

<p><b>DATE: February 23, 2010</b></p> <p><b>STAFF: Joe Frank Ken Waido Megan Bolin</b></p> <p><i>Pre-taped staff presentation: available at <a href="http://fcgov.com/clerk/agendas.php">fcgov.com/clerk/agendas.php</a></i></p>	<p><b>WORK SESSION ITEM FORT COLLINS CITY COUNCIL</b></p>
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## **SUBJECT FOR DISCUSSION**

The Priority Affordable Housing Needs to be Addressed in the City of Fort Collins *2010-2014 Affordable Housing Strategic Plan*.

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## **EXECUTIVE SUMMARY**

The *2010-2014 Affordable Housing Strategic Plan* will establish new goals, policies, objectives, and implementation strategies for the City's affordable housing programs for the next five years. The plan will identify the most critical affordable housing needs and establish funding priorities to help guide decisions regarding the allocation of City financial resources through the competitive process. The Strategic Plan is not meant to predetermine dollar allocations or commit the City to certain projects; rather, it provides a flexible framework of prioritized needs so that issues may be addressed as they arise.

The City of Fort Collins has made a commitment to affordable housing through its ongoing effort to encourage construction of new affordable rental units, preserve existing affordable units, address special needs, provide home ownership opportunities, and educate the public about the need for affordable housing.

The draft *2010-2014 Affordable Housing Strategic Plan* identifies four primary needs. They are, in order of importance:

1. Increase the inventory of affordable rental housing.
2. Preserve existing affordable housing units.
3. Increase housing and facilities for people with special needs.
4. Provide financial assistance for first-time homebuyers.

If the City Council agrees with the above priorities, the Strategic Plan will establish the goals, policies, objectives, and implementation actions designed to address the community's most pressing affordable housing needs and supply problems. The priority listing is also important because the City will use the priorities in judging funding requests submitted during the cycles of the competitive process for the limited amount of available financial resources.

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## **GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED**

Does the City Council have any questions or comments regarding the proposed order of priority affordable housing needs?

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**BACKGROUND**

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In 1999, the City of Fort Collins approved its first *Priority Affordable Housing Needs and Strategies* report that investigated and evaluated the City's affordable housing inventory; determined existing and future housing needs for low income families; and identified populations with the most urgent need for affordable housing. The first report was updated in 2004. The City is preparing an update to the 2004 report based on new data and information. The new data and information provides a clearer picture for new priorities and goals for affordable housing development in Fort Collins and the foundation for a new *2010-2014 Affordable Housing Strategic Plan*. The Strategic Plan is being developed by staff with the assistance of a subcommittee composed of members from the Affordable Housing Board (Ben Blonder and Mike Sollenberger) and the Community Development Block Grant (CDBG) Commission (Kay Rios and Jeff Taylor).

The foundation for the Strategic Plan is the housing needs and supply data prepared for Larimer County and the Cities of Fort Collins and Loveland by Community Strategies Institute (CSI) called the *Larimer County Housing Needs Assessment* (September 2009). The CSI study was financed through a grant from the Colorado Department of Local Affairs and the Division of Housing with matching funding provided by Fort Collins and Loveland. The CSI data and information has been used to formulate a more current context of the local housing market and demographics of Fort Collins.

The draft *Affordable Housing Strategic Plan* prioritizes the affordable housing needs of the city and establishes goals for the five-year period of 2010-2014. The four needs, in order of importance, are:

1. Increase the inventory of affordable rental housing.
2. Preserve affordable housing units.
3. Increase housing and facilities for people with special needs.
4. Provide financial assistance for first-time homebuyers.

The above listing of priorities will replace the priorities contained in the *Priority Affordable Housing Needs and Strategies* report (2004) which were as follows:

1. Production of new rental units.
2. Assistance for first-time homebuyers.
3. Preservation of affordable housing units.

If the City Council agrees with the new priorities, the Strategic Plan will establish the goals, policies, objectives, implementation actions, and funding priorities designed to address the community's most pressing affordable housing needs and supply problems.

- 1. Increase the inventory of affordable rental housing.**

Staff and the subcommittee of members from the Affordable Housing Board and CDBG Commission have reviewed the data and information from the CSI study and have concluded that the Fort Collins community's highest priority need is to increase the inventory of affordable rental housing to households earning 50% and below of the Area Median Income (AMI). Within this category, the first priority is for units for extremely low income families (households earning less than 30% of AMI), with a second priority to very low income families (households earning between

31% and 50% of AMI). The following table summarizes the current situation regarding affordable rental housing.

**Supply/Demand Analysis for Rental Housing Units, Fort Collins, 2009**

Area Median Income (AMI)	Surplus/ Deficit of Affordable/Available Units*
0 - 30%	-5,009
31 – 50%	-1,187
51 – 60%	732
61 – 80%	-1,440

\* The surplus/deficit numbers have been adjusted, eliminating student households.  
Source, CSI *Larimer County Housing Needs Assessment* (September 2009)

The above table indicates there is a very strong need for additional rental housing (about 6,200 units) to serve households earning less than 50% of the Area Median Income (AMI). In 2009, the AMI for a family of four in Larimer County was an annual amount of \$75,200. So, the 50% of AMI level would be an annual income of \$37,600, for a family of four, and the 30% of AMI level would be an annual income of \$22,560.

The above table also indicates there is actually an excess of units available to serve households that earn between 51% and 60% of the AMI. Current market conditions are such that rental rates are affordable to households at the 60% AMI level and above. What that means for the Affordable Housing Strategic Plan is that City programs do not need to provide incentives and/or financial subsidies to projects which will provide units with rental rates affordable to households at the 60% AMI level and above, unless those projects included a significant number of units serving households below 30% of AMI.

### **Justification**

Due to the large need of rental units for households below 50% of AMI reported in the CSI study, staff and the subcommittee of members from the Affordable Housing Board and CDBG Commission have identified increasing the inventory of affordable rental housing as the highest priority in the community. Thus, the need for additional affordable rental units remains the highest priority, as it was in 2004 *Priority Affordable Housing Needs and Strategies* report. The affordable rental inventory can be increased through the construction of new units or through the acquisition and rehabilitation of existing market rate units and preserving them as affordable units.

### **2. Preserve existing affordable housing units.**

While it is critical to increase the inventory of additional affordable rental units, it is also extremely important that the current supply of affordable units remain in the inventory and are not lost through conversion into market rate units. Current City policy mandates that affordable housing units built with public assistance remain affordable for a minimum period of 20 years. As the housing stock continues to age, the City should be vigilant about those projects approaching that 20-year mark.

Periodic rehabilitation of these units will be necessary so they can compete with other newer units. Rehabilitation of the existing housing stock will help overcome deficiencies regarding safety and sanitary conditions.

### **Justification**

The CSI report indicates that 6,262, or 11.8%, of Fort Collins' housing units were built before 1960; oftentimes, these units are in need of health and safety repairs. With the number of new building permits showing a sharp decline in recent years and considering the cost of building new affordable units, attention should be given to the rehabilitation of existing units and preserving their affordability for the long-term. For this reason, staff and the subcommittee of the Affordable Housing Board and CDBG Commission have identified preservation of existing affordable units as the second highest priority in the community. Preservation of existing affordable housing units moves up from the third priority in 2004 to the proposed second priority in the new Strategic Plan.

### **3. Increase housing and facilities for people with special needs.**

This broad category of "special needs" includes homeless people, victims of domestic violence, people with substance abuse, persons with physical and mental disabilities, and seniors. These groups typically require housing units tailored to their specific needs that are not typically provided by market-driven development. Many times a network of support services is needed to keep these populations stable and independent.

**Homeless.** The CSI report cited a point-in-time study conducted in 2007 which found 556 homeless people in Larimer County. Research has shown that the sooner people can enter a stabilized shelter situation, the sooner they can start dealing with other problems that accompany homelessness. This also decreases costs to providing community services for this population. Special focused community efforts, such as Homeward 2020, are being established to collect data and develop strategic plans to address specific housing and facility needs for homeless people.

**Seniors.** CSI identified that 1,942 seniors earning less than 50% of AMI are paying more than 30% of their gross monthly income on housing, which is also known as being "cost burdened." An additional 1,061 seniors in that same income category were identified who are paying more than 50% of their income on housing. For those who are retired and live on fixed incomes, being cost burdened can significantly impact their ability to pay for health care, food, and other necessary household costs. Furthermore, the study estimates that Larimer County can expect to gain over 35,000 residents between age 62-75 between 2005 and 2025, and over 16,000 residents age 75+; many people in these age groups will begin to have limitations in mobility and self-care as they age. Because the largest number of seniors live in Fort Collins, there will be an impact on the housing market and senior housing choices.

**Persons with Disabilities.** This population includes persons with various physical and mental challenges who suffer the negative effects of high housing costs. That problem can be even more acute for households needing accessible features in their dwelling. In Fort Collins, there are 6,675 individuals with a sensory disability, 7,128 with a physical disability, and 6,424 with a mental disability. Informant interviews indicated that organizations which provide supportive services or housing for special needs customers do not have enough low-rent options for the number of people

who need them. Therefore, it is important to expand the supply of housing that is both accessible to those with special needs *and* affordable.

**Justification**

Collectively, the data and information from the CSI study indicates there are a variety of housing and facility gaps for people with special needs in the community. Staff and the subcommittee of the Affordable Housing Board and CDBG Commission have thus identified addressing housing and facilities for people with special needs as the third highest priority in the community. Housing and facilities for people with special needs was not identified as a high priority in 2004.

**4. Provide financial assistance for first-time homebuyers.**

The table below shows the number of renter households by income range and the number of potential units available for purchase that would be affordable to the renters of the specific income range. The table is not meant to imply that all of the rental households within an income range should become homeowners. The table does reveal a lack of for sale, affordable units in Fort Collins for renter households earning 80% percent or less of the AMI. Households with incomes at or below 30% of the AMI can afford only a few homes on the market – mostly small, older units. The households below 30% of AMI could benefit from self-help housing models, such as Habitat for Humanity, that direct funding to very low-income families that spend considerable time building their own homes. The households at 31% to 50% of the AMI and those at 51% to 80% AMI are perfect candidates for homebuyer assistance programs, such as the down payment assistance loans through the City.

**Supply Analysis of For Sale Housing Units by Income Range**

AMI Level	Affordable Price	Households	Units Available
0 - 30%	\$77,460	5,388	13
31 - 50%	\$126,900	5,539	99
51 - 60%	\$152,000	2,082	85
61 - 80%	\$202,750	2,468	293

Fort Collins must continue to help first-time homebuyers earning 80% and below of AMI achieve affordable homeownership. Good homebuyer counseling, fixed-rate mortgage products and down payment assistance can assure that households can become homeowners for the long term. Renters who enter homeownership open up rental units and thereby increase the supply of such units.

**Justification**

CSI’s study affirmed that households earning 51-80% of AMI are excellent candidates for homebuyer assistance programs. There are 4,550 renter households in Fort Collins with incomes between 51-80% of AMI that could benefit from such assistance. Staff and the subcommittee of the Affordable Housing Board and CDBG Commission have identified assisting first-time home buyers as the fourth highest priority in the community. Assistance for first-time homebuyers was the second highest priority in 2004 but has dropped to be the proposed fourth priority in the new

strategic plan. This does not mean that assistance to homebuyers is not important, it just means that currently there are higher needs in other segments of the housing continuum.

### **Role of the City of Fort Collins**

The City of Fort Collins' role in the provision of affordable housing can be summarized in four essential components: policy, regulation, education, and funding.

Through its policies, the City creates an atmosphere that encourages a balance of housing types and costs, so all of its citizens can live in safe and affordable housing. The City's policies encourage both the construction of new and preservation of existing affordable housing units.

In regulation, the City's role is to expedite the process for developing affordable housing and review all new and existing regulations that could discourage production of affordable housing, whether they are land use, building code, engineering, or other regulations. Through its non-financial incentive programs the City provides encouragement, such as density bonuses, for the inclusion of affordable housing in residential development projects.

In education, the City's role is to expand public awareness and the understanding of its citizens about the benefits of affordable housing to the community. To do that, it needs to thoroughly understand the community's need for affordable housing, why it is needed, and must put a face on the type of people that need affordable housing. To this end, affordable housing has to be understood as a contributor to the social, economic, and environmental sustainability of the community and as a means to accomplishing the City's social, economic, and environmental objectives. Affordable housing contributes to the social inclusion of lower income people into neighborhoods throughout the community. Affordable housing allows lower income people to remain in the local labor pool for economic development purposes and allows lower income people to remain in the community instead of being forced to locate elsewhere and commute into the city for their jobs. If they live outside the city, they increase traffic congestion and degrade air quality for a negative environmental impact.

The City's role in its financial assistance programs is to be an early piece of the funding puzzle, to help affordable housing providers leverage the balance of financing needed to complete their projects from private, foundation, state, federal, or other sources.

### **Financial Resources**

The City of Fort Collins has three main sources of funds available to provide financial assistance to affordable housing programs and projects: the federal Community Development Block Grant (CDBG) Program Entitlement Grant and the Home Investment Partnerships (HOME) Program Participating Jurisdiction Grant, and the City's own General Fund Budget Affordable Housing Fund (AHF). Assuming that the FY 2009 CDBG and HOME grant amounts and the 2010 City budget allocation to the AHF remain the same for the next five years, and assuming the current policies for allocation of these funding sources for affordable housing remain the same (that is, 65% of CDBG funds, 90% of HOME funds, and 100% of the AHF), then a total of approximately \$1,540,000 should be available annually for affordable housing programs and projects, or a total of \$7,700,000 for the 2010-2014 five-year period.

The following table summarizes the potential available funding.

**Estimated Available 2010-2014 Funding for Affordable Housing**

<b>Funding Source</b>	<b>Annual Allocation</b>	<b>2010-2014 Total</b>
Federal CDBG Program	\$650,000	\$3,250,000
CDBG Program Income	\$39,000	\$195,000
Federal HOME Program	\$617,110	\$3,085,550
HOME Program Income	\$45,000	\$225,000
City Affordable Housing Fund	\$188,890	\$944,450
<b>Annual Total</b>	<b>\$1,540,000</b>	<b>\$7,700,000</b>

City funding should only be used in projects able to leverage money from private, foundation, state and/or other federal sources in order to support the complex systems of housing, public/human services, and community infrastructure.

The City currently allocates its financial resources through a competitive process with two funding cycles each year, one in the spring and one in the fall. The competitive process evaluates applications for funding based on the City's affordable housing needs and on established funding priorities. Proposals which receive funding are determined to be the best of those in competition for the available funds during any particular cycle. Too often, the amount of requested funding exceeds the level of funding available during a cycle. Thus, not every application can receive funding, and some applications won't receive the full amount requested.

Through the establishment of the priority affordable housing needs, funding policies and objectives for the allocation of City financial resources will be developed and included in the strategic plan.

#### **Next Steps**

As indicated, the *2010-2014 Affordable Housing Strategic Plan* is a work in progress, but is expected to be completed later this spring. Staff and the subcommittee members from the Affordable Housing Board and CDBG Commission will work to complete a series of goals, policies, objectives, and implementation actions to address the priority affordable housing needs identified above. The challenge is to develop a set of objectives that also work within the City's competitive process for allocating financial resources to affordable housing projects and programs. The desire is for the *2010-2014 Affordable Housing Strategic Plan* to be a "decision guiding" document and not a "decision making" document. The Affordable Housing Board and CDBG Commission should be able to review proposals and recommend funding to the best applications received by the City during a particular competitive process cycle which address the priority needs without being constrained by pre-determined allocation of funding within the priority needs categories.

Staff and the subcommittee members from the Affordable Housing Board and CDBG Commission expect to complete the Strategic Plan according to the following schedule:

<b>DATE</b>	<b>PROCESS STEP</b>
End of March	Draft strategic plan completed and available for public review.
Month of April	One month public review and comment period.
May 11	Council work session on <i>2010-2014 Affordable Housing Strategic Plan's</i> goals, policies, objectives, and implementation actions.
June	Council considers adoption of the <i>2010-2014 Affordable Housing Strategic Plan</i> .

## **ATTACHMENTS**


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1. Powerpoint presentation



**The Priority Affordable Housing Needs**


**City of Fort Collins**  
**2010-2014**  
***Affordable Housing***  
***Strategic Plan***



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**SPECIFIC QUESTION  
TO BE ANSWERED**

**Does the City Council have any  
questions or comments regarding  
the proposed order of priority  
affordable housing needs?**



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## Previous Documents

- *1999 Priority Affordable Housing Needs and Strategies* report
- *2004 Priority Affordable Housing Needs and Strategies* report



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## *Affordable Housing Strategic Plan*

- The plan will establish new:
  - Goals
  - Objectives
  - Policies
  - Implementation strategies
- The suggested priority listing of needs will be used by the City to judge funding requests during the cycles of the competitive process.



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### Estimated Available Funding for Affordable Housing 2010-2014

Funding Source	Annual Allocation	2010 - 2014 Total
CDBG Grant + Program Income	\$689,000	\$3,395,000
HOME Grant + Program Income	\$662,110	\$3,310,550
City AHF	\$188,890	\$944,450
<b>Total</b>	<b>\$1,540,000</b>	<b>\$7,700,000</b>



### Determining Affordable Housing Needs

#### *Larimer County Housing Needs Assessment (September 2009)*

by Community Strategies Institute (CSI)



## Proposed Priority Needs

1. Increase the inventory of affordable rental units.
2. Preserve existing affordable housing units.
3. Increase housing and facilities for people with special needs.
4. Provide financial assistance for first-time homebuyers.



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## Priority Needs Comparison 2004-2010

Needs Category	Proposed Priority	Previous Priority
Increase the inventory of affordable rental units.	#1	#1
Preserve existing affordable housing units	#2	#3
Increase housing and facilities for people with special needs	#3	Not Ranked
Provide financial assistance for first-time homebuyers	#4	#2



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## Increase the Inventory of Affordable Rental Units

Area Median Income (AMI)	Surplus/ Deficit of Affordable/Available Units
0 - 30%	-5,009
31 - 50%	-1,187
51 - 60%	732
61 - 80%	-1,440



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## Preserve Existing Affordable Housing

- Affordable rental housing units.
- Affordable homeownership units.
- If units are lost, they would need to be replaced by either the construction of new units or the conversion of market rate units to affordable units.



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## Increase Housing and Facilities for People with Special Needs

- **Special needs:**
  - Homeless
  - Seniors
  - Persons with disabilities
- A network of support services is needed to keep these populations stable and independent.



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## Provide Financial Assistance for First-time Homebuyers

AMI Level	Affordable Price	Households	Units Available
0 - 30%	\$77,460	5,388	13
31 - 50%	\$126,900	5,539	99
51 - 60%	\$152,000	2,082	85
61 - 80%	\$202,750	2,468	293



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## Next Steps

DATE	PROCESS STEP
End of March	Draft strategic plan completed and available for public review.
Month of April	One month public review and comment period.
May 11	Council work session on <i>2010-2014 Affordable Housing Strategic Plan's</i> goals, policies, objectives, and implementation actions
June	Council considers adoption of the <i>2010-2014 Affordable Housing Strategic Plan.</i>

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**Does the City Council have any questions or comments regarding the proposed order of priority affordable housing needs?**

1. Increase the inventory of affordable rental units.
2. Preserve existing affordable housing units.
3. Increase housing and facilities for people with special needs.
4. Provide financial assistance for first-time homebuyers.

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