



City of Golden Council Memorandum

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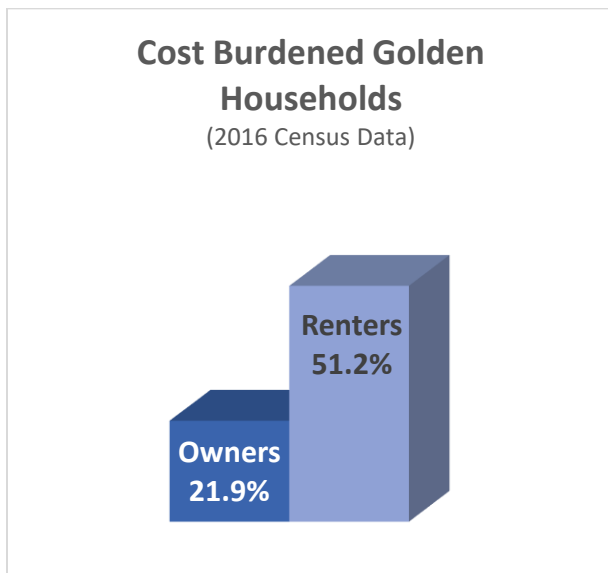
To: The Honorable Mayor and City Council
From: Rick Muriby, Planning Manager
Thru: Steve Glueck, Director of Community and Economic Development
Jason Slowinski, City Manager
Date: May 8, 2018
Re: Next Steps for Affordable Housing in Golden

I. Purpose

Following Council’s recent approval of Comprehensive Plan policies that address housing affordability in the community (see attached), Planning Commission and staff have been working to define potential next steps to improve affordable options in Golden, particularly related to program funding and regulatory changes. The purpose of this item is to present these possible action items to Council, share Planning Commission’s recommendations, and seek guidance from City Council as to how to proceed.

II. Background – The Need for Affordable Housing in Golden

Golden currently has 222 rent and income restricted units, with the majority of those reserved for very low income households. This represents 2.8% of Golden’s total housing stock. Golden has no dedicated affordable, owner occupied units and roughly 700 manufactured housing units. Manufactured housing tends to be market rate affordable to low and moderate income households and represents 8.8% of Golden’s total housing stock.



In Golden, a single person is moderate income, i.e. less than 80% of the Area Median Income (AMI), if they earn less than \$47,000 per year with an affordable rent of approximately \$1,000 and home price of \$140,000.

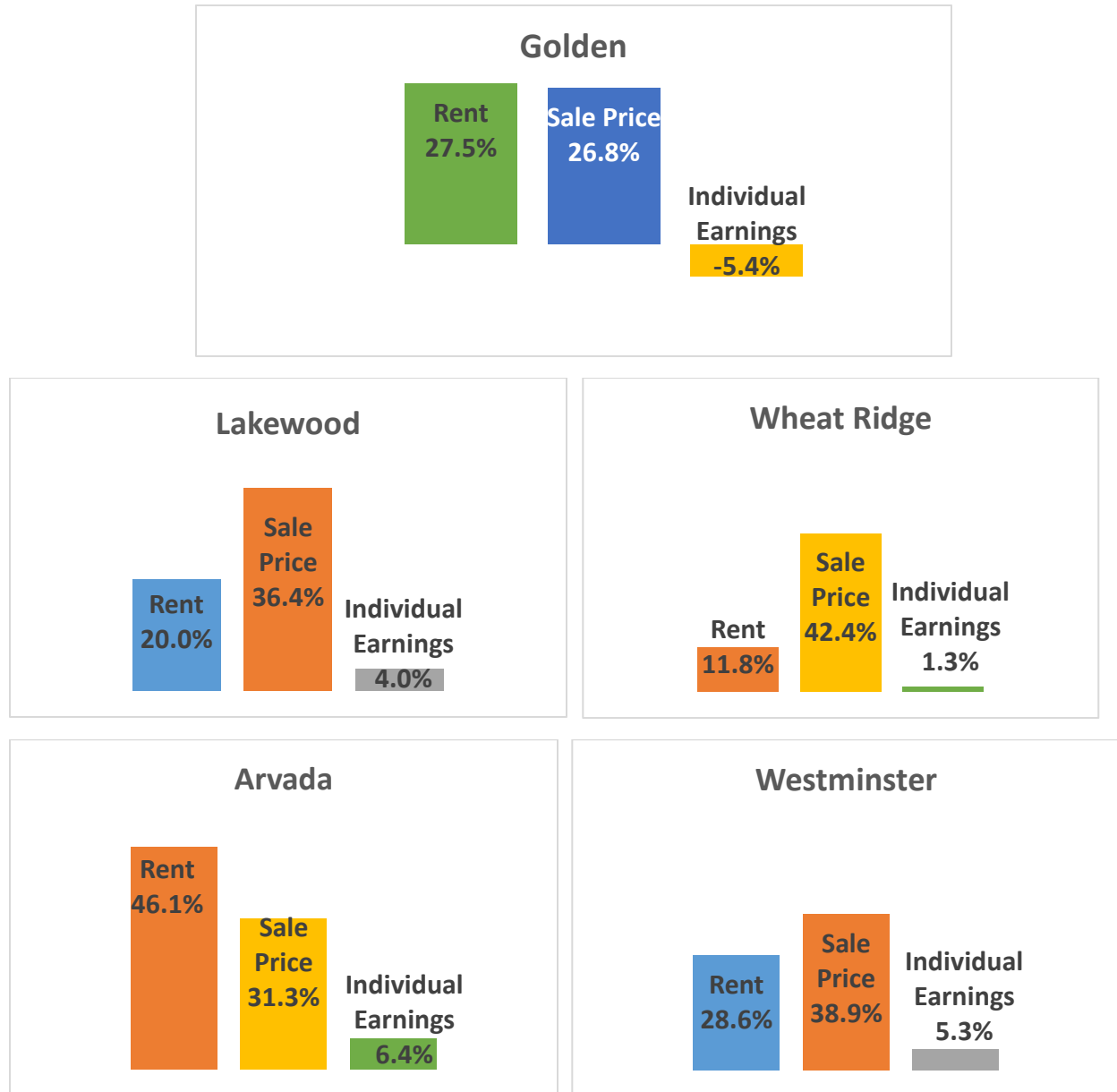
A family of four earning less than \$67,100 is moderate income where an affordable rent is approximately \$1,600 and home price is \$220,000.

Redfin has Golden’s median sale price as \$611,000. Metro Denver Apartment Association reports an average rent of \$1,485 for a one-bedroom and \$1,642 for a 2 bedroom apartment in Golden.

Recent Changes to the Housing Market

The graphs below show the most recent changes in housing costs and wages in Golden and adjacent communities:

**Changes in Housing Costs & Earnings
Over the Most Recent 3 Years of Available Data**



Data Sources: Realtor.com, Metro Denver Apt. Assoc., Census

III. Current Conditions

Both Planning Commission and City Council have had the opportunity to examine the demographic shifts that illustrate the need for affordable housing starting with the 2008 Housing & Affordability Task Force (HATF) Report. Developing affordable housing tends to be more expensive and riskier than market rate development so anything that a local community can contribute to reduce that risk results in direct benefits to the low and moderate income households that are cost burdened in the community.

Local government can constructively address the need for affordable housing in the community through the adoption of policies, programs and regulations. To date, Golden has accomplished the following in these areas:

Policies	Programs	Regulations
<ul style="list-style-type: none">•Community Housing Policies adopted into the Comprehensive Plan including goal to preserve 45% of housing as affordable to low, moderate and middle income households	<ul style="list-style-type: none">•Housing Resource Fair to connect residents with available affordable housing services and opportunities•Implemented pilot Rental Assistance Program with The Action Center•Funded housing rehabilitation work	<ul style="list-style-type: none">•Reviewed opportunities and barriers including: affordable housing as a consideration for residential annexations; limited zoning standard options to support affordable housing; and flexibility in the 1% system

IV. Current Housing Program Funding

Rental Assistance Program

In 2017, Council decided to fund a rental assistance program through “The Action Center,” which works to help people move into rental units, often assisting with the hurdle of first month’s rent and deposit, but also funding the gap between what the renter can pay and the monthly amount due. The Action Center is good at what they do, has low administrative costs, and is able to specifically target Golden funding to existing Golden residents. So far, Golden has contributed \$14,000.00 and will contribute an additional \$31,000.00 thru 2018. Continuing to fund such programs is a cost effective way to assist Golden residents, and Council may wish to consider increasing the funding for rental assistance over time.

Housing Rehabilitation

Another method used to improve housing affordability is to improve the living conditions associated with the existing market rate affordable housing stock. Golden has contributed a total of \$35,000.00 in since 2016 to the “Be a Tool” Neighborhood Rehab Program to fund such projects (and will likely receive a funding request this year). As

Council and Commission have discussed numerous times, the most viable opportunity to provide affordable housing in the community is through the housing that already exists in Golden. New affordable housing units are expensive, land is scarce, and success is generally reliant on obtaining highly competitive low income housing tax credits, which are only available in qualified census tracts. Council may wish to discuss increased funding for housing rehabilitation going forward.

V. Current Regulatory Opportunity

While Golden has not enacted regulatory changes to directly address housing affordability in the community, the passage of the Accessory Dwelling Unit (ADU) ordinance in 2010 has led to a number of new units that could be considered “market rate affordable,” due primarily to their smaller size. The benefit of ADUs is that these units fit well into the context of existing neighborhoods, as they are typically constructed either in existing basements or in the backyards of homes. The primary limitation associated with ADUs is their small size (generally 500 to 800 square feet), which addresses the needs of singles and couples looking for rental opportunities, but not families or those that wish to pursue home ownership.

Though ADUs are already legal and in use in Golden, there may be more that the City can do to promote their construction, such as providing local resources for low interest construction loans and working with local architects to provide free plans that owners can adapt for their particular needs. Additionally, changes within the 1% residential growth system could be made to incentivize ADUs relative to large units. Currently, a new 600 square foot ADU needs the same allocation as a 3,000 square foot single family home. A broader discussion of potential changes to the 1% system is outlined below.

1% System

The administrative structure of the 1% system distributes allocations on a first come, first served basis. There are currently 77 new construction allocations available per year. There is currently some flexibility and priority given to housing near transit stations and the ability for City Council to set aside some allocations in the first allocation period if there are moderate income units that have been approved and ready to be constructed. Given the limited number of allocations, the one-time option at the beginning of the year to set aside allocations for moderate income units, and the likelihood that any new affordable housing will be multifamily means that the current growth management system makes it very difficult to provide a predictable construction schedule for an affordable development.

This high degree of uncertainty makes any proposed, new affordable development in Golden uncompetitive with other projects across the state seeking state and federal housing funds. For example, there are roughly \$4 in requests for every \$1 available in low income housing tax credits. Proposed projects need to be able to expend any approved funds in a timely and predictable manner in order to be in compliance with those funds. The lack of a predictable construction schedule that results from the administrative structure of the 1% system combined with the financial complexity and timing involved with affordable housing development creates a significant deterrent to the ability of any agency to develop a new affordable housing project in Golden.

Communities that have growth management but also want to support different types of social housing generally provide exemptions or set-asides for the types of housing that are determined to be a community priority. Golden does allow for a limited number of “moderate income units” for the first allocation period only, but that is only helpful if there are enough allocations available and a project is ready to proceed at the beginning of the calendar year. The fact that no affordable housing units have resulted from this moment-in-time set aside may be an indication of how insufficient this provision is to support the production of affordable housing. Until recently, the demand for allocations has not exceeded the supply. Now that there is more competition for the limited available allocations, there is very little opportunity for an affordable multifamily project to receive sufficient allocations within a time frame that is compatible with the variety of funding sources necessary for the project.

Golden relies entirely upon private and non-profit agencies to either build new or preserve existing affordable housing in the city. Affordable housing developments can take 2 to 5 years to receive all the necessary funding and development approvals, making it far more risky and expensive than market rate housing. Each project requires multiple sources of funds and those funds have tight timeframes for their use in order to be compliant with the regulations governing those funds. Without the considerable outside funding necessary to construct an affordable project, a new project is simply not viable as those fund sources require a predictable construction schedule.

1% System Incentives & Flexibility for Preferred Developments

From the beginning, there has been flexibility in the 1% system to create incentives for certain types of projects, either by setting aside allocations, exempting them from the 1% system, or allowing borrowing from future years. The options for affordable housing are similar.

Past & Current Preferences

- Set Asides from 1% Total:
 - Pipeline allocations, 282 units (1996-2003)
 - Hardship, 4 units (1997-2001)
 - Moderate Income, first allocation period only, 0 units
- Exempt from 1% Total:
 - GURA Project, 72 units (1997-2002)
 - Senior Housing, 36 units + 80 beds (1996-2014)
- Early Start or Borrow from Next 4 Years for Transit Station Housing, 100 units

Potential Affordable Housing Options

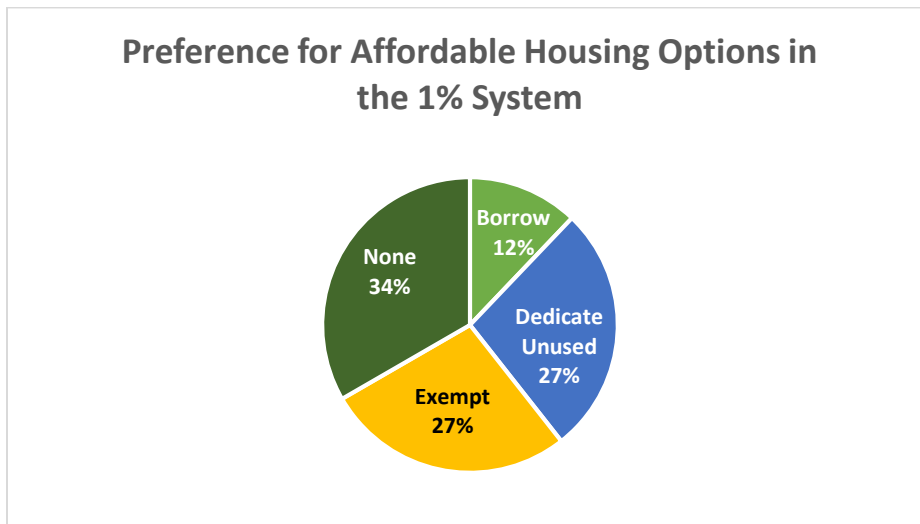
- Set Aside previously unused allocations in a dedicated pool (roughly 200 available)
- Exempt affordable units from 1% total
- Early Start or Borrow from Future Years for affordable units

Planning Commission has discussed three options that would provide some flexibility while remaining within the overall 1%/0.9% limitation:

- Create a pool of allocations dedicated to affordable housing out of previously unused and expired allocations;
- Allow for an early start (sometimes referred to as borrowing from the future) as is currently permitted for housing near transit stations; or
- Exempt affordable housing from the 1% system.

There was a clear preference among Commission members for the early start option, with the idea of creating a dedicated pool from previously unused allocations or exempting affordable units tied.

The Guiding Golden survey which asks about options for affordable housing within the 1% system shows the opposite in terms of preferences:



64% of Guiding Golden respondents believe that there should be a priority for affordable housing within the 1% system.

At the community open house in October, 2017 creating a dedicated pool was a more popular option than the early start option. (Exemption was not presented as an option at this meeting.)

Of course, none of these considered options are enough, on their own, to enable an affordable housing development to happen. Rather, the lack of certainty about construction timing creates a barrier to a future affordable development that has assembled the multiple sources of financing necessary to establish a project.

The Options – Advantages & Disadvantages

Option	Advantages	Disadvantages
Early Start or Borrow	<ul style="list-style-type: none"> ◇ Has been done before ◇ Provides some certainty for an affordable housing developer ◇ Doesn't exceed the annual or overall 1% system growth limit 	<ul style="list-style-type: none"> ○ Reduces the number of available allocations for market rate units for a number of years ○ Creates another review and approval process for an affordable housing development ○ Additional administrative complexity ○ Does not provide clear certainty for an affordable housing developer ○ As with any MF development with a banking plan, may result in more than 1% growth in an individual year
Create a Dedicated Pool	<ul style="list-style-type: none"> ◇ Has been done before ◇ Provides clear certainty for an affordable housing developer ◇ Does not create an extra process for an affordable housing developer ◇ Doesn't exceed the overall 1% system growth limit ◇ Doesn't reduce the number of allocations for market rate units 	<ul style="list-style-type: none"> ○ As with any MF development with a banking plan, may result in more than 1% growth in an individual year <p>Reduces the number of available allocations for market rate units</p>
Exempt	<ul style="list-style-type: none"> ◇ Has been done before ◇ Provides clear certainty for an affordable housing developer ◇ Does not create an extra process for an affordable housing developer ◇ Unlikely to exceed the overall 1% system growth limit given previously unused allocations ◇ Doesn't reduce the number of allocations for market rate units ◇ Administratively simple 	<ul style="list-style-type: none"> ○ As with any MF development with a banking plan, may result in more than 1% growth in an individual year ○ In the unlikely event that multiple, larger new MF affordable developments get funding and development approval, it is possible that the 1% growth limit could be exceeded at some point in the future
Do Nothing	<ul style="list-style-type: none"> ◇ Maintains the status quo – new affordable units have the same community priority as market rate units 	<ul style="list-style-type: none"> ○ Remains a probable barrier to new, MF affordable rental or for sale projects by preventing them from receiving subsidy funds and below market financing

VI. Future Incremental Regulatory & Programmatic Opportunities

Planning Commission indicated their willingness to explore and make recommendations regarding a number of future regulatory and program options that could support affordable housing production in the community. The descriptions below are intended to provide a preview of options that Planning Commission is likely to discuss and make code change recommendations to City Council in the future.

Regulatory

- A. *Sustainability Menu.* Currently, within the portion of the menu entitled “Community Preservation and Revitalization” it is possible to receive 2 points for every affordable housing unit, with a maximum of 10 points. For example, compost bin and service also receives 2 points in this section. Given that an affordable housing unit typically requires approximately \$120,000 or more at sale for an ownership project, or \$350 per unit each month in subsidies, these two options are not economically equivalent. This portion of the sustainability menu could be recalibrated so that the choices were more economically equivalent, for fairness, or shifted to create an incentive or reward for including affordable housing in a development. Planning Commission has also suggested allowing for a cash-in-lieu option as a means of generating a small amount of revenue for affordable housing program support.

- B. *CMU Zoning & 100% Residential.* Currently, if a proposed development in a CMU zone has less than 25% non-residential, it requires a Special Use Permit (SUP). There are limited areas available for development or redevelopment in Golden and many of those are in CMU zoned areas designated in the Comprehensive Plan as “Areas of Significant Change.” Affordable housing fund sources are incompatible with vertical mixed use projects and tax credit projects need to be located in Qualified Census Tracts (QCT). Golden’s QCT largely coincides with CMU zoned areas. Any new affordable multi-family housing is highly likely to be proposed in a CMU zone and it will need to be 100% residential. Either making affordable housing an explicit criterion for approval of a 100% residential project in CMU zones or exempting an affordable project from the SUP requirement would remove an existing regulatory hurdle that adds time and uncertainty to an affordable housing project.

An additional alternative would be to exempt a market rate project from the SUP requirement if the additional 25% residential was either affordable to low or moderate income or a cash-in-lieu payment was made for this increment. Any cash-in-lieu amounts paid would then be made available for affordable housing programs or projects.

- C. *Create More Options for Affordable, Shared Living Arrangements.* Initial discussions about this idea include looking at additional methods for encouraging ADU’s, such as requiring ½ of a 1% System allocation as well as standards that could enable more co-housing or cooperative housing to be implemented in the community via a permit system. These options are not likely to significantly

increase the amount of affordable housing, but they can provide additional options to use the existing housing stock more efficiently and affordably.

- D. Revenue Sources for Affordable Housing.* Locally generated revenues will be crucial if Golden is going to meaningfully address the need for housing that is affordable to low, moderate and middle income households in the community. With extremely limited new residential development opportunities and the continuing reduction in state and federal resources available to help meet the need, a local source of funding will be necessary, especially for programs designed to maintain or secure existing housing as affordable housing.

Limited new residential development has two important implications for future affordable housing projects and programs

- Golden needs to preserve existing affordable housing and buy down the cost of this housing to make it affordable to low, moderate or middle income households.
- Golden is mostly built out and the affordable housing problem exists within the existing housing stock. Any efforts to require new residential development to include affordable housing (i.e. inclusionary housing) needs to be combined with measures that also enable existing housing to contribute financially to affordable housing efforts. In other words, it is unrealistic and legally unsupportable to expect new residential development to meet the affordable housing needs of the community.

Planning Commission has initiated discussions about the following options:

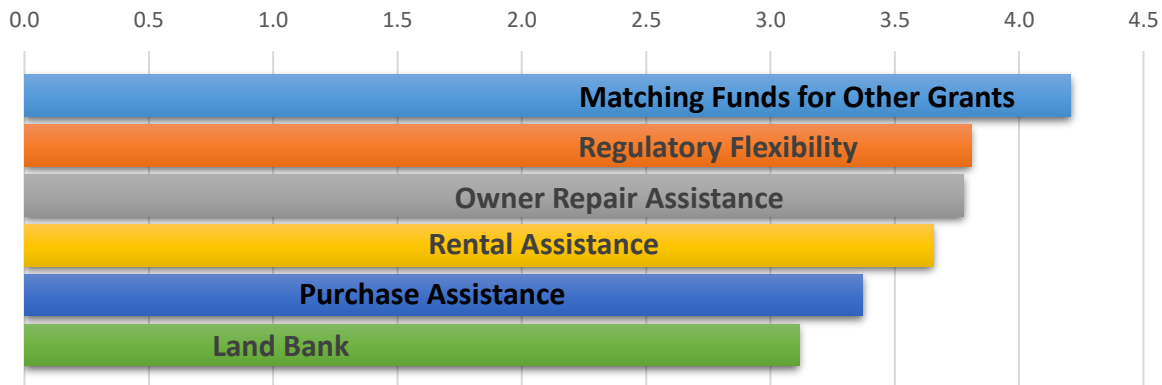
- Cash-in-lieu possibilities noted above, for certain situations where affordable units could be provided in exchange for limited development considerations or a contribution made to support future affordable housing programs or projects.
- A linkage fee on new non-residential development. Non-residential development creates a demand for affordable housing with the addition of employees to the community.
- Dedicating a portion of the city's property tax mil levy to an affordable housing fund.

- E. Inclusionary Housing.* This is a program where new residential development is required to include a portion of the units as affordable to low, moderate or middle income households. There are different ways to structure a program including a minimum size of development to which the requirement applies (Denver, for example, had a 50 unit minimum while Boulder's applies even to single units) as well as payment of money in lieu of providing some or all of the required units on-site.

Programs

- A. The Guiding Golden survey contains a question where participants are asked to rank their preference for the types of programs that could be funded with future local resources.

Program and Regulatory Options Average Ranking by Order of Importance



Additionally, over 70% of participants said that the need for affordable housing in Golden is either somewhat or very critical and more than 90% know someone who has struggled with the cost of their housing.

- **Matching Funds.** Local funds for affordable housing go a long way towards leveraging additional funds from other state and federal sources. Funders are more receptive to funding requests when a local community is willing to contribute towards solving their affordable housing needs.
- **Regulatory Flexibility.** Please see above discussion about regulatory options.
- **Owner Repair Assistance.** This type of program helps low and moderate income homeowners remain in the community and maintain their homes in safe, decent habitable condition and can help older adults to age in place.
- **Rental Assistance.** Generally, this refers to subsidies that enable a renter household to pay an affordable rent or that provide funds for deposits and application fees.
- **Purchase Assistance.** These programs include down payment grants as well as below market financing that enable low, moderate or middle income households purchase a home. In return, there are on-going re-sale restrictions that ensure the home remains affordable to low, moderate or middle income households in the future. Typically, in an expensive community such as Golden, this means helping households purchase attached housing.
- **Land Bank.** This is a program where undervalued or relatively inexpensive property is purchased and held for future development or redevelopment, when it would be much more expensive to purchase.

VII. Summary and Planning Commission Recommendations for Consideration

With regard to affordable housing programs there are a number of options to consider, but the options mainly fall under the categories of either programs or regulatory changes. Commission feels that funding programs managed by well-run outside agencies that target aid to lower, moderate, and middle income Golden residents is a good use of limited City funds. These programs include rental assistance, owner repair assistance and purchase assistance for first time buyers. Another component to the program side of

affordable housing is setting up a funding mechanism. If Council wishes to create a consistent revenue stream to fund these programs, some ideas listed above include cash in lieu of meeting requirements for constructing a percentage of affordable units, a linkage fee for commercial development or a property tax increase. The community is also discussing a potential lodging tax for Golden, which could be used for funding affordable housing if enacted.

On the regulatory side, Commission discussed flexibility within the 1% residential growth ordinance, and the majority favored offering the “early start” option, which is currently allowed for transit oriented development within 2,500 feet of a light rail station. Council justified this provision within the growth ordinance based on community values that favor access to affordable public transportation and promotion of development along existing transit corridors. Since Golden the Vision 2030 Values and the Comprehensive Plan also encourage a diverse housing supply that is affordable to a range of incomes, Commission feels that offering qualified affordable housing projects this same flexibility within the 1% growth management system can be justified.

Planning Commission seeks Council direction on next steps for these and any other issues related to furthering Golden’s affordable housing goals. Commission specifically recommends the following near term actions:

- Set up an ongoing funding mechanism for the continuation of both rental assistance and owner repair assistance, as well as an increase in this funding. Staff and Commission can investigate an appropriate amount of funding and make a formal request for the City’s operating budget. Commission and staff can also continue to evaluate the other funding sources and programs discussed above.
- Add flexibility to the 1% residential growth ordinance by offering the “early start” option for qualified affordable units, which is an option currently available for transit oriented residential units. Commission and staff can provide Council with a draft ordinance for consideration, as well as continue to evaluate other potential regulatory adjustments.

Attachment: Comprehensive Plan Housing Policies