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# **From Conflict to Compassion:**

A Colorado Housing  
Development Blueprint For  
Transformational Change

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## ABOUT THE TERRY J. STEVINSON FELLOWSHIP

**The Terry J. Stevinson Fellowship** was established in honor of Terry J. Stevinson, a founding board member of Common Sense Institute (CSI). Thanks to Mr. Stevinson's continuing dedication to free enterprise these fellowships have been named in his honor.

The Terry J. Stevinson Fellowship is designed to spur thoughtful policy discussions and potential solutions regarding the many policy and economic challenges brought about by population growth in Colorado. Through a multi-year effort, CSI will work with two or more individuals with differing backgrounds on an annual basis to dive into one particular area concerning growth.

### **About the 2021 Fellowship**

With an influx in the Colorado population over the last twenty years, housing affordability has quickly become a pressing issue in many parts of the state. While this is not an issue unique to Colorado and its major urban areas, it remains an important issue to maintain Colorado's quality of life and economic competitiveness. **That is why the 2021 Terry J. Stevinson Fellowship will be dedicated to researching the issues surrounding growth and housing.**

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## ABOUT COMMON SENSE INSTITUTE

**Common Sense Institute** is a non-partisan research organization dedicated to the protection and promotion of Colorado's economy. CSI is at the forefront of important discussions concerning the future of free enterprise in Colorado and aims to have an impact on the issues that matter most to Coloradans.

CSI's mission is to examine the fiscal impacts of policies, initiatives, and proposed laws so that Coloradans are educated and informed on issues impacting their lives. CSI employs rigorous research techniques and dynamic modeling to evaluate the potential impact of these measures on the Colorado economy and individual opportunity.

Common Sense Institute was founded in 2010 originally as Common Sense Policy Roundtable. CSI's founders were a concerned group of business and community leaders who observed that divisive partisanship was overwhelming policymaking and believed that sound economic analysis could help Coloradans make fact-based and *common sense* decisions.

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## Executive Summary

The housing affordability crisis is reaching a breaking point in many markets across Colorado. May 2021 set a record-low number of home listings in the Denver Metro at just 2,075 compared to the monthly average of 15,563, and the 12-month increase in the price of the average single-family detached home sold grew by 29%.

However, this is not a new problem. The average annual number of new homes built every year in Colorado since the 2008 financial crisis is 46% lower than the annual average in the 8 years leading up to the recession. If Colorado were to return to the average housing to population ratio between 1986 and 2008 it would require an additional 175,000 housing units across the state today. To close that gap and meet the future population needs **Colorado will need to develop 54,190 new housing units annually over the next five years**. Despite housing being a foundational human need, the cost burden of housing has threatened too many Coloradans' way of life.

We need transformational changes that can bridge the divide we have in our communities that has led to a broken housing development value chain. The conclusions of this report offer practical solutions to break us from the status quo. While they require bold action from our state's housing leaders both in the public and private sectors, the time to act is now.

***The research and policy ideas of this paper were informed by over 40 conversations and interviews with housing experts across Colorado.*** We went into each interview with open minds and listening hearts.

**Our methodology was simple: ask the questions no one else is asking.** What are the force multipliers? Where are the rabbit holes? Where are they doing it right? What is no one talking about but needs to be part of the conversation? If you had the magic wand for the day, how would you fix this issue? The conversations around these questions shaped our thoughts, influenced our recommendations, and in some cases, changed our minds. The following guiding principles serve to ensure conversations around reforms recognize we share a common interest in seeing positive change.

## Colorado Housing Development Guiding Principles

### LET US:

- 1. Be honest with ourselves** - and do away with binary constructs that distill people into characters. No more “us vs them”, “good vs bad”, NIMBY vs YIMBY. Simply, us as Coloradans, in need of an affordable home.
- 2. Embrace growth** - a vibrant, growing economy, supported by a healthy housing supply, benefits us all; increasing our tax base, sustaining our communities’ basic needs.
- 3. Reform the popular notion** that all development, most specifically affordable development at or below 60% AMI, must pay its own way.
- 4. Be proportional, equitable, and inclusive.**
- 5. Acknowledge that the private market** will not create deeply affordable units at the scale required on their own, nor will inclusionary zoning tools alone accomplish this in our current construct.
- 6. Embrace new building methodologies** to increase productivity and growth.
- 7. Act with a sense of urgency and purpose.**

Building from our guiding principles, stakeholder conversations and our collaborative research, we offer a sequence of reforms that can disrupt the broken system holding back housing supply. These solutions are distilled into ideas that work as told by our stakeholders, force multipliers that could bring about a change to the development landscape, and a Colorado Housing Development Blueprint that could lead to transformational change.

Ideas that Work

Force Multipliers

Transformational Change

### Ideas that Work and Force Multipliers

We have curated a list of the most recommended policies discussed during our stakeholder engagement and subsequent research, for our state and local governments to consider in addition to our own recommended policies. We passionately reiterate the sobering fact that all the tools in the world won't make a difference if we don't first change our entire mindset when it comes to housing development and growth. The policies below are only as effective as we allow them to be and any one of them alone will not solve our problem.

## Ideas that Work, If We Let Them

These options for policymakers to consider come from a broad range of housing professionals in our state; the people doing the work. We have seen some of these ideas in play in other cities and so we dug into how they worked and what could work differently in our state.

1. Prioritize the Use of Public Property for the Development of Mixed-Use Affordable Housing
2. Prioritize Homes Over Parking Spaces and Create Greater “Use By Right” Zoning Overlays
3. Unlock Large and Non-Traditional Sites for Housing Development (e.g., Malls and Large Retail Sites)
4. Utilize Community Land Trusts to Create and Maintain Affordable Home Ownership
5. Allow for Accessory Dwelling Units - An Important Step Towards Standardization
6. Expedite the Review, Permitting and Public Hearing Scheduling Processes for Qualified Projects
7. Reduce or Waive Impact Fees for Qualified Projects
8. Introduce Other Forms of Capital in Addition to Low Income Housing Tax Credits

## Force Multipliers

**Common sense means practical and pragmatic. But, when applied correctly, it can also be a force multiplier.** We were not restricted by ideological constraints. Because we want solutions that unleash the talent and skill we possess in our state, we released ourselves from any tribal loyalties and trusted one another to pressure test and think through big ideas. We are asking our leaders and housing partners to do the same and we have some ideas to share.

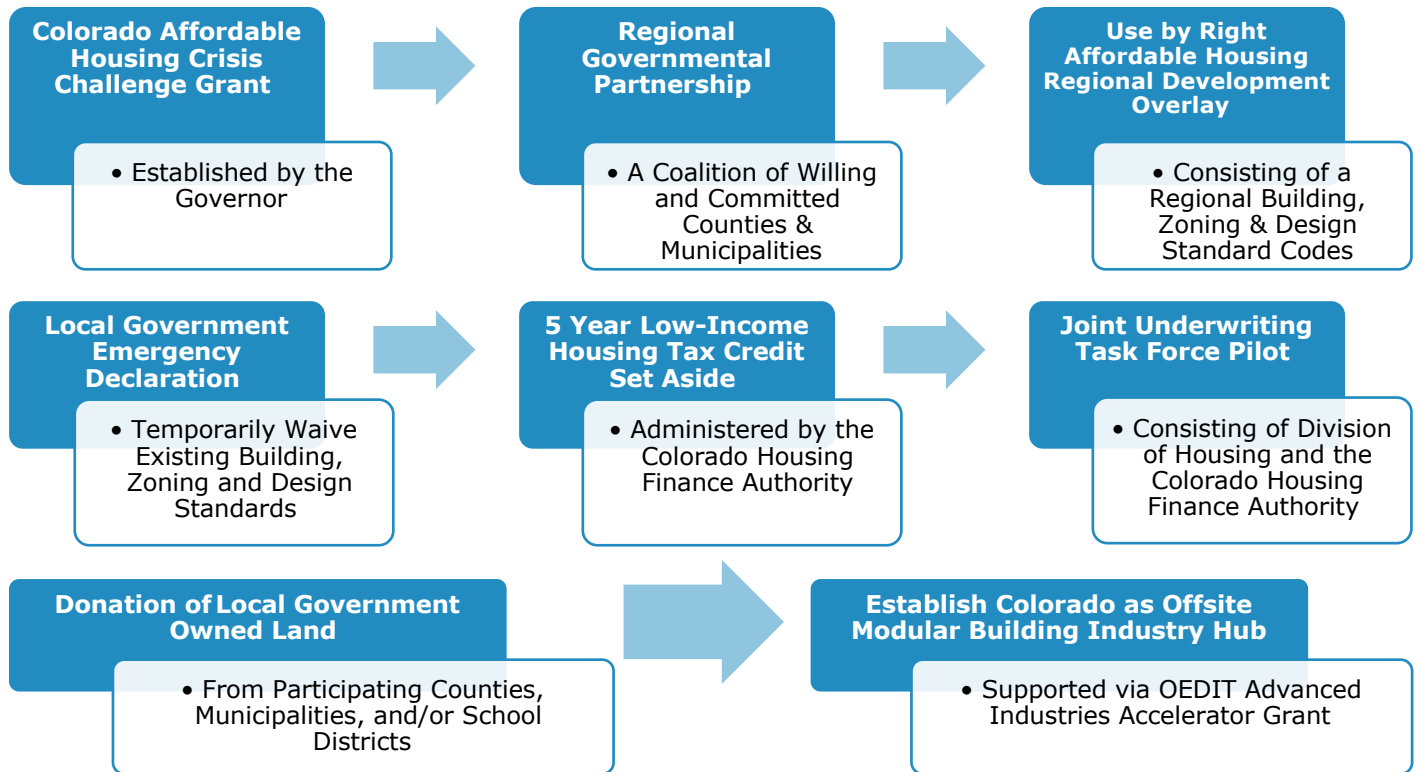
1. Implement a uniform statewide building code to kickstart productivity gains
2. Expand pathways to careers in construction
3. Scale the Telluride Foundation Rural Homes: For Sale, For Locals pilot project



## Transformational Change

We have the ability to jump start progress using the funds of the American Rescue Act. This influx of cash from the federal government can make a generational impact on a problem that will last for decades if we don't act now.

## The Colorado Housing Development Blueprint



The solutions we offer are aimed at increasing housing opportunities for our fellow Coloradans. They would be all for naught with the implementation of anti-growth measures. **We view no growth ordinances as the biggest threat to affordable housing in Colorado, and our state legislature should act to eliminate these threats.** These measures negatively impact any and all development which has deleterious effects on our economy and infringes on individual property rights which is just plain un-American.

The events of the past 15 months have caused seismic shifts in how we view and see the world, each other, and what we value most. They have also further stressed our already broken system of housing development and caused unsustainable pressure on affordability. With a little ingenuity, collaboration, and good old pioneering spirit (and of course funding), the Blueprint we designed could make a measurable impact on our housing challenges and be on the forefront of transformative change in the housing industry.

## Introduction

It's a universal fact that everyone needs a home, or is it? Housing is a human right, or is it? Housing is infrastructure, Housing is healthcare, Housing is wealth, Housing is opportunity. Housing is, Housing is, Housing is... Yet here we are in the throes of the worst housing crisis our state and nation has faced since the end of World War II with no meaningful consensus on how to effectively solve the issue. Median home prices across the state are experiencing double digit month over month increases, over seventy percent of home sales in 2021 have experienced bidding wars with the majority closing for tens of thousands of dollars over list price. If housing is so critical to our health and well-being as humans, then why are we here? Why are so many Coloradans priced out of an affordable place to live, be it a rental or an owner occupied home? Why do so many Coloradans oppose new developments in their communities? How can we break this cycle of conflict that has led us to woefully miss the mark year after year of new housing creation here in Colorado, to meet the fundamental need of our growing population?

The issue of housing affordability in Colorado is not a new issue. Over the last decade we have not been building enough homes to meet the demand for housing. As more and more people are driven to the Centennial state, whether for the moderate climate, the outdoor activities, the laid-back lifestyle, or our diverse and strong economy, the state continues to attract more people who want to make Colorado their home. Despite the pandemic, people are still moving, and many are moving here, according to a recent study that ranked Denver as the 5th most popular moving destination,<sup>i</sup> behind Phoenix, Houston, Dallas, and Atlanta. The same study ranked the state as a whole 8th for inbound moves nationwide.<sup>ii</sup> And over the last year, as people became disillusioned over the tight and overcrowded cities of the coast, and as pandemic "work from home" turned into "work from anywhere," 2020 saw an influx of individuals moving from high-cost states. They were flush with cash and ready to buy; exacerbating an already tight housing market, driving prices up, and creating a frenzy in almost every housing market in the state.

In Denver, residential homes in every segment are flying off the market within days, not weeks. In May, median home prices rose 22.81% year over year. And the average single family detached home in the Denver metro region closed in May at an all-time high of \$700,559, a jump of over 29% from an already competitive year prior. Resort mountain towns are likewise experiencing dramatic surges in demand for both primary and secondary home buyers. Many buyers are foregoing inspections and other processes meant to protect buyers, while still making aggressive offers that are \$20,000 to \$100,000 or more above sales price. Who can afford to make these aggressive offers? Desperate Coloradans, institutional and cash buyers.

A 2017 poll from Colorado Mesa University ranked housing as the number one issue facing Coloradans. A more recent online survey conducted by Magellan Strategies of

Colorado voters found that 74% consider affordable housing to be a problem in their community. There isn't a news publication in the state that doesn't cover the housing crisis on a weekly basis, if not daily.

People looking for homes are frustrated and trapped. And what is clear is that we aren't building enough housing. Colorado must provide housing for a diverse set of residents, and thus far we would give ourselves a failing grade in this area. There are ongoing discussions from the state capitol to the kitchen tables about housing affordability. And there is no dearth of opinions on policy interventions that should be undertaken to alleviate the problem.

So where does that leave us? Our goal with this report was to provide an overview of available policy interventions, provide our recommendations on what could be done, along with what should be done, and do it all in a way that makes sense to everyone. Because this is a problem that affects all Coloradans; whether you are searching for a home, fighting off eviction, couch surfing, living in your car, a tent, or reading this with heartfelt concern. If we are to solve this crisis we must put aside ideology and political labels to focus on the heartbeats that we work to house.

## Methodology

To make some sort of sense of the chaos, we engaged a diverse group of stakeholders to search for root causes, identify systemic change drivers and break through the noise that divides Coloradans on this issue. We wanted to talk to the people on the ground, doing the work, to hear their unfiltered thoughts on what needed to be done to get us out of this housing deficit. What questions are not being asked? Or more importantly what questions are being asked but the answers are embargoed, sequestered, lost to the broader debate? So, we went to the experts in the community that represented voices across the housing continuum and communities across the state.

Beginning in late February through June we met with over 40 industry leaders encompassing elected officials, developers, general contractors, lending institutions, state and local government professionals, neighborhood collaboratives, community activists, offsite builders, land use and planning experts, investors, industry associations, and policy professionals and practitioners at every state, local and federal level. What we found was a dedicated, passionate, vulnerable and eager audience; each focused on doing their part to house Colorado, and to do so to the best of their abilities. And before we get too far, we acknowledge and appreciate the time and input these people have given us. Their insights have shaped our thoughts, influenced our recommendations, and in some cases, changed our minds. We went into each interview with open minds and listening hearts. The crisis that is plaguing our communities is not a new development and took years in the making. We hear a chorus of voices throughout the state all calling to solve the problem. But what we do not hear is the consensus on how to get there, or frankly, common sense solutions.

Our methodology was simple: ask the questions no one else is asking. We found that regardless of the stakeholder being asked, it launched us into a wide-ranging conversation from people who were deeply committed to housing people, building communities, and solving problems in our state. So we kept asking. What are the force multipliers? Where are the rabbit holes? Where are they doing it right? What is no one talking about but needs to be part of the conversation? If you had the magic wand for the day, how would you fix this issue?

Asking the right questions is important. And when you get a couple of dedicated and concerned housing professionals on a zoom, the conversation can be wide ranging. But even more important than asking the right questions, is listening to the answers. Coming from different parts of the ideological spectrum, we came with different viewpoints and often our own answers to the questions we were asking. Yet, if we had the obvious answers, what would be the point of even asking other experts? We engaged this group of experts to hear their inputs, rather than be converted to one viewpoint or the other. Because we acknowledge we didn't necessarily know the answer, any idea was legitimate, all concerns were rational, and even contradictory perspectives could lead us to capitalize on the tension between views that led to valuable insights. We asked the hard questions which led us to engage in trade offs and engaging with people with different viewpoints allowed us to improve, refine, and pressure test our recommendations.

Time and time again we left these conversations invigorated, optimistic yet bound by the realities of our constraints. Each expert illuminated a systemic fracture in the delivery model, each expert shared how well intended stakeholders, in all roles, in an attempt to address a concern or an ideal more often than not, exacerbated the root problems as opposed to moving towards meaningful change.

While many expressed frustrations they were quickly transformed into opportunities inspired by a sense of genuine urgency. A shared desire for bold, sweeping change permeated throughout each conversation. Eager to share ideas as to what trade offs they would gladly debate and ultimately greenlight should the opportunity to empower true outcomes present itself.

Take this quote from an affordable housing developer: *"We're losing the fight, we need to bring the hustle!"*

Or this quote from a market rate and affordable housing developer: *"This is our generational problem to solve."*

## **So How Did We Get Here in the First Place?**

What became readily apparent was the extreme lack of equilibrium in our housing continuum. When we say extreme, we mean irrational. Coming out of the great

recession, the state of Colorado stopped building. With a supply chain dependent on abundant local skilled labor, cheap commodities such as lumber and resins, low interest rates, abundant credit and a traditional pool of buyers who will put 10 to 20 percent down on their home via a standard mortgage lender, any one disruption can impact the cost and availability of housing and disproportionately affect affordable housing. Breaking down the complexities in a manner that is easy to understand and that doesn't come off as pushing an agenda is difficult.

*"Housing is highly complex and most good natured folks don't have the time to make sense of it all - threats become easily overblown."*  
- Industry Expert

One industry expert stated it clearly: *"Housing is highly complex and most good natured folks don't have the time to make sense of it all - threats become easily overblown."*

Where we find ourselves today is akin to fighting a war on multiple fronts in the winter, with dwindling food and supplies. Labor is significantly constrained and aging. Families are reluctant to support, let alone encourage, their children to go into the construction skilled labor trades despite strong prevailing wages and low barriers to entry. Builders are practically rolling out the red carpet to train and hire workers. Commodities are scarce due to multiple factors including the COVID-19 pandemic, natural disasters that have closed mills, tariffs on Canadian imports, and the misforecasting of the sheer demand for home remodeling in mid to late 2020.

Concurrently, Coloradans have grown fearful of housing development and we are letting each other know it. Social media has expedited the ability for community members to organize and express their feelings at a pace and tone that exacerbates the divides in our thinking on this fundamental need of ours. Take as an example the divisive and dangerous tribalism of Not In My Backyard (NIMBY) vs. Yes In My Backyard (YIMBY) - a classic example of what author Amanda Ripley calls High Conflict, which is present in all major human conflict - that has spiraled out of control.

*"High conflict can start small, but it becomes all consuming and has a life of its own. It usually is an us-versus-them conflict, but it can be about anything..."* - Amanda Ripley

Ripley describes how quickly disagreements can turn toxic if we are not tuned into the warning signs, *"High conflict can start small, but it becomes all consuming and has a life of its own. It usually is an us-versus-them conflict, but it can be about anything. What happens is*

*our brain behaves differently. We start making significant mistakes about each other and the opportunities. And, eventually, everyone suffers to one degree or another. And everything we do to try to end high conflict usually makes it worse."*<sup>iii</sup> Ripley goes on to share that once groups become entrenched, compromise becomes very challenging. *"We know from decades of research that anytime you*

*sort humans into two oppositional groups, they will start behaving badly and favor the people in their group."*

High conflict does not stop in our social media interactions. Community public hearings, a necessary and integral part of the entitlement process, often devolve into theaters of High Conflict, or us-versus-them conflict, across Colorado. What should be routine reviews of housing development proposals have become intense, often contradictory, and deadlocked disagreements. Well-meaning, good-hearted people who legitimately fear the impacts of housing development on their lives share concerns about the potential for tragedy be it in the form of traffic fatalities, increases in crime that threaten their physical safety, and fears of economic ruin via plummeting property values, which they see as the very foundation of their fiscal stability. Housing advocates, if in attendance, engage and counter with vigor, sharing their heartfelt grievances regarding systemic racism, oppression, wage and income inequality, and gentrification. Often, the only voice in support of the development is the developer, whose financial stake in the project makes them poorly suited to make the case in other's eyes.

Many expressed exhaustion, doubtful of the effectiveness of our current state of polarization - one community organizer framed it as such *"NIMBYs and YIMBY's are overrepresenting their positions - most people feel powerless."*

*"NIMBYs and YIMBY's are overrepresenting their positions - most people feel powerless."  
- Community Organizer*

Local officials, leaders and staff feel duty bound to listen, engage and often intervene. Those in support of housing development have grown tired, frustrated with the consistent resistance to what feels like any and all development projects - especially those that are affordable housing or that house formerly homeless community members. One developer simply stated *"all we want, all we need, is predictability."*

*"All we want, all we need, is predictability."  
- Community Developer*

One participant expressed a well-intended climate change "green initiative" as such: *"If you want a novel requirement that is a new, emerging technology, with little to no competition amongst vendors which creates no economies of scale, it's going to be expensive, contrary to what your consultant is telling you, and to make it worse, you refuse to offer an offsetting financial incentive or funding mechanism to support it, guess what - the end user is gonna pay for it, that's the tenant, the renter, the owner, and if you are to survive as an owner you're going to understand how to best pass on that cost."*

A common response following a critique of this type is from a market and affordable rate developer: *"I hate that I have to choose between the environment and affordability - but we have few viable choices."*

As Coloradans, we find ourselves in a classic binary trap where we're struggling to get out but we feel we have no options. The truth, however, is that we actually have many highly impactful opportunities, and we are already using many of them. But they cannot work in a vacuum; no one policy alone, or two, frankly, can save us.

*"It's time that each of us engage with our tribes and broker deals amongst our factions first, so that we can compromise with others – we have no other option but to compromise."  
– Market Rate Investor*

The biggest force multipliers require something greater of us - something rare, something fraught with risk: servant leadership, driven by the transformational power of vulnerability. We have to each admit where we have gotten it wrong as much as where we've gotten it right.

While discussing vulnerability and a willingness to compromise, one market rate investor and land use expert expressed it as such: *"It's time that each of us engage with our tribes and broker deals amongst our factions first, so that we can compromise with others - we have no other option but to compromise."*

So where are we going astray? Where have we lost the path? Throughout the entire housing continuum, we need to start working together towards a common goal. The Governor, state and local officials, Fortune 500 CEO's, Foundations, Chambers of Commerce, Universities and Hospitals - suit up, we're all on the team. Vulnerability - we need more of it, our current approach is simply not working, it's not that we don't have the tools, it's not that we're lacking an understanding of the need for affordable housing, it's our reluctance to accept that we need to radically change our entire approach to how we view, discuss and facilitate the development of housing, and it starts with leadership.

One interviewee who is an expert in impact investing feels that Coloradans are ready for systemic change because of the unique nature of our state politics, something missing in other states, *"Colorado is the perfect proving ground - we collaborate across partisan lines, we place our egos aside, we can lead with hope."*

*"Colorado is the perfect proving ground - we collaborate across partisan lines, we place our egos aside, we can lead with hope."  
– Expert in Impact Investing*

We are living in a period of enormous change. Housing is deeply personal. Yet we cannot allow our housing policy to be ruled by emotion and feelings, unless, that is of course, we don't want to get anything accomplished. What's needed is leadership. Much can be said about the qualities of a great leader. We all have personal experience in this. We either know by having a great leader in our life, or we know what qualities a terrible leader in our life does not have. One characteristic of great leaders is decisiveness. Great leaders understand how to balance emotion with reason and make decisions that positively impact their employees, customers, stakeholders, organizations and ultimately themselves. As author Simon Sinek

teaches us, "Leaders Eat Last."<sup>iv</sup> Making good decisions in difficult situations is no small feat because these types of decisions involve change, uncertainty, anxiety, stress, and sometimes the unfavorable reactions of others.

Leaders make hard choices. And we are asking for hard choices to be made. Amidst the many priorities of our state, housing must be one of them, if not *the* priority. All too often people pay lip service to housing as a priority. But through actions and policy decisions we see otherwise. The only real preference is revealed preference. One can see what actual preferences are made by people by observing their actual choices. When we are discussing housing, we see this in the policy choices our leaders make; often choosing options or creating regulations or laws that make projects virtually impossible to build.

*"There are no solutions,  
there are only trade-offs."  
– Thomas Sowell*

As economist Thomas Sowell has famously said, "There are no solutions, there are only trade-offs." So the real question becomes, what are the trade-offs for the policies we implement? Housing affordability is a crisis in our state; at every end of the housing continuum, except perhaps if you are lucky enough to be in the luxury home category. Most people in Colorado, whether you are searching for a home to rent or own or just on the sidelines, agree: we are in a crisis. Yet we don't treat it like a crisis. We continue to focus on single policy issues in a vacuum without regard to whether policies work together, in tandem, or assuming that they just don't.

What are the trade offs we are making in our state when it comes to housing policy. There are many, just as an example:

- When we choose parking over housing development
- When we choose lower density over housing development
- When we choose antiquated zoning regulations over housing development
- When we choose agendas over housing development

First, let's begin with the acknowledgement that these can all be legitimate aims. But we can't have all the cake, at least not all at once. It's an inexorable mathematical reality, albeit complicated and complex as it is. However, given the realities of funding, time, etc., we must make choices; we must make trade offs. Given the crisis that we have been arguing over the last several years, we believe the answer should be that housing is our priority. Our commitment to housing should be shared by our leaders as a top-level priority that should not be subsumed by other priorities. And while we call on our political leaders to make housing a priority, we acknowledge that people across the development ecosystem share the responsibility for change, that trade-offs must occur at every level, and collectively we must come to a resolution for the benefit of all Coloradans.

Now that doesn't mean housing is a priority to the exclusion of all else. But what it does mean is that we must prioritize housing and the choices and actions we take must reflect that actual preference.



We fellows call on our leaders at all levels to declare our housing shortage and subsequent housing affordability crisis a state priority. It must be clear to all Coloradans that the time for confusing symptoms for causes is over, the time to address the root causes is now. We simply cannot afford to persist in our current construct. We are frighteningly aware of the past, current and future outcomes should we remain wedded to our current ways.

We are not building enough housing...

The housing that gets built is the housing that we allow to be built.

*"We have no other path to affordability other than increasing supply. None."*  
- Land Use and Planning Expert

We can change our trajectory if we so choose to address the systemic drivers precluding the development of affordable housing for all Coloradans.

One land use and planning expert echoed this blunt root cause: *"We have no other path to affordability other than increasing supply. None."*

Let us say it again - we are not building enough housing in the suburbs, we are not building enough housing in our cities, we're not building enough entry-level, single-family homes, often referred to as starter homes, and we are not building enough affordable housing because we have not aligned our actions to our aspirations. The Governor should set this strategic priority and should set a statewide housing development goal, benchmarked to current and future demand, with a direction to the state legislature, state agencies, counties, municipalities and political subdivisions to join him in this priority.

So what would make this any different than past attempts? How can we Coloradans accomplish what seemingly no other state has in our national affordable housing crisis?

Let's start by looking at the data.

## **So Just How Bad is Our Lack of Housing Supply? It's Terrible, We Shouldn't Sugarcoat It**

Colorado is growing - like it or not, people continue to move here. We, as fellows, hope they continue to do so. We love Colorado and believe that our great state is fueled by our growth and we should embrace this fact. Colorado has added over 1.5M residents over the last two decades - with the state demographer's office forecasting Colorado to reach 5.7M residents by the end of 2021. This growth rate places us amongst the top gaining states in the country and the pace is not expected to subside with our forecasted net in-migration averaging 51,393 new Coloradans a year over the next decade.

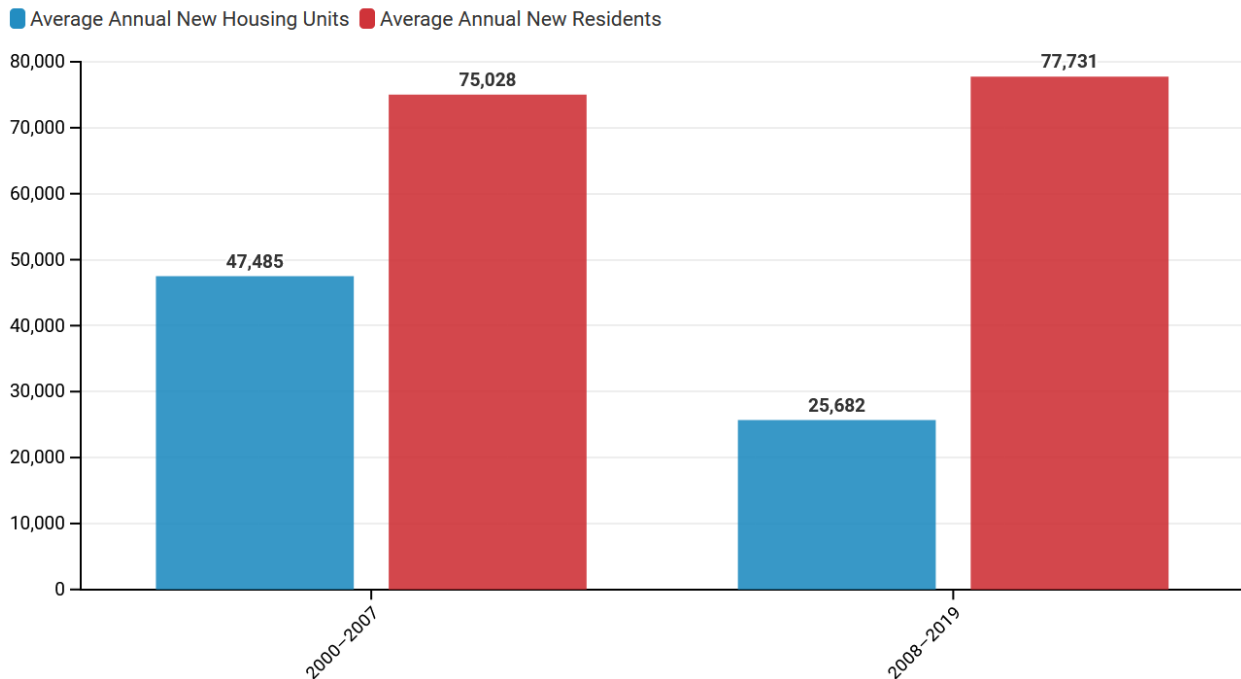
So are we keeping pace with our population growth in regards to new housing creation? Let's evaluate the total housing units created in Colorado with a focus on the past two decades from 2000 to 2019 using information from the US Census and the state demographer's office. It is here where we can see the compounding challenges of low housing unit creation in any given year, or even worse multiple year periods, creates - which has plagued our state ever since.

The high-water mark for housing units created in Colorado is 1972 with a healthy 65,664 units; a level we've not come close to any year since. In 2001, we created 55,007 units, and thanks in large part to consistent housing creation, for the first eight years of the decade we created more new homes on average per year, 38,558, than we averaged yearly in net in-migration, 36,804. However, the Great Recession created a gap from which we continue to experience the ramifications.

The Great Recession obliterated the housing development market, in the year 2008 we built 18,998 homes, a reduction of 35.5%, compared to 2007 when we built 29,454. But wait, it gets worse when we compare 2008 to the average from 2000 to 2007 of 44,653 homes built per year, representing a reduction of 57.45%. Okay, so that's concerning but wait again, the bleeding continues. In 2009, we built 9,355 units, representing a reduction of 79%. Another way to frame the severe impact of the Great Recession on housing development is that over the next five-year period from 2010 to 2014 we averaged 20,921 units created a year, a reduction of 53% from our pre-Great Recession average.

### New Construction Is Not Meeting New Demand

After the Great Recession, construction of new housing in Colorado fell by an annual average of 46% even as population growth accelerated by an annual average of 3%



While this severe reduction in annual housing creation was playing out, our population growth continued throughout the Great Recession; families continued to have children and people continued to move to our state. From 2007 to 2014, we added a total of 322,567 Coloradans, averaging 40,321 a year. Yet during that same time period, we only created 162,416 homes. Doing a simple one to one ratio, that would mean a shortfall of 160,151 units.

	Average Annual Population Growth		Average Annual New Housing Units		Change from Pre-recession to Post-recession	
	2000–2007	2008–2019	2000–2007	2008–2019	Average Annual New Population	Average Annual New Units
Adams	7,591	8,447	3,906	1,528	10%	-61%
Arapahoe	7,743	9,382	4,305	2,305	17%	-46%
Denver	3,132	12,952	3,476	4,957	76%	43%
El Paso	10,475	10,727	6,214	2,589	2%	-58%
Summit	468	373	716	221	-26%	-69%
Colorado	75,028	77,731	47,485	25,682	3%	-46%

So how do we make sense of our housing supply needs? Do we require a one to one ratio each year of housing creation to net in-migration? How can we create annual targets for our cities and state to build towards, and do so consistently? To evaluate housing supply and demand conditions, Freddie Mac utilizes a formula consisting of the total number of housing units in the state, static estimates of housing demand, and net in-migration impact on the state.<sup>v</sup> To ascertain the demand for housing, Freddie Mac utilizes two components: long term vacancy rates and the target number of households. States with strong net in-migration, low vacancy rates and low housing starts, have a shortage of homes. As of 2018, Colorado per this measure has the fourth worst housing shortage behind only Washington D.C., Oregon, and California.

Freddie Mac concludes that the main drivers of our housing shortage is years of under building, exasperated by our strong state economy attracting consistent net in-migration, a shortage of available construction labor, land use regulations, restrictive zoning policies preventing the creation of supply, oppositional community interests, and a shortage of land. Of late, to compound the existing systemic challenges is the rapidly increasing cost of raw materials such as lumber which has experienced a 300% increase in price. But their most telling concern relates to the types of homes not being built - entry level single family homes. With Millennials now entering their prime home buying years, focused on purchasing a "starter home" the supply and demand imbalance will continue to persist, exasperating our current crisis. Presently, millennials account for more than half of all new mortgages.<sup>vi</sup> However, with a rise in both unemployment and housing prices, affordability remains the largest roadblock to prospective millennial homebuyers. How bad can it be, you ask? You've heard this plea before and everything works out just fine - I mean, every housing market cycle is tough right? Shouldn't today's buyers suck it up and stop complaining, save 20% of the purchase price as a down payment, buy what they can afford, where they can afford it, that's what every generation deals with. Ahh... not this time around, not in this market, not in our state.

A crisis requiring a declaration by the Governor? Hyperbole? Clickbait? We wish that were the case, we surely do not want to be the harbingers of this desperate message, but the facts do not lie. Case in point, the Denver Metro Real Estate Market Trends Report June 2021 which showcases data from May of 2021.<sup>vii</sup>

- The average home sale (single-family detached) in Denver: \$700,559 representing a year over year increase of 29.25%
- This has been made possible due to only 2,075 active listings (detached and attached). When compared to the seasonal average of 15,563 (1985-2020) an eye popping, gut turning reduction of 86.6%
- The spring buying season is especially telling. The month of May has traditionally been one of the strongest for month over month listings of homes for sale in a given year with an average increase of 8.11%. In May of 2021, we experienced a meaningful decrease of 20%, the largest on record and the only year we have experienced a month over month decrease in May since 2000, which was of a far smaller in impact at 3.15%
- The cost of lumber has increased 300% since April 2020. Resins, concrete, and steel are increasing at a likewise alarming rate.
- Denver has now experienced their first home lot auction sale - something previously thought of as exceedingly rare.

Colorado, whether in the front range, the high country, or the western slope, is experiencing a severe housing supply crisis. Our cities and counties struggle to create a policy environment that supports the creation of affordable housing options for their growing populations; costs rise, frustration mounts, and all Coloradans suffer. This lack of existing housing stock, exacerbated by the housing development

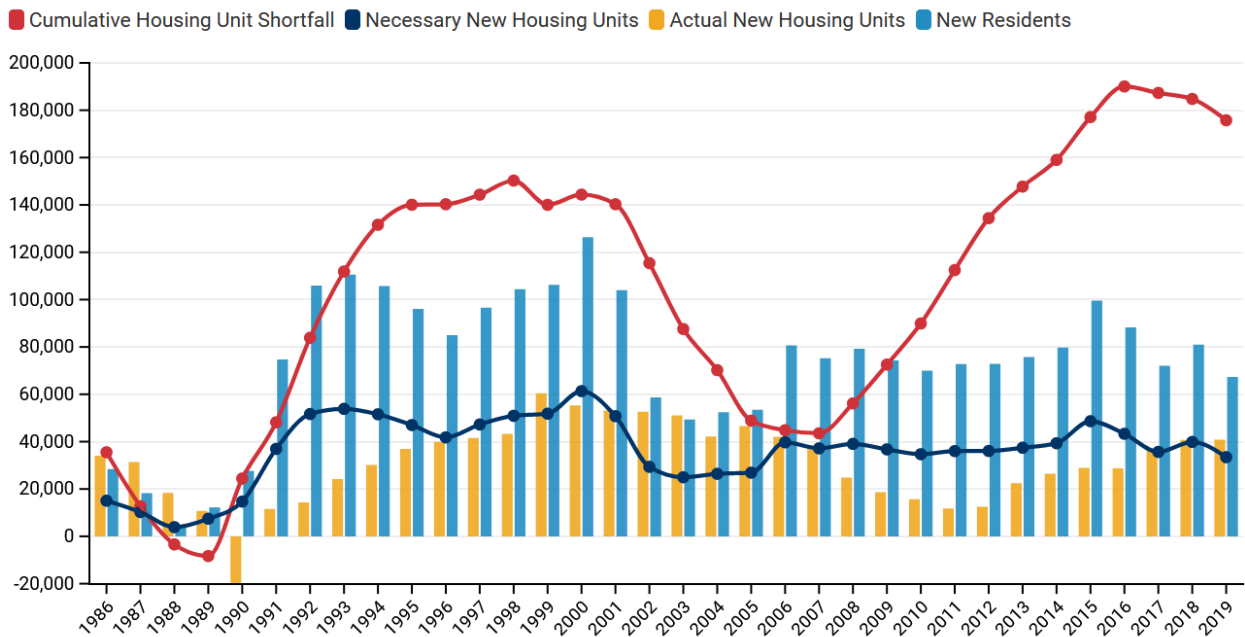
lull during and after the Great Recession, coupled with local land use and zoning regulations that make developing housing more expensive than in generations past, has hampered our ability to keep pace with net in-migration. Barring a significant change in net in-migration, we simply have no precedent that gives us confidence that we can build the amount of housing units annually to meet the existing demand; let alone create more slack in the system by producing the units we need to recapture from the lost years of the Great Recession without wholesale change. But all hope is not lost. We can reverse the trends of note - if we're willing to compromise and make tradeoffs. All of us, elected officials, planning commissioners, developers, community members, advocates, are required to change our current entrenched ways.

Take for example how we discuss our current state of affairs. The data demonstrates that we are not building enough housing. Yet we Coloradans are chafing against 40,000 housing starts a year; proclaiming that we are in a "Housing Boom" and questioning how we can support this unfettered growth. We see it in print and in our gathering spaces; this is detrimental rhetoric based on emotion rather than facts, setting expectations that our current amount of housing development annually is too much, when in fact it's not nearly enough. How can we expect our fellow Coloradans to not react in opposition to housing development when our leaders tell them that our current housing development is not sustainable, or is not "smart growth," or is too costly for localities to support in the form of local government infrastructure? Somehow, we've gotten it all mixed up and we've abandoned the key methodologies we've deployed historically to build and grow our cities to meet the needs of our citizens - those here and those we hoped to attract. Without citizens, without employers to support them, our local governments' tax bases are constrained and our cities suffer. Why are we so oppositional to facilitating the creation of housing - what exactly are we trying to accomplish?

As the data demonstrates, we must average over 54,100 housing units created per year over the next five years, and we need a significantly larger percentage of them built, as starter homes that are affordable and attainable to all Coloradans.

## Colorado's Housing Deficit

Colorado has over 175,000 fewer housing units than it would need to restore its historical (1986–2008) population-to-housing ratio



Source: Colorado Demographer's Office and internal calculations

## Housing Deficits in Selected Counties

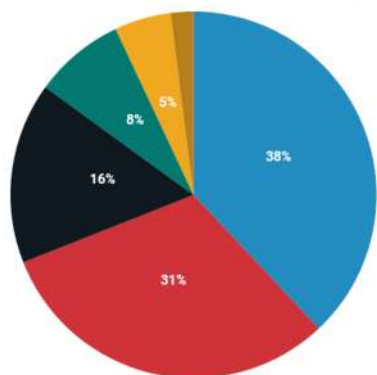
County	Housing Unit Shortfall (2019)	Annual New Units Required to Close the Deficits by 2026	Share of Existing Housing
Adams	8,059	3,829	4.5%
Arapahoe	39,005	8,598	15.1%
Denver	16,359	6,039	4.8%
El Paso	23,941	7,377	8.6%
Summit	1,921	527	6%
State Total	175,744	54,190	7.1%

In addition, the National Low Income Housing Coalition details in 2020 Housing Needs by State how the cascading effects of our affordable housing supply shortage impacts our extremely low income (ELI) fellow Coloradans who earn 30% or less of our state's median income (\$28,790 max income for a family of four).<sup>viii</sup> These individuals are hit the hardest, and their housing stability has and remains an immediate concern. With 162,557 ELI Coloradans representing 21% of our state renter households, 74% are extremely rent burdened, spending over 50% of their income on rent. Who are these ELI Coloradans? They are us, they are our senior Coloradans (31%), they are our fellow Coloradans living with disabilities (16%) and many of them are in the workforce (38%). Our fellow ELI Coloradans are more

likely to experience food insecurity, delay seeking medical care, and are disproportionately at risk of eviction and homelessness. With every affordable housing unit not created due to our discretionary policies enacted by our decision-making processes, we send a stark message to our ELI Coloradans that their lack of housing stability, the very foundation of a healthy and stable life, is a tradeoff we are willing to concede.

### Extremely Low-income Renter Households

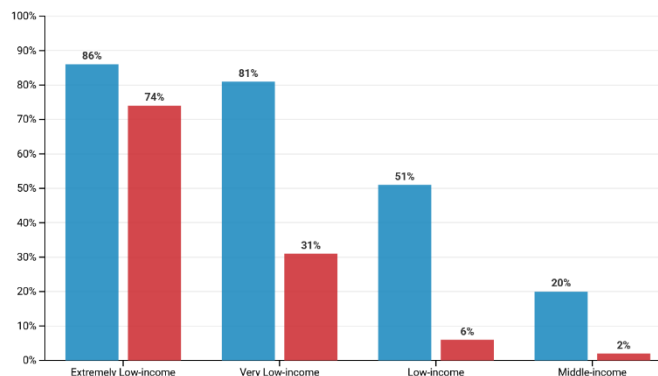
■ In Labor Force ■ Senior ■ Disabled ■ Other ■ School ■ Single Caregiver



Source: National Low Income Housing Association

### Housing Cost Burden by Income Group

■ Cost-burdened ■ Severely Cost-burdened



Source: National Low Income Housing Coalition

Unless we undergo a radical change in the way we prioritize, invest, facilitate, and conceptualize housing development, starting with an honest conversation based on the facts, and move the conversation from emotions to outcomes, we will experience more of the same punitive outcomes for which we are experiencing today. It can, and will, get worse without deep introspection and a willingness to change. We Coloradans can do tremendous things - inaction is not an option, depopulation is not a strategy; it's a dereliction of our responsibility to our fellow Coloradans. So what policies and processes can we engage to get Colorado on the right trajectory?

## Colorado Housing Development Guiding Principles - Our True North

As Terry J. Stevinson Fellows, we have curated a list of the most recommended policies during our stakeholder engagement, and subsequent research for our state and local governments to consider in addition to our own recommended policies. We passionately reiterate the sobering fact that all the tools in the world won't make a difference if we don't first change our entire mindset when it comes to housing development and growth. The policies below are only as effective as we allow them to be and any one of them alone will not solve this problem.

Time and time again our stakeholders reiterated the need to introduce a new language for which all Coloradans can utilize to communicate and engage in a shared housing development strategy where local governments, community members, and housing professionals across the continuum come together with the guiding principle of creating more housing units across all categories, but most

importantly for sale, affordable starter homes and affordable multifamily housing. To accomplish this, each stakeholder group must be willing to compromise and make tradeoffs. Yes, these tradeoffs are likely to draw concern and opposition from the radical elements within our coalitions, but we have no choice remaining - the current process is not and will not serve the needs of Coloradans. We call on all stakeholders to ask yourself - what is the one element within your control that is a systemic driver of our housing crisis that you are willing to confront and change?

So before we dive into the recommended policies we first respectfully present a set of principles that will guide our future decision making, allowing us to assign values to our decision making analysis, breaking through impasses, via clarity of purpose and thus guide our behaviors when the going gets tough -- and it's always going to be tough -- when it comes to housing development.

We call it our Colorado Housing Development Guiding Principles and we see them applying to both creating and preserving deeply affordable housing and heck, all other types of housing development as well. We also acknowledge that we have not included every impactful and viable tool, or identified every initiative. Our scope focused on what stakeholders and our professional experience have identified as root causes—within our control as Coloradans—that if we engage, can unlock the full potential of the plethora of leading housing policies. We have focused on systemic change, not band aids. If we missed a policy that you as a reader love - we probably love it too, except if it's rent control. Sorry, we are not in love with rent control.



## Colorado Housing Development Guiding Principles

1. Let us be honest with ourselves - and do away with binary constructs that distill people into characters. No more "us vs them," "good vs bad," NIMBY vs YIMBY. Simply, us as Coloradans, in need of an affordable home.
  - We must lead all housing conversations with a transparent and honest discussion of the facts rooted in data so that we increase the trust quotient amongst all Coloradans.
2. Let us embrace growth - a vibrant, growing economy, supported by a healthy housing supply, benefits us all; increasing our tax base, sustaining our communities basic needs.
  - Limiting growth only serves to exasperate the housing crisis - no data exists to suggest otherwise.
3. Let us reform the popular notion that all development, most specifically affordable development at or below 60% AMI, must pay its own way.
  - We didn't require this of our greatest generation coming home from WW2 and we shouldn't for this generation. We simply cannot correct this crisis without this fundamental fact. Local governments must resume paying for infrastructure and offsite improvements for affordable housing development. The pay your own way experiment has failed us - just look at the outcomes.
4. Let us be proportional, equitable, and inclusive.
  - Public engagement is essential but one's private property rights do not and should not be allowed to infringe on other citizens private property rights. It is simply not fair to all parties involved. It creates binary high conflict and separates us from accomplishing our mission of creating housing so that all Coloradans can have an affordable home. Engage the public equitability during the master planning process, make decisions, and then adhere to them.
5. Acknowledge that the private market will not create deeply affordable units at the scale required on their own, nor will inclusionary zoning tools alone accomplish this in our current construct.
  - We must continue to incentivize subsidized affordable housing unit creation at 60% AMI or below with a focus on creating units at or below 50% of AMI.
6. Let us embrace new building methodologies to increase productivity and growth.
  - Product standardization, such as modularized offsite building, digitized technology such as BIM, and regional local governmental agreements offering building and zoning code reciprocity is our affordable housing salvation.
7. Act with a sense of urgency and purpose.
  - Every tool, every policy, should be subject to the following litmus test: "*will this increase the amount of housing developed, and as such, create greater affordability? Or will it impede it?*" If we agree and proclaim that affordable housing is a city and state priority this litmus test will ensure our decisions do so as well.

We've set the guiding principles and we all agree on them, yes? Next, we discuss policies we would like decision makers to meaningfully engage, regardless of local control dynamics, as these are of a statewide concern. Just because we've always done it one way doesn't mean we are bound to a failing approach in perpetuity. Let's give these ideas a chance - what more do we have to lose?

## **Ideas That Work, If We Let Them as Told To Us By Our Interviewees**

We were deeply influenced by Amanda Ripley's work which encouraged us to "widen the lens" in order to "get people to reveal deeper truths" when getting to the heart of complex issues. By asking curious questions and listening, we were able to elicit honest answers. In response to the broad questions of "what's working?" and "what's not working?", we were able to hear a wide range of policy solutions. But because we wanted to get to the bottom of some of the systemic drivers that have been keeping us in this impasse, we also asked, "what is oversimplified about this issue?" and "is there any part of the other side's position that makes sense to you?" The answers were surprisingly consistent.

We curated these policy options for policymakers to consider that come from a broad range of housing professionals in our state; the people doing the work. Some of these ideas we've seen in play in other cities and so we dug into how those worked and what could work differently in our state.

### **IDEA 1: Prioritize the use of public property for the development of mixed-use affordable housing**

- Harness the intrinsic strengths of Public Housing Authorities (PHAs) via their Powers of Authority to partner with city and county governments, transit authorities, and school districts via Intergovernmental Agreements to facilitate the transfer of government owned lands as a donation for the development of affordable housing communities. Affordable housing covenants ensure that PHAs utilize the land donated in a manner consistent with local affordable housing priorities, dictate affordability requirements, contain development milestones for use of the donated land, and provide transparency for the public to evaluate outcomes. Colorado has a rich fabric of sophisticated Public Housing Authorities who own, operate and develop affordable housing communities - we should expand our partnerships to facilitate affordable housing creation.
  - Local Housing Solutions, a non-partisan "one-stop housing policy platform" developed by the Furman Center at NYU and ABT Associates highlights national examples of this in action.<sup>ix</sup> While we have examples in both Adams and Boulder Counties, we fellows see this as an underutilized approach that is ready to be scaled across the state at a significantly higher level than we have experienced to date.

## **IDEA 2: Prioritize homes over parking spaces and create greater “use by right” zoning overlays.**

This idea captures the following three policies from The Colorado Housing Affordability Project (CHAP), a collaborative of land use, planning, law, economics, and real estate professionals who have harnessed their collective years of experience to address root causes impacting housing affordability in Colorado.<sup>x</sup> As vested professionals, they have created a platform of land use policy reforms focused on increasing the creation of affordable housing in Colorado. Their approach specifically addresses the barriers that zoning presents to the goal of creating affordable housing, with a bipartisan, local control focused approach built upon the following principles: no tax increases, no incremental funding requirements from state and local budgets, application only in Colorado counties of 50,000 residents or more most impacted by the affordability shortage (15 total) and in their words “make a big difference in the ability of the market to deliver affordable units.” In our conversations with the CHAP collaborative, it is our understanding that they are further analyzing the potential impact of their recommendations and expect to update their platform in the near future. We are eager to review their updated findings and we encourage local and state leaders do as well.

- In counties with more than 50,000 residents, reduce minimum vehicle parking requirements by 50% for any deed-restricted affordable housing units.
  - As cited by CHAP, a multitude of studies detail the staggering costs parking requirements place on housing development, reducing the amount of units created by reducing the land available on a site to place the housing in order to make way for parking, causing the remaining units developed to be more expensive.<sup>xi</sup>
    - Creating and maintaining parking is far more expensive than folks realize with costs for surface parking between \$5K to \$10K per stall and for garage parking (structured parking to use development lingo) can cost between \$25K to \$50K per stall!
    - A 2016 study found that requiring one parking space per unit increases the cost of development by 12.5% and requiring two increases the cost of development by 25%.
- In every city or town in a county with more than 50,000 residents, allow by right a minimum of 25 dwelling units per acre on all properties within one-eighth of a mile of any fixed transit station.
  - Zoning can facilitate housing development or, as happens far too often, can hinder or outright eliminate the creation of housing development. It is quite simply the most important element within our control as Coloradans - our zoning policies reflect the decisions we make and the outcomes are ours to own. If we truly believe that we have a housing affordability crisis we must tackle the highly emotional

nature of zoning directly, no matter how challenging the initiatives will be.

- This is a proposal built on compromise and we fellows encourage local jurisdictions to consider far greater density allowances to accomplish the goal of creating greater housing supply.
- In every city or town in a county with more than 50,000 residents, allow by right a minimum of 10 dwelling units per acre in at least 10% of the land area of the city or town.

*"All housing development is being opposed, things are different now, not just affordable development, folks are pushing back against the population gains we've experienced."*

- County Commissioner

*"Although it's not politically correct to say this among affordable housing advocates we cannot create greater affordability without missing middle housing, we can and must work together; we are not enemies."*

- Land Use and Planning Expert

- As described by the CHAP collaborative *"Ten dwelling units per acre is roughly equivalent to a two-story attached townhouse or row house community. Townhouses and row houses—which fall within the category of "missing middle" housing—are important housing types in every community, as these types of homes are often "starter homes" for young families or places where older communities choose to "downsize" to.<sup>xii</sup> This proposal would require every city or town in larger counties to zone at least 10% of their land area for these types of housing, ensuring that more affordable forms of housing are available throughout Colorado's growing urban, suburban, and resort areas. This proposal also ensures that every community contributes to providing housing for a diverse group of renters or buyers."*
  - Here we see another policy focused on compromise as the density and percentage of land areas can be expanded to address the shortage of single-family affordable housing.
  - We fellows also look forward to how CHAP addresses where the percentage of land is to be located as we cannot ignore the historical lessons of redlining which segregated affordable communities, permitting them in locations adjacent to industrial uses, away from amenities that promote economic and health wellbeing.<sup>xiii</sup>

## ***Ok... So Hold Up? Are any other States Doing This? Learning from Massachusetts' Chapter 40B***

In reviewing CHAP's proposal for allowing by right zoning in at least 10% of the municipality's land we could not help but think, why 10%? Why not 5% or even 15%, 25%? What's the right number? In searching for the answer, we turned to the Massachusetts Comprehensive Permit Act, or Chapter 40B of the Massachusetts General Laws which was enacted in 1969. Chapter 40B allows developers of affordable housing to override certain aspects of municipal zoning requirements where a municipality has less than 10% of its housing stock affordable. The law reduces barriers to affordable housing production by granting local zoning boards of appeals (ZBAs) the authority to approve housing developments if 20 to 25 percent of the units remain affordable for a period of 30 years to households with incomes at or below 80 percent AMI. Chapter 40B also simplified the permitting process for developers by allowing them to apply to a single authority: the local ZBA. Chapter 40B sets the process timeframe for approval. The public hearing process must start within 30 days of the application submission, and be completed within 6 months. After the public hearing process ends, the ZBA must issue a decision within 40 days. Failure to comply with either statutory timeline results in default granting of the permit.

Appeal of denials go to the state Housing Appeals Committee (HAC) if the municipality does not meet the 10% affordable threshold. Once the 10% threshold has been met, developers may still apply for a permit, but they cannot appeal the decision. The HAC has the authority to overturn a local ruling unless the development poses a risk to health and safety of the community. The burden of proof is on the local zoning board to demonstrate that there is a valid health, safety, environmental, design, open space, or other local concern which outweighs the regional housing need.<sup>xiv</sup> This is an important departure from other legal precedent in other states where there is a presumptive validity to local authorities in zoning cases.

The passage of 40B was marked by support from liberal legislators and housing activists amidst the inner city decline and unrest of the 1960s. The bill passed narrowly in the Democratically controlled House and Senate of the Massachusetts legislature. The vote was not along party lines, however, garnering support from suburban Republicans. It was signed by Republican Governor Sargent in August of 1969. While considered partisan at the time due Democrat leaders in the House and Senate using political muscle to line up the winning votes, such a bipartisan vote count does not seem achievable these days.

Chapter 40B broke new ground in the battle of zoning reform and effectively set a goal for the state, or "fair share quota" of affordable housing needs. However, the impact was initially limited. Originally, the vast majority of properties were 100 percent affordable rental units with a direct source of funding from public housing or Section 8 funding. In 1990, Massachusetts created the Local Initiative Program (LIP), which allows developers to work with municipalities with state technical assistance serving as the requisite source of subsidy for affordable units. Now, the

majority of Chapter 40B housing built is through the LIP process with private developers building the minimum percentage of affordable units required under Chapter 40B. Given this dynamic, properties built under Chapter 40B are mixed-income. Over the last 50 years, the program has been responsible for creating more affordable housing than any other program in Massachusetts, garnering the attention of other states who are experiencing housing crises.

There are several factors that make a Chapter 40B type legislation attractive given our current housing crisis. We find the affordable housing goal to be a viable option as opposed to a 10% overlay because it provides more options for development. The fact of the matter is that use by right authorization is needed to jump start building in our communities along the entire continuum of housing. Tying it to affordability is one-way communities can ensure that affordable units are being built in this housing shortage. Any legislation would 1) need to address the appeals process as well and make the burden of proof on the local zoning board to demonstrate that the refusal was due to a health or safety concern that outweighs the housing need, 2) provide clear statutory timeframes for permitting which if not met, would allow for automatic approval, and 3) require specific language that legislation applies to home rule municipalities.

### **IDEA 3: Unlock Large and Non-Traditional Sites for Housing Development - (E.g. Malls and Large Retail Sites)**

- Create Use by Right Zoning Overlays via inclusion in local government master plans to facilitate redevelopment without then again requiring local government approval.
  - It is no secret that shopping malls throughout America are struggling; they were pre-pandemic and will continue to do so moving forward. Consumer trends have changed and so has the appeal of large malls with acres of empty parking lots leaving communities to live with these underutilized places. Many malls have large vacancy rates with anchor tenants vacating due to bankruptcy. Often the sites are not maintained creating additional tension and concerns. We see this as a mutually beneficial solution that local governments and communities can deploy to unlock land for housing development. Local governments can preface eligibility based on the affordable housing goals of their community, but we recommend mixed income communities with market rate and a meaningful percentage of deeply affordable units set at or below 50% of AMI.

*"Affordable Homeownership is a force multiplier, providing opportunities for generational wealth, relieving downward pressure on the rental market."*

- Affordable Housing Consultant

#### **IDEA 4: Utilize Community Land Trusts to Create and Maintain Affordable Home Ownership**

- Community Land Trusts (CLTs) are a shared equity solution, offering home ownership for income qualified, home ownership ready community members that, due to the market forces outside of their control, could not qualify for a home otherwise. In Colorado, we have outstanding Community Land Trusts that we fellows cite as examples for Colorado leaders to engage for the creation of CLTs in their community.
  - CLTs provide below market home ownership opportunities through a land lease model
  - CLTs prevent displacement, providing the financial security and wealth building opportunities of home ownership
  - CLTs facilitate community strength through reduced foreclosures and pride of ownership
  - CLTs are the embodiment of affordable housing preservation ensuring that resale homes remain affordable to future income qualified owners

#### **IDEA 5: Allow for Accessory Dwelling Units - An Important Step Towards Standardization**

- Colorado or individual municipalities should implement policies that encourage, expedite, and facilitate the creation of Accessory Dwelling Units (ADUs) for property owners.
  - While not the panacea, and indeed, ADUs are unlikely to make a significant dent in our housing deficit, the creation of ADUs allows homeowners to increase their property values, be revenue generating, and adds to the housing stock in a community. Additionally, it allows seniors to retire in place or on their own property since the ability to downsize in our communities is currently severely restricted. By creating a transparent process with uniform or pre-approved design standards and expedited permitting, jurisdictions can meet ADU goals in their communities efficiently.

A useful case to review is California's ADU legislation. A 2016 McKinsey study identified the need for 3.5 million new homes in California by 2025.<sup>xv</sup> Indeed, Governor Newsom made it one of his campaign promises in 2018, which equates to approximately 500,000 new units a year. Part of the strategy to boost housing production was to increase production of accessory dwelling units. ADUs can be created by taking space from an existing building, adding to an existing structure, or constructing standalone detached buildings. ADUs are a low-cost and readily implementable approach to infill development, particularly in high-cost cities characterized by little to no vacant land. Typically, an assortment of barriers including land use and zoning regulations, permitting bureaucracy, and high construction costs restrict the widespread development of ADUs in a state. With

75% of California residential land zoned for single-family, the extended permissibility of ADU's is an important tool in infill development which can help affordable housing supply as well as add value and potential rental income to the homeowner.

Prior to Governor Newsom taking office, the California legislature passed several state laws in 2016 that permit the building of accessory dwelling units (ADUs), also called granny flats, in-law units, and casitas, on a single-family zoned property.<sup>xvi</sup> His first year in office, additional ADU legislation was passed that addressed barriers to building including restricting local jurisdictions' permitting criteria, streamlining and expediting approval, and eliminating local agencies' ability to require owner-occupancy for five years.<sup>2</sup> Additional changes to ADU laws effective January 1, 2021, further reduced barriers such as owner occupancy, overriding HOA restrictions, and expanded capacity to accommodate the development of ADUs and junior accessory dwelling units<sup>xvii</sup>.<sup>2</sup> Additional provisions included modifying fees from utilities such as special districts and water corporations, limited exemptions or reductions in impact fees, and reduced parking requirements. The state provides grants and financial incentives for the production of ADUs. These provisions further incentivize and promote the creation of ADUs in order to alleviate housing affordability for very low, low, and moderate income households.

In California, nearly 75% of residential land is zoned for single-family housing.<sup>xviii</sup> By allowing a homeowner to build up to two additional units on a single-family zoned property, and eliminating local governments' discretion to deny these projects or impose additional conditions on approval, California has effectively eliminated single-family zoning. Yet, even with additional incentives to build and retooling by the state legislature over subsequent years, ADUs have not reached their desired potential in California. Between 2018 and 2019, permits increased from 5,911 to almost 15,571.<sup>xix</sup> During that same period, ADU completions more than tripled from 1,984 to 6,668.

However, challenges to scaling ADU development remain, particularly in the area of financing. Constructing ADU in California remains prohibitively expensive for many. The Turner Center for Housing Innovation at UC Berkeley found that the average ADU cost in California is on average \$167,000 with large differences in regions based on labor costs. In fact, they found that ADU construction in the Bay Area can exceed \$800 per square foot, equaling \$400,000 for a 500 square foot ADU. Most of the homeowners taking advantage of the new ADU laws were in affluent areas with homeowners with high equity; suggesting a need for better financing tools for low-and moderate-income homeowners.

Unlike California, the state of Colorado has not made any statewide moves to encourage build by right development of ADUs to property owners and has left it up to individual zoning and permitting. Several pilot programs are underway to increase the production of ADUs in various cities. Like other states that are



struggling with ADU production, the ability for an individual to navigate the sometimes wrought process of development is one of the main factors that inhibits ADU production. In Denver a collaborative in partnership with the Denver Housing Authority provides a one-stop shop to ADUs. The pilot program assists homeowners with developing ADUs on their property by providing design, entitlement, housing counseling, financing referrals, and construction services. As homeowners seek to take advantage of home equity, programs similar to this which looks at barriers to development can assist in the creation of more ADUs in the state. A valid, although not complete, solution to our housing deficit, ADUS allow property owners to add value to their property, allows seniors and others to age in place, and reduces sprawl. Prior to any build by right statewide legislation, infrastructure needs, design standards, parking requirements, and fees should be reviewed and streamlined in order to incentivize the creation of ADUs and alleviate housing affordability.

### ***What Is The Hot Topic Of The Moment That Is Leading Us Astray? Rabbit Holes Anyone?***

The entire nation is facing a housing shortage. So, while the conversation in Colorado has been ongoing, similar conversations are happening around the United States. But we know that housing is highly localized. What's working in San Diego, may not necessarily work in Denver. And what's not working in Bozeman, may possibly work in Grand Junction. But we wanted to get the conversation going. In an effort to "widen the lens" we asked, "what are the rabbit hole policy ideas?" and "are there any policy ideas that are overtaking the conversation in a nonproductive way?" We were not surprised at some of the answers, but we delved into the details to uncover if we could find the root of such a contradiction. Here's what we found:

### ***The Elimination of Single-Family Zoning, Panacea, Rabbit Hole or Possibly Much Ado about Nothing?***

Much has been made about the elimination of single-family zoning. In 2019, the city council of Minneapolis approved ending single-family zoning throughout its jurisdiction by allowing duplexes and triplexes on all single-family lots. The much-lauded move was praised as "groundbreaking" and "historic" by the national media and liberal policy groups, yet when we asked our interviewees "what policy, be it recent or not, is leading us astray, all hat, no cattle," time and time again the elimination of single-family zoning was the response. It is still too early to make a determination on long-term effectiveness of Minneapolis' policy change, however, thus far it has not proved to be the boon that many hoped, either for the missing middle or affordable housing.

After decades of decline, the Twin Cities metropolitan region increased its population 11 percent between 2010 and 2016. With expected growth up to another 10 percent, the region needs to add more than 14,000 homes each year for the next two decades to meet existing and future housing needs.<sup>xx</sup> With a

population of nearly 425,000 residents, it is the first major city to eliminate single family zoning. Nearly 70% of its land is set aside for residential single-family zoning. The city council, in order to address a housing affordability issue amplified by lack of housing options similar to those being experienced by the Denver metropolitan area, hoped to address the “missing middle” properties that are accessible to first-time buyers, downsizing buyers, and middle-income households.

However, the explicit goal of the zoning reform was to address racial disparities in Minneapolis’ residential patterns that can be traced back to the beginning of the 20<sup>th</sup> century with evidence of racially restrictive deed covenants. Minneapolis’ 2040 Comprehensive Plan, required under the Metropolitan Land Planning Act, must be updated every ten years.<sup>xxi</sup> The Comprehensive Plan must be consistent with a regional development guide, “Thrive MSP 2040,” which sets the direction for the region’s growth and development.<sup>xxii</sup> The ancillary goal of increasing housing affordability and attainability seems to be a downstream effect for the city council.

The zoning changes faced fierce opposition. Proponents organized an unprecedented community engagement strategy in support of these changes that spanned over two years and 200 meetings; garnering over 20,000 public comments over a yearlong debate period.<sup>xxiii</sup> People on both sides of the debate engaged. The pro-density “Neighbors for More Neighbors” and the anti-density “Minneapolis for Everyone” had dueling lawn signs. Defenders of single-family zoning dominated the public comments, prompting some changes such as allowing up to triplexes instead of fourplexes and easing density limits along transit corridors furthest from downtown. City attorney fought off a last-minute lawsuit to block the city council vote. The City Council ultimately voted for it 12-1.

Since the reform in 2019, change has been slow to come. It was reported in September 2020, the number of permits requested for new triplexes in the city reached a total of three.<sup>xxiv</sup> All three were slated for renovation or conversion of existing properties as opposed to new builds. Some see the lack of results potentially attributed to the fact that it was not paired with other zoning reform. Height and set back restrictions, for example, were unchanged. As were minimum lot size requirements, parking requirements, and more. Therefore, three units can be built where only one was permitted previously, however, the space to build is the same. It remains to be seen if these reforms will incentivize property owners or builders to subdivide houses or build smaller units.

*“Elimination of single-family zoning is not the panacea.”- Housing Policy Professional*

Likewise, in 2019, Oregon became the first state to pass legislation that eliminates single family zoning throughout most of the state. Under the legislation, cities with more than 1,000 in the Portland metropolitan area, and more than 25,000 in the rest of the state, must allow up to fourplexes in single family neighborhoods. Cities between 10,000 and 25,000 must allow at least duplexes. The new zoning requirements do

not take effect until June 30, 2021 and larger cities have until June 30, 2022. Extensions are also contemplated for infrastructure problems.

However, going well beyond what the state passed, Portland's city council passed new policies in 2020, known as the Residential Infill Project, that allows, by right, up to four homes on any residential lot, and up to six if at least half are affordable. The rule also removed parking mandates from 75% of the city's residential land which essentially made driveways optional citywide, reduced the maximum allowed square footage for a single-family home from 6,750 square feet to 2,500 square feet, and requiring at least two housing units on a large lot.

The reform passed the Portland City Council with a vote of 3-1, with Commissioner Amanda Fritz the lone "no" vote, calling it "the saddest vote" she's cast in her 12 years on the council. "By allowing development far from centers and corridors, we are allowing housing to be developed in areas without safe, immediate access to transit," Fritz said. "We are promoting our continued reliance on cars, which is antithetical to our climate goals."<sup>xxv</sup>

Similar to the Minneapolis reform measures, it is too soon to tell if Oregon and Portland's efforts will prove successful. Rather, as a case study, the stories show how the local governance process in these cases worked to effect changes deemed necessary and justified to address the goals of the community. Opposition will be had. This is the reminder, again, that we live in a democratic republic. It's useful to remember how the Founding Fathers thought of a democracy. In Federalist No. 10, James Madison said that in a pure democracy, "there is nothing to check the inducement to sacrifice the weaker party or the obnoxious individual." Later on, Chief Justice Marshall reminded us, "But between a balanced republic and a democracy, the difference is like that between order and chaos." We cannot let chaos win when the healthy and vibrancy of our communities are at stake. Cooler heads must prevail. Big, systemic changes were made in cities like Minneapolis and Portland. Those city councils did the leg work and made choices based on what their constituents needed. Perhaps these were not the perfect policies. But progress counts for something.

### ***Time is Money - We Gotta Speed Things Up***

Every incremental change in the price of development matters. As the cost of building housing goes up, we price more and more people out of the market and force more and more people into untenable situations. Take for example, a February 2021 study by the National Association of Home Builders (NAHB), "NAHB Priced-Out Estimates for 2021," that showed for every \$1,000 increase in the median new home price (nationally \$346,757), 153,967 households would be priced out of the market.

We normally left our stakeholder conversations invigorated and ready to act. There wasn't an interview where we didn't want to stay on the Zoom and talk for hours. However, the frustration was also palpable at times. When we asked, "how do you see the problem?" and "what's not working?" the answers piled up and focused around process and price. However, the next issue we discuss should not surprise anyone.

*"The most important resource is time, where is the sense of urgency?"  
- Market Rate and Affordable Housing Developer*

### **IDEA 6: Expedite the Review, Permitting and Public Hearing Scheduling Processes For Qualified Projects**

- Across the front range of Colorado, affordable housing development review processes average up to a year for Zoning, six months for Site Plan review and two to three months for building permits after construction completion. Reducing this timeline reduces costs and expedites the delivery of housing units. Additionally, affordable housing projects should be prioritized for placement on public hearing agendas. Moving affordable projects to the "front of the line" demonstrates that they in fact are a local priority and are treated as such. Local Governments can identify the criteria of eligibility based on the needs of their community. We fellows recommend fast tracking methodologies that target all phases of the review lifecycle from zoning to environmental review, building permits, and other land use amendments.
  - That's all good and well you say, but what about the capacity of local governments to tackle this opportunity? Local governments are faced with the challenge of competing for talent in our tight labor market. When local governments are short staffed, review timelines are elongated due to elements outside of their control. To assist with providing surge capacity our local and state government should consider a line item in state and local budgets to support competitive hiring practices such as signing bonuses, incentive pay, and software upgrades to systems that empower teleworking. Additionally, if need be, outsourcing to contract providers when demand dictates.

***These Fees Are Killing Projects - UNCLE!!!***

### **IDEA 7: Reduce or Waive Impact Fees for Qualified Projects**

*"Often the biggest impact on an affordable housing project's success or failure, within our control as a local government are impact fees, not every development project should be required to pay its own way in the name of equality - if affordable housing is a local priority, we should treat them as such but not everyone in the*

*building is on the same page.” - Economic and Community Development Professional*

- Permitting, inspection, site plan, architectural fees, park dedication fees, etc., the list is long, pricey and often can make or break an affordable housing project. Local governments utilize the revenue from the fees to pay for the incremental costs of infrastructure to support the new development while keeping taxes stabilized for existing residents. As stated in our Colorado Housing Development Principles, we fellows agree with the multiple stakeholders who shared the importance of waiving fees for affordable housing projects serving community members at or below 60% of AMI. While many Colorado localities waive fees, we see great opportunity for expansion and greater clarity so that developers of affordable housing have a clear understanding of what to expect throughout the development lifecycle.
  - The City of Austin, Texas S.M.A.R.T Housing, and “Affordability” Unlocked Development Bonus Programs are examples of which we are particularly fond.<sup>xxvi</sup>

*We understand that for market rate projects fees are expected but can we please have a cost benefit analysis driving them - why are we not charging per square foot instead of per unit? It’s madness...”  
- Market Rate Housing Developer*

### **IDEA 8: Introduce Other Forms of Capital in Addition to Low Income Housing Tax Credits**

*“We do see CDFI’s financing offsite factory builders, but not at scale.” - Affordable Housing Tax Credit Investor*

- Low Income Housing Tax Credits (LIHTC) Are the Lifeblood of Multifamily Affordable Housing, a Bi-Partisan, American Solution to An American Problem
  - Our interviewees universally praised the outcomes of the LIHTC program, noting that no other equity vehicle exists to create deeply affordable multifamily rental housing at scale in Colorado.<sup>xxvii</sup> The recent investments in the program at the federal level and locally via the expansion of the Colorado State Housing Tax Credit Program are to be celebrated but barriers to entry are high and competition is fierce.<sup>xxviii</sup> Federal and State 4% LIHTC require access to Private Activity Bonds which are in short supply and as such highly competitive.
  - Interviewees expressed the need for additional tax-exempt private activity bonds to support additional 4% LIHTC developments as demand is forecasted to exceed supply.<sup>xxix</sup>

- While LIHTCs are essential they are not a solution in regard to for sale, affordable housing. Interviewees express frustration crafting solutions to meet this critical need.
- New and/or Expanded Partnerships are Required To Finance Emerging Construction Methodologies to Generate Greater For Sale Affordable Housing Creation
  - Community Development Financial Institutions (CDFIs) are a natural strategic partner to empower the financial viability of emerging technology operators in the construction value chain.<sup>xxx</sup> We see tremendous synergies between CDFIs, affordable housing developers and traditional financial institutions to increase investments via collaboration, advocating together to expedite the embrace of industry transformation amongst policy makers, planning professionals and the housing industry at large.

*"CDFI's can affect policy and ultimately outcomes via the way they invest, we see upside in the growing coalition amongst affordable housing developers, CDFI's and advocates,."* - Affordable Housing Investor

## **Now Let's Talk About Force Multipliers. How Can We Break Free From What Is Not Just Feasible, To What Is Transformational?**

All in all, our interviews were illuminating. As professionals that think about big policy ideas, naturally we wanted to solve the problem. We would not have signed up for this fellowship had we not thought we couldn't get to some tangible, actionable, and yes, common sense solutions for the problems our state and industry face. **Common sense means practical and pragmatic. But, when applied correctly, it can also be a force multiplier.** We were not restricted by ideological constraints. Because we want solutions that unleash the talent and skill we possess in our state, we released ourselves from any tribal loyalties and trusted one another to pressure test and think through big ideas. We are asking our leaders and housing partners to do the same and we have some ideas to share.

### **Statewide Building Code - A Paradigm Shift To Kickstart Productivity Gains**

*"Where I can build in Colorado is significantly mitigated due to the variability in building and zoning codes, I can't see why every builder wouldn't be on board with a standardized state building code."* - Offsite Builder

*"Why not just standardize the building code at the state level, we can utilize the most recent version of the International Building Code or the International Residential Code?"* - Offsite Builder

*It's impossible to keep up, every time we engage a new job in a city or county with a different version of the IBC it takes additional staff time which drives up the cost*

*to our customer and elongates the process, it's even worse if the locality hasn't implemented any version of the IBC. We would embrace a statewide building code as we can get a running start on all jobs." - Affordable Housing Architect*

As we asked our stakeholders why the home building industry has not been "disrupted" by new technologies, puzzlingly insulated from labor hour efficiency gains experienced in virtually every other industry, a common theme emerged. Especially from some of the most recent entrants into the home building space: our entrepreneurial, offsite builders who are working specifically to deliver housing in an expedited manner, with a dedication to sustainable, energy efficient, and don't forget, beautiful. Moreover, innovative housing options such as modular homes appreciate at the same rate as stick built homes, releasing some of the stigma of the past.<sup>xxx</sup> This isn't your grandma's manufactured home. Variances in zoning and the complexities of localities embracing new methodologies didn't surprise us, what did was comments regarding a statewide building code.

Implementing a uniform statewide building code would gain several efficiencies across the housing development continuum. Confirming what our stakeholders shared from their professional experience, Elizabeth Cocke, Director of Affordable Housing Research and Technology Division, shares the benefits provided via a model building code in *Building Codes, The Role They Can Play*: "Model codes typically save money for the jurisdiction as well as the property owner. *Builders and designers operating in multiple jurisdictions would need to understand the different requirements of each jurisdiction, increasing the complexity and cost of projects. Developing and maintaining a building code is a costly process, with great potential for the codes to become more out of date. Jurisdictions that write their own codes would have to bear the ongoing burden of maintaining, distributing, and updating them. Builders and designers would need to know these unique local code requirements. Accounting for the potential risks of not knowing the specifics of locally modified codes would raise design and construction costs.*" <sup>xxxii</sup><sup>xxxiii</sup>

In order to achieve cost benefit efficiencies, a code must be simple, a good value, and not outweigh the cost to implement. The adoption of the code should include what, and under what conditions, can local amendments be adopted. Efficiencies will be gained both by statewide adoption and uniform enforcement. However, the greater impact, we believe, would be in the adoption of a uniform code to unlock innovation. Homebuilding seems to be caught in the years of yore, not drastically changing despite innovations all around us in every other major industry.

In reviewing this type of standardization, we looked to Florida which implemented a statewide building code in the aftermath of Hurricane Andrew. The United States has no national building code for states to follow. Rather, building code adoption and enforcement is left to individual state discretion. Leaving a spectrum of

residential code implementation where some states adopt a statewide code and other states have a mixed bag of local jurisdictions with differing codes.

Prior to Hurricane Andrew's devastating impact on South Florida, the state had a minimum building code law where the state's role was limited to adopting all or relevant parts of four model codes. Local governments could amend and enforce their local codes as they desired. Hurricane Andrew revealed the deficiencies of the state's existing building code compliance and enforcement processes. Extensive damage was done to both old and new homes and insurance companies realized that their worst-case scenarios were grossly understated. Andrew broke all records for insurance losses and was the direct cause of Florida's worst insurance crisis in history.<sup>xxxiv</sup> Poor compliance or enforcement in a single county could have ripple effects across the entire state. It became obvious that building codes and their administration and enforcement was a statewide issue with statewide implications.

A state commission undertook a review of local codes and was charged with making recommendations for modernizing the system. During its 16-month study, the commission found a complex patchwork of systems of codes and regulations that were developed, amended, and enforced differently by more than 400 local jurisdiction and state agencies with building code responsibilities. The commission's reform proposals called for a streamlined uniform family of codes which would create greater predictability in the building code which, in turn, would strengthen compliance.

A leading general contractor in Colorado statewide shared they believed that: *"The benefits of moving to a standardized code outweigh the negatives. Yet they remain concerned that if localities are allowed to add on amendments it can mitigate efficiencies gained."*

The Florida state legislature adopted the commission's recommendation and created a single minimum standard building code that is enforced by local governments. The Florida Building Code supersedes all local building codes and may be amended and updated by the Florida Building Commission. Local jurisdictions may amend technical requirements to be more restrictive than the statewide code but only under strict criteria that is outlined in the statute.<sup>xxxv</sup> For example, local amendments may not discriminate against materials, products, or construction techniques of demonstrated capabilities. Additionally, the local amendment must be accompanied by a fiscal impact statement, which must include "the impact to local government relative to enforcement, the impact to property and building owners, as well as to industry, relative to the cost of compliance," and may not introduce a new subject that is not in the statewide code. These amendments are subject to Commission review and must be adopted by local ordinance.

While the code was originally adopted to mitigate and protect property investments against costs linked to natural disasters, the code explicitly mandates that the Code "is affordable, does not inhibit competition, and promotes innovation and new



technology.” In practice, this flexibility allows the use of alternative technologies across a range of price points, thus fostering novel, cost-conscious and cost-effective ways to meet code requirements.<sup>xxxvi</sup>

Homebuilding is ready for a revolution. In order to take advantage of advances in building, we must allow innovation in homebuilding, we see a statewide code as the first step forward into true productivity gains within the Colorado housing industry. McKinsey and Company in their June 2020 Report “The Next Normal In Construction” discusses the slow pace of innovation in the construction industry.<sup>xxxvii</sup> While the report evaluates the international construction industry, North America is included and echoes much of what each of our interviewees highlighted as key barriers to creating affordable housing throughout Colorado.

Varying building and zoning codes in each local jurisdiction hinders standardization of products, processes, and materials. This high degree of local regulation creates a bespoke project-based building approach which is highly fragmented, limiting the degree of standardization and repetition across jurisdictions, resulting in a highly complex, low productivity growth industry that is our housing industry. The highly fragmented non standardized nature of the industry, per McKinsey, is the number one factor limiting the industries productivity gains compared to other industries. McKinsey calculates that the construction industry worldwide has experienced less than 1% productivity growth per year over the last 20 years versus 2.8% for the total economy, driven by the highly fragmented, non-standardized, hyper local nature of the construction industry. This low productivity growth explains why the construction industry’s profitability is low at 5% and even lower in certain trades. This low level of profitability is a threat to our nation's housing supply as insolvency threatens an already constrained market where contractors and subcontractors are in short supply.

Yet once again like our interviewees McKinsey and construction industry leaders are optimistic for what is to come with over 90% of 400 leaders polled stating that *“the construction industry set up and the current ways of working must change.”* Articulating a clear sense of urgency, 90% of the same 400 leaders polled said “yes” when asked the following question, *“Do you think that the need for change in the construction industry setup and the current ways of working is higher compared to five to ten years ago?”*

McKinsey believes we are at the precipice of a paradigm shift because the construction industry told them so. Major reasons cited driving the requirement of innovation listed in the order of highest impact on the industry is: the lack of skilled labor, an increased focus on costs due to affordable housing shortages, tightening work site and sustainability requirements, higher demand for “smart” buildings, customer trends moving towards sustainability, larger and more sophisticated investors with higher demands in relation to project delivery timelines, and as we fellows have noted, a move towards standardization of regulations and building codes across geographies.

McKinsey highlights “*nine emerging disruptions that will fuel the transformation of the value chain.*” We will focus on two elements that our stakeholders identified and that we’ve recommended in our report as key policy recommendations.

- **Industrialization**

- Offsite modular building methodologies enable standardization and if we allow it in Colorado, it can significantly improve productivity, which reduces cost and increases delivery times. Numerous countries in Europe are taking it even further as first movers in this space; utilizing robotics akin to the automobile industry. Colorado should not lag behind. With multiple local offsite modular builders already throughout our state we simply need to embrace, invest, and empower them via standardization of code and zoning across multiple jurisdictions.

*“The Housing Industry, across every step, requires lean manufacturing methodologies. We must ask ourselves what are we doing that is not driving value for the customer?”* - Home Building Manufacturer

- **Digitalization of Design**

- While the use of 5-D Building-Information Modeling in the construction industry is not new, adoption and integration throughout operations has been slow.<sup>xxxviii</sup> As we see in the Telluride Foundation Rural Homes: For Locals, by partnering with an offsite modular builder who also uses BIM technology has allowed them to “attack costs” in a manner rarely seen. BIM technology allows for 3-D models to create a “digital twin” at the onset of project driving efficiencies that reduce waste and ultimately costs.

*“A true innovation would be to use BIM models as part of the review process.”* - Offsite Modular Home Builder

A uniform statewide code would accelerate our willingness to embrace innovation, leading to greater economies of scale and lower prices by allowing markets for products that need consistency such as offsite/modular homes. The time for bold action is now, if not us who, if not now when?

*“We could see a statewide building code.”* - County Commissioner

## **So You Want to Work in Construction But Mom and Dad Aren’t Hearing It. We Got You... Careers in Construction of Colorado**

The American housing delivery model is built upon many components, but one of the most significant is also one of the most challenging. Without it the entire model breaks down; costs increase for both the producer and the consumer as scarcity, coupled with demand drive inflation and rapidly increasing costs. In a business as complex and multifaceted as housing, this could be and often is, a number of

different inputs. But in this regard, the critical path, the input that dictates all others is readily available, skilled, local labor.

This need cannot be overstated. For the majority of our nation's history, labor was not a concern as we had a growing population, who in response grew their cities and states via the built environment. They were heralded; we promoted and celebrated our blue-collar workers. Our local skilled American workforce was the lifeblood of our nation's manufacturing prowess; it won us two world wars and it differentiated us from the rest of the world. To be a craftsman, a skilled laborer, was to be valued, to be respected. One would think that this bedrock American strength would be our strength today, our strategic differentiator - sadly nothing could be further from the truth.

Today we are in the midst of an extreme skilled labor shortage, of a growing magnitude that will threaten our home building goals and aspirations for decades to come. Without skilled local contractors, home and rental community development is constrained, in some markets, to a complete standstill, as it is in many of our mountain communities. The Home Builders Institute (HBI) in their HBI Construction Labor Market Report of April 2021 identified a nationwide shortage of skilled laborers at 200,000 based on 2020 data and when adjusted for 2021 the number increased to a shortage of 309,000. Over 60% of home builders nationwide reported skilled labor shortages, identifying the lack of skilled labor as their third greatest concern behind the rising cost of lumber and regulatory burdens.

In a Cision PR Newswire Press Release from this past April, HBI's Chief Executive Officer Ed Brady emphasized the impacts labor shortages have on home affordability with approximately 30 to 40 percent of the cost of a new home related to labor, the risks are significant.<sup>xxxix</sup> As the availability of labor decreases, construction timelines are delayed, increasing costs, negatively impacting housing affordability.

*"We need the labor, the shortage as it stands today is so great, we can't even staff our jobs now. If we are to remove other key roadblocks to developing more housing but fail to address our labor shortage the entire upside is limited. We simply can't state enough how important of a component this is."*

*- Stakeholder*

Echoing Brady's comments, a majority of stakeholders we interviewed highlighted the availability of local labor as the critical supply side component that can make or break a project's feasibility. While the commodities that are utilized to develop homes and apartment communities are traded on the international market, labor is hyper local and, just like the homes they create, labor is scarce. In addition, the timeline to recruit, train, and retain the labor pool is long and costly.

One stakeholder who leads a large affordable housing General Contracting Firm in the state put it this way: *"We need the labor, the shortage as it stands today is so great, we can't even staff our jobs now. If we are to remove other key roadblocks to developing more housing but fail to address our labor shortage the entire upside is limited. We simply can't state enough how important of a component this is."*

A key driver of our labor shortage in construction jobs is by design. For decades we have divested from technical training programs in our public schools. We have broadcast far and wide a "college or bust" messaging campaign. Most Coloradans have likely heard at some point in their lives that if you want to find a good job that pays a living wage, a college degree is the most proven way to achieve it. While it is true that individuals with a college degree will earn up to two times more income over their working lives on average than those without one, when we dig into the data we see significant disparities, especially when we look at student loan debt by race and ethnicity.<sup>xi</sup> Per Educationdata.org, Black and African American college graduates owe \$25,000 more in college loan debt than White students, are more likely to struggle financially due to their student loan debt, and 48% owe more than they borrowed four years after graduation.<sup>xii</sup> We owe it to our students and families to dig deeper before proclaiming college as the one and only path to financial stability. We fellows respect and value the benefits of a college degree. We both have benefitted from a college education but also see the perils of a one-sided conversation that resists deeper reflection as to what is best for our young adults.

All the while we have concurrently reinforced the perception that if you work with your hands, you will struggle to earn a living wage, you'll suffer physical hardships that will diminish your quality of life in later years, and to top it off, not be afforded the respect of society in our hierarchy of prestigious careers. We have come a long way from the days of our grandparents where a skilled trade was a point of national pride. This prevailing message was cemented during the Great Recession starting in 2008 and stubbornly persists when one considers the evidence. When the housing market failed, per FRED.com the construction industry lost approximately 1.5 million jobs.<sup>xiii</sup> Construction workers were laid off; facing a dilemma: do they wait around for new development to resume or do they take their transferable skills to another segment of the economy? Many of them did just that, migrating to other industries where high paying jobs awaited them, leaving the construction industry for good. Consequently, we have struggled to close the gap ever since.

Today, the public perception remains that construction jobs are a last resort; a career one falls into by fiat. Moms and dads who have come to America to give their children a shot at a better quality of life do not see construction jobs as a viable, long-term career - isn't that what they endured so that their children could go to college? Construction and the skilled trades that encompass the broad career field has a public relations problem, not just a little problem either, a significant one, and it is a material component in our broken housing delivery model that must be fixed.

Thankfully, good work is underway and new pathways that happen to look like old pathways are setting seed in our Colorado communities - we need them to be successful and we need to scale them now.

During the 2021 legislative session, the bipartisan bill HB-1306 could launch a new education pathway to a career in construction for Coloradans. The bill expands the recognition of governing accreditation bodies to include both the federal Department of Education (DOE) and now the Council for Higher Education Accreditation (CHEA).<sup>xiii</sup> This will mean that construction trade apprenticeship programs that are accredited by the American Council for Construction Engineers (ACCE) in Colorado, will be able to offer a direct pathway to not only an apprenticeship but also an associates or bachelors' degree.

Currently, the MEP Alliance, consisting of Rocky Mountain Mechanical Contractors Association (RMMCA), the Rocky Mountain Chapter of the National Electrical Contractors Association (NECA) and the Sheet Metal and Air Conditioning Contractors National Association (SMACNA), has a statewide apprenticeship program for key construction trades. Under HB-1306, there is an opportunity for individuals enrolled in these apprenticeships to have credits transfer and count towards a post-secondary degree. At just \$3,000, the current Colorado WSCC apprenticeships have a track record of offering a significantly less expensive pathway towards a career when compared to the traditional 2 or 4-year degree. They also provide an annual average salary of \$50,000 during the 5-year program and a higher average starting salary upon graduation of \$75,000, or \$24,000 more than the average starting salary when compared to a graduate with either a bachelors or associates degree.

Brian Cook serves as Chapter Operations Director for the Associated General Contractors of Denver (AGC), "the leading professional association for the state's commercial building industry, representing over 600 firms." Brian shared with us that to meet the current demand of new commercial and residential construction Colorado requires 175,000 construction workers. This number will increase to 220,000 by 2027. To meet the future demand, when accounting for attrition in the workforce, the AGC has set a target of training and hiring 7,500 new workers per year to achieve their goal of 45,000 new skilled laborers over a six-year span. This is no small feat considering that the average age today in the industry is 46 and the training and subsequent hiring pipeline from high school to the job site is virtually non-existent. So, the AGC and their foundation set forth on an ambitious plan to return construction job training into our public schools.

In decades past we would be hard pressed to find a public school without a shop class, what the AGC found was that by the late 2010's the front range of Colorado had only a few public schools with a functioning shop class; a clear and present reminder of how our country had come to view skilled labor compared to other career paths. The foundation set forth on revitalizing the relationship between the

industry and public schools. When you think about it, this makes perfect sense. The average wage in the construction industry is roughly \$31 an hour, requires no college degree, views community members returning from incarceration in a favorable light, providing second chances to individuals who are often shut out from a living wage career. Job satisfaction - the industry provides this in spades, to literally build a structure that becomes a home, providing shelter and the opportunity for a healthy, happy life is immense.

Brady in his comments to Cision PR Newswire articulates the challenge at hand beautifully, *"As a nation, we need to build the next generation of skilled tradespeople. That means recruiting more women. It means training and placing minority, lower income, and at-risk youth for job opportunities as an important way to fight against social inequity. It means providing trade skills education to veterans and transitioning military. And it means reaching out to high school students, and those who influence their decisions, to change their perception of careers in the trades,"* We fellows echo Brady in this call to action and we see Colorado as perfectly positioned to tackle this challenge head on because we've already started thanks to the important work of the AGC.

The AGC foundation began its pilot program *Careers in Construction of Colorado* with three front range schools, providing \$30K in grant funding each to cover start up and operating costs for the first three years of operation.<sup>xliv</sup> The program begins in the 10th grade but is open to 11th and 12th graders as well, provides on the job site training, thanks to a Colorado Department of Labor exemption to allow young adults the onsite training that normally they would not qualify for due to their age. Students begin with a 220 hour pre-apprenticeship training program that upon completion provides the base certification required to gain an apprenticeship job in the industry immediately. If students begin the program in the tenth grade they have the opportunity to then take one of ten different modules of specialization such as electrical, plumbing or pipefitting to name a few and further their training to enhance their opportunities in the workplace upon graduation on a pathway to a career that pays an average wage in the low to mid \$30 an hour range with no debt weighing them down.

Bryan Cook shared it this way, *"It comes down to opportunity, Colorado is growing and will continue to do so. To come out of high school with no debt in a career that provides a living wage, is a win/win, in our industry the sky's the limit."*

While the pilot program is still in its infancy, having just completed their second year of the program and the majority of students are underclassmen, the outcomes are already extremely encouraging. The AGC measures the success of the pilot on the number of pre-apprenticeship certificates issued. The students graduating from the program are taking many different pathways into construction. Some of the graduating students are taking a full-time position with a construction firm, others are joining an apprenticeship program in the trades, and others are starting a 4 year university path into the industry in construction management.

In just two years AGC reports that the programs have offered 360 certificates during the 2019-2020 school year and an additional 620 certificates during the 2020-2021 school year. The success of the Careers in Construction of Colorado are not unique as the AGC reports that the Housing & Building Association of Colorado Springs has offered 2,535 pre-apprenticeship certificates across 12 participating schools since 2015, these programs work, when we embrace them.

We fellows see the Careers in Construction of Colorado as an example of a clear return on our collective investment worthy of incremental statewide investment. As such, we support the program as one that works well and scalable now so that we can expand on the good model. We support the expansion of the pilot program with state or private funding to reach all 65 schools.

We additionally celebrate Construction Careers Now, a bootcamp program for community members looking to transition into the industry and importantly those who have returned home from incarceration.<sup>xlv</sup> The four week bootcamp meets four nights a week for three hours and culminates with a hiring fair that aims to provide a living wage, with the dignity and respect associated with building one's community. This is a recidivism fighting dynamo; yet another example of mutually beneficial synergistic solutions that we fully support. We support funding for this program and believe the state of Colorado would be well served through this program that provides incentives for incarcerated Coloradans a pathway to engaging this program upon supervised release.

### **When There's a Will There's a Way; Telluride Foundation Rural Homes: For Sale, For Locals Pilot Project**

Something interesting is afoot in the cities of Norwood, Nucla and Ridgeway and our state, county commissioners, mayors and city councils, school boards, superintendents and leaders of Colorado should take notice. To combat the multitude of challenges facing the creation of affordable housing in high cost rural mountain towns, The Telluride Foundation *Rural Homes: For Sale, For Locals Pilot Project* has created an affordable housing for sale model for the entire state, stitching together multiple key stakeholders in a partnership built on a shared mission, driven by an extreme sense of urgency to serve their local community members via a regional strategy.<sup>xlvi</sup>

First, the Foundation started by raising low-cost capital to seed the project. Utilizing \$5M in program related investment (PRI) construction loans, administered through a limited liability company, partnering with a Community Development Financial Institution (CDFI) for construction draws, utilizing the proceeds from home sales to pay back the PRI principal, the project begins on solid financial footing. This innovative and complimentary approach to the traditional methods of financing and developing affordable housing via the Low Income Housing Tax Credit (LIHTC) Program caught the eye of the Colorado Housing Finance Authority (CHFA) who is supporting the pilots constructing lending with a revolving construction loan fund.

CHFA COO Jamie Gomez shared with us that CHFA has been eager to *"help out the supply side of the housing continuum and we see the pilot as a tremendous opportunity to do so."*

The challenge of securing land at an affordable cost is addressed via land donations from municipality partners such as school districts who own land and can donate it via a long term 99 year land lease to the project. Telluride Foundation CEO Paul Major expressed the fundamental element of the entire approach is donated, free land, *"we are attacking the cost of developing housing without the benefit of subsidies, we do this by taking out the cost of land, the cost of capital is key, without it we simply cannot move forward."*

We asked Major how hard a sell is it to school superintendents to simply donate land? Has the pilot run into concerns and opposition? Major shared with us that the superintendents have been fully on board, they view affordable home ownership as a key recruiting strategy, attracting teachers to come to their town, set down roots and teach for thirty years or more. School owned land that sits dormant benefits no one, by unlocking the land to create homes benefits everyone in the community. The tax base increases, the schools receive incremental funding for each new student that will enroll in their school, calling it a "no brainer." Major continued to share that of course some community members disagree, but they invest in community engagement and will continue to do so.

Sites are selected via a strict criteria to ensure costly improvements are minimized. By requiring the partners to provide sites that are adjacent to existing civil infrastructure, infill and flat, the project minimizes the traditional cost drivers impacting projects. The Foundation expressed that this is non-negotiable.

Major articulated it this way: *"We turned the traditional development conversation around and said to our municipal and school district partners, rather than you telling us what we have to do to accomplish this goal, here's what we need you as a locality to do. We are transparent and upfront as to what will make the pilot outcomes possible, if we truly want the housing then here's what it's going to take. We're not asking for you to allow density upzoning, waive permit and tap fees to enrich the owner, we're requiring this because without it the project will not work."*

Another brilliant element of the strategy is to view the regional project as one; moving in sequence from one site to the next following completion. We fellows feel this is another key breakthrough as so often housing development is siloed, pitting community against community, cities against cities - this approach stitches the cities together with the thread of common cause and purpose.

Major shared that while the pilot does not have a use by right overlay that allows the pilot to have one entitlement process, consistent across the three communities. The pilot must still go through the entitlement process in each locality; however, they have gone farther than what was previously deemed possible. Major states



*that "moving forward we have the framework of a use by right template that allows us to engage communities that are committed and say here's what's required, let's work together to make it happen, if not we're going to find a partner that is. If we can remove the remaining uncertainties and get to a true overlay, we can capture additional cost savings that will allow us to build more housing and pass on the savings to future homeowners."*

Next the Foundation partnered with an offsite, prefabricated, Denver-based home builder Simple Homes to speed up the building timeline. They were able to reduce waste found in traditional site-built homes thanks to building information technology (BIM) which further mitigates cost driving inefficiencies; a key innovation driver of the project and one that the partnership embraced. Major pointed out the disaggregated nature of traditional home building; explaining how much risk it introduces into home building. By engaging an offsite home builder like Simple Homes they have reduced the total number of trades required on site, which drives down costs by mitigating the friction and complexity of engaging multiple trades which are in rare supply in Colorado mountain towns. The Foundation highlights that although the homes are created offsite, installation still requires local labor which supports local jobs. We fellows note that until we address the key drivers impacting the availability of local skilled labor in Colorado, reducing the amount of skilled local labor required at this time is a strategic move as the lack of labor in rural towns strains the ability to develop housing at scale and drives up cost as subcontractors are in high demand.

To mitigate the rising costs of construction the partnership engaged General Contractor McStain out of Denver, a production size home builder who because of their size, expertise, commitment to the mission of the project, and their annual scale of home building allowed them to reduce their margin to support the cause.

Speaking of the community, the Foundation has invested in a community led strategy, bringing together local government, residents, and housing advocates; stitching together the key stakeholders across each stage of the housing development lifecycle. In this manner the Telluride Foundation illuminates a key strategy: if folks are committed to the cause and are allowed to "weigh in" they'll "buy in." This commitment to engagement vests the community in the mission, ensuring them a tangible stake in the mission thereby reducing the possibility of volatile conflict.

This process lays bare the truth behind the intent of the project: busting false narratives that hinder the development of affordable housing. These conversations give a safe space built on dignity and respect so that fears, concerns and unknowns can be discussed. Questions such as "who exactly are the partners in the venture" and "why are they participating," "is this a viable project," "is there even demand?" "Who is making money off this?" "Why not just renovate existing housing stock?" "Will owners be required to have lawful residency?" "What will the homes look like, are they manufactured homes?" "What about growth?" "How will our schools serve

the new residents?" "What about crime?" "What about traffic?" Each of these questions, if not answered for each and every project, with each and every community stakeholder, would allow misinformation to take hold, fears to be exploited, and projects to be negatively impacted via delays, revisions to satisfy the fears of the community, resulting in increased costs and lingering mistrust which has a longitudinal impact on future development.

Here's how David Bruce who manages the project for The Telluride Foundation discussed the importance of building community trust to the Telluride Daily Planet in February of 2021:

*"The intent is to draw in volunteer community members who are passionate about the process of building more affordable housing and form committees to take on permitting and entitlements processes," said Bruce. "We intend for this to be a completely transparent process. Our decisions aren't driven by profit — we're not making any profit in this. We want to do something that the community is going to be really excited about."*<sup>xlvii</sup>

This does not mean that everyone in each community is fully on board. Oppositional sentiments remain and Major states that each locality presents specific challenges that require both community members and city staff to make tradeoffs and get out of their comfort zone. The variances between each participating government's building, zoning, and design standards remain a challenge to the pilot's methodology to attack the costs as the project must navigate three different standards which adds additional time and costs.

Yet, like all of the stakeholders interviewed, Major is passionately optimistic stating: *"Eventually we will get there, it will work, because it has to."*

This regional partnership, built on trust, transparency, and commitment from all stakeholders will ultimately create 55 for sale income, deed, and local occupancy restricted homes serving community members earning between 60% to 120% AMI at each community. To ensure that the homes remain affordable after resale each will have an appreciation cap via a land trust model.

We fellows echo Major's statement, we believe the pilot will be successful - the entire state needs it to be so...

### **What Could Scuttle The Ship? The Greatest Threat Facing The Affordability Of Housing In Colorado, is The Threat From Within...**

*"What keeps me up at night are anti-growth initiatives, it's Un-American."*  
- Affordable Housing Developer

*"Anti growth ordinances cause us to exit markets, they are deal killers."*  
- Market Rate Single Family Home Builder

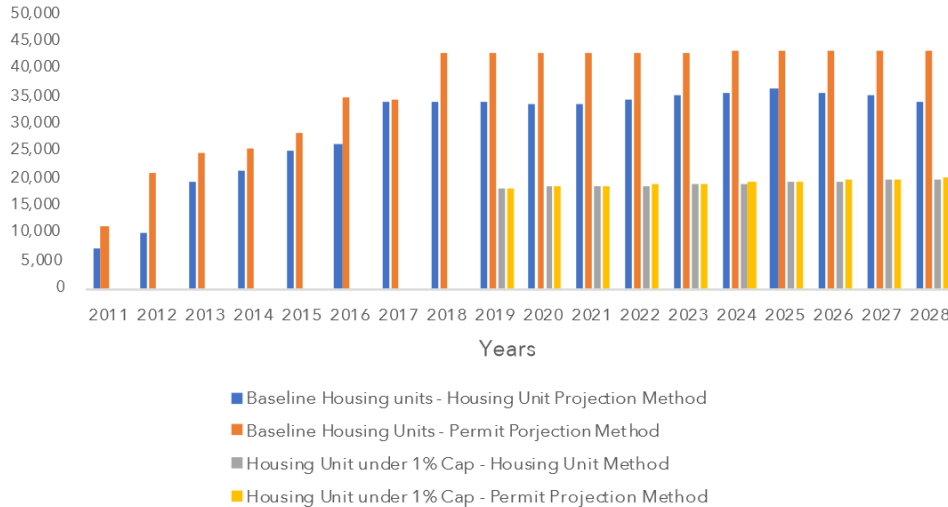
As we spoke with our interviewees and asked them what they considered the biggest threat to the creation of affordable housing in Colorado, both for sale and rental, the resounding response was antigrowth sentiments blowing with the destructive force of a supercell tornado across the Colorado front range, terrifying all who are in its prospective path. Yet, like a moth to the flame we chase these tornados in an adrenaline seeking journey buffered by a false sense of security that we couldn't possibly be sucked up into the vortex, surely not us, not our city, not our state. Right?

As of today, three Colorado cities are somewhere up there, in the vortex by themselves, leaving the adjacent cities and counties to shoulder the burden of their disappearance from our common cause as Coloradans: our commitment to housing our fellow citizens. As we have illustrated throughout our report, the reason we got into this affordable housing crisis is due to a lack of housing supply, exacerbated by the Great Recession beginning in 2007, and persisting to this day as we allow agendas founded on emotion, void of logic and evidence, to override our decision-making analysis when it comes to our housing development policies. We do not and will not blame or shame any Coloradan for their beliefs in this regard, they are valid to them, and we respect them, yet that does not mean that we should allow them to govern our most fundamental need as Coloradans, as the late Senator Patrick Moynihan once said, *"Everyone is entitled to their own opinions, not their own facts."*

The anti-growth initiative known as Initiative 66 "A Limit On Local Housing Growth" was ultimately rescinded by the proponent. However, we fellows remain deeply concerned regarding future risk anti-growth initiatives pose to our great state and the heartbeats that populate her. While the research analyzing the disastrous impacts of the failed initiative is abundant, memories can be short so we have included the Common Sense Institute impact overview here:

The 2018 CSI report entitled "Economic Impact of Restricting Housing Growth to No More Than 1% in Colorado" found that:<sup>xlviii</sup>

- Against current baseline projections, a 1% growth limit would reduce new housing units by between 158,000 and 240,000 over the next 10 years across 10 Front Range counties.
- The reduction in new units would constitute a 45%–55% reduction in new residential housing construction.



It is with heavy hearts, guided by a strong obligation to our duty that we fellows recommend that the State Legislature acknowledge the devastating threat that exists, via future anti-growth laws to our fiscal solvency and the right to pursue happiness afforded to us by right as Colorado citizens. The impact on our economy alone is reason enough to tackle this threat head on but it is the unacceptable trauma, pain and abuse that a future antigrowth ordinance be it across the front range or in any locality presents considering the evidence. The lack of affordable housing is directly correlated to the available supply of housing. What benefits market rate development as we have outlined benefits subsidized housing because if you can't build housing you can't build affordable housing, regardless of the amount of demand side policies we implement. All housing development exists in the same value chain - the root problem is supply exacerbated by our reluctance to modernize the delivery model (as discussed in our statewide building code and modernization section) and the decisions that inform our zoning codes. Our decisions got us into this mess, and they can get us out. Anti-growth is a capitulation, a surrender to our emotions, an abandonment of our fellow Coloradans both here today and those to come be it from outside the state or from within the love of our family homes. We are literally denying others of what is rightfully theirs, what has been rightfully ours. Look inward to your heart, to your creator and the decision to make is clear: We must act.

We understand and respect that Home Rule in Colorado is, if not the strongest in the county, it's darn close. In fact, no one could tell us of another state that had stronger Home Rule statutes. Home Rule is indeed a deeply entrenched and fortified legal statute, however, it does not supersede issues of "statewide concern." While housing issues have long been considered a matter of local concern, we have had two precedents in our state's history where the State Legislature has passed laws that have superseded Home Rule to protect the interests of all Coloradans in relation to housing. Both the PUD Act of 1974 and Title 32 passed and was ratified into law as a matter of statewide concern and remain so to this day.<sup>xlix</sup>

So, it is possible to address this statewide threat to our rights via those who are bound to protect them- our State Legislature. We fellows emphatically believe that the housing of our fellow Coloradans is without question a matter of statewide concern as identified throughout our report, the evidence is clear, the logic sound. As such, we recommend that the State Legislature, working along bi-partisan lines to introduce and pass a bill restricting all Colorado cities and counties be it statutory or home rule any ordinance that restricts housing development in the manner and practice that precludes the rights of all Coloradans to develop their private property in accordance with the permitted use of the local government. We then encourage the Governor to sign it into law. We do this as aforementioned with heavy hearts and a desire that the root causes did not exist to necessitate such a statewide intervention, but we cannot close our eyes and hearts to the reality at hand.

## **Moonshot Anyone? A Colorado Housing and Economic Development Innovation, By Coloradans, For Coloradans**

It hit us like a bolt of lightning, we jumped on a call in the wee hours of the night, alive with the adrenaline of possibility, fueled by the hope and passion of our interviewees, our personal dedication to assisting in the betterment of Coloradans, unbound by the limitations of our current construct, policies and practices, norms and terms of engagement. While our heads were in the clouds, our feet remained rooted in tangible, attainable solutions, illuminated by the lightbulb moment we sought but pragmatically understood could not be forced.

With a light heart and an optimistic mind, the following recommendation is the cumulation of our journey as fellows informed and inspired by the work of our interviewees, tangible and attainable, undoubtedly audacious, yet fully accomplishable. We respectfully request you dear reader to take our hands and walk with us into the future, today.

As evidenced by the transcendent work of the force multiplying initiatives highlighted in our report such as the Telluride Foundation For Sale; For Locals and Statewide Building Code: A Paradigm Shift, to move from what is possible to transformational change, harnessing the generational opportunity of American Rescue Act Funds (ARA) which, per the Coronavirus State and Local Recovery Funds Fact Sheet allows state and local governments to utilize their funding allocation to "Serve Hardest Hit Communities and Families" via:<sup>1</sup>

- Investments in housing and neighborhoods, such as services to address individuals experiencing homelessness, affordable housing development, housing vouchers, and residential counseling and housing navigation assistance to facilitate moves to neighborhoods with high economic opportunity.

State and Local Governments may use Coronavirus State and Local Fiscal Recovery Funds to support these additional services if they are provided:

- Within a Qualified Census Tract (a low-income area as designated by the Department of Housing and Urban Development);
- To families living in Qualified Census Tracts;
- By a Tribal government, or, to other populations, households, or geographic areas disproportionately impacted by the pandemic.

We call on the Governor to direct the Department of Local Affairs' (DOLA) Division Of Housing (DOH) with the Office of Economic Development and International Trade (OEDIT), and the Colorado Housing Finance Authority (CHFA) to create a **Colorado Affordable Housing Crisis Challenge Grant**. The grant would be administered via a public private partnership to provide technical assistance, and administration of ARA funding via DOH to incentivize a **Regional Governmental Partnership** amongst Counties and Cities willing to engage in said Regional Governmental Partnership.<sup>ii</sup> The partnership would be bound by a Standardized Building, Zoning and Design Standards Code to create the construct of a **Use by Right Affordable Housing Regional Development Overlay**.

We call on CHFA to create a **5 Year LIHTC set aside** to award affordable housing projects submitted via the Regional Governmental Partnership participant developers. While rare, there is recent precedent, CHFA created a 5-year LIHTC set aside beginning in 2010 to capitalize on the HOPE IV \$22M grant to the Denver Housing Authority.<sup>iii</sup> They can and should do it here as well. To further capitalize on the spirit of innovation and collaboration we call on DOH and CHFA to create a **Joint Underwriting Task Force** to streamline gap financing allocations via reciprocity between the two institutions. The results of which will support the creation of affordable housing development in our state for decades to come.

In order to institute a Use By Right Affordable Housing Regional Development Overlay immediately, local governments may utilize an **Emergency Declaration**, a precedent we have also recently seen in Crested Butte. According to the legal professionals we interviewed, such a utilization is permitted under our Home Rule statute. This would temporarily waive existing building, zoning, design and procurement standards, and join together under one standardized Use by Right Affordable Housing Regional Development Overlay. This demonstration would harness the generational opportunity the ARA funds provide and unlock a potential scalable solution that would provide the jump start to our housing malaise, without raising taxes on Coloradans and impacting local governments' budgets. Rarely are we afforded such an opportunity to introduce affordable housing solutions of this magnitude. Time is of the essence which requires significant action on the part of all governments involved including calling for an emergency declaration by local governments. Housing in our state is in a crisis. The reasons are clear - and we believe the outcomes cannot be replicated otherwise.

Additionally, we call on School Districts and any other governmental body that is willing to join the Regional Governmental Partnership **and donate available land** to further “attack the cost basis” and increase the financial viability of the identified housing development projects be them multifamily affordable rental properties or For Sale Deed and Income Restricted Community Land Trust Homes.

Just as local governments must act, OEDIT will play a critical role facilitating a Colorado strategic economic development initiative. By bundling the already existing “Advanced Industries Accelerator Programs Grant” to invest in the development of Colorado to become a first mover as the preeminent **Offsite Modular Building Industry Hub in the United States**.<sup>liii</sup> Colorado would be a leader in modernizing the construction industry in the race to create the automated building technologies to upend the construction value chain, and transform from our current “highly complex, fragmented, and project-based construction process, to a standardized, consolidated, and integrated construction process,” and reap the societal and economic benefits of this innovation.<sup>liv</sup> With multiple offsite modularized building providers already operating in the state, existing PRI, foundational and venture capital vested in the development of Colorado modularized building startups, Colorado is strategically positioned to capitalize on our early adopter, first mover status, if we are bold and expedited in our decision making.

## We envision this as a ***Colorado Housing Development Blueprint to Transformational Change***

- **Colorado Affordable Housing Crisis Challenge Grant.**
  - Established by the Governor
  - Providing Technical Assistance Funding and Set Aside Resources As An Incentive To Form a ...
- **Regional Governmental Partnership**
  - A Coalition of Willing and Committed Counties & Municipalities
  - To Establish a ...
- **Use by Right Affordable Housing Regional Development Overlay.**
  - Consisting of a Regional Building, Zoning and Design Standard Codes To Empower Standardized, Consolidated and Integrated Processes
  - Permitted via a ...
- **Local Government Emergency Declaration**
  - Allowing Participating Counties and Municipalities to Temporarily Waive Existing Building, Zoning and Design Standards
  - Funded via a ...
- **5 Year LIHTC set aside**
  - Administered by the Colorado Housing Finance Authority

- Utilizing past Set Aside Precedent
- To fund affordable housing projects submitted by the Participating Counties & Municipalities
- Further Supported via a ...
- **Joint Underwriting Task Force Pilot**
  - Consisting of Division of Housing and The Colorado Housing Finance Authority
  - Made financially viable via a ...
- **Donation of Local Government Owned Land**
  - From Participating Counties, Municipalities, and/or School Districts
  - Empowered via strategic Economic Development Investments to position Colorado as the ...
- **Offsite Modular Building Industry Hub in the United States**
  - Supported via OEDIT Advanced Industries Accelerator Grant

We fellows believe that the Colorado ethos of innovation, bi-partisanship and entrepreneurialism clearly illuminates the path ahead, we not just hope, we implore all Coloradans to embrace this mutually beneficial opportunity to lead the transformation of the Construction industry not only here in America but internationally. If we are to break free from the constraints of our current housing development value chain that suppresses the creation of our housing stock at the scale required to support our needs as a state, we must address the systemic inefficiencies that have and continue to derail us. A fully integrated closed loop solution is right in front of us. The Colorado Affordable Housing Crisis Challenge Grant provides an opportunity for true systemic change, by Coloradans, for Colorado. Now is the time to lead.

## Conclusion

Colorado is in a housing crisis, the wolf is at our Colorado door. We've said this over and over, hoping that despite alternative narratives and differing headlines, the message and data will break through the noise. A crisis is bad for all Coloradans; whether you're a family of pioneers, or you moved here to escape the confines of an urban, coastal city during a pandemic.

We endeavored to create a report that every Coloradan wants to read in order to understand how housing impacts themselves, the people around us, and the variety of policy options we have to help us dig out. However, policy cannot be made in a vacuum. The issues we face in Colorado are issues of governance as much as it is issues of policy. The policy solutions are there and available, but any policy still needs to be implemented. So until there are incentives for the governing structure to prioritize, and implement housing policies well, Colorado will continue to play catch up. The alternative is to continue to dig deeper into a hole, to the detriment of us all, and particularly to those of us who are most vulnerable. The people of



Colorado must determine that we are going to end this housing crisis once and for all, even though it generates the understandable human reaction to change: fear.

This prisoner's dilemma we inhabit is not unusual. We are not bad people; this dilemma exists in many aspects of our modern lives. It's ok to say housing development causes us concern - we are human and we are consistently fending off threats both real and perceived, but we must not succumb to our fears and infringe on the rights of others, precluding them from their constitutional right to pursue happiness. To do that we must first acknowledge, reflect, adjust our perspective, and come to identify housing growth not as merely buildings but as fellow Coloradans worthy of a home to live their lives, just as we are worthy of a home to live ours. It is then, at that moment of clarity, that we are capable of putting aside our fears and trepidations about housing development. When we shift the narrative to one of love and compassion we begin to understand and acknowledge that the current status quo is a recipe for disaster to our economy, to our communities, to our souls.

If we allow ourselves to see one another in the redeeming light of humanitarianism, then our governing structures will transform in our image, for we are our government - what was thought as impossible becomes achievable, as our policy decisions reflect our beliefs. Good policy is the manifestation of our beliefs, codified into laws, policies and procedures. If our intent is to prohibit housing then our laws will reflect that will, as they do today. If our intent is to support the creation of homes for our fellow Coloradans to live a life of happiness and love, the policy decisions before us are clear, fully attainable to us immediately, we can start today.

With a belief in the goodness of people, we went in search of force multiplying, transformational constructs, to vest policies within.

To find these policies and transformational process improvements to implement, we went to the experts. The people across the state that are putting in the work. This report is a cumulation of their ideas as well as ours.

We thought deeply about policies and reforms that others in the industry liked and curated the most promising: empower PHAs and utilize CLTs to do more, prioritize people over parking, allow and facilitate ADUs, and create greater use by right programs, perhaps modeled after other communities that have tried and succeeded.

We identified and recommended policies and reforms that would reduce the cost of developing housing: expedite the process, reduce or waive fees, and if and when you do these things, please, don't move the goalpost in the middle of the game. Yes, we've emphasized affordable housing, because the need is real and urgent, but also because these reforms would help all development across the housing continuum as well.

We debated and discussed policies that everyone is talking about but we just flat out don't like - ahem, rent control. And other's where the jury's still out: elimination of single family zoning. Ask us again in a year or more and we may have another opinion - not about rent control, we still won't like it. It neglects the supply side systemic drivers of our housing crisis and will actually lead to worse outcomes for affordability if we don't fix the housing shortage.

And we pushed ourselves to think beyond what is currently available, discussed, or imagined and we laid it all out on the table: implement a statewide building code to transform the value chain and unlock innovation, change how we think about a career in construction and support programs that are developing skilled laborers at scale, and, as in the case of the Telluride Foundation's pilot project, encourage everyone to roll up their sleeves and make it work.

We cannot state enough that all the collective effort and energy we put into housing our fellow Coloradans, and increasing housing opportunities, all goes to naught with the implementation of anti-growth measures. **We view no growth ordinances as the biggest threat to affordable housing in Colorado.** It negatively impacts any and all development which has deleterious effects on our economy and infringes on individual property rights which is just plain un-American. The legislature should act to eliminate this threat.

We are coming out of another national crisis in which we spent over a year upending our daily lives, figuring out ways to keep our families, our jobs, and frankly, get it together. We've experienced seismic shifts in how we view and see the world, each other, and what we value most. The pandemic impacted every human on this planet in some way - and it still didn't break us. If we can emerge out of that crisis, we certainly can address our housing crisis. And we do so with the ability to jump start progress using the funds of the American Rescue Act. This influx of cash from the federal government has the ability to make a once in a generational impact on a problem that has confounded us since the Great Recession but will impact all of us for at least a generation more if we don't act now. We aren't asking for the world, but think with a little ingenuity, collaboration, and good old pioneering spirit (and of course funding), the pilot we designed could make a measurable impact on our housing challenges and be on the forefront of transformative change in the housing industry.

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<sup>i</sup> <https://www.northamerican.com/migration-map>

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