

Appendix B.

Zoning and Land Use

This section contains the review of zoning ordinances and land use policies that was conducted for the housing needs assessment. It begins with an overview of policies that are key to creating affordable housing; presents findings from the examination of the current codes and policies in Bonner County and cities/towns within the county; and concludes with examples of how zoning ordinances and land use policies in other communities have facilitated affordable housing development. The end of the section also contains examples of land donation and employer-assisted housing development efforts which were successful in creating affordable housing.

Key Components of Land Use Regulations

There are several key zoning and land use policies that are generally necessary to facilitate the development of affordable housing. These include:

- **Smaller lot sizes, setbacks.** Often referred to as “new urbanist” approaches to development, zoning codes that allow for a wide range of residential development options—including high density development—are very important for creating affordable and mixed-income housing. Reducing lot sizes (3,000 to 5,000 square feet), allowing smaller units and reducing setbacks are all appropriate strategies and are used widely to create affordable housing. Good design and the integration of public spaces into these developments creates a neighborhood feel and maintains the sense of open space within and around these development types.
- **Mixed use development.** Allowing for residential and commercial mixes of development—e.g., condominiums or rentals on top of commercial development—also creates more opportunities for affordable housing, and is an efficient and productive use of land where land is limited.
- **Density bonuses and building variances.** One of the keys to building affordable housing is lowering land costs, which is usually achieved by increasing density. For example, a developer would be able to build more units than entitled by current zoning if he/she included affordable housing as part of the development plan. Other ways to decrease development costs are to grant building variances—for example, allowing fewer parking spaces than would otherwise be required by zoning ordinances to allow more land for development. Many cities give developers the right to increase densities in their developments or grant variances from building codes in exchange for incorporating affordable housing. If a developer can add units or reduce costs of a development through height variances, reduced parking requirements, reduced setbacks and landscaping or design requirements, they can better afford to add affordable housing to the overall development plan.

- **Fee waivers.** Waiving fees that cities/towns charge for development helps lower development costs and reduces the price of housing. Some communities offer fee waivers that are proportionate to the level of affordability in a project (e.g., the more affordable the housing, the higher the fee waiver).
- **Expedited review process.** Also called “fast track approval,” developments with an affordable component go to the top of the development review pile, and the review process is guaranteed to occur within a number of days and be transparent as possible. Expedited review works best in communities where the review process is lengthy.

Several other tools are also employed to facilitate affordable housing creation, but these tools are generally more controversial:

- **Accessory apartments.** Accessory dwelling units (ADUs) are housing units that are constructed above a garage or in the backyard of a residential unit. Under some ordinances, ADUs are required to be rented to workers at affordable rates.

Allowing accessory dwelling units that could be used as rentals is likely to increase the number of affordable rentals in Sandpoint and Bonner County—but only minimally. A recent study on the use of accessory units based on a national survey of the use of accessory units in 47 communities, reported that cities with “favorable” zoning can expect to produce only one accessory unit per 1,000 single family homes per year. As an example, the City of Boulder, Colorado has produced 145 accessory units through its program during its 22-year existence, averaging 6 units per year. (Not all of Boulder’s units may be used for affordable housing, since the city does not require that or track if units are developed for such use).

- **Inclusionary zoning.** Inclusionary zoning ordinances require that new residential (and sometimes commercial) developments include a certain proportion of affordable housing units. Percentage requirements vary from 10 to 60 percent, depending upon the community, and are most common in the 10 to 20 percent range. This housing can be integrated into the new development or built off site on other available land, depending upon the ordinance. Some ordinances allow fulfillment of the requirement through fees paid to a municipality or land trust (“cash-in-lieu” policies) or acquisition and redevelopment of existing properties. In general, the housing that is produced through inclusionary zoning ordinances has restrictions on resale amounts, so that the affordability of the product is preserved. These restrictions usually take the form of a cap on the amount of appreciation the seller can realize per year (e.g., 3 percent) plus the value of any improvements made.

Finally, a growing tool to reduce land costs is a **Community Land Trust**. A community land trust is used to set aside, or “bank,” land to preserve it for future affordable housing development. Sometimes the land is sold and the proceeds are used to produce affordable housing in other areas of the city. In other cases, affordable housing is developed on the land, and the land is held in a long-term lease to reduce housing costs. Buyers of properties in land trusts purchase the housing structures they occupy and lease the land under the units. When sold, the buyer of the housing is able to realize their equity

gain from price appreciation on their housing unit. The land stays in the lease to reduce housing costs (which are often more closely tied to land appreciation).

Community Land Trusts must be initially seeded with funding to purchase land or receive land donations. The land trusts must also be administered by city officials or nonprofit organizations that can manage the marketing, sales and legal transactions associated with the trust and affordable housing development.

IHFA resources. In addition, the Idaho Housing & Finance Association (IHFA) considers requests from local housing provider organizations or developers of affordable housing, for acquisition loans to assist in purchasing bare land or real property to be used in the construction, development or rehabilitation of affordable housing, on a case by case basis. In some cases, federal resources may be an appropriate source available to IHFA to meet the request, or loans may be available using IHFA's non-federal resources, in order to secure desirable land to facilitate future affordable housing development.

Existing Barriers

As part of this study, we reviewed the land use and zoning codes of the county and cities/towns within the county to see how the ordinances encouraged or discouraged the development of affordable housing. This review found the following barriers to such housing development:

Suburban zoning. Both the City of Sandpoint and Bonner County have relatively large lot size requirements, which are typical of suburban zoning. Such zoning may be desirable at some level, but it does not facilitate development of affordable housing. In high cost areas, reducing the cost of land through increased density is key to reducing housing prices.

Sandpoint. The City of Sandpoint's required lot size for detached, single family housing developments generally ranges between 7,100 and 10,000 square feet¹. Front setbacks on these lots (how far back from the street a home can be built) are required to be 20 feet. Height limits for the homes are 35 feet or about 2 ½ stories.

Attached units and multifamily housing have greater densities, but have similar setback requirements and height restrictions². In the city's Residential C zoning category, for example, 20 multifamily units would be allowed per acre.

The City of Sandpoint's current comprehensive plan contains several goals and policy options to allow the city to promote affordable housing development. (The City is in the process of updating its current Comprehensive Plan). In addition, the city's zoning ordinance gives the planning director authority to require alteration of a building site plan so as to "seamlessly integrate a smaller lot development within a neighborhood." The purpose of this is to allow new development adjacent to

¹ Some areas of the city are zoned for minimum lot sizes of 10,000 square feet and more. In addition, single family dwellings are a permitted use in the city's Professional and Commercial zones, with a minimum lot size of 5,500 in the Professional zone and no minimum in the Commercial zone.

² Front and rear setbacks are the same, but the side setbacks increase from 5 feet to 10 feet.

legally nonconforming lots (lots that were created years ago that do not conform to the current minimum lot sizes) to conform with surrounding uses.

Discussions among city leaders and planners at the workshops held for this study pointed to a lack of a formal plan—and lack of agreement that one is needed—to increase density and incorporate new urbanist development into the city, as an effort to increase the availability of affordable housing.

That said, Sandpoint recently incorporated density bonuses for planned unit developments that provide desirable features to the community, including workforce housing. Under the modified ordinance, the Planning Commission may authorize an increase in the residential density up to 40 percent of the allowable number of dwelling units. A maximum 10 percent density bonus is offered for the provision of workforce housing (the remaining bonuses are tied to landscaping, siting and design features).

This type of change is very positive. We recommend that the City's Planning Commission define workforce housing more broadly to include affordable housing, using the needs identified in this report. Specifically, rental housing should be priced at less than \$425 per month, and housing to buy should be priced between \$100,000 and \$170,000. The amount of bonus offered should also be tied to the level of affordability of the workforce/affordable units, where deeper subsidies (rental units priced less than \$425 and homeownership units priced between \$100,000 and \$125,000) get larger bonuses—perhaps up to 15 percent.

Bonner County. In Bonner County, “high density” zoning districts require a minimum lot size of 10,000 square feet for a single family home. The minimum lot size for a duplex is 12,000 square feet. Multifamily zoning calls for a first unit on 12,000 square feet and subsequent units on 3,000 square feet. All sites are required to provide a minimum of 65 percent of the total site in open space, free of structures.

Bonner County is currently updating its land use codes. The Draft Code includes a provision for cottage housing. The cottage housing standards require a minimum of 4 and a maximum of 12 units located in a cluster grouping. The units must have less than 1,500 square feet, and twice as many cottages are allowed on a lot as non-cottage units. For example, if a property was large enough to accommodate 3 residential dwelling units, 6 cottage units would be allowed. If implemented, this density bonus would reduce land costs for cottage units by spreading those costs over twice as many residential units. However, the County should more directly tie this density bonus to workforce housing. If the cottage units are purchased by investors, second homeowners or retirees, they will not contribute to the stock of affordable housing for workforce.

The type of zoning in Sandpoint and Bonner County is fairly standard for suburban areas. However, the current requirements do not facilitate the development of affordable workforce housing, which requires greater density. For example, splitting a 10,000 square foot lot into two 5,000 square foot lots accommodating two dwelling units would substantially reduce the cost of the housing units by lowering the cost of land³. Similarly, increasing the height limits for multifamily developments to between 3 and 5 stories in certain areas (commercial corridors, high density areas) would allow more

³ Bonner County is considering a similar policy for cottage housing units, as discussed above.

units to developed on the same plot of land—increasing the supply of housing stock and using existing land wisely.

Rural zoning/Large lot sizes. Outside of Sandpoint, most areas in the county have very large minimum lot sizes and lack any incentives to facilitate the development of workforce or affordable housing.

For example, in Dover, new residential development cannot be less than three units per acre. The minimum lot size for “residential” development is 12,000 square feet; “suburban” development has a lot size ranging from 1 to 3 acres. Much of the land in Dover is zoned for agricultural and rural development.

Large lot size zoning in these communities is largely related to two factors: 1) Desire for the communities to maintain a “rural character,” and 2) Lack of public sewer systems serving these areas. Larger lots are needed to provide adequate separation between septic drainfield systems and wells, to prevent groundwater/well contamination. For example, in February 2005, Bonner County adopted an ordinance that established a 2 ½ acre minimum lot size for residential parcels not served by public water and sewer systems. Parcels served by public water systems, but still using septic tanks/drainfield systems, are allowed a 1-acre minimum.

Development incentives. Except for Sandpoint, there are no incentives offered to encourage developers to incorporate workforce housing into their developments. Bonner County is considering offering density bonuses for open space conservation and cottage housing, but not specifically for workforce housing. In Sandpoint, the number of parking spaces required—2 spaces per unit—can make density difficult to achieve. A parking requirement waiver for affordable developments would facilitate greater density and affordability.

Lack of public water and sewer systems. The lack of public water and sewer systems serving much of Bonner County is a significant barrier to increasing density in the county and facilitating workforce/affordable housing development. If public systems were extended and the communities adjusted their zoning ordinances to allow smaller, truly suburban and urban size lots, this could make a significant contribution to the development of workforce/affordable housing, and go a long way in reducing the inevitable sprawl that will occur as workforce continues to seek affordable housing further into the county.

Recommendations For Land Use/Zoning/Planning Changes

We recommend the City of Sandpoint, Bonner County and the communities within the county take the following steps to make their zoning ordinances and land use codes more encouraging of affordable housing development.

Allow for increased density in municipalities/urban growth areas. Increasing the allowed density of residential developments would facilitate the construction of a larger number of housing units on smaller lots. In a land constrained market with escalating costs of land and property values, adding to the supply of housing will help address demand. This will, in turn, help housing prices stay lower, provide opportunities for workforce housing and reduce sprawl and commutes of workers.

Increasing allowable densities will alter the very suburban, rural feel of many of the areas in Bonner County. However, if done appropriately—using good design standards, preservation of open/community space and incorporating a mix of housing sizes and types—the communities can both maintain a rural nature and develop in a way that accommodates housing demand, reduces congestion and mitigates sprawl.

Exhibit B-1 compares the minimum lot sizes in Sandpoint and Bonner County with minimum lot sizes in similar communities. As the Exhibit demonstrates, the minimum lot sizes of 7,100 to 10,000 square feet in Sandpoint are larger than peer communities which have purposely reduced lot sizes to facilitate workforce housing. For the county, comparable counties—Eagle County and Summit County, both in Colorado—have smaller lot requirements in their high density districts, with lot sizes of between 6,000 and 7,260 square feet. Blaine County, Idaho’s minimum sizes are similar to Bonner County’s.

**Exhibit B-1.
Minimum Lot Sizes by Development Type**

	City of Sandpoint	Bonner County	Hailey, Idaho (General Residential)	Missoula, Montana (High Density)	Durango, Colorado (High Density)
Single Family Detached	7,100 - 10,000	10,000	6,000	5,400	4,000
Duplex	7,100 (1 unit) - 5,325 (per unit, 2 units)	6,000 per unit	10 lots/acre (4,350 per lot)	5,400 per unit	7,500 per two units (3,750 per unit)
Townhome	Generally 3,525	12,000 for first unit; 3,000 thereafter*	10 lots/acre (4,350 per lot)	Varies by unit size, 1,000 to 3,600 sq. ft. per unit	No minimum required
Condo	Up to 30 units/acre	12,000 for first unit; 3,000 thereafter*	10 lots/acre (4,350 per lot)	Varies by unit size, 1,000 to 3,600 sq. ft. per unit	No minimum required
Density Bonus for:	Workforce Housing - 10 percent	PROPOSED: Cottage Units - 2x number of dwelling units Open Space/ Public Access			

*Note: Bonner County does not have a townhome or condominium option; these densities reflect those for the county’s general multifamily category. Source: BBC Research & Consulting and the land use and zoning ordinances in the respective communities.

Exhibit B-1, in an attempt to summarize the primary zoning governing land development, does simplify actual zoning a bit. For example, some areas of Sandpoint are zoned with minimum lot sizes of more than 10,000; one zone has a 2-acre minimum. On the flip side, smaller lot sizes are allowed for single family homes in the city’s Professional and Commercial zones.

Zone districts to allow more multifamily rentals. Much of the rental stock in the county is in the form of detached, single family homes. These units carry higher rental and utility costs. Allowing more multifamily units will give renters in the county more housing options, which are much needed at the most affordable level.

Create incentives for developers. Private market developers have few market incentives to produce affordable housing in high-demand markets. Some developers will find a market

niche in producing affordable housing, but this usually occurs once the higher ends of the market begin to soften. In the absence of requirements or incentives to produce affordable housing, private developers are unlikely to meet existing need. If the incentives are properly designed and equitably applied among developers, there is really no downside to creating development incentives for affordable housing.

We recommend that the cities/towns and Bonner County offer incentives for developers in the form of density bonuses and building variances to help offset the costs of affordable housing development, thereby decreasing the prices of the homes and/or rental units developed.

Plan for increasing affordable housing opportunities at a regional level. The City of Sandpoint is constrained in its opportunity to grow and accommodate future workers. Developable land within the city boundaries and annexation opportunities are limited. It is imperative that the City of Sandpoint, Bonner County and the other communities within the county engage in regional planning around affordable housing in order for the supply of housing to keep up with demand from future workers.

We recommend that the City of Sandpoint and Bonner County partner to create a regional planning task force, with the goal of better communicating and coordinating planning and development efforts. This group should also create workforce housing unit targets in each community and countywide to address existing and growing workforce housing needs.

Why plan regionally? In the absence of a regional approach to addressing housing needs, development will occur where there is opportunity (land, zoning) and the desired return/profit. As long as there is land and demand for larger lot, scattered-site homes, developers will continue to respond to this segment of this market. As land is converted to development, developers will move further out into the county seeking available, vacant land. Under this pattern of housing growth, less expensive development will be placed in areas where land costs are lower, generally further away from desired amenities and services.

Without some integration of mixed-income housing, affordable to the workforce into the county, new employees will be need to “drive until they qualify” to find housing to buy. Rental housing is likely to continue to be scattered throughout the county, in the form of detached single family homes not occupied by owners/investors and mobile homes.

An example: The City of Sandpoint is the largest incorporated municipality in the county, and the location of many of the county’s jobs. The city also has relatively limited opportunities for future development. If Sandpoint is unable to provide additional affordable housing within the city, as jobs continue to grow, workers will need to seek housing outside of the city limits. (According to the employee survey, many do this now). If the surrounding communities do not provide affordable housing, workers will need to find housing further and further from their areas of employment. This lack of planning (in the absence of a large market shift) generally creates a “leapfrog” approach to development, with employment centers at the core and affordable housing located further and further beyond the more expensive areas of housing—which tend to surround the nucleus of employment, amenities and services.

An often and unintended consequence of lack of planning is that some cities/towns end up providing more than what they perceive is their “fair share” of affordable housing. These cities/towns are then likely to focus on increasing the supply of higher end development to remain competitive with higher-end communities. Affordable housing is then pushed out even further into newer, less developed towns (and the cycle repeats itself).

Another, more visible, consequence is increased traffic and congestion as workers find themselves with longer and longer commutes. Initially, workers bear the cost of sprawl in the time they pay commuting. Eventually, investments in transportation infrastructure are needed to accommodate the growing number of cars on the roads.

Individual cities and towns can address this problem independently, setting goals and a strategy for serving their residents and workforce and bringing their markets closer to being balanced. However, housing markets do not exist in vacuum, and development and commuting patterns of the workforce in one area are determined by the availability of housing in surrounding areas.

Approach. The best approach to regional planning is for each city/town to agree on housing a certain proportion of the current and future workforce, recognizing that residents also have preferences for housing and that the cities/towns cannot dictate where workers will live. The key is to create opportunities for workers to live closer to work if they so desire. This would require the following steps:

- Project the number of new jobs by city/town that will be created in the next 10 to 15 years, using historical growth from the Idaho Department of Commerce and Labor and the employer surveys collected for this study (supplementing these by collecting additional employer surveys). Estimate the number of jobs held by each worker⁴.
- Determine a maximum length of commute that the cities/towns would like the workers to experience (e.g., 20 to 30 minutes). Determine the ideal number of workers to be housed in and surrounding the areas of employment.
- Estimate the number of housing units needed for each area by grouping the workers into appropriate household units. For example, seasonal workers may live in dorm-style housing.
- Set goals for the number of housing units desired in each city/town.
- Engage the development community in the discussion about affordable housing provision and how they can be part of the solution. Agree on offering incentives and/or requirements for developers to build affordable housing.

The cities/towns should also work together to develop a joint package for developers interested in developing affordable housing, describing incentives offered by the cities/towns, resources available at the state level (how to apply for these resources, how the cities/towns can assist them in getting favorable loans for development).

⁴ We used 1.2 jobs per worker for this study.

Regional planning example. The Rural Resort Region (RRR) planning effort in Colorado is a strong example of regional planning around workforce housing. In 2003, RRR held a regional summit to discuss the problem of housing workforce in Colorado’s resort communities. The summit resulted in a series of recommendations for future actions, which included the following:

- Maintain a database and GIS map of vacant publicly owned land that could be utilized for affordable housing;
- Develop and maintain a master list of polices and ordinances appropriate for housing efforts, as well as successful case studies about workforce housing;
- Educate elected officials using information from the RRR Summit, and become an advocate and voice for housing issues at the local, regional, state and federal level;
- Initiate a dialogue with the Forest Service and Bureau of Land Management to discuss cooperative efforts with local governments for obtaining land for workforce housing development;
- Challenge each municipality to initiate at least two regulatory changes or modifications to remove barriers to affordable housing development.

The RRR has also taken a lead role in encouraging employers to become involved in employer-assisted housing efforts. The RRR produced a guide to employer-assisted housing titled “Housing Your Workforce: A Resource Guide for Colorado Rural Resort Employers,” <http://www.nwc.cog.co.us/Rural%20Resort%20Region/Rural%20Resort%20Region.htm>.

Other tools. And, a tool that we *do not recommend* at this point, but may be feasible in the future:

Inclusionary housing ordinances. If inclusionary zoning were passed in the City of Sandpoint, it would modestly affect housing needs in the city. A November 2005 build out analysis conducted at part of the city’s development impact fee program/capital improvement plan estimated that there were approximately 1,038 future dwelling units to be developed in the city under current land use patterns. If 10 percent of these units were developed as affordable housing, approximately 104 units of affordable housing could be produced.

The potential for affordable housing production is much greater in the geographic areas surrounding Sandpoint (the “area of impact”). Approximately 11,600 future dwelling units are expected to be developed in this area. If 10 percent were developed as affordable housing, about 1,160 affordable housing units could be added to the area’s housing stock.

Inclusionary zoning, therefore, could contribute to the provision of affordable housing in the county. The largest downside to inclusionary zoning is that the policies are often contentious and resisted by the development and real estate community. Developers often see inclusionary zoning as an unfair tax burden on them. It is unlikely that inclusionary zoning

ordinances would be looked upon favorably in many areas within Bonner County, and would likely be difficult to adopt.

Density and Affordable Housing Examples

This section contains examples of successful affordable housing products that have been developed using density bonuses, mixed-income and mixed-unit housing and land preservation.

Wellington Neighborhood. The Wellington Neighborhood in Breckenridge, Colorado is one of the best examples of a master-planned, workforce housing community in a resort area. The neighborhood was created by a private developer who had a vision to create affordable, attractive mountain housing. The biggest challenge, according to the developer, was the Town’s “land use regulations...which prohibited some of the design elements that give the neighborhood its charm: setbacks, alley widths and road widths, to name a few.”⁵

Purpose. Wellington was designed to provide affordable, for-sale housing for the workforce in Breckenridge and Summit County, Colorado. The majority of the homes—98 of the 122 total—are deed-restricted. Twenty-four (20 percent) are market rate. The homes are only available to full-time residents who work at least 30 hours per week in Summit County. The Wellington Neighborhood is governed by the Wellington Homeowners Association, which includes a design review committee.

Home sizes and prices. Homes range in size from 1,000 to 2,000 square feet. They include detached single-family homes and townhomes. Pricing ranges from \$220,000 for deed-restricted homes to more than \$480,000 for market rate homes.

Lot sizes vary from approximately 3,800 square feet to 5,800 square feet, with most being around 4,000 square feet.

The deed restriction limits the amount of appreciation an owner can realize upon sale of the home. This ensures that the units are affordable to the next buyer. Price appreciation is limited to 3 percent per year, or the percentage increase in the area median income (AMI), whichever is greater.

Development challenges and successes. One of the largest barriers to developing workforce housing in Breckenridge is the high cost of land. The development team kept costs down by acquiring property in unincorporated Summit County, contiguous to the Town of Breckenridge.

The county’s zoning ended up being the largest barrier to development. The zoning on the site only allowed four homes. After years of public debate about the project, the Town of Breckenridge agreed to annex the property and permit a total of 122 units. Town leaders also accepted the developer’s vision of a dense, new urbanist design. And, the Town provided important subsidies worth about \$1 million by waiving of inspection, annexation, and development-review fees worth about \$7,500 per unit, and of a 1 percent transfer tax worth approximately \$2,500 per unit.

⁵ *Cottage Living*, http://www.poplarhouse.com/awardsPress_print.htm.

Third Street Cottages⁶. This Langley, Washington development was built in 1998. Langley is located in a small town on Whidbey Island in the Puget Sound, and is home to approximately 1,000 people.

Before the development was created, rural zoning in the area allowed one dwelling unit per 5 acres, in an attempt to preserve the rural nature of the community. However, this zoning had the effect of fragmenting the landscape and increasing public service and infrastructure costs. Within town boundaries, zoning allowed for 4 to 6 dwelling units per acre (roughly 7,300 to 11,000 square foot lots).

The town adopted a “Cottage Housing Development” ordinance to expand housing options in the town and surrounding area. The CHD ordinance doubled the allowable density to 12 homes per acre, basically letting developers build detached single family homes at densities previously allowed only for duplexes. The homes built under the ordinance are small—they cannot be more than 975 square feet (650 on the first floor) and lower in height than homes on full-size lots. The homes are designed with high ceilings, large windows and skylights to let in plenty of natural light; the homes also contain walk-in closets, attics, built in shelves and porches for storage space. In addition, the homes are adjacent to a common area and have parking spaces hidden from the street; there are 1.25 parking spaces required per unit.

The cottages initially sold for between \$140,000 and \$150,000.

Land Donation Examples

Casa del Maestro. Casa del Maestro (literally translated as “house of the teacher”) is a 40-unit apartment complex developed in Santa Clara, California, which is rented exclusively to teachers in the Santa Clara Unified School District. The school district built and owns the development to provide affordable housing to its teachers.

Although this program contains rental units only, it is a model that could be easily employed to create for-sale housing or a mix of housing tenure. It also demonstrates a unique partnership between the school district and a private-sector developer, who was in the business of developing luxury housing in the area.

The program arose due to the school district’s difficulty in attracting and retaining teachers. In the late 1990s, the school district was experiencing five-year attrition rates of more than 300 percent. Leadership within the district determined that the cost of attrition was higher than the cost of providing affordable housing to teachers.

The site and development process. The school district owned a 2.16-acre surplus site adjacent to an existing school. The school district decided to dedicate this site to the development of Casa del Maestro. Owning the land was a huge factor in keeping development costs down and keeping the apartments affordable. Apartment complexes surrounding the site served as the design guideline for the developer of the property.

⁶ *Creating Great Neighborhoods: Density in Your Community.* Local Government Commission, EPA, National Association of Realtors. September 2003.

The developer of Casa del Maestro was a regional provider of luxury housing. The developer agreed to trade a lower return for the satisfaction and public acknowledgement of having provided a community service in the form of affordable housing. The developer proposed to act as the project developer in return for reimbursement costs of project management—but not additional fees or profit. The primary “return” to the developer was a strengthened relationship with the school district and the city and county of Santa Clara.

Development funding and operations. The project was funded through bonds issued by the school district. Rents were set at the minimum amount that would be required to cover actual operating costs, debt service on the bonds and a small reserve fund. This resulted in rental rates for a one-bedroom unit of \$650 to \$730, about half the regional average for one-bedroom rents. The rental contract is contingent upon employment with the school district, and the maximum length of time tenants are allowed to live in the units is 5 years. It is hoped that within this timeframe, teachers will be able to build savings and purchase a home. Renters have access to homebuyer counseling and assistance programs provided through the city government.

Lessons learned. Several lessons were learned from this unique project that can be employed in other cities:

- Land dedication by the school district was crucial to building the affordable housing. Many municipalities, school districts and other agencies have surplus parcels of land that could be used for developing all types of affordable housing.
- This housing model—called constituent group housing—could be employed to other members of the local workforce, including police officers, firefighters and municipal employees.
- Professional workforce housing must replicate the amenities, location and quality of market-rate housing. Highly trained professionals demand (and deserve) a high quality of life from their homes.
- In cases where an agency owns housing that is rented to its employees, a third party property manager should handle the leasing and upkeep of the property. This ensures that the owner/employer is kept at an “arm’s length” from the tenant/employee.

Pitkin County, Colorado. In this very high-cost area—where Aspen is located—teachers find it almost impossible to purchase or rent housing without substantial assistance. The City of Aspen and the school district have partnered to create housing opportunities for teachers and school district workers. The school district’s financial contribution to the developments—e.g., land donation—entitles the district to a proportionate share of the rental and/or for-sale housing developed on the site. The Aspen/Pitkin County Housing Authority oversees and administers the housing program for the district, in addition to a number of programs for employees of the city and county. The Housing Authority’s well-developed guidelines of program administration can be found online at [http://www.aspenhousingoffice.com/GUIDELINES_06/guide2006_04_28_06\(1\).pdf](http://www.aspenhousingoffice.com/GUIDELINES_06/guide2006_04_28_06(1).pdf).

Employer Assisted Housing Example

Marshall Parkway. To address labor shortages, a nonprofit development organization joined with a large local employer—Schwan’s Food Company—to develop affordable housing for company employees and encourage the retention of workers.

Marshall is a small community (population of 12,735) located in southwest Minnesota. Schwan’s Food Company is the largest employer in the area, having 2,500 employees. In the late 1990s, Schwan’s and other employers in Marshall were having difficulty recruiting employees and had labor shortages.

Organization and administration. At the same time, the Marshall Area Plan was being developed. The committee tasked with overseeing the plan identified the lack of affordable housing as a key barrier to sustainable economic development in Marshall. A subsequent study of housing needs confirmed the shortage of residential housing, and concluded that the local workforce was being priced out of the market. The Marshall Economic Development Agency (MEDA) became examining strategies for developing housing that would be affordable to families earning between 50 to 80 percent of the median income. MEDA found and engaged an existing nonprofit housing developer—the Southwest Minnesota Housing Partnership or SWMHP—to develop a plan for housing development.

Design and development. MEDA and SWMHP began evaluating potential development sites in 2000. They located an appropriate site near downtown Marshall. The City purchased the land with funds derived from a tax increment financing (TIF) bond issue. Construction was planned in two phases, with sales from housing developed in the first phase helping to fund the second. Phase 1 consisted of 42 single-family lots and 18 rental townhomes. The overall design of the development called for a mix of housing: 78 single-family units, three duplex lots and two multifamily buildings (one 18-unit, one 30-unit). Homes had different looks, ranging from ranch, neocolonial and split-level, some with front porches. The affordable units had slightly lower square footage and less expensive finishings inside. The site plan was designed to integrate into the surrounding neighborhood with the goal of stimulating more residential development.

The program’s success has prompted the City to develop another phase, Marshall Parkway II.

Financing. MEDA’s involvement in the project meant that funding could be leveraged from several sources, including the Minnesota Housing Finance Agency and Schwan’s Food Company. Funds from these organizations were used for construction. (As stated above, the City purchased the land using TIF). SWMHP’s role was to find and market financing products (e.g., downpayment assistance, low-interest mortgages) that would enable homeowners to purchase units in the development. The units were marketed through “word of mouth” and with open houses. In addition, Schwan’s sent out information about the development in employees’ paycheck envelopes.

Lessons learned. Several lessons were learned from this unique project that can be employed in other cities:

- Employer-assisted housing is feasible—and is probably a better fit—in smaller towns, because of the close relationships between employers, local governments and citizens. There is also a potentially greater need for companies to play a role in providing

affordable housing in smaller markets because fewer inexpensive housing options are available there.

- TIF bonds that were used to purchase the land for the development, helped reduce the cost of land acquisition, a savings which was passed on to homebuyers.
- Town officials realized that they did not have the institutional capacity to develop a successful affordable housing strategy on their own, and therefore, partnered with SWMHP.

The involvement of a major employer was critical to the process. Besides contributing financially to the project, Schwan's involvement added credibility and helped legitimize the concept of affordable/workforce housing development in the community.