



AFFORDABLE HOUSING IN SMALL COMMUNITIES: DECIPHERING THE PROBLEM AND FINDING SOLUTIONS

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FOREWORD

There is no doubt that the lack of affordable housing is a key issue for Colorado's communities. While there is a substantial body of knowledge on urban and suburban efforts, rural communities have challenges, resources, and programs that are often different and unique to more metro-based counterparts.

There are many opportunities for small communities to explore the development of affordable housing. Many more communities are aware of the positives of investing in affordable housing and that helping provide this service for low income citizens will further promote economic viability in their communities.

To highlight these efforts, CML and Housing Colorado gathered information from across Colorado to study common themes and barriers, and what communities can do to help their lower-income residents. This marks the first time our two organizations have come together on a publication, and we are excited to elevate the awareness of affordable housing issues and provide these findings and resources to help smaller communities deal with such an important issue.

CML and Housing Colorado would like to thank those that have taken time to work with our organizations on this publication. Kelly Jepson, a graduate student with the University of Colorado, Denver, conducted a months-long study interviewing various parties on their affordable housing programs. We want to thank her for her time and information. We also want to thank the municipalities and developers that provided feedback throughout the development of this publication, particularly those for our case studies: the Town of Windsor, the City of Durango, and the Town of New Castle. Meghan Storrie, CML legislative & policy advocate, and Sara Reynolds, Housing Colorado executive director, are the primary authors. Should the contents of this publication raise any questions, we would like to hear from you.

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THE SCOPE OF THE AFFORDABLE HOUSING PROBLEM

Affordable and safe housing is an integral component to a strong city or town. Research and experience have confirmed that housing issues affect all segments of society, from a child's ability to succeed in school to working class families struggling to pay monthly rent, from business owners trying to retain employees, to seniors, veterans, and those with disabilities consumed with housing costs and unable to focus on their health needs.

Affordable housing typically is defined as paying no more than 30 percent of gross income for housing, including utilities. "Rent-burdened households" are those that pay higher than 30 percent, and "cost-burdened" households are defined as paying more than 50 percent on housing.

Approximately 35 percent of Colorado households, or 699,500 households, are rented. Of these households, 327,412 households (47 percent of all renters) pay more than 30 percent of their income on housing. Furthermore, 165,165 households (24 percent of all renters) pay more than 50 percent of their income on housing.¹

The cost of living in recent years has contributed significantly to these numbers. Since 2007, the average rent in Colorado has increased by 19 percent, while the median renter household income has risen by only 1.1 percent. Inadequate supply of affordable housing further exacerbates this issue — at the \$20,000 household income level and below, there are two households competing for each rental unit available at an affordable level (\$500 per month).

The unmet demand for housing has the greatest impact on some of our most vulnerable populations. Among the lowest of incomes, those earning less than \$10,000 per year, housing needs include the following:

- Number of households with special needs – 24,000
- Number of senior households – 21,000
- Number of families with children – 38,000
- Number of rural households – 7,000
- Number of households coming from homelessness – 14,500²

1 Housing Need and Rent Burden in Colorado and its Metropolitan Areas Colorado Department of Local Affairs, Division of Housing, April 2012.

2 *Ibid.*

CHALLENGES FOR AFFORDABLE HOUSING IN SMALL COMMUNITIES

While interviewing communities and nonprofits throughout Colorado, a number of challenges were discussed. This section breaks these out into land availability and geography, local economic base, community perception, and the lack of resources for smaller communities.

LAND AVAILABILITY

Rural-resort communities. Misconceptions occur when mountainous rural-resort communities and eastern plains communities are subject to generalized housing discussions regarding cost and availability of land among various regions of the country. Income statistics show relatively high area median incomes (AMIs) for rural-resort areas in Colorado: consequentially, they do not reflect the lower-income workers who must commute due to lack of affordability within resort communities.³ However, in Colorado, we know that workforce housing in these areas is vital to economic development, and that this population deserves quality affordable housing within the city or town limits where they work. High AMIs in rural-resort areas often represent second homeowners who have a much higher annual income, and conclude that an AMI may not accurately represent local workforce populations, which may be lower.

Rural-resort areas lack cost-effective affordable housing developments. Within resort communities, land availability remains a barrier for affordable housing developments. Consequential to development barriers, over the years, housing supply in resort towns remains relatively inelastic and slow to respond to increased housing demands. While housing markets fluctuate periodically, the cost of new development remains high in these communities.⁴

Eastern plains. Despite the availability of inexpensive and developable land in the eastern plains, these communities face similar barriers to development of affordable housing units as rural-resort areas. These areas continue to show a need for more affordable housing even though their boundaries contain developable land. The issue is that lower land value in most rural areas leads to lower wages, lower rents, and less overall incentive for new development in the area.⁵ Moreover, rural housing programs may not have the same resources as agencies in rural areas as there is more interest in development in urban areas. Yet researchers claim that rural areas lack affordable housing supply when compared with demand, and lower levels of regulation and development in rural

3 Housing Assistance Council. (2010). *Colorado poverty statistics by county. Rural Housing Data Portal 2010*. Washington, DC: HAC. Retrieved from www.ruraldataportal.org/index.aspx.

4 Johnson, M.P. (2007). Planning models for the provision of affordable housing. *Environment and Planning B: Planning and Design*, 34, 501-523.

5 Lang, R.E., & Anacker, K.B. (2008). The new politics of affordable housing. *Housing Policy Debate*, 19(2), 37-41.

affordable housing markets amplify the gap between supply and demand in local housing markets.⁶

LACK OF RESOURCES

Unlike rural agencies, urban areas often have more resources to encourage development, including the promise of higher return on investment through a guarantee of high occupancy rates once the housing units are in place. In urban settings, new developments benefit from close proximity to all necessary building and service resources. Because the materials needed to establish new affordable housing units are farther from rural settings, the costly nature of building in smaller towns remains a deterrent for developers and contractors. New projects often include discussions of building cost, transportation cost, and proximity of community resources to the new affordable housing development for the future inhabitants of the project. If building in the eastern plains does not guarantee a return on investment, developers may be persuaded to build in a more predictable and less costly urban housing environment.⁷

COMMUNITY PERCEPTION OF AFFORDABLE HOUSING

Community perception plays an important role in the successes and failures of affordable housing programming in small towns due to increased neighborhood awareness and involvement in the various stages of the housing development process. As a whole, urban areas may adjust with relative ease to development, and thus may be more accepting of new affordable housing units.⁸ But how do rural residents view affordable housing developments? Often, neighborhoods view development as having a larger impact more closely related to the overall community. Stigmas can develop around affordable housing that often leads to neighborhood resistance. Despite volatile and sometimes unpredictable community reactions, the research shows that perception surrounding affordable housing directly and significantly impact the success or failure of new developments.⁹

Many common community assumptions surround concerns of higher traffic accidents, more crime, and additional costs to schools and other municipal services. It is the job of affordable housing providers and local governments to demonstrate the value of affordable housing development and dispel myths and misconceptions that often surround affordable housing. If affordable housing is well designed, fits in with the surrounding neighborhood, and if it is well managed, there are very few, if any, negative impacts of that housing on the property values of neighboring houses. Additionally, the potential population growth associated with new affordable housing does not necessarily yield higher municipal costs. Likewise, there is no evidence to suggest that multifamily

6 *Ibid.*

7 Johnson, M.P. (2007). Planning models for the provision of affordable housing. *Environment and Planning B: Planning and Design*, 34, 501-523.

8 Ziebarth, A., Prochaska-Cue, K., & Shrewsbury, B. (1997). Growth and locational impacts for housing in small communities. *Rural Sociology Society*, 62, 111-125.

9 Tighe, J.R. (2010). Public opinion and affordable housing: A review of the literature. *Journal of Planning Literature*, 25(1), 3-17.

construction increases school-related costs any more than their single-family counterparts. In fact, both schools and local governments can benefit from the additional economic activity that is generated through the construction process and subsequent population growth. See “Public Perceptions of Affordable Housing” on page 15 for ways to reframe the message of affordable housing.

COMPLEXITY OF SCALE

While each community has different dynamics and priorities, one thing that small communities have in common when it comes to affordable housing is the complexity of scale. While in more urban areas a development with housing and services might typically be 100 units, providing an economy of scale in construction and operations, it is more difficult to get this level of effectiveness in a rural town. The size of multifamily developments can overshadow other types of existing housing in the community. As a result, there is more resistance when rural areas are discussing these types of projects.¹⁰

10 Personal Communication, Pat Coyle, October 15, 2013.

COMMON THEMES IN AFFORDABLE HOUSING IN SMALL COMMUNITIES

TYPES OF HOUSING

Two prominent types of affordable housing in less populated areas in Colorado include manufactured (mobile) homes and multifamily development.

Manufactured homes. While manufactured homes exist in the home-ownership market, they are prominent in low-income rental markets as well. Studies show that habitants of manufactured houses do not necessarily own the structure or land underneath.¹¹ Manufactured housing developments include single-family rentals, and this type of housing is a common alternative to traditional apartment building developments in the affordable housing market. Recent research points to a trend in movement of low-income people into rural areas due to an initial surplus of housing.¹² It should be noted, however, that low-income individuals who move to rural areas cannot necessarily afford existing single-family homes, and are forced into available affordable housing. Rural-resort areas offer the additional challenge of low land availability so manufactured housing is a common form of affordable housing within the outlying perimeters or outside of mountain towns.¹³

Multifamily development. As federal funding for affordable housing declines, local governments become increasingly responsible for the establishment and provision of affordable housing programs.¹⁴ In response to the overwhelming need for affordable housing in this country — national statistics showing more than 14 million families with a critical housing need — affordable housing developments need to be a common component of both rural and urban areas. As population grows in rural areas, local governments and private developers choose multifamily development over single-family development to provide housing at a lower cost.¹⁵ Multifamily housing is more attractive for developers because less land is needed and more individuals can live there, which theoretically increases potential for a higher rate of return on the investment in the project over time. Consideration of land cost is particularly important in rural-resort towns where the amount of land available to build on is lower.¹⁶ While land value is lower in the eastern plains, developers still consider the need for a guaranteed return on investment, and multifamily housing still becomes the more desirable framework for new affordable housing projects.

11 Beamish, J.O., Goss, R.C., Atilas, J.H., & Kim, Y. (2001). Not a trailer anymore: Perceptions of manufactured housing. *Housing Policy Debate*, 12(2), 373-392.

12 Clark, S. L. 2012. In search of housing: urban families in rural contexts. *Rural Sociology*, 77(1), 110-134.

13 Beamish, J.O., Goss, R.C., Atilas, J.H., & Kim, Y. (2001). Not a trailer anymore: Perceptions of manufactured housing. *Housing Policy Debate*, 12(2), 373-392.

14 Reid, B. (2001). Increasing the supply of multifamily affordable housing. *Journal of Housing & Community Development*, 58(2), 8-11.

15 *Ibid.*

16 Ziebarth, A.C. & Meeks, C.B. (1998). Public policy issues and financing for rural housing. *Advancing the Consumer Interest*, 10(1), 1-7.

Multifamily housing developments are the most common forms of affordable housing developments, and apartment-style projects are the most cost effective on expensive rural-resort land. Housing providers in the eastern plains also reported a need for new affordable housing development to fit in to the overarching “look” of the existing neighborhoods. Consequently, contemporary housing providers in various rural Colorado areas tend to consider multifamily dwellings, but manufactured housing is still a viable option in greater areas of communities.

LOCATION

Within the existing community. While developments within rural-resort towns face the challenge of high land cost, placing affordable housing within the community poses advantages both pre- and post-development.¹⁷ Often, affordable housing is easier to establish in areas where a variety of resources — such as public transportation, job training services, and housing agencies — are located.¹⁸ During construction, costs decrease when the project has a closer proximity to building materials, contracting businesses, and supplies. Within towns, inhabitants likely live closer to work; thus, vacancy rates in the development remain relatively low due to high utilization of the affordable housing units. Research on urban/rural sprawl shows that housing developments farther away from community resources (such as healthcare and food) are not as economically vibrant over time. Housing proximity to resources is one of the most influential factors in determining overall community health.¹⁹

Outside of the town. The high demand for affordable housing by local workforce populations often spills over municipal boundaries into adjoining areas.²⁰ Many of these developments exist in the form of manufactured housing, and the homes often are stacked side-by-side on relatively small parcels of land. In addition to taking up less physical acreage, manufactured homes can provide an overall lower-cost alternative to single-family homes.

Those who live in affordable housing developments outside the community, however, may suffer from a lack of accessible public resources, as well as increased costs from commuting.²¹ Additional problems arise when affordable housing developments in unincorporated areas cannot sustain a substantial tax base, and consequently cannot provide necessary services to residents. Still, more research considers the impacts of location on developers and builders, and points to higher costs in building materials and transport for rural areas in general, and more specifically, in outlying rural-resort communities.²²

17 Johnson, M.P. (2007). Planning models for the provision of affordable housing. *Environment and Planning B: Planning and Design*, 34, 501-523.

18 *Ibid.*

19 *Ibid.*

20 Clark, S. L. 2012. In search of housing: urban families in rural contexts. *Rural Sociology*, 77(1), 110-134.

21 *Ibid.*

22 Johnson, M.P. (2007). Planning models for the provision of affordable housing. *Environment and Planning B: Planning and Design*, 34, 501-523.

IMPLICATIONS FOR AFFORDABLE HOUSING IN SMALL COMMUNITIES

During this research project, the intent was to study ways small cities and towns can further promote their affordable housing programs. Below are a few areas in need of improvement that came from surveys and interviews.

Regional collaboration. The research revealed a visible need for greater regional communication. In addition to infrequent regional communication, many members that were contacted noted a lack of awareness of the specific programs offered by other rural housing agencies in the state. This finding underscores the need for resources that assist local agencies to connect independently with each other. See “Resources for Affordable Housing and Homelessness” on page 18 for funding and informational resources for rural communities. These efforts will foster more communication among existing rural housing agencies, and hopefully, lead to further collaborative housing provision efforts.

Creating programs that utilize resources. Many existing programs for members of CML and Housing Colorado must constantly work around the lack of funds. As national funding for housing decreases, Colorado housing agencies must seek additional funds from local resources, and many agencies have been forced to decrease some of their programming when funds are not available. A majority of members interviewed for this publication mentioned that increased funds from local governments and taxpayer dollars directly contribute to the scope and variety of programming in various housing agencies. They overwhelmingly supported the theory that housing agencies in rural areas have fewer readily available resources in comparison to urban housing agencies, but also noted that the ability to offer a wide range of services to affordable housing residents is extremely valuable and just as critical for rural communities as their urban counterparts.

Public-private partnerships. Nonprofit housing providers and local government collaborations are increasingly common due to a demand for workforce housing in small communities. While many of the existing programs work with city councils and town boards, some do not actively and collaboratively engage with their local governments. Agencies not engaged with local governments on a regular basis do not necessarily view the nature of the relationship as negative; instead, these agencies often view the relationship as neutral. That being said, partnerships between local governments and other agencies have led to great successes and demonstrate an opportunity cost for those who do not have those relationships in place. Many agencies are intimately involved with local government, and those engaged in formal agreements with local governing entities have a structure for programming cost and function, and can facilitate a clear understanding of each agency’s responsibilities and contributions to the program. When agencies reported a lack of communication with local government, there was often a willingness to increase collaborations in the

future to expand funding and community understanding of their mission. Most respondents who do engage in cooperative efforts with local government largely viewed such relationships as beneficial. While local governments that co-opt with affordable housing agencies provide more regulation in housing provision, they also enable the local governments and housing providers to combine resources and pursue additional funding collaboratively. Consequently, efforts toward increased partnerships of housing providers and local governments are a primary recommendation for existing and future housing providers alike. Outside of additional funding, these partnerships are a terrific option when leveraging affordable housing dollars.

CASE STUDIES

TOWN OF WINDSOR

The Windsor Housing Authority (WHA), with the support of the Town of Windsor, recently leveraged minimal resources to construct workforce housing rental units within the Town limits. (“Workforce housing” generally refers to housing that is available to and attainable by working families and households earning low- to moderate-incomes.) This is a terrific example of a housing authority and a municipality being committed to serve the housing needs of household earning low- to moderate-incomes.

Workforce Housing Needs Assessment Study. In 2008, at the direction of the town board and in conjunction with the Colorado Division of Housing, Windsor contracted with a consulting firm to have a workforce housing needs assessment study prepared to determine if an actual need existed for workforce housing in Windsor. The study found that the need for workforce housing was fast approaching. Due to shifts in the housing market leading to higher sales prices and rents, as well as the expansion of the local economy since 2000, the Town decided to set goals to meet the challenge of providing workforce housing for its residents. The study called for developing and maintaining attainable neighborhood housing for the community by partnering with other organizations interested in accomplishing this objective. In addition to formulating goals to achieve construction of affordable housing projects, the Town identified the WHA as the local agency to implement these goals.

Strategic Housing Plan. One of the recommended action steps of the study was for a strategic housing plan to be developed. Following the adoption of the study by the Town in 2009, the WHA adopted the Windsor Housing Authority Strategic Housing Plan in 2012. The primary components of the plan are to identify gaps in housing opportunities for households earning low- to moderate-incomes, senior citizens, and individuals with disabilities; and identify strategies to address and close these gaps. Since the adoption of the plan, the Windsor Meadows Apartments have come to fruition.

Windsor Meadows. In 2012, the WHA, in partnership with the Town and the Loveland Housing Authority, received tax-credit financing via the Colorado Housing and Finance Authority (CHFA) to construct 44 workforce housing rental units known as Windsor Meadows. Residents started moving into Windsor Meadows in December 2013, and the complex was fully leased by the end of February 2014. This serves as an excellent example of how these types of partnerships can work together to accomplish the goal of providing housing for families earning low- to moderate-incomes. The WHA and its partners are extremely proud of this development, which may serve as an example of what other small or rural areas may accomplish.

See www.cml.org under Issues > Affordable Housing for sample plans and ordinances.

Outcome. WHA's new development of Windsor Meadows represents a massive collaborative effort by housing authorities, state housing agencies, and a municipality. All parties spent significant time to research the potential impacts of the development and went above and beyond to gain community support. Active public outreach to define the housing in a way that made it work for existing communities led to a positive view of this workforce housing development.

For more information, Joseph P. Plummer, AICP, Windsor director of planning, at 970-674-2412 or jplummer@windsorgov.com.

CITY OF DURANGO AND THE REGIONAL HOUSING ALLIANCE OF LA PLATA COUNTY

Regional housing authorities have existed since the 1990s and have led to numerous partnerships and opportunities for development in rural areas. In the sparsely populated southwestern region of Colorado, the Regional Housing Alliance of La Plata County (RHA) has developed into one of the most influential partners for local governments interested in developing more affordable housing. RHA is a multijurisdictional housing authority funded by La Plata County, the City of Durango, the Town of Bayfield, and the Town of Ignacio. Since none of these jurisdictions has a housing planner on staff, the RHA conducts housing needs studies and coordinated the creation of an Affordable Housing Action Plan for La Plata County.

RHA was created in 2004 as a new regional governmental entity to grapple with La Plata County's high housing prices and resulting lack of housing affordable to a large portion of its workforce. In just six years, home prices in La Plata County doubled. The current median sale price of homes is \$310,000 — 64 percent higher than the nationwide median — while the county median income is \$58,000, about the same as the national average. RHA board members are from throughout the area, including municipalities and the county at large. The diversity of the board has helped educate multiple jurisdictions on affordable housing options.

City of Durango and La Plata County. The small City of Durango has become a destination for many people moving to Colorado. Population estimates from the last two years from the Colorado Department of Local Affairs show the number of households in La Plata County, in general, growing by about 3 percent, or about 680 households, per year. Data from the State Demographer's Office predicts the county's population will reach almost 59,000 by 2015. Due to population shifts and little development, housing is becoming increasingly scarce and, consequently, less affordable. As a result, La Plata County has served as a testing ground for various public-private affordable housing partnerships. The development of the fair share housing ordinance serves as an example.

Fairshare housing ordinance. The Fair Share program was designed in partnership by RHA and Maryland-based Enterprise Community Partners. The organizations worked for 18 months with community members and government officials to craft the policy for the City of Durango. RHA collaborated with builders

to develop and implement the ordinance, which requires that a portion of the developments sell homes at prices between \$150,000 and \$350,000.

On Dec. 2, 2008, the City of Durango adopted its Fair Share policy and its implementing ordinance that requires developers of new housing to provide a certain percentage of homes or rental units — generally 16 percent — to be priced below market and reserved for homebuyers at certain income levels. Previous affordable housing agreements which are still in force have requirements ranging from 10 to 25 percent but otherwise follow Fair Share rules. Under certain circumstances, developers can pay in-lieu fees or make land donations as alternative means of compliance. In-lieu fees can be used to subsidize affordable housing development or very low-cost second mortgages for homebuyers. Any land donations will be used as sites for new affordable housing construction.

Households must have qualifying incomes to be eligible for discount prices. A typical family of three must have an annual income of \$80,000 or less for homes with small price discounts, and an income of \$52,000 or below for homes with the deepest price discounts. Buyers must pay back the discount on resale of the home with a share of appreciation or agree to deed restrictions limiting the resale price. Developers must mix the discount-priced homes with the market-rate homes, except for limited options of paying fees to an affordable housing fund or making land donations for affordable housing.

The ordinance allows RHA to seek more flexible funding sources from nonprofits as opposed to strict sources provided by governments. In cases where the ordinance is applied, the City can offset costs of building Fair Share housing for developers to spur their interest in developing Fair Share units. For example, developers may be entitled to refunds for utilities or other impact or construction fees. RHA has stated that flexibility plays a key role in rural community development.

In 2008, the RHA seeded a nonprofit organization, the La Plata Homes Fund, with a \$1.1 million contribution from BP America. The La Plata Homes Fund, which subsequently became a Community Development Finance Institute, has helped leverage this initial contribution to create a \$3.1 million loan fund. Through this fund, the La Plata Homes Fund provides down payment assistance to households purchasing Fair Share units. Additional resources can be found on the websites of Regional Housing Alliance of La Plata County (www.rhalpc.org) and La Plata Homes Fund (www.homesfund.org).

For more information, contact Sherri Dugdale, Durango assistant to the city manager at 970-375-5002 or sherri.dugdale@durangogov.org.

TOWN OF NEW CASTLE

Founded in 1971, the Community Resources and Housing Development Council (CRHDC) spent much of its early years focused on housing for low-income households in rural areas of the state. More recently, the agency has expanded its programs and services to include regions throughout Colorado, including urban, suburban, and rural communities.

Leveraging its strength in rural housing development, CRHDC partnered with the Town of New Castle in 2005 on a senior housing development. Like many rural communities, the Town of New Castle (with a population of just under 5,000 residents) saw the need for senior housing. With its proximity to Glenwood Springs and employment opportunities, and many residents who wanted to stay in New Castle once they retired, it was clear that affordable senior housing was a growing need in the community.

The partnership between CRHDC and the town was particularly successful for a variety of reasons:

- CRHDC has extensive **experience** in identifying funding sources and how to structure key legal components such as land lease agreements. The Town recognized this asset and was willing to be flexible in its approach.
- As an established community, the Town of New Castle has clear **design standards**. This facilitated a final design that not only met the needs of the future residents, but also was consistent with the character of the existing community and priorities of town residents.
- Since the Town initiated contact with CRHDC, there was already the **political will** for developing an affordable housing project in the community. In general, senior housing projects tend to experience less resistance in the affordable housing marketplace because so many seniors are on fixed incomes — a common denominator that many community members can relate to.
- **Continued partnership** – CRHDC has maintained a presence in the community, long after the construction was complete. Understanding the cultural values of the town, the project was designed to include a full-time onsite property manager. This is unusual for a housing development that only includes 24 units, but it was a priority for the community and was factored into the ongoing costs of the project.

As a result of this successful project in 2005, the Town of New Castle and CRHDC have initiated a second affordable housing project together.

When considering an affordable housing development between a nonprofit and local government, communities should keep the following in mind.

As an affordable housing development serving seniors, CRHDC was able to leverage U.S. Department of Housing and Urban Development (HUD) 202 funds, a program that provides senior rental assistance to low-income seniors. This support provides critical gap financing that makes an affordable housing development financially viable in the long term. Local governments, on the other hand, have access to Community Development Block Grant funds. Agencies such as CRHDC cannot apply for those funds. Together, a nonprofit housing agency and its local government partner can leverage significantly more resources than would be available on their own.

Both the nonprofit partner and the local government need to maintain a partnership over the long term; this understanding needs to be established at the beginning of the process. Unforeseen challenges can arise over time. After

the New Castle project was completed, a water main break caused significant flooding at the senior housing development. The Town was quick to respond and assist CRHDC, helping to move people temporarily and acting quickly to minimize the amount of time residents were displaced.

Partners need to be prepared to be invested in the process and the outcome. In this case, the Town of New Castle did not simply identify the need and bring in a nonprofit developer, but actively participated in the entire process. Both parties knew there would be setbacks, but the relationship started with the premise of mutual trust. The nonprofit developer worked closely with the Town to identify the development areas and ensure the design was consistent with the Town's development plan. In turn, local governments can assist the development process by mitigating barriers, such as expediting the permit processes. The most successful projects require the developer and the local government to think as team rather than as two separate parties.

For more information, contact, Tom Baker, New Castle town administrator, at 970-984-2311 or tbaker@newcastlecolorado.org.

PUBLIC PERCEPTION OF AFFORDABLE HOUSING

Public perception can be one of the most difficult issues to deal with when devising an affordable housing plan. Neighborhood opposition to an affordable housing development can be a powerful impediment to moving forward. There may have been a time when affordable housing was considered unattractive as a development option. Today, affordable housing developments are not only attractive, but provide an opportunity for local governments to show their residents the improvement to the community. This can be done by changing the conversation around affordable housing. There has been much research and analyses by affordable housing advocates around public opinion and below are some opportunities to reframe the message in rural communities.

FORM A PERSONAL CONNECTION

According to the Center for Community Change, there is general, but latent, support for affordable housing among the public. One way to increase support is to make the idea of “home” more personal. When discussing a project, people are much more responsive to the reference of “home” as opposed to “housing” or “units.” Take the opportunity when developing a plan to market it as a place of security, comfort, relaxation. This invokes more positive thoughts that involve family and friends, whereas a reference to “units” resonates as abstract.²³ In addition to the terms used, according to many studies completed since 2007, more people are beginning to see housing affordability as an issue they may personally face.²⁴ This lends itself to an opportunity that more households will be more receptive to public policy proposals to solve it.

FRAME AFFORDABLE HOUSING IN TERMS OF PUBLIC VALUES

Equating affordable housing to increased options for families to succeed can help gain public support. Affordable housing needs to demonstrate opportunity, rewards for hard work, and other terms that invoke an American Dream mentality. Most citizens tend to view housing needs as a consumer issue rather than a social issue. This is an opportunity to reframe the message and use market-based appeals such as choice to look at the housing market in general. Explain that the issue is to increase supply of housing to meet demand while offering choices to different income levels. This message will reach a much wider audience.²⁵

23 Center for Community Change, Public Opinion Research, 2011.

24 Peter D. Hart Research Associates, Affordable Housing in Rhode Island.

25 ActionMedia.(2006). Communicating Housing Issues. PowerPoint Presentation for Housing Alliance of Pennsylvania.

PUT A HUMAN FACE ON THE PROBLEM

People generally support programs to aid seniors, working families, and people with disabilities. When promoting an affordable housing plan, take this opportunity to show who the development will house. As opposed to using more universal terms, such as “low-income,” use examples. Research shows that respondents are more likely to acknowledge a shortage of affordable homes when the target population is described with an income range (for example, young families earning \$25,000 to \$40,000).²⁶ Tailor the message to local values. If residents value professions such as teachers or law enforcement, use them as examples of those who deserve affordable homes.

COMBAT THE “NOT IN MY BACKYARD” MENTALITY

One of the most difficult arguments against affordable housing is the “not in my backyard” (NIMBY) approach. Support drops the closer the housing is sited to those being surveyed.²⁷ Common NIMBY claims around affordable housing center on concerns about declining property values, increased traffic, changing character of a neighborhood, or stereotypes about residents. Many of these concerns are based upon misinformation and can be rebutted with educational outreach. Use the planning and review process to educate concerned citizens on what the proposed project will look like and what it will do for the community. Concerns such as those relating to traffic congestion, service provision, or environmental quality can be addressed within development plans. Concerns about design and unsightliness may be addressed through design charettes and review processes.²⁸

Housing Colorado currently has a design charrette program that can offer insight into what works and what does not. Preconceived notions on who is occupying the affordable homes is more difficult to change, but can be counteracted by interactions between concerned neighbors and actual residents of affordable homes. Additionally, municipalities can build relationships among neighbors, residents, and developers through broad community outreach.

DEMONSTRATE THE BENEFITS TO FOR THE WHOLE COMMUNITY

The most successful community outreach campaigns emphasize that affordable homes lead to community wide benefits. These include connecting housing to broader issues of community concern such as education, health, transportation, and jobs.²⁹ Research often points to the benefits of an adequate supply of affordable housing. Demonstrate that affordable homes contribute to positive outcomes for other major priorities like education and health, and liken

26 Public Opinion Strategies. (2007). State and Local Leaders' Views of Home Affordability.

27 Center for Community Change, Public Opinion Research, 2011.

28 Puget Sound Regional Council. Strategies to Address NIMBY. 2014.

29 Center for Community Change, Public Opinion Research, 2011.

affordable housing to the creation of job growth and economic vitality.³⁰ While demonstrating community benefit it is important to emphasize that new developments will not lead to a negative outcome. Some researchers recommend visual aids and a detailed program description to help bring home the message that everyone in the community deserves an affordable home.

30 Elizabeth J. Mueller, and J. Rosie Tighe. (2007). Making the Case for Affordable Housing: Connecting Housing with Health and Educational Outcomes. *Journal of Planning and Literature* 21,371-385

RESOURCES FOR AFFORDABLE HOUSING AND HOMELESSNESS

FEDERAL FUNDING

United States Department of Agriculture Rural Development

The U.S. Department of Agriculture Rural Development (USDA) works with public and nonprofit organizations to provide housing developers with loans and grants to construct and renovate rural multi-family housing complexes. Local governments are a key partner in moving these grants and loans forward. The USDA has six different loan and grant options from Rental Housing Direct Loans to Housing Preservation Grants. To receive more information about grant and loan opportunities through the USDA, contact your local USDA office.

Resource: USDA, www.rurdev.usda.gov.

Federal Low Income Housing Tax Credit

The Federal Low Income Housing Tax Credit (LIHTC) program was created in 1986 under President Ronald Reagan and has received significant bipartisan support due to the public-private partnership model that it incentivizes. Through the annual budget setting process, Congress determines the total dollar amount of tax credits it is willing to fund in the coming fiscal year. The amount of credit that a state receives to allocate is based on the total population and a statutory rate. Each state has a housing and finance authority (HFA) that is authorized to award and distribute those tax credits each year. The Colorado Housing and Finance Authority is the agency in Colorado responsible for administering the federal tax program.

Through a competitive application process, private, government, and nonprofit developers can submit project proposals for rental housing development to be considered for LIHTC funding. If approved, the recipient of the tax credit gets a dollar-for-dollar reduction in tax liability. The credit is transferable, and a syndicator or direct investor will invest in the credit. The developer then uses the proceeds from the investment by the syndicator or investor in the credit for constructing the housing project. This reduces the amount of debt the developer must use, which allows the developer to offer the housing to low income households at rates that are below the current market rates.

Resource: Colorado Housing and Finance Authority, www.chfainfo.com/multifam/multifamily_developers/LIHTC%20allocation/LIHTC%20allocation.icm.

Community Development Block Grants

The Community Development Block Grant (CDBG) program was passed by Congress as Title I of the Housing and Community Development Act of 1974 to help cities address their community development needs. In 1981, Congress amended the legislation to allow states to administer CDBG funds to serve

communities outside the large cities and urban counties. The Division of Housing currently administers the program. At least 70 percent of all CDBG funds must be spent on activities that benefit low- or moderate-income people. The Division of Housing uses a portion of the state's CDBG funding to provide or improve permanent residential structures that will house low and moderate income households outside of the larger cities and counties.

Resource: Colorado Division of Housing, www.colorado.gov/cs/Satellite?c=Page&childpagename=DOLA-Main%2FCBONLayout&cid=1251593065651&pagename=CBONWrapper.

U.S. Department of Housing and Urban Development

HOME Program

The HOME Investment Partnership Program (HOME) was created by the National Affordable Housing Act of 1990. HOME funds provide competitive funding to local government, nonprofit, and private developers. The purpose of the fund is to provide formula grants to states and localities that communities use — often in partnership with local nonprofit groups — to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people. HOME is the largest federal block grant to state and local governments designed exclusively to create affordable housing for low-income households.

Source: Colorado Division of Housing, www.colorado.gov/cs/Satellite?c=Page&childpagename=DOLA-Main%2FCBONLayout&cid=1251593063983&pagename=CBONWrapper.

Private Activity Bonds

Private Activity Bonds (PABs) are tax-exempt bonds that can be issued for specific purposes. The federal government grants annual allocations of this bonding authority to states under the Tax Reform Act of 1986. The State of Colorado established its PAB allocation program by statute (24-32-1701 et seq, C.R.S.) to provide for the allocation of Colorado's PAB authority. One of the uses for PABs is for qualified rental housing projects. Local governments can issue these bonds to finance the new construction or acquisition/rehabilitation of housing for low/moderate income persons.

Resource: Colorado Division of Housing, www.colorado.gov/cs/Satellite?c=Page&childpagename=DOLA-Main%2FCBONLayout&cid=1251592239205&pagename=CBONWrapper.

STATE FUNDING

Colorado Housing Tax Credit

In 2014, a bill was passed in the Colorado General Assembly to reinstate a state-based low income housing tax credit. Modeled after the successful federal LIHTC program, HB 14-1017 allocated a total of \$10 million (\$5 million in 2015 and \$5 million in 2016) towards a state tax credit program for affordable housing development and preservation. In the same manner that the federal tax credit reduces an investor's federal tax credit liability dollar-for-dollar, the state tax

credit will give the recipient a dollar-for-dollar reduction on their state tax liability. Like the federal program, the Colorado Housing and Finance Authority also will administer a state tax credit program and funding is limited to rental housing development only. This is a brand new opportunity for affordable housing development. More information will be released from the Colorado Housing and Finance Authority in time for the program launch in 2015.

Colorado Housing Investment Fund

In 2012, the Colorado Housing Investment Fund (C.R.S. 24-32-717) was created as a result of the national mortgage settlement brought by the attorney generals of 48 states against the top mortgage lenders in the country. A portion of the total settlement, \$13.3 million, was allocated by the Colorado Attorney General's Office to the newly created Colorado Housing Investment Fund (CHIF), a revolving loan fund administered on behalf of the Attorney General's Office by the Colorado Division of Housing. Nine projects were funded through the initial \$13.3 million to agencies across the state that included government, private, and nonprofit developers for the construction and rehabilitation of rental housing.

Early in 2014, the Colorado Attorney General's Office announced an additional \$23 million from the original 2012 mortgage settlement would be reallocated to CHIF. The \$23 million will be transferred from the foreclosure mitigation fund. At the time of the initial settlement in 2012, Colorado was in the midst of the nationwide foreclosure crisis. However, with the housing market rebounding, the number of foreclosures dropped dramatically through 2013, and only a fraction of the foreclosure dollars had been used. Recognizing the need for more housing developments and the documented success of the current CHIF, the attorney general will be reallocating the foreclosure dollars in to the CHIF. The application process for government, private and nonprofit developers will be through the Division of Housing. Those who wish to submit project proposals to receive funds from CHIF should contact the Division of Housing or watch for announcements from CML or Housing Colorado on requests for applications.

Affordable Housing Development Grants

Each year, the governor's budget includes funding for the Affordable Housing Development Grants line item. This program is currently the only funded program that offers grants to nonprofit and government agencies for affordable housing development and preservation. Administered by the Colorado Division of Housing, this program can fund projects that include both rental housing and home ownership housing projects. Following priority guidelines established through the State Housing Board, the Division of Housing accepts project proposals throughout the year. For Fiscal Year 2014-2015, the Division of Housing was allotted \$4.3 million for the program.

Resource: Colorado Division of Housing, www.colorado.gov/cs/Satellite/DOLA-Main/CBON/1251590375290.

Homeless Programs Team- Pathways Colorado

The Governor's Office and the Colorado Department of Local Affairs are working on programs to end homelessness in rural communities. The Homeless Programs Team within the Division of Housing is poised as the leadership entity for working with multiple state and local partners to focus on supportive housing programs and projects. In the action plan for 2014 alone, there are goals to increase the capacity for transitional housing, increase access to permanent housing units, and increase access to benefits such as education and employment. To assist in transitional programs, the state has utilized the Fort Lyon facility in Las Animas to serve as a transitional housing facility for homeless individuals. The goal is not only to find permanent housing, but provide access health care, treatment, and workforce education to help them successfully re-integrate into their chosen communities.

Resource: Colorado Division of Housing, www.colorado.gov/cs/Satellite?c=Page&childpagename=DOLA-Main%2FCBONLayout&cid=1251595945321&pagename=CBONWrapper.

Pathways Home Colorado

www.colorado.gov/cs/Satellite/DOLA-Main/CBON/1251611679326

HOUSING AUTHORITIES

Local housing authorities

A housing authority is the local administrative agency for housing assistance programs funded by the U.S. Department of Housing and Urban Development (HUD). All housing authorities provide rental housing or rental assistance to low-income families, the elderly and people with disabilities. Often, large cities have their own housing authorities, and smaller towns are served by a county housing authority. Colorado is also home to a few Regional Housing Authorities that cover significantly more area. Most often, these housing authorities reside in more rural, less populated areas.

A local housing authority is the first place to go to find out about what housing assistance programs are available in the area. In addition to administering federal housing programs, such as the Housing Choice Voucher, local housing authorities often own and manage their own housing units. Housing authorities also partner with private and nonprofit developers to build new housing units or redevelop existing products.

On the national level, housing authorities are represented by the National Association of Housing and Redevelopment Officials (NARHO), a leader in advocating the funding of HUD low- and moderate-income programs, the production of low-income housing, shaping housing modernization and assistance programs, and the continuing and strengthening of Community Development Block Grants and HOME programs.

Resource: National Association of Housing and Redevelopment Officials, www.nahro.org.

Colorado Housing and Finance Authority

The Colorado Housing and Finance Authority (CHFA) was created in 1973 by the Colorado legislature to address the shortage of affordable housing in the state. Since then, CHFA has established itself as the front-runner in the affordable housing industry by financing single-family mortgages for qualifying homebuyers and supporting developments of apartments for low and moderate income residents. In 1982, when Colorado had economic difficulties, CHFA began making loans to small and medium sized businesses. Since 1973, CHFA's financed more than 69,000 mortgages to homebuyers, more than 54,000 residential rental units, and allocated tax credits for 37,000 residential rental units. CHFA also administers the Colorado Housing Income Tax Credit as well as the Federal Low Income Tax Credit.

Resource: Colorado Housing and Finance Authority, www.chfainfo.com.

