Middle Income Housing Approaches from Other Cities

February 23, 2016 Study Session

City staff surveyed other cities in North America to identify different approaches to expand housing opportunities for middle income households. Included are three recently adopted housing strategies (Boston, New York and Seattle) and select examples of middle income programs and initiatives.

This broad sample includes both new and well-tested approaches. Further analysis would be needed to assess the feasibility and/or appropriateness for use in Boulder.

Recently Adopted Middle Income Housing Strategies

In 2014 and 2015, three cities, Boston, New York and Seattle, adopted housing strategies that included housing solutions targeted to serve middle income households. While these cities are much larger than Boulder, there are lessons to be learned from their approaches, both in regards to the specifics of tools employed as well as the broader approaches reflected in these strategies. For example, New York City, which lost numerous relatively affordable cooperative communities in the last housing bubble and stands to lose many more affordable apartments due to expiring affordability requirements, places a much greater emphasis on long-term affordability, while Seattle's approach to housing its middle class is far more market driven. Below are summaries of the middle income elements of these strategies.

City: *Boston, MA*
Document(s): Housing a Changing City: Boston 2030
Definition of Middle Income: $50,000 - $125,000 annual income
Related Articles: Walsh pushes for middle-income housing, May 2014, Boston Globe

Boston seeks to produce 20,000 additional middle income units by 2030 (4/5 of units are expected to result from private market activity with the balance of units deed restricted). The following are tools Boston intends to use to achieve its goals:

- Land use and zoning changes
- Property tax incentives
- Regulatory (streamlined permitting)
- Publicly-owned land
- Funding
- Affordable covenants
- Inclusionary Housing
- Programs (homebuyer assistance, Fair Housing)

MIDDLE INCOME GOALS (monitored quarterly):

1. Double middle-income housing production, creating 20,000 units by 2030
2. Expand and enhance homebuyer assistance programs (e.g., downpayment assistance, deed-restricted housing) to help 5,000 middle class homebuyers purchase first homes
3. Ensure equal home mortgage access to middle income households of all races.

ACTIONS:

Market-Oriented

1. **Rezone (land use, regulatory)** to allow significant density in areas affordable to middle class.
2. **Property tax incentives** to encourage middle income housing construction.

3. **Reduce residential construction costs** on housing product targeted to specific demographics (e.g., affordable, middle income), using a specific scope of construction in designated areas.
4. **Streamlined permitting** targeted to small builders developing privately-owned vacant parcels

Long-Term Affordability Secured

5. **Public resources**, including **city-owned infill lots and funding**, to create mixed-income homeownership development with long-term affordability;
6. **Inclusionary Development Policy** (up to half of units serve between 80% and 100% AMI);
   a) Continue to require substantial share of inclusionary housing units be provided onsite
   b) Modify policy to allow higher rents in targeted geographic areas

Other City Program

7. **Fair Housing education, monitoring and compliance** to promote racial equity in homeownership market

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City: *New York, NY*
Document(s): Housing New York (2015)
Definition of Middle Income: 121 - 165% AMI (*Moderate income: 81 - 120% AMI)
Related Articles: De Blasio Unveils 'Most Ambitious' Affordable Housing Plan in Nation

Housing New York focuses on long-term affordability and preservation of units with expiring affordability, as a result, only one of its middle income-oriented actions, compact units, is purely a market solution. All other Housing New York actions result in long-term affordability. To secure more units affordable to middle income households, the city plans to rely on the following tools:

- Land use and zoning changes
- Funding and financing, property tax incentives, city-issued bonds
- Publicly-owned land
- Affordable covenants
- Policy (new mandatory inclusionary housing)
- Limited-equity coops
- Regulation (targeted parking reductions)
- Targeted infrastructure improvement
- Programs (homebuyer assistance, various coop organizing and financing programs, etc.)
- Public/private partnership

MODERATE AND MIDDLE INCOME GOALS:
Create and preserve 22,000 units affordable to moderate income households (80 – 120% AMI) and 22,000 units affordable to middle income households (121 – 165% AMI) over 10 years.

MIDDLE INCOME ACTIONS:
Market-Oriented

1. **Expand availability of compact units** (e.g., micro units)

Long-Term Affordability Secured

2. Establish new **Mandatory Inclusionary Housing (low and moderate* served**) and provide tax exemptions to developers for deeper affordability or higher share of affordability
3. Pilot **Mixed-middle-income Program:** 20% low, 30% moderate (Boulder's middle); 50% middle income; target to mixed use transit corridors; pursue zoning changes to support mixed use
4. **Create new tax incentive program** to provide rental building owners partial or full tax exemption in exchange for regulatory agreement ensuring affordability for life of exemption
5. **Inclusionary Housing Preservation Program** gives developers bonus density in exchange for

agreement to renovate and preserve affordable housing

6. **Expand Mitchell-Lama preservation strategies** (48,000 moderate and middle-income affordable rentals and coops); fund repairs and renovations in exchange for extended affordability and assist properties to restructure debts
7. **Finance affordable homeownership opportunities** (all existing programs) through Tenant Interim Lease Program, which helps organized tenant associations in City-owned buildings to set up low-income coops, Affordable Neighborhood Cooperative Program (uses HDC financing to promote development of affordable coops) and Real Estate Owned Program (third-party acquires and rehabilitates bank-foreclosed homes for moderate-income households)
8. **Aggregate small sites** for smaller rental and HO developments (new program)
9. **Targeted infrastructure investment** to enable new affordable units (e.g., sewers, streets)
10. **Identify underutilized city-owned sites** as mixed-income redevelopment sites
11. Identify and encourage development on **underused privately-owned sites** through strategic partnerships and pooled development rights

Reduce development costs to encourage market affordability

12. **Reduce parking requirements for affordable housing in transit accessible areas**
13. **Ease restrictions on conversion of** older, obsolete **non-residential buildings** to residential.
14. **Create development finance toolbox** to leverage private market to develop affordable housing
15. **501(c)(3) bonds to finance MI housing:** Use 501(c)(3) charitable organization created with City's assistance to develop and provide middle income affordable housing on city-owned land.

City: *Seattle, WA*

Document(s): Housing Seattle: A Roadmap to an Affordable and Livable City, An Action Plan to Address Seattle's Affordability Crisis

Definition of Middle Income: Not defined

Related Articles: Seattle council candidates band together to back alternate housing plan

Of the three communities profiled with middle income components to their housing strategies, Seattle places the greatest emphasis on market interventions. Seattle does not propose to deed restrict middle income housing. Tools Seattle plans to employ to support middle income housing production include:

- Land use and zoning (e.g., urban villages)
- Regulatory change (streamlining permitting)
- Policy (parking reform)
- Land banking

MIDDLE INCOME GOALS:
Create 30,000 market-rate housing units over the next 10 years

MIDDLE INCOME ACTIONS:
Market-Oriented

1. **Increase Opportunities for Multifamily Housing,** particularly in areas near transit, services and amenities.
2. **Streamline City Codes and Permitting Processes**
3. **Comprehensive Parking Reform:**
   a) Clarify definition of frequent transit service to reduce requirements in transit areas;

b) Reduce parking requirements for multifamily housing outside of Urban Centers and Urban Villages that have frequent transit service;
c) Ensure parking mandates are not reintroduced in Urban Centers and Urban Villages; and
d) Remove parking requirements for ADUs and other small-scale housing types in Single Family areas.

4. In new transit hubs, work with government agencies to **secure land to build mixed-income housing**.

Select Middle Income Initiatives in Other Communities

In addition to profiling recent housing strategies, staff surveyed a variety of communities with programs and policies to address demand for middle income housing. Some of the communities profiled have long-standing middle income policies and programs and some are launching new initiatives.

Inclusionary housing is by far the most used approach to providing middle income housing with long-term affordability (i.e., deed restricting covenants). In addition to cash in lieu from inclusionary housing, funding sources employed by these communities include sales tax, commercial linkage fees, city-issued bonds and community benefit fees (bonus density, condominium conversion). Other tools employed to generate middle income housing in these communities include land banking, transfer of development rights, zoning and land use, regulatory tools (expedited review), accessory dwelling units and laneway houses and apartments, city-owned land, and homeownership programs (e.g., first-time homebuyer, energy conservation).

Aspen/Pitkin County, Colorado

According to the 3rd quarter 2015 Elliman Report, the median home sales price in Aspen was $3.4 million, making it one of the most expensive housing markets in the country. High housing costs have been a longstanding challenge in Aspen. In 1984, the Aspen/Pitkin County Housing Authority (APCHA) was created specifically to promote workforce housing solutions, rather than to provide housing services more typically associated with housing authorities such as public housing. Their mission statement is "to provide affordable housing opportunities through rental and sale to persons who are or have been actively employed or self employed within Aspen and Pitkin County…" According to the Aspen/Pitkin County Employee Housing Guidelines income categories served by APCHA range from low to upper middle income. To provide a sense of households qualified for APCHA's middle income categories, a household with two dependents can qualify for the lowest middle income category and earn up to $160,000. The same household could qualify for the highest upper middle income category and earning up to $201,000.

To support APCHA's efforts, the City of Aspen maintains a Housing Development Fund dedicated to affordable housing. Aspen's funding sources include:

- A one percent housing real estate transfer tax (established prior to TABOR),

- City sales tax,
- cash in lieu, and
- A Credit Certificate Program which allows a private sector developer to meet affordable housing requirements by purchasing a credit equivalent to the free market value of an affordable unit in an all-affordable housing project.

Pitkin County supports affordable housing with an Employee Housing Impact Fee.

Breckenridge, Colorado

A 2014 report documents the impacts of Breckenridge's affordable workforce program, including, most notably, housing one third (623 housing units) of all households in Breckenridge. One particularly notable deed-restricted development in Breckenridge is the Wellington Neighborhood. The Town of Breckenridge land banked the property that would become the Wellington Neighborhood and transferred development rights from other parcels to the Wellington parcels in order to create a mixed use, mixed-income neighborhood that includes 230 units deed restricted to household earning up to 80, 90, 100, 110, 120 and 150 percent AMI.

Montgomery County, Maryland

Established in 1974, Montgomery County, Maryland's inclusionary housing program, the Moderately Priced Dwelling Unit Program, is the oldest in the nation. It serves low to moderate income renter and owner households. In 2006, a second inclusionary housing program, the Workforce Housing Program was added in Montgomery County to create housing opportunities for middle income households (70 to 120 percent AMI). The inclusionary requirement applies to projects with 35 or more units and requires 10 percent of units to be restricted to these households. Stated goals of the Workforce Housing Program include providing housing choice, increasing housing for public employees whose incomes cannot support the high cost of housing close to their workplace, assisting employers in reducing critical labor shortages; and reducing traffic congestion.

Portland, Maine

Portland, Maine's recently adopted (October 2015) Inclusionary Zoning Ordinance places a 10 percent permanently affordable requirement on residential buildings with 10 or more units. Middle income households (100 to 120 percent AMI) are targeted by the program. Portland does not have an inclusionary program for low- and moderate-income households. This program is mandatory, but does provide development incentives such as increased height and density, and tax breaks.

Roseville, California

Roseville, California has a 10 percent affordable housing goal with 20 percent of the goal targeted to middle income households. Middle income housing is promoted through the Density Bonus Program (voluntary inclusionary housing with a deed restricting covenant), a commercial linkage fee, Second Unit Ordinance (accessory units, a market-rate housing solution), Condominium Conversion Ordinance (per unit one-time community benefit fee paid for conversion of rental apartments to for-sale condos), expedited project review, and zoning and land use.

San Diego, California

San Diego's Housing Trust Fund (HTF) is primarily funded by a commercial linkage fee as well as cash in lieu from the Inclusionary Housing program. Households with incomes up to 100 percent AMI can be served by the HTF. Over time middle income tiers (80 and 100 percent AMI) have been added to a number of housing programs, including the Housing Enhancement Loan Program (HELP) energy efficiency and water conservation loans, the first-time buyer Shared Equity Program, the Condominium Conversion Program and Down Payment/Closing Cost Assistance Grants.

San Francisco, California

San Francisco produces rental and for-sale middle income housing through its mandatory Inclusionary Housing Program, which produces housing that serves households earning up to 200 percent AMI. Other city programs with income limits up to 200 percent AMI include the City Second (mortgage) and Downpayment Assistance Loan programs. The income limits for the Rehab and Lead Programs top out at 92 percent AMI. The Middle Income Rental Housing Program serves households earning up to 150 percent AMI. These rental units are secured in exchange for a density bonus.

In 2007, SPUR (San Francisco Planning and Urban Research Association) convened a task force of architects, developers and policymakers to develop an affordable by design strategy for San Francisco. Recommendations focused on regulatory changes, parking, required "family" bedroom count units, design, and the inclusionary housing requirement. The report can be found here.

In the 2015 election, San Franciscan's responded to the community's worsening housing crisis through the ballot box. Propositions A, K and D, all of which support the production of housing affordable to low to middle income households, passed on November 2015. Proposition A authorized the city to issue up to $310 million in bonds to fund affordable housing programs. Proposition A is expected to support the renovation and construction of 30,000 affordable units over the next four years. Proposition K expanded the target income levels of housing developments allowed on surplus lands to include households earning up to 150 percent AMI. Proposition D authorized increased building height for a mixed-income development called Mission Rock, which is expected to produce 1,500 housing units, 33 percent of which will serve low to middle-income households.

Vancouver, British Columbia

Laneway houses, a type of accessory dwelling unit, have been promoted in Vancouver as an option to allow middle income households to live in areas they could not otherwise afford. According to a December 2015 article in Citiscope, the city has received nearly 2,000 applications in the six years since laneway houses have been allowed, 85 percent of which have been constructed. Factors that have helped to promote the laneway house include elimination of neighbor approval requirements and eliminating the owner occupancy requirement. The city also provides a how-to guide that serves to help residents interested in building laneway houses by providing an overview of laneway houses, lot eligibility, and design requirements. In Vancouver, laneway houses are allowed in all single-family residential zones, one residential two-family zone and one multiple dwelling unit zone.

Due to the popularity of the laneway house, Vancouver recently launched a laneway apartment option that allows mini apartment buildings up to six stories tall along lanes in a neighborhood chosen for its scale. Four projects were in review at the time of this writing, but had not yet been built.