

EAST MCKINNEY NEIGHBORHOOD PRESERVATION STRATEGY

City Council Work Session
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AGENDA AND SESSION OUTCOMES

- Key project outcomes
 - Improve resident financial stability, housing quality, affordability, and ability to remain in East McKinney neighborhoods
 - Consider programs and tools that can be focused on East McKinney and/or utilized citywide
 - Emphasize strategies that use existing City resources
- Focusing on four key strategies, and discuss:
 - Are these strategies Council wants to pursue?
 - What are Council's goals for these strategies?
 - What considerations does Council want to keep in mind in moving forward with these strategies?

Today's session will provide high level guidance --
Yes or no on these strategies?
What are the goals for each program?

Staff will then bring back recommendations for program structure
based on input

PROJECT FINDINGS

Data Analysis

- East McKinney has older homes than the City overall, and residents have lower incomes and higher housing cost burden
- Home prices have steadily been increasing
- New development is drawn to East McKinney because of land availability and lower costs

- Financial challenges are significant – taxes, home repairs, utilities, etc
- Market and development pressure are being strongly felt (in property values and ongoing housing costs for residents)
- East McKinney residents are vulnerable to displacement from the area in the face of these challenges and changes

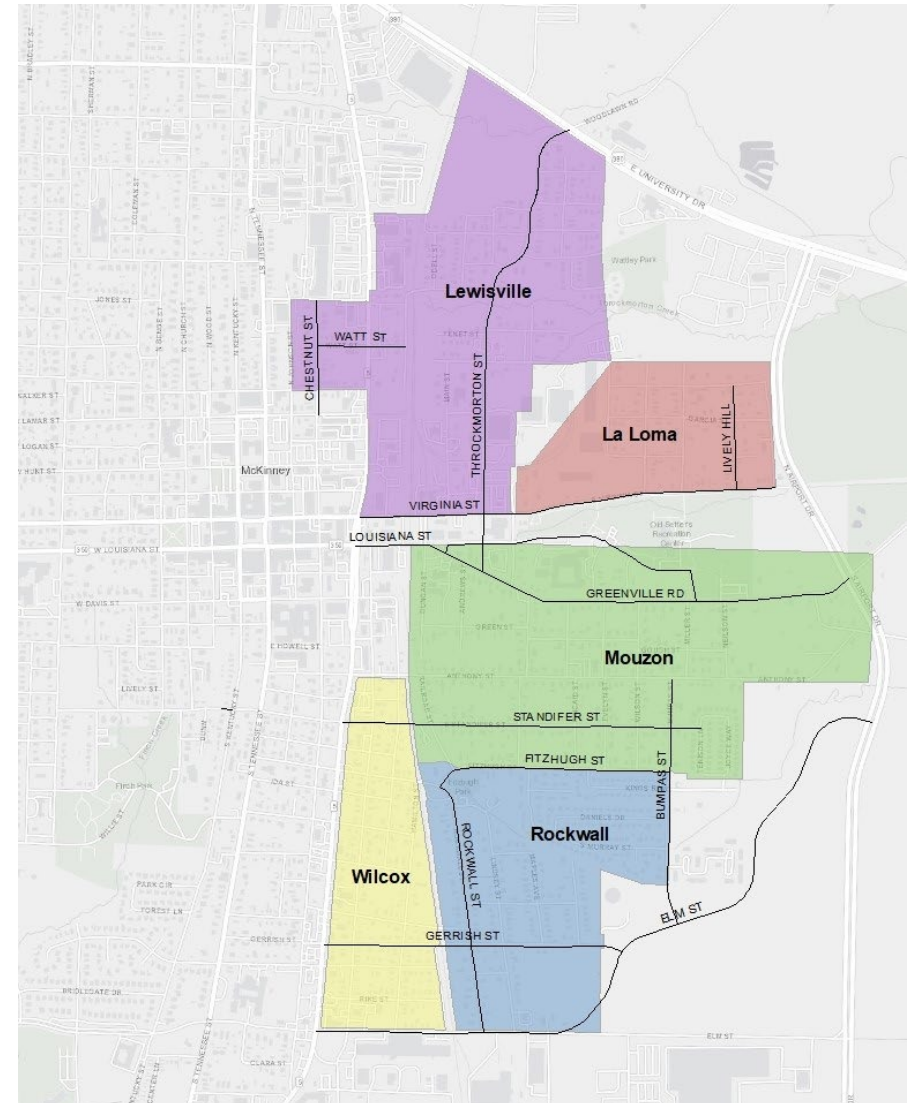
Community Outreach

- Residents of East McKinney feel their neighborhoods have been neglected and under-invested
- Desire for more resources and services (e.g. grocery store, restaurants)
- Want to see infrastructure and safety improvements (e.g. lighting, sidewalks)

PRESERVATION STRATEGY – KEY RECOMMENDATIONS

1. Community Land Trust (*in process*)
2. TIRZ Affordable Housing Set-Aside
3. Rental Inspection and Rehab Program
4. ADU Support
5. Education/outreach for existing programs (e.g. clear title, tax abatement, home rehab)

Key question to Council:
Do you want to pursue these programs?



1. COMMUNITY LAND TRUST (CLT) – IN PROCESS

Staff will be working with Grounded Solutions to further structure the CLT program – no discussion today

Issues Addressed

- Mitigate increasing housing costs
- Manage impacts of speculative buyers

Mechanisms

- Purchase land for development of affordable housing
- Enable residents to sell existing properties into the CLT to ensure long-term affordability

Considerations

- CLT potential will be addressed outside of the Neighborhood Preservation Plan process

Recommendation

- Continue to work with staff and other organizations to establish the CLT

2. TIRZ AFFORDABLE HOUSING SET-ASIDE

Issues Addressed

- Increase affordable housing supply
- Enable East McKinney to benefit from new development
- Affordable housing is a goal of the current TIRZ 1, but is not required in new projects

Mechanisms

- Council/the TIRZ 1 board can determine the affordability set-aside requirement
- Would only apply to residential projects receiving TIRZ 1 funding

Considerations

- Additional affordable housing increases availability of local employees for a range of businesses
- Would not divert TIRZ 1 funds from other TIRZ 1 projects (including City Hall)

Recommendation

- Amend TIRZ 1 plan to incorporate 10% affordable housing set-aside for new multifamily developments

2. TIRZ AFFORDABLE HOUSING SET-ASIDE

Background:

TIRZ plans can require affordable housing set-asides in new developments that are receiving TIRZ funding

Considerations:

This would have minimal cost to the City (would only require regular monitoring, similar to any other affordable housing program)

This strategy would not require any TIRZ funding, and thus would not divert funding from any other projects

Case Study: Dallas

- Residential developments receiving TIRZ subsidies must set aside 20% of units for families at/below 50-80% AMI (depending on TIRZ area)

Case Study: Fort Worth

- All residential units receiving TIRZ funding must set aside a minimum of 20% of units as affordable (half @ 60% AMFI and half @ 80%)

Question:

Does Council want to include an affordable housing requirement in the TIRZ plan?

Policy questions to follow: Is 10% the right amount? What is minimum TIRZ investment to trigger set-aside requirement?

3. RENTAL INSPECTION AND REHAB PROGRAM

Issues Addressed

- Improve quality of rental properties for residents (single family and multifamily)
- Help keep rents stable/affordable
- Counteract disincentive for landlords to invest in properties given strong rental rates

Mechanisms

- Rehab funding
- Inspection program
- Use “carrot and stick” approach

Considerations

- Design program so it doesn’t enrich landlords with no benefit to tenants
- Affordability requirements in exchange for rehab funding
- How broad or narrow should the inspection program be? E.g. focus on smaller landlords, opt-in program

Recommendation

- Work with staff to design rental inspection program to pair with rental rehab pilot program

3. RENTAL INSPECTION AND REHAB PROGRAM

Carrots and Sticks

- Inspection program creates incentive for landlords to utilize rehab funding
- Rehab program provides funding that property owners otherwise would not have access to or invest independently
- As a condition of receiving rehab funding, affordability requirements are placed on the property (can be scaled to level of funding received)

Considerations:

Programs would be citywide (not specific to East McKinney)
- but can prioritize areas based on age of housing or other factors

Inspection program can be applied broadly (e.g. bi-annual inspections) or more narrowly (e.g. complaint-driven, opt-in by landlords/property owners)

Case Study: Plano

- Repair/reconstruction assistance - funded with CDBG - is available to qualified investors owning and managing 1 - 4 unit rental housing
- Must have building code deficiencies that make the dwelling unsafe or unsanitary, or show the rehabilitation will improve energy efficiency

Research into other examples nationally found that rehab and inspection programs are almost always linked, and paired with affordability requirements in exchange for rehab funding

Question:

Does Council want to pursue creating a rental rehab program, coupled with an inspection program?

Policy question to follow: Should the program be done through bi-annual inspection, by complaint, by another mechanism?

4. ACCESSORY DWELLING UNITS (ADUS)

Issues Addressed

- Add new affordable housing to the area
- Provide additional income to existing homeowners (to increase their financial stability)

Mechanisms

- Provide low/no interest loans to income-qualified residents to assist with ADU construction
- Utilize similar terms for current home rehab (pre-qualified contractors)

Considerations

- Type of support to provide (fee waivers, pre-development funding, long-term loans, development support)
- Affordability requirements on ADU?

Recommendation

- Work with staff to develop loan program for income-qualified residents to build ADUs

4. ACCESSORY DWELLING UNITS (ADUS)

Background:

City recently passed ADU guidelines

Building on recent work, any changes would be applied citywide and subject to existing code and guidelines (owner-occupied units, only where permitted – i.e. not within most HOAs)

Considerations:

Assistance can be in the form of a revolving loan fund or low-interest loan fund for construction, fee waivers, and funds to assist with up-front costs

Funding can be through CDBG or MHFC to do 0% interest loans

The program can be run through the city similar to rehab program (e.g. prequalify contractors)

Case Study: Denver

- The West Denver Single Family Plus program helps residents develop an ADU through design, entitlement, housing counseling, referral to financing, and construction services
- Homeowners earning $\geq 81\%$ AMI must rent to someone earning $\leq 80\%$ AMI; if the owner earns $\leq 80\%$ AMI, there are no tenant income requirements

Research into other examples nationally found that direct funding is common, as are no-interest or forgivable loans

Affordability requirements on tenants of the ADU are also common, in exchange for the financial assistance

Question:

Does Council want staff to design and present an ADU loan program for income-qualified residents?

5. EDUCATION/OUTREACH FOR EXISTING PROGRAMS

Issues Addressed

- Assist residents with most significant financial challenges (e.g. property tax burden)
- Connect residents with existing programs for financial and other support
- Help residents overcome barriers to program participation (e.g. clear title)

Mechanisms

- Clear Title program
- Education and outreach programs for existing property tax abatement and other assistance programs
- Education and outreach for existing homeowner rehab program

Considerations

- Can be citywide program with targeted/phased implementation based on geography
- Build on existing tools and resources, with focus on helping residents learn about and connect to them

Recommendation

- Continue to support development and implementation of Clear Title program
- Work with staff to develop education and outreach programs to help residents connect to and qualify for existing assistance

5. EDUCATION/OUTREACH FOR EXISTING PROGRAMS

Focus is on existing resources – increase outreach and education.

Key component to help residents qualify for existing programs is the CDBG funded “Clear Title” program. Clear title is a prerequisite to most tax benefits and assistance programs.

Existing assistance programs include:

- Homeowner rehab/repair
- HNIZ tax relief
- General residential homestead exemption
- Over 65 exemption
- Disabled person exemption
- Disabled veteran exemption

Program Geography:

- Existing programs are citywide
- Education and outreach can be targeted and/or phased based on geography, if desired

Questions:

Does Council want staff to develop CDBG funded Clear Title program?

Does Council express its commitment to education and outreach programs that connect residents with existing assistance programs?

NEXT STEPS

- Based on Council direction, finalize strategy recommendations for Neighborhood Preservation Plan
- Draft plan with action items, phasing/timeline, and other implementation components
- Staff will work with Council to structure programs based on direction from today and the final plan timeline

