

THE NEXT

1000

Stimulating Housing in  
Downtown Boise

 Urban Land **Idaho**  
Institute



# INTRODUCTION

In the fall of 2012, the ULI Idaho District Council received an Urban Innovation Grant from the ULI Foundation to pursue the opportunities for a partnership with other organizations. The objective of the effort was to mobilize action in support of developing a healthy community. To build capacity within the District Council, a Healthy Community Initiative Council was formed. “*The Next 1000*” is a summary done by the Council over a 6 month period to examine the opportunities and challenges of creating 1,000 new housing units in Boise within 5 years, and recommends collaborative action steps for success.

## COUNCIL MEMBERS

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## CONTRIBUTIONS

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Few would disagree that Boise's downtown has assets that attract existing and future downtown residents--a strong and expanding employment base, entertainment and cultural activities, quality health, education and other services, and close-by recreational opportunities-- all in a clean and safe downtown environment.

The convergence of the Baby Boomer generation and the equally large Millennial generation is creating a strong demand nationally for walkable communities close to the activities and services similar to what downtown Boise currently offers.

Yet, there is a deficit of rental or for-sale housing opportunity in downtown Boise. Apartment vacancies are less than 2% and only a handful of for-sale units are available. If a suburban greenfield location had these advantages, there would be a land rush of investors and developers to acquire positions and construct housing product to meet the demand. But, downtown housing does not enjoy a level playing field with suburban development and for developers this creates significant financial challenges.

ULI Idaho has undertaken this study to identify opportunities and challenges and to recommend collaborative action steps to achieve the City's goal of creating 1,000 new downtown residential units by 2019. What we have learned from the research is:

- Downtown Boise has a supply problem, not a demand problem. Developers will only be successful if they are sensitive to the challenge of local income levels and consumer preferences.
- Expanding the geography of downtown will offer opportunities for a broader choice of housing types at different price points. However, doing so requires focus on connectivity to the core area.
- The hangover from the Great Recession, when new for-sale projects struggled or outright failed, contributes to very conservative underwriting practices by lenders and appraisers. What is badly needed are several new projects that create new benchmarks for rentals, sales prices, and absorption rates.
- Few land transactions occur in downtown restricting availability of land for housing. Several landowners derive good returns from surface parking operations, which removes the urgency to sell or develop. Expectations of land value by owners also do not correlate to prices needed to support housing and generally exceed existing appraised or assessed values.
- Fees imposed by public agencies have an impact on project costs. An estimate of fees for a hypothetical mixed-use development of \$25 million amounted to nearly \$1.2 million.
- Building neighborhoods, not just projects, with appropriate amenities, services and family friendly features will be required to attract a broad range of consumers.
- To reach critical mass, a vision and brand creation for downtown living that is supported by aligned private and public investment is essential.
- Success will take time.

## WHAT WE LEARNED

# THE CASE FOR DOWNTOWN HOUSING

The premise of this research was that a significant segment of the Boise area population would prefer a healthier lifestyle. To live near employment, cultural activities, shopping, recreation, and entertainment available in downtown Boise is one opportunity. Downtown housing contributes to the economic, environmental and social health of Boise by:

- **Reducing vehicle trip lengths and commute times:** Closer proximity to shopping, entertainment and employment reduces air quality impacts. Lengthy commutes have been negatively correlated with increased individual stress and poorer health conditions
- **Reducing dependence on the automobile:** In some cases this means not just driving less but reducing the number of cars per household or eliminating cars altogether. With a potential saving of over \$8,000 annually per car individuals have other choices for the use of those dollars.
- **Providing opportunities for walking and cycling:** Residents have the benefit of walking or cycling to destinations on a daily basis
- **Creating opportunities for a higher level of social interaction:** Downtown living offers less physical isolation than suburban development
- **Stimulating and sustaining downtown economic vitality:** Convenient access by walking or cycling improves patronization of local businesses
- **Reducing infrastructure costs:** Downtown housing benefits from infrastructure and other public facilities already in place
- **Optimizing economic development:** Downtown neighborhoods prove to be attractive for young professionals, who provide the needed workforce for start-up and established tech firms



# CHANGING NATIONAL DEMOGRAPHICS & MARKET TRENDS SUPPORT FUTURE DOWNTOWN HOUSING

- Increasing numbers of Baby Boomers (78M b.1946-64) and Millennials (80M b.1981-1990) are choosing to live downtown
- 10,000 Baby Boomers turn 65 each day and many are downsizing
- Fastest-growing household types (ULI: “Housing in America - The Next Decade”)
  - Married couples w/o children
  - Single persons
- By 2020 1/3rd of households will be 1 person or non-family members
- Now through 2025, 88% of new US households will be childless
- Demand for downtown housing is not expected to peak until mid-2020s

# DOWNTOWN HOUSING ZONES MAP





# URBAN HOUSING LOCATIONS & TYPES

	POTENTIAL PARCELS	DENSITY/ UNITS	PRODUCT TYPES	BUILT EXAMPLES	MARKET DEMOGRAPHIC	NOTES
<b>DOWNTOWN CORE</b> 	10th & Bannock 9th & Grove Old Boise CBD	60 +	Mid Rise High Rise Mixed Use	Aspen Lofts Pearl District (Portland) Brewery Block (Portland) Belltown (Seattle)	Millenniums Empty Nester's Students Workforce	Walkable or in CBD For Sale and Rent
<b>OUTER CORE</b> 	11th & Idaho Idaho Power Land Library Blocks 15th & Idaho Linen District West State Street	40-60	Mid Rise Mid-rise/Mixed Use Row House/Brownstone	The Jefferson Royal Plaza	Millenniums Empty Nester's Students Workforce	Walkable to city services For Sale and Rent
<b>DOWNTOWN PERIPHERY</b> 	Armory Area Lusk Street Fort Boise St. Luke's/East End	30-40	Low Rise Duplex Row House/Brownstone	Crescent Rim Hyde Park Place	Creative Class Students	For Sale and Rent Proximity to Retail
<b>WEST END AREA</b> 	West End	10-30	Low Rise 3 Story Apartments Row House/Brownstone Duplex	Hyde Park Place Harris Ranch Mill District Bown Crossing	Empty Nester's Creative Class Millenniums Workforce	For Sale and Rent Proximity to Retail

# HOUSING TYPES



Duplex housing allows for more occupants, doubling the density of single family housing. This style of housing usually found in downtown periphery.

Duplex



Row houses are attached urban living buildings. Individual footprints are typically long and narrow with the opportunity of building vertical. This gives this housing type a higher density per lot. Row houses are typically located in the downtown periphery.

Row House / Brownstone



Low rise buildings create opportunities for higher densities in the outer periphery. Low rise buildings typically consist of 1-2 bedroom apartments and appeal to the creative class and students.

Low Rise



Mixed use buildings integrate both housing units and commercial occupants. Retail and other commercial spaces are usually provided at the ground level while housing starts at the second floor. Housing units range in size and consist of both condos and apartments. Mixed use structures are typically found in the downtown and outer core.

Mixed Use



Mid rise buildings allow for higher density living areas. These structures are typically 4-10 stories tall and consist of various sized units. Mid rise buildings are found in both the outer and downtown cores.

Mid Rise



High rise buildings are designed to provide a large amount of units per lot. Units usually consists of lofts and multiple bedroom apartments and condos. These buildings are typically located in or around the downtown core and usually features street level retail.

High Rise





# NEW HOUSING ON THE HORIZON



## 9th & River

- Mixed Use
- 65 Condominiums and live-work units



## 10th & Main

- Mixed Use
- 26-28 condominiums



## Owyhee Plaza

- Mixed Use
- 36 apartments
- Under Construction



## 951 Front

- Mixed Use
- 68 apartments and live-work units
- Under Construction





### Rivers Edge

■ 175 student housing apartments



### Boise Heights

■ 130 student housing apartments



### Lusk Place

■ 126 student housing apartments

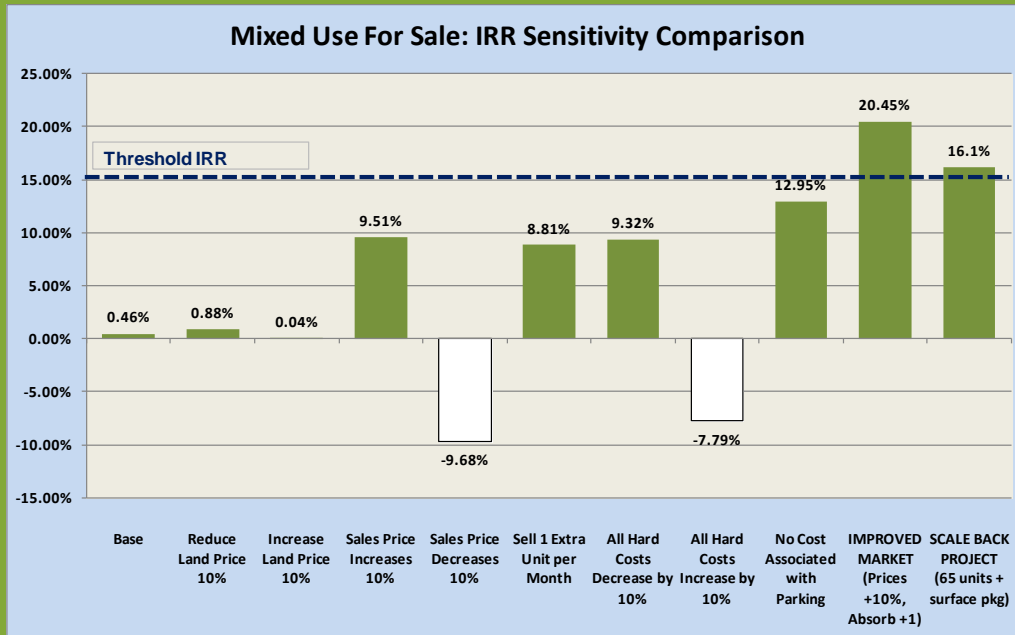


# MIXED-USE FOR SALE MODEL: OUTER CORE ZONE

- 90 units
- Density – 106 units/acre
- 1 bedroom – 950 sf
- 2 bedroom – 1200 sf
- Blended sales price - \$300/sf
- Avg. sales rate – 2 units/mo.
- Retail – 4000 sf
  - Lease rate - \$15 NNN
- Parking – 126 spaces



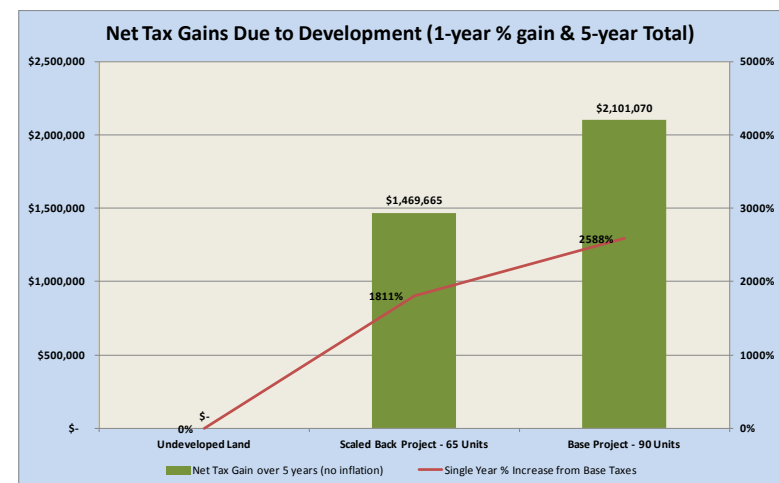
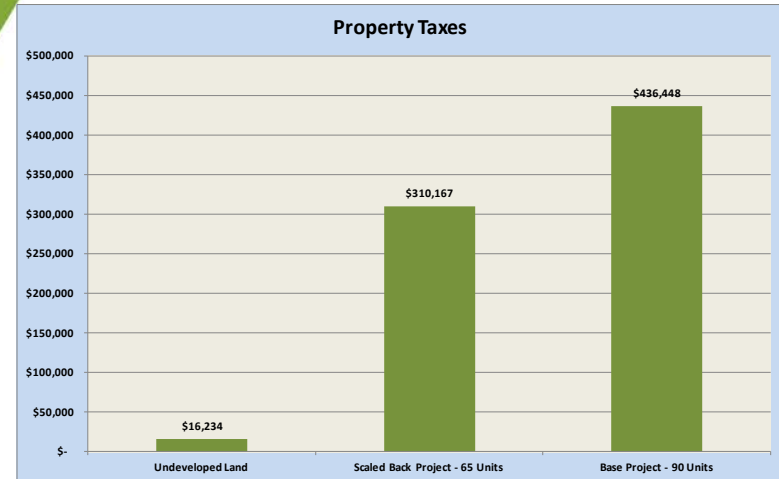
# MIXED-USE FOR SALE: IRR SENSITIVITY COMPARISON



## FINANCIAL ANALYSIS KEY FINDINGS

- The hypothetical mixed-use project in the Outer Core zone fails to achieve a target Internal Rate of Return (IRR) within a typical 5 year real estate hold time frame for this type of project.
- A combination of cost reductions, improved absorption and higher prices is required to achieve a sufficient IRR to justify significant risks associated with new construction.
- Current absorption rates used to underwrite project financing favor smaller, phaseable projects
- Land cost variations have a lesser impact on IRR than other factors.
- Structured parking costs are a significant cost variable. Alternative parking solutions such as reducing parking spaces further than the modeled 1:1 ratio will result in a potentially unmarketable unit as the local market currently expects and requires at least 1 parking space per unit. Utilization of remote parking in an attempt to lower costs may present an option, but it is unknown whether consumers will accept such a solution.

# TAX IMPACT OF CONDO DEVELOPMENT



- A more experienced developer, design professional and construction base in Boise could be expected to improve project efficiencies.
- The dramatic property tax benefit from a developed project compared to the yield from undeveloped land can justify co-investment by public agencies to help de-risk private sector investment and stimulate new housing projects.

<p><b>SHORT TERM ACTIONS</b> (COMPLETE WITHIN 6 MONTHS)</p>	<p>Form an inclusive and invested “Next 1000 Action Group” and create a unified vision and set of goals to stimulate downtown housing through policy and integration of public &amp; private investments</p>	<p>Support programs and investments that improve downtown walkability, bikeability and public transportation</p>	<p>Widely distribute the planned CCDC housing market research update to inform and educate the public and private sectors, and non-profits</p>	<p>Encourage ACHD to evaluate impacts of downtown housing on the roadway network and to review impact fee requirements for this land use category</p>		
<p><b>MID TERM ACTIONS</b> (COMPLETE WITHIN 12 MONTHS)</p>	<p>Align public and private investment with the Next 1000 vision and goals</p>	<p>Design and implement a Next 1000 communications plan to inform public officials, non-profits, developers, real estate professionals, downtown residents, and the broader market</p>	<p>Undertake a broad-based community assessment of resident needs addressing facilities, services and regulations that will increase downtown livability for current and future residents</p>	<p>Encourage and support the City’s on-going efforts to revise zoning and development regulation to remove barriers and increase flexibility for downtown housing projects</p>	<p>Consult with major employers to explore opportunities for employer-assisted housing</p>	<p>Develop an all-encompassing strategy for downtown parking that fully utilizes existing assets and includes innovative approaches to address consumer needs</p>
<p><b>LONGER TERM ACTIONS</b> (COMPLETE WITHIN 36 MONTHS)</p>	<p>Develop metrics and measure policy outcomes and return on investment for both private and public sectors</p>	<p>Complete a branding process for downtown living and design implementation strategies to promote the brand</p>	<p>Design, implement and measure the effectiveness of solutions to address community needs</p>	<p>Form a coalition of interest groups and amend the Idaho Condominium Statute to permit pre-sales</p>	<p>Examine tax-abatement as a tool to stimulate downtown housing</p>	<p>Expand the availability of investment capital for private development</p>
	<p>Create a database of downtown housing projects and designate a neutral source to undertake ongoing tracking and public reporting</p>	<p>Encourage the City to conduct additional downtown planning efforts similar to the Central Addition master plan</p>	<p>Identify and/or develop new financial assistance programs for residential buyers</p>	<p>Create area-wide Wi-Fi in downtown</p>	<p><b>Success takes time- Celebrate each Victory!</b></p>	

*THE NEXT 1000: ACTION STEPS FOR SUCCESS*



# ABOUT THE URBAN LAND INSTITUTE

The mission of the Urban Land Institute is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide. ULI is committed to:

- Bringing together leaders from across the fields of real estate and land use policy to exchange best practices and serve community needs
- Fostering collaboration within and beyond ULI's membership through mentoring, dialog, and problem solving
- Exploring issues of urbanization, conservation, regeneration, land use, capital formation, and sustainable development
- Advancing land use policies and design practices that respect the uniqueness of both built and natural environments
- Sharing knowledge through education, applied research, publishing, and electronic media
- Sustaining a diverse global network of local practice and advisory efforts that address current and future challenges

Established in 1936, the Institute today has nearly 32,000 members in over 90 countries, representing the entire spectrum of the land use and development disciplines. ULI relies heavily on the experience of its members. It is through member involvement and information resources that ULI has been able to set standards of excellence in development practice. The Institute has long been recognized as one of the most respected and widely quoted sources of objective information on urban planning, growth, and development in the world.

## ABOUT ULI IDAHO DISTRICT COUNCIL

ULI Idaho is a District Council of the Urban Land Institute serving the mission of ULI throughout Idaho with a focus on the Treasure Valley region. ULI Idaho provides leadership on the responsible use of land and sustaining Idaho communities through:

- The research and educational resources of ULI
- Technical advisory panels by local ULI members
- Mobilizing community members and key decision makers via informational and educational forums for projects with community wide impact

Goals for the ULI Idaho District Council:

- Advise, educate and facilitate an understanding of local land use policy, plans and ordinances
- Influence responsible use of land and projects of community-wide interest through thoughtful collective opinion and action
- Foster educated and informed community leaders



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