

BOARD OF ALDERMEN

ITEM NO. E(2)

AGENDA ITEM ABSTRACT MEETING DATE: December 9, 2003

TITLE: Report on Housing Diversity Incentives

DEPARTMENT: PLANNING	PUBLIC HEARING: YES ___ NO <u>X</u>
ATTACHMENTS: A. Resolution B. Maps of selected parcels C. Carrboro Size-limited housing ordinance D. Chapel Hill Floor Area Restrictions Ordinance provisions	FOR INFORMATION CONTACT: Patricia McGuire – 918-7327 Mike Brough – 929-3905

PURPOSE

The 2003 Action Agenda Project List calls for follow-up information on Housing Diversity incentives. A report on this matter has been prepared. A resolution that directs staff to prepare a draft ordinance to provide a housing diversity density bonus is recommended for the Board's adoption.

INFORMATION

For over 25 years, the Board of Aldermen has sustained an interest in considering mechanisms for increasing residential density in order to maintain an enhance housing affordability, foster a greater sense of community, maximize the efficiency of urban services, and protect the natural and developed environment from the negative impacts of changes in land use. The 2003 Project List includes a project that continues this effort as it specifies the preparation of Housing Diversity text and/or zoning map amendments. Based on a report provided on December 17, 2002, the Board requested the following:

- a) Focus on areas D,E, F, & H
- b) Draft proposal for a zoning district that would require a diversity of housing
- c) Draft conditional use zoning ordinance.

In October 2003, the Board of Aldermen requested that staff provide an update on Chapel Hill's Small House Ordinance after Alderman Zaffron noted that Chapel Hill had provided some substitutions to the provision of small houses that meet the ordinance.

Adopted policies related to housing diversity are provided here:

Policy 2.32 of *Carrboro Vision2020* states as follows:

New development that blends single-family and multi-family units should be designed and landscaped to ensure compatibility.

Echoing the goal for a diverse housing supply that was first articulated for Carrboro in the early 1970s, the *Facilitated Small Area Plan for Carrboro's Northern Study Area* includes the following general principle:

Carrboro needs neighborhoods with a mixture of housing opportunities designed for a diverse population. Due to the growing attractiveness of the area to new area residents, and the resulting upward pressure on housing costs, steps should be taken which would ensure that Carrboro continues to provide housing opportunities for people from diverse backgrounds and from all income levels. In addition to the public provision of such housing opportunities, strategies should be explored for providing incentives to the private sector to incorporate this variety in the development of new housing units.

Implementation strategies associated with this principle include an exploration of inclusionary zoning, providing incentives for new development to provide for renters or home buyers in specified income levels, exploring community land trust options, and providing density incentives for affordable housing.

Rezoning/Text Amendments

The actions noted above follow most recently reports on several topics, including the Residential-Suitable for Intensive Residential zoning district (2000), properties where multi-family housing might be developed in town (2001) and opportunities for rezoning to achieve housing diversity (2002). Regulatory mechanisms that have been established in this time frame include the small house ordinance, residential density bonus for affordable units, density incentives associated with the village mixed-use conditional use zoning district, and single-room occupancy provisions.

Carrboro's housing stock is roughly 40 percent single-family, detached, and 60 percent multi-family, including townhouses, duplexes, triplexes, quadruplexes, and apartments. Owner-occupied housings made up 31.5 of the total housing stock in 2000. Average densities for a few developments in Town are as follows:

Project Name	Density (units/acre)
Villages V	10.73
Fidelity Court	15.86
Highland Hills	5.74
Rock Creek	14.46
Autumn Woods	14.52
Lake Hogan Farms	1.3
Rose's Walk at University Lake	2.5

In 2001, undeveloped/sparsely developed properties in Carrboro's jurisdiction were evaluated for their potential for additional density that might support multi-family housing. Fifteen parcels were

identified. In 2002, the list was revised to include only those parcels within the Town limits or extra-territorial jurisdiction and it is from this list that the Board of Aldermen selected parcels D, E, F, and H (*Attachment B*) based on their street access, location, and proximity to transit service. It must be noted that the status of some of the selected parcels has changed somewhat since last year. Town staff is reviewing a project on the north westernmost of the two parcels labeled 'D,' and area 'H' includes the bulk of the property for which the new high school is being planned. The area labeled 'E' was included in this evaluation because of its location, road and transit access, although approximately half of the site (the southern portion) is zoned B-4 and residential uses other than hotels and motels are not permissible. A planned unit development rezoning could be used to create a mix of zones that would support both residential and commercial uses.

Staff has evaluated the requested actions in light of the limited number and scattered location of the parcels under consideration and offers the following three alternatives for the Board's consideration:

- 1) Establish a mechanism that grants additional density for any projects in existing zoning districts that would require a conditional use permit, so long as certain housing characteristics are included. *It may be noted that this would be a voluntary mechanism, similar to the R-SIR and the affordable housing density bonus approaches. It is recommended that the land use ordinance text amendment be structured to allow the density to be utilized in all portions of the jurisdiction outside the University Lake watershed, and subject to the limitations associated with Transition Area Two of the Joint Planning Area. Per the Joint Planning Agreement, in Transition area Two, projects cannot be approved for development at a density that exceeds one housing unit per gross acre until at least 75 percent of the gross land area of Transition Area One consists of any combination of:*
 - a. *Lots containing one acre or less;*
 - b. *Residential developments approved for development at a density of at least one unit per acre;*
 - c. *Streets, roads, and utility easements located outside of lots containing one acre or less;*
 - d. *Lots or tracts that are used for commercial, industrial, institutional, or governmental purposes;*
 - e. *Tracts that are owned by the University of North Carolina or other non-profit entities and that are not available for development.*
- 2) Downzone the identified parcels to much lower density and provide incentives that, through the conditional use permit process, could allow a project to gain back the lost density. *This approach is favored in some jurisdictions, but raises some questions of consistency with adopted plans and policies and may also serve as an incentive for projects to be downscaled, consistent with the new zoning.*
- 3) Establish a new requirement for any projects requiring either a special or conditional use permit that a minimum percentage of housing units shall be of one type. *A minimum*

requirement that is similar to the current percentage of one or another housing unit could be used – this mandatory approach is similar to that provided for in the small house ordinance.

All decisions pertaining to the use of land involve both benefits and costs to a community. In making these decisions, the most difficult step is often deciding how to balance these impacts, both good and bad, for the few and for the many. One particular element of the process is determining whether and how a new provision will result in unintended consequences – exemptions, avoidance, that are far less beneficial to the community. In a community with extensive land use policies and regulatory mechanisms, some considers the complexity of the development review process less than optimal. With such limited land area available for additional urban growth, the loss of a site to an exempt subdivision of 10-acre lots may be considered unfortunate. It is for this reason, principally, that the voluntary approach described in option 1 is preferred.

Small House Ordinances

On June 22, 1999, the Board of Aldermen adopted the ordinance requiring some size-limited units within all new subdivided developments (*Attachment C*). Chapel Hill adopted a similar ordinance that established housing floor area restrictions, modeled on Carrboro's, the following year. A copy of Chapel Hill's ordinance provision is attached (*Attachment D*), although an amendment adopted in September that precludes the use of accessory apartments to meet the floor area restriction is not included. The table below compares the two ordinances.

	Chapel Hill	Carrboro (13-20 units)	Carrboro (21 + units)
Date of adoption	June 2000	June 1999	June 1999
Applicability	Major Subdivision and Planned Developments with 5 or more single- or two family lots	Residential subdivisions of 13 or more lots	
Percentage size-limited	25	15 /10	
Size limitation/Floor Area restriction (square feet)	1,350	1,350/1,100	1,100/1,350
Designation on plat	Yes	Yes	
Time limit before increase in size	30 months	12 months	
Floor area definition	“The sum of enclosed areas on all floors of a building or buildings measured from the outside faces of the exterior walls”	Heated floor area – any fully enclosed space that is within or attached to a dwelling unit, where either (1) the room temperature of such space is controlled or affected by a man-made heating or cooling device, or (2) such space, though unheated, is clearly designed to be living space (as opposed to storage space or a garage) and can readily be converted into a heated living area.	

	Chapel Hill	Carrboro (13-20 units)	Carrboro (21 + units)
Affordable housing substitution	15 percent of all units are priced to be affordable – at or below 80 percent of median, with restricted covenants for sale to incomes at or below 100 percent of the median.		Not applicable
Payment-in-lieu substitution	Payment based on # of units needed to make 25 percent x cost needed to make units affordable		Not applicable
Use of accessory apartments	Not allowed to meet requirement, per September amendment	Staff interpretation is that any of the housing units permitted in the zone in question could be used to meet requirement.	

Aldermen Zaffron has also requested modifications to the small house provisions to make it applicable to make it applicable to unsubdivided developments and to projects of less than 13 units. Staff notes that the ordinance was originally drafted to address a problem that was experienced only in subdivisions. If this situation has changed, the ordinance could be amended to apply to unsubdivided projects. The minimum threshold of thirteen units was chosen because it is the breaking point between special use and conditional use permits. Since the impact of this requirement increases inversely to the number of units in a project, the additional requirement was deemed appropriate for the level of complexity and scrutiny typically associated with the issuance of conditional use permits. If the requirement were applied to a five-lot subdivision, the breaking point between the zoning permit and special use permit, two of the units would be size limited and this is actually 40 percent of the development. Application of the requirement to some projects within one permit requirement and not others is not recommended.

Alderman Zaffron has also suggested that the Board of Aldermen may wish to adopt a requirement for the inclusion of 15 percent affordable units within all development projects. Chapel Hill has required 15 percent affordable units in projects for a couple of years. This requirement has been enacted for both rezoning decisions and the approval of special use permits, based on a goal of the Chapel Hill Comprehensive Plan. With regard to special use permits, the requirement is based on a finding that a project is not in accordance with the comprehensive plan unless 15 percent affordable units are provided. The Council has a policy that it will not approve a rezoning with a residential component without commitment to providing 15 percent affordable units.

FISCAL IMPACT

Costs associated with changes to the zoning text or map includes staff time for project coordination, analysis, and report preparation, and publishing a notice in a local newspaper two consecutive weeks prior to the hearing. Zoning map amendments also involve notification of property owners and posting of the property.

ADMINISTRATION’S RECOMMENDATION

The Administration recommends that the Board of Aldermen adopt the attached resolution (*Attachment A*) that directs staff to prepare a housing diversity density bonus land use ordinance provision as a reasonable means of advancing goals to achieve a diversity of housing.