The Economics of Land Use

Report

Chaffee County Housing Needs Assessment and Strategy

Prepared for:

Chaffee County
Town of Buena Vista
Town of Poncha Springs
City of Salida

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1. *FINDINGS AND RECOMMENDATIONS*

This Housing Needs Assessment was prepared by Economic & Planning Systems (EPS) for and under contract with Chaffee County and in partnership with the City of Salida and the Towns of Buena Vista and Poncha Springs. The purpose of this report is to:

- Document the economic and demographic conditions that contribute to housing affordability issues;
- Evaluate the housing market to document housing costs compared to incomes and to identify market trends that will continue to affect housing affordability;
- Determine the income segments of the population where there are the greatest gaps between affordability and the prices at which housing is available;
- Recommend policies and strategies in land use, organization, and funding that will have the greatest impact on increasing the supply of housing for low and moderate income residents and the local workforce.

Conditions since the last Needs Assessment in 2007 have worsened, and the majority of the recommended actions in that study are still relevant today. It is very likely that housing costs in Chaffee County will continue to rise, and the gap between wages, incomes, and housing costs will continue to widen. The more costly land and housing becomes, the harder it will be to build affordable housing because the gap between market land costs and what local incomes can afford to pay for land and housing will be larger.

Report Organization

This report is divided into six Chapters, outlined below.

- Chapter 1 – Contains the Summary of Findings and Recommendations.
- Chapter 2 – Contains an Economic and Demographic Framework outlining existing conditions and trends in Chaffee County.
- Chapter 3 – Outlines Housing and Affordability Conditions including for-sale housing, rental housing, vacation rentals, and planned development.
- Chapter 4 – Contains an Affordability Analysis for the County examining area median income and home affordability, cost burden, and a construction cost analysis.
- Chapter 5 – Outlines Housing Needs and Goals addressing current need, future need, and recommended goals and priorities.
- Chapter 6 – Outlines Implementation Recommendations for the County to achieve these housing goals, including development-based approaches, community-based approaches, land use policy, and organizational structures.

Summary of Findings

This Summary of Findings identifies the key points and considerations identified in the analysis of economic and demographic trends, the real estate market, and housing market. These findings provide important input into the implementation strategies and policies for consideration including the types of housing and income ranges to be prioritized.

Economic and Demographic Conditions

1. ***Chaffee County is evolving the same way many other Colorado mountain communities have evolved. There are many positive economic changes happening. However, these positive changes also tend to further increase housing costs.***

   Five to ten years ago Downtown Buena Vista and Salida had almost entire blocks of vacant buildings. Today many buildings are full with new businesses including restaurants and bars, specialty retail stores, and boutique hotels. This area has long been popular as a year-round destination for mountain, river, and other outdoor recreation as well as just 'getting away'. With a growing number of art and cultural events including music festivals with a national draw, Chaffee County – a previously 'under the radar' gem – is becoming more well-known in Colorado and nationally. This is very positive for local business growth prospects.

   As seen in every other major mountain destination community in Colorado and elsewhere, this appeal brings in second home buyers and investors, retirees and early retirees, and others whose incomes are not tied to the local economy. These more affluent buyers can pay more for housing, driving up prices in the overall market.

   The demographics of the county are also changing in a way that could hamper economic sustainability. First, the workforce is aging. Young people are leaving the county after high school and college and not returning. The population in the core workforce ages 35 to 54 is declining as they age and potentially as some move out of Chaffee County. The number of retiree and early retiree aged people is increasing, however. Area employers report that it is difficult to recruit workers from the urban areas of Colorado and from other states due to housing price "sticker shock". As many communities have seen, unfilled jobs lead to reduced service quality in the public and quasi-public sectors (e.g. public safety, health care, and education) and a poor customer service experience in tourism oriented businesses.

2. ***The dominant economic sectors in Chaffee County are health care, construction, tourism and real estate related industries which is typical of high amenity mountain area economies. Job growth has been strong since the Great Recession but split between middle and low wage industries.***

   Employment (job) levels in Chaffee County have exceeded the pre-recession levels of 2008 by 556 jobs, an increase of 8.3 percent. Since 2010, job growth occurred at an annual rate of 2.6 percent. The largest increases were in Health Care and Accommodation and Food Services, which each gained just over 200 jobs. Health care is expanding nationally to meet the needs of the aging baby boomer generation. The hotel and restaurant sector in Chaffee County has grown substantially as tourism and second home appeal have increased.

   The average wage in Chaffee County is $33,413 per year, or about $16.00 per hour. The self-sufficiency wage for one adult and a preschooler is estimated at $18.70 per hour and approximately $14.00 per hour for two working adults with two children. [1] Since 2010, about a quarter of the new jobs were in health care with an average wage of $40,000 per year ($19.36/hr). Another quarter of the new jobs however were in hotels and restaurants with an average wage (before gratuities) of just $17,500 or $8.41 per hour, just above federal minimum wage.

3. ***Second homes will always be part of the Chaffee County housing market and local economy. The emergence of the rental by owner (RBO) market can bring some benefits to the larger economy through increased utilization of otherwise empty second homes.***

   The proportion of second homes in Chaffee County is currently estimated at 17 percent and has not changed significantly for 15 years, since the 2000 U.S. Census. Many local builders, tradespeople, and real estate brokers earn the majority of their living serving this segment of the housing market.

   The RBO market through VRBO and Airbnb is controversial because of the potential for neighborhood impacts. These impacts can be mitigated through licensing, zoning, and other land use regulations. However, this market is also a way to utilize otherwise empty homes to bring visitors and their associated spending to Chaffee County. The RBO market does not always compete head to head with hotels and motels, as larger homes can cater to families and larger groups who could not have otherwise found appealing lodging options. It has been reported anecdotally that the growth of the RBO market is in fact bringing in more large groups and families from Colorado and other states.

Housing and Land Use

1. ***Most housing growth has been single family detached housing in the unincorporated areas of the county. This creates a number of concerns related to affordability as well as preserving the beauty Chaffee County is known for.***

   Of the approximately 10,400 housing units in Chaffee County, 30 percent are in Salida, 14 percent in Buena Vista, 4 percent in Poncha Springs, and over 50 percent in the unincorporated county. Development in the unincorporated area is generally low density, dispersed, and without municipal utilities (water and sewer). Seventy-five percent of new housing in Chaffee County was built in the unincorporated area over the past 15 years. Construction in Poncha Springs comprised 15 percent of new housing followed by Buena Vista at 8.0 percent market share, and Salida at 1.6 percent market share. Development in the unincorporated area is expensive, with unpredictable and risky costs for well and septic improvements, making it unsuitable for most workforce and affordable housing.

   Most new housing has been single family detached units, increasing from 70 percent of all housing in 2000 to 80 percent in 2014. While the latest census figures have a large margin of error, it appears that the net increase in single family housing units was greater than the net increase in all unit types, meaning that there were losses in mobile home and multifamily units. There were, however, significant increases in single family attached units (rowhomes and duplexes) throughout the county.

[1] Colorado Center on Law and Policy, http://cclponline.org/wp-content/uploads/2014/04/Chaffee.pdf

There is a need to increase the diversity of housing types being built in Chaffee County, and to expand the land supply for housing within each community, particularly in Salida which has the highest housing values and the largest number of jobs.

2. ***The average price of a single family home in Chaffee County is $300,000. A household income of over $65,000 is needed to afford this, or 135 percent of the area median income (AMI).***

   Since 2005, prices have increased countywide at an average rate of 3.1 percent per year, with higher appreciation in Salida. Over the past two years, appreciation rates were in the 5 to 10 percent range in Salida and in the double digits in Buena Vista and Poncha Springs. Salida has the highest average price at $318,500 (affordable to 145 percent of AMI) while Buena Vista and Poncha Springs remain more affordable with average prices of $289,000 and $255,000, 132 percent and 120 percent of AMI respectively. These averages range from new and existing construction in all ranges of quality and condition. There are currently seven active listings for under $300,000.

   New construction prices provide a better indication of current costs and the direction the market is headed. New homes in South Main in Buena Vista are priced above $450,000 to over $600,000. Some new construction duplexes and small single family homes can be found in Salida and Poncha Springs under $300,000 however they are limited in number with fewer than six current listings. Custom home prices are higher.

3. ***Rents have risen considerably over the past 10 years. In 2005, average rents were approximately $500 per month with a ceiling of $1,000, while current rental listings in the county average $1,400 per month. A household income of $58,200 is needed to afford this, or 120 percent of AMI.***

   Current rental listings in *The Mountain Mail* average nearly $1,400 per month, and interviews with rental brokers indicate that rents have been rising, currently averaging between $1,200 and $1,600 per month. Most rental properties are single family homes, and because of the limited supply when properties become available, they are usually rented within a month.

   An average rent of $1,200 per month is not affordable to a household earning less than 100 percent AMI, or $48,500 per year. To afford $1,400 per month, a household would have to earn close to 120 percent AMI, or a total income of $58,200 per year.

4. ***Until this year there has been very little apartment construction due to a lack of available sites with the right zoning and rents that did not cover the cost of new construction.***

   There are small rental housing developments in the planning and feasibility analysis stages in Poncha Springs and Salida being undertaken purely by the private market. With rents in the $1.40 per square foot range (approximately 90 to 100 percent of AMI), free market apartment development is becoming financially feasible. The constraint of available land with the right zoning remains, however, particularly in Salida. Right now, new multifamily development opportunities in Salida and Buena Vista are limited to small infill sites on which multiple zoning variances are needed. Most builders are not willing to take the risks of investing money on the zoning and entitlement process. Increasing the land supply for multifamily development by right under zoning (i.e. without the need for variances) should be a high priority.

5. ***For-sale housing can be delivered at 80 to 120 percent of AMI if land costs can be controlled. Fees and permits have an impact on home prices, estimated at approximately 10 percent.***

   Land costs are driven by the market value of housing. "Shovel ready" lots with municipal utilities and zoning in the Salida area start at approximately $90,000, $60,000 in Poncha Springs, and $40,000 to $50,000 in Buena Vista. However, very few shovel ready lots exist. With basic construction costs for a modest home and current building fees, a basic yet energy efficient 1,100 square foot home can be built at these land costs for approximately $210,000 (90 percent of AMI) in Buena Vista, $267,000 in Salida (110 percent of AMI), and $234,400 (100 percent of AMI) in Poncha Springs. As noted, however, these opportunities are limited to hard to find infill lots and it is more profitable for builders to build for the higher end market.

   A major focus of housing strategies and policies in Chaffee County should be to expand the supply of shovel ready lots, to utilize any land that can be acquired at a low cost, and to leverage land owned by local governments to deliver shovel ready lots. In order for a modest new home to be affordable to a household earning 100 percent of AMI, the land cost needs to be approximately $30,000 or less for a single family home.

   Fees and permits contribute about 10 percent of the cost of a home. Fee waivers or discounts can also be used to make housing more affordable, however if a local government is giving away a public good, in this case the infrastructure and services funded through fees and permits, there needs to be a public benefit provided by the development. Permanent affordability through a deed restriction could be required for fee and permit waivers. Any fees that waived will need to be backfilled through the local government's other revenue sources which are limited. An affordable housing fund could be used to pay for fee waivers or discounts.

6. ***There are immediate development opportunities in and around Buena Vista that can be developed to provide substantial amounts of for-sale housing in the 80 to 120 percent of AMI income range, an important income segment for essential community workers.***

   There are partially completed subdivisions in the Buena Vista area that were abandoned during the housing bubble and Great Recession that have been purchased at a substantial discount. Preliminary discussions with developers indicate that a portion or all of the finished lots in these developments could be delivered at a price that would make for-sale housing at approximately $200,000 financially feasible. These development opportunities cannot be identified specifically as of this writing however. As they become more formal they should be supported to maximize the opportunity for workforce housing. As the market continues to recover, however, these opportunities will be more limited.

7. ***In Salida, the Vandaveer Ranch property represents a unique opportunity to create workforce housing at all income ranges. It should be a priority for the City to invest in the necessary trunk infrastructure to serve the site and to establish a process for partnering with the private sector to build housing and amenities.***

   In the mid-2000s, the City of Salida purchased the 190-acre Vandaveer Ranch property for its water rights. The property is controlled by the Natural Resource Development Center (NRDC), a non-profit arm of the City organized as an IRS 63-20 corporation. A 63-20 corporation can issue tax exempt bonds to finance infrastructure and public buildings and does not require a vote of citizens, as would be required if the City itself were to issue debt. There is currently approximately $4.7 million in debt on the property held by local banks, which greatly complicates the process of selling off property to developers. In order to sell the property to developers, the debt needs to be paid off and the property brought back under City ownership and there are political challenges in doing this.

The draft master plan for the property has the capacity for at least 190 single family lots plus significant acreage for multifamily, commercial, and mixed use development. If the City is willing to discount land costs to private developers and partner on infrastructure costs, a mixed income community can be created with rental and for-sale housing to serve the entire spectrum of incomes and housing needs.

Housing Needs and Recommended Goals

1. ***Thirty percent of households in Chaffee County are currently cost burdened, spending more than 30 percent of gross income on housing. Most of these households earn less than 60 percent of AMI, or $29,000 per year.***

   One in three households in Chaffee County is currently cost burdened, up from one in four in the 2007 housing study. This burden is most significant for the lowest income households – over half of all cost burdened households earn less than 60 percent AMI, accounting for 16 percent of all households in the county.

   Overall, there are a total of 2,400 cost burdened households in the county, 1,200 of which earn less than 60 percent AMI. While the majority of need is at incomes below 60 percent AMI, there are 370 cost-burdened households earning between 60 and 80 percent AMI, and 460 households earning between 80 and 120 percent AMI. It is not realistic to set a goal of addressing all of this existing need, given local funding constraints. In addition, not all households in this gap would necessarily want to move into lower cost housing.

2. ***Chaffee County will grow by 1,072 jobs over the next year, which equates to a growth of 556 households.***

   To keep up with job growth, the largest amount of housing demand will come from households earning less than 60 percent of AMI, with an estimated 351 new households over the next 10 years. There will also be an estimated 82 new households earning between 60 and 80 percent AMI, and 96 new households earning between 80 and 120 percent AMI.

   The private market can address the housing needs of households earning over 120 percent AMI. With supporting zoning and land use policy, as well as dedicated programs and/or incentives, the private market in cooperation with local governments can address the housing needs for the population earning 80 to 120 percent AMI. Local funding will need to be raised to effectively address the housing needs of those households earning less than 80 percent AMI. State and federal funds typically only serve households below 80 percent of AMI and these funds are limited and highly competitive. A dedicated local funding source will allow the County to more effectively plan for and fund the construction of affordable housing.

3. *Set a realistic goal to address current and future housing needs. We recommend an annual goal of meeting 10 percent of existing and 10 percent of future need.*

In addition to the existing need of 2,400 cost burdened households, Chaffee County will grow by an estimated 556 households over the next 10 years. To "keep up" with the demand created by job growth, 556 new housing units are needed over the next 10 years, with 528 needed below 120 percent of AMI. Given the current annual countywide production of 144 housing units annually, this need must be scaled down to set a realistic production goal for permanently affordable housing.

Combined, we recommend setting a goal of 25 to 30 units per year for affordable housing production over the next 10 years, to catch up with 10 percent of the current need and keep up with 10 percent of employment growth:

- 15 to 20 units per year affordable to households earning below 60 percent of AMI
- 5 units per year affordable to households earning 60 to 80 percent of AMI
- 5 units per year affordable to households earning 80 to 120 percent of AMI

	Existing Need				Future Need					Total
AMI Level	Need	Priority	10 Year Goal	Units/ Year	Need		Priority	10 Year Goal	Units/ Year	Annual Production
			10% of need		*Jobs*	*Households*		*10% of need*		
< 60%	1,262	Y	126	13	561	351	Y	35	4	17 units
60 - 80%	372	Y	37	4	131	82	Y	8	1	5 units
80 - 120%	462	Y	46	5	153	96	Y	10	1	6 units
>120%	330	--	0	0	44	28	--	0	0	0 units
Total	**2,426**		**243**	**22**	**889**	**556**		**53**	**5**	**27 units**

Source: Economic & Planning Systems

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Recommendations

This section contains the key recommendations for each Chaffee County local governments to implement in a common effort to increase the housing opportunities for local workers, families, the elderly, and others in need of stable housing.

Land Use

There are several policies and strategies that Chaffee County local governments can pursue within their existing government organization, staff, and funding resources to expand affordable and attainable housing opportunities. Each jurisdiction can begin exploring and implementing these recommendations with direction from their City/Town Councils and County Commissioners.

It is important for each community to have similar land use regulation for affordable housing to create a level playing field for development. Otherwise, developers may shop for more favorable project entitlements across jurisdictions and development could be slowed or shifted to areas that do not support affordable housing in their development policies.

1. ***Identify more areas for multifamily (apartment) development.***

   More land is needed that is zoned for apartments by right with no variances or other discretionary approvals needed. Key locations for this may include aging and obsolete commercial properties along the Highway 50 corridor in Salida (redevelopment). Each community should carefully evaluate and identify areas where multifamily development can be zoned by right. Local leadership will be needed will need to communicate the importance of having a diverse housing stock to constituents as there may be local opposition to higher development densities in some areas.

2. ***Begin acquiring land for the purpose of developing affordable housing.***

   The City of Fort Collins passed an ordinance that directed the City to purchase certain properties in key locations, in the path of growth, to be developed as affordable housing at the appropriate time. Subject to funding availability, each jurisdiction in Chaffee County can do the same. Pooling funds would be the most effective.

3. ***Expand the supply of buildable lots within or contiguous to municipal boundaries with municipal utilities.***

   Most unincorporated areas of the County are not suitable for developing affordable or attainable workforce housing. First, these areas are generally further from jobs, daily needs, and services which increase the cost of living due to higher transportation costs. Second, development costs are higher and more unpredictable when well drilling and septic system construction is required.

   To increase the supply of "shovel ready" lots with infrastructure already in place, each jurisdiction could identify priority annexation areas for housing, and estimate the infrastructure costs needed to serve these areas. As funds are available, municipalities can partner with developers on a portion of the infrastructure costs in exchange for a percentage of homes or lots to be set aside with permanent affordability or resident-wage earner occupancy restrictions.

4. ***Adopt annexation policies to require a percentage of lots or housing units to be set aside as permanently affordable to local residents.***

   Land that is annexed into a municipality can be required to comply with a housing policy, with a dedication of a certain percentage of lots to affordable housing. Salida's comprehensive plan recommends a policy of at least 10 percent of lots or units to be dedicated to affordable housing. This policy should be followed and implemented by other jurisdictions in the County. Affordable lots or homes could be deeded to a housing authority or land trust that would then be responsible for qualifying buyers and ensuring that deed restriction requirements are met in perpetuity.

5. ***Public Benefit for Public Investment***

   Local governments have some ability, limited by funding, to assist with infrastructure costs in order to accelerate affordable housing development. Any contribution towards infrastructure costs by local governments should be in exchange for some percentage of units set aside as permanently affordable through a deed restriction on the lot or donation of the lot to a land trust. A consistently applied policy of receiving public benefit for this investment, such as deed restricted lots, would generate more affordable housing.

6. ***Land Costs and Public-Private Partnerships***

   If shovel ready lots can be delivered at $30,000 or less, builders can build housing affordable to households earning 100 percent of AMI. These lots may be found in distressed subdivisions (bankrupt or in financial/legal difficulty) in Chaffee County that could be purchased by developers, local governments, economic development partners, or by a housing organization to provide discounted lots in exchange for permanent affordability. These opportunities are dwindling as the market recovers and investors identify these properties.

   Publicly owned land plays an important role in controlling land costs. On City/Town or County-owned property, the local government can set the terms and price of any land sale. Partnerships can be formed with housing developers and builders to build affordable housing on land either sold below market value or held in trust. Salida's Vandaveer Ranch is a prime opportunity for this strategy. The legal and financial issues that are encumbering this property need to be solved to move forward.

Organization and Funding

1. ***Support the formation and operation of non-profit organizations engaged in housing assistance, development, and affordable housing preservation.***

   There are several types of non-profit organizations that engage in housing activities. In general terms, these organizations have some more flexibility in the activities they can engage in compared to a housing authority. However, without a substantial endowment or a reliable funding source they are not as effective. The most common types of non-profit organizations are housing trusts, land trusts, and Community Housing Development Organizations (CHDOs). A single organization can also perform the functions of all three. A CHDO is an organization that has special status with the U.S. Department of Housing and Urban Development (HUD) and the Colorado Division of Housing to receive federal and state grant money under the HOME program. These grants are increasingly competitive as more and more CHDOs have been formed, however they should not be overlooked.

A land trust, housing trust, or CHDO could begin working on housing issues and securing some funding likely before a larger governmental organization could be formed and begin working. CHDOs can be very effective in partnering with Housing Authorities by pooling HOME funds from the CHDO and CDBG funds from the Housing Authority. CHDOs can also sometimes more easily partner with developers and compete for LIHTC allocations. When housing authorities have a small (less than 1.0 percent) ownership share in a property, the property can have tax exempt status which helps the project cash flow. There is a requirement that CHDOs have one third of their board representation from local governments, giving local governments a degree of influence on their activities.

If both a CHDO and a housing authority are formed, there needs to be close communication and coordination in pursuing competitive funding. It is not efficient for two organizations to pursue the same competitive grants.

2. ***Form a multijurisdictional housing authority.***

   Colorado law allows the formation of Multi-Jurisdictional Housing Authorities (MJHA). A MJHA is created when any combination of cities, towns, or counties establish by contract a housing authority as a separate governmental entity. A key distinction over a City or County Housing Authority is the power to levy taxes and/or fees within the boundaries of the authority. Any new taxes used to fund a MJHA must be approved by voters. Fees, which are not taxes, do not require voter approval. There are several MJHAs in Colorado that are good models, most notably in Gunnison County, Summit County, San Miguel County, and Routt County. The key to an effective organization is good leadership and reliable funding. A dedicated funding source for this type of organization is essential, whether it is from property or sales tax or agreed annual general fund contributions from each jurisdiction.

3. ***Establish a dedicated funding source to develop and acquire affordable housing and to provide homebuyer and rental assistance.***

   Federal and state funding for housing is limited and competitive. Communities cannot rely on this funding to construct affordable housing or to provide other housing assistance. The communities that are the most successful in addressing housing are those that have established their own dedicated annual funding sources for construction, housing acquisition, down payment assistance (low interest loans), and many other programs. Communities are more resilient when they have programs, policies, and funding in place to address their local issues rather than relying on outside assistance.

   Several potential funding sources are identified in this Report. The two recommended funding sources with the potential to generate the most funding, and which spread the burden most evenly, are a dedicated sales or property tax. A dedicated sales tax has the potential to generate a substantial amount of revenue, estimated at over $500,000 per year on a 0.25 percent sales tax (25 cents on a $100 purchase). A dedicated property tax of 1.000 mills could raise nearly $400,000 per year. Chaffee County should pursue one of these options at the appropriate time. Sales tax increases are often most successful when packaged with a set of other community amenities or projects with broad support.

2. *Economic and Demographic Framework*

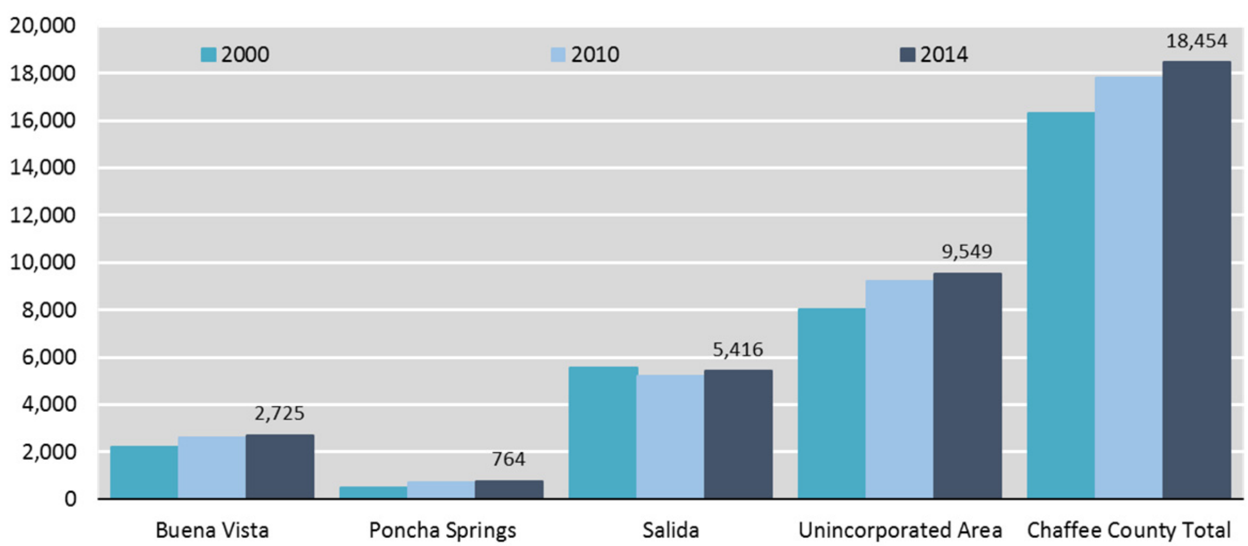
This chapter provides an overview of population and demographic trends in Chaffee County, as well as the county's current employment and economic context.

Population, Households, and Housing Units

Chaffee County has seen slow but steady growth over the past 15 years. The county had a 2014 population of 18,450 year-round residents – an overall increase of 2,100 residents since 2000 and 0.9 percent annual growth. Most of the population growth took place in the unincorporated county, which grew by 1,500 people from 2000 to 2014. Buena Vista and Poncha Springs grew modestly over that time, adding between 275 and 520 people. While other areas of the county grew, Salida's population actually declined despite having some of the highest home prices in the county – an indication of desirability. Salida's population has decreased by approximately 170 since 2000 (**Figure 1, Table 1**).

There were similar growth trends in households across the county. One household is a group of people, related or unrelated, living in one housing unit. Households in the county increased at a slightly faster rate than population over the last 15 years; in Salida the number of households increased from 2000 to 2014, even as the city lost population.

Figure 1
Chaffee County Population Growth, 2000-2014



Source: CO Department of Local Affairs; Economic & Planning Systems

Table 1
Chaffee County Population and Housing Trends, 2000-2014

Description	2000	2010	2014	2000-2010 Total	2000-2010 Annual	2010-2014 Total	2010-2014 Annual	2000-2014 Total	2000-2014 Annual
Population									
Buena Vista	2,202	2,615	2,725	413	1.7%	110	1.0%	523	1.5%
Poncha Springs	490	737	764	247	4.2%	27	0.9%	274	3.2%
Salida	5,586	5,233	5,416	-353	-0.7%	183	0.9%	-170	-0.2%
Unincorporated Area	8,034	9,212	9,549	1,178	1.4%	337	0.9%	1,515	1.2%
Chaffee County Total	**16,312**	**17,797**	**18,454**	**1,485**	**0.9%**	**657**	**0.9%**	**2,142**	**0.9%**
Households									
Buena Vista	978	1,194	1,243	216	2.0%	49	1.0%	265	1.7%
Poncha Springs	202	320	332	118	4.7%	12	0.9%	130	3.6%
Salida	2,504	2,515	2,604	11	0.0%	89	0.9%	100	0.3%
Unincorporated Area	2,900	3,572	3,695	672	2.1%	123	0.8%	795	1.7%
Chaffee County	**6,584**	**7,601**	**7,874**	**1,017**	**1.4%**	**273**	**0.9%**	**1,290**	**1.3%**
Housing Units									
Buena Vista	1,124	1,378	1,439	254	25	61	15	315	23
Poncha Springs	226	362	376	136	14	14	4	150	11
Salida	2,748	2,894	3,006	146	15	112	28	258	18
Unincorporated Area	4,294	5,386	5,590	1,092	109	204	51	1,296	93
Chaffee County Total	**8,392**	**10,020**	**10,411**	**1,628**	**163**	**391**	**98**	**2,019**	**144**

Source: Colorado Department of Local Affairs; Economic & Planning Systems

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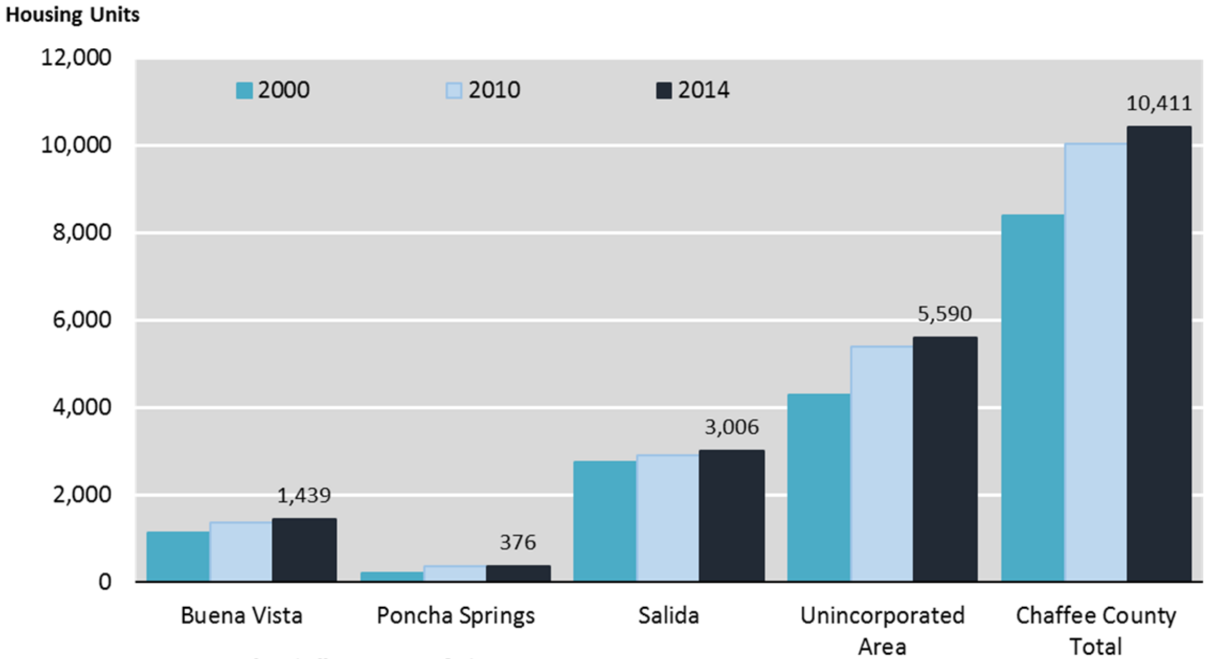
The number of housing units in the county has also increased, with growth of 2,000 units countywide from 2000 to 2014 (**Figure 2**). Most of that increase, 1,600 units, occurred between 2000 and 2010. Only 400 housing units were added from 2010 to 2014, as home construction slowed during the Great Recession. Although the county added 2,000 housing units between 2000 and 2014, it only grew by 1,300 households over that time. Since one household is equivalent to one occupied housing unit, this faster growth of housing units compared to households indicates an increase in second home ownership and/or speculative construction.

Salida was the only community where housing unit growth accelerated from 2010 to 2014 – all other communities saw slower growth in those four years than from 2000 to 2010. Population, household, and housing unit trends in Salida have not been consistent with the county overall, and have been somewhat in conflict with each other. Since 2000, population and average household size have declined while households and housing units have increased. While the magnitude of these changes are relatively small and may be within sampling margins of error, they nevertheless provide an indication of the combination of factors driving change in Salida. The loss of population and addition of housing units over this time period, combined with an aging population and an increase in home prices, indicates that the majority of housing construction in Salida has been for second homes.

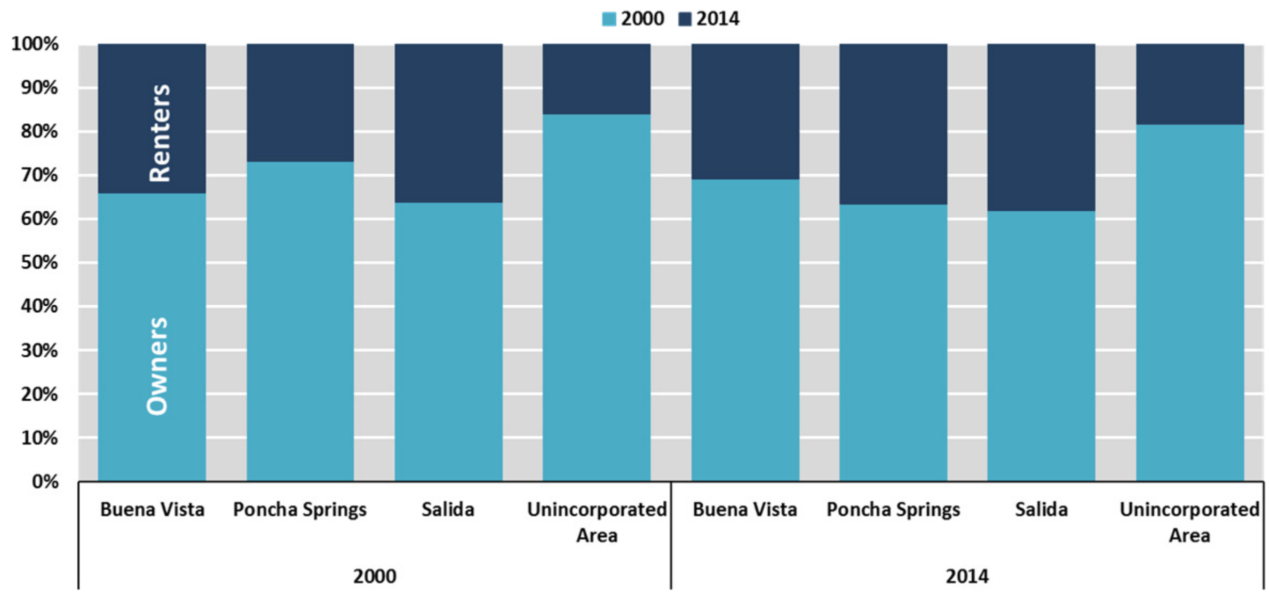
Figure 2
Housing Unit Growth, Chaffee County 2000-2014



Source: CO Department of Local Affairs; Economic & Planning Systems

Most housing units in the county are owner-occupied. Countywide, 76 percent of households own their home (**Figure 3**). Between 31 and 38 percent of housing units in Buena Vista, Salida, and Poncha Springs are renter-occupied, while in the unincorporated county only 18 percent of units are rented. Since 2000, Salida and the county overall have shifted slightly towards more owner-occupied housing, while Poncha Springs has shifted towards renter-occupied and Buena Vista's renter/owner split has stayed consistent.

Figure 3
Chaffee County Housing Tenure, 2000 and 2014

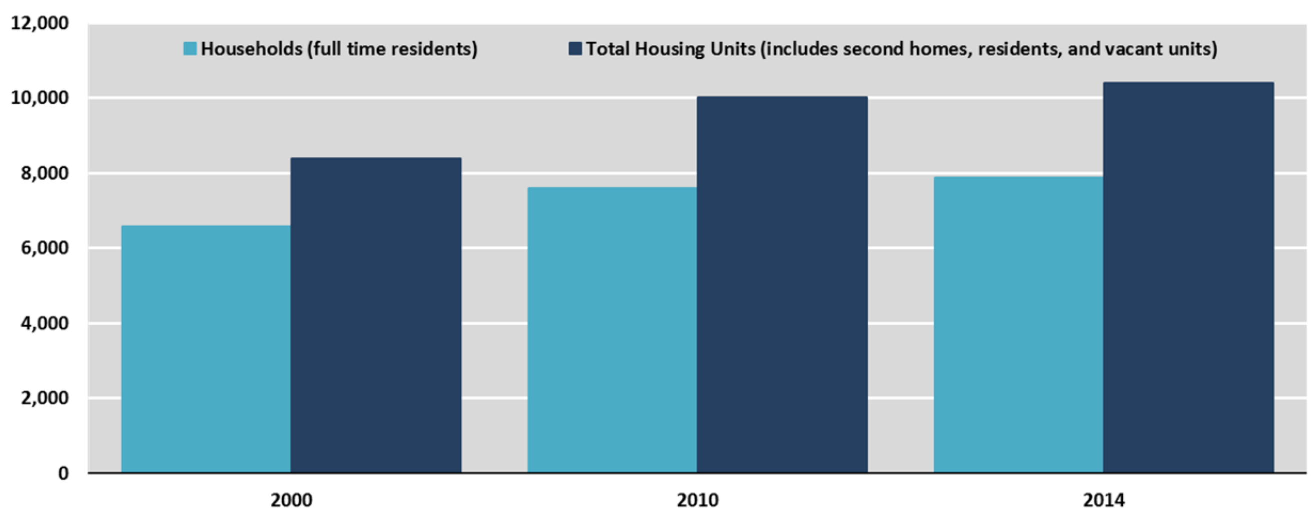


Source: US Census; Economic & Planning Systems

Second Homes

Given that one household represents one occupied housing unit, the growth in total housing units can be compared to growth in households as an indication of second home and speculative housing construction. From 2000 to 2014, 2,000 housing units were added in the county, while the number of households only increased by 1,300 (**Figure 4**). While some of this difference is accounted for by vacant units, most of it is due to an increase in second homes.

Figure 4
Housing Unit vs. Household Growth, 2000-2014



Source: CO Department of Local Affairs; Economic & Planning Systems
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The U.S. Census distinguishes between vacant homes that are for sale or rent, and those that are used as second homes, classified as "for seasonal or recreational use" (**Table 2**). The total number of vacant homes, as a percentage of total housing units in the county, has increased from 21.5 percent in 2000 to nearly 24 percent in 2014. Of all housing units in the county, in 2014 7.0 percent were vacant for sale or rent, while 17 percent of housing units were vacant as second homes. This number, while high, has stayed relatively consistent since 2000 when nearly 16 percent of housing units were vacant as second homes. Second homes are a significant component of the Chaffee County housing market. Buyers of these homes are typically more affluent and can pay more for these properties, contributing to higher home prices in the area.

Table 2
Second Homes, Chaffee County 2000-2014

Description	2000	2010	2014
Vacant Units (% of Total Units)			
For Sale/Rent, Other	5.6%	6.8%	7.0%
Second Homes	15.9%	17.4%	17.0%
Total Vacant	**21.5%**	**24.1%**	**23.9%**

Source: US Census; Economic & Planning Systems

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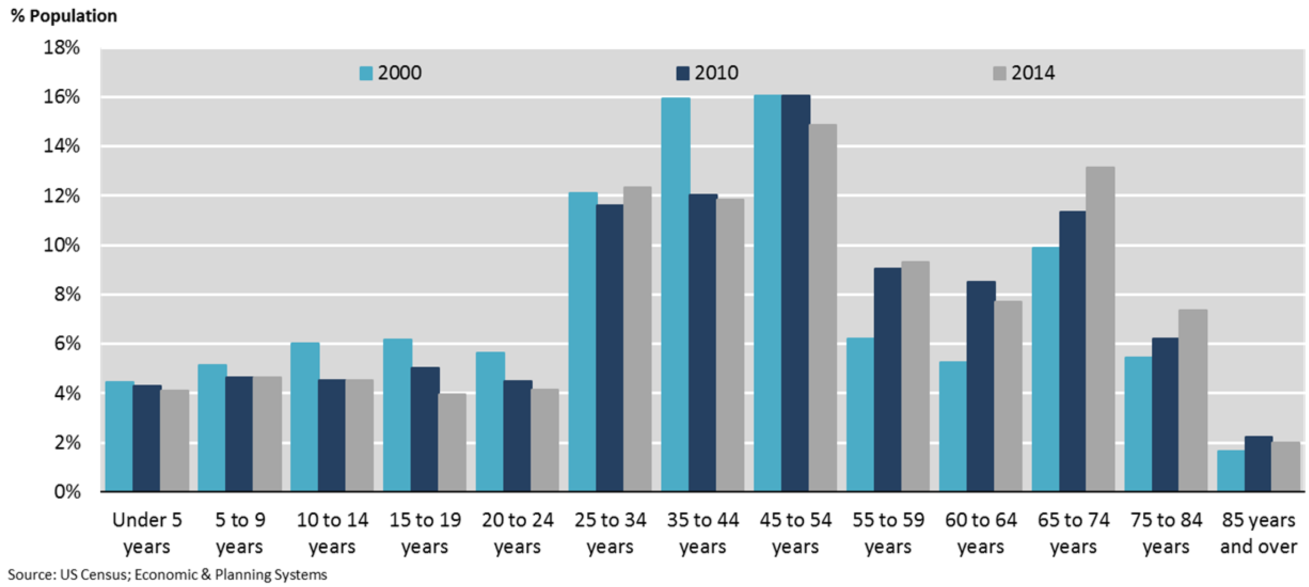
Demographic Characteristics

The age structure of Chaffee County's population has shifted dramatically over the last 15 years. Since 2000, Chaffee County has seen a large increase in population aged 45 and older, as well as an increase in the 25 to 34 age group (**Figure 5**). At the same time the populations aged 10 to 24 and 35 to 44 have declined, while the population under 9 years has remained relatively stable.

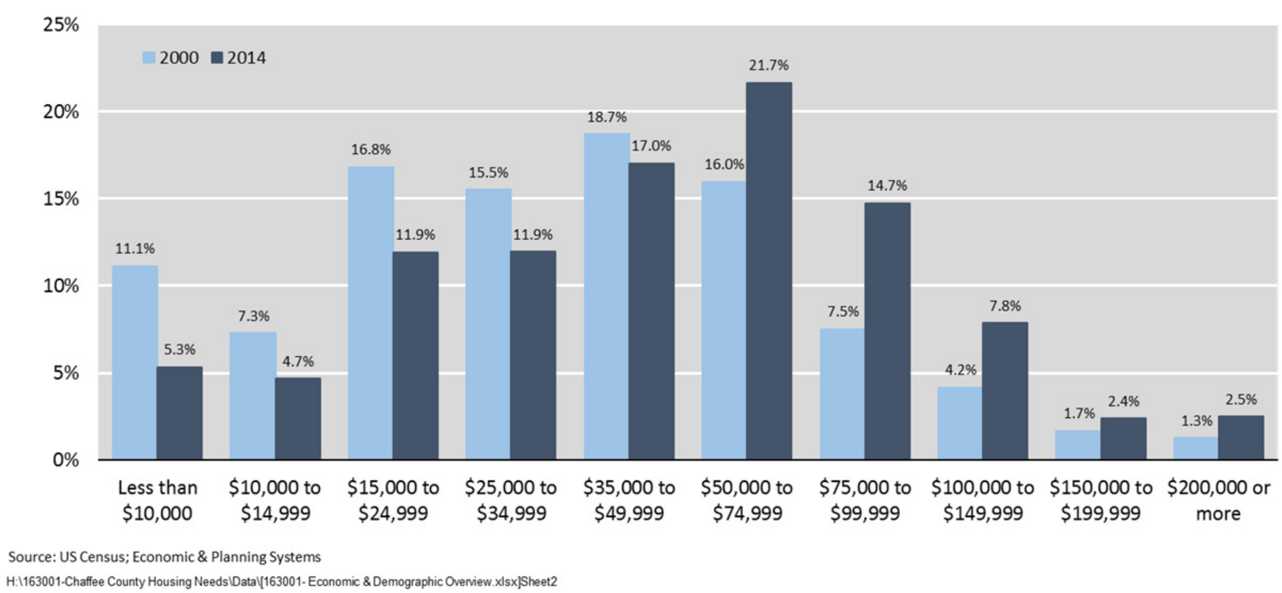
The biggest decline has been in the 35 to 44 age group, which made up 16 percent of the county population in 2000 but only 12 percent in 2014, a decrease of 440 people. This decline in the mid-career population, combined with a significant increase in the older population, has important implications for the County. In 2000, 28 percent of the county's population was aged 55 and older. By 2014, the population 55 and older comprised 40 percent of the county population, while the population aged 25 to 54 decreased from 44 percent to 39 percent of the total population. As the younger working population leaves and the early retiree (aged 55 to 59) and retiree (aged 60 and over) population grows, the economy and housing needs of the county will change.

Figure 5
Chaffee County Population by Age



The median household income in Chaffee County was approximately $48,500 in 2014, an increase of $14,000 since 2000. The difference between average and median income has grown from approximately $6,000 in 2000 to $14,000 in 2014, indicating an increase in high-income earners in the county. This increase in high-income earners is also seen in the distribution of household income (**Figure 6**).

Figure 6
Household Income Distribution, Chaffee County



Adjusted for inflation however, incomes in Chaffee County have been relatively stagnant since 2000 (**Table 3**). Median and per capita income have increased an average of 0.2 percent per year, while average income has increased at a slightly higher rate of 0.75 percent per year indicating more growth in income for high earning households than low or middle income households. This indicates an uneven distribution of income growth, as low and middle-income earners make up a large portion of the county population, with approximately 75 percent of households earning less than $75,000 per year (**Figure 7**).

Table 3
Chaffee County Inflation-Adjusted Income Measures

			2000-2014	
Description	**2000**	**2014**	**Total**	**Annual %**
Household Median	$47,084	$48,528	$1,444	0.22%
Household Average	$55,956	$62,146	$6,190	0.75%
Per Capita	$26,619	$27,467	$848	0.22%

Source: US Census; Bureau of Labor Statistics; Economic & Planning Systems

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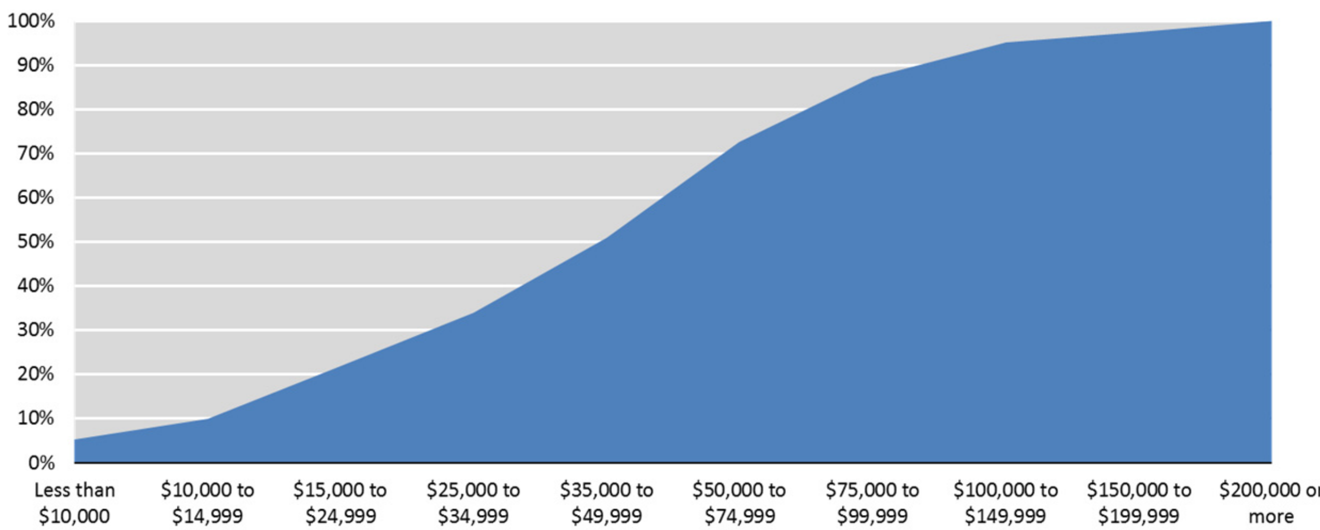
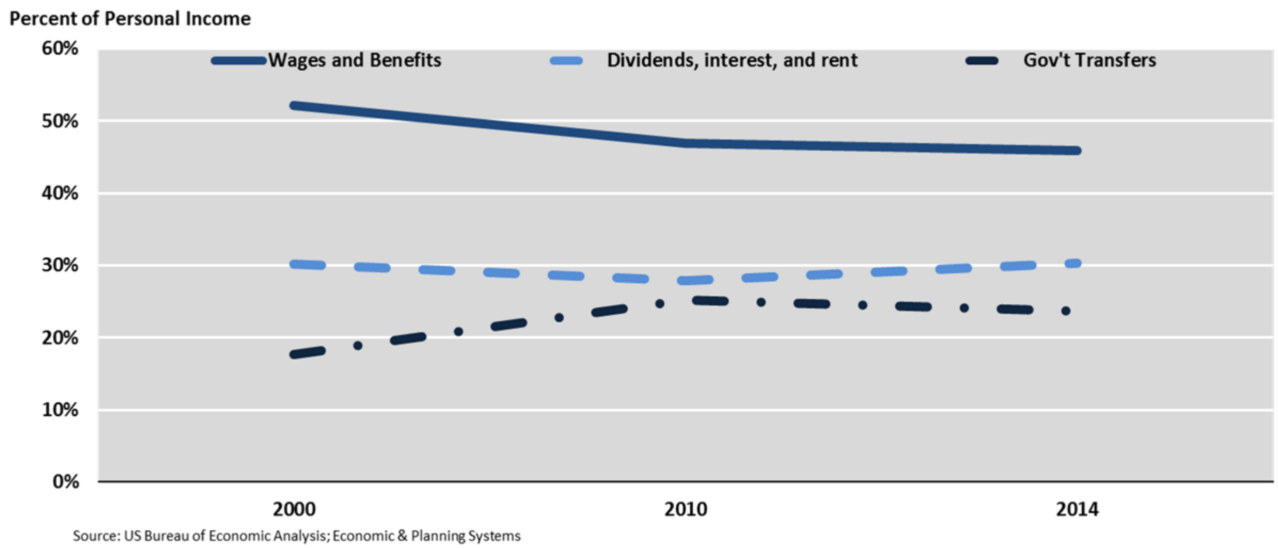
Figure 7
Chaffee County Cumulative Income Distribution, 2014



Source: US Census; Economic & Planning Systems

In addition to income measures changing, since 2000 the composition of total income in Chaffee County has changed, indicating other demographic changes. As a percentage of total income, wages have declined, investment income has been stable and government benefits – including social security, welfare, and other assistance – have increased (**Figure 8**). Investment income serves as an indicator of outside wealth moving in, and has stayed relatively stable at approximately 30 percent of personal income. Government transfers increasing as a percentage of personal income may indicate an aging population, with a greater number of people receiving social security, Medicare, and other benefits over time.

Figure 8
Personal Income by Source, Chaffee County



The poverty rate in Chaffee County has remained relatively constant since 2000. The poverty line is defined as $16,020 for a family of two, $20,160 for a family of three, and $24,300 for a family of four. Since 2000, approximately 10 percent of the county population has been living in poverty.

Household sizes have decreased slightly in most of the county since 2000. Poncha Springs maintained an average household size of approximately 2.3 while Buena Vista, Salida, and the county overall all experienced a decrease in average household size (**Table 4**). The average household size in Chaffee County is 2.15, lower than the state average of 2.49. This is indicative of few households with children, consistent with an aging population.

Table 4
Average Household Size, 2000-2014

Place	2000	2010	2014
Buena Vista	2.24	2.19	2.19
Poncha Springs	2.31	2.30	2.30
Salida	2.15	2.01	2.01
Unincorporated Area	N/A	N/A	2.23
Chaffee County	2.26	2.15	2.15
State of Colorado	2.53	2.49	2.49

Source: Colorado Department of Local Affairs; Economic & Planning Systems

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Employment and Wages

Between 2000 and 2015 Chaffee County saw a net increase of nearly 900 jobs, or nearly 1.0 percent annual growth (**Table 5**). The largest increases were in Health Care and Social Assistance and Accommodation and Food Services, which each gained just over 200 jobs. The only sector to lose jobs was Finance and Insurance, which declined by close to 20 jobs over this time period.

Chaffee County saw strong job growth after the Great Recession, with employment countywide increasing an average of 2.6 percent per year from 2010 to 2015, compared with 0.7 percent annual job growth from 2003 to 2008. The strongest post-recession growth has been in Wholesale Trade, Manufacturing, Health Care and Social Assistance, and Agriculture, Forestry, Fishing and Hunting. Finance and Insurance is the only sector to have experienced a post-recession decline, with jobs in that sector decreasing by 1.7 percent annually.

The majority of employment in Chaffee County is in low wage sectors, with 49 percent of all jobs having an average wage of under $30,000 per year. Ten percent of jobs are in sectors with an average annual wage of between $30,000 and $40,000, while only 7 percent of jobs are in sectors with an average wage above $50,000.

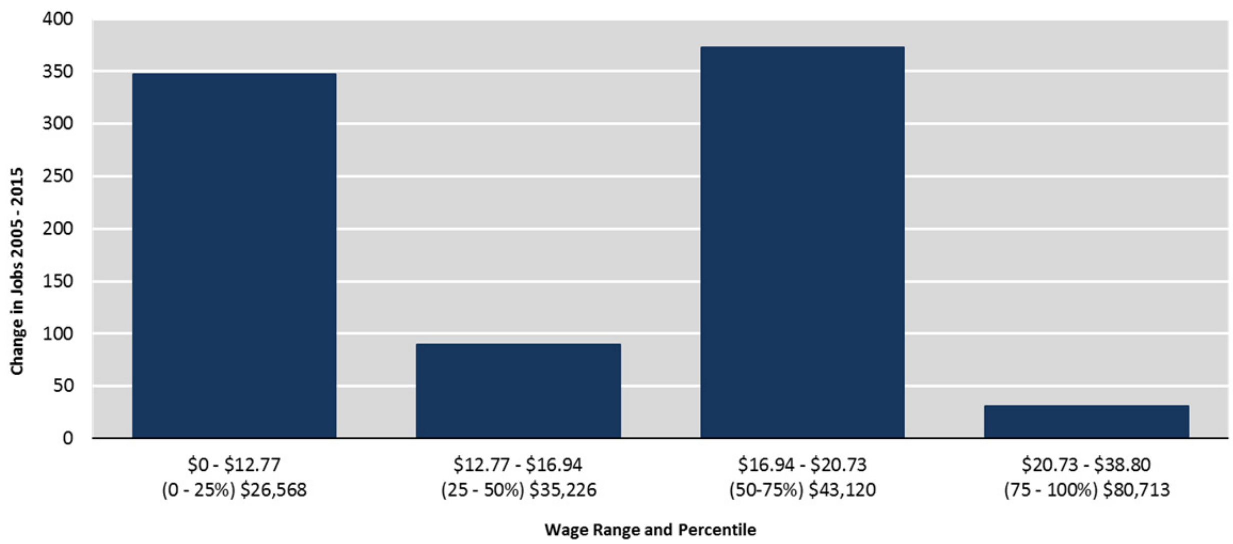
Table 5
Employment Growth and Average Wage by Sector, Chaffee County

Industry	2015 Avg. Wage	2000	2003	2008	2009	2010	2015	Change 2010 -2Q2015	Annual Growth Rate 2003-2008	2010-2015	2000-2015
				Peak	Post Great Recession		Recovery				
Agriculture, Forestry, Fishing and Hunting	$22,769	66	54	57	54	55	70	15	-1.8%	4.9%	0.4%
Mining, Quarrying, and Oil and Gas Extraction	$36,162	D	D	D	D	D	16	---	---	---	---
Utilities	$80,713	46	D	51	53	54	55	1	1.3%	0.4%	1.2%
Construction	$48,102	560	620	640	535	476	567	91	1.7%	3.6%	0.1%
Manufacturing	$34,071	237	194	139	169	152	206	54	-6.5%	6.3%	-0.9%
Wholesale Trade	$36,706	153	154	176	152	150	244	94	1.8%	10.2%	3.2%
Retail Trade	$27,553	915	952	1,036	1,019	996	1,026	30	1.6%	0.6%	0.8%
Transportation and Warehousing	$41,513	120	119	124	111	112	112	0	0.4%	0.0%	-0.5%
Information	$35,226	121	118	111	111	106	112	6	-1.1%	1.1%	-0.5%
Finance and Insurance	$53,066	221	250	224	229	222	204	-18	0.2%	-1.7%	-0.5%
Real Estate and Rental and Leasing	$35,169	153	160	141	150	134	136	2	-1.0%	0.3%	-0.8%
Professional, Scientific and Technical Services	$51,823	195	195	263	223	213	236	23	3.8%	2.1%	1.3%
Management of Companies and Enterprises	D	D	D	D	D	D	D	---	---	---	---
Admin., Support, Waste Mng., and Rem. Srvcs.	$25,582	53	68	76	72	65	70	5	4.6%	1.5%	1.9%
Educational Services	$29,171	441	448	505	494	492	529	37	1.7%	1.5%	1.2%
Health Care and Social Assistance	$40,272	533	577	662	673	715	925	210	2.7%	5.3%	3.7%
Arts, Entertainment, and Recreation	$18,926	412	316	425	405	426	513	87	0.4%	3.8%	1.5%
Accommodation and Food Services	$17,486	1,138	1,088	1,118	1,078	1,045	1,257	212	-0.2%	3.8%	0.7%
Other Services, except Public Administration	$25,192	202	200	141	135	137	141	4	-4.4%	0.6%	-2.4%
Public Administration	$44,728	794	754	833	861	859	874	15	0.6%	0.3%	0.6%
Total	**$33,413**	**6,361**	**6,324**	**6,737**	**6,536**	**6,419**	**7,293**	**874**	**0.7%**	**2.6%**	**0.9%**

Note: "D" indicates data w itheld for confidentiality requirements.
Source: Colorado Dept. of Labor; Economic & Planning Systems
H:\163001-Chaffee County Housing Needs\Models\[163001-Housing Demand 07-25-2016 NAICS.xlsx]1-Job Trend

Lower-wage industries have seen faster growth than higher-wage industries, with most new jobs in Chaffee County at low- and middle-wage levels. Of the jobs created from 2005 to 2015, 41 percent were at or below $12.77 per hour ($26,500 per year), and 44 percent were at a wage level of between $16.94 and $20.73 per hour ($35,200 to $43,100 per year) as shown in **Figure 9**.

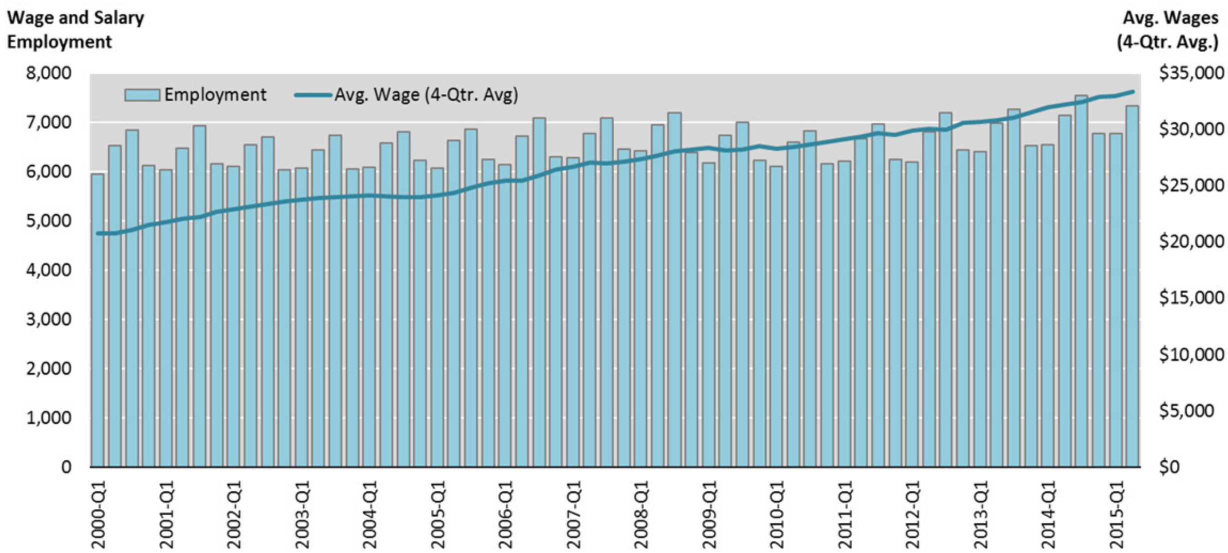
Figure 9
Job Change by Wage Quartile, Chaffee County 2005-2015



Source: Colorado Dept. of Labor; Economic & Planning Systems

Chaffee County has a seasonal economy, with employment peaks in the summer and dips in the winter (**Figure 10**). This economic pattern affects housing needs, with increased demand for short-term housing in the spring and summer by seasonal workers. Some major seasonal employers are addressing this need on their own. Monarch Mountain and Mount Princeton Hot Springs are exploring solutions to house more of their seasonal workforce in rental housing. Rafting guide operations also have seasonal workers, many of whom camp for the duration of their employment. At least one operator has purchased land to allow for long term employee camping, avoiding the requirement on federal land to move every 19 days.

Figure 10
Total Employment and Average Wages, 2000-2015

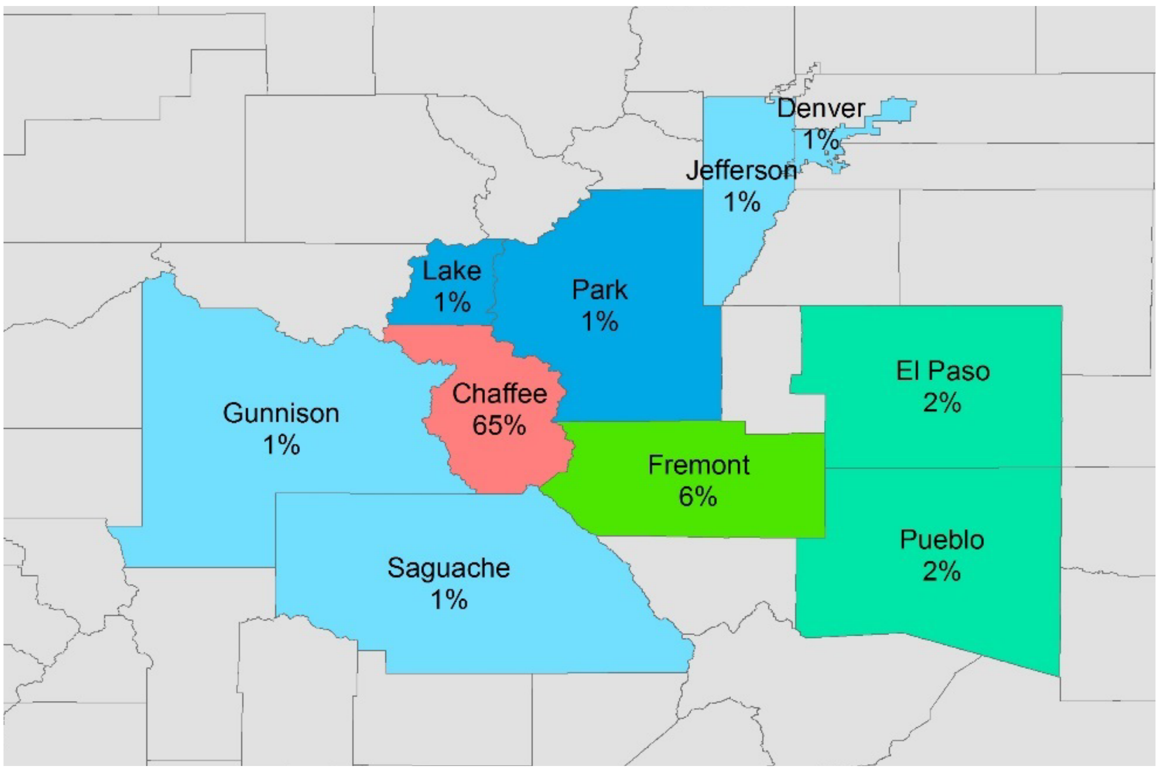


Source: Bureau of Labor Statistics; Economic & Planning Systems

Commuting Patterns

Sixty-five percent of jobs in Chaffee County are held by residents of the county, while 35 percent of workers commute in from other counties, mainly from the east (**Figure 11**). Six percent of workers commute from Fremont County, and 2 percent of workers come from each of El Paso and Pueblo Counties. Long commutes affect worker productivity, quality of life, participation in the community, and contribute to environmental degradation. Housing costs and wage levels will impact where workers decide to live, and a goal of this housing strategy is also to have more workers locally.

Figure 11
Place of Residence for People Who Work in Chaffee County



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3. HOUSING AND AFFORDABILITY CONDITIONS

This chapter presents a more detailed evaluation of market trends and housing costs in Chaffee County. This evaluation is presented in the following seven sections:

- Existing Housing Stock
- For Sale Market
- Rental Market
- Vacation Rentals
- Affordability Analysis
- Cost Burden
- Construction Cost Analysis

Existing Housing Stock

A large portion of the housing stock in Chaffee County is in the unincorporated county. Of the approximately 10,400 housing units in Chaffee County, 30 percent are in Salida, 14 percent in Buena Vista, 4 percent in Poncha Springs, and over 50 percent in the unincorporated area (**Table 6**). Development in the unincorporated area is generally low density, dispersed, and without municipal utilities (water and sewer).

Table 6
Housing Units by Place, 2014

Place	Total Units	% of Total
Buena Vista	1,439	13.8%
Poncha Springs	376	3.6%
Salida	3,006	28.9%
Unincorporated Area	5,590	53.7%
Chaffee County	**10,411**	**100.0%**

Source: CO Dept. of Local Affairs; Economic & Planning Systems

H:\163001-Chaffee County Housing Needs\Data\[163001- Housing Stock.xlsx]Tenure by Occupied Unit Type

Nearly 80 percent of housing structures in the county are single family detached homes – an increase from 2000 when approximately 71 percent of housing structures were single family detached (**Table 7**). The second most common type of housing structure in the county is a mobile home, accounting for nearly 10 percent of housing structures in 2014, a decrease from 2000 when mobile homes accounted for approximately 17 percent of all housing.

There is very little multi-family housing, and most housing structures have one unit. In 2014, fewer than 10 percent of all housing structures in the county had two or more units. From 2000 to 2014, there was a decline in multi-unit (two or more units) housing structures in all areas of the county except Poncha Springs. Over this time period there was a small net increase in multi-unit structures countywide, although Buena Vista had a net loss and Salida had a net increase of only three structures.

Table 7
Units in Structure, 2000-2014

	Buena Vista		Poncha Springs		Salida		Unincorporated County		Chaffee County Total	
Units in Structure	**2000**	**2014**	**2000**	**2014**	**2000**	**2014**	**2000**	**2014**	**2000**	**2014**
1, detached	820	993	153	306	1,764	1,847	3,196	4,813	5,933	7,959
1, attached	8	50	3	63	125	151	52	168	188	432
2	19	30	11	11	111	96	13	59	154	196
3 or 4	36	23	2	15	96	209	4	12	138	259
5 to 9	65	36	2	28	141	102	20	0	228	166
10 or more	62	33	0	7	131	75	11	39	204	154
Mobile home	72	59	40	53	370	300	982	592	1,464	1,004
Boat, RV, van, etc.	0	0	9	0	13	0	61	0	83	0
Total Housing Structures	**1,082**	**1,224**	**220**	**483**	**2,751**	**2,780**	**4,339**	**5,683**	**8,392**	**10,170**

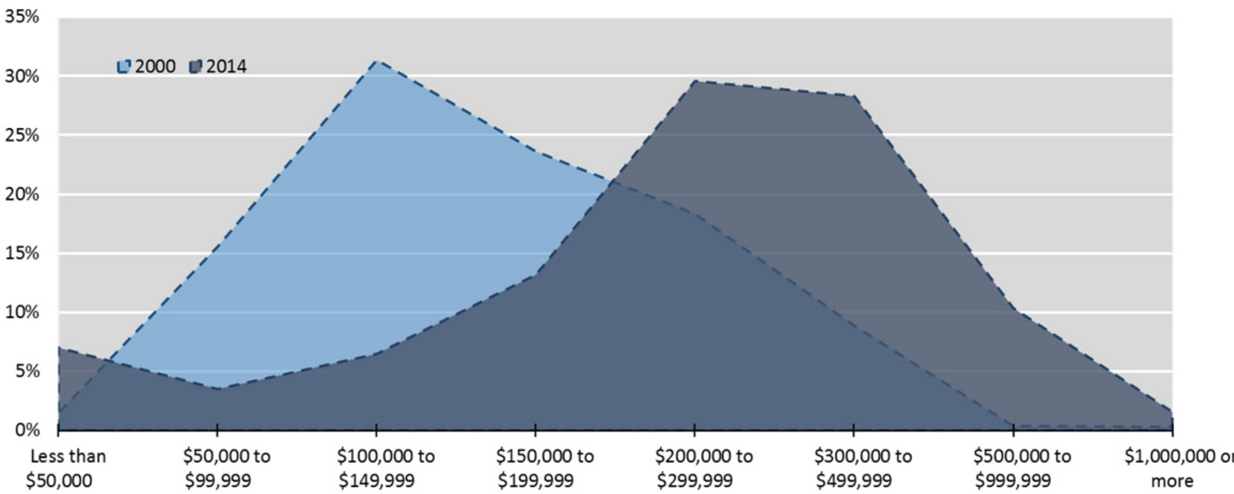
Note: 2014 numbers reflect American Community Survey 2010-2014 5-year estimates of housing structures which differ from DOLA 2014 estimates for housing units
Source: US Census; Economic & Planning Systems

H:\163001-Chaffee County Housing Needs\Data\[163001- Economic & Demographic Overview.xlsx]T- Units in Structure by Place

For Sale Market

The value of owner-occupied homes has increased since 2000, with 55 percent of homes worth between $100,000 and $199,999 in 2000, and only 20 percent of homes falling into that category in 2014, when nearly 58 percent of homes were valued at $200,000 to $499,999 (**Figure 12**). This upward trend in the value of homes in the county also holds when home values are adjusted for inflation.

Figure 12
Value of Owner-Occupied Homes, Chaffee County 2000-2014



Source: US Census; Economic & Planning Systems
H:\163001-Chaffee County Housing Needs\Data\[163001- Economic & Demographic Overview.xlsx]Housing Units

Sales prices have also been rising, with the average sale price of a home in Chaffee County increasing an average of 3.1 percent per year since 2005 (**Table 8**). Price increases have been highest in Salida, where the average price of a home increased by almost $96,500 from 2005 to 2015 – an average increase of 3.7 percent per year. Buena Vista and Poncha Springs saw increases of nearly $64,000 over this time, an average increase of 2.5 percent and 2.9 percent per year respectively.

Table 8
Sales Price Trends, Chaffee County 2005-2015

Description	2005	2010	2015	Change	Ann. %
Buena Vista	$225,352	$276,016	$289,190	$63,838	2.5%
Poncha Springs	$191,150	$239,714	$254,876	$63,726	2.9%
Salida	$222,010	$294,875	$318,464	$96,454	3.7%
Chaffee County	**$221,232**	**$287,533**	**$301,215**	**$79,983**	**3.1%**

Source: MLS; Economic & Planning Systems
H:\163001-Chaffee County Housing Needs\Data\[MLS_Full_2005_2015.xlsx]T-Average Sales Price

Average sale prices for new construction, defined here as homes built within two years of being sold, are higher than overall average sales prices (**Table 9**). The premium for a new home is highest in Poncha Springs, where the average 2015 sales price for a home constructed within the last two years was over $70,000 higher than the overall average. In Buena Vista new construction was $38,500 more expensive than the average, and in Salida it was $45,300 more. Countywide, the average price of a new home was $50,000 higher than the overall average sales price. These prices for new homes indicate the direction the housing market in the county is heading.

Table 9
Average Sales Price of New Construction Compared to Total Sales, 2015

Description	New Construction	Average Sales Price	Difference
Buena Vista	$327,686	$289,190	$38,495
Poncha Springs	$325,975	$254,876	$71,099
Salida	$363,800	$318,464	$45,336
Chaffee County	**$351,248**	**$301,215**	**$50,033**

Source: MLS; Economic & Planning Systems

H:\163001-Chaffee County Housing Needs\Data\[MLS_Full_2005_2015.xlsx]T- New Constuction v. Average

The impact of these home prices on the ability of residents to purchase a home can be illustrated by calculating the annual household income required to afford an average home, using an affordability threshold of 30 percent of income spent on housing. Based on the average 2015 sales price in each community, a household would need to earn between $57,620 and $70,000 annually in order to afford the average priced home (**Table 10**).

Table 10
Required Annual Income by Community

	Buena Vista	Poncha Springs	Salida	Chaffee County Average
Average Sales Price	**$289,190**	**$254,876**	**$318,464**	**$301,215**
Mortgaged Amount (less: downpayment)	$274,731	$242,132	$302,541	$286,154
Mortgage Interest Rate	4.0% int.	4.0% int.	4.0% int.	4.0% int.
Loan Term	30-year term	30-year term	30-year term	30-year term
Monthly Costs				
Mortgage Payment (Monthly)	$1,312	$1,156	$1,444	$1,366
Less: Insurance	$125	$125	$125	$125
Less: Property Taxes	$96	$85	$106	$100
Less: Utility Costs	$75	$75	$75	$75
Total Monthly Housing Costs	**$1,608**	**$1,441**	**$1,750**	**$1,666**
Required Annual Income	**$64,301**	**$57,620**	**$70,000**	**$66,642**

Source: Economic & Planning Systems

H:\163001-Chaffee County Housing Needs\Data\[163001-Target Purchase Price 6-15.xlsx]Required Income by Community

Depending on the number of earners in a household, this translates to a required hourly wage of between $13.85 and $33.65 (**Table 11**). As discussed above, 64 percent of new jobs since 2005 have been at a wage level of $16.34 or below – making it difficult for workers in these jobs to afford housing in their communities.

Table 11
Required Annual Income by Community and Number of Earners

	Buena Vista	Poncha Springs	Salida	Chaffee County Average
Average Sales Price	**$289,190**	**$254,876**	**$318,464**	**$301,215**
Total Monthly Housing Costs	**$1,608**	**$1,441**	**$1,750**	**$1,666**
Required Annual HH Income	**$64,301**	**$57,620**	**$70,000**	**$66,642**
Hourly Wage	$30.91	$27.70	$33.65	$32.04
Avg. Income for 1.5 Earner HH	$42,867	$38,414	$46,667	$44,428
Hourly Wage	$20.61	$18.47	$22.44	$21.36
Avg. Income for 2 Earner HH	$32,150	$28,810	$35,000	$33,321
Hourly Wage	$15.46	$13.85	$16.83	$16.02

Source: Economic & Planning Systems

H:\163001-Chaffee County Housing Needs\Data\[163001-Target Purchase Price 6-15.xlsx]Required Income by HH Size

Rental Market

The rental market in Chaffee County has also changed over the past 15 years, with a new range of units renting for over $750 per month – a rent level that was almost nonexistent in 2000 (**Figure 13**). Rental listings in *The Mountain Mail* average nearly $1,400 per month, and interviews with rental brokers indicate that rents have been rising – currently averaging between $1,200 and $1,600 per month. Most rental properties are single family homes, and when properties become available they are usually rented with one month.

An average rent of $1,200 per month is not affordable to a household earning less than 100 percent AMI (**Table 12**). To afford $1,400 per month, a household would have to earn close to 120 percent AMI, or a total income of $58,200 per year.

Table 12
Affordable Rents by AMI Level

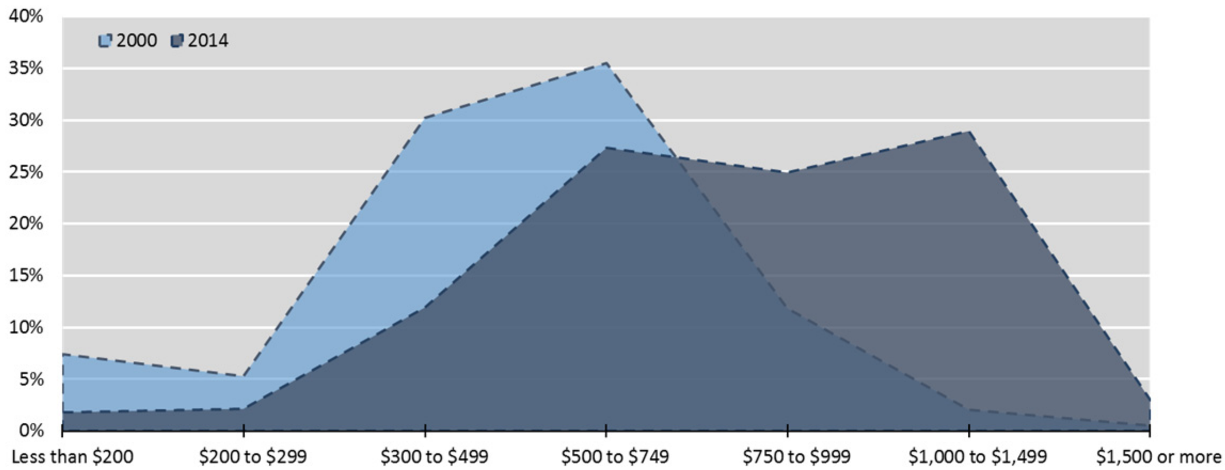
	Income Level					
	30% AMI	**60% AMI**	**80% AMI**	**100% AMI**	**120% AMI**	**150% AMI**
Annual HH Income	**$14,558**	**$29,117**	**$38,822**	**$48,528**	**$58,234**	**$72,792**
Hourly Wage	$7.00	$14.00	$18.66	$23.33	$28.00	$35.00
Monthly Rental Maximums at 30%	**$364**	**$728**	**$971**	**$1,213**	**$1,456**	**$1,820**
Avg. Income for 1.5 Earner HH	$9,706	$19,411	$25,882	$32,352	$38,822	$48,528
Hourly Wage	$4.67	$9.33	$12.44	$15.55	$18.66	$23.33
Avg. Income for 2 Earner HH	$7,279	$14,558	$19,411	$24,264	$29,117	$36,396
Hourly Wage	$3.50	$7.00	$9.33	$11.67	$14.00	$17.50

Source: Economic & Planning Systems

H:\163001-Chaffee County Housing Needs\Data\[163001-Target Purchase Price 6-15.xlsx]Target Rent

As noted above, fewer than 10 percent of housing units in the county have two or more units. While much of the current rental stock is single family homes, rising rents are making multi-unit development feasible and spurring more interest in multifamily development by the private sector, particularly in Salida and Poncha Springs. However, the supply of vacant land zoned for multifamily use is a constraint on this development in Salida and Buena Vista.

Figure 13
Renter-Occupied Units by Monthly Rent, Chaffee County 2000-2014



Source: US Census; Economic & Planning Systems
H:\163001-Chaffee County Housing Needs\Data\[163001- Economic & Demographic Overview.xlsx]Housing Units

Vacation Rentals

In addition to for-sale and rental homes, Chaffee County has a number of properties utilized as vacation rentals – rented on a short-term basis, and often used as second homes by the owners at other times. This Rental by Owner (RBO) market has been growing since 2008, and continues to grow. There are currently 105 properties in Salida that have applied for the required short-term business license to operate as a vacation rental.

This market is busy during the summer, which is the peak tourism season, as well as during holidays and ski weekends. During the summer and holidays four to seven night stays are typical, while the rest of the year an average stay is two or three nights.

Most owners of these properties spend at least a few weeks or months per year in them, renting them on a short-term basis the rest of the year. Rental income is used to offset the expenses of the home, rather than as an investment tool – interviews with brokers suggest that the rental income compared to the cost of a home does not support purchasing a property solely as an investment to be rented short-term.

4. *Affordability Analysis*

Housing affordability is determined by both the cost of housing and the income of the household occupying the unit. In general, if a household spends 30 percent or less of gross income on housing, it is considered to be "affordable" under standards defined by the U.S. Department of Housing and Urban Development (HUD). If more than 30 percent of income is spent on housing, the household is considered to be "cost burdened." This 30 percent threshold was used throughout this analysis as the determinant of affordability.

Area Median Income and Affordability Measures

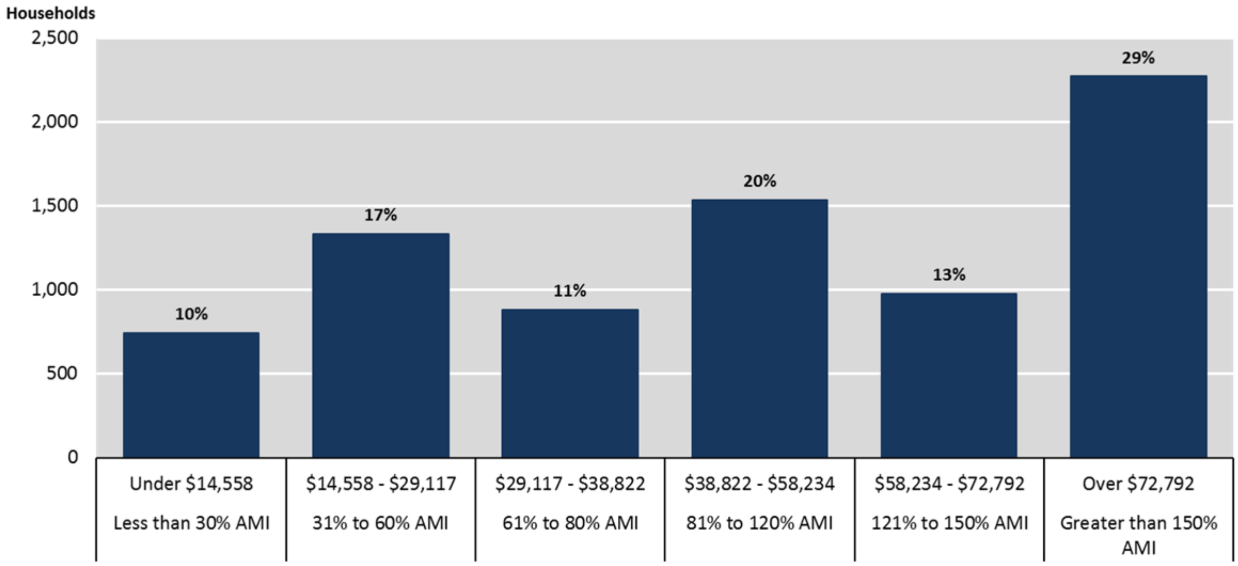
Housing affordability among a population is generally discussed in terms of area median income (AMI) – households are grouped based on income as a percent of the area median, adjusted for household size. According to the U.S. Census, the median income for Chaffee County in 2014 was $48,528. This figure was used as the AMI throughout this affordability analysis.

Households are shown by income as a percent of AMI in **Figure 14**. As shown, 27 percent of households earn under $29,000, or less than 60 percent of AMI. Thirty-eight percent of households earn less than 80 percent AMI. Providing affordable housing is particularly difficult for this population – while the market can sometimes provide housing affordable to households at 80 percent AMI or above, it is often difficult – if not impossible – for private developers to provide housing affordable to households below 80 percent AMI without financial assistance.

The estimates of housing needed by AMI level are broken into four ranges that align with federal and state funding and program requirements and the experiences of other mountain and urban communities in supplying housing for the local workforce.

- **Less than 60 percent of AMI –** Housing below 60 percent of AMI is generally rental housing that needs to be coupled with supportive services such as life skills and job training, jobs access, mental health, health care, and child care. Most federal and state funding sources for affordable housing are limited to households earning up to 60 percent of AMI. Local governments and private developers therefore need to be creative and resourceful in addressing housing demands above 60 percent of AMI, particularly in the area between 60 and 100 percent of AMI before the private market can begin to provide attainable housing.
- **60 to 80 percent of AMI –** This is also generally rental housing available to entry level service and hospitality industry workers with a household income of approximately $29,000 to $39,000 per year (for the average household size of 2.15).
- **80 to 120 percent of AMI –** This is often considered the core of essential workforce housing in mountain communities. "Teachers, tellers, and cops" is a phrase that has been used to describe this segment. This is a mix of rental and for-sale housing with a diversity of unit types to appeal to families, individuals, and households and families without children. Incomes range from $39,000 to $58,000 per year.
- **Greater than 120 percent of AMI –** These are higher earning households (above $58,000 per year) with greater ability to purchase housing priced at $257,000 and above or to afford rent of $1,500 per month or more.

Figure 14
Chaffee County Households by AMI, 2014



Source: US Census; Economic & Planning Systems

Affordable Purchase Price

This income data, when combined with housing costs, provides an indication of current housing affordability in the county (**Table 13**). Assuming 30 percent of income is spent on housing, the maximum supportable purchase price was calculated for various AMI levels. Based on this analysis, a household earning 60 percent AMI could afford a $108,000 home, while a household earning 120 percent AMI could afford a $257,000 home. These figures indicate that providing for-sale housing affordable to households earning below 80 percent AMI is not likely to be feasible without large subsidies.

Table 13
Affordable Purchase Price by AMI

	Income Level					
	30% AMI	60% AMI	80% AMI	100% AMI	120% AMI	150% AMI
Household Income	$14,558	$29,117	$38,822	$48,528	$58,234	$72,792
Monthly Rental Maximums at 30%	$364	$728	$971	$1,213	$1,456	$1,820
Supportable Monthly Payment						
Less: Insurance	-$125	-$125	-$125	-$125	-$125	-$125
Less: Property Taxes	-$20	-$40	-$50	-$70	-$90	-$110
Less: Utility Costs	-$75	-$75	-$75	-$75	-$75	-$75
Net Supportable Mortgage Payment (Monthly)	$144	$488	$721	$943	$1,166	$1,510
Valuation Assumptions						
Loan Amount	$30,200	$102,200	$150,900	$197,600	$244,200	$316,200
Mortgage Interest Rate	4.0% int.	4.0% int.	4.0% int.	4.0% int.	4.0% int.	4.0% int.
Loan Term	30-year term	30-year term	30-year term	30-year term	30-year term	30-year term
Downpayment as % of Purchase Price	5.0% down pmt	5.0% down pmt	5.0% down pmt	5.0% down pmt	5.0% down pmt	5.0% down pmt
Maximum Supportable Purchase Price	**$31,800**	**$107,600**	**$158,800**	**$208,000**	**$257,100**	**$332,800**

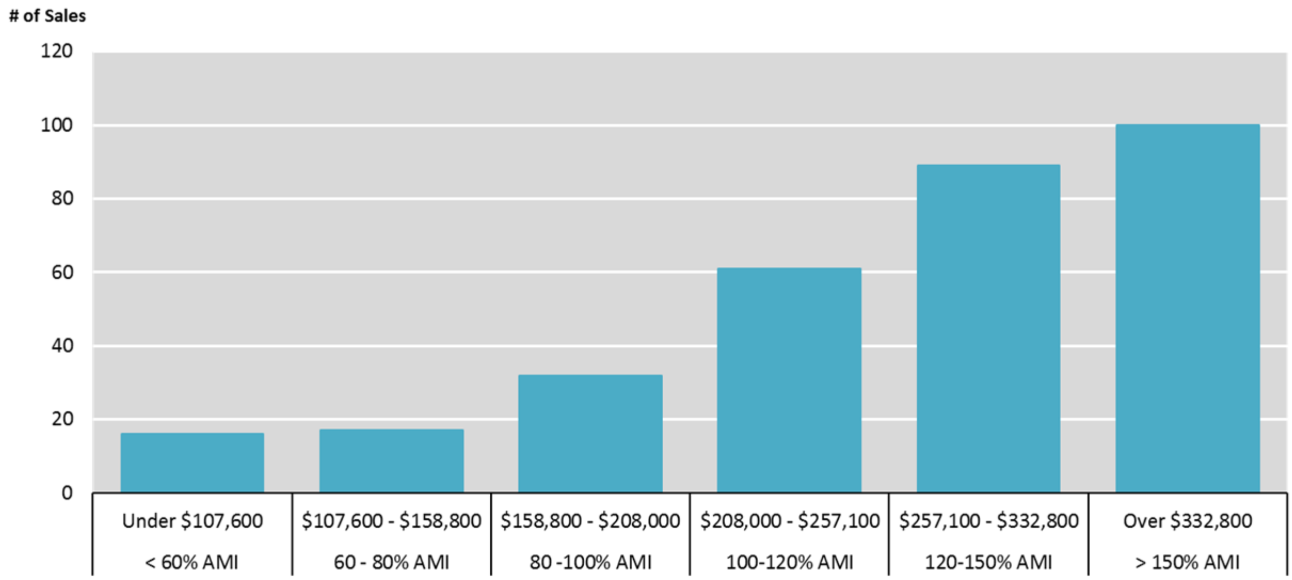
Source: Economic & Planning Systems

H:\163001-Chaffee County Housing Needs\Data\[163001-Target Purchase Price 6-15.xlsx]Target Purchase Price

Home Sales by AMI Level

The housing affordability analysis discussed above is combined with the current sales data to provide an overview of the current affordability situation. Of the 315 home sales in 2015, 60 percent were sold at or above $257,000, a price only affordable to households earning over 120 percent AMI (**Figure 15**). Thirty-two percent of all sales were at or above $332,000, affordable only to households earning over 150 percent AMI.

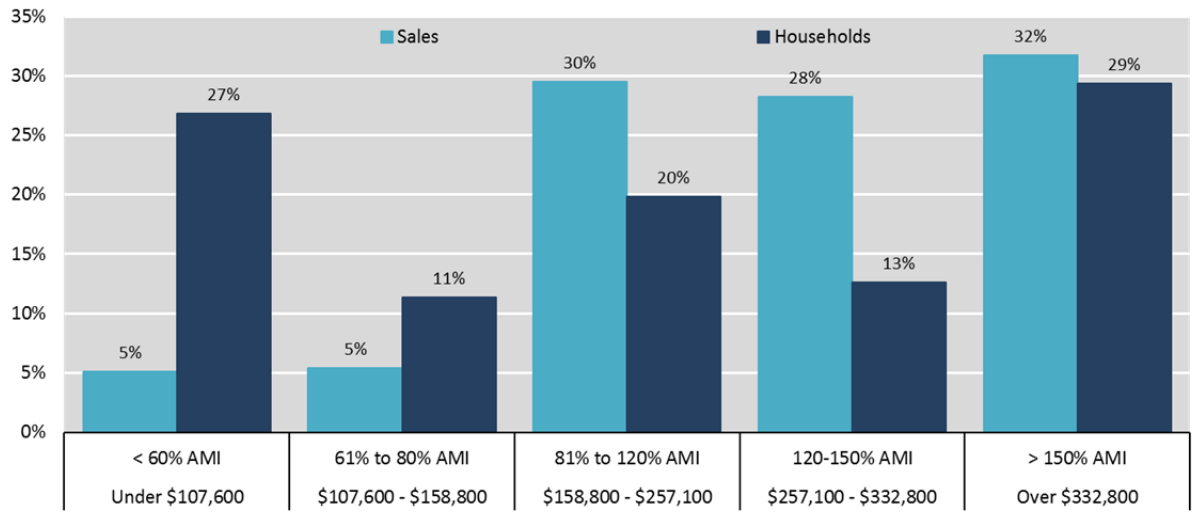
Figure 15
2015 Home Sales by AMI Affordability



Source: MLS; Economic & Planning Systems

The distribution of households by AMI level compared to the distribution of home sales by affordability level provides an indication of where the housing gaps between supply and household income are in the county (**Figure 16**). The greater percentage of sales than households above 80 percent of AMUI range does not indicate a surplus of housing. Many local residents lack the savings for a down payment to buy a home or are deterred by the quality of the home available at this price, and second home buyers comprise at least 20 percent of the market. The cost burden data presented in the next section indicates that 20 percent of households in the 80 to 120 percent of AMI income ranges are paying more than 30 percent of their income towards housing.

Figure 16
Home Sales and Household Income Distribution by AMI, 2014-15



Source: MLS; US Census; Economic & Planning Systems

Cost Burden

A household is considered "cost burdened" if more than 30 percent of gross income is spent on housing. In Chaffee County, nearly 30 percent of households are cost burdened (**Table 14**). A large number of renters are cost burdened, with 42 percent of all renter households paying more than 30 percent of their income towards rent. This is a slight decrease from 2010, but an increase from 2000.

Table 14
Housing Costs as a Percentage of Household Income

Description	2000	2010	2014
Owner-Occupied			
Less than 20 percent	56%	51%	51%
20 to 29 percent	21%	18%	20%
30 percent or more	23%	30%	28%
Renter-Occupied			
Less than 20 percent	28%	20%	30%
20 to 29 percent	26%	28%	24%
30 percent or more	38%	46%	42%

Source: US Census; Economic & Planning Systems

H:\163001-Chaffee County Housing Needs\Data\[Cost Burden.xlsx]Table- HH by Cost Burden

The distribution of cost burden can be further broken down by income level (**Table 15, Figure 17**). Fifty-two percent of cost-burdened households earn less than 60 percent AMI, and the burden is particularly strong on renters. Nearly all cost-burdened renters are earning less than 80 percent AMI.

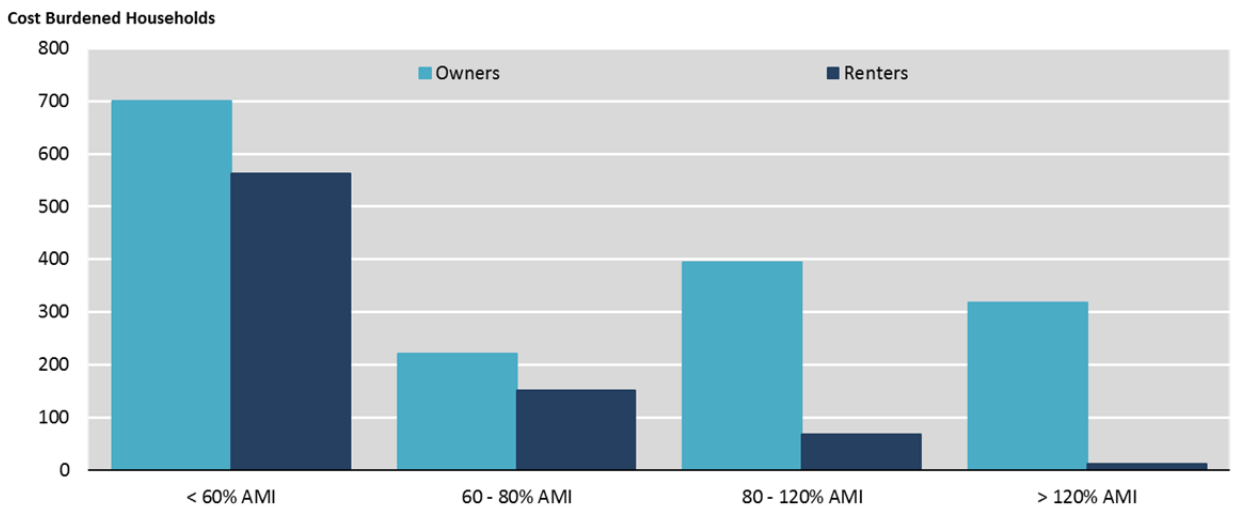
Table 15
Cost Burdened Households by AMI Level

AMI Level	Owners	Renters	Total Cost Burdened Number	Total Cost Burdened Percent
< 60%	700	562	**1,262**	**52%**
60 - 80%	220	152	**372**	**15%**
80 - 120%	395	68	**462**	**19%**
> 120%	318	12	**330**	**14%**
Total	**1,633**	**794**	**2,427**	**100%**

Source: US Census; Economic & Planning Systems

H:\163001-Chaffee County Housing Needs\Data\[2015 sales.xlsx]Sales Chart Data

Figure 17
Cost Burdened Households by Housing Tenure and AMI Level



Source: US Census; Economic & Planning Systems

Construction Cost Analysis

For new homes, construction cost is the primary driver of affordability. The major components of the cost to build a home include land, materials and labor (hard costs), fees and permits, and builder overhead and profit. EPS interviewed Chaffee County area builders and local planning and building officials to assemble estimates of the various costs to build a modest entry level single family home. The purpose of this analysis is to document the magnitude and influence that each component has on housing costs to inform policies and strategies for supplying more affordable and attainable housing. The total cost to build a modest entry level single family home was estimated for Buena Vista, Salida, and Poncha Springs. Detailed cost breakdowns are provided in **Appendix Tables 1 - 4.**

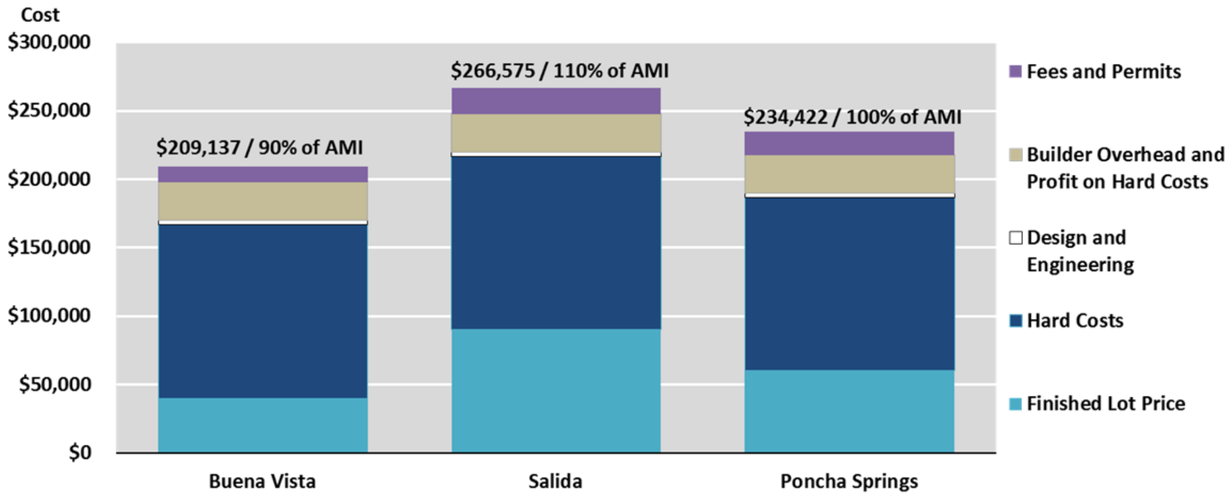
A set of common construction costs and building assumptions were used for each community to isolate the effects of differing land costs and fee levels by community:

- 1,100 square foot single family home, no garage
- Modest level of finish, quality and energy efficient construction
- $115 per square foot in construction costs – materials and labor only
- $3,500 allowance for design and engineering, such as purchasing an off-the-shelf home plan and any minor site engineering that may be needed
- 18 percent for builder/general contractor overhead and profit. A high volume production builder may be able to reduce this if building a number of homes.
- All fees are calculated with the municipalities' fee schedules
- Finished lot costs were estimated from MLS listings and discussions with local realtors and builders. A finished lot is a lot with municipal utilities available at the street, appropriate zoning, and "shovel ready".

— Salida: $90,000 per lot
— Poncha Springs: $60,000 per lot
— Buena Vista: $40,000 per lot

With those cost inputs, the highest base home cost is in Salida with an estimated cost of $267,000, which requires a 2.5-person household to earn 110 percent of AMI (**Figure 18**). Land costs are the highest in Salida, at approximately $90,000 per lot, which is the largest contributor to the home cost since construction costs are essentially equal throughout the county. Currently, but potentially not for the long term, land costs are lower in Buena Vista at an estimated $40,000 per lot which results in a home cost of $209,000, the lowest of the three scenarios evaluated. In Poncha Springs, with an estimated land cost of $60,000 per lot, the resulting home price is $234,000. The market is not delivering homes at these prices for several reasons. One is that the second home market is strong, and builders can find more profitable opportunities serving this market. Second, the supply of low cost buildable lots is limited.

Figure 18
Components of Single Family Home Cost

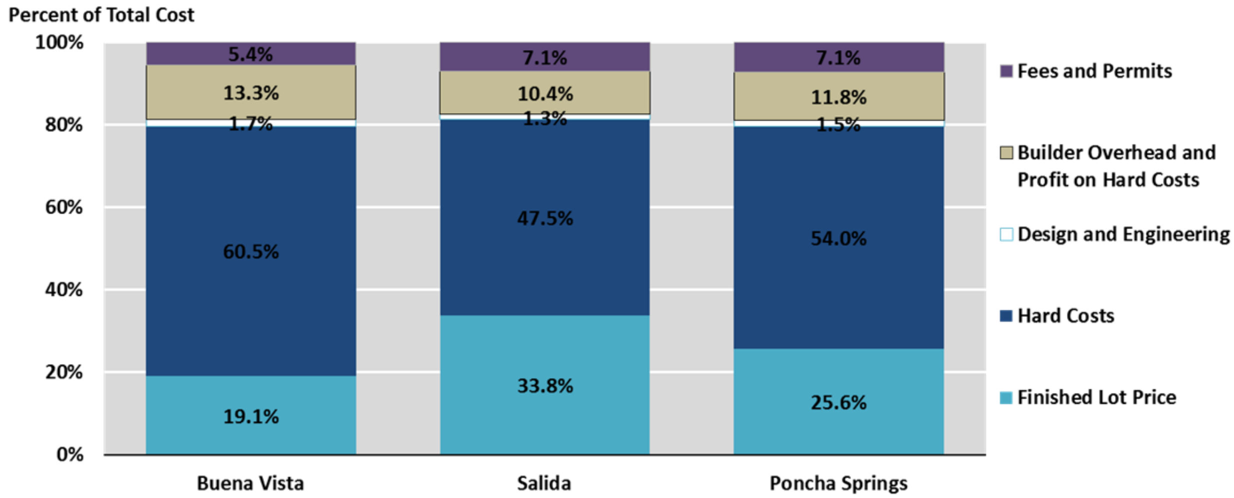


Source: Economic & Planning Systems

The two largest components of a home cost are land and construction. Land ranges from 19 to nearly 34 percent of the cost and hard construction costs range from 47.5 to 60.5 percent of the total cost (**Figure 19**). In terms of reducing costs, construction costs are essentially fixed unless one can obtain free or discounted materials and/or labor. This may be possible in isolated cases but not at the scale needed to expand affordability in Chaffee County. Builder profit can range from 15 to 25 percent of materials and labor, and is estimated at 18 percent here which equates to 12 percent of the total cost. Some builders and general contractors may donate time in isolated cases, but ultimately depend on this profit to earn their living. A production builder may be able to achieve economies of scale with a lower margin on each home. Fees and permits range from 5.4 to 7.1 percent of the cost. That leaves fees and land as the two remaining leverage points.

While accounting for less than 10 percent of the total cost, fees and permits do contribute to housing costs. Municipalities however rely on these fees to pay for necessary infrastructure and services such as acquiring water rights to serve new development, building and maintaining water and sanitation systems, roads, schools, parks and open space, all of which are essential to quality of life. If these fees were not charged, the services and infrastructure would need to be funded through other sources such as higher property taxes. There is the potential to offer fee reductions or waivers however in exchange for some form of permanent affordability such as a deed restriction.

Figure 19
Home Cost Components as a Percent of Total



Source: Economic & Planning Systems

Reducing land costs could have the greatest impact on affordability. If land could be provided at $25,000 per lot (or less), homes could be delivered at or under $200,000 which would be affordable to people in the 80 to 100 percent AMI income ranges. Publicly owned sites, including Vandaveer Ranch, are major opportunities to provide low cost land. Other mechanisms including land trusts are evaluated in the Implementation chapter.

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5. *Housing Needs and Goals*

This chapter provides estimates of housing needs by AMI level. It provides an estimate of the current need and the projected future need as a basis for setting a countywide goal for producing more affordable and attainable housing.

Current Needs

One in three households in Chaffee County are currently cost burdened (**Table 16**). This burden is most significant for the lowest income households – over half of all cost burdened households earn less than 60 percent AMI, accounting for 16 percent of all households in the county. While only 11 percent of all households countywide earn between 60 and 80 percent AMI, 42 percent of those households are cost-burdened (**Figure 20**).

Overall, there are a total of 2,400 cost burdened households in the county, 1,200 of which earn less than 60 percent AMI. There is a need for both ownership and rental housing, with a total of 1,600 cost-burdened owner households and 800 cost-burdened renter households. While the majority of need is at incomes below 60 percent AMI, there are 370 cost-burdened households earning between 60 and 80 percent AMI, and 460 households earning between 80 and 120 percent AMI. This large need for affordable units cannot be met immediately; however it should be factored into housing goals in order to incrementally decrease the current need, while also addressing housing needed to keep up with job growth.

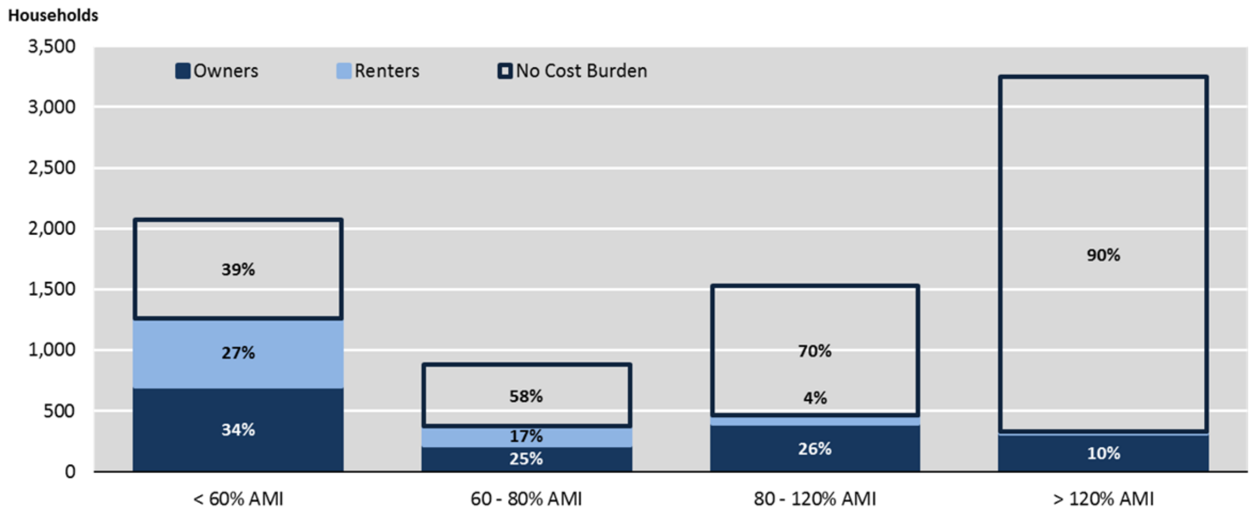
Table 16
Cost Burdened Households, 2014

			Total Cost Burdened		
AMI Level	**Owners**	**Renters**	**Number**	**% of Cost Burdened Households**	**% of Total Households**
< 60%	700	562	1,262	52%	16%
60 - 80%	220	152	372	15%	5%
80 - 120%	395	68	462	19%	6%
> 120%	318	12	330	14%	4%
Total	**1,633**	**794**	**2,427**	**100%**	**31%**

Source: US Census; Economic & Planning Systems

H:\163001-Chaffee County Housing Needs\Data\[2015 sales.xlsx]TABLE- Cost Burden by AMI

Figure 20
Cost Burdened Households, 2014



Source: US Census; Economic & Planning Systems

Future Housing Need

The previous section described the estimated existing housing needs of cost burdened households - the housing needed to "catch up" with current needs. This section estimates the housing needs going forward, to keep up with job growth for the next 10 years from 2015 through 2025. This estimated "keep up" need is based on a projection of job growth by wage level, which is then converted to new households (a group of people related or un-related living in one housing unit) at an estimated AMI level.

Projection of Employment and Households by Income Range

A 10 year projection of jobs was prepared by industry, occupation, and wage level for Chaffee County. Growth rates by industry were estimated by EPS using the past 15 years of employment data and observations of the local area to inform the estimates. Distributions of occupation by industry were estimated using national averages. These estimates of the occupations and the distributions of wage levels within each industry are needed because there can be a wide range of pay and skill levels within an industry. Health Care is a particularly good example in which wages range from less than $25,000 per year ($12.00 per hour) for food service workers to over $58,000 per year for health technicians and health practitioners.

The projected overall growth rate for jobs is estimated conservatively at 1.45 percent per year (**Table 17**) compared to 2.6 percent per year from 2010 through 2015 (post Great Recession) and 0.7 percent per year from 2000 through 2008 (pre-Great Recession) as presented in Chapter 2. A total of 1,072 new jobs are projected over the next 10 years. The largest number of new jobs is expected in Health Care, with 300 new jobs estimated over the next 10 years ($40,000/yr. avg. wage). Accommodation and Food Services with 332 new jobs and Retail with 102 new jobs estimated are the next largest growth sectors with wages ranging from $17,500 (before tips) to $27,500 per year, respectively.

In addition to the projected growth rate, two main factors were used to determine future job growth and housing needs:

- **Commuting -** Currently, approximately 35 percent of workers commute into Chaffee County. A policy goal is to reduce the amount of commuting, and the household forecast assumes that commuting is reduced to 17 percent (by half).
- **Jobs per Household -** In order to estimate housing demand, job growth needs to be converted to households, which is equivalent to housing demand. The analysis uses an estimate of 1.6 wage earners per household from past survey work in similar mountain communities to convert jobs to households. The 1,072 new jobs projected equate to 889 new employees (adjusted for commuting) and 559 new households.

The employment projection by sector is shown in **Table 17**. Adjusting the total projection for commuting, there will be 889 new jobs in the County over the next 10 years. The majority of these will be in Health Care and Social Assistance and Accommodation and Food Services. This projection is further broken down by occupation and wage level in **Table 18** and **Table 19**. As shown in these tables, over 25 percent of this job growth will be in food preparation and serving related occupations, which have some of the lowest average wages.

Accounting for both sector and occupation of employment, the majority of employment growth in the County over the next 10 years will be in jobs with wages below 60 percent AMI (**Figure 21**). These jobs account for 63 percent of employment growth, which will have a significant impact on demand for affordable housing.

Table 17
Employment Projection by Wage Level, Chaffee County, 2015-2025

Sector	2015 Avg. Annual Wage	2015 Avg. Hourly Wage	2015 Jobs	Estimated Growth Rate	2025 Projected Jobs	Growth to 2025	Resident Employees Commuting Reduction [1]
							17.0%
Agriculture, Forestry, Fishing and Hunting	$22,769	$10.95	70	0.25%	72	2	1
Mining, Quarrying, and Oil and Gas Extraction	$36,162	$17.39	16	0.00%	16	0	0
Utilities	$80,713	$38.80	55	0.75%	59	4	3
Construction	$48,102	$23.13	567	0.50%	595	28	23
Manufacturing	$34,071	$16.38	206	1.00%	226	20	17
Wholesale Trade	$36,706	$17.65	244	1.50%	281	37	31
Retail Trade	$27,553	$13.25	1,026	1.00%	1,128	102	84
Transportation and Warehousing	$41,513	$19.96	112	0.25%	115	3	2
Information	$35,226	$16.94	112	1.00%	123	11	9
Finance and Insurance	$53,066	$25.51	204	0.25%	209	5	4
Real Estate and Rental and Leasing	$35,169	$16.91	136	0.50%	143	7	5
Professional, Scientific and Technical Services	$51,823	$24.92	236	1.50%	272	36	30
Management of Companies and Enterprises	D	---	0	0.00%	0	0	0
Admin., Support, Waste Mng., and Rem. Srvcs.	$25,582	$12.30	70	1.00%	77	7	6
Educational Services	$29,171	$14.02	529	1.50%	609	80	67
Health Care and Social Assistance	$40,272	$19.36	925	3.00%	1,225	300	249
Arts, Entertainment, and Recreation	$18,926	$9.10	513	1.50%	591	78	65
Accommodation and Food Services	$17,486	$8.41	1,257	2.50%	1,589	332	276
Other Services, except Public Administration	$25,192	$12.11	141	0.00%	141	0	0
Public Administration	$44,728	$21.50	874	0.25%	895	21	17
Total	**$33,413**	**$16.06**	**7,293**	**1.45%**	**8,365**	**1,072**	**889**

[1] Goal to reduce commuting from 35 percent to 17 percent (half) for new jobs.

Source: Bureau of Labor Statistics; Economic & Planning Systems

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Table 18
Employment Projection by Industry and Occupation, Chaffee County 2015-2025

Sector	New Resident Employees	New Employees by Occupation: Architecture and Engineering	Arts, Design, Entertainment, Sports, and Media	Building and Grounds Cleaning and Maintenance	Business and Financial Operations	Community and Social Service	Computer and Mathematical	Construction and Extraction	Education, Training, and Library	Farming, Fishing, and Forestry	Food Preparation and Serving Related	Healthcare Practitioners and Technical	Healthcare Support	Installation, Maintenance, and Repair	Legal	Life, Physical, and Social Science	Management	Office and Administrative Support	Personal Care and Service	Production	Protective Service	Sales and Related	Transportation and Material Moving
Agriculture, Forestry, Fishing and Hunting	1	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0
Mining, Quarrying, and Oil and Gas Extraction	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Utilities	3	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	1	0	0	0	0	0
Construction	23	0	0	0	1	0	0	14	0	0	0	0	0	2	0	0	1	2	0	0	0	0	1
Manufacturing	17	1	0	0	1	0	0	0	0	0	0	0	0	1	0	0	1	2	0	9	0	1	1
Wholesale Trade	31	0	0	0	1	0	1	0	0	0	0	0	0	2	0	0	2	7	0	2	0	8	6
Retail Trade	84	0	1	1	1	0	0	0	0	0	3	3	0	4	0	0	2	14	0	2	0	47	6
Transportation and Warehousing	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	1
Information	9	0	1	0	1	0	2	0	0	0	0	0	0	1	0	0	1	2	0	0	0	1	0
Finance and Insurance	4	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0	1	0
Real Estate and Rental and Leasing	5	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	1	1	0	0	0	1	0
Professional, Scientific and Technical Services	30	3	1	0	4	0	5	0	0	0	0	1	0	0	2	1	3	6	0	0	0	1	0
Management of Companies and Enterprises	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Admin., Support, Waste Mng., and Rem. Srvcs.	6	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1	1	0	1
Educational Services	67	0	1	3	1	2	1	0	40	0	2	1	0	1	0	1	3	7	1	0	1	0	1
Health Care and Social Assistance	249	0	0	6	4	14	2	0	7	0	7	84	47	2	0	1	9	37	25	1	1	1	2
Arts, Entertainment, and Recreation	65	0	6	6	2	0	0	0	1	0	10	0	0	2	0	0	3	6	19	0	3	5	2
Accommodation and Food Services	276	0	0	13	1	0	0	0	0	0	221	0	0	2	0	0	7	10	3	2	2	9	5
Other Services, except Public Administration	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Public Administration	17	0	0	1	0	1	0	0	7	0	1	1	0	0	0	0	1	2	0	0	2	0	1
Total	**889**	**6**	**12**	**30**	**20**	**16**	**12**	**17**	**54**	**1**	**244**	**90**	**48**	**20**	**3**	**4**	**33**	**99**	**50**	**18**	**10**	**76**	**27**

Source: Bureau of Labor Statistics; Economic & Planning Systems

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Table 19
Average Wage by Industry and Occupation

		Average Wage by Occupation																							
Sector	**Average Annual Wage**	**Architecture and Engineering**	**Arts, Design, Entertainment, Sports, and Media**	**Building and Grounds Cleaning and Maintenance**	**Business and Financial Operations**	**Community and Social Service**	**Computer and Mathematical**	**Construction and Extraction**	**Education, Training, and Library**	**Farming, Fishing, and Forestry**	**Food Preparation and Serving Related**	**Healthcare Practitioners and Technical**	**Healthcare Support**	**Installation, Maintenance, and Repair**	**Legal**	**Life, Physical, and Social Science**	**Management**	**Office and Administrative Support**	**Personal Care and Service**	**Production**	**Protective Service**	**Sales and Related**	**Transportation and Material Moving**
Agriculture, Forestry, Fishing and Hunting	$22,800	$32,600	$18,200	$14,700	$30,000	---	$34,600	$18,400	$17,300	$15,600	$12,100	$32,900	$14,300	$19,100	---	$28,100	$45,100	$16,700	$15,600	$17,000	$13,200	$34,000	$17,900
Mining, Quarrying, and Oil and Gas Extraction	36,200	50,900	37,600	17,200	41,700	---	44,000	29,200	52,500	19,500	15,400	40,200	---	29,800	65,300	40,600	71,600	22,700	20,100	29,200	19,500	46,200	25,700
Utilities	80,700	97,300	86,000	40,900	87,300	---	98,400	67,100	79,800	44,400	---	89,600	---	70,200	155,100	88,200	138,600	52,500	---	74,900	51,700	87,600	57,300
Construction	48,100	60,500	43,200	24,600	57,400	32,000	58,600	39,700	66,900	29,000	23,800	55,800	---	38,400	101,100	50,700	92,900	32,400	21,900	38,200	26,000	54,300	34,500
Manufacturing	34,100	44,900	33,000	16,300	39,500	36,300	43,700	30,200	31,900	18,900	15,600	38,400	22,300	28,300	82,200	35,300	69,800	22,700	16,800	21,400	20,100	39,500	19,400
Wholesale Trade	36,700	50,600	32,500	17,200	42,800	41,600	46,400	30,900	39,000	20,300	16,100	42,500	19,400	28,200	83,700	45,800	81,100	23,200	17,200	22,800	20,000	40,600	21,300
Retail Trade	27,600	43,100	25,500	16,700	39,100	---	38,700	30,400	24,900	17,400	15,100	43,400	18,200	24,300	68,400	40,600	60,600	19,700	19,100	21,200	22,000	20,100	18,800
Transportation and Warehousing	41,500	55,100	41,900	24,200	45,900	25,100	53,000	35,600	34,900	20,600	19,100	49,400	---	36,900	88,700	54,900	70,600	27,100	19,900	34,300	31,600	38,600	30,000
Information	35,200	48,100	34,100	14,600	41,400	28,400	45,000	31,800	28,800	13,800	12,800	42,200	---	27,300	75,400	47,200	74,400	20,800	16,300	21,100	22,400	32,800	18,000
Finance and Insurance	53,100	70,100	51,300	20,900	63,700	39,200	68,800	45,200	42,300	17,700	22,600	53,200	27,800	33,200	93,600	75,900	115,400	32,300	23,500	33,600	32,700	61,900	39,400
Real Estate and Rental and Leasing	35,200	53,400	36,200	19,200	46,800	30,600	50,800	32,200	34,700	18,900	17,100	38,000	22,800	27,300	73,500	47,500	68,800	25,000	20,300	27,400	20,900	32,300	20,900
Professional, Scientific and Technical Services	51,800	74,200	57,300	24,000	65,500	41,100	72,100	46,800	48,600	28,900	25,300	53,400	28,000	39,100	106,500	65,100	123,300	34,100	24,700	33,000	37,200	60,100	32,200
Management of Companies and Enterprises	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Admin., Support, Waste Mng., and Rem. Srvcs.	25,600	38,100	27,100	13,000	33,000	21,900	37,200	22,400	19,700	14,200	13,100	27,500	15,300	21,800	46,000	33,800	55,200	17,000	12,900	17,800	16,500	25,400	16,400
Educational Services	29,200	41,800	26,900	16,600	34,500	29,200	36,800	29,600	31,600	16,400	14,500	38,600	22,200	24,800	62,000	34,700	55,700	20,200	16,400	24,800	19,400	25,900	20,700
Health Care and Social Assistance	40,300	69,000	43,200	21,900	48,600	37,500	52,400	40,100	40,800	21,600	21,500	58,000	24,600	33,500	84,300	63,200	78,500	29,300	22,200	28,500	27,200	37,200	24,300
Arts, Entertainment, and Recreation	18,900	31,300	21,000	10,700	24,400	17,800	26,700	20,400	17,700	9,900	9,100	18,200	12,900	16,000	52,700	23,800	41,100	12,800	10,500	13,300	11,100	13,500	13,000
Accommodation and Food Services	17,500	30,000	19,400	11,100	24,600	19,600	24,600	22,000	18,200	12,700	11,300	24,200	15,400	15,500	50,100	24,000	31,200	13,900	11,600	13,500	13,300	12,400	12,100
Other Services, except Public Administration	25,200	41,100	27,700	13,400	31,900	20,400	33,500	25,100	24,900	15,900	12,500	33,100	16,800	19,700	58,400	36,700	50,000	17,400	13,900	17,400	16,400	20,100	14,500
Public Administration	44,700	66,500	37,700	27,800	55,000	49,000	56,800	41,800	45,600	31,500	21,700	57,300	26,900	42,400	73,800	59,700	80,600	33,200	24,200	44,700	47,400	27,800	32,600
Total	**$33,413**	**$52,600**	**$36,800**	**$19,200**	**$44,900**	**$31,300**	**$48,500**	**$33,600**	**$36,800**	**$20,400**	**$16,600**	**$44,000**	**$20,500**	**$30,300**	**$78,900**	**$47,100**	**$73,900**	**$24,900**	**$18,200**	**$28,100**	**$24,700**	**$37,400**	**$24,700**

Source: Bureau of Labor Statistics; Economic & Planning Systems

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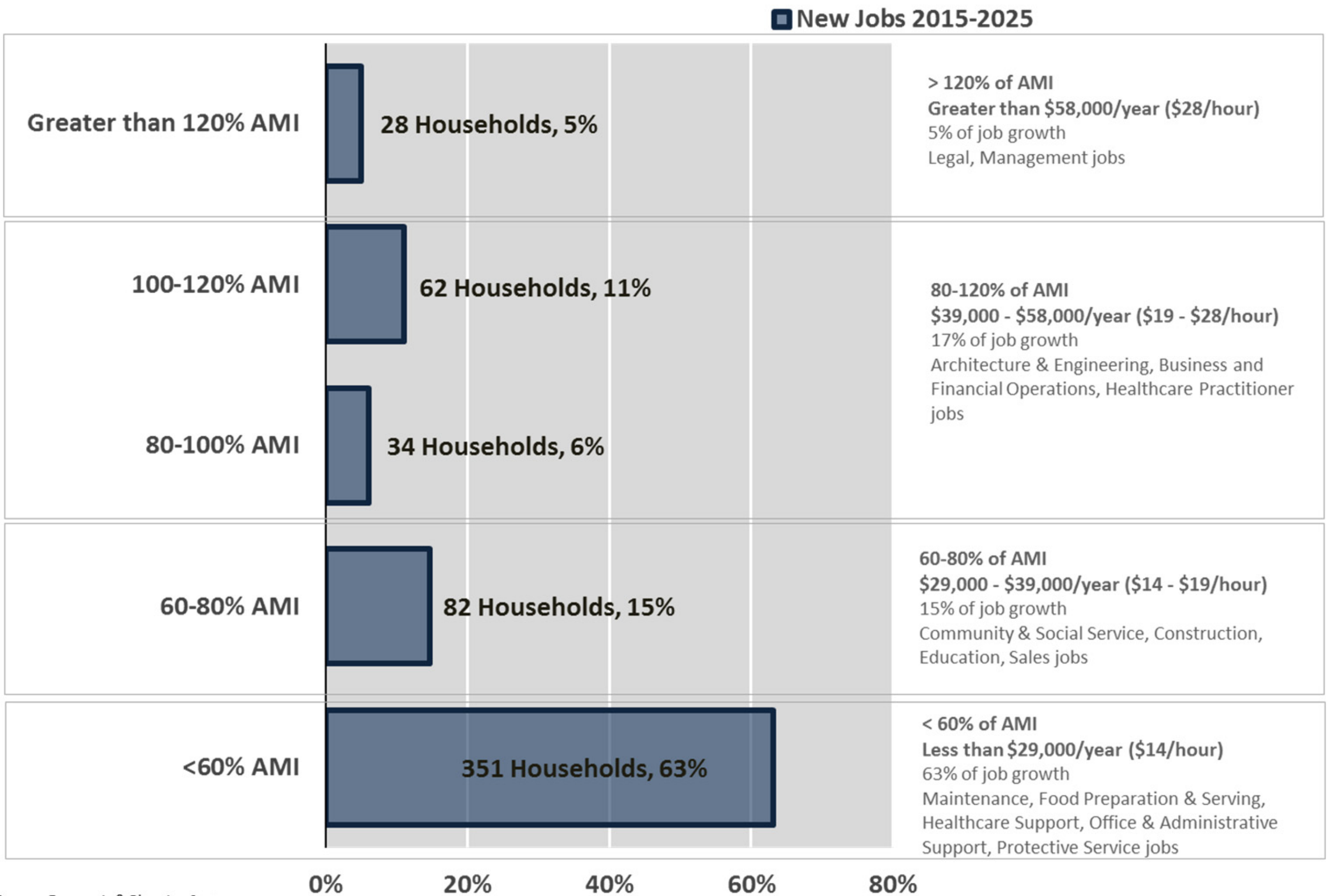
<60% AMI
60-80% AMI
80-120% AMI
>120% AMI

Figure 21
Job Growth by AMI, 2015-2025



Source: Economic & Planning Systems

H:\163001-Chaffee County Housing Needs\Models\[163001-Housing Demand 08-22-2016 NAICS.xlsx]3-AMI_HH

10 Year Housing Demand Projection

A challenge in estimating household incomes and housing needs is that workers may have multiple jobs, or live with a partner or roommate who also works. Therefore, wages usually do not equate to household income. In addition, HUD qualifying income levels vary with household size, and so using average wages to predict need can capture a broad trend, but not a specific demand for income-qualified housing.

This analysis therefore assumes that the 556 new households will have an income distribution similar to the distribution of jobs by wage level. This method may over-estimate some of the need in lower income segments, but still provides a useful indicator of where the major areas of demand will be.

Based on projected job growth, the largest amount of housing demand is estimated to come from households earning less than 60 percent of AMI, with an estimated 351 new households over the next 10 years. The private market is not likely to be able to supply housing at this affordability level, and meeting this demand will require local organization and a combination of local, state, and federal funding.

Another segment of need is 60 to 80 percent of AMI with 82 estimated new households over the next 10 years. Households at this income are most likely to seek rental housing, and can afford housing ranging from $730 to $970 per month in rent. The private market may be able to address a portion of the need closer to 80 percent of AMI. However, the area closer to 60 percent of AMI is more challenging as rents fall well below what the private market can supply.

In the 80 to 120 percent AMI range, 96 new households are projected over the next 10 years. Some developers are currently building a small number of homes (less than 10) that are affordable in this income range. Market rate rental housing can also be supplied if land can be identified, which is a constraint as discussed in the Implementation Strategy.

Over 120 percent of AMI, an estimated 28 new households will need housing in the next 10 years. Many of these households will seek to buy a home, although some may choose to rent based on their personal preferences and stage in life. With sufficient land supply and other supportive land use policies, the private sector can address this segment of the market. Because the need over 120 percent AMI can be addressed by the private sector, these households are not included in housing production goals for the County.

Combined Housing Goals and Priorities

The current and projected future need outlined above together form the basis for housing goals and priorities for Chaffee County over the next 10 years (**Table 20**).

The private market can address the housing needs of households earning over 120 percent AMI. With some dedicated programs and/or incentives, the private market in cooperation with local governments can address the housing needs for the population earning 80 to 120 percent AMI. Local funding will need to be raised to effectively address the housing needs of households earning less than 80 percent AMI in combination with competitive State and Federal funds including the Low Income Tax Credit Program.

For households under 120 percent of AMI, there are 2,100 living in cost burdened situations, paying more than 30 percent of their income to housing costs. Over 1,600 households that are cost burdened earn less than 80 percent of AMI. The housing needs of this large existing housing gap cannot be met in the short term, and not all households in this gap would necessarily want to move into lower cost housing. As new affordable units are added, "reshuffling" will take place across the housing market as households move between new and existing units. This means that while there are currently 2,100 cost-burdened households below 120 percent of AMI, it does not equate to a need for 2,100 affordable housing units to "catch up" with current needs.

To "keep up" with demand created by job growth, 556 new housing units are needed over the next 10 years, with 528 needed below 120 percent of AMI. If the County were to meet 100 percent of both existing and future need, it would need to produce 262 units annually for the next 10 years, including 161 units per year affordable to households earning less than 60 percent AMI. Even if only 50 percent of existing and future need were addressed, production would need to be 131 units per year, including 81 affordable for under 60 percent AMI. Given the current annual countywide production of 144 housing units annually, this is not a realistic goal for permanently affordable housing.

Combined, we recommend setting a goal of 25 to 30 units per year for affordable housing production over the next 10 years, to catch up with 10 percent of the current need and keep up with 10 percent of employment growth:

- 15 to 20 units per year affordable to households earning below 60 percent of AMI
- 5 units per year affordable to households earning 60 to 80 percent of AMI
- 5 units per year affordable to households earning 80 to 120 percent of AMI

State and federal funds typically only serve households below 60 percent of AMI and these funds are limited and highly competitive. A dedicated local funding source will allow the County to more effectively plan for and fund the construction of affordable housing.

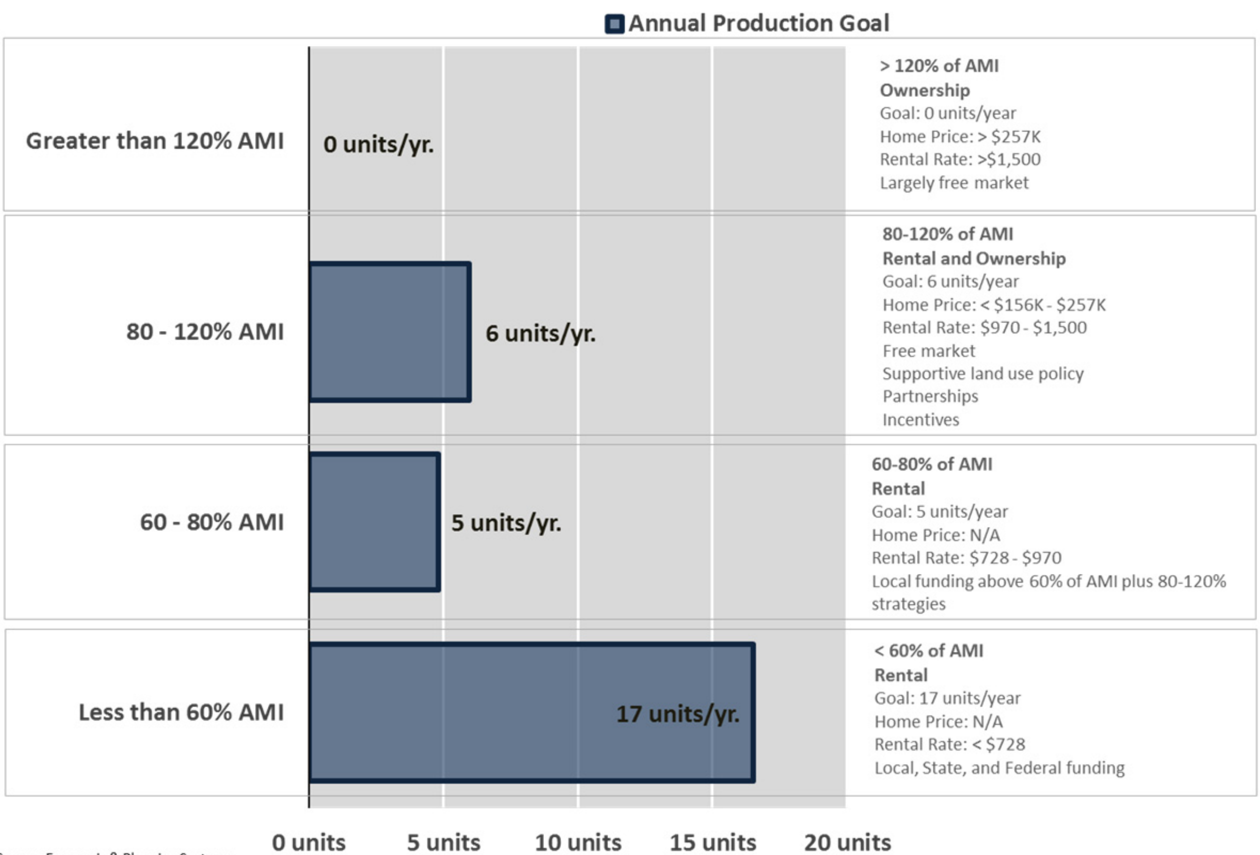
Table 20
10 Year Housing Production Goals

	Existing Need				Future Need					Total
AMI Level	Need	Priority	10 Year Goal *10% of need*	Units/ Year	Need *Jobs*	*Households*	Priority	10 Year Goal *10% of need*	Units/ Year	Annual Production
< 60%	1,262	Y	126	13	561	351	Y	35	4	17 units
60 - 80%	372	Y	37	4	131	82	Y	8	1	5 units
80 - 120%	462	Y	46	5	153	96	Y	10	1	6 units
>120%	330	--	0	0	44	28	--	0	0	0 units
Total	**2,426**		**243**	**22**	**889**	**556**		**53**	**5**	**27 units**

Source: Economic & Planning Systems

H:\163001-Chaffee County Housing Needs\Data\[Combined Housing Goals.xlsx]Updated 2

Figure 22
Annual Housing Production Goal by AMI Range



Source: Economic & Planning Systems

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6. Implementation Recommendations

This chapter contains a summary of methods and techniques used to address a spectrum of housing affordability issues. It identifies land use and regulatory techniques commonly used to accomplish narrowly defined and targeted housing objectives, and it identifies alternative funding methods used to address housing issues from a broader, more community-wide perspective.

There are a range of reasons why communities adopt affordable or workforce housing tools, such as inclusionary zoning. Many do so because local and regional housing market assessments have concluded that a significant portion of the local workforce has been priced out and forced to commute. Beyond the determination of the presence and extent of these patterns, communities make policy determinations based on quality of life and economic development considerations. For example, if a portion of the workforce – such as teachers, police, fire protection, and other municipal employees – cannot afford to live locally, they are not readily available to address health, safety, and welfare needs. The motivation to develop programs to address affordable or workforce housing is largely based on some or all of the following conditions:

- **Housing Costs**: The sales price of locally available housing exceeds what a permanent-resident household can afford.
- **Housing Availability**: The development community is clearly oriented to building more expensive housing than is affordable to the workforce.
- **Commuting Patterns**: A large portion of the workforce cannot afford to live in the community and is forced into longer commutes from more affordable locations.
- **Employee Shortages**: Local businesses increasingly find it difficult to recruit and or retain employees.

The tools for providing affordable and workforce housing can be separated into two major categories:

- **Development-based approaches -** Those that seek to leverage the momentum of development through land use controls, mandates, and incentive zoning.
- **Community-based approaches –** These approaches are typically funding mechanisms that leverage broader-based financing capabilities, spread the burden equally, and create a funding source far more flexible and dependable than state and federal grant funding.

Development-Based Approaches

A comprehensive list of the available tools for mandating or incentivizing and funding affordable housing development is provided in **Table 21, Table 22, and Table 23**. Based on our consideration of the pros and cons of each, and the market and development characteristics in Chaffee County, not all of these are recommended. In this section we review each tool, and recommend the most applicable and effective tools for Chaffee County.

As with all land use tools, these will be most effective if adopted by each jurisdiction, including the County. Because Chaffee County is a small market, if one jurisdiction has more restrictive land use regulations, developers may build in another community with less restrictive regulations or in the unincorporated County. An IGA may be necessary to formalize an agreement to adopt the final policies and practices.

Production Tools – Inclusionary Mandates

Inclusionary housing ordinances (IHOs or "inclusionary zoning") refer to planning ordinances that require developers to "set aside" a portion of new housing construction as affordable to households at specified income levels. IHO set-aside requirements generally range from 10 to 30 percent of units, and the affordability level generally ranges from 60 to 100 percent of area median income (AMI) based on family size, defined by HUD. Some high cost mountain resort communities have requirements above 150 percent of AMI, above what is needed in Chaffee County.

In most versions of an IHO, a developer can comply with requirements by building the units on site as a part of the overall project master plan and/or by building them in an off-site location. Alternatively, many IHO programs allow for all or a portion of the housing requirement to be met by cash-in-lieu (CIL) payments – i.e. the payment of a fee in-lieu of building affordable units.

In Colorado and the Rocky Mountain West, the IHO is most commonly the cornerstone of many mountain communities' affordable housing programs. Communities using this tool include Aspen and Pitkin County, Telluride and San Miguel County, Breckenridge, Park City, UT, and Jackson and Teton County, WY. While it is most common in resort communities, there are also IHOs in some of Colorado's urban markets, including Denver and Boulder.

We do not recommend any type of IHO or linkage fee for Chaffee County. These programs work the best in high cost areas, where development interest is high and highly competitive, the market is highly land constrained, and there are few options to build in other nearby jurisdictions. IHOs can increase the cost of housing for the non-affordable units, thereby exacerbating overall affordability. For these reasons, IHOs and linkage fees work best in markets where costs are already very high, especially when second home buyers are purchasing the majority of the market rate units.

It should be noted however, that the Gunnison Valley Regional Housing Authority charges a linkage fee on all new construction. Costs in Gunnison County are considerably higher than Chaffee County, particularly in Crested Butte and Mount Crested Butte.

Table 21
Production Tools – Land Use Requirements (Mandates)

	Production Tools - Mandates				
	Inclusionary Housing Ordinance	**Incentive Zoning Ordinances**	**Targeted Inclusionary Housing Ordinance**	**Commercial Linkage**	**Residential Linkage**
Recommended for Chaffee County?	**No**	**Yes**	**No**	**No**	**No**
What is it?	● Requires a percent of housing in new development to be provided at affordable levels ● Addresses housing need resulting from inflated housing prices	● Responds to development and redevelopment pressure requesting special permits ● Requires residential / commercial development to provide affordable housing and/or public amenities	● Requires a percent of housing be provided at affordable levels in best locations for mass transit and workforce proximity ● Addresses housing need resulting from inflated housing prices	● Requires commercial development to provide housing units (or pay a fee) based on new employees generated ● Addresses housing need resulting from commercial growth	● Requires residential development to provide housing for the emploees it generates ● Particularly effective in markets with large second-homes ● Developer provides employee housing units or pays fee in-lieu
What is a typical affordable housing build requirement?	10% to 30%	10% to 20%	10% to 30%	20% to 100% of employee generation by land use	10% to 20%
What incentives are used?	Bonus density, fee waivers, expedited review, parking reduction, public funding assistance	Density bonus, reduced parking requirement, reduced open space, or any variance to zoning	Bonus density, fee waivers, expedited review, parking reduction, unit equivalency, public funding assistance	Bonus density, fee waivers	Bonus density, fee waivers, expedited review, parking reduction, unit equivalency
Are there alternative satisfaction options?	Payment of fee in-lieu, offsite units, and voluntary adoption of RETA	Payment of fee in-lieu	Payment of fee in-lieu, offsite units, and voluntary adoption of RETA	Payment of fee in-lieu, land dedication, offsite units, deed-restricted commercial space	Payment of fee in-lieu, land dedication, offsite units
What are the legal / nexus issues?	Does not require voter approval but nexus study required	No nexus study required	Does not require voter approval but nexus study with geographic overlay required	Does not require voter approval but does require nexus study and documentation	Does not require voter approval but does require nexus study and documentation
Who is affected?	● New residential development	● New residental development ● Businesses ● Visitors	● New residential development in targeted areas	New commercial development	New residential development
What are its advantages / disadvantages?	● Addresses community workforce housing needs (i.e. ownership or rental) ● Limits the burden to new residential development ● Most common among the programs identified	● Value of incentives is relative to the market ● Success is dependent on the value of respective incentives within the market	● Addresses community workforce housing needs (i.e. ownership or rental) ● Limits the burden to new residential development ● Focuses affordable development where it is needed most	● Addresses workforce housing needs ● Broadens the burden to a wider variety of land uses ● Requires nexus analysis	● Addresses seasonal/service worker housing needs (i.e. rental) ● Requires complicated nexus analysis
Who uses it?	Boulder, CO Burlington, VT Cambridge, MA Davis, CA	Cambridge, MA Seattle, WA Chicago, IL Boston, MA	Denver, CO	Vail, CO Aspen/Pitkin County, CO Telluride, CO Park City, UT	Telluride, CO Jackson/Teton County, WY

Source: Economic & Planning Systems

H:\163001-Chaffee County Housing Needs\Reports\[163001-Housing Program Matrix.xlsx]Mandates

Table 22
Production Tools – Land Use and Zoning Incentives

	Production Tools - Incentives							
	Expedited Development Review	Height Waivers	Density Bonus	Parking Reduction	Development Standards Modifications/ Variances	Fee Waiver	Fee Offset	Fee Delay Until Certificate of Occupancy
Recommended for Chaffee County?	**No**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**
What is it?	Projects with qualifying affordable components are processed on an expedited timeline	Additional height provided as incentive to include portion of units as affordable or providing other community amenities	Additional density is provided as incentive to include portion of units as affordable	Parking requirement lowered dependent on the amount of affordable housing within project and type of housing (e.g. senior housing)	Reduction in project costs by waiving development standards, such as street widths, alley widths, etc.	Certain development fees waived when 10%+ of total housing units are affordable	Percentage of water and sewer system development fees offset (paid by) Affordable Housing Fund for qualifying projects that provide a high amount of affordable homes or very low income homes	City delays payment of certain development fees until end of construction when certificate of occupancy is issued
What is a typical incentive?	50% of benchmark processessing time	25% to 75%	10%-20%	25% to 50%	Varies	Minumum 20%	Minumum 20%	Delay fees until certificate of occupancy is issued
What are its advantages / disadvantages?	● Challenge to effectively shorten review time ● Minimal return to developers ● New revenues required to increase staff	● Typically only feasible in certain parts of city (downtown, mixed-use areas) ● Strong market demand required ● Might be in conflict with community preference	● Zoning must be restrictive enough to make additional density valuable ● Strong market demand required ● Might be in conflict with community preference	● May encounter community resistance over parking issues ● May be alternatives besides affordable housing ● Valuable to developers as long as there is enough parking to be marketable	● Inexpensive to implement ● Need to take into account safety and public health standards ● Modifications may not be valuable enough to generate incentive	● Rental units must be kept affordable for 20 years, for-sale 10 years ● Increased percentage waived for higher percentage of affordable units, lower AMI, longer terms, etc.	● Water and sewer funds remain whole ● Requires use of AHF resources to backfill city funds ● Allows developments to reach very low income	● Most applicable to urban mixed use projects ● Increased pressure on City to track development process and secure commitments from developer ● Provides significant savings to developer as it eliminates financing costs for fees ● Can fund as part of permanent debt rather than equity
Who uses it?	San Diego, CA Austin, TX Charlottesville, VA	Seattle, WA	Portland, OR Seattle, WA Austin, TX Arlington County, VA	Portland, OR Seattle, WA Austin, TX Arlington County, VA	Carbondale, CO	Fresno, CA	Loveland, CO Fort Collins, CO Austin, TX	Windsor, CO

Source: Economic & Planning Systems

H:\163001-Chaffee County Housing Needs\Reports\[163001-Housing Program Matrix.xlsx]Incentives

Table 23
Production Tools – Development Policy Tools

	Development Policy Tools				
	Annexation	**City Investments Trigger Affordable Housing**	**Financial Incentives and TIF**	**Upzoning/Rezoning/ Redevelopment**	**Affordable Housing Easement**
What is it?	As land is annexed into the City then the development must provide a minimum level of affordable housing	When the City provides any investment in a development (infrastructure, provision of surplus real estate, right-of-way or easement vacations, financing/funding, etc.), the development must provide a minimum level of affordable housing	Any project receiving TIF or other public funding would be required to provide affordable units (or fee-in-lieu) as part of the agreement	If land is upzoned or rezoned (developer request), the resulting development must provide a minimum level of affordable housing	Preserve current affordable housing developments through placing an easement on sites. Target applications include expiring Section 8 or CHFA Covenants, potential condo conversions or other existing units
What is a typical affordable housing build requirement?	10% to 30%	10% to 30%	10% to 30%	10% to 30%	N/A
Are there alternative satisfaction options?	Payment of fee in-lieu; land dedication; offsite units	Payment of fee in-lieu; land dedication; offsite units	Payment of fee in-lieu; land dedication; offsite units	Payment of fee in-lieu; land dedication; offsite units	N/A
What are its advantages / disadvantages?	● Similar to inclusionary housing only applied to annexation ● Can be seen as a cost of business and achieving a public benefit when bringing in new land ● Can be coupled with incentives to reduce burden ● Can apply to rental units since annexation is voluntary	● Limited occasions for city investment may limit effectiveness ● Formal policy adoption would benefit housing and set expectations for entities receiving City assistance	● Adds to redevelopment costs ● Incorporates affordable housing into revitalizaed areas of the community ● Ensures broader community values are achieved through redevelopment and URA process	● Sets clear expectation with development community ● Results in a deeper supply of housing in locations that are in the heart of redevelopment activity. ● May be hard to determine the scope or magnitude of rezoning needed to trigger the requirement	● Requires detailed understanding of affordable properties ● Requires effective negotiation skills ● Often most efficient and cost effective method for maintaining restricted housing inventory

Source: Economic & Planning Systems

H:\163001-Chaffee County Housing Needs\Reports\[163001-Housing Program Matrix.xlsx]Policy

Production Tools – Land Use Incentives and Incentive Zoning

There are a variety of bonuses and waivers local governments can offer to incentivize affordable housing. While many of these are more suited to larger urban mixed use projects, some can be applied to smaller multifamily, infill and single family neighborhood developments. It will be important for Chaffee County communities to use "every tool in the toolbox". However, in our judgement, the potential impact of these incentives on the total amount of need is marginal. They can, however, be significant for individual development projects, and if enough individual projects are built the overall impact will be greater. The limitation to using incentives is that Chaffee County is a small market with few locations for large developments, limiting the potential applicability.

Community Based Approaches

Establishing a local funding source is a community based approach to housing where everyone shares some of the burden, rather than placing it all on new development. It is the best way to generate a dependable annual revenue source for housing. However, it is politically challenging since all tax increases require a vote in Colorado. Strong local leadership is needed to implement these funding approaches. The development-based fees noted above do not require voter approval because they are fees, not taxes under Colorado law. Dedicated funding can be used for many purposes broader than federal and state grant funds including:

- Building housing
- Acquiring land for a land trust, housing trust, tax credit rental development
- Homebuyer assistance (e.g. down payment assistance)
- Raising local matching funds for grants
- Leveraging private development funds; gap funding
- Housing program administration
- Infrastructure costs

Several dedicated funding options are shown below with annual revenue estimates (**Table 24**). The vast majority of State and federal housing programs target households earning less than 60 to 80 percent of AMI. Funds are limited and highly competitive. Because of this, the focus of our recommendations is on locally generated funding.

Table 24
Revenue Estimates for Dedicated Funding Sources

	What is it?	Annual Revenue	Advantages/ Disadvantages
Excise Tax			
$0.50/Sq.Ft.	Residential and commercial development pay a fee per sqft of new floor area [1]	$105,000	● Generates revenue at pace of development
$1.00/Sq.Ft.		$210,000	
Use Tax			
0.25%	Additional assessment on construction materials	$52,713	● Strong nexus to new residential, commercial and industrial development ● Voter approval required
0.50%		$105,425	
0.75%		$158,138	
Head Tax			
$5.00/Empl./Month	Tax assessed per employee per month	$432,000	● Addresses both existing and new needs ● Voter approval required ● Links housing to employment
$10.00/Empl./Month		$864,000	
$15.00/Empl./Month		$1,296,000	
Dedicated Sales Tax			
0.10%	Additional assessment on taxable goods	$255,000	● Possible to generate high revenues ● Voter approval required
0.25%		$637,000	
0.50%		$1,275,000	
0.75%		$1,912,000	
Dedicated Lodging Tax			
1.00%	Additional assessment on lodging	$237,000	● Possible to generate high revenues ● Voter approval required ● Reasonable nexus exists ● Lodging industry expects to use funds for tourism
1.50%		$355,000	
2.00%		$474,000	
Dedicated Property Tax			
0.500 mills	Additional mill levy	$191,000	● Possible to generate high revenues ● Voter approval required
1.000 mills		$383,000	
3.000 mills		$1,149,000	
5.000 mills		$1,914,000	

[1] Currently only accounts for residential development
Source: Economic & Planning Systems
H:\163001-Chaffee County Housing Needs\Models\[163001-Revenue Generation.xlsx]Sheet1

Excise Tax

An excise tax is a tax paid on units of production (e.g. construction materials) by the developer that becomes a part of the cost of the final product purchased by end user. It differs from the sales tax, which is applied to the final purchase price and paid directly by the end-user. One advantage of an excise tax, in comparison to a linkage fee, is that it does not require a nexus study and does not require funds collected to be allocated to a specified set of improvements. Communities that have introduced an excise tax with revenues designated to the development of affordable or workforce housing include:

- **Boulder -** Excise tax of $160 per 1,000 square feet of residential development and $340 per 1,000 square feet of commercial development.
- **Snowmass Village -** Excise tax is calculated on a complex formula and only applies to residential expansions over 550 square feet. Because larger residential expansions often pay as much as $150,000 to $200,000, the tax has generated more than $3.4 million in the last six years.

An excise tax in Chaffee County could generate an estimated $100,000 to $200,000 per year and is a possible funding source for consideration.

Use Tax

A use tax is essentially a sales tax on building materials, charged at the place of use rather than the place of sale. Many communities throughout the state allocate or dedicate all or a portion of their use tax to capital projects. Increasing the use tax countywide could generate additional dedicated funding for housing. A half percent use tax in Chaffee County in all jurisdictions could generate approximately $100,000 per year.

Head Tax

An occupational privilege tax ("head tax") is a tax calculated on a per-worker basis that can be assessed on the employer, employee or both. It has most often been used by larger cities for general fund revenues or for designated services. It is one of the more appropriate taxes because of its relationship to general wage levels and affordability issues. A disadvantage is that it is a flat tax and does not increase or decrease with wages, inflation, or home price appreciation as a sales or property tax does. Communities that have implemented a head tax (not necessarily dedicated to affordable housing) include:

- **Denver** - A $9.75 per month head tax, $5.75 of which is paid by the employer and $4.00 by the employee. Its revenues are split 50/50 to the general fund and the capital improvement fund.
- **Aurora** - A $4.00 per month head tax, $2.00 of which is paid by the employer and $2.00 by the employee.
- **Greenwood Village** - A $4.00 per month head tax, $2.00 of which is paid by the employer and $2.00 by the employee. Revenue from this tax is used exclusively for capital projects.
- **Fort Collins** – The City of Fort Collins also investigated a head tax in the past, but encountered opposition from the Chamber of Commerce as it is seen by some as anti-business with the potential to affect economic development efforts.

EPS is not aware of any communities that have implemented a head tax dedicated to affordable or workforce housing.

Dedicated Sales Tax

Some communities use a dedicated sales tax to fund affordable or workforce housing. In tourism-oriented markets, this can be an attractive funding option because a majority of the taxes are often paid by visitors. Such a tax can only be implemented in home rule cities or counties and requires voter approval. Communities with a dedicated sales tax include:

- **Aspen** – A 0.45 percent tax currently generates about $2.75 million per year in revenues.
- **Telluride** – A 0.5 percent sales and use tax funds an Affordable Housing Fund with approximately $520,000 in annual tax revenue. Funding is allocated to the San Miguel Regional Housing Authority.
- **Mountain Village** – 11.11 percent of the Town's sales tax is directed into the Affordable Housing Development Fund.

Recommendation: A dedicated sales tax has the potential to generate a substantial amount of revenue, estimated at over $500,000 per year on a 0.25 percent sales tax (25 cents on a $100 purchase). Chaffee County should pursue this option at the appropriate time. Sales tax increases are often most successful when packaged with a set of other community amenities or projects with broad support.

Dedicated Lodging Tax

A dedicated lodging tax can also be used to fund affordable or workforce housing, but using lodging tax revenues for such purposes is less common. Lodging taxes in larger cities can be as high as 15 or 20 percent, but for the most part, a majority of revenues generated are dedicated to tourism, marketing, and promotions, as well as supportive facilities, such as convention centers. Communities with dedicated lodging taxes include:

- Snowmass Village: Revenues from the 2.4 percent lodging tax are used to fund housing programs. This is in addition to its overall rate of 10.4 percent, which is restricted to the marketing and promotion of special events and the development of tourism.

Dedicated Property Tax

Similar to the dedicated sales tax, a number of communities have approved an additional property tax levy dedicated to affordable or workforce housing. A property tax increase would be subject to TABOR and require voter approval. Other than for school related initiatives, it is generally harder to implement a property tax increase than a sales tax increase. Communities with a dedicated property tax include:

- **Denver** – The City is considering implementing a property tax increase of up to 1.000 mill to fund affordable housing. The issue may be on the November 2016 ballot.

Recommendation: A dedicated property tax of 1.000 mills could raise nearly $400,000 per year. Chaffee County should pursue this option at the appropriate time.

General Land Use Policy Recommendations

Based on conversations with realtors and builders in Chaffee County and our analysis of market data, we are optimistic that Chaffee County communities can address the need above 80 percent of AMI through changes in land use policy and creative public-private partnerships. We recognize that local slow growth politics are an impediment in some communities; this must be addressed in order to make progress. There are five aspects of land use policy that need to be targeted to increase the development of affordable and workforce housing:

- **Multifamily Land –** More land is needed that is zoned for apartments by right with no variances or other discretionary approvals needed. Key locations for this may include aging and obsolete commercial properties along the Highway 50 corridor in Salida (redevelopment).
- **Buildable Lots –** To increase the supply of "shovel ready" lots with infrastructure already in place, each jurisdiction could identify priority annexation areas for housing, and estimate the infrastructure costs needed to serve these areas. In exchange for some permanent affordability set asides, the municipalities could partner with developers on infrastructure costs and issues.
- **Public Benefit for Public Investment –** Once priority areas are identified, local governments have some ability to assist with infrastructure costs in order to accelerate new development. Any contribution towards infrastructure costs by local governments would have to be in exchange for some percentage of units set aside as permanently affordable through a deed restriction on the lot or donation of the lot to a land trust. A consistently applied policy of receiving public benefit for this investment, such as deed restricted lots, would generate more affordable housing.
- **Annexation Policy –** Land that is annexed into a jurisdiction can be required to comply with a housing policy, with a dedication of a certain percentage of lots to affordable housing. Salida currently has a requirement that 12.5 percent of the lots or units in any annexation be set aside for affordable housing.
- **Land Costs –** If shovel ready lots can be delivered at $30,000 or less, builders can build housing affordable to households earning 100 percent of AMI. These lots may be found in distressed subdivisions (bankrupt or in financial/legal difficulty) in Chaffee County that could be purchased by developers, local governments, economic development partners, or by a housing organization to provide discounted lots in exchange for permanent affordability. Publicly owned land can also fill this role, and Vandaveer Ranch provides a prime opportunity for this strategy.

Organization

In a small county like Chaffee County, having a single organization to coordinate funding, policy, development, and administration is likely to be more efficient than multiple organizations. In addition, there would not be competition between organizations for State and Federal Funding, although a process would need to be defined for allocating funds at the local level. A housing organization could develop a framework to allocate housing funds and to identify priority projects.

Housing Authorities

A housing authority is a government-owned business with the power to apply for loans, grants, and contributions from governments and other sources, borrow money, and acquire property. There are two types of housing authority the County could pursue – a County or individual City Housing Authority(ies) or a Multi-Jurisdictional Housing Authority.

City and County Housing Authorities

Cities and counties in Colorado can establish a housing authority by resolution of the governing body. Housing authorities can develop, own, and manage publicly owned affordable housing, and they can function as an entity of the city or county or as a separate governmental entity. One of the major benefits of the housing authority model is its ability to receive a wide spectrum of funding to devote to community projects. Because housing authorities are interpreted in legal opinions as enterprises rather than local districts, as long as their annual grant revenue from state and local governments is less than 10 percent of their total budget, according to information from the Department of Local Affairs, certain expenditures by these authorities are not counted against the local or county government limits imposed by TABOR. The authority's powers include undertaking housing projects, leasing or renting units or land, and selling or transferring property.

Multijurisdictional Housing Authority

Colorado law allows the formation of Multi-Jurisdictional Housing Authorities (MJHA). A MJHA is created when any combination of cities, towns, or counties establish by contract a housing authority as a separate governmental entity. The authority's powers include the powers of a County Housing Authority, plus condemnation of property for public use, and levying taxes and/or fees within the boundaries of the authority.

A major difference between a MJHA and a City or County authority is the ability to levy taxes and fees. MJHAs can levy taxes and fees such as sales or use tax, a property tax, and development impact fees. Any new taxes used to fund a MJHA must be approved by voters which is a limitation to creating a highly effective organization.

<u>Gunnison Valley Regional Housing Authority</u>

The GVRHA was formed in 2012 (from the Gunnison County Housing Authority formed in 1979) through an IGA between the County and all local governments. It has a Board of Directors with equal representation from the City of Gunnison, the Town of Crested Butte, the Town of Mt. Crested Butte, and Gunnison County, with one at-large member. Its mission is to advocate, promote, plan, and provide the long-term supply of desirable and affordable housing in Gunnison County.

Its main funding source is a "workforce housing linkage fee" (not a tax) for all new residential, commercial and industrial construction. The fee is approximately $466 on a 1,500 square foot home, and adjusts up or down with the size of the home. GVRHA solicits proposals from private, public, and nonprofit developers for projects that will create new or preserve existing essential housing (under 120% of AMI), leveraging fee fund dollars with public and private investment dollars.

Summit Combined Housing Authority

The Summit Combined Housing Authority, a MJHA, was formed in 2002 through an inter-governmental agreement between the County and the Town of Silverthorne. In 2006, the IGA was amended to represent all jurisdictions within Summit County. Services provided by SCHA include homebuyer education, down payment assistance, Section 8 administration, deed monitoring, new development consultation, property management, and real estate sales. The Housing Authority is funded through a countywide 0.125 percent sales tax and $2.00 per square foot development impact fee, as well as fees for services and grants.

San Miguel County Regional Housing Authority

The SMRHA manages affordable housing programs on behalf of the Town of Telluride, San Miguel County, and Mountain Village. Programs include both rental (Section 8) and homeownership assistance, with a mission to preserve and increase the supply of housing for low, moderate, and middle income households. SMRHA also manages the deed restricted for-sale housing inventory to ensure homes are sold to qualified resident-buyers. The SMRHA is funded equally by San Miguel County, Telluride, and Mountain Village primarily through sales tax and general fund contributions.

Salida Housing Authority

The only housing authority in Chaffee County is the Salida Housing Authority, a City housing authority. It operates the 50-unit Mt. Shavano Manor property that houses seniors and people with disabilities. Currently it has one full time staff that manages Mt. Shavano Manor, and a volunteer Board of Directors. With an existing organizational structure in place, stakeholders should consider how or if the role of this agency could be expanded.

Recommendation: Because of its broader powers, a Multi-Jurisdictional Housing Authority is recommended for Chaffee County. It is however, recommended as a second or third step in addressing housing issues because of the time and complexity in forming it, the need for multijurisdictional cooperation, and the need for dedicated funding to maximize its potential. Housing Authorities can work effectively with non-profit organizations that are more flexible, as discussed in the next section.

MJHA's are not without challenges however. In any regional government or regional partnership, there are challenges in allocating funding and investment in an equitable way. For example, the Town of Breckenridge, a member of the Summit County MJHA, recently formed its owned housing authority for greater local control due to the fact that Breckenridge has more revenue available than the other jurisdictions.

Non-Profit Organizations

There are a wide variety of non-profit organization types that are involved in housing. A model that is becoming increasingly common is a non-profit with status with HUD and the IRS as a Community Housing Development Organization (CHDO), discussed in this section. The non-profit types described below are not mutually exclusive; an organization could carry out any of the functions described below according to its mission.

Housing Trusts

Housing trust funds (HTFs) are state, county or municipal organizations that may collect and disburse funds for constructing and operating affordable housing. There are over 700 trust funds in the U.S. Local trusts typically collect and disburse funds from a city's other housing programs, such as dedicated sales taxes, excise taxes, and cash in lieu payments (a fee in lieu of constructing units in a project) from IHO programs. A dedicated sustainable funding source is critical for a housing trust to have any significant impacts.

Community Land Trusts

Another organizational model, the community land trust (CLT), is a non-profit organization that provides permanently affordable housing units by acquiring land and removing it from the speculative for-profit real estate market. CLTs hold the land they own "in trust" in perpetuity for the benefit of the community by ensuring that is will always remain affordable for homebuyers. CLTs were enabled under Section 213 of the Housing and Community Development Act of 1992. There are currently over 250 CLTs in the U.S. including the Colorado Community Land Trust in Denver (formerly the Lowry Community Land Trust) and the Thistle Community Land Trust in Boulder.

A CLT typically acquires land for affordable housing in its designated community. The land is transferred to a developer and ultimately a homeowner under a long term land lease. The CLT generally leases the land to a qualified homeowner at a reduced rate to subsidize the housing unit price. It retains the option to repurchase the housing unit upon sale and the resale price is set by formula to give the homeowner a fair return on investment but also to maintain affordability for future homeowners.

Funding, annexation policy, and other land dedication exactions (noted above) are needed to bring land into a land trust. Several organizations that fall under the housing or land trust model are profiled below.

- **Jackson Hole Community Land Trust** was established in 1992 by a number of wealthy Teton County, Wyoming area residents. The Trust has an endowment of $5.6 million and has built nearly 100 deed-restricted workforce housing units. It has also acquired sufficient land to build an additional 57 housing units over the next three years.
- **Mountainlands Community Housing Trust (MCHT)** is a non-profit corporation founded in 1993 based on the belief that a safe and decent home is often a family's first step toward economic self-sufficiency. MCHT addresses the dual problems of housing affordability and availability on three fronts: acquisition and new construction of workforce housing, direct assistance in securing housing and needed basic services, and education and advocacy to promote housing policy. MCHT has $4.7 million in assets and has built or acquired 135 housing units in Summit County, UT (Park City area) for workforce housing.

- **Colorado Community Land Trust (CCLT)** is a 501(c)(3) nonprofit organization founded in 2002 with the mission of creating, and preserving in perpetuity, affordable home ownership opportunities for moderate income individuals and families. Originally called the Lowry Community Land Trust, CCLT initially focused on the redevelopment of the former Lowry Air Force Base. In 2006, the service area was expanded to include the entire Denver metro area. In general, CCLT ensures long-term afford ability by maintaining and owning the land and by limiting the resale price of the home, allowing the seller to benefit from some appreciation (25 percent return on equity) while still keeping the resale price affordable. It has a total of 189 properties, including two projects at Lowry – Maple Park, a 68 home development built in 2004 and Falcon Point, a 72 unit townhouse development built in 2007. To date, none of the homeowners have lost their homes through foreclosure.

- **The Housing Trust** is an independent community development 501(c)3 non-profit corporation based in Santa Fe and serving the northern New Mexico counties. The Trust was formed in 1992 by the City of Santa Fe, Enterprise Community Partners, and existing housing non-profit groups to provide an umbrella housing organization that could directly assist potential homeowners and work to obtain land, project financing, and other resources needed to accelerate affordable housing efforts in Santa Fe. The Housing Trust has produced 500 units of housing in Santa Fe and provided hands-on training and individual counseling for nearly 5,000 potential homeowners. To date, none of the 1,200 homeowners assisted through the Trust have lost their homes through foreclosure.

Deed Restrictions

Deed restrictions are powerful tools for maintaining permanent affordability. Even if the private market delivers housing in the 80 to 120 percent AMI range, it will become less affordable as the market appreciates. There is, in fact, a large risk that early buyers in low priced projects could flip their home at a significant profit. Many deed restrictions have appreciation caps to ensure permanent affordability. The downside is that in markets where buyers perceive that they can find other options, the appreciation cap is a deterrent as buyers may feel that they are potentially missing out on the appreciation gains.

While there are many types of deed restrictions, the simplest and least restrictive form is to restrict ownership to local resident wage owners, with no appreciation cap. This works to limit price appreciation to the range of what local residents can afford, rather than second home buyers.

Community Housing Development Organizations

A Community Housing Development Organization (CHDO) is a 501 C(3) non-profit recognized by HUD. As such, CHDOs are eligible to receive HUD funding through the Colorado State Division of Housing. Fifteen percent of HOME funds (HOME Investment Partnerships Program) are required to be allocated to CHDOs. A CHDO can receive approximately $35,000 per year for administration out of HOME funds, plus other competitive grants for housing development and other housing programs. Many CHDOs were formed in the 2000s and the funding is more competitive now. A housing authority can form a CHDO but it needs to create sufficient separation in the board, staffing, and funding structure to be recognized as a CHDO and separate organization from the housing authority.

As non-profit organizations, rather than a government, CHDOs have more flexibility to engage in broader housing activities than a housing authority. Because of their non-profit status, CHDOS also have access to funding sources, such as certain grant and foundation funding, that housing authorities do not. CHDOs can operate well in partnership with housing authorities, by partnering on development projects to pool funding sources and staff resources. When a housing authority is a partner in a CHDO development, the project can have tax exempt status which helps project cash flow and feasibility. CHDOs can develop real estate, own and manage property much like a private company. CHDOs can more easily partner with private developers and builders to build projects, and can more easily borrow money. A CHDO can also operate a land trust, or visa-versa.

Like any organization, funding is a constraint for CHDOs. CHDOs lack the powers of taxation that a MJHA has. Any number of revenue sharing and funding arrangements could be structured though between local governments, a MJHA, and a CHDO or other non-profit structure.

CHDOs must have a board comprised of one-third representation of the low-income community, and no more than a third from local government. This gives some control and influence to local government, but not as much as in a MJHA.

Recommendation: Establishing a CHDO or other non-profit structure including a CLT could be a good first step in creating an organization to promote the housing issue, and to pursue development and funding opportunities in Chaffee County. Initial funding could come from a combination of philanthropic donations, and contributions from local governments. Over time, CHDOs and other non-profits can build operating income through rental property income and fees on the sale of deed restricted homes. However, a sustainable operating funding source is needed; either an endowment or other local contributions.

If both a CHDO and MJHA - or other housing authority - is formed, there needs to be close communication and coordination in pursuing competitive funding. It is not efficient for two organizations to pursue the same competitive grants.

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Appendix

Appendix Table 1
Buena Vista Building and Impact Fees

Fee	Amount
County Building Permit Fee (Applies to All)	**$0.007 X $112.65/sf**
Buena Vista	
School Impact Fee (In Lieu of Dedication)	$354.00
Tap Fee: 3/4" Meter	$6,000.00
Buena Vista Sanitation District (kitchen, 2 BA, W/D, 18 fixt.)	$3,280.00
Total	**$9,634.00**
Salida	
School Impact Fee (In Lieu of Dedication)	$354.00
Tap Fee: 3/4" Meter	$8,512.00
Sewer Connection Fee	$5,206.00
Parks, Trails, and Open Space	$3,000.00
Total	**$17,072.00**
Poncha Springs	
School Impact Fee (In Lieu of Dedication)	$354.00
Transportation Capital Expansion Fee	$1,420.00
Tap Fee: 3/4" Meter [1]	$6,500.00
Tap and Meter Parts	$1,067.49
Sewer Connection Fee (Salida system)	$5,206.00
Total	**$14,547.49**

[1] May also include an additional $150 for a connection if lot is not stubbed out and $50 for inspection.

H:\163001-Chaffee County Housing Needs\Data\[163001-Building Cost 07-14-2016.xlsx]Fees

Appendix Table 2
Cost Components of a Single Family Home - Salida

Description	Factors		% of Home Price
Finished Lot Price	**$90,000**		**33.8%**
Vertical Construction			
Home Size	1,100 Sq. Ft.		
Hard Costs per Sq. Ft. (mat'l & labor)	$115/sq. ft.		
Hard Costs	**$126,500**		**47.5%**
Fees & Permits			
County Building Permit Fee	$867		
Tap Fee: 3/4" Meter	$8,512		
Sewer Connection	$5,206		
Parks, Trail, and Open Space	$3,000		
County Building Permit Fee	$867		
School Impact Fee (In Lieu of Dedication)	$354		
Fees & Permits	**$18,807**		**7.1%**
Summary			
Hard Costs	$126,500		47.5%
Design and Engineering	$3,500		1.3%
Builder Overhead and Profit on Hard Costs	$27,768	18%	10.4%
Fees and Permits	$18,807		7.1%
Finished Lot Price	$90,000		33.8%
Finished Home Price	**$266,575**		**100.0%**

Source: Economic & Planning Systems
H:\163001-Chaffee County Housing Needs\Data\[163001-Building Cost 07-14-2016.xlsx]Salida Cost

Appendix Table 3
Cost Components of a Single Family Home – Buena Vista

Description	Factors		% of Home Price
Finished Lot Price	**$40,000**		**19.1%**
Vertical Construction			
Home Size	1,100 Sq. Ft.		
Hard Costs per Sq. Ft. (mat'l & labor)	$115/sq. ft.		
Hard Costs	**$126,500**		**60.5%**
Fees & Permits			
County Building Permit Fee	$867		
Tap Fee: 3/4" Meter	$6,000		
Sewer Connection	$3,280		
County Building Permit Fee (Applies to All)	$867		
School Impact Fee (In Lieu of Dedication)	$354		
Fees & Permits	**$11,369**		**5.4%**
Summary			
Hard Costs	$126,500		60.5%
Design and Engineering	$3,500		1.7%
Builder Overhead and Profit on Hard Costs	$27,768	18%	13.3%
Fees and Permits	$11,369		5.4%
Finished Lot Price	$40,000		19.1%
Finished Home Price	**$209,137**		**100.0%**

Source: Economic & Planning Systems
H:\163001-Chaffee County Housing Needs\Data\[163001-Building Cost 07-14-2016.xlsx]BV Cost

Appendix Table 4
Cost Components of a Single Family Home –Poncha Springs

Description	Factors		% of Home Price
Finished Lot Price	**$60,000**		**25.6%**
Vertical Construction			
Home Size	1,100 Sq. Ft.		
Hard Costs per Sq. Ft. (mat'l & labor)	$115/sq. ft.		
Hard Costs	**$126,500**		**54.0%**
Fees & Permits			
County Building Permit Fee	$867		
Use Tax (2% of valuation X 50%)	$1,239		
School Impact Fee (In Lieu of Dedication)	$354		
Transportation Capital Expansion Fee	$1,420		
Tap Fee: 3/4" Meter [1]	$6,500		
Tap and Meter Parts	$1,067		
Sewer Connection Fee (Salida system)	$5,206		
Fees & Permits	**$16,654**		**7.1%**
Summary			
Hard Costs	$126,500		54.0%
Design and Engineering	$3,500		1.5%
Builder Overhead and Profit on Hard Costs	$27,768	18%	11.8%
Fees and Permits	$16,654		7.1%
Finished Lot Price	$60,000		25.6%
Finished Home Price	**$234,422**		**100.0%**

Source: Economic & Planning Systems
H:\163001-Chaffee County Housing Needs\Data\[163001-Building Cost 07-14-2016.xlsx]Poncha Cost