

Executive Summary

Cottonwood Heights City requested GSBS Consulting update the City's 2005 Affordable Housing Plan in compliance with the requirements of Utah Code Annotated 1-91-408. The update used the Utah Affordable Housing Forecast Tool developed by the State of Utah to complete the analysis of current and projected need. Housing affordability is defined as housing the costs no more than 30 percent of the household's annual income.

Cottonwood Heights continues to meet the statutory minimum requirement

That there currently exists a reasonable opportunity for individuals of moderate (80% AMI) income to obtain affordable, quality housing in Cottonwood Heights.

However, households in and below the $\leq 30\%$ - $\leq 50\%$ AMI band experience a significant deficit of available housing in Cottonwood Heights. These households make no more than \$40,000 annually and an affordable monthly rent/mortgage payment is no more than \$998. This group makes up 12 percent of all households in Cottonwood heights.

The City also has a high rate of cost-constrained and severely cost-constrained households. Cost constrained households pay more than 30 percent of their household income for housing costs. Severely cost constrained households pay more than 50 percent of their household income for housing costs. These households are at a higher risk to lose their housing.

The plan recommends that Cottonwood Heights focus affordable housing policies and activities on increasing the number of units affordable to households making 50 percent AMI or lower as well as maintaining access to units affordable to households making between 50 and 80 percent AMI. Specifically, the plan recommends that the City:

1. Update the provisions and requirements of the density bonus included in the PDD ordinance to create set-asides at particular income levels rather than just 80 percent AMI and below.
2. Identify areas of the City where additional, infill units may be appropriate.
3. Create an accessory dwelling unit provision to allow the additional of units within existing structures.
4. Work with other jurisdictions to create funding sources for extremely-low income housing units where appropriate.

Section 1 Introduction & Background

Prior Affordable Housing Plan

The most current Cottonwood Heights General Plan was adopted in 2005. Chapter VII of the Plan is the Housing Element that includes an analysis of the availability of affordable housing in 2005, projects the need for housing affordable to various income levels through 2020, and identifies tools and strategies for improving the availability of housing for seniors, owner-occupied, and entry-level housing. The tools recommended in the housing element address housing affordability included:

- Regulatory Climate,
- Zoning for Higher Density,
- Accessory Apartments, and
- Mixed Uses

Although the City has not zoned any property for multi-family use and prohibits accessory dwelling units, Cottonwood Heights has created a PDD zone to allow for mixed uses and higher densities at specifically identified areas in the City. Cottonwood Heights has also worked for neighborhood acceptance of greater density and variety of housing types in targeted locations in the City.

The 2005 Affordable Housing plan found:

[T]hat there currently exists a reasonable opportunity for individuals of moderate income to obtain affordable, quality housing in Cottonwood Heights and that the city meets statutory requirements.

Statutory Requirements

Each city is required to include a moderate-income housing element in its General Plan. Cottonwood Heights complies with this requirement. In addition, the moderate-income housing element shall determine if there is a reasonable opportunity to meet the needs of people desiring to live in the City, including people seeking moderate income housing, and participate in community life.

In addition to the requirements associated with the Moderate-Income Housing Element of the General Plan, each city is required to complete a biennial review of the plan and its implementation and prepare a report of the findings. This report satisfies this requirement of Utah Code Annotated 1-91-408.

Review Process

Each review completed in compliance with 10-9a-408(2) must describe the following:

- (a) Efforts made by the city to reduce, mitigate, or eliminate local regulatory barriers to moderate income housing;
- (b) Actions taken by the city to encourage preservation of existing moderate income housing and development of new moderate income housing;
- (c) Progress made within the city to provide moderate income housing, as measured by permits issued for new units of moderate income housing; and
- (d) Efforts made by the city to coordinate moderate income housing plans and actions with neighboring municipalities.

In addition to the statutory requirements, this review also completed an analysis of the current and projected need and availability of moderate-income housing at various income levels. The housing needs analysis was completed using the Utah Affordable Housing Forecast Tool (UAHFT) created by the Housing & Community Development Division of the State of Utah.

Section 2 Statutory Review

Regulatory Barriers

Cottonwood Heights City is primarily “built-out.” With the exception of several specific development opportunities, most new housing construction is “in-fill” or the addition of dwelling units in existing structures. The City’s zoning code structure identifies areas where different types of development are allowed and establishes minimum densities and lot size and use requirements. For the most part the City’s regulatory structure does not encourage the addition of housing units within existing structures. The City does allow the subdivision of large lots when there is adequate square footage to comply with underlying zoning requirements. This general structure has not changed since 2005 when the General Plan was originally adopted.

Actions Taken to Encourage Moderate Income Housing

Cottonwood Heights has identified several specific development opportunities that are appropriate for planned unit developments. The City’s PDD ordinance provides an opportunity for density bonuses in exchange for the inclusion of 10 percent affordable units within new construction. The new developments are most likely to use Low Income Housing Tax Credits to achieve affordability in the units. Current estimates for the development sites indicate that as many as 5,000 units could be added within the 15-20 year development horizon. If the developer takes advantage of the incentives in Cottonwood Heights ordinance, this is an addition 500 affordable units.

Permits Issued

Since 2005, Cottonwood Heights has issued permits for 344 new homes. Three of these were duplex structures, and so a total of 347 new units were permitted. The majority of the projects were single family dwellings and overall had an average valuation of \$389,763 (falling just outside the >80% to ≤100% AMI affordability range). The most often seen value was \$500,000. On the high end these dwellings were valued at \$2,500,000.

Regional Coordination

Cottonwood Heights does not currently contribute to the county’s affordable housing fund and does not have ongoing relationships with external communities in regards to housing.

Section 3 UAHFT Results

UAHFT Model

Appendix A is the list of Cottonwood Heights “inputs” to the housing needs forecasting model created by the State of Utah. The inputs focus on two basic categories:

- Housing stock
- Households

Within each of the categories the model identifies the number of housing units and the number of households in Cottonwood Heights by affordability “band”. An affordability band is price points that are affordable to households making a certain amount of money. In the analysis, the bands are:

- less than 30 percent of area median income (AMI),
- between 30-50 percent of AMI,
- between 50-80 percent of AMI,
- between 80-100 percent of AMI and
- over 100 percent of AMI.

AMI is the median income of all households in the City. The Cottonwood Heights 2015 median household income was \$79,823. This is the most current data available.

The model then estimates how many households in Cottonwood Heights fall into the various income “bands” relative to the median household income.

Using the two estimates, the model then calculates the “gap” or surplus in each “band” to identify the availability of housing units to households at a range of income levels.

Cottonwood Heights Results

Housing Stock

Cottonwood Heights has 13,387 dwelling units¹. Of these, 93 percent are occupied. Figure 3-1 summarizes the City’s housing stock by renter or owner-occupied and value or rent.

¹ 2011-2015 American Community Survey 5-Year Estimates

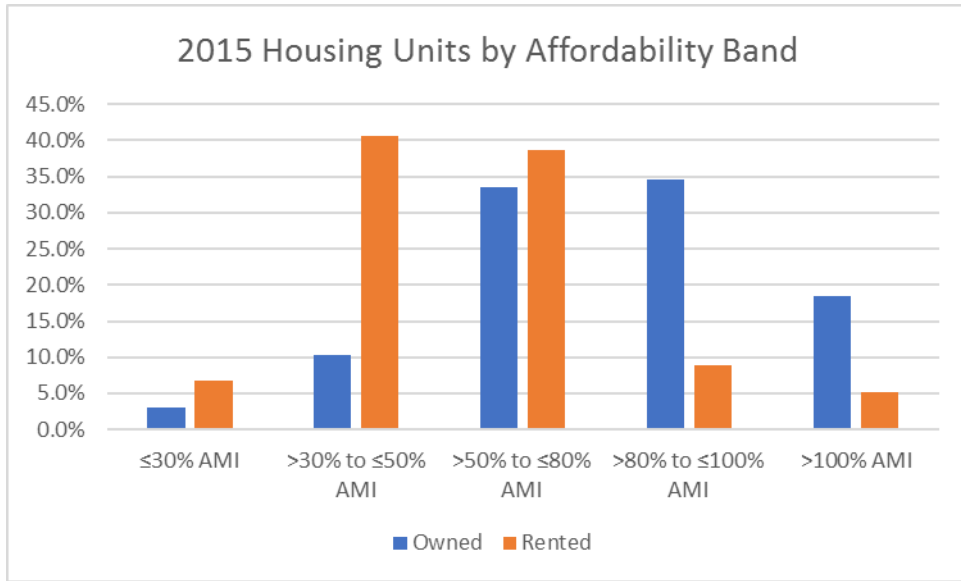


Figure 3-1 2015 Housing Stock

Cottonwood Heights owned housing units range in value from less than \$50,000 (178 units) to greater than \$1,000,000 (131 units). More than 68 percent of the City’s owned units are affordable to households making between approximately \$40,000 and \$80,000 annually.

Almost 80 percent of the City’s rented units are affordable to households making between approximately \$24,000 and \$64,000 annually.

Households

The median household income in Cottonwood Heights is almost \$80,000.² Of these, almost 63 percent have household incomes greater than the median. Table 3-2 is the distribution of households in the City by income band.

² 2011-2015 American Community Survey 5-Year Estimates

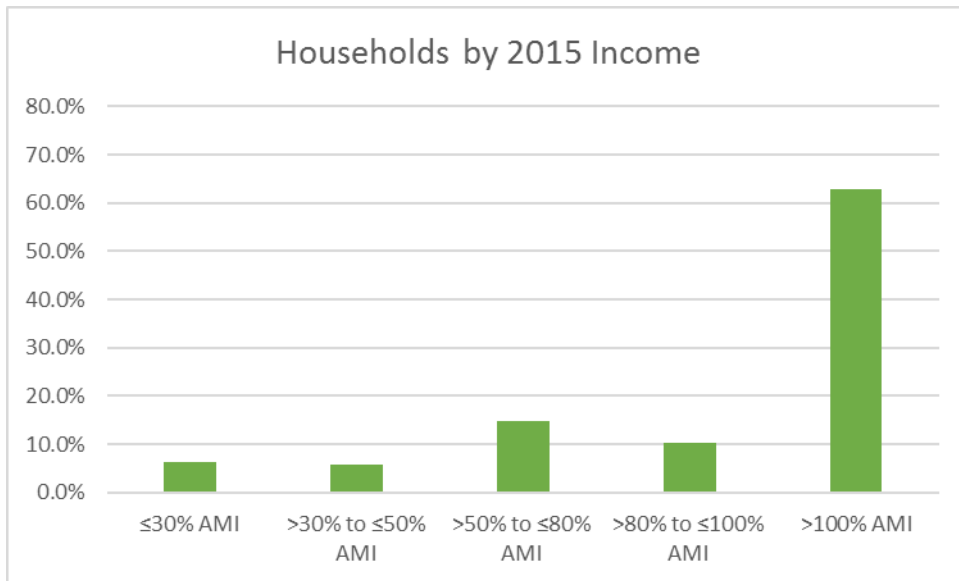


Figure 3-2 2015 Household Incomes

Affordability

The U.S. Housing and Urban Development definition of housing affordability is housing-related expenses³ that are 30 percent of your gross household income or less. If your housing-related costs are more than 30 percent of your gross income your household is considered “cost-burdened”. If your housing-related costs are more than 50 percent of your gross income your household is considered “severely cost-burdened.” In Cottonwood Heights housing-related expenses affordable to the various income bands are estimated in Table 3-1.

³ Housing-related expenses include all costs of housing (e.g. rent/mortgage payment, utilities, HOA fees)

Table 3-1: Affordable Housing-Related Costs

	Maximum Affordable Cost *	Maximum Mortgage Loan **
≤30% AMI	\$599	\$79,752
>30% to ≤50% AMI	\$998	\$160,386
>50% to ≤80% AMI	\$1,596	\$281,336
>80% to ≤100% AMI	\$1,996	\$361,970

* Includes rent/mortgage payment + related costs

** Includes mortgage insurance cost

In Cottonwood Heights in 2015, 15 percent of all households in the City were cost burdened. Of the cost-burdened households, 58 percent were renting and 42 percent paid mortgages. Figure 3-3 identifies the cost burdened status of households in the City with incomes at 80 percent AMI or lower (approximately \$64,000 annually.)

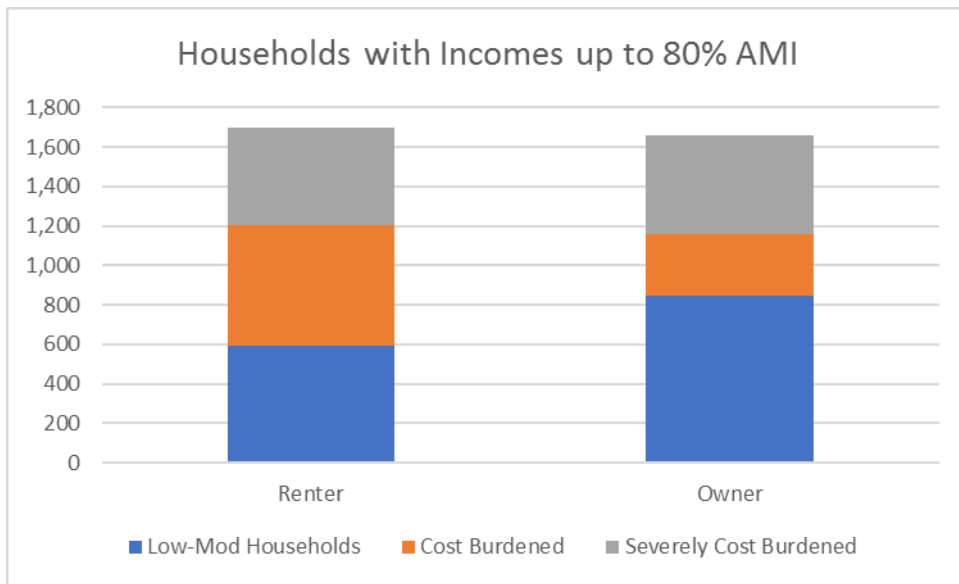


Figure 3-3 Low-Mod Households 2015

Cost-burdened renter households represent 65 percent of all low-mod renter households, 31 percent of all renter households and 9 percent of all households in Cottonwood Heights. Cost-burdened owner households represent 49 percent of all low-mod owner households, 9 percent of all owner households and 7 percent of all households in the City. Table 3-2 identifies the income levels of the various cost-burdened renter households.

Table 3-2: Cost-Burdened Status Low-Mod Renter Households

	Households in Category	Cost Burdened Households	Severely Cost Burdened Households	% At Risk
≤30% AMI	440	380	365	86%
>30% to ≤50% AMI	415	350	90	84%
>50% to ≤80% AMI	845	380	40	45%
Total Low-Mod	1,700	1,110	495	65%

Households paying more than 30 percent of their annual income for housing costs are considered at risk for losing their housing. In the case of Cottonwood Heights, of the cost-burdened renter households, 86 percent of households making \$24,000 or less annually are at risk. Of those, 96 percent pay 50 percent or more of their annual income for housing putting them at significantly higher risk. For renter households making between \$24,000 and \$32,000 annually, 84 percent are at risk. Of those, 26 percent pay 50 percent or more of their income for housing.

Table 3-3 identified the income level of the various cost burdened owner households.

Table 3-3: Cost-Burdened Status Low-Mod Owner Households

	Households in Category	Cost Burdened Households	Severely Cost Burdened Households	% At Risk
≤30% AMI	350	245	215	70%
>30% to ≤50% AMI	295	145	120	49%
>50% to ≤80% AMI	1,015	425	170	42%
Total Low-Mod	1,660	815	505	49%

Of the cost-burdened owner households, 70 percent of households making \$24,000 or less annually are at risk. Of those, 88 percent pay 50 percent or more of their annual income for housing putting them at significantly higher risk. For owner households making between \$24,000 and \$32,000 annually, 49 percent are at risk. Of those, 83 percent pay 50 percent or more of their income for housing.

Housing Availability

Table 3-4 is a comparison of the number of housing units and the number of households in Cottonwood Heights by income band. According to this table, the City has a housing gap in the lowest and highest income bands. However, the household data indicates that a significant number of households making \$64,000 or less annually are in housing units that are not considered affordable for their income level.

Table 3-4: Housing Units/Households by Income Band

Income Band	Housing Units	Households	Housing Surplus/ (Gap)
≤30% AMI	505	790	(285)
>30% to ≤50% AMI	2,363	710	1,653
>50% to ≤80% AMI	4,381	1,860	2,521
>80% to ≤100% AMI	3,409	1,275	2,134
>100% AMI	1,835	7,858	(6,023)

Housing affordability occurs on a spectrum. Households don't, in reality, acquire housing based strictly on their "affordability band." What this means is that when a household in the ≤ 30% AMI band "stretches"⁴ for housing they are actually occupying a unit in the > 30% to ≤ 50% AMI band. To the extent that the number of units in that band are inadequate households in the > 30% to ≤ 50% AMI band may then have to stretch to the > 50% to ≤ 80% band and so on. This effect also works in reverse.

Figure 3-4 illustrates the deficit of affordable AND available housing by income band in Cottonwood Heights.

⁴ 79 percent of all Cottonwood Heights households in this band.

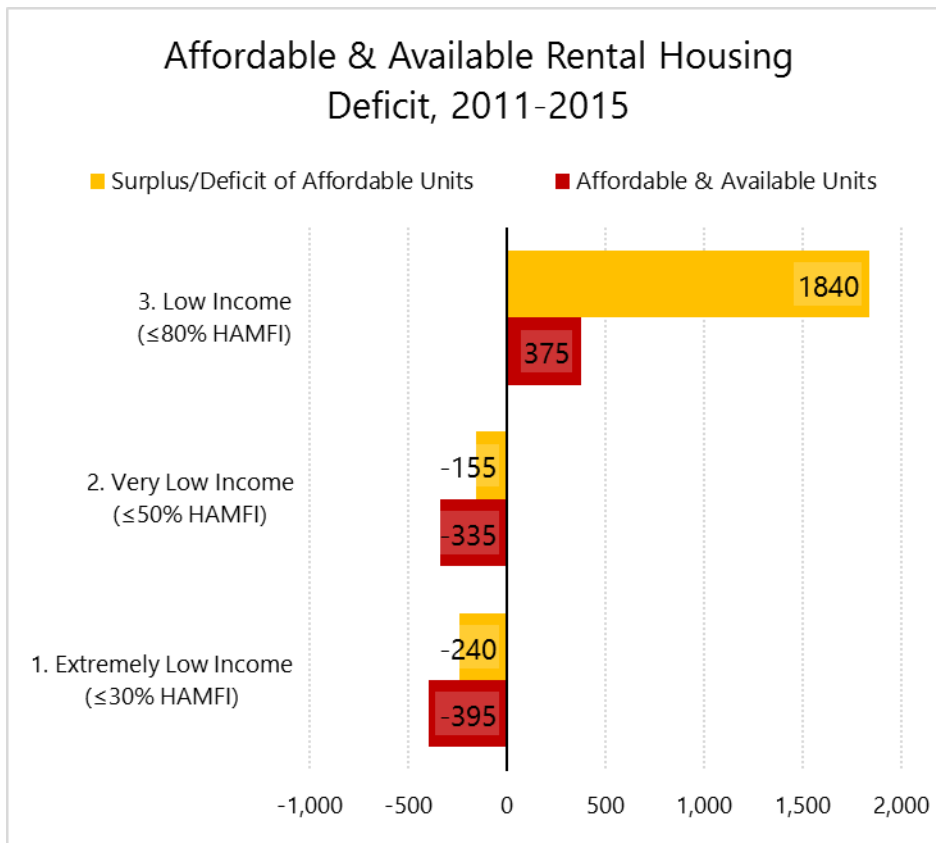


Figure 3-4 Affordable & Available Housing Deficit 2015

According to the UAHFT Model, there is a surplus of affordable and available units at the 80 percent AMI level but significant deficits at the lower income levels. This is reinforced by the number of households paying more for their rent than is considered affordable.

Although the UAHFT Model does not compute a similar number for owned housing, the presence of cost-burdened and severely cost-burdened households in the owned housing category indicates a similar deficit of available and affordable housing.

Future Growth

Cottonwood Heights is projected to grow by more than 5,800 people by 2040. At the City's average household size of 2.74 persons per household, an additional approximately 2,100 housing units will be needed. If the current distribution of household incomes is assumed, the housing deficit in the extremely low income category will increase. Figure 3-5 illustrates the projected deficit by income band based on Governor's Office of Management & Budget population projections for 2020, 2030, 2040 and 2050.

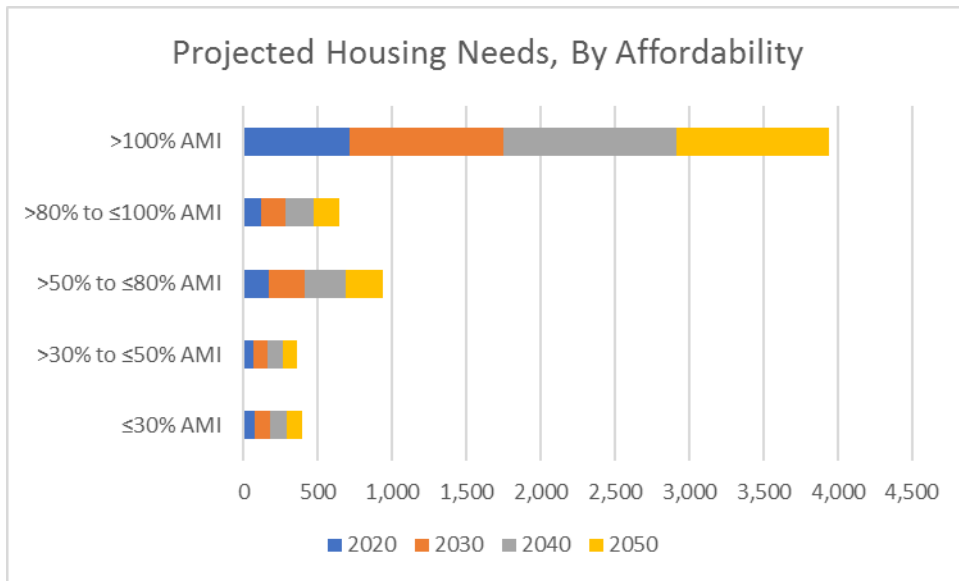


Figure 3-5 Projected Housing Needs 2020-2050

If the additional housing units are not added, Cottonwood Heights deficit will continue to increase.

Section 4 Conclusions and Recommendations

Conclusions

Cottonwood Heights continues to meet the Statutory minimum requirement

That there currently exists a reasonable opportunity for individuals of moderate income to obtain affordable, quality housing in Cottonwood Heights.

The City could however make progress in addressing the regulatory barriers to adding units within existing neighborhoods. This is a relatively cost effective way to add units without significant infrastructure investment.

The largest deficit and the affordability band with the highest rate of cost-constrained and severely cost-constrained households is in the $\leq 30\%$ AMI level. These households make no more than \$24,000⁵ annually and an affordable monthly rent/mortgage payment is no more than \$599. It is difficult to achieve this level of rent or mortgage payment in an area with high land values. The super-heated housing market throughout Salt Lake County also contributes to the deficit in affordable units.

In order to create enough new housing affordable to households in the $\leq 30\%$ AMI affordability band considerable subsidy will, in all likelihood, be required. The most cost effective way for a city of Cottonwood Heights size and type is to work with other area jurisdictions to provide the type of funding needed. As appropriate locations become available, new units can be added at this level, relieving pressure on the other affordability categories.

Recommendations

1. Update the provisions and requirements of the density bonus included in the PDD ordinance to create set-asides at particular income levels rather than just 80 percent AMI and below.
2. Identify areas of the City where additional, infill units may be appropriate.
3. Create an accessory dwelling unit provision to allow the additional of units within existing structures.
4. Work with other jurisdictions to create funding sources for extremely-low income housing units where appropriate.

⁵ According to the Bureau of Labor Statistics jobs in this income category include medical assistants, construction workers and retail salespersons