



# City of Columbia

701 East Broadway, Columbia, Missouri 65201

Department Source: Community Development - CDBG/Home

To: City Council

From: City Manager & Staff

Council Meeting Date: June 6, 2016

Re: Approving an Ordinance Establishing an Affordable Housing Permit Fee Waiver Program and Affordable Housing Permit Fee Rebate Program.

## Executive Summary

Staff has prepared an ordinance approving an Affordable Housing Permit Fee Waiver Program and Affordable Housing Permit Fee Rebate Program. This ordinance includes two separate programs covering two different and distinctive methods through which the City supports development of affordable housing: (1) subsidizing development costs of new owner occupied housing and (2) subsidizing eligible homebuyers with down payment assistance.

## Discussion

The City utilizes Community Development Block Grant (CDBG), HOME Investment Partnership Program (HOME) funding and local resources to support affordable housing efforts in Columbia. The City of Columbia has historically provided resources directly for development costs associated with affordable housing through local Community Housing Development Organizations (CHDO), the Columbia Housing Authority and other non-profit and for profit developers. The City has also historically provided down payment assistance for low to moderate income homebuyers of new construction or substantially rehabilitated affordable housing, through its Homeownership Assistance Neighborhood Development Program.

Developing quality, energy efficient housing presents significant challenges in adequately covering construction costs, while ensuring affordability for low to moderate income households. City CDBG, HOME and local funds have historically funded the gap between the cost of development and affordability. Development costs have continued to rise in the recent past, while resources available for affordable housing have continued to decrease. From 2012 to 2014, the National Association of Realtors estimates that construction costs rose 15%. Research from the National Association of Home Builders finds the average cost for homebuyers to comply with regulations for new home construction has increased by 30% over the past 5 years. This ordinance will further enhance local non-profit and for-profit organizations' ability to develop high quality, energy efficient housing that is also affordable for low to moderate income buyers.

The City of Columbia has received significant public input in favor of incentivizing the development of affordable housing over the past 10 years. There were 135 attendees at the December 3 and 4<sup>th</sup>, 2015 Affordable Housing Symposium, ranging from lenders, realtors, developers, neighborhood representatives, social service providers, community leaders, business leaders and the general public. Symposium attendees identified "Creating incentives & removing disincentives" for developers as number three of the top five priorities



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identified for taking action. The City's 2008 Affordable Housing Policy Task Force Report also identified "...establishing a process for allowing reimbursement of a portion of the fees when housing complies with established affordable housing construction standards," as a long term-high priority policy recommendation. This ordinance seeks to address the need for additional incentives for the development of affordable housing.

The first program included within the proposed ordinance authorizes a waiver of permit fees for any affordable housing development awarded funds through City affordable housing programs. This program is modeled after Bloomington, Indiana's waiver program and was chosen due to its simplicity. This program would provide a waiver for all owner-occupied new affordable housing development projects allocated funds for development costs. Example projects would include homes under construction in partnership with Show-me Central Habitat for Humanity, Job Point, and Central Missouri Community Action. Projects would not begin until funds are awarded through the City's annual funding processes and authorized by City Council agreement. Historical data demonstrates the City typically funds approximately 2-4 new construction single family residential homes per year.

The second policy included within the ordinance includes a permit fee rebate for new construction single family residential homes that meet City Homeownership Assistance Neighborhood Development Program (HOA ND) requirements. HOA ND projects are approved by Council by agreement as funds become available annually. The policy within the ordinance would allow for up to \$3,500 in additional rebates per HOA ND project that meets HUD affordability requirements and City defined energy efficiency requirements beyond code. The City has identified the following energy efficiency upgrades and associated rebate amounts:

- 1) LED Lighting: The additional cost for a recessed LED lights over conventional lighting are estimated at \$20 per fixture. City staff suggests a maximum of 10 LED lights be subsidized for a maximum of \$200.
- 2) Wall Cellulose Insulation: Code currently allows fiberglass batt insulation; however, blown cellulose provides a superior air seal in exterior walls over batt insulation. City staff proposes a flat \$500 subsidy for homebuyers that use blown-in cellulose insulation in walls.
- 3) R-50 Attic Insulation: Code currently requires R-38 insulation in the attic of a new construction home. City staff proposes a \$500 rebate to homebuyers who invest in additional insulation in the attic to increase the efficiency to R-50.
- 4) Windows: Code currently requires Low-E, dual pane thermal insulated windows. This can be upgraded to a triple pane window with foam filled frames. This will increase cost by about \$120 per window. City staff proposes a maximum of 10 windows be allowed for a maximum subsidy of \$1,200.
- 5) Energy Audit: A two part energy audit (one at insulation stage and one at completion of the home). City staff proposes a \$500 subsidy for an energy audit performed by an



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Energy Auditor approved by the City of Columbia. Both the pre and post inspection must be complete in order to receive the \$500 subsidy.

- 6) On Demand Water Heater: This will increase the cost of a home anywhere from \$400 - \$800 per home. City staff recommends a \$600 subsidy for installation of an on-demand water heater.

Upon identification of an income eligible buyer and completion of a home with successful implementation of additional energy efficiency items, up to \$3,500 will be provided at closing and credited to the buyer. The funds will be provided as a 0% interest loan secured to the property with a promissory note and deed of trust, and will be due in full upon transfer of title. Any funds received upon transfer of title shall be recaptured by the City for future affordable housing efforts.

Both programs under the proposed ordinance will require any participating development to be pre-approved through a City affordable housing program, and each project will require Council approval, consistent with historical operation of City affordable housing programs. Providing incentives only to City funded affordable housing programs will allow for more manageable implementation and predictability of impact.

## Fiscal Impact

Short-Term Impact: Affordable Housing Permit Fee Waiver Program: \$20,000 in reduced permits and fees collected annually.

Affordable Housing Permit Fee Rebate Program: \$28,000 annually funded through CDBG/HOME funding.

Long-Term Impact: Less permit and fee revenue from City funded affordable housing projects.

## Vision & Strategic Plan Impact

### [Vision Impacts:](#)

Primary Impact: Health, Social Services & Affordable Housing, Secondary Impact: Community Facilities & Services, Tertiary Impact: Transportation

### [Strategic Plan Impacts:](#)

Primary Impact: Social Equity, Secondary Impact: Infrastructure, Tertiary Impact: Economy

### [Comprehensive Plan Impacts:](#)

Primary Impact: Not Applicable, Secondary Impact: Not applicable, Tertiary Impact: Not Applicable



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## Legislative History

Date	Action
2/8/2008	City Affordable Housing Policy Task Force Report identifies reimbursement of permit fees for approved affordable housing projects as a long term high priority policy recommendation.
12/5/2015	Results of Affordable Housing Symposium identifies "Creating incentives & removing disincentives" for developers as number three of the top five priorities identified for taking action.

## Suggested Council Action

Recommend Council pass an ordinance approving the implementation of an Affordable Housing Permit Fee Waiver Program and Affordable Housing Permit Fee Rebate program.