

CITY OF BOULDER

PLANNING BOARD AGENDA ITEM

MEETING DATE: March 21, 2019

AGENDA TITLE: Discussion and potential consideration of a recommendation to City Council to amend the City of Boulder housing goals including the low- and moderate-income housing goal (also known as the 10 percent goal) and the middle-income goal.

REQUESTING DEPARTMENTS:

Kurt Firmhaber, Director for Housing and Human Services (HHS)
Kristin Hyser, Deputy Director, HHS
Jay Sugnet, Senior Housing Planner, HHS
Christian Koltonski, Data and Analytics Project Manager, HHS

OBJECTIVES:

1. Staff Presentation
2. Board discussion
3. Potential Board Recommendation to City Council

EXECUTIVE SUMMARY

The purpose of this matter is for Planning Board to discuss and potentially recommend to City Council amending the City of Boulder housing goals including the low- and moderate-income housing goal (also known as the 10 percent goal) and the middle-income goal. Amendments to be considered include: combining the two, currently separate goals; increasing the goal; establishing the goal as time-bound and aligning the city's goal with the Regional Housing Strategy. The recommendation will be presented to City Council at a public hearing on April 2.

The city has been long committed to creating and preserving permanently affordable housing options to meet the diverse needs of the community. This commitment is grounded in the 10 percent goal which strives to secure 10 percent of the city's housing stock as permanently affordable. To date, the city has successfully deed restricted 7.5 percent (3,484) homes serving low- and moderate-income persons. In 2016, the city expanded its commitment to ensuring the availability of diverse housing options by adopting the [Middle-Income Housing Strategy](#) committing to build or preserve 3,500 middle income homes by 2030, of which 1,000 would be permanently affordable. Currently, the city has 110 deed restricted middle-income homes.

Simultaneous to the city's progress towards achieving these stated goals, the multi-jurisdictional [Boulder County Regional Housing Partnership \(Partnership\)](#), was convened to expand access to diverse housing across the county, serving low to middle income households (30–120% Area Median Income). Driving the Regional Housing Strategy is the established goal to secure 12 percent of the county's housing inventory as permanently affordable, serving a diverse mix of low-, moderate- and middle-income households by 2035. On Oct 24, 2017, Boulder City Council adopted [Resolution 1218](#) supporting the work of the Partnership and the goals it established, which includes the 12 percent goal for the entire county.

Historically the city has evaluated, amended and re-affirmed the housing goals approximately every ten years, with the last occurring in 2010. In 2017, as part of the major update to the Boulder Valley Comprehensive Plan, Planning Board recommended increasing the city's affordable housing goal from 10 percent to 20 percent of all residential properties be secured as permanently affordable. At the time City Council commended the aspiration of the goal but did not approve requesting further analysis of factors to identify a goal that is both aspirational and achievable.

This memo presents the purpose statement of the project, guiding principles and summarizes the existing housing goals, progress to date and the remaining housing needs of the community. The memo also presents the staff recommendation regarding amendment to the goal.

COMMUNITY ENGAGEMENT SUMMARY

During review of this matter multiple opportunities have been made available for the public to engage in the dialog including:

- Notice of the study session and public hearing held by the Housing Advisory Board (HAB) was emailed to the city's housing partners and stakeholders. Notice was included in the Planning Newsletter and other city media outlets.
- The city's website hosts an "[Affordable Housing Goals](#)" page. This page includes all memorandums and presentations relating to the conversation, advertises all meeting times and opportunities to comment on the possible amendment to the goal, features a means to submit comments through the website and invites the public to contact HAB or staff regarding any questions, suggestions or support for the potential amendments.
- Information regarding the Affordable Housing Goal Update was included in the community events on Feb. 11 and 20 that highlighted the three code amendment projects (Community Benefit, Large Homes and Use Standards).

HOUSING ADVISORY BOARD FEEDBACK

In 2018, following City Council's creation and appointment of the Housing Advisory Board (HAB) consideration of amending the city's housing goals was identified as a work item to be pursued by the HAB. With progress underway to achieve the current 10 percent affordable housing goal paired with furthering the city's commitment to the work of the Partnership on Oct. 24 the HAB was introduced to this item and asked to consider amendment of the city's housing goals. On Nov. 14, the HAB conducted a study session to further explore amendment of the city's housing goals. This session was followed by a public hearing held on Dec. 12. Of note, there was no public comment at the study session or the public hearing.

In summary, following consideration, the HAB landed on a recommendation based on a 4 to 1 vote, to propose combining the low-moderate income and middle-income goal into one combined goal. This goal will be timebound to be achieved by 2035 to align with the Regional Housing Strategy's housing goal. However, departing from the Regional Housing Strategy, the HAB recommends increasing the goal to 20 percent. HAB's recommendation is intended to be highly ambitious and address the need for housing affordability which is greater than the current goal, the Regional Housing Strategy goal and the staff recommended goal presented below. Minutes from the hearing and the full recommendation from HAB are presented in **Attachment B and C**, respectively.

STAFF RECOMMENDATION

Staff finds that the housing goals must continue the city's commitment to prioritize and invest resources to create and preserve permanently affordable housing options to meet the diverse needs of the Boulder community balanced with the pressures impacting the rate of development (e.g. possible economic downturn, limited development potential). As well, intended to motivate a desired outcome, a goal should be specific, measurable, attainable, relevant and time-bound. Based on these conclusions, staff recommends the following motion:

Recommend City Council adopt a goal securing 15 percent of all residential development within the city of Boulder as permanently affordable to low- to middle-income households by 2035.

“WHY” STATEMENT

The following “why” statement was prepared and accepted by the HAB and is intended to be visionary and aspirational and articulate the purpose of this matter.

Boulder aspires to be a diverse and integrated community. This aspiration is predicated upon the belief that diversity is fundamental to the overall well-being of the community and depends upon resident’s ability to live in their community. To this end, the Boulder community, its leadership and residents, have long held a commitment to facilitate the provision of diverse housing options to serve the needs of low-, moderate- and middle-income households. While the city is on pace to reach current housing goals, it is evident that existing goals do not meet the needs of the community. The city is revisiting its housing goals to ensure we do our utmost to fulfill the existing and expected needs of diversity in housing affordability and accessibility.

GUIDING PRINCIPLES

In considering an amendment to the city’s housing goals, the following guiding principles were supported by the HAB:

- Affordable housing goals must be easy to explain and understand.
- Allow flexibility to be opportunistic to direct affordable housing resources to address the greatest need in any given year while leveraging resources and maximizing opportunities.
- Periodically review progress toward goals and adjust course as necessary.

Other considerations and factors presented and discussed impacting the achievement of any housing goal include: availability of local funding sources; status of federal and financial resources/factors (e.g., tax credits, interest rates, construction costs); development potential; and regulatory constraints. While points of consideration, these factors are outside of the scope of this matter. Each of these items are being pursued as part of a suite of strategies and tools to facilitate future housing production.

It is important to note that the city does not have specific targets within the goal (e.g., income levels, ethnicity, seniors, etc.). While previous city conversations have discussed creating these targets, the city relies on flexibility when responding to opportunities that create affordable units. As a result, the city’s affordable homes have effectively served a broad spectrum of the community (as shown in **Attachment A**).

BACKGROUND

Existing Housing Goals and Progress

10 Percent Goal

The city has long been committed to creating and preserving permanently affordable housing options to meet the diverse housing needs of the community. In 2000, the city adopted the Comprehensive Housing Strategy, which included the establishment of the 10 percent goal. The original 10 percent goal was based on the number of dwelling units in 2000, which was 45,000, for an absolute number of 4,500 affordable units. Following the work of an Affordable Housing Task Force, the goal was reaffirmed in 2010. However, it was also revised to reflect 10 percent of the number of housing units at the time of measurement, thus being variable.

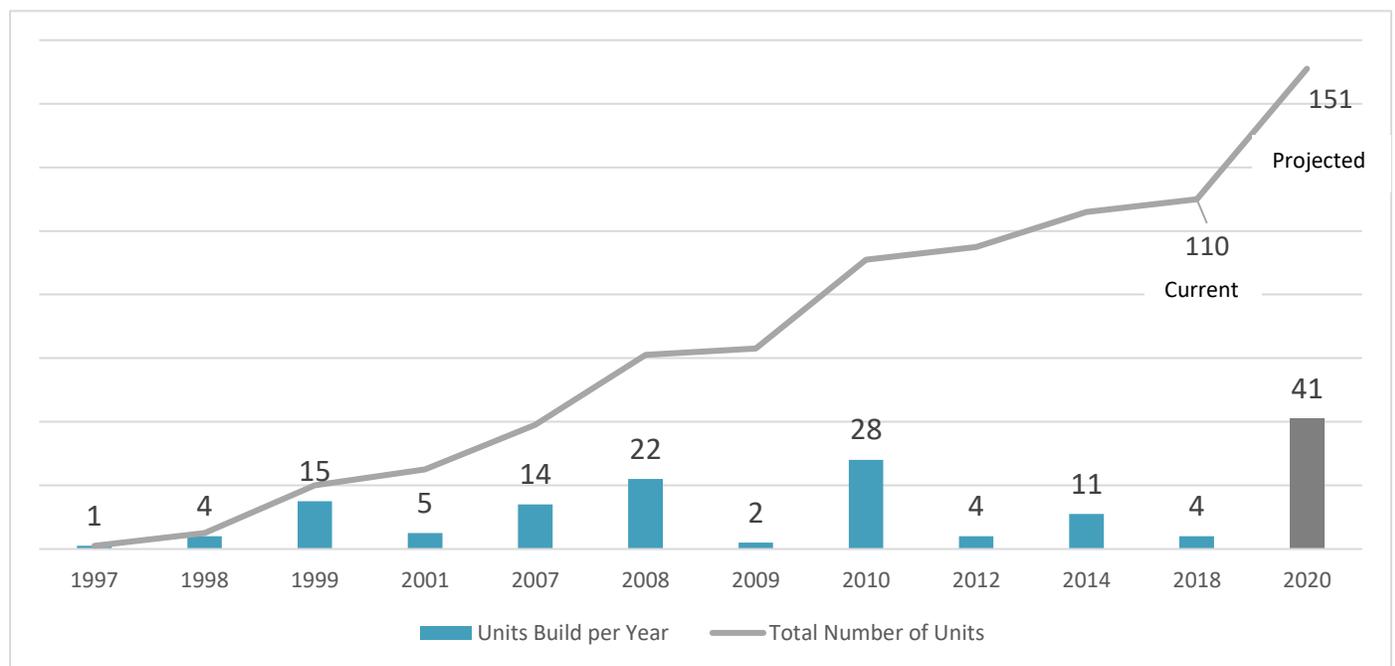
Since the original adoption of the 10 Percent Goal in 2000, the city has successfully deed restricted 7.5 percent (3,484) homes serving low- and moderate-income persons, housing approximately 8,500 persons. More in-depth information can be viewed at the [Affordable Housing Dashboard](#) and **Attachment A**.

Middle Income Goal

With the decline of middle-income households in Boulder the city adopted the [Middle-Income Housing Strategy](#) in 2016. The Strategy defined 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. The goal of the Strategy is to build or preserve 3,500 middle-income homes by 2030. The goal will be achieved with the development of 2,500 market-rate middle income and the development/preservation of 1,000 deed restricted permanently-affordable homes.

Currently the city has 110 deed restricted middle-income owner-occupied homes as part of the permanently affordable inventory. The majority of these units were achieved through annexation of land into the city.

Middle-Income Inventory (80% AMI – 120% AMI)

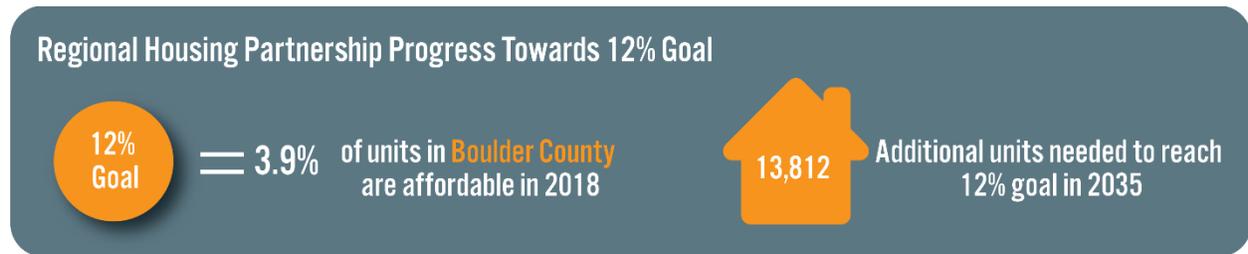


Boulder County Regional Housing Partnership Goal

Simultaneous to the city's progress towards achieving these above stated goals, the multi-jurisdictional Boulder County Regional Housing Partnership (Partnership) was convened to expand access to diverse housing across the county, serving low- to middle-income households (30–120% Area Median Income). Driving the [Regional Housing Strategy](#) is the established goal to secure 12 percent of the county's housing inventory as permanently affordable, serving a diverse mix of low-, moderate- and middle-income households by 2035. In 2017, Boulder City Council adopted [Resolution 1218](#) supporting the work of the Partnership, that includes the 12 percent goal for the entire county.

Based on population and land use projections from communities across the region, the Strategy asserts a regional goal of 20,400 affordable homes of which the 6,604 permanently affordable homes are already secured across Boulder County. The 12 percent goal is aspirational yet realistic, as it's grounded in the regional population and build

out projections. Since the adoption of the plan, nine communities across the county adopted resolutions supporting the work of the Partnership and its asserted goals, including the Boulder City Council.



Similar to any goal, it is proposed the Regional Housing Goal will be achieved through a variety of strategies including: bolstering of financial resources; securing land, development and redevelopment options; preserving existing affordability; and alignment of regulatory processes to facilitate production of housing options to reach the goal.

Projected Achievement of the City's 10 Percent Goal

As stated previously the city, in partnership with the affordable housing development community, has achieved deed restricting 7.5 of the 10 percent affordable housing goal (3,484 units) and 110 units of the 1000-unit middle income housing goal.

Progress to date and anticipated continued progress is and will continue to be the result of a variety of city strategies including financial investments, annexation agreements, and the Inclusionary Housing Ordinance. In fact, due to the city's regulatory requirements, out of every 100 units built in the city over the last 5 years, 20% of units are created annually as permanently affordable. In addition, during the same time period 389 units have been preserved through financial investments.

Based on the production of units over the past five years, the city has invested an average of \$8 million annually to produce an average of 175 units per year either through acquisition or new construction. This historically-based production rate will result in the 10 percent goal being reached by 2029. In addition, affordable housing development has been at an all-time high over the last five years, adding a total of 876 units. With multiple projects in the production pipeline, resulting in approximately 620 units, staff is optimistic the 10 percent goal is likely to be achieved in approximately 5 – 7 years.

Critical Housing Needs Remain

The previously mentioned goals and progress have successfully served as a blueprint for the city's regulations, policies and funding investments toward the development of affordable housing. While making great progress in meeting the housing needs of the Boulder community, critical needs remain. The following information will detail the existing need and impact of an amended goal.

While the city has made great strides towards the 10 percent goal and is now setting its sights on addressing the middle-income housing needs of the community -- housing affordability and availability remains a critical issue. Escalating home prices are taking a toll on the household and economic security of Boulder's residents, puts businesses and institutions at a disadvantage in attracting and retaining a competitive workforce, and places pressure on the community value of inclusivity and diversity.

The following statistics show the rapidly increasing housing costs occurring in Boulder and across the region:

- Since 2010, the median single-family home price in Boulder has increased 58%, from \$535,000 to \$919,525 as of December 2018.¹
- Market median rents have jumped 39% in Boulder since 2010, from \$1,480 to \$2,051.²
- The area median income, which translates into wages, have only risen 9.6% since 2010 while the cost of housing has increased by 39% for rentals and 58% for home ownership.
- In Boulder, 43% of household earn less than \$50,000 per year.
- In Boulder County, 21,580 households are severely cost burdened, paying more than 50% of their income toward housing costs (e.g. rent, mortgage, utilities).

According to the [Boulder Valley Comprehensive Plan](#) (BVCP) the city's projects growth will add residents, housing, and jobs.

“As of January 2015, the City of Boulder (Area I) had approximately 44,725 housing units, 104,800 residents and 98,500 jobs.

Over the next 25 years, Area I is projected to add about 6,500 housing units, 19,000 residents and 19,000 jobs. CU student enrollment could increase by a range of 5,000 to 15,000 additional students by 2030.”

Boulder is, and will continue to be, a regional job center resulting in positive and negative impacts – economic prosperity, in-commuting, and high demand for existing housing. The housing demand will need to meet the needs of a diversified workforce and supporting a range of jobs and incomes. More information regarding the [Jobs: Housing Balance](#) can be reviewed on the city website.

ANALYSIS

Contextual Factors

Before exploring specific goal levels, the following information provides an overview of contextual factors needed to be considered to achieve any housing goal.

The rate of production may be impacted by a variety of factors. These factors include land use; permitting, construction and regulatory environment; and funding and financing availability.

¹ Information Real Estate Services (IRES) courtesy of the Boulder Area Realtors Association

² Zillow Rent Index January 2019

Factor	Consideration
Land Use	Availability of developable land; Restricted uses and density; Market competition
Permitting, Construction and Regulatory	Shortage of skilled labor; Cost and timing of entitlements; Challenges to creating diverse housing options (construction defects law, lack of incentives)
Funding and Financing	Availability of funding (equity, debt); Cost of financing (interest rates, tax credit pricing); Cost of construction (land, materials, wages); Development pace (limiting regulated revenue sources)

While many of these factors present macro level issues requiring local communities to respond rather than control, there are strategies being pursued across the region to facilitate rather than impede housing development.

Presented in the [Regional Housing Strategy](#), a variety of strategies are presented that will need to be pursued in concert to achieve any housing goals. Strategies include:

- **Bolstering Financial Resources** to create the fiscal supports necessary to leverage sources needed to achieve regional and local housing goals.
- **Secure Land and Development/Redevelopment Opportunities** to create diverse housing options.
- **Preserve Affordability** through the purchase and deed-restriction of currently affordable housing.
- **Consider Regulatory Processes** to ensure rules and regulations facilitate and not impede housing creation and preservation.

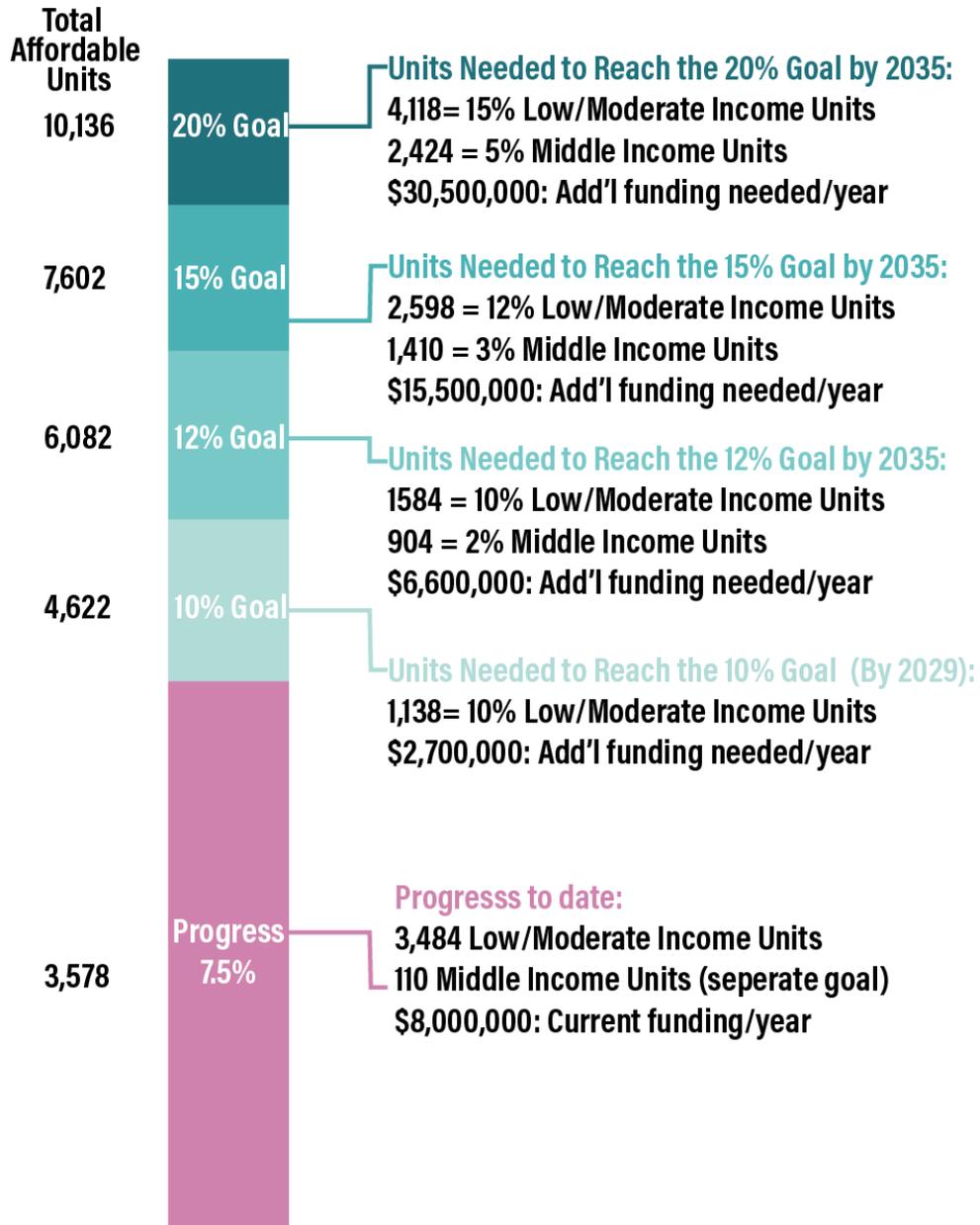
To continue on its path of achieving its housing goals, the city must continue to actively and effectively partner with the housing development community, prioritize and invest resources creating and preserving permanently affordable homes, and facilitate a regulatory environment supportive of the goal.

Varying Goal Levels

According to the BVCP the city will reach residential housing capacity by 2040 with a projected build out of 52,000 homes. While the BVCP projects out to 2040, the Regional Housing Strategy is striving to reach its stated regional housing goal by 2035 to address the immediacy of the region's housing needs, maximize immediate opportunities (e.g. costs, availability, macroeconomic factors) and to prioritize and expedite the regional efforts to meet these needs.

To align with the Regional Housing Strategy goal and to maximize regional partnerships and investment opportunities, the following goal scenarios demonstrate the number of affordable homes needed to address the city's housing needs by 2035. The scenarios below employ an adjusted unit count of 50,680 homes as the projected number of total residential units in Boulder in 2035. The following information assumes the middle-income goal is translated from a numerical unit count to a percentage of the city's total housing stock. As well, the goals reflect serving area median incomes (AMI) from 0% to 120% AMI, versus the Strategy's focus starting at 30% AMI.

The following table demonstrates the impact of varying goals levels identifying the number of units needed, unit types in terms of incomes served, and additional funds needed beyond the city's average annual investment of \$8 million per year (five year average) to achieve the stated percentage goals.



If the above figures reflected the current average rate of development of 175 units per year, achievement of the goal would far extend beyond 2035.

Goal	Goal Attainment Year Reflecting Current Development Rate
10%	2026
12%	2033
15%	2042
20%	2056

Assuming a time-bound goal of 2035 to align the regional work, the projected number of total housing units will be 50,680, resulting in an additional 4,460 units above the city's current residential stock of 46,220 units. Varying goal

increases will only be achieved through a combination of new construction and preservation and will require the following number of units, rate of development and funding.

Goal	Units	Rate of Development Needed Per Year to Reach Goal by 2035	Current Funding (In Current Dollars)	Additional Funding Needed (In Current Dollars)
10% (Current)*	1,138	114 (By 2029)	\$8,000,000	+ \$2,700,000
15%	4,008	250	\$8,000,000	+ \$15,500,000
20%	6,542	409	\$8,000,000	+ \$30,500,000

*Does not include middle income goal. Based on \$94,000 per unit subsidy.

STAFF RECOMMENDATION

Staff finds that the housing goals must continue the city’s commitment to prioritize and invest resources to create and preserve permanently affordable housing options to meet the diverse needs of the Boulder community balanced with the pressures impacting the rate of development (e.g. possible economic downturn, limited development potential). As well, intended to motivate a desired outcome, a goal should be specific, measurable, attainable, relevant and time-bound. Based on these conclusions, staff recommends the following motion:

Motion to recommend City Council adopt a goal securing 15 percent of all residential development within the city of Boulder as permanently affordable serving low- to middle-income households by 2035.

While this goal differs from the feedback from the HAB feedback, staff believes it is a stretch while being pragmatic given the realities of creating and preserving affordable housing within the city.

NEXT STEPS

City Council will hold a public hearing on Apr. 2. If City Council adopts a new goal, it will be effective immediately with the goal asserted in the next update of the Boulder Valley Comprehensive Plan.

ATTACHMENTS

- A. Boulder Affordable Housing Goals
- B. Housing Advisory Board Minutes from Dec 12 Public Hearing
- C. Housing Advisory Board Recommendation

Boulder Affordable Housing Goals



Purpose- to consider the following:

- Combine the current housing goals to assert one goal serving low- to middle-income (0-120% AMI) households.
- Update the goal to ensure the city's continued prioritization and investment in creating and preserving homes meeting the diverse housing needs of the Boulder community.
- Establish the goal as time-bound to be achieved by 2035.
- Amend the Boulder Valley Comprehensive Plan in 2020 to reflect the amended housing goals.

The Need

Affordability



The City of Boulder is one of the most expensive places on the Colorado front range to rent or own a home. The cost of rents and homes has been increasing faster than incomes, forcing many families to move out of Boulder. High housing costs also impacts the retention and hiring of local employees.

22.2%

of individuals in Boulder live in poverty.²

43.2%

of households in Boulder earn less than \$50k per year.²

42.6%

of households are burdened by housing costs, paying more than a third of their income on housing.²

Diverse Community



The lack of affordable housing impacts populations with lower socio-economic status, ultimately reducing their opportunities in Boulder. Affordable housing is an important tool to create a diverse community.

Boulder Census Population²

88.1% White

0.1% Native Hawaiian/Pacific Islander

0.4% American Indian or Alaska Native

0.9% Black

4.7% Asian

5.8% Two or more

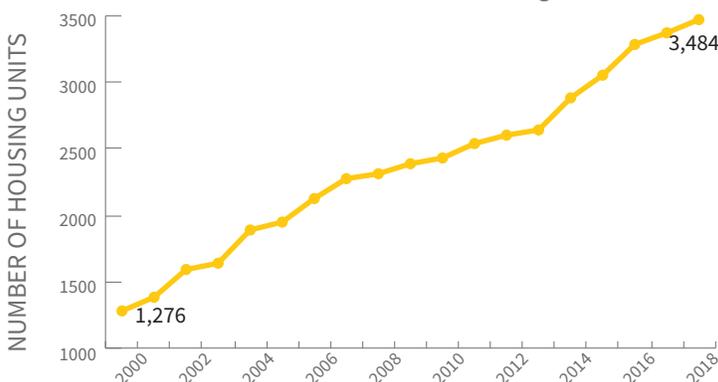
16.5%

of Boulder's Affordable Housing program serves Hispanic households.¹ While only 8.7% of people are Hispanic Boulder residents.²

Progress

Current 10% Goal	Progress towards 10%	Units Needed to hit 10%
Secure 4,622 Units	3,484 Units or 7.5%	1,138 Units

Number of Low/Moderate Income Housing Units Produced



3,484

Low/Moderate Income Homes Secured



110

Middle Income Homes Secured

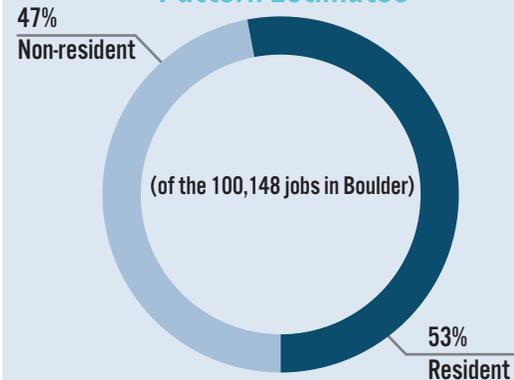
Affordable Housing Facts¹

- The Affordable Housing program has increased the diversity of Boulder by serving a greater proportion of blacks and hispanics compared to the general population.
- Around 8,500 people live in affordable homes in Boulder.
- Data has shown that most individuals in Boulder only stay in affordable housing for 2 to 3 years. This suggests that affordable housing provides stability until individuals/families work towards greater economic security.
- 49% of affordable housing renters earn below 30% AMI.

Median Home Price and Rent^{3,4}



Boulder Employee Commuting Pattern Estimates⁵



The Need for Middle Income Housing

Housing costs for a:

Family of four

Two income household

Teacher- \$55,000/year

Paralegal- \$65,000/year



Housing costs should not exceed 1/3 of income

Maximum Rent

\$2,900

Maximum Mortgage Payment

\$2,300

Based on this scenario, this family would be priced out of homeownership but would be able to rent a three bedroom market-rate apartment in Boulder.

⁵2017 AMI for family of 4 in Boulder County is \$98,200

HOUSING ADVISORY BOARD
Summary Minutes: 12/12/2018
1777 Broadway, Council Chambers

BOARD MEMBERS PRESENT:

Masyn Moyer, Chair
Adam Swetlik, Vice Chair
Judy Nogg
Jacques Juilland
Michael McKenzie
Bryan Bowen, ex-officio

STAFF PRESENT:

Jeff Yegian
Corina Marin
Kurt Firnhaber
Kristin Hyser
Kate Masingale
Christian Koltonski

1. CALL TO ORDER/ROLL CALL

- Moyer declared a quorum at 3:00 p.m.

2. AGENDA REVIEW

3. APPROVAL OF 11/28/18 MINUTES

- Moyer motioned to approve. Approved 5-0.

4. PUBLIC PARTICIPATION NON-AGENDA ITEMS

- None

5. BOARD STUDY AND DISCUSSION

- Community Investment Report Presentation
- Technical Review Group Check-in

6. MATTERS FROM THE BOARD

- Homeowners Associations and Affordable Housing (Informational Item)

7. MATTERS FROM COUNCIL

- Public Hearing on Affordable Housing Goal (Recommendation)
 - Nogg motioned to support the staff recommendation for combining the city's goals and support staff recommendation for establishing the time-bound goal of 2035. Moyer seconded. Approved 5-0.
 - Nogg motioned to support 20% as goal. Moyer seconded. Approved 4-1 (McKenzie opposed).
 - Moyer motioned that HAB collaborate with staff to create a draft introductory paragraph for the HAB recommendation on Affordable Housing Goals. Board Secretary to email HAB draft proposal within one week. Approved 5-0.

8. MATTERS FROM THE BOARD

a. Unfinished Business: annual letter to council

- Moyer motioned to accept letter with formatting changes forthcoming from Nogg. McKenzie seconded. Approved 5-0.

b. Committee Reports: Project Liaison

- Nogg motioned that the Project Liaison provide feedback to the board via email within one week of a meeting. Swetlik seconded. Not approved 2-3 (Juilland, Moyer and McKenzie opposed).
- Nogg requested she be added to Subcommunity Planning Committee. Approved 5-0.

c. New Business:

- Rent increases (market rate): Board agreed that individual members of HAB can request the Agenda Committee to add topics of interest to an agenda for a future meeting. Swetlik tabled.
- Reflections on 2018: tabled

9. MATTERS FROM STAFF

10. DEBRIEF MEETING AND CALENDAR CHECK

11. ADJOURNMENT: 5:59 p.m.

APPROVED BY



Board Chair

DATE

1/23/19

DATE

Attachment C: Housing Advisory Board Recommendation

The Housing Advisory Board appreciates the opportunity to make recommendations to Council about Affordable Housing Goals.

HAB commends the staff effort to provide cogent information in a timely manner that allowed the board to participate early and fully in the process.

HAB acknowledges that the need for housing affordability is greater than the recommended goal and has considered the balance between critical affordable housing needs in Boulder and the pragmatic realities of providing that housing.

HAB concluded that our ambitious goal recommendation appropriately reflects our board's unique position as representatives of community voices.

Since our recommendations are ambitious, we recognize that future conversations need to be conducted to consider tools for accomplishing these goals.

This will require a variety of strategies and solutions creating and preserving housing options to meet the diverse needs of the community, including:

- Bolster financial resources
- Secure land and development/redevelopment options
- Pursue opportunities to preserve existing market affordability
- Consider regulatory processes, rules and regulations, including but not limited to entitlement process, zoning and incentives
- Engage community partners, including the University of Colorado, in pursuing strategies and solutions.

Furthermore, HAB suggests a working group of staff, two Planning Board members, and two HAB members to more fully develop such tools.

The Affordable Housing Goal recommendations from HAB are:

1. Combine housing goals to serve low to middle-income households
2. Secure 20% of all residential development within the city of Boulder as permanently affordable
3. Achieve goal by 2035
4. Align housing goals and strategies in support of the Boulder County Regional Housing Partnership