# City Council – Action Request Form

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<th>Date:</th>
<th>November 10, 2020</th>
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<td>To:</td>
<td>Mayor, Mayor Pro Tempore, and Members of the City Council</td>
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| From: | Damon Dequenne, Assistant City Manager  
        Aaron King, Director of Planning and Development Services |

## Council Action Requested:

Request for Public Hearing on an ordinance modifying the Unified Development Ordinances (UDO) affordable housing bonus density provision at its October 2020 public hearing. (UDO-CC7).

## Strategic Focus Area:
Livable Neighborhoods

## Strategic Objective:
No

## Strategic Plan Action Item:
No

## Key Work Item:
No

## Summary of Information:

The Planning Board recommend approval of a text amendment modifying the Unified Development Ordinances’ (UDO) affordable housing bonus density provision at its October 2020 public hearing. The Planning Board directed staff to prepare this amendment (UDO-CC7) as a means of promoting additional affordable housing in the community.

Specifically, UDO-CC7 modifies the existing UDO affordable housing bonus density provision to reflect current federal and state guidelines. Planning staff collaborated with Community Development staff on this revised UDO language. UDO-CC7 also proposes reduced parking requirements for multifamily development that is located within ¼ mile of Legacy 2030 Growth Corridors or Activity Centers, and within ¼ mile of a transit stop. The proposed parking reduction would reduce the infrastructure cost of multifamily development while also promoting greater access to transit for such housing, thereby increasing affordability for residents.

## Committee Action:

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Remarks:
UDO-CC7

AN ORDINANCE AMENDING CHAPTER 4 AND CHAPTER 6 OF THE UNIFIED DEVELOPMENT ORDINANCES (UDO) TO REVISE BONUS DENSITY FOR AFFORDABLE HOUSING PROVISIONS AND TO REVISE ALTERNATIVE PARKING AND PARKING INCENTIVES

Be it ordained by the __________________________________, that the Unified Development Ordinances are amended as follows:

Section 1. Chapter 4, Subsection 4.1.6 of the UDO is amended as follows:

4.1.6 BONUS DENSITY FOR AFFORDABLE HOUSING

A. DENSITY INCREASE PERMITTED

1. An increase in the density otherwise permitted in the zoning district may be permitted for developments which provide on-site or off-site housing opportunities for low- or moderate-income households.

A contract shall be approved by the County Attorney or City Attorney, and the Forsyth County Department of Housing (FCDH) Forsyth County Community and Economic Development (FCCED) or the Winston-Salem Community Development Department (CD) as a condition of special use district zoning, preliminary subdivision approval, or other site plan review guaranteeing that the reserved units will be purchased by or rented to qualifying households, and shall be binding for a period of not less than fifteen (15) years from the date on which the unit is first occupied.

2. The reserved lots or rental units shall be indicated on the site plan submitted.

B. APPLICABILITY

1. DUPLEX OR MULTIFAMILY UNITS

A twenty-five percent (25%) density bonus for duplex or multifamily units may be approved if:

a. A minimum of forty percent (40%) of the total units are to be rented to families earning less than sixty percent (60%) of Forsyth County median income, adjusted for family size, as determined by the United States Department of Housing and Urban Development (HUD). (Hereinafter, median income);

b. A minimum of twenty percent (20%) of the total units are to be rented to families earning less than fifty percent (50%) of median income.

2. SINGLE FAMILY DETACHED UNITS

A twenty-five percent (25%) density bonus for single family residential development may be approved if twenty-five percent (25%) of all total units, or a minimum two units, are to be sold to families earning less than eighty percent (80%) of median income.

NOTE: Items to be removed are indicated with a strikethrough; items to be added are shown as highlighted. Items with a single underscore are applicable to Forsyth County only, and italicized items are applicable to Winston-Salem only.

UDO-CC7 Ordinance 1 October 2020
3. DONATION OF LAND
   a. A twenty-five percent (25%) density bonus for single family residential development may be approved if land with suitable soils or access to public water and sewer is donated to Forsyth County or the City of Winston-Salem Housing Authority for the purpose of the development of affordable housing within the same census tract or adjoining tracts.
   b. The donated land shall contain at a minimum the land area needed to develop the total number of the bonus units, in accordance with the zoning requirements of the district in which the donated land is located.

C. CONTRACT FOR SALE OF SINGLE FAMILY RESIDENCES

Approval of the special use district zoning, preliminary subdivision, or other site plan review shall not occur until there is a contract between the property owner and Forsyth County or the City of Winston-Salem, which shall also be binding on future owners of the reserved lots. The contract shall be administered by FCDH FCCED or CD, and shall include the following provisions:

1. APPROVAL OF SALES AND RESALES
   All sales and resales of units shall be approved by FCDH FCCED or the HND CD to assure ownership by qualifying buyers in accordance with the following eligibility criteria.
   a. INCOME
      Family income at the time of purchase shall not exceed the limits set forth in Section 4.1.6B, Applicability.
   b. RESIDENCY
      At least one member of a qualifying household must have lived or worked in Forsyth County for the past twelve (12) months.

2. DURATION OF CONTRACT
   The contract shall apply to each of the reserved lots, and shall continue to affect a particular lot for a minimum period of fifteen (15) years after the initial sale of that lot, a time period established by County or City Affordable Housing policies.

3. OCCUPANCY
   There shall be no occupancy of the unit prior to its sale to a qualifying buyer.

4. SCHEDULE
   The contract shall include a schedule by which construction and sale of the reserved units will be accomplished.

5. RESALE PRICE
   a. The resale price of any reserved housing unit shall not, at any time during the life of the contract, exceed the maximum amount affordable to the purchasing low or moderate income household as defined by the AMI percentage outlined in section 4.1.6B, Applicability.
b. The maximum sale or resale price shall be determined by FCDH or HND, FCCED or CD (depending on jurisdiction), calculated by using HUD modeling for housing affordability current appraisal.

c. HUD modeling takes into consideration assumptions such as interest rates, percentage of annual income allowed for housing, and amount of down payment.

6. VIOLATION OF CONTRACT

Violation of any of the terms of the contract required by this section may constitute grounds for revocation of the special use district zoning, preliminary subdivision, or other site plan review.

D. CONTRACT FOR RENTAL OF DUPLEX OR MULTIFAMILY UNITS

Approval of the special use district zoning, preliminary subdivision, or other site plan review shall not occur until there is a contract between the property owner or developer and Forsyth County or the City of Winston-Salem, which shall also be binding on future owners of the development. The contract shall be administered by the County, the City, or the Housing Authority Forsyth County or the City of Winston-Salem, and shall include the following provisions:

1. APPROVAL OF RENTALS

All rentals shall be approved by FCDH, HND, or the Housing Authority FCCED or CD to assure occupancy by qualifying households in accordance with the following eligibility criteria:

a. INCOME

   i. Family income at the time of purchase shall not exceed the limits set forth by FCDH or HND, FCCED or CD.

   ii. Families whose income increases above the eligibility requirements may continue to occupy the rental unit, unless otherwise required through terms of the rental agreement between the lessor and lessee.

b. RESIDENCY

   At least one member of a qualifying household must have lived or worked in Forsyth County for the past twelve (12) months.

2. CHANGE IN OCCUPANCY

   Every change in occupancy during the fifteen (15) year term of the contract shall be approved by FCDH or HND, FCCED or CD to assure continued compliance with eligibility criteria.

3. MAXIMUM RENT

   a. The maximum rent allowed shall be computed by multiplying the applicable percentage of median income by the value of median income at the time of the transaction, then multiplying the resulting value by the maximum percentage of income spent for housing, as recommended by the mortgage banking industry, determined using HUD’s annual income guidelines and/or its annual Fair Market Rent information based on local jurisdiction.
b. The value for median income used in calculating maximum allowable rent shall be
adjusted to reflect the maximum family size appropriate for the number of bedrooms,
as determined by FCDH or HND, determined using HUD’s annual income guidelines
and/or its annual Fair Market Rent information based on local jurisdiction.

4. VIOLATION OF CONTRACT
Violation of any of the terms of the contract required by this section may constitute grounds
for revocation of the Special Use District zoning, preliminary subdivision, or other site plan
review.

E. DISCLOSURE OF CONTRACT TERMS TO POTENTIAL HOME-BUYERS

1. EXPLANATION TO PROSPECTIVE BUYER
a. Staff from the FCDH or HND FCCED or CD shall meet with the prospective buyer
prior to the purchase to assure that all terms of the contract are fully understood.
b. Such explanation shall communicate that although building permits for the
improvements to the structure may be obtained if the owner wishes to remodel or
construct an addition or accessory structures, there is no assurance that the investment
will be regained if the unit is sold prior to the expiration of the contract due to the
requirement that it be purchased by a moderate income household.

2. HOME OWNERSHIP COUNSELING
Home ownership counseling shall be made available to first-time
buyers to provide information on such topics as insurance and maintenance. The counseling shall be provided
by FCDH or HND FCCED or CD.

F. RESERVED CONVEYANCE OF PROPERTY TO FORSYTH COUNTY, CITY
OF WINSTON-SALEM OF THE HOUSING AUTHORITY

1. Land donated to Forsyth County or Winston-Salem pursuant to Section 4.1.6B.3,
Donation of Land, to enable a developer to obtain a density bonus shall be donated in trust
for the purpose of the development of affordable housing.

2. An agreement between the developer and Forsyth County or Winston-Salem and the
instruments of conveyance shall insure this trust as determined by the County or City
Attorney.

Section 2. Chapter 6, Subsection 6.1.5 of the UDO is amended as follows:

6.1.5 ALTERNATIVE PARKING AND PARKING INCENTIVES

D. PARKING ALTERNATIVES IN SELECTED ZONING DISTRICTS

3. ALTERNATIVE PARKING COMPLIANCE FOR MULTIFAMILY
DEVELOPMENT NEAR TRANSIT

NOTE: Items to be removed are indicated with a strikethrough; items to be added are shown as highlighted. Items with
a single underscore are applicable to Forsyth County only, and italicized items are applicable to Winston-Salem only.
Alternative compliance with parking regulations may be allowed for the uses Residential Building, Duplex; Residential Building, Townhouse; Residential Building, Twin Home; and Residential Building, Multifamily, where such uses are:

a. located on sites within ¼ mile of a current Winston-Salem Transit Authority (WSTA) route, and

b. located on sites which are within one-quarter (1/4) mile of a designated Legacy Growth Corridor, and/or within one-quarter (1/4) mile of an activity center as identified in Legacy or associated area plans.

If the conditions of both a. and b. above are met, parking requirements may be reduced to one (1) parking space per dwelling unit regardless of unit size or bedroom count.

Section 3. This Ordinance shall be effective upon adoption.
REQUEST

This text amendment is proposed by Planning and Development Services staff to modify Section 4.1.6 of the Unified Development Ordinances, pertaining to Bonus Density for Affordable Housing, and Section 6.1.5, pertaining to Alternative Parking Compliance for Multifamily Development Near Transit.

BACKGROUND

As part of its 2020-2021 work program, the City-County Planning Board requested that staff review the existing Unified Development Ordinances (UDO) provision for Bonus Density for Affordable Housing (section 4.1.6) and make recommendations for any necessary modifications. The Bonus Density for Affordable Housing provision has been included in the UDO since its inception in 1994, yet has never been used. In 2015, staff prepared a report with information on the Density Bonus provision, and voluntary inclusionary zoning programs in general (attached), although this report did not modify the provision itself. The Winston-Salem/Forsyth County Housing Study and Needs Assessment (HSNA) prepared by Enterprise Community Partners for the City’s Community Development Department in 2018 also recommended reevaluation of this ordinance to determine whether changes to the provision could increase affordable housing production in our area (Objective 1, Recommended Strategy #3, p. 26).

Bonus density for affordable housing provisions provide a process by which developers gain the opportunity to build additional units above the base density in a zoning district, if a certain portion of the units in the project are set aside for affordable housing. These types of provisions can be found around the state and country, although use of such provisions varies widely. Within North Carolina, density bonuses can be found in some form in several communities, including Asheville, Chapel Hill and Charlotte, although such provisions have not frequently been used. In other parts of the country, specifically in dense, high-cost locations in California, the Northeast, and some southern cities including Atlanta, density bonuses are more widely used. It should be noted that many of these locations also have some form of inclusionary zoning regulations which impact the utilization of Density Bonus provisions, since provision of a certain number of affordable units would already be mandated via inclusionary zoning.

Currently, the Bonus Density for Affordable Housing provision for Winston-Salem/Forsyth County allows for the following:

- A 25% density bonus for duplex or multifamily units if 40% of the units are available to residents making less than 60% Area Median Income (AMI), or if 20% of the units are available to residents making less than 50% AMI.
• A 25% density bonus for single family residential development if 25% of the units are sold/rented to residents making less than 80% AMI.

For example, a developer proposing a 20-unit duplex project and utilizing the density bonus would be granted an additional 5 units (25% increase) if 10 units (based on the new total number of 25 units) are available for individuals making less than 60% AMI.

Currently, the affordability provisions are required to remain for a minimum of 15 years, and are administered through either the City of Winston-Salem Community Development Department (CD) or the Forsyth County Housing and Economic Development department (FCHED). As noted in the 2015 evaluation of this provision, Winston-Salem/Forsyth County continues to be in line with our peer communities in both our bonus percentage and the parameters of affordability required to trigger the bonus density.

**ANALYSIS**

While reevaluating this provision, staff identified several developers who have worked locally with affordable housing, and invited them to review and comment on the provision. Specifically, staff asked whether the Bonus Density provision was an incentive to building affordable housing in our community as it is currently written, or if modifications to the ordinance might make it more attractive to encourage greater inclusion of affordable units. Across the board, developers stated that in general, Bonus Density provisions in any form were not attractive in our local market for three main reasons:

• our overall population density is not high enough to make efficient use of density bonuses;
• in general, our zoning districts already allow enough density to meet demand, and;
• land here is not expensive or scarce enough to drive density bonus use.

All of the developers interviewed thought that Density Bonus provisions were a good incentive to provide affordable units, just not in the Winston-Salem/Forsyth County area at this time. Other comments about the existing Density Bonus provision included some concern about the 15 year time period of affordability, and the fact that donation of developable land by the developer was a deal killer, since any desirable land would be utilized by the developer.

Staff also asked the developers what other incentives might make the inclusion of affordable units in their projects more attractive. For example, other communities provide parking incentives and/or setback variance incentives for affordable units. The developers stated that setback variances would not be much of an incentive in the local market, but that parking incentives, such as a reduction of the number of spaces per affordable unit, might be attractive in some situations. Additional information on potential parking changes is discussed below.

Developers also indicated that the most attractive local incentives to affordable housing were changes to stormwater regulations, waived or reduced impact or system development fees, and direct municipal funding for projects. These incentives are outside the purview of this report, and outside the scope and enforcement of the UDO itself - however, if affordable housing incentives are a priority for Winston-Salem and Forsyth County, it may be beneficial for City and County
management to investigate how to modify these regulations to boost the development of affordable units.

Because enforcement of the Bonus Density for Affordable Housing provision is provided by FCHED and CD, Planning and Development staff also invited these departments to review the UDO language to ensure that it complied with current policies. Several updates were suggested so that the provision would comply with revised Department of Housing and Urban Development (HUD) guidelines as well as departmental compliance changes. Staff also proposes modifying Bonus Density language so that it more directly correlates to other City/County affordable housing programs, specifically the Affordable Workforce Housing Assisted with City Funds policy, which gives developers access to municipal funding in exchange for reserving a portion of their units as affordable housing. Consistency across departments regarding Affordable Housing regulation and enforcement will make it easier for staff to manage these programs and will also make the use of these programs more developer-friendly. The proposed Ordinance language will allow for any future modifications to housing programs administered by FCHED and CD to correlate to the UDO Bonus Density provision without necessitating future Ordinance revisions. Additional modifications to UDO language were included to clarify calculations of affordable units.

Finally, staff also reached out to the Housing Authority of Winston-Salem (HAWS) as they are the largest developer of affordable housing in the area. HAWS reviewed the provision, and made some suggestions for modifying the regulatory language similar to what CD had recommended.

In addition to the above revisions, staff is proposing removing the donation of land provision from this section. As mentioned above, developers stated this would never be an aspect of the provision that would be utilized, and retaining it only adds confusion to the UDO. It is likely that this part of the provision was included as an early attempt at land banking, which is a way for municipalities to aggregate land to hold in trust until it is possible for the land to be developed as affordable housing. Current methods of land banking are done differently, however, and any future local attempt at land banking would adhere to those new methods.

As stated previously, many communities across the country allow for parking reductions for affordable units as an incentive for affordable housing. The majority of communities researched across the country required only one (1) parking space per affordable unit regardless of unit size. Several communities also allowed for further reductions based on location, such as transit adjacent areas or other densely populated areas close to transportation or job centers. Durham, for example, allows for projects that comply with their Density Bonus program to have a minimum of zero parking units per affordable unit if they are located in the Compact Neighborhood Tier, an area analogous to our GMA 2.

Parking for affordable housing does have other factors, however. For example, projects that use funding from the Federal Low Income Housing Tax Credit program must comply with the regulations of that program, which include their own parking mandates. As such, a reduction in parking minimums for affordable units may be an incentive to some projects, but other external standards may reduce the effectiveness of such an incentive.
A 2019 report from Planning staff on Affordable Housing Opportunity Sites indicated that the most desirable location for affordable units is along transit lines, to help reduce the Housing and Transportation Index (H&T), a value that assesses overall affordability costs. In addition, UDO-283, an amendment which allowed for multifamily housing projects in additional zoning districts along identified Growth Corridors, also took the availability of transit into consideration when determining those updates. Based on these factors, staff believes that reducing total parking requirements for multifamily projects in more densely populated areas of the city and county would help reduce the total cost of the projects, allowing for both greater housing availability and increased affordability.

Staff is proposing alternative parking compliance provisions for multifamily development that is within one-quarter (1/4) mile of an identified Legacy Growth Corridor or Activity Center and within one-quarter (1/4) mile of an existing transit line regardless of unit size or affordability. Not specifically tying parking reductions to affordable units for projects that receive incentives will allow such developments to remain in compliance with the UDO even after the required affordability period ends, while still accomplishing the goal of encouraging more affordable units based on reduced construction costs. Such a provision would also lower the H&T Index for residents because of the requirement for proximity to transit.

Despite our history of relatively stable housing prices, Winston-Salem and Forsyth County have not been immune to increased housing demand and rising prices that are a nationwide trend in 2020. Ensuring that the UDO includes provisions which promote housing affordability and incentivize developers to increase the supply of affordable units will be imperative in the coming year.

**RECOMMENDATION: APPROVAL**
Tiffany White presented the staff report.

After Tiffany’s presentation, George stated that the City needs to look harder at other ideas that have been mentioned (having to do with covenants on land and/or giving or subsidizing land) and stated that he hopes changes will include mixed-wage housing as well as affordable housing.

Aaron stated that UDO-CC6 is just a small piece of the work being done in the way of affordable housing and that Community Development is doing the majority of the work on this issue, where many ideas and discussions are occurring at the City Council level.

**PUBLIC HEARING**

FOR: None

AGAINST: None

**WORK SESSION**

MOTION: Clarence Lambe recommended approval of the ordinance amendment.
SECOND: Jack Steelman
VOTE:
  FOR: George Bryan, Melynda Dunigan, Jason Grubbs, Tommy Hicks, Clarence Lambe, Chris Leak, Mo McRae, Brenda Smith, Jack Steelman
  AGAINST: None
  EXCUSED: None

____________________________
Aaron King
Director of Planning and Development Services
As part of its 2020-2021 work program, the City-County Planning Board requested that staff review the existing Unified Development Ordinances (UDO) provision for Bonus Density for Affordable Housing (section 4.1.6) and make recommendations for any necessary modifications. The Bonus Density for Affordable Housing provision has been included in the UDO since its inception in 1994, yet has never been used. In 2015, staff prepared a report with information on the Density Bonus provision, and voluntary inclusionary zoning programs in general (attached), although this report did not modify the provision itself. The Winston-Salem/Forsyth County Housing Study and Needs Assessment (HSNA) prepared by Enterprise Community Partners for the City’s Community Development Department in 2018 also recommended reevaluation of this ordinance to determine whether changes to the provision could increase affordable housing production in our area (Objective 1, Recommended Strategy #3, p. 26). The following memo contains research and recommendations for a proposed ordinance amendment (UDO-CC7).

Background

Bonus density for affordable housing provisions provide a process by which developers gain the opportunity to build additional units above the base density in a zoning district, if a certain portion of the units in the project are set aside for affordable housing. These types of provisions can be found around the state and country, although use of such provisions varies widely. Within North Carolina, density bonuses can be found in some form in several communities, including Asheville, Chapel Hill and Charlotte, although such provisions have not frequently been used. In other parts of the country, specifically in dense, high-cost locations in California, the Northeast, and some southern cities including Atlanta, density bonuses are more widely used. It should be noted that many of these locations also have some form of inclusionary zoning regulations which impact the utilization of Density Bonus provisions, since provision of a certain number of affordable units would already be mandated via inclusionary zoning.

Currently, the Bonus Density for Affordable Housing provision for Winston-Salem/Forsyth County allows for the following:

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For example, a developer proposing a 20-unit duplex project and utilizing the density bonus would be granted an additional 5 units (25% increase) if 10 units (based on the new total number of 25 units) are available for individuals making less than 60% AMI.

Currently, the affordability provisions are required to remain for a minimum of 15 years, and are administered through either the City of Winston-Salem Community Development Department (CD) or the Forsyth County Housing and Economic Development department (FCHED). As noted in the 2015 evaluation of this provision, Winston-Salem/Forsyth County continues to be in line with our peer communities in both our bonus percentage and the parameters of affordability required to trigger the bonus density.

Evaluation of Current Provision

While reevaluating this provision, staff identified several developers who have worked locally with affordable housing, and invited them to review and comment on the provision. Specifically, staff asked whether the Bonus Density provision was an incentive to building affordable housing in our community as it is currently written, or if modifications to the ordinance might make it more attractive to encourage greater inclusion of affordable units. Across the board, developers stated that in general, Bonus Density provisions in any form were not attractive in our local market for three main reasons:

- our overall population density is not high enough to make efficient use of density bonuses;
- in general, our zoning districts already allow enough density to meet demand, and;
- land here is not expensive or scarce enough to drive density bonus use.

All of the developers interviewed thought that Density Bonus provisions were a good incentive to provide affordable units, just not in the Winston-Salem/Forsyth County area at this time. Other comments about the existing Density Bonus provision included some concern about the 15 year time period of affordability, and the fact that donation of developable land by the developer was a deal killer, since any desirable land would be utilized by the developer.

Staff also asked the developers what other incentives might make the inclusion of affordable units in their projects more attractive. For example, other communities provide parking incentives and/or setback variance incentives for affordable units. The developers stated that setback variances would not be much of an incentive in the local market, but that parking incentives, such as a reduction of the number of spaces per affordable unit, might be attractive in some situations. Additional information on potential parking changes is discussed below.

Developers also indicated that the most attractive local incentives to affordable housing were changes to stormwater regulations, waived or reduced impact or system development fees, and direct municipal funding for projects. These incentives are outside the purview of this report, and outside the scope and enforcement of the UDO itself - however, if affordable housing incentives are a priority for Winston-Salem and Forsyth County, it may be beneficial for City and County management to investigate how to modify these regulations to boost the development of affordable units.

Because enforcement of the Bonus Density for Affordable Housing provision is provided by FCHED and CD, Planning and Development staff also invited these departments to review the UDO language to ensure that it complied with current policies. Several updates were suggested so that the provision would comply with revised Department of Housing and Urban
Development (HUD) guidelines as well as departmental compliance changes. Staff also proposes modifying Bonus Density language so that it more directly correlates to other City/County affordable housing programs, specifically the Affordable Workforce Housing Assisted with City Funds policy, which gives developers access to municipal funding in exchange for reserving a portion of their units as affordable housing. Consistency across departments regarding Affordable Housing regulation and enforcement will make it easier for staff to manage these programs and will also make the use of these programs more developer-friendly. The proposed Ordinance language will allow for any future modifications to housing programs administered by FCHED and CD to correlate to the UDO Bonus Density provision without necessitating future Ordinance revisions. Additional modifications to UDO language were included to clarify calculations of affordable units.

Finally, staff also reached out to the Housing Authority of Winston-Salem (HAWS) as they are the largest developer of affordable housing in the area. HAWS reviewed the provision, and made some suggestions for modifying the regulatory language similar to what CD had recommended.

In addition to the above revisions, staff is proposing removing the donation of land provision from this section. As mentioned above, developers stated this would never be an aspect of the provision that would be utilized, and retaining it only adds confusion to the UDO. It is likely that this part of the provision was included as an early attempt at land banking, which is a way for municipalities to aggregate land to hold in trust until it is possible for the land to be developed as affordable housing. Current methods of land banking are done differently, however, and any future local attempt at land banking would adhere to those new methods.

Parking Reductions for Affordable Housing

As stated previously, many communities across the country allow for parking reductions for affordable units as an incentive for affordable housing. The majority of communities researched across the country required only one (1) parking space per affordable unit regardless of unit size. Several communities also allowed for further reductions based on location, such as transit adjacent areas or other densely populated areas close to transportation or job centers. Durham, for example, allows for projects that comply with their Density Bonus program to have a minimum of zero parking units per affordable unit if they are located in the Compact Neighborhood Tier, an area analogous to our GMA 2.

Parking for affordable housing does have other factors, however. For example, projects that use funding from the Federal Low Income Housing Tax Credit program must comply with the regulations of that program, which include their own parking mandates. As such, a reduction in parking minimums for affordable units may be an incentive to some projects, but other external standards may reduce the effectiveness of such an incentive.

A 2019 report from Planning staff on Affordable Housing Opportunity Sites indicated that the most desirable location for affordable units is along transit lines, to help reduce the Housing and Transportation Index (H&T), a value that assesses overall affordability costs. In addition, UDO-283, an amendment which allowed for multifamily housing projects in additional zoning districts along identified Growth Corridors, also took the availability of transit into consideration when determining those updates. Based on these factors, staff believes that reducing total parking requirements for multifamily projects in more densely populated areas
of the city and county would help reduce the total cost of the projects, allowing for both greater housing availability and increased affordability.

Staff is proposing alternative parking compliance provisions for multifamily development that is within one-quarter (1/4) mile of an identified Legacy Growth Corridor or Activity Center and within one-quarter (1/4) mile of an existing transit line regardless of unit size or affordability. Not specifically tying parking reductions to affordable units for projects that receive incentives will allow such developments to remain in compliance with the UDO even after the required affordability period ends, while still accomplishing the goal of encouraging more affordable units based on reduced construction costs. Such a provision would also lower the H&T Index for residents because of the requirement for proximity to transit.

Conclusion

Despite our history of relatively stable housing prices, Winston-Salem and Forsyth County have not been immune to increased housing demand and rising prices that are a nationwide trend in 2020. Ensuring that the UDO includes provisions which promote housing affordability and incentivize developers to increase the supply of affordable units will be imperative in the coming year. The changes proposed by UDO-CC7 will help in accomplishing these goals.
As part of its 2014-2015 work program, City Council requested that Planning staff review and prepare a report on potential revisions of Section 3-9 of the Unified Development Ordinances (UDO), Bonus Density for Affordable Housing, which is based on a concept known as voluntary inclusionary zoning. Its purpose is to incentivize the creation of affordable housing for low- and moderate-income households in locations favored by the market. This provision offers housing developers greater density in return for preserving a percentage of housing units for lower-income households. Since its adoption with the UDO, this provision has never been used.

Affordable Housing and Location
Economics and urban policy research demonstrates the importance of economically integrated housing opportunities. A study published this year ranked Forsyth County as among the worst in the country in helping poor children move up the income ladder. A child growing up in a poor family in Forsyth County is expected to earn $6,200, or 24 percent, less per year as an adult than a child growing up poor in an average county. A companion study found that children who moved at an early age to lower-poverty areas earned approximately 31 percent more than those who remained in high-poverty neighborhoods. And, while adults moving to lower-poverty areas did not see the same income gains, they greatly improved their mental and physical health. In fact, where you live can even affect how long you live, as life expectancy is shown to vary by 16 years or more between ZIP codes in the same city. These studies do not conclude what makes living in high-poverty areas so detrimental, but it is likely a combination of lower performing schools, fewer job opportunities, less access to primary care doctors, lower availability of fresh foods, the presence of lead and other environmental toxins, and the stress of living in high-crime areas.

Many of Forsyth County’s apartments are affordable. Using standard guidelines, the median rent for a two-bedroom apartment in Forsyth County, which is $693/month, is affordable to a family of four making 60% of the area median income (AMI), or $33,660. Forsyth County also has a great deal of affordable single-family houses for sale, although tougher lending standards enacted since the recent recession have put these houses out of reach for many buyers. Nevertheless, these numbers say little about affordable housing located outside of high-poverty neighborhoods since they are averages for the entire county.

A search of Forsyth County apartment complexes using various websites and speaking with property managers showed numerous available apartments at affordable price points. However, many of Forsyth County’s newest multifamily developments are priced well above average (Table 1). Many of these developments appear to be aimed at student renters, medical school residents, young professionals, and a demographic looking for a luxury experience with amenities like fitness centers, tennis courts, structured

1 With no more than 30 percent of gross household income being spent on rent and utilities, a family of four making 60 percent of Area Median Income (AMI) in Forsyth County ($56,100, according to HUD) can afford to spend $841/month on a two-bedroom apartment. Assuming $100/month for utilities and insurance, this leaves $741/month for rent.
parking, and saltwater pools; however, it is possible that the creation of a new wave of high end luxury apartments will make slightly older apartments more affordable as the relative place of these units in the market changes. However, it may also be a signal of a structural price change that housing will be proportionally more expensive to renters in the future (Figure 1).

Table 1. Forsyth County Market-Rate Multifamily Developments, 2-Bedroom Units, 2008-Present

<table>
<thead>
<tr>
<th>Development Name</th>
<th>Street</th>
<th>Starting Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Edge</td>
<td>West First St</td>
<td>$1,700</td>
</tr>
<tr>
<td>Link Apartments Brookstown</td>
<td>Peters Creek Pkwy</td>
<td>$1,445</td>
</tr>
<tr>
<td>Gallery Lofts</td>
<td>East Sixth St</td>
<td>$1,335</td>
</tr>
<tr>
<td>Plant 64</td>
<td>Research Pkwy</td>
<td>$1,280</td>
</tr>
<tr>
<td>Winston Factory Lofts</td>
<td>North Main St</td>
<td>$1,245</td>
</tr>
<tr>
<td>Lofts at Little Creek</td>
<td>Hanes Mall Blvd</td>
<td>$1,125</td>
</tr>
<tr>
<td>Robinhood Court Apartments</td>
<td>Robinhood Rd</td>
<td>$980</td>
</tr>
<tr>
<td>The Pointe at Robinhood Village</td>
<td>Robinhood Rd</td>
<td>$899</td>
</tr>
<tr>
<td>Burke Ridge Crossing</td>
<td>Burke Mill Rd</td>
<td>$896</td>
</tr>
<tr>
<td>Hilltop House Downtown</td>
<td>South Cherry St</td>
<td>$850</td>
</tr>
<tr>
<td>Stafford Place</td>
<td>Peters Creek Pkwy</td>
<td>$835</td>
</tr>
<tr>
<td>Wallburg Landing</td>
<td>Thomasville Rd</td>
<td>$815</td>
</tr>
<tr>
<td>The Pointe at Peters Creek</td>
<td>Peters Creek Pkwy</td>
<td>$789</td>
</tr>
</tbody>
</table>

Figure 1. Rent Prices versus Median Renter Income in 2012 Dollars, 1986 -2012
Source: Joint Center for Housing Studies of Harvard University

Voluntary Inclusionary Zoning Provisions in NC
Inclusionary zoning provisions can be attractive tools to municipalities looking to increase the number of affordable housing units in their communities. There is little cost associated with their implementation and the results have great upside potential. When they work, such provisions are a win-win for developers as well as proponents of low-cost housing. However, if developers do not find them attractive, they will not be implemented.

Asheville, Charlotte, and Durham all have voluntary inclusionary zoning provisions, but none have produced affordable housing units to date. Durham’s provision was adopted more than fifteen years ago and their City-County Planning Department is currently working on a revision that proposes to increase the density bonus twofold in areas that are within walking distance of stations on the proposed Durham-Orange County light rail line. Asheville originally adopted its provision in 2010 and updated it in December 2014 to allow bonus density for affordable housing in commercial zoning districts. Charlotte adopted its affordable housing provision in 2013.
Voluntary inclusionary zoning provisions typically have five main components:

- Percentage of units set aside as affordable;
- The percentage or number of bonus housing units allowed to the developer;
- The targeted income level of households in affordable units (usually a percentage of Area Median Income);
- Whether the provision is geographically restricted to certain areas of the municipality, and
- Whether lot and/or setback reductions are given as part of the developer’s incentive.

Winston-Salem/Forsyth County’s existing voluntary inclusionary zoning provision, adopted in 1994, offers a 25 percent bonus density for duplex or multifamily units if 40 percent of the units are rented to families earning less than 60 percent AMI or if 20 percent of the units are rented to families earning less than 50 percent AMI. For single family detached units, a 25 percent bonus density is offered if 25 percent of all units are sold to families earning less than 80 percent AMI. The Winston-Salem/Forsyth County provision has some features that make it more flexible than other cities’, including trading of bonus density for donation of land to Forsyth County or the Housing Authority of Winston-Salem.

### Table 2. Selected North Carolina Affordable Housing Provisions

<table>
<thead>
<tr>
<th></th>
<th>Asheville</th>
<th>Charlotte</th>
<th>Durham</th>
<th>Winston-Salem</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Single-/Multifamily</strong></td>
<td>SF</td>
<td>MF</td>
<td>SF</td>
<td>MF</td>
</tr>
<tr>
<td><strong>Set Aside</strong></td>
<td>20% min.</td>
<td>Up to 25%</td>
<td>Up to 20%</td>
<td>15% min.</td>
</tr>
<tr>
<td><strong>Density Bonus</strong></td>
<td>20-100%</td>
<td>+3 DU/acre</td>
<td>+2-5 DU/acre</td>
<td>15-20%</td>
</tr>
<tr>
<td><strong>Targeted Income</strong></td>
<td>50-120% AMI</td>
<td>80% AMI</td>
<td>50-60% AMI</td>
<td>80% AMI</td>
</tr>
<tr>
<td><strong>Geographic Restricted</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Lot/Setback Reduction</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

### Mandatory Programs in NC

Some municipalities in North Carolina have attempted to avoid the hurdles of voluntary inclusionary zoning provisions by making affordable housing production a mandatory component of new residential development. The towns of Chapel Hill, Davidson, and Manteo, known for their higher than average housing costs, all require a percentage of owner-occupied housing units to be priced as affordable. These provisions push the limits of the law as there is no enabling legislation for this type of provision in the NC General Statutes and rent controls are expressly prohibited. Davidson’s provision is currently facing a legal challenge.

### Obstacles to Voluntary Inclusionary Zoning and Bonus Density

The chief reason voluntary inclusionary zoning has not been used in Winston-Salem/Forsyth County is one of building codes and construction materials. Increased density actually increases the cost of construction. In the case of multifamily housing, the required zoning is often easy to get and developers can already get all the density they desire from conventional stick-built construction. If bonus density were taken advantage of, developers would be required to build taller than 4-5 stories in many cases and use steel and concrete construction, making the cost per housing unit more expensive. The relatively low rents and housing prices in Winston-Salem/Forsyth County (compared nationally, and especially when compared to places where voluntary inclusionary zoning has been successful), prevent developers from
recouping any losses incurred by reserving affordable units.

Voluntary inclusionary zoning provisions that offer bonus density essentially create a discount on land. And, with land being one of the less expensive components of multifamily housing here, such an affordable housing provision is not attractive to developers. Other factors that make voluntary inclusionary zoning unattractive for multifamily development include:

- Structured parking is usually needed to accommodate cars in infill areas;
- Inclusionary units are more likely to be built in the same building as market-rate units, which makes it more difficult to build inclusionary units at a lower cost; and
- Developers often take on more risk with high-rise developments because they cannot be built incrementally in response to market demand, unlike “horizontal” developments in lower-density settings.

In the case of single-family housing development, the preponderance of fairly dense RS-9 and RS-7 zoning (which allow 9,000 and 7,000 square foot minimum lot sizes, respectively) would make bonus density redundant for most developments. Other factors that make taking advantage of bonus density for single-family and for-sale units unattractive include:

- Given tightened lending standards by banks, it can be difficult to find lower-income buyers who can qualify for a mortgage;
- HOA (home owner association) fees can rise higher than what inclusionary unit residents can afford;
- Adding designated affordable units to a subdivision can lower the valuation of market-rate housing units, making developers wary of the provision; and
- There is a preference for larger yards and lot sizes by many buyers that would make denser single-family subdivisions less marketable.

**Other Inclusionary Zoning Incentives**

Besides bonus density provisions, there are other development incentives that could make affordable housing production more attractive to for-profit developers. Relaxing lot coverage and/or public space requirements is one way to actually increase housing density without creating the requirement for builders to switch to higher-cost construction methods. Relaxed parking requirements for affordable units, especially where parking structures are needed, would also lower development costs and make higher density more affordable to build. The national median parking structure construction cost in 2014 was $18,038 per space (Source: Carl Walker, Inc.). Direct financial incentives or other financial assistance could also prove attractive, although property tax abatement specifically is not legal in North Carolina. The City or County could also provide public land at discounted cost with the condition of providing affordable housing.

**Improving Winston-Salem/Forsyth County’s Inclusionary Zoning Provision**

Affordable housing and economic integration are important goals, especially in Winston-Salem and Forsyth County, where income mobility for poor people is nearly the lowest in the country. While fixing underlying neighborhood problems is preferable to moving people from one neighborhood to another, the inclusionary zoning provision is a low-risk way for Winston-Salem and Forsyth County to make affordable housing production more attractive to developers.

There are a number of possible tweaks that could improve the existing ordinance, such as the incentives described above, especially:

- Relaxed lot coverage requirements;
- Relaxed parking requirements for development containing affordable units; and
- Financial incentives or assistance for affordable units.
Winston-Salem/Forsyth County may also want to investigate making the inclusionary zoning provision geographically restricted. Given the research on negative outcomes, especially for children, for those living in high-poverty neighborhoods, it is not in the public’s interest to give bonus density for housing units in such areas. Restrictions of bonus density to low-poverty areas should be considered. Additionally, it may also be beneficial to give a larger bonus density in areas within walking distance of a grocery store, within a high-performing school district, and/or near an employment center.
Sources


