



# Solutions to the affordable housing crisis in Colorado

The tools that can be easily-implemented to incentive the creation of affordable housing

*January 21, 2020* by [Chris Muhle](https://www.cobizmag.com/author/chris-muhle/)



The first step in identifying affordable housing challenges in Colorado is defining affordable housing; the definitions below are taken from the “The GAP – A Shortage of Affordable Homes, 2018” compiled by National Low Income Housing Coalition (<https://nlihc.org/>) (NLIHC). According to the report, Colorado is one of the top five least affordable states with 27 homes for every 100 Extremely Low Income (ELI) renter households.

- **Extremely Low Income** – Households that earn less than 30% Area Median Income (AMI)
- **Very Low Income** – Households that earn between 31% and 50% of AMI
- **Low Income** – Households that earn between 51% and 80% of AMI
- **Middle Income** – Households that earn between 81% and 100% of AMI

Each of the above four levels of affordable housing require different amounts of assistance and subsidies for renter households. Additionally, each level also requires different amounts of local, state and federal assistance for development and construction of new affordable housing as well as the preservation and rehabilitation for

the existing affordable housing stock. Affordable housing challenges nationally, and in Colorado, pertain to both rental housing and home ownership, both of which are experiencing significant shortages throughout Colorado.

What can be done locally to encourage, subsidize and incentivize development of affordable housing? Many of the answers can be found in municipality policy tools and incentives to encourage and promote affordable housing development. Some of the most easily implemented include:

**Density Bonus** – Current zoning must be restrictive enough to make additional density valuable.

**Impact Fees** – Fee for future development must be collected to fund affordable housing.

**Inclusionary Zoning** – Links the development of affordable housing to market rate housing, require a certain percentage of affordable housing.

**Infrastructure Incentives** – Build infrastructure specifically to promote affordable housing development with CDBG or other City or County funds.

**Land Incentives** – Discounted, donated land or land swap for affordable housing development .

**Inventory of surplus land owned by the city or county or state that is available for affordable housing** – Identifies opportunities for developers in areas best suited for development.

**Annexation Requirements** – Requires a percentage of any annexation be developed as affordable housing.

**Planned Unit Development (PUD)** – Encourage or require that any new PUD include affordable housing

**Relaxed Design Standards** – Development standards modifications and/or variances for specific affordable housing development

**Tap Fees for Water and Sewer** – Reduction, deferral or even elimination of tap fees to encourage affordable housing development

**Expedited Development Review** – Reduced timeframe for review and approval by city/county officials for developments with more than a defined percentage of affordable housing

**Height Waivers** – To increase density to ensure developers can realize reasonable investor return

**Parking Reduction** – To decrease costs and increase density in order for developer to realize reasonable investor return

**City and or County Direct Investment** – Down payment assistance (for home ownership), donation or reduced cost for city/county owned land for affordable housing development

**Linkage Fee** – Charge employers a fee for paying employees below the County median income

**Implement a Rental Registry** – Require landlords to register their properties to promote safety and well-being of all renters; maybe organize registry by affordability levels so that renters can find rental housing at the rent level they can afford

**Buy Down of Existing Vacant Units to be more Affordable** – This can include available affordable housing funds along with employer contribution

**Right of first refusal** – Require right of first refusal for affordable units developed that can be covenant or deed restricted. If property converts to market-rate, can ordinance require landlord to assist in relocation assistance for affordable tenant?

Many of the above incentives could be included in a development/incentive package by a municipality, given to affordable housing developers to add the value the developer needs to develop long-term affordable housing. This package could be tied to the level of AMI the units in a specific development are expected to rent for. As an example, a

development targeting extremely low-income (less than 30% AMI) households will require a package with more incentives than a development targeting low-income (51% to 80% AMI) households.

Some affordable housing developers have gone to great lengths to create plans of their own – based on the ideas provided above – that provide municipalities with a roadmap to address their own affordable housing challenges. It is vital that municipalities work with developers to provide creative incentive packages to encourage affordable housing development in their communities. A public-private approach can provide viable solutions to a growing housing crisis.

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