

Land Use Tools and Affordable Housing

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Summary

Land use tools are implemented to achieve multiple goals. While affordable housing is a very important goal for the city, zoning changes and other land use tools are used to achieve the City's overall planning goals including compact urban form, preservation of existing neighborhoods, increased economic vitality and alternative transportation use. These goals, along with the creation of affordable housing are articulated in the Boulder Valley Comprehensive Plan.

When the Comprehensive Housing Strategy was developed in 1999 it was thought that two land use tools could help to achieve market affordability in Boulder: increased density and smaller unit sizes. Consequently, in an effort to provide additional housing and achieve other community goals three land use tools to increase density were implemented:

- 1) land use changes and rezoning of certain parcels to allow more units per acre,
- 2) creation of new higher density and mixed use zoning districts, and
- 3) a review of Accessory Dwelling Unit (ADU) and Owner's Accessory Unit (OAU) programs.

A review of four recent higher density for-sale residential developments shows the following:

- Higher density in and of itself did not result in lower prices, i.e. increased affordability, and
- Higher density did provide additional affordability benefit in the form of affordable units or cash-in-lieu through the Inclusionary Housing program.

The amount of affordability achieved through the ADU and OAU programs currently is unknown. While data collected in 1994 shows some affordable benefits, a new survey is needed to assess ADU/OAU affordability and how this type of housing may contribute to affordability for the property owner (by assisting with mortgage payments, for example). Two other forms of housing, boarding houses and efficiency living units may also provide some market rate affordability.

All of these land use tools tend to produce smaller units appropriate for single persons or couples and do not tend to produce larger units needed by families with dependents.

Background

In 1999 the city produced The Comprehensive Housing Strategy; a joint effort that included City Council and Planning Board members, a Housing Authority Board member and a 30-person citizen group. The Strategy was organized around five themes, one of which was managing growth and density. The document proposed several methods to increase the amount of market-rate affordable housing available including selectively increasing density to increase economies of scale and revising the ADU and OAU ordinances to expand the numbers and types of accessory units.

Land Use and Zoning Changes to Increase Density

A key conclusion of the Comprehensive Housing Strategy was that increasing the availability of affordable housing in the community and providing more diversity of housing choices to those

who want to live here requires an increase in the supply of housing. Therefore, the Strategy recommended that the 2000 Major Update to the Boulder Valley Comprehensive Plan include a community discussion of policy changes and identify sites for density increases and land use changes.

Land use changes implemented as part of the 2000 Major Update resulted in the addition of approximately 1,500 residential units to the plan. Since 2000, through a variety of planning efforts and strategies (e.g. Transit Village Area Plan, new zone districts, residential housing in industrial areas ordinance), the city has increased density in selected, appropriate places throughout the community along transit corridors and through mixed-use development.

Density is controlled directly by zoning standards, including height and bulk standards, floor-to-area ratio (FAR) limits, and intensity standards (dwelling units per acre). During subsequent comprehensive plan updates, several areas (primarily along transportation corridors and near the University) were designated for additional density. The city cannot, through zoning or any other mechanism, control whether an individual unit or a whole development will be for-sale or rental housing. Some developments are built to be one or the other; however rental apartments can be converted to for-sale condos, which in turn may be owner-occupied or rented by the owners. Similarly, single family homes can be owner-occupied or rented. New developments must be financed and constructed with the intention of either an ownership or rental tenure.

Boulder's charter includes a voter-initiated 55-foot height limit, with Planning Board approval, for all new structures throughout the city; approximately the equivalent of four stories. However, zoning limits by-right projects to 35 feet to 40 feet in height, generally no more than three stories. Development projects in select zone districts and meeting certain criteria may be built to the 55-foot limit through a discretionary Site Review process. While an increase in the height limit would result in additional housing opportunities, outcomes for market affordability would likely be similar to those for additional density; i.e. would not result in increased affordability beyond the Inclusionary Housing requirement. A change to the height limit would require a ballot initiative.

Affordability Results of Residential Density

Staff reviewed four projects constructed in high density zones between 2005 and 2010 to determine if dense multi-family developments would provide for-sale market rate housing affordable to a low/moderate-income household (earning up to a \$58,800 annual income for a family of two). These projects include the Peloton, Whittier Square, Goose Creek Condos and Landmark Lofts.

Units sold between 2005 and 2009 in each of the four projects were used to determine the average price and average size of a two-bedroom condominium unit. The price of such a unit ranged between \$332,533 and \$525,000. In comparison, through the affordable housing program a two-person low-income household can affordably purchase a home priced around \$173,000.

The following table contains average density and cost information for these projects:

Project	Zoning	Inclusionary Housing assessed	Density (dwelling units/acre)	Max. Height	One-bedroom units (no lofts)		Two-bedroom units	
					Avg. size	Avg. cost	Avg. size	Avg. cost
Peloton 3601 Arapahoe	IG Industrial General	Y	39 du/ac	55'	894	\$325,970	1,264	\$525,366
Whittier Square 2201 Pearl	MU3 Mixed Use	N	49 du/ac	52'	657	\$200,000	1,135	\$368,070
Goose Creek Condos 2910 Bluff St.	BMS Business – Main Street	Y	35 du/ac	38'	886	\$292,000	977	\$332,533
Landmark Lofts 2830 E. College	RH3 Residential High - 3	Y	55 du/ac	55'	730	\$260,500	1,359	\$410,320
Affordable price Low/moderate Income						\$145,000		\$173,000

City-wide, in 2009, attached homes under 1,600 sq ft and built within the last ten years, sold for a median price of \$309,900 per unit; the average price for a modest (2,000 sq ft or under) single-family home was \$425,000. The average price in Boulder in December 2009 of all single family homes sales was \$700,434 and condominiums and townhomes were \$305,353.

Rental Housing Affordability

Accurate, complete and timely city-wide rental price data is not readily available. A rough indication of the affordability of higher density rental development may be determined by comparing the two best sources of rental data available: Von Stroh, which surveys a broad range of rental projects but has a relatively small data set, and Apartment Insights which focuses exclusively on high density projects with 50 units or more.

The Apartment and Rental Properties: Vacancy and Rent Surveys (Gordon Von Stroh, University of Denver) researches average rental prices for market rate units.¹ This report is based on voluntary samples. In first quarter 2010 for the Boulder/Broomfield area, a 950 sq ft unit rented for \$1,000 (affordable to a two-person household at 70% AMI). The *Apartment Insights* survey for 3rd Qtr. 2010 of high-density (50-unit and above) rental properties finds that the average low rent for unfurnished market rate units is \$1,330 for a 1,000 sq unit. At these rents (not including utilities), units are affordable to a two-person household at 100% AMI.

Several older low rent boarding houses on The Hill were recently converted to 1,200 sq ft four bedroom rental apartments. Rents for these properties are \$3,800 per unit (\$3.16 per sq ft) or \$950 per bedroom and require a \$7,600 security deposit, plus an extra \$100 for a parking space. At this rent, each bedroom is affordable to one person at 75% AMI. The very high density 238-unit rental development at 29th St. and the 316 rental units at Junction Village across the street

will rent in the range of \$1,750 to 1,950 per month for a 1,000 sf unit (affordable to households at around 120% AMI).

How Density Affects Housing Prices

The effect of density on housing prices is dependent on a number of factors including the type (desirability) of community, location within the community, and current market deficiencies. Boulder is a very desirable place to live, homes located on the west side of the city, and specifically those in or near the downtown area, are unlikely to be affordable on the market no matter how small the unit or dense the development. Partially due to a history of housing growth control, Boulder also has significant excess (pent up) demand for all types of housing. This demand creates the market, which determines prices. Demand for new housing of any density is high creating a dynamic whereby the older and denser housing stock may be lower priced, but new housing of any type and density commands a premium price.

When a builder constructs housing, the combined cost of land and construction must allow for a reasonable return on investment given the current market price. The market price is somewhat adjustable within a range that is competitive. If units are put on sale at below-market prices without a mechanism, such as a deed restriction to preserve affordability, savvy investors will buy them and quickly resell (“flip”) the unit to capture the value. For this reason, it does not make sense for a developer to offer below market prices regardless of the cost to construct. A development in Boulder with 20 units per acre may be priced higher than the same project if allowed 40 units per acre but the pricing for both projects will be determined by the Boulder market, and as such, will be relatively high-priced.

This dynamic was evident in an earlier, below-market price, affordable housing program in Boulder. Developers were required to sell a certain number of units at affordable prices. The only restrictions placed on the buyers were that the units were owner occupied and the units were restricted in size. Despite these restrictions, all of these units were quickly purchased and resold at market prices.

Density provides much needed housing, however density will not significantly affect prices until a balance between supply and demand is reached. Boulder, with approximately 50,000 daily in-commuters, is a long way from that equilibrium. Additionally, the Universities create a strong consistent demand for low cost rental housing.

Specific reasons that additional density does not result in affordability in Boulder include:

- Boulder is rich in quality-of-life amenities and is a very desirable place to live making it attractive to renters and buyers;
- Boulder is an employment center that includes two universities, federal labs and many high technology firms;
- Housing prices reflect market prices. Demand for housing is high in Boulder. For example, the 2005 Housing Needs Assessment estimated that in-commuters generate unmet demand for up to 15,170 additional housing units;
- The city’s allowed density is tempered by limits on height as well as Floor Area Ratio. Boulder’s most dense zone districts would be considered medium-density in a city such as Denver; and

- Land costs are high, and subsequently, developers generally target a higher price-point to support the high cost of land.

Benefits of Housing Density:

Although for-sale higher density developments in Boulder do not directly result in market-rate affordability, there are affordable and other housing benefits:

- Additional density, i.e. additional housing, generates affordable units or cash-in-lieu for the Affordable Housing Fund. Higher density mitigates the costs of providing affordable housing within a development by spreading land costs to more units.
- Adding density adds to the supply of market-rate rental housing, which may be affordable to moderate- and median-income workers. Adding multi-family rental housing helps Boulder’s rental market provide housing as employment grows in the city and county, and the two universities add over 5,000 students.
- New developments must meet evolving Americans with Disability Act and Fair Housing standards, adding to the housing options available to the mobility-impaired and growing senior population.
- Because 75% of employed Boulder residents work in the city of Boulder, housing in Boulder can improve commuting patterns.² Those Boulder employees who live in Boulder drive fewer miles to work, are less likely to drive alone and are more likely to use alternative modes than Boulder workers who live in surrounding communities.³ Not only are there environmental impacts of commuting, but driving adds to household expenses.
- Employees who live in Boulder will also spend more of their income here, supporting local businesses and paying sales taxes.
- Boulder employees who live in Boulder are more likely to be involved in the community.

Other Land Use Tools

Several other land use tools have been put in place to assist in the development of relatively affordable market-rate housing. These include:

1. Accessory Dwelling Units and Owner’s Accessory Units (ADUs & OAU)

As of 2010 there are 150 ADUs and OAU permitted in the City of Boulder. In 1982 the city adopted the ordinance allowing a second unit in single family homes in low-density zoning districts. It was anticipated that this type of housing would offer supplemental income and possible services to older residents and single parent households. At that time, there was significant public opposition from homeowners particularly in the University Hill neighborhood who feared that the noise and traffic created by ADU & OAU tenants would adversely affect the character of the neighborhood.

² Currently, over 50,000 employees commute in to Boulder for work, while approximately 10,000 Boulder residents commute out to work.

³ According to the Boulder Valley Employee Survey (2008), Boulder workers living in Boulder drive an average 7.96 miles per day for work trips, compared to an 34.8 miles for Boulder employees living elsewhere. Boulder employees living in Boulder are also less likely to drive alone to work (52%) compared with Boulder employees living elsewhere (74%).

Accessory Dwelling Units (ADUs) are located within an existing house (for example, as a basement, garage, or attic finish), while OAU's are located in separate buildings (i.e. a carriage house). The units are not considered separate, permanent dwelling units, but rather are permitted uses within an owner-occupied property. ADUs and OAU's can provide relatively affordable rental units, and in some cases provide income for homeowners or homebuyers who may themselves be cost-burdened.

As a result of the 2000 Comprehensive Housing Strategy, a public process and minor revisions to the ADU/OAU program were implemented included revising the ADU/OAU ordinance to relax the transfer requirements from one owner to the next and streamlining to make the standards of ADU's and OAU's more compatible.

Boulder's current ADU/OAU program includes the following provisions:

- The ordinance specifies that the right to have an ADU runs with ownership, not the property. When ownership changes, the ADU must be removed, and the new owner must re-apply if an ADU is desired.
- No more than 10% of single family lots or parcels in a neighborhood area can contain an ADU. The definition of a neighborhood area varies depending upon the individual zone; the range is from a 300 to 600-foot radius around the applicant's home.
- No more than two persons may occupy the ADU, and the occupancy of the entire house may not exceed three unrelated persons.
- The maximum size of an ADU is 1,000 sq ft, or 1/3 of the size of the main house, whichever is less.
 - A minor expansion of the building footprint is allowed, but it is not allowed to exceed 5% of the total floor area.
- ADU's and OAU's are not subject to Inclusionary Housing requirements.

In 1994 a survey of ADUs and OAU's, 76% of the owners indicated income from the ADU helped with their mortgage payment. Most, 85%, of the owners collected on average \$700 per month rent. A new survey is needed to assess the current affordability provided by ADUs and OAU's.

2. **Efficiency Living Units (ELUs):** In certain zone districts, developments containing units of approximately 400 sq ft of interior floor area or less receive a density bonus and a per-unit parking reduction. For every one unit normally permitted under zoning, two ELU's are permitted. In most zone districts permitting ELU's, no more than 20% of total units may be ELU's by right. However, the high-density residential and mixed-use zone districts permit projects to be comprised entirely of ELU's. There is anecdotal evidence that these units are relatively affordable on the market, although a survey has not been done. In addition, they are too small to be a housing option for households with dependents.

Currently Inclusionary Housing does not distinguish between ELUs and other types of housing units and is applied equally to any new housing unit produced. A reduction or elimination of IH requirements could provide an incentive for developers to produce these types of units.

3. **Boarding Houses:** This housing type, also known as Single-Room Occupancy (SRO), is permitted in Boulder in nine zone districts, including high-density and mixed-density residential, mixed-use, business, and downtown. Units consist of individual bedrooms with shared kitchen and bathroom facilities, often with short-term leases, that provide an affordable housing option to singles and couples but they do not provide a viable housing option for households with dependents. Currently there is no policy in place in the city of Boulder to encourage or preserve this housing type. Boarding Houses are not subject to Inclusionary Housing requirements.

In Boulder, as in the rest of the country, this economical form of housing is being converted to higher-end apartments and condos due to the increasing value of urban land. This national trend in the loss of SRO housing began in the 1970s and has accelerated since that time.