



# SMART GROWTH MADISON

2810 Crossroads Drive • Suite 1900L • Madison, WI 53718  
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Sample calculations for IZ buyouts:

**Owner occupied units** - waiver fee is an amount equal to ten percent (10%) of the average sale price of the owner occupied units in the development for each owner-occupied inclusionary dwelling unit that will not be provided.

Scenario –

		buyout of all 8 IZ homes	buyout of 4 IZ homes
<b>Price range of 53 single family homes</b>	\$300,000 to \$550,000		
<b>Average cost of all market rate homes</b>	\$450,000		
<b>10% of appraised value per unit</b>	\$45,000		
<b>Total buyout</b>		\$360,000	\$180,000
<b>buyout cost shifted to each market rate home</b>		\$6,792	\$3,673

**Rental units** – waiver fee shall be twenty five percent (25%) of the cost to produce the unit.  
 Note: The figures I used were calculated on costs to construct the entire building divided by the number of units in the building.

Scenario –

		buyout of all 12 IZ units	buyout of 6 IZ units
<b>Cost to construct 80 unit apt building</b>	\$6,348,000		
<b>Appraised value per unit</b>	\$79,350		
<b>25% of cost per unit value</b>	\$19,838		
<b>Total buyout</b>		\$238,050	\$119,025
<b>buyout cost shifted to each market rate unit</b>		\$2,976	\$1,608
<b>monthly rent increase per market rate unit</b>		\$40	\$25

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Proposed rental waiver fee – ten percent (10%) of the appraised value of the average unit times the number of units waived.

Scenario –

		<b>buyout of all 12 IZ units</b>	<b>buyout of 6 IZ units</b>
<b>Appraised Value of 80-unit apt building</b>	\$6,900,000		
<b>Appraised value per unit</b>	\$86,250		
<b>10% of appraised per unit value</b>	\$8,625		
<b>Total buyout</b>		\$103,500	\$51,750
<b>buyout cost shifted to each market rate unit</b>		\$1,294	\$699
<b>monthly rent increase per market rate unit</b>		\$20	\$10



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November 1, 2004

TO: Members of the Plan Commission  
 FROM: Delora Newton, Executive Director  
 RE: Ordinance #36873 – proposed revisions to inclusionary zoning ordinance

In addition to the potential changes you discussed at your October 18 meeting, I am suggesting some additional changes, which appear below.

PAGE	SECTION	PROPOSED CHANGE	EXPLANATION
2	(25)(b) Inclusionary Dwelling Unit	The AMI for other residential occupancy in the last sentence should be changed to at or below 80% AMI instead of 60%	The category of 'other residential occupancy' was added mainly to address life-leases. Even though title to the unit is not transferred to the occupant, this type of housing is much closer to owner-occupied housing than rental housing. Owners receive back 90% of the purchase price from the life-lease provider at time of sale. The owner occupant pays a share of the building's PMS (payment in lieu of property taxes paid by a non-profit) and is assessed a monthly fee for trash pickup, maintenance, snow removal, etc. just like those living in condominiums. But the biggest factor in recommending 80% AMI is that the senior citizens who chose this type of facility have almost always sold a home prior to purchase of a life-lease.
2	(25)(c)1	Unstrike the phrases 'except development receiving' and 'tax exempt bonds'	This section was never supposed to be removed. It is a drafting error made when clarifying the Section 42 exemption.
4	(25)(c)8.h.	The waiver buyout for rental property should be changed from '25% of the cost to produce the unit' to '10% of the appraised value of the average unit times the number of units waived.'	This is a more realistic buyout provision and easier to calculate. The cost to produce the unit may not accurately reflect the true costs of providing affordable housing. Some costs such as parking, elevators, landscaping, common areas, fire alarm/fire suppression systems, etc. benefit the entire building, not just affordable units. In addition, the buyout fee cannot be excessive as there is no way for the builder to recoup this expense except to split it between all market rate units. This only serves to increase the cost of housing and may then price potential renters out of those units.

PAGE	SECTION	PROPOSED CHANGE	EXPLANATION
5	(25)(c)9.b.	At the end of this section add the following sentence for clarification purposes: "This provision includes other residential occupancy arrangements administered by a non-profit."	Life-leases provided by a non-profit should also be excluded from the City's exclusive right to purchase. Adding this language makes this point clear.
5	(25)(d)1.	The word 'shall' should be kept in the first sentence instead of the word 'may'	This is crucial to the workings of the ordinance. During the initial discussions on the ordinance, the Mayor's office stressed that the city intended to provide at least one incentive to every IZ development. Without at least one incentive, the City may subject itself to a lawsuit based on the City 'taking' away the ability of a developer to earn a profit on sale or rent of an IZ unit without providing anything of value in return to offset that loss.
6	(25)(d)4.f.	The correct dollar amount in this section should be \$5,000	See the attached incentives matrix which shows the agreement adopted in Feb. 2004. The matrix offers \$10,000 per unit up to a maximum of half the units. It is easier for everyone to understand if the figure is amended to \$5,000 per IZ unit.
6-7	(25)(d)4.g.	The correct dollar amount in this section should be \$2,500	See the attached incentives matrix which shows the agreement adopted in Feb. 2004. The matrix offers \$5,000 per unit up to a maximum of half the units. It is easier for everyone to understand if the figure is amended to \$2,500 per IZ unit.
9	(25)(e)2.	After the words "The initial sale price of an owner-occupied inclusionary dwelling unit" in the first sentence, add the phrase "or a lot that is designated for an owner occupied inclusionary zoning unit"	This change was adopted by the Common Council earlier this year. However, the ordinance version you have only incorporated the adopted changes contained in the latter half of the amendment.
10	(25)(g)	The phrase 'or tax exempt bonds' should be added to the end of the second sentence.	The agreement reached with the Mayor to exempt Section 42 units from the IZ ordinance also included an exemption for affordable units funded with tax exempt bonds.

## Incentive Matrix (Revised 12/3)

### Automatic Incentives that carry no weight but are included:

- 1] Expedited Review process where applicable
- 2] City guarantee of PMI if available
- 3] Use of Adopted new Street Standards
- 4] Use of Adopted new Standard Zoning Classifications (Currently called R2Y and R2Z)

### Earned Incentives (Note: Each point on the chart represents one level of incentives.)

#### Owner Occupied Dwellings

IZ Units	80%AMI	70%AMI	60%AMI	50%AMI
5%	0	1	2*	3*
10%	1	2	3*	4*
15%	2	3	4*	5*
20%	3	4	5*	6*

#### Rental Dwellings

IZ Units	60%AMI	50%AMI	40%AMI	30%AMI
5%	0	1	2*	3*
10%	1	2	3*	4*
15%	2	3	4*	5*
20%	3	4	5*	6*

### Earned Incentives Available (Valued at 1 point each):

- A) 10% Density Bonus (Can only use maximum of 3 points for density.)
- B) \$10,000 Cash Subsidy per IZ unit up to a maximum of 50% of IZ units for \* Categories of 40% AMI and lower for rental and 60% AMI and lower for owner occupied (Provided money is available from the Affordable Housing Trust Fund and the units are provided on-site in the original development. The amount is indexed for inflation.)
- C) 25% Reduction in Parking Requirements (Provided on street parking available.)
- D) 50% Credit for Park Dedication (Provided that publicly dedicated private open space is equal to reduction in park dedication on the periphery. Maximum one point.)
- E) One additional story in excess of Maximum Height in Downtown Design Zones (Provided not exceed Capitol View. Currently no maximum points.)
- F) 50% Reduction in Park Development Fee (Provided the developer develops the park to City standards and pays for required maintenance for the period of time from completion to the time it would have been opened under the parks open space plan. Maximum 1 point.)
- G) Allowing one residential parking permit per IZ unit for occupants of PUDs in the central area. (Maximum 1 point.)
- H) Assist or support applications to other funding bodies.
- I) Advanced neighborhood planning.

#### Special Bonus Points

(More than 4 stories with Underground Parking or developments with 30 units or less of detached housing)

- A) \$5,000 Cash Subsidy per IZ unit up to a maximum of 50% of IZ units (Provided money is available from the Affordable Housing Trust Fund. The amount is indexed for inflation.)
- B) 20% density bonus per point.

#### Bonus Points

- A) To be used when the posted applicable interest rate is below 7%. For every increase in interest rate of 1% above 7%, add 1 point to incentive level
- B) Receive 1 extra point for diversity in using 2 categories (Example: For owner-occupied 10% at 70% AMI and 5% at 60% AMI would earn one extra incentive point.)

#### Additional Restrictions

- 1) Can combine any combination but must contain at least 15% IDUs. With a waiver may combine on-site IZ units, off-site IZ units and the buy-out to reach 15%.
- 2) Can not use more than 2 points on cash subsidy on any given project
- 3) Only developers that have less than 30 units detached housing or build more than 4 stories with underground parking can do 15% of the units affordable to families at 80% AMI for owner-occupied or 60% AMI for rental
- 4) If both owner-occupied and rental units are in the development, the points will be pro-rated based on ratio of owner-occupied to rental units.