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.)	Community Workforce (e.g. Teachers, Fireman, Police, etc.)
50 to 80% AMI Income......................$26,700 to $42,700 Target Rent.........$670 to $1,040/month	80% to 100% AMI Income..........................$42,700 to $53,400 Target Home Price......$146,200 to $190,600
Rental	**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.