

GROWING SLC:

A FIVE YEAR HOUSING PLAN

2017-2021



Salt Lake City
Housing and Neighborhood Development



1. EXECUTIVE SUMMARY

Universally, the home is the bedrock upon which every person builds the foundation of their lives. The home is fundamental to establishing roots in a community and achieving a basic sense of safety, security, and stability for those that live within its walls. It is when these basic needs are met that people have the ability to take a risk and improve their situations, to contribute socially, culturally, and economically, and build a better community.

In recognition of the role that housing plays in the success of the individual and the community, this plan is intended to establish that **Salt Lake City is a place for a growing diverse population to find housing opportunities that are safe, secure, and enrich lives and communities.** This plan outlines the housing solutions through which Salt Lake City will advance this vision. This plan imagines a city where all residents, current and prospective, regardless of race, age, economic status, or physical ability can find a place to call home. To achieve this goal, the City's housing policy must address issues of affordability at the root cause, creating long-term solutions for increasing the housing supply, expanding housing opportunities throughout the city, addressing systemic failures in the rental market, and preserving our existing units.

Salt Lake City is growing. From 2010-2014, the city gained 4,400 new residents, doubling the pace of growth that was recorded between 2000 and 2010. Estimates anticipate that this growth will continue, adding an additional 30,000 residents by 2030. Salt Lake City's current population of 190,873 people occupy 75,923 households. **The average household in Salt Lake City includes 2.45 people, resulting from 52% of the households being comprised of families.**

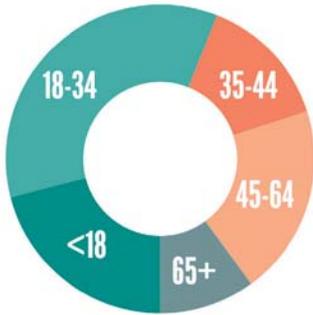
Salt Lake City's population includes unique characteristics, notably a high proportion of millennials and minority groups and a low proportion of seniors. Post-college aged millennials (age 25-34) account for 21% of the population,

SALT LAKE CITY HOUSING PLAN AT-A-GLANCE

Policy solutions over the five year period of this plan will focus on :

- (1) UPDATES TO ZONING CODE
- (2) PRESERVATION OF LONG-TERM AFFORDABLE HOUSING
- (3) ESTABLISHMENT OF A SIGNIFICANT FUNDING SOURCE
- (4) STABILIZING LOW-INCOME TENANTS
- (5) INNOVATION IN DESIGN
- (6) PARTNERSHIPS AND COLLABORATION IN HOUSING
- (7) EQUITABILITY AND FAIR HOUSING

Salt Lake City Residents by Age, 2014



Nearly 4 of every 10 Salt Lake City residents is an adult millennial (between 18 and 34 years old).

Source: BBC Housing Market Study, 2016

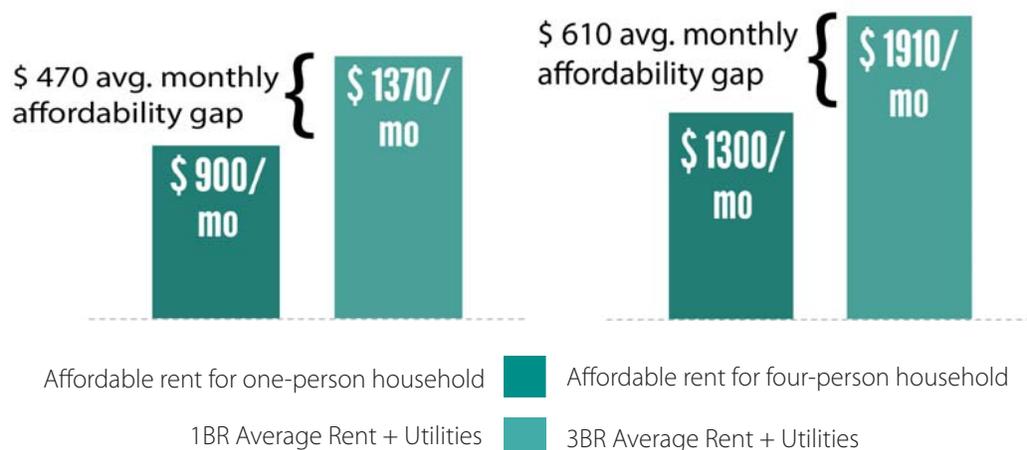
which is higher than peer cities such as Boise (14%) and Portland (19%) and on par with cities like Denver and Austin (both 22%). Additionally, minority groups make up approximately 35% of the city’s population, of which one-fifth identify as Latino. The majority of these groups live west of Interstate 15. Conversely, Salt Lake City has an unusually low population of seniors, with those age 65 and older only accounting for 10% of the population. These demographic characteristics are important to understanding the unique housing wants and needs of the population as a whole. Each generation has different ideas and behaviors that influence their decisions at each stage of life, and in the aggregate create the demand for housing that the city is currently experiencing.

Salt Lake City is in the beginning stages of a systemic housing crisis that highlights the shortcomings of the multi-year economic rally. While many factors have contributed to the housing crisis, at its root is the demand for housing in Salt Lake City driving up home prices and rental rates at a faster pace than wage increases. Between 2011 and 2014, rental rates increased two times faster than the wage increase for renters. Additionally, home sale prices increased four times faster than the wages of homeowners. Unabated, this trend will impact greater numbers of low- and middle-income residents of the city every year pushing out those that make it diverse and dynamic.

The growing disparity between wages and rental rates will create greater instability in the lives of low-income households as they are forced into homelessness or become more cost-burdened. There is currently a 7,467 unit deficit for the 12,624 residents living in poverty and making \$20,000 per year or less. In the absence of these units, people are forced to live in unclean, crowded, and unsafe conditions, or forced into homelessness. These residents require a rental rate of \$500 per month or less or the burden of housing becomes overwhelming. Today, 49% of renters and 22% percent of homeowners in Salt Lake City spend more than 30% of their income on housing. Additionally, 24% of renters are

Salt Lake City Average Rents vs. Affordability (80% AMI)

(source: CBRE 2016)



severely cost-burdened, spending more than 50% of their income on housing. For those already living in poverty, being cost burdened by their housing can result in having as little as \$500 remaining each month to cover all other costs, including food and healthcare. These groups are also likely to miss rental and mortgage payments, placing the stability of their home in jeopardy. Such a burden has significant impact on children and their lifetime potential for success. Children that are hungry, move frequently, and experience high stress environments at home are less likely to perform well in school, which in turn can contribute to the intergenerational impacts of cost-burdened households and poverty.

The housing crisis also impacts middle-income households. The historically low vacancy rate of 2% in Salt Lake City has driven prices up in every neighborhood. In many cases, middle-income households are forced to make the decision to locate in neighborhoods that they would not otherwise choose, take on greater amounts of debt, or move to another community. In August 2016, Salt Lake City conducted the Salt Lake Live Work Survey, which included people that commuted into the city for work. Among these commuters, 52% indicated that they would consider living in Salt Lake City if housing were more affordable. Salt Lake City's population grows by 60% every day from in-commuters, which creates significant stress on our transportation network and the environment. Providing more affordable options could greatly reduce these impacts, which are shared by all residents.

Exacerbating the housing crisis are local barriers to housing development. These barriers, such as density limitations, prohibitions on different types of housing, and other development regulations, have contributed in part to a general supply deficit and economic segregation. Many of these regulations were created at a time of population contraction. For example, much of the east side of the city is zoned for single-family scale development, which significantly reduces the number of residential units that can be built and drives up prices for the limited supply that is available. While the current building boom is in part supported by improvements in land use regulations that were made throughout the last decade, the expanded application of these improvements, as well as further modernization, is required to reduce local barriers and create more housing opportunities throughout the city for low-income households. The removal of these barriers will not solve the housing crisis on its own. Without well-crafted policies and additional incentives, creating greater flexibility could result in the displacement of affordable housing. However, if done correctly, the removal of local barriers is fundamental to opening up neighborhoods with quality infrastructure, as well as strong educational, social, economic, and culture networks and institutions, to low- and moderate-income households. Raj Chetty, a professor of Economics at Stanford

WHAT IS "AFFORDABLE" HOUSING IN SLC?

Housing and utilities for a renter and monthly mortgage payment and housing expenses for a homeowner **should be less than 30%** of a household's gross monthly income.

A single person household in Salt Lake County has an Area Median Income (AMI) of \$51,690; the AMI for a family of four is \$73,800.

Affordable housing for a single person in Salt Lake City currently earning 60% AMI, or \$41,350, would be a rental costing approximately **\$1,034/month, or a home priced around \$175,000 (est. mortgage \$824/mo + taxes and insurance).**

Affordable housing for a Salt Lake City family of four earning 80% AMI, or \$59,050, would be a rental costing about **\$1,476/month or or a home priced around \$265,000 (est. mortgage \$1,193/month + taxes and insurance).**

Source: Salt Lake County Community Resources and Development (2016 Area Median Income).

University and co-author of “The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Project,” found that children that move to neighborhoods with less poverty will have a higher earning potential than their peers. While earning potential, is not the only measurement of success, it is an indicator that policies that effectuate economic segregation also contribute to intergenerational poverty. It’s critical that these barriers be removed to create greater opportunity for the residents of Salt Lake City and contribute to further breaking down the systems that perpetuate poverty in our community.

In addition to locally created barriers, resolving the housing crisis will also require addressing the economic inequities in the market. This includes providing financial assistance to renters, programs to support home-ownership, financial incentives for developers, and risk mitigation for landlords, with the end goal of decreasing the cost of renting or owning a home for low- and moderate-income households and increasing the amount of funding they have available for rent and mortgage payments. These fixes are not inexpensive, and will require a long-term and sustainable funding source. The development of such a funding source will require support from the community and a network of committed local partners.

The systemic affordable housing crisis has implications for every Salt Lake City resident and business. While the unique needs of our vulnerable population such as those with disabilities, refugees, or people experiencing homelessness are not specifically addressed, this plan creates a flexible framework that can address the needs of these groups as they too search for affordable housing options. Resolving the crisis will require a community wide effort to embrace change and develop a willingness to invest a little to change a lot. The following are the housing goals and objectives established in this plan. Through these goals and objectives, Salt Lake City will work to remove local barriers to housing development, address economic conditions that prevent the development and preservation of affordable housing, and support access to affordable housing for all Salt Lake City residents.

Goal 1: Reform City practices to promote a responsive, affordable, high-opportunity housing market.

Objective 1: Modernize land-use and zoning regulations to reflect the affordability needs of a growing, pioneering city.

Objective 2: Remove impediments in City processes to encourage housing development.

Objective 3: Lead in the construction of innovative housing solutions.

Objective 4: Provide residents, community advocates, business leaders, and elected officials with high-quality data to drive decision-making.

GOAL 1: REFORM CITY PRACTICES
GOAL 2: AFFORDABLE HOUSING
GOAL 3: EQUITABLE & FAIR HOUSING

Goal 2: Increase housing opportunities for cost-burdened households

Objective 1: Prioritize the development of new affordable housing with an emphasis on households earning 40% AMI and below.

Objective 2: Pursue funding for affordable housing opportunities.

Objective 3: Stabilize very low-income renters.

Objective 4: Secure and preserve long-term affordability.

Objective 5: Work with landlords to improve their housing stock and rent to very low-income households earning 40% AMI and below.

Objective 6: Increase home ownership opportunities.

GOAL 1: REFORM CITY PRACTICES
GOAL 2: AFFORDABLE HOUSING
GOAL 3: EQUITABLE & FAIR HOUSING

Goal 3: Build a more equitable city.

Objective 1: Eliminate incidences of housing discrimination in Salt Lake City.

Objective 2: Align resources to create areas of opportunity

Objective 3: Implement lifecycle housing principles in neighborhoods throughout the city.

GOAL 1: REFORM CITY PRACTICES
GOAL 2: AFFORDABLE HOUSING
GOAL 3: EQUITABLE & FAIR HOUSING

SNAPSHOT SALT LAKE: SUMMARY

Salt Lake City Residents by Age, 2014



Source: BBC Housing Market Study, 2016

Nearly 4 of every 10 Salt Lake City residents is an adult millennial (between 18 and 34 years old). **Demand for housing in walkable neighborhoods and non-single family housing types by this demographic will drive the housing market for the next decade.**

In addition, similar housing choice preferences among the Baby Boomer cohort as they retire will put added pressure on urban types of housing development.

Nearly **one-half of all renters in Salt Lake City are cost-burdened**, and nearly one-quarter are extremely cost-burdened (spend more than 50% of income on rent)

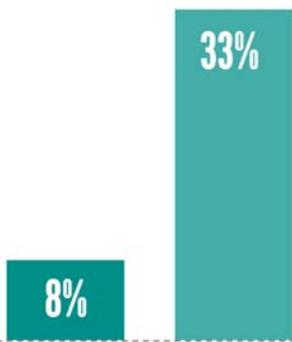
Cost-burdened City



 Not cost-burdened
 Cost-burdened & Extremely Cost-burdened

Source: BBC Housing Market Study, 2016

Wage Increase vs. Home Sale Price Increase 2011-2014



 Increase in homeowner wages
 Increase in home sale prices

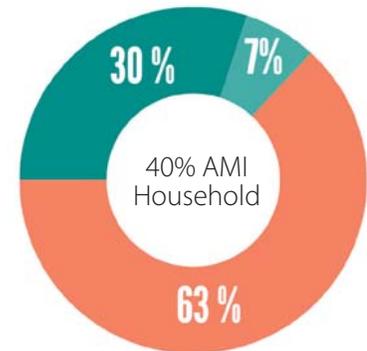
Source: BBC Housing Market Study, 2016

Homeowners in Salt Lake City are increasingly cost-burdened. **Wages over the last 5 years have not nearly kept pace with the average home sale price in the city.**

With an **average annual cost in Utah of more than \$18,000 to own and operate two cars per household**, the option of transit access can have a major impact on the financial stability of a cost burdened household. It is imperative that new housing be constructed in the right locations of the city.

(Source: Utah Business)

Monthly Cost Burden of Housing + Transportation



 Housing Costs
 Costs for 2 Cars
 Remaining budget ~\$2,000/year

Salt Lake City Workforce



Source: BBC Housing Market Study, 2016

Salt Lake City has a very high in-commuter percentage as a portion of the city's total workforce relative to comparable cities. Of those surveyed, **52% of in-commuters would consider relocating to Salt Lake City if housing were more affordable.** (Salt Lake Live Work Survey, 2016)