



Affordable Housing Overview & Inclusionary Housing Training

Joint Study Session

Planning Board, Housing Advisory Board, HHS Technical Review Group

January 31, 2023

Agenda

- Introductions
- Background
- Inclusionary Housing Program basics
- Next steps
- Summary of possible updates
- Questions



Boards & Introductions

- Planning Board
 - 7 members appointed by council
- Housing Advisory Board
 - 7 members appointed by council
- Affordable Housing Technical Review Group
 - 7 members appointed by city manager
- Introductions
 - Name
 - Board
 - Profession

Council Priorities 2022-2023

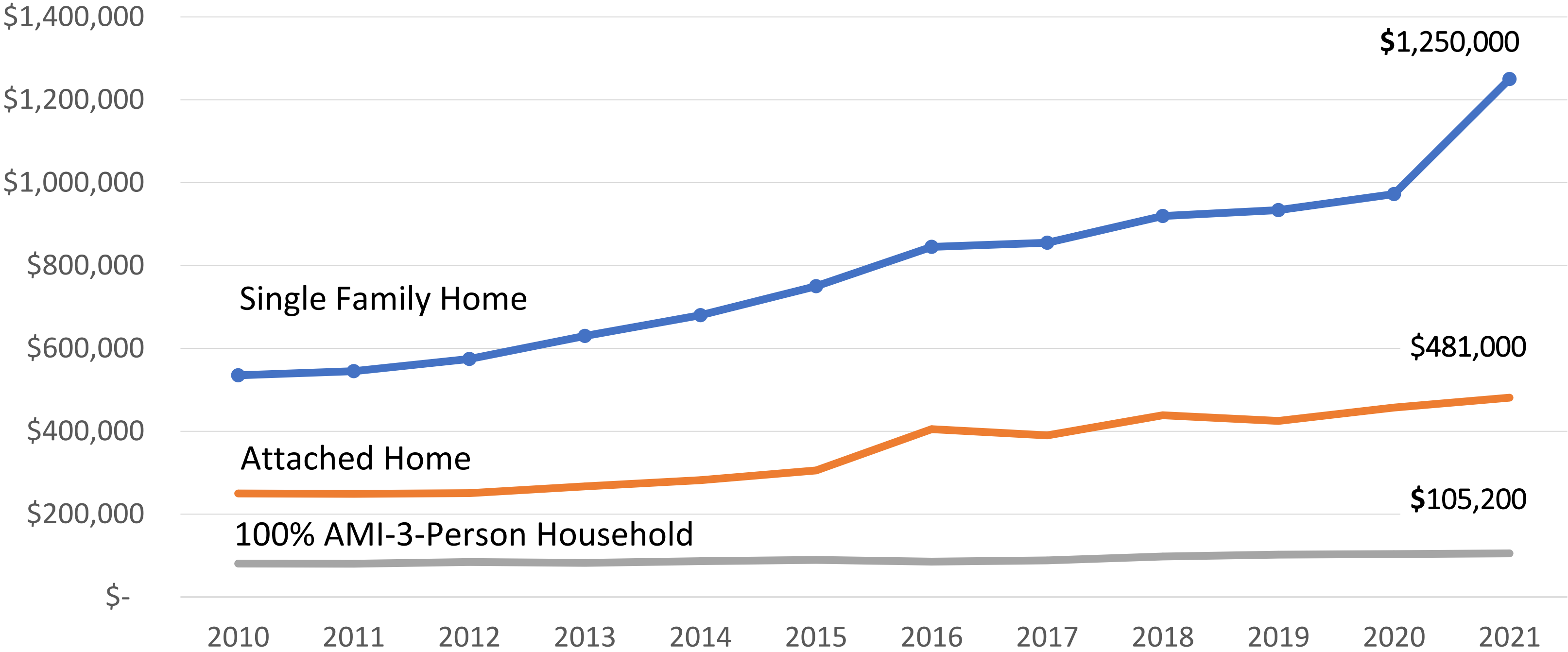
1. Inclusionary Housing

- ❖ Consider an ordinance to revise existing inclusionary housing code to focus specifically on increasing middle-income units

2. Down-payment Assistance

- ❖ Launch middle-income down payment assistance pilot

Boulder Home Sales and 100% AMI for a 3-Person Household



Timeline of Affordable Housing Efforts

- Moderate-income housing annexation strategy
- City starts receiving CDBG funds
- Growth management plan

- Housing excise tax
- Community Housing Assistance Program
- HOME funds
- First Home Program
- Co-op Ordinance
- Comprehensive Housing Strategy
- Housing goals in BVCP

- Inclusionary Housing (IH) Ordinance
- Comprehensive Housing Strategy
- Affordable housing linkage fees
- Short-term home rental regs
- Housing Boulder Toolkit
- Middle Income Housing Strategy
- Affordable Housing Preservation Ordinance
- Manufactured Housing Strategy and Action Plan

1960s

1970s

1980s

1990s

2000s

2010s

2020s

- Housing Authority of the City of Boulder (dba Boulder Housing Partners) established

- Attempt at rent control (leads to statewide ban)
- ADU Ordinance
- Residential Growth Management System
- Moderate Income Housing Program
- Mobile Home zoning adopted

- Asset Management Program
- Inclusionary Zoning adopted
- Regional HOME Consortium and Boulder County Homeownership Consortium
- Affordable Housing Program Review

- Eviction prevention services

Leading by Example

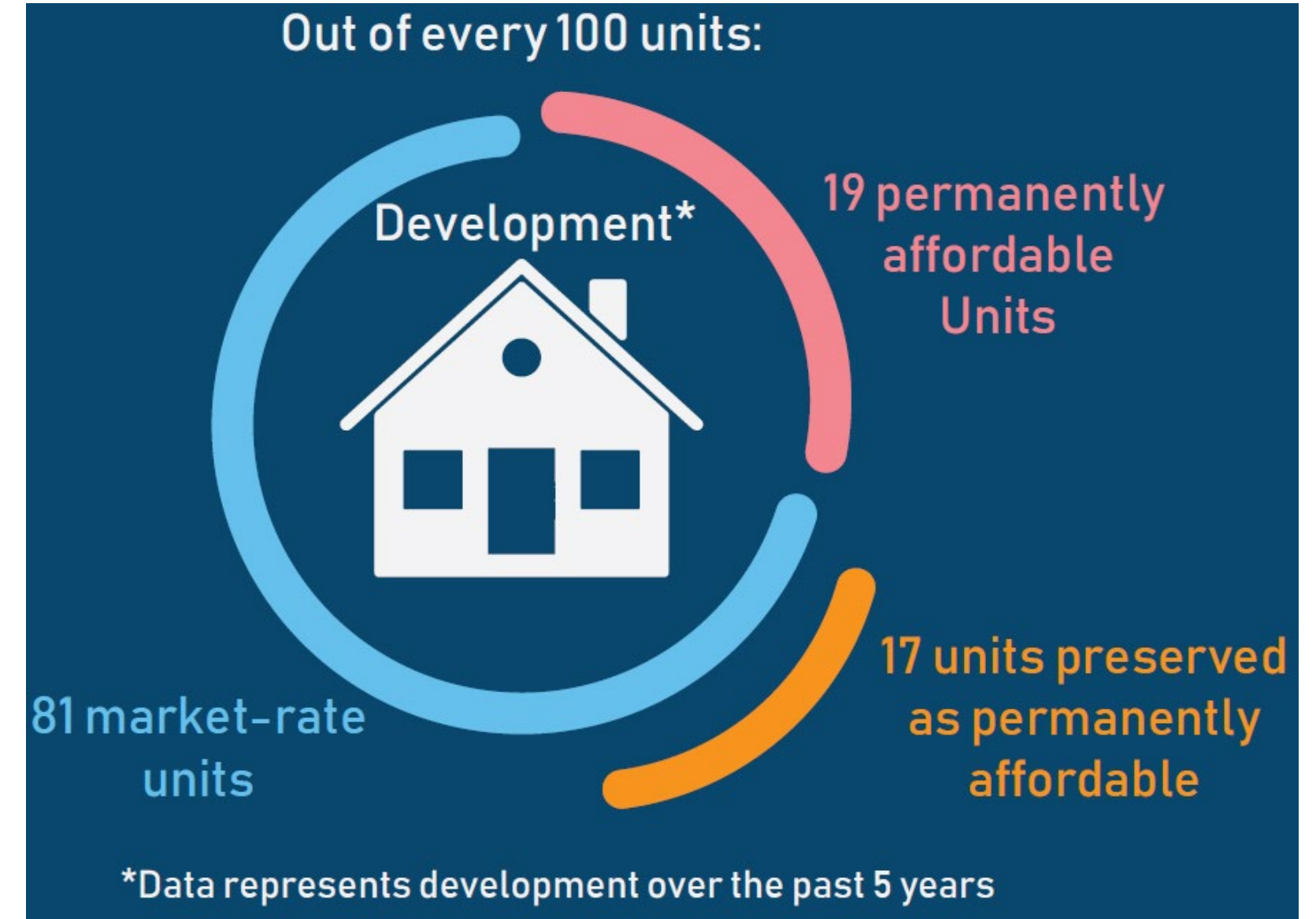
- Boulder's affordable housing program is one of the largest and most successful in the country
- Communities throughout Colorado are now adopting Inclusionary Housing programs

3,815

Total # of Permanently Affordable Homes

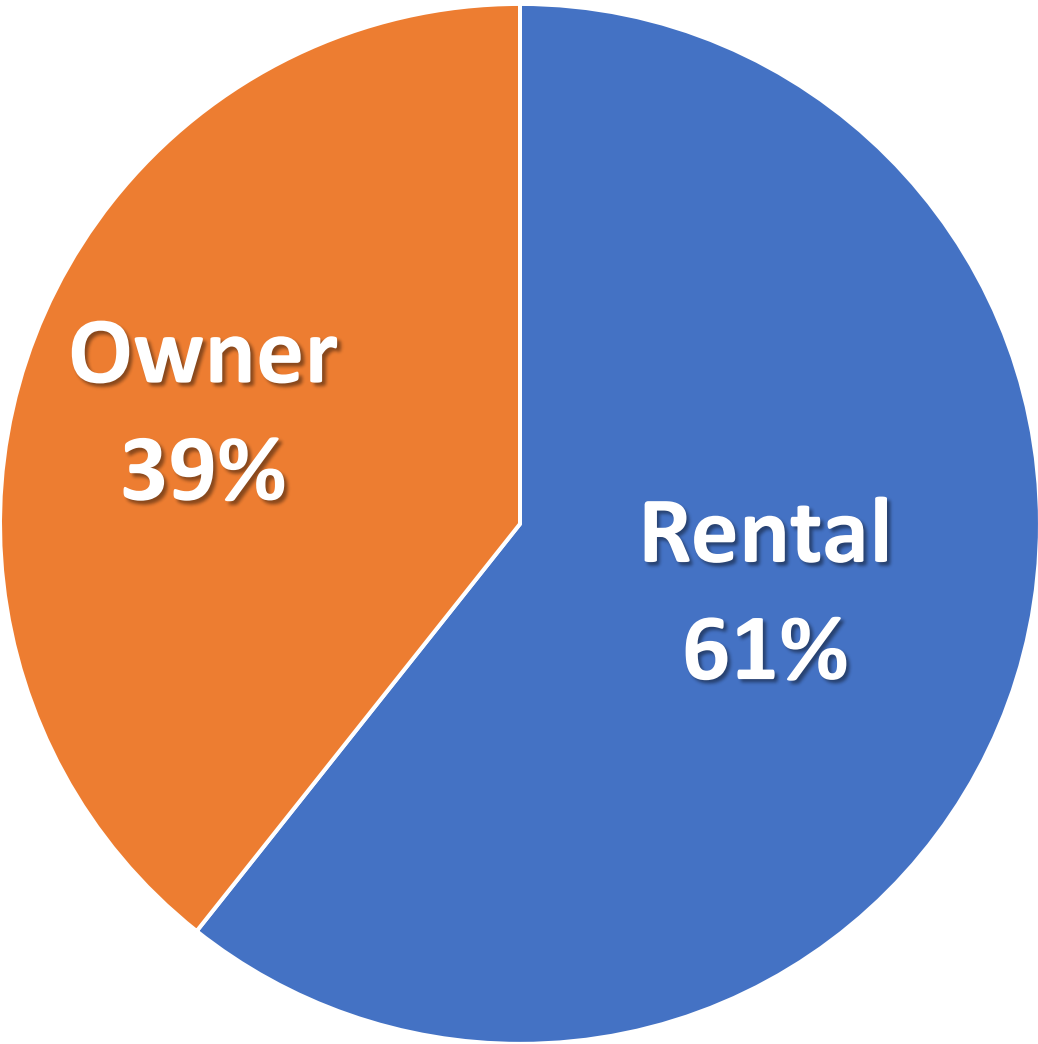
8.1%

% Permanently Affordable

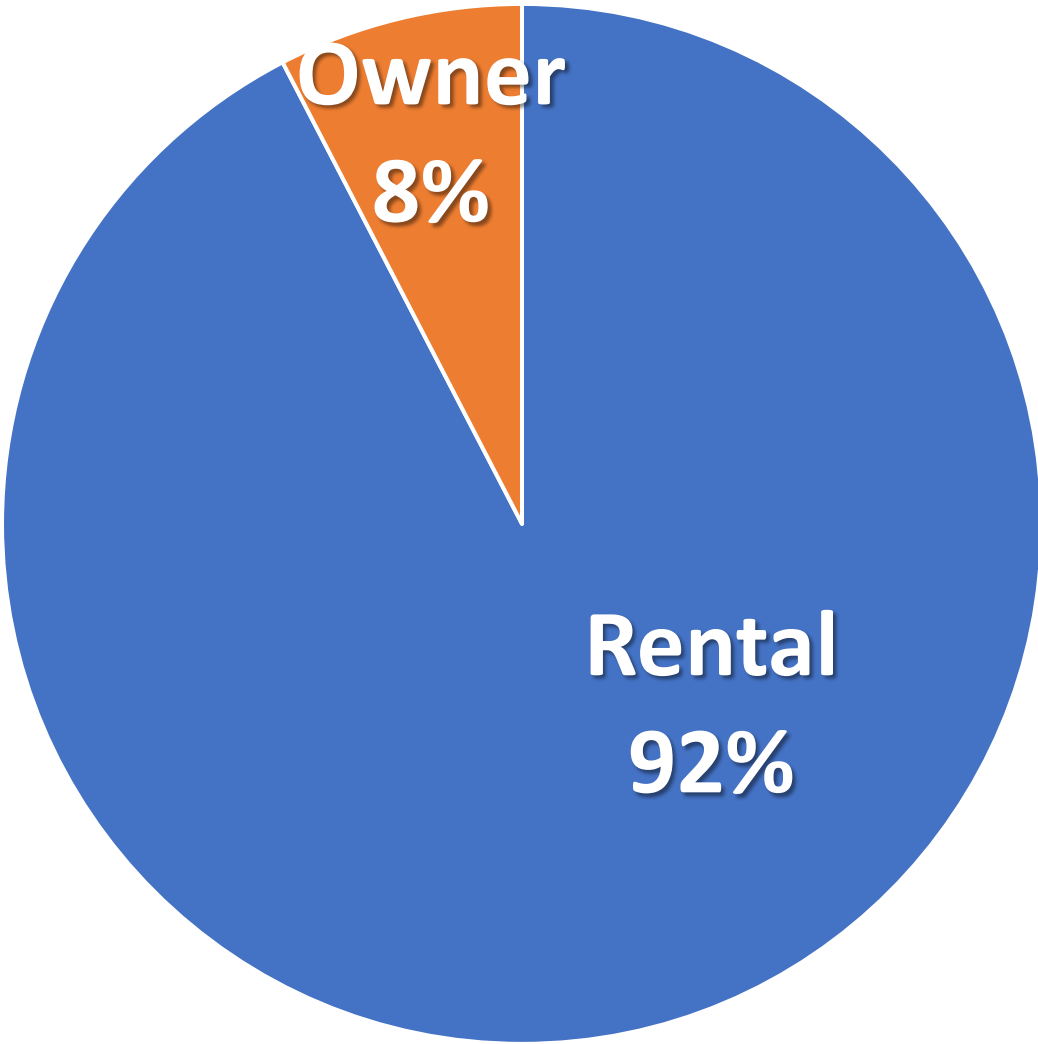


Permanently Affordable Homes Added by Tenure

2000-2012

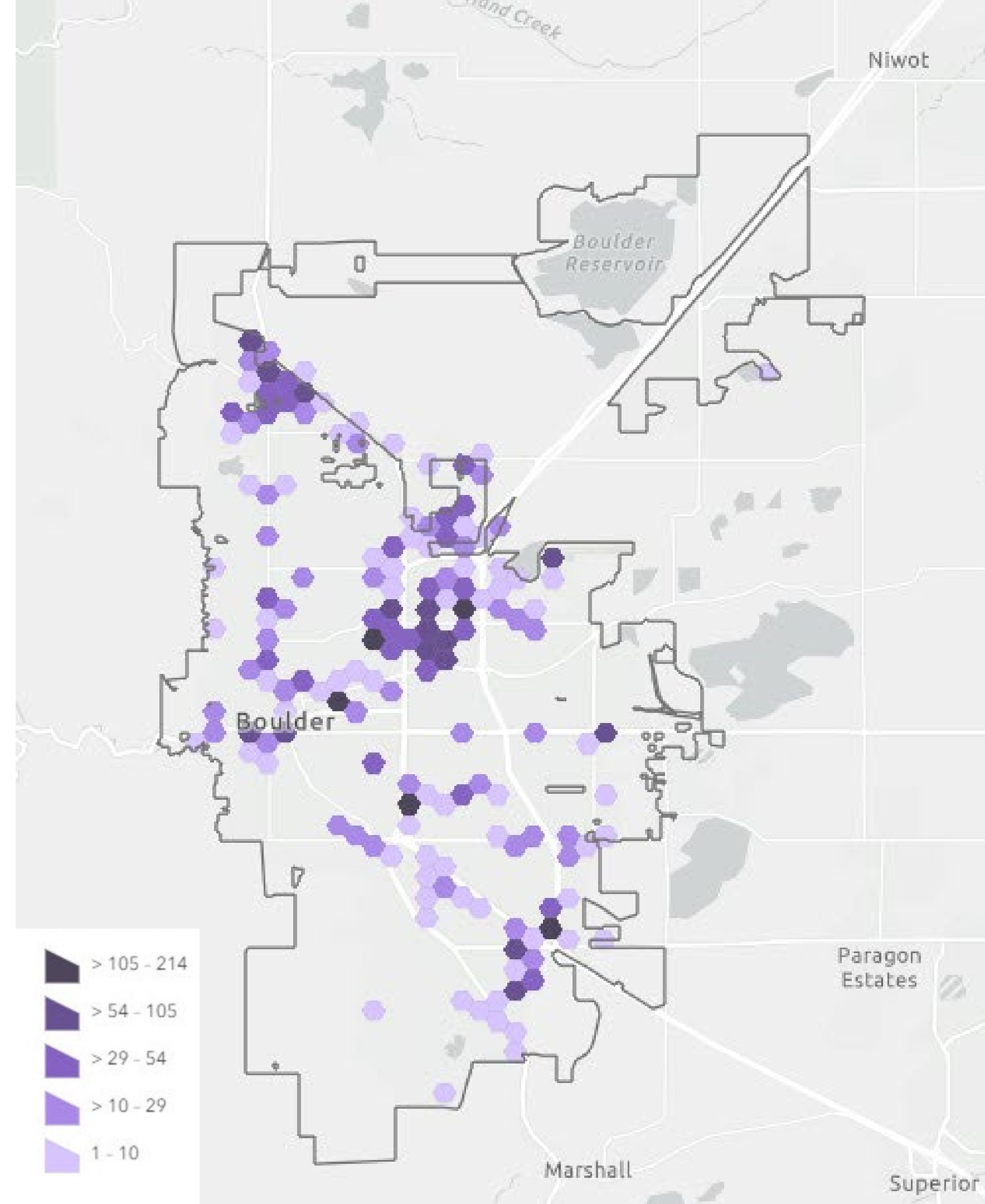


2013-2021

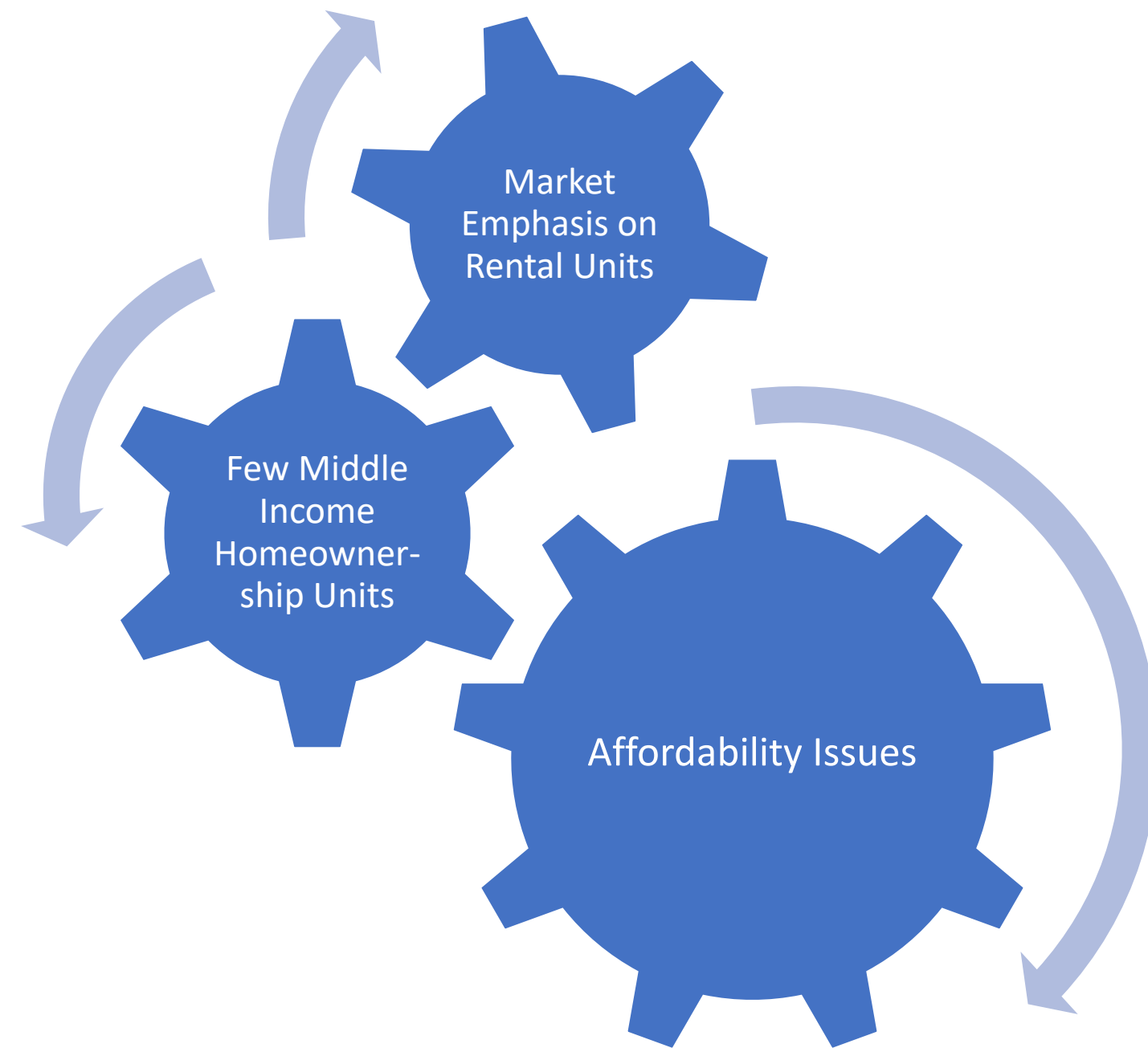


Local Funding Outcomes

- Local dollars are leveraged with outside sources to produce more affordable housing
- Creates housing for a range of household incomes from very low to middle income
- Preservation – used to purchase existing housing which is deed restricted to be affordable



Challenges



- Home prices increasing at a far greater rate than area median income
- Housing market has been slow to recover from 2009 housing crisis
- New challenges to affordability with high inflation and rising interest rates

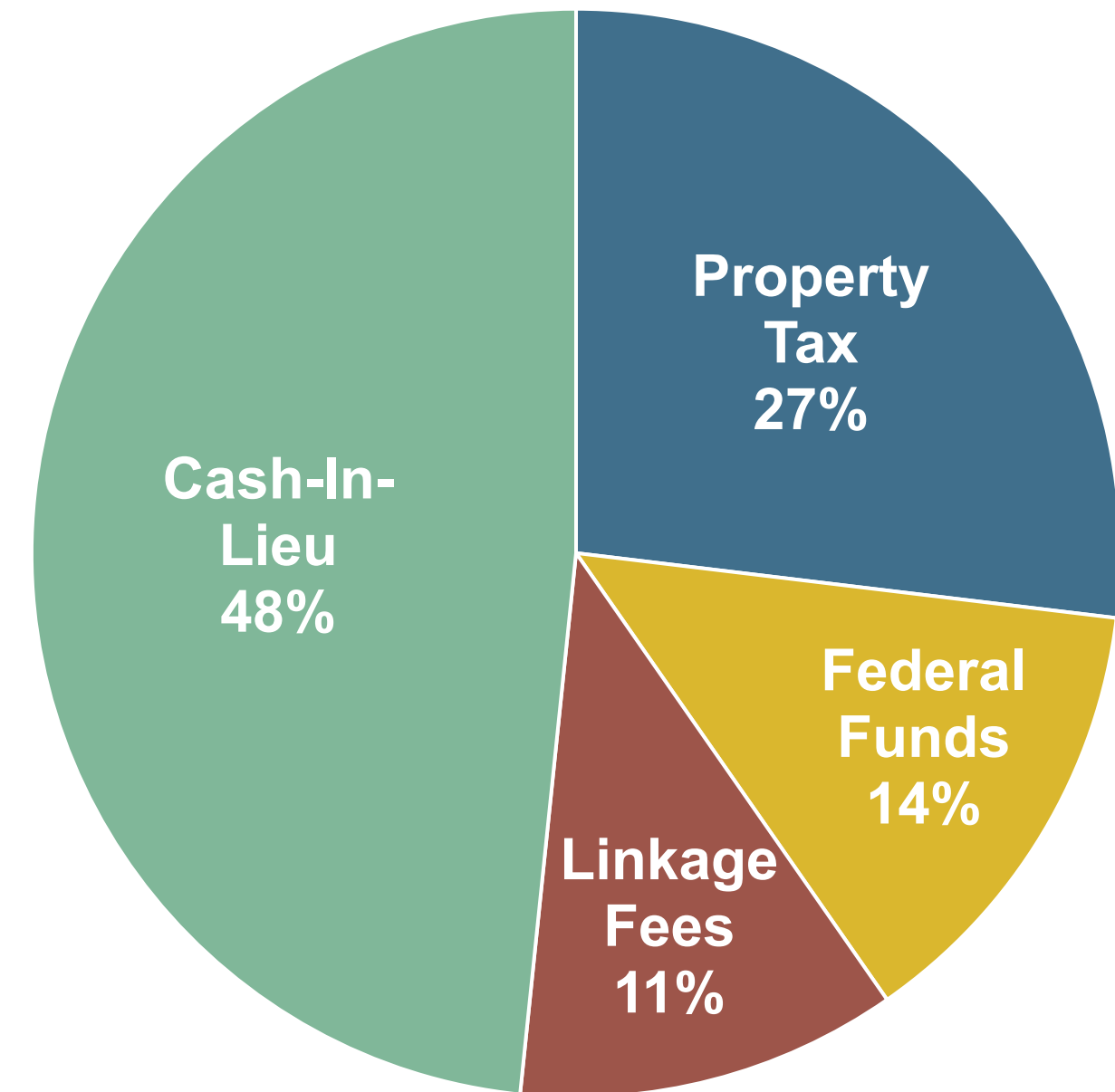
Definitions

- **Affordable (“Attainable”) Housing**
 - Households pay no more than 28 -30% of income on housing
- **Permanently Affordable Housing**
 - Deed restriction for affordability in perpetuity
- **Area Median Income (AMI)**
 - Determined by HUD for the Boulder MSA
 - Half of households make less than 100% AMI and half make more
 - 2022 AMI = \$125,400 for a household of 3
- **HUD low-income limit**
 - Determined annually
 - Households below this limit may not be able to afford basic needs
 - 2022 HUD low-income AMI = 71.7 % AMI
 - 2022 HUD low-income limit = \$81,000 for a household of 3
= \$63,000 for a household of 1

Affordable Housing Tools

- Tool #1: Annexation
- Tool #2: Inclusionary Housing
- Tool #3: Local Funding

Funding Sources, 2015-2021

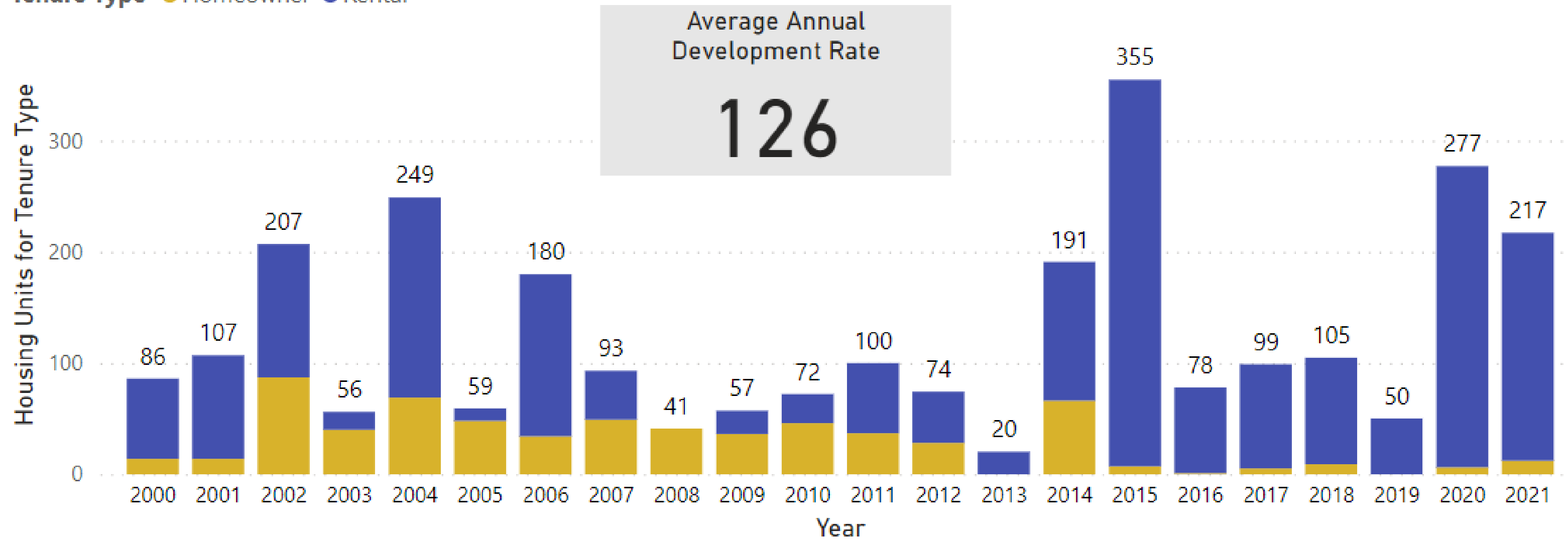


\$85 million

Outcome of Three Tools

Number of Permanently Affordable Homes Added per Year and Tenure Type (since 2000)

Tenure Type ● Homeowner ● Rental



IH Basics

Requires that all new developments, regardless of size, contribute a percentage of new housing as permanently affordable

25% for 5 or more units

20% for 4 or fewer units

Options:

On-site

Off-site

Dedicate Land

Cash-in-lieu

Developers choose which option works best for their project



For-sale Requirement

Half of the required affordable units should be provided on-site

If they are not, cash-in-lieu increased by 50%

Typically satisfied with all CIL



Rental Requirement

All required affordable units may be provided through any of the four options

Typically satisfied with all CIL or all on-site

IH Basics

TYPE

Affordable units are expected to be the same type as the market units; **single family, townhome, apartment**

TIMING

On-site affordable units - **constructed concurrent with the market units.**

Off-site affordable units – **constructed within 1 year**



Livability Standards

All affordable units must meet the city livability standards for:

- Kitchen cabinets, appliances
- Minimum room size
- Storage



Unit size requirements

Studios – equal or 600 sq ft

1-bedroom – equal or 700 sq ft

2-bedroom – 80% up to 1,200 sq ft

3-bedroom or greater

- Low mod 80% up to 1,400 sq ft
- Middle 80% up to 1,600 sq ft

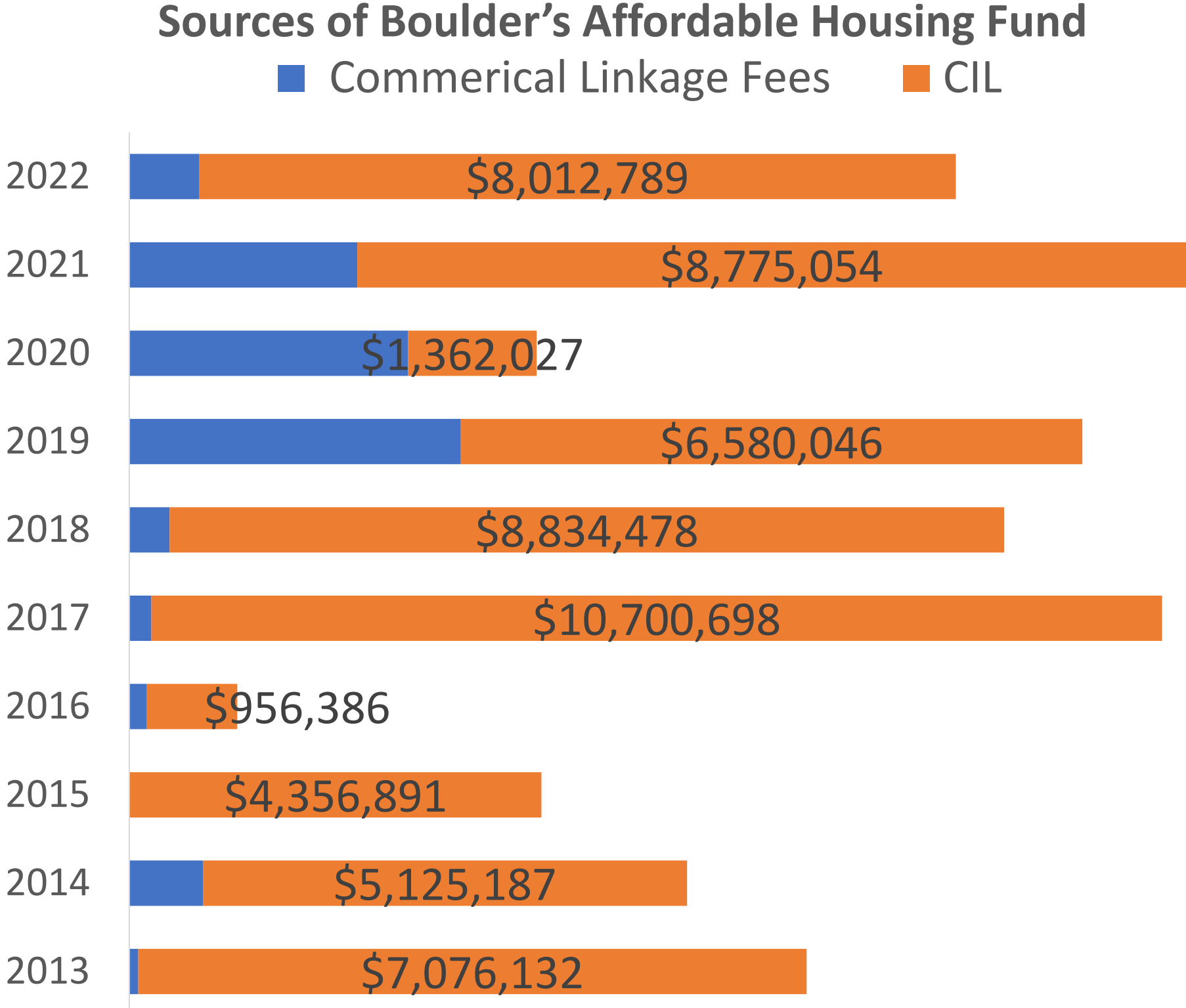
IH Outcomes

Between 2013 and 2022, **192** developments were subject to IH

Key Indicator	Size	Outcome
Cash-in-Lieu Contributions	Most of all small, medium, and large	<ul style="list-style-type: none">• \$63.8 million to the city's Affordable Housing Fund
On-Site/Off-Site Units or Land	Medium and large	<ul style="list-style-type: none">• 3-Affordable Ownership Projects• 4-Affordable Rental Projects

Cash-in-lieu – the “workhorse”

- A cash-in-lieu contribution is the most common way IH requirements are satisfied



Bottom Line

Inclusionary Housing produces:

- ✓ Few affordable units directly
- ✓ Significant community benefit - units through cash-in-lieu contributions



Timing

The Inclusionary Program allows a developer to change their option to meet IH up until the time of building permit submittal

WHY?

Financing finalized AFTER entitlements

- Developers don't know if they can provide affordable units until after the entitlements are approved and they know the final approved design & cost of the project
- Decision makers need to be comfortable with the proposed development with or without affordable units on-site

Elephant

Why does the city IH program allow developments to pay cash-In-lieu?

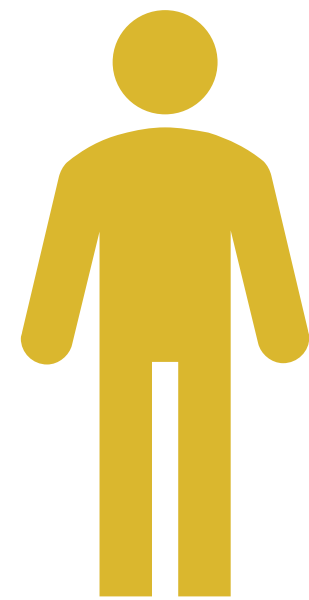
- CIL Provides Significant Community Benefit
- CIL ensures developments can go forward when affordable units are not viable
- Leveraging – CIL results in 3-4 affordable units for every on-site unit
- Results in a wide variety of housing including transitional & senior
- Critical for maintaining the existing affordable housing stock
- Deed restrictions can complicate financing, lending, insurance, equity partners
- Rental - State Rent Control Statute requires options for rental projects

COB Affordable Programs

Tool	AMI served	Income	Product
Funding - BHP	0 - 40%	Very Low Income	Rental / Beds
Funding - BHP	50 - 60%	Low Income	Rental
IH	60 - 80%	Low Income	Rental
IH - low/md	71%	HUD low Income limit	For-sale
IH	80 - 120%	Middle Income	For-sale

Rental Income: 60% AMI (2022-23)

Rental



1-Person Household
Earning

•\$52,680

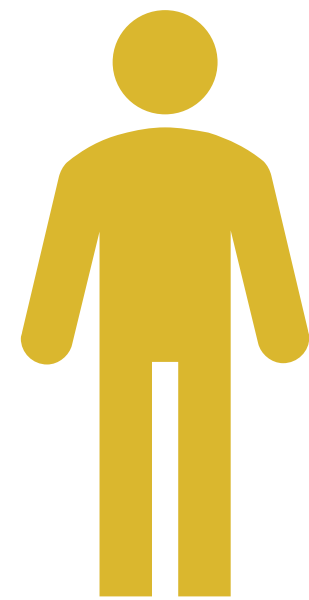
3-Person Household
Earnings

•\$67,740



Low/Mod Income: HUD Low = 71% AMI (2022-23)

For-sale



1-Person Household
Earning

•\$63,000

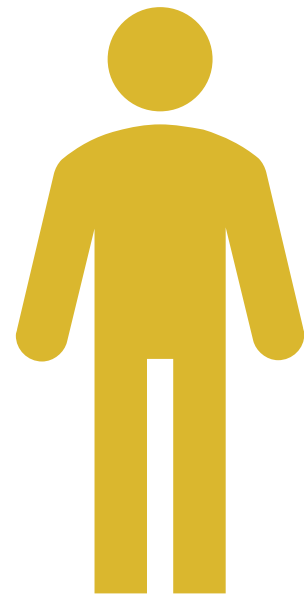
3-Person Household
Earnings

•\$81,000



Middle Income: 80% to 120% AMI (2022-23)

For-sale



1-Person Household
Earnings

• \$70,240-\$105,360

3-Person Household
Earnings

• \$90,320-\$135,480



Affordable Home Ownership

For many, the only opportunity to own a home in Boulder



- Ensures the home will remain affordable over time
- Limited appreciation, averages 2%
 - Builds enough equity to purchase a market home in the future
 - Owner protected from down markets
- Stability
 - Fixed housing cost (no rent increases)
 - Kids stay in same school
- Pride of ownership
- Increased public participation – people participate where they live

For-sale

80% priced for low/moderate income

Hud Low income 2023 – 71.7 % AMI (HUD low income)

20% priced for middle income

80- 120% AMI

Condominiums

- Sold to individual owners
- Integrated throughout
- Same quality construction
- Shared amenities
- HOA fees can be high



On-site Incentives

For-sale only

Base IH pricing for any **for-sale** permanently affordable units provided on or off-site

80% of units low/moderate

20% of units middle income



Small Developments <20 Units
All permanently affordable units may have middle income prices



Reduction in Cash-in-lieu
Half or more provided on-site the remaining cash-in-lieu reduced by half



Increase Middle Income Pricing
75% or more provided on-site pricing adjusted to 50/50% low/mod & MI

Rent Control in CO

1981 -2021

- State law banned rent control
- Only option a public private partnership
- No developers interested
- All rental development paid CIL

2021 - Present

- State law amended
- No public/private partnership required
- ✓ At least one other option available to a rental developer
- ✓ Local gov't enact laws to increase density and availability of housing

Rental

80% rents for 60% AMI

20% priced for 80% AMI

*LIHTC's for 60% or lower

No incentives



Apartments

- Integrated w/ market units

Shared amenities,
construction quality =
market units

Same owner/management

- Separate
lots/projects/ownership

Shared amenities are
complicated

Quality not ensured

Separately owned/managed

2022 - 23 Rent Table

Adjusted Annually

		ALL Units – Detached, Attached, Townhome				
Number of Bedrooms	0 & 1 BR	0 BR	1 BR	2 BR	3 BR	4 BR
Size	<475 sq ft	≥ 475 sq ft	≥ 475 sq ft			
50% AMI	\$1,097	\$1,097	\$1,176	\$1,411	\$1,630	\$1,818
IH – 60% AMI	\$1,185	\$1,317	\$1,411	\$1,693	\$1,956	\$2,182
IH – 80% AMI	\$1,317	\$1,756	\$1,882	\$2,258	\$2,609	\$2,910
Examples of new construction market rents						
Development #1		\$2213	\$2256	\$2935	\$4998	
Development #2		\$2344	\$2897	\$4909		
Development #3	\$1890	\$2200	\$2700	\$3000	\$4100	

On-Site Analysis

On-Site Examples	Integration	Construction Timing	On-Site Amenities	Design/Finishes
For-sale <i>Landmark Lofts</i> <i>Peloton</i>	Dispersed	Concurrent to market	Shared thru HOA	Equal to Market
Rentals <i>Weathervane</i> <i>Spine Road</i>	Dispersed or Aggregated	Concurrent to market	Shared	Equal to Market or Separate Project
Land <i>Diagonal Plaza</i>	Aggregated Rental	Concurrency not required	Not shared	BHP
Annexation <i>Diagonal Crossing</i>	Dispersed or Aggregated	Concurrency not required	Not shared	Separate Project

Off-Site Analysis

Off-Site <i>Examples</i>	Integration	Construction Timing	On-Site Amenities	Design/Finishes
For-sale <i>True Corners</i> <i>Single Family Homes</i>	Dispersed or Aggregated	One year from market project (financial guarantee required)	Not required	Separate Project or Rehab to city specs
Rentals <i>Ledges</i> <i>Lumine</i> <i>Westview</i>	Aggregated	One year from market project (financial guarantee required)	Not required	Separate Project
Land <i>Mt. Calvary</i>	Aggregated	Concurrency not required	Not required	Determined by BHP

Cash-in-lieu

- Two categories
 - Developments with 5 or more units
 - Developments with 4 or fewer units
- Three types
 - Single family
 - Townhome & 2-8 units
 - Large attached



Determined based on the gap between market and affordable prices



Does not differentiate between for-sale & rental units



Amount based on average floor area of all units

Applied on a sliding scale from 500 – 1,200 sq. ft.

CIU updated annually on July 1

Cash-in-lieu

- Combined with other funding sources
- Funds are competitively distributed to affordable housing providers
- Funding requests exceed available funds
- Local dollars leverage 2-3 dollars of outside money



New construction of affordable housing



Preservation – acquisition and rehabilitation of existing housing



Land banking for future affordable housing projects

Demo/rebuild

- Demo 4 or fewer units - IH waived for the new replacement homes
- Primarily applies to single family homes
- A new home on an empty lot; not replacing a demo'ed home cannot qualify for a waiver



Not equitable



Smaller more affordable homes replaced with much larger more expensive homes



Option – require IH for additional sq. ft.

IH Web Page

- ▶ bouldercolorado.gov/services/inclusionary-housing
 - ▶ Council Priorities
 - ▶ Unit & CIL calculator on-line
 - ▶ Link to B.R.C
 - ▶ Link to IH Admin. Regs
 - ▶ CIL worksheet
 - ▶ Affordable prices & rents
 - ▶ Process summaries
 - ▶ Forms

2023 IH Update

Consultant – Kyser
Marsten & Associates



Best Practices

Feasibility

Recommend Program Updates
to meet Council Goals

Council Direction:

Explore IH Strategies
to Increase Middle
Income Housing

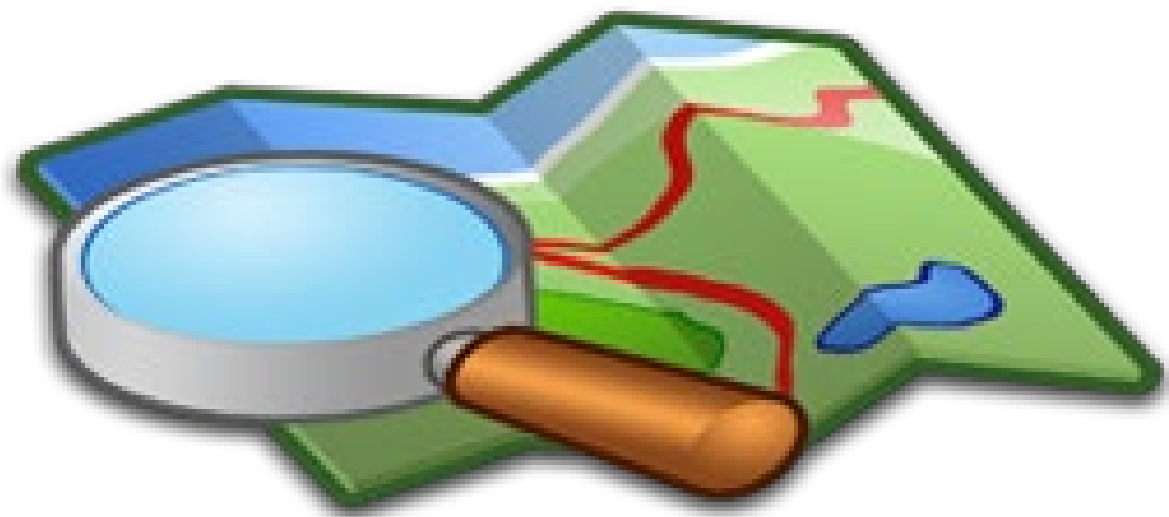
*Primarily through
Increased Funding

Strengthen incentives
for on-site/for-sale middle
income

Cash-in-lieu for larger homes
>1,200 sq. ft.

Establish cash-in-lieu for
demolitions/replacement

Improve Efficiency and Outcomes



1

Modify IH rents to serve a wider income range

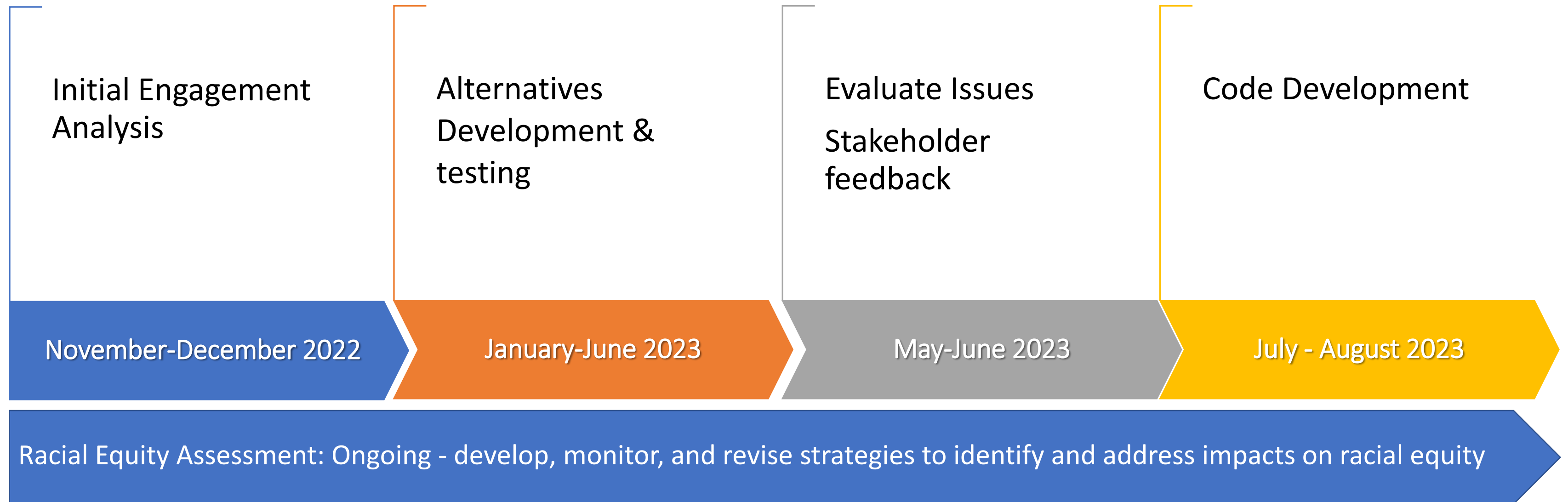
2

Adjust cash-in-lieu methodology for best practice

3

Other minor program updates to reflect current conditions

Proposed Project Schedule and Community Engagement Approach



Levels of Engagement

2023

Inform

- **January** - IH 101 for Planning Board, Housing Advisory Board, Technical Review Group.
- **Spring** - World Café – inform public of council priority work related to housing; occupancy, Inclusionary Housing, middle income down payment assistance, zoning for affordable housing, Boulder Junction phase II, etc.

Consult

- **June - July** - Request feedback on proposed ideas: Boulder Housing Partners, Technical Review Group, Housing Advisory Board, Planning Board, and Public
- **August** - 1st Reading to City Council and City Council Public Hearing

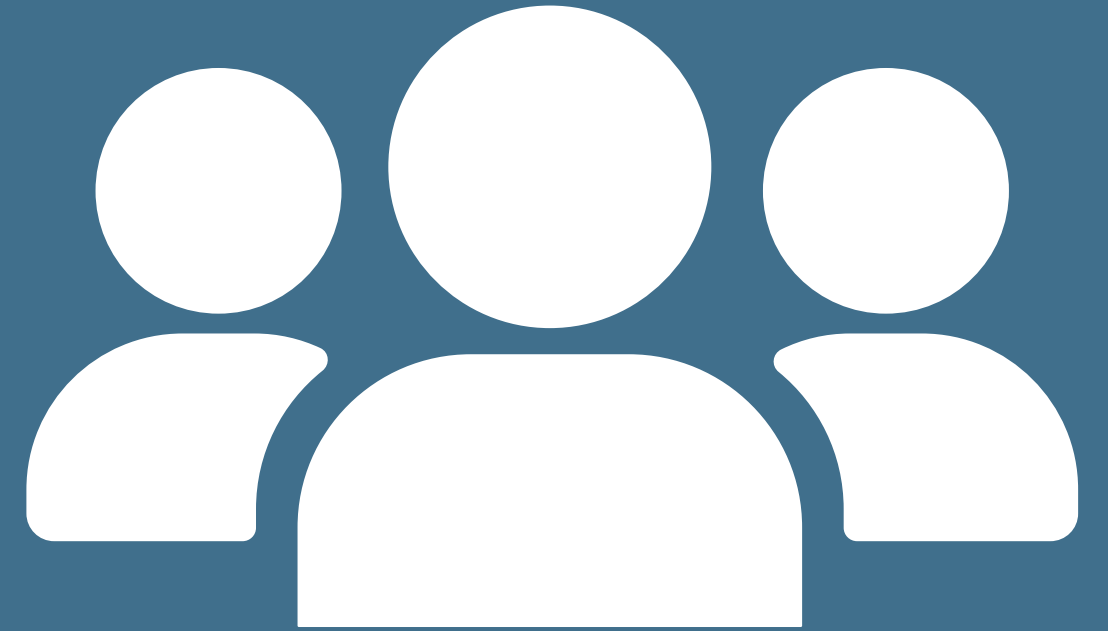
IH update approvals schedule

3rd Qtr - Code updates to Planning Board for recommendation

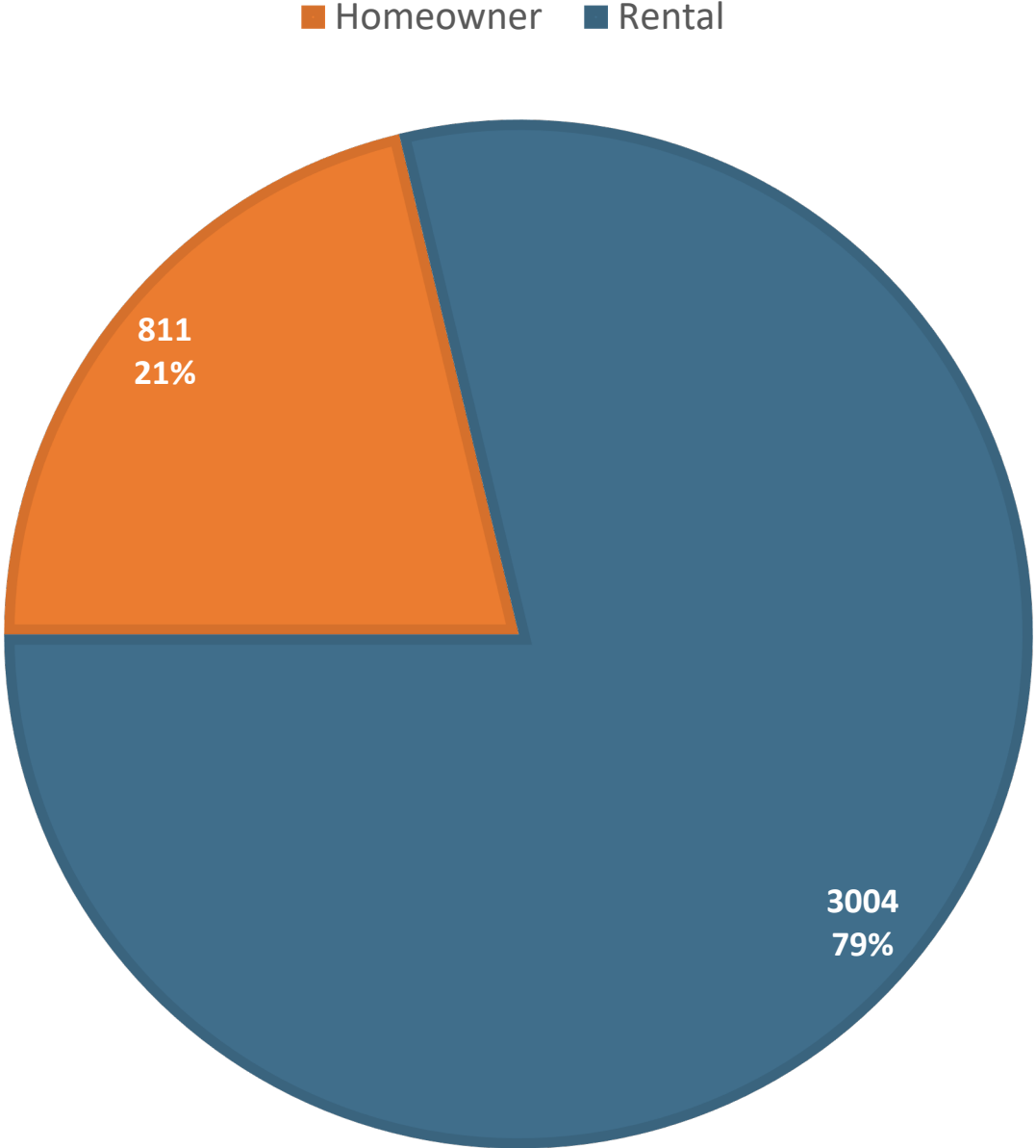
3rd Qtr - Code updates to council for adoption

4th Qtr - Update Administrative Regulations; new code goes into effect

Questions?



Rental vs. Homeowner Units



Cash-in-lieu Example

- 200 apartments/condos
- Average floor area of all units = 820 sq. ft.
- 2022-23 Cash-in-lieu for each required affordable unit = \$162,273



25% requirement = 50 affordable units



$50 \times 162,273 = \$8,113,650$



For condos, CIL is reduced by 50% if half of the required affordable units are provided on-site

Where Does the Money Go?

- **New Construction**

- Housing Authority – Mount Calvary, Rally Sport, Hi Mar
- Other non-profits – 1440 Pine, Grace Commons
- Private affordable providers – S’PARK West, Trinity

- **Preservation**

- Acquisition & rehabilitation – Tantra, The Nest

- **Programs**

- Homebuyer and homeownership education
- Residential rehab
- Foreclosure prevention

- **Land Banking** – Palo Park, 30th & Pearl