



# Amendment to Subsection 2.12: Affordability Incentives

DCA26-0001a

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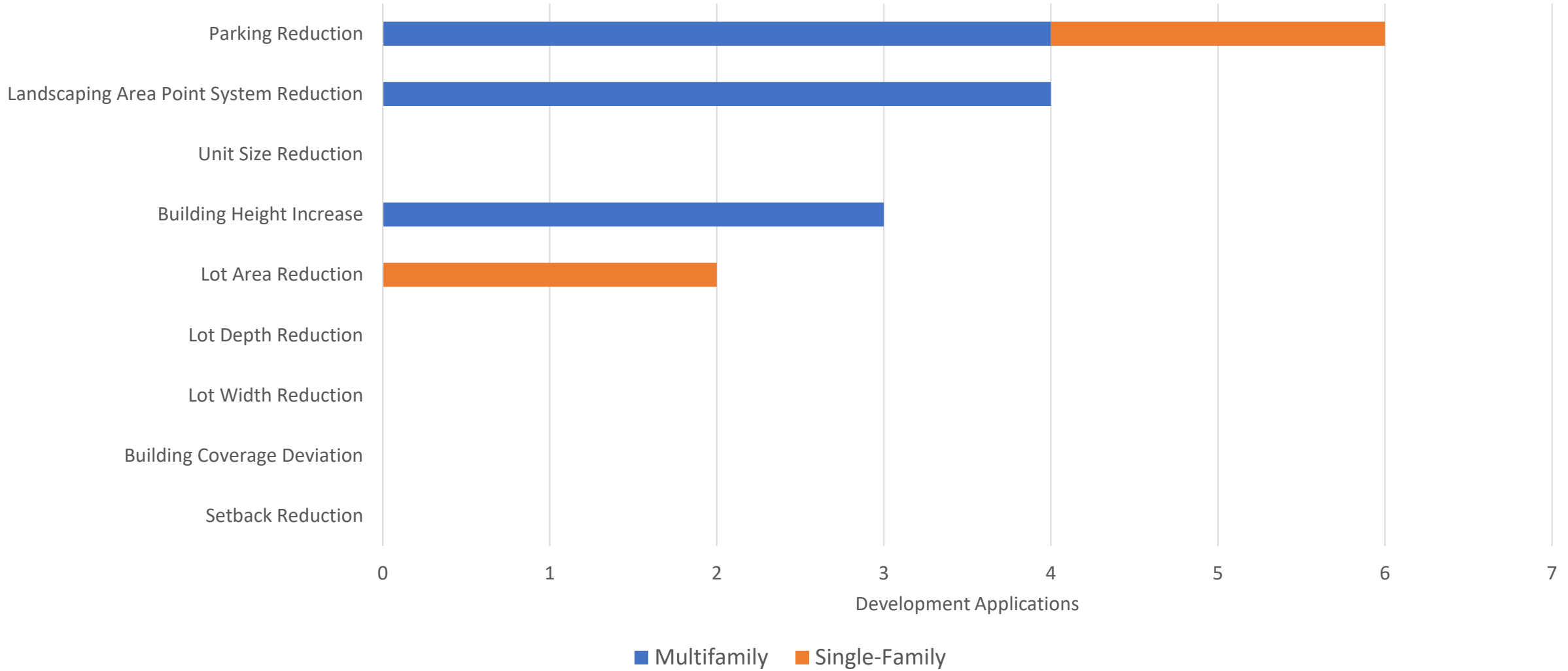
A vibrant mural on a wall depicting a blue parrot with its wings spread, surrounded by large yellow and pink flowers. The mural is set against a background of green foliage. A diagonal banner with blue, white, and red stripes runs across the top right of the image.

**COMMUNITY SERVICES**

# Background

- The Section 2.12 Affordability Incentive Program was created **October 15, 2024**.
- The program offers nine different **zoning incentives** for residential developments that commit to leasing or selling some of their homes to low-income households at affordable rates.
- Since the program's creation, four multifamily developments and two infill single family developments have applied for incentives.

### Subsection 2.12 Incentive Utilization



# Summary

Staff committed to evaluating the program on an ongoing basis. In the year since program creation, staff have identified **four** opportunities to improve the program.

1. Remove the **Right of First Refusal** requirement
2. Increase **access to incentives** by removing scaling qualification
3. Adjust affordability requirements to **be Affordable for Denton**, distinguishing between rental and ownership markets.
4. Clarify affordability requirements for **small developments** with fewer than 20 homes.

# Right of First Refusal

Staff is proposing to remove the Right of First Refusal requirement for program participants. The Right of First Refusal does little to secure the affordability and creates significant administrative challenges in practice for developers, lenders, and staff.

# Affordability Qualifications

Staff is proposing to adjust qualification requirements to increase access to incentives and to reflect the separate market rates of the local rental and homeownership markets.

- **All:** Remove scaling qualifications to access more incentives, setting 15% of units as the threshold for any number of incentives.
- **Rental:** Reduce the target income thresholds to be entirely Affordable for Denton (below market rate)
- **Homeownership:** Increase target income threshold to only include 80% AMI, which is still below Denton's market rate and increases financial feasibility for affordable homeownership developments. Align affordability period with other existing programs for affordable homeownership.

# Affordability Qualifications

## **CURRENT**

| TABLE 2.12-B: Number of Incentives Granted Per Percent of Units held Affordable |                             |                             |                             |                             |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Income Category   | Percent of Units Affordable | Percent of Units Affordable | Percent of Units Affordable | Percent of Units Affordable |
| NUMBER OF INCENTIVES  | 3 or fewer                  | 4 or 5                      | 6 or 7                      | 8 or 9                      |
| Extremely Low Income (<30% AMI)   | 5%                          | 10%                         | 15%                         | 20%                         |
| Very Low Income (<50% AMI)  | 10%                         | 15%                         | 20%                         | 25%                         |
| Low – Moderate Income (<80% AMI)  | 5%                          | 10%                         | 15%                         | 20%                         |
| <b>TOTAL PERCENT OF UNITS AFFORDABLE</b>  | <b>20%</b>                  | <b>35%</b>                  | <b>50%</b>                  | <b>65%</b>                  |
| <b>DURATION OF AFFORDABILITY</b>  | <b>30 years</b>             |                             |                             |                             |

## **PROPOSED**

| Table 2.12-B Minimum Percent of Units held Affordable to Qualify |                 |                |
|--|-----------------|----------------|
| Income Category  | Rental          | Homeownership  |
| Extremely Low Income (<30% AMI)                                  | 5%              | -              |
| Very Low Income (<50% AMI)                                       | 10%             | -              |
| Low – Moderate Income (<80% AMI)                                 | -               | 15%            |
| <b>TOTAL PERCENT OF UNITS AFFORDABLE</b>                         | <b>15%</b>      | <b>15%</b>     |
| <b>DURATION OF AFFORDABILITY</b>                                 | <b>30 years</b> | <b>5 years</b> |

# Affordability Qualifications for Infill

- Staff is proposing to clarify affordability qualifications for developments with fewer than 20 homes, setting favorable terms for these **small-scale developments**.
- **Nine or fewer units:** Qualified by **one** unit at the highest applicable income level (50% AMI for rental, 80% AMI for ownership).
- **Nineteen or fewer units:** Qualified by a minimum of 15% of units at the **highest applicable income level** and does not need to include units for lower income categories.
  - For example, a rental development with 19 units total would need to include three affordable units (16% of the total), but all three could be at 50% AMI, rather than two at 50% AMI and one at 30% AMI.

# Options & recommendation

1. Recommend approval of the Denton Development Code text amendments as presented
  2. Recommend approval of the Denton Development Code text amendments with conditions
  3. Recommend denial
  4. Postpone to a date certain to allow for further deliberation
- Staff **recommends approval** as the ordinance meets the criteria for code amendments outlined in DDC Section 2.7.4D.