Doubling Up and Dealing With It: Responding to Shared Housing Arrangements

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DRCOG Idea Exchange – February 28, 2018
Background
What’s the Problem?

There is a serious mismatch between current housing supply and demand

- Large supply of larger lot single-family detached housing exceeds long-term demand
- The demand for smaller housing units
  - Driven by personal preferences
  - Driven by smaller households
  - Driven by affordability
The Housing Price / Wage Gap
What’s the Problem?

Over time, the market align supply and demand

• We’ll build more small lot and attached units and fewer large lot homes

• But we only replace 2% of the housing stock each year

• Many larger homes in secondary locations will face decreasing demand and lower prices
Declining demand for larger homes on larger lots will result in “Doubling up” of more than one household occupying the home.

We’re already seeing this:

- Three generation homes
- Demand for ADUs and AirBnb
- Creation of illegal apartments
What’s the Problem?

Legal Occupancy of Housing Units is governed by

- Building & Occupancy codes (rarely violated)
- Zoning ordinances limits on the number of unrelated people)
- Restrictive covenants

But enforcement could make many people illegal occupants – and when too many people are in violation the rules don’t get enforced
American Household Survey Data for Denver-Aurora-Lakewood MSA

<table>
<thead>
<tr>
<th>Type of Household</th>
<th>2011</th>
<th>% Total</th>
<th>2015</th>
<th>% Total</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Households</td>
<td>983.9</td>
<td></td>
<td>1065.1</td>
<td></td>
<td>8.25%</td>
</tr>
<tr>
<td>With single adult offspring 18 and older</td>
<td>130</td>
<td>13.21%</td>
<td>160.4</td>
<td>15.06%</td>
<td>23.38%</td>
</tr>
<tr>
<td>With three generations</td>
<td>21.6</td>
<td>2.20%</td>
<td>35.8</td>
<td>3.36%</td>
<td>65.74%</td>
</tr>
<tr>
<td>With 1 subfamily</td>
<td>20.3</td>
<td>2.06%</td>
<td>28.7</td>
<td>2.69%</td>
<td>41.38%</td>
</tr>
<tr>
<td>With 2 or more subfamilies</td>
<td>1.5</td>
<td>0.15%</td>
<td>0.5</td>
<td>0.05%</td>
<td>-66.67%</td>
</tr>
<tr>
<td>With nonrelatives</td>
<td>108.7</td>
<td>11.05%</td>
<td>126.1</td>
<td>11.84%</td>
<td>16.01%</td>
</tr>
<tr>
<td>With one or more secondary families</td>
<td>1.9</td>
<td>0.19%</td>
<td>1.7</td>
<td>0.16%</td>
<td>-10.53%</td>
</tr>
<tr>
<td>2-person households, none related to each other</td>
<td>68.7</td>
<td>6.98%</td>
<td>79.4</td>
<td>7.45%</td>
<td>15.57%</td>
</tr>
</tbody>
</table>

**Subfamily** – e.g. young couple moves in with bride’s parents

**Secondary Family** – 2 or more people related to each other, but not related to the householder
We’ve seen this before

- 1960s “white flight” results in many urban single-family homes divided into apartments (legally or illegally)

- All large cities struggle with the creation of illegal additional second or third units

- Many newer ADU ordinances on the east and west coasts have been aimed at providing a “path to legality” for large numbers of illegal apartments
What’s the Problem?

The ability to “hold the line” against multi-family occupancy varies

- Governmental enforcement is expensive and politically unpopular
- Private enforcement depends on an active HOA or Condo Association
- Many HOAs are weak – particularly in poorer neighborhoods
The Lakewood Story

Presented by:
Travis Parker, City of Lakewood Planning Director
DRCOG Idea Exchange – February 28, 2018
Population Projections

Table 3-a: Population & Dwelling Unit Growth

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2013</th>
<th>2025</th>
<th>2035</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (Projected)</td>
<td>143,000</td>
<td>147,000</td>
<td>171,000</td>
<td>190,000</td>
</tr>
<tr>
<td>Percent Change (From 2010 Base)</td>
<td>--</td>
<td>2.8%</td>
<td>19.6%</td>
<td>32.9%</td>
</tr>
<tr>
<td>New Dwelling Units (Cumulative)</td>
<td>--</td>
<td>2,436</td>
<td>12,180</td>
<td>20,300</td>
</tr>
</tbody>
</table>

Source: Denver Regional Council of Governments, 2013; City of Lakewood
Lakewood is under-performing in new housing

1 new home for every 3 new jobs
Mismatch between supply and demand: Retail
Mismatch between supply and demand: Transit
Rising Costs

- Median Home Price
  - 2012: $212,000
  - 2017: $368,000

- Median Rent
  - 2012: $985
  - 2017: $1312

- Apt Vacancy Rate
  - Metro: 5.7%
  - Lakewood: 4.4%
Nearly 1% of housing units in Lakewood are available for short term rental.
Attempted Solutions: Mixed Use Zoning
Attempted Solutions: Townhouse Infill
Attempted Solutions: ADUs and Tiny Homes

- Permitted ADUs in 2012 subject to conditions:
  - Max 700 sf
  - Only lots >9000 sf
  - Owner must live onsite
  - Minimal exterior changes allowed
  - Require a permit

- Mixed-use zoning allows tiny homes
Attempted Solutions: Construction Defects

- No condo development since 2006
- 2014 ordinance attempts to balance homeowner protections with limitation on frivolous suits
  - Requires 50% vote of all owners prior to legal action
  - Prevents retroactive HOA changes to remove arbitration requirements

- Currently 2 condo buildings and 2 large townhome projects in planning process
Attempted Solutions: Short term rentals

- City currently considering ordinance to permit and regulate short term rentals
- Proposal copies Denver’s ordinance
- Would require licensing and enforcement
Continuing Challenges: Anti-Growth sentiment

- Ballot initiative proposes limiting residential growth to 1% per year
- Strong citizen pushback on recent developments
- Council candidates dividing on growth issues
Continuing Challenges: Diminishing development opportunities
Continuing Challenges:
- Expensive Alternatives
- Water tap fees
- Other fees
- Conditions for approval
- Permitting and Building Codes

Lessons Learned:
- Minimize barriers to entry
- Make fees proportional
- Solve for water
The Denver Story

Presented by:
Tina Axelrad, City of Denver Zoning Administrator
Evidence of a Growing Housing Challenge
• The population growth at the time of 2002 Blueprint Denver was for an additional 109,000 residents by 2020
• Since the 2002 Blueprint Denver, the city has grown by 121,000 residents
• Denver is expected to grow by another 119,000 persons by 2040
• 65 percent of this population growth (78,000 people) occurred between 2010 to 2015
• Denver was the 5th fastest-growing large city (population > 250,000) in the nation in 2014 and the third fastest city in the U.S. from 2005-2014
Housing by the Numbers

Median Home Price = $386,700
Median Rent Price = $2,000

- Despite significant population growth, Denver was denser in 1950 than it is today
- Nearly evenly split between owner-occupied and renter-occupied units
  - But renter households accounted for over 75 percent of the new households since 2000
- Denver has permitted at least 5,500 housing units annually since 2012, which is 30 percent more annually than from 2000 to 2008
- The average rental rate in Denver has grown by the highest percentage than comparable cities
- Despite the large increase in housing costs in Denver, the median home value in Denver is 40 percent lower than it is in Seattle
Denver neighborhoods with greatest proportion of new development
Total employment in Denver was approximately 473,000 in 2014.

Denver accounts for 35 percent of employment in the MSA, however has only captured 23 percent employment growth since 2002.

More recently from 2012 to 2015, Denver captured a greater share of metro area employment growth - 44 percent of new jobs in that period.
Median household income by neighborhood ranges from $11,036 (Sun Valley) to $134,276 (Belcaro) with an average of nearly $58,000 per household.

The combined cost of housing and transportation (H + T) across all Denver neighborhoods is as low as 38 percent (Capitol Hill) and as high as 53 percent (Hilltop).

Several neighborhoods with low average household incomes have relatively high H+T costs (e.g., Globeville has a median household income of just over $25,000 and a combined H+T cost of 42 percent of household income).
Pressures Mounting
What are we Seeing?

Pressure on Single-Family Homes is Mounting...

- illegal 2\textsuperscript{nd} dwelling units
- illegal use of garages for living space
- illegal short-term rentals
  - Less since legalized STR in 2016
- illegal “group living”
  - 2 unrelated persons allowed “by right” per household in single unit dwelling (+1 more with home occupation zoning permit for roomer/boarder)
- illegal DIY housing – artists, others stressed for housing
- requests for zoning exceptions and variances
Attempted & Future Solutions
**Short-Term Rentals** – legalized in 2016
- Business license = primary tool = on-line
- Zoning accessory use defined, but zoning permit not required
- STR must occur in person’s primary residence
- Total # licenses count as of Jan 2018 = 2,065 (unique STR properties = 3,866)
- Compliance rate of 64%
- Total Lodger’s Tax revenue collected from STR operators for 2017: $2,916,831
- Total Notice of Violations issued: 2,024 (advertising without a license)
  - 232 complaints on 109 licensed premises
- Denver Licensee Survey – 246 responses as of 1/10/18:
  - How often do you rent your home?
    - 35% - One reservation a week
    - 25% - Several reservations every week
  - If you did not conduct short-term rentals (rentals for less than 30 consecutive days), what would you do?
    - 56% - Nothing
    - 37% - Rent long term
Attempted Solutions - ADUs

- **Accessory Dwelling Units** – allowed since 2003, expanded in 2010
  - In SF zone districts, limits on total GFA, owner occupancy of either primary of ADU dwelling, minimum floor area per resident
  - In all other zones, must be accessory to a primary single-unit dwelling use only
  - No separate water/sewer tap allowed for ADU
  - No parking required for ADU
  - Zoning and building permits required for use/occupancy
Building Permits Issued for ADUs

2010 - 2016: 105 permits
Building Permits Issued for ADUs

2017 – 44 permits
Attempted Solutions

- **New Housing Types/Options:**
  - Boulder Creek “wee-Cottage” Stapleton project
  - Micro units – small rental units with more common/shared amenities
  - Group houses allowed per RLUIPA
  - Group houses for older adults (55+ years ~ allowed by-right)

- **Denver Safe Occupancy Program**
  - Conditional / Temporary COs and compliance plans for persons seeking building permits ‘after the fact’

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**COTTAGES FROM THE $310s**

- Cottage Four
  - Simplified Living
  - 2 – 3 beds
  - 1152 – 1380 sq.ft.

- Cottage One
  - Energy Efficient
  - 2 beds
  - 896 – 896 sq.ft.
• **The Future?**
  
  • Revisit “group living” category of land uses, including more flexibility for transitional housing and groups NOT protected by federal fair housing act
  
  • Revisit definition of “household” and number of unrelated persons who may create a household
  
  • Explore allowing ADUs more widespread – in city’s single-unit zones and all other zones – part of citywide land use plan update
What to Do?

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1. Allow conversion of some part of the single-family housing stock to allow additional dwelling units (larger than ADUs)?

2. Change the definition of “family” to allow more unrelated people to occupy a single-family dwelling unit?

3. Speed up efforts to allow smaller dwelling units on smaller lots (but remember the 2% rule)?
1. Allow Conversion of Dwelling Units?

- Building codes for multi-family are tougher and more expensive to meet.
- The same may be true of:
  - Energy codes
  - Seismic codes
  - Zoning codes
  - Landscape codes and manuals
CONCLUSIONS

Although internal conversions, especially those creating more than two units, can be challenging to complete, they represent a powerful tool for retaining existing building stock and encouraging diverse and less expensive housing options. Changing a building from the residential to commercial code is a significant barrier, but duplex and townhouse conversions are readily achievable and, if coupled with a detached structure, could provide a way to gently increase density while still preserving existing structures. Through strategic assistance and clarification of the complex issues associated with internal conversions, the City may be able to encourage and incentivize this type of development throughout Portland.
How to Respond?

Single-Family to Duplex or Townhomes Could Make a Big Difference

- About 70% of land use in medium sized cities is residential
- In most medium sized cities, about 2/3 of that 70% is single-family structures

Rules on conversion of single-family homes could affect almost 50% of the housing stock

- Lots of room to narrow and tailor the rules to local conditions
Allow Higher Occupancy of Dwelling Units?

• Pressure will also exist for higher occupancy without changing the structure

The normal definition of “family” or “household” is:

• Any number of persons related by blood or marriage or

• Up to X unrelated persons
Several problems with this definition

Any number of persons related by blood or marriage
  • Declining marriage rates means fewer households will meet this standard

Up to X unrelated persons
  • You could increase X

Fails to reflect requirements of the federal Fair Housing Act
  • Add “or any group of individuals whose right to live together is protected by state or federal fair housing laws”
How to Respond?

The Right Response(s) Will Vary by Community

• Determine whether pressures to “double up” exist in your community

• If so, determine what types of adjustments are needed

• If “doubling up” is happening
  -- Don’t pretend that it isn’t
  -- The more violators you have, the harder it is to fix
Questions and Discussion