



Colorado Housing Affordability Project Issue Brief No. 5: Innovative Local Responses to the Housing Affordability Crisis

This paper is one in a series of Colorado Housing Affordability Project issue briefs summarizing the latest research on housing concerns statewide, from the origins of the affordability crisis to the best practices for addressing it. For every topic, CHAP's subject-matter-expert authors identify a component of that crisis, deliver the information essential to understanding the issue, and provide links or citations to further explore the supporting research. The entire CHAP issue brief series is available at <https://cohousingaffordabilityproject.org/the-research/> and continues to grow, so check back often.

The Issue: What are local governments around the United States doing to respond to the housing affordability crisis?

The Takeaway: Although local governments have a limited set of tools to impact housing affordability, and it is impossible to cover every potential policy in the span of a few pages, several strategies deserve special mention.¹ These strategies include: permitting and promoting accessory dwelling units, amending single-family zoning restrictions to allow more missing middle housing, incentivizing the creation of affordable units through bonuses and easing permitting requirements, and tax abatements.

The Research:

A. Rezoning to Permit and Promote Accessory Dwelling Unit Development

In 2020, Santa Cruz updated their Accessory Dwelling Unit (“ADU”) zoning code.² The update permits ADUs in areas that are designated residential or mixed-use zones on lots of any size.³ For parcels zoned for single-family housing, the county allows one accessory dwelling unit for each parcel.⁴ For parcels developed with an existing multi-family-housing structure, two new ADUs and at least one conversion ADU⁵ are allowed.⁶ Importantly, the update also waives all development fees for ADUs that are provided for households earning 0-50% of the median family income.⁷

¹ For an exhaustive resource on local housing affordability measure, we recommend, Local Housing Solutions, which reviews and discusses policies nationwide: <https://localhousingsolutions.org/>.

² Sage Computing, U.S. Department of Housing and Urban Development, *Accessory Dwelling Units Case Study*, (2008), <https://www.huduser.gov/portal/publications/adu.pdf>

³ Santa Cruz Mun. Code §24.16.120

⁴ Santa Cruz Mun. Code §24.16.140

⁵ Conversion ADUs on multi-family property can only be created in buildings or spaces in building that are not used as livable space: storage areas, parking areas, unused corridors etc.

<https://www.cityofsantacruz.com/government/city-departments/planning-and-community-development/accessory-dwelling-units-adus>

⁶ *Id.*

⁷ Santa Cruz Mun. Code §26.16.300;

<https://www.cityofsantacruz.com/home/showpublisheddocument/80873/637296222381270000> at 2.



The county’s zoning code provides several other zoning incentives designed to increase the number of ADUs in the area. For example, the code waives the covered parking requirements for the principal single-family dwelling unit if an ADU is also provided and allows for tandem parking on driveways for lots with ADUs.⁸ Santa Cruz also prohibits ADUs or the main house of an ADU from being used as a short-term rental facility.⁹

These efforts have helped produce new ADUs in the county and are helping to increase the amount of housing in the area.¹⁰ Several other local governments, like Portland, Oregon, have also found success by taking similar action to promote ADU development.¹¹

B. Easing Zoning Restrictions to Allow for Growth without Overwhelming the City

In 2019, Minneapolis, Minnesota, adopted “Minneapolis 2040,” a comprehensive plan designed to help the city address several housing affordability concerns.¹² As a part of this plan, the city has recognized that many citizens are “...aging single-family home dwellers [who] do not have the option to move into multi-family housing close to their established social support networks...”¹³ In turn, this “...restricts access to single-family homes for households with growing families who desire that housing type and would prefer to stay in the city.”¹⁴ To address this, the plan calls for increased housing choice and housing supply “...by allowing multi-family housing on select public transit routes...” and allowing higher, three to six story buildings, along high-frequency routes and near METRO stations.¹⁵

As a part of this plan, the city has also created the “Higher Density Corridor Housing” program to financially “...assist [developers] in the acquisition [and development] of site(s) to be used [as] multi-family housing on or near community, commercial, and transit corridors.”¹⁶ In order to qualify for assistance, at least 20% of the project’s housing units must be affordable at 50% of the median family income and at least 51% must be affordable at 80% of the median family income.¹⁷

Pursuant to the goals of the 2040 plan, Minneapolis has also taken radical steps to essentially eliminate single-family zoning requirements from their zoning code.¹⁸ Before this change, nearly

⁸ Santa Cruz Mun. Code §24.16.160

⁹ Santa Cruz Mun. Code §24.12.1755. Only in rare circumstances may an ADU owner apply for a permit to operate a short term rental facility.

¹⁰ *See Id.*

¹¹ Portland, Oregon eliminated their minimal square footage and owner-occupancy requirements, allowed ADUs in all residential zones with relaxed development standards, and allowed ADUs that meet certain minimal standards to be permitted by right. Portland Mun. Code, Title 33, Ch. 33.205. Notably, Portland appears to permit the short term rental of ADUs. Portland.gov, *Accessory Short-Term Rental Permits*, <https://www.portland.gov/bds/astr-permits/you-apply> (last visited Aug. 6, 2021.)

¹² Minneapolis 2040, *Access to Housing: Increase the supply of housing and its diversity of location and types*, <https://minneapolis2040.com/policies/access-to-housing/> (last visited Aug. 6, 2021.)

¹³ *Id.*

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ Minneapolis.gov, *Higher Density Corridor Housing*, <https://www2.minneapolis.gov/business-services/doing-business-with-the-city/community-planning-development-rfps/higher-density-corridor-housing-program/> (last visited Aug. 6, 2021.)

¹⁷ *Id.*

¹⁸ Minneapolis Code of Ordinances §521.10.



70% of the residential land in Minneapolis consisted of single-family zoning areas.¹⁹ Now, after this change, multi-family housing, such as duplexes and triplexes, are allowed.²⁰ Effectively, this has tripled the housing capacity in many neighborhoods throughout the city.²¹

Similarly, Fairfax County, Virginia, eased height and density restriction for all buildings near and around METRO stations or that are in certain commercial areas.²² The county's goal was to allow the area's housing and commercial activity to grow, without increasing traffic congestion.²³ To accomplish this, the new zoning code increased the floor area ratio from 2.5/5.0 to 5.0/5.0, thereby allowing buildings to have more space for housing units.²⁴

These eased restrictions have increased the number of people that can live and work near transit lines while not causing congestion in the city.²⁵ Several other local governments, like Seattle, Washington, have successfully taken similar action.²⁶ In Seattle, the city rezoned several single-family neighborhoods into a new zoning area called "residential small lots."²⁷ This new designation is essentially equivalent to a single-family lot but permits two primary homes, rather than requiring only one.²⁸ The zoning code leaves open the possibility for neighborhood plans to permit tandem houses and cottage houses on lots zoned as residential small lots.²⁹ This can help increase the amount of housing in the area, but as several commentators have stated, it will not impact the overall look of the City. In fact, many note that the use of multiple cottages on a smaller lot actually increases the aesthetic appeal of an area.³⁰

¹⁹ Richard D. Kahlenberg, *How Minneapolis Ended Single-Family Zoning*, The Century Foundation (Oct. 24, 2019), <https://tcf.org/content/report/minneapolis-ended-single-family-zoning/?agreed=1>.

²⁰ Minneapolis Code of Ordinances §546.30; Kahlenberg, *How Minneapolis Ended Single-Family Zoning*.

²¹ Kahlenberg, *How Minneapolis Ended Single-Family Zoning*.

²² Solomon Greene & Jorge Gonzalez-Hermoso, *How Communities are Rethinking Zoning to Improve Housing Affordability and Access to Opportunity*, Urban Wire (June 12, 2019), <https://www.urban.org/urban-wire/how-communities-are-rethinking-zoning-improve-housing-affordability-and-access-opportunity>.

²³ *Id.*

²⁴ Fairfax County Zoning Ordinance, Art. 2(4)(B)(3), <https://online.encodeplus.com/regs/fairfaxcounty-va/doc-viewer.aspx?secid=643&keywords=transit%27s%2Ctransited%2Ctransiting%2Ctransits%2Ctransits%27%2Ctransit%2Cstation%27s%2Cstationed%2Cstationing%2Cstations%2Cstations%27%2Cstation#secid-229>; Canaan Merchant, *A Zoning Change in Fairfax will Allow More Density*, Greater Greater Washington (June 29, 2016), <https://ggwash.org/view/41968/a-zoning-change-in-fairfax-will-allow-more-density>

²⁵ Greene, *How Communities are Rethinking Zoning to Improve Housing Affordability and Access to Opportunity* (2019).

²⁶ *Id.*

²⁷ See generally Seattle.gov, *Residential Small Lots*, , http://www.seattle.gov/documents/Departments/HALA/Policy/MHA_zone_summaries.pdf; See also Austin.gov, *Housing Development Assistance*, <http://www.austintexas.gov/department/housing-development-assistance>.

²⁸ Seattle Mun. Code 23.43; Dan Bertolet, *A Baby Step Toward Revamping Single-Family Zoning*, Sightline Institute (March 22, 2018), <https://www.sightline.org/2018/03/22/a-baby-step-toward-revamping-single-family-zoning/>.

²⁹ Seattle Mun. Code 23.43.006.

³⁰ Matt Miner, *RSL Zoning: Will This Help to Improve the Look of Seattle* (June 17, 2019), <https://www.gethappyathome.com/rsl-zoning-will-this-help-to-improve-the-look-of-seattle/>



C. Incentivizing and Assisting in the Development of Affordable Housing

Austin, Texas, has developed several programs designed to incentivize and assist developers in the construction of affordable housing.³¹ The city’s “Affordable Housing Density Bonus Program” for example, allows developers to build more units than are [otherwise] allowed...” if the developer agrees to set aside a portion of the units for income-restricted affordable housing.”³² Similarly, the city’s “SMART Housing” program incentivizes the production of “...safe, mixed-income, accessible, reasonably priced, transit-oriented...” housing by expediting the review process and waiving the development fees for housing projects that meet certain requirements.³³ These requirements include making all “...dwelling units ... affordable” at 80% of the median family income and selling to families who will have to spend no more than 30% of their family income on housing.³⁴ The projects must also be located “within one-half mile walking distance of a local public transit.”³⁵

Similarly, Austin’s “Affordability Unlocked Program” is a city-wide initiative designed to “capitalize on the \$250 million in Affordable Housing Bonds that voters approved in 2018...”³⁶ The program uses these funds to offer waivers and modifications of regulations to developers who agree to set aside at least half of their total units as affordable. In order to qualify as affordable, 20% of all rental units must serve households up to 50% of the median family income and at least half of all rental units must serve, on average, households up to 60% of the median family income.³⁷ For example, “in a ten unit development, 5 units must be affordable...” with two of those units serving households at or below 50% of the median family income.³⁸ The remaining three units can then serve different combinations of income levels as long as the average income level served by all five affordable units is less than or equal to 60% of the median family income.”³⁹

Provided that these minimum affordability requirements are met, developers can receive “...waiver[s] of dwelling unit occupancy limits, minimum lot size, [and] lot width [reductions]...” Further, “...the maximum height allowed by base zoning is increased by 1.25 times, and up to 6 dwelling units per lot in single-family zones [are] allowed....”⁴⁰ If a developer provides more

³¹ These Programs include Private Activity Bonds issued by the City to finance multi-family developments, tax credits, and resources specifically designed to help keep the cost of constructing affordable housing low. Austin.gov, *Housing Development Assistance*.

³² Austin.gov, *Housing Development Assistance*

³³ Austin zoning code §25-1-703. Austin.gov, *Development Incentives and Agreements*, <https://austintexas.gov/page/development-incentives-and-agreements> (last visited August 6, 2021).

³⁴ Austin zoning code §25-1-703; Juan Gargiulo, *What on Earth is SMART Housing* (July 9, 2014), <https://housingscout.com/2014/07/09/what-on-earth-is-s-m-a-r-t-housing/>.

³⁵ Austin.gov, *Development Incentives and Agreement*.

³⁶ Austin.gov, *Affordability Unlocked Development Bonus Program*, <https://www.austintexas.gov/department/affordability-unlocked-development-bonus-program> (last visited August 6, 2021).

³⁷ *Id.*

³⁸ City of Austin Neighborhood Housing and Community Development Department, *Affordability Unlocked Development Bonus Program Application Guide* (July 10, 2019), https://www.austintexas.gov/sites/default/files/files/Housing/AU_Applicant_Guide_FINAL_1019.pdf.

³⁹ *Id.*

⁴⁰ Austin.gov, *Affordability Unlocked Development Bonus Program*.



affordable units than is required, they may be eligible for increased incentives, such as up to 8 dwelling units per lot in single-family zones.⁴¹

Other cities, like San Diego, California, have similarly waived various fees and expedited the review process for affordable housing developments.⁴² Projects that are eligible for the “expedited review process” include “residential developments...where at least 10% of the total number of units proposed within the development...are set aside for households with an income at or below 60% [of the] area median income ...”⁴³ Further, in projects that offer 100% affordable units at 100% of the area median income, the developer will be eligible for the “express review process.”⁴⁴ The express review process aims to cut the review time in half, and the developer will not have to pay anything but standard fees.⁴⁵ These methods are likely to have a significantly positive impact on the amount of affordable housing, especially in areas with high fees and a cumbersome review process.⁴⁶

D. Housing Authority Action

In several cities across the country, Housing Authorities are buying apartment complexes and abandoned buildings to convert into affordable housing structures. For example, last year in Gary, Indiana, the city Housing Authority bought several abandoned properties, including vacant elementary schools.⁴⁷ The city is working to demolish or rework these buildings to provide affordable housing units.⁴⁸

Similarly, in 2020, the city of Dallas, Texas, purchased an apartment complex near a transit line.⁴⁹ The city then leased the property to a developer who will oversee and operate the buildings.⁵⁰ The lease requires that at least 50% of the units be used for affordable housing.⁵¹ To meet this requirement “... the apartments must be rented to residents earning less than 80% of the area’s median income.”⁵²

⁴¹ Austin.gov, *Affordability Unlocked Development Bonus Program*.

⁴² See E.g., City of San Diego Development Services Department, *Affordable, in-fill housing and sustainable building*, (July 2020) at 2, <https://www.sandiego.gov/sites/default/files/dsdib538.pdf>.

⁴³ *Id.*

⁴⁴ *Id.*

⁴⁵ *Id.*

⁴⁶ See *Reduced or waived fees for qualified projects*, Local Housing Solutions, <https://www.localhousingsolutions.org/housing-policy-library/reduced-or-waived-fees-for-qualifying-projects/>

⁴⁷ Carole Carlson, *More Vacant Gary schools sold; city biggest buyer*, Chicago Tribune, Dec. 14, 2020.

⁴⁸ See generally, Ind. Code §36-7-1.5; see Gary Housing Authority Annual Plan at 7; See also Carlson, *More Vacant Gary schools sold; city biggest buyer*.

⁴⁹ Steve Brown, *Dallas housing Authority adds to affordable housing with purchase of Inwood Road Apartments*, The Dallas Morning News (May 6, 2020).

⁵⁰ *Id.*

⁵¹ *Id.*

⁵² *Id.*



E. Tax Abatements⁵³

Several local governments have tried to incentivize affordable housing by providing tax abatements for property owners. For example, in Seattle, Washington, the city has created a property tax exemption program for affordable housing properties.⁵⁴ Under this program, an approved project will receive a “streamlined review process” and a “certificate of tax exemption” for residential improvements.⁵⁵ In order to be approved, projects must first be in a designated “residential targeted area.”⁵⁶ These areas are places that the City Council has found to be in need of affordable housing.⁵⁷ Among other requirements, approved projects must offer affordable units for tenants with incomes at or below fifty percent of the area’s median income for the duration of the project.⁵⁸

Overall, this project has received a positive reaction from developers.⁵⁹ Notably, many project managers have stated that the streamlined application process and tax benefits that the program offers have allowed them to finish projects that would not have otherwise been possible.⁶⁰

⁵³ While the Colorado constitution requires uniform property taxation, it is possible that affordable housing efforts could be included amongst the exemptions in the future. Colo. Const. Article 10.

⁵⁴ Seattle Mun. Code Chapter 5.73.

⁵⁵ *Id.* at 030.

⁵⁶ *Id.* at 040.

⁵⁷ *Id.* at 030.

⁵⁸ *Id.* at 040.

⁵⁹ Regulatory Barriers Clearinghouse, *Property Tax Exemptions Promote Affordable Rental and Homeownership Housing in Seattle*, <https://archives.huduser.gov/rbc/archives/newsletter/vol4iss2more.html>

⁶⁰ *Id.*