City Council Work Session

Monday, May 18,2015
4 p.m. City Council Chambers

1. **UDO Remapping**
   Staff in Planning and Development have created a UDO zoning map, known as Z-27-14. This city-initiated rezoning has been reviewed by the Planning Commission, with a recommendation for approval. The Planning Commission recommends alterations to the map. Staff will give a presentation of suggested map alterations submitted by Council members and staff.

   Index of attachments:
   The following attachments are included for information.

   a. **Staff memorandum from Ken Bowers and Travis Crane**
      This memo contains information related to standards and incentives, affordable housing, Glenwood/Brooklyn neighborhood and high intensity uses.

   b. **Technical Assistance Panel report**
      The city worked with the Urban Land Institute in November 2012 to explore the environment of affordable housing in the city of Raleigh.

   c. **Staff memorandum from Larry Jarvis**
      This memo provides some background on the economics of affordable housing and the tools available to address the construction of affordable housing.

   d. **Staff report that catalogues all City Council comments**
      This staff report includes an item for each comment received by staff, along with an individual map of the area of change. Many of the property-specific comments are related to downtown. One map of the downtown area is included, with each comment area identified with a letter. This letter corresponds to a council member comment.

To: Mayor Nancy McFarlane
Members of the City Council

From: Ken Bowers, Planning and Development Director
Travis R. Crane, Planning and Zoning Administrator

Date: 13 May 2015

Re: UDO Work Session/Discussion Topics

Staff was asked to provide information in response to discussion at the May 4th and May 11th work sessions. During discussions, three topics were identified: Affordable Housing; the Glenwood/Brooklyn neighborhood; and High Intensity Uses. This memorandum provides a staff response to these three discussion items. Staff has also provided additional information related to standards based ordinance versus an incentives based ordinance. The topics will be discussed individually.

Drafting a Unified Development Ordinance

The City began the process to draft the UDO in late 2009. During the initial production, staff asked the City Council for confirmation of direction: should the new code be a form based code or a standards based code? A form based code relies more on the form of development and places less emphasis on use, while a standards based code contains development standards that produce desired results. The City Council answered this question in May 2010. The final form of the UDO is somewhat of a hybrid of the two approaches. The UDO contains prescriptive standards in addition to form-centric regulations.

Information Topic 1: Standards versus Incentives

Early in the UDO process, as part of the review of the Diagnostic and Coding Approach report, a key question was posed to the City Council, the public, and the development community. This question was which approach would best meet the City's goals for development: a *standards-based* approach, where key elements contributing to quality development are written into the code as generally-applicable requirements, with approvals occurring through a simplified by-right process; or an *incentives-based* approach, with lower standards required for base entitlements, and higher standards imposed and specified public amenities exacted in return for greater development intensity or other incentives.

Based on Council input, the UDO process settled on the standards-based approach, for the following reasons:

- Standards provide more predictable results than incentives, as under the incentive approach developers have the option of foregoing the incentive and building to the lower standard.
- Raleigh is a rapidly growing community, permitting 5,000 - 6,000 housing units and around 5 million square feet of non-residential floor space every year–too much permitting activity to subject more than a minor share of it to a negotiated process. Standards and by-right approvals are more consistent with a development approval process that needs to respond quickly to a high volume of submittals.
- The UDO moves the City closer to a form-based approach to zoning, eschewing FAR and density controls for a height-based approach to regulating development intensity. Bonus incentives are mathematically more difficult to model under this approach. Further, height bonuses are antithetical to the form-based model–either base heights are lower than the desired form, or bonused heights are greater than the desired form. Either way, a height bonus system moves the community away from the goal of predictable urban form.

In spite of the advantages of the standards-based approach, there are at least two reasons why an incentive might be built into the code in lieu of a clearly stated requirement. First, the City might lack the legal authority to mandate the provision of the public benefit sought. Affordable housing is an example. By making the provision of the benefit voluntary through a bonus program, the legal issue is skirted. Second, the requirement might be deemed too onerous to impose as a general requirement, so the bonus serves to offset the cost of the higher standard. In both cases, there is the practical difficulty of calibrating a bonus that is sufficiently attractive to developers that they voluntarily exercise the bonus option frequently enough to have an impact.

Public Benefits

To design any sort of incentive or bonus based standard, there needs to be clarity regarding the public benefits to be sought. Based on the specific benefit, a decision can be made regarding the most appropriate means for achieving it. In some cases, strengthening a code standard might be surest and simplest method, while in other cases an incentive might be better. There may be some benefits for which it is not feasible to construct an incentive commensurate to the cost imposed on the developer. For example, there is a substantial body of research suggesting that in many markets there is no way to design a voluntary bonus system for affordable housing.

Based on comments from the Council table as well as adopted plans, the following is a short list of benefits that might be targeted through zoning incentives and bonuses:

1. Affordable housing
2. Public open space amenities
3. Design excellence
4. Cultural and historic resource preservation
5. Green building/low-impact development

Costs

Zoning incentives and bonuses are often sold as a cost-free way to achieve some public benefit, in lieu of direct public provision or financing. Yet, incentives are not free, and their costs must be weighed against the more easily understood costs of public spending and debt service. These costs include:

- Bonus zoning that sets a lower entitlement than the City's plans call for may result in a lower overall level of development than desired. The costs include foregone tax base and economic activity. In a downtown or urban setting, where a new development helps spur investment in its surroundings (a process known as "crowding-in"), the impact may be multiplied. Lower intensities may also mean that supply in an area does not rise to meet demand, resulting in higher rents and higher costs to businesses and households.

- Conversely, where bonused zoning results in greater intensity than called for in the City's plans, there may be additional public infrastructure costs associated with the increased intensity, and adverse impacts on community character.
- Bonus zoning or negotiated entitlements may involve a higher level of administrative overhead, requiring greater staffing levels. It may also lengthen the development approval process, driving up development costs. Higher development costs mean that more projects at the margin will become infeasible, reducing supply and potentially resulting in higher market rent levels.

The costs are diffuse and harder to measure than the cost of an affordable housing bond, for example, but they are no less real. Therefore, when considering whether or not to use incentives to achieve a public benefit, the decision should be based less on the idea that the incentives are "free," and more on whether they are the *most effective* tool for achieving the desired end.

Current UDO Standards & Incentives

The public benefits listed above are already addressed in some manner in the UDO. The following paragraphs describe current UDO standards related to each:

Affordable Housing: Affordable housing developments are able to take advantage of a by-right reduction in required parking not available to conventional housing.

Design Excellence: Great design is notoriously hard to code for, as the universe of quality design solutions to any given problem is vast, and over-specifying design tends to result in an excess of uniformity by privileging one solution over others. The UDO assures minimum standards for quality by targeting the main design flaws that diminish visual interest and walkability. Standards are provided for transparancy, allowable blank wall area, ground floor entrance spacing, and the screening and lining of parking garages built in areas mapped for urban frontage (which includes all of downtown). Tall buildings have stepback requirements and tower floor plate maximums, both entirely new regulations for Raleigh. The UDO does not regulate building materials, however.

The UDO contains special Character Protection Overlay districts such as Historic Overlay and Neighborhood Conservation Overlay districts. The NCOD as currently conceived targets primarily single-family neighborhoods. HODs are found in both commercial and residential areas. One future avenue to explore is the creation of NCOD-like "design overlay districts" for areas of unified character, such as the warehouse district. Such districts might specify certain building or architectural elements that are unique to the area.

Cultural & Historic Resource Protection: In the UDO, this is mainly addressed by historic overlay districts (an additional type of HOD was added in the UDO) and individual landmarks. The infill development standards help ensure more compatible construction in older neighborhoods. The UDO remapping proposes lower permitted heights in both local and national register districts.

Green Building/Low-Impact Development: The UDO at present does not directly mandate or incentivize green building and low-impact development techniques. LID is currently being considered and may result in future text changes. Natural resource protection is addressed in the tree conservation ordinance and stormwater code.

Information Topic 2: Affordable Housing

During the last work session, the City Council discussed the possibility of using the zoning map to incentivize affordable housing.

City Council has previously asked this question, most recently in May 2012. City staff presented this topic to the Council, reaching the conclusion that an incentive-based affordable housing was not economically feasible. This conclusion was supported by the Urban Land Institute technical assistance panel that was conducted in November 2012. The TAP was assembled to answer two basic questions:

1. Whether a non-mandatory inclusionary housing program is feasible and would result in meaningful unit production; and
2. If it were feasible, what magnitude of incentives and/or subsidies would be required

The TAP report is attached to this memo. The findings are included on page i of that report.

Tools to Implement Affordable Housing

In terms of producing affordable housing units, the Low Income Tax Credit Program is the most successful. One zoning tool that is used to implement affordable housing is a mandatory inclusionary housing ordinance. This would result in an ordinance adopted by the local government that mandates a certain percentage of housing units in a multi-family development be sold and retained as affordable housing units. The State of North Carolina prohibits such an ordinance.

A second tool used to achieve affordable housing is through zoning incentives. The zoning code would permit a certain amount of development, which could be increased if affordable housing was included in the project. In the local context, this would be in the form of density or height bonuses. The UDO does not include any maximum residential density in the mixed use districts.

This incentive would result in either artificially low zoning intensities that can be increased with the addition of affordable units, or an increase above what the city deems as appropriate intensity. The TAP report notes that this method would be difficult to implement, as the incentive would not bridge the subsidy gap.

The third tool commonly used to produce affordable housing is cash. The government can inject capital into a development project to help bridge the gap to produce the affordable units. Because there is no appreciable difference in construction cost between market rate and affordable housing units, a third party cash subsidy can help to offset the developer’s reduced return.

A more detailed analysis of bridging the funding gap has been prepared by Larry Jarvis, Director of Housing and Neighborhoods. His memo is attached.

Affordable Housing in Austin

A topic of discussion at the May 11th work session was the affordable housing program in Austin, Texas. The city of Austin utilizes several methods to implement affordable housing policies. The city uses three primary tools:

- issuance of general obligation bonds;
- a trust fund; and
- developer incentives

The first two tools generate cash to bridge the funding gap. This cash can be used for city projects or injected into a public/private partnership.

The incentives utilized by Austin take the form of density bonuses, expedited approvals and development fee waivers. A developer can take advantage of any of these incentives if the project includes 10% of affordable units. Austin utilizes a floor-area ratio in the downtown area. This regulatory tool sets a maximum building size (in square feet) based on the size of the parcel. A corresponding building height is attached to each floor-area ratio. The downtown area is divided into different FAR zones, with the largest area having an FAR of 25:1, with no maximum building height limit. For reference, a 25:1 FAR would produce a 1,000,000 square foot building on a property that is 200 feet by 200 feet in size. As a point of comparison, the Wells Fargo tower sits on a lot that is roughly 200 feet by 200 feet. The existing building is approximately 600,000 square feet in size.

The Future of Affordable Housing in Raleigh

No later than July, the Housing and Neighborhoods Department will present to Council an Affordable Housing Plan for the next five years. The plan will establish numerical goals for affordable housing production and lay out implementation strategies for achieving those goals. One of those strategies is a more focused affordable housing location policy that promotes more affordable housing in underserved areas and other priority areas that would include locations near future transit improvements, the greater downtown area and neighborhoods where approved revitalization plans are being implemented. An additional objective of the proposed policy is to prevent further concentrations of minority and low income persons and subsidized housing.

Another strategy will be expanding what is now a very limited tool kit of programmatic offerings in order to strengthen and grow non-profit and for profit partnerships and capacity in the creation or preservation of affordable housing and neighborhood revitalization. Others include assistance in site acquisition (or land banking) in priority areas and the disposition of existing City-owned properties for mixed-income development.

Existing Code Context

Another point of discussion at the May 11th work session related to the amount of open space or plaza area associated with tall buildings. The City Council expressed concern related to the inadequacy of open space standards for tall buildings. The UDO requires that all general and mixed use buildings have at least 10% open space. In the DX district, at least half of the open space must be located directly adjacent to the right-of-way. For buildings with a majority of non-residential use, all of the open space must be located at the right-of-way. Buildings in excess of seven stories in height must add open space area for every story above seven.

The UDO also requires 14-foot sidewalks or greater in urban frontage areas, with street trees and furniture. Amenities such as bicycle parking are required by code.

If the City Council would like to revisit this standard, staff can process a text change to alter the requirement.

Adopting the UDO Zoning Map

The UDO zoning map will be adopted by ordinance. Staff will recommend that the adopting ordinance contain a delayed effective date. This technique was used when the UDO was adopted. This will provide time to the development community in the event that a property owner chooses to submit for development plan approval under the Part 10 code. This delayed implementation will also allow for extra time to process any identified text changes prior to the effective date of the UDO zoning map.

Staff will recommend that the UDO zoning map become effective four months after the approval date.

Information Topic 3: Glenwood/Brooklyn

Staff was asked to provide information related to the Glenwood/Brooklyn neighborhood at the May 4th City Council work session. This memorandum provides background on the zoning district, the impact of new UDO zoning regulations and the proposed zoning for the neighborhood.

Special R-30 District History

This zoning district was created in the mid-1980s and served as the precursor to the Neighborhood Conservation Overlay District. There were two primary areas where Special R-30 was applied: the Glenwood/Brooklyn neighborhood and the Pullen/Ashe neighborhood. This zoning district allows a maximum residential density of 30 units per acre.

The permitted uses in the SpR-30 zoning district are extremely similar to those permitted in the R-10 district. The only difference from a use standpoint is the allowance of fraternities and sororities in the SpR-30 district. The SpR-30 district permits 30 dwelling units per acre, whereas the R-10 district only permits ten units per acre.

This district contains standards related to building form and materials, building height, and parking lot landscaping, Many of the regulations only apply to lots with three or more units where residential density is between 20 and 30 units per acre. The original intent of the district was to provide an extra layer of regulations for multi-family development (three or more units). The regulations were implemented during a time when large single-family structures were being converted to multi-family units.

This neighborhood is comprised on mostly detached structures with single-family uses. There are a few multi-unit structures scattered throughout.

Many of these standards are unique to the SpR-30 district. Staff's approach with the Glenwood/Brooklyn neighborhood was to provide a zoning district that did not create any density non-conformities. Most of the neighborhood received R-10 zoning. Where density exceeds ten units per acre, staff suggested RX zoning.

UDO Remapping

When staff began creation of the proposed rezoning map, the standards contained within the SpR-30 zoning district were examined and compared to the new standards contained within the UDO zoning districts. Staff discussed options for rezoning the Glenwood/Brooklyn area with residents in the neighborhood and proposed two options:

- Residential Mixed Use (RX) zoning with a Neighborhood Conservation Overlay District.
- R-10 zoning combined with RX where built density exceeds 10 units per acre.

Conversations with the residents were lengthy and inconclusive. Staff proposed the latter option of R-10 zoning in the proposed rezoning map. After lengthy discussion and public comment, the Planning Commission recommends a combination of R-10 zoning and RX zoning for the SpR-30 portion of the Glenwood/Brooklyn neighborhood, depending on the density of the parcel. Approximately five parcels in the neighborhood are recommended for RX zoning, as the current built density would exceed R-10.

During initial public comment period, Planning Commission review, and now during City Council review, a number of public comments have been made about the existing and proposed zoning of the Glenwood/Brooklyn neighborhood. There have been numerous comments on both sides of the issue. Residents that favor preservation of SpR-30 or application of an NCOD believe that these regulations help prevent development of townhouses, parcel consolidation, and tear downs. They identify as most important to preserve aspects of design standards for multi-family dwellings when there are 3 or more units on a lot or densities of 20 or more dwelling units per acre, including:

- building materials;
- roof pitch;
- dimension of windows;
- location of building entrance;
- length of building wall relative to building height;
- lot coverage; and
- protective yard for parking areas adjacent to residential

Applicable UDO Standards

The UDO contains many new standards that were not included in the Part 10 zoning code. For instance, there is now a hard height cap in all districts. In the R-10 district, building height may not exceed 40 feet. The regulatory change addresses the first unique regulation for the SpR-30 district.

In the mixed use districts, like RX, multi-family developments are required to provide a 50-foot transition to surrounding residentially-zoned properties. Additionally, the apartment building type contains a maximum blank wall area and minimum amount of transparency.

Information Topic 4: High Intensity Uses

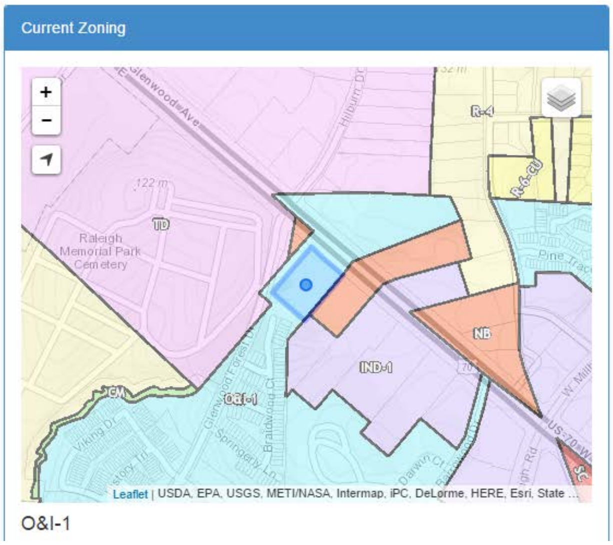
Staff was asked to identify areas of the city where the UDO zoning map would result in the introduction of high intensity uses in close proximity to residential uses. For the purpose of this discussion item, high intensity uses were described as gas stations, bars and 24-hour businesses. The Part 10 code included the Buffer Commercial and Residential Business zoning districts. These districts contain a restriction on gas stations and bars and nightclubs. There is no restriction on 24-hour businesses.

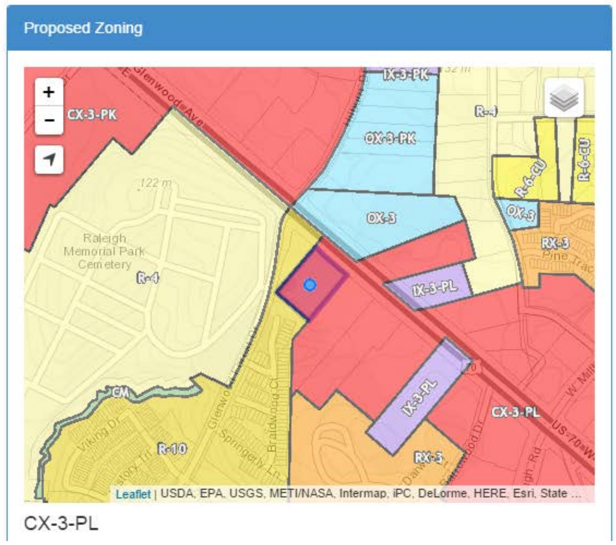
The UDO permits gas stations in the NX, CX, IX and DX zoning districts. Bars and nightclubs are permitted in the CX, IX and DX districts. The UDO does not regulate hours of operation except in the RX and OX districts, where a limited range of commercial uses can be allowed in conjunction with an office or apartment building.

For this analysis, staff identified properties that were previously zoned O&I, Residential Business or Buffer Commercial. There were nine properties in these districts where NX, CX or IX zoning was provided. Each of these nine instances is discussed below. A data table is included for each identified property. This data table lists the address, current Part 10 zoning, Planning Commission recommendation and use as enumerated by Wake County. Staff has included a map for each item that displays the current Part 10 zoning on the left and the proposed UDO zoning on the right.

1.

Address	7209 Glenwood Ave.
Current zoning	O&I-1
Planning Commission recommendation	CX-3-PL
Current use	Funeral Home



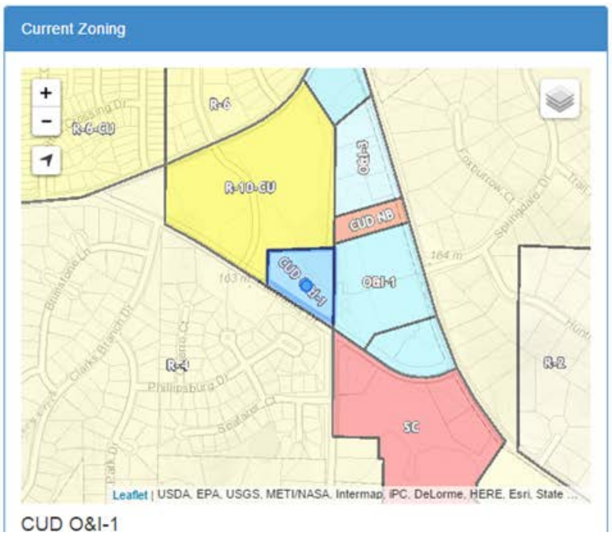


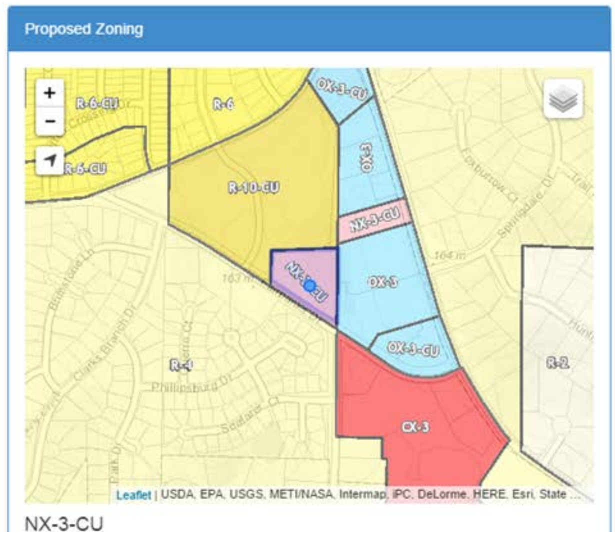
This property is located in northwest Raleigh near the intersection of Glenwood Avenue and Glenwood Forest Drive. The property fronts on Glenwood and contains a funeral home, which is considered a “personal service” use in the UDO. A free standing funeral home is permitted in the NX, CX, IX, DX and CMP districts.

This property is adjacent to townhouses to the south. The CX district is applied to most properties that front Glenwood Avenue in this location. There is other CX zoning that abuts these townhouses; the subject property is not the sole instance of CX near the townhouse development.

2.

Address	9308 Fairbanks Dr.
Current zoning	O&I-1 CUD
Planning Commission recommendation	NX-3-CU
Current use	Home staging; hair salon



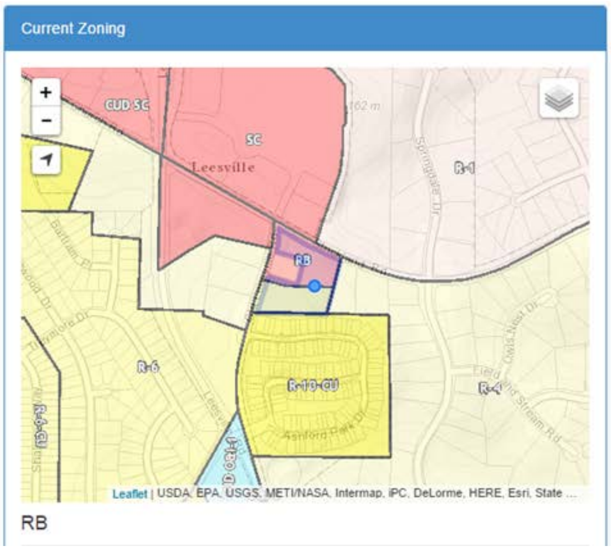


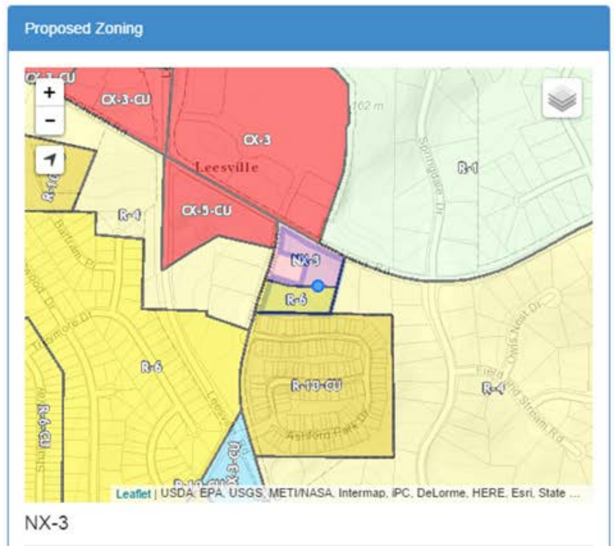
This property is located in northwest Raleigh near the intersection of Leesville Road and Fairbanks Drive. The property contains a home staging business and hair salon. The existing zoning conditions do not restrict the permitted uses. These uses would be considered retail sales and personal service, respectively. Retail sales is a permitted use in the NX, CX, IX and DX districts.

The property is directly adjacent to a townhouse development and across the street from a single family neighborhood. If this property were zoned OX, the existing use would be non-conforming.

3.

Address	9600 & 9608 Old Leesville Rd.
Current zoning	RB
Planning Commission recommendation	NX-3
Current use	Single family home



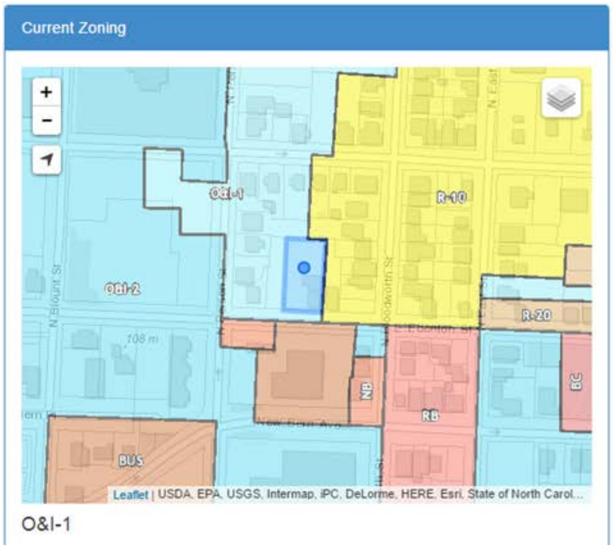


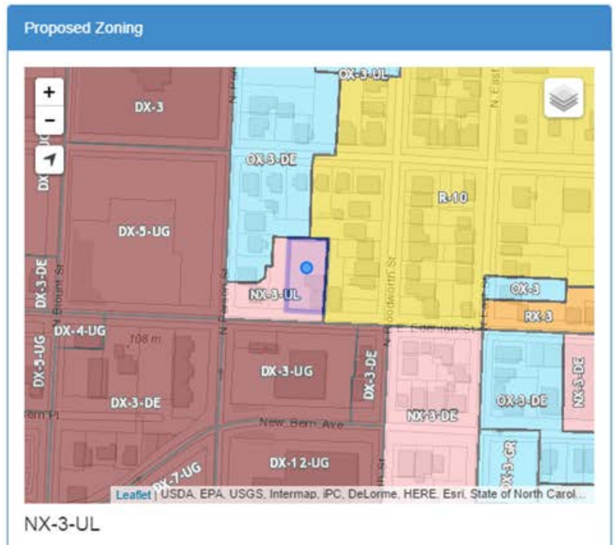
This property is located in northwest Raleigh near the intersection of Strickland Road and Old Leesville Road. The property contains a single family home. A single family home is permitted in most zoning districts. This property was rezoned in 2010. This property is in close proximity to single family residential and a townhouse development.

Rezoning to another district would not create any use based non-conformities; however, doing so may result in a reduction of permitted uses on the property.

4.

Address	307 & 311 E Edenton St.
Current zoning	O&I-1
Planning Commission recommendation	NX-3-UL
Current use	Professional Office



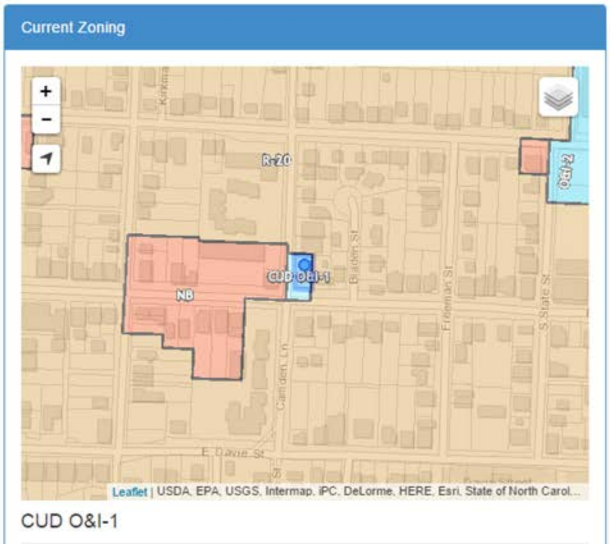


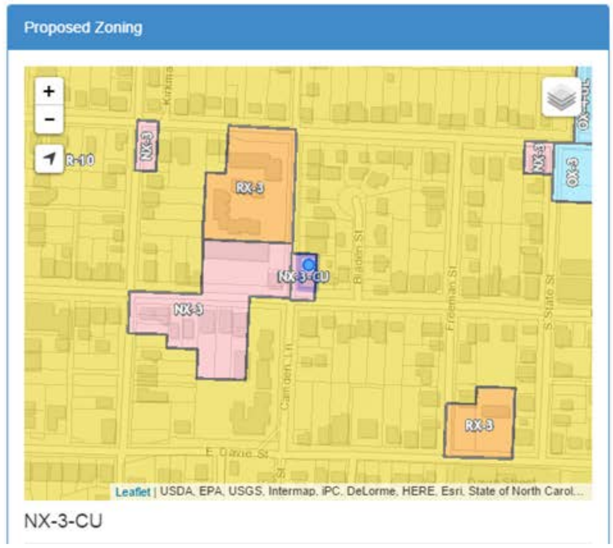
This property is located to the north and east of downtown on the north side of East Edenton Street. The property contains a professional office. An office use would be permitted in the OX, NX, CX, IX and DX districts.

This property is adjacent to single family residential to the east. Rezoning to the OX district would not create any use based non-conformities.

5.

Address	801 E. Martin St.
Current zoning	O&I-1 CUD
Planning Commission recommendation	NX-3-CU
Current use	Vacant building



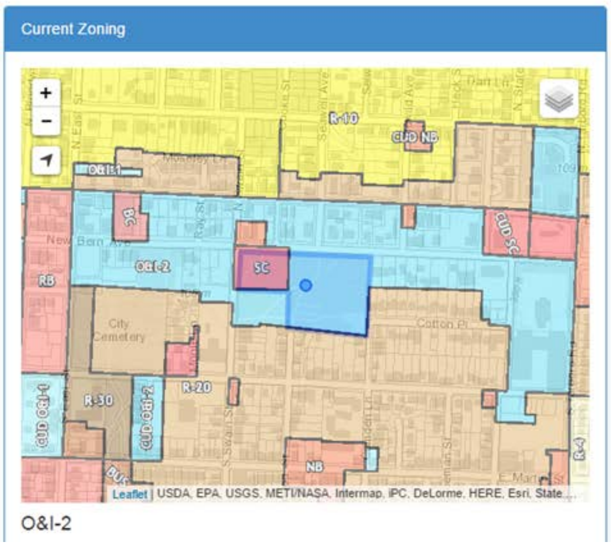


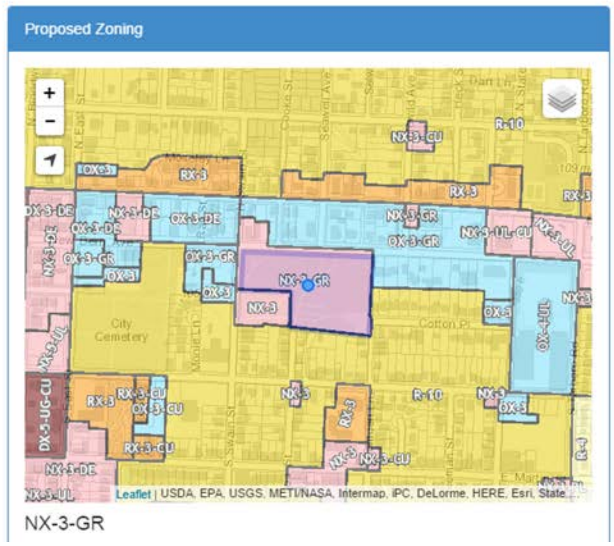
This property is located on the corner of Camden Lane and Martin Street east of downtown. The property contains a vacant building. The property is located directly adjacent to single family residential.

The zoning conditions limit the uses on the property to those permitted in the R-20 district and a dance studio. The conditions do not permit any retail uses or high impact uses.

6.

Address	17 S. Swain St.; 600 New Bern Ave.
Current zoning	SC; O&I-2
Planning Commission recommendation	NX-3-GR
Current use	Vacant



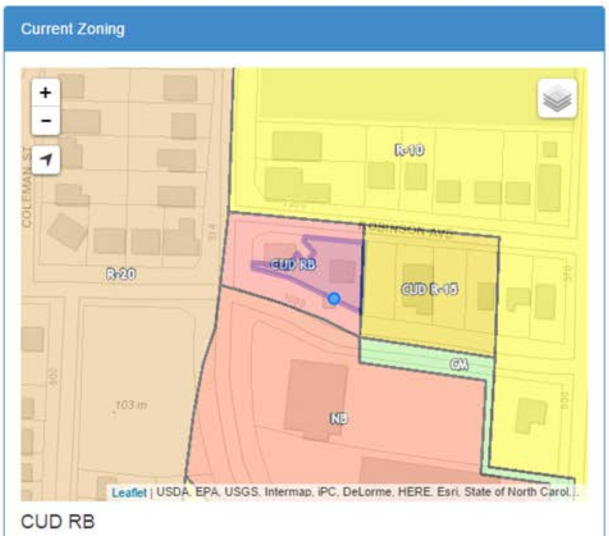


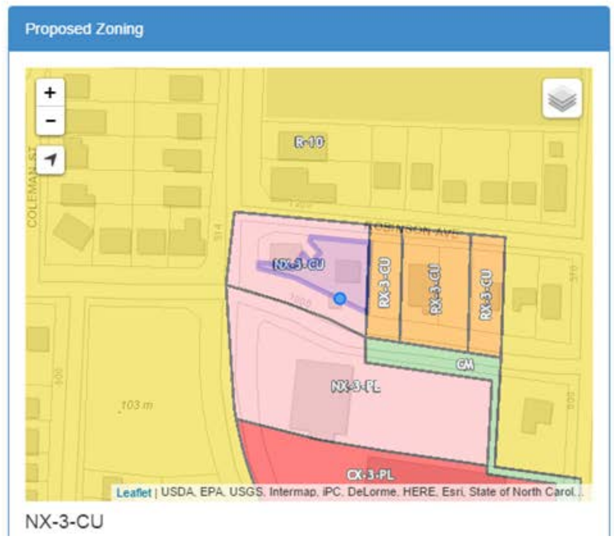
This property is located on the corner of Swain Street and New Bern Avenue east of downtown. The property is currently vacant. The property is located directly adjacent to single family residential.

The Planning Commission recommends that the NX zoning be expanded to the large portion of the property, where OX was originally mapped. Providing an alternative zoning district will not create any use-based non-conformities.

7.

Address	517 Rock Quarry Rd.; 1204 Robinson Ave.
Current zoning	O&I-1 CUD
Planning Commission recommendation	NX-3-CU
Current use	Duplex



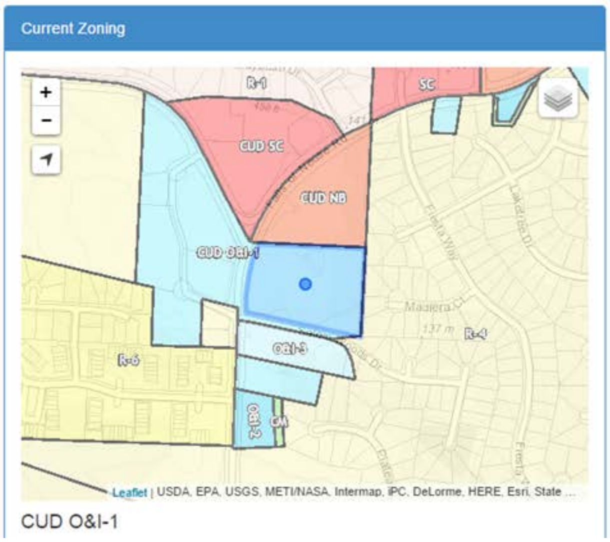


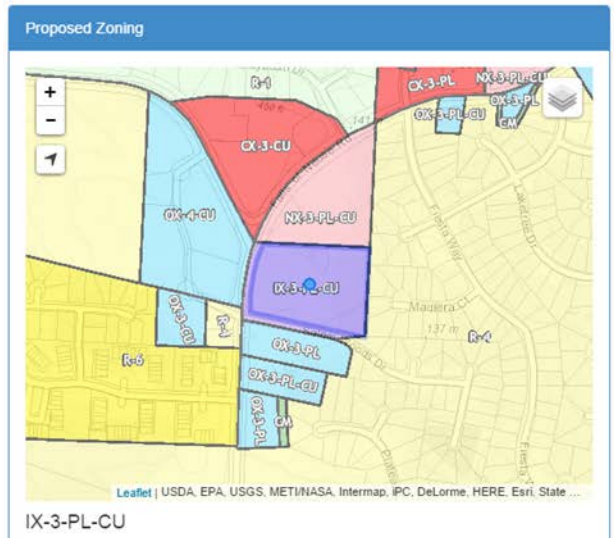
The properties are located on the east side of Rock Quarry Road between Robinson Avenue and East Lenoir Street. Each property contains what appears to be a residential structure. It is unclear how the detached structure is being used. According to Wake County, one of the structures is classified as a commercial use in a residential converted structure, while the other is a duplex. The properties are located across the street from single family residential.

The existing zoning conditions restrict certain uses, such as restaurants or food stores. While the exact end use is not known, applying a lesser zoning district would result in a reduction in retail entitlements.

8.

Address	7800 Falls of Neuse Rd.
Current zoning	O&I-1 CUD
Planning Commission recommendation	IX-3-PL CU
Current use	USPS Service Center



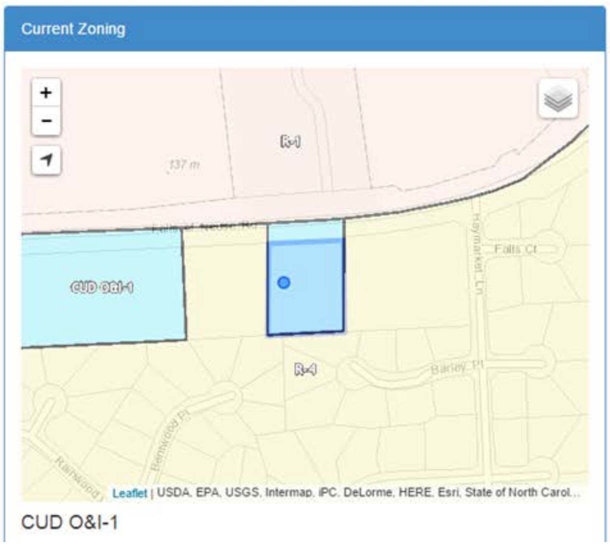


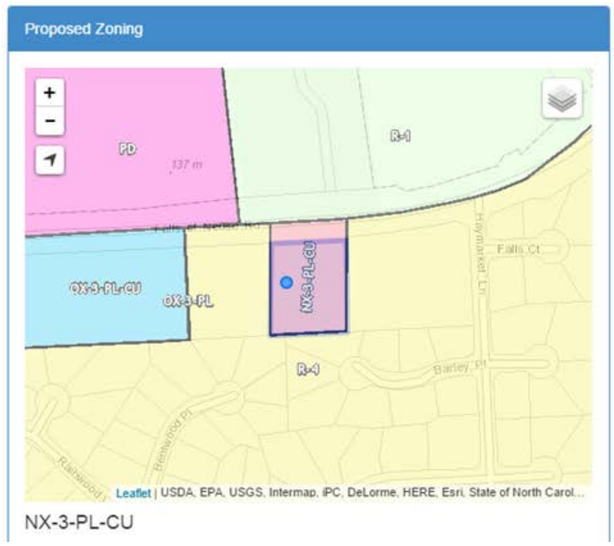
This property is located on the east side of Falls of Neuse near the intersection of Strickland Road. The property contains a United States Postal Service facility.

This use is considered “Warehouse and Distribution” in the UDO. This use category is only allowed in the IX and IH zoning districts. If another zoning district were applied, the use would be made non-conforming.

9.

Address	8604 Falls of Neuse Rd.
Current zoning	O&I-1 CUD
Planning Commission recommendation	NX-3-PL CU
Current use	Martial Arts Academy





This property is located on the south side of Falls of Neuse near the intersection of Haymarket Lane. The property contains a martial arts studio. This was a permitted use in the O&I-1 zoning district. The UDO allows this use in the NX, CX, IX, and DX Districts.

This use is considered "Personal Service" in the UDO. Staff has prepared a text change that would allow certain personal service uses within the OX zoning district; however, this text change has not yet been approved.

Urban Land Institute
Triangle

Technical Assistance Panel Report on the Inclusionary Zoning in the City of Raleigh

Prepared for the City of Raleigh

Triangle District Council of the Urban Land Institute

November 2012

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Executive Summary

In the fall of 2012, the City of Raleigh sponsored a ULI Triangle Technical Assistance Panel (TAP) on Inclusionary Zoning in the City of Raleigh. A panel comprised of experts in affordable housing development, market rate single family and multi-family development, zoning law and governmental affordable housing programs was recruited and organized by the District Council's TAP committee, and the TAP exercise took place on November 28th and 29th, 2012.

The Panel's task was to examine the economic and market considerations of such tools to determine whether (1) a non-mandatory inclusionary housing program is feasible and would result in meaningful unit production; and (2) if it were feasible, what magnitude of incentives and/or subsidies would be required. The panel was provided with a detailed briefing book by the City of Raleigh, and supplemented this information with interviews with affordable housing developers, a County housing program expert, affordable housing managers and an advocacy group.

The panel assessed the tools and incentives used to promote affordable housing developments, and roughly calculated the gap between market and affordable housing returns. The major findings of the panel are as follows:

- Affordable housing is costly to produce. In order to produce such housing, developers will be required to absorb these costs or local governments will need to step up—either by providing direct subsidies to developers or by offering rich incentives that are monetized by the developer to cash equivalents.
- Given that mandatory inclusionary zoning (whereby developers bear the brunt of the subsidy) is not an option, the City needs to find a way bridge the gap, with either a broad range of incentives, direct subsidies, or a combination of both.
- The new UDO cannot be designed to provide sufficiently robust incentives to bridge the subsidy gap. Density bonuses are difficult to take advantage of in mixed use zones because increasing density often means increasing construction costs (i.e. moving from surface to structure parking, from wood to non-combustible construction, etc.).
- Existing housing programs such as tax credits and low cost city loans offer powerful subsidies and the City should aggressively seek full utilization of these programs by both profit motivated and nonprofit developers.
- Mixed income housing developments are socially desirable but difficult to deliver because of:
    - Market resistance.
    - Neighborhood opposition.
    - Aversion to such developments by financing entities.
    - Complexity of long term regulatory requirements and obligations.
    - Lack of interest on the part of public sector financing partners (tax credits in particular).
- The cost of improved land is prohibitive and will continue to present challenges as developers move from building on undeveloped land and work more on properties that require costly redevelopment.

Building off of these findings, the panel recommends the following:

- Developers, who meet a minimum threshold of 10 – 15 percent of affordable housing units, must be provided with a number of tools to offset the cost of building that housing including direct financial subsidies, code options, fee rebates and perhaps a change of time horizon for compliance (i.e. return to market rate)
- Local government will need to bring money to the table to make workforce housing happen in many areas of the City, particularly in Downtown locations and TOD locations.
- The City should use tax increment financing to support the production of affordable housing. Special emphasis should be place on supporting mixed income developments in transit corridors and downtown workforce housing.
- The City should commit to undertake and aggressive land banking program in downtown locations, transit corridors, employment centers and opportunity sites in the City that have low levels of affordable housing.

Introduction

THE TAP PROGRAM

The Technical Assistance Panel (TAP) program is a smaller-scale version of the larger technical assistance programs run by ULI-national, adapted for implementation and administration at the District Council Level. Like the national-level programs, the TAP program focuses on mobilizing impartial and expert advice to solve identified problems. Distinguishing features of TAP include:

- A short time frame: panels typically last no more than one or two days.
- A focus on a discrete, well-defined problem
- Modest costs for the applicant, whether cash or in-kind contribution, making the TAP program particularly accessible for smaller governments and non-profits.

CHARGE TO THE PANEL

City of Raleigh policies call for the creation of mixed-income neighborhoods and more affordable and workforce housing. The primary regulatory tool that communities around the US use to obtain these goals—the mandatory inclusionary zoning ordinance—is not enabled in North Carolina. This leaves zoning incentives and direct subsidies as the remaining mechanisms available to encourage affordable and workforce units in privately-developed, market-rate residential and mixed-use developments. The charge for this TAP is to examine the economic and market considerations of such tools to determine whether (1) a non-mandatory inclusionary housing program is feasible and would result in meaningful unit production; and (2) if it were feasible, what magnitude of incentives and/or subsidies would be required.

At the end of the TAP undertaking, the City should have guidance regarding whether such a program could work in this market, and the general magnitude of the bonuses or incentives that would need to be offered in order to be effective in producing affordable units. The City intends to use the TAP recommendations to (1) decide whether a voluntary inclusionary housing program is worth pursuing, and if so, (2) what program parameters should be used as a starting point.

THE PANEL

To answer these questions, the Triangle District Council TAP Committee sought out panelists with expertise in mixed-use and single family development, affordable housing development, development finance, zoning law, and affordable housing government programs.

The TAP process was overseen by the TAP Committee Co-Chairs Jeff Davis, JDavis Architects and Sal Musarra, Kimley-Horn & Associates.

TAP Chair
Gregg Warren, DHIC

Gregg has served as Executive Director and President of DHIC since 1986. Under his leadership, DHIC has developed 1,600 affordable apartments and another 240 homes for sale to first time homebuyers. DHIC has been honored with numerous awards at all levels of government including five Sir Walter Appearance Awards from the City of Raleigh.

TAP Panelists

Jason Barron, Morningstar Law Group
David Cristeal, County of Arlington, VA
Jeff Furman, Northwood Ravin
Roland Gammon, White Oak Properties
Danny Kadis, Centrex Properties
Kellie Falk-Tillett, Drucker and Falk

City of Raleigh Representatives

Kenneth Bowers, Deputy Planning Director, City of Raleigh
Michele Grant, Community Development Director, City of Raleigh
Shawn McNamara, Community Development Planner, City of Raleigh

Resource Persons

Bill Rowe, NC Justice Center
Cliff Zinner, RD Construction
Robert Dowling, Orange Community Home Trust
David Cristeal, Arlington, VA

ULI Triangle

Julie Paul, Council Executive

THE EXERCISE

The panel convened on the afternoon of November 28 and received a briefing from the project sponsor. Ken Bowers, Deputy Director of Planning for the City of Raleigh, gave an overview of the major findings in the briefing book. Following Ken's presentation, the Resource Persons each presented on different aspects of affordable housing from governmental programs, to management of and pressing need for affordable housing. Panel deliberations continued throughout the day on November 29th, and the preliminary presentation was delivered to City officials that afternoon.

Summary of Findings

The panel's findings have three sources: the briefing book, resource interviews and conversations, and the deliberations where the diverse experience and expertise of the panel members was shared. This chapter summarizes the major findings by source.

FINDINGS FROM THE BRIEFING BOOK

As noted in the briefing book, the panel was not charged with examining mandatory inclusionary zoning models for the City of Raleigh. And while the briefing book observed that conditions could be imposed during a rezoning to include perhaps the provision of affordable housing, the panel would prefer to see that the new zoning maps have ample locations properly zoned for multifamily housing where most affordable housing developments will be located.

The new UDO, with its form-based mixed use districts with no density limits, presents limited opportunities to offer effective incentives to developers. Height bonuses offer little help since most multifamily builders are staying away from costly non-combustible framing that is required at heights above 4 or 5 stories. However, the panel does have recommendations that could be implemented in the residential districts.

The panel chose to focus its recommendations on strategies that the City should undertake to produce more affordable rental housing. Better than two-thirds of cost burdened households with annual incomes of less than $50,000 were renters. In addition, there are many homes in the marketplace that lower income homebuyers can afford—Raleigh is clearly a relatively affordable housing market.

FINDINGS FROM RESOURCE INTERVIEWS

Bill Rowe, NC Justice Center

Mr. Rowe indicated it is important for local government leadership to make affordable housing feasible. The City of Raleigh has a progressive history supporting affordable housing by offering low cost financing to both private for-profit and non-profit developers. Most of the developers that have participated in City housing programs specialize in affordable housing. The City has offered few, if any, land use incentives for market rate builders. HB148 passed by the NC Legislature in 2009 mandates that local governments that pass a local sales tax referendum to support mass transit must promote the production of affordable housing within a half-mile of transit stations. Durham County and Orange County are currently working on developing such plans. The work of this committee will be useful to these jurisdictions. Maintaining housing diversity along transit corridors should be a priority for the City of Raleigh.

Cliff Zinner, RD Construction

Mr. Zinner noted that he has worked in the Triangle area building starter homes for first time homebuyers for many years. He explained that it was not an attractive market segment for many builders given how small the margins were with little room for error. He was generally skeptical that sufficient land use incentives could be identified that would produce results from the larger development community.

Robert Dowling, Orange Community Home Trust

Mr. Dowling noted that Chapel Hill has a history of inclusionary zoning where developers of homes for sale are required to offer 15 percent of the homes built in a development at a price that is affordable to lower income households. In certain cases, developers will receive density and floor area bonuses. There is an option for developers to pay a fee-in-lieu producing an affordable unit. The fee is currently $85,000. Many of the developers in Chapel Hill sell their affordable homes to the non-profit Community Home Trust which identifies qualified lower income buyers and offers a leasehold interest to buyers who in turn secure mortgages for their leasehold interest in the property.

The lower income homebuyer in Chapel Hill must agree to re-sale limits and limits on equity appreciation in order to make sure that the home remains affordable over the long term. Mr. Dowling mentioned that there are very few lenders that will provide mortgage financing on a leasehold interest. Over the past 13 years, there are 200 homes in the Community Home Trust that have been provided through inclusionary zoning. Interestingly, the Chapel Hill ordinance does not cover rental housing developments, which Mr. Dowling believes is a significant shortcoming.

David Cristeal, Arlington, VA

Mr. Cristeal explained that Arlington is a high cost area with average two bedroom apartment rents running at $2,300 per month and average single family homes running at almost $800,000. Given the high costs of ownership and strong demand for affordable apartments, the County provides financing and planning incentives to preserve or produce rental housing. Its zoning ordinance has an affordable housing requirement for any Site Plan project with density that exceeds 1.0 FAR. Depending on the type of project, developers have the option to provide on-site affordable units or contribute funds that help capitalize its trust fund (the Affordable Housing Investment Fund). Because the County has a longstanding commitment to affordable housing and, given that the area is a high barrier-to-entry market, developers go along with the requirements and include the costs of compliance in their pro-formas and financing plans. Under this program, which was voluntary until 2006, Arlington has averaged about 25-30 rental homes and/or $4.5 million in developer contributions per year over the past 15 years.

FINDINGS FROM THE PANEL DELIBERATIONS

The panel was comprised of developers (non-profit and for-profit), an attorney, real estate manager, architect and engineer. The first question that the group tackled was to determine the level of financial compensation that a market rate developer of apartments would require in order to break even if the development were to include some apartments that rented at affordable rates. Knowing this number is the first step in determining the magnitude of the value of land use concessions a developer would require in order to produce affordable housing.

Two developers on the panel provided to the group sources and uses statements and operating pro formas for two apartment communities in the Triangle; one tax credit affordable development and the other, a Class A apartment community in a suburban location.

The market rate apartment developer anticipated charging rents that average $1,200 while the affordable housing developer could charge, at best, $875 (to serve those with incomes of less than 60% AMI) for a comparable apartment. This $325 gap would lead to an approximately $55,000 reduction of debt that the market rate owner could carry. Fifty-five thousand is the number that the panel looked for in the savings that the UDO could deliver.

Another way to look at the issue is as follows. For every $100 that a developer takes out of his monthly rent roll, he needs to offset this loss with about $17,500 of savings or subsidy.

This analysis is over-simplified. Would apartment developers consider undertaking this approach if there was no overall benefit other than making them whole? Many apartment developers seek to sell properties after several years of stabilized occupancy to institutional investors. Would these restrictions drive down the price investors are willing to pay? Finally, long-term use restrictions and oversight by city staff to insure compliance add to the complexity of deals at a time when lenders and investors are looking for simple projects to finance. Clearly, an incentive based, voluntary system will need to deliver benefits to the developer above and beyond what the simple financial analysis suggests.

With this analysis in hand, the panel next turned to the specific goal and the three questions provided in the City's TAP application and Briefing Book:

City of Raleigh Goal: Creation of Mixed-Income Neighborhoods and More Affordable and/or Workforce Housing.

The panel uniformly recognized that this goal is worthy, and yet there are challenges including:

- The integration of market-rate with affordable units can be challenging from a marketing and management standpoint, but can be surmounted if the income mix is thoughtfully balanced. Such developments work best in highly competitive and attractive sub-markets such as downtown.
- Multifamily developments often meet with neighborhood resistance. The addition of affordable housing to the mix will lead to more vigorous opposition.
- More public subsidy is required to build a mixed income rental development under tax credit programs since the loss of equity is greater than the additional debt the project could support.
- State criteria for tax credit developments make it difficult to secure financing.
- In Raleigh, there are very few sites that are easy to develop. Higher site development costs make affordable housing more difficult. Land costs in downtown neighborhoods make for an even greater challenge.
- Neighborhood resistance/Potential market stigma of mixed rentals.

Guiding Principles the of the Panel: Before turning to the specific questions posed in the Briefing Book, the Panel settled on the following Guiding Principles to inform how the Panel would approach the answers and recommendations:

- There are significant differences in downtown (and perhaps TOD sites depending on definitions) vs. suburban sites, including land costs, construction types and costs, and market rent levels.
- There is merit to dispersing affordable rental housing throughout the City with a priority to underserved areas close to employment centers.
- A mix of housing options in Downtown Raleigh is very desirable. Given the price of land, more public subsidy will be necessary to accomplish the mix.

- Affordable housing is a community issue, not solely a new development issue, and it's going to come at a cost.
- The panel does not favor a model where all the costs of inclusionary zoning are borne by successor tenants/owners.

Question 1. What subsidy level is necessary to provide affordability for different unit types?

The Panel believes that any program of incentives and benefits must be thoughtfully created so that it may be sustained by the City over the long term. As noted above, it is relatively simple to determine the minimum level of subsidy needed to make an apartment developer whole from a financial standpoint. For every $100 that rents are reduced in a market rate development, the amount of debt the project can support is reduced by about $17,500 under current financing terms.

Question 2. Is it possible to incentivize affordable units in a purely private housing development through density or height bonuses, and if so, how large would the bonuses need to be given a target set-aside of 5 to 15 percent?

The marginal savings from these bonuses will be well short of the needed subsidy. Under the existing ordinance, even doubling the density will not likely create sufficient financial offsets to subsidize the affordable units. For example, 100 units doubled to 200 will not likely cover the 20 units at 60 percent of AMI. The analysis conducted by the panel liberally considered that the land and site development costs would be reduced by half if density were doubled—an unlikely level of savings in practice. Further, most apartment developers would not to seek to double their density since most markets in Raleigh will not support rents that would be necessary to cover the increased construction costs entailed in building more than 4 stories with non-combustible construction.

Question 3. What other barriers might prevent a developer from taking advantage of a voluntary incentive program, even if the financial analysis indicates the inclusionary development would be as much or more profitable than conventional development?

Mixed-income developments are more complicated to underwrite and difficult to finance. Developers typically follow a proven model, and current financial hardships make them less likely to innovate. Given that Raleigh area is a low barrier-to-entry housing market, there are already a range of housing options and a lack of geographic constraints. Even if developers were provided the appropriate levels of financial incentives most will not choose such an option.

While the panel is doubtful that developers will pursue mixed income options, we believe that there are actions that the City should adopt in order to make it easier for affordable housing developers to undertake their work and, perhaps, encourage the very enlightened and innovative developer to undertake mixed income housing.

Recommendations

The previous section presented the major findings of the TAP panel. This section presents the specific panel recommendations that flow from the findings. It closes with a discussion of next steps for carrying the recommendations forward.

Definitions: Let's make sure we are on the same page: First, we think that the City should clearly define in the UDO what is meant by the term "affordable housing". After looking at existing city definitions and those used by other cities, the panel recommends adoption of the following definition:

1. An affordable rental housing unit has a rent that is affordable to those with incomes at 60% AMI or less, and occupied by same.
2. An affordable rental housing development has a minimum of 10% affordable rental housing units.
3. An affordable rental housing unit has a compliance period of at least 30 years.

The panel noted that the City Community Development Department already monitors developers for program compliance under the Joint Venture for Rental Housing Program. While to panel did not look at definition for homes for purchase by owner occupants, City Community Development staff are capable of developing a parallel definition for such developments.

Recommendation 1: Cash is Needed

Developers will need a number of tools to offset the costs for building affordable housing. While all these tools have varying benefits, there has to be upfront public subsidy in order to make the program successful. This subsidy can be in the form of a City grant or zero-interest forgivable City loan. The panel recognizes that funds are scarce for affordable housing and does not recommend reducing funding of existing programs to take on a new program. Instead, we believe that tax increment financing (TIF) may be the means to support these financial incentives. We understand that "synthetic" TIF financing has been undertaken in Charlotte.

Raleigh should adopt a policy in favor of TIFs for projects that include affordable housing. A back of the envelope calculation shows that the numbers work if 60 percent of the tax increment were set aside for a 30-year payment on a bond. Consistent with the city's comprehensive plan, affordable housing is an example of a public good that merits the use of TIF financing.

Recommendation 2: Code Options

The new UDO now has a provision for reduced parking requirements in affordable housing developments. The panel also believes that a density increase in the R-6 residential zone would be an appropriate incentive for affordable housing developments. For R-6 developments that include a minimum of 10 percent affordable units, townhomes should be permitted at development density of up to 10 units per acre.

Recommendation 3: Fee Rebates

Noting that no single action will produce affordable housing, the panel recommends that qualified affordable housing developments be eligible for a grant that is roughly equivalent to amount of impact fees that developers now pay (approximately $5,000 per dwelling unit). The City could consider offering this rebate across all dwelling units in a qualified affordable housing development.

Recommendation 4: Compliance Period Time Horizon

Generally, most inclusionary or financing programs promoting the production of affordable housing require a compliance period of at least 30 years. The panel noted that subsidies could be lowered if the units were returned to market earlier, i.e. the affordability requirement runs for 10 years then reverts to market rate.

Recommendation 5: Opportunity sites for the future

The City of Raleigh should proactively purchase land in downtown locations and transit corridors if it wants to insure a mix of housing types in these locations in the future. RFP's to dispose of such property should specifically require developments that offer a range of housing prices and rents. Examples of this land banking work can be found in Denver and other cities.

The panel noted that studies going back as far as 1986 have proposed that the City purchase strategic parcels of land for mixed income or affordable housing. Yet this has never been implemented as far as we know. We note, however, that the City did make a strategic purchase of the Salvation Army building adjacent to Moore Square for an end use that is still to be determined. That precedent should be continued in order to deliver more affordable housing located in strategic areas of the City.

NEXT STEPS

The panel recognizes that some of its recommendations go beyond the scope of the Unified Development Ordinance. Like any study the City commissions, some recommendations can be addressed immediately and others will require further study. For those items that will not be acted upon immediately, we think that a champion at City Hall needs to be identified by the administration to take charge of this critical follow-up work with clearly defined timeframes to report back to City Council.

ACKNOWLEDGEMENTS

The panel appreciates the work the City staff did to prepare the briefing book for this project and we recommend that it be made widely available to all interested parties who have an interest in this very important topic.

Appendices

Table 1: Cost of rent reduction to market rate development

Rent Reduction Amount		$100		
Interest rate on perm loan		4.00%		
Amortization term (years)		30		
DCR		1.20		
Reduction in loan amount per $100 monthly rent		$17,455		
		Rent	Difference	Subsidy Needed
Market rent in project		$1200		
Maximum rent for 2 BR Apartment @ 60% AMI		$875	$325	$56,729

Table 2: Overall Public Subsidy

Sources		Per Unit		
TIF		$ 52,000.00		
Fee Rebate	~	$ 5,000.00		
Total:		$ 57,000.00		
200 unit project				
20 affordable units = total upfront required TIF subsidy of $1.04 M				
To close the $57K subsidy per unit (from income analysis)				
$60,000 annual payment of to retire $1.04 M 30-year 4% bond				
Estimated COR project taxes annually = $100K				
Net COR taxes = $40K				

City of Raleigh
North Carolina

Inter-Office Memorandum

DATE: May 13, 2015

TO: Ken Bowers, AICP
Director, Planning and Development

FROM: Larry M. Jarvis, AICP
Director, Housing and Neighborhoods

SUBJECT: Affordable Housing Economics and Density Bonus Discussion

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As we discussed, this memorandum addresses the economics of affordable housing within the context of the density bonus discussion. Policy considerations and possible unintended policy implications are also examined.

Throughout the past few decades, the Low Income Housing Tax Credit program has been the primary mechanism for creating affordable rental housing in the nation. Just recently, City Council approved conditional funding commitments to two proposed family developments and one proposed elderly project competing for tax credit awards from the North Carolina Housing Finance Agency in August. Put simply, what that program does is "close the gap" to make affordable housing economically feasible. The chart below depicts how the gap would be closed for the two proposed family developments.

	Hawthorne Glen	Wakefield Commons	
LIHTC Equity Per Unit	$104,859	$101,734	
"Soft" Funds Per Unit	$26,389	$9,375	**Average**
Total "Gap"	**$131,248**	**$111,109**	**$121,179**

The LIHTC equity shown is the amount per unit that will be paid by the tax credit investors to substantially reduce the amount of conventional debt the project will be required to support. The "soft" funds shown represent loans from the City or County that are not subject to fixed amortization. Combined, they represent the total gap funding which averages $121,179 for the two projects.

While attractively designed, both of these projects represent the least costly form of multi-family development – garden style apartments of stick-built construction utilizing surface parking. On a construction cost continuum, the next "step up" would be stick-built construction incorporating structured parking which would add to the gap another $17,000 to $25,000 per parking space depending on whether underground parking is a part of the design. Pushing beyond the limits of stick-built construction to concrete and steel construction required in taller buildings would add substantially more to construction costs and to the rents required to make a project economically viable.

It is useful to compare the LIHTC gap analysis above to the findings of the ULI panel on inclusionary zoning in November 2012. In looking at the subsidy required to incorporate affordable units in an otherwise market rate development, the panel found that every $100 in rent reduction represented a corresponding $17,500 decrease in debt that a typical project could support.

A project somewhat comparable to the two proposed tax credit projects used here for examples was recently completed on Six Forks Road just south of Strickland Road. This project is of stick-built construction and utilizes surface parking. The least expensive two-bedroom unit is advertised at $1,222 per month. Comparing that to the weighted average rent ($653) for a two-bedroom unit at Hawthorne Glen yields the following.

$1,222-$653=$569/$100=5.69 x $17,500 = $99,575 decrease in ability to support debt

Comparing the Hawthorne weighted rent to the least expensive two bedroom apartment advertised for one of the recently completed projects on Oberlin Road in Cameron Village ($1,891) would be substantially higher as shown below due to the location, structured parking and other factors.

$1,891-$653=$1,238/100=12.28 x $17,500 = $216,650 decrease in ability to support debt

Turning now to the applicability of this analysis to the density bonus discussion, the following scenario is presented.

A developer is considering the purchase of site that is zoned to allow three story buildings. With three stories, 60 units are possible. The City has a voluntary density bonus that would allow him to build a four story building with 80 units (a bonus of 33.3%) if 15% of the units are affordable. Applying that to the average gap in the LIHTC illustration above would yield the following:

12 affordable units x $121,179 = $1,454,148 reduction in ability to support debt

Applying the Six Forks Road comparison would yield the following:

12 affordable units x $99,575 = $1,194,900 reduction in ability to support debt

In the absence of a subsidy or some other means of cost reduction, the developer would most likely choose to just build a three story building with 60 units. The same analysis can be applied regardless of the density or building height being considered. As noted above however, the gap only increases with structured parking and the steel and concrete construction required for taller buildings.

A possible unintended policy consequence associated with this example is the suppression of land value. If the developer had been able to spread land costs over 80 units instead of only 60, a higher land cost could have been supported.

The issue of suppressed value is key to the density bonus discussion and to the larger value capture policy consideration. One can argue that future tax revenue is maximized when the marketplace is allowed to respond to market forces. An extension of that argument is that increased tax revenue from buildings constructed to the maximum height allowed in the downtown area and perhaps elsewhere provides the opportunity to capture some portion of that incremental increase to support the development of affordable housing in those locations where low rise development (and stick-built construction) are most appropriate. Included among those locations are certain areas within the downtown overlay and neighborhoods in close proximity to downtown.

It should be noted that according to the Austin Business Journal article that was circulated, the City's downtown density bonus program has, to date, resulted in fee payments for affordable housing, but not affordable housing in the developments that were subject to the bonuses. Here in Raleigh, substantially more revenue for affordable housing would likely be generated from one of two value capture options that might be considered. As you have previously suggested, one option is the creation of synthetic tax increment financing (TIF) district in the downtown area where some portion of the incremental increased tax revenue is captured for an affordable housing fund. A second option that would capture increased development activity throughout the City would be a property tax increase with the associated revenue directed to an affordable housing fund or used to support future housing bond debt service. In either case, these locally generated revenues could be used to further leverage affordable housing through initiatives that might include the following:

- Assistance in acquiring affordable housing sites near future transit improvements, downtown or other priority areas;
- The development of additional permanent supportive housing for formerly homeless or other persons with disabilities;
- Continued investment in new 9% LIHTC projects and expanded utilization of the 4% LIHTC program; and
- Expanded and strengthened public/private partnerships with non-profit and for profit affordable housing developers.

City Council Workshop – 18 May 2015
Unified Development Ordinance Zoning Map

The City Council has submitted questions to city staff regarding the UDO zoning map. Staff requests review of these changes to the zoning map. This report includes two sections: the first is a list of recommendations raised by city staff. These items were identified after the Planning Commission review of the zoning map.

The second section contains City Council requests to change the zoning map. Each requested change to the map contains an identification of address or area, the current Part 10 zoning district, the Planning Commission recommendation and the zoning suggested. In some cases, staff received multiple comments on the same parcel. Each item contains a matrix, as detailed below:

Area or address

PC recommendation

Council comment

Comment by another Council member

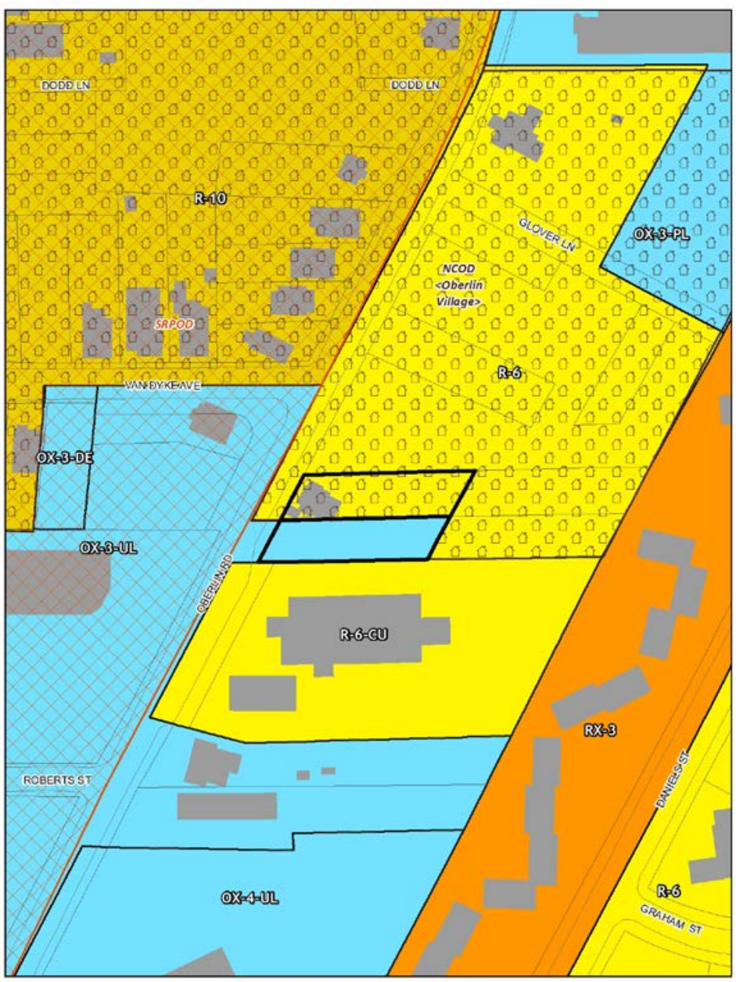
Area	General location; specific address where applicable
Planning Commission recommendation	Zoning district recommended by Planning Commission
City Council comment	Comment received by City Council member
City Council comment	Different comment received by another City Council member

A. Change Requests by Staff

This first section of the report includes two items raised by staff. These items were identified after the Planning Commission concluded their review. Staff has recommended a different zoning than what is shown on the Planning Commission recommendation. A map of the area is included for each request.

1. 812 & 814 Oberlin Road/Plummer T. Hall House

Address	812 Oberlin Rd.	814 Oberlin Rd.
Current zoning	O&I-1	R-6 with NCOD
Planning Commission recommendation	OX	R-6 with NCOD
Suggested zoning	OX	OX; Remove NCOD



These two properties are located on the east side of Oberlin Road. One of the properties contains the Plummer T. Hall House, which is on the National Register of Historic Places. The city owns these two properties and intends on moving the house slightly to the south. To accomplish this move, the two properties must be combined into one lot. If the lots were combined, the resultant lot would exceed the maximum lot size (12,500 square feet) in the Neighborhood Conservation Overlay District.

Staff suggests that the NCOD be removed from the property at 814 Oberlin Road, and that the property be remapped from R-6 to OX.

2. 602 E. Hargett Street & 702 E. Hargett Street

Address	602 E. Hargett St.	702 E. Hargett St.
Current zoning	NB	R-20
Planning Commission recommendation	R-10	NX-3
Suggested zoning	NX-3	R-10

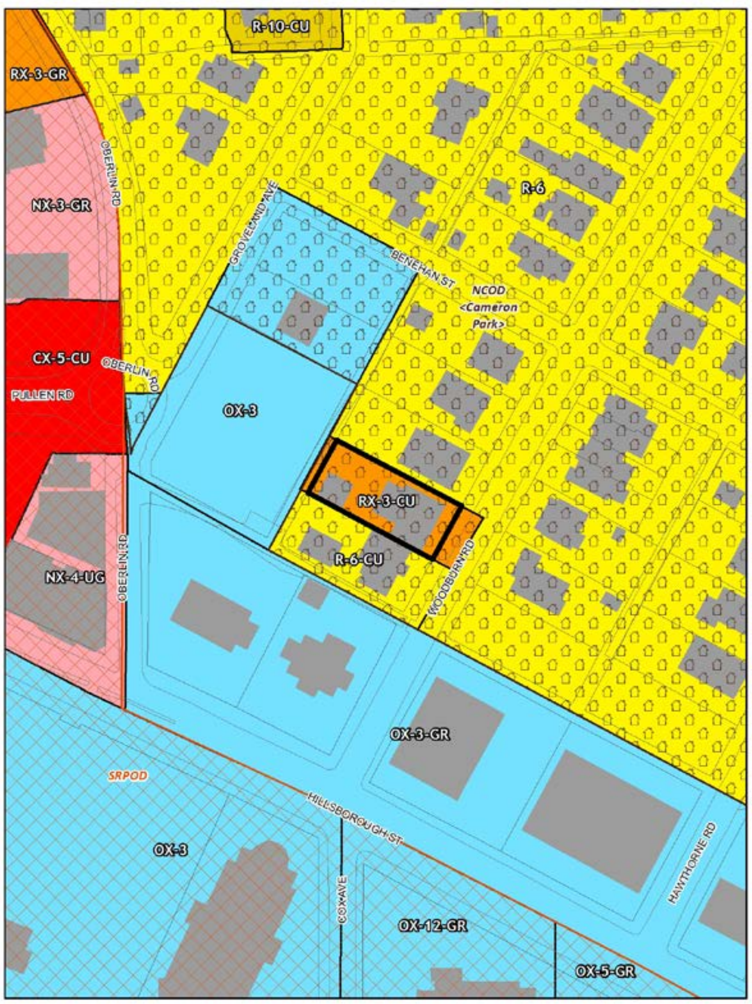
The property at 602 E. Hargett Street contains a retail establishment; the property at 702 E. Hargett Street contains a single family structure. When applying the zoning, staff mistakenly transposed the two zoning districts. Retaining the Planning Commission recommendation would create a new use-based non-conformity and remove existing entitlements.

B. Change Requests by City Council

1. 117 Woodburn

Address	117 Woodburn
Current zoning	R-15 CUD
Planning Commission recommendation	RX-3 CUD
Suggested zoning	R-6 CUD

The property is developed with a single-family detached structure. The property was previously used as a Bed & Breakfast, which is an allowed use in the R-15 district. The property owner has since discontinued the Bed & Breakfast use and has asked for R-6 zoning. The zoning conditions would remain.

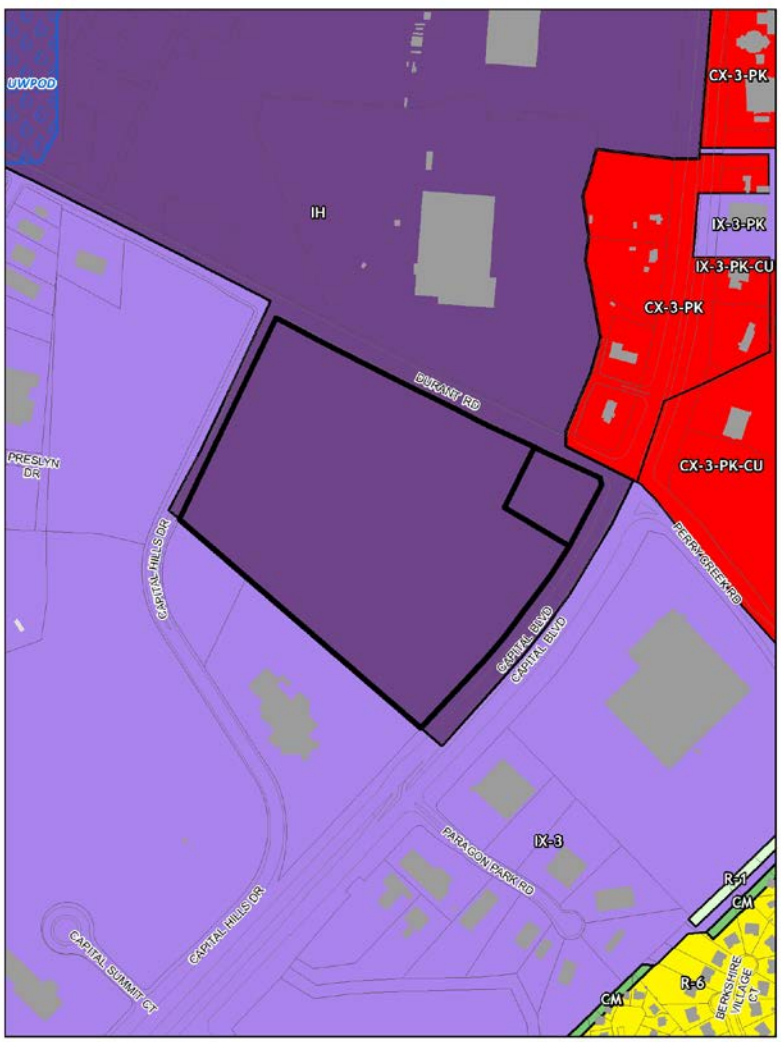


2. 8701 & 8801 Durant Road

Address	8701 Durant Road	8801 Durant Road
Current zoning	IND-1	IND-1
Planning Commission recommendation	IH	IH
Suggested zoning	IX-3	IX-3

These properties are currently vacant and zoned Industrial-1, located at the southwest corner of Durant and Capital. The Planning Commission recommends IH zoning, which would allow a wide range of heavy industrial uses. The IH category does not permit residential, retail or office uses currently.

Remapping these two properties to IX-3 would permit light industrial uses, in addition to retail and office uses. Residential could be developed in a mixed-use context.



3. Downtown Building Height

Staff presented options for building height located in the downtown area at the May 4th work session. City Council members have provided comments to staff related to the maximum building height in downtown. In some instances, multiple council members provided conflicting direction on the same parcels or areas. These comments are summarized in the matrix below. The matrix includes a description of the area, the Planning Commission recommendation and the City Council member comment. Where multiple comments have been received, the matrix describes the comments as “council comment 1” and “council comment 2.” All figures in the table refer to number of stories requested.

Each of the areas are coded with a letter. A map is included with this packet. This map shows the Planning Commission recommendation of building height for downtown. Where an area is outlined and identified with a letter, it corresponds to a council comment.

Two of the Councilors have submitted comments that relate to the building height at the “base” of the building. These comments refer to a four story base at the street edge, with the intention that a building step back would occur at the fourth story.

The UDO contains a regulation for building stepbacks. Buildings in excess of seven stories must have a stepback between the third and seventh story. This allows the designer to pick the range of the stepback.

The suggested fourth story stepback is not consistent with the regulations contained within the UDO and cannot be considered with this zoning map. If the City Council would like to change the stepback regulations, staff can be directed to bring forward a text change.

		I	II	III	IV
Item	**Area**	**PC Recommendation (stories)**	**Council comment (stories)**	**Council comment 2 (stories)**	**Council comment 3 (stories)**
A	1135 N. West St.	3	7 *		
B	West St, N of Peace	3	4		
C	West St, Capital/Peace	5	12	7	
D	Capital & Halifax between Cedar & Peace (Seaboard Area)	7 (S of Seaboard & southern most parcels W of tracks; 5 for the remainder)	7 (Between Seaboard and Peace), & 12 remainder	3 (Between Seaboard and Peace), 12 (adjacent to Capital), remainder 7	
E	Between Jones and Hillsborough between the railroad tracks and Glenwood	4	12 southern portion; 5 or 7 for remainder		
F	Harrington & Dawson between Jones & Edenton	20	12		
G	217 W. Jones St.	12	5		
H	West & Dawson between Edenton & Hillsborough	20	12		
I	Glenwood & Harrington between Morgan & Hillsborough	20	12		
J	Glenwood & Boylan between Morgan & Hillsborough	20	12		
K	Dawson & McDowell between Hargett & Hillsborough	20	12		
L	Person & Bloodworth between Hargett & Martin	12	20 (west side of block)	7	
M	Dawson & McDowell between Davie & Martin	5 (north side); 20 (south side)	12 stories (entire block)	12 stories (west side) 20 stories (east side)	20 stories (entire block)
N	Areas southwest of railroad tracks and east of S. West Street and north of W. Cabarrus Street	7 Stories	5 stories		

*Planning Commission recommended Heavy Industrial (IH) zoning for this property; the IH district is the only district that would avoid creation of a use-based non-conformity. Building height limit of 3 stories is incorporated into the definition of this Special District.

		I	II	III	IV
Item	**Area**	**PC Recommendation (stories)**	**Council comment (stories)**	**Council comment 2 (stories)**	**Council comment 3 (stories)**
O	Area bounded by S. West Street, W. Cabarrus Street, railroad tracks, S. Dawson Street, and W. South Street	7	5		
P	Dawson & McDowell between Davie and Lenoir	20	12 (west side of both blocks)		
Q	Dawson & Lenoir between McDowell & South	20	12		
R	South & MLK between McDowell & Salisbury	20	12		
S	Area bounded by railroad tracks, W. South Street, and S. McDowell Street	20	5		
T	Wilmington & Blount between Davie & Cabarrus	20	12 (E side of block)	12 (entire block)	
U	Wilmington & Blount between Cabarrus & Lenoir	12	7 (NE quadrant and S half of the block)		

City Council UDO Mapping Discussion: Downtown Heights

Raleigh Unified Development Ordinance

Remapping Raleigh