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Middle Income Housing Study

City of Boulder

Final Report

Final Report
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Middle Income Housing Study

Prepared for

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SECTION ES.

Executive Summary

EXECUTIVE SUMMARY.

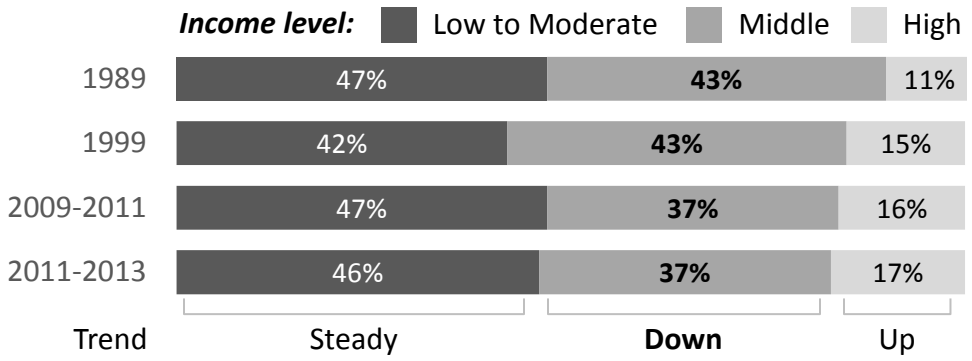
WHY A MIDDLE MARKET FOCUSED STUDY?

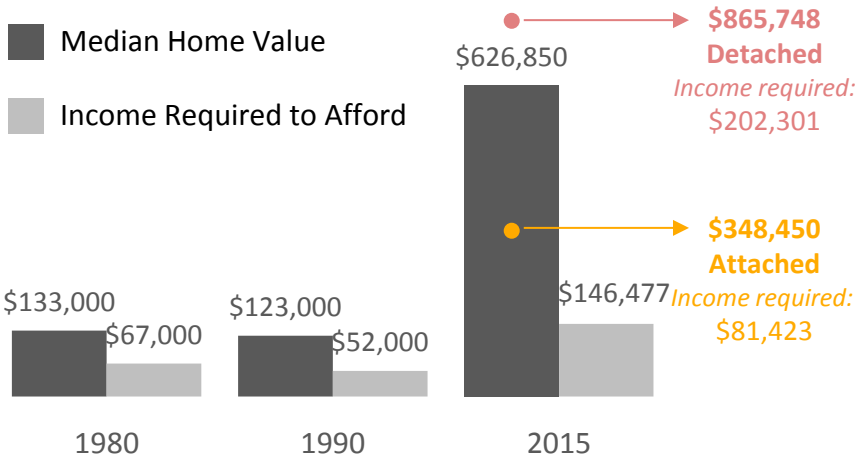
The share of Boulder's middle income households has declined from 1989, offset by an increase in high income households.

It is becoming 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 have been an important part of Boulder's community historically—and are a critical part of the city's workforce.

Providing middle income housing options helps achieve numerous city goals: **Sustainability, Carbon Reduction, Economic Diversity.**





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

EXECUTIVE SUMMARY.

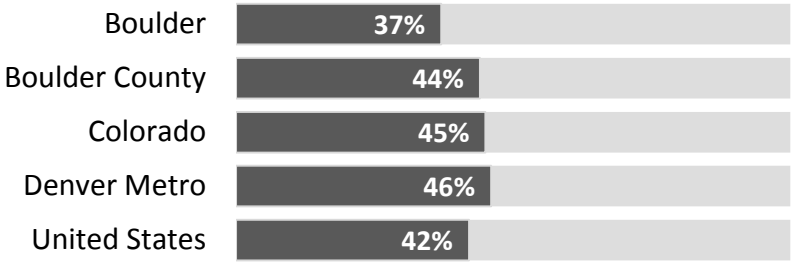
WHO IS THE MIDDLE MARKET?

80-150% of Boulder Area Median Income (AMI)

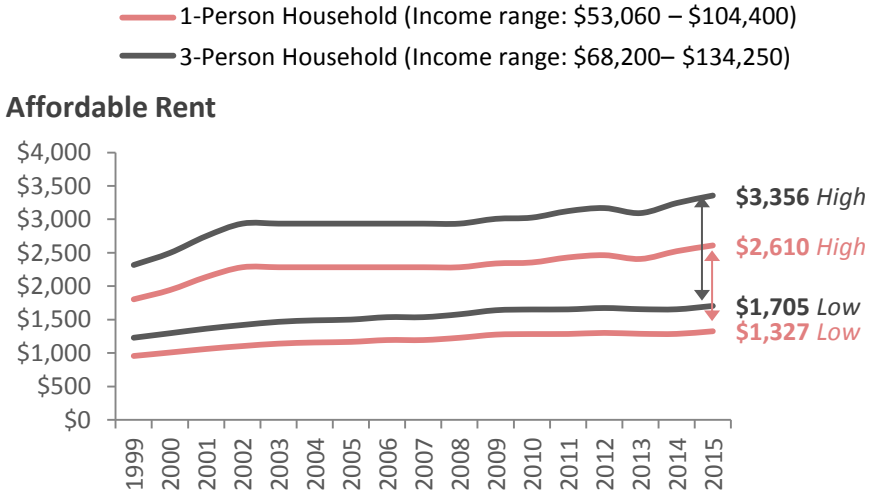
1-person households earning $53,000-$104,000

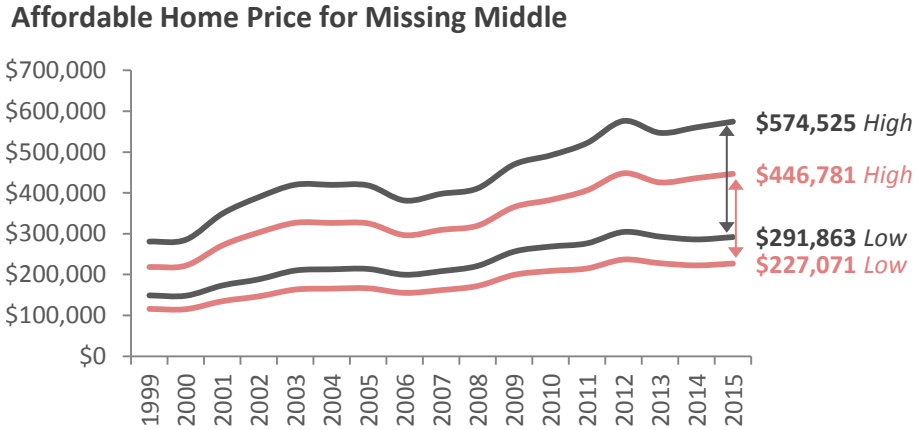
3-person households earning $68,000-$134,000

Percent Households that are Middle Market



WHAT CAN THE MIDDLE MARKET AFFORD?





Falling mortgage interest rates between 2010 and 2015 increased homeownership affordability

EXECUTIVE SUMMARY.

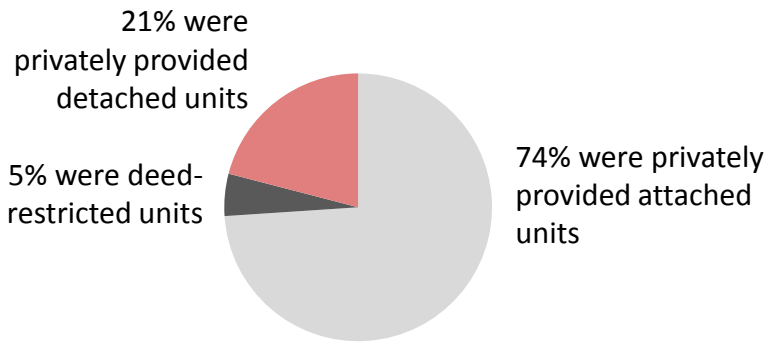
WHAT IS AVAILABLE TO THE MIDDLE MARKET?

99% of city's rentals

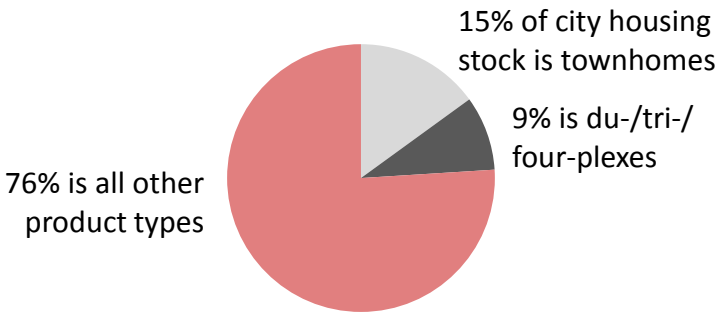
17% of detached homes for sale in 2015, or 72 units, **2** of which are deed-restricted

67% of attached homes for sale in 2015, or 262 units, **15** of which are deed-restricted

Of the 334 homes affordable to Middle Market households in 2015:



Boulder's supply of Missing Middle product types is relatively low:



EXECUTIVE SUMMARY.

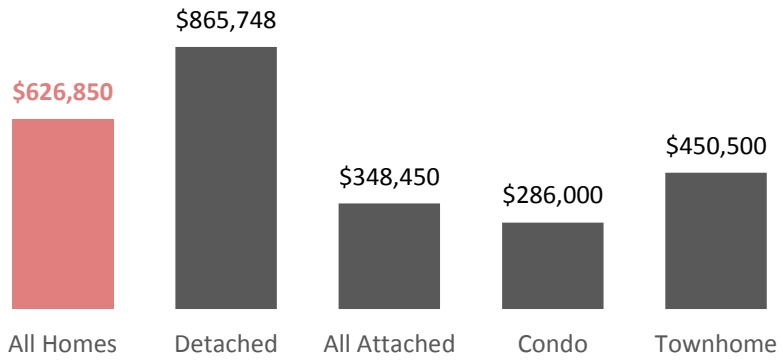
WHAT ARE THE KEY FINDINGS FROM THE MIDDLE MARKET STUDY?

Key Finding No. 1:

Attached homes maintain affordability better than detached homes

- Short term price appreciation is lower—
  Annual increase between 2011 and 2015: **10%** for detached, **7%** for townhomes, **5%** for condos.
- Long term price appreciation is lower—
  Overall increase between 1996 and 2015: **209%** for detached homes v. **138%** for townhomes and condos.

Median price remains lower



This is true even for similarly-sized homes

	Median List/Sold Price				CAGR	
	2000	2005	2011	2015	2000-2015	2011-2015
All homes with 2+ bedrooms and 900+ sq ft	$317,550	$420,000	$489,950	$700,000	5.4%	9.3%
Detached homes with 2+ bedrooms and 900+ sq ft	$372,400	$564,950	$589,900	$869,740	5.8%	10.2%
Attached homes with 2+ bedrooms and 900+ sq ft	$210,000	$285,000	$335,000	$447,000	5.2%	7.5%

EXECUTIVE SUMMARY.

Key Finding No. 2:

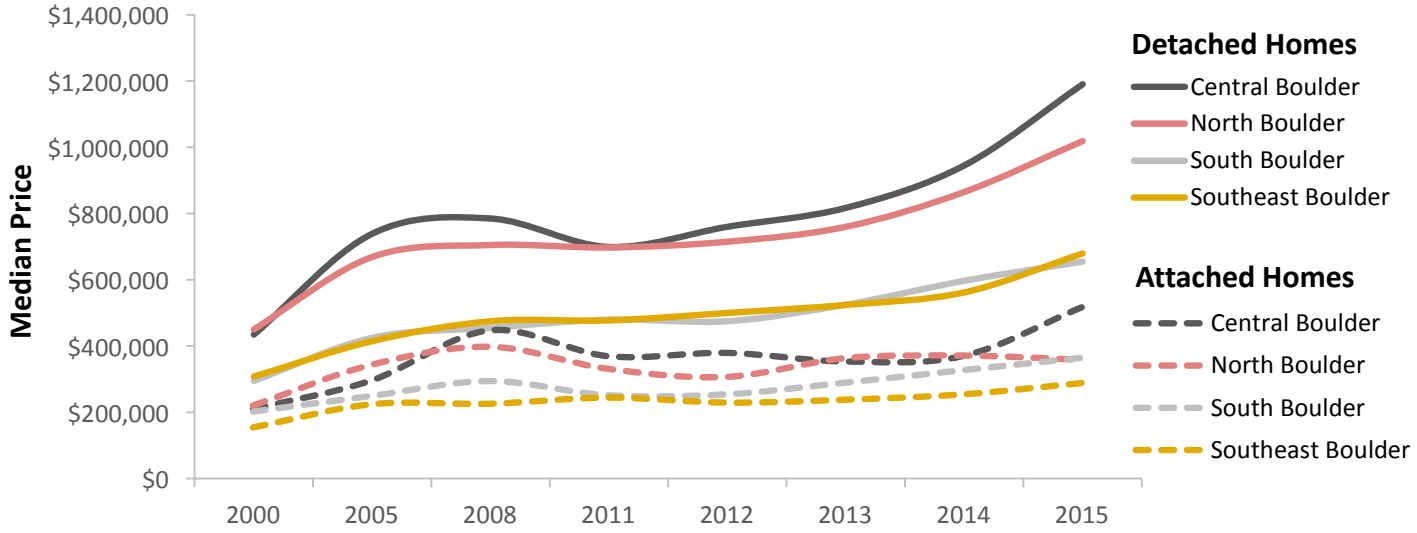
Attached units maintain a lower price even in high-demand areas in Boulder

Central Boulder detached homes sold for a median price of **$1.2 million** in 2015 v. **$522,000** for attached homes.

Key Finding No. 3:

Attached products are less likely to expand in size

The average size of detached homes rose by **700 square feet** between 2000 and 2015, contributing to price increases. Average attached home size rose by just **150 square feet**.



Key Finding No. 4:

Rentals remain very affordable to the Middle Market and may be the only way to live in Boulder

Although rent levels are at record highs—**$1,861/month** near the University, **$1,505/month** in the balance of the city—**99%** of Middle Market households can afford to rent at market prices.

Historically, Boulder's rental market has offered a range of larger units:

- ***29%*** *of rental units have 3+ bedrooms*
- ***19%*** *of rental units are single family detached homes*

Yet this is changing:

- *The share of rentals most attractive to in-commuters and families—attached products integrated into neighborhoods—is down to* ***31%*** *from* ***33%*** *in 2000*
- *Newly developed rentals in larger complexes are not family-oriented, offering firepits v. playgrounds*

Key Finding No. 5:

Purchasing an attached unit is cheaper than renting at market rates

In-commuters wanting to live in Boulder express a preference for attached products in small structures integrated into neighborhoods v. large multifamily complexes.

In-commuters would much rather buy than rent: only **6%** are willing to make the trade-off of renting in Boulder v. buying outside of Boulder.

For the same monthly expense, a renter in a new Boulder complex could purchase up to **83%** of all two-bedroom attached homes listed for sale in 2015.

Key Finding No. 6:

If all new residential is priced for the Middle Market, affordability would increase significantly.

Currently, 27 percent of the city's owner-occupied homes are affordable to Middle Market households. If all 6,750 of potential new dwelling units were added to the city today, the proportion of owner-occupied homes affordable to Middle Market households would increase to 42 percent.

SECTION I.

Introduction to Middle Market Research

SECTION I. Introduction to Middle Market Research

This report focuses on housing Boulder's middle income households. Its primary purpose is to provide information about which types of housing products are successful in broadening housing options for current and potential middle income residents of the City of Boulder.

Why a Middle Market Housing Study?

A core element of the new Housing Boulder Action Plan for 2015 and 2016 is development of a middle income housing strategy.[1] The aim of the strategy is for the city to better use its regulatory tools and investments to facilitate a richer diversity of housing choices and residential affordability (through new development, redevelopment and the preservation of existing housing).

The decline of middle income households has been a growing concern for Boulder. In 1989, 43 percent of Boulder's households were considered middle income. This proportion held until 1999, after which it began to drop, offset by an increase in high income households. Today, an estimated 37 percent of the city's households are middle income. Middle income households have declined outside of Boulder as well, though the county, region and state have maintained a higher proportion of middle income households.

Middle income households are an important segment of the city's population not only because they have historically been a core part of the Boulder community—but also because they make up a significant part of the city's workforce. Providing middle income housing to Boulder workers within the city helps achieve numerous city goals (e.g., sustainability, carbon reduction, diversity).

Development of the middle income housing strategy involves:

- Determining what the market is currently producing to serve middle income households and how unit size and location affect pricing over time—*This is the purpose of this study;*
- Identifying and evaluating land use changes and other market interventions needed to produce desired middle income housing types (e.g., duplexes and triplexes, townhomes, courtyard apartments, bungalows) and appropriate locations (coordinated with the Comprehensive Plan update)—*This is will occur as part of the Boulder Valley Comprehensive Plan (BVCP) and will be informed by this study;*
- Determining effective mechanisms to support middle income affordability (e.g., shared appreciation models, down payment assistance, preservation of existing housing)—*Development of these mechanisms will be informed by this study;*
- Identifying a methodology to monitor key market indicators to measure progress on Middle Market housing provision; and
- Drafting a middle income strategy based on analysis and additional community input.

[1] www.HousingBoulder.net

Is This a New Challenge for Boulder?

Providing housing to middle income households, as well as low income households, has always been somewhat of a challenge for Boulder. The community's interest in maintaining economic diversity led Boulder to establish many of the region's first affordable housing programs and policies. In September of 2014, City Council adopted six goals to help guide the development of the housing strategy and one was designed solely on "providing a greater variety of housing choices for middle-income families and Boulder's workforce."

The affordability challenges of Boulder's low and middle income households were less severe before the 1990s—a period of significant population growth for the city and the Denver region overall. Contributing factors were strong in-migration in the region, a recovering economy and a shift in consumer housing preferences toward "lifestyle" communities, such as Boulder. **Between 1990 and 2000, the median value of a home in Boulder increased at a compound annual rate of 8 percent.**

The current, unprecedented rise in prices continues to broaden the demographic of those for whom buying or renting in Boulder is unattainable. **Housing prices in the past two years alone have risen by 31 percent.** Today, the Boulder households most vulnerable to the effects of rapid housing price increases are those who earn too much to qualify for public subsidies, but for whom the median-priced home is out of reach. These households—herein referred to as the Missing Middle, Middle Market or workforce housing—are the subject of this report.[2]

Loss of housing for the Middle Market is also an issue for other cities of high demand. *Governing* magazine recently reviewed the gap in availability of family-sized Middle Market housing in the nation's 25 largest cities. In the top 10 most expensive cities in the U.S., an average of 17 percent of all home listings with 3 or more bedrooms were affordable to families earning the local median family income. This compares to 63 percent in the other 15 cities.

Boulder is slightly more affordable than the 10 most expensive cities in the U.S. but still far more expensive than the other 15 cities included in the *Governing* magazine report. In Boulder, 20 percent of 3-plus bedroom homes for sale were affordable to the median-income four-person household in 2015 (compared to 17% in the most expensive cities and 63 percent in the other 15 cities).

Figure I-1 displays the Governing magazine data for select cities along with Boulder. The figure shows the proportion of two- and three-bedroom homes affordable to 4-person families earning the median income.

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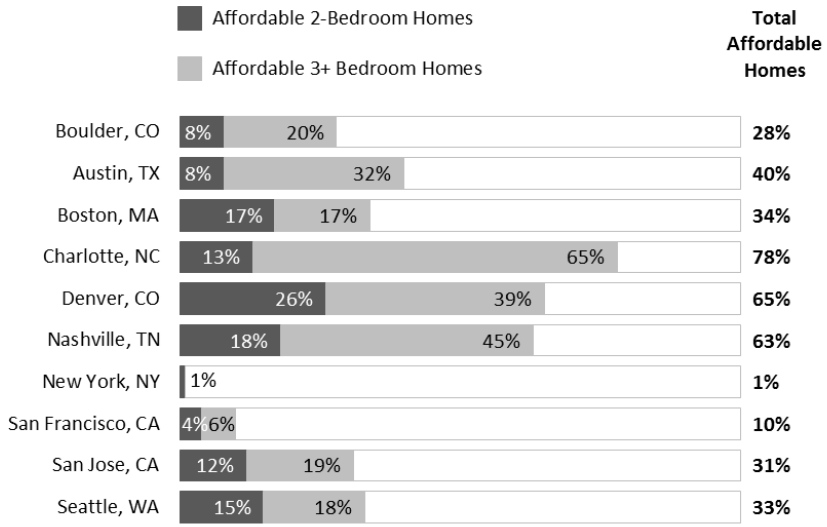
[2] The term Missing Middle was crafted by Daniel Parolek of the planning and design firm Opticos. He uses the term to define a particular residential product type: "multi-unit or clustered housing types" that are compatible in scale with single family homes and which are targeted to help meet a growing demand for "walkable urban living." Many take this definition to be synonymous with middle income households. In many, but not all, markets, Missing Middle products are more affordable than detached single family products. Yet changing market preferences for lower maintenance, walkable residential environments—largely driven by Millennials and Baby Boomers—can make Missing Middle products less affordable.

Figure I-1.
Comparative Share of Home Listings Affordable to Median Income Families in Boulder and Select Cities in the United States



Source: Governing Magazine, MLS and BBC Research & Consulting.

Who is the Middle Market?

The City of Boulder has a permanently affordable middle-income housing program. This program defines middle income as approximately 80 to 120 percent of the area median income (AMI) in the Boulder region or, for example, a three-person household with an annual income between $68,000 and $104,000 (2015).[3] This program was established as part of the City of Boulder's goal of 450 permanently affordable middle income housing units. This goal was adopted in 2008 as a separate goal in addition to the "10 Percent Goal." Currently, annexation is the city's only path to create permanently affordable middle-income housing.

For the purposes of this report, the Missing Middle is defined as households earning between approximately 80 and 150 percent of AMI. This aligns with the City's income break between Low to Moderate Income and Middle Income (approximately 80% AMI) but increases the maximum income threshold from 120 to 150 percent AMI in order to provide a more comprehensive view of households that may consider themselves to be "middle class."

Previous Housing Boulder reports have explored other definitions of middle income households including income breaks of $50,000 to $150,000 and $65,000 to $150,000. This report strikes a balance between the higher threshold used in those reports and the lower threshold of Boulder's current middle income housing programs. This report focuses on the household types that are most common in Boulder: 1- and 3-person households.

MIDDLE MARKET

1-person households earning $53,060-$104,400

3-person households earning $68,200-$134,250

[3] AMI is calculated by HUD annually and is adjusted by household size. It is based on the median income of a 4-person household, as determined by household surveys conducted by the U.S. Census.

What Happens When the Middle Market Can't Afford Housing?

The most obvious effect of housing prices being out of reach for workers is more in-commuting—and more traffic.

This can also lead to a shift in certain household types. Families, for example, may be economically motivated to live in more affordable communities to help manage the costs of raising children (child care, activities, saving for college). This shift has not yet occurred in Boulder; instead, the proportion of families has remained the same, but families are more likely to be high income.

Organization of Report

The remainder of this report is organized as follows:

- Section II. Middle Market Housing Products begins with a discussion of the demographics of Boulder's Middle Market households. It introduces the products that have been and are currently affordable to Middle Market households.
- Section III. Middle Market Price Trends and Affordability provides an in-depth analysis of ownership and rental affordability for Middle Market households within Boulder—what types of homes were once affordable, what is affordable now, where affordable homes are located and what's missing from the market.
- Section IV. Impacts of Middle Market Development discusses if and how an infusion of Middle Market products could contribute to Boulder's affordability.

Data limitations. This report relies heavily on data from the multiple list service (MLS), the Metro Denver Vacancy and Rent Survey, the U.S. Census and the American Community Survey (ACS). Some limitations of those data include:

- Using MLS data focuses the ownership-related findings on what the market offers buyers at a given time, not what it contains as a whole. The benefit is that MLS data provide the best measure of what potential buyers could actually find on the current market. However, it may not provide a perfect representation of all existing homes in the city. MLS data also include a lower sample of homes to analyze than data on all homes in the city. The primary alternative to MLS data is assessor's data which does include data on all homes in the city, not just those being listed/sold. However, historical assessor's data were not available for this project due to reporting issues currently being addressed by the Boulder County Assessor's Office.
- The Metro Denver Vacancy and Rent Survey does not include rental information on single family rentals. Unfortunately, the counterpart Single Family Housing Vacancy and Rent Survey was discontinued in early 2014. Neither survey provide detailed information on the distribution of rents in Boulder; instead the data focus on average and median rents as well as vacancy rates.
- The ACS reports more detail on rental distribution and offers more rental cross-tabulations than the vacancy survey. However, the lag between data collection and release means the most recent 3-year ACS data available are the 2011-2013 3-year estimates.

- There are no available data sources that include non-structural design features which characterize many Missing Middle housing products (design style, orientation, community integration, etc.) and impact both desirability and affordability. As such, the study team relied on reported structural characteristics (e.g., size of unit and number of units in a building) as a proxy for style when possible.

SECTION II.

Middle Market Housing Products

Who are Boulder's Middle Market Households?

In the spring of 2015, a "Maintain the Middle" fact sheet was compiled for Housing Boulder which described middle income households in detail. This fact sheet examined trends in middle income households—their types, age distribution and overall proportion in the city. In 1989, 43 percent of Boulder's households were considered middle income. This proportion held until 1999, after which it began to drop, offset by an increase in high income households. An estimated 37 percent of the city's households are middle income today (see Figure II-1).

Figure II-2 displays the proportion of middle income households in Boulder to the county, state and nation between 1989 and 2013. Statewide, the proportion of households that are middle income declined by 3 percentage points between 1989and 2013 (from 47 percent to 45 percent), compared to a 6 percentage point decline in the City of Boulder. Boulder County actually shows the steepest decline in middle income households over the period but still maintains a higher proportion of middle income households than the city. It should also be noted that city data are included in county estimates.

Figure II-1.
Middle Income Trends, City of Boulder, 1989 to 2013

	Low to Moderate Income	Middle Income	High Income
1989	47%	**43%**	11%
1999	42%	**43%**	15%
2009-2011	47%	**37%**	16%
2011-2013	46%	**37%**	17%
Trend	Steady	**Down**	Up

Note: In the Maintain the Middle Fact Sheet, middle income was defined as households earning between $50,000 and $150,000.

Source: Housing Boulder Maintain the Middle Fact Sheet and BBC Research & Consulting.

Figure II-2.
Middle Income Households, City, County, State and Nation, 1989 to 2013

	City of Boulder	Boulder County	State of Colorado	United States
1989	43%	51%	47%	46%
1999	43%	50%	50%	46%
2009-2011	37%	43%	46%	43%
2011-2013	37%	44%	45%	42%
Difference	-6.3%	-7.5%	-2.6%	-4.6%

Note: In the Maintain the Middle Fact Sheet, middle income was defined as households earning between $50,000 and $150,000.

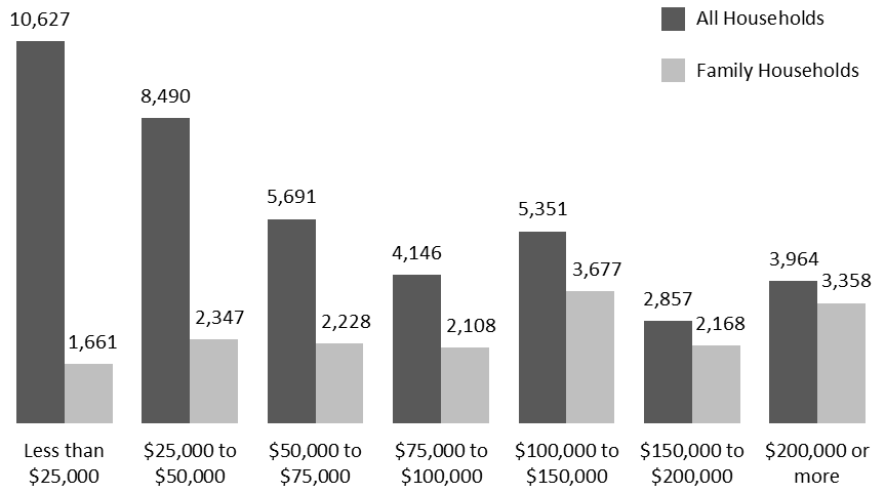
Source: Housing Boulder Maintain the Middle Fact Sheet, 1990 and 2000 Census, 2009-2011 and 2011-2013 ACS and BBC Research & Consulting.

Just over half (53%) of the city's middle income households are defined as families according to the U.S. Census. (The Census defines a family as two or more people—one of whom is the householder—related by birth, marriage, or adoption residing in the same housing unit. This definition excludes same sex couples and unmarried partners and as such, in some communities, under-represents families).

Twenty percent of Boulder's middle income households are families with children. Overall, just 19 percent of all Boulder households include children—similar to the proportion of households with children in San Francisco, Washington DC and Seattle which have some of the lowest shares of children among large cities.[1] In Denver, about one quarter of all households include children.

Figure II-3 displays all households and family households by income for the City of Boulder. Family households are more likely to be middle income than households overall. That said, family households in Boulder skew toward higher income brackets, while all households skew toward lower income brackets (likely the result of students living in the community).

Figure II-3.
Income by Household Type, City of Boulder, 2013



Note: Household income reported is for the previous full calendar year.

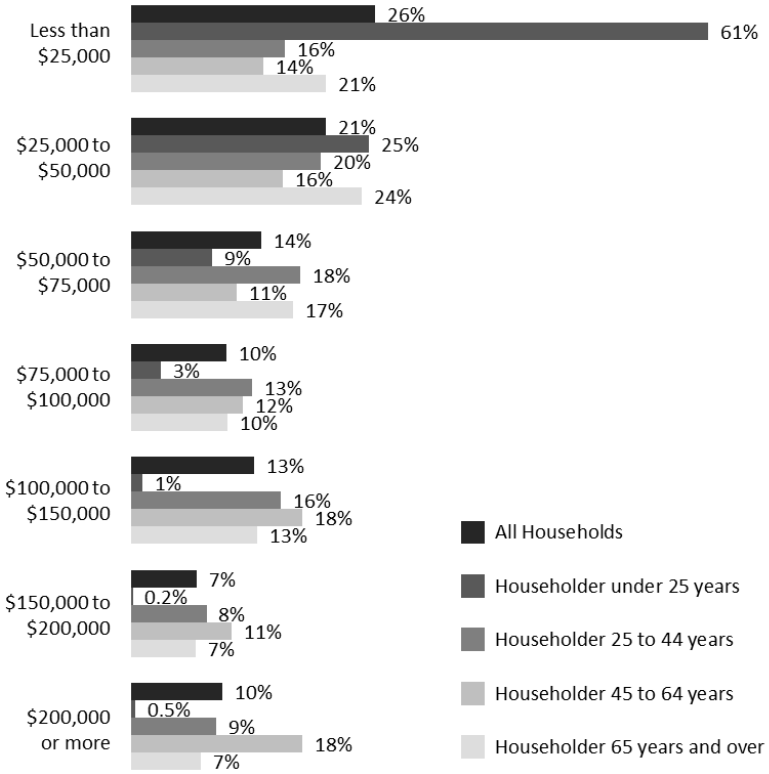
Source: Housing Boulder Maintain the Middle Fact Sheet and BBC Research & Consulting.

Figure II-4, on the following page, displays household income by age. Middle income households are slightly more likely to be headed by householders aged 25 to 44. Of households earning between $50,000 and $150,000, 44 percent are headed by householders between 25 and 44 years old, compared with 8 percent for under 25 years and 33 percent for 45 to 64 years.

[1] Maciag, Mike. "No Room in the City." *Governing Magazine*. November 2015, 25-30.

Similarly, 47 percent of householders between the ages of 25 and 44 have incomes between $50,000 and $150,000, compared to 13 percent of householders under 25 years and 41 percent of householders over 45 years.

Figure II-4.
Household Income by Age of Householder, City of Boulder, 2013



Source: Housing Boulder Maintain the Middle Fact Sheet (2013 5 year ACS) and BBC Research & Consulting.

Middle income households hold key employment positions in Boulder. According to the Bureau of Labor Statistics Occupational Employment Statistics, 42 percent of Boulder employees are in industries with average or median wages that fall in the Middle Market income range. These employment categories include the following:

Employment Categories

- Accountants and Auditors
- Chemical Engineers
- Clinical Counseling and School Psychologists
- Computer Programmers
- Dental Hygenists
- Economists
- Industrial Engineers
- Landscape Architects
- Librarians
- Physician Assistants
- Registered Nurses
- Special Education Teachers, Secondary School
- Technical Writers
- Veterinarians
- Web Developers

Which Housing Products are Key to Maintaining Middle Market Households in High Cost Cities?

Missing Middle product analyses generally focus on new housing types that are needed to help meet demand for workforce or middle income housing. In reality, in most cities, existing housing—generally older (but not historical), modest products provide the largest share of housing to the middle class.

These products make up much of the residential housing stock in the Intermountain West. For example, 61 percent of Boulder's housing stock was built in the 60s, 70s and 80s. Homes built in those decades now offer some of the lowest home prices and rents in Boulder, particularly homes built in the 1970s and 1980s (see Figure II-5).

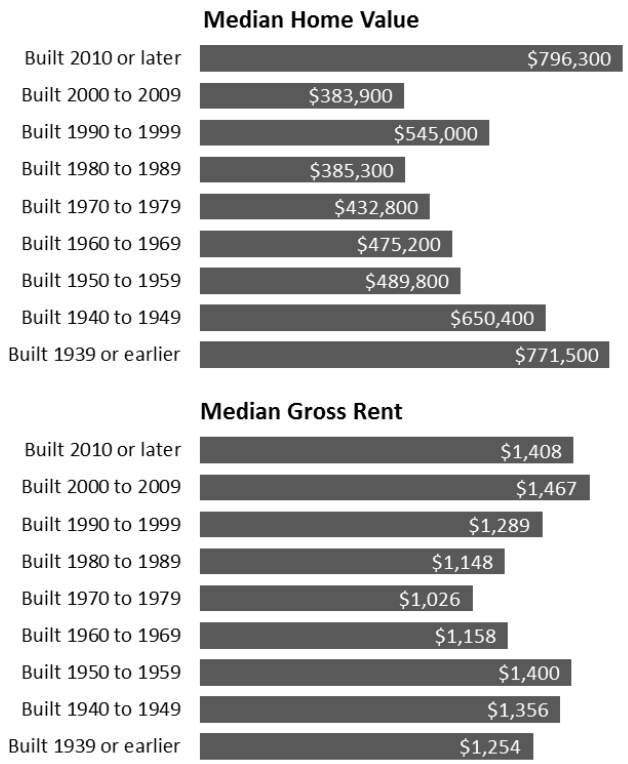
Figure II-5. Median Values and Gross Rents by Year Built, City of Boulder, 2013

Note:

Median value and median gross rent in the ACS are self-reported and as such, likely include deed-restricted units and rent subsidies.

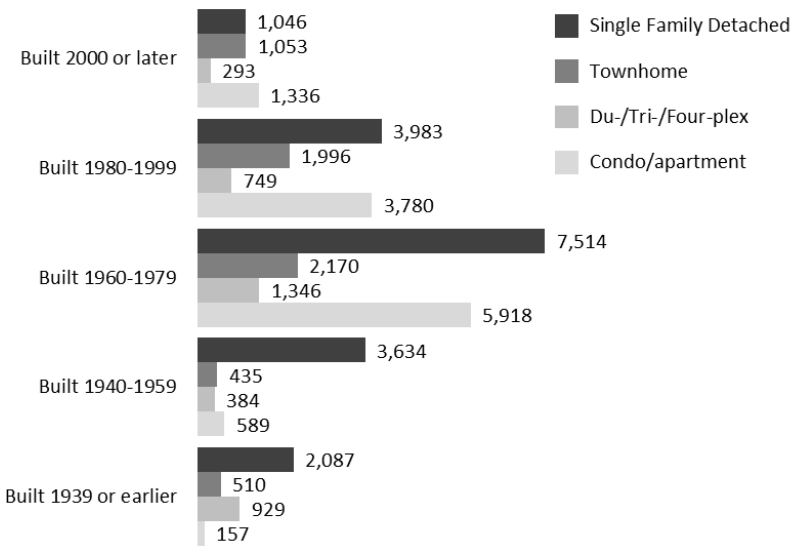
Source:

2009-2013 ACS.



As shown in Figure II-6, prior to 1980, home construction focused largely on single family detached dwellings. Since 1980, just over a third of newly constructed homes were single family detached.

Figure II-6. Year Built by Product Type, City of Boulder, 2013



Source: 2009-2013 ACS.

In general, there are two types of products that serve Middle Market households:

- "Intentional" products—those that targeted middle income and workforce households when they were developed. They may have been subsidized through density bonuses, land donations or grants and loans to achieve their affordability.
- "Non-intentional" products—those that have maintained relative affordability because of lower demand. These were developed to be market rate products when built. Their appreciation has been more modest than the market overall, retaining their affordability to middle income households.

Which does Boulder have—and not have? Although data describing each specific Missing Middle product type are not available, the ACS does provide data to describe the primary types of housing stock in the city. As shown in Figure II-7 on the following page, 41 percent of Boulder's housing stock is detached, 52 percent is attached and 7 percent is mobile homes. Large condo/apartment buildings are the most common attached product (28%) followed by townhomes (15%) and du-/tri-/fourplexes (9%).

Affordability and demand are discussed in more detail in Section III, but simply based on product type, Boulder appears to have a relatively low supply of small structure attached units—townhomes, duplexes, triplexes and fourplexes. In the 2014 Housing Choice Survey, middle income in-commuters expressed the strongest preference for those types of attached units in the city as an alternative to living in detached homes outside the city.

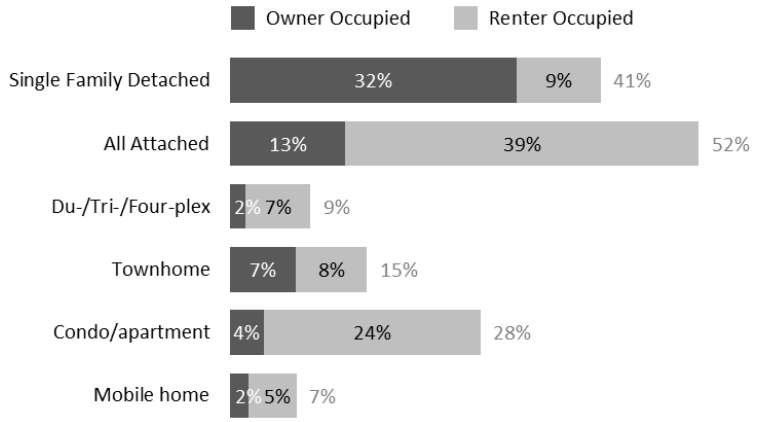
Intentional product types:

- Very small lot homes between 1,500 and 1,800 sq. ft. Includes cottage or courtyard homes. Example: Iris Hollow.
- Multiplex/reuse of existing structure. Example: Washington Village.
- Townhouse—newer, good size (1,200-1,500 sq. ft. with small private space). Example: Steelyards.
- Non-luxury condos. Example: Holiday.
- Co-housing.

Non-intentional product types:

- Older, small (1,500-1,800 sq. ft.) single family detached homes having some limitations—need rehabilitation, poor location, awkward layout, etc.—were traditional starter homes that may not be out of reach for middle market and now priced for lots/investors.
- Older attached units with limitations—poor noise control, bad design, poor location. Students potentially better occupants.

Figure II-7.
Housing Stock by Type, City of Boulder, 2013



Source: 2011-2013 ACS and BBC Research & Consulting.

Where Do Boulder's Middle Market Households Live?

About 43 percent of Middle Market households live in rental units and the other 57 percent own their homes. These Middle Market households—both renters and owners—live throughout the city, although the Census tracts in the northern (owners) and central (renters) areas of the city have the highest numbers of Middle Market households.

Figures II-8 through II-11 display the number and proportion of Middle Market households by Census tract. The maps emphasize that middle income residents live in many parts of the city, though owner opportunities for the middle income tend to vary more by neighborhood than do renter opportunities.

Figure II-8.
Middle Market Owners and Renters

Source:

2009-2013 ACS and BBC Research & Consulting.

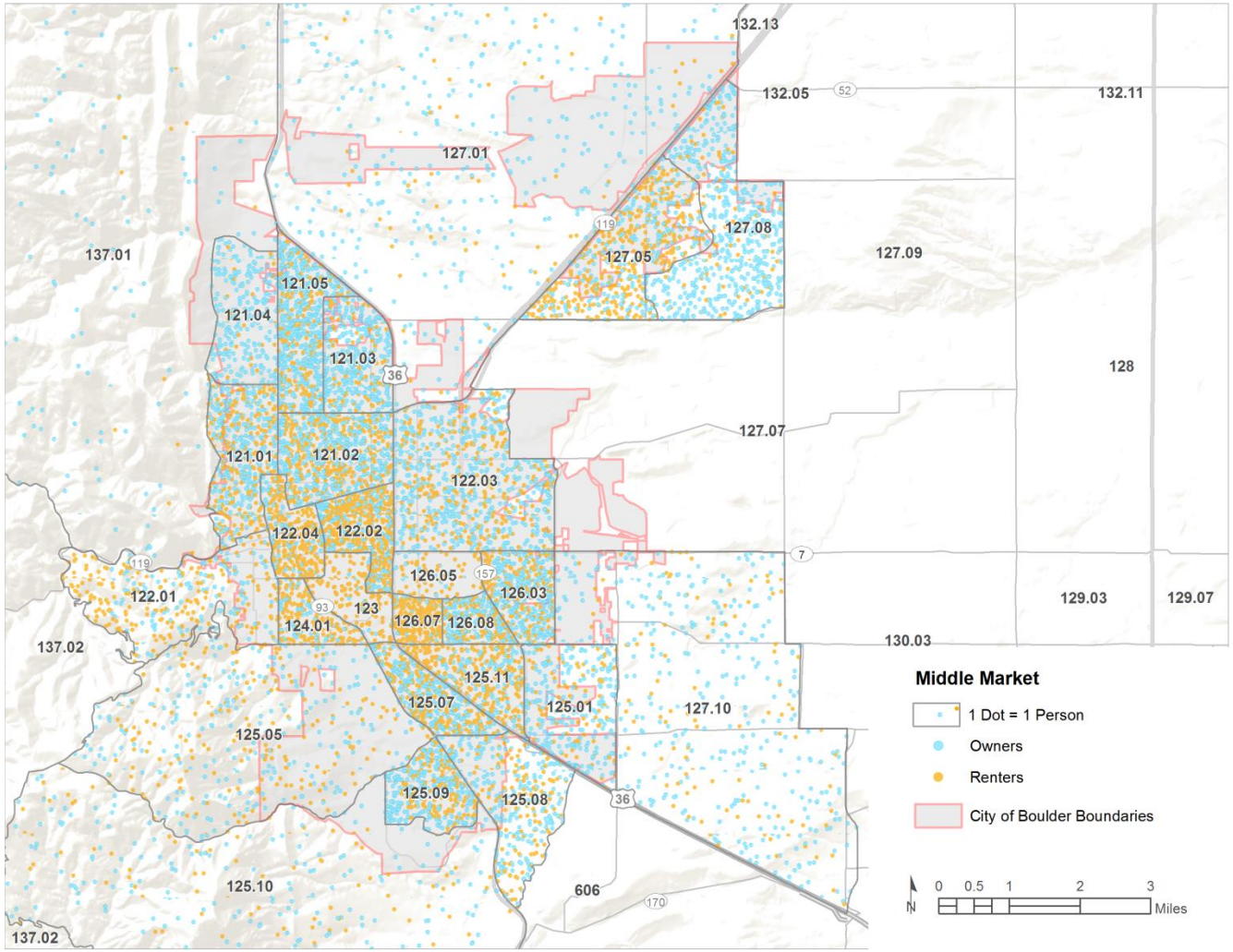


Figure II-9.
Percent of All Households that are Middle Market

Source:

2009-2013 ACS and BBC Research & Consulting.

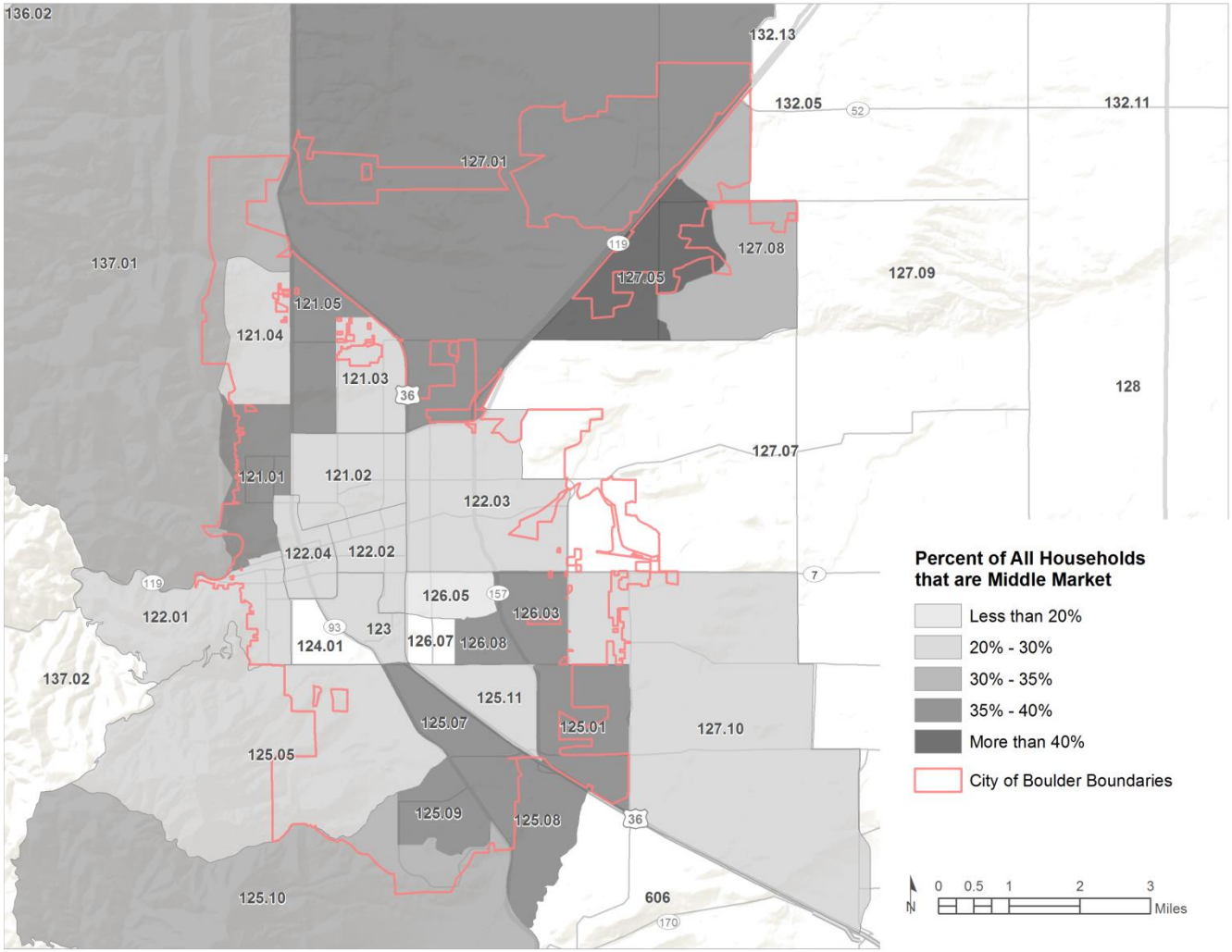


Figure II-10.
Percent of Owners that are Middle Market

Source:

2009-2013 ACS and BBC Research & Consulting.

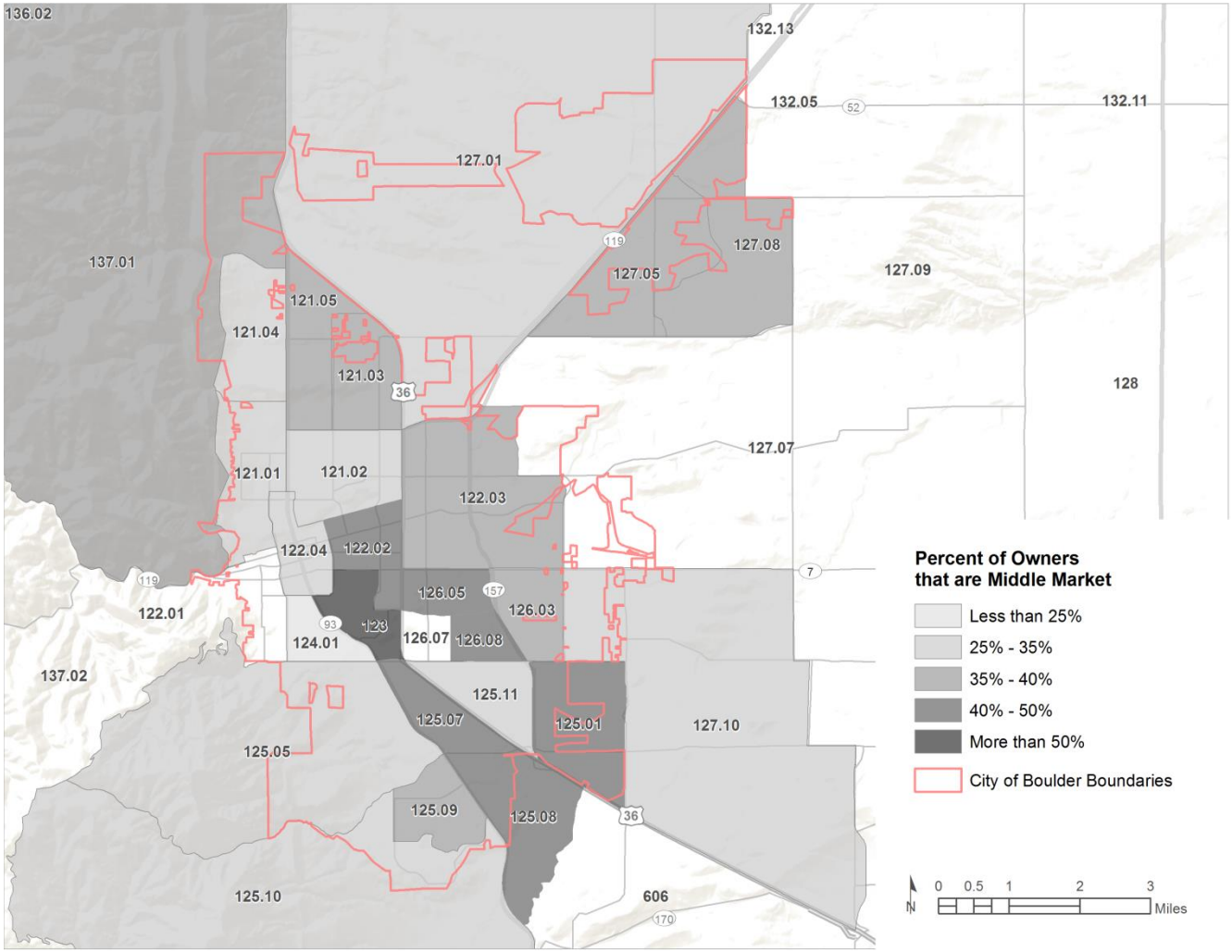
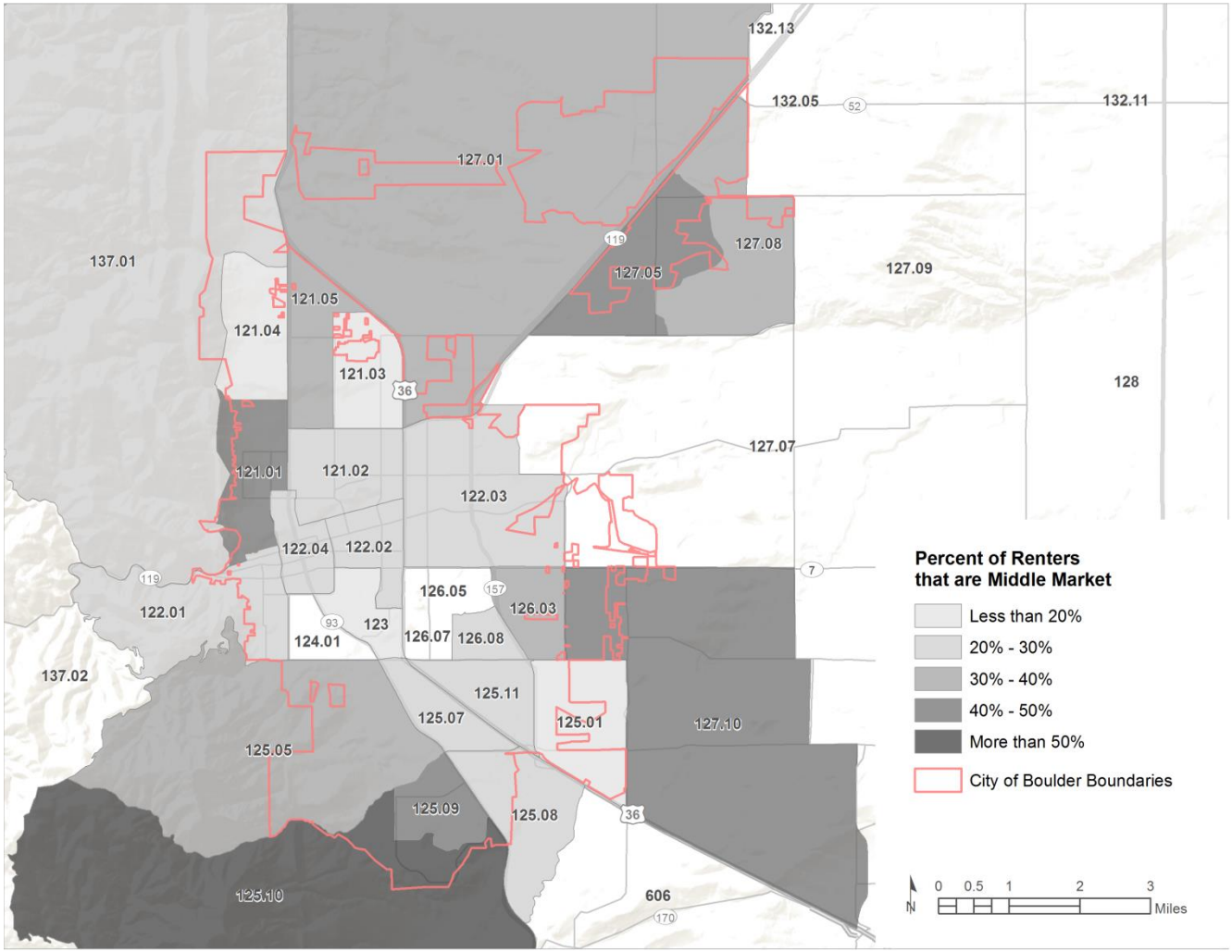


Figure II-11.
Percent of Renters that are Middle Market

Source:

2009-2013 ACS and BBC Research & Consulting.



What Can Middle Market Households Afford?

Figure II-12 displays affordability ranges for Middle Market households—those earning between about 80 percent and 150 percent of AMI. As noted previously, this report focuses on the household types that are most common in Boulder: 1- and 3-person households.

Affordable rent for a 1-person Middle Market household ranges from $1,327 to $2,610 and an affordable home price ranges from $227,071 to $446,781.

A 3-person Middle Market household could afford between $1,705 and $3,356 for rent and a home priced between $291,863 and $574,252.

Affordable rents shown in the figure include utilities and affordable home prices shown in the figure are based on a 30-year fixed rate mortgage with a 5 percent down payment, an interest rate of 4.25 percent and the assumption that 20 percent of the monthly payment would collectively go toward private mortgage insurance, utilities and property taxes.

As Figure II-13 on the following page demonstrates, what Middle Market households can afford has changed only modestly since 1999—except for in recent years, due to post-recession interest rates.

Figure II-12.
Middle Market Income and Affordable Housing Costs, City of Boulder, 2015

	1-Person Middle Market Household	3-Person Middle Market Household
Income Range (80-150% AMI)	$53,060 - $104,400	$68,200 - $134,250
Affordable Rent	$1,327 - $2,610	$1,705 - $3,356
Affordable Home Price	$227,071 - $446,781	$291,863 - $574,525

Note: Affordable home price assumes a 30 year fixed rate mortgage with a 5 percent down payment, an interest rate of 4.25 percent and the assumption that 20 percent of the monthly payment would collectively go toward private mortgage insurance, utilities and property taxes. The model does not incorporate additional assumptions regarding personal finances such as current debt, wealth or financial assistance from friends or family.

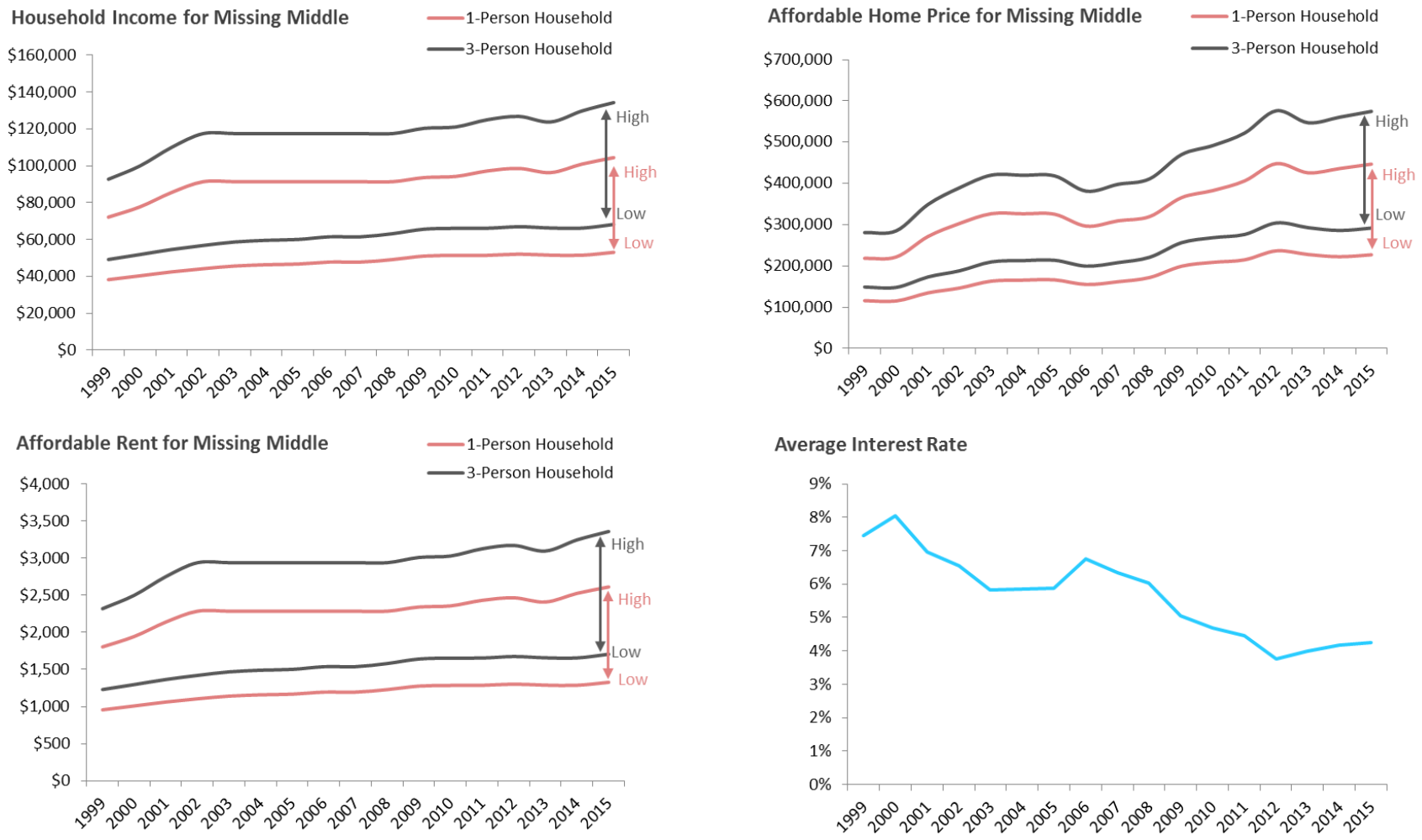
Source: HUD and BBC Research & Consulting.

The maximum affordable rent Middle Market households can afford increased from $957 in 1999 for a 1-person household earning about 80 percent AMI to $1,327 in 2015. For a 3-person household, the affordable rent increased from $1,230 to $1,705.

Maximum home prices affordable to Middle Market households increased much more dramatically, particularly in 2012, due to changes in interest rates.

The analysis of Middle Market affordability continues in Section III, which examines market offerings for both for sale and rental products in Boulder. That analysis reveals that attached products are crucial to maintaining Middle Market home purchase opportunities in the City of Boulder.

Figure II-13.
Middle Market Income and Affordable Housing Costs, City of Boulder, 1999-2015



Source: Interest rates from Freddie Mac and CHFA; income range based on HUD and City of Boulder data. Analysis by BBC Research & Consulting.

If We Build It, Will They Come?

Living in attached housing—particularly for families—is still a relatively new idea for Western cities, even in high-cost areas. For example, the City of Los Angeles is one of the least affordable cities in the U.S. Yet its housing types skew toward less affordable single family detached homes: about 80 percent of homeowners in L.A. occupy single family detached homes. This compares to 68 percent in Boulder.

The Housing Choice survey completed of Boulder residents and workers in 2014 revealed some surprising findings about the trade-offs residents have made—or are willing to make—to live in Boulder:

- In-commuters willing to live in attached products in Boulder v. a detached home in another community are generally lower income ($25,000 and $65,000) and single. These are the 1-person Middle Market households described in this section.

- Townhomes, followed by smaller complexes, are a clear preference for these workers willing to make tradeoffs for attached homes: 74 percent would live in a townhome and 62 percent would live in a du-/tri-/fourplex.

- High income commuters are least likely to make the attached product trade off. Townhomes are the only product of moderate interest to this demographic.

- Having private space or a shared garden is a strong preference of those making the attached housing trade off. A balcony or deck is much less desirable. More important, however, is being located near open space or trails.

- Some residents would prefer living in a mobile home to living in attached housing in Boulder. This is particularly true of new immigrants and large families renting mobile homes in Boulder. These workers would rather move outside of Boulder to buy than purchase an attached home within the city.

SECTION III.

Missing Middle Price Trends and Affordability

SECTION III. Missing Middle Price Trends and Affordability

This section provides an in-depth analysis of ownership and rental affordability for Middle Market households within Boulder—what types of homes were once affordable, what is affordable now, where affordable homes are located and what's missing from the market. The section begins with a trend analysis of median home values then discusses the availability and characteristics of homes priced for the middle market. The section concludes with an analysis of the rental market.

Ownership Analysis

Ownership opportunities in the City of Boulder have shifted away from Middle Market households toward higher income residents over the past several decades. During this period of rising prices, Boulder has maintained some affordable purchase options through alternative ownership products, such as deed-restricted and attached homes. Some of these products were built as affordable, i.e., deed-restricted homes. Others are affordable because they are attached homes.

The analysis of ownership affordability for Middle Market households indicates that attached products have maintained more affordability over time—and that opportunities for Middle Market ownership are increasingly limited to attached products and specific neighborhoods.

Trends in median value. According to the Census, the median value of owner-occupied homes in 1980 in Boulder was $133,000. By 1990, this had *dropped* to just $123,000.

A household wanting to buy the median-value home in 1980 needed to earn $67,000. In 1990, a household wanting to buy the median-value home needed to earn $52,000.[1]

Since that time, home prices in Boulder have increased substantially resulting in declining affordability for middle income households. For example, single family detached homes in Boulder's Wonderland Hills neighborhood initially sold for between $150,000 and $200,000. This was an affordable price for a household earning around $66,000.[2] These same homes now sell for more than $1 million and are affordable only to those earning nearly $300,000, or just 5 percent of Boulder's households.[3]

Market data on median home values in Boulder, shown in Figure III-1 on the following page, reveal two primary periods of steep appreciation over the past 20 years: the late nineties through early 2000s and 2012 to the present.

As indicated by the figure, all home prices rose, but attached products were able to maintain more affordability for Boulder buyers. Over the entire period shown, single family detached homes increased in value by 209 percent and attached homes (condos and townhomes) increased by 138 percent.

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[1] According to data from Freddie Mac, the average interest rate on a 30-year fixed-rate mortgage was 12.43% in 1980 and 10.13% in 1990. http://www.freddiemac.com/

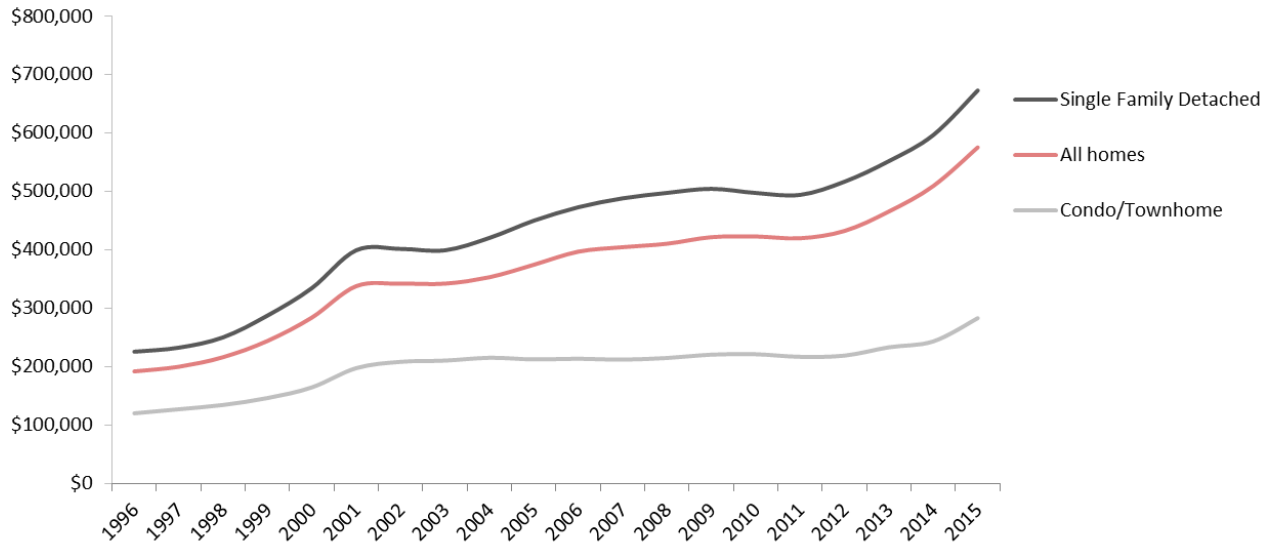
[2] Assumes 8.85% interest (1977 rate according to Freddie Mac) on a $175,000 home.

[3] $1.25 million home affordable to household earning $292,089 at 4.25% interest.

Figure III-1.
Home Values, City of Boulder, 1996-2015

Source:

Zillow Home Value Index and BBC Research & Consulting.



Trends in price. In 2015, the median price of all homes listed for sale or sold in Boulder was $626,850. This is above the affordability threshold for a 3-person Middle Market household, as was the median price for detached homes at $865,748. The median price for attached homes was $348,450, well below the Middle Market affordability ceiling. Figure III-2 shows 2015 median price by type in Boulder.

Figure III-2.
Median Price of Homes Listed or Sold in Boulder, 2015

Source:

MLS and BBC Research & Consulting.

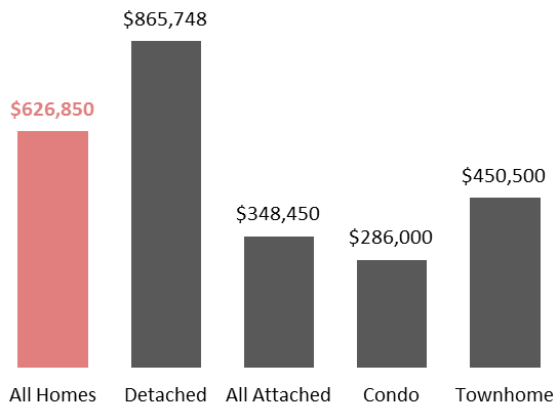
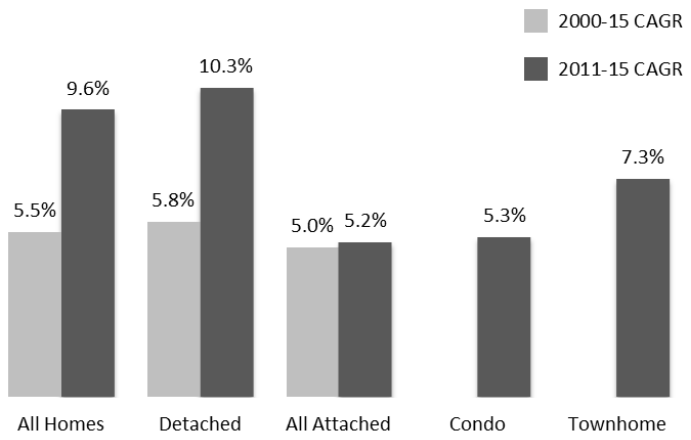


Figure III-3 shows the compound annual growth rates (CAGR) for each housing type between 2000 and 2015 and between 2011 and 2015. In both periods, the price of single family detached homes increased faster than all attached products.

Specifically, between 2011 and 2015, detached products increased by about 10 percent per year while townhomes increased by 7 percent per year and condos increased by 5 percent per year.

Figure III-3.
Compound Annual Growth Rates of Homes Listed or Sold in Boulder, 2000-2015 and 2011-2015



Note: Price data for individual attached types (i.e., condos and townhomes) were not available in 2000; as such CAGR for 2000 to 2015 could not be calculated.

Source: MLS and BBC Research & Consulting.

When the data are limited to attached homes that feel more like detached homes—those with at least two bedrooms and 900 square feet—attached products continue to maintain their affordability. As shown in Figure III-4, detached homes held higher prices and higher annual appreciation than the larger attached homes.

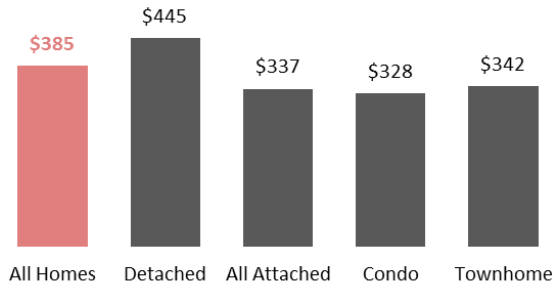
Figure III-4.
Median Price and CAGR of Similarly Sized Homes Listed or Sold in Boulder, 2000-2015

	Median List/Sold Price				CAGR	
	2000	2005	2011	2015	2000-2015	2011-2015
All homes with 2+ bedrooms and 900+ sq ft	$317,550	$420,000	$489,950	$700,000	5.4%	9.3%
Detached homes with 2+ bedrooms and 900+ sq ft	$372,400	$564,950	$589,900	$869,740	5.8%	10.2%
Attached homes with 2+ bedrooms and 900+ sq ft	$210,000	$285,000	$335,000	$447,000	5.2%	7.5%

Source: MLS and BBC Research & Consulting.

Trends in price per square foot. Similar trends are evident when considering median price per square foot. As shown in Figure III-5, the median price per square foot is highest for detached homes ($445), followed by townhomes ($342) and then condos ($328).

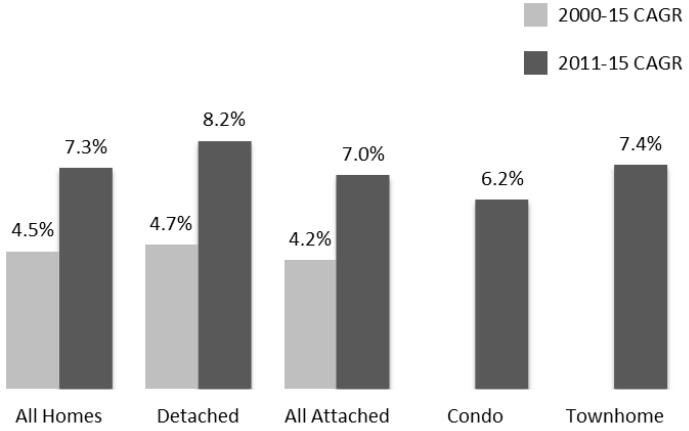
Figure III-5. Median Price per Square Foot of Homes Listed or Sold in Boulder, 2015



Source:
MLS and BBC Research & Consulting.

Not only do attached products offer a lower price-point at purchase, but they are also more likely to hold affordability across time. As shown in Figure III-6, between 2011 and 2015, detached home prices rose 8.2 percent per year, compared to a 7.0 percent increase for attached homes.

Figure III-6. Compound Annual Growth Rates of Homes Listed or Sold in Boulder, 2000-2015



Note: Price data for individual attached types (i.e., condos and townhomes) were not available in 2000; as such CAGR for 2000 to 2015 could not be calculated.

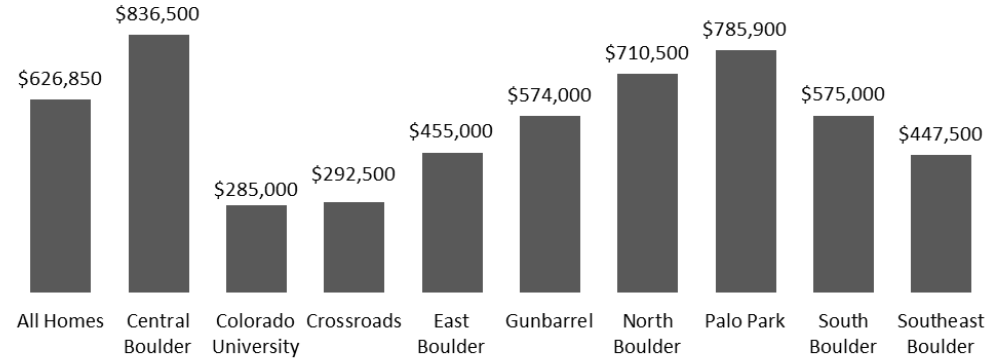
Source: MLS and BBC Research & Consulting.

Price trends by neighborhood. In addition to product type, neighborhood is a significant factor driving price differences in Boulder's for-sale market. Figure III-7 displays the median price and median price per square foot by neighborhood in Boulder for 2015, along with compound annual growth rates for each neighborhood from 2000 to 2015 and from 2011 to 2015.

Central Boulder has the highest median price at $836,500—over half a million dollars more than the median price in the Crossroads and Colorado University neighborhoods.

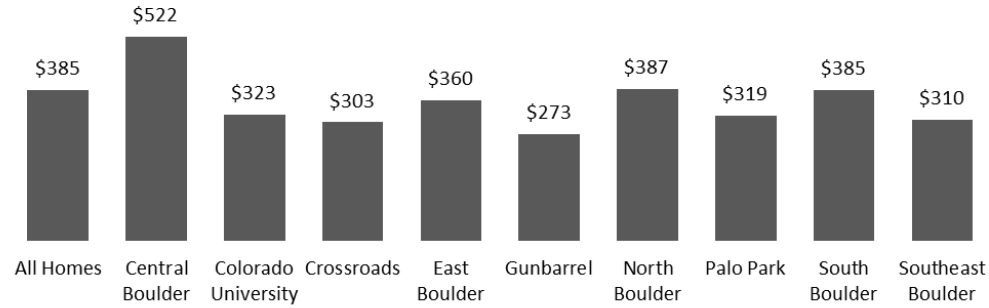
Figure III-7.
Median Price and Price per Square Foot of Homes Listed or Sold in Boulder by Neighborhood, 2015

Median Price



	All Homes	Central Boulder	Colorado University	Crossroads	East Boulder	Gunbarrel	North Boulder	Palo Park	South Boulder	Southeast Boulder
CAGR										
2000-15	5.5%	5.4%	3.1%	5.0%	4.9%	5.9%	3.8%	8.3%	4.9%	4.6%
2011-15	9.6%	7.4%	-2.5%	14.1%	7.2%	11.2%	6.6%	14.8%	8.5%	7.9%

Median Price per Square Foot



	All Homes	Central Boulder	Colorado University	Crossroads	East Boulder	Gunbarrel	North Boulder	Palo Park	South Boulder	Southeast Boulder
CAGR										
2000-15	4.5%	5.0%	3.4%	4.3%	4.5%	3.3%	4.2%	3.7%	3.9%	3.7%
2011-15	7.3%	8.2%	3.7%	11.0%	8.3%	6.2%	6.1%	4.9%	5.9%	6.5%

Note: Analysis excludes deed restricted units. 2015 data are year-to-date through Q3.

Source: MLS and BBC Research & Consulting.

Figure III-8 shows the differences in price and price per square foot for attached and detached products in four of Boulder's key neighborhoods. Dashed lines represent attached product prices and solid lines represent detached product prices.

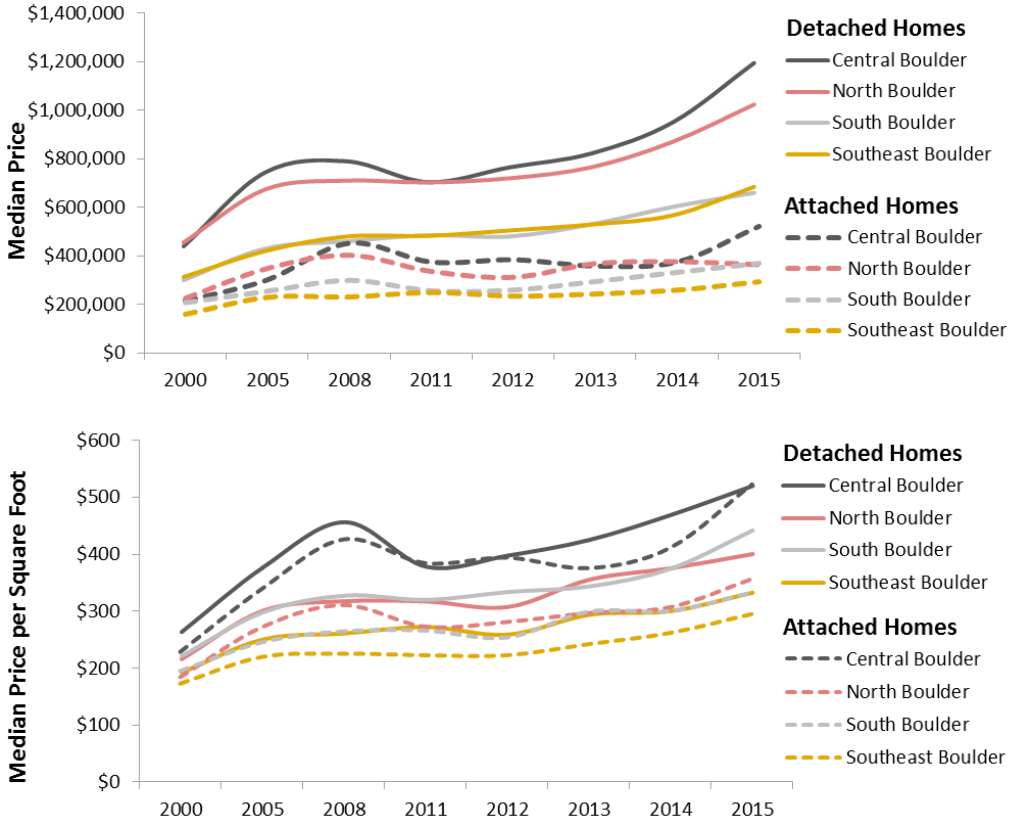
As the graphic shows, attached products have consistently had much lower medians than detached products. In Central Boulder, for example, attached products sold for $215,000 in 2015, compared to $434,500 for detached homes.

Examining the data by price per square foot tells a different story. In Central Boulder, price per square foot of attached properties passed that of detached in 2015 ($523 and $522 respectively). On a per square foot basis, attached prices in Central Boulder actually increased at a faster rate over the period as a whole (5.7% CAGR, compared to 4.6% CAGR).

However, in the other three neighborhoods (North, South and Southeast Boulder) prices for attached homes remained lower than prices for detached homes and annual growth rates for attached products were below or similar to detached properties. Especially in these neighborhoods, attached products still provide more affordability than detached products.

In highly desirable locations in Boulder, attached products maintain their affordability due to their relatively smaller size.

Figure III-8.
Median Price and Median Price per Square Foot of Detached and Attached Homes Sold in Four Key Boulder Neighborhoods, 2000-2015



Note: Dashed lines represent attached product prices and solid lines represent detached product prices. Analysis excludes deed restricted units. 2015 data are year-to-date through Q3.

Source: MLS and BBC Research & Consulting.

Homes priced for the Middle Market. In 2000, half of all homes listed or sold in Boulder were priced for the Middle Market. Sixty-eight percent of those were attached products.

By 2015, only 38 percent of market-rate homes were priced for the Middle Market. Including deed restricted homes brings that proportion up to 40 percent. Over three quarters of Middle Market homes in 2015 were attached products.

Figure III-9.
Number and Proportion of Middle Market Homes Listed or Sold in Boulder, 2000 and 2015

	Total		Detached		Attached	
	2000	2015	2000	2015	2000	2015
All homes for sale	1,506	828	860	435	646	393
Priced for Middle Market	754	334	239	72	515	262
Market rate	751	317	237	70	514	247
Deed restricted	3	17	2	2	1	15
% Market rate homes priced for the Middle Market	***50%***	***38%***	***28%***	***16%***	***80%***	***63%***
% All homes priced for the Middle Market	***50%***	***40%***	***28%***	***17%***	***80%***	***67%***

Source: MLS and BBC Research & Consulting.

The presence of investors and cash buyers in Boulder's market can make homes priced for the middle market even harder to access for households without accumulated wealth. MLS statistics from the first half of 2015 indicate that 36 percent of Boulder home sales were cash purchases—many of those transactions are likely to be investors.

The maps on the following pages (Figures III-10 and III-11) provide additional detail on the location of Middle Market homes listed or sold in both 2000 and 2015. The maps also show homes priced below the Middle Market price thresholds.

In addition to a decline in the number of Middle Market products overall, the maps demonstrate a dilution of centrally-located homes.

Figure III-10.
Single Family Detached Homes Affordable to Middle Market, Listed or Sold in 2000 and 2015

Source:

MLS and BBC Research & Consulting.

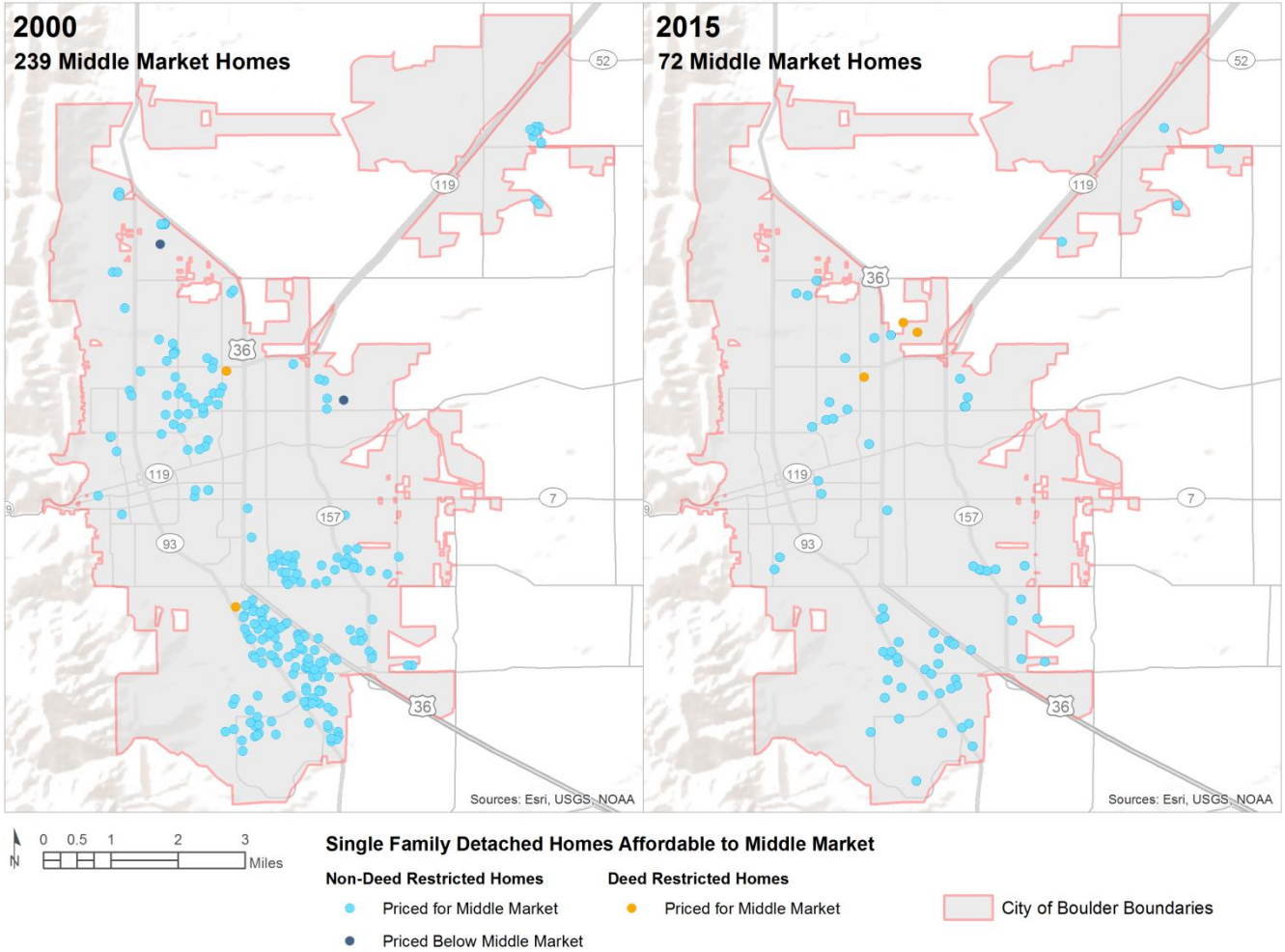
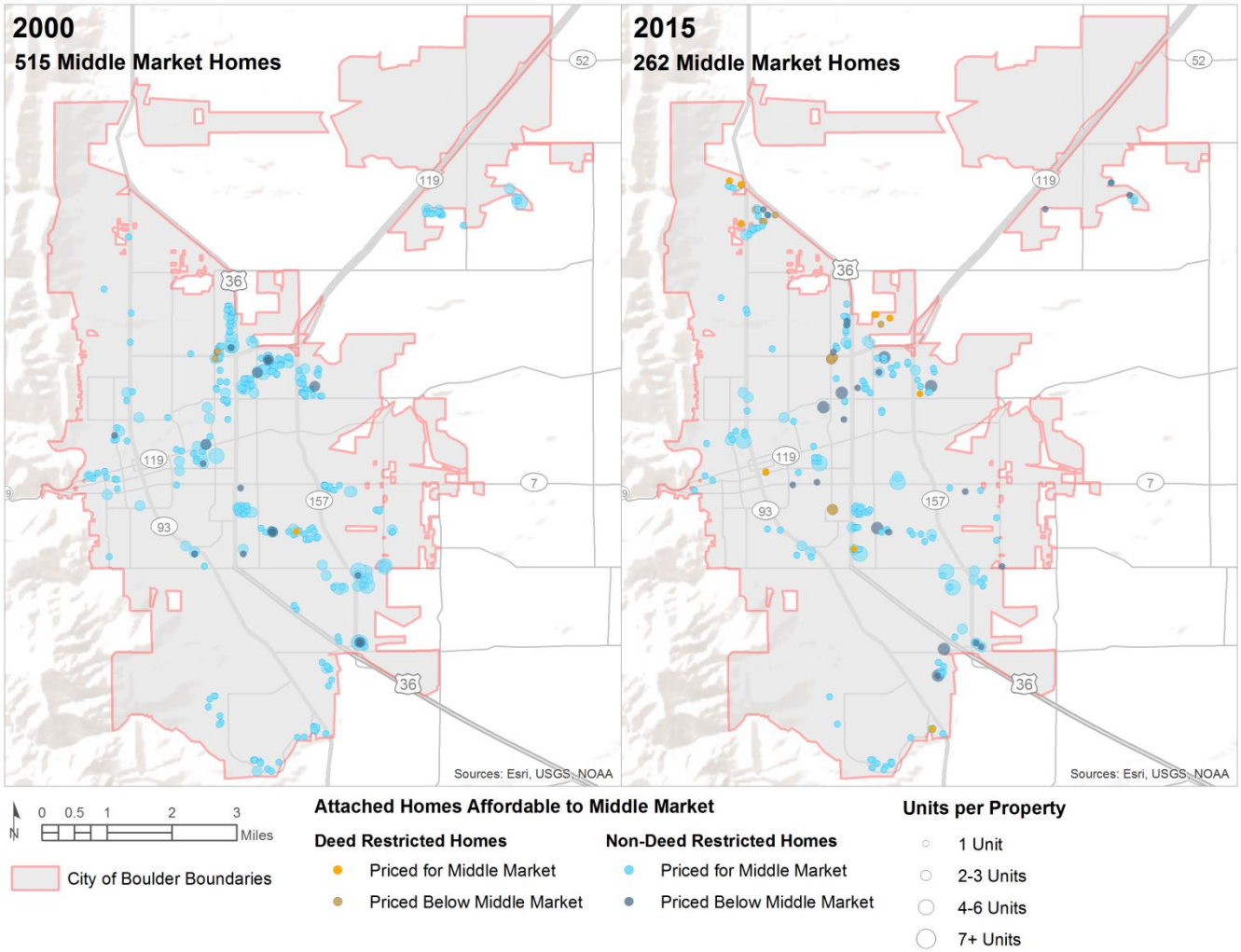


Figure III-11.
Attached Homes Affordable to Middle Market, Listed or Sold in 2000 and 2015

Source:

MLS and BBC Research & Consulting.



Are Middle Market products missing from Boulder sales? Figure III-12 compares Boulder's housing stock to all homes listed/sold in 2015. It also shows the proportion of homes by type that are affordable to the Middle Market, based on 2015 MLS data. The figure excludes deed restricted properties.

Overall, detached homes are underrepresented in the for-sale market and condos are overrepresented. Townhomes are slightly underrepresented on the market, as are du-/tri-/fourplexes.

Figure III-12.
Distribution of Housing Stock and Homes Listed/Sold by Type, City of Boulder, 2013/2015.

	Distribution by Type		Percent Priced for Middle Market (market rate)
	Owner Occupied Housing Stock	All Homes Listed or Sold in 2015	
Detached	68%	53%	16%
All Attached	27%	47%	63%
Condo	*8%*	*30%*	*65%*
Du-/tri-/fourplex	*4%*	*1%*	*33%*
Townhome	*16%*	*14%*	*61%*
Specific type unknown		*2%*	*65%*
Mobile Homes	5%	0%	N/A
Total	**100%**	**100%**	

Note: Priced for Middle Market means homes that fall within the Middle Market affordability range. Does not include homes priced below Middle Market range.

Source: 2011-2013 ACS, MLS and BBC Research & Consulting.

Single family detached units account for 68 percent of Boulder's housing stock but only 16 percent were priced for the Middle Market in 2015. Conversely, just 17 percent of boulder's homes are attached but 63 percent of those were priced for the Middle Market in 2015. One-third of du-/tri-/fourplexes, 65 percent of condos and 61 percent of townhomes listed or sold in 2015 were priced for the Middle Market.

Have attached products grown in size as they have become substitutes for single family detached products? Figure III-13 compares the average square footage by type for homes listed or sold in Boulder in 2015 with previous years. Interestingly, this figure suggests that attached products have not grown in size, even as they have become economic substitutes for single family detached products. Average square footage for attached homes increased by 150 square feet between 2000 and 2015. Yet single family detached increased by 700 square feet over the same period—a 29 percent increase in size.

Figure III-13. Average Square Footage by Type, City of Boulder, 2000-2015

	Single Family Detached	All Attached	Condo	Townhome
2000	2,453	1,078	N/A	N/A
2005	2,757	1,151	946	1,527
2008	2,737	1,281	1,007	1,615
2011	2,749	1,330	1,080	1,660
2012	2,747	1,279	1,036	1,526
2013	2,793	1,230	1,017	1,547
2014	2,859	1,200	987	1,578
2015	3,153	1,223	988	1,583

Source:
MLS and BBC Research & Consulting.

Rental Analysis

Just over half of all Boulder households are renters. Boulder's rental market has been consistently tight, with low vacancy rates and rising rents, particularly in recent years. Middle Market households in Boulder are able to afford 99 percent of rental units but must consider a variety of tradeoffs when choosing to rent, sometimes as the only option for living in the city limits.

Vacancy rates. The Census documents consistently low rental vacancy rates in Boulder over the past 30 years, the lowest in 2000 at 2.2 percent. The proportion of households that are renters has remained relatively stable and was estimated to be 51 percent in 2013. Figure III-14 displays the number and proportion of rental occupancies and vacancies in Boulder from 1980 through 2013.

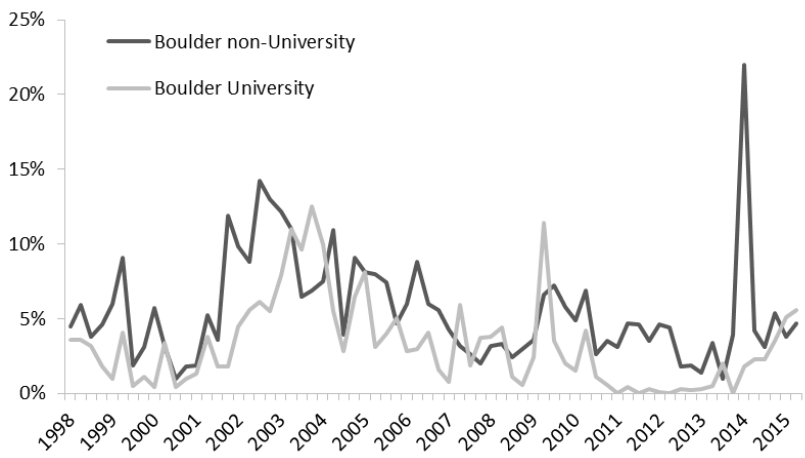
Figure III-14.
Renter Occupancy and Vacancy, City of Boulder 1980-2013

	1980	1990	2000	2008-2010	2011-2013
Renter occupied units	15,106	18,674	19,991	21,096	21,135
Percent of all occupied units	50.3%	51.5%	50.5%	52.3%	51.2%
Change in occupied rentals		**3,568**	**1,317**	**1,616**	**39**
Vacant rentals	795	884	444	574	659
Vacancy rate	5.0%	4.5%	2.2%	2.6%	3.0%
Total rental units	**15,901**	**19,558**	**20,435**	**21,670**	**21,794**

Source 1980, 1990 and 2000 Census; 2008-2010 and 2011-2013 ACS; and BBC Research & Consulting.

Figure III-15 displays quarterly multifamily vacancy rates for Boulder submarkets between 1998 and 2015. Excluding a spike in late 2014, which reflects a new development coming on line, vacancy rates for both city submarkets have held below 5 percent since 2010.

Figure III-15.
Quarterly Vacancy Rates, Boulder Submarkets, 1998-2015



Source: Metro Denver Vacancy and Rent survey.

Trends in rents and rental stock. According to the Census Bureau, median rent including utilities in the City of Boulder increased from $818 in 2000 to $1,173 in 2013—a 43 percent rise.

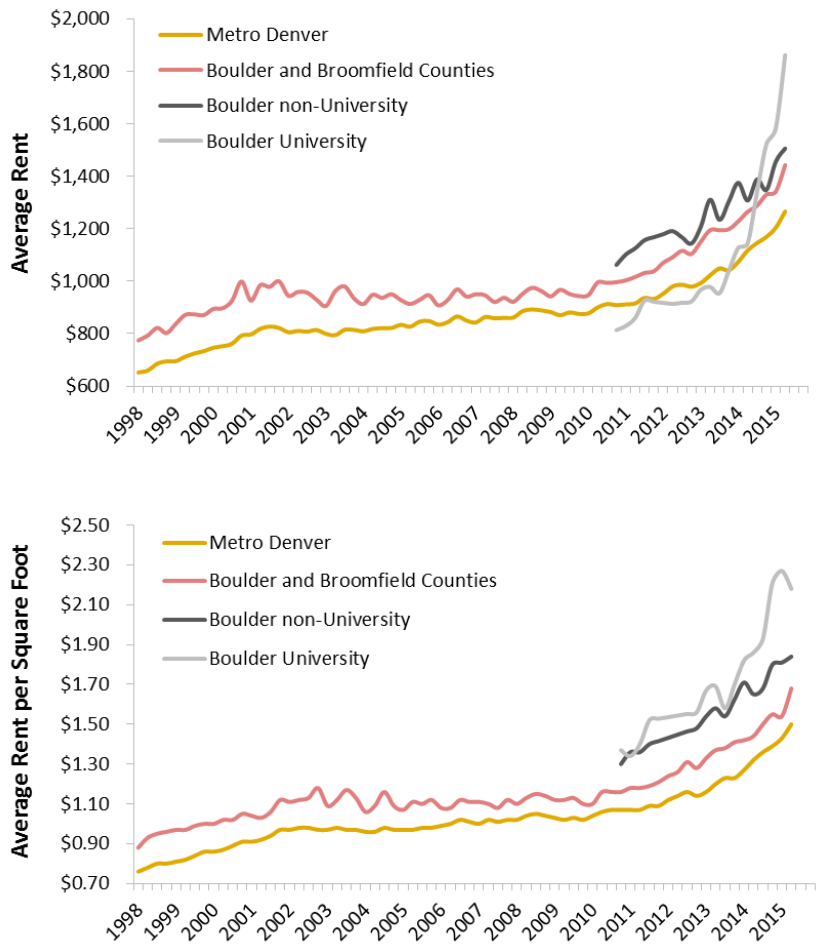
The Denver Metro Apartment Vacancy & Rent Report, the most up-to-date source for local rental trends, which does not include single family rentals estimates the Q2 2015 average rent in Boulder to be $1,861 in the University area and $1,505 in non-University Boulder, up from $703 and $960 in Q2 2006, respectively.

Figure III-16 displays the long term trend in average rents and average rent per square foot for Boulder/Broomfield counties (collectively) and Metro Denver as a whole. The figure also includes data for City of Boulder submarkets starting in 2010. Rents were relatively stable through much of the 2000s but began to increase more sharply in 2011.

Since 2011, rents in the non-University area have increased by about 8 percent per year and rents in the University area have increased by 21 percent per year.

Not surprisingly, 3-bedroom units command the highest rents in both Boulder submarkets: $2,262 on average in the non-University area and $3,462 in the University area. Figure III-17 shows the average rent by unit size in 2006, 2011 and 2015. The figure also compares compound annual growth rates from 2006 to 2011 and 2011 to 2015 and includes comparative data for the Denver Metro area as a whole.

Figure III-16.
Quarterly Average Rent and Average Rent per Square Foot, 1998-2015



Source: Metro Denver Vacancy and Rent survey.

Citywide, efficiencies and 2 bed/2 bath units experienced the largest price increases. Outside the university area, 3-bedroom units also experienced substantial price increases relative to other types.

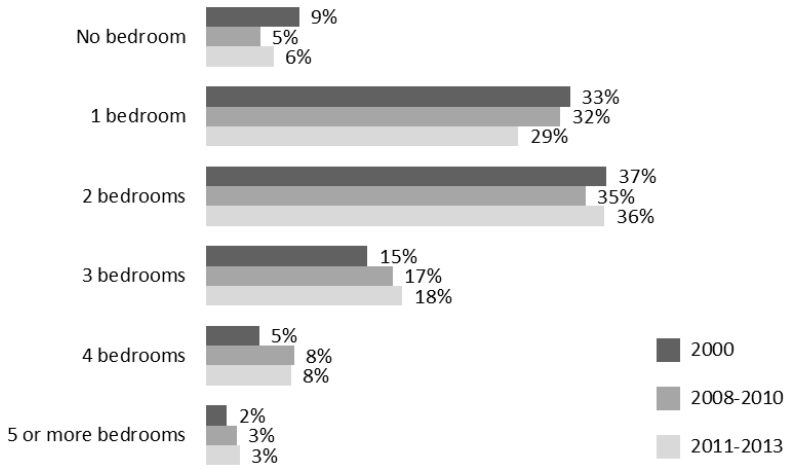
Figure III-17.
Average Rent and Compound Annual Growth Rate by Size of Unit, Boulder Submarkets, 2006-2015

	Average Rent			CAGR	
	2006 Q2	2011 Q2	2015 Q2	2006-2011	2011-2015
Boulder - Except University					
Efficiency	$892	$950	$1,459	1%	11%
1 bed	$914	$1,039	$1,299	3%	6%
2 bed, 1 bath	$801	$1,072	$1,413	6%	7%
2 bed, 2 bath	$1,144	$1,242	$1,912	2%	11%
3 bed	$1,128	$1,530	$2,262	6%	10%
All	$960	$1,125	$1,505	3%	8%
Boulder - University Area					
Efficiency	$492	$725	$1,741	8%	24%
1 bed	$673	$824	$1,453	4%	15%
2 bed, 1 bath	$859	$1,109	$1,779	5%	13%
2 bed, 2 bath	$913	$1,026	$2,663	2%	27%
3 bed	$1,900	$2,083	$3,462	2%	14%
All	$703	$860	$1,861	4%	21%
Metro Denver					
Efficiency	$586	$675	$1,004	3%	10%
1 bed	$735	$800	$1,121	2%	9%
2 bed, 1 bath	$813	$858	$1,192	1%	9%
2 bed, 2 bath	$1,009	$1,085	$1,493	1%	8%
3 bed	$1,143	$1,293	$1,788	2%	8%
All	$844	$915	$1,265	2%	8%

Source: Metro Denver Vacancy and Rent survey and BBC Research & Consulting.

According to the ACS, two-bedroom units are the most common in Boulder, accounting for about 36 percent of all rental stock. One-bedroom units account for another 29 percent. Over the past 15 years, the proportion of larger rental units (3 or more bedrooms) has increased from 21 percent in 2000 to 29 percent in 2013.

Figure III-18.
Distribution of Rental Stock by Bedroom, City of Boulder, 2000-2013



Source: 2000 Census, 2008-2010 ACS, 2011-2013 ACS and BBC Research & Consulting.

As shown in Figure III-19 on the following page, about half of all rentals are in buildings with at least 10 units. The proportion of rentals that are single family detached units has held steady at 19 percent since 2000.

Figure III-19.
Distribution of Rental Units by Type, City of Boulder, 2000-2013

	2000	2008-2010	2011-2013
Number of rentals	20,051	21,096	21,135
Distribution of Rental Units by Type			
Single family detached	19%	19%	19%
Townhome	17%	20%	16%
Duplex, triplex, fourplex	16%	12%	15%
Condos/apt	47%	49%	49%
Small condo/apt bldg (10-20 units)	*14%*	*16%*	*14%*
Med condo/apt bldg (20-50 units)	*16%*	*14%*	*18%*
Large condo/apt bldg (50+ units)	*18%*	*19%*	*16%*
Mobile home	1%	1%	1%

Source: 2000 Census, 2008-2010 ACS, 2011-2013 ACS and BBC Research & Consulting.

Figure III-20 displays the percent of all homes by type that are occupied by renters. Just 23 percent of single family detached units and 33 percent of townhomes are occupied by renters. In contrast, 94 percent of du-/tri-/fourplexes and 87 percent of condo/apartment buildings house renters.

Figure III-20.
Percent of Homes Occupied by Renters by Units in Structure, City of Boulder, 2000-2013

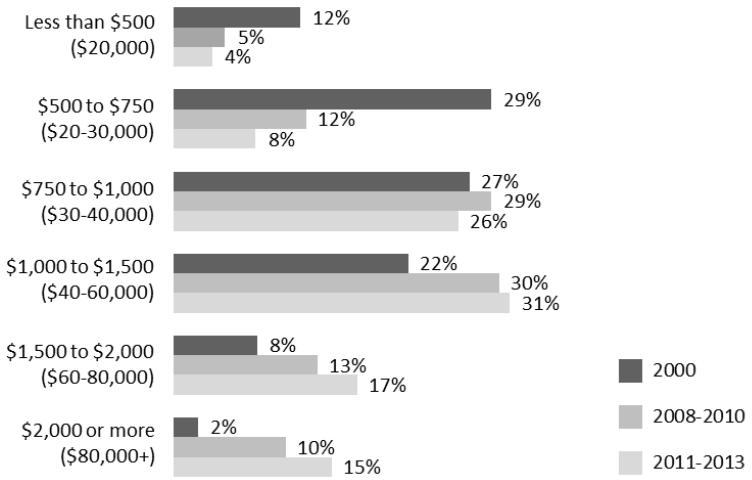
	2000	2008-2010	2011-2013
Number of rentals	20,051	21,096	21,135
Percent of All Homes Occupied by Renters			
Single family detached	21%	22%	23%
Townhome	36%	44%	33%
Duplex, triplex, fourplex	84%	94%	94%
Condos/apt	85%	88%	87%
Small condo/apt bldg (10-20 units)	*83%*	*79%*	*75%*
Med condo/apt bldg (20-50 units)	*80%*	*79%*	*72%*
Large condo/apt bldg (50+ units)	*79%*	*86%*	*82%*
Mobile home	85%	86%	87%

Source: 2000 Census, 2008-2010 ACS, 2011-2013 ACS and BBC Research & Consulting.

Rentals for the Middle Market. In 2000, 41 percent of rentals were priced below $750 per month and just 10 percent were priced over $1,500 per month. By 2013, only 12 percent were priced below $750 and 32 percent were priced over $1,500 per month. Nearly two-thirds of all rental units in 2013 were priced over $1,000 per month. The shift toward more expensive rentals in Boulder's market is illustrated in Figure III-21 on the following page, which depicts the distribution of gross rent (rent including utilities) in 2000, 2010 and 2013.

This shift in rents is driven by rising rents of existing stock but also by new construction that focuses on amenity-rich luxury products.

Figure III-21.
Distribution of Gross Rent (Income Required to Afford), City of Boulder, 2000-2013



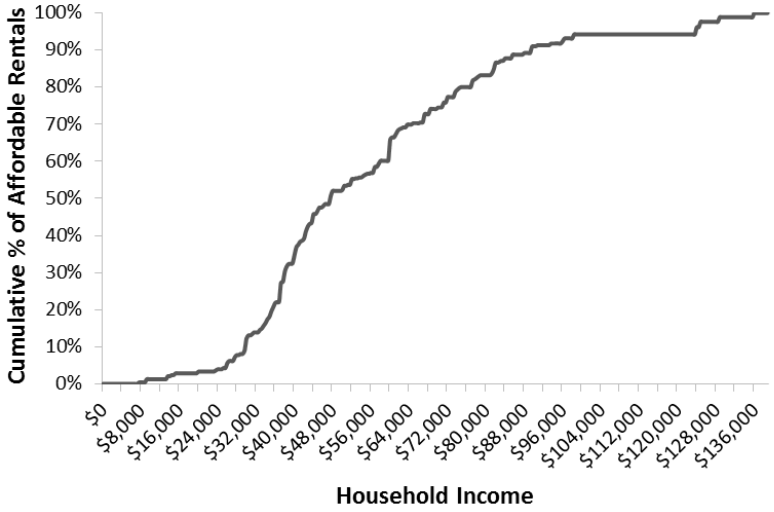
Source: 2000 Census, 2008-2010 ACS, 2011-2013 ACS and BBC Research & Consulting.

As discussed in Section II, middle income households in Boulder can afford between $1,327 and $3,356 in rent. Of the 21,000 rental units in Boulder, 39 percent are priced in the Missing Middle range and another 60 percent are priced below that range—meaning 99 percent of all rentals are affordable to middle income households.[4]

Figure III-22 displays cumulative affordability by income in Boulder—that is, the cumulative proportion of rentals affordable by household income.

[4] Calculation assumes 1-person Middle Market renter can live in any size unit and 3-person Middle Market renter requires at least two bedrooms.

Figure III-22.
Cumulative Proportion of Affordable Rentals by Income, City of Boulder, 2013



Source: IPUMS 2009-2013 ACS and BBC Research & Consulting.

For Middle Market renter households, the choice to live in Boulder is one of tradeoffs as opposed to affordability. An extensive housing choice survey of Boulder in-commuters conducted in 2014 found that about half of middle income in-commuters would consider living in Boulder in the future. Most were willing to live in attached housing in order to live in Boulder and expressed a strong preference for townhomes and du-/tri-/fourplexes over condos/apartments. Boulder's current rental market has a relatively small and declining share of those attractive types of units (31 percent of the total rental stock)—down from 33 percent in 2000.

Balancing housing preferences with a desire to live in Boulder may pose a particular challenge for middle income families as family-oriented developments are in shorter supply. Recent rental developments in Boulder tend to offer amenities attractive to non-families (e.g., fire pits, dog washes, bike maintenance areas but no playgrounds, no mention of proximity to daycare or schools on websites; pictures of dogs but not kids).

In addition to housing type preferences, Middle Market renters also weigh the tradeoff of renting in Boulder against purchasing a home—either in Boulder or elsewhere. According to the 2014 Housing Choice Survey, just 6 percent of Boulder renters that made some type of tradeoff to afford Boulder said they were willing to rent instead of purchase a home in order to live in in the city.

Figure III-23 examines the tradeoff between renting at two of Boulder's newest rental developments and purchasing a similar sized home in Boulder. Two- to three-bedroom units at the Lofts at Peloton range in price from $2,400 to $4,100 per month and offer between 1,000 and 1,700 square feet. For the same monthly expense, a Peloton renter could purchase up to 83 percent of all two-bedroom attached homes listed for sale in 2015 in Boulder.

Figure III-23.
Comparison of Rents to Purchase Options, City of Boulder, 2015

	Solana		Peloton	
	Low	High	Low	High
Rent for a 2-3 bedroom unit	$2,123	$2,418	$2,424	$4,124
Square Footage	969	1,072	1,056	1,659
Purchase options at the same monthly cost				
2+ bedroom attached homes:				
% affordable to renter	28%	43%	43%	83%
Average square footage	1,138	1,189	1,189	1,396
2+ bedroom townhomes/ du-/tri-/fourplexes:				
% affordable to renter	19%	33%	33%	85%
Average square footage	1,357	1,406	1,406	1,634

Note: Solana does not offer a three-bedroom unit.

Source: www.theloftsatpeloton.com, www.solanaboulder.com, MLS and BBC Research & Consulting.

SECTION IV.

Impacts of Middle Market Development

What Does the Future Hold?

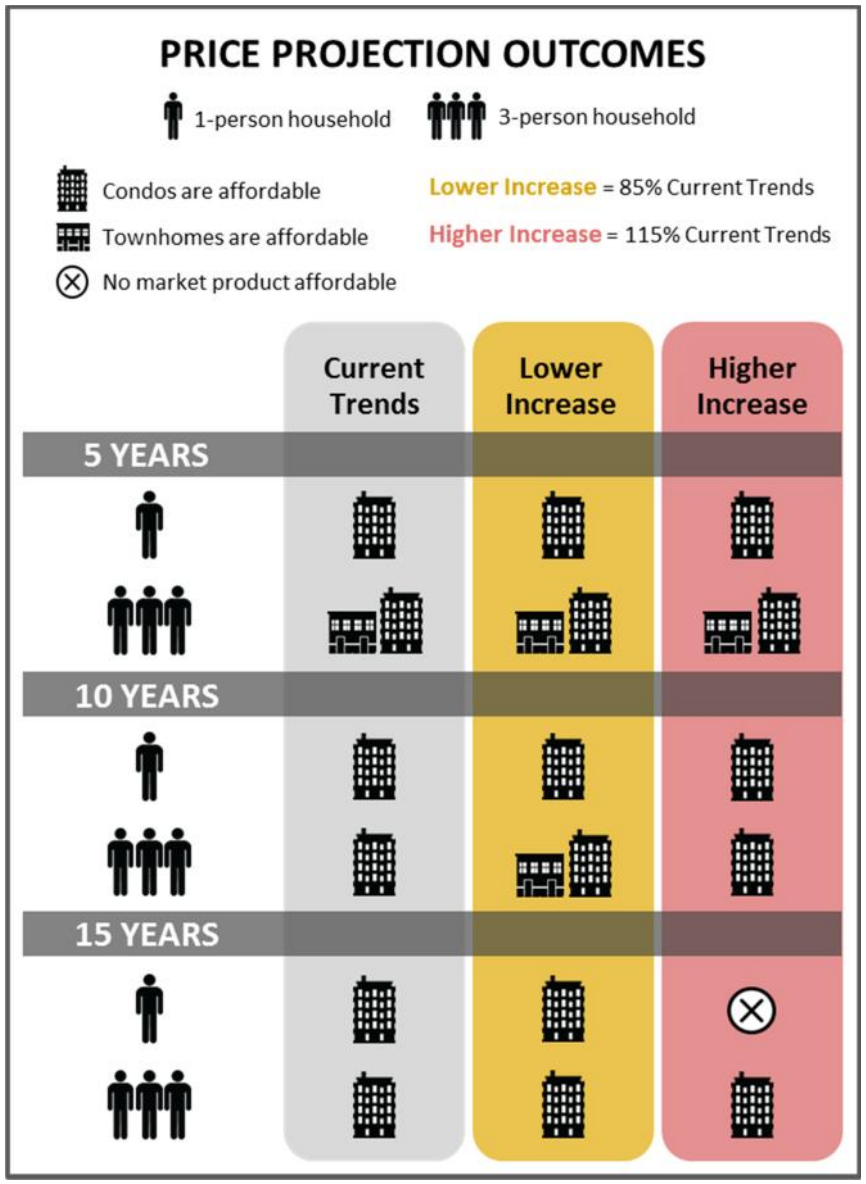
To understand how prices could increase during the next 5, 10 and 15 years, we modeled three price scenarios:

- Price increases are the same as those experienced between 2000 and 2015 ("Current Trends"),
- Demand slows and prices increase at 85 percent of the rate experienced between 2000 and 2015 ("Lower Increase"), and
- Demand accelerates and prices increase at 115 percent of the rate experienced between 2000 and 2015 ("Higher Increase").

In all scenarios, incomes were assumed to increase at the same rate as the previous 15 years (1.99% increase per year for the HUD median income).

The outcomes of each price scenario projections for 5, 10 and 15 years are shown in the infographic to the right. Specifically, the graphic shows when 1- and 3-person middle income households can no longer afford the median home price by type of home. In all but one scenario both 1- and 3-person households are limited to condos within 10 years.

Although not shown in the figure, 3-person households are limited to one-bedroom units within 10 years, except in the lower increase scenario.



Given Increases in Costs, is it Possible to Develop Affordable Middle Income Products in the Future?

Newly constructed, market rate condos and townhomes in Boulder that were on the market in 2014 and 2015 ranged from $230,000 for a very small one-bedroom, one-bath condo, to $550,000 for a well-sized 3-bedroom, 2-bath condo, to $800,000 for a large, amenity-rich product.

Several new residential communities are planned for 2016 and 2017 in Boulder Junction. Residential development will include approximately 150 permanently affordable units and 168 market rate units. Currently, the units are expected to sell in the $500,000 to $700,000 range. This pricing is determined by both what the market will bear, the costs of development, and the risks developers absorb.

New, single family detached products in Boulder are selling for between $350 and $550 per square foot, depending on the location. This equates to a price of between $770,000 and $1.2 million for a 2,200 square foot home.

As demonstrated in Section III, although attached products are not always less expensive on a price per square foot basis, their smaller size results in a lower cost overall. And even as prices rise—as they are likely to do in the future—attached products offer deeper levels of affordability.

What Can the City Do to Facilitate Middle Market Development?

This study has demonstrated that privately-provided, smaller, attached housing products play a significant role in maintaining a supply of affordable housing in Boulder. Although attached products have increased in price in tandem with the market overall, they have been more effective in maintaining affordability than single family detached homes. This is likely to continue in the future, especially for condominiums.

Encourage attached products. A potential strategy for maintaining middle income housing options in the city is to focus on types that are underrepresented in Boulder's housing stock and/or the market but also have a relatively high affordability for the Middle Market—du-/tri-/four-plex developments and townhomes. These are also the types of attached products middle income commuters indicated they would be most willing to accept in order to live in Boulder in a 2014 survey of Boulder residents and workers.

Developers who were interviewed by Clarion Associates in 2014 confirmed this strategy, naming the following product types that they felt are needed to house middle income households in Boulder: Micro-units, cottages, and other small products will sell/rent in current market and may be the best way to create affordability without subsidies.

Lower prices for attached products developed in the next few years could be achieved by streamlined development approval;

aggressively zoning for smaller, attached units in areas that can accommodate additional units; and reducing land costs.

The first two would reduce the risk developers are currently building into pro formas of developing in Boulder. Removing land from the equation—e.g., in a model where land was deeply discounted or donated, much like Denver's Stapleton or Lowry—can reduce prices significantly.

Other concepts that are being actively explored in other high-cost cities include micro-housing, small lot subdivisions and land trust housing.

Develop communities around existing inventory. As in any community, some of the most affordable properties in Boulder are affordable because they are 1) In less desirable locations (e.g., busy streets, adjacent to industrial or commercial uses), and 2) Were not built to current preference standards of residents.

The limitations of these properties offer value in that they have kept a segment of the market more affordable. And these properties are likely to remain relatively affordable in the future—making them the only option for many middle income households.

Attached products, even in a community like Boulder, remain less desirable for growing families. One Boulder builder attributes this to an "American culture that is geared toward independence." Yet developing a community feel within and around these properties—thereby demonstrating that the property offers the same level of collaborative living environment as planned unit development—may be key to attracting families to attached housing. This will also be important to residents without children, particularly low to moderate income workers, who consider the trade-offs of living in Boulder in smaller, attached homes or potentially buying a detached home in a surrounding community.

Focus on the preservation or conversion of existing properties. Conversions of old motels into single-room occupancy, transitional and/or permanently affordable housing for low income residents has been used in many markets. More aggressively making better use of the underutilized properties in Boulder should be part of the solution to create more Middle Market Housing.

Reduce development barriers. Developers interviewed for this study, many of whom also participated in a focus group discussion about housing development barriers in 2014, believe simplifying the residential building code to reduce the conditions placed on alternative housing types, in addition to offering more flexibility in setbacks, open space requirements, lot sizes and parking standards, would help reduce the cost of developing housing affordable to the middle market. This lack of flexibility and variance options, coupled with linkage and inclusionary zoning fees, incentivize developers to build larger, less affordable products. Reductions in development barriers should reduce costs and could be coupled with agreements that developers offer the homes at a more flexible price point.

Attached products are more dependent on the community around them.