

MEMORANDUM

TRANSMITTED VIA EMAIL

To: Bruce Agrella, PDC Advisory Committee (PDCAC)
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Lee Manicke, PDCAC
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From: Dave DeGrandpre, Land Solutions, LLC

Date: November 30, 2009

Re: Incentives to encourage Affordable/Workforce/Special Needs housing with the Polson Development Code

The Polson Growth Policy seeks to encourage the development of housing for low-income and elderly populations. Specifically it calls for:

- Incentives for the private sector to develop affordable and special needs housing;
- Streamlined development review and permitting processes; and
- To consider inclusionary zoning within transitional districts.

The main concept behind the use of incentives is developers can build in compliance with the code's typical requirements (number of units, required parking spaces and setbacks, etc.) "by right" or "by code". But if they would like to increase the density or receive additional variations from the rules they have to build a certain percentage of affordable units or pay a per-unit fee.

Some of the commonly used incentives are:

- Waived or reduced application and impact fees;
- Reduced application review timeframes;
- Increased density, building heights and lot coverage allowances;
- Reduced parking, setback and parkland dedication requirements;
- Tax reductions or abatements; and
- The use of publicly owned land for development projects.

Communities that have instituted such incentive programs typically have the following processes established:

- Project certification, where the zoning/subdivision administrator determines that the proposed project will meet criteria such as a specified percentage of affordable housing units. Certification can take place at the pre-application level. Often the developer also has the option of paying a per-unit fee instead of providing the required number of units. The fee goes into an account used to develop or subsidize affordable housing units.
- A legal agreement between the governing body and the developer where the developer commits to selling or renting the specified number of units at an affordable level. If the developer pays a fee instead of providing the lots or homes, the fee can be collected at the time of building permit application or final plat application. The agreement specifies the number and location of the affordable units in the development, the approved rents or sales prices, and the long-term affordability requirements (for example, 20 years). The City or County will record the agreement which will run with the land.
- Project administration, whereby the local government, a housing authority or similar organization makes sure the homes are being sold or rented at an affordable level and to qualified applicants over time. This requires renters or purchasers to enter into an agreement certifying they fall under an established income limit that is generally tied to the area's median income. Some communities also require that purchasers complete a homeowner education class prior to purchase.

In my opinion this sort of program requires a lot of work and follow-through. I believe it does result in affordable housing, but it seems as though under this project---updating the Polson Development Code---we should first try to provide incentives that do not require a great deal of administration and red tape. A more complex and comprehensive incentive program could be part of a larger affordable housing program.

For example, one option is expedite the review of any multi-family project in the MRZD. Another example is to reduce impact fees for any multi-family project in MRZD. These steps would provide incentive to develop more cost effective housing while not requiring complex administrative procedures. In order to ensure the design is good there could be a requirement for certain architectural features, but otherwise it could be relatively straightforward.