



## MEMO I-3

**DATE:** March 29, 2017  
**TO:** Planning and Sustainability Commission  
**FROM:** Rachael Hoy, Senior Planner  
**CC:** Susan Anderson, Director; Joe Zehnder, Chief Planner; Sallie Edmunds, Central City Planning Manager  
**SUBJECT:** **Carry Over Item I32: Analysis for FAR utilization when inclusionary housing is triggered**

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At the March 14, 2017 Planning and Sustainability Commission work session, staff proposed to revise the existing method for calculating the affordable housing bonus. The affordable housing bonus provides an additional FAR of 3:1 for each project; this is equal to three times the area of the whole site. The bonus FAR is one of a set of incentives to offset the cost of developing affordable housing. The staff amendment was proposed in March because staff had concerns about how the FAR would be allocated on larger sites with multiple buildings. The amendment would have calculated the affordable housing bonus based on earning one square foot of bonus FAR for each square foot committed to a residential use. PSC expressed concerns with this proposal and asked staff to analyze additional options.

Staff is also concerned that a developer could build only one residential building, with the minimum number of affordable units on a large site, and still earn the full FAR of 3:1, which would do little to increase the affordable housing stock. Also, if each building that triggers inclusionary housing (IH) earns the bonus and accumulates a large amount of FAR to sell or transfer, this could flood the market with FAR making any other bonuses or transfers (e.g., historic) useless. In order to understand the different options and outcomes of ways to calculate the IH FAR bonus, staff completed the following analysis:

Staff considered two different scenarios:

- **Scenario 1:** Master Plan or Large Site Development and
- **Scenario 2:** Full block development.

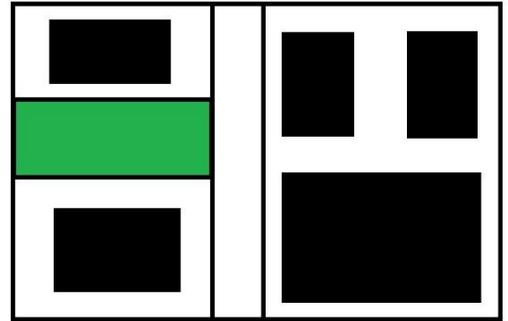
For each scenario, staff performed three different FAR bonus calculations:

- **Option A:** 3:1 for the site (this is the existing provision)
- **Option B:** 1 sq. ft. earned for each sq. ft. committed to residential up to 3:1 maximum for the site (discussed at PSC work session on 3/14/17)
- **Option C:** 1 sq. ft. earned for each net building sq. ft. (excludes parking), up to 3:1 maximum for the site (this is a new option)

Assumptions for both scenarios are that all sites include at least one building that triggers IH and that multiple buildings on a site will not continue to earn the bonus once the maximum that can be increased on the site has been reached.

**Scenario 1: Master Plan or Large Site development:**

Site area 230,400 square feet (just over 5 acres)  
 Base FAR 5:1 5 X 230,400 = 1,152,000 sq. ft.  
 Bonus FAR 3:1 3 X 230,400 = 691,200 sq. ft.  
 Total FAR available base + bonus =1,843,200 sq. ft.



**Option A: bonus FAR is earned for the full site up to 3:1**

Building Characteristics					FAR Pool			
Buildings	Residential	retail	office	Total floor area	Base	Bonus	Still Needed	Unutilized
Office	0	20,000	350,000	370,000	0			
Mixed Use	100,000	20,000	120,000	240,000	0	691,200		
Residential	240,000	10,000	0	250,000				
Mixed Use	150,000	20,000	150,000	320,000	0			
Residential	100,000	10,000	120,000	230,000	0			
<b>Totals</b>	<b>590,000</b>	<b>80,000</b>	<b>740,000</b>	<b>1,410,000</b>	<b>1,152,000</b>	<b>691,200</b>	<b>0</b>	<b>433,200</b>

**Option B: 1 square foot of FAR is earned for each square foot committed to residential up to an overall maximum of 3:1 for the site**

Building Characteristics					FAR Pool			
Buildings	Residential	retail	office	Total floor area	Base	Bonus	Still Needed	Unutilized
Office	0	20,000	350,000	370,000		0		
Mixed Use	100,000	20,000	120,000	240,000		100,000		
Residential	240,000	10,000	0	250,000		240,000		
Mixed Use	150,000	20,000	150,000	320,000		150,000		
Residential	100,000	10,000	120,000	230,000		100,000		
<b>Totals</b>	<b>590,000</b>	<b>80,000</b>	<b>740,000</b>	<b>1,410,000</b>	<b>1,152,000</b>	<b>590,000</b>	<b>0</b>	<b>332,000</b>

**Option C: 1 square foot of FAR is earned for each net building square foot up to an overall maximum of 3:1 for the site**

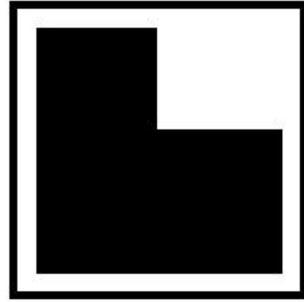
Building Characteristics					FAR Pool			
Buildings	Residential	retail	office	Total floor area	Base	Bonus	Still Needed	Unutilized
Office	0	20,000	350,000	370,000		0		
Mixed Use	100,000	20,000	120,000	240,000		240,000		
Residential	240,000	10,000	0	250,000		250,000		
Mixed Use	150,000	20,000	150,000	320,000		201,200		
Residential	100,000	10,000	120,000	230,000		0		
<b>Totals</b>	<b>590,000</b>	<b>80,000</b>	<b>740,000</b>	<b>1,410,000</b>	<b>1,152,000</b>	<b>691,200</b>	<b>0</b>	<b>433,200</b>

**Summary:**

- In all options the first project is office/retail which does not trigger the affordable housing bonus. However, there is plenty of FAR on the site that can be utilized for this project.
- In all options the base entitlement was utilized and each needed 258,000 sq. ft. of bonus FAR.
- All options leave some FAR unutilized. Option B leaves less FAR unutilized than other options.

**Scenario 2: Full Block development - 40,000 square feet with an FAR of 5:1.**

Base FAR 5:1                5 X 40,000 = 200,000 sq. ft. base  
 Bonus FAR:                3 X 40,000 = 120,000 sq. ft.  
 Total FAR available:     base + bonus = 320,000 sq. ft.



**Option A: bonus FAR is earned for the full site up to 3:1**

Building Characteristics					FAR Pool			
Building	Residential	retail	office	Total floor area	Base	Bonus	Still needed	Unutilized
Mixed Use	20,000	10,000	250,000	280,000	200,000	120,000	0	40,000

**Option B: 1 square foot of FAR is earned for each square foot committed to residential up to an overall maximum of 3:1 for the site**

Building Characteristics					FAR Pool			
Building	Residential	retail	office	Total floor area	Base	Bonus	Still Needed	Unutilized
Mixed Use	20,000	10,000	250,000	280,000	200,000	20,000	60,000	0

**Option C: 1 square foot of FAR is earned for each net building square foot up to an overall maximum of 3:1 for the site**

Building Characteristics					FAR Pool			
Building	Residential	retail	office	Total floor area	Base	Bonus	Still Needed	Unutilized
Mixed Use	20,000	10,000	250,000	280,000	200,000	120,000	0	40,000

**Summary:**

Option A: The project triggered the IH program and earned 3:1. The project utilizes all the base FAR and 80,000 sq. ft. of the bonus floor area leaving 40,000 square feet unutilized.

Option B: Base FAR is utilized, but not enough bonus has been earned to accommodate the building. The project will need to purchase 60,000 sq ft in order to complete the project.

Option C: The project earns 1 sq. ft. of floor area for each sq. ft. of net building area (excludes parking) up to the 3:1 maximum, (120,000 sq. ft). This leaves 40,000 sq ft additional density just like Option A.

## Considerations in choosing a different way to calculate the FAR bonus:

### Option A: calculation based on 3:1 FAR for the site

- The intent of IH program is to result in more affordable housing built. It was not the intent of the IH program to provide a windfall of FAR to the first project that triggered IH on a larger site.
- This is the option that was included in the Council adopted Inclusionary Housing Program earlier this year.

### Options B and C: calculations based on residential or net building area

- Allowing each building on a site to earn bonus FAR based on residential floor area or net building area, up to the maximum of 3:1 for the site, allocates the bonus FAR proportionally to the development rather than all at once and in relation to only one building.
- By tying the bonus to residential or net square footage (1 for 1 up to the maximum 3:1) the intent is to see more housing built.

### Option B: calculation based on residential square footage

- This option calculates the bonus based on residential floor area and could leave some bonus FAR unutilized on larger sites, but it is closely linked to the public benefit of providing affordable housing and does not leave large amounts of square footage of floor area unutilized on smaller sites.
- If a developer on a smaller site builds one building with a minimum number of affordable units and a larger amount of commercial and retail uses and does not earn the full floor area ratio of 3:1, they will need to purchase additional FAR to complete the project. This situation could help support the use of other bonuses or transfers such as the historic resource transfer.
- This option is considerably different from Option A which was included in the Council adopted Inclusionary Housing Program earlier this year.

### Option C: calculation based on net building area

- Option C calculates the bonus based on net building area earns FAR for any use in the building. This method provides sufficient FAR bonus. However, it also results in unutilized FAR in Scenarios 1 and 2, which may limit the use of other bonuses and transfers in the future.
- This option is closer to the option that was included in the Council adopted Inclusionary Housing Program earlier this year.

## Staff Recommendations:

**Option C:** When the IH bonus is triggered by building 20+ units, the building will earn 1 square foot of bonus floor area for each square foot of net building area. For small and large sites this method allocates the bonus FAR proportionally to the development for each building, rather than all at once for the site.

Also, clarify in the code that the developer can only earn up to 3:1 maximum per site. This means that some buildings on a large site that trigger IH may not earn a FAR bonus if earlier projects on the same site already maxed out the bonus FAR for the site.

### Rationale:

- This method allocates the bonus FAR proportionally to the development rather than all at once and in relation to only one building. This is intended encourage more residential development on larger sites.
- This method provides sufficient FAR bonus and in both scenarios leaves some FAR unutilized which may limit the use of other bonuses and transfers in the future.
- The FAR is earned by a project on a net building square footage basis on all uses in the building, not just the residential uses. This could be helpful to reduce complexity for accessing FAR for a mixed use development.
- Staff believes it will be easier to track the earning and use of the bonus FAR if distributed by project rather than by site.



**Decision Table I: Miscellaneous Code - Carry Over Item I 32**

*This table contains a carry over item related to the affordable housing bonus and how it should be calculated.*

**Contents of Decision Packet I:**

- Decision Table I
- Memo I-3

**Items Marked for Discussion:**

I32

Ref #	Commenter(s)	Topic	Proposed draft	Issue/Request	Staff recommendation	Staff rationale	Discuss?	PSC decision
I32  Memo I-3	BPS Staff	Affordable housing bonus option	<p>The affordable housing bonus applies to proposals in the CX, EX and RX. An additional 3:1 FAR can be earned if at least 25% of the increased floor area is dedicated to housing affordable to those earning 80% of MFI.</p> <p><b>Reference:</b> Volume 2A: Part 1 Central City Plan District, p. 55-63, 33.510.205.C.2.a Floor area bonus options.</p> <p><b>Note:</b> The Proposed Draft does not reflect changes to the FAR bonus options adopted with the inclusionary housing project in December 2016.</p>	<p>1)The new affordable housing bonus adopted with the inclusionary housing project provides a bonus FAR of 3:1 for each project that triggers the mandatory inclusionary housing provisions on a site.</p> <p>2)Staff identified issues with this and discussed it with the PSC on 3/14/17.</p> <p>3)PSC requested that staff explore other options for calculating the affordable housing bonus.</p>	<p><b>Proposed Amendment:</b></p> <p><b>Amend 33.510.205.C.2.a:</b> Modify the affordable housing bonus to earn FAR based on the floor area of a project, not the site. One square foot is earned for each net building square foot up to 3:1 maximum for the site.</p> <p><b>See Memo I 3 for more detail.</b></p>	<p>Projects required to meet the affordable housing requirements earn bonus FAR. Staff proposes to amend the current bonus provision to calculate bonus floor area based on a project’s net floor area instead of total site area: for every square foot built, one square foot of floor area will be earned. There will not be a restriction on how the bonus FAR may be used.</p> <p>The existing 3:1 FAR limit on floor area increases on a site would remain unchanged. This amendment will prevent the accumulation of disproportionately high amounts of floor area that could not be used on a site and that, if transferred, could flood the market and discourage the use of the historic FAR transfer.</p> <p>The affordable housing fund or “fee-in-lieu” bonus option remains unchanged from the Proposed Draft.</p> <p><b>See Memo I 3 for more detail</b></p>	<input checked="" type="checkbox"/>	<input type="checkbox"/> Support staff rec. <input type="checkbox"/> Other