

SECTION VII.

Recommendations

This section contains our recommendations for how Arapahoe County and Douglas County can better address their unmet housing needs. The recommendations presented here are intended to offer a balanced approach for promoting affordable housing among and within the communities in Arapahoe County and Douglas County. A collaborative engagement, which spreads the cost, impact, and rewards among all interested parties, will have the greatest chance for success.

What are the Counties Doing?

We begin with a summary of the many activities the two Counties have been engaged in to address affordable housing needs.

Arapahoe County. Arapahoe County has worked very hard in the past to ensure that residents have adequate housing. Programs the County provides include home rehabilitation and improvements, public facility improvements, infrastructure improvements, public services, and other housing programs. Housing programs also include a first time buyer program, single family rehabilitation, multifamily rehabilitation, and new construction assistance. The activities the County funds currently include:

- **Home acquisition and rehabilitation.** The County has funded Owner-Occupied Rehabilitation programs in Englewood, Centennial, Littleton (through the Littleton Housing Authority), and the County. Loans for single family homes typically range from \$1,000-\$24,999. The County has also funded organizations to acquire and/or rehabilitate of both single family and multifamily properties.
- **Homebuyer program.** Arapahoe County has teamed with the Colorado Housing Assistance Corporation (CHAC) to provide a program to assist low and moderate income families (and individuals) in the purchase of a home in Arapahoe County. Upon qualification, a household can receive assistance with downpayment, closing costs, and prepaid/escrows up to \$10,000. This is called ‘acquisition assistance’ and is in the form of a low interest rate second mortgage. Homebuyer workshops are also required.
- **Private Activity Bonds.** The County’s Community Resources Department reviews activities for use of the Private Activity Bonds received from the State of Colorado before they are presented to the Board of County Commissioners. The bonds are used for the development of affordable housing or for economic development within the County.

- **Section 8 Rental Subsidy.** The County’s Section 8 Rental Subsidy Program provides vouchers to residents of unincorporated areas of Arapahoe County and the Cities of Centennial and Glendale. The Arapahoe County Housing Authority (ArCHA) has partnered with the Littleton Housing Authority to administer this County voucher program. The vouchers are issued by HUD through the State of Colorado Division of Housing (CDOH) and provide rental assistance to those in need of help in paying the cost of housing rent. The following cities within Arapahoe County manage their own rental assistance programs:
 - Littleton Housing Authority (LHA) – Section 8 Vouchers for the City of Littleton, as well as administering the ArCHA program noted above.
 - Aurora Housing Authority (AHA) – Section 8 Vouchers for the City of Aurora
 - Englewood Housing Authority (EHA) – Section 8 Vouchers for the City of Englewood, as well as administering the City of Sheridan’s vouchers.

Communities within Arapahoe County have also provided incentives to assist with affordable housing production. For example, Englewood and Sheridan have waived fees for affordable housing development on a case-by-case basis.

Douglas County. The Community Services Division of the Community Development Department is the lead agency for Douglas County Community Development Block Grant (CDBG) activities. Recent programs the County has funded include affordable housing projects, facility projects, and public service projects. Housing projects include funding a homeownership program, land acquisition, water/sewer tap fee assistance, renovation/repairs, and emergency housing assistance.

The activities the County funds include:

- **Section 8 Program.** Douglas County contracts with the Englewood Housing Authority to administer Section 8 vouchers.
- **Private Activity Bonds.** Douglas County receives an allocation of Private Activity Bonds (PABs) annually. The allocation has been used for multifamily redevelopment and in cooperation with the Colorado Housing and Finance Authority (CHFA) for single family mortgage revenue issues
- **Cash in lieu program.** The County requires a developer to pay an amount per housing unit (now \$1,050) as a part of the cash in lieu program. The funds are used by the Douglas County Housing Partnership for affordable housing programs throughout Douglas County.
- **Douglas County Housing Partnership.** The Douglas County Housing Partnership (DCHP), a Multi-Jurisdictional Housing Authority, was formed as a cooperative effort between local and county governments to address the issue of the lack of affordable housing for people who work in the area. The DCHP operates with financial support from the jurisdictions of the City of Lone Tree, the Town of Castle Rock, the Town of Parker, and Douglas County as a political subdivision and public corporation of the State of Colorado.
 - **Shared Equity Program.** DCHP will provide an investment of up to 20 percent of the purchase price (maximum \$50,000) to first time homebuyers who work in Douglas County. They receive funding from the Douglas County cash-in-lieu program.

- **Downpayment assistance.** DCHP will provide up to \$20,000 in downpayment assistance for each individual or family who meets the basic requirements of First-Time Homebuyer Program.
- **Rental housing development.** DCHP has purchased and/or partnered with organizations on three different rental developments in the County that provide subsidized rental units.
- **Foreclosure Mediation Program.** The goals of the Program are to prevent mortgage defaults, assist home mortgage lenders and borrowers in working out mortgage defaults, and resolve foreclosure actions that are either initiated or threatened by lenders. This program is a mediation service only and is available at no cost to Douglas County residents. The Program was established through cooperation with the Douglas County Public Trustee's Office to decrease the number of foreclosures in Douglas County by providing borrowers with tools and resources to use during the foreclosure process. DCHP will educate borrowers on their consumer rights as well as act as a mediator between the lender and the borrower.
- **Homeownership classes.** DCHP conducts CHFA approved monthly homeownership classes, which are open to the public and are required for participation in DCHP programs.

Communities within Douglas County and also have programs to promote affordable housing:

- Castle Rock has an Attainable Housing Fee Reduction ordinance. It states a developer can receive up to 100 percent reduction in development impact fee per affordable unit with approval from City Council.
- Lone Tree negotiated with the developer of the RidgeGate development to have primary housing for workforce built in a later phase (approximately 5-10 years out) of the development. Housing will be targeted for persons earning \$10-20 per hour¹.

Recommendations for Arapahoe County

1. Set affordable rental goals. Set a goal for reducing the gap in rental units and work with the County's housing authorities, including the Aurora Housing Authority, to build more deeply subsidized rental units.

Approximately 29 percent of the County's renters earn less than \$20,000 per year. Six percent of the County's rental units (including voucher subsidies) are affordable to these renters. We recommend this proportion be increased to 15 percent, so at least half of these renters have an opportunity to avoid being cost burdened.

2. Establish formal, collaborative relationships. Continue to work with Aurora to gauge housing affordability and need since Aurora provides such a large portion of affordable housing, particularly for-sale housing, in Arapahoe County. Formalize a method of communication and collaboration on workforce housing developments.

¹ These are 2000 wages.

3. Offer developer incentives. The County should encourage density around employment centers and transit sites by offering fee waivers and/or density bonuses to developers who integrate affordable units into their developments. Formalize an incentives package and offer deeper incentives for more affordable developments. The County should also encourage municipalities to adopt similar incentive packages, so that the incentives are consistent, transparent, and applied equally across the County.

4. Continue rehab efforts. Continue acquisition and rehabilitation programs in the older portions of the County to preserve housing stock and keep lower-income owners in safe and sound housing. Although this study did not contain a detailed analysis of the senior housing market and needs, it is likely that as the County's population ages, affordable senior housing with services will be needed.

5. Educate the public. Educate the public about options for development, the consequences of sprawl, and how affordable housing can be attractive and dense.

Recommendations for Douglas County

1. Eliminate the rental gap. Douglas County's rental gap is modest compared to many other areas. As discussed in Section III.D, the County is short 1,670 units to meet the needs of low income renters. The County could meet this demand in five years by building about 330 units per year—or one larger sized rental development each year for five years.

2. Create more homeownership opportunities. The County's biggest need is creating affordable homes for moderate income renters to buy. Unless the County creates more affordable homeownership units—preferably small lot single family detached units—the County's growing workforce will need to commute to jobs within the County from out of the County. These units should be created through negotiations with developers, offering development incentives, and potentially implementing inclusionary zoning policies (see below).

To facilitate the creation of such opportunities, we recommend that the County establish a goal for the proportion of affordable units that are for sale (on average) in any given year. At the time this market study was completed, just one percent of single family detached units, and 31 percent of attached units for sale were affordable to households earning \$50,000 per year. The County should establish a goal to increase the proportion of affordable units available for purchase by moderate income households.

3. Offer developer incentives. Take the lead on developing an incentives package for developers of affordable housing. Encourage all communities within Douglas County to adopt such incentives (this study can be used as the platform for a regional discussion about affordable housing needs). These incentives should include fast track approval and fee waivers, and potentially density bonuses.

- **Fast track approval.** Projects that meet County targets for affordability should go directly to the top of the development queue and receive fast track approval. These projects must contain the actual development of affordable housing (i.e., developments receiving density bonuses by paying an in-lieu fee would not receive fast track approval). The County should diagram the fast track approval process and demonstrate the amount of time and cost a developer will save through fast track approval.

- **Fee waivers.** Waive development fees for developments that integrate a certain portion of affordable units. This helps lower development costs and reduces the price of housing. These fees might be basic development fees, development impact fees, and, in some cases, water and sewer fees. Some communities offer fee waivers that are proportionate to the level of affordability in a project (i.e., the more affordable the housing, the higher the fee waiver). In the current budgetary climate, some communities are authorizing fee waivers up to a certain point each year (e.g., \$1,000,000 of fee waivers annually).
- **Density bonuses.** Density bonuses give developers the right to build more units on a parcel of land than what is currently allowed. Increasing allowable density means that developers can generate additional revenue by building more units. They then use that revenue to lower the per unit selling price, making all the units more affordable.

Other ways to decrease development costs are to grant building variances—for example, allowing fewer parking spaces than would otherwise be required by zoning ordinances to allow more land for development. If a developer can add units or reduce costs of a development through height variances, reduced parking requirements, reduced setbacks, and landscaping or design requirements, they can better afford to add cost-effective housing to the overall development plan.

4. Establish a land bank. Land banking is a program whereby land is acquired by a division of government or nonprofit with the purpose of developing affordable/workforce housing or engaging in revitalization activities. After a holding period, the land is sold to a nonprofit or private developer, often at a price lower than market, who agrees to the land use conditions (e.g., creation of affordable/workforce housing).

Land bank programs can serve dual purposes. While some programs are created solely for the acquisition of land for future affordable housing development, others have broader long-term community planning goals. In distressed communities, land banking programs allow cities to acquire vacant and underperforming parcels, be a catalyst for redevelopment, and to benefit from increased tax revenues from the properties. In communities with rapidly rising land costs, land banking programs promise a long-term savings to taxpayers: for example, when public buildings need to be constructed, they can be built at less than the current market cost due to the earlier acquisition of the property by the land bank.

The County should establish a regional land bank to which private property may be donated (with potential tax benefits) and public property may be held for future affordable housing development. The County can also purchase appropriate parcels to add to the land bank as they become available. The County should explore partnerships with school districts, municipalities, utility companies, and other public landowners to donate the land for affordable housing in exchange for a certain proportion of the units that have first right of refusal to public sector employees (e.g., teachers).

As part of the land bank effort, the County, with the municipalities, should inventory and identify land parcels appropriate for affordable housing development. This would include both vacant land and land currently being used/leased, that might be appropriate for affordable housing development.

Private landowners who are also employers in the community should also be engaged in this effort to the extent possible. Private land owners and developers may be motivated to donate some or all of the market value of property that is suitable for affordable housing development. This motivation may be charitable in nature, or it may be part of a developer/owner's efforts to meet requirements and gain governmental approvals for new development. Land donation can also be linked to other developer incentives (e.g., density bonuses).

5. Increase revenue sources. The County should consider bolstering the funds from the cash-in-lieu program with a dedicated source of revenue. This could come from increasing the development impact fee on market rate units (currently a modest \$1,050) or establishing a housing trust fund, funded by a mill levy increase. The cities of Albuquerque and Austin have recently passed general obligation bonds dedicated solely to funding the development of affordable housing, ranging from homeless shelters to workforce housing developments.

6. Inclusionary zoning. Keep inclusionary zoning on the table. The County may want to establish a voluntary inclusionary zoning program where developers provide a certain portion of affordable units (most communities start with 10 percent) in exchange for incentives such as fee waivers and density bonuses. If such a program does not produce many affordable units, the County should consider mandatory inclusionary zoning. Although controversial, mandatory inclusionary zoning programs are highly effective in producing affordable units at very little cost to the public. They must be designed carefully, though, with input from the development community if possible, to ensure that the units are marketable and appropriately meet community demand.

7. Educate the public. Educate the public about options for development, the consequences of sprawl and how affordable housing can be attractive and dense.