



CITY OF CONCORD
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Community Development Department

REPORT TO THE MAYOR AND CITY COUNCIL

FROM: Carlos P. Baía, Deputy City Manager for Development
DATE: March 22, 2019
SUBJECT: Referral from Councilor Herschlag regarding the impact of density bonuses on workforce housing and the impact of requiring low income units in elderly housing developments

Recommendation

Accept this report.

Background

The Community Development Department received a referral from Councilor Herschlag asking about the impact of density bonuses on workforce housing and the impact of requiring low income units in elderly housing developments.

Discussion

Density bonuses are essentially incentives used primarily for two reasons: 1) to stimulate certain actions by developers that they would not otherwise take based on market forces; and 2) To meet a social/equity need recognized by the authority having jurisdiction over development.

Concord's zoning relative to senior/elderly housing is illustrative. Under our existing regulations, age-restricted housing developed for seniors receives added density and is even permitted where other multifamily dwellings are not allowed. This incentive is in place despite the fact that the demand for senior housing is likely the strongest it has been in years as the state continues to age. Therefore, the incentive is not presently correcting a "market failure" (where there is no market demand or the profit may not be enough to warrant development) but instead reflects what the community has acknowledged as a social good.

A community may wish to institute a density bonus provision where in exchange for providing a social "good", the developer is allowed to add units theoretically enhancing his/her profit margin. Examples of this include a developer building a green space for the public in exchange

for a number of extra units. Unfortunately, if we apply this same principal to workforce or affordable housing, it becomes more complicated.

Most residential developers tend to either be primarily market developers or affordable housing developers. The reasons for this are numerous. First, the development of affordable housing to a sufficient scale requires the syndication of federal tax credits and the securing of other grant resources. For-profit developers do not have the expertise, staff or required corporate structure to tackle this. Second, it is not simply sufficient to *build* an “affordable” unit, the affordability of that unit needs to be safeguarded going forward to ensure that any incentives provided at construction are not defrauded. This on-going monitoring requires an organization that most for-profit developers do not have and have little interest in pursuing. For example, if a developer received a density incentive from the Concord Planning Board related to building a number of affordable units within a for-profit development, the City itself would need to create a mechanism to monitor the affordability of those select units in perpetuity similar to what the U.S. Housing and Urban Development staff do for federally-funded projects.

It is important to note that City staff has not witnessed a developer in Concord walking away from a project due to insufficient density. In fact, in many instances, developers do not maximize the density they would be allowed due to reasons that are beyond the control of any regulation. For example, a developer might wish to build less but larger units to attract a certain demographic (i.e. families). As staff has experienced it, the real challenge for affordable housing in Concord does not appear to be density. Instead, it is finding available land for a reasonable price near amenities such as public water/sewer, bus routes, supermarkets, and schools, and lining that opportunity up with federal funding opportunities.

In terms of impacts from added density, one thing that we would need to be cautious about would be whether such regulatory changes incentivize greater demolition and loss of the city’s historical building inventory. If developers find the density incentives attractive enough, it could make the decision to build a larger, new building rather than rehab an existing building that much easier.