To access the Agenda and Backup Materials electronically, go to www.gjcity.org

PLANNING COMMISSION WORKSHOP AGENDA
PLANNING CONFERENCE ROOM, CITY HALL, 250 N 5TH STREET
Virtual Meeting link: bit.ly/GJPworkshop
THURSDAY, AUGUST 18, 2022 - 12:00 PM

Call to Order - 12:00 PM

Other Business

1. Continue discussion regarding staff's presentation at City Council's 1 August Workshop on next steps for implementing various adopted strategies from the 2021 adopted Grand Junction Housing Strategy. Staff have been working with community housing partners, the housing coalition, and Root Policy to implement strategies adopted in the Grand Junction Housing Strategy. Staff will provide a brief review of the work completed to date on Strategies #1, #2 and #3, and discuss next steps for Strategies #4, #6 and #7.

2. Several recent market rate developments have requested the City to contribute financial to th projects, including the Slate on 25 (168 units), The Junction by Richmark (257 Units), and Th Lofts on Grand Avenue (78 units). City Council has requested a policy be developed that will help provide predictability and equity regarding to whom and to which projects are provided development incentives. The City has a current Redevelopment Area Incentive and Staff has prepared two additional incentives focused on corridor infill and affordable housing for City Council discussion and consideration.

Adjournment

Grand Junction Planning Commission

Workshop Session

Item #1.

Meeting Date: August 18, 2022

Presented By:

Department: Community Development

Submitted By:

Information

SUBJECT:

Continue discussion regarding staff's presentation at City Council's 1 August Workshop on next steps for implementing various adopted strategies from the 2021 adopted Grand Junction Housing Strategy. Staff have been working with community housing partners, the housing coalition, and Root Policy to implement strategies adopted in the Grand Junction Housing Strategy. Staff will provide a brief review of the work completed to date on Strategies #1, #2 and #3, and discuss next steps for Strategies #4, #6 and #7.

RECOMMENDATION:

EXECUTIVE SUMMARY:

BACKGROUND OR DETAILED INFORMATION:

SUGGESTED MOTION:

Attachments

1. Report_AffordableHousing_CCWorkshop_1Aug2022

Grand Junction City Council

Workshop Session

Item #1.b.

Meeting Date: August 1, 2022

Presented By: Ashley Chambers, Tamra Allen, Community Development Director, Mollie Fitzpatrick, Root Policy Research

Department: Community Development

Submitted By: Ashley Chambers, Housing Manager

Information

SUBJECT:

Housing Strategy Implementation

EXECUTIVE SUMMARY:

Discussion on next steps for implementing various adopted strategies from the 2021 adopted Grand Junction Housing Strategy.

BACKGROUND OR DETAILED INFORMATION:

Staff have been working with community housing partners, the housing coalition and Root Policy to advance the implementation of strategies as adopted in the Grand Junction Housing Strategy. Staff will provide a brief review of the work completed to date on Strategies #1, #2 and #3, and will focus the discussion around next steps for Strategies #4, #6 and #7. Staff will present background information and seek direction from City Council on these strategies. In addition, Staff will be seeking direction with regard to the formation of a Housing Advisory Board.

Housing Strategy # 4. Encourage the Development of Accessory Dwelling Units
Staff has provided an attachment that includes details and recommendations to consider regarding the implementation of this strategy. A summary of the staff recommendations is provided below.

Recommendation: City staff recommends City Council consider allowing staff to provide stakeholders with additional supportive and educational resources including:

A. Develop an ADU toolkit that incorporates a checklist, planning details and examples, and quick guides to construction and terms.

B. Pilot a quarterly ADU Info/Webinar Session to target future and interested ADU with key planning and building department staff, information about affordable housing, and the ADU toolkit.
C. Explore the use of a pre-approved design and architectural plan for ADU construction.

Recommendation: City staff recommends that City Council consider relaxing, reducing, or eliminating current code requirements that may serve as barriers to ADU construction, which include:

A. Eliminate/Change the current parking requirement to be deleted altogether or revised to allow for the parking space to be provided on-street (if available) or within walking distance of a public transit route.
B. Eliminate the side/rear entry requirement unless the property is served by an alley.
C. Allow ADUs to be built on any lot size (that meets other minimum lot size requirements of each zoning district).
D. Increase the maximum ADU size to 1200 sq ft as long as the ADU remains subordinate to the primary dwelling structure.
E. Allow for a second ADU.
F. Allow two-family dwellings (duplex) to add an ADU to their properties.

Recommendation: City Staff recommends that City Council consider limiting the neighborhood concentration of short-term rentals.

Recommendation: City Staff recommends that City Council consider incentivizing ADUs used as long-term rentals by:

A. Waive Impact Fees for new ADUs that will be used as long-term rentals, so long as there is a dedicated revenue source to cover the cost of the fees. A short-term rental tax could cover the payment of city impact fees for approximately 16-27 ADUs annually.
B. Modify the "unsubdivided" restriction in the City policy allowing for charging the "unsubdivided" impact fee rates for ADUs.
C. Provide financing to assist in homeowners' ability to build ADUs.

Housing Strategy #6: Allocate City Owned Land (And/Or Strategically Acquire Vacant and Underutilized Properties) for Affordable and Mixed-Income Housing.
The staff has provided an attachment that includes a discussion on land acquisition strategies including Land Banking and Land Trusts and more detailed recommendations to consider regarding this strategy. A summary of the staff recommendations is provided below.

Recommendation: City staff recommends that City Council consider a city focus on strategic land acquisition and land banking as a means of assisting in the supply of available properties for affordable housing development. Once acquired, the City should work with existing (and future) housing entities to develop affordable units and maintain the properties.

Housing Strategy #7. Create a dedicated revenue source to address housing challenges.
The staff has provided an attachment that includes a discussion and recommendations to consider regarding the implementation of this strategy. A summary of the staff recommendations is provided below.

Recommendation: City staff recommends that City Council consider a short-term rental tax between 6% and 10% that would be dedicated to affordable housing. Based on 2021 reported revenues, a short-term rental tax at such rates is estimated to generate between $138,090 and $230,150 annually. Voter approval would be required to initiate.

Recommendation: City staff recommends City Council consider committing 2% of current sales tax collected from the sale of Cannabis to be dedicated to affordable housing. Based on current estimates of Cannabis sales, 2% sales tax revenue on Cannabis sales could range from approximately $400,000 to $530,000.

Staff will also be seeking direction on the desire of council to establish an advisory board on housing and housing affordability.

FISCAL IMPACT:

This item is for discussion purposes only.

SUGGESTED ACTION:

Staff recommends City Council review the information and related recommendations, discuss and provide direction to staff.

Attachments

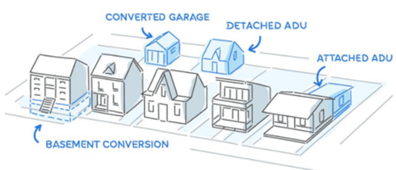
1. Strategy #4 - ADUs
2. Strategy #6 - Land Acquisition Allocation
3. Strategy #7 - Funding Sources
4. Grand Junction Housing Strategy

Housing Strategy #4

Encourage Development of Accessory Dwelling Units

This information is related to implementation of Grand Junction Housing Strategy 4: Encourage Development of Accessory Dwelling Units (ADUs). The strategy language from the Grand Junction Housing Strategies is excerpted below for reference.

HSP STRATEGY 4. ENCOURAGE DEVELOPMENT OF ACCESSORY DWELLING UNITS (ADUS).



Accessory dwelling units (ADUs) are smaller independent living spaces on the same lot as a single-family home. ADUs can be attached to the home itself or be separate structures on the owners' property. They are generally perceived to have minimal impacts on the character of residential neighborhoods. Strategies to encourage their development and affordability include eliminating parking requirements, assist with site planning and provide free off-the shelf plans, short-turnaround approval process for ADUs, provide financial assistance for homeowners to create ADUs, waiving development fees for ADUs that will be restricted to low-income occupants, provide low- and moderate-income homeowners interest-free loans for an ADU project. In addition, some communities are moving to allow secondary ADUS. This should be considered for appropriateness in Grand Junction or within specific areas of Grand Junction

Benefits. ADUs can be a relatively inexpensive way to create low-cost housing units, free up low-income housing, and increase density in single-family areas, while reusing existing infrastructure such as water and sewer.

Challenges. Requires additional staff capacity for development review.

Expected outcomes and keys to success. Can expand the housing stock and allow low-income owners to generate income from their property. Works better with a rental license program and regulation of short-term rental units.

Recommended actions for Grand Junction:

- Conduct focus group(s) or surveys among residents who have recently constructed ADUs to evaluate the overall process of permitting/constructing ADUs as well as the impact of potential incentives (as outlined in the description above).
- Consider creating an easy-to-follow guide for homeowners looking to build ADUs (example from San Marcos: www.sanmarcostx.gov/1567/Accessory-Dwelling-Units) and proactively communicate opportunity for ADUs to residents.
- Consider allowing secondary ADUS.
- Based on focus group/survey responses consider pilot program for ADU incentives.

WHAT ARE ACCESSORY DWELLING UNITS

Accessory Dwelling Units (ADUs) are smaller independent living spaces on the same property as a single-family primary home. Typically, an ADU can be attached to the home itself (e.g. basement apartment, attic conversion, etc.) or be a separate structure on the property (e.g. carriage house, mother in law unit, etc.). ADUs represent a sizable share of the housing stock in many cities across the United States including Seattle, WA; Portland, OR; Los Angeles, CA; Austin, TX. As momentum has built for ADUs, many cities across the United States have revised zoning regulations for ADUs aimed at increasing both the number of housing units and diversity of housing types available.

EVOLVING ADU REGULATIONS. Many states and communities are leaning into ADUs in a big way, and many see opportunities within existing land use regulations to simplify codes and reduce barriers to this housing typology that is generally viewed by the public as an acceptable method of increasing housing density. Though there are typically no requirements for ADUs to be affordable, many communities see ADUs as a practical way to provide housing that tends to be, largely due to size, more affordable than other housing types. The regulations for adding an ADU to an existing primary residential lot vary widely across the country.

In 2016, California preempted local land use regulations by passing legislation that permitted ADUs in all jurisdictions and limited jurisdictions' ability to impose certain zoning restrictions on ADUs. Los Angeles has become a case study under the new state law in that the City in 2017 issued 117 building permits for ADUs (less than 1% of the cities total housing unit construction permits). In 2018, a year after the law took effect, the City received 5,429 ADU permit applications.

Oregon recently became the first state to require municipalities to remove certain zoning restrictions such as eliminating additional off-street parking and removing regulations that the property owner lives on-site. Washington State is currently working to pass an ADU bill that would permanently eliminate many of the barriers that make it difficult for a homeowner to add an ADU including eliminating parking requirements for ADUs built within 1/4 mile of public transportation, removing the owner-occupied requirement unless the ADU is used for short term rental, and prohibiting covenants and HOA's from restricting a homeowner's right to build an ADU.

Across Colorado jurisdictions are making significant modifications to ADU regulations. Denver has a proposal being prepared for Spring 2023, that would loosen restrictions on ADU height requirements and possibly allow for townhomes with a yard to be permitted for ADU construction. There are many other Colorado communities that have or are actively pursuing relaxing zoning requirements to help spur ADU construction

ADU CONSTRUCTION IN GRAND JUNCTION. In the past, ADUs were a bigger challenge to construct within the City of Grand Junction as they had smaller and proportionate size limits and an required an owner to be living on-site. Between 2013 and 2017, Grand Junction received permit requests for 30 ADUs. The city relaxed the regulations in 2018 after reviewing best practices at that time. Since 2018, Grand Junction has issued 72 permits (140% increase) for the construction of ADUs throughout the city. 37 of the requests were for conversion of garage, home or other structures to an ADU, twenty-seven were for new detached units, and six fell into an "other" category (two were structures requesting to be moved to property from CMU, 4 were bringing illegal structures to code). In 2021, out of 927 housing units, 3.1% were ADUs. There

ADUs in Grand Junction

- 72 permits (since 2018)
- 15 in process (June 2022)
- 17.4 units per year average

ADU in Portland, OR - Photo Credit: sightline.org are currently (June 2022), 15 ADU applications in the pipeline. The annual ADU construction amounts to approximately 17.4 units being built in Grand Junction per year over the last five years.

ADU REGULATIONS IN GRAND JUNCTION

The City took action to reduce regulatory barriers to ADUs in 2018, but there may remain opportunity for further review and reduction of specific requirements for ADUs. The text below is excerpted from the City's Zoning and Development Code that regulates ADUs.

21.04.40(f) Accessory Dwelling Unit. A dwelling unit which is secondary to a principal dwelling unit which may be attached to the principal structure or freestanding. An accessory dwelling unit (ADU) is allowed only in conjunction with a single-family use and only on a lot of 3,000 sq ft or more. An ADU is not included in the density calculation.

The ADU must comply with the following:

- *(1) No more than 1 ADU is allowed in conjunction with single family use;*
- *(2) The design and location of the ADU must be subordinate to the principal structure;*
- *(3) The ADU must meet all requirements of the building and fire codes;*
- *(4) One additional off-street parking space shall be provided for the ADU;*
- *(5) The ADU shall share utility meters with the principal structure, except where the utility provider requires separate meters for an accessory dwelling unit;*
- *(6) The ADU shall not be more than 900 sq ft;.*
- *(7) The ADU shall be integrated into the site by appropriate site grading, earthwork and landscaping and be harmonious with the character of the neighborhood;*
- *(8) The outside appearance of the principal structure shall not be changed from that of a single-family residence;*
- *(9) Private entrances to the ADU shall be located on the side or rear if the residence and shall not be located on the same side as the primary residence's entrance;*
- *(10) The ADU shall not be located in front of the principal structure; and*
- *(11) The design and construction material of the ADU shall be complementary to those of the principal structure.*

A planning clearance is required to establish an accessory dwelling unit; to obtain a planning clearance, the applicant must demonstrate that the unit will meet all the foregoing standards, limitations, and requirements.

BENEFITS OF ADUs

Community Support. Like many communities, the Grand Junction community appears to support the addition of ADUs in their neighborhoods. The survey conducted as part of the Grand Valley Housing Needs Assessment revealed that the most "appropriate in my neighborhood" housing types by the local community were single family homes between 1,500-3,000 sq ft and ADUs. Survey respondents also wanted differing housing types and increased density options, while simultaneously expressing that they do not like multi-family units. ADUs support an increase density in existing single-family areas, perceive to be minimally impact the character of single-family neighborhoods. They can create a diversity of types of units and typically utilize existing infrastructure.

Extra Income and affordability for homeowners. For many homeowners, adding an ADU creates additional income. For some, that additional income may mean that it allows them to continue living in the primary home that might otherwise be unaffordable perhaps due to rising property taxes, or reduction in income after retirement. For others, the additional income may mean that they can pay off their car payment, subsidize their mortgage or allow enough income for one parent to stay home to care for children.

Expands and adds diversity to housing options. Not all ADUs are affordable nor are they rented at "affordable rates." However, because they are typically smaller in size, ADU are frequently more affordable to rent, especially compared to single-family homes. Renters of all income levels can rent ADUs; however, because they are small and often have limited amenities (lacking a full kitchen), they tend to be occupied by low-and moderate-income single people or couples. Additionally, many ADUs tend to be smaller and one-story and can easily support disabled and/or elderly individuals easily, though in Grand Junction more than half of the new ADUs constructed since 2018 were constructed above a garage. The Grand Valley Needs Assessment revealed that smaller units were are an housing type that are not available or being produced at a measurable volume in the market. The Assessment indicated between 2010 and 2019, the greater than 65-year-old demographic grew 18 percent in Grand Junction. Unfortunately, housing construction since 1990 has produced 90 percent of the new units as single-family detached homes which, in general, does not aligned well with supporting the needs of single or aging households.

Lower Costs to homeowners. For a detached ADU, construction and development costs can range widely with the lower end costs being realized for conversions such as existing garages while higher costs being realized by detached units with higher finishes and larger square footage. In Grand Junction, detached ADUs typically cost between $60,000 and $225,000 and basement, attic, or garage conversion is typically roughly $50,000 to $110,000. Both are lower cost than single-family or multifamily units of which multi-family has been recently estimated by Colorado Housing and Finance Authority (CHFA) to cost between $225,000 and $300,000 per unit. Costs for an ADU can vary significantly as it depends on if the homeowner can do some of the work themselves, uses a contractor, and/or the finishing touches

Utilize existing infrastructure. ADUs use existing City infrastructure such as streets, water, sewer, and stormwater helping a city become more efficient with its use of city infrastructure and service costs per capita.

Faster development time. Due to limited scope of an ADU, it generally allows for a faster construction time (3-12 months as reported by local homeowners), especially compared to new apartment complexes or the subdivision of new lots for residential construction.

A local Grand Junction homeowner recently converted his basement to a 3 bed, 1 bath ADU for $80,000. He now rents the unit to a local family for $1,250, which brings his family additional funds each month. Additionally, the family he rents to and receives affordable housing at approximately 60 percent AMI for their family.

BARRIERS FOR ADUs

Zoning Restrictions. Zoning is thought to be one of the largest barriers to overall ADU building and growth. Common zoning barriers include requiring owner occupation of the primary dwelling unit, large minimum lot sizes, requiring special or conditional use permits, size limits, architectural and design requirements, minimum setbacks, height restrictions, and parking requirements. In the past, ADUs were a much bigger challenge to construct in Grand Junction however in 2018, the City recognized some of the zoning code barriers and made strides to relax those requirements. At that time, the City Council adopted modifications to the Code to 1) allow ADUs in all residential zones, 2) increase size allowance from 600 square feet to 900 square feet 3) eliminate proportionality requirements (no greater than half the size of the primary home), and 4) eliminate the requirement for the primary dwelling unit on the property to be owner-occupied. However, some zoning barriers still exist such as minimum lot sizes and parking requirements. Off-street parking space requirements may add cost barriers and insurmountable space issues (especially for smaller lots) for homeowners to add off-street parking spaces to their lot. The City currently requires one off-street parking space per ADU. Many cities are removing parking requirements altogether and even more commonly, if an ADU is within ¼ (or in some cases a ½ mile) of a transit facility. ADU dwellers are less likely to own cars and there appears to be no evidence that ADUs have led to parking issues. There may be opportunity to consider further relaxation of these code provisions. Specific recommendations are provided in forthcoming section(s) of this memo.

Financing and Costs. Besides zoning, financing is considered the other major barrier for ADU construction. Conventional loan products are not designed for ADUs, and banks will currently not allow future revenue from an ADU which makes borrowing impossible for some prospective ADU owners. ADUs are traditionally financed through a patchwork of cash/savings, home equity line of credits, family/friend loans, mortgage refinancing (once completed), credit cards, and sweat equity which can limit who and when an ADU is built. The graphic shows what type of financing is available. If homeowners are in a lower equity and lower income bracket, the financing available may provide an insurmountable barrier to adding an ADU.

<table>
<tr><td colspan="2"></td><td colspan="2">High Income</td><td colspan="2">Low Income</td></tr>
<tr><td colspan="2">High Home Equity</td><td colspan="2">Cash-out Refinance or Home Equity Loan/HELOC</td><td colspan="2">Special FHA, Reverse Mortgage or Fannie Mae products</td></tr>
<tr><td colspan="2">Low Home Equity</td><td colspan="2">Renovation Loan</td><td colspan="2">Cash Savings and Personal Products</td></tr>
<tr><td>Least Difficulty</td><td></td><td></td><td></td><td></td><td>Most Difficulty</td></tr>
</table>

Source: Chapple, Garcia, Valuchuis, & Tucker, 2020

For many families already stretched thin with rising living expenses and limited wage growth, building may take longer as some of these financing methods stretch them too thin and for too long during the design and construction period. Some communities are beginning to take a lead role in identifying financing mechanisms as well as financing ADUs themselves such as through a revolving ADU loan fund. The federal government has also recognized some of the constraints of the two federal lending institutions Fannie Mae and Freddie Mac and are working to modify lending practices for those wishing to construct an ADU.

One local homeowner shared that she is currently about 60 percent complete with her ADU, but that it has taken her almost 10 years to construct due to lack of financing options as a single person. Due to increased salary as a nurse, she has been able to become a traveling nurse in the last 2 years and has finally raised enough money to continue with construction. She intends to provide other traveling nurses a furnished 1000 sq ft main home, and she will utilize her 750 sq ft ADU as her own residence to keep her housing costs low

Cost and Fees.

Impact fees help pay for infrastructure like transportation, water, schools, and key services like police and fire. Impact fees, while important, add extra costs to ADUs and can further hinder ADU construction. This is especially true if such fees represent a significant portion of the total project costs. A typical homebuilder will pass these types of fees to buyers, but it becomes harder to do so for individual homeowners constructing their own ADU some just opt not to build due to the price of the fees.

Impact Fees							
		ADU FEES 2022		SINGLE FAMILY DWELLING FEES 2022			
		unsubdivided	subdivided	<1250 sq ft	1250-1649 sq ft	1650-2299 sq ft	2300+ sq ft
	Planning Clearance	$40	$40	$40	$40	$40	$40
	Transportation Capacity	$2454	$2454	$2947	$4172	$4671	$5930
	School Impact Fee	$920	$920	$920	$920	$920	$920
	Sewer Plant Investment Fee (PIF)	$3758	$5219	$5219	$5219	$5219	$5219
	Parks Impact Fee	$692	$692	$1001	$1001	$1001	$1001
	Fire Impact Fee	$467	$467	$710	$710	$710	$710
	Police Impact Fee	$200	$200	$305	$305	$305	$305
Grand Junction Water	Water Meter Fees	$0	$5180	$5180	$5180	$5180	$5180
	Total	**$8541**	**$15,172**	**$16,322**	**$17,547**	**$18,046**	**$19,305**
Clifton Water	Water Meter Fees	$5950	$5950	$5950	$5950	$5950	$5950
	Total	**$14,491**	**$21,122**	**$17,092**	**$18,317**	**$18,816**	**$20,075**
Ute Water	Water Meter Fees	$4200	$4200	$4200	$4200	$4200	$4200
	Total	**$12,741**	**$19,372**	**$15,342**	**$16,567**	**$17,066**	**$18,325**

For many, a city permit must be obtained before a financial institution will consider a loan for construction so the fees are often paid for upfront without knowing if the project can move forward (though most do, or fees are refunded).

Grand Junction's ADU fees are less for ADUs than they are for single family dwelling units and remain the same whether the ADU is detached, attached or a converted space in the home. While all ADU permit holders pay many of the same impact fees (breakdown on table), the water meter fees are largely dependent on the utility company servicing their home. The impact fees in Grand Junction for a property that cannot be subdivided are $8540 (Grand Junction Water). If a property can be subdivided, a water meter fee and an increased sewer plant investment fee are added totaling approximately $15,182. For a homeowner on Grand Junction Water, impact fees represent 15%-27% of the total costs to build. Ute Water and Clifton Water customers pay additional tap fees further adding to the costs of their ADU construction.

In addition to the city's impact fees, homeowners also must go through the building permitting process with Mesa County. Typically, those fees are set based on the square footage of the property at approximately $74.68 per square foot (wall to wall). For example, a 900 sq ft ADU (with no garage) would be approximately $566 for building plan review, permit and inspection fees. The City charges $40 for the planning clearance.

Lack of familiarity in the process from homeowners. Typically, the process to build a home or ADU is a big undertaking for homeowners as they are often unaware of what the process is or how to meet zoning, building and HOA requirements. In Grand Junction, the planning approval process is typically the same as a planning clearance for any other new dwelling unit. With recent increase in volume for planning clearances an approval may take up to two to three weeks with the City and a building permit can take as little as 3-5 days. However, many homeowners are not familiar with planning processes and/or building codes and due to inadequate documentation, floor plans, and building plans, this process can vary dramatically and can take significantly longer for some applicants. The lack of experience and familiarity with the planning and building submittal and review process for a homeowner in Grand Junction seems to generate fewer issues related to zoning and more issues related to building code, however, there remains room to add additional clarity to the submittal and review process with informational materials and to simplify and relax regulations where appropriate.

Design Standards. Zoning or strict HOA standards around building design often becomes an issue during the homeowner's design process and hiring an architectural firm for a small project can add significant costs to the homeowner. The Code *21.04.40(f).7* for Grand Junction states, "*The ADU shall be integrated into the site by appropriate site grading, earthwork and landscaping and be harmonious with the character of the neighborhood" and "The design and construction material of the ADU shall be complementary to those of the principal structure."* In some limited cases homeowners have had to complete iterative revisions to their proposed ADU design to meet the intent of these code provisions. When this happens, design modifications or resultant changes to exterior materials can increase costs associated with the ADU.

Finding Qualified Tenants. Many homeowners are nervous about renting their homes and properties and some have even more concern when tenants are stigmatized as low(er)income households. Often homeowners do not know how to or feel comfortable screening tenants, they may not know how to write a lease (or don't want to pay for an attorney to write one), or do not want to use an agency as the fees associated with the agency reduce their profit margin.

Short-term rental preference. Many ADU owners, especially in tourist locations, want to utilize their ADU for a short-term rental that often has higher earning potential as well as flexibility in when and to whom they rent. Of recent ADU owners that the city surveyed, 29 percent intend to utilize their ADUs for short-term rentals and an additional 40+ percent intend to use the ADU as temporary residences (approx. 30 to 90 days) that serve, for example, traveling nurses.

OPPORTUNITIES FOR CHANGE

Staff has identified multiple opportunities, below, that may assist in removing barriers to ADU development. For each, staff has provided a recommended action for consideration and anticipated resources that may be needed.

1. **Provide Supportive and Educational Resources.**

   A. ADU Toolkit. The City begun creating an ADU toolkit to help homeowners understand the ADU permitting process. The toolkit includes a checklist, planning details and submittal examples, and serves as a quick guide to support ADU construction. The ADU toolkit could be expanded to provide information about additional financing programs, fee waiver programs, and/or other opportunities and incentives, should these be put in place**.**

   Recommendation: Staff to complete toolkit and make available
   Timeframe: 2 months

B. Info/Webinar Session. The City could provide an educational session(s) targeting future and interested ADU owners with the intent to acquaint owners with key planning and building department staff for questions, submittal information, approvals, and to be informed about the programs the City is offering for support of the ADU use for affordable and attainable housing. After attending an ADU info session, combined with clear contact information in the ADU toolkit, a City staff member could also be available for answering questions, helping homeowners walk through different issues/barriers/challenges and offer on-going support.

Recommendation: Staff to host educational sessions(s)
Timeframe: Pilot Quarterly for 1 year

C. Design and Architectural plans. Many of the challenges that Grand Junction residents have during the planning phase is understanding codes, planning submittal requirements, and creating plans that meet adopted zoning and building codes. Grand Junction could provide a few pre-approved plans for homeowners to utilize which would allow for homeowners to save money that would have otherwise been spent on architectural work and the costs related to delayed construction. In addition, it could increase certainty for a potential homeowner that their plans would likely be approved through the building code with some minor changes to consider for lot size and layout, utilities, etc. This would eliminate the ambiguity and help streamline the process for local homeowners.

Recommendation: Staff to explore pre-approved plans
Timeframe: 6 to 12 Months

D. Partner with local organizations for tenant certification, assisting with lease creation, and management. Many homeowners are nervous about renting their property under a long-term lease due to issues around finding good tenants and managing their property. In Grand Junction, non-profits like Housing Resources of Western Colorado already provide tenant certification (education and wraparound services) and an existing non-profit may be able to assist in ADU owners' helping to find and maintain quality tenants and assist with helping to create a strong legal lease.

Recommendation: Explore tenant certification with existing local non-profits
Timeframe: 6 months

2. **Further revise code requirements.** While Grand Junction has already relaxed some requirements for ADUs there remains opportunity to reduce or eliminate additional code requirements that may serve as barriers to new ADU construction, as follows. These Code changes could be managed as part of the greater Zoning and Development Code update process or, if considered more pressing, could be managed through a stand-alone Code Text Amendment process. A text amendment process takes approximately 3 months to complete.

A. Eliminate/Change the off-street parking requirement. The code currently requires one off-street parking stall per ADU. This requirement could be deleted altogether or revised to allow for the parking space to be provided on-street if on-street parking is available within a certain distance of the ADU. A distance of 100 feet may be appropriate (500 feet in B-2 zone district would remain as currently required). The parking requirement could be eliminated if an ADU is within walking distance (1/2 mile) to public transit route.

Recommendation: Eliminate parking requirement for ADUs
Timeframe: Consider with ZDC update

B. Change the entry requirement. Grand Junction requires entrances for an ADU to be located on the side or rear of property which may impact design flexibility for some properties, especially those that may not have alley or side access. Removing this requirement for either all properties or for those that do not have alley access may create a more flexible design environment for prospective ADU owners, with minimal impacts to neighborhood design and character.

Recommendation: Eliminate side/rear entry requirement unless property is served by an alley
Timeframe: Consider with ZDC update

C. Eliminate Minimum Lot Size Requirement. Currently, the Code requires has a minimum lot size of 3,000 square feet to be able to construct an ADU. When this provision was written it likely did not contemplate smaller lots or townhomes lots that are currently allowed in many zone districts. Allowing ADUs to be built on any lot size (that meets other minimum lot size requirements of each zone district) may allow for additional ADUs to be constructed.

Recommendation: Eliminate Lot size requirement
Timeframe: Consider with ZDC update

D. Increase maximum ADU size. The code provides for a maximum size of 900 square feet for an ADU. Mesa County allows ADUs up to 1,200 square feet. If a larger size ADU is allowed, it may be important to consider context of the lot and the minimum lot size. For example, in the historic downtown area where lots are typically 6,250 square feet (but minimum lot size is 3,000 square feet) it may be appropriate to limit the size to 900 square feet. Meanwhile, in areas that provide for larger lots such as an R-1 or R-2 zone district with minimum lot size of 30,000 and 15,000 respectively, a larger ADU up to 1,200 square feet may have a de minimum impact on the character of the neighborhood. Changing the Code to increase the size of the ADU, but still require its design (and size) to be subordinate to the primary dwelling unit may allow for slightly larger accessory dwelling units (ADUs).

Recommendation: Allow for ADU up to 1,200 square feet in specific zone districts
Timeframe: Consider with ZDC update

E. Reduce or eliminate design requirements. Grand Junction currently requires that "*the design and construction material of the ADU shall be complementary to those of the principal structure.*" This language could be removed for all or some neighborhoods. It may be more important to keep this standard in place for Grand Junction's historic downtown neighborhoods. However, this design requirement may be one reason why community members believe that ADUs do not have a detrimental impact on neighborhood character.

Recommendation: Maintain design requirement.
Timeframe: NA

F. Allow for a Second ADU. In San Diego and Seattle, homeowners are allowed to add two ADUs to their properties if one unit is built within the current home structure. For example, a homeowner would be able to convert their basement to an ADU and construct a detached ADU. Allowing homes to add a second ADU allows for more housing units overall with little to no impact on the community. There also exists many ADUs in the downtown that are non-conforming, and this may allow the homeowners to create an additional legal ADU.

Recommendation: Allow for a secondary ADU.
Timeframe: Consider with ZDC update

G. Allow two-family dwellings (Duplex) to add an ADU. Currently, Grand Junction does not allow any multi-family unit to construct ADUs. Multi-family by Code definition is three or more units, but does not include townhomes which are considered single-family attached. Many municipalities in California are now allowing two-family and/or multi-family units to build an ADU based on the specific overlay to zoning. If the existing density is already maximized, then no ADU is permitted. However, if it is not, ADUs are allowed to be built up to the maximum number of total units. Other California municipalities are allowing for a duplex, triplex or fourplex, one ADU per unit. Any unit above a fourplex, ADUs are permitted for up to 25% of the existing number of units. While allowing ADUs to be added to multi-family units may be too aggressive, allowing duplexes to add an ADU per unit would increase housing without considerable impact to current infrastructure or neighborhood.

Recommendation: Allow for duplexes to add an ADU
Timeframe: Consider in ZDC update

3. **Limit Short term rentals.** Grand Junction does not have a cap or limit on the number of Short-Term Rentals (STR). To address this STR use, communities are using different tools or a combination of tools, including limiting the overall or neighborhood concentration of STRs, imposing an additional sales tax on STRs, and incentivizing homeowners to use their ADU for long term tenants. Many communities view STRs as a key economic force that is removing dwelling units from long term housing stock and affordability.

Recommendation: Limit neighborhood concentration of STRs
Timeframe: Consider as part of ZDC update

4. **Incentivize ADUS as long-term rentals.** In Grand Junction, where there continues to be weekly growth in STRs coming online, and it appears a majority of ADU owners prefer dealing with short-term occupation versus long-term rentals, incentives and/or disincentives may be helpful in steering more ADU owners to pursue long-term tenancy. Some incentives being used by other Colorado jurisdictions include:

A. Monthly incentive for utilizing ADU for long term local rentals. Eagle County launched The Rent Local Program to incentivize switching from short-term renting to long-term renting. Dependent upon the unit size and lease length, the Eagle County Housing Authority will pay owners up to $800 per month if they opt to secure one-to two-year leases for local residents. Owners can rent up to 100% of AMI and will receive the stipend on top of the rental income. Eagle County aims to have 28 units participating by end of 2023 at a rough cost of $270,000.

Recommendation: No action at this time.
Timeframe: NA

B. Waive or Reduce Fees. Incentives in the form of waiving impact fees, especially for homeowners who agree to provide a long-term rental, could enable growth of ADUs. The City of Portland invested in programs to waive fees and has seen a 20-fold rise in builds from 30 per year (pre-2010) to over 600 units last year (2021). If fees are waived or reduced, some communities are requiring the units to utilized to serve a certain AMI and not allow for STR usage. In addition, some communities, especially Colorado communities are exploring increasing lodging or occupancy taxes to pay for the "waived" fees. If a tax was considered on STRs at a rate of 6% to 10% it could generate approximately $138,000 (6%) to $230,000 (10%). At a cost of $8,541 per unit (unsubdivided), this tax generation could cover the payment of all city impact fees for approximately 16 to 27 ADUs annually.

A local developer recently stated that if proposed code changes were made and impact fees were waived in exchange for a deed restriction that disallowed short term rentals and required rents to be only up to 80% AMI, they would have approximately 32 ADUs built within the next year.

Recommendation: Consider "waiving" impact fees for new ADUs that will be used as long-term rentals so long as there is a dedicated revenue source to cover the cost of the fees. Discuss STR tax with City Council.
Timeframe: August 1 Workshop

C. Removing the "subdivided" restriction. As a longstanding policy, the City requires ADUs that are constructed on properties that have the potential for subdivision to pay the 'full" sewer plant investment fee and pay for a new water meter. This policy could be adapted to instead require full fees to be collected at the time in which the land was subdivided. For projects served by City water, this would decrease their initial fee payment by $6,642 or 44%.

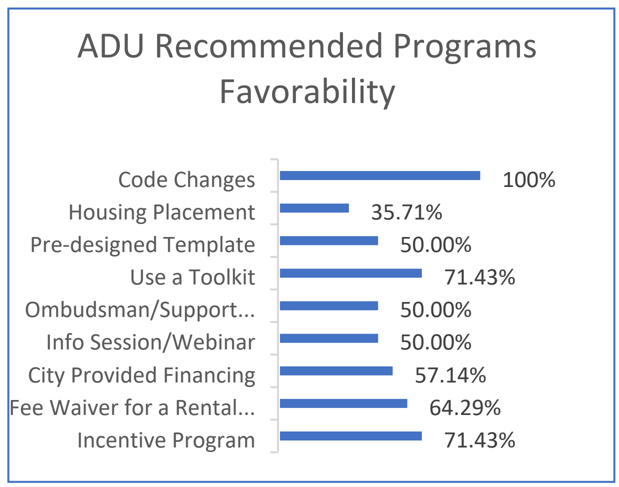
Recommendation: Modify policy to charge "unsubdivided" fee rates for all ADUs
Timeframe: Immediately

D. Provide financing. Recently, Eagle County launched a new program, "Bold New Moves" which has allocated $10 million into expanding existing housing programs and launching new ones including a Aid for Accessory Dwelling Unit program and the Rent Local Program. The Aid for Dwelling Units will provide existing homeowners with low to no interest loans for up to $100,000 for the completion of an ADU. The ADU will be subject to a rental cap of no more than 100% AMI and must be rented to a local full-time worker. The loan will be interest-free for the first 36 months, and have a 2% interest rate after that, so that, it incentivizes the homeowners to pay back quicker. After the loan is paid back, the homeowners are allowed to use the ADU however they wish. Eagle County has aimed to have 12 participants by the end of 2023. A dedicated funding source is likely needed to start up and sustain a financing program for ADUs. This could be in the form of a new tax, a dedication of tax dollars (eg. new sales tax generated from Cannabis businesses) or a significant cash infusion from the City's general fund or ARPA funds. Some communities that are exploring financing are using a revolving loan fund model.

Recommendation: No Action until there is a dedicated funding source.
Timeframe: NA

ADU SURVEY FINDINGS. One of the recommendations from the Housing Strategy: Strategy 4, included "conducting focus groups or surveys among residents who have recently constructed ADUs to evaluate the overall process of permitting/constructing ADUs as well as the impact of potential incentives." Staff recently conducted a survey with these purposes and reviewed the information in the formation of the foregoing recommendations. In general, survey respondents were very supportive of many of the recommendations included in this memo. Uniformly, all respondents were in favor of proposed code changes. Over 70 percent, including homeowners, developers, and contractors, stated they would utilize an ADU toolkit and would participate in a fee waiver program.

"As a Realtor, I can tell you that I have multiple clients that would take advantage of everything that is currently being proposed – all great ideas! "– ADU Survey



Attachments: Resource/reference list

CC: City Attorney, Department Directors

Resources

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Housing Strategy #6.

Allocate City Owned Land (And/or Strategically Acquire Vacant and Underutilized Properties) for Affordable and Mixed-Income Housing

This information is related to implementation of Grand Junction Housing Strategy 6: Allocate city owned land (and/or strategically acquire vacant or underutilized properties) for affordable and mixed-income housing. The strategy language from the Housing Strategy is excerpted below for reference.

HSP STRATEGY 6. ALLOCATE CITY OWNED LAND (AND/OR STRATEGICALLY ACQUIRE VACANT OR UNDERUTILIZED PROPERTIES) FOR AFFORDABLE AND MIXED-INCOME HOUSING.

Property acquisition costs, especially in developed areas of the city, is a major component of the cost of developing affordable housing. The city and other public agencies, such as Mesa County and the State, own properties which could potentially reduce costs and facilitate development of affordable housing. While much of this property is either already utilized for public facilities or is inappropriate for residential development, there may be opportunities to leverage additional affordable and mixed-income housing through better utilization of publicly owned property. It is increasingly common for local governments to donate, discount, or lease vacant land or underutilized properties (e.g., closed schools, vacant or out-of-date public sector offices) for use as residential mixed-income or mixed-use developments. Some properties are acquired after businesses have been closed for illegal use or very delinquent taxes. These properties are held in a “land bank” by the City and eventually redeveloped by nonprofit or private developers through a Request for Proposal (RFP) process. Land banks vary in forms from single parcels to multiple, scattered site properties, to large tracts of land. The land can be donated, discounted, or offered on a land lease to the selected developer who agrees to a specified affordability level or community benefit. A good starting point in this process for any community is creating an inventory of existing public land that could be used for housing sites in the future.

Benefits. Conducting an initial inventory of publicly owned land is a low/no-cost step. Land banking and donation can reduce future development costs (particularly if acquired when land costs are low) and maintains flexibility in meeting future needs because the land can be held and then used for acute needs as they arise. Converting vacant land or underutilized retail can also have tax benefits to the city (performing residential, even if with a lower property tax value, is better than vacant and abandoned land from a revenue perspective).

Challenges. Acquiring land can be costly (depending on market cycle); limited supply can require quick response to land available (staffing/authority concern); and there is a risk that future needs will not align with expected land use.

Expected outcomes and keys to success. Outcomes depend on existing land inventory and committed resources though there is potential for high impact (substantial number of units). This works best in communities where there is land available to repurpose; when the city can acquire land at reasonable costs (e.g., during a down market); and when the city has strong partnerships with non-profit developers or existing land trust programs.

Recommended actions for Grand Junction:

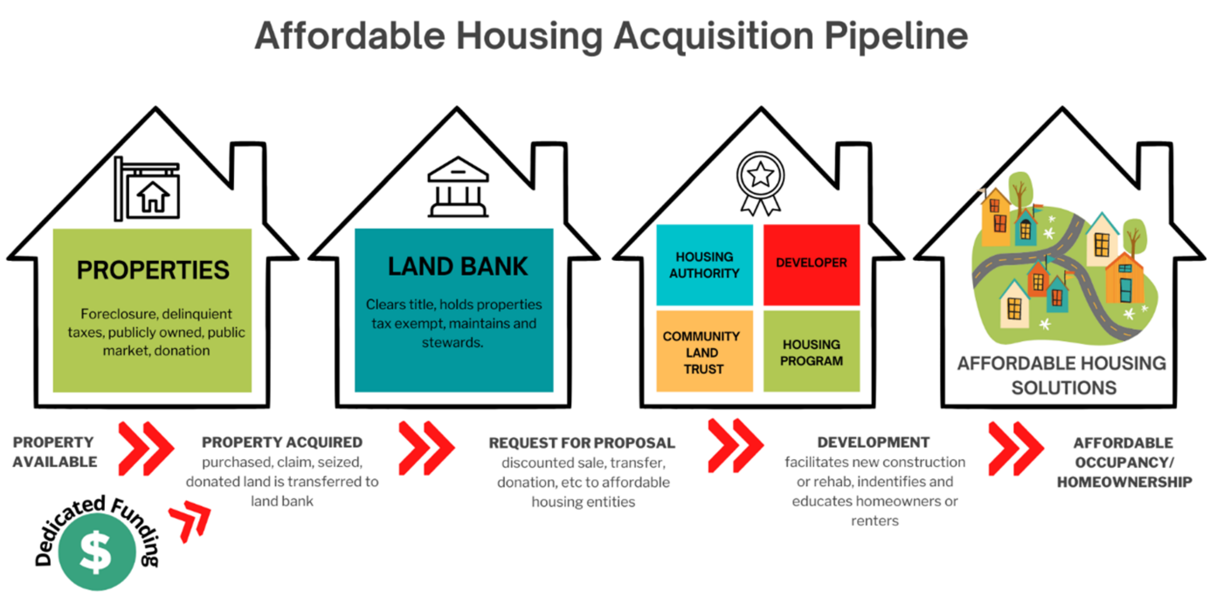
- Inventory existing public land (including land owned by the City, the County, State, the schools district, and others) and evaluate feasibility for residential development.
- Establish partnerships with local affordable developers and land trusts who may be able to develop the land into affordable rental or ownership units.
- Evaluate funding sources for land/property acquisition that could be utilized to create or preserve affordable housing.
- Actively watch for property and land to acquire to repurpose (this could include vacant land, underutilized/vacant commercial, and/or small naturally occurring affordable multifamily housing).

LAND BANKING VERSUS LAND TRUSTS

There has been significant discussion in the community regarding using a land trust to help further Strategy 6, specifically with regard to ensuring long term affordability of housing. Land Banks and Land Trusts both work to create affordable housing solutions, but work in very different ways. An overview of Land Banks and Land Trust has been attached for review.

In summary, a Land banks basic purpose is to acquire property (either raw or developed) and sell or gift the property to an existing viable housing entity. Land banks have a track-record of rapid, effective use of federal and state funds to serve community priorities and offer significant flexibility in land acquisition but requires strong partnerships to be able to maintain and strategically dispose of property to benefit key housing programs. Land banks are historically easier to operate, govern and start up and offer strong community affordable housing solutions and often can be operated by in-house municipal staff and an advisory or decision-making board.

Community Land Trusts purpose is to provide permanent affordable housing for generations whereby the land is held by the trust for an extended period (99 years), and the homes are purchased and sold separately from the land. The homes are also deed restricted for low(er) income buyers and when a home is sold, the homeowner receives some equity in the home. A land trust requires formation of a separate entity, formation of a board, on-going staffing resources, and a funding commitment to ensure long term viability. Land trusts may not be as supported when strong housing organizations already exist as issues with securing additional operational funding, acquiring grants to subsidize building construction and land, and the resources for sustainability include competition for the same pools of money.

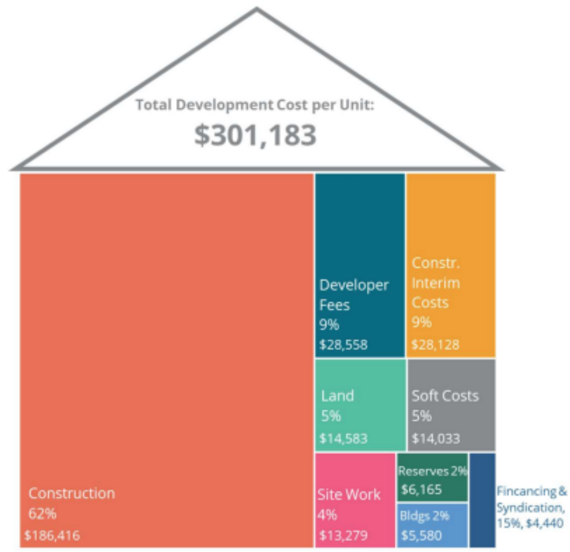


NEXT STEPS – RECOMMENDED ACTIONS

Staff has begun an inventory of existing public land and will begin evaluating feasibility for residential development. Staff has also begun to evaluate funding sources for land/property acquisition, including current/forthcoming grant opportunities, new tax(es), and existing funding streams (general sales tax) as included in Strategy #7 workshop documentation. Current land values in Grand Junction can be seen as a price per acre in the Grand Junction Land Values Table below. In Figure 3, Land costs are an estimated 5% per unit the development total costs.

Grand Junction Land Values (Avg Cost per Acre)	
Redlands	$127,526
Orchard Mesa	$81,947
Central Core	$68,212
Southeast	$39,899
Northeast	$36,062
Northwest	$146,806

Figure 3. Total Development Cost by Element for New Construction LIHTC Projects 2017-2021



Note: Excludes acquisition/rehab projects.
Source: CHFA Affordable Housing Development Cost Dashboard and Root Policy Research.

In addition, staff has been actively working with a local realtor to watch for properties that may be acquired to create or preserve affordable housing.

Staff recommends the City focus on strategic land acquisition and land banking as a means of assisting in the supply of available properties for affordable housing development. Once acquired, the City should work with existing (and future) housing entities such a developer, Grand Junction Housing Authority, Habitat of Humanity, Housing Resources, Homeward Bound, etc. to develop affordable units (for sale or rent) and maintain the properties.

LAND BANK OVERVIEW

Land banks are public entities, usually public non-profit or government entities, which specialize in conversion of vacant, abandoned, and foreclosed properties into productive use, but can also acquire properties through municipal government transfers, donations, or open market purchases. They are granted special powers through enabling legislation that include the power to remove financial barriers, such as delinquent property taxes, that render vacant properties inaccessible or unattractive to the private market, and support key strategies in community land acquisition. One of the greatest features is the flexibility that can be tailored to meet the communities needs and are driven by land use goals and community priorities.

How do Land Banks Work? Land banks hold and maintain temporarily until a future owner is identified but, they can establish strong criteria for eligible buyers and projects. For example, prioritizing non-profit and mission-oriented developers whose goals are to develop land for affordable housing or housing authority. Land banks can act as a property pipeline to land trusts or other housing entities. Land banks with access to property acquisition funds can access financing to purchase available properties. Once that land is acquired, landbanks can hold that property tax free, helping to limit development costs of project sponsors until construction begins.

Governance and Start Up. Land banks are typically created through local ordinances, but can also be developed within existing entities, such as redevelopment authorities or municipal departments (often housing or planning, etc.). Overall, governance of a landbank is typically by an advisory board or committee that can have recommending rights or be granted decision making authority. Some landbanks are operated through a government housing department or a separate agency which allows for professional knowledge of housing and/or development process that can easily be aligned with community strategies already in effect. Landbanks can also be managed by an independent public corporation or a private non-profit corporation which allows for some flexibility around autonomy of decision-making but limits the accountability to the public. Landbanks are funded through a variety of methods including revenue of sale of properties, foundation grants, general fund appropriations from local and county governments, and federal and state grants.

Effective land banks typically:

- adopt a streamlined tax collection, revenue source or land acquisition process
- develop a clear policy on priorities for land disposition including how to weigh the best use of property more heavily than a cash bid
- prioritize transparency and accountability
- engage residents and stakeholders in the ownership, rehab, management, and development of properties
- align land banks with other favored tools and programs

Benefits

Supports Existing Programs. Land banks give access to properties to already established developers, non-profits, and community groups which supports the work already being done in the community. Additionally, because of the varied funding sources typically the competition of grants or funding between organizations is reduced.

Infrastructure. Land banks utilize systems and structures already in place which require little to no additional development around start up and infrastructure and is typically supported with professionals who know the work of land management. Most of the work in a land bank is focused on acquiring and releasing land that meets the strategies and needs of the community.

Sustainability. Land banking does not require a significant commitment of the community to keep it operating successfully.

Flexibility. Land banks can hold, sell, or gift land as needed and do not need to manage properties for an extended period. Land banks can work to demolish properties that are blighted or structurally unsound to make space for more intensive development or mixed income housing developments. They can also work to rehabilitate properties to help preserve them as an affordable housing resource. Additionally, a land bank can sell or transfer title of properties to homeowners, developers or other entities who commit to affordable housing production. And, it can work to lease or rent properties to small or minority-owned businesses for less than market value or rent properties to low income households.

Promotion of Equitable housing solutions. Land banks can be vehicles for promoting racial equity and reducing racial disparities by working in lower-income communities, neighborhoods of color, partnering with minority-owned businesses or minor-supporting agencies or non-profits, diversifying their board, and working with organizations that promote first-time homebuyer or other financial education resources.

Challenges

Start Up Funds. While land banks generally have few challenges, a land bank looking to begin needs to receive strong support from the local community and city to have access to start up funds or donation of properties.

Sustainability. Land banks work best with a predictable dedicated funding source which may require new taxes or fees.

Market fluctuations. In warm or hot housing markets, land banks may have some challenges as land and/or properties tend to be more expensive and have more competition; however, a supportive local government can help navigate these challenges. In weaker housing markets, land banks can easily acquire foreclosures, vacant and abandoned homes for a much lower cost.

Partnerships. Communities lacking strong local community partnerships may struggle to dispose of properties to appropriate housing entities or developers.

Entrepreneurial. Land banks must be able to seize one-time limited funding opportunities through innovative grants and unique funding sources that may come in the form of neighborhood stabilization, economic recovery, infrastructure development, foreclosures, and or other housing market fluctuations.

LAND TRUST OVERVIEW

A Community Land Trust (CLT) is organized through the develop of a 501c(3)non-profit to create permanently affordable homeownership opportunities.

The most common way a CLT works is through building and acquiring homes and selling those homes to income-qualified owners. The CLT retains ownership of the land and leases the land to the homeowner for an extended period (usually 99 years). This ensures that the land remains affordable, so that, it can remain an asset to the community and makes homeownership more affordable. Many CLTs also provide maintenance and improvement programs, home buyer/renter education classes, financial education courses and/or coaching programs.

Governance and Start Up. Governance of a CLT is typically made up of residents of the homes or units in the CLT, community members, and public representatives who can balance the interests of its residents, broader community, and public interest. The average length of time for a land trust to establish itself is three years and requires a commitment of a team of professionals to ensure the long term develop (more than 99 years) and support.

To start a CLT, communities will need to:

- Develop by-laws, organizational structures, board, and determine staffing and job descriptions
- Obtain tax exemption status, bank accounts, accounting system and bookkeeping
- Establish a budget, personnel policies, resale and lease development, program development
- Create and implement a plan for marketing, outreach, and fundraising
- Procure a lawyer for contract development and ongoing legal matters
- Develop long term sustainability strategies
- Acquire property
- Partner with a developer
- Access capital to construct or purchase homes and/or partner with a developer

Benefits

Preservation of Homeownership. A one-time investment to lower the purchase price of a home and sell at a reasonable future rate ensures that there is a preservation of homes for generations.

Prevention of displacement. A CLT provides homes that remain affordable regardless of changes in the marketplace and at longer expiration dates than the typical 30 years with other public housing options, thus creating longer stability and less likelihood of displaced residents.

Increase Financial Security. By stabilizing housing costs, CLTs help residents build their own wealth for future and can stay within a housing affordability rate of under 30% for their housing costs.

Support Economic Mobility. CLT's help families make the transition from renting to homeownership and help increase mobility by allowing homeowners to share in the equity and lower the risk of foreclosure. The liquidated cash can assist in creating a down payment of a new home or meet other financial goals.

Create Stable and Strong Neighborhoods. CLTs help reduce the likelihood of foreclosures, better upkeep of properties and stable occupancy. They also help encourage civic engagement by ensuring that the community organizes to implement a collective vision for community land.

Offer a Flexible Model. Land Trusts help to create opportunities for mixed land use in varying types of housing throughout a community. It helps to maintain housing in target areas, such as, along public transit routes and other community services. And, could also be expanded into commercial space and supportive services for low-income families.

Equitable Housing Options. CLTs provide access to homeownership to minority groups by providing opportunities for access to generational wealth.

Challenges.

Slow Growth. CLTs are primarily used for homeownership opportunities which puts out less units overall to meet the housing needs than other renter occupied programs. Shared equity programs require significant ongoing investment so the growth of the program will require ongoing investment.

Limited Equity for Wealth Building. The national average of home equity grows at 3% annually; however, in some markets, such as Grand Junction, home equity has grown significantly more over the past few years. Families participating in a limited equity program would be limited in the amount of equity they would experience.

Skills and Commitment of the Community. Organizing, land stewardship, and housing development require very different skill sets and managing a community land trust can be a substantial commitment. The average length of time for a land trust to establish itself is three years and may provide replicated services that other local non-profit or housing services can provide.

Competition for Resources. Often, issues in securing operational funding, acquiring grants to subsidize building construction and land, and the resources for sustainability of a CLT include competition for the same pools of money as other community organizations and non-profits doing similar work in the community.

Finance and Refinance Options. For lower-income individuals, financing for a deed-restricted or shared equity program are often challenging and restricted to FHA loans that have not made enough regulatory or policy changes to make it beneficial. For example, a person who is low-income enough to qualify for a pool of homes only available for income restricted individuals but may have not have enough income to qualify for the loans to buy one of the homes.

Conclusion

Land banks and Land trusts both work to create affordable housing solutions, but work in very different complementary ways. Land banks have a track record of rapid, effective use of federal and state funds to serve community priorities and offer significant flexibility in land acquisition but requires strong partnerships to be able to maintain and strategically sell/dispose of property for affordable housing development. Land banks are historically easier to operate, govern and start up and offer strong community affordable housing solutions. Community Land Trusts provide permanent affordable housing for generations (99+ years) through deed restriction and shared equity models but requires a significant commitment to run and operate as a separate entity. A trust may not be as supported when strong housing organizations already exist as issues with securing additional operational funding, acquiring grants to subsidize building construction and land, and the resources for sustainability often include competition for the same pools of money.

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Housing Strategy #7:

Dedicated Revenue Source to Address Housing Challenges

This information is related to implementation of **Grand Junction Housing Strategy 7: Create a Dedicated Revenue Source to Address Housing Challenges.** The strategy language from the Grand Junction Housing Strategies is copied below for reference.

> HOUSING STRATEGIC PLAN STRATEGY 7: CREATE A DEDICATED REVENUE SOURCE TO ADDRESS HOUSING CHALLENGES.
>
> Local funding or a "Housing Trust Fund" can have an impact on meeting housing needs. "Trust funds" have grown immensely in popularity with reductions in federal funding for housing. Revenue sources are varied and include General Obligation Bonds, Real Estate Transfer Taxes (RETT), commercial and/or residential linkage fees, sales tax, jurisdictional general fund set-aside or cash-in-lieu from inclusionary zoning buyouts, and other types of taxes, generally those that are directly tied to demand for housing.
>
> **Benefits.** Can be used on a variety of programs to address needs across the housing spectrum, flexible funding source without federal regulations.
>
> **Challenges.** Does not always have political support; efficacy is tied to level of funding; requires staff capacity to manage and allocate resources.
>
> **Expected outcomes and keys to success.** Can be very effective, depending on funding amount and priorities. Works best when City has clear housing plan/goals and has staff capacity to manage.

City Council has already appropriated General Funds for implementation of the Housing Strategic Plan in the short-term, but a dedicated stream is ideal for the long-term. The Council work session on May 2, 2022, included a brief overview of dedicated funding options as well as supporting documentation of the range of potential construction costs to meet the City's affordable housing production goal. This memo provides additional anlaysis of two specific funding sources as recommended by staff: 1) Short-term rental tax; and 2) Cannabis sales tax.

Short-term rental tax. This revenue source would impose an additional tax on short-term rental revenue (above the existing lodging tax). Like a lodging tax, this revenue source capitalizes on tourism to help fund local housing. A few Colorado communities, particularly those with tourist-driven economies have imposed short term rental fees and taxes to help fund local affordable housing projects. Examples include:

- Avon – 2% STR tax for Community Housing
- Crested Butte – 7.5% STR tax for Affordable Housing

- Mt. Crested Butte – 2.9% excise tax on STRs for Affordable Housing
- Ouray – 15% excise tax on STRs for Affordable Housing
- Steamboat Springs – 9% (referred to November ballot)

Short-term rentals currently pay similar lodging taxes as conventional hotels; however, their property taxes are assessed at residential rates while hotels pay the higher commercial rate. There has been some effort at the state level to address this tax inequity but with no success to date (in large part due the challenge of enforcement and burden it would place on local assessors. Though a locally imposed short-term rental tax is not a direct adjustment to property taxes, it does help level the playing field on the overall tax rate of short-term rentals relative to conventional hotels.

City staff recommends that City Council consider a short-term rental tax between 6% and 10% that would be dedicated to affordable housing. Based on 2021 reported revenues, a short-term rental tax at such rates is estimated to generate between $138,090 and $230,150 annually. Voter approval would be required to initiate.

Sales tax. Sales taxes offer a broad base for revenue generation and also require voter approval. The State of Colorado imposes a 15% tax on recreational marijuana, but local jurisdictions can impose additional taxes for special purposes. In 2021, Referred Measure 2A passed within the City of Grand Junction approving a special sales tax rate from 5% to a maximum of 15%. City Ordinance No. 5065 recently enacted a 6% special sales tax on Cannabis which is to be used for the specific purpose of administration, enforcement and Parks, Recreation and Open Space (PROS) Master Plan priorities. In addition to the special sales tax, Cannabis sales are subject to the City's regular sales tax of 3.25%. Of this 3.25%, 0.5% is collected for police, fire and emergency medical services (first responder) and .75% is collected for capital and economic development, leaving 2% for general government operations. The City could commit, via resolution, the general sales tax collection (2%) from cannabis sales to affordable housing.

City staff recommends City Council consider committing 2% of current sales tax collected from the sale of Cannabis to be dedicated to affordable housing. Based on current estimates of Cannabis sales, 2% sales tax revenue on Cannabis sales could range from approximately $400,000 to $530,000.

Distribution of Affordable Housing Revenue. Should City Council decide to move forward with either or both above taxes (pending voter approval and/or resolution), the revenues would be earmarked for affordable housing. A common approach is to appoint recommending board such as a Housing Advisory Board to help prioritize specific project/priorities for revenue expenditure. As discussed in more detail in the Housing Advisory Board Formation memo (June 17, 2022), such a board would be plan, promote, and develop strategies, and provide recommendations to City Council on issues related to housing and housing affordability

Examples of other Colorado communities with a similar approach include the cities of Fort Collins, Broomfield, and Longmont.

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Grand Junction Housing Strategy

FINAL REPORT

September 21, 2021

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PURPOSE

This Housing Strategy builds upon the Grand Valley Housing Needs Assessment (HNA) by outlining strategies tailored to address needs identified in the HNA.

The recommendations presented in this report are intended to offer a balanced approach for promoting housing affordability and attainability within Grand Junction. This intent is supported by residents' expressed value of inclusiveness, which was evident in survey results and focus group findings, discussed in detail in Section V of the HNA, as well as Comprehensive Plan Principle 5, discussed in more detail below.

COMPREHENSIVE PLAN ALIGNMENT

Comprehensive Plan Principle 5: Strong Neighborhoods and Housing Choices. The City's Comprehensive Plan outlines the following objectives to achieve strong neighborhoods and housing choices:

1. Promote more opportunities for housing choices that meet the needs of people of all ages, abilities, and incomes.
2. Partner in developing housing strategies for the community.
   - Develop a targeted housing strategy to facilitate and incentivize the creation of affordable housing units for low-income residents and attainable housing for the city's workforce. Update the strategy periodically to address changing needs.
   - Explore options for providing incentives for projects that incorporate units affordable to income levels identified in the housing strategy.
   - Work cooperatively with Mesa County, the Grand Junction Housing Authority, Catholic outreach, Homeward Bound of the Grand Valley, Karis Inc., and other partners to pursue regional efficiency in all matters related to affordable housing:
     - pursuing funding regionally at all levels;
     - retaining and maintaining existing affordable housing stock;

- publicizing and marketing affordable housing opportunities throughout the region, including rehabilitation and funding;
- working to preserve viable affordable housing stock and ensure long-term affordability for new units built with financial assistance; and
- providing supportive housing for at-risk and homeless populations.

3. Support continued investment in and ongoing maintenance of infrastructure and amenities in established neighborhoods.
4. Promote the integration of transportation mode choices into existing and new neighborhoods.
5. Foster the development of neighborhoods where people of all ages, incomes, and backgrounds live together and share a feeling of community.

The strategies outlined in this report support the vision of the Comprehensive Plan and align with plan principles and objectives. This Housing Strategy specifically satisfies the Comprehensive Plan directive to **"develop a targeted housing strategy to facilitate and incentives the creation of affordable housing units for low-income residents and attainable housing for the city's workforce."**

DEFINING AFFORDABLITY

The most common definition of affordability is linked to the idea that households should not be cost burdened by housing. A cost burdened household is one in which housing costs—the rent or mortgage payment, plus taxes and utilities—consumes more than 30% of monthly gross income. The 30% proportion is derived from historically typical mortgage lending requirements. Thirty percent allows flexibility for households to manage other expenses (e.g., childcare, health care, transportation, food costs, etc.).

However, the term "Affordable housing" 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, etc. "Attainable" or "Workforce" housing are also common terms used to describe affordable options for moderate income households.

Figure 1 shows the income thresholds typically used to evaluate income qualifications for various housing programs, based on the Grand Junction MSA 2020 area median income (AMI). AMI is defined annually by HUD market studies. The figure provides AMI ranges and the housing types that typically serve the households in the AMI range.

REPORT ORGANIZATION

The Housing Strategy begins with a brief review of the top housing needs identified in the Grand Valley HNA, followed by an overview of existing programs and resources to address housing needs alongside a discussion of potential barriers to housing creation. Policy recommendations to address the identified issues follow.

Figure 1. Income Thresholds and Target Housing

"extremely" low income
=< $26,200 per year, poverty level
=<$13.10 hourly wage
15% of GJ households

< 30% AMI

Affordable rent: < $655/mo.

Affordable home: < $98,000

Public housing, Section 8, tenant-based rental assistance, transitional housing, other deeply subsidized rentals.

"very" low income
$26,200-$35,500 per year
$13.10 - $17.75 hourly wage
12% of GJ households

30-50% AMI

Affordable rent: $655 - $890/mo.
Affordable home: $98,000- $164,000

Public housing, Section 8, rental tax credit developments, other rental products. Shared equity and land trust for homeownership.

"low" income
$35,500-$56,800 per year
$17.75-$28.40 hourly wage
17% of GJ households

50-80% AMI

Affordable rent: $890 - $1,420/mo.
Affordable home: $164,000 - $262,000

Generally live in privately provided rental housing. Ownership with shared equity, land trust, other deed-restricted products, attached homes, homes in affordable areas.

"median" to "moderate" income
$56,800-$81,240 per year
$28.40-$40.62 hourly wage
17% of GJ households

80-120% AMI

Affordable rent: $1,420 - $2,000/mo.
Affordable home: $262,000 - $392,000

Privately provided rental housing. General target for homeownership programs, can buy without assistance in affordable areas.

Note: AMI = HUD Area Median Family Income, 4-person household. The 2020 AMI estimate for the Grand Junction MSA is $67,700.

Source: Root Policy Research and HUD 2020 income limits.

TOP HOUSING NEEDS IN GRAND JUNCTION

Housing needs across the Grand Junction Area are discussed in detail in the Grand Valley HNA and summarized herein. Housing pressures are unlikely to improve if the region continues to be a destination for economic development and population growth. Housing price increases have significantly outpaced incomes over the past decade resulting in rapidly declining affordability within both the rental and ownership markets. Due to the severe drop in the for-sale inventory, widening affordability gaps are particularly acute in the for-sale market, pushing ownership further out of reach for many households.

Top needs are summarized below to provide context for the subsequent recommendations.

Additional affordable rentals (or rental assistance), specifically for residents earning less than $25,000 per year. Rental affordability declined in both the county overall and in Grand Junction over the past decade, as rent prices rose faster than incomes. Grand Junction currently has a shortage of 2,168 units priced below $625 per month (30% AMI).

Starter homes and family homes priced near or below $250,000. Over the past decade, for-sale affordability and ownership rates have fallen in Grand Junction (and the county overall even with favorable interest rates). A large drop in inventory and low construction levels since the recession exacerbated price trends and contributed to even higher increases in recent years. Cash offers for affordably priced homes crowd out other buyers, while rising rents and home prices raise barriers to ownership (and financing).

Additional housing resources to address unique needs among special needs populations including residents with accessibility/mobility needs, older adults, people experiencing homelessness, and low-income households.

Diverse housing options to accommodate evolving needs of residents and a wider array of market preferences and special needs. Increasing the variety of product types (e.g., smaller homes, single family attached products, mobile/manufactured and prefab homes, as well as more multifamily housing) can help address affordability needs for middle income households and create opportunities for a more efficient market response to demand.

Another way to frame the top needs outlined above is to consider the key challenges to address including:

- Shortage of affordable housing;
- Barriers to homeownership;
- Unique needs of special needs populations;
- Housing instability and displacement; and
- Housing condition.

EXISTING PROGRAMS & RESOURCES

Financial resources to address housing needs in Grand Junction are limited. The City receives about $450,000 annually from the US Department of Housing and Urban Development (HUD) in the form of Community Development Block Grants (CDBG) which are allocated to infrastructure improvements in low- and moderate-income neighborhoods as well as housing and public service needs of low- and moderate-income persons and households. Over the past 5 years the City has expended approximately 23 percent of its CDBG allocation for affordable housing and housing-related services. The CDBG 2021-2025 Five-Year Plan anticipates at least this commitment of funds in the future. Expenditure has included: predevelopment costs, acquisition of vacant land, acquisition of existing units, rehabilitation of existing units, and purchase of major appliances for new residential units.

A crucial asset to the City in addressing ongoing hosing needs is its strong network of service providers and housing-related non-profits, including the Grand Junction Housing Authority. Figure 1 highlights some of the key providers and their primary housing programs.

This network of housing and service providers not only serves the needs of their individual clients but also work collaboratively to strategize their collective approach, discuss gaps and targeted needs, and share best practices. There is an active Homeless Coalition and an ad hoc Housing Coalition that meets periodically and contributed to the development of this Housing Strategy. Even so, the reach and impact of their services is constrained by the limited financial resources available.

Figure 1.
Grand Junction Housing Program Providers

Organization	Housing Programs/Services
Grand Junction Housing Authority	Affordable rental housing construction/property management, Housing Choice Voucher (and other voucher programs) administration, transitional housing program for homeless families with school-children, homeownership education and counseling, housing advocate and family stability program, family self-sufficiency program.
Housing Resources of Western Colorado	Affordable rental housing, housing counseling, homebuyer education, housing rehabilitation loan program, weatherization assistance program, and Self-Help Build Housing program (supports affordable home ownership construction).
Grand Valley Catholic Outreach	Permanent supportive housing, transitional supportive housing, rapid rehousing, utility assistance (one-time financial aid for qualifying households), day center for people experiencing homelessness, and affordable housing search assistance.
Homeward Bound of the Grand Valley	Year-round homeless shelter and services for people experiencing homelessness.
Karis, Inc.	Shelter, housing, and services for individuals experiencing homelessness, primarily youth.
Hilltop Community Resources	Provides a wide range of human services. Housing specific programs include shelter for victims of domestic violence and transitional housing and case management to youth transitioning from the foster care system.
Habitat for Humanity of Mesa County	Affordable homeownership construction and non-profit home improvement stores and donation centers.

Source: Root Policy Research.

EXISTING PROGRAMS & RESOURCES

Though the City does not directly administer housing programs it does play a key role in allocation of HUD and discretionary funds as well as regulating land use and development. The City recently adopted a forward-thinking Comprehensive Plan which governs the long-term vision for growth and development, services, and city priorities. Overall, the city's land use code poses relatively few regulatory barriers to residential development (see Appendix A).

Affordable housing inventory. The Low-Income Housing Tax Credit (LIHTC) program originated in 1986 under the Tax Reform Act and was part of an effort by the federal government to devolve the obligation of publicly-supported housing to states and local governments. Today, the LIHTC is the largest single producer of affordable rental housing in the country. At the most basic level, the LIHTC provides investors with a credit against their taxes in exchange for equity capital to support development of affordable rental units. States administer the program, including setting the criteria for scoring applications.

Grand Junction has 664 units developed using LIHTC, all of which are designated affordable to households earning less than 60% median family income (MFI). In addition, the city has 887 units of HUD-funded housing, including project-based Section 8, public housing, and other multifamily units. The City works to facilitate the development of affordable housing—including LIHTC—in Grand Junction through negotiations with developers, incentives, fee structuring and land donations.

There are also about 1,300 housing choice vouchers in use in Mesa County, with which income-qualified recipients (earning 50% AMI or less) can find market-rate units that meet their needs. It should be noted that vouchers and units are not necessarily additive as vouchers can be used in subsidized units, creating overlapping subsidies.

Despite these existing units and vouchers, the need continues to outpace supply: According to data from the Grand Junction Housing Authority, as of March 2021 there are 2,266 applicants on the waitlist for affordable housing units and/or vouchers.

Future resource opportunity. State resources, administered through Colorado Division of Housing (CDOH) may offer an untapped resource for future housing efforts in the City of Grand Junction: CDOH's budget is forecasted to double in the coming years based on recent legislative changes. Though the state is still determining their strategic priorities, much of the increase is expected to go into the Housing Development Grant program.[1] Grand Junction should be prepared to apply for funding and/or support local non-profit applications and should plan for financial or in-kind contributions. (While there is no required minimum local financial match from applicants, CDOH expects some local contribution in the form of funding and/or in-kind contributions).

[1] For more information on CDOH's existing programs, visit https://cdola.colorado.gov/housing

EXISTING PROGRAMS & RESOURCES

In addition to expanding local funding, CDOH is also receiving substantial federal resources as part of the CARES Act and American Rescue Plan Act. Details on state allocations and guidance on use of funds is still pending, but Grand Junction should continue to monitor developments and opportunities.

Recent legislative changes may also provide opportunities for Grand Junction. HB21-1271 provides funding and technical assistance to local governments to make regulatory and land use changes that promote affordable housing; and HB21-1117 authorizes inclusionary housing policies for both rental and ownership housing.

BARRIERS ANALYSIS & REGULATORY REVIEW

The following section summarizes market barriers to affordable/attainable development and evaluates regulatory factors that could contribute to the city's housing challenges.

As noted in the previous section, the City recently adopted a forward-thinking Comprehensive Plan and has relatively few regulatory barriers to residential development. Even so, this section identifies areas of opportunity that may facilitate the creation of attainable housing. The findings are also included in the policy recommendations in the subsequent section.

Market Barriers

Market barriers to affordable and attainable housing development are discussed throughout the HNA and are summarized below:

High cost of building materials. Shortages in raw materials, such as lumber, and supply chain disruptions have caused sharp increases in building costs over the past year. For builders, the volatility of commodity prices makes the planning process and costs difficult to manage. Though some commodity prices may stabilize in the wake of the COVID-19 pandemic, material costs are forecasted to remain high in the coming years.

High cost of land. As the area grows and continues to diversify its economic base, combined with a hot housing market and positive net migration, demand for raw land increases, raising land costs region-wide. In addition, given that most easy sites to develop are gone, lot development can add to cost and challenging soils, or other site-specific constraints make affordable housing development difficult to achieve.

Labor shortages. According to input gathered from stakeholders in the community, the local construction infrastructure is stretched thin—with shortages in occupations key to the housing industry such as framers, electricians, carpenters, roofers, and even engineers.

NIMBYism. As the area continues to grow, current residents' opposition to increased density is likely to increase. This is a problem in all communities, from Fruita to Clifton. There is a cultural preference for space and low-density housing in the region. This resistance to higher density creates uncertainty in the building process, given that pressure from public input can lead to a project not receiving timely or applicable entitlements that would allow for higher density housing.

Regulatory Review: Land Use & Zoning

The Zoning and Development Code for the City of Grand Junction was last updated in 2010 to align with the Comprehensive Plan adopted at that time. In conjunction with this strategy development Root Policy Research conducted a review of Grand Junction's zoning and development regulations to evaluate their impact on development activity and ultimately housing affordability. The review provides a high-level review and comparison of the jurisdiction's zoning regulations against best practices and assesses if the jurisdiction's regulations could create barriers for housing affordability. The full regulatory review is included in Appendix A and includes:

- Zoning and land use best practices to remove barriers to housing affordability,
- Grand Junction's current land use and development code, including current zoning,
- The adopted Land Use Plan, and
- An evaluation of development impact fees for residential development.

Areas of opportunity identified in the land use and development review are summarized below:

- **Allow residential infill in traditionally single family districts.** The City of Grand Junction provides for a robust mix of housing types in residential and mixed use districts. To allow for residential infill development, the city should consider permitting duplexes/triplexes and rowhomes in lower density residential districts by right.

- **Consider relaxing minimum lot sizes and maximum densities.** The City of Grand Junction has relatively flexible land use development standards with minimum densities and in some instances no minimum lot sizes. However, there are development standards that are prohibitive for the development of housing products such as townhomes and duplexes—and limit the number of units in multifamily developments—through maximum densities. The City has an opportunity to increase development capacity and affordability by relaxing the lot size and density standards.

- **Adjust parking standards to align with the type and intensity of land use.** Although the city's parking requirements are not atypical, many cities are adopting lower parking standards for more urban areas, particularly for multifamily housing. For housing in areas of mixed use and served by transit, walking and/or biking, Grand Junction might consider adjusting those standards downward to maximize development potential and reduce overall project costs.

- **Formalize existing incentives and consider additional incentives for affordable housing development.** Consider adopting additional incentives for residential developments that meet the city's affordability goals such as deed restricted affordable units and reflects the vision of the community. Ensure available incentives, and fee waivers, are formal and documented in either city policy or ordinance to reduce subjectivity in the process and project long-term benefit to the community.

- **Explore the feasibility of an inclusionary zoning requirement.** Through the comprehensive planning process and the development of the Housing Needs Assessment, the City of Grand Junction has made strides in understanding the housing needs of the community which is the first step toward increasing the supply of housing and promoting housing affordability. The City should explore the economic feasibility of an inclusionary zoning ordinance to increase the long-term supply of affordable units.

STRATEGIES TO ADDRESS HOUSING NEEDS

RECOMMENDED STRATEGIES

The following recommendations are based on Root Policy Research's experience working with peer communities and best practices; they were developed in conjunction with Grand Junction City Council, City staff, and Grand Junction Area housing stakeholders. Figure 3 summarizes the recommendations in order of anticipated implementation timeline; detailed descriptions of each recommendation follow the figure.

Figure 3. Recommended Strategies

	Strategy	Need(s) Addressed	Timeline	Related Comprehensive Plan Objective
1	**Participate in regional collaboration regarding housing/homelessness needs and services.**	Shortage of affordable/ attainable housing; barriers to affordable ownership; unique needs of special interest populations, housing diversity	1-2 Years	Work cooperatively with Mesa County, GJHA, Catholic outreach, Homeward Bound of the Grand Valley, Karis Inc., and other partners to pursue regional efficiency in all matters related to affordable housing.
2	**Adopt a local affordable housing goal(s).**	Shortage of affordable/ attainable housing.	1-2 Years	Develop a targeted housing strategy
3	**Implement land use code changes that facilitate attainable housing development and housing diversity.**	Barriers to affordable ownership; shortage of affordable/ attainable housing; unique needs of special interest populations.	1-2 Years	Promote more opportunities for housing choices that meet the needs of people of all ages, abilities, and incomes
4	**Encourage development of accessory dwelling units (ADUs).**	Shortage of affordable/ attainable housing.	1-2 Years	Promote a variety of housing types that can provide housing options while increasing density in both new and existing neighborhoods
5	**Formalize existing incentives and consider additional incentives for affordable housing development.**	Shortage of affordable/ attainable housing.	1-2 Years	Explore options for providing incentives for projects that incorporate units affordable to income levels identified in the housing strategy.
6	**Allocate city owned land (and/or strategically acquire vacant or underutilized properties) for affordable and mixed-income housing.**	Shortage of affordable/ attainable housing.	1-2 Years	Promote more opportunities for housing choices that meet the needs of people of all ages, abilities, and incomes. Develop a targeted housing strategy.

STRATEGIES TO ADDRESS HOUSING NEEDS

Figure 3 (continued). Recommended Strategies

	Strategy	Need(s) Addressed	Timeline	Related Comprehensive Plan Objective
7	**Create a dedicated revenue source to address housing challenges.**	Shortage of affordable/ attainable housing; unique needs of special needs populations.	1-2 Years	Pursuing funding regionally at all levels.
8	**Provide financial support to existing housing and homelessness services and promote resident access to services.**	Housing instability and displacement; unique needs of special needs populations; barriers to homeownership.	2-4 Years	Promote more opportunities for housing choices that meet the needs of people of all ages, abilities, and incomes. Providing supportive housing for at-risk and homeless populations. Publicizing and marketing affordable housing opportunities throughout the region.
9	**Support acquisition/ rehabilitation that creates or preserves affordable housing.**	Shortage of affordable/ attainable housing; housing instability and displacement; housing condition.	2-4 Years	Retaining and maintaining existing affordable housing stock.
10	**Consider implementation of an inclusionary housing/linkage fee ordinance.**	Shortage of affordable/ attainable housing.	2-4 Years	Working to preserve viable affordable housing stock and ensure long term affordability for new units built with financial assistance.
11	**Explore designation of an Urban Renewal Areas (URA) and utilization of Tax Increment Financing for affordable housing.**	Shortage of affordable/ attainable housing.	4-6 Years	Pursuing funding regionally at all levels.
12	**Consider adoption of a voluntary rental registry program in conjunction with landlord incentives.**	Housing instability and displacement; housing condition; shortage of affordable/ attainable housing.	4-6 Years	Retaining and maintaining existing affordable housing stock.

Source: Root Policy Research.

STRATEGY 1. PARTICIPATE IN REGIONAL COLLABORATION REGARDING HOUSING/ HOMELESSNESS NEEDS AND SERVICES.

The Grand Junction Area has a strong network of housing providers already collaborating regionally (e.g., Homeless Coalition and an ad hoc Housing Coalition). These stakeholders desire to increase regional efficiency and advocacy in pursuing funding and in implementing for effective housing strategies throughout the region. The City should participate in the efforts of the ad hoc housing coalition and other opportunities to advance regional housing/homelessness efforts and funding.

Benefits. Presents a unified approach to regional housing issues; increases efficiency in applications for funding and allocation of resources and defines common goals.

Challenges. Political challenges and differing perspectives on regional strategies.

Expected outcomes and keys to success. Works best with well-connected and collaborative stakeholders.

Recommended actions for Grand Junction:

- Continue to participate in Homeless Coalition and ad hoc housing coalition meetings and discussions;
- Participate in a policy and action group which would help spearhead policy efforts regional resource allocation throughout the Grand Junction Area;
- Monitor/investigate new and innovative potential funding sources (e.g., CDOH programs, health foundations, COVID relief funding sources and others).
- Partner with local employers and advocate for employer sponsored/subsidized housing.
- Consider regular data updates for the regional Housing Needs Assessment (every 3-5 years).

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);
- 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 the 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.

STRATEGY 3. IMPLEMENT LAND USE CODE CHANGES THAT FACILITATE ATTAINABLE HOUSING DEVELOPMENT AND HOUSING DIVERSITY.

Land use and zoning regulations that provide flexibility, clarity, and incentives for residential development are essential for promoting the development of affordable housing. Zoning regulations that negatively impact residential development affordability include restrictions such as minimum house and/or lot sizes, limited land zoned for moderate density (missing middle) options and/or multifamily, prohibitions on accessory dwelling units, and prohibitions on manufactured housing. Specific opportunities for improvement in Grand Junction's code are identified and attached to the strategy report as Appendix A.

Benefits. This aligns with the City's comprehensive plan and provide an opportunity to increase housing diversity and affordability.

Challenges. Changes in allowed density, product type and parking are often met with public opposition.

Expected outcomes and keys to success. Increase housing diversity and naturally occurring affordable/attainable housing stock. Works best in communities with additional development capacity and where community vision (i.e., Comp Plan) is aligned with code updates.

Recommended actions for Grand Junction:

- Allow residential infill in traditionally single family districts.
- Consider relaxing minimum lot sizes and maximum densities.
- Adjust parking standards to align with the type and intensity of land use.
- Actively rezone property to densities of R-8 (Residential 8 units per acre) or greater aligned with the 2020 One Grand Junction Comprehensive Plan.

See Appendix A for additional details.

STRATEGY 4. ENCOURAGE DEVELOPMENT OF ACCESSORY DWELLING UNITS (ADUS).

Accessory dwelling units (ADUs) are smaller independent living spaces on the same lot as a single-family home. ADUs can be attached to the home itself or be separate structures on the owners' property. They have minimal impacts on the character of single-family neighborhoods. Strategies to encourage their development and affordability include: eliminating parking requirements, assist with site planning and provide free off-the-shelf plans, short-turnaround approval process for ADUs, provide financial assistance for homeowners to create ADUs, waiving development fees for ADUs that will be restricted to low-income occupants, provide low- and moderate-income homeowners interest-free loans for an ADU project. In addition, some communities are moving to allow secondary ADUS. This should be considered for appropriateness in Grand Junction or within specific areas of Grand Junction.

Benefits. ADUs can be a relatively inexpensive way to create low-cost housing units, free up low-income housing, and increase density in single-family areas, while reusing existing infrastructure such as water and sewer.

Challenges. Requires additional staff capacity for development review.

Expected outcomes and keys to success. Can expand the housing stock and allow low-income owners to generate income from their property. Works better with a rental license program and regulation of short-term rental units.

Recommended actions for Grand Junction:

- Conduct focus group(s) or surveys among residents who have recently constructed ADUs to evaluate the overall process of permitting/constructing ADUs as well as the impact of potential incentives (as outlined in the description above).
- Consider creating an easy-to-follow guide for homeowners looking to build ADUs (example from San Marcos: www.sanmarcostx.gov/1567/Accessory-Dwelling-Units) and proactively communicate opportunity for ADUs to residents.
- Consider allowing secondary ADUS.
- Based on focus group/survey responses consider pilot program for ADU incentives.

STRATEGY 5. FORMALIZE EXISTING INCENTIVES AND CONSIDER ADDITIONAL INCENTIVES FOR AFFORDABLE HOUSING DEVELOPMENT.

Development incentives to encourage developers/builders to build affordable housing can take many forms:

- Permit or process-oriented incentives (e.g., fast track development approval; city-assigned, dedicated planning advocate to help move the development through the approval process; reduction in public meeting requirements;
- Regulatory incentives such as density or height bonuses (allows for more units to be built than allowed by right by zoning);
- Fee waivers/rebates (Colorado state law allows impact fees to be waived for affordable housing); and
- Tax incentives for affordable development (or land donation to affordable development.

Development incentives are tied to a contractual commitment to produce an agreed-upon share of affordable units (can be rental or owner). Most policies mandate set asides of between 10 and 30 percent of units affordable to 50% to 80% of area median income (AMI), depending on the market, and set affordability periods that range from 15 to 99 years. The average length of time for deed restrictions is 30 years.

Benefits. Places burden on developers to create (or contribute to) city's housing goals but does so by providing benefit (typically in the form of additional profit) to developers--can be a win-win for developers and city. Can be structured to incentivize any kind of development (e.g., missing middle), not just affordable development. Signals City's development priorities to developers.

Challenges. Requires staff capacity to monitor compliance; can be challenging to structure in order to create affordable units depending on existing zoning and development process. (For example, density bonuses only work if the entitlement density is low enough to entice developers to accept the incentive).

Expected outcomes and keys to success. When well structured, incentives can be relatively high impact (generate moderate number of units) for very little cost to the city. Works best in growing markets and in communities with additional capacity for development.

Recommended actions for Grand Junction:

- Evaluate informal incentives previously extended to affordable (or other) development over the past 5 to 10 years.
- Convene local developers (affordable and market-rate) to evaluate the market demand for potential incentives.
- Codify desired incentives in City codes or affordable housing policy focusing on incentives that increase the supply of affordable housing.

STRATEGY 6. ALLOCATE CITY OWNED LAND (AND/OR STRATEGICALLY ACQUIRE VACANT OR UNDERUTILIZED PROPERTIES) FOR AFFORDABLE AND MIXED-INCOME HOUSING.

Property acquisition costs, especially in developed areas of the city, is a major component of the cost of developing affordable housing. The city and other public agencies, such as Mesa County and the State, own properties which could potentially reduce costs and facilitate development of affordable housing. While much of this property is either already utilized for public facilities or is inappropriate for residential development, there may be opportunities to leverage additional affordable and mixed-income housing through better utilization of publicly owned property.

It is increasingly common for local governments to donate, discount, or lease vacant land or underutilized properties (e.g., closed schools, vacant or out-of-date public sector offices) for use as residential mixed-income or mixed-use developments. Some properties are acquired after businesses have been closed for illegal use or very delinquent taxes.

These properties are held in a “land bank” by the City and eventually redeveloped by nonprofit or private developers through a Request for Proposal (RFP) process. Land banks vary in forms from single parcels to multiple, scattered site properties, to large tracts of land. The land can be donated, discounted, or offered on a land lease to the selected developer

who agrees to a specified affordability level or community benefit. A good starting point in this process for any community is creating an inventory of existing public land that could be used for housing sites in the future.

Benefits. Conducting an initial inventory of publicly owned land is a low/no-cost step. Land banking and donation can reduce future development costs (particularly if acquired when land costs are low) and maintains flexibility in meeting future needs because the land can be held and then used for acute needs as they arise. Converting vacant land or underutilized retail can also have tax benefits to the city (performing residential, even if with a lower property tax value, is better than vacant and abandoned land from a revenue perspective).

Challenges. Acquiring land can be costly (depending on market cycle); limited supply and can require quick response to land available (staffing/authority concern); and there is a risk that future needs will not align with expected land use.

Expected outcomes and keys to success. Outcomes depend on existing land inventory and committed resources though there is potential for high impact (substantial number of units). This works best in communities where there is land available to repurpose; when the city can acquire land at reasonable costs (e.g., during a down market); and when the city has strong partnerships with non-profit developers or existing land trust programs.

Recommended actions for Grand Junction:

- Inventory existing public land (including land owned by the City, the County, State, the schools district, and others) and evaluate feasibility for residential development.
- Establish partnerships with local affordable developers and land trusts who may be able to develop the land into affordable rental or ownership units.
- Evaluate funding sources for land/property acquisition that could be utilized to create or preserve affordable housing.
- Actively watch for property and land to acquire to repurpose (this could include vacant land, underutilized/vacant commercial, and/or small naturally occurring affordable multifamily housing).

STRATEGY 7. CREATE A DEDICATED REVENUE SOURCE TO ADDRESS HOUSING CHALLENGES.

Local funding or a "Housing Trust Fund" can have an impact on meeting housing needs. "Trust funds" have grown immensely in popularity with reductions in federal funding for housing. Revenue sources are varied and include: General Obligation Bonds, Real Estate Transfer Taxes (RETT), commercial and/or residential linkage fees, sales tax, jurisdictional general fund set-aside or cash-in-lieu from inclusionary zoning buyouts, and other types of taxes, generally those that are directly tied to demand for housing.

Benefits. Can be used on a variety of programs to address needs across the housing spectrum; flexible funding source without federal regulations.

Challenges. Does not always have political support; efficacy is tied to level of funding; requires staff capacity to manage and allocate resources.

Expected outcomes and keys to success. Can be very effective, depending on funding amount and priorities. Works best when City has clear housing plan/goals and has staff capacity to manage.

Recommended actions for Grand Junction:

- If possible, appropriate funding in the short-term for implementation of the Housing Strategic Plan.
- Establish working group to evaluate the potential for sustainable, dedicated local funding and determine the most appropriate source of funds. Often, a General Fund allocation is the easiest way to initiate a Housing Trust Fund, but a dedicated stream is ideal for the long-term.
- Conduct analysis of the cost of other prioritized housing strategies and/or related capital items.
- Determine priorities for the fund—what programs/policies should it support? Consider the other strategies outlined in this report that require funding for efficacy.

STRATEGY 8. PROVIDE FINANCIAL SUPPORT TO EXISTING HOUSING AND HOMELESSNESS SERVICES AND PROMOTE RESIDENT ACCESS TO SERVICES.

Some CDBG funds are currently allocated to support nonprofits that are providing housing, housing services, and/or services to people experiencing homelessness, but additional funding would increase capacity. Top priorities among stakeholders included:

- Services and housing for people experiencing homelessness;
- Homeowner rehab program (grants or loans to assist low-income homeowners with needed repairs; can be emergency repairs or maintenance needed to preserve homes).
- Foreclosure and eviction prevention (can include housing counseling generally for mortgage debt restructuring; short-term emergency rent and utilities assistance for renters; and/or landlord-tenant mediation).
- Home ownership education outreach/workshops to lower income citizens who may qualify to own a home.
- Down payment assistance (programs that help households attain homeownership through financial support for closing costs and down payments).

In addition to financially supporting existing programs, the City could also promote participation by ensuring there is an accessible online inventory of housing programs (local and state) and qualifications in an easy-to-access format and in multiple languages. Programs can also be affirmatively marketed to historically marginalized populations and those with historical disparities in homeownership.

Benefits. Preservation is much less costly than new development; prevents displacement of existing residents. Generally low cost and high impact; provides assistance to those who need it most and reduces public costs related to homelessness and other social services by preventing foreclosure and eviction. Creates access to homeownership and housing stability.

Challenges. Requires funding and administration as well as strong non-profit partners

Expected outcomes and keys to success. Improves existing housing stock; reduces foreclosures and evictions; increase homeownership and can help with workforce retention. Works best with a trusted non-profit partner.

Recommended actions for Grand Junction:

- Evaluate the potential for a database (and source of communication) of affordable housing options in the community and/or promote the state's affordable housing search platform (www.coloradohousingsearch.com)
- Use the City's website to help promote existing housing options and services in the community.

- Contingent on implementation of Strategy 7, include additional funds in annual program allocation (alongside CDBG allocations).

STRATEGY 9. SUPPORT ACQUISITION/ REHABILITATION THAT CREATES OR PRESERVES AFFORDABLE HOUSING.

In this strategy nonprofits or for-profit affordable housing developers purchase privately-owned but low-priced housing options, or subsidized units with affordability periods ending (“at risk” affordable housing). Owners make needed improvements and institute long- term affordability. This strategy can also support conversion of hotels/motels into affordable or transitional housing. At-risk housing stock may include private rentals with rising rents, manufactured housing parks, or lower-cost single- family homes and real estate owned (REO) properties. Rental properties can be maintained as rental or convert to cooperative ownership. Ownership properties can be resold to lower-income families or leased as affordable rentals. A City's role is often to provide financial resources to non-profits for the acquisition and rehab projects. This program can also be structured as rehab grants to existing multifamily owners in exchange for contractual affordability.

Benefits. Generates guaranteed affordability out of existing stock (less costly than new development); can be used for rental or ownership.

Challenges. Can be difficult to identify properties, though it can be structured at the city level as a resource pool for non-profits, which reduces the staffing and management burden on the city.

Expected outcomes and keys to success. Generates some affordable units. Works best with a trusted non-profit partner.

Recommended actions for Grand Junction:

- Establish partnerships with local affordable developers who would own/manage the units.
- Contingent on Strategy 7, dedicate local resources to an acquisition/rehab program.
- Design RFP process for entities who wish to access funds or prioritize CDBG spending for the purpose of acquisition and/or rehabilitation of housing resources.

STRATEGY 10. CONSIDER IMPLEMENTATION OF AN INCLUSIONARY HOUSING/LINKAGE FEE ORDINANCE.

Policies that require or incentivize the creation of affordable (income-restricted) housing when new residential and/or commercial development occurs, either within the same development or off-site. Some inclusionary housing ordinances allow the developer to pay fees "in lieu" of developing the affordable units. Policies can be implemented as required or voluntary and can include "off-sets" and/or incentives for the provision of affordable housing.

Benefits. No direct cost to city other than enforcement, has the ability to generate a substantial number of units.

Challenges. Regularly faces opposition from development community who view such ordinances as putting full burden of current housing challenges onto new development.

Expected outcomes and keys to success. Generates substantial number of units when structured well. Works best in communities with additional capacity for development and that are experiencing growth.

Recommended actions for Grand Junction:
With the recent passage of Colorado HB21-1117, Colorado communities can now implement inclusionary housing that applies to both rental and for-sale development. Given this recent change, the City should consider this as a 5+ year strategy:

- Monitor new inclusionary programs implemented throughout the state and continue to evaluate whether such a program would be effective and appropriate in Grand Junction.
- Evaluate the option of inclusionary housing every 2 years to consider whether the City desires to institute a program.
- Interview existing program administrators and an economic feasibility study of the potential affordable requirements

STRATEGY 11. EXPLORE DESIGNATION OF AN URBAN RENEWAL AREAS (URA) AND UTILIZATION OF TAX INCREMENT FINANCING FOR AFFORDABLE HOUSING.

Revenue generated by borrowing against projected growth in property tax revenues within designated redevelopment (urban renewal) areas. All or a portion of the tax increment can be set aside for affordable housing preservation and production.

Benefits. Can generate affordable units or provide monies for incentives in new units within targeted areas; leverages new and/or existing funding source.

Challenges. Can impact total TIF package as property tax revenue on affordable developments may be low. URA can be cumbersome, expensive and time-intensive to establish and manage.

Expected outcomes and keys to success. Generates modest volume of affordable units. Works well when affordable housing is paired with uses that generate higher future tax revenue (e.g., retail)

Recommended actions for Grand Junction:
Convene task force to evaluate the viability of URA designation and TIF priorities. Interview other communities where this approach is used to evaluate how it could apply in Grand Junction, such as Colorado Springs, Fort Collins, Loveland, and Denver.

STRATEGY 12. CONSIDER ADOPTION OF A VOLUNTARY RENTAL REGISTRY PROGRAM IN CONJUNCTION WITH LANDLORD INCENTIVES.

Having a rental registration or license program (a program in which landlords are required to obtain a license from the City) make it easier to promote best practices and resources to landlords, identify problem landlords, and implement a variety of renter protections (such as housing quality standards). Voluntary registration programs can be paired with landlord incentives; examples include:

- Access to security deposit insurance in exchange for accepting housing choice vouchers;
- Access to grants or interest free loans for rehab in exchange for keeping units affordable (income restricted); and
- Access to grants or incentives in exchange for converting short term rentals to long terms rentals.

Landlords participating on voluntary programs typically also receive access to city-provided resources such as template leases (in English and Spanish), fair housing training, landlord-tenant mediation services, etc.

Benefits. Promotes equity, relatively easy to implement, provides resources to landlords.

Challenges. Monitoring and compliance is difficult (requires staff capacity).

Expected outcomes and keys to success. Depends on structure of program. Can improve existing housing stock (quality inspections and rehab), can create additional affordable housing stock, can improve conditions for renters and better equip landlords. Works in any market

Recommended actions for Grand Junction:
Form task force to review best practice research on program design and evaluate priorities for program implementation. Consider community and landlord engagement to help refine policy proposal.

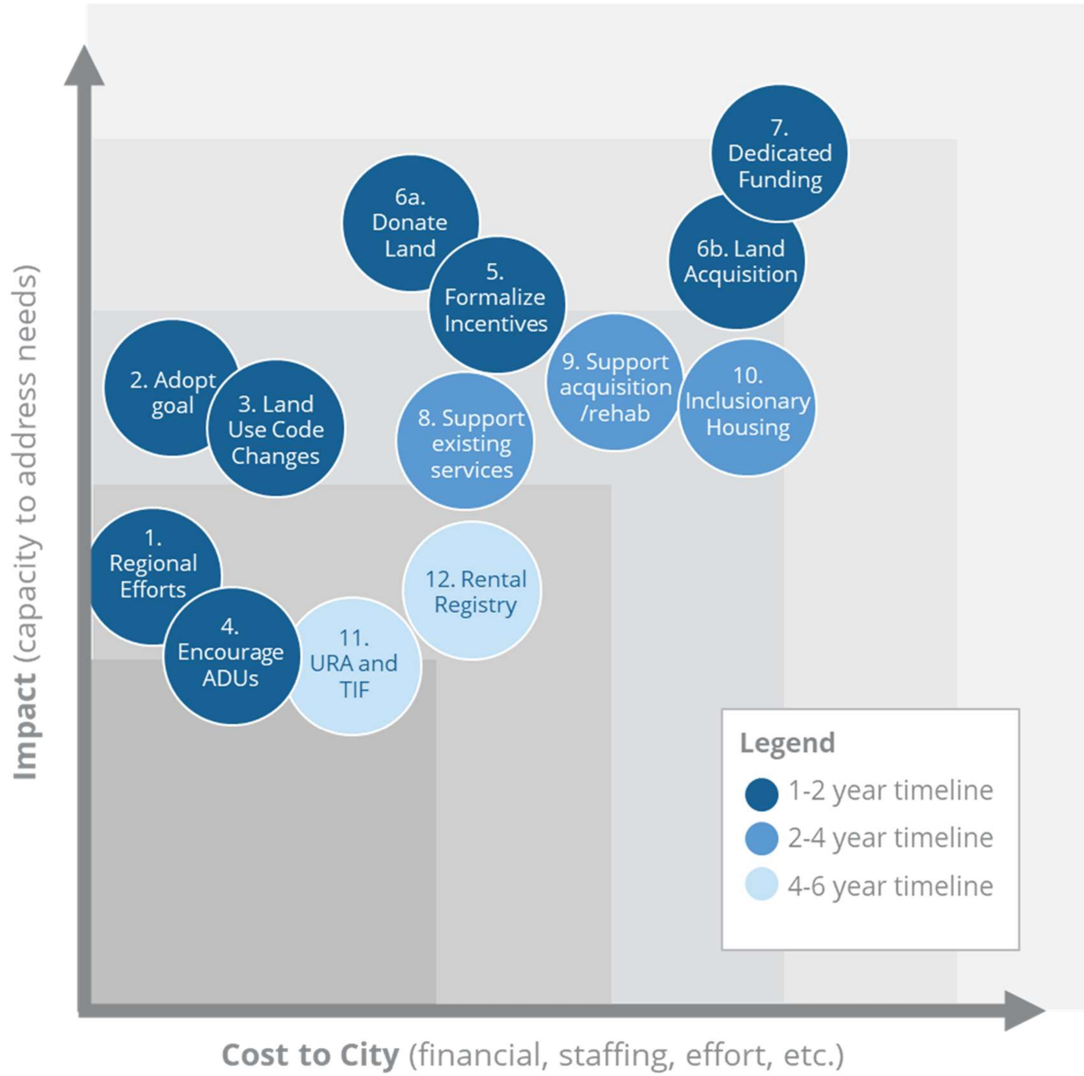
RELATIVE COST AND IMPACT OF STRATEGIES

Figure 4 plots the strategy recommendations along two axes to help gauge their relative cost and impact. It should be noted that "cost" is used broadly and can mean financial cost, staffing resources, political effort, etc. Note that cost and impact may differ from the figure depending on final policy/program design

Strategies in the lower left portion of the figure are generally low cost but also low impact. Cost increases as you move to the right (x-axis) and impact increases as you move up (y-axis). Strategies in the upper right are generally high cost but also high impact. Strategies are color-coordinated based on their implementation timeline.

This matrix should not be the only criteria for evaluating strategies but does provide some guidance in considering the most effective options given resource constraints.

Figure 4. Relative Cost and Impact of Recommended Strategies



Source: Root Policy Research.

NEXT STEPS

CONCLUSION AND NEXT STEPS

As the City of Grand Junction continues to pursue implementation of the Comprehensive Plan—including building “Strong Neighborhoods and Housing Choices”—the strategies outlined above provide a roadmap for achieving desired outcomes and addressing identified housing needs.

A balanced housing stock accommodates a full “life cycle community”—where there are housing options for each stage of life from career starters through centenarians—which in turn supports the local economy and contributes to community culture. Encouraging the market to develop sufficient supply to meet demand as well as actions that help mitigate price increases and preserve both market-rate and publicly assisted housing affordability will help provide essential housing for residents of Grand Junction.

Implementation of the strategies will require the City to address housing challenges head-on, pursue new policies, programs, and funding sources, and work collaboratively with regional stakeholders and public-private partnerships.

APPENDIX A.

Land Use and Development Review

APPENDIX A.
Land Use and Development Review

The Zoning and Development Code for the City of Grand Junction was last updated in 2010 to align with the Comprehensive Plan adopted at that time. This appendix provides a high-level review of the jurisdiction's zoning regulations against best practices and assesses if the jurisdiction's regulations could create barriers for housing affordability.

The review includes zoning and land use best practices to remove barriers to housing affordability—discussed in the context of Grand Junction's current zoning ordinance and opportunities for improvement—focusing on zoning districts and permitting uses, development standards, parking standards, and incentives for affordable housing. The review also discusses the future land use plan presented in the Grand Junction Comprehensive Plan along with an evaluation of development impact fees for residential development. The section concludes with a summary of opportunities for Grand Junction; these opportunities are also discussed in the Grand Junction Housing Strategy.

Zoning Districts and Permitted Uses

In response to housing affordability challenges and lack of diversity in housing typology, jurisdictions across the country are increasingly modifying land use codes to allow missing middle housing—duplexes/triplexes, rowhomes, and Accessory Dwelling Units (ADUs)—in single family zones.[1] Missing middle housing refer to a diverse set of housing types that result in smaller, more affordable, and provide more density compared to single family homes. It is a best practice to include a broad range of mixed-use zone districts that occupy the majority of the spectrum of zone districts to permit a variety of housing types for middle income households. Additionally, permitting multifamily development across a wide variety of mixed-use districts more effectively produces communities that support neighborhood-serving retail and commercial operations and small businesses by allowing the market to supply services near households.[2]

Grand Junction's current code. The city has adopted ten residential districts, a variety of mixed-use and commercial districts, and form based residential districts. The ten residential districts provide for a range of residential development, in

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[1] Affordability in this context encompass both income restricted as well as naturally occurring affordable housing.

[2] Elliott, Donald L. *A better way to zone: ten principles to create more livable cities.* Island Press, 2012.

addition to the mixed use districts, shown in Figure A-1. Residential districts range from rural densities to districts intended to discourage large lot development and encourage concentrated urban growth in community centers. According to the city's zoning ordinance, the purpose for the R-12, R-16, and R-24 districts are to, "allow a mix of residential unit types and densities to provide a balance of housing opportunities in a neighborhood."

Figure A-1.
Residential Use Table

Note:
A=allowed; C=conditions; Blank=nor permitted.

Source:
Chapter 21.04 Grand Junction Municipal Code.

	R-R	R-E	R-1	R-2	R-4	R-5	R-8	R-12	R-16	R-24	R-O	B-1	B-2	C-1	C-2	CSR	M-U	BP	I-O	I-1	I-2
Business Residence											A	A	A	A	A	A	A	A	A	A	
Two-Family Dwelling				A	A	A	A	A			A	C									
Single-Family Detached	A	A	A	A	A	A	A				A	C	C			A					
Multifamily						A	A	A	A	A	A	A	A	A			A	A			
Accessory Dwelling Unit	A	A	A	A	A	A	A	A			A		A								
Agricultural Labor Housing	A															A					
Manufactured Housing Park						A	A	A													
All Other Household Living						A	A	A													

Areas of opportunity. The City of Grand Junction provides for a robust mix of housing types in residential and mixed-use districts. To allow for residential infill development, the city should consider permitting triplexes and rowhomes in lower density residential districts by right.

Residential Development Standards

Flexibility in development dimensional standards provides opportunities for residential product diversity (e.g., multifamily, townhomes, and duplexes) and a mix of uses to encourage more affordable residential development—compared to traditional single-family zoning. Conversely, zoning regulations that negatively impact residential development affordability include minimum house and/or lot sizes, limited land zoned for missing middle options and/or multifamily, prohibitions on ADUs, secondary ADUS, restrictions on land zoned and available for multifamily and manufactured housing.

Grand Junction's current code. The residential development standards summary table in Figure A-2 below provides land development requirements in each district. Overall, these residential development standards allow for a wide range of housing types in the city. Minimum density requirements for R-5 to R-24 residential zones discourage large lot single family detached housing development and may promote the development of missing middle housing types and promote affordability. These zones provide an alternative to the traditional single-family regulations in zones R-R to R-4. However, minimum lot sizes and densities may increase the cost of residential development and discourage missing middle housing.

Figure A-2.
Residential Use Table

Source:
Chapter 21.03 Grand Junction Municipal Code.

	R-R	R-E	R-1	R-2	R-4	R-5	R-8	R-12	R-16	R-24
Minimum Lot Size (min.)	5 acres	1 acre	30,000 sq. ft.	15,000 sq. ft.	7,000 sq. ft.	4,000 sq. ft.	3,000 sq. ft.	n/a	n/a	n/a
Lot Coverage (max)	5%	15%	20%	30%	50%	60%	70%	75%	75%	80%
Height (max)	35	35	35	35	40	40	40	60	60	72
Density (min. units per acre)	n/a	n/a	n/a	n/a	2	3	6	8	12	16
Density (max units per acre)	1/5 acres	1	1	2	4	6	8	12	16	n/a

Figure A-3 shows the development standards for mixed use and commercial districts. For mixed use and commercial districts, maximum heights and residential development densities are likely to have the most impact on the number of units constructed and the affordability of those units. Similar to mixed use minimum densities in residential districts, minimum densities along commercial corridors increase the opportunity for more residential units and helps provide access to transit.

Figure A-3.
Mixed Use and Commercial Development Standards

Source:
Chapter 21.03 Grand Junction Municipal Code.

	R-O	B-1	B-2	C-1	C-2	CSR	M-U	BP	I-O	I-1	I-2
Minimum Lot Size (min.)	5,000 sq. ft.	10,000 sq. ft.	n/a	20,000 sq. ft.	20,000 sq. ft.	1 acre	1 acre	1 acre	1 acre	1 acre	1 acre
Lot Coverage (max)	70%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Height (max)	40	40	80	65	65	65	65	65	65	50	50
Density (min. units per acre)	4	8	8	12	n/a	n/a	8	8	n/a	n/a	n/a
Density (max units per acre)	n/a	16	n/a	24	n/a	n/a	24	24	n/a	n/a	n/a

Areas of opportunity. The City of Grand Junction has relatively flexible land use development standards with minimum densities and in some instances no minimum lot sizes. However, there are development standards that are prohibitive for the development of certain housing products—townhomes and duplexes—and limit the number of units in multifamily developments—through maximum densities. There is an opportunity to examine the potential for reducing or eliminating these standards to increase development capacity and thereby affordability.

Parking Standards

Parking standards can vary based on use rates and existence of public parking lots in the area. The traditional standard of two parking spaces per dwelling unit is reasonable in low density residential districts, but many cities are adopting lower parking standards near transit, multifamily development, and mixed-use areas.

Some communities establish parking standards to account for lower vehicle ownership rates among certain types of households, such as seniors and low-income households. Senior apartments, assisted-care units, congregate care facilities, and studio and one-bedroom apartments are likely to have lower parking demand than developments of the same size. A zoning policy that requires an equal number of parking spaces per bedroom will result in an oversupply of parking.

Grand Junction's current code. Grand Junction requires the typical two parking spaces for single family and duplex units with one additional unit required per accessory dwelling unit (ADU)—for example, a duplex with an ADU would require five off-street parking spaces. For multifamily development, the number of spaces required is based on the number of bedrooms per unit. For one-bedroom units 1.25 spaces are required, two-bedroom units require 1.5 spaces, and three or more-bedroom units require 2 spaces. The city does allow projects to request an alternative parking plan but this can be cumbersome and add expense to a project.

Areas of opportunity. Although these requirements are not unreasonable, many cities are adopting lower parking standards for more urban areas, particularly for multifamily housing. Grand Junction should consider adjusting parking standards downward to promote affordability and greater land utilization.

Incentives for Affordable Housing

Incentives are formalized affordability requirements in exchange for development benefits such as fee waivers, expedited permitting, tax abatements, and density bonuses. To encourage the development of affordable housing, the code should recognize the difficult economics involved and should offer incentives. Common incentives include smaller lots, increased density in multi-family areas, reduced parking requirements, or waivers or reductions of application fees or development impact fees.

While zoning and subdivision incentives alone are often not enough to make development for lower levels of AMI economically feasible, they can be part of a broader package of incentives (for example, including financial incentives or land contributions) that make those projects feasible.

Grand Junction's current code. Grand Junction currently discounts transportation impact fees (50% reduction per additional story) in the city "redevelopment areas" to encourage development in those areas. Additionally, Grand Junction's Zoning and Development Code currently allows for the City Council to waive impact fees imposed on affordable housing development.

Areas of opportunity. Consider additional incentives for residential developments that meet the city's affordability goals and reflects the vision of the community.[3] The recently adopted Comprehensive Plan suggests the City, "explore options for providing incentives for projects that incorporate units affordable to income levels identified in the housing strategy." The city should ensure available incentives, including the existing fee waivers, are formal and documented in either city policy or ordinance to reduce subjectivity in the process.

A note about inclusionary zoning. In 2021, the Colorado General Assembly enacted House Bill 21-1117 which permits local governments to enact inclusionary zoning ordinances on rental units (for-sale was already allowed). Inclusionary zoning generally regulates new development or redevelopment to encourage the construction of new affordable units. Local governments must provide one or more alternative options to constructing the units such as a fee in-lieu or land dedication.

Additionally, in order to adopt an inclusionary ordinance, local governments must take one or more of a set of actions to increase the overall number and density of housing units. As specified in HB21-1117, these potential actions include:

- *Adopt changes to its zoning and land use policies that are intended to increase the overall density and availability of housing, including but not limited to:*
    - *Changing its zoning regulations to increase the number of housing units allowed on a particular site;*
    - *Promoting mixed-use zoning that permits housing units allowed on a particular site;*

[3] See Housing Strategy for additional details on specific incentive recommendations.

- *Permitting more than one dwelling unit per lot in traditional single family lots;*
- *Increasing the permitted households size in single family homes;*
- *Promoting denser housing development near transit stations and places of employment;*
- *Granting reduced parking requirements to residential or mixed use developments that include housing near transit stations or affordable housing developments;*
- *Granting density bonuses to development projects that incorporate affordable housing units; or adopting policies to promote the diversity of the housing stock within the local community including a mix of both for sale and rental housing opportunities;*

- *Materially reduce or eliminate utility charges, regulatory fees, or taxes imposed by the local government applicable to affordable housing units;*
- *Grant affordable housing developments material regulatory relief from any type of zoning or other land development regulations that would ordinarily restrict the density of new development or redevelopment;*
- *Adopt policies to materially make surplus property owned by the local government available for the development of housing; or*
- *Adopt any other regulatory measure that is expressly designed and intended to increase the supply of housing within the local government's jurisdictional boundaries.*

Areas of opportunity. Through the recent comprehensive planning process and the development of this housing needs assessment, the City of Grand Junction has made reasonable strides and efforts toward increasing the supply of housing and promoting housing affordability. The city should explore the economic feasibility of an inclusionary zoning ordinance to increase the supply of affordable units.

Future Development

Adopted planning documents including the Comprehensive Plan and Zoning Ordinance establish a vision for future development and a roadmap to achieve that vision through land use regulations. In addition to the most common regulatory barriers, the geographic zoning patterns and development trends influence housing choice and affordability.

The City of Grand Junction adopted the updated Comprehensive Plan in December 2020. The Comprehensive Plan provides insight into the vision for future residential development in the community. The following excerpts from the Plan provide population growth estimates, housing unit estimates, and the future land use plan to provide needed housing types.

- **Population growth estimates.** "Grand Junction is expected to continue to represent approximately 40 percent of Mesa County's population over the next 20 years. This would result in a population of approximately 90,000 people within City limits by 2040–an increase of 23,071 people. Similarly, the State Demographer has estimated that, by 2040, the population within the Urban Development Boundary will account for an additional 34,000 people for a total of approximately 124,000 in the City's planning area."

- **Housing unit estimates.** "Based on the projected population growth and the city's average household size of 2.29 people, approximately 11,400 additional housing units will be needed within City limits by 2040. Housing options that address a variety of needs such as cost, quality, age, and type are a key concern in Grand Junction.

  Grand Junction's housing supply will need to grow and diversify to meet the community's future needs. Today, Grand Junction has an estimated 27,990 housing units. This inventory is predominantly single-family homes: 62 percent of all housing units are detached. Of owner occupants, 85 percent live in single-family units compared to 32 percent of renters, while 55 percent of renters reside in apartment units."

- **Future land use.** "To support the community in meeting current and anticipated housing needs, the Comprehensive Plan policies and the Land Use Plan encourage the creation of more mixed-use, walkable neighborhoods and mixed-density neighborhoods with a wider range of housing types. Policies also encourage higher density development in areas located within urban intensification areas as well as priority growth areas such as the city's core, University District, Downtown District, and areas along transit corridors.

  The Land Use Plan is a tool to guide future development within the City and its Urban Development Boundary. It will be applied through day-to-day decision making as a means to help implement a shared vision for the physical growth of the City. The plan includes a map that depicts locations for different types of land uses and a description of each land use."

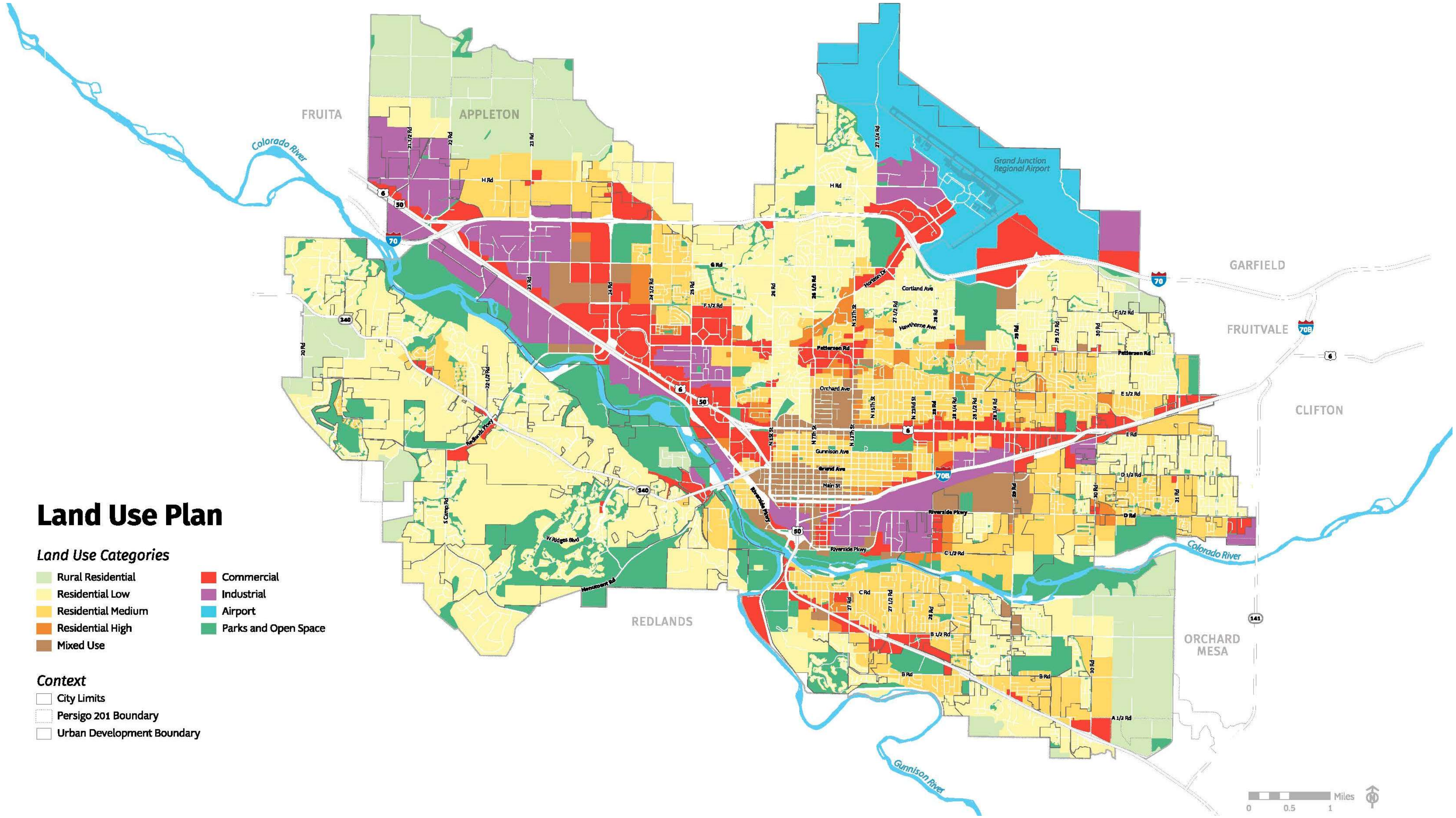
Figure A-4 shows a map of the Land Use Plan for the City of Grand Junction presented in the Comprehensive Plan. Medium to high density residential development is concentrated near downtown, near shopping and employment centers and along major transportation corridors.

Development impact fees. Impact fees are imposed on new development to support the additional infrastructure required to service new development. Common impact fees include water, wastewater or sewer, transportation, fire, police, parks and recreation, and schools. Stakeholders indicated the City of Grand Junction's impact fees are prohibitive for multifamily residential development. A comparative analysis of fees with other communities in Colorado was conducted to evaluate the city's fees, and the city's impact fees have not been identified as a barrier to development.

Areas of opportunity. The recently adopted comprehensive plan provides a roadmap for land use code updates to prioritize Plan Principle 5, "Strong Neighborhoods and Housing Choices." The plan outlines the following actions to achieve this principle.

- Promote more opportunities for housing choices that meet the needs of people of all ages, abilities, and incomes.
- Partner in developing housing strategies for the community.
- Support continued investment in and ongoing maintenance of infrastructure and amenities in established neighborhoods.
- Promote the integration of transportation mode choices into existing and new neighborhoods.
- Foster the development of neighborhoods where people of all ages, incomes, and backgrounds live together and share a feeling of community.

Figure A-4. Future Land Use



Source: City of Grand Junction

Summary of Areas of Opportunity

The following opportunities were identified through this land use and development review:

- **Allow residential infill in traditionally single family districts.** The City of Grand Junction provides for a robust mix of housing types in residential and mixed-use districts. To allow for residential infill development, the city should consider permitting triplexes and rowhomes in lower density residential districts by right.
- **Consider relaxing minimum lot sizes and maximum densities.** The City of Grand Junction has relatively flexible land use development standards with minimum densities and in some instances no minimum lot sizes. However, there are development standards that are prohibitive for the development of "missing middle" housing products—townhomes and duplexes—and limit the number of units in multifamily developments—through maximum densities. The City has an opportunity to increase development capacity and affordability by relaxing the lot size and density standards.
- **Adjust parking standards to align with the type and intensity of land use.** Although the city's parking requirements are not atypical, many cities are adopting lower parking standards for more urban areas, particularly for multifamily housing. For housing in areas of mixed use and served by transit, walking and/or biking, Grand Junction might consider adjusting those standards downward to maximize development potential and reduce overall project costs.
- **Formalize existing incentives and consider additional incentives for affordable housing development.** Consider additional incentives for residential developments that meet the city's affordability goals and reflect the vision of the community. The recently adopted comprehensive plan suggests the city, "explore options for providing incentives for projects that incorporate units affordable to income levels identified in the housing strategy." The city should ensure available incentives, including the existing fee waivers, are formal and documented in either city policy or ordinance to reduce subjectivity in the process.
- **Explore the feasibility of an inclusionary zoning requirement.** Through the recent comprehensive planning process and the development of this housing needs assessment, the City of Grand Junction has made strides toward increasing the supply of housing and promoting housing affordability. The city should explore the economic feasibility of an inclusionary zoning ordinance to increase the supply of affordable units.

- **Implement the comprehensive plan.** The recently adopted comprehensive plan provides a roadmap for land use code updates to prioritize Plan Principle 5, "Strong Neighborhoods and Housing Choices." The plan outlines the following actions to achieve this principle.

    - Promote more opportunities for housing choices that meet the needs of people of all ages, abilities, and incomes.
    - Partner in developing housing strategies for the community.
    - Support continued investment in and ongoing maintenance of infrastructure and amenities in established neighborhoods.
    - Promote the integration of transportation mode choices into existing and new neighborhoods.
    - Foster the development of neighborhoods where people of all ages, incomes, and backgrounds live together and share a feeling of community.

Grand Junction Planning Commission

Workshop Session

Item #2.

Meeting Date: August 18, 2022

Presented By:

Department: Community Development

Submitted By:

Information

SUBJECT:

1. Several recent market rate developments have requested the City to contribute financial to their projects, including the Slate on 25 (168 units), The Junction by Richmark (257 Units), and The Lofts on Grand Avenue (78 units). City Council has requested a policy be developed that will help provide predictability and equity regarding to whom and to which projects are provided development incentives. The City has a current Redevelopment Area Incentive and Staff has prepared two additional incentives focused on corridor infill and affordable housing for City Council discussion and consideration.

RECOMMENDATION:

EXECUTIVE SUMMARY:

BACKGROUND OR DETAILED INFORMATION:

SUGGESTED MOTION:

Attachments

1. Report_Incentives_CCWorkshop_1August2022

Grand Junction City Council

Workshop Session

Item #1.c.

Meeting Date: August 1, 2022

Presented By: Tamra Allen, Community Development Director

Department: Community Development

Submitted By: Tamra Allen, Community Development Director

Information

SUBJECT:

Infill and Affordable Housing Incentives

EXECUTIVE SUMMARY:

The City has received requests from several market rate developers to contribute to their projects, including the Slate on 25 (168 units), The Junction by Richmark (257 Units), and The Lofts on Grand Avenue (78 units). City Council has requested a policy be developed that will help provide predictability and equity regarding to whom and to which projects are provided development incentives. The City has a current Redevelopment Area Incentive and Staff has prepared two additional incentives focused on corridor infill and affordable housing for City Council discussion and consideration.

BACKGROUND OR DETAILED INFORMATION:

The City has received requests from several market rate developers to contribute to their projects, including the Slate on 25 (168 units), The Junction by Richmark (257 Units), and The Lofts on Grand Avenue (78 units). City Council has requested a policy be developed that will help provide predictability and equity regarding to whom and to which projects are provided development incentives.

When thinking about development incentives, staff believes it important to reflect on the policies and goals of adopted plans, such as the Comprehensive Plan, the Greater Downtown Plan and other adopted planning documents to inform how a development incentive may be constructed to best implement stated goals. One consideration in particular is the City's established goals to provide incentives for infill and redevelopment within the City's central core. The central core is also where development costs are often higher due to the cost of demolishing existing buildings and the need to potentially aggregate more than one property.

Current Redevelopment Area Incentive: The City has had a redevelopment program since 2004 (Resolution 87-04). The program was revised in 2013 (Resolution 15-13), updated in 2019 (Resolution 93-19) and again in 2020 (Resolution 03-20). The program today includes a "Redevelopment Area" whereby Transportation Capacity Payments (TCP) are reduced by at least 50%, and often greater if new construction has multiple stories. TCP credit is also provided when a former use is demolished and replaced with a new building.

Utilizing the existing Redevelopment Area Incentive, The Lofts on Grand Avenue was able to reduce their TCP payment from $148,788 to $21,556 ($127,232 incentive). Similarly, the Eddy project was able to reduce their TCP payment from $350,819 to $105,457 ($245,362 incentive). In addition, each of these projects are located within the DDA and received $490,000 and $500,000 respectively as a development incentive.

Proposed Additional Incentives: Staff has developed the additional proposed incentives for City Council discussion and direction:

Corridor Infill Incentive. The purpose of this new incentive is to encourage redevelopment and infill in the City center and along important commercial corridors that have been recognized in City plans such as the North Avenue Overlay and Greater Downtown Overlays. These overlays include corridors such as 7th Street, 12th Street, North Avenue, etc. The attached Priority Redevelopment Corridor map indicates the areas in which the additional Corridor Infill incentive would apply. In these areas, the City would utilize a tiered approach to an incentive that is relative to the value of the private investment, as shown below.

Tier	Private Investment	City Incentive (PIF – Plant Investment Fees) (OS= Open Space In lieu Fee)
Tier 1	$5 - $15 million	50% sewer and water PIFs
Tier 2	$16 - $25 million	100% sewer and water PIFs + 50% Impact Fees
Tier 3	$26 to $35 million	100% sewer and water PIFs + 50% Impact Fees + OS Fees
Tier 4	$36 to $50 million	100% PIFs, + 100% Impact Fees + OS Fees
Tier 5	$51 million +	100% PIFs + 100% Impact Fees + OS Fees + Sales/Use Tax Rebate

Affordable Housing Incentive: The purpose of this new incentive is to encourage the development of affordable housing units anywhere within the City of Grand Junction. This incentive would waive all development impact fees (TCP, police, fire, parks) and plant investment fees (water, sewer) for units that are Affordable at 60% AMI or below for rental housing and have an affordability term of at least 30 years, consistent with the City's more acute needs for housing. The units/projects could be located anywhere in the City. This is consistent with the existing policy statement found in the Impact Fee section of GJMC (21.11.010(K)) that provides "To promote the provision of low-moderate income housing in the City, the City Council may agree in writing to pay some, or all of the impact fees imposed on a proposed low- or moderate- income housing development by this chapter from other unrestricted funds of the City. Payment of impact fees on behalf of a fee payer shall be at the discretion of the City Council and may be made pursuant to goals and objectives adopted by the City Council to promote housing affordability." For projects including affordable housing units and utilizing the proposed Affordable Housing Incentive, the City, upon request, would also defer payment of fees until time of Certificate of Occupancy which allows fees to be paid nearer to the time in which projects begin to generate revenue and can decrease financing costs.

Utilizing this incentive, a housing project that is entirely Affordable would have all impact fees and PIFs waived. For a mixed-income housing project that delivers at least 10% of their project as affordable units, impact fees and plant investment fees would be reduced by 30% for the entire project. Below is a table showing a mixed-income example project including 168 units of which 17 units (10%) are Affordable units. This example includes a project that is outside of the City's existing Redevelopment Area. School Impact fees are collected and passed through on behalf of School District #51 and are therefore not waived.

168 Unit Project-10 Percent (17) Affordable Units Incentive				
Fee Type	**Current/Unit**	**Fees Before Incentive**	**30% Fee Reduction for 10 Percent Affordable Units**	**Net Fee After Incentive**
TCP	$ 2,464	$ 413,952	$ 124,186	$ 289,766
Parks	$ 692	$ 116,256	$ 34,877	$ 81,379
Police	$ 200	$ 33,600	$ 10,080	$ 23,520
Fire	$ 467	$ 78,456	$ 23,537	$ 54,919
Water**		$ 107,710	$ 32,313	$ 75,397
Sewer**		$ 758,843	$ 227,653	$ 531,190
School Impact		$ 154,560	$ -	$ 154,560
Open Space		$ 230,000	$ -	$ 230,000
	TOTAL FEES	$ 1,893,377		$ 1,440,732
		Total Incentive	$ 452,645	
		Incentive per Affordable Unit (17)	$ 26,626	

** Water and Sewer Plant Investment Fees are estimated based on similar projects.

A second mixed-income project example (as shown below) reflects a housing project that delivers less than 10% of their project as Affordable. In this case, impact fees and plant investment fees for each Affordable unit would be waived, using a project of 168 units, but with only 15 Affordable units.

168 Unit Project-15 Affordable Units				
Fee Type	Current/Unit	Fees Before Incentive	100% Waiver for each Affordable Unit	Net Fee After Incentive
TCP	$ 2,464	$ 413,952	$ 36,960	$ 376,992
Parks	$ 692	$ 116,256	$ 10,380	$ 105,876
Police	$ 200	$ 33,600	$ 3,000	$ 30,600
Fire	$ 467	$ 78,456	$ 7,005	$ 71,451
Water		$ 107,710	$ 9,077	$ 98,633
Sewer		$ 758,843	$ 63,947	$ 694,896
School Impact		$ 154,560	$ -	$ 154,560
Open Space		$ 230,000	$ -	$ 230,000
	TOTAL FEES	$ 1,893,377		$ 1,763,008
	Total Incentive		$ 130,369	
	Incentive per Affordable Unit (15)		$ 7,669	

The Redevelopment Area (TCP incentive), Corridor Infill Incentive, and Affordable Housing Incentive could be simultaneously applied or “stacked” for a project to receive the maximum available incentive. Other public incentives may also be secured through the DDA. Both Impact Fee and Plant Investment Fee waivers require the City to backfill the lost revenue from the fees. Staff recommends establishing, as part of the annual budget, a line item to pay fees for projects that may utilize either new incentive and to distribute the incentive on a first-come first-served basis.

FISCAL IMPACT:

This item is for discussion and possible direction, so fiscal impact has not been calculated.

SUGGESTED ACTION:

This item is for discussion and possible direction.

Attachments

None