



Middle Income Housing Strategy

With creativity, determination and partnership, we can get there

Boulder, Colorado 2016 to 2030

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DRAFT





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Many individuals informed and contributed to this document.

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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 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



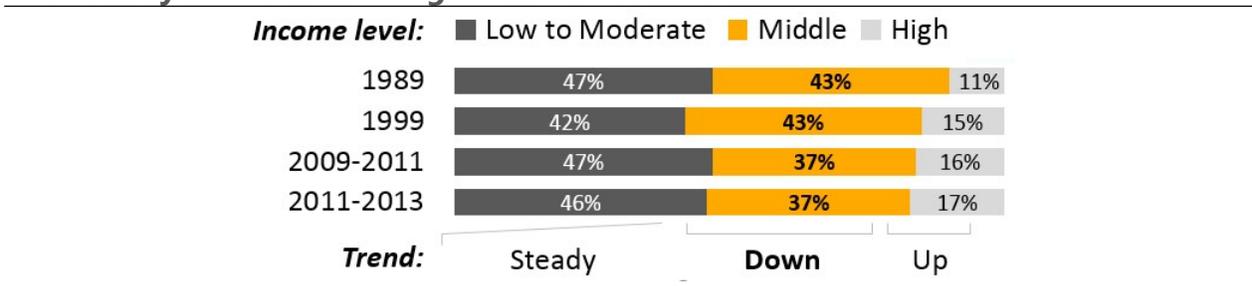
Council set in motion a policy initiative to define Boulder’s “next generation” housing strategy that would build upon and continue the successes of the past while expanding the city’s toolkit to respond more effectively to new and emerging challenges. In September 2014, City Council adopted the goal 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.

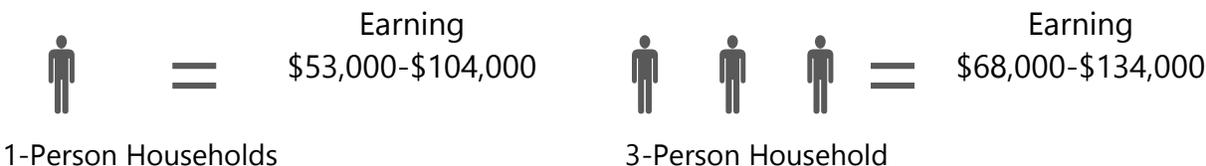
In early work prepared during the community outreach phase of Housing Boulder, it was found that...

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

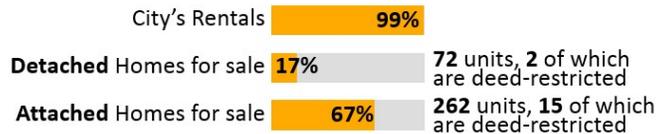


Middle income jobs include: accountants, architects, librarians, veterinarians, and web developers



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.

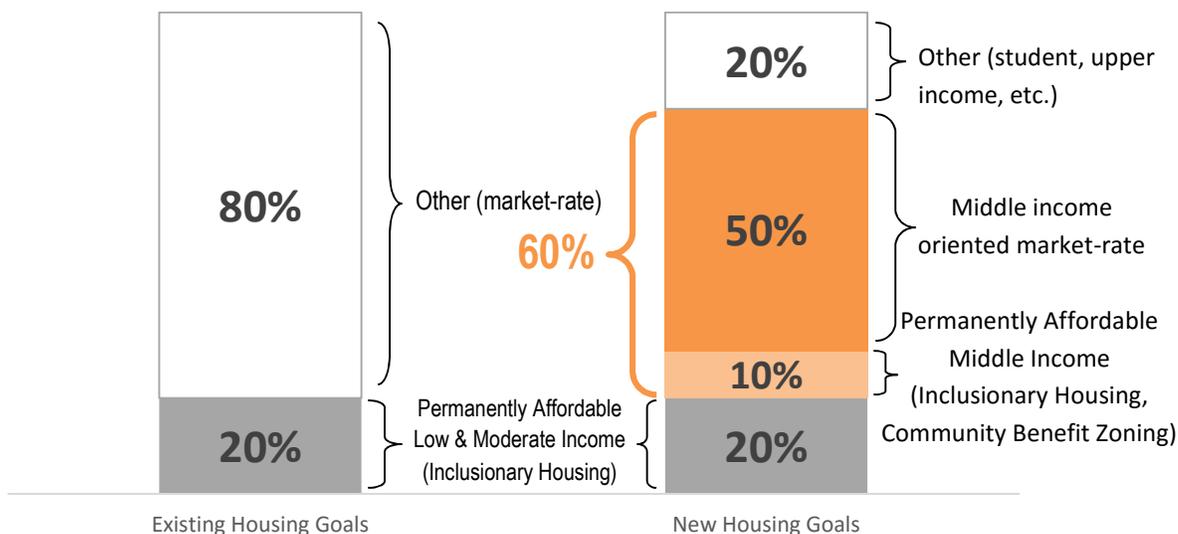


Duplex at Shanahan Ridge



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

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:



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.**