



Innovative Housing Strategies

JANUARY 17, 2023



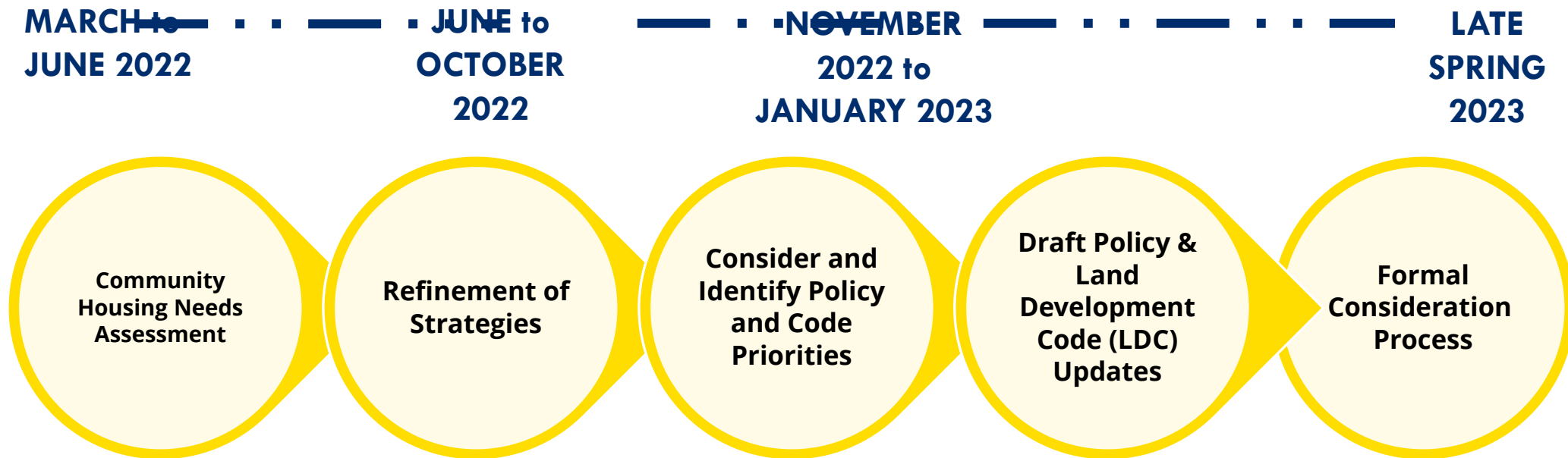
Tonight's Meeting

- Review recommendations from Planning & Zoning Commission December 14 meeting
- Review next steps for policy development and public outreach
- Identify Strategies to consider for policy development
- Explore draft affordable housing goals



Thanks for being here!

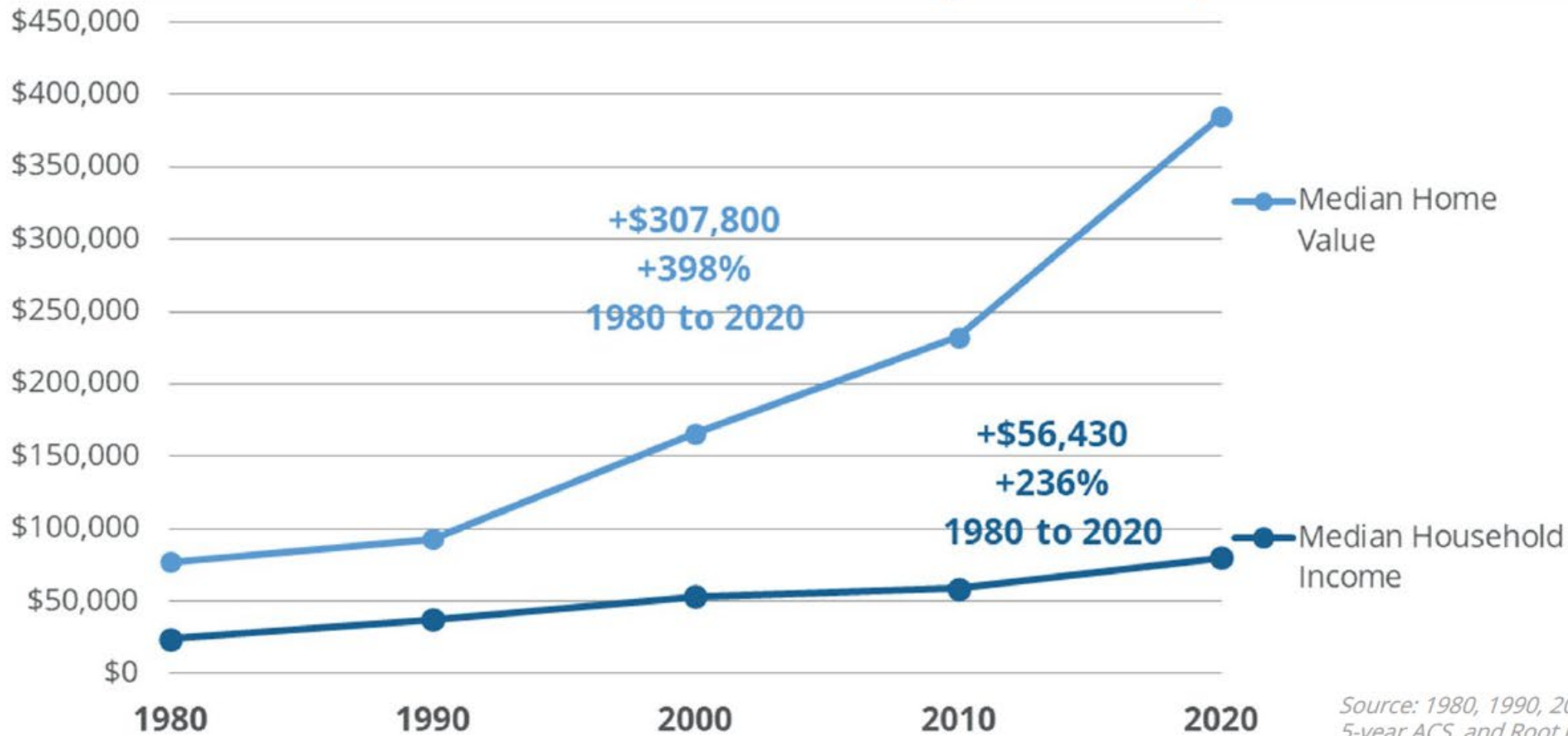
Project Timeline



Housing Needs Assessment Summary

Historical Analysis

Median Household Income and Home Value, Arapahoe County, 1980-2020



Source: 1980, 1990, 2000 Census, 2010 and 2020 5-year ACS, and Root Policy Research.

Household incomes have not kept up with housing prices from 1980 to 2020.

Housing Cost Burden

Households spending more than 30% of their gross income are considered housing cost burdened

Overall cost burden *decreased* in Centennial between 2010 and 2020:

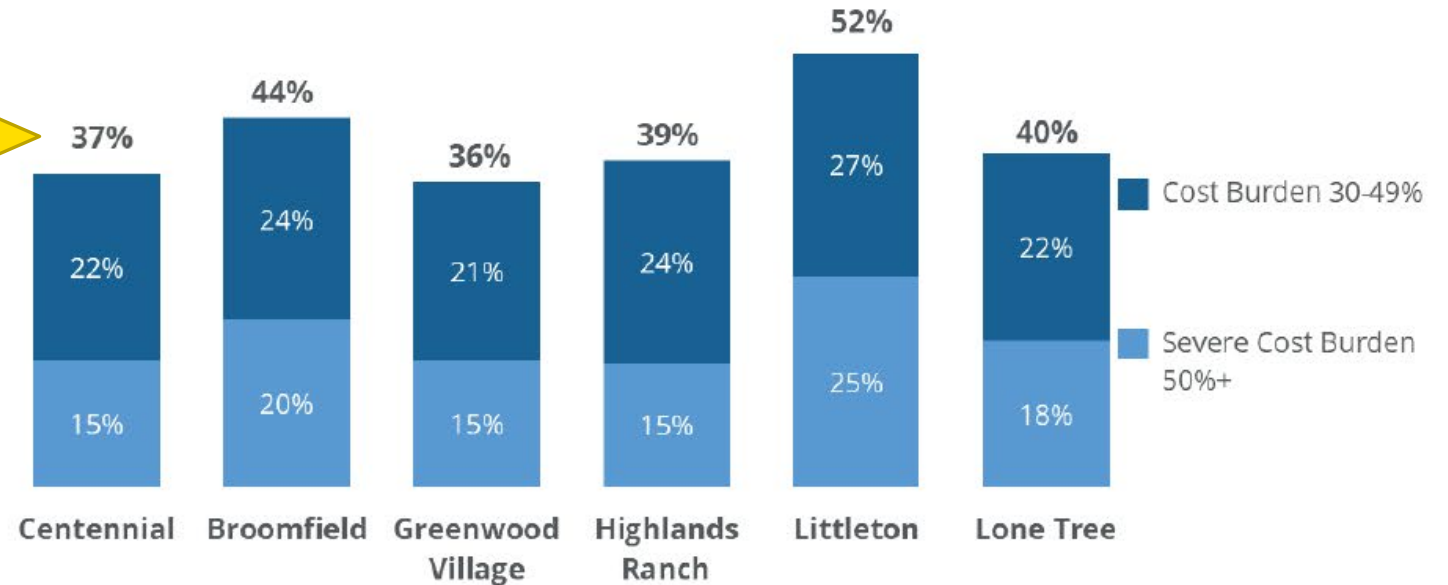
Renters: 43% in 2010 to 37% in 2020

Owners: 25% in 2010 to 20% in 2020

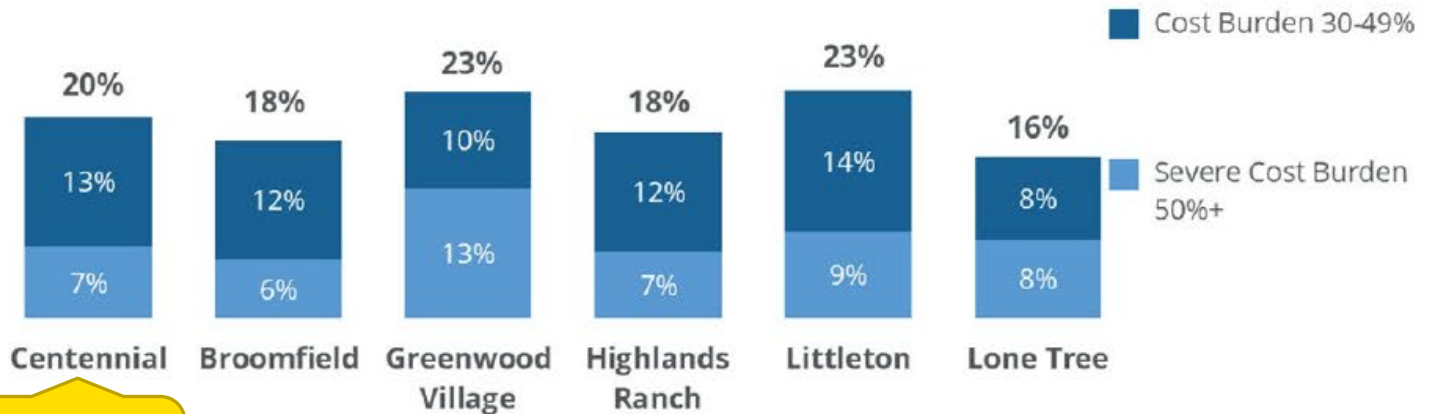
This is likely due to increases in household income, lower interest rates for buyers, and potential displacement of renters who could not afford to remain in Centennial

3,072
households

Share of Renter Households Cost Burdened, 2020



Share of Owner Households Cost Burdened, 2020



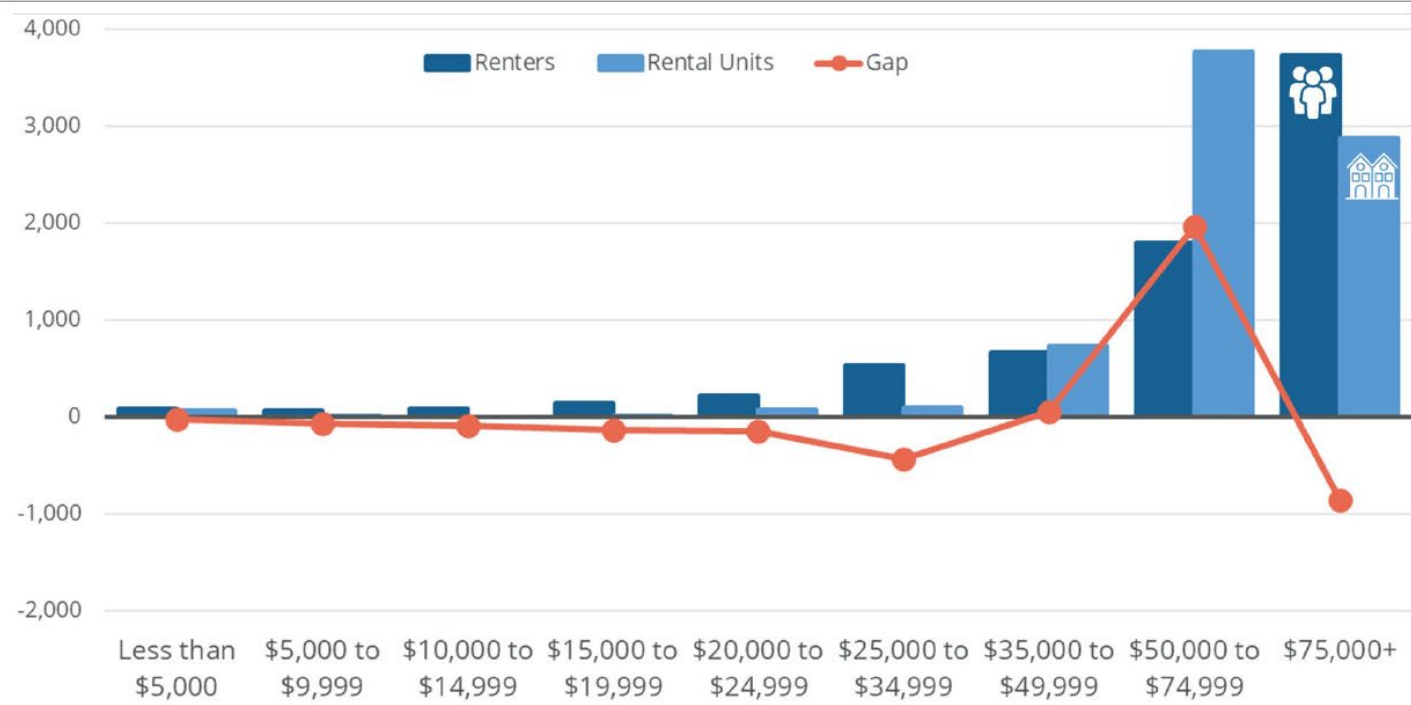
6,271
households

Rental Gaps

Income Range	Maximum Affordable Gross Rent	Rental Demand (Current Renters)		Rental Supply (Current Units)		Gap
		Number	Percent	Number	Percent	
Less than \$5,000	\$125	92	1%	67	1%	(25)
\$5,000 to \$9,999	\$250	71	1%	4	0%	(67)
\$10,000 to \$14,999	\$375	92	1%	0	0%	(92)
\$15,000 to \$19,999	\$500	142	2%	11	0%	(131)
\$20,000 to \$24,999	\$625	225	3%	76	1%	(149)
\$25,000 to \$34,999	\$875	535	7%	103	1%	(432)
\$35,000 to \$49,999	\$1,250	672	9%	728	10%	56
\$50,000 to \$74,999	\$1,875	1,802	24%	3,765	49%	1,963
\$75,000+	\$1,875+	3,730	51%			
Total/Low Income Gap (<\$35,000)		7,361	100%			

The gap for households earning <\$35,000 is 896 units priced under \$875

Rental Gaps



The gap for households earning <\$35,000 is 896 units priced under \$875

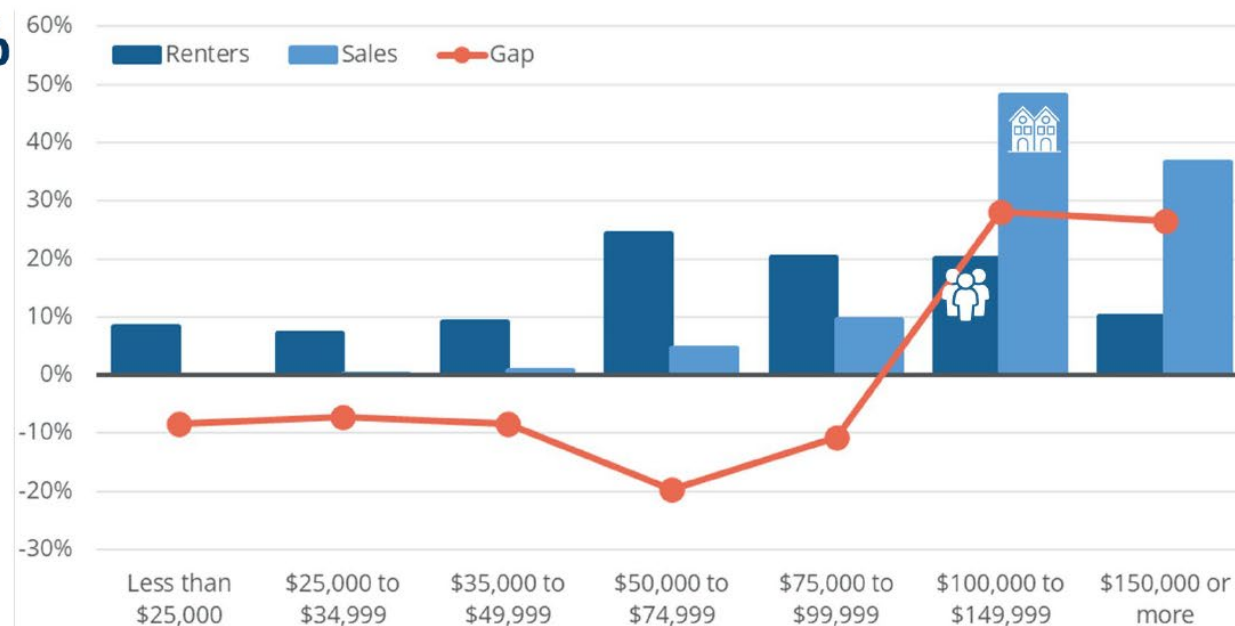
Renter Purchase Gap, 5.25% Interest Rate, Centennial, 2020

Income Range	Max Affordable Home Price	Potential Demand among 1st Time Buyers (Current Renters)		For-Sale Supply (Homes Sold 2020-2022)		Renter Purchase Gap	Cumulative Gap
		Number	Percent	Number	Percent		
Less than \$25,000	\$99,597	622	8%	0	0%	-8%	-8%
\$25,000 to \$34,999	\$139,437	535	7%	1	0%	-7%	-16%
\$35,000 to \$49,999	\$199,198	672	9%	35	1%	-8%	-24%
\$50,000 to \$74,999	\$298,799	1,802	24%	208	5%	-20%	-44%
\$75,000 to \$99,999	\$398,400	1,498	20%	424	10%	-11%	-55%
\$100,000 to \$149,999	\$597,602	1,480	20%	2,122	48%	28%	-26%
\$150,000 or more		752	10%	1,645	37%	28%	0%

Source: 2020 5-year ACS, MLS, and Root Policy Research.

Home Purchase Gaps

5.25%
Interest Rate



With an increase in interest rates:

Households must make \$100,000 or more to be competitive in the ownership market

Centennial Housing Needs Assessment (HNA)

Top Housing Needs Today

- **Increase housing production** to accommodate projected household and employment growth:
 - Past 10 years: 241 units/year
 - Keep up with household projections: 561+ units/year
- Accommodate **more missing middle housing types** for small-scale ownership opportunities
- **Address existing gap** for low-income renters (income < \$35,000)
 - Add rental units and/or subsidies to cover 896 units priced under \$875/month
- Target affordable homeownership and rental strategies toward **price points that Centennial workers can afford**

Prop. 123

Impact on Local Governments

- Local government opt-in by November 2023
- Must commit to increasing affordable housing within city boundaries by 3% (over baseline number) every year
- Must commit to fast-track review process for affordable housing developments
- Funds for land banking
- Funds for expedited development review

LIVE Last updated 12:14 p.m. E.T.

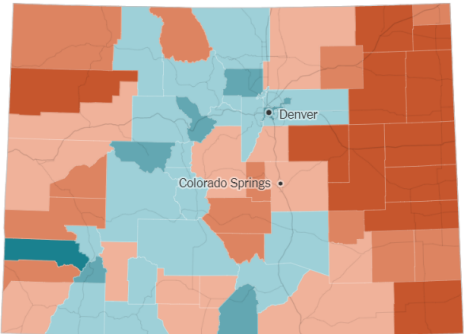
Colorado Proposition 123 Election Results: Establish State Affordable Housing Fund

[See all Colorado state results](#)

Latest results from 38m ago		>95% OF VOTES IN	
Answer	Votes	Pct.	
<input checked="" type="checkbox"/> Yes	1,211,454	52.1%	<div><div></div></div>
<input type="checkbox"/> No	1,114,794	47.9	<div><div></div></div>
Total reported	2,326,248		

Results by county

County	Yes	No	Total votes	% In
Jefferson	52%	48%	287,504	>95%
El Paso	46	54	273,861	>95%
Denver	70	30	240,338	87%
Arapahoe	55	45	230,622	93%
Douglas	41	59	179,001	>95%
Larimer	54	46	170,233	>95%
+ View all				



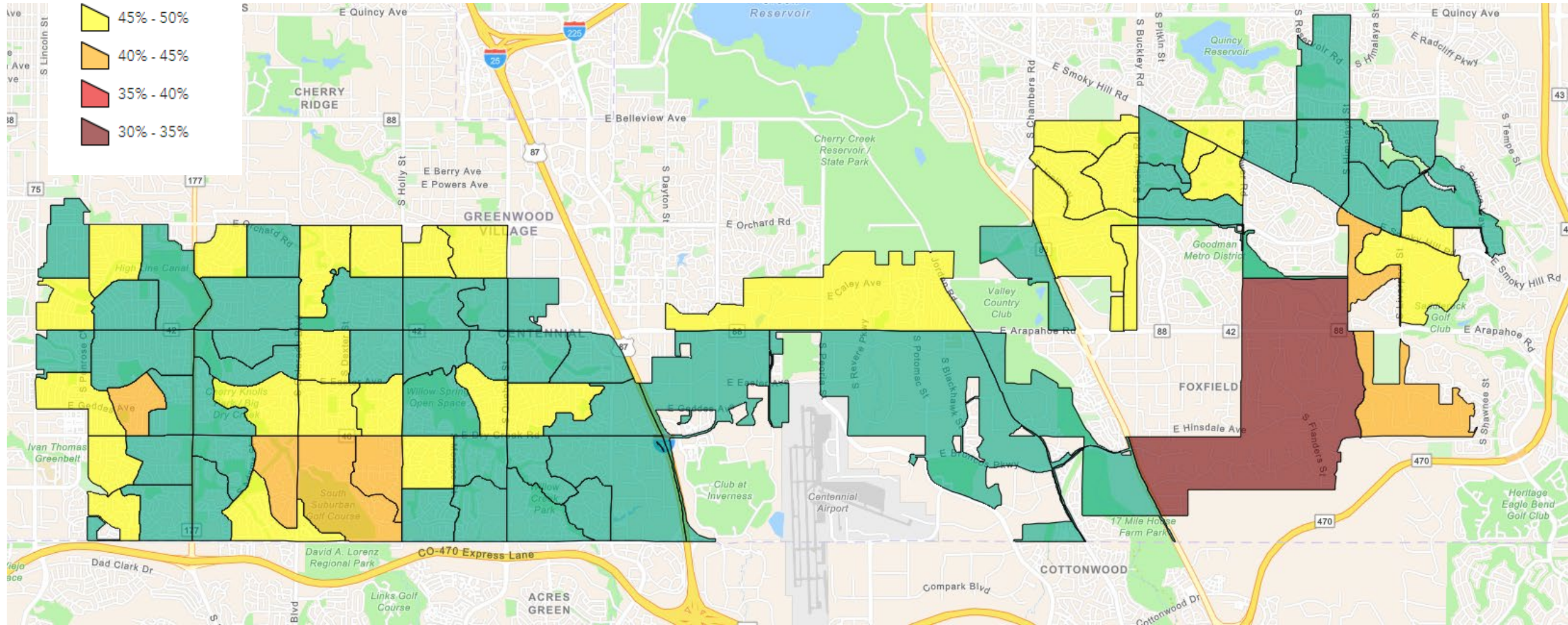
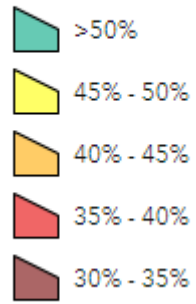
Yes 60 70% No 60 70%

Vote share

Size of lead



























Prop 123 Results

Percent Yes



Strategy Update

INNOVATIVE HOUSING STRATEGIES SUPPORT

	1 Remove Procedural Barriers and Reduce Costs (Land Development Code Administration)			2 New Allowances and Requirements (Land Development Code Regulations)			3 Funding Mechanisms (City Budget, Partner Agencies, Potential New Function)		
STRATEGY	Expedited development review for affordable housing	Expedited development review for converting underutilized commercial/office property to housing	Subsidize or reduce development fees for affordable housing	Establish a density bonus program	Implement an inclusionary zoning policy	Authorize Accessory Dwelling Units (ADUs)	Create a land donation or land banking program	Incentivize current landlords to lower prices of existing units	Establish a dedicated funding source to subsidize infrastructure costs
WORKING GROUP FEEDBACK	 <u>Support</u> short-term action (2023)	 <u>Support</u> mid-term action (2-3 years)	 <u>Support</u> mid-term action (2-3 years)	 <u>Support</u> mid-term action (2-3 years)	 <u>Support (voluntary)</u> mid-term action (2-3 years)	 <u>Support</u> mid-term action (2-3 years)	 <u>Support</u> mid-term action (2-3 years)	 <u>Does not support</u> prefer alternative approach	 <u>Does not support</u> prefer alternative approach
COMMUNITY FEEDBACK	Mixed 	Mixed 	<u>Support</u>  for City fees only 	Mixed 	<u>Support</u> 	<u>Support</u> 	<u>Support</u> 	<u>Support</u> 	Mixed 
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Working Group, P&Z, and Community Feedback Overview

Subsidize/Reduce Application Fees

This strategy is intended to:

Reduce some of the application costs associated with an affordable housing project.

It works by:

Identifying the required fees across the various review points in a development application (e.g., rezoning approvals, building permit, construction drawings) and reducing or eliminating some of those fees.



























Feedback:

Working Group	Public	P&Z
Support	Support, City fees only	Does Not Support

P&Z Comments (12/15)

- Centennial's fees amount to a small fraction of all fees paid. Developers are used to paying these fees, and the small value would have limited impact on rent/sale prices. Other strategies are likely to stretch our dollars further.
- Some interest if State would reimburse the application fees in a way that did not negatively impact

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Recommended Strategies for City Council Feedback

Project Team Recommendations

- Supported by all three feedback groups
 - Accessory dwelling units (ADUs)
 - Inclusionary zoning (explore density bonus as an incentive)
 - Land banking
- Possible state funding and generally supported by feedback groups
 - Expedited review for affordable housing

Accessory Dwelling Units

Working Group	Public	P&Z
Support	Support	Support

Next Steps:

- **Collect feedback** from P&Z, City Council, and Centennial residents:
 - Where ADUs would be appropriate, and
 - What types of ADUs should be allowed
- Review the current Land Development Code to **determine potential regulatory opportunities or barriers**;
- **Explore impact of HOA covenants** with City Attorney's Office ;
- Consider the availability of water and the **cost of water tap fees**;
- **Draft development standards** for ADUs addressing:
 - Dimensions and design,
 - Owner-occupancy requirements,
 - Off-street parking requirements, and
 - Other standards that ensure neighborhood compatibility
- **Update the Land Development Code (LDC) with the preferred allowances** and development standards informed by P&Z, City Council, and the public.



Inclusionary Zoning

Working Group	Public	P&Z
Support, Voluntary	Support	Support

Next Steps:

- **Outline the program approach and financials to more clearly identify needed incentives** as a starting point for discussion;
- Create comparison of potential pros and cons for **voluntary or mandatory** IZ;
- **Draft the inclusionary zoning program, including revisions to the LDC**, and present the details to P&Z, City Council, and the general public to **gather feedback and refine details**; and
- **Establish** supporting administrative program

IZ Feasibility Analysis

- Tested both a **5% set-aside** and a **10% set-aside**; both use **60% AMI** as the max affordable rental target and **80% AMI** as the max affordable for-sale target.
- Potential **incentives** (tested collectively):
 - Fee rebate (\$2,500 per affordable unit);
 - A 25% density bonus on single-family and townhome prototypes, measured as an increase in the allowed DU/A;
 - Parking reductions (down to 1.5 spaces per unit) for MF rental; and
 - Height bonus applied to the 3-story multifamily rental, resulting in a 5-story prototype and a 7-story prototype.

Note: height bonuses result in different construction approaches, including structured parking and, for the 7-story, a change from wood to steel construction.

Summary of Findings

- A 5% inclusionary set-aside is almost fully offset by the proposed incentives under all prototypes. Without incentives, a 5% set-aside has only a modest impact on returns.
- A 10% set-aside is offset by incentives only on the for-sale prototypes and has a more substantive impact on returns than the 5% set-aside when imposed without incentives.

Based on the results of the analysis, Root does recommend the City consider an inclusionary housing policy paired with incentives. Determination of a potential inclusionary structure should balance the feasibility results with the City's housing goals and other strategies being considered by the City.

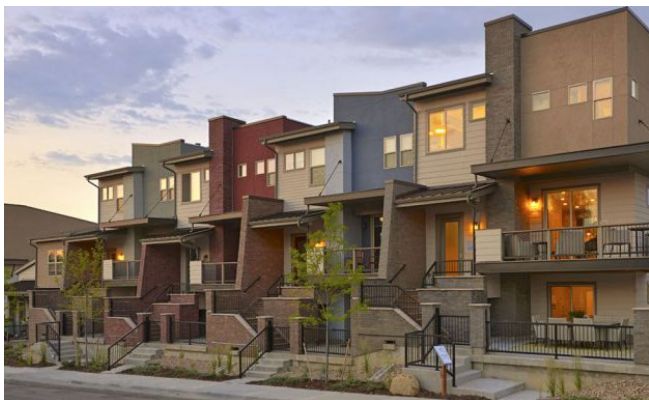


Land Banking

Working Group	Public	P&Z
Support	Support	Support

Next Steps :

- **Outline operating procedures, guidelines, and preliminary discussion points** for a land bank, such as:
 - Type of properties the land bank has the authority to pursue
 - Policies for holding, improving, using, or selling land
 - Geographic or zoning preferences for purchase areas (e.g., highway corridor or commercial district)
 - Potential partner organizations
- **Determine City Council's preferences re: preliminary issues;**
- Provide **updates re: Prop. 123 implementation regulations** that could impact land bank policies; and
- Continue with an **iterative process of land bank creation** with regular feedback from City Council



Expedited Review of Affordable Housing

Working Group	Public	P&Z
Support	Mixed	Support

Next Steps for Residential Projects:

- **Outline an expedited review process** that could work in Centennial;
- **Identify options for public outreach**, including community meetings, public hearings, and general noticing requirements;
- **Gather feedback about potential process changes** from P&Z, City Council, and Centennial residents;
- **Draft updated development procedure(s)** for the Land Development Code; and
- Determine if one or two staff members should be designated as a **project advocate/expediter**.

Expedited Review Commercial Conversion



























Working Group	Public	P&Z
Support	Mixed	Support



Next Steps for Commercial Projects:

- **Further discussion with local experts** (e.g., developers and architects) to confirm the feasibility and overall cost of the conversion of commercial buildings to residential buildings;
- **Identify site-selection criteria or potential sites** that would be appropriate for residential conversion;
- **Review** findings with P&Z and City Council; and
- **Communicate major barriers and feasibility issues** with the general public and present design or development alternatives

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Draft Affordable Housing Goals

State Affordable Housing Definitions

	HB 1271	Proposition 123
Rental	80% of AMI	60% of AMI
Ownership	140% of AMI	100% of AMI

- Both contain more details, but these are the basics
- If Centennial wants to remain eligible for maximum possible state funding, it should focus on programs that meet the Prop. 123 definitions
 - Those that qualify under Prop. 123 will almost certainly be eligible for HB 1271 funds as well
 - No need to officially adopt the Prop. 123 definition.

Suggested Affordable Housing Goals

1. Centennial, Colorado will aim to annually increase the amount of new and existing affordable housing by those amounts, and under those terms and conditions, necessary to remain eligible for major sources of state and federal funding and shall prioritize high density and mixed-income housing near transit stops and stations in order to promote environmental sustainability.
2. Centennial, Colorado, will aim to increase the supply of new and existing affordable housing by at least 3 percent each year under those terms and conditions necessary for the City to remain eligible to receive state assistance from both the Colorado Affordable Housing Financing Fund and the Colorado Affordable Housing Support Fund.
3. Centennial, Colorado, will aim to annually increase the supply of new and existing housing so that more rental households earning no more than 60% of the Area Median Income, and existing homeowners earning no more than 100% of the Area Median Income, and first-time homeowners earning no more than 120% of the Area Median Income, can afford to live in the City while paying no more than 30% of their gross monthly income for housing.

P&Z Feedback on Suggested Affordable Housing Goals

Preference for Suggested Goals 1 and 3

Suggested Goal 1

- Centennial Colorado will aim to annually increase the amount of new and existing affordable housing by those amounts, and under those terms and conditions, necessary to [remain eligible for major sources of state and federal funding](#) and shall prioritize high density and [mixed-income housing near transit stops](#) and stations in order to promote [environmental sustainability](#).

Feedback

- Market driven
- Sets Centennial up for success by not setting unattainable goals
- Highlights possible federal funding in a way that other goals do not
- Goal reflects the need for funding

P&Z Feedback on Suggested Affordable Housing Goals

Preference for Suggested Goals 1 and 3

Suggested Goal 3

Centennial, Colorado, will aim to annually increase the supply of new and existing housing so that more rental households **earning no more than 60% of the Area Median Income**, and existing homeowners earning no more than **100% of the Area Median Income**, and first-time homeowners earning no more than **120% of the Area Median Income**, can afford to live in the City while paying no more than 30% of their gross monthly income for housing.

Feedback

- States values and allows others to understand the reason behind the goal
- More specific therefore easier to work toward



Project Next Steps

- Policy and Regulatory Drafting
 - Preliminary draft of 1 or 2 strategies for City Council review on March 21
 - Preliminary draft of 1 or 2 strategies for City Council review in April (date tbd)
- Additional public outreach beginning in February 2023
 - Strategy drafting outlines pre-City Council input
 - Strategy preliminary drafts post-City Council input



Thank you!
