

02-19-20 Town Council Meeting Responses to Council Questions #1

ITEM #9: Consider a Land Use Management Ordinance Text Amendment - Proposed Changes to Section 3.11 Regarding Massing and Permeability in the Blue Hill District

Council Question:

Do we have any idea of the impact on tax revenues of making buildings smaller and shorter?

Staff Response:

The intent of the proposed standards is that developers could still achieve a similar amount of square footage on a site. The square footage would need to be split into multiple buildings, rather than one massive one, with the separation area between buildings able to count towards outdoor amenity space. Staff has not studied the question of whether configuring a development as smaller buildings (where the overall square footage is roughly the same) would have an impact on tax value. It is possible that development activity could proceed more slowly under the new standards since a full range of building footprints is no longer allowed. This could impact the timing of when new tax revenues are generated.

Council Question:

The proposed changes are designed, among other things, to encourage four-story buildings. How was this height chosen?

Staff Response:

Community input suggests there is broader acceptance of four-story buildings compared to five or more. At two or three stories, a building design does not require any variation in floor plate size. Given the interest expressed by some in reducing building heights, and the complexity in massing currently required when going above three stories, the proposed change seemed like a good incremental way to achieve shorter buildings in exchange for a little bit of additional building square footage at that fourth floor level.

Council Question:

In terms of townhouses, how were the limits of 60 units and 1,800 sq. ft. chosen. In the case of number of units is it related to potential available acreage? For square footage, do we have any empirical data or modelling that shows what price point 1,800 sq. ft. will lead to (and why was that price point chosen)?

Council Question:

How were the specific caps - of 50% at 1800 or less, amount of square footage, and number of units allowed - determined? Has an analysis been done of the potential intended and

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unintended impacts of placing a cap in number and size on townhome development in the district in terms of feasibility?

Council Question:

What was the justification for limiting the number of units in a townhouse development eligible for the commercial space exemption? I understand the limit on size of units.

Staff Response:

A key interest in supporting townhome projects is to offer a path forward for sites in the District under 2 acres, where an office or multifamily footprint may not be viable. A 60-unit project could roughly be thought of as two sides of a street, one block long, with stacked townhomes. At this smaller size, having a single-use project would not interfere with the overall District goals for a thriving mixed-use environment. Larger projects (over 60 units) could more easily carry the costs for (and benefit from) a minimum commercial component.

The 1,800 SF limitation for 50% of the units arises out considerations both of stacked townhomes sizes and a range of viable market price points. Noell Consulting's study determined that Blue Hill could accommodate 2 common product types for townhomes: Micro/Urban units, which are less than 1,800 SF and generally a lower price, and Luxury units, which are generally over 2,500 SF with prices starting at \$700,000. The proposed standards incentivize more of the Micro/Urban product and thereby avoid the unintended consequence of too many Luxury units. The objective overall is to generate a diversity of housing types in the District while aiding in the pace of redevelopment for underutilized parcels.

Council Question:

Given that parking decks will be more visible, what requirements are we imposing to make them visually/esthetically appealing?

Staff Response:

Parking deck facades that are visible to the public are subject to CDC review. The Form-Based Code states that these facades "shall be architecturally compatible with the principal building as deemed appropriate by the Community Design Commission. An architectural screen that utilizes durable materials and/or other features offering visual interest shall be provided." The Blue Hill Design Guidelines elaborate further on appropriate visual appeal. This guidance has been in place since exposed parking decks were already allowed if they were set back at least 30'. A reduced setback would still only be allowed through CDC approval of a Design Alternative.

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Council Question:

Have we done any market testing of these changes to understand what they may do to the economic viability of the buildings that are now allowed?

Staff Response:

The building dimension options have been set to allow a range of configurations and product types. While existing multifamily projects in Blue Hill typically exceed the proposed maximum dimensions, it is still possible to do a multifamily building with wrapped parking and enough units to be viable for financing. This was a determination from the economic analysis performed by Noell.

Council Question:

What is staff's response to the CDC's recommendation that the requirement for Outdoor Amenity Space be made above 6 percent?

Staff Response:

The required amount of Outdoor Amenity Space has not been included so far in the topics studied for this effort. Based on previous direction from Council, we have kept the focus on building size and permeability. If Council is interested, staff can work more with the CDC and engage other stakeholder groups, including the development community, to better understand the range of opinions around outdoor amenity space.

Council Question:

Just to be clear, is the CDC's recommendation that building separation should be at least 30' consistent with the proposed modifications here?

Staff Response:

That is correct. The proposed modifications require at least 30' separation between buildings, unless a site is in the WR-3 Subdistrict where a 20' separation is possible between buildings that are only 3 stories tall. The CDC felt the separation (outside WR-3) should be at least 30' and was also supportive of setting it at a larger distance.

Council Question:

Can we make any requirements that the path in the 30' min. separation be connected at two ends to a greenway, sidewalk or pedestrian path?

Staff Response:

Yes, the precise ordinance language states that each end of the path "must connect to or allow future connection to other such routes, sidewalks, greenways, or thoroughfares." Allowance for a future connection may be needed when an adjacent site has not yet redeveloped.

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Council Question:

Which parcels in Blue Hill are considered potentially a good fit for townhome construction? For each one, about how many townhomes could be accommodated (ballpark number)?

Staff Response:

Only a few representative parcels were studied in this effort, for purposes of categorizing the wide range of conditions that exists (acreage, shape, access, etc.) Out of 4 sites studied, one located along Bypass Ln. seemed like a good candidate for townhomes because it was too small for a viable multifamily or office footprint with on-site parking. A quick survey of the District indicates there are various small parcels and difficult places to assemble land that would make large-scale projects not feasible. The ballpark number of townhomes per acre would be 10-33, depending on square footage and whether they were stacked. As an example, the Bypass Ln. site is 1.2 acres and may accommodate 30 to 40 stacked units. More specific study would be needed to identify all the sites potentially suitable for townhomes, taking into account site characteristics, current uses and valuations, and changing market dynamics over time.

Council Question:

Since we have identified townhomes as an important "missing middle" priority, why would we not incentivize more units?

Staff Response:

Staff has heard from Council that missing middle housing types are a priority for Chapel Hill as a whole. A balanced mixture of uses, including commercial and office, is a priority for the Blue Hill District. The District is also an area with high land values. Based on our understanding of Council priorities and the findings of the market analysis, the objective for this work is to enable the development of missing middle housing specifically on small infill parcels. Larger parcels in Blue Hill would continue to be opportunities for more intense use, and other areas in Chapel Hill could accommodate more missing middle units.

Council Question:

How many people attended the public information session on this topic? Do we have any demographic data on attendees?

Staff Response:

There were 8 members of the public who attended the information session. We did not collect demographic data on attendees, but did ask how they connect with the Blue Hill District. 7 of the attendees live in or near the District and 2 work in the District.

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Council Question:

At the end of the presentation, it says that the housing staff have identified strategies for affordable housing in Blue Hill, are those posted somewhere that I can read?

Staff Response:

Housing & Community staff presented on Affordable Housing Strategies in the Blue Hill District at the March 13, 2019 Council meeting. The staff report is attached and additional materials are available here:

<https://chapelhill.legistar.com/LegislationDetail.aspx?ID=3881193&GUID=1C8133AF-A1B9-42EA-8EB1-5F3454EC8CEF>

Blue Hill District Affordable Housing Strategy Report

March 2019

Overview

The Town Council established the [Blue Hill District](#)¹ in 2014. The District grew out of a small area planning economic development initiative with the goal of revitalizing and reconnecting the area by encouraging reinvestment in the area's aging commercial properties. The District follows a form-based zoning code to facilitate redevelopment with a prescribed physical form that promotes a mixture of uses to support a high-quality public realm in a pedestrian-friendly area.²

When the District was created, the Council also set a goal of creating 300 new affordable housing units or 20% of total new units within the District. To date:

- 80 units have been completed in the Greenfield Place site and 69 are currently under construction at the Greenfield Commons site, for a total of 149 affordable units to be completed by spring 2019.
- The District is set to lose 190 Naturally Occurring Affordable Housing (NOAH)³ units due to the anticipated redevelopment of the Park Apartments. The developer will provide a \$1.5M payment-in-lieu to support the Town's affordable housing initiatives, and agreed to reserve 155 units for households earning between 80%-120% of the Area Median Income.
- Town Planning staff expects a development application soon for Tarheel Lodging Redevelopment, which has a multifamily residential component but no anticipated affordable housing plan.
- While Planning staff identified additional properties with redevelopment potential, no other development applications are under review or in pre-application discussions that could contribute to the affordable housing goal.

Over the past several years, staff has continued to explore options to incentivize affordable housing in the Blue Hill District and Town-wide. This document contains strategy options for achieving the affordable housing goal for the District by creating, supporting, and incentivizing affordable housing in and around the area.

Research Process

Town staff used a variety of methods to better understand the dynamics impacting development in the Blue Hill District and to explore options to increase affordable housing opportunities throughout the District, including:

- Best practices research among communities pursuing affordable housing strategies in coordination with their Form-Based Code.
- Interdepartmental meetings with Town staff, including Planning, Business Management, Geographic Information Systems (GIS), and the Town Manager's Office.
- Evaluation of cost data from affordable housing consultant David Paul Rosen and Associates, and analyses conducted for development projects in Town.

¹ <https://www.townofchapelhill.org/town-hall/departments-services/chapel-hill-2020/future-focus-areas/the-ephesus-fordham-district>

² Blue Hill District Design Guidelines. Town of Chapel Hill, NC. May 2018.

³ NOAH is considered housing that is affordable without being supported by public subsidies.



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- Feedback from the Housing Advisory Board received at their meeting on February 12, 2019.

Key Findings

Form-based code generally has inherent characteristics that can **promote affordability**, including:

- A streamlined and more predictable development review process which can reduce development costs.
- Walkability and access to transit, which can reduce transportation costs.
- A focus on energy efficiency and building performance which can reduce utility costs.

Form-based code can also be viewed as a **deterrent to affordable housing** for a variety of reasons:

- A focus on form rather than land use, which provides more flexibility for developers seeking to maximize density, height, etc. but limits the effectiveness of incentives that may be used to encourage affordable housing, such as a density or Floor Area Ratio (FAR) bonus.
- “By right” status for eligible projects limits the ability to negotiate affordable housing plans with developers as part of project approval.

To achieve its goal of encouraging reinvestment in the area, the Blue Hill District Code offers an abbreviated review process for projects that meet its design guidelines. In doing so, the Code removes the opportunities the Town typically has to negotiate or incentivize affordable housing during the development review process, as shown below.

Traditional Development Review Process	Blue Hill Approval Process
Opportunity for Council and Advisory Board Review	<ul style="list-style-type: none"> - Projects meeting form-based standards receive 100-day approval from staff and CDC - Housing Advisory Board other development review boards do not review - Council approval is not required
Utilize incentives (density bonus/FAR bonus) or grant rezoning for rental developments in exchange for affordable housing	<ul style="list-style-type: none"> - Form-based code does not dictate density; developers can maximize density/size by right - Value of height bonuses limited by increase in construction costs for greater than ~6 story buildings

Potential Strategies

Strategy 1: Revise Blue Hill District Code to reflect the Town’s commitment to affordable housing within the District

Some jurisdictions elect to write affordable housing standards into their form-based code – either as a guiding principle, or as a requirement. The Blue Hill District code does not currently mention affordable housing or state the Council’s affordable housing goals. The Town could include affordable housing as a key component of the vision for the Blue Hill District. Doing so would demonstrate to the community and developers the Town’s interest in creating affordable housing opportunities.



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In addition, the Town could modify the District regulations to require that developers participate in a pre-application meeting with Town Affordable Housing staff to discuss ways that the developer could contribute to the Town's commitment to affordable housing in the District.

Strategy 2: Offer development review process options to support affordable housing

The Town could incentivize affordable housing by allowing developers to select between various development review process options. Two potential scenarios have been identified:

- *Commercial Exemption:* Allow developers to include affordable housing in lieu of satisfying a 2018 code amendment that requires a minimum percentage of non-residential uses (i.e., commercial) in mixed use buildings (10% of building floor area) and mixed use sites (15% of total site floor area).⁴
- *Stormwater Management Options:* Due to changes in State statute, the Town is currently considering development review options in the Blue Hill District based on the level of stormwater management being offered in a project. The Town could establish conditions for affordable housing as well as enhanced stormwater treatment for projects opting into the existing Blue Hill development review process and/or negotiating affordable housing as well as stormwater plans during a traditional development review process.

If the Council supports the Commercial Exemption strategy, staff would work with a consultant to determine an appropriate percentage of units that would offer a comparable or better choice between the inclusion of commercial space and affordable housing to be considered by the Council.

If the Council supports the Stormwater Management Options, Housing and Community and Planning staff would work together in the design of the code modification for Council consideration.

Strategy 3: Partner with Developers to explore the inclusion of affordable housing in planned development within the District

Partnerships with market rate developers to create affordable housing in the Blue Hill District could take a variety of forms, including:

- Subsidizing construction of affordable units within market rate residential development projects in exchange for affordability restrictions;
- Designating a portion of units for public employees such as local/County government or Chapel Hill Carrboro City Schools employees; and/or
- Executing a master lease between a developer and the Town or other housing partner that subsidizes rent to provide affordable units for a specified target population.

⁴ LUMO section 3.11.3.5.A.4:

https://library.municode.com/nc/chapel_hill/codes/code_of_ordinances?nodeId=CO_APXALOUSMA_ART3ZODIUSDIST_3.11BL_HIFODI&showChanges=true



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A required meeting with Town Affordable Housing staff, as noted in Strategy 1, could help facilitate an exploration of these partnership options. Town financial support for these types of partnerships could come from existing affordable housing funds or from revenue generated through Strategy 5.

Strategy 4: Offer similar review process for affordable housing development in areas surrounding Blue Hill District

Qualifying projects in the Blue Hill District are subject to a streamlined review process that offers administrative approval, meaning staff and the Community Design Commission review the project within 100 days and no Council action is needed. Allowing qualifying projects a “by right” approval decreases the development timeline, increases predictability, and lowers project risk, which for developers can translate to cost savings, improved access to financing, and improved project performance.

Extending these development benefits to the areas surrounding the Blue Hill District for projects with a significant affordable housing component could significantly incentivize development of new affordable housing development opportunities, including on nearby Town properties and on parcels south of Elliott Road that are not currently zoned to Blue Hill District code (see Parcel Legend map on next page). Development in these areas would likely score well on a 9% Low Income Housing Tax Credit (LIHTC) application due to the area’s access to grocery stores, transit, and other amenities, which could cover much of the subsidy required to achieve affordability levels at 60% of AMI. For example, the Greenfield Place and Greenfield Commons developments within the Blue Hill District were awarded a 9% credit in 2016 and the developer believes that the shortened and more predictable timeline allowed them to meet the strict LIHTC required deadlines.

Strategy 5: Allocate a portion of increased tax revenue to fund affordable housing

In 2014, the Town created a synthetic Tax Increment Financing (TIF) district to finance road improvements in the Blue Hill District with anticipated property tax revenue from increased property values attributed to new development there. In the first few years property tax revenue has risen, and is scheduled to hold pace with the scheduled debt service payments beginning in FY 2021. The Town’s Business Management Department anticipates that the incremental property tax revenue received over the 12 years from FY 2018 – 2029, will be adequate to repay the debt for the road improvements from Phase I and Phase II of the project, assuming the project projections and timelines remain accurate. Depending on whether the Town proceeds with future phases of the project or not, Council could choose to dedicate a portion of the incremental property tax revenue to subsidize affordable housing in the District.



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Next Steps

Town staff seeks the Council’s feedback on the strategies proposed in this report. If the Council supports moving forward with any of the strategies, we offer the following initial next steps. In each case, we would return to the Council with additional information and options for consideration.

Strategy	Proposed Next Steps
Strategy 1	- Initiate process required to revise Blue Hill Code to incorporate affordable housing into the vision statements of the District.
Strategy 2	- Work with a consultant to conduct analysis to determine affordability level that offers comparable alternative to commercial requirement for new development in Blue Hill. - Coordinate with Planning staff on design of code modification for stormwater treatment.
Strategy 3	- Assess interest among developers to accept subsidy to include affordable units in proposed market rate development. - Refine financial analysis to estimate subsidy costs needed under various scenarios with assistance from a consultant.
Strategy 4	- Clarify zoning structure to extend development benefits to surrounding area. - Further explore nearby affordable housing development opportunities.
Strategy 5	- Monitor debt repayment schedule for Phases I and II - Consider allocation of additional property tax revenue to be used for affordable housing development after the current debt is paid off.

PARCEL LEGEND

-  HIGHER REDEVELOPMENT POTENTIAL-
Older Buildings, Good Access
-  MODERATE REDEVELOPMENT POTENTIAL-
Newer/Recently Improved Buildings, Limited Access and/or
Significant Floodplain Present
-  BLUE HILL DISTRICT BOUNDARY
-  REZONING REQUIRED-
Within Blue Hill District but not subject to
Form Based Zoning

