



City of Denton

City Hall
215 E. McKinney Street
Denton, Texas
www.cityofdenton.com

AGENDA INFORMATION SHEET

DEPARTMENT: Community Services

CM/ DCM/ ACM: Chirstine Taylor

DATE: April 7, 2026

SUBJECT

Hold a public hearing and consider adoption of an ordinance of the City of Denton, Texas, amending the Denton Development Code Subchapter 2 Section 2.12 Affordability Incentive Procedures; amendments include but are not limited to Subsection 2.12.4, Procedure, removing the Right of First Refusal requirement; Subsection 2.12.6, Affordability Incentive Qualifications, clarifying application to developments with 19 or fewer units; Table 2.12-B, adjusting qualifications to reflect prevailing market rates and make incentives easier to access; providing for a penalty in the maximum amount of \$2,000.00 for violations thereof; and providing a severability clause and an effective date. The Planning and Zoning Commission voted [5-0] to recommend approval of the amendment. Motion for approval by Commissioner Ketchersid and second by Commissioner Riggs. (DCA26-0001, Affordability Incentives, Leia Atkinson).

STRATEGIC ALIGNMENT

This action supports Key Focus Area: Foster Economic Opportunity and Affordability.

BACKGROUND

The Section 2.12 Affordability Incentive Program was created October 15, 2024 with the adoption of Section 2.12 into the Denton Development Code. The program offers nine different zoning-related incentives for residential developments that commit to leasing or selling a proportion of their homes or units to low-income households at set affordability thresholds. Incentives (listed in Figure 2 below) include reductions in the minimum requirements for lot dimensions, building setbacks, landscaping, and parking. Since October 2024, four multifamily developments and two infill single family developments have applied for incentives. Two of the multifamily developments have executed incentive agreements and are in the early stages of construction. Through program review, staff have identified four opportunities for improvement that would make the program more accessible, more enticing for all developers, and align the program with the City's priorities on Affordable for Denton housing. The proposed changes are detailed as a redline markup of the current code language in Exhibit 3 while a clean version of revised text can be found in Exhibit 4.

The Planning and Zoning Commission held a public hearing and recommended approval of this amendment [5-0] on March 18, 2026 ([DCA26-0001](#)).

Applications to date

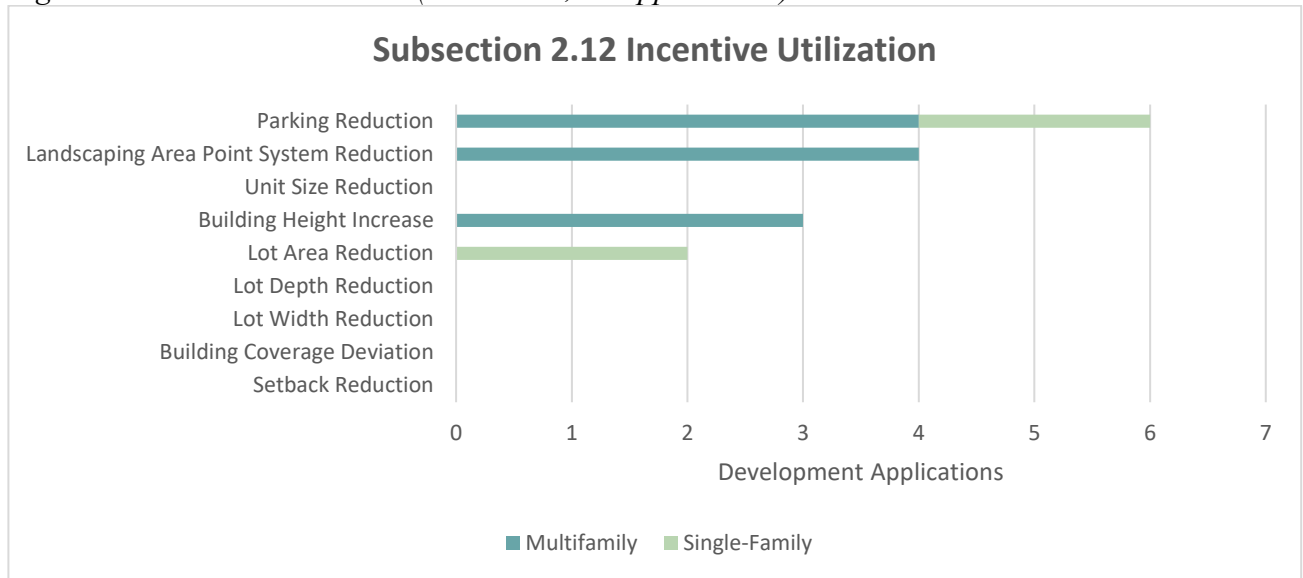
As of January 2026, six development teams have submitted applications. Four of these applications are multifamily rental developments, and two are single family homeownership developments. Both single-family projects are infill projects, meaning a small project in an established neighborhood. Two are in construction, three are in the development process, and one is still awaiting funding award.

Figure 1 – Incentive applications to date

Development	Status	Occupancy Type	Building Type	Developer	Financing Tools	Total Units
Stella Haven	Under Construction	Rental	Multi-Family	Stella Haven, LP	9% Housing Tax Credit	88
Roselawn Village	Under Construction	Rental	Multi-Family	NRP Lone Star Development LLC	4% Housing Tax Credit	297
Robertson Development	In Development	Ownership	Single-Family	Denton Affordable Housing Corporation	HOME	3
Hinkle Development	In Development	Rental & Ownership	Single-Family	Denton Affordable Housing Corporation	American Rescue Plan	14
McAdams Haven	In Development	Rental	Multi-Family	Denton Affordable Housing Corporation	9% Housing Tax Credit	84
Palladium Denton West Living	Applied	Rental	Multi-Family	Palladium USA International, Inc.	9% Housing Tax Credit	120

To date, only four of the nine incentives have been applied for. All six applicants have applied for the parking reduction, all four multifamily developments have applied for the reduction to the landscaping area point system, three multifamily projects have applied for the building height increase, and both single-family developments applied for the lot size reductions.

Figure 2 - Incentive utilization (total count, all applications)



DISCUSSION

Proposed Changes

Removing the Right of First Refusal Requirement

The Right of First Refusal Requirement provides the City the right to purchase any property where incentives were utilized if the owner seeks to sell within the 30-year affordability period.

This creates a situation where a low-income homebuyer would need to first offer the City Right of First Refusal on their home if they sought to sell it within 30 years of the home being built. Additionally, this requirement causes significant administrative difficulties for Housing Tax Credit developments, which typically have syndicators and/or non-profit partners who also require Right of First Refusal and have expressed that they would not be willing to subordinate their right to the City's.

The Right of First Refusal requirement does not provide significant affordability protections, causes administrative complications, creates an undue burden on low-income home buyers, and does not align with long-term City real estate planning.

Increase Access to Incentives

Staff propose simplifying qualification requirements such that 15% of units as affordable allows access to any number of the nine incentives.

Under the current qualification requirements, developers can access up to three incentives by dedicating 20% of the total units as affordable. In order to access more than three incentives, developers must dedicate a higher amount of the units as affordable, up to 65% of units.

Figure 3 – Current qualification table

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
Income Category	5%	10%	15%	20%
Extremely Low Income (<30% AMI)	10%	15%	20%	25%
Very Low Income (<50% AMI)	5%	10%	15%	20%
TOTAL PERCENT OF UNITS AFFORDABLE	20%	35%	50%	65%
DURATION OF AFFORDABILITY	30 years			

Figure 4 – Proposed qualification table

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%
TOTAL PERCENT OF UNITS AFFORDABLE	15%	15%
DURATION OF AFFORDABILITY	30 years	5 years

Of the six applications received thus far, none have elected to use more than three incentives, although some were qualified for more. Some incentives are more applicable to single family developments (three related to lot size and setback requirements) and some are more applicable to multifamily (landscaping area point system, height increase). Making all nine incentives available at the threshold level of affordability could simplify the program.

Adjust Requirements to Reflect Market Rate

Another proposal is to adjust qualification requirements to consider the separate market rates of the rental and homeownership markets as well as the City’s priorities around Affordable for Denton development.

The program should remove the low-income (80%-50%) Area Median Income (AMI) requirements for rental developments, as Denton’s market rental rate typically falls above 60% AMI, and low-income rental units are not considered Affordable for Denton, as discussed in the November 18, 2025 City Council work session on the Low-Income Housing Tax Credit Policy ([ID 25-1392](#)).

The program could set low-income as the only target income bracket for homeownership developments as Denton’s market sales prices typically fall above 90% AMI, with a median home value of \$379,900 (2024 American Community Survey). Furthermore, current construction costs create a significant financial barrier to selling newly constructed homes at the 50% AMI sales price maximum of \$158,400 for a two-bedroom.

The program should adjust the affordability period to five years for homeownership developments in order to align with other existing homebuyer assistance programs and allow low-income homebuyers greater flexibility.

Clarify Requirements for Small Developments

Affordability qualifications currently require units at three different levels of affordability in increments of 5% of the development’s total homes. This proved difficult for staff to interpret and uniformly apply to developments of less than 20 total homes. Clarification on procedures would help staff qualify small developments in a standard way.

To encourage infill development, the program could set favorable requirements to qualify developments with less than 20 homes, requiring a slightly smaller percentage of homes or allowing higher income targets. This could make the program more financially accessible to infill developments, which have fewer units overall to spread development costs across.

The program has so far been effective at making infill projects more viable from a zoning compliance perspective but poses additional financial and administrative challenges for these projects.

OPTIONS

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

EXHIBITS

1. Agenda Information Sheet
2. Staff Analysis
3. Presentation
4. 2.12 Affordability Incentive Procedures (Proposed, Redlines)
5. 2.12 Affordability Incentive Procedures (Proposed)
6. Draft Ordinance

Respectfully submitted:
Jesse Kent
Director of Community Services

Prepared By:
Leia Atkinson
Housing Programs Coordinator