



Markel Homes Construction Company
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August 12, 2022

Ellie Hassan
Planner II
City of Louisville
749 Main Street
Louisville, CO 80027

RE: North End Phase 2—Amended Block 11 PUD and Replat, Cash in Lieu for Affordable Housing Request

Dear Ellie,

Markel Homes has a strong track record of providing high quality and affordable homes in Boulder County since 1973. We take great pride in meeting the needs of a broad spectrum of homebuyers, across all price points and unit types. In this particular neighborhood, we designed North End around market homebuyers, with a mix of products to meet their diverse needs, so they can thrive in Louisville.

As such, we are submitting a request to exercise the Fee in Lieu option for Inclusionary Housing at North End Block 11, Amended PUD and Replat. Per **Chapter 17.76 - Inclusionary Housing, Sec. 17.76.050. - Options to satisfy requirements**, there are a number of reasons for us to pursue this direction. For reference, we want to first restate two portions of that section that pertain to our application.

B. *Fee in lieu.* A developer may pay a fee in lieu of providing affordable units.

1. *Amount.* The city council finds that studies performed by municipalities within the vicinity of the city reasonably calculates the impact to the city, including the city's finances and the welfare of the city's residents, of market-rate dwelling units being developed in the city. Accordingly, the fee in lieu is set initially at \$9.24 per square foot of finished market-rate for-sale housing, and \$4.72 per square foot of finished market-rate rental housing. The fee in lieu of providing any required fraction of a unit shall be pro-rated based on its proportional share (fractional quantity divided by total number of units required) of the amount of fee in lieu that would be required for the whole development. The City Manager shall periodically recalculate the fee in lieu and present the recalculation to the city council.
2. *Timing of payment.* A developer or builder shall pay the fee in lieu for each market-rate unit as a prerequisite for receiving the building permit for that unit. The fee paid shall be the fee in effect at the time of the submittal of a complete building permit application for the development, whichever is later.

H. *City council approval required.*

1. Developments seeking to use options other than on-site location of affordable housing must seek approval of their proposed use of such options from the city council. The city council's decision on such proposals is discretionary and legislative. *The city council will consider whether the proposal will result in more affordable housing, providing more of a benefit to the city, than would the provision of the affordable units on-site under subsection A of this section, whether practical difficulties prevent the inclusion of the affordable units on-site under subsection A of this section, whether the proposal would better benefit the inhabitants of the city than requiring the provision of affordable housing on-site, or any other factors that may be relevant to these considerations.*
2. Exception to restrictions on placement of affordable housing in low to moderate income areas. The city

council may, in its discretion and as a legislative act, grant an exception to the restrictions of subsections C and D of this section on provision of off-site affordable housing and land dedication within low to moderate income areas. The city council will generally consider whether the placement of the required affordable housing in such areas would result in clustering of low-income housing in a way that would negatively impact the inhabitants of the area, the surrounding community, or the city as a whole, and whether positive elements of redevelopment or investment in the area outweigh any potential negative impacts.

3. The city manager shall recommend approval or denial of each proposal before the city council based on compliance with the applicable provisions of this chapter and adopted city policy.

Per the code sections outlined above, we believe that the Fee in Lieu option is the best option for this project for the following reasons:

1. **Timing and Previous Approvals:** North End Block 11 first amended PUD was recorded on 8/23/2017, with all residential units being market rate. Since we did not pull a building permit within 3 years of the PUD approval, no building permits could be issued without reapproving the PUD. We decided at that time to redesign the site and provide market rate townhomes instead of larger residential condominiums, an update that better reflects the current market needs. The current amended PUD was submitted in 2021 before the affordable housing requirements were added to the code.
2. **Design and Economic Feasibility:** This Block has been entitled, planned, and financed for years as market rate residential units. Inclusion of affordable units would have required this to be incorporated into the site plan, unit mix and proforma since the beginning. The cost of construction has increased dramatically in the last several years, making the inclusion of affordable housing even more challenging. There is a strong need for market rate units in Louisville, which we believe North End is best served to provide. Providing affordable units within this development would drive prices of market units higher, creating a negative impact to other homebuyers in this market segment.
3. **Investment will go further:** The Fee in Lieu will better serve Louisville by contributing to a future affordable housing development that is designed around that purpose. Affordable housing can be constructed at a greater volume and more affordably when done as a complete project, with subsidies and grants applied across the entire development. A Fee in lieu payment from North End will go further when applied to such a development, or to a housing program, than to individual units within North End.

For these reasons, we believe our proposal will result in more affordable housing, provide more of a benefit to the city than building units on-site, and that there are real practical difficulties that prevent us from including affordable units on-site, given the previous approvals and timing of these requirements. We appreciate your consideration and would be happy to discuss this at our upcoming hearings.

Sincerely,

Michael Markel
President
Markel Homes

Jason Markel
Vice President
Markel Homes