Mind the Gap: Workforce Housing in Colorado’s Region 10

PRESENTATION TO THE REGION 10 BOARD OF DIRECTORS

DECEMBER 8, 2022
Agenda

- Team Introductions
- Project Scope
- Stakeholder Interview Results
- Housing Demand Analysis
- Economic Impact Analysis
- Financial Tools and Next Steps
- Questions & Roundtable Discussion
## Recap: Project Scope

- **Interview stakeholders** representing *diverse* geographies and perspectives around the region.
- **Tell the story** behind relevant housing and demographic *data* for Region 10.
- Identify current and future unmet *workforce housing needs*.
- Assess the regional *economic impacts of future workforce housing development* based on assessed need.
- Identify *financial tools* and *opportunities* for Region 10 to support local jurisdictions.
Meet Our Team!

Region 10
- Michelle Haynes, Executive Director
- Trish Thibodo, Deputy Director

Dynamic Planning + Science
- Ethan Mobley, AICP, Project Manager
- Clare Peabody, Data Lead
- Raini Ott, AICP, Interviews

Triple Point Consulting
- Jeff Moffett, Ph.D., Economic Impacts

Castlewood Capital
- Michael Leahey, Financial Tools

Urban Rural Continuum
- Andrew Coburn, Housing Demand
Stakeholder Interviews: What We’ve Learned
Key Finding #1: Information Hub Role

- Housing Needs Assessments (HNA’s) become “stale” quickly

- **Limited staff resources and expertise** among local jurisdictions to study the problem and design programs to address housing needs

- Desire for **increased centralization of data and information** to support regional coordination and awareness of local development projects
Key Finding #2: Educational Advisory Role

• Desire for Region 10 to serve in an educational advisory role and to generate and share knowledge that supports local jurisdictions’ efforts to spur housing development
Key Finding #2: Educational Advisory Role

Specific project ideas:

- Lead an **economic study** that looks at the impacts of converting **publicly-owned vacant or underutilized in-fill sites** to housing developments
- Provide guidance on community education and engagement to address **perceptions of workforce/affordable housing**
- Support financial literacy and resources for prospective homebuyers in both **Spanish and English**
Key Finding #3: Facilitate Regional Collaboration

• Desire for Region 10 to provide opportunities and host space for **collaboration** across the region

• Example: **recruit a network** of housing industry experts, local government officials, nonprofits, and community liaisons to **exchange ideas and share successes/obstacles**
“The Gap”: Key Points

- Production Gap
- Affordability Gap
- Construction Labor Gap
Data Sources and Repository Development

- Colorado Department of Local Affairs
- United States Census Bureau
- Colorado Association of REALTORS®
- Zillow
- U.S. Bureau of Labor Statistics
Data Sources and Repository Development

R10
Housing Database
Data Sources and Repository Development

- **Reproducible workflows** for accessing latest data from the Census, State Demography Office, and other sources

- Development of **centralized repository** with standardized field format to easily compare and visualize data sources side-by-side

- **Conversations with the SDO to understand limitations** of data, especially for rural areas and small geographies
Aging population across the region impacts demand for replacement workers and care services

Source: ACS 2020
Region-wide, rate of **net migration** exceeds rate of **natural increase (births-deaths)** - here is your new workforce!

*Source: SDO*
Population Change by Individual County

Delta

Gunnison

Hinsdale

Montrose

Ouray

San Miguel

Source: SDO
Age, Net Migration and Natural Increase: The Story Behind the Numbers

Net migration will likely account for the majority of the region’s new workforce in the coming decades.

An aging population will create new demand for replacement workers and care services.

R10 seniors are aging in place, rather than downsizing or moving into assisted living facilities.
Two Components of Housing Demand

Catch-Up
What do we need to build today?

Keep-Up
What do we need to build in the future?
What do we need to build today?

What do we need to build in the future?

Two Components of Workforce Housing Demand

- **Catch-Up**
  - Estimate using job vacancy rates (7%)

- **Keep-Up**
  - Estimate using projected job growth

Stakeholder Interviews Housing Demand Economic Impact Financial Tools
Keep-Up and Catch-Up Demand by Unit Type (ACS / prescriptive)

Jobs per Employee and Employees per Household (SDO & ACS 2020)

Job Vacancy and Growth (SDO / BLS JOLTS)

Total Unit Demand

Stakeholder Interviews
Housing Demand
Economic Impact
Financial Tools
7% is the “floor”; additional surveys needed for Region 10, but some localities may be higher

Source: BLS JOLTS
R10 Actual and Estimated Total Job Growth, 2010-2030
Region 10

2010 – 2019 change: **12.71%**

2023-2032 change: **11.82%**

Source: SDO
Total Jobs 2022 × Job Vacancy Rate ÷ Jobs Employee ÷ Employees Household = Catch-Up Units

SDO, BLS JOLTS (Statewide): ~60,000 jobs * 7% = 4,135 unfilled jobs

SDO Labor Force Supply & Demand: 1.08 jobs per employee

ACS 2020: 1.67 employees per HH with ≥1 worker

~2,287 housing units to fill current job vacancies
Total Job Growth, 2022 – 2032  \( \div \) \( \frac{\text{Jobs}}{\text{Employee}} \)  \( \div \) \( \frac{\text{Employees}}{\text{Household}} \) = Keep-Up Units

SDO Labor Force Supply & Demand: + 7,788 new jobs

SDO Labor Force Supply & Demand: 1.08 jobs per employee

ACS 2020: 1.67 employees per HH with ≥1 worker

~ 4,265 housing units for workers by 2032
Catch-up and Keep-up Housing Need is Conservative!
What Is Not Accounted For:

- Net migration of retirees relocating to area
- Senior housing / assisted living facilities
- Full extent of remote workforce growth
- Replacement workers as seniors leave the workforce

Direction (+/-) of effect on total need estimate
Observed and Adjusted Unit Mix by Type – Region 10

<table>
<thead>
<tr>
<th>Housing Type</th>
<th>Observed Mix (ACS)</th>
<th>Adjusted Mix (prescriptive)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Family</td>
<td>72%</td>
<td>50%</td>
</tr>
<tr>
<td>Multifamily</td>
<td>14%</td>
<td>35%</td>
</tr>
<tr>
<td>Manufactured/Mobile</td>
<td>14%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Adjusted housing mix to account for lower share of single-family homes as a proportion of future workforce housing development.

Sources: ACS, Consultant Team
The Production Gap

New construction is increasing across Region 10, but:

- How much of past growth is single family?
- How much is affordable?
- How much is vacant?

Source: SDO
The Production Gap

Annual Change (Units)

Region 10 Total:
~6,600 units (~660 units / year)

Just workforce housing!

Sources: SDO, Consultant Team
The Affordability Gap

% Increase in Pay and Home Prices, 2019-2021

Home prices are increasing faster than wages for all R10 counties

- Delta: 11% pay increase, 38% home price increase
- Gunnison: 13% pay increase, 45% home price increase
- Hinsdale: 10% pay increase, 43% home price increase
- Montrose: 12% pay increase, 43% home price increase
- Ouray: 24% pay increase, 59% home price increase
- San Miguel: 20% pay increase, 195% home price increase

Legend:
- Change in Avg Annual Pay (2019-2021)
- Change in Single Family Median Price (2019-2021)
The Affordability Gap

“Affordable” = spending < 30% of pre-tax (gross) income on housing expenses

<table>
<thead>
<tr>
<th>Location</th>
<th>Median Single-Family Home Sales Price (Oct 2022)</th>
<th>% AMI to Afford Median Single-Family Home (2 BR / 3 people)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delta</td>
<td>$385,000</td>
<td>139%</td>
</tr>
<tr>
<td>Hinsdale</td>
<td>$457,250</td>
<td>164%</td>
</tr>
<tr>
<td>Montrose</td>
<td>$415,000</td>
<td>149%</td>
</tr>
<tr>
<td>Gunnison</td>
<td>$730,000</td>
<td>239%</td>
</tr>
<tr>
<td>Ouray</td>
<td>$845,750</td>
<td>275%</td>
</tr>
<tr>
<td>San Miguel</td>
<td>$1,277,000</td>
<td>382%</td>
</tr>
</tbody>
</table>

* Assumes 6.5% interest rate 30-year loan, $25k down, and $300/mo to taxes, insurance, and HOA
Source: CHFA, CO Association of Realtors
The Affordability Gap

Price Distribution of Zillow Sales Listings
Region 10, December 2022

63% of listings are ≥ 500,000. There is limited inventory available to the local workforce.

May include duplicate listings
Source: Zillow 12/1/22; consultant team
The Capital Gap

Even with subsidized interest rates and down payment assistance, the cost to build a typical 1,400-sf single family home still exceeds what local households can afford.
Economic Impacts (IMPLAN)
Unit Demand by Type and County → Building and Set Cost by Type → Estimated Inflation Rate, 2023-2032 

Local Cost to Build → Local Economic Impact

Stakeholder Interviews  Housing Demand  Economic Impact  Financial Tools
Region 10 Total Cost to Build
$2.4 billion in 2023

(~$240 million / year over a 10-year period)

Does not include:
Land value
Manufactured home structure cost
Summary of Outputs: Employment

Key point: currently there is **not enough labor** to build the housing need

- Current residential construction employment: 2,386
- Incremental direct construction employment to build housing: 4,843
- Total construction jobs: 4,843 + 2,457 = 7,300
- 103% growth

**IMPLAN employment** include all full-time, part-time, and temporary positions and is not FTE equivalent.

IMPLAN tracks labor time in terms of hours.
Summary of Outputs: Tax Revenue

Housing build will generate an incremental $8 million annually for local governments and $8.5 million for Colorado.
Summary of Outputs: Total Output

**Direct annual output for housing build**: $238 million

**Total Economic Impact including Housing Build output**: $375 million

**+ $137 million** direct annual output
Financial Tools and Proposed Solutions
THE MISSING MIDDLE: WORKING FAMILIES & AMERICA’S HOUSING CRISIS

• Subsidies are Available for Low Income Households through LIHTC
• Market Rate Projects Rely on Higher Income Households
• Families Between 60% and 140% of Average Income =
  • Skyrocketing Rents
  • Home Prices Impossible to Pay the Bills
THE MISSING MIDDLE: WORKING FAMILIES & AMERICA’S HOUSING CRISIS

MISSING MIDDLE

<table>
<thead>
<tr>
<th>60% AMI</th>
<th>80% AMI</th>
<th>100% AMI</th>
<th>120% AMI</th>
<th>140% AMI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not Being Served</td>
<td>Market Rate to High End</td>
<td></td>
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<tr>
<td>160% AMI +</td>
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<td></td>
<td></td>
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<tr>
<td>Served by Traditional Finance</td>
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A HOLE in the middle of an ECOSYSTEM can lead to its collapse
3 Key Problems

- Production Gap
- Affordability Gap
- Construction Labor Gap

A VICIOUS CYCLE THAT EXACERBATES THE MISSING MIDDLE GAP!

4 Key Solutions

- Public Private Partnerships
- Supply and Demand of Skilled Labor
- Construction Innovation
- New Availability of Capital

Stakeholder Interviews
Housing Demand
Economic Impact
Financial Tools
CAPITAL REQUIRED TO FINANCE TOTAL HOUSING DEMAND

• 10-year demand of 6,600 units, 8.2M SF, at a total cost of $2.8 Billion (including land)
  • $1.8 Billion in debt capital (from both banks and private lenders),
  • $425 Million in land equity
  • $267M in equity capital
  • $277 Million in state subsidy
• Represents 0.02% of the residential market in Colorado
**SOURCES OF DEBT CAPITAL**

1. USDA RD Water Loan & Grant Program / Community Facility
2. Metropolitan District Infrastructure Bonds
3. Bank and Private Loans
4. Social Impact Lenders
5. CHFA Mezzanine Financing
6. PACE Financing
7. HUD / Agency Perm Financing
8. DOH Housing Loan Fund (new)
9. Missing Middle Authority Bonds (new)
10. Prop 123 Funding (new)

**SOURCES OF EQUITY CAPITAL**

1. Existing Land Value
2. Public-Private Partnership with Housing Authority
3. DOH Traditional Grants &
4. USDA/ DOH Down Payment Assistance
5. Social Impact Investors
6. Qualified Opportunity Zone Equity
7. Federal Inflation Reduction Act Incentives

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Public Private Partnerships Needed to Maximize Availability of Capital!
AN EMERGENT REALIZATION OF THE SCALE OF THE MISSING MIDDLE ISSUE
Questions & Discussion