed restriction oversight, oversight of condominium construction and covenants to assure eligibility for FHA and Fannie Mae financing, and other administrative responsibilities make it likely that the services of an FTE will be required to administer the program. The recommended implementation date of July 1, 2007 was established in part to allow time for the City to prepare the administrative mechanisms needed to run the program. The draft specifies that cash-in-lieu funds will be available for administrative costs and the big box task force recommended that the affordable housing portion of big box economic mitigation fund collections be dedicated to first time home ownership programs. This workforce housing ordinance will establish just such a program.

ALTERNATIVES: As suggested by the City Commission.

Respectfully submitted,

Ron Brey, Assistant City Manager

Chris A. Kukulski, City Manager

Attachments: Cover letter, Rationale statement, Shared responsibility chart, recommended ordinance text, and cost offsets and incentives table.
Report compiled on: February 7, 2007

February 5, 2007

Workforce Home Ownership Ordinance Proposal

Dear Mayor Krauss and Commissioners:

We, the members of the Affordable Housing Task Force, wish to thank you for the opportunity we have had to gain knowledge, make friends, and be of service to our community in working together to write the attached documents. It has been a long process (five months of weekly 3 hour meetings plus many subcommittee meetings) and much more complicated than any of us realized when we began.

We have designed a document which has our unanimous consensus support and which we believe is in the best interests of the whole community. We did not attempt to wordsmith, but rather to include the major concepts crucial to the success of an affordable housing ordinance. We gathered information from segments of the community not represented on the task force, as well as studying ordinances in many other cities. Our work was influenced by the guidelines which we all agreed upon at the beginning:

- it must provide an ongoing supply of affordable housing for our workforce
- it must be simple to administer
- it must share the benefits and costs across all segments of the community

We also sought to address the major public concerns and suggestions shared during City Commission hearings on the original Workforce Housing Ordinance draft. As we worked together, it became clear that many of the alternatives to the ordinance suggested by the building industry, the Chamber of Commerce, and the Gallatin Association of Realtors could best be implemented through inclusion in a significantly revised ordinance, and they are part of our recommendations. It is our deep desire that this Workforce Housing Ordinance become a tool for uniting the community behind this approach. In our contacts with community groups, we have already found encouraging support and interest.

In the course of writing this document, it became apparent that current City staff is not adequate to handle the many administrative details it requires. Thus, we recommend that the City be prepared to hire additional staff and/or create an administrative authority for this program (common in most other cities). And we urge you to consider this proposal as an integrated whole. All its components were carefully designed to work together, and each is part important to successful implementation of this program, which will meet the needs of our workforce for the economic security that home ownership provides.

This packet contains the revised ordinance, additional recommendations, and attachments to explain our rationale for the various sections of the ordinance. We request that all our documents be posted on the City Web site so that citizens who want to comment will be well informed beforehand.

Sincerely,

The Affordable Housing Task Force:

Chris Budeski, Brian Caldwell, Amanda Cater, Dab Dabney, Marco Ferro, Connie Garrett, Craig Roloff, The Reverend Roxanne Klingensmith, Jennifer Olson, Alex Phillips, David Smith, Marcia Youngman

Attached Documents

Revised Ordinance

Memo, Rationale for Revisions and Additional Recommendations

Benefit/Cost Sharing the Responsibility Chart

Cost Offsets and Incentives for Developers and Builders

Section 1
Title 16, Housing
Chapter 2, Workforce Housing

16.02.010. Purpose

The purpose of this chapter is to enhance the public welfare by ensuring that the workforce housing needs of the city of Bozeman are addressed. The City Commission finds that there is a critical shortage of workforce housing, making home acquisition by many city of Bozeman resident workers extremely difficult. The resident workforce is leaving the city in search of housing, and new employees are being deterred by the high cost of for-purchase housing. To maintain a sufficient resident workforce in all fields of employment, and to ensure the public safety and general welfare of the residents of the city of Bozeman, resident workforce housing needs must be addressed. It is the intent of this chapter to require the provision, for purchase, of workforce housing units to meet the needs of income-qualified households in the workforce and other households within the specified income range.

16.02.020. Applicability

A.

1. A developer of a subdivision that includes residential lots, for which preliminary plat is submitted after July 1, 2007 and which will result in development of ten or more residential lots shall provide a lot or lots for the construction of 0.4 dwelling units per net acre of development for the workforce housing program, as outlined below. Multiple developments or projects by the same applicant or responsible party within any consecutive 12-month period on parcels held in contiguous ownership at the time of the initial development that in the aggregate equal or exceed ten residential lots shall be subject to this section.
2. Any site plan including residential condominiums on lots created or annexed after July 1, 2007, with a gross project area of more than 5 acres shall provide, or shall cause to be provided 0.4 dwelling units per net acre of development for the workforce housing program, as outlined below. Multiple site plans by the same applicant or responsible party within any consecutive 12-month period that in the aggregate exceed a gross project area of 5 acres shall be subject to this section.

B. Project Size:

1. Subdivisions with fewer than ten lots, or condominium site plans with a gross project area of 5 acres or less: No workforce housing requirements.

2. Subdivisions with ten or more lots, or condominium site plans on lots created or annexed after July 1, 2007, with a gross project area of more than 5 acres: 0.4 dwelling units per net acre of development in the subdivision must be dedicated to workforce housing requirements (excluding any additional dwelling units approved through a density bonus), subject to the provisions of Section 16.02.040.

16.02.025 Definition of Terms

Actively Marketed – Active marketing includes, but is not limited to, City of Bozeman website listing and available print advertisement, including, but not limited to, local newspapers and other available print media. Active marketing includes continuous promotion of property concurrent with market rate homes.

Affordable Housing – Housing for persons earning less than 65 percent of the area’s median income for rental housing and less than 100 percent of the area’s annual median income for purchased housing. Further, affordable housing does not require greater than 30 percent of the household gross annual median income for housing. Annual median income is defined by the Department of Housing and Urban Development. Affordable housing is subject to the City’s affordable housing policy.

Area Median Income (AMI) – Defined by the Department of Housing and Urban Development, AMI is the median income for a family of four within a specific geographical area, such as Gallatin County.

Attached Single Family Home (ASFH) – A dwelling attached by one or more common walls with another dwelling. Multiple homes on a single lot can be deeded separately, such as condominiums.

Banking Units – Workforce Housing Units (WHU)s can be pre-built and/or lots can be set aside for future construction of WHUs, which will count towards the required number of WHUs for a future subdivision and/or development by a particular developer and/or builder.

Credit Qualification – Evaluation from a reputable lender licensed to work in the State of Montana providing proof of an individual’s and/or household’s ability to purchase a home.

Detached Single Family Home (DSFH) – A freestanding dwelling built without any shared walls.

Dwelling – A building or portion thereof, meeting the requirements of the City’s adopted International Building Code and used by one household, as defined by Chapter 18.80 of the Uniform Development Ordinance, BMC, for residential purposes. Dwelling occupancy duration is typically longer than thirty continuous days. Dwellings may exist in many configurations, including single-household, two-household, multiple household dwellings, and group homes. Dwellings do not include hotels, motels, extended stay lodgings, or tourist homes.

Household – A person living alone or any of the following groups living together as a single nonprofit housekeeping unit and sharing common living, sleeping, cooking, and eating facilities. Any number of people related by blood, marriage, adoption, guardianship, or other duly-authorized custodial relationship;

- A. Not more than four unrelated people, including persons enrolled in an institution of higher learning. Two unrelated people and any children related to either of them; or
- B. Not more than four people who are:
 - 1. Residents of a “Community Residential Facility” as defined in § 76-411 et. Seq., MCA and this title; or
 - 2. Handicapped” as defined in the Fair Housing Act, 42 USC § 3602 (h). This definition does not include those persons currently illegally using or addicted to a “controlled substance” as defined in the Controlled Substances Act, 21 USC §802 (6).
- C. “Household” does not include:
 - 1. Any Society, club, fraternity, sorority, association, lodge, combine, federation, coterie, cooperative housing, or like organization;
 - 2. Any group of individuals whose association is temporary or seasonal in nature; or
 - 3. Any group of individuals who are in a group living arrangement as a result of criminal offenses.

Housing & Urban Development (HUD) – The federal agency responsible for setting Area Median Income limits.

Net Area – Area within a development that can be sold.

Off-site Dwelling Unit – A WHU that is constructed or a lot set aside for construction at another location away from the planned subdivision and/or development.

Uniform Development Ordinance (UDO) – City of Bozeman’s code providing rules and regulations for city development.

Workforce – Households earning less than 120% of AMI for the City of Bozeman or, for households larger than four, households with a current average income at or less than 120% AMI for a household of that size.

Workforce Housing Plan – each development meeting the applicability criteria defined in 16.02.020 shall have an affordable housing plan under this ordinance. The affordable housing plan shall be consistent with the provisions set forth in the Workforce Housing Ordinance.

Workforce Housing Program – This program is established under the Workforce Housing Ordinance. The Workforce Housing Program is administered by the City of Bozeman, the Commission and/or agency directed by the Commission.

Workforce Housing Unit (WHU) – Housing for persons earning less than 120 percent of the area’s median income for purchased housing. Further, workforce housing does not require greater than 30 percent of the household gross annual median income for housing. Annual median income is defined by the Department of Housing and Urban Development.

16.02.030. Workforce Housing Plan Required

The developer of a project meeting the applicability criteria defined in 16.02.020 shall submit, prior to or concurrently with their application for preliminary plat or condominium site plan approval, an application describing their workforce housing plan in accordance with this and other applicable ordinances. The developer's workforce housing plan must, in addition to items listed above, include a marketing plan and estimated project timeline.

16.02.040. Compliance

A development meeting the applicability criteria defined in 16.02.020 is required to provide lots and/or building areas for construction of Workforce Housing Units (WHUs) for homeownership according to this chapter and may meet its obligations according to one or a combination of the methods established below.

Workforce Housing Detached Single Family Home (DSFH) lots and Workforce Housing Attached Single Family Unit (ASFU) lots shall be sized according to the matrix found in 16.02.050 (below) and shall be priced at \$12/sf in 2007 and increase annually at the lesser of 4% or the increase in the AMI for that year. Periodic review of the annual increase shall be completed by the City and shall not be greater than the lesser of 4% annually or the increase in the AMI over that time period.

A. Density Calculations

1. The required number of for sale WHUs is calculated at 0.4 units per net lot area of development in acres.
2. Where the fractional calculated required WHU lots are greater than one-half, the developer shall be required to provide the next full lot.

B. Specified Use Calculations

1. A minimum of 30% of the required WHUs must be DSFHs.
2. The remaining required WHUs may be either DSFHs or ASFUs

3. Rounding of units will be in favor of DSFH.

C. Deed Restriction

1. The WHUs shall be deed-restricted to meet UDO and Workforce Housing Unit program requirements.
2. If the actively marketed DSF lot is not sold within one year of final plat approval, the deed restriction shall be removed.
3. If the actively marketed DSFH or ASFU is not sold within 6 months of receiving an occupancy permit from the City Building Department, the deed restriction will be removed.

D. Marketing

1. All lots and WHUs shall be actively marketed by the developer and/or builder in the appropriate print media and on the City of Bozeman's website.
2. WHU lots shall be actively marketed concurrently with the market rate lots.

E. Methods of Compliance

1. The developer shall provide the required number of lots for construction of DSFH and ASFU. The lots shall be actively marketed at the same time as the other lots are marketed and not later than commencing at final plat approval.
2. Off-site workforce dwelling unit lots
 - a. The developer of a subdivision may provide WHU lots off-site for the production of the same number and type of affordable units required for the development of his/her subdivision. The land must be suitable for construction, without abnormalities and with complete environmental review accepted by the City of Bozeman. It must be economically feasible to develop the required number of units on the site. The site must be appropriately zoned and improved with infrastructure (including curbs, gutters, water, sewer, and storm drainage) to City of Bozeman standards. Excessive aggregation of WHUs shall be discouraged.
 - b. The developer may opt to build WHUs in another location within the City of Bozeman. When developed in excess of required WHUs or in advance of the development for which the WHUs will be required, such WHUs will be accepted as credit toward required units in a future application(s). This process is known as "banking units". The banked units must be pre-approved by the workforce housing program administrator.

c. Existing housing may be used to fulfill the requirements defined in Option #1 above. Such housing must be located within the City, be zoned for residential use, have clear title, be in good repair and available for immediate habitation. The conversion to condominiums of existing rental multifamily housing will not be considered for compliance with the requirements of Option #1, unless such conversions were completed on or before December 31, 2006.

3. Individualized Program

A developer may opt for an individualized program which must provide, at a minimum, the same number of units required under option number 1. An individualized program will be subject to standard review by city staff, boards, the Commission, and the public. There will be one additional public meeting with the City Affordable Housing Advisory Board (CAHAB). This meeting will review:

- a. project feasibility
- b. overall benefits and drawbacks of the project
- c. compliance with the affordable housing policy priority needs

The CAHAB will make a recommendation to the City Commission on each individualized program. The Commission will make the final decision in conjunction with preliminary plat review.

4. Cash in Lieu

The developer may pay a fee to the City of three times the value per lot of the lots required to be provided at reduced prices in option #1 above. Money received through the Cash in Lieu option shall be used to provide down payment assistance and dwelling units for the priority populations identified in the City's periodic housing needs assessment and to cover administrative costs. 25% of any cash in lieu collected through this ordinance will be set aside for parkland acquisition; maintenance and enforcement of parkland development requirements after adequate administrative costs are withdrawn.

F. Waiver.

A developer may request a waiver from the requirements of this chapter. A waiver request must be submitted to the Community Affordable Housing Advisory Board simultaneously with application for preliminary plat subdivision review. The CAHAB

will make a recommendation to the City Commission on each waiver request, which will make a final decision.

16.02.050. Cost of Housing

Determining the price of a unit:

The maximum sales price of a for-purchase Workforce Housing Unit will be determined annually by the Workforce Housing Administrator using the assumptions listed below. The maximum price of a house built on a workforce housing lot will be provided to the developer of the subdivision at final plat.

The price of each WHU is the total price, and will include all taxes, fees, SIDs and commissions accrued in bringing the house to the point of sale. The purchaser of the WHU is responsible for payment of closing costs to secure their financing and is also responsible for payment of any SIDs created after point of sale.

Pricing assumptions:

In setting the maximum price of a WHU, the plan administrator will use the following assumptions:

- 1) The Area Median Income (AMI), as of January 1st of each year, as set annually by HUD will be used to define annual income for households of 2, 3, and 4 earning 80% and 100% of AMI.
- 2) Gross monthly income will be calculated as annual income divided by 12.
- 3) The household's monthly payment will not exceed 30% of their gross monthly income for payment of Principal, Interest, Taxes, Insurance, and Homeowner's Association Dues.
- 4) 27% of the household's monthly housing payment will be allocated toward payment of escrows for taxes, insurance, and homeowner's association dues.
- 5) The interest rate will be calculated using the rate of the Montana Board of Housing's regular bond program plus ¼% as of January 1st of each year.
- 6) The loan will be a 30 year, fixed rate loan.
- 7) Loan to value is 97%.

The following table depicts the mix of dwelling unit types and the associated maximum price for units used to comply with the provisions of this chapter. Houses must be built to minimum construction standards specified by the workforce housing program administrator. Developments using condominium housing to meet the requirements of this section shall take the necessary steps during construction and shall provide the necessary covenants concerning owner occupancy requirements to assure that condominium purchases will be eligible for Fannie Mae or FHA financing.

Mix and Price of Dwelling Units

Total units req'd	1	2	3	4	5	6	7	8	9	10
Detached units required	.3 = 1	.6 = 1	.9 = 1	1.2 = 2	1.5 = 2	1.8 = 2	2.1 = 3	2.4 = 3	2.7 = 3	3 = 3
Unit #										
1	D, HH4	D, HH4	D, HH4	D, HH4	D, HH4	D, HH4	D, HH4	D, HH4	D, HH4	D, HH4
2		A, HH4 <small>*when only two units are required, the developer may opt to create the two units above, or may choose, as an alternative, to create two (2) A, HH4 units</small>	A, HH4	D, HH3	D, HH3					
3			A, HH3	A, HH4	A, HH4	A, HH4	D, HH2	D, HH2	D, HH2	D, HH2
4				A, HH3	A, HH3	A, HH3	A, HH4	A, HH4	A, HH4	A, HH4
5					A, HH2	A, HH3	A, HH3	A, HH3	A, HH4	A, HH4
6						A, HH2	A, HH3	A, HH3	A, HH3	A, HH3
7							A, HH2	A, HH2	A, HH3	A, HH3
8								A, HH2	A, HH2	A, HH3
9									A, HH2	A, HH2
10										A, HH2

Key:

Unit Code	Unit Type	AMI	HH pricing size	Minimum # bedrooms	Minimum of baths	Garage req'd	Min. Lot size (sq. ft)	max price
D, HH4	Detached	100%	4	3	1+.5	1 stall	2751-3000	Set annually by WFH administrator using the assumptions listed in Section 16.02.050
D, HH3	Detached	100%	3	3	1+.5	1 stall	2500-2750	
D, HH2	Detached	100%	2	2	1+.5	1 stall	2750	
A, HH4	Attached	80%	4	3	1+.5	1 stall	2500	
A, HH3	Attached	80%	3	3	1+.5	1 stall	2500	
A, HH2	Attached	80%	2	2	.75+.5	1 stall	2500	

Units required in excess of 10 will be determined using the above chart. For example, 15 units will be determined by combining the requirements for 10 and 5 units. Thirty five (35) units will be calculated using three times the ten unit requirement plus the five unit requirement.

16.02.060. Cost Offsets

A one-to-one density bonus will be provided for each dwelling unit meeting the workforce housing requirements, whether on-site or through land dedication. Density of development must be such that the density bonus does not cause the individual lots to have dimensions or constructed dwellings to have characteristics which are less than minimum standards established by Title 18, BMC.

- A. Developers and builders may choose to take advantage of as many of the following cost offsets as are appropriate for their project, subject to any limitations listed with specific offsets:
1. The reduction of parkland for WHU shall be a 1:1 ratio based on the required square footage of the lot area. For example, if 50,000 square feet of WHU lots are required then there shall be a reduction in the required parkland area of 50,000 square feet. If the developer chooses to develop more than the required WHU lots the additional lot area square footage, above the required, shall not reduce the parkland area in excess of the required. The reduction of parkland shall be allowed for WHUs and/or lots provided offsite but only to the extent of the required WHU lot area for the development applying for this parkland offset and only applied on the site of the development applying for the parkland offset.
 2. Significantly smaller minimum lot sizes are allowed for workforce dwelling units (WHUs), both detached and attached.
 3. A one-to-one density bonus is available for each lot meeting the requirements of this ordinance, whether onsite or through offsite land dedication. Additional parkland does not have to be provided for housing created through this density bonus provision.
 4. Builders paying WHU impact fees qualify for deferral of payment until certificate of occupancy.
 5. A sliding scale of fully waived, reduced and deferred impact fees will be used for WHUs. WHUs priced for sale to households making 70% or less of AMI qualify for 100% waived impact fee. Units priced for sale to households making 71–80% AMI qualify for 50% waived impact fee and 50% impact fee payment deferred until certificate of occupancy. Units priced for sale to households making 81% to 90% AMI qualify for 25% waived impact fee and 75% impact fee payment deferred until certificate of occupancy. Units priced for sale to households at 91–100% AMI qualify for 100% impact fee payment deferred until certificate of occupancy.

6. Reduction or waiver of other City fees may be available for housing projects that are 100% affordable, according to the city definition of affordability and that are approved through the individualized program.
7. Fast-track site plan review is allowed through use of contract planners.
8. Expedited review by all departments (planning, engineering, building, etc.) will be arranged upon request for site plans with 100% affordable housing.
9. Simultaneous infrastructure and housing construction will be permitted upon request for projects building on-site affordable housing units as specified by this ordinance, in line with UDO requirements.
10. Projects will be rewarded with optimal review time if project submittals are complete and fully meet code standards so planners/engineers/building department do not have to send the project back to applicant for more work
11. Low-interest construction loans possible for construction of workforce housing units on an as-available basis through the City's Economic Development and Housing Revolving Loan Funds and/or through participating private lenders.
12. Zero lot line is allowed in all residential zoning districts for creation of duplex town homes on two lots. This permits combination of two workforce housing units or one workforce unit and one market-rate unit. In R-1 zoning, duplexes must be comparable in size to market-rate single family homes in the subdivision and designed to look like single-family homes in regard to placement of doors, garages, and driveway.
13. WHU architectural plans available through the City will be exempt from Design Review.

16.02.070 Requirements for Workforce Housing Units (for the Builder/Developer)

- A. Mix. Workforce housing units (WHU) shall be a mix of two and three bedrooms, both detached and attached. There shall be a minimum of 30% detached units, with the remainder as attached units. The units shall be located throughout the subdivision. All homes must have at least one bath and a single car garage at minimum. One bedroom units and four bedroom units will be considered as WHUs as part of an individualized project. (See section in Methods of Compliance).
- B. Unit type The units must be similar (compatible, consistent) in exterior finish and design to other market rate units within the subdivision. (Concept is that WHUs should not be easily identifiable by someone driving through the area).
- C. Livability WHUs should be functionally equivalent to other market rate units, i.e. closets, patios or decks or porches, kitchens. The materials used on the interior finish may be of different quality, e.g. laminate countertops instead of tile, linoleum entry instead of tile, but durable.
- D. Location The location of the WHU must be identified on the preliminary and final plats. The units must be located throughout the subdivision, either

individually or in small clusters. (Concept is that units may be in small clusters, but not located in one corner/area of the subdivision).

E. Timing

Regarding Lots:

- 1) Workforce Housing Lots must be actively marketed (refer to Section 16.02.040.D) during the same period as market rate lots in the subdivision.
- 2) Workforce Housing Lots must provide the City of Bozeman with First Right of Refusal to purchase in the event that an actively marketed lot is not sold within 12 months of availability.
- 3) In the event that a lot has been actively marketed (as determined by the Workforce Housing Administrative Authority) for a period of not less than 1 year and remains unsold the City will do the following:
 - a) Determine if the City will elect to exercise their First Right of Refusal to purchase the lot at its affordable price;
 - b) If the City chooses not to purchase the property, the developer may sell the lot as a market rate lot. The difference between the lot's sales price and the affordable price plus interest paid on the lot will be paid to the City's Affordable Housing Fund when the lot closes by the title company. The deed restriction on the lot will be removed at closing as well.
- 4) Lots that are not actively marketed and for which building permits are not drawn within 4 years of commencement of construction of market rate units will be subject to purchase by the City at ½ the workforce housing lot price in the year final plat was received.

Regarding Building on the Lots:

- 1) Workforce Housing Lots purchased must draw building permits within 3 years of the initial sale of the lot.
- 2) Workforce Housing Lots not drawing a building permit within 3 years of the initial transfer of the lot will be subject to purchase by the City of Bozeman for ½ the workforce housing lot price in the year final plat for the subdivision was received.
- 3) Owners of a Workforce Housing Lot unable to draw a building permit in the prescribed time may appeal to Workforce Housing Administrative Authority for a waiver to prevent sale of the lot to the City and allow for additional time to construct a Workforce Housing Unit. The request will be reviewed by the Workforce Housing Administrative Authority, who will make a recommendation to the City Commission. Final decision will be that of the City Commission. Requests for waivers must include:
 - a) Reason for the request
 - b) Lot owner's proposal to build workforce housing unit and timeline

- F. Disclosure In addition to being designated on the plat, the location and type of WHU in a development must be disclosed in writing by each seller of a WHU to each subsequent purchaser.

16.02.080 Occupancy Requirements:

- A. Owner Occupancy: WHUs must be the primary residence of the owner. A property may not be vacant for more than 30 days.
- B. Proof of Primary Residency: Homeowners are required to supply proof of full-time residence on an annual basis to the City. Proof must consist of bills from utility companies or any personal government mailings. If it is determined that the WHU is not being used as a primary residence, the lender will be notified. The Mortgage Lender and or its assigns, will handle this conflict according to a Rider that is attached to the Mortgage Note, which is signed by the mortgagor (applicant) at settlement of the loan.
- C. Allowance for Periodic Absences: Absences are allowed for sabbaticals, yearlong job transfers, military responsibilities, etc. Periodic absences are not to exceed one year or as established by Federal law. Proof of valid absence shall be required
- D. Renting During Periodic Absences: WHUs may be rented by the owner during an acceptable periodic absence. The homeowner may rent their home for one full year for every five years of residency. If the WHU homeowner rents their home for more than one consecutive year, this is not considered owner occupancy and the loan will be called due in full within 30 days. The homeowner must notify the city when such rentals are commenced and terminated.
- E. Purchase of Another Property During Residency: A homeowner is allowed to purchase other property while living in their WHU but must notify the city.
- F. Sustained affordability: The following measures will be applied to ensure that sustained affordability is achieved in the workforce housing:
1. Appreciation on the unit will be capped at 4.5% per year, maximum. A person purchasing a WHU will only be eligible to receive a maximum of 4.5% appreciation each year. This is the maximum appreciation allowed, not the guaranteed rate of appreciation. Purchasers will receive a maximum appreciation schedule at closing.
 2. In the case of foreclosure or sale, the City of Bozeman will be granted a First Right of Refusal on the property. Any net income the City earns from the resale of the property will be dedicated to down payment assistance. Should the City not exercise this right, the lender may liquidate the property at market rate.

3. The maximum rate of appreciation will apply for the first 10 years of ownership. After 10 years of ownership, any workforce housing deed restriction on the property will be removed. If the house is sold before 10 years, the new buyer will be subject to the workforce housing eligibility requirements and a new 10 year affordability period will commence.

4. In the event of the sale of the property before ten years, appreciation of the property is calculated. If the actual appreciation of the property is less than the maximum appreciation, the owner receives the actual appreciation (less costs). If the maximum rate of appreciation is equal to the rate of appreciation, the owner receives the maximum rate (less costs). If the actual appreciation of the property is greater than the maximum rate (4.5%), the owner receives the maximum rate (4.5%) and the difference will be allocated to the City's Workforce Housing fund

16.02.085 Buyer Qualification:

Before a household may register in the lottery for the opportunity to purchase a WHU, they must meet the following requirements:

- A. Buyer Loan Pre-Qualification: All Program applicants must be pre-qualified upon credit evaluation (credit scores from all three credit bureaus or acceptable non-traditional scores) by a City approved lender. The applicant(s) must obtain a letter of pre-qualification from the City approved lender that is no more than 90 days old. Once the applicant is pre-approved by the Workforce Housing Program Authority and a City approved lender, they will be placed into the lottery. The applicant(s) will remain pre-qualified until selected in the lottery. Once selected, if the applicant's pre-qualification letter is older than 90 days, the applicant will be given one week to obtain pre-qualification again. After one week, the selection lapses and new buyers are selected. If the applicant(s) letter is less than 90 days old at time of selection, the applicant(s) do not have to obtain re-qualification from a City approved lender.
- B. Household Income: The current total household income for the household may not exceed 120% of Area Median Income for a household or 4. For households larger than four, the income cap will be 120% for the size of that household.
- C. Asset Limits: The applicant must verify that they have sufficient liquidity to bridge the gap between the loan amount and the home's purchase price; however, total liquid household assets are limited to \$100,000 and non-liquid assets are limited to \$150,000. Applicants are not allowed to own any other homes or residential property anywhere. This provision eliminates any applicants who own rental or investment property.
- D. Household Size: There will be no minimum or maximum household size limits for the Program except as defined by Local, State or Federal law.

- E. Residency Requirement: All applicants must be residents of or employees working in Gallatin County or demonstrate that they are moving to the area for a specific job when they apply for the Program.
- F. Homebuyer's Education: Applicants must complete a homebuyer's education program of the city's choice.

16.02.090 Buyer Selection Process (the Lottery):

A lottery system will be established by the City and/or Workforce Housing Program agency to determine a homebuyer whenever multiple qualified applicants wish to purchase the same workforce lot or home.

16.02.095 Program Review

The Workforce Housing Program established herein shall be reviewed two years after its inception and annually thereafter to determine its effectiveness and to determine if the mechanics of the program are found to impose an unreasonable burden on either the parties producing the housing or the on the parties purchasing it.

February 5, 2007

**CITY OF BOZEMAN AFFORDABLE HOUSING TASK FORCE
WORKFORCE HOUSING PROPOSAL**

RATIONALE FOR REVISIONS AND ADDITIONAL RECOMMENDATIONS

Our task force started with the Workforce Housing Ordinance the City Commission began considering in mid-2006. Public input received by the Commission, the Commission's charge to our task force, our own research, and the perspectives of our diverse our task force members led us to develop major revisions to the ordinance. We have included some elements from the hospital's Affordable Housing Plan when we thought the hospital's approach was superior. This memo summarizes our reasons for the proposed changes section by section, organized in the order of our ordinance proposal. In our revisions, we did our best to address and resolve all the major concerns expressed by the public about the original draft.

This memo concludes with our recommendations and rationale for additional code, program, and administrative changes, including suggestions for implementation of the home ownership program. We believe the City needs to take these additional actions not only for the home ownership program to succeed but to extend the effectiveness of other City and private market efforts to respond to affordable housing needs.

16.02.010 Purpose

We believe that Bozeman benefits from a diversity of economic levels. In addition, a higher percentage of home ownership enhances the local tax base, the economy, community involvement and voluntarism, and neighborhood quality of life. We also believe it is very important that those who serve our community as teachers, nurses, fire and police officers, government employees, and private service sector employees be able to live where they work and that it benefits the community when they do. Current house prices make it impossible for people earning average Bozeman wages to buy homes, so it is necessary for the City to adopt a plan that will result in housing affordable for workforce home ownership, including detached single-family homes and attached townhouses and condos.

16.02.020 Applicability

We spent a great deal of time in designing a program which would result in the required number of affordable units (approximately 10% of annual building permits related to for-sale housing) and yet not penalize the small, independent builder who may be doing only a few units per year. We also wanted to close loopholes that would allow someone to do several projects under 10 units in the same year, thus avoiding compliance with the ordinance.

We were aware that—unlike many of the cities around the country that have adopted inclusionary housing—usually the developer is not the builder in Bozeman. Hence, we designed the ordinance to address both aspects of a project. We want it to be clear from the initial proposal exactly which lots will be designated for Workforce Housing Units (WHUs). We also want to ensure the WHUs will actually be built.

After weeks of making calculations and sketching subdivision models, we concluded .4 units per net acre within a subdivision should result in a good number of units and still allow the developer/builder to make a reasonable profit. This number is smaller than 10% of all the units in a subdivision for two reasons. Other cities' comparable ordinances address both rental and for-sale housing. First, since the focus of this

program was identified by the City Commission to be home ownership, we thought the 10% should be calculated in regard to the for-sale housing in a typical subdivision, rather than 10% of all the housing. Second, exact subdivision density isn't known at preliminary plat. Since we have made the developer responsible for providing low-cost lots and they are generally not the builders on these lots, we needed a set percentage of lots that would not have to be adjusted later. This approach in essence creates a density bonus. Builders on unrestricted lots will be able build to any density without needing to provide additional affordable housing. The City's 2020 Plan encourages higher densities, and our ordinance makes it more inviting to build such densities.

16.02.025 Definition of Terms

Many of our proposed revisions are aimed at making the ordinance user-friendly, easy to understand, and easy to administer. Defining terms used within the ordinance is one such revision.

16.02.030 Affordable Housing Plan Required

It is important to know at preliminary plat how many units will be built, where, and when.

16.02.040 Compliance

Currently, the main obstacle to providing affordable housing is the cost of land. Builders told us that if the cost of land were lowered (and some cost offsets were made available—see 16.02.060), they would be able to create homes within the targeted range. Because the City's use of Restricted Size Lots (RSLs) has not resulted in affordable small homes, we targeted price of land.

We established the price of lots based on the current cost (\$12 per s.f.) to create improved lots, including infrastructure. This price will be annually adjusted.

(A.B.C.) Builders and developers told us they wanted a plan which was easy to understand and had clear guidelines. By specifying density calculations, specific percentages for attached and detached units, and outlining the deed restrictions, we are responding to their request.

(D.) Lots must be actively marketed concurrently with market-rate lots, and WHUs must be actively marketed as well. In other parts of the ordinance, we did our best to close loopholes so lots will sell in a timely manner and WHUs will be built and sold to eligible buyers, also in a timely manner, but without unduly penalizing developers and builders. We expect market forces to help the ordinance work, as written. One provision (16.02.070 E) that helps ensure affordable homes will be built gives the City First Right of Refusal to buy lots that don't sell within the required timeframe. Then the City could contract with builders to construct WHUs on these lots.

(E. 1–4) We wanted to provide some flexibility in how and where developers/builders can comply with the ordinance. Most WHUs will be built within the subdivision, but there may be cases in which it would be beneficial for the community and the builder to have other options. We also wanted to ensure that affordable housing be made available throughout the City and not confined to one area.

We anticipate that the cash-in-lieu option will not be used very often. However, monies generated in this manner will allow the City to purchase land for other affordable housing projects and/or operate the program.

The individualized program option allows for affordable rental as well as for-sale housing to be proposed for consideration. Cash-in-lieu can also be used to address rental as well as home ownership needs (including down payment assistance and rehab of homes at resale), as well as used to help serve home owners making less than 80% of area median income (providing land to Habitat for Humanity, for instance). We included this flexibility in part in response to public input, to expand the City's capacity to respond to priority housing needs, and to coordinate this ordinance with other City housing programs.

Some builders have suggested another method of compliance would be to buy existing housing and bring it into the program by deed-restricting the lot(s) and reselling the housing affordably, as defined in this ordinance. We enthusiastically added this option to the compliance section because almost all the affordable housing created by this ordinance is going to be on the fringes of town, often far from services, school, and work because that is where unsubdivided land is. We need more affordable housing in existing neighborhoods and this approach is one way to achieve that. And it would result in the same net increase in affordable housing in town, even though it wouldn't result in as many new affordable homes.

(F.) The waiver is a necessary legal requirement.

16.02.050 Cost of Housing

Both the size of the lots and the size and price of homes built will be restricted. The matrix is designed to ensure that there is a range of prices for qualified buyers to choose from and that builders know exactly what they have to build, for what price. It was the industry representatives on our task force who recommended the matrix approach.

The following is an example of how the matrix would work. If 13 WHUs are required of a development, the ordinance requires that 3.9 (rounded to 4) detached WHUs be provided. The result would be:

2 detached (D) units, household (HH) of 4, max 2007 price of \$176,988;

2 D, HH3, \$159,414;

3 attached (A), HH4, \$141,527;

4 A, HH3, \$127,406;

2 A, HH2, \$113,285.

After consulting with staff and reviewing lot and home sizes in other cities, we decided to recommend much smaller minimum lot sizes than the City currently allows. The minimum lot and home sizes we recommend may sound small, but we have seen examples of quality homes of this size, both detached single-family and attached with two and three bedrooms, built in other communities on very small lots. With cost of land such a concern in Bozeman, smaller lots help address this issue.

Information we received from a number builders on the cost of per square foot to build homes led us to conclude that even with cost offsets it would not be possible for builders to construct even small single-family detached housing at any profit that would sell affordably to people making 80% of median income. Thus we are recommending that detached housing be priced for people at 100% of area median income (AMI) and attached housing be priced primarily for people at 80% of AMI.

The original ordinance proposed all housing be priced affordably for people at 80% of AMI, though people making up to 120% of AMI would have been eligible to buy these homes. (Limited savings, medical expenses, a special needs family member, credit history, and so forth can limit the capacity of

first-time buyers to afford a home price consistent with their income.) We kept the same range of purchasers, people making up to 120% of AMI, but we decided it would be better to allow a range of home prices, set at levels affordable to incomes at 80 to 100% of AMI. We think this will result in meeting a greater variety of home buyer needs and creating more variety of housing types.

16.02.060 Cost Offsets

Much of the opposition to the original ordinance came from the construction segment, as they felt they were being asked to shoulder most of the costs and build the housing at a loss. This section is designed to offset some of their costs and make it possible for them to provide affordable homes and yet still make a reasonable profit. We've attached a chart with the same offsets listed, and also labeled according to whether they benefit developers or builders.

(See the attached Sharing the Responsibility/Benefits Chart for how this ordinance can involve all segments of our community.)

This section was written with extensive input from builders. Its implementation may require additional staff time in City departments, such as planning and engineering, involved in development review, and cooperation from private lenders and others for some offsets to be effective.

For some of the offsets to be implemented, City Commission guidance to staff and outreach to various segments of the community will be required. For instance, we recommend use of some of the City's Economic Development Revolving Loan Fund to make low-interest construction loans available to builders of affordable housing. This expansion of the housing market will create additional jobs, which is the basic rationale underlying the loan fund, and this use would help spend down the fund so that additional funds could be applied for to expand the revolving loan capital available in Bozeman. Before this could happen, the policy governing the loan fund's use would need to be revised.

Other offsets involve the voluntary participation we hope you will invite from lenders, other financial institutions, architects, building material suppliers, major employers, landscapers, and MSU.

One critical offset we recommend involves a slight reduction of parkland. We needed to identify offsets that would help compensate developers for provision of zero-profit lots for the affordable homes. We struggled with this idea for a long time because we understand the importance of parkland to our neighborhoods and our community. However, Bozeman's complete dependence on the development process for creation of parkland is one of the factors that has increased the cost of housing, and we could not identify any other offset or combination of offsets that would go far enough to ensure developers would not bear a disproportionate share of responsibility and cost for meeting the workforce housing need. To give ourselves a benchmark, we calculated it would take a 21% reduction in parkland to make developers whole, not counting other offsets. After much discussion within the task force and meetings with the Recreation and Parks Advisory Board, we decided to recommend a simple one for one trade, a reduction of parkland equivalent to the acreage dedicated to affordable housing, which will come out to an average 11% reduction (from .03 acres/unit to .0267 on average).

Representatives of our task force met twice with the Recreation and Parks Advisory Board to explain our reasoning, and they had a liaison attend several of our meetings. They will be voting on their stand regarding our recommendation at their February 8 meeting, and we have written this memo without knowing the nature of the motion they'll be considering. We deeply appreciate the Recreation and Parks

Board devoting so much time and thought to this issue. *If* the board decides to express some support of our proposal—which could include a recommendation that a portion of housing cash in lieu be allocated to parkland acquisition, improvement, or maintenance—in the spirit of cooperation we agree to this idea, so long as money is set aside from cash in lieu for workforce housing program administration before allocating a percentage of the remainder for parkland. And we would like to point out that we are not specifically recommending a net reduction of parkland, simply a slight reduction of parkland *gained through development*.

Another vital offset, in this case one for builders, is waiver, reduction, or adjustment of timing of impact fee payment. We understand from the City impact fee consultant that it is now legal to waive impact fees for affordable housing. We also know that the consequence will be all taxpayers sharing the cost of the infrastructure these impact fees would have funded, so we only recommend going this far for homes priced for people at 80% or less of area median income. Even just allowing later payment of impact fees rather than at building permit will enable more people to buy first homes.

We're happy to explain our reasoning to you regarding each of the proposed offsets if you would like this level of detail.

16.02.070 Requirements for Workforce Housing Units (for Builders/Developers)

Without micromanaging the construction, this section lays out exact requirements for the initial preliminary plat and the builders of the units. We want the affordable units to be located throughout the subdivision (D) to avoid identification as “there’s the low-income housing” and to be of compatible exterior construction with the other homes within the project.

We do not mean by A–C that the exact same materials and design features need to be used, if expensive stone or fancy soffits are part of the market-rate home designs, for instance; but the affordable homes should blend in. In addition, materials should be of sufficient quality to remain in good shape over time and the homes should be energy-efficient to maximize long-term affordability. As for interiors, we think it is appropriate that less expensive materials may be used than for market-rate homes, so long as they are durable, but we recognize the need to specify certain basic interior features, such as closets, cabinets, and bathrooms, to avoid the possibility that some builders might scrimp on such fundamentals. Energy-efficient design should be another standard to aid with long-term affordability. (See Additional Recommendations #6 regarding identification of standards.)

Because there was much confusion in the initial hearing about what the ordinance required for exterior and interior standards and size, we are attempting to clarify construction requirements in sections B and C. We are not asking builders to construct a \$300,000 home and sell it for \$167,000. We are asking that a quality, small home be built and sold for a specific price. Builders have assured us that with lower land prices and cost offsets, this is possible.

Section E describes the timing for marketing and selling affordable lots and building affordable homes. (See 16.02.040 C for the timeframe for sale of homes.) We don’t believe it’s necessary for the success of this housing program to mandate that the lots and homes remain for sale indefinitely at the prices specified in the ordinance. We have structured a program with lot prices that should be appealing to builders and housing prices that the City’s target market of buyers can afford, and the City will have a pool of prequalified buyers ready to snap up homes when they become available. The program also requires active marketing of lots and homes. Furthermore, since developers/builders accrue carrying costs

the longer a lot remains unsold, a purchased lot does not have a house built on it, or a built home remains unsold, this provides an incentive to sell lots and build and sell homes in a timely manner. For all these reasons, we expect the lots and homes to sell quickly, and we have done our best to close loopholes that anyone trying to avoid compliance with the ordinance might exploit. Thus, if a lot or home doesn't sell within the timeframes identified in the ordinance (one year for lots and six months after occupancy permit for homes), we believe it is appropriate that the developer or builder be allowed to sell it.

Moreover, if a lot doesn't sell within a year, the City can exercise a First Right of Refusal to buy the lot at the affordable price. If the City doesn't buy the lot and it is then sold as a market rate lot, the Affordable Housing Fund receives the profit. Yet another protection is if homes aren't built on the deed-restricted lots within four years of commencement of construction on market rate lots, the City has the right to buy the lot at half the original workforce housing lot price—a significant incentive to build the houses!

16.02.080 Occupancy Requirements

This section (A-E) addresses the requirements and restrictions for buyers. We wanted to ensure that the homes will be permanently occupied by the population for whom the ordinance is intended.

(F.) There were many concerns in the hearing about limiting people's opportunity to gain wealth through home ownership. However, it is our belief that by participating in this program, buyers acknowledge the financial help they have received. It is also our intent to maintain a supply of affordable units, not simply build replacements every year. Thus, the deed restriction of 10 years, which starts over for another 10-year period if the home is resold in less than 10 years.

16.02.085 Buyer Qualification

There was concern at the hearing that homes might be sold to "friends" of public officials. We designed the lottery because it will give every eligible buyer the same, fair opportunity for a home. All potential buyers within the targeted income levels are eligible to participate. The lottery is in force only if there is more than one qualified buyer for a given property.

We wanted to develop a pool of well-prepared potential buyers to reduce some of the risk to the builders. The specific requirements in this section should allow for that.

16.02.090 Buyer Selection Process

It will be necessary for the City to create a responsible agency, department, or person to administer this program. They would be charged with establishing and administering the lottery, working with potential buyers, communicating with the City webmaster regarding marketing of the affordable homes, and so on.

We believe that the ongoing success of the program will depend on how well the program is administered. Without effective administration, the process of producing workforce housing may become cumbersome and complicated. With good administration, the program will be user friendly for both the producers and buyers of workforce housing.

We recommend that administration of the plan be the sole responsibility of the City of Bozeman, in order to ensure that the plan be administered evenly and consistently. The City would act as a clearinghouse for all workforce housing information, including program requirements for developers and builders; listings

of existing lots and houses; housing lottery information; buyer qualification requirements; information concerning upcoming projects; and home buyer education programs. The City would operate the housing lottery and monitor ongoing compliance with occupancy requirements. Longevity and consistency are the two primary advantages of having the City administer the program.

16.02.095 Review

We recommend annual review of the ordinance, except for an initial period of two years after adoption because it will take that long for the first subdivisions to complete the review process and then for any workforce housing to be built. We hope you will turn to our task force membership for assistance in reviewing how the ordinance is working.

Additional Recommendations

1. The ordinance may need to state which projects are exempt from the provisions of the ordinance (namely any subdivision that has submitted a preliminary plat application). In addition, we urge that the City adopt language in the ordinance or through a separate action to indicate that voluntary participation is allowed for any developer who would like to put deed restrictions on already created lots and any builder wishing to build affordable housing that meets the specifications of this ordinance. Both would be able to take advantage of cost offsets in return for this voluntary participation.
2. The Unified Development Ordinance will need some revision to implement aspects of this ordinance. For instance, we recommend revising R-1 standards to allow duplexes to be built, if they are constructed to look similar in size and design to the single-family homes in the subdivision. Without this approach it will be harder for R-1 developments to comply with the ordinance. Affordable lot and home sizes would be dramatically different. But duplexes can be built to look just like single-family homes, and if located on two of the WHU lots (or one WHU lot and one market-rate lot) using zero lot line, the potential would be much better for blending in with the neighborhood. Both of the duplex units could be affordable, or one could be smaller and affordable and one could be larger and market rate. We recommend the market be allowed to choose between both approaches.
3. We recommend the City Commission write and/or schedule meetings with lenders, other financial institutions, architects, building material suppliers, major employers, and landscapers to invite them to do their part in making this ordinance work for the good of our community. The “Sharing the Responsibility” Chart gives examples of what each sector of the community could do.
4. For both first-time and long-term affordable housing projects, the task force is concerned that future City Commissions or staff may impose requirements beyond this ordinance during the review process that will make it difficult or impossible to keep proposed housing affordable. Developers and builders need and deserve predictability to the extent possible when providing affordable units. (Examples of additional demands the Commission might impose that would cause problems for an affordable project are requiring lots bigger than the minimums, extra off-site infrastructure requirements, extra aesthetic or landscaping requirements, and extra size or cosmetic requirements intended to compliment adjacent large-lot rural developments but that are beyond the standards of this ordinance.) We encourage you to adopt a resolution discouraging this tendency. It takes very little to wipe out the profit margin for affordable housing projects and may also slow completion of the project, which in turn may jeopardize funding (in the case of tax-credits, for instance).
5. We are also concerned that developments may impose requirements through architectural/design guidelines or covenants that will make WHUs unaffordable. Everything from exterior river rock to underground sprinkler systems can quickly cause a home to miss its price point. The City needs to

specify that a different standard for design, materials, and landscaping needs to be set by developments for WHUs.

6. We recommend that the City, in cooperation with the building industry, set basic standards/specifications for quality and energy efficiency of materials that can be used for WHUs. We are not trying to be restrictive. We want the market to have maximum flexibility and choice, but we do think it will help avoid problems to define some basics, in the interest of durability and long-term affordability for the home owners.
7. We also recommend that the City make some changes to the Unified Development Ordinance and give some cost offsets to private market projects that are first-time affordable, both for rent and sale, to support market efforts to help meet our community's affordable housing needs. The following are our recommendations in this regard:
 - Allow the same smaller minimum lot sizes for restricted size lots (RSLs) as for WHU lots, which must currently be approximately twice the size we're recommending. Smaller lots would be more likely to result in construction of affordable homes than has been the case with the current RSL lot sizes, and also more likely to keep the home prices from skyrocketing upon resale, thus benefiting the community by maintaining some degree of affordability.
 - Optimize the speed of the review process for affordable housing projects, including tax-credit housing or any housing where the rent or initial sale price is guaranteed affordable according to the City's definition. Options such as expedited review are available now for affordable housing, but our cost offset list includes some expansion of these options. We encourage the City Commission, City staff, and the development/building community to discuss ways to make the process more time-effective for both applicants and staff for all developments. The City keeps improving its process, but more can be done. For instance, we know a key reason preliminary plat, final plat, and site plan review often takes extra months is because applicants provide incomplete submittals, with missing engineering details and so forth. Busy professionals hired by applicants sometimes skip preparation of some information required by the City and force the City to spend extra time addressing application shortcomings. We suggest the City develop a counter checklist process when applications are submitted or some other kind of quick verification process regarding completeness of applications. A brochure spelling out to applicants exactly what is expected and the optimal review they will receive in return for complete submittals would be helpful. We know the City can't promise an exact review time, but we're convinced staff can come up with some prediction of reduced review time for complete submittals that would cause many applicants to start holding the people they hire accountable and improving the quality of their submittals.
 - Establish special incentives/cost offsets to reward infill development of affordable housing close to work, school, and services. Already subdivided, infill land won't be affected by our ordinance, but Bozeman needs more centrally located affordable housing. Land in the heart of town tends to be more expensive. We urge the City Commission to consider how to support efforts to create affordable infill housing.

February 5, 2007

Cost Offsets and Incentives for Developers and Builders

Developers (D) and builders (B) may choose to take advantage of as many of the following cost offsets as are appropriate for their project, subject to any limitations listed with specific offsets:

D	1. The required parkland for a subdivision will be reduced using a 1:1 ratio based on the required square footage of the lot area for WHUs (workforce housing units). If a developer chooses to develop more than the required WHU lots, parkland shall not be reduced further.
D	2. Significantly smaller minimum lot sizes are allowed for (WHUs), both single-family detached and attached.
D	3. A one-to-one density bonus is available for each lot meeting the requirements of this ordinance, whether onsite or through land dedication. Additional parkland does not have to be provided for housing created through this density bonus provision.
B	4. A sliding scale of fully waived, reduced, and deferred impact fees will be used for WHUs. WHUs priced for sale to households making 70% or less of AMI qualify for 100% waived impact fee. Units priced for sale to households making 71–80% AMI qualify for 50% waived impact fee and 50% impact fee payment deferred till certificate of occupancy. Units priced for sale to households making 81% to 90% AMI qualify for 25% waived impact fee and 75% impact fee payment deferred till certificate of occupancy. Units priced for sale to households at 91–120% AMI qualify for 100% impact fee payment deferred till certificate of occupancy.
B	5. Reduction or waiver of other City fees may be available for 100% affordable projects (for example, tax-credit rental housing or an affordable condo development proposed as part of an individualized plan, as allowed in the ordinance, but with separate site plan review from the overall development).
D/B	6. Fast-track site plan review is allowed through use of contract planners.
B	7. Expedited review by all departments (planning, engineering, building, etc.) will be arranged upon request for site plans with 100% affordable housing.
D/B	8. Simultaneous infrastructure and housing construction will be permitted upon request for projects building on-site affordable housing units as specified by this ordinance, in line with UDO requirements.
D/B	9. Projects will be rewarded with optimal review time if project submittals are complete and fully meet code standards so planners/engineers/building department don't have to send the project back to applicant for more work. (We suggest staff develop a counter checklist to use when applications are turned in and a brochure explaining what is needed to receive optimal review time.)
B	10. Low-interest construction loans possible for construction of WHUs on an as-available basis through the City's Economic Development and Housing Revolving Loan Funds (due to job creation) and/or through participating private lenders.
B	11. Zero lot line is allowed in all residential zoning districts for creation of duplex townhomes on two lots. This permits combination of two affordable housing units or one affordable unit and one market-rate unit. In R-1 zoning, duplexes must be comparable in size to market-rate single family homes in the subdivision and designed to look like single-family homes in regard to placement of doors, garages, and driveway.
D	12. Tax deduction available (consult tax expert) for donating or selling at a reduced price lots to an affordable housing group such as Habitat for Humanity or the City.
B	13. AHU architectural plans available through the City will be exempt from Design Review.