Attachment #4. An Overview of the Proposed Ordinance: Major features and components of the proposed inclusionary housing ordinance.

The proposed Inclusionary Housing Ordinance represents the regulatory and incentive framework necessary to implement to the inclusionary housing strategy embodied in policies 1.3.6., 1.3.7., and 1.3.8. of the Housing Element of the *Tallahassee-Leon County Comprehensive Plan* (included as Attachment #2). These policies were adopted by the Board in response to the recommendations of the 1997 *Evaluation and Appraisal Report for the Tallahassee-Leon County Comprehensive Plan* regarding inadequate supply of very low, low and moderate income housing units; the over-concentration of low income housing in the poorest areas of the community; inadequate inclusionary zoning policy; and, an inefficient permitting process for housing.

These *Comprehensive Plan* policies require the adoption of regulations requiring new residential developments in above-median income Census Tracts, Target Planning Areas (TPAs), Critical Planning Areas (CPAs) and, Developments of Regional Impact (DRIs) to provide a certain percentage of new housing units to be sold at prices affordable to low-moderate income households or pay a fee in lieu to the local government.

<u>Scope of Applicability; Set-Aside Requirement:</u>
The proposed ordinance applies to the unincorporated portion of Leon County. The proposed ordinance requires new developments within the Urban Service Area, served by central water and sewer utilities, that are 100 acres or larger, or are intended to accommodate the construction and sale of 100 or more residential dwelling units and which are located within *selected census tracts* (census tracts where the median family income is greater than the median family income for Leon County, as a whole, as identified by the most recently released census data), and new developments in Target Planning Area zoning districts, Critical Planning Area zoning districts, and Developments of Regional Impact, regardless of location to set aside no less than 5% of the total number of owner-occupied residential units constructed as inclusionary units (for sale at restricted price to eligible households, as defined by the ordinance - see 'Eligible Households,' below for additional information).

The ordinance also provides a list of exemptions and exclusions, such as: the area designated Lake Protection on the Future Land Use Map of the *Tallahassee-Leon County Comprehensive Plan* is exempt from the requirements to provide inclusionary housing, given the unsuitability of this area for additional density due to environmental constraint. A map illustrating the areas where new development would be subject to requirements for providing inclusionary housing is provided as Attachment #4A.

The incentives provided in the ordinance for the provision of inclusionary housing are not limited to selected census tracts – new developments voluntarily providing inclusionary housing, regardless of location within the urban service area, are eligible for incentives so long as other applicable requirements are met (see 'Incentives,' below for additional information).

Eligible Households:
To be eligible to purchase an inclusionary unit, a household must have an annual income less than or equal to 80% of the Area Median Family Income ('AMI') for the Tallahassee Metropolitan Statistical Area. This information is revised and published annually by the U.S. Department of Housing and Urban Development. In 2002, the most recent information, the AMI was $57,200 in 2002 and the 80% limit equated to an income of $45,760.

Maximum Affordable Housing Sales Price:
The maximum sales price of inclusionary units is equivalent to the maximum sales price limits for new single family residences in Leon County established by the Florida Housing Finance Corporation Single Family Mortgage Revenue Bond Program, published annually. The most recently published sales price, for 2002, is $128,514.

Alternative Compliance Methods:
The ordinance does not provide the developer the option of paying a fee in-lieu of providing inclusionary units on site. The ordinance allows the Board to grant a waiver, upon demonstration of satisfaction of applicable criteria, allowing inclusionary units to be provided off-site, at an alternative location within the same census tract or an adjacent selected census tract. When provided at alternative location, the set-aside requirement is increased to 6%.

Incentives to Provide Inclusionary Housing:
The ordinance provides the following incentives to developers of inclusionary housing: development bonuses, in the form of additional development density and relaxed standards for accessory apartments; design flexibility and relaxed development standards; development fee exemptions and reductions; expedited development review; and, financial assistance and homeownership training for inclusionary households.

Standards for Construction and Occupancy of Inclusionary Housing:
The ordinance sets out requirements that inclusionary residential units be similar in exterior appearance, as far as design and material, to other dwelling units in their neighborhood, subdivision, or development.

The ordinance also sets out restrictions on the resale of inclusionary units, balancing objectives of homeowner economic empowerment, maintaining a supply of entry-level affordable housing stock, and preventing publicly-subsidized windfall profit from the early resale ('flipping') of inclusionary units.

The proposed ordinance limits the sale of inclusionary residential units for a period of ten years from date of initial sales to maintain affordability of these units. During this period inclusionary residential units may be resold to an eligible household at a sales price not exceeding the maximum affordable sales price as defined in the ordinance. If the property owner is not able to sell the inclusionary unit to an eligible household within 120 days, they may then sell the unit on the open market to any purchaser and at any sales price; however, fifty percent of the difference between the resale price and their purchase price of the inclusionary unit shall be remunerated to the Leon County Division of Housing with the seller keeping all remaining proceeds and an amount equivalent to seller's customary closing costs and real estate brokerage fee (if applicable).

At expiration of the ten year-period from the date of initial sales, inclusionary residential units may be sold on the open market to any purchaser and at any sales price; however, at the first resale of the inclusionary residential unit, fifty percent of the difference between the resale price and the seller's purchase price of the inclusionary unit shall be remunerated to the Leon County Division of Housing with the seller keeping all remaining proceeds and an amount equivalent to all permanent improvements to the unit, the seller's customary closing costs and real estate brokerage fee (if applicable).

Market-Rate Housing in Lower Income Areas: The ordinance also addresses the issue of balancing housing opportunities throughout the County by providing incentives for developers to provide Market-Rate Housing in Lower Income Areas (MRHLIA, hereafter) of the community. These incentives implement a community and economic development strategy consistent with the *Southern Strategy* of the *Comprehensive Plan* and other policies to attract more valuable assets to the more economically depressed portions of the community. The goals, objectives, and policies in the *Comprehensive Plan* that call for development of market rate and "higher end" housing in the Southern Strategy Area are included in Attachment #4B.

The incentives provided by the ordinance are: relaxed standards for accessory apartments; design flexibility -- including choice of housing type and relaxed development standards; exemptions and reductions of development fees; and, expedited development review. The Florida Statutes require that *affordable housing* development applications be entitled to more expeditious review than any other type of development, meaning that although MRHLIA development may receive quicker review than other types of development, it is not entitled to receive quicker review than affordable housing development.

Developments Eligible to Receive Incentives for MRHLIA:
The ordinance provides incentives for new development consisting of one house or residential unit to be sold at no less than 150% of the maximum affordable housing sales price (currently equivalent to $192,771); or, for development consisting of two or more residential units, wherein no less than 80% of units will be sold at no less than 150% of the maximum affordable housing sales price.

Qualifying Locations Eligible to Receive Incentives for MRHLIA:
To be eligible for incentives, developments must be located within the Southern Strategy Area or, within the Urban Services Area in a census tract with a median family income less than or equal to 80% of the median family income for Leon County as a whole (as identified by the most recently released census data). Developments located within Census Block Groups (a subdivision of Census Tracts) with a median household income exceeding the area median household income are not eligible for these incentives. These areas have been excluded as it is believed that conditions in these areas are sufficient to accommodate the development of market rate housing without further intervention. A map of the area eligible to receive these incentives is provided as Attachment #4C.