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City of Englewood

Housing Needs Assessment

PROJECT DESCRIPTION:

The City of Englewood, Colorado contracted Root Policy Research to complete a well-researched and data-driven Housing Needs Assessment. The information presented here is intended to help inform policy changes, as well as support the efforts of the CodeNext project, to increase the diversity and affordability of housing in Englewood.

PREPARED FOR:

City of Englewood, CO

CREATED

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Table of Contents

I. Demographic Framework

Population and Households....I–1
Age Profile....I–4
Race and Ethnicity....I–4
Disability....I–5
Income and Poverty....I–7
Employment....I–11

II. Housing Market Trends

Profile of Renters and Owners....II–1
Housing Stock....II–3
Rental Market Trends....II–5
For Sale Market Trends....II–8
Income Restricted Housing....II–1

III. Housing Needs Analysis

Defining Affordability....III–1
Housing Cost Burden....III–2
Changing Incomes and Affordability....III–4
Gaps Analysis....III–6
Community Perspectives on Housing Needs....III–9

IV. Recommended Strategies

Why Address Housing Needs?....IV–1
Englewood Housing Goals and Resources....IV–2
Summary of Top Housing Needs....IV–4
Strategic Approaches and Recommended Actions....IV–5

SECTION I.

DEMOGRAPHIC FRAMEWORK

Section I.
Demographic Framework

This section of the report summarizes existing conditions in the City of Englewood by providing baseline data on the demographic and employment conditions of the city. For the purposes of this analysis, the following demographics are provided as context for housing needs in Englewood:

- Population
- Race and ethnicity
- Age
- Household size and composition
- Incidence of disability
- Income and poverty
- Employment by industry
- Commuting patterns

Peer communities in the Denver Metro Area were selected as comparison geographies to be used in this analysis based on their similarities in size, proximity, land use, and socioeconomic makeup compared to the City of Englewood. Peer communities include Centennial, Lakewood, Sheridan, and Littleton. Data for Arapahoe County, and the Denver Metro area are also included for comparison.

Population and Households

Between 2010 and 2015, the City of Englewood grew by 5% (just over 1,500 people), which was among the lower rates of growth among comparison geographies during that time. However, since 2015, the City of Englewood grew by more than nearly 3,000 residents (9%) for an estimated total population of 34,840 in 2020—the highest percent growth among comparison geographies. Over the last ten years, the Denver Metro, Arapahoe County, and Englewood have experienced the highest rates of growth (19%, 18% and 15%, respectively).

Household growth from 2010 to 2015 lagged behind population growth. However, in recent years—since 2015—the City of Englewood added nearly 1,400 new households (10%) for a total of 15,756 households in 2020. A higher percent change in the number of households compared to the population indicates a trend toward smaller household sizes in the city. Smaller households in the City of Englewood are most likely Millennials without children or seniors aging in place. According to the City's 2016 comprehensive plan, Englewood is attractive to child-free households because of its existing housing stock, which includes numerous smaller, single-family homes and a greater number of multifamily housing units relative to surrounding areas.[1]

[1] https://www.englewoodco.gov/home/showpublisheddocument/17175/636234402930000000

Figure I-1.
Population, 2010-2020

Jurisdiction	2010	2015	2020	2010-2015 Total	2010-2015 % change	2015-2020 Total	2015-2020 % change
Englewood	30,342	31,877	34,840	1,535	5%	2,963	9%
Centennial	99,999	106,604	111,331	6,605	7%	4,727	4%
Lakewood	142,020	147,836	155,733	5,816	4%	7,897	5%
Littleton	41,352	44,553	46,208	3,201	8%	1,655	4%
Sheridan	5,621	5,912	6,072	291	5%	160	3%
Arapahoe County	552,860	608,310	649,980	55,450	10%	41,670	7%
Denver Metro	2,464,415	2,703,972	2,928,437	239,557	10%	224,465	8%

Source: 2010, 2015, and 2020 5-year ACS and Root Policy Research

Figure I-2.
Households, 2010-2020

Jurisdiction	2010	2015	2020	2010-2015 Total	2010-2015 change	2015-2020 Total	2015-2020 change
Englewood	14,469	14,380	15,756	-89	-1%	1,376	10%
Centennial	37,506	38,991	40,697	1,485	4%	1,706	4%
Lakewood	61,453	63,159	64,844	1,706	3%	1,685	3%
Littleton	17,878	19,283	20,300	1,405	8%	1,017	5%
Sheridan	2,293	2,300	2,635	7	0%	335	15%
Arapahoe County	218,909	229,601	241,889	10,692	5%	12,288	5%
Denver Metro	978,799	1,042,103	1,097,674	63,304	6%	55,571	5%

Source: 2010, 2015, and 2020 5-year ACS and Root Policy Research.

Future growth. Colorado's Department of Labor and Employment (CDLE) provides population, household, and employment forecasts for the state. According to CDLE, Arapahoe County is forecasted to add 61,931 new households from 2020 to 2040—an increase of 25%. Assuming that Englewood's proportion of county households stayed constant (6.5%), the City could add 4,025 households over the next twenty years.

However, since the model's base year in 2010, countywide growth has not kept pace with the forecast. In 2020, the county is estimated to have 241,889 households—yet the CDLE forecast estimates Arapahoe County to have as many as 258,441 households by 2022.

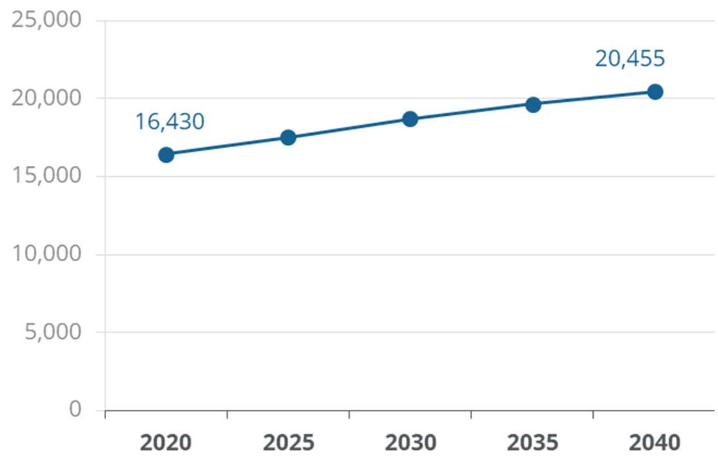
Figure I-3. Household Projections, City of Englewood, 2020-2040

Note:

The proportion of city households in the county in 2020 (6.5%) is applied at a fixed rate across CDLE's forecasted household projections for Arapahoe County.

Source:

Colorado Department of Labor and Employment and Root Policy Research.



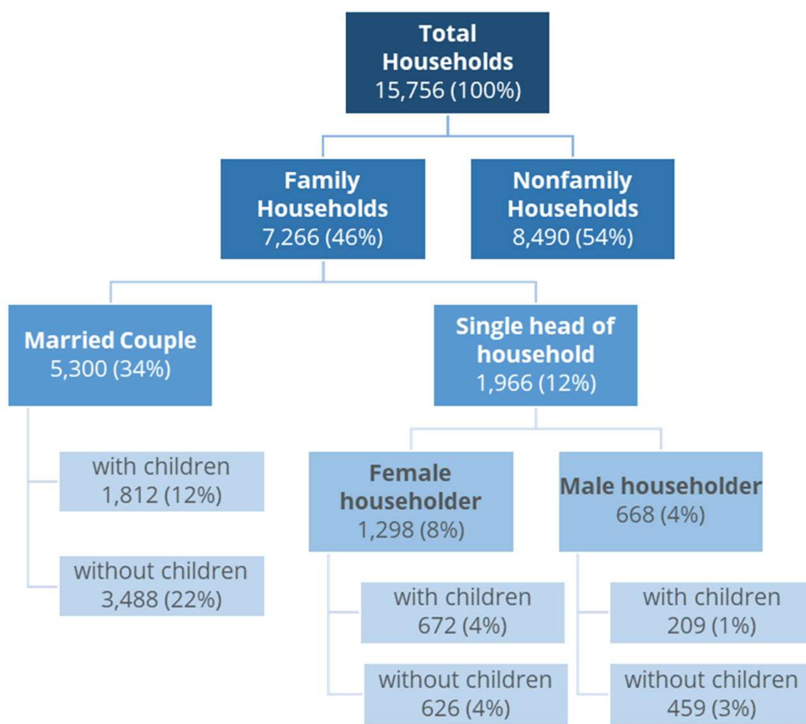
Actual growth is more uneven than forecasts would suggest, and it is likely that the City of Englewood will need to accommodate more of the region's projected growth in future years as housing in surrounding municipalities becomes increasingly less affordable relative to the city. Additionally, demographic shifts in the city's households will necessitate a recalibration of the types and price of housing needed by residents—particularly if the city continues to attract smaller households with a diversity of housing needs.

Household composition. As shown in Figure I-4, most Englewood households are nonfamilies (54%), made up of mostly individuals living alone. Family households make up the other 45% of city households. The majority of families are married couples (34%) and the remainder are single parents or unmarried partners (18%). Nearly one in five households have children under the age of 18 years old.

Figure I-4. Household Composition, Englewood, 2020

Source:

2020 5-year ACS.



Household composition has remained fairly stable over the past decade, though the proportion of households with children declined slightly (3 percentage points), offset by a proportionate increase in non-family households living with roommates or unmarried partners.

Age Profile

Figure I-5 shows the number of households in Englewood by the age of the householder. Much like other cities and regions in the country, the population is aging. Since 2015, households with a householder 65 to 74 years old—Baby Boomers entering retirement—increased from 1,265 in 2015 to nearly 1,800 in 2020, a 41% increase. Englewood residents between the ages of 75 and 84 also increased by 62% over the same time period.

The city is also experiencing an increase in young adults and families. Between 2015 and 2020, the number of young adults and families with a householder under the age of 35 in Englewood increased by over 700, an 18% increase. Conversely, residents between the ages of 45-54 and 85 years and over decreased by 19% and 26%, respectively.

Figure I-5.
Households by Age of Householder, Englewood, 2010-2020

				2010-2015		2015-2020	
Age of Householder	2010	2015	2020	Total	% change	Total	% change
Under 35 years	4,124	3,883	4,593	-241	-6%	710	18%
35 to 44 years	2,662	2,488	2,783	-174	-7%	295	12%
45 to 54 years	3,024	2,675	2,166	-349	-12%	-509	-19%
55 to 64 years	2,040	2,718	2,820	678	33%	102	4%
65 to 74 years	1,013	1,265	1,783	252	25%	518	41%
75 to 84 years	1,056	705	1,142	-351	-33%	437	62%
85 years and over	535	633	469	98	18%	-164	-26%

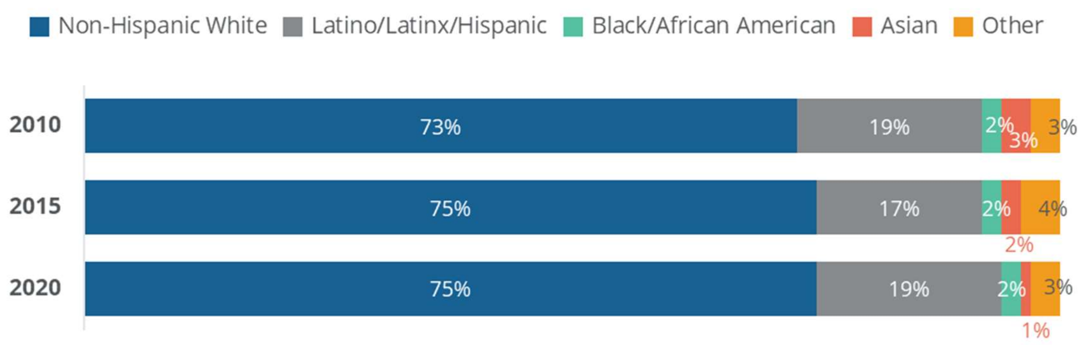
Source: 2010, 2015, and 2020 5-year ACS

Note: 2010 and 2015 data are given by percentage of total households; totals might differ.

Race and Ethnicity

The racial and ethnic composition of Englewood remained relatively stable between 2010 and 2020. Since 2010, there has been no change in the share of Black/African American, Latino/Hispanic, or residents who identify as "Other race" in the city. The share of the population that identifies as White/Caucasian increased by two percentage points between 2010 and 2020 while the share of Asian residents in the city decreased by two percentage points.

Figure I-6.
Share of Population by Race and Ethnicity, City of Englewood, 2010-2020



Source: 2010, 2015, and 2020 5-year ACS.

Disability

Residents living with a disability over the age of 65 make up a third of Englewood's total population with a disability. As the population continues to age, the incidence of disability will likely increase, specifically for residents with ambulatory and independent living difficulties. Again, shifting demographics will result in a shift in housing needs, in this case for accessible and visitable housing units for residents living with a disability.

Figure I-7. Incidence of Disability by Age, City of Englewood, 2020

Source:
2020 5-year ACS.

	Residents with a disability	Percent
Total residents with a disability	**4,623**	**100%**
Under 18 years old	**205**	**4%**
With a hearing difficulty	0	0%
With a vision difficulty	52	1%
With a cognitive difficulty	151	3%
With an ambulatory difficulty	0	0%
With a self-care difficulty	49	1%
18 to 64 years old	**2,874**	**62%**
With a hearing difficulty	565	12%
With a vision difficulty	721	16%
With a cognitive difficulty	1,158	25%
With an ambulatory difficulty	1,481	32%
With a self-care difficulty	594	13%
With an independent living difficulty	1,038	22%
Over 65 years old	**1,544**	**33%**
With a hearing difficulty	720	16%
With a vision difficulty	83	2%
With a cognitive difficulty	230	5%
With an ambulatory difficulty	832	18%
With a self-care difficulty	122	3%
With an independent living difficulty	501	11%

Income and Poverty

Following the Great Recession—from 2010 to 2015—median renter income increased by 18% compared to the 9% increase among owner households. Since 2015, however, the trend has reversed and owner median income increased by nearly 50%, while renter median income saw a 25% increase. Figure I-8 shows median household income by tenure in 2010, 2015, and 2020.

A note about inflation. When incomes are adjusted for inflation, real incomes have declined since 2000. However, inflation rates are heavily influenced by the housing market, and for the purposes of this comparison between median income and housing costs, inflation is less impactful than the change in income relative to the change in housing costs.

Figure I-8.
Median Household Income by Tenure, City of Englewood, 2010-2020

				2010-2015		2015-2020	
Tenure	2010	2015	2020	Total	change	Total	% change
All households	$42,416	$47,046	$66,399	$4,630	11%	$19,353	41%
Owner households	$58,696	$64,248	$95,705	$5,552	9%	$31,457	49%
Renter households	$30,618	$36,247	$45,241	$5,629	18%	$8,994	25%

Source: 2010, 2015, and 2020 5-year ACS

Figure I-9 shows the change in household income distribution by tenure from 2010 to 2020. Among owners, the number of households earning more than $75,000 increased while households earning less decreased. This trend may be a result of households earning higher incomes or lower income households being priced out of the market and replaced by households with higher incomes. The latter is more likely the case for renters.

Shifts in renter household income mirror those of owner households. Renter households earning more than $75,000 close to tripled from 807 in 2015 to 2,217 in 2020. Over the same time, more than 600 households earning less than $75,000 left Englewood.[2]

[2] It is possible that some of these households had increases in earnings. However, the change in $25,000 to $50,000 households is very small, suggesting that the lowest income households left the city.

Figure I-9. Income Shifts by Tenure, City of Englewood, 2010-2020

Source:
2010, 2015, and 2020 5-year ACS.

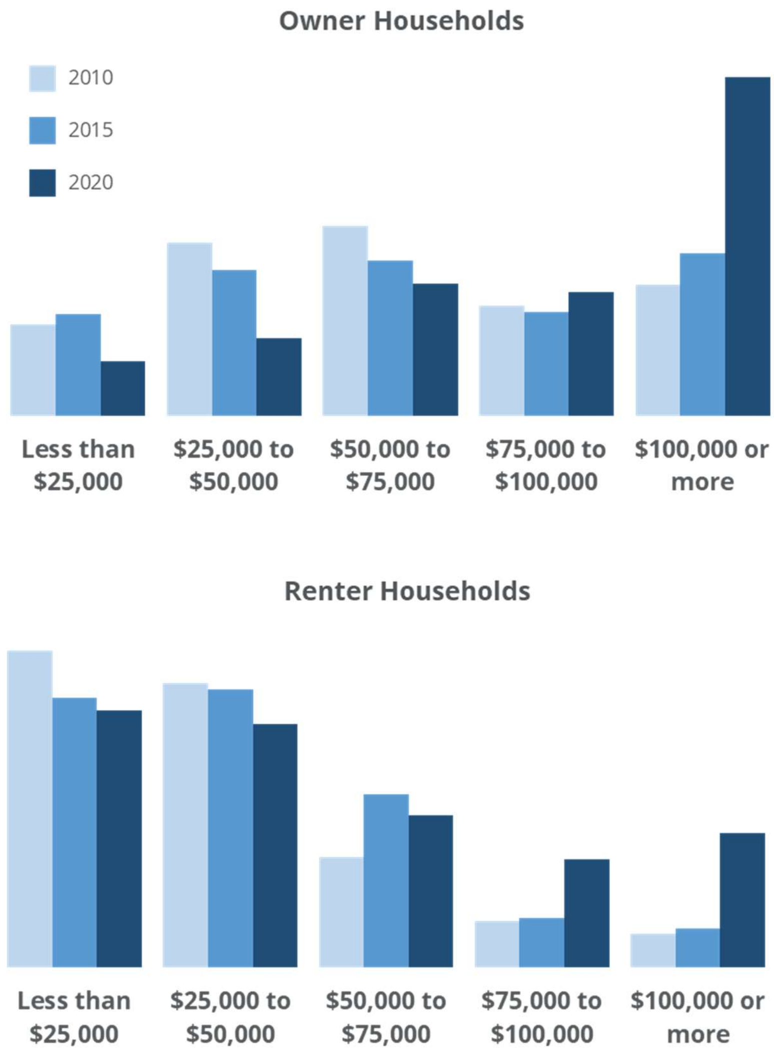


Figure I-10 shows the poverty rate by age cohort in 2015 and 2020. Over this time, poverty rates decreased by five percentage points for residents in Englewood. Rates decreased for all age cohorts except children between the ages of 5 and 17. Poverty among seniors decreased from 9% in 2015 to 7% in 2020, which is a promising trend. Seniors are particularly vulnerable to increased housing costs as many seniors live on fixed or limited incomes (e.g. social security payments).

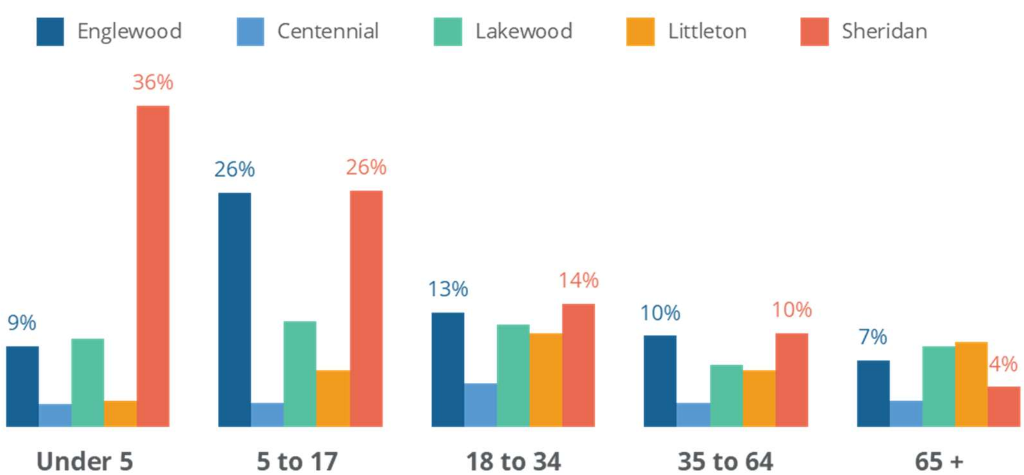
Figure I-10.
Poverty Rate by Age, City of Englewood, 2015-2020

Source:
2015 and 2020 5-year ACS.

Age	2015	2020	2015-2020 Rate Change
Total Population	**17%**	**12%**	**-5%**
Under 5 years	23%	9%	-14%
5 to 17 years	22%	26%	4%
18 to 34 years	15%	13%	-2%
35 to 64 years	17%	10%	-7%
65 year and over	9%	7%	-2%

Figure I-11 shows poverty rate by age for Englewood compared to other peer cities. Poverty rates are highest in Englewood and/or Sheridan in every age group except for residents 65 years and older.

Figure I-11.
Poverty Rate by Age, 2020

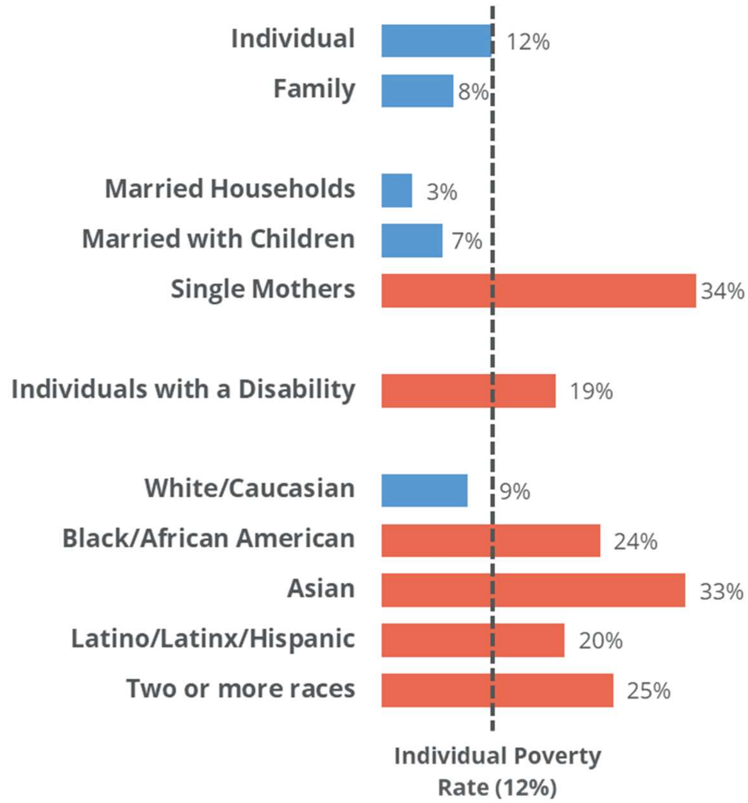


Source: 2020 5-year ACS.

Economic impacts from the COVID-19 pandemic were not shared equally by all residents in Englewood. Single mothers, Asian residents, residents of two or more races, Black/African American residents, Latino/Latinx/Hispanic residents, and residents experiencing disabilities all have poverty rates higher than the individual poverty rate. Conversely, families, married households, married households with children, and White residents have lower rates of poverty.

Figure I-12. Poverty Levels by Characteristic, City of Englewood, 2020

Source:
2020 5-year ACS.



Employment

Figure I-13 shows employment by industry in Englewood from 2010 to 2019. Employment increased in the city from 22,046 jobs in 2010 to 24,980 in 2019. Industries that added the most jobs during this time include construction, accommodation and food services, finance and insurance, transportation and warehousing, and retail trade. Jobs decreased in the management of companies industry, as well as educational services, manufacturing, and health care and social assistance.

Figure I-13.
Employment by Industry, City of Englewood, 2010-2020

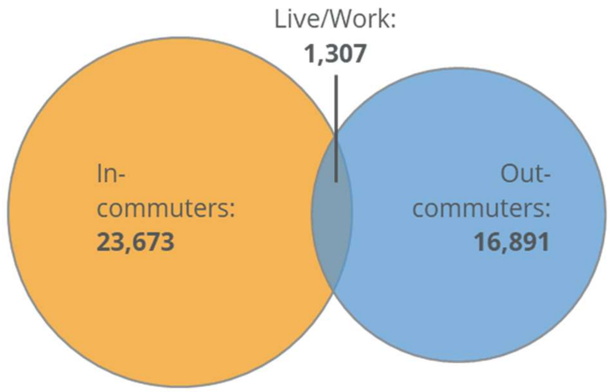
	2010		2015		2019		Pct. Point Change 2010-2019
	Number	Percent	Number	Percent	Number	Percent	
Agriculture, Forestry	88	0%	0	0%	0	0%	0%
Public Administration	49	0%	25	0%	2	0%	0%
Mining and Oil and Gas	6	0%	1	0%	9	0%	0%
Utilities	22	0%	18	0%	19	0%	0%
Information	118	1%	72	0%	80	0%	0%
Arts, Entertainment, and Recreation	69	0%	100	0%	89	0%	0%
Management of Companies	1,142	5%	1,283	5%	150	1%	-5%
Real Estate and Rental and Leasing	468	2%	326	1%	441	2%	0%
Finance and Insurance	499	2%	313	1%	708	3%	1%
Educational Services	780	4%	746	3%	726	3%	-1%
Transportation and Warehousing	490	2%	740	3%	871	3%	1%
Other Services	808	4%	958	4%	904	4%	0%
Professional Services	809	4%	724	3%	1,001	4%	0%
Accommodation and Food Services	944	4%	1,478	5%	1,614	6%	2%
Wholesale Trade	1,328	6%	1,894	7%	1,627	7%	0%
Administration: Waste Management	1,542	7%	2,320	8%	1,674	7%	0%
Manufacturing	2,306	10%	2,756	10%	2,344	9%	-1%
Retail Trade	2,295	10%	2,666	10%	2,781	11%	1%
Construction	2,359	11%	3,547	13%	3,358	13%	3%
Health Care and Social Assistance	5,924	27%	7,359	27%	6,582	26%	-1%
Total Employment	22,046	100%	27,326	100%	24,980	100%	13%

Source: LEHD and Root Policy Research.

Commute patterns. Figure I-14 shows the commute patterns for Englewood in 2019. Generally, more workers commute to work in Englewood than residents commute out to work elsewhere. The majority of in-commuters live in Denver (23%), Aurora (11%) and Lakewood (6%) while most Englewood residents work in Denver (37%), Englewood (8%), and Centennial (6%).

Figure I-14. Commute Patterns and Top 10 Origins and Destinations, Englewood, 2019

Source:
LEHD and Root Policy Research.

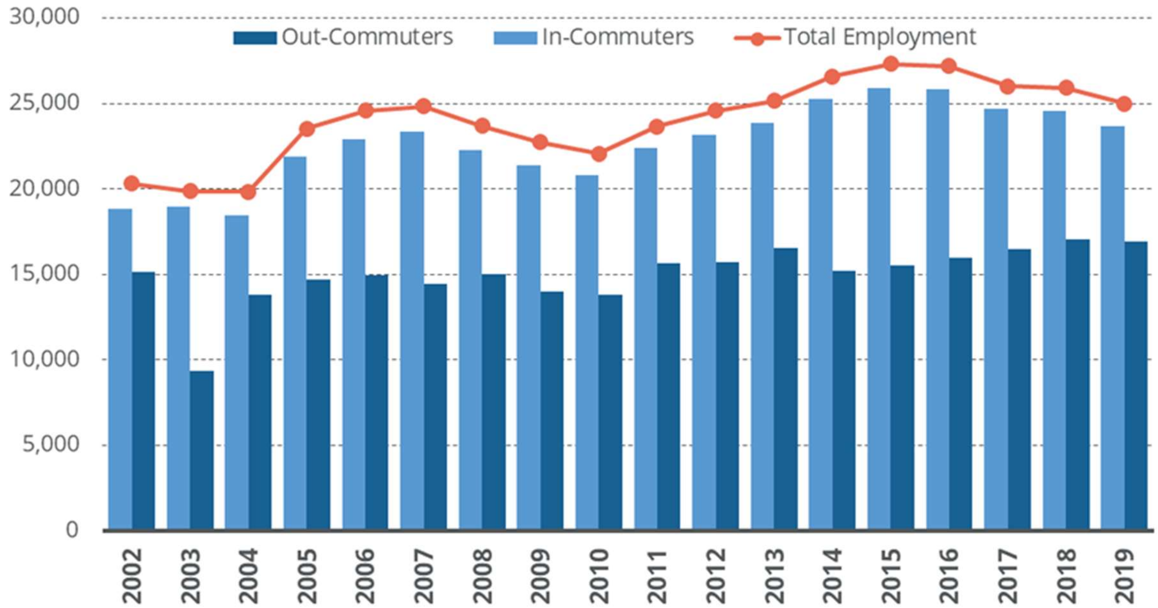


Originations:
1. Denver (23%)
2. Aurora (11%)
3. Lakewood (6%)
4. Englewood (5%)
5. Centennial (4%)
6. Highlands Ranch (3%)
7. Littleton (3%)
8. Thornton (2%)
9. Dakota Ridge (2%)
10. Arvada (2%)

Destinations:
1. Denver (37%)
2. Englewood (8%)
3. Centennial (6%)
4. Littleton (5%)
5. Aurora (5%)
6. Lakewood (5%)
7. Greenwood Village (5%)
8. Highlands Ranch (3%)
9. Sheridan (2%)

As shown in Figure I-15, the number of in-commuters has significantly outpaced out-commuters since 2002. This trend shows that Englewood continues to see robust job growth and is a strong driver of economic opportunity in the south metro area.

Figure I-15.
Commute Patterns and Total Employment, Englewood, 2002-2019



Source: LEHD and Root Policy Research.

Transportation. For the median income family in Englewood, transportation costs make up 20% of household income. With most households spending around 30% of their income on housing, the costs of transportation and housing make up approximately half of the income for the average household. Low income individuals in Englewood spend nearly half of their income on transportation alone.

20.1%
Percent of Income Spent on Transportation - Median Income Families
Englewood, CO

46.3%
Percent of Income Spent on Transportation - Low Income Individuals
Englewood, CO

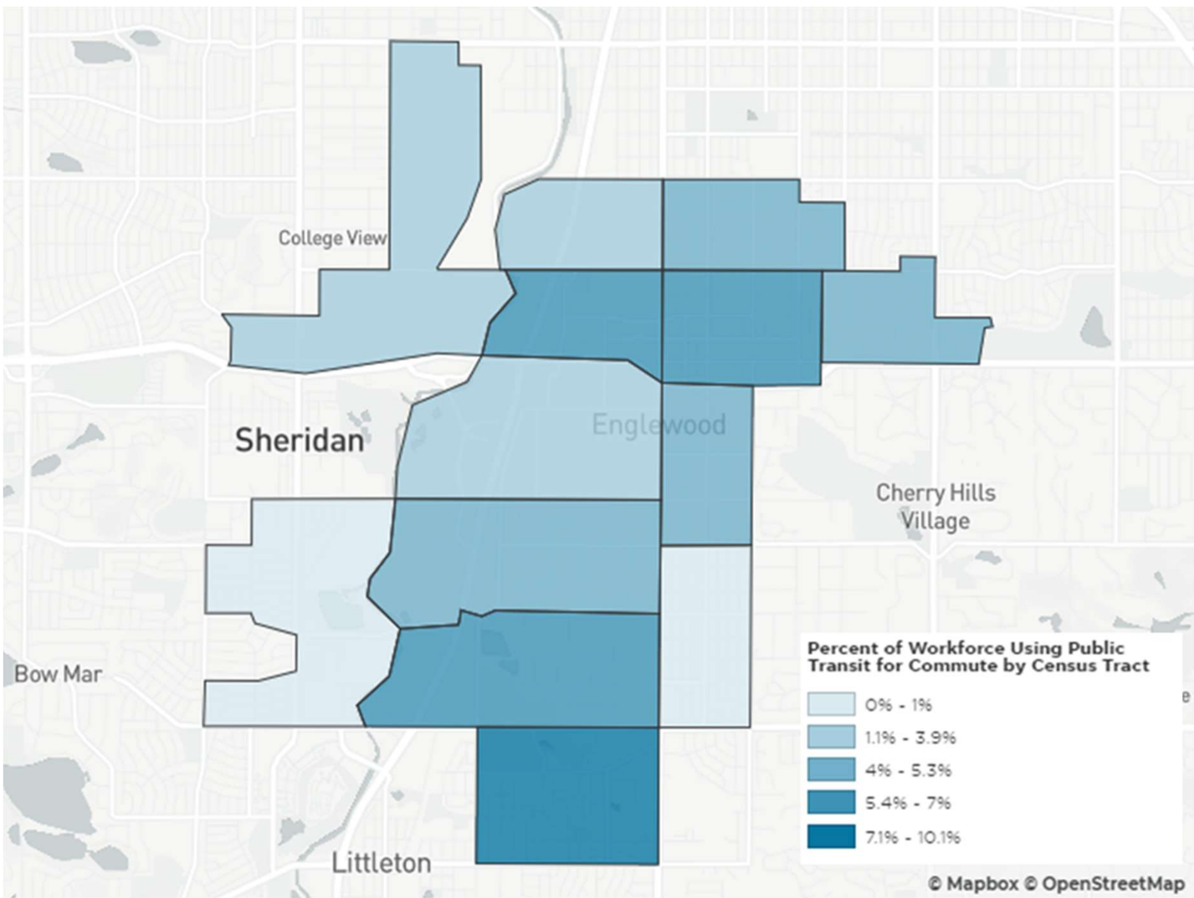
1,398
Occupied housing units
Vehicles Available for Occupied Housing Unit - No Vehicles
Englewood, CO

Sources: US Census Bureau ACS 5-year 2016-2020; US HUD & DOT LAI V3.0 2016

According to AAA, the average annual cost of owning a new car is $10,538 per year[3] —including depreciation, finance, fuel, insurance, license, registration, taxes, and maintenance—which breaks down to around $878 per month. The cost to own and maintain a car are out of reach for some households and approximately 9% of housing units in Englewood do not have a vehicle available to them. These households must rely on public transportation, ridesharing, and walking.

Similarly, Figure I-16 shows the percent of the workforce that uses public transportation as a means to commute to work. The areas of the city with a high percentage of people who use transit to commute are concentrated north of U.S. Highway 285 (Hampden Avenue) in the northern part of the city and south Englewood.

Figure I-16.
Percent of Workforce Using Public Transit for Commute by Census Tract



Source: MySidewalk with 2020 5-year ACS data.

[3] 2021 costs for a medium sedan as determined by AAA were used for this estimate. https://newsroom.aaa.com/wp-content/uploads/2021/08/2021-YDC-Brochure-Live.pdf

SECTION II.

HOUSING MARKET TRENDS

Section II.
Housing Market Trends

This section provides an overview of Englewood's housing stock and price trends in the rental and ownership markets. The market trends analysis establishes the context for housing needs in Englewood, discussed in detail in Section III.

Profile of Renters and Owners

Nearly half (48%) of Englewood's households are owner-occupied, which is slightly down from 50% in 2010. Both Arapahoe County and the state have also seen their share of owner-occupied households decrease over the same time period.

Figure II-1 summarizes characteristics of current renters and owners in Englewood. The figure displays the number and distribution of renter and owner households by demographic characteristic and provides the homeownership rate by age group, household type, education level and race/ethnicity. Some of the key differences between Englewood renters and owners include:

- **Owner households have median income more than 2x greater than renter households.** In 2020, the median income for owner households in Englewood is estimated at $95,705—compared to renters at $45,241.

- **Renters tend to be younger than owners.** In 2020, 57% of renters were younger than 44 years old, compared to only 37% of owners. Residents that are 65 years and older make up similar proportions of both renters and owners in the city (21% and 22%, respectively).

- **Owner households are more likely to be families.** Six in ten owner households are families while 70% of renter households are non-family households.

- **Owner households have higher educational attainment.** In 2020, 35% of renter households have a bachelor's degree or higher compared to more than half of owner householders (52%).

- **Owner households lack diversity in race and ethnicity compared to renter households.** More than eight out of every ten owner householders are White/Caucasian residents. For renter households, three out of every four households are headed by White/Caucasian residents and the remainder are people of color.

Figure II-1.
Profile of Renters and Owners, City of Englewood, 2020

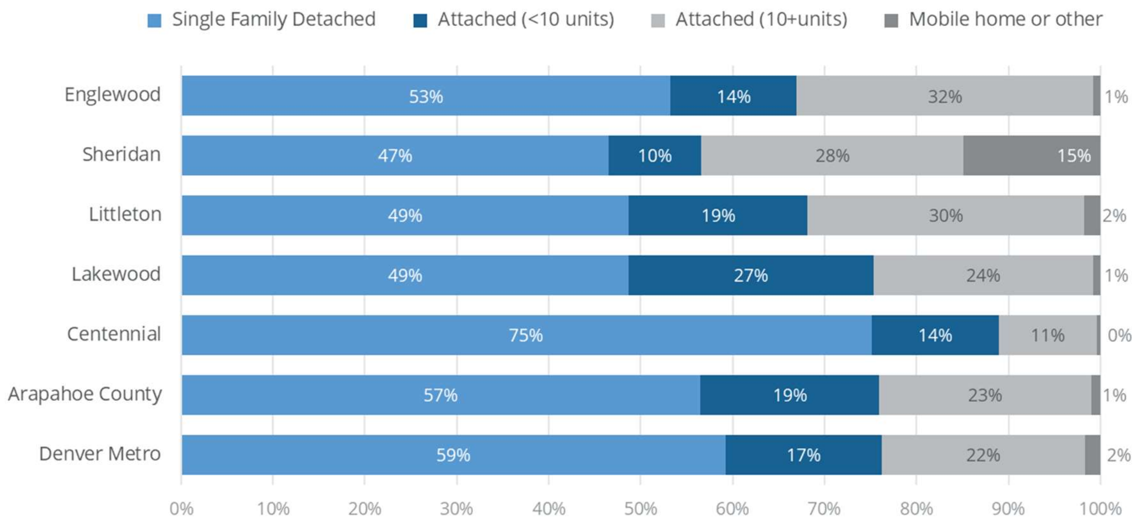
Tenure	Renters		Owners		Ownership Rate
	Number	Percent	Number	Percent	
Total Households	8,180	100%	7,576	100%	48%
Median Income	$45,241		$95,705		
Age of Householder					
Millennials (under 35)	3,233	40%	1,360	18%	30%
Ages 35-44	1,357	17%	1,426	19%	51%
Ages 45-64	1,833	22%	3,153	42%	63%
Seniors (65 and older)	1,757	21%	1,637	22%	48%
Household Type					
Non-family households	5,578	68%	2,912	38%	34%
Married families	1,463	18%	3,837	51%	72%
Other family	1,139	14%	827	11%	42%
Householder Educational Attainment					
Less than high school graduate	457	6%	363	5%	44%
High school graduate (or equivalent)	2,179	27%	1,144	15%	34%
Some college or associate's degree	2,567	31%	2,142	28%	45%
Bachelor's degree or higher	2,977	36%	3,927	52%	57%
Race/Ethnicity of Householder					
Non-Hispanic White	6,246	76%	6,450	85%	51%
Latino/Latinx/Hispanic	1,482	18%	789	10%	35%
Other	452	6%	337	4%	43%

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

Housing Stock

Relative to surrounding communities, Englewood has limited middle density housing stock (small attached products, like duplexes/townhomes). Nearly a third of the city's housing stock is comprised of attached properties with ten or more units, the highest among peer cities. The cities proportion of single family detached is similar to surrounding cities, excluding Centennial (an outlier with 75% single family detached stock).

Figure II-2.
Housing Structure Type, Englewood and Comparison Jurisdictions, 2020



Source: 2020 5-year ACS.

The city added 1,410 housing units between 2015 and 2020, but there was very little change in the overall housing stock structure, as shown in Figure II-3.

Figure II-3.
Change in Units by Structure Type, City of Englewood, 2015-2020

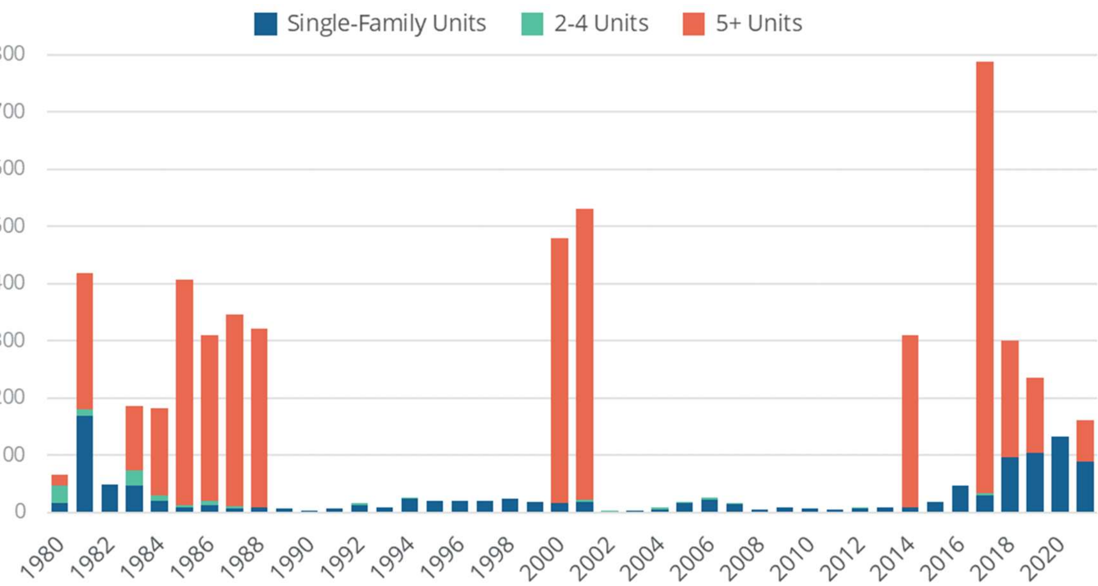
Unit type	2015		2020		2015-2020	
	Units	% of units	Units	% of units	Units	Pct Pt.
All units	**15,345**	**100%**	**16,755**	**100%**	**1,410**	**0%**
1-unit, detached	8,327	54%	8,923	53%	596	-1%
1-unit, attached	840	5%	1,049	6%	209	1%
2 units	240	2%	345	2%	105	0%
3 or 4 units	442	3%	419	3%	-23	0%
5 or more units	5,223	34%	5,891	35%	668	1%
Mobile home	273	2%	128	1%	-145	-1%

Source: 2015 and 2020 5-year ACS

Figure II-4 shows residential building permits by the number of units in structure from 1980 to 2021. Historically, high density multifamily development—with five of more units—has been permitted in the city throughout the last 40 years — primarily between 1985-1988, 2000-2001, and 2017.

Over the last ten years, high density multifamily development has made up nearly three quarters of the units permitted in Englewood (72%). Townhomes make up the majority of remaining units permitted annually (23%). Only 4% of residential building permits were for detached single family homes. Essentially no middle density housing permits—duplexes, triplexes, and fourplexes—have been issued between 2011 and 2021.

Figure II-4.
Residential Building Permits by Type, City of Englewood, 1980-2021



Note: Permit data from 1980 to 2010 is sourced from SOCDS data; permit data from 2011 to 2021 is sources from the City of Englewood.

Source: HUD State of the Cities Data Systems (SOCDS) and City of Englewood, Colorado.

Rental Market Trends

Englewood rental units are relatively affordable compared to other cities in the metro area. In 2020, the median monthly rent in Englewood was $1,224 which requires a household income of $48,960. Comparatively, monthly rents were higher in Littleton ($1,359), Lakewood ($1,430), and Centennial ($1,728), as well as Arapahoe County ($1,452) and the Denver Metro area ($1,446).

Figure II-5. Median Rent and Required Income, 2020

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

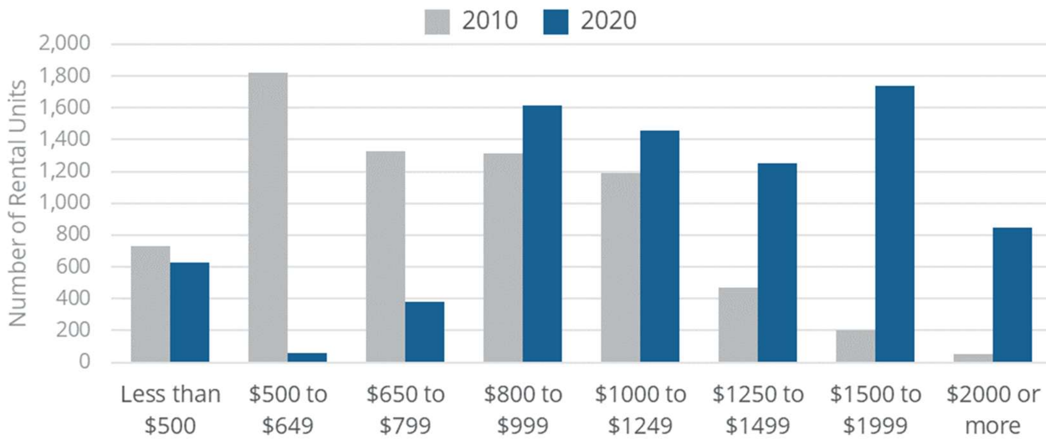
	Median Gross Rent	Income Required
Englewood	$1,224	$48,960
Centennial	$1,728	$69,120
Lakewood	$1,430	$57,200
Littleton	$1,359	$54,360
Sheridan	$1,212	$48,480
Arapahoe County	$1,452	$58,080
Denver Metro	$1,446	$57,840

The data shown above reflect the most recent comprehensive rental market information—the ACS is the only source that reports all types of rental units including single family rents. However, market rents have continued to rise through 2022 and a quarterly survey of multifamily properties throughout the Denver metro indicates that the average apartment in Englewood currently rents for $1700.[1]

Rents rose dramatically over the past 10 years, as illustrated by Figure II-6, which compares the distribution of rents in 2010 to 2020. There is a clear shift toward higher priced units, with the biggest losses in units renting for $500-$800 per month, offset by gains in units priced over $1,250 per month.

[1] Denver Metro Vacancy and Rent Survey.

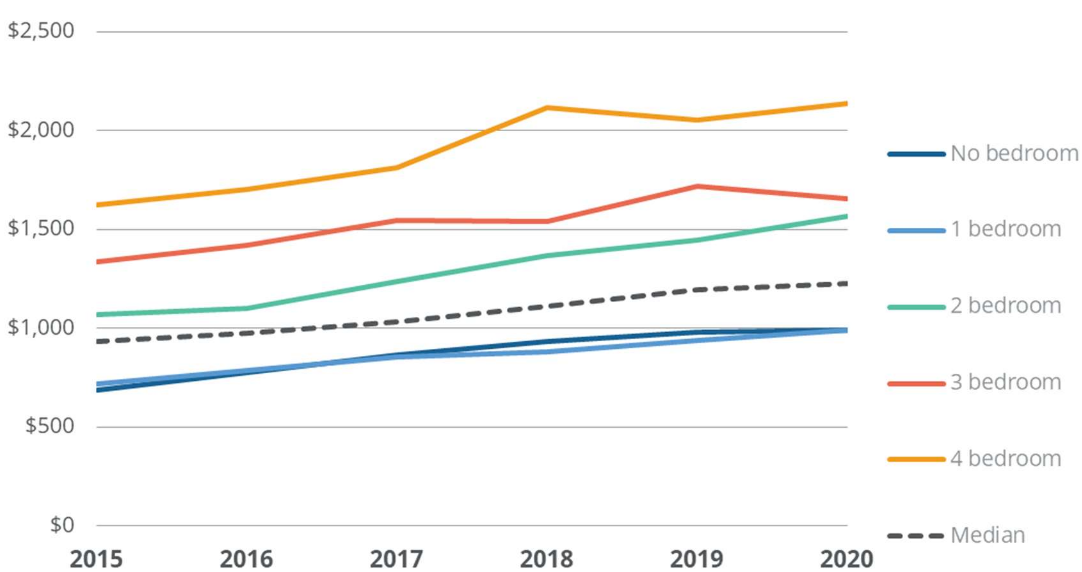
Figure II-6.
Distribution of Gross Rents, Englewood, 2010 and 2020



Source: 2010 and 2020 5-year ACS and Root Policy Research.

The median rent in Englewood in 2020 is estimated at $1,224 for all units, $991 for one-bedroom units, and $1,564 for two-bedroom units. Since 2015, median rents have increased by 31%, or nearly $300 per month. Two-bedroom units saw the largest surge with a 47% increase—a $497 increase in the median rent over the last five years.

Figure II-7.
Median Rent by Number of Bedrooms, City of Englewood, 2015-2020



Source: 2015 and 2020 5-year ACS

Figure II-8 provides more recent detail in multifamily rents from the Denver Metro Vacancy survey. Between 2021 and 2022, rents increased overall by 14% ($213). Rents increased the most for one-bedroom units ($304 per month increase) and two-bedroom, two-bath units ($292). Three bedroom units ($75 per month decrease) were the only unit type to see a decrease during the same time period.

Figure II-8.
Median Rent by Type, City of Englewood, 2021-2022

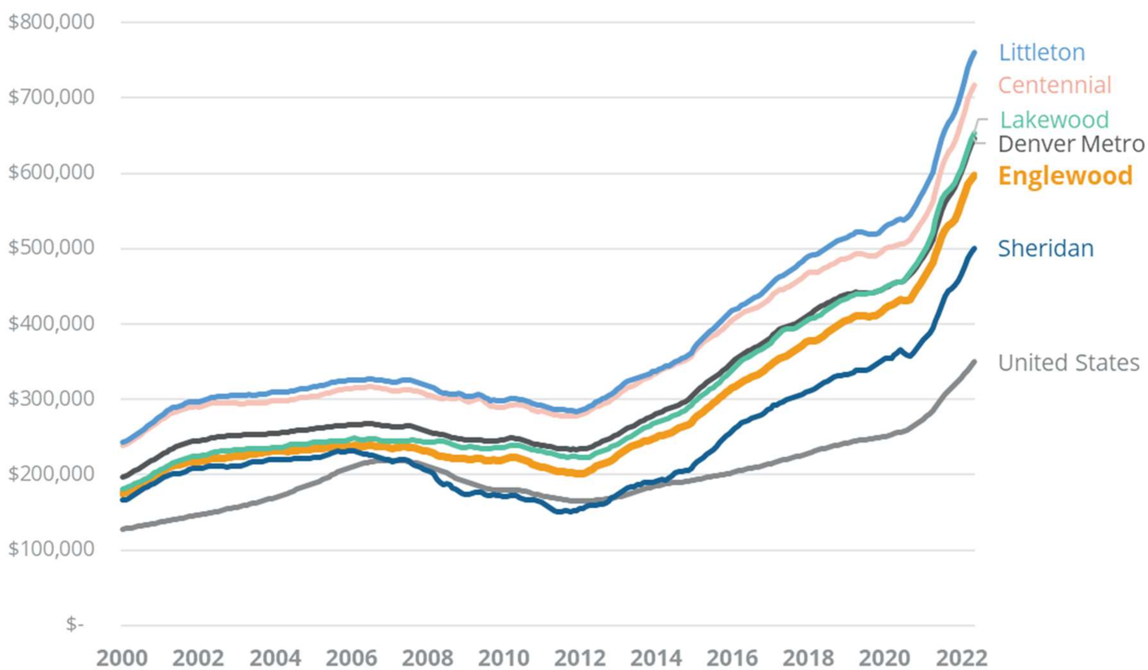
	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2021 Q2 - 2022 Q1 Change: Number	2021 Q2 - 2022 Q1 Change: Percent
Englewood/Sheridan						
Efficiency	$1,387	$1,362	$1,488	$1,586	$199	14%
1 Bed	$1,380	$1,467	$1,446	$1,684	$304	22%
2 Bed, 1 Bath	$1,542	$1,706	$1,696	$1,737	$196	13%
2 Bed, 2 Bath	$1,786	$1,836	$1,718	$2,078	$292	16%
3 Bed	$2,684	$2,763	$2,529	$2,610	-$75	-3%
All	**$1,486**	**$1,578**	**$1,547**	**$1,699**	**$213**	14%

Source: Denver Metro Vacancy and Rent Survey Q1 2022 and Root Policy Research.

For Sale Market Trends

The median market value of for-sale homes in Englewood has risen substantially since 2012 as the economy recovered from the Great Recession, with particularly steep increases over the past couple years. According to Zillow Analytics data (shown in Figure II-9), the home value in Englewood has tripled over the last twenty-two years — increasing from $182,504 in May 2000 to $597,853 in May of 2022 (328% increase).

Figure II-9.
Median Market Value of All Homes, 2000-2022



Source: Zillow Home Value Index.

Inventory. Metro-wide home inventory levels have been on a downward trend since 2019 (despite seasonal fluctuations): there were nearly 20% fewer active listings in August of 2022 compared to August of 2018.

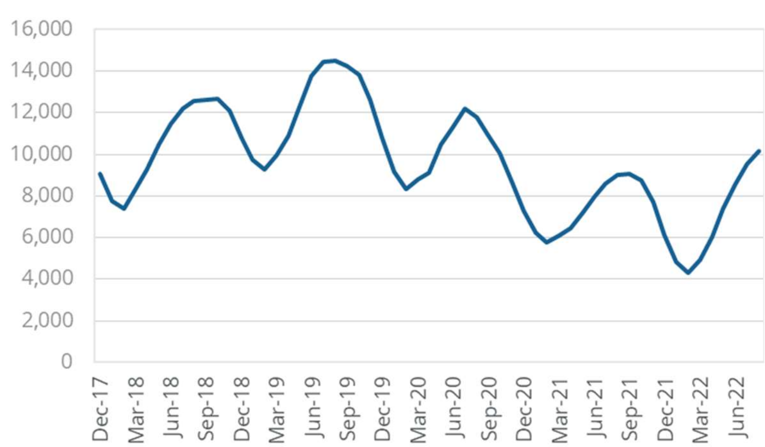
Figure II-10
Denver MSA Active Listings, 2017-2022

Note:

Data is through Q3, 2022.

Source:

Zillow For-Sale Inventory (Raw, All Homes, Monthly) Metro & U.S.



Recent sales in Englewood. Nearly 2,000 homes were sold in Englewood in 2020 and 2021, with a median sales price of about $500,000. Most of these (78%) were single family detached homes; other housing types, which includes both manufactured homes and attached housing such as townhomes and condos, comprised 22% of home sales in Englewood in 2020 and 2021.

The median price of "other" housing types was actually higher ($511,000) than single family homes ($451,000), despite their smaller size. This can be attributed to the recent construction of these housing types: of all other housing types sold during this time period, more than 60% were built after 2017. The median year built for single family residential homes in Englewood was 1954.

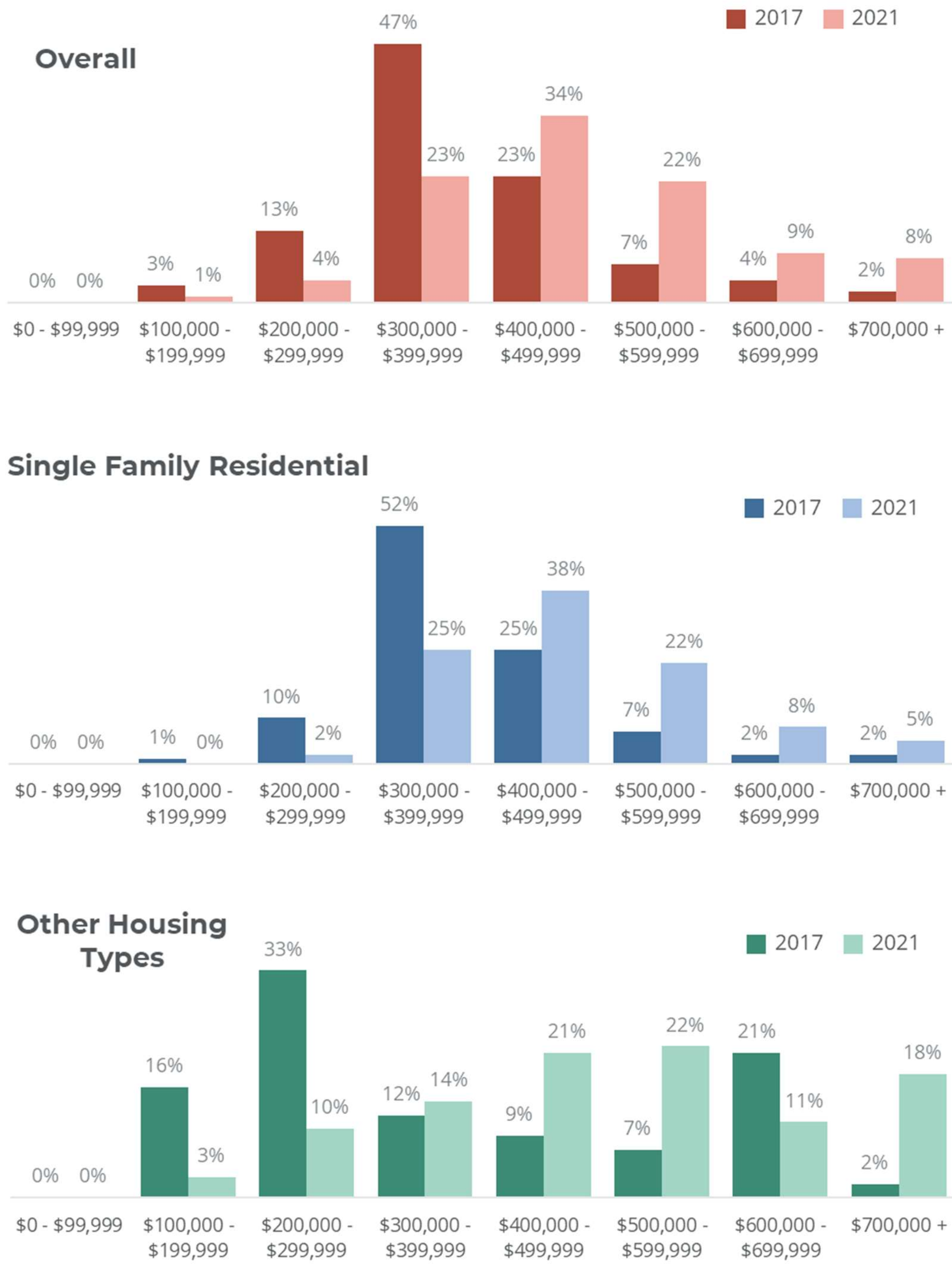
Figure II-11
Sold Home Characteristics, Englewood, 2020-2021

	All Sold Homes	Single Family Residential	Other Housing Types
Number of sold homes	**1,947**	**1,517**	**430**
Median # bedrooms	2	2	2
Median # bathrooms	2	2	3
Median year built	1954	1950	2018
Median sale price	$458,000	$451,000	$511,275

Source:
Arapahoe County Assessor and Root Policy Research.

Figure II-12 (on the following page) shows the price distribution of Englewood home sales by type in both 2017 and 2020/21. Single family residential experienced significant upward price shifts since 2017 — the proportion of single family homes sold for over $500,000 increased from 13% of all sales to 35% of all sales. For other housing types, the proportion of homes that sold for over $700,000 in 2020 and 2021 was nine times more than in 2017.

Figure II-12.
Home Sales Price Distribution by Type, 2017 and 2020/2021, Englewood



Source: Arapahoe County Assessor and Root Policy Research.

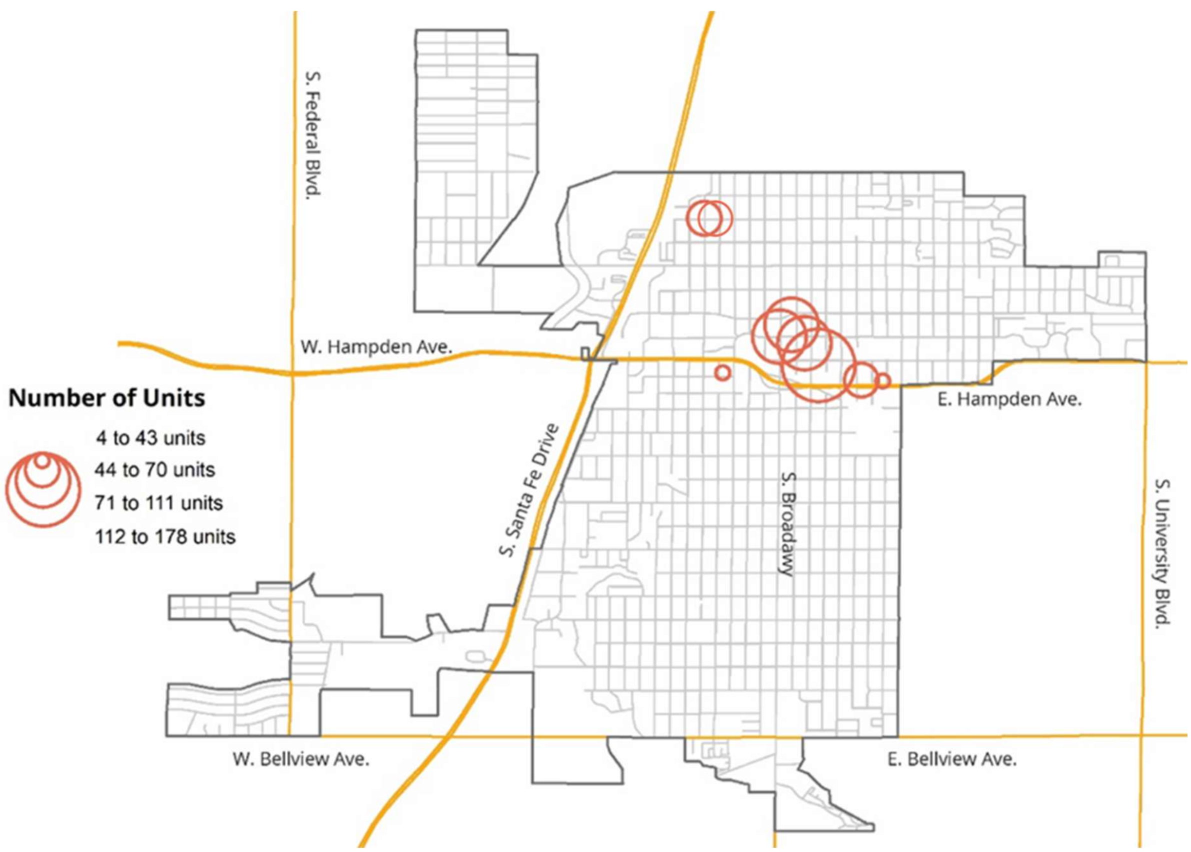
Income Restricted Housing

For low-and moderate-income households priced out of the increasingly expensive rental and ownership markets, subsidized housing units are needed to keep residents housed in the city. For households earning less than 30%, AMI publicly supported housing is needed in all markets, whereas, for households earning between 30 and 50% AMI, subsidies are needed in most markets—particularly as rents continue to outpace income increases.

There are currently 916 subsidized or publicly assisted rental units in Englewood, 544 of which are designated for income-qualified seniors. Englewood's public housing authority, Innovative Housing Concepts, manages 205 of the public housing units and administers 104 project-based vouchers in Englewood.

As shown in Figure II-13, Englewood's publicly assisted rental housing is concentrated in the northern portion of the city, primarily along Hampden Avenue, which coincides with areas historically zoned for multifamily development.

Figure II-13.
Publicly Assisted Rental Housing in Englewood



Source: City of Englewood and Root Policy Research.

SECTION III.

HOSUING NEEDS ANALYSIS

Section III.
Housing Needs Analysis

This section evaluates housing market trends in the context of Englewood's socioeconomic conditions to identify housing affordability needs. Needs are defined both by cost burden as well as a housing gaps analysis, which compares supply and demand by price-point.

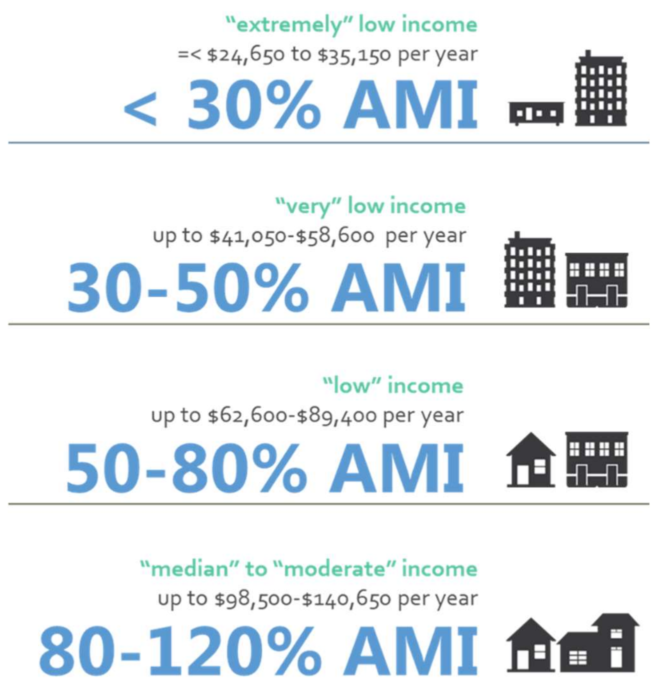
Defining Affordability

The most common definition of affordability is linked to the idea that households should not be cost burdened by housing. A cost burdened household is one in which housing costs—the rent or mortgage payment, plus taxes and utilities—consumes more than 30% of monthly gross income. The 30% proportion is derived from historically typical mortgage lending requirements. Thirty percent allows flexibility for households to manage other expenses (e.g., childcare, health care, transportation, food costs, etc.).

"Naturally occurring affordable housing" (NOAH) refers to housing that meets that standard without a public subsidy or specific regulation. "Income restricted" or "deed restricted" housing refers to housing that is contractually obligated to remain affordable at specified income or rent levels.

Eligibility for housing programs is generally based on how a household's income falls within HUD-determined income categories. The categories are based on the regional Area Median Income (AMI). Although AMI categories can vary by specific housing program, in general, they include:

- Households earning 30% of AMI are considered "extremely" low income. These households can also be thought of as those living under the federal poverty threshold.
- Households earning between 31% and 50% of AMI are "very" low income.
- Households earning between 51% and 80% of AMI are "low" income.
- Those earning more than 80% are considered "moderate" income and, in most high cost markets, are eligible for housing programs.



Note: 2022 HUD Income Limits for Denver Metro; ranges reflect 1- to 4-person hh

Housing Cost Burden

Cost burden exists when households pay more than 30% of their gross household income for housing costs. Housing costs include the rent or mortgage payment, homeowners' association (HOA) fees, utilities, mortgage insurance, renter or homeowner insurance, and property taxes.

Severe cost burden—paying more than 50% of monthly gross income on a household rent or mortgage—is an indicator of critical housing needs. Severe cost burden is also linked to a high risk of eviction or foreclosure, and homelessness.

In 2020, half of all Englewood renters were cost burdened and nearly one in four renters (23%) experience severe cost burden and are considered at risk for homelessness. Owners experience cost burden at a lower rate than renters: 18% are cost burdened and 6% are severely cost burdened. Owner household cost burden has decreased since 2015, while renter cost burden has remained roughly the same.

Figure III-1. Cost Burden and Severe Cost Burden, Englewood, 2015 and2020

Source:
2015 and 2020 5-year ACS.

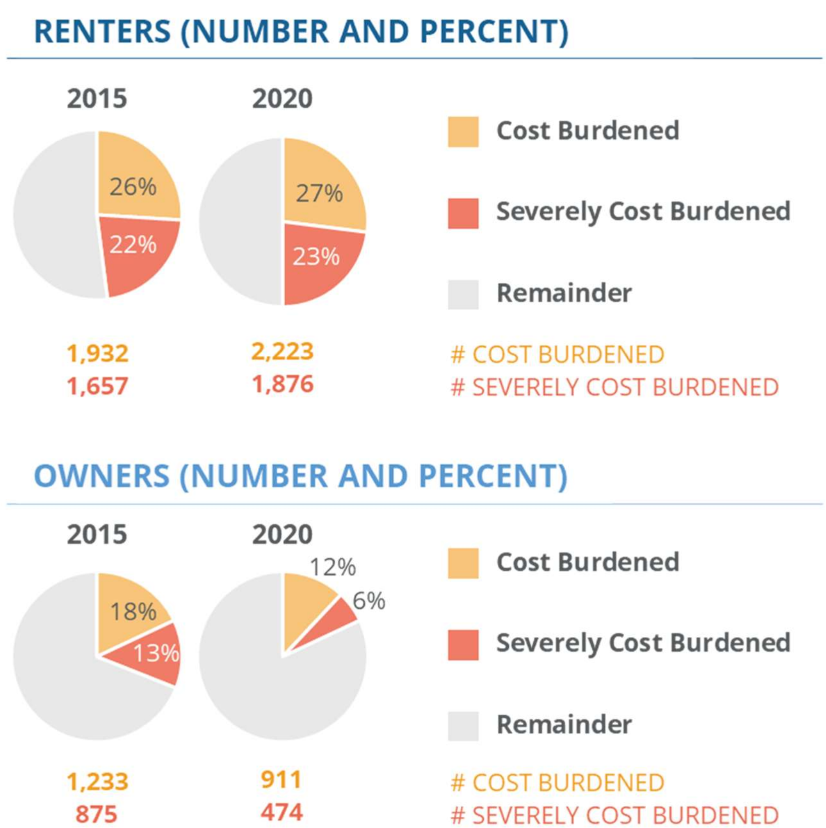
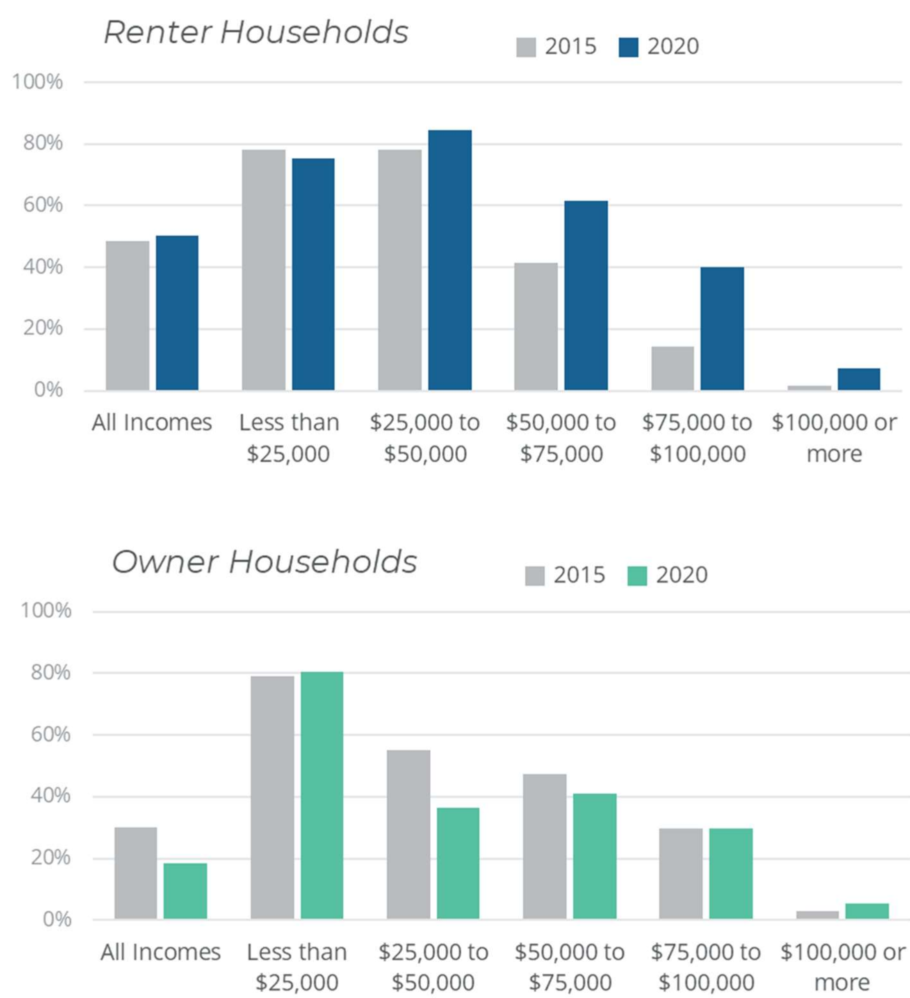


Figure III-2 shows cost burden by household income and tenure in 2015 and 2020. Since 2015, the share of cost burdened households decreased for owner households earning less than $75,000 and renter households earning less than $25,000. This trend is largely due to income shifts in the city and larger region during this time from low to high income households. At the same time, the instances of cost burden among owners earning more than $75,000 and renters earning more than $50,000 increased.

Figure III-2. Cost Burden by Income and Tenure, City of Englewood, 2015-2020

Source:
2015 and 2020 5-year ACS.



Changing Incomes and Affordability

As discussed in the Demographic Framework, household incomes in Englewood did experience substantive gains over the past decade: median renter incomes rose 48% and median owner incomes rose 63% between 2010 and 2020. However, even these increases were not sufficient to keep pace with the rapid rise of home prices and rents.

Figure III-3 summarizes affordability changes in Englewood by comparing the change in median income to the change in rent/home prices and purchasing power (at the median income). Purchasing power assumes a 30-year mortgage with a 10% down payment and incorporates property taxes, insurance, HOA payments and utilities (assumed to collectively account for 20% of the monthly payment.

Data in the figure focus on changes between 2010 and 2020, because that is the most recent year for which income data are available. Even after accounting for falling interest rates over the period, purchasing power did not keep pace with home price changes. Rising interest rates in 2022 will exacerbate this disparity, compressing affordability. For example, if the current rate of 5.0% were applied to the 2020 median income, the affordable purchase price would drop to $272,000—just a 51% increase from 2010.

Figure III-3. Affordability Changes at the Median

Note:

Maximum affordable home price assumes 10% down on a 30-year mortgage. Property taxes, insurance, HOA and utilities collectively account for 25% of the monthly payment.

Source:

2010 and 2020 5-year ACS, Zillow analytics, and Root Policy Research.

	2010	2020	% Change
Income			
Median Household Income	$42,416	$66,399	**57%**
Median Owner Income	$58,696	$95,705	**63%**
Median Renter Income	$30,618	$45,241	**48%**
Rent/Home Prices			
Median Rent	$749	$1,224	**63%**
Median Market Value	$205,372	$432,977	**111%**
Purchasing Power			
Affordable Home Price at Median Household Income	$180,132	$341,655	**90%**
Interest rate	4.69%	3.11%	

When incomes and purchasing prices go up, so does the monetary value of a 10% downpayment. Figure III-4 shows a 10% downpayment (based on median market values) as a proportion of the median income in Englewood.

In 1990, a 10% downpayment required 31% of the median household's annual income. In 2020, a 10% downpayment required 65% of the median household's annual income. While prospective buyers may be able to afford the monthly mortgage payments, the much higher downpayment requirement creates a significant obstacle for renters who wish to buy.

Figure III-4.
Median Market Value and Downpayment, Englewood, 1990-2020

Year	Median Household Income	Median Market Value	Downpayment Dollars	Downpayment Percent of Income
1990	$24,684	$77,008	$7,701	31%
2000	$39,271	$150,912	$15,091	38%
2010	$45,716	$205,372	$20,537	45%
2020	$66,399	$432,977	$43,298	65%

Note: Maximum affordable home price is based on a 30-year mortgage with a 10% down payment and an interest rate of 5.0%. Property taxes, insurance, HOA and utilities are assumed to collectively account for 20% of the monthly payment.

Source: Freddie Mac, 1990, 2000 Census, 2010 and 2020 5-year ACS, Zillow Analytics, and Root Policy Research.

Gaps Analysis

To examine how well Englewood's current housing market meets the needs of its residents, Root Policy Research conducted a modeling effort called a "gaps analysis." The analysis compares the supply of housing at various price points to the number of households who can afford such housing. If there are more housing units than households, the market is "oversupplying" housing at that price range. Conversely, if there are too few units, the market is "undersupplying" housing. The gaps analysis conducted for Englewood addresses both rental affordability and ownership opportunities for renters who want to buy.

Rental gap. The rental gaps analysis compares the number of renter households in Englewood, their income levels, the maximum monthly housing payment they could afford, and the number of units in the market that were affordable to them. The "Rental Gap" columns show the difference between the number of renter households and the number of rental units affordable to them. Negative numbers (in parentheses) indicate a shortage of units at the specific income level; positive units indicate an excess of units. Gaps are shown by nominal income ranges (in dollars) and income ranges by AMI.

The gaps analysis in Figure III-5 shows that:

- Twenty two percent of renters (1,818 households) living in Englewood earn less than $20,000 per year and need rental units of $500/month and less to avoid being cost burdened. Just 8% of rental units (673units) in the city rent for less than $500/month. This leaves a "gap," or shortage, of 1,145 units for these low-income households.
- Another 531 households earn between $20,000 and $25,000 annually and need rental units priced between $500 and $625 to meet their affordability needs. However, there are just 49 units in this price range, leaving a shortage of 482 units at this range.
- **Collectively, there is a shortage of 1,627 units priced for households earning less than $25,000 annually (approximates to 30% AMI).**

- The cumulative gap column indicates that the overall affordability shortage is not fully resolved until households are earning more than $50,000 per year (around 50% AMI).

The "shortage" shown for higher income renters (earning more than $75,000 per year) suggests those renters are spending less than 30% of their income on housing. This points to an income mismatch in the market in which higher income households are occupying homes affordable to lower income households.

Figure III-5.
Englewood Rental Gaps

Income Range	Maximum Affordable Rent	Rental Demand: Current Renters		Rental Supply: Current Units		Rental Gap	Cummulative Gap
		Num.	Pct.	Num.	Pct.		
Income by Dollar Amount							
Less than $20,000	$500	1,818	22%	673	8%	(1,145)	(1,145)
$20,000 to $24,999	$625	531	6%	49	1%	(482)	(1,627)
$25,000 to $34,999	$875	890	11%	1,111	13%	221	(1,406)
$35,000 to $49,999	$1,250	1,335	16%	2,618	31%	1,283	(123)
$50,000 to $74,999	$1,875	1,389	17%	2,750	32%	1,361	1,238
$75,000 to $99,999	$2,500	993	12%	943	11%	(50)	1,188
$100,000 or more	$2,500 +	1,224	15%	435	5%	(789)	399
Total / Low Income Gap (<$25,000/year)		**8,180**	**100%**	**8,580**	**100%**	**(1,627)**	
Income by AMI							
0-30% of AMI	$600	2,243	27%	706	8%	(1,537)	(1,537)
31-50% of AMI	$1,000	1,441	18%	2,177	25%	736	(801)
51-80% of AMI	$1,570	1,601	20%	3,177	37%	1,576	775
81-100% of AMI	$2,000	876	11%	1,609	19%	733	1,507
101-120% of AMI	$2,400	636	8%	380	4%	(256)	1,252
121% of AMI or more	$2,400 +	1,383	17%	531	6%	(852)	400
Total / Low Income Gap (<30% AMI)		**8,180**	**100%**	**8,580**	**100%**	**(1,537)**	

Note: AMI based on a 2-person household, in line with Englewood's average renter household size of 1.98.

Source: 2020 5 year ACS, 2018 and 2020 HUD Income Limits, and Root Policy Research.

Gaps in the for-sale market. The gap between interest in buying and available product is demonstrated by the for-sale gaps analysis shown in Figures III-6. Similar to the rental gaps analysis, the model compares renters, renter income levels, the maximum monthly housing payment they could afford, and the proportion of units in the market that were affordable to them. (Renters are used to approximate demand among 1st time homebuyers who do not already have equity in an existing home).

The "Renter Purchase Gap" column shows the difference between the proportion of renter households and the proportion of homes sold in 2020/21 that were affordable to them. Negative numbers indicate a shortage of units at the specific income level; positive units indicate an excess of units. It is important to note that the gaps column accounts only for units that fall precisely within the affordability range of the household. The "cumulative gap" —which is a better measure of need—accounts for the fact that buyers can purchase homes that are priced at or below their affordability range.

Figure III-6.
Englewood Renter Purchase Gap

Income Range	Maximum Affordable Home Price	Potential Demand of 1st Time Buyers (Current Renters)		For-Sale Supply (Homes Sold 2020-21)		Renter Purchase Gap	Cumulative Gap Excluding <$25,000 (or 30% AMI)
		Num.	Pct.	Num.	Pct.		
Income by Dollar Amount							
Less than $25,000	$96,867	2,349	29%	2	0%	-29%	
$25,000 to $34,999	$135,614	890	11%	2	0%	-11%	-11%
$35,000 to $49,999	$193,734	1,335	16%	13	1%	-16%	-26%
$50,000 to $74,999	$290,601	1,389	17%	64	3%	-14%	-40%
$75,000 to $99,999	$387,468	993	12%	382	20%	7%	-33%
$100,000 or more	$387,468 +	1,224	15%	1,484	76%	61%	29%
Income by AMI							
0-30% AMI	$92,992	2,243	27%	2	0%	-27%	
31-50% AMI	$154,987	1,441	18%	2	0%	-18%	-18%
51-80% AMI	$243,330	1,601	20%	37	2%	-18%	-35%
81-100% AMI	$309,974	876	11%	74	4%	-7%	-42%
101-120% AMI	$371,969	636	8%	246	13%	5%	-37%
120%+ AMI	$371,969 +	1,383	17%	1,586	81%	65%	27%

Note: Maximum affordable home price is based on a 30-year mortgage with a 10% down payment and an interest rate of 5.5%. Property taxes, insurance, HOA and utilities are assumed to collectively account for 20% of the monthly payment. AMI based on a 2-person household, in line with Englewood's average renter household size of 1.98.

Source: 2020 5-year ACS, Arapahoe County Assessor Data, and Root Policy Research.

The for-sale gaps analysis shows the Englewood ownership affordability needs are concentrated among households earning less than $75,000 per year (about 80% AMI) but extend up to those earning $100,000 (about 120% AMI).

What can workers afford? Figure III-7 shows the housing industry workers can afford in 2020 in Englewood. Median rent and median purchase price were used to measure if households would be able to participate in the Englewood housing market. The median rent in 2020 was $1,224. The median sale home price in 2020 and 2021 was $458,000.

Most industries can afford the median rent in Englewood—except for households working in agriculture and forestry, as well as accommodation and food services and retail trade. However, workers in just a handful of industries are able to purchase the median priced home in Englewood on the average wage, even accounting for 1.5 workers per household.

Figure III-7.
Housing Industry Workers can Afford, Englewood, 2020

Industry	Avgerage Annual Wage	Afford Median Rent?	Afford Median Sale Price?	Afford Median Sale Price with 1.5 workers per household?
Utilities	$98,020	Yes	No	Yes
Agriculture, Forestry	$37,856	No	No	No
Mining and Oil and Gas	$175,500	Yes	Yes	Yes
Public Administration	$71,708	Yes	No	No
Transportation and Warehousing	$57,252	Yes	No	No
Educational Services	$53,040	Yes	No	No
Real Estate and Rental and Leasing	$71,760	Yes	No	No
Manufacturing	$68,536	Yes	No	No
Arts, Entertainment, and Recreation	$70,252	Yes	No	No
Management of Companies	$139,880	Yes	Yes	Yes
Wholesale Trade	$105,456	Yes	Yes	Yes
Accommodation and Food Services	$24,336	No	No	No
Administration; Waste Management	$53,404	Yes	No	No
Construction	$76,752	Yes	No	No
Retail Trade	$40,300	No	No	No
Information	$127,296	Yes	Yes	Yes
Health Care and Social Assistance	$61,828	Yes	No	No
Finance and Insurance	$114,400	Yes	Yes	Yes
Professional Services	$108,524	Yes	Yes	Yes
Other Services	$49,244	Yes	No	No

Note: Mortgage assumptions include 5.5% interest rate, 20% monthly payment to ownership costs (e.g., property taxes, utilities, and insurance), and 10% downpayment.

Source: QCEW, 2020 5-year ACS, Arapahoe County Assessor Data, and Root Policy Research.

Community Perspectives on Housing Needs

This section summarizes focus groups and interviews with local developers who work in Englewood and the Denver metro area. The main objectives of the conversations were to get developers' perspectives on housing demand in Englewood as well as potential solutions to meet the city's housing needs. Additionally, developers were asked to provide more information specific to the development context in Englewood — specifically, land and construction costs, development review process and fees, barriers development, and possible incentives for affordable housing development.

Englewood development environment. Developers spoke generally about current challenges impacting development. One developer reflected that "[current] construction costs are the highest escalation of costs they've seen in the markets they've worked in." Driving this situation are a number of factors, including difficulty getting financing, land prices, high cost of materials, and demand for development (e.g. number of proposed buildings), labor, and transportation. One developer noted that the biggest current development constraint in Englewood is the cost of construction. They emphasized Englewood's prime location to light rail and access to jobs but noted that until prices level off, it's "difficult to get the types of developments we specialize in (high-rise concrete) to pencil." Another developer also noted a limited number of available sites in the city to make larger developments (e.g. 300+ unit developments with an average unit size of 850 sq. ft.) work.

Several developers described Englewood as well positioned geographically in the market, due to its proximity to the Denver Tech Center and downtown Denver. One developer felt that "[Englewood] is a spot where we'll continue to see renters who need to split time (e.g. couples working in opposite directions) and want a nice unit for a reasonable price." This developer also noted that Englewood offers both urban amenities and suburban characteristics, which is "what a lot of renters are looking for in a post-COVID world." Developers agreed that not enough affordable housing is being built in Englewood, particularly for middle income (50-80% AMI) households.

Regulatory barriers. Overall, parking regulations were identified as the greatest regulatory barrier to development in Englewood. Several stakeholders felt that the current city regulation (1.7 parking spaces required per unit) was too high. Developers expressed a desire around more flexibility related to parking requirements. A couple of stakeholders who developed projects through the PUD project also felt that even with negotiated parking requirements, the space per unit was still too high based on the unit mix of the developments. Some developers felt that pressure asserted by local neighbors/community on city staff impacted the ability of the City to be a bit more flexible, even if the zoning code allowed for a certain request.

Overall, developers shared mixed experiences with the City's entitlement process. Some stakeholders felt Englewood was fairly easy to work with and obtain the entitlements needed for their respective developments. Other developers felt there is too much ambiguity in the process, and it took too much time.

Development fees. Overall, stakeholders felt that Englewood had some of the lower-priced development fees relative to other cities in the metro area. One stakeholder articulated that "[the fees] were not prohibitive…zoning and regulations are pretty straightforward." Another stakeholder concurred, sharing that development fees are on the lower end of what they've seen in the metro area. They also acknowledged that municipalities are not the only entities charging fees (e.g., special districts).

Incentivizing more housing in Englewood. Developers felt from a planning standpoint, Englewood is "pretty well built out." A few developers felt there was a lot of underutilized retail that could get developed. Developers suggested the City create an overlay map or some other mechanism to help identify areas of underutilized commercial and retail uses that are well positioned to be redeveloped into residential uses. A stakeholder added "let the market figure out what is available."

Developers were relatively open to incentives but had some concerns around how the incentives were structured. When asked about whether they would utilize incentives, one developer articulated that it "depends on the management process." Several developers were concerned about the administrative burden that might be imposed on them, specifically pointing to the time and expertise needed to certify tenants every year. If a program or policy was put in place, they strongly advocated for another party to take on the certification and monitoring components. Other stakeholders felt that incentives never truly offset the cost of providing affordable units. One stakeholder did note that they "would definitely build affordable housing if the costs were truly offset."

Overall, developers expressed less support for the adoption of an inclusionary housing policy in Englewood. However, developers shared many ideas on how an inclusionary housing policy could succeed. One developer shared that they could make 10% of their units affordable but would need cost savings in other areas (e.g. parking requirement reductions). A couple developers noted that 90-95% of costs are fixed so it's difficult to make a portion of a project affordable without other concessions.

When asked about how the City could encourage natural housing affordability, one developer described natural occurring affordable housing (NOAH) as a long-term process. This developer noted that the City should "incentivize as much market rate housing as you can now so that 20 years down the line, you have NOAH." Another developer felt that because of its location along a major transit corridor, Englewood would be well positioned for more dense development in the next ten years, noting the "the economics aren't there today." This developer felt that the city should implement greater height allowances along these corridors now so that when the market is ready, this type of development "can happen down the road."

Community engagement. Developers described community engagement requirements by the City as "not overly burdensome" but that the community still has major influence in whether projects get approved or not. Based on past reactions to multifamily projects in Englewood, one developer shared that they engaged with the neighborhood and small businesses early on in the process to garner support for the project. The stakeholder emphasized that holding these extra conversations with the community was not required by the City but helped the project succeed.

CodeNext engagement summary. In addition to developer engagement, the CodeNext team engaged with residents to gather feedback on the Englewood CodeNext project. The CodeNext team utilized an online questionnaire from April 15 to May 8 and held a public workshop on April 22 to elicit feedback on key issues. Overall, residents are open to allowing a diversity of new housing types in Englewood but want to ensure that parking and building height regulations are crafted in a way to ensure a smooth integration of new development into existing neighborhoods. Specific findings related to housing needs are summarized below.

Small-lot detached houses. A near majority of workshop participants (48%) articulated a desire to see small lots allowed throughout the city. Survey respondents also responded favorably to allowing small lots, with over a quarter of respondents (26%) supporting their allowance throughout the city while another 30% supported allowing small lots in certain zoning districts. Residents were most concerned about parking and building height regulations as small lots get integrated into neighborhoods.

Multi-unit housing. Forty five percent of workshop participants wanted to see small-lot, multi-unit housing allowed in all R-2 and MU-R3 zones. Survey respondents supported this type of housing to be allowed in the city but more than a third of respondents (36%) wanted to limit this type of housing to certain zoning districts or specific arrangements. Respondents again emphasized parking and building height regulations as their biggest concerns related to integrating multi-unit housing into neighborhoods.

Apartments and mixed-use buildings. When asked how the development code update should address apartments and mixed-use building types, workshop participants and survey respondents overwhelmingly wanted to see improved standards for the MU-R-3-A, MU-R-3-B, and MU-R-3-C district types, articulating an interest in seeing a variety of housing types developed in the city. Again, parking and building height were the biggest regulatory issues flagged by residents.

Accessory Dwelling Units. The CodeNext team described residents' strong willingness to expand ADUs in the city. Fifty two percent of workshop respondents expressed a desire for the City to take a proactive approach to ADUs by reducing barriers throughout the city in all residential districts. Forty nine percent of survey respondents supported allowing ADUs in Englewood, but only in particular circumstances such as special reviews or based on operation/ownership criteria. Residents were open to allowing more than one ADU per lot but felt this should only be allowed for larger lots (i.e., 9,000 SF).

Parking. When asked how best to adjust requirements to optimize the amount of parking provided in Englewood, 80% of workshop respondents wanted to see the city set parking maximums with flexible options, while 41% of survey respondents wanted to the city streamline shared parking regulations. CodeNext emphasized that respondents articulated a heavy emphasis on shared parking strategies and more flexibility related to parking regulations.

SECTION IV.

RECOMMENDED STRATEGIES

SECTION IV.
Recommended Strategies

This section outlines the recommended actions to address the Cit's housing needs in accordance with the City's existing vision for housing, as expressed in the Comprehensive Plan.

Why Address Housing Needs?

- **Housing is a fundamental function of community.** A balanced housing stock accommodates a full "life cycle community"—where there are housing options for each stage of life from career starters through centenarians—which in turn supports the local economy. Residents' housing needs change over time, most often due to aging, education and skill development, employment, economic disruption, care for family members, and/or transition to a fixed income. When housing costs are too high, communities have trouble attracting employers and workers; residents cannot cycle through housing types that best meet their needs (i.e., downsize or upsize); and community services and amenities shift to accommodate in-commuters' needs, which dilutes local culture.

- **Research has consistently shown that a constrained housing market negatively impacts economic growth.** Research also suggests that loosening land use and housing regulations helps to alleviate high construction costs and allows for greater economic growth.[1] Generally, overregulation of land makes housing markets less efficient and less affordable.

- **Englewood has historically provided a relatively affordable suburban living environment to Denver Metro Area families, workers, and retirees; however,** recent trends in market prices, increasing mortgage interest rates, and land constraints are putting the city out of reach for middle income households. The existing housing products and price points offered no longer easily accommodate the needs of starter families, the growing workforce, or aging residents who wish to downsize, particularly as housing prices continue to increase faster than incomes. Actions that help mitigate price increases and preserve both market-rate and publicly assisted housing affordability will also help preserve the identity of Englewood itself.

[1] Chakrabarti, R., & Zhang, J. (2010). Unaffordable housing and local employment growth (No. 10-3). Federal Reserve Bank of Boston.

Role of land use regulations. Academic literature shows that land use controls can make housing more expensive by raising the price of housing far above the cost of construction.[2] This in turn restricts the growth of America's most successful metropolitan areas; limiting the growth of such successful cities means that Americans increasingly live in places that make it easy to build, not in places with higher levels of productivity. [3] Increased constraints to housing supply in productive cities reduce economic growth and welfare not only in these cities, but at the national level as well.[4]

Although land use regulations serve a critical role in creating functional cities, overregulation tends to reduce well-being by making housing production less efficient and housing consumption less affordable while not significantly increasing quality-of-life benefits.[5]

Englewood Housing Goals and Resources

Englewood Forward goals. The City's 2016 Comprehensive Plan, "Englewood Forward"[6] is centered around six key components to guide future development: Live, Work, Shop, Move, Learn, and Play. The "Live" vision element, which guides the City's approach to housing and land use, is highlighted below, along with the plan's Live goals.

Live—Current and future Englewood residents will have opportunities to choose from a variety of high quality housing stock that incorporates a range of housing types and densities that appeal to the needs and desires of families, singles, and seniors, within desirable neighborhoods.

- Goal Live-1: Promote a balanced mix of housing opportunities serving the needs of current and future Englewood citizens.
- Goal Live-2: Provide an environment for the improvement of the quality of the City's existing housing stock.
- Goal Live-3: Recognize and enhance the relationships between land use and the transportation system.
- Goal Live-4: Improve community quality of life through enhanced neighborhood design and neighborhood identity.

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[2] Glaeser, E., & Gyourko, J. (2018). The economic implications of housing supply. Journal of Economic Perspectives, 32(1), 3-30.

[3] https://www.brookings.edu/research/reforming-land-use-regulations/

[4] Hsieh, C. T., & Moretti, E. (2015). Why do cities matter? Local growth and aggregate growth.

[5] Albouy, D., & Ehrlich, G. (2018). Housing productivity and the social cost of land-use restrictions. Journal of Urban Economics, 107, 101-120.

[6] https://www.englewoodco.gov/government/city-departments/community-development/englewood-comprehensive-plan

These goals, particularly Goal 1, provide a framework for addressing Housing Needs in Englewood with the following objectives:

- Allow for housing that meets the needs of all income groups, including appropriate type and location of housing. (Objective Live-1.1);
- Allow for housing investments that improve the housing mix and serve different lifecycle stages and groups with special needs in appropriate locations, including both smaller and larger unit sizes and a wider range of housing types, including single-family, duplex, townhome, condominium, multi-family, and accessory dwelling units (Objective Live-1.2).
- Encourage home ownership and property improvement, including home additions by making city regulations and rules resident and business friendly and streamline application and approval process (Objective Live-2.1).
- Objective Live-2.2. Facilitate the upgrade or replacement of substandard residential units by making city regulations and rules resident and business friendly and streamline application and approval process (Objective Live-2.2).

Englewood Housing resources and programs. The City of Englewood Community Development Department administers two housing improvement programs for low- and moderate-income residents:

- Home Energy Grant - Grants for eligible Englewood residents to increase energy efficiency in their homes; and
- Home Repair and Improvement Program - Financial assistance to qualified City of Englewood homeowners for eligible home repairs and improvements.

These two programs collectively assist about 20 income-qualified Englewood households each year with an average of about $8,000 per recipient for the improvements. The home Energy Grant program is funded by federal Community Development Block Grant (CDBG) funds allocated through Arapahoe County and the Home Repair and Improvement Program is funded by the City's Fund 46, through which financial assistance is provided as a no-interest loan, repayable when the home is sold or transferred.[7]

The City's Fund 46, currently has about $1.075 million in liquid resources and another $550,000 in its loan portfolio (payments deferred until the home is sold or transferred).

[7] Fund 46 (formerly Fund 72) was established in 1977 to track the operations of the Housing Rehab Loan Program. The Fund tracked all related program income and expenses from loan payments, interest, and fees generated by the program. In 1999 Council designated Fund 46 as the Housing Rehabilitation Enterprise Fund. Fund 46 was managed primarily as a revolving fund for the Housing Rehab Loan Program with the goal of preserving the principle while improving the community by improving the housing stock.

Fund 46 is an enterprise fund controlled by the City and offers a flexible resource for housing investments; however, there is no dedicated revenue stream supporting the Fund.

Englewood is also served by Innovative Housing Concepts, also known as the Englewood Housing Authority. The Housing Authority assists lower-income families through affordable housing development, property management, housing voucher programs, and housing support services. In addition, Englewood residents also have access to housing supports through regional and state-wide housing programs providing support services, housing rehabilitation, down payment assistance, housing counseling, homebuyer education, and other services.

Summary of Top Housing Needs

The Englewood Forward objectives are also supported by the existing conditions analysis (Sections I-III of this report) which identified specific housing needs around affordability, diversity, and stability:

- **Diverse housing options to accommodate evolving needs of residents and a wider array of market preferences and special needs**. Households are getting smaller as the population ages and more Millennials move to Englewood. This will create more demand for smaller units (one- to two-bedroom) in Englewood, as well as accessible, visitable housing for the Senior population (due to the correlation of age and disability). Increasing the variety of product types (e.g., smaller homes, single family attached products, mobile/manufactured and prefab homes, as well as more multifamily housing) can help address affordability needs for middle income households and create opportunities for a more efficient market response to demand.

- **Additional affordable rentals (or rental assistance),** specifically for residents earning less than $25,000 per year (about 30% AMI) but extending up to residents earning less than $50,000 per year (about 50% AMI) Rental affordability declined over the past decade, as rent prices rose faster than incomes. Englewood currently has a shortage of 1,627 units priced below $625 per month (30% AMI).

- **Starter homes priced near or below $300,000 and down payment assistance for low/moderate income households.** Similar to the rental market, housing prices have also substantially outpaced income gains. Over the past decade, for-sale affordability and ownership rates have fallen in Englewood and rising interest rates in 2022 are likely to exacerbate affordability challenges, especially for first-time buyers. The for-sale gaps analysis shows the Englewood ownership affordability needs are concentrated among households earning less than $75,000 per year (about 80% AMI) but extend up to those earning $100,000 (about 120% AMI).

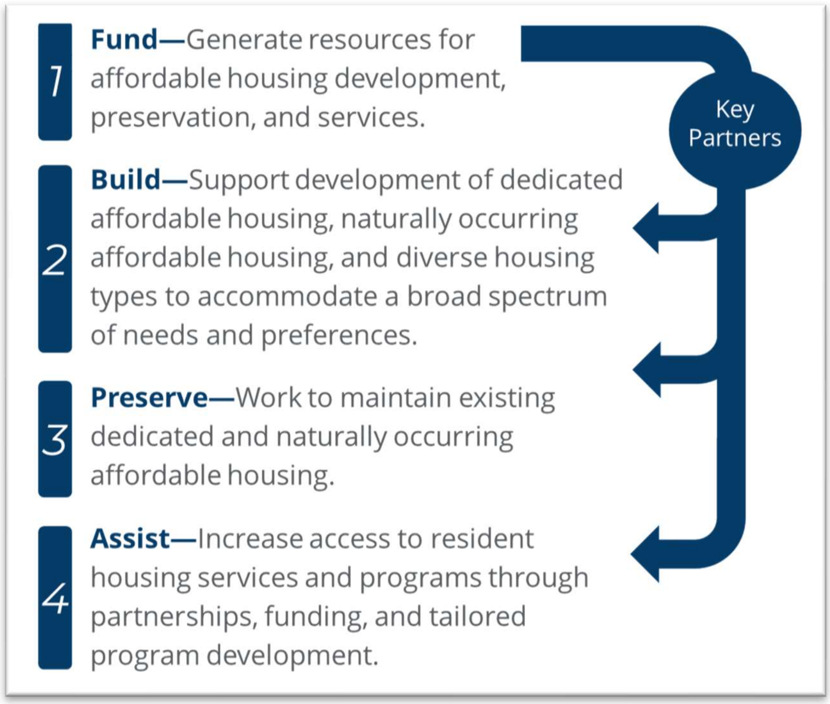
- **Additional housing resources to stabilize households with unique or disproportionate housing needs,** including residents with accessibility/mobility needs, older adults, low-income households, and people experiencing homelessness.

Some populations are disproportionately affected by poverty and are especially vulnerable to the changing housing market: Single mothers, residents with a disability, and people of color have above average poverty rates (and below average homeownership rates) and are particularly vulnerable to shifting housing costs. Additionally, populations on a fixed income—mainly residents with a disability and seniors—are especially at risk.

Strategic Approaches and Recommended Actions

There is no single strategy—or "silver bullet"—to resolve a community's housing challenges. Instead, it is important to have a toolkit of strategies to effectively address needs and respond to changing market and policy conditions.

An integrated approach that creates funding and leverages key partners to build, preserve, and assist, will have the most success.



Innovative Housing Concepts (the Englewood Housing Authority) is likely to be a key partner in accomplishing the City's housing objectives (discussed in more detail under select recommendations).

The following recommendations are based on Root Policy Research's experience working with peer communities and best practices; they were developed in conjunction with Englewood city staff and reflect the input of residents and stakeholders that participated in the CodeNext and Housing Needs Assessment engagement efforts.

Figure IV-1 summarizes the recommendations organized around the strategic approaches described above; detailed descriptions of each recommendation follow the figure.

It is important to note that some goals/actions do require additional dedicated funding and/or additional staff capacity and oversight. Bolstering financial and staffing resources are critical to successful implementation.

Figure IV-1.
Recommended Actions

	Action Item	Strategy	Timeframe
1	Adopt a local affordable housing goal(s).	All	Short-term
2	Create a dedicated revenue source to address housing challenges.	Fund	Long-term
3	Update zoning code to reduce barriers for more diverse housing types.	Build/ Preserve	In Process
4	Codify development incentives for affordable housing.	Build	In Process
5	Consider an inclusionary zoning ordinance with incentives and offsets.	Build	Long-term
6	Allocate publicly owned land (and/or strategically acquire vacant or underutilized properties) for affordable and mixed-income housing.	Build	Long-term
7	Support acquisition/ rehabilitation that creates or preserves affordable housing.	Preserve	Long-term
8	Improve access to and awareness of regional housing programs and if possible, bolster with local resources.	Preserve/ Assist	Short-term
9	Continue to advocate for regional collaboration and partnership development.	Assist	Short-term

Source: Root Policy Research.

1. **Adopt a local affordable housing goal(s).** Formally adopting local affordable housing goals helps establish a target for the city to monitor progress. Goal structure varies by community; for example goals can be:

   - Output oriented (e.g., 10% of all housing units will be affordable to households earning less than 80% AMI by 2040);
   - Input oriented (e.g., the City will allocate 20% of housing trust fund resources to services for people experiencing homelessness); or
   - Value oriented (e.g., increase the supply of attainable ownership housing available to those making less than 100% AMI).

   Goals should be related to identified needs, reflect City priorities, and provide clear direction with measurable outcomes.

   Benefits. Signals to development community the City's desire for affordable development; provides a benchmark for the City in navigating negotiations with developers and/or establishing incentives.

Challenges. Political challenges in defining goal; if goal specifies income category, may reduce flexibility in future; outcome-oriented goals are not always in the city's control.

Expected outcomes and keys to success. Outcomes vary depending on the goal as well as the other tools in place to help the city achieve its goal. This works best when paired with other tools and strategies designed to support the goal.

2. **Create a dedicated revenue source to address housing challenges.** Local funding or a "Housing Trust Fund" can have a substantial impact on meeting housing needs. "Trust funds" have grown immensely in popularity with reductions in federal funding for housing. Revenue sources are varied and include: General Obligation Bonds, Real Estate Transfer Taxes (RETT), commercial and/or residential linkage fees, sales tax, jurisdictional general fund set-aside or cash-in-lieu from inclusionary zoning buyouts, and other types of taxes, generally those that are directly tied to demand for housing. The City of Englewood already has a precedent for allocating local resources to housing needs through Fund 46, but has not dedicated an ongoing stream of revenue to this enterprise fund.

   Benefits. Can be used on a variety of programs to address needs across the housing spectrum; flexible funding source without federal regulations.

   Challenges. Does not always have political support; efficacy is tied to level of ongoing funding; requires staff capacity to manage and allocate resources.

   Expected outcomes and keys to success. Can be very effective, depending on funding amount and priorities. Works best when City has clear housing plan/goals and has staff capacity to manage.

3. **Update zoning code to reduce barriers for more diverse housing types.** Land use and zoning regulations that provide flexibility, clarity, and incentives for residential development are essential for promoting the development of affordable and diverse housing options. Zoning regulations that negatively impact residential development affordability include restrictions such as minimum house and/or lot sizes, limited land zoned for moderate density (missing middle) options and/or multifamily, prohibitions on accessory dwelling units, and prohibitions on manufactured housing. In addition, restrictive definitions of family and/or unrelated occupancy can limit a household's ability to adapt to market conditions and preferences (e.g., a "Golden Girls" living situation for older adults).

   Specific recommendations based on Root's analysis and engagement include:

   - Increase opportunity (and land zoned) for attached but low density products (townhomes, duplexes, etc.)

- Allow ADUs by right throughout the City
- Consider adjustments to parking standards (in alignment with current market standards);
- Increase "unrelated" occupancy standards or revise family definition to allow more flexible living arrangements (in alignment with current market standards);
- Evaluate reductions in lot size requirements to encourage more affordable housing forms.

Benefits. The City is already moving forward with a zoning code update, which will address many of these issues. Allowing such building forms by right in a variety of districts can improve overall housing diversity and affordability.

Challenges. Changes in allowed density, product type and parking are often met with public opposition.

Expected outcomes and keys to success. Increase housing diversity and naturally occurring affordable/attainable housing stock. Works best in communities with additional development capacity and where community vision (i.e., Comp Plan) is aligned with code updates.

4. **Codify development incentives for affordable housing.** Development incentives to encourage developers/builders to build affordable housing can take many forms:

- Regulatory incentives such as parking reductions and density/height bonuses (allows for more units to be built than allowed by right by zoning);
- Permit or process-oriented incentives (e.g., fast track development approval; city-assigned, dedicated planning advocate to help move the development through the approval process; reduction in public meeting requirements;
- Fee waivers/rebates (Colorado state law allows impact fees to be waived for affordable housing, though municipalities can rebate fees by covering the cost through General Fund allocations); and
- Tax incentives for affordable development (or land donation to affordable development).

Development incentives are tied to a contractual commitment to produce an agreed-upon share of affordable units (can be rental or owner). Most policies mandate set asides of between 5% and 30% of units affordable to 50% to 120% of AMI, depending on the market and tenure, and set affordability periods that range from 15 to 99 years. The average length of time for deed restrictions is 30 years.

Benefits. Places burden on developers to create (or contribute to) city's housing goals but does so by providing benefit (typically in the form of additional profit) to developers—can be a win-win for developers and city. Can be structured to incentivize any kind of development (e.g., missing middle), not just affordable development. Signals City's development priorities to developers.

Challenges. Requires staff capacity to monitor compliance; can be challenging to structure in order to create affordable units depending on existing zoning and development process. (For example, density bonuses only work if the entitlement density is low enough to entice developers to accept the incentive).

Expected outcomes and keys to success. When well structured, incentives can be relatively high impact (generate moderate number of units) for very little cost to the city. Works best in growing markets and in communities with additional capacity for development. However, they do not typically produce as many units as mandatory affordable housing requirements (see inclusionary zoning, below). Some jurisdictions partner with local housing authorities to help administer the resulting deed restrictions and income qualifications.

Note: Root Policy Research is currently testing the feasibility of both incentives and inclusionary options in partnership with the CodeNext team for Englewood's further consideration.

5. **Consider an inclusionary zoning ordinance with incentives and offsets.** Policies that require or incentivize the creation of affordable (income-restricted) housing when new residential and/or commercial development occurs, either within the same development or off-site. Some inclusionary housing ordinances allow the developer to pay fees "in lieu" of developing the affordable units. Policies can be implemented as required or voluntary and can include "off-sets" and/or incentives for the provision of affordable housing.

Benefits. No direct cost to city other than enforcement, has the ability to generate a substantial number of units.

Challenges. Regularly faces opposition from development community who view such ordinances as putting full burden of current housing challenges onto new development.

Expected outcomes and keys to success. Generates substantial number of units when structured well. Works best in communities with additional capacity for development and that are experiencing growth. Some jurisdictions partner with local housing authorities to help administer the resulting deed restrictions and income qualifications.

Note: Root Policy Research is currently testing the feasibility of both incentives and inclusionary options in partnership with the CodeNext team for Englewood's further consideration.

6. Allocate publicly owned land (and/or strategically acquire vacant or underutilized properties) for affordable and mixed-income housing.

Property acquisition costs is a major component of the cost of developing affordable housing. The city and other public agencies, such as the State RTD, school district, etc., own properties which could potentially reduce costs and facilitate development of affordable housing. While much of this property is either already utilized for public facilities or is inappropriate for residential development, there may be opportunities to leverage additional affordable and mixed-income housing through better utilization of publicly owned property.

It is increasingly common for local governments to donate, discount, or lease vacant land or underutilized properties (e.g., closed schools, vacant or out-of-date public sector offices) for use as residential mixed-income or mixed-use developments. Some properties are acquired after businesses have been closed for illegal use or very delinquent taxes.

These properties are held in a "land bank" by the City and eventually redeveloped by housing authorities or other nonprofit or private developers through a Request for Proposal (RFP) process. Land banks vary in forms from single parcels to multiple, scattered site properties, to large tracts of land. The land can be donated, discounted, or offered on a land lease to the selected developer who agrees to a specified affordability level or community benefit. A good starting point in this process for any community is creating an inventory of existing public land that could be used for housing sites in the future.

Benefits. Conducting an initial inventory of publicly owned land is a low/no-cost step. Land banking and donation can reduce future development costs (particularly if acquired when land costs are low) and maintains flexibility in meeting future needs because the land can be held and then used for acute needs as they arise. Converting vacant land or underutilized retail can also have tax benefits to the city (performing residential, even if with a lower property tax value, is better than vacant and abandoned land from a revenue perspective).

Challenges. Acquiring land can be costly (depending on market cycle); limited supply and can require quick response to land available (staffing/authority concern); and there is a risk that future needs will not align with expected land use.

Expected outcomes and keys to success. Outcomes depend on existing land inventory and committed resources though there is potential for high impact (substantial number of units). This works best in communities where there is land available to repurpose; when the city can acquire land at reasonable costs (e.g., during a down market); and when the city has strong partnerships with non-profit developers or existing land trust programs.

7. **Support acquisition/ rehabilitation that creates or preserves affordable housing.** In this strategy nonprofits, housing authorities, or for-profit affordable housing developers purchase privately-owned but low-priced housing options, or subsidized units with affordability periods ending (“at risk” affordable housing). Owners make needed improvements and institute long-term affordability. This strategy can also support conversion of hotels/motels into affordable or transitional housing. At-risk housing stock may include private rentals with rising rents, manufactured housing parks, or lower-cost single- family homes and real estate owned (REO) properties. Rental properties can be maintained as rental or convert to cooperative ownership. Ownership properties can be resold to lower-income families or leased as affordable rentals. A City's role is often to provide financial resources to non-profits (or housing authority) for the acquisition and rehab projects. This program can also be structured as rehab grants to existing multifamily owners in exchange for contractual affordability.

   Benefits. Generates guaranteed affordability out of existing stock (less costly than new development); can be used for rental or ownership.

   Challenges. Can be difficult to identify properties, though it can be structured at the city level as a resource pool for non-profits, which reduces the staffing and management burden on the city.

   Expected outcomes and keys to success. Generates some affordable units. Works best with a trusted non-profit partner or housing authority.

8. **Improve access to and awareness of regional housing programs and if possible, bolster with local resources.** Current regional programs include legal assistance, housing counseling, down payment assistance, eviction prevention, rental assistance, homelessness services, and rehab programs and weatherization. Funding sources for these programs vary and for many programs the demand exceeds funding capacity.

   A good first step is to inventory existing programs available to Englewood residents through county and regional partners and request participation data from program managers on usage by Englewood residents and continue to track over time.

   Benefits. The benefit of this strategy is that it leverages existing resources to address needs and does not require regulatory changes or program development.

Challenges. Funding sources, especially those from federal or state allocations, typically have restrictions on how and when they can be used. This complicates the process of combining and reallocating funds based on specific project needs.

Expected outcomes and keys to success. Varies by funding source and program. Overall, expected to increase efficiency in deploying resources and improve targeting of resources to address community-defined goals and expectations.

9. **Continue to advocate for regional collaboration and partnership development.** There is a great deal of focus on affordable housing strategies in the Denver metro area currently. These efforts are evidenced across south metro communities by active housing studies and policy proposals in both Littleton and Centennial and collaborative efforts to address homelessness through a tri-city collaboration in Littleton, Englewood, and Sheridan. Englewood should continue existing municipal partnership and seek to engage in housing planning at the regional level along with these other south metro communities. Convening city leaders and housing department managers to discuss current efforts and opportunities for regional partnerships would be an ideal first step. In addition, the City should continue to establish and maintain relationships with local non-profit organizations, affordable housing developers, and community land trusts active in the region.

   Innovative Housing Concepts (the Englewood Housing Authority) is likely to be a key partner in accomplishing the City's housing objectives. The City should continue to cultivate opportunities for collaboration and partnership with the housing authority through land donation/development, preservation opportunities, and program development and administration.

   Benefits. Leverages exiting resources and partners while increasing capacity for potential public-private partnerships for affordable development and service provision. Regional collaboration allows for a unified approach to regional housing needs, resource pooling, and consistent application of affordable housing goals an policies.

   Challenges. Political alignment between communities is challenging, particularly in different market contexts. The Tri-Cities Homelessness Policy Committee collaboration provides a model for expanding this approach to other housing needs.

   Expected outcomes and keys to success. Regular convening and shared policy goals create an important context for success. The Boulder County Regional Housing Partnership is a national model for regional collaboration on housing and would provide a good model for south metro communities.

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Affordable Housing Incentive & Inclusionary Analysis

PREPARED FOR:
City of Englewood, Colorado

CREATED
11/18/2022

DRAFT

Introduction

This memo outlines the policy options available to the City of Englewood to incentivize or mandate affordable housing production in conjunction with new development. It begins with an overview of incentive and inclusionary policy options along with benefits and challenges of each option, followed by a discussion of market impacts affordability requirements/incentives and a feasibility analysis of specific policy options in Englewood.

Overview of Incentive and Inclusionary Policy Options

The primary policy tools used to incentivize or mandate affordable housing production in conjunction with new development are typically characterized as:

- Voluntary incentive policies, in which affordable production is encouraged by specified zoning variances;
- Mandatory inclusionary housing policies, which can include incentives/offsets for compliance; and
- Affordable housing linkage fees, which mandate an impact fee on new development in proportion to its impact on affordable housing needs.

It is important to note that incentive and inclusionary housing policies are just one tool in the suite of strategies available to help address housing needs in Englewood. This specific tool applies only to new housing development and typically focuses on low to moderate income affordability. On its own, an incentive or inclusionary policy does not typically supply housing that meets the needs of very low or extremely low income households (households earning less than 50% Area Median Income, or AMI) unless paired with other subsidies or programs.

The table on the following page summarizes the benefits, challenges, and legislative requirements of each policy option. The table also provides a description of the program ("basics") and whether application of incentives and options is common. Voluntary incentive programs are the easiest to implement but also typically generate fewer affordable units than mandatory inclusionary.

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Figure 1. Benefits and Challenges of Policy Options

	Voluntary Incentive Program	Mandatory Inclusionary Program (with or without incentives)	Residential / Commercial Linkage Fee
The Basics	Residential developers are offered zoning or land use incentives in exchange for including some affordable units in their development (commonly 5%-20% of units are must be affordable in order to obtain incentives). Participation is optional.	Residential developers are required to include some affordable units (5%-20%) in their development or pay a fee in lieu of building affordable units. Can be combined with incentives or offsets, but program participation is not optional.	Impact fees applied to all new development; tied to the demand for affordable housing created by such development.
Incentives and Options	Must have incentives in order to encourage participation in the program. Developers typically have a menu of incentive options but programs do not usually offer alternative compliance pathways (e.g., fee in lieu or off-site build).	Can be paired with incentives and offsets but program is not reliant on incentives. Typical compliance options are fee in lieu and/or off-stie build. Fees can be set low if a city desires to minimize impact on developers.	Not typically paired with incentives or offsets. Residential linkage fee programs typically offer a build alternative to the fee if developers create a specified number or proportion of affordable units.
Benefits	**Easier political alternative to mandatory inclusionary** because does not receive industry opposition. Can be structured to benefit City partners such as housing authorities and other affordable housing specialists, even if it does not attract private-sector developer participation.	Mandatory programs are **one of the most effective ways to generate affordable units without public subsidy** (in markets that are actively developing new housing). Flexibility in program design allows communities to tailor programs to their specific needs/priorities.	Inherently "fair" in that **fees are applied to all development types** and linked to quantifiable impacts of such development. Generates revenue for affordable development.
Challenges	Program must be well-calibrated to entice developers to participate. **Voluntary programs typically result in fewer units than mandatory programs.** They do not typically offer a vehicle for revenue generation (fee in lieu is not typically a part of voluntary programs).	Generally **faces opposition from development community** (though academic research shows minimal impact to actual market metrics). Outcomes vary based on policy priorities and program design (e.g., production vs revenue generation) so clear direction up front is important to program success.	**Requires nexus study up front.** Places burden of affordable development on City through expenditure of funds and affordable development partners (instead of leveraging private development).
Legislative Requirements	No legal requirements.	Must offer a compliance "option" and demonstrate past or current actions that increase density or promote affordable housing (see "a note about inclusionary housing in Colorado" section that follows).	Same legal context as other types of impact fees: nexus study that sets maximum legally defensible fee amounts; and fee revenue must be spent to address the "impact" defined in the nexus study (i.e., on affordable housing).

Note: Description of Legislative Requirements should not be construed as legal advice.

Source: Root Policy Research.

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A note about inclusionary housing in Colorado. In May 2021, the Colorado state legislature opened the door for mandatory Inclusionary Housing (also called Inclusionary Zoning or IZ) policies to apply to both rental and for-sale development in Colorado. Prior to the passage of HB21-1117, mandatory inclusionary was considered to be "rent control" and therefore was limited to for-sale development application.

Municipalities that wish to enact mandatory inclusionary housing policies (under HB21-1117) are required to:

1) Offer a compliance alternative to on-site construction of the required affordable units (e.g., a fee in lieu); and

2) Demonstrate current or previous actions intended to increase density or promote affordable housing (e.g., zoning changes that increase density or support affordable housing; or fee reductions or other variances or regulatory adjustments for affordable housing).

Currently there are six municipalities with active mandatory inclusionary or linkage policies in the Denver Metro including the City and County of Denver, the City and County of Broomfield, and the Cities of Littleton, Boulder, Longmont, and Superior.

Many more communities offer development incentives for affordable housing, though very few refer to these policies as "voluntary inclusionary" programs—in part due to the historic legal challenges with mandatory inclusionary housing in Colorado. In addition, a recent DRCOG survey indicates that at least 10 Denver metro municipalities are currently considering implementation of inclusionary housing programs in response to the state legislative changes in 2021 (HB21-1117).

Market Impacts of Affordable Incentives and Requirements

Market feasibility is a critical component of market-driven policy initiatives, such as incentives, inclusionary policies, and linkage fees. Such programs leverage new development to create affordable units that meet the community's needs. Without the creation of new market-rate housing, the inclusionary/incentive programs won't create any new affordable units. That doesn't mean all programs must be cost-neutral but it does mean the market impacts should be evaluated in conjunction with the policy benefits.

How do affordable requirements and incentives impact project feasibility? Though every development operates under unique circumstances, affordability requirements and/or incentives most commonly impact developments by imposing constraints on revenue—either ongoing operating revenue for rentals or sales revenue of for-sale products. Fees—including linkage fees and in-lieu fees—have no impact on revenue but do impact up-front costs. Specific development proforma impacts are described below:

- When affordable (income-restricted) unit construction is included in rental developments, the income restricted units reduce the potential net operating income, though the per-unit cost of constructing affordable units and operating them is typically the same as market-rate units. In a for-sale context, affordable units reduce the expected sale revenue.

- When a linkage fee (or inclusionary fee-in-lieu) is required, initial development costs (and therefore ongoing debt service) increase due to the fee, but revenue continues to reflect market-rate potential.

- When height incentives are offered in exchange for affordable units, the total development cost increases with the increased height while net operating income (or sale revenue) per unit declines (as a result of the income-restricted units). However, that decline can be offset by the overall increase in the number of market-rate units (resulting from the height bonus).

- Changes in development cost per unit with a height bonus vary according to building types and codes. When the increased height results in a new construction type (for example going from wood-frame construction to steel/concrete), the cost per unit increases. However, if the height bonus adds units without changing the construction type, cost per unit will decline, primarily due to the increased efficiency of land cost per unit.

How do markets adjust to affordability requirements? As with all regulatory and market-driven changes, local development economics would likely need to adjust should an affordability requirement be imposed via mandatory inclusionary housing. These adjustments commonly include shifts in land values. Additionally, construction labor costs, development amenities or finish level, unit size/configuration, market-rate rents, and/or investor expectations may also shift in response to new requirements.

Academic research on the impact of inclusionary requirements generally shows no impact on housing supply delivery and little to no impact on housing market pricing. In other words, in most cases, inclusionary does not slow development but it could result in marginal increases to market rate rents (0%-3%, which is less than a typical annual increase).[1]

Setting affordability targets for inclusionary policies. Area Median Income, or AMI, is the typical metric by which households qualify for various housing programs. HUD sets AMI annually by market area and household size; Englewood is included in the broader Denver Metro AMI (which includes Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, and Park counties.)

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[1] Economics of Inclusionary Housing Policies: Effects on Housing Prices, Grounded Solutions Network, 2016. Available online at: https://inclusionaryhousing.org/wp-content/uploads/2016/09/Economics-of-Inclusionary-Housing-Policies-Effects-on-Housing-Prices_a.pdf

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Figure 2 shows the 2022 Denver Metro AMI income limits which guide housing program qualification in Englewood. Affordable home prices and affordable rents are each AMI are also included for reference.

Figure 2.
HUD AMI, Denver Metro, 2022

Note:

Affordable home price calculation assumes 10% down on a 30-year fixed rate mortgage with 5.0% interest; assumes 20% of monthly costs are non-mortgage.

Source:

HUD, CHFA rent and income limits, and Root Policy Research.

	Persons in Family				
	1	**2**	**3**	**4**	**5**
Income Limit					
30% AMI	$24,650	$28,150	$31,650	$35,150	$38,000
50% AMI	$41,050	$46,900	$52,750	$58,600	$63,300
60% AMI	$49,260	$56,280	$63,300	$70,320	$75,960
80% AMI	$62,600	$71,550	$80,500	$89,400	$96,600
100% AMI	$82,100	$93,800	$105,500	$117,200	$126,600
120% AMI	$98,520	$112,560	$126,600	$140,640	$151,920
Affordable Home Price					
30% AMI	$101,021	$115,364	$129,708	$144,052	$155,731
50% AMI	$168,231	$192,205	$216,180	$240,154	$259,416
60% AMI	$201,877	$230,646	$259,416	$288,185	$311,299
80% AMI	$256,547	$293,226	$329,905	$366,379	$395,886
100% AMI	$336,462	$384,411	$432,360	$480,309	$518,832
120% AMI	$403,754	$461,293	$518,832	$576,370	$622,598
Affordable Rent	**Studio**	**1 Bdrm**	**2 Bdrm**	**3 Bdrm**	**4 Bdrm**
30% AMI	$615	$659	$791	$914	$1,020
50% AMI	$1,026	$1,099	$1,318	$1,523	$1,700
60% AMI	$1,231	$1,319	$1,582	$1,828	$2,040
80% AMI	$1,642	$1,759	$2,110	$2,438	$2,720
100% AMI	$2,052	$2,198	$2,637	$3,047	$3,400
120% AMI	$2,463	$2,638	$3,165	$3,657	$4,080

Considerations for AMI targets in inclusionary policies include alignment with local housing needs, as well as consistency with existing housing program and funding definitions. For example, the LIHTC program (the largest contributor to affordable rental housing nationwide) targets 60% AMI households or less. State funding sources, including Private Activity Bonds (PAB) target 60% AMI or less for rental and 115% AMI or less for owners.

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Feasibility Analysis

Feasibility analyses are designed to test the market viability of incentive programs and/or calibrate inclusionary requirements to specific markets by evaluating the cost of affordable unit set-asides alongside the financial benefits of incentives or offsets (if offered).

Financial feasibility models are based on development proformas typically used in the real estate industry to determine whether a project is financially feasible. A proforma is comprised of a development budget (i.e., construction and other costs associated with building development); an estimate of income as units are sold or rented; and an estimate of project value based on project income at stabilization and the estimated value of the entire development at sale.

Home prices and rents. As noted previously, inclusion of affordable units (either as a result of incentive programs or inclusionary programs) lower the expected revenue of a project by restricting sale prices or rental monthly rents of a small proportion of the units. Figure 3 shows the differential between market-rate and affordable home prices and rents in the Denver Metro at 80% AMI and 60% AMI, respectively.

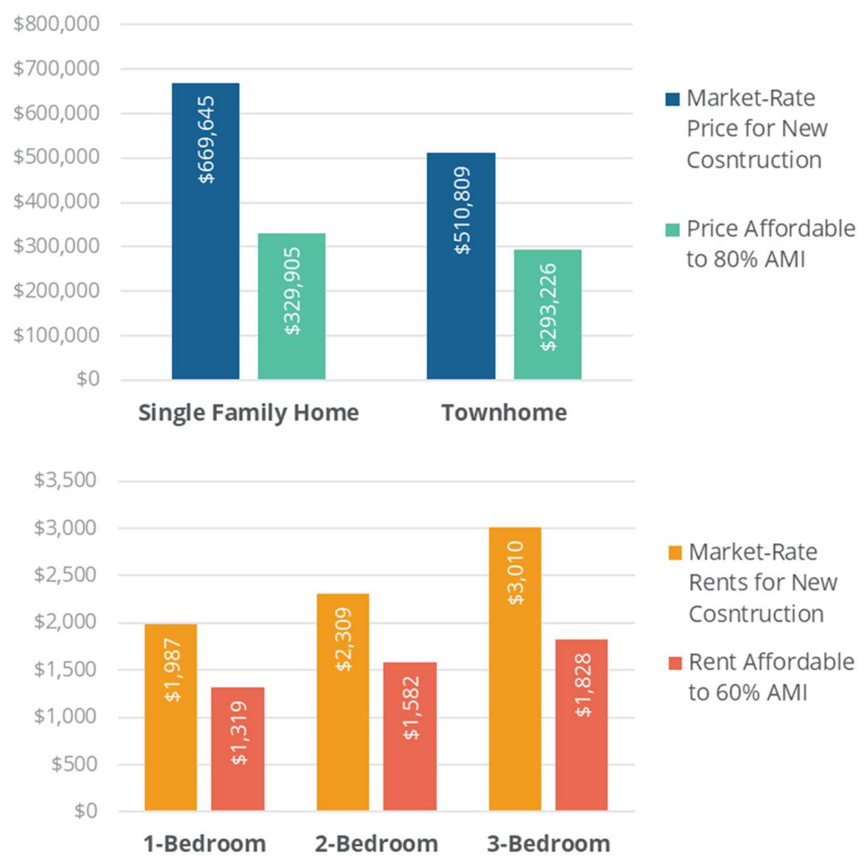
Figure 3. Market-Rate and Affordable Price/Rent Comparison, Denver Metro

Note:

Affordable home price for single family assumes 3-person household while townhome assumes 2-person household.

Source:

CHFA Income and Rent Limits, Denver Metro Rental Vacancy Survey, ZONDA, and Root Policy Research.



Value of development incentives. Development incentives are inherently part of voluntary incentive programs but it is also common for inclusionary housing policies to include development incentives that help offset costs of the affordability requirements.

Financial benefits of common incentives are described below. (The subsequent feasibility analysis evaluates the financial benefit alongside the cost of affordable unit inclusion).

- **Parking reduction**—Parking costs vary from about $5,000 per space for surface lots to $45,000 per space for structured parking (and more for underground garages). Reducing parking ratios from 2.0 to 1.5 spaces per unit would save $22,500 in development costs for structured parking and $2,500 per unit for surface parking. This analysis assumes the parking reduction would apply across the entire development, not just to affordable units. In addition to the direct savings, reduced parking may also allow a developer to include additional residential units with the saved space.

- **Fee rebates**—typical fee rebates range from $5,000 to $15,000 per affordable unit and are often capped at a certain threshold. These incentives are usually extended only to the affordable units within a development. A $5,000 per affordable unit fee rebate in association with a 10% affordability set-aside would effectively lower the per-unit cost of the entire development by $500 per total unit.

- **Density bonus and open space reduction**—Both density bonuses and open space reductions serve to increase the number of units that can be constructed as part of an overall development. As long as the increase in unit capacity does not change the construction type (e.g., from lumber to steel) then the cost per unit does not change significantly. The developer may realize some overall cost savings in per unit land costs but the bigger benefit is in increased total revenue for the project.

- **Fast-track or administrative approvals**—Process-oriented incentives are highly valued by developers but are not quantifiable in the same way as other incentives. Evens so, these types of incentives are often a key driver in success of incentive programs.

Existing development conditions. The feasibility model starts with base case scenarios that reflect proposed development standards (under CodeNext) in Englewood:

- Detached house on a medium (7,200 square foot) lot;
- For-Sale row-house on a large lot (3,000 square foot per unit minimum lot size);
- 3-story small apartment building (10 units on an 18,000 square foot lot) with surface parking (average of 2.25 parking spaces per unit);
- 3-story medium apartment building (27 units on a 40,000 square foot lot) with surface parking (average of 2.25 parking spaces per unit); and
- 6-story large apartment building (108 units on a 40,000 square foot lot) with structured parking (average of 2.00 parking spaces per unit).

Figure 4 shows the base case proformas under current development conditions in Englewood.

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Figure 4.
Base Case Development Conditions

	Single Family Detached (medium lot)	Row-House (large lot)	3-Story Small Apartment	3-Story Large Apartment	6-Story Large Apartment
Site and Prototype Characteristics					
Parcel Size (SF)	7,200	18,000	16,553	39,945	39,945
Total Units	1	6	10	27	108
Avg SF per unit	2,450	1,800	1,000	1,000	900
Parking type	2-car garage	1-car garage	surface	surface	structure
Parking ratio	2	2	2.25	2.25	2.00
Development Costs					
Land cost per unit	$ 150,000	$ 78,000	$ 50,000	$ 50,000	$ 50,000
Hard cost per unit	$ 395,000	$ 338,000	$ 222,750	$ 222,750	$ 305,751
Hard cost per unit excluding parking	$ 375,000	$ 323,000	$ 211,500	$ 211,500	$ 215,751
Parking cost per space	$ 20,000	$ 15,000	$ 5,000	$ 5,000	$ 45,000
Soft costs per unit	$ 65,175	$ 57,291	$ 38,000	$ 38,000	$ 45,000
Total Development Cost	**$ 610,175**	**$ 2,839,746**	**$ 3,107,500**	**$ 8,390,250**	**$ 43,281,124**
Total Development Cost per Unit	$610,175	$473,291	$310,750	$310,750	$400,751
Revenues and Operating Expenses					
Sales Revenue	$695,000	$3,240,000			
Sale Price Market Rate (per unit)	$695,000	$540,000			
Annual Rental Revenue			$ 263,226	$ 710,710	$ 3,241,763
Market-Rate Rent (per unit /mo)			$ 2,309	$ 2,309	$ 2,401
Parking revenue (per structured space)					$ 50
Vacancy Rate			5%	5%	5%
Operating/Sales Expenses					
Cost of sale/marketing (2% of revenue)	$ 13,900	$ 64,800			
Annual operating cost per unit			$ 9,000	$ 9,000	$ 9,000
Valuation Detail					
Net Sale Value or Net Operating Income	$681,100	$3,175,200	$173,226	$467,710	$2,269,763
Return on Cost	**11.6%**	**11.8%**	**5.57%**	**5.57%**	**5.24%**

Notes: Proforma assumptions are based on Marshall & Swift Commercial Cost Estimating software and supplemented with interviews with developers, architects, and contractors active in the local market. Revenue and operating cost data include input from developers as well as market data.

Source: Marshall and Swift Estimator, Developer Interviews, and Root Policy Research.

Incentives and affordability set-asides. To evaluate feasibility of affordability incentives and requirements, Root adjusted the base case scenarios to include proposed incentives and affordability set-asides. Root then compared the returns to developers/investors on the *base case* to returns on *incentive* developments.

Results of the feasibility analysis can be used to evaluate the policy options of both voluntary incentive programs and mandatory inclusionary programs (with incentives).

- For a voluntary incentive program, the value of the incentives must exceed the cost of the affordability requirement, resulting in net gains in return metrics (i.e., added benefit to the developer in the form of higher project values and profits relative to

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the base-case development). Otherwise the program will not be desirable and would not entice developer participation.

- For an inclusionary program (with incentives):
  - ➢ Modest declines in returns can generally be absorbed by a project and still maintain financial feasibility; however substantial declines in returns could result in the relocation of a proposed project to a different jurisdiction.
  - ➢ Improved returns suggest the benefit of the incentive package outweighs the cost of the affordability set-aside.

Root tested the affordability set-asides (the proportion of affordable units required) and incentives outlined in Figure 5.

Figure 5.
Affordability Set-Asides and Incentives Tested for Englewood

		Attainable Housing Guidelines	Attainable Housing Adjustments	
			Development Bonus	*Parking Reduction*
R-1 Districs	***Tier 1: Detached House***	*25% of units below 100% AMI*	Allow multi-unit house standards in detached house medium lot zone districts, with lot size reduction to 1,800 SF per unit	1-car garage per unit + on-street parking
R-1 Districs	***Tier 1: Row-House***	*10% of units below 80% AMI*	Allow row-house "small lot" standards in row-house "large lot" zone districts	1-car garage per unit + on-street parking
Multi-Unit	***Tier 2***	*10% of units below 60% AMI;* *OR* *15% of units below 80% AMI*	▪ 1 additional story in MU-R-3-A, -B, and -C; M-1 and -2; and MU-B-1 and 2	▪ 1 BR / efficiency – 0.5 / unit ▪ 2 BR – 1 / unit ▪ 3+ BR – 1.5 / unit
Multi-Unit	***Tier3***	*10% of units below 60% AMI;* *AND* *an additional 10% of units below 80% AMI*	▪ 1 additional story in R-2B and MU-R-3-C ▪ 2 additional stories in MU-R-3-A and -B; ,M-1 and-2and MU-B-1 and -2	▪ 1 BR / efficiency – 0.5 / unit ▪ 2 BR – 0.75 / unit ▪ 3+ BR – 1 / unit

Source: Multistudio and Root Policy Research.

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As discussed previously, process-oriented incentives are highly valued by developers but are not quantifiable in the same way as other incentives and are therefore not included in the feasibility analysis.

The feasibility analysis focuses specifically on incentive policies, which would be available to all developments and therefore require the most calibration to market conditions. Additional incentives may be considered for majority affordable developments, which have a different financial structure (and mission-driven developers) and are therefore not part of the financial feasibility analysis.

Feasibility results—single family for-sale prototypes. Figure 6 shows the results of the feasibility anlaysis for single family and row-home prototypes. The first two columns compare the baseline single family prototype in a single-unit development with the proposed incentive, which allows for a 4-plex multi-unit house in detached house medium lot zone districts, when at least one of the four units is Affordable. In this scenario, the affordability target is set at 100% AMI. An illustration of a four-plex on a single family lot is shown at right for reference**.**

The last two columns compare a row-house development in which the base case is subject to the row-house large lot development standards and the incentive applies the small-lot row-house standards in exchange for 10% of the units affordable to 80% AMI.

In both cases, the proposed incentives improve the project returns, even after accounting for affordability set-asides.

Figure 6.
Feasibility Results: Single Family, For-Sale Prototypes

	Single Family Detached (med. lot)		Row-House (large lot)	
	Base Case	Incentive: 4-plex on SF Lot for 25% @ 100% AMI	Base Case	Incentive: Small-lot Row-House for 10% @ 80% AMI
Site and Prototype Characteristics				
Parcel Size (SF)	7,200	7,200	18,000	18,000
Total Units	1	4	6	10
Affordable Units	0.00	1.00	0.00	1.00
Avg SF per unit	2,450	1,500	1,800	1,800
Development Costs				
Land cost per unit	$150,000	$37,500	$78,000	$46,800
Hard cost per unit	$395,000	$338,000	$338,000	$338,000
Soft costs per unit	$65,175	$57,291	$57,291	$57,291
Total Development Cost	**$610,175**	**$1,731,164**	**$2,839,746**	**$4,420,910**
Total Development Cost per Unit	$610,175	$432,791	$473,291	$442,091
Revenues and Operating Expenses				
Sales Revenue	$695,000	$2,052,360	$3,240,000	$5,189,905
Sale Price Market Rate (per unit)	$695,000	$540,000	$540,000	$540,000
Income Restricted Sale Price (per unit)	$366,379	$432,360	$329,905	$329,905
Operating/Sales Expenses				
Cost of sale/marketing (2% of revenue)	$13,900	$41,047	$64,800	$103,798
Valuation Detail				
Net Sale Value	$681,100	$2,011,312	$3,175,200	$5,086,107
Return on Cost	**11.6%**	**16.2%**	**11.8%**	**15.0%**

Source: Marshall and Swift Estimator, Developer Interviews, and Root Policy Research.

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Feasibility results—apartment prototypes. Figure 7 shows the results of the feasibility anlaysis for multifamily rental (apartment) residential prototypes under both the Tier 2 and Tier 3 incentives. The apartment prototypes demonstrate increasing returns under both Tier 2 and Tier 3 scenarios. The improvements are primarily attributable to the parking reduction, which reduces construction cost per unit but more importantly, allows a developer to "fit" more units on the same parcel.

Figure 7. Feasibility Results: Apartment Prototypes

Note:

The feasibility model allows for fractions of units in the affordability calculation in order to improve the accuracy of return calculations; in reality affordable unit requirements would be rounded to the nearest whole number.

Source:

Marshall and Swift Estimator, Developer Interviews, and Root Policy Research..

	3-Story Small Apartment		3-Story Large Apartment			6-Story Large Apartment		
	Base Case	**Tier 2:** Lot size and parking reduction, and max unit increase for 10% @ 60% AMI	**Base Case**	**Tier 2:** +1 story and parking reduction for 10% @ 60% AMI	**Tier 3:** +2 stories and parking reduction for 10% @ 60% AMI and 10% @80% AMI	**Base Case**	**Tier 2:** +1 story and parking reduction for 10% @ 60% AMI	**Tier 3:** +2 stories and parking reduction for 10% @ 60% AMI and 10% @80% AMI
Site and Prototype Characteristics								
Parcel Size (SF)	16,553	16,553	39,945	39,945	39,945	39,945	39,945	39,945
lot size per unit	1,655	1,182	1,479	908	768	370	256	224
Stories	3	3	3	4	5	6	7	8
Total Units	10	14	27	44	52	108	156	178
Affordable Units	0.00	1.40	0.00	4.40	10.40	0.00	15.60	35.60
Parking type	surface	surface	surface	surface	surface	structure	structure	structure
Parking ratio	2.25	1.25	2.25	1.25	1.00	2.00	1.00	0.75
# parking spots	*23*	*17*	*61*	*55*	*52*	*216*	*156*	*134*
Development Costs								
Land Cost	$500,000	$500,000	$1,350,000	$1,350,000	$1,350,000	$5,400,000	$5,400,000	$5,400,000
Hard cost per unit excluding parking	$211,500	$212,558	$211,500	$213,615	$215,751	$215,751	$241,641	$241,641
Parking cost per space	$5,000	$5,000	$5,000	$5,000	$5,000	$45,000	$45,000	$45,000
Soft costs per unit	$38,000	$38,000	$38,000	$39,900	$41,895	$45,000	$45,000	$47,250
Total Development Cost	**$3,107,500**	**$4,095,218**	**$8,390,250**	**$12,779,385**	**$15,007,925**	**$43,281,124**	**$57,136,041**	**$62,830,149**
Total Development Cost per Unit	$310,750	$292,516	$310,750	$290,441	$288,614	$400,751	$366,257	$352,978
Revenues and Operating Expenses								
Annual Rental Revenue	$263,226	$356,913	$710,710	$1,121,728	$1,383,034	$3,241,763	$4,435,562	$4,972,155
Market-Rate Rent (per unit /mo)	$2,309	$2,309	$2,309	$2,309	$2,309	$2,401	$2,401	$2,401
Income Restricted Rent (per unit /mo)	$1,582	$1,582	$1,582	$1,582	Avg: $1,846	$1,582	$1,582	Avg: $1,846
Parking revenue (per space)	$0	$0	$0	$0	$0	$50	$50	$50
Vacancy Rate	5%	5%	5%	5%	5%	5%	5%	5%
Annual operating cost	$90,000	$126,000	$243,000	$396,000	$468,000	$972,000	$1,404,000	$1,602,000
Valuation Detail								
Net Operating Income	$173,226	$230,913	$467,710	$725,728	$915,034	$2,269,763	$3,031,562	$3,370,155
Return on Cost	**5.57%**	**5.64%**	**5.57%**	**5.68%**	**6.10%**	**5.24%**	**5.31%**	**5.36%**

Summary of Findings

- The proposed incentive package (currently drafted as part of CodeNext) does generate material benefit to developers under typical development conditions. Given the benefits, particularly of the parking reductions, some developers are likely to opt into the program if structured as a voluntary incentive. However, developers that are receiving parking reductions outside of affordability incentives (i.e., those in TOD areas) are less likely to participate in the program.
- A mandatory inclusionary program with similar incentives and affordability set-asides is also feasible. A mandatory program would require participation and is therefore more likely to generate affordable units. Under an inclusionary system, typically developers that build the affordable units receive the specified incentives and developers that opt for a fee-in-lieu option are not offered the incentives.

Root recommends the City move forward with the attainable housing incentive program as drafted but also continue discussions of a mandatory inclusionary program. In considering an inclusionary program, the City could convert the Tier 1 incentive program directly into a mandatory program or could set a lower set-aside for the mandatory program and layer the incentive program on top of a mandatory inclusionary policy. (For example, the City could set a mandatory inclusionary with a 5% set-aside, but offer the attainable housing incentives if the developer increases that set-aside according to the attainable housing section of CodeNext).

If the City decides to pursue an inclusionary policy, Root also recommends that the City engage the City of Littleton (and other neighboring jurisdictions) in a regional discussion about potential policy alignment. The City of Littleton recently passed an inclusionary policy with a 5% set-aside paired with incentives and regional policy alignment could improve transparency for developers and minimize development competition between the jurisdictions.

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City of Englewood

HOUSING NEEDS ASSESSMENT

PRESENTED BY

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Agenda

- Recap existing conditions and housing needs (presented at Council work session on 9/12)
- Recommendations to address housing needs
- Feasibility analysis of incentives and/or inclusionary

Why Work to Address Housing Needs?

- Housing is a **fundamental function of community**. A balanced housing stock accommodates a full "life cycle community which in turn supports the local economy.
- Research shows that a constrained housing market negatively **impacts economic growth**.
- Residents' **housing needs change over time**, most often due to aging, education and skill development, employment, economic disruption, care for family members, and/or transition to a fixed income.
- Englewood has historically offered relative affordability, but recent trends in market prices, increasing mortgage interest rates, and land constraints are **putting the city out of reach for middle income** households.

TOP HOUSING NEEDS

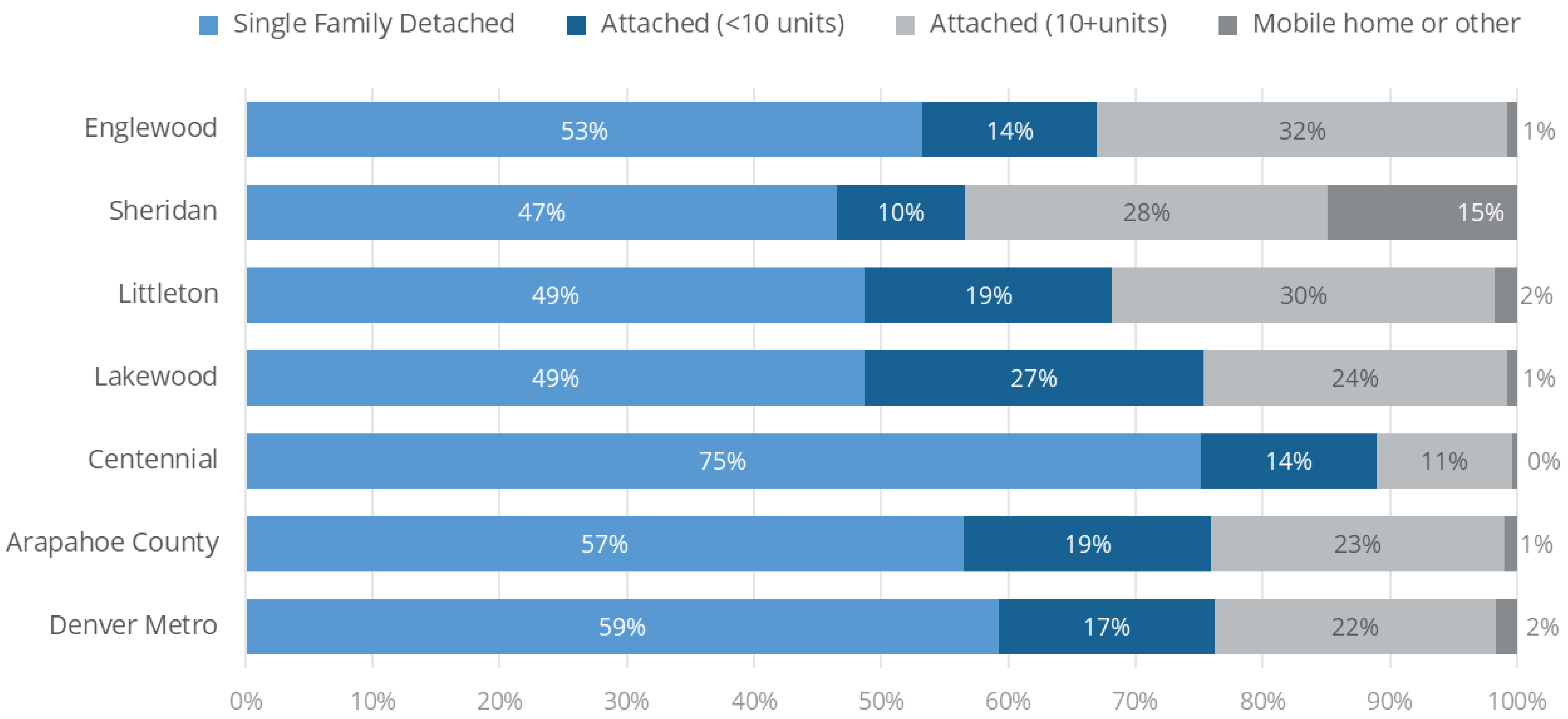
Housing Needs

are centered around affordability, diversity, and stability.

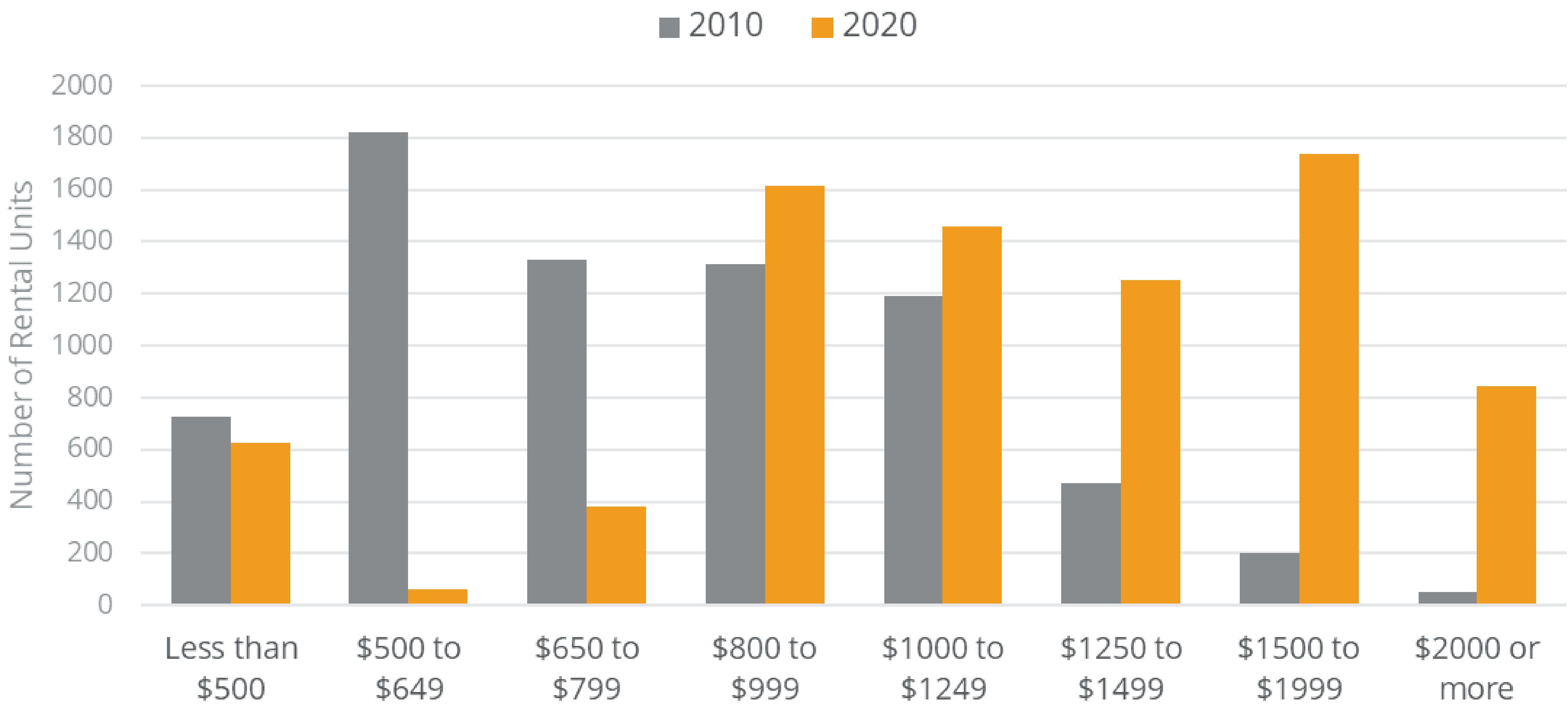
Summary of Top Needs

1. **Diverse housing options** to accommodate evolving needs of residents and a wider array of market preferences and special needs.
2. **Additional affordable rentals** (or rental assistance), specifically for residents earning less 50% AMI.
3. **Starter homes priced near or below $300,000** and down payment assistance for low/moderate income households (acute needs <80% AMI; persistent need <120% AMI).
4. **Additional housing resources to stabilize households with unique or disproportionate housing needs**, including residents with accessibility/mobility needs, older adults, low-income households, and people experiencing homelessness.

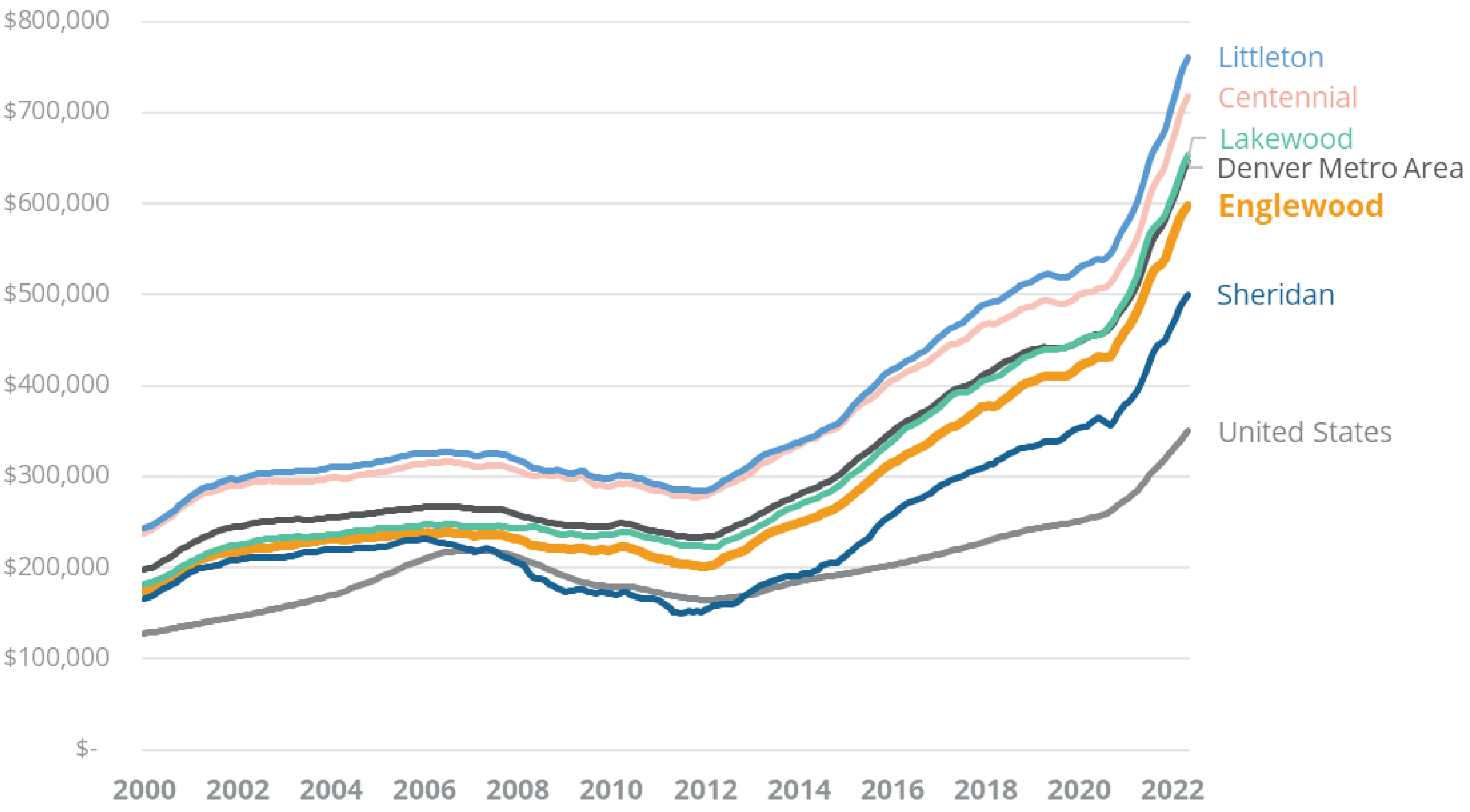
Housing Structure Type: Relative to surrounding communities, Englewood has limited “missing middle” housing stock (small attached products, like duplexes/townhomes).



Market Trends—Rental: Rents rose dramatically over the past 10 years, with the biggest losses at $500-$800 per month (offset by gains in units priced over $1,250).

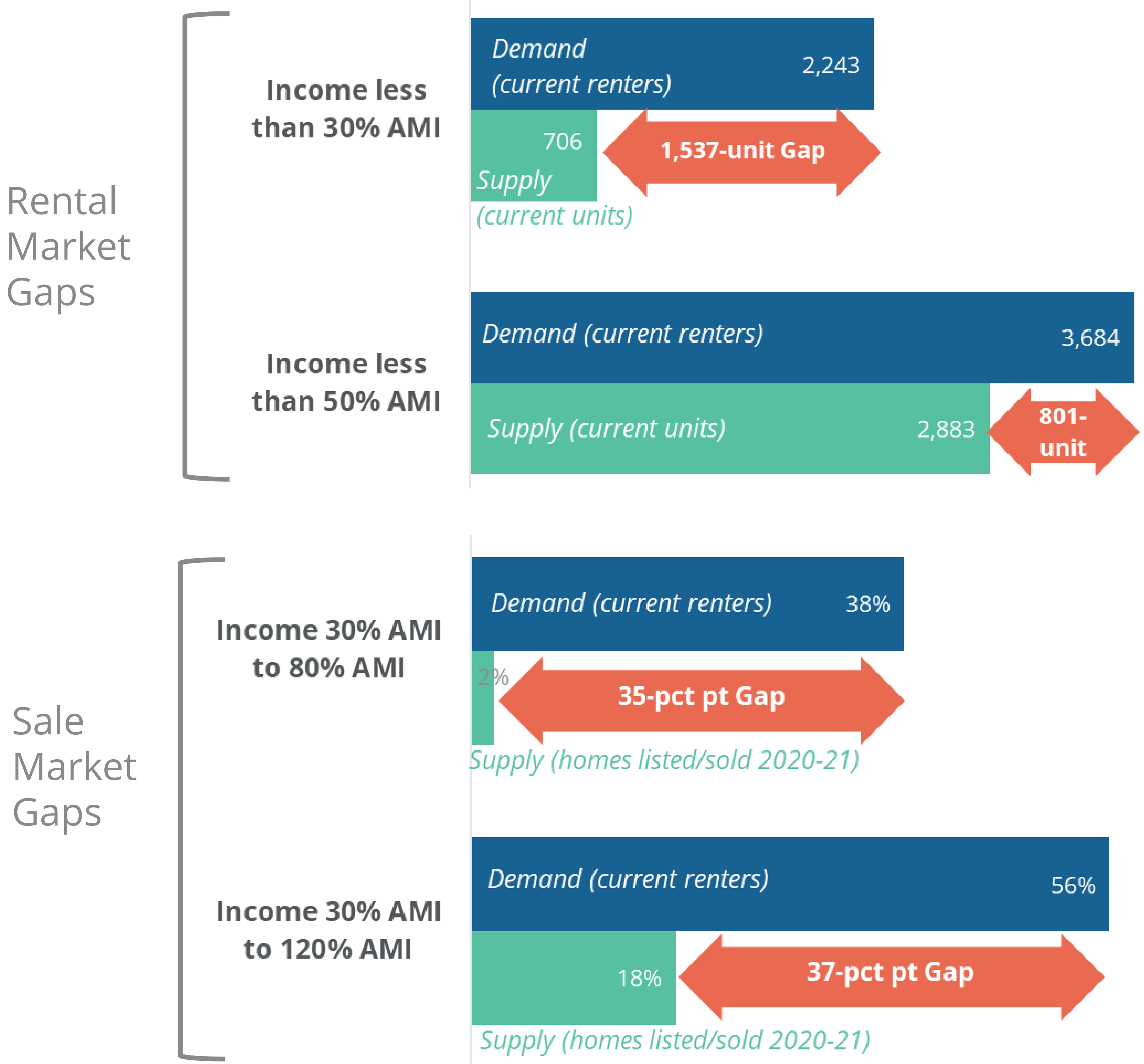


Market Trends—For-Sale: Median market value of Englewood homes tripled since 2000 with sharp gains in just the last 10 years.



Housing Gaps Summary

Affordability shortages for renters earning less than 50% AMI and potential buyers earning less than 120% AMI



RECOMMENDATIONS TO ADDRESS NEEDS

Strategic Approaches to Address Housing Needs

- Affordability
- Diversity
- Stability

1. **Fund—**Generate resources for affordable housing development, preservation, and services.
2. **Build—**Support development of dedicated affordable housing, naturally occurring affordable housing, and diverse housing types to accommodate a broad spectrum of needs and preferences.
3. **Preserve—**Work to maintain existing dedicated and naturally occurring affordable housing.
4. **Assist—**Increase access to resident housing services and programs through partnerships, funding, and tailored program development.

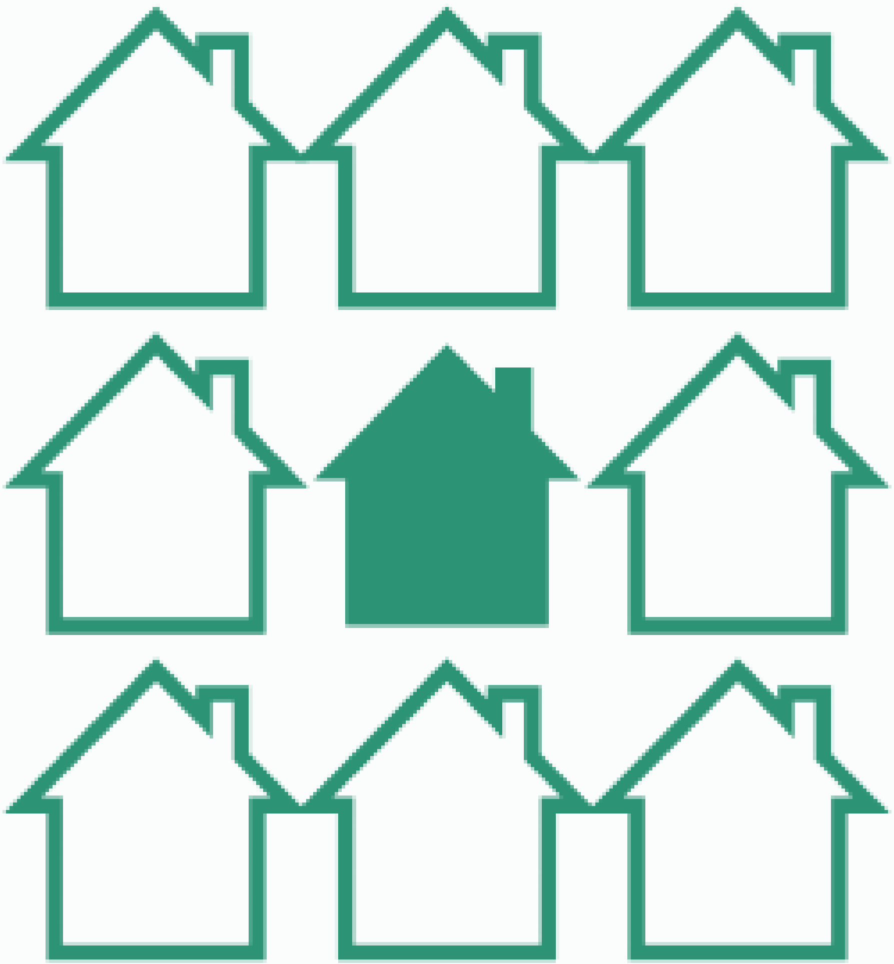
	Recommended Action Items	Strategy	Timeframe
1	**Adopt a local affordable housing goal(s).**	All	Short-term
2	**Create a dedicated revenue source to address housing challenges.**	Fund	Long-term
3	**Update zoning code to reduce barriers for more diverse housing types.**	Build/ Preserve	In Process
4	**Codify development incentives for affordable housing.**	Build	In Process
5	**Consider an inclusionary zoning ordinance with incentives and offsets.**	Build	Long-term
6	**Allocate publicly owned land (and/or strategically acquire vacant or underutilized properties) for affordable and mixed-income housing.**	Build	Long-term
7	**Support acquisition/ rehabilitation that creates or preserves affordable housing.**	Preserve	Long-term
8	**Improve access to and awareness of regional housing programs and if possible, bolster with local resources.**	Preserve/ Assist	Short-term
9	**Continue to advocate for regional collaboration and partnership development.**	Assist	Short-term

FEASIBILITY ANALYSIS:

Incentives and Inclusionary

What is feasibility? Why is it important?

- Applies to both IZ and Incentive based systems (as well as hybrid systems).
- Uses real estate proformas to determine changes in financial viability of development projects with IZ requirements and/or incentive packages.
- These are **"market-driven" programs**—it leverages new development to create affordable units that meet the community's needs. Without the creation of new market-rate housing, the inclusionary/incentive programs won't create any new affordable units.



Incentives & Requirements Tested

<table>
<tr><th colspan="3" rowspan="2">Attainable Housing Guidelines</th><th colspan="2">Attainable Housing Adjustments</th></tr>
<tr><th>Development Bonus</th><th>Parking Reduction</th></tr>
<tr><td rowspan="2">R-1 Districs</td><td>Tier 1: Detached House</td><td>25% of units below 100% AMI</td><td>Allow multi-unit house standards in detached house medium lot zone districts, with lot size reduction to 1,800 SF per unit</td><td>1-car garage per unit + on-street parking</td></tr>
<tr><td>Tier 1: Row-House</td><td>10% of units below 80% AMI</td><td>Allow row-house "small lot" standards in row-house "large lot" zone districts</td><td>1-car garage per unit + on-street parking</td></tr>
<tr><td rowspan="5">Multi-Unit</td><td rowspan="3">Tier 2</td><td rowspan="3">10% of units below 60% AMI;
OR
15% of units below 80% AMI</td><td rowspan="3">▪ 1 additional story in MU-R-3-A, -B, and -C; M-1 and -2; and MU-B-1 and 2</td><td>▪ 1 BR / efficiency – 0.5 / unit</td></tr>
<tr><td>▪ 2 BR – 1 / unit</td></tr>
<tr><td>▪ 3+ BR – 1.5 / unit</td></tr>
<tr><td rowspan="2">Tier3</td><td rowspan="2">10% of units below 60% AMI;
AND
an additional 10% of units below 80% AMI</td><td>▪ 1 additional story in R-2B and MU-R-3-C</td><td>▪ 1 BR / efficiency – 0.5 / unit</td></tr>
<tr><td>▪ 2 additional stories in MU-R-3-A and -B; ,M-1 and-2and MU-B-1 and -2</td><td>▪ 2 BR – 0.75 / unit
▪ 3+ BR – 1 / unit</td></tr>
</table>

Feasibility Results

Prototype	Incentive and Affordability Required	Development Cost: Total	Development Cost: Per Unit	Valuation Detail: Net Sale Value or NOI	Valuation Detail: Return on Cost
Single Family Detached (med. lot)					
Base Case		$610,175	$610,175	$681,100	**11.6%**
Tier 1 Incentive:	4-plex on SF Lot for 25% @ 100% AMI	$1,731,164	$432,791	$2,011,312	**16.2%** +
Row-House (large lot)					
Base Case		$2,839,746	$473,291	$3,175,200	**11.8%**
Tier 1 Incentive:	Small-lot Row-House for 10% @ 80% AMI	$4,420,910	$442,091	$5,086,107	**15.0%** +
3-Story Small Apartment					
BaseCase		$3,107,500	$310,750	$173,226	**5.57%**
Tier 2 Incentive:	Lot size and parking reduction and max unit increase for 10% @ 60% AMI	$4,095,218	$292,516	$230,913	**5.64%** +
3-Story Large Apartment					
BaseCase		$8,390,250	$310,750	$467,710	**5.57%**
Tier 2 Incentive:	+1 story and parking reduction for 10% @ 60% AMI	$12,779,385	$290,441	$725,728	**5.68%** +
Tier 3 Incentive:	+2 stories and parking reduction for 10% @ 60% AMI and 10% @80% AMI	$15,007,925	$288,614	$915,034	**6.10%** +
6-Story Large Apartment					
BaseCase		$43,281,124	$400,751	$2,269,763	**5.24%**
Tier 2 Incentive:	+1 story and parking reduction for 10% @ 60% AMI	$57,136,041	$366,257	$3,031,562	**5.31%** +
Tier 3 Incentive:	+2 stories and parking reduction for 10% @ 60% AMI and 10% @80% AMI	$62,830,149	$352,978	$3,370,155	**5.36%** +

Summary of Feasibility Findings

- **The proposed incentive package does generate material benefit to developers** under typical development conditions. Given the benefits, particularly of the parking reductions, some developers are likely to opt into the program if structured as a voluntary incentive. However, developers that are receiving parking reductions outside of affordability incentives (i.e., those in TOD areas) are less likely to participate in the program.
- **A mandatory inclusionary program with similar incentives and affordability set-asides is also feasible.** A mandatory program would require participation and is therefore more likely to generate affordable units. Under an inclusionary system, typically developers that build the affordable units receive incentives but developers that pay a fee-in-lieu option do not.

Root recommends the City move forward with the attainable housing incentive program as drafted (in CodeNext) but also continue discussions of a mandatory inclusionary program.

ROOT POLICY
RESEARCH