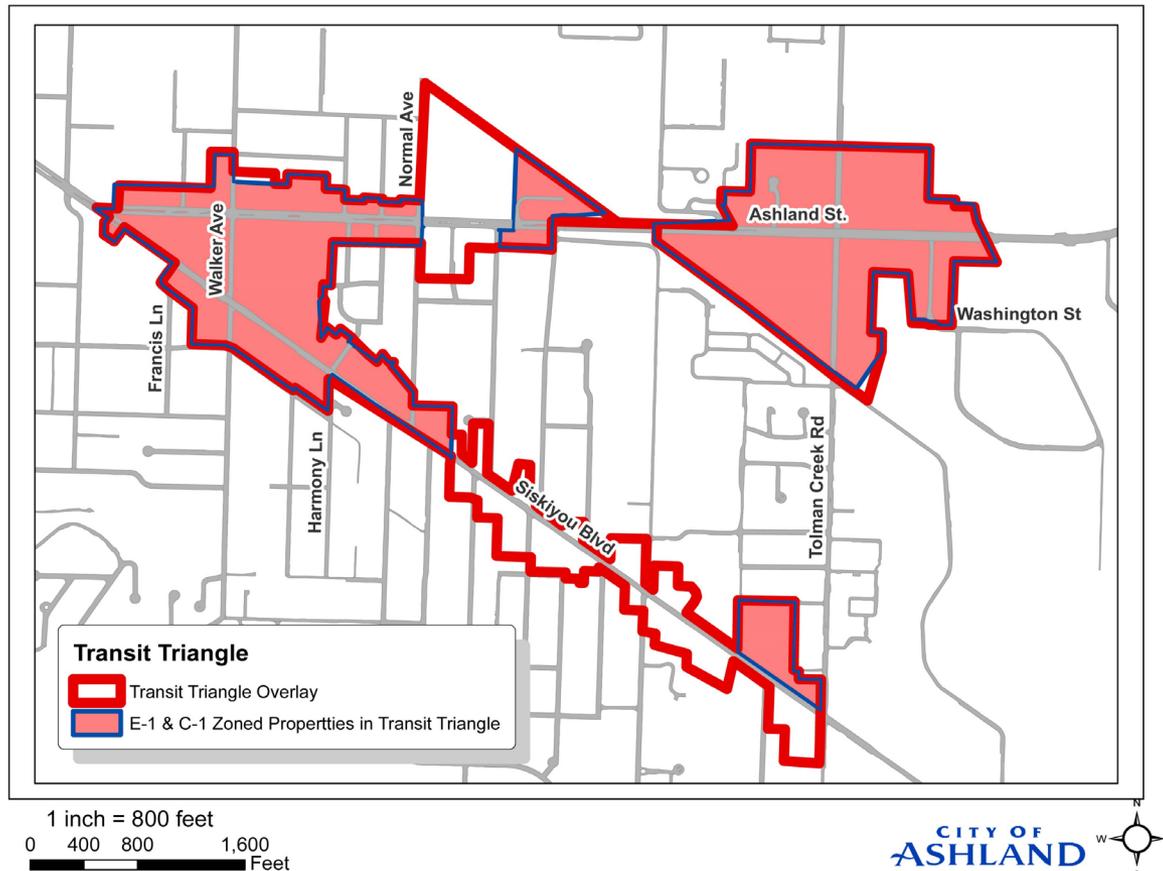


# Ashland Transit Triangle

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**<sup>%</sup>

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

Up to

**80**<sup>%</sup>

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:

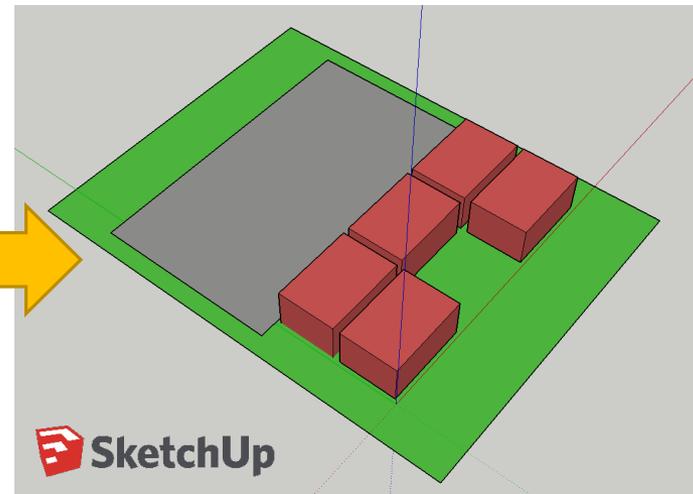
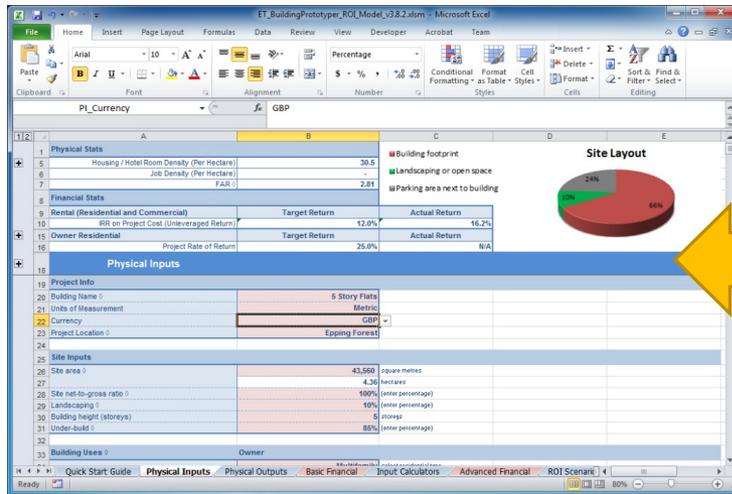
1. Build using existing zoning
2. Build using the TT overlay
3. Take advantage of the vertical housing tax credit program to help make a development project financially feasible



# VHTC Benefits

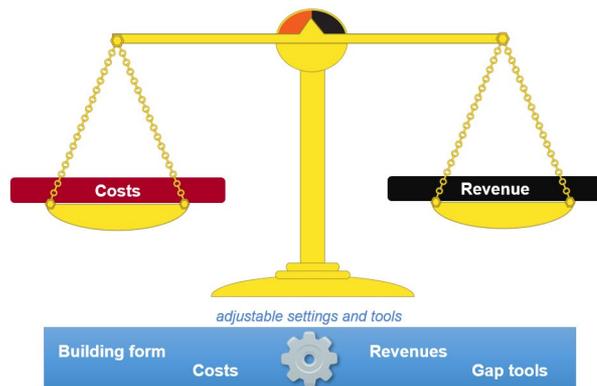
- Encourage new mixed-use development including more housing
- Create long-term community wealth through mixed-use buildings that will be **fully taxed after the partial abatement expires**
- Stimulate more commercial growth in the transit triangle, increasing the value of surrounding properties
- Enhance 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)

Tipping Point



A control panel for building form parameters. It features a gear icon at the top and several adjustable settings:

- Building form:** Height, Set back, Landscaping, Parking Ratios (with options for 'structured' and 'surface').
- Costs:** Hard (\$\$\$), Soft (\$), Taxes (\$\$\$), Fees (\$\$).
- Revenues:** Rent 1 (\$\$\$), Rent 2 (\$), Rent 3 (\$\$\$), Parking (\$\$).

# What impacts development performance?

- Land & Construction cost
- Market demand
- Zoning standards

} Cities can influence these

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



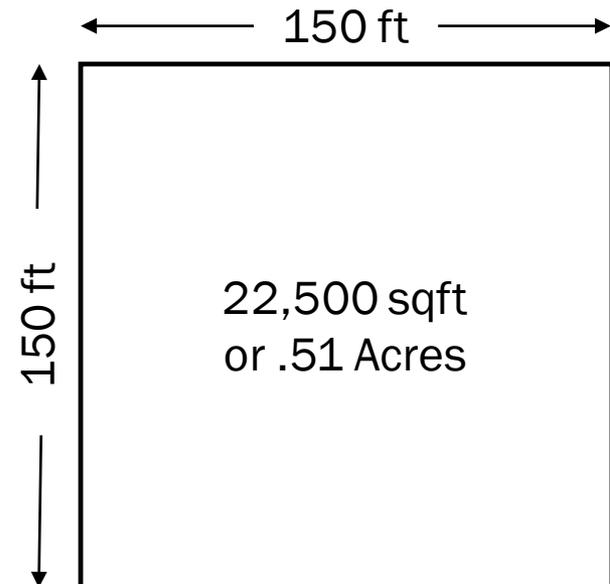
# 1 Story Commercial Example

(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

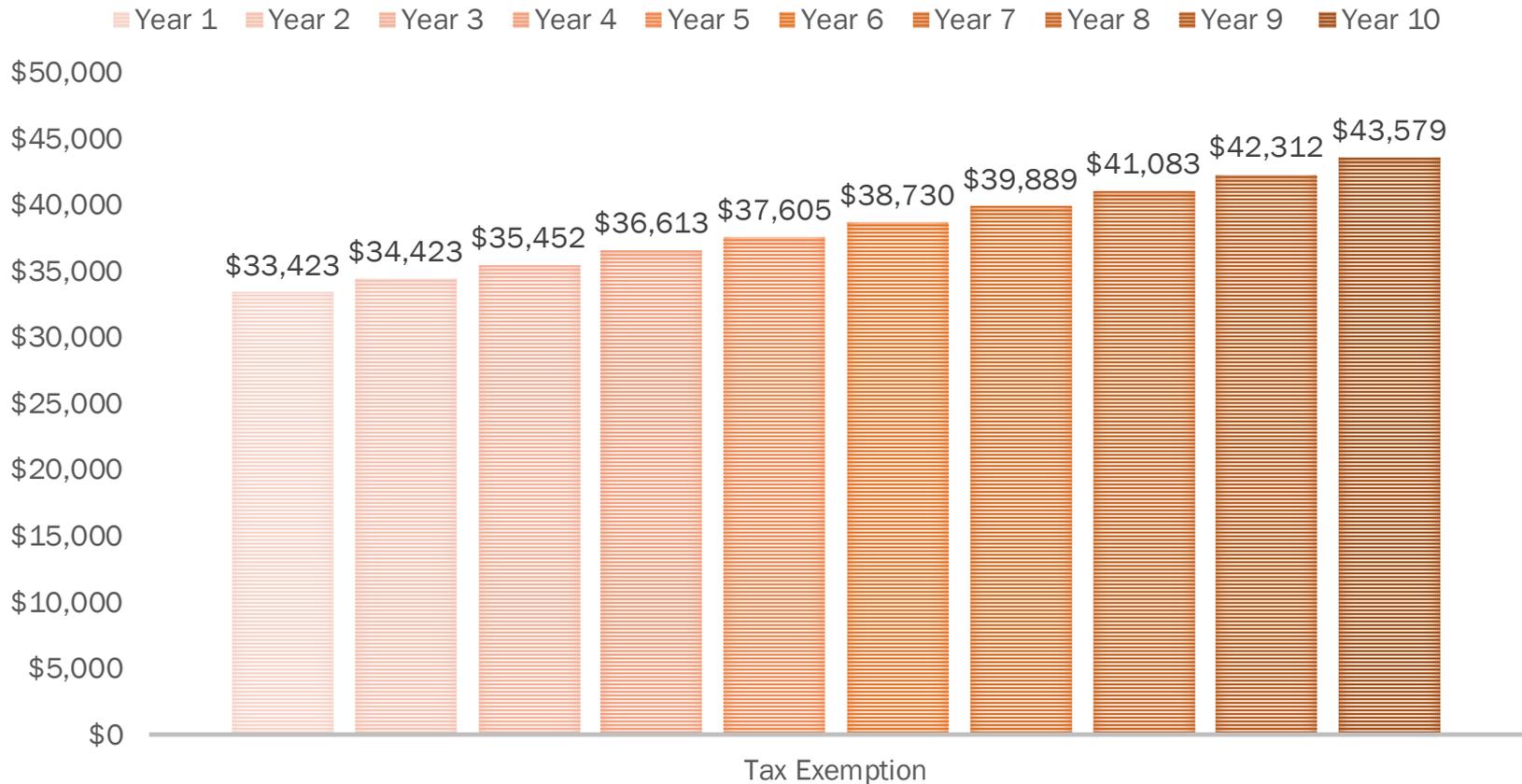


- Percent Improvement  
Exemption = 0%
- Potential Public Revenue  
(10 Year Property Tax) =  
**\$382,000**



# 1 Story Commercial Example

## PROPERTY TAX OVER 10 YEARS

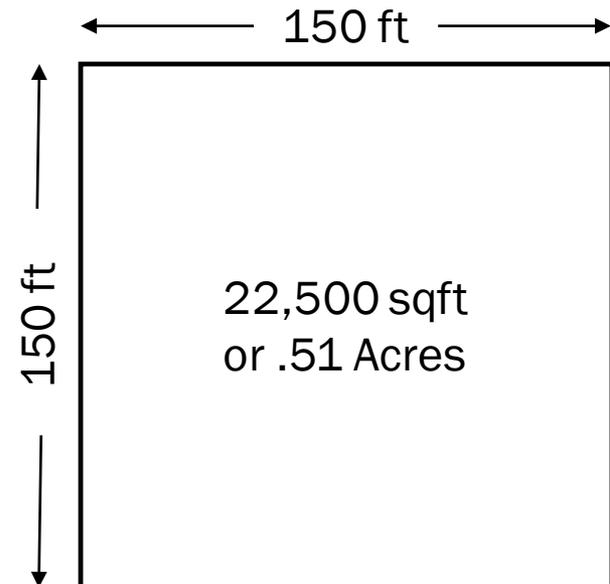


**Total Tax Exemption over 10 Years = \$0**  
**Potential Total 10 Year Property Tax = \$382,000**

# 3 Story Mixed-Use Example

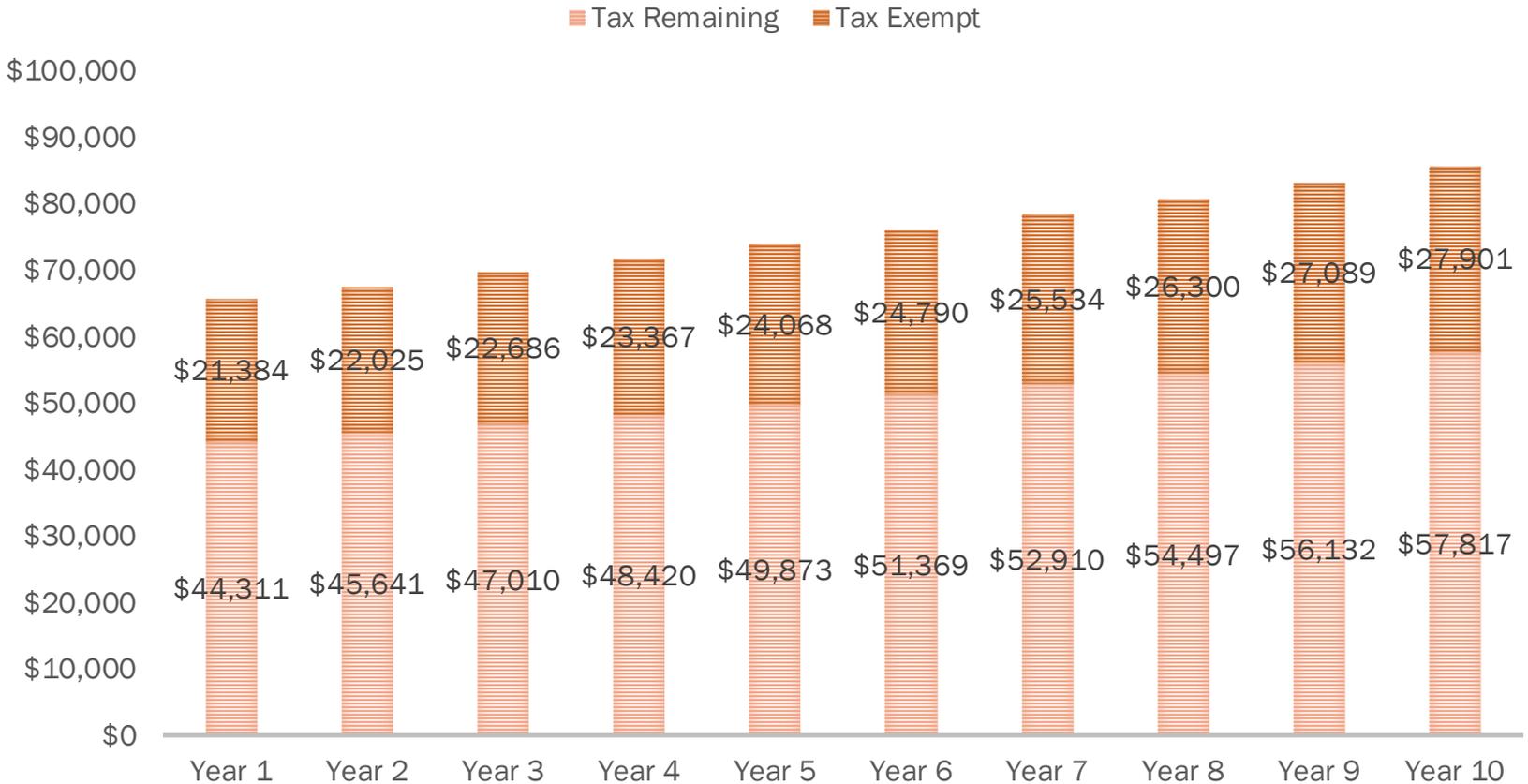
(TT Overlay - C-1 and E-1 Zones)

- 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

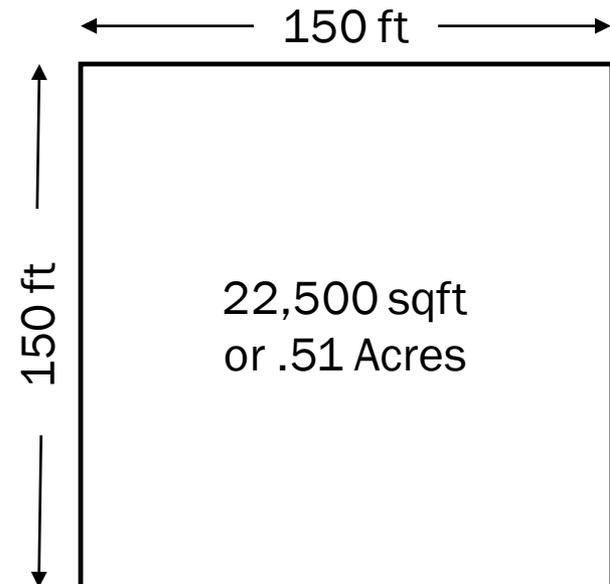


**Total Tax Exemption over 10 Years = \$245,200**  
**Potential Total 10 Year Property Tax = \$753,000**

# 4 Story Mixed-Use Example

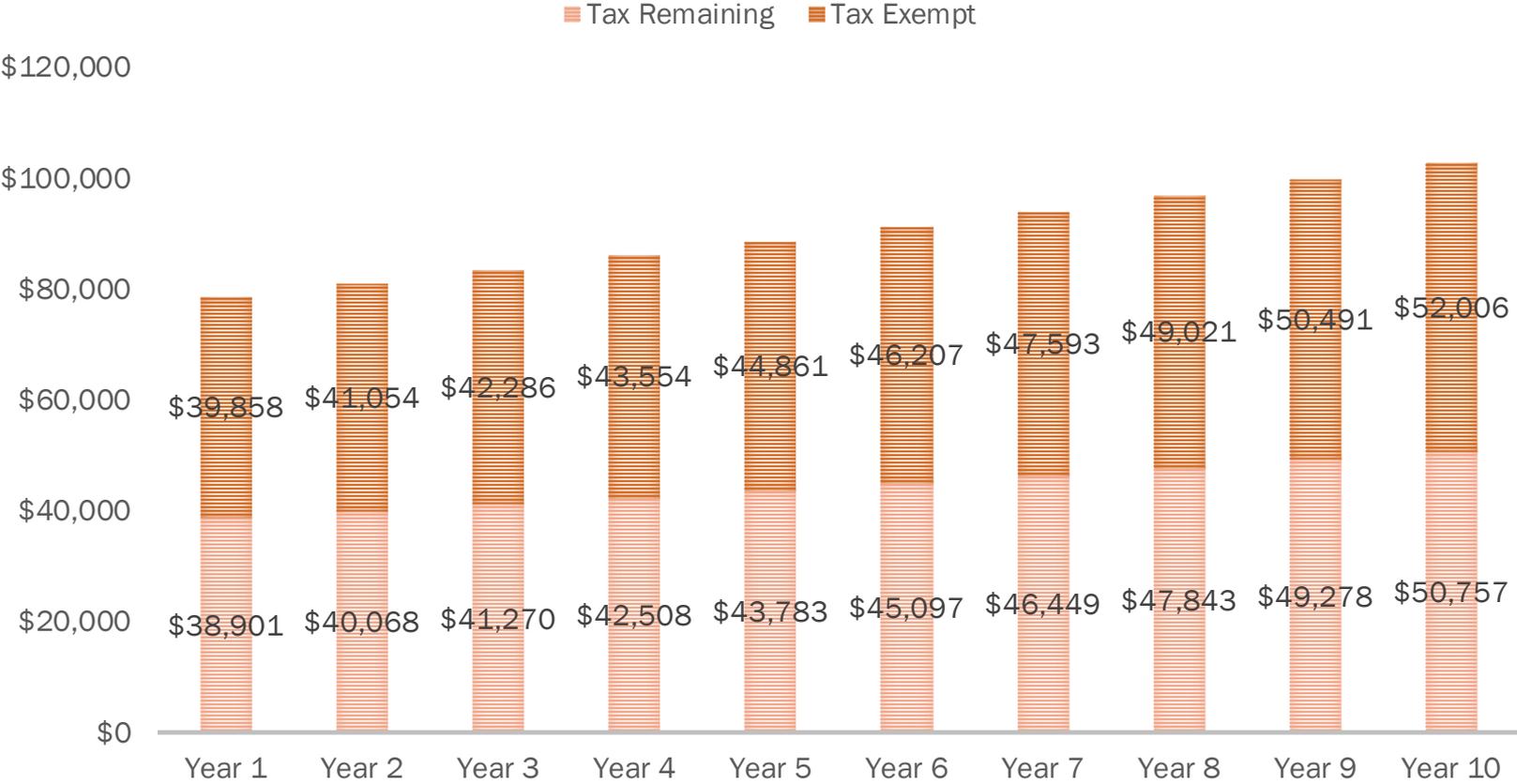
(TT Overlay - C-1 and E-1 Zones)

- 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%	<b>\$1,200</b>
	80%	\$950
	60%	\$650

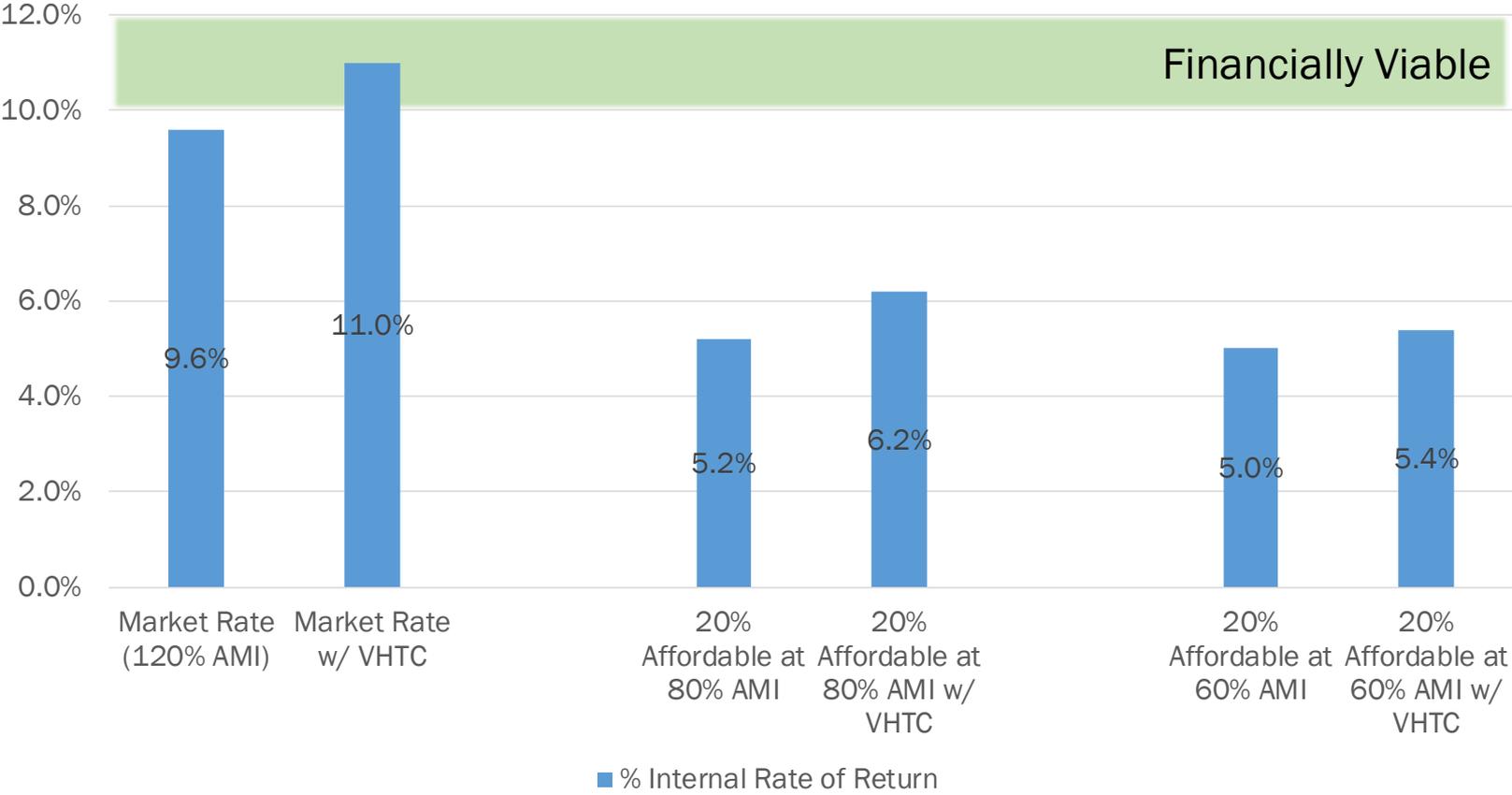
Target Rent

# 4 Story Mixed-Use Example

## Internal Rate of Return (IRR)

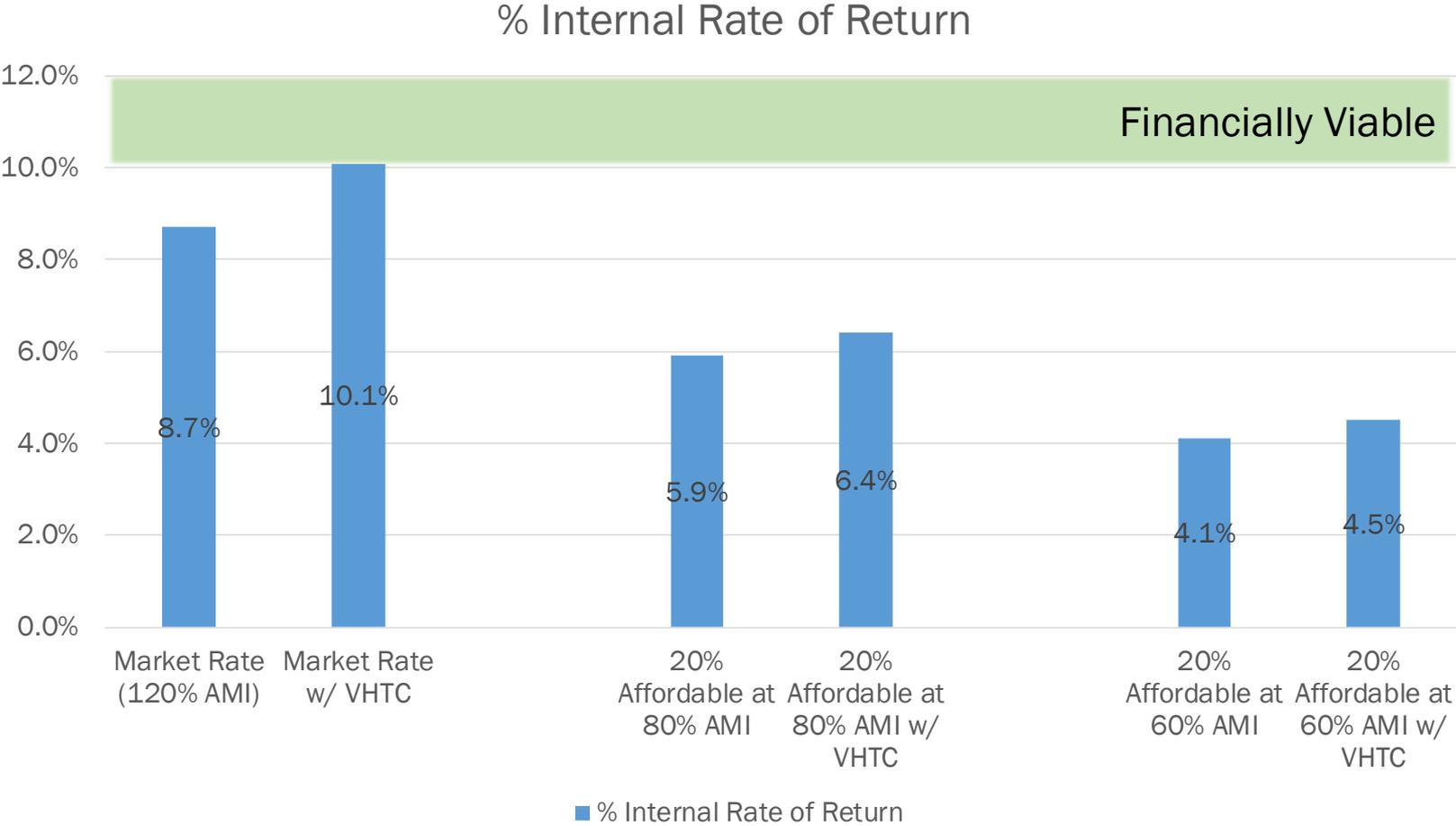


% Internal Rate of Return



# 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>	<b>\$823,000</b>	<b>\$1,291,000</b>
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>	<b>\$1,423,000</b>	<b>\$1,574,000</b>

# 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

