



# Littleton Housing Study Phase 2:

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## Recommendations

**Final Recommendations**

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# Littleton Housing Study Recommendations

In early 2017, BBC Research & Consulting was contracted to conduct a Housing Study for the City of Littleton. The study, completed in June of 2017, included an analysis of trends, community perceptions, and resources related to Littleton’s housing market and potential housing needs.

In 2018, BBC and the Littleton Housing Study Advisory Committee collaborated on the second phase of the housing study: recommendations for the City of Littleton to meet existing and future needs for residential housing demand (as identified in the 2017 Housing Study). This report documents those recommendations and reflects best practices in housing policy, the expertise and experience of BBC, along with the perspective and direction provided by the City of Littleton and the Littleton Housing Study Advisory Committee. The recommendations form a baseline for a housing strategy that should be considered as part of the City’s ongoing Comprehensive Planning process.

This recommendations report begins with a summary of top needs identified in the 2017 Housing Study along with a discussion of why the city may desire to address housing needs.

## Top Needs

Core strengths of Littleton’s housing context include a strong economy with low unemployment, increasing resident incomes, diverse housing stock and middle-market home prices. These strong market indicators are coupled with high levels of resident satisfaction and appealing community assets such as good schools and small-town charm. Littleton also benefits from a regional supply of housing, including options for seniors in nearby communities.

However, these community assets also increase demand for living in Littleton and contribute to rising home prices. The market analysis revealed market weaknesses, particularly related to declining affordability as home costs rise faster than incomes—a particular challenge for first-time home buyers. Residents and stakeholders also indicated a shortage of units that accommodate seniors and people with disabilities—specifically single-level, low-maintenance housing options (attached and detached).

The recommendations discussed in this report focus on actions that would preserve the city’s existing strengths and address the following core needs:

- **Additional affordable rentals**, specifically for residents earning less than \$25,000—the city currently has a shortage of 1,350 units priced below \$623 per month.
- **Starter homes and family homes priced near or below \$300,000** (roughly affordable to a household earning at least \$73,000 per year).
- **Housing options attractive to seniors**—primarily low-maintenance housing options with few or no stairs.

The 2017 Littleton Housing Study provides additional detail on these and Littleton’s demographics, housing market, community engagement process for the study, housing resources, and options in Littleton.

## Why Work to Address Housing Needs?

A balanced housing stock accommodates a diverse resident population which in turn supports the local economy and contributes to Littleton’s culture and community identity. The city has historically been relatively affordable to households across the income spectrum and the city has demonstrated a commitment to addressing the needs of its most vulnerable residents. For example, Littleton was the second city in the State of Colorado to establish a housing authority to provide housing options for low income residents.

Recent trends indicate that many current and future residents may be priced out of Littleton as prices increase. Actions that help mitigate price increases and preserve both market-rate and publicly assisted housing affordability will also help preserve the culture and identity of Littleton itself.

Currently the average worker in only two of the city’s top ten industries has wages high enough to afford the 2016 median sale price of \$370,000.<sup>1</sup> By 2032 those workers will also be priced out of Littleton (at the median). Households earning 150 percent of the HUD median income (\$108,000 per year for a 3-person household) will only be able to afford one-third of the homes for sale in Littleton by 2032 (currently these households account for about 70% of all Littleton households and can afford 71% of for-sale homes in Littleton).

The recommendations presented in this report are intended to offer a balanced approach for promoting housing affordability within Littleton. This intent is supported by Littleton residents’ expressed value of inclusiveness, which was evident in survey results and focus group findings, discussed in detail in Section III of the 2017 Housing Study. A collaborative engagement, which spreads the cost, impact, and rewards among all interested parties, will have the greatest chance for success.

## Recommendations to Address Top Needs

The following recommendations are based on BBC’s experience working with peer communities and best practices; they were developed in conjunction with the City of Littleton and the Littleton Housing Study Advisory Committee. These recommendations form a baseline for a housing strategy that should be considered as part of the City’s ongoing Comprehensive Planning process.

**1. Adopt and articulate a vision for housing.** The formation of a vision for housing development signals the city’s housing goals to developers and offers assurance to residents that the city is committed to preserving Littleton’s culture as well as its affordability.

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<sup>1</sup> Calculation assumes a 30-year mortgage with a 10 percent down payment and an interest rate of 3.85 percent and incorporates property taxes, insurance and utilities (assumed to collectively account for 30% of the monthly payment). Housing costs are restricted to be 30 percent of total income or less. See the 2017 Housing Study for more detail.

**1-2 Year Action Steps:** Many communities “formalize” housing strategic planning through creation of a task force or advisory committee to study and spearhead housing policies. We recommend this committee include Littleton residents as well as real estate and development professionals (e.g., real estate brokers, affordable housing providers, developers, builders, etc.) Committees are also an effective way to set affordability thresholds, establish overall goals for the percentage of housing stock that should be kept affordable and track key market metrics to assess progress.

**Who would benefit from this action?** City staff, City Council, development community, housing stakeholders and the Littleton Community overall.

**2. Set a goal to mitigate increases to the rental gap.** The city currently has a 1,350-unit shortage of rental units priced affordably for renters earning less than \$25,000 per year. Since 2000, the rental gap has more than doubled (from 601 units to 1,350 units); if the city experiences even half that increase over the next 15 years, the gap will increase to 1,724 units. The city should consider the following strategies to help mitigate increases to (or even reduce) the existing rental gap:

**1-2 Year Action Steps:**

- a) Work to improve public perception of Low-Income Housing Tax Credit (LIHTC) developments and reduce opposition related to proposed affordable developments (e.g., white papers, marketing campaigns, Channel 8 presentations, workshops, etc.).
- b) Incorporate incentives for affordable development in the zoning code. These could include streamlining the development approval and rezoning process for developments with an affordability component and fee waivers/discounts for affordable units, among others.

**3-5 Year Action Steps:**

- c) Explore the feasibility of a rental rehabilitation program which would require an investment “match” from owners. As part of the program, owners would agree to maintain a certain level of affordability for existing and future renters.
- d) Evaluate the potential for the development of affordable and mixed-income housing on publicly owned land. Consider developing city-owned land to create housing through partnership opportunities with South Metro Housing Options (SMHO) and/or other non-profit developers.
- e) As opportunities arise, acquire and bank underutilized and vacant land for future affordable and mixed-income housing. This could be implemented through a land trust model (discussed under Recommendation 3) to help move very low income residents with special needs move into homeownership.
- f) As opportunities arise and as funding allows, consider purchasing aging multifamily developments and sell them to area housing nonprofits for long-term preservation.

**Who would benefit from this action?** Lower income workforce (home health care providers, retail workers, service industry workers); seniors; residents with disabilities and other extremely low income households.

**3. Consider implementing policies/programs to improve homeownership affordability and accessibility.** This strategy includes preserving existing affordable ownership opportunities and creating opportunity for “missing middle” and accessible development.<sup>2</sup> Missing Middle development which focuses on attached products that are compatible with traditional single family contexts, can help meet demand for walkable neighborhoods and can provide more affordable options for young families and for seniors. Encouraging accessible or “visitable”<sup>3</sup> development would create more opportunities for senior-friendly, accessible homes.

Many strategies for encouraging development and preservation of affordable housing for purchase overlap with those offered for reducing the rental gap:

**1-2 Year Action Steps:**

- a) Conduct inventory of resources, programs, and potential partnership opportunities with public and private entities to address ownership challenges. This work would build on the Resources and Options section of the 2017 Housing Study to identify partners and funders outside the City’s current programs.
- b) Pursue untapped funding sources that could be leveraged to achieve housing goals.

**3-5 Year Action Steps:**

- c) Preserve existing affordable ownership by continuing to support home rehab programs funded by Community Development Block Grants (CDBG).
- d) In addition to CDBG rehab programs, consider creating a revolving loan fund where residents get home improvement funds in exchange for the promise to discount the home or market the home initially to a first time homebuyer upon sale.
- e) As opportunities arise, acquire and bank underutilized and vacant land for future affordable and mixed-income housing. Evaluate the potential for the development of affordable and mixed-income housing on city-owned land. Consider selling, at below market prices, city-owned land to

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<sup>2</sup> The term Missing Middle was crafted by Daniel Parolek of the planning and design firm Opticos. He uses the term to define a particular residential product type: “multi-unit or clustered housing types” that are compatible in scale with single family homes and which are targeted to help meet a growing demand for “walkable urban living.”

<sup>3</sup> Visitable units are those that can be easily accessed by seniors with mobility limitations and persons with disabilities. They are also built for accessibility modifications if needed in the future (e.g., reinforced walls for grab bars). They typically include at least one no-step entrance as well doors, hallways and a main floor bathroom that meet accessibility standards.

developers to create housing using a land trust model<sup>4</sup> or partner with local nonprofits to create units through a sweat equity model (the best known is Habitat for Humanity, although others exist).

- f) Enable sufficient product diversity throughout residential districts in the city—including missing middle attached as well as small-lot single family homes.
- g) Encourage accessible/visitable development by streamlining development process or providing fee waivers for accessible units. Some communities also enact a visitability ordinance requiring a certain proportion of new development to meet visitable standards.<sup>5</sup>

**Who would benefit from this action?** Core workforce (teachers, health and social service workers, first responders, public service workers); new workers; seniors; residents with disabilities, first-time home buyers and other low to moderate income households.

#### **4. Inventory vacant and underutilized parcels for residential redevelopment potential.**

The city could take the lead on facilitating infill development by conducting an inventory of vacant/underutilized parcels and evaluating their potential for residential redevelopment. Much of this recommendation could be accomplished through the ongoing Comprehensive Planning process.

**1-2 Year Action Steps:** Strategies to accomplish this recommendation include the following:

- a) Assemble a list of underutilized parcels of real estate —particularly underutilized commercial and retail—including those owned by the city (and other governmental or quasi-governmental entities) and considered for redevelopment, along with their current zoning and land use status.
- b) Assess the potential of these parcels for mixed income housing locations and facilitate easy land use conversion to housing or mixed use opportunities. This process should also include an evaluation of existing neighborhood assets such as open space/trails, schools, and other “opportunity” assets.
- c) Develop a vision for the parcel redevelopments—e.g., suburban style detached and attached housing for families, higher density housing for singles, housing for persons with disabilities and/or seniors—and examine how zoning may need modification to accomplish the redevelopment.

**Who would benefit from this action?** Varies by parcel/development but could include any previously mentioned beneficiary (lower income workforce; core workforce; new workers; seniors; residents

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<sup>4</sup> A Community Land Trust (CLT) is a type of non-profit housing organization that intends to maintain ownership of the land in perpetuity. Following construction (or acquisition), the land is leased to the residents who own homes on the leased land; their ownership is subject to restrictions on use and resale that keep the units permanently affordable.

<sup>5</sup> Visitable units are those that can be easily accessed by seniors with mobility limitations and persons with disabilities. They are also built for accessibility modifications if needed in the future (e.g., reinforced walls for grab bars). They typically include at least one no-step entrance as well doors, hallways and a main floor bathroom that meet accessibility standards.

with disabilities, first-time home buyers, and other extremely low and low to moderate income households); along with existing property owners.

**5. Increase capacity for affordable preservation and development through financial resources.** Littleton can facilitate some affordable and mixed-income development at a relatively low cost through many of the recommendations offered above but efforts that require more resources, like acquisition and rehabilitation of multifamily properties, would benefit from a recurring source of funds for affordable housing. The City of Littleton should start considering options for future resources now, before housing needs become even more critical.

**5+ Year Action Steps:** Strategies to accomplish this recommendation include the following:

- a) Some communities (Denver, Austin, Albuquerque, Boston, Lawrence KS) have raised significant funds through mill levy increases or bond extensions.
- b) Other funds have been started by area employers (Silicon Valley employers, Aflac, Vail Resorts, and local employer Exodus Moving and Storage, which offers down payment assistance to employees).
- c) Still others are linked to commercial development (Denver, Boulder, Arlington County VA).
- d) Another option is to adopt a community benefits ordinance with an affordable housing component. Such an ordinance would require that developers and employers who receive economic benefits from the city contribute to the creation of balanced housing communities through a housing trust fund or incorporating a variety of housing types and prices into their projects (Baltimore, MD).

**Who would benefit from this action?** Varies by parcel/development but could include any previously mentioned beneficiary (lower income workforce; core workforce; new workers; seniors; residents with disabilities, first-time home buyers, and other extremely low and low to moderate income households).