Root Policy Research
6740 E Colfax Ave, Denver, CO 80220
www.rootpolicy.com
970.880.1415

Executive Summary
City of Longmont Housing Affordability Needs Assessment

PREPARED FOR:

City of Longmont CO

DRAFT

7/11/2023

Report Organization:

- I. Demographic Framework
- II. Housing Market Trends
- III. Housing Needs Analysis

Defining Housing Affordability

Affordability is often linked to the idea that households should not be cost burdened from housing costs. A cost burdened household is one in which housing costs rent or mortgage payment, taxes, and utilities consumes more than 30% of monthly gross income. The 30% proportion is derived from mortgage lending requirements and follows flexibility for households to manage other expenses (e.g., childcare, health care, transportation, food costs). It is important to note that the City of Longmont has chosen to use 33% as a standard for some of its locally funded housing programs to be more realistic to the local market conditions. Eligibility for housing programs is based on how a household's income falls within income categories determined by the U.S. Department of Housing and Urban Development (HUD).

Introduction

The Housing Needs Assessment (HNA) is the first component of a two-phase study, designed to 1) assess the affordability needs in Longmont (HNA); and 2) evaluate the City's current inclusionary and incentive policies' ability to meet those needs. This report documents current housing needs through data analysis of current market trends.

Subsequent deliverables will provide recommendations for specific policy changes to help address housing needs and improve policy outcomes.

Why Work to Address Housing Needs?

- Research consistently shows that a constrained housing market negatively impacts economic growth while stable and affordable housing are central to the health of individuals, families, and communities.
- Households living in stable housing are more likely to spend their incomes in the local economy through direct spending on goods and services.
- Housing investments that allow workers to live near their place of employment can reduce the impacts of traffic and commuting.
- Affordable housing is key to providing high quality public services as many essential workers (e.g., doctors, nurses, and teachers) often leave communities that do not have an adequate supply of housing in their price range.
- Generational wealth from affordable home ownership is a major contributor to positive outcomes for children. As housing and equity are passed down, young adults have the option to remain in the community and have families of their own.

  Housing investments and stable housing environments also bolster local revenue, increase job readiness, help renters transition to homeownership, lower public costs of eviction and foreclosure, and increase the economic and educational opportunities for children.

A Note about Incomes...
Actual median incomes and HUD AMIs

HUD Area Median Income (AMI): *Housing programs rely on income limits published by the U.S. Department of Housing and Urban Development (HUD) that are represented as percentages of the area median family income (commonly abbreviated as "HUD AMI" or simply "AMI").*

HUD publishes current-year income limits based on an internal calculation that estimates AMIs by household size and region—in Longmont's case the region is defined as Boulder County, such that all Boulder County communities use the same AMIs for program eligibility. The 2023 HUD AMIs for a two-person household in Boulder County are shown at right, along with the rent and home prices that would be affordable at the specified incomes.

"extremely" low income

< 30% AMI

Income < $31,900 per year
Affordable rent: < $797/mo.
Affordable home: <$127,400

"very" low income

30-50% AMI

Income: $31,900-$53,150 per year
Affordable rent: $797-$1,329/mo.
Affordable home: $127,400-$212,200

"low" income

50-80% AMI

Income: $53,150-$76,200 per year
Affordable rent: $1,329-$1,905/mo.
Affordable home: $212,200-$322,900

"median" to "moderate" income

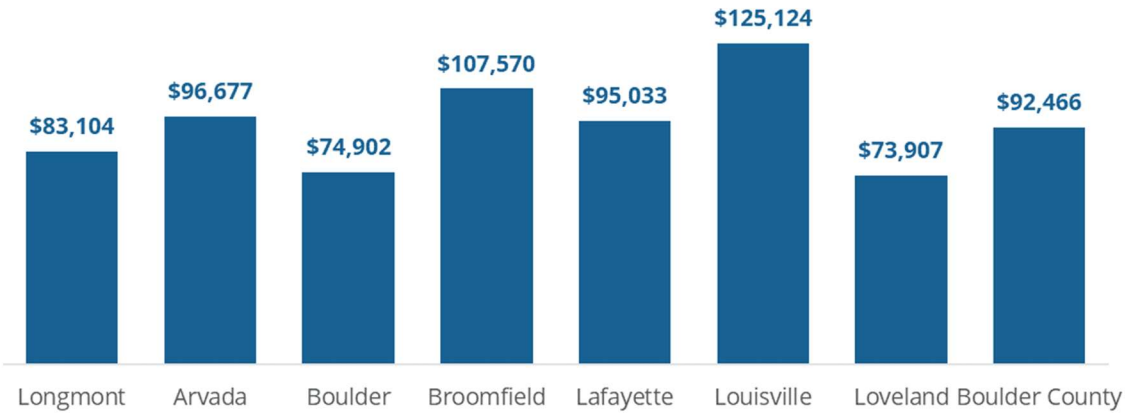
80-120% AMI

Income: $76,200-$127,560 per year
Affordable rent: $1,905-$3,189/mo.
Affordable home: $322,900-$491,900

Income and affordability levels are shown for a household size of two

It is important to note that HUD AMIs, used to measure program eligibility, differ from the actual reported incomes of Longmont residents. For example, in 2021 (the most recent year data are available), the actual median income of Longmont residents was $83,104 (with an average household size of 2.5). The 2021 HUD AMI for Boulder County was $93,600 for a 2-person household and $105,300 for a 3-person household. Figure ES-1 shows the actual, reported median household incomes of Longmont and peer communities in 2021.

Figure ES-1. Median Household Income, Longmont and Peer Communities, 2021



Source: 2021 5-year ACS.

Summary of Housing Affordability Needs

Changes in affordability, mismatches in supply and demand, and cost burden

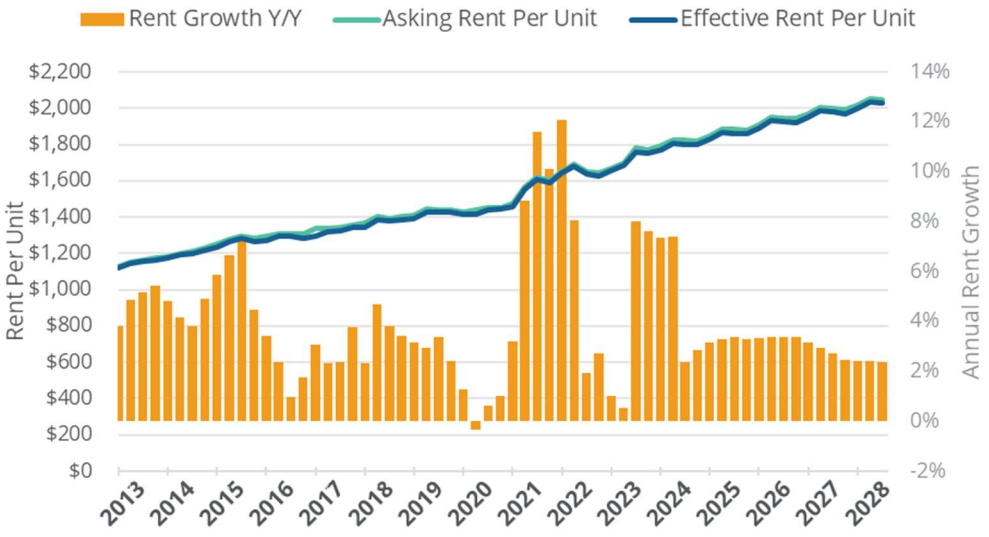
Changes in affordability: *The rise in home prices substantially outpaced incomes over the past five years. These trends coupled with rising interest rates are pushing homeownership further out of reach for many Longmont households. At the median, renter incomes were able to keep pace with rising rents; however, many renters still struggle to find rental units that are affordable and available.*

The average market-rate rent in 2023 ($1,700) generally serves households earning 60% to 80% AMI (depending on household and unit size) and new construction (median rent $1,950) typically serves renter households at 70% to 90% AMI (depending on household and unit size.

Figure ES-2. Rental Market Trends.

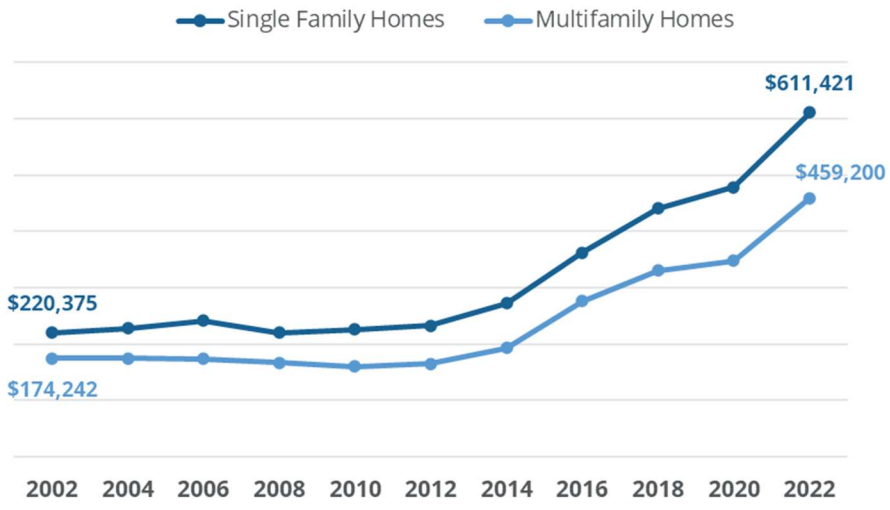
Note:
Figure II-15 in full report.

Source:
CoStar and Root Policy Research.



The median sale price of $611,421 is only affordable to 32% of Longmont households—those earning more than about 120% AMI (depending on household size). The median price is only affordable to 15% of Longmont renters—the pool of potential first-time buyers.

Figure ES-3. Median Home Price Trends.



Note: Figure II-18 in full report.
Source: IRES and Root Policy Research.

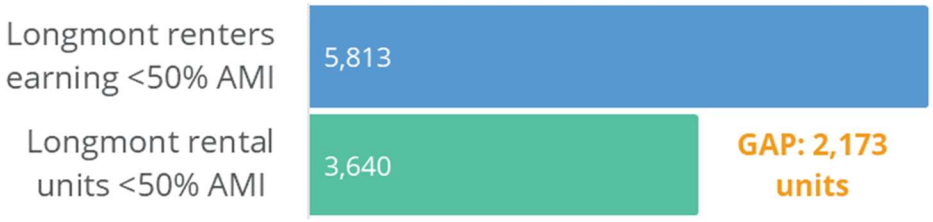
Summary of Housing Affordability Needs

Changes in affordability, mismatches in supply and demand, and cost burden

Affordability Gaps—mismatches in supply and demand by price-point: *The affordability gaps analysis indicates that affordability needs are concentrated below 50% AMI in the rental market and below 100% AMI in the for-sale market (though for-sale needs do persist up to 120% AMI.*

Collectively, there is an affordability shortage of 2,173 units for renters earning less than 50% AMI (even after accounting for the City's affordable, income-restricted rental inventory).

Figure ES-4. Rental Affordability Gaps.

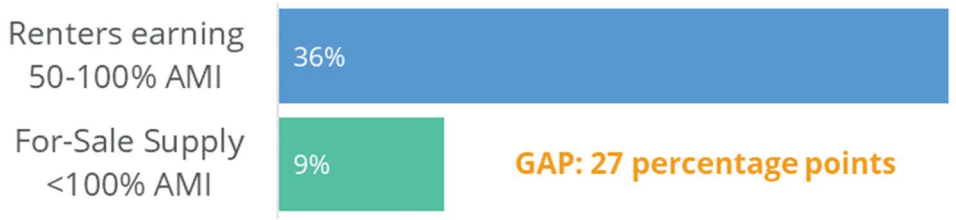


Note:
See Figure II-2 in full report.

Source:
2020 5-year ACS and Root Policy Research.

36% of renters have incomes between 50% and 100% of AMI—a range historically in consideration for first-time home purchase. However, only 9% of homes listed/sold in Longmont in 2022 were in their price-range. Potential buyers do not see proportional affordability in the market unless they have incomes over 120% AMI.

Figure ES-5. For-Sale Affordability Gaps.



Note:
See Figure II-2 in full report.

Source:
2020 5-year ACS and Root Policy Research.

Longmont's workforce faces considerable affordability challenges, which could push workers to seek housing elsewhere and/or make it increasingly difficult for employers to attract workers and for the City to attract employers. Fewer than half of all industries have average wages high enough to afford the median rent in Longmont and no industries have average wages high enough to afford the median sale price (even if they have 1.5 workers per household).

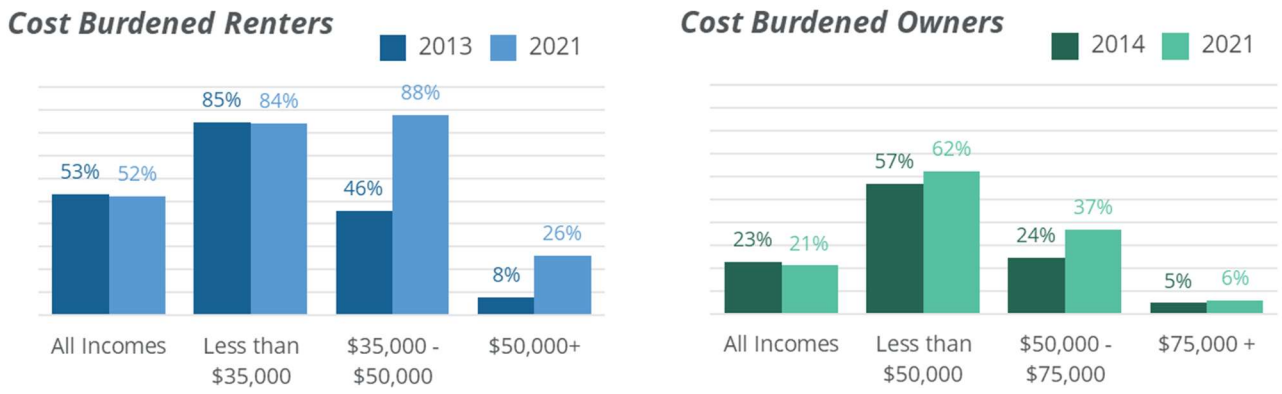
Affordability gaps can be addressed through new production of housing units at the needed price-points or through subsidies of existing units.

Summary of Housing Affordability Needs

Changes in affordability, mismatches in supply and demand, and cost burden

Cost Burden: *Nearly 7,000 households in Longmont are cost burdened and another 5,700 are severely cost burdened. Cost burden and severe cost burden collectively affect over half of Longmont renters and one in five Longmont owners.* Historically, a large share of low income households are cost burdened. In recent years, there has been a substantial increase in cost burden among moderate income households.

Figure ES-6. Cost Burden by Income and Tenure



Note: Figure III-10 in full report. 2013 ACS table is not available for Owner households. 2014 ACS data is shown instead.

Source: 2013, 2014 and 20215-year ACS and Root Policy Research.

Addressing Needs & Accommodating Growth

Next Steps: Policy Review

As part of the Boulder County Regional Housing Partnership, the City of Longmont has adopted a housing goal of achieving 12% of its housing stock deed-restricted and affordable by 2035. **Growth projections indicate the 12% target requires a total of 5,400 affordable units by 2025. The City is about halfway to its affordable production goal** at present, with 2,657 income-restricted units accounting for 6.5% of the total housing stock.

In addition to addressing the City's existing affordability needs, the City should also be prepared to absorb additional housing demand created by both economic and population growth in the City. **This will require the addition of both market-rate and affordable housing stock across a variety of product types** (e.g., apartments, townhome, duplexes, single family, etc.) in order to meet market preferences and changing demographics. Demographic shifts toward an older population also signal a need for more accessible/adaptable housing units (or programs) in Longmont.

Next Steps: *Inclusionary and incentive policy review*

Root Policy Research
6740 E Colfax Ave, Denver, CO 80220
www.rootpolicy.com
970.880.1415

City of Longmont

Housing Needs Assessment

PREPARED FOR:
City of Longmont, CO

DRAFT
7/11/2023

Table of Contents

SECTION I.

DEMOGRAPHIC FRAMEWORK

SECTION I.
Demographic Framework

This section of the Housing Needs Assessment summarizes existing conditions in Longmont and provides baseline data on the demographic, employment, and educational conditions of the city. For the purposes of this analysis, the following demographics are provided as context for Longmont's housing needs:

- Population,
- Race and ethnicity,
- Age,
- Household size and composition,
- Incidence of disability,
- Income and poverty,
- Employment by industry, and
- Commuting patterns.

Peer communities. Comparison geographies were selected for this analysis based on their size, proximity, land use, and socioeconomic composition. Peer communities included throughout the report include Arvada, Boulder, Broomfield, Lafayette, Louisville, and Loveland. Boulder County is also included as a regional comparison.

Population and Households

Figure I-1 shows the population growth for Longmont and peer communities between 2013 and 2021. In 2021, Longmont had an estimated population of 99,629 people. During this time, the City of Longmont grew by 14% (or about 12,000 people). This is similar to Arvada (13%) and Louisville (12%) but significantly lower than Broomfield (27%) and Lafayette (20%). Boulder grew at a much lower rate (5%) than Longmont and other peer communities.

The pace of population growth in Longmont has been increasing. Growth over the three-year period of 2018 to 2021 (7%) exceeded that of the previous 5-year period from 2013 to 2018 (6%). As of December 2022, Longmont's Planning Division estimated the population at 101,761.[1]

[1] https://www.longmontcolorado.gov/home/showpublisheddocument/35840/638132592537400000.

Figure I-1.
Population Growth, 2013-2021

	2013	2018	2021	2013 2018 Num. Change	2013 2018 Pct. Change	2018 2021 Num. Change	2018 2021 Pct. Change	2013 2021 Change
Longmont	87,607	93,244	99,629	5,637	6%	6,385	7%	14%
Arvada	108,300	117,251	122,903	8,951	8%	5,652	5%	13%
Boulder	100,363	107,360	104,930	6,997	7%	-2,430	-2%	5%
Broomfield	57,171	66,120	72,697	8,949	16%	6,577	10%	27%
Lafayette	25,238	28,002	30,307	2,764	11%	2,305	8%	20%
Louisville	18,831	20,705	21,091	1,874	10%	386	2%	12%
Loveland	68,712	75,395	75,938	6,683	10%	543	1%	11%
Boulder County	301,072	321,030	328,713	19,958	7%	7,683	2%	9%

Source: Root Policy Research and 2013, 2018, and 2021 5-year ACS data.

The pace of household[2] growth from 2013 to 2021 exceeded that of total population growth—Longmont added over 5,600 households during this time, representing an increase of 17%, as shown in Figure I-2.

Figure I-2.
Household Growth, 2013-2021

	2013	2018	2021	2013 2018 Change Total	2013 2018 Change Pct. Change	2018 2021 Change Total	2018 2021 Change Pct. Change	2013 2021 Change
Longmont	33,551	35,622	39,237	2,071	6%	3,615	10%	17%
Arvada	43,111	47,032	49,441	3,921	9%	2,409	5%	15%
Boulder	41,126	42,643	42,610	1,517	4%	-33	< 1%	4%
Broomfield	22,016	26,721	29,487	4,705	21%	2,766	10%	34%
Lafayette	10,346	11,418	12,552	1,072	10%	1,134	10%	21%
Louisville	7,722	8,202	8,400	480	6%	198	2%	9%
Loveland	28,338	31,285	32,888	2,947	10%	1,603	5%	16%
Boulder County	120,521	125,894	131,701	5,373	4%	5,807	5%	9%

Source: Root Policy Research and 2013, 2018, and 2021 5-year ACS data.

[2] A household consists of all the people who occupy a housing unit including family members and all unrelated people.

Of all peer communities, Longmont was the only community to have households grow at a greater rate between 2018 and 2021 than growth between 2013 and 2018. A higher percent change in the number of households compared to the population indicates a trend toward smaller household sizes in the city and/or absorption of vacant units. Changes in the city's age distribution support a trend toward smaller household sizes as well: there was an increase in young adult[3] households (less likely than middle-age residents[4] to have children) and older adults[5] and seniors who are "empty nest" and/or living alone (see Figure I-6 for age data).

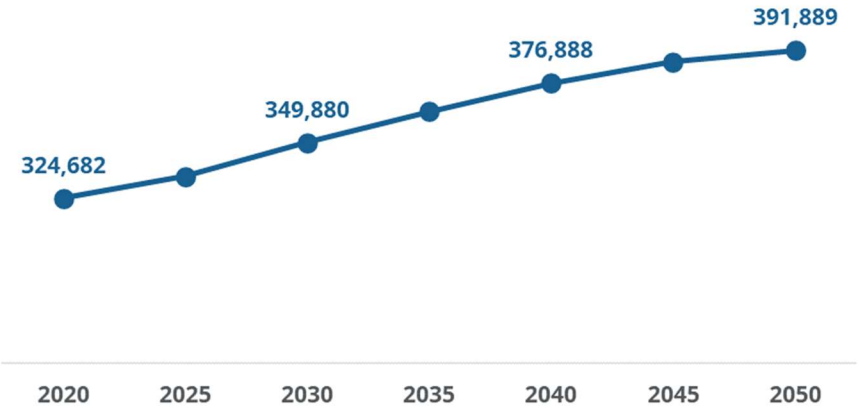
Households in Lafayette, Loveland, and Arvada grew at a similar rate. Broomfield added the most households with a growth rate of 34% (or an additional 7,471 households). Boulder and Louisville are outliers with only 4% and 9% household growth between 2013 and 2021. Boulder was also the only peer community to have lost households between 2018 and 2021.

Although long-term population projections are not available at the municipal level, Figure I-3 presents population projections between 2020 and 2050 for Boulder County overall. According to Colorado's Demography Office, Boulder County's population is expected to increase from 324,682 in 2020 to over 390,000 in 2050, an increase of 21%. During this time, the average annual percentage change for Boulder County is expected to remain below 1%.

Figure I-3. Population Projections, Boulder County, 2020-2050

Note:
Data are not available by municipality.

Source:
Colorado State Demography Office and Root Policy Research.



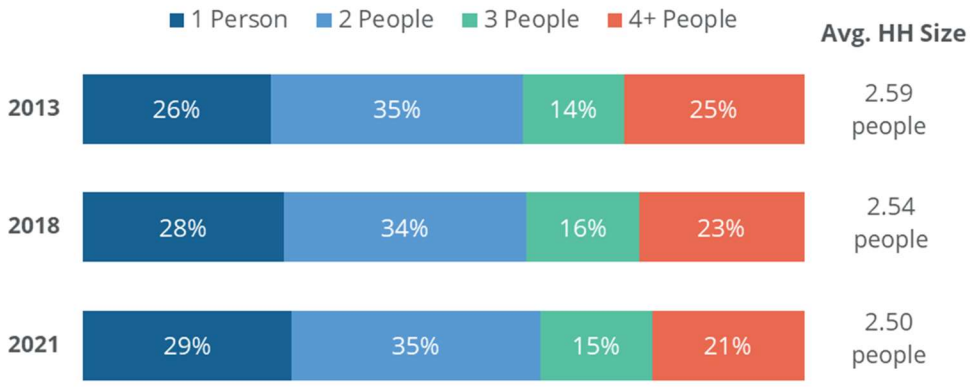
[3] Young adults are generally defined as being between the ages of 18 and 35.

[4] Middle-age residents are generally defined as being between the ages of 35 and 65.

[5] Older adults and seniors are defined as residents over the age of 65.

Household size. In 2021, Longmont's average household size was 2.50 people, down from 2.59 in 2013. As shown in Figure I-4, the share of larger households (4 or more people) decreased, offset by an increase in the share of one-person households.

Figure I-4. Number of People per Household. Longmont, 2013-2021



Source:
2013, 2018, and 2021 5 year ACS.

Owner households are only slightly larger than renter households on average (2.52 people vs. 2.48, respectively). Non-family households are the smallest, on average (1.29); married couple households include 3.14 people on average.

Household composition. As shown in Figure I-5, the majority of households in Longmont are family households (63% of all households). Married couples comprise the largest portion of family households in the city (48%), most of which do not have children of their own (30%). The remainder are single parents or unmarried partners (15%). Overall, more than a quarter (27%) of households have children under the age of 18.

Family households[6] decreased from 67% in 2013 to 63% in 2021. Married couples[7] with children also decreased during this time—in 2013, almost a quarter of married couple households lived with children of their own compared to 18% in 2021. Changes in households with children have been offset by a proportionate increase in non-family households[8] living with roommates or unmarried partners.[9] The proportion of non-family households increased from 33% to 37% between 2013 and 2021.

[6] The U.S. Census Bureau defines a family household as a group of two people or more (one of whom is the householder) related by birth, marriage, or adoption and residing together. All such people are considered as members of one family.

[7] For census purposes, a married couple is a husband and wife enumerated as members of the same household. The married couple may or may not have children living with them.

[8] A nonfamily household consists of a householder living alone (a one-person household) or where the householder shares the home exclusively with people to whom he/she is not related.

[9] Household in which the householder reports having an unmarried partner—a person with whom they share living quarters and have an intimate relationship.

Figure I-5.
Household Composition, Longmont, 2021

Source:

Root Policy Research and 2021 5-year ACS data.

	Total	Percent
Total households	**39,237**	**100%**
Family households	**24,792**	**63%**
Married couple	18,814	48%
Married couple with children	7,110	18%
Married couple without children	11,704	30%
Single head of household	5,978	15%
Female householder	4,070	10%
Female householder with children	2,346	6%
Female householder without childrer	1,724	4%
Male householder	1,908	5%
Male householder with children	991	3%
Male householder without children	917	2%
Non-family households	**14,445**	**37%**

Age Profile

Much like other cities and regions in the country, Longmont's population is aging. Since 2013, residents between the ages of 65 to 74 grew by 76% (or 4,167 people), representing the largest increase of all age cohorts. Residents over the age of 85 also grew, with an additional 770 individuals—an increase of 58%.

Figure I-6.
Age Profile, Longmont, 2013-2021

				2013 2018		2018 2021		
	2013	2018	2021	Num. Change	Pct. Change	Num. Change	Pct. Change	2013 2021 Change
Total Population	**87,607**	**93,244**	**99,629**	**5,637**	**6%**	**6,385**	**7%**	**14%**
Under 18 years	25,067	25,128	23,677	61	0%	-1,451	-6%	-6%
18 to 34 years	17,378	17,447	19,236	69	0%	1,789	10%	11%
35 to 44 years	12,396	13,004	14,153	608	5%	1,149	9%	14%
45 to 54 years	12,977	12,811	12,488	-166	-1%	-323	-3%	-4%
55 to 64 years	10,040	11,513	13,280	1,473	15%	1,767	15%	32%
65 to 74 years	5,519	7,883	9,686	2,364	43%	1,803	23%	76%
75 to 84 years	2,892	3,669	4,161	777	27%	492	13%	44%
85 years or older	1,338	1,789	2,108	451	34%	319	18%	58%

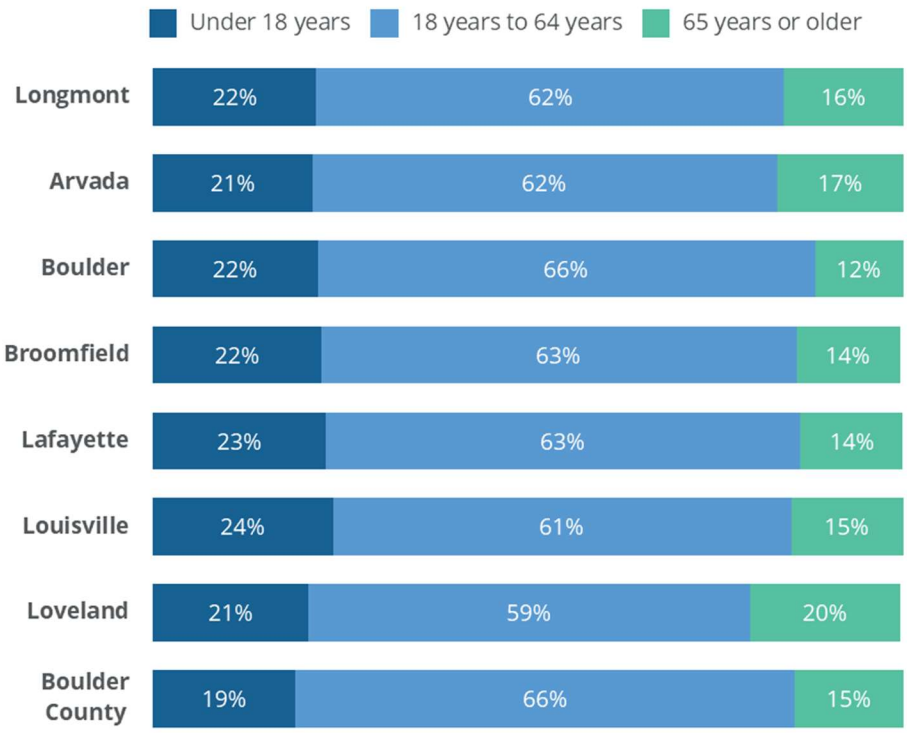
Source: Root Policy Research and 2013, 2018, and 2021 5-year ACS.

Young- and middle-aged adults (18 to 35 years and 35 to 44 years) grew at about the same pace as the population overall between 2013 and 2021, with most of their growth occurring in the period between 2018 and 2021. This increase is primarily driven by an influx of working-age residents as opposed to college students (the number and proportion of residents enrolled in college and/or graduate school was flat).

As shown in figure I-7, Longmont has a similar age profile to peer communities. Loveland has a larger share of seniors compared to peer communities—individuals over the age of 65 comprise one-fifth (20%) of Loveland's total population. Conversely, seniors in Boulder comprise only 12% of the city's total population.

Figure I-7. Share of Population by Age Cohort, Longmont and Peer Communities, 2021

Source:
2021 5-year ACS.

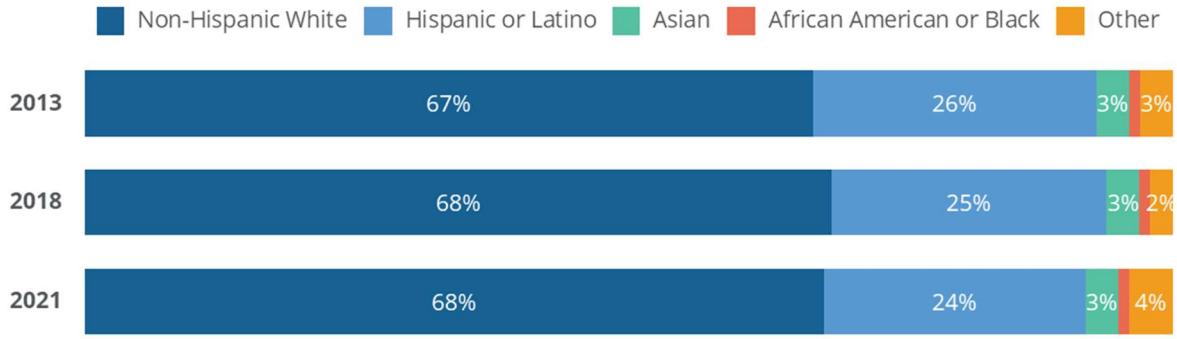


Race and Ethnicity

About two-third of Longmont residents identify as non-Hispanic White, about a quarter identify as Hispanic, and the remainder identify as another racial/ethnic group.

The racial and ethnic composition of Longmont's population has remained relatively stable since 2013 with minor changes among non-Hispanic White residents and Hispanic or Latino residents (Figure I-8). Between 2013 and 2021, the total share of non-Hispanic White residents increased by one percentage point, representing an additional 8,294 residents. During the same time period, residents identifying as Hispanic or Latino slightly decreased from 26% of the population in 2013 to 24% in 2021.

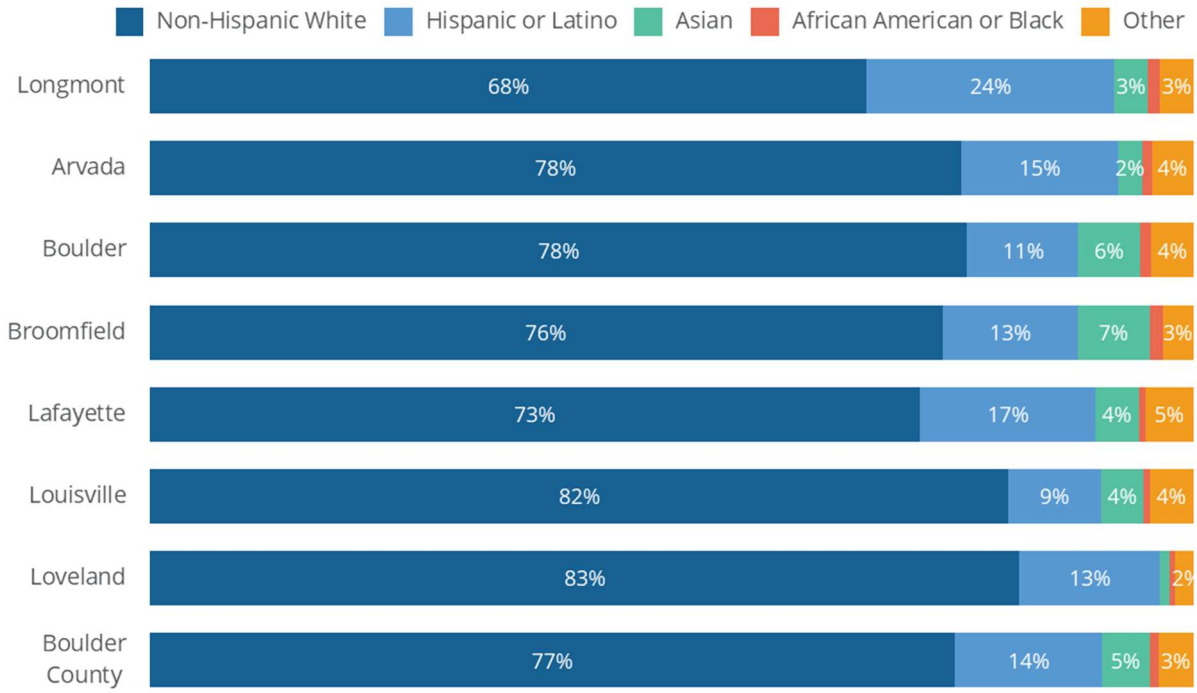
Figure I-8.
Share of Population by Race and Ethnicity, Longmont, 2013-2021



Source: Root Policy Research and 2013, 2018, and 2021 5-year ACS.

Figure I-9 compares the racial and ethnic composition of Longmont in 2021 to peer communities. Non-Hispanic White residents comprise the largest share in Boulder County as well as other peer communities in the region. Loveland and Louisville have a comparatively greater population of non-Hispanic White individuals at 83% and 82% respectively. Conversely, Longmont and Lafayette have the highest share of racial and ethnic minorities at 32% and 27% respectively.

Figure I-9.
Share of Population by Race and Ethnicity, Longmont and Peer Communities, 2021



Source: 2021 5 year ACS and Root Policy Research.

Residents with a Disability

Figure I-10 shows the incidence of disability by age and type for the City of Longmont. Overall, 11% of residents in Longmont have at least one disability. Seniors experience the highest incidence of disability with over half (55%) living with at least one disability. Ambulatory and hearing difficulties are highest for seniors at 16% and 13% respectively.

Only five percent (5%) of residents under the age of 18 have a disability. The most common disability among this age cohort is cognitive difficulties (2%).

Figure I-10. Incidence of Disability by Age and Type, Longmont, 2021

Source:

Root Policy Research and 2021 5-year ACS.

	Total	Residents with a Disability	Percent with a Disability
Total	**98,190**	**17,613**	**11%**
Under 18 years old	**21,376**	**980**	**5%**
With a hearing difficulty		112	1%
With a vision difficulty		112	1%
With a cognitive difficulty		529	2%
With an ambulatory difficulty		75	0%
With a self-care difficulty		152	1%
18 to 64 years old	**61,458**	**7,927**	**13%**
With a hearing difficulty		1,131	2%
With a vision difficulty		1,079	2%
With a cognitive difficulty		2,134	3%
With an ambulatory difficulty		1,488	2%
With a self-care difficulty		520	1%
With an independent living difficulty		1,575	3%
Over 65 years old	**15,955**	**8,706**	**55%**
With a hearing difficulty		2,009	13%
With a vision difficulty		996	6%
With a cognitive difficulty		960	6%
With an ambulatory difficulty		2,521	16%
With a self-care difficulty		658	4%
With an independent living difficulty		1,562	10%

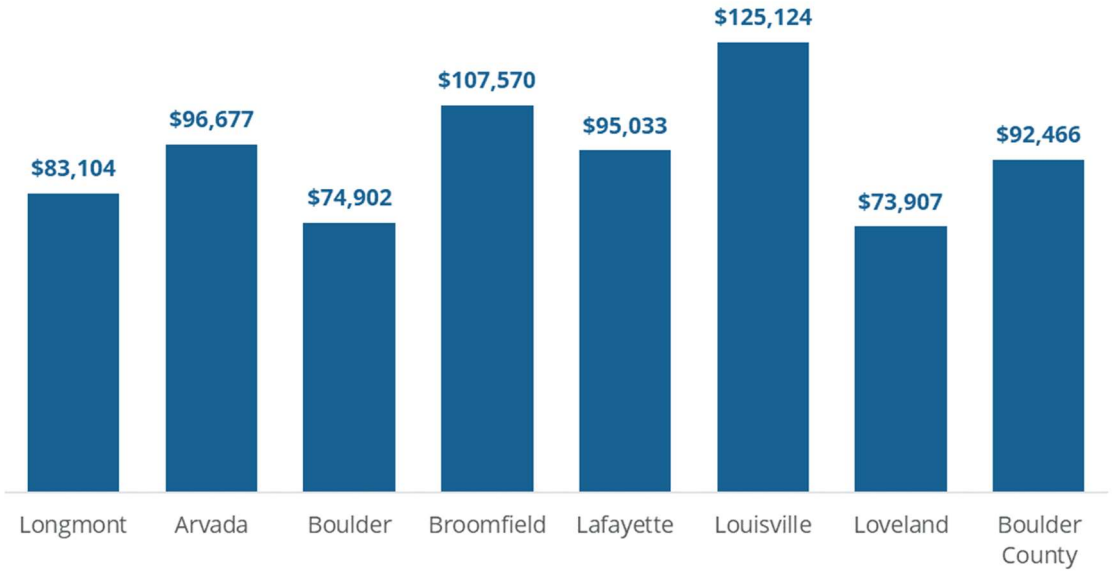
As the population continues to age, the incidence of disability will likely increase, specifically for residents with ambulatory and independent living difficulties. Shifting demographics will result in changing housing needs such as accessible and visitable housing units for residents living with a disability.

Income and Poverty

This section presents median household income and poverty trends in Longmont and peer communities.

Household income. In 2021, the median household income in Longmont was $83,104, an increase of 19% (or $13,200) from 2018.[10] As shown in Figure I-11, median household incomes for Longmont residents are relatively low compared to peer communities. Residents in Louisville and Broomfield have median incomes above $100,000 compared to Boulder and Loveland with a median income of $74,902 and $73,907, respectively. Note that Boulder's median income is low due to the large share of student resdients, who tend to have temporarily low incomes.

Figure I-11.
Median Household Income, Longmont and Peer Communities, 2021



Note: The average household size in Longmont is 2.5 people.

Source: 2021 5-year ACS.

Income by household type and size. Incomes vary by household size, type, and tenure. As would be expected, one-person households have substantially lower incomes on average because they—by definition—only include a single worker. As shown in Figure I-

[10] Note that ACS data on household incomes differs from HUD Area Median Family Incomes, which are published to determine program-related income limits. The ACS data shown in this section reflect the most current ACS data specifically for the City of Longmont; HUD income limits reflect Boulder County overall (not just Longmont) and are determined by HUD's formula for calculating program income limits as opposed to reporting data from household surveys.

12, two-person households in Longmont had a median income of $89,005 in 2021 (and have on average 1.2 workers per household).

Figure I-12.
Median Household Income by Household Size, Longmont, 2021

Source:
2021 5 year ACS.

Figure I-13 shows household incomes by household type. Family households, which are more likely to include multiple earners, have substantially higher income than non-family households. In addition, family households experienced higher income gains over the past 3 years than non-family households.

Figure I-13.
Median Household Income by Household Composition, Longmont, 2013-2021

				2013 2018 Change		2018 2021 Change	
	2013	2018	2021	Total	Pct. Change	Total	Pct. Change
All households	$58,698	$69,857	$83,104	$11,159	19%	$13,247	19%
Family households	$70,864	$83,307	$102,992	$12,443	18%	$19,685	24%
Married couple households	$81,521	$101,488	$118,055	$19,967	24%	$16,567	16%
Non-family households	$38,352	$41,329	$48,302	$2,977	8%	$6,973	17%

Source: 2013, 2018, and 2021 5-year ACS.

Income by tenure. Figure I-14 illustrates median household income by tenure in 2013, 2018, and 2021 in Longmont. Homeowners in Longmont have incomes 25% higher than the overall median household income and almost double the median income of renters.

Household income gains among homeowners exceeded that of overall households, increasing by $13,387 from 2018 to 2021. Although incomes for renter households had the greatest percent change (23%), the median income for renters increased by only $10,373.

Figure I-14.
Median Household Income by Tenure, Longmont, 2013-2021

	2013	2018	2021	2013 2018 Change		2018 2021 Change	
				Total	Pct. Change	Total	Pct. Change
All households	$58,698	$69,857	$83,104	$11,159	19%	$13,247	19%
Owner households	$80,241	$90,779	$104,166	$10,538	13%	$13,387	15%
Renter households	$35,647	$44,538	$54,911	$8,891	25%	$10,373	23%

Source: 2013, 2018, 2021 5-year ACS.

Figure I-15 shows the household income distribution by tenure in 2013 and 2021. Both renters and owners saw a shift toward higher income households:

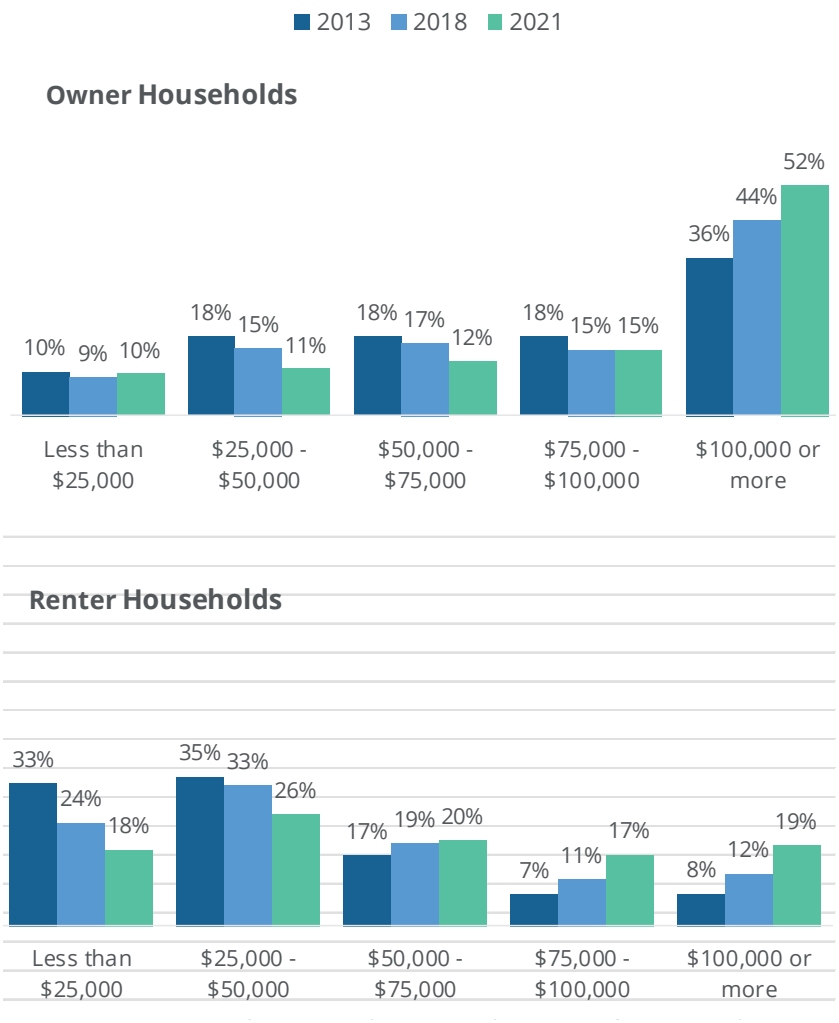
- Among owner households in Longmont, the share of households with incomes above $100,000 increased from 36% in 2013 to over half (52%) in 2021. This rise was offset by a proportional decline in households earning $25,000 to $100,000, while lower income households (less than $25,000) remained stable.

- The share of renters in lower income households progressively decreased since 2013 with the greatest decline among renters earning less than $25,000. Similar to owner households, renters with incomes above $75,000 experienced the greatest increase. This is especially prominent for renters earning over $100,000—in 2013, eight percent (8%) of renters comprised this income bracket compared to 19% in 2021.

The upward shift in renter incomes can be driven by a variety of factors including lower renters being priced out of the market; an influx of higher income renters; middle/high income renters remaining renters rather than entering homeownership; as well as rising incomes of existing renters.

Figure I-15. Income Shifts by Tenure, Longmont, 2013-2021

Source:
2013, 2018, and 2021 5 year



HUD Area Median Family Income. The data presented in the previous figures reflects ACS data on household income, as reported by households responding to the Census Bureau's annual survey. Housing programs, however, rely on income limits published by the U.S. Department of Housing and Urban Development (HUD) that are represented as percentages of the area median family income (commonly abbreviated as "HUD AMI" or simply "AMI").

HUD publishes current-year income limits based on an internal calculation that estimates AMIs by household size and region—in Longmont's case the region is defined as Boulder County, such that all Boulder County communities use the same AMIs for program eligibility. Figure I-16 shows the income limits and AMIs that apply to Longmont and Boulder County in 2023 and Figure I-17 estimates the number of Longmont households who fall into each AMI category (using 2021 ACS data matched with the 2021 HUD AMI).

Overall, about 60% of Longmont households fall below the Boulder County HUD median income; 81% of Longmont renters have incomes below the Boulder County HUD median.

Figure I-16. 2023 HUD AMI for Boulder County and Longmont

Note:
City of Boulder uses a HUD option that allows for higher income limits within the City.

Source:
HUD Income Limits.

	Persons in Family				
	1	2	3	4	5
Extremely Low Income Limits (30% AMI)	$27,900	$31,900	$35,900	$39,850	$43,050
Very Low Income Limits (50% AMI)	$46,500	$53,150	$59,800	$66,400	$71,750
Low Income Limits (80% AMI)	$66,700	$76,200	$85,750	$95,250	$102,900
HUD Median Family Income (100% AMI)	$93,000	$106,300	$119,600	$132,800	$143,500
120% HUD AMI	$111,600	$127,560	$143,520	$159,360	$172,200

Figure I-17. Longmont Households By HUD AMI Levels

Note:
Root estimate based on 2021 ACS data and 2021 income limits.

Source:
HUD Income Limits, 2021 5-year ACS, and Root Policy Research.

	Owners		Renters		Total	
Household Income	Num.	Pct.	Num.	Pct.	Num.	Pct.
Less than 30% AMI	2,859	11%	2,989	21%	5,849	15%
30% to 50% AMI	2,188	9%	2,824	20%	5,013	13%
50% to 80% AMI	3,864	16%	3,381	24%	7,244	18%
80% to 100% AMI	3,019	12%	1,791	13%	4,809	12%
100% to 120% AMI	2,559	10%	990	7%	3,549	9%
120% AMI or higher	10,434	42%	2,339	16%	12,773	33%

Poverty. Figure I-18 shows poverty rates in Longmont by age cohort in 2018 and 2021. In three years, Longmont's individual poverty rate decreased by two percentage points. Poverty among seniors shows a different trend than other age cohorts—seniors were the only group with stagnant poverty rates. This is particularly important as low-income seniors are at a higher risk for housing instability and homelessness—with rising housing prices and fixed incomes, many seniors struggle to meet their housing costs.

Figure I-18. Poverty Rate by Age Cohort, Longmont, 2018-2021

Note:
2013 poverty rates by age cohort are not available.

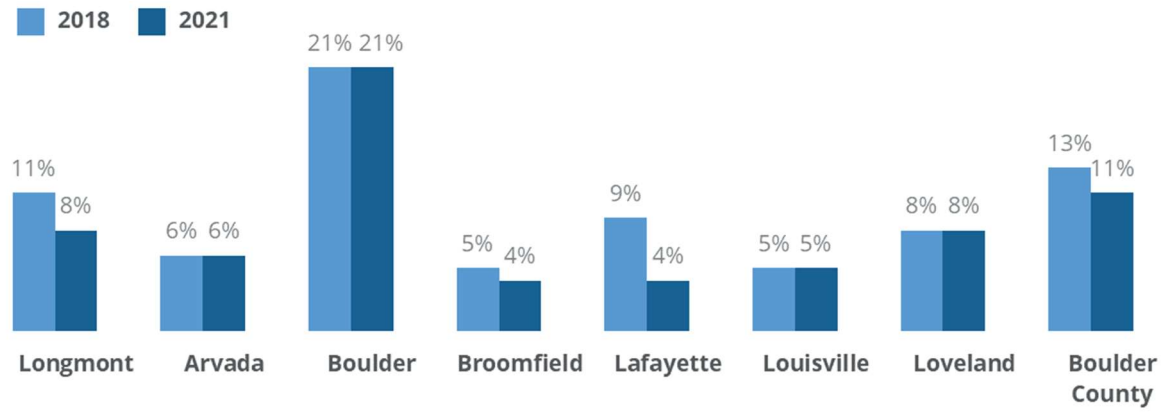
Source:
2018 and 2021 5year ACS.

				2013 2018	2018 2021
	2013	2018	2021	Pct. Point Change	Pct. Point Change
Total population	15%	10%	8%	-5%	-2%
Under 5 years	28%	21%	15%	-7%	-6%
5 to 17 years	19%	13%	9%	-6%	-4%
18 to 34 years	19%	14%	10%	-5%	-4%
35 to 64 years	10%	7%	6%	-3%	-1%
65 years or older	8%	7%	8%	-1%	< 1%

Figure I-19 presents individual poverty rates for Longmont and peer communities in 2018 and 2021. Longmont had an individual poverty rate of 8% in 2021 similar to Loveland but substantially lower than Boulder which had a poverty rate of 21% in both 2018 and 2021. Louisville, Lafayette and Broomfield have comparatively lower rates at below 5%.

Poverty in Longmont decreased by three percentage points between 2018 and 2021. Boulder County and Lafayette experienced similar drops.

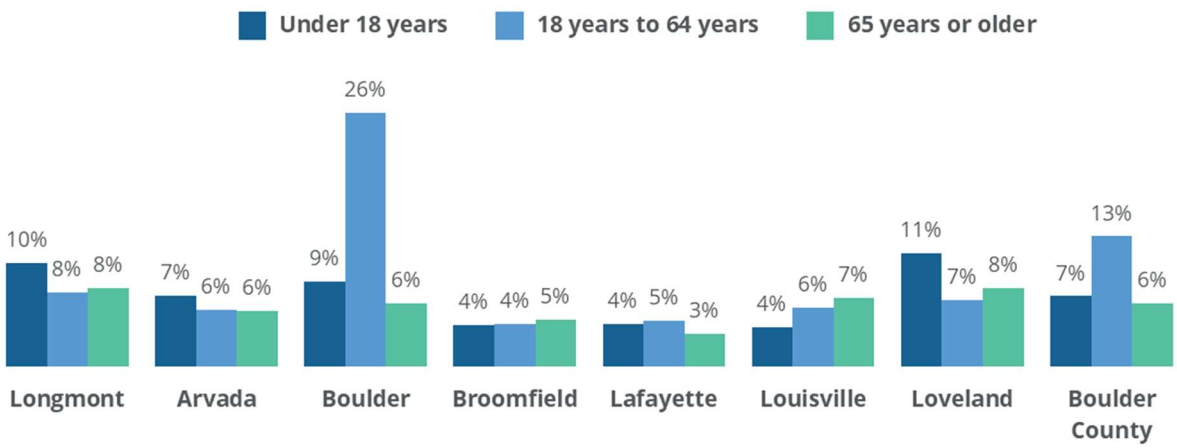
Figure I-19.
Individual Poverty Rate, Longmont and Peer Communities, 2018 and 2021



Source: 2018 and 2021 ACS.

The relatively high poverty rates in the City of Boulder and Boulder County are likely driven by the presence of college students, which tend to have high poverty but for a relatively short period of time (while in school). Figure I-20 presents poverty rates in 2021 by age cohort for Longmont and peer communities.

Figure I-20.
Poverty by Age Cohort, Longmont and Peer Communities, 2021

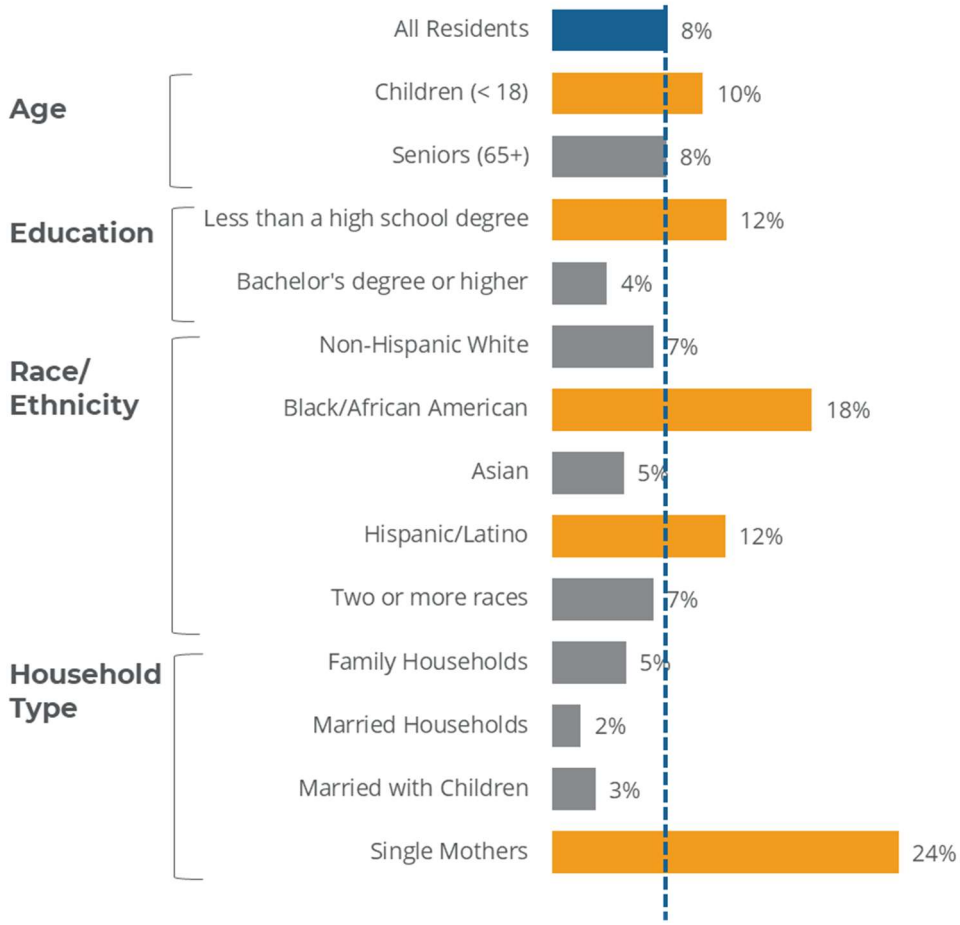


Source: 2021 5-year ACS.

Figure I-21 shows poverty rates in Longmont by select demographic characteristics. Poverty rates express the proportion of that group that is living in poverty; yellow shading indicates that residents or households with the specific characteristic have higher-than-typical poverty rates.

Poverty rates are highest among single mothers—almost a quarter (24%) of single mothers in Longmont are living in poverty. Residents identifying as African American or Black closely follow with 18% living in poverty. Hispanic residents, children, and residents with low educational attainment are also more likely to be in poverty than the typical Longmont resident.

Figure I-21.
Poverty Rates by Characteristic, Longmont, 2021



Note: Poverty rates express the proportion of that group that is living in poverty (e.g., 10% of all children are in poverty). Individuals may appear in multiple category (e.g., senior and Asian and family household, etc.).

Yellow shading indicates above average poverty.

Source: 2021 5-year ACS.

Employment

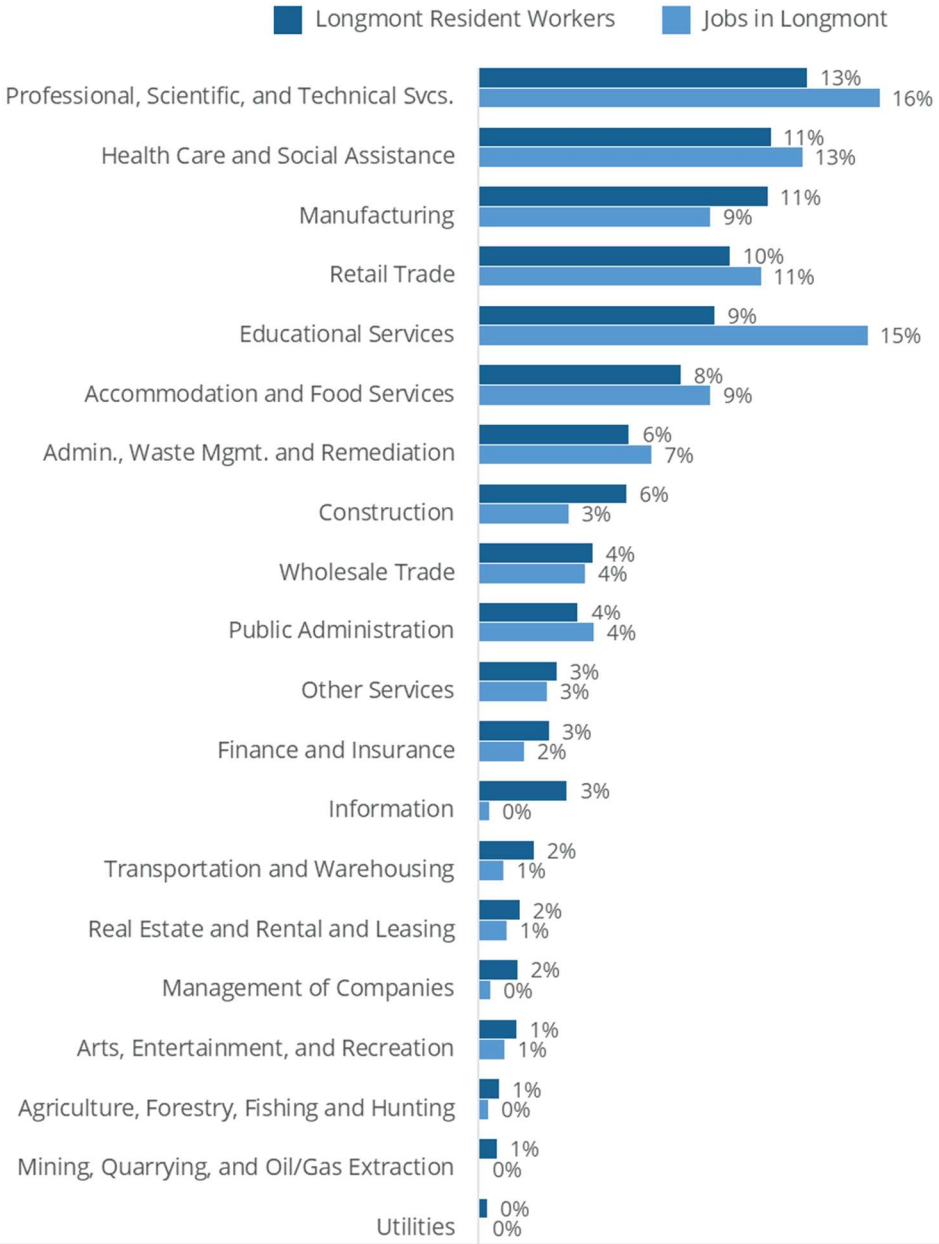
This section of the report provides employment data for Longmont including industry profile, commuting patterns, and the mode of transportation residents use to get to their place of employment.

Jobs and workers by industry. Figure I-22 shows the industry profile of both Longmont residents and jobs that are located in Longmont. More than half (54%) of jobs in Longmont are concentrated in four industries: Professional, Scientific, and Technical Services (16%), Educational Services (15%), Health Care and Social Assistance (13%), and Retail Trade (11%). Top employment sectors for Longmont residents, most of whom are out-commuters, include Professional, Scientific, and Technical Services (13%), Health Care and Social Assistance (11%), Manufacturing (11%), and Retail Trade (10%).

Figure I-22. Industry Profile of Jobs and Workers, Longmont, 2020

Note:
Industries are sorted in descending order by the percentage of resident workers in Longmont.

Source:
LEHD 2020.



Commute patterns. Figure I-23 shows commuting patterns for Longmont in 2020. Residents of Longmont are significantly more likely to work outside of the city—almost three in four (72%) of resident workers hold jobs outside of Longmont compared to only 28% (12,370 residents) living and working in Longmont. The most common out-commuting destinations (i.e., places where Longmont residents work) are Boulder, Denver, and Westminster.

According to Census data, there are about 37,000 jobs located in Longmont; two-thirds of these jobs are filled by in-commuters. In-commuters live across a wide variety of communities, as shown in Figure I-23.

Figure I-23. Commute Patterns and Top Origins and Destinations, Longmont, 2020

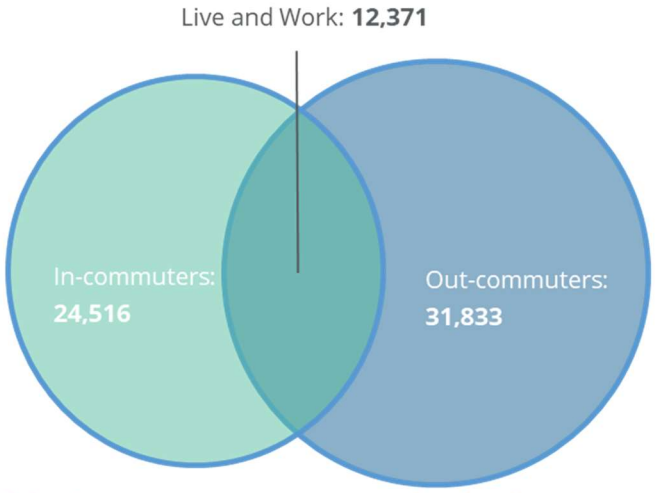
Note:

Longitudinal Employer-Household Dynamic (LEHD) data are not available after 2020.

Overall commuting was slightly lower in 2020 (see Figure I-24) ; likely due to COVID impacts but destinations and origins remain consistent over time.

Source:

Root Policy Research and LEHD Origin-Destination Statistics.



Originations:
Where do Longmont workers live?

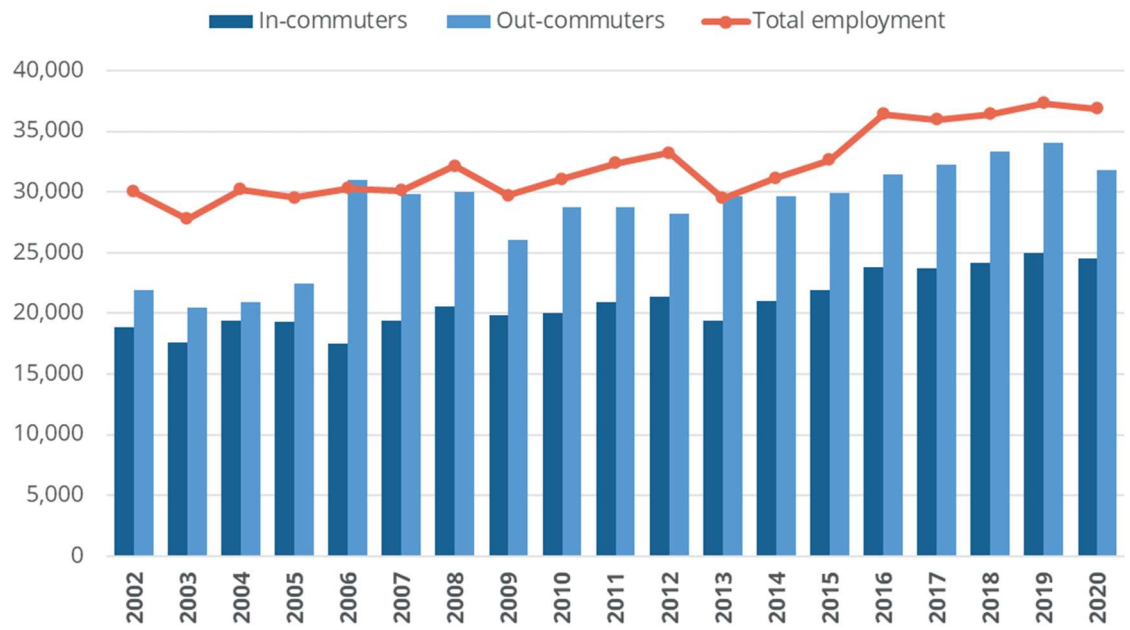
1. Loveland (6%)
2. Firestone (5%)
3. Boulder (5%)
4. Denver (4%)
5. Erie (4%)
6. Fort Collins (4%)
7. Frederick (3%)
8. Broomfield (3%)
9. Greeley (3%)
10. Other (63%)

Destinations:
Where to Longmont residents work?

1. Boulder (28%)
2. Denver (11%)
3. Westminster (3%)
4. Broomfield (3%)
5. Aurora (3%)
6. Louisville (3%)
7. Fort Collins (3%)
8. Lafayette (3%)
9. Lovelend (2%)
10. Other (30%)

Figure I-24 shows trends in commuting relative to total employment. Although the number of jobs in Longmont has increased over the years, there are still a large number who live outside of Longmont accessing these jobs while an increasing number of Longmont residents are commuting to jobs outside the City.

Figure I-24.
Commute Patterns and Total Employment, Longmont, 2002-2020



Source: Root Policy Research and LEHD.

Transportation. Longmont is served by 4 local bus routes and 4 regional bus routes.[11] The average commute time among Longmont resident workers is about 25 minutes—similar to travel time for the state overall (24 minutes), but 10% higher than Boulder County residents overall. Most residents travel to work by driving alone (73%), but 9% carpool, 2% use public transit, and 3% either walked, biked, or took a cab/car share. About 14% of Longmont resident workers work from home (up from 8% in 2018).

According to the American Automobile Association (AAA), the average annual cost of owning a new car is $10,538 per year, including depreciation, finance, fuel, insurance, license, registration, taxes, and maintenance.[12] This breaks down to approximately $878 per month.

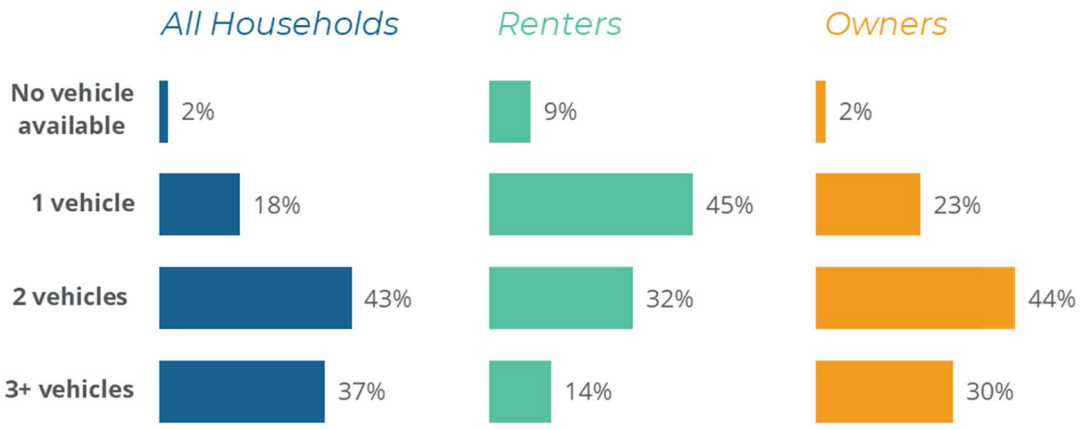
Only 2% of Longmont's households did not have a vehicle available to them in 2021, as shown in Figure I-25. Comparatively, nearly half of households had two vehicles and 37% had more than three vehicles. However, renters are much more likely to have no vehicles available or just one vehicle per household.

[11] Envision Longmont 2021 Community Profile.

[12] 2021 costs for a medium sedan as determined by AAA were used for this estimate. https://newsroom.aaa.com/wp-content/uploads/2021/08/2021-YDC-Brochure-Live.pdf

Given average fuel and maintenance costs, travelling by personal car can be a significant expense for households. This is a particular concern for low income residents in Longmont who may be struggling to meet their housing costs.

Figure I-25.
Households by Number of Vehicles Available, Longmont, 2021



Source: 2021 5-year ACS data..

SECTION II.

HOUSING MARKET TRENDS

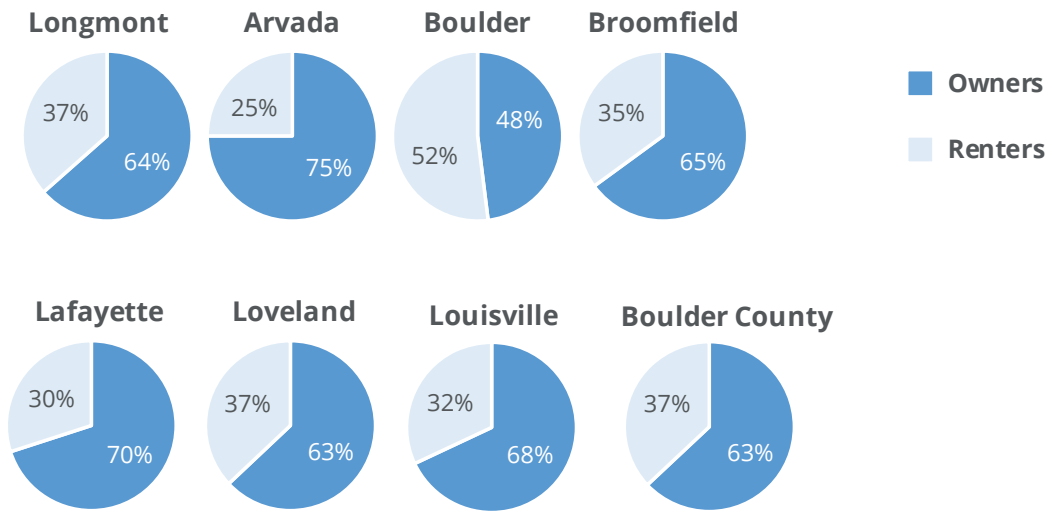
SECTION II.
Housing Market Trends

This section provides an overview of Longmont's housing stock and price trends for both renter and owner occupied housing. An analysis of the city's housing market and housing trends will establish the context for the subsequent discussion of Longmont's housing needs (Section III).

Renters and Owners in Longmont

Two thirds (64%) of households in Longmont are owners, up slightly from 62% in 2014 and similar to the ownership rate in the County overall (63%).

Figure II-1.
Ownership Rates, Longmont and Peer Communities, 2021



Source: 2021 5-year ACS.

Figure II-2 summarizes the characteristics of owners and renters in Longmont. The figure illustrates the number and distribution of owner and renter households by demographic characteristics as well as homeownership rates. Key differences between Longmont's owner and renter households include:

- Owners tend to be older and have higher incomes than renter households:
    - The median income for owner households is nearly twice that of renter households ($104,166 for owners compared to $54,911 for renters).

- Seniors are significantly more likely to own their homes—78% of seniors are homeowners in Longmont, compared to 57% of 35-to-44-year olds and 34% of 18-to-35-year olds.

- There are significant racial/ethnic disparities in homeownership in Longmont: Just 19% of Black householders are owners, compared to 68% of non-Hispanic White householders and 64% of Asian householders. Hispanic householders also have relatively low rates of homeownership (42%).

- Married couple households have higher ownership rates than households with a single householder. Three in four (77%) married couple households own their home compared to single female and male householders at 46% and 55% respectively.

Figure II-2. Profile of Owners and Renters in Longmont, 2021

	Owners		Renters		
	Num.	Pct.	Num.	Pct.	Ownership Rate
Total Households	**24,923**	**100%**	**14,314**	**100%**	64%
Median Income	**$104,166**		**$54,911**		
Race and Ethnicity					
Non-Hispanic White	20,944	84%	9,713	68%	68%
Black or African American	91	0%	380	3%	19%
Asian	768	3%	427	3%	64%
Hispanic or Latino	2,509	10%	3,438	24%	42%
Other	536	2%	602	4%	47%
Age of Householder					
Under 35 years	2,523	10%	4,834	34%	34%
35 to 44 years	4,418	18%	3,340	23%	57%
45 to 64 years	9,999	40%	3,859	27%	72%
Over 65 years	7,983	32%	2,281	16%	78%
Household Type					
Family households	**17,461**	**70%**	**7,331**	**51%**	70%
Married family households	14,524	58%	4,290	30%	77%
Male householder, no spouse	1,046	4%	862	6%	55%
Female householder, no spouse	1,891	8%	2,179	15%	46%
Non-family households	**7,462**	**30%**	**6,983**	**49%**	52%
Living alone	5,917	24%	5,415	38%	52%
Not living alone	1,545	6%	1,568	11%	50%
Education of Householder					
Less than high school graduate	1,033	4%	1,720	12%	38%
High school graduate (or equivalent	3,358	13%	2,909	20%	54%
Some college or associate's degree	6,633	27%	4,762	33%	58%
Bachelor's degree or higher	13,899	56%	4,923	34%	74%

Note:
Percentages of owners and renters by race or ethnicity may not equal 100%--some individuals identify as Hispanic/Latino or another race.

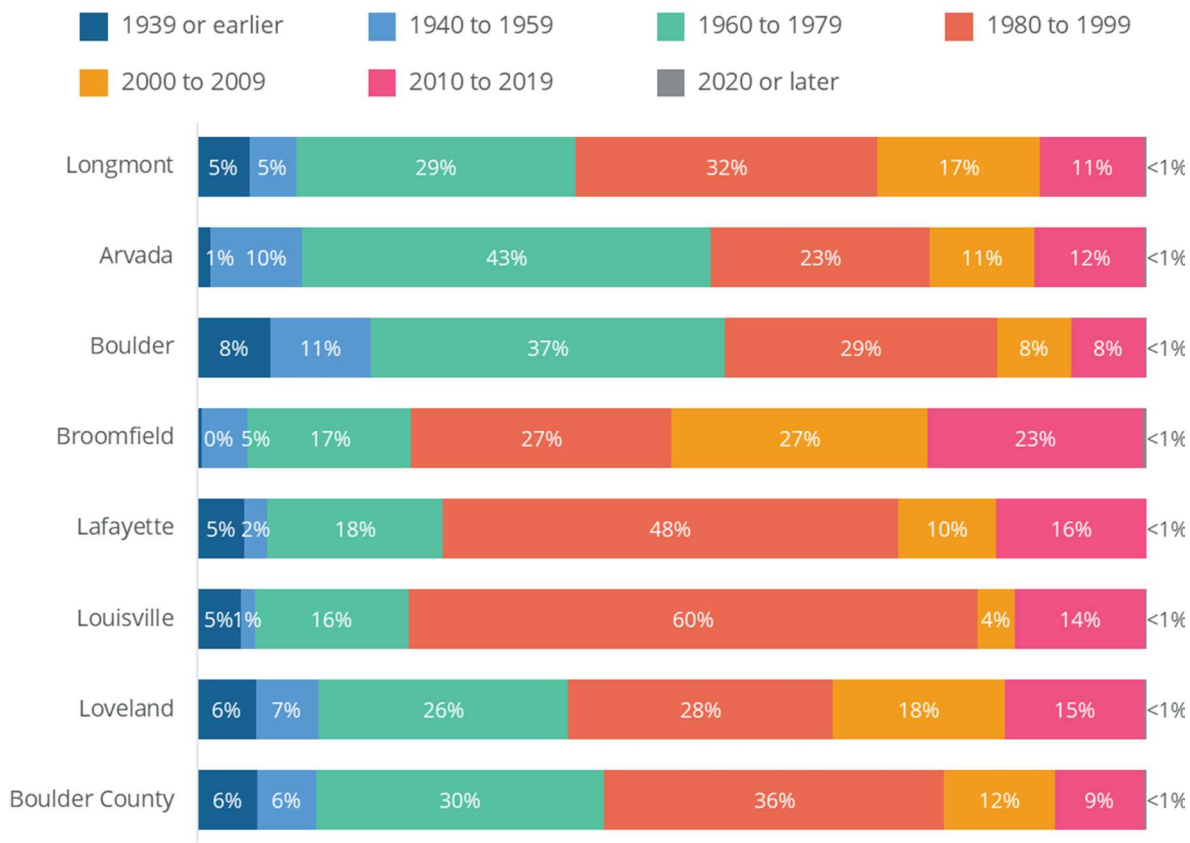
Source:
Root Policy Research and 2021 5-year ACS data.

Housing Stock

This section presents the characteristics of Longmont's housing stock in comparison to Boulder County and peer communities. The housing stock is evaluated by the age of housing, housing types, and vacancy rates for owner and renter occupied housing.

Age of housing stock. Most housing units in Longmont and Boulder County were built between 1960 and 1999, meaning housing units in these communities are older and may be in need of repair. Of Longmont's housing supply, 61% of units were built between 1960 and 1999. This is similar to housing production in Arvada, Boulder, and Lafayette—66% of housing units in these cities were built during this time.

Figure II-3.
Share of Housing Stock by Year Built, Longmont and Peer Communities, 2021



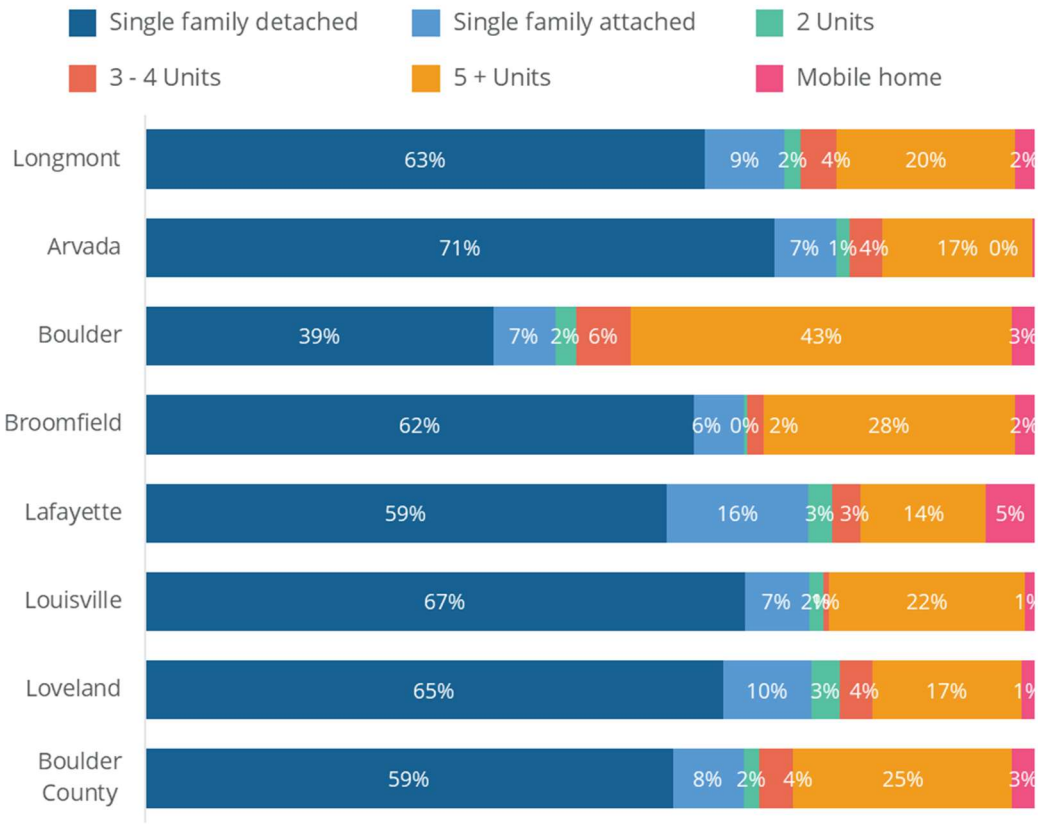
Source: Root Policy Research and 2021 5-year ACS data.

Housing types. Figure II-4 illustrates the composition of housing structures in Longmont and peer communities. In 2021, Longmont's housing supply is largely comprised of single family detached homes with 63% of units. Structures with five or more units comprise approximately 20% of Longmont's overall housing supply. Attached single family homes (e.g., townhomes) are limited in Longmont and make up 9% of the housing stock in the city. Structures with duplexes, triplexes, and fourplexes are also limited, representing

only 6% of housing in the city. Attached housing types (i.e., attached single family, duplexes, triplexes, and fourplexes) are considered missing middle housing types and are often more affordable for renter households looking to transition to homeownership.

Excluding Boulder, single family detached units comprise a significant portion of the housing stock in peer communities. Of Boulder's housing supply, only 39% are single family detached units. Boulder also has a larger share of developments with five or more units—almost half (43%) of the city's housing supply has five or more units. Louisville's housing supply is the least diverse—67% of housing units are single family. Lafayette has the largest share of mobile homes at 5% followed by Boulder County at 3%

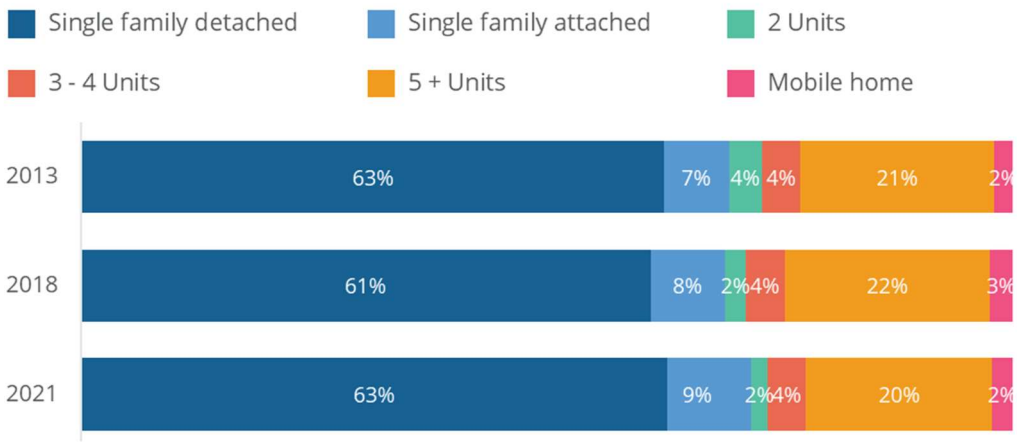
.Figure II-4.
Housing Structure Types, Longmont and Peer Communities, 2021



Source: Root Policy Research and 2021 5 year ACS data.

Figure II-5 shows the change in housing types from 2013 to 2021 in Longmont. The data show a steady proportional increase in single family attached homes, though overall housing types have changed very little since 2013. In the past three years, Longmont has added an estimated 3,617 units to the city's housing stock—over 2,900 of the new units (81%) were detached single family homes.

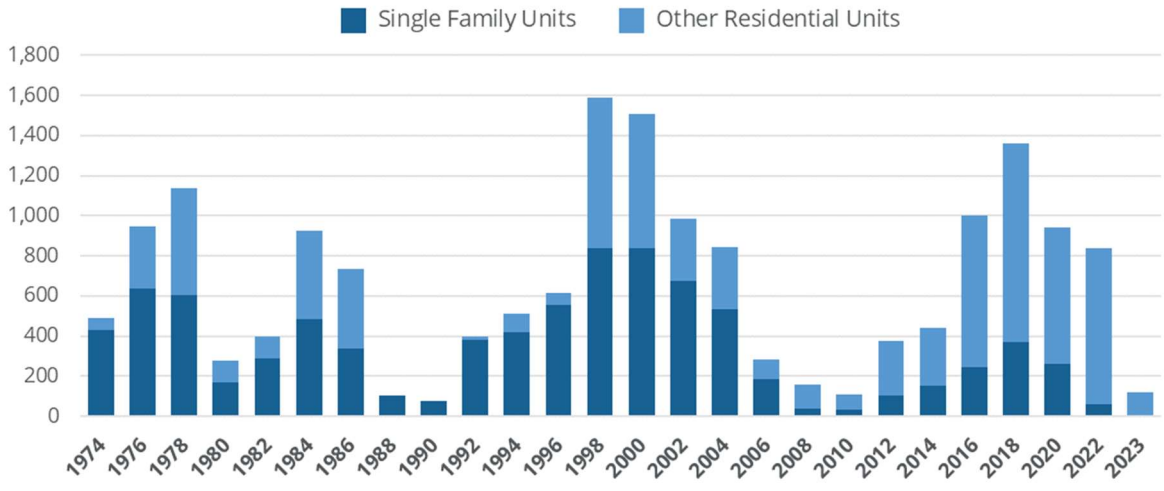
Figure II-5.
Change in Housing Units by Structure Type, Longmont, 2013-2021



Source: 2013, 2018, and 2021 5-year ACS.

Building permits. Figure II-6 shows the number of residential unit permits issued in Longmont between 1974 and 2023. Development activity decreased significantly with the Great Recession in 2008 and reached its lowest level of 111 units permitted in 2010. Building permits have returned in the years since, reaching their highest level in recent years in 2018 with 1,360 residential units permitted.

Figure II-6.
Residential Building Permits by Type, Longmont, 1974-2023



Note: Building permit data for 2023 represent the number of permits issued in January only.

Source: City of Longmont Planning and Development Services Division.

Between 1974 and 1996, building permits in Longmont were mainly issued for single family units with the largest number of permits issued in 1998—during this time, 840 building permits were issued for single family units. Since then, single family permits have

progressively declined while permits for other residential dwelling units (including townhomes, duplexes, and apartments) have increased.

Residential pipeline. There are currently 1,735 units under construction in Longmont. About half of those units (47%) are in multifamily developments, 27% are townhomes or condos, 20% are single family homes, and 7% are duplexes or triplexes. Another 1,551 units have been approved or are currently undergoing development review. The vast majority of units in the pipeline are multifamily—71% of units approved or under review.[1]

Vacant units. The share of vacant housing units in Longmont is low—in 2021, only 4.1% of units (or 1,670 units) were vacant. This is similar to Boulder County which had an overall vacancy rate of 5.5% but lower than Boulder at 5.9% in 2021(Figure II-7). A 5% vacancy rate is generally considered to be a healthy market and accounts for the natural churn of rental units. When vacancy rates are below 5% and rents continue to rise, this indicates a shortage of rental housing or a lack of supply. The current low vacancy rates region-wide reflect a very tight market.

Figure II-7.
Vacant Housing Units, Longmont and Peer Communities, 2013-2021

Source:
2013, 2018, and 2021 5-year ACS.

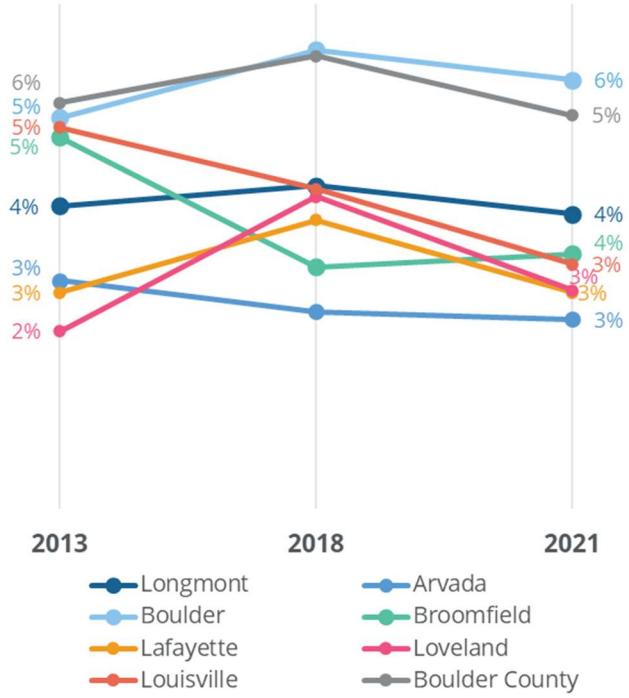
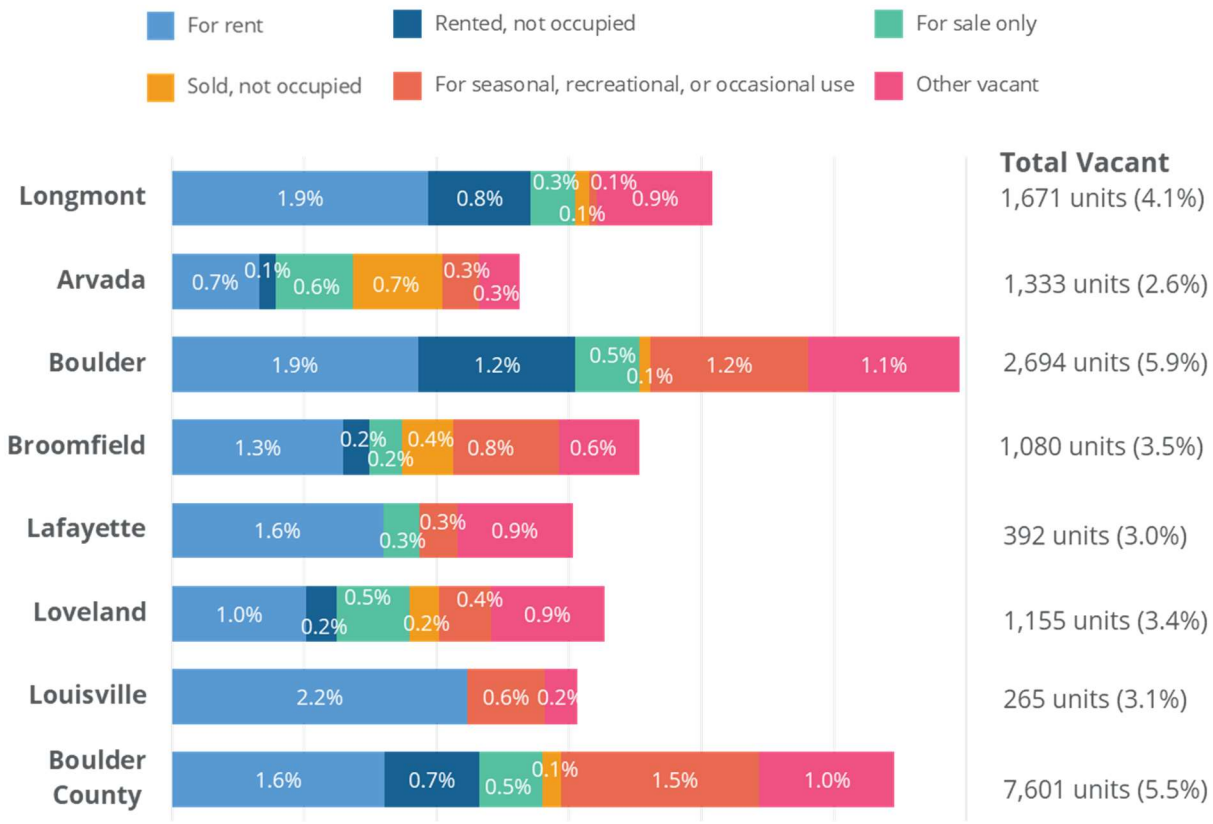


Figure II-8 shows share of vacant units by reason in Longmont and peer communities. In 2021, there were 793 vacant units for rent and 138 units for sale. A small percentage of units in the city are vacant for seasonal or recreational use (e.g., second homes and short term rentals that are unavailable to year-round residents), only 23 units were vacant for

[1] https://www.longmontcolorado.gov/home/showpublisheddocument/35982/638150860459470000.

this reason in 2021. Conversely, 1.5% of the total housing stock in Boulder County is vacant for seasonal or recreational use.

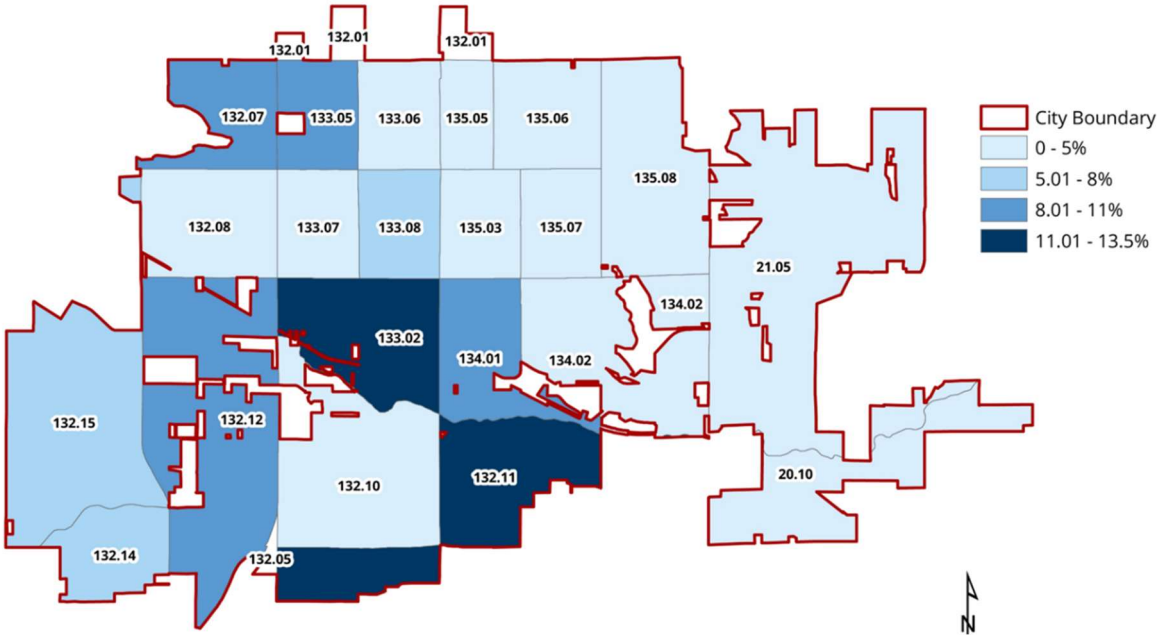
Figure II-8.
Vacancy Status by Reason, Longmont and Peer Communities, 2021



Note: Loveland is the only city to have vacant units for migrant workers—4% of all vacant units in the city.
Source: 2021 5-year ACS.

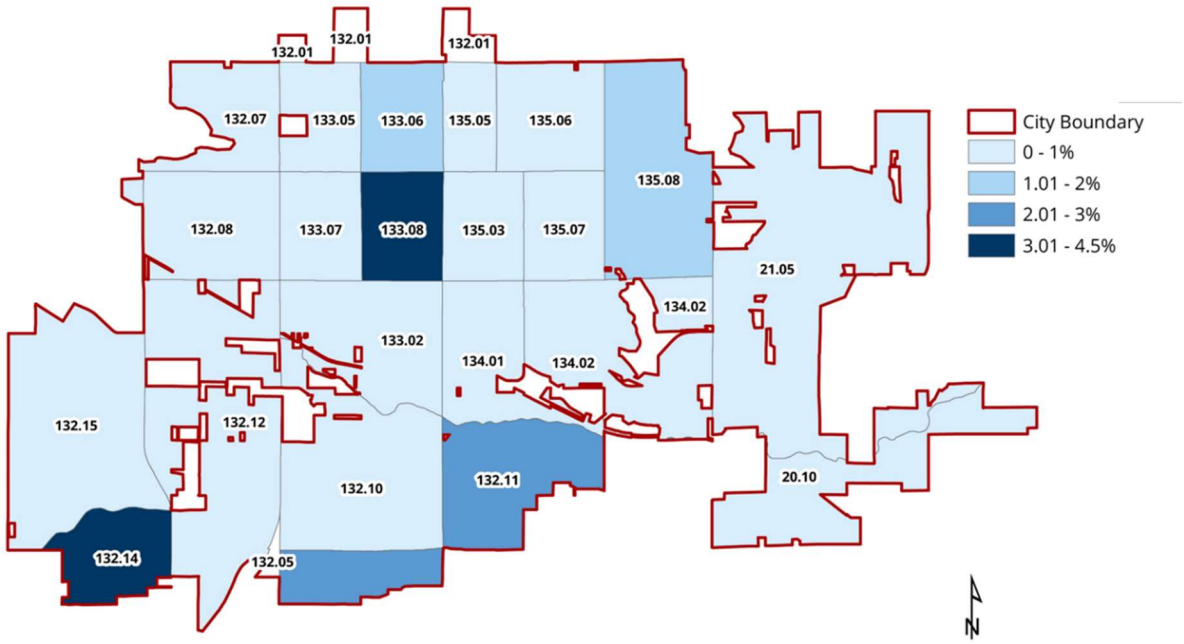
Figures II-9 and II-10 show rental and homeowner vacancy rates by Census tract in Longmont. The highest concentration of vacant rentals is in central Longmont west of Main Street. For vacant units that are for sale, the majority are located in the west area of the city to the east of Ken Pratt Boulevard.

Figure II-9
Rental Vacancy Rates by Census Tract, Longmont, 2021



Source: Root Policy Research, 2021 5-year ACS data, and MySidewalk.

Figure II-10.
Homeowner Vacancy Rates by Census Tract, Longmont, 2021



Source: Root Policy Research, 2021 5-year ACS, and MySidewalk.

Rental Market Trends

This section analyzes Longmont's rental market compared to peer communities. Rental market trends are presented using median rents, the distribution of rental prices, and the supply of rentals available to households.

Median rent. Figure II-11 shows the median gross rent among all types of rental units (including affordable and market rate rentals in all structure types) in Longmont and peer communities. In 2021, Longmont's median gross rent was $1,538, meaning prospective renters would need incomes of $55,368 to afford the median rent (equivalent to about 60% of HUD AMI in 2021). Among peer communities, rental prices are highest in Broomfield ($1,814) and Louisville ($1,831) and lowest in Loveland ($1,447) and Longmont ($1,538).

Figure II-11.
Median Rent and Required Income to Afford Median Rent, Longmont and Peer Communities, 2021

Note:
ACS median gross rents reflect rent data across all unit types including single family and duplex rentals, not just apartment complexes.

Source:
Root Policy Research and 2021 5-year ACS.

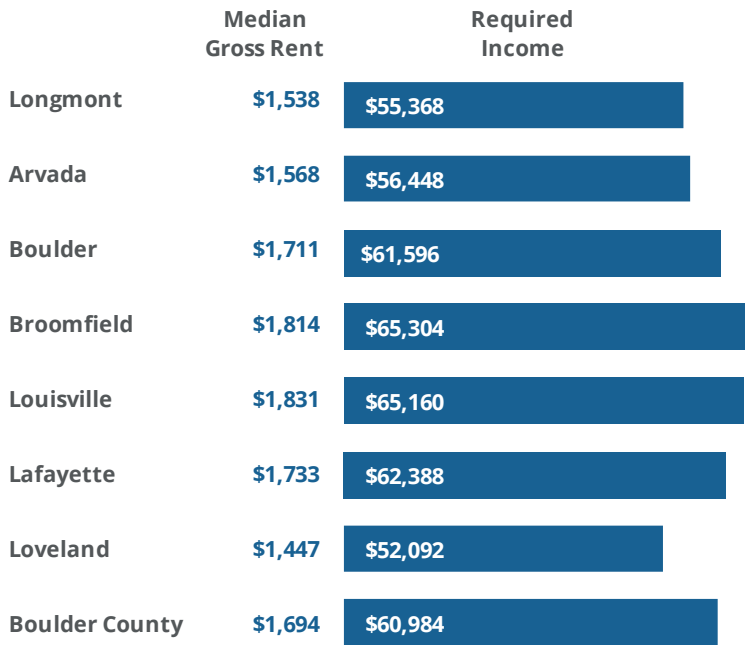


Figure II-12 shows the change in median rents from 2013 to 2021 in Longmont and peer communities. Median rent in Longmont increased by 59% from 2013 to 2021 increasing from $968 to $1,538—the highest rate of change among peer communities. This is similar to rents in Louisville—during this time, rents increased by $675 for an overall percentage increase of 58%. Rents in Boulder increased comparatively lower than other communities, increasing by 46% (or $539) in 2021.

As discussed in Section I, median renter income increased by 54% over the same period—nearly enough to keep up with rents at the median. However, changes in the rental distribution (discussed in the subsequent section) have exacerbated affordability challenges for lower- and middle-income renters.

Figure II-12.
Change in Median Rent, Longmont and Peer Communities, 2013-2021

	Median Rent			2013-2021 Change	
	2013	2018	2021	Dollar	Pct. Change
Longmont	$968	$1,233	$1,538	$570	59%
Arvada	$1,002	$1,274	$1,568	$566	56%
Boulder	$1,172	$1,466	$1,711	$539	46%
Broomfield	$1,165	$1,583	$1,814	$649	56%
Lafayette	$1,184	$1,340	$1,733	$549	46%
Louisville	$1,156	$1,538	$1,831	$675	58%
Loveland	$923	$1,192	$1,447	$524	57%
Boulder County	$1,113	$1,411	$1,694	$581	52%

Source: 2013, 2018, and 2021 5-year ACS.

Figure II-13 shows the median rent by number of bedrooms between 2018 and 2021 in the City of Longmont. Rent for all unit types have increased, though 5-bedroom units experienced the most change.

Figure II-13. Median Rent by Number of Bedrooms, Longmont, 2017-2021

Source:
2017, 2018, 2019, 2020, and 2021 5-year ACS.

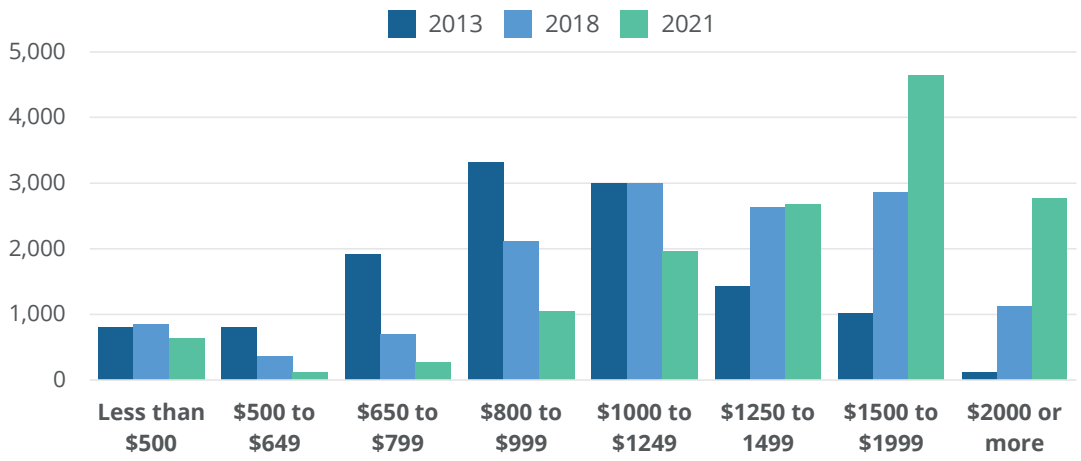
The difference between the highest priced units by bedroom and the lowest (studio vs. four or five bedroom units) increased during this time from a $941 difference in median

rent in 2017 to a $1,320 difference in 2021. In other words, the rental premium for larger units increased.

Rental price distribution. Figure II-14 illustrates Longmont's distribution of units by gross rent in 2013, 2018, and 2021. The city's supply of rental units below $1,250 have progressively declined since 2013 with the greatest decrease among rentals between $650 and $999 per month. Rental units in this price range decreased by 3,910 units from 2013 to 2021.

At the same time, Longmont's share of rentals between $1,500 and $1,999 increased from 1,000 units in 2013 to 4,600 in 2021—a percentage change of 355%. This trend is also seen with units above $2,000 with an increase of 2,600 units at this price-point from 2013 to 2021. The increase in rental units priced above $1,500 is not only due to new rental units entering the market, but inflation of existing market rate units over time evidenced by the simultaneous loss of rental units priced below $1,000.

Figure II-14.
Distribution of Units by Gross Rent, Longmont, 2013-2021



Source: 2013, 2018, and 2021 5-year ACS.

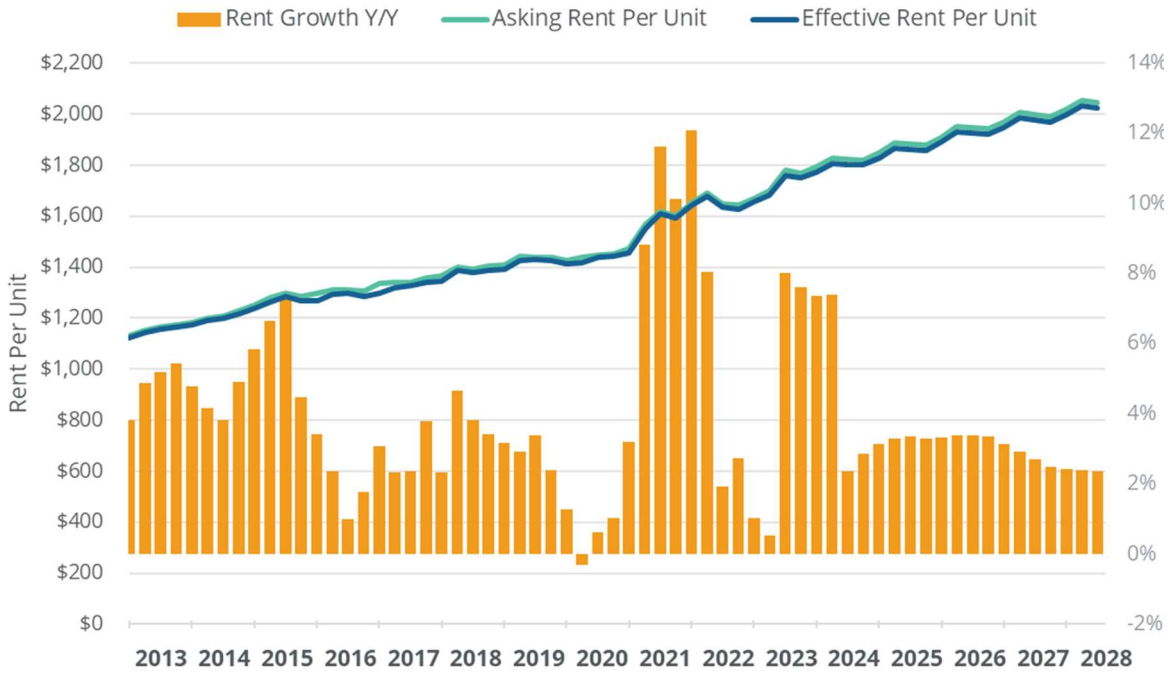
Market rents on new construction. The ACS data on median rent and rental distribution (in the preceding figures) offer a comprehensive analysis of what renters currently pay for rent. The ACS data include all structure types (single family rentals to apartments), as well as both market-rate rental units and subsidized/affordable rental units. However, the ACS data may not accurately portray what is currently available on the market for a household looking to rent nor does it illustrate the asking rents of newly constructed rental properties.

CoStar data provide a more current picture of market-rate rents, relying on extensive surveys of multifamily properties across the United States. Figure II-15 shows the CoStar data on asking and effective rents in Longmont from 2013 through 2023 Q2 and then

forecasts rents through 2028. It also shows the year-over-year rent growth in Longmont. (Asking rent reflects the "face-value" of monthly rent; effective rent factors in concessions offered by the landlord, such as one free month at leasing).

According to CoStar, average asking rent in Longmont in 2023 is about $1,700 per month. This average equates to rents in the 60% to 80% AMI range, depending on unit and household size. Rents are expected to rise steadily over the next five years, reaching $2,050 by the end of 2028. Though not shown in the figure, CoStar data also forecast strong rental unit absorption through 2028, indicating continued strong demand in Longmont's rental market.

Figure II-15.
Monthly Asking and Effective Rent per Unit, Longmont, 2013-2028

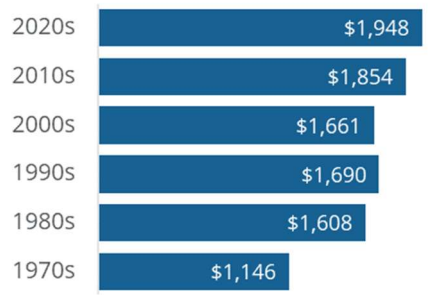


Source: CoStar and Root Policy Research.

Market rents vary substantially by year built, with the newest construction commanding the highest rents. Figure II-16 shows average asking rents by year built for Longmont multifamily properties.

New multifamily properties coming online over the past few years are asking an average of $1,948 per month.

Figure II-16. Market Rent by Year Built, Longmont, 2023



Source: CoStar and Root Policy Research.

For Sale Market Trends

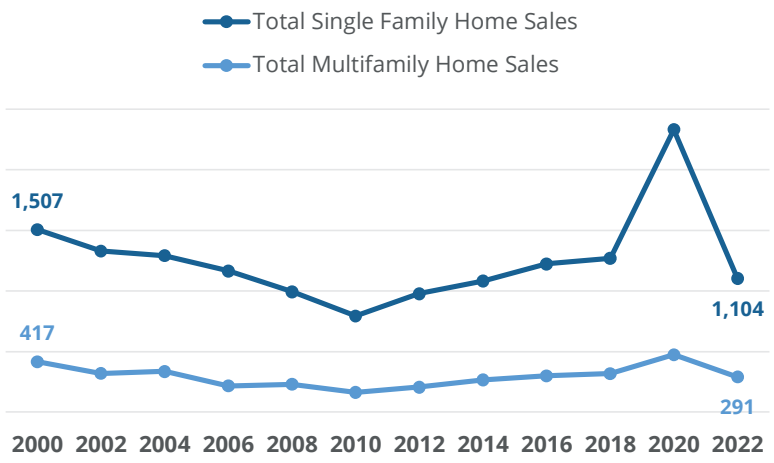
This section examines Longmont's for-sale housing market. For-sale market trends are determined by the market value of homes, the city's inventory and recent sales as well as the distribution of sales price by housing type.

For-sale inventory. Figure II-17 shows the number of home sales in Longmont by housing type between 2000 and 2022. In 2000, more than 1,500 single family homes and 417 multifamily homes were sold in Longmont. By 2022, home sales for both housing types slightly decreased to 1,104 and 291 homes sold, respectively.

Between 2018 and 2020, single family home sales peaked in Longmont, increasing from 1,269 homes in 2018 to 2,332 homes in 2020. The stark decline in single family homes sold between 2020 and 2022 is likely due to the economic impacts of the COVID-19 pandemic. Multifamily home sales also decreased during this time though at a less pronounced rate.

Figure II-17. Home Sales in Longmont by Housing Type, 2000-2022

Source:
IRES data.



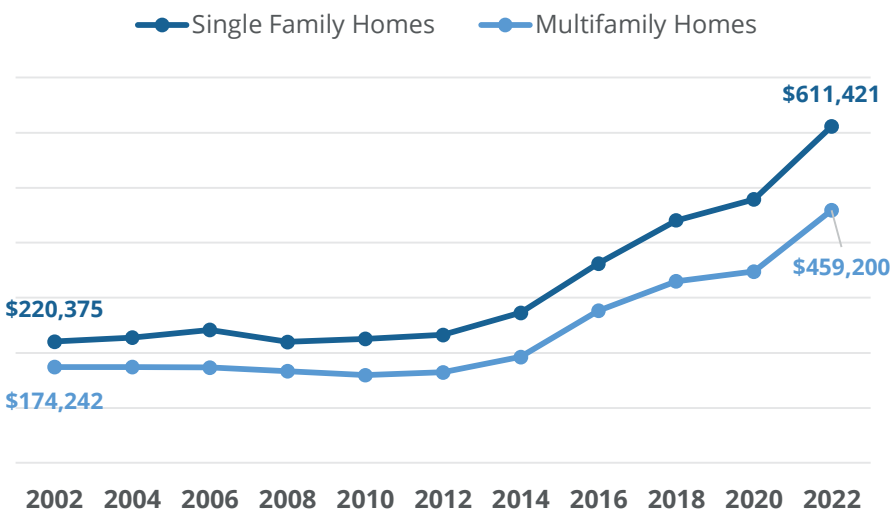
Home sales price. According to IRES Multiple Listing Service (MLS) data, the median home price for a single family home in 2022 was $611,421—an increase of nearly $400,000 (177%) from 2002. Between 2007 and 2008, single family home prices decreased by 10.5%as a result of the Great Recession's impact on the housing market. As the economy recovered from the Great Recession, the median market value for for-sale single family homes in Longmont has risen substantially with the greatest increase occurring between 2020 and 2021. During this time, prices increased from $478,951 to $566,763—an increase of nearly 16%.

Home sale prices for multifamily homes (e.g., townhomes, duplexes, and condos) have followed similar trends—in 2022, the median sales price for a multifamily home was $459,200. This represents a total percentage increase of 164% since 2002. During the Great Recession, sales prices for multifamily homes also dipped. These results are shown in Figure II-18 by housing type.

Combined with rising interest rates—which decrease the buying power of households—low to moderate income households will likely struggle to attain homeownership. This is a particular concern for Longmont's renter households as rising housing costs exacerbate challenges of saving for a down payment or being approved for a mortgage with a low interest rate.

Figure II-18. Median Home Sales Prices by Housing Type, Longmont 2002-2022

Source:
IRES data.

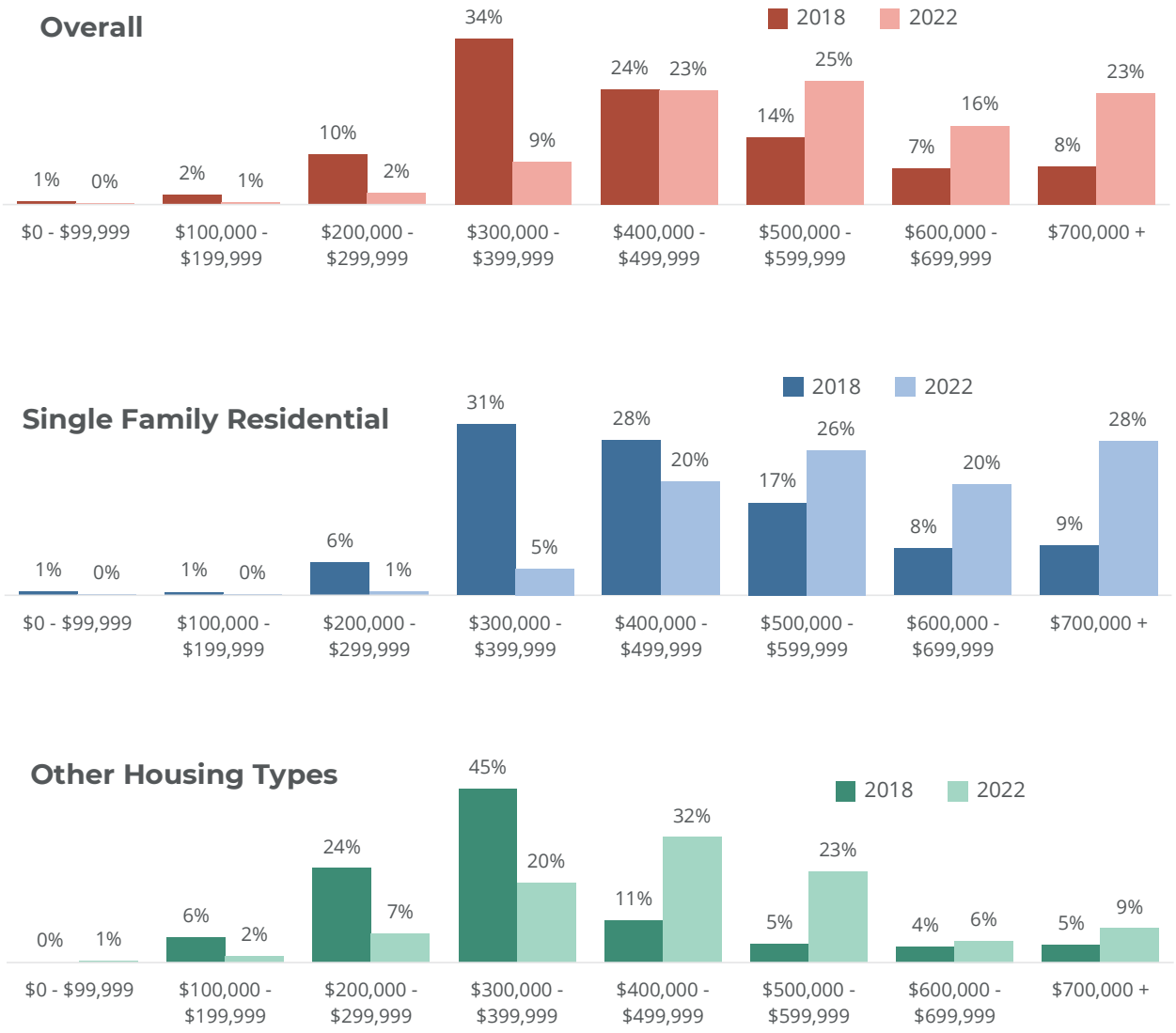


In 2018, the majority of homes sold in Longmont were priced between $300,000 and $400,000. By 2022, sales in this price range decreased from 34% to only 9% with a larger share of homes sold between $500,000 and $700,000 (or more). The number of homes sold for over $700,000 nearly tripled between 2018 and 2022.

Single family homes followed similar trends—in 2018, single family homes were more likely to be within the $300,000 to $500,000 price range. This distribution shifted significantly in 2022, favoring homes above $500,000. In 2022, other housing types sold in Longmont (duplexes/triplexes, condos, townhomes, manufactured homes) were concentrated between $400,000 and $600,000. These trends are particularly important as it suggests that these housing types are a more affordable option for young adults, first time homebuyers, and renter households looking to transition to homeownership.

Prices vary not only by structure type, but also year built: new construction sales typically have a premium over resales. In Longmont in 2022, the typical new construction home sold for $702,500—nearly $100,000 more than the overall median sale price.

Figure II-19.
Price Distribution of Home Sales in Longmont, 2018 and 2022



Source: MLS data and Root Policy Research.

SECTION III.

HOUSING NEEDS ANALYSIS

SECTION III.
Housing Needs Analysis

This section evaluates Longmont's housing price trends in the context of residents' incomes to identify housing and housing affordability needs. Needs are identified by indicators including:

- Housing costs (e.g., rent, purchase prices) compared to income;
- Inventory of affordable, income-restricted housing units;
- Housing supply compared to housing demand at varying income levels—this is measured by an affordability gaps analysis;
- Housing affordability for workers—this analysis is used to determine what workers can afford in Longmont's housing market; and
- Household cost burden and severe cost burden by tenure and household income;[1]

Importance of Addressing Needs

In recent years, addressing housing needs has become a priority for local and state governments. Greater support for housing at the local and state levels is largely the result of the federal government's diminishing role in providing publicly subsidized housing as well as investment for housing projects and programs. Additionally,

- Rising housing costs have undermined equitable access to opportunity such as education, employment, health care, and community services/resources—all of which are critical to ensuring success and quality of life.
- Academic research has consistently shown that stable and affordable housing are central to the health of individuals, families, and communities.[2] Poor housing quality often expose households to mold, pests, and/or chemical toxins that are harmful to individual health.

---

[1] Cost burden occurs when households pay more than 30 percent of their monthly gross income toward housing costs. This is the industry standard for affordability. Severe cost burden occurs when households pay more than 50 percent of their monthly gross income toward housing costs and also indicates risk of eviction, foreclosure, and/or homelessness.

[2] Allison Allbee, Rebecca Johnson, and Jeffrey Lubell, "Preserving, Protecting, and Expanding Affordable Housing," *Change Lab Solutions* (2015), https://www.changelabsolutions.org/sites/default/files/Preserving_Affordable_Housing-POLICY-TOOLKIT_FINAL_20150401.pdf.

- Limited affordable housing opportunities significantly impact mental health as well, particularly among children and adolescents. Providing families with affordable housing that meets their needs provides greater stability and reduces stress.

- Households living in stable housing are more likely to spend their incomes in the local economy through direct spending on goods and services. Money that would otherwise be used for housing gives households the ability to spend their incomes on food, transportation, and health care services.

- Housing investments that allow workers to live near their place of employment can reduce the impacts of commuting (e.g., wear-and-tear on roads and vehicular accidents) and helps to address the growing threat of climate change.

- Affordable housing is key to providing high quality public services as many essential workers (e.g., doctors, nurses, and teachers) often leave communities that do not have an adequate supply of housing in their price range. As more essential workers leave the community, residents will likely experience greater difficulty accessing health care services as well as quality education for their children.

- Generational wealth from affordable housing is a major contributor to positive outcomes for children. As housing and equity are passed down, young adults have the option to remain in the community and have families of their own. This positively impacts Longmont as well as the city will have an easier time retaining workers and young families.

- Housing investments and stable housing environments also bolster local revenue, increase job readiness, help renters transition to homeownership, lower public costs of eviction and foreclosure, and increase the economic and educational opportunities for children.

The benefits mentioned above do not represent a comprehensive list of the benefits to providing households with stable and affordable housing.

Defining Affordability

Affordability is often linked to the idea that households should not be cost burdened from housing costs. A cost burdened household is one in which housing costs—rent or mortgage payment, taxes, and utilities—consumes more than 30% of monthly gross income. The 30% proportion is derived from mortgage lending requirements and follows flexibility for households to manage other expenses (e.g., childcare, health care, transportation, food costs). It is important to note that the City of Longmont has chosen to use 33% as a standard for some of its locally funded housing programs to be more realistic to the local market conditions.

Eligibility for housing programs is based on how a household's income falls within income categories determined by the U.S. Department of Housing and Urban Development (HUD). As discussed in Section I of this report, categories are determined by the Area Median Income (AMI). In general, HUD AMI categories include:

- Households earning 30% of AMI are considered extremely low income. These households live below the federal poverty level.
- Households earning between 31% and 50% of AMI are very low income.
- Households earning between 51% and 80% of AMI are low income.
- Households with incomes between 80% and 120% are considered moderate income.

In some high cost markets, moderate income households are eligible for housing programs, particularly homeownership programs, up to 120% AMI.

Figure III-1.
Regional HUD AMI Thresholds, 2023

Note: AMI is based on a 2-person household in Boulder County. Affordable home prices reflect the maximum detached sale prices in the City's inclusionary housing program.

Source: HUD Income Limits and Root Policy Research.

Affordability and Income Changes

This section compares the trends in housing costs (e.g., rent, purchase prices) relative to trends in Longmont household income changes—in other words: are incomes keeping up with home prices and rents?

As discussed in Section I, median renter income rose by 54% and median owner income by 30% from 2013 to 2021. Median renter incomes roughly kept pace with rent increases—median rent increased from $968 in 2013 to $1,538 in 2021 for an overall percentage change of 59%. During this time, however, Longmont's median home price rose dramatically (76%). Steep increases in market values will likely impact renter households looking to transition to homeownership.

Figure III-2 summarizes changes in housing affordability in Longmont by comparing the change in median income with changes in rent/home prices and purchasing power (at the median income). "Purchasing power" is based on income but also acknowledges the impact of interest rates. The purchasing power estimates below assume 33% of income is spent on housing and buyer has a 30-year mortgage with a 10% down payment; ancillary costs such as property taxes, insurance, HOA payments, etc. are assumed to collectively account for about 20% of the monthly payment.

Figure III-2.
Changes in Income and Market Prices, 2013-2021/22

	2013	2021/22 (2.96% int.)	2021/22 (6.00% int.)	2013 2021/2 Change	
				Dollar	Percent
Income					
Median Household Income	$58,698	$83,104	$83,104	$24,406	**42%**
Median Renter Income	$35,647	$54,911	$54,911	$19,264	**54%**
Median Owner Income	$80,241	$104,166	$104,166	$23,925	**30%**
Rent / For Sale Prices					
Median Rent	$968	$1,538	$1,538	$570	**59%**
Median For Sale Price	$252,688	$611,421	$611,421	$358,733	**142%**
Purchasing Power					
Affordable Home Price at Median Household Income	$298,258	$479,465	$335,437	$181,208 or $37,180	**61% or 12%**
Interest Rate	3.98%	2.96%	6.00%	n/a	

Note: For sale market value is based on 2022 sales reported in the IRES database—all other data is 2013 or 2021 where marked. Maximum affordable home price assumes is based on a 30-year mortgage with a 10% down payment. Ancillary costs (e.g., property taxes, insurance, HOA, etc.) are assumed to collectively account for 20% of the monthly payment.

Source: 2013, 2018, and 2021 5-year ACS, 2013 and 2022 IRES data, and Root Policy Research.

In 2013, a household with the median income in Longmont ($58,698 per year based on ACS data) could afford a home priced at or below $298,258 with a 3.98% interest rate. With lower interest rates in 2021, median income households ($83,104) could afford homes priced up to $479,465. However, interest rates in 2022 began to rise resulting in a *decrease* in purchasing power for prospective buyers. With a 6% interest rate, the median income household could only afford a home priced at $335,437.

Rising interest rates exacerbate existing disparities and compress affordability. The purchasing power of median income households decreases dramatically when interest rates are adjusted to 6.0%. **Overall, purchasing power at current interest rates increased by just 12% from 2013 to 2022 whereas the median for sale price increased 142% over the same time.**

When home prices increase, the monetary value of a 10% down payment also rises. Figure III-3 shows a 10% down payment on the median-priced home as a portion of the median household income for all households in Longmont from 2013 to 2022.

In 2013, a 10% down payment required 43% of a household's median annual income compared to 74% in 2021/22. Even if prospective buyers can afford monthly mortgage payments, higher down payment requirements create a significant obstacle for renters hoping to transition to homeownership.

Figure III-3.
Market Values and Required Down Payment, Longmont, 2013-2021/22

Source:
2013, 2018, and 2021 5-year ACS, IRES data, and Root Policy Research.

	Median Household Income	Median Sale Price	Downpayment	
			Dollar	Percent of Income
2013	$58,698	$300,451	$30,045	51%
2018	$69,857	$419,544	$41,954	60%
2021/22	$83,104	$529,136	$52,914	64%

Affordable Housing Inventory

As the rental market has become more competitive, low-income renters find it increasingly challenging to find market rate units. Limited naturally occurring affordable housing contributes to the need for publicly assisted rental housing—housing that receives some type of public subsidy in exchange for occupant income restrictions.

There are currently 2,696 income-restricted housing units deed restricted as permanently affordable in Longmont; 2,543 of these are rental units and 153 are ownership units. Most of these units (1,400) were funded through the federal Low Income Housing Tax Credit (LIHTC) program; others were funded through HUD-programs (e.g., public housing

programs, project-based vouchers) and are part of the Longmont Housing Authority's portfolio, and/or through the City's inclusionary housing program.

In total, the City's permanently affordable, income-restricted inventory accounts for 6.66% of the total housing stock. There are also about 1,152 housing choice vouchers in use in Longmont, with which recipients can find market-rate units that meet their needs.[3]

Figure III-4. Affordable Housing Inventory, Longmont, 2022

Source:
City of Longmont.

Affordable (Income Restricted) Housing Inventory	2019	2020	2021	2022
Ownership units	130	144	154	153
Rental Units	2,212	2,288	2,298	2,543
Total Income Restricted Affordable Units	**2,342**	**2,432**	**2,452**	**2,696**
Affordable Housing as % of All Home	6.06%	6.07%	6.09%	6.66%

Affordability Gaps Analysis

Root Policy Research conducted a modeling effort called a gaps analysis to examine how Longmont's housing market is meeting the affordability needs of current residents. The gaps analysis compares the supply of housing at various price points to the number of households who can afford such housing. If there are more housing units than households, the market is "oversupplying" housing at that price point. Conversely, if there are too few units, the market is "undersupplying" housing at that price point. The affordability gaps analysis completed for Longmont addresses both rental affordability and ownership opportunities for renters looking to buy.

Note that the gaps analysis is intended to evaluate *affordability* needs among current residents not the need for additional housing to accommodate future or potential residents.

Affordability gap in the rental market. The rental gaps analysis compares the number of renter households in Longmont, household income levels, the maximum monthly housing payment they can afford, and the number of affordable housing units in the market, including income-restricted affordable units.

The "Rental Mismatch" column in Figure III-5 shows the difference between the number of renter households and the number of rental units affordable to them at that price point. Negative numbers indicate a shortage of units at specific income levels; positive units indicate an excess of housing at that price point. Affordability gaps are shown by

[3] Vouchers and units are not necessarily additive as vouchers can be used in subsidized units, creating overlapping subsidies.

household AMI ranges published by HUD for a 2-person household (in line with the average household size) in Boulder County in 2021.[4]

Figure III-5.
Longmont Rental Gaps, 2021

Income Range	Maximum Affordable Rent	Rental Demand: Current Renters		Rental Supply: Current Units		Rental Mismatch	Cummulative Affordability Gap
		Num.	Pct.	Num.	Pct.		
Income by AMI							
0-30% AMI	$702	2,989	21%	945	6%	(2,044)	(2,044)
31-50% AMI	$1,170	2,824	20%	2,695	18%	(129)	(2,173)
51-80% AMI	$1,872	3,381	24%	7,238	48%	3,858	1,684
81-100% AMI	$2,340	1,791	13%	2,595	17%	805	2,489
101-120% AMI	$2,808	990	7%	1,051	7%	61	2,550
121% AMI +	$2,808 +	2,339	16%	582	4%	**(1,757)**	793
Total / Low Income Gap (<50% AMI)		**14,314**	**100%**	**15,107**	**100%**	(2,173)	

Note: Household AMI is based limits published by HUD for a 2-person household (in line with the average household size), in Boulder County, in 2021.

Source: Root Policy Research, 2021 ACS 5 year, and HUD Income Limits.

The rental affordability gaps analysis in Figure III-5 shows that:

- **Collectively, there is a affordability shortage of 2,173 units for renters earning less than 50% AMI (even after accounting for the City's affordable, income-restricted rental inventory)**. The mismatch in supply and demand at this income level means these households are paying more than they can afford for housing.
    - The largest affordability gap is for households with extremely low incomes—below 30% of HUD AMI. There are 2,989 households in this income range and only 945 units affordable to them for a shortage of 2,044 units.
    - Renters earning 30-50% AMI need rentals priced at or below $1,170 to avoid being cost burdened; Longmont has 2,695 units in this price range for an affordability gap of 129 units for households earning 30% to 50% AMI.
    - These households are "renting up" into higher priced rental units. The rental affordability needs can be addressed either through additional rental

[4] The 2021 AMI is used to be consistent with the year for income and rental data.

subsidies on existing units or through the creation of new rental units priced in their affordability range (less than 50% AMI).

- The "shortage" that appears for higher income households (over 120% AMI) does technically show a mismatch in their ability to pay higher prices for rental units and the lack of units at that higher price-point. However, it does not necessarily mean they have a preference for higher priced units. Many households in this income range prefer to "rent down" spending less than 30% of their income on housing—either to save money or plan for a home purchase.

Affordability gaps in the for-sale market. The for-sale gaps analysis demonstrates the affordability mismatch between prospective buyers (current renters) and available product (Figure III-8). Similar to the rental affordability gaps analysis, the model compares renters, renter income levels, the maximum monthly housing payment they can afford, and the proportion of for sale units in the market that were affordable to them.[5]

Renters are used to determine the demand of ownership gaps because the analysis intends to capture renters' ability to purchase a home (as opposed to measuring existing owners' ability to buy and sell). The renter purchase mismatch shows the difference between the proportion of renter households and the proportion of homes sold in 2022 that were in their affordable price range. Negative numbers indicate a shortage of units for sale at specific price points; positive percentages indicate an excess of units. The Longmont for-sale affordability gaps analysis shows:

- **For sale affordability gaps in Longmont are concentrated among households earning less than 80% AMI, but persist for households earning up to 120% AMI.**
  - Sixty-eight percent of renter households have an income less than 80% of AMI and only 4% of sales were affordable to them (priced under $324,).
  - The market also undersupplies units affordable to households earning between 80% and 100% AMI. Thirteen percent of renters are in this income range but only 9% of units were listed/sold in their affordability range.
  - The cumulative gap shows that the overall undersupply of affordable for-sale homes extends up to 120% AMI, even after excluding households earning less than 30% AMI from potential demand. (The cumulative ownership gap excludes households earning less than 30% of AMI because they are least likely to transition to homeownership).
- The affordability gap at these entry-level price-points indicates a strong need for additional affordable ownership options for current residents either through production of new affordable homes or subsidies on existing units. Renters who

[5] Renters are used to approximate demand among first-time homebuyers that do not already have existing home equity.

cannot afford to purchase a home will either remain in rental units longer or look to move elsewhere to purchase a home.

Figure III-6.
Longmont For-Sale Affordability Gaps, 2022

Income Range	Maximum Affordable Home Price	Potential Demand of 1st Time Buyers (Current Renters)		For Sale Supply (Homes Sold)		Renter Purchase Mismatch	Cumulative Affordability Gap excl. < 30% AMI
		Num.	Pct.	Num.	Pct.		
< 30% AMI	$121,575	2,989	21%	5	0%	-21%	excluded
31 - 50% AMI	$202,625	2,824	20%	5	0%	-19%	-19%
51 - 80% AMI	$324,200	3,381	24%	38	2%	-21%	-41%
81 - 100% AMI	$405,250	1,791	13%	89	6%	-7%	-47%
101 - 120% AMI	$486,300	990	7%	208	14%	7%	-41%
121% AMI +	$486,300+	2,339	16%	1,182	77%	61%	21%

Note: Max affordable home price is based on a 30-year mortgage with a 10% down payment and an interest rate of 6.0%. This differs slightly from the City's program home price maximums because this anlaysis uses a higher down payment to account for housing purchased through conventional lenders. Ancillary costs (property taxes, insurance, HOA, etc.) are assumed to account for 20% of monthly payments. Household AMI is based limits published by HUD for a 2-person household (in line with the average household size). 2022 AMIs are used for consistency with the income and housing cost data year.

Source: 2021 5-year ACS, HUD Income Limits, local sale data, and Root Policy Research.

Worker affordability. As major employment centers in Longmont continue to grow and expand, the city will likely experience greater housing price increases as well as transportation challenges. Given rising housing prices, many employees will seek less expensive housing outside of Longmont, forcing residents to commute longer distances.[6]

Figure III-7 shows the housing that Longmont's industry workers can afford in 2021 based on the average earnings in each industry. Median rent and median purchase price were used to measure if households can participate in Longmont's housing market.

- The average wage worker in just **eight industries in Longmont can afford median rent in the city**. These industries include oil and gas, manufacturing, utilities, information, professional services, real estate and public administration.
- Conversely**, Longmont's median sale price is out of reach for the average worker in all industries,** even with 1.5 earners per household.

This analysis provides greater insight on Longmont's economic trajectory—if industry workers are unable to afford a home in the city or median rent, it is more likely that they

[6] Boulder County Regional Housing Partnership, *Expanding Access to Diverse Housing for our Community,* Sept. 2017, https://homewanted.org/wp-content/uploads/2019/03/Regional-Affordable-Housing-Plan.pdf.

will leave the area to find affordable housing elsewhere. In addition, if workers are unavailable, it will be harder for the City to attract primary employers.

Figure III-7. Housing Workers Can Afford, Longmont, 2021

Industry	Median Annual Earnings	Max Affordable Rent	Can Afford Median Rent?	Max Affordable Home Price	Can Afford Median Home Price?	Can Afford Median Home Price with 1.5 Earners per Household?
Goods Producing						
Agriculture, Forestry, Fishing	$31,067	$777	no	$125,398	no	no
Mining, Quarrying, and Oil and Gas	$78,560	$1,964	yes	$317,096	no	no
Construction	$54,851	$1,371	no	$221,398	no	no
Manufacturing	$71,682	$1,792	yes	$289,334	no	no
Service Producing						
Wholesale Trade	$55,919	$1,398	no	$225,709	no	no
Retail Trade	$41,398	$1,035	no	$167,097	no	no
Transportation and Warehousing	$55,686	$1,392	no	$224,769	no	no
Utilities	$81,447	$2,036	yes	$328,749	no	no
Information	$77,580	$1,940	yes	$313,141	no	no
Finance and Insurance	$54,167	$1,354	no	$218,637	no	no
Real Estate and Rental and Leasing	$64,559	$1,614	yes	$260,583	no	no
Professional, Scientific, Technical Services	$94,690	$2,367	yes	$382,203	no	no
Admin and Support and Waste Management	$36,003	$900	no	$145,321	no	no
Educational Services	$65,614	$1,640	yes	$264,842	no	no
Health Care and Social Assistance	$49,369	$1,234	no	$199,271	no	no
Arts, Entertainment, and Recreation	$46,523	$1,163	no	$187,783	no	no
Accommodation and Food Services	$25,618	$640	no	$103,403	no	no
Other Services	$44,505	$1,113	no	$179,638	no	no
Public Administration	$64,559	$1,614	yes	$260,583	no	no
Total Employment	**$57,940**	**$1,449**	**no**	**$233,867**	**no**	**no**

Note: Median rent was $1,538 and median sale price was $611,421. Mortgage assumptions include 6.0% interest rate, 20% monthly payment for ownership costs, and 10% down payment. Other Service sectors comprise establishments engaged in providing services not specifically provided elsewhere in the classification system. Establishments in this sector are primarily engage in activities such as equipment and machinery, promoting or administering religious activities, grantmaking, advocacy, dry cleaning and laundry services, personal care services, death care services, pet care services, photofinishing services, temporary parking services, and dating services.

Source: 2021 5 year ACS, IRES, and Root Policy Research.

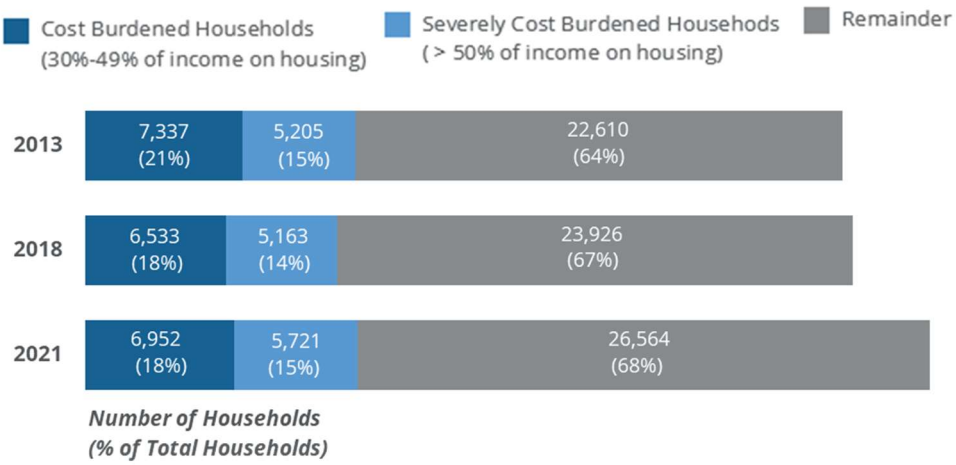
Housing Cost Burden

As discussed in the previous section, affordability shortages result in households "renting up" or "buying up"—dedicating an increasing share of their income to housing. This can result in financial instability, housing instability, and eventually displacement of households from their home and/or community. In the housing industry, the concept of dedicating a disproportionate share of income to housing is referred to as "cost burden."

- Cost burden occurs when households pay more than 30% of their gross household income on housing costs (based on the national standard). Housing costs include rent or mortgage payments, homeowners' association (HOA) fees, essential utilities, mortgage insurance, renter/homeowner insurance, and property taxes.
- Severe cost burden occurs when a household pays more than 50% of their monthly gross income on housing. Severe cost burden is linked to high risks of eviction or foreclosure and homelessness.

In 2021, nearly 7,000 households in Longmont were cost burdened and another 5,700 were severely cost burdened. As shown in Figure III-8, the number of cost burdened households in Longmont decreased by 385 households from 2013 to 2021. Overall, the proportion of cost burdened households decreased by three percentage points during this time (from 21% to 18%). Conversely, the number of severely cost burdened households increased by over 500 households, but the percent of households severely cost burdened stayed the same from 2013 to 2021 at 15%.

Figure III-8. Cost Burden and Severe Cost Burden, Longmont, 2013 - 2021



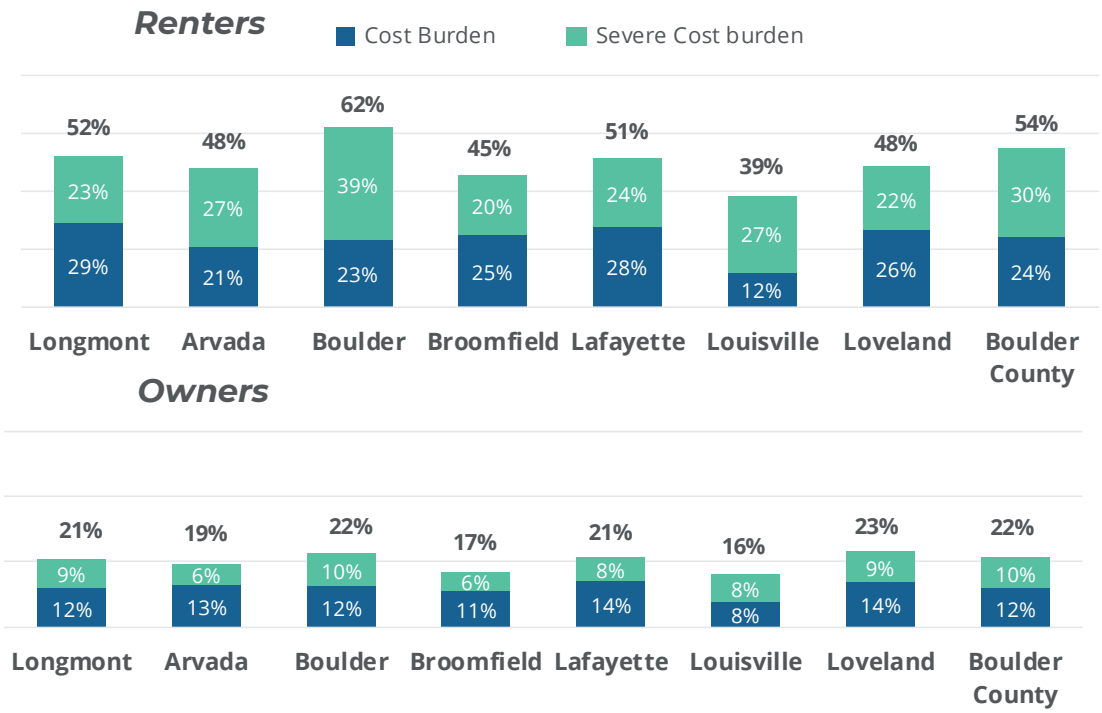
Source:
2013, 2018, and 2021 5-year ACS.

The slight decline in overall cost burden may reflect rising incomes for some households but also likely reflects displacement of some lower income households from Longmont (moving as they are priced out of the City). It is also important to note that the 2013 data reflect a 5-year average (2009-2013) so may still carry residual economic impacts of the Great Recession.

Figure III-9 shows the share of cost burdened households by tenure in Longmont and peer communities. Renters are more likely to be than owners across all communities. In Longmont, over half of renters are cost burdened or severely cost burdened (52%) compared to 21% of owners.

Compared to peer jurisdictions, Longmont has a greater share of cost burdened renter households (52%). This is similar to Boulder County and the City of Lafayette at 54% and 51%, respectively. Of peer communities, Boulder has the largest share of cost burdened renters though these numbers are likely impacted by the city's student population. Cost burden among owner households are relatively similar across peer communities, with comparatively lower shares in Louisville, Arvada, and Broomfield.

Figure III-9.
Share of Cost Burdened Households by Tenure, Longmont and Peer Communities, 2021



Source: 2021 5-year ACS and Root Policy Research.

Figure III-10 shows changes in cost burden by household income and tenure. Historically, a large proportion of low income households experience cost burden. In recent years, the share of moderate income households experiencing cost burden has increased dramatically in Longmont and throughout the State of Colorado. This trend suggests that moderate income households are having an increasingly difficult time finding housing they can afford.

As shown in Figure III-10, cost burdened renter households increased between 2013 and 2021 for all income groups above $35,000. These shifts are especially steep among renter households with incomes between $50,000 and $75,000 for whom cost burden increased from 14% in 2013 to over half in 2021 (51%).

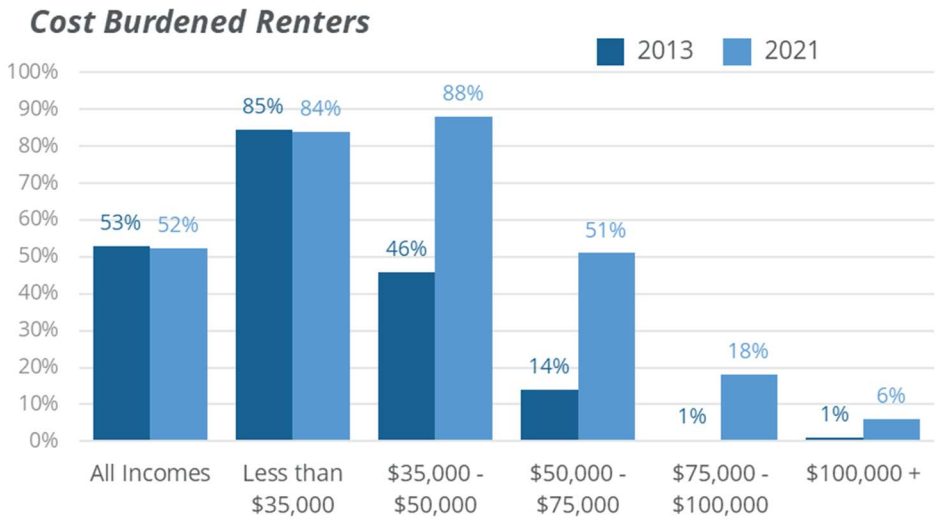
Among owners, cost burden increased for most income groups, with particularly big shifts for households earning between $50,000 and $100,000.

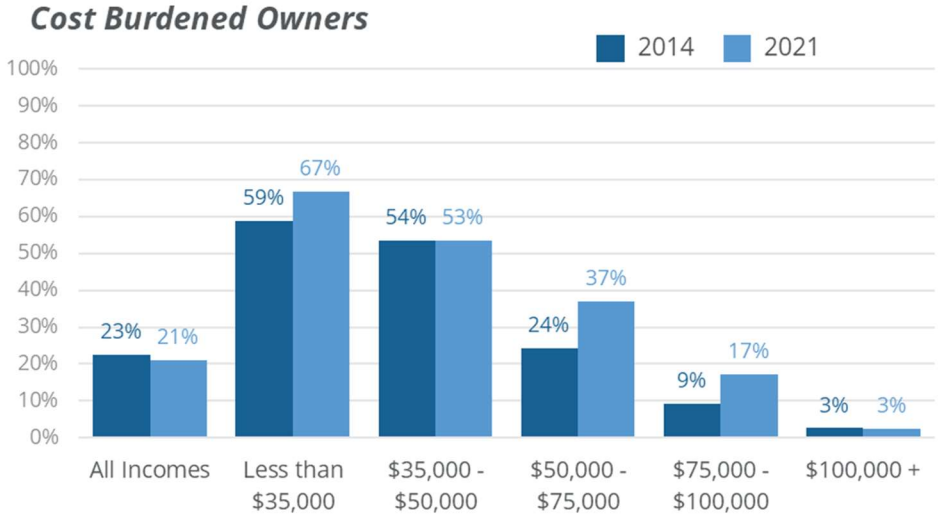
Figure III-10. Cost Burden by Tenure and Household income, Longmont, 2013/4 and 2021

Note: 2013 ACS table is not available for Owner households. 2014 ACS data is shown instead.

Source:

2013, 2014, and 2021 5-year ACS.





Summary of Current and Future Housing Needs

Current housing needs are measured through changes in affordability, mismatches in supply and demand by price-point, and levels of cost burden in Longmont.

- **The rise in home prices substantially outpaced incomes over the past five years.** These trends coupled with rising interest rates are pushing homeownership further out of reach for many Longmont households. At the median, renter incomes were able to keep pace with rising rents; however, many renters still struggle to find rental units that are both affordable and available.
    - The average market-rate rent in 2023 ($1,700) generally serves households earning 60% to 80% AMI (depending on household and unit size) and new construction (median rent $1,950) typically serves renter households at 70% to 90% AMI (depending on household and unit size.
    - The median sale price of $611,421 is only affordable to 32% of Longmont households—those earning more than about 120% AMI (depending on household size). The median price is only affordable to 15% of Longmont renters—the pool of potential first-time buyers.
- The affordability gaps analysis indicates that **affordability needs are concentrated below 50% AMI in the rental market and below 100% AMI in the for-sale market (though for-sale needs do persist up to 120% AMI).**
    - Collectively, there is an affordability shortage of 2,173 units for renters earning less than 50% AMI (even after accounting for the City's affordable, income-restricted rental inventory).
    - 36% of renters have incomes between 50% and 100% of AMI—a range historically in consideration for first-time home purchase. However, only 8% of homes listed/sold in Longmont in 2022 were in their price-range. Potential buyers do not see proportional affordability in the market unless they have incomes over 120% AMI.
    - Affordability gaps can be addressed through new production of housing units at the needed price-points or through subsidies of existing units.
- **Longmont's workforce faces considerable affordability challenges,** which could push workers to seek housing elsewhere and/or make it increasingly difficult for employers to attract workers and for the City to attract employers. Fewer than half of all industries have average wages high enough to afford the median rent in Longmont and no industries have average wages high enough to afford the median sale price (even if they have 1.5 workers per household).

- As might be expected given the affordability shortages outlined above, many Longmont households are cost burdened: spending more than 30% of their income on housing costs. **Nearly 7,000 households in Longmont are cost burdened and another 5,700 are severely cost burdened.** Cost burden and severe cost burden collectively affect over half of Longmont renters and one in five Longmont owners.

As part of the Boulder County Regional Housing Partnership, the City of Longmont has adopted a housing goal of achieving 12% of its housing stock deed-restricted and affordable by 2035. **Growth projections indicate the 12% target requires a total of 5,400 affordable units by 2025. The City is about halfway to its affordable production goal** at present, with 2,657 income-restricted units accounting for 6.5% of the total housing stock.

In addition to addressing the City's existing affordability needs, the City should also be prepared to absorb additional housing demand created by both economic and population growth in the City. **This will require the addition of both market-rate and affordable housing stock across a variety of product types** (e.g., apartments, townhome, duplexes, single family, etc.) in order to meet market preferences and changing demographics. Demographic shifts toward an older population also signal a need for more accessible/adaptable housing units (or programs) in Longmont.

City of Longmont Inclusionary Housing Policy Review

Table of Contents

PREPARED FOR:

City of Longmont, Colorado

DRAFT
7/12/2023

PREPARED BY:

Root Policy Research
www.rootpolicy.com
970.880.1415

Longmont Inclusionary Policy Review

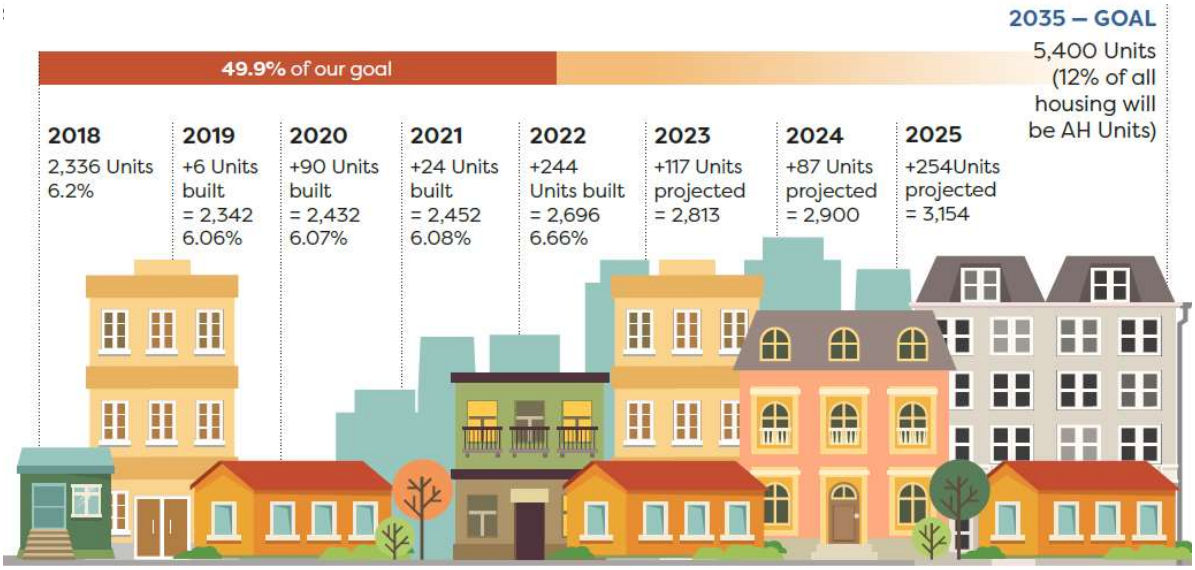
Introduction

Longmont's Inclusionary Housing Ordinance (IHO) was implemented on December 24, 2018. This ordinance, codified in City Municipal Code 15.05.220, mandates affordable housing requirements for eligible residential developments.

The IHO is a core component of the City's strategy to accomplish its adopted housing goal of achieving 12% of its housing stock deed-restricted and affordable by 2035. Growth projections indicate the 12% target requires a total of 5,400 affordable units by 2025. As illustrated by the figure below, the City is about halfway to its affordable production goal.

Inclusionary policies, in general, are meant to ensure that new development is producing at least some units in a price-range affordable to residents who are low/moderate income. In Longmont, newly constructed single family homes sell for an average of $702,500, affordable to households at about 150% (for a 3-person household) or 165% AMI (for a 2-person household). Newly constructed rental units are priced at an average of $1,948 per month, affordable to households at about 80% AMI (for a 1-bedroom). The IHO ensures that those development include some units set-aside for 80% AMI households (for-sale homes) and/or 50% AMI (rental units) or that developers pay a fee in lieu of building the units that the City can then use to create additional affordable units.

Figure 1.
Longmont Affordable Unit Development



Source: City of Longmont Housing & Community Investment Division.

Inclusionary Housing Program Overview

Under the current structure, the Longmont's IHO requires 12% of newly constructed residential units to be contractually affordable to households at or below 80% AMI for for-sale homes and at or below 50% AMI for rental homes.[1] The requirement drops to 9% of units if deeper AMI's are reached: at or below 60% AMI for for-sale homes and at or below 40% AMI for rental homes.

Under the current program structure, developers can comply by building the affordable units on site, paying a fee in lieu, building the units off-site (but not in a low-income area), providing a land dedication, or some combination of the above. City Council approval is required for developments that wish to build off-site or provide a land dedication. Council approval is also required for rental developments that wish to build units on-site.[2]

Developers building for-sale housing affordable to households up to 120% AMI, termed "middle tier housing" in the IHO have a lower set-aside requirement for affordable housing (exact percentage depends on the price of the market-rate units). High density rental projects achieving more than 20 units per acre also have a lower effective set-aside requirement (12% up to 20 units per acre but no requirement on the additional units above 20 units per acre). This policy incentive helps encourage production of additional supply and use of max density.

Compliance option detail. The Ordinance provides a number of ways in which builders and developers can meet this mandate:

- ***On-site:*** Provide required affordable housing within the market-rate development.
- ***Fee-in-Lieu:*** Pay square-footage fees to the City's affordable housing fund.
- ***Off-site:*** Build the required affordable housing in another location. (This option requires City Council approval; locating off-site units in low-income areas is discouraged and is less likely to receive approval).
- ***Land Donation:*** Donate land to the City or a non-profit housing developer (only if approved by Council). Land must have all necessary infrastructure and support the affordable housing that would be required on-site.

[1] Does not apply to single-unit developments or accessory dwelling units. Building more than one unit triggers the IHO.

[2] Council approval of on-site rental compliance is an artifact of state legal requirements on rent control when the City's IHO was passed. At that time, inclusionary build requirements could only be imposed on for-sale developments though rental developments could be charged an affordable fee. In 2021, HB-1117 was passed to explicitly allow rental inclusionary policies. Its implications for Longmont's IHO are discussed in detail later in this review.

- ***Combination of Options:*** A developer and/or builder can use a combination of the available options to fulfill the IH requirements.

- ***Voluntary Alternative Agreement:*** A developer and/or builder can propose to City Council an alternative way of meeting the requirements that are not in the Ordinance.

- ***Redemption of Credit:*** A developer and/or builder may acquire Surplus Unit credits from another developer/builder that built more than the minimum required affordable units and was issued credits by the City. Credits may be redeemed to offset an equal number of required affordable units in a new development.

- ***Middle-Tier or Attainable Housing:*** Provide housing units that are affordable for households earning 80-120% AMI to reduce the required affordable units. A Voluntary Alternative Agreement ("middle tier agreement") is required.

Incentive and offset detail. The following incentives are available to developers who provide on-site affordable units in compliance with the inclusionary housing ordinance:

- Density Bonus: Up to 20% of increase in density over what is allowed within a specific zoning district for projects providing affordable housing on site.

- Reduced and Flexible Parking Requirements: Only one space per affordable housing unit is required. The City of Longmont will also consider alternative parking plans to accommodate innovative proposals.

- Lot size and lot width reduction: A reduction to lot size and lot width for projects providing affordable housing on site.

Enhanced incentives: Approved projects that provide more than the minimum requirement are eligible for additional incentives, subject to available funding, including:

- Fee Waivers: A percentage of certain development fees may be waived for qualifying projects. Reductions can range from 50% to 75% for for-sale units and from 20% to 50% for rental units.

- Fee Deferral: As part of the Impact Fee Deferral Program, new residential developments in the City of Longmont are eligible to defer payment for several fees.

- Subsidy for Water/Sewer System Developments Fees: Projects that provide more than the minimum required affordability may qualify for a percentage of the fees to be subsidized.

- Offsets for Cash-in-Lieu of Raw Water Deficits: A project that provides a minimum of 25% of total units in a development as affordable may be eligible to receive an offset

for a percentage of the raw water deficit cash-in-lieu owed to the City. This incentive is only available to projects that are being platted; redevelopment projects are ineligible.

Stakeholder perceptions of current program. Stakeholders and developers interviewed for the program review suggested the following improvements to the current compliance options:

- Ensure a clear path for transfer of land to non-profit entities for the development of affordable housing.
- Encourage on-site build option for rental projects (as well as ownership projects) and reduce process-related barriers to this compliance option.
- Provide clear direction on City's objectives and affordability requirements but also allow for flexibility to achieve the objectives in alternative and/or creative ways—and demonstrate political will to support developments that align with City goals.
- Increase fees in lieu—which are relatively low—to achieve the desired outcomes of the program (increase in affordable units either directly through developer construction of units or indirectly through funds that can be leveraged for affordable construction).

In addition to the suggestions above, there is opportunity for administrative improvements to program compliance and enforcement.

Implications of HB21-1117 on current program. In May 2021, the Colorado state legislature opened the door for mandatory inclusionary housing policies to apply to both rental and for-sale development in Colorado. Prior to the passage of HB21-1117, mandatory inclusionary was considered to be "rent control" and therefore was limited to for-sale development application, unless rental requirements were designed as an "impact fee" with an option to build units. Municipalities that wish to enact mandatory inclusionary housing policies (under HB21-1117) are required to:

1) Offer a compliance alternative to on-site construction of the required affordable units (e.g., a fee in lieu); and
2) Demonstrate current or previous actions intended to increase density or promote affordable housing (e.g., zoning changes that increase density or support affordable housing; or fee reductions or other variances or regulatory adjustments for affordable housing).

Longmont's current IHO is already in compliance with HB21-1117 directives on alternative compliance and efforts to encourage affordable development. **The fact that HB21-1117 explicitly allows affordability requirements on rental developments does create opportunities for Longmont to simplify and streamline some components of its program, specifically:**

- At present, rental development compliance defaults to a fee and requires developers who wish to build affordable on-site to enter a voluntary Affordable Housing Agreement subject to City Council approval. Under HB21-1117, Longmont can make affordable rental unit construction the default compliance option (with a fee-in-lieu option) and no longer needs a "voluntary" AH Agreement or Council approval.

- Fees in lieu for rental developments are no longer bound by impact fee standards of "rough proportionality" and "rational nexus." Even so, it remains a best practice to set inclusionary policy fees at a reasonable rate and base calculations on a clear and rational methodology.

Recommendations to Improve IHO Structure & Outcomes

Root's in-depth review of the City's IHO yields recommendations discussed below, organized around program components (affordability requirements, compliance options, and incentives). The recommendations are informed by Root's expertise in inclusionary policy design, stakeholder engagement (market-rate and affordable developers), as well as discussions with City staff.

Affordability requirements. The City's program currently requires a 12% set-aside of units at 50% AMI for rental and 80% AMI for owner units.

These AMI targets are in line with identified housing needs (discussed in detail in the City's Housing Needs Assessment) and the set-aside is in line with City's 12% affordability goal. In addition, the City offers flexibility to developers wishing to provide deeper AMIs and to those providing middle tier housing. As such, **there are no recommended changes to the affordability requirements of the current program.**

It is important to note that the City's IHO program alone is an insufficient tool to fulfill the entire affordability goal and/or fully address housing needs. The program (with potential modifications to the fee-in-lieu structure) is sufficient to help the City "keep up" with new development (ensuring 12% of new units are affordable) but does not help the City "catch up" with the current deficit of affordable housing. "Catch up" affordable production is most likely to occur through partnerships with the Housing Authority and non-profit developers, the LIHTC program, and leveraging state and local resources, including the City's affordable housing fund, for additional affordable development above and beyond IHO units.

Compliance options. The most common compliance option used by developments subject to the IHO is the fee-in-lieu: 56% of projects selected this option in 2022. The second most common is building units on-site. A few developers have also used the land donation and middle-tier housing options.

Root offers the following recommendations to the City regarding compliance options. Recommendations are based on Root's experience with other inclusionary programs, best practices, stakeholder feedback, and staff discussions.

- **Raise the fee in lieu.** The current fee-in-lieu amount (as of June 2023), though set according to the affordability gap method, is not generating sufficient revenue for the City to create or subsidize the comparable number of affordable units. This is due to both changing market conditions and construction prices, as well as a lack of units available for acquisition. Raising the fee in lieu will support affordable unit production both directly by incentivizing developers to build units (instead of pay a higher fee) and indirectly by generating proportional revenue for the City to create units. A detailed fee in lieu analysis is included in the subsequent section of this report.

- **Encourage on-site affordable production for rental projects by streamlining the approval process** (removing the requirement for a "voluntary" AH Agreement and Council approval). This recommendation is supported by enabling state legislation (HB 21-1117).

- **Amend the credit compliance option**. At present, the credit redemption option is prohibited for projects that receive City funding or subsidy, but the program does allow credits to be acquired when using federal subsidies, such as the Low Income Housing Tax Credit (LIHTC). Allowing duplication of subsidy can reduce the complementary impact of other programs instead of compounding the impact (e.g., if a LIHTC developer sells credits to remove a market-rate development's IHO obligation).

  Root recommends adjusting this compliance option to prohibit credit allocation for any project receiving federal, state, or local subsidies. This particular compliance option does not appear to be in high demand among developers as none have taken advantage of it to date, but this option may be a good fit for certain areas being considered by multiple developers for phased projects. The City may want to consider that credit systems tend to be challenging to administer, manage, and enforce.

- **Ensure a clear path for land donation and clarify evaluation criteria for Council approval.** When considering land donation approval, evaluate whether the number of required affordable units can feasibly be developed on site and evaluate the in-kind value of land (is it equivalent or greater than the fee-in-lieu?). The viability of a land donation option is also dependent on a clear path for developer donations (transparent process, legal requirements, and evaluation criteria) and strong partnerships with non-profit developers to create affordable housing on the donated land on the City's behalf.

Incentives and offsets. Development incentives are inherently part of voluntary incentive programs but it is also common for inclusionary housing policies to include development incentives that help offset costs of the affordability requirements. Financial benefits of common incentives are described below in general terms. **An in-depth analysis of Longmont's specific incentives is currently underway (future deliverable).**

- **Parking reduction**—Parking costs vary from about $5,000 per space for surface lots to $45,000 per space for structured parking (and more for underground garages). Reducing parking ratios by 0.5 spaces per unit (applied to all units in a development) would save $22,500 per unit in development costs for structured parking and $2,500 per unit for surface parking. This analysis assumes the parking reduction would apply across the entire development, not just to affordable units. In addition to the direct savings, reduced parking may also allow a developer to include additional residential units with the saved space.

- **Fee rebates**—typical fee rebates range from $5,000 to $15,000 per affordable unit and are often capped at a certain threshold. These incentives are usually extended only to the affordable units within a development. A $5,000 per affordable unit fee rebate in association with a 10% affordability set-aside would effectively lower the per-unit cost of the entire development by $500 per total unit.

- **Density bonus and open space reduction**—Both density bonuses and open space reductions serve to increase the number of units that can be constructed as part of an overall development. As long as the increase in unit capacity does not change the construction type (e.g., from lumber to steel) then the cost per unit does not change significantly. The developer may realize some overall cost savings in per unit land costs but the bigger benefit is in increased total revenue for the project.

  If/when a density or height bonus does change the construction type (e.g., going from 4 stories to 6 stories results in a change from lumber to steel construction), then the incentive actually increases the per-unit cost of the development. However, it may still be an attractive option for developers because they are able to increase the total number of units and the nominal project value increases. A density bonus may also help attract new developers that specialize in taller buildings if they view the bonus as entitled when complying with the affordability requirements of the incentive.

- **Fast-track or administrative approvals**—Process-oriented incentives are highly valued by developers but are not quantifiable in the same way as other incentives. Even so, these types of incentives are often a key driver in success of incentive programs.

Fee in Lieu Calculation Options

Most cities with an inclusionary housing ordinance offer a "fee-in-lieu" compliance option, which allows developers to pay a specified fee instead of constructing the affordable units.

Fees can be structured on a per square foot or per unit basis and range from nominal fee amounts up to the full cost of developing the affordable unit, depending on the policy priorities of the program. In general, low fees incentivize developers to pay the fee-in-lieu rather than build units, which contributes to revenue generation but results in relatively few affordable units constructed as part of the inclusionary program. High fees are more likely to incentivize developers to construct units on site and would result in lower revenue generation.

For example, the City of Atlanta set its in lieu fees equivalent to the average cost of unit development and nearly all developers in the program constructed the affordable units rather than paying the fee. Other cities set a fee-in-lieu similar to the sale price of the affordable unit—or even lower in order to incentivize revenue generation, which is often then used as gap funding to leverage other financing or subsidies (e.g., LIHTC) to build affordable units.

Cities typically calculate potential fee options according to established methodologies based on market information and then may choose to "discount" those fees according to policy priorities (e.g., revenue generation vs unit production). The two most common methodologies used to calculate potential fee-in-lieu options for inclusionary programs are:

- The Affordability Gap Method—a fee based on the difference in price between market-rate units and affordable units; and
- The Development Cost Method—a fee based on the actual cost (or subset of costs) to develop affordable units.

Longmont's IHO currently uses the Affordability Gap Method to calculate fees, which are assessed on a per-square-foot basis of the development. The current fee schedule requires the following fees for developers not providing on-site affordable housing units:

- Rental: $1.90 per square foot, based on the total finished livable square footage of the market rate units in the development; and
- For-Sale: $7.90 per square foot, based on finished square footage of market-rate homes.

Comparison to Other Front Range IHO Fees. Colorado House Bill 21-1117 requires any community pursuing inclusionary housing policies in Colorado to provide alternatives to constructing units on site. A fee-in-lieu is the most common alternative.

In addition to Longmont, there are currently five municipalities in the Denver Metro with active mandatory inclusionary housing policies.[3] Brief descriptions of each program are below, followed by a table of in-lieu fee standards. Details on other programs throughout Colorado are included in Appendix A.

- **City and County of Denver:** Denver recently passed mandatory inclusionary program for both rental and ownership housing that replaces the previous residential linkage fee system (commercial linkage fees are still in place). The new mandatory inclusionary program requires 8% of units affordable to 60% AMI in rental developments and 8% of units affordable to 80% AMI in for-sale developments.[4] The program has higher affordability requirements in high-cost areas, and does allow for fees-in-lieu for compliance.

- **City of Boulder:** Boulder's inclusionary policy requires 25% of units in a development be dedicated as affordable. Of the 25%, 80% must be affordable to households below 80% AMI and the remainder must be affordable to households under 120% AMI. Developers have a fee-in-lieu option;[5] but other compliance options (e.g., land dedication and off-site build) are evaluated on a case-by-case basis.

- **City of Broomfield:** Broomfield adopted an Inclusionary Housing Ordinance (IHO) in 2020 (ordinance No. 2100) that requires 10% of for-sale units and 20% of rental units be income-restricted and affordable to households earning 80% AMI or below (applies to for-sale developments exceeding 25 total units and rental developments exceeding 3 total units). The program allows for alternative compliance through in-lieu fees or land dedication. It also offers incentives to developers that build affordable units on site, including fee waivers and tax rebates.

- **City of Superior:** Superior adopted an inclusionary policy in 2020 requiring residential developments with at least 10 units to dedicate 15% of all units to 80% AMI households. Developments of fewer than 10 units may pay a fee-in-lieu.

- **City of Littleton:** Littleton adopted its inclusionary program in 2022 and requires a 5% set-aside at 60% AMI for rentals and 80% AMI for ownership units. The program offers a number of incentives for projects that build affordable units on-site but also allows for a fee-in-lieu of building units.

Figure 2 shows the fee options for the Denver Metro programs; Superior is excluded as their fees are not applicable to all developments. It is important to note that some

[3] Many more communities offer development incentives for affordable housing, but do not have a mandatory inclusionary structure with fees in lieu. A recent DRCOG survey indicates that at least 10 Denver metro municipalities are currently considering implementation of inclusionary housing programs in response to the state legislative changes in 2021 (HB21-1117).

[4] www.denvergov.org › Affordable-Housing-Project

[5] Developments with for-sale units are required to provide at least half of the required affordable units on-site.

communities in Metro Denver prioritize unit production and therefore set intentionally high fees; others have lower fees which effectively prioritize revenue generation. In addition, different communities have different set-aside requirements so the fees per affordable unit do not necessarily have the same impact across the total development).

As such, comparison between communities is not necessarily a benchmark for adjusting current fees but does help provide context for Longmont's existing fee structure.

Figure 2.
IHO Fees for Denver Metro Programs

IHO Program	Fee In Lieu Detail	Fee In Lieu per Affordable Unit Required in Typical* Development	Set Aside (% of Units Affordable)	Sample Scenario: Total Fee in Lieu for a 100 Unit Project
Multifamily Rentals				
Longmont	$1.90/SF based on the total finished livable sq. ft. of the market rate homes in the development	$17,417	12% (@50% AMI)	$209,000
Denver	$250,000 - $311,000 per affordable unit required (depending on building height and submarket)	$250,000	8% (@ 60% AMI)	$2,000,000
Boulder	$76,427 - $213,284 per affordable unit required (depending on square footage of unit)	$200,842	25% (60-80% AMI)	$5,021,050
Broomfield	$55,295 per affordable unit required (reflects 2023 fee; scaling up to $106,635 per unit in 2025)	$55,295	20% (@ 60% AMI)	$1,105,900
Littleton	$269,708 (applies to developments with >19 units; fees are lower for smaller developments)	$269,708	5% (@ 60% AMI)	$1,348,540
For-Sale (assumes Single Family Detached for Peers that differentiate by type)				
Longmont	$7.90/SF based on finished square footage of market-rate homes	$144,833	12% (@ 80% AMI)	$1,738,000
Denver	$408,000 - $478,000 per affordable unit required (depending on submarket)	$408,000	8% (@ 80% AMI)	$3,264,000
Boulder	$77,036 - $274,251 per affordable unit required (depending on size and # of units in development)	$274,251	25% (80-120% AMI)	$6,856,275
Broomfield	$88,556 per affordable unit required (reflects 2023 fee; scaling up to $165,669 per unti in 2025)	$88,556	10% (@ 80% AMI)	$885,560
Littleton	$269,708 (applies to developments with >19 units; fees are lower for smaller developments)	$269,708	5% (@ 80% AMI)	$1,348,540

Note: "Typical" development assumes 2,200 square foot single family home; 1,500 SF townhome, and 1,100 SF apartment. Denver fee assumes "typical" market area and 4-story MF.

Source: Root Policy Research.

Fee-in-Lieu Update Options for Longmont. As previously noted, most developers opt to pay the fee-in-lieu rather than build affordable units. However, Longmont's current fees are too low for the City to effectively use the fee revenue to create an *equivalent* number of affordable units. The City can (and does) use the revenue to leverage federal and state funds (e.g., LIHTC gap financing), but it doesn't necessarily create a one-for-one exchange of inclusionary units to affordable units excluding other subsidies.

In order to explore potential updates to Longmont's fee structure, the following analysis provides fee options based on both the affordability gap method and the development cost method. As noted previously, final fee setting is typically driven by policy priorities, within the bounds of feasibility. As such, the following analyses do not test specific fees but rather quantify the likely upper limit of in lieu fees using data driven, quantitative methods for fee calculation.

Affordability gap method. The affordability gap method establishes fee-in-lieu based on the difference in price between market-rate units and affordable units. The theory behind this methodology is that the City should be able to use the fee revenue to "subsidize" affordable units—effectively "buying down" the cost of market-rate units.

Current Longmont methodology. The current Longmont fee utilizes the affordability gap approach; the exact methodology for Longmont's fee calculation is based on the Housing Fee in Lieu Methodology, dated November 30, 2018 and referenced in the City's Inclusionary Housing Ordinance. Key elements of the methodology are outlined below.

- The market price for for-sale housing is defined as the median price of Longmont homes built in the last 15 years and sold in the last eighteen months. These home sales are divided into two categories: single-family homes (both detached and townhomes), and condominiums.

- The market price of rental housing is based on a current average rental rate and unit size in square feet for market-rate 2-bedroom units (regardless of construction date) using the Apartment Insights database. These rental rates are converted to rental unit values using the Gross Rental Multiplier valuation method, where annualized rent is multiplied by a regionally specific Gross Rental Multiplier (GRM) to arrive at a value. The GRM is also provided by the Apartment Insights database.

- Affordable sales prices used for the gap calculation are based on affordability to households with an income of 80% AMI, as defined in the Sales Price methodology used in Housing and Community Investment which uses a guideline of 33% of income being spent on housing. Affordable rental prices use the Colorado Housing and Finance Authority (CHFA) rent limit for a 2-bedroom unit at 60% AMI and apply the GRM as is applied to the market rental price.

City staff has provided an update to the fee using the adopted methodology but current market data; calculations shown in Figure 3. **Based on the affordability gap method as specified in the City's current regulations, Longmont could consider a fee in lieu of up to $11.91 per square foot on for-sale developments and $3.83 per square foot on rental developments.**

Figure 3. Affordability Gap Calculation: Current Methodology with New Market Data

For Sale FIL Calculation	Single Family	Condos (Attached)
Median Home Price*	$601,140	$461,358
Affordable Homes Sales Price 80% AMI (3 bedroom max-range)	$407,150	$358,292
Affordability Gap per Unit (diff b/t market price and affordable price)	**$193,990**	**$103,066**
Median Home Size (sq.ft)	1,836	1,307
Affordability Gap per sq ft	$105.66	$78.86
12% for Affordable Housing Units Requirement	$12.68	$9.46
FIL per total Finished sq foot (weighted average by product type)	**$11.91**	

Rental FIL Calculation	Monthly Rent (2 Bedroom)	Valuation
Market Rate Monthly Rent (all multifamily)	$1,939	$413,472
(3 bedroom max-range)	$1,794	$382,553
Gap per Unit (diff b/t market price and affordable price)		**$30,920**
Median Home Size (sq.ft)		968
Affordability Gap per sq ft		$31.94
12% for Affordable Housing Units Requirement		$3.83
FIL per total Finished sq foot		**$3.83**

Note:

* Median Home Price from assessor data on 18 months of sales of homes built 2007 and later.

Rental valuation based on gross rent multiplier (GRM) of 17.77.

Although 2023 income limits are now in place, the calculation uses 2022 income and rent limits to calculate fees so that the time period for market-price data matches the time period for affordable prices.

Source:

City of Longmont Housing & Community Investment Division.

Potential modifications to affordability gap methodology. Should the City want to explore updates to both the data and methodology, Root recommends using market prices of *new construction*—in both rental and for-sale markets—to determine the comparison value in the affordability gap calculations. (Currently the City uses homes built in the last 15 years and uses all rentals). New construction prices will better reflect the affordability gap of the developments to which the inclusionary policy applies. The only downside to focusing solely on new construction is that in some years the sample size could be relatively small.

To determine new construction prices and rents Root relied on current market data from CoStar and Zonda (formerly known as Metro Study). Figure 4 compares market rate rents and home prices on newly constructed units to the affordable rent/price limits. The difference reflects the potential fee-in-lieu based on the modified affordability gap method.

Note that this approach uses 2022 HUD Income Limits for the affordable sales prices and rents so that the affordable price/rent data year matches the market-rate data year. As such, affordable prices in Figure 4 differ slightly from those in Figure 3, which uses 2023 income limits.

Figure 4.
Affordability Gap Calculation: Modified Methodology with New Market Data

For Sale FIL Calculation	Single Family	Duplex/ Townhomes	Condos
Median Home Price New Construction	$702,495	$552,462	$465,613
Affordable Homes Sales Price 80% AMI (3 bedroom max-range)	$409,402	$378,697	$347,991
Affordability Gap per Unit (diff b/t market price and affordable price)	**$293,093**	**$173,766**	**$117,622**
Median Home Size (sq.ft)	2,167	1,701	1,530
Affordability Gap per sq ft	$135.25	$102.15	$76.88
12% for Affordable Housing Units Requirement	$16.23	$12.26	$9.23
FIL per total Finished sq foot (weighted average by product type)		**$13.50**	

Rental FIL Calculation	Monthly Rent (2 Bedroom)	Valuation
Market Rate Monthly Rent (new construction)	$1,948	$415,312
(3 bedroom max-range)	$1,693	$360,946
Gap per Unit (diff b/t market price and affordable price)		**$54,366**
Median Home Size (sq.ft)		1,100
Affordability Gap per sq ft		$49.43
12% for Affordable Housing Units Requirement		$5.93
FIL per total Finished sq foot		**$5.93**

Note: Median Home Price from Zonda data on new construction sale prices past 18 months. Rental valuation based on GRM of 17.77.
Source: Root Policy Research.

Based on the modified affordability gap method, Longmont could consider a fee in lieu of up to $13.50 per square foot on for-sale developments and $5.93 per square foot on rental developments.

Though not included in the preceding analysis, Root could also test further modifications including fee differentiation by product type (single family, townhome, and condo); alternative method for converting market rents to value (using capitalization rates rather than GRM); and or other modifications based on best practices or peer programs as desired by City staff or Council.

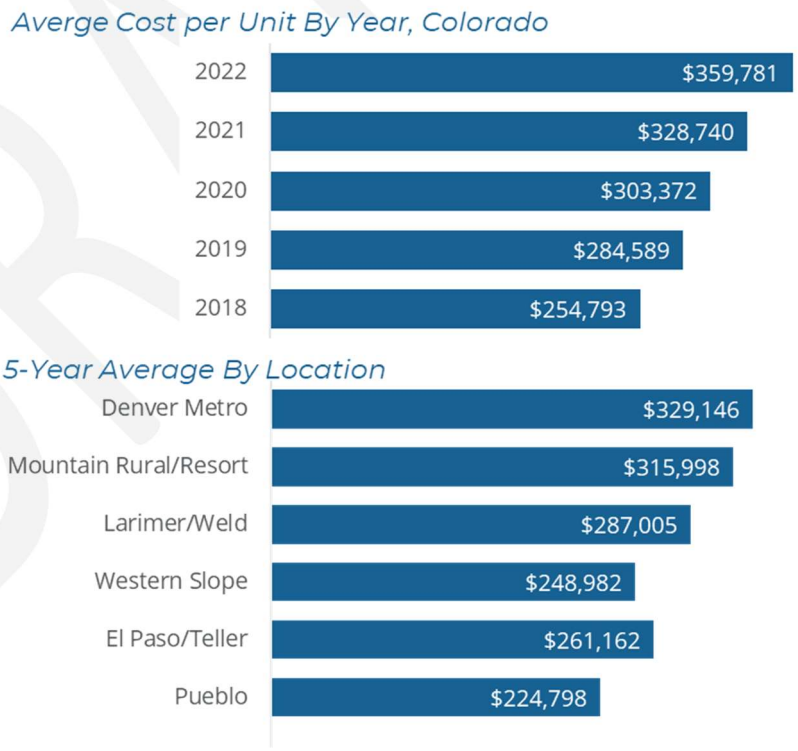
Development cost method. The development cost method bases fees on the actual cost to develop affordable units. The theory supporting this fee is that if the market-rate developer chooses not to build the inclusionary units, they should fund the full cost of the City developing such units. The following analysis uses market data to assess the development cost of both affordable multifamily rental units and affordable single family for-sale units in Longmont under current market conditions.

Multifamily. According to data from the Colorado Housing and Finance Authority (CHFA), the average development cost of affordable housing in Colorado was $360,000 per unit in 2022, up from $255,000 per unit in 2018. The five-year average (2017-2021) for Denver Metro affordable housing is $329,000 per unit—higher than the statewide five-year average of $306,000. Assuming the same annual appreciation in the Denver metro as the state overall yields a current **development cost of $386,673 per affordable rental unit in Longmont.** With an average unit size of 1,029 square feet, this cost equates to **$375.78 per square foot.** In the context of Longmont's inclusionary program, a development cost of $375.78 per square foot translates to **a potential fee-in-lieu of $45.09 per square foot** applied to the total square footage of the market-rate units in the development (applies the 12% set-aside requirement to the development cost).

Figure 5. Development Cost per Unit of Affordable Rental Units

Note:
Reflects all Colorado LIHTC (43 developments per year on avg). Includes new construction and acquisition/rehab projects.

Source:
CHFA Affordable Housing Development Cost Dashboard.



Single family. The National Association of Home Builders (NAHB) provides the most comprehensive data on all components of single family residential development, though estimates are national, as opposed to regional/local. Root used NAHB data as a baseline but further calibrated estimates using Marshall & Swift Construction Data to adjust estimates to reflect local construction cost conditions for prototypes most likely to be used

in affordable construction (slightly smaller units with lower-cost finishes). The affordable prototype for development cost modeling reflects a single story, 1,800 square foot home with modest finishes (fair/average quality); construction costs are based on 2023 Q1 estimates for Longmont ZIP codes. Root also incorporated feedback from regional affordable for-sale housing developers.

As illustrated in Figure 6, the **total development cost for an affordable single family home in Longmont is $422,148, or $234.53 per square foot.** In the context of Longmont's inclusionary program, a development cost of $234.53 per square foot translates to **a potential fee-in-lieu of $28.14 per square foot** applied to the total square footage of the market-rate units in the development (applies the 12% set-aside requirement to the development cost).

Figure 6.
Affordable Single Family Unit Development Cost

Component	Cost
Finished Lot Cost	$105,000
Construction Cost	$271,848
Financing	$8,450
Overhead and General Expenses	$22,857
Marketing Cost	$2,958
Sales Commission	$11,036
Total Development Cost	**$422,148**

Note:
Finished lot cost includes utilities/fees; sales commission assumes 3.5% on a home price affordable to 80% AMI ($315,320).

Source:
Marshall and Swift Construction Estimates, NAHB Construction Cost Survey 2022 and Root Policy Research.

Based on the development cost method, Longmont could consider a fee in lieu of up to $28.14 per square foot on for-sale developments and $45.09 per square foot on rental developments.

Summary of IHO Fee Options. The methodologies described above yield potential fees ranging from $4.23 to $45.09 per square foot:

- Based on the affordability gap method as specified in the City's current regulations, Longmont could consider a fee in lieu of up to **$11.91** per square foot on for-sale developments and **$3.83** per square foot on rental developments.
- Based on the modified affordability gap method, Longmont could consider a fee in lieu of up to **$13.50** per square foot on for-sale developments and **$5.93** per square foot on rental developments.
- Based on the development cost method, Longmont could consider a fee in lieu of up to **$28.14** per square foot on for-sale developments and **$45.09** per square foot on rental developments.

Figure 7 shows how the different fee options would apply to a 100-unit construction project in Longmont. Calculations assume a for-sale home of 2,200 square feet and apartments of

1,100 square feet, based on the average size of new construction units in the Longmont market.

Figure 7.
IHO Fee Options Applied to a 100-Unit Project

Note:
Assumes 2,200 square foot, for-sale home and 1,100 square foot apartment.

Source:
Root Policy Research.

Method	Maximum Fee in Lieu per Square Foot	Total Fee in Lieu Obligation on a 100 unit project
Rental (e.g., 1,100 SF apartment)		
Current Fee	$1.90	$209,000
Affordability Gap: Data Update	$3.83	$421,300
Modified Affordability Gap	$5.93	$652,300
Development Cost	$45.09	$4,959,900
For-Sale (e.g., 2,200 SF Single Family Detached)		
Current Fee	$7.90	$1,738,000
Affordability Gap: Data Update	$11.91	$2,620,200
Modified Affordability Gap	$13.50	$2,970,000
Development Cost	$28.14	$6,190,800

The calculated fees could be adopted at the full rate or at discounted rates (e.g., 75% of development cost method); it is also common to automate annual adjustments to fees in lieu. Raising the fee in lieu from current rates will support affordable unit production both directly by incentivizing developers to build units (instead of pay a higher fee) and indirectly by generating proportional revenue for the City to create units—either through continued gap financing or through funding other strategies for unit creation and subsidy.

Appendix A.

Figure A-1. Mandatory Inclusionary Housing Programs in Colorado: Rural Resort & Western CO Communities

	Carbondale, Colorado	Eagle County, Colorado	Eagle, Colorado	Glenwood Springs, Colorado	Mt. Crested Butte, Colorado	Salida, Colorado	Telluride, Colorado	Basalt, Colorado	Durango, Colorado
Name	Community Housing Inclusionary Requirements	Affordable Housing Guidelines	Inclusionary residential requirements	Affordable and Workforce Housing	Inclusionary Zoning	Inclusionary Housing	Affordable Housing Mitigation	Residential Inclusionary Requirements	Fair Share Housing
Year adopted	2001	2004		2021	2003	2018	2007	1999	2009
Year updated	2016	2014	2002	N/A	N/A	2022		2015	2012
Geography	Entire jurisdiction	Entire jurisdiction	Entire jurisdiction	Entire jurisdiction	Entire jurisdiction	Certain zones/ neighborhoods	Entire jurisdiction	Entire jurisdiction	Entire jurisdiction
Ownership vs. rental	Ownership and rental	Ownership and rental	Ownership	Ownership and rental	Ownership and rental	Ownership and rental	Ownership and rental	Ownership and rental	Ownership
Project minimum	5 units	4 units	10 units	10 units	Single family less than 2,700 sq. ft. exempt	5 units	N/A	3 units (units <3,000 sq. ft. each detached or <1,400 sq. ft. attached	4 units
Affordability requirement	20% of units (15% of bedrooms) both rental and for sale	25% of units or 15% of square footage both rental and for sale	10% of units for both rental and for sale	10% of units for both rental and for sale	15% of units for both rental and for sale	16.7% of units for both rental and for sale	Calculated based on square footage	20% of all units for both rental and for sale	16% of all units
Fee in Lieu	None	$184.31/sq. ft.	None	None	unknown	$10.23-$20.46/ sq. ft.	$217-$284/ sq. ft.	$106.12-$197.41/ sq. ft.	Average $80,500-$399,500 based on bedrooms
Other compliance options	On-site units, off-site units, buy down units	On-site units, off-site units, rehab regulated units, renovate unregulated units, donate land	On-site units	On-site units, land donation	On-site units, off-site units, in-lieu fee	On-site units, off-site units, in-lieu fee, donate land	On-site units, in-lieu fee, other	On-site units, off-site units, in-lieu fee, other	On-site units, fee in lieu, land donation
Affordability term	In perpetuity	In perpetuity	In perpetuity	30 years	In perpetuity	In perpetuity	In perpetuity	In perpetuity	In perpetuity
AMI Level	Mix of 80-150% AMI for both owner and renter	Owner: 100-140% AMI Renter: 80-100% AMI	Must be local employee; 100% AMI for both owner and renter	Up to 120% AMI; restricted units must average to 100% AMI both owner and renter	120% AMI for both owner and renter	Renter: 80% AMI Owner: 120-160% AMI (140% average)	Tier based on square footage Target: 70%-110% AMI Limit: 120%-180% AMI	Up to 120% AMI; must average to 100% AMI for both owner and renter	Owner: 80%-125% AMI
Incentives (Unless otherwise noted, incentives only apply to on-site compliance)	Fee reduction/waiver	Discretionary incentives	None	Density bonus, site design flexibility, public-private partnerships, tax rebate	Incentives if units beyond what is required are provided	Density bonus, reduced parking requirements, concessions	Fee reduction/waiver including water fees	Fee reduction/waiver, other	Fee refunds and waivers
Community Data:									
Population	6,464	55,693	7,420	10,017	906	5,671	2,593	3,802	18,953
Median income	$86,321	$91,338	$97,724	$69,728	$85,625	$62,668	$83,542	$104,605	$68,550
Median rent	$1,670	$1,724	$1,408	$1,237	$1,336	$1,251	$1,825	$1,844	$1,325
Median home value	$638,000	$640,400	$614,400	$465,600	$494,700	$377,500	$443,500	$873,400	$497,100

Source: Jurisdiction Municipal Codes and Grounded Solutions IZ database.

Figure A-2. Mandatory Inclusionary Housing Programs in Colorado: Front Range Communities

	Longmont, Colorado	Boulder, Colorado	Superior, Colorado	Denver, Colorado	Broomfield, Colorado	Littleton, Colorado
Name	Inclusionary Housing Program	Inclusionary Housing	Inclusionary Housing Requirements	Expanding Housing Affordability	Inclusionary Housing Ordinance	Inclusionary Housing
Year adopted	2018	2000	2020	2022	2020	2022
Year updated	2019	2017			2022	
Geography	Entire jurisdiction	Entire jurisdiction	Entire jurisdiction	Entire jurisdiction	Entire jurisdiction	Entire jurisdiction
Ownership vs. rental	Ownership and rental	Ownership and rental	Ownership and rental	Ownership and rental	Ownership and rental	Ownership and rental
Project minimum	2 units	N/A	10 units	8 units	For sale: 25 units Rental: 3 units	5 units
Affordability requirement	12% of all units	25% of all units	15% of units	8%-12% of units (depending on tenure and location)	10% of ownership units; 20% of rental units	5% of units
Fee in Lieu	Owner $7.90 /sq. ft. Renter $1.90 / sq. ft.	$50,025-$301,680/ unit	unknown	$250,000 to $478,000/ unit	$25,000-$50,000/ unit	$269,708 per unit
Other compliance options	On-site units, off-site units, renovate unregulated units, in-lieu fee, donate land	On-site units, off-site units, rehab regulated units, in-lieu fee, donate land	On-site units, in-lieu fee, other	On-site units, in-lieu fee; alternate set-asides for alternate AMIs	On-site units, in-lieu fee, donate land	On-site units, in-lieu fee
Affordability term	For-sale: in perpetuity; Rental: 30 years	In perpetuity	In perpetuity	99 years	For sale: 30 years Rental: 40 years	30 years
AMI Level	Rental: 50% AMI Owner: 80% AMI	60-120% AMI	80% AMI	Rental: 60% AMI Owner: 80% AMI	Rental: 60% AMI Owner: 80% AMI	Rental: 60% AMI Owner: 80% AMI
Incentives (Unless otherwise noted, incentives only apply to on-site compliance)	Density bonus, other zoning variance, fee reduction/waiver, unit concessions, parking reduction; Lower set-aside for deeper AMIs	Density bonus, unit concessions	None	Permit fee reduction; parking reduction. Additional incentives if exceed baseline affordability requirements.	Fee waivers and tax rebates	Fast track review, parking reduction, open space reduction (if adjacent to park), permit fee rebate, other zoning and process variances. Additional incentives if set-aside >50%.
Community Data :						
Population	98,789	104,930	13,283	706,799	72,697	45,465
Median income	$83,104	$74,902	$131,757	$78,177	$107,570	$82,997
Median rent	$1,538	$1,711	$2,162	$1,495	$1,814	$1,414
Median home value	$423,300	$790,100	$660,000	$459,100	$482,100	$471,900

Source: Jurisdiction Municipal Codes and Grounded Solutions IZ database; Community data from 2021 5-year American Community Survey (ACS).