

Spence, Cindy

From: Leonard May <lomay@may-yin-architecture.com>
Sent: Wednesday, October 19, 2016 2:16 PM
To: boulderplanningboard
Subject: FW: Emailing - Middle Income Housing Strategy 8 22 16.pdf
Attachments: Middle Income Housing Strategy 8 22 16.pdf; Clean 8 15 16 Boulder Middle Income Housing Strategy suggestions V3.docx

FYI Planning Board members. I cc'd you on this in August and am resending as a refresher for tomorrow's discussion

Leonard May

From: Leonard May [mailto:lomay@may-yin-architecture.com]
Sent: Tuesday, August 30, 2016 3:02 PM
To: Firnhaber, Kurt <FirnhaberK@bouldercolorado.gov>; Appelbaum, Matt <Appelbaumm@bouldercolorado.gov>
Cc: Middle Income Working Group <MiddleIncomeWorkingGroup@bouldercolorado.gov>; Launder, Crystal <LaunderC@bouldercolorado.gov>; Sugnet, Jay <SugnetJ@bouldercolorado.gov>
Subject: RE: Emailing - Middle Income Housing Strategy 8 22 16.pdf

Hi Kurt,

Thank you and the team for your efforts on this. The working group was a tough herd of cats and we didn't agree on much.

I'll echo Matt's comments below.

I generally agree with the approach you took, using current zoning buildout is as the framework to work within.

However, I find the proposed strategy very timid (not at all ambitious as it professes to be), not durable and thus, likely ineffective.

To start, focusing on market rate unit creation does not recognize that market rates are the problem we seek to address. All the housing that is unaffordable to 150% AMI and lower is market rate. While I agree that dwelling types such as townhouses, apartments and various plexes are inherently *relatively* more affordable and that they may be *actually* affordable to the targeted demographic groups today, I doubt that their affordability will survive more than the first round of ownership. That is because Boulder is a highly sought after, premium market and people with deep pockets (deeper than 150% of AMI) will pay what it takes to be able to live here, even if the housing options are not what they would choose in their ideal world – that is, they might prefer single family detached dwellings but can't afford those, but can afford townhomes or apartments and so will buy those. Because of their willingness to pay a premium to live here, whatever is actually affordable to less than 150% AMI households today, will not survive as affordable for long.

There is a place for market rate in an effective strategy but I am not convinced it should be the dominant or even a substantial component in the Boulder context. Its most appropriate application could be in a multi-tiered approach that enables more market rate unit creation in the short term to get things moving quickly (land use changes, incentives or both can be implemented relatively quickly) while concurrently pursuing more long term, durable strategies.

More durable (i.e. permanently affordable) strategies, IMO, are more meaningful. But they are also more complex, require more analysis, more political groundwork *and require greater political will*. Such strategies will likely require substantial public investment and thus some form of bond issuance. Financial models will have to be developed to establish the period of time the taxpayers are on the hook and for how much, in order to make the case to the public that this viable and not too painful. Land banking or dwelling unit banking where the city purchases outright or

purchases partial interests in properties, mortgage buy-downs, down payment assistance are examples of longer term more durable strategies. Where the city has ownership stakes, restraints on rents are possible. Incentives also have a role but in order for them to work, there have to be very clear prescriptions for the benefits attained relative to the incentives provided.

For permanently affordable strategies to succeed, I believe we need to be focused more on the attainment of affordability over time rather than immediately. Where properties are placed in service under an affordability program without subsidy (at current market cost), they can “claw back” affordability over time via rent constraints (to the extent allowable statutorily or by city ownership stakes) and deed restrictions, by pegging their cost escalation to the national inflation rate rather than the local real estate market inflation rate. Such an approach has the benefit of reducing the taxpayer liability at the outset (no or little subsidy) and through rising rents or mortgage payments over time, retiring the public liability for debt service on any related bonds (over time the rising revenues from rents or mortgage payments exceed the periodic debt service, and incremental taxes that would be required to cover that debt service at the outset can be retired).

(CHART A below illustrates the delta between maintaining a correlation between household income and program housing cost relative to the real estate market, adjusted for inflation)

(CHART B illustrates an affordability index expressed as the ratio of household income to program housing cost, adjusted for inflation)

The numbers in the chart are not as important understanding the trend lines. Under a variety of variables such as inflation rate, Boulder real estate market inflation rate, cost of unit, etc. the trend lines tell the same story, even if their slopes are different.

CHART A

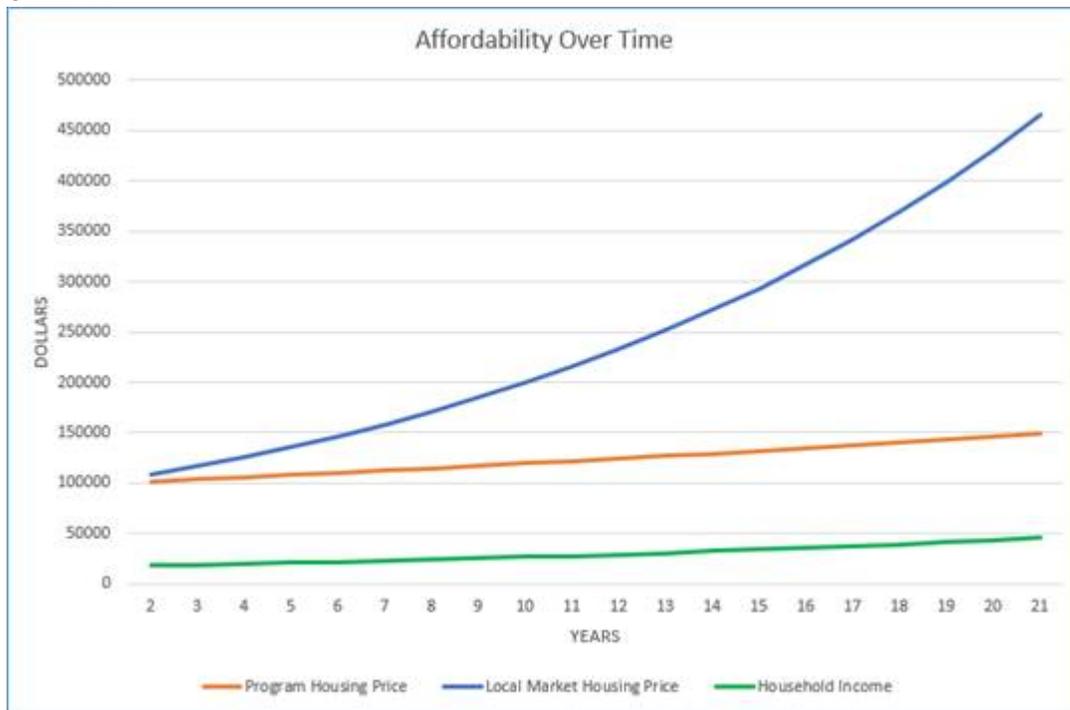
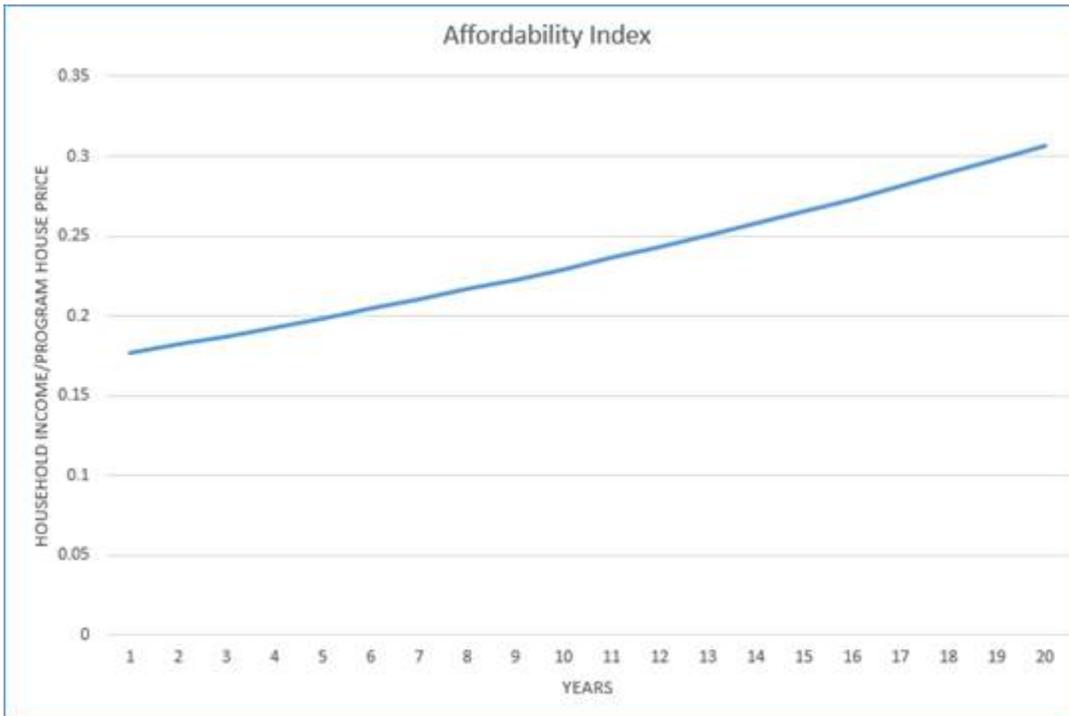


CHART B



The proposed strategy focuses too much on creation of new units and too little on preservation. No affordability strategy can be effective unless preservation of existing affordable housing is elevated to the highest priority. A recent concept review by Planning Board illustrates the importance of this better than any other example I’m aware of. Earlier this month Planning Board heard a concept review for the demolition of an apartment complex and its replacement with a new complex, replacing 140 units with 236 units (258 existing bedrooms replaced with 315). But the new complex will be much more expensive for occupants than the one demolished. Consequently, there will be a gross loss of 140 units affordable to middle income households (90% of boulder rental units are affordable to middle income according to City of Boulder). Adding back in 20% IH (though all of that will be cash-in-lieu off-site so will be less than 20%) there will be a net loss of 92 units affordable to middle income and lower households. This is **a 69% increase in density with a 66% loss of affordable units.**

How are we going to make headway on housing affordability if we continue to allow the replacement of affordable with unaffordable housing? This needs to change. Otherwise, whatever gains that are made in the middle income housing strategy through new unit creation, down payment assistance, mortgage buy-downs, etc., will be more than lost through erosion of existing affordable housing. As part of the strategy, there should be a standard that is tracked city-wide and monitored with a dashboard, that requires there be *at the least* NO DIMINISHMENT OF AFFORDABLE UNITS AS THE RESULT OF DEVELOPMENT OR REDEVELOPMENT, in both absolute numbers and as a percentage of overall housing units. This is the only monitoring metric that is relevant to ascertaining success.

Key Tools:

Land Use and Policy: As part of the comp plan discussion, there has been concern raised by the public, businesses and Planning Board that any consideration of rezoning in industrial areas not come at the expense of displacing industrial uses and that rezoning market effects on their rents need to be considered.

Annexations: There could be more explicit goals stated here. For example, I see no reason why 100% of annexation related units should not be required to be affordable. This is one of the few places we actually have some leverage to make the most efficacious strides, though the overall annexation opportunities are limited.

On-site affordable vs cash-in-lieu require further analysis and discussion to determine under which circumstances it is beneficial to follow one path vs the other.

There should be further exploration of how IH is working. Does cash-in-lieu in its current incarnation provide the full 20% IH goal?

Different IH approaches need to be considered? For example, Could IH be formulated so that everyone pays a fee (cash instead of cash-in-lieu) rather than have the 20% of units built on site option and then just mandate that every project must substantially integrate its IH requirement on site. We seem to have lost the initial premise of Inclusionary Housing - that it be inclusive. Integrating it is being inclusive. Exporting it off-site is exclusive.

I believe the concepts raised in the "Back Porch" group's letter of August 16, 2016 are appropriate for inclusion in the strategy.

Lastly, the elephant in the room is being ignored. That is, the impact of job related building space potential according to zoning, relative to residential related space and that job space drives demand for housing space and thus cost escalation. The comp plan discussions have included (though not concluded) consideration of rezoning commercial areas to residential as well as non-residential growth limits. It will be remiss if the strategy does not at least include study of this issue as part of the strategy's continued evolution.

In summation, the strategy proposal is a good start but is insufficiently ambitious, offers mostly ephemeral gains by its focus on market rate units rather than permanent affordability and does not holistically consider affordability erosion resulting from redevelopment against gains from new unit creation. And monitoring to recognizing success isn't sufficient.

Leonard May

From: Firnhaber, Kurt [<mailto:FirnhaberK@bouldercolorado.gov>]
Sent: Tuesday, August 30, 2016 7:25 AM
To: Appelbaum, Matt <Appelbaumm@bouldercolorado.gov>
Cc: Middle Income Working Group <MiddleIncomeWorkingGroup@bouldercolorado.gov>; Launder, Crystal <LaunderC@bouldercolorado.gov>; Sugnet, Jay <SugnetJ@bouldercolorado.gov>
Subject: RE: Emailing - Middle Income Housing Strategy 8 22 16.pdf

Dear Matt,

Thanks for these inputs. We will review the document against your concerns below as well as check again against the final meeting notes.

Kurt

From: Appelbaum, Matt
Sent: Monday, August 29, 2016 8:56 PM
To: Firnhaber, Kurt <FirnhaberK@bouldercolorado.gov>
Subject: RE: Emailing - Middle Income Housing Strategy 8 22 16.pdf

Kurt – Hi. Just a few comments on the report, which I think generally captures the committee's work. However – and perhaps the report for now shouldn't contain a greater level of detail – I think that much of our more specific comments, particularly those at our final meeting, are not well-captured. And, of course, I've forgotten many of them! But when this comes back to Planning Board and council, I do think our comments should be summarized. I realize we didn't all agree with one another, but, still, a number of interesting ideas and concerns were raised that shouldn't be forgotten, or need to be reinvented. My only specific comments regard, first, the chart on P.6 that purports to show the reduction in middle-income households; as you know, since this has not been corrected to delete students, it is not accurate in absolute terms (it much overstates the low end and thus understates the middle and high ends) and may not even be terribly accurate in relative terms. And, second, my usual concern that looking only at houses for sale in the past year or two does not necessarily represent our entire housing stock, since the sales are almost certainly skewed toward newer and/or more expensive units.

You can certainly forward this to everyone on the working group.

-- Matt

From: Firnhaber, Kurt

Sent: Tuesday, August 23, 2016 9:13 AM

To: Middle Income Working Group <MiddleIncomeWorkingGroup@bouldercolorado.gov>

Cc: Ellis, Lesli <EllisL@bouldercolorado.gov>; Richstone, Susan <RichstoneS@bouldercolorado.gov>; Driskell, David <DriskellD@bouldercolorado.gov>; Brautigam, Jane <BrautigamJ@bouldercolorado.gov>; Launder, Crystal <LaunderC@bouldercolorado.gov>; Sugnet, Jay <SugnetJ@bouldercolorado.gov>; Yegian, Jeffrey <YegianJ@bouldercolorado.gov>

Subject: Emailing - Middle Income Housing Strategy 8 22 16.pdf

Dear Middle Income Working Group,

Attached you will find the middle income strategy. This document has included the comments and feedback that we received last week in the final meeting. You will have until next Wednesday, August 31, to give any further feedback through e-mail prior to its submission to the Planning Board and then the City Council. Please copy all those on the Middle Income Working Group e-mail with any feedback you may have to ensure all are aware of these conversations.

I wanted to also take this opportunity to sincerely thank each of you for your diverse and thoughtful dedication to this committee. Each of you brought different and sometimes conflicting viewpoints that created robust and thoughtful discussion and analysis. You pushed the staff to explore many options and scenarios. Your various viewpoints became a strength in developing a strategy that may represent the community and certainly represents the solutions. The energy of the committee was both constructive and engaged. I believe that this has led to a strategy that is realistic but opportunistic, aspirational but also operational. It includes tools that if supported, can be realized to make a difference on the middle income outcomes.

I would like to thank all of you for your dedication to the process.

Thanks,

Kurt



Kurt Firnhaber

Deputy Director of Housing

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Middle Income Housing Strategy

With creativity, determination and partnership, we can get there

Boulder, Colorado 2016 to 2030

August 22, 2016





Acknowledgements

Many individuals informed and contributed to this document.

Middle Income Housing Strategy Working Group

City Council Members:

Matt Appelbaum
Jan Burton
Andrew Shoemaker
Lisa Morzel and Mary Young (alternating)

Planning Board Members:

Bryan Bowen
Leonard May

City Council Members

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Aaron Brockett
Jan Burton
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Lisa Morzel
Andrew Shoemaker
Sam Weaver
Bob Yates
Mary Young

Planning Board

Bryan Bowen
Leonard May
John Putnam
John Gerstle, Chair
Crystal Gray
Elizabeth Payton
Harmon Zuckerman

Consultants

BBC Research & Consulting
Heidi Aggeler, Managing Director
Mollie Fitzpatrick, Director

Boulder's residents and workers, especially those who, in various public meetings and surveys shared information and thoughts that informed this strategy.

Executive Summary

Since 1989, Boulder's share of middle class households has decreased six percent, with a corresponding increase in high income households. Though complex local, national and international economic factors may underlie some of this shift, ultimately housing is the infrastructure of socioeconomic diversity. The city's sustainability framework recognizes this, calling for *housing options to accommodate a diverse community*. The [2014 Housing Choice Survey](#) and [2016 Middle Income Housing Study](#), provide strong evidence that middle income households, in particular would-be homeowners, are met with diminishing choices when

Maintain the Middle Working Group

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Middle Income Housing Strategy



they seek to buy a home in Boulder. Boulder’s median single-family home price is now well out of reach for even the top earning middle income households.

As home prices continue to increase, it is clear that the current goal of 450 permanently affordable middle income homes is no longer adequate. Furthermore, with annexation as the only vehicle for permanently affordable middle income housing, there are just 107 homes permanently deed restricted to middle income households. In order to expand opportunities for middle income households in Boulder, a bolder goal and more extensive suite of tools is needed.

Moving forward, it will be challenging to create middle income housing opportunities without changing our approach. With little undeveloped land left in Boulder, we must program it correctly. The Middle Income Housing Study found that attached housing in Boulder remains affordable longer, therefore new homes should be attached, and while relatively compact, designed to serve a variety of middle income households, including individuals, families with children, and seniors. To the extent feasible, permanently affordable deed restrictions must be used to secure the affordability of new and existing homes for middle income households well into the future.

This **Middle Income Housing Strategy** defines a comprehensive approach to create and preserve housing choice for middle income households and puts forth a new aggressive, but obtainable goal that will increase housing options for middle income households.

Middle Income Housing Goal:
Build or preserve 3,500 middle income homes by 2030
2,500 market-rate middle income
1,000 deed restricted permanently affordable

There is no single mechanism to arrive at this goal, but instead a suite of primary and secondary tools that, together, can achieve it. All of the tools in this strategy will need to be effectively implemented in order to secure this goal.



4 KEY MIDDLE INCOME HOUSING TOOLS

- 1. Land Use & Policy:** Provide recommendations for Boulder Valley Comprehensive Plan (middle income housing types and barriers to moderately sized units, including both the plan's policies and land use designations).
- 2. Middle Income Community Benefit Zoning:** Adopt community benefit policies and outline regulations to establish incentive-based community benefit re-zoning to encourage additional housing opportunities that may be affordable to middle income households. Proposed land use changes should require additional affordable housing benefit specific to middle income affordability.
- 3. Inclusionary Housing (IH):** Amend the current Inclusionary Housing (IH) regulations to include a middle income tier.
- 4. Annexation:** Adopt policies requiring a higher level of middle income community benefit for annexations.

While these four key tools hold the greatest promise to unlock opportunity for middle income households, other tools that can be pursued include:

SECONDARY MIDDLE INCOME HOUSING TOOLS

- Preservation of existing homes through deed restriction
- Neighborhood Pilot Innovation Program
- Amend the ADU/OAU ordinance, with the inclusion of deed restrictions



“New multi-unit housing in Boulder needs to be kid-friendly, not just dog-friendly.”

- 2014 Housing Choice Survey response



A. Creating a Middle Income Housing Strategy

City Council identified the loss of middle income households in Boulder as a pressing community concern during the Housing Boulder process. On May 3, 2016 the City Council voted to create a Middle Income Housing working group comprising of members of the City Council and the Planning Board for the purpose of working with staff to develop a draft Middle Income Housing Strategy. From May to August 2016, five members of the City Council, including Matt Appelbaum, Jan Burton, Lisa Morzel, Andrew Shoemaker and Mary Young, along with two members of the Planning Board, Bryan Bowen and Leonard May, convened on five occasions to work with staff to develop a proposal for a Middle Income Housing Strategy, a new component to a broader Comprehensive Housing Strategy, building on the community's existing affordable housing efforts.

Although the loss of middle income housing has been a concern since the 1999 Comprehensive Housing Strategy, the community and City Council recently coalesced around middle income as a common theme in the Housing Boulder public process. The city expects to achieve its goal of 10 percent of all homes in Boulder affordable to low and moderate income households through continued application of existing programs and new tools, such as the linkage fee for nonresidential development. But the city is losing ground with middle income households and the current middle income goal and tools are not adequate to address the challenge. The following strategy reflects the collaborative efforts of this working group on a path forward to providing more middle income housing.

The group's charge was to:

1. **Modify the Current Goal** for Middle Income Housing
2. **Identify Funding Options** for Middle Income Housing
3. **Define Community Benefit Policies and Tools** to Preserve and Create Middle Income Housing

Foundational to their work was the [Middle Income Housing Study](#), prepared by BBC Research and Consulting, as well as ongoing research and community input informing the Boulder Valley Comprehensive Plan update process, input from the Maintain the Middle Working Group, feedback collected through Housing Boulder sub-community meetings and other outreach activities, the [Housing Choice Survey](#), and the contributions and ideas of various members of the public.

B. Introduction

Housing affordable to middle income households is a concern for many residents and community leaders in Boulder. There is concern that Boulder's character is changing as its economic middle shrinks and rising home prices undermine efforts around community diversity, resilience and sustainability. In 2013, City

Middle Income Housing Strategy

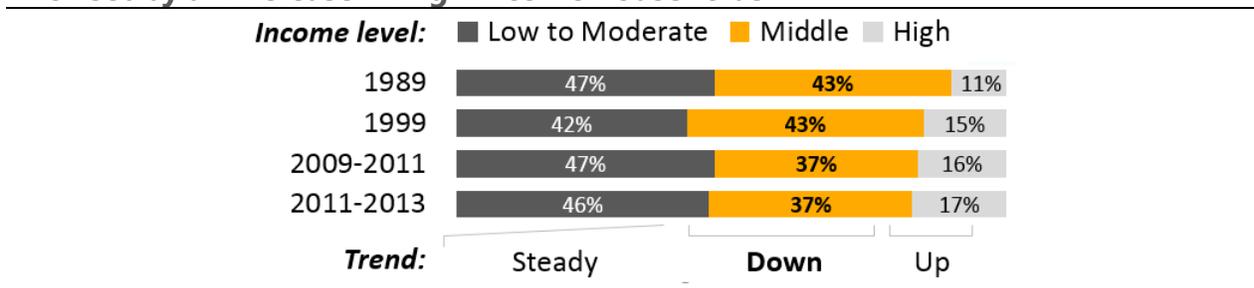


Council set in motion a policy initiative to define Boulder’s “next generation” housing strategy that would build upon and continue the successes of the past while expanding the city’s toolkit to respond more effectively to new and emerging challenges. In September 2014, City Council adopted the goal to **Maintain the Middle** as one of six goals to help guide the development of a larger comprehensive housing strategy.

Housing Boulder Goal: Maintain the Middle
 Provide a greater variety of housing choices for middle-income families and Boulder’s workforce.

In early work prepared during the community outreach phase of Housing Boulder, it was found that...

The share of Boulder’s middle income households has declined 6% since 1989, offset by an increase in high income households



In the fall of 2015, the city commissioned a Middle Income Housing Study and in January 2016 BBC Research and Consulting provided an in-depth analysis of middle income housing options and trends in Boulder. For the study and future policy discussion, middle income was defined as ranging between 80 and 150 percent of the Area Median Income (AMI).

Middle Income:
 80% to 150% of Boulder’s Area Median Income

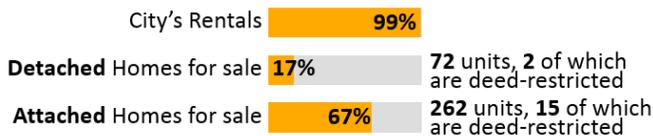


Middle income jobs include:
 accountants, architects, librarians, veterinarians, and web developers

C. Key Finding from the 2016 Middle Income Housing Study

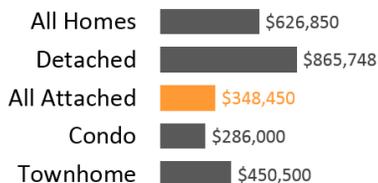


- It is increasingly difficult for middle income families to find housing in Boulder. Housing prices have risen 31% in the past two years alone.
- Middle income households can afford 99% of city’s rentals, but only 67% of attached homes and 17% of detached homes for sale including 2 middle income deed restricted homes; therefore, the main gap in middle income housing products is for-sale.



- Although the vast majority of rentals are affordable to middle-income households, the types of rentals may not match peoples’ needs and preferences (particularly families and seniors).
- The inventory of homes affordable to middle income households decreased over the previous fifteen years, with just 72 single-family detached homes affordable to middle income buyers in 2015 compared to 239 in 2000, and 262 attached homes affordable to middle income buyers in 2015, compared to 515 in 2000.
- Attached homes maintain affordability better than detached homes.

Median price remains lower



- Attached homes are lower priced even in high-demand areas in Boulder and are less likely to expand.
- The 2014 Housing Choice Survey revealed that 53% of in-commuters surveyed would consider moving to Boulder in the future. To live in Boulder:
 - Half would be willing to live in a townhome;
 - One-third would live in a duplex/triplex/fourplex.

D. How Will the Middle Income Strategy Be Used?

The Middle Income Housing Strategy provides a concrete goal for middle income housing in Boulder as well as a framework of policies and tools to reach that goal. It will help to...

- **Inform policy decisions** related to the Boulder Valley Comprehensive Plan update;
- **Advance work items** on the Planning Housing + Sustainability annual work plan, that will produce the programmatic and regulatory infrastructure to reach the goal; and
- **Inform funding** decisions.



Multiplexes at Northfield Commons

“We have ordinary middle class jobs, two incomes, but with three kids we don't expect to be able to move back into the city until their teen years or so, if ever. We hate the carbon footprint of commuting, but we see it as an either-or choice between having a family and living in Boulder.”

- 2014 Housing Choice Survey Response

E. A New Goal

Middle Income Housing Goal:
Build or preserve 3,500 middle income homes by 2030
2,500 market-rate middle income
1,000 permanently affordable middle income

The Current Middle Income Goal is Insufficient

Since adoption of Boulder’s 1999 Housing Strategy, there has been significant progress toward achieving the city’s adopted housing goals, including, notably, the goal to have 10% of the city housing stock be deed restricted as permanently affordable for low and moderate income households. In the third quarter of 2016, there were 3,354 deed restricted affordable homes for low and moderate income households, representing 7.5% of the city’s housing stock. It is projected that the 10% Goal could be reached within five years. In contrast, the city’s much more modest middle income goal, **450 deed restricted permanently affordable home affordable for middle income households**, is progressing far slower. Currently annexations are the only tool to create or acquire deed restricted permanently affordable homes for middle income households. As of the third quarter 2016, there were just 107 deed restricted middle income affordable homes in Boulder.

In a time when the median home price in Boulder is well beyond reach of even the highest earning middle income household, and a six percent loss of middle income households has been documented (and is now likely greater), the current middle income goal is no longer sufficient.



“Shared garden space or shared yard a must, if townhome/condo.”

-2014 Housing Choice Survey response



Silver Sage, Holiday Neighborhood

Philosophy for a New Middle Income Goal

A middle income goal was set based on our values and recent growth trends and growth projections, while being bold.

Our Values: Be Diverse

Any middle income housing goal should be based on our values and not a calculation of unmet demand or demands specific to a particular category of households such as workforce households or in-commuters. These calculations can lead to numbers that are either too vast to be attainable or too narrow to address our values as a community.

BVCP Housing Choice Policy 7.06 Mixture of Housing Types (2016 staff-proposed edits in orange) The city and county, through their land use regulations and housing policies will encourage the private sector to provide and maintain a mixture of housing types (e.g., single family, multiplexes, courtyard housing, townhomes, micro-units, and accessory dwelling units) with varied prices, sizes and densities, to meet the housing needs of the full range of the Boulder Valley population. The city will encourage developers to provide a mix of housing types within each development.

Be Realistic

To set a middle income goal, we believe it’s important to consider factors such as the remaining capacity for residential development, the existing Residential Growth Management System (one percent average annual growth rate), the potential of key policies and tools to produce market-rate housing within reach of the middle income households, development trends, and lending practices.

Be Bold

Because of the tremendous need for middle income housing in Boulder, a middle income housing goal should be highly ambitious and inspire the innovation, creativity, and focus to do as much as possible.



Calculating the New Middle Income Housing Goal



See **Appendix. Calculating the Middle Income Housing Goal** for details on assumptions and methods used to calculate the middle income goal.

F. Monitoring Success

Implementation and Progress

Successful implementation of the Middle Income Housing Strategy can be measured both by the degree to which the recommended policies are implemented and by our progress toward the Middle Income Housing Goal.

Two categories of middle income homes will be used to track the goal:

1. **For-sale homes with middle income deed restricting covenants**
2. **Market-rate middle income-oriented homes (e.g., attached, “missing middle”, smaller)**

Missing Middle Housing = A range of multi-unit or clustered housing types compatible with single-family homes, common in pre-1940s neighborhoods. In Boulder the market currently produces larger multi-unit apartments as well as single-family homes, but few mid-sized buildings, which middle income households indicated, in the 2014 *Housing Choice Survey*, they would choose. Missing middle housing also provides a good transition between established single-family neighborhoods and nearby commercial corridors.



Source: *Opticos Design, Inc., www.missingmiddlehousing.com accessed August 22, 2016*

Tracking the Goal

City staff currently tracks all deed-restricted affordable homes in the city, therefore deed-restricted middle income homes (#1) can be monitored with ease. Market-rate, middle income-oriented homes (#2) will be monitored through periodic review of residential new construction permit data and market activity. The initial sales price of new homes and price upon resale will also be reviewed to better understand how well different types of housing deliver affordability over time.



Size (< 2,000sf)

Type (attached, missing middle)

Cost

Bedrooms

Focus on Middle Income Homeownership

Homeownership opportunities for middle income households are eroding, therefore the city’s focus is on facilitating housing outcomes that serve middle income homeowners. In contrast, 99 percent of rental housing in Boulder was affordable to middle income households at the time of the Middle Income Housing Study last year. Therefore, it is most appropriate that all 1,000 deed restricted middle income homes serve homeowner households. For the homes that are not deed restricted, the city has limited ability to prescribe tenure (rental vs. homeowner). Therefore, the city will monitor housing production, regardless of whether a home enters the housing stock as rental or for sale. Those homes that match the criteria to serve middle income households will be counted as middle income market-rate homes.

Monitoring Middle Income Rental Housing Affordability

Recent trends in housing overall, including increased rents, low vacancy rates, and a limited future development opportunity, point to a need to develop a methodology to track rental housing affordability in order to know if and when intervention is needed.

Housing Choice and Diversity

Housing is the community infrastructure that informs who gets to live there. Diverse housing options, therefore, should support greater community diversity. Staff will monitor the production of various missing middle housing types (e.g., townhomes, live/work patio homes and condos), as well as where they are located, their size, tenure and price points.



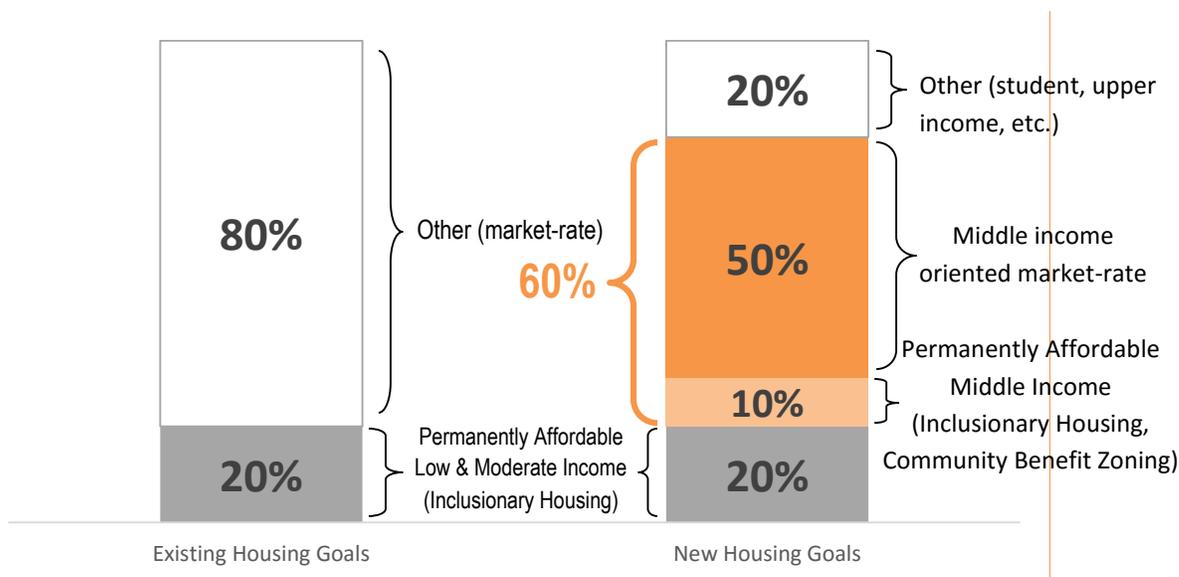
Duplex at Shanahan Ridge

New Construction and the City’s Housing Goals: 20/60/20

Middle Income Housing Strategy



Since 2000, the Inclusionary Housing program, has ensured that 20 percent of new residential construction in Boulder is income targeted to low- and moderate-income households. The new Middle Income Housing Goal will guide 60 percent of the new housing stock to serve middle income households; therefore, the city’s housing goal for new development will result in a 20/60/20 mix: 20 percent of new homes will serve low and moderate-income households, 60 percent will be targeted to serve middle income households (of which 10% will be permanently affordable to middle income households), and 20 percent will serve the balance of the market.



17Walnut in Central Boulder



G. Four Key Middle Income Housing Tools

The four key tools to create adequate opportunity to expand the supply of middle income housing in Boulder, include the following.

1. Land Use & Policy

- Provide recommendations for the Boulder Valley Comprehensive Plan update
- **Policy:** Middle income policies
- **Land use designations:** enable more middle income housing options on land currently zoned industrial and residential

2. Middle Income Community Benefit Zoning:

- Adopt **community benefit policies and outline regulations to establish incentive based rezoning/community benefit zoning** to encourage additional housing opportunities that may be affordable to middle income households. Proposed land use changes should require additional affordable housing benefit specific to middle income affordability. (Note that the BVCP is considering a broader range of community benefits beyond just housing.)

3. Inclusionary Housing (IH)

- **Amend Inclusionary Housing (IH) regulations** to include a middle income tier.

4. Annexations

- Adopt policies requiring a **higher level of middle income community benefit for annexations.**



Policy & Practice

Land Use and Policy

Policy: Provide policy direction related to middle income housing and recommend land use designation changes to enable new middle income housing.

Practice: Rezone appropriate areas to enable housing types that serve middle income households and retain middle income affordability longer. Revisit the zoning code to reduce barriers to moderately-sized units.

Middle Income Community Benefit Zoning

Policy: In appropriate zones, and in cases where city standards are adjusted for a project, require some level of middle income housing units.

Practice: Could require deed restricted, “missing middle” unit types, units that serve specific middle income households such as seniors or families, and potentially homeownership.

Inclusionary Housing

Policy: Require residential developers to provide a certain percentage of housing units as permanently affordable to middle income households.

Practice: Find a balanced approach to achieving middle income housing goals in addition to the current 20 percent requirement for low and moderate income housing. Financial analysis will be required to determine an appropriate percentage (e.g., 5, 10, 15%).

Annexations

Policy: Specify housing types for both market and deed restricted affordable units appropriate for specific middle income demographics (e.g., seniors, families, etc.)

Practice:

1. Explicitly require housing types that serve target middle income demographics.
 - a. “Missing middle” small to medium sized attached (e.g., duplex to 8-plex, townhomes)
 - b. Seniors (e.g., patio homes, accessible, 1-2 bedrooms)
 - c. Families (e.g., 2-4 bedrooms, some yard/outdoor play area)
2. Limit house size throughout a development project (e.g., maximum of 2,500 square feet)



H. Secondary Middle Income Housing Tools

Additional tools/strategies were identified as promising to allow the development and preservation of 3,500 middle income housing homes in Boulder by 2030:

Secondary Middle Income Housing Tools

- = Prioritized on 2016-17 Housing Boulder Work Plan
- = In cue on 2016-17 Housing Boulder Work Plan; will need to be prioritized
- = Would need to be added to and prioritized on Housing Boulder Work Plan

Preservation (Deed-restricting existing homes)

1. ● **Include some middle income homeownership opportunities in affordable acquisition/rehab projects:** When feasible, require affordable acquisition rehab projects which are typically rental, to also include some share of deed restricted homeownership units that serve middle income households.
2. ● **Explore providing a rehab/redevelopment path for non-conforming properties** that currently have more units than what is allowed by zoning to retain the additional units in exchange for deed restriction. Identify properties that have non-conforming density (additional units) due to zoning that occurred after the property was constructed. Establish an ordinance that would allow the property to be substantially rehabilitated or rebuilt with the same number of units if some share of units is deed restricted permanently affordable to middle income households.
3. ● **Home donation program:** Through estate planning, Boulder homeowners can donate homes or proceeds of the sale of homes to the city's housing program.
4. ● **Targeted funding:** Limited funding sources exist for deed restricted affordable middle income housing. However, when strategic opportunities present themselves the city will make such an investment.
5. ● **Homebuyer and homeowner assistance:** Explore establishing homebuyer and homeowner assistance programs which could result in permanently affordable middle income deed restrictions.
6. ● **Additional funding for deed restricting existing housing:** Explore establishing a significant funding source (e.g., new tax), to fund large-scale deed restriction of existing housing.

● Neighborhood Innovation Pilot Program

Institute a Neighborhood Innovation Pilot Program to provide bottom up path for willing neighborhoods to re-imagine their built environment. Proposals brought to the Middle Income Housing Working Group include, infill within existing neighborhoods and re-envisioning large single-family lots within the 'residential estate' zone district.

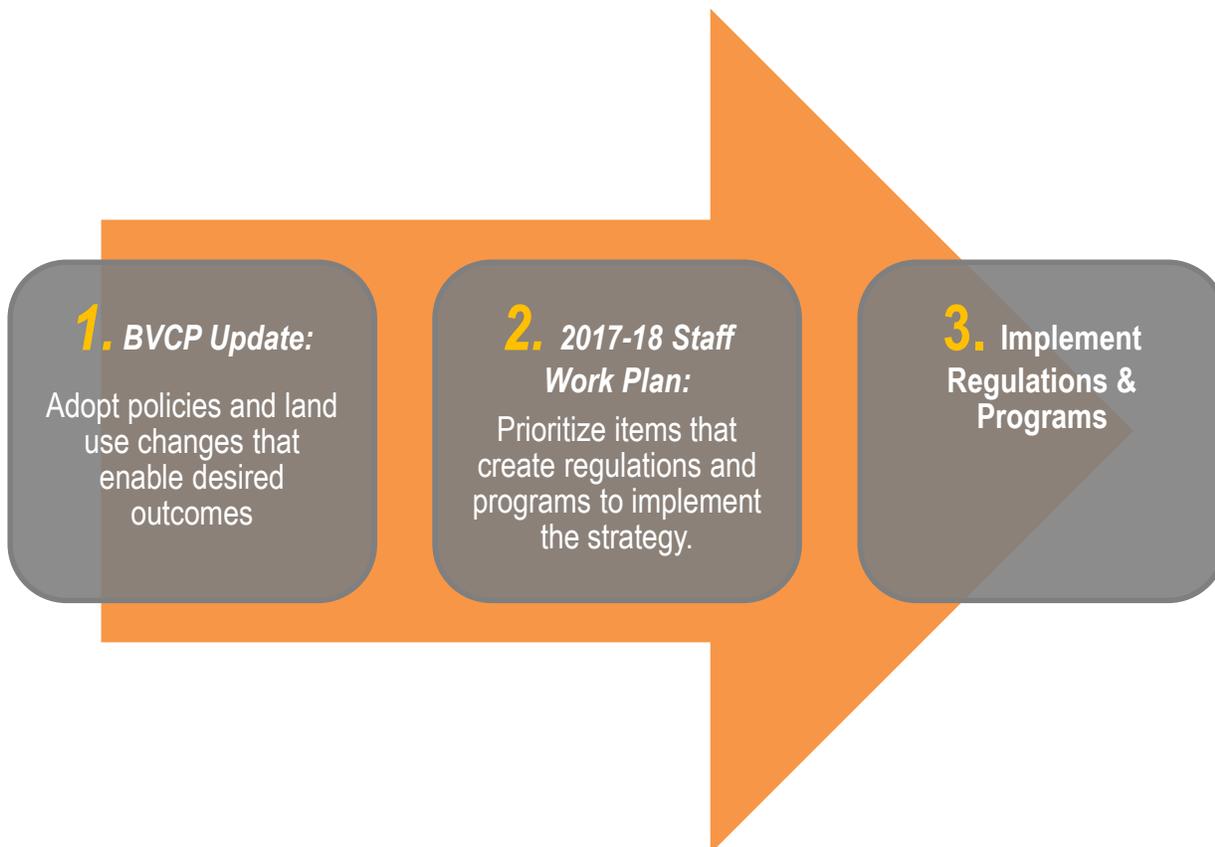
● Amend the ADU/OAU Ordinance

Amend some or all requirements in the ADU/OAU ordinance (e.g., no more than 10% ADUs in a specific area, parking requirement, neighborhood notice, size limit of 1/2 of total home size, and a lot size limitation of 6,000 square feet for OAUs) to allow more ADUs and OAUs within the city. Ensure that deed restricted units become an outcome of the ADU/OAU ordinance.



I. Implementation Steps

A Goal of 3,500 middle income homes in Boulder by 2030 is highly ambitious. This strategy maps out key and secondary tools that will get us there. Housing production and preservation of existing middle income housing affordability is very unlikely to be adequate to meet this goal if the policies and tools are not put in place.



Studio Mews in the Holiday Neighborhood



APPENDIX



Calculating the Middle Income Housing Goal

Methods & Assumptions

1. **Timing:** 2030, fourteen years from 2016, provides a reasonable timeframe to put policy and programs in place and generate new or preserve existing middle income homes.
2. **Parameters for Maximum Potential New Units:** Range of potential new residential units in Boulder by 2040 based on
 - a. Current conditions: Existing land use and zoning build out projection to 2040, BVCP: 6,750 new units.
 - b. Potential changes to land use, zoning and other city policies: The 2016 BVCP update process includes land use scenarios and opportunity areas that could result in approximately 3,750 to 6,000 additional new units for a total projected capacity of 10,500 to 12,750 additional new units.
3. **Annual Growth Rate:** Between 2011 and 2014, the annualized growth rate in Boulder was 0.8%. The goal was based on the assumption that the tools put forward in this strategy are implemented and that the future growth of residential development in Boulder will continue at this same rate through 2030.
4. **Permanently Affordable Low-to-Moderate-Income Units:** Between 2000 and 2015, the share of new units made permanently affordable to low-to-moderate income households (*not* middle income) was 24 percent. This same share of new development is assumed to continue to be deed restricted and serve these households.
5. **Middle Income Share of New Units:** *75 percent of new units not deed restricted to serve low and moderate income households could serve middle income households.* Some redevelopment activity that serves upper income households, students, and others will continue to occur; however, with aggressive adoption of middle income policies and tools, 75 percent of the remaining development is proposed to serve middle income households (both deed restricted and market-rate affordable). In the 2016 *Middle Income Housing Study*, BBC Research found that attached housing is more affordable than detached, across Boulder's subcommunities and the Boulder Valley Comprehensive Plan team and consultants are exploring housing prototypes, including reviewing the durability of affordability.



Methods & Assumptions (Continued)

6. **Preservation:** Preservation (deed restricting existing homes) is typically both opportunistic and voluntary. Furthermore, the per unit subsidy to help a middle income homebuyer purchase a home and secure a deed restriction is quite high. Therefore, tools such as allowing existing density, a less funding intensive tool, will be pursued to preserve and deed restrict units. Assuming aggressive policies and programs (both funding and regulatory) are adopted to secure middle income affordability, 500 existing units could be preserved.
7. **Deed Restricted Units:** All 500 middle income units gained through preservation are assumed to be deed restricted. With the adoption of new community benefit policies for annexation and zoning districts, expansion of Inclusionary Housing to serve middle income households, and land use changes to increase residential potential in Opportunity Areas as part of the Boulder Valley Comprehensive Plan update, the 500 additional middle income deed restricted units, therefore a total of 1,000 permanently affordable middle income units could be gained through preservation and new construction.

Calculation on following page.



Calculation: Middle Income Housing Goal

Potential Middle Income Units	Number
New Construction Units (Middle Income Only)	
Total housing units in Boulder (2016)	45,373
(3) Average Annual Growth Rate (2011 – 2014)	0.8%
Estimated total housing units in 2030 (0.8% annual growth rate)	50,728
New housing units produced, 2016 to 2030	5,355
(4) Share of new units permanently affordable to low-to-moderate-income households (2000 – 2015)	24%
New units permanently affordable to low-to-moderate-income HHS	1,285
Balance of new units (not permanently affordable to low-to-moderate HHS)	4,070
(5) 75% of new units serving middle income households, rounded (market-rate and permanently affordable)	3,000
Preservation of Existing Units (Middle Income Only)	
(6) Existing units deed restricted permanently affordable	500
Middle Income Housing Goal	
PROPOSED NEW GOAL (3,000 New Units +500 Existing Units)	3,500
(7) Deed Restricted	1,000
Market Rate (3,500 Total Units – 1,000 Deed Restricted Units)	2,500

To reach a goal of 3,500 middle income homes by 2030, the Key (G) and Secondary (G) Tools (H), and Implementation Steps (I) identified in this strategy will need to be executed. **To the degree efforts are scaled back, the likelihood of reaching this ambitious middle income housing goal lessens.**

August 16, 2016: To the members of the City of Boulder Middle Income Housing Working Group, City Council and Planning Board:

Introduction:

Boulder needs to develop a clear strategic direction and scale up middle income affordable housing efforts. The housing challenge is overwhelming. Market appreciation is only exacerbating this problem. Time is not on our side. Yet, in another sense, it is as interest rates are low. We must identify new ways to address the challenge and act now. This means changing how housing is developed in Boulder.

For the last several weeks an informal group of Boulder residents from diverse backgrounds have been meeting over coffee to discuss ways to address the need for more middle income (arguably “affordable”) housing in Boulder. You can refer to us as the Back Porch Group. Although many in our group might seemingly be from opposing camps on growth and development issues, we have come together in a proactive and good faith effort to brainstorm suggestions without attachments to camps or ideologies. We have had numerous, hour+ long conversations with significant alignment of opinion, conclusions from analysis of data and regulations, and consensus around key themes. Our participants are affiliated with, but not representing, many community organizations and perspectives: David Adamson (Goose Creek Neighborhoods), Leonard May (Architect, Plan Boulder County Board, Planning Board), Karen Klerman (Banker, BHP Board Chair), Scott Holton (developer), Dan Powers (ED Boulder Tomorrow), Leslie Durgin (working with BHP and Boulder Chamber) Lou Barnes (Banker), Scott McCarey (Transportation Planner) and Roger Lewis (consultant to social enterprises like Urban Land Conservancy).

Description of the Back Porch Affordable Boulder Coalition We exist to bring forward innovative solutions that can be tried, evaluated and inform further, larger efforts to provide durable affordable housing options and protect our diverse, vital community. We will help to move these ideas forward by developing a strong, diverse coalition with a clear performance focus.

Initial Proposal: *In the next 24 months, Boulder will create 200 permanently affordable units over and above “business as usual” (projects in the pipeline currently or soon to be included)*

Long term goal suggestion: *A diverse community is a more resilient and sustainable community. To maintain our vibrant, resilient and beautiful City, we will identify and implement innovative solutions to the housing challenge. Through making existing units permanently affordable AND by building additional permanently affordable units, we will by 2040 ensure that 40% of housing in the City of Boulder is affordable to those earning 60% to 150% of the County Median income with another 10% affordable to those earning less than 60% of the County AMI. It will be the policy of the city to discourage housing segregation by income.*

We will build on success – over the past 50 years our open space initiatives helped us to preserve the natural beauty of Boulder, and so over the next 24 years. We will provide greater access to affordable housing for our community – helping those who grew up here to stay, those who want to work here to live here, those who want to raise a family here to stay here, and those who have lived here for years to grow old here.

Back Porch Affordable Boulder Coalition has a few key premises that inform our suggestions, which we offer in a spirit of shared agreement, with many more details and “how” to be discussed in future venues:

- Boulder’s housing units currently considered affordable are on a trend to disappear within the next five years.
- It is **in the city’s best interest** to “provide” facilitate the preservation and creation of housing for middle income earners. However we recognize Boulder is the most expensive neighborhood in a larger regional community as well as the regional employment center and cannot provide housing for all who wish to live here. The region has a role as well.
- **The goal long term must be for PERMANENT middle income affordability** if we want a durable solution. Market rate is why we have this problem in the first place.
- **Jobs population balance** has significant influence prices and must be addressed as part of a durable solution
- That said, new **housing options throughout the city** should be considered within a broader mindset of achieving a community goal to provide more middle income housing. Each person and/or neighborhood and elected official can ask “how can we help achieve this goal?”

To address these we propose:

- Setting a goal of preserving and/or creating 200 new permanently affordable moderate/middle-income units (60-150% AMI) within 24 months as a first step.
- Form a City Council appointed, elected official-free, **citizen/housing professional working group that is representative of a diversity of perspectives** (such as Back Porch Group’s diversity) to further build on the Middle Income Housing Working Group’s strategy and policy ideas, to identify specific implementation options that will achieve the aforementioned goal.
- Funding is necessary to achieve this goal. Public, private and more complex funding options are all feasible options.
- Changes to existing regulations and/or incentives will be necessary to enable this vision including the following:
 - **Prescriptive pathways to project approvals** that provide significant clearly defined, public benefits, of which on-site affordable housing should figure prominently.
 - **Incentives for provision of on-site affordable housing** based on clearly defined thresholds/metrics
 - **The City of Boulder should contribute its land for the development of affordable housing.** To avoid “analysis paralysis”, Boulder should set aside its excess land for affordable housing. Perhaps we forgo the “study” of the Pollard Motors site and the Boulder Community Hospital Site and instead hire a master developer/consultant to start the planning of the development of affordable housing on the properties.
 - **Allocate/raise funds** for the development of affordable housing projects.
 - **Allocate/raise funds** for the preservation of existing relatively affordable housing. Funds will help fill the gap between the value of the property if the

purchaser maximized rental rates vs the value of the property at “affordable rental rates”.

- Develop a policy so that **community service providers (teachers, policemen, firemen, etc.) can live in Boulder.**
- **Promote mixed use developments:** Encourage the owners of single use buildings to construct a second story with housing. For example residential above retail (Basemar shopping center, Meadows shopping center, Table Mesa shopping center).
- **Don't tax Affordable Housing Creation (via inclusionary zoning program):** "Tax what you don't want, incentivize what you do want."

We have detailed suggestions from different members of our group on how to achieve this; we will remain engaged in a constructive manner and support your working group's efforts.

Thanks for considering,

The Back Porch Group