

AFFORDABLE HOUSING: ITS ROLE AND PROSPECTS IN SUSTAINED COMMUNITY DEVELOPMENT

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I. INTRODUCTION AND OVERVIEW

Over the last 10 years, Boulder has experienced a dramatic escalation of home prices, with the price of an average single family home increasing by 71 percent between 1984 and 1994. During the same period, the average size of a single family home has increased from 1,900 to 2,500 square feet. The bend toward bigger and more expensive homes has caused many to ask where the City is going -- is Boulder becoming a City that is affordable only to the well-to-do?

Boulder has instituted growth management and open space policies, and other regulatory measures, to control the quantity and quality of its development. These measures have undoubtedly constrained supply and increased the cost of housing to some degree. Many of the factors that are driving high housing prices in Boulder, however, have to do with unique demand characteristics, including the following:

1. A strong employment base, with a growing sector composed of industries tied to national markets (software, telecommunications, other high technology) that have relatively high paying jobs;
2. A desirable residential location within the regional market context, featuring both small town and cosmopolitan qualities and a wide array of recreational and cultural activities, at the foot of the Rockies;
3. A large student population, whose housing needs are met largely by combining into households that consume lower cost housing that might otherwise be available to other segments of the community, and;
4. A national market for its housing driven by location-independent businesses and individuals, who choose residential location based on quality of life.

Opening more land for development and reducing regulatory constraints on housing development would no doubt result in more housing, but in this strong demand environment would not necessarily produce significantly more affordable housing. Certainly, more development alone will not solve the affordability problem in Boulder, unless it were to occur on a scale that is both environmentally and politically unacceptable.

Nevertheless, affordable housing is a functional need for any community to support its lower paid labor needs (from the working poor to teachers and fireman), its disabled and elderly citizens, young people just forming new households, and other elements that are vital to an economically and socially viable community. Thus, in some sense, the question of affordable housing in Boulder cycles into the larger question of sustainable development: can Boulder maintain its high quality of life and continue to provide all the functional elements of a vital community?

To address the question of affordability, then, it is useful to start with a consideration of the elements that define sustainable development. This perspective provides a basis for evaluating the trade-offs involved in land use and community development policy. Viewed in this context it can be seen that housing has a number of different functions with respect to community development, each of which has its own set of appropriate techniques to support housing affordability.

One inevitable result of housing affordability constraints is that a local economy expands into a regional urban system as employee households are dispersed into surrounding communities. This phenomenon is well underway in Boulder County, as communities such as Longmont and Louisville have become affordably housing resources for Boulder. However, these communities and others in the County are beginning to experience their own affordability problems.

So far, each of the communities in the County has wrestled with policy formulation to address this issue on a more or less independent basis. However, the functional relationships between economic development, labor force and housing affordability are playing out at a regional scale, and solutions to the problem must in some measure be considered at the regional policy level. The sustainability of Boulder's quality of life is linked to that of the other towns and communities in the County.

There is no simple solution to providing affordable housing in a high demand community, no "magic bullet." The optimal solution lies in being organized to use all the resources that are available, drawing from all segments of the community, within the context of a well-defined and realistic set of policy objectives. These policy objectives should take account of the interactive elements that collectively define sustainable development. Policies that recognize these factors will make more thoughtful trade-offs between the desired qualities of the community, and reduce unintended consequences that may undermine the economic imperatives and social objectives of community development.

The next section of this paper offers a working definition of the elements and principles of sustainable development, and puts affordable housing into the context of these interactive components of community building. The last section describes four principal functions of housing in urban systems (housing as: 1) infrastructure, 2) social investment, 3) economic/fiscal development, and 4) community development) and summarizes the approaches to affordable housing that are appropriate to each.

II. PRINCIPLES OF SUSTAINABLE URBAN DEVELOPMENT

A. What is to be Sustained?

In ecological terms, the object to be sustained is the natural environment and its ecological systems. In defining sustainable urban development, it is useful to pose the question, "What is to be sustained?" There are essentially four components of the urban environment that must be sustained if a vital human ecology is to be attained.

1. **Economy:** The capacity to produce and distribute wealth, thereby creating productive activity and economic benefits for community members. The notion of economy applies to the private sector (a thriving business and industrial sector with corresponding jobs) and the public sector (fiscally-solvent government, desired public goods and services).
2. **Community:** The relationship of people to each other and to the place in which they live. The creation of community and a widely held stake in maintaining its health and vitality is central to the concept of sustainability, and involves many facets, including a shared culture and public realm, security, social equity, participatory government, education, services, and recreation.
3. **Built Environment:** The quality and character of housing, commercial buildings, public spaces and the various urban systems that sustain them. Sustainability depends upon the degree to which the built environment serves the functions of community, creates a sense of place, and establishes a stake in preservation of community assets.
4. **Natural Environment:** The quality of air and water, open space, wildlife habitat, natural resources and ecological systems. The capacity of the built environment to incorporate and preserve the natural environment is an essential component of sustainability.

B. Elements and Principles of Sustainable Development

Based on the above considerations, seven elements of sustainable development, along with associated urban development principles can be defined. These elements and principles are described below (not necessarily in order of priority). Following this section is a flow chart showing how these elements fit into the context of planning for sustainable development.

1. Land Use and Transportation Diversity
2. Vital Public Realm
3. Urban/Environmental Integration
4. Fiscal Solvency

5. Private Sector Profitability
6. Social Equity
7. Functional Urban Systems

1. LAND USE AND TRANSPORTATION DIVERSITY

General Definition: Diversity creates stability and the capacity to withstand change through interdependent relationships, and multiple sources of market demand and community support.

- Urban Development Principles:
1. Designate areas of mixed use development combining residential and commercial uses in concert with civic/institutional, open space and recreational activities.
 2. Provide for a broad mix of housing types and prices, consistent with market demand.
 3. Provide for areas of higher density development to support mixed use, transit, affordable housing and pedestrian-oriented commercial uses.
 4. Encourage a mix of business and industry with diverse occupational needs to avoid over-reliance on a single industry sector.
 5. Maximize opportunities for transportation mode choice and reduced dependence on automobile travel through transit, TSM/TDM programs, and bicycle and pedestrian routes.
 6. Encourage telecommuting by providing fiber optic systems and other advanced telecommunications technologies.

2. VITAL PUBLIC REALM

General Definition: A vital public realm fosters social interaction and community activity, and promotes a widely held stake in maintaining the physical and social aspects of the community.

- Urban Development Principles:
1. Incorporate civic buildings, public meeting places, public art and community cultural facilities into the fabric of the community.
 2. Integrate parks, pedestrian linkages, and passive and active open spaces throughout the community.
 3. Provide human scale streetscapes by designating street widths, street trees, street furniture and other features that respect pedestrian access and activity.
 4. Use private development to define positive qualities of the public realm: e.g., bring storefronts to the sidewalk; use private homes to define human scale streetscape; locate commercial / residential buildings to give closure, context and activity to parks and public squares.

3. URBAN/ENVIRONMENTAL INTEGRATION

General Definition: The integration of environmental assets with urban development creates value in the built environment while restoring, enhancing and maintaining natural systems.

- Urban Development Principles:**
1. Document, understand, and monitor physical, biotic, and ecological functions of site.
 2. Establish multiple use of watersheds, creeks, and other open space for urban utilities such as drainage and urban amenities such as trails and bikeways.
 3. Maximize recycling and reuse of buildings and other built features to be removed.
 4. Apply state-of-the-art building placement and design, landscaping, waste treatment and recycling to reduce net resource consumption and environmental impacts.

5. Include land uses, building designs, utility and transportation systems, and overall land use patterns which demonstrate environmental management technologies and values.
6. Utilize environmental features to enhance public realm and create amenity value for private development.

4. FISCAL SOLVENCY

General Definition:

The financial capacity to invest and reinvest in public capital improvements and services is necessary to maintain the built environment, social health and public services.

Urban Development Principles:

1. Maximize efficient service delivery through compact land use patterns, appropriate placement of public facilities and the use of multi-purpose and shared public facilities.
2. Encourage the private provision of public facilities, e.g., child care facilities, publicly accessible common areas, and public art.
3. Require high-level construction standards, as well as low maintenance, energy-efficient facilities to minimize ongoing maintenance costs.
4. Provide a mix of land uses capable of generating adequate revenue to pay for ongoing public service costs.
5. Assure adequate public facilities for a full range of social, recreational and educational activities to help reduce social service costs associated with the absence of community resources.
6. Apply long-term public investment strategies and investment criteria that provide private sector investment incentives for ongoing redevelopment and revitalization of land uses.

5. PRIVATE SECTOR PROFITABILITY

General Definition: Ongoing private investment, which meets the test of profitability, is necessary to build private living and working space, contribute to public infrastructure and amenities and retain long-term vitality of the built environment.

- Urban Development Principles:**
1. Provide for a mix of land uses, densities and configurations that will be supported by the market.
 2. Provide infrastructure and site amenities that will help attract businesses and residents.
 3. Ensure that the cost and phasing of infrastructure and public facilities do not jeopardize financial feasibility of private investment and development.
 4. Facilitate future reuse potential through overall site design, avoidance of site contamination and targeted public investment to leverage private redevelopment.

6. SOCIAL EQUITY

General Definition: The distribution of economic and social opportunities across income and ethnic lines enhances community stability by broadening markets, reducing social service costs, improving conditions in the public realm, and creating stake in maintaining the community.

- Urban Development Principles:**
1. Incorporate economic development objectives in the planning process through the designation of employment-generating land uses, provision of infrastructure, project financing and market creation efforts.
 2. Encourage diversity in the job base to provide employment opportunities for a wide range of socioeconomic groups.
 3. Facilitate the development of affordable housing through designation of a mix of housing types and densities.

3. Tax-Based Subsidies

- a. Tax Increments (affordable housing set-asides)
- b. Sales Tax
 - Earmark portion for affordable housing
 - Return to population versus point of sale
 - Regional tax base sharing for regional issues, e.g., affordable housing
- c. Excise Taxes
- d. Employer (occupation) tax
- e. Real estate transfer tax (ad valorem)
- f. Document transfer fee (flat fee)

4. Housing Trust Fund

- a. Regional or subregional pool of impact fees, property taxes, other (e.g., sales tax, bonds, etc.)
- b. Allocate resources within region to optimize solutions
- c. Leverage federal, State, and local government funds and programs
- d. Leverage nonprofit project funding (e.g., gap financing for tax credit deals)

B. Housing as Social Investment

As a basic shelter need, providing housing may be seen as part of the economic safety net appropriate to an equitable and just society. Providing housing for those whose means will not adequately house them has the additional benefit of supporting opportunities for improving the socioeconomic condition of benefiting households, minimizing injury to the dependent children of assisted households, reducing demand on public resources for health care and criminal justice, and reducing the deleterious effects on the public realm of homelessness and associated problems.

Housing strategies that fit this category of housing's role in community development include the following:

1. Federal Subsidies

- a. Section 8 (subsidized households)
- b. Subsidized housing (housing projects)
- c. Home Program (ownership of subsidized housing)
- d. Federal Home Loan Bank, mortgage bonds, etc. (low interest loans)
- e. Community Development Block Grant (leverage other funds)

2. Nonprofit Housing Developers
 - a. Tax credits to leverage conventional loans, second, third mortgages
 - b. Mixed income projects: market rate housing to close funding gap
 - c. Leverage local government funds, land write-downs
3. Student Housing
 - a. Reduce pressure on affordable housing for other elements of community
 - b. If not student housing, University contribute to housing trust fund, or pay impact fees
4. Rent Control
 - a. Distribution of benefits limited (windfall to existing tenants, reduces mobility within market)
 - b. Can remove units from market, decrease maintenance of stock
 - c. Increases pressure for conversion to ownership (condo conversion, Tenants in Common)

C. Housing as Economic/Fiscal Development

Housing has a direct relationship to the labor force that is available in a particular location. Since jobs now typically follow people, rather than vice versa, providing for a broad mix of housing that can support the full spectrum of employees necessary to a healthy economy is critical to economic development and retaining an employment base over the long term. Managing the proximity of jobs and housing is a crucial issue from an environmental standpoint, and in terms of the expenditure of public resources for infrastructure and public services. Another link between housing and local government fiscal conditions stems from the relationship between retail/commercial development and the households needed to support retail businesses.

Policy implications of this aspect of housing are outlined below.

1. Jobs/Housing Relationships
 - a. Housing/labor force key to business location
 - b. High cost housing can deter even high paying employers (witness California)
 - c. Priced out, lower paid service and production workers can make some businesses nonviable
 - d. Dislocation of jobs and workers has environmental impacts
 - e. Not just a numbers issue (i.e., jobs/housing ratio), employee income/housing price match
 - f. Need public policy coordination at local and regional level to address

2. Retail Needs Rooftops

- a. Fiscal zoning favoring retail over residential can be counterproductive
- b. Residential is essential part of zoning strategies to secure retail sales tax
- c. Market must be considered: ensure not just moving dollars,

D. Housing as Community Development

Meeting the housing needs of diverse segments of the community can have more far-reaching community development benefits. Housing strategies can be used to impact urban form, support public transit, facilitate social and economic activity, and improve environmental quality and resource consumption. Housing strategies related to these community development objectives are outlined below.

1. Mixed Use Development

- a. Provides lower cost housing near services for seniors, students, singles, etc.
- b. Support transit, pedestrian scale retail, vital public realm
- c. Can help support 0-1 car mortgages

2. Ancillary Units (e.g., Granny Flats, Carriage Homes)

- a. Allow family "extension," i.e., units for young adult children, elderly parents
- b. Source of lower cost rental units
- c. Rental income allows more households to afford homeownership

3. Energy-Efficient Units

- a. "Green" design can reduce utility expenses
- b. More income available for rent/mortgage
- c. Banks may qualify buyer for higher priced home (like 0-1 car mortgages)

4. Co-Housing

- a. Reduce cost of shared elements (e.g., kitchen, yard)
- b. Reduced service expense (child care, utilities, transportation) increase ability to pay for housing
- c. Market for "life style" limited (good option for students)

5. Community Development Banks

- a. More flexible underwriting criteria with social purpose
- b. Not necessarily Below Market Rate interest rates
- c. Seed money from foundations
- d. Link to bank consortia, Community Reinvestment Act (CRA) requirements, pooled risk