

# Affordable For-Sale Housing Research Summary

June 2021

## PURPOSE

It remains unclear whether the updated Inclusionary Housing (IH) regulations from 2017 effected housing developments in the City of Boulder, specifically developments of new affordable (middle income) for-sale housing. This report provides preliminary information, including trends in affordable for-sale housing developments in Boulder as well as insight from key developers and city staff from surrounding jurisdictions on their experience with developing or, in the case of city staff, incentivizing affordable housing development.

This research will likely lead to systemic discussions of how to welcome or incentivize affordable for-sale housing developments in the City of Boulder and how to better track trends (for-sale vs rental developments) either through Energov or separate staff documentation. This research could also be a component of a larger evaluation for the IH regulations as well as the City's [Middle-Income Housing Strategy](#), created in 2016.

## BACKGROUND

A shortage of affordable housing options is not unique to City of Boulder. National trends show increases in housing costs while income and wages remain stagnant. The COVID-19 pandemic has exacerbated disparities in wealth and opportunity.

The City of Boulder has taken steps to address this housing crisis. In 2016, the city expanded its commitment to affordable and available housing by adopting the Middle-Income Housing Strategy.

As of 2018, the city has successfully deed restricted 7.5% (3,468) of all homes for low- and moderate-income households (Source: [Affordable Housing in City of Boulder](#)). In the same year, Boulder City Council increased the city's affordable housing goal from 10% to 15% units (The 15% goal is adjusted annually to consider market rate

developments. Market rate housing generally grows at a rate of 1 percent per year.) With the increased goal, the city commits to building or preserving an additional 3,500 middle income homes by 2030 – 2,500 market-rate middle income units and 1,000 permanently affordable through deed restrictions. An important factor of creating affordable

### Area Median Income (AMI)

AMI is calculated by HUD annually and is adjusted by household size. It is based on the median income of a 4-person household.

In Boulder, middle-income households range from 80% to 50% AMI:

	1-person household	3-person household
Annual Earnings	\$53,000-\$104,000	\$68,000-\$134,000
Affordable Rent	\$1,327 - \$2,610	\$1,705-\$3,356
Affordable Home Price	\$227,071 - \$446,781	\$291,863-\$574,525

Based on Boulder census data, half of households make less than the 100% AMI.

housing in the City of Boulder is its Inclusionary Housing (IH) Program, which was first implemented in 2000 and most recently updated in 2017.

The IH program centers on new residential development within the City of Boulder. For new residential development projects that have four or fewer units, the requirement for affordable units is 20% of units; for new residential development projects with 5 or more units, the requirement is 25%.

IH Overview	
Total Units (#)	Required Affordable Units (%)
4 or Fewer	20%
5 or More	25%

IH is fulfilled by on- or off-site affordable units, land dedication, or Cash-in-Lieu.

The 2017 update of the IH program increased the previous 20% requirement to 25% with the additional 5% to be priced to be affordable to middle income households. Middle income affordable units are mostly achieved through annexations and middle income for-sale market developments are rare.

The IH program offers options for developers who are creating new residential developments within in the city, including on-site or off-site affordable units, land dedication, and Cash-in-Lieu (CIL). Most IH-qualified projects decide to contribute to IH through the CIL option. The CIL is subject to an annual update and since the 2017 update increased by 10% each year- with the exception in 2020 in which CIL was not updated due to the COVID-19 pandemic. The CIL contributions are combined with other local and federal funds to support the creation and preservation of permanently affordable housing. From 2010 to 2019, over \$50 million in CIL contributed to the Affordable Housing Fund.

## CASH-IN-LIEU CONTRIBUTIONS

**Limitations:** The following data is from Munis and tracks the receipts of Cash-in-Lieu (CIL) payments made per year. It provides a limited snapshot of the IH program outcomes as it does not include unit data created through on- or off-site units, land dedication, and all annexations/deed restricted units.

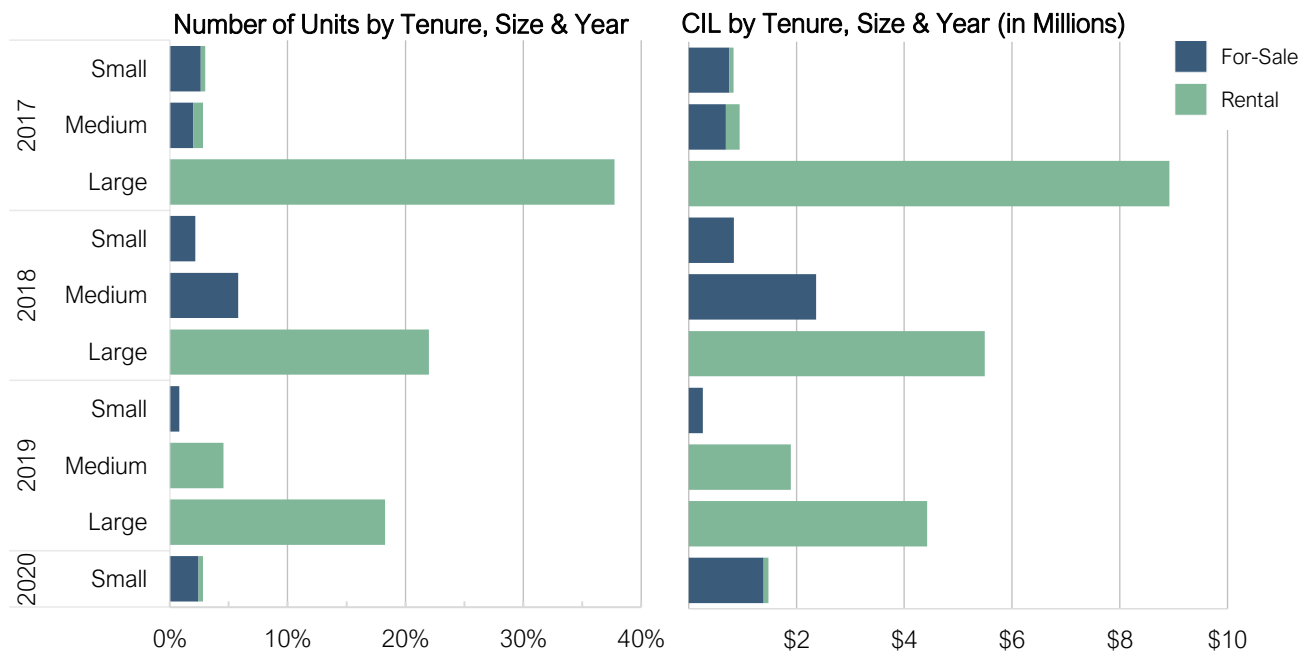
**CIL Outcomes:** Many developers and applicants opt for the CIL option in order to fulfill the IH requirement. From 2017 to 2020, there have been 81 CIL payments made to the City of Boulder, which totals to about \$27.5 Million and 1,100 new units. Of the 1,100 units, 175 (16%) units were for-sale units and 925 (84%) were rental units.

	# CIL Payments	CIL Amount	Number of Units	For-Sale Units	Rental Units
2017	31	\$10,700,697.51	479	51	428
2018	21	\$8,695,548.00	330	88	242
2019	10	\$6,580,046.00	260	9	251
2020	19	\$1,480,101.00	31	27	4
<b>Total</b>	<b>81</b>	<b>\$27,456,392.51</b>	<b>1,100</b>	<b>175</b>	<b>925</b>

Since IH is estimated based on the number of units per project, it is simultaneously important to keep the size of projects in mind. Of the 1,100 units generated, 97 (8%) units are part of small-sized projects, 145 (13%) units are part of medium-sized projects, and 858 (78%) units are from large-sized projects.

	Number of Units	Small (0-4 Units)	Medium (5-40 Units)	Large (>41 Units)
2017	479	33	31	415
2018	330	24	64	242
2019	260	9	50	201
2020	31	31	-	-
<b>Total</b>	<b>1,100</b>	<b>97</b>	<b>145</b>	<b>858</b>

The two graphs below show these findings, highlighting the greatest impact over the years was generated from large-sized rental projects.



The chart below collectively displays the data discussed above:

	For-Sale		Rental		Totals	
	# Units	CIL	# Units	# Units	Total CIL	# Units
<b>2017</b>	<b>51</b>	<b>\$1,440,000</b>	<b>479</b>	<b>479</b>	<b>\$10,700,698</b>	<b>479</b>
Small	29	\$752,451	33	33	\$830,789	33
Medium	22	\$687,549	31	31	\$946,299	31
Large	-	-	415	415	\$8,923,610	415

<b>2018</b>	<b>88</b>	<b>\$3,201,712</b>	<b>330</b>	<b>330</b>	<b>\$8,695,548</b>	<b>330</b>
Small	24	\$835,039	24	24	\$835,039	24
Medium	64	\$2,366,673	64	64	\$2,366,673	64
Large	-	-	242	242	\$5,493,836	242
<b>2019</b>	<b>9</b>	<b>\$262,076</b>	<b>260</b>	<b>260</b>	<b>\$6,580,046</b>	<b>260</b>
Small	9	\$262,076	9	9	\$262,076	9
Medium	-	-	50	50	\$1,891,890	50
Large	-	-	201	201	\$4,426,080	201
<b>2020</b>	<b>27</b>	<b>\$1,392,402</b>	<b>31</b>	<b>31</b>	<b>\$1,480,101</b>	<b>31</b>
Small	27	\$1,392,402	31	31	\$1,480,101	31
Medium	-	-	-	-	-	-
Large	-	-	-	-	-	-
<b>Total</b>	<b>175</b>	<b>\$6,296,190</b>	<b>1,100</b>	<b>1,100</b>	<b>\$27,456,393</b>	<b>1,100</b>

## INTERVIEW FINDINGS

Interviews with staff from local affordable housing developers and neighboring communities were conducted in February 2021. The partners interviews were from the following organization:

### Local Developers

- Allison Management
- Coburn Partners
- Element Properties
- Markel Homes
- Sopher Sparr
- Wonderland Hill Dev.

### Neighboring Jurisdictions (and Departments)

- City of Fort Collins, Social Sustainability
- City of Lafayette, Planning & Building
- City of Longmont, Community Services
- City of Louisville, Planning & Building Safety
- Town of Superior, Planning & Building

**Focus on Rentals:** Many developers shared that their focus on rental development is fueled mostly by the market and the high need for student and workforce rental units. Some mentioned that the state statute (the construction defect [CO Rev Stat § 13-20-802.5 \(2017\)](#)) deters them from developing for-sale units and most shared that for-sale development is not a great investment as developers anticipate greater revenue through rental developments. A trend was also expressed as a shift away from single family homes and that young families and individuals are willing to live elsewhere (other than single family homes) and in smaller units.

**CIL Option:** During the interviews, with both developers and city staff, one could not discuss affordable housing and Boulder's IH program without discussing in detail the Cash-in-Lieu (CIL) option. There were diverse opinions in that the CIL is either set too high and becoming unrealistic or set too low and does not deter developers from choosing the CIL instead of developing affordable units.

In general, people expressed that of all the options to fulfill IH, CIL was the option to inflict the least amount of brain damage. The predictability of being able to pay out is more attractive to developers, although most shared there are no breaks on permitting and the steady increase of CIL creates a steady increase in the costs to the development. From cities' perspective, CIL is substantial throughout the region and provides funding for future affordable housing development.

**Challenges:** When asked about challenges in the affordable housing field/meeting IH requirements, most, if not all, interviewees mentioned politics. There was concern about a lack of clear understanding of what is needed to be viable and effective in addressing the housing crisis in Boulder. Council's preference for on-sale affordable units rarely pencils out financially and interviewees shared politics and the city code to be challenging to work with when developing, particularly when developing affordable housing, in the City of Boulder.

Some believed that economics and city regulations work against affordable housing. With construction costs drastically spiking during the pandemic (some 300% increased cost in lumber), interviewees also shared concern about the costs of developing, including the cost of land and the costs of varying permits.

More adamantly interviewees shared their challenges in creating affordable housing in Boulder with the idea that developers are not going to set up on their own to create affordable housing- it does not make costly sense. They urged the city to critically evaluate its policies, code and zoning to further incentive affordable housing.

**Cities:** Five surrounding jurisdictions responded and agreed to meet and discuss their work in affordable housing development. The idea that land or development is cheaper in surrounding areas needs more analysis, however, from the interviews, all cities expressed working with similar challenges. Most cities referred to their CIL (or fee-in-lieu) option for their inclusionary housing or zoning program to be the option with the least amount of brain damage. They also shared they are not seeing as many on-site affordable housing projects as they would have hoped to see, with the caveat that many IH-like programs in surrounding cities are newer and harder to assess long-term benefits.

Cities such as City of Longmont and City of Fort Collins have partnerships with community land trusts to provide affordable for-sale housing options. Both named working with Elevation Community Land Trust from Denver; City of Longmont mentioned teaming with partners to implement a [Congregation Land Campaign](#).

City staff also mentioned the shift from single family development to seeing much more multi-family development and rentals, which reflects the trend in Boulder and throughout the country. City of Lafayette expressed concerned about the lack of turnover in affordable units, which may strain the need for new development to meet the demand.

City of Louisville shared they are working on their housing plan and will focus on a Diversity, Equity, and Inclusivity lens while working on their comprehensive and housing plans.

**Suggestions:** When talking about challenges, interviewees also provided suggestions and possible solutions to improve the IH program and to encourage affordable housing and for-sale affordable housing. These suggestions are summarized below:

#### Education/Advocacy

- Challenge anti-growth perspective
- Case study on other city's IH/IZ program
- Annual updates to council/planning board
- IH and housing trends guidebook for onboarding council/PB

#### IH/Review Process

- Prioritize CIL for for-sale
- Stronger preference for mixed income
- Option to expedite permit (tec docs) for AH projects

#### Evaluation

- Comprehensive review with racial equity lens
- Case study on other city's IH/IZ program
- Are ADUs addressing AH?

#### Zoning/Land Use

- COB to own deeded lots/becomes land owner
- Reduce SFH zoning
- Increase density for variety of housing

#### Going Beyond Housing

- Address cost of living: transportation, jobs, amenities, etc.

In terms of evaluation, one takeaway that would help assist future assessment is retooling the affordable housing (AFH) case in Energov. Ideally, the AFH cases are set up to track helpful data points (i.e., rental or for-sale units) and feature a reporting function to pull this helpful data from multiple AFH cases. Michelle has worked with Energov, and this project is on the current Energov list of project improvements.

## CONCLUSION

City of Boulder remains to be a national lead when addressing affordable housing through the inclusionary housing program. However, it is becoming evident that the program is facing intensified challenges of increased housing values and development costs. More analysis and research are needed to better understand how the IH program is encouraging affordable housing development and identify areas to improve to further incentive affordable housing development in the City of Boulder.