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Highlights

- Since 1997 new construction of affordable housing units, as defined by HB 295, has been insufficient to meet the increased housing demand of low- and moderate-income households.
- HB 295 has had only a marginal impact on the production of new affordable housing. There are many cases of cities adopting an affordable housing plan, as required by HB 295 but producing little or no new affordable housing.
- The construction of new affordable housing is highly concentrated in a few cities. The top five cities, West Jordan, West Valley, Layton, Provo and Salt Lake City produced nearly 40% of all affordable housing in the 52-city study area. In sharp contrast, the bottom 20 cities produced only 3% of all new affordable housing.
- Building fees (permit fees, impact fees and plan review) add about $40 a month to the mortgage payment of the typical new affordable home.

AFFORDABLE HOUSING IN SELECTED UTAH CITIES: NEW CONSTRUCTION, BUILDING FEES AND ZONING*

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In 1996 the Utah State Legislature passed HB 295: *Providing Affordable Housing*. HB 295 was the legislative response to a growing concern over rapidly rising housing prices. The increase in housing prices in Utah led the nation between 1992 and 1997. Over this period housing prices in Utah increased by nearly 70%. The second ranked state, Oregon, had a 50% increase in prices. The acceleration in housing prices in Utah was unprecedented and seriously threatened the dream of homeownership for thousands of Utah families.

This was the economic context for HB 295, which became the first and only legislation to address housing prices and affordability. HB 295 states, “the availability of moderate-income housing is an issue of statewide concern.” To this end “municipalities should afford a reasonable opportunity for a variety of housing, including moderate-income housing, to meet the needs of people desiring to live there.” Moderate-income housing is defined as “housing occupied or reserved for occupancy by households with a gross household income equal to or less than 80% of the median gross income of the metropolitan area.” And by “December 31, 1998, each municipal governing board shall, as part of its general plan, adopt a plan for moderate-income housing within that municipality.”

Although Utah’s cities and counties were supposed to develop and adopt affordable housing plans by December 1998, full compliance has taken much longer. Four years beyond the deadline there are still a number of cities and counties that have not yet adopted an affordable housing plan. The most recent compliance survey by the Department of Community and Economic Development shows 158 cities (62%) have fully complied, 77 cities (30%) have affordable housing plans either in process or completed but not adopted and 21 cities (8%) have taken no action.

*This article is a summary of a study completed in June 2003 for Fannie Mae, Olene Walker Housing Trust, Envision Utah and Utah Housing Corporation. The full text of the study is available at http://www.business.utah.edu/bebr

The slow pace of compliance reflects the near absence of any bona fide enforcement mechanism or incentives. Furthermore the economics of the housing market has improved as price increases have dropped to 2% annually and extraordinarily low mortgage rates have allowed some low- and moderate-income households to become homeowners. Consequently, some political momentum for affordable housing has been lost. But despite the improving market conditions this report demonstrates there are still serious supply-side constraints for affordable housing and that demand exceeds supply by a considerable margin.

The principal task of this report was to examine compliance with HB 295 through an analysis of new housing construction. Whether a city has adopted an affordable housing plan may or may not affect the actual number of new affordable housing units produced in that city. The number of affordable units produced by a city was the measure of compliance. If a city has allowed new affordable housing in sufficient numbers the intent of HB 295 was met.

This report examines new affordable residential construction for 52 cities. Most cities with a population above 5,000 were included. A few cities that met the population criterion were excluded due to insufficient data. These cities were located outside the Wasatch Front counties and include Logan, Brigham City, Vernal, Price and few smaller cities.

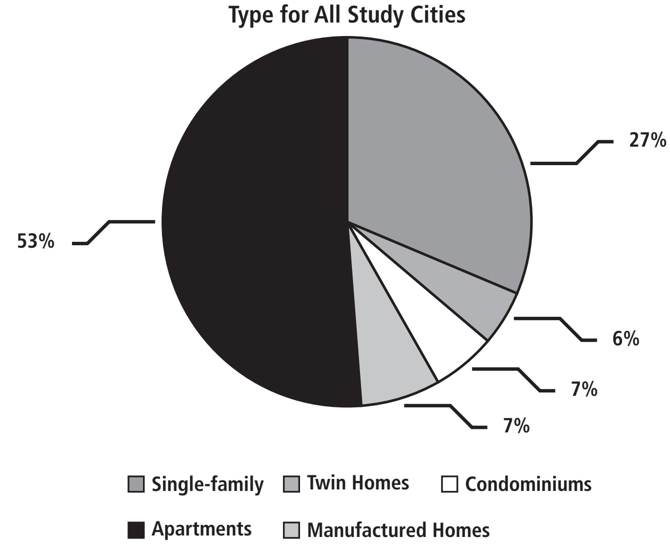
The sources of residential construction data were the Utah Construction Monitor and the Bureau of Economic and Business Research, University of Utah. The city-by-city estimates of new affordable housing rely on the reporting procedures of these two databases. Therefore, the unit count of new affordable housing for a city should be viewed as a "good" approximation. Most pertinent is the size of the affordability gap—the difference between the number of affordable units produced and the number of affordable units required to meet the housing needs of low- and moderate-income households. If a city's affordability gap is sizeable, quibbling over whether a small apartment or condominium project should have been categorized as affordable is "missing the point."

New Construction of Affordable Housing

Over the six-year study period there were an estimated 18,450 new affordable units built in the 52-city study area. Affordable units represent 24% of the nearly 76,000 new residential units built. Apartment units account for 53% of all new affordable housing built, followed by single-family homes at 27%, condominiums and manufactured/mobile homes at 7% each and finally twin homes at 6%. Chart 1

A vast majority of the 76,000 new units in the 52 study cities were single-family homes—55,093. But only 9% or 4,967 of these single-family homes were affordable. About one-half of all twin homes were affordable, one-fifth of all condominiums/townhomes, seven out of eight apartments and all manufactured/mobile homes qualified as affordable, Table 1.

Chart 1
Share of Affordable Housing by Type for All Study Cities



As defined by HB 295, approximately 40% of all households in the study area have household income levels below 80% of the median income. To meet the expanding housing needs of this group about 40% of new residential units should qualify as affordable. However, only 10 of the 52 study cities met or exceeded the 40% affordability threshold. Sixteen cities had less than 10% new affordable units, see Table 2.

Table 1
Share of Total Housing Units by Type Qualifying as Affordable – 1997 to 2002

Total	Total Units	Affordable Units	% Share
Single-family	55,093	4,967	9.0%
Twin Homes	2,370	1,108	46.8%
Condo & Townhomes	5,448	1,195	21.9%
Manuf/Mobile	1,350	1,350	100.0%
Apartments	11,604	9,836	84.8%
Total	75,893	18,456	24.3%

Table 2
Percent of City's Total New Housing Units Qualifying as Affordable – 1997 to 2002
(Ranked by Percent of Affordable Units)

City	%
Sunset	90.32%
South Salt Lake	59.77%
South Ogden	54.42%
Cedar City	49.04%
Clearfield	47.56%
Woods Cross	44.38%
West Valley	43.57%
Salt Lake City	43.21%
Layton	39.54%
Provo	37.75%
Pleasant Grove	37.35%
Hurricane	35.97%
Pleasant View	35.25%
Ogden	33.63%
West Jordan	33.06%
Lehi	30.46%
Bluffdale	29.02%
Orem	28.33%
Payson	27.36%
Midvale	24.12%
Bountiful	23.80%
Tooele	22.11%
Springville	21.78%
Clinton	20.15%
Grantsville	19.25%
Syracuse	18.41%
Sandy	17.87%
Roy	17.63%
Farmington	16.97%
Taylorsville	16.40%
North Salt Lake	15.75%
Spanish Fork	14.11%
St. George	12.76%
Draper	12.34%
American Fork	12.18%
Riverton	11.95%
North Ogden	9.19%
Kaysville	8.71%
Riverdale	7.61%
South Jordan	6.66%
Lindon	4.65%
West Point	3.03%
Centerville	2.86%
Park City	2.78%
Murray	2.21%
Ivins	1.80%
Mapleton	1.40%
Highland	0.45%
Alpine	0.00%
Fruit Heights	0.00%
Holladay	0.00%
Washington Terrace	0.00%

The actual number of affordable units produced between 1997 and 2002 in the 52 study cities fell considerably short of the need for affordable units. The need for affordable units was estimated at approximately 30,000 units whereas only 18,450 were produced. This gap in affordable housing has a number of negative consequences: (1) increases the cost of housing for moderate-and low-income households, (2) creates over-crowding in affordable housing units and (3) causes the deterioration in overall quality of the affordable housing inventory.

The failure of a number of cities to provide new affordable housing inevitably leads to a concentration of affordable units in just a few cities. The top five cities; West Jordan, West Valley, Provo, Layton and Salt Lake City account for 40% of all new affordable housing built between 1997 and 2002. The disproportionate level of new construction activity and the concentration of affordable housing in a few cities is a prominent characteristic of the affordable housing market in Utah. This report demonstrates that a handful of cities are meeting the intent of HB 295 but most are falling far short, see Table 3.

Some of the cities that are not producing affordable housing maintain that their existing housing inventory provides sufficient affordable housing and no new affordable units are needed. However, the existing stock of affordable units primarily enhances the mobility for existing low- and moderate-income households, that is allows a renter or owner to move within the market or metropolitan area. New additions to the affordable inventory are necessary to accommodate the growth in low- and moderate-income households and provide a "reasonable opportunity" to meet the expanding housing needs of this population.

Affordable Housing and Building Fees

Building fees, which include hook-up, impact, building permit and plan review fees, increase the cost of new housing units and thereby damage affordability. During the last six years building fees have increased over 80%, rising from a median of $4,037 in 1995 to $7,406 in 2002. The range in building fees for the 52 study cities runs from a low of $2,141 for Riverdale to a high of $14,515 for Alpine. Building fees raise the cost of the typical home in the study cities by about 3.4%. For an affordable home the impact is greater. For example, in West Valley City, which provided more new affordable single-family homes than any other city, building fees increased the cost of an affordable home by about 6.5%. Overall, building fees add about $40 a month to the

Table 3
Total New Affordable
Residential Construction – 1997 to 2002
(Ranked by Absolute Number of New Affordable Units)

City	Total New Housing Units	Total New Affordable Units
West Jordan	5,511	1,822
West Valley	3,890	1,695
Layton	3,058	1,209
Provo	2,895	1,093
Salt Lake	2,319	1,002
Clearfield	1,741	828
Orem	2,877	815
Ogden	2,394	805
Tooele	3,325	735
Lehi	2,344	714
St. George	4,968	634
Cedar City	1,142	560
Draper	4,433	547
Pleasant Grove	1,403	524
Roy	2,450	432
Payson	1,491	408
Springville	1,772	386
Sandy	2,115	378
Hurricane	987	355
Syracuse	1,912	352
Clinton	1,737	350
Woods Cross	703	312
So. Ogden	520	283
Riverton	2,268	271
Bountiful	996	237
Spanish Fork	1665	235
Bluffdale	603	175
Pleasant View	434	153
South Jordan	2,297	153
Farmington	813	138
American Fork	1,043	127
Midvale	481	116
Grantsville	504	97
North Ogden	914	84
North Salt Lake	489	77
Tayorsville	439	72
Kaysville	735	64
South Salt Lake	87	52
Riverdale	394	30
Sunset	31	28
Park City	935	26
Lindon	473	22
Ivins	947	17
Centerville	420	12
Murray	544	12
West Point	330	10
Mapleton	357	5
Highland	881	4
Alpine	554	0
Fruit Heights	98	0
Holladay	30	0
Washington Terrace	144	0
	75,893	18,456

mortgage payment for the typical new affordable home, see Tables 4 through 6.

Impact fees are the most significant and controversial of the building permit fees. (2) In the past 15 years the widespread use of impact fees has arisen out of fiscal necessity. Financing new infrastructure associated with residential growth through property tax increases has become politically unacceptable. Therefore impact fees have been employed by cities to overcome the fiscal gap that would arise if infrastructure finance depended on general revenues alone. West Jordan provides an example of how important impact fees have become. In 2002, impact fees accounted for about 6% of total revenue (general, special and capital projects revenue) of the city. Impact fees generated $2 million in revenue for West Jordan in 2002.

The general idea behind impact fees is to require developers to pay some of the cost of off-site public services imposed on the city by new development. While off-site public services typically refer to infrastructure such as water, sewers and roads, in recent years services have come to include public safety, parks, street lighting and trails.

Impact fees have ardent opponents and advocates who raise a number of issues about their use.

Opponents argue that impact fees are:
(1) Regressive, i.e., a tax that takes a larger percent of the income of low-income households than of high-income households
(2) Inflationary since the full cost of fee is generally passed on to the homebuyer.
(3) Too high as the fiscal impacts of growth tend to be overstated.
(4) Unfair because it's unlikely that residential development prior to impact fees "paid its own way". Previously, increases in property taxes were used to infrastructure expansion.
(5) Inequitable since amenities such as parks, trails, etc. often benefit long-time residents and developers as well as new homebuyers.

Advocates argue that impact fees are:
(1) Necessary due to severe fiscal pressures of cities.
(2) A useful and flexible political tool in the battle between growth versus no growth factions. Imposing impact fees allows new development but extracts a cost, which tempers no growth opposition.
(3) Better than the alternative. Without impact fee revenue cities may be less inclined to allow new development, which would be even more harmful to developers and home buyers.

In the end, impact fees can probably best be described as a fiscal device for raising revenue and represents a crude approximation of what should be paid by new development.

Zoning and Affordable Housing

Favorable zoning ordinances are paramount to the development of new affordable housing units but the relationship between a city's zoning ordinances and new affordable housing is unclear. From interviews with city planners the exceptions, nuances and complexities of zoning became apparent and effectively rendered a city-by-city comparison not only unwieldy but also meaningless. Most challenging was sorting out the actual effect of zoning ordinances on the production of affordable housing. There were many cases where the

Table 4
Change in Building Fees for Selected Cities
(Hook-up, Impact, Building Permit and Plan Review Fees)

City	1995	2002	% Chg.
Alpine	$7,690	$14,515	88.8%
Bountiful	$3,293	$4,894	48.6%
Cedar City	$4,300	$6,003	39.6%
Clearfield	$3,295	$6,178	87.5%
Clinton	$3,988	$6,396	60.4%
Draper	$6,648	$11,321	70.3%
Farmington	$3,842	$8,783	128.6%
Highland	$5,300	$12,021	126.8%
Hurricane	$6,253	$7,478	19.6%
Kaysville	$3,464	$5,344	54.3%
Layton	$4,604	$6,282	36.5%
Lehi	$4,590	$9,848	114.6%
Murray	$2,943	$6,750	129.4%
North Ogden	$3,808	$7,039	84.9%
North Salt Lake	$3,595	$8,256	129.7%
Ogden	$2,125	$3,119	46.8%
Park City	$12,399	$13,916	12.2%
Payson	$4,166	$12,166	192.0%
Pleasant Grove	$3,540	$8,817	149.1%
Provo	$2,384	$5,373	125.4%
Riverton	$4,603	$14,009	204.3%
Salt Lake City	$2,414	$4,706	95.0%
Sandy	$5,589	$7,334	31.2%
South Jordan	$6,589	$10,271	55.9%
Springville	$4,823	$7,563	56.8%
St. George	$6,963	$9,218	32.4%
Sunset	$1,648	$5,501	233.8%
Syracuse	$3,150	$7,998	153.9%
West Point	$4,087	$7,481	83.0%
Woods Cross	$3,190	$6,713	110.5%
Median	$4,038	$7,480	85.3%

Source: Utah Foundation and Bureau of Economic and Business Research, David Eccles School of Business, University of Utah.

Table 5
Cities Ranked by Building Fees

City	Hook-up Impact	Bldg. Permit	Total
Alpine	$10,199	a$4,316	$14,515
Riverton	$12,051	$1,958	$14,009
Park City	$11,799	$2,117	$13,916
Bluffdale	$9,724	$2,452	$12,176
Payson	$10,073	$2,092	$12,166
Highland	$10,187	$1,834	$12,021
Lindon	$10,180	$1,449	$11,629
Draper	$9,513	$1,808	$11,321
Tooele	$8,310	$2,310	$10,320
American Fork	$8,788	$1,665	$10,453
Ivins	$9,110	$1,285	$10,395
South Jordan	$7,995	$2,276	$10,271
Lehi	$7,618	$2,230	$9,848
St. George	$8,325	$893	$9,218
Pleasant Grove	$7,121	$1,696	$8,817
Farmington	$7,342	$1,441	$8,783
West Valley	$6,130	$2,513	$8,643
Mapleton	$6,296	$2,057	$8,353
Spanish Fork	$6,656	$1,666	$8,322
North Salt Lake	$6,036	$2,220	$8,256
Grantsville	$5,723	$2,300	$8,023
Syracuse	$6,358	$1,640	$7,998
Washington Terrace	$5,549	$2,299	$7,848
Fruit Heights	$5,246	$2,523	$7,769
Springville	$5,263	$2,300	$7,563
West Point	$5,717	$1,764	$7,481
Hurricane	$6,435	$1,043	$7,478
Sandy	$4,783	$2,551	$7,334
West Jordan	$5,088	$1,954	$7,042
North Ogden	$4,947	$2,092	$7,039
Murray	$4,867	$1,883	$6,750
Woods Cross	$4,919	$1,794	$6,713
Taylorsville	$4,737	$1,961	$6,698
Clinton	$5,187	$1,209	$6,396
Layton	$5,200	$1,082	$6,282
Pleasant View	$4,171	$2,092	$6,263
Clearfield	$4,847	$1,331	$6,178
Cedar City	$4,609	$1,394	$6,003
Roy	$4,327	$1,629	$5,956
South Ogden	$3,817	$1,885	$5,702
Centerville	$3,786	$1,746	$5,532
Sunset	$2,550	$2,951	$5,501
Orem	$2,968	$2,517	$5,485
Provo	$3,073	$2,300	$5,373
Kaysville	$3,620	$1,724	$5,344
Bountiful	$3,394	$1,500	$4,894
Salt Lake City	$2,406	$2,300	$4,706
Midvale	$1,600	$2,948	$4,548
Holladay	$2,116	$2,300	$4,416
South Salt Lake	$1,310	$2,300	$3,610
Ogden	$1,027	$2,092	$3,119
Riverdale	$525	$1,616	$2,141

Table 6
Building Fees as Percent of Median Price of New Home

City	Building Fees	Median Price	Fees as % of Price
Payson	$12,166	$136,731	8.9%
Riverton	$14,009	$188,884	7.4%
West Valley	$8,643	$122,885	7.0%
Draper	$11,321	$187,348	6.0%
Tooele	$10,620	$177,102	6.0%
St. George	$9,218	$155,645	5.9%
Lehi	$9,848	$179,704	5.5%
Washington Terrace	$9,899	$186,157	5.3%
Hurricane	$7,478	$146,744	5.1%
Syracuse	$7,998	$158,663	5.0%
Woods Cross	$6,713	$140,595	4.8%
Grantsville	$8,023	$190,315	4.2%
Alpine	$14,515	$354,642	4.1%
American Fork	$10,453	$256,531	4.1%
Layton	$6,282	$156,827	4.0%
Roy	$5,956	$150,253	4.0%
Clearfield	$6,178	$156,071	4.0%
Spanish Fork	$8,322	$212,141	3.9%
West Point	$7,481	$193,077	3.9%
South Jordan	$10,271	$267,261	3.8%
Clinton	$6,396	$168,760	3.8%
Springville	$7,563	$202,858	3.7%
Highland	$12,021	$326,052	3.7%
Pleasant Grove	$8,817	$242,210	3.6%
Farmington	$8,783	$253,226	3.5%
Sunset	$5,501	$161,290	3.4%
Lindon	$11,629	$342,605	3.4%
West Jordan	$7,042	$216,215	3.3%
South Salt Lake City	$3,610	$114,516	3.2%
Cedar City	$6,003	$192,742	3.1%
North Ogden	$7,039	$226,692	3.1%
Bluffdale	$12,176	$420,691	2.9%
Sandy	$7,334	$253,618	2.9%
South Ogden	$5,702	$201,613	2.8%
Fruit Heights	$7,769	$290,700	2.7%
Salt Lake City	$4,706	$182,147	2.6%
Midvale	$4,548	$182,218	2.5%
Taylorsville	$6,698	$270,216	2.5%
Provo	$5,373	$233,387	2.3%
Kaysville	$5,344	$241,269	2.2%
Mapleton	$8,353	$382,318	2.2%
Park City	$13,916	$637,324	2.2%
Centerville	$5,532	$254,634	2.2%
North Salt Lake	$8,256	$392,742	2.1%
Orem	$5,485	$262,984	2.1%
Murray	$6,750	$344,834	2.0%
Ogden	$3,119	$168,779	1.8%
Pleasant View	$6,263	$354,642	1.8%
Washington City	$2,299	$196,894	1.2%
Bountiful	$4,894	$437,097	1.1%
Riverdale	$2,141	$208,065	1.0%
Holladay	$4,416	$487,161	0.9%

zoning ordinances appeared favorable to affordable housing but in reality the city approved little or no new affordable housing.

A city's participation in the production of affordable housing allowed by zoning ordinances and approved by city councils can be divided into four general categories shown below. Prominent examples of cities in each category are given.

(1) Allows affordable single-family and affordable multifamily

West Valley, Lehi, Salt Lake City and Layton

(2) Allows affordable single-family but restricts affordable multifamily

Syracuse and Woods Cross,

(3) Restricts affordable single-family but allows affordable multifamily

West Jordan, Provo, Orem, Bluffdale

(4) Restricts affordable single-family and restricts affordable multifamily

Fruit Heights, Alpine, Highland, Centerville

The development of new affordable housing over the past several years has been insufficient to meet the growing housing needs of low- and moderate-income households. Despite the commendable and significant efforts of organizations such as Fannie Mae, Olene Walker Housing Trust Fund, Utah Housing Corporation, Envision Utah, local housing authorities, HUD and Rural Development, this report shows that supply-side constraints persist and impede full compliance with HB 295.

Endnote

(1) HB 295 uses the term moderate-income housing and defines that term as "housing occupied or reserved for occupancy by households with a gross household income equal to or less than 80% of the median gross income of the metropolitan area." The term affordable housing, which is used throughout this study, is the more commonly used term. The term affordable housing is approximately synonymous with moderate-income housing. While moderate-income as defined by HB 295 includes "household income equal to or less than 80% of the median", the term moderate-income is generally used by HUD and affordable housing advocates to identify those households between 50% and 80% of the median income. HUD defines households between 30% and 50% as low-income households and those below 30% of

the median income as very low-income households. The use of the term moderate-income housing could be misconstrued to include only those households between 50% and 80% of the median income, whereas HB 295 clearly intended that term to include all income groups below 80% of the median income. Hence, the term affordable housing is used throughout the study rather than moderate-income housing to refer to households with incomes at or less than 80% of the median income.

(2) Impact fees can vary significantly within a city depending on property location. The impact fee data represent the fee for a typical 2,000 square foot home on a quarter acre lot with two car garage and unfinished basement located in an area of the city where substantial new development is occurring. In some instances a developer must turn over water shares to a city before development is approved. The value of relinquished water shares is not in the fee data.

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