Affordability hits home

Housing costs threaten to curb Colorado's appeal

By Margaret Jackson

From the mountains to the plains, finding a place to call home in Colorado is increasingly challenging.

It's not just an issue for the state's poorest residents. It's tough for just about anyone trying to find a place to live that's within his or her means, and it's thrust the term "affordable housing" into daily conversation.

To be considered affordable, the rent and utilities in an apartment or the monthly mortgage payment and housing expenses for a homeowner should be less than 30 percent of a household's gross monthly income.

In Colorado, the median household income was $61,303 in 2014, according to the latest figures available from Department of Numbers. Denver's is slightly higher at $66,870.

But median rents in Colorado remain well above the national median and are continuing to climb. They're up 4.8 percent over last year, with one-bedrooms at $1,260 and two-bedrooms at $1,490, according to Apartment List. Factor in utilities, and many people are spending more than a third of their incomes on housing.

"About one-quarter of all working households (nation-wide) are housing-cost burdened by paying more than 30 percent of their income," said Mindy Ault, a research associate at the National Housing Conference's Center for Housing Policy. "In Colorado, that figure is slightly lower at 18.5 percent, and for metro Denver it's just below 18 percent."

The lack of affordable housing has far-reaching impacts that go beyond people finding a place to live. Mountain resort communities, largely dependent on tourism, need a reliable work force to ensure visitors have a good experience. State economic development officials work hard to bring new businesses to the state,

THE WELLINGTON NEIGHBORHOOD OUTSIDE BRECKENRIDGE INCLUDES AFFORDABLE UNITS FOR PEOPLE WHO WORK AT LEAST 30 HOURS A WEEK IN SUMMIT COUNTY.

but it's becoming more challenging as companies discover how expensive it is for employees to find housing.

"There is a point at which we will not be able to fill the jobs we've created because people won't be able to afford to live here," said Denver City Councilwoman Robin Kniech. "There's a cost of not building this housing."

Cities and counties across the state are trying to address the housing challenge with a variety of programs.

In Summit County, several income-restricted projects are in the works, but the need is far greater than what is being delivered, said Jennifer Kermode, executive director of the Summit Combined Housing Authority. With 85 percent of the land in Summit County situated in a national forest, it's hard to find a suitable location to build. And even if there is land available, it may not be developable because projects can't be built on slopes that have an incline of more than 30 percent. Moreover, what is available and suitable is often purchased by people building second homes.

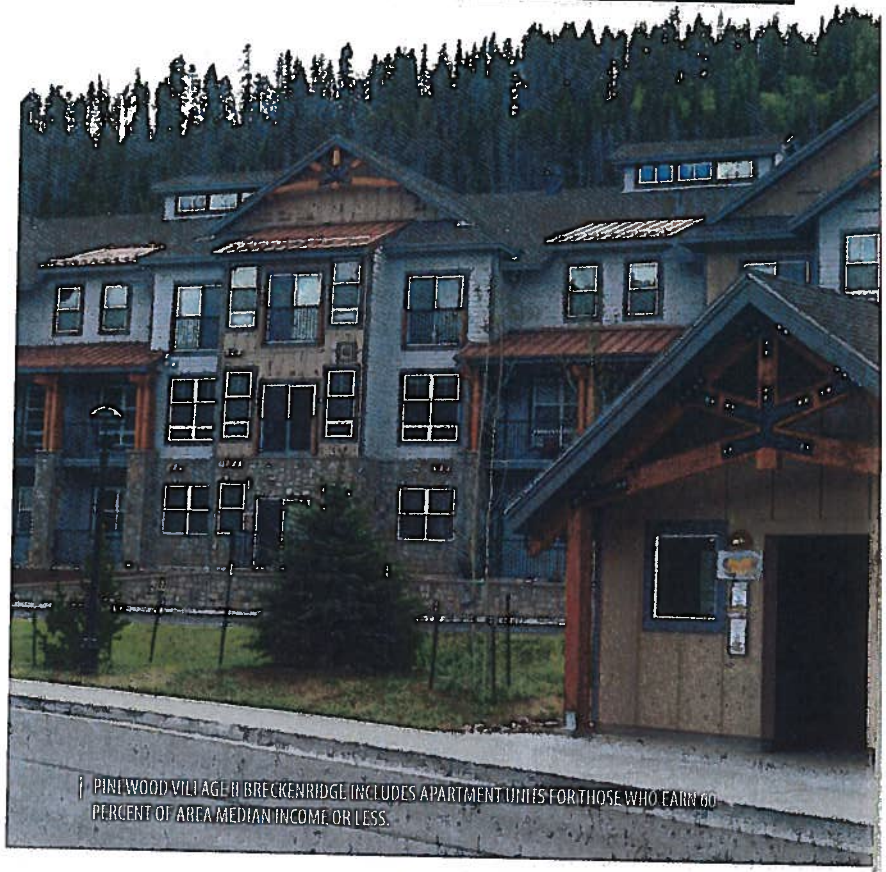
PHOTOS COURTESY OF TOWN OF BRECKRIDGE

The year-round rental pool is shrinking as landlords are renting more units on a short-term basis. There also are many residents, like teachers and law enforcement officers, who are retiring and selling their houses. But those houses that were affordable when bought in the 1980s now fetch as much as $750,000 — not within reach of people in the same occupations today.

"You can't blame the homeowner who's been here forever — that's just part of the free-market process," Kermode said. "But we need to find any tool we can use to put more units into the long-term housing pool.

"We're not going to be able to build our way out of the problem," Kermode continued. "As the economy continues to improve, it's only going to get more dire for us."

To that end, the Summit Combined Housing Authority has created a program to entice owners of second homes to lease their properties to the agency in exchange for free property management and guaranteed rents. In conjunction with the Family and Intercultural Resource Center, the authority also



| PINEWOOD VILLAGE II BRECKENRIDGE INCLUDES APARTMENT UNITS FOR THOSE WHO EARN 60 PERCENT OF AREA MEDIAN INCOME OR LESS.

launched a master lease program to put income-qualified families into an apartment building owned by the agency.

"We want to keep the visitor experience as positive as possible because we're a tourism-based economy," Kermode said. "We're becoming more of a year-round destination, and that's going to require year-round affordable housing."

The situation is no better in Eagle County, where, according to its most recent housing needs assessment, there is a shortage of about 4,000 units — a number that's projected to grow to 12,000 by 2025, said Jill Klosterman, executive director of the Eagle County Housing Authority.

"Our rental units are full and have been for the last 18 months," she said. "We usually see more vacancy in spring and fall, and we just did not see that this year. We're really struggling with how we're going to make a dent in those numbers."

Vail Valley businesses that said a lack of affordable housing negatively affects their ability to attract, hire and retain employees grew by 13 percent in 2016 over the previous year, according to a survey of 128 businesses by the Vail Valley Partnership. People in their early 20s and 30s move into the county, but as they get older, they move to a community that's more affordable, Klosterman said. Last year, Eagle County lost 300 households — the most of any county in the state.

"That translates into a loss of gross income of $18 million," she said. "We've got to do something. It's expensive to train new employees and unfortunate to see good people leave because they can't find rental housing."

Creating more affordable housing is critical for metro Denver if it wants to continue to attract new companies and workers to the region, said Tom Clark, chief executive of the Metro Denver Economic Development Corp.

Housing is scarce. The number of homes on the market hit a record low in May at 5,463, according to the Denver Metro Association of Realtors. Compare that to an average of 16,981 listings between 1985 and 2015 and it's easy to see why housing prices continue to escalate. The $362,000 median price of a home sold in metro Denver was up 11.38 percent in May compared to the same month a year ago.

Though income has grown, median rent in Denver has shot up even faster. At the end of last year, the median rent for all apartments in Denver was $1,241, a 15.27 percent increase from the median rent at the end of 2014, according to the Apartment Association of Metro Denver. In fact, during each of the last 10 quarters, median rent has been at least 5 percent higher than it was the previous year and, on average, has increased by more than 3 percent from quarter to quarter.

Though the region's economy has continued to grow, adding 19,500 jobs last year, the number of companies contacting the Metro Denver EDC about relocating to Denver has dropped, and prospects that do consider moving here cite the high cost of housing as a factor in their decisions not to, Clark said.

"But our biggest concern is about the impact on a community where the people you rely on to care for you — police, firefighters, teachers and nurses — are getting squeezed out of a number of communities in metro Denver," he said. "We think that erodes an opportunity for a much more integrated community."

One of the issues, Clark said, is that Colorado's onerous construction defect laws have stopped developers from building condos, which, for many people, is the first step toward home ownership.

"Last year, we had 11,500 existing condos sold, and we built 187 condos in the metropolitan region," he said. Denver's leaders are working on ways to solve the problem during a time 60 percent of new apartments fall in the top rent tier, averaging $2,060 a month, according to an analysis from Zillow. Mayor Michael Hancock recently unveiled a plan to create the city's first dedicated funding stream for affordable housing, which is expected to create 6,000 new homes for low- to moderate-income families over the next 10 years. The proposal calls for allocating half of a property tax mill and a new development fee to generate an estimated $150 million in the first 10 years starting Jan. 1, 2017.

The proposed plan would replace Denver's Inclusionary Housing Ordinance (IHO), which requires all residential projects with 30 units or more to include at least 10 percent income-restricted units or pay into a city fund dedicated to affordable housing. "We have always had a shortage of affordable housing for our most vulnerable residents," Councilwoman Kniech said. "We have needed more comprehensive solutions in Denver for decades. Now the housing crisis has crept up and is hitting the work force and families of moderate incomes. It brings the mandate to have broad-based solutions."

From a developer's standpoint, part of the challenge is finding investors who will accept a lower yield than they would get by putting their money in a higher-end residential project, said David Zucker, chairman of the State Housing Board and principal of Zocalo Community Development.

"I don't malign the typical for-profit real estate developer for focusing on high-end," Zucker said. "But I'm more than disappointed by the typical real estate developer who doesn't think about community and neighborhood impact. Whether it's high-end or affordable, the big projects dropped into a neighborhood can have huge positive effects."Denver's housing situation has put the city in a precarious position when it comes to attracting young professionals. Zucker noted that 20 years ago, Atlanta was one of the most desirable cities for young professionals, but as it got more expensive, those sought-after workers moved out.

"If we're not careful about being stewards of our success, a city that was so popular disappears off the Top 10 cities list," Zucker said. "We're at that point. People are priced out and find for whatever reason that Denver isn't that attractive."

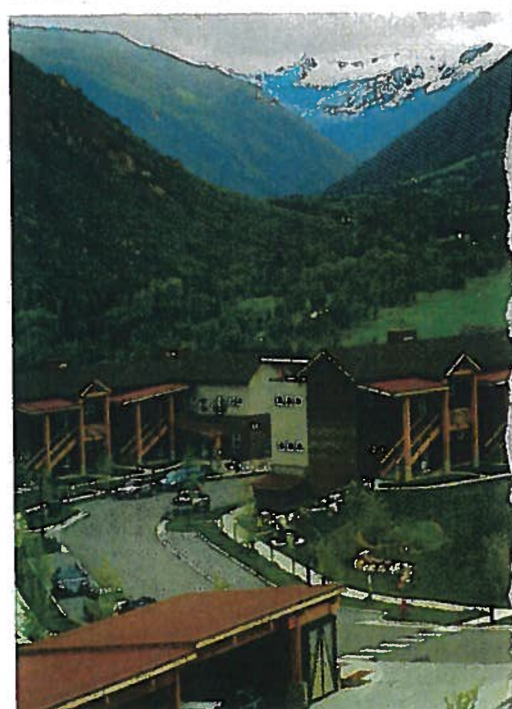
AFFORDABLE ASPEN

By Eric Peterson

While the median home price in Aspen has eclipsed $3 million, the city has a robust affordable housing program, thanks in large part to a grandfathered real estate transfer tax. (TABOR explicitly bans new transfer taxes.) Established in 1974, the program was the first in any mountain resort town in North America.

"Aspen really led the way. They were the trailblazers in the 1970s and 1980s," says Mike Kosdrosky, executive director of the Aspen Pitkin County Housing Authority (APCHA). "It's a pretty spectacular example of deed-restricted housing. It's double any other resort community I know of."

The affordable inventory now includes almost 3,000 deed-restricted units, especially impressive when you consider Aspen's year-round population is about 6,500. New units typically sell for $80,000 to $400,000, with annual appreciation capped at 3 percent, and monthly rents are generally $400 to $2,000.



It's still not a panacea, as 53 percent of Aspen's work force commutes from Glenwood Springs and other points down valley, but only 10 percent of APCHA's homeowners and 23 percent of renters of APCHA's deed-restricted units are burdened by housing costs, numbers that are notably lower than the rest of the state.

Beyond the deed-restricted units, a solid stock of employee housing helps temper demand, including 600 units from Aspen Skiing Co. The school district also has employee housing. Kosdrosky says "making sure the business community is involved" is a key to success.

"Whether it's Denver or a service-based economy in a mountain resort town, this is an economic development program first and foremost," explains Kosdrosky. "Treating the two as separate issues is a mistake."

What would Aspen be like without its affordable housing program? "A ghost town," Kosdrosky responds. "Everybody recognizes – from the billionaires to the millionaires to the waitresses and the bartenders – without the workforce affordable housing program, there wouldn't be a local economy. There wouldn't be a community."

It follows that voters have approved the real estate transfer tax three times. It was last extended in 2008 until 2040.

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