

Success in Affordable Housing: The Metro Denver Experience



Produced by:
Business and Professional People
for the Public Interest (BPI)
25 East Washington, Suite 1515
Chicago, IL 60602
(312) 641-5570

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Author:

Jessica L. Webster

Editors:

Nick Brunick, Kelli Harsch, Cara Hendrickson, Susannah Levine

Founded in 1969, BPI is a public interest law and policy center dedicated to equal justice and to enhancing the quality and equity of life for all people living in the Chicago region.

BPI
25 East Washington St.
Suite 1515
Chicago, IL 60602
312.641.5570
www.bpichicago.org

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Introduction

The Denver metropolitan area has become a robust economic engine in a resource-rich state—notably the fourth fastest growing state in the 1990s.¹ However, Colorado’s job boom and subsequent population growth have translated into a critical affordable housing shortage for thousands who work the low- and moderate-wage service sector jobs that anchor the area’s success. Sky-rocketing home prices and rents have outpaced area wages.² Though unemployment is falling, workers are increasingly burdened by their rent and mortgage expenses. In fact, home foreclosures were up nearly 40 percent in 2002.³

Many communities in the region are shaping policy responses to address the severe affordable housing shortage in Metro Denver. **This report highlights affordable housing successes in the cities of Boulder, Denver, Lafayette, and Longmont.** These four cities have created significant numbers of affordable homes using inclusionary housing, affordable housing trust funds, and a community land trust.

It is important to note that some Colorado housing advocates and legislative champions are reticent to overstate the successes; they see far more work to be done, including the creation of a statewide affordable housing trust fund.⁴ However, at this point in time, Metro Denver has several real examples of success: local policies and programs that have resulted in thousands of new affordable homes for working families and seniors.

The Housing Need

Seven counties make up Metro Denver: Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson. The region is home to more than 2.5 million people – an increase of more than half a million residents between 1990 and 2000.⁵ The population increase can be partially credited to job growth across Colorado, with a high proportion of the growth occurring in the low-wage service and retail sectors.⁶ The tremendous growth has produced many benefits, but also new challenges. **The population and housing boom have been problematic because communities across Colorado have added jobs without adequately planning for the housing needs of new workers.**⁷ Without an adequate supply of affordable housing, communities risk losing the jobs and investment that fuel their growth and economic prosperity.

More than 66,000 low-income families in Colorado are paying more than one-third of their income towards housing and are at great risk of becoming homeless.⁸ Median home prices in Metro Denver increased by 149% between 1990 and 2000, and rents increased

¹ www.MileHighCity.com/business (online business and tourism guide).

² Colorado Affordable Housing Partnership. “Colorado’s Affordable Housing Needs.” Testimony to the Legislative Task Force on Affordable Housing. July 20, 2001.

³ Denver Business Journal. “Chamber’s Economic Study Sends Mixed Signals.” July 2, 2003.

⁴ Interview with Marianne LeClair, Workforce Housing Initiative. November 23, 2004.

⁵ U.S. Census Bureau, 2000 Census.

⁶ Colorado Affordable Housing Partnership. “Colorado’s Affordable Housing Needs.” Testimony to the Legislative Task Force on Affordable Housing. July 20, 2001.

⁷ Ibid.

⁸ Colorado Affordable Housing Partnership. “Colorado’s Affordable Housing Needs.” Testimony to the Legislative Task Force on Affordable Housing. July 20, 2001. The U.S. Department of Housing and Urban Development defines affordable housing as housing for which the occupant is paying no more than 30% of his or her income for gross housing costs, including utilities.

by 88%.⁹ In contrast, wages increased by only 50%.¹⁰ The increase in home prices ranked Metro Denver third in the nation for increases.¹¹ Rents have increased 10% every year since 1990, and a single wage-earner would have to earn nearly \$16 an hour to afford a two-bedroom apartment at fair-market rent.¹² Accordingly, there is a shortage of 21,000 affordable housing units for families earning less than \$31,000 a year, and there are nearly 7,700 homeless persons in Metro Denver on any given day.¹³

A handful of significant obstacles are hampering the region's ability to address the housing crisis, including: a shortage of public subsidies; an inability by the private market to bear the entire burden; and a number of land use and regulatory barriers to the development of affordable housing, such as zoning barriers and burdensome permitting processes.¹⁴

The examples highlighted below show how communities large and small can create affordable homes and apartments with little or no public subsidy. Boulder, Denver, Lafayette, and Longmont are harnessing the power of the private market to create affordable units through inclusionary housing. Three of the four communities also benefit from affordable homes created through a community land trust or housing trust fund initiative. Details of the affordable housing programs may differ, but the concept remains the same. Affluent communities are successfully taking action at the local level to create attractive, desperately needed affordable housing. They are creating affordable housing not only for seniors and working families, but also to maintain and enhance the overall quality of life in their towns and across Denver Metro as a whole.

BOULDER, COLORADO

The City of Boulder has a median household income of nearly \$74,000 and a median home price of \$500,000.¹⁵ Boulder citizens and government officials are striving to keep the highly desirable city of 94,673 residents from becoming exclusionary to all but the very affluent, and they have taken some aggressive steps to address the affordability crisis.¹⁶ The city has little vacant land available, and most future development will likely be redevelopment and mixed-use.¹⁷ The Boulder City Council aspires to make 10% of the housing stock permanently affordable (4,500 units) by 2011. It has already achieved just over 50% of its goal.¹⁸

Boulder has created nearly 400 affordable homes under an inclusionary zoning ordinance

⁹ Ibid.

¹⁰ Ibid.

¹¹ Ibid.

¹² National Low-Income Housing Coalition, "Out of Reach Out of Reach 2003: America's Housing Wage Climbs."

¹³ Colorado Affordable Housing Partnership. "Colorado's Affordable Housing Needs." Testimony to the Legislative Task Force on Affordable Housing. July 20, 2001.

¹⁴ Ibid.

¹⁵ Kenworthy, Tom. "Housing Costs at a High Altitude." *USA Today*, March 29, 2004.

¹⁶ Ibid.

¹⁷ Affordable Housing Goal in Boulder. City of Boulder Department of Housing and Human Services, October 16, 2003.

¹⁸ Ibid.

—an ordinance that covers all residential development, regardless of size. It has also created another 235 homes through a non-profit community land trust. Yet another affordable housing initiative, the housing excise tax, nets the city \$1 million every year from private development for the affordable housing trust fund. The city credits its affordable housing successes to leadership, new policy, and action from the City Council, Planning Board, city manager, city agencies, non-profit and for-profit developers, housing organizations, and the broader community.¹⁹

Inclusionary Housing Program

The City of Boulder had an inclusionary housing ordinance in effect during the 1980s. This program had a short time limit on the length of affordability and was very loosely structured which led to a variety of programmatic problems.²¹

It was replaced in 1991 with a voluntary program whereby developers could apply for subsidy funds in exchange for providing a percentage of permanently affordable units in their new developments. However, the voluntary policy failed to produce significant numbers of units. In 1995, the City of Boulder revised its Residential Growth Management System by limiting the number of market-rate permits available and creating strong incentives to include at least 20% of the total units as permanently affordable.

Most developers found this system cumbersome and in 1998 a “citizens’ strategy group,” which included developers and various community members, met to address Boulder’s affordable housing needs and develop policy alternatives.²² The group hosted community workshops to gather feedback from residents and created “A Tool Kit of Housing Options,” a policy report that included inclusionary zoning.²³

At the same time, two City Council members, two Planning Board members, and a Housing Authority Commissioner submitted a “Comprehensive Housing Strategy” to the City Council.²⁴ The City Council considered the reports and commissioned an economic analysis.²⁵ It also held public hearings.

Boulder Ordinance at a Glance²⁰

Applicability	All new residential developments (except condo conversions)
Set-Aside	20%
Target Income Levels	Below 80% AMI
Period of Affordability	Permanent
Cost Offsets	None
In Lieu Alternatives	Fee of \$18,000 per unit or \$75 multiplied by 20% of the total floor area of a market rate unit (per unit); half of affordable units may be built off-site; land dedication option
Resale	Must be resold to an eligible household; resale price is the original affordable sales price plus an inflationary factor and some closing costs

¹⁹ Ibid.

²⁰ Taken from the Boulder inclusionary housing ordinance: <http://www.ci.boulder.co.us/cao/brc/965.html>.

²¹ Interview with Cindy Pieropan, Housing Planner, City of Boulder, January 2005.

²² Business and Professional People for the Public Interest. *Opening the Door to Inclusionary Housing*. January 2003.

²³ Ibid.

²⁴ Ibid.

In 2000, in response to rapidly rising housing costs and the ineffectiveness of the voluntary inclusionary housing program, Boulder passed a mandatory inclusionary



Boulder, Colorado

housing ordinance. The new program required 20% of housing in new developments to be priced affordably for low-income households, which Boulder now defines as households earning less than 80% of the area median income.²⁶ The comprehensive mandatory ordinance covers all residential developments regardless of size (with the exception of developments of a single lot with one owner and total floor area of less than 1,600 feet).

If the development has four or fewer units, the developer must create one affordable unit on-site, one affordable unit off-site, dedicate land for one affordable unit, or pay a fee of roughly \$18,000 to Boulder's Affordable Housing Trust Fund. The only cost offset provided to the developer is a waiver of development excise taxes. However, for developments that provide more than 20% affordable units, the developer can also receive subsidy funds for land use review and building permit fees.

Since passage in 2000, housing development in Boulder has continued apace and the city has constructed 380 affordable homes. The majority of these are condominiums, but also include approximately a dozen townhomes and single-family homes.²⁷ While market-rate units in the developments continue to sell for between \$390,000 and \$430,000, the affordable units are priced between \$112,000 and \$185,000.²⁸ **Ninety-eight percent of people who have moved into the affordable units already lived or worked in Boulder, and they include teachers, nurses and other service sector workers.**²⁹

The city has also collected \$1.5 million in fee-in-lieu payments from roughly 50 developments. These are deposited in an affordable housing fund, which has subsidized the creation of about 80 affordable units each year.³⁰

Affordable Housing Trust Fund

The Boulder Community Housing Assistance Program (CHAP)—another locally administered affordable housing initiative—complements the success of the inclusionary housing program. Administered by Boulder's Housing Division, CHAP was formed in 1990 to create affordable housing for low- and moderate-income households (30% to 60% of area

²⁵ Ibid.

²⁶ The City of Boulder Area Median Income released by HUD is based on the Boulder County Area Median Income (\$57,500 for a family of four in 2004).

²⁷ Interview with Cindy Pieropan, Housing Planner, City of Boulder. September 2004.

²⁸ Ibid.

²⁹ Ibid.

³⁰ Ibid.

median income³¹). CHAP is focused on creating permanently affordable units.³² The trust fund has two dedicated revenue streams: an 8/10th of one percent in the property tax and a housing excise tax on new residential and commercial construction.³³ The housing excise tax applies to all new residential and commercial development; it is currently 21 cents per square foot for new residential development and 45 cents per square foot for new commercial development.³⁴ The tax does not apply to existing units or affordable developments.³⁵



Boulder, Colorado

These revenue streams generate about \$1 million for CHAP every year.³⁶ Nonprofits, developers, individuals, neighborhood groups, and the local housing authority are eligible to receive CHAP money (usually in the form of grants) for the creation and preservation of affordable housing.³⁷ More than \$7.5 million has been awarded since the program's inception.³⁸

Community Land Trust

In 1985, the City of Boulder and the Center for People with Disabilities created an organization called Boulder Best to be the owner of a new 19-unit apartment building for people with disabilities.³⁹ When the

development was completed in 1989, Thistle Community Housing was born out of Boulder Best.⁴⁰ Thistle started a non profit community land trust that creates permanently affordable homes in Boulder County and the surrounding area—including Boulder, Longmont, and Lafayette. Residents, developers, financial consultants, city and state workers, and real estate professionals sit on the board of directors.⁴¹

Thistle buys and builds affordable units and requires the rental and owner-occupied units to stay affordable for 99 years.⁴² In the case of owner-occupied units, Thistle owns the land and leases it to qualified households—those earning between \$36,000 and \$53,000 depending on household size.⁴³ Homeowners pay a monthly fee of \$25 to \$50 to Thistle

³¹ The City of Boulder Area Median Income released annually by HUD is based on Boulder County (\$57,500 for a family of four in 2004).

³² Policy Link. "Community Housing Assistance Program: Boulder, Colorado." <http://www.policylink.org/EDTK/HTF/action.html#8>.

³³ Ibid.

³⁴ Boulder City Code, §3-9-1.

³⁵ Ibid.

³⁶ Policy Link. "Community Housing Assistance Program: Boulder, Colorado." <http://www.policylink.org/EDTK/HTF/action.html#8>.

³⁷ Ibid.

³⁸ Ibid.

³⁹ www.thistlehousing.org.

⁴⁰ Ibid.

⁴¹ Ibid.

⁴² Ibid.

⁴³ Ibid.

to cover land taxes and administrative costs.⁴⁴ Homeowners agree to limit the price of their homes if they sell. On average, families recover their investment and capture about 18% of the market appreciation when they sell, while still keeping the sales price affordable for the next buyer.⁴⁵

Over the last four years, Thistle has greatly expanded its affordable housing portfolio, growing from 140 to 671 homes (595 permanently affordable rentals and 76 affordable homes).⁴⁶ About 235 of those homes are in the City of Boulder. More than 95% of Thistle’s residents are employed in the service economy—teachers, nurses, police officers, firefighters, social service and public health workers, forest rangers, librarians, carpenters, laborers, printers, editors, small business owners, musicians, food servers, office administrators, and retail clerks.⁴⁷

DENVER, COLORADO

The City of Denver is home to 554,636 residents.⁴⁸ It attracts nearly 10 million visitors who spend \$2.3 billion each year.⁴⁹ Between 1990 and 2000, Denver went from a city with reasonably priced housing to one of the 10 highest-cost cities in the nation.⁵⁰ The Enterprise Foundation notes that Denver’s decade of rapid growth was followed by an equally rapid economic downturn that wasn’t reflected in home prices. This downturn has been catastrophic for Denver’s low- and moderate-income families.⁵¹



Denver, Colorado

In the beginning of 2004, the median resale home price rose to \$238,000, up from \$200,000 in the spring of 2001 and \$100,000 in 1990.⁵² A family would need to earn over \$65,000 to afford the average home.⁵³ Denver also lost 32,000 jobs between 2000 and 2004, and the number of families requesting public assistance soared.⁵⁴

To address the growing affordability crisis, in 2002, the City of Denver passed an inclusionary housing ordinance. The ordinance—coupled with the rezoning of large-scale redevelopments and proactive planning for affordable housing—has resulted in the creation of 3,395 affordable homes in Denver in a relatively short period of time. This is a laudable achievement by any measure. According to Marianne LeClair, program manager with the Workforce Housing Initiative in Denver, Denver’s critical housing

⁴⁴ Ibid.

⁴⁵ Ibid.

⁴⁶ Ibid.

⁴⁷ Ibid.

⁴⁸ U.S. Census Bureau, 2000 Census.

⁴⁹ <http://www.downtowndenver.com/pdfs/visitor&tourism.pdf>.

⁵⁰ Enterprise Foundation: <http://www.enterprisefoundation.org/citiesWhereWeWork/denver/index.asp>.

⁵¹ Ibid.

⁵² Ibid.

⁵³ Ibid.

⁵⁴ Ibid.

need, coupled with opportunity, political will, and a strong advocacy network created an equation for success.⁵⁵

Inclusionary Housing Program

Mayor Wellington Webb is credited for his success in bringing citizens together around a number of issues, including affordable housing.⁵⁷ Mayor Webb convened an affordable housing group in the early 1990s to explore the impact of the housing shortage on low- and moderate-income households.⁵⁸ A subsequent group was convened in 2000 to address concerns around the expiration of Section 8 contracts and the loss of affordable rental units in a tight rental market. This continuous public dialogue became important as large, publicly owned vacant parcels of land came on-line for redevelopment.

When Lowry Air Force Base closed in 1994 and was slated for a \$1.1 billion redevelopment, the City Council capitalized on the opportunity to require affordable housing in the residential development.⁵⁹ In addition, the closing of Denver’s Stapleton International Airport provided another massive development opportunity. At Lowry, at least 940 of the 2,840 homes will be affordable (640 apartments and 300 owner-occupied).⁶⁰ The Lowry Community Land Trust will also ensure permanent affordability of some of the units.⁶¹

Denver Ordinance at a Glance⁵⁶	
Applicability	New construction – more than 30 units Rental is voluntary
Set-Aside	10%
Target Income Levels	For-sale units: less than 80% AMI Rental units: 65% AMI
Period of Affordability	15 years
Cost Offsets	10% density bonus; \$5,000 to \$10,000 subsidy per unit (up to 50% of the total units); parking reduction; expedited permit process
In Lieu Alternatives	Fee in-lieu of 50% of the price per affordable unit not built; off-site development allowed if “more” affordable units than required are produced

⁵⁵ Interview with Marianne LeClair, Workforce Housing Initiative. November 23, 2004.

⁵⁶ Taken from Denver inclusionary housing ordinance:
http://library6.municode.com/gateway.dll/CO/colorado/341?f=templates&fn=default.htm&npusername=10257&nppassword=MCC&npac_credentialspresent=true&vid=default.

⁵⁷ Interview with Marianne LeClair, Workforce Housing Initiative. November 30, 2004.

⁵⁸ Ibid.

⁵⁹ <http://www.metrodenver.org/DenverProfiles/RealEstate/LowryRedevelopment.icm>.

⁶⁰ Ibid.

⁶¹ <http://www.lowry.org>.



Lowry Redevelopment
Denver, Colorado



Stapleton Redevelopment
Denver, Colorado

In Lowry's mixed-income community, home appreciation has already outperformed the metro market and comparable Denver neighborhoods.⁶² From 1998 to 2003, Lowry home values increased an average of 11.5% per year, compared to 9.5% in Denver and 8.5% metro-wide.⁶³

While the negotiation proved successful in Stapleton, Lowry, and other Denver neighborhoods, the City Council wanted to fortify and standardize the affordability requirement across the city. The City of Denver passed its inclusionary housing policy, called the Moderately Priced Dwelling Unit program, in August of 2002.⁶⁴ The policy requires all new owner-occupied developments of more than 30 units to include 10% of the units as affordable.

The policy is voluntary for rental developments, and it does not apply to condo conversions. The owner-occupied units must be affordable to households earning less than 80% of area median income (\$55,900 for a family of four in 2004).⁶⁵

A developer who provides the affordable units will receive a 10% density bonus (except for developments in certain zoning districts, planned unit developments, or districts where no residential use is permitted). The developer may also receive a subsidy of \$5,000 to \$10,000 per affordable unit (up to 50% of the total units), a reduction in the number of required parking spaces per unit, and an expedited permitting process.

Instead of building the affordable units on-site, a developer may pay a fee of 50% of the price per affordable unit not built into the trust fund. The developer may build the affordable units off-site if she or he builds more affordable units than would have been required in the market-rate development.

Since passage of the ordinance, development has continued apace in Denver.⁶⁶ No fee-in-lieu money has been collected, and the city is reviewing its fee-in-lieu level.⁶⁷

⁶² <http://www.metrodenver.org/DenverProfiles/RealEstate/LowryRedevelopment.icm>.

⁶³ Ibid.

⁶⁴ Business and Professional People for the Public Interest. *Opening the Door to Inclusionary Housing*. January 2003.

⁶⁵ The City of Denver Area Median Income released by HUD is based on the entire Denver metropolitan region (\$57,500 for a family of four).

⁶⁶ Interview with Marianne LeClair, Workforce Housing Initiative. May 2004.

⁶⁷ Interview with Jerry Glick, Denver developer. May 2004.

LONGMONT, COLORADO

Longmont is a city of 71,093 residents.⁶⁹ The median home value is \$250,000. However, the home values in surrounding communities are closer to \$400,000—making it difficult for low- and moderate-income households to find affordable housing close to their jobs if Longmont prices push them out.⁷⁰ A tremendous growth in population and escalating housing costs have contributed to Longmont’s affordable housing shortage.⁷¹

Longmont utilizes an inclusionary housing program, community land trust, and affordable housing trust fund to address its affordability problems. The inclusionary housing ordinance, which was strengthened in 2001, has resulted in 978 planned or produced units (seven of the units were created through the community land trust). Longmont also appropriates upwards of \$500,000 of general revenue to its affordable housing trust fund each year. The appropriations, along with fee-in-lieu money collected under the inclusionary housing program, have helped fund 334 affordable homes.

Inclusionary Housing Program

In 1995, the City Council issued a “white paper” identifying the need for affordable housing in Longmont.⁷² As a result, the City Council convened a task force of citizens, for-profit and non profit developers, banks, real estate agents, and a title company to analyze programs designed to increase the supply of affordable housing.⁷³ The task force held a Regional Summit, in which inclusionary housing surfaced as a policy alternative.⁷⁴ In 1995, the City Council passed the Annexation Program, an inclusionary housing program requiring all owner-occupied development on annexed land to include 10% affordable

Longmont Ordinance at a Glance⁶⁸

Applicability	All development on annexed land; new for-sale developments of 5+ units
Set-Aside	10%
Target Income Levels	For-sale units: < 80% AMI Rental units: <60% AMI
Period of Affordability	Owner-occupied units: 10 years Rental units: 20 years
Cost Offsets	Negotiated density bonus up to 20%; expedited review process; relaxed development standards; fee waivers or deferrals; marketing assistance
In Lieu Alternatives	Fee in-lieu; off-site construction on a case-by-case basis



Longmont, Colorado

⁶⁸ Taken from the Longmont ordinance: <http://bpc.iserver.net/codes/longmont/index.htm>.

⁶⁹ U.S. Census Bureau, 2000 Census.

⁷⁰ Interviews with Kathy Fedler, Affordable Housing Programs Manager, City of Longmont. August and November 2004.

⁷¹ Ibid.

⁷² Ibid.

⁷³ Business and Professional People for the Public Interest. *Opening the Door to Inclusionary Housing*. January 2003.

⁷⁴ Interviews with Kathy Fedler, Affordable Housing Programs Manager, City of Longmont. August and November 2004.

homes.⁷⁵ The city expanded the program in 2001 to cover all new developments of more than five units.⁷⁶ An affordable set-aside in rental developments remains voluntary for the developer under the updated policy.⁷⁷

Longmont's inclusionary housing program targets owner-occupied households earning less than 80% of area median income (\$57,500 for a family of four in 2004) and renter households earning less than 60% of area median income (about \$50,000 for a family of four in 2004⁷⁸). Developers may receive a negotiated density bonus up to 20%. In return for providing the affordable units, developers may receive an expedited review process, relaxed development standards in the affordable units, and fee waivers. Instead of building the affordable units, developers may also pay a fee in-lieu or build units off-site (the off-site alternative requires approval). The fee in-lieu revenues fund Longmont's Affordable Housing Fund. Longmont sets fee amounts based upon the type of market-rate units in the development, and it ranges from \$61,562 for an apartment to \$111,692 for a single-family detached home.⁷⁹

To date, Longmont's inclusionary housing program has produced or planned 978 affordable units. In addition, Thistle Community Housing has created seven land trust homes in Longmont.

Affordable Housing Trust Fund

Longmont's affordable housing trust fund receives fee-in-lieu payments and annual general revenue appropriations of \$200,000 to \$500,000.⁸⁰ The fund has received \$3 million in fee-in-lieu payments since the program began.⁸¹ Longmont's housing trust fund helps to create and preserve affordable housing opportunities through land and building acquisition, rehab, down-payment assistance, and tenant-based rental assistance. To date, Longmont has funded 334 units of affordable housing through the trust fund.⁸²

LAFAYETTE, COLORADO

Lafayette is a smaller community with 23,197 residents.⁸³ The median home value is \$500,000.⁸⁴ Lafayette is viewed as a "bedroom community" for the balance of the metro area because 40% of residents commute to Boulder and 48% commute to jobs elsewhere in the Denver region.⁸⁵ Concerned citizens are credited with prompting the city of Lafayette to address its housing needs. The city passed an inclusionary housing ordinance in 2003 that

⁷⁵ Business and Professional People for the Public Interest. *Opening the Door to Inclusionary Housing*. January 2003.

⁷⁶ Interviews with Kathy Fedler, Affordable Housing Programs Manager, City of Longmont. August and November 2004.

⁷⁷ Ibid.

⁷⁸ The City of Longmont Area Median Income released by HUD is based on the Boulder County Area Median Income (\$57,500 for a family of four).

⁷⁹ City of Longmont Community Housing Program Summary. June 24, 2003.

⁸⁰ Interview with Kathy Fedler, Affordable Housing Programs Manager, City of Longmont. November 2004.

⁸¹ Ibid.

⁸² Ibid.

⁸³ U.S. Census Bureau, 2000 Census.

⁸⁴ Interview with Bonnie Star, Community Development Director, City of Denver. August 2004.

⁸⁵ The Housing Collaborative, Inc. City of Lafayette Housing Study Report. July 10, 2001.

has already generated 126 affordable homes.⁸⁶ The Thistle Community Land Trust is credited with the creation of seven affordable homes in Lafayette.

Inclusionary Housing Program

Throughout the 1990s, Lafayette citizens voiced their concerns about sprawl and affordability in Lafayette. In 1995, the city passed a Growth Management ordinance that limited the number of residential building permits to 200 per year.⁸⁸

In 2001, the City of Lafayette commissioned a study to analyze housing need and subsequently help develop an affordable housing strategy. The study showed that available land and redevelopment opportunities were limited, and also recognized the critical need for workforce housing, mixed-income communities, and affordable for-sale and rental homes.⁸⁹ The consulting team stated the importance of the private sector in affordable housing development, and it recommended a mandatory 30% inclusionary housing requirement that targeted households earning between 50% and 120% of area median income.⁹⁰

In 2003, the City of Lafayette passed an inclusionary housing policy requiring new residential developments to provide 30% affordable units. Ten percent of the units must be permanently affordable to households earning at or below 80% of the area median income, and 20% must be initially affordable between 80% and 120% of the area median income.⁹¹ All of the affordable units must be owner-occupied for a minimum of three years.⁹² Instead of building the affordable units, a developer may pay a fee in-lieu. The fee is the difference between the average price of the market-rate units sold and the average price of an affordable unit sold to a household. A developer may be permitted to donate land in lieu of providing the affordable units on a case-by-case basis. Though cost-offsets are not guaranteed, a developer who provides affordable units may be eligible to receive fee

Lafayette Ordinance at a Glance⁸⁷	
Applicability	New construction – 30 or more units
Set-Aside	30% Two Categories *10% permanently affordable at 80% AMI *20% initially affordable at 80% to 120% AMI
Target Income Levels	80% AMI to 120% AMI
Period of Affordability	Affordable units at 80% AMI are permanently affordable; units targeted between 80% and 120% have no resale restriction
Cost Offsets	May receive fee waivers and tax exemptions
In Lieu Alternatives	Fee in-lieu; build affordable units offsite; land dedication

⁸⁶ Interview with Bonnie Star, Community Development Director, City of Denver. November 2004.

⁸⁷ Taken from the Lafayette ordinance (Section 26-18.5). Available online at www.cityoflafayette.com

⁸⁸ Ibid.

⁸⁹ Ibid.

⁹⁰ The City of Lafayette Area Median Income is based on the Boulder County Area Median Income (\$57,500 for a family of four).

⁹¹ Ibid.

⁹² Ibid.

waivers and tax exemptions.⁹³ A developer may also be eligible to receive building permits that go beyond what is allowed under the Growth Management ordinance.⁹⁴

The City of Lafayette has produced and planned 126 units (42 units at 80% of the area median income and 84 units at 80% to 120% of the area median income). Thistle Community Housing has created seven affordable units in Lafayette.

Summary

The affordable housing need in the Denver metropolitan area mirrors the need in many major urban and corresponding suburban areas across the country. The cities of Boulder, Denver, Longmont, and Lafayette are making significant strides toward addressing the crisis with innovative policies, namely inclusionary housing, affordable housing trust funds, and community land trusts. Though the details and regulations of the policies may differ, each policy is combining political will, an innovative policy approach, limited public revenues, and the power of the private market to meet the critical housing needs of working families and seniors. In many cases, the development of affordable housing occurs without spending public tax dollars.

Affordable housing development in each of the four cities was not immediate; citizens and elected officials were engaged in the policy making process for five, ten, or twenty-plus years. They championed the affordable housing issue by keeping it alive in public dialogue, influencing the political process, and capitalizing on new opportunities. These municipalities believe that affordable housing is a crucial asset for the social and economic well-being of their communities, and they are placing it on the public agenda.

Inclusionary housing—as evidenced by the development of affordable units in these four cities—stands as the most effective tool used today in the Denver Metro region. Thousands of units have been produced in Denver and Longmont and hundreds more have been produced and planned in Boulder and Lafayette. The use of inclusionary housing strategies has not slowed development or harmed the tax base or real estate values. To the contrary, it has broadened the benefits of development and made each community more affordable to many more of the people who drive the local economy or provide key services.

Unlike many affordable ownership initiatives, such as first-time homebuyer or rehabilitation/preservation assistance programs, these strategies guarantee long-term affordability at little public cost. Each of these communities uses deed restrictions and community land trusts to ensure the long-term affordability of the new homes. In choosing to implement mandatory, citywide policies and to use a local non-profit land trust, these cities are taking steps to meet the immediate need for more affordable housing while also mitigating any further erosion of affordable housing in the area. Thousands of workers, families, and seniors are benefiting from the creation of new affordable for-sale and rental units, and as the occupants of these homes and apartments change, the homes will remain affordable to others by virtue of long-term resale restrictions.

⁹³ Ibid.

⁹⁴ Ibid.

These four communities in the Denver metropolitan region provide a compelling and inspiring example for both urban and suburban municipalities across the country. Facing high land costs, rising home prices, and the typical metropolitan problems of sprawl, a jobs-housing mismatch, and traffic congestion—these communities have implemented local policies that create affordable housing in order to positively impact these interconnected problems. The Metro Denver experience shows that any municipality can take successful local action to successfully address the need for more affordable housing. And, in the process, a municipality can help to address the broader quality of life issues that affect its citizens and the citizens across the region.

Resources

Jessica L. Webster

Policy Analyst
Business and Professional People for the Public Interest
25 E. Washington – 1515
Chicago, IL 60602
(312) 759-8263
jwebster@bpichicago.org

Marianne LeClair

Program Manager
Workforce Housing Initiative – Denver, Colorado
(303) 446-6129
marianne@wfhousing.com

Bonnie Star

Director of Community Development
City of Lafayette
(303) 665-5588, ext. 3336
bonnies@cityoflafayette.com

Cindy Pieropan

Housing Planner
City of Boulder
(303) 441-3157
pieropanc@ci.boulder.co.us

Kathy Fedler

CDBG Coordinator
City of Longmont
(303) 651-8736
kathy.fedler@ci.longmont.co.us