

Amy Harvey

From: CHRIS BLUE
Sent: Wednesday, March 22, 2023 2:43 PM
To: Pam Hemminger; Adam Searing; Amy Ryan; Camille Berry; Jess Anderson; Karen Stegman; Michael Parker; Paris Miller-Foushee; Tai Huynh
Cc: Sarah Vinas; Loryn Clark; Mary Jane Nirdlinger; Britany Waddell; Jeanne Brown; Amy Harvey; Ross Tompkins; Sabrina Oliver; CHRIS BLUE
Subject: Payment in Lieu for Affordable Housing Units

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All: Please see below.

Council Question: When we heard the latest 101 East Rosemary Street presentation and again in the material in this week's packet for the Tri-Pointe project, we see that a number developed in 2010 is being used as the payment in lieu number for whole or fractional units -- \$85,000. Given that it costs close to \$300,000 to build a unit of housing today, how do we go about revising that figure to be in line with today's reality?

Staff Response: The Town's Inclusionary Zoning (IZ) Ordinance defines a methodology for calculating the payment in lieu (PIL) in for sale projects based on the subsidy needed to sell a unit at an affordable price and states that Council shall annually establish that amount. However, the payment in lieu amount has remained at \$85,000 since IZ was enacted in 2010.

Several years ago, staff began to update the PIL calculation but found that the methodology proposed in the IZ ordinance was unclear and could be interpreted in multiple ways. At the time there was an active legal matter related to payments in lieu, and staff were advised not to propose changes to the ordinance to clarify language.

For rental projects, because the IZ methodology is based on sale price rather than affordable rent or construction costs, it does not apply easily to rental projects. Instead, staff relies on the HAB Guiding Principles for Affordable Housing in New Rental Development, which states that the payment should be based on the cost to provide an equivalent number of affordable housing units off site.

The Town does have an annual ability to monitor subsidy needs for affordable housing projects by analyzing projects that come to the Town for funding. Based on this year's funding requests, the average subsidy need from the Town for projects was about \$85,000.

If Council would like staff to update the payment in lieu amount based on the IZ methodology, staff would need to seek legal guidance on how to clarify and document the definition, as well as clarify the intended goal of the payment. We could then consider amending the IZ ordinance and other policy documents to clarify how the payment should be calculated and periodically updated.

CB

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