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Recommended changes to the Louisville Land Development Code
Fair and Affordable Housing Sub-committee
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This is intended to give a very streamlined overview of the recommendations to changes to the Land Development Code produced by the Fair and Affordable Housing Sub-committee of the citizens' participation process conducted through the Louisville Metro Planning and Design Division. These recommendations were approved by the Planning Commission and are being considered through the committee process of the Louisville Metro Council in the Ad Hoc Land Development Code Committee.

This overview does not cover all the changes and even within the changes being described, not all the elements are discussed. Zoning is a very detailed area and only a reading of the proposed changes will give the full explanation. But this is intended to give an overview so that a dialogue can happen.

Context

Within the four corners of the Land Development Code there are specific tools available for encouraging types of development. The Fair and Affordable Housing Sub-committee recommendations are a series of initiatives providing incentives through density, lot size and flexibility in lot design along a continuum of reward for both risk and for providing balanced opportunities.

Proposed changes: a series of incentives

There are three major initiatives, the Alternative Development Incentive (ADI), the Mixed Residential Development Incentive (MRDI) and the Affordable Housing Density Bonus. Each uses a method of giving points for developing according to listed criteria. Those points translate into density and flexibility of lot design. In every instance there is protection for the surrounding development in the form of compatibility requirements.

<u>Alternative Development Incentives:</u>

The Alternative Development Incentives initiative was first included in the LDC a decade ago. This applies to single family construction and allows the developer some flexibility in lot design and lot size to reach the current density maximum for R-5 or R-4. The term used for housing at desired price points is "Diversity Housing". The ADI provides incentives to build more costly housing in low-income areas and to build less costly housing in high income areas and to not overburden areas that are already being supplied with housing at the ADI price points.

There is a requirement for use of the ADI that at least 10% of all units in an ADI development be Diversity Housing. Of that required 10%, at least 10% of the Diversity Units must be at the lowest price point, or Diversity Housing Level 1.

The Diversity Housing Levels are geared to affordability for those at 80%, 90% and 100% of the current Jefferson County area median income (AMI) as determined by the U.S. Department of Housing and Urban Development. So this is not for those with incomes below 80% of AMI, unless other, outside, programs help a purchaser. The formula for affordability at each income level is included in the recommended change. It is based on the Kentucky Housing Corporation and industry standard that a household can use up to 29% of their monthly income to pay a mortgage.

The initial purchaser must have an income at or below 110% of AMI. There is no enforcement beyond the initial purchaser. To ensure that areas that are currently at the real estate values of the Diversity Housing Levels are not over saturated with what the market would produce without incentives, the ADI strongly encourages use in areas that need incentives for this housing. They are called “Qualified Neighborhoods A and B”. This is done through the point system. Areas not in the Qualified Neighborhoods get no points for choice of area.

Qualified Neighborhood A is where more than 20% of the households are below poverty level. In this case, the ADI seeks to provide incentives to build single family housing at the Level 3 price point- using 100% of median income.

Qualified Neighborhood B is where median household income is at 150% or greater of the AMI. Here the ADI seeks to provide incentives to build single family housing affordable to those at 80%, 90% and 100% of AMI.

There are points assigned for community benefits beyond the required activities and they include the amount of housing at certain price points. However those points decrease if there is an over concentration of Diversity Housing. There are other community benefits that get points as well, such as providing significant green space.

The points translate into how close to maximum density a development is allowed to get. While there is flexibility in lot size to achieve this allowed density, the perimeter housing must be in character with the neighborhoods. Perimeter lots must be at least 75% of the minimum area in the zoning/form district of the adjacent property.

Mixed Residential Development Incentives:

The Mixed Residential Development Incentives (MRDI) intent is to provide incentives to have residential developments that include both single-family and multi-family and to have a sound mixture of price points (both purchase prices and rents) in R-4 and R-5 zoning districts. As will the ADI, incentives of density limits and flexibility of lot design to allow reaching the limits are used.

This is an initiative that affects R-4 and R-5 districts as those zoning districts cover over 62% of all land zoned for residential use. There are protections for adjacent properties so that the character of the neighborhood is preserved.

The MRDI gives points for including multi-family housing in what would otherwise, by zoning requirements, be a uniformly single family development and for addressing affordable price points, both for purchase and for rent.

To use the MRDI section at least 10% of all units must be multi-family and at least 5% of those units must be affordable, indexed to the Low Income Housing Tax Credits maximum rents. Points are given to encourage a sound mix of units, with encouragement to have between 30 to 39.99% of the units be multi-family. Concomitantly, the initiative encourages that the affordable rental units be between 20 to 29.99% of the units. It is possible for the developer to choose a different percent (while meeting minimums) but this will result in fewer points and lower density yields. There are other community benefits listed that allow the developer to accumulate points.

The MRDI permits the maximum density in a MRDI development to be above the standard maximum density for R-4 or R-5 by up to 25%. Since the maximum standard density per acre in R-4 is 4.84, the maximum density if full points were achieved would be 6.05 per acre. For R-5, the standard density is 7.26, so the maximum density if full points were achieved under MRDI would be 9.075 units per acre.

There are requirements to ensure compatibility with adjacent residential development. The perimeter parcels must be single family with lots at at least 75%of the minimum areas in the zoning district. In those areas that have adjacent lots larger than one acre for residential used there shall be a planted buffer.

Additional provisions of the recommendation ensure that both the single-family and the multi-family get built by the issuance of building permits. Annual reporting during building help ensure the balance as well.

Affordable Housing Density Bonus

This section allows a density bonus for developments that provide a certain percentage of affordable units using the indexes referenced throughout the recommendations. This can be used in any zoning district, but only the type of housing currently permitted in that zoning district can be built. This option would not allow multi-family development to occur in single-family zones, as the MRDI would.

This provides an incentive to include affordable housing in all future development but care is taken to make it mixed income by requiring that the sales or rental rates for market units in a development using this incentive must be at least 25% higher than the affordable units. For the purpose of units for sale, the sales price must meet the Diversity Level 1 limit as used in the ADI (a price point developed referring to limits of those at 80% of AMI).

As in the other sections, there is a sliding scale based on the percentage of units that are affordable. The greatest density bonus, 30% above the current density, is for including 30 to 39.99% of affordable units. There is also an open space requirement which is scaled to the bonus density. So if the development was structured to receive a 5% density bonus, the open space requirement is 10%, if the density bonus is the full 30%, then a 25% open space requirement is mandated.

Also as in the other sections, there are provisions ensuring that both market and affordable units get built. Compatibility with the adjacent property is ensured, but allows for all lots to be tied to the density bonus percentages, so a 30% density bonus would allow a lot to be 70% of the current mandated lot size whereas a 5% bonus would require the lots to be 95% of the current mandated lot size.