

RESOLUTION NO. 48-22

A RESOLUTION ADOPTING THE GRAND JUNCTION HOUSING GOAL

Recitals:

The May 2021 Grand Valley Housing Needs Assessment (HNA) collected data from and following a community-wide survey, seven focus group meetings with key stakeholders and other outreach.

The HNA showed a poverty rate in Grand Junction of 16% which is well above the state average, a rental housing gap of 2,168 units for households earning less than \$25,000, a need for housing units that address accessibility needs for the 15% of the City's population that are disabled, and a generalized substandard condition of housing units within the community.

In response to the findings of the HNA, the City Council embarked on developing a housing strategy to begin to address the needs identified in the HNA. On June 14, August 2, and on September 13, 2021, the City Council met and discussed adoption of twelve strategies, together with associated timelines, to impact positive change in addressing housing needs within the city. Together the twelve strategies (known as and collectively referred to as the 2021 Grand Junction Housing Strategy) deliver a blueprint for the City and its partner agencies to begin to address critical housing needs in the community. The Strategy was adopted by City Council on October 6, 2021.

City Council, informed by work of staff, Root Policy and community housing partners, has focused on advancing numerous strategies, including Strategy 2: Adopt a local affordable housing goal. City Council discussed Strategy 2 at its May 2, 2022 workshop regarding setting a local affordable housing production goal and to define both "Affordable" and "Attainable" in terms of housing.

NOW, THEREFORE, BE IT HEREBY RESOLVED BY THE CITY COUNCIL OF THE CITY OF GRAND JUNCTION THAT:

- ❖ Grand Junction aims to increase the total Affordable Housing stock in the city by 225 to 350 units over the next 5 years (an average range of 45 to 70 units per year) serving residents at 80% AMI or less.
- ❖ Affordable Housing is defined as: Housing units with a contractual requirement (deed-restriction or income restriction of no less than 30 years) that keeps the cost of rent or mortgages affordable to households making 80% or less of AMI.
- ❖ Attainable Housing is defined as: Housing units affordable to households making between 80% and 120% of AMI.

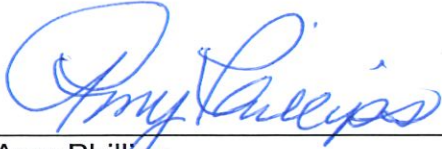
The Goal and Definitions (above), as further articulated in the attached Memorandum *Strategy 2: Adopt Affordable Housing Goal(s)* dated May 24, 2022, is hereby adopted.

PASSED AND APPROVED this 1st day of June 2022.



Anna M. Stout
President of the Council

ATTEST:



Amy Phillips
City Clerk



MEMORANDUM

Grand Junction Strategy 2: Adopt Affordable Housing Goal (s)

*PREPARED FOR:
City of Grand Junction*

*REVISED:
MAY 24, 2022*

On October 6, 2021, the City Council adopted Resolution No. 82-21 that outline twelve strategies to be pursued to address the City's housing needs. **This memo focuses on Strategy 2: Adopt a Local Affordable Housing Goal(s) and is specifically focused on affordable housing production. It is not intended to address the full spectrum of housing needs identified in the HNA.** Additional detail on needs and the complete toolkit of recommended strategies is available in the GJ Housing Strategy.

This memo provides documentation of next steps toward the adoption of local affordable housing goals for the City of Grand Junction. It begins with a review of the City's Housing Strategic Plan element related to goal development and follows with supporting research related to existing housing needs and gaps (based on the Grand Valley Housing Needs Assessment (HNA)), current inventory and production pipeline of affordable housing, and definitions of "affordable" and "attainable" housing.

HOUSING STRATEGIC PLAN (HSP): STRATEGY 2. ADOPT A LOCAL AFFORDABLE HOUSING GOAL(S).

Formally adopting local affordable housing goals helps establish a target for the city to monitor progress. Goal structure varies by community; for example goals can be:

- Output oriented (e.g., 10% of all housing units will be affordable to households earning less than 80% AMI by 2040);

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- Input oriented (e.g., the City will allocate 20% of housing trust fund resources to services for people experiencing homelessness); or
- Value oriented (e.g., increase supply of attainable ownership housing available to those making less than 100% AMI).

Goals should be related to identified needs, reflect City priorities and provide clear direction with measurable outcomes.

Benefits. Signals to development community the City's desire for affordable development; provides a benchmark for the City in navigating negotiations with developers and/or establishing incentives.

Challenges. Political challenges in defining goal; if goal specifies income category, may reduce flexibility in future; outcome-oriented goals are not always in the city's control.

Expected outcomes and keys to success. Outcomes vary depending on the goal as well as the other tools in place to help the city achieve its goal. This works best when paired with other tools and strategies designed to support the goal.

Recommended actions for Grand Junction:

- Work with housing coalition and non-profit partners to identify specific housing targets over the next five years to inform affordable housing production goal.
- Consider **committing to a goal** related to the housing gap or related to annual production of affordable housing units. For example "Reduce the housing gap by 500" or "Create 500 new affordable units over the next 5 years." Note actual target should be informed by anticipated production (see previous bullet).
- Include **clear definitions** of "affordable" and "attainable" housing in targets.
- **Track annual** affordable housing production (or other metrics) to measure progress toward goal.

This memo provides specific recommendations consistent with the Recommended Actions for Grand Junction.

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BACKGROUND INFORMATION TO INFORM AFFORDABLE AND ATTAINABLE DEFINITIONS AND GOAL-SETTING

CURRENT MESA COUNTY AMI

Area Median Income, or AMI, is the typical metric by which households qualify for various housing programs. HUD sets AMI annually by market area and household size; Grand Junction is included in the broader Mesa County AMI. Figure 1 below shows the Grand Junction AMI income limits in both 2019 and 2021 (2019 is included for consistency with 2019 data points from the Grand Valley HNA).

Figure 1. HUD AMI, Mesa County

	Persons in Family				
	1	2	3	4	5
2019 AMI					
30% AMI	\$14,650	\$16,910	\$21,330	\$25,750	\$30,170
50% AMI	\$24,400	\$27,900	\$31,400	\$34,850	\$37,650
60% AMI	\$29,280	\$33,480	\$37,680	\$41,820	\$45,180
80% AMI	\$39,050	\$44,600	\$50,200	\$55,750	\$60,250
100% AMI	\$48,800	\$55,800	\$62,800	\$69,700	\$75,300
120% AMI	\$58,560	\$66,960	\$75,360	\$83,640	\$90,360
2021 AMI					
30% AMI	\$15,450	\$17,650	\$21,960	\$26,500	\$31,040
50% AMI	\$25,750	\$29,400	\$33,100	\$36,750	\$39,700
60% AMI	\$30,900	\$35,280	\$39,720	\$44,100	\$47,640
80% AMI	\$41,200	\$47,050	\$52,950	\$58,800	\$63,550
100% AMI	\$51,500	\$58,800	\$66,200	\$73,500	\$79,400
120% AMI	\$61,800	\$70,560	\$79,440	\$88,200	\$95,280

Source: HUD and Root Policy Research.

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HOUSING GAP AND NEEDS BY AMI

The Grand Valley Housing Needs Assessment quantified both rental and owner gaps by income; those analyses are summarized below to provide context for the goal discussion.

The rental gap analysis, which compares current rental supply and demand in Grand Junction identifies a shortage of 2,168 units affordable to households earning less than \$25,000 per year. The cumulative gap shows that a cumulative shortage persists for households earning up to \$35,000 per year. The rental gap at \$25,000 roughly approximates to **30%-50% AMI**,

and the cumulative gap at \$35,000 roughly approximates to **50%-60% AMI**, depending on household size.

The ownership gaps model, which compares potential demand among first time buyers to the for-sale supply by price-point highlights an acute gap for households earning less than \$35,000 and a cumulative gap for households earning up to \$75,000. The for-sale gap at \$35,000 roughly approximates to **50%-60% AMI**, and the cumulative gap at \$75,000 roughly approximates to **90%-150% AMI**, depending on household size.

**Figure 2.
Rental Gap Summary**

Source: Root Policy Research from Grand Valley HNA.

Renter Incomes	Max Affordable Gross Rent	Rental Demand (Current Renters)		Rental Supply (Current Units)		Gap	Cumulative Gap
		Number	Percent	Number	Percent		
Less than \$25,000	\$625	4,422	40%	2,254	20%	(2,168)	(2,168)
\$25,000 to \$34,999	\$875	1,185	11%	2,709	24%	1,524	(644)
\$35,000 to \$49,999	\$1,250	1,833	17%	3,242	29%	1,409	765
\$50,000 to \$74,999	\$1,875	1,592	14%	2,356	21%	764	1,529
\$75,000+	\$1,875+	1,976	18%	646	6%	(1,330)	199

**Figure 3.
First-Time Buyer Gap Summary**

Source: Root Policy Research from Grand Valley HNA.

Potential 1st Time Buyer Incomes	Max Affordable Home Price	Potential 1st Time Buyer Demand (Current Renters)		For-Sale Supply (Homes Sold 2020-2021)		Renter Purchase Gap	Cumulative Gap
		Number	Percent	Number	Percent		
Less than \$25,000	\$120,592	4,422	40%	88	3%	-38%	-38%
\$25,000 to \$34,999	\$168,831	1,185	11%	169	5%	-6%	-44%
\$35,000 to \$49,999	\$241,190	1,833	17%	744	21%	5%	-39%
\$50,000 to \$74,999	\$361,787	1,592	14%	1,512	44%	29%	-9%
\$75,000+	\$361,787 +	1,976	18%	949	27%	9%	0%

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DEED/INCOME RESTRICTED HOUSING STOCK AND DEVELOPMENT PIPELINE

According to affordable housing providers and stakeholders, the current inventory of deed/income restricted housing stock in Grand Junction is 1,733 rental units and 64 ownership units.¹ This total excludes vouchers, which can be used in market-rate units or in affordable units. Collectively, these deed/income-restricted units account for 7% of the total housing stock in Grand Junction (15% of rental units and 0.4% of owner units are income restricted). Another 90 income-restricted rental units are in the pipeline and Habitat for Humanity sets a target of 5 additional income-restricted ownership units per year.

Figure 4. Income Restricted Units, Grand Junction

	Deed/Income Restricted Units	Total Occupied Units in the City	Deed/Income Restricted as a % of Total
Rental Units	1,733	11,207	15%
Owner Units	64	15,274	0.4%
Total	1,797	26,481	7%

Note: Does not include vouchers.

Source: GJHA, Catholic Outreach, Habitat for Humanity and Root Policy Research.

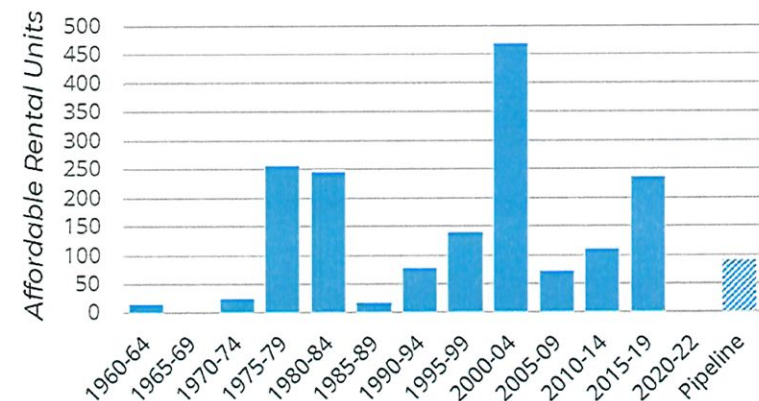
In addition to the income restricted, affordable units identified above, there are 1,501 housing vouchers (i.e., Housing Choice

¹ HRWC has helped create 350 affordable ownership units in the Grand Valley through the Self-Help program, but those homes do not carry a long-term deed restriction and are not included in the affordable inventory.

Vouchers, Project Based Vouchers, etc.) in use in the Grand Valley. Overall, about one-third of vouchers are used in income restricted units—this subsidy overlap allows such units to achieve even deeper affordability for extremely low income households and improves project viability for affordable development. In addition, “affordable” developments are often among the few options for voucher-holders, as many rentals exceed the Voucher Payment Standard, and some Landlords are reluctant to rent to voucher-holder households.

Figure 5 shows affordable rental units in Grand Junction by year built; it includes the current projected pipeline of units. The pace of development is impacted by market conditions, land availability, LIHTC allocations, as well as affordable housing provider operations and funding.

Figure 5. Affordable Rental Development by Year



Source: GJHA, Catholic Outreach, Habitat for Humanity and Root Policy Research.

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PROPOSED AFFORDABILITY DEFINITIONS AND PRODUCTION GOAL

DEFINING AFFORDABILITY

Lower-case-“a,” affordable housing is generally linked to the idea that households should not be cost burdened by housing.³ However, the term “Affordable housing” (upper case “A”) is often used to specifically describe housing that has some type of income restriction or public support or subsidy, such as public housing, HUD housing, Low Income Housing Tax Credits (LIHTC), etc. “Attainable” or “Workforce” housing are also common terms used to describe affordable options for moderate income households.

As noted in the Housing Strategy, having clear definitions of “Affordable” and “attainable” housing is critical for effective implementation of goals. Considerations for definitions include alignment with local housing needs; as well as consistency with existing housing program and funding definitions.

The LIHTC program⁴ (the largest contributor to affordable rental housing in Grand Junction) targets 60% AMI households or less (though individual units can go up to 80% AMI when the development average is 60%). State funding sources, including Private Activity Bonds (PAB),⁵ target 60% AMI or less for rental

and 115% AMI or less for owners. Habitat for Humanity’s ownership units target households earning 30% to 65% of AMI.

The term of affordability—the length of time the deed-restriction or income-restriction applies—varies by program but typically ranges from 15 years to 99 years.

AFFORDABLE & ATTAINABLE DEFINED:

Affordable housing: Housing units with a contractual requirement (deed-restriction or income restriction) that keeps the cost of rent or mortgages affordable to households making 80% or less of the AMI. [The affordability term for projects receiving City funding or incentives should be no less than 30 years].

Attainable housing: Housing units affordable to households making between 80% and 120% of AMI. This can include naturally occurring or deed-restricted properties.

Resource Prioritization: The City may opt to prioritize resources to the most acute needs, which are concentrated below 30% AMI but extend up to 60% AMI for rentals. The most acute needs for ownership are units at or below 80% AMI for ownership options.

³ Cost burden is defined as spending 30% or more of gross income on housing.

⁴ More info on LIHTC: <https://www.huduser.gov/portal/datasets/lihtc.html>

⁵ More info on PAB program: <https://www.chfainfo.com/rental-housing/private-activity-bonds/pab-overview-guide-for-local-communities>

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AFFORDABLE PRODUCTION GOAL

The City desires to set an Affordable housing production goal that is both reasonable/achievable but that increases the production of Affordable housing beyond the anticipated pipeline of current affordable housing providers in the City. Key considerations for goal setting include:

Affordable Housing Needs:

- The rental gap analysis (described in detail in the HNA and summarized on page 3), identifies a 2,168-unit shortage affordable to households earning less than 50% AMI. The rental gap describes an affordability shortage (not necessarily a production shortage) which could be addressed through a combination of new construction, preservation, and rental assistance.
- Affordable for-sale homes are also in short supply, particularly for households earning less than 80% AMI (see page 3 for ownership gap summary; details in the HNA).
- In addition to the current affordability gap, the Grand Valley HNA forecasts a county-wide need for an additional 5,254 units below 80% AMI through 2030—a mix of both owner and rental units. At a 43% share of the county's total housing units, Grand Junction would need to produce **227 units per year** at 80% AMI to meet the forecasted affordable production need.

Housing Production Capacity:

- Since 2010, the City has averaged 467 new units of housing per year in total (regardless of price-point, tenure, or income

restrictions). Prior to 2019 the annual average was just 352 units per year.

- New production of income-restricted housing has averaged 29 units per year since 2010 (see page 4 for details).
- The pipeline of affordable housing development suggests that about 90 Affordable rental units and 15 Affordable ownership units will be created over the next three years (an average of **35 units per year**).
- A proposed state policy may unlock additional financial resources for communities that increase their affordable inventory by 3% per year, which equates to 55 units per year in Grand Junction.
- In addition to the above, affordable housing legislation and programming at the state level may increase the capacity of local communities and affordable housing developers to contribute to affordable production in the near term.

AFFORDABLE PRODUCTION GOAL:

Based on the considerations summarized above, Root recommends the following affordable housing goal:

Grand Junction aims to increase the total Affordable housing stock in the City by 225-350 units over the next 5 years (an average of 45-70 units per year, at <80% AMI).

The City also acknowledges the need for attainable housing, affordable for households earning between 80% and 120% AMI.

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To that end, the City may consider future tools and incentives to encourage attainable development, outside the scope of the Affordable production goal.

Figure 6 shows the affordable rent and home prices at 60%, 80%, and 120% AMI based on the 2021 HUD AMI for Mesa County. Note that 80% AMI reflects the stated goal, but 60% AMI and 120% AMI are also included for reference if the City opts to prioritize resources at these levels.

Figure 6. Affordable Rents and Home Prices by AMI

	Persons in Family				
	1	2	3	4	5
Affordable Rent					
60% AMI	\$732	\$837	\$942	\$1,046	\$1,130
80% AMI	\$976	\$1,115	\$1,255	\$1,394	\$1,506
120% AMI	\$1,464	\$1,674	\$1,884	\$2,091	\$2,259
Affordable Home Price					
60% AMI	\$122,759	\$140,368	\$157,977	\$175,334	\$189,421
80% AMI	\$163,720	\$186,989	\$210,468	\$233,737	\$252,603
120% AMI	\$245,518	\$280,736	\$315,953	\$350,668	\$378,842

Note: Affordable rent assumes 30% of income is spent on housing. Maximum affordable home price is based on a 30-year mortgage with a 10% down payment and an interest rate of 4.25%. (Note that the HNA used an interest rate of 3.11%, but rates have increased since that report was drafted). Property taxes, insurance, HOA and utilities are assumed to collectively account for 25% of the monthly payment.

Source: 2021 HUD AMI and Root Policy Research.

TRACKING AFFORDABLE PRODUCTION

As noted in the Housing Strategy, the City should track annual affordable housing production to measure progress toward the goal. A system for tracking should include an annual survey of housing coalition and non-profit partners to identify new units, units lost to expiring contracts, and pipeline. A survey for the city is currently in development.