



Enhanced Affordability Incentives Land Code Update Phase 1 Report Produced by Homewise



Paseo Corazon, El Camino Crossing, Santa Fe, New Mexico, 2022

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Overview

This report explores the Enhanced Affordability Incentives (EAI), commonly referred to as Creating Affordability Now (CAN), proposed in Phase 1 of the Land Use Development Code Update. Regulatory barriers have limited the development of affordable housing sufficient to meet the needs of particularly lower-income residents in Santa Fe. EAI seeks to expedite deeply affordable housing through a robust set of incentives, without changing any underlying zoning or making any substantive changes to the code.

Santa Fe Has Become Unaffordable for New Mexicans

- Santa Fe, like much of America, has a severe deficit of affordable and workforce housing. Home prices and rents have skyrocketed in recent years, leaving many long-time city residents with no choice but to move outside the city to obtain housing they can afford.
- Consequently, more than 1-in-3 people employed in Santa Fe live outside Santa Fe County. These commuters spend thousands of dollars and hundreds of hours each year commuting, at enormous cost to them, their families, and the environment.
- Land use rules that mandate low-density housing, convoluted, opaque entitlement processes, and discretionary plan reviews contribute to the worsening housing supply crisis confronting many U.S. cities, including Santa Fe.



Growing the Housing Stock Increases Affordability

- Increasing the supply of housing—both market rate and affordable—is an effective strategy for slowing housing cost growth.
- Cities throughout the US have increased their housing supplies by streamlining their land use processes and implementing inclusionary zoning policies.

The Santa Fe Homes Program is Necessary but not Sufficient to Increase Housing Supply in Santa Fe

- Santa Fe's inclusionary zoning program, the Santa Fe Homes Program, currently requires that at least 15 percent of units in new multifamily rental developments and 20 percent of units in new for-sale developments be affordable to low- and moderate-income households. However, the current incentives have not stimulated sufficient production of affordable housing units.
- According to City building permit data, Santa Fe added 1,982 new dwelling units between 2022 and 2023, of which only 82 (about 4.1%) were affordable.

Long Overdue Land Development Code Updates Can Remove Barriers to Housing

- Santa Fe’s Land Development Code (LDC), Chapter 14 of the City’s Code of Ordinances, is being updated to better support “contemporary planning and land use practices through clear and consistent regulations that are easy to understand and simple to administer” in a multi-phase process expected to span several years.
- Phase 1 of Santa Fe’s LDC update includes changes that will streamline and incentivize the production of affordable housing. These changes, if adopted, can slow housing cost growth and out-migration by expanding the supply of housing.

Enhanced Affordability Incentives in the Santa Fe Homes Program Boost Affordability and Access

- To increase production of affordable units, proposed Phase 1 amendments to the City’s LDC include Enhanced Affordability Incentives (EAI). The EAI augments the Santa Fe Homes program (SFHP) by creating a special set of incentives applicable only to “deeply affordable” developments that include at least 30 percent affordable units, twice the number of affordable rental units currently required under SFHP.
- Under EAI, in return for producing more affordable units, developers of deeply affordable projects would qualify for density bonuses, reduced parking requirements, fee waivers, greater dimensional flexibility, administrative review, and ‘by-right’ approval of development plans that conform to all City standards.
- Unlike the SFHP, which requires participation from developers of projects with 10 or more units, the EAI is optional and only applies to developments in which at least 30% of the units are affordable.



Paseo de Peralta, Casa Pacifica, Santa Fe, New Mexico, 2024

Streamlined Development Review is the Cornerstone of Meaningful Reform

- Although all elements of the EAI package are important, standards-based administrative review is the linchpin. Administrative review makes the entitlement process less contentious and more predictable for all stakeholders by stipulating upfront that a development that meets all the City's objective standards can be approved without lengthy and contentious public hearings.
- The City's current process for approving residential housing development, which is often dominated by adjacent property owners, is unwieldy and inefficient, often requiring multiple public meetings.
- If EAI were adopted, development plans for deeply affordable projects would be reviewed by the Land Use Director and, if found to comply with all development standards, would be approved "by right."
- Community feedback could still be provided to land-use staff and the developer, and administrative approvals would remain subject to the standard appeals process.
- Lengthy and onerous land-use entitlement processes drive up housing costs by extending project timelines, increasing holding costs like property taxes and loan interest, and adding uncertainty that deters investment. These delays are especially detrimental to affordable housing, where thin profit margins cannot absorb prolonged regulatory hurdles, rising financing and construction costs, and neighborhood opposition that seeks to stall projects into infeasibility. Moreover, when approval processes prioritize adjacent neighbors' concerns, higher-density development becomes disproportionately concentrated in politically weaker neighborhoods.
- Housing is expensive and many housing-related government initiatives are costly. Land use reform is a notable exception. Streamlined land use processes are not only low cost to implement but also cost-saving for everyone involved – local jurisdictions, developers, home buyers and renters.
- Without a more streamlined, predictable, and consistent process for approving affordable developments, a small cadre of vocal housing opponents will retain control of land use in Santa Fe and desperately needed new housing will not be constructed.



Enhanced Affordability Incentives are Evidence-Based and Interconnected

- All components of the EAI package have been successfully implemented in other communities, producing meaningful supply increases in cities like Minneapolis and Portland. From 2017-2022 Minneapolis increased their housing stock by 12 percent and were able to stabilize rent rates, which increased only 1 percent over the same period.
- The EAI also have precedent in Santa Fe's current land use code. The Santa Fe Homes program currently provides 15 percent density bonuses and fee waivers proportional to the share of affordable units. Similarly, qualifying projects in the Midtown Local Innovation Corridor (Midtown LINC) Overlay District are eligible for administrative review, fee waivers, and preferential pricing on water purchased from the City's water bank.
- The four major components of the EAI – density bonuses, dimensional flexibility, fee waivers and administrative review - are complimentary and designed to work in tandem. To meaningfully increase housing supply, they must be implemented as a package. To illustrate this interconnectedness: fee waivers and density bonuses can significantly reduce the per-unit cost of development, but developers can't take advantage of higher allowed densities without additional dimensional flexibility. Similarly, higher densities and greater dimensional flexibility can produce more housing at lower cost, but in the absence of administrative review and 'by right' approval, development plans will continue to become mired in protracted disputes with housing opponents and constituencies seeking to keep housing prices high.



Density Bonuses



**Dimensional Flexibility
and Fee Waivers**



**Administrative
Review**

Introduction/Context

Santa Fe has struggled for years with a shortage of affordable housing and currently needs almost 10,000 additional units to balance housing supply and demand.¹ New Mexico's state capitol is a major employment center, with thousands of government jobs and robust hospitality, arts, technology, and healthcare sectors that employ thousands more.² But many people who work in Santa Fe simply can't afford to live there. More than one-in-three people employed in Santa Fe commute from outside the county, often from homes in more affordable communities like Rio Rancho to the south and Espanola to the north.³ Long car commutes contribute to climate change and impose high costs – financial, physical, and social - on workers and their families. People employed in Santa Fe who are unwilling or unable to live far from where they work have no choice but to absorb high housing costs that often leave few resources for other necessities like food and healthcare. According to City building permit data, Santa Fe added 1,982 new dwelling units between 2022 and 2023, of which only 82 (about 4.1%) were affordable.⁴ The high cost of housing also makes it increasingly difficult for employers to attract and retain workers, affecting essential sectors like education, healthcare, public safety, and more.

Santa Fe's Land Development Code (LDC), Chapter 14 of the City's Code Of Ordinances,⁵ governs all aspects of the City's built environment, including development review and approval processes, zoning districts, building development standards, and urban design. The LDC is being updated to better support "contemporary planning and land use practices through clear and consistent regulations that are easy to understand and simple to administer" in a multi-phase process expected to span several years.⁶ This report explores proposed Phase 1 changes to Santa Fe's Land Use Development Code that impact the Santa Fe Homes program. Santa Fe Homes seeks to increase access to affordable housing for Santa Fe residents by incentivizing the development of affordable units.



1 Santa Fe County (2023, March). Santa Fe County Affordable Housing Plan. Retrieved from: SantaFeHousingAction.org

2 <https://datausa.io/profile/geo/santa-fe-county-nm>

3 US Census Bureau. (2021) Longitudinal Employer-Household Dynamics. Retrieved from: <https://onthemap.ces.census.gov/>. and Santa Fe Housing Action. (2020, September 10). Impact of Affordable Housing on Families and Communities Part One. Retrieved from: <https://santafehousingaction.org/wp-content/uploads/2021/01/AFFORDABLE-HOUSING-FAMILIESCOMMUNITIES-CDWhitePaper9.9.2020LMD-1.pdf>

4 City of Santa Fe Land Use Department, correspondence October 18, 2024

5 https://library.municode.com/nm/santa_fe/codes/code_of_ordinances?nodeId=15537

6 https://www.santafeldcupdate.org/_files/ugd/159463_c2b9f4343ab5437486e0c8aa39530902.pdf

Growing the Housing Stock Increases Affordability

To slow the growth of housing costs and the displacement that results, Santa Fe must increase its stock of affordable and middle housing. “Middle” housing refers to housing that sits in the middle of the affordability spectrum – generally more affordable than single family detached homes, but less affordable than large multifamily complexes. Typical middle housing types include townhomes, duplexes, triplexes and fourplexes.

Increasing the supply of housing, both market rate and affordable, is a proven strategy for slowing the growth of housing costs.⁸ Recent research documents a significant decrease in area rents when new market rate units are added in low-income communities.⁹ This outcome is consistent with the law of supply and demand but also reflects a “filtering” effect wherein new units attract higher income renters whose old units then “filter down” to lower income households. This supply effect won’t solve Santa Fe’s housing problems, but it can impose downward pressure on prices.¹⁰



Paseo Corazon, El Camino Crossing, Santa Fe, New Mexico, 2020

Supply-Side vs Demand-Side Incentives

Housing incentives can be divided into two broad categories: demand side incentives that make it easier or less costly to rent or buy a home and supply-side incentives that make it easier and/or less costly to build a home or offer one for rent. Demand side incentives like the federal mortgage interest income tax deduction, subsidized down payment assistance, and rental vouchers can be very effective when housing inventories are sufficient to absorb the higher demand they produce. However, in the absence of adequate supply, increasing the demand for homes simply drives prices even higher. Supply side incentives, like the federal Low Income Housing Tax Credit, density bonuses for developers, and the land use reforms discussed in this report, make it easier and more cost effective to bring housing units to market. As inventories grow and housing markets loosen, upward pressure on home prices is alleviated and housing starts to become more affordable.

⁸ Been, V., Ingrid Gould, E. & O'Regan, K.M. (2023, November 10). Supply Skepticism Revisited. NYU Law and Economics Research Paper No. 24-12, Available at SSRN: <https://ssrn.com/abstract=4629628> or <http://dx.doi.org/10.2139/ssrn.4629628>

⁹ Asquith, B.J., Mast, E. & Reed, D. (2019). Supply Shock Versus Demand Shock: The Local Effects of New Housing in Low-Income Areas. Upjohn Institute Working Paper 19-316. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research. <https://doi.org/10.17848/wp19-316>

¹⁰ Mast, E. (2019). The effect of new market-rate housing construction on the low-income housing market. Working Paper

Regulatory Barriers Impede Housing Supply Growth

Santa Fe's efforts to increase the supply of affordable housing have been stymied by financial and regulatory barriers. Most housing is produced and managed by the private sector and must therefore generate a positive return on investment (ROI) if it is to be built. High costs for land, construction services and financing reduce ROI and render many projects financially unfeasible. Impact and other development-related fees add over \$11,000 in cost per market-rate unit. In addition, the City's current process for approving residential housing development is unwieldy and inefficient, often requiring multiple public meetings and quasi-judicial proceedings. Onerous land use processes increase costs by delaying approvals and injecting uncertainty into what could be straightforward and predictable processes.

Developments that include a significant share of affordable units are particularly vulnerable to regulatory delays because they typically operate on thin margins and often layer funding from a diversity of public and private sources, each with their own restrictions, timelines and leverage requirements. Delays and uncertainty about approvals can shift the delicate balance of project funding sources, undermining financial feasibility.

A large and growing body of research shows that regulatory barriers that restrict the intensity of land use contribute to supply shortages. Several recent studies have identified strong correlations between measures of zoning strictness, such as the time required to obtain building permits, and both homelessness¹¹ and higher housing prices.^{12,13,14} A 2019 California study found that, in addition to increasing the cost of housing, land use restrictions like single-family zoning and lot size minimums contribute to racial segregation.¹⁵

Recent research also demonstrates the positive impact that reducing regulatory hurdles can have on housing supply.¹⁶ Using data from over 1,000 US cities, Urban Institute researchers identified a statistically significant association between loosened land use restrictions and increased housing supply within three to nine years of the land use policy changes.¹⁷ Pew researchers found that adoption of more flexible zoning rules may have slowed housing cost growth in several U.S. cities.¹⁸ Six years after a major, citywide upzoning by Auckland NZ researchers found significantly lower rents than would have existed had the up-zoning not occurred.¹⁹

11 Dawkins, C. J. (2023). Homelessness and housing supply. *Journal of Urban Affairs*, 1-19. <https://doi.org/10.1080/07352166.2023.2168553>

12 Glaeser, E.L. & and Gyourko, J. (2003). *The Impact of Building Restrictions on Housing Affordability*. Federal Reserve Bank of New York. Retrieved from: <https://www.newyorkfed.org/medialibrary/media/research/epr/03v09n2/0306glae.pdf>

13 Hilber, C. A. L., & Vermeulen, W. (2016). The Impact of Supply Constraints on House Prices in England. *The Economic Journal*, 126(591), 358–405. <http://www.jstor.org/stable/24738168>

14 Asquith, B.J., Mast, E. & Reed, D. (2019). *Supply Shock Versus Demand Shock: The Local Effects of New Housing in Low-Income Areas*. Upjohn Institute Working Paper 19-316. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research. <https://doi.org/10.17848/wp19-316>

15 Rothwell, J. (2019). "Land Use Politics, Housing Costs, and Segregation in California Cities." *Terner Center Land Use Working Paper Series*. Terner Center for Housing Innovation at UC Berkeley. Retrieved from: <http://californialanduse.org/working-papers.html>.

16 Lindberg, R. & Horowitz, A. (2024, August 28). *Reforms Spur Faster Housing Approvals in California*. Pew Charitable Trusts.

17 Stacy, C., Davis, C., Freemark, Y. S., Lo, L., MacDonald, G., Zheng, V., & Pendall, R. (2023). *Land-use reforms and housing costs: Does allowing for increased density lead to greater affordability?* *Urban Studies*, 0(0). <https://doi.org/10.1177/00420980231159500>.

18 Horowitz, A. & Canavan, R. (2023, April 17). *New data from 4 jurisdictions that are allowing more housing shows sharply slowed rent growth*. Pew Charitable Trusts. Retrieved from: <https://www.pewtrusts.org/en/research-and-analysis/articles/2023/04/17/more-flexible-zoning-helps-contain-rising-rents>

19 Greenaway-McGrevy, R. & Phillips, P. (2023). *The impact of upzoning on housing construction in Auckland*, *Journal of Urban Economics*, Volume 136. Retrieved from: <https://cdn.auckland.ac.nz/assets/business/about/our-research/research-institutes-and-centres/Economic-Policy-Centre--EPC-/WP016.pdf>

Supply Side Solutions: Land Use Reform and Inclusionary Zoning

Cities throughout the US are reforming their land use policies and procedures to expedite the development of much-needed housing. Minneapolis' suite of land use reforms, which included by-right development of duplexes and triplexes in single-family zoning, is credited with a large expansion of both affordable and market rate housing while keeping annual rent growth under 1 percent. Unlike Santa Fe, housing in Minneapolis has become relatively more affordable in recent years because incomes have grown faster than housing costs.^{20 21}

In Santa Fe, as in much of the US, the private sector has not delivered the new units needed to bring the supply and demand for housing into equilibrium and slow the rapid escalation of housing costs.

To encourage the development of new affordable units, Santa Fe, like many other communities, has enacted an inclusionary zoning (IZ) program. IZ requires real estate developers to include a certain percentage of affordable housing units within new or redeveloped residential projects and provides incentives to offset the resulting costs. Incentives are critical to IZ, which relies on market rate units to cross subsidize affordable ones. Incentives help ensure that market-rate units produce enough income to offset the costs of the affordable units and make the entire development financially feasible for private developers.



Oshara Blvd, Oshara, Santa Fe, New Mexico, 2016

The Santa Fe Homes Program: Necessary but Not Sufficient

Santa Fe's inclusionary zoning program - the Santa Fe Homes Program,²² requires that new multifamily rental developments include at least 15 percent affordable units and new homeownership developments include at least 20 percent affordable units. Instead of providing affordable units, multifamily rental developers and for-sale developments of 10 or fewer units may pay a 'fee-in-lieu' into the City's Affordable Housing Trust Fund.²³ In return, builders receive a 15 percent "density bonus" which allows them to build 15 percent more units on a given parcel than would be permitted under existing zoning. Participating developers also qualify for fee waivers proportional to the share of affordable units in their project. While increasing the fee-in-lieu may be warranted, additional incentives are also needed to stimulate production of the affordable units Santa Fe needs.

20 Horowitz, A, Liang, L. & Staveski, A. (2024, Jan 4). Minneapolis Land Use Reforms Offer a Blueprint for Housing Affordability. The Pew Charitable Trusts. Retrieved from: <https://www.pewtrusts.org/en/research-and-analysis/articles/2024/01/04/minneapolis-land-use-reforms-offer-a-blueprint-for-housing-affordability>.

21 City of Minneapolis. (2024). The Way Home: Safe, dignified, and affordable housing for Minneapolis residents 2021-2023 Progress Report. Retrieved from: Way Home Report - City of Minneapolis (minneapolismn.gov)

22 Section 26-1.2 SFCC 1987

23 For-sale developments with more than 10 units do not have a fee-in-lieu option.

The Proposal: Inclusionary Enhancements for Deeply Affordable Housing

Proposed Phase 1 revisions to the City’s Land Use Development Code include several provisions that address the regulatory and financial barriers that impede the development of affordable and workforce housing in Santa Fe.²⁴



Oshara Blvd, Oshara, Santa Fe, New Mexico, 2020

Density Bonuses

The EAI provide “deeply affordable” developments, defined as those that provide at least 30 percent affordable units, a robust set of incentives including density bonuses that are larger than those available through the SFHP and that increase with the percentage of affordable units.

Density bonuses are incentives offered by local governments that allow developers to build more housing units or square footage than would otherwise be permitted under existing zoning. In exchange for increased density, developers commit to incorporating features that support the jurisdiction’s policy goals. Often those policy goals include increasing the supply of affordable housing, although they may also include objectives such as transit-oriented development, green building, or housing for seniors or other specific populations. Density bonuses are common features of inclusionary zoning programs because they help offset the cost of meeting inclusionary requirements by allowing developers to construct more units on a given parcel of land.

Many cities offer density bonuses and some states including California²⁵ and Oregon²⁶ have mandated density bonuses statewide. Density bonuses can take a variety of forms including higher maximum floor area ratios (total building area as a percentage of net lot area), larger height allowances, and, as in the SFHP, additional units beyond the zoned maximum.

The SFHP provides a single 15 percent density bonus, regardless of the percentage of affordable units in a development, providing no incentive for developers to exceed the minimum required number of affordable units. In contrast, the EAI density bonuses increase with the share of affordable units, thereby incentivizing projects with a higher percentage of affordable units.

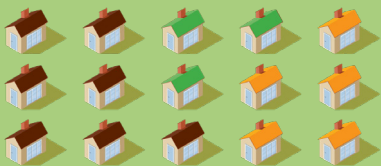
24 Santa Fe, New Mexico, Land Development Code 468 Phase 1 LDC Foundations | PUBLIC DRAFT September 2024
25 California Government Code. Title 7: Planning and Land Use. Retrieved from: https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=65915&lawCode=GOV
26 Oregon State Legislature. Retrieved from: <https://olis.oregonlegislature.gov/liz/2021R1/Measures/Overview/SB8>

The EAI provides tiered density bonuses that become more generous with higher levels of affordability, increasing from 1.5 times the number of affordable units in developments in which 30 to 39 percent of units are affordable to twice the number of affordable units in developments in which 50 percent or more of units are affordable. For example, a developer that builds 3 affordable units on a parcel that would be allowed to include a maximum of 10 units under base zoning would be entitled to build 15 units total, the 10 units allowed under based zoning plus five bonus units ($1.5 * 3 = 4.5$, rounded up to 5). Similarly, if they built 4 affordable units (40% of the 10 units allowed under base zoning), they could build a total of 17 units - the 10 units allowed under based zoning plus 7 bonus units ($1.75 * 4$). Finally, if 5 or more units were affordable, they would be entitled to a density bonus equal to two times the number of affordable units. A 50 percent affordable development on a parcel zoned for a maximum of 10 units could include 20 units total.

30% Affordability

Density Bonus of 1.5x
the # of affordable units

For example, in a project with **10 base dwelling units**, if **3 units are affordable**, there would be a **density bonus of 5 units**, enabling a **total of 15 units**.



40% Affordability

Density Bonus of 1.75x
the # of affordable units

For example, in a project with **10 base dwelling units**, if **4 units are affordable**, there would be a **density bonus of 7 units**, enabling a **total of 17 units**.



50% Affordability

Density Bonus of 2x
the # of affordable units

For example, in a project with **10 base dwelling units**, if **5 units are affordable**, there would be a **density bonus of 10 units**, enabling a **total of 20 units**.



Market Rate Unit



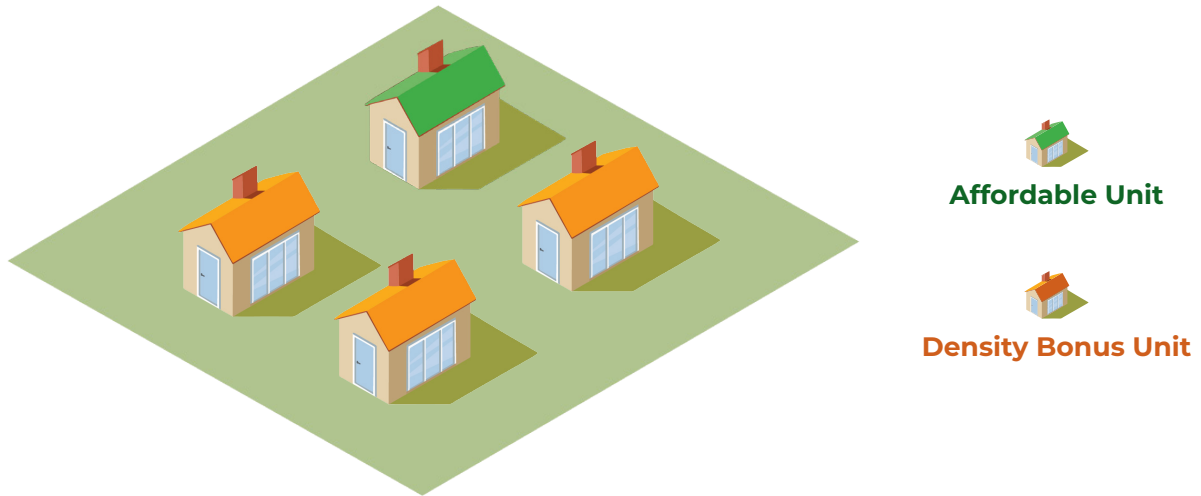
Affordable Unit



Density Bonus Unit

Several factors mitigate the actual amount of units a project could deliver; for example, height standards will remain unchanged and would potentially limit a developer's ability to reach the maximum density bonuses, even if they are willing to deliver up to 100% affordable units. Additionally, financial factors affect the project design. Going beyond a 50% affordability commitment will likely prove infeasible unless the developer has significant subsidy.

To better incentivize infill, small projects on less than 2.5 acres in R1 (one dwelling unit per acre) zones would qualify for an enhanced density bonus in which each affordable unit would authorize the construction of three additional market rate units, for a total of 4 units on each one-acre parcel. The dwelling units may be attached or detached single family units or units within a multi-family building. This incentive will enable landowners to develop traditional housing compounds on single family lots, provided that at least one of the units in the compound is affordable.



Precedent:

Density bonus programs are widespread in the U.S. and a common feature of inclusionary zoning programs. As noted previously, the Santa Fe Homes program has offered a 15 percent density bonus in return for 15 to 20 percent affordability or an in-lieu payment since 2011.

Some communities utilized tiered density bonuses to further incentivize development in specific areas. In **Denver**, new market-rate housing developments with ten or more units must provide on-site affordable units or pay a fee in lieu. Denver requires developers to provide a higher degree of affordability in the city’s pricier neighborhoods. In exchange, developers receive density bonuses in the form of increased height allowances. **Austin’s** density bonus program is also tiered, offering larger bonuses for projects close to public transit.²⁷

Sliding scale density bonuses, like those included in the EAI, that increase with the percentage of affordable units and/or the degree of affordability are also popular. **California’s** density bonus law guarantees density bonuses of up to 100 percent to developers that include affordable units in their projects pursuant to a sliding scale that increases with both the percent of affordable units and the degree of affordability.²⁸ For example, developments can qualify for a 20 percent density bonus if 5 percent of units are affordable to very low income (<50% AMI) households or if 10 percent of units are affordable to low income (<80% AMI) households.²⁹ The more affordable units a developer provides, the higher the density bonus they can claim. Developments that are 100 percent affordable are not subject to density limitations. Many cities, including **San Diego, Los Angeles, and San Francisco** offer additional density bonuses beyond those mandated by the state. **Portland, Oregon** also offers unlimited density to developments in which all units are affordable for households under 60 percent AMI. **Madison, Wisconsin’s** density bonus program allows developments of 10 or more units in which at least 15 percent are affordable to exceed zoning limits on height or unit density. The city uses a point system to determine the size of the density bonus, with greater densities allowed at greater percentages of affordability.

27 City of Austin Planning Department. Downtown Density Bonus Program. Retrieved from: <https://www.austintexas.gov/page/downtown-density-bonus-program>

28 California Code, GOV 65915. Retrieved from: leginfo.legislature.ca.gov.

29 Goetz, J. & Sakai, T. (2021, January). Guide to the California Density Bonus Law. Retrieved from: https://www.meyersnave.com/wp-content/uploads/California-Density-Bonus-Law_2021.pdf

Density Bonus Summary: Treatment of Deeply Affordable Developments: Standard SFHP versus EAI		
	Standard Santa Fe Homes Program (SFHP)	Enhanced Affordability Incentives (EAI)
Deeply Affordable Developments (>30% affordable)	15% of total units	30%-39% affordable: 150%*SFHP units 40%-49% affordable: 175%*SFHP >49% affordable: 200%*SFHP units
Infill enhanced bonus for R1 lots of 2.5 acres or less	N/A	3 additional units for every 1 SFHP unit, up to 4 units/acre

Dimensional Flexibility

To take full advantage of density bonuses, developers will need more design flexibility than is provided for under the City's current dimensional standards. Dimensional standards, which are generally based on a property's underlying zoning, include factors such as lot coverage, setbacks, maximum heights, and open space requirements. The EAI includes less restrictive minimum lot sizes, waiver of minimum setbacks and step-backs along internal lot lines, and reduced off-street parking requirements. In addition, under the proposed enhancements, developments that provide at least 250 sq ft of open space per dwelling unit would not be subject to existing lot coverage requirements.

Lot Coverage/Open Space

Lot coverage requirements limit the percentage of a parcel of land that can be covered by buildings or structures. Maximum coverage limits are designed to control the density of development, preserve open space, and manage stormwater runoff. Santa Fe currently limits lot coverage to 40 percent or up to 50 percent if additional private open space is provided.³⁰ The EAI proposal would eliminate lot coverage maximums if at least 250 sf of open space is provided per dwelling unit and stormwater management standards are met.

Precedent:

Numerous U.S. cities have adjusted their maximum lot coverage requirements to increase housing density and promote the production of affordable housing. The **Minneapolis** 2040 Plan, which allowed by-right development of duplexes and triplexes in single-family zoning citywide, also increased lot coverage allowances to support higher-density housing. In **Salida, Colorado**, residential developments with at least 16.7 percent affordable units may increase the allowed density and are subject to reduced dimensional standards, including smaller minimum lot sizes and higher lot coverage ratios.³¹

Portland's Residential Infill Project (RIP) legalized the construction of two-, three-, and four-unit developments on almost all residential properties and permits up to six units per single family lot, provided that at least three of those units are affordable to households under 60 percent AMI.³² This density bonus, coupled with new restrictions on the maximum size of new single-family homes, has prompted developers to shift away from building McMansions and toward the development of middle housing (duplexes, triplexes, fourplexes, and ADUs), by making the latter more profitable than the former. RIP went into effect in August 2021 and produced 127 additional units of 'middle'

30 §14-7.5(C)(1)

31 City of Salida. Retrieved from: <https://www.cityofsalida.com/media/8581>

32 City of Portland. Retrieved from: <https://www.portland.gov/bps/planning/rip/about-project>

housing in low density zones in just its first six months.³³ **Austin's** Affordability Unlocked program waives certain development regulations, including maximum lot coverage requirements, for projects that meet specific affordable housing criteria. In **Durham, North Carolina**, the Expanding Housing Choices policy allows for increased lot coverage for duplexes, triplexes, and accessory dwelling units (ADUs) in areas previously restricted to single-family homes. **Seattle, San Francisco** and **Denver** are additional examples of cities that allow developers to increase lot coverage and density if they provide affordable housing.

Parking

Most U.S. cities have minimum parking requirements that stipulate the number of off-street parking places that must accompany each new dwelling unit. Parking minimums are a barrier to affordable housing because they increase the amount of land needed for a development, which increases the cost of housing and reduces the amount of developable land. In Santa Fe, those limits are currently two parking spaces per dwelling unit for single family homes and multifamily rental projects of five or fewer units. Parking minimums for large multifamily developments are complex and onerous. The EAI proposals would streamline parking requirements, predicating parking minimums on number of bedrooms rather than square footage, with one- and two-bedroom units requiring one parking space and units with more than two bedrooms requiring two spaces. EAI parking minimums also do not differentiate between dedicated and common parking spaces in multifamily developments.

Precedent:

An ever-growing number of U.S. cities have reduced or eliminated parking requirements to increase housing production and affordability. In 2017, **Buffalo** became the first major U.S. city to eliminate all parking minimums.³⁴ Other cities including **San Francisco, Minneapolis, Sacramento, Cincinnati**, and **Austin** have since followed suit. **Portland** eliminated parking requirements for buildings with fewer than 30 units located near public transit. **Los Angeles** has also targeted parking reductions to transit-adjacent developments. LA's Transit Oriented Communities (TOC) Incentive Program encourages the construction of affordable housing by reducing the need for expensive parking facilities. In **Seattle**, no off-street parking is required for new developments in designated Urban Villages (areas of the city where growth and development are concentrated with the goal of creating dense, mixed-use neighborhoods that are walkable, transit-oriented, and sustainable).



33 Britschgi, C. (2022, June 13). Portland Legalized 'Missing Middle' Housing. Now It's Trying to Make It Easy to Build. Reason Magazine. Retrieved from: <https://reason.com/2022/06/13/portland-legalized-missing-middle-housing-now-its-trying-to-make-it-easy-to-build/>

34 Orbach, R. & Minott, O. (2023, Sept 14). Eliminating Parking Minimums in Buffalo, NY. Bipartisan Policy Center. Retrieved from: <https://bipartisanpolicy.org/blog/eliminating-parking-minimums-in-buffalo-ny/#:~:text=Reforms%20Implemented,off-street%20parking%20minimums%20citywide.>

Dimensional Flexibility Summary: Treatment of Deeply Affordable Developments: Standard SFHP versus EAI		
	Standard Santa Fe Homes Program (SFHP)	Enhanced Affordability Incentives (EAI)
Minimum net lot area	<p>Single-family dwellings (if city sewer and water are provided): 4,000 sq. ft. minimum; 2,000 sq. ft. if common open space is provided</p> <p>Multifamily dwellings: 4,000 sf per DU or as required to comply with maximum gross density</p>	The size necessary to comply with the maximum allowed density.
Maximum Lot Coverage & Open Space	40%, up to 50% if additional open space is provided (§14-7.5(C)(1))	Developments that provide at least 250 sq ft of open space for each dwelling unit and meet stormwater management standards are not subject to lot coverage requirements.
Minimum setback and stepback (distance from other properties, streets, and structures)	<p>Setbacks: R1-R9 Zones Street: 7 ft Side: 5 or 10 ft Rear: Lesser of 15 ft or 20% of the avg lot depth</p> <p>Setbacks: Higher Density Zones Zones established in development plan approved by Planning Commission</p> <p>Stepbacks Within 10 ft of side or rear property line 14 ft. Within 15 ft of side or rear property line 24 ft</p>	Minimum setback and step back requirements are waived along internal lot lines.
Parking	<p>Detached and 2-5 unit attached: 2 spaces per dwelling unit</p> <p>Attached >5 units: <800 sf – 1 dedicated, .25 common 800-1200 sf – 1 dedicated, .5 common >1200 sf – 1 dedicated, 1 common</p>	<p>1-to-2-bedroom dwelling units: 1 space</p> <p>Dwelling units with more than 2 bedrooms: 2 spaces (If at least one bicycle parking space is provided in addition to the standard off-street bicycle parking requirements)</p>

Administrative Review

Under Santa Fe's current code, development plans are presented by the developer to the community at an Early Neighborhood Notification (ENN) meeting. They are then reviewed and approved by the Planning Commission over the course of one or more public meetings. Under the EAI proposal, development plans for deeply affordable projects would no longer be subject to review by the Planning Commission. Instead, they would be reviewed by the Land Use Director and, if found to comply with all development standards, approved "by right."³⁵ Administrative review makes the process less contentious and more predictable for all stakeholders by stipulating upfront that a development that meets all the City's objective standards cannot be denied approval solely based on public input. Cities that streamline their land use decisions shave weeks or even months off approval timelines, which may explain why researchers have found correlations between streamlined land use decisions and lower housing costs.³⁶ There is also abundant evidence from across the country that the input received at public land use hearings disproportionately reflects the preferences and priorities of residents who are older, whiter and more likely to be homeowners than city residents overall.³⁷ Typical land use processes provide an outsized voice to these small but vocal and well-resourced opposition groups, often enabling their concerns about property values and parking to trump the community's need for more housing. More efficient local land use processes also have strong public support. A 2023 Pew survey found that 86 percent of American adults favored requiring "local governments to use a quick and clear process for making decisions about building permits."³⁸



35 Special use permits, variances, and exceptions to overlay requirements for deeply affordable projects would continue to be reviewed and approved by the Land Use Board, but the development as a whole would be reviewed and approved at the administrative level.

36 Glaeser, E. & Gyourko, J. (2018). The Economic Implications of Housing Supply. *Journal of Economic Perspectives* 32, no. 1 pp 3-30. Retrieved from: <https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.32.1.3>.

37 Einstein, K. L., Glick, D. M., & Palmer, M. (2019). *Neighborhood Defenders: Participatory Politics and America's Housing Crisis*. Cambridge: Cambridge University Press.

38 Horowitz, A. & Kansal, T. (2023, Nov. 3). Survey Finds Large Majorities Favor Policies to Enable More Housing. The Pew Charitable Trusts. Retrieved from: <https://www.pewtrusts.org/en/research-and-analysis/articles/2023/11/30/survey-finds-large-majorities-favor-policies-to-enable-more-housing>.

Discretionary land use approvals are a major impediment to the timely development of affordable housing. Lengthy land-use entitlement processes increase the cost of housing by extending project timelines, which leads to higher holding costs, such as property taxes and loan interest. These delays also add uncertainty and risk, making projects less attractive to investors and more costly due to potential redesigns, regulatory changes, and construction cost increases. Additionally, prolonged timelines result in higher financing costs, as developers face increased interest payments and stricter equity requirements to secure funding. Regulatory delays are particularly detrimental to affordable housing projects which have tight margins and are often dependent on time-limited grant funding. The costs imposed on developers by protracted and unpredictable land use processes are ultimately absorbed by homeowners and renters in the form of higher housing costs.³⁹

Administrative review by land use personnel rather than discretionary review by elected or appointed officials reduces costs and uncertainty for all participants in the process and brings projects to market faster.

Administrative review provides cities the opportunity to concentrate public input at the legislative level, where it can guide policy and thus have the greatest impact. By actively soliciting public participation and utilizing inclusive and transparent processes in developing and adopting updates to the city's General Plan, Santa Fe can focus public attention on the establishment of community-wide development standards rather than approval of specific projects. More intense community outreach and engagement at the General Plan level can also reduce the public's perceived need to participate in site-specific approvals because they have participated in developing the standards that administrative reviewers must apply.

Precedent:

The City of Santa Fe already requires administrative review of qualifying projects in the City's LINC Overlay.

Many local governments throughout the U.S. have adopted administrative review of housing development plans, improving the speed and predictability of land use approvals by enabling housing projects that meet all objective standards to bypass onerous public hearing requirements.

Pursuant to a 2022 Executive Directive,⁴⁰ the City of **Los Angeles** requires administrative reviews of all affordable housing developments that do not require zoning changes, variances, or General Plan amendments, within 60 days of receipt.⁴¹ LA has employed administrative review as a development incentive since at least 2017, when the city's Transit Oriented Communities Affordable Housing Incentive Program (TOC) began allowing administrative review and 'by-right' approval as well as density and parking bonuses for housing developments within a one-half mile radius of a major transit stop. City officials credit this component of the program with significant increases in both affordable and market rate units in TOC areas.⁴² The cities of **Oakland**,⁴³ **San Francisco**, **San**

39 Glaeser, E. & Gyourko, J. (2018). The Economic Implications of Housing Supply. *Journal of Economic Perspectives* 32, no. 1 pp 3-30, <https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.32.1.3>.

40 Office of Los Angeles Mayor Karen Bass. (2022, Dec 16). Mayor Bass signs Executive Directive to dramatically accelerate and lower the cost of affordable housing and temporary housing | Mayor Karen Bass (lacity.gov)

41 City of Los Angeles Interdepartmental Correspondence (2023, February 9). Retrieved from: ed-1-implementation-guidelines.pdf (ladbs.org)

Diego, and **Redwood City** are some of the other California communities that expedite approval of affordable housing through administrative review.

Legislation adopted by the **State of Washington** in 2023 allows local jurisdictions to exempt residential development plans for “middle”⁴⁴ and infill housing from public hearing requirements. The cities of **Seattle**⁴⁵ and **Auburn** are two Washington communities that provide for administrative design review, particularly for affordable housing projects, allowing for quicker approvals under certain conditions.

Colorado’s Proposition 123 requires expedited review of all development projects in which at least fifty percent of the residential units are affordable. Many Colorado communities, including **Denver**, **Salida**, **Commerce City**,^{46 47} and **Fort Collins**,⁴⁸ have adopted administrative review to help speed affordable housing approvals. According to officials in Salida, shifting to administrative review trimmed weeks from the approval process. **Denver** is currently overhauling its permitting process to speed approvals and meet its goal of cutting permit review time by 30 percent⁴⁹ and permitting new affordable housing developments in under 90 days.⁵⁰

In **Phoenix**, the city’s planning and development department reviews site plans, development plans, land divisions, plats, and plat amendments administratively and can approve them without public hearings or city council approval. These changes have shaved well over a month off the approval process.⁵¹ In **Minneapolis**, streamlined land use approvals, including administrative review, reduced approval time by up to two months.⁵²

Finally, **New York City** provides an example of why administrative review is the linchpin of local efforts to increase density and expedite approvals. In 2016, New York adopted the Mandatory Inclusionary Housing Program (MIH), which offered increased density to residential construction projects in exchange for new affordable housing units.⁵³ The MIH, which is triggered by rezonings for increased density, seeks to capture some of the value that upzoning creates for private developers to increase the city’s affordable housing stock. In NYC, rezonings entail review and public hearing at multiple levels of local government (community board, borough president, City Planning Commission, and City Council). Because such hearings give disproportionate voice to well-funded and well-organized opposition from wealthier city residents, upzoning has been limited to lower income areas and even in those areas rezoning proposals that include MIH requirements have faced strong community opposition which has delayed rezonings and slowed housing growth.

42 Turner Center for Housing Innovation (2019, Dec). Lessons in Land Use Reform: Best Practices for Successful Upzoning. Retrieved from: https://turnercenter.berkeley.edu/wp-content/uploads/pdfs/Lessons_in_Land_Use_Reform.pdf

43 City of Oakland Department of Housing and Community Development. 2024 PRO Housing application. Retrieved from: <https://cao-94612.s3.us-west-2.amazonaws.com/documents/PRO-Housing-2024-PUBLIC-COMMENT-DRAFT.pdf>

44 defined in the WA law as fourplexes, attached and detached accessory dwelling units, cottage housing, stacked flats, townhouses with more than four units, and courtyard apartments

45 Seattle Department of Construction and Inspections. 2023 SEPA Exemption for Infill Housing (SB 5412). Retrieved from: [FAQSEPAExemption.docx](https://www.sepa.wa.gov/FAQSEPAExemption.docx) (live.com)

46 State of Colorado Department of Local Affairs. Side-by-Side Analysis of Challenges and Strategies | Department of Local Affairs (colorado.gov)

47 Commerce City Colorado. Expedited Priority Case Review Policy. Retrieved from: [638103263849470000](https://www.commercecitycolorado.com/638103263849470000) (c3gov.com)

48 City of Fort Collins. Development Incentives for Affordable Housing - City of Fort Collins (fcgov.com)

49 City of Denver. Citywide Goals 2024. Retrieved from: <https://www.denvergov.org/files/assets/public/v/3/mayor/documents/2024-town-hall-6.pdf>

50 State of Colorado Department of Local Affairs. Side-by-Side Analysis of Challenges and Strategies | Department of Local Affairs (colorado.gov)

51 City of Phoenix Approves New Streamlined Plat Approval Process

52 New Minneapolis ordinance aims to increase housing downtown | MPR News

53 National Association of Homebuilders. (2015) Development Process Efficiency: Cutting Through the Red Tape. Abt Associates. Retrieved from: <https://www.nahb.org/-/media/NAHB/advocacy/docs/top-priorities/housing-affordability/overview-part-2-expedite-approvals-for-affordable-projects.pdf>

Administrative Review Summary: Treatment of Deeply Affordable Developments: Standard SFHP versus EAI

	Standard Santa Fe Homes Program (SFHP)	Enhanced Affordability Incentives (EAI)
Review and Approval of Development Plans	Development plans are subject to multiple public meetings and quasi-judicial review by the Planning Commission	Development plans for deeply affordable developments are reviewed by the land use director and, if found to comply with all objective standards, approved 'by right.'



Oshara Blvd, Oshara, Santa Fe, New Mexico, 2016

Three Kinds of Land Use Decisions

Local governments engage in three distinct types of land use decision-making: Legislative, quasi-judicial, and administrative. The three types of decisions differ procedurally and in the amount of discretion afforded the decision-makers.

Legislative decisions entail the most discretion. Legislative decisions produce broadly applicable laws and typically involve public meetings and citizen engagement. The Santa Fe City Council is acting in its legislative capacity when it develops and adopts laws.

Quasi-judicial decisions are made by the City Council and Planning Commission based on the application of pre-existing laws or regulations to specific, individual cases. Quasi-judicial decision-makers can exercise discretion, but it is strictly limited by local ordinance and state law. When making quasi-judicial decisions, the Council and Planning Commission act like courts—evaluating evidence, applying legal standards, and making rulings that affect the rights or interests of specific parties.

Quasi-judicial proceedings typically involve one or more formal hearings and must follow the basic standards of due process, including properly noticed hearings, opportunities for all sides to present their cases, no ex parte contacts (i.e., contact between a party involved in a case and the decision maker(s) without the other parties' knowledge), and impartial decision-makers free from bias and conflicts of interest. Quasi-judicial proceedings create a record consisting of all the evidence, testimony, and documents presented during the hearing that can be used if the decision is appealed in court.

Administrative decisions are typically made by staff, not elected or appointed officials. They involve the application of clear standards set by policies or ordinances and thus allow very little discretion on the part of the decision-maker(s). Strict adherence to objective standards means that administrative decisions are often more predictable, faster, and more likely to conform to the letter of the law than other types of decisions.

Voting to adopt the SFHP Enhanced Affordability Incentives as part of the Phase 1 General Plan amendments would be a legislative decision. Implementing them would shift some decisions currently made in a quasi-judicial fashion by the Planning Commission to administrative review and approval by the Land Use Director.

Eliminating quasi-judicial review of site-specific development for projects that meet all objective criteria and are in full compliance with all development standards:

- Reduces uncertainty and delays
- Expedites the process and reduces administrative cost to taxpayers
- Lowers carrying and other financing costs for developers
- Lowers development costs for the City of Santa Fe because the city is often an investor in affordable housing projects

Fee Waivers and Reductions

Santa Fe charges a variety of development-related fees including impact fees, construction permit fees, plan review fees, development review fees, wastewater utility expansion charges (WW-UEC), and water utility expansion charges (W-UEC). The Santa Fe Homes program currently provides fee reductions proportional to a development's share of affordable units. Applicable fees include development review fees, construction permit fees, impact fees and utility expansion fees. Fee waivers are also a feature of the Midtown Local Innovation Corridor (Midtown LINC) Overlay District. Under the proposed EAI, these fees would be waived for all units, both affordable and market-rate, included in deeply affordable developments. **Table 1** compares the fee waivers and reductions available under the Standard SFHP and the SFHP with EAI.

Table 1. Development Fee Waivers and Reductions		
Fee	Santa Fe Homes Program (SFHP)	Enhanced Affordability Incentives (EAI)
Development review	For Sale Units: Reduced by the 1x the % of SFHP units Rental Units: Reduced by 2x the % of SFHP units Manufactured home lots: Reduced by 2x % SFHP lots	For Sale Units: Reduced by the 1x the % of SFHP units Rental Units: No Change Manufactured home lots: Reduced by 2x the % SFHP lots
Construction permit	For Sale Units: Reduced by the 1x the % of SFHP units Rental Units: Reduced by 2x the % of SFHP units Manufactured home lots: Reduced by 2x the % SFHP lots	Project is exempt as set by resolution of the Governing Body
Impact	Reduced at the time of construction permit application for SFHP units	Waived
Wastewater UEC	Reduced at the time of construction permit application for SFHP units	Waived
Water UEC	Reduced at the time of construction permit application for SFHP units	Waived
Water Budget	Reduced at the time of construction permit application for SFHP units	Reduced rate (\$12,000/AF)

The City of Santa Fe requires developers to offset any additional demand their project places on the City’s water system. Residential developers can satisfy this requirement by purchasing water demand offsets from the City⁵⁴ at a cost of \$16,600 per acre foot (AF). Single family subdivisions typically require a demand offset of .15 AF per dwelling unit. Developers participating in the SFHP are required to obtain .15 AF for each unit they develop but pay less per AF for affordable units. SFHP water price reductions are determined on a case-by-case basis. The SFHP EAI do not reduce the required water demand offsets but do enable developers of deeply affordable developments to purchase them at the reduced rate specified in §14.07.07E, Dedication of Water to Development, or \$12,000/AF for all units in the development.

A market-rate single family home is subject to City fees totaling \$11,816. Under the SFHP, fees on a single-family home in a subdivision with 40 percent affordable units would average \$8,130. Under the EAI, per unit fees for the same subdivision would average \$1,800 per unit (**Table 2**).

	Fees @ 0% Affordable Units	Fees @ 40% Affordable Units	
	All Market Rate	Standard SFHP	SFHP Enhanced Affordability Incentives
Impact	\$107,910	\$64,746	0
Building Permit	\$50,333	\$30,200	0
Building Plan Review	\$25,167	\$15,100	0
Development Review	\$21,015	\$12,609	0
Wastewater UEC	\$14,970	\$8,982	0
Water UEC	\$60,390	\$45,834	0
Water Budget	\$74,700	\$66,420	\$54,000
Total	\$354,485	\$243,891	\$54,000
Per Unit	\$11,816.00	\$8,129.70	\$1,800.00

Precedent:

Many U.S. cities, including **San Francisco, Seattle, Los Angeles, Boston, Austin, Denver, Miami, and Phoenix** waive or reduce development fees for affordable housing. In fact, development fee waivers are one of the common incentives offered to developers to offset the cost of providing affordable housing units under inclusionary zoning programs.⁵⁵ Such waivers typically cost the granting jurisdiction between **\$5,000 and \$30,000** per unit.

54 The City’s Water Bank is a repository for transferred water rights and water credits derived from conservation programs. Section 25-10 SFCC 1987

55 Jacobus, R. (2015). Inclusionary Housing Creating and Maintaining Equitable Communities. Lincoln Institute of Land Policy. Retrieved from: https://www.lincolninst.edu/app/uploads/legacy-files/pubfiles/inclusionary-housing-full_0.pdf

Fee Waivers and Reductions Summary: Treatment of Deeply Affordable Developments: Standard SFHP versus EAI		
	Standard Santa Fe Homes Program (SFHP)	Enhanced Affordability Incentives (EAI)
Fee Waivers	Development review and construction permit fees prorated by percent affordability for for-sale units and twice the percent affordability for rental units or MH lots. Impact fees, utility expansion charges and water budget fees are prorated by percent affordability.	Development review, construction permit, plan review, impact fees, water and wastewater expansion charges fees are waived for 100% of the project. Projects must obtain water to meet their city-approved development water budgets but are subject to reduced rate (\$12k/AF)

Conclusion

The Enhanced Affordability Incentives included in the proposed Phase 1 revisions to Santa Fe’s Land Development Code have the potential to meaningfully increase the city’s housing supply and improve affordability throughout the city. The new incentives for developments in which at least 30 percent of units are affordable include density bonuses, dimensional flexibility, fee waivers, water fee reductions, and administrative review. These elements are complimentary and designed to work in tandem. To achieve their goals, they must be implemented as a package. Adoption of the package will stimulate the development of infill housing for working families enabling Santa Fe to remain a great place for families to live, work, and grow.



Santa Fe, New Mexico