

CITY OF BOULDER
AFFORDABLE HOUSING REPORT
FEBRUARY 2008



Looking back, planning ahead

I. Executive Summary

In 2000, City Council accepted the recommendations of the Housing Implementation and Funding Task Force (HIFTF) as a blueprint for the city's policies and funding allocations towards the development of affordable housing.

In partnership with non-profit organizations and housing developers, more than 1,000 permanently affordable housing units have been added to the city's inventory during the past seven years. These include shelter facilities for the homeless, housing for people with special needs, rental housing and homes for purchase. As a result of city funding and/or policy, it is anticipated that at least two hundred additional affordable homes will come on-line during 2008 – 2009 through acquisitions or new construction.

The affordable housing goals and strategies were evaluated in 2005 – 2006 as part of the development of the Housing and Human Services Master Plan (HSMP) and the Boulder County/Broomfield HOME Consolidated Plan. The HSMP recommended that the city continue to pursue the established housing goals and the policies approved by Council to accomplish the goal.

Strong community interest in affordable housing and the programs administered by the city continues. The local chapter of the League of Women Voters recently published a report titled "An Inconvenient Housing Truth" about the status of affordable housing in the community. Boulder Tomorrow and the Boulder Area Realtors Association commissioned the University of Colorado, Leeds School of Business to evaluate Boulder's affordable housing policies and programs. Other organizations, such as Plan Boulder, have established sub-committees to study the issue.

Last October, the Department of Housing and Human Services initiated a process to review progress on the affordable housing goals and to evaluate the current policies, programs and priorities.

The process has been divided into two major phases: (1) analysis and development of options and (2); recommendation development. It is anticipated that options and recommendations regarding program modifications will be presented to City Council for consideration by fall 2008.

With this report, the Department of Housing and Human Services takes the first step of the process. In addition to summarizing the city's progress towards meeting its affordable goals since 2000, the report reviews the city's current housing program, presents a demographic profile of the community, provides information on the city's current market, and presents an overview of the Inclusionary Zoning program. Other affordable housing related accomplishments are also included in the report.

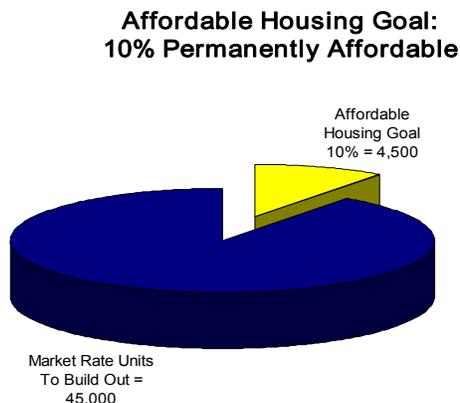
II. The Affordable Housing Goal

The Task Force evaluation in 2000 indicated that over 30% of Boulder's households – both renters and owners - faced housing affordability challenges. It also found that high housing costs are an obstacle to many people who live outside of the city and commute to Boulder for work. In order to stimulate progress toward this challenge, the Task Force recommended that the city strive to:

"increase the proportion of permanently affordable units to an overall goal of at least 10 percent of the total housing stock in ten years... ."

While it was clear that this would not fully address the community's housing needs, it was also recognized as a meaningful goal that had potential to be accomplished. Fulfillment of this aggressive goal required passage of the affordable housing ballot measure. The ballot measure was not approved by voters in 2000.

When the ten year time frame was discussed in 2000, Boulder’s housing inventory was projected to be 45,000 units by 2011, which resulted in 4,500 permanently affordable units necessary to meet the 10% goal.



Progress on the Goal

Today, there are approximately 2,800 affordable units. An additional 1,700 affordable units are still needed to meet the goal.

More than 1,000 units have been added since the year 2000, with just fewer than 1,800 produced in the three prior decades (1970 – 1999). The 2,800 units represent more than \$420M in real estate that will continue to provide community benefit for future generations. Currently, this affordable housing stock enables over 5,000 people to be part of the community who might otherwise be unable to reside in Boulder.

Affordable Housing Priorities

Income groups

The Task Force and City Council established the following targets regarding income levels to be served by affordable housing to be added subsequent to 2000:

14% to households below 30% Area Median Income¹ (AMI)

48% to households between 30 – 60% AMI

38% to households between 60 – 80% AMI

¹“Area Median Income” is the median household income as adjusted for family size, as determined annually by the U.S. Department of Housing and Urban Development. It is the most widely used benchmark for establishing income.

New Construction vs. Existing Inventory

In recognition that Boulder is a growth managed community, it was acknowledged that the next phase of affordable housing would be secured through a combination of acquisition, rehabilitation and new construction. The guideline that was established by the Task Force and City Council:

45% from new construction

55% from existing inventory

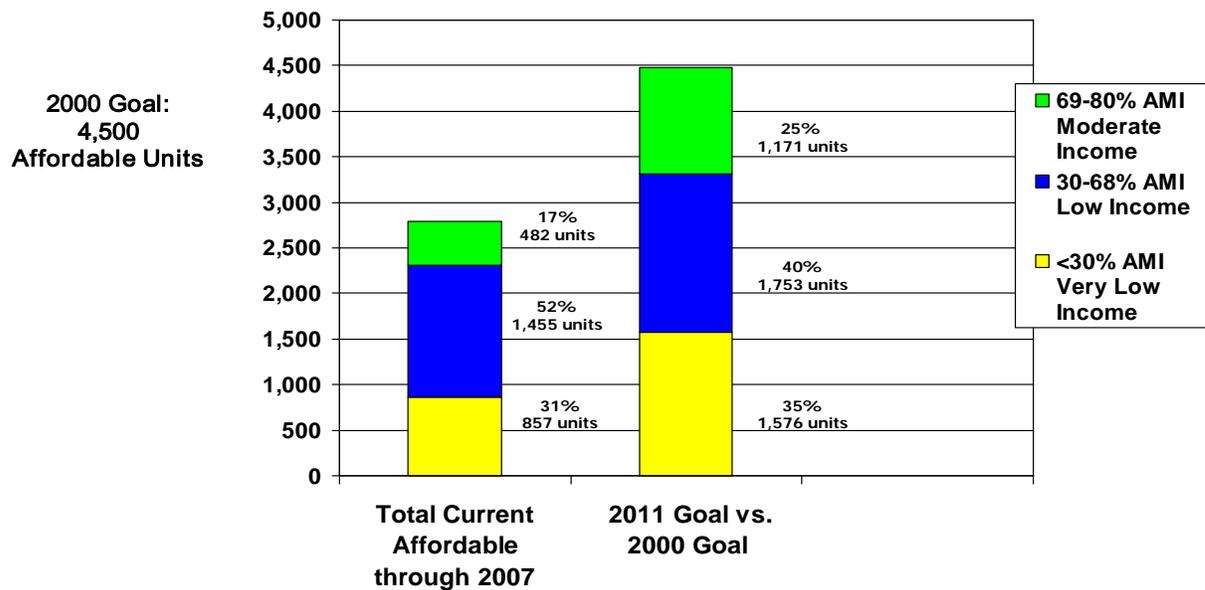
Rental vs. Home Ownership

The Task Force and City Council determined that there was a continued need for special needs housing, rental housing and homeownership. The recommended targets regarding tenure:

61% rental 39% homeownership

Progress by Priority

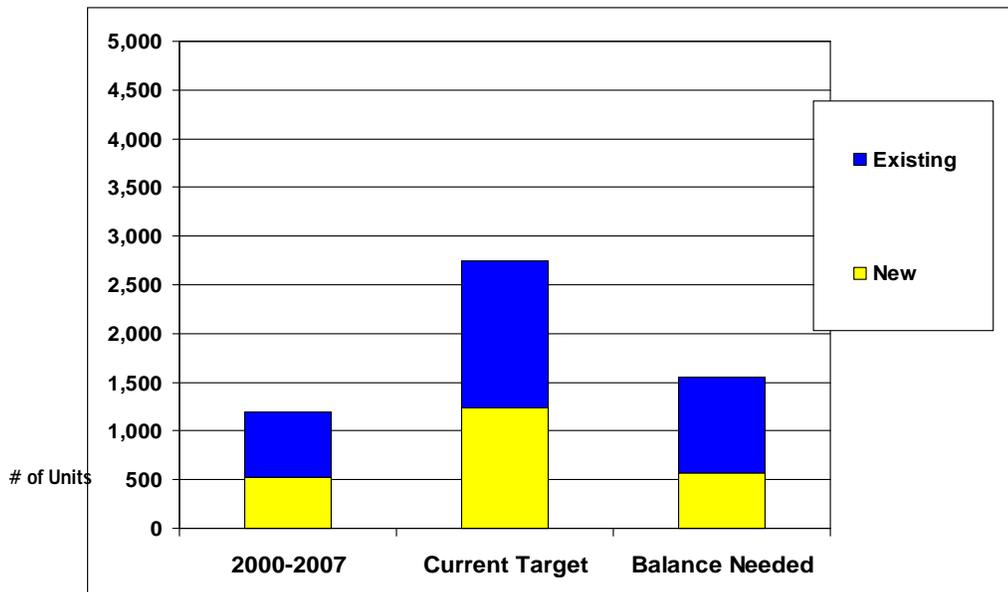
Affordable Unit Progress by Income Distribution



The recommendation for this priority was established through evaluation of community needs and discussion about anticipated opportunities and resources. Factors considered included: Inventory available to households below 30 percent AMI in 2000, the high cost of producing housing targeted to very low income households and anticipated Inclusionary Zoning production.

New Construction Versus Acquisition of Existing Units since 2000

	2000- 2007	Current Target	Balance Needed
Existing Units	530 (44%)	1,510 (55%)	980 (63%)
New Construction	664 (56%)	1,235 (45%)	571 (37%)



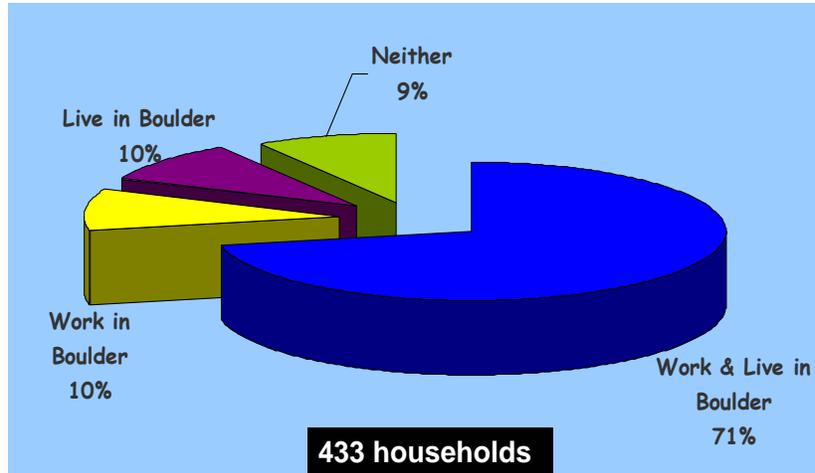
The recommendation: pursue both new construction and acquisition of existing housing and be responsive to the most advantageous market opportunities. The Task Force recognized the importance of preserving the affordability of some existing inventory and agreed that the limited impact of acquisitions on the market was reasonable relative to community benefit.

Factors influencing this recommendation included the greater subsidy required for homeownership vs. rental; value of homeownership as a mechanism to stabilize/strengthen community; preserve residency of households with children; and the value of rental housing for those not yet ready or interested in homeownership or those financially unable to enter into homeownership.

III. Home Buyer Profile

As of 2007, over 90% of affordable home buyers were already part of the community (work, live or both) prior to buying an affordable home.

Home Buyers Through 2007



IV. Other Highlights – 2000 - 2007

Homeownership counseling: Average of 317 city of Boulder residents attend Boulder County Homeownership Counseling program annually.

Rehabilitation: Average of 25 homes is rehabilitated through Longs Peak Energy Conservation program annually.

Land Acquisition for future development of mixed income housing: Transit Village and Palo Parkway sites

Planning: Transit Village Area Plan including a significant level of affordable housing

Redevelopment: Significant progress toward the redevelopment of Boulder Mobile Manor

Middle income housing: Since 2000, 64 units have been added to the inventory of permanently affordable middle income homes.

San Juan: In 2007, 150 units of affordable housing were rehabilitated and preserved as affordable to households below 60% AMI for the next forty years.

Leveraging: The following table provides the average ratio of other funds to local funds.

Type of Activity	Average other/local ratio
Acquisition	5:1
New Construction	3:1
Rehabilitation	9:1

V. Current Housing Programs

The Department of Housing and Human Service’s Division of Housing pursues the affordable housing goal through:

- Funding - Administration of grants and loans - approximately \$3.5 – \$4.5 Million annually - provided to non-profit and for-profit agencies and housing developers. Public investment is used toward the acquisition, rehabilitation and/or new construction of permanently affordable rental or for-sale housing.
- Policies and Planning – Design, development and implementation of policies that increase affordable housing inventory. Planning efforts focus on identification of future housing needs and mechanisms to address them. Planning staff also implements the city’s Inclusionary Zoning Ordinance.
- Direct Services – Facilitates the sale and resale of permanently affordable homes; provides down-payment assistance and housing rehabilitation grants and loans; educates the public about home ownership and affordable opportunities to buy; assures compliance with program requirements; and performs income certification of potential beneficiaries
- Asset Management – Assures that the city’s permanently affordable rental and special needs housing stock continues to meet program objectives and community needs.

Funding

Locally Controlled Funds

- Affordable Housing Funds: General Fund (approximately \$0.5M) and Cash-in-Lieu (approximately \$730,000 available annually)
- CHAP—Community Housing Assistance Program (approximately \$1M - \$1.5M annually) Property Tax (*0.8 mill levy out of a total of 9.981 mills levied for the City*) and Housing Excise Tax (*tax on new non-residential and residential development*) - Community Development Block Grant (CDBG): Federal funds to benefit low-income households, split between housing and human services capital investment (approximately \$960,000 annually)
- HOME: Federal funds available for low and moderate income households (approximately \$750,000 annually)
- Private Activity Bonds: Tax exempt bond allocation available to qualifying local governments. PABs may be used to finance a variety of activities, including affordable housing (\$4.3M annually). Dollar for dollar, PABs do not provide nearly the same benefit as grants but this financing tool provides below market rate interest and, in some cases, can leverage tax credit investments that increase housing affordability.

State and Federal Funds

Local housing providers have competitive access to affordable housing funds that are administered at the state level. The following estimates indicate the level of funding that is available state-wide:

State of Colorado:

- CDBG \$10.5M
- HOME \$7.2M

State/Colorado Housing and Finance Authority:

The State and CHFA administer approximately \$70M of Private Activity Bonds for housing. The city's locally controlled PAB allocation could be leveraged with this resource.

Low Income Housing Tax Credits (LIHTC):

CHFA administers this federal program designed to stimulate private sector investment in affordable housing.

Policy

Annexation

The Boulder Valley Comprehensive Plan (BVCP) provides a framework for annexation. Proposed annexations need to demonstrate community benefit consistent with the BVCP. For proposed residential development, emphasis is given to the provision of permanently affordable housing. The policy and practice for the past several years has been that 40%-60% of the new development be permanently affordable to low/moderate and middle income households, usually split evenly between the two income groups.

Inclusionary Zoning

The city's Inclusionary Zoning ordinance requires that at least 20% of new residential development is committed as permanently affordable. Options for meeting this requirement include on-site units, off-site units, land dedication, or contributing cash-in-lieu to the city's Affordable Housing Fund. The stated preference is for on-site units. Units range in size and are generally less than 1200 square feet. Some units are detached single family homes; the majority are attached units.

Other Program Components

Homeowner Training and Assistance: Homeownership workshops for prospective home buyers are provided in conjunction with the Boulder County Housing Authority. Workshops address budgeting, credit, financing, and home maintenance. Individual homebuyer, foreclosure prevention and reverse mortgage counseling is also available. The City offers down payment and closing cost assistance programs.

Land Use Changes: New areas suitable for housing have been identified through the Boulder Valley Comprehensive Plan. Affordable housing is considered a high priority community benefit and is a requirement for all residential annexations with development potential. Mixed use development is encouraged along transit corridors.

Regulatory Incentives: These include: 1) exemptions to the city's residential growth management system for all residential units in developments with at least 35% permanently affordable units and in mixed-use developments; 2) anticipated density bonus for housing in the MU-1 and RMX-2 zoning districts in the Transit Village Area; and 3) Development excise tax waivers and development application fee subsidies for projects that exceed the affordable housing requirements of inclusionary zoning.

Public-Private Partnerships: Boulder continues to work to strengthen partnerships, including

supporting the University of Colorado’s efforts to create more housing for students, faculty, and staff. The City has sponsored a number of employer assisted housing forums; the Boulder Valley School District is considering some housing assistance for its employees. The Boulder Area Realtor Association participates in the Colorado Association of Realtors Housing Opportunity Fund, which provides funding for housing non-profits. BARA also partners with the City to provide reduced cost sales assistance to sellers of affordable homes

Permanent Affordability: To ensure that affordable housing remains a long-term community investment and asset, permanently affordable units have covenants recorded against the deed of the property. The covenants restrict rents or future resale prices and establish income and asset eligibility limits for prospective renters and buyers. Generally, housing is considered to be “affordable” if a household pays no more than 30% of its income on housing payments. Existing programs are designed to serve low, moderate and middle income households. Affordable housing programs include a mix of rental and homeownership options, and include new housing as well as existing housing.

Who Is Eligible for Programs

As of 2007, the income range for Boulder’s housing programs is:

	1 person Household	2 person Household	3 person Household
HUD 30% AMI	\$18,250	\$20,900	\$23,500
HUD 50% AMI	\$30,450	\$34,800	\$39,150
CHAP 60% AMI	\$36,480	\$41,820	\$46,980
HUD Low Income Limit (68.5% AMI) (CDBG and HOME)	\$41,700	\$47,700	\$53,650
HUD Low Income Limit + 10% (78.5%) (Moderate Income; Inclusionary Zoning)	\$47,731	\$54,719	\$61,470
HUD Low Income Limit + 50% (Middle Income)	\$72,960	\$83,640	\$93,960

VI. Demographics

Estimates as of January 1, 2007:

Population of the City: 102,624
 Number of Housing Units: 44,403

City staff analyzed 2000 census data to develop the demographic profile of Boulder included in the Housing and Human Services Master Plan. Seven major demographic trends were noted during this review:

- The aging of the population
- The growth of the Latino and immigrant populations
- The disparity between the affluent and the low-income
- The high percentage of parents in the labor force; fewer families; many single parent families
- A substantial number of children
- A highly educated community
- A predominantly, but declining, white population

VII. Boulder's Housing Stock, Household Composition and Affordability

In early 2005, a Regional Housing Needs Assessment was prepared for the Boulder County Civic Forum. This study was commissioned as part of the Regional Affordable Housing Initiative of the Boulder County Consortium of Cities. Profiles specific to each of the participating communities, including the City of Boulder, were developed. Key highlights from the needs assessment are offered below.

Housing Stock and Household Composition

Boulder has a uniquely even split between owner and renter-occupied households. The high percentage of rental housing can be attributed in part to the CU student population. In 2006, the state homeownership rate was 70.1%; the national rate is 67.8%. In all other communities in the region, there are more owners than renters. In recent years Boulder's real estate market has softened; this is reflected in the decrease in number of homes sold during the third quarter of 2007 and modest increase in home prices. A large majority of the city's land currently zoned residential has been developed. Slightly more than half, 52% of housing in Boulder is multi-family housing, compared to 33% in the region, which reflects Boulder's commitment to compact, urban development.

City of Boulder Housing Inventory				
	% (2000)	# (2000)	% (2005)	# (2005)
Total Housing Units	100%	41,800	100%	42,705
Owner	50%	20,696	50%	21,145
Renter	50%	21,104	50%	21,560

Boulder's housing stock is aging; 60% of housing is more than 25 years old.

The percentage of units that are multi-family (apartments, condominiums and other attached dwellings) is an indication of the availability of units that might be priced to be affordable for low- and moderate-income households since these units are typically less expensive than single-family homes. It is recognized, however, that some attached housing is very high-end and expensive. There is great variety in the mix of unit types in the region.

Housing Unit Type		
	% <i>Single-family</i>	% <i>Multi-family</i>
Region	63.5%	33.2%
Boulder City	44.8%	51.7%
Boulder County	62.6%	34.1%
Broomfield City/County	70.0%	24.6%
Longmont	66.5%	30.5%

NOTE: Percentages of SF and MF do not equal 100% due to mobile homes and "other units"

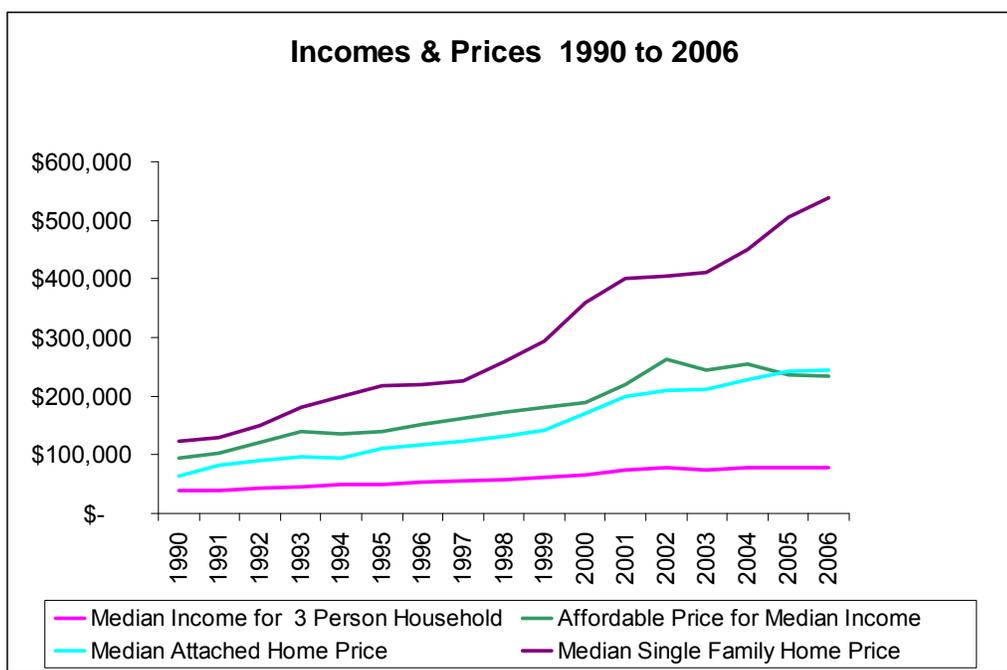
More than half of all households, 58% are comprised of unrelated individuals. The percentage of housing units occupied by a Latino householder is approximately 5%. Approximately 12% of

households include a senior, age 65 years and above. Just over 40% of Boulder’s workforce resides in the City.

According to the January 2008 Community Survey, 16% of Boulder households include at least one person who is employed at home; an additional 65% of Boulder households include at least one person who works in Boulder.

Housing Affordability

In the decade between 1990 and 2000, home prices climbed twice as fast as personal income. In 2007, the median price for a single family home was over \$550,000. Attached home prices have increased markedly as well, with the median price for attached homes at approximately \$260,000 in 2007.



Based on 2005 data, approximately 65% of renter households and 25% of homeowners have income below 80% Area Median Income. Additionally, 11,652 renter households and 5,332 homeowner households have unmet housing needs, which are defined as any housing problem including cost burden, overcrowding and lacking complete kitchen and/or plumbing facilities. Approximately 37% of households are cost burdened by their housing payment.

VIII. Residential Demand

In 2000, the Boulder Urban Renewal Authority (BURA) retained the Economics Research Associates (ERA) to conduct an independent market study of potential residential uses in the Boulder Valley Regional Center (BVRC) area. While this study is a few years old, it does offer information with relevance and applicability to understanding Boulder’s residential demand. The following are excerpts from that report.

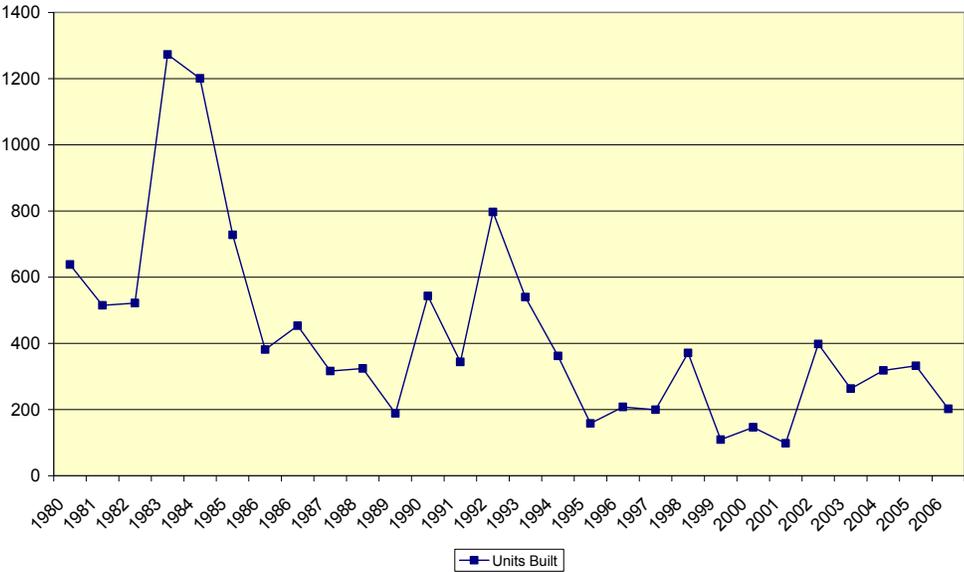
Residential Demand and Market

According to the 2000 ERA report, regional demand for homes is high. The potential demand for homes (both single and multi-family) in the Boulder market may be as high as 72,000 units given the number of jobs in Boulder Valley. In 2000, this indicated a possible shortfall of up to 32,000 units compared with approximately 40,000 homes that had been built in Boulder up to that point. The report observed that although new construction was on the rise due to a growing economy, the majority of residential and non-residential construction was occurring outside of the City of Boulder.

IX. Rate of Residential Development

The number of residential units has been increasing at a rate of approximately .75% per year since 2000, a drop from 1.7% in the 1990's. The city's growth management program caps residential growth at 1% per year. Some exemptions are provided including: units in mixed use developments and housing developments that include more than 35% affordable housing.

Units Built in Boulder from 1980 - 2006 by Year



X. Population and Employment Trends

The following data is from the January 2005 Regional Housing Assessment

Population Growth: According to the Denver Regional Council of Governments and other sources, the population in the Front Range is expected to increase by over a million people by the year 2020, from approximately 3.5 million in 2000 to as many as 4.8 million in 2020. The population in the City of Boulder is projected to increase from slightly over 100,000 to an estimated 113,000 by 2030.

**Existing and Projected Housing Units, Population and Employment
2004, 2030 and Buildout**

	<i>Existing (Jan. 2004)</i>	<i>Projected 2030</i>	<i>Projected Realistic Buildout</i>
<i>Area I (within City Limits)</i>			
Housing Units	43,800	49,300	49,300
Population	101,500	113,200	113,200
Employment	98,400	121,100	166,600
<i>Area I and II (the City and surrounding service area)</i>			
Housing Units	48,850	54,900	54,850
Population	111,500	124,400	124,400
Employment	101,100	125,500	172,000

In-Commuting: An estimated 52,000 people commute into Boulder daily for work from the region, which contributes to traffic, pollution and congestion. Approximately 40% of Boulder’s workforce resides in the city.

Low Income Population and Decline of the Middle Class: Many Boulder residents struggle with incomes that are insufficient to meet basic needs. Boulder’s median income (\$78,300 for a three person household in 2007), exceeds the median income for the state and nation, however, the proportion of the population living below the poverty level (14%, excluding university students ages 18 -22) is higher than the national rate (approximately 12%).

Housing for Families: There is a need for more housing that is desirable and appropriate for families. In 2000, 21% of households in Boulder included a person under 18 years of age. At the same time, “traditional families” appear to be a shrinking demographic nationally and locally, suggesting the need for a range of housing types for a range of household types.

Growing Latino Population: Boulder’s Latino population nearly doubled between 1990 and 2000, increasing from over 4% to over 8%. Trends indicate that this growth is continuing.

Ageing of the Population: By 2030, an estimated 1 in 10 Boulder residents will be 60 or older, more than double today’s figures, with multiple generations of seniors (younger, healthier, active as well as frail and disabled).

XI. Summary

In partnership with the community, non-profit agencies and for profit developers, the city has made significant progress towards creating housing opportunities for households with modest incomes. Many challenges remain: current home prices are clearly out of reach for many, including critical employees, such as teachers, health care workers, service and retail workers, child care providers and others. High housing prices often lead the workforce to find affordable housing elsewhere and join tens of thousands of other commuters, contributing to traffic congestion, pollution, and urban sprawl. High housing costs place the economic diversity of the community at risk and can influence the demographics of the community, with many low and middle income families seeking affordable housing options outside of the city limits. The challenges are especially acute for very low income people with special needs who require service-enriched housing.

Boulder’s community character and land use patterns evolve over time. In general, Boulder is a growth-managed city with limited vacant land. Given these factors, it is unlikely that everyone who may desire to live in Boulder will be able to do so. Market forces and financial constraints will continue to limit the amount of affordable housing that can be secured. Periodic deliberations about affordable housing

goals and strategies will help to identify gaps in the inventory, establish community priorities and define potential resources/policies to enable progress toward desired outcomes.

Working with the community and City Council, the Division of Housing will review progress on the affordable housing goals and will evaluate the regulations and policies used to address them.

This report is an important reference guide and will be key to public education as the process moves forward. Options for improving the affordable housing program will be developed through a process of analysis and community discussion. Budget constraints and financial impacts to both the public and private sectors will be considered as options are developed. For proposed new or revised ordinances, public hearings and deliberation by city boards and City Council will take place.

Background: Boulder’s Affordable Housing Programs

For many years, the City Council, boards, residents, and staff have struggled with the challenge of affordable housing. Major milestones of Boulder’s affordable housing program are summarized below:

1966 Housing Authority created with resolution by City Council

- 1985**
- Moderate Income Housing Program (MIHP) adopted
 - Mobile Home Zone established

1970 to 1999 1,755 affordable units in the community

1990 Goal to increase permanently affordable housing to 5% of total housing in the community adopted in the Boulder Valley Comprehensive Plan (BVCP)

1992 Community Housing Assistance Program created to replace MIHP

- 1995**
- Residential Growth Management System revised and Master Plan Criteria and Major Site Review created to encourage permanently affordable housing in new residential development
 - BVCP affordable housing goal revised to 10% of the total housing stock as permanently affordable

1999 Comprehensive Housing Strategy accepted by City Council

- 2000**
- Inclusionary Zoning Ordinance adopted requiring 20% of all new residential development to be permanently affordable to low and moderate income households
 - Housing Task Force Report—Council supports achieving 10% goal in ten years

2000 to 2007 1,079 affordable units added to the community

2000 HIFTF Recommendations

HIFTF’s 2000 report to City Council included the following recommendations:

- Make a commitment to the 10% affordable housing goal, in ten years or sooner, through land use and funding strategies.
- Target attached housing as the primary means to achieve the 10 percent goal.
- Focus public dollars on providing permanently affordable housing for households with incomes below 60 percent of Area Median Income¹, since housing for this group is not likely to be provided by the private sector.
- Increase the affordable housing inventory through a combination of the purchase of existing housing and new construction.
- Address the affordable housing needs of a diverse population through a blend of owner-occupied and rental housing.

- Increase the number of higher-density affordable housing units through land use designation changes and annexation policy in the Boulder Valley Comprehensive Plan (BVCP) and subsequent implementation.
- Provide affordable housing for our middle-income workforce through land use changes identified in the Boulder Valley Comprehensive Plan update rather than through direct subsidies.
- Evaluate annually the recommendations on the type and cost of housing on the basis of market conditions and new opportunities.
- Maximize existing funding sources through leverage, creative financing, and public/private partnerships.
- Raise approximately \$3.3 million annually to reach the goal through a new tax to finance additional permanently affordable units. Recommended tax options: 1) a head tax of \$3.00 to \$4.00 per employee per month; 2) a sales tax increase of approximately .14 percent; or 3) a combination of an increase in the commercial development excise tax (DET) of \$1 per square foot, and an increase in sales tax of .125 percent.