The Economics of Land Use

Draft Report

Fort Collins
Housing Affordability Policy Study

Prepared for:

City of Fort Collins
Social Sustainability Department

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1.0 EXECUTIVE SUMMARY

1.1 Introduction

This study was commissioned by the Office of Social Sustainability to provide a detailed assessment of housing affordability policy and needs for the City of Fort Collins. Among the triggers for this study were a general increased interest in understanding the status of the housing market, concerns over the lack of rental inventory (i.e. extremely low vacancy rate) and its affordability, and perceptions of the escalation in ownership housing prices.

It is also not the first time the City has made an effort to characterize housing market conditions, issues or needs, and taken action to evaluate the implementation of various housing affordability policy solutions. More than a decade ago, the City completed a nexus study to identify the nexus between the construction of new market rate development and the demand for affordable housing,[1] a land bank feasibility study[2] that resulted in the creation of a land bank, and most recently, a social infrastructure gaps analysis,[3] which included an estimate of housing inventory gaps.

As concerns surrounding housing affordability have grown during the past decade, the City Council has identified it as a priority. Because it is anticipated that providing affordable housing to meet current and future needs will require a combination of legislative, cost-reduction, regulatory, and alternative funding strategies, EPS was contracted, along with Clarion Associates, to examine the current market, its needs, and identify whether policy tools or funding mechanisms could be implemented to address the issues and needs.

The City currently has very little by way of housing policy or funding mechanisms to address any existing and known issues. As mentioned above, the City established a land bank over 10 years ago for the purpose of acquiring land and selling it to developers to provide subsidized housing. The City has also had an affordable housing incentive policy since 1988. The City does not, however, have any dedicated funding source, such as a sales, lodging, or property tax. It also does not collect any type of fee for an affordable housing fund.

1.2 Public Process

The purpose was to involve the public and stakeholders in a process that opened dialogue to topics such as housing conditions and trends, as well as perceived issues and possible solutions. EPS prepared an overview of the findings and summary of best practices for presentation in the first of several public involvement activities. Working with Clarion Associates, EPS facilitated workshops to review the findings to date and best practices options, pertinent issues in adopting an ordinance, and open the discussion around which options might be appropriate for the City.

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1 Fort Collins Affordable Housing Study: Working Paper 1, Impact of New Market Rate Residential and New Non-Residential Development on Local Affordable Housing Demand, December 1, 2001. BAE

2 Land Bank Feasibility Study, December 2000. BAE

3 Fort Collins Social Sustainability Gaps Analysis, Revised Draft April 15, 2014. BBC

The initial workshop was geared towards key stakeholders; participants included key housing developers and housing advocates with targeted invitations to ensure that appropriate stakeholders were involved.

1.3 Findings

1. ***Local employment growth has been stronger than regional growth, and incomes have barely kept pace with the cost of living.***

   Fort Collins experienced strong growth from 2000 to 2007, did not lose as many jobs during the recession as the state and region did, and through 2013 recovered more quickly. While household incomes grew at an average of 1.9 percent per year, inflation increased by 2.2 percent per year during the same period. Overall, household incomes increased 30 percent while the cost of living has increased 36 percent. This implies that households with the median income had slightly lower buying power than they did 14 years ago.

2. ***Housing prices have risen faster than incomes, and the affordability gap for households with median income has widened.***

   While household median incomes have risen 30 percent since 2000, housing costs have risen 43 percent in Fort Collins. This disparity is illustrated by an analysis of the gap between the purchasing power of a household earning the median income and the median housing sales price. Between 2000 and 2012, it expanded from approximately $43,000 to $54,000. If similar trends in housing prices and income are projected 10 years into the future, the affordability gap would widen to approximately $90,000, a 65 percent increase over the current gap.

3. ***Most of the increase in housing costs has been attributable to the rise in hard costs (labor and materials) and land.***

   Average housing prices escalated from $194,900 in 2000 to $278,400 in 2013, an increase of $83,500 (42 percent increase), of which the escalation of land costs accounted for 37 percent of this increase ($30,600), hard costs accounted to 60 percent ($50,200), and city fees and taxes contributed to 9 percent ($7,500), while the remainder, a floating amount for other soft costs and developer profit, actually declined 6 percent.

4. ***In-commuting has increased while out-commuting has remained flat.***

   Between 2003 and 2011, out-commuting from Fort Collins remained relatively flat and the number of in-commuters increased by more than 9,400 jobs. From the eight surrounding communities, in-commuting increased by approximately 5,000 jobs, of which more than 70 percent commute in from Greeley, Johnstown, Loveland, and Wellington, all of which are more affordable communities in terms of median housing sales prices.

5. ***Demand for rental housing is tightening the market, but also stimulating construction.***

   Market demand for rental housing has driven citywide vacancy rates from more than 12 percent in early 2003 to 2 percent by the end of 2013 and driven monthly rental rates to record highs. As indicative of market pressure, the development pipeline reveals that Fort Collins is entering a substantial development cycle of multifamily rental housing construction.

6. ***Multifamily residential accounts for a majority of recent and proposed construction activity.***

   Between 2000 and 2007, single-family units accounted for 70 percent of all annual construction activity. Since then, single-family has accounted for just 50 percent of activity. In several years since the recession, multifamily construction (mainly rental) has accounted for 60 to 70 percent of all activity. In total, there are more than 4,800 multifamily units in various stages of development and planning, according to the City's Building Department. If all of them are built, it would increase the supply of rental units by 19 percent.

7. ***The threat of construction defects claims has had a material impact on multifamily for-sale housing development.***

   While the magnitude of effects caused by the threat of construction defects claims on residential construction activity is difficult to quantify, the perception of the issue represents a reality. It affects communities throughout the state and is complicated by the entanglement of legal, financial, and insurance issues. Although not the sole cause for the lack of for-sale multifamily housing construction, developers and builders view the risk of exposure to lawsuits as a significant deterrent to developing projects. Today, Fort Collins is not alone in experiencing a shortage of for-sale multifamily construction and it is also not the only community to perceive this issue to be closely linked to the cause for the lack of for-sale multifamily construction.

8. ***Approximately 1,000 ownership households are cost-burdened.***

   An analysis of the distribution of housing units by income level and households by income level reveals that there are approximately 400 households (with a mortgage) earning less than $25,000 and spending more than 30 percent of their income on housing. There are also approximately 580 households earning between $25,000 and $50,000 who are cost-burdened.

9. ***Between 1,250 and 2,400 renter households are cost-burdened.***

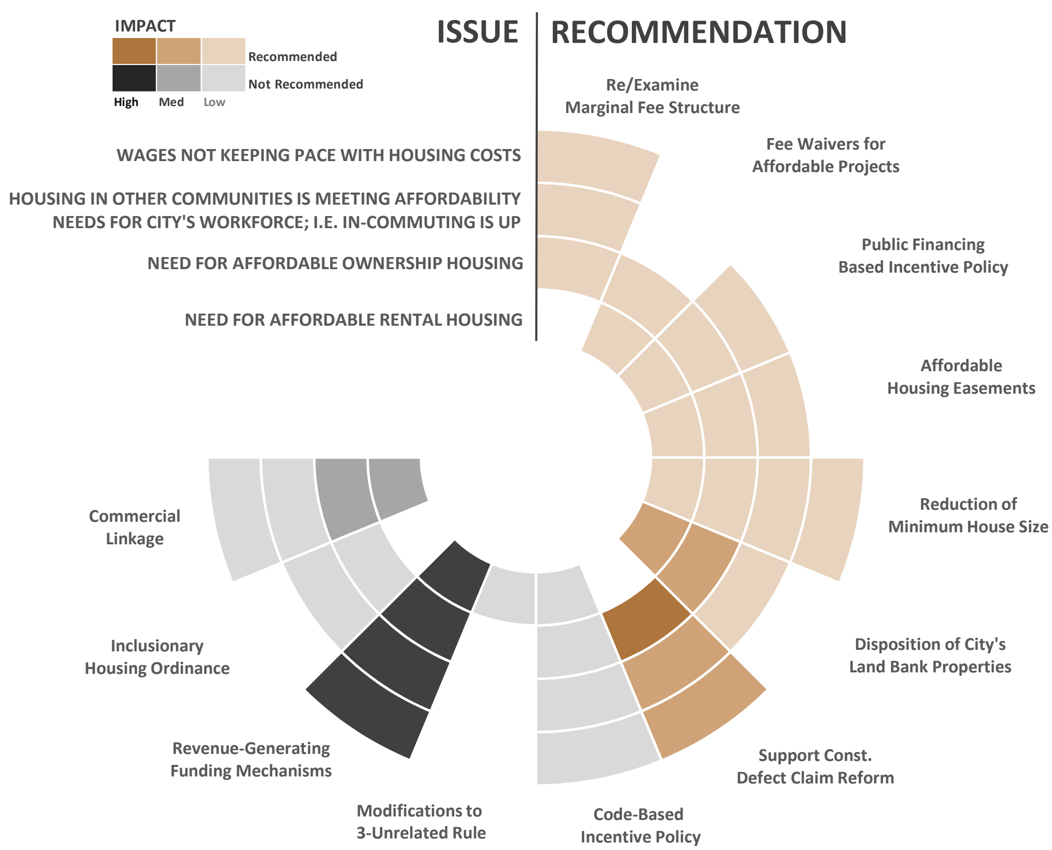
   An analysis of the distribution of rental housing units and households by income level reveals a total of nearly 8,000 renter households earning less than $25,000 who spend more than 30 percent of their gross household income on rent. A separate analysis of CSU's student population revealed that there are between 5,740 and 6,885 student renter households and who fall into the $25,000 income category. Accordingly, this portion of renter households as well as the small portion (fewer than 200) who earn more than $25,000 are netted out of the total cost-burden estimate.

1.4 Recommendations

Following are EPS' seven recommendations based on the findings and analysis. Detailed explanations are provided in Chapter 5.0. **Figure 1**, also presented in Chapter 5.0, illustrates the estimated impact (in gradients of low, medium, or high) that each recommendation is likely to have on the City's four issues related to housing affordability. Those four issues are: 1) wages not keeping pace with housing costs; 2) housing in other communities is meeting the affordability needs for the City's workforce; 3) need for affordable ownership housing; and 4) the need for affordable rental housing. Of the recommendations, disposition of the City's land bank properties and working for a legislative solution to the threat of construction defects claims are likely to have the greatest positive impact on any of these 4 issues.

Other options are shown in gray, as they represent options not recommended at all (but provided as acknowledgement of extensive discussions during the stakeholder process) or not recommended at this time (given general political concerns). As illustrated, the revenue-generating options, i.e. excise tax, time-limited sales or property tax, would have the largest impact of all options being considered. Each option is discussed in greater detail in Chapter 5.0.

Figure 1
Impact of Recommended/Not Recommended Policies



1. ***Re-examine marginal fee structures.***

   EPS recommends that the City re-examine its permit, plan check, and capital expansion fee structures to ensure equitability and appropriateness as related to the proportionate impact on the construction of smaller units. The objective of such an effort would be to incentivize developers to construct smaller, i.e. potentially more affordable, homes.

2. ***Fee waivers for affordable housing.***

   While the City should not over-commit General Fund resources, EPS recommends the City (in combination with the evaluation of alternative funding sources) re-examine its ability to fund fee waivers for affordable housing projects. EPS also recommends that the City reevaluate its definition of applicable affordable housing to include a wider spectrum of AMI levels more commensurate with standard affordable housing definitions (i.e. workforce housing).

3. ***Establish a public financing-based incentive policy.***

   EPS recommends that the City consider a limited version of an incentives ordinance policy that is negotiated on a case by case basis. The policy's provisions would be triggered by the use of public financing, e.g. tax increment finance, etc., (not fee waivers for affordable housing). At the center of this recommendation is the notion of a quid pro quo, where if a development receives something from the City, it should provide a public good in return. As such, the City would need to establish among its criteria for projects receiving tax increment finance, sharebacks, or another type of public financing that affordable housing is defined as a "public good".

4. ***Establish affordable housing easement/agreements.***

   EPS recommends the City pursue a policy that provides for an easement or an agreement that is recorded in property records, which effectively bind future owners of certain manufactured home parks to preserve existing uses. This recommendation could potentially also be more broadly applied as a tool to preserve other types of affordable housing. EPS also acknowledges that there may be a multitude of different more market-based solutions, policies, or strategic direction that the City can explore with regard to this housing need.

5. ***Reduce the minimum allowable home size.***

   EPS recommends that the City reevaluate its basis for the minimum ownership dwelling unit size and adjust it downward to allow greater flexibility to the development industry in providing smaller and more affordable housing units.

6. ***Identify a disposition strategy for the City's land bank properties.***

   EPS recommends that the City, having fulfilled the land bank's intent, put at least one of its properties into play for affordable housing. Either of two options is advised: a) issue an RFP for a site's development; or b) convert the land bank into a land trust. Both options allow for the participation of various non-profit housing partners.

7. ***Work with elected officials to remedy the threat of construction defect claims.***

   EPS encourages the City of Fort Collins to engage its elected officials and state representatives in the pursuit of a remedy to the issues surrounding construction defects claims in particular during the next legislative session.

1.4.1 Land Use Controls

The following is a summary of several common regulatory tools used by communities throughout the U.S. to address housing affordability issues. Please refer to **Chapter 4.0, page 41** for more detail.

Figure 2
Land Use Controls

	Affordable Housing Programs			
	Inclusionary Housing Ordinance	Incentive Zoning Ordinances	Commercial Linkage	Residential Linkage
What is it?	● Addresses housing gaps from inflated housing prices ● Requires a percent of housing be provided at affordable levels	● Responds to development and redevelopment pressure requesting special permits ● Requires residential / commercial development to provide affordable housing and/or public amenities	● Addresses housing need by commercial growth ● Requires commercial development to provide housing units (or pay a fee) based on new employees generated	● Addresses housing need from market for large second-homes ● Developer provides employee housing units or pays fee in-lieu
What is a typical affordable housing build requirement?	10% to 30%	10% to 20%	20% to 100% of employee generation by land use	10% to 20%
What incentives are used?	Bonus density, fee waivers, expedited review, parking reduction, unit equivalency; public funding assistance	Density bonus, reduced parking requirement, reduced open space, or any variance to zoning	Bonus density; fee waivers	Bonus density, fee waivers, expedited review, parking reduction, unit equivalency
Are there alternative satisfaction options?	Payment of fee in-lieu; offsite units; housing certificates; combination IH/RO units and voluntary adoption of RETA	Payment of fee in-lieu	Payment of fee in-lieu; land dedication; offsite units; deed-restricted commercial space	Payment of fee in-lieu; land dedication; offsite units
What are the legal / nexus issues?	Does not require voter approval, no nexus study required	No nexus study required	Requires nexus study and documentation	Requires nexus study and documentation
Who is affected?	● New residential development	● New residental development ● Businesses ● Visitors	New commercial development	New residential development
What are its advantages / disadvantages?	● Addresses community workforce housing needs (i.e. ownership or rental) ● Limits the burden to new residential development ● Most common among the programs identified	● Value of incentives is relative to the market ● Success is dependent on the value of respective incentives within the market	● Addresses workforce housing needs ● Broadens the burden to wide variety of land uses ● Requires nexus analysis	● Addresses seasonal/service worker housing needs (i.e. rental) ● Limits the burden on market to large 2nd homes ● Requires complicated nexus analysis
Who uses it?	Boulder, CO Denver, CO Burlington, VT Cambridge, MA Davis, CA	Cambridge, MA Seattle, WA Chicago, IL Boston, MA	Vail, CO Aspen/Pitkin County, CO Telluride, CO Park City, UT	Telluride, CO Jackson/Teton County, WY

Source: Economic & Planning Systems
H:\133074-Fort Collins Housing Study\Data\[133074-Housing Program Matrix.xlsx]Housing Programs w Res Linkage

1.4.2 Revenue-Generating Tools

The following is a summary of several common revenue-generating tools used by communities throughout the U.S. to address housing affordability issues. Please refer to **Chapter 4.0**, **page 49** for more detail.

Figure 3
Revenue-Generating Tools

	Alternative Funding Options							
	Excise Tax	Dedicated Sales Tax	Occupational Privilege Tax (Head Tax)	Use Tax (on Construction Materials)	Dedicated Lodging Tax	Document Recording Fee	RETT / RETA	Dedicated Property Tax
What is it?	Residential and commercial development pay a fee per sqft of new floor area	Additional assessment on taxable goods	Tax assessed per worker per month	Additional assessment on construction materials	Additional assessment on lodging	Additional fee per document	Ad valorem tax (RETT) or voluntary assessment on sale of home (RETA)	Additional mill levy
What is a typical assessment?	$0.50 to $13.00 per sqft	0.25% to 0.50%	$4 to $10 per month per worker	0.35% to 3.00%	2% to 4%	$3 per document	0.1% to 2.0%	0.17 to 0.80 mills
How is it administered?	Need collection system	Existing sales tax structure	Need collection system; need to educate businesses	Existing tax structure	Existing tax structure	If collected, existing system (typically County in CO)	State, county, or city	Existing structure
Who is affected?	• New development	• Residents • Businesses • Visitors	• Employers • Employees	• Developers • Contractors	• Visitors	• Legal • Business • Real estate	• Real estate	• Real estate
What are its advantages / disadvantages?	• Burden on new residential and commercial development • Generates revenue at pace of development • Voter approval required	• Could generate high revenues • Voter approval required	• Broadest distribution of burden • Would have to be employer-paid • Addresses both existing and new needs • Voter approval required	• Strong nexus to new residential development • Voter approval required	• Reasonable nexus exists • Lodging industry expects to use funds for tourism • Voter approval required	• Applies to broader types of documents • Weak nexus to housing	• Can be imposed voluntarily • Applies to new sales subject to developer agreement	• Could generate high revenues • Voter approval required
Who uses it?	Cambridge, MA San Francisco, CA Berkeley, CA Boulder, CO Parker, CO	Aspen/Pitkin County, CO St. Paul, MN Dayton, OH	Denver, CO Aurora, CO Greenwood Village, CO	St. Louis, MO San Miguel County, CO	San Francisco, CA Columbus, OH Snowmass Village, CO	Indianapolis, IN Jackson County, MO Bucks County, PA Philadelphia, PA	Aspen, CO; Snowmass Village, CO Vail, CO Breckenridge, CO Telluride, CO Winter Park, CO	Pitkin County, CO Boulder, CO Cambridge, MA Seattle, WA

Source: Economic & Planning Systems
H:\133074-Fort Collins Housing Study\Data\[133074-Housing Program Matrix.xlsx]Funding Options

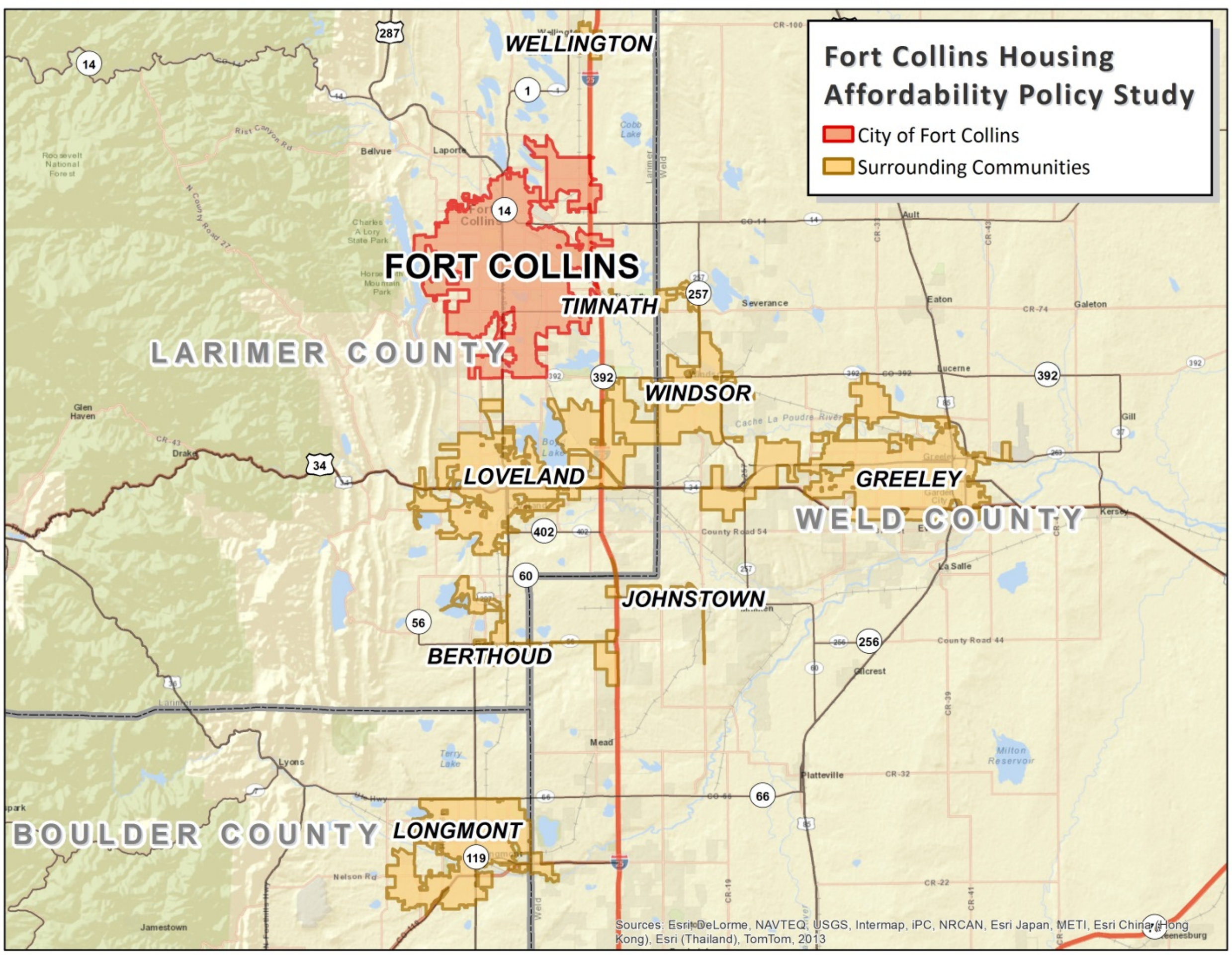
2.0 ECONOMIC AND DEMOGRAPHIC CONDITIONS

Housing affordability policy is best established when it is grounded on an analysis of local and regional economic and demographic conditions. The content of this chapter is tailored to provide a clear picture of the economic and demographic context. Using data to characterize trends in population, employment, incomes, commuting, housing market conditions and pricing, an analysis of housing gaps and cost components synthesizes much of the preceding analysis, which identifies and characterizes the magnitude of need with respect to housing affordability policy.

2.1 Trade Area

As a starting point, the trade area was determined based on commuting patterns, as detailed later in this chapter. **Figure 4** illustrates which 8 communities function as a regional economic unit, characterized by commuting to and from Fort Collins.

Figure 4
Fort Collins Economic Trade Area



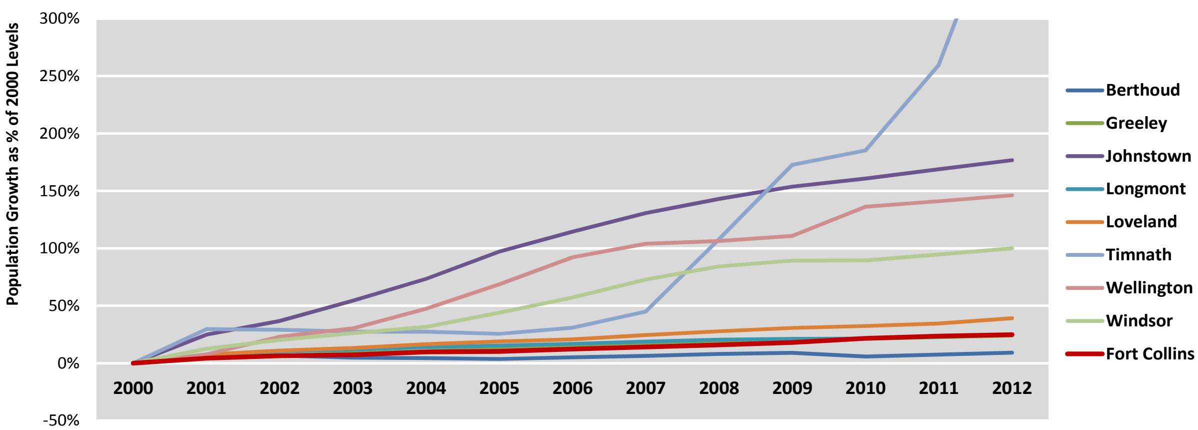
2.2 Demographics

Although not a comprehensive review of the demographic trends and conditions of Fort Collins, this section presents a few of the higher-level series of information that frame the context for the following housing affordability policy analysis. It also serves as a basic foundation on which to build an understanding of the needs of the distressed populations. Taking cues from other research conducted simultaneously to this project, this section identifies those demographic cohorts (i.e. distressed populations) which have surfaced through the HAPS public involvement process.

2.2.1 Population and Households

Figure 5 illustrates the increase in population for Fort Collins and the surrounding municipalities. To illustrate comparable magnitudes of growth in these communities, this graphic displays the growth of each population in proportion to its 2000 level. The population of Fort Collins has grown by 25 percent over its 2000 base, or by nearly 30,000 persons, which reflects annual growth of nearly 2,500 persons. By contrast, Johnstown has grown more than 170 percent above its 2000 level, but it has only grown by approximately 6,800 persons and 560 persons per year. The highest level of growth was experienced by Timnath, which reached more than 400 percent of its 2000 level, though its population grew from approximately 200 to 1,200 between 2000 and 2012. The lowest growth was experienced by Berthoud, which grew by 9 percent over its 2000 level, an increase of just 400 persons.

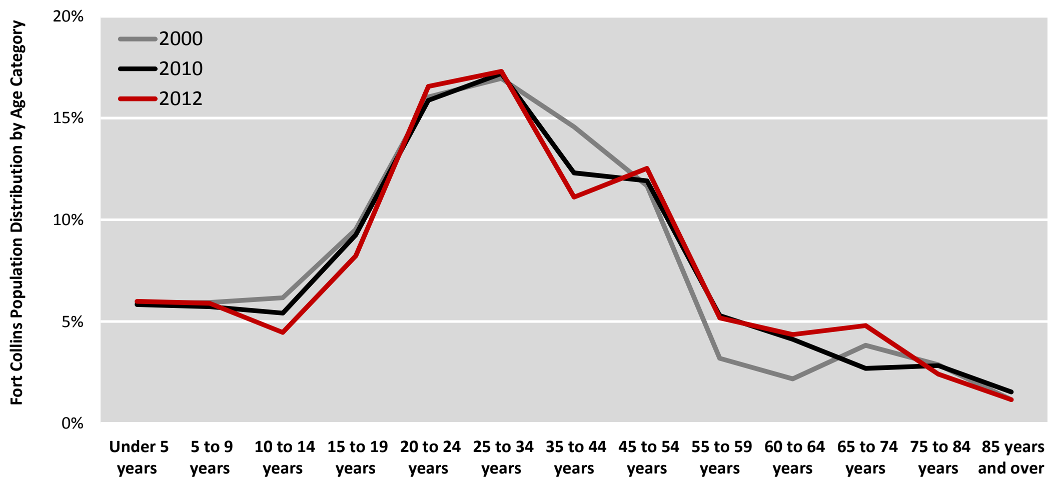
Figure 5
Population Trends in Surrounding Communities, 2000-2012



Source: U.S. Census; Colorado Department of Local Affairs; Economic & Planning Systems

A closer focus at Fort Collins' growth (shown in **Figure 6**) by a distribution of age groups illustrates several notable points of demographic change. The percent of population between the ages 45 and 75 years increased from 21 percent to 27 percent between 2000 and 2012. The City's population of 20 to 34 year-olds also increased, though slightly from 33 to 34 percent. In actual numbers, 45 to 75 year-olds accounted for more than 50 percent of the total population growth between 2000 and 2012, and 20 to 34 year-olds accounted for 37 percent of total population growth. There were declines in the number of 10 to 14 year-olds and 35 to 44 year-olds.

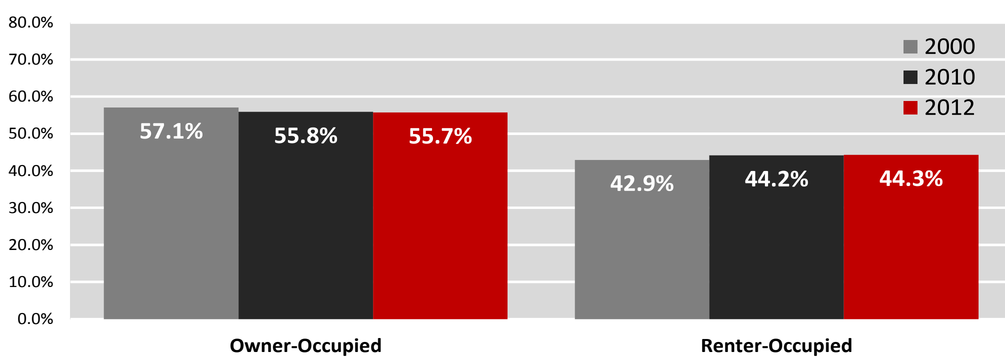
Figure 6
Fort Collins Population Distribution by Age, 2000-2012



Source: U.S. Census; Colorado Department of Local Affairs; Economic & Planning Systems

The portion of renter-occupied households has increased from 43 percent in 2000 to just over 44 percent in 2012, which is indicative of a population whose younger cohorts have become a greater presence, as shown in **Figure 7**. Likewise, the portion of owner-occupied households has decreased from approximately 57 percent in 2000 to less than 56 percent in 2012.

Figure 7
Fort Collins Household Distribution by Tenure, 2000-2012



Source: U.S. Census; Economic & Planning Systems

2.3 Employment, Incomes, and Commuting

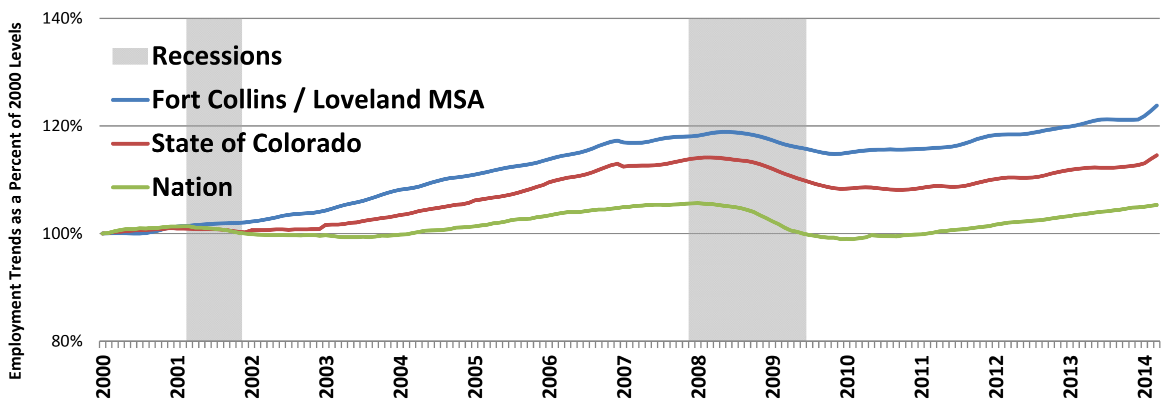
Population growth is largely fueled by employment and income growth. This section provides details on the growth in wage and salary jobs in Fort Collins, median household incomes as defined by the Department of Housing and Urban Development, and commuting patterns between Fort Collins and the surrounding communities.

2.3.1 Wage and Salary Jobs

According to information from the Colorado Department of Labor and Employment, total wage and salary employment in the Fort Collins-Loveland MSA increased by an average of 1.5 percent per year between 2000 and 2014.[4] The MSA experienced generally stronger growth in the years leading up to the Great Recession,[5] did not lose as many jobs during the recession, and recovered more quickly than other geographies. By contrast, the state's employment has increased by 0.9 percent since 2000 and the nation's employment by an average of 0.3 percent.

In the Fort Collins-Loveland MSA, nearly 4,300 jobs were lost following the recession, the state lost 121,000 jobs, and the nation lost nearly 7.7 million jobs. Whereas the Fort Collins-Loveland MSA recovered its pre-recession employment peak in mid-2012, the state had only recovered its pre-recession peak by the end of 2013, and the nation had not recovered its pre-recession peak as of March 2014.

Figure 8
Comparative Wage and Salary Job Trends, 2000-2014



Source: BLS; Colorado Department of Labor & Employment; National Bureau of Economic Research; Economic & Planning Systems

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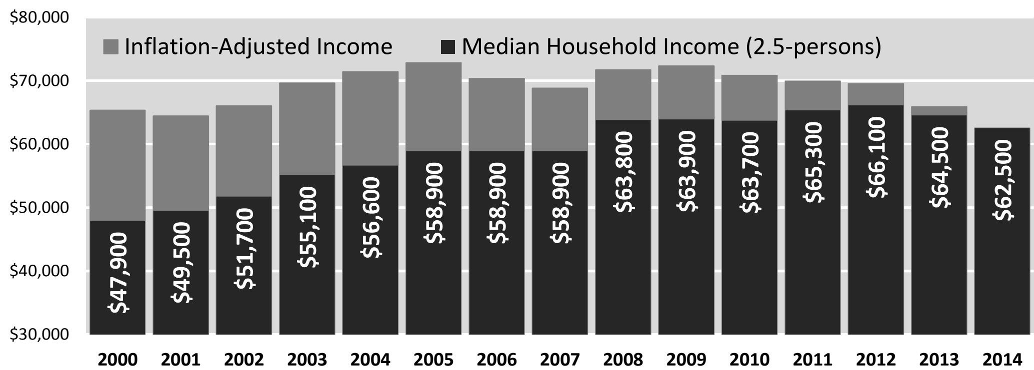
4 The BLS reports county-level seasonally-adjusted employment information tracked by individual state departments of labor and employment. The information it reports are wage and salary jobs (i.e. those jobs for which unemployment insurance records are filed by employers). Sole proprietors (i.e. the self-employed, as typically represent 20 to 30 percent of a total workforce) are not included in this overview.

5 According to the National Bureau of Economic Research, the official arbiter of U.S. recessions, the Great Recession as it has been called, began in December 2007 and ended in June 2009.

While the engine of employment growth in the Fort Collins-Loveland MSA is strong, household incomes have not kept pace with the cost of living. **Figure 9** illustrates a 14-year trend in household incomes in constant and inflation-adjusted dollars, using data from the Department of Housing and Urban Development (HUD).[6]

While household incomes have grown (in constant dollars) at 1.9 percent per year on average, inflation has increased at 2.2 percent per year.[7] With an adjustment for cost of living, household incomes have actually declined by 0.3 percent per year since 2000, which implies that households with the median income have lower buying power than they did 14 years ago.

Figure 9
HUD Median Household Income Trends, 2000-2014



Source: U.S. Department of Housing and Urban Development; Economic & Planning Systems

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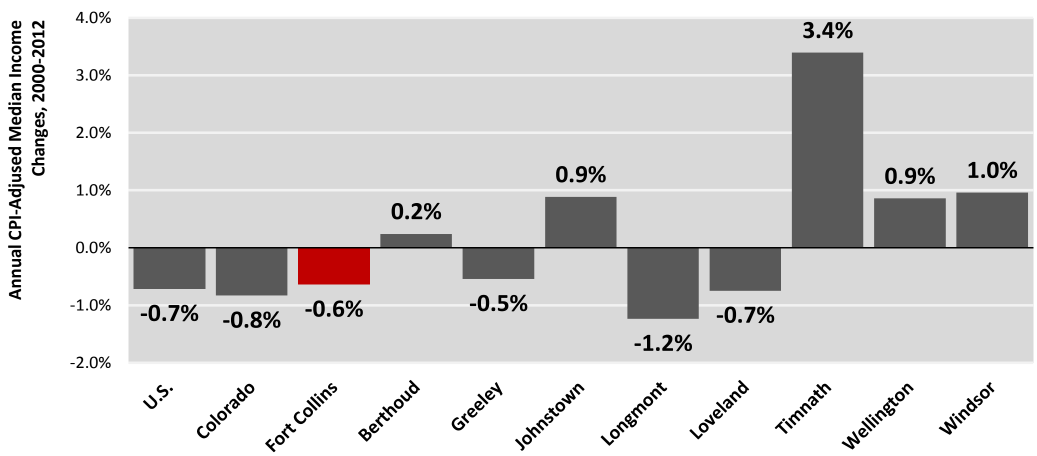
6 Data are presented using an extrapolation of the standard 4-person household metric provided by HUD. The household incomes shown are calibrated to the average household size of 2.5 persons in Fort Collins.

7 Using the Bureau of Labor Statistics consumer price index for western urban consumers.

Data from the U.S. Census and BLS indicate that household median incomes have fallen when adjusted for cost of living at the national and state levels slightly more than for households in the City of Fort Collins, shown in **Figure 10**. Inflation-adjusted incomes have also fallen for Greeley, Longmont, and Loveland.

Berthoud, Johnstown, Timnath, Wellington, and Windsor have all had higher annual average income growth than Fort Collins. It should be noted that these locations are those from which in-commuting has increased significantly, and part of the trend is due to the higher income household working in Fort Collins but living and commuting from surrounding communities.

Figure 10
Average Annual Change in CPI-Adjusted Household Median Income, 2000-2012

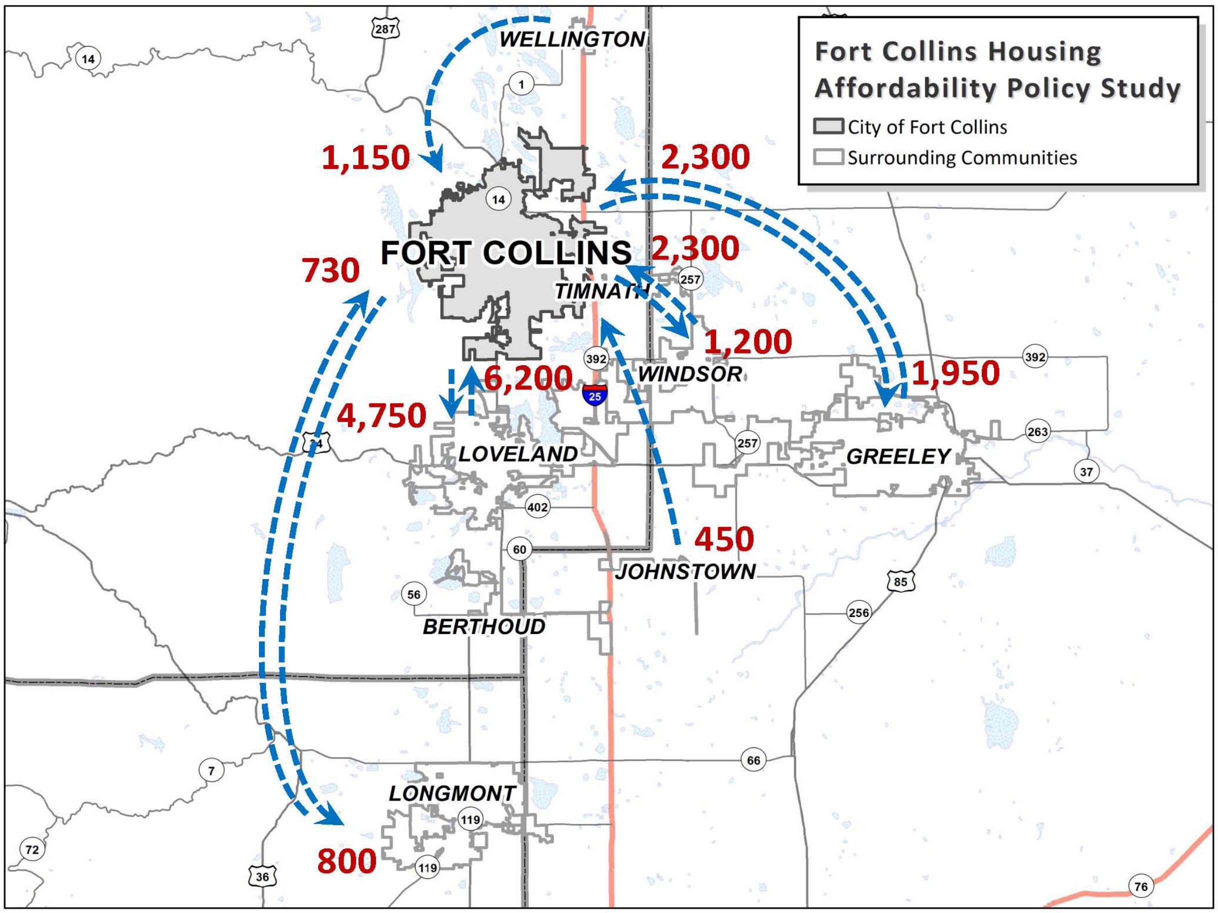


Source: U.S. Census; BLS; Economic & Planning Systems

2.3.2 Commuting Patterns

Between 2003 and 2011, out-commuting from Fort Collins remained relatively flat, and the number of in-commuters increased by more than 9,400 (illustrated in **Figure 11**). From the surrounding communities illustrated below, in-commuting increased by approximately 5,000 jobs. That is, approximately 5,000 new jobs to the Fort Collins workforce chose to live elsewhere, whether for lifestyle preference or economic reasons. Of that estimate, nearly 87 percent commute in from Greeley, Loveland, Wellington, and Windsor.

Figure 11
Fort Collins Economic Trade Area Commuting Patterns, 2011



2.4 Housing Market

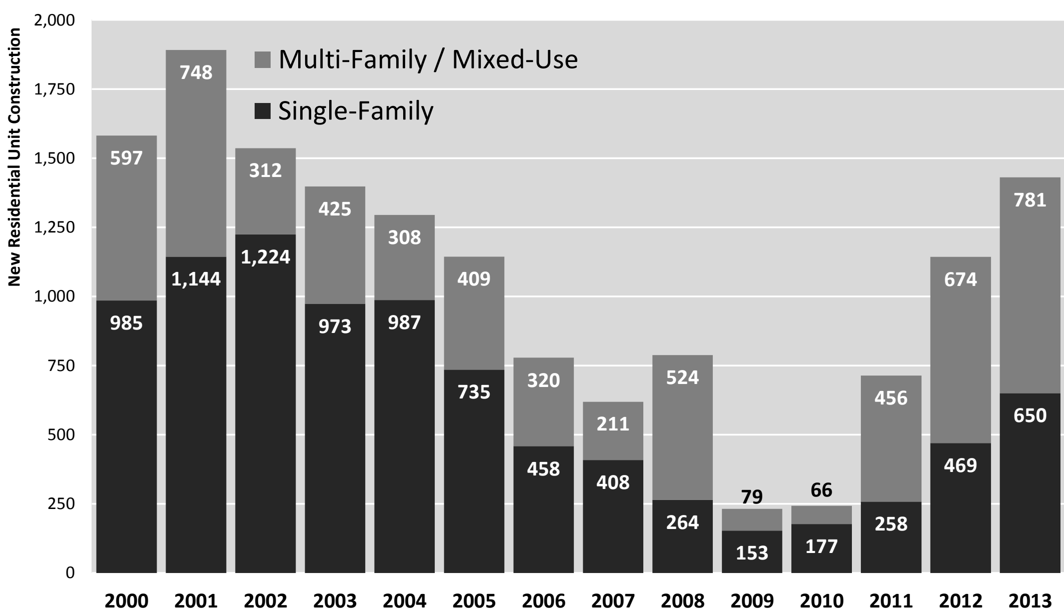
This section documents trends and conditions in for-sale and rental housing. Where available, housing market trends and conditions in surrounding communities are evaluated, particularly in the ownership housing market.

2.4.1 Residential Construction Trends

Between 2000 and 2007, single-family detached housing construction accounted for an average of nearly 800 units per year, according to data obtained from the City's Building Department. On average, single-family construction accounted for nearly 70 percent of all units built during the year. Since 2008, however, single-family construction has averaged approximately 330 units per year and accounted for just 50 percent of units built. The increased predominance of multifamily unit construction seems to be fueled in part by a sharply declining rental housing vacancies, as well as demands placed on the market by an increase in CSU student population (both issues are explored below).

Another possible pressure on the rental market was the spike in foreclosures during the recession, which pushed some households from ownership to rental. Additionally, since passage of HB-1394 in 2010, which provided clarification regarding contractor general liability insurance and gave rise to greater risk of construction defects claims on for-sale multifamily projects (i.e. condominiums), the predominance of multifamily construction has been rental housing, and as also discussed later in this chapter, there continues to be a large pipeline of multifamily rental housing coming on line.

Figure 12
City of Fort Collins Residential Construction Trends, 2000-2013

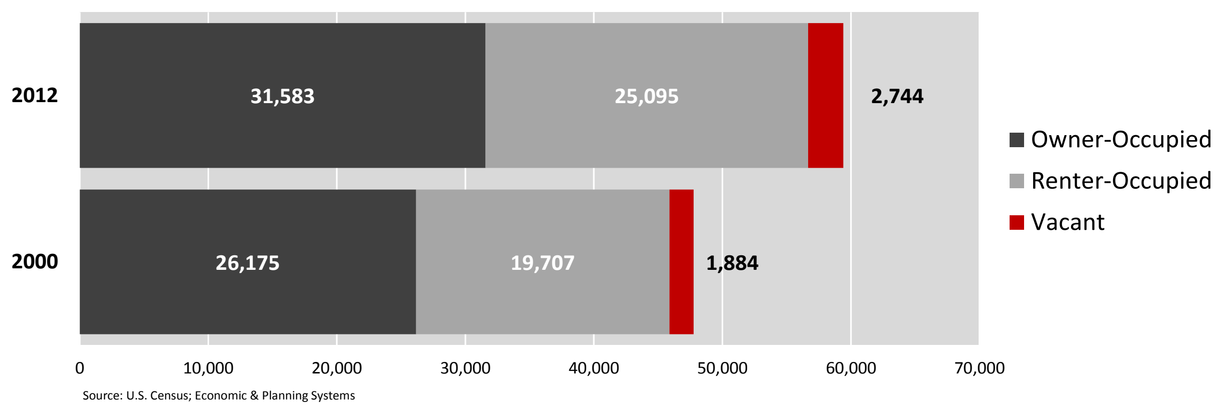


Source: City of Fort Collins; Economic & Planning Systems

2.4.2 Housing Inventory

The distribution of housing by tenure, shown in **Figure 13**, also reveals the general shift toward rental housing. Between 2000 and 2012, the portion of owner-occupied housing dropped from 55 to 53 percent, and the portion of renter-occupied housing increased from 41 to 42 percent. On average, while overall housing unit inventory grew by 1.8 percent per year between 2000 and 2012, owner-occupancy increased at 1.6 percent, and renter-occupancy increased at 2.0 percent per year.

Figure 13
Housing Inventory, 2000 and 2012



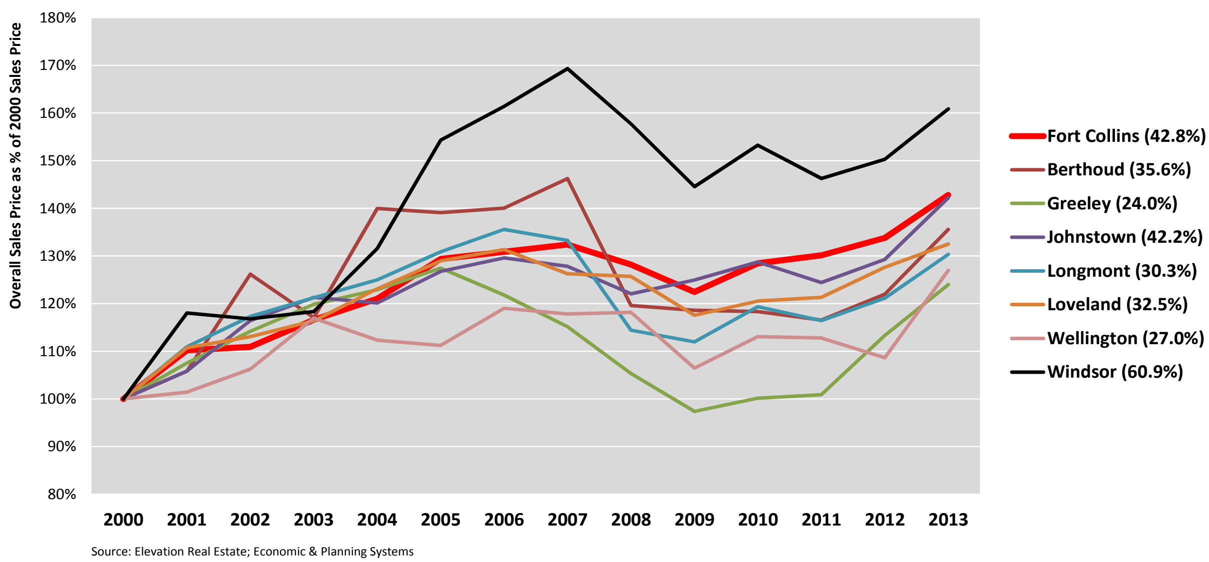
2.4.3 Housing Costs

This section examines the general trends in the cost of housing in the for-sale and rental markets. It includes collection and analysis on a variety of data sources, including the local multiple listing service to gather records of the sale of new and existing for-sale housing, as well as information from the Colorado Division of Housing on records of rental housing monthly rents and vacancy rates.

2.4.3.1 For-Sale Housing

Given available data, the following chart presents information on the relative increases in average housing sales prices for Fort Collins and a selection of surrounding communities.[8] Overall, sales prices have risen by 2.8 percent per year in Fort Collins, or an overall increase of 42 percent between 2000 and 2013. By comparison to surrounding communities, Fort Collins experienced the second highest total increase in housing prices and Windsor experienced the highest escalation.

Figure 14
Normalized Ownership Housing Sale Price Trends, 2000-2013



As a point of comparison to the inflation-adjusted wages, which reveal a comparison of household buying power in 2000 versus 2012, the following **Figure 15** illustrates the annual average change in housing sales prices for Fort Collins and the surrounding communities when adjusted for cost of living increases.

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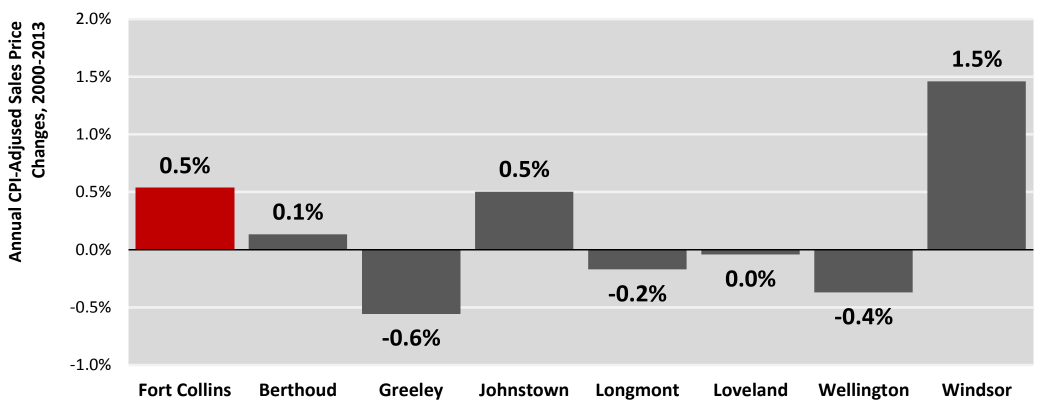
[8] **Figure 14** shows the relative, or normalized, increases in housing sales prices. This provides a point of relative increase for subsequent years' sales prices to a base year, defined as 2000 in the chart. The Figure provided in the **Appendix A**, **Figure 1**, shows the actual prices. While showing the actual sales prices, such a chart does not reveal the same point of comparison.

On average, housing sales prices have increased at 0.5 percent per year when adjusted for inflation, compared to a decline of 0.6 percent per year in household median income. In Berthoud, where household incomes increased by 0.2 percent per year, inflation-adjusted sales prices increased by 0.1 percent. In Johnstown, also a community with relatively high in-commuting to Fort Collins, incomes increased by an average of 0.9 percent per year when adjusted for inflation and housing prices increased by 0.5 percent per year.

In Loveland, where a predominance of in-commuting to Fort Collins occurs, inflation-adjusted incomes had decreased by 0.7 percent per year, but housing sales prices had remained fairly flat when adjusted for cost of living increases. By contrast, in Windsor, where housing prices increased by 1.5 percent per year on average, incomes also increased by 1.0 percent per year.

Overall, the dynamics of affordability shifted in Fort Collins and the surrounding communities. While housing prices in Loveland, Fort Collins, and Windsor became somewhat less affordable, housing prices in Berthoud, Greeley, Johnstown, and Wellington actually became more affordable to households earning the median income when adjusted for inflation.

Figure 15
Annual Average CPI-Adjusted Sales Price Change, 2000-2013



Source: Elevations Real Estate; Economic & Planning Systems

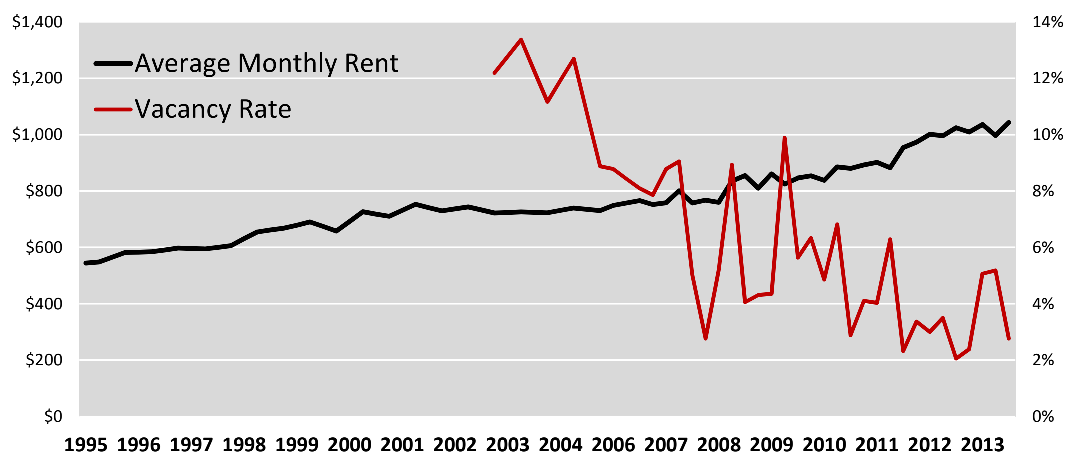
2.4.3.2 Rental Housing

The analysis of rental housing market conditions focused on specific concerns surrounding the availability of inventory and the pipeline of multifamily (student-oriented versus other rental product), as well as how CSU's student population affects demand for rental housing in general. A few of the questions this section addresses are:

- How big is the CSU student population, and how much is it growing?
- What the impact of CSU's student body on rental housing demand?
- What is the impact on the rental housing gaps analysis?
- What is the university doing about their on- and off-campus housing needs?

As indicated previously, the rental market has experienced a tightening since 2003, as the citywide vacancy rate has sharply declined from more than 12 percent in early 2003 to 2 percent toward the end of 2013,[9] as shown in **Figure 16**.

Figure 16
Rental Market Trends, 1995-2013



Source: CDOH; Economic & Planning Systems

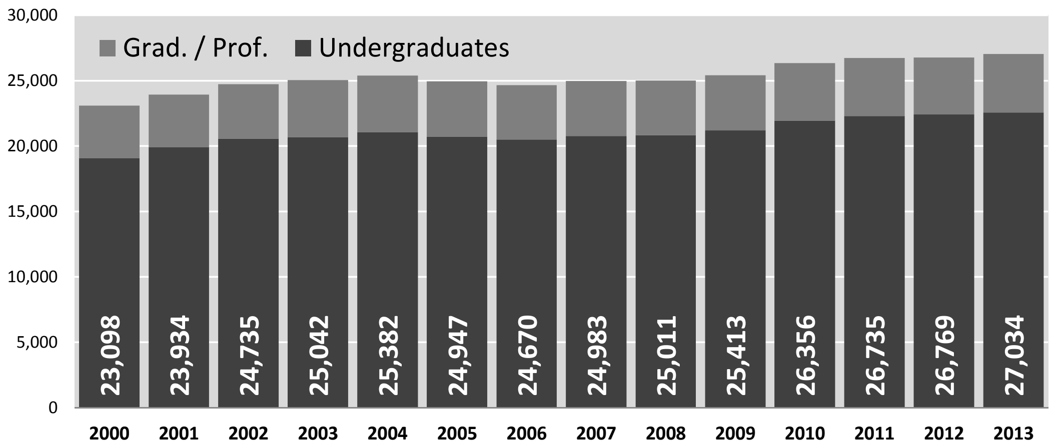
Rental vacancy rates below 5 percent are generally sufficient to stimulate both increases in rental rates and the construction of new units. As discussed later in this chapter, there is a considerable pipeline of rental housing in the pipeline, and rental rates have increased at a higher rate since approximately the beginning of 2010, when the vacancy rate dropped below 5 percent.

9 According to more recent sources, the vacancy rate has continued is decline to less than 2 percent through the first half of 2014.

2.4.4 Student Housing

One component of rental housing demand is Colorado State University's (CSU) student population, shown below in **Figure 17**. The trend presented here, since 2000, illustrates that CSU's student body has grown at 1.2 percent per year, a rate which it has maintained since 2000 – reflecting growth in the student body of approximately 300 students per year (approximately 270 undergraduates per year and approximately 30 graduate/professional students per year).

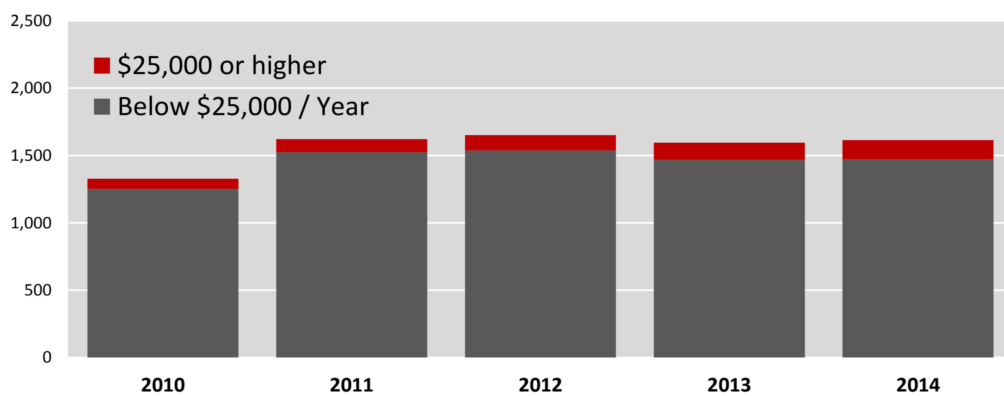
Figure 17
CSU Student Population Trends, 2000-2013



Source: CSU, Institutional Research; Economic & Planning Systems

Relevant to the analysis of rental housing gaps, detailed later in this chapter, EPS also compiled research to estimate the number of graduate students that do or do not fall into the category of households earning $25,000 per year or less. The analysis of available data shows that nearly 10 percent of students holding graduate assistantships are earning above $25,000.

Figure 18
Graduate Student Assistantships by Income Level, 2010-2014



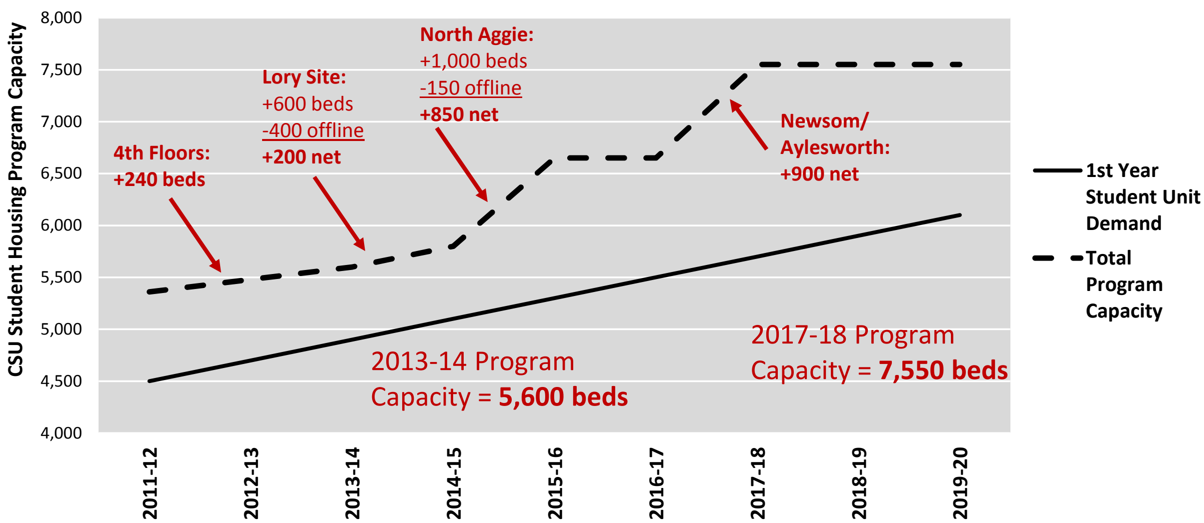
Source: CSU, Institutional Research Dept.; Economic & Planning Systems

2.4.4.1 On-Campus Student Housing

CSU is also working to address its own housing needs. Because undergraduates are required to live on-campus during their first year, CSU plans to increase its on-campus bed capacity by nearly 2,000 over the next 7 years –from a total of 5,600 beds in 13 residential halls to more than 7,500 by 2020.[10] The university also has off-campus capacity of 1,200 beds in apartments, for a total of 6,800 beds in its current capacity.[11]

According to the 2013 Student Housing Action Plan (SHAP), CSU states that "most, if not all, of the housing needs will be met in the next five to seven years by the increase in on-campus housing and the…student-oriented multifamily bedrooms currently under construction or in the development process."[12] At the moment, that number of student-oriented bed capacity totals nearly 5,200. Although it is commonly understood that the university aspires to reach a total student body of 36,000, it is not likely to reach that goal until 2040 at its historic rate of growth.

Figure 19
CSU On-Campus Housing Development Pipeline



Source: CSU Student Housing Action Plan, 2013; Economic & Planning Systems

10 This compares to the average increase in undergraduates per year of 270. Additionally, according to CSU staff, it is estimated that between 20 and 25 percent of undergraduates return to living on campus the following year (the current figure is closer to 20 percent). As such, CSU estimates that currently 30 percent of the beds occupied in the apartments are undergraduates. The apartments are currently occupied at 99 percent.

11 According to CSU staff, the apartments are largely occupied by upper-classmen, not undergraduates, as they are required to live in the dormitories on campus during their first year.

12 Student Housing Action Plan, p. 10.

2.4.4.2 Off-Campus Student Housing

Based on information from the SHAP and from staff at the university's Institutional Research Division, approximately 75 percent of the current student body (an estimated 20,250 students) lives off-campus. Of this, it is estimated that approximately 10 percent of off-campus students reside outside of Fort Collins (approximately 2,025 students), and that within the City of Fort Collins, approximately 5 percent of off-campus students live at home (accounting for approximately 1,000 students). Approximately 17,210 students are estimated to reside in rental units throughout the City. Data from the Institutional Research Division exist but are insufficiently detailed to determine precisely how many units these 17,210 students occupy. As such, EPS estimates that these off-campus students generate demand for between 5,740 and 6,885 units (assuming either 3.0 or 2.5 students per rental unit).[13]

2.4.5 Development Pipeline

Information from the City of Fort Collins Department of Community Development and Neighborhood Services, dated July 2014, breaks down the pipeline of multifamily housing developments into categories of student-oriented and non-student-oriented projects, as shown in **Figure 20**. In total, there are more than 4,800 units (over 9,600 beds) in various stages of development and planning, according to the City's information. If all of them are built, it would increase the City's supply of rental units by 19 percent (4,827 divided by 25,095 units in 2012).

2.4.5.1 Student-Oriented Rental Development

The City's information also indicates that there are a total of 1,843 student-oriented units (5,193 beds) in various stages of development, including the categories: approved, under construction, recently-completed, approved PDP, submitted, under review, and conceptual or preliminary. As shown, approximately 1,149 units (3,193 beds) fall into the first category of approved/under construction/recently completed, and in addition to another 312 units (1,115 beds) that have either been approved or are under review, there are another 413 units (885 beds) proposed in conceptual or preliminary projects.

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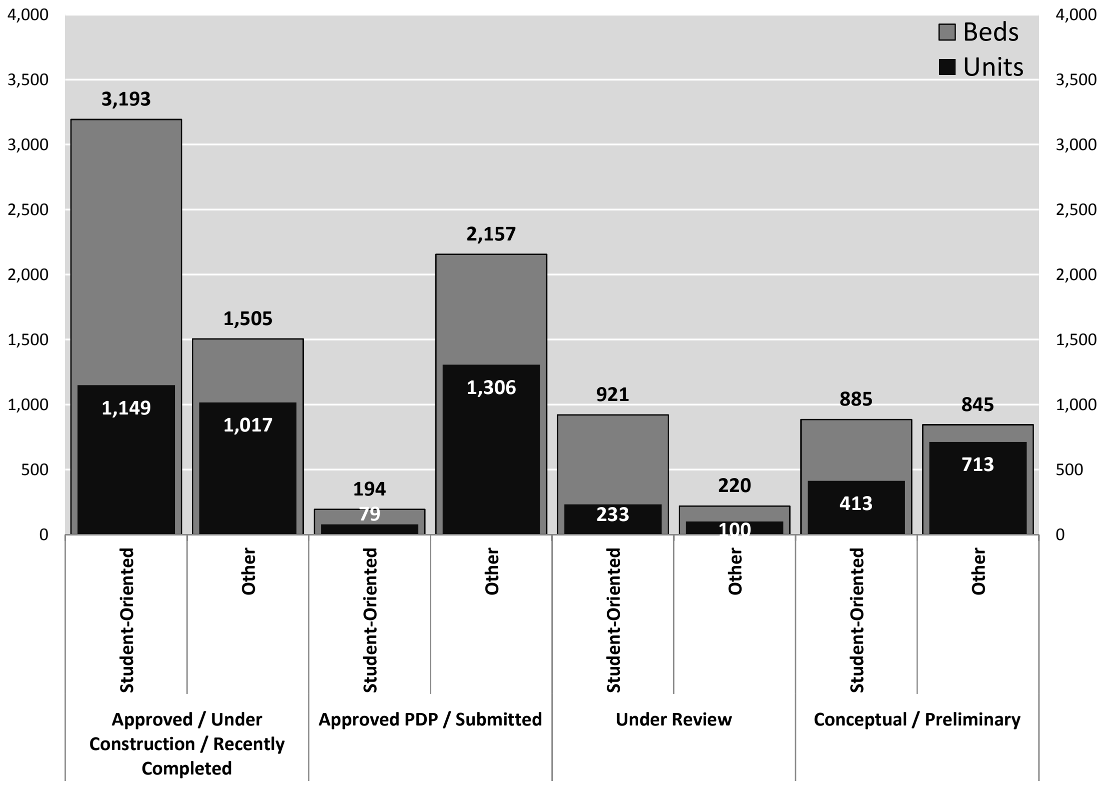
13 Given the 3-unrelated persons occupancy rule, which applies uniformly throughout the City, EPS does not believe that an average of greater than 3.0 students per unit is an appropriate factor for determining the number of units occupied in the City by students. Discussions with CSU staff indicate that the factor is more realistically between 2.5 and 3.0, even given the likelihood that some students could be living with more than 3 unrelated peers in units without an exemption.

2.4.5.2 Other Market-Rate Rental Development

According to the City's data (as of July 2014), there are a total of 3,136 other units (4,727 beds) in various stages of development, including the categories: approved, under construction, recently-completed, approved PDP, submitted, under review, and conceptual or preliminary. As shown, approximately 1,017 units (1,505 beds) fall into the first category off approved/under construction/recently completed, and in addition to another 1,406 units (2,377 beds) that have either been approved or are under review, there are another 713 units (845 beds) proposed in conceptual or preliminary projects.

Figure 20
Multifamily Development Pipeline



Source: City of Fort Collins, Department of Community Development & Neighborhood Services; Economic & Planning Systems

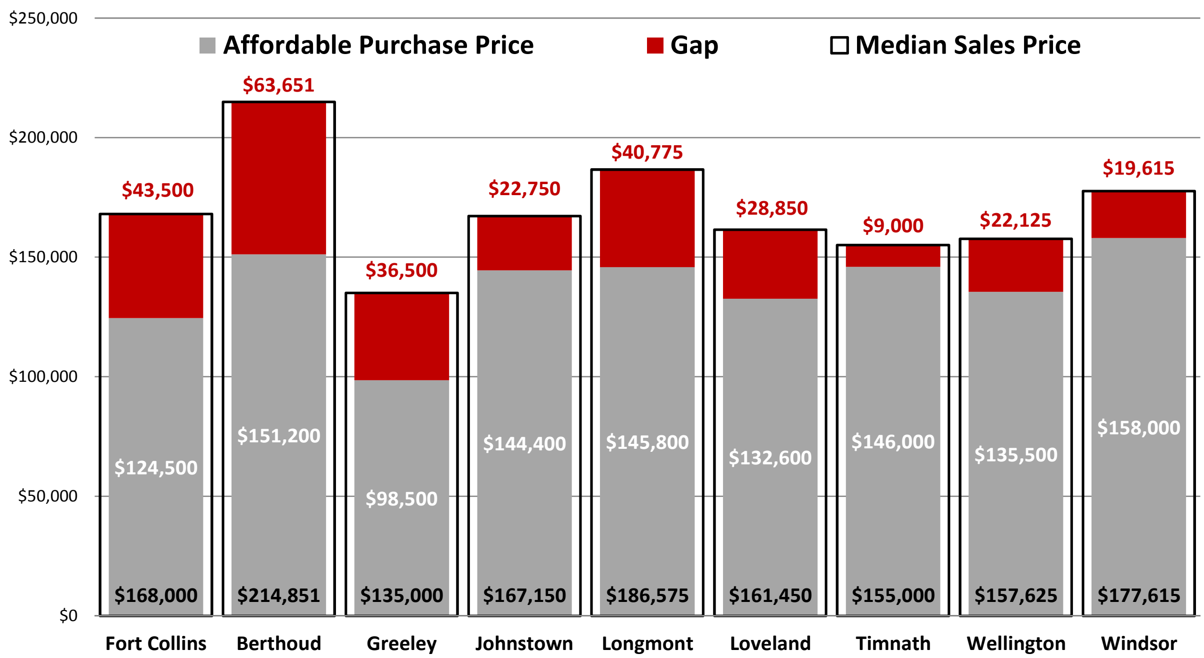
2.5 Housing Affordability

The definition of housing affordability lies at the intersection of housing costs and household incomes. [14] This section provides a juxtaposition of the affordable housing purchase price for a household earning the area median income (AMI) against median housing price levels for Fort Collins and the surrounding communities.

2.5.1 Community Comparison

Using metrics for lending terms appropriate to the markets of 2000 and 2013, the following figures illustrate the extent of affordability gaps between what households could afford to buy and the median-priced house in 2000 and in 2012. In 2000, shown in **Figure 21**, the gap between what a household in Fort Collins could afford and the median of what was available was $43,500. While gaps for local households in Johnstown, Loveland, Timnath, and Wellington also existed, they each offered less expensive housing options than Fort Collins.

Figure 21
Fort Collins Trade Area Affordability Gaps, 2000



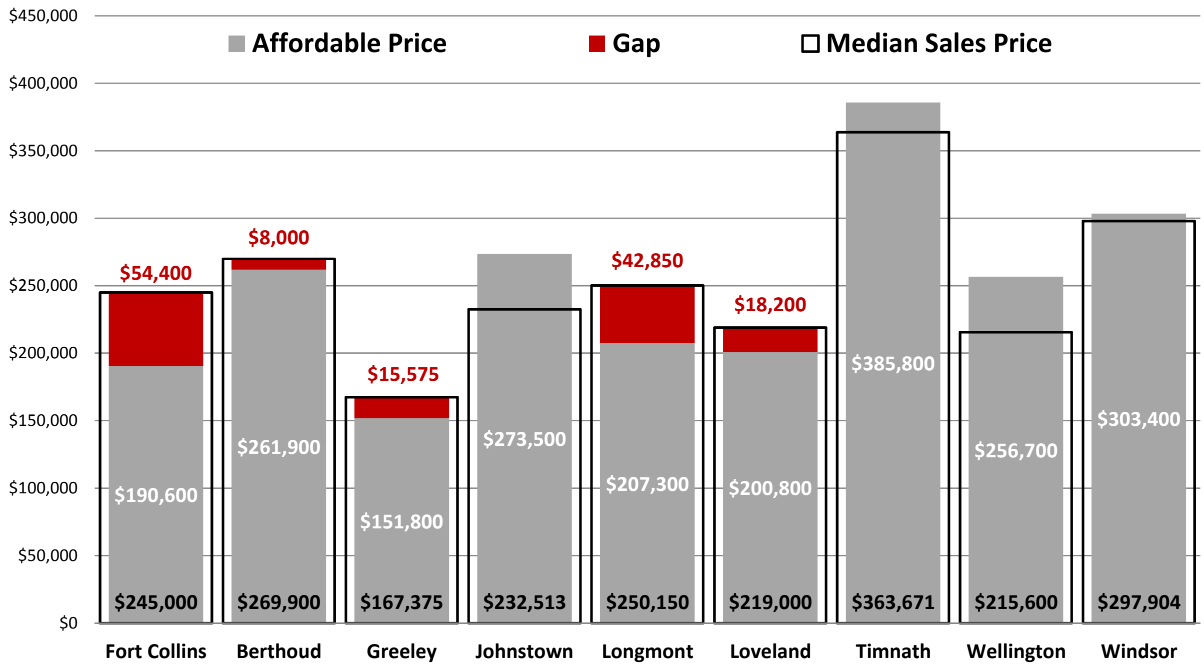
Source: U.S. Census; Economic & Planning Systems

[14] Affordability is defined as a household spending no more than 30 percent of its income on housing, including payments on principal, interest, taxes, and insurance. EPS also includes a monetary assumption for HOA dues for analyses in markets where this is common, such as Fort Collins. The assumptions used in this analysis reflect average lending terms and conditions for each time period evaluated, 2000 and 2012. For 2000, the assumptions are: 8 percent mortgage interest rate; 30-year fixed rate mortgage, 5 percent downpayment; property taxes of 1 percent of total housing value per year; insurance of $400 per year; and HOA dues of $100 per month. For 2012, the assumptions are: 5 percent mortgage interest rate; 30-year fixed rate mortgage, 5 percent downpayment; property taxes of 1 percent of total housing value per year; insurance of $500 per year; and HOA dues of $150 per month.

As previously noted, Fort Collins became slightly less affordable to households earning median income when adjusting incomes and the price of housing by CPI. Using a different set of metrics, **Figure 22** illustrates that by 2013, the affordability gap for Fort Collins had widened for households earning median income. Berthoud, Greeley, Johnstown, and Wellington all became more affordable when looking at incomes and housing prices adjusted for inflation. The following figure for affordability gaps in 2013, compared to the previous figure, confirms that the affordability gaps of those communities decreased during this time were actually eliminated in the cases of Johnstown and Wellington.

In conjunction with the information on commuting patterns, it is interesting to note that where housing has become relatively more affordable to households are communities responsible for the greatest increases of in-commuting. Fort Collins working households appear to be choosing to live outside of Fort Collins, based on either lifestyle preferences or purely economic (i.e. housing affordability) reasons.

Figure 22
Fort Collins Trade Area Affordability Gaps, 2013



Source: U.S. Census; Economic & Planning Systems

2.5.2 Gap Analysis

This section presents an estimate of housing gaps by income level for owner- and renter-occupied housing using data on the distribution of households by income level and distributions of owner-occupied inventory by value and renter-occupied inventory by monthly rental rate. The datasets are converted to an income-level basis for direct comparison in a gaps analysis. A gap analysis basically identifies the portion of households in the City that are housing cost-burdened at certain income levels, but does not imply that more units need to be built.

Owner Housing Gaps

Table 1 illustrates the components of the gap analysis, which include a juxtaposition of the number of owner housing units available at various income levels, using information from the U.S. Census and the distribution of ownership inventory at housing value levels. The results of the gap analysis for 2012 show that there are approximately 2,000 households earning less than $25,000 per year and approximately 580 households earning between $25,000 and $50,000 who are cost-burdened (i.e. spending more than 30 percent of their gross household income on housing). [15]

The demographics and sub-groups of these cost-burdened households includes elderly or retired households, disabled, mobile home owners, and households who do not have a mortgage, but some retirement or other income. According to the U.S. Census, there were approximately 1,600 owner-occupied households in 2012 with incomes less than $25,000 and no mortgage. Subtracting these households results in a net cost-burden estimate in the "less than $25,000" category of approximately 400 households.[16]

Table 1
Ownership Housing Gaps, 2000 and 2012

	Affordable Home Price Range (2012)	Units		Owner Households		Gaps	
		2000	2012	2000	2012	2000	2012
Income Category							
Less than $25,000	Less than $69,300	238	1,507	3,516	3,519	-3,278	-2,012
$25,000 to $49,999	$69,301 to $176,100	5,906	4,343	6,338	4,920	-432	-577
$50,000 to $74,999	$176,101 to $283,100	12,996	12,876	6,552	6,112	6,444	6,764
$75,000 to $99,999	$283,101 to $389,900	4,491	6,654	4,620	5,563	-129	1,091
$100,000 to $149,999	$389,901 to $601,700	1,917	4,218	3,440	6,798	-1,523	-2,580
$150,000 or more	More than $601,701	603	1,986	1,686	4,671	-1,083	-2,685
Total		**26,152**	**31,583**	**26,152**	**31,583**	**0**	**0**

Source: U.S. Census; Economic & Planning Systems

H:\133074-Fort Collins Housing Study\Data\[133074-Demographics.xlsx]TABLE 8 - Owner Gaps (2)

[15] This is an industry standard metric (30 percent) used in housing affordability studies, and is primarily guided by the direction of the Department of Housing and Urban Development's and U.S. Census's definition of cost-burden.

[16] A similar statistic is not available from the U.S. Census for the year 2000.

2.5.2.1 Rental Housing Gaps

Table 2 illustrates the analysis of housing gaps in the rental inventory, i.e. the juxtaposition of the number rental housing inventory by income and affordability level, using information from the U.S. Census on the distribution of households by income levels and the distribution of rental unit inventory by monthly rental rates. The results of the gap analysis for 2012 show that there are approximately 8,000 renter households earning less than $25,000 per year spending more than 30 percent of their gross household income on rents.

As discussed previously, it is estimated that between 5,740 and 6,885 renter households in Fort Collins are occupied by students and likely fall into the income category of $25,000 or less. While it is recognized that a perfect data source for this estimate does not exist, the estimated student-occupied rental households are netted out from the total rental housing gap. The estimated number of graduate assistantships[17] (160) that fall above the income level $25,000, which are counted as one household per assistantship results in an estimated range of cost-burdened rental households between 1,250 and 2,400 households[18].

Table 2
Rental Housing Gaps, 2000 and 2012

	Affordable Monthly Rent Range (2012)	Units		Renter Households		Gaps	
		2000	2012	2000	2012	2000	2012
Income Category							
Less than $25,000	Less than $625	7,429	2,761	9,173	10,733	-1,744	-7,972
$25,000 to $49,999	$626 to $1,249	10,726	15,935	6,434	7,667	4,292	8,268
$50,000 to $74,999	$1,250 to $1,874	1,334	5,154	2,609	3,805	-1,275	1,349
$75,000 or More	More than $1,874	187	1,245	1,460	2,890	-1,273	-1,645
Total		**19,676**	**25,095**	**19,676**	**25,095**	**0**	**0**

Source: U.S. Census; Economic & Planning Systems

H:\133074-Fort Collins Housing Study\Data\[133074-Demographics.xlsx]TABLE 8 - Renter Gaps (2)

17 There are a total of approximately 1,600 graduate/professional assistantships, of which 10 percent earn alone more than $25,000 per year.

18 Low estimate: 7,972 – 6,885 + 160 = 1,247; high estimate: 7,972 – 5,740 + 800 = 2,392.

2.5.3 Distressed Populations

In the context of the owner and rental inventory gap analyses, it becomes clear that there are subgroups of demographics of various socioeconomic characteristics who are netted out of the final calculation, but as for the remaining "net" estimates of cost-burdened households, it is not entirely clear, i.e. without primary survey research, to identify which population subgroups may accurately account for these households.

This section addresses the various potentially distressed populations that are presumed to be subcomponents of those households experiencing some level of cost burden as estimated in the gap analyses. Such groups might include the elderly or retired households, mentally- or physically-disabled, single-parent families, etc. Using information assembled as a part of the social infrastructure gaps analysis, this section presents a high level summation of a few of those demographics to put the magnitude of household cost burden into perspective. Information also comes from the U.S. Census, information compiled from various City sources, including the Fort Collins Housing Authority, and the 2013 Point-in-Time Survey on homelessness.

- **Elderly**: It is estimated that there are 12,500 seniors in the City of Fort Collins, approximately 4,600 of which have disabilities, and of which 40 percent live alone.
- **Persons with Disability**: It is estimated that approximately 10,000 residents are living with one or more disability, 50 percent of which are 18 to 64 years old, 46 percent of which are seniors, and 4 percent of which are children. Only 47 percent of these residents are employed, and unemployment among the disabled is an estimated 16 percent.
- **Living Below Poverty**: The federal poverty level in 2013 was $19,530, and it is estimated that there are approximately 2,900 families live in poverty and approximately 27,200 residents (approximately 18 percent) in Fort Collins living below this level, although it is also estimated that approximately 56 percent of them are students. Nevertheless, the trend has been rising, where between 2005 and 2012, the number of non-student residents in poverty increased by 4,000. Additionally, the poverty rate among single parents ranges from 28 percent among single fathers to 36 percent among single mothers.
- **Homeless**: While beyond the scope of this study, homelessness is a serious and persistent issue for Fort Collins. The most recent PIT survey counted between 250 and 500 homeless on a given night, and estimates that there are approximately 1,000 households receiving rental assistance.
- **FCHA Wait List**: The Fort Collins Housing Authority manages a variety of programs and projects in Fort Collins and Wellington, including Section 8 Housing Choice Vouchers and project-based vouchers. According to recent research, there are approximately 150 scattered public housing units, recent projects, such as Redtail Ponds and Villages with a combined 860 units, and housing and project-based vouchers totaling 1,100 vouchers. In comparison, the magnitude of the wait list for the FCHA is more than 1,700 as of April 2014, of which approximately 85 percent are extremely low-income households (at 30 percent of AMI, or an income of approximately $18,750), and the remainder are very low income, between 30 and 50 percent AMI (up to $31,250).

2.6 Housing Cost Components

This section of the economic and demographic context is an analysis of the various components of housing cost and how they relate to overall housing affordability issues in the City. The study process, particularly the first stakeholder workshop, raised several questions and served as the impetus for this analysis:

- What are the components of housing cost escalation?
- What causes housing costs to escalate?
- How much have each of the components contributed to housing cost increase?
- How much of the total cost of housing can the City influence?

As indicated previously in this chapter, housing prices increased at 2.8 percent per year from 2000 to 2013.[19] Average housing prices escalated from $194,900 in 2000 to $278,400 in 2013, an increase of $83,500 (42 percent increase). **Figure 23** illustrates this overall trend, but contains a breakdown of the major components of housing cost. For example, it was found that the escalation of land costs accounted for 37 percent of the total increase ($30,600), hard costs contributed to 60 percent ($50,200), and city fees and taxes contributed to 9 percent ($7,500), while the remainder, a floating amount for other soft costs and developer profit, described in greater detail below, actually declined.

2.6.1 Components

Four major categories of cost were identified and quantified using different sources, including the local MLS, Larimer County Assessor land sales records, information on fees from the Building Department, Engineering, Development Review Services, as well as indexes from the Engineering News Record and Bureau of Labor Statistics. The costs and methodologies for estimated them are:

- **Land**: Land costs can be anywhere from 15 to 25 percent or more of the total cost of housing, depending on the type of housing (i.e. single-family versus multifamily). From 2000 to 2013, land costs increased at an average of 4.6 percent per year, from approximately 20 percent of total housing cost in 2000 to 25 percent in 2013. During the height of the housing boom, however, land values increased to 30 percent of the cost of housing, according to EPS's analysis of Larimer County Assessor data on the sale of raw land to master developers and commercial home-builders.[20]
- **Hard Costs**: Hard costs typically range between 50 and 55 percent of the total cost of housing, of which 50 percent is usually labor cost and the remainder is materials cost. While data on annual changes in construction costs for the Fort Collins market does not exist, EPS used the BLS's producer price index for residential construction to determine that, nationwide, residential materials costs have escalated at 3.1 percent annually since 2000.

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19 Data compiled from the local MLS were not detailed enough by year to identify the annual average sales price of new product. For this analysis, EPS is using the overall average sales price of housing in Fort Collins as a proxy to determine the proportions of different cost components.

20 Specifically, the data presented represent the cost of a finished lot, including infrastructure and water (as a portion of total housing sales prices). They represent the portion (i.e. percentage) of land to housing sales price, but are presented here calibrated to fit the housing price data available. Actual lot sales prices, as with new unit sales prices are higher than depicted by these numbers.

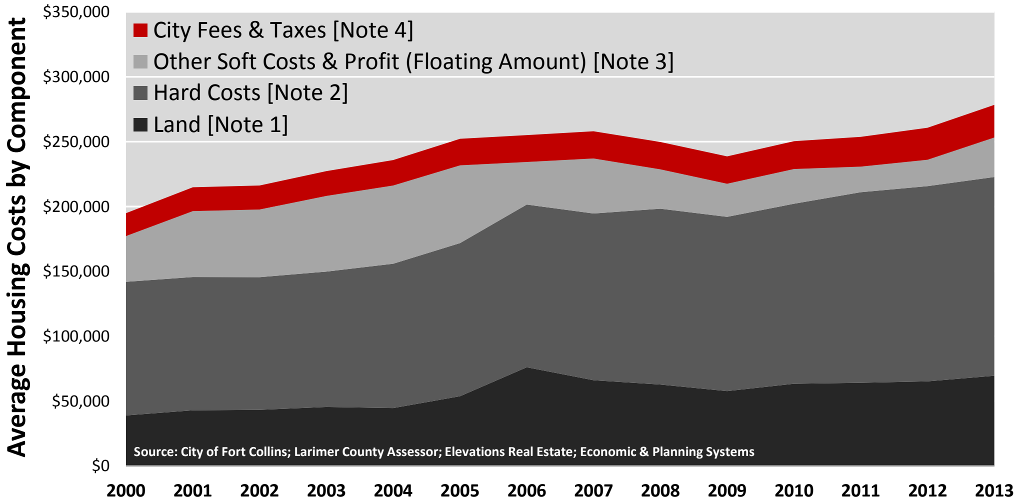
Another important component of the hard costs, though falling more under the category of city-related costs, are the costs associated with contractors meeting the enhanced requirements of several new updates to the building code. Specifically, the recent adoptions of the 2009 International Residential Code (IRC), which went into effect at the beginning of 2010, the adoption of the Green Code Amendments, which went into effect at the beginning of 2012, and the adoption of the 2012 IRC, which went into effect toward the beginning of 2014, all contribute to the rising cost of housing construction. An analysis conducted by the City's Community Development & Neighborhood Services, dated April 2014, indicates that, collectively, these enhancements in the local building code amount to an additional $5,900 to $6,900 per 2,000-square foot single-family home. While these changes took effect largely toward the end and outside the time frame evaluated here, they represent between 2.0 and 2.5 percent of the overall price of housing in 2013.

- **City Fees and Taxes**: This category includes building permit fees, plan check fees, capital expansion fees (e.g. street oversizing, fire, police, general government, and parks), utility fees (e.g. water, wastewater, stormwater plant investment fees), and use taxes. In 2000, these city fees and taxes accounted for 9 percent of total housing costs and by 2013 still accounted for 9 percent of total costs. Overall, city fees and taxes increased at a parallel rate to overall cost, or 2.8 percent annually. In actual dollar terms, however, city fees and taxes increased by approximately $7,500 over the course of the 13 years.[21]
- **Other Soft Costs**: The last category of housing costs are associated with other soft costs, such as architectural and engineering fees, general contractor, legal, insurance, and financing costs. While these components are generally set by outside contractors and services, their fees must be paid. Developer profit and fee, on the other hand, while generally estimable, are not set fees, but rather, the amount of profit a project makes is highly dependent on the success and timing of a project. As such, EPS did not set this number at any particular amount; rather, this portion of the "Other Soft Costs" floats throughout the time series, reflecting the reality that during the recession, it is apparent that when this category of costs decreased from approximately 24 percent to 13 percent, developer profit margins were squeezed severely.[22]

21 According to information collected from various City departments, a new formula for building permit and plan check fees went into effect at the beginning of 2012; both new and old formulas were built into this time-series analysis. During this period, no major adjustments, other than annual escalations using the consumer price index from the BLS, were made to the capital expansion fees. There was a major update to the utility fees in 2003, and those fees are generally escalated using the Engineering New Records city cost index. The City's use tax rate increased from 3.00 percent in 2011 to 3.85 percent, and the County's use tax rate decreased from 0.80 percent to 0.60 percent.

22 It should be noted that a typical range for soft costs is between 25 and 35 percent of total hard costs, depending on the type and scale of a project. In EPS's analysis, soft costs range between 25 and 37 percent, depending on the year.

Figure 23
Trends in Housing Cost Components, 2000-2013



[**Note 1**]: Land values are based on data compiled from the Larimer County Assessor's office. They represent the cost of a finished lot including infrastructure and water (as a portion of total housing sales prices). They accurately represent the portion (i.e. percentage) of land to housing sales price, but presented here, they have been calibrated down to fit the housing price data available. Actual lot sales prices, as with new unit sales prices are higher than depicted by these numbers.
[**Note 2**]: This includes the cost of materials and labor.
[**Note 3**]: This includes other soft costs, such as architeture and engineering, legal, and insurance. Developer profit is estimated as a floating amount, i.e. the difference between the other three components and the overall housing price data points.
[**Note 4**]: These fees and taxes were estimated with the assistance of City of Fort Collins staff, including Development Review Services, Engineering, and the Building Department.
[**Note 5**]: These totals represent the average of new and existing home sales throughout Fort Collins. They also represent detached (i.e. single-family) and attached (i.e. condominiums, townhomes, duplexes) housing and do not include rental.
[**Note 6**]: This component analysis and trends were created for the purposes of discussing various cost components using best available data. Given the limitations and availability of new sales data trends, overall trends were used. As a result, the depicted overall costs will be noticeably lower than actual "costs to build". That is, these trends do not depict precise costs to build in Fort Collins - they are a representation. Such actual costs to build would be higher.

The primary purpose of this analysis is to identify what extent of housing costs and subsequent increases can be controlled at all by the City either directly or indirectly. As identified here, at most, the City has purview over an estimated 11 percent of the cost of housing (including all city fees and taxes, in addition to the 2 percent attributable to the recent building code enhancements).

It is highly unlikely that substantial reductions in any of these components would equal even half of this gap, given that the ownership affordability gap between what a household earning the median income can afford to buy and the median sales price in Fort Collins is $54,400, which represents nearly 20 percent of the average price stated in this trend ($278,400).

- **Land**: The cost of land has increased from 20 percent to 25 percent of the total cost of housing. If land settled back at roughly 20 percent of the cost to construct housing, which the City has little chance of manipulating, it could potentially lower costs by 5 percent.
- **Hard costs**: The cost of enhanced building code amounted to 2 to 3 percent of total housing costs. It should be acknowledged, however, that it is not necessarily in the interest of the city to reverse these decisions.
- **City Fees and Taxes**: The portion of city fees and taxes related to permit, plan check and non-utility capital expansion fees account for just 4 percent of overall costs. A 25 percent reduction in these fees collectively could reduce overall housing costs by 1 percent, but again, a reduction in capital expansion fees (which 75 percent of these costs are related to) is also not necessarily in the interest of the City because it would potentially come at a cost to the community in the form of a reduction in infrastructure spending.

3.0 HOUSING ISSUES AND NEEDS

This chapter provides an assessment of the City's housing affordability issues and needs including: a) ownership and commuting conditions; b) rental and student housing trends; c) housing cost components; and d) distressed populations. The objective is to help the City visualize the extent to which housing affordability issues exist and to what degree the City is able to effectively address them.

While the analysis has shown the City has some affordability challenges, many of them do not have tipping points *per se*, i.e., points at which the trend or condition becomes so pronounced as to warrant action. In such cases, the most appropriate response may be to craft a policy or strategy guided by the interest to address the challenge *before* it becomes worse.

The City's greatest current challenge is that of weighing the benefits of taking action on what seem to be comparatively modest issues or challenges against the political and monetary costs of implementing them. On the one hand, some challenges are not currently great enough to warrant costly policies. On the other hand, it is possible that a continuation of trends along recent trajectories could produce challenges that are significant enough to warrant policy or strategy action. It is, therefore, the intent of this section to present a menu of potential short-, mid-, and long-term approaches to addressing the existing and projected needs.

3.1 Assessment of Need

This section summarizes the trends and conditions that illustrate to what degree specific issues exist and how they may change in the future. It is critical, however, that while reviewing these summaries, the City contemplate the extent to which it is comfortable with the current conditions and the extent to which regional circumstances are compensating for local issues.

For example, one of the major (and specific) issues facing the City is to what extent it is comfortable with the current in-commuting trends. Is the City comfortable with the surrounding markets serving as a reservoir of more affordable housing for its own workforce (i.e. "drive till you qualify"). And, to the extent that an ample supply of affordable for-sale housing continues to exist in surrounding communities, it becomes a matter of City policy, to determine whether incentivizing or subsidizing housing within the City to reduce the number of in-commuters is warranted.

3.1.1 Income, Ownership Housing, and Commuting

3.1.1.1 Household Incomes

At the root of housing affordability issues are income and wages. When incomes keep pace with the rise in housing costs, affordability is not a challenge, but when increases in income are exceeded by the cost of housing, affordability becomes a challenge. In Fort Collins, housing costs rose 42 percent between 2000 and 2012 while median household incomes increased 38 percent. On this metric alone, the City has become slightly less affordable over the last 12 years. The most direct solution would be to raise income levels.

It is important to consider that households contain multiple job-holders and that their income levels usually vary. Although influencing income levels of all job-holders is not possible, an increased (local or state) minimum wage may be one possible mechanism to address this issue. While EPS recognizes that such an option would not likely fare well with Fort Collins' business community, the question was raised by a City Council member during a work session as to what extent an increased minimum wage might positively impact housing cost-burden issues in the City.

EPS responded with a brief analysis and opinion provided in **Appendix B**, but a more complete and extensive analysis would be necessary to prove out a number of issues raised. The findings suggest that on one hand, an increased minimum wage could have a positive impact on lifting 10 percent of households out of a cost-burden situation, but the extent to which businesses would eliminate jobs (which is likely) because of the increased associated labor costs was beyond the scope of the brief analysis.

3.1.1.2 Commuting Patterns

In-commuting is commonplace for an employment center and metro area like Fort Collins. As illustrated, great numbers of workers commute to and from the many surrounding communities for multiple reasons. Households with two job-holders often decide to live in one community or another for economic or lifestyle reasons. One job-holder may work in Fort Collins, for example, while the other works in Loveland. Where they choose to live is based on economic and social factors, as well as proximity to amenities or community. Where another household with one worker in Fort Collins and Loveland chooses to live might be based on a completely different set of priorities. At issue is the fact that commuting is a common practice and becoming more common than out-commuting.

The question for the City is whether and to what extent it can exercise any control or have any influence over this trend. While some portion of the in-commuters may have based their decisions to live elsewhere on fundamental household economics, others may have based their decisions on the lack of available housing in Fort Collins. There is, however, no absolute threshold of in-commuting that motivates a government to take action. It is a relatively subjective factor around which it is difficult to reach a consensus among policy makers. However, our experience on this issue is that it becomes a policy issue that needs to be addressed when local employers have difficulty attracting or retaining workers.

3.1.1.3 Ownership Housing

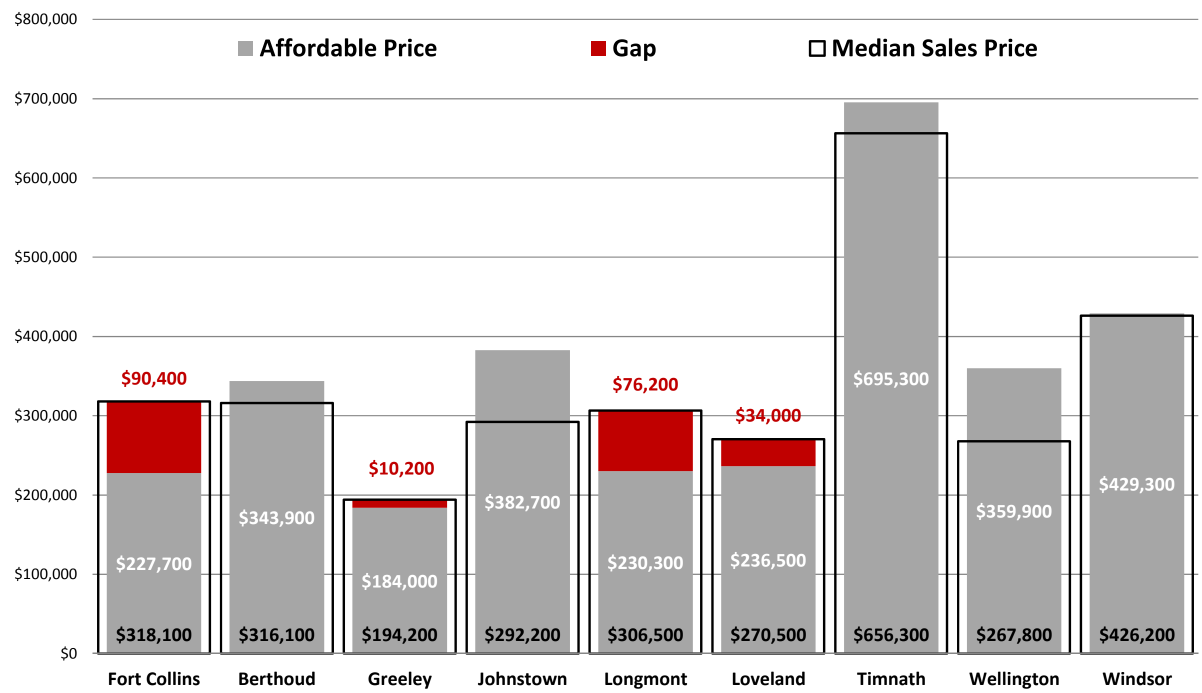
The desire for an adequate supply of affordable ownership housing is an important political and economic issue, particularly as expressed by stakeholders throughout this process, but it is not one characterized by enormous need, as shown by the analysis of housing gaps in the previous chapter.

The analysis showed that while housing costs have risen 42 percent in Fort Collins, incomes have risen by 38 percent (using HUD data) or by 20 percent (using Census data). On an annual basis, it showed that housing costs escalated by 2.8 percent on average versus 1.5 percent for household incomes. It also showed that, adjusted for inflation, housing costs increased at 0.5 percent, whereas incomes decreased at 0.6 percent per year. Further analysis showed that the affordability gap between the purchasing power of a household earning the median income and the median housing sales price expanded from approximately $43,000 in 2000 to $54,000 in 2012.

While a detailed analysis of local and regional economic conditions is not a part of this study, a simple projection[23] of these historic trends to 2022 (10 years from the last available comprehensive data) reasonably estimates the City's current trajectory. The purpose is to illustrate how affordability gaps might change in Fort Collins and the surrounding 8 communities if the trends in household median income and median housing sales prices continue unchanged.

The results indicate that that median household income would increase to $62,000 in 2012 dollars (a 16 percent increase over 2012), the median sales price would increase to $318,000 (a 30 percent increase over 2012), and the affordability gap would widen to approximately $90,000, a 65 percent increase over the current gap. While these statistics alone might raise concern, many of the surrounding communities, i.e. Greeley, Johnstown, Loveland, and Wellington, which are currently characterized by more affordable housing to Fort Collins households, would remain more affordable communities – specifically, working households employed in Fort Collins. It is also projected that Berthoud and Longmont would become more affordable to Fort Collins households by this time, which is currently not the case.

Figure 24
Projection of Ownership Affordability Gap, 2022



Source: Economic & Planning Systems

Assuming also that these communities have adequate area to develop and/or annex from the counties, it is projected that the supply of affordable for-sale housing within the commute-shed would be sufficient to largely address the need. It is, therefore, a City policy decision to determine if incentivizing or subsidizing housing within the City to reduce the number of in-commuters is warranted.

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23 For the sake of simplicity, the projection of these trends also assumes that the underlying economic conditions, such as the dynamics of the local and regional labor markets, continue as they have for the past 14 years. The projection also assumes, for the sake of simplicity, that the interaction of local and regional supply of housing, which affect the escalation of housing prices, also remains on its current course.

3.1.1.4 Construction Defect Claims

The magnitude of effects caused by the threat of construction defects claims on the residential construction industry are difficult to quantify. This issue affects communities throughout the state and is complicated by the entanglement of legal, financial, and insurance issues. Although not the sole cause for the lack of for-sale multifamily housing construction, developers and builders view the risk of exposure to lawsuits as a significant deterrent to developing for-sale multifamily housing projects.

During the 1990s and up to the early 2000s, construction defects claims affected predominately single-family housing. As the state's population boomed and, as a result, housing construction increased into the early 2000s, demand for multifamily housing became more commonplace. Multifamily (for-sale) developments soon became a more frequent target of construction defects lawsuits due to "scaleability". That is, if a building defect was identified in one out of 200 units in a project, the claim could be interpolated to all units and a suit filed on behalf of all 200 units.

The legal environment has evolved since the 1990s, as well. In the early 2000s, passage of the Construction Defect Action Reform Act (CDARA), which governs construction defects claims, allows for and, according to some in the construction community, even discourages pre-suit settlements. In 2010, HB 10-1394 "Concerning Commercial Liability Insurance Policies Issued to Construction Professionals"[24] potentially exacerbated the situation where demand for new multifamily for-sale construction was already weak. The intent was to provide courts clarity on how to interpret general liability insurance provisions and therefore claims. While not a direct cause of the enactment of this bill, a number of insurance providers left the state, leaving a potentially more competitive and costlier environment for developers to acquire commercial general liability insurance policies.[25]

Today, Fort Collins is not alone in experiencing a shortage of for-sale multifamily construction, and it is also not the only community to perceive this issue to be closely linked to the cause for the lack of for-sale multifamily construction. Because the provision of attached multifamily housing is commonly associated with more affordable housing options, overcoming this current obstacle to this inventory's development could provide more affordable housing in Fort Collins and the rest of the state.

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24 The bill's origins stem from two liability insurance cases, known by their abbreviated titles, *General Security* and *Greystone,* both decided in 2009. In *General Security*, the insurance provider (General Security), had denied that it was responsible for providing coverage for a construction defect, where existing statute defined it as an accident/occurrence. Part of the bill's purpose is to clarify how courts interpret future claims, and that the bill is a response to what was perceived as a failure of the court to "properly consider a construction professional's reasonable expectation that an insurer would defend the construction professional against an action or notice of claim."

25 The legislation's intent is to clarify the definitions of a construction defect for claims purposes, and to generally provide greater certainty. In the first part of the legislation, it is stated that "insurance policies issued to construction professionals have become increasingly complex, often containing multiple, lengthy endorsements and exclusions conflicting with the reasonable expectations of the insured." In response, the act declares that insurance coverage and an insurer's duty to defend shall be interpreted broadly in favor of the insured. It also ensures that a court still consider application of any exclusions to coverage, because it was not intended to "create insurance coverage that is not included in the insurance policy." It also places extra burden on the insurance providers. One provision requires that insurance providers have a duty to defend the policy holder in the event of a notice of claim process even if the insurer owes a duty to defend or not. The idea was to reduce defect litigation by encouraging pre-suit settlements.

3.2 Rental and Student Housing

3.2.1 Rental Housing

At the onset of this project, it was observed that vacancy rates, as detailed below, were 2 percent or below. As is common in development cycles, low vacancy rates coupled with high rental rates stimulate construction, as is evident by the number of units in the rental housing development pipeline.

It was noted in a recent study that the rental housing gap for Fort Collins is approximately 8,000 units for households earning $25,000 or less, of which approximately 4,000 units were likely occupied by student households. This study more closely examined the rental market to make a more accurate determination of rental housing "gaps". As such, an analysis of CSU's student population and breakdown of on- and off-campus students revealed that 5,700 to 6,900 rental units are likely occupied by students with household incomes below $25,000. Moreover, recognizing that a portion of graduate and professional students have incomes greater than $25,000, EPS also estimates that the net renter household "gap" is lower and is estimated to be between 1,250 and 2,400.

3.2.2 Rental Pipeline

As noted in that Chapter 2.0, the pace of single-family construction following the Great Recession has decreased from nearly 70 percent of the total construction market pre-recession to approximately 50 percent of the market post-recession. Moreover, the local market is in the midst of a major cycle in the construction of rental housing inventory.

While the rental housing construction has been stimulated by a sharp decline in the rental housing vacancy rate, the magnitude of units coming on line within the next 3 to 5 years is estimated to be more than 5,000, a 20 percent increase in the City's supply of rental housing units. If only those units in the pipeline that were under construction, with PDP approval, and under review were built (i.e. approximately 3,900 units), it is projected that in 5 years the overall rental housing vacancy rate would reach a more stable 5 percent.

3.3 Housing Cost Components

As indicated by the housing affordability gaps analysis, closing the current housing affordability gap of $54,400 would require a reduction in overall pricing by nearly 20 percent, unrealistic from the perspective of what portion the City actually has purview over, which is estimated at no more than 11 percent.

3.3.1 Rising Costs

Increases in hard costs and land prices are the two largest contributors to the increase in overall housing costs (60 percent and 37 percent respectively); however, they are largely outside the City's control. Only about 2 percent of total housing costs can be attributable to the adoption of enhanced building code. The remaining hard costs, which typically account for 50 to 55 percent of the total cost of construction, are outside the control of the City. Similarly, land costs, which typically account for 15 to 25 percent of the cost of housing, is also not a component of the cost of housing that over which the City has direct control[26].

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26 Discussions have revolved around the possibility and tension between support and opposition for a reexamination of the City's growth management area in the next city plan, but debates have also centered on whether a relaxation of the GMA would substantially and positively affect the cost of land.

3.4 Distressed Populations

Chapter 2.0 identifies various populations who may be distressed with respect to housing affordability. While difficult to quantify without primary survey data, this study did assess the extent of housing cost-burden for ownership and renter households. The analysis also narrowed in on a smaller subset of the cost-burdened populations than is apparent from a cursory juxtaposition of the distribution of housing units and households by income level. That is, among ownership households, it was determined that net of households without a mortgage, there are still approximately 1,000 households who spend more than 30 percent of their pre-tax income on housing. And among renter households, it was determined that net of student renter households, there are between 1,250 and 2,400 households who are cost-burdened.

While it was beyond the specific scope of this more general housing affordability study to identify specific issues and conditions surrounding distressed populations, such an analysis was conducted and completed toward the onset of this process. As such, a more comprehensive description and characterization of the issues facing Fort Collins' distressed populations may be found in the recently-completed social sustainability gaps analysis.

4.0 BEST PRACTICES

This chapter contains a summary of methods and techniques used to address a spectrum of housing affordability issues in the U.S. It identifies land use and regulatory techniques commonly used to accomplish narrowly defined and targeted housing objectives, and it identifies alternative funding methods used to address housing issues from a broader, more community-wide perspective.

4.1 Overview

There are a range of reasons why communities adopt affordable housing tools. Many do so because local and regional housing market assessments have concluded that a significant portion of the local workforce has been priced out and forced to commute. Beyond the determination of the presence and extent of these patterns, these communities make policy determination based on quality of life considerations. For example, if a portion of the workforce, such as teachers, police, fire protection, and other municipal employees, cannot afford to live locally, then they are not readily available to address health, safety, and welfare needs. As a result, the motivation to develop programs to address affordable housing is largely based on some or all of the following conditions:

- **Housing Costs -** The sales price of locally available housing exceeds what a permanent-resident household can afford.
- **Housing Availability** – The development community is clearly oriented to building more expensive housing than is affordable to the local workforce.
- **Commuting Patterns –** A large portion of the local workforce cannot afford to live in the community and is forced into long commutes from more affordable locations.
- **Employee Shortages –** Local businesses find it difficult to recruit and or retain employees.

4.2 Affordable Housing Tools

The analysis of best practices is structured as a matrix of policy or financing strategy options used in similar university towns and other comparable communities. The tools for providing affordable housing can be separated into two major categories, land use regulatory mechanisms that require developers to mitigate the impacts of development on affordable housing needs and other funding and financing methods that generate revenues dedicated to affordable housing.

4.2.1 Land Use Controls

There are several land use or regulatory controls that communities use to address housing affordability issues. Some presented here, such as the inclusionary housing ordinance, commercial and residential linkage programs, may not be appropriate for the City of Fort Collins, while others, such as the incentive zoning ordinance, are more pertinent to the City's magnitude of housing affordability issues. There are also land use controls specific to the local context, such as occupancy limits and affordable housing preservation easements (i.e. agreements), that may relevant to the Fort Collins context.

4.2.1.1 Inclusionary Housing

Inclusionary housing (or zoning) refers to planning ordinances that require developers to "set aside" a portion of new housing construction as affordable to households at specified income levels. IHO set-aside requirements generally range from 10 to 30 percent, and the affordability level generally ranges from 60 to 100 percent of area median income (AMI), [27] based on family size defined by HUD.

In most versions of an IHO, a developer can comply with its requirements by building the units on site as a part of the overall project master plan and/or by building them in an off-site location. Alternatively, many IHO programs allow for all or a portion of the housing requirement to be met by cash-in-lieu (CIL) payments – i.e. the payment of a fee in-lieu of building units.

IHO ordinances are generally enacted by home rule cities or counties as land use regulations under the health, safety, and welfare provisions. In most states, statutory cities or counties do not have the ability to adopt such ordinances. In Colorado and the Rocky Mountain West, the IHO is most commonly the cornerstone of many resort community's affordable housing programs including Aspen and Pitkin County, Telluride and San Miguel County, Breckenridge, Park City, UT, and Jackson and Teton County, WY. But there are also IHOs in Colorado's urban markets like Denver and Boulder.

Nationally, more than 200 communities have adopted some form of inclusionary zoning. Montgomery County, Maryland was one of the earliest to adopt an IHO and has built over 10,000 affordable housing units. All cities and towns in Massachusetts are subject to General Law Chapter 40B which requires communities with less than 10 percent affordable housing to require new developments to provide 20 percent affordable housing and redevelopments to provide 15 percent affordable units. There are many major cities, with IHOs such as New York City, San Francisco, San Diego, and Sacramento, and a number of smaller urban markets with major universities with IHOs including Madison, WI; Davis, CA; Cambridge, MA; Palo Alto, CA; Burlington, VT; and Princeton, NJ.

There are a number of states with rent-control prohibitions or limitations which have placed restrictions on the use of IHOs for rental housing. California invalidated IHO provisions for rental housing in 2009 when its courts found that such regulation constituted a form of rent control that violated the Costa-Hawkins Rental Housing Act of 1996. In Colorado, courts found that IHOs for rental housing were also a form of rent control in violation of state statutes. As a result, the Telluride Decision, as it is referred to, bars communities from enacting mandatory IHOs for rental housing. The legislature, however, recently made limited provisions for housing authorities or similar entities to own and manage deed-restricted affordable housing under HB10-1017, which has left room for rental housing to be provided in the context of an IHO through voluntary (i.e. not mandatory) developer agreements. Aspen and Boulder, two of the more prominent examples of communities with such policies, continue to apply their IHO to rental housing projects.

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27 The AMI defined by the Department of Housing and Urban Development is the standard by which households qualify for housing that is subsidized with federal funding, such as Community Development Block Grant (CDBG) funding.

4.2.1.2 Incentive Zoning Ordinance

Incentive zoning differs from IHOs in that it does not require a development or redevelopment to set aside a certain percentage of units as affordable (typically between 10 and 20 percent). Rather, when a substantial variance is requested, such as a major change in land use, a parking reduction, an upzoning or change to the height restriction or density, is an affordable housing set-aside triggered.

Another difference between this and the inclusionary zoning ordinance is its breadth of applicability. Whereas an IHO places the burden of producing new affordable housing inventory on new residential developments, the incentive zoning ordinance is often more broadly written as to apply to new (residential and/or non-residential) development and redevelopment. Communities with this type of ordinance can require that a developer build affordable housing, pay a fee in-lieu, dedicate land to the city, or dedicate existing housing stock as permanently affordable.

For many communities, the incentive zoning ordinance functions as a component of a larger strategy. Used in conjunction with inclusionary housing requirements and other alternative affordable housing funding mechanisms, it can be a very effective complementary strategy. For example, Chicago, Seattle, Cambridge, and Boston each have an incentive zoning policy, but in each of these communities, local/regional housing affordability challenges and issues have resulted in unique combinations of regulatory and non-regulatory (i.e. funding or partnership) strategies. Additionally, there are variations on the requirements or objectives of such ordinances in these communities, such as Cambridge's preference for the payment of the fee in-lieu to an affordable housing fund or Seattle's preference for childcare facilities.

4.2.1.3 Commercial Linkage

Commercial linkage fees are a form of impact fee assessed on new commercial developments or major employers. They are designed to mitigate the need for workforce housing generated by new or expanding commercial business or development. In some cases, commercial linkage programs require the construction of employee housing (as is commonly the case in the Rocky Mountain West's resort settings), but typically revenues are used to fund the development of affordable housing.

Because linkage fees are a type of impact fee, they require a nexus study. Such a study provides a quantitative basis for the connection (i.e. the nexus) between the affordable housing demand generated and the amount of space being developed or redeveloped. Fees are often calculated on a per 1,000 square-foot basis of commercial space and based on the number of employees generated by a particular type of land use. Because employee generation rates differ widely among land uses, communities with a commercial linkage program (or similar) distinguish between retail, restaurant, office, hotel, and industrial space, for example. It is important to note that commercial linkage fees, like development impact fees and as they are a variation on exactions, can only be used to pay for the impact of the new development and may not be used to address existing deficiencies.

As is the case in many other communities, commercial linkage programs are often just one component of the community's affordable housing strategy. In conjunction with an IHO or IZO, for example, a community is able to address the demands for affordable housing generated by both new residential and commercial development.

4.2.1.4 Residential Linkage

A less common practice, and more prevalent in higher-end or resort markets, are residential linkage programs. These fees are assessed against residential development (also on a per-square foot basis) to mitigate the affordable housing needs of new employment the expenditure of new households are estimated to generate. In Teton County/Jackson, WY, for example, these fees are imposed on large vacation homes (e.g. greater than 2,500 square-feet of habitable floor area) to mitigate the demand for service employees to provide property management, landscape maintenance, cleaning, road maintenance, and snow removal services. In Telluride, these fees are applied to resort lodging developments to mitigate the requirements for accommodations related employment such as waiters, maids, and other service workers.

Figure 25
Land Use Controls

	Affordable Housing Programs			
	Inclusionary Housing Ordinance	Incentive Zoning Ordinances	Commercial Linkage	Residential Linkage
What is it?	● Addresses housing gaps from inflated housing prices ● Requires a percent of housing be provided at affordable levels	● Responds to development and redevelopment pressure requesting special permits ● Requires residential / commercial development to provide affordable housing and/or public amenities	● Addresses housing need by commercial growth ● Requires commercial development to provide housing units (or pay a fee) based on new employees generated	● Addresses housing need from market for large second-homes ● Developer provides employee housing units or pays fee in-lieu
What is a typical affordable housing build requirement?	10% to 30%	10% to 20%	20% to 100% of employee generation by land use	10% to 20%
What incentives are used?	Bonus density, fee waivers, expedited review, parking reduction, unit equivalency; public funding assistance	Density bonus, reduced parking requirement, reduced open space, or any variance to zoning	Bonus density; fee waivers	Bonus density, fee waivers, expedited review, parking reduction, unit equivalency
Are there alternative satisfaction options?	Payment of fee in-lieu; offsite units; housing certificates; combination IH/RO units and voluntary adoption of RETA	Payment of fee in-lieu	Payment of fee in-lieu; land dedication; offsite units; deed-restricted commercial space	Payment of fee in-lieu; land dedication; offsite units
What are the legal / nexus issues?	Does not require voter approval, no nexus study required	No nexus study required	Requires nexus study and documentation	Requires nexus study and documentation
Who is affected?	● New residential development	● New residential development ● Businesses ● Visitors	New commercial development	New residential development
What are its advantages / disadvantages?	● Addresses community workforce housing needs (i.e. ownership or rental) ● Limits the burden to new residential development ● Most common among the programs identified	● Value of incentives is relative to the market ● Success is dependent on the value of respective incentives within the market	● Addresses workforce housing needs ● Broadens the burden to wide variety of land uses ● Requires nexus analysis	● Addresses seasonal/service worker housing needs (i.e. rental) ● Limits the burden on market to large 2nd homes ● Requires complicated nexus analysis
Who uses it?	Boulder, CO Denver, CO Burlington, VT Cambridge, MA Davis, CA	Cambridge, MA Seattle, WA Chicago, IL Boston, MA	Vail, CO Aspen/Pitkin County, CO Telluride, CO Park City, UT	Telluride, CO Jackson/Teton County, WY

Source: Economic & Planning Systems
H:\133074-Fort Collins Housing Study\Data\[133074-Housing Program Matrix.xlsx]Housing Programs w Res Linkage

4.2.2 Other Land Use Controls

There are a range of other land use controls and practices with varying degrees of impact on housing affordability identified by the staff and stakeholders in the public and stakeholder involvement process, as well as in the *Affordable Housing Redevelopment Displacement Mitigation Strategy*, dated March 26, 2013.

4.2.2.1 Occupancy Limits

One regulatory tool common in university towns is the maximum occupancy limit. The occupancy ordinance, referred to as the "3-unrelated rule" in Fort Collins, is often enacted to mitigate against nuisance and parking issues,[28] as has been the case in other university towns (**Table 3**). Specifically, the City's occupancy ordinance dates to 1964 and has treated violations as a criminal offense, which resulted in enforcement challenges for many years. This issue was brought to the attention of City Council in 2005, at which time City planning staff were directed to more actively enforce the provision and report back with results. As a result of these efforts, violation of the ordinance was decriminalized in 2007 (making it merely a civil offense). A couple years later it was noted in a City Council work session that a reduction in the overall City housing vacancy rate was identified as related to enforcement of the ordinance.

Table 3
Occupancy Limits in University Towns

3-Unrelated	4-Unrelated (or more)
Greenville, NC (2014)	Greenville, NC (2012)
Norman, OK	Boulder, CO (high density zone)
Colorado Springs, CO	Denver, CO (multi-unit zone)
Pueblo, CO	Little Rock, AR
Boulder, CO (low density zone)	Champaign, IL
Denver, CO (single-unit zone)	Louisville, KY
Tempe, AZ	Ann Arbor, MI
Evanston, IL	Bozeman, MT
Bloomington, IN	Chapel Hill, NC
Bowling Green, OH	Oxford, OH
Philadelphia, PA	Fairfax, VA
Salt Lake City, UT	Burlington, VT
Williamsburg, VA	Milwaukee, WI
Madison, WI	

Source: College Town Life; Economic & Planning Systems

H:\133074-Fort Collins Housing Study\Data\[133074-Occupancy Limits.xlsx]Summary

28 Because limited parking continues to be an issue around the university, CSU is actively engaged in many efforts that indirectly impact the demand for off-campus parking, according to CSU staff interviewed during this study. A primary example includes the annual participation of more than 4,500 students and 2,000 parents to educate them relying less on automobile transportation during their time at school. Simultaneously, CSU invests a considerable amount of resources into maintaining and actively enhancing its bicycle infrastructure.

With rental housing demand growing as a result of an increased student population at CSU, the issue continues to be highlighted as a factor affecting housing availability. The City does, however, allow Extra-Occupancy Rental Houses (EORH) in most zones of the City in the form of an administrative exemption. This exemption grants occupancy to households of more than three unrelated persons if the owner can demonstrate that the property is appropriate for more than three renters and adequate parking is provided.

The City Council directed staff to conduct public outreach to gauge support for increasing the availability of EORHs within the existing Neighborhood Conservation Medium-Density (NCM) zone, according to a City memo dated September 9, 2010. The general public, property owners in the NCM zone, and members of the Associated Students of Colorado State University (ASCSU) participated in the process. Overall, 272 responses were received and indicated that nearly three-quarters of respondents did not support allowing extra occupancy in the NCM zone. As a result of these findings, staff did not recommend moving forward with the expansion of the EORH within the NCM zone.

4.2.2.2 Affordable Housing Preservation Easement

Another tool that may be relevant to the Fort Collins market is an affordable housing preservation easement. This type of an agreement is based on a premise similar to that of a historic preservation easement whereby property owners voluntarily agree to preserve a historic building or preserve open space in return for a public benefit. Restrictions imposed on their property are generally documented through an easement or an agreement, which notifies the public and any potential buyer that the future use of the land is restricted in certain ways.

In general, an easement is an interest in real property where technically, in the example of an historic building, an owner sells the right to demolish the historic building or build on open space. On the other hand, an agreement is a contract where the owner has agreed not to tear it down or build on open space in return for a public benefit. In effect, both tools achieve the same result and bind future owners of the property.

In the case of affordable housing, a similar approach can be used to encourage preservation of existing affordable housing inventory. For example, the owner of a housing project pledges to maintain a certain percent of the existing housing units affordable at a certain level of affordability for a predetermined number of years. The owner agrees to such an agreement provided that a city can offer the property owner something of economic value in return. In the case of historic buildings, federal and/or state tax incentives are often available to property owners. And although an easement can reduce the (highest and best use) value of the property, which reduces the owner’s property taxes, the lower tax liability is generally not enough of an incentive. As a result, the most appropriate benefit returned to a property owner who makes such an agreement is a tax, fee, or assessment rebates – that is, local governments are often required to forego revenue that it would otherwise have available to pursue other priorities. Alternatively, local governments can simply provide payment for the easement.

4.2.3 Alternative Funding Sources

There are a range of other funding sources in use for providing affordable housing that have been implemented in both urban and resort settings. These sources are shown in **Figure 26** and summarized below. Most of these funding sources are enabled under county or municipality home rule powers as noted.

2.4.3.1 Excise Tax

An excise tax is a tax paid on units of production (e.g. construction materials) by the developer that becomes a part of the cost of the final product purchased by end user. It differs from the sales tax, which is applied to the final purchase price and paid directly by the end-user. A number of communities (e.g. Boulder and Snowmass Village) have excise taxes on construction materials and designate their revenues to the development of affordable housing. Boulder's excise tax, for example, is $160 per 1,000 square feet of residential development and $340 per 1,000 square feet of commercial development. Snowmass Village's excise tax is calculated on a complex formula and only applies to residential expansions over 550 square feet. In practice, because larger residential expansions often pay as much as $150,000 to $200,000, the tax has generated more than $3.4 million in the last six years.

One advantage the excise tax has over a linkage fee is that it does not require a nexus study and does not require funds collected to be allocated to a specified set of improvements. But because it is a tax and not a fee, it requires voter approval.

4.2.3.2 Dedicated Sales Tax

Some communities use a dedicated sales tax to fund affordable housing. In tourism-oriented markets, this can be an attractive funding option because a majority of the taxes are often paid by visitors. Aspen has a 0.45 percent tax that currently generates about $2.75 million per year in revenues. Such a tax can only be implemented in home rule cities or counties and requires voter approval. The obvious disadvantage to the sales tax, however, is that in metropolitan areas, communities compete heavily with each other for sales tax revenues. As such, any increase in sales tax is likely to face political opposition.

4.2.3.3 Occupational Privilege Tax

An occupational privilege tax ("head tax") is a tax calculated on a per-worker basis that can be assessed on the employer, employee or both. It has most often been used by larger cities for general fund revenues or for designated services. The City and County of Denver, for example, has a $9.75 per month head tax, $5.75 of which is paid by the employer and $4.00 by the employee. It revenues are split 50/50 to the general fund and the capital improvement fund. Aurora and Greenwood Village also have a head tax. Nationally, Kansas City, Chicago and Seattle (though it was recently repealed) also have head taxes.

EPS is not aware of any communities that have implemented a head tax dedicated to affordable housing; however, the City of Boulder recently contemplated the establishment of a head tax for affordable housing, but the effort was unsuccessful for a variety of reasons. The City of Fort Collins also investigated a head tax in the past, but encountered opposition from the Chamber of Commerce as it is seen by some as anti-business with the potential to affect economic development efforts.

It is however one of the more appropriate taxes because of its relationship to general wage levels and affordability issues. A disadvantage is that it is a flat tax and does not increase with inflation or appreciation as a sales or property tax does.

4.2.3.4 Lodging Tax

A dedicated lodging tax can also be used to fund affordable housing, however using lodging tax revenues for such purposes is less common. Lodging taxes in larger cities can be as high as 15 or 20 percent, but for the most part, a majority of revenues generated are dedicated to tourism, marketing, and promotions, as well as supportive facilities, such as convention centers. In Fort Collins, approximately 70 percent of the lodging tax is used to fund the Convention & Visitors Bureau and cultural events. Outside of this core funding purpose, while a nexus between tourism and the demand for service level jobs (i.e. affordable housing) can be made, it is difficult to build a case to use these funds for activities that do not directly benefit visitation.

For example, revenues from Snowmass Village's 2.4 percent lodging tax (in addition to its overall rate of 10.4 percent, which is restricted to the marketing and promotion of special events and the development of tourism, are used to fund housing programs. San Francisco, CA, and Columbus, OH, for example, also dedicate a portion of lodging tax revenues to affordable housing. Columbus has generated approximately $17 million per year in lodging tax revenues, 8.5 percent of which is dedicated to funding the Affordable Housing Trust, the Greater Columbus Arts Council, and Human Services.

4.2.3.5 Document Recording Fee

The City of Fort Collins does not have a document recording fee, however Larimer County does. A document recording fee is a fee applied to the sale of real estate at the time of closing. These fees are generally applied at the state and/or county level and vary greatly in rate. It is similar in nature to an excise tax in that it is calculated as a fee per value of construction. A number of cities have imposed an additional document recording fees specifically dedicated to affordable housing including St. Louis, MO, and Bucks County, PA. Recent efforts to impose additional doc fees at the state level in Colorado for affordable housing have encountered opposition from the Board of Realtors and the Home Builders Association.

4.2.3.6 Real Estate Transfer Tax

Real estate transfer taxes (RETTs) are taxes imposed by states, counties, and cities on the transfer of title within the jurisdiction. RETTS are often enacted as a general revenue source but can also be designated for specific purposes such as affordable housing. In most cases, it is an ad valorem (property) tax based on the value of the property transferred. A total of 37 states and the District of Columbia provide for this tax. The rates vary greatly from 0.01 percent to as high as 4.0 percent in Pittsburgh, PA.

Colorado has a modest 0.01 percent tax at the state level. A number of resort communities including Aspen, Snowmass Village, Vail, Breckenridge, Telluride, and Winter Park have adopted local RETTS ranging from 1.0 to 2.0 percent. Only Aspen, however, has designated its RETT revenues to affordable housing. Of importance is that an amendment to the state constitution has prohibited any additional local RETTs from being implemented, although existing programs are grandfathered.

On the other hand, a number of other Colorado communities have negotiated real estate transfer assessments (RETAs) with major developers. Different from a RETT, a RETA is a voluntary negotiated agreement between a municipality and a developer that becomes a deed restriction on the sale. The disadvantage of a RETA is that it only applies to a new housing development where the developer agrees to the restriction; it does not apply more uniformly to sales or re-sales community-wide. In Denver, for example, the Stapleton redevelopment project assesses a 0.25 percent RETA on the sale of housing in excess of $100,000.

4.2.3.7 Dedicated Property Tax

Similar to the dedicated sales tax, a number of communities have approved an additional property tax levy dedicated to affordable housing. Although Boulder has a small mill levy that generates funding for affordable housing, more successful examples are found in Cambridge, MA where significant funds via a property tax surcharge are generated (more on this example is provided in **Appendix C**). But perhaps the most successful case study is Seattle, which since 1981 has passed 5 voter-approval housing levies (more is also provided on this example in **Appendix C**).

In Colorado, a property tax increase would be subject to TABOR and require city-wide voter approval. Other than for school related initiatives, it is generally harder to implement a property tax increase than a sales tax increase. For this solution to work in the City of Fort Collins, a regional solution (i.e. involving Larimer County) would have to occur.

4.2.4 Housing Development Programs

There are a number of programmatic structures for building, operating, and managing affordable housing including housing authorities and community land trusts as summarized below.

4.2.4.1 Housing Authorities

Cities and counties in Colorado can establish a housing authority by resolution of the governing body, as established by C.R.S. § 29-4-201 and C.R.S. § 29-4-501.[29] Housing authorities can develop, own, and manage publicly owned affordable housing, and they can function as an entity of the city or county or as a separate governmental entity. The Fort Collins Housing Authority (FCHA), a quasi-governmental entity, which does not receive funding from the City, is an integral component of the community's efforts to address housing affordability issues. It manages more than 150 public housing units, as well as its Redtail Ponds development, Villages affordable housing development, and manages the Section 8 housing choice voucher program, and resident services program.

One of the major benefits of the housing authority model is its ability to receive a wide spectrum of funding to devote to community projects. Because housing authorities are interpreted in legal opinions as enterprises rather than local districts, as long as their annual grant revenue from state and local governments is less than ten percent of their total budget, according to information from the Department of Local Affairs, certain expenditures by these authorities are not counted against the local or county government limits imposed by TABOR.

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29 Creation of a City/Town Housing Authority (HA) is initiated when a petition, sponsored by twenty-five (25) residents of a community, is filed with the town/city clerk indicating the need for such an authority. After concluding at a community hearing that an HA is needed, a resolution is adopted and forwarded to the mayor's or county clerk's office. Upon filing a signed certificate by the newly appointed Housing Authority board with the Colorado Division of Local Government in the Department of Local Affairs, the municipal governing board can act as the board of directors of the authority, or appoint a board of housing commissioners. These officials and their successors are constituted as a housing authority, which is a body corporate and politic. Once established, an HA may employ a secretary who shall be an executive director.

4.2.4.2 Housing Trusts

Housing trust funds (HTFs) are state, county or municipal organizations that may collect and disburse funds for constructing and operating affordable housing. There are over 700 trust funds in the U.S. Local trusts typically collect and disburse funds from a city's other housing programs, such as dedicated sales taxes, excise taxes, and CIL from IHO programs.

4.2.4.3 Community Land Trusts

Another organizational model, the community land trust (CLT), is a non-profit that provides permanently affordable housing units by acquiring land and removing it from the speculative for-profit real estate market. CLTs hold the land they own "in trust" in perpetuity for the benefit of the community by ensuring that is will always remain affordable for homebuyers. CLTs were enabled under Section 213 of the Housing and Community Development Act of 1992. There are currently over 250 CLTs in the U.S. including the Colorado Community Land Trust in Denver (formerly the Lowry Community Land Trust) and the Thistle Community Land Trust in Boulder.

A CLT typically acquires land for affordable housing in its designated community. The land is transferred to a developer and ultimately a homeowner under a long term land lease. The CLT generally leases the land to a qualified homeowner at a reduced rate to subsidize the housing unit price. It retains the option to repurchase the housing unit upon sale and the resale price is set by formula to give the homeowner a fair return on its investment but also to maintain affordability for future homeowners.

- **Colorado Community Land Trust -** The Colorado Community Land Trust (CCLT) is a 501(c)(3) nonprofit organization founded in 2002 with the mission of creating, and preserving in perpetuity, affordable home ownership opportunities for moderate income individuals and families. Originally called the Lowry Community Land Trust, CCLT initially focused on the redevelopment of the former Lowry Air Force Base. In 2006, the service area was expanded to include the entire Denver metro area. In general, CCLT ensures long-term afford ability by maintaining and owning the land and by limiting the resale price of the home, allowing the seller to benefit from some appreciation (25 percent return of equity) while still keeping the resale price affordable. It has a total of 189 properties, including two projects at Lowry – e.g. Maple Park, a 68 home development built in 2004 and Falcon Point, a 72 unit townhouse development built in 2007. To date, none of the homeowners have lost their homes through foreclosure.

- **The Housing Trust -** The Housing Trust is an independent community development 501(c)3 non-profit corporation based in Santa Fe and serving the northern New Mexico counties. The Trust was formed in 1992 by the City of Santa Fe, Enterprise Community Partners, and existing housing non-profit groups to provide an umbrella housing organization that could directly assist potential homeowners and work to obtain land, project financing, and other resources needed to accelerate affordable housing efforts in Santa Fe. The Housing Trust has produced 500 units of housing in Santa Fe and provided hands-on training and individual counseling for nearly 5,000 potential homeowners. To date, none of the 1,200 homeowners assisted through the Trust have lost their homes through foreclosure.

4.2.5 University/City Partnerships

A number of colleges and universities have formalized their commitments to affordable housing through partnerships with the local municipality. Such partnerships are typically funded through an initial endowment from the university and/or funded through ongoing donations or local or state contributions as briefly summarized in the examples below:

- **University of Chicago**: The University of Chicago subsidizes housing for low-income residents in surrounding neighborhoods with projects in Woodlawn and Jackson Park Terrace. It owns and maintains 2,000 rental units on the south side of Chicago for student and faculty housing. Currently, it is estimated that 65 percent of the University's faculty and 3,000 staff members live in the neighborhoods surrounding campus.[30]
- **Duke University**: The Duke-Durham Neighborhood Partnership was founded in 1996 and has raised more than $12 million to invest in partner neighborhoods, including a $4 million investment in Self-Help, a community development lender to support development of affordable housing.[31]
- **University of Iowa**: The Neighborhood Partnership is an effort with the City of Iowa City focusing on neighborhoods near the University campus that have a single-family character but also have a large renter population. The program is dedicated to ensuring that the University of Iowa Campus and surrounding neighborhoods remain vital, safe, affordable, and attractive places to live and work for both renters and homeowners.[32]
- **Harvard University**: In 2000, Harvard University launched the Harvard University 20/20/2000 Initiative, under which the University committed $20 million of low-interest financing to support affordable housing in both Cambridge and Boston. This initiative has helped to fund about 17 percent of built and renovated affordable housing since the program's inception. It also administers a $6,000,000 revolving loan fund.[33]

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30 Refer to this website for more information: http://www.uchicago.edu/community/development_housing/

31 Refer to this website for more information: http://community.duke.edu/

32 Refer to this website for more information: http://www.icgov.org/?id=1995

33 Refer to Appendix C for more information.

Figure 26
Revenue-Generating Tools

	Alternative Funding Options							
	Excise Tax	Dedicated Sales Tax	Occupational Privilege Tax (Head Tax)	Use Tax (on Construction Materials)	Dedicated Lodging Tax	Document Recording Fee	RETT / RETA	Dedicated Property Tax
What is it?	Residential and commercial development pay a fee per sqft of new floor area	Additional assessment on taxable goods	Tax assessed per worker per month	Additional assessment on construction materials	Additional assessment on lodging	Additional fee per document	Ad valorem tax (RETT) or voluntary assessment on sale of home (RETA)	Additional mill levy
What is a typical assessment?	\$0.50 to \$13.00 per sqft	0.25% to 0.50%	\$4 to \$10 per month per worker	0.35% to 3.00%	2% to 4%	\$3 per document	0.1% to 2.0%	0.17 to 0.80 mills
How is it administered?	Need collection system	Existing sales tax structure	Need collection system; need to educate businesses	Existing tax structure	Existing tax structure	If collected, existing system (typically County in CO)	State, county, or city	Existing structure
Who is affected?	• New development	• Residents • Businesses • Visitors	• Employers • Employees	• Developers • Contractors	• Visitors	• Legal • Business • Real estate	• Real estate	• Real estate
What are its advantages / disadvantages?	• Burden on new residential and commercial development • Generates revenue at pace of development • Voter approval required	• Could generate high revenues • Voter approval required	• Broadest distribution of burden • Would have to be employer-paid • Addresses both existing and new needs • Voter approval required	• Strong nexus to new residential development • Voter approval required	• Reasonable nexus exists • Lodging industry expects to use funds for tourism • Voter approval required	• Applies to broader types of documents • Weak nexus to housing	• Can be imposed voluntarily • Applies to new sales subject to developer agreement	• Could generate high revenues • Voter approval required
Who uses it?	Cambridge, MA San Francisco, CA Berkeley, CA Boulder, CO Parker, CO	Aspen/Pitkin County, CO St. Paul, MN Dayton, OH	Denver, CO Aurora, CO Greenwood Village, CO	St. Louis, MO San Miguel County, CO	San Francisco, CA Columbus, OH Snowmass Village, CO	Indianapolis, IN Jackson County, MO Bucks County, PA Philadelphia, PA	Aspen, CO; Snowmass Village, CO Vail, CO Breckenridge, CO Telluride, CO Winter Park, CO	Pitkin County, CO Boulder, CO Cambridge, MA Seattle, WA

Source: Economic & Planning Systems
H:\133074-Fort Collins Housing Study\Data\[133074-Housing Program Matrix.xlsx]Funding Options

4.3 Summary and Conclusions

Most communities with robust affordable housing programs rely on an IHO applied to residential development and/or commercial linkage applied to employment uses to generate affordable housing units to address the affordable housing impacts of new development. Many communities also use additional funding sources such as an excise tax, dedicated sales or property tax, head tax, doc fee, and/or RETA. Home rule cities in Colorado have the authority to impose all of these regulations, taxes or fees under home rule powers subject to City Council and/or voter approvals as noted above.

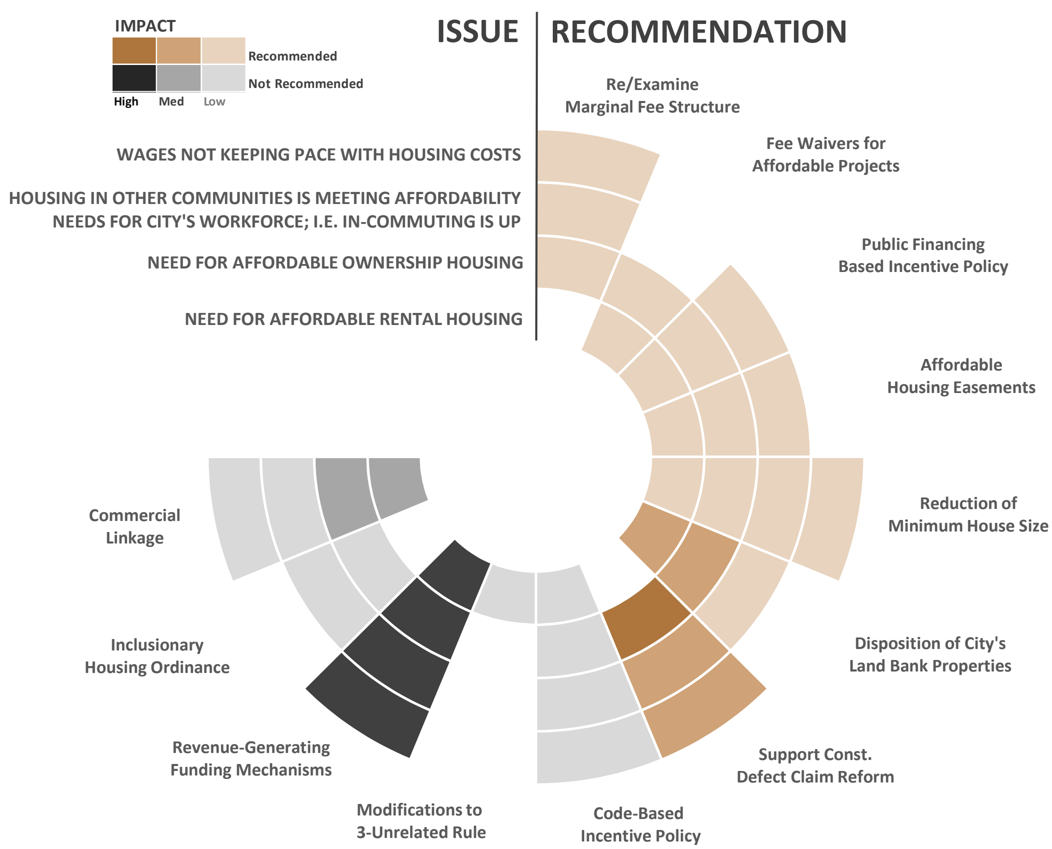
5.0 RECOMMENDATIONS

EPS' recommendations are based on analysis of economic, demographic, and housing market trends, and they incorporate ideas, input, and guidance from stakeholders, as well as the considerations of City staff and City Council. They represent policy solutions deemed presently feasible. Among the objectives in crafting these recommendations were that they be tailored to local and regional conditions, the regulatory and political environment, and that they balance the requirements of a policy tool with the positive impacts to addressing housing issues.

- Prioritize regenerative, or ongoing, rather than one-time fixes
- Emphasize tools with the greatest potential impact
- Ensure that any recommended code changes are compatible with existing code
- Pinpoint recommended programs to address the issue where the greatest burden exists
- Focus on solutions with broad stakeholder support

Among the policy tools recommended, the following exclude revenue-generating options, as they lack sufficient support to be implemented at this time. It should be noted, however, that the City should consider these options for the future, as they are powerful tools to remedying housing issues and they have the broadest and greatest impact on the issues (**Figure 27**).

Figure 27
Impact of Recommended/Not Recommended Policies

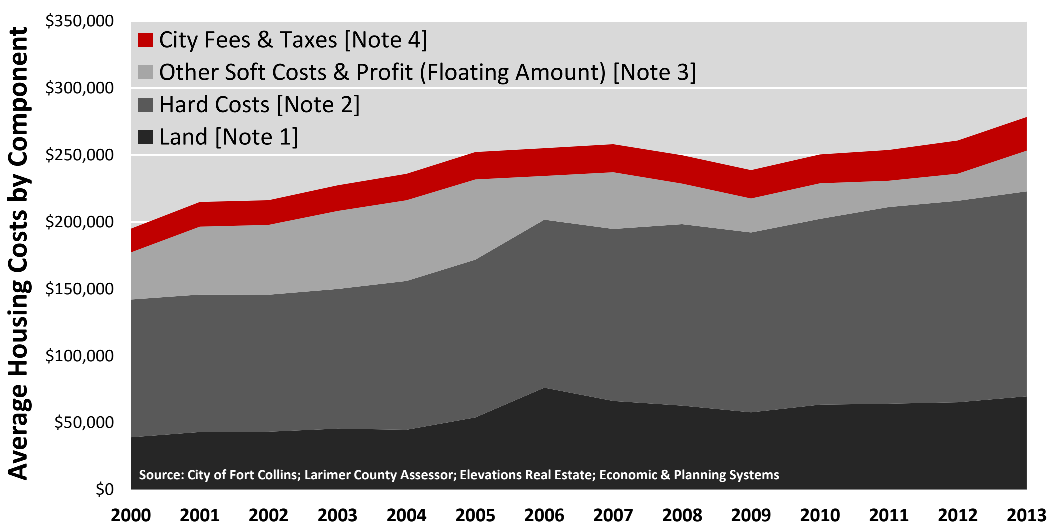


5.1 Cost Reduction Options

There are actions that the City can take to influence several aspects of overall ownership housing costs. While much of the discussion that follows concern the development of ownership housing, the recommendations have the potential to positively affect development costs of rental housing as well. A considerable effort was made to identify the extent to which these costs have changed over time, and discussions among stakeholders were lively and engaged on multiple levels of the implications of these findings.

EPS's analysis of affordability in this study incorporated not only an examination of affordability and housing price trends in Fort Collins and the surrounding communities, but also an examination of the components of the cost of housing in Fort Collins. **Figure 28** depicts a combination of multiple data sources to illustrate the trends in a few of the largest overall cost components of housing – land, hard cost, and soft costs, including architecture and engineering, contractors, a floating amount for developer fee and profit, as well as city and county fees and taxes.

Figure 28
Trends in Housing Cost Components, 2000-2013



[**Note 1**]: Land values are based on data compiled from the Larimer County Assessor's office. They represent the cost of a finished lot including infrastructure and water (as a portion of total housing sales prices). They accurately represent the portion (i.e. percentage) of land to housing sales price, but presented here, they have been calibrated down to fit the housing price data available. Actual lot sales prices, as with new unit sales prices are higher than depicted by these numbers.
[**Note 2**]: This includes the cost of materials and labor.
[**Note 3**]: This includes other soft costs, such as architeture and engineering, legal, and insurance. Developer profit is estimated as a floating amount, i.e. the difference between the other three components and the overall housing price data points.
[**Note 4**]: These fees and taxes were estimated with the assistance of City of Fort Collins staff, including Development Review Services, Engineering, and the Building Department.
[**Note 5**]: These totals represent the average of new and existing home sales throughout Fort Collins. They also represent detached (i.e. single-family) and attached (i.e. condominiums, townhomes, duplexes) housing and do not include rental.
[**Note 6**]: This component analysis and trends were created for the purposes of discussing various cost components using best available data. Given the limitations and availability of new sales data trends, overall trends were used. As a result, the depicted overall costs will be noticeably lower than actual "costs to build". That is, these trends do not depict precise costs to build in Fort Collins - they are a representation. Such actual costs to build would be higher.

1. Marginal City Fee Structures

The marginal fee structure of the City's fees discourage the construction of smaller, i.e. more affordable, units.

Background

The examination of overall costs show that fees and taxes increased by an estimated $7,500 between 2000 and 2013. During this time, updates to the structure of the permit and plan check fees were made, as were updates to specific calculation of utility capital expansion fees. As noted by multiple stakeholders, the structure of the city's fees and building code incentivizes the construction of larger units, because many are charged on a per-unit basis rather than a per square-foot basis.

Recommendation

EPS recommends that the City re-examine its fee structures, particularly its permit, plan check, and capital expansion fees, to ensure equitability and appropriateness,34 particularly related to the disproportionate impact of fees on constructing smaller units. It would be the objective of such an effort to incentivize developers to construct smaller, potentially more affordable homes.

Impact

Permit and plan check fees are approximately 1 percent of the total cost of a housing unit, and capital expansion fees are approximately 6 percent of the cost of a housing unit. If permit and plan check fees were reduced even by 50 percent, it would reduce the overall cost of new housing by 0.5 percent. Likewise, a 10 percent reduction in capital expansion fees would result in a reduction of 0.5 percent in the cost of new housing.

2. Fee Waivers for Affordable Housing

As shown in **Figure 28**, City fees and taxes account for an estimated 9 percent of the cost of building a home. Fee waivers for affordable housing can be an incentive to the development of housing. The City has had an affordable housing incentives policy with regard to the development of units by the Fort Collins Housing Authority since 1988, and the policy has been modified several times since then to expand the scope of fees for which a project could receive a waiver. Most recently, however, the ordinance was revisited and modified to apply only to projects that provided housing for households earning less than 30 percent AMI and subject to City Council approval. One of the issues (according to Agenda Item Summary 13 dated March 5, 2013) was a concern over the City's ability to back fill these fee waivers with General Fund dollars.

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[34] EPS recognizes that the permit and plan check fees were recently updated as of January 1, 2012 based on a cost-recovery analysis, and as summarized by the Agenda Item Summary, dated September 6, 2011. As such, the permit and plan check fees were updated simultaneously to achieve a higher cost-recovery position than were previously being achieved. It is also recognized that the City is in the process of updating its capital expansion fees, changes which have not affected the analysis of cost components in this study, however. Furthermore, EPS recognizes that the recommendation to re-examine the per square-foot basis of the capital expansion fees would require a legal nexus study to justify either differential fees based on the size of the unit, or a different analysis to establish the connection between capital facilities impacts and the size of a unit in terms of square feet.

Recommendation

While the City should not over-commit General Fund resources, EPS recommends the City (in combination with the evaluation of alternative funding sources) re-examine its ability to fund fee waivers for affordable housing projects. And as it currently applies only to projects of the FCHA that provide units below 30 percent AMI, EPS also recommends that the City reevaluate its definition of applicable affordable housing to include a wider spectrum of AMI levels more commensurate with other affordable housing products (i.e. workforce housing) and to consider eligibility criteria for other providers, such as for-profit and non-profit developers.

Impact

Recognizing that funding for fee waivers must be back-filled from other sources, like the General Fund, and given that the City has already experienced administrative and political challenges approving fee waivers, it is estimated that such a strategy would have an impact on reducing the cost to develop affordable housing to a developer by approximately 4 percent. City fees such as permit, plan check, and capital expansion fees (excluding utility capital expansion fees) account for approximately 4 percent of the cost of new housing as noted in this report, depending on size and value.

5.2 Regulatory Changes

3. Incentive Policy

Although housing affordability conditions in the City have not reached the point where a weighty regulatory tool like an IHO or linkage fee is warranted, there exists, however, a degree of need that could be addressed through a milder policy applied to more limited situations. There are two general concepts that frame this issue: incentive zoning ordinances and development agreements common in annexations or major re/developments receiving public financing. Incentive zoning ordinances (e.g. Cambridge and Seattle) provide guidance for a scaled incentive policy solution. The provisions of incentive zoning ordinances are typically triggered by requests for modification to code that have significant economic value, such as height or density bonuses, parking requirement reductions, setback modifications, FAR modifications, or use variances. In these situations, developments that perceive a market or economic value in greater height or density, for example, are granted the additional floor area in return for the construction of affordable housing or a predetermined (per-square foot) monetary contribution to an affordable housing fund. These ordinances are also often applied to any development or redevelopment (residential, non-residential, or mixed use) that requests such a modification.

The annexation agreement or major development agreement between a developer and the City illustrates the second important guiding concept for a modified incentives policy. The most relevant feature of these agreements is that of negotiated terms on a case-by-case basis. In these instances, a municipality typically agrees to provide a certain level of public assistance or incentives in return for the assurance of a public good, such as infrastructure, open space, or another public amenity.

Recommendation

EPS recommends that the City consider a limited version of the incentives ordinance policy that is negotiated on a case by case basis. The policy's provisions would be triggered by the use of public financing, e.g. tax increment finance, etc., (not fee waivers for affordable housing), rather than a mere variance to code as in the Cambridge or Seattle examples. At the center of this recommendation is the notion of a quid pro quo. That is, if a development receives incentives from the City, it should provide a public good in return.[35] As such, the City would need to modify its criteria for projects receiving tax increment finance, sharebacks, or another type of public financing to include affordable housing provisions.

To the extent the City is interested in pursuing this recommendation, it will need to make political determinations of the extent to which affordable or workforce housing would be provided in a development and/or the amount of a fee in-lieu of housing in the case of a development not intending to build units. As for the number of units (or percent of units set aside at a particular AMI level, for example), the City would need to identify the percent of units to be provided and at what affordability level (e.g. 10 percent of housing between 60 and 80 percent AMI). As for a payment of a fee in-lieu of building units, the City may use the cost to construct units or a percent of the affordable sales price of the unit as in the examples from inclusionary housing ordinances from around the state and country.

In the case of commercial developments receiving public finance assistance, the City could choose to link the requirement of providing affordable housing to a percent of the employees generated by the development, as in the case of a commercial linkage program model. In this case, especially, a nexus study[36] would likely be required (subject to determinations made by the City's legal staff) that provides a legal and quantitative basis between the generation of employees and the provision of housing.

Impact

The scale of the impact would also depend on the scale of development to which this policy would apply and the number of developments of this scale in the future.

4. Affordable Housing Easement/ Agreement

Manufactured housing represents an important part of the City's existing affordable housing inventory. The loss of existing units would be detrimental to the overall affordable housing inventory. As described previously, the easement or agreement could both be used to encourage preservation of existing affordable housing whereby the owner pledges to keep housing affordable at certain levels for a certain number of years and where the city offers the property owner something in return. Typically, tax/fee/assessment rebates are generally offered to the property owner.

35 In practice, developments that receive a negotiated amount of public financing are likely to negotiate for a higher public financing amount to compensate for the additional requirement. But since the source of public financing is typically related to a share-back of sales tax revenues, this incentive policy structure would essentially ensure that a portion of the benefit is returned to the City in the form of affordable housing infrastructure.

36 A nexus study provides a quantitative basis for the establishment of an affordable housing requirement, such as a housing fee, that links the magnitude of the per square-foot fee to the estimated housing demand generated by each increment of land use in a development. These studies provide the legal basis for the establishment of a housing fee and a quantitative relationship between the fee and the scale of the development in the event.

Recommendation

EPS recommends the City pursue a policy that provides for an easement or an agreement that is recorded in property records, which effectively bind future owners of certain manufactured home parks to preserve existing uses. This recommendation could potentially also be more broadly applied as a tool to preserve other types of affordable housing. EPS also acknowledges that there may be other market-based solutions, policies, or strategic direction that the City can explore with regard to this housing need.

Impact

The cost of such a policy option is anticipated to be associated with the administrative process it would take to write such code language and/or guidelines, the time in the planning process to approve such changes to the zoning code, as well as the cost of the easement itself. In addition to being possibly a political determination, the value of an easement could be more appropriately estimated by conducting a net present value assessment, such that the net present value of foregone future rent or sales revenues were estimated.

There is possible additional benefit to the city in moving forward with this option, especially in that existing quality manufactured housing would be preserved as an integral part of the affordable housing inventory. To the extent that other developments would move forward under such zoning, there could be additional benefits.

5. Reduction of Minimum Home Size

The City's building code currently does not allow single-family homes to be built smaller than 800 square feet. Where land values have appreciated to the point that building housing under an existing regulatory structure has become costly, the ability to develop housing options on either smaller lot sizes or construct smaller units is a regulatory option worth pursuing. In some communities, the option of micro-housing (units generally smaller than 800 square feet) has gained increasing attention as one solution among others to address increasing housing costs.

Recommendation

EPS recommends that the City reevaluate its basis for the minimum ownership dwelling unit size and adjust it downward to allow greater flexibility to the development industry in providing smaller and more affordable housing units.

Impact

This policy is not anticipated to have a significant cost impact on the City. Its impact on addressing affordable housing needs, however, would be subject to the strength of the market for these smaller products.

6. Land Bank Properties

Through the creation of a Land Bank in 2001, the City acquired five properties between 2002 and 2006 with a total assessed value of $3.2 million (in 2009 dollars), according to a 2010 status update. It was the City's intent to hold these properties until such time that development in their vicinity began to encroach and surround them. As more than a decade has passed since the acquisition of the first site, development now surrounds several of the sites. As such, the time is appropriate for the City to consider using one or more of these sites for its intended purpose(s) including affordable housing.

Among several 501(c)3 organizational structures, the Public Housing Authority (PHA) and Land Trust models are perhaps the strongest and most relevant to this situation. Since Fort Collins already has an effective PHA, the land trust model is a compelling option because of its flexible organizational model structure, but there a few questions the City must address before moving forward with one or the other disposition options.

Recommendation

Overall, EPS recommends that the City, having fulfilled the land bank's intent, use one or more of its properties for affordable housing either through an RFP for a site's development; or by placing the properties in a community land trust. It should be noted that both options allow for the participation of various non-profit housing partners (specifically the Fort Collins Housing Authority and Catholic Charities) who have expressed interest in developing one or more of the sites.

RFP Options – Under this option, the City would continue its land bank program. EPS envisions that the City would issue an RFP, to which any combination of non-profit and/or for-profit developers may respond. Because the land would be used as leverage, the RFP could stipulate the desired timing of development, desired land uses, scale of affordable housing use, and a number of other development requirements such as level of affordability, minimum duration of affordability, and statement of appraised value. Under this option, some key considerations are:

- Sale of a site would generate immediate revenue for acquiring other properties for the current land bank program
- Relinquishes direct/long-term control of land to another entity

Land Trust Option – Under this option, the City would place some or all of its land bank assets with a community land trust, similar to the Colorado Community Land Trust. This option would not generate funding itself, but would be as a pass-through vehicle for federal, state, and/or local funding. Because a land trust's mission as a 501(c)3 can be written broadly to grant it powers to acquire, develop, own, lease, and manage property, and because it can apply for similar funding as a housing authority (e.g. CDBG, HOME), its functions could closely resemble the FCHA's. Under this option, some key considerations are:

- Gives the City greatest direct control over the long-term affordability of its properties
- Generate ongoing revenues through land rents to support the trust's administrative operations
- Could be costlier than selling to the FCHA, for example; as such, ensuring low operational costs means clarifying with the Larimer County assessor whether such an entity would have tax-exempt status

One question that distinguishes these options from each other is whether the City would prefer to have long-term (i.e. direct) control over the land bank properties. On the one hand, direct control over the land may come at a greater cost administratively through the creation of a land trust. But selling (or leasing, i.e. partnering) with one or more properties to the FCHA or similar entity means that the partner organization's structure could absorb administrative costs.

Impact

If half of the 50 acres of land bank properties were developed, it would generate 300 workforce units at a townhouse density of 12 units per acre or 625 rental units at a density of 25 units per acre. Under either disposition option, the cost of land would not be passed through to the homebuyer, and given that land accounts for an average of 25 percent of the final sales price of a home, this option would make a significant impact on the identified need for affordable ownership or rental housing.

5.3 Legislative Option

7. Construction Defect Remedies

The threat of construction defects claims lawsuits negatively affects the market for for-sale multifamily housing construction. Solving issues stemming from the threat of construction defects claims falls outside of the local policy arena and into the realm of a state-level concern, but the issue is significant.

Recommendation

EPS encourages the City of Fort Collins to engage its elected officials and state representatives in the pursuit of a remedy to the issues surrounding construction defects claims in particular during the next legislative session.

5.4 Other Considerations

It is also worth reiterating a couple of the more pertinent recommendations from the *Affordable Housing Redevelopment Displacement Mitigation Strategy*, dated March 26, 2013. In that report, while focused primarily on the mitigation of issues related to manufactured housing districts, the two issues related to housing affordability, and specifically the preservation of it, are: 1) draft a manufactured home park zoning district; and 2) ensure that the notification process is begun in a timely manner (i.e. possibly sooner), that it becomes easier for existing parks to be redeveloped or relocated, rather than eliminated.

5.5 Not Recommended

The following affordable housing policy options are not recommended at this time. They are, however, described in detail as to why they are not appropriate for consideration at this time, and/or whether they would be appropriate for consideration at another time.

5.5.1 Incentive Policy in Land Use Code

One of the most commonly used tools used to encourage market driven production of affordable housing is a zoning-based incentive. That is, builders who commit to deed restricting X percent of their units at Y percent AMI for at least Z years receive a zoning benefit that allows them to build more units, or more efficiently build them, or to get approvals faster than those builders who do not make similar commitments.

While a variety of zoning incentives can be offered, the most common ones are (a) additional building density, (b) additional building height, (c) additional lot coverage (less on-site open space), and (d) reduced on-site parking requirements. In theory, the additional revenue generated by being able to build more units on a given piece of property compensates the developer for the lower average per unit sales price they achieve when the sales prices for the affordable units are added in.

In practice, that means the incentives generally need to be substantial, not simply token amounts (10 percent density incentives are sometimes criticized as tokens that will not change a builder's pro forma enough to warrant incorporation of affordable units, while 25 to 30 percent incentives are sometimes considered large enough to achieve that result). While it is tempting to draft incentive provisions that are discretionary (i.e. requiring a showing or hearing before some body that awards the incentive), it is much more effective to make the incentives a part of code, so that builders know they will not need to go to the time, expense, and potential NIMBY (not-in-my-back-yard) battle, that a discretionary process involves.

Because the conventional incentives offered in this type of a land use control, i.e. the density bonus, additional building height, and reduced parking requirements, would not carry substantial economic value for the City's developers, as noted on numerous occasions during the stakeholder involvement process, EPS does not believe that this option would have a strong enough impact to warrant consideration.

5.5.2 Modifications to 3-Unrelated Rule

This highly controversial issue surfaced during discussions of rental housing needs where it was noted as a possible solution to solving or relieving some of the pressure on the existing rental inventory. The issue also surfaced during discussions of the housing needs of distressed populations, such as the elderly, but with regard to ownership housing, not rental housing.

According to City Neighborhood Services staff, areas throughout the City allow Extra Occupancy Rental Houses (EORH)[37], but through an exemption process.[38] In 2010, City Council decided against expanding the allowance of EORHs into two additional zones, which at the time were designated Neighborhood Conservation Medium Density.[39]

Research presented in this report shows that occupancy limit ordinances vary widely from community to community,[40] and while not providing clear direction for the City, there are a few regional examples of cities (Boulder and Denver) where occupancy limits are increased in high-density or multifamily unit zones only.

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37 A copy of this map can be found at: http://www.fcgov.com/neighborhoodservices/pdf/occupancy-zone-map.pdf

38 Currently, the owner of a property who intends to lease the property to more than three unrelated persons within a designated zone in the City needs to file an Occupancy Disclosure Form with the City.

39 According to Neighborhood Services, City staff initially supported the allowance of EORHs in these proposed NCM zones, but after the findings of public outreach revealed that 72 percent of the respondents to a mail survey indicated their disapproval of such a prospect, City staff recommended in memo to the City Manager dated September 9, 2010, that the designation of EORH in the NCM zone not be pursued.

40 A survey of communities throughout the U.S. shows that there seems to be no correlation between the size of a city and whether it allows three or four (or more) unrelated persons per rental unit. A list was compiled on the website www.collegetownlife.com, but is no longer an active website. PDFs of the survey data still exist, which were summarized in the research in this report.

Recognizing that dialogue surrounding this issue is polarized, and that there is strong opposition to this option, were the City ever to pursue a modification to this occupancy limit in the future, EPS believes it should be done on a city-wide basis, rather than on the basis of zones throughout the City. On the other hand, the City may wish to evaluate streamlining its EORH exemption process, or expanding it to include exceptions for owner-occupied housing, options which do not seem to face as strong political opposition as relaxing the 3-unrelated rule.

Another related solution, which also seems to have more support, could be the establishment of a landlord licensing and training program, similar to those practiced in other university towns with occupancy restrictions. Such a program provides neighborhoods and residents with assurance that landlords, and ultimately the tenants, are aware of relevant city regulations, e.g. nuisance ordinances.[41]

On the issue of relaxing the 3-unrelated rule, it is difficult to quantify what the impacts that such a policy change could have on overall housing affordability and/or vacancy levels in the rental housing supply. Some have suggested that landlords might take advantage of a situation where the maximum occupancy is increased to 4-unrelated persons but not lower rents, thus effecting no change on overall rental housing cost burdens, in which case, the impacts while opening up inventory (i.e. bed capacity particularly as it relates to student housing demands), would not positively affect housing affordability issues. On the issue of reviewing and streamlining the exemption process by which landlords may obtain exemptions from the 3-unrelated rule, it is presumed that such an option could have some positive impacts associated with the supply of rental housing.

5.6 Alternative Funding Options

EPS recognizes that the current political and economic market present challenges that would make advancing a campaign to establish an alternative and dedicated funding source for housing issues stand little chance at passage. Nevertheless, they are described here in detail and estimates of their impact are given, because, were the City to pursue such options, they would have the largest impact of all options considered. These options are also removed from the listed recommendations because it is acknowledged that the City is currently preparing for a capital improvements campaign to renew a 0.25 percent sales tax for capital facilities. As such, any additional taxes would dilute the current efforts and likely challenge both efforts.

As such, the following are three taxes used by other communities to address housing goals, such as the acquisition of land for affordable housing development, subsidies to leverage private-sector development, the rehabilitation of existing units, or other needs. While some of these funding sources are used by communities on a permanent basis, others institute them on a time-limited basis, which would be more appropriate to the Fort Collins market, i.e. funding discrete projects and goals over a short period of time, such as three to five years.

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41 It is important to note that CSU and the City are actively engaged in ongoing efforts to mitigate nuisance issues arising from college students renting units within residential neighborhoods. Party Registration is an effort between CSU and the City to provide students hosting parties with an opportunity to receive a warning, providing a 20-minute window to voluntarily terminate a party after a noise complaint is received.

5.6.1 Excise Tax

The excise tax is a tax on construction materials for all new development. Boulder's excise tax, for example is $160 per 1,000 square feet of residential development and $340 per 1,000 square feet of commercial development. The excise tax is a preferable option by comparison to a linkage fee, because it does not require a complicated nexus study to establish its basis, and it does not require that funds collected be allocated to a specified set of improvements. It does, however, require voter approval. As one possible option to explore in the future, EPS recommends a modest form of this tax because it would more broadly distribute the burden of providing an alternative funding source for affordable housing. It is difficult to estimate the impact that this tax would have, because it is highly related to activity in the construction market.

5.6.2 Dedicated Sales Tax

The most broadly-based funding source is the sales tax. A number of communities have imposed a dedicated sales tax collected to fund affordable housing construction and programs, but many communities adopt this mechanism in a time-limited format. In 2013, Fort Collins collected more than $92 million in sales tax revenue based on an estimated $2.5 billion in total taxable sales. As an example of how much revenue could be raised under this alternative, at a similar level of taxable sales as 2013, a dedicated sales tax of ¼ cent in the City could generate approximately $6 million in funds for affordable housing goals.[42] Given that there is strong resistance to any additional tax, EPS would recommend that the City consider pursuing this option as a long-term strategy, and that it be considered on a time-limited basis.

While a more comprehensive impact assessment of an increased sales tax rate might be required, EPS estimates that the basic impact on households earning 100 percent of AMI ($53,400), who currently spend approximately 34 percent of their total annual income on retail goods and services (an estimated $18,100), would be minimal. Based on information from the U.S. Census of Retail Trade, an additional ¼ cent sales tax would add approximately $45 in additional taxes on $18,100 of retail goods and services expenditure per year ($18,100 x 0.0025).

5.6.3 Dedicated Property Tax

A third, and potentially the most equitable, taxing option that the City could explore in the future is a dedicated and time-limited property tax mill. As of 2013, there was approximately $4.2 billion in total property valuation in Larimer County. To generate a similar $6 million in one year, a property tax mill of 1.400 could be adopted. Alternatively, to generate this amount over three years would require the adoption of a 0.47 mill property tax.

As with the pursuit of a dedicated and time-limited sales tax, EPS would recommend that the City pursue a time-limited property tax dedicated to housing as a component of a longer-term funding strategy. Because this option would also face community opposition, particularly from the business community, EPS recommends that a very small mill levy of 1 mill or less, as used in the example, be pursued because the burden of a property tax mill falls more heavily on non-

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42 EPS has used the smallest common increment of a sales tax (¼ cent) to estimate the potential revenues from a time-limited dedicated sales tax. The $6 million figure is not necessarily representative of a determined amount according to an estimation of need, but a benchmark for comparison against what amount of mill levy would be necessary to assess to generate the same amount in property tax revenues.

residential assessed valuation than residential assessed valuation, based on the stipulations of the Gallagher Amendment. As stated previously, for this solution to be successful, it would also have to be evaluated on a regional level, i.e. where Larimer County is involved.

Again, while a more comprehensive impact assessment of an increased property tax rate might be required, EPS estimates that the impact on a household with a home of median-value ($241,600 as of 2013) would see their annual property tax liability increase by approximately $27. Based on the statewide assessment of 7.96 percent, 1.400 mills on an assessed value of approximately $19,200 would be approximately $27 per year.

5.6.4 Inclusionary Housing Ordinance

An Inclusionary Housing Ordinance (IHO), as it applies to either ownership or rental housing, is also not recommended for the following reasons:

- An IHO directed at Fort Collins' greatest housing need, i.e. rental housing, would face legal and logistical challenges;[43]
- IHOs are effective where the supply of housing product affordable to low AMI levels is scarce;
- IHOs are effective in markets saturated by high-end home sales, such as resort markets;
- IHOs are inefficient tools when the price range of deed-restricted units is partially or completely overlapped by the presence of existing or new home sales prices elsewhere in the competitive market area, which in the case of Fort Collins, extends to the surrounding towns, as shown in **Figure 29** and **Figure 30**.[44]

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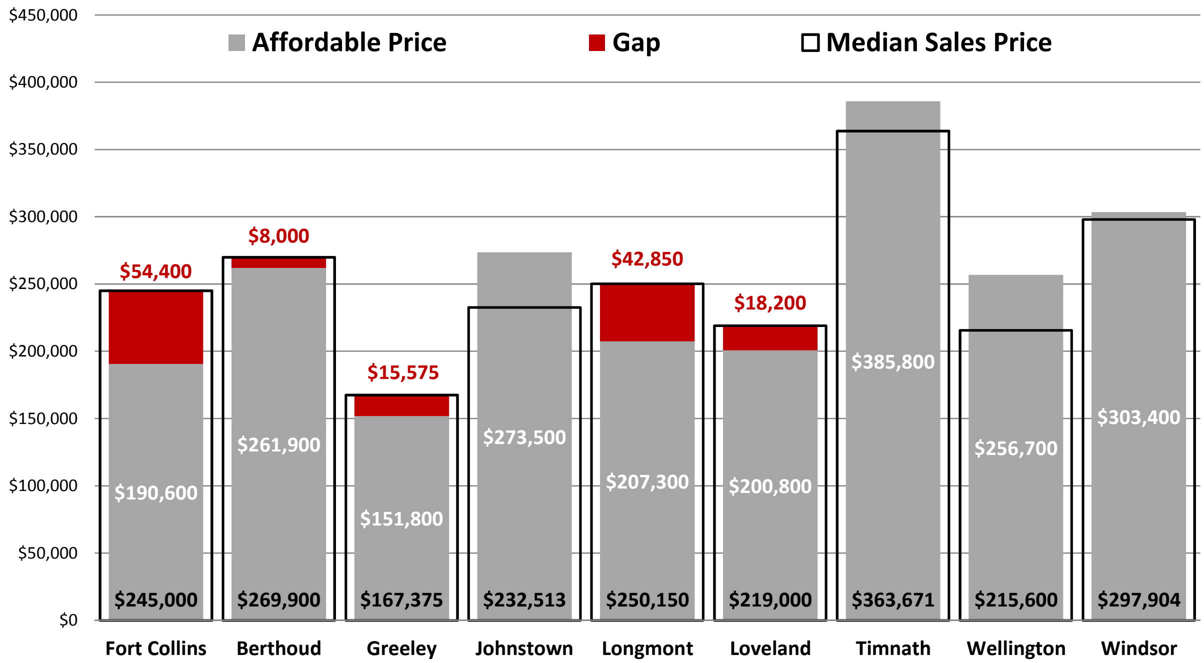
43 The City of Boulder is the only urban municipality in Colorado to have an IHO for rental housing development. Because of the limitations on rent control identified by the case *Lot 34 Ventures v. Telluride* more than a decade ago, a municipality may not legally require a developer to provide rental units at a prescribed rent level. Only through a legal and administrative process that has to date not been legally challenged, and through the provisions of HB 1017, which clarified that municipalities may enter into a voluntary agreement regarding rents on private properties, the City of Boulder maintains its requirement that projects of more than 4 units must provide 10 percent affordable rental units. The City Attorney's office also stipulates other requirements which must be met by a developer of affordable rental product, such as that the affordable rental inventory must be owned and operated by a housing authority or similar entity. In EPS's work with the City of Boulder on this issue, it became apparent that, although developers were attempting to provide for the units on site, logistical, legal, and even lending issues arose such that made meeting all the requirements extremely difficult.

44 **Figure 2** illustrates the similarity of median housing sales prices in surrounding communities. While the main intent of this graphic is to illustrates that there are affordability gaps in several of the surrounding communities with respect to median household incomes, it also illustrates that because there are communities with more affordable housing, an IHO creating deed-restricted units in the market would: a) further encourage household choices to buy homes elsewhere in the trade area, and b) not be effective for reasons stated in the following discussion of price bands.

Figure 29
Affordability Gaps in Fort Collins and Surrounding Communities, 2013



Source: U.S. Census; Economic & Planning Systems

Figure 30 depicts 99 percent of existing and new home sales in Fort Collins during 2013[45]. Illustrated in this graphic are more than 3,500 home sales, approximately 22 percent (more than 770) of which fell below $190,600, or affordable to households earning 100 percent of the Area Median Income ($53,400). Also shown are the typical price ranges for units that would be sold as deed-restricted (i.e. income-restricted) under a regulatory structure such as an inclusionary housing ordinance.

The blue shaded area demarks the range of housing affordability typically targeted by an IHO for affordable housing – 80 percent to 100 percent AMI, or housing priced between $152,000 and $190,000. One of the issues this would create in Fort Collins would be that deed-restricted housing created by an IHO would compete directly with market-rate housing. Faced with the choice between free market and deed-restricted housing, a household inevitably chooses a free-market unit to benefit from the possibility of unrestricted housing value appreciation, whereas deed-restricted units have value appreciation limits.

Another issue is that the cost to build a home, specifically lot values, in Fort Collins is too high. That is, without subsidy, housing cannot be built for less than $200,000. As a result, the gap between the cost to construct units and what they are required to sell for is often passed on to the market rate units built in the remainder of the project. This issue, however, would not be unique to Fort Collins.

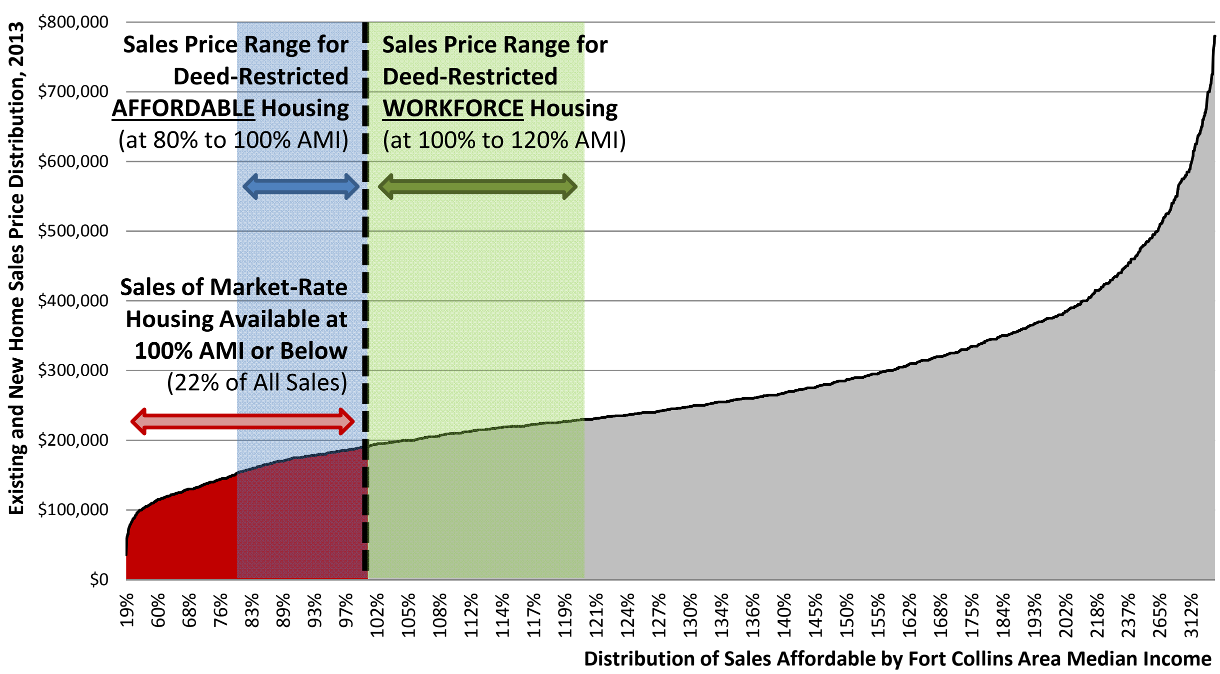
45 Sales of housing above $800,000 are excluded for simplicity of this illustration.

As a point of reference, Denver's IHO is tailored to require residential developments to provide units at 80 percent or 95 percent of AMI, depending on type of construction. In Denver, not only is there a considerably greater gap in the availability of housing affordable to these household income categories, but the ordinance has faced considerable opposition from the development and building community since its inception more than 10 years ago.

The alternative to an IHO targeted toward 80 percent to 100 percent AMI would be an IHO tailored to address 60 percent AMI. At this range, there is less competitive market inventory (approximately 7 percent of existing home sales were affordable between 60 percent and 80 percent AMI). At this level, however, the gap between the cost of construction and the target sales price is exacerbated, decreasing its practical effectiveness.

The green shaded area indicates a common range of housing affordability typically targeted by an IHO tailored to address workforce housing needs – 100 percent to 120 percent AMI, or housing priced between $190,000 and $229,000. In Fort Collins, 20 percent of sales in 2013 fell between these AMI levels. Some communities, e.g. Davis, CA, have adopted IHOs that address their workforce housing needs. Again, this tool is most effective in markets where housing product in this range either is not being built or exists in scarce quantities in the supply.

Figure 30
Spectrum of Existing and New Sales (2013) Against Deed-Restricted Housing



Commercial Linkage

Commercial linkage fees are a form of impact fee assessed on new commercial developments or major employers based on mitigating the need for workforce housing generated by the new or expanding commercial business or development providing commercial space for new business. Because they are basically an impact fee, linkage fees require a nexus study to establish the basis for the fee.[46] EPS does not recommend a community-wide commercial linkage program at this time for the following reasons:

- Commercial linkage programs are more appropriate in markets without as much competition for sales tax revenues;
- Linkage programs generally face opposition from the commercial development industry, because most of the burden is placed on non-residential development;
- The Fort Collins market competes with surrounding municipalities for sales tax revenues, and the establishment of a linkage fee could potentially discourage development.

It should be noted that this recommendation not to pursue a community-wide commercial linkage program differs from EPS's recommendation to pursue an incentive policy ordinance that incorporates one of the mechanism of a nexus study that would be used as a part of the linkage program establishment. The major distinction is that EPS's recommendation for an incentive policy ordinance applies only to developments where public financing is involved and not all developments.

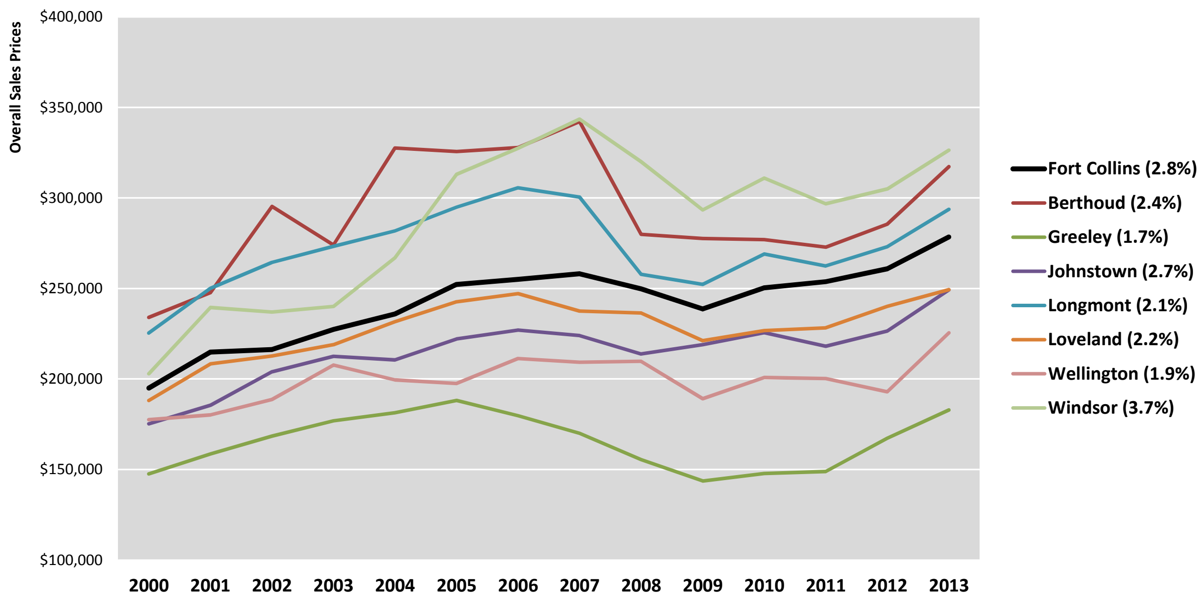
[46] This is the same type of nexus study as may be required to establish a basis for fees identified under the incentive policy ordinance option #3. The point of difference is that a full commercial linkage program would be assessed community-wide and not conditionally, as recommended.

Appendix A:
Supporting Tables

Supporting Tables and Charts

The following are tables and charts to supplement material in parts of the report with additional detail.

Figure A1
Overall Average Sales Price Trends, 2000-2013



Source: Elevation Real Estate; Economic & Planning Systems

Appendix B:
Impact of Minimum Wage Increase

MEMORANDUM

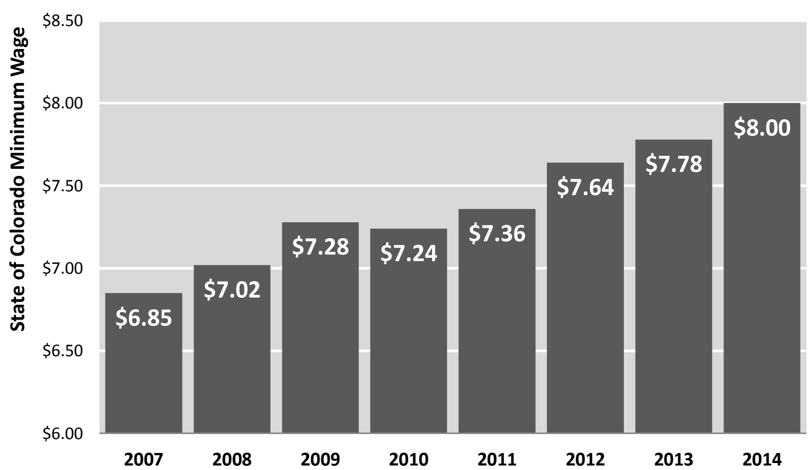
To:	Mary Atchison and Sue Beck-Ferkiss, Office of Social Sustainability
From:	Dan Guimond and David Schwartz, Economic & Planning Systems
Subject:	Impact of $10 Minimum Wage on Housing Gap Analysis
Date:	June 20, 2014

At the City Council Work Session on May 27, 2014, Councilman Overbeck requested EPS to evaluate the impact of raising the minimum wage to $10.00 on the analysis of housing gaps and needs. This memo summarizes EPS's analysis of the issues.

Minimum Wage Trends

Colorado's minimum wage has increased from $6.85 to $8.00 per hour over the past 7 years, as illustrated in **Figure B1**. Annually, the minimum wage has increased at 2.2 percent, or an average of $0.16 per hour each year.

Figure B1
Minimum Wage Trends



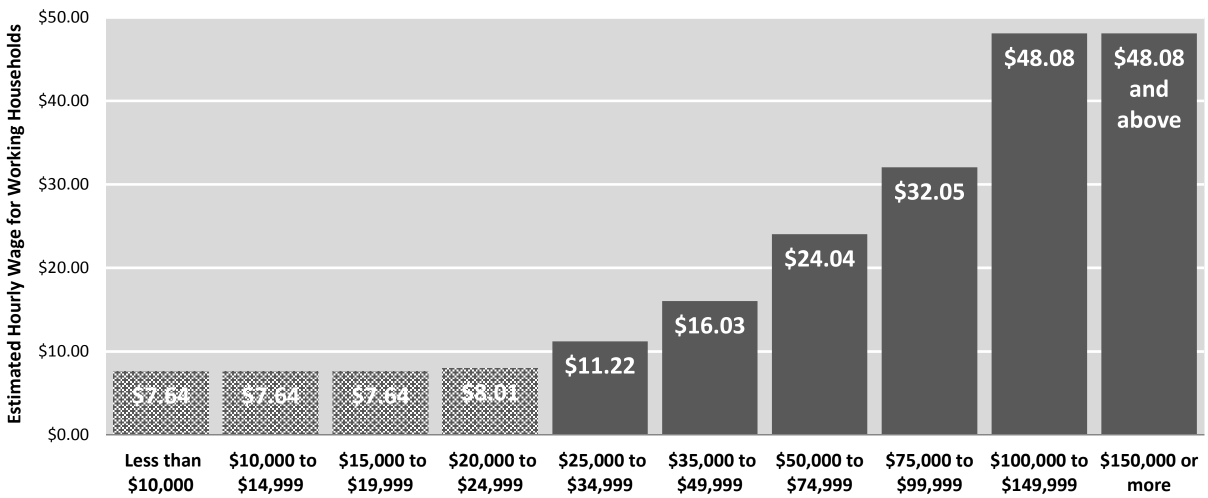
Source: Colorado Department of Labor & Employment; Economic & Planning Systems

Wage Levels

The first part of this analysis estimates the relationship between household incomes and hourly wage levels. The U.S. Census reports information on the number of households in household income categories from less than $10,000 to $150,000 or more. **Figure B2** shows the estimated hourly wage of households at those respective income levels based on the following assumptions.

- Multiple Jobs per Household: EPS assumes an average of 1.5 jobs per household. This means that the first step in estimating hourly wages is to divide the household income categories by 1.5 – e.g. a household income of $25,000 would imply that a single job-holder earns approximately $16,667 per year.
- Hours Worked per Year: EPS assumes that each job holder is paid at an hourly rate for 2,080 hours worked per year (52 weeks multiplied by 40 hours per week, including 2 weeks paid vacation). In the example from above, a job-holder earning $16,666 per year would be earning $8.01 per hour.
- Lower Income Levels: For households earning less than $25,000 per year, EPS assumes there is also an under-employment factor. We estimate that job holders are paid the state minimum wage and calculate the number of hours per household required to reach the total income in each range.

Figure B2
Estimated Hourly Wage by Household Income



[**Note 1**]: For all households, these calculations assume that there are 1.5 jobs per households, and that jobs are typically paid for 2,080 hours per year.
[**Note 2**]: This analysis also assumes that for working households with incomes below $25,000, jobs may be part-time but paid minimum wage.
[**Note 3**]: Minimum wage for the state of Colorado in 2012 was $7.64 per hour.
Source: Colorado Department of Labor & Employment; Economic & Planning Systems

Redistribution of Households by Income

Table B1 shows the methodology for re-estimating the income levels of households that would be affected by an increase to the minimum wage:

- Column 1: This is the maximum household income relevant to the respective income range.
- Column 2: Estimated annual income for single job-holders, based on a factor of 1.5 jobs per household. These estimates reflect the maximum income per category.
- Column 3: Estimated hours worked per year. On average, full-time workers are paid for 2,080 hours, representing pay for 50 weeks of 40 hours per week per year and 2 weeks paid vacation. (Below household incomes of $20,000, it is assumed that job-holders are under-employed, i.e. paid minimum wage at 2012 levels ($7.64) but paid for fewer than 2,080 hours per year.[47])
- Column 4: These are the estimate hourly rates per job-holder.
- Column 5: New $10.00 minimum wage is applied to the relevant household income categories.[48]
- Column 6: The new per-job minimum wage is factored up by the respective number of hours worked
- Column 7: The per-job wages are factored up by 1.5 jobs per household. The resulting numbers reflect the new distribution of household income levels.

Table B1
Estimation of New Household Incomes

	Existing Wages				New Wages		
	Annual (per HH)	Annual (per job) 1.5 jobs / HH	Hours (per Year) [Note 1 & 2]	per Hour	per Hour	Annual (per job)	Annual (per HH) 1.5 jobs / HH
	Column 1	*Column 2*	*Column 3*	*Column 4*	*Column 5*	*Column 6*	*Column 7*
Households by Income							
Less than $10,000 [2]	$9,999	$6,666	*873*	*$7.64*	$10.00	$8,725	$13,088
$10,000 to $14,999 [2]	$14,999	$9,999	*1,309*	*$7.64*	$10.00	$13,088	$19,632
$15,000 to $19,999 [2]	$19,999	$13,333	*1,745*	*$7.64*	$10.00	$17,451	$26,177
$20,000 to $24,999	$24,999	$16,666	2,080	$8.01	$10.00	$20,800	$31,200
$25,000 to $34,999	$34,999	$23,333	2,080	$11.22	---	---	---
$35,000 to $49,999	$49,999	$33,333	2,080	$16.03	---	---	---
$50,000 to $74,999	$74,999	$49,999	2,080	$24.04	---	---	---
$75,000 to $99,999	$99,999	$66,666	2,080	$32.05	---	---	---
$100,000 to $149,999	$149,999	$99,999	2,080	$48.08	---	---	---
$150,000 or more	$150,000	$100,000	2,080	$48.08	---	---	---

[**Note 1**]: This assumes each job holder is paid for 2,080 hours per year, including 2 w eeks of paid vacation.
[**Note 2**]: Below a household income of $20,000, it is assumed that job-holders are under-employed, i.e. earning minimum w age but not paid for 2,080 hours per year.

Source: Economic & Planning Systems

H:\133074-Fort Collins Housing Study\Data\[133074-Minimum Wage Impact Estimate.xlsx]Table 3a - Redist Summary

[47] While the minimum wage for tipped employees in 2012 was $4.62, data were not available to factor this into the analysis.
[48] For simplicity of analysis, EPS does not assume that the increase in minimum wage affects wage levels of higher income jobs.

Table B2 shows the methodology for redistributing the number of households according to their new respective income levels by the appropriate category. Each column is described.

- Column 1: Existing distribution of households by income (2012), according to the U.S. Census.
- Column 2: According to the U.S. Census, approximately 16 percent of all households are unemployed - e.g. in the laborforce and unemployed or out of the laborforce and retired. The estimates shown here are calibrated to approximate this 16 percent (or 9,388 households) figure for 2012.[49]
- Column 3: The difference between [Column 1] and [Column 2], this shows the number of employed households at and below the $25,000 per year level, for which a minimum wage increase will result in a redistribution.
- Column 4: As a result of the new household income calculations described in **Table 1**, some households are lifted to higher income categories. This column illustrates that income category reassignment. For example, there are 1,835 employed households (current) earning between $10,000 and $14,999 which are now estimated to earn between $13,088 and $19,632[50]; some of these 1,835 households remain in the same category and some are placed in the higher category.[51]
- Column 5: This is the distribution of other (current) employed households.
- Column 6: [Column 2] + [Column 4] + [Column 5] = the new distribution of households of households by income level.

Table B2
Redistribution of Households by Income

	Household Redistribution					
	Total HHs (2012)	**HHs not Working**	**Working HHs < $25K**	**Shifted HHs**	**Other HHs**	**New Distri-bution**
		(A) [Note 1]		(B)	(C)	(A)+(B)+(C)
	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Households by Income						
Less than $10,000 [2]	4,555	2,594	*1,961*	---	---	2,594
$10,000 to $14,999 [2]	3,222	1,835	*1,387*	*2,492*	---	4,326
$15,000 to $19,999 [2]	3,632	2,068	*1,564*	*945*	---	3,013
$20,000 to $24,999	3,938	2,242	*1,696*	*1,195*	---	3,437
$25,000 to $34,999	5,391	270	---	*1,977*	5,121	7,368
$35,000 to $49,999	7,599	380	---	---	7,219	7,599
$50,000 to $74,999	9,668	0	---	---	9,668	9,668
$75,000 to $99,999	7,369	0	---	---	7,369	7,369
$100,000 to $149,999	7,905	0	---	---	7,905	7,905
$150,000 or more	5,122	0	---	---	5,122	5,122
Total	**58,401**	**9,388**	**6,609**	**6,608**	**42,405**	**58,401**

[**Note 1**]: According to the U.S. Census, there were 9,388 households in Fort Collins without employment.
Source: Economic & Planning Systems
H:\133074-Fort Collins Housing Study\Data\[133074-Minimum Wage Impact Estimate.xlsx]Table 3b - Redist Summary

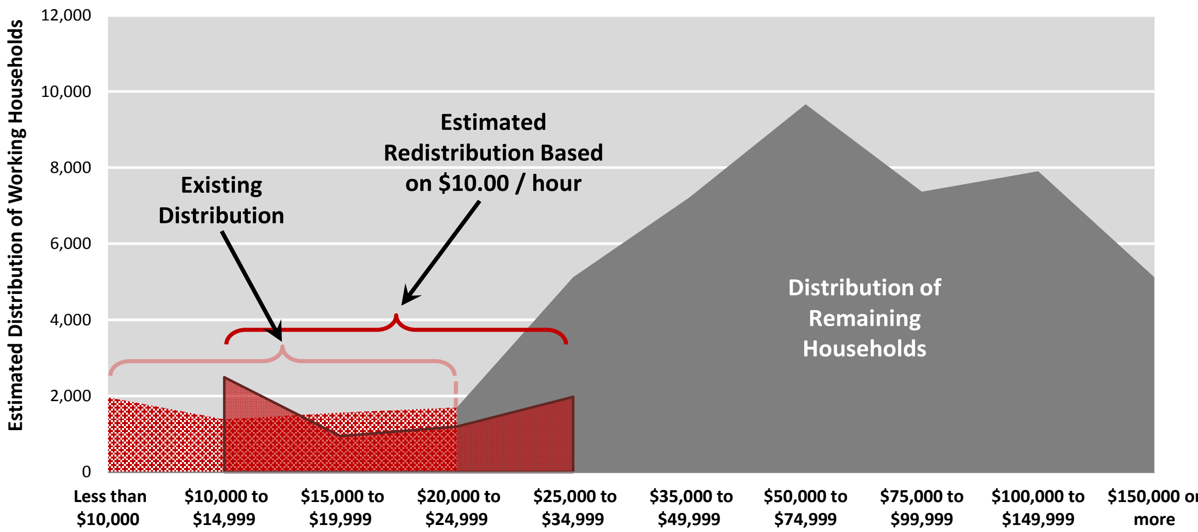
49 This analysis assumes that a majority of unemployed households fall in lower income categories. As such, EPS estimates that 90 percent of unemployed households fall at or below $25,000 per year, and 10 percent falling above this level. EPS has made the following assumptions in estimating this apportionment by income: 1) total unemployed households equals 9,388 (U.S. Census, 2012); 2) 5 percent of households between $25,000 and $34,999 are unemployed; 3) 5 percent of households between $35,000 and $49,999 are unemployed; and 4) 57 percent of households at or below $25,000 are unemployed.

50 Shown in **Table 1**.

51 Column 4 does not equal Column 3 due to rounding.

Figure B3 illustrates the shift in households in various income categories below $25,000 per year to higher income categories. This illustration depicts only employed households, and illustrates the magnitude of shifts that occur from various income levels.

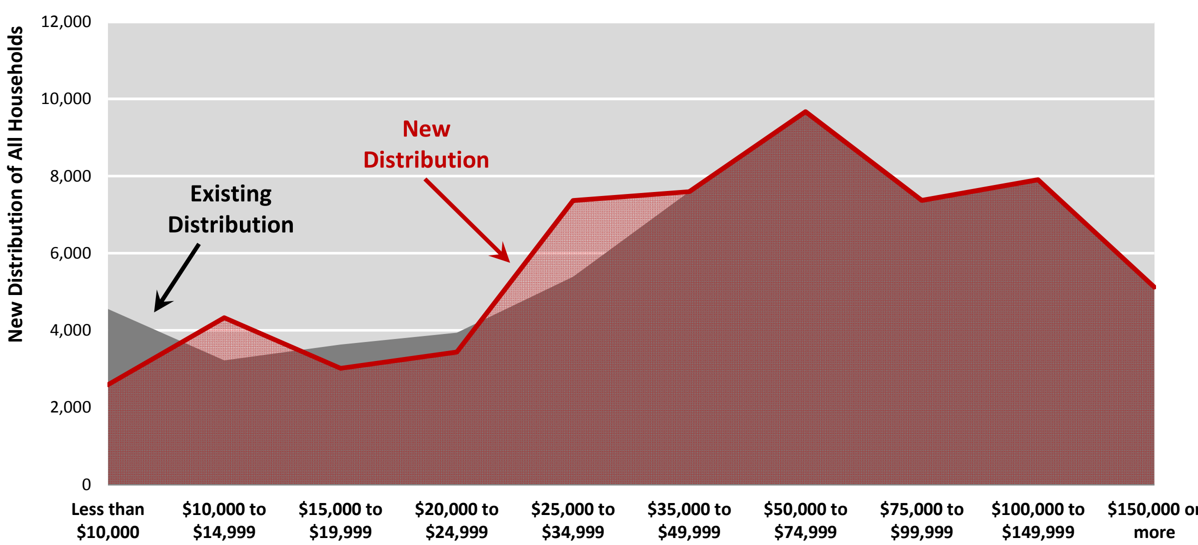
Figure B3
Estimated Redistribution of Working Households by Income



[**Note 1**]: All data presented in this graphic represent 2012 conditions. The minimum wage, as shown, was $7.64 in 2012.
Source: U.S. Census; Colorado Department of Labor & Employment; Economic & Planning Systems

Figure B4 shows the redistribution of all (owner and renter) households, also adding back the unemployed households by income level. Overall, there are approximately 2,000 fewer households in the "less than $10,000" category, 1,100 more households in the "$10,000 to $14,999" category, and nearly 2,000 more households in the $25,000 to $34,999" category.

Figure B4
Existing and New Distributions of Households by Income



Source: Economic & Planning Systems

Impact on Cost-Burden

Current Housing Gaps (Cost-Burden)

EPS estimates that the current gross number of households cost-burdened at incomes of $25,000 or less is approximately 7,970, as shown below in **Table B3**. This means that approximately 8,000 households spend more than 30 percent of their household incomes on housing. (As noted in EPS's work in the HAPS process, between 5,700 and 6,900 of these households under $25,000 are estimated to be student-occupied.)

Table B3
Current Estimate of Rental Housing Gaps

	Affordable Monthly Rent Range	Units		Renter Households		Gaps	
		2000	2012	2000	2012	2000	2012
Income Category							
Less than $25,000	Less than $625	7,429	2,761	9,173	10,733	-1,744	-7,972
$25,000 to $49,999	$626 to $1,249	10,726	15,935	6,434	7,667	4,292	8,268
$50,000 to $74,999	$1,250 to $1,874	1,334	5,154	2,609	3,805	-1,275	1,349
$75,000 or More	More than $1,874	187	1,245	1,460	2,890	-1,273	-1,645
Total		**19,676**	**25,095**	**19,676**	**25,095**	**0**	**0**

Source: U.S. Census; Economic & Planning Systems

H:\133074-Fort Collins Housing Study\Data\[133074-Minimum Wage Impact Estimate.xlsx]Table 4 - OLD Gap Est

New Housing Gaps

To calculate the impact on cost burden and the housing gaps analysis, EPS used the existing distribution of households by tenure by income level. Applying these factors to the above redistribution and existing housing units, EPS estimates that the number of cost-burdened households under $25,000 decreases from approximately 7,970 to approximately 7,140, a net decrease of 830 households. This implies that approximately 830 households in the City, or a 10 percent reduction, would be lifted out of a cost-burdened situation.

Table B4
New Estimate of Rental Housing Gaps

	Affordable Monthly Rent Range	Units		Renter Households		Gaps	
		2000	2012	2000	2012	2000	2012
Income Category							
Less than $25,000	Less than $625	7,429	2,761	9,173	9,897	-1,744	-7,136
$25,000 to $49,999	$626 to $1,249	10,726	15,935	6,434	8,592	4,292	7,343
$50,000 to $74,999	$1,250 to $1,874	1,334	5,154	2,609	3,575	-1,275	1,580
$75,000 or More	More than $1,874	187	1,245	1,460	3,031	-1,273	-1,786
Total		**19,676**	**25,095**	**19,676**	**25,095**	**0**	**0**

Source: U.S. Census; Economic & Planning Systems

H:\133074-Fort Collins Housing Study\Data\[133074-Minimum Wage Impact Estimate.xlsx]Table 5 - NEW Gap Est

Employment Impact

The overall impact of an increased minimum wage on employment levels (i.e. potential job losses) is beyond the scope of the question posed by the City Council. There are, however, a few points from other national research of relevance to this discussion.

In February 2014, the Congressional Budget Office (CBO) released a study of the Administration's proposed $10.10 and $9.00 federal minimum wage options. This non-partisan study concluded that not only would it raise household incomes for lower-income households, but could result in much smaller overall (national) employment losses than many have feared. The CBO estimated that the $10.10 option could result in the loss of 900,000 jobs or 0.6 percent[52] of total nationwide employment by 2016, and the $9.00 option could result in the loss of 300,000 jobs or 0.2 percent of total employment. Numerous other studies of the effects of an increased minimum wage on employment levels have been conducted over the past 40 years. A February 2013 study by the Center for Economic and Policy Research (CERP) concluded that past studies with the most precise estimates of impact on employment levels were "heavily clustered at or near zero".

While not a comprehensive review of the vast research on the subject, EPS believes there is much more to be said about the potentially positive ripple effects of an increased minimum wage on business than any minor negative impacts. The research cited also does not account for the positive indirect multiplier effect of increased household incomes. For example, while a higher minimum wage increases the cost of labor, this cost results in greater income for households, who in turn spend a portion (approximately 34 percent, according to the Census of Retail Trade) of that income on retail goods. That is, the businesses (mainly retail) that are impacted by the increased cost of labor also become the beneficiaries of increased business as a result of the increased expenditure on retail goods.

[52] Based on the May 2014 nationwide employment total of approximately 145,814,000 jobs.

Appendix C:
Comparable Community Housing Programs

Comparable Community Housing Programs

As noted, many comparable communities use multiple tools and funding sources to address their affordable housing needs. The six communities profiled below have unique, robust, long standing, and proven affordable housing programs with relevance to the Fort Collins context.

Boulder, Colorado

The City of Boulder has one of the more comprehensive affordable housing programs in the country. The City established a housing authority in 1966 and has experimented with many types of affordable housing programs over the years. It currently has an IHO, excise taxes for residential and commercial development, and a housing authority that takes an active role in the development as well as management of affordable housing.

Inclusionary For-Sale Housing

The City's Inclusionary Housing (IH) Ordinance requires new residential development to contribute at least 20 percent of the total units as permanently affordable housing. This requirement applies to all new residential development projects regardless of size. Options for meeting this requirement include on-site permanently affordable units, off-site existing or new housing units dedicated as permanently affordable, vacant land for affordable units, or cash-in-lieu (CIL) payments.

The provided ownership housing must be affordable to household earning no more that 10 percent above the HUD AMI which is currently 66.4 percent for a two-person household. The rental housing maximum is set at 60 percent of AMI. The maximum housing price is established based on unit size with a typical 2 bedroom/2 bath attached unit priced at a maximum of $164,200. The CIL for projects of 5 units or more is currently $132,927 for an attached unit and $157,194 for a detached unit. The CIL amounts for projects with 4 or fewer units are lower.

For-sale housing projects should provide at least half of the affordable units on-site with the remainder paid though CIL. There a CIL penalty (equal to a 50 percent premium) for electing to use a CIL for more than 50 percent of the required housing units.

Inclusionary Rental Housing

The City is subject to certain legal restrictions in the application of IH to rental housing projects. As a result, the City's IH Ordinance allows a private rental project to meet the IH requirements through any combination of on-site units, off-site units, or CIL. The City also allows developers to comply with the IHO requirements by providing either for-sale or rental units, although during the past 7 years. The Colorado Statutes (CRS 32-12-301) prohibit municipalities and counties from imposing rent controls on private properties. The Telluride decision (Town of Telluride vs. Lot Thirty Four Ventures, 2000) confirmed that local inclusionary housing ordinances could not mandate rent controls. HB10-1017 amended the Rent Control Statute to provide clarification on the ability of municipalities to enter into voluntary agreements regarding rents on private properties. According to the Boulder City Attorney's Office, HB10-1017 provides the following direction:

- Clarifies that the rent control statute applies only to private residential property or private residential housing units.

- Clarifies that nothing in the rent control statute prohibits or restricts the right of a property owner and a public entity from entering into a voluntary agreement to place rent controls on a private residential housing unit or places a restriction on the deed to the property.
- Precludes the denial of an application for a development permit if the applicant declines to enter into such an agreement.
- Specifies the statute does not preclude public entities from cooperatively entering into an agreement, nor preclude the assignment of rights and remedies to any party to the agreement.
- The exemption to rent control by a city or county is though a "housing authority or similar agency".

The City therefore continues to require all new housing developments in excess of four units (ownership and rental) to comply with the City's IHO requirements. The criteria to meet the "housing authority or similar agency" provision requires the dedicated housing units to be owned and operated by Boulder Housing Partners as the City's housing authority, or by a non-profit housing entity such as Thistle Housing with a similar mission and focus Single purpose entities established to own, operate, and manage the affordable housing units in a single project do not meet the minimum standards.

Developers have had difficulty complying with the city's goal of getting on-site rental housing due to the separate ownership requirements. No projects have successfully implemented an on-site housing solution to date, and all rental projects have opted to pay the CIL. A number of additional projects are pursuing off-site housing options and several additional projects have paid the CIL.

In general, the City's two IHOs have been relatively successful, although administratively challenging at times. In total, the City estimates that more than 400 for-sale affordable units have been created and more than 800 rental units have been built. It is important to note, however, that because rental units are generally built by BHP or Thistle, CIL serves as leverage to get more units built with non-competitive 4 percent low-income housing tax credits. As a result, there is a multiplier effect to the number of rental units created.

Excise Taxes

The city also requires all new development to pay an excise tax. An excise tax is similar to a linkage fee requiring developers to pay a fee assessed per square foot of development. The City has a residential housing excise tax assessed at $0.23 per square foot of residential development (excluding affordable housing units) and a nonresidential fee of $0.50 per square foot of development.

Boulder Housing Partners

Boulder Housing Partners (BHP) was originally the Housing Authority of the City of Boulder (HACB), created in 1966 to own, manage, and build affordable housing using HUD funding and assistance programs. In the 1990s, HACB took on a more active development role using the city's housing fund, other financing sources, and partnerships. As a result of its expanded role, it became Boulder Housing Partners in 2001. Among its projects, BHP developed the 27-acre Holiday Drive-In site in 2008 as a mixed income community with 334 homes including 138 affordable housing units. It also recently acquired the adjacent Boulder Mobile Manor mobile home park which was converted to 59 single family, duplex and triplex fixed foundation units. These units, now called Red Oak Park, will be 100 percent affordable deed-restricted rental units at 30, 40 and 50 percent AMI.

Burlington, Vermont

Burlington has many similarities to Boulder. It is largely built out and a combination of urban growth limits, conservation land acquisition, and a thriving job market has led to a persistent "housing affordability and availability crisis". The city has an IZO that was instituted in 1990 as part of a broader housing strategy. It is the first locally initiated IZO to index the set-aside to the price of the market rate units. It is also the first to require affordable units to be deed restricted for 99 years.

Inclusionary Zoning Ordinance

The IZO applies to new market rate development of 5 or more units with a set-aside of 15 to 25 percent depending on the price of the units. The 15 percent requirement applies to projects where the average sale or rental price is affordable to household earning up to 139 percent of AMI or less. Projects at 140 to 179 percent of AMI are required to set aside 20 percent and projects over 180 percent of AMI are required to set aside 25 percent. The ordinance does not allow for a CIL but allows for off-site construction at 125 percent of the on-site requirement. It also provides a range of developer incentives including fee waivers and a 15 to 25 percent density and lot coverage bonus.

Housing Trust Fund

The city council also established a housing trust fund to receive and disperse funds for affordable housing under its direction. The City funds its trust fund through a 0.1 mill property tax, which generates currently approximately $190,000 per year, of which 15 percent is allocated to administration, at least 50 percent is used for subsidies and the construction or rehab or protection of affordable units, and the remainder of which are used for capacity grants.

Champlain Housing Trust

The Champlain Housing Trust (CHT) is a non-profit housing corporation formed in 2006 through the merger of the Burlington Community Land Trust and the Lack Champlain Housing Development Corporation. The CHT has $43 million in assets, nearly 1,500 rental apartments and 440 deed-restricted homes in the three-county Burlington area. CHT also has five cooperative housing projects with 81 apartments and an additional 42 unit project under construction in Burlington's Old North End. The Trust also administers Burlington's IZO housing program.

Denver, Colorado

The City and County of Denver's IHO was passed in 2002 and was a major achievement for affordable housing policy. The IHO addressed an expanding population and economy that resulted in rising housing costs. The City recognized the need to expand workforce housing options and maintain a diversified housing supply.

The city requires 10 percent of units built in structures with 30 or more units to be built as moderately-priced dwelling units (MPDU). The IHO was tailored to give a developer the option of constructing MPDUs or paying a cash in-lieu (CIL) fee. To encourage construction of units, the ordinance included a few incentives such as a density bonus and a cash incentive for up to 50 percent of required MPDU.S built.

Since that time, however, the Great Recession has rewritten assumptions about need, production, and feasibility. In addition, the City and County of Denver has revamped its approach to land use regulation with the adoption of the form-based zoning code. To the detriment of the IHO's effectiveness, however, form-based code eliminated the possibility of the density bonus, which according to many in the housing and development community, is the most powerful incentive an IHO can offer.

The City is currently reevaluating its IHO policies. There are a number of issues concerning the effectiveness of the IHO in need of review. While 1,150 MPDUs have been created over the last 12 years, about 15 percent were lost to foreclosure. As a result, the City has enacted amendments to the covenants on IHO units to prevent further loss of the inventory. It is also currently evaluating other formulas by which the IHO can become more flexible.

Cambridge, Massachusetts

The City of Cambridge adopted an inclusionary zoning ordinance in 1998 after rent control was prohibited in Massachusetts. The IZO applies to both residential and non-residential development, and produces both affordable rental and ownership units. Effectively, the City's Inclusionary Zoning Ordinance is a combined IZO and commercial linkage program.

In addition, the City also has an Incentive Zoning Ordinance, which requires developers seeking a Special Permit, such as increased density, waiver of requirements, etc. to pay a housing mitigation fee or create units. Both programs were created for the purpose of mitigating the impacts of commercial and residential development on the availability and cost of housing and especially housing affordable to low and moderate income households, whereby creating a mechanism by which commercial and residential development can contribute in a direct way to increasing the supply of affordable housing in exchange for a greater density or intensity of development than otherwise permitted by right.

The City also has the Cambridge Affordable Housing Trust (CAHT), established in 1988, which is funded through the Community Preservation Act, which is funded through a combination of property taxes, state matches, and fees paid through the Inclusionary Zoning Ordinance by commercial developments.

Overall, the CAHT has overseen the creation and preservation of 2,600 affordable rental and ownership units. The Housing Division of the City, independent of the CAHT, and under the Inclusionary Zoning Ordinance, has overseen the creation of 450 to 500 units through developments.

Incentive Zoning Ordinance

The City's IZO requires developers seeking certain Special Permits to comply with the Incentive Zoning provisions. Incentive zoning applies to commercial developments of more than 30,000 square feet of gross floor area. The provisions apply when a developer seeks: an increase in the density or intensity use, such as increased floor area or height; waiver or reduction of parking requirements; changes in dimensional requirements; or additional uses that result in an increase in density or intensity of use.

Developers with projects that are subject to the IZO are required to make a housing contribution (HC) or create affordable housing units. The HC is currently $4.44 for every square foot of gross floor area over 2,500 square feet of the portion of the project authorized by the Special Permit. The amount of the HC may be adjusted annually by the Cambridge Affordable Housing Trust. Payment of the HC is required before the issuance of certificates of occupancy for developments subject to the IZO.

Developers may instead elect to create affordable units or donate land to be used exclusively for the development of affordable housing in the city. Affordable units or land donation must be of equivalent benefit as the HC toward addressing the City's affordable housing needs.

Note to the administration of the ordinance: the provisions of the ordinance will be reviewed and recalculated every 3 years by the City Council based on consideration of current economic trends including by not limited to development activity, commercial rents per square foot, employment growth, and housing trends measured in terms of vacancy rates, production statistics, and prices for units.

Inclusionary Zoning Ordinance

The City's IZO was one of several actions taken designed to encourage the development of affordable housing, including a surcharge on property tax for housing and a rezoning of the entire City to support additional residential development. The IZO requires any new project of 10 units or 10,000 square feet to provide 15 percent of the units as affordable to a household earning 65 percent of the Boston Primary Statistical Area AMI. To offset the effect, the project receives a 30 percent density bonus for residential development. Developments under the threshold of 10 units may also voluntarily comply with these requirements; in so doing, they may be granted the same incentives as under the IZO.

There are two primary incentives offered to a project under the ordinance: a density bonus and minimum lot area reduction. The density bonus is estimated as an increase in 30 percent of the normally permitted FAR in the applicable zoning district, at least 50 percent of which must be allocated for affordable housing. In a mixed-use zoning district, however, additional FAR may be applied to the entire lot, but any gross floor area from an increased FAR must be allocated to residential uses, excluding hotel or motel uses.

The primary goal of the Cambridge IZO is to encourage the development of affordable units on-site. Therefore, the ordinance only allows for an in lieu payment to mitigate the requirement if the project can demonstrate a significant hardship. The planning board ultimately makes the decision concerning a project's hardship and ability to use the in-lieu payment option. The in-lieu payment would be calculated as the difference between the average sales price at the project and the affordable sales price applicable to the project.

To date, no project has opted for the in lieu approach. All projects have constructed the required affordable units on-site. Despite the lack of options available to the development community in Cambridge, many developers have indicated they appreciate the clarity and predictability of the requirement. The development community has integrated the requirement into their initial analysis of project feasibility and typically negotiates a lower land price if the IZO impacts feasibility.

Cambridge Affordable Housing Trust

The Cambridge Affordable Housing Trust was established in 1988 in response to escalating housing prices and a severe shortage of affordable housing for many low- and moderate-income residents. With the mission of creating and preserving affordable housing opportunities, the Trust has continued to be active in responding to the increasing need for affordable housing in the years since the end of rent control in the mid-1990s. The Trust's nine members include experts in housing policy, real estate finance, development, planning, and design. The Trust provides funding to assist non-profit housing organizations and the Cambridge Housing Authority in creating new affordable housing, preserving the affordability of existing housing, and rehabilitating multifamily housing. The Trust also offers financial assistance to first-time homebuyers and provides housing policy advice to City staff.

The Cambridge Affordable Housing Trust receives significant financial support through the Community Preservation Act (CPA). Adopted by the Cambridge City Council and Cambridge voters in 2001, the CPA is a financing tool for Massachusetts communities to expand the supply of affordable housing, protect historic sites, and preserve open space. Under the CPA, local funds that are dedicated to these uses are eligible for matching funds from the state. In FY06, the City Council appropriated $9.6 million generated from the CPA to the Trust to support affordable housing in the city. It should be noted here that while Colorado does not have a comparable statewide funding tool for addressing affordable housing issues, it does have a Housing Investment Trust Fund, which was modified in the previoU.S legislative year (2013-14).[53]

The Incentive Zoning Ordinance, adopted in 1988, generates funding for the Cambridge Affordable Housing Trust by requiring developers of certain non-residential projects to mitigate the impact of their development through a contribution to the Affordable Housing Trust.

In 2000, Harvard University launched the Harvard University 20/20/2000 Initiative, under which the University committed $20 million of low-interest financing to support affordable housing in both Cambridge and Boston. According to a report by the Harvard Gazette in November 2010, this initiative has helped to fund about 17 percent of built and renovated affordable housing since the program's inception.[54] Administering a $6,000,000 revolving loan fund, the Cambridge Affordable Housing Trust is one of three housing lenders selected by Harvard to manage these funds.

Davis, California

The City of Davis only has an Affordable Housing Ordinance for ownership housing. Prior to 2009, Davis was one of the more interesting case studies with two different IHOs, one of which established requirements for developments to provide affordable housing for low income households, or generally under 80 percent AMI; the other IHO applied to middle income housing, which established requirements for developments to provide affordable units for households earning between 120 and 180 percent AMI.

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[53] According to the Colorado Department of Housing website, the Colorado Housing Investment Fund funds can be used for short term, low-interest loans to bridge long-term permanent financing sources or as short-term loan guarantees for new construction and rehabilitation. For more information, refer to the DOH website at: http://www.colorado.gov/cs/Satellite/DOLA-Main/CBON/1251638415915

[54] Statistic obtained from: http://news.harvard.edu/gazette/story/2010/11/harvard%E2%80%99s-20202000-affordable-housing-initiative-helped-build-renovate-4350-units-in-boston-and-cambridge/

Enacted in 1990, the Affordable Housing Ordinance, which remains, originally required that rental or ownership developments of 5 or more units provide a percentage as affordable. The AHO requires that projects with 5 to 26 units set aside 25 percent of all units as affordable, and projects with more than 26 units set aside 35 percent of all units as affordable. As mentioned previously, inclusionary housing ordinances for rental housing were invalidated in 2009 by a California Court of Appeals decision, which referred to a rent control provision of the Rental Housing Act of 1996. The City, however, still contains requirements for its rental requirements, but only where a rezoning is required (i.e. if a property has a by-right rental development potential, the rental set-aside cannot be enforced). Additionally, the City enacted a Middle Income Housing Ordinance in 2006 that established further requirements for ownership projects of 26 or more units to provide housing to meet the needs of its workforce. That ordinance has been suspended, but not repealed, since 2009.

Affordable Housing Requirement

The Davis inclusionary zoning ordinance is applicable to projects of five or more units including subdivisions and multifamily buildings. The ordinance requires that a total of up to 25 percent of units be affordable and provides a one-for-one density bonus for each affordable unit. The calculation is made after the density bonus is applied. Income targets in the projects are between 80 and 120 percent of AMI, and must average 100 percent. As a result of the City's continued suburban growth, the ordinance is oriented towards receiving land dedications from developers.

- Projects totaling between 5 and 75 units are also required to provide units on-site.
- Projects totaling 76 to 200 units are required to provide units on-site, as well as land dedicated to the City that can accommodate the affordable housing for the project in its entirety.
- Projects totaling 201 units or more are also required to provide 25 percent of units as affordable. In this case, however, the developer is required to provide 12.5 percent of the units on site and 12.5 percent shall be developed through a land dedication to the City.

A contribution of in-lieu payments is allowed for a limited number of projects which must contain 15 or fewer units (or 38 bedrooms) in the City's downtown/Core Area. The fee is calculated as the difference between the City's cost to develop a unit exclusive of land, and the price at which it can sell a unit at 80 to 120 percent of AMI. The result of this calculation was then reduced by 50 percent to account for the City's policy goals and the higher costs of downtown development.

When required, the City of Davis has been very successful receiving on-site units to satisfy the IZO requirement. However, the larger effect of the policy results from the land dedication provision within the AMI targets. Representatives from the City indicated that the policy has allowed non-profit developers to provide a significant amount of special needs housing and low-income housing below the IZO.

Middle Income Housing Requirement

In addition to meeting affordable housing needs, the City of Davis had implemented a middle income housing ordinance to address the needs of its local workforce as well as other underserved households. A study of middle income housing needs, impacts, and options had found that the housing market was not providing adequate ownership housing opportunities for middle income households.

Middle income households are defined as those who cannot afford to purchase even the least expensive market rate housing being developed and cannot qualify for affordable housing units provided for low and moderate income households under the Affordable Housing Ordinance requirements. Specifically, middle income households are those earning between 120 percent and 180 percent of the Yolo County median income, as published by HUD. A further stipulation of the ordinance is that the average pricing of the middle income units will be affordable to households earning 140 percent of the AMI.

Under this ordinance, a development of ownership residential units greater than 26 units is required to provide middle income housing units. This ordinance, unlike the affordable housing ordinance, offers no density bonus incentive. Its requirements were:

- Projects with 26 to 35 units are required to provide 10 percent middle income units;
- Projects with 35 to 49 units are required to provide 15 percent middle income units; and
- Projects with 50 or more units are required to provide 20 percent middle income units

Aspen/Pitkin County

The City of Aspen and Pitkin County both created their affordable housing program in 1974. In 1982, both entities were combined into the Aspen/Pitkin County Housing Authority. There are two main funding sources for the housing program, a 1.0 percent RETT (City of Aspen only) and a portion of the City/County sales tax. The purpose of the housing program is "to create a balanced community representative of the various types of people that live, work and retire in the area and to assure the existence of a supply of desirable and affordable housing for persons currently employed in Pitkin County, persons who were employed in Pitkin County prior to retirement, the disabled who have worked or are working in Pitkin County, and other qualified persons of Pitkin County as stated in the Aspen/Pitkin County Affordable Housing Guidelines." There is an overall goal to house 60 percent of the area workforce locally.

Today the requirement to construct affordable and workforce housing is controlled through the City's Growth Management Quota System (GMQS). The system affects any new residential and commercial construction in the City. Though the City characterizes its affordable housing requirements as more general employee housing requirements, the City has each of the major affordable housing tools: an IHO for multifamily residential construction, residential linkage program for single-family and duplex construction, and a commercial linkage program for non-residential development.

The GMQS requires residential development provide a total of 30 percent of total floor area as affordable. Commercial development must provide affordable housing for 60 percent of the anticipated employees through commercial mitigation. Overall, the program has overseen the construction of approximately 2,800 affordable residential units, approximately 1,500 for-sale units and 1,300 rental units.

As with most IHOs or linkage programs, a developer may construct units off-site or pay a fee in-lieu of the construction requirement. The in-lieu payment, however, must be approved by APCHA. The CIL differs by housing category, from $264,228 for a low-income unit (Category 1) to $130,213 for a middle income unit (Category 4). Each year the CIL is increased by 3 percent or the Consumer Price Index (CPI), whichever is greater.

Aspen has recently adopted another alternative to the onsite, offsite, and payment of a CIL option: a housing certificate program. This program, established in 2010, created an open market solution, much like a "cap and trade" program functions to benefit the environment by incentivizing the reduction of emissions. A developer who provides affordable housing units beyond the required amount by zoning receives housing certificates that another development may purchase in lieu of building units. The City does not place value on these certificates, so their value is determined in the free market by the two developers. If there are no or insufficient certificates to purchase, the developer must return to the Planning Board and/or City Council to amend the final approval and satisfy the affordable housing requirement either through the construction of units or payment of a CIL.

Eligible Households

The program is focused on full-time employees within Pitkin County working a minimum of 1,500 hours per year. Renters currently have an annual household limit of $51,000 for a two person household in Category 1 up to $213,000 for Category 4 housing units. Ownership units are focused on families of full time employees with a maximum income of $42,400 for one dependent for Category 1 units up to $150,500 for Category 4 units.

Strengths and Weaknesses

Aspen and Pitkin County have the most comprehensive and aggressive program in the nation. All residential development is subject to the housing IHO mitigation with a requirement of 30 percent of the total floor area and all commercial development is required to provide 60 percent of total space for affordable housing. The program also benefits from multiple additional funding sources including the RETT in the City and a dedicated sales tax in the County.

In spite of the high level of funding, Aspen still has a challenge getting housing units built. There is neighborhood resistance to the development of affordable housing that is exacerbated by the differences in housing size, mix, and price with free market units. The APCHA has tried to address this issue by purchasing available sites for ownership affordable housing, but even some of these projects have been controversial and have taken years to be implemented.

Seattle, WA

In a market that was increasingly pricing out portions of its workforce, the City of Seattle established an affordable housing incentive program to new commercial development in Downtown in 2001. Incentive zoning granted developers additional density for a project that provided affordable units or paid a fee in-lieu. In 2006, the program was expanded to apply to residential developments in downtown, as well.

Through its evolution, various zones have been added throughout the City with mid-rise zones scattered north and south of downtown in urban centers and along corridors, whereas the high-rise and similar zones are concentrated in and around downtown. At different scales of development, the program is applied in varying degrees. In high-rise zones, participating developments choosing not to build units can make a cash in-lieu payment to the City. In mid-rise zones, however, developers are generally required to provide affordable units on-site and are not given the cash in-lieu option.

Since establishment of the program in 2001, over 100 units have been produced on-site and approximately $27 million in cash in-lieu fees have been collected, which have been pooled with the City's housing levy to produce units elsewhere.

Commercial Development

Within zones of Downtown, developers must first agree to build a LEED Silver certified structure to receive the first increment of bonus density. The second increment of bonus density is apportioned in portions of 75 percent and 25 respectively for developments meeting specific respective requirements. Developments that provide affordable housing or childcare space receive the additional 75 percent density bonus, and developments that provide additional open space (in the form of TDRs) or public amenity features receive the additional 25 percent density bonus.

Residential Development

In the Downtown mixed use zones, development may build to 290 feet. To acquire height to a maximum of 400 feet, developers may participate in the incentive program, which like the commercial development program, requires developers to first commit to building the structure as LEED Silver certified. Developers can either build affordable housing on site or pay a fee in-lieu (on the basis of a cost per square foot) to the Housing Fund.

Housing Levy

Seattle has had remarkable success in the use of a dedicated property tax to fund affordable housing needs of a wide variety. With its first voter-approved housing levy in 1981, Seattle has funded 4 additional bonds and/or levies for these purposes. In 2009, the City passed its fifth, a 7-year dedicated property tax mill of approximately 0.17 to fund $145 million for affordable housing opportunities for low-income residents.

Since the first housing levy, Seattle has funded more than 10,000 affordable apartments for seniors, formerly homeless individuals and families, and low- to moderate-income wage earners, as well as provided loans to more than 600 first-time homebuyers and rental assistance to more than 4,000 households. The 2009 levy is estimated to produce nearly 1,700 rental housing units, 175 housing units through acquisition and rehab, preserve 220 rental units, facilitate homebuyer assistance for 180 home purchases, and provide rental assistance and homelessness prevention for more than 3,000 households. To date, the City is either on target to reaching all these goals or has surpassed the goals with less funding than anticipated.

Appendix D:
Public Process Summary Material

Stakeholder Workshop 1

The first stakeholder meeting was conducted on March 12, 2014. EPS prepared a presentation of best practices in comparable communities on the regulatory and non-regulatory tools that are in common practice among other communities with similar housing issues or affordability concerns. During this meeting, many questions were raised concerning the necessity of looking at various regulatory tools, the desire to identify more fundamental trends, such as the components of the cost of housing and whether there were components which the City could influence, and what the trends and conditions were related to the rental market, particularly concerning what the university (CSU) is doing to address its own housing needs. Notes were taken during this meeting, which formed the basis of approach to the second stakeholder meeting. This meeting was also conducted in a more lecture-style seating format, and it was decided that smaller groups engaged in topical discussions for the following meeting would be more appropriate.

Summary of Comments and Questions

- Unintended consequences?
- Longitudinal studies?
- Data sources
- Mechanisms that increase cost of housing, i.e., design standards
- Land supply impact on price?
- Overall housing cost
- Consensus: Drivers – other policy solutions (broad-based approach)
- Utilities as percent of income
- Manufactured housing flex in zoning, city should be a part
- How do you maintain affordable housing?
- How did communities define their issues, and did it make a difference?
- And should it be a community solution?
- Service workforce and student housing influence
- BPs and code and impact fees that are differentiated by types of housing
- Zoning ≤3 unrelated issue – affects students
- Understanding exactly where the burden falls
- Criteria for defining geography
- What is CSU doing?
- Look at transportation proximity
- Control development standards costs (e.g., Thornton)
- Ensure comments/concerns are reported in study

Comment Cards

Table D1
Comment Card Question 1

What advantage do you see in:	Comments
a. dedicated sales tax	No – None, regressive (burdens low income people)
	None
	Would support
	Broad base
	Housing and transportation
	This would spread the burden of costs across the entire population
b. dedicated property tax	No – Regressive unless affordable housing is excepted
	None
	Adds to unaffordability – don't like
	More widely spread
	Broad base
	Affordability index
	Same as "a"
c. dedicated lodging tax	Ok – Not regressive
	None
	Acceptable though lacks nexus
	None
	Include analysis of land that has transit access
	Not sure exactly how this would work
d. excise tax	No - Regressive unless affordable housing is excepted
	None
	Favor this most
	None
	A&B do the best job at sharing the burden

Table D2
Comment Card Question 2

What advantages do you see in:	Comments
a. incentive zoning	For a, b and c – Only okay if minimal amount per item
	For a, b and c - None Zoning should be a static map and not change for extended periods of time (10+ up)
	$162m $54m
	Those could really work
	Manipulative
	Add CSU to stakeholders
	I like using carrots better than sticks
b. commercial linkage	The city gives incentives to Foothills Mall, Woodward (?) gov., etc.
	None
	None
	Disadvantage – doesn't spread the burden well
c. inclusionary housing	Bring in workers – no housing
	None
	None
	Disadvantage – doesn't spread the burden well either

Table D3
Comment Card Question 3

Which incentives would be effective in Fort Collins?	Support
Density increases	5
Height increases	4
Parking reductions	4
Lot coverage increases	5
Open space reductions	4
Exemptions from some building design requirements	4

Comment: Limit size of housing, encourage smaller
A condition of incentives could be provided residents with annual passes to MAX transit, to reduce the need for a second car for families, thereby increasing the amount of the household income available for housing

Table D4
Comment Card Question 4

Do you have out-of-the-box ideas for incentives?	Incentives for very small units (Soho including in unit bike storage 500-6000 sf 2-BR units). Trigger incentives.
	The more regulatory (builders?)
	Zoning restored for many of housing-delete commercial.
	Energy efficiency rewards for certifications beyond code or even energy star.
	Can we do small group stakeholder meetings?
	On a level playing field, no one is required to pay an affordable housing fee; when a developer gets a special concession or URA money, then they have to pay the fee.

Table D5
Comment Card Question 5

What might we have missed?	How to supplement (?) continued affordability after subsequent resales.
	Do not increase the cost of housing for all to subsidise for a few.
	Low interest rates exist, money to be made, city incentives growth, more people more need, commercial links and excise fees.
	Energy costs, as they rise, of “junk” code built housing, look at net zero or passive house.
	Another way to provide additional affordable units would be to relax the impact fees required to build Accessory Dwelling Units.

Table D6
Comment Card Question 6

What type of development should “trigger” an incentive	None – no exceptions – Remove the barrier for all.
	High density
	If a developer gets a special concession or URA grant money.

Table D7
Comment Card Question 7

Should there be exemptions or limitations?	Yes. All exemptions for one development should be applied to all units.
	Limit size of housing; allow greater height get only certain zone.
	Of course. Question is too broad.
	Accessory Dwelling Units (ADUs) in infill areas have less impact than new construction on the edge of town, and therefore should charge less for water and sewer tap fees, thereby making the units more affordable to create.

Table D8
Comment Card Question 8

Additional comments/questions	Provide Incentives for small SF units and let market price accordingly.
	If one development needs the lessening of zoning, fees, and etc., all developments need the lessening of zoning, fees and etc.
	Manufactured housing parks should be protected, small housing zoned with no garages and common open area.
	You can't only burden development community for this solution.
	Presentation was focused on workforce (service/detail) as definition of affordability. Policy and studies need to include low and very-low income populations as well.

Stakeholder Workshop 2

The second stakeholder meeting occurred on April 16, 2014. This meeting was conducted in the format of multiple focus groups, with smaller tables centered around four different topic areas (related to the issues raised in the first stakeholder workshop, and relevant to the trends and conditions identified in the research – these four areas were: 1) ownership housing and commuting patterns; 2) rental and student housing market conditions; 3) housing cost components; and 4) distressed populations.). A brief presentation introducing the concepts began the meeting, followed by 20-minute segments during which table leaders briefly presented the core of approximately 4 slides of substantive material concerning each topic, then fielded and noted questions, comments, and requests for any additional information. During the meeting, participants were able to attend three of the four different table topic groups. At the conclusion of the meeting, a synopsis of the comments was made and a review of the next steps made. City staff and EPS also had decided that a third stakeholder workshop, though not a part of the original scope, would be appropriate to wrap up the discussions of the issues and make connections to recommended solutions. After asking about availability of the stakeholders, positive response directed City staff to plan a third workshop.

Summary of Comments & Questions

Ownership and Commuting Patterns

- Need a mix of housing for renters and owners
- Johnstown is the only area left to build in / attracting higher incomes
- Job growth is greater than housing availability
- Interesting to see comparison to national trends
- Dramatic difference in affordability between Fort Collins and Greeley
- 2000-2009 recession, prices are down less than we thought
- AMI has gone down, housing prices have gone up = hardship
- Focus on loss of competitive edge
- Affordability gaps were bigger in 2000
- Where can we change the trend lines
- How much of this is where we are in the economic cycle
- Policy implementation always lags
- Commuting data is difficult to interpret
- What about two spouses commuting to different communities
- Trends will ripple into surrounding communities
- 42%? Artificial increase?
- Trends are not sustainable
- Market forces and fees push towards bigger homes
- Incomes are not increasing enough as housing costs
- Need down payment assistance and financial education
- If trends continue there will be a lack of diversity
- Gentrification
- Trading off housing cost for transportation costs
- Need more manufactured housing

Rental and Student Housing

- How to get enough subsidies to meet the lowest income need group
- New student housing is displacing land that could be used by non-student renters
- New student housing tends to be top end and not affordable to many students
- CSU isn’t taking responsibility for housing students
- Students demand houses more than apartments
- Concern we are headed towards a bubble in the rental market – Construction defect
- People who could otherwise buy are being forced into the rental market
- Foreclosure victims are now in the rental market
- Students shouldn’t be separated from other cost burdened populations --- no they are temporarily poor, not the same
- Interest in affordable housing is not reflected in City’s policies
- Manufactured housing is a significant component of non-subsidized rental stock
- Boarding houses present challenges like parking and need at least 5 units to be viable to a developer
- U + 2 hurts rentals overall but is good for owner occupancy housing market

- Hard for homeowners to break into market with the U + 2 because investors acquire property faster
- Investors like the predictability of U + 2
- Consider U + 3 in certain parts of town
- Should students and multifamily housing be considered same in terms of code?
- Extra restrictions on multifamily because of issues with student housing
- Student housing issues are management and behavioral issues not land use code
- Is there data on if the U + 2 reduces nuisances? Would U + 3 increase nuisances?
- Make policy based on long term goals and trends

Housing Cost Components

- Land availability and GMA
- Code isn't allowing for growth in GMA
- Payback on environmental efficiency is too long and codes are getting stricter
- Raw water costs could escalate quickly
- No condo development at all – Construction defect
- Street standards drive up costs
- Sprinkler systems drive up costs
- Need more incentives for deed restricted affordable housing
- Values of deed restrictions increases over time
- If fees waived, has to be made up elsewhere
- Permit fees encourage larger units – no break for small units
- More expensive to get approval from and P and Z because of legal fees to avoid appeals
- Land costs rising where we want affordable housing
- Fire codes require access on all codes of the building
- Land costs are too high to support single family, must be multi family
- Developers should be allowed at the table when the fees are being determined by the City of Fort Collins
- All costs have increased over the years
- Should affordable housing have to pay the same fees as non-affordable housing

Distressed Populations

- The number on the FCHA waitlist is too long and the percentage of low income people on it is too high
- Not sure first time homebuyers are distressed, but they are putting pressure on rental market
- It's going to get worse – senior populations are growing
- Need housing for single women with low incomes
- Mobile home parks are being closed and redeveloped
- Section 8 voucher units may not pass inspection
- HUD payments aren't keeping up with rental costs
- Fewer FCHA SROs are actually owned by FCHA, many are not suited to multi family
- Half in public housing are disabled, moving is hard and they need a stable place to live
- Two year waitlist is unacceptable
- Lack of down payment is a barrier to move up
- Increased demand for affordable 1 BR and 3 BR
- City should waive 12-15% of fees for affordable housing in trade for permanent deed restrictions 6%

- Need housing combined with services
- Rental bubble may exceed need but not for the lowest income
- Need more data showing unfilled gap and demand above 30% AMI
- Developers can't go this low under current system
- As a community we don't have the obligation to take care of students
- DMA moving to tenant based rather than housing based vouchers

Stakeholder Workshop 3

The third stakeholder workshop occurred on May 7, 2014. The format of this workshop differed still from the other two. Using a large roundtable format, EPS presented a high-level overview of the issues and possible policy solutions noted in the 4 topic areas presented in the second workshop. City staff made a computer polling tool available for all participants. During the second half of the workshop, participants were invited to respond to multiple choice questions, which were structured to gauge the level of support for various policy solutions. The results of that polling are provided below.

Easel Notes

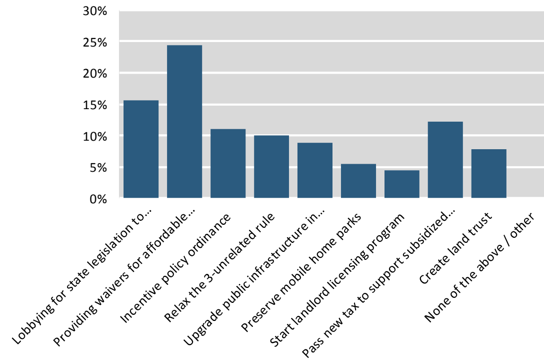
- What kind of zoning incentives would have real value that enable builders to build at lower rental/sales rates
- How much $$ would a tax have to raise, what would it be used for, and how much difference in affordability would it make
- How do we explain high support for city fee waivers with low support for a separate (presumably lower) fee structure for affordable housing
- Triggers for incentives should be performance-based – you get incentives if you produce X amount of housing at Y AMI – not based on identity of proposer or type of application being filed
- Reduce barriers against tiny houses and cottage housing projects
- Explore creative financing issues
- Community Reinvestment Act investments in affordable housing
- City guarantees (partial?) of AH-related land and construction loans
- Explore use of metro districts for AH purposes
- Get creative about reducing water costs
- Distressed groups category should include the homeless
- Lobby/preserve/strengthen LIHTC programs at state and federal level
- Find ways to create ownership housing deed-restricted in perpetuity
- Buying land for the Land Trust could reduce supply for other AH builders
- Strengthen incentives to preserve/renovate/enhance existing AH stock
- City or FCHA could broker voluntary rentals of SFD rentals to low-income residents at below market rents

Polling Results

Question 1: Which of the following would be effective in increasing housing units in Fort Collins (Choose your top 3)? (Multiple Choice - Multiple Response)

Figure D1
Workshop 3 Question 1

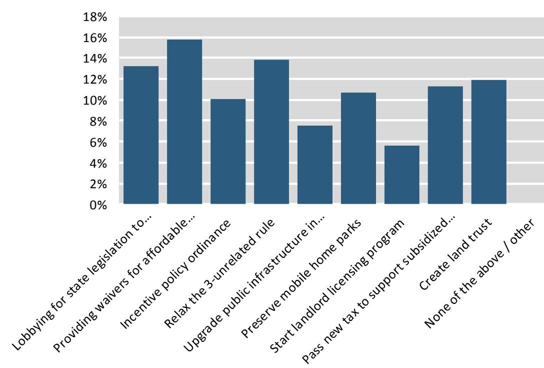
	Responses	
	Percent	Count
Lobbying for state legislation to change construction defects law	16%	14
Providing waivers for affordable housing projects	24%	22
Incentive policy ordinance	11%	10
Relax the 3-unrelated rule	10%	9
Upgrade public infrastructure in Northeast Fort Collins	9%	8
Preserve mobile home parks	6%	5
Start landlord licensing program	4%	4
Pass new tax to support subsidized housing	12%	11
Create land trust	8%	7
None of the above / other	0%	0
Totals	**100%**	**90**



Question 2: I support using the following option as a means of ensuring housing affordability? (Choose all that apply) (Multiple Choice - Multiple Response)

Figure D2
Workshop 3 Question 2

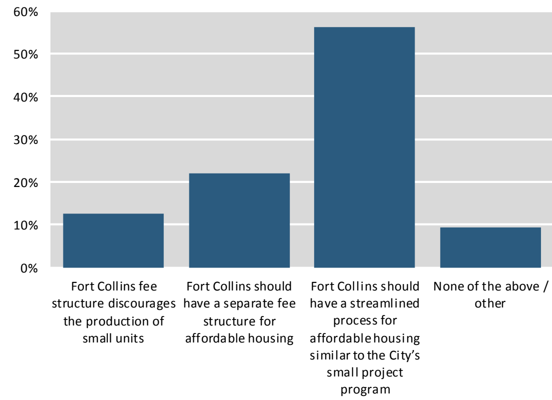
	Responses	
	Percent	Count
Lobbying for state legislation to change construction defects law	13%	21
Providing waivers for affordable housing projects	16%	25
Incentive policy ordinance	10%	16
Relax the 3-unrelated rule	14%	22
Upgrade public infrastructure in Northeast Fort Collins	8%	12
Preserve mobile home parks	11%	17
Start landlord licensing program	6%	9
Pass new tax to support subsidized housing	11%	18
Create land trust	12%	19
None of the above / other	0%	0
Totals	**100%**	**159**



Question 3: Regarding the cost of city development fees – which statement(s) do you agree with:(choose all that apply) (Multiple Choice)

Figure D3
Workshop 3 Question 3

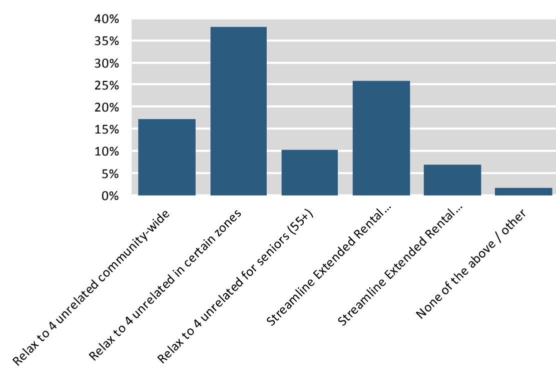
	Responses	
	Percent	Count
Fort Collins fee structure discourages the production of small units	13%	4
Fort Collins should have a separate fee structure for affordable housing	22%	7
Fort Collins should have a streamlined process for affordable housing similar to the City's small project program	56%	18
None of the above / other	9%	3
Totals	**100%**	**32**



Question 4: If the City was to relax the 3 unrelated rule, the best option would be…(Choose up to 2)? (Multiple Choice - Multiple Response)

Figure D4
Workshop 3 Question 4

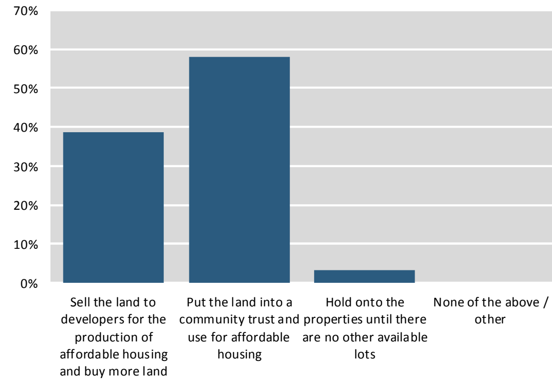
	Responses	
	Percent	Count
Relax to 4 unrelated community-wide	17%	10
Relax to 4 unrelated in certain zones	38%	22
Relax to 4 unrelated for seniors (55+)	10%	6
Rental Occupancy Permit process for owner-occupied units	26%	15
Streamline Extended Rental Occupancy Permit process for seniors (55+)	7%	4
None of the above / other	2%	1
Totals	**100%**	**58**



Question 5: The best use of the City's land bank properties is to… (Choose 1) (Multiple Choice)

Figure D5
Workshop 3 Question 5

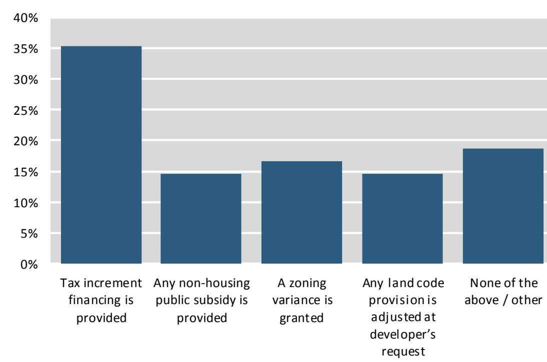
	Responses	
	Percent	Count
Sell the land to developers for the production of affordable housing and buy more land	39%	12
Put the land into a community trust and use for affordable housing	58%	18
Hold onto the properties until there are no other available lots	3%	1
None of the above / other	0%	0
Totals	**100%**	**31**



Question 6: An Incentive Policy should be triggered when... (Choose all that apply) (Multiple Choice - Multiple Response)

Figure D6
Workshop 3 Question 6

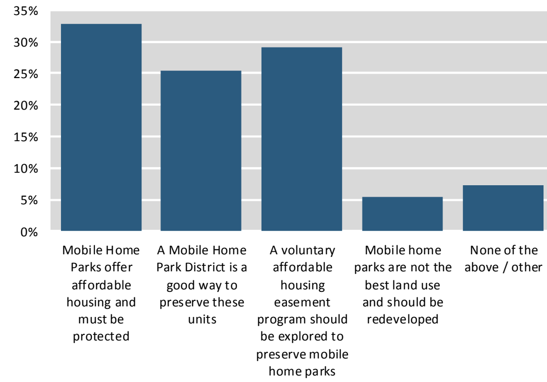
	Responses	
	Percent	Count
Tax increment financing is provided	35%	17
Any non-housing public subsidy is provided	15%	7
A zoning variance is granted	17%	8
Any land code provision is adjusted at developer's request	15%	7
None of the above / other	19%	9
Totals	**100%**	**48**



Question 7: With which of the following statements do you agree? (choose all that apply) (Multiple Choice - Multiple Response)

Figure D7
Workshop 3 Question 7

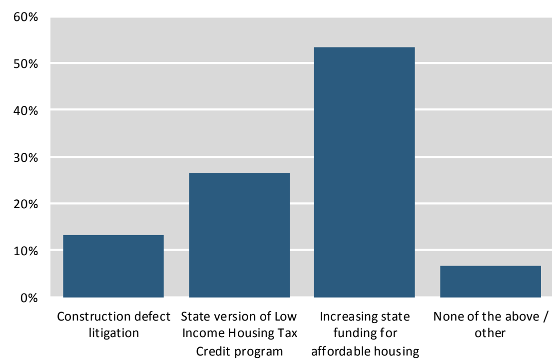
	Responses	
	Percent	Count
Home Parks offer affordable housing and must be protected	33%	18
A Mobile Home Park District is a good way to preserve these units	25%	14
A voluntary affordable housing easement program should be explored to preserve mobile home parks	29%	16
Mobile home parks are not the best land use and should be redeveloped	5%	3
None of the above / other	7%	4
Totals	**100%**	**55**



Question 8: I would support the City lobbying the state about... (choose all that apply) (Multiple Choice)

Figure D8
Workshop 3 Question 8

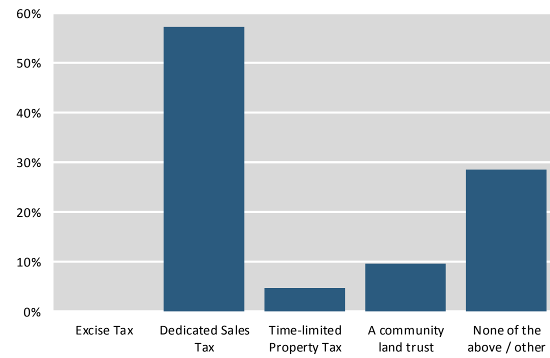
	Responses	
	Percent	Count
Construction defect litigation	13%	4
State version of Low Income Housing Tax Credit program	27%	8
Increasing state funding for affordable housing	53%	16
None of the above / other	7%	2
Totals	**100%**	**30**



Question 9: In considering alternative funding sources, the best funding source would be: (Multiple Choice)

Figure D9
Workshop 3 Question 9

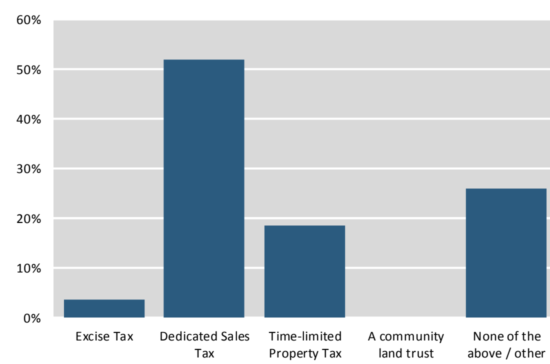
	Responses	
	Percent	Count
Excise Tax	0%	0
Dedicated Sales Tax	57%	12
Time-limited Property Tax	5%	1
A community land trust	10%	2
None of the above / other	29%	6
Totals	**100%**	**21**



Question 10: In considering alternative funding sources, the best funding source would be: (Multiple Choice)

Figure D10
Workshop 3 Question 10

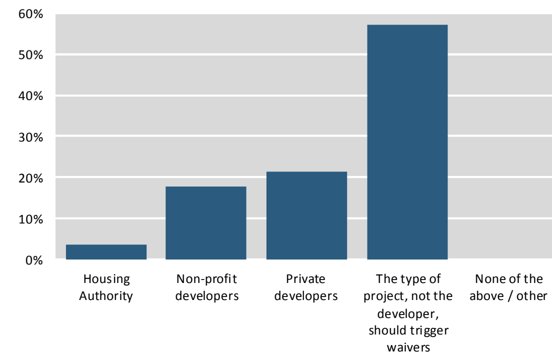
	Responses	
	Percent	Count
Excise Tax	4%	1
Dedicated Sales Tax	52%	14
Time-limited Property Tax	19%	5
A community land trust	0%	0
None of the above / other	26%	7
Totals	**100%**	**27**



Question 11: Which of the following should be eligible for fee waivers when developing affordable housing:(select all that apply) (Multiple Choice)

Figure D11
Workshop 3 Question 11

	Responses	
	Percent	Count
Housing Authority	4%	1
Non-profit developers	18%	5
Private developers	21%	6
The type of project, not the developer, should trigger waivers	57%	16
None of the above / other	0%	0
Totals	**100%**	**28**



Public Open House

This open house took place on May 21, 2014.

Table D9
Public Open House, Poster 1

REGULATORY: Relax the 3-Unrelated Rule	Open House 1		Open House 2	
	Support	Oppose	Support	Oppose
Relax to four unrelated citywide	9	1	3	8
Relax to four unrelated in certain zones	4	1	6	8
Relax to four unrelated for seniors aged 55 and up	3	0	11	3
Streamline exemption process for owner-occupied homes	2	0	2	5
Streamline exemption process for seniors aged 55 and up	4	0	7	5
Landlord Licensing Program	1	0	8	1
Comments POH #1:				
▪ Fort Collins cannot afford overly conservative housing policies like You+2. Allow four unrelated individuals to cohabitate like other college towns and have consequences/protections in place for rowdy households/landlords to address problem cases.				
▪ Don't remove 3-unrelated rule for single family zones. It would result in warehousing residents in over-priced homes. 3-unrelated has made starter homes affordable for families.				
▪ Remove 3-unrelated rule. Landlord permit program with funding from increased occupancy going to affordable housing fund.				
▪ Consider exemptions for the "2nd Range" restriction for multi-generational families.				
▪ Rental apartments in owner-occupied homes (basements, etc.) should not be illegal based only on zoning density. Also should look at separate heating and entrance.				
Comments POH #2:				
▪ More specific regulations.				
▪ Absolutely not! It's working too well!				
▪ Very against relaxing 3-unrelated and changing to 4.				
▪ Properties rented by students are very easy to identify—parking, trash, condition of yard, etc.				
▪ Landlords do not seem to take ownership in the upkeep of their rental properties.				

Table D10
Public Open House, Poster 2

Legislative: Lobby State Legislature	Open House 1		Open House 2	
	Support	Oppose	Support	Oppose
Fix Construction Defects law	6	0	4	2
Approve the State Low Income Tax Credit Program	3	0	7	1
Pass state-wide funding measure for affordable housing	6	0	12	1
Comments POH #1:				
▪ Can we get a clear definition of what is being defined as "affordable"?				
▪ Trim current inefficiencies in current system to reduce admin.				
▪ Adopt real estate transfer tax or similar fees to create state housing trust fund. this may require voter approval.				
Comments POH #2:				
▪ None				

Table D12
Public Open House, Poster 3

Cost Reduction:	Open House 1		Open House 2	
	Support	Oppose	Support	Oppose
Fee Waivers for Affordable Housing	3	0	5	0
Streamline Process for Affordable Housing	2	0	9	0
Adjust Marginal Cost Structure of Fees (reduce fees for smaller units)	5	0	9	1
Reduce or Remove Minimum Size for Homes	9	0	13	3
Comments POH #1:				
▪ Reduce the numbers who have housing that do not qualify and abuses				
▪ Very important to review/act on this—Old requirements no longer apply with our environment.				
Comments POH #2:				
▪ Okay to reduce depending on neighborhood (house minimum).				
▪ I support reduced size.				
▪ Allow for "Tiny House" neighborhoods—or 3 bedrooms less than 1000 square feet.				

Table D13
Public Open House, Poster 4

REGULATORY: Incentive Policy Ordinance	Open House 1		Open House 2	
	Support	Oppose	Support	Oppose
Non-Subsidy Triggered	3	0	5	0
Subsidy Variety	2	0	3	0
Part of Negotiation	0	0	0	0
Triggered by Public Financing	0	0	0	0
Comments POH #1:				
▪ Don't see Housing Authority's existing single family homes. Improve them through practical construction				
▪ Retail price per square foot matrix—including ongoing increase percentage.				
▪ Taxing will not solve this. Bring back FCHA—help to buy program.				
▪ Use TIF financing for affordable housing.				
Comments POH #2:				
▪ Affordable "student" housing?				

Table D14
Public Open House, Poster 5

REGULATORY: Evaluate Land Constraints	Open House 1		Open House 2	
	Support	Oppose	Support	Oppose
Growth Management Area	0	0	3	2
Remove Impediments on Available Land	1	0	4	1
Provide Infrastructure Improvements in Northeast	3	0	6	1
Comments POH #1:				
▪ Be cautious here—avoid sprawl when possible.				
▪ We need sidewalks.				
▪ This is a regional issue—Is Timnath contributing?				
Comments POH #2:				
▪ North College is urban sprawl.				
▪ GMA increases smart.				
▪ Well thought out infill.				

Table D15
Public Open House, Poster 6

REGULATORY: Address Manufactured Housing	Open House 1		Open House 2	
	Support	Oppose	Support	Oppose
Affordable Housing Easement Option	8	0	6	0
Preserve Existing Mobile Home Parks	13	0	10	0
Create New Manufactured Housing Communities	11	0	6	2
Comments POH #1:				
▪ Programs for upgrades				
▪ Consider other value engineering approaches—system-built, modular, pre-assembled, etc.				
▪ Nice (create manufactured housing)				
▪ Create new manufactured housing communities with transportation in mind!				
Comments POH #2:				
▪ Why mobile homes? Apartments are more efficient.				
▪ Look into recycled home movement.				

Table D16
Public Open House, Poster 7

ALTERNATIVE FUNDING SOURCES	Open House 1		Open House 2	
	Support	Oppose	Support	Oppose
Excise Tax	6	4	2	5
Dedicated Sales Tax	6	2	5	2
Time Limited Property Tax	1	1	3	1
Comments POH #1:				
▪ Review and assess current budget.				
▪ Taxing will not solve this—let's see data on #s of folks needing affordable housing.				
▪ Ask Congressional reps to urge U.S. Housing Secretary Mel Watt to create Housing Trust Fund. Also, create				
Comments POH #2:				
▪ None				

Table D17
Public Open House, Poster 8

ALTERNATIVE FUNDING SOURCES: Land Bank Program	Open House 1		Open House 2	
	Support	Oppose	Support	Oppose
Community Land Trust	3	0	6	0
Create Endowed Foundation	3	0	2	1
Sell for Affordable Housing	7	0	4	2
Maintain for Future Use	0	0	1	0
Comments POH #1:				
▪ Create endowment for affordable housing, perhaps similar to Sand Springs Home Village through public				
▪ Create an inter-church housing corporation similar to that created by Jim Geller (Rev. Bob Geller's son) among				
▪ Undocumented pay taxes, but aren't eligible. ☹				
▪ Affordable houses so people can own home and property.				
▪ 1st buyer back to city				
▪ Or sell back to non-profit builder/lender				
Comments POH #2:				
▪ This sounds like selling a car for gas money.				

Table D18
Public Open House, Poster 9

COST REDUCTION OPTION: Who Should Be Eligible for Fee Waivers?	Open House 1		Open House 2	
	Support	Oppose	Support	Oppose
Housing Authority	3	0	5	0
Not-for-Profit Developers	5	0	11	0
For-Profit Developers	1	1	3	8
All Affordable Housing Projects	11	0	9	0
Comments POH #1:				
▪ Yes on Not-for-Profit developer fee waivers under specific and targeted guidelines (public/private partnerships)				
▪ Create gap funding to offset difference of voucher and market rent. Increase accountability within the agency.				
Comments POH #2:				
▪ None				