

CHART OUTLINING MAJOR PRESENTING ISSUES IN IZ, and POSSIBLE POLICY RESPONSES (includes Housing Committee actions of January 4, 2006; revised January 6, 2006)

PRESENTING ISSUE	ALTERNATIVE POLICY OPTIONS	RECOMMENDED ORDINANCE CHANGES	LOCATION OF LANGUAGE IN ORDINANCE	PROS	CONS	HOUSING COMMITTEE ACTION
BUYER CONDITIONS Buyers hesitate to purchase IZ for sale units due to complexity of arrangements, reporting requirements.						
Equity-sharing arrangement: Alternative 1	PER CENTAGE: Simplify equity-sharing formula to a percentage based on difference between IZ unit value and IZ price	Create single fraction for City share in final sale of IZ unit; Buyer retains fraction; Buyer retains remainder.	page 1: 25b definitions page 8: 25 (h) 1 and 2 and 3 <i>Typographical error in ordinance refers to assessed value, but should reference 'appraised' value as basis for both initial sale and subsequent sale.</i>	Easier to understand. Tested method of equity-sharing in other City financial programs. Maintains some growth for City to provide future affordability. Homeowner & City both share in appreciating and depreciating market trends.	Maintains best method to match first-generation benefit to future buyer generations but requires buyer education, calculations, appraisals at sale.	Housing Committee recommended adoption 10 to 1 at its January 4 meeting.
Equity-sharing arrangement: Alternative 2	AMOUNT PLUS INTEREST: Simplify equity-sharing formula to a flat amount plus an interest type benchmark (i.e., amount plus 2% , or amount plus CPI)		Alternative to option above	Easier to understand. Tested method of equity-sharing in other City financial programs. Maintains limited growth for future affordability through 'interest' benchmark	Does not maintain affordability as well as option above. (if housing prices rise faster than incomes.)	
Equity-sharing arrangement: Alternative 3	SIMPLE FLAT AMOUNT: Simplify equity-sharing formula to a flat amount.		Alternative to option two rows above	Easy to understand. No calculations at time of sale. Homeowner receives full credit for improvements	Sharper loss of initial public benefit to appreciation, 'cost' of affordability.	

<p>Owner reporting requirements:</p>	<p>Reduce calculation, reporting, and documentation requirements in for-sale IZ housing.</p>	<p>Use appraisal to incorporate 'value' added by homeowner and eliminate need for additional documentation or calculation of 'worth' of 'improvements'</p>	<p>page 9, 25 (h) 5, 7,</p>	<p>Relies on 'market', standard operating practice within real estate industry. Self-help improvements would be reflected in appraisal at time of sale.</p>	<p>Housing Committee recommended adoption 11 to 0 at its January 4 meeting.</p>
<p>Special case where iz price equals dwelling unit value:</p>	<p>In special cases where the IZ price is the same as the appraised value of the for-sale unit, there should be some way to assure the possibility for affordability for the next generation buyer.</p>	<p>Two suggestions have been discussed a) retain a Land Use restriction agreement requiring resale to an eligible buyer for a certain number of years or b) require a \$0 second mortgage but retain the City's option to purchase the unit at the time of the second sale.</p>		<p>Provides some mechanism for future affordability if temporary market conditions show no gap between the value and the IZ price of a particular unit</p>	<p>This is a special situation and will probably be a rare one. No gap between value and price suggests that the City did not add enough value/incentives to create a gap, and therefore there should not be a need to retain future affordability, assuming the 'market' will do that.</p>
					<p>Housing Committee voted to recommend a \$0 second mortgage with a City option to purchase.</p>

<p>INCENTIVES: Some Developers say that Incentives are not 'worth' enough to balance perceived 'loss of profitability' of IZ units</p>	<p>Add an incentive that would permit developers to change a plat or neighborhood plan to allow for greater residential use in an area previously zoned for commercial.</p>	<p>page 6: 25. d 4 n</p>	<p>Provides a 'bonus' for developer, and simplifies approval process for the developer. May be of use to developers in infill as well as peripheral projects.</p>	<p>Housing Committee recommended adoption 11 to 0 at its January 4 meeting.</p>
<p>Increase level of density bonus by using high end of range in adopted neighborhood plans instead of the mid-point.</p>	<p>Proposed by Housing Subcommittee at its December 22 meeting.</p>	<p>Provides the developer with opportunity for additional units, and potential for greater offset to foregone 'costs' associated with inclusionary units.</p>	<p>Housing Committee recommended adoption 10 to 1 at its January 4 meeting.</p>	
<p>Allow one additional floor of height in all downtown design zones (except #1), as an iz incentive.</p>	<p>Proposed by Housing Subcommittee at its December 22 meeting.</p>	<p>Allows greater density for an in qualifying project if it meets design criteria.</p>	<p>Housing Committee recommended adoption 11 to 0 at its January 4 meeting.</p>	

	Use as a base for the density bonus the equivalent of R6 in areas zoned C2, C3, C4, instead of C1		Proposed by Housing Subcommittee at its December 22 meeting.	Allows greater density for an iz qualifying project if it meets other zoning criteria.		Housing Committee recommended adoption 11 to 0 at its January 4 meeting.
	See 'dispersion' section below as a method to create an incentive that adds value to developer's choices regarding IZ unit inclusion in development					

<p>INCENTIVES REGARDING DISPERSION: Some developers say that strict interpretation of Dispersion requirements impose additional costs to creation of IZ units</p>	<p>Permit closer spacing of IZ units in certain circumstances (i.e. twinning of IZ units)</p>	<p>Create a new incentive that permits the pairing of single-family IZ units to look similar to nearby larger market-rate units.</p>	<p>page 6: 25. d 4 j</p>	<p>Permits developer to efficiently reduce costs of some IZ units through pairing, yet retain 'similar' look to nearby market-rate units.</p>	<p>Housing Committee recommended adoption 11 to 0 at its January 4 meeting.</p>
	<p>Permit developer to exclude IZ units from certain area of development as way to enhance price/cost return that could be applied to reduce IZ 'cost' gap.</p>	<p>Create a new incentive that permits reservation of a portion of the development for non-IZ units: suggestion is up to 10%, with possible doubling up to 20% maximum.</p>	<p>page 6: 25. d 4 i</p>	<p>Permits developer to tap locational value of some market-rate units to offset the IZ unit price.</p>	<p>Housing Committee recommended adoption 11 to 0 at its January 4 meeting.</p>
<p>WAIVER OPTION: Some developers would be able to meet their IZ requirement through a waiver, if they could do rehab of an existing unit off-site.</p>	<p>Add rehab of an existing, off-site unit to the waiver options.</p>		<p>page 3: 25c 8. e)</p>		<p>Housing Committee recommended adoption 11 to 0 at its January 4 meeting.</p>

<p>MARKETING: Some buyers do not find out about availability of IZ units.</p>						
	<p>Strengthen marketing plan as part of Plan Commission review</p>	<p>Include more detailed marketing plan in Inclusionary Dwelling unit plan</p>	<p>page 8 25 f</p>	<p>This highlights during the review process the developer's plan to do outreach for the IZ units.</p>	<p>Housing Committee recommended adoption 11 to 0 at its January 4 meeting.</p>	
	<p>Involve more non-profits and helper agencies in recruitment and marketing to target populations</p>			<p>Some efforts already underway to strengthen these efforts.</p>	<p>Subcommittee supported this idea.</p>	
	<p>Link marketing of IZ units with other affordable units and with buyer assistance programs.</p>			<p>Some efforts already underway to strengthen these efforts.</p>	<p>Subcommittee supported this idea.</p>	

<p>Some buyers hesitate to buy since some developers begin sales period as soon as development is approved, long before street or lots or models are available; in some cases, this is to trigger bump-up period to higher AMI level, and to transform IZ unit into a market rate unit.</p>					
	<p>Separate marketing from event that triggers period for change in target population.</p>	<p>Begin trigger period with certificate of occupancy for rentals, building permit for sale units.</p>	<p>page 7 25 e 6</p>	<p>Proposed by Housing Subcommittee at meeting of November 16</p>	
				<p>For for-sale or for-rental housing, initial marketing period must include 30 days after initial certificate of occupancy, with 'bump-up' to second target population AMI level no sooner than 30 days after certificate.</p>	
					<p>Specific event close enough to actual construction of housing so that buyers or renters can see what they are buying/renting.</p>
					<p>Housing Committee recommended adoption 11 to 0 at its January 4 meeting.</p>

<p>Housing intended primarily for students is sometimes leased on a different basis than a dwelling unit basis, which is the unit of analysis in the current IZ ordinance</p>	<p>Create a new category of housing that permits leasing on a bedroom basis. This is the Pres House option</p>	<p>Create 'other leased residential space' category.</p>	<p>25b) definitions (leased residential space occupancy)</p>	<p>This gives developers of student housing a choice of how to lease, and another method of meeting the ordinance intent.</p>	<p>Housing Committee recommended adoption 11 to 0 at its January 4 meeting.</p>
	<p>Exempt student housing from IZ ordinance.</p>		<p>Not recommended due to certain illegality under Madison EOC ordinances.</p>	<p>Madison Equal opportunity ordinances do not appear to permit 'differentiation' (discrimination) on the basis of 'student' status.</p>	

<p>IZ creates some overlay and coordination issues with many forms of City financial assistance for affordable housing, similar to Section 42 financing,</p>	<p>Option 1: Exempt non-profit housing that creates affordable units and involves City assistance.</p>	<p>Exempt non-profit housing that creates affordable units with period of affordability as long as IZ would require, and that meets dispersion goals.</p>	<p>25c)1. d) and 2 a) and b)</p>	<p>The agreement for City assistance is the tool to consolidate and enforce the affordability requirements.</p>	<p>Housing Committee recommended adoption 11 to 0 at its January 4 meeting.</p>
<p>Option 2:</p>	<p>Exempt <i>all</i> housing that creates affordable units and meets/exceeds IZ AMI & dispersion criteria.</p>	<p>Exempt <i>both for-profit and not-for-profit</i> housing that creates affordable units with period of affordability as long as IZ would require, and that meets dispersion goals.</p>	<p>Suggested by Housing Subcommittee at November 16 meeting</p>	<p>Includes both for-profit and non-profit developments that meet the key 'outcome' benchmarks for affordable units. Provides affordable units with a LURA for administrative ease.</p>	