



Providing Homes, Creating Community, Changing Lives

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Dear Boulder City Council Members,

Boulder is experiencing an affordable housing crisis. As the city moves ever closer to build-out, housing units and land are becoming increasingly expensive. Supply constraints and high demand play a large role in this dynamic, but so do issues such as wage stagnation. Boulder's longstanding housing policies and practices, however innovative, are insufficient to acquire, preserve, develop and finance affordable housing in the face of both traditional market forces and larger social issues related to increasing inequality. Despite our best efforts, continuing "business as usual" is not addressing the need.

Boulder Housing Partners urges the City Council to move aggressively now and seize the opportunities currently before the community to support housing programs and projects and to adopt policies that will meaningfully expand the availability of affordable housing in Boulder for years to come. As your housing authority, we present to you a number of actions the City Council can begin taking in 2016 in support of affordable housing. We ask you to consider prioritizing all or some of these items for action in the coming two years at your upcoming 2016-2017 goal setting and work planning retreat.

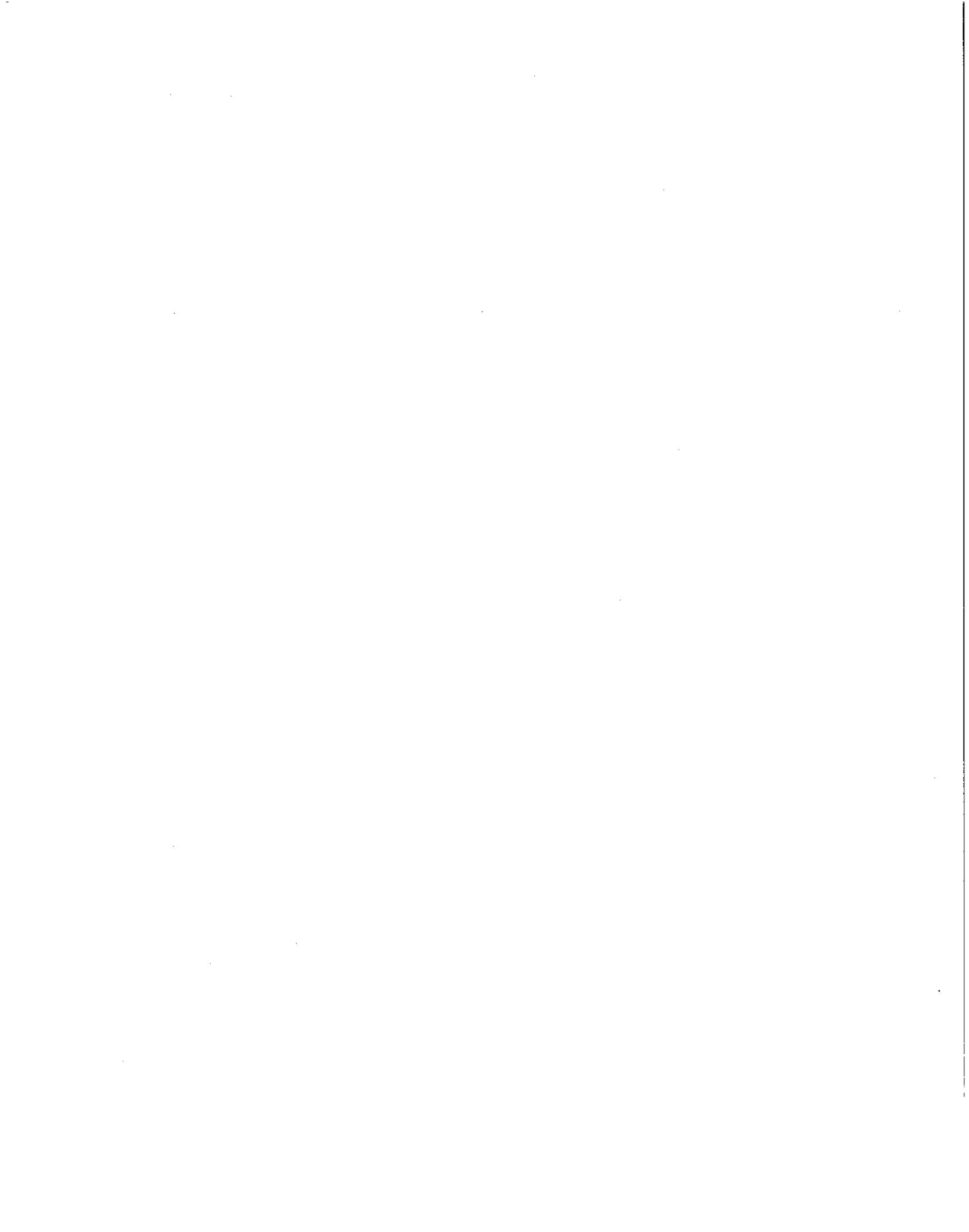
Without some action, market forces will soon overtake our good intentions and Boulder will permanently lose opportunities to increase and stabilize affordable housing for current and future residents. But this does not have to be our future. Action from elected leadership in collaboration with City staff and community stakeholders can alter the current course, and turn the ideas described below into reality.

Respectfully submitted on behalf of the Boulder Housing Partners Board of Commissioners and staff.

Karen Klerman  
Commissioner, Chair

Betsey Martens  
Executive Director





## **Boulder Housing Partners Memo for the 2016 City Council Retreat**

### **Introduction**

Housing affordability, especially for lower-and moderate-income families is becoming increasingly difficult in this community. Today, rent for a 2 bedroom -2 bath home in Boulder averages \$2,400 per month<sup>1</sup>. To be affordable at 30% of income, a household needs \$103,000 in annual income. With a single head of household, the rent requires a job that pays \$50/hour. At a \$15/hour wage, a household needs 3.3 full time earners in order to afford rent. In addition, we shared with the community last year that Boulder loses 1,000 market-affordable units annually due to price inflation, and replaces those units with an average of 123 affordable units per year. This “shed rate” of 900 units, combined with current rents, is indicative of a housing crisis. Boulder’s practices and policies are falling behind our ability to address the growing gap between supply and need.

As such, we propose that the Council encourage its entire staff to think **big** about affordable housing solutions and look beyond traditional programs to assemble bold and aggressive tools and opportunities for 2016.

As the city’s housing authority, Boulder Housing Partners (BHP) has a proven record of success, demonstrating innovation and creativity, excellent construction and management of housing, and positive community engagement. We have the capacity to help City staff develop and implement a next generation of housing policy. Our priority ideas are listed below.

Our focus is immediate and practical and yet in several targeted policy arenas innovatively stretches to put Boulder in the forefront nationally on affordable housing. We urge City Council to focus its goals and enable success by prioritizing the following four areas for action in 2016:

### **2016 Priorities for Affordable Housing with Boulder Housing Partners and other partners**

- 1) Public policy initiatives that will move the landscape in favor of affordable housing;
- 2) Target two City-owned parcels for maximum affordable housing production and assist in acquisition for expansion of a third site;
- 3) Preservation and acquisition of existing market-affordable housing; and
- 4) Creation of new funding streams for affordable housing.

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<sup>1</sup> Apartment Association of Metro Denver, Apartment Survey Data, Third Quarter 2015

## **INNOVATIVE PUBLIC POLICY TO ADVANCE AFFORDABLE HOUSING**

Boulder Housing Partners has identified a number of potential public policy choices which would advance housing affordability in Boulder. We would like to work with the City Council on the policies below, all of which are within the purview of the City's home rule authority.

### ***Affordable Housing Benefit Ordinance – Expediting approvals for affordable housing***

Several communities, including Denver, Longmont, Aspen and Fort Collins, have adopted provisions in their land use codes that provide preferential treatment for affordable housing projects. These types of provisions have the effect of reducing development costs, expediting the completion of affordable housing projects, and providing affordable housing developers with a competitive advantage in pursuit of state and federal funding. An Affordable Housing Benefit Ordinance would provide flexibility to affordable housing developers, and could include such provisions as an expedited review process, flexibility in parking and open space requirements, and height or density bonuses.

### ***Right of First Refusal Ordinance – Helping BHP become a preferred buyer***

Several communities across the country have adopted ordinances granting housing authorities, tenants or the local government a right of first refusal to match bona fide offers to purchase certain types of property, including vacant land and apartment buildings. We recommend that Council consider adoption of an ordinance that provides the housing authority with a right of first refusal on the sale of all apartment buildings of a certain size and land of a certain acreage. This is a bold strategy that merits consideration in a market such as ours. Boulder is viewed as ideal for private equity investment and as a result, competition for real property assets is strong. A right of first refusal ordinance would put BHP in the position of a preferred buyer, allowing BHP to match the highest bona fide offer.

### ***Affordable Housing Overlay Zones – Increasing Density in Selected Areas of the City***

Boulder can add significantly to housing affordability by creating Affordable Housing Overlay Zones in those areas of the city that can support denser infill and redevelopment. An overlay zone would allow developers to apply for increases in density in exchange for a permanent affordability covenant on the property. This would leverage the value created through up-zoning to produce affordable housing at no cost to the City. This approach makes particular sense in a city like Boulder, where additional dwelling units bring significant value to developers.

As KEY STEPS TO TAKE IN 2016, Council can provide direction to City staff and the housing authority on your willingness to pursue all or some of these proposed measures and then task staff to work with BHP and other affordable housing developers to fully research policy options, prepare proposed ordinances and take them through the formal City processes for consideration and adoption.

## **MAXIMIZE AFFORDABLE HOUSING ON TWO CITY-OWNED PARCELS**

### **Pollard Site**

With land values skyrocketing in Boulder and fierce competition for available land, BHP urges Council to use the Pollard property, previously purchased with Affordable Housing dollars, to maximize affordable housing. We believe it makes good economic sense to direct the increased value of the land to affordable housing production, rather than trade it for opportunity elsewhere. With its prime location and access to rich transit services, it is critical that the site be maximized for affordability, which will have the added benefit of lowering the per unit development cost of a project.

As KEY STEPS TO TAKE IN 2016, BHP can help the City advance this project and maximize the affordable housing opportunity by leading the development of the site. If designated as the lead developer, BHP can begin pre-development work, including community engagement, conceptual design, and financial feasibility analysis, in 2016. BHP would also complete an analysis of how to optimize the value of the land for the City.

### **Boulder Community Hospital - Broadway site**

With the purchase of Boulder Community Hospital site on Broadway, the City is positioned to begin the extensive process of envisioning options for this key opportunity site. Goose Creek neighbors and others interested in the possible redevelopment have met several times to identify desired uses, which could include affordable housing, artist studios, office, retail and other community-desired services. BHP as the city's housing authority has the capacity and expertise to provide support and capacity to the City in order to launch the development process in 2016. We would like to be a key player, and can leverage its numerous connections with other non-profit, public and private networks of development expertise. For example, BHP has strong connections to the Denver public and private developers that managed the conversion of two former hospital sites, St. Anthony's and University Hospital, to affordable housing properties in 2015. BHP is in a position to help the City find capacity to start and/or accelerate this project in 2016.

As KEY STEPS TO TAKE IN 2016, the City can designate the BCH Broadway site as an affordable housing "opportunity site" and establish a bold goal for the provision of affordable housing on the parcel as part of the initial and on-going discussions of planning alternatives. The City can begin the pre-development process using BHP in a role similar to the one we played in the Holiday Neighborhood. BHP has the capacity and enthusiastic willingness to lead or partner with the City in the process to transform the site into a vital and vibrant mixed-use, mixed-income, mixed-tenure showcase for the city. BHP would welcome being designated as the lead developer of this site.

## **HELP BHP EXPAND RED OAK PARK THROUGH PROPERTY ACQUISITION**

### **Red Oak Park - 2016-2017**

BHP owns two parcels of land to the south and north of our Red Oak Park site at the northeast corner of Valmont and Folsom. Combining these two parcels with the two privately-held parcels directly west holds the potential to transform this corner into a vibrant and trend-setting walkable neighborhood which would include the development of up to 68 new permanently affordable housing units. The affordable potential depends on the land use concessions that might be granted in order to maximize both affordability and walkability.

As a KEY STEP TO TAKE IN 2016, Council could designate these parcels as an opportunity site, much like what was done with Palo Park, and work with BHP to turn the opportunity into a demonstration site that would test the policy tradeoffs required to maximize affordability.

## **PRESERVATION AND ACQUISITION**

Apartments affordable to workforce income earners are disappearing as for-profit investors purchase existing units based on a price that is supported by increasing the rents and marketing the units to high-income earners. BHP and other private investors can preserve workforce housing if funding is provided to ensure that the seller receives full value for their property while the units are deed restricted at lower rents.

Thunderbird/Osage was a recent opportunity where City funds were provided to a private developer to accomplish this goal. BHP is willing to joint venture with private developers and offer our resources (e.g., tax exemption or bond financing) to encourage the preservation of existing workforce units.

As a KEY STEP TO TAKE IN 2016, the City can allocate an increased flow of funds specifically to preserve existing workforce housing units. For thoughts about sources for increased funding, see the next item.

## **CREATION OF FUNDING STREAMS FOR AFFORDABLE HOUSING**

In order to maximize the preservation and expansion of housing affordability, Boulder must seize opportunities now before appropriate land for land banking and affordable development is lost, housing properties are purchased privately and transitioned out of affordability into higher end market rental rates, or new construction projects are unnecessarily delayed and costs for development increase prohibitively. Turning any of these methods of preserving or creating affordable housing into reality will require financial participation by the public sector, including the City. Public sector financing is an essential and vital component in BHP's "tool kit," critical to meeting an increased affordable housing goal.

BHP proposes that the City invest a minimum \$12 million annually to increase affordable housing production to 200 units per year.<sup>2</sup>

These funds can be raised in a variety of ways:

- Create a housing preservation tax specifically for affordable housing preservation and new construction.
- Evaluate a strategy to secure a real estate transfer tax (or similar mechanism) for Boulder.
- Re-evaluate the recently-passed linkage fee in the context of a broader and specific annual affordable housing goal.
- Contribute land that the City owns or controls as equity, to be developed into affordable housing (e.g., Pollard, Boulder Community Hospital).
- Share BHP's tax exemption with private developers, assuming that certain criteria are met.
- Share BHP's bond financing capacity with private developers, assuming that certain criteria are met.

As KEY STEPS TO TAKE IN 2016, BHP would like to begin discussions with the City to place an affordable housing funding measure on the City's 2016 election ballot and explore additional funding options.

## **ISSUES FOR FUTURE CONSIDERATION**

### **Form Based Code Flexibility or In Lieu – Avoiding Total Development Cost Limits**

The City is piloting a Form Based Code (FBC) in Boulder Junction as an approach to address design quality and development review issues recently articulated through community, board and Council conversations. BHP supports this direction, however requests that the City consider potential impacts to the cost to develop affordable housing as it evaluates the success of the FBC in this location over the next few years, and assesses if and how to execute it in other locations of the city. The current FBC draft includes strict materials requirements that will increase the cost to build. An example of this is the requirement that new buildings have a minimum of 80 percent of each façade constructed of major, more expensive, materials including stone, brick, or cedar. New construction of affordable housing in Boulder is already more costly than other areas of the state, therefore, increasing the cost to deliver each unit could jeopardize the ability of projects in Boulder to compete successfully for limited State and Federal funding. BHP builds beautiful, high-quality affordable housing. The majority of BHP's buildings are constructed primarily with fiber cement board and stucco, yet are award-winning projects that are compatible with the surrounding neighborhoods. The City could either offer additional flexibility for affordable housing development or fund the additional costs to meet these higher standards.

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<sup>2</sup> Based on a per unit average investment of \$60,000.

## **Building Community Support**

As the most recent City survey indicates, a significant majority of Boulder residents polled indicated housing affordability as one of the top three issues on which they want the City to focus. But experience also indicates that such support is conditioned on that housing occurring outside of a resident's neighborhood. Although BHP's experience is that initial neighborhood opposition wanes once BHP projects are built and are successfully managed, we fully anticipate there will be vigorous opposition to some of the City and BHP activities as we jointly address the diminishing opportunities to firmly establish affordable housing throughout Boulder. BHP's neighborhood engagement process involving adjacent neighborhoods has become increasingly effective and we are committed to continuing that trajectory to success. But we also know that success in establishing and maintaining affordable housing in Boulder will require political support and individual political will from our elected and appointed leaders as we encounter opposition to the number of units and families eligible for affordable housing, to the pacing and timing of development, to growth related costs and possible exemptions from various City fees and processes, to possible commercial and residential land use and zoning changes, and within the jobs/housing balance discussions.

## **Expanding Housing Choice Voucher Options**

Boulder Housing Partners administers 1,100 housing vouchers in the city, and a small handful of non-profit organizations like Mental Health Partners contribute another several hundred. These vouchers are an essential part of BHP's affordable portfolio. Vouchers allow the participating household to rent an apartment or home from a private landlord at a rent equivalent to 30% of their income. The difference between that rent and the fair market value of the property is paid to the landlord by BHP. Increasingly, households that are issued a voucher have trouble finding an apartment to rent.<sup>3</sup> There are many, many reasons for this. For example, vouchers are priced at the 40<sup>th</sup> percentile of the market<sup>4</sup> and often families can't find a vacant unit in the time that is allotted to secure a place and sign a lease<sup>5</sup>. In other cases, landlords are unwilling to rent to voucher holders. As a result several states and municipalities have adopted laws prohibiting housing discrimination based on source of income. Owners of tax-credit and other types of federally assisted housing are prohibited from discriminating against voucher holders. These protections are invaluable in maximizing a voucher family's ability to secure quality, affordable housing. The policy outcome, however, is a concentration of double subsidies in federally funded units, or a halving of the potential. BHP has a 2016 plan called "Landing Landlords" in which we're using a variety of incentives to increase landlord participation. The City could consider

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<sup>3</sup> At the close of 2015, an average of 18% of voucher recipients returned their voucher unused (to be re-issued to the next family on the waiting list). Related, only 66% of the vouchers issued by BHP lease up in Boulder. The vast majority of the balance are leased elsewhere in Boulder County.

<sup>4</sup> The value of a voucher is based on a Fair Market Rent established such that 60% of all units in that jurisdiction rent for greater than the voucher value.

<sup>5</sup> Voucher recipients have 60 days from voucher issuance to sign a lease. BHP is flexible with families that are actively looking and need more time.

stronger action to increase the utilization of vouchers in Boulder and quickly expand the affordable inventory.

**Clarifying Intent- A Word about Defining Affordability**

The need for affordable housing covers a broad range of income in Boulder. BHP uses the following terms internally when talking about our program or policy goals. Consistent reference to these terms helps stakeholders understand where policies and resources are intending to be targeted.

% of Area Median Income	Reference
0% < 30%	Assisted Housing
31% < 60%	Affordable Rentals
61% < 80%	Workforce Housing
81% < 120%	Market Rental & Affordable Ownership

\* The Area Median Income for Boulder County is \$99,640

The policy suggestions in this memo are responsive to the entire range of incomes.

**Conclusion**

Boulder Housing Partners has been recognized and awarded numerous commendations for its innovative and creative developments, its excellence in programming, and its nationally ranked management. Boulder is served by one of the best housing authorities in the United States. But great development and management to meet community needs and commitments can only succeed where there is opportunity, and opportunity to make a realistic but aggressive portion of the remaining housing in Boulder affordable for our low, moderate, and middle income families and workers will only be created when the City and Boulder Housing Partners work collaboratively and cooperatively.

With the help and support of the City Council and City staff, we can do it. We can significantly address the need for housing affordability and together create the necessary mix of programs, policies and purchases to increase the amount of permanently affordable housing. But the time to act is now and together we need to put our efforts into practical and current action. If we do not, market forces will overtake our good intentions and Boulder will permanently lose the opportunities now before us to increase and stabilize affordable housing for our current and future Boulder residents.

