It’s the End of the World as We Know it (and I Feel Fine)” (R.E.M.)

- A song about recognizing that things change - and we need to embrace it.
Agenda

Part 1: Density and The Missing Middle
1. Overview: Why is a diversity of housing needed?
2. Current housing challenges
3. Why and how to change

Part 2: Fiscal Impacts, Entrepreneurial Opportunities and the Economics of Placemaking
Why is a Diversity of Housing Needed?

...why do we need to seriously think beyond the traditional SFD?
Why is Diversity of Housing Needed?

It’s Pretty Basic

- Housing is a critical cog in the economic engine of cities
- No housing = dead downtowns / neighborhood shopping areas, particularly weekends and in the evening
- “Retail follows rooftops” – you need people to support retail

-Washington Avenue, St. Louis Before and After
Why is Diversity of Housing Needed?

What About Transit?

- Minimum density to support transit (all rounded/net density)
  - 7 du/ac – for typical 30 min. headway bus
  - 14 DU/ac – threshold where auto dependence is significantly reduced
  - 23 du/ac – light rail
  - 34 du/ac – commuter rail

-Cervero and Guerra-2011, other
Why is Diversity of Housing Needed?

What About Transit?

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  - 34 du/ac – commuter rail

-Cervero and Guerra-2011, other
Why is Diversity of Housing Needed?

What About Regulatory/Certification Guidelines?

- LEED ND – min. 7-12 du/ac
- Enterprise Green Communities – 5-15 du/ac
- Living Community Challenge – 10 du/ac (low end)
- Federal Transit Administration New Starts funds high rating – 10 du/ac (using denver/Jeffco average household size)

- Average of all – 9.9 du/ac

-Eliot Allen 6/15 / FTA Guidelines
Why is Diversity of Housing Needed?

The Intangibles

- Support *socially and psychologically healthy* environments within a neighborhood, a city, and a region
- *Placemaking*
Why is a Diversity of Housing Needed?

It’s pretty basic

- We are a diverse people (look around you)
- We want different things
- We can afford different things

$49,606 Average teacher’s salary in Colorado in 2013-14. (Colorado Department of Education)
Current Housing Challenges
Current Housing Challenges

Numerous!

1. Social unrest - general disdain for anything
2. Changing demographics
3. Not providing “Attainable” housing
4. The Missing Middle
5. In Colorado: construction defects legislation
6. A focus on *density* instead of *form*
7. Lack of updated regulations (zoning code)
1. Social Unrest-Distain for all!
Current Housing Challenges

LULU – Locally Unwanted Land Use
Current Housing Challenges

LULU – Locally Unwanted Land Use
NIMBY – Not In My Back Yard
Current Housing Challenges

BANANA – Build Absolutely Nothing Anywhere Near Anything.

LULU – Locally Unwanted Land Use

NIMBY – Not In My Back Yard
Current Housing Challenges

BANANA – Build Absolutely Nothing Anywhere Near Anything.

LULU – Locally Unwanted Land Use

NIMBY – Not In My Back Yard

NOPE – Not On Planet Earth (!)
2. Changing Demographics
Changing Demographics

Existing Conditions

- 2013 Colorado:
  - 5.26 million people
  - 27% lives in top 3 cities
  - 45.5% in top 11 (> 100k)
  - 59.5% live in top 25 cities (mostly on front range)
Changing Demographics

- Front range to add 2.1 million people 2010-2040

Source: State Demography Office
Changing Demographics

- Change in age distribution

Source: State Demography Office
3. Not providing “Attainable Housing”
Current Housing Challenges

What?

- The availability of **Attainable** housing diminishing
  - Affordable: <60% AMI
  - Workforce: 60-80% AMI
  - Attainable: 80-130% AMI (ds definition-Denver Metro centric)

- Median home price in Denver/Jeffco*: $330,400
- AMI*: $56,000 (1 person HH)

*4th Quarter 2015
## Current Housing Challenges

### Buy a Home – Median Home Price

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Home Price</td>
<td>$330,400</td>
<td>Denver and Jeffco ~ 11/15</td>
</tr>
<tr>
<td>20% down</td>
<td>$66,080</td>
<td></td>
</tr>
<tr>
<td>Mortgage</td>
<td>$264,320</td>
<td></td>
</tr>
<tr>
<td>Closing Costs</td>
<td>$2,500</td>
<td></td>
</tr>
<tr>
<td>Taxes/Insurance</td>
<td>$3,000</td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>4.75</td>
<td></td>
</tr>
<tr>
<td>Monthly Payment</td>
<td>$1,603</td>
<td></td>
</tr>
<tr>
<td>Annual</td>
<td>$19,234</td>
<td></td>
</tr>
<tr>
<td>Annual Salary required</td>
<td>$64,125.22</td>
<td>No more than 30% of income</td>
</tr>
</tbody>
</table>

- $56,000 100% AMI
- $61,600 110% AMI
- **$64,400** 115% AMI
- $67,200 120% AMI
## Current Housing Challenges

### Buy a Home – Average Home Price

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>$400,000</td>
<td>Denver and Jeffco ~ 11/15</td>
</tr>
<tr>
<td>20% down</td>
<td>$80,000</td>
<td></td>
</tr>
<tr>
<td>Mortgage</td>
<td>$320,000</td>
<td></td>
</tr>
<tr>
<td>Closing Costs</td>
<td>$2,500</td>
<td></td>
</tr>
<tr>
<td>Taxes/Insurance</td>
<td>$3,000</td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>4.75</td>
<td></td>
</tr>
<tr>
<td>Monthly Payment</td>
<td>$1,891</td>
<td></td>
</tr>
<tr>
<td>Annual</td>
<td>$22,688</td>
<td></td>
</tr>
<tr>
<td><strong>Annual Salary required</strong></td>
<td><strong>$75,641.13</strong></td>
<td>No more than 30% of income</td>
</tr>
<tr>
<td>Denver/Jeffco AMI</td>
<td>$56,000</td>
<td>1 person HH - 2015</td>
</tr>
<tr>
<td></td>
<td>$75,600</td>
<td>135% AMI</td>
</tr>
</tbody>
</table>
## Current Housing Challenges

### Buy a Home – Average – 2 Person HH

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average</strong></td>
<td>$400,000</td>
</tr>
<tr>
<td>20% down</td>
<td>$80,000</td>
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<tr>
<td>Mortgage</td>
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<tr>
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<td>$1,891</td>
</tr>
<tr>
<td><strong>Annual</strong></td>
<td>$22,688</td>
</tr>
</tbody>
</table>

- **Denver/Jeffco AMI**: $64,000
- **2 person HH - 2015**: $76,800 (120% AMI)
Changing Demographics

Reality (11 County Metro area)

- $414,472 - Average SFD home price 12/15
  (~$286,979 nationally - 2015)
- $278,656 - Average price for a condo/townhome 12/15
  (less than 1/3 of sales)
- 11.53% - Average home price increase (2015)

➢ Need attainable – between 80% and ~130% AMI

- Sources: NAHM, Metro Assoc. of Realtors, Census
4. The Missing Middle
The Missing Middle

Source: Opticos Design
The Missing Middle

Eight Characteristics of the Missing Middle

1. Medium density but lower perceived density
2. Small footprints and blended densities
3. Smaller, well designed units
4. Off-street parking does not drive the site plan
5. Simple construction
6. Walkable
7. Social supportive
8. Marketability

Source: Dan Parolek
The Missing Middle Typical Densities:

between 7-35 du/ac
Missing Middle Typologies

Single Family Detached Housing – Courtyard

- 7-10 DU/AC (dwelling unit per acre)
- 2,000 – 2,500 sf lots
Missing Middle Typologies

Single Family Attached Housing – Duplex/4-6plex/Condos

- 9-14 DU/AC
Missing Middle Typologies

Single Family Attached Housing – Rowhomes/Townhomes

- 12-24 DU/AC
- 1,200 – 2,500 sf lots
Missing Middle Typologies

Apartments/Condos/Senior #1

- 25-35 DU/AC
- 2-4 stories
- Often primarily surface parked, may be some tuck under parking
Missing Middle Example

Rich Neighborhood with Diversity

- Example of “Middle” products
- SFD, Courtyard, Duplex, Rowhome, high end Rowhome
- 6 different product types in small area
The Missing Middle

Why is more of the missing middle needed?
1. Typically within 30-35’ height limits set in existing zoning codes
2. Price points – provide Attainable housing
3. Diversity – options
4. Create rich neighborhoods/places
5. Less “taxing” on the community per acre
Current Housing Challenges

Numerous!
1. Social unrest-general distain for anything
2. Changing demographics
3. Not providing “Attainable” housing
4. The Missing Middle
5. In Colorado: construction defects legislation
6. A focus on density instead of form
7. Lack of updated regulations (zoning code)
5. Construction Defects
6. Density versus form...
It is needs to be a focus on form – not density

...very closely tied to:

7. Lack of updated regulations/policy
Form Versus Density

It’s all about the form, ‘bout that form, ‘bout that form!

- Start with good site design
- What does it look like from the street, within its context?
  - Guess how many units?
  - Guess the density?
Form Versus Density

Rich Neighborhood with Diversity

► Nothing new!
► Milwaukee neighborhood
► 5 different typologies in 2 block area
  ► SFD
  ► Duplex (stacked flat)
  ► Apartment over retail
  ► Mansion
  ► Carriage home
Rich Neighborhood with Diversity

- Nothing new!
- Milwaukee neighborhood
- 5 different typologies in 2 block area
  - SFD
  - Duplex (stacked flat)
  - Apartment over retail
  - Mansion
  - Carriage home
Form Versus Density

• Regulatory Framework
  • Zoning
    • Don’t be afraid of density – get the form right
    • “Density without urbanism is passé – density within urbanism is in.” - ds

• ~19 acres
• 345 units
• 3 stories
• For rent

• ~19 acres
• 376 units
• 2-4 stories, primarily 3
• Some retail on ground floor
• For sale and for rent
Form Versus Density

It’s all about the form, ‘bout that form, ‘bout that form!

- Infill in Northwest Denver
- What it looks like from the street
Form Versus Density

It’s all about the form, ‘bout that form, ‘bout that form!

- Not too different from pre-WWII rowhomes
Form Versus Density

It’s all about the form, ‘bout that form, ‘bout that form!

- What does it look like from the air?
Form Versus Density

It’s all about the form, ‘bout that form, ‘bout that form!

- 24 du/acre
- 35’ height or less
- Edge faces commercial corridor
Form Versus Density

It’s all about the form, ‘bout that form, ‘bout that form!

- Infill in northwest Denver
- What it looks like from the street
Form Versus Density

It’s all about the form, ‘bout that form, ‘bout that form!

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Form Versus Density

It’s all about the form, ‘bout that form, ‘bout that form!

• What does it look like from the air?
Form Versus Density

It’s all about the form, ‘bout that form, ‘bout that form!

- ~ 7 units, 13 du/acre
Form Versus Density

It’s all about the form, ‘bout that form, ‘bout that form!
The density delusion!

The “D” is not bad – let’s start talking about the benefits, and realities

...and not be delusional
Why is more of the missing middle needed?

1. Typically within 30-35’ height limits set in existing zoning codes
2. Price points – provide much needed Attainable housing
3. Transit supportive
4. Diversity – options
5. Create rich neighborhoods/places

Not just < 4 du/ac  
or > 40 du/ac
Why?

Value Capture:

- Social and Psychologically healthy places – more social interaction, learning through environment
- Physical health benefits - more walking, less driving
- Increased property values – more $ to schools, your investment worth more
- Lowering impact to transport and utility infrastructure systems
- “Time” gained back by living in a well designed, diverse urban neighborhood?
Why?

- Much of the missing middle can be infill
- Benefits of investing in existing communities
  - 38% savings on infrastructure
  - 10% savings on services
  - 10x tax revenue/acre generated

- Source: Smart Growth America ~2012

- Cities – running a business, they can’t go broke – they provide “benefits” – it costs money to pay for those benefits. More income through development fees, increased property taxes to support schools, increased sales tax for those “benefits”, lower impact per acre.
How?
How?

Policy Change:

- Comprehensive Plan
  - Areas for diverse neighborhoods
  - Nodes and Corridors – highest mixed use propensity (e.g. downtown, rail transit stations, neighborhood retail area)

- Neighborhood Plans
  - Next level of detail
  - Perhaps visualize a future for key sites
How?

Policy Change:

- Zoning Code/Regulatory
  - The right toolkit
  - The right code/districts
- Lagging markets/incentivized markets – exactly that – incentivize!
- Education Campaigns
  - Knowledge is power!
  - Elected officials, staff
  - Education of the public
- Change construction defects
Economic Considerations of Density

Take Aways…

- Home Affordability and the Missing Middle
- Fiscal Impacts
- Entrepreneurial Opportunities Created
- Neighborhood Development
Home Prices
“Beet Town” Colorado

Courtyard $350,000
Rowhomes/Townhomes $310,000
Apartments/Condos $230,000
Suburban $400,000
A Case for the Missing Middle

- Single-family detached home prices exceed “Attainable Housing” median income
- Higher-density development economics provides attainable housing to households
- Down payments may be an obstacle, particularly for first-time home owners and those with other debt, i.e.- student loans
Density's Economic Effects

Consolidates homes & people:

- Supports public transportation
- Governmental services & costs change
- Business and entrepreneurial opportunities change
Governmental Services & Costs
# Governmental Service Providers

<table>
<thead>
<tr>
<th>County</th>
<th>City</th>
<th>School</th>
</tr>
</thead>
<tbody>
<tr>
<td>Road &amp; Bridge</td>
<td>Local Roads</td>
<td>Education</td>
</tr>
<tr>
<td>Parks, Open Space</td>
<td>Community Development</td>
<td>Community Space</td>
</tr>
<tr>
<td>Library</td>
<td>Housing Authority</td>
<td>Social Support</td>
</tr>
<tr>
<td>Public Health</td>
<td>City Parks</td>
<td></td>
</tr>
<tr>
<td>Social Services, Head Start</td>
<td>Arts &amp; Cultural Facilities</td>
<td></td>
</tr>
<tr>
<td>County Sherriff</td>
<td>Social Services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>City Police</td>
<td></td>
</tr>
</tbody>
</table>
A National Examination of the Fiscal Benefits of Smart Growth Development (SGA 2013) found that Smart Growth development:

- one-third less for upfront infrastructure costs
- saves an average of 10% of ongoing public services costs

Victoria Transport Policy Institute, December 2015
Public Infrastructure Costs

The costs of providing public infrastructure, including roads, utilities and schools, tends to be much lower for compact, infill development, providing hundreds of dollars in annual savings per capita compared with sprawl.

Victoria Transport Policy Institute, December 2015
A detailed analysis of 2,500 Spanish municipal budgets found in lower density urban areas with less than 25 residents per acre:

- 1% increase in land area per capita (i.e. decrease in density) = 0.11% increase in municipal costs

*Victoria Transport Policy Institute, December 2015*
A Charlotte, North Carolina study found:

A fire station in a low-density neighborhood with disconnected streets serves 1/4 the number of households at four times the cost of an otherwise identical fire station in a more compact and connected neighborhood.

Victoria Transport Policy Institute, December 2015
School Transportation Costs

Wisconsin Department of Public Instruction data show that school transport costs are high for low-density development (under 50 school pupils per square mile) and decline with density.

Victoria Transport Policy Institute, December 2015
Critics Say...

Population growth does not pay for itself
...the major stress on local public spending associated with a surge in population occurs in the capital, not the current, account budget

People who are poor and have disabilities tend to locate in compact, multimodal neighborhoods in order to have convenient access to services and economic opportunities.

In addition, some crime types are associated with [a greater degree of] commercial land uses, for example bank robberies only occur where there are banks, and bars tend to have brawls.

*Victoria Transport Policy Institute, December 2015*
“Larger and denser cities tend to have more business activity, which generates revenues and imposes costs, and so increases per capita government expenditures.”

“Larger, denser cities tend to contain a disproportionate share of residents with special needs, such as poverty and mental illness, who require additional public services.”

Victoria Transport Policy Institute, December 2015
The effect of population density on public services... is a “J curve”

Victoria Transport Policy Institute, December 2015
“Smart Growth affects density and design at a finer geographic scale than these studies analyze. Neighborhood- and site-level analyses are needed to accurately evaluate Smart Growth savings.”

Victoria Transport Policy Institute, December 2015
City-Level Fiscal Impacts
Suburban 4 u/acre

Property Tax $550
Sales Tax $2,000
Other Revenue $9,900
Total Government Revenues $12,450

Total Government Costs ($14,900)

Net Fiscal Benefit ($2,450)
## Fiscal Impacts
### Density Comparisons

<table>
<thead>
<tr>
<th>Housing Type</th>
<th>Suburban</th>
<th>Courtyard</th>
<th>Townhome</th>
<th>Condo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Density</td>
<td>4 du/ac</td>
<td>8 du/ac</td>
<td>18 du/ac</td>
<td>28 du/ac</td>
</tr>
</tbody>
</table>

### Net Fiscal Benefit

- **Development (Single Impact)**
  - Suburban: $23,500
  - Courtyard: $122,000
  - Townhome: $263,000
  - Condo: $380,000

- **City – Annual**
  - Suburban: ($2,450)
  - Courtyard: ($4,800)
  - Townhome: ($11,800)
  - Condo: ($22,000)

- **City - Per Household**
  - Suburban: ($625)
  - Courtyard: ($600)
  - Townhome: ($656)
  - Condo: ($786)

### Other Districts

- **County**
  - Suburban: $1,500
  - Courtyard: $2,500
  - Townhome: $4,100
  - Condo: $2,100

- **School District**
  - Suburban: $6,000
  - Courtyard: $10,600
  - Townhome: $21,000
  - Condo: $24,300

*Statewide phenomena due to Gallagher Legislative Amendment*

**Analysis restricted to direct City impacts, does not include economic multipliers**
Percent Household Spending by Expenditure Category, Western U.S.

- Housing: 28.5%
- Transportation: 13.4%
- Food: 10.5%
- Healthcare: 5.8%
- Entertainment: 4.4%
- Apparel and services: 2.7%
- Education: 1.8%
- Miscellaneous: 1.2%
- Personal care products and services: 1.0%
- Alcoholic beverages: 0.8%
- Tobacco products and smoking supplies: 0.4%
- Reading: 0.2%
## Select Household Purchases

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household Income (Before Taxes)</td>
<td>$68,500</td>
<td>100%</td>
</tr>
<tr>
<td>Household Income (After Taxes)</td>
<td>$60,333</td>
<td>88%</td>
</tr>
<tr>
<td>Food at Home</td>
<td>$4,218</td>
<td>7.0%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>$3,979</td>
<td>6.6%</td>
</tr>
<tr>
<td>Food Away from Home</td>
<td>$2,965</td>
<td>4.9%</td>
</tr>
<tr>
<td>Gasoline and Motor Oil</td>
<td>$2,574</td>
<td>4.3%</td>
</tr>
<tr>
<td>Apparel and Services</td>
<td>$1,851</td>
<td>3.1%</td>
</tr>
<tr>
<td>Household Furnishings and Equipment</td>
<td>$1,777</td>
<td>2.9%</td>
</tr>
<tr>
<td>Entertainment Fees &amp; Admissions</td>
<td>$743</td>
<td>1.2%</td>
</tr>
<tr>
<td>Alcoholic Beverages</td>
<td>$530</td>
<td>0.9%</td>
</tr>
<tr>
<td>Household Personal Services</td>
<td>$361</td>
<td>0.6%</td>
</tr>
</tbody>
</table>
Select Entrepreneurial Opportunities

- Physicians: 25% (75% Micro Enterprises, 7% > 5 Employees)
- Other Health Practitioners: 93% (7% > 5 Employees)
- Restaurants: 30% (70% Micro Enterprises, 30% > 5 Employees)
- Child Care: 92% (8% > 5 Employees)
Neighborhood Purchasing Power

Aggregate Household Income
Aggregate Household Purchases

- Suburban-4 du/ac: $167,762
- Courtyard-8 du/ac: $279,603
- Townhome-18 du/ac: $725,322
- Condo-28 du/ac: $978,609
Neighborhood Density Benefits

- Public Transportation
- More “eyes on the street” as residents and by-passers can see and report possible crimes
- Improved neighborhood goods & services
- Provides local business opportunities
- Provides local employment
- Dollar velocity improves economic well-being
Closing

- “Cities are living organisms”
- *Time does not stand still* - things change – demographics have changed, and preferences are changing
- City’s *have to be able to change to stay viable*
- Different types of *neighborhoods* need to be accommodated within a jurisdiction
- Different types of *product types* need to be accommodated – price, economic impact, social impact
CLOSING

The Times They are a-Changin’

“…Wherever you roam…
   admit that the waters
   Around you have grown
   …For he that gets hurt
   Will be he who has stalled
   There’s a battle outside
   And it is ragin’
   It’ll soon shake your windows
   And rattle your walls
   For the times they are a-changin’.”

- Bob Dylan
Contact

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