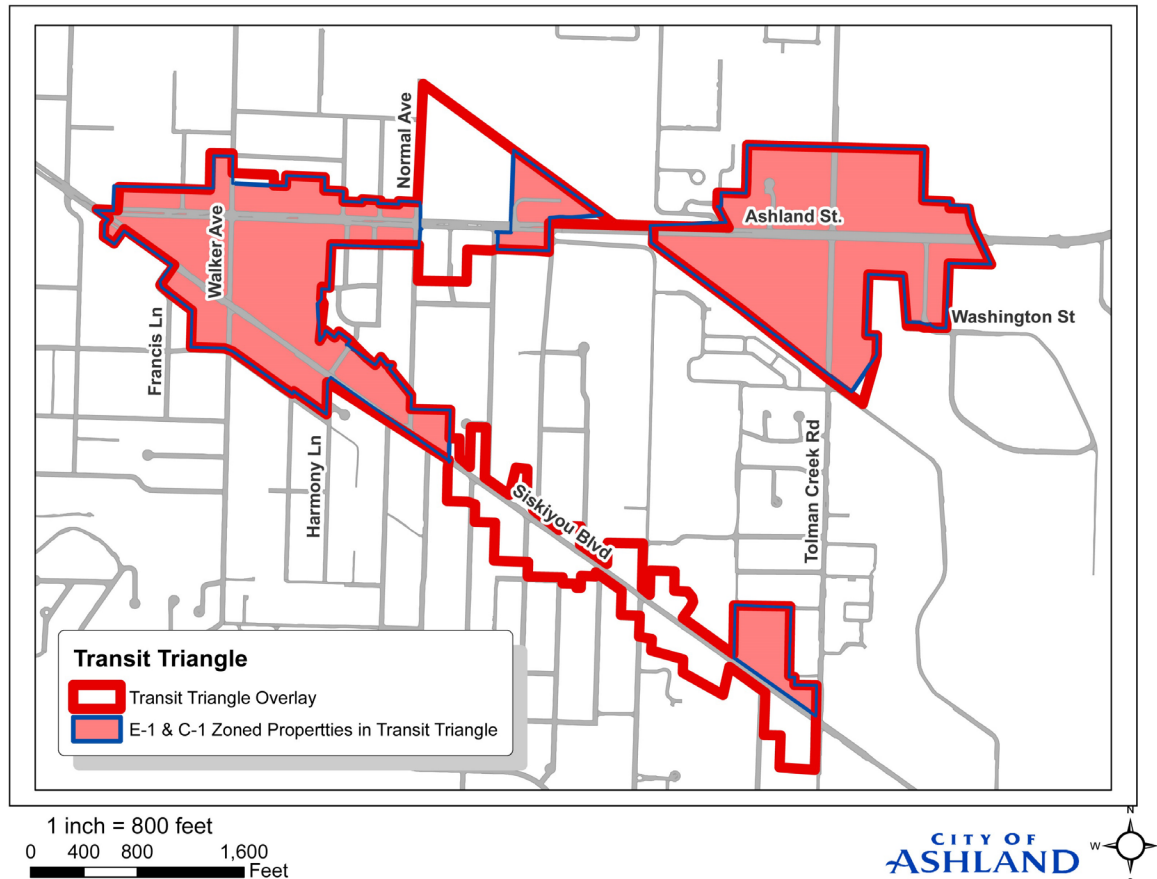


Ashland Transit Triangle

Vertical Housing Development Zone (VHDZ)

Testing Affordable Housing Requirements



Vertical Housing Tax Credits Encourage Housing Above Commercial

Residential
units above

Commercial
space below



How do Vertical Housing Tax Credits Work?

- It is a 10 year partial property tax exemption
- After 10 years, the full value of the project is placed upon the tax rolls
- The exemption applies to the building value only, not the property value
- The exemption applies to all taxing jurisdictions that do not opt out when the zone is established
- The partial property tax exemption varies with the number of residential floors in a project

How can I get these incentives for my building?

20[%]

Of each full floor of residential above non-residential there is a 20% property tax exemption

Up to

80[%]

Buildings With 5 Story or taller

Above the ground floor, the property owner gets a 20 percent property tax break for each floor dedicated to residential use, up to 80 percent.

VHTC Incentives Differ Depending on the number of floors

- VHTC incentives 5 Story or taller buildings to achieve maximum property tax exemption of 80% percent of the building value
- 2 Story building – Typically will not use VHTC because it would only be a 20% property tax exemption
- **3 Story building – 40% property tax exemption**
- **4 Story building – 60% property tax exemption**
- 5 Story building – 80% property tax exemption
- 6+ Story building – 80% property tax exemption

VHTC Eligibility

1. Project must be entirely located within a vertical housing development zone
2. Project must be a multi-story building used for residential and non-residential uses
3. At least 50 percent of the project's ground floor that fronts the primary public street must be committed to non-residential use



Completely Voluntary

This is optional. Developers can choose to:

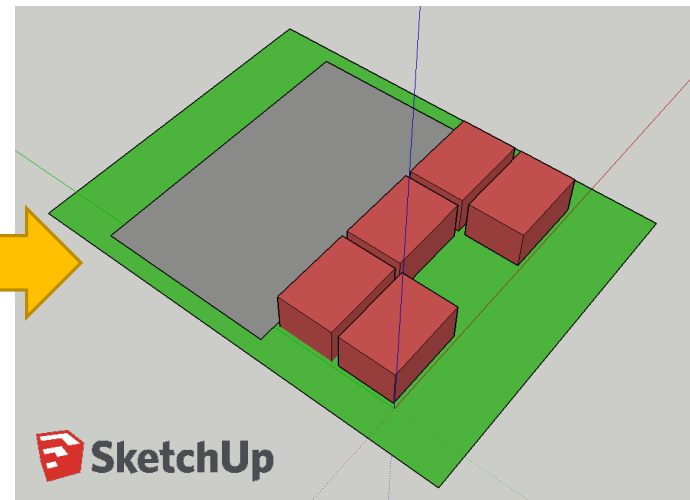
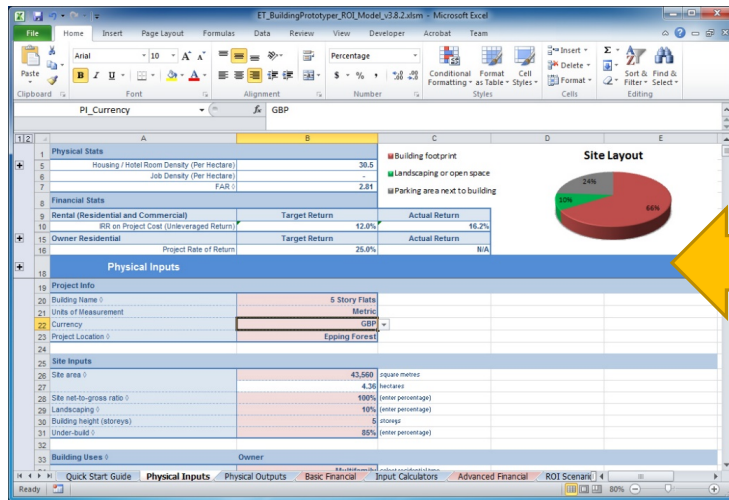
1. Build using existing zoning
2. Build using the TT overlay
3. Take advantage of the vertical housing tax credit program to help make a development project financially feasible



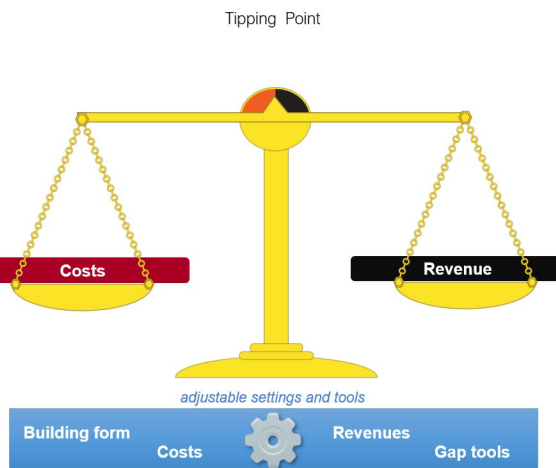
VHTC Benefits

- Encourage new mixed-use development including more housing
- Create long-term community wealth through mixed-use buildings that will be **fully taxed after the partial abatement expires**
- Stimulate more commercial growth in the transit triangle, increasing the value of surrounding properties
- Enhance opportunities for a live/work community
- Support commercial development by increasing the number of residents in the area
- Encourage more walkable neighborhoods by locating goods and services near residents
- More housing near transit helps to reduce Green House Gas Emissions

Tested Physical Parameters (Zoning)



Tested Financial Feasibility (Market)



A control panel for building form parameters, featuring a gear icon at the top. The panel is divided into three columns: 'Building form', 'Costs', and 'Revenues'. Each parameter is represented by a blue circular gauge with a white needle.

Building form	Costs	Revenues
Height	\$\$\$ Hard	\$\$\$ Rent 1
Set back	\$ Soft	\$ Rent 2
Landscaping	\$\$\$ Taxes	\$\$\$ Rent 3
Parking Ratios	\$\$ Fees	\$\$ Parking

Additional controls include a 'tuck under' button and a 'Parking' button with 'structured' and 'surface' options.

What impacts development performance?

- Land & Construction cost
- Market demand
- Zoning standards

} Cities can influence these

- Zoning
- Incentives (VHTC)
- Streetscapes, parks and amenities



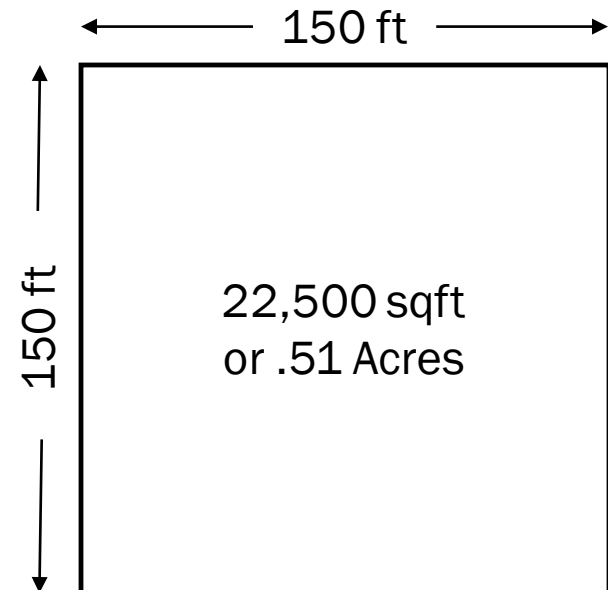
1 Story Commercial Example

(TT Overlay - C-1 and E-1 Zones)

- Generic 150 ft by 150 ft lot
= 22,500 sqft
- 8,600 sf Retail/office net
- 26 Parking Spaces

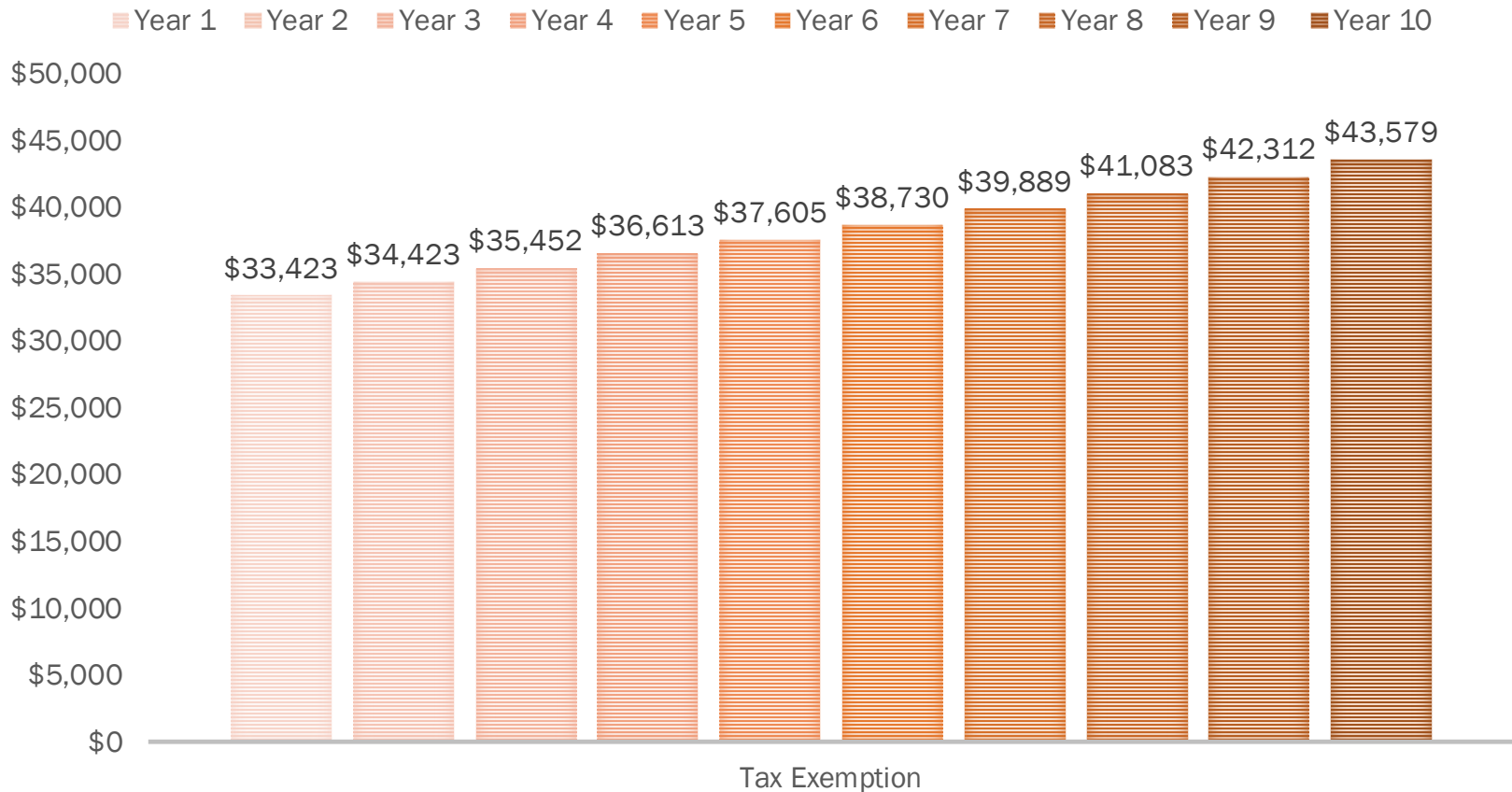


- Percent Improvement
Exemption = 0%
- Potential Public Revenue
(10 Year Property Tax) =
\$382,000



1 Story Commercial Example

PROPERTY TAX OVER 10 YEARS

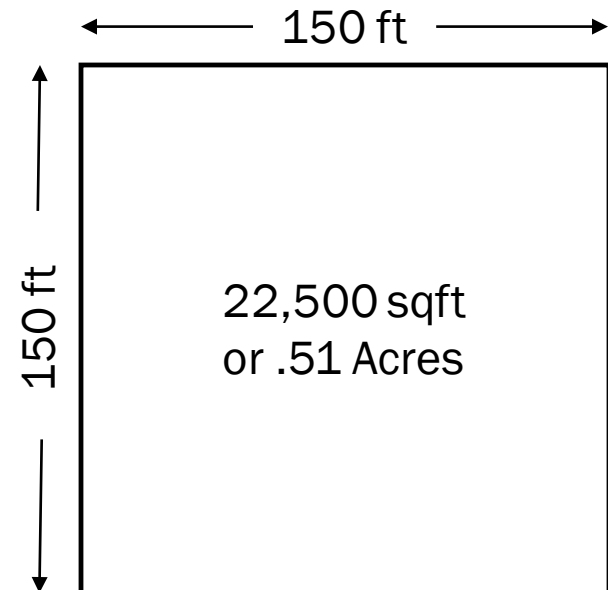


Total Tax Exemption over 10 Years = \$0
Potential Total 10 Year Property Tax = \$382,000

3 Story Mixed-Use Example

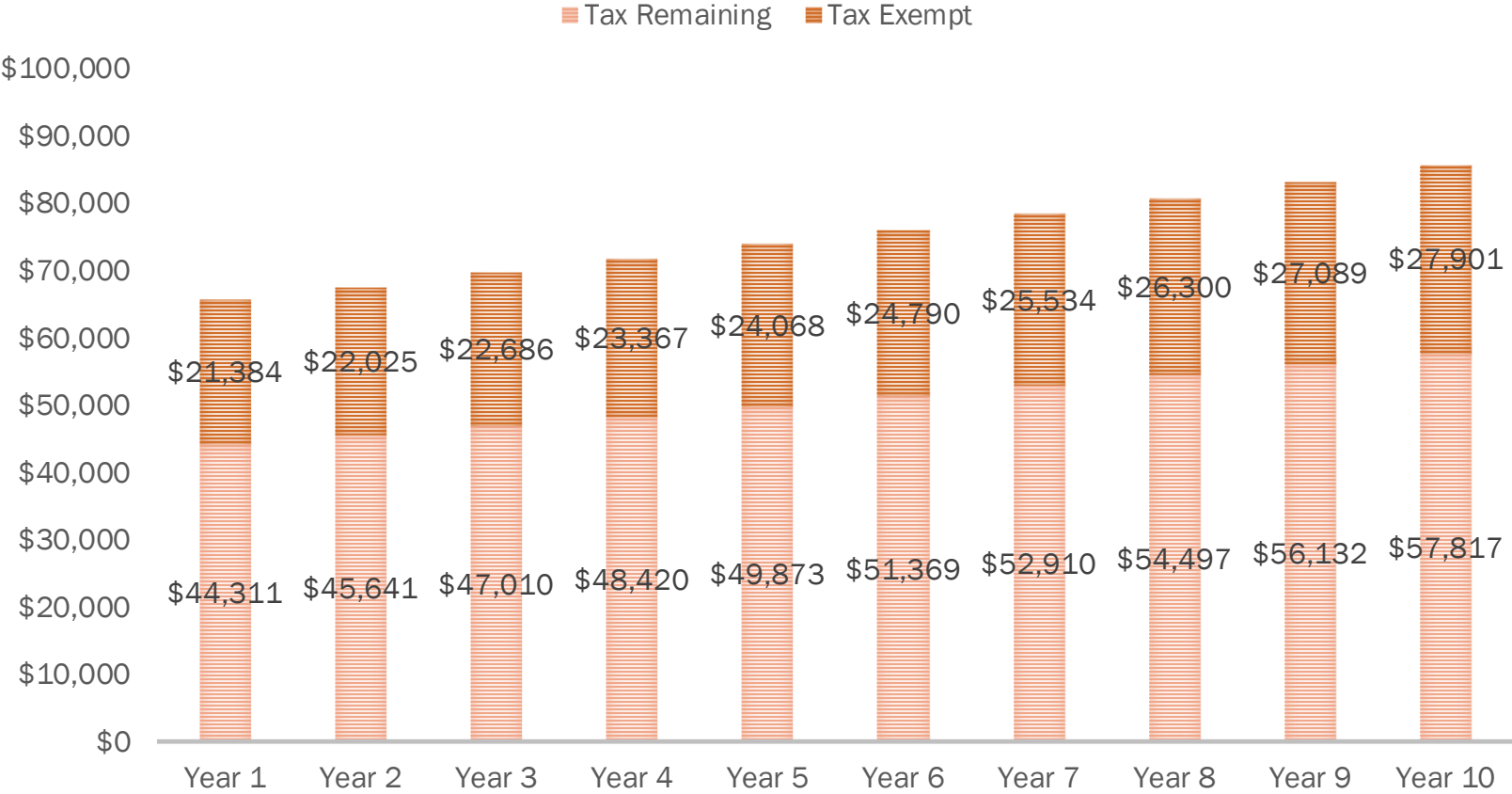
(TT Overlay - C-1 and E-1 Zones)

- Generic 150ft by 150ft lot = 22,500 sqft
 - Ground floor Retail/Office
 - 28 Units (650 sqft average)
 - 28 Parking Spaces
-
- Percent Improvement Exemption = 40%
 - Total Tax Exemption over 10 Years = \$245,200
 - Tax Exemption per unit over 10 Years = \$8,864



3 Story Mixed-Use Example (40%)

10 YEAR TAX ABATEMENT

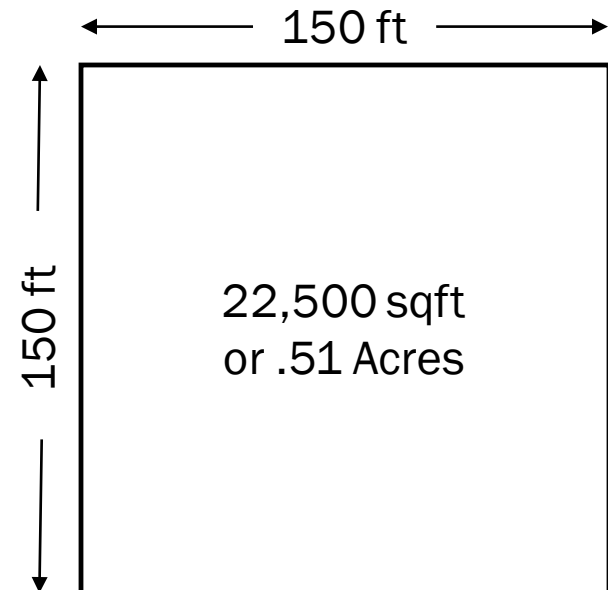


Total Tax Exemption over 10 Years = \$245,200
Potential Total 10 Year Property Tax = \$753,000

4 Story Mixed-Use Example

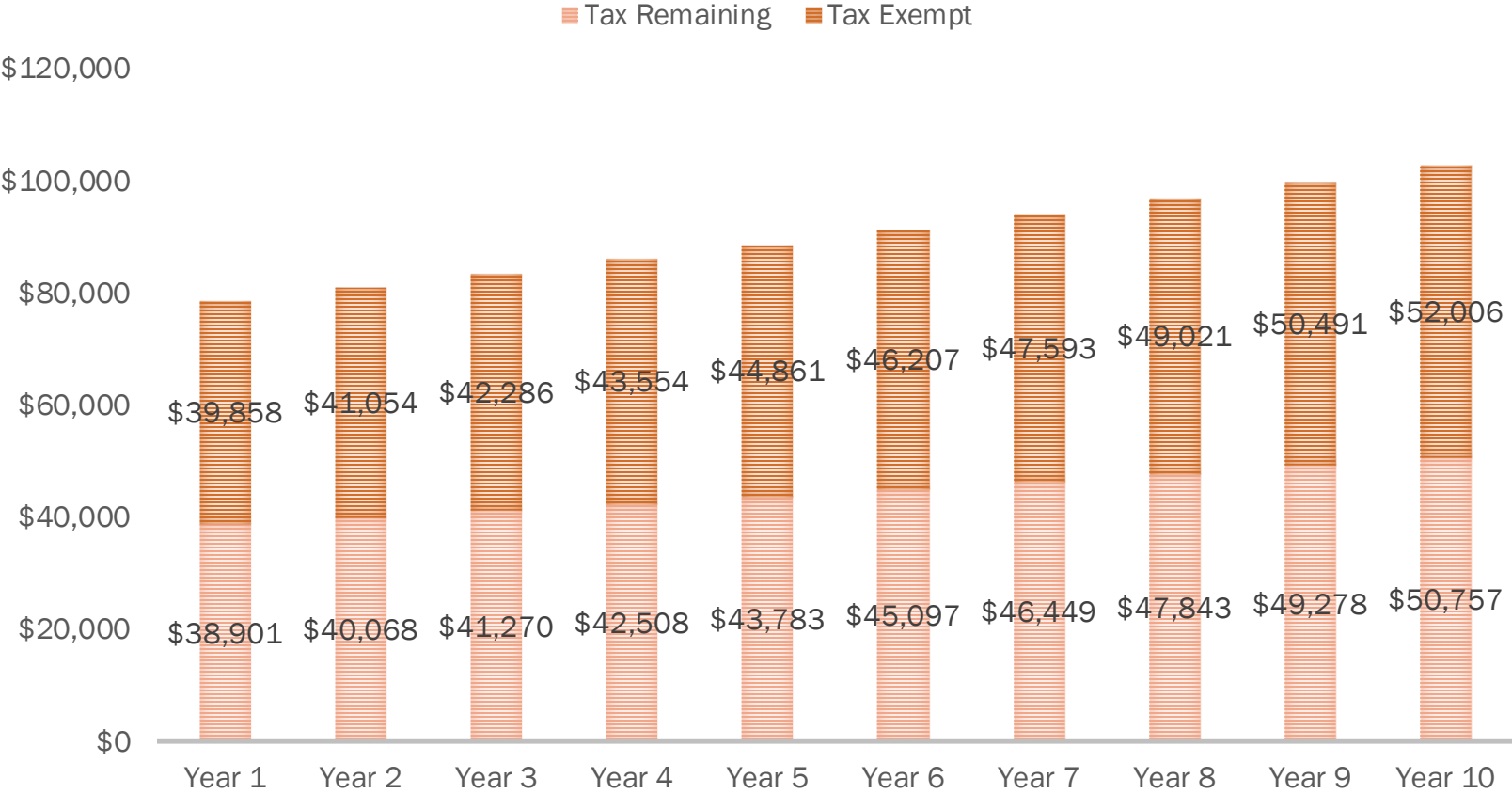
(TT Overlay - C-1 and E-1 Zones)

- Generic 150 ft by 150 ft lot = 22,500 sqft
 - Ground floor Retail/Office
 - 34 Units (650 sqft average)
 - 34 Parking Spaces
-
- Percent Improvement Exemption = 60%
 - Total Tax Exemption over 10 Years = \$457,000
 - Tax Exemption per unit over 10 Years = \$13,337



4 Story Mixed-Use Example (60%)

10 YEAR TAX ABATEMENT



Total Tax Exemption over 10 Years = \$457,000
Potential Total 10 Year Property Tax = \$903,000

Comparing the 3 Examples

	1 Story Commercial	3 Story Mixed-Use	4 Story Mixed-Use
Potential Total 10 Year Property Tax	\$382,000	\$753,000	\$903,000
Total Tax Exemption over 10 Years	\$0	\$245,000	\$457,000
Remaining Tax Collected after Exemption over 10 Years	\$0	\$508,000	\$446,000
Total Tax Exemption per unit over 10 Years	\$0	\$8,860	\$13,337

Testing Requiring Low-Income Housing in the Transit Triangle

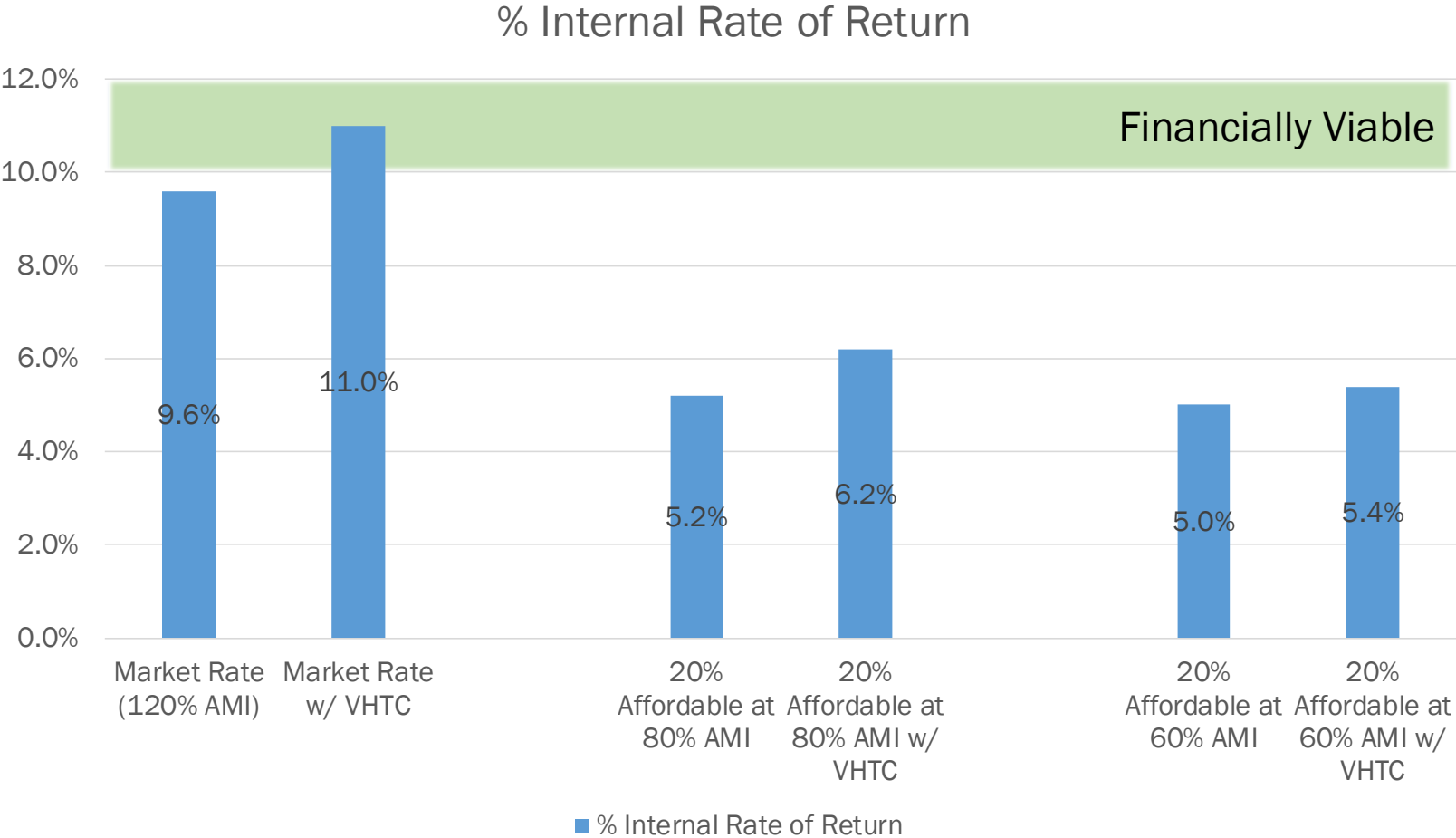
- Average Median Income Assumptions
 - We are using \$60,000
 - In 2017 AMI in Ashland was \$50,517
- Average Rent Assumptions
 - As of April 2019, average rent for an apartment in Ashland is \$1300

	Percent of AMI	Rent
	130%	\$1,300
	120%	\$1,200
	80%	\$950
	60%	\$650

Target Rent

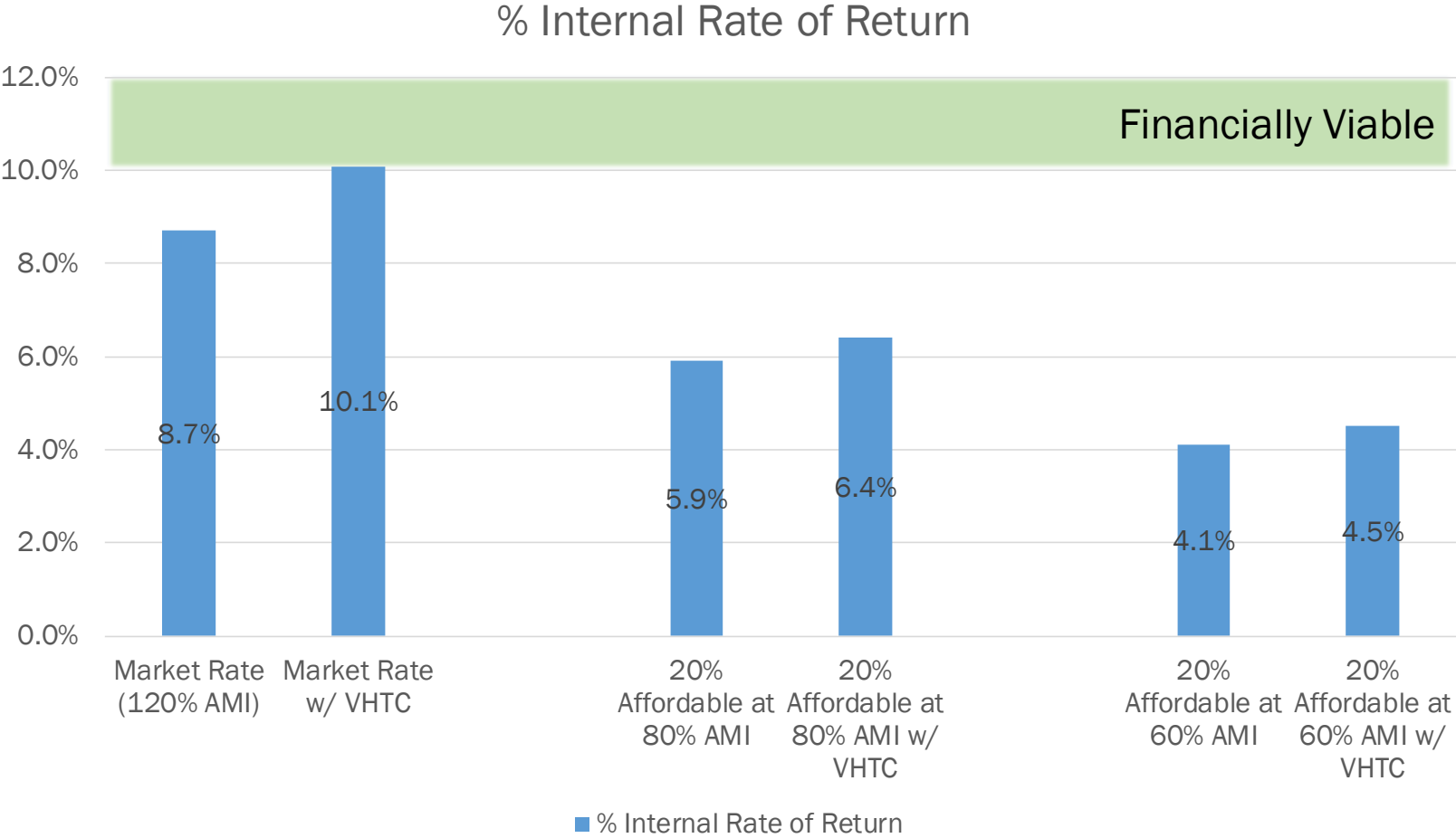
4 Story Mixed-Use Example

Internal Rate of Return (IRR)



3 Story Mixed-Use Example

Internal Rate of Return (IRR)



Comparing the 2 Examples – Requiring Affordable Housing

	3 Story Mixed-Use	4 Story Mixed-Use
Total Project Cost	\$5.20 Million	\$6.23 Million
VHTC - Total Tax Exemption over 10 Years	\$245,000	\$457,000
Additional Subsidy Needed <i>(20% affordable units at 80% AMI)</i>	\$578,000	\$834,000
Additional Subsidy Needed as a % of the total Project Cost <i>(20% affordable units at 80% AMI)</i>	11.1%	13.4%
Additional Subsidy Needed <i>(20% affordable units at 60% AMI)</i>	\$1,178,000	\$1,117,000
Additional Subsidy Needed as a % of the total Project Cost <i>(20% affordable units at 60% AMI)</i>	22.7%	21.5%

Comparing the 2 Examples – Requiring Affordable Housing

	3 Story Mixed-Use	4 Story Mixed-Use
VHTC - Total Tax Exemption over 10 Years	\$245,000	\$457,000
Additional Subsidy Needed <i>(20% affordable units at 80% AMI)</i>	\$578,000	\$834,000
Total Subsidy Needed VHTC + Affordable Requirement <i>(20% affordable units at 80% AMI)</i>	\$823,000	\$1,291,000
Additional Subsidy Needed <i>(20% affordable units at 60% AMI)</i>	\$1,178,000	\$1,117,000
Total Subsidy Needed VHTC + Affordable Requirement <i>(20% affordable units at 60% AMI)</i>	\$1,423,000	\$1,574,000

Key Conclusions

- Requiring affordable housing as part of the VHTZ would create the need for substantial subsidies or alternative methods for filling a sizeable financial gap.
- Placing requirements for affordable housing on an incentive program like VHTC essentially removes the incentive for developers to utilize the program in the first place.

Recommendations

Requiring Affordable Housing

Do not require affordable housing as a condition to use the VHDZ

Promote and utilize the many existing financial incentives already available to encourage affordable housing development

VHDZ

Implement a Vertical Housing Program

Ashland Transit Triangle

Vertical Housing Development Zone (VHDZ)

Testing Affordable Housing Requirements

