Fort Collins Housing Affordability Policy Study Stakeholder Workshop #1

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Project Scope

- Project Initiation

- **Best Practices – Workshop #1**
  - Affordable housing tools
  - Funding sources
  - Comparable cities

- Housing Needs
  - Households by income range
  - Housing sales trends – Rental and for-sale
  - Gaps and subsidy requirements

- **Affordable Housing Program - Workshop #2**
  - Housing options
  - Recommended program
Workshop Agenda

• Affordable Housing Background
  – History
  – Current context

• Housing Taskforce Issues

• Best Practices
  – Land use regulations
  – Funding sources
  – Comparable communities

• Alternatives and Options Discussion
  – Key issues
  – Stakeholder preferences

• Summary
HOUSING AFFORDABILITY ISSUES
How is housing affordability defined?

- **Ownership affordability**
  - 2012 Area Median income = $53,400 (i.e. 100% AMI)
  - Housing costs ≤ 30% of income ≤ $16,000
  - Net available for mortgage = $11,700 (net of taxes, insurance, HOA)
  - Target Price = $190,600 (approximately 3.5 times income)

- **Rental affordability**
  - 60% AMI = $32,040
  - Housing costs ≤ 30% of income ≤ $9,600
  - Monthly rent and utilities = $800
Categories of Housing Need

Workforce Housing Needs

Service Workforce (e.g. Retail, Service, etc.)
- 50 to 80% AMI
  - Income: $26,700 to $42,700
  - Target Rent: $670 to $1,040/month
- Rental

Community Workforce (e.g. Teachers, Fireman, Police, etc.)
- 80% to 100% AMI
  - Income: $42,700 to $53,400
  - Target Home Price: $146,200 to $190,600
- Ownership (TH, Duplex)
Housing Needs

• Social Sustainability Gaps Analysis (2013)
  – Housing, Homelessness, Poverty, Health and Wellness, At-Risk Youth and Education, Diversity and Equity

• Analysis Findings
  – Cost-burden has increased for renter households
    ➢ 47 percent (2000); 59 percent (2012)
  – Preliminary rental housing gap estimate
    ➢ 11,300 households earn < $25K / year (41 percent)
    ➢ Assuming households spend ≤ 30 percent income on housing
    ➢ Approx. 2,550 units affordable
    ➢ Difference = possible rental gap
    ➢ Students account for a large portion of this gap
    ➢ Cost burden a big issue
Establishment of Need

• Snapshot of Conditions
  – $53,400 median household income (ACS, 2012)
  – Ownership @ 100% AMI
    ➢ Target Affordable = $190,600
    ➢ Median Housing Value = $244,900 (ACS, 2012)
  – Rental @ 60% AMI ($32,000)
    ➢ Target Rent = $800
    ➢ Median Rent = $952 (2012 ACS)

• Housing Affordability Policy Study Process
  – EPS/Clarion refine 2013 SSG Study findings of gaps
  – Establish needs through process
HOUSING TOOLS & FINANCING SOURCES
Incentive Zoning

• What is it?
  – When residential and/or commercial development seeks a major variance (e.g. add’l height or density, parking reduction, etc.)
  – Developer required to contribute to housing - 10 to 20 percent

• Alternatives?
  – Payment of cash in-lieu (CIL)
  – Creation of units
  – Land donation

• Where?
  – Chicago, Seattle, Cambridge, Boston
Inclusionary Housing

• What is it?
  – New residential development required to provide a percent of total development at affordable levels
  – Typically 10 to 30 percent of total units (or sq. ft.)

• Incentives?
  – Bonus density, fee waivers, expedited review, parking reduction, unit equivalency, public funding assistance

• Alternatives?
  – Fee in-lieu, offsite units, housing certificates, deed-restriction of existing units

• Where?
  – Denver, Boulder, Burlington, Cambridge, Davis, 400 +/- others
Commercial Linkage

- **What is it?**
  - Commercial development pays fee to mitigate housing unit demand from low-wage jobs
  - Employment impacts calculated by type of job
  - Typically 20 to 100 percent of the employment generation by land use

- **Incentives?**
  - Bonus density, fee waivers

- **Alternatives?**
  - Fee in-lieu, land dedication, offsite units, deed-restricted commercial space

- **Where?**
  - Aspen, Vail, Park City, Telluride
AFFORDABLE HOUSING FUNDING SOURCES
Tax Initiatives

• Dedicated sales tax
  – Typically 0.5% or less
  – Generates robust and immediate revenues
  – Requires voter approval
  – Used in Aspen, St. Paul, Dayton

• Dedicated property tax
  – Additional assessment on taxable property
  – Typically in the form of surcharge or mill levy
  – Requires voter approval
  – Used in Aspen, Boulder, Seattle, Cambridge
Other Funding Sources

• Dedicated Lodging Tax
  – Typically small % of overall revenues to housing
  – Used in Columbus, San Francisco, Snowmass Village

• Excise Tax
  – Functions as a fee on residential and commercial development
  – Can range from $0.50 to $13.00 per sqft of development
  – Cambridge, Berkeley, San Francisco, Boulder, Parker

• Real Estate Transfer Tax/Assessment
  – Effective on large-scale projects
  – Can range from 0.1 to 2.0% of sales price of home
  – RETT in Aspen, Snowmass Village, Vail, Breckenridge, Telluride, and Winter Park
  – *RETT no longer available* - RETA at Stapleton
Housing Development Organizations

- **Housing Authorities**
  - DOLA defines them as government-owned business (i.e. enterprises, not local districts)
  - Operate, manage, and develop affordable housing
  - Municipal or County
    - May apply for loans, grants
    - May acquire property by purchase, lease, or eminent domain
    - Ability to borrow
    - Certain expenditures not subject to TABOR
  - Multi-jurisdictional
    - Ad valorem property tax = max 5 mills
    - Sales and/or use tax = max 1%
    - Voter approval required
Housing Development Organizations

- **Community Land Trust (CLT)**
  - Non-profit corporation with 250 nationwide
  - Land is acquired and leased separate from home
  - Land appreciation is set to maintain affordability
  - **Colorado Community Land Trust**
    - Est’d 2002 as Lowry Community Land Trust
    - Name change 2006; covers entire Denver Metro
    - Owns/maintains land;
    - Limits resale prices (max of 25% equity gain)
    - Two projects; 150 total units
Housing Development Organizations

• Housing Foundations
  – Dedicated to affordable housing and community preservation
  – Endowed by concerned community residents
  – Jackson Hole Community Land Trust – Wyoming
    ➢ Est’d in 1992
    ➢ Current endowment $5.6 million
    ➢ Created 100 DR units
  – Mountainlands Community Housing Trust – Utah
    ➢ Est’d in 1993
    ➢ Current endowment of $4.7 million
    ➢ Created/acquired 135 units
COMPARABLE COMMUNITIES
Boulder

- City 102,000; College – CU 30,600

- Program
  - Adopted in 2000
  - Generated 400+ ownership units, 800+ rentals
  - Leveraged add’l units by co-mingling funds

- Tools
  - 20% IHO on all housing projects
  - CIL = 75% +/- of market unit value
  - Allows multiple housing funding sources (e.g. LIHTC equity)
  - Dedicated property tax = 0.8 mills

- Strengths and Weaknesses
  - Generates substantial revenue
  - Housing funded by multiple sources
  - HB 1017 rental IHO require non-profit owner of units
Burlington, VT

- City - 45,400; College – UVT 12,700
- Housing Program
  - IHO established in 1990
  - Burlington Housing Authority est’d 1961
- Tools
  - IHO on ownership/rental projects > 5 units
    - 15% when units < 140% AMI
    - 20% when units < 180% AMI
    - 25% when units > 180% AMI
  - Housing Trust Fund
  - Champlain Housing Trust
- Strengths and Weaknesses
  - Burden is sensitive to market characteristics
  - IH units managed by Champlain Trust (i.e. not administrative cost to City)
Denver

- City 600,000; Colleges – Auraria 45,000, U Denver 11,800
- Program
  - Adopted in 2002
  - Generated 1,150 ownership units
  - Lost 15% to foreclosure (since fixed legal issues)
- Tools
  - 10% Ownership IHO
  - Limited effective incentives available
  - Nominal cash subsidy available
- Strengths and Weaknesses
  - Form-based code has limited the value of bonus density
  - More cost effective to pay CIL
Cambridge, MA

- City 106,000; Colleges – Harvard 28,000, MIT 11,000
- Program
  - Adopted in 1998
  - Generated 450 to 500 units under IHO/IZO structure
  - 2,600 units generated by CAHT funding
- Tools
  - 15% IHO for projects > 10 units
  - IZO = $4.44/sqft for re/development > 30,000 sqft
  - Cambridge Affordable Housing Trust (property tax funding)
- Strengths and Weaknesses
  - Dedicated property tax surcharge funds CAHT
Davis, CA

- City 66,000; College – UC Davis 34,000

- Program
  - Adopted IHO for low income in 1990
  - Adopted IHO for middle income in 2006 (suspended 2009)
  - Generated 2,000+ units built thru IHO for low income

- Tools
  - 25% low-income for projects > 5 units
  - 10% to 20% middle-income for projects > 26 units

- Strengths and Weaknesses
  - Created substantial inventory over 25 years
Seattle, WA

- City – 635,000, Colleges – U of Wash 50,000, Seattle 6,300
- Program
  - Adopted IZO in 2001 applied to commercial
  - Expanded IZO in 2006 to residential
  - Funded 10,000+ affordable housing units with housing levy
- Tools
  - Applies to downtown and urban centers
  - Development receives add’l height
  - Housing Levy since 1981 (voter approved 5 times)
    - Recent ballot 2009 approved property tax mill of 0.17 for 7 years to fund $145M in affordable housing
- Strengths and Weaknesses
  - Incentive zone districts inconsistent – results in unintended development consequences
  - Tremendous success with voter-approved housing levy
Aspen/Pitkin County

• Program
  – Began in 1974
  – Aspen/Pitkin County Housing Authority created in 1982

• Tools
  – IHO – 30 percent total floor area
  – Commercial linkage – 60% of new employees
  – 0.4% dedicated sales tax
  – 1% RETT – Aspen only

• Strengths and Weaknesses
  – Most comprehensive program
  – Benefits from additional funding sources
  – Challenge finding sites and getting projects entitled
Additional Issues

- **Telluride v. Lot 34 Ventures – and HB 1017**
  - Colorado Supreme Court holds that affordable housing that includes a duty to provide affordable rental units are unconstitutional as a form of rent control
    
    Even though Telluride’s ordinance gave the developer other options to contribute to affordable housing

- **HB 1017**
  - Clarifies that the case applies to private housing units (not those owned by a “housing authority or similar entity”), allows voluntary city/developer agreements to control rents, and prohibits cities from denying development applications if developers don’t enter into an agreement to control rents.
Additional Issues

• **Koontz v. St. John’s Water District**
  
  – U.S. Supreme Court holds that
    
    ➢ Prohibition on cities’ attaching unconstitutional conditions to a development approval also applies when the application is ultimately denied – i.e. cities’ cannot attempt to attach unconstitutional conditions
    
    ➢ Requirements that required land dedications have a reasonable nexus to the impacts of development and be roughly proportional to the impacts of the development also apply to money exactions
      
      – But applicability to formula-based (i.e. non-negotiated) fees is still unclear.