BENTONVILLE HOUSING AFFORDABILITY WORKGROUP

- Much of Bentonville's workforce struggles to find affordable housing within the city.
- The workgroup spent a year digging into the causes, as well as a solution: Project ARROW.
- Project ARROW is a process that is actively managed by the City to increase the affordable housing units within Bentonville.

In partnership with
City of Bentonville staff,
Bentonville City Council,
local developers,
City of Bentonville
Planning Commissioners,
social service providers,
philanthropic institutions,
and Bentonville residents

EXECUTIVE SUMMARY

The City of Bentonville continues to demonstrate its leadership in Northwest Arkansas by tackling one of the most pressing issues facing its workforce: Affordable Housing. The housing crisis is decades old, stemming from the region's explosive growth that began in the 1990s. But more recent developments—such as the impact of the COVID-19 pandemic on the local economy, interest rates being raised repeatedly by the Federal Reserve to curb inflation, and major employers like Walmart and Tyson Foods recruiting ever more new employees to the region or relocating existing ones to their home offices—have elevated the problem to historic heights. Recent analyses show that Fayetteville, AR (and, by extension, the rest of the region) is the most competitive small rental market in the United States[1] and that home prices in Northwest Arkansas are climbing faster than anywhere else in the country.[2]

Tasked with developing a plan to address this crisis, the Bentonville Housing Affordability Workgroup—in partnership with City of Bentonville staff, members of the Bentonville City Council, local developers, City of Bentonville Planning Commissioners, social service providers, philanthropic institutions, and Bentonville residents—set an aggressive timeline for completion, due to the urgency of the need. Over the course of 12 months, the workgroup has achieved its three primary goals:

1. Bringing clarity to what is really meant by "affordable housing".
2. Building an extensive data set to both understand the current housing landscape and to unlock issues that will need to be addressed. These data include best practices from across the nation that the City can "adopt and adapt" to the unique characteristics of Bentonville.
3. Developing a City-driven process—***Project ARROW***—with active management will achieve fast action, motivating developers to build the housing that is needed, generating wins for the City, our businesses, the developers, and, most importantly, the workforce of Bentonville.

This document serves as a ***Final Report*** of the findings and recommendations of the workgroup and as an ***Implementation Guide*** for the community in order to understand and drive forward solutions to the affordable housing crisis.

[1] https://www.rentcafe.com/blog/rental-market/market-snapshots/most-competitive-rental-markets-2022/, August 8, 2022
[2] https://www.nwaonline.com/news/2022/aug/28/home-prices-in-northwest-arkansas-climb-faster/, August 28, 2022

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FINAL REPORT

RECOMMENDATIONS FOR AFFORDABLE HOUSING PROJECTS (PROJECT ARROW)

The primary recommendation of the Bentonville Housing Affordability Workgroup is to **adopt the Project ARROW approach to help the City of Bentonville meet its affordable housing goals,** as described in this document. The following are additional recommendations that support that objective:

- Create a tiered process that targets the majority of the Bentonville workforce that most struggles with finding and retaining housing within the city
- Establish and utilize developer incentives for affordable housing developments that meet pre-defined criteria, including income tier, proximity to existing infrastructure, and location within the City.
  - Offer additional density through the following:
    - Reductions in minimum required parking (size and number of spaces)
    - Reduced Right-of-Way Widths
    - Narrowed utility easements
    - Increases in allowable height
    - Setback reductions
    - Reducing or eliminating land area per dwelling unit requirements
    - Modifying landscape buffers
    - Alternative utility layouts to allow for a more compact development pattern
  - Tiered use of impact fees
  - Consider the City's access to government funding (e.g. CDBG or other funds) in calculating incentives
  - Land leases/donations for major affordable housing projects with commensurate return on investment
- Implement an expedited development cycle, as developed by City staff, for affordable housing projects that meet pre-defined defined criteria—including income tier, proximity to existing infrastructure, and location within the City—that includes:
  - A submittal schedule that establishes submittal and resubmittal deadlines from pre-application to pre-construction
  - A designated "liaison" responsible for ensuring timely reviews, comment response, and resubmittals
  - Exemption from Planning Commission approval
  - Committed timelines for each step by ordinance
- Create and hire an Affordable Housing Manager position to facilitate and oversee the Project ARROW approach
  - Collect all relevant data to gauge the impact
    - "Building Metrics"
    - "People Metrics"
    - "Financial Metrics"

    - Adopt and publish for the public a summary metrics "scorecard"
    - Revisit and revise the process on an annual basis to ensure effectiveness
- Build public education and communication plan
- Form implementation committee
- Establish ordinances that codify all of the above
- Deliver the workgroup's Final Report and Implementation Guide to the Bentonville City Council by January 18th, 2023
- Place the workgroup's Final Report and Implementation Guide on the agenda for final approval in the Bentonville City Council meeting on January 24th, 2023

RECOMMENDATIONS TO SUPPORT MARKET AFFORDABILITY

Many of the barriers identified by the Housing Affordability Workgroup affect all projects under development within the City of Bentonville. Further, not all projects will choose to pursue the Project ARROW approach due to the tight timeframes and compliance measures, despite the benefits offered. Therefore, in addition to the recommendations pertaining to the Project ARROW approach, the Housing Affordability Workgroup recommends the following actions as a means to support general market affordability:

- Barrier #1: Total Development Cycle Time
    - Investigate and adopt an ordinance to allow vertical construction of homes sooner in the single-family construction process
    - Consider the creation of administrative approval criteria for preliminary plats that meet pre-defined criteria
    - Create an expedited small-scale development cycle
    - Pursue local approvals on behalf of the Arkansas Department of Health
- Barrier #2: Zoning Limiting Affordable Development
    - Amend the submittal requirements for PRDs and PUDs to be reflective of the requirements of the Zoning Code
        - Consider an affordability requirement for PRDs and PUDs
    - Research, plan, and adopt overlay zones for areas in need of redevelopment
        - Consider adopting form-based codes and regulating plans in these areas in exchange for an affordability requirement
    - Amend parking standards so that Downtown Neighborhood (DN) districts have the same parking standards as the Central Residential (RC) districts that they replaced
    - Adopt administrative parking reduction standards for projects that meet the goals of adopted plans and ordinances
    - Amend existing residential zoning districts to allow for a greater mix of housing types and site flexibility by defining and regulating cottage court, stacked duplex, triplex, fourplex, and live-work units
    - Pursue a pattern zoning plan for downtown infill areas and consider expanding to PRDs and other areas where Traditional Neighborhood Development is desired
    - In areas, where denser, affordable development is desired or allowed by the zoning code, consider revised public and private utility layouts and shortened block lengths
    - Adopt regulations to establish regulations for housing to be used as short-term rentals

OVERVIEW

The first half of this document is a ***Final Report*** on the recommendations of the Bentonville Housing Affordability Workgroup, aligned with City staff, which were developed throughout 2022. It shares the findings of the workgroup's research and analysis and provides broad details on the recommended approach to address the affordable housing crisis.

The second half is an ***Implementation Guide*** that provides specific details, calculations, and procedures for implementing the recommended approach. The ***Final Report*** will note when there is additional detail on the current topic in the ***Implementation Guide***.

The following is an overview of the ***Final Report*** with expanded detail to come in the following sections, and it is structured by the three primary goals of the workgroup:

A. **Define "affordable housing" and "workforce housing", as well as distinctions between the two**.
   a. The terms are amorphous and mean different things to different people in different contexts, so it is best to use the definition from the U.S. Department of Housing and Urban Development (HUD):
      i. "Affordable Housing is a dwelling that a family or household can obtain—whether through rent, purchase or other means—that costs approximately 30% or less of the household's income."
   b. It is much more difficult for lower-income households to meet the 30% standard; therefore, the workgroup decided to focused on these households as its target population for any affordable housing recommendations.
   c. The workgroup broke down the target population into three income tiers by Median Family Income (MFI)[3] (Fig. 1).

[3] Median Family Income, also known as the "Income Limits", as determined by the U.S. Department of Housing and Urban Development. The baseline for all calculations in the Final Report section of this document is $74,900 for a household of four, as determined by HUD for its 2021 Income Limits for the Fayetteville-Springdale-Rogers MSA. The implementation Guide section of this document uses the updated 2022 Income Limits instead.

Tiers		Illustrative Jobs
Tier-3 Housing 30% - 50% MFI		Production Occupations
# Households $20,000 to $39,999	2,634	Firefighting & Prevention
Percent Households in tier	14.5%	Community & Social Services
		Healthcare Support Occupations
Tier-2 Housing 50% - 80% MFI		Teachers
# Households $40,000 to $59,999	2,376	Healthcare Technologists & Technicians
Percent Households in tier	13.0%	Law enforcement & Supervisors
		Sales & Related Occupations
Tier-1 Housing 80% - 120% MFI		Management Occupations
# Households $60,000 to $99,999	4283	Health diagnosing & treatment
Percent Households in tier	24%	Business & Financial Operations
		Architecture & Engineering Occupations

Figure 1: Target Population Income Tiers and Illustrative Jobs (2019 U.S. Census Data)

B. Analyzing the cost, availability and application requirements for affordable/workforce housing for both existing and planned developments in the city.

a. Multi-family and single-family housing is in critically short supply for the target population, due to shared issues:

i. Construction of these units, especially for the lower two income tiers, has stagnated over the last decade.

ii. The units being built at affordable price points for the target population are often rented or purchased for occupation or as investment properties by families with higher annual incomes.

iii. As a result, the target population must either rent or purchase (though the latter is less feasible) housing in the city that is unaffordable (greater than 30% of their income) or they must leave Bentonville.

b. The overall development cycle time—from concept to completion—can be more than three years, which can jeopardize millions of dollars of funding for affordable developments that are participating in federal programs that have strict timelines for completion and habitation, such as the Low Income Housing Tax Credit (LIHTC).

C. Assessing and recommending ways that the City could significantly impact the availability, affordability, and application requirements for such housing.

a. Any solution to this problem must be actively (vs passively) managed by the City in order for it to be successful.

b. The City must create an environment that encourages developers to enter the affordable housing space in greater numbers.

c. Offering incentives and removing current policy and procedural barriers will be key to creating that environment.

    i. This includes an expedited development cycle (or an "HOV Lane")

    ii. This expedited process could remove up to a year off of the development cycle time

d. As incentives go up and barriers go down, the City's expectations and requirements for the developments—largely concerning housing price and accessibility for the appropriate economic tier—must also increase to ensure that the City meets its affordable housing goals.

A rich data set has been compiled that illustrates the conditions for and challenges to increased affordable housing in Bentonville, as well as best practices locally and from other, similar initiatives across the country. The analysis of this data and subsequent discussion among the workgroup members have resulted in a recommendation for a new process to be adopted by the City so that it can bring much of its vital workforce back within the boundaries of Bentonville. This will result in a more stable workforce for Bentonville businesses, lower transportation costs, and less strain on the Bentonville transportation infrastructure. It will also bring increased participation in and profit from affordable housing by local developers, a strong return on investment for the City and high rates of capital and impact leverage, and better lives and stronger families for those who work in Bentonville.

Project ARROW, as this process is called, is a targeted approach to catalyze an increased supply and accessibility of affordable single-family and multi-family developments within Bentonville. It includes a tiered system for developers that require them to provide more and more benefit to residents as the developer incentives increase—such as density bonuses, specialized zoning, and expedited approval processes to reduce the development cycle time. ***Project ARROW*** also has straightforward compliance measures and concrete success metrics so that the City can ensure that it is meeting its affordable housing goals.

A new City position—the ***Affordable Housing Manager***—should be created to work with interested developers, to oversee compliance, to identify additional funding and its use (e.g. Community Development Block Grants), and to coordinate with City departments to expedite the development cycle on affordable projects.

In 2022, the City of Bentonville has proven itself a regional leader in determining concrete, actionable steps to address one of the widest-reaching social issues of our time. The recommendations and implementation guidance provided in this report give Bentonville the chance to take this leadership further through tangible, innovative solutions to this problem. The promise of the ***Project ARROW*** approach is illustrated by the rising interest from the other major cities in the region in using these tactics in their own communities, due to the increasing demand from their own residents and the high return on investment for that will result.

Project ARROW will provide a winning solution for local businesses, developers, the City, and, most importantly, for the workforce of Bentonville.

ANALYSIS

Target Population

The terms "affordable", "attainable", and "core"—when not used as synonyms— are usually so vague that they can be—and have been—easily confused and misused across different conversations about housing.

The workgroup, therefore, adopted the definition coined by the U.S. Department of Housing and Urban Development (HUD):

> *Affordable Housing is a dwelling that a family or household can obtain–whether through rent, purchase or other means–that costs approximately 30 percent or less of the household's income.*

Therefore, "affordable housing" is a subset of "workforce housing", since income is a key element of the definition. However, it should not apply to the entire workforce, since the more economically stable households generally have wage earners with higher paying jobs and are less likely to be going over HUD's "more than 30% of income" threshold.

To make this distinction clearer, the workgroup determined that it should target three groups based on income band that are broken into tiers for easier identification:

- Tier 3: Households making 30% to 50% of Median Family Income (MFI)[4], which roughly translates to an annual household income of $20,000 to $39,999. This group includes our firefighters, social service providers, health support occupations, and more

- Tier 2: Households making 50% to 80% MFI for the region, which roughly translates to an annual household income of $40,000 to $59,999. This group includes our teachers, law enforcement, sales-related position, and more.
- Tier 1: Households making 80% to 120% MFI for the region, which roughly translates to an annual household income of $60,000 to $99,999. This group includes our management occupations, business and financial operations, architects and engineers, and more.

Data from the 2019 U.S. Census shows that these tiers make up 51% of all households in Bentonville (Fig.2). Since these figures do not take into account the impact of the COVID-19 pandemic, the resulting economic fluctuations, and record-breaking levels of inflation in recent months, it is likely that the percentage of the three tiers across all Bentonville households has increased. Furthermore, these numbers only represent the number of current residents who have been able to find housing inside the city limits. The estimated 34,000 daily commuters into the city, some of whom could choose to live in the city if affordable housing was available, point to an even bigger need.

[4] Median Family Income, also known as the "Income Limits", as determined by the U.S. Department of Housing and Urban Development. The baseline for all calculations in the Final Report section of this document is $74,900 for a household of four, as determined by HUD for its 2021 Income Limits for the Fayetteville-Springdale-Rogers MSA. The implementation Guide section of this document uses the updated 2022 Income Limits instead.

Household Income in the Past 12 Months (In 2019 Inflation-adjusted Dollars)

MFI Household of 4
$74,900

	MFI				Washington County			Benton County					
	Low	High	High $	Income Bracket	Fayetteville	Springdale	Other Washington Co	Rogers	Bentonville	Other Benton County	Washington County	Benton County	Combined Counties
ELI		13%	$ 10,000	Less than $10,000	4305	1365	1369	884	516	2116	7039	3516	10555
	13%	20%	$ 15,000	$10,000 to $14,999	2207	618	996	1071	567	1812	3821	3450	7271
	20%	27%	$ 20,000	$15,000 to $19,999	2360	1227	910	984	536	1878	4497	3398	7895
VLI	27%	33%	$ 25,000	$20,000 to $24,999	2121	1653	1132	1102	592	2555	4906	4249	9155
	33%	40%	$ 30,000	$25,000 to $29,999	1944	2093	1023	1070	707	2178	5060	3955	9015
	40%	47%	$ 35,000	$30,000 to $34,999	1995	1242	1357	1057	721	2264	4594	4042	8636
	47%	53%	$ 40,000	$35,000 to $39,999	1777	1821	1223	1062	614	2638	4821	4314	9135
LI	53%	60%	$ 45,000	$40,000 to $44,999	1429	1760	1183	1125	487	2452	4372	4064	8436
	60%	67%	$ 50,000	$45,000 to $49,999	1499	1341	1280	1108	650	2491	4120	4249	8369
	67%	80%	$ 60,000	$50,000 to $59,999	2524	3293	2465	2236	1239	4550	8282	8025	16307
MI	80%	100%	$ 75,000	$60,000 to $74,999	2661	2754	2676	2614	1870	6515	8091	10999	19090
	100%	134%	$ 100,000	$75,000 to $99,999	3282	2635	3002	2906	2413	8292	8919	13611	22530
	134%	167%	$ 125,000	$100,000 to $124,999	2653	1742	2345	1815	1721	5314	6740	8850	15590
	167%	200%	$ 150,000	$125,000 to $149,999	1236	921	1538	1324	1362	3414	3695	6100	9795
	200%	267%	$ 200,000	$150,000 to $199,999	1456	988	1451	1454	1990	3002	3895	6446	10341
				$200,000 or more	1839	1094	1540	2241	2238	3502	4473	7981	12454
				Total:	**35,288**	**26,547**	**25,490**	**24,053**	**18,223**	**54,973**	**87,325**	**97,249**	**184,574**
				Tiers									
				Tier-3 Housing 30% - 50% MFI									
				#Households $20,000 to $39,999	7,837	6,809	4,735	4,291	2,634	9,635	19,381	16,560	35,941
				Percent Households in tier	22.2%	25.6%	18.6%	17.8%	14.5%	17.5%	22.2%	17.0%	19.5%
9,293 Households 51% of Total				**Tier-2 Housing 50% - 80% MFI**									
				#Households $40,000 to $59,999	5,452	6,394	4,928	4,469	2,376	9,493	16,774	16,338	33,112
				Percent Households in tier	15.5%	24.1%	19.3%	18.6%	13.0%	17.3%	19.2%	16.8%	17.9%
				Tier-1 Housing 80% - 120% MFI									
				#Households $60,000 to $99,999	5943	5389	5678	5520	4283	14807	17010	24610	41620
				Percent Households in tier	17%	20%	22%	23%	24%	27%	19%	25%	23%

Figure 2: Bentonville Distribution of Target Income Bands (2019 U.S. Census Data)

Once the target population for housing was identified, the workgroup determined the monthly housing costs that each income band could afford, for both multi-family and single-family units (Fig. 3). Again, HUD's affordability guidelines of 30% or less of monthly income on all housing costs was used as base (with the percentage broken down into 20% for rent/mortgage and 10% on utilities, insurance, and other housing-related expenses).

	Housing Affordability 30% ->		Housing Payment ->		20%				
			Income Ranges		Standard Affordable Mortgage/Rent		Home Value		
	Income Range	Households	Min	Max	Min	Max	Min	Max	
	Less than $10,000	516	$ -	$ 9,999	$ -	$ 167	$ -	$ 33,382	
	$10,000 to $14,999	567	$ 10,000	$ 14,999	$ 167	$ 250	$ 33,385	$ 50,074	
	$15,000 to $19,999	536	$ 15,000	$ 19,999	$ 250	**$ 333**	$ 50,077	$ 66,767	
Tier 3	$20,000 to $24,999	592	$ 20,000	$ 24,999	$ 333	$ 417	$ 66,770	$ 83,459	
	$25,000 to $29,999	707	$ 25,000	$ 29,999	$ 417	$ 500	$ 83,462	$ 100,152	
	$30,000 to $34,999	721	$ 30,000	$ 34,999	$ 500	$ 583	$ 100,155	$ 116,844	
	$35,000 to $39,999	614	$ 35,000	$ 39,999	$ 583	$ 667	$ 116,847	$ 133,537	Rental Solutions
Tier 2	$40,000 to $44,999	487	$ 40,000	$ 44,999	$ 667	$ 750	$ 133,540	$ 150,229	
	$45,000 to $49,999	650	$ 45,000	$ 49,999	$ 750	$ 833	$ 150,232	$ 166,922	
	$50,000 to $59,999	1,239	$ 50,000	$ 59,999	$ 833	$ 1,000	$ 166,925	$ 200,307	
Tier 1	$60,000 to $74,999	1,870	$ 60,000	$ 74,999	$ 1,000	$ 1,250	$ 200,310	$ 250,384	Ownership Solutions
	$75,000 to $99,999	2,413	$ 75,000	$ 99,999	$ 1,250	$ 1,667	$ 250,387	$ 333,847	
	$100,000 to $124,999	1,721	$ 100,000	$ 124,999	$ 1,667	$ 2,083	$ 333,850	$ 417,309	
	$125,000 to $149,999	1,362	$ 125,000	$ 147,999	$ 2,083	$ 2,467	$ 417,312	$ 494,095	
	$150,000 to $199,999	1,990	$ 148,000	$ 199,999	$ 2,467	$ 3,333	$ 494,098	$ 667,697	
	$200,000 or more	2,238	$ 200,000		$ 3,333	0	$ 667,700		

Figure 3: Targeted Monthly Housing Costs (2019 U.S. Census Data)

Without innovative solutions, roughly two thirds of the target income bands will only be able to afford multi-family rental units, which is borne out by the current occupation rates. The higher third should be able to afford single-family home purchases if developers offer the right products and the right processes are in place.

The methodology for calculating MFI and the targeted monthly housing costs is available in the ***Implementation Guide***.

Housing Supply

Data on the current housing supply uncovers another disturbing trend: The supply of single-family and rental units are not keeping pace with the incredible amount of growth that Bentonville continues to experience, nor are the units staying at prices that most of the target population can afford.

Single-family construction, for example, has been relatively flat over the last seven years (Fig.4), even though the population has seen dramatic increases.

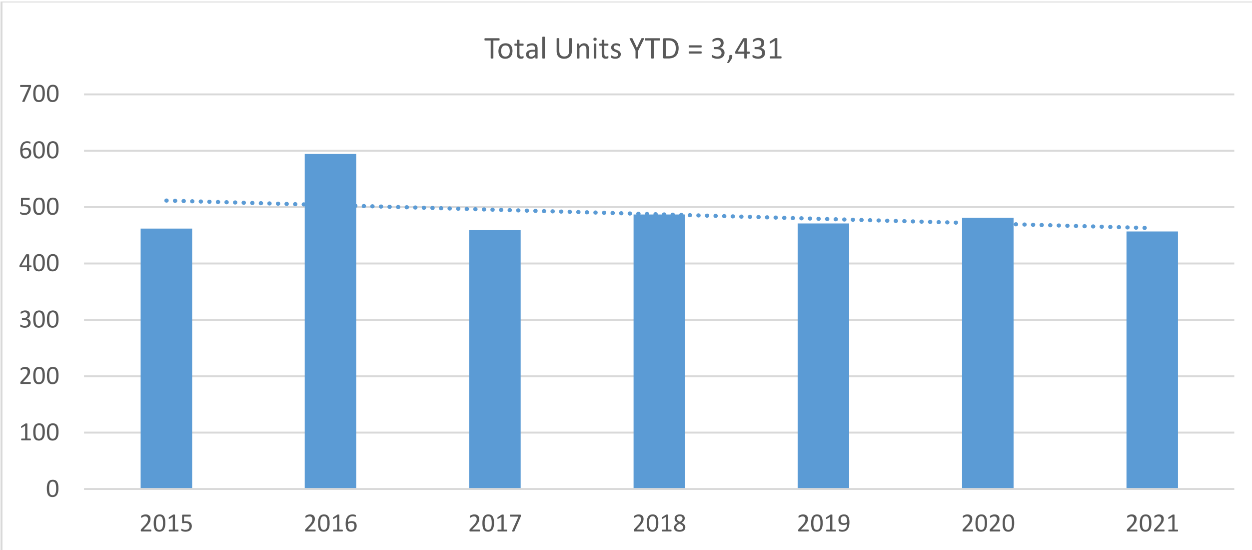


Figure 4: Single-family Unit Construction (Bentonville Permit Database)

This is reflected in single-family home ownership rates, which have stagnated or declined over the last decade among most of the target income bands (Fig. 5).

Housing Owner Occupied							
Year	**Less than $20,000**	**$20,000 to $34,999**	**$35,000 to $49,999**	**$50,000 to $74,999**	**$75,000 or more**	**Total**
2010	487	798	918	1,405	3,402	7,009
2015	331	646	812	1,292	5,160	8,242
2019	326	750	544	1,433	6,827	9,880

Figure 5: Single-family Home Ownership by Income Level (2019 U.S. Census Data)

One factor that likely contributes to this effect is the high cost of buying a home in the region, as point-in-time figures from the workgroup's Spring 2022 data collection shows (Fig. 6). The lower three quarters of the target bands cannot afford single-family homes at these prices.

	Bd	Ba	Ht Sqft	Acres	L$ Sqft	List Price
Min	1	1	834	0.01	$158	$240,000
Max	7	9	16,109	147.25	$3,237	$6,500,000
Avg	4	3	2,973	5.04	$424	$1,108,384
Med	4	3	2,212	0.30	$268	$676,500

Figure 6: Single-family Home Prices (Market Analysis Summary 3/18/22)

A less obvious—and, perhaps, counterintuitive—cause is that more affluent households are often choosing to buy homes that are below their means, taking up much of the available supply of mid-tier price point homes and leaving substantially fewer options for families in the three targeted income tiers (Fig. 7).

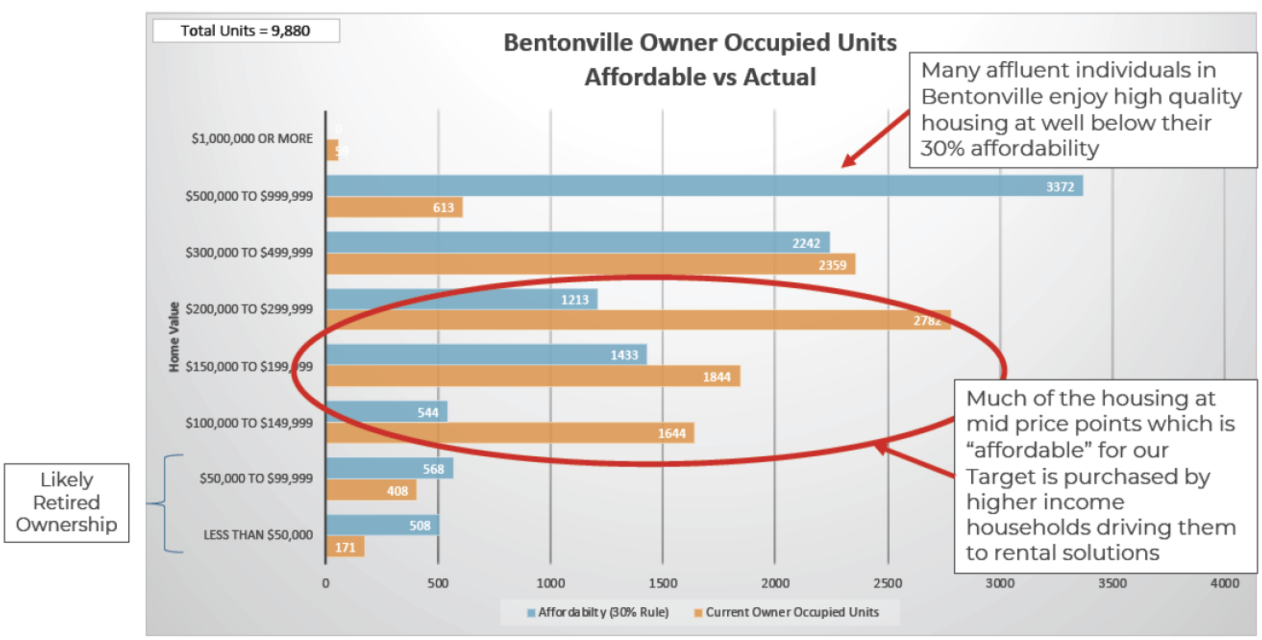


Figure 7: Affordable vs. Actual Bentonville Owner Occupied Units (2019 U.S Census Data)

As a result, most of the target population is forced to consider only rental options. But the picture is no rosier there. Since 2016, rent has increased dramatically across units of all bedroom sizes (Fig. 8).

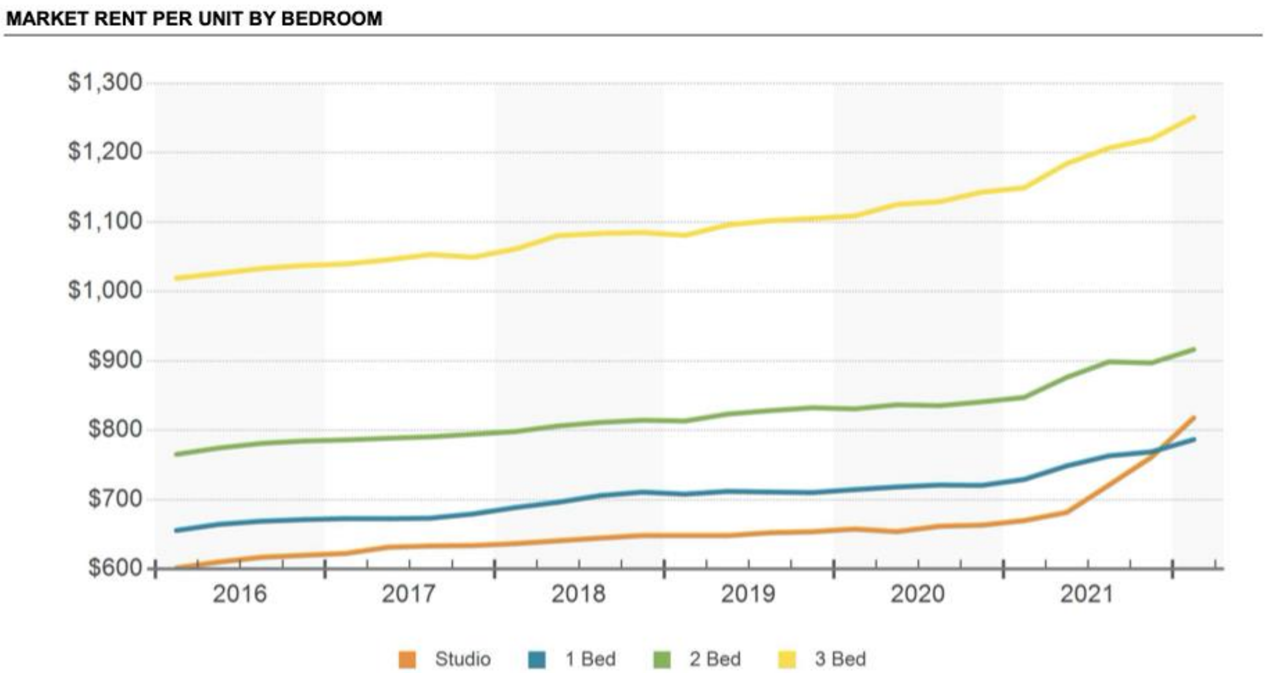


Figure 8: Northwest Arkansas Rental Rates (CoStar Group 2022)

If workforce families in the three targeted income tiers want to live in Bentonville—near their jobs, near their friends, in the community they've helped to grow—they are forced to choose housing above their means. The percentage of households in the target population that have become rent or mortgage burdened has doubled, or more, over the last ten years (Fig. 9).

Housing Cost - % Income	Year	Less than $20,000	$20,000 to $34,999	$35,000 to $49,999	$50,000 to $74,999	$75,000 or more
30 percent or more	2010	89.6%	42.2%	14.4%	0.0%	4.5%
30 percent or more	2015	91.9%	58.5%	19.8%	1.1%	0.3%
30 percent or more	2019	92.1%	76.6%	31.6%	6.0%	0.0%
30 percent or more	2020	94.9%	80.5%	31.9%	7.1%	0.0%

Figure 9: Rent Burdened Households by Income Level (2019 U.S. Census Data)

This burden places these families into an impossible choice between housing and the other necessities of life: food, transportation, health care, and so on. This choice inevitably leads families to the social services sector for help, since they can no longer afford everything that they need to keep themselves afloat. This increased demand, in turn, puts a greater strain on the social services sector, as its limited resources are more quickly drained by an ever-growing number of people.

When the burden becomes too great, these families must leave the city. These key members of Bentonville's workforce choose to live outside the city. This only adds more burden to their households by increasing their transportation costs to go to and from work, which are already very high due in part to the spread-out nature of the region's jobs, resources, and amenities, as well as the lack of a robust public transportation system.

Some may choose to leave Bentonville entirely, especially among the lower target income bands (Fig. 10). This group includes the city's teachers, fire fighters, health providers, social support workers, and many others who contribute to the prosperity and safety of Bentonville.

Year	Less than $20,000	$20,000 to $34,999	$35,000 to $49,999	$50,000 to $74,999	$75,000 or more	Total
2010	15.6%	17.6%	14.4%	17.7%	34.7%	100%
2015	10.6%	12.2%	11.7%	17.2%	48.3%	100%
2019	8.9%	11.1%	9.6%	17.1%	53.4%	100%

Figure 10: Occupied Housing by Income Level (2019 U.S. Census Data)

When those who contribute to the prosperity and safety of Bentonville are indirectly pushed away from the city, a weakened and less stable community will be the result. Previous studies have shown the looming impact on the transportation infrastructure if the issue is not addressed. (Fig. 11 and 12).

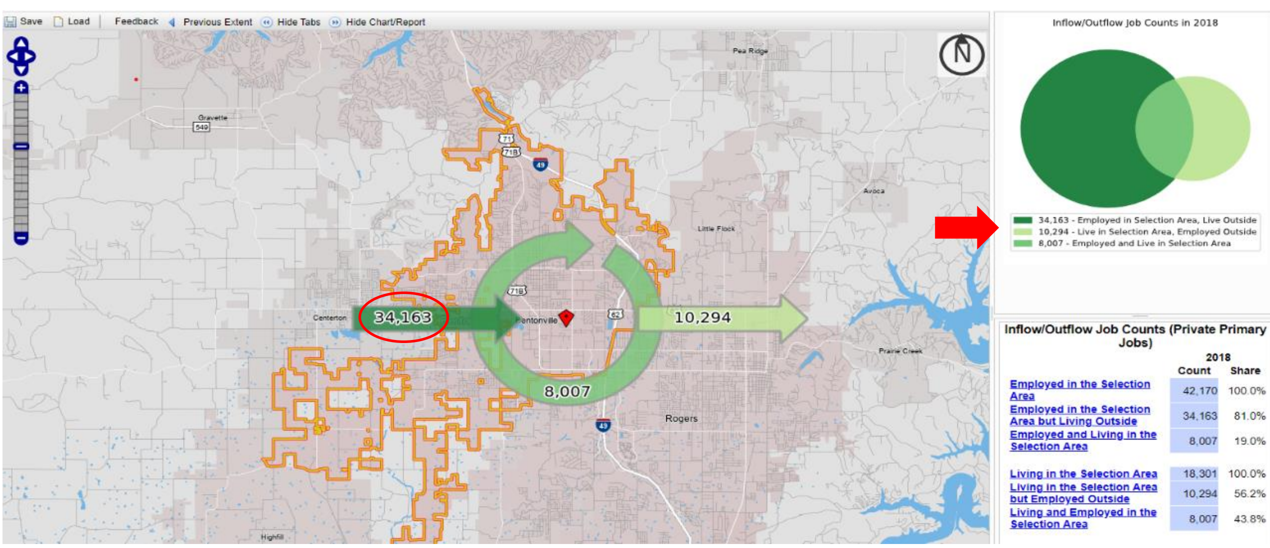


Figure 11: Daily Inflow/Outflow Based on Location of Job/Housing (2018 U.S. Census Data)

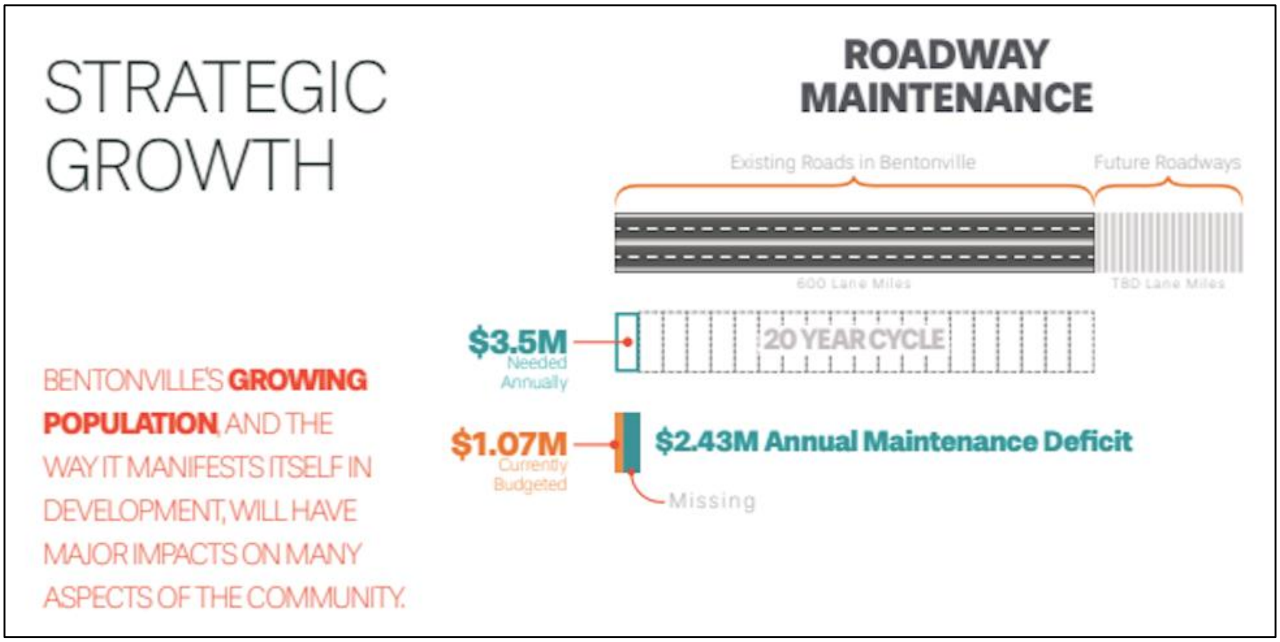


Figure 12: Impact of Increased Travel on City Roadways (Bentonville Community Plan)

Affordability

To ensure these key employees remain a part of the Bentonville community, these trends in affordability and accessibility must be reversed. A forecast based on existing population data suggests that Bentonville would need almost 1,700 affordable rental units by the end of 2026 to address the gap at the current level of growth (Fig. 13). However, it does not take into account how that growth might increase due to external factors (e.g. Walmart's continued recruitment, Tyson Foods' consolidation of all office workers across the country to the Springdale headquarters, etc.).

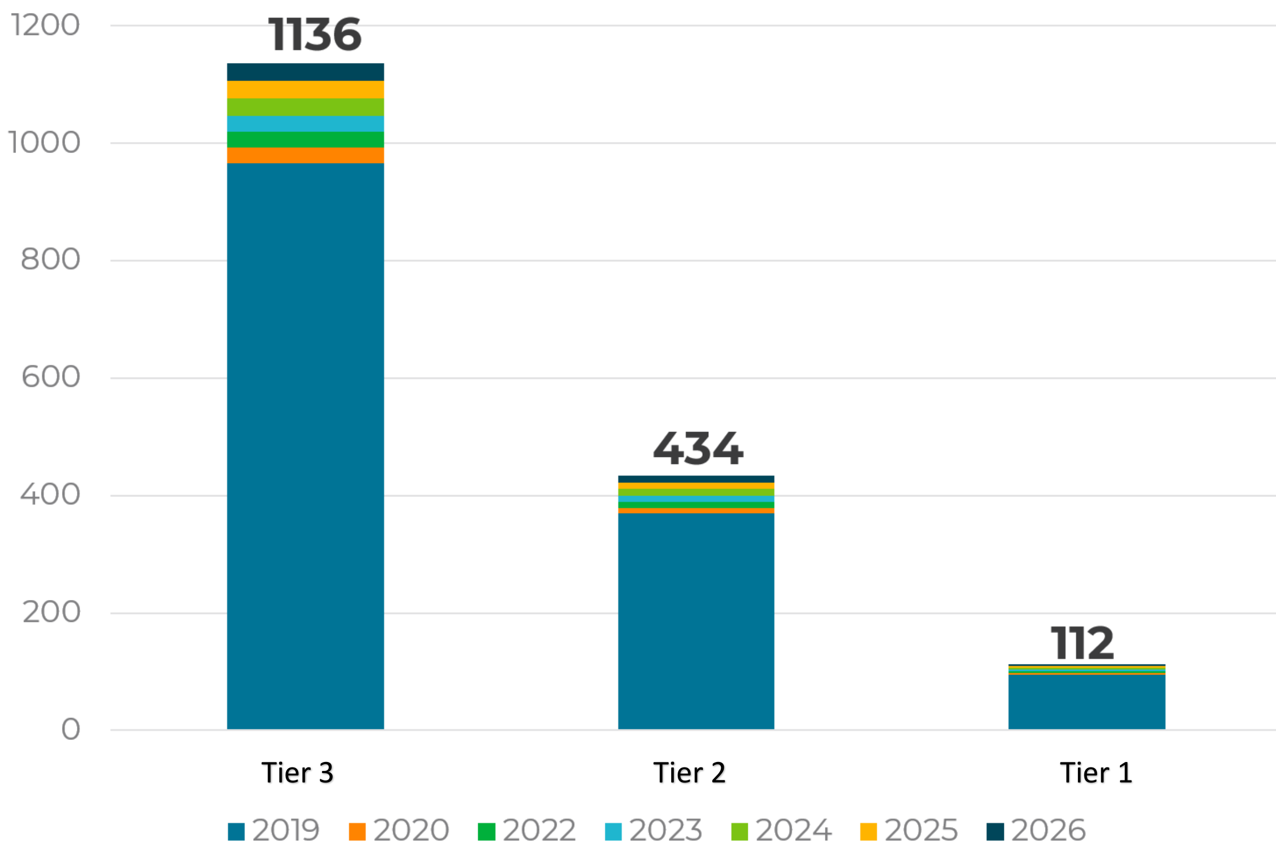


Figure 13: Projected Affordable Rental Units Needed (Transitional Housing Report)

In order for the City to meet its stated affordable housing goals, it must:

1. Determine the most effective ways that the City could create an environment in which appropriately priced housing was built at a greatly increased rate; and,
2. Develop guidelines to ensure that the target population identified are the primary ones to live in the affordable developments that are built.

Both aspects must be addressed as one in order to have the desired impact. Continuing to have housing built with purchase prices or rents beyond what the target populations could pay would not meet the City's goals. Nor would building more affordable housing that is then utilized by populations that could afford to pay more elsewhere but choose not to for various reasons.

Before solutions for these aspects could be determined, however, the workgroup needed a better understanding of the barriers that have prevented affordable developments from flourishing thus far.

BARRIERS

Using the expertise of workgroup members, City staff, developers, and the public, six major barriers that prevent affordable housing to be built were identified:

Total development cycle time

A rich analysis of the current development and approval cycle times was provided by City staff to the workgroup. When shared with developers for feedback, the Pre-Approval Conference and the Pre-Construction periods were identified as the two biggest pain points, leading to a complete cycle time of around four years for both single-family and multi-family units (Fig. 14). Some developers have risked losing millions of federal dollars due to not being able to finish within the federally mandated time period of two years. Other developers simply choose not to bring projects to Bentonville at all. Many of the issues point to jointly looking at a redesign of the development cycle with staff, the planning commission, and local developers to reduce the cycle time.

	"Phase 0"	Phase 1			Phase 2	Phase 3	Phase 4	Phase 5		Phase 6 (SF only)	
	Finance / RE Contract / Zoning	**Concept**	**Site Engineering**	**Pre-App Conference**	**Planning App/ Approval**	**Pre-Construction**	**Construction**	**Site Final**	**Final Plat Approval/File**	**Home Construction**	**Years**
Current Days											
Single Family	60	90	120	60	60	251	325		125	245	**3.7**
Multi-Family	60	90	120	90	60	203	365		125	0	**3.0**

Figure 14: Average Development Cycle Time (Bentonville Planning Department)

Zoning limitations

Many zoning options that have been enacted in other cities are currently not available in Bentonville. These additive zoning options would allow for the creation of "Missing Middle" housing, which allows for higher density, single-family owned and occupied options (Fig. 15). These zoning options will be important for the City-managed process of affordable housing developments, but they can also be used for other developments.

Figure 15: Missing Middle Housing (Opticos)

Furthermore, while the number of units allowed per acre ostensibly provides a developer a great deal of density (e.g. R4 allows for 52 units/acre), the actual number of units that can go on a piece of land is much lower due City restrictions and requirements (e.g. in reality, R4 is actually closer to 20 units/acre). These factors include parking requirements, right of way and easement dedications, height limits, and more.

Regulatory infrastructure, permit costs, and fees

Impact fees and permit fees, combined with limited cost sharing by the City all add costs to development projects. Fair market rate projects already face significant hurdles in this area, but adding these costs to projects that are attempting to be affordable only pass these costs on to the potential buyers. Affordable developments are currently being assessed under the same guidelines as fair market rate projects, which de-incentivizes the creation of the former.

Land costs

Affordable developments are less likely to be pursued due to the higher initial investment developers must make on simply acquiring land. This is due, in part, to the limited number of financing options available to developers.

Lack of access to affordable options

As discussed above, many affluent households are renting or purchasing housing below their means (i.e. significantly less than 30% of income, including utilities). This trend squeezes out workforce households in the three targeted income tiers, who have to choose between becoming rent/mortgage burdened by choosing housing above their means or leaving the City to find more affordable housing elsewhere.

Participation in government programs

A significant amount of federal housing subsidies (e.g. Community Development Block Grants) that could be used to address some of the financial hurdles mentioned above have not been used for many years since Bentonville stopped participating in the program in 2016. There is also a lack of education for developers on the existence of this funding and the ways in which to access it.

A few **key themes** emerged from the discussion that were prioritized when developing solutions:

1. **Solutions to these barriers should be bundled together** so that they are dealt with comprehensively, rather than through a piecemeal approach.
2. **A tiered system of incentives and barrier removal should be put in place** that aligns with the tiered income bands of the target population.
3. **Affordable price points, duration of those price points, and renter/buyer eligibility should all be codified** in some way to ensure that **the people who most need affordable housing are able to take advantage of it**.

PRIORITIZED SOLUTIONS

The workgroup reviewed over 85 national research studies on affordable housing best practices, 15 interviews with local and national experts, and then mapped the findings to the six major barriers previously identified.

The workgroup then collaborated with City Planning staff to determine where there was consensus on which approaches were feasible and which ones could be acted upon immediately or in the medium term (see Fig. 16).

Green = unanimous			
Olive = Majority			Item
Yellow = split	Rank	Action	
Y= Yes	1	Immediate	Waiver of compatibility requirements (height restrictions and setbacks from property line)
S=Soon L=Later	1	Immediate	Waiver of building bulk restrictions ("Floor-to-Area Ratio/FAR") - Land area per dweling unit.
	1	Immediate	Waiver of site area requirements (density limits that apply in higher density zones)
	1	Immediate	Modified parking requirements (accessible parking still required)
	1	Immediate	Front & rear yard setbacks decreased by 50 percent
	1	Immediate	Minimum lot size & lot width reduced - Supply ord vs incentive
			Item
	1	Immediate	Impact Fee Waiver
			Item
	1	Immediate	Participate in NWA Housing Trust (loans)
			Item
	1	Immediate	Participate in CBDG Program
	1	Immediate	Support LIHTC programs
			Item
	1	Immediate	Expedited process for Affordable Housing Projects
			Process redesign
	1	Immediate	PUD & PRD Review
	1	Immediate	Cottage zoning
Green = unanimous			
Olive = Majority			Item
Yellow = split	Rank	Action	
Y= Yes			
S=Soon L=Later			
	2	Med-term	Maximum height allowed by base zoning increased by 1.25 times
	2	Med-term	Up to 6 dwelling units per lot in single family zones
	2	Med-term	Research height restrictions by story across zonings
	2	Med-term	Maximum height allowed by base zoning increased by 1.5 times
	2	Med-term	Tax exempt program
	2	Med-term	Utility rebates / for infrastructure and cost sharing
	2	Med-term	Review other state and federal community housing options

Figure 16: City of Bentonville Planning Staff Prioritization of Feasible Approaches

Once established, the workgroup once again raised the idea of implementing these prioritized solutions in a tiered system that would align with the workgroup's tiered income bands. In order to do so, the "affordability threshold" for both multi-family and single-family housing had to be calculated in order to determine the maximum amount each income band could afford to pay, i.e. the targeted maximum rent or home price for each band.

The calculation for maximum rents was based on 20% of household income, since the 30% affordability metric is for all housing costs, including insurance, utilities, and more (see Fig. 17). This resulted in top rents of $667, $1,000, and $1,677, which were rounded to $700, $1,000, and $1,500 for the purposes of the workgroup. A full accounting of this calculation is included in the ***Implementation Guide***.

Housing Affordability 30% ->		Housing Payment ->		20%	
		Income Ranges		**Standard Affordable Mortgage/Rent**	
Income Range	Households	Min	Max	**Min**	**Max**
Less than $10,000	516	$ -	$ 9,999	$ -	$ 167
$10,000 to $14,999	567	$ 10,000	$ 14,999	$ 167	$ 250
$15,000 to $19,999	536	$ 15,000	$ 19,999	$ 250	**$ 333**
$20,000 to $24,999	592	$ 20,000	$ 24,999	$ 333	$ 417
$25,000 to $29,999	707	$ 25,000	$ 29,999	$ 417	$ 500
$30,000 to $34,999	721	$ 30,000	$ 34,999	$ 500	$ 583
$35,000 to $39,999	614	$ 35,000	$ 39,999	$ 583	$ 667
$40,000 to $44,999	487	$ 40,000	$ 44,999	$ 667	$ 750
$45,000 to $49,999	650	$ 45,000	$ 49,999	$ 750	$ 833
$50,000 to $59,999	1,239	$ 50,000	$ 59,999	$ 833	$ 1,000
$60,000 to $74,999	1,870	$ 60,000	$ 74,999	$ 1,000	$ 1,250
$75,000 to $99,999	2,413	$ 75,000	$ 99,999	$ 1,250	$ 1,667
$100,000 to $124,999	1,721	$ 100,000	$ 124,999	$ 1,667	$ 2,083
$125,000 to $149,999	1,362	$ 125,000	$ 147,999	$ 2,083	$ 2,467
$150,000 to $199,999	1,990	$ 148,000	$ 199,999	$ 2,467	$ 3,333
$200,000 or more	2,238	$ 200,000		$ 3,333	0

Max

Figure 17: Maximum Affordable Rents for Target Population (2019 U.S. Census Data)

Calculating affordable home prices was a bit more complex, but the home price thresholds for each income band were $153,000, $229,000, and $383,000, respectively (see Fig. 18). A full accounting of this calculation is included in the ***Implementation Guide***.

Assumptions:	
Interest Rate	5.81%
# Periods for 30 yr Mortgag	360
Compound per year	12
Debt Ratio	31.00%
Mortgage Insurance/Taxes ε	4.00%
AMME Rate	27.00%

				27%			
		Income Ranges		Allowable Monthly Mortgage Expense (AMME)		Affordable Housing Price Index (AHPI)	
Income Range	Households	Min	Max	Min	Max	Min	Max
Less than $10,000	516	$ -	$ 9,999	$ -	$ 225	$ -	$ 38,301
$10,000 to $14,999	567	$ 10,000	$ 14,999	$ 225	$ 337	$ 38,305	$ 57,454
$15,000 to $19,999	536	$ 15,000	$ 19,999	$ 338	$ 450	$ 57,458	$ 76,606
$20,000 to $24,999	592	$ 20,000	$ 24,999	$ 450	$ 562	$ 76,610	$ 95,759
$25,000 to $29,999	707	$ 25,000	$ 29,999	$ 563	$ 675	$ 95,763	$ 114,911
$30,000 to $34,999	721	$ 30,000	$ 34,999	$ 675	$ 787	$ 114,915	$ 134,064
$35,000 to $39,999	614	$ 35,000	$ 39,999	$ 788	$ 900	$ 134,068	**$ 153,216**
$40,000 to $44,999	487	$ 40,000	$ 44,999	$ 900	$ 1,012	$ 153,220	$ 172,369
$45,000 to $49,999	650	$ 45,000	$ 49,999	$ 1,013	$ 1,125	$ 172,373	$ 191,521
$50,000 to $59,999	1,239	$ 50,000	$ 59,999	$ 1,125	$ 1,350	$ 191,525	**$ 229,826**
$60,000 to $74,999	1,870	$ 60,000	$ 74,999	$ 1,350	$ 1,687	$ 229,830	$ 287,284
$75,000 to $99,999	2,413	$ 75,000	$ 99,999	$ 1,688	$ 2,250	$ 287,288	**$ 383,047**
$100,000 to $124,999	1,721	$ 100,000	$ 124,999	$ 2,250	$ 2,812	$ 383,050	$ 478,809
$125,000 to $149,999	1,362	$ 125,000	$ 147,999	$ 2,813	$ 3,330	$ 478,813	$ 566,911
$150,000 to $199,999	1,990	$ 148,000	$ 199,999	$ 3,330	$ 4,500	$ 566,915	$ 766,097
$200,000 or more	2,238	$ 200,000		$ 4,500		$ 766,101	$ -

Max

Interest Rate - 30-year fixed mortgage index (FMI)
Debt Ratio: As described by FHA Guidelines
AMME - Allowable Monthly Mortgage Expenses

Figure 18: Maximum Affordable Home Prices for Target Population (2019 U.S. Census Data)

With all the pieces in place, the workgroup developed a comprehensive, targeted process that, if implemented, could help the City address these issues and meet its affordable housing goals. That process is called ***Project ARROW***.

PROJECT ARROW

Concept

The basic elements of the structure of ***Project ARROW*** are simple. They are derived from the components of the Bentonville's Affordable Housing Mission (as developed by the workgroup):

> *Create an environment in which developers will build affordably-priced housing in neighborhoods with convenient access to jobs, services, and amenities that promote a variety of transportation options, ensuring our target populations live there and that the city, developers, businesses, and the workforce of Bentonville all benefit.*

When this narrative is broken down into its core ideas, the meaning becomes even clearer (see Fig. 19):

Drive a proactive process	=	***A**ction*
so that developers will build	=	***R**eaction*
affordably-priced housing in neighborhoods with convenient access to jobs, services, and amenities that promote a variety of transportation options,	=	***R**esult*
ensuring our target populations live there	=	***O**utcome*
and the city, developers, businesses, and the workforce of Bentonville all benefit.	=	***W**ins*

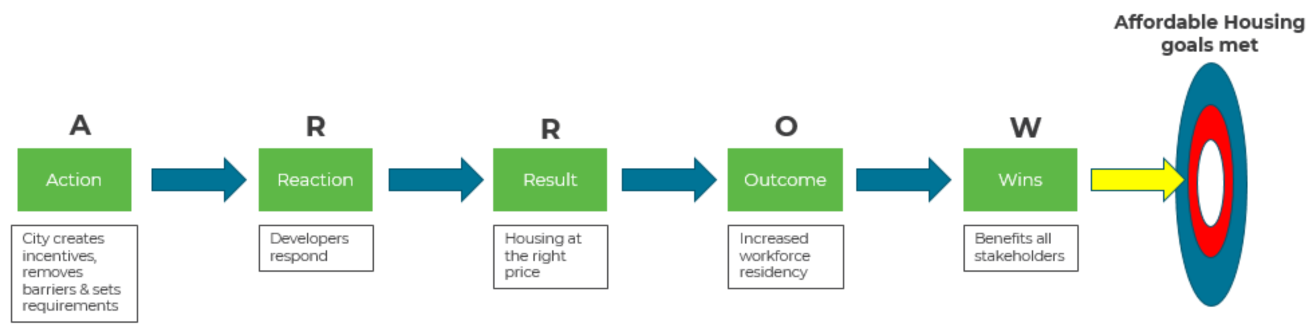


Figure 19: Core Components of Project ARROW

To help ensure this process are carried out in an efficient, effective, and timely way, the workgroup recommends that a dedicated staff person be hired, known in this document as the **Affordable Housing Manager** (AHM).

Structure

Action

The status quo will not change until decisive action is taken to catalyze a positive reaction. In this case, the City must leverage resources—by removing barriers and adding incentives—to create an environment attractive enough for developers to come to the table and provide affordable housing. The City can create this environment through four main categories:

1. Defining tiers
    - The target tiered income bands must be revisited annually to ensure that the people in the workforce for whom this affordable housing is intended are able to access it, without running into the barriers described previously

- Based on the income band calculation, the maximum rent for each tier must also be recalculated on an annual basis to account for changing market conditions and circumstances of the target population.
- Based on the income band calculation, the maximum home prices for each tier must also be recalculated on an annual basis to account for changing market conditions and circumstances of the target population.
- Calculation methodologies for all of the above are included in the ***Implementation Guide***.

2. Determining what tools will be used to generate a cost savings funding pool
    - The savings generated from a tiered system of incentives will create a pool of dollars that developers can then use to lower the rental/sale price for the target population. The amount of incentives that developers will receive will increase as the City's requirements increase (most notably in terms of which income tier is served, with the most incentives made available for Tier 3) (Fig. 20).

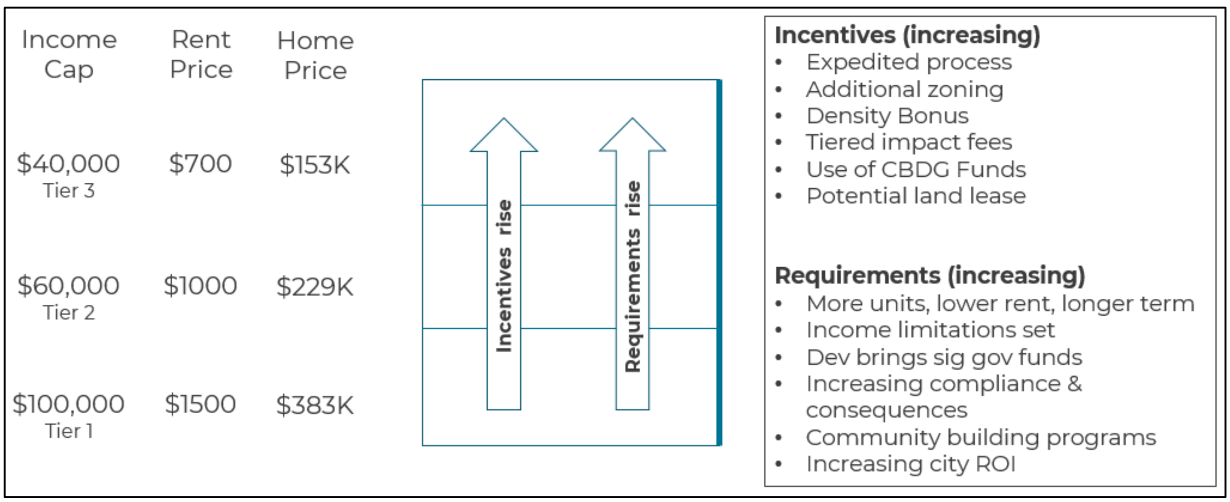


Figure 20: Tiered System of Incentives and Requirements

- The options the City can choose to deploy include:
    - Zoning/development location
        - Additive zoning options that would allow for the creation of "Missing Middle" housing (Fig. 21)
        - Should be reviewed annually to ensure they continue to align to the City's Land Use Master Plan

Amend existing residential zoning districts to expand missing middle housing

- Cottage Court & small lot
- Stacked Duplex
- Stacked Triplex
- Stacked Fourplex

Pattern Zoning expansion (per land use document):

- Downtown intensification
- Infill
- Edge growth

Consider overlay zones

Amend submittal requirements for PRDs and PUDs

Figure 21: Zoning Tools

- Density bonuses
  - Percentage increase in *actual* obtained unit density per tier
    - Improved density amounts using reductions in setbacks, utility easements, parking, and all other factors (Fig. 22)
  - Should be calculated for its maximum annually and shared with developers on a per project basis

Parking Size of spaces Number of spaces	R-O-W Sidewalk location / modification
Easements Don't need blanket easement	Height allowance
Set-backs	Modified Landscape buffers
Land area/dwelling unit	Utility config & separation

Figure 22: Density Bonus Tools

- Tiered impact fees
  - Percentage reduction in impact fees per tier
  - Should be calculated for its maximum annually and shared with developers on a per project basis
- Local/State/Federal subsidy
  - Assess and apply for applicable government dollars to offset construction costs for affordable housing developments
  - Assess and, as applicable, require developers to apply for applicable government dollars to offset construction costs for affordable housing developments
  - Includes programs such as:
    - Community Development Block Grants (CDGB)
    - Low Income Housing Tax Credit (LIHTC)
    - HOME Investment Partnerships Act
- Land lease or donation
  - Explore and align on land lease agreements with developers for City-owned land that could be used for affordable housing
  - Explore and align on land donations to developers for City-owned land that could be used for affordable housing

- Details on all the above calculations are included in the ***Implementation Guide.***

3. Establishing an expedited development cycle specifically for affordable housing developments
   - City staff have developed an expedited process for ***Project ARROW*** submissions for Phases 1, 2, and 3 (Fig. 23)
   - City staff have also developed an issue resolution ladder as a proactive conflict management tool to bring structure to the collaborative problem-solving process and resolve project issues quicker and at the lowest possible level
   - **This process could reduce the development cycle time by up to a year**
     - This cycle time reduction is vitally important to the completion deadlines that are incorporated into many state and federal subsidy programs (e.g. Low-Income Housing Tax Credits, or LIHTC)
       - For example, LIHTC requires all funded projects to be completed in no more than two years
       - Millions of state and federal dollars would be lost if those deadlines are missed and would not be available to that developer from then on
       - Investments by our regional banks would also be lost if the completion deadline is not met

Note: While the resulting cycle time improvements illustrated below do not bring the total cycle time to less than two years, the time allotted for zoning ("Phase 0") and, potentially, the concept portion of Phase 1 are often not included in the Federal and State timeline. This means that the process improvements would enable Bentonville to use such programs.

	"Phase 0"	Phase 1			Phase 2	Phase 3	Phase 4	Phase 5		Phase 6 (SF only)	
	Finance / RE Contract / Zoning	**Concept**	**Site Engineering**	**Pre-App Conference**	**Planning App/ Approval**	**Pre-Construction**	**Construction**	**Site Final**	**Final Plat Approval/File**	**Home Construction**	**Years**
Current Days											
Single Family	60	90	120	60	60	251	325	125		245	**3.7**
Multi-Family	60	90	120	90	60	203	365	125		0	**3.0**
	"Phase 0"	Phase 1 and 2 combined				Phase 3	Phase 4	Phase 5		Phase 6 (SF only)	
		Concept	**Site Engineering**	**Project Submittal through Planning Commission Approval**		**Pre-Construction**	**Construction**	**Site Final**	**Final Plat Approval / File**	**Home Construction**	
				Weekly meetings		Target: 56 days Max: 77 days	"Ladder up" process for issue resolution	Review site final process and reinspection Review app submittal approval and filing time		Use model homes criteria to start	
HOV Example											
Single Family	60	90	120	60		56	265	95		180	**2.5**
Multi-Family	60	90	120	60		56	305	95		0	**2.2**

Figure 23: Recommended "HOV Lane" process improvements for Project ARROW participants

- Phase 1 and 2 Combined: Concept, Site Engineering, Project Submittal and Review
  - Applicants must stay in contact with the Affordable Housing Manager and development staff while preparing their final plan sets
  - When plans that meet the requirements of the "Pre-Application Conference Checklist" and all required documents have been submitted, the development may be submitted for first review
- Phase 3: Pre-Construction
  - City staff and the Affordable Housing Manager will work with applicants on a 14-day resubmittal and 7-day review schedule post-Planning Commission to get plans finalized for pre-construction
- Phase 4: Construction
  - A proactive conflict management tool will be likely used most often in this phase, resulting in reduced cycle time
- Phase 5: Site Final, Final Plat Approval and Filing
  - City staff will explore options to streamline this phase, especially for projects who require minimal changes after final inspection
- Phase 6: Home Construction
  - An ordinance will be developed to allow vertical construction of single-family homes sooner in the construction process

4. Establishing other project eligibility requirements

- Compliance
    - This must be defined for both multi-family and single-family by tier
    - A non-compliance penalty should also be established to encourage ongoing compliance (e.g. a penalty fee of twice the amount of any reduced impact fees)
    - This is further explained in the *Compliance* section in the ***Implementation Guide***
- External funding requirement
    - Establish the minimum amount of non-City funding that a developer must bring to any affordable housing development in order to receive incentives (e.g. a capital leverage of at least 4:1)
    - This requirement is for Tier 3 projects in which the city brings its maximum support

Reaction

Once decisive action is taken by the City to show the depth of its commitment to affordable housing, developers will respond in kind, coming to the table in a way that only happens with active management by the City. This approach has been shared with several developers to gather feedback and gauge interest, and the results have been very positive, especially if the developers' fundamental motivator—more units per acre—is brought to bear.

A clear process must be in place to determine which of the City's incentives should apply and to what degree. This will require the appropriate people being part of the discussion at the right time.

- Planning Staff and Developer
    - The developer shares the details of the intended project.
    - Planning determines the eligibility for the project for affordable housing-related zoning (e.g. overlay districts, PRD, or by-right zoning).
    - Planning staff and developer align on the preferred approach to increasing density for the project.
    - Planning staff and developer evaluate any City-donated land to the project.
    - Planning staff communicates the amount of the cost savings funding pool to the AHM (see ***Implementation Guide*** example).
- Affordable Housing Manager and Developer
    - The AHM and the developer review the amount of the incentive generated funding pool and align on the tier of the project and the level of affordability.
        - The AHM should align on with developers on how to best make use of the funding pool based on a simple formula, A x B x C = (Funding pool amount), where:
            - A is the amount of price reduction;
            - B is the number of units that will have their prices reduced; and,
            - C is the length of time that the price reduction will last.

        - Since the funding pool amount will be set, the AHM and developers will need to come to an agreement on how the three variables should change in order to equal the funding pool amount (e.g. a greater price reduction on a smaller amount of units for a moderate amount of time, a smaller price reduction on a moderate amount of units for a greater amount of time, etc.).
        - The amount of price reduction (A) will still need to fall under the maximum amount of rent/home price that is set for each tier each year.
        - Examples are shown in the ***Implementation Guide.***
    - The AHM communicates the City requirements for the project based on the income tier the project will serve.
        - If applicable, the AHM reviews the amount and method of any required external funding that the developer proposes to bring to the project.
    - The terms of compliance and any non-compliance penalties are set by the AHM and agreed to by the developer.
    - Once all of the above is complete, the AHM then moves the project into the expedited development cycle (“HOV Lane”).

Result

If these actions and reactions have the intended effect, then the result should be an increase in the amount of affordable housing in Bentonville. But in order to determine the level of success of these efforts, the first of three categories of metrics must be established: *Building Metrics*.

BUILDING METRICS

- Baseline
    - A survey of the existing supply of affordable housing should be completed in order to help gauge the level of increase in that supply due to ***Project ARROW***.
    - The data to be collected should be the number of existing affordable units:
        - In total
        - By housing type (multi-family, single-family)
        - By zoning classification
    - The baseline created by the workgroup for the time through the standard development cycle should also be used to gauge the effectiveness of the expedited development cycle (“HOV Lane”).
- New Affordable Housing Developments
    - A survey of the new supply of affordable housing should be completed and compared to the baseline in order to help gauge the level of increase in that supply due to ***Project ARROW***.
    - The data to be collected should be the number of new affordable units:
        - In total

        - By income tier
        - By housing type (multi-family, single-family)
        - By location within the city by section (TBD, e.g. downtown)
    - Data on the time taken through the development cycle should be collected and compared to the baseline.

- New Affordable Housing Developments and Baseline
    - All of the metrics above combined.

Outcome

While an increase in infrastructure is key to the Bentonville's affordable housing mission, new affordable developments being built are only the output to the ***Project ARROW*** process, not the goal. The ultimate aim—or outcome—is to increase the number of the workforce households in the three targeted income tiers living in housing they can afford in the city they serve. Therefore, we must measure this goal using our second set of metrics: *People Metrics*.

PEOPLE METRICS

- Baseline
    - A survey of the number of the workforce households in the three targeted income tiers currently living in Bentonville should be completed in order to help gauge the level of increase in that number due to ***Project ARROW***.
    - The data to be collected should be the number of existing workforce households in the three targeted income tiers living in Bentonville:
        - By income tier
        - By housing type (multi-family, single-family)
        - By location within the city by section (TBD, e.g. downtown)
    - To track workforce households in the three targeted income tiers that already live in Bentonville but are rent/mortgage burdened (greater than 30% of total income on housing costs), a survey on household affordability among these income bands should also be conducted.
- Increase in Workforce Household Residency and Affordability
    - An annual survey of the number of the workforce households in the three targeted income tiers living in Bentonville should be completed in order to help gauge the level of increase in that number due to ***Project ARROW***.
    - The data to be collected should be the number of workforce households in the three targeted income tiers living in Bentonville:
        - By income tier
        - By housing type (multi-family, single-family)
        - By location within the city by section (TBD, e.g. downtown)

- An annual survey on household affordability among these income bands should also be conducted to gauge any increase in affordability.

Wins

If the Outcome is *what* is to be accomplished (workforce households in the three targeted income tiers living in housing they can afford in Bentonville), and the Action, Reaction, and Result are *how* it is to be accomplished (creating an environment to increase the number of affordable housing units in Bentonville), then the Wins are *why* it is being done in the first place.

The short answer is that having workforce households in the three targeted income tiers live in the city they serve benefits all of the related stakeholders. To explain exactly what those benefits look like, we must use the final category of metrics: *Financial Metrics*.

FINANCIAL METRICS

- City Wins
  - Calculation of capital leverage (Ratio of city dollars vs. external dollars for construction)
  - Calculation of impact leverage (Ratio of city dollars vs. amount of rental savings for households over time)
  - Calculation of short term payback (e.g. property taxes)
  - National Home Buyers Association calculation of economic impact
- Developer Wins
  - Calculation of incremental increase in dollars due to City incentives
  - Increase in speed through the development cycle vs. baseline
- Business Wins
  - Increase in number of workforce households in the three targeted income tiers living in Bentonville by tier
- Bentonville Workforce Wins
  - Increase in number of affordable housing units available in Bentonville (by tier)
  - Amount of rental savings over time
  - Less impact to traffic

The following are two examples of how these wins would play out for a Tier 3 multi-family development (Fig. 24) and a Tier 3 single-family development (Fig. 25).

Multi-Family units	150	Meets city goal of 150 units built
Market Rent	$1500	Current FMR*
City Incentives	$100	Density/Impact/Land
Developer brings	$650	Fed incentives
Rent savings	$750	Citizens save
Final Rent	$750	Meets city goal Tier2/3
Economic impact***	$27M	High City ROI

Capital leverage of 6.5 : 1

$47M Rental Savings**

Feds bring compliance
Developer gets 20% more density & HOV lane prioritization

*2 bedroom
** 35 year
*** NHBA calc

Figure 24: Tier 3 Multi-family Project Example

Single Family units.	48 (800 to 1000 sqft)
Market price home	$440,000 (4.5 units/acre)
Zoning Savings	$270,000 (16 units/acre)
Zoning Net	$170,000
Other incentives	$20,000
Final Housing	$150,000 = $800/month mortgage

Figure 25: Tier 3 Single-family Project Example

METRICS SCORECARD

While it is strongly recommended to collect all three categories of metrics described above—People, Building, and Financial—there is also a need for a simplified tool that can clearly communicate the impact of ***Project ARROW*** to decision makers and the public. The following chart outlines the workgroup's recommended "metrics scorecard", which provides significant indicators of success while being more suited for general consumption (Fig. 26).

Measure	Baseline	Target
Number of units built by type for each tier	Single Family FMR: 500units/yr Multi-Family FMR : 500 units/yr	SF: 20% of total is affordable MF: 20% of total is affordable
Speed of tiered projects ("HOV lane")	SF: ~Three years (R4) MF: ~Four years	SF: Two years or less MF: Two years or less
Number of affordable projects evaluated	N/A	SF: Five or more per year SF: Five or more per year
Tenants at target level of household income living in built housing	N/A	100% of tenants
Compliance with agreed upon requirements	N/A	100% compliance, confirmed each year by Jan 31
Level of outmigration of citizens by tier	2022 outmigration study	Slowing or reversing of current trends

Figure 26: Metrics Scorecard

Only half of the scorecard metrics currently have baselines, due the process being brand new, but that would change after the first year, after which they would be re-evaluated annually like the rest of the scorecard. To clarify the first metric, the workgroup recommends that, of the 500 multi-family units and the 500 single-family units being built each year, the City should initially target 20% of each type being affordable (i.e. 100 for each).

For transparency, the workgroup recommends that the metrics scorecard be posted online for the public on an annual basis. As the goals of the City shift, so will the scorecard metrics, but these ambitious yet attainable initial targets are a good place to start.

COMPLIANCE

The responsibility for compliance reporting is the developer's, who on an annual basis, at least, will provide a structured document to the AHM that confirms that all the City's requirements are being met for the project through the agreed upon duration.

The information required for compliance should be made clear to developers early in the process (see *Reaction*) and should align with the goals and metrics predetermined by the City (see above). If the project is Tier 3, then the compliance mandated by the federal entities involved will take precedence and will very likely overlap with information needed by the City. In these cases, the AHM must only confirm that the developer is in compliance with the federal agencies, but they can require a copy of all submitted federal reporting if necessary. Further explanations / examples are provided in the ***Implementation Guide***.

If a developer is out of compliance and does not regain compliance within the City's required "cure period", then the developer will incur any of the stated penalties (e.g. a fee of twice the amount of any reduced impact fees).

IMPLEMENTATION GUIDE

This guide details how each aspect of the Project ARROW process is implemented. The pathway for multi-family and single-family units is slightly different and is illustrated below.

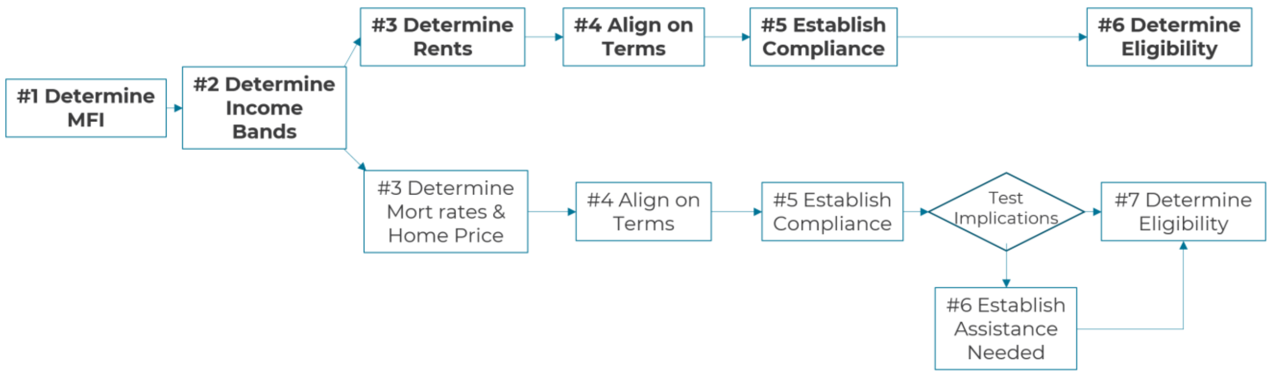


Figure 26: Project ARROW Multi-family Process

MULTI-FAMILY

Stage 1: Obtain the MFI for Bentonville

The household income ranges will be determined by Jan 31 of each year by using the HUD Median Family Income (MFI) for the Fayetteville-Springdale-Rogers MSA region. The information can be accessed at the following website: https://www.huduser.gov/portal/datasets/il.html. **For 2022, the MFI is $83,700 for a household of four**.

Stage 2: Determine Affordable Household Qualifying Income Limits

Affordable Household Qualifying Income Limits must be calculated by January 31 of each year. In order to qualify, a family's income will have to be less than or equal to the maximum income limit of the qualifying tier. The table below, for example, is for a family of four. Specific family qualifications using adjustments for household size are addressed in Step 6.

Schedule A: Qualified Household Income Limits (Household of four)

Tier	Calculation	Income Limit
Tier 3	30%-50% of MFI	$25,110 - $41,850
Tier 2	50%-80% of MFI	$41,851 - $66,950
Tier 1	80%-120% of MFI	$66,951 - $100,450

The current MFI for a family of four is $83,700, which is used to calculate the income thresholds for each tier. For example, the maximum annual income for Tier 3 households is ($83,700 x 50% =) $41,850.

Stage 3: Determine rents that are considered appropriate for each income range

Using HUD's guidelines, affordability is defined, for rental purposes, as 30% of one's monthly income for housing costs. Utilities and other associated costs are roughly 10% of housing costs, which means the remaining 20% is rent.

To continue our example from above, the maximum affordable rental rate for a Tier 3 household of four is ($41,850 x 20% / 12 months equals) $698 per month.

Schedule B: Affordable Rental Ranges (Household of four)

Tier	Calculation	Income Limit	Rental Range
Tier 3	30%-50% of MFI	$25,110 - $41,850	$418 - $698
Tier 2	50%-80% of MFI	$41,851 - $66,950	$698 - $1,116
Tier 1	80%-120% of MFI	$66,951 - $100,450	$1,116 - $1,674

Stage 4: Calculate and determine the use of the "funding pool"

The key concept of this process is that a) the City removes barriers and offers incentives that have value to the developer in exchange for b) the developer meeting certain requirements that the City mandates.

The barriers that the City can remove and the incentives that it can offer to motivate developers are:

- For smaller projects
  - Expediting the development cycle time
  - Providing density bonuses
  - Waving impact fees
- For larger projects
  - All of the above, and,
  - Using CBDG funds
  - Providing long-term land leases or donations

The requirements that the City will ask for in return are:

- For smaller projects
  - Agreed upon reduction in rental price based on current fair market rate (e.g. $500 less than current FMR) for each income tier to be served (a.k.a. "back of market rate")
  - Number of units to be designated as affordable
  - Length of time those units must be designated as affordable
- For larger projects
  - All of the above, and,
  - Developer accessing federal and state funds
  - Developer accessing private and philanthropic sector funds

The City must **quantify** what it is offering in terms of cost savings to the developer—also known as the creation of a "funding pool"—so that an informed and equitable conversation can be had regarding the City's requests.

During this process, the City's Planning Department will work with other City staff to determine which of the density increase "levers" are best to adjust to get the additional obtainable density for a given project, whether Tier 1, 2, or 3. "Obtainable" means the developer has the predictability and high probability of obtaining the number of units per acre agreed upon by the City.

Density Bonus "Levers"

- Reductions in minimum required parking (size and number of spaces)
- Reduced Right-of-Way Widths
- Narrowed utility easements
- Increases in allowable height
- Setback reductions
- Reducing or eliminating land area per dwelling unit requirements
- Modifying landscape buffers
- Alternative utility layouts to allow for a more compact development pattern

Similarly, the Affordable Housing Manager (AHM) will calculate the waived impact fees for Tier 2 projects and will evaluate how Community Development Block Grants (CDBG) or a City land lease or donation could be used for Tier 3 projects.

Funding Pool Amounts

The calculation of funding pool amounts consists of determining the total dollar value of each element of cost savings generated by the City's offering of incentives and removal of barriers, and then converting the combined cost savings into an annual amount. That amount can then be applied towards buying down the rent associated with affordable units.

The elements of each funding pool can change depending on the income tier that project serves. The following section contains how annualized funding pool dollars are determined from density bonuses, waiving impact fees, and external funding sources, such as federal programs (e.g. Low-Income Housing Tax Credits), philanthropy, donated land, National Housing Trust, and so on.

Density Bonuses

Density bonuses are calculated by determining the difference between the land cost per unit obtained from its current zoning and the land cost per unit obtained after any proposed density changes. An example of a density bonus calculation is provided below (Fig. 27).

	Multi-family
Land Purchase Price	$ 2,606,038
Original Units	160
Proposed Units	192
Units Gained	32
Growth	20%
Original Cost Per Unit	$ 16,288
Proposed Cost Per Unit	$ 13,573
Cost improvement per Unit	$ 2,715
Total Density Bonuses	**$ 434,340**

Figure 27: Density Bonus Calculation Example

Assuming an eight-acre development where current city code allows a developer to obtain 20 units per acre, the developer would be able to build (8 acres X 20 units per acre equals) 160 units. If the land cost was $2,606,038, this would mean that the per unit land cost would be ($2,606,038 land cost / 160 units equals) $16,288.

If the developer and the AHM were able to align on a 20% density bonus (24 obtainable units per acre), then the developer would be able to build a total of (8 acres X 24 Units acre equals) 192 Units. The per unit land cost would decrease to ($2,606,038 land cost / 192 units equals) $13,573 per unit.

The cost improvement per unit for the density bonus is ($16,288 original units per acre - $13,573 proposed units per acre equals) $2,715 per unit. Therefore, the total dollar impact for the density bonus is ($2,715 x 160 original units equals) $434,340.

Waived Impact Fees

Impact fees may consist of building permits, park fees, library fees, Fire/EMS fees, and Police fees. The AHM will maintain the list and applicable rates fees and permits that are authorized by the City Council to be waived for affordable housing projects.

Currently, developers are charged impact fees on a per unit basis. Assuming a 160-unit project, the calculation would be to take the 160 units multiplied by each fee being waived (Fig. 28). Therefore, the total dollar impact for the waiving of impact fees would be ($2,978 x 160 original units equals) $476,840.

			Incentive Dollars
Impact Fees/Building Permit	Multi-family	UOM	Multi-family
Units	160		
Building Permit	$ 940	Per Unit	$ 150,400
Park Impact Fees	$ 1,382	Per Unit	$ 221,120
Library Impact Fees	$ 112	Per Unit	$ 17,920
Fire/EMS Impact Fees	$ 200	Per Unit	$ 32,000
Police Impact Fees	$ 344	Per Unit	$ 55,040
Total Impact Fees Incentives	**$ 2,978**		**$ 476,480**

Figure 28: Waived Impact Fees Calculation Example

External Sources of Funds

In addition to density bonuses and waiving impact fees, the value of all external funding sources (i.e. sources outside of City incentives or barrier removal) can be calculated using the same method. The following is an example of a funding schedule for a Tier 3 project that contains a list of external sources of funds (Fig. 29). It also contains a quantified City incentive amount, comprising density bonuses and waiving impact fees ($434,340 + $476,840 = $910,820), as the “Multi-family City Incentives (Tier 3)” line item.

Sources of Funds	Total Dollars
Tax Credit LIHTC	$ 8,437,254
Philanthrophy	$ 3,500,000
Donated Land	$ 2,171,698
National Housing Trust	$ 2,000,000
Home Funds 1%	$ 2,000,000
Deferred Developer Fees	$ 1,335,040
State LIHTC Equity	$ 1,100,000
Total Other Sources	$ 20,543,992
Multi-Family City Incentives (Tier 3)	$ 910,820
Funding Dollars	**$ 21,454,812**

Figure 29: External Sources of Funds Calculation Example

The external funding, or "Total Other Sources", includes federal tax credits ($8,434,254), philanthropic contributions ($3,500,000), donated land ($2,171,698), the National Housing Trust ($2,000,000) and others. Again, the calculation of the amounts of these external funding sources amounts requires determining the dollar amount of each one and converting it into an annual amount to be applied towards decreasing the housing cost associated with affordable units.

Use of the funding pool

Once the funding pool—the total of City incentives and external funding sources—has been determined, the developer and the AHM will align on how the funds will be applied to the "buy down", or the reduction of, the cost of affordable housing units.

The general formula consists of four components:

- Total funding pool
- Amount of rent reduction at "back of market rate"
- Number of units to be designated as affordable
- Length of time those units will be designated as affordable

Below are examples of how to determine the three income tiers associated with multi-family units using the various models. Each tier has different levels of external funding sources and city incentives, with Tier 3 having the most complexity because it involves the most external funding sources, including government assisted housing programs, such as the Low-Income Housing Tax Credit program (LIHTC). In addition, each tier will have its own qualifying income levels for the renter and assumptions about the potential size of the funding pool.

- **Tier 1** – Very limited incentives, including only the density bonus. The goal is to hold the rent levels to market rate or less for a specific amount of time. This tier has less complex compliance requirements, and the tenant income and affordable rent levels are verified by the City and the development's property management.
- **Tier 2** – May be limited to only City incentives, including both density bonuses and waived impact fees. The funding pool might only allow for a small amount of affordable housing as a small subset of all the units constructed. This tier has less complex compliance requirements, and the tenant income and affordable rent levels are verified by the City and the development's property management.
- **Tier 3** – Numerous external funding sources and City incentives are available, including government housing program assistance programs that have tighter eligibility and compliance requirements. The funding pool is intended to hold rents significantly below market rates, for most, if not all, units, for 30+ years. This tier involves strict compliance requirements, with tenant income and affordable rent level verifications carried out by the applicable government agency and the development's property management.

The following definitions apply toward the models illustrated below.

- **Number of Units - Total Project:** Total units to be built or converted
- **Number of Years to Apply Funding Dollars:** Years of reduced rent
- **Interest Rate:** Current interest rate used to determine the present value of annualized payment amount
- **Market Rent:** Current fair market rent in Bentonville
- **Discounted Rent $ (Monthly):** Planned rent discount per month multiplied by the number of bedrooms
- **Guaranteed Rent:** Expected monthly rental rate for income qualified renters, for the durations of years to amortize (Market Rent – Discounted Rent = Guaranteed Rent)
- **Number/Mix of Units Discounted:** Number of units and the mix of units by number of bedrooms (i.e. how many one bedroom units, two bedroom units, and so on) to which the funding pool is applied.
- **Total Annualized Funds Available:** Total funding pool amount converted to an annualized funding amount. When calculating the Total Annualized Funds Available, it is assumed that the developer would have to borrow the funds at a specific interest rate for a specific amount of

time. This factor is taken into consideration when determining the annualized funding dollars to apply. The formula used within Microsoft Excel is: =PMT (Annual interest rate/12, (Number of Months), Total Fund Source Amount,0,0)*-12

- **Total Annualized Funds Applied:** Total amount of annualized funds applied to affordable units. (Discounted Rent $ (Monthly) multiplied by 12 months, multiplied by number of affordable housing units by tier.
- **Under/(Over) Applied Funds:** Total Annualized Funds Available minus Total Annualized Funds Applied. Ideally, the difference should be as close to zero as possible.
- **Affordable Housing (Min):** The minimum affordable contract rent amount determine for each income level tier.
- **Affordable Housing (Max):** The maximum affordable contract rent amount determine for each income level tier. The Guaranteed Rent amount per unit should be less than the Affordable Housing (Max) rate for the corresponding tier.
- **Funding Pool:** Represents all external funding sources and City Incentives that will be used towards buying down the cost of affordable housing units. May include federal tax credits, National Housing Trust, donated or leased Land, HOME Funds, waived impact fees, density bonuses, state tax credits, deferred developer fees, and philanthropic contributions.

Note: These methods are baseline models and will change over time as the process and incentives evolve. Any changes will need to be submitted by the Affordable Housing Collaborator and approved by City Council as needed. Approval of the final, agreed upon terms between the City and developers is always the responsibility of the AHM.

Tier 1 Example (80–120% MFI: $66,951–$100,450)

Tier 1 is where the fewest funding dollars are available to help buy down rental rates. Given this fact, the goal is to apply the limited funding pool toward retaining current rental rates for a number of years. In this example, the developer has been guaranteed a density bonus and, in return, will lock in the current rental rate of $1,500 per month for a two-bedroom unit for the next 10 years (Fig. 30).

# Units - Total Project	160	
Number of Years to Apply Funding Dollars	**10**	
Interest Rate	5%	
Multi-Family City Incentives Distribution	**$ 434,340**	**Density bonus only*
Annualized Funding Dollars	**$ 55,282**	Step 1
CPI Rate	4.79%	

Tier 1	Step 2		Step 3	Step 4	Step 5	Step 6	
Bedrooms	**Market Rent**	**Discounted Rent $'s (Monthly)**	**Guaranteed Rent**	**CPI Adjusted Rent**	**Avg Monthly Rent Increase Foregone**	**Number of Affordable Housing Units**	**Total Annual Distributed Incentives**
1	$ 930	[redacted]	$ 930	$ 1,485	$ 55	25	$ 16,645
2	$ 1,500	[redacted]	$ 1,500	$ 2,395	$ 89	36	$ 38,660
3	$ 1,995	[redacted]	$ 1,995	$ 3,185	$ 119	-	$ -
4	$ 2,395	[redacted]	$ 2,395	$ 3,824	$ 143	-	$ -
Total Annualized Funds Applied			**$ 1,266**	$ 2,022	$ 76	**61**	$ 55,306
Total Annualized Funds Available							$ 55,282
Under/(Over) Applied Funds							$ (23)
				Step 7			
Tier 1 Core Housing Target (Max)			**$ 1,674**				

Figure 30: Tier 1 Project Example

- **Step 1** - Calculate the present value of the total funding pool being used to buy down the rents.
  - Total funding pool = $434,340
  - Using 10 years and a 5% interest rate, the annualized funding to be applied toward rent reduction is $55,282 annually
  - **Used Payment function is Microsoft Excel for each of the fund sources
    - (PMT(5% Interest Rate/12,10 years*12, Funding Amount,0,0)*-12)
  - Interest Rate source: https://fred.stlouisfed.org/series/MORTGAGE30US

- **Step 2** - Input Bentonville's Market Rent for each of the bedroom sizes.
  - For a two-bedroom unit, the most recent Market Rent is $1,500 per month
  - Source: https://www.zumper.com/rent-research/bentonville-ar

- **Step 3** – The goal is to maintain the Market Rent at the time of the project for a set number of years.

- **Step 4** - Calculate the future value of Market Rent. This represents the future value of rental rates (CPI adjusted) that the developer is forgoing on a subset of rental units.
  - **Used Future Value function is Microsoft Excel for each of the fund sources
    - (FV (4.79% CPI Rate,10 years, -Guaranteed Rental rate,1)
  - Source: Consumer Price Index for Shelter: Rolling 5-year Average % Change - West South-Central Region

- **Step 5 –** Determine the average monthly rent increase forgone by the developer. This represents the average monthly rent amount forgone over the agreed upon duration of 10 years.
  - Calculation for two-bedroom: ((CPI Adjusted Monthly Rent ($2,395) minus Guaranteed Rent ($1,500)) divided by 10 years
  - ($2,395 - $1,500) / 10 = $89 per unit

- **Step 6** - Determine the number of units by bedroom size that will be guaranteed.
  - In the example above, the developer is guaranteeing 36 two-bedroom units at the $1,500 monthly rate, fixed for 10 years
  - This will utilize $38,660 of the $55,282 annual fund amount to be applied
    - 36 units x ($89 x 12)
  - The developer is also locking in 25 units at $930, utilizing $16,645
    - 25 units x ($55 x 12)
  - Total Funds Applied $55,306 vs Total Funds Available of $55,282
    - Note the small Under/(Over) balance amount of ($24)

- **Step 7** – Ensure the Guaranteed Rent is below the Tier 1 Affordable Housing (Max) Rate.
  - The Guaranteed Rent above is $930 and $1,500 a month for the 61 Units
  - The Affordable Housing (Max) rate = $1,674 a month
  - Since the Guaranteed Rate is less than the Affordable Housing (Max) rate for Tier 1, the project is considered affordable.

Tier 2 Example (50–80% MFI: $41,851–$66,950)

The Tier 2 method is like Tier 1 except that it leverages both density bonuses and impact fees. Thus, the annualized funding pool is larger ($115,928), and the pool is applied over 10 years to lower the monthly rental rate on 18 units out of the 160 being constructed (Fig. 31 and 32).

Incentive	Multi-family	Annualized Funding Dollars
Total Impact Fees Incentives	$ 476,480	$ 60,646
Density Bonus Calculation	$ 434,340	$ 55,282
Total Incentives	**$ 910,820**	**$ 115,928**

Figure 31: Tier 2 Total City Incentives Example

# Units - Total Project		160
Number of Years to Apply Funding Dollars		10
Interest Rate		5%
Multi-Family City Incentives Distribution (Tier 2)	**$**	**910,820**
Annualized Funding Dollars	$	115,928

Step 1

Step 2 Step 3 Step 4

Bedrooms	**Market Rent**	**Discounted Rent $'s (Monthly)**	**Guaranteed Rent**	**Number of Affordable Housing Units**	**Annulized Rent Discount**	**Total Annual Rent Discounted Dollars**
1	$ 930	$ 283	$ 647	3	$ 3,390	$ 10,171
2	$ 1,500	$ 509	$ 991	12	$ 6,113	$ 73,357
3	$ 1,995	$ 900	$ 1,095	3	$ 10,800	$ 32,400
4	$ 2,395	$ -	$ 2,395	0	$ -	$ -
Total Annualized Funds Applied	$ 1,488	$ 537	**$ 951**	**18**		**$ 115,928**
Total Annualized Funds Available						**$ 115,928**
Under/(Over) Applied Funds						$ -
Tier 2 . (Min)			$ 419			
Tier 2 . (Max)			**$ 1,116**			

Step 5

Figure 32: Tier 2 Project Example

- **Step 1** - Calculate the present value of the total funding pool being used to buy down the rents.
  - Total funding dollars = $910,820
  - Using 10 years (minimum of five years recommended) and a 5% interest rate, the annualized funding to be applied toward rent reduction = $115,928
  - **Used Payment function is Microsoft Excel for each of the fund sources
    - (PMT(5% Interest Rate/12,10 years*12, Funding Amount,0,0)*-12)
  - Interest Rate source: https://fred.stlouisfed.org/series/MORTGAGE30US

- **Step 2** - Input Bentonville's Market Rent for each of the bedroom sizes.
  - For a two-bedroom unit, the most recent market rate is $1,500 per month.
  - Source: https://www.zumper.com/rent-research/bentonville-ar

- **Step 3** - Determine what the discount per month will be for each of the affordable units.
  - In the example above, a two bedroom is being applied a $509.42 monthly discount
  - Therefore, a Guaranteed Rate of $990.58 a month is established
    - ($1,500 - $509.42 = $990.58)
  - This is the amount the developer is guaranteeing the monthly rent rate to be over the 10-year period

- **Step 4** - Determine the number of units by bedroom size that will be designated affordable.
    - In the example above, the developer is guaranteeing 12 two-bedroom units at the $990.58 monthly rate
    - This will utilize $73,357 of the $115,928 annual funding pool amount to be applied
        - 12 units x ($509.42 x 12)
    - The remaining annual funding pool will also fund 3 one-bedroom units at $647, using $10,171 of the annual funding pool (3 units X ($282.54 x 12) and 3 three-bedroom units at $1,095 per month, utilizing $32,400 of the annual funding pool (3 units x ($900 x 12))
    - The goal is to apply the total $115,928 annual funds across the units
    - Therefore, 18 units to be constructed will be designated affordable

- **Step 5** – Ensure the Guaranteed Rent is below Tier 2's Housing (Max) rate.
    - The Guaranteed Rent above is $950.80, $647.46, and $1095 per month
    - The Affordable Housing (Max) rate is $1,116 a month
    - Since the Guaranteed Rates are less than the Affordable Housing (Max) rate for Tier 2, the project is considered affordable

Tier 3 Example (30–50% MFI: $25,110–$41,850)

****For illustration Purposes only --- Subject to LIHTC Application's Unit Rates*

# Units - Total Project	160	
Number of Years to Apply Funding Dollars	**35**	
Interest Rate	5%	
Sources of Funds	**Total Dollars**	**Annualized Funding Dollars**
Tax Credit LIHTC	$ 8,437,254	$ 510,981
Philanthrophy	$ 3,500,000	$ 211,969
Donated Land	$ 2,171,698	$ 131,524
National Housing Trust	$ 2,000,000	$ 121,125
Home Funds 1%	$ 2,000,000	$ 106,266
Deferred Developer Fees	$ 1,335,040	$ 80,853
State LIHTC Equity	$ 1,100,000	$ 66,619
Total Other Sources	$ 20,543,992	$ 1,229,337
Multi-Family City Incentives (Tier 3)	$ 910,820	$ 55,162
Funding Dollars	**$ 21,454,812**	**$ 1,299,357**

Step 1

Step 2 Step 3 Step 4

Bedrooms	Market Rent	Discounted Rent $'s (Monthly)	Guaranteed Rent	Number of Affordable Housing Units	Annulized Rent Discount	Total Annual Rent Discounted Dollars
1	$ 930	$ 501	$ 429	20	$ 6,013	$ 120,262
2	$ 1,500	$ 907	$ 593	51	$ 10,884	**$ 555,095**
3	$ 1,995	$ 1,300	$ 695	40	$ 15,600	$ 624,000
4	$ 2,395	$ -	$ 2,395	0	$ -	$ -
Total Annualized Funds Applied	$ 1,576	**$ 975**	**$ 600**	**111**	**$ 32,497**	**$ 1,299,357**
Total Annualized Funds Available						$ 1,299,357
Under/(Over) Applied Funds						$ -
Tier 3 (Min)			$ 419			
Tier 3 (Max)			**$ 698**			

Step 5

Figure 33: Tier 3 Project Example

- **Step 1** - Calculate the present value of the total funding pool being used to buy down the rents.
  - Total funding dollars = $21,454,812 (Fig. 33)
  - Using 35 years and a 5% interest rate, the annualized funding to be applied toward rent reduction = $1,299,357
  - **Used Payment function is Microsoft Excel for each of the fund sources.
    - (PMT(5% Interest Rate/12,35 years*12, Funding Amount,0,0)*-12)
  - Interest Rate source: https://fred.stlouisfed.org/series/MORTGAGE30US
- **Step 2** - Input Bentonville's Market Rent for each of the bedroom sizes.
  - For a two-bedroom unit, the most recent market rate is $1,500 per month
  - Source: https://www.zumper.com/rent-research/bentonville-ar
- **Step 3** - Determine what the discount per month will be for each of the affordable units
  - In the example above, a two bedroom is being applied a $907 monthly discount

- Therefore, a Guaranteed Rate of $593 a month is established
    - ($1,500 - $907 = $593)
- This is the amount the developer is guaranteeing the monthly rent rate to be over the 35-year period

➢ **Step 4** - Determine the number of units by bedroom size that will be designated affordable.
- In the example above, the developer is guaranteeing 51 two-bedroom units at the $593 monthly rate
- This will utilize $555,095 of the $1,299,357 annual funding pool amount to be applied
    - 51 units x ($907 x 12)
- The goal is to apply the total $1,299,357 annual funds across the units
- Therefore, 111 units to be constructed will be designated affordable

➢ **Step 5** – Ensure the Guaranteed Rent is below Tier 3's Affordable Housing (Max) rate
- The Guaranteed Rent above is $600 a month
- The Affordable Housing (Max) rate is $698 a month
- Since the Guaranteed Rate is less than the Affordable Housing (Max) rate for Tier 3, the project is considered affordable

Expedited Development Cycle ("HOV Lane")

While expediting the development cycle is not directly related to the financial calculations above, it is still very valuable to developers as they can capitalize on their investments more quickly. It is also essential in incentivizing developers to act in addressing affordable housing in Bentonville.

The time savings would also be a major factor in Federal or State affordable housing subsidy programs that have strict deadlines for project completion. The Low-Income Housing Tax Credit (LIHTC) program, for example, requires that approved projects be completed within two years. If that deadline is not met, the program will rescind all awarded tax credits, a loss that would be in the millions of dollars for the project. Improvements in cycle time are essentially required for developers in Bentonville to leverage these Federal and State dollars on behalf of workforce households in our three target tiers.

> *Note: While the resulting cycle time improvements illustrated below (Fig. 34) do not bring the total cycle time to less than two years, the time allotted for zoning ("Phase 0") and, potentially, part of the concept portion of Phase 1 are often not included in the Federal and State timeline. This means that the process improvements would enable Bentonville to use such programs.*

	"Phase 0"	Phase 1 and 2 combined			Phase 3	Phase 4	Phase 5		YEARS
		Concept	Site Engineering	Project Submittal through Planning Commission Approval	Pre-Construction	Construction	Site Final	Final Plat Approval / File	
				Weekly meetings	Target: 56 days Max: 77 days	"Ladder up" process for issue resolution	Review site final process and reinspection Review app submittal approval and filing time		
HOV Example									
Multi-Family	60	90	120	60	56	305	95		2.2

Figure 34: "HOV Lane" Cycle Time Improvements for Multi-family

Each ***Project ARROW*** project will work with the Affordable Housing Manager in addition to their designated project manager from the City of Bentonville's Planning Department. The role of both staff members is to serve as a liaison and expediter throughout the development cycle.

For the purposes of resolving issues during the development cycle, the City is committing to an issue resolution ladder as a proactive conflict management tool to bring structure to the collaborative problem-solving process and resolve project issues quicker and at the lowest possible level. If an issue is not resolved within two days, the issue will be elevated to the next level (the supervisor of the person in the previous level until it would finally reach the Mayor's Office).

PHASES 1 AND 2: Pre-Development

Affordable housing projects will have Phases 1 and 2 of the development cycle combined for the purpose of reducing the timeline from concept through Planning Commission approval.

Concept

Interested parties will need to schedule a concept meeting with the Affordable Housing Manager and any other necessary departments to discuss the proposed project and the zoning, development, and utility requirements.

Site Engineering

Applicants must stay in contact with the Affordable Housing Manager and development staff while preparing their final plan sets. Coordinating with planning, engineering, and utility staff can save significant time and effort during the Project Submittal and Review process. For example, providing electric service information early in the process can allow Electric Department staff to begin electric design immediately.

Once a proposed project has developed a set of plans that meet the requirements of the "Pre-Application Conference Checklist" and has collected all the documents required for submission, they may submit their project through the City's eTrakit System for first review.

Project Submittal and Review

As opposed to a Pre-Application Conference, affordable housing projects will have a "First Submittal Comments" meeting the Wednesday after the first staff comment due date. Applicants and the Affordable Housing Manager will meet on a weekly basis from application through Planning Commission approval to keep projects on track and on time.

PHASE 3: Pre-Construction

One barrier of the development cycle discussed by the workgroup was the inconsistent timeline from the Planning Commission meeting to the Pre-Construction meeting. In an effort to solve for this issue, Project ARROW participants will have a mutually beneficial submittal schedule from Planning Commission to Pre-Construction. The Affordable Housing Manager and the assigned Planning Department Project Manager will work with applicants on a 14-day resubmittal and 7-day review schedule—post-Planning Commission approval—to get plans finalized for construction (Fig. 35).

1st Submittal Deadline @ 4:30 PM	1st Submittal Comments Available to Applicant	First Submittal Comments Meeting with all Departments	2nd Submittal Deadline	2nd Submittal Comments to Applicant	3rd Submittal Comments	3rd Submittal Comments to Applicant	Planning Commission Tech Review @ 4:00 PM Public Hearings @ 5:00 PM	4th Submittal	4th Submittal Comments to Applicant	5th Submittal (If Needed)	5th Submittal Comments to Applicant
Day 0	Day 7	Day 9	Day 14	Day 21	Day 28	Day 35	Day 36	Day 49	Day 56	Day 70	Day 77

Figure 35: Pre-Construction Submittal and Review Schedule

PHASE 4: Construction

The issue resolution ladder described above will most often be used during this phase, allowing solutions to be reached much quickly and resulting in a significant reduction in the duration of this phase.

PHASE 5: Site Final/Final Plat

The final inspection and final plat approval processes will be streamlined to move affordable projects through at a faster rate. City staff will explore options such as re-inspection protocols, submission to the Planning Commission sooner if only minimal changes are required after inspection, and faster filing times.

Stage 5: Establish compliance requirements

Tiers 1 and 2

Each January, the developer/property manager will present a structured document showing the number of units at each bedroom size, as well as the rental rate for those units for each Tier 1 or Tier 2 project. The income of the household living in the unit will established by the tenants' W2s, which will also be provided by the developer/property manager, following the Low-Income Housing Tax Credit (LIHTC) program's income verification methodology.

> *Note: If the household income rises above the maximum threshold for household compliance after the initial move in, the household is not in violation and will be allowed to stay at the lower rent for the duration of their residency.*

If the developer becomes out of compliance and does not address the issue during the City's required "cure period", they will be subject to the penalties described in their contract with the City.

Tier 3

For a Tier 3 project—which will likely involve tax credits—HUD, the Arkansas Development Finance Authority (ADFA), and the tax credit investors will all utilize the compliance mechanisms put in place by HUD.

Note: It is extremely rare for such a project to be out of compliance and not be cured.

The City would require the same compliance as HUD and ADFA. If the developer becomes out of compliance and does not address the issue during the City's required "cure period", they will be subject to the penalties described in their contract with the City.

Stage 6: Determine eligibility for specific families through the property manager

Once the qualified Income ranges are determined, the property manager will use the tools provided by HUD to determine Eligibility for specific families by household size (Fig. 36). Note the tie back to the starting MFI numbers used for a family of four: $41,850.

HUD USER

FY 2022 INCOME LIMITS DOCUMENTATION SYSTEM

HUD.gov HUD User Home Data Sets Fair Market Rents Section 8 Income Limits MTSP Income Limits HUD LIHTC Database

FY 2022 Income Limits Summary

Selecting any of the buttons labeled "Click for More Detail" will display detailed calculation steps for each of the various parameters.

FY 2022 Income Limit Area	Median Family Income (Click for More Detail)	FY 2022 Income Limit Category	Persons in Family 1	2	3	4	5	6	7	8
Fayetteville-Springdale-Rogers, AR MSA	$83,700	Very Low (50%) Income Limits ($) (Click for More Detail)	29,300	33,500	37,700	**41,850**	45,200	48,550	51,900	55,250
		Extremely Low Income Limits ($)* (Click for More Detail)	17,600	20,100	23,030	**27,750**	32,470	37,190	41,910	46,630
		Low (80%) Income Limits ($) (Click for More Detail)	46,900	53,600	60,300	**66,950**	72,350	77,700	83,050	88,400

The **Fayetteville-Springdale-Rogers, AR MSA** contains the following areas: Benton County, AR; Madison County, AR; and Washington County, AR.

Figure 36: FY2022 HUD Income Limits for the Fayetteville-Springdale-Rogers, AR MSA

SINGLE-FAMILY

The following section details how each section of the Project ARROW process is implemented. The pathway for multi-family and single-family is slightly different and is illustrated below (Fig. 37).

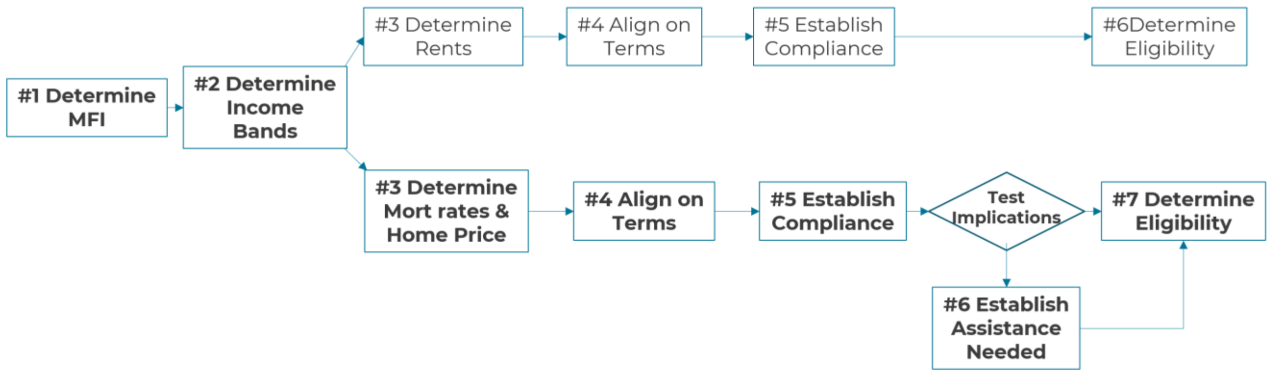


Figure 37: Project ARROW Single-family Process

Stage 1: Obtain the MFI for Bentonville

The household income ranges will be determined by Jan 31 of each year by using the HUD Median Family Income (MFI) for the Fayetteville-Springdale-Rogers MSA region. The information can be obtained by accessing the following website: https://www.huduser.gov/portal/datasets/il.html. **For 2022, the MFI is $83,700 for a household of four**.

Stage 2: Determine Affordable Household Qualifying Income Limits

Affordable Household Qualifying Income Limits must be calculated by January 31 of each year. In order to qualify, a family's income will have to be less than or equal to the maximum income limit of the qualifying tier. The table below, for example, is for a family of four. Specific family qualifications using adjustments for household size are addressed in Step 6.

Schedule A: Qualified Household Income Limits (Household of four)

Tier	Calculation	Income Limit
Tier 3	30%-50% of MFI	$25,110 - $41,850
Tier 2	50%-80% of MFI	$41,851 - $66,950
Tier 1	80%-120% of MFI	$66,951 - $100,450

The current MFI for a family of four is $83,700, which is used to calculate the income thresholds for each tier. For example, the maximum annual income for Tier 3 households is ($83,700 x 50% =) $41,850.

Stage 3A: Determine mortgage rates that are considered appropriate for each income range

Using HUD's guidelines, affordability for home ownership purposes is defined as 31% of one's monthly income for housing costs. Utilities, taxes, and other associated costs are roughly 4% of housing costs, which means the remaining 27% is mortgage expense.

Using our example above, $41,850 x 27% / 12 months equals a mortgage of $942 per month.

Stage 3B. Determine what home prices are affordable in a "normal market"

Translating this to a home price for an individual must take into account what the prevailing interest rates are at the time of purchase (see Phase 6 below). A 10-year rolling average interest rate is used to calculate the target affordable home prices for a developer/builder to hit (Fig. 38). Current rates will be used to determine what tools are needed at the individual level later in this guide.

Assumptions:			
Interest Rate	3.89%	*10 yr rolling average*	https://fred.stlouisfed.org/series/MORTGAGE30US
# Periods for 30 yr Mortgage	360	*months*	
Compound per year	12		
Front-End debt to Income Ratio	31.00%		https://www.hud.gov/sites/documents/4155-1_4_SECF.PDF
Mortgage Insurance/Taxes ect.	4.00%		
AMME Rate	27.00%		

	Income Level		27% Allowable Monthly Mortgage Expense (AMME)		Affordable Housing Price Index (AHPI)		
Affordable Housing Category	Min	Max	Min	Max	Min	Mid	Max
Tier 3	$ 25,110	$ 41,850	$ 565	$ 942	$ 119,928	**$ 159,904**	$ 199,880
Tier 2	$ 41,851	$ 66,950	$ 942	$ 1,506	$ 199,885	**$ 259,822**	$ 319,760
Tier 1	$ 66,951	$ 100,450	$ 1,506	$ 2,260	$ 319,765	**$ 399,762**	$ 479,759

Interest Rate - 30-year fixed mortgage index (FMI)

Using Front-End Debt to Income Ratio - As described by FHA Guidelines

AMME - Allowable Monthly Mortgage Expenses

https://www.investopedia.com/terms/f/front-end-debt-to-income-ratio.asp

Figure 38: Calculating Affordable Home Prices in a "Normal Market"

Stage 4: Use of the funding

The single-family housing incentives plan can be broken down into five sections (A-E) that have various levels of accountability (Fig. 39).

Market Sales price SQFT	$ 200	https://www.realtor.com/research/data/

	(A)	(B)		(C)		(D)	(E)		
	Developer Receives	Developer Commits		Additional Contributions		Buyer Receives	Affordable Housing Price Index		
Single Family Home	Units per Acre Obtained	Market Home Price	Target SQFT	Impact Fees Waived	ADFA Home Program	Sales Price to Buyer	Min	Mid (Target)	Max
Tier 3	16	$ 170,000	850	$ 3,234	$ 5,925	$ 160,841	$ 119,928	$ 159,904	$ 199,880
Tier 2	10	$ 280,000	1,400	$ -	$ -	$ 280,000	$ 199,885	$ 259,822	$ 319,760
Tier 1	6	$ 440,000	2,200	$ -	$ -	$ 440,000	$ 319,765	$ 399,762	$ 479,759

ADFA Home Program Low Interest - Assumes 1% ADFA vs Market of 3.89%

Figure 39: Single-family Housing Incentives Plan Example

A. "Developer Receives"

As a participant in the ***Project ARROW*** process, the developer will be allowed to build in higher density zoning districts, as defined by the City's land use map (to be updated in 2023). Additionally, the developer will receive density guarantees from the City that are linked to the various income tiers, based on the units per acre that are obtainable. The Planning Department will use the same density bonus tools as described in the Multi-family section above. The project will then be entered into the expedited development cycle ("HOV Lane").

The example illustrated in Section A above shows the developer is being guaranteed 16 units per acre for Tier 3 housing, 10 units per acre for Tier 2, and six units per acre for Tier 1. The housing mix and target square footage of the units is determined by the developer as they work with the Planning Department and the AHM. Given each parcel of land is different, the tools used by the Planning Department and AHM to determine the obtainability numbers will be different.

B. "Developer Commits"

In exchange for the density bonus and an expedited development cycle, the developer commits to the home prices shown in Section B above. For example, Tier 3 has a market home price of $170,000. This value is calculated by multiplying the market sales price of $200 per square foot by the target unit size of 850 square feet ($200 x 850 =$170,000). The developer must commit to the sales price in the contract with the City. The market sales price per square foot should be revisited every six months for future projects and can be found at the following website: https://www.realtor.com/research/data/

The developer also ensures there are deed restrictions that require that the property is owner occupied for at least seven years. The developer will also ensure the POA disallows long-term or short-term rentals during the deed restriction period (i.e. seven years). Furthermore, the contract between the City and the developer/builder will require that the buyer meet the income limits of our three target tiers. The developer will need to provide documentation of these requirements to the AHM when requested.

These requirements will not restrict the amount for which the buyer can sell the house or when the buyer may sell the house.

C. "Additional Contributions" (Tier 3 only)

To promote affordable housing being built in Bentonville, the AHM may choose to waive impact fees and provide additional incentives such as CBDG funds. Any incentive provided should be used to reduce the sales price for the buyer. In addition, the financial models maintained by the AHM will need to be modified to reflect any incremental incentives offered. The price reduction amount and method should be clearly defined. To be eligible for these additional incentives, the developer is encouraged to leverage funds from the ADFA HOME program to lower the development costs and to assist in providing financing for the buyer (see Stage 6 below).

D. "Buyer Receives"

The sales price to the buyer is set and agreed upon. In this example, the Tier 3 sales price to the buyer is calculated by taking the market home price of $170,000 and subtracting the City's waived impact fees incentive ($3,234) and the estimated impact of the ADFA HOME program ($5,925). Thus, the projected sales price to the buyer for a 850 square foot home in Tier 3 is ($170,000 - $3,234 - $5,925 equals) $160,841.

E. Affordability Housing Price Index

Once the sales price to the buyer is calculated, it is compared to the Affordability Housing Price Index (AHPI, see Phase 3B above). The developer and the AHM will ensure that the AHPI ranges are being met. The City will make the final decision as to whether the development is an Affordable Housing Qualified Project.

Expedited Development Cycle ("HOV Lane")

While expediting the development cycle is not directly related to the financial calculations above, it is still very valuable to developers as they can capitalize on their investments more quickly. It is also essential in incentivizing developers to act in addressing affordable housing in Bentonville.

Each ***Project ARROW*** project will work with the Affordable Housing Manager in addition to their designated project manager from the City of Bentonville's Planning Department. The role of both staff members is to serve as a liaison and expediter throughout the development cycle (Fig. 40).

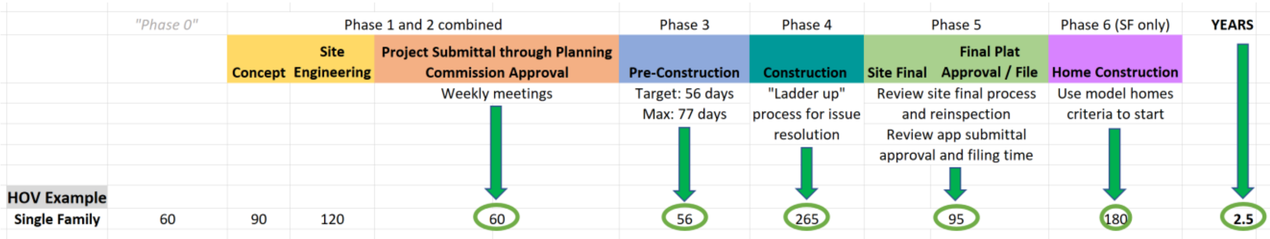


Figure 40: "HOV Lane" Cycle Time Improvements for Single-family

For the purposes of resolving issues during the development cycle, the City is committing to an issue resolution ladder as a proactive conflict management tool to bring structure to the collaborative problem-solving process and resolve project issues quicker and at the lowest possible level. If an issue is not resolved within two days, the issue will be elevated to the next level (the supervisor of the person in the previous level until it would finally reach the Mayor's Office).

PHASES 1 AND 2: Pre-Development

Affordable housing projects will have Phases 1 and 2 of the development cycle combined for the purpose of reducing the timeline from concept through Planning Commission approval.

Concept

Interested parties will need to schedule a concept meeting with the Affordable Housing Manager and any other necessary departments to discuss the proposed project and the zoning, development, and utility requirements.

Site Engineering

Applicants must stay in contact with the Affordable Housing Manager and development staff while preparing their final plan sets. Coordinating with planning, engineering, and utility staff can save significant time and effort during the Project Submittal and Review process. For example, providing electric service information early in the process can allow Electric Department staff to begin electric design immediately.

Once a proposed project has developed a set of plans that meet the requirements of the "Pre-Application Conference Checklist" and has collected all the documents required for submission, they may submit their project through the City's eTrakit System for first review.

Project Submittal and Review

As opposed to a Pre-Application Conference, affordable housing projects will have a "First Submittal Comments" meeting the Wednesday after the first staff comment due date. Applicants and the Affordable Housing Manager will meet on a weekly basis from application through Planning Commission approval to keep projects on track and on time.

PHASE 3: Pre-Construction

One barrier of the development cycle discussed by the workgroup was the inconsistent timeline from the Planning Commission meeting to the Pre-Construction meeting. In an effort to solve for this issue, Project

ARROW participants will have a mutually beneficial submittal schedule from Planning Commission to Pre-Construction. The Affordable Housing Manager and the assigned Planning Department Project Manager will work with applicants on a 14-day resubmittal and 7-day review schedule—post-Planning Commission approval—to get plans finalized for construction (Fig. 41).

1st Submittal Deadline @ 4:30 PM	1st Submittal Comments Available to Applicant	First Submittal Comments Meeting with all Departments	2nd Submittal Deadline	2nd Submittal Comments to Applicant	3rd Submittal Comments	3rd Submittal Comments to Applicant	Planning Commission Tech Review @ 4:00 PM Public Hearings @ 5:00 PM	4th Submittal	4th Submittal Comments to Applicant	5th Submittal (If Needed)	5th Submittal Comments to Applicant
Day 0	Day 7	Day 9	Day 14	Day 21	Day 28	Day 35	Day 36	Day 49	Day 56	Day 70	Day 77

Figure 41: Pre-Construction Submittal and Review Schedule

PHASE 4: Construction

The issue resolution ladder described above will most often be used during this phase, allowing solutions to be reached much quickly and resulting in a significant reduction in the duration of this phase.

PHASE 5: Site Final/Final Plat

The final inspection and final plat approval processes will be streamlined to move affordable projects through at a faster rate. City staff will explore options such as re-inspection protocols, submission to the Planning Commission sooner if only minimal changes are required after inspection, and faster filing times.

PHASE 6: Home Construction

An ordinance will be developed to allow vertical construction of single-family homes sooner in the construction process.

Stage 5: Establish compliance requirements

The developer must commit to the sales price in the contract with the City. Deed and POA documents will be provided by the developer to ensure compliance with the commitments above. If the developer becomes out of compliance and does not address the issue during the "cure period", they will be subject to the penalties described in their contract with the City. If the developer is using HOME funds, compliance with ADFA will also be required.

Stage 6: Establish assistance needed for home buyer

The next step in the single-family housing process is to determine the implications of current market interest rates versus "standard" interest rates (see Phase 3B above). Once the sales price to the buyer is determined, the current interest rate must be compared to the 10-year rolling average interest rate used to set the affordable price ranges (Fig. 42). Typically, interest rates maintain a stable rate over time, but, when economic conditions change significantly and may cause sudden increases in home mortgage interest rates (for example, during global pandemics or periods of record-breaking inflation). This environment can make the proposed affordable housing development exceed the limits of the target tier, due to the Front-end

Debt to Income Ratio, which is used to determine affordable housing financing. Understanding this, the developer and the AHM will discuss various financing options from ADFA or other lending institutions.

Assumptions:	Standard	Current	
Interest Rate	3.89%	7.0%	
Loan Modification Opportunities	0%	0.0%	
Interest Rate Used	3.89%	*7.0%*	3.11%
# Periods for 30 yr Mortgage	360	360	
Compound per year	12	12	
Front-End debt to Income Ratio	31.00%	42.13%	***Change in Debt Ratio***
Mortgage Insurance/Taxes ect.	4.00%	4.00%	
AMME Rate	27.00%	38.13%	

	Income Level		Affordable Housing Price	Monthly Mortgage Expense (Mid)				Affordable Housing Price Needed (Mid)		
Affordable Housing Category	Min	Max	Mid	3.89%	7.0%	Diff		3.89%	7.00%	Diff
Tier 3	$ 25,110	$ 41,850	$ 159,904	$ 753	$ 1,064	$ 311		$ 159,904	$ 113,227	$ (46,677)
Tier 2	$ 41,851	$ 66,950	$ 259,822	$ 1,224	$ 1,729	$ 505	**OR**	$ 259,822	$ 183,978	$ (75,844)
Tier 1	$ 66,951	$ 100,450	$ 399,762	$ 1,883	$ 2,660	$ 776		$ 399,762	$ 283,068	$ (116,694)

Figure 42: Implications of Current Interest Rates vs. "Standard" Interest Rates

The above example illustrates the impact of substantial interest rate differences used to calculate the Affordable Housing Price Index and the current market interest rate for 30-year fixed mortgage. The interest rate used to determine the standard affordable single-family housing prices was 3.89%, which was determined using a 10-year rolling 30-year mortgage interest rate set each year.

As shown, the 7% current market interest rate would create a Front-End Debt to Income ratio of **42.13%** to the buyer or increase the monthly mortgage expense for Tier 3 by $311 per month. It would be very difficult for the buyer to get financing for the purchase of the home via conventional financing. Knowing this at the time of considering an approval of an affordable housing project is vital so that potential "buyer assisted housing programs" can be discussed and proposed to bridge the affordability gap.

For Tier 3, the developer would need to set the sales price at $113,227 per unit or $46,677 lower than the affordable prices determined at the 3.89% interest rate. When confronted with a situation like this, there may be federal or state programs that the developer may use to decrease the cost of construction. The AHM and the developer should also work with the Workforce Housing Center to explore what Federal and state resources might be available. The agreed upon plan and related implications of interest rate changes will need to be reviewed as part of determining whether a developer's project exceeds the limits of the target tier due to these factors.

The tools used in aligning affordable housing incentive plans will be developed and maintained by the AHM, and all plans will require signatures by the developer and the AHM. In addition, the financial models maintained by the AHM will need to be modified to reflect any incremental incentive to be offered. The “buy down” amount and method should be defined and illustrated to ensure all parties understand the impact and expectations of each party.

> *NOTE: As pointed out by the Bentonville Housing Affordability Workgroup, there may be times when interest rates are substantially above the 10-year average, preventing home ownership for those in the Tier 3 income band.*

Stage 7: Determine eligibility for specific families through the developer

Once the qualified income ranges are determined, the developer will use the tools provided by HUD to determine Eligibility for specific families by household size (Fig. 43). Note the tie back to the starting MFI numbers used for a family of four: $41,850.

FY 2022 Income Limits Documentation System

HUD.gov HUD User Home Data Sets Fair Market Rents Section 8 Income Limits MTSP Income Limits HUD LIHTC Database

FY 2022 Income Limits Summary

Selecting any of the buttons labeled "Click for More Detail" will display detailed calculation steps for each of the various parameters.

FY 2022 Income Limit Area	Median Family Income Click for More Detail	FY 2022 Income Limit Category	Persons in Family							
			1	2	3	4	5	6	7	8
Fayetteville-Springdale-Rogers, AR MSA	$83,700	Very Low (50%) Income Limits ($) Click for More Detail	29,300	33,500	37,700	**41,850**	45,200	48,550	51,900	55,250
		Extremely Low Income Limits ($)* Click for More Detail	17,600	20,100	23,030	**27,750**	32,470	37,190	41,910	46,630
		Low (80%) Income Limits ($) Click for More Detail	46,900	53,600	60,300	**66,950**	72,350	77,700	83,050	88,400

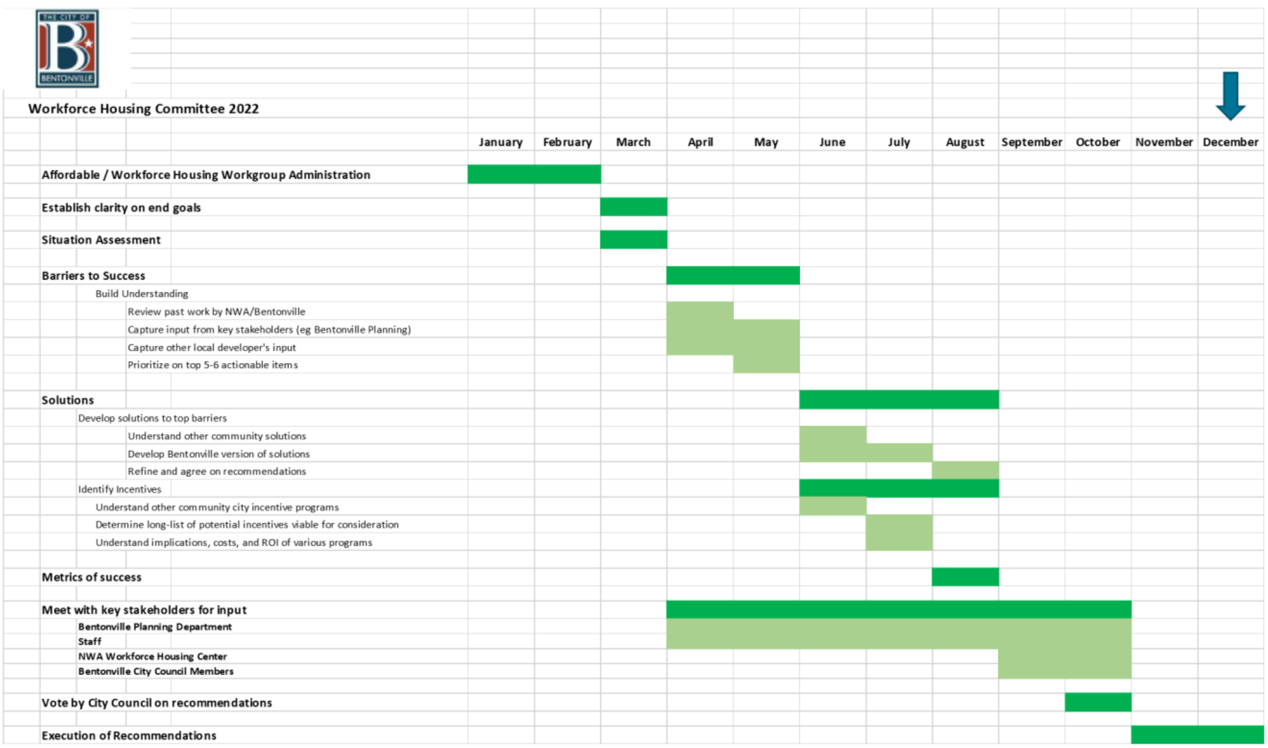
The **Fayetteville-Springdale-Rogers, AR MSA** contains the following areas: Benton County, AR; Madison County, AR; and Washington County, AR.

Figure 43: FY2022 HUD Income Limits for the Fayetteville-Springdale-Rogers, AR MSA

APPENDIX

Appendix A: Work Plan

The following is the work plan that the Bentonville Housing Affordability Workgroup put in place to meet its goals within the 12-month timeframe for which it was authorized. Meetings were held on the fourth Friday of the month for an hour and half, in which each key topic was discussed. Much activity was completed between meetings by workgroup members to ensure that the work plan schedule stayed on track.



Appendix B: National Research

The following are links to the affordable housing studies, policies, procedures, and best practices from across the country that served as inspiration for the ***Project ARROW*** approach.

Document	**Organization**
Metro Atlanta Housing Strategy	Atlanta Regional Commission
Minneapolis 2040-The City's Comprehensive Plan	Minneapolis Department of Community Planning and Economic Development
Local Government Best Practices	Georgia Municipal Association
Expanding Access to Diverse Housing for Our Community	The Boulder County Regional Housing Partnership
Northwest Arkansas Housing Policy Landscape Assessment Phase Two Report	Walton Family Foundation
Expanding Housing Choices	City of Durhman/Durham County Planning
Accessory Dwelling Units	The County of Santa Cruz
Zoning Administration and Procedures	Arlington, Virginia
Land Use and Zoning Tools	Arlington, Virginia
State Density Law (Berkley Implementation)	City of Berkley Planning & Development Department Land Use Planning Division
Housing Our Future 2021 Key Accomplishments	LISC Greater Cincinnati
How to Get Rid of Parking Minimums: Decatur, GA	Strongtowns
Code of Ordinances	City of Decatur, Georgia
City of Austin Comprehensive Housing Market Analysis	City of Austin
Building a Foundation: First Annual Report of the Affordable Housing Committee	King County
Development Incentives and Agreements	City of Austin
Washington Housing Initiative	Washington Housing Initiative
Sawmill Community Land Trust	Sawmill Community Land Trust
Regional Affordable Housing Initiative	Orange County Government Florida

EO N-06-19 Affordable Housing Development	State of California
Funders Collective	House ATL
Affordable Housing Development Fund	County of Dane Wisconsin
City of Madison Affordable Housing Strategy	City of Madison
Strategic Housing Blueprint	City of Austin
Reporting and Progress	City of Austin
City of Chicago's Affordable Housing Zoning Bonus Administrative Regulations and Procedures	Chicago Deparment of Planning & Development
Future Housing of Greater Washington (DC)	Metropolitan Washington Council of Governments
Home Wanted	The Boulder County Regional Housing Partnership
Housing Security in the Washington Region	Urban Institute and the Metropolitan Washington Council of Governments
Homebuyer Education and Assistance	City of Austin
Georgia Dream Homeownership Program	Georgia Department of Community Affairs
Georgia Dream Homeownership Program	City of Durham