



VERIDIAN HOMES

MEMORANDUM

DATE: June 30, 2006

TO: Madison Planning Commission

FROM: David Simon, Jeff Rosenberg

CC: Brian Munson, Hickory Hurie, Tom Hirsch, Brad Murphy, Jeanne Hoffman, Mayor's IZ Workgroup

SUBJECT: Suggested Revisions to the Inclusionary Zoning (IZ) Ordinance

Philosophically and theoretically, the Inclusionary Zoning ordinance is an interesting concept for our society. However, in our opinion, the current ordinance has failed from a practical standpoint. As the ordinance is currently written, it is not working for the customers whom it is intending to help; it is not working for the community; it is not working for the city; and it is not working for the development community.

Veridian Homes has been actively involved in IZ for the last two years in three west side communities that were approved and platted to include IZ homes. In all three neighborhoods, there were very little if any incentives to offset the cost. Yet during this time, we submitted 47 marketing letters for Heather Glen, Cardinal Glenn and Linden Park, and have approximately 20 homes under construction. And, in Heather Glen, where we have completed 14 homes, we have yet to sell a single home to an IZ approved buyer. There are a variety of reasons for this failure. One reason is that the equity model doesn't work as currently designed – but we do believe some constructive revisions have been suggested.

We do believe it is important that two key sections of the ordinance be addressed – the fair burden of IZ and cost neutralization. On the question of fair burden, the cost of this program should be shouldered by all taxpayers in the Madison community (similar to education) so that this socially responsible program is not a financial burden on the development community alone. Or the City should offer real incentives to offset the tremendous costs that are being incurred by the development community in order to comply with this program. However, we believe that the ordinance should be cost neutral to the entire community. There should be an easy and transparent way to review the cost of providing IZ housing, and there should be real incentives or money from the City to reduce the gap to provide the cost of housing to the developer. If these incentives are not provided and the City doesn't have the funding to cover the costs, then the number of IZ units in the community should be reduced or eliminated. This opinion is not shared by Veridian alone. One of the gurus of Inclusionary Zoning has stated this in his guidelines to a successful program.

In David Rusk's "*Nine Lessons for Inclusionary Zoning*" the fourth lesson states:

"Be fair to builders. An IZ law must be a "win/win," helping meet both the community's need for workforce housing and protecting the private homebuilders' profitability. At best, builders should be able to make a profit on the inclusionary units themselves. At worst, the bottom line should be revenue neutral for the entire development. Builders must not suffer any economic loss through IZ compliance.

Assuring fairness requires that the local government provide a menu of cost-offsets. Density bonuses are the most important. In fact, density bonuses should be proportionally greater than the inclusionary set-aside so that the builder can reap the benefit of some bonus market-rate units. Other important cost-offsets are reducing or waiving certain city fees, modifying or waiving park dedication or parking requirements, providing

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flexibility on subdivision design (e.g. reduced street widths, etc.), and expedited processing of plats and permits.”

Following are suggested revisions to the ordinance language that Veridian feels will either help to reduce the cost of providing IZ housing; or provide improvements to the ordinance so that it offers real incentives – not just incentives on paper. These changes are authored by Brian Munson of Vandewalle & Associates on behalf of Veridian.

MARKETING PERIOD:

Removal of the current language allowing the sale of unsold IZ units at market rate after the completion of the 240 day marketing period results in an unworkable component in the ordinance. If the City believes that there is enough need for the units they should be an active participant by commissioning a third party market analysis that proves significant market demand for the units and purchasing all unsold units after 240 days. It is economically unviable to expect developers to carry the construction cost and unit cost on these units indefinitely. If the demand is there, they will sell; if not, these units should be allowed to be sold at market rate or be purchased by the City for further marketing.

GAP ANALYSIS:

Quantifying the “gap” between the cost of delivering inclusionary zoning units and the incentives requested is a critical step in a “no point” system of incentives. The underlying premise that the developer should be able to avail themselves to as many incentives as necessary to make the project cost neutral requires that the City be vigilant so as to avoid granting more incentives than are required. The City's initial approach sets up a voluntary gap analysis step based on agreement between the City and applicant (the waiver process offers an analysis if agreement isn't reached); however, as always, the devil is in the details. The gap spreadsheets presented to the IZ Workgroup quantifies the gap as the differential between a no-IZ plan and a selected plan, allowing room for negotiation with staff as to the best approach for reaching the cost neutral stance. Market rate units will be valued by a third party appraisal based on the unit proposed so as to compare market rate units and the market rate value of the IZ units (i.e. if the IZ units are smaller, they are valued based on the smaller IZ unit market value, not against a larger market rate unit). This spreadsheet also quantifies the incentive value for the available incentives including density bonus, unit shift, and IZ free zones. As mentioned, the devil is in the details, and additional discussion as to the formulas needs to take place prior to adoption of this or any other gap analysis; however, we believe that this simplified approach generates a fair assessment of the gap between incentive value and cost to deliver IZ units.

Bottom line: the gap analysis presented on June 29 at the IZ Workgroup is a tool to verify that projects are indeed cost neutral for developers, taxpayers and the City.

DENSITY BONUS:

The density bonus creates the greatest potential for cost recapture within a development; however, careful analysis of the density bonus threshold is needed to make sure that the threshold is not artificially low resulting in the creation of a paper bonus. The current definition of non-zoned greenfield sites sets the threshold significantly lower than the goals of the Comprehensive Plan or recent neighborhood approvals, resulting in the appearance of granted bonus density, yet supplying little to no actual cost offset. Redefining the density bonus threshold to the highpoint of the density range for the low density districts sets the bonus to a point that is within the expectations of the neighborhood and encourages higher sustainable densities. This also places the bonus at a point where the City still has review and approval authority; thereby creating the density bonus as a true bonus that can create an economic cost offset, yet leaving approval oversight if the incentive is not needed.

ATTACHED IZ UNIT SHIFT:

The incorporation of attached housing, while recognizing the need for transparency, represents another significant cost offset for creating market feasible IZ units; thereby reducing the need for waivers while fostering mixed residential and mixed income neighborhoods. The incorporation of attached product as an option within the ordinance addresses several points of concern:

- 1.) The incorporation of attached product will significantly reduce the City's cost share or incentives required to offset the cost of supplying IZ units within neighborhoods. This is crucial as it reduces the cost burden on the City and helps reduce some of the cost gap issues that have been leading to waiver request. In essence the City reduces cost, the developer is made whole, and the IZ units are created.

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2.) If the goal of the Inclusionary Zoning Ordinance is to increase homeownership opportunities within the City and foster economic diversity within neighborhoods, the format change does not represent an altering of course; rather it helps assure that the number of units will continue to be available and prevalent within each new neighborhood or project.

3.) The use of attached product within new neighborhoods fits within the City's stated goals for higher density mixed residential neighborhoods; as well as, increasing opportunities for transit supportive neighborhood density and design throughout the City. These units can be seamlessly incorporated within a variety of neighborhood settings, without creating transparency or character issues, allowing for greater cost recapture and a diversity of housing options.

PROPOSED TEXT AMENDMENTS:

The following draft language was created to incorporate attached housing as part of the Inclusionary Zoning Ordinance and is presented in reference to Brenda Konkel's and Planning Staff's draft proposals:

GAP ANALYSIS:

Proposed Text:

The Gap Analysis spreadsheet should be utilized as a policy tool, and as such does not require a text amendment to the ordinance.

IZ FREE ZONE:

Konkel Proposal:

- i. Reservation of up to 20% of the total floor area within an attached-unit development for non-inclusionary dwelling unit designation. Any floor area reserved shall be for contiguous dwelling units and may include dwelling units on more than one floor.
- j. Reservation of up to 20% of the developable residential area within a development of single-family homes for non-inclusionary dwelling unit designation.

Planning Staff Proposal:

- i. Reservation of up to 20% of the total floor area within an attached multiple-unit development building for non-inclusionary dwelling unit designation. Any floor area reserved for non-inclusionary units shall be for contiguous dwelling units and may include dwelling units on more than one floor.
- j. Reservation of up to 20% of the developable net residential lot area within a development of single-family homes for non-inclusionary dwelling unit designation.

Proposed Text:

Staff clarification text

ATTACHED PRODUCT:

Konkel Proposal:

- k. In single family detached housing developments, up to 50% of the inclusionary zoning units may be attached housing ~~but no more than x% of the developable residential area may be designated to be a non-inclusionary dwelling unit area.~~ If attached units are provided in buildings with 5 - 8 units
 - a. no more than half of the units in any one building may be designated to be inclusionary dwelling units.
 - b. No more than 50% of the overall single-family to multi-family shift shall be accommodated in these units.

~~If the attached units are provided in building with more than 8 units, no more than 25% of the units in any one building may be designated to be inclusionary dwelling units.~~

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Planning Staff Proposal:

k. ~~In~~ Within the portion of a residential development primarily devoted to single family detached housing developments, up to 50% of the inclusionary zoning units that would be allocated to the single family detached units may be provided as an alternative within multiple-unit attached housing located within or immediately adjacent to the single-family portion of the development but no more than x% of the developable residential area may be designated to be a non-inclusionary dwelling unit area. If attached these inclusionary units are provided in buildings with 5 - 8 units, no more than one-half of the units in any one building may be designated to be as inclusionary dwelling units. If the inclusionary units are provided in two-unit or three-unit buildings, up to 100% of the units in any building may be designated as inclusionary dwelling units, but the buildings with inclusionary units must be distributed within the single-family portion of the development and not grouped all together.

Proposed Text:

k. ~~In~~ Within the portion of a residential development primarily devoted to single family detached housing developments, up to 75% of the inclusionary zoning units that would be allocated to the single family detached units may be provided as an alternative within multiple-unit attached housing located distributed in locations within or immediately adjacent to the single-family portion of the development but no more than x% of the developable residential area may be designated to be a non-inclusionary dwelling unit area. If attached units are provided in buildings with 5 - 8 units:

a. no more than half of the units in any one building may be designated to be inclusionary dwelling units.

b. No more than 50% of the overall single-family to multi-family shift shall be accommodated in these units buildings containing greater than four units.

~~If the attached units are provided in building with more than 8 units, no more than 25% of the units in any one building may be designated to be inclusionary dwelling units.~~

Comment:

- As illustrated in the Second Addition to Grandview Commons studies, distribution can still be achieved utilizing the higher percentage of single-family to multi-family shift. Through the use of the higher percentage, this revision offers a greater incentive value, thereby moving projects closer to a cost neutral standing and further from waiver requests; without affecting the overall distribution or character of the neighborhood.
- The cost benefit and character guarantees are further reinforced through the language allowing units to be 100% IZ up to four unit buildings and 50% of units up to 8 unit buildings as these building types can be located within single family neighborhoods without creating negative impacts on the character of the surrounding neighborhood.
- The staff language clarifies that these units shall be distributed throughout the neighborhood and not concentrated in one area.

DISTRIBUTION/PROPORTION:

Konkel Proposal:

Notwithstanding incentives provided through 28.04(25)(d)4.k. ¶ the proportion of attached and detached units shall be similar for inclusionary and market rate dwelling units and shall be consistent with the Inclusionary Dwelling Unit Plan.

Planning Staff Proposal:

Notwithstanding Aside from the additional inclusionary zoning dwelling units provided in multiple-unit buildings in order to utilize the incentives provided through 28.04(25)(d)4.k. ¶ the proportion of attached multiple-unit and single-family detached units within the residential development as a whole shall be similar for inclusionary and market rate dwelling units and shall be consistent with the Inclusionary Dwelling Unit Plan.

Proposed Text:

Staff clarification text

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CHARACTER:

Konkel Proposal:

(g)2. The exterior appearance of the inclusionary dwelling units shall be similar in general style to the market rate dwelling units, consistent with the Inclusionary Dwelling Unit Plan. For units provided under (k) in buildings that contain more than three units the exterior appearance of the inclusionary dwelling units shall be complementary in general style and character to the market rate dwelling units.

Proposed Text:

No Change

BEDROOM MIXTURE:

Konkel Proposal:

The mix of dwelling units, based on the number of bedrooms, shall be similar for inclusionary and market rate dwelling units and shall be consistent with the Inclusionary Dwelling Unit Plan.

Proposed Text:

No Change

Comment:

- This language may result in some four bedroom townhomes; however, due to the commercial building code, this can be accommodated with three bedrooms upstairs, and one in the basement.

DENSITY BONUS CALCULATIONS:

Konkel Proposal:

For neighborhood plans where the mid-point of the neighborhood plan is less than x, we use the high point of the neighborhood plan to calculate the density bonus.

For neighborhoods where the mid-point of the neighborhood plan is greater than y, we use the mid point of the neighborhood plan to calculate the density bonus.

Or

For neighborhood plans where the mid point of the neighborhood plan is x-y, we use $\frac{3}{4}$ of the density of the neighborhood plan to calculate the density bonus.

Planning Staff Proposal:

For lands at the edge of the City which are currently undeveloped, Planning staff continues to recommend the use of the neighborhood development plans as a basis for establishing the base net density to apply a density bonus. Planning staff recommends that, for the most part, the inclusionary zoning ordinance should continue to use the mid-point of the density ranges recommended within the neighborhood development plans, with the exception of the low density range which is generally recommended as densities less than 8 units per acre. For this density range, Planning staff recommends the use of five dwelling units per acre as the base density. Using the mid-point of this density range results in a density of four units per acre. Staff believes that it would be appropriate to use five units per acre as the base as this density is more similar to the zoning that would result from applying the minimum lot size allowed in the largest lot zoning district in the Zoning Code (the R1 Single-Family Residence District). Using five as a density base would allow a substantial density bonus to be granted and still result in densities which would be within the low density range recommended in most neighborhood plans.

Staff recommends no changes to the other density ranges.

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Proposed Language:

Density Bonus. The density of dwelling units/acre that will be used to calculate the bonus density shall be based on the existing zoning. Notwithstanding the above; however, if the existing zoning is agricultural or for lands to be annexed to the City of Madison and a Neighborhood Plan exists for the area, the density of dwelling units/acre that will be used to calculate the bonus density shall be the midpoint of the density ranges, with the exception of the low density range. The low density district shall use the highpoint of the density range recommended in the Neighborhood Development Plan.

Comment:

- Utilizing the midpoint definition sets the density threshold artificially low, resulting in the creation of a paper bonus for neighborhoods that are consistent with the density goals of city. Recent City approval track record reinforces the trend towards higher density neighborhoods with examples ranging from Grandview Commons at 13.3 dwelling units per acre (pre-IZ) (7.5 du/acre single family only), Cardinal Glenn at 9.7 dwelling units per acre (8.5 du/acre single family only), Linden Park at 8.2 dwelling units per acre (8.2 du/acre single family only).

- Utilizing the highpoint of the density range for the low density district ties the site back to the densities within the neighborhood plan without skewing the overall neighborhood density and encouraging higher density sustainable neighborhood design, consistent with the goals of the Comprehensive Plan and the track record of recent approvals.

In closing, the above suggestions were created to help improve the Inclusionary Zoning ordinance. These recommendations are based on Veridians two years of experience in working with the ordinance. For the program to succeed, it needs to be fair to both Madison's taxpayers and the development community – which means it needs to be cost neutral. The financial burden should not rest on the shoulders of the development community. To truly craft an ordinance that will meet the needs of the housing community, there needs to be a thorough analysis of the housing market in Madison and Dane County. This study would help quantify the needs and opportunities for affordable housing in Madison. To create a program that truly works, we need to understand who we are trying to help – and that can only be done after better analysis of the market. At Veridian, we often use a slightly paraphrased quote from quality guru Dr. Jack B. ReVelle, "In the absence of data, you have myth."



TO: Nan Fey, Chair, Plan Commission

FROM: Thomas Hirsch, Chair
City of Madison Housing Committee

DATE: July 5, 2006

SUBJECT: **IZ Fix-it Items**

At its meeting tonight, the Housing Committee considered the Brenda Konkel Memorandum dated June 12, regarding revisions of potential language for the 10% set-aside and Twin Homes. The Committee recommended to the Plan Commission and Common Council adoption of the "IZ Free-zone" with modifications on substitution of multi-family units in detached single family housing developments. Eleven members were present (Brink, Ejercito, Hirsch, Kerr, King, LeTourneau, Merrill, Sparer, Villacrez, Wilcox, Zmudzinski) and 9 voted in favor, two abstaining.

The language change was to enact an incentive to allow attached IZ units in detached single family developments:

- k. In single family detached housing developments, up to ~~50%~~ 75% of the inclusionary zoning units may be attached housing with direct entries, shared by no more than 2 units. ~~But no more than x% of the developable residential areas may be designated to be a non-inclusionary dwelling unit area.~~ If attached units are provided in buildings with 5 – 8 units:
 - a. No more than half of the units in any one building may be designated to be inclusionary units.
 - b. No more than 50% of the overall detached single-family to multi-family shift shall be accommodated in these units.

We hope the Plan Commission and Council will incorporate these recommendations in consideration of revisions to the Inclusionary Zoning Ordinance.

c: Mayor Dave Cieslewicz
Plan Commission Members
IZ Workgroup members



Department of Planning & Development
Planning Unit

Website: www.cityofmadison.com

Madison Municipal Building
215 Martin Luther King, Jr. Boulevard
P.O. Box 2985
Madison, Wisconsin 53701-2985
TDD 608 266 4747
FAX 608 267 8739
PH 608 266 4635

TO: Madison Plan Commission

FROM: Bradley J. Murphy, Planning Unit Director

DATE: June 1, 2006

SUBJECT: Density Bonus System for the Inclusionary Zoning Ordinance

The Plan Commission asked staff to write up a possible change to the density bonus system currently included in the inclusionary zoning ordinance.

The Commission has previously discussed the use of a combination of tools to establish the base density for lands within the City. The Commission and the Mayor's Inclusionary Zoning Work Group have generally discussed distinctions between various locations in the City which can generally be grouped into three categories:

1. Lands on the edge of the City where greenfield development will be occurring in areas which have been relatively recently annexed and where existing and future neighborhood development plans will guide the location and magnitude of residential development. These lands are generally zoned Agriculture currently, or will be zoned Agriculture upon their annexation.
2. Lands within the downtown where existing zoning may, in some cases, not reflect the development densities which are recommended in more recently adopted neighborhood plans, the Downtown Plan, or corridor or special area plans.
3. Lands between the undeveloped land on the edge of the City, and lands within the downtown where development has occurred in conformance with the existing Zoning Code.

Land at the Edge of the City

For lands at the edge of the City which are currently undeveloped, Planning staff continue to recommend the use of the neighborhood development plans as a basis for establishing the base net density to apply a density bonus. Planning staff recommend that, for the most part, the inclusionary zoning ordinance should continue to use the mid-point of the density ranges recommended within the neighborhood development plans, with the exception of the low density range which is generally recommended as densities less than 8 units per acre. For this density range, Planning staff recommend the use of five dwelling units per acre as the density base. Using the mid-point of this density range results in a density base of four units per acre. Staff believe that it would be appropriate to use five units per acre as the base as this density is more similar to the zoning which would result from applying the minimum lot size allowed in the largest lot zoning district in the Zoning Code (the R1 Single-Family

Residence District). Using five as a density base would allow a substantial density bonus to be granted and still result in densities which would be within the low density range recommended in most neighborhood development plans.

Staff recommend no changes to the other density ranges.

Areas Between the Edge and the Downtown

For areas of the City which are currently zoned to a district other than Agriculture and are outside of the Downtown, Planning staff recommend the continued use of the maximum densities allowed within the existing zoning districts as the appropriate basis for calculating a density bonus. Using the existing zoning to establish the base makes sense because it is the existing zoning that defines the actual density which can be achieved on an existing zoned property within the City.

Downtown Areas

Within the downtown, staff suggest that the Plan Commission consider the possible use of three methods to establish the base density. The ordinance could be amended to allow the Director of the Department of Planning & Development or his/her designee to establish the base density in the downtown based on consideration of the following factors. We are not yet comfortable with this approach but would like the commission to discuss it and while staff continue to look for a workable solution.

1. Consideration of the existing zoning. In some areas within the downtown, the continued use of the existing zoning may be appropriate to establish the density base. For example, within the existing local historic districts within the downtown, staff believe that it is appropriate to use the existing zoning as the base density. Within these areas, staff believe that it continues to be appropriate to use the existing zoning to establish the base density.
2. Neighborhood and special area plans. In some areas of the Downtown existing adopted neighborhood plans have provided recommendations which would result in densities which are different than the existing zoning district would allow. Where the existing adopted plan recommends densities lower than the existing zoning would allow, staff recommend the continued use of the zoning district to provide the base density. Where densities are recommended higher than the existing zoning would allow, staff recommend using the adopted neighborhood development plan density mid-points as a base.
3. No Plan. In areas where there is no adopted neighborhood plan, the Director of the Department of Planning & Development or his designee could establish the base density for the development proposal based on consideration being given to the existing zoning, existing Comprehensive Plan and the existing development pattern within the area, and any relevant plan recommendations which would effect the densities which could be achieved on the proposed development site.

Within the downtown, the establishment of the density base could be appealed to the City's Plan Commission as part of the development review process. The Downtown boundaries are as described in the Comprehensive Plan. Staff are not totally comfortable with the suggested approach for the downtown, but do not have another suggested approach at the present time which would address the concerns which have been expressed.

**Density Comparisons
Neighborhood Plans and Zoning Designations**

Table A

Typical Neighborhood Plan Density Designation		Closest Zoning Designation	Zoning Maximum Density	Density with 30% Bonus	Typical Structure Type
Density Category	Net Units/Acre		Net Units/Acre	Net Units/Acre	
RL	0 - 8	R1	5.44	7.07	Single-Family only
RL	0 - 8	R2	7.26	9.44	Single-Family only
RLM	8 - 15	R2T.	8.72	11.34	Single-Family only
RLM	8 - 15	R2S - R2Y	10.89	14.16	Single-Family only
RLM	8 - 15	R3	10.88	14.14	Single-Family and Duplex
RLM	8 - 15	R2Z	12.45	16.18	Single-Family only
RMH	16 - 25	R4/R4A*	21.78	28.31	Multi-Family - 8 Unit maximum
RM	26 - 40	R5*	33.5	43.55	Multi-Family, no maximum
RH	41 - 60	R6*	72.6	94.38	Multi-Family, no maximum
		C1, C2, C3, C4*	38	49.4	Multi-Family, no maximum
		O1, O2*	21.78	28.31	Multi-Family
		C3L, M1, M2, RPSM, SM	5.44	7.07	<i>Districts do not permit residential</i>

*Assumes average of two bedrooms per unit

Neighborhood Plan Midpoint & Maximum Density

Table B

Typical Neighborhood Plan Ranges		Plan Midpoint Density	Plan Midpoint Density with 30% Bonus	Plan Maximum Range	Plan Maximum Density with 30% Bonus
Density Category	Net Units/Acre	Net Units/Acre	Net Units/Acre	Net Units/Acre	Net Units/Acre
RL	0 - 8	4 (10,890 sq ft)	5.2 (8,376 sq ft)	8 (5,445 sq ft)	10.4 (4,188 sq ft)
RLM	8 - 15	12	15.6	16	20.8
RMH	16 - 25	21	27.3	26	33.8
RM	26 - 40	33	42.9	40	52
RH	41 - 60	50	65	60	78

Density Base and Bonus using three alternative methods

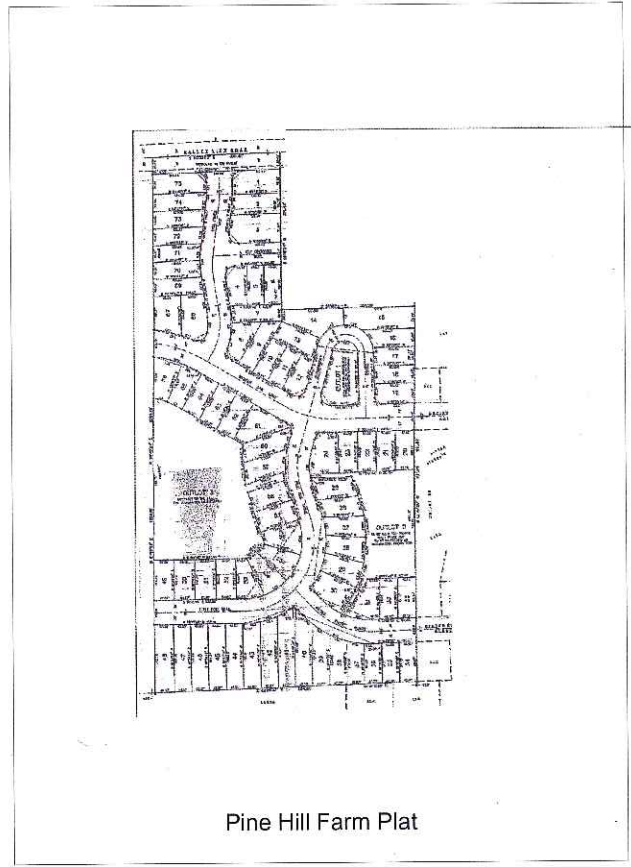
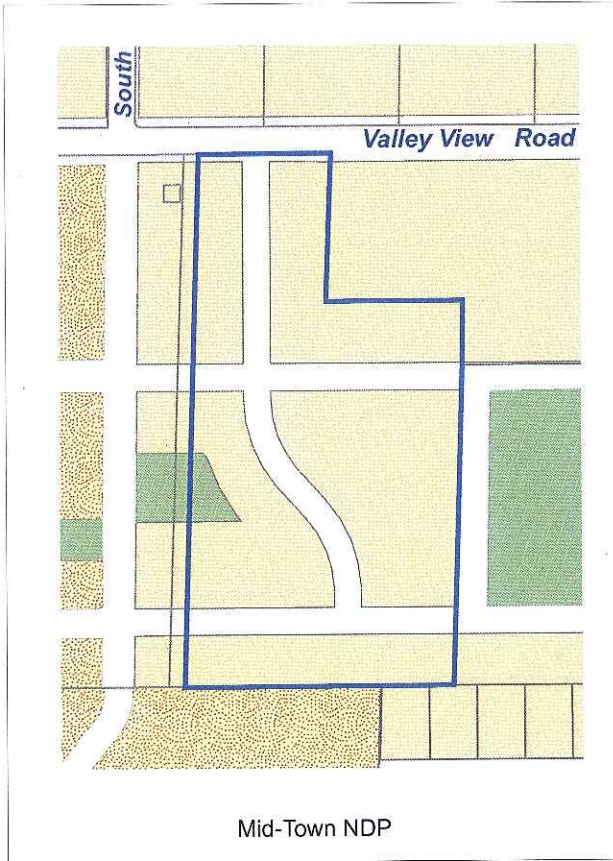
40 acre low density subdivision with 40% non-residential uses (streets, stormwater, parkland, etc)

Current Ordinance						
Net 24 Acres of Residential Land		Neighborhood Plans Midpoint	Neigh. Plans Midpoint # Units	Neighborhood Plans Midpoint + 30%	Neigh. Plan Midpoint # Units & the 30% IZ Bonus	Net Gain
RL	units/acre 0 - 8	units/acre 4 (10,890 sq ft)	96.00	units/acre 5.2 (8,376 sq ft)	125.00	+29
Housing Committee						
Net 24 Acres of Residential Land		Neighborhood Plans Maximum	Neighborhood Plans Maximum # Units	Neighborhood Plans Maximum + 30%	Neigh. Plan Maximum # Units & the 30% IZ Bonus	Net Gain
RL	units/acre 0 - 8	units/acre 8 (5,445 sq ft)	192.00	units/acre 10.4 (4,188 sq ft)	249.60	+57
Using Zoning District Maximum Densities						
Net 24 Acres of Residential Land		Zoning Maximum Density	Zoning Maximum # Units	Zoning Maximum +30%	Zoning Max. # Units & the 30% IZ Bonus	Net Gain
	units/acre	units/acre		units/acre		
	R1 Zoning	5.44 (8,000 sq ft)	130.56	7.07 (6,161 sq ft)	169.68	+39
	R2 Zoning	7.26 (6,000 sq ft)	174.24	9.44 (4,614 sq ft)	226.56	+52

Bonus based on 1.5 times the number of Affordable units required

Net 24 Acres of Residential Land		Neighborhood Plans Midpoint	Neigh. Plans Midpoint # Units	Inclusionary Dwelling Units	Neigh. Plan Midpoint # Units + 1.5 times the IDU's	Net Gain
RL	units/acre 0 - 8	units/acre 4 (10,890 sq ft)	96.00	14.00	117.00	+21
Net 24 Acres of Residential Land		Neighborhood Plans Maximum	Neighborhood Plans Maximum # Units	Inclusionary Dwelling Units	Neigh. Plan Maximum # Units + 1.5 times the IDU's	Net Gain
RL	units/acre 0 - 8	units/acre 8 (5,445 sq ft)	192.00	29.00	235.00	+43
Net 24 Acres of Residential Land		Zoning Maximum Density	Zoning Maximum # Units	Inclusionary Dwelling Units	Zoning Max. # Units + 1.5 times the IDU's	Net Gain
	units/acre	units/acre				
	R1 Zoning	5.44 (8,000 sq ft)	130.56	20.00	160.00	+30
	R2 Zoning	7.26 (6,000 sq ft)	174.24	26.00	213.00	+39

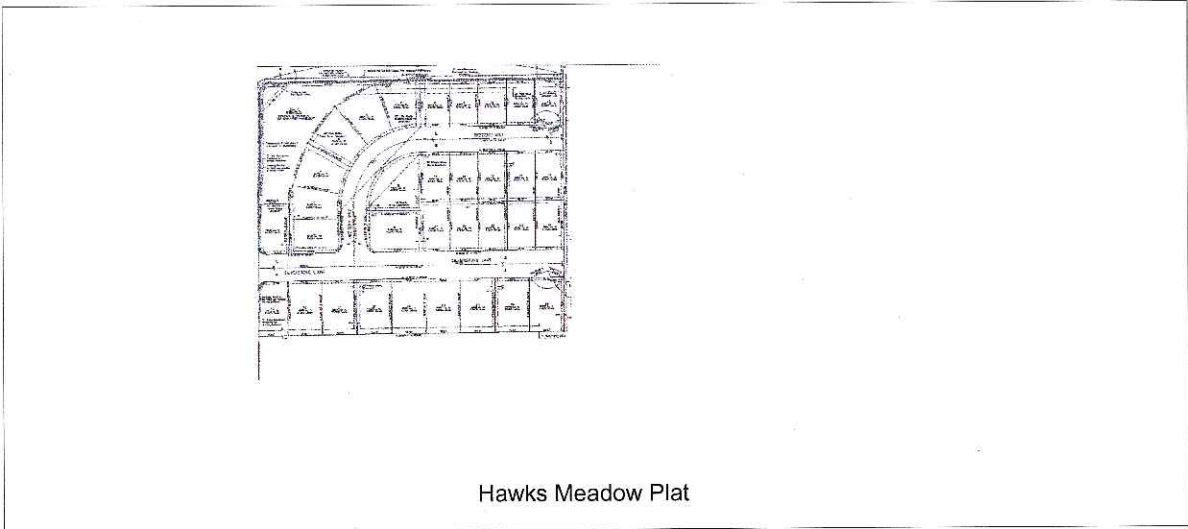
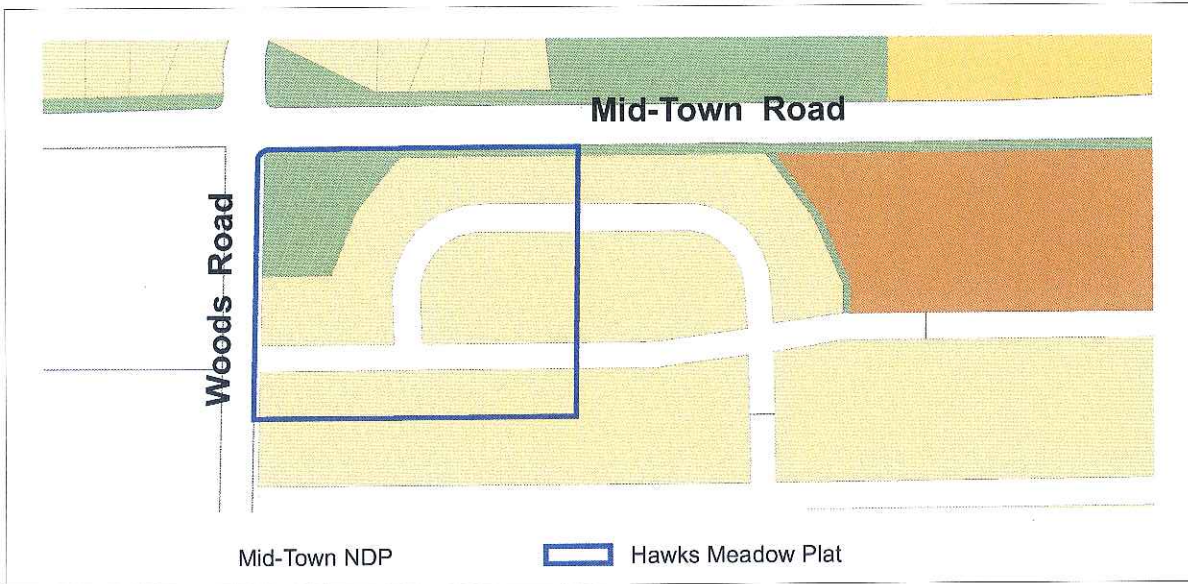
Summary of Land Use and Dwelling Units Mid-Town NDP and Pine Hill Farm Plat



- Pine Hill Farm Plat
- Future Residential

Proposed Land Use	Sprecher NDP Recommendations			Pine Hill Farm Proposed Land Use		
	Acres	Density Range Mid-Point	Estimated Dwelling Units	Acres	Dwelling Units	Ave. Net Density
Total Residential	12.56	4.0 <small>(Ave. Net Density)</small>	50	9.46	75	7.9
 Low Density <small>(<8 du/net acre)</small>	12.56	4.0	50	9.46	75	7.9
 Low-Med Density <small>(8-15 du/net acre)</small>	-	12	-	-	-	-
 Medium Density <small>(16-25 du/net acre)</small>	-	20.5	-	-	-	-
 Park, Open Space and Drainage	.29			1.94		
 Private Open Space	-			1.15		
 Street ROW	3.77			4.35		
Total	16.62			16.90		

Summary of Land Use and Dwelling Units Mid-Town NDP and Hawks Meadow Plat

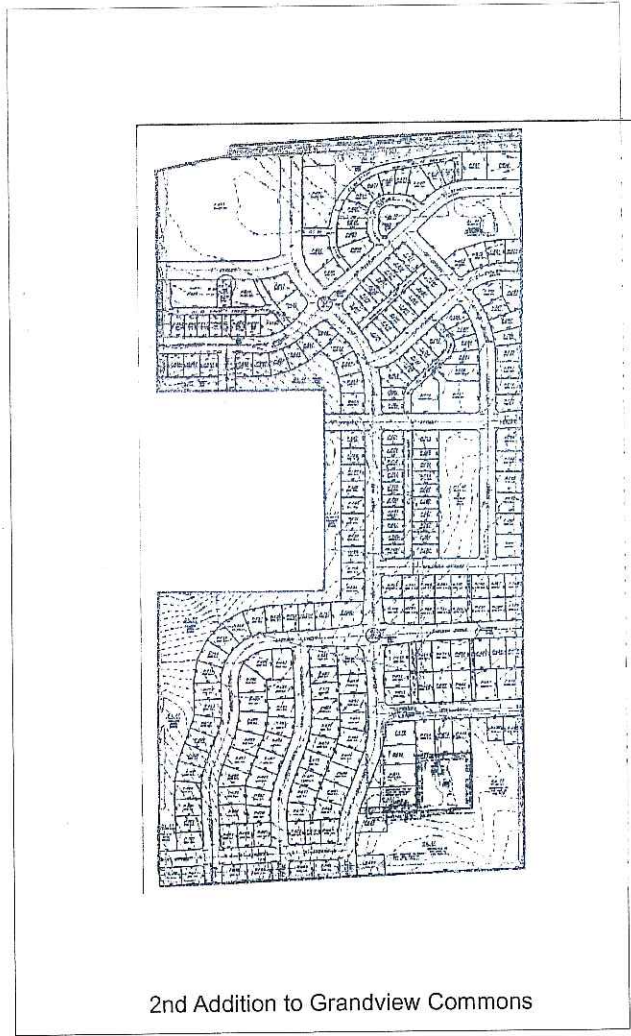
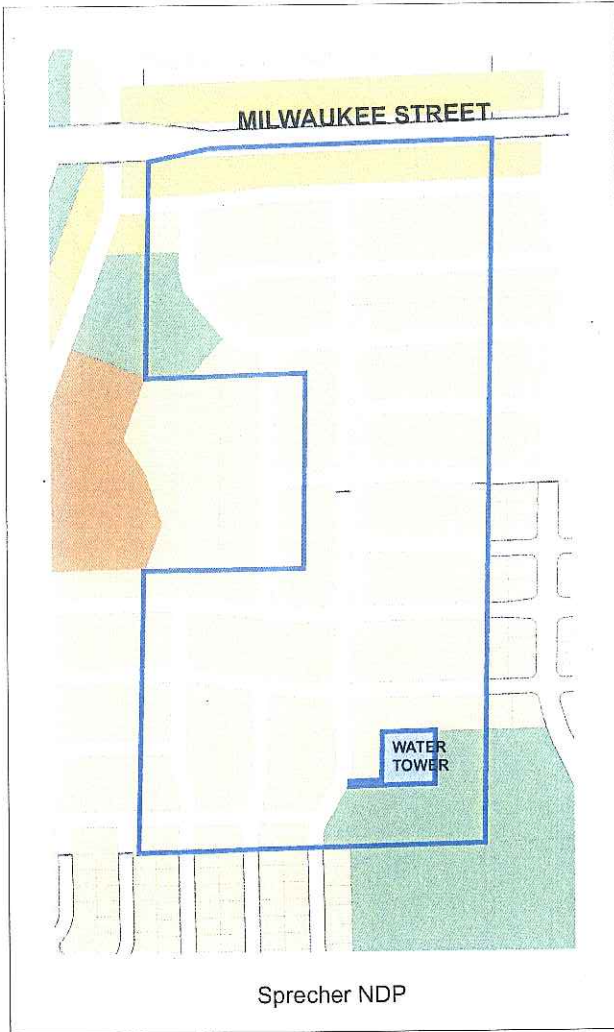


Proposed Land Use	Mid-Town NDP Recommendations			Hawk's Meadow Proposed Land Use		
	Acres	Density Range Mid-Point	Estimated Dwelling Units	Acres	Dwelling Units	Ave. Net Density
Total Residential	5.50	4 <small>(Ave. Net Density)</small>	22	5.94	33	5.6
Low Density <small>(.8 du/net acre)</small>	5.50	4	22	-	-	-
Park, Open Space and Drainage	1.27			.79		
Private Open Space	.19					
Street ROW	1.67			1.90		
Total	8.63			8.63		

DENSITY COMPARISONS

Summary of Land Use and Dwelling Units

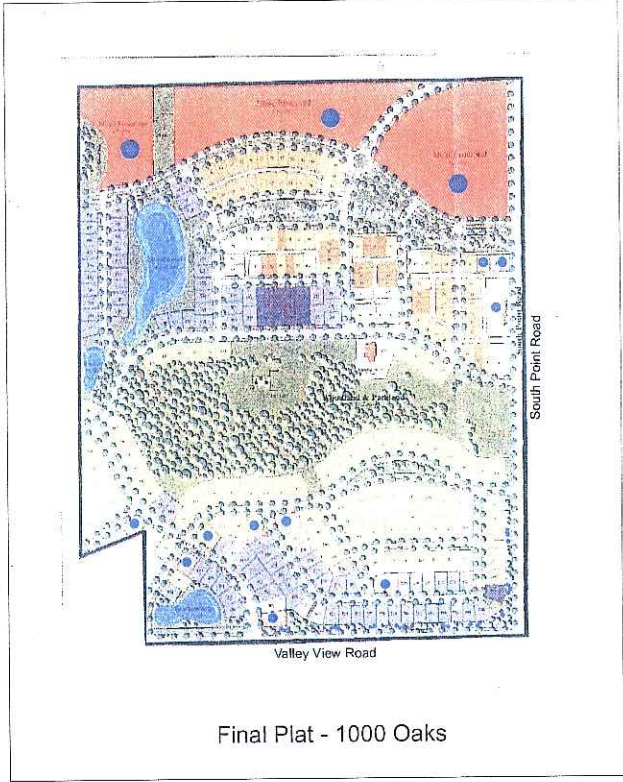
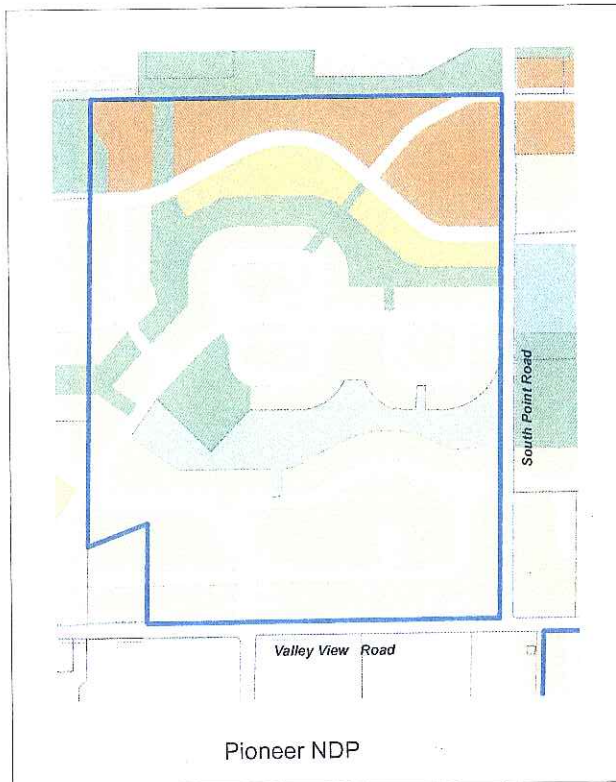
Sprecher NDP and 2nd Add. to Grandview Commons



2nd Addition to Grandview Commons

Proposed Land Use	Sprecher NDP Recommendations			2nd Add to Grandview Commons Proposed Land Use		
	Acres	Density Range Mid-Point	Estimated Dwelling Units	Acres	Dwelling Units	Ave. Net Density
Residential	43.71	4.7 (Net Ave. Density)	205	36.16	352	9.7
Low Density (<8 du/net acre)	39.84	4	159	21.08	143	6.8
Low-Med Density (8-15 du/net acre)	3.87	12	46	6.78	64	9.4
Medium Density (16-25 du/net acre)	-	20.5	NONE PROPOSED ON THIS SITE	8.30	145	17.6
Park, Open Space and Drainage	5.87			13.70		
Street ROW	17.42			19.34		
Total	67.00			69.20		

May 9, 2006
 Summary of Land Use and Dwelling Units
Pioneer NDP and 1000 Oaks Final Plat



- Residential Low Density (Single-Family)
- Orange, yellow and purple
- Residential Low-Med. Density (Duplex & Townhomes)
- Light orange, brown
- Residential Medium Density (Mixed Multi-Family)
- Red
- Park and Open Space
- Green
- Stormwater
- Green with blue

Proposed Land Use	Pioneer NDP Recommendations			Final Plat - 1000 Oaks Proposed Land Use			
	Acres	Density Range Mid-Point	Estimated Dwelling Units	Acres	Ave. Net Density	Dwelling Units	Additional Units
Total Residential	72.97	8.3 (Ave. Net Density)	605	59.46	11.8	694	89
Low Density (<8 du/net acre)	50.75	4.0	203	40.20	6.8	274	71
Low-Med Density (8-15 du/net acre)	6.31	12	76	2.27	13.2	30	-46
Medium Density (16-25 du/net acre)	15.91	20.5	326	16.99	23.0	390	64
Park, Open Space and Drainage	15.06			31.46			
Private Open Space	9.42			1.97			
Street ROW	22.96			30.82			
Total	120.41			123.70			



To: David Simon
Jeff Rosenberg

Cc:

From: Brian Munson

Date: June 28, 2006

Re: Inclusionary Zoning Text Options

The Inclusionary Zoning Ordinance has reach a cross roads whereas significant revision is needed to make the program viable. Several key components of the ordinance, including components discussed at the June 27th Plan Commission, require adjustments to move closer to achieving the City's goal of supplying disperse affordable housing through a cost neutral approach which reduces waiver requests that result in fewer units.

The components needing adjustment are summarized below with potential ordinance language on the following pages:

Marketing Period

Removal of the current language allowing the sale of unsold IZ units at market rate after the completion of the 240 day marketing period results in an unworkable component in the ordinance. If the City believes that there is enough need for the units they should be an active participant by commissioning a third party market analysis that proves significant market demand for the units and purchasing all unsold units after 240 days. It is economically unviable to expect developers to carry the construction cost and unit cost on these units indefinitely. If the demand is there, they will sell; if not, these units should be allowed to be sold at market rate or be purchased by the City for further marketing.

Gap Analysis

Quantifying the "gap" between the cost of delivering inclusionary zoning units and the incentives requested is a critical step in a "no point" system of incentives. The underlying premise that the developer should be able to avail themselves to as many incentives as necessary to make the project cost neutral requires that the City be vigilant so as to avoid granting more incentives than are required. The Cities initial approach sets up a voluntary gap analysis step based on agreement between the City and applicant (the waiver process offers an analysis if agreement isn't reached); however, as always, the devil is in the details. The attached spread sheet quantifies the gap as the differential between a no-IZ plan and a selected plan, allowing room for negotiation with staff as to the best approach for reaching the cost neutral stance. Market rate units will be valued by a third party appraisal based on the unit proposed so as to compare market rate units and the market rate value of the IZ units (i.e. if the IZ units are smaller, they are valued based on the smaller IZ unit market

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608 255-3988 • 608 255-0814 Fax • va@vandewalle.com

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value, not against a larger market rate unit). This spreadsheet also quantifies the incentive value for the available incentives including density bonus, unit shift, and IZ free zones. As mentioned, the devil is in the details, and additional discussion as to the formulas needs to take place prior to adoption of this or any other gap analysis; however, we believe that this simplified approach generates a fair assessment of the gap between incentive value and cost to deliver IZ units.

Density Bonus

The density bonus creates the greatest potential for cost recapture within a development; however, careful analysis of the density bonus threshold is needed to make sure that the threshold is not artificially low resulting in the creation of a paper bonus. The current definition of non-zoned greenfield sites sets the threshold significantly lower than the goals of the Comprehensive Plan or recent neighborhood approvals, resulting in the appearance of granted bonus density, yet supplying little to no actual cost offset. Redefining the density bonus threshold to the highpoint of the density range for the low density districts sets the bonus to a point that is within the expectations of the neighborhood and encourages higher sustainable densities. This also places the bonus at a point where the City still has review and approval authority; thereby creating the density bonus as a true bonus that can create an economic cost offset, yet leaving approval oversight if the incentive is not needed.

only
benefits
Veridian
builder of
SF
units

Attached IZ Unit Shift

The incorporation of attached housing, while recognizing the need for transparency, represents another significant cost offset for creating market feasible IZ units; thereby reducing the need for waivers while fostering mixed residential and mixed income neighborhoods. The incorporation of attached product as an option within the ordinance addresses several points of concern:

- 1.) The incorporation of attached product will significantly reduce the City's cost share or incentives required to offset the cost of supplying IZ units within neighborhoods. This is crucial as it reduces the cost burden on the City and helps reduce some of the cost gap issues that have been leading to waiver request. In essence the City reduces cost, the developer is made whole, and the IZ units are created.
- 2.) If the goal of the Inclusionary Zoning Ordinance is to increase homeownership opportunities within the City and foster economic diversity within neighborhoods, the format change does not represent an altering of course; rather it helps assure that the number of units will continue to be available and prevalent within each new neighborhood or project.
- 3.) The use of attached product within new neighborhoods fits within the City's stated goals for higher density mixed residential neighborhoods; as well as, increasing opportunities for transit supportive neighborhood density and design throughout the City. These units can be seamlessly incorporated within a variety of neighborhood settings, without creating transparency or character issues, allowing for greater cost recapture and a diversity of housing options.

PROPOSED TEXT AMENDMENTS:

The following draft language was created to incorporate attached housing as part of the Inclusionary Zoning Ordinance and is presented in reference to Brenda Konkel's and Planning Staff's draft proposals:

GAP ANALYSIS:

Proposed Text:

The Gap Analysis spreadsheet should be utilized as a policy tool, and as such does not require a text amendment to the ordinance.

IZ FREE ZONE:

Konkel Proposal:

- i. Reservation of up to 20% of the total floor area within an attached-unit development for non-inclusionary dwelling unit designation. Any floor area reserved shall be for contiguous dwelling units and may include dwelling units on more than one floor.
- j. Reservation of up to 20% of the developable residential area within a development of single-family homes for non-inclusionary dwelling unit designation.

Planning Staff Proposal:

- i. Reservation of up to 20% of the total floor area within an attached multiple-unit development building for non-inclusionary dwelling unit designation. Any floor area reserved for non-inclusionary units shall be for contiguous dwelling units and may include dwelling units on more than one floor.
- j. Reservation of up to 20% of the developable net residential lot area within a development of single-family homes for non-inclusionary dwelling unit designation.

Proposed Text:

Staff clarification text

ATTACHED PRODUCT:

Konkel Proposal:

- k. In single family detached housing developments, up to 50% of the inclusionary zoning units may be attached housing ~~but no more than x% of the developable residential area may be designated to be a non-inclusionary dwelling unit area.~~ If attached units are provided in buildings with 5 - 8 units
 - a. no more than half of the units in any one building may be designated to be inclusionary dwelling units.

b. No more than 50% of the overall single-family to multi-family shift shall be accommodated in these units.

If the attached units are provided in building with more than 8 units, no more than 25% of the units in any one building may be designated to be inclusionary dwelling units.

Planning Staff Proposal:

k. ~~In~~ Within the portion of a residential development primarily devoted to single family detached housing developments, up to 50% of the inclusionary zoning units that would be allocated to the single family detached units may be provided as an alternative within multiple-unit attached housing located within or immediately adjacent to the single-family portion of the development but no more than x% of the developable residential area may be designated to be a non-inclusionary dwelling unit area. If attached these inclusionary units are provided in buildings with 5 - 8 units, no more than one-half of the units in any one building may be designated to be as inclusionary dwelling units. If the inclusionary units are provided in two-unit or three-unit buildings, up to 100% of the units in any building may be designated as inclusionary dwelling units, but the buildings with inclusionary units must be distributed within the single-family portion of the development and not grouped all together.

Proposed Text:

k. ~~In~~ Within the portion of a residential development primarily devoted to single family detached housing developments, up to 75% of the inclusionary zoning units that would be allocated to the single family detached units may be provided as an alternative within multiple-unit attached housing located distributed in locations within or immediately adjacent to the single-family portion of the development but no more than x% of the developable residential area may be designated to be a non-inclusionary dwelling unit area. If attached units are provided in buildings with 5 - 8 units:

a. no more than half of the units in any one building may be designated to be inclusionary dwelling units.

b. No more than 50% of the overall single-family to multi-family shift shall be accommodated in these units-buildings containing greater than four units.

If the attached units are provided in building with more than 8 units, no more than 25% of the units in any one building may be designated to be inclusionary dwelling units.

means that IDUs can all be in 2's & 3's with 50% 5-8

4-6

Comment:

As illustrated in the Second Addition to Grandview Commons studies, distribution can still be achieved utilizing the higher percentage of single-family to multi-family shift. Through the use of the higher percentage, this revision offers a greater incentive value, thereby moving projects closer to a cost neutral standing and further from waiver requests; without affecting the overall distribution or character of the neighborhood.

No dispersion

- The cost benefit and character guarantees are further reinforced through the language allowing units to be 100% IZ up to four unit buildings and 50% of units up to 8 unit buildings as these building types can be located within single family neighborhoods without creating negative impacts on the character of the surrounding neighborhood.
- The staff language clarifies that these units shall be distributed throughout the neighborhood and not concentrated in one area.

DISTRIBUTION/PROPORTION:

Konkel Proposal:

Notwithstanding incentives provided through 28.04(25)(d)4.k. ¶ the proportion of attached and detached units shall be similar for inclusionary and market rate dwelling units and shall be consistent with the Inclusionary Dwelling Unit Plan.

Planning Staff Proposal:

Notwithstanding Aside from the additional inclusionary zoning dwelling units provided in multiple-unit buildings in order to utilize the incentives provided through 28.04(25)(d)4.k. ¶ the proportion of attached multiple-unit and single-family detached units within the residential development as a whole shall be similar for inclusionary and market rate dwelling units and shall be consistent with the Inclusionary Dwelling Unit Plan.

Proposed Text:

Staff clarification text

CHARACTER:

Konkel Proposal:

(g)2. The exterior appearance of the inclusionary dwelling units shall be similar in general style to the market rate dwelling units, consistent with the Inclusionary Dwelling Unit Plan. For units provided under (k) in buildings that contain more than three units the exterior appearance of the inclusionary dwelling units shall be complementary in general style and character to the market rate dwelling units.

Proposed Text:

No Change

BEDROOM MIXTURE

Konkel Proposal:

The mix of dwelling units, based on the number of bedrooms, shall be similar for inclusionary and market rate dwelling units and shall be consisted with the Inclusionary Dwelling Unit Plan.

Proposed Text:
No Change

Comment:

- This language may result in some four bedroom townhomes; however, due to the commercial building code, this can be accommodated with three bedrooms upstairs, and one in the basement.

DENSITY BONUS CALCULATIONS

Konkel Proposal:

For neighborhood plans where the mid-point of the neighborhood plan is less than x, we use the high point of the neighborhood plan to calculate the density bonus.

For neighborhoods where the mid-point of the neighborhood plan is greater than y, we use the mid point of the neighborhood plan to calculate the density bonus.

Or

For neighborhood pans where the mid point of the neighborhood plan is x-y, we use $\frac{3}{4}$ of the density of the neighborhood plan to calculate the density bonus.

Planning Staff Proposal:

For lands at the edge of the City which are currently undeveloped, Planning staff continues to recommend the use of the neighborhood development plans as a basis for establishing the base net density to apply a density bonus. Planning staff recommends that, for the most part, the inclusionary zoning ordinance should continue to use the mid-point of the density ranges recommended within the neighborhood development plans, with the exception of the low density range which is generally recommended as densities less than 8 units per acre. For this density range, Planning staff recommends the use of five dwelling units per acre as the base density. Using the mid-point of this density range results in a density of four units per acre. Staff believes that it would be appropriate to use five units per acre as the base as this density is more similar to the zoning that would result from applying the minimum lot size allowed in the largest lot zoning district in the Zoning Code (the R1 Single-Family Residence District). Using five as a density base would allow a substantial density bonus to be granted and still result in densities which would be within the low density range recommended in most neighborhood plans.

Staff recommends no changes to the other density ranges.

Proposed Language:

Density Bonus. The density of dwelling units/acre that will be used to calculate the bonus density shall be based on the existing zoning. Notwithstanding the above; however, if the existing zoning is agricultural or for lands to be annexed to the City of Madison and a Neighborhood Plan exists for the area, the density of dwelling units/acre that will be used

to calculate the bonus density shall be the midpoint of the density ranges ,with the exception of the low density range. The low density district shall use the highpoint of the density range recommended in the Neighborhood Development Plan.

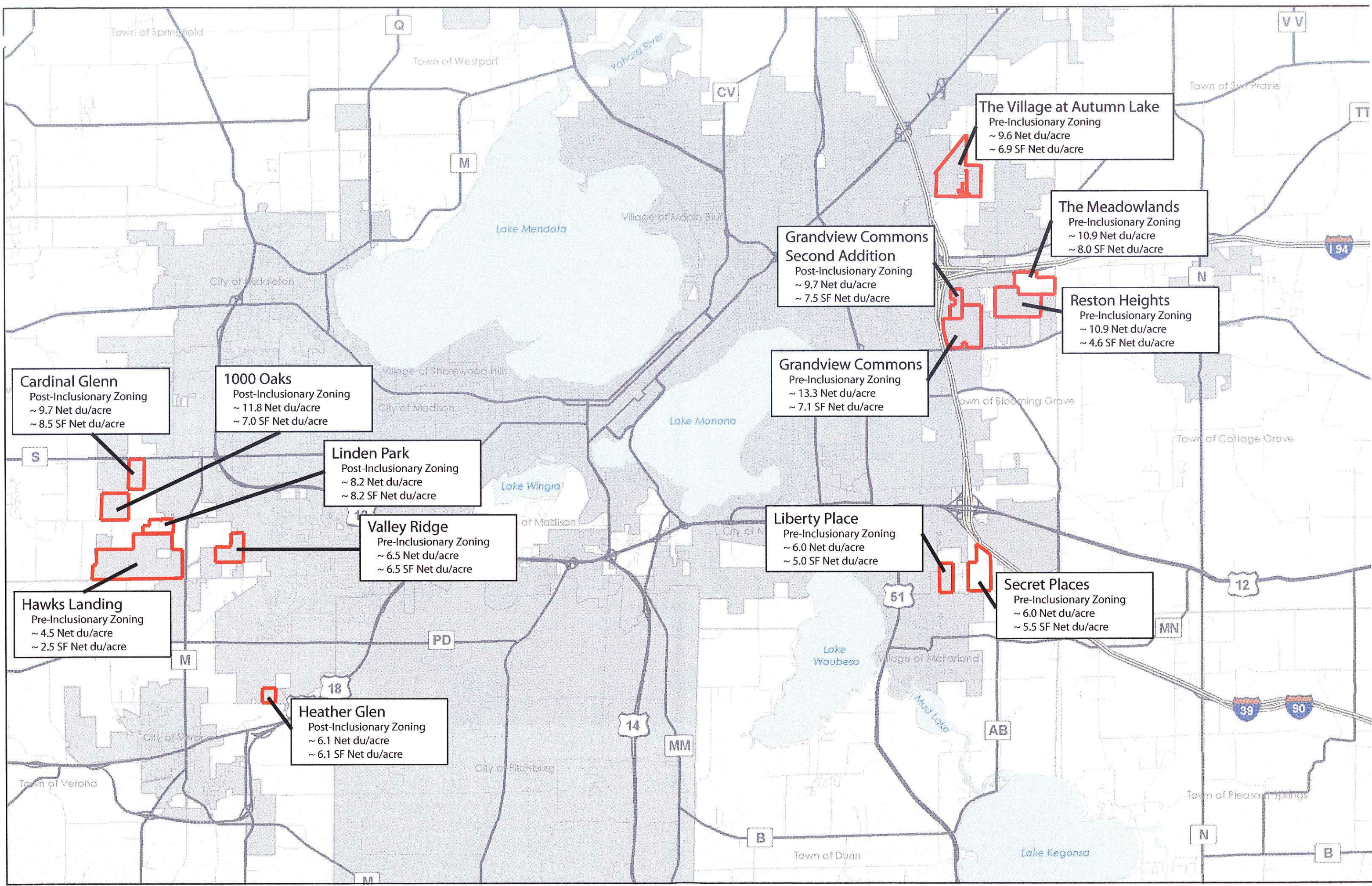
Comment:

▪ Utilizing the midpoint definition sets the density threshold artificially low, resulting in the creation of a paper bonus for neighborhoods that are consistent with the density goals of city. Recent City approval track record reinforces the trend towards higher density neighborhoods with examples ranging from Grandview Commons at 13.3 dwelling units per acre (pre-IZ)(7.5 du/acre single family only), Cardinal Glenn at 9.7 dwelling units per acre (8.5 du/acre single family only) , Linden Park at 8.2 dwelling units per acre (8.2 du/acre single family only). m.f

▪ Utilizing the highpoint of the density range for the low density district ties the site back to the densities within the neighborhood plan without skewing the overall neighborhood density and encouraging higher density sustainable neighborhood design, consistent with the goals of the Comprehensive Plan and the track record of recent approvals.

Gap Analysis Proposal							
Developer-provided independent variables =							
City-provided independent variables =							
Third Party Appraisal variables =							
Note: Appraisal based on market value of unit, market or IZ unit will be evaluated							
IZ PLAN OPTIONS:							
No. IZ Plan:							
	AMI	Number of Dwelling units	Bedroom Count	Unit Sales Price	Total Price	Price Differential per Unit	Sum Sales Price Differential
Market	Single Family	6	2	\$ 225,000.00	\$ 1,350,000.00		
(Value assigned by third party appraisal)		12	3	\$ 250,000.00	\$ 3,000,000.00		
		18	4	\$ 275,000.00	\$ 4,950,000.00		
Total Market Rate Units		36					
Total Market Rate Sales					\$ 9,300,000.00		
Average Market Rate Price				\$ 250,000.00			
Conforming Plan							
	AMI	Number of Dwelling units	Bedroom Count	Unit Sales Price	Total Price	Price Differential per Unit	Sum Sales Price Differential
Market	Single Family	5	2	\$ 225,000.00	\$ 1,125,000.00		
(Value assigned by third party appraisal)		10	3	\$ 250,000.00	\$ 2,500,000.00		
		15	4	\$ 275,000.00	\$ 4,125,000.00		
Total Market Rate Units		30					
Total Market Rate Sales					\$ 7,750,000.00		
Average Market Rate Price				\$ 250,000.00			
Inclusionary	50%		2	\$ 97,547.00	\$ -	\$ (127,453.00)	\$ -
(15% of Units)			3	\$ 142,720.00	\$ -	\$ (137,280.00)	\$ -
			4	\$ 125,672.00	\$ -	\$ (149,328.00)	\$ -
	60%		2	\$ 147,057.00	\$ -	\$ (107,943.00)	\$ -
			3	\$ 135,264.00	\$ -	\$ (114,736.00)	\$ -
			4	\$ 150,806.00	\$ -	\$ (124,194.00)	\$ -
	70%		2	\$ 136,566.00	\$ -	\$ (88,434.00)	\$ -
		2	3	\$ 157,807.00	\$ 315,614.00	\$ (92,193.00)	\$ (184,386.00)
			4	\$ 175,940.00	\$ -	\$ (99,060.00)	\$ -
	80%	1	2	\$ 156,016.00	\$ 156,016.00	\$ (68,984.00)	\$ (68,984.00)
			3	\$ 180,292.00	\$ -	\$ (69,708.00)	\$ -
		3	4	\$ 201,015.00	\$ 603,045.00	\$ (73,985.00)	\$ (221,955.00)
Total IZ Units		6					
Total IZ Sales					\$ 1,074,675.00		\$ (475,325.00)
Average IZ Price				\$ 171,612.67			
Total Units		36					
Total Sales					\$ 8,824,675.00		
Shift Plan							
	AMI	Number of Dwelling units	Bedroom Count	Unit Sales Price	Total Price	Price Differential per Unit	Sum Sales Price Differential
Market	Single Family	5	2	\$ 225,000.00	\$ 1,125,000.00		
(Value assigned by third party appraisal)		10	3	\$ 250,000.00	\$ 2,500,000.00		
		15	4	\$ 275,000.00	\$ 4,125,000.00		
	Twin Homes		2	\$ 185,000.00	\$ -		
			3	\$ 195,000.00	\$ -		
			4	\$ 205,000.00	\$ -		
	Three Unit		2	\$ 185,000.00	\$ -		
			3	\$ 195,000.00	\$ -		
			4	\$ 205,000.00	\$ -		
Total Market Rate Units		30					
Total Market Rate Sales					\$ 7,750,000.00		
Average Market Rate Price				\$ 213,333.33			
Inclusionary			2	\$ 136,566.00	\$ -	\$ (88,434.00)	\$ -
Single Family	70%		3	\$ 157,807.00	\$ -	\$ (92,193.00)	\$ -
			4	\$ 175,940.00	\$ -	\$ (99,060.00)	\$ -
	80%		2	\$ 156,016.00	\$ -	\$ (68,984.00)	\$ -
			3	\$ 180,292.00	\$ -	\$ (69,708.00)	\$ -
		1	4	\$ 201,015.00	\$ 201,015.00	\$ (73,985.00)	\$ (73,985.00)
Twin Homes	70%		2	\$ 136,566.00	\$ -	\$ (48,434.00)	\$ -
			3	\$ 157,807.00	\$ -	\$ (37,193.00)	\$ -
			4	\$ 175,940.00	\$ 175,940.00	\$ (29,060.00)	\$ (29,060.00)
	80%		2	\$ 156,016.00	\$ -	\$ (28,984.00)	\$ -
		1	3	\$ 180,292.00	\$ 180,292.00	\$ (14,708.00)	\$ (14,708.00)
			4	\$ 201,015.00	\$ -	\$ (3,985.00)	\$ -
Three Unit Homes	70%		2	\$ 136,566.00	\$ -	\$ (48,434.00)	\$ -
			3	\$ 157,807.00	\$ -	\$ (37,193.00)	\$ -
		1	4	\$ 175,940.00	\$ 175,940.00	\$ (29,060.00)	\$ (29,060.00)
	80%		2	\$ 156,016.00	\$ -	\$ (28,984.00)	\$ -
		1	3	\$ 180,292.00	\$ 180,292.00	\$ (14,708.00)	\$ (14,708.00)
		1	4	\$ 201,015.00	\$ 201,015.00	\$ (3,985.00)	\$ (3,985.00)
Total IZ Units		6					
Total IZ Sales					\$ 1,114,494.00		\$ (165,506.00)
Average IZ Price				\$ 185,749.00			
Total Units		36					
Total Sales					\$ 8,864,494.00		

Optional information related to specific incentives, if requested:					
Parcel Acreage				9	
Net Developed Residential Acres				7.2	
Net Dwelling Units Per Acre				5.0	
Neighborhood Plan Net Dwelling Units Per Acre				5.0	
Neighborhood Plan Unit Projection	Density Range	Average DU/acre	Net Acres	Units	
Low Density	1-8	8	7.2	56	
Total Neighborhood Plan Units					56
Bonus units above base density (provided by Planning Unit)					0
Bonus units that are iz units (15% of bonus units)					0
Net market rate bonus units					0
IZ Free Zone	Maximum 20%			7	
Number of s-f iz units switch to attached units	Maximum 75%			5	
Land Price per Acre				\$ 100,000.00	
Total Land Purchase Price				\$ 900,000.00	
Number of months saved in entitlement versus "normal process"					0
Monthly Holding Cost of Land					
Cost per Tree Planted					
II. CALCULATION OF "GAP"					
1. Sum of sales differential between Market Rate and IZ units.					\$ (475,325.00)
III. INCENTIVES CALCULATION:					
A. Incentives Related to Density Opportunities include:					
Land Cost for bonus market rate units		50%		\$ -	
Opportunity for greater margin provided in bonus market rate units			7.30%	\$ -	
Value of extra floor in downtown design zone				\$ -	
B. Incentives Tied to Direct Financial Reductions/Subsidies:					
Park Fee	Amount of Reduction			\$ -	
Parkland Dedication	Value of Reduction			\$ -	
Cash subsidy to lower income iz units	Amount of Subsidy			\$ -	
Cash subsidy to lower income iz units in special projects: <49 s-f or >4 stories w/ underground parking	Amount of Subsidy			\$ -	
Value of TIF applied to iz units				\$ -	
C. Incentives Related to Inclusionary Unit Placement include:					
Iz placement flexibility: 20% exclusion zone	Differential between iz unit and replacement market prices in 'excluded zone'		7.30%	\$ 41,200.38	
Exchange of s-f iz units for attached units	Differential between conforming plan gap and shifted plan gap			\$ 309,819.00	
D. Other Incentives include:					
Arrangements for Advance neighborhood plan	Months saved times holding costs of property			\$ -	
Simultaneous decision on GDP and SIP	Average # of Months saved times holding costs of property			\$ -	
Tree planting				\$ -	
Help in obtaining other funds				\$ -	
Other:					
SUM TOTAL OF VALUE OF INCENTIVES				\$ 351,019.38	
IV. IZ EVALUATION SUMMARY					
"Gap"					\$ (475,325.00)
Incentives					\$ 351,019.38
Difference					\$ (124,305.62)
(Note: Positive number indicates value of incentives outweighs calculated costs.)					



SECOND ADDITION TO GRANDVIEW COMMONS

Madison, Wisconsin

SINGLE FAMILY SHIFT (75%-25%)

Inclusionary Zoning Plan

Total IZ Units: 53 Units

SF & Stacked Flats IZ Units: 8 Units

Multi-Family IZ Units: 45 Units
 ◦ Shifted Units: 24 Units

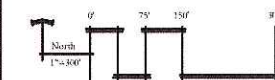
Original Plat: 213 Units SF & Stacked Flats (61%)
 139 Units Multi-Family (39%)

Total IZ: 32 Units SF & Stacked Flats (61%)
 21 Units Multi-Family (39%)

SF Switch: 8 Units SF & Stacked Flats
 24 Units Multi-Family

Final Total: 8 Units SF & Stacked Flats
 45 Units Multi-Family

DRAFT



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SECOND ADDITION TO GRANDVIEW COMMONS

Madison, Wisconsin

Master Plan



Single Family (Alley Loaded)		64 Units (18%)
	37' x 95'	6 Units
	45' x 80'	27 Units
	45' x 95'	31 Units
	51' x 95'	2 Units

Single Family (Street Accessed)		143 Units (41%)
	51' x 100'	4 Units
	59' x 85'	94 Units
	69' x 100'	43 Units
	80' x 100'	2 Units

Total Single Family		207 Units (59%)
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	Twin Homes	16 Units (4%)
	Stacked Flats	6 Units (2%)
	4-Units	20 Units (6%)
	Townhomes	20 Units (6%)
	Multi-Unit Buildings	83 Units (23%)

Total Multi-Family		145 Units (41%)
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Total Units		352 Units
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Total Park Space		5.6 Acres
	Community Park	4.0 Acres
	Neighborhood Parks	1.6 Acres
	Required Park Dedication	7.8 Acres
	~ 1100 Sq. Ft. @ 229 SF & Duplex Units - 251,900 Sq. Ft.	
	~ 700 Sq. Ft. @ 123 MF Units - 86,100 Sq. Ft.	

	Stormwater	1.3 Acres
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	Buffer	5.0 Acres
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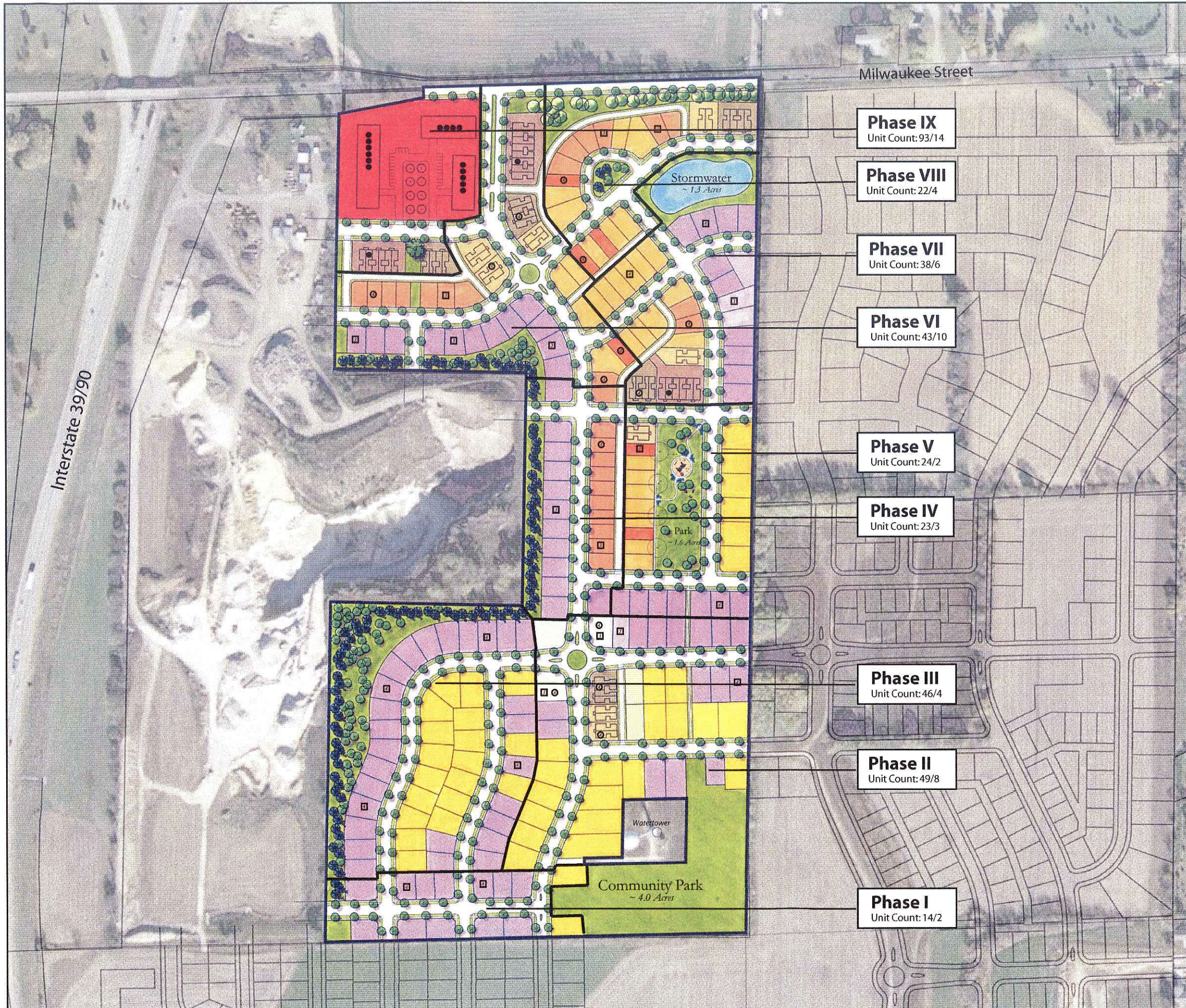
	5.0 Acres	
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Total Inclusionary Zoning		53 Units
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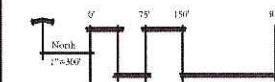
SECOND ADDITION TO GRANDVIEW COMMONS

Madison, Wisconsin

Phasing/Inclusionary Zoning Plan



Total IZ Units:	53 Units
Single Family IZ Units:	28 Units
□ 80% AMI	21 Units
○ 70% AMI	7 Units
Twin Home IZ Units:	2 Units
□ 80% AMI	0 Units
○ 70% AMI	2 Units
Stacked Flats IZ Units:	4 Units
□ 80% AMI	2 Units
○ 70% AMI	2 Units
4 Unit IZ Units:	3 Units
□ 80% AMI	0 Units
○ 70% AMI	3 Units
Townhomes IZ Units:	3 Units
● 80% AMI	TBD
● 70% AMI	TBD
● 60% AMI	TBD
● 50% AMI	TBD
Bedrooms/Unit	TBD
Multi-Family IZ Units:	13 Units
● 80% AMI	TBD
● 70% AMI	TBD
● 60% AMI	TBD
● 50% AMI	TBD
Bedrooms/Unit	TBD



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Created: 2.14.06



TO: Nan Fey, Chair, Plan Commission

FROM: Thomas Hirsch, Chair
City of Madison Housing Committee

DATE: July 5, 2006

SUBJECT: **IZ Fix-it Items**

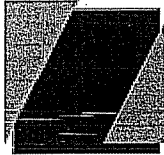
At its meeting tonight, the Housing Committee considered the Brenda Konkel Memorandum dated June 12, regarding revisions of potential language for the 10% set-aside and Twin Homes. The Committee recommended to the Plan Commission and Common Council adoption of the "IZ Free-zone" with modifications on substitution of multi-family units in detached single family housing developments. Eleven members were present (Brink, Ejercito, Hirsch, Kerr, King, LeTourneau, Merrill, Sparer, Villacrez, Wilcox, Zmudzinski) and 9 voted in favor, two abstaining.

The language change was to enact an incentive to allow attached IZ units in detached single family developments:

- k. In single family detached housing developments, up to ~~50%~~ 75% of the inclusionary zoning units may be attached housing with direct entries, shared by no more than 2 units. ~~But no more than x% of the developable residential areas may be designated to be a non-inclusionary dwelling unit area.~~ If attached units are provided in buildings with 5 – 8 units:
 - a. No more than half of the units in any one building may be designated to be inclusionary units.
 - b. No more than 50% of the overall detached single-family to multi-family shift shall be accommodated in these units.

We hope the Plan Commission and Council will incorporate these recommendations in consideration of revisions to the Inclusionary Zoning Ordinance.

c: Mayor Dave Cieslewicz
Plan Commission Members
IZ Workgroup members



To: Plan Commission
Cc: David Simon
Jeff Rosenberg
From: Brian Munson
Date: July 6, 2006
Re: Inclusionary Zoning Text Proposal

PROPOSED TEXT AMENDMENTS:

IZ Shift

Proposed Text:

j. Up to fifty percent (50%) 75% of required single-family inclusionary dwelling units may be provided in two-family or multi-family dwellings with no more than six (6) ten (10) units and no more than 2 units sharing an entry. These units shall be dispersed among or immediately adjacent to single-family dwelling units. If these inclusionary dwelling units are provided in buildings containing multi-family dwelling units, no more than one half (1/2) of the dwelling units in any building may be inclusionary dwelling units, and no more than 50% of the overall single-family shift may shall be accommodated in buildings greater than four units.

Comments:

- Utilizing a greater percentage of unit shift and larger buildings increases the efficiency and effectiveness of design in building the structures thus reducing the incentive gap
- Examples of ten unit buildings in a single family context are currently in place in Grandview Commons
- The 50% shift/building IZ unit maximum allows for sufficient diversity of location and type to meet the dispersion goals

Density Bonus

Proposed Text:

5-4. Density Bonus. The density of dwelling units/acre that will be used to calculate the bonus density shall be based on the existing zoning. However, if the existing zoning is agricultural or for lands to be annexed to the City of Madison and a Neighborhood Plan exists for the area, the density of dwelling units/acre that will be used to calculate the bonus density shall be the density ranges recommended as designated below. The density of dwelling units/acre is as follows:

<u>Existing Density</u>	<u>Density to Use as Basis for Density Bonus</u>
R1	5.44 units/acre
R1-R	0.6 units/acre
R2	7.26 units/acre
R2T	8.72 units/acre
R2S	10.89 units/acre
RS	5.44 units/acre
R3	10.88 units/acre
R4/R4A/R4L	21.78 units/acre

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R5	33.50 units/acre
R6/R6H	72.60 units/acre
Conservancy	5.44 units/acre
Planned Unit Development	The density specified in the zoning text.
Planned Community Development	The density specified in the zoning text.
Planned Community Mobile Home Park	The density specified in the zoning text.
OR	72.60 units/acre
O1	21.78 units/acre
O2	21.78 units/acre
C1, C2, C3, C4	38 units/acre
C3L, M1, M2, PSM, SM	5.44 units/acre

Agricultural or Lands to be Annexed:


- | | |
|------------------------|---|
| a. Low Density | Highpoint of density range in-Neighborhood Development Plan |
| b. Low-Medium Density | Midpoint of density range in-Neighborhood Development Plan |
| c. Medium Density | Midpoint of density range in-Neighborhood Development Plan |
| d. Medium-High Density | Midpoint of density range in-Neighborhood Development Plan |
| e. High Density | Midpoint of density range in-Neighborhood Development Plan |

Comments:

- Utilizing the highpoint of the density range for the low density district ties the site back to the densities within the neighborhood plan without skewing the overall neighborhood density and encouraging higher density sustainable neighborhood design. This approach is consistent with the goals of the Comprehensive Plan and the track record of recent approvals, such as Grandview Commons which has an overall net density of 13.3 and a single family net density of 7.1 dwelling units per acre.
- Any density threshold lower than the allowable upper limit of the density range creates bonus on paper only, and does not offer an economic offset. We currently design our neighborhoods to create sustainable higher density housing options, as called for by the City Plan Commission, Common Council, and Comprehensive Plan. Setting the threshold lower creates a disincentive for higher density neighborhoods, the very neighborhoods that foster a sustainable future for the City.

Street Width Incentive

Proposed Text:

~~p. _____ Reduced street widths in accordance with MGO ~~

Comments:

- Reduced street widths are a critical component of pedestrian friendly neighborhood design and do not represent significant cost savings and should not be considered an incentive.

Marketing Period

Proposed Text:

6. Failure to Rent or Sell During Marketing Period. If an inclusionary dwelling unit or leased residential space is not rented after having been marketed for ninety (90) days, or if there is no

accepted offer to purchase after having been marketed for one hundred twenty (120) days, it may be marketed to a family with an AMI that is at or below the next greater ten percent (10%) increment of AMI than that specified in the restriction on the unit. For each additional consecutive ninety (90) or one hundred twenty (120) day period without a rental or sale, the inclusionary dwelling unit or leased residential space may be offered to a family with an AMI that is at or below an additional ten percent (10%) increment of AMI. The owner or lessor also shall provide the sale or rental price of the inclusionary dwelling unit or leased residential space and shall notify the City when the inclusionary dwelling unit or leased residential space is sold or rented. If the owner or lessor has provided notice of marketing as required in (e)2. and has marketed a rental inclusionary dwelling unit or leased residential space for one hundred eighty (180) days or an owner occupied inclusionary dwelling unit for two hundred forty (240) days, the owner or lessor may rent or sell the inclusionary dwelling unit or leased residential space at market rate. When a new family occupies the rental inclusionary dwelling unit or leased residential space, it shall be marketed to a family with an AMI at the level required for that unit. For purposes of this paragraph, other residential occupancy inclusionary dwelling units shall be treated in the same manner as rental inclusionary dwelling units. The marketing period for units shall not commence prior to pulling a building permit, unless the developer or builder has a completed IZ model available for review.

Comments:

- Removal of the current language allowing the sale of unsold IZ units at market rate after the completion of the 240 day marketing period results in an unworkable component in the ordinance. If the City believes that there is enough need for the units they can purchase all unsold units after 240 days.
- Any marketing period phase-out discussions should only be considered in the event that a strong track record of sales has been established for IZ units under the revised ordinance. Absent an established sales record it is economically unviable to expect developers to carry the construction cost and unit cost on these units indefinitely. If the demand is there, they will sell; if not, these units should be allowed to be sold at market rate or be purchased by the City for further marketing.
- While the removal of units from the IZ classification is a loss for the program, it also represents a significant cost for the developer as there is not any incentive cost recapture for the holding cost of the land, building, or marketing initiatives associated with the sale of the units. Removal of the 240 day marketing period will extend these losses indefinitely without a potential for incentive offset.
- The discussions as to when the “clock starts”, while well intended, should be balanced against current market standards. A majority of new home sales within the area are currently sold based on a plat and building plan, with little to no improvements on the site itself. This is not to say that the marketing clock should start the day after plat approval; rather, the marketing period should continue to be tied to pulling of a building permit, with plans available for review by the IZ home purchaser or a model available for viewing.

Retroactivity

Comments:

- What effect does the revised ordinance have on existing approved IZ plans?
- If the intent is to revise the ordinance and apply the marketing and equity model to existing plans, additional incentives should be granted to existing plans to offset the economic impact of the changes.

List of 7/6/2006 Preliminary Plan Commission Recommendations to Changing the Inclusionary Zoning Ordinance

1. Change the current **equity model**. Owner earns equity based on the amount they pay toward the home. The City earns equity based on the amount it subsidizes after 5% is set-aside for the homeowner to be compensated for potential improvements made to the ordinance. This provision is retroactive to already approved projects.
2. If the developer gets a **waiver**
 - a. They can provide the off-site units in existing buildings instead of new units as long as the units are comparable in quality
 - b. Units provided have to be within a 1 mile radius of the new project currently and we added that they could also be within the same elementary school district area as long as the units are in the City of Madison.
3. If the City has budgeted money for inclusionary zoning homes, staff can make the determination to purchase the homes without a City Council action, allowing the City to decide to exercise the option to purchase within 30 days making the **process quicker for the seller**.
4. Remove the current point system for incentives and go to a system that calculates potential revenues of the developer. Those **revenues must then be offset** by a list of things the developer requests from the City. The developer requests the level of offsets they believe are necessary to close the gap in revenues and this is reviewed by the City staff and ultimately the Common Council.
5. The previous **list of incentives has been expanded** and converted to a list of offsets and the list has been modified as follows:
 - a. Unlimited density bonus. The current ordinance limits this to a density bonus to 30 or 60% depending upon the type of development.
 - b. Unlimited reduction in minimum parking requirements. The current ordinance limits this to 25%
 - c. Cash subsidies are the offset that must be chosen last. The current ordinance only allows cash subsidies if you have a project that either
 - i. Provides units that are even more affordable than the minimum ordinance requirements
 - ii. Provides the units in a building that is 4 stories or more and has 75% of its parking underground
 - iii. Provides the units in a “small” development of 49 units or less.
 - d. Allows up to 20% of the project to be “IZ-free”. This is to allow units such as expensive lots with better amenities or penthouse floors or lakeview units to not have to include IZ units.
 - e. Allows single family developments to provide up to 75% of the units in attached housing provided that they are in buildings that are 8 units or less and if the buildings have 5 – 8 units on half of the units in a building may be IZ. Duplexes, 3 and 4 unit buildings may be all IZ units.
 - f. Eliminated the following from the list
 - i. Provision of street trees
 - ii. Assistance from the City in obtaining other funding

- g. Reduced street widths
 - h. Allowing projects on the periphery to build housing in previously commercial planned areas on a case-by-case basis.
 - i. Other items, as requested by the developer.
6. **Change in the way we calculate density bonus**
- a. In the downtown area the staff will consider the current zoning, neighborhood plans and existing development patterns in determining the base to calculate any density bonus
 - b. On the periphery where they are developing currently agriculture lands, for areas planned to be low density, the density bonus is calculated from the 75% point in the range of density. (i.e. if the area is planned to have 1 – 8 units, 75% would be 6)
7. If a developer is **selling lots** only and has received the offsets from the City, they cannot sell the lots for more than 25% of the value of an IZ home that should go on that lot.
8. **Marketing Period** – The plan commission had eliminated the ability for the developer to have units “bump out” of the IZ program for the following reasons:
- a. There were too many loopholes and projects were being “marketed” and “bumping out” of the program before roads were even in some areas.
 - b. We wanted to avoid dictating marketing plans and the requisite tracking and auditing of the progress of those plans.
 - c. If we provide offsets to provide units and the units are not provided to the City, then we need to find a way to recapture the value of the offsets we provided.
- Currently, this is an outstanding issue for the Plan Commission to consider
9. We need to determine an **effective date** for the ordinance and under which ordinance the projects that have already submitted an application should fall.