



CITY OF DURHAM | DURHAM COUNTY
NORTH CAROLINA



Date: August 3, 2015
To: Thomas J. Bonfield, City Manager
Through: Keith Chadwell, Deputy City Manager
From: Steven L. Medlin, AICP, Planning Director
Subject: *Unified Development Ordinance* Text Amendment, Affordable Housing Parking and Density Bonus (TC1500003)

Summary. The Planning Department, in conjunction with other departments and agencies, has begun discussions with community stakeholders and the development community regarding ways to achieve affordable housing during this time of increased multifamily development that is primarily market-rate, and specifically in areas near future light rail transit stations. Regulatory mandates for affordable housing, commonly referred to as “inclusionary zoning,” are not an option in North Carolina; however, a County and City can use regulatory provisions that incentivize and/or aid the development of affordable housing units.

Two initial regulatory incentives the Planning Department has identified are 1) reducing the amount of parking required for affordable housing units; and 2) adjustments to the current affordable housing density bonus to increase its potential effectiveness. Reduced parking requirements can lower development costs and aid in increasing the potential for more dwelling units, while modification of the existing density bonus could provide a better incentive for affordable housing development by the private sector.

Recommendation. Staff recommends approval of the attached Ordinance to amend Article 6, District Intensity Standards; Article 10, Parking and Loading; and Article 16, Definitions, of the *Unified Development Ordinance* (TC1500003); and recommends approval of a consistency statement declaring the request consistent with the Durham *Comprehensive Plan* and that the request is reasonable and in the public interest. Information supporting these recommendations is found within this memo, attached documents, and any information provided through the public hearing.

Background. The past year has seen an increased focus on affordable housing in Durham, particularly around future transit station areas. The Planning Department initially briefed the Joint City-County Planning Committee (JCCPC) on December 4, 2013, outlining various regulatory methods for encouraging affordable housing, and reviewing methodologies that were, or were not, successful in other jurisdictions. Revised parking standards and a more generous density bonus were two incentives that were identified as having some success in other jurisdictions.

Thomas J. Bonfield, City Manager

Unified Development Ordinance Text Amendment, Affordable Housing Parking and Density Bonus
(TC1500003)

August 3, 2015

Furthermore, the Durham City Council and the Durham County Board of Commissioners passed a resolution in May, 2014, that set a goal that at least 15% of housing within a half-mile of future transit stations be affordable to households earning 60% or less of area median income (AMI). The Planning Department, along with other governmental departments and agencies, community stakeholders, and the private sector, have held community meetings and begun the process for developing a “toolbox” to support affordable housing as a viable option for both private sector development and nonprofit organizations that focus on affordable housing development.

At the Joint City-County Planning Committee (JCCPC) meetings in January, March, and May, 2015, the Planning Department provided updates regarding various aspects of affordable housing, including the Department’s proposal to modify the parking rate and the density bonus for affordable housing. The draft revisions presented to the JCCPC included the following:

1. No minimum parking requirement for units qualifying as “affordable housing dwelling units.”
2. A revised density bonus for projects in the Compact Neighborhood Tier resulting in a 3:1 bonus ratio.
3. Removal of the bonus along major thoroughfares.
4. Technical clarifications and re-organization of the existing density bonus text and associated text in other sections of the *Unified Development Ordinance*.
5. A definition for an “affordable housing dwelling unit.”

The Planning Commission recommended approval, 10-1, of the text amendment on June 9, 2015. The Planning Commission determined that the Ordinance request is consistent with the adopted *Comprehensive Plan* and that the request is reasonable and in the public interest based on comments received at the public hearing and the information in the staff report.

The Durham Board of County Commissioners will consider this request at its August 10, 2015, meeting.

Issues. The following items have been identified by the Planning Department as two initial steps that can be readily accomplished to support and incentivize affordable housing.

Parking Reduction

The current *Unified Development Ordinance* (UDO) parking standards do not consider a separate parking rate for affordable housing dwelling units from market-rate dwelling units. The current base parking rate is two spaces per unit; although this requirement is reduced by right in the Urban and Compact Neighborhood tiers and for other factors such as additional bicycle parking, mixed-use projects, and proximity to a transit stop. There is no required minimum parking rate in the Downtown Tier.

Staff has identified several jurisdictions similar to Durham that provide for a lower parking requirement for affordable housing versus standard, market-rate housing.

Charlotte: *Dwellings, low income* – minimum one space per unit

Asheville: *Dwellings, subsidized low-income* – minimum one space per unit

Raleigh: *Affordable housing development (min. 10% of units are affordable)* – minimum one space per unit

Raleigh's requirement is slightly different because it applies the reduced parking rate to all units within an affordable housing development, while only requiring a minimum of 10% of the units to be affordable. Thus, based upon the requirement, up to 90% of the units can be non-affordable within a qualifying development but they are also eligible for the reduced parking rate.

As mentioned above, the minimum parking requirement for any dwelling unit in the Compact Neighborhood Tier, which is designed to provide density around future transit stations, is already one space per unit. This requirement can be reduced by up to 20% if certain by-right standards are met; and more than 20% if a minor special use permit is approved. Therefore, staff suggests reducing the minimum requirement for affordable housing dwelling units to zero within the Compact Neighborhood Tier.

Parking costs: The cost of parking is a broad topic, ranging from immediate costs to a developer to wider-ranging economic, planning, and social impacts. For the purposes of this discussion, the focus is on the immediate construction costs for surface and structured parking.

Construction costs for surface parking are generally less than those for structured parking. National average costs run approximately \$3,000 per parking space¹, but does not include land costs or maintenance costs. The Southside residential development utilizes surface parking and provides parking spaces at the amount of approximately one space/dwelling unit.

Most recent Downtown or Ninth Street (Compact Neighborhood Tier) apartment complexes have utilized parking structures. Staff reviewed various sources for construction cost data for these structures. RS Means, a construction industry reference for construction costs, provided data regarding average costs for the year 2013 for Durham. Carl Walker, Inc., a firm specializing in parking planning, structural design, and engineering, has provided data for the year 2013. Two local projects are also referenced for cost comparison.

¹ This number is determined from *Parking Requirement Impacts on Housing Affordability*, Victoria Transport Policy Institute, adjusted for inflation according to the Consumer Price Index.

2013 RS Means- Above-Ground Structure (Durham)	5-Story; 145,000 sq. ft.: \$48.06/sq. ft. ² or \$15,178/parking space (Total: \$6,968,200)
2013 RS Means- Underground structure (Durham)	2-Story, 100,000 sq. ft.: \$55.28/sq. ft. or \$17,460/parking space (Total: \$5,527,700)
Carl Walker, Inc. (National Average)	\$55.51/sq. ft. or \$17,533/parking space
Erwin Square stand-alone structure – 290 spaces	\$11,207/parking space
Crescent at Main – 289 spaces under apts.	\$17,500/parking space

As with surface parking data, these figures underestimate ultimate costs since neither land acquisition costs³ nor operational/maintenance costs are considered. Carl Walker, Inc. also notes that structures generally needed substantial repair or replacement within 20-40 years of construction.⁴

Potential Benefits: Eliminating the minimum parking requirement for affordable housing dwelling units does not eliminate the provision of parking. However, multiple studies have indicated that lower income, senior, and special needs populations often own fewer automobiles per household, and particularly where mass transit is readily available.⁵ Removing the minimum requirement for affordable dwelling units alleviates a mandate to dedicate financial resources where they may not be needed, allowing the developer to determine the extent to which parking should be provided. Construction costs are passed on to the renter or buyer, thus higher construction costs raises the cost of the dwelling unit.

Parking requirements often dictate the number of units a development site can accommodate. While removing the mandate to finance a specific number of parking spaces, it would in turn potentially allow for more dwelling units. This would increase the supply of units, which would aid in moderating housing pricing. A UCLA study of a section of Los Angeles found that lessened parking requirements led to more housing units and fewer parking spaces, while tighter regulations led to a lack of affordable

² Per this calculation, one parking space equals 315.85 square feet (derived from Carl Walker, Inc.). This would include the dimensions of the stall plus ancillary space such as drive aisles, stair and elevator wells, walkways, etc.)

³ Two recent apartment projects within the Ninth Street Compact Neighborhood Tier provide some land cost information. Based upon land appraisals from the Durham County tax records, the average cost per acre was approximately \$526,500, or just over \$12/square foot.

⁴ Kudney, Gary (April 2013). Carl Walker, Inc. "Parking Structure Cost Outlook for 2013." Industry Insights.

⁵ Multiple sources, as listed at the end of the report, discuss this point.

units and a surplus of parking.⁶ Donald Shoup's *The High Cost of Minimum Parking Requirements* (Attachment B) also discusses this point in detail.

In summary, reducing the minimum parking requirement to zero for affordable housing units would do the following:

1. Remove a mandate to dedicate financial resources where they may not be needed. Persons with incomes 60% or less than the AMI, and that live in close proximity to rail transit, may be less likely to own a personal vehicle. Thus, the parking demand would not support the high cost of structured parking, which has been cited as one difficulty in providing affordable housing in these areas where surface parking is typically less of an option due to lack of relatively inexpensive land.
2. Continue to allow the provision of parking. The proposed parking rate is a minimum. It does not mean that agencies or developers providing affordable dwelling units would be prevented from building parking; it means that the regulations would not force them to build it, leaving the number of parking spaces up to professional judgment and market needs.
3. Aid in allowing for additional dwelling units that would otherwise not be built due to site and/or financial constraints of providing parking.
4. Aid in reducing market pricing of dwelling units by not passing on additional construction costs and/or aiding in the ability to provide more units, thus providing more overall supply.
5. Is consistent with policies within the *Comprehensive Plan* by supporting policy goals of increasing the supply affordable dwelling units and increased mass transit usage with less reliance on the automobile, especially within the Compact Neighborhood Tier where proposed light rail stations will be sited.
6. The reduction is targeted, as it is in Charlotte and Asheville. The reduction would only apply to the affordable units, not the overall development. Therefore, market-rate units and other uses within a development (if it is a mixed-use development) would still be required to meet applicable minimum parking rates. This is a conservative approach compared to Raleigh's ordinance, which allows a reduction applied to market-rate units as long as a minimum percent of affordable units is provided within a development.
7. Precedent for the proposed parking rate has been established within the Downtown Tier.
8. The maximum required parking is not modified. The current maximum is two spaces per unit in the Compact Neighborhood Tier.

⁶ Yglesias, Matthew. Slate.com. "Free parking isn't free. Parking mandates hurt America's cities." July 9, 2013

Revisions to affordable housing density bonus (Sec. 6.6 of the UDO)

Another issue identified by staff is the lack of use of the existing, affordable housing density bonus provision. Currently, the affordable housing density bonus provides the following:

- A 1:1 density bonus for each affordable unit constructed for 60% AMI or less;
- The bonus is increased if units are affordable to households at 50% AMI or less; and
- The bonus is doubled if the project has at least 500 feet of frontage on a major thoroughfare.

Since its inception in 2003, the affordable housing density bonus has never been utilized. A survey of density bonuses in other municipalities shows that a density bonus of at least 2:1 (market-rate units to affordable units) is necessary in order for the bonus to be effective. Even then, these bonuses are most effective only in very robust residential housing markets. Furthermore, allowing the bonus to double based on proximity to major thoroughfares is potentially contrary to the City Council's and Board of County Commissioners' goal for affordable housing near future rail transit.

The proposed language in Attachment A changes Section 6.6, Affordable Housing Density Bonus, and other text in Section 6.12, Design Districts, in the following ways:

1. Changes the name of Section 6.6 to "Affordable Housing Bonus" to reflect the fact that there is more to the bonus program than additional density;
2. Reorganizes and better defines the affordable housing bonus for density;
3. Increases the density bonus in the Compact Neighborhood Tier to 3:1;
4. Adds a height bonus in all tiers if the minimum number of affordable housing dwelling units are utilized;
5. Removes the requirement for a minor special use permit for additional height, with certain limitations, if the affordable housing bonus is utilized; and
6. Clarifies the height bonus for affordable housing in the Downtown Design District.

Definition of "affordable housing dwelling unit"

The UDO defines an affordable dwelling unit through a set of requirements within Sec. 6.6, Affordable Housing Bonus, as discussed above. Based upon the proposed revisions to the parking and density bonus standards and to maintain consistency with defined terms within the overall UDO, a definition within Sec. 16.3, Defined Terms, is proposed for an "affordable housing dwelling unit." This definition is consistent with other current requirements within the UDO and the affordable housing resolution adopted by the City Council and the Board of County Commissioners in May, 2014.

Modifications made subsequent to the Planning Commission Hearing.

The following two modifications to the text amendment ordinance were made subsequent to the Planning Commission hearing:

1. **Paragraph 6.12.4A.2, Building Height and Massing:** Adjusted the “Maximum Building Height with Provisions” from 110 feet to 115 feet in the Core subdistrict in the Compact Design District (CD). This addresses an issue raised at the Planning Commission hearing regarding the ability to feasibly provide two additional stories to accommodate the potential additional units allowed by the bonus program or other provisions that could be used for additional height. Impact regarding the scale and massing of the building would be minimal with an additional five feet.
2. **Paragraph 6.6.2A, Residential Density:** Revised the text in paragraphs 1 and 2 from “market rate units” to “dwelling units” in order to not prescribe how a developer would market the additional bonus dwelling units.

Consistency with the Comprehensive Plan; Reasonableness and the Public Interest.

The *Durham Comprehensive Plan* specifically addresses affordable housing within Chapter 3, Housing Element, as a primary issue within its Summary of Issues. Within Goal 3.1, Affordability, the following policy specifically considers the need to evaluate the existing density bonus:

Policy 3.1.1a. Density Bonus. Evaluate the density bonus allowed in the *Unified Development Ordinance* for enhancements or modifications to encourage greater utilization of this affordable housing tool in order to provide a workable density bonus as an incentive for provision of affordable housing units.

Although parking rates in conjunction with affordable housing is not specifically identified within the *Durham Comprehensive Plan*, it is reasonable to conclude that a regulatory adjustment that aids in the provision of affordable housing would comply with Objective 3.1.1, Affordable Housing Enhancements, which states the following:

Objective 3.1.1. Affordable Housing Enhancements: Facilitate the provision of affordable housing by regulatory and incentive-based means.

Developing regulatory tools to aid and encourage the development of affordable housing is a reasonable goal and within the public interest. It encourages a mix of housing options and promotes the ability of all persons to live and work within the same community, both of which aid in creating diverse and thriving communities. To that end, the proposed text amendment also appears reasonable and in the public interest.

Thomas J. Bonfield, City Manager
Unified Development Ordinance Text Amendment, Affordable Housing Parking and Density Bonus
(TC1500003)
August 3, 2015

Staff Contacts.

Aaron Cain, AICP, Planning Supervisor, Aaron.Cain@DurhamNC.gov, 919-560-4137 ext. 28226.

Michael Stock, AICP, Senior Planner, Michael.Stock@DurhamNC.gov, 919-560-4137 ext. 28227.

Attachments

Attachment A: An Ordinance to Amend the *Unified Development Ordinance* Regarding Affordable Housing Parking and Density Bonus (TC1500003)

Attachment B: Excerpt from *The High Cost of Minimum Parking Requirements*

Attachment C: Statement of Consistency Pursuant to NCGS § 160A-383

Attachment D: Planning Commission Comments

Sources

Akunal, Maya. (May 2012). *Connecting Workforce Affordable Housing and Light Rail in North Carolina's Triangle Region*. Nicholas School for the Environment at Duke University.

Congress of New Urbanism. *Parking Requirements and Affordable Housing*. (www.cnu.org)

Environmental Protection Agency (EPA). *Parking Spaces/Community Places - Finding the Balance through Smart Growth Solutions*. 2006

Kudney, Gary (April 2013). Carl Walker, Inc. "Parking Structure Cost Outlook for 2013." Industry Insights. (<http://www.carlwalker.com/wp-content/uploads/2013/04/2nd-Qtr-2013-CWI-Newsletter.pdf>)

Litman, Todd. (June 11, 2014). *Parking Requirement Impacts on Housing Affordability*. Victoria Transport Policy Institute. (www.vtpi.org)

Metropolitan Area Planning Council. *Parking, Development Costs, and Affordability*. (<http://www.mapc.org/resources/parking-toolkit/parking-issues-questions/>)

Shoemaker, Douglas. (August 26, 2006) *Tools for Mixed-Income TOD*. Center for Transit Oriented Development.

Shoup, Donald. (2014). *The High Cost of Minimum Parking Requirements*. Parking: Issues and Policies Transport and Sustainability, Volume 5, 87_113.

Southern California Association of Non-Profit Housing. (2004). *Parking Requirements Guide For Affordable Housing Developers*. (www.scanph.org)

SPUR Report. (June 1, 2006). *Reducing Housing Costs by Rethinking Parking Requirements*. (www.spur.org)

The Gordian Group. RSMMeans (www.rsmeans.com)

Thomas J. Bonfield, City Manager

Unified Development Ordinance Text Amendment, Affordable Housing Parking and Density Bonus
(TC1500003)

August 3, 2015

The Non-Profit Housing Association of Northern California. (2009). *What is the Impact of Parking?* (www.nonprofithousing.org)

Yglesias, Matthew. (July 9, 2013). "Free parking isn't free. Parking mandates hurt America's cities." Slate.com.