

Overcoming Barriers to Affordable Housing in Colorado

Creative solutions for developers, public officials and housing advocates



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What are we thinking?

"I have seen changes in the lives of people given the opportunity to live in affordable housing. This is not just about real estate – this is about people."

– Susan Powers, president, Urban Ventures & co-founder, Mothers Advocating for Affordable Housing (MAAH)

What are we thinking?

1. Median Colorado Home costs 1/3 more than national average



"As moderate to middle-income households buy and rent that existing housing stock, the people who get pushed out and left behind are the lower-income working families who can't afford to compete."

— Ismael Guerrero,
executive director,
Denver Housing Authority

What are we thinking?

1. Median Colorado Home costs 1/3 more than national average
2. **High travel and high housing costs impact members of our society**
 - Choices about healthy Food and Medicines



Fewer condos means more sprawl, says Tom Clark of Metro EDC. If you want to buy a starter home, "you don't have any option but to drive until you qualify."

What are we thinking?

1. Median Colorado Home costs 1/3 more than national average
2. High travel and high housing costs impact members of our society
3. **Community cohesiveness requires inclusion – not mono-culture**



At Aria Denver, Chuck Perry describes a "community-building" strategy, that encompasses local food, healthcare, and pedestrian networks. The resulting impact on residents' household budgets "can dramatically help to improve the quality of people's lives because they don't have to decide between paying rent or paying for food, or paying rent or paying for medicine."

What are we thinking?

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2. High travel and high housing costs impact members of our society
3. Community cohesiveness requires inclusion – not mono-culture
4. **Creation of New Housing cannot keep pace with growth**



In Colorado, we're losing 3,000 affordable homes coming off deed restrictions every year," says Dick Taft, president and CEO of the nonprofit homebuilder Rocky Mountain Communities. "We're [only] building at a rate of 1,800 homes a year."



"Our population is growing much faster than our housing stock and the gap continues to grow."

– Rick Padilla, Director
of Housing and Neighborhood
Development,
City and County of Denver

What are we thinking?

1. Median Colorado Home costs 1/3 more than national average
2. High travel and high housing costs impact members of our society
3. Community cohesiveness requires inclusion – not mono-culture
4. Creation of New Housing cannot keep pace with growth
5. **Growing Companies cannot fill needed positions**



"Density is the key. It's the key to the viability of local economies and it allows for inclusionary components."

-- Chad Holtzinger, president,
Shopworks Architecture





ULI HOUSING COMMITTEE

2015 Charrette to identify

Barriers and **Solutions**

to the Creation and Preservation of Affordable Housing in Colorado

4 BASIC CATEGORIES OF STUDY

1. **Regulatory**
2. **Social**
3. **Physical**
4. **Economic**

REGULATORY

Challenge Name	Discussion Points	Solutions/Ideas
Construction Defects	<ul style="list-style-type: none"> No condos built <ul style="list-style-type: none"> Limits development of entry-level multifamily housing Limits smaller multifamily projects (only large scale projects are feasible) Local government attempting to solve State political environment <ul style="list-style-type: none"> Timing, constituents, etc. Need more education and messaging Commentary from ULI 	<ul style="list-style-type: none"> Outreach to understand differing positions
Inclusionary Housing	<ul style="list-style-type: none"> In Denver <ul style="list-style-type: none"> 30+ unit projects must include 10% affordable housing (up to 120% AMI) <ul style="list-style-type: none"> not being used, which artificially deflates project sizes In-lieu option is popular but lacks effective implementation Boulder program showing some success Taxing larger projects Cities facilitating programs need improvement Relationship to rent controls 	<ul style="list-style-type: none"> Expand to multi-family rental Increase buy-out cost Lower 30 unit threshold Education
Zoning	<ul style="list-style-type: none"> Re-zoning process fraught with NIMBYism Artificial cap on market supply 6-8 month process Minimum parking requirements (TOD/senior precedents) Other infrastructure requirements 	<ul style="list-style-type: none"> Re-name to workforce housing Fast track affordable housing permits Allow bike share/shared parking Cooperation among jurisdictions to share data to challenge opposition Look outside Colorado for successful approaches Limit the re-zoning process to minimize NIMBYS
Other Challenges		
<ul style="list-style-type: none"> Approval/entitlement process Limited CHFA application rounds Section 8 Urban Renewal Legislation Rent Control 		

SOCIAL

Challenge Name	Discussion Points	Solutions/Ideas
NIMBY	<ul style="list-style-type: none"> Negative perceptions <ul style="list-style-type: none"> Quality Safety Demographics <ul style="list-style-type: none"> Homeless Senior Workforce Single parent families Density adverse <ul style="list-style-type: none"> Traffic and parking issues Unit typology (prefer single family units, avoid multifamily, co-housing, etc.) Bad reputation from previous projects not done well 	<ul style="list-style-type: none"> Early Outreach – timing important, not “overcooked” plans at early meetings Including non-developer stakeholders in discussions Educate on design to accommodate density
Location	<ul style="list-style-type: none"> Exclusivity Belongs somewhere else Homogenous land use Income-level and class distinction (rental verse ownership) 	<ul style="list-style-type: none"> Recognition of affordability as a regional problem Value of diversity New zoning typologies
Gentrification	<ul style="list-style-type: none"> Losing existing affordable housing stock <ul style="list-style-type: none"> Affordable homes being replaced with newer and larger homes Rental units are timing out and not being preserved 	<ul style="list-style-type: none"> City gets first right to purchase IHO units Stronger IHO ordinances, higher density zoning National level – preserve affordable housing by rent to own program Preservation ordinances strengthen, early warning systems, funding
Other Challenges		
<ul style="list-style-type: none"> Growing senior population Misconceptions about <ul style="list-style-type: none"> Who needs affordable housing History of public housing (reputation) Construction quality Compatibility with existing neighborhoods 		

PHYSICAL

Challenge Name	Discussion Points	Solutions/Ideas
Construction Technologies	<ul style="list-style-type: none"> • Subject to market forces • Wood – no labor • STU \$ • Concrete \$\$ 	
Health	<ul style="list-style-type: none"> • Gardens • Walkability • Smoke-free 	<ul style="list-style-type: none"> • Multi-disciplinary design • Stormwater detention in parking lots and tree lawns/gardens • Stairways • TOD
Building Re-use	<ul style="list-style-type: none"> • Represents a significant reservoir of housing opportunity • Could be good locations with transit and services • Reinvestment is exciting to neighbors • Is hard! 	<ul style="list-style-type: none"> • Buying existing multi-family properties 4% LIHTC (economy of preserving vs. building new) • Most investors looking for \$35k/rental unit
Enriching the community	<ul style="list-style-type: none"> • Enrich the community with building and development • Hospitable public realm or not 	<ul style="list-style-type: none"> • Include quality public space in projects
Other Challenges		
<ul style="list-style-type: none"> • Security • Barrier free (i.e. ADA) • Proximity to services (transit/convenience vs. land value) • Water quality/detention with limited space • Pressure to be like market rate • Community expectations for good design (“No kidding”) • Sustainability (keep utility expenses down but fights w/constructions costs and upfront expenses) • Cars – linked to transit modes 		

ECONOMIC

Challenge Name	Discussion Points	Solutions/Ideas
Lack of Financial Resources	<ul style="list-style-type: none"> • Both development and operational expenses <ul style="list-style-type: none"> ◦ Need revenue and vouchers • Dearth of local and state funding compared to peers • Creates competition amongst advocates <ul style="list-style-type: none"> ◦ Legal costs rise ◦ Coordination issues ◦ Complexity across programs • Idle capacity 	<ul style="list-style-type: none"> • Social bond program – tax incentives to give money toward housing • Encourage mixed-use (hotel, micro-units, etc.) • Development/impact fee for commercial projects (how much housing does your project generate – development fee to pay for the affordable housing need created by the development)
Economic Pressures	<ul style="list-style-type: none"> • Land and labor costs • Gentrification and displacement <ul style="list-style-type: none"> ◦ Concentration of poverty • Market rents/occupancy rising • Cost to subsidize rising • Quantity versus quality issues • Fear of market bubble <ul style="list-style-type: none"> ◦ Higher AMI competition • Transitional neighborhoods 	<ul style="list-style-type: none"> • Land banking • Adaptive re-use of under-utilized property • Demonstrate risk developer is taking
Infrastructure	<ul style="list-style-type: none"> • Every parcel has to solve its own infrastructure <ul style="list-style-type: none"> ◦ Water, storm, utilities, streets/curbs • No savings or discounts for affordable housing • Lack of ability to use certain sources • Urban Renewal Issues <ul style="list-style-type: none"> ◦ New legislation ◦ Perception 	<ul style="list-style-type: none"> • Reduce tap fees, parking requirements, etc.
Other Challenges		
<ul style="list-style-type: none"> • Inability to finance mixed income • Land cost leads to displacement concentrations • Construction costs • Limited Cash flow • Income slower than inflation • LIHTC allocation uncertainty • Infrastructure and TOD • Economic prosperity and equity • Interest rate sensitivity • Declining federal support • Increasing operational expenses • Resources prioritization: For-Sale versus Rental • Construction defects cost effect 		

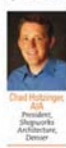
MULTIFAMILY PROPERTIES Quarterly

Housing diversity is necessary for communities to thrive



Implementing a variety of housing types in every neighborhood creates a holistic, sustainable and healthy community. This work force housing project, slated to break ground in the spring, will feature 70 units for low-income renters to help maintain a housing balance in Englewood.

Affordable housing is in more demand than ever due to the rapidly rising real estate prices found in the Denver metropolitan area. An increasing number of renters find themselves priced out of their existing homes and neighborhoods, even though they are employed full time, sometimes with multiple jobs. These individuals and families are experiencing pressure to make difficult decisions between living near their workplace and schools in their communities where they have lived, often, for generations and moving to more affordable locations further



away. While these locations may be more affordable financially, they come at the cost of increased commute time and expense, new schools for children and the loss of a network created when people know and support their neighbors. Our region now is confronted with several important questions that will set a trajectory

for the future of our cities and neighborhoods. Primarily, as a society, we must decide to encourage and foster economic diversity in order to preserve Denver and our surrounding cities. The human capital that creates the vibrant economy that we currently enjoy must not be forced to commute from great distances. Instead, we should envision and implement a city with a variety of housing types in every neighborhood, creating a holistic, sustainable and healthy community, animated by diversity and not monoculture. This will have an impact on how our communities look for generations to come.

These decisions are as important as others that our community answered over past decades, such as the decision to support FastTracks as well as realizing how a new airport would lay the groundwork for regional economic growth. The Denver metropolitan region has risen to the challenge on these important issues and, as a result, our city has enjoyed sustained growth, even when other cities nationally remained flat. Now is the time to organize a planning strategy to ensure that diverse housing types

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Affordable Housing

density development in a small package.

- Construction defects (litigation) reform must be a priority. Attached units are economically built, inherently affordable and generally are appropriate in neighborhoods with established density. This housing represents an entire product type that's missing from the marketplace. As we see apartments constructed by the thousands, we are missing the condos. Colorado must find compromise on this topic, and 2016 is the year.
- The state of Colorado must extend and consider expanding the state tax credit for low- and moderate-income housing. This tax credit proved to be extraordinarily effective at creating units for households with low incomes.
- Municipalities must encourage the preservation of existing affordable housing, and seek opportunities to create new inventory from existing buildings.

The above are policies and changes that we can enact in 2016. Additionally, we must rethink our concept of affordable housing. Instead of concentrations of poverty, housing represents the economic engine of our region and, to the extent that we have a diverse range of housing options, so will we be capable of attracting talented workers, preserving the richness and heritage that our neighborhoods were built on and maintaining multigenerational communities.

Often, affordable housing developments can catalyze and stabilize neighborhoods, providing identity, opportunities for community art, health and sustainability. As real estate professionals, we must be aware of these impacts and lever-



Rocky Mountain Youth Housing is a 36-unit apartment that was rehabilitated in 2014 to preserve low-income housing for another generation.

age them for the benefit of our city, and effectively communicate the positive impacts to members of our community. To make meaningful progress on this topic will require awareness, advocacy and leadership. Our collective vision should be ensuring that

communities along the Front Range are inclusive, durable and diverse. By taking action on the ideas above and identifying new ways to encourage housing diversity, Denver will continue to prove its commitment to investing today to benefit future generations. ▲

INTENDED AUDIENCE

1. Policy Makers
2. Development Community
3. Neighborhood Organizations / Communities
4. "Joe Public"



- DRCOG Fund – Regional problem should warrant regional response
- Understanding + Advocacy
- Condos
- “Colorado Real Estate and Development Trust” – Capacity building within the state.
- Transit innovations – think Shared Cars, Bikes and enhanced modes like Lyft and Uber

