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Executive Summary

City of Longmont

Housing Affordability

Needs Assessment

PREPARED FOR:

City of Longmont CO

Report:

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...

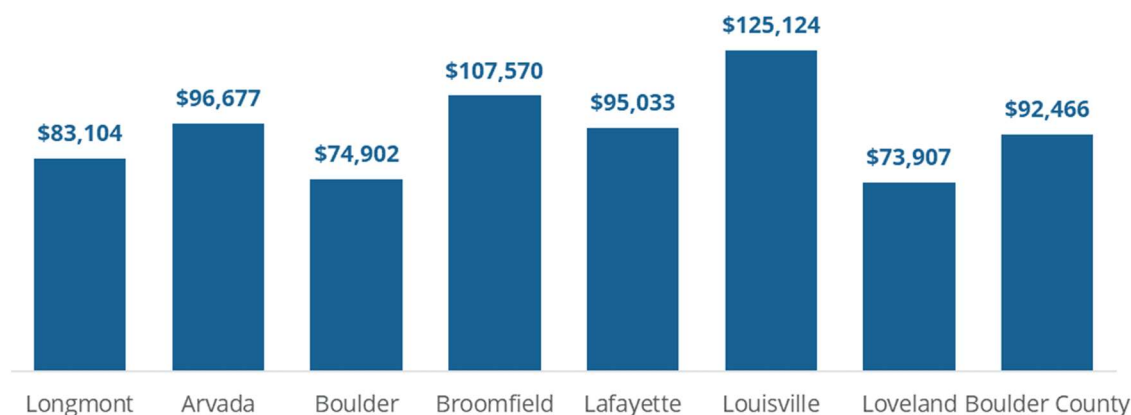
Actual median incomes and HUD AMIs

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.

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.

“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

Summary of Housing Affordability Needs

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

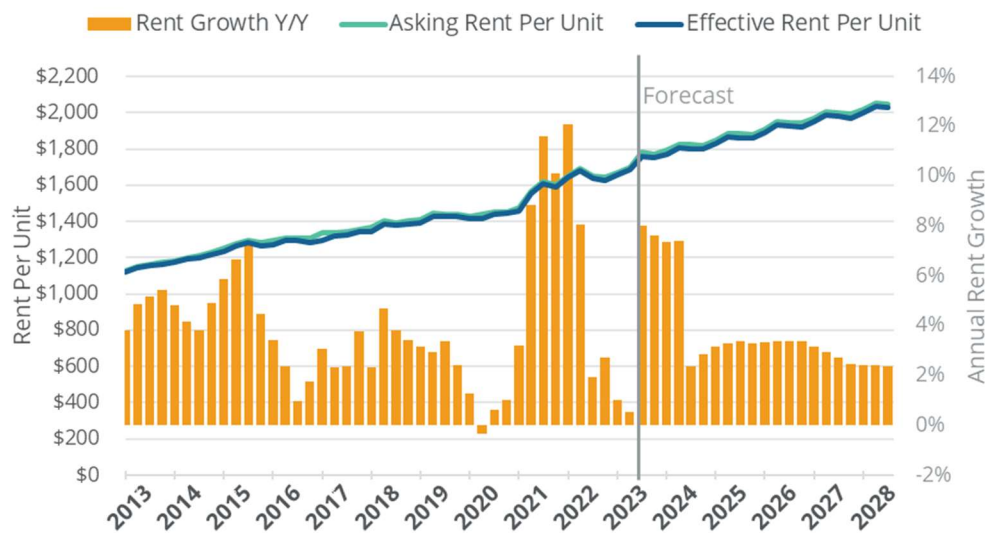
Changes in affordability: The rise in home prices substantially outpaced incomes over the past five years. These trends coupled with rising interest rates are pushing homeownership further out of reach for many Longmont households. At the median, renter incomes were able to keep pace with rising rents; 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.

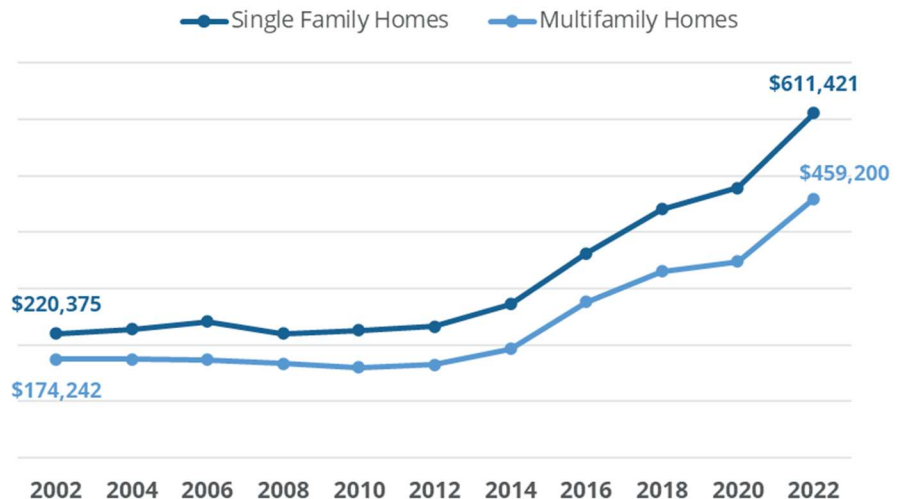
Note: Figure II-15 in full report.

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.

Longmont renters
earning <50% AMI

5,813

Longmont rental
units <50% AMI

3,640

**GAP: 2,173
units**

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.

Renters earning
50-100% AMI

36%

For-Sale Supply
<100% AMI

9%

GAP: 27 percentage points

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).

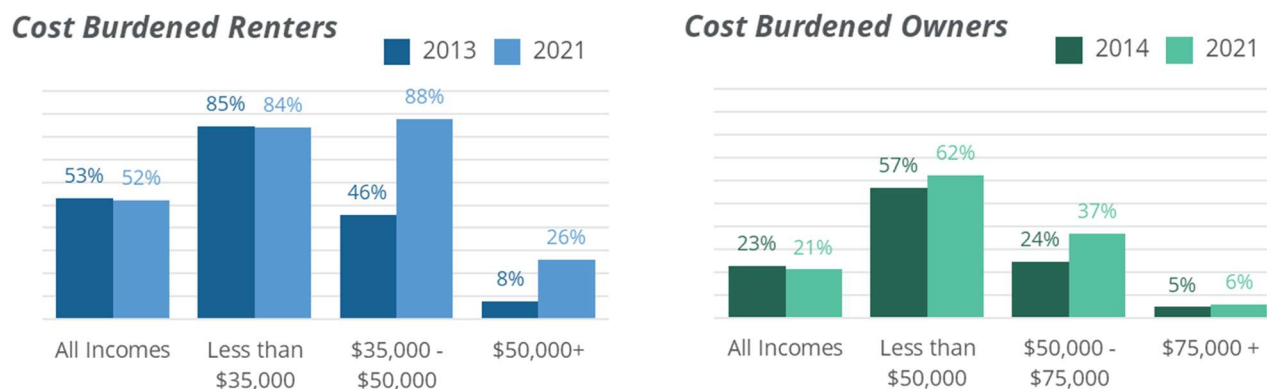
Affordability gaps can be addressed through new production of housing units at the needed price-points or through subsidies of existing units.

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 2021 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 2035. The City is about halfway to its affordable production goal** at present, with 2,696 income-restricted units accounting for 6.66% 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*