

# RMLUI 2016

*Examining the Past  
Exploring the Future*

## HOUSING & THE ECONOMY: THE DENSITY PARADOX

*11 March 2016*

**entelechy**  
taking potential to reality

  
Development Research Partners

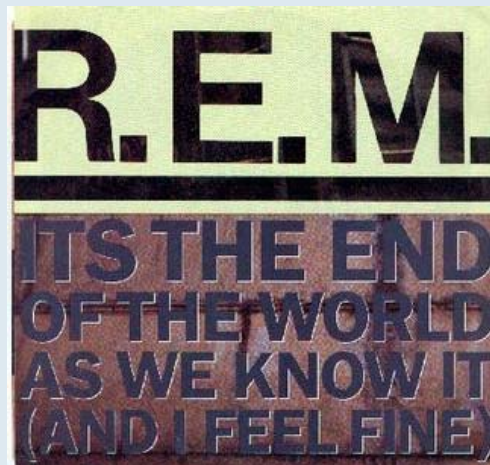
# RMLUI 2016:

*Examining the Past  
Exploring the Future*

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## 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.



Cover art courtesy I.R.S Records

From R.E.M. Stand Video

# Agenda

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## **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?

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## 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?

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## 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?

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*-Cervero and Guerra-2011, other*

# Why is Diversity of Housing Needed?

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## 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***



# Why is Diversity of Housing Needed?

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## The Intangibles

- Support *socially and psychologically healthy* environments within a neighborhood, a city, and a region
- *Placemaking*

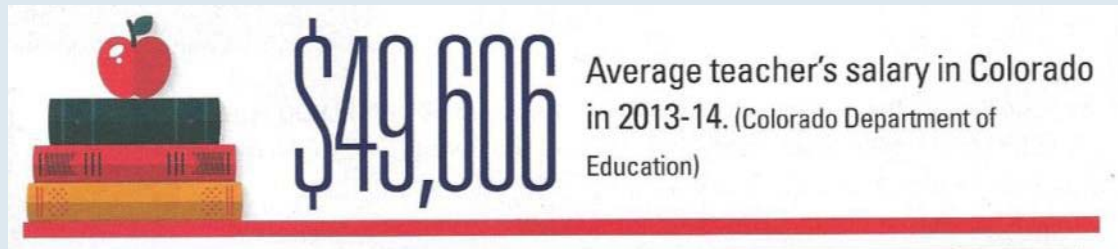


# Why is a Diversity of Housing Needed?

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## It's pretty basic

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



# Current Housing Challenges

# Current Housing Challenges

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## 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)

# **1. Social Unrest-Distain for all!**

# Current Housing Challenges

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LULU – Locally Unwanted Land Use

# Current Housing Challenges

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LULU – Locally Unwanted Land Use

**NIMBY** – Not In My Back Yard

# Current Housing Challenges

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**BANANA – Build Absolutely Nothing  
Anywhere Near Anything.**

LULU – Locally Unwanted Land Use  
**NIMBY – Not In My Back Yard**



# Current Housing Challenges

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**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

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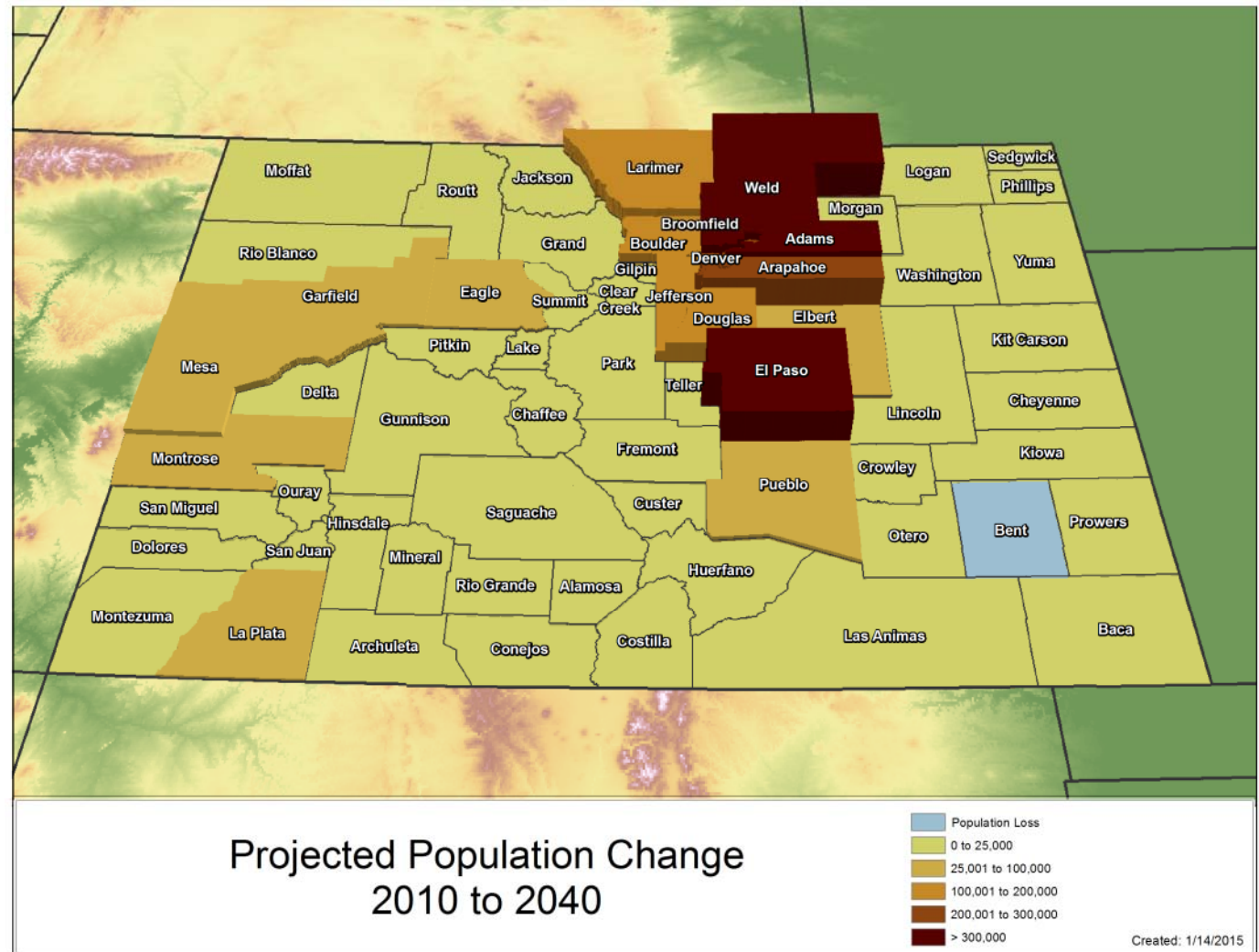
## Existing Conditions

- 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

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- Front range to add **2.1 million** people 2010-2040

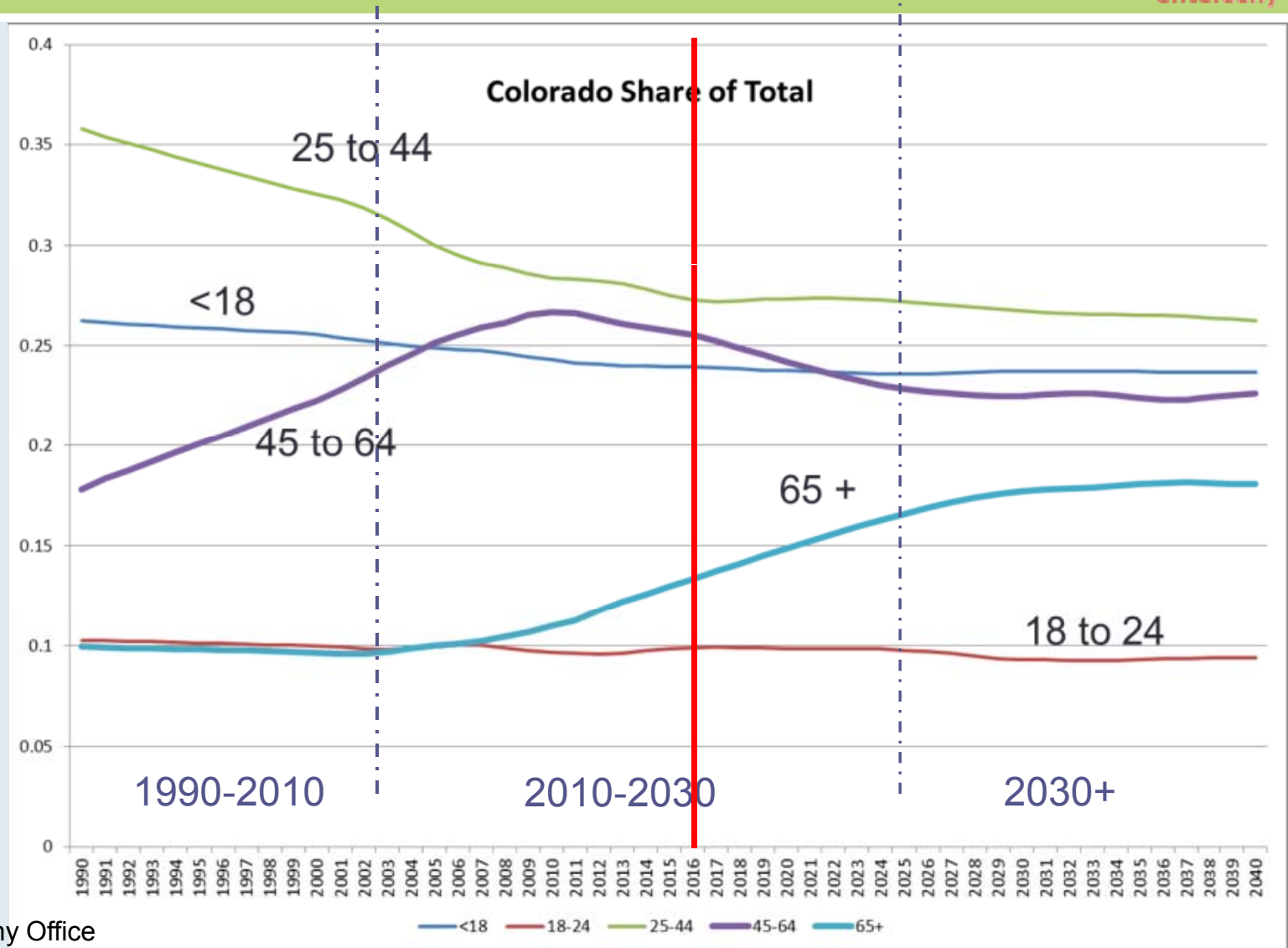


Source: State Demography Office

# Changing Demographics

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- Change in age distribution



Source: State Demography Office

### **3. Not providing “Attainable Housing”**

# Current Housing Challenges

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## 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)

- \*4<sup>th</sup> Quarter 2015

# Current Housing Challenges

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## Buy a Home – Median Home Price

<b>Median Home Price</b>	<b>\$330,400</b>	Denver and Jeffco ~ 11/15	
20% down	\$66,080		
Mortgage	\$264,320		
Closing Costs	\$2,500		
Taxes/Insurance	\$3,000		
Interest	4.75		
Monthly Payment	\$1,603		
Annual	\$19,234		
<b>Annual Salary required</b>	<b>\$64,125.22</b>	No more than 30% of income	
	\$56,000	100% AMI	
	\$61,600	110% AMI	
	<b>\$64,400</b>	<b>115% AMI</b>	
	\$67,200	120% AMI	



# Current Housing Challenges

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## Buy a Home – Average Home Price

<b>Average</b>	<b>\$400,000</b>	Denver and Jeffco ~ 11/15
20% down	\$80,000	
Mortgage	\$320,000	
Closing Costs	\$2,500	
Taxes/Insurance	\$3,000	
Interest	4.75	
Monthly Payment	\$1,891	
Annual	\$22,688	
<b>Annual Salary required</b>	<b>\$75,641.13</b>	No more than 30% of income
Denver/Jeffco AMI	\$56,000	1 person HH - 2015
	<b>\$75,600</b>	<b>135% AMI</b>

# Current Housing Challenges

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## Buy a Home – Average – 2 Person HH

<b>Average</b>	<b>\$400,000</b>	Denver and Jeffco ~ 11/15
20% down	\$80,000	
Mortgage	\$320,000	
Closing Costs	\$2,500	
Taxes/Insurance	\$3,000	
Interest	4.75	
Monthly Payment	\$1,891	
Annual	\$22,688	

Denver/Jeffco AMI	\$64,000	2 person HH - 2015
	\$76,800	120% AMI

# Changing Demographics

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## 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***

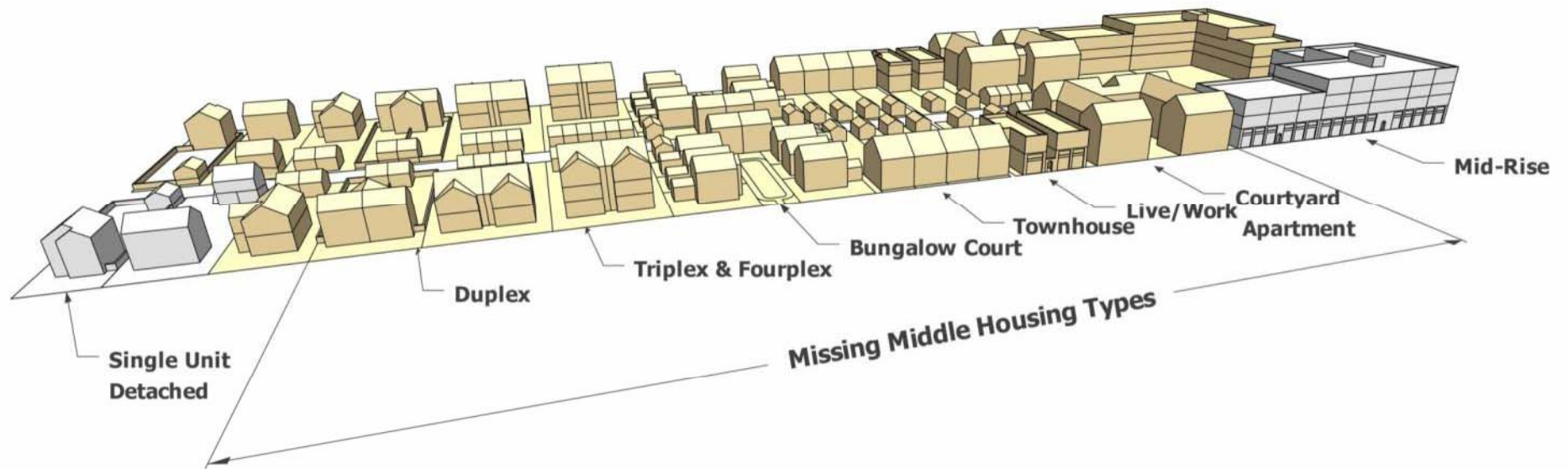
- Sources: NAHM, Metro Assoc. of Realtors, Census

## 4. The Missing Middle

# The Missing Middle

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## The Missing Middle



Source: Opticos Design

# The Missing Middle

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## **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*

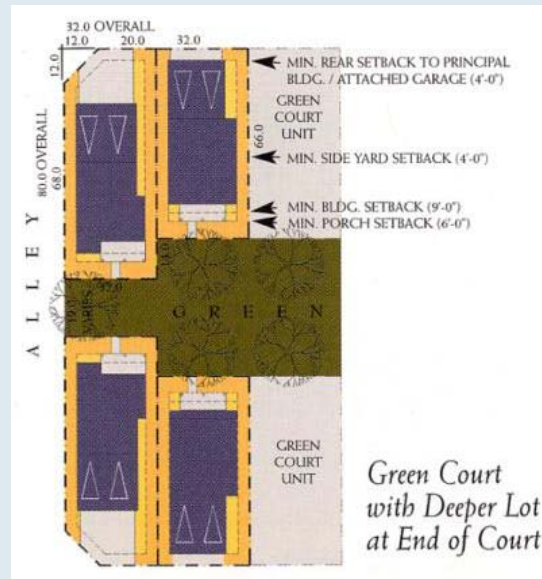
# **The Missing Middle Typical Densities: between 7-35 du/ac**

# Missing Middle Typologies

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## 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

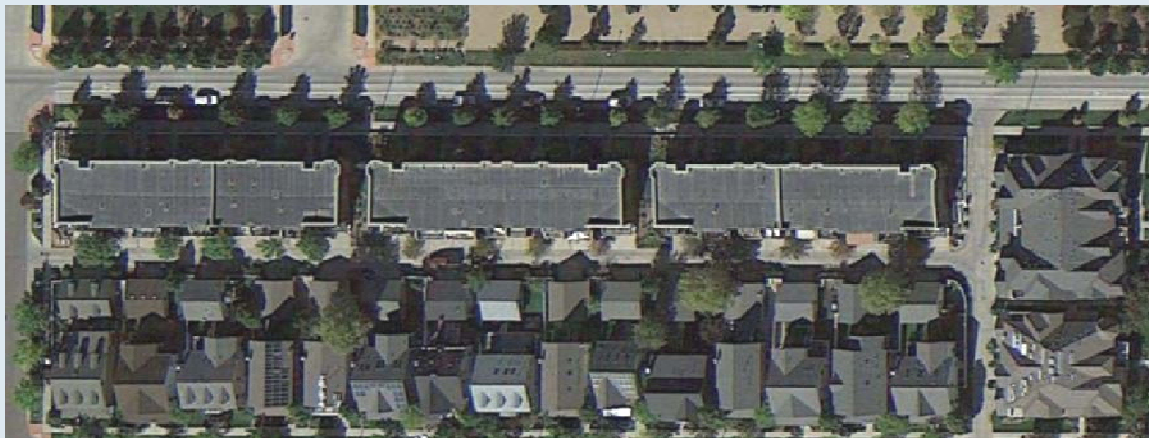


# Missing Middle Typologies

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## Single Family Attached Housing – Rowhomes/Townhomes

- ▶ 12-24 DU/AC
- ▶ 1,200 – 2,500 sf lots





# Missing Middle Typologies

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## Apartments/Condos/Senior #1

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

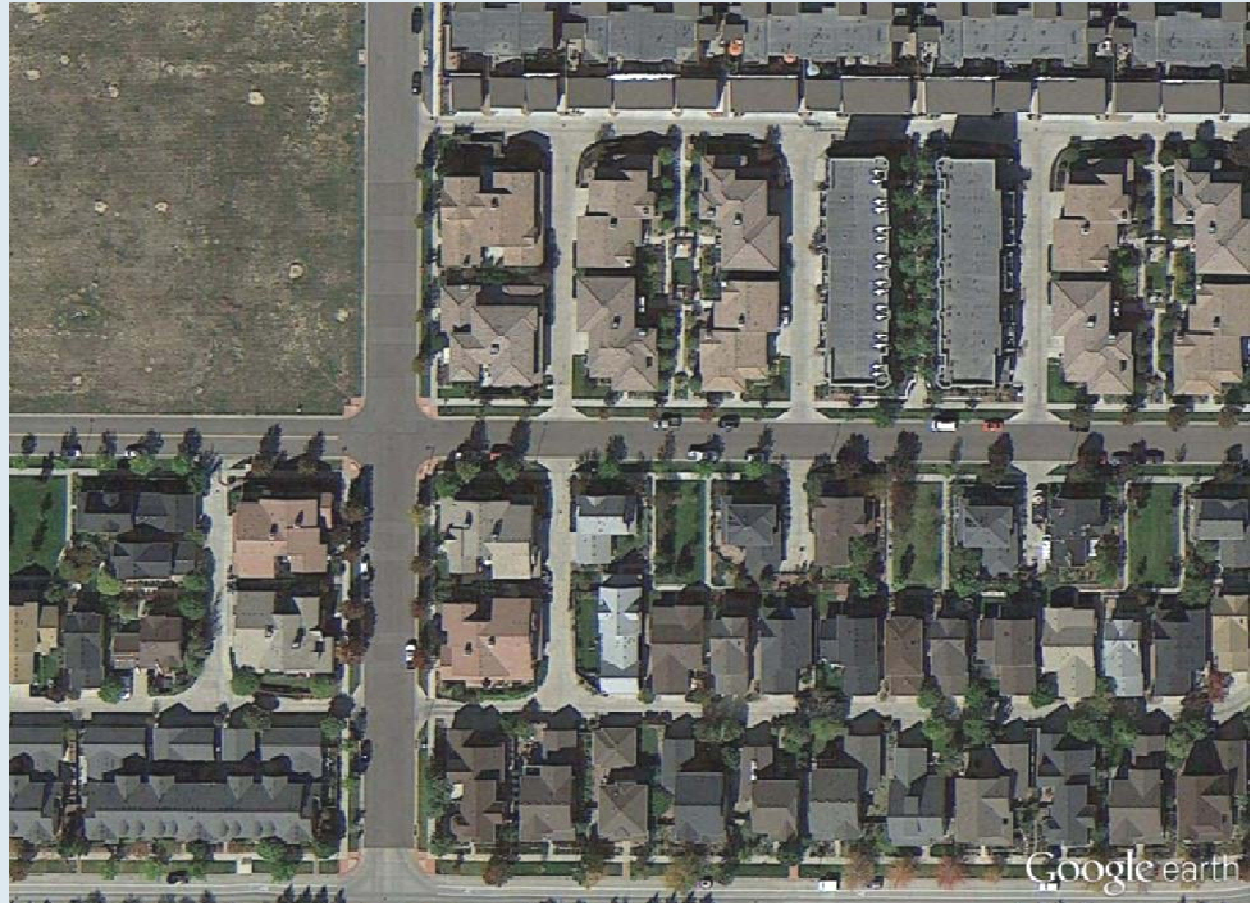


# Missing Middle Example

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## 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

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## **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

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## 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

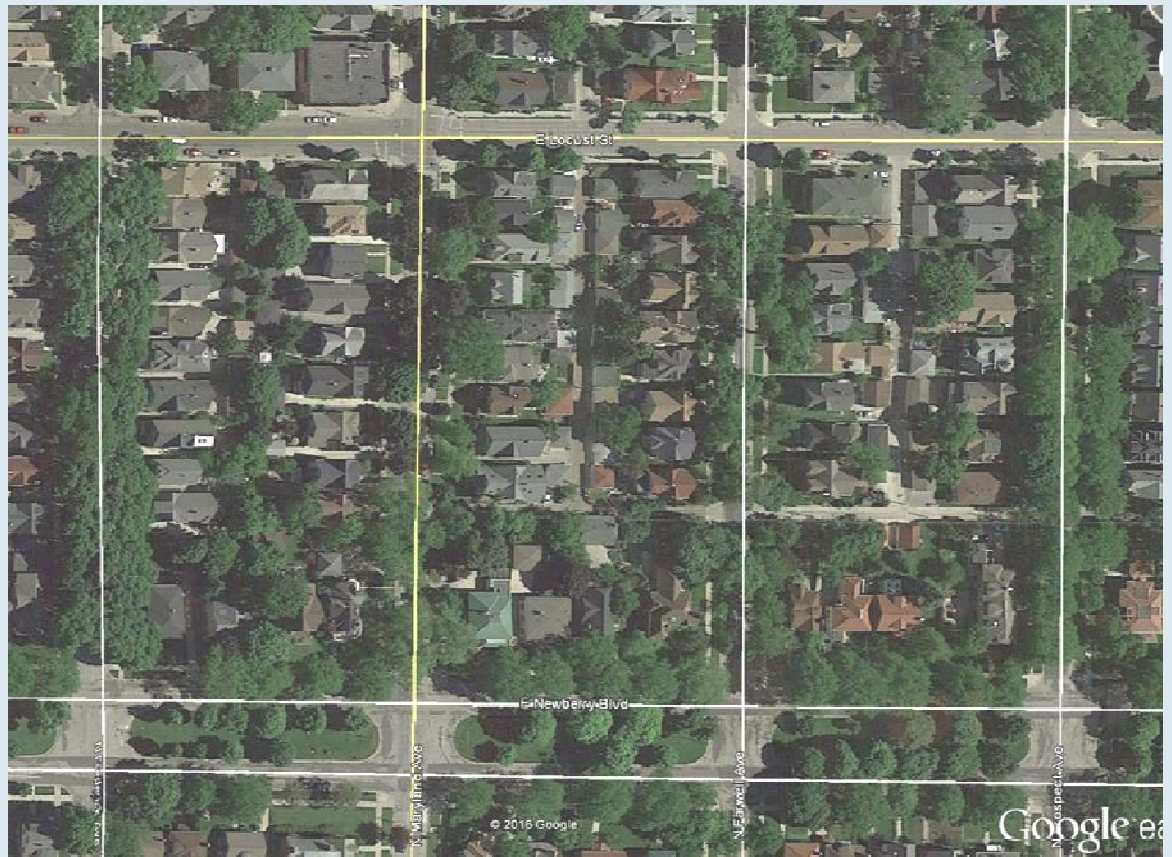
**It's all about the form, 'bout that form, 'bout that form!**

- **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



# Form Versus Density

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## Rich Neighborhood with Diversity

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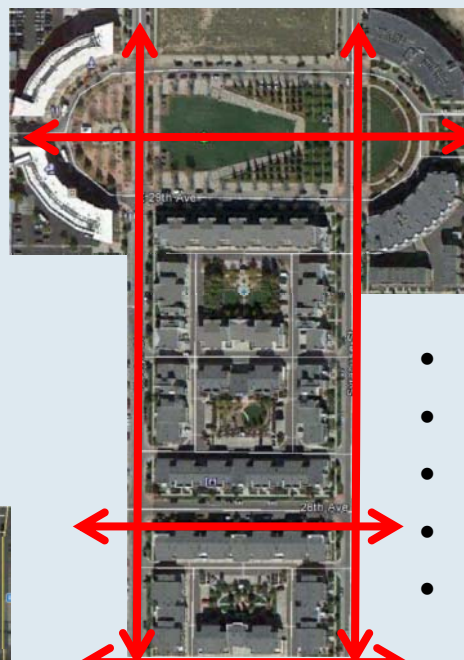


# Form Versus Density

- 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

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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

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It's all about the form, 'bout that form, 'bout that form!

- Not too different from pre-WWII rowhomes

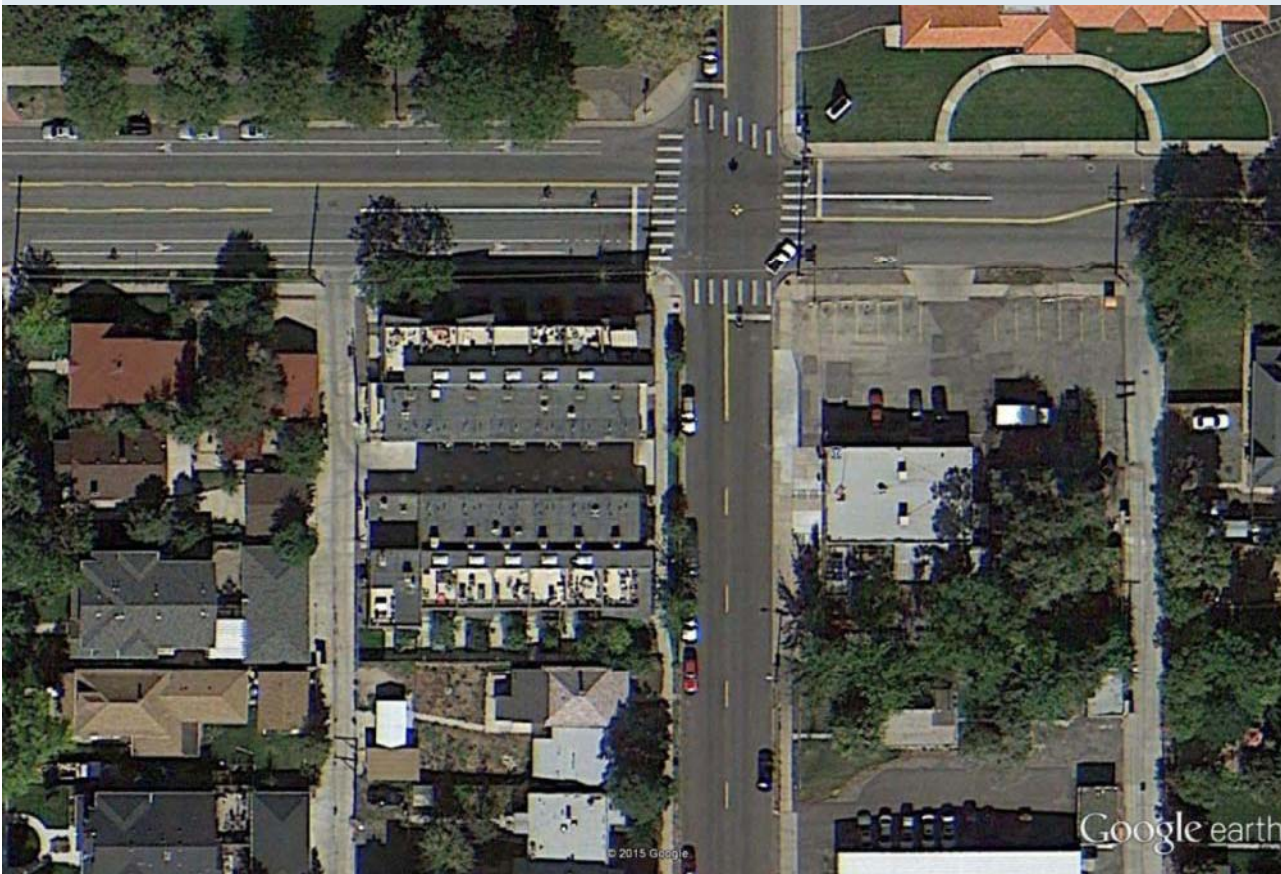




# Form Versus Density

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It's all about the form, 'bout that form, 'bout that form!



- What does it look like from the air?

# Form Versus Density

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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

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It's all about the form, 'bout that form, 'bout that form!

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

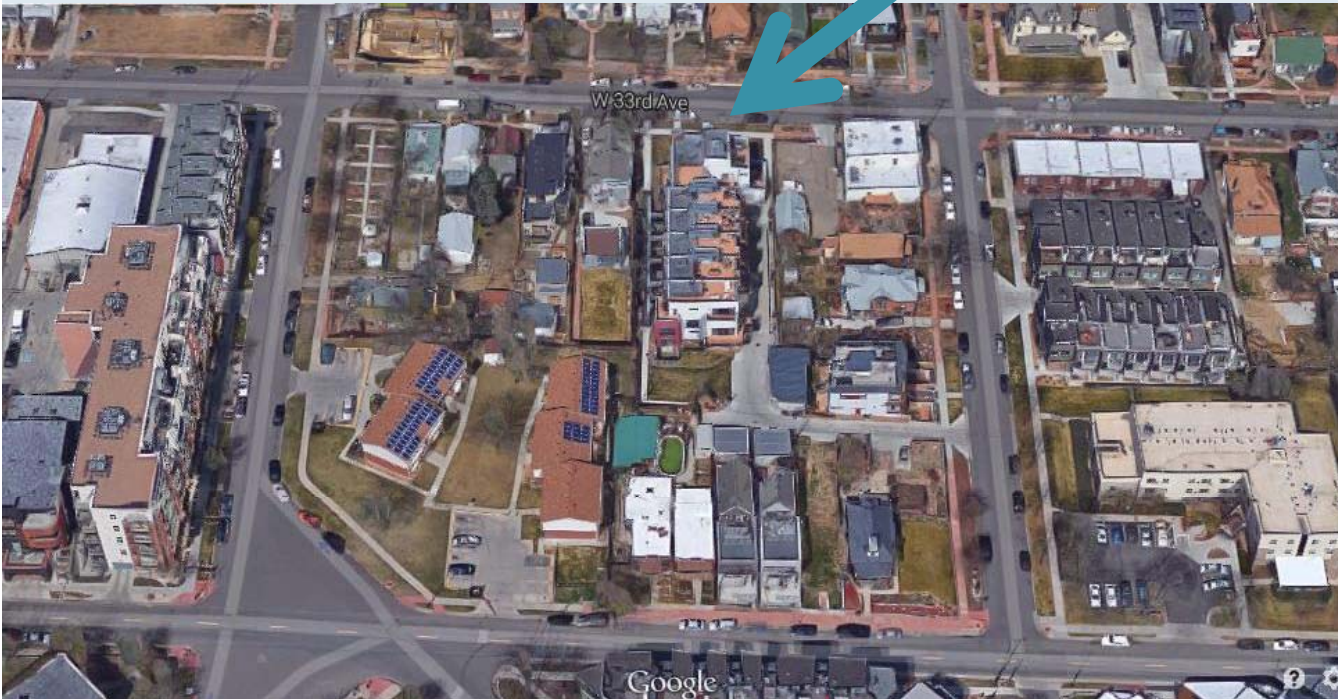


# Form Versus Density

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It's all about the form, 'bout that form, 'bout that form!

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# Form Versus Density

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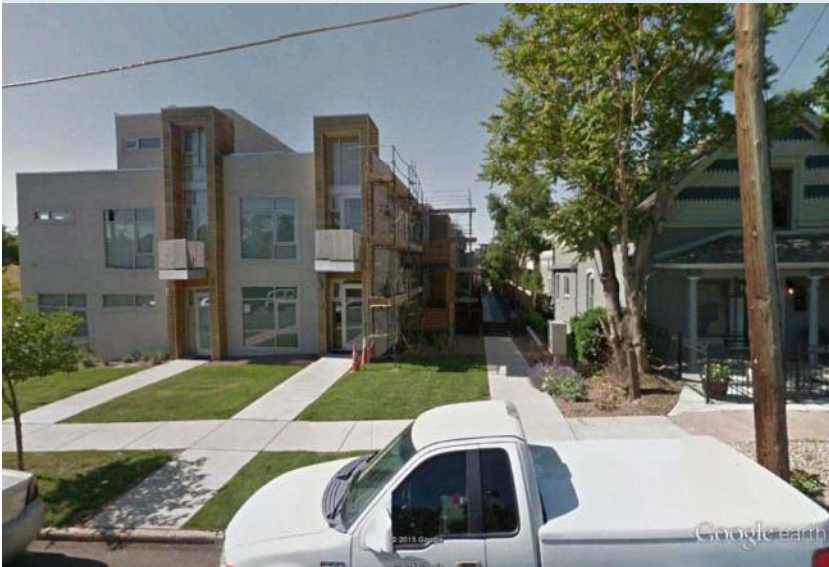
- What does it look like from the air?

# Form Versus Density

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It's all about the form, 'bout that form, 'bout that form!

- ~ 7 units, 13 du/acre





# Form Versus Density

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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?

## 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

# Jesse Silverstein

Development Research Partners

## Economic Considerations of Density

### Take Aways...

- Home Affordability and the Missing Middle
- Fiscal Impacts
- Entrepreneurial Opportunities Created
- Neighborhood Development

# Home Prices

## "Beet Town" Colorado

Development Research Partners

**Courtyard \$350,000**



**Rowhomes/Townhomes \$310,000**



**Apartments/Condos \$230,000**

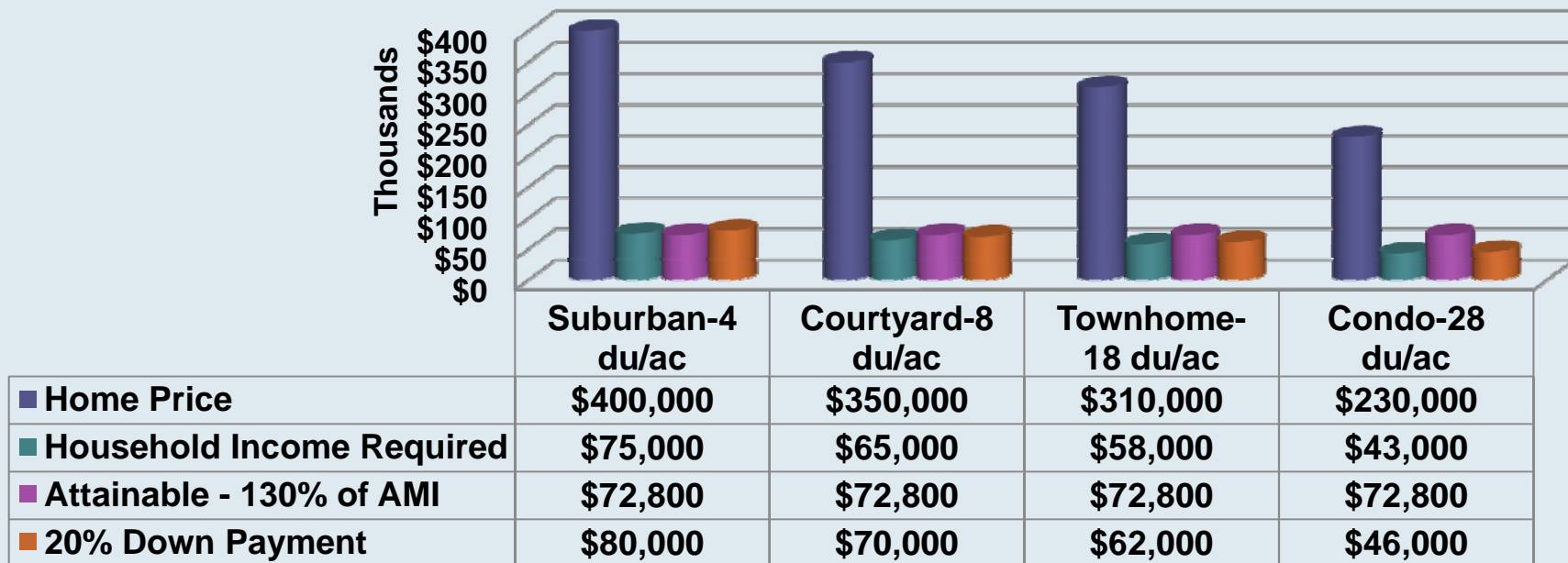


**Suburban \$400,000**



# A Case for the Missing Middle

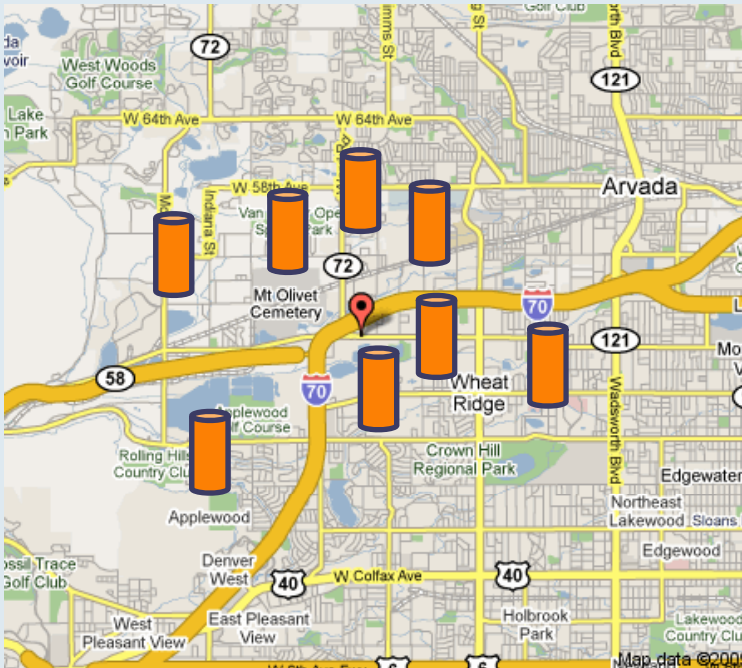
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- Single-family detached home prices exceed “Attainable Housing” median income
- Higher-density development economics provides attainable housing to households
- Down payments may be an obstacle, particularly for first-time home owners and those with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

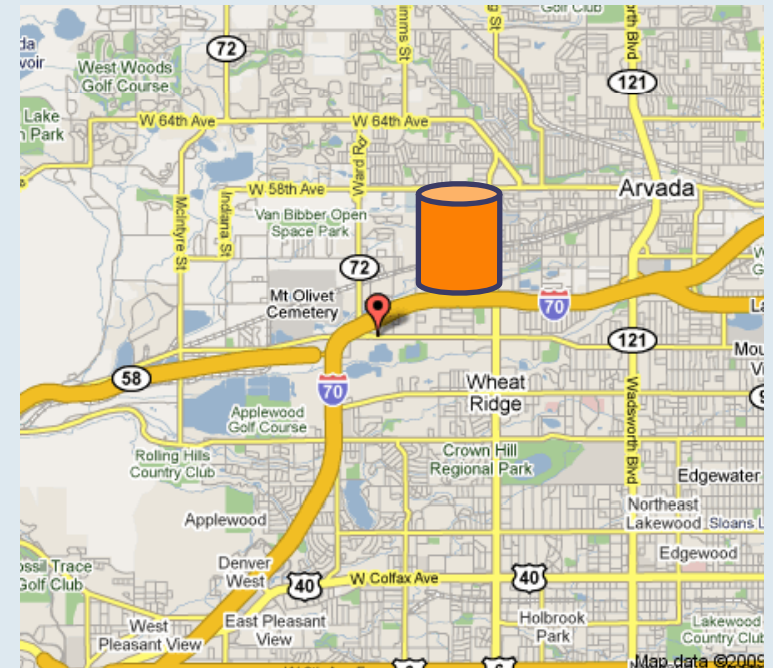
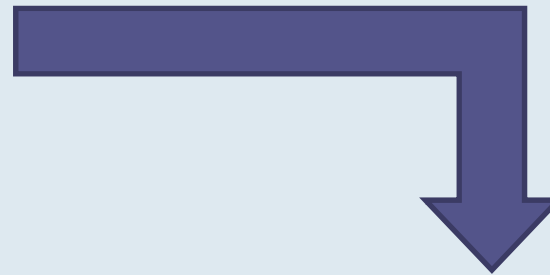
# Density's Economic Effects

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**Consolidates homes & people:**

- Supports public transportation
- Governmental services & costs change
- Business and entrepreneurial opportunities change





# Governmental Services & Costs

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# Governmental Service Providers

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## **County**

Road & Bridge

Parks, Open  
Space

Library

Public Health

Social Services,  
Head Start

County Sherriff

## **City**

Local Roads

Community  
Development

Housing Authority

City Parks

Arts & Cultural  
Facilities

Social Services

City Police

## **School**

Education

Community Space

Social Support

# Government Budget Benefits

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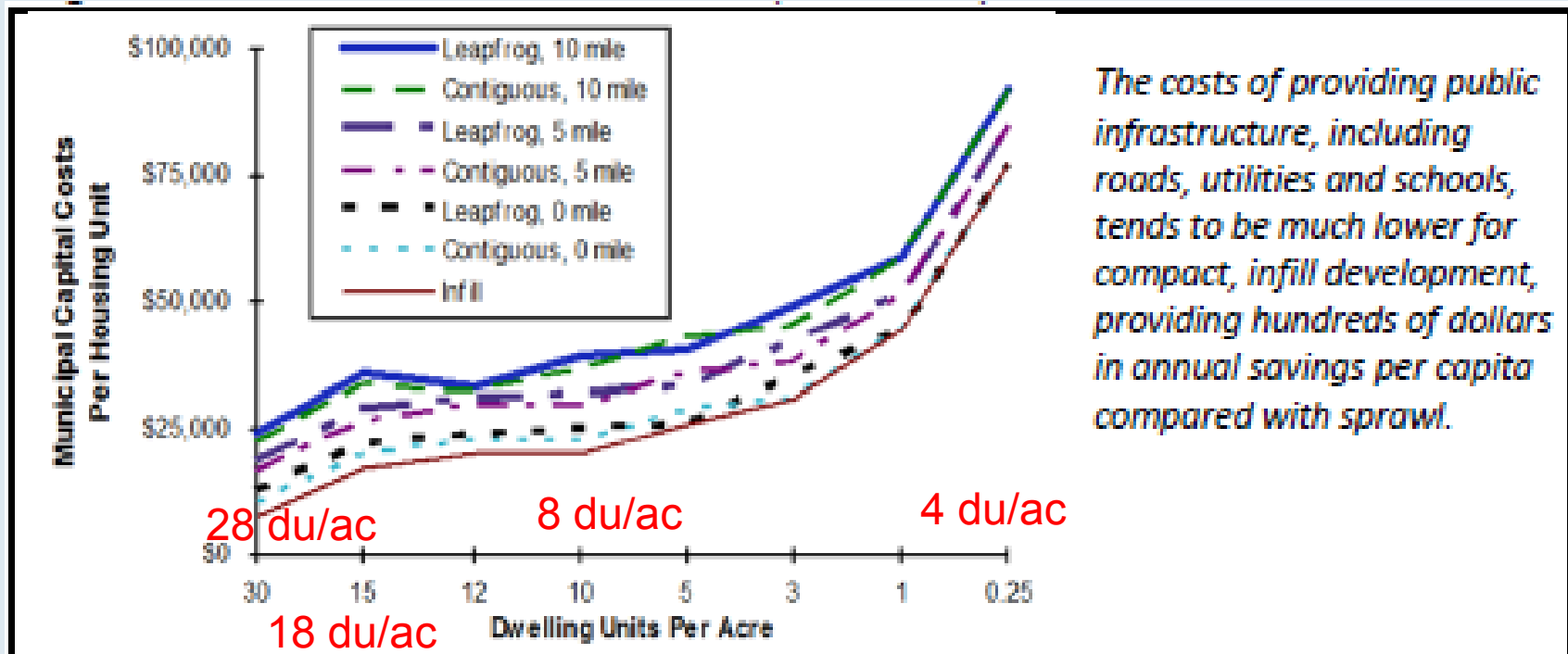
A National Examination of the Fiscal Benefits of Smart Growth Development (SGA 2013) found that Smart Growth development:

- 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

Development Research Partners



Victoria Transport Policy Institute, December 2015

# Government Budget Benefits

Development Research Partners

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*

# Government Budget Benefits

Development Research Partners

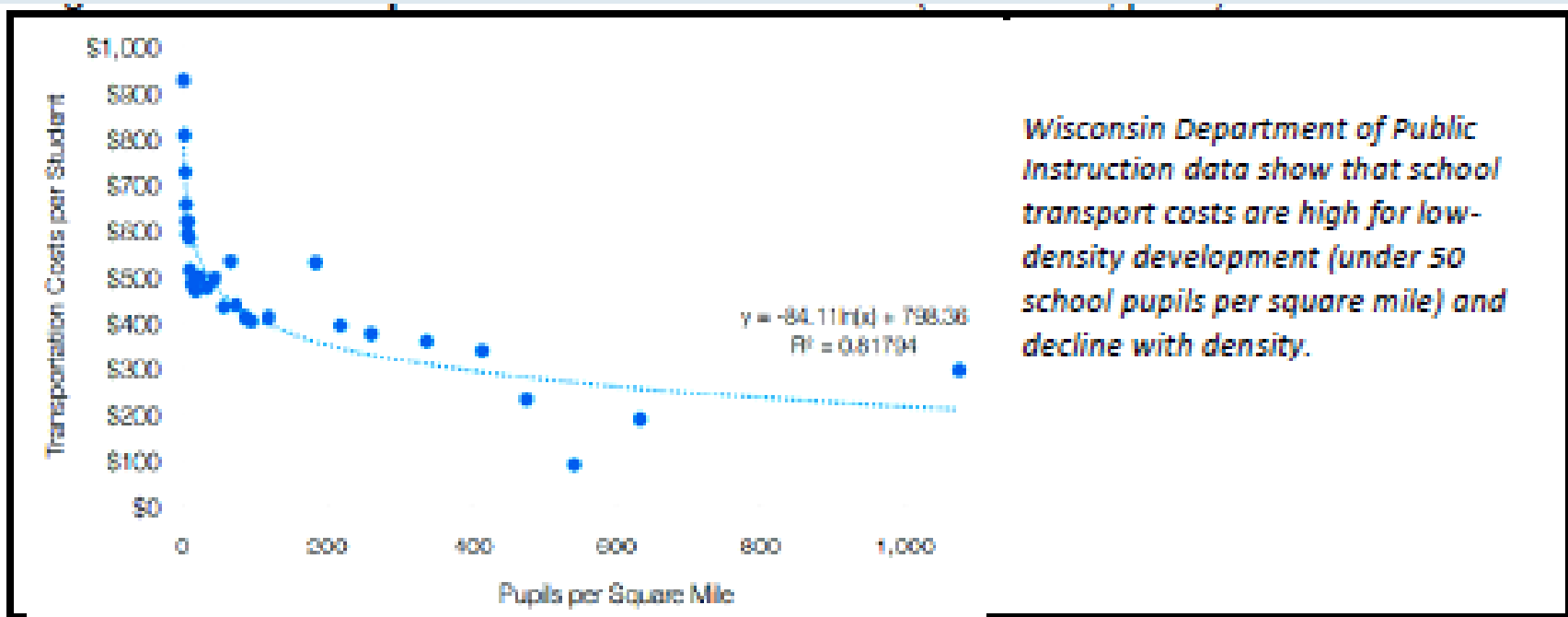
A Charlotte, North Carolina study found:

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

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*Victoria Transport Policy Institute, December 2015*

# Critics Say...

Development Research Partners

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

*Helen F. Ladd in Urban Studies, Vol. 29, No. 2, 1992*



# Critics Say...

Development Research Partners

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*

# Critics Say...

Development Research Partners

“Larger and denser cities tend to have more business activity, which generates revenues and imposes costs, and so increases per capita government expenditures.”

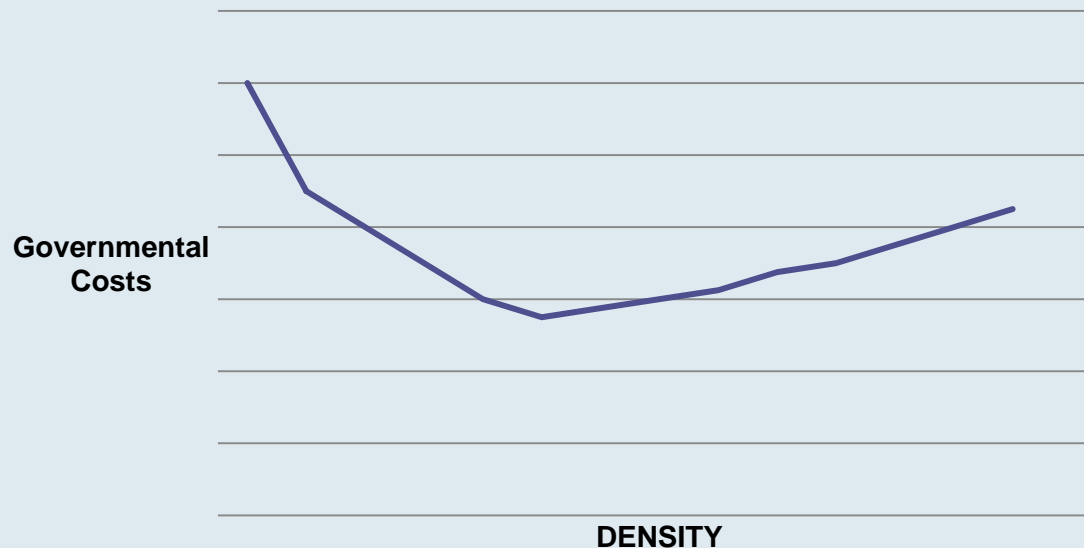
“Larger, denser cities tend to contain a disproportionate share of residents with special needs, such as poverty and mental illness, who require additional public services.”

*Victoria Transport Policy Institute, December 2015*

# Critics Say...

Development Research Partners

The effect of population density on public services... is a “J curve”



*Victoria Transport Policy Institute, December 2015*

# Thoughtful People Say...

Development Research Partners

**“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

Development Research Partners

Property Tax	\$550
Sales Tax	\$2,000
Other Revenue	<u>\$9,900</u>
Total Government Revenues	\$12,450
 Total Government Costs	 <u>(\$14,900)</u>
 Net Fiscal Benefit	 (\$2,450)

# Fiscal Impacts

## Density Comparisons

Development Research Partners

Housing Type	Suburban	Courtyard	Townhome	Condo
Density	4 du/ac	8 du/ac	18 du/ac	28 du/ac
<b>Net Fiscal Benefit</b>				
Development (Single Impact)	\$23,500	\$122,000	\$263,000	\$380,000
City – Annual*	(\$2,450)	(\$4,800)	(\$11,800)	(\$22,000)
<i>City - Per Household**</i>	<i>(\$625)</i>	<i>(\$600)</i>	<i>(\$656)</i>	<i>(\$786)</i>
<b>Other Districts</b>				
County	\$1,500	\$2,500	\$4,100	\$2,100
School District	\$6,000	\$10,600	\$21,000	\$24,300

\*Statewide phenomena due to Gallagher Legislative Amendment

\*\*Analysis restricted to direct City impacts, does not include economic multipliers

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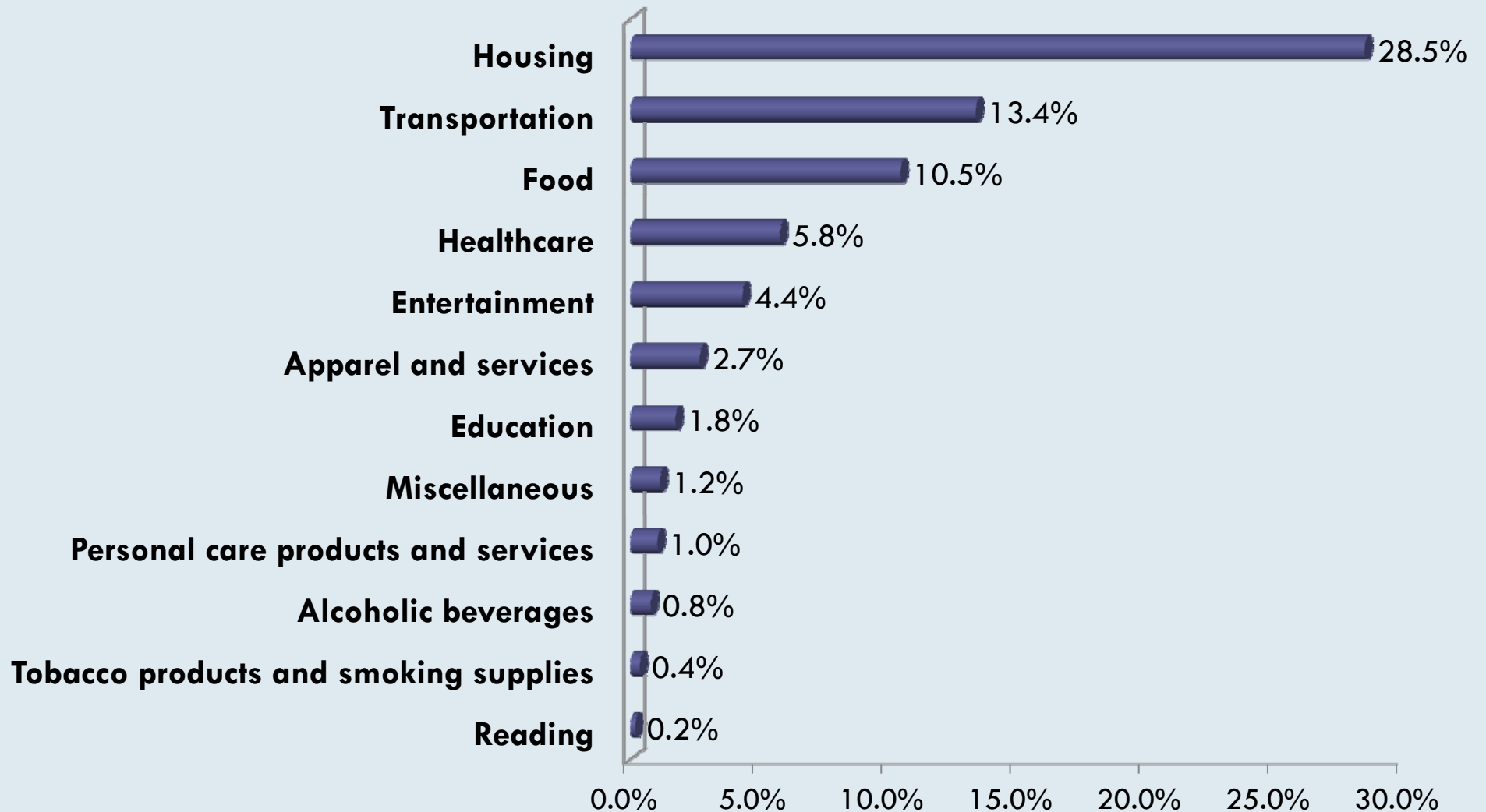


## Development Research Partners



# Percent Household Spending by Expenditure Category, Western U.S.

Development Research Partners



# Select Household Purchases

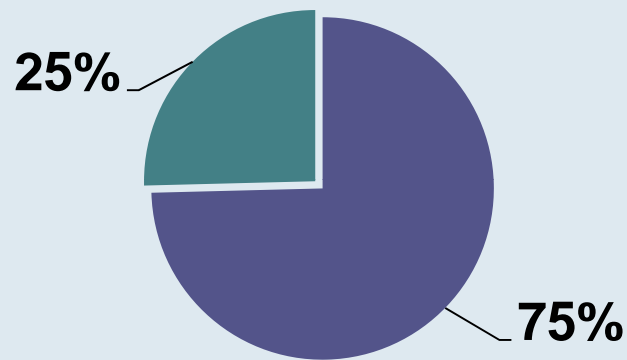
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<b>Household Income (Before Taxes)</b>	<b>\$68,500</b>	<b>100%</b>
<b>Household Income (After Taxes)</b>	<b>\$60,333</b>	<b>88%</b>
<b>Food at Home</b>	<b>\$4,218</b>	<b>7.0%</b>
<b>Healthcare</b>	<b>\$3,979</b>	<b>6.6%</b>
<b>Food Away from Home</b>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

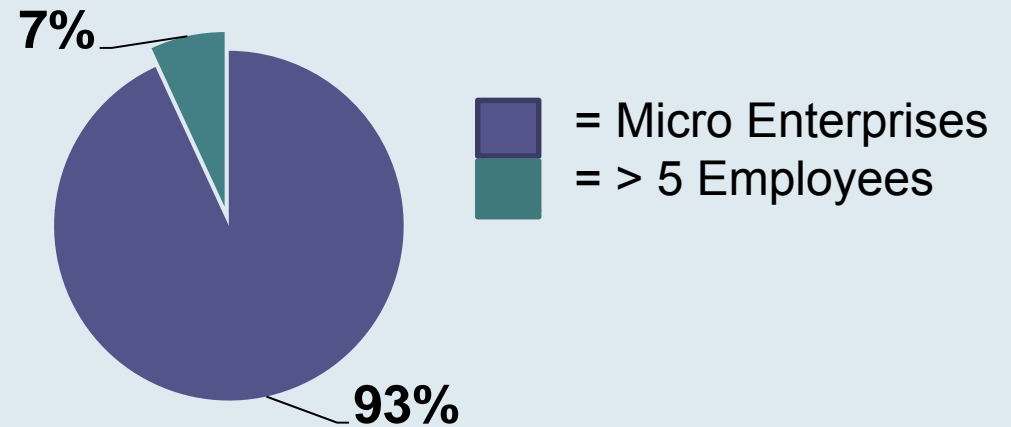
# Select Entrepreneurial Opportunities



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## Physicians

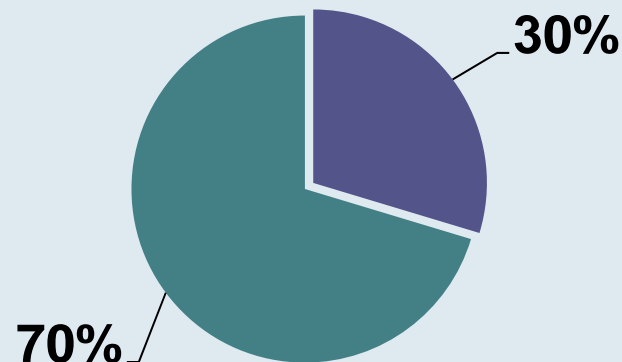


## Other Health Practitioners

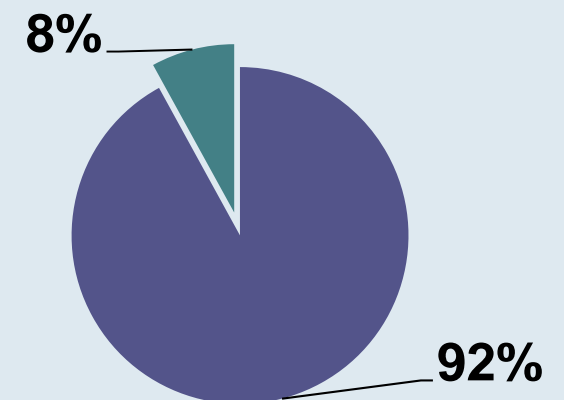


 = Micro Enterprises  
 = > 5 Employees

## Restaurants

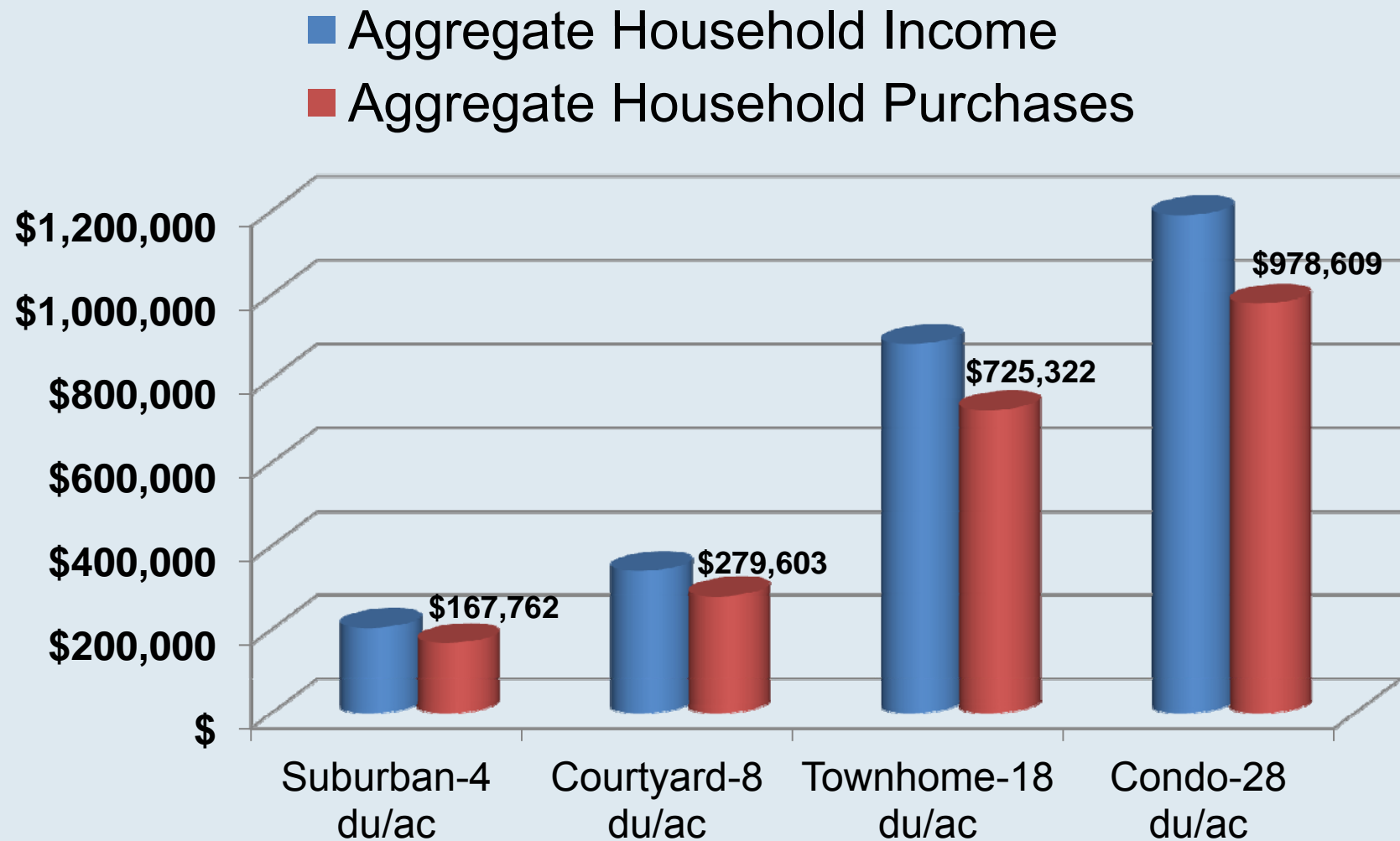


## Child Care



# Neighborhood Purchasing Power

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# Neighborhood Density Benefits

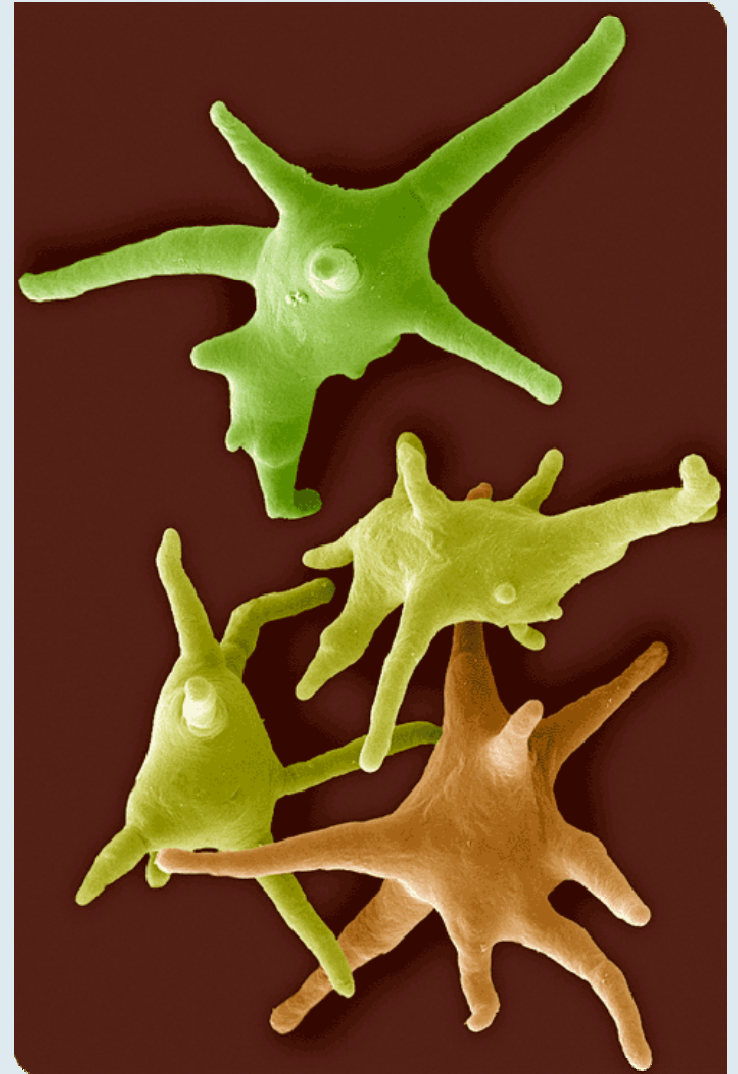
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- Public Transportation
- More “eyes on the street” as residents and by-passers can see and report possible crimes  
Improved neighborhood goods & services
- Provides local business opportunities
- Provides local employment
- **Dollar velocity improves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



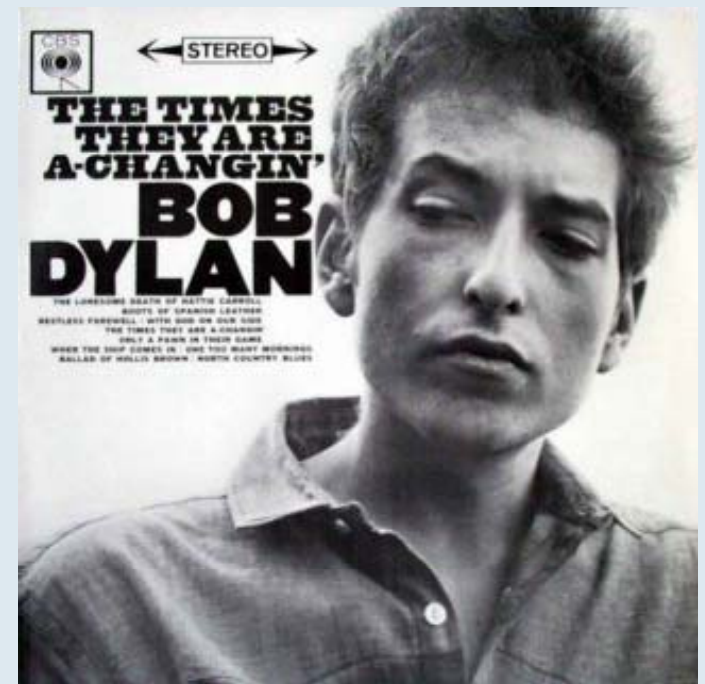
# Closing

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## 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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