The Economics of Land Use

Final Report

Custer County Housing Needs Assessment

Part of the Upper Arkansas Area Council of Governments Housing Needs Assessment

Prepared for:
Upper Arkansas Area Council of Governments
Custer County, Colorado

Prepared by:
Economic & Planning Systems, Inc.

EPS #183036

July 1, 2019

Economic & Planning Systems, Inc.
730 17th Street, Suite 630
Denver, CO 80202-3511
303 623 3557 tel
303 623 9049 fax

Denver
Los Angeles
Oakland
Sacramento

www.epsys.com

Table of Contents

List of Tables

List of Figures

THIS PAGE INTENTIONALLY LEFT BLANK

1. Background and Purpose

This regional Housing Needs Assessment was prepared by Economic & Planning Systems (EPS) for the Upper Arkansas Area Council of Governments in partnership with Custer County, Fremont County, and Park County. The purpose of this report is to:

- Document the economic and demographic conditions that contribute to housing issues;
- Evaluate the housing market to document housing costs compared to incomes, and identify market trends that will continue to affect housing affordability;
- Identify local factors in each county contributing to housing challenges and creating local opportunities;
- Recommend policies and strategies for each county that will have the greatest impact on addressing the identified housing issues.

Individual Housing Needs Assessments were completed for each county, and the three studies comprise the final report. Each document shares an introductory and concluding chapter, along with an individualized assessment of demand factors, supply factors, and housing affordability affecting the community.

Project Overview

This report provides a targeted analysis of the local housing market and community context, which then informs recommendations of strategies and policies specific to the local context. This report is presented in four sections:

- Demand Factors: An analysis of the factors affecting demand for housing, including population and household characteristics and employment and wage trends. This chapter includes a summary of the outreach conducted as part of this study.
- Supply Factors: An analysis of the factors affecting the supply of housing, including an overview of existing housing stock and market trends for both ownership and rental housing.
- Housing Development Strategies: An analysis of housing opportunities within the county and ways to expand the supply with affordably priced product.
- Tools and Strategies: A summary of the local factors that affect the market and need for housing, which serve as the context for the selected tools for implementation. The tools and strategies have been tailored for each county, based on the local context and relative need.

It is important to note that the recommendations are intended to expand the approach within the local communities, and may be most effective if implemented over time. Regarding next steps, it is recommended that elected officials, community stakeholders, and local staff members prioritize actions based on the degree of support. Creating effective housing strategies requires community-wide support, which can be developed incrementally. The goal of these documents is to broaden the awareness of the need, increase the understanding of the options available to address the need, and equip communities to adopt actions to solve problems before the need becomes severe. Based on the experience of other communities in Colorado, there is an incremental nature to multifaceted housing programs and some of the most successful communities have built their programs over time, one program at a time.

Regional and Housing Context

Park, Fremont, and Custer Counties—the three geographies that are the focus of this study—have distinct contexts and each manifest housing needs in different ways.

- Custer County, given its natural beauty and proximity to the Sangre de Cristo Range, is a natural destination for residents seeking homes close to the mountains, many of whom are second home owners. Their impacts can be challenging as they put pressure on the housing supply and yet are only present to contribute to the economy during certain times of the year. Additionally, as a retirement destination the county has an aging population. The area faces challenges in attracting and retaining new workers that are exacerbated by housing challenges. To address these challenges, new development that is targeted to the local workforce should be the focus within municipal boundaries where infrastructure is available and scaled costs can be achieved.
- Fremont County has the largest employment and population base of the three areas. The area has experienced slow growth in both population and housing, with an extended period of slow/no new housing development. Fremont County has recently expanded its employment base and is also attracting a large share of retirees, given the value presented by the local housing market. As a result of this pressure, housing costs in the area have risen dramatically in the recent past, and households relying on local wage levels are finding fewer and fewer options (particularly renters). Within this backdrop of increasing costs, decreased quality of housing has become a more frequently cited problem. Financial challenges are a barrier to new housing development; however, there are a number of local opportunities—including labor force availability, land availability, and partnerships—that should be utilized to address housing challenges.

- Park County has the largest area of the three counties, a characteristic that creates distinct needs and opportunities across the various submarkets of the county. The Bailey area is facing challenges related to the Denver Metro area real estate and employment market, while the Fairplay and Alma area is facing issues related to its proximity to Summit County. Commuting plays a large role throughout the county, and so the needs of local residents are often distinct from the needs of local employees. Because housing availability and affordability are challenging in nearly all submarkets of the county, local wage-earners (those employed within Park County) are particularly challenged. There are strong local opportunities for both partnerships and policy changes to address housing issues, particularly for local employees.

Although each of the three counties is unique, there are also commonalities among the communities. For example, the role of housing as a basis for economic development is central to all three areas, as well as the need to alleviate pressure on the market, providing greater breadth of housing opportunity, housing quality, and ultimately stabilizing costs.

Why Focus on Housing?

Housing provides shelter, safety, and security; the availability of safe, quality, affordable housing is critical for all populations. In addition, provision of housing for everyone in a community has ripple effects throughout an economy. When there is sufficient and appropriate housing available, businesses can attract and retain employees, the region can support new businesses, and the economy is able to grow and develop. Additionally, when employees at all wage levels can afford housing in the community the area is able to successfully provide other services such as education, healthcare, childcare, and recreation. A strong housing context benefits existing residents and employees, future residents and employees, the local economy, and overall growth and success of the area.

Affordability Defined

Affordable housing generally refers to housing that costs a household no more than 30 percent of its income. “Affordable housing” can also be used as a specific term to refer to an official program and/or use of funds for housing, often for a targeted population or income bracket. Affordability is specified in terms of the Area Median Income (AMI), which represents the income level at which half the households in the community earn below and half the households in the community earn above. For example, housing affordable to a household at 100 percent AMI would mean that a household earning exactly the Area Median Income spends no more than 30 percent of that income on housing. A variety of terms are often used in relation to affordable housing. The most common terms are defined below.

Area Median Income (AMI): Households are categorized by income as a percent of the area median.

Cost Burden: A household that spends over 30 percent of income on housing is considered to be cost-burdened.

Affordable Housing: A general term for housing that is “affordable” to a given household (i.e. less than 30 percent of income is spent on housing costs).

Very Low Income Housing: Housing that is affordable to households earning between 30 percent and 50 percent of AMI.

Low Income Housing: Housing that is affordable to households earning between 50 percent and 80 percent of AMI.

Workforce Housing: Housing that is affordable to households earning between 80 percent and 100 percent of AMI.

Attainable Housing: Housing that is affordable to households earning more than 100 percent of AMI.

How to Use this Document

This document is intended to be a guide for the community, housing developers, elected and appointed officials, staff from public agencies, and other community advocates. This is both a needs assessment and a framework for action; it identifies needs and sets a direction for implementing goals and objectives related to housing. Implementation of this plan requires the joint participation and coordination of multiple partners, including towns, cities, counties, utility and other infrastructure providers, the development community, and the communities at large. Specific applications for these groups include:

- **Community Members –** The goals and objectives presented here cannot happen without the support of the broader community. Stakeholders should ensure frequent communication with the community at large, articulating the priorities, goals, and objectives outlined to create an understanding of what types of housing are needed and can be expected over time. This dialogue should also address feasibility and readiness as it relates to setting priorities.
- **Developers –** Many of the action items of this strategy will fall to developers to execute. The process of 'going vertical' with a housing project requires a developer to gauge risk, underwrite accordingly, construct, and then sell or manage the ongoing operations. This document should be used to help guide this process, informing decisions throughout such that the end product achieves the desired community housing goals.
- **Elected and Appointed Officials –** One of the challenges with housing, and affordable housing in particular, is integrating the prioritized principles across multiple categories of decision making. Land use policy, infrastructure funding opportunities and priorities, public finance approvals, land acquisition and assemblage, and partnership formation are several examples that tend to be completed in isolation of broader community objectives. Ideally, however, these will be completed within the framework of adopted priorities related to housing. An integrated approach has the potential to achieve a more effective and longer lasting impact on the community.
- **Public Agency Staff –** An important opportunity for staff from cities, towns, counties, and other agencies and entities is to integrate the direction identified in this document into the day-to-day planning of projects and decision making. Ensuring the integration of these priorities across multidisciplinary entities will be critical to the long term success of affordable housing development.

THIS PAGE INTENTIONALLY LEFT BLANK

2. Demand Factors

This chapter provides an economic and demographic overview of Custer County, focusing on population and household characteristics, economic conditions, and feedback from outreach including interviews and a survey of local employers. These data form the baseline for the "demand factors" of housing, determining community need, quantifying housing issues and preferences, and identifying priority action areas.

Population Characteristics

Custer County's total 2018 population was 4,885. The county grew by 630 residents from 2010 to 2018, annual growth of 1.7 percent or 79 new residents per year, as shown in **Table 1**. Overall population growth in the county has been relatively steady since 2000; compared to 1.7 percent annual growth from 2010 to 2018, the county's population grew by 2.0 percent annually from 2000 to 2010. Most growth (80 percent) since 2000 was in unincorporated areas of the county.

Table 1. Custer County Population Growth, 2000-2018

Description	2000	2010	2018	2000-2010 Total	2000-2010 Ann. #	2000-2010 Ann. %	2010-2018 Total	2010-2018 Ann. #	2010-2018 Ann. %
Population									
Silver Cliff	525	587	620	62	6	1.1%	33	4	0.7%
Westcliffe	424	568	605	144	14	3.0%	37	5	0.8%
Unincorp. Custer County	2,554	3,100	3,660	546	55	2.0%	560	70	2.1%
Custer County Total	**3,503**	**4,255**	**4,885**	**752**	**75**	**2.0%**	**630**	**79**	**1.7%**

Source: ESRI; Economic & Planning Systems

There were 2,243 households in Custer County in 2018. From 2000 to 2010, the county added 445 households, an average of 45 households per year or 2.7 percent annual growth, as shown in **Table 2**. Growth slowed from 2010 to 2018, during which time the county added 318 households, an average of 40 households per year or 1.9 percent annual growth.

Custer County has a lower average household size than the state, at 2.11 persons per household compared to 2.52 for the state overall. In Silver Cliff this is lower than the county average, at 1.94 persons, while Westcliffe has a higher average household size than the county, with 2.47 persons per household. Countywide, average household size decreased from 2.36 in 2000 to 2.13 in 2010, and then further decreased to its current level of 2.11. This trend is also seen in the ratio of population growth to household growth over this time period. Silver Cliff, with the lowest average household size, also had the lowest ratio of population to household growth over both 2000 to 2010 (0.93 new residents per one new household) and 2010 to 2018 (1.57 new residents per one new household). Westcliffe, with the highest average household size, also had the highest ratio over these time periods, with 3.51 new residents per new household from 2000 to 2010 and 2.18 new residents per new household from 2010 to 2018.

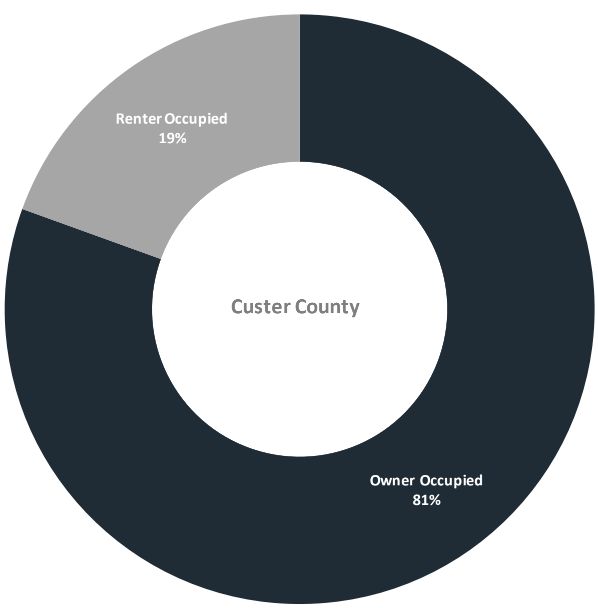
Table 2. Custer County Household Growth, 2000-2018

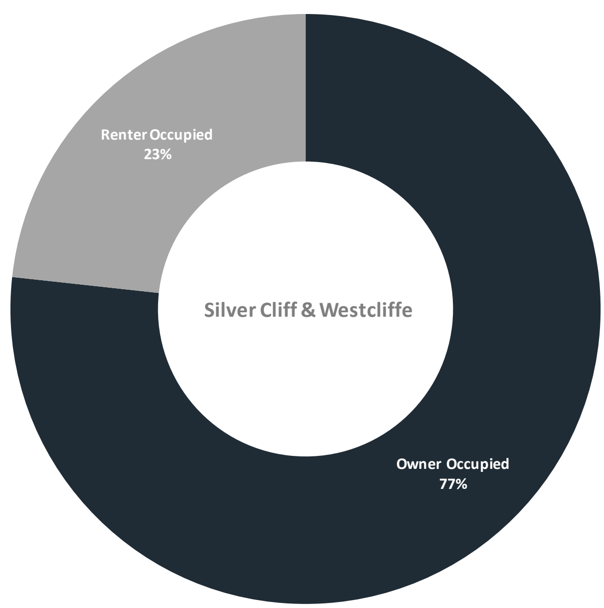
Description	2000	2010	2018	2000-2010 Total	2000-2010 Ann. #	2000-2010 Ann. %	2010-2018 Total	2010-2018 Ann. #	2010-2018 Ann. %
Households									
Silver Cliff	230	297	318	67	7	2.6%	21	3	0.9%
Westcliffe	159	200	217	41	4	2.3%	17	2	1.0%
Unincorp. Custer County	1,091	1,428	1,708	337	34	2.7%	280	35	2.3%
Custer County Total	**1,480**	**1,925**	**2,243**	**445**	**45**	**2.7%**	**318**	**40**	**1.9%**

Source: ESRI; Economic & Planning Systems

Countywide 81 percent of households own their homes, while 19 percent rent. This is a much higher rate of ownership than the state as a whole, where 64 percent of households own their homes and 36 percent rent. The proportion of renters is slightly higher within the towns, at 23 percent for both Silver Cliff and Westcliffe as shown in **Figure 1**. Of the 81 percent of households in the county that own their homes, 49 percent do not have a mortgage. This is also a much higher rate than the state, where 29 percent of households that own their homes do not have a mortgage.

Figure 1. Housing Tenure, 2018



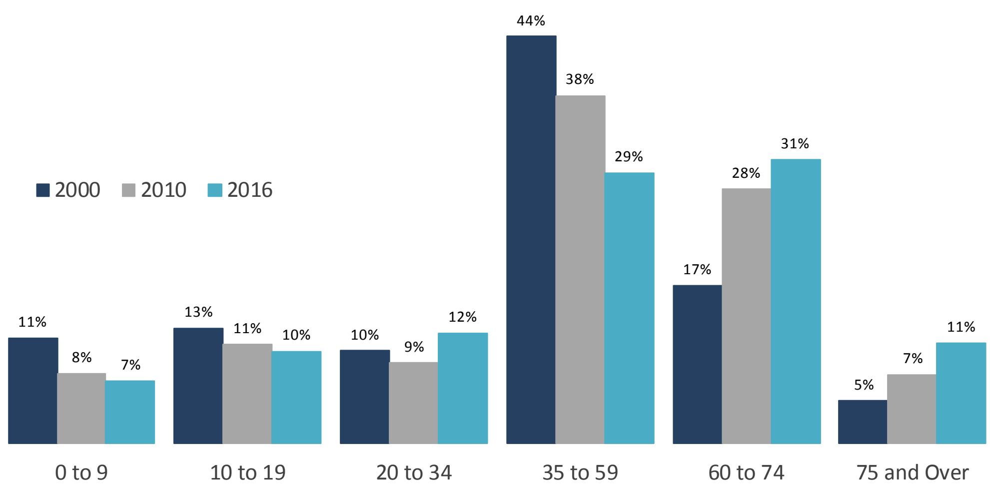


Source: ESRI; Economic & Planning Systems

Aging Population

Custer County has a significantly older median age (57 years) than Colorado as a whole (36 years), and overall population growth since 2000 has been most significant in residents aged 60 and older; this group now accounts for 42 percent of the population, compared to 22 percent in 2000, as shown in **Figure 2**. Alongside the increase in population aged 60 and older, there has been a decrease in the population under the age of 20, from 24 percent of the population in 2000 to 17 percent in 2016. Over this same time, the population aged 20 to 34 increased slightly from 10 to 12 percent of the total population, while the population share of residents aged 35 to 59, oftentimes the core workforce, decreased from 44 percent to 29 percent.

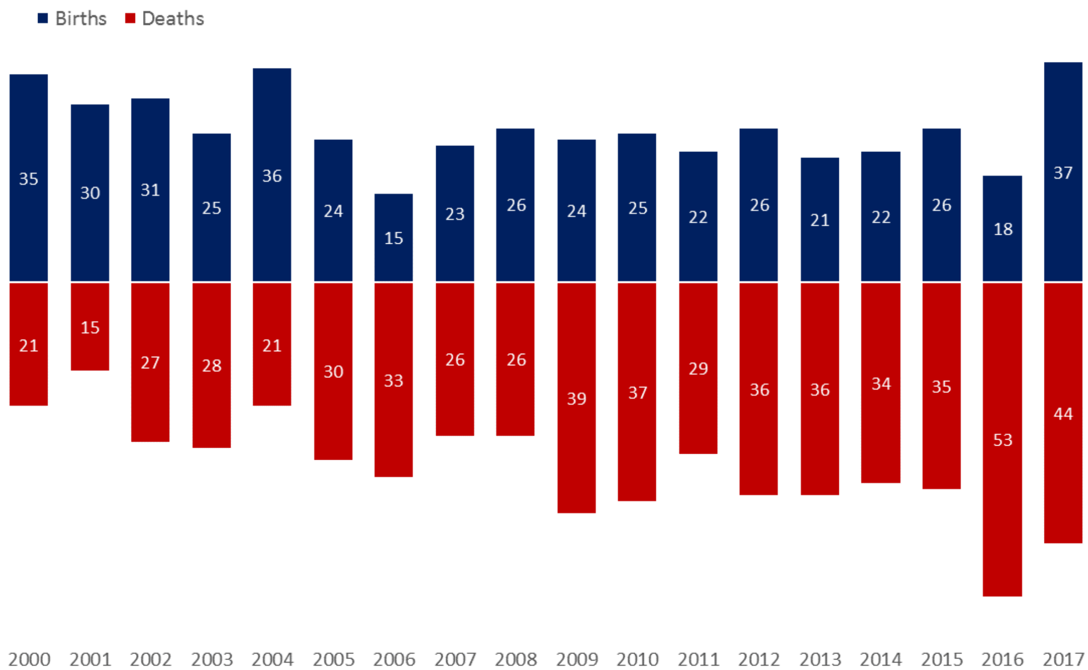
Figure 2. Population by Age



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

The aging of the population without concurrent growth in younger age cohorts affects the overall dynamics of growth in the county. Births and deaths for Custer County from 2000 to 2017 are shown in **Figure 3**. In general, an area with more births than deaths in a given time period is growing, while more deaths than births indicate a shrinking population. The most recent year the county experienced more births than deaths (a "natural increase") was 2004. Since then, with the exception of 2008 when deaths and births were equal, deaths have consistently outpaced births (a "natural decrease"). This is a trend the State Demography Office projects will continue through 2050. Given this characteristic, the county is reliant on in-migration for population growth.

Figure 3. Births and Deaths, 2000 - 2017



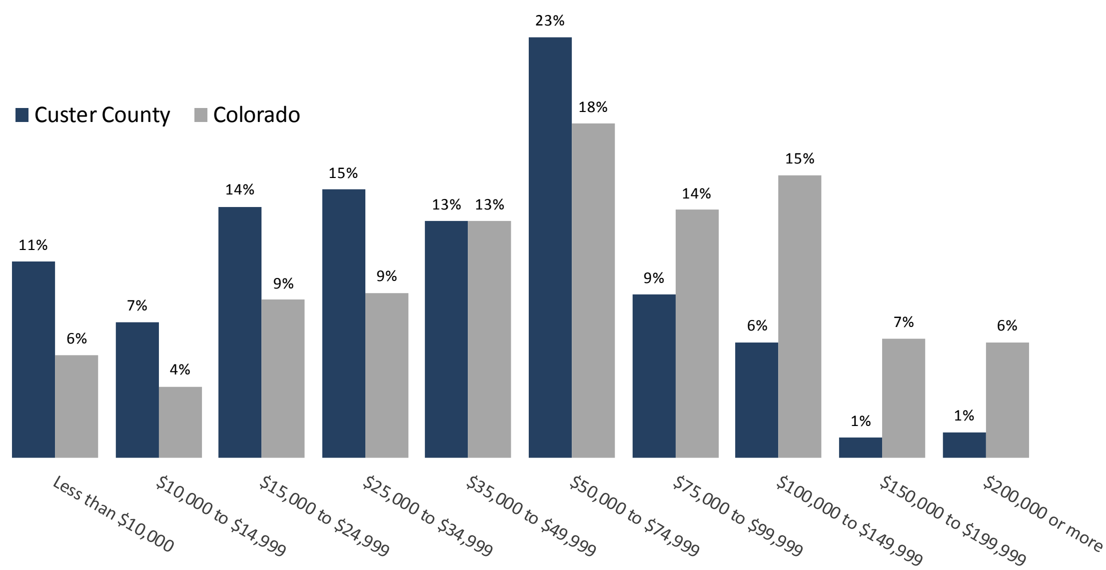
Source: DOLA; Economic & Planning Systems

Income and Employment

Household Income

The median household income in Custer County is $38,600, which is 38 percent lower than the state's $62,520 median. As shown in **Figure 4**, the largest income cohorts are households earning $50,000 to $74,999 (23 percent of households) and $25,000 to $34,999 (15 percent of households). The county has a higher proportion of households earning under $25,000 per year than the state, at 32 percent compared to 19 percent, while 42 percent of households across the state earn over $75,000 annually, compared to only 17 percent in Custer County.

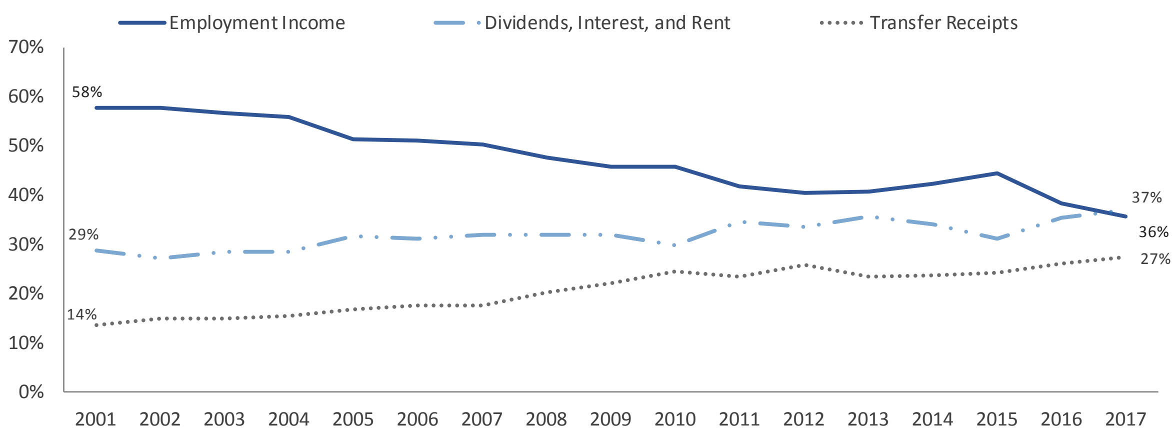
Figure 4. Population by Income



Source: US Census; Economic & Planning Systems

Household income is earned from a variety of sources, and the composition of these income sources provides additional community context. As shown in **Figure 5**, in Custer County only 36 percent of income comes from employment, a decrease from 58 percent of income in 2001. Transfer Receipts (government payments such as Social Security and other forms of social assistance, which often indicates an older or low-income population) increased to 27 percent of income, up from 14 percent in 2001, and income from dividends, interest, and rental payments increased from 29 percent to 37 percent of income. This form of income, now the largest source of income in the county, includes pension payments, and this characteristic is consistent with an older population. This income composition is significantly different from the state overall, where 65 percent of income comes from employment, 13 percent from transfer receipts, and 22 percent from dividends, interest, and rent.

Figure 5. Income by Source



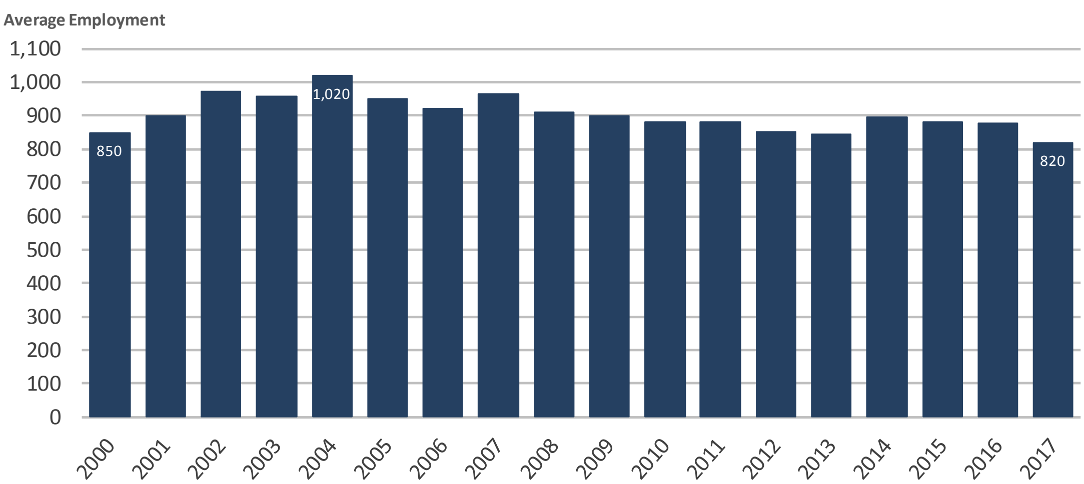
Source: Bureau of Economic Analysis; Economic & Planning Systems

Employment

Total employment is comprised of two categories - "wage and salary" employment, meaning someone works for an employer who provides them a paycheck, and "proprietor" employment, meaning the person works for themselves (e.g. owns their own business). In Custer County, 60 percent of total employment is proprietors, a significantly higher proportion than the statewide average of 26 percent.

In 2017, the county had approximately 820 wage and salary jobs. This employment has fluctuated between 2000 and 2017, with year-over-year job change ranging from 8 percent growth from 2001 to 2002 to 7 percent decline from 2004 to 2005, as shown in **Figure 6**. Over this time period the county saw a high of 1,020 jobs in 2004 and reached its lowest employment level in 2017, at 820 jobs. Long-term job growth has been relatively flat, with a total of 820 jobs in 2017 similar to 2000 employment of 850.

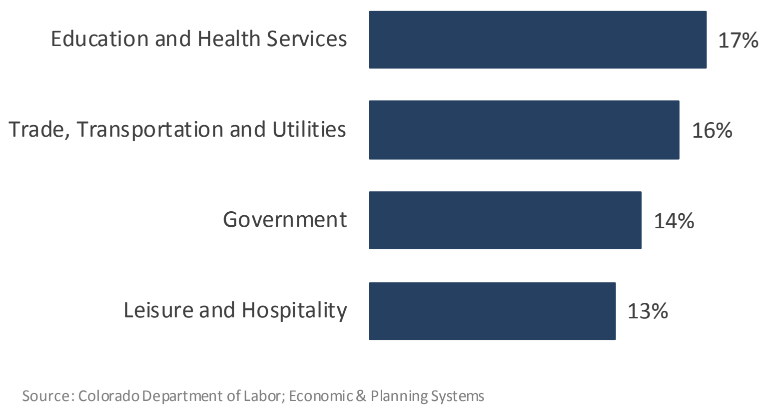
Figure 6. Wage and Salary Employment, 2000-2017



Source: BLS 2nd Quarter; Economic & Planning Systems

Of the county's wage and salary employment, the largest employment sectors are Education & Health Services (17 percent of jobs), Trade, Transportation & Utilities (16 percent), Government (14 percent), and Leisure & Hospitality (13 percent), as shown in **Figure 7**. These four sectors comprise 60 percent of all wage and salary jobs in the county. For confidentiality reasons, while all employment is included in the county total, industry-level employment data is not available for Educational Services, Finance and Insurance, Management, and Utilities; these sectors combined account for 14 percent of county employment.

Figure 7. Top Employment Sectors

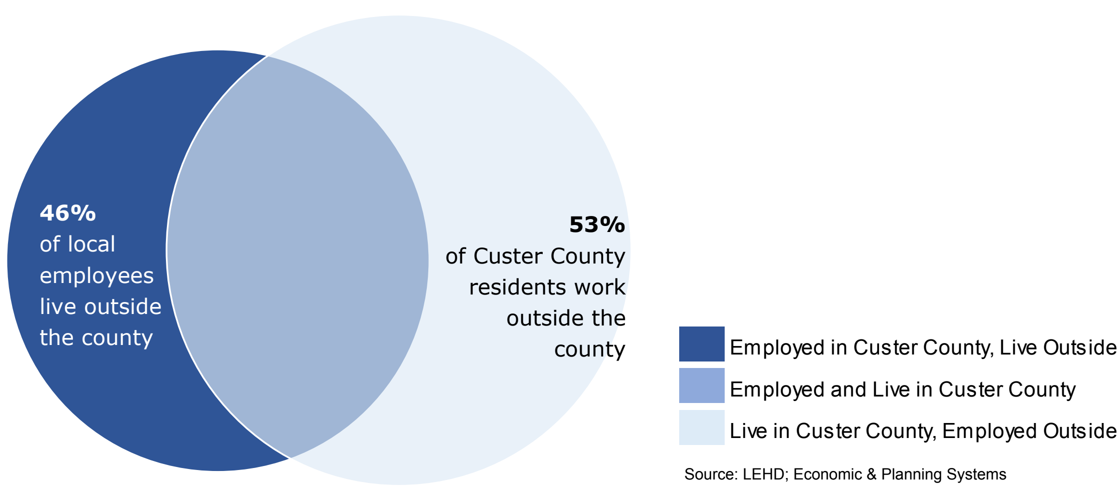


The average annual wage (excluding proprietors) in Custer County is approximately $31,500 per year, or just over $15 per hour. Highest average wages in the county are paid in Trade, Transportation & Utilities ($50,615) and Manufacturing ($48,620); lowest average wages are in Leisure & Hospitality ($12,792).

Commuting

According to the US Census, 53 percent of Custer County residents working wage and salary jobs commute out of the county for work, as shown in **Figure 8**. The two largest destinations for out-commuting are Pueblo and Cañon City, each accounting for 4 percent of out-commuting. Almost half (46 percent) of employees in Custer County commute in from other areas; Colorado Springs and Pueblo each account for 7 percent of in-commuting.

Figure 8. Commuting Patterns



Outreach

In addition to data collection and analysis, a number of outreach activities were conducted throughout this study to gather feedback directly from community members affected by housing issues. This outreach had two main components:

- **Employer Survey:** A web survey of major employers in the county, to better understand how housing issues are affecting their business and recruitment.
- **Interviews:** A series of interviews to hear directly from key community organizations, focused on employers facing significant needs related to housing.

Employer Survey

A survey of major employers in Custer County was conducted in partnership with the Custer County Economic Development Corporation; results were collected from January 8th through January 22nd, 2019.

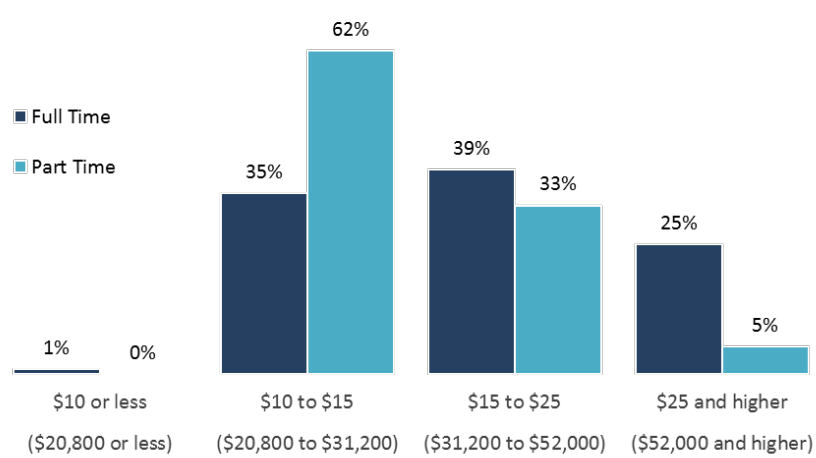
Respondent Characteristics

Eleven employers, representing 125 employees, responded to the survey; these employees account for 15 percent of the county's workforce. The number of employees varied greatly among respondents. Larger respondents included a government entity and a retail establishment, while several professional and service-oriented businesses with one or two employees also responded.

Wages and Recruitment

Hourly wages reported for full-time and part-time employees are shown in **Figure 9**. Thirty-nine percent of all reported full-time positions fell into the $15 to $25 per hour range ($31,200 to $52,000 annually). One-quarter of full-time employees earn more than $25 per hour, and 35 percent make between $10 and $15. One full-time position was reported at under $10 per hour ($20,800 annually). The majority (62 percent) of part-time positions fell into the $10 to $15 range, while one third of part-time positions were reported at $15 to $25 per hour.

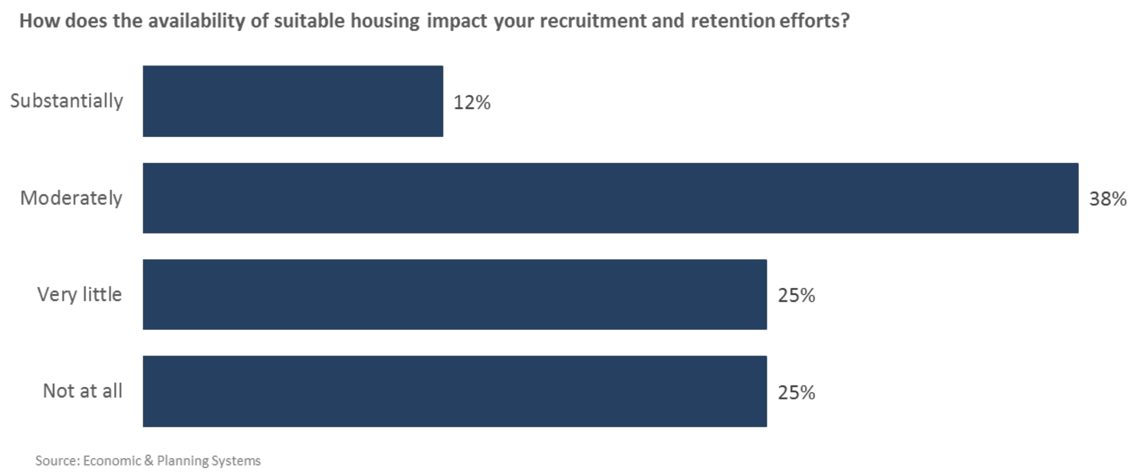
Figure 9. Employer Survey: Wage Distribution



Source: Economic & Planning Systems

The survey asked employers "How does the availability of suitable housing impact your recruitment and retention efforts?" As shown in **Figure 10**, half of respondents are substantially or moderately affected, while half reported being affected very little or not at all.

Figure 10. Employer Survey: Impact on Recruitment



Respondents were also asked, "What is the relative degree of the housing problem today compared to in the past?" Most respondents feel the problem is worse or substantially worse than in the past, as shown below:

- Substantially worse than in the past (9 percent)
- Worse than in the past (55 percent)
- About the same (27 percent)
- Not as bad (9 percent)

When asked about the optimal price range that would help employees find housing, responses for rental housing ranged from $520 to $820 per month. This rent would be affordable to an individual earning between $20,800 and $32,800 per year; approximately 36 percent of reported full-time positions fall into this range (with a substantial percentage falling above this range). Approximately 62 percent of reported part-time positions fall into this wage range. Responses for purchase price ranged from $91,100 to $186,100; a salary between approximately $27,200 and $47,900 would be needed to purchase a home in that price range.

Additional Outreach

Additional outreach was conducted with major local employers to gain a deeper understanding of the housing issues and opportunities that they are seeing in the community. Feedback from this outreach focused on a number of key themes:

- **Local salaries are lower than surrounding areas**, making it difficult for employers to compete with other areas to recruit and retain employees. Salaries also do not match prices in the local housing market. Given the high number of residents moving to the area with externally earned incomes, it is difficult for those employed locally to compete for housing.
- **There are significant challenges in retention of young employees.** Employers indicated that the county is often a temporary location for young employees, who often arrive directly out of school. These employees stay for a few years, however low salaries or lifestyle desires lead them to leave for larger or more centrally located areas. It was noted, however, that these employees still need somewhere to live while they are working locally, and finding that housing – particularly housing that is both quality and affordable - is challenging.
- There are housing inventory shortages (particularly rental housing), as well as affordability challenges with the inventory that exists. Many local employees commute into the county; while some of these employees live elsewhere by choice, some of this commuting is due to availability and price of locally available housing. Employers noted that available rentals are often poor quality, and those who would like to buy cannot find quality homes within their price range. The inventory available cannot compete, in terms of both quality and price, with nearby areas. Additional issues, such as availability and quality of internet service, compound these challenges.
- **Challenges are not only related to growth, but in maintaining the status quo.** Challenges are being faced currently, within existing income levels and relative to the existing housing supply. These challenges exist regardless of if and how the community grows.
- **Employers are interested in partnering on housing development** to help them address these challenges and provide housing for their employees. While interest exists, however, challenges will be in funding and implementing a project.

Demand Factors: Key Findings

There are a number of demand factors affecting the market in Custer County. Much of this demand is driven by second homeowners and retirees moving into the county, creating distinct challenges for local employers and local wage earners. Housing demand trends include:

- **The county's population is older and has fewer children than the state overall.** With 42 percent of the population over age 60 and this segment of the population growing faster than others, the majority of housing demand in the county is related to the needs of this group.
- **The county is growing through the in-migration of residents, rather than births, and these residents tend to be older.** The county is reliant on in-migration for growth; however, these in-migrants are typically not households who are also members of the workforce. The lack of stability in the labor force is a central issue for economic growth as well as the capacity to deliver services to the local population.
- **A growing trend within the community is the inflow of dollars from non-wage sources.** Thirty seven percent of local income is earned from dividends, interest, and rent rather than from employment, an increase from 29 percent in 2001; income earned from employment has decreased from 58 percent to 36 percent since 2001. This data reflects the challenges for employees earning local wages to compete in the housing market.
- **Local employers are challenged to compete for employees.** Interviews indicated that local employers are challenged to recruit *and retain* their staff. Recent arrivals into Custer County frequently move on. Employers reported issues including wage levels, housing costs, and housing availability as contributing to this challenge.

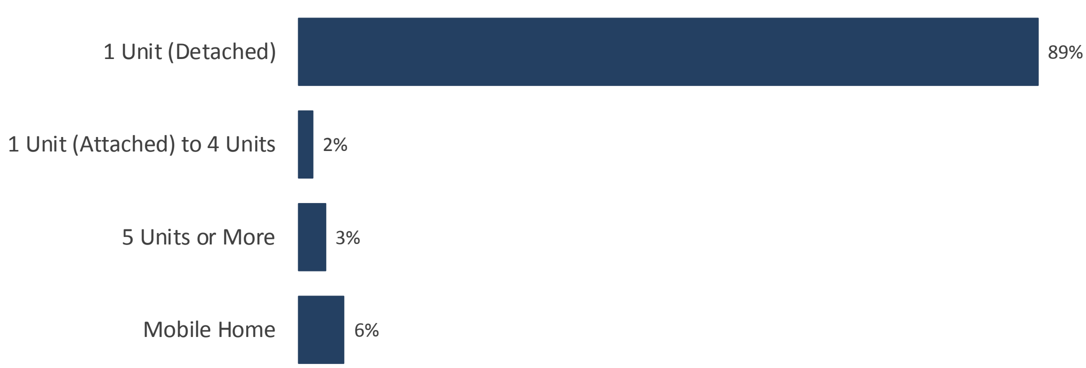
3. Supply Factors

This chapter provides an overview of the housing stock and housing market in Custer County, including analysis of existing housing units as well as sale prices and trends. These data form the baseline for the "supply factors" of housing need, outlining the existing housing inventory and market considerations for additional housing development.

Housing Inventory

Custer County had approximately 4,350 housing units in 2018; 83 percent of those homes were in the unincorporated areas of the county. As shown in **Figure 11**, most housing in Custer County (89 percent) is single family detached homes, while mobile/manufactured homes comprise 6 percent of the housing stock.

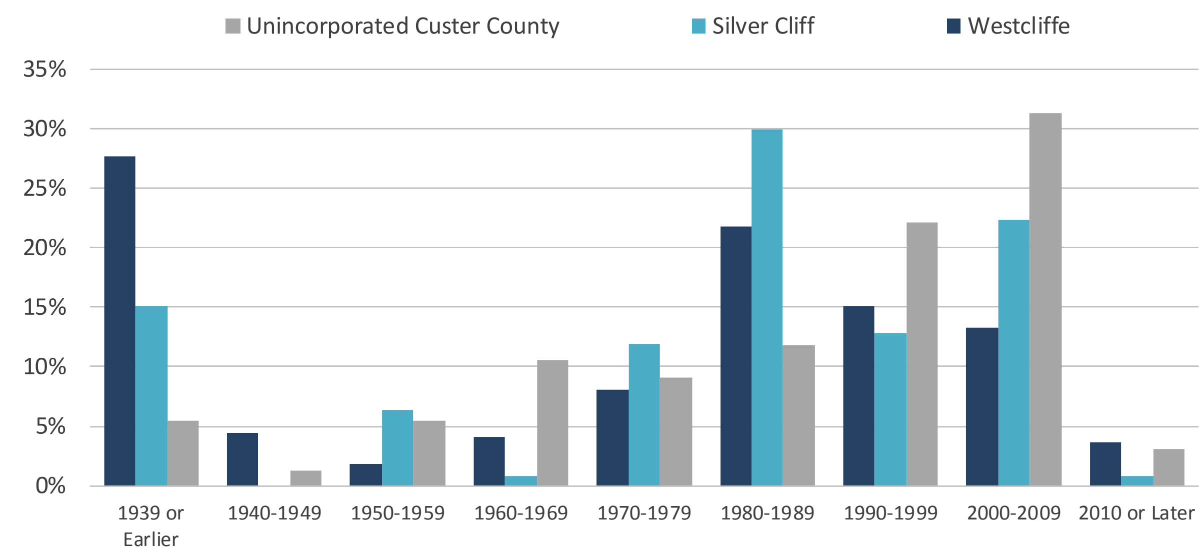
Figure 11. Housing Unit Type



Source: US Census; Economic & Planning Systems

Custer County overall has a relatively new housing stock, with 67 percent of all units built after 1980. Westcliffe has an older housing stock than the rest of the county; 28 percent of homes in Westcliffe were built prior to 1940, compared to 8 percent in the overall county, as shown in **Figure 12**. Silver Cliff experienced a construction surge in the 1980s, with 30 percent of homes built in that decade, followed by unincorporated Custer County in the 1990s and 2000s, with 53 percent of homes built between 1990 and 2009.

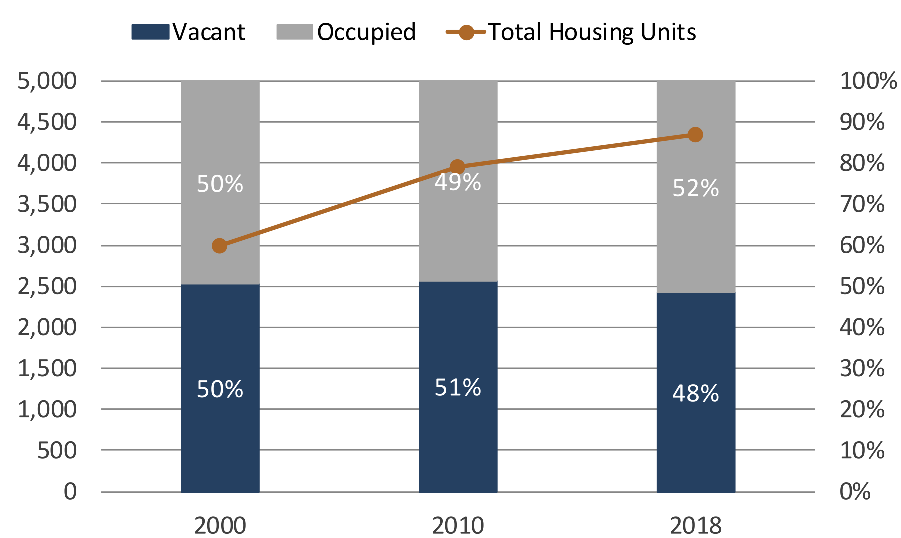
Figure 12. Housing Stock by Year Built



Source: US Census; Economic & Planning Systems

Countywide, 48 percent of housing units are classified as vacant, as shown in **Figure 13**. This rate has remained relatively consistent since 2000. In general, a vacancy rate of between 5 and 10 percent is considered an indicator of a healthy housing market. A vacancy rate this high indicates a high prevalence of second homes, where the homes are "vacant" for much of the year but not available as part of the housing market.

Figure 13. Housing Vacancy and Units



Source: ESRI; Economic & Planning Systems

Another indicator of second home development is the relationship between housing unit growth and household growth. As shown in **Table 3**, Custer County added over twice as many housing units as households between 2000 and 2010, indicating a large amount of second home construction. While this disparity narrowed between 2010 and 2018, the county nonetheless consistently has around twice as many housing units than year-round resident households.

Table 3. Housing Unit and Household Growth

				2000-2010			2010-2018		
	2000	2010	2018	Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
Custer County									
Households	1,480	1,925	2,243	445	45	2.7%	318	40	1.9%
Housing Units	2,989	3,956	4,349	967	97	2.8%	393	49	1.2%
Housing Units to Households Ratio	*2.02*	*2.06*	*1.94*	*2.17*			*1.24*		

Source: ESRI; Economic & Planning Systems

In addition to general growth trends, building permit data was analyzed in order to document recent housing development. This data is summarized in **Table 4**. Between 2008 and 2018, Silver Cliff added a total of 74 housing units, an average of seven new units per year. Two thirds of these units were single family homes, while one third were multifamily units (duplexes and fourplexes). Westcliffe added 32 housing units between 2010 and 2018, an average of four units per year. Nearly all of these (28 units) were single family homes, and the four multifamily units that were constructed were apartments built by the school district, targeted to teachers. Data was unavailable for unincorporated Custer County.

Table 4. Building Permit History

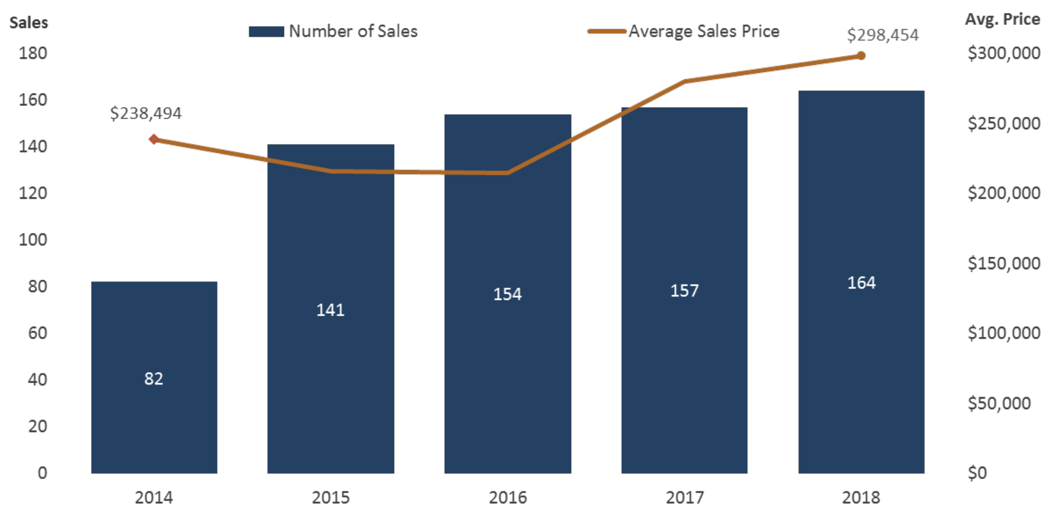
Building Permits (Units)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total	Ann. #
Silver Cliff													
Single Family	5	5	3	8	5	5	4	3	5	5	2	50	5
Multifamily	0	8	8	0	0	0	0	0	4	4	0	24	2
Total	**5**	**13**	**11**	**8**	**5**	**5**	**4**	**3**	**9**	**9**	**2**	**74**	**7**
Westcliffe													
Single Family	N/A	N/A	4	4	3	3	0	2	3	2	7	28	3
Multifamily	N/A	N/A	0	0	0	0	0	0	2	2	0	4	0
Total	**N/A**	**N/A**	**4**	**4**	**3**	**3**	**0**	**2**	**5**	**4**	**7**	**32**	**4**

Source: Town of Silver Cliff, Town of Westcliffe; Economic & Planning Systems

Home Sales

To analyze the housing market, a database of home sales in Custer County from 2014 to 2018 was utilized. Overall trends in sales volume and price over this time are shown in **Figure 14**.

Figure 14. Home Sales Trends, 2014-2018



Source: MLS: Economic & Planning Systems

As shown in **Table 5**, the county experienced a significant increase in home sale volume alongside a decrease in average price from 2014 to 2015. Since 2015, prices and market activity have steadily increased, reaching 164 home sales with an average sale price of $298,500 in 2018. As shown, the median sales price (the value where half of homes sold for below that price and half sold above) has been consistently lower than the average sales price. This indicates that the market has a significant volume of sales at the high end, with fewer mid-range homes, thereby raising the average home price. With the exception of 2017, this gap has remained fairly steady, indicating that all market levels are moving in step.

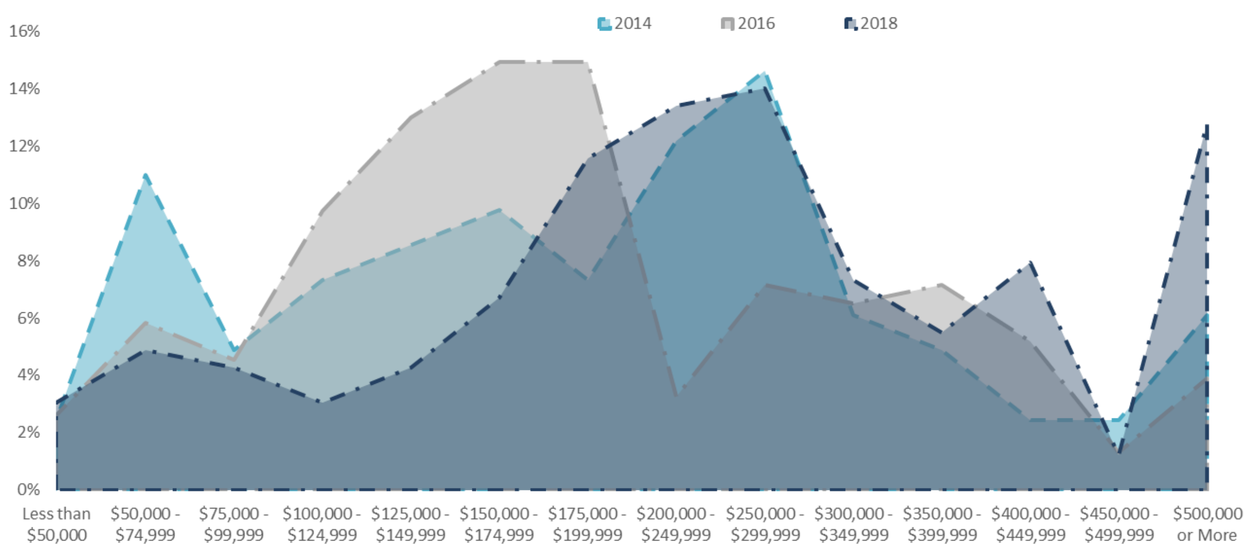
Table 5. Home Sale Trends, 2014-2018

Description	2014	2015	2016	2017	2018
Number of Sales	82	141	154	157	164
Average Sales Price	$238,494	$215,575	$214,380	$279,961	$298,454
Median Sales Price	$190,000	$160,000	$172,500	$250,000	$245,000

Source: MLS; Economic & Planning Systems

As shown in **Figure 15**, the core of the market has shifted since 2014, with sales activity consistently trending towards higher prices each year. In 2014, 51 percent of sales were under $200,000 and only 11 percent over $400,000. By 2018 there had been a clear market shift, as only 38 percent of sales were under $200,000, while 22 percent of homes sold for more than $400,000. Between 2014 and 2018 average home prices increased by nearly $60,000, an average increase of 5.8 percent per year.

Figure 15. Home Sales by Price, 2014-2018



Source: MLS: Economic & Planning Systems

Rental Market

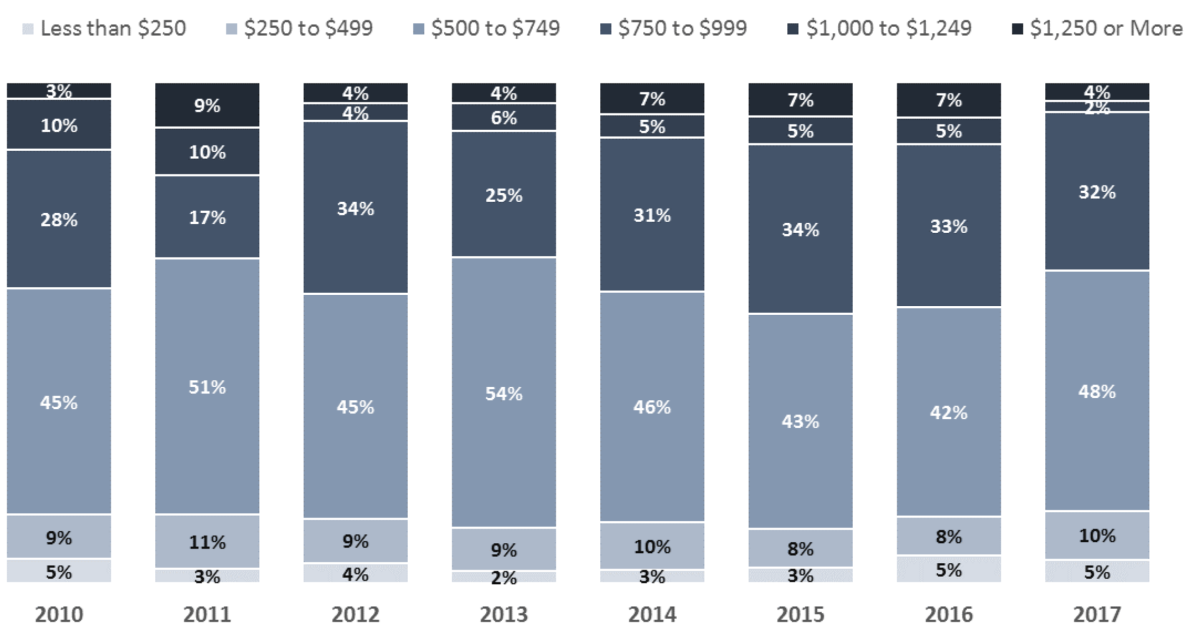
Data for rental housing is not as readily available as ownership housing. While the U.S. Census reports rents for area units, the data lags by a few years and does not always accurately reflect the reality of the housing market today. In an effort to characterize the current issues and challenges facing the rental market, EPS periodically checked Craigslist for rental listings over the course of this study; however, not enough listings were posted to reach conclusions on price and inventory.

To give an overview of rental trends, census data on unit rents is shown for the years from 2010 to 2017 in **Figure 16**. In 2017, 15 percent of rental units cost less than $500 per month, while 48 percent cost between $500 and $750, 32 percent cost between $750 and $1,000, and the remainder rented for over $1,000 per month. This distribution of unit costs has been relatively consistent since 2010; between 2010 and 2017, an average of 13 percent of rental housing cost under $500, 47 percent cost between $500 and $750, and an average of 41 percent of units rented for over $750 per month.

While this data shows general consistency in rent levels, it does not account for the quality of units or additional costs – particularly utility costs. While outreach conducted throughout this project identified the price of rental housing as a moderate concern, the availability of units, quality of rental housing, and utility costs were raised as more significant concerns.

The data show that the market could not support higher rents over this time frame, likely due to the fact that local wages are not increasing. Unlike ownership housing, at least half of which is driven by second home owners and another portion driven by retirees bringing equity with them, rentals are generally geared to local employees. It appears that there is a correlation between flat rents and flat wages. More importantly, as noted above, the extent of deferred maintenance, the quality of the available housing, and the related costs to occupying rental housing make the need that much more acute.

Figure 16. Rental Units by Price, 2010-2017



Source: US Census; Economic & Planning Systems

Housing Affordability

Housing is considered "affordable' when a household spends no more than 30 percent of income on housing costs. For the purposes of this affordability analysis, three levels of local wages were used to estimate affordability, as detailed in **Table 6**:

- $23,000 per year (minimum wage of $11.10 per hour): Many employees at the Custer County Medical Center earn this wage.
- $31,000 per year ($15 per hour): Average wage for an employee at the Sheriff's Department.
- $45,000 per year ($21.60 per hour): Average wage for a teacher at Custer County Schools.

As shown, a local employee earning the minimum wage, or $23,088 per year, can afford rental payments of $577 per month, or a home up to $72,900. An employee earning $31,200 per year ($15 per hour) can afford $780 in monthly rent, or a $110,700 home, and an employee earning $45,000 per year can afford $1,125 in rent or a home up to $172,500.

Table 6. Maximum Rent and Purchase Price by Salary Level, Single Wage Earner

Description	Salary Level Minimum Wage *$11.10/hour*	 Avg. Sheriff Dept. *$15.00/hour*	 Avg. Teacher *$21.60/hour*
Salary	$23,088	$31,200	$45,000
Monthly Rental Maximums at 30%	$577	$780	$1,125
Supportable Monthly Payment			
Less: Insurance	-$125	-$125	-$125
Less: Property Taxes	-$30	-$40	-$70
Less: Miscellaneous (e.g. HOA Dues)	-$50	-$50	-$50
Net Supportable Mortgage Payment (Monthly)	$372	$565	$880
Valuation Assumptions			
Loan Amount	$69,300	$105,200	$163,900
Mortgage Interest Rate	5.0% int.	5.0% int.	5.0% int.
Loan 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
Maximum Supportable Purchase Price	**$72,900**	**$110,700**	**$172,500**

Source: Economic & Planning Systems

While many younger employees have single-earner households, there are many local employees at these wage levels in households with a second wage earner. Affordability levels for these households are shown in **Table 7**. A household with 1.5 wage earners is modeled, assuming one full-time earner at the specified salary level and one part-time (20 hours per week) earner at minimum wage ($11.10 per hour). As shown, a local household with the primary earner at minimum wage (household income of $34,632) can afford rental payments of $866 per month, or a home up to $125,700. A household with the primary earner at the Sheriff's Department average salary (household income of $42,744) can afford $1,069 in monthly rent, or a $163,500 home. A household with the primary earner at the average teacher salary (household income of $56,544 per year) can afford $1,414 in rent or a home up to $225,300.

For this affordability analysis, the multiple-earner household income is used for home ownership affordability, while the single-earner income is used for rental affordability.

Table 7. Maximum Rent and Purchase Price by Salary Level, 1.5 Earner Household

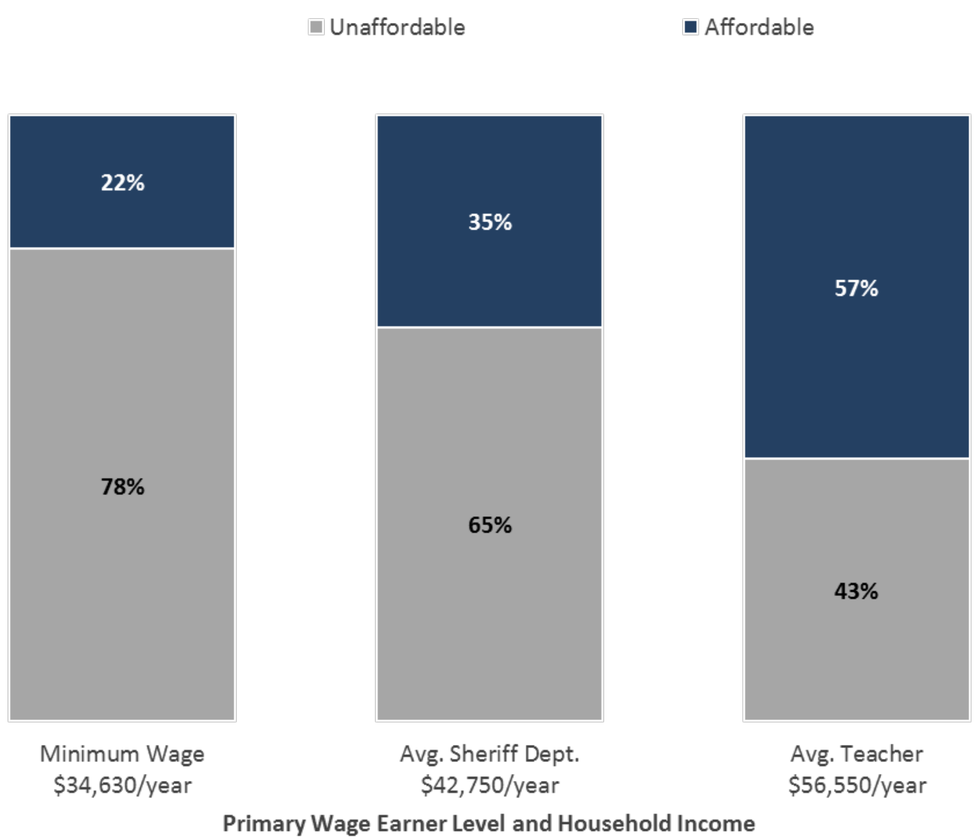
Description	Salary Level Minimum Wage *1.5 Wage Earners*	 Avg. Sheriff Dept. *1.5 Wage Earners*	 Avg. Teacher *1.5 Wage Earners*
Household Income	$34,632	$42,744	$56,544
Monthly Rental Maximums at 30%	$866	$1,069	$1,414
Supportable Monthly Payment			
Less: Insurance	-$125	-$125	-$125
Less: Property Taxes	-$50	-$60	-$90
Less: Miscellaneous (e.g. HOA Dues)	-$50	-$50	-$50
Net Supportable Mortgage Payment (Monthly)	$641	$834	$1,149
Valuation Assumptions			
Loan Amount	$119,400	$155,300	$214,000
Mortgage Interest Rate	5.0% int.	5.0% int.	5.0% int.
Loan 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
Maximum Supportable Purchase Price	**$125,700**	**$163,500**	**$225,300**

Source: Economic & Planning Systems

Homeownership

The distribution of recent home sales by affordability to a 1.5 earner household is shown in **Figure 17.** As shown, for sales occurring between 2014 and 2018 a household with the primary wage earner earning the minimum wage, or a household income of $34,632 per year, could afford only 22 percent of the housing inventory. A household with the primary wage earner a typical employee of the Sheriff's Department, with a household income of $42,744 per year, could afford 35 percent of homes, while a household with a teacher earning the average salary of $45,000 could afford 40 percent of homes sold over this time.

Figure 17. Home Sales by Affordability



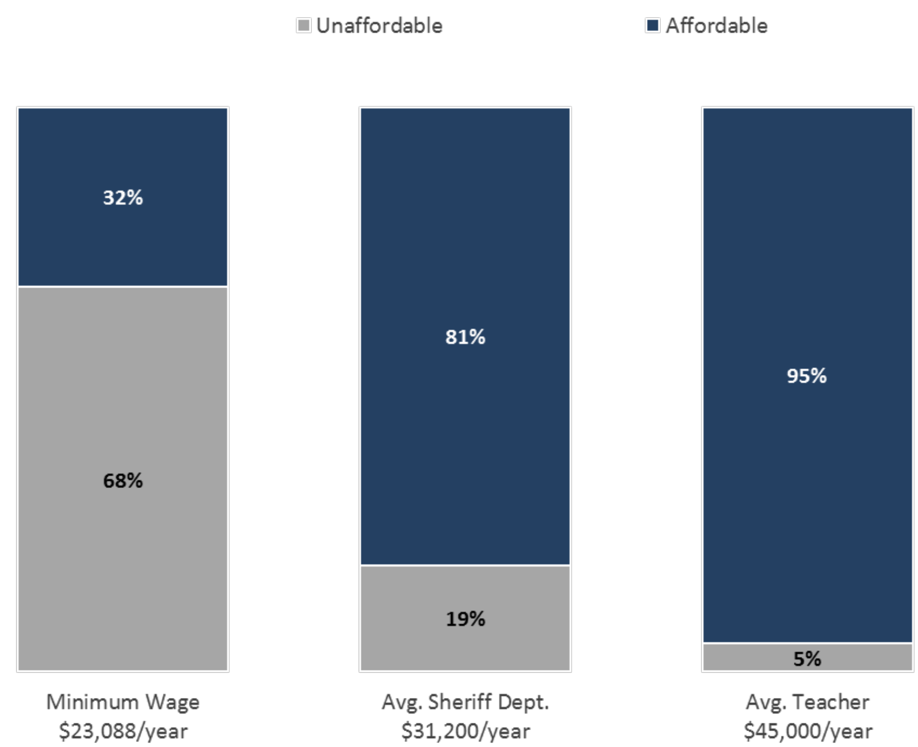
Source: MLS; Economic & Planning Systems

Rental

The distribution of rental units by affordability (using 2017 reported rents) is shown in **Figure 18**. A local employee earning the minimum wage, or $23,088 per year, could afford 32 percent of rental units. A typical employee of the Sheriff's Department, earning $31,200 per year, could afford 81 percent of units, while a teacher earning the average salary of $45,000 could afford 95 percent of rental units. Note that this data accounts for all units, not only those available, and so while it provides an overview of the affordability of the rental market it is not an indication of whether these units are available for move-in. Additionally, this data only accounts for rental costs, and does not include utility costs or consider the quality of the units being rented.

As noted previously, the fact that rental costs are stagnant is likely a reflection of larger economic conditions. The issues related to rental housing are accentuated in the overall supply and need for options as well as the quality and need to address deferred maintenance.

Figure 18. Rental Units by Affordability



Source: MLS; Economic & Planning Systems

Supply Factors: Key Findings

The Custer County housing market is driven in large part by second homeowners and retirees moving into the county, creating significant impacts for the local workforce. Housing supply trends include:

- The Custer County housing market has three distinct housing components—second homes, retirees moving in, year-round local employees. These three groups have different housing needs, and while the market is meeting the needs of second homeowners and retirees well, it is not adequately meeting the needs of year-round local employees.
- Home prices have been increasing since 2015. The average sales price in 2018 was nearly $300,000 – a 38 percent increase from the average sale price of $215,575 in 2015. While more homes are selling in higher price ranges than at more affordable levels, this general trend in prices is occurring in all segments of the market.
- Rental housing costs have remained relatively flat, however there are concerns related to quality, availability, and utility costs of rental housing. While data on local rents indicates that rental rates have not been increasing in the same way that home prices have, there are significant issues related to the available, quality, and additional costs (such as utilities) of the local rental housing inventory.

THIS PAGE INTENTIONALLY LEFT BLANK

4. Housing Development Strategy

Community outreach conducted as part of this study indicated that interest in housing runs high. Many community members recognize the need for better housing solutions, with benefits that accrue to employers, individual households, and the community as a whole.

Because Custer County has far less development momentum than elsewhere in the region, this Housing Strategy is more focused on a potential development project, analogous to the recent successful development by the School District. The final chapter of this report includes a full range of tools, provided as part of the combined housing study for the three counties. While these have a broader application in the region, the focus in this section is on local opportunity.

The purpose of this chapter is to provide an additional layer of clarification regarding housing viability, with specific insight on "where," "what," and "how much" with implications for local action. Accordingly, the information provided below has been assembled to create direction for the community with clarity around these questions.

This chapter is organized around the following issues, and provides information on impediments and ways to overcome development challenges. Five components of development are considered:

1. Services and Infrastructure
2. Development Sites
3. Cost of Development
4. Market Identification
5. Development Opportunities

Services and Infrastructure

To help create efficiencies among stakeholders who are advocating for additional housing, members of the community should focus any future housing development in areas that can currently be serviced by Round Mountain Water and Sanitation District.

New development is significantly constrained by the availability of infrastructure and services. Round Mountain Water and Sanitation District services Silver Cliff and Westcliffe; outside of this service area, the costs of well and septic systems will significantly increase the cost of new development. Within the Round Mountain District, however, an aging system presents significant challenges to increasing demand for service through new development.

Round Mountain currently has capacity to serve approximately 200 additional housing units; however, service provision is limited by infrastructure capacity, including carrying capacity of pipes, storage capacity of tanks, and water pressure capability. According to the District, areas with capacity for development include Zone 3 in Silver Cliff (between Butler and Emery), Westcliffe Filing 2 (which has trunk infrastructure to the area, but would require onsite infrastructure), and certain subdivisions north of Westcliffe that have water and sewer service. The District indicated that between six and eight housing units on one site (for multifamily development) is the most that can be supported by the current infrastructure system.

Development Sites

A range of dispersed parcels in Silver Cliff or a concentration of vacant lots in Westcliffe could be considered for housing development, based on sufficient capacity and proximity of utility lines.

While there are a number of vacant, developable sites available in both Silver Cliff and Westcliffe, as well as around the county, the availability of infrastructure and services should be a guiding factor for new housing development. Two types of development sites are available—platted lots (mostly available in Silver Cliff), and larger tracts of land that may include multiple parcels under separate ownership and require assembly (available in Westcliffe). There are a number of vacant, dispersed lots in Silver Cliff within the service area and capacity of Round Mountain Water and Sanitation; there is also a larger area of development potential in Westcliffe, also within the service area of Round Mountain Water and Sanitation. These two areas present different, but complementary development opportunities. In terms of land costs, a sample of vacant lots averaged $15,000 per lot in value.

Cost of Development

Labor and materials costs are a challenge to building lower-cost housing. Because of the strong market for higher-cost housing, partnerships, grants, or other incentives will likely be necessary in order to successfully develop housing affordable for local employees.

A major impediment to constructing housing at affordable prices is the cost of development. While labor and materials costs have been increasing across the state, these increases are acutely felt in mountain and rural communities. Land costs in the county are moderate; however, the costs of materials and labor significantly affect the overall cost of housing development.

Materials costs are higher locally in part due to the county's location outside a major market. Feedback from builders indicated that materials, such as lumber, bought locally are generally between 30 to 40 percent more expensive than purchasing from larger suppliers. However, the distance from larger suppliers makes it difficult to develop good relationships; this leads local builders to purchase materials locally, thereby increasing the cost of the final product. It should be noted that local purchasing helps drive local sales tax revenues, which is helpful, but nevertheless, drives housing costs up.

Labor is a challenge both in terms of cost and availability. Across the construction market there is a labor shortage – this results both in higher costs and longer project times, which creates additional overhead costs. If local contractors can be found, the costs associated with that labor can be between 100 and 150 percent higher than contractors from larger areas.

Infrastructure costs are not yet a hindrance to development; however, the availability of existing infrastructure is becoming limited. Round Mountain Water and Sanitation District has limited ability to extend water and sewer lines to lots not already connected to the system, and builders are generally unwilling to take on that cost. This reinforces the need to focus development on vacant lots with infrastructure already in place.

While most homes in the area are being built for $250 per square foot or higher, one builder indicated that it is possible to build and sell for under $200 per square foot, and as low as $170, while still making a profit. The challenge, however, is to make this an appealing option to a builder when there is a strong market for higher-cost homes.

Market Identification

There is demand for two types of housing locally—affordable, quality rental units and affordable single family homes. Addressing these two market components—rental and ownership, priced for local employees—will help the County in recruitment and retention of employees.

Most new home development in the county is targeted to retirees moving in or second homeowners. These buyers tend to be able to afford higher-cost housing, which is what the market has been providing. The local need that is not currently being met is for housing affordable to the local workforce. To quantify this need, the same three wage levels used in the affordability analysis presented earlier have been shown below in **Table 8.** Rental housing that is targeted to meet the needs of these employees would range from $577 to $1,125 per month, based on single-earner household incomes. For-sale housing targeted to meet the need to these employees would range from $125,700 to $225,300, based on 1.5 earner household incomes.

Table 8. Target Rent and Purchase Price, Single Earner Household

Description	Salary Level Minimum Wage *$11.10/hour*	 Avg. Sheriff Dept. *$15.00/hour*	 Avg. Teacher *$21.60/hour*
1.0 Wage Earner			
Salary	$23,088	$31,200	$45,000
Monthly Rental Maximums at 30%	$577	$780	$1,125
1.5 Wage Earners			
Salary	$34,632	$42,744	$56,544
Supportable Monthly Payment			
Less: Insurance	-$125	-$125	-$125
Less: Property Taxes	-$50	-$60	-$90
Less: Miscellaneous (e.g. HOA Dues)	-$50	-$50	-$50
Net Supportable Mortgage Payment (Monthly)	$641	$834	$1,149
Valuation Assumptions			
Loan Amount	$119,400	$155,300	$214,000
Mortgage Interest Rate	5.0% int.	5.0% int.	5.0% int.
Loan 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
Maximum Supportable Purchase Price	**$125,700**	**$163,500**	**$225,300**

Source: Economic & Planning Systems

Rental Development

Based on feedback from local employers, a development of between four and eight rental housing units would likely alleviate immediate housing concerns and be an appropriate size for the Custer County market. **Table 9** summarizes the type of development that could be built for this market, assuming a 6-unit development with single person household tenants—two tenants earning minimum wage, two tenants earning the average Sheriff's Department wage, and two tenants earning an average of the three wage levels utilized. Note that Custer County Schools recently completed a 4-unit housing development with preference for teachers as tenants. In this scenario, while units would be available for teachers, none are specifically set aside.

As shown, with this income and unit mix, accounting for 20 percent operating expenses, 5 percent financing costs, and $15,000 in land costs, average unit size would range from 610 to 808 square feet (variable based on construction costs). These units could be distributed in a number of ways; for example, two efficiency units of 450 square feet each, two 1-bedroom units of 600 square feet each, and two 2-bedroom units of 800 square feet each.

Table 9. Maximum Apartment Size for New Development

Description	Factor		Value
Monthly Rent	*Rent/Unit*	*Units*	
Minimum Wage	*$577*	*2*	$1,154
Avg. Sheriff Dept.	*$780*	*2*	$1,560
Average Local Employee	*$827*	*2*	$1,655
Total		**6**	**$4,369**
Less: Operating Expenses	*20%*		$874
Net Operating Income			
Per Month			$3,495
Annual			**$41,944**
Property Value	*5% financing costs*		$838,886
Less: Land Costs	*$15,000*		**$823,886**
Development Size			
Property Value			$823,886
Divided By: Construction Cost (per sq. ft.)			
		$170	4,846
		$200	4,119
		$225	3,662
Average Unit Size	*6 Units*		
$170 construction cost			**808 sq. ft.**
$200 construction cost			**687 sq. ft.**
$225 construction cost			**610 sq. ft.**

Source: Economic & Planning Systems

The findings from this evaluation of the market for a potential project, the scale, the unit mix, and cost implications on development size are based on a number of factors which have been grounded in the local market conditions. Tradeoffs are inevitable with housing development in the local Custer County market, given the costs. Smaller units are needed to lower costs, and the unit sizes shown above are reasonable, if on the lower side of market conditions outside the county. It will be important to recognize the need for supportive land use regulations. Accommodating density is a central theme in many recommendations related to increasing the housing supply, and it applies in Custer County as well. Construction costs are a major driver and finding alternatives (such as modular and/or panelized systems) can bring down costs and potentially increase viability.

Ownership Development

In addition to rental units, there is demand for an increased supply of lower cost ownership housing. A challenge in building for-sale housing is meeting affordability needs given the constraints of construction costs. **Table 10** summarizes the maximum home sizes that can be developed at levels affordable to each of the three example local employees – a minimum wage earner, a typical Sheriff's Department employee, and a typical teacher. These calculations assume a household with one full time earner at the specified wage level, and one part time (20 hours per week) wage earner at minimum wage. As with the hypothetical rental housing, potential development is modeled at three levels of construction costs. As shown, including $15,000 in land costs, a household including a teacher and a part time minimum wage earner (the highest earning household in this scenario) could afford a home of between 935 and 1,200 square feet (dependent on construction costs). While homes of 1,100 to 1,200 square feet are likely to sell, homes smaller than this may not have market traction. For these households, it may be necessary to utilize a different housing typology (e.g. attached homes, such as townhomes) or a different building typology (e.g. modular housing, constructed off-site, shipped, and assembled on-site) in order to reduce costs.

Table 10. Maximum Home Size for New Development

Description		Salary Level		
		Minimum Wage *1.5 Wage Earners*	Avg. Sheriff Dept. *1.5 Wage Earners*	Avg. Teacher *1.5 Wage Earners*
Salary		$34,632	$42,744	$56,544
Monthly Rental Maximums at 30%		$866	$1,069	$1,414
Maximum Supportable Purchase Price		$125,700	$163,500	$225,300
Home Size				
Purchase Price:		$125,700	$163,500	$225,300
Less: Land Costs	*$15,000*	$110,700	$148,500	$210,300
Divided By: Construction Cost (per sq. ft.)				
	$170	651	874	1,237
	$200	554	743	1,052
	$225	492	660	935
Maximum Home Size		**651 sq. ft.**	**874 sq. ft.**	**1,237 sq. ft.**

Source: Economic & Planning Systems

Development Opportunities

A scaled and phased development with employer partnerships, in an area currently served by water and sewer infrastructure and within the service capacity of Round Mountain Water and Sanitation District, is the most immediate development opportunity that should be pursued.

Given the infrastructure constraints and the identified target market of local employees earning up to $45,000 per year, the most immediate and achievable development opportunity is between four and eight rental units in an area currently served by water and sewer infrastructure and within the service capacity of the Round Mountain Water and Sanitation District.

New housing development has inherent market risks; while there is demand for lower cost housing in the county, reducing market exposure will make a lower-profit development more palatable to a builder. Employer interest in participating in housing for their employees can be leveraged for this. Similar to the apartments recently constructed by Custer County Schools, a phased development (where units are built consecutively, and can thus be occupied as they are built) will help mitigate risk. Development that is scaled according to partnership opportunities will also be helpful. Under this strategy, employers could master lease units, guaranteeing that they are available for employees. If, for example, a 6-unit development is built with two units each for two employers, then the builder is only taking on the risk of the remaining two units (built for the general population).

Additional Considerations

Based on the local context in Custer County, additional considerations for development include:

- **Utility Costs:** While rent may be affordable for a local employee, utility costs can quickly result in unaffordable housing costs. Development should be planned with utility efficiency in mind, and expected utility costs considered as part of the overall affordability of the development.
- **Partnerships:** As noted, one of the most significant challenges to realizing this development is finding and combining the resources to make it happen. Funding, financing, building, and tenants are all components where partnerships are likely needed. Local banks may be able to assist with construction lending and project financing, while a nonprofit builder (which could absorb a lower profit margin) may be a key partner on construction. Local employers can partner on tenanting the units. All of these partnerships would combine to improve project feasibility.
- **Funding Strategies:** Local development costs make affordable housing development challenging. Additionally, local resources are currently strained and there is limited, if any, opportunity for public funds to assist with development. Grants may be the most feasible funding strategy, and the towns and County should jointly explore grant proposals to aid in this housing development.

5. Local Factors, Tools, and Strategies

Local Factors

There are a number of distinct local factors that characterize the housing challenges and opportunities in each county. This section outlines these factors, which are based on the data analysis and community feedback gathered through this study and are used to inform the strategy recommendations in this chapter.

Fremont County

Escalating Costs and Decreasing Quality

There has been little new housing construction recently in Fremont County. This is affecting housing needs in a number of ways. With little new supply coming online, prices (both rents and sale prices) are increasing for existing inventory. However, as there is limited competition from new product, there is no incentive for investment in existing property. This has led to quality concerns with current housing stock. Inventory shortages are being felt across the full spectrum of housing, from apartments to duplexes and fourplexes to townhomes and single family detached homes, and at all price points.

New Development Challenges—Construction Costs and Financing

There are significant financial impediments to new residential construction in Fremont County. High construction costs and the proximity of the Denver Metro area, where higher real estate values enable higher wages for construction labor, make any new development challenging. Additionally, local builders and developers are facing challenges in financing new development—particularly land acquisition and construction loans. This financing challenge is creating additional impediments to new residential construction.

Strong Local Opportunities

While there are significant local challenges affecting housing, there are also significant opportunities available locally in Fremont County to address housing issues.

Labor Opportunity: Construction labor costs are a challenge to development across the state. Fremont County has two large resources to address this. At a small scale, the Home Bi-Ed program through the Fremont RE-2 School District can partner on small developments that students can work on. At a larger scale, the local presence of inmate employment programs, such as Colorado Correctional Industries (CCI), can potentially be utilized to focus on housing. While site-built housing may not be able to benefit from this, modular or panelized housing that is manufactured in a facility and then transported and assembled on site presents an opportunity to utilize this labor pool for local development, as well as to provide housing to other parts of the state. Not only does this approach leverage local labor and a unique competitive advantage of Fremont County, it does so in such a way to create an affordable housing product and creates an economic development opportunity for the County. If successful, this effort could be scaled up to provide housing products for areas across the region.

Development Opportunity: The availability of land is often the greatest impediment to housing development. Fremont County has a significant opportunity in this regard, as there are many existing platted lots and developable areas of land around the county. To utilize this opportunity, zoning changes may be needed in order to increase the diversity of housing stock, and the financial challenges to new development will need to be overcome. There are simultaneous opportunities alongside new housing development to enhance the "quality of place" in the county—for example, prioritizing retail diversity, access to medical services, arts and entertainment, and other amenities that would draw new residents into the area.

Partnership Opportunity: With local employers acutely feeling the housing issues facing the County, there are opportunities for employers to partner in new housing development. This would allow employers to ensure a set number of housing units available for their employees, and help the developer by guaranteeing demand for a certain portion of units (whether the employer purchases them or master leases them for employees).

Park County

Distinct Needs and Opportunities by Area

Park County is geographically large and has distinct areas with distinct local contexts, from Bailey and its relation to the Denver Metro area to Lake George near the Colorado Springs area to Fairplay and Alma and their relation to Breckenridge and Summit County. This geographic diversity affects economic and housing conditions, and means that needs and opportunities are diverse across the county. In the Bailey area there is a lack of housing diversity; however, infrastructure limitations (particularly reliance on well and septic services and recent updates to these requirements) create challenges to implementing new types of housing development. In the central county, infrastructure and service limitations also affect new development, and quality housing that is affordable to locally employed residents is a significant challenge. In the Fairplay and Alma area, the impacts of proximity to Summit County are strongly felt, and there is a need for both affordable rental and ownership housing, geared to local employees.

Commuting Context and Impact of Nearby Markets

Park County has a significant proportion of residents who commute outside of the county for employment. This means that most county residents do not earn their income locally, which creates an imbalance in the housing market. With those residents 'importing' their (typically higher) income from other areas, locally employed residents are often priced out of the market. As housing markets in surrounding areas (particularly the Denver Metro and Summit County) become increasingly expensive, pressure will increase on the Park County market to absorb many employees of those areas.

Rural Context and Housing Conditions Challenges

In contrast to the commuting population concentrated in the built-up areas in the northeastern and northwestern areas of the county, central and southern areas have a more rural context. There are distinct challenges in these rural areas, particularly related to home construction and maintenance of existing housing. Incomes are often lower in these parts of the county, creating additional challenges to local residents looking to construct, renovate, or even maintain existing homes. This factor is of particular importance, given that much of the housing inventory in these areas would be considered affordable.

Importance of Infrastructure and Services

Only a small portion of Park County is served by municipal services; new residential development in all other areas require well and septic infrastructure. These requirements can be a hindrance to new development, as standards have increased rapidly recently, and the type and density of housing that can be developed (e.g. small lot single family, townhomes, stacked flats) is limited by the service ability of these systems. In addition to water and sewer service, providing services such as police, fire, and road maintenance is difficult for the County to do in sparsely developed areas. This creates opportunity for local nodes of service and development, focusing new development where services already exist and allowing the County and/or Towns to provide those services more efficiently. It should be noted that the Town of Fairplay has senior water rights, which will become an increasingly important issue in the future.

Strong Local Opportunities

While there are significant local challenges affecting housing, there are also significant opportunities available locally in Park County to address housing issues.

Employer Partnerships: Local employers are feeling the impacts of housing issues and in many cases are struggling to recruit and/or retain employees because of challenges in finding and affording housing. While this is a challenge to local service provision and economic development, it also creates an opportunity to partner with these employers in new housing development. This may include incentivizing developers to build housing geared to local employees (i.e. affordable to those earning wages locally), and/or partnering with local employers to purchase or master lease units in a development in order to guarantee housing for their employees.

Focused Development: Water rights and water/sewer service are provided in limited areas of the county, and there is developable land proximate to these areas. Focusing new development where there is existing infrastructure and service provision can help the feasibility of new development (given that well and septic service are significant cost factors in new construction) as well as the ability of County and Town service providers to provide those services more efficiently.

Policy Opportunities: Fairplay has recently taken a number of proactive policy steps to plan for growth and new development and shape that growth in a way that meets local needs. This local willingness to take steps and be proactive in addressing challenges can be a major factor in addressing housing in a comprehensive way. Changes such as streamlining the development process to reduce fees and delays, reducing minimum lot sizes, and incentivizing development where services and infrastructure exist can have significant impacts improving development feasibility.

Land Opportunities: The cost and availability of land is often a significant factor in housing development costs. In Park County, there is a significant amount of vacant land, which presents an opportunity for the County to leverage as a resource. Publicly-owned land can be banked and/or directly utilized for housing in the near term. Whether near-term or long-term, a community land trust can manage land assets as well as improvements, and—more importantly—maintain affordability. Land banking can help both smaller builders achieve a different product type (by reducing or eliminating the land costs of a project) and attract larger developers by providing land in exchange for affordability.

Lending and Financing Opportunities: Availability of financing, at both a project and an individual level, has a significant impact on the type of housing development that can take place. In many cases, local lending institutions, with an understanding of the community context and a commitment to assisting local issues, will be willing to provide loans to end users that other institutions may consider too risky. In some similar regions these institutions have taken an active role in lending for both the development and eventual home buyers that address local needs. Additionally, utilizing federal programs such as the USDA Rural Development Single Family Housing Direct Home Loan and Single Family Housing Guaranteed Loan Program can broaden the pool of financing tools available to local buyers. In addition to purchase financing, financial resources exist to assist with construction and maintenance at an individual level. Local, state, and federal resources can be utilized to provide financial assistance to county residents, particularly those in rural areas.

Custer County

Second Home Community

Nearly half of the homes in Custer County are second homes, occupied for only part of the year. This leads to a bifurcated housing market, where approximately half of the sales are targeted to second homeowners whose incomes and housing preferences differ from those of local residents.

Retirement Destination

Custer County is not growing through natural increase (more births than deaths), and thus relies on in-migration for population growth. However, the majority of new residents moving to the community are retirees, as evidenced in the population age trends of the county. The population moving in brings with them income earned from outside the county, and thus not tied to the local economy. In conjunction with second homeowners, this puts additional pressure on the housing market, leading to higher prices decoupled from the income earned by local employees.

Infrastructure Limitations

While there is significant land available for building in the county, true development opportunities are limited. Most of the county has water and sewer service through well and septic systems. In Silver Cliff and Westcliffe, these services are provided through the Round Mountain Water and Sanitation District; however, the water and sewer system requires upgrades and enhancements meaning that the ability to serve new development is limited. In the near term, development should be focused in areas where the existing water and sewer system has existing service lines and capacity to serve the additional dwelling units.

Development Opportunities

Given the range of options available to local communities to address housing, the one best suited for Custer County is to form a partnership among local entities to underwrite a project and construct it. One of the directions generated by this study is to establish focus for the conversations. Accordingly, the recommendations (as further clarified and detailed in the Custer County report) articulate a geographic target for these efforts.

Given the infrastructure and service constraints present in the county, as well as the distinct components of the housing market geared to second homeowners, retirees, and local employees, new housing development should be focused on housing for local employees in locations where service infrastructure is in place and Round Mountain Water and Sanitation District has existing capacity to serve the development. In order to effectively meet the affordability needs of local employees, strategic partnerships and funding strategies should become the focus of the community. Local leaders are already focused on these efforts, building on the success of the recent school district project. These recommendations support this effort, with the goal of creating focus among community stakeholders around new housing development.

Tools and Strategies

This section contains a summary of selected tools and strategies available to address a range of housing issues. An extended list of tools and strategies, as well as specific recommendations for each county, is provided in **Table 11** and **Table 12**.

Communities adopt different tools for a variety of reasons. Oftentimes it is because a significant portion of the local workforce has been priced out and forced to commute. Other times policy decisions go beyond the determination of the presence and extent of these patterns, basing decisions on quality of life and economic development considerations. For example, if a portion of the workforce—such as teachers, police officers, fire fighters, and other municipal employees—cannot afford to live locally, communities are less effective addressing health, safety, and welfare needs. The motivation to develop programs or adopt tools 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 oriented to building more expensive housing than is available to the local workforce, or is not meeting local housing demand in other ways.
- **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 or retain employees.

Tools for providing affordable and workforce housing are presented in two main categories:

- **Development-Based Tools:** Tools and strategies that seek to leverage the momentum of development through land use controls, mandates, and/or incentive zoning.
- **Community-Based Tools:** Tools and strategies—typically funding mechanisms—to leverage broader-based financing capabilities, spread the burden equally, and create a funding source more flexible and dependable than state and federal grant funding.

Development-Based Tools

Effective land use policy is a critical component of a successful housing strategy. There are many land use policies that are used in relation to housing; while inclusionary zoning is among the more familiar, other policies include annexation, development incentives, infrastructure and utility service policies, and fees for services based on the nexus between costs and benefits (such as impact fees).

A comprehensive list of the tools available for mandating or incentivizing affordable housing development is provided in **Table 11**. In considering the pros and cons of each tool and the market and development context of each county, not all of these are recommended. This section summarizes the tools and strategies most applicable to Custer, Fremont, and Park Counties, as identified in **Table 11**.

Land Use and Zoning Tools

Incentive Zoning Ordinance: Governments can offer a variety of bonuses and waivers to developers to incentivize affordable housing. While many of these are more suitable for larger urban mixed-use projects, some can be applied to smaller multifamily, infill, and single family neighborhood developments. Even in these smaller areas, however, these incentives are most impactful for larger-scale developments and most applicable in areas where there is land available for large development to take place.

<u>Recommended for</u>: Incentive zoning ordinances are recommended for municipalities and county governments in Fremont County and Park County, where there are opportunities for large-scale residential developments and sufficient market pressure and increasing market momentum that developers could provide affordable housing in exchange for desired benefits.

Targeted Inclusionary Housing Ordinance: Inclusionary housing ordinances (IHOs, also referred to as "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. These set-aside requirements generally range from 10 to 30 percent of units. Often, local jurisdictions provide density bonuses or other types of policy-driven incentives to defray some of the costs associated with the requirements. In most versions of an IHO, a developer can comply with requirements by building the units on site as part of the overall project master plan and/or by building them in an offsite location. Alternatively, many programs allow for all or a portion of the housing requirement to be met by cash-in-lieu payments, where there is a payment in lieu of building affordable units. A targeted IHO would differ from a uniform IHO, as it would be designated for the areas of a jurisdiction most likely to benefit from additional housing inventory geared to locals.

Recommended for: A targeted IHO is recommended for Park County jurisdictions, primarily in the commute sheds for Summit County. Particularly with the Summit Stage introducing service in the spring of 2019, the pressure for housing will increase. The ordinance could be coordinated between municipalities and Park County to create a common set of standards for this area of the county. It could also be considered with other programs, such as Transfer of Development Rights (TDR) to focus development near services. An IHO program may also be relevant for Fremont County in the future. Given the surge in housing costs, the market may reach the level of constraints found in other markets in which IHO programs are effective. At this time, it may be early in the overall maturation of the market for this tool in Fremont County; however, it should be recognized by local leaders as a tool with increasing relevancy, particularly if housing cost escalations continue.

Expedited Development Review: The construction of new housing and the rehabilitation of existing housing is governed by a city's building code and land use regulations. The time required to secure entitlements can be significant and ultimately increases the cost of development. Under this strategy, projects that meet the local definition of affordable housing would be processed on an expedited timeline, enabling developers to recoup costs.

Recommended for: Expedited development review is recommended for all jurisdictions in Fremont, Custer, and Park Counties. Given the financial carry costs that are often funded by equity prior to vertical construction, the time spent in development review can significantly affect project viability. Shorter review times lead to greater capital investment. Park County should be recognized for leadership in this area, given the "master build plan" opportunity for developers to utilize in order to decrease development review time for permit requests.

Parking Reduction: When parking is reduced in a housing development, construction costs also decrease and developers are able to offer lower rents accordingly. This strategy is being approached in different ways by communities; some have removed parking minimums entirely, others have targeted policy changes to certain areas or districts, and others have specifically tied new policies to affordable housing (for example, removing parking requirements for nonprofit affordable housing developments). It is important to note that these policy changes do not necessarily remove parking entirely, but rather allows developers to determine the amount and type of parking to provide based on market and location characteristics.

Recommended for: Parking reduction tools are recommended for Fremont County, primarily due to the nature of the built environment in Fremont that is not found elsewhere throughout the study area. For example, Cañon City's size, urban density, climate, and provision of transit service (a door to door call-in service available to anyone over 18) provide a context that makes parking reductions viable. As the cost of parking can be reduced, the viability of prospective affordable housing development improves.

Fee Offset: While fee waivers are often discussed as an incentive for development, some fees (such as water and sewer taps) cannot be waived because they are directly tied to development. These fees can instead be offset, where a percentage of the fees are offset by (paid by) another source (such as a housing fund). This offset would only apply to qualifying projects that provide a certain amount of affordable homes (as defined by the community). A recent state law has been passed that enables local jurisdictions to exempt affordable housing from all fees, in an effort to make housing development more feasible. Local jurisdictions can leverage this opportunity to increase the supply of affordable housing in their respective communities.

Recommended for: A fee offset is recommended for all jurisdictions in Custer, Park, and Fremont Counties. The waiver is a form of financial investment that communities can make that has material impact on a developer’s overall project viability. While some communities, including some of those within this study area, are early in the stages of adopting housing programs and do not have the breadth of community support to establish new funding sources dedicated to housing, this approach can have a similar impact even in communities that cannot establish independent funds.

Development Policy Tools

Annexation Policy: At the time of annexation, municipalities can establish any number of requirements from a developer requesting annexation. At a minimum, targets should be established for Inclusionary Zoning, and confirmed with applicants that these will be met over the course of buildout. Mitigation rates must balance the civic goal of broadening the affordable housing inventory while at the same time providing adequate return to developers to maintain overall project viability. This tool will become particularly important as development pressure builds and a greater number of prospective developers seek opportunity in the area for new projects and/or completion of existing projects.

<u>Recommended for</u>: Jurisdictions in Fremont and Park Counties. Given the market momentum that is building in Fremont and Park Counties, it is likely that developers will bring annexation requests to local municipalities. Within Park County, there are a number of existing entitled subdivisions in the vicinity of Fairplay that may find Town services (particularly water) a compelling reason to seek annexation and new entitlements. The policy for housing may cover a spectrum of issues. While some jurisdictions may seek conventional set asides, complete with Area Median Income (AMI) limits, other may take a more preliminary approach and require a range of housing product (attached and detached) and range of density (small lot and large lot) and thus create more affordable product without stipulating conventional affordable parameters.

Infrastructure and Utilities Service Extension and/or Funding: Infrastructure and Utilities Service Extensions are often used in conjunction with annexation policy, whereby in exchange for the provision of water and sewer service new development is required to dedicate a certain percentage of housing to affordable units. In other cases, a simple expansion to infrastructure can, in turn, expand the housing supply. Any public investment in infrastructure expansion should be coupled with affordability requirements to ensure civic needs are addressed in conjunction with civic investment.

<u>Recommended for</u>: Communities in Fremont, Park, and Custer (to a limited degree) Counties. Some of the communities in the study area are uniquely resourced with senior water rights, which will become an increasingly important factor over time. Offering an extension of utilities can generate opportunities to increase the supply of affordable housing, similar to tools listed under annexation policy. In the case of Custer County, it is recommended for the community to invest in the local water and sewer utility (for larger community-wide need), which will then create additional opportunities for housing development.

Financial Incentives and Tax Increment Financing: Tax Increment Financing (TIF) is a particularly effective tool that can be used to close gaps resulting from projects with below-market rental (or sales) levels. TIF can be generated by an Urban Renewal Authority or a Downtown Development Authority. The latter generally provides more latitude in terms of eligible expenses.

Recommended for: Fremont County. While there are a number of stipulations that apply to the formation of a URA or a DDA, the communities in Fremont County should include them as potential resources to defray housing costs and make new affordable housing developments viable.

Zoning Designations/Affordability by Design: Changes to zoning designations can align land use policy, local market conditions, and community housing needs. In some cases, the change in zoning should be an increase in density, thus incenting developers to build units that are more affordable. Typically, practitioners approach these standards with limits on the maximum density. There may be situations in which minimums are appropriate.

Recommended for: Communities in Fremont and Park Counties. In Park County, it was reported that a small home, clustered development offered a unique alternative to much of the historic larger parcel/large home development pattern in the Bailey area. As noted in the community survey, 61 percent of all households would be willing to pay more for housing in neighborhoods with walkable commercial services. A majority of renters in Park County (53 percent) favor policy that would focus smaller lot developments in and near towns. These community preferences and market diversification provide a basis for a broader approach to zoning designations than what has been used historically. Focus groups in Fremont County consistently emphasized the need for greater diversity in the housing supply. Zoning can be an effective tool to achieve these goals and should be considered.

Purchase/Transfer of Development Rights: Transfer of Development Rights (TDR) is a voluntary, market-driven growth management tool that permits higher intensity development in designated "receiving" areas in exchange for land or resource preservation in designated "sending" areas. Under TDR, a city or county establishes baseline development rights for both sending and receiving areas. To exceed these baseline development limits, owners in receiving areas must purchase unused development rights from owners in sending areas. Some TDR programs only permit transfers within a single jurisdiction. Others permit transfers between jurisdictions. For example, a joint city-county program may designate unincorporated parts of the county as sending areas and one or more parts of the incorporated municipality as receiving areas. While many TDR programs require owners or developers in receiving areas to purchase development rights directly from owners in sending areas, some TDR programs establish a development rights bank to facilitate trades. Under this model, buying and selling are separate transactions, making it easier for a buyer to purchase development rights acquired from multiple sending sites through a single transaction.

<u>Recommended for</u>: Park County. Given the extensive amount of entitled land throughout Park County and need for services to address the needs of development, this program could lighten the burden for service delivery in selected unincorporated areas, and direct it to the areas that are better equipped to provide services. Mesa County (including the Palisade, Grand Junction, and Fruita areas) has had a program in place for a number of years and provides an example of progressive land use policy adopted among jurisdictions in a rural area of Colorado that face similar issues to Park County. The tool could be nested within a larger set of tools listed in this report to address a range of issues (not the least of which is fiscal balance) and broaden the housing supply simultaneously.

Table 11. Development-Based Tools

	Custer County	Fremont County	Park County
Development-Based Tools			
Land Use and Zoning Tools			
Inclusionary Housing Ordinance			
Incentive Zoning Ordinance		●	●
Targeted Inclusionary Housing Ordinance		●	●
Commercial Linkage			
Residential Linkage			
Expedited Development Review	●	●	●
Height Waivers			
Density Bonus			
Parking Reduction		●	
Development Standards Modifications/Variances			
Fee Waiver			
Fee Offset	●	●	●
Fee Delay Until Certificate of Occupancy			
Development Policy Tools			
Annexation		●	●
Infrastructure and Utilities Service Extensions and/or Funding	●	●	●
Public Investment Triggers Affordable Housing			
Financial Incentives and TIF		●	
Zoning Designations/Affordability by Design		●	●
Affordable Housing Easement			
Purchase/Transfer of Development Rights			●

Community-Based Tools

In addition to land use and housing policy, community-based tools can be an effective mechanism to achieving local housing goals. These tools often focus on funding and organizations. A list of the tools available for funding and organizing affordable housing development is provided in **Table 12**. In considering the pros and cons of each tool and the local context of each county, not all of these are recommended. This section summarizes the tools and strategies most applicable to Custer, Fremont, and Park Counties, as identified in **Table 12**.

Local Funding Sources

Real Estate Transfer Assessment (RETA): A Real Estate Transfer Tax (RETT) is tax imposed by the state, county, or municipality on the transfer of title of real property within a jurisdiction. While a number of local jurisdictions within Colorado, including Avon, Breckenridge, Crested Butte, Frisco, Gypsum, Minturn, and Winter Park, have RETTs in place ranging from 1.0 to 4.0 percent, the TABOR amendment prohibits any new local RETTs. Subsequent to TABOR, a number of Colorado jurisdictions have implemented voluntary Real Estate Transfer Assessments (RETAs) on specific developments for similar purposes (such as affordable housing or open space acquisition/development). A RETA fee is a voluntary land use restriction placed on a development by the original developer, making subsequent transactions subject to the fee. Typically in the range of 0.25 to 2 percent, it can generate substantial revenue over time. As a fee, it is not subject to TABOR restrictions pertaining to RETTs. A RETA is imposed by a homeowners association (or similar entity) with the fees paid to the city or county for similar public purposes.

Recommended for: Park and Fremont County communities could benefit from a RETA, specifically for developments that are substantial in terms of scale and buildout. This tool might be best paired with others (such as TDRs and/or annexations).

General Fund Set-Aside: Funding is a significant challenge often faced in affordable housing development. While dedicated revenue tools work in some communities, in other locations a general fund set-aside is a more achievable funding option. In this case, local governments would determine an annual amount to allocate from general fund dollars to housing initiatives; this may include project support and/or organization funding.

Recommended for: Park County and the municipalities within it should consider this tool given the growing market pressure on Fairplay and Alma. The set-aside can be funded annually until the threshold is reached to provide a meaningful contribution to a local project and/or land acquisition.

Housing Organizations

Community Land Trust: A Community Land Trust (CLT), or Community Housing Trust, 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 it will always remain affordable for homebuyers. 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 leases the land to a qualified homeowner at a reduced rate to subsidize the housing unit price, and retains the option to repurchase the housing unit upon sale. The resale price of the home is set by a formula to give the homeowner a fair return on investment while also maintaining affordability for future homeowners.

<u>Recommended for</u>: The CLT approach is recommended for Park County, particularly if it can be combined with other tools to increase its impact. For example, a CLT would designate a parcel of land that has been placed within a land bank for affordable housing and ensure that the original investment manifests with perpetual affordability. This can also be layered with other tools, such as a lender commitment to infrastructure financing and end-user financing. The lender not only benefits from greater loan volume, but also benefits from fulfillment of Community Reinvestment Act (CRA) responsibilities and associated federal compliance. Loans are provided at below-market terms, tailored for locals working in the community who are eligible for affordable housing. When all tools are aligned, the benefits accrue to local residents who are members of the local workforce.

Community Housing Development Organization: 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. CHDOs must have a board comprised of one-third representation of the low-income community, and no more than a third from local government.

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 develop real estate, and 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 vice-versa.

Recommended for: A CHDO may be a tool for consideration in Park County. The HOME fund set aside that can be used for CHDO administration could offset the costs the County would need to invest to establish the CHDO. The optimal course of action may be to define the top priority actions for the County—including land banking, CLT, finance programs, rehab loan program, mutual self-help program construction, policy tool formation (e.g. deed restriction definition), as well as others recommended in this report—and then move toward CHDO formation, such that the nature and scope of the work to be completed is clear.

Land Bank: Land banks are public or community-owned organizations created to acquire, manage, maintain, and/or repurpose land—generally vacant, abandoned, and/or foreclosed properties. These have a very specific purpose and function, serving to hold land until it is ready for housing development. Land banks are most successful when they work in partnership with other organizations, including local government, lenders, and nonprofits, to leverage resources available to address issues associated with distressed land.

Land banks will often use a variety of income sources to fund programs, including grants, government contracts, land sale revenues, tax revenues (depending on local and state laws), developer fees (if the land bank acts as developer or co-developer), and rental income (if the land bank keeps property in its inventory for commercial and/or residential rental). A land bank program works best when there is a significant inventory of land that requires management, often dispersed infill lots, and the potential for future development.

Recommended for: Custer, Park, and Fremont communities. Compared to other small-community markets throughout the Rocky Mountain West, these three communities have significant amounts of vacant land. While the markets have accelerated in the recent past and all real estate is more expensive, its current market valuation is lower than it is expected to be over time. More importantly, vacant parcels exist today. Acquiring sites and setting them aside for future housing development is a resource that future generations will find highly valuable.

Council of Governments: The Upper Arkansas Area Council of Governments (UAACOG) currently administers many housing programs across the region. In addition, UAACOG staff provides a depth of insight regarding state and federal funding sources. All counties should invest in their relationships with COG staff, as it can provide a return in the form of state or federal dollars that can be incorporated into housing projects and/or programs. COG programs and resources include:

- Home repair program: A program that stabilizes housing conditions and is critical to maintaining existing, somewhat dated structures that can be some of the most affordable in a given community. Ensuring these dwelling units are in good repair achieves the goals of both affordable and quality housing.

- Section 8 vouchers (Housing Choice Vouchers): UAACOG administers a number of special vouchers including Housing Choice, FUP, Youth FUP, State Housing Vouchers, and COC vouchers. UAACOG also has a Tenant Based Rental Assistance program.
- Housing counseling: This includes pre-purchase counseling, post-purchase counseling, rental counseling, ID theft prevention and recovery, student financial counseling, credit and budget counseling, and foreclosure prevention.
- 502 direct loans
- Self-help housing program: A unique program, somewhat analogous to Habitat for Humanity, in which participants are supervised by a general contractor and work together to build a set of homes that eventually form a small neighborhood where each household individually owns their own home. The program is administered by the COG and has been successful in obtaining funding commitments at the federal level. The challenge involves finding sites that are affordably priced as well as finding applicants who are income-qualified who are also interested in a self-build process.
- Technical assistance to local governments with grant applications, planning and addressing community concerns of affordable housing, facilitating discussions on housing topics, and providing assistance wherever needed.
- UAACOG can also assist communities with access to state and federal funding sources including CDBG, HOME, or PAB proceeds.

<u>Recommended for</u>: Communities in Custer, Fremont, and Park Counties. Given the fact that most local housing programs and projects are viable only when state and federal dollars are incorporated, access to these tools and programs is imperative. Working with COG staff to identify local opportunities for these programs in each county is time well invested.

Other Tools

Deed Restrictions: Deed restrictions are powerful tools for maintaining permanent housing affordability. Even if the private market delivers housing that is currently affordable, 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. The simplest and least restrictive form of a deed restriction 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. Other considerations include:

- **Residency and Employment Requirements:** Given that the primary goal of a housing program is to address the local needs for housing and employees, many communities start a deed restriction program with elements that stipulate these requirements. The local residency requirements prevent short-term rentals in the future, stating that the home must be occupied by a local resident, typically coupled with an employment requirement that the occupants must work at least 30 hours per week within the county (or a larger region, if economically integrated).
- **Income Limits:** It is important to determine the population being targeted and appropriately structure a program to deliver housing to the desired group. This may involve income restrictions (e.g. 30 to 60 percent AMI for a rental project, or 80 to 120 percent AMI for an ownership project).
- **Appreciation Cap:** An appreciation cap is generally incorporated into a deed restriction, limiting the resale price of a home. This ensures that the home remains affordable from the initial purchase through subsequent sales. An appreciation cap can be structured in a number of ways, often based on the local market context. It may be a simple percentage of market appreciation, or a set annual appreciation, often with a provision for improvements added by the resident.

<u>Recommended for</u>: Park County, in a limited application. If over time, the portion of Park County closest to Summit County approaches similar types of market conditions, additional elements to a deed restriction program should be considered. At this time, it is recommended that a deed restriction be limited to standards requiring local occupancy and local employment for *one member* of the household (recognizing that other members will likely commute out to surrounding counties for employment). As market conditions tighten elsewhere in Park County, as well as in Fremont or Custer Counties, application of deed restrictions should be considered at that time.

Short Term Rental Regulation: As with many guest-based communities, the recent trend towards short term and vacation rental of properties is affecting areas in this region. While it is important that the tourism industry and market for short-term stays have a place in the local housing context, there is a desire to ensure that these short-term rentals do not take the place of the long-term rental inventory utilized by local residents and employees. A variety of strategies are being used by communities to ensure this balance, including technical assistance for property owners who are willing to place or keep their units in the long-term rental inventory, and having specific policy regarding short-term rentals so that property owners understand what is allowed and expected.

<u>Recommended for</u>: Park, Custer, and Fremont Counties. Because of the draw of guests to these markets, the pressure from the short-term industry is expected to grow. The sharing industry (e.g. Airbnb) continues to grow, and the attractions that draw tourists to each of these three counties will generate more interest from locals to convert long-term rentals into short-term. Actions include a replication of the Alma ordinance, limiting 10 percent of housing to short-term rentals. This concept was tested in Fairplay and found little support. Rather than limit usage, a different approach is to generate revenue from the use to off-set impacts. Ensuring a solid baseline lodging tax is the first step, which is particularly important to a local economy as it draws in dollars from outside the immediate economy and expands the economic ripple effect of the lodging sector. Various towns have considered options to derive public funds from the sharing industry and it is recommended that local jurisdictions work closely with the Colorado Municipal League (CML) or the Colorado Association of Ski Towns (CAST) to understand which efforts have legal basis and can be applied locally. With greater pressure on the local housing supply, financial resources are needed to mitigate the impacts that further reduce the local housing inventory.

Table 12. Community-Based and Other Tools

	Custer County	Fremont County	Park County
Community-Based Tools			
Local Funding Sources			
Excise Tax			
Use Tax			
Head Tax			
Dedicated Sales Tax			
Dedicated Property Tax			
Document Recording Fee			
RETA		●	●
General Fund Set-Aside			●
Housing Organizations			
City and County Housing Authority			
Multijurisdictional Housing Authority			
Housing Trust			
Community Land Trust			●
Community Housing Development Organization			●
Land Bank	●	●	●
Urban Renewal Authority			
Council of Governments	●	●	●
Other Tools			
Deed Restrictions			●
Short Term Rental Regulation	●	●	●