

LOVELAND BUSINESS ROUNDTABLE

WHERE QUALITY OF LIFE AND PUBLIC POLICY INTERSECT



Housing Affordability and the Loveland UDC

Policy White Paper

May 2023

How does the Loveland UDC affect home affordability?



City codes and zoning are not generally an exciting topic of discussion. However, as we continue to face a housing crisis that leaves many who serve our community without affordable housing options, we must use every tool at our disposal to increase the available supply of homes. Changes in Loveland's Unified Development Code can represent controversial conversation for a community that on one hand wants to support affordable housing, but on the other hand growth in a community comes with many pain points. But being "for" housing affordability and against new development is antithetical. The two go hand in hand.

If we truly intend to ease our housing crisis, the best solution is to create more units of housing. Gov. Jared Polis recently launched an effort with SB23-213, touting "A Home for Every Colorado Budget." While the bill has been criticized by municipalities for taking away local control, which is important to the conversation, the core of the idea should be taken seriously.

Loveland Business Roundtable examines and summarizes what Loveland's city staff and elected officials can do to address our community's housing affordability crisis by making targeted adjustments to the UDC (Unified Development Code).

Key definitions

UDC (Unified Development Code):

Loveland's UDC first became effective in January 2019. The general purposes of the UDC are to combine the City's zoning, subdivision, and annexation regulations into a unified code; to implement the City's Comprehensive Plan and other adopted plans. (Source: [City of Loveland](#)) With its adoption, staff committed to continually monitor and update the code to correspond with community needs, new development trends, process improvements, and current state law. Over the past four years, there have been a variety of amendments to the UDC. The last amendment, focused on accessory dwelling units (ADUs) and residential occupancy, was adopted in the summer of 2022.

Zoning:

Zoning is the most common tool used by local governments to prescribe allowable development on parcels of land. Generally when a community adopts a zoning ordinance, they are dividing a geographic area into zones or districts, which each have a unique set of standards for land uses and development regulations balancing the general health, safety, and welfare of the public with private property owners' rights to use their land to their best interest. (Source: [Colorado DOLA](#))

Key definitions

PUD (planned unit development):

The planned unit development (“PUD”) process is intended to provide for the creation of a zoning district that allows for a mix of land uses and development standards that would not otherwise be permitted within the other zoning districts that are established by the UDC. Once approved by City Council, the PUD establishes the land use and development standards for the subject property as a separate and unique zoning district. (Source: [City of Loveland](#))

AMI (area median income):

AMI is a key metric in determining what constitutes affordable housing. Area median income is defined as the midpoint of a specific area’s income distribution and is calculated on an annual basis by the Department of Housing and Urban Development. The area medium income for Larimer County is \$76,366 (Source: [HUD](#)).

Qualified affordable housing:

A variety of government-subsidized programs for low-income families, seniors, and people with disabilities, aimed at helping them find places they can afford to live. Loveland's affordable housing provider is the Loveland Housing Authority. Generally, people who qualify for affordable housing programs have incomes at or below 60% of AMI.

Key definitions

Missing middle:

The middle income workforce (e.g., teachers, bank employees, and first responders) with incomes too high for qualified affordable housing programs but often overburdened by market prices. Typically, the missing middle is comprised of potential homebuyers whose income is between 80% and 120% AMI (Source: [CHFA](#)).

Attainable housing:

Housing that is affordable to households earning 81% to 120% of the Area Median Income (AMI) (Source: [Law Insider](#)).

ADU (accessory dwelling unit):

An attached or detached secondary residence that is smaller than the primary residence. A property with a detached ADU has often been called a house and cottage. An attached ADU has often been called a legal mother-in-law suite (Source: [Live Dream Colorado](#)).

The Problem With Loveland's Housing Market

A home that every Lovelander can afford is simply not a reality today. We currently import 77% of our workforce from neighboring communities (Source: 2021 EPS study). Our commuting workforce is predominantly low and middle-wage earners. Our teachers, bank tellers, police officers, grocery store clerks, restaurant servers, and many more must drive into Loveland to serve our community.

Proposed changes to Loveland's UDC would promote three key items that have great potential to help this imbalance:

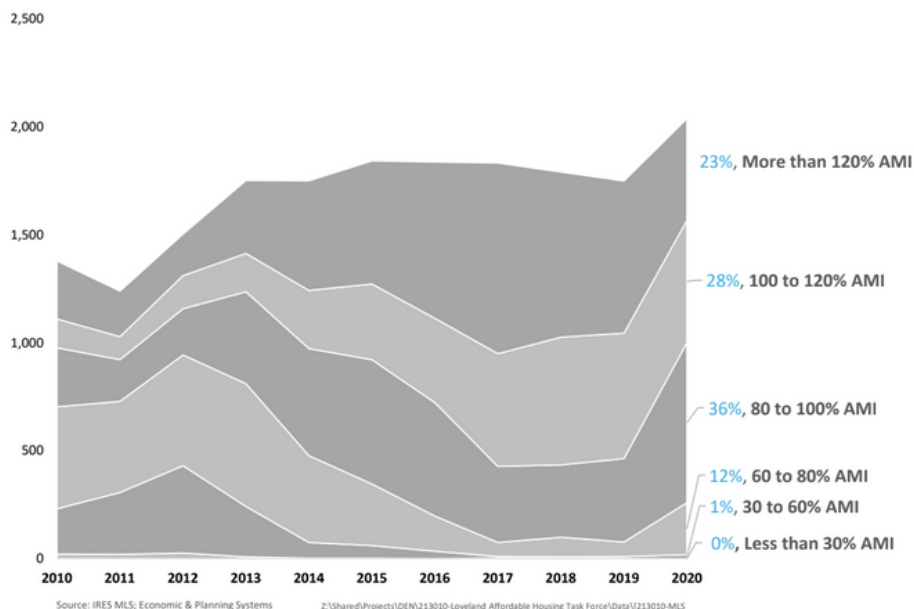
- Create creative opportunities for the private sector to partner with the community on both qualified and diversified housing types to get more units of housing online on existing PUDs
- Create additional housing options for Loveland by modifying lot sizes, consolidating housing types, creating new lot types, and adjusting dimensions for a diversified housing stock.
- Create an intentional philosophical shift that says Loveland truly desires to add to the inventory of the right kinds of diversified housing types that can help ease the housing/labor imbalance.

Did you know?

In 2021, the Loveland Affordable Housing Task Force and Loveland Housing Authority commissioned a regional housing study from Economic & Planning Systems, Inc. The report revealed many surprising but true facts about Loveland’s housing market:

- Most of Northern Colorado’s household growth and housing market is being driven by affluent households. Over the past decade, 64 percent of growth in Larimer and Weld counties has been households earning more than 120 percent AMI – approximately \$80,000 for a 2-person renter household and approximately \$90,000 for a three-person owner household.
- With the escalation of home prices and rents is the broader appreciation of the entire housing inventory. Over the decade, more than 5,800 rental units became unaffordable to households in the 30 to 60 percent AMI range (the “affordable housing” category) and approximately 7,700 owner units became unaffordable to households in the 50 to 80 percent AMI range (part of the “workforce housing” category).
- In Loveland, where in 2018 there were nearly 36,000 jobs, just 8,100 employed residents lived and worked locally (23 percent). This means that 77 percent of Loveland’s jobs were held by workers living somewhere else.

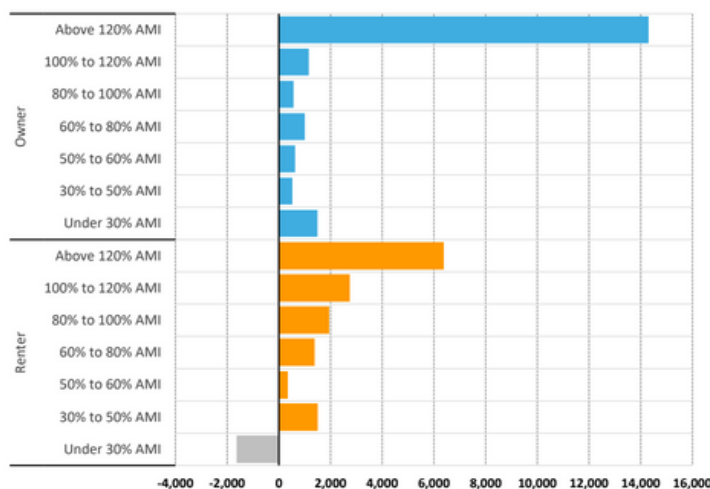
Figure 25. Loveland Sales Volume by AMI Category, 2010-2020



Growing Imbalance in the Loveland Housing Market

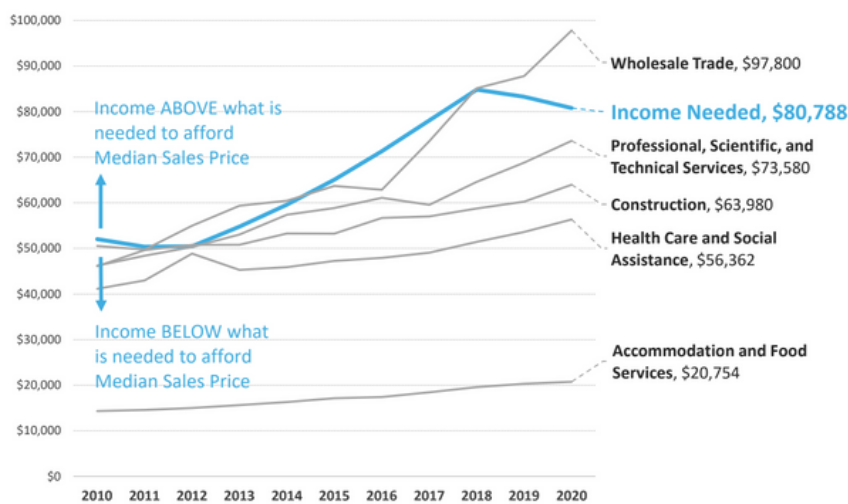
Essentially, over the past decade or so, Loveland housing inventory and sales have skewed increasingly in favor of affluent households, leaving an affordability gap for the “missing middle,” those earning below the area median income, but above the threshold for qualified affordable housing. To promote balance in the market and to accommodate the needs of the entire community, the City of Loveland is able to amend its UDC in innovative ways to keep up with the needs of its citizens and create a more diversified housing stock.

Figure 3. Change in Regional Households by AMI, 2010-2019



Source: Economic & Planning Systems

Figure 32. Income Needed to Purchase a Median Price House, Loveland, 2010-2020



Source: IRES MLS; Economic & Planning Systems

213010-Loveland Affordable Housing Task Force/Data/203010

How can Loveland's UDC address the affordability crisis?

Recent efforts to amend the UDC have focused on helping Loveland's housing inventory keep up with market challenges. For decades, traditional market-rate neighborhoods were made up of single-family homes or duplexes. As the market has become increasingly unfriendly to the "missing middle," UDC amendments create an opportunity to attract more private sector partners to be part of the solution. Developers and builders rely on the UDC for the ability to create innovative products including condos, cottages, and tiny homes.

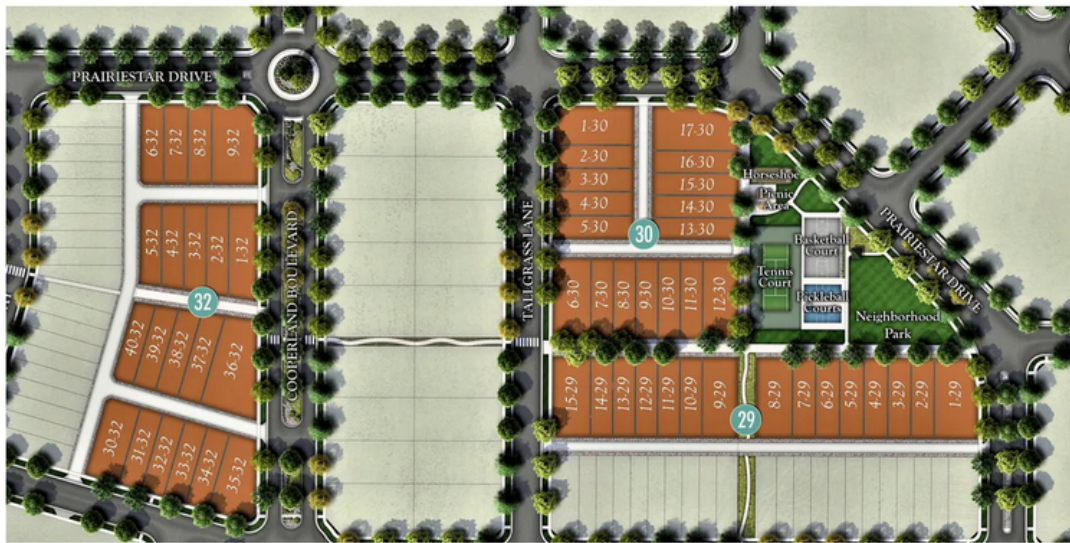
The most recent proposed amendments suggest changes that would establish land use tools to enable increased affordable and attainable housing. The amendments suggest the following:

- Incentivizing product diversity in approved, entitled PUDs;
- Requiring product diversity in new PUDs;
- Expanding housing opportunities in the City's medium density residential zone;
- Creating a new, small single-family detached lot type to facilitate and encourage cottage homes;
- Consolidating micro homes and cottages into 1 category and raising the square footage allowance; and
- Adjusting dimensional standards for duplexes and townhomes to reflect smaller lot market trends. (Source: City of Loveland Planning Division)



Mission Homes: a Case Study in Creative Problem-Solving

Mission Homes is a Berthoud homebuilder that specializes in cottages, or homes ranging 900-1200 sq. feet. The Mission Homes development in Berthoud contains 52 cottages with a neighborhood park. These homes provide a no-frills, smaller-footprint home at a price point that doesn't exist in market-rate for-sale listings along the Front Range. (Source: [Mission Homes](#))



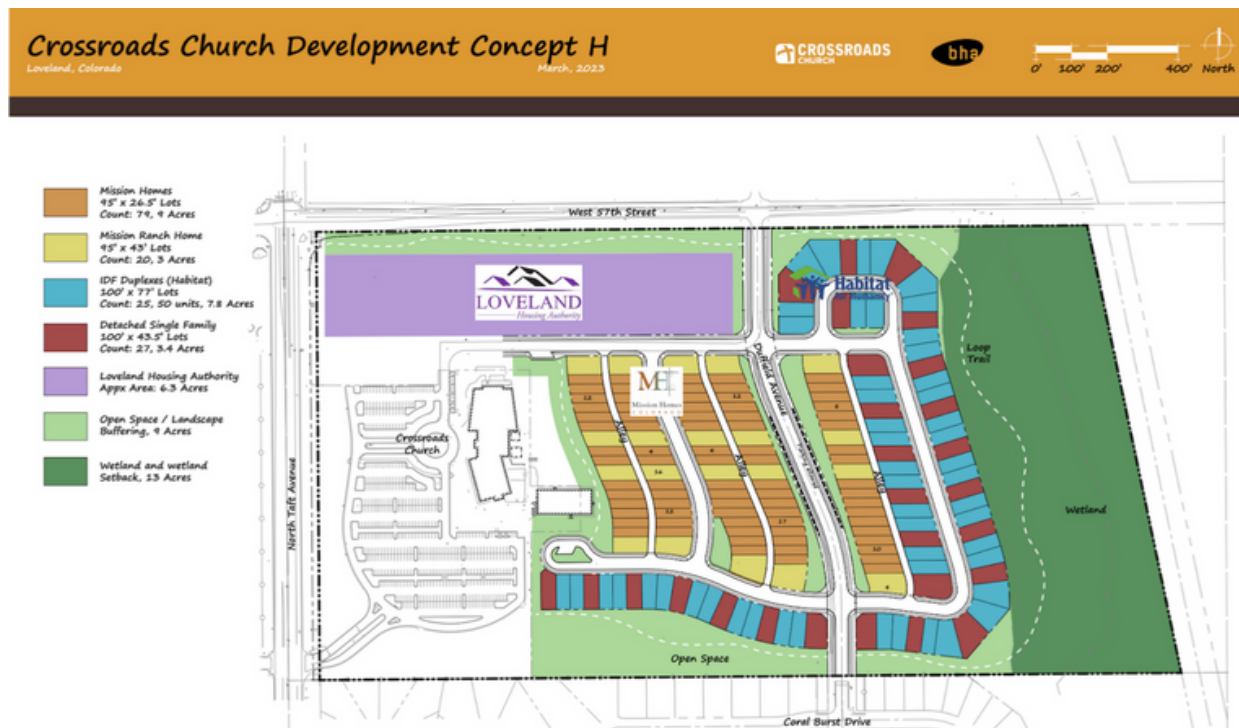
Loveland's current UDC doesn't accommodate such a development, but if proposed changes are approved by Loveland City Council, cottage developments could be built here, expanding the homeownership dream to a broader spectrum of buyers.



The UDC Empowers Community Collaboration

With the Grace Gardens project in 2018, the Loveland Housing Authority took on the first community development partnership of its kind in Loveland, bringing the private, public, faith, non-profit, and quasi-governmental sectors together for a first-of-its-kind project that generated desperately-needed lots for Habitat for Humanity and qualified rental units.

Recently, Loveland Housing Authority announced it is engaging in yet another collaborative effort focused on alleviating the challenges of our community's housing crisis. The next large project, in partnership with Crossroads Church, will create 1) for-sale market-rate housing for 80-120% AMI residents, 2) qualified for-sale units from Habitat for Humanity and Impact Development Builders, which will create home ownership options for 60-80% AMI, and 3) traditional qualified rental units serving those at 60% AMI and below. This project will bring online over 350 units of affordable housing across the housing spectrum. The UDC updates are critical to projects like this moving forward.



Final Thoughts from Loveland Business Roundtable

Easing the local housing crisis will require an “all hands on deck” approach from all sectors. The present imbalance between incomes and home costs will take years to correct. However, the City of Loveland, the Loveland Housing Authority, non-profits, and private developers and builders all play a role in creating a more diverse housing market to accommodate a wider range of residential incomes.

Adjusting the Unified Development Code to allow for innovation and variety in the market is the first step. Allowing smaller lot sizes and more units per acre, defining a "cottage" category for units and lots, and incentivizing innovation in the housing market will start a beneficial domino effect of changes that will ultimately increase the supply of homes in Loveland, broaden and lower the price range for homes, and make the dream of home ownership possible for more people.

We have already seen glimpses of what is possible when leaders from all sectors come together to solve a complex problem. The Loveland Affordable Housing Task Force, a team made up of all sectors, has made great strides in diagnosing and beginning to untangle Loveland's housing challenges. This is a problem that cannot be mandated or legislated out of existence, so it is important for everybody - citizens, officials, other housing partners, and private entities - to realize what we all stand to gain from creating a healthier housing landscape in Loveland. We appreciate the efforts of those working for solutions and look forward to seeing what the future brings.