

dpd-report

Denver Planning and Development Report *Curating the topics driving Denver's growth*

AFFORDABLE HOUSING

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This issue of Denver Planning and Development Report looks at some of the affordable housing issues faced by the Denver housing market and what can be learned from the experience in other markets. The ability to provide a sufficient amount of affordable housing must be understood in the context of the overall housing market, especially one like Denver's, which has experienced such accelerated growth.

Scott Johnson with Lennar Multi-family Communities ably summarized market conditions in his presentation at CU's Colorado Business Economic Outlook 2017.

GROWTH

- MSA population has been consistently growing approximately 2% a year since 2010, about 50,000-60,000 people.
- Jobs have been growing about 2.5% annually over this period, 30,000-60,000 jobs
- This has produced a shortage of approximately 14,000 rental units

RENT and INCOME

- Over the 2010-2018 period, the market has experienced a 57% cumulative rent increase.
- Over the same period, there has been a 32% growth in income.
- Lennar believes that future rent growth has to be tied to income growth.

HOUSING SALES PRICES

- By mid-2014, home price acceleration outpaced rental growth.
- MSA home values increased 67% over the recent 9 year period, while rent was up 57%.

The result is that low and moderate income households are facing an even higher burden to find affordable housing. There is no single solution to increasing the supply of such housing. Denver Planning and Development Report talks to two people who are dealing with some aspects of the problem- Seattle architect, Tim Carter, who is designing micro housing there and Don Elliott, noted city planner and attorney, who helps cities draft their zoning and land use ordinances to conform with their policy goals.

Reader comments are encouraged as the affordable housing issue barely can be explored in the space of these pages.

Micro Housing: One of Seattle's approaches to affordable housing. Conversation with Tim Carter, AIA

Denver's growth and low unemployment rate have led to higher housing prices, gentrification of formerly working class neighborhoods, and the spread of new development into the industrial areas abutting the city's downtown core. While this evidences the city's success in attracting well educated, young professionals, its underside has made housing less affordable for many in its middle class as well as moderate and lower income households.

The Urban Institute's recent research report, "Denver and the State of Low and Middle Income Housing", documented the extent of the problem. Rental cost burden, defined as households paying 30 percent or more of their income on housing costs, has increased from 60% of very low income (VLI) households to 80% from 2000 to 2015 and from 7% to 26% for low to middle income families (LMI) over the same period.

The Mayor's Office of Housing and Opportunity for People Everywhere (HOPE) has identified a need for 21,000 units

of affordable housing. There is no single strategy or program to address this housing shortfall because of the panoply of issues associated with housing- cost, affordability, location, access, transportation, schools, renovation versus new construction, concentration of low income units versus dispersion, etc.- and the number of public and private players who are involved. Denver Planning and Development Report looks at one strategy that developers in Seattle are trying- micro housing- to lower costs by increasing density and shrinking the amount of occupied space.

Tim Carter, AIA, a principal with CONE ARCHITECTURE, has been involved in the design and entitlement process for several micro housing projects in Seattle. CONE ARCHITECTURE was recently founded around a core group of architects looking to make a collective impact on the future of urban housing.



pictured above: Timothy Carter, AIA, CONE ARCHITECTURE, Seattle, Washington.

DP & DR: Tim, what is micro housing?

Tim: Micro housing, under the Seattle enabling ordinance, is a dwelling unit of at least 220 gross square feet including a kitchenette, bathroom, and a living room of at least 150 sf. These are regulated as a small efficiency dwelling units, or SEDUs.

DP & DR: Describe your first SEDU project.

Tim: Vega Apartments is a recently completed six-story

building with 58 SEDUs and no off-street parking spaces (none required because of what the city considers “frequent transit” nearby). This apartment building is in a bustling neighborhood in West Seattle with good transit connections to the city at large. We are also providing bicycle parking for 45 bikes in a ground level amenity space. The site is zoned for 65’ and the upper stories and rooftop deck have exceptional views of Puget Sound and also the downtown skyline.

DP & DR: What was the alternative for this site?

Tim: Fee simple townhouses would be allowed on this parcel but no more than 6 to 8 would have been possible. An apartment building without micros, say a mix of one-bedroom and traditionally larger studios, would have yielded only a fraction of the 58 units being developed as SEDU’s.

DP & DR: Who is the intended market for these units?

Tim: The developer initially saw the project serving recent college graduates, bar tenders, waiters and waitresses, young teachers. I was told recently that the average age during lease up is over-30s and several retirees are submitting rental applications, too.

DP & DR: Briefly describe the units.

Tim: The units average 250 square feet. This includes a galley kitchen with a 2-burner cooktop, microwave oven, refrigerator, and dishwasher. A murphy bed folds down over a built-in sofa, and the bathrooms are well-appointed and meet accessibility requirements with a shower, toilet, and sink. Each unit comes with a stackable washer and dryer.

DP & DR: That is compact design. What about ceiling heights?

Tim: We have 8’-6” ceiling heights which seem even taller with the use of floor to ceiling windows, and many units have large sliding glass doors with Juliet-style railings.

DP & DR: How do the rents compare to conventional apartments?

Tim: These units- bear in mind, the units are just going onto the market- are expected to around \$1,000 per month, compared to \$1,400-\$2,000 per month for a studio apartment elsewhere in the same neighborhood.

DP & DR: What design issues have you had to confront?

Tim: Well, there were some initial neighborhood objections to the absence of parking. A lot this size – 50’ wide by 100’ deep could not have efficiently provided the space requirements of underground parking. More trying as a planner and designer, is that the regulations for SEDU’s changed while this project was under review. The regulations have changed 2 more times since this project was permitted, so we are becoming quite nimble designing these small apartments while meeting code definitions of “habitable space.”

DP & DR: Tim, I hope you will keep us updated as the project goes to market so Denver can learn from your experience. Clearly, you have been able to increase the number of below market units on a site that would have otherwise had to be developed with fewer, more expensive units.

Tim: Thank you. Housing shortages and increasing rents in this boom economy is not unique to Seattle. We feel the lessons we are learning with planning, designing, and entitling micro units could be applied to great affect elsewhere. We’ll stay in touch!

interior view of Vega micro housing unit



view of Vega micro housing unit rooftop deck



Do Zoning and Land Use Restrictions Impede Affordable Housing Development? A Planning Perspective

The affordable housing crisis has gotten so severe in California that the legislature is considering legislation that could pre-empt local land use regulations if they unduly restrict new housing development. Typical land use regulations prescribe lot size, density and height restrictions, parking requirements, and permissible uses. Some jurisdictions have enacted “Smart Growth” initiatives designed to preserve farmland and open space, directing development to higher density cores served by public transit and utility and institutional infrastructure. Some cities have specific affordable housing mandates, requiring new development to include a percentage of affordable housing or exact development fees that go into affordable housing development funds.

To better understand whether traditional land use regulations stifle affordable housing development and what other communities are doing to encourage such development, DP&DR spoke with Don Elliott, Director with Clarion Associates, a national consulting firm with offices in Denver and Chapel Hill; and affiliate offices in Chicago, Philadelphia, and Cincinnati. Mr. Elliott’s practice focuses on plan implementation, zoning, development regulations, and international urban development. He has served as project manager for major zoning reform efforts in Detroit, Philadelphia, Indianapolis, and Albuquerque, among others. Prior to joining Clarion, Mr. Elliott was Project Director for the Denver Planning and Community Development Office. Although Mr. Elliott currently serves as a member of the Denver Planning Board, he emphasized that his responses reflect his own views and not those of the Planning Board.

DP & DR: Don, affordable housing development is a national issue, but where and how it is developed is very much local. Do land use regulations inhibit or encourage affordable housing development or is that the wrong question?

Don: Land use regulations can do either or both. Regulations that require unnecessarily large lot sizes, high minimum dwelling unit sizes, low lot coverage ratios, high on-site parking requirements, or expensive subdivision infrastructure can and do raise the cost of housing. It is important to remember that one of the key purposes of zoning is to preserve the character of neighborhoods; it was not designed to promote affordable housing. On the other hand, some

regulations can promote affordable housing by allowing the creation of smaller lots, or more residential density, or accessory dwelling units, in areas that do not currently have those types of housing.

DP & DR: Which cities are revising their land use ordinances to foster the development of more such housing, how is it being received, and what degree of success are they having?

Don: More and more cities are revising their zoning and land use ordinances to remove barriers to creative forms of affordable housing. While there is often some opposition, many cities are now allowing smaller cottages, co-housing developments, three-plexes, four-plexes, patio homes, townhouses, garden apartment complexes, accessory dwelling units, and a wide variety of creative types of housing in areas where they were not permitted before. The growing need to help their children and their elderly parents find housing has made many Americans realize that smaller dwellings and rental housing may be a good thing. In many neighborhoods, there is a growing understanding that keeping out different types of housing does not necessarily protect property values, and that increasing the variety of available housing can increase both neighborhood desirability and property values.

DP & DR: Should other regulations, such as building codes, also be reviewed to permit new construction materials and techniques that would reduce cost and delivery time?

Don: Yes. Building and engineering standards can drive up costs – sometimes unnecessarily – and should be reviewed. There seems to be a tendency for construction professionals to build in a little “extra margin” in materials and construction procedures or sizing or spacing to be sure that the resulting product is safe. However, there is constant innovation in building materials and techniques that helps reduce costs as well, so I don’t think that building codes have contributed as much to housing price increases as zoning, subdivision, and site design regulations. Building codes are about protecting safety, while zoning is often about protecting character, and there is probably more potential to find affordability by rethinking neighborhood character than safety.

DP & DR: The Mayor and City Council leadership in Denver know that the long term health of this city depends on the development of more affordable housing for residents. What have you learned elsewhere that might be particularly relevant here?

Don: Denver has just gone through a very factual analysis of housing needs and the costs of meeting those needs, and then made a fairly bold decision to impose both housing impact fees and to raise more public money to help subsidize affordable housing. Instead of picking sides in the “fees paid by builders” vs. “taxes paid by everyone” debate, Denver said “we’ll do both,” and I think that was right. But even those funds will not come anywhere near meeting the housing gap. Some cities have tied bonus density and height, or more flexibility in parking and lot coverage, to higher requirements for affordable housing. Others have created nonprofit land trusts to buy housing in existing neighborhoods and then only rent or sell that housing (but not the land beneath it) to income qualified households. I think that the affordable housing challenge is so serious – not just in Denver but nationally – and not just now but for a long time -- that cities will be pressured to use all the financial, regulatory, and management tools they can to meet the challenge. You



pictured above: Don Elliot, Director, Clarion Associates

began by mentioning California, but Maryland, Oregon, and some other state legislatures have stepped in to force cities to plan for and approve housing needed to meet their “fair share” of affordable housing demand. If we don’t want that to happen in Colorado, our cities and counties need to start using their regulatory and financial tools more creatively to promote rather than prevent new kinds of market-driven housing.

In the Know:

Denver Whale Sites

Denver Planning and Development Report will continue to periodically publish Steve Ferris’ analysis of prominent development parcels in the Denver Metro Region, also known as “whale sites”. Attached is a link to Steve’s on-going analysis of such properties in the Colorado Real Estate Journal, which can be found through <http://crej.com/?s=whale+sites>. The sites include the Aquarium Parking Lots, Rockmont Remainder, Bell Tower, and Park Hill Golf Course. Steve’s insights into local development issues and policies will regularly appear in the Denver Planning and Development Report.

<http://crej.com/?s=whale+sites>

Denver Planning and Development Report

is a quarterly publication highlighting noteworthy real estate development and regulatory trends in the Denver market. Market makers, economic development, and regulatory officials will be consulted to provide a more in-depth understanding of what is affecting this high growth market. Comments, criticism, and topical suggestions are welcome so that the publication can be relevant, accurate, and insightful.

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