

Colorado Blue Ribbon Panel on Housing

Final Report March, 2006



AFFORDABLE HOUSING SOLUTIONS
FOR COLORADO

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Submitted to:

Colorado's Congressional Delegation

The Colorado General Assembly

The Honorable Bill Owens, Governor of Colorado

The Colorado State Housing Board

The various agencies of the Colorado executive branch

The economic development corporations of Colorado

Colorado's Home Builders, REALTORS, lenders, and other private housing firms and associations

Colorado's nonprofit community

LETTER FROM CO-CHAIRS

Dear Friends:

After 13 months of hard work, we are pleased to present to you the report of “The Blue Ribbon Panel on Housing.” This report, we hope, will be the catalyst for creating a better housing balance for Colorado.

This report represents the hard work and dedication of people who are on the frontlines of the affordable housing challenge. The panel was comprised of leaders from both the public and private sectors across all segments of the housing continuum and from all regions of the state.

We examined a variety of topics and community challenges. We looked at existing resources and the efficiency of our utilization of these resources. We heard from six Regional Roundtables. We uncovered communities dealing with enormous challenges of a workforce with no place to live within their wage range. Teachers, firefighters, and bank tellers trying to find a place to live, create a home and raise a family.

Through the work of the panel we found that we CAN create solutions. We discovered a number of ways to address the “Affordable Housing Challenge.”

- Creation of strategic partnerships
- More precise assessment of the demand versus supply of housing through expanded and standardized data collection and delivery
- Better coordinated access to housing services
- Streamlined Financing
- Comprehensive Policy Development

Each of these suggestions, in addition to others, are outlined in greater detail in this report. Solutions do exist. This report is a beginning point, not an end. It is only the first step in creating a statewide plan driven by local communities for meeting their unique housing challenges. It also strives to heighten the awareness of the importance of housing to Colorado and its impact on the overall economic health of our state.

We hope to initiate a follow-up report one year from now on the implementation of the suggestions made in this report.

Sincerely,

Kathi Williams
Executive Director
Colorado Division of Housing

Thomas J. Ragonetti
President
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Colorado is known for its quality of life.

For decades, workers, families, and retirees have moved to Colorado to enjoy the mountains, the outdoor recreation, the sunny weather, and the active lifestyle. During the 1990s, Colorado's population, fueled by the information technology boom and various service and recreational industries, grew at a rapid pace. Although growth slowed considerably during the recession of 2001–2003, Colorado remains a preferred destination for many seeking the amenities associated with life in Colorado. Colorado will continue to be in demand as job growth continues and as people increasingly look to Colorado to retire or to purchase second homes.

This growth is occurring most notably on the Front Range, the Western Slope, and in the central mountains of Colorado. From Trinidad to Fort Collins and from Grand Junction to Fort Morgan, the demand for housing continues to grow with the demand for service sector workers that is driven by economic growth and a growing retiree population.

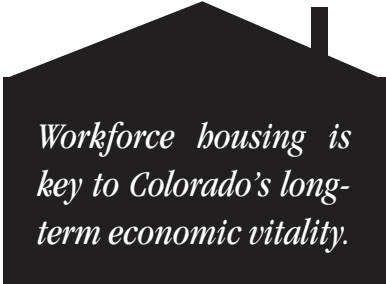
In Colorado, as in all states, there are special needs populations requiring various forms of housing assistance. The needs of low-income elderly, the disabled, the homeless, and victims of domestic violence are serious housing challenges to any community, and we must continue to seek lasting solutions to these challenges. Colorado, however, has an added challenge in maintaining and producing adequate housing for its workforce.

Workforce housing is key to Colorado's long-term economic vitality. It is essential that Colorado's communities plan to ensure that housing is available to workers in all income ranges by mitigating the cost of housing production and by devoting greater resources to ensuring housing affordability. As substantial service sector job growth continues, the need for housing for low-wage retail, hospitality, and health care workers will continue to grow as well.¹

Workforce housing, senior housing, housing for the disabled, and all the other types of affordable housing discussed here must be understood as simply housing that is affordable to households in a wide spectrum of income levels. In some areas, the private sector already produces quality housing for a substantial share of households. But, in areas where the cost of land or housing production is relatively high, public-private partnerships may be necessary to make housing affordable to households with lower incomes or special needs. In all cases, however, it is necessary to work with the private sector and its many lenders, builders, and finance professionals.

The Panel sought practical, effective

solutions to Colorado's housing challenges that also promote cooperation across levels of government and between public and private organizations. The primary goal of the Panel was to come to a consensus on a variety of tools and cooperative strategies that can contribute to long-term housing affordability for Colorado's workers, families, and seniors at all income levels. To do this, the Panel sought to answer some basic questions:



Workforce housing is key to Colorado's long-term economic vitality.

- How is housing affordability important to the infrastructure, economic development, and workforce development needs in Colorado?
- What are the best and most cost-efficient housing tools to facilitate cooperative efforts and reduce barriers to affordable housing?
- How can the public, private, and nonprofit sectors best work together to ensure that Colorado is able to meet its workforce housing needs now and in the future?
- How can communities achieve optimal housing mix and housing balance?

In its search for answers to these questions, the Panel met with six advisory housing “Roundtables” from regions across the state, and also met with other experts on a variety of housing policies. The meetings with the housing Roundtables highlighted the fact that housing needs and conditions are very diverse across the state, and that there are few one-size-fits-all solutions. Nevertheless, there were several challenges and ideas that were frequently expressed by the Roundtables:

- The growth of low-wage service sector jobs is substantial in our communities and drives the need for more affordable housing near employment centers.
- In many areas, the scarcity of land and the growth of second-home development drive up the cost of housing to levels unattainable to the local workforce.
- Lack of workforce housing is often a strain on the infrastructure.
- There is a need for a reliable central clearinghouse for housing financial and funding data.
- Small communities lack knowledge and resources to apply for grants and assemble projects.
- The cost of producing housing continues to go up through increased fees and development costs.
- The cost of single-family homes continues to grow at a faster rate than wages.
- The impending retirement of the baby boomers will be a lasting housing challenge.
- Populations at 50% area median income (AMI) and below are the most underserved by existing housing resources.
- Growth in middle- to high-wage jobs increases in lower wage jobs such as food service and retail. Retail follows rooftops.

The Panel's Recommendations

The Panel's principal recommendations for meeting Colorado's housing challenges are divided into five categories:

- strategic partnerships
- data collection and delivery
- improving access to housing services
- new funding solutions
- public policy development

The Panel examined a wide range of public policies that affect the production and preservation of housing, and sought to find a consensus on ways to address Colorado's housing challenges. The Panel is confident that the recommendations below promote practical and effective strategies to ensure that adequate housing is an attainable opportunity for all of Colorado's workers, seniors, and families.

I. Strategic Partnerships

Pursue greater collaboration between housing organizations and economic development corporations

In order to properly address Colorado's economic development needs over the next several decades, it will be necessary to recognize the links between jobs, housing, transportation, education, and infrastructure as part of the economic opportunity and quality of life that makes Colorado attractive to so many.

Housing costs are a primary factor determining whether a state can effectively attract and retain employees and businesses. Young, well-educated professionals are often forced to leave a state because of high housing costs. A lack of affordable housing hinders business expansion and a company's ability to attract workers, a key consideration in business location decisions.

Housing problems have regional and quality of life impacts. The search for more affordable housing by low- and middle-income families creates demand in the far reaches of metropolitan areas, often in undeveloped areas better suited to agriculture, conservation uses, or recreation and tourism. Disinvestment in the established communities they leave behind results in rising public costs and concentrations of poverty. The dispersal of jobs and housing drives the public cost of infrastructure even higher. Infrastructure for a new house located 10 miles from the central city costs twice as much as for one near downtown. Failure to provide for a balanced mix of housing options close to jobs leads to traffic congestion and other problems that diminish quality of life.²

Although housing is only one part of a community's economic makeup, it is an essential part.

It is important that the housing organizations work together with representatives from other community sectors to make housing an integral part of efforts to improve economic growth and prosperity.

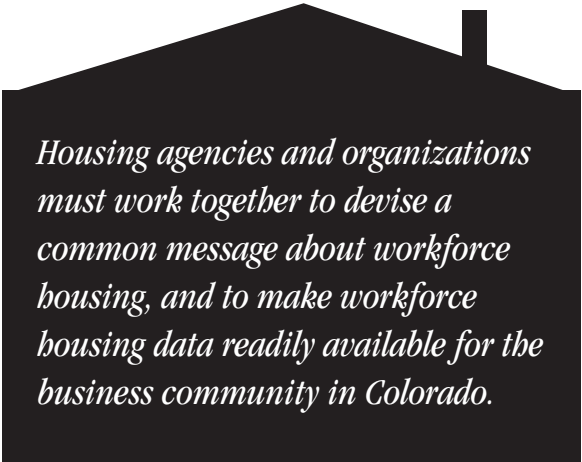
Housing agencies and organizations must work together to devise a common message about workforce housing, and to make workforce housing data readily available for the business community in Colorado.

Since housing is such a local issue, public agencies and private trade associations at both the state and local levels should assist—financially and otherwise—local housing groups with engaging their local economic development councils (EDCs). Housing organizations should draw upon the workforce research being done by EDCs to ensure that the work being done by housing agencies is relevant to the workforce needs of local communities, tying together the benefits of affordable housing, a sound transportation infrastructure, and a responsive higher education system—all essential building blocks in ensuring availability of a well-trained workforce.

Housing organizations must adopt a “service-oriented” approach in working with the business community. The business community can benefit from housing’s contributions to economic and community development. It can also benefit from the data services and technical assistance provided by housing organizations to firms interested in housing development. Housing organizations should work to make these services more accessible to the private sector with the goal of increasing private sector involvement in addressing housing needs.

Housing agencies and organizations should expand their work with economic development councils to address the challenges that will arise from the retirement of “baby boomers” and other workforce housing challenges over the next 10 years.

Demographic data has shown that Colorado will have one of the highest densities of retirees beginning in 2010.³ If these former workers age in place and do not vacate their current housing, the housing supply available to those who continue to work will drop, putting additional upward pressure on housing costs. On the other hand, if seniors do not age in place and instead seek assisted living units or other senior housing arrangements, the need for such housing will increase as will the need for hospitality, food service, retail, recreation, and health care workers to serve the aging population.



Housing agencies and organizations must work together to devise a common message about workforce housing, and to make workforce housing data readily available for the business community in Colorado.

II. Expanding Data Collection & Delivery

Ensure that housing needs assessments are complete and up-to-date throughout Colorado.

Up-to-date housing data is extremely important in helping local communities determine their individual housing needs. Housing assessments, being the product of broad community collaboration, are among the best tools for discovering the housing needs within a region or community.

Needs assessments require the participation of a wide spectrum of public and private organizations within a community. The Colorado Division of Housing should require completed needs assessments from communities seeking housing funds and ensure that communities use the assessments to illustrate their need for specific housing projects. Where it is not already being done, local communities should also integrate use of housing needs assessments into decision-making regarding production and preservation of affordable housing.

Promote a common format for housing needs assessments to facilitate regional comparisons and to lessen the cost of updating assessments.

Communities seeking Division of Housing (CDH) funds should be required to employ the needs assessment template approved by the Blue Ribbon Panel on Housing. The template facilitates comparisons across regions and will be used in the future to assist in easy updating of needs assessment information on a periodic basis. The common needs assessment requirements will also facilitate the compiling of needs assessment data to serve as a statewide needs assessment.

Create a task force to facilitate the completion and planning of needs assessments.

A task force of statewide housing agency staff including State Housing Board members and CDH staff, Colorado Housing and Finance Authority (CHFA) staff and board members, needs assessment contractors, and other state and local stakeholders should be formed to provide guidance and assistance on statewide efforts to ensure timely completion and updating of needs assessments.

Maximize public access to needs assessment and other housing data.

The Division of Housing should ensure that needs assessment data remains publicly available and should be accessible on the Division of Housing Web site free of charge. Summary data of needs assessments should also be provided to the Division of Housing for public use.



Create a task force to provide guidance and assistance on needs assessments.

III. Improving Access to Housing Services

There are a wide variety of programs and public and private funding sources for housing. Gaining familiarity with the different programs and with the steps necessary to access such funds, however, can be a time-consuming endeavor. Differences among grant applications and requirements for compliance monitoring can require additional staff time and drive up administrative costs for housing providers. Coordination among housing agencies is an ongoing concern.

Common application and reporting procedures were a frequent suggestion of local housing agencies throughout the state, as was the need to develop a “One-Stop Shop” for streamlining and packaging projects and funding applications.

The Division of Housing should work with other large housing agencies to create common application and reporting procedures.

CDH, CHFA, HUD, USDA-RD, and other appropriate agencies should work together to create common application procedures for housing funds. Such procedures would allow applicants to apply to several housing agencies by filling out a single application. This is an advantage to both the applicant and the housing agency. For the applicant, it would reduce staff time necessary for completing applications, and the housing agencies, some of whom may choose to partner on certain projects, will all receive identical information from applicants. The same agencies should also pursue common reporting and monitoring procedures for housing funds. Common monitoring procedures will reduce administrative costs and staff time requirements for both the organization being monitored and the agencies performing the monitoring.

Coordinate “211” Services.

211 phone services are available in many areas to provide individuals with personal assistance finding needed services, including affordable housing. However, these services are not available statewide. The Division of Housing and local agencies should track 211 services and keep up-to-date, publicly available information on where 211 services are available, as well as the appropriate contact information in regions where 211 services are not available.

Establish a “One-Stop Shop” for easy access to housing development information and for streamlining the housing development and grant application process.

Statewide housing agencies should ensure easy access to a statewide central clearinghouse of housing resources. Just as private foundations in Colorado provide a searchable authoritative source on private funding for nonprofits (The Colorado Grants Guide), statewide housing agencies can partner to create a free, online, searchable inventory of housing services that can easily be accessed by housing organizations looking for local resources and for eligibility requirements for statewide financial resources.

The Panel suggests that The Colorado Division of Housing create a cash-funded staff position or positions that would provide the necessary staff time to service the “One-Stop Shop.” Funds would be provided through fees necessary to cover only the cost of services. Staff would provide technical assistance in packaging a large number of funding sources together and working with local planning and building officials.

IV. Financing Housing Needs

As the Blue Ribbon Panel met with community members from private, public, and nonprofit organizations throughout the state, it became clear that more must be done to identify and secure additional funds for housing in Colorado. Colorado's communities have unique challenges that can vary from place to place within the state. Yet, due to one-size-fits-all restrictions on the use of federal housing funds, it is often difficult to target federal funds to where they are most needed.



*Create a “One-Stop Shop”
for all housing services.*

The Panel concluded that state and local funding sources must be cultivated to allow housing agencies more flexibility to address a wide variety of diverse housing needs. State and local funds must also be used to supplement existing housing funds, which are not sufficient to address the full magnitude of the need in Colorado. Flexible, reliable, and dedicated funding sources for housing must be found in order to ensure that housing is available for Colorado's workers, seniors, and families.

To identify and secure support for achieving these ends, the Housing Finance Task Force, comprised of Blue Ribbon Panel members and other representatives of the housing and business communities, will meet to continue the work of the Blue Ribbon Panel on housing finance. It is essential that more be done to highlight the linkages between housing, jobs, transportation, and education, and

that financial remedies be sought in partnership with a broad coalition of private and public organizations.

These efforts will be further enhanced by continual evaluation of current spending and efforts to ensure that funds are presently being used in an efficient and responsible manner. The new needs assessment efforts described above will be a crucial tool in directing funds to where they are best used and most needed.

The Colorado General Assembly should restore housing development grant funds to the 2002 levels of \$4.6 million.

As a first step in addressing the gap between housing funding and housing need, the Blue Ribbon Panel recommends that the “Housing Development Grant” line item in the Colorado state budget be restored to 2002 levels. Prior to 2003 when the line item was reduced to zero, the Housing Development Grant program consistently received several million dollars each year. Although even the 2002 level is only a very small amount considering the size of the unmet housing need in Colorado, a restoration of this line item will do much to help address some of the housing challenges ineligible for attention under current restrictions on federal funds.

Provide new permanent and reliable funding sources for the acquisition, production, and preservation of affordable housing.

The Blue Ribbon Panel considered a wide variety of funding sources for affordable housing. In the course of its work, the panel identified and examined numerous possible funding sources for housing. Some funding options have been deemed more viable than others. See the full report for a detailed analysis of the funding sources considered.

It will be the job of the Housing Finance Task Force to devise a short-term and a long-term plan for housing finance, and to build agreement among public, private, and nonprofit organizations on the best means of securing additional resources for housing development, preservation, and rehabilitation. The Housing Finance Task Force must build on the Blue Ribbon Panel's work of engaging community leaders and others throughout the state who can build the kind of coalition needed to raise the profile of housing in Colorado.

Ensure that housing funds are used effectively to leverage funds from a wide array of local governments, nonprofits, and for-profit organizations.

Leveraging of local funds from public and private sources is a common practice for housing providers.

The Division of Housing, for example, has been successful at repeatedly achieving rather high leveraging ratios to maximize the effects of funds available for affordable housing in Colorado. The U.S. Department of Housing and Urban Development (HUD) ranks each state on its ability to leverage their Home Investment Partnership(s) funds with other sources of funds through the "Performance Scorecard" measurement system. As of the 3rd Quarter 2005 report, Colorado is ranked 5th in the country in leveraging of funds for affordable housing projects.

Leveraging is an invaluable tool in bringing together numerous financial partners, and ensuring local involvement and support in the production of housing. It is also an essential tool in encouraging partnerships with the private sector. Maximizing leveraging of new funds should be emphasized as a primary goal for all housing agencies.

Pursue funding through a HUD Economic Development Initiative (EDI) grant.

Housing agencies and organizations should work together to pursue a "Special Purpose EDI Grant," a grant program of the U.S. Department of Housing and Urban Development (HUD). Such funds should be pursued as seed money for additional housing efforts or as funds for the corpus of a housing trust fund.



Colorado ranked 5th in the country in leveraging of funds for affordable housing.

V. Policy Development

Public policy can have wide-ranging effects on the cost of producing housing and on preserving low-cost housing. If the housing community is planning to pursue new sources of revenue for housing, it is essential that efforts be made to diminish the costs of developing new housing as much as possible. In addition, it is important to encourage policies that facilitate the preservation of existing affordable housing that will further prevent the need for new construction of such housing.

While a variety of housing regulations can affect supply, governments can also employ a variety of incentives to encourage development such as density bonuses and basement suites. These should be evaluated as well.

Broaden policies that facilitate the preservation of existing affordable units.

Federal and state policymakers should support policy changes and legislation augmenting the Division of Housing's ability to preserve existing affordable housing units. At the state level, legislation should be passed allowing the Division of Housing to own property for a very short period of time so that properties in danger of foreclosure can be acquired and resold to another housing agency or organization that can better administer the property. Policymakers should ensure that this power to hold property should only be temporary and that CDH be required to pass the property on to a private agency in a timely fashion. Temporary ownership should also be restricted to properties that can be classified as "affordable" or are deed-restricted in some manner. This policy change should not encourage competition between private sector, market-rate landlords and the State of Colorado.

Monitor and evaluate how federal, state, and local regulations and incentives affect the cost of producing housing.

Devoting more resources to housing makes much more sense if housing organizations and local communities are also pursuing ways to reduce the cost of housing production and development.

The Division of Housing should evaluate how state law increases the costs of developing housing in Colorado. If this evaluation shows that state regulations and statutes unduly increase the costs of housing development, housing agencies and organizations should support the modification or repeal of such statutes while providing technical assistance to communities looking to reduce housing production costs.

In the past, CDH has monitored and published information on increases in fees in a number of jurisdictions. This work should be continued. Current fees and regulations and proposed new fees and regulations should routinely be evaluated using cost-benefit analysis to compare and contrast the presumed benefits of fees and regulations with the added cost to housing production.

Pursue foreclosure mitigation efforts.

State and local housing agencies, nonprofits, and lending institutions should work together to address the growing number of households experiencing foreclosure of their homes. These issues can best be addressed through appropriate improvements to training and counseling programs, and in devising systems that can address the foreclosure process in a timely manner while providing options to the households in foreclosure.

Partnerships with the lending community will be especially important in identifying those in danger of foreclosure as early as possible and in facilitating early-intervention efforts.



Panel Background

In October of 2004, The University of Denver and the Colorado Division of Housing established the Colorado Blue Ribbon Panel on Housing. Tom Ragonetti of the Rocky Mountain Land Use Institute, Marc Holtzman of the University of Denver, and Kathi Williams of the Colorado Division of Housing met to assemble a Panel reflecting a broad cross section of the private, public, and nonprofit organizations involved in housing and community development in Colorado.

No statewide housing panel had been convened since 1988, but the extensive economic growth of the 1990s and the recession earlier this decade have produced a number of housing challenges in many regions throughout the state. The Colorado Blue Ribbon Panel on Housing's first meeting was convened on November 9, 2004, bringing together real estate professionals, builders, lenders, economic development professionals, housing providers, and housing finance professionals to explore and

recommend ways to meet Colorado's housing challenges. Over the next thirteen months, the Panel met with local advisory groups on housing from six regions across Colorado, and with experts on a variety of public policy issues. Final recommendations were adopted only when a consensus could be reached on each issue.

Housing Needs and The Blue Ribbon Panel Roundtables

Affordable Housing Defined

In the context of this report, "affordable housing" is a broad term encompassing a number of different types of housing designed to ensure that housing is available to households across the full spectrum of income levels. Such housing is not necessarily financed by public dollars, nor is it necessarily owned by any government entity.

Encouraging the production of affordable housing thus means encouraging private, public, and nonprofit agencies to partner in the production, rehabilitation, or preservation of housing that can be leased or sold at rates affordable to households representing a range of income levels. Terms like "senior housing," "workforce housing," and "special needs housing" are all subcategories of affordable housing geared toward specific populations.

At the higher income ranges, such as incomes at or above 80%, or even 60%, of area median income, the private sector often excels at producing sufficient numbers of units to provide for those markets. However, at lower income ranges, many of which are common to service sector workers, seniors, and the disabled, the high cost of producing housing renders the private sector incapable of producing housing affordable to such households.

The Panel's Mission:

- *Identify Colorado's housing needs.*
- *Define how housing is a key element in economic and community development around the state.*
- *Promote cooperative solutions to housing challenges in Colorado's many diverse communities.*

When the production of housing for households with incomes at the lower ranges becomes unfeasible, it is appropriate that public agencies partner with private lenders, developers, real estate professionals, and nonprofit housing providers to find a way to produce such housing. The recommendations in this report will be geared toward facilitating these partnerships and increasing the supply of housing to those at the lower income levels.

What is affordable?

The standard generally used to determine the affordability of a rental or purchase property is the “30% rule.” This is based on private sector industry standards, as well as established policy of the U.S. Department of Housing and Urban Development (HUD).

According to the Colorado Mortgage Lenders Association, lenders generally accept that a borrower should be paying 25–30% of his or her income toward the mortgage. There are exceptions to this, of course, but in most circumstances, paying much more than 30% would be considered risky. Similarly, REALTORS, sensitive to the needs of lenders, report that they recommend a borrower spend no more than one-third (33%) of his or her income on mortgage payments.

In HUD calculations of affordability, a household paying more than 30% of income is considered to be in a risky position and is deemed “cost burdened” or “rent burdened.” To determine the need for affordability, we look at the cost of housing in a specific area, and then look at the incomes of households in that area. If the price of leasing appropriate housing requires more than 30% of a household’s income in a particular community, we know that the household is cost burdened and that there is a shortage of affordable housing in that area.

Can the Private Sector Address this Problem?

Private builders, financial institutions, REALTORS, insurance firms, and other private entities dominate the housing market in Colorado. Under most circumstances, private financing and construction of housing is quite proficient at producing quality housing affordable to a significant portion of the population. Some builders and lenders cater to populations with moderate incomes, such as no-frills rental housing and homes for first-time homebuyers, while others cater to higher incomes by producing luxury homes and apartments.

The problem in producing housing for lower income populations arises from the high cost of producing housing, which constricts the supply of housing available to the lower end of the income spectrum. These costs may be due to the cost of materials, the cost of land, the cost of infrastructure, the length of time necessary to navigate the approval process, minimum fire and safety standards, or other factors. In effect, these minimum costs establish a price floor for the consumer that does not allow for the production of housing designed for low-income segments of the market.

The chart below describes a hypothetical multi-family housing project. The cost of each unit after land acquisition, construction, regulatory compliance, and infrastructure costs comes out to \$85,000. At this cost, the owner must charge \$950 per month to cover debt service. This rate would not be affordable to many households earning income from service sector jobs.

The Cost of Developing a 60-Unit Two Bedroom Apartment Complex in a Generic Colorado Community

Total Estimated Cost to Develop	\$5,355,000
Cost Per Unit	\$85,000
Developer's Cash Flow Required	\$562,000
Rent Needed to Operate and Pay Debt	\$950/Month
Rent affordable on \$8/hour	\$416/Month
Rent affordable on \$10/hour	\$500/Month
Rent affordable on \$14/hour	\$728/Month

This scenario is common in many places across Colorado where the cost of development, for a variety of reasons, is too high to allow for the production of affordable housing. To produce housing that can be leased or sold at rates affordable to workers, seniors, and families at the low end of the income spectrum, the private sector and public sector must work together.

In the case of producing a multi-family project, for example, this can be done by making public dollars available to the owner to reduce the cost of land acquisition or other predevelopment costs. Other strategies may include low-interest loans or waived fees at the local level. The goal is to reduce the total debt burden on the property and to allow for a rent level that is both affordable to lower income residents and still sufficient to make debt service.

This is only one example, and a myriad of programs, funding sources, and agencies have been committed to increasing the production and preservation of affordable housing through such strategies that require the participation and resources of private, public, and nonprofit partners.

In spite of all the efforts of these organizations, however, we find that there is still a gap between

the housing needs of many workers, seniors, and families, and the supply of housing available to all income levels.

Colorado as a "Lifestyle State"

Colorado is a state known for its high quality of life. The state is known for its natural beauty, its many recreational opportunities, its sunny weather, and a general lifestyle that is especially attractive as a place to relocate for many middle- and high-income persons. The attractiveness of this lifestyle means that housing in Colorado, whether for wage earners or as second homes for retirees, or households who earn income elsewhere, is in high demand, which continues to drive up prices in many areas where supply is not keeping up.

A particularly acute version of this occurs when the second-home market begins to dominate an area as it does in the rural resort regions as well as other areas. This occurs when households are looking to purchase a home in a region, but are not planning on earning wages there. In areas like mountain counties where the federal government owns 70, 80, or 90% of all the land, this can severely curtail a community's ability to retain housing affordable to a full range of incomes. Second homes significantly drive up the appraised value of all homes, increasing the cost of

property taxes to longtime residents, as well as driving up rental rates and the purchase price of housing for wage earners in the community. The new residents have a high demand for recreational services and shopping, thus creating new jobs, but positions in these industries do not pay wages that make housing in such communities accessible.

Such communities are known as “lifestyle communities” or, as demographers are calling them, “amenity-based” economies. Lifestyle communities are most commonly found in lifestyle states, which, in addition to Colorado, include California, Florida, Oregon, Washington, Arizona, and Vermont. They do not generally include Farm Belt and Rust Belt states. Lifestyle communities include numerous high-income second-home owners served by recreation, hospitality, retail, and food service workers. The second-home owners and retirees who purchase these services are not dependent on earning incomes from within these communities. Thus, most jobs in such communities are notable for their moderate- to low-wage levels.

The housing situation this creates is fairly unique to states. Colorado finds itself in a position of having a workforce that is increasingly unable to find affordable housing near employment centers. As Co-Chair Tom Ragonetti noted during the October meeting:

It is axiomatic that when you survey the housing needs of any state in the Union, you are always going to have housing needs for special populations. The homeless, the elderly, the disabled, and certain other groups will always be a challenge for housing organizations. What is striking about assessments in Colorado is the gap—and it’s a growing gap—between wage earners at the middle and lower ends, and their ability to buy and rent housing in Colorado. That has a vital connection to the state’s economic vitality in the long run.

Even in communities where the Lifestyle State phenomenon is less severe, the need for low-wage service workers is no less great. The reason is that high-wage professional jobs drive a need for more service sector jobs. For example, a community that enjoys a large population of high-wage jobs such as engineers and information technology workers will also experience a large demand for food service, retail, and recreational amenities. Thus, in the long run, job growth in high-wage jobs will drive job growth in low-wage jobs as well.

The Blue Ribbon Roundtables

The most central component of the Blue Ribbon Panel's work in identifying housing challenges around the state was the work of the housing Roundtables. The differences in housing challenges among the many regions in Colorado required a decentralized approach. The Roundtables have provided invaluable insights into local housing concerns and provided Blue Ribbon Panel members with a more complete view of Colorado's diverse housing needs.

To determine the extent of the housing need within the state, the Panel established six regional Roundtables. The Roundtables consisted of housing professionals representing mortgage lenders, REALTORS, nonprofit organizations, for-profit developers, and local government officials. The Roundtables convened once a month over the course of several months to determine the major housing issues and needs within each community. Each Roundtable presented its findings to the Blue Ribbon Panel. Often, the data presented came from local needs assessments, and in other cases from research performed by local housing agencies and other private and public groups.

Roundtables decided for themselves what information to present to the Panel and how to present it. As a result, the Roundtable presentations do not follow a uniform format. Some Roundtables presented to the Panel in person, and some presented by videoconference. Roundtable members have been consulted throughout the Blue Ribbon Panel report, and provided comments on early drafts of this report.

The six Roundtables are:

- The Colorado Springs Roundtable (Colorado Springs and El Paso and Teller Counties)
- The Glenwood Springs Roundtable (Eagle, Garfield, Pitkin, and Summit Counties)
- The Grand Junction Roundtable (the Grand Valley: Mesa, Montrose, and Delta Counties)
- The Northeast Colorado Roundtable (Cheyenne, Elbert, Kit Carson, Larimer, Lincoln, Logan, Morgan, Phillips, Sedgwick, Washington, Weld, and Yuma Counties)
- The Pueblo Roundtable (15 Counties encompassing the City and County of Pueblo, the Lower Arkansas Valley, Huerfano and Las Animas Counties, and the San Luis Valley)
- The Denver Metro Roundtable (Adams, Arapahoe, Boulder, Denver, Douglas, and Jefferson Counties)

The Blue Ribbon Panel Roundtables covered a variety of geographic and demographic areas, including major metropolitan areas, midsized cities, suburbs, rural plains, resort mountain towns, and rural mountain towns. The diversity represented throughout these areas reflects the various housing challenges in Colorado. Time and cost considerations limited the number of Roundtables and Roundtable participants, but the Panel is confident that the work done by the Roundtables provides a helpful cross section of housing in Colorado.⁴

While data provided by the Division of Housing and other agencies played an important role in the Panel's work, the local perspectives and local needs assessment data offers some of the best information on local populations, economic conditions, and housing need. The interaction between the Roundtables and the Panel serves to inform all of the recommendations in this report.

The meetings with the housing Roundtables highlighted the fact that housing needs and conditions are very diverse across the state, and that there are few one-size-fits-all solutions. Nevertheless, there were several challenges and ideas that were frequently expressed by the Roundtables:

- *The growth of low-wage service sector jobs is substantial in our communities and drives the need for more affordable housing near employment centers.*
- *In many areas, the scarcity of land and the growth of second-home development drive up the cost of housing to levels unattainable to the local workforce.*
- *Lack of workforce housing is often a strain on the infrastructure.*
- *There is a need for a reliable central clearinghouse for housing financial and funding data.*
- *Small communities lack knowledge and resources to apply for grants and assemble projects.*
- *The cost of producing housing continues to go up through increased fees and development costs.*
- *The cost of single-family homes continues to grow at a faster rate than wages.*
- *The impending retirement of the baby boomers will be a lasting housing challenge.*
- *Populations at 50% area median income (AMI) and below are the most underserved by existing housing resources.*
- *Growth in middle- to high-wage jobs drives increases in lower wage jobs such as food service and retail. Retail follows rooftops.*

Roundtable Findings

Below is summarized data on some of the issues and recommendations presented by the Roundtables to the Blue Ribbon Panel. There is a considerable diversity of housing challenges and recommended action. For complete Roundtable presentation materials, please see the Appendix.

The Colorado Springs Roundtable

The Colorado Springs Roundtable consists of representatives from Colorado Springs, El Paso County, and Teller County. To help create and preserve affordable housing for our community, the Colorado Springs team prioritized proposed policy changes for use of available funds.

- The number one priority is fund availability for land acquisition.
- The next highest priority is the policy change allowing for the purchase of land based on opportunity, and then having the leeway to bank the land for a period of time (two or less years) to align construction financing, select a general contractor, etc.
- Funds for rehabilitation of existing properties in the affordable housing inventory.
- Rapid access to predevelopment funds to perform due diligence on potential affordable housing opportunities.
- Funding for life skills that are needed by households across the housing continuum.
- Funding for down payment assistance.
- Establish a “data clearinghouse” of housing information that can be utilized by public and private sector entities in completing needs assessments, consolidated plans, etc.

The Colorado Springs team identified seven challenges during their presentation to the Blue Ribbon Panel. Those challenges included the following:

- Reducing the funding application process (both in terms of time and amount of documentation).
- Policy changes that would allow banking of land for future affordable housing development.
- Policy changes that would allow for the use of HOME funds to acquire a property, then at some future time, to use HOME funds again for rehabilitation.
- Explore potential sources of funds for investment in the Housing Investment Trust Fund.
- Clarify language to describe the many categories of housing that fall under the manufactured housing overall definition.
- Define “housing balance” and the factors that impact this balance in the community.
- Establish an easily updateable, real-time source of housing needs that is accepted by CDH and local jurisdictions. This “needs data” should be in a simple format and track certain mutually agreed upon indicators. The Needs Assessment template listed in the draft report should be viewed as a starting point.

Teller County is a growing community, and in many ways serves as a bedroom community providing housing to workers with moderate- to high-wage jobs in El Paso County. The need for housing for local retail and service workers appears to be growing. Commuting between Teller County and El Paso County has increased substantially in recent years. Teller County has begun efforts to plan its housing future and will soon complete a local housing needs assessment.

The Glenwood Springs Roundtable

The Glenwood Springs Roundtable encompasses the major mountain resorts in Eagle, Garfield, Pitkin, and Summit Counties. These counties lack developable land for two reasons:

- A high concentration of federally-owned land.
- The second-home real estate market pushes up acquisition and property tax costs.

Also:

- The population in these counties is growing, but the number of new properties on the market is stagnant.
- The rental and homeownership gaps lead to cost burdened households, long commute times, overcrowding, and people living in substandard housing.
- Contrary to common belief, these areas have an aging population that will increasingly require health care and recreational services. In Summit County, senior-headed households have increased 146% since 1990.
- The high cost of rent and lack of homeownership opportunities, in combination with stagnant income growth, exacerbate the problems.
- Research presented by the Northwest Colorado Council of Governments illustrates a substantial and growing gap between increases in the cost of homes and income growth among residents of the Rural Resort region.
- About 31% of Summit County households were cost burdened in 2000. The number of cost burdened households has increased 58% since 1980.
- Workforce housing is extremely difficult to produce due to high land costs.

- The second-home market tends to push up assessed values, which in turn pushes up property taxes for longtime residents, low-income residents, and renters.
- Problems with exceedingly long commuting times for the region's workforce. The geography of the region and the need to move farther and farther away from the central resort areas in order to afford housing create a need to travel very long distances for workers in those resort areas.
- Long commutes can be detrimental to both workers and employers resulting in lost wages and work-hours through missed work and absenteeism. Increases in the cost of fuel may exacerbate the cost of lengthy commutes.
- Increased wear and tear on transportation infrastructure is costly.

Recommendations:

- Land acquisition is increasingly costly, and land banking is a critical tool.
- The use of land trusts has been successful and should be maintained.
- A regional housing fund is being created in the Roaring Fork Valley. Regional funds may prove invaluable in other mountain areas as well.
- If any statewide housing fund is pursued, it must be structured to disburse funds in a way that reflects the high-cost real estate and the true cost of living in the region. Distributing funds to our region based only on population will not be satisfactory.
- Employer-assisted housing programs must be put in place.
- Housing entities must work together regionally.
- The use of inclusionary zoning measures should be expanded in the region.

The Grand Junction Roundtable

The Grand Junction Roundtable included representatives from Mesa, Montrose, and Delta Counties. These counties are facing housing issues similar to other Western Slope communities. Due to the heavy influence of the service and retail sectors, wages are low and housing costs continue to rise.

The Grand Junction Roundtable reported:

- There is a growing need for low-wage service workers. Mesa County retail and services employment totaled 52% of all 2001 Mesa County jobs. 53% of the new jobs created between 1991 and 2001 were in two of the lowest paying employment sectors: services and retail. Retail wages average \$17,910, while services wages average \$25,428.
- From 1990 to 2002, the average single-family home price increased from \$67,060 to \$146,875.
- Mesa County wages, adjusted for inflation, have remained essentially flat over the last 30 years.
- Estimates project that Mesa County, over the next decade, will need approximately 1,670 more rental housing units serving households earning less than 60% AMI.
- Montrose is experiencing a widening of the wage gap. While home prices have increased an average of 3.9% each year since 1996, wages during that same period rose only 3.1% per year, creating a 0.8% annual gap.
- 33% of all households are cost burdened in Montrose County.
- In Delta County, needs assessment data indicates a present need for 172 rental units and 420 units available for purchase by residents at or below 60% AMI. Based upon projected employment growth, 449 more units will be needed by 2010 for households earning less than 60% AMI.

Recommendations:

- Develop housing for populations at or below 50% AMI.
- Common application and reporting procedures.
- Continued focus on reducing production costs through reduced regulatory costs.
- Focus on maximizing local control and avoiding state-level biases for new construction or other strategies that may not fit with a local area.
- Preserve lower income homeownership.
- Increase support for housing rehabilitation.
- Focus on acquisition of suitable land.

The Eastern Colorado/Northern Colorado Roundtable

The Fort Morgan Roundtable consisted of representatives from the more urbanized Larimer and Weld Counties, as well as rural Morgan, Logan, and Phillips Counties.

Larimer and Weld County representatives reported:

- In Larimer County, 3500 homeowners (14% of all owners) are cost burdened. 39% of renters are cost burdened.
- Larimer County has the 4th highest rental rates in the state, behind only Pitkin, Eagle, and Summit Counties.
- Larimer and Weld counties are experiencing relatively high vacancy rates. This is due to a surplus of units available to households between 100% and 120% AMI, while there is a gap between numbers of household earning below 50% AMI and the number of units available to such households.
- The median price of a single-family home has risen dramatically in the past 13 years; between 1992 and 2005, home prices increased from \$88,293 to \$244,478.
- In Fort Collins, the price of housing increased 91%, while wages increased 41% between 1992 and 2000.

Recommendations:

- Increase opportunities for land banking.
- Increase options for fee waivers.
- Priority processing for affordable housing projects.
- Developing partnerships with local economic development groups is essential.

The Morgan, Logan, and Phillips County representatives noted different concerns. Their area is rural/agricultural, and very interested in economic and resource development.

- Water is a prominent concern. As regional water resources are used more and more by the state's urban areas, there is a concern that water tap fees will add considerable costs to housing production in the future. Securing water rights for development can add \$20,000 to the cost of a single-family home.
- There is a lack of housing for farm workers. Recent studies indicate a need for 949 beds for farm workers.
- There is a lack of infrastructure that facilitates residential development. Curbs, gutters, sidewalks, etc., are costly components of housing, and small communities cannot absorb these costs. Impact fees are often used, but such fees tend to make affordable housing production unlikely or impossible.
- Manufactured (modular) housing is a source of confusion for many local officials. Local regulations often constrain the use of this housing as a low-cost alternative in many areas.
- There is a need for improved housing data.
- Much recent job growth has been in retail and other services.
- The Morgan County area is increasingly a destination for retirees.

Recommendations:

- Ensure the availability of water for future residential development.
- Create as much zoning flexibility as possible.
- Encourage local jurisdictions to donate land for affordable development.
- Initiate the creation of an infrastructure bank to facilitate affordable residential development.
- Manufactured (modular) housing is a source of confusion for many local officials. The nature of modular housing as distinct from old mobile home-type housing must be explained, as must the benefits of modern modular housing as affordable housing.

The Pueblo Roundtable

The Pueblo Area Roundtable consists of representatives from three distinct regions, including the City and County of Pueblo, the Lower Arkansas Valley, Huerfano and Las Animas Counties, and the San Luis Valley.

The Pueblo Roundtable reported that:

- Southern Colorado's unique housing challenges include an aging senior population, flat population growth, and an aging housing stock.
- As in Northeastern Colorado, the lack of existing infrastructure is a concern, particularly in rural areas of Southern Colorado such as the Lower Arkansas Valley.
- The number of existing developable lots was reported to be extremely low, as was the number of lots zoned for any type of multi-family housing.
- Increases in Spanish-speaking households have created an unmet need for bilingual workers at housing agencies.
- Recent job growth has been in areas that pay below area median income.

Recommendations:

- Unbiased credit counseling and home buyer counseling are vital, but access to these services must be improved. Partner with lenders to increase capacity of mortgage and consumer credit education.
- Focus on homeownership retention.
- Devote resources to rural assisted living centers where needed.
- An older, rural housing stock requires additional resources be devoted to owner-occupied rehabilitation efforts.
- Improve planning for infrastructure that will facilitate affordable residential development.
- The age of housing stock was of particular concern to the Pueblo Roundtable. The average statewide age of housing as reported by the Pueblo Roundtable is 35 years, compared to 51 years in the Lower Arkansas Valley.⁵ Older homes tend to require greater mitigation of the dangers of lead-based paint and asbestos, plus other health and safety related issues. However, the cost of such rehabilitation is prohibitive for a substantial number of owners, especially older owners.

The Denver Metro Roundtable

The Denver Metro Roundtable identified several areas of specific need as illustrated in recent needs assessment data.

- Shelter beds and transitional housing for homeless families and individuals.
- Affordable rental properties.
- Homeownership: Down payment assistance and self-help housing.
- According to the Denver Metro Vacancy Survey, a two-bed/one-bath apartment in the City and County of Denver rents for \$740.36. The salary required to afford that rent is \$29,614. The current

minimum wage pays \$10,712. Occupations that do not pay enough to afford such a two bedroom/one bath apartment include retail sales representatives, bank tellers, and delivery drivers.

- Preservation of units.
- Overall, the region is very diverse. In areas close to jobs, the price of housing continues to increase at a rapid pace.
- “Drive till you qualify” is becoming the only option for many working families.⁶
- In the Denver Metro area, an entry-level teacher could afford a \$100,000 house, but the median-priced house is \$245,000. A household needs to earn \$75,800 a year in order to afford the median-priced house in the Denver Metro area. In the Denver Metro area, an entry-level teacher could afford a \$100,000 house, a retail worker, a \$65,000 house, and a bank teller, a \$75,000 house.
- Even in two-income households, the costs of childcare and medical care for children puts homeownership out of reach. Childcare costs can range from \$369 per month for a family with a school age child and a teenager, to \$1632 per month for a family with one infant, one preschooler, and a school age child.⁷

Recommendations:

The Metro Denver Roundtable provided a substantial amount of information and recommended action. At its final meeting, the Roundtable prioritized its recommendations into four areas.

- Information services
- Increase foreclosure prevention and homeownership counseling efforts.
- Standardize needs assessments throughout the metro area.
- Improve data collection for policymakers, service providers, and renters throughout region.
- Improve homeless and transitional housing resources.
- Improve marketing of Coloradohousingsearch.com, the free, statewide listing service for low-cost housing.
- Centralize and improve access to information on housing for low-income renters.
- Make housing services more user-friendly
- Create common reporting and common application procedures for nonprofit developers.
- Create a consensus among lenders and affordable housing organizations as to how properties in danger of foreclosure might be preserved and recapitalized.
- Create improved and more sustainable underwriting guidelines for affordable housing.
- Improve financial resources through a statewide housing fund.
- Focus on developing transit-oriented development.

The Roundtable presented the following chart to illustrate regional rent burden statistics.⁸

Households earning \$21,510 (30% AMI)			
County	Market-Rate Units available for 30% AMI income earners	Number Rent Burdened	Severely Rent Burdened (paying 35 % or more of monthly income)
Adams	1,298	7,807	6,712
Arapahoe	4,085	11,784	10,234
Denver	4,934	28,360	24,672
Douglas	162	830	693
Jefferson	1,315	16,739	9,179

The Blue Ribbon Panel on Housing finds that:

- There are unmet housing needs in Colorado.
- There is a need for increased investment into special needs housing for the elderly, the homeless, victims of domestic violence, and the mentally and physically disabled.
- In many places in Colorado, wage earners are witnessing a growing gap between their income and the cost of housing in Colorado.⁹ The gap between household income and affordable housing diminishes the state's overall economic vitality.
- There is a need for a permanent reliable funding source in addition to current funds to help meet these growing needs and the income/housing gap.
- Each community should understand the housing market in its area. The Panel encourages every community to have a standardized needs assessment completed and periodically updated to assist with housing and economic development decisions.

Housing and Economic Vitality

The Colorado Blue Ribbon Panel on Housing spent thirteen months studying the state of housing throughout Colorado. The Panel discovered that Colorado's housing needs are as diverse as the many communities throughout the state. The needs of the metro areas are different from those of the eastern plains, and the needs of the eastern plains differ from those of rural resort areas. However, a consistent theme dominated the Panel's discussions: the state lacks housing balance. Within a region, workers, employers, and the overall economy benefit from a sufficient supply of housing for those who work in the region. When a sufficient supply of housing is not present, employee retention and household economic self-sufficiency are strained as is the local transportation infrastructure.

Housing is an important aspect of a community's overall economic health. Achieving a healthy community requires investments in:

- 1) economic development
- 2) health care
- 3) housing
- 4) transportation
- 5) higher education; and
- 6) workforce training

One or more of these components can temporarily sustain a community's economic health, if those components are highly functioning. For example, an economic engine such as a ski area may hide deficiencies in a community's ability to provide housing. Employees will simply seek housing that is affordable despite long commute times. This is called "drive till you qualify." However, long commutes are not healthy for families or communities. Housing close to jobs is good for Colorado businesses. Shorter employee commute times translate to lower rates of absenteeism and less traffic congestion.





Cost Burden Analysis and Overall Housing Need

Colorado's lowest income earners have the most difficulty finding adequate housing. According to a 2004 Colorado Division of Housing analysis, approximately 110,300 households earning less than \$20,000 are paying more than 35% of their income to rent.

According to the U.S. Department of Housing and Urban Development, households should spend only 30% of their income on housing. Households are considered low income if they earn 30% or less of area median income, and are *severely* rent burdened if they earn 30% or less of area median income *and* they pay over 35% of their income to housing expenses. A "household" in the below chart is defined as four individuals.

Number of Households earning 30% of AMI or less		
Region	Rent Burdened	Severely Rent Burdened (at risk for homelessness)
Bent (eastern & southern CO)	159	122
Denver Metro	65,520	51,490
Mesa (western CO)	3,545	3,091
Summit (central CO)	569	475
Weld County/Greeley	4,934	4,454

Statewide, the need for housing for households earning 30% or less of area median income (AMI) is determined through the Division of Housing's *2004 Estimate of Households by Income for Colorado and its Regions* (Household Report).¹⁰ According to the Household Report, area median income in Colorado for 2005 is \$55,722. Thirty percent of AMI is \$16,716.

- The number of rent burdened households earning between \$0 and \$16,716 is 97,506. This is 5% of households in Colorado. Households earning 30–60% of AMI earn between \$16,717 and \$33,433.
- The number of households earning 30–60% of AMI that are rent burdened is 75,690, or 4.1% of all households.

As has long been known among lenders and REALTORS, a household that pays more than a third of its income in housing is not likely to be economically self-sustaining in the long run. Reducing numbers of cost burdened households is essential in stabilizing the housing situation for Colorado's residents and in stabilizing housing markets.

Reducing the numbers of cost burdened households can be accomplished through a variety of strategies:

- Reducing the cost of housing production.
- Employing housing subsidies, either through low-interest loans, or through grants that reduce the overall debt load on a housing unit. Direct rental assistance can also be used, either in new housing production or in restructuring debt on existing housing.
- Rehabilitation of existing housing. Increasing and preserving the supply of affordable housing by ensuring older housing continues to remain safe and habitable.
- Down payment assistance may also be used to encourage homeownership as a workforce housing tool.
- Tenant based rental assistance.

Local housing needs assessments are best utilized in identifying the most appropriate tools for a specific community.

Wages and Housing in Colorado

As noted above, the key to mitigating the cost burden is to partner with the private and nonprofit sectors to produce and preserve housing that is affordable to workers, seniors, and families. For workers especially, it is important to understand the wages needed to secure sufficient housing.

*According to the National Low Income Housing Coalition's **Out of Reach 2005** report:*

In Colorado, the Fair Market Rent (FMR) for a two bedroom apartment is \$832. In order to afford this level of rent and utilities, without paying more than 30% of income on housing, a household must earn \$2,774 monthly or \$33,294 annually. Assuming a 40-hour workweek, 52 weeks per year, this level of income translates into a Housing Wage of \$16.01.

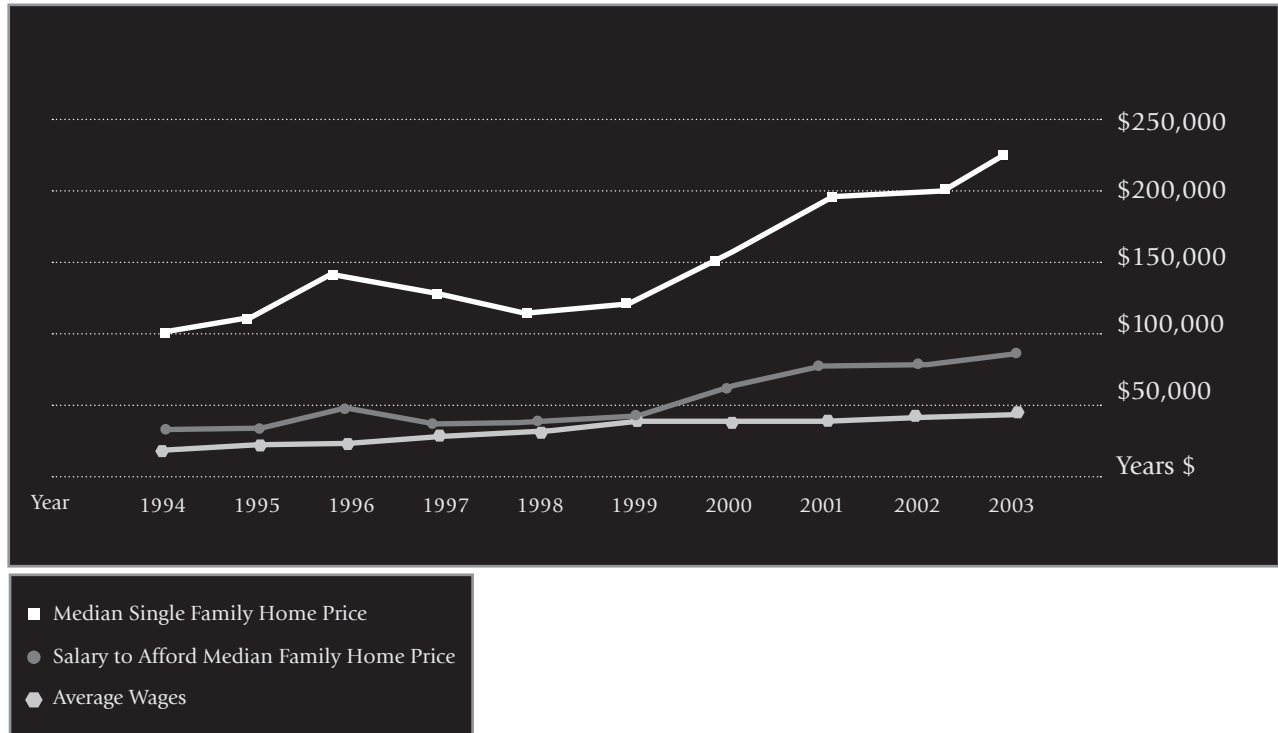
In Colorado, a minimum wage worker earns an hourly wage of \$5.15. In order to afford the FMR for a two bedroom apartment, a minimum wage earner must work 124 hours per week, 52 weeks per year. Or, a household must include 3.1 minimum wage earners working 40 hours per week year-round in order to make the two bedroom FMR affordable.¹¹

In Colorado, the estimated mean (average) wage for a renter is \$12.58 an hour. In order to afford the FMR for a two bedroom apartment at this wage, a renter must work 51 hours per week, 52 weeks per year. Or, working 40 hours per week year-round, a household must include 1.3 workers earning the mean renter wage in order to make the two bedroom FMR affordable.

If the Housing Wage is \$16.01, then even two-income households will be unable to attain housing if both wage earners are at or near minimum wage levels.

The graph below illustrates the increasing gap between wage levels and the cost to purchase housing. The salary level necessary to afford the median-priced home in Colorado continues to increase, while real wages remain largely flat. This graph reflects composite data, so while some regions of Colorado are experiencing less of a gap between housing costs and wages, we can be sure that other regions—such as the mountain regions and some areas of the Front Range—are experiencing much larger gaps.

Real \$'s



Teachers, Tellers, and Cops

One of the goals of the Colorado Blue Ribbon Panel on Housing's report is to demonstrate deficiencies in the housing market for people who are integral participants in local communities. Teachers, bank tellers, and police officers are examples of occupations important to a community. An analysis of these professions provides a picture of the housing challenges facing regular Coloradans.

The data below is intended to illustrate the economic realities for many workers in Colorado. The wages are pretax. Two-income households will often help to alleviate the cost burden of housing, but it is helpful to keep in mind childcare costs for two-income families. Childcare costs can typically range from \$500 per month for a couple with one child, up to \$1700 dollars per month for a couple with 3 children.¹² Certainly, single-parent households would find housing costs prohibitive in most of the scenarios found below.

School Teachers

Teachers in Colorado face a challenging housing landscape. A first-year teacher in the state, depending on the school district, will earn between \$22,000 and \$31,000, or \$9.60 to \$14.50 per hour. An individual earning \$31,000 should be able to afford \$775 per month to rent an apartment. A two bedroom apartment currently rents for \$757 in the Denver Metro area, \$932 in Summit County, and \$514 in Grand Junction. A two bedroom apartment may be necessary for many Coloradans, considering there are 12,193 households with one adult, 25–44 years of age with children that earn \$25,000–\$35,000. Families in this income range are usually able to rent an apartment in the Denver Metro area and Grand Junction, but affordable rental housing in the mountains is unattainable for this teacher.

Teachers may be able to afford rental housing in many communities in Colorado, but could they afford to buy a home in their communities?

The below chart compares the average teacher salary (not starting teacher salary) in Denver Metro and Summit, Mesa, Bent, and Weld Counties against the cost of homeownership.

	Average Annual Salary ¹³	Affordable Home Purchase Based on Salary ¹⁴	Median Cost of Home ¹⁵
Bent County	\$32,309	\$112,000	\$116,176
Denver Metro	\$43,576	\$150,000	\$240,445
Summit County	\$48,702	\$168,000	\$341,588
Mesa County	\$38,296	\$133,000	\$151,344
Weld County/Greeley	\$36,396	\$126,000	\$185,168

The median cost of a home indicates that there are an equal number of houses above this home price as below. Because this is the median value, it is instructive to realize that perhaps some housing is available to teachers below the median value. However, what type of housing is available at the affordable price? A quick search of a commercial housing database as of November 1, 2005 reveals zero for sale units in an average salaried teacher's price range in Bent, Mesa, or Summit Counties.

Bank Tellers

According to the U.S. Bureau of Labor Statistics, the bank teller "is the person most people associate with a bank. Tellers make up approximately one-fourth of bank employees and conduct most of a bank's routine transactions.¹⁶" The median income a bank teller earns varies throughout the state. The median income is \$18,491 in Bent County and \$24,772 in the Denver Metro area. Homeownership throughout the state is unreachable for individuals with earnings in this range.

Many of Colorado's working families earn \$15,000–\$25,000, the approximate annual income of a bank teller. According to Division of Housing analysis, Colorado has 10,357 two-adult (between 25–44 years of age) households with children and an annual income of \$15,000–\$25,000. Additionally, there are 10,781 households with one adult, 25–44 years of age, with children, living in Colorado and earning \$15,000–\$25,000. The individuals that comprise the Colorado workforce and earn \$15,000–\$25,000 are people that help drive our economy. The bank teller could be substituted for a variety of occupations including: *Child Care Workers, Cooks—Food Services, Ski Patrol, Cashiers—Retail, Farm Workers, Taxi Drivers.*

THE BLUE RIBBON PANEL'S FINDINGS ON HOUSING NEEDS IN COLORADO

The affordable purchase price of a home for a bank teller in Bent County is \$65,000. The affordable home purchase price for a bank teller in Mesa County is \$70,000, and in the Denver Metro area it is \$85,000. These home affordability numbers can be compared with the median cost of a home in Bent County, Mesa County, and Denver Metro. In each of these counties, a large homeownership gap exists for tellers.

However, a better understanding of the housing picture for tellers, due to income restrictions, could be a comparison between salary and rents. The below chart compares a bank teller's salary, the amount he or she should be spending on housing, and the cost of housing across the state.

	Average Annual Salary ¹⁷	Affordable Monthly Housing Costs	One Bedroom/One Bathroom Median Monthly Rents ¹⁸	Two Bedroom/One Bathroom Median Monthly Rents ¹⁹
Bent County	\$18,491	\$462.28	\$426.18	\$474.35
Denver Metro	\$24,772	\$619.32	\$687.32	\$757.35
Summit County	\$20,904	\$522.60	\$669.75	\$868.19
Mesa County	\$20,217	\$505.43	\$436.98	\$509.33
Weld County/Greeley	\$22,484	\$562.12	\$572.71	\$645.17

Police Officers

Despite a higher income, police officers confront housing challenges similar to those of schoolteachers. Home prices are unaffordable for many of the state's police officers.

The chart below compares police officer median salaries to housing costs across the state.

	Average Annual Salary ²⁰	Affordable Home Purchase Based on Salary ²¹	Median Cost of Home ²²
Bent County	\$32,614	\$113,000	\$116,176
Denver Metro	\$53,997	\$187,000	\$240,445
Summit County	\$36,005	\$126,000	\$341,588
Mesa County	\$39,499	\$137,000	\$151,344
Weld County/Greeley	\$38,979	\$135,000	\$185,168

Shifting Demographics—The Graying of the West

Panel members identified Colorado's aging population as one of the housing challenges facing this state. According to the Colorado Department of Local Affairs, the baby boomer generation is currently 41–55 years old. By 2010, the first of this generation will be 65 years old. Between the year 2000 and 2020, Colorado's population 55-64 years of age will grow at 5.9% per year compared to 3.9% nationally. By the year 2030, Colorado will have 1.9 million individuals over the age of 65. That is an increase of 1.5 million people over the age of 65. The aging of the population is significant for two reasons. First, as Coloradans age, their housing needs will change. Elderly Coloradans will need increased access to healthcare and healthcare personnel.²³

A more significant impact of the aging population is its exodus from the workforce. As workers retire, their positions within the workforce will need to be replaced. However, if these new retirees age in place, they will not be passing along their homes to their replacements. These new workers will nevertheless need to find homes close to their jobs. If the new retirees do not age in place, they will be purchasing new homes in new areas that will require new healthcare personnel, food service, hospitality workers, and recreational services.

Conclusion

The housing need in Colorado varies considerably by region and by income level. Given these variations, local needs assessments are essential in identifying the local needs and the tools to be used to address those needs. The variety of topics presented by the Roundtables further demonstrates the lack of one-size-fits-all housing solutions in Colorado. The diversity and magnitude of the need will require creative solutions that will not only increase the resources being devoted to housing, but will also ease the cost of producing that housing.

Nevertheless, there are some issues upon which all regions could agree. There are clearly statewide concerns over housing for low-wage workers, the price of land and predevelopment, local political will in approving new production of housing, and housing for households with the lowest income levels.

The status of Colorado as an in-demand Lifestyle State requires that Colorado communities be cognizant of the housing needs of its workforce, and this will require cooperation between numerous private, public, and nonprofit sector organizations. If the range of households that can be served by the private sector can be expanded, then the public sector's involvement can further increase its focus on the very lowest income groups.

In order for Colorado to retain its economic vitality in the long run, Colorado's communities, and the regions they comprise, will need housing infrastructure that provides sufficient housing to the workers within each region, as well as housing for retirees, young families, and the elderly in need of care.



Final Recommendations of the Colorado Blue Ribbon Panel on Housing

The vision of the Colorado Blue Ribbon Panel on Housing is:

Sustaining and promoting healthy Colorado communities by facilitating the production and preservation of affordable housing for Colorado's workers, seniors, and families.

The Panel's principal recommendations for achieving this vision are divided into five categories:

- strategic partnerships
- data collection and delivery
- improving access to housing services
- new funding solutions
- public policy development

The Panel examined a wide range of public policies that affect the production and preservation of housing, and sought to find where a consensus could be reached on ways to address Colorado's housing challenges.

The Panel has been particularly interested in finding ways to increase the impact of Colorado's existing housing resources, improving efficiency in current programs, and developing partnerships to encourage collaboration between Colorado's many public and private sector housing organizations. The Panel members are confident that the recommendations below promote practical and effective strategies to ensure that adequate housing is an attainable opportunity for all of Colorado's workers, seniors, and families.

I. Strategic Partnerships

Pursue greater collaboration between housing organizations and economic development corporations.

In a November 2004 issue brief, The National Governors Association asserts:

Housing costs are a primary factor determining whether a state can effectively attract and retain employees and businesses. Young, well-educated professionals are often forced to leave a state because of high housing costs... A lack of affordable housing hinders business expansion and a company's ability to attract workers, a key consideration in business location decisions.

Housing problems have regional and quality of life impacts. The search for more affordable housing by low- and middle-income families creates demand in the far reaches of metropolitan areas, often in undeveloped areas better suited to agriculture, conservation uses, or recreation and tourism. Disinvestment in the established communities they leave behind results in rising public costs and concentrations of poverty. The dispersal of jobs and housing drives the public cost of infrastructure even higher. Infrastructure for a new house located 10 miles from the central city costs twice as much as for one near downtown. Failure to provide for a balanced mix of housing options close to jobs leads to traffic congestion and other problems that diminish quality of life.²⁴

In order to properly address Colorado's economic development needs over the next several decades, it will be necessary to recognize the links between jobs, housing, transportation, education, and infrastructure as part of the economic opportunity and quality of

life that makes Colorado attractive to so many. Workforce housing in Colorado continues to be a challenge. In metropolitan areas along the Front Range and especially in the rural resort regions of Colorado, the growth in housing costs continues to exceed wage growth for Colorado's workers. Given the growing importance of retail and other mid-to low-wage service sector jobs to Colorado's economy, it is essential that Colorado's communities support new state and local housing policies that will ensure the availability of sufficient affordable workforce housing.

Housing organizations and economic development councils (EDCs) have long recognized the role of housing in building and sustaining healthy local economies. For example, The Division of Housing (CDH), The Colorado Housing and Finance Authority (CHFA), The Northwest Colorado Council of Governments, The Southeast Business Partnership (SEBP), and the Metro Mayors Caucus have all published research and policy reports illustrating some of the many ways that housing is an important factor in economic growth for Colorado's communities.

Additionally, many housing advocates throughout Colorado have backgrounds in economic development and often work with local economic development groups. CHFA has been very active in economic development councils, in illustrating the scope of workforce housing challenges, and in helping local communities identify solutions, including the creation of employer-assisted housing programs. Members of the Colorado State Housing Board are active in economic development efforts throughout the state, and both CHFA and CDH are members of the Economic Developers' Council of Colorado (EDCC). It is clear, however, that if the

housing community wishes to pursue any policy changes at the ballot box, the support of the business community must first be secured. Given the success of the FasTracks and Referendum C campaigns, it would appear that a very broad bipartisan coalition is necessary for success in securing new funding sources or revenue retention measures at the ballot box.

There are more than a few opportunities for such partnerships. The Southeast Business Partnership (SEBP), formerly headed by Panelist Peter Neukirch, is an example of how housing advocates and the local business community can work together to produce workforce housing in high-cost areas. Over the years, the SEBP has conducted several housing market studies of the Southeast Metro region with an eye toward expanding housing opportunities for the workforce in the region. Given the high housing prices and the high number of service sector jobs in the area, housing has been a notable challenge, and the housing situation in the Southeast Metro region is not unique. SEBP has engaged private businesses and has met with some success in raising funds to develop housing for retail and service workers in the region. The SEBP efforts should serve as a model for other economic development and housing organizations in Colorado.

Numerous other private sector organizations have confronted the issue as well. Trade associations of home builders, REALTORS, mortgage brokers, and mortgage lenders, as well as individual banks, builders, brokers, and REALTORS have all been involved for many years in efforts to increase availability of affordable housing.

Even considering the notable efforts of so many private, public, and nonprofit organizations,

however, there is more that should be done. The lack of affordable housing for Colorado's workforce is especially a problem in Colorado's rural resort regions and on the Front Range. Housing agencies have been partnering with local governments for years to produce housing that can be secured at wage levels common in specific communities. Economic development groups such as the Economic Developers' Council of Colorado recognize the role of appropriately-priced housing in attracting and retaining a well-trained workforce and the businesses that employ it.

A lack of sufficient workforce housing near the places where people work can strain the infrastructure. In meetings with citizens and housing officials of the rural resort regions, panelists heard that it was not uncommon for workers in the region to drive more than ninety minutes in ideal highway conditions, and in many cases workers were driving two hours or more. Aside from the wear and tear on the highway system, the problems with absenteeism and lost productivity due to inclement weather or automobile problems may be considerable. The topography of mountain communities creates unique challenges for communities looking to expand the highway system. For this reason, public transportation should not be ignored as a part of the solution.

Panelists and Roundtable members noted that the old system of finding affordable purchase housing known as "drive till you qualify," is becoming less and less feasible. In the past, workers in larger communities could find affordable purchase housing simply by driving further and further out of the economic core. Yet the distances that many workers must now travel to qualify for purchase housing has now become impractical.

While numerous housing agencies have done much to engage economic developers in the discussion over the high cost of housing in Colorado, there is still much that can be done at the federal, state, and local levels.

Colorado's transportation infrastructure, its higher education system, and its workforce development needs are all closely interconnected with housing. Having a trained workforce, getting those workers to their place of business, and ensuring that the workforce Colorado needs can live where it is needed are important pieces of the economic development puzzle.²⁵

Housing agencies and organizations must work together to devise a common message about workforce housing, and to make workforce housing data readily available for the business community in Colorado.

Since housing is such a local issue, public agencies and private trade associations at both the state and local levels should assist—financially and otherwise—local housing groups with engaging their local economic development councils (EDCs).

Housing organizations should draw upon the workforce research being done by EDCs to ensure that the work being done by housing agencies is relevant to the workforce needs of the local communities, tying together the benefits of affordable housing, a sound transportation infrastructure, and a responsive higher education system—all essential building blocks in ensuring availability of a well-trained workforce. In recent years, economic development councils have become far more involved in promoting workforce development and availability through various means, and the housing community should engage the EDCs on the housing issue.

Panelists showed a particular interest in working together with the Colorado Office of Economic Development and the Economic Developers' Council of Colorado (EDCC) on its community assessment program. These community assessments, conducted by volunteer economic development personnel, assist Colorado's small communities in assessing what they can do to improve their economic development strategies and to attract new jobs and an improved workforce. The Division of Housing, CHFA, and other organizations that work to fund and conduct housing needs assessments throughout Colorado should use housing needs assessments to assist and engage these community assessment teams.

Seek to ensure a regional housing balance that will provide adequate workforce housing.

Housing balance is an important issue in ensuring availability of housing affordable to the workforce. It should be noted, however, that housing balance can best be approached as a regional issue, and not just something that individual communities should be looking to secure within their own political boundaries. For example, one community may provide a significant number of jobs and little housing, while a neighboring community may have an abundance of housing. In such cases, housing agencies can assist communities within a single region in identifying how they can cooperate to ensure that jobs and housing are in balance within that region. If one community is satisfied with acting as the bedroom community to a neighboring community, then housing organizations should facilitate cooperation between the two communities to ensure that homes are within driving distance of jobs and other amenities. Regional cooperation may pay large dividends in addressing Colorado's housing balance issues.

Panelists and community members did express concern that, in the case of emergency workers and first responders, sufficient housing for at least a portion of the first responder workforce be available within each community itself. This may be a greater challenge for some communities than others, and the Panel encourages regions to consider this issue in their future housing needs assessment efforts.

Housing agencies and organizations should expand their work with economic development councils to address the challenges that will arise from the retirement of “baby boomers” and other workforce housing challenges over the next 10 years.

Demographic data has shown that Colorado will have one of the highest densities of retirees beginning in 2010.²⁶ If these former workers age in place and do not vacate their current housing, the housing supply available to those who continue to work will decrease, putting additional upward pressure on housing costs. On the other hand, if seniors do not age in place and instead seek assisted living units or other senior housing arrangements, the need for such housing will increase as will the need for medium- to low-wage health care workers to serve the aging population.

The need for workers in retail, recreation, and healthcare will need to increase to serve the booming population of seniors after 2010. Housing organizations can learn from past work with organizations like the Southeast Business Partnership, and the need to ensure the availability of housing for workers earning less than 20 dollars per hour.

II. Expanding Data Collection & Delivery

Ensure that housing needs assessments are complete and up-to-date throughout Colorado.

Up-to-date housing data is extremely important in helping local communities determine their individual housing needs. The Division of Housing and CHFA are engaged in various data collection services ranging from the statewide vacancy and rental survey to the household income and rent burden report.

One of the most important means of collecting housing data is through community housing needs assessments. CDH and CHFA have often assisted communities conducting needs assessments by providing a substantial share of the cost of the assessment. Both CHFA, in making its loans, and CDH, in making grants, utilize housing needs assessment data regularly in making decisions about project needs in communities seeking housing funds.

The Colorado Division of Housing should require completed needs assessments from communities seeking housing funds, and ensure that communities use the assessments to illustrate their need for specific housing projects. Where it is not already being done, local communities should also integrate use of housing needs assessments into decision-making regarding production and preservation of affordable housing.

Many housing needs assessments are not utilized properly. In some regions, for example, housing situations may change quickly, making assessments obsolete, or policies may not exist to integrate housing needs data into the housing decision-making process. This fact highlights the need to have regularly updated needs assessments, and to ensure that policies exist to encourage more systematic use of the assessment data. Needs assessments should

be updated on an ongoing basis. Communities are encouraged to work with CDH and other funding organizations such as CHFA to ensure that needs assessments are kept current and consistent with the templates approved by the Blue Ribbon Panel.

The Division of Housing should ensure that needs assessments have been conducted in all regions of the state. When conducting needs assessments, “communities” should be defined broadly to provide a realistic view of existing “functioning economic regions,” and should not be bound by political boundaries. Regional needs assessments should be conducted to ensure that all communities, large and small, connected by commuting patterns and workforce needs, are included within a specific region.

It is often difficult to determine what communities constitute a “region.” For example, is the town of Kiowa part of the Metro Denver region? Or, is Craig part of a rural resort region? Often, these answers can be determined by looking at where residents work and examining commuting patterns of workers. Local communities will know best, however, and needs assessments need to include a broad view of the geographic sources of a community’s workers and how communities work together within each region.

Promote a common format for needs assessments to facilitate regional comparisons and ease in updating information.

Communities seeking Division of Housing funds should be required to employ the needs assessment template approved by the Blue Ribbon Panel on Housing. The template facilitates comparisons across regions and will be used in the future to assist in easy updating of needs assessment information on a periodic basis. The common needs assessment requirements will also facilitate the compiling of needs assessment data to serve as a statewide needs assessment.

The Panel recognizes that these requirements may need to change over time. It is the goal of the Panel that the template below provides sufficient information to satisfy any HUD requirements for consolidated plans, thus eliminating the need to conduct more than one survey of housing needs in a given time period.

Needs Assessment Template

**Task 1: Economic and Demographic Framework
Demographic Conditions**

- Number of households at specific income levels, which will be evaluated and reported in terms of a percentage of the Area Median Income (AMI)
- Tenure (rented or owned)
- Household composition, including number of persons, number of children, number of seniors
- Length of residency in the current residence, as well as the local community
- Number of households with special needs residents
- Population projections
- Trends in population Economic Conditions
- Employment levels—historic, current, and projected

- Types of employment
- Wages
- Commuting patterns
- Unemployment rates

Task 2: Housing Inventory

- Number of units in region
- Units by type and/or density
- Age of units
- Production rates
- Building permit trends for past five years by type of structure
- Deed-restricted units
- “Preserved” affordable units
- Newly deed-restricted units

Task 3: Housing Market Conditions

Ownership

- Mean and median sales prices
- Trends from past five years
- Sales price distribution
- Cost per square foot
- Price differential by new and existing homes
- Sales volume
- Current listings

Rental

- Rent levels
- Rent per square foot
- Vacancy rates
- Trends from past five years

Task 4: Financial Tools Available

- Availability of mortgage capital
- Diversity of products and programs to meet wide range of community needs
- Down payment assistance programs
- Pre- and post-counseling programs

Task 5: Housing Problems

- Condition of housing inventory
- Need for rehabilitation
- Neighborhood/subarea issues
- Overcrowding
- Community perceptions regarding housing
- Evictions and foreclosures

Task 6: Special Needs

- Elderly
- Disabled
- Homeless—"Point-in-time" survey numbers
- Very low income households
- Migrant workers

Task 7: Assumptions and Conclusions

Task 8: Housing Gaps and Estimate of Need

- Household income
- Affordability
- Housing demand
- Housing supply
- Segment by AMI
- Define gaps by tenure (renters vs. owners)
- Present and projected overall demand for housing

Task 9: Action Plan

- Solutions
- Funding needs/Funding opportunities
- Responsibilities
- Changes in existing systems
- Creation of new systems
- Regional/State resources

Create a task force to facilitate the completion and planning of needs assessments.

A task force of statewide housing agency staff, including State Housing Board members and CDH staff, CHFA staff and board members, needs assessment contractors, and other state and local stakeholders, should be formed to provide guidance and assistance on these statewide efforts to ensure timely completion and updating of needs assessments.

Maximize public access to needs assessment and other housing data.

The Division of Housing should ensure that needs assessment data be made publicly available and should be accessible on the Division of Housing Web site free of charge. Summary data of needs assessments should also be provided to the Division of Housing for public use.

For needs assessment data to be useful and cost-effective, it is essential that community leaders be aware of the value of the needs assessments, and that the data be easily accessed online. Housing organizations should use needs assessment data to engage business groups in each community. Short, printed announcements with the online location of the data prominently featured should be made available to community and business leaders with follow-up from housing organizations to find out how needs assessments can continually be made more valuable to communities in the future.

While there is a wide variety of programs and public and private funding sources for housing, gaining familiarity with the different programs and with the steps necessary to access such funds can be a time-consuming endeavor. Differences among grant applications and requirements for compliance monitoring can require additional staff time and drive up administrative costs for housing providers. Coordination among housing agencies is essential in creating better use of existing resources.

Common application and reporting procedures were a frequent suggestion of local housing agencies throughout the state, as was the need to develop a “One-Stop Shop” for streamlining and packaging projects and funding applications.

The Division of Housing should work with other large housing agencies to create common application and reporting procedures.

CDH, CHFA, HUD, USDA-RD, and other appropriate agencies should work together to create common application procedures for housing funds. Such procedures would allow applicants to apply to several housing agencies by filling out a single application. This is an advantage to both the applicant and the housing agency. The applicant reduces the staff time necessary for completing applications, and the housing agencies, some of whom may choose to partner on certain projects, will all receive identical information from applicants. The same agencies should also pursue common reporting and monitoring procedures for housing funds. Common monitoring procedures will reduce administrative costs and staff time requirements for both the organization being monitored and the agencies performing the monitoring.

Coordinate “211” Services.

211 phone services are available in many areas to provide individuals with personal assistance finding needed services, including affordable housing. However, these services are not available statewide. The Division of Housing and local agencies should track 211 services and keep up-to-date, publicly available information on where 211 services are available, as well as the appropriate contact information in each region. Housing agencies should work together to identify gaps in 211 services and suggest agencies that can provide 211 services in such areas.

Establish a “One-Stop Shop” for easy access to housing development information and for streamlining the housing development and grant application process.

Statewide housing agencies should ensure easy access to a statewide central clearinghouse of housing resources. Just as private foundations in Colorado provide a searchable authoritative source on private funding for nonprofits (The Colorado Grants Guide), statewide housing agencies can partner to create a free, online, searchable inventory of housing services that can easily be accessed by housing organizations looking for local resources and for eligibility requirements for statewide financial resources.

Suggested informational resources to be provided by the “One-Stop Shop”:

- Major funding agencies
- Housing authority contact information
- Funding program descriptions and eligibility requirements
- Regulatory barrier and incentive information
- Underwriting guidelines
- Planning procedure information
- Mortgage product information

The Panel suggests that The Colorado Division of Housing create a cash-funded staff position or positions that would provide the necessary staff time to service the “One-Stop Shop.” Funds would be provided through fees necessary to cover only the cost of services. Staff would provide technical assistance in packaging a large number of funding sources together and working with local planning and building officials.

Statewide housing agencies should focus on capacity building with small rural communities throughout Colorado. Presently, small communities with limited staff do not have the resources to comply with State Housing Board application requirements. The State Housing Board, for one, would like to expand its work in rural Colorado, yet it is necessary that housing agency staff develop procedures that can assist small communities in complying with application and reporting procedures necessary to take advantage of housing funds available in Colorado. Agencies should lay out easy-to-understand procedures for eligibility for housing funds. The “One-Stop Shop” effort described above would also be key in ensuring that small communities are able to get the most out of existing housing resources. CDH’s *Guide for Local Officials* is just one publication that has been created to assist officials in communities of all sizes.

Such efforts can also be augmented through partnerships with current efforts in rural communities, such as the community assessment program described above and a variety of efforts being made by the Colorado Rural Development Council. Groups such as Club 20, Action 22, and Progressive 15 can also be key partners in rural outreach and assistance. Local councils of

governments, such as the Northwest Colorado Council of Governments, can be valuable partners in these efforts as well.

Many housing providers have expressed a desire to reduce the number of different funding sources necessary to provide adequate financial backing for projects. We appreciate that managing a large number of financial components in a project can be a challenge, but numerous participants in a project is often a sign of strength and broad-based confidence in a project. This process is what makes leveraging possible. We encourage participation in projects from a large number of funders. Yet, to assist housing providers in dealing with such a large number of funding sources, housing agencies and organizations should pursue new ways to assist nonprofits in packaging and managing numerous sources of financing.

Panel members and Roundtable participants expressed a desire for a “One-Stop Shop” method to accessing housing resources. Ideally, a statewide organization would provide staff to work full-time with housing providers to assist organizations in finding and securing different financial resources for the production and preservation of housing. Such services are especially key in assisting small communities with putting together applications for housing funds. Public organizations should build on services already being provided by the private and nonprofit sectors such as the consumer hotline provided by the Colorado Mortgage Lenders Association.

IV. Financing Housing Needs

As the Blue Ribbon Panel met with community members from private, public, and nonprofit organizations throughout the state, it became clear that more must be done to identify and secure additional funds for housing in Colorado. Colorado's communities have unique challenges that can vary from place to place in the state. Yet, due to one-size-fits-all restrictions on the use of federal housing funds, it is often difficult to target federal funds to where they are most needed.

The Panel concluded that state and local funding sources must be cultivated to allow housing agencies more flexibility to address a wide variety of housing needs. State and local funds must also be used to supplement existing housing funds, which are not sufficient to address the full magnitude of the need in Colorado. Flexible, reliable, and dedicated funding sources for housing must be found in order to ensure that housing is available for Colorado's workers, seniors, and families.

To identify and secure support for achieving these ends, the Housing Finance Task Force, comprised of Blue Ribbon Panel members and other representatives of the housing and business communities, will continue to meet to continue the work of the Blue Ribbon Panel on housing finance. It is essential that more be done to highlight the linkages between housing, jobs, transportation, and education, and that financial remedies be sought in partnership with a broad coalition of private and public organizations.

These efforts will be further enhanced by continual evaluation of current spending and efforts to ensure that funds are being used in an efficient and responsible manner. The new needs assessment

efforts described above will be a crucial tool in directing funds to where they are best used and most needed.

The Colorado General Assembly should restore housing development grant funds to the 2002 levels of \$4.6 million.

As a first step in addressing the gap between housing funding and housing need, the Blue Ribbon Panel recommends restoration of the "Housing Development Grant" line item in the Colorado state budget to 2002 levels. Prior to 2003 when the line item was reduced to zero, The Housing Development Grant program consistently received several million dollars each year. Although the 2002 level is only a very small amount considering the size of the unmet housing need in Colorado, a restoration of this line item will do much to help address some of the housing challenges ineligible for attention under current restrictions on federal funds.

Year	Amount
1999	\$2,600,000
2000	\$2,600,000
2001	\$2,600,000
2002	\$4,570,000
2003	\$ 0
2004	\$100,000
2005	\$100,000

Provide new permanent and reliable funding sources for the acquisition, production, and preservation of affordable housing.

The Blue Ribbon Panel considered a wide variety of funding sources for affordable housing. Listed below are brief summaries of the Blue Ribbon Panel discussion about each funding source, as well as an indication of which hold the most promise for additional housing funds.

Throughout its meeting schedule, the Blue Ribbon Panel kept an eye toward gaining greater efficiency from existing funds, and using existing funding streams rather than creating any new funding sources. Ultimately, though, the Panel concluded that new reliable and adequate funding sources to deal with Colorado's many housing challenges must be secured. Numerous different funding sources may be necessary to address a substantial portion of the need, but it is essential that the housing community commit itself to forming broad partnerships that can address the funding needs of housing in the long term.

The financing options considered by the Panel are listed here in alphabetical order. The Panel did not reach a consensus on a single adequate funding source to pursue, but wishes to show that it conducted a thorough analysis of several options:

Great Outdoors Colorado (GOCO): Net proceeds of GOCO (Colorado State Lottery) exceeding 50 million are placed in the general fund. The Panel looked to determine if it might be possible to earmark these funds for housing. The political and administrative obstacles to this option were perceived to be very high, and the Panel concluded that the potential outcomes of such an effort were likely to be negative.

Other considerations on this topic:

Utilizing Colorado lottery funds for a housing trust fund would likely require a change to the state constitution. Currently, the majority of Colorado lottery funds are dedicated to Great Outdoors Colorado (GOCO) and spillover is dedicated to a capital education fund. In 1992, Colorado voters passed the GOCO Amendment to the state constitution. It dedicates a portion of state lottery proceeds to projects that preserve, protect, and enhance Colorado's wildlife, parks, rivers, trails, and open spaces. The constitution requires \$35 million (in 1992 dollars) of lottery proceeds be directed to GOCO. Each year the amount is adjusted using the Consumer Price Index. GOCO collected \$51,224,239 for fiscal year 2002–2003.

In addition to GOCO, in November of 2000, the voters passed Referendum E. Referendum E permits the state to participate in nationwide lotteries such as *Powerball*, and it requires Colorado lottery funds to be directed towards school health and safety issues. Since 2002, \$14.5 million has been distributed for school capital construction.

Housing Trust Fund or Housing Investment Fund:

A housing trust fund is not a funding source in itself, but has been considered by the Blue Ribbon Panel as a device to collect and disseminate housing funds on a statewide basis. The fund can take several forms. It can be a state-level trust fund that distributes funds out of a corpus formed from a one-time infusion of funds, or it can be an "investment fund" that has an ongoing funding stream and distributes all or nearly all of its collected funds annually. Funds could be distributed in a variety of ways, including distribution formulas based on population or the cost of living in local areas.

Additional work needs to be done to determine the most equitable and politically acceptable means of distributing funds. Members of the rural resort communities voiced their concern that a statewide funding source for housing would underserve the rural resort regions. Their concern is that the high cost of living and high price of real estate would drive per capita revenues from such funding sources above the statewide average. At the same time, if funds are then distributed on a population basis, they are concerned that, given the small populations in the rural resort counties, such disbursements will not take into account the unusually high cost of housing in the region. Given the disproportionately high cost of real estate in the rural resort regions, a statewide real estate transfer tax (see below) is of particular concern to local stakeholders. They have suggested that local control of funds is the best solution.

Real Estate Transfer Tax: A real estate transfer tax is a tax assessed each time real property is bought or sold. It is usually assessed as a percentage of the total selling price of the property. Implementation would require a ballot measure. A notable characteristic of the real estate transfer tax is that it has a “nexus to housing.” That is, it is a funding source that derives its funds strictly from real estate transactions. It is thus a “narrow” tax, closely connected to housing. Supporters of the tax contended that a small increase in the current transfer tax rate, where such a tax exists, would be a very small amount when compared to the full purchase price of the home, and would not constitute a substantial burden on homebuyers while providing a substantial revenue stream for housing.

Opposition to the transfer tax stemmed from concerns that the narrow nature of the tax was a negative characteristic placing a larger burden on a small share of the population relative to broader-based taxes. Opponents noted that, much like an ordinary sales tax, real estate transfer taxes are regressive, placing a higher tax burden on lower income households. They also contend that transfer taxes tend to have a negative impact on housing affordability, especially for first-time homebuyers and those who move frequently, and thus have a negative impact on economic development. Finally, opponents contended that the transfer tax can be an untenably volatile revenue source tied to unpredictable factors, such as changes in the lending rate or sudden changes in the real estate market.

Sales Tax Revenue: A portion of sales tax revenues would be devoted to housing funds. Unlike the transfer tax, which is narrow and tied to housing transactions, a general sales tax is very broad in the numbers and types of consumers paying the tax. It would be possible to obtain new sales tax funds only through a ballot measure. The Panel concluded that the prospects for approval of a stand-alone ballot measure for housing funds through the sales tax are not good. There are two modifications that could help make such a measure more likely to meet with success:

1. Connect housing to other interests as part of a shared ballot issue. For example, housing would take a small fraction of revenues raised by a ballot measure where transportation or education are the primary recipients.

2. Make any new tax very short term. For example:

- raising funds through a one- or two-year tax and then requiring a sunset without any option of renewal; or
- raising funds through a five-year tax and then only allowing housing agencies to accept revenue during the first one or two years. The remaining three or four years of revenue would be required to go to transportation, higher education, or other recipients. This option may also require a sunset without any option of renewal.

School District Surplus Properties: In conversations with the Colorado School Superintendent Association, it was indicated that some school districts may be interested in devoting their surplus properties to affordable housing, as long as school staff and faculty receive first consideration for such housing. This may be a fruitful avenue, especially for pursuing workforce housing. School districts should be approached in the near future to identify which communities are interested, and how these projects should be financed and maintained. The Colorado Division of Housing has begun work with school districts to pursue ways to assist with producing housing for teachers in areas where retention is particularly difficult.

Stadium Tax District: The Denver Metro area's stadium tax district was also explored. This is a sales tax originally established for the construction of Coors Field in Denver. The district includes seven Metro area counties. The primary advantage of this tax is the relative ease that panelists perceived in gaining approval for an extension to address housing. However, most of the state would remain uncovered by the district, and approval of such an extension

may actually harm efforts to find a statewide funding source for housing.

State Land Board: The Panel considered using revenue from State Land Board leases and sales. The State Land Board also raises funds through other income-producing activities related to mineral extraction and agriculture. The potential for housing funds from the State Land Board is very small. The primary (possibly the only) beneficiary of these funds is the State Permanent School Fund, and it does not appear politically feasible to pursue these funds.

State Surplus Properties: The committee identified a small number of properties that may be useful in developing housing resources in the future. While some properties show promise for development, such as the barracks at Lowry recently used to house Hurricane Katrina evacuees, the potential for finding large amounts of resources through this is negligible.

Create and enact short-term and long-term plans to promote the acceptance of new funding for housing through broad coalitions of the public, private, and nonprofit sectors in Colorado. Create a Housing Finance Task Force.

While the Panel lacks consensus on a particular funding source to pursue, the Panel can nevertheless contribute to addressing the need for additional housing funds by devising a strategy that can lead to a consensus on this issue among stakeholders in the middle-term to long-term. The Housing Finance Task Force will be essential in addressing this section of the Panel's recommendations.

Polling publicized by The Campaign for Affordable Housing in May 2004 indicates that while affordable

housing is a concern of those polled, the support for new funding sources for housing broadly defined is conspicuously low. How can these challenges be overcome? The Panel's strategy in determining political feasibility for housing solutions will be key in dealing with this.

We do know that those polled respond well to plans to fund affordable housing when confronted with workforce housing needs and with the needs of families with children. This indicates that the housing community needs to identify and pursue how it will engage local communities and the public on affordable housing matters. State and local housing agencies need to find agreement on what issues they will address as part of a primary message, and what policy solutions are preferred.

The Panel indicated that a preferred first step in such a strategy is for the housing community, armed with a common message, to engage the business community and the economic development community in a broad statewide campaign to raise awareness of the linkages between housing, transportation, education, and economic development. As noted above, housing is a key factor in economic development, and certain economic development groups are already making efforts to address the jobs-housing balance.

While the recommendations in the Strategic Partnerships section of this chapter encourage ongoing cooperation between the housing and business communities, the pursuit of new or enhanced funding sources requires an effort targeted at specific changes in public policies that will augment the resources currently available for the development of affordable housing. It will be

the responsibility of the Housing Finance Task Force to expand this effort to include as many stakeholders as possible. The Housing Finance Task Force should develop a timeline for evaluating the progress of this effort, and should report its progress to the Colorado Blue Ribbon Panel on Housing in late 2006 or early 2007.

In the long run, the Blue Ribbon Panel members themselves must commit to approaching individuals within the transportation, economic development, and education sectors, and know that this will have to be a long-term effort. It is essential that this be a housing-wide effort and not an effort of the State of Colorado or any single entity represented on the Panel.

Ensure that housing funds are used effectively to leverage funds from a wide array of local governments, nonprofits, and for-profit organizations.

Leveraging of local funds from public and private sources is a common practice for housing providers. Leveraging occurs when a lending institution, government agency, or other organization puts money into a project, and this initial investment produces additional investments from other lenders, government agencies, and housing organizations. For example, a commitment to put one million dollars of equity into a project from one organization may result in another organization committing to put four million dollars in loans into the project, with another organization committing to another one million dollars in equity.

The Division of Housing, for example, has been successful at repeatedly achieving rather high

leveraging ratios to maximize the effects of funds available for affordable housing in Colorado. The U.S. Department of Housing and Urban Development ranks each state on its ability to leverage their Home Investment Partnership(s) funds with other sources of funds through the "Performance Scorecard" measurement system. As of the 3rd Quarter 2005 report, Colorado is ranked 5th in the country in leveraging of funds for affordable housing projects, with an average leveraging ratio of 6.72 to 1 (\$6.72 for every \$1.00 of HOME funds in a project). HOME leveraging ratios range from 12:1 to 18:1; CDBG ratios range from 5:1 to 21:1; and HDG grant ratios range from 9:1 to 53:1.

A review of all projects (funded from CDBG and HOME) receiving funds from the Division of Housing from July 1, 2004 through June 30, 2005, indicates an overall leveraging ratio of 7.2 to 1 (\$7.20 for every \$1.00 in Division funds), with more than 70% of the projects leveraging over \$10.00 for every \$1.00 of Division of Housing funds.

The Division of Housing is certainly not unique in its success in leveraging funds, as housing organizations throughout the state commonly achieve high leveraging ratios as well, bringing together a wide array of public, private, and nonprofit dollars into housing projects.

Pursue funding through a HUD Economic Development Initiative (EDI) grant.

Housing agencies and organizations should work together to pursue a "Special Purpose EDI Grant," a grant program of the U.S. Department of Housing and Urban Development (HUD). Such funds should be pursued as seed money for additional housing efforts or as funds for the corpus of a housing trust fund.

To apply for special purpose EDIs, a specific housing agency must submit the appropriate application to HUD for consideration. The recipient will then be named in the Congress's Conference Report from the following fiscal year. The grant will be awarded at that time. Colorado's Congressional delegation should assist with the passage of the necessary legislation to secure these funds.

V. Policy Development

Public policy has wide-ranging effects on the cost of producing housing and on preserving low-cost housing. If the housing community is planning to pursue new sources of revenue for housing, it is essential that efforts be made to diminish the costs of developing new housing as much as possible. In addition, it is important to encourage policies that facilitate the preservation of existing affordable housing that will further prevent the need for new construction of such housing.

While a variety of housing regulations can affect supply, governments can also employ a variety of incentives to encourage development, such as density bonuses and basement suites. These should be evaluated as well.

Broaden policies that facilitate the preservation of existing affordable units.

Federal and state policymakers should support policy changes and legislation augmenting the Division of Housing's ability to preserve existing affordable housing units. At the state level, legislation should be passed allowing the Division of Housing to own property for a very short period of time so that properties in danger of foreclosure can be acquired and resold to another housing agency or organization that can better administer the property. Policymakers should ensure that this power to hold property should only be temporary and that CDH be required to pass the property on to a private agency in a timely fashion. Temporary ownership should also be restricted to properties that can be classified as "affordable" or are deed-restricted in some manner. This policy change should not encourage competition between private sector, market-rate landlords and the State of Colorado. Presently, CHFA (a quasi-government agency) may acquire properties and lease

affordable units, but there are times when it may not be feasible for CHFA to pass properties on to a housing provider in a short period of time. Providing CDH with the authority to temporarily hold property will add additional flexibility to existing preservation efforts.

Federal policymakers should support changes to HUD rules to preserve affordable housing units that are currently being auctioned off by HUD to private investors, thus stripping such units of their affordability requirements. Statewide and federal housing agencies should explore means to preserve such properties from either foreclosure proceedings or from note sales.

Monitor and evaluate how federal, state, and local regulations and incentives affect the cost of producing housing.

The Division of Housing should evaluate how state law increases the costs of developing housing in Colorado. If this evaluation shows that state regulations and statutes unduly increase the costs of housing development, housing agencies and organizations should support the modification or repeal of such statutes. The impacts of increased costs to development through increased fees, regulatory restrictions, and administrative delays were clear to panel members.

Michael Scholl, a leading scholar of housing regulation, has noted that the costs of housing production are indeed increasing and intensifying.²⁷ Recent CDH research shows steady increases in fees that exceed the rate of inflation.

At this time, research is regularly conducted by both CDH and CHFA to monitor effects of housing regulations and incentives. CDH must report to HUD

on the regulatory environment in Colorado, and CHFA regularly monitors state and federal legislative regulations and proposals and their impact on housing costs. Both agencies are willing to share their data with local governments and private agencies at any time. Other resources include CDH's 1998 report on regulatory barriers, CDH's *Guide for Local Officials*, The Metro Mayors Caucus's report, and HUD's 2003 update to its 1990 report on regulatory barriers.

In the past, CDH has monitored and published information on increases in fees in a number of jurisdictions. This work should be continued. Current fees and regulations and proposed new fees and regulations should routinely be evaluated using cost-benefit analysis to compare and contrast the presumed benefits of fees and regulations with the added cost to housing production.

HUD maintains a clearinghouse of "best practices" for reducing the costs of housing regulation. Housing agencies in Colorado should pursue a localized clearinghouse on recent projects in Colorado and identify how the cost of housing production has been mitigated (if at all) in new projects. State and local agencies should explore policies that will encourage cuts in the cost of housing production in Colorado's communities.

Regulations should provide flexibility to accommodate unforeseen circumstances often arising in the approval process for affordable housing projects. For example, a developer seeking approval of building plans specifically designed for affordable housing accommodation should be made to make it a high priority for a speedy decision from the appropriate decision-makers.

The Panel recognizes that this is a difficult task. In many cases, regulations exist for health and safety reasons, and in many other cases, they are the result of activism from neighborhood organizations. It is unlikely that local governments will be impelled by the public to repeal a number of housing regulations covering a wide variety of aesthetic matters. Nevertheless, there have been successes in mitigating these costs throughout Colorado, and such successes should serve as models for future housing production.

The Panel also recognizes that local control is something communities value in Colorado. Statewide housing agencies should work closely with local governments to evaluate the effects of taxes, fees, and regulations on the cost of housing within local jurisdictions, without handing down mandates to local governments. The Division of Housing and other housing agencies should provide technical assistance in evaluating such policies.

Modular housing constructed in factories and shipped to construction sites for assembly can provide housing for 10% less than site-built construction. In many jurisdictions, however, modular housing is not permitted except in remote or undesirable areas. Yet, modern modular housing is constructed to the same standards as site-built housing, and is no less safe or functional than site-built homes. In many cases, modular homes cannot even be identified as modular housing without close inspection. Communities are encouraged to revisit modular housing as a means of providing low-cost housing to renters and buyers.

Limits on developable land will also increase the cost of housing production. The volume of land

owned by the federal government in Colorado's mountain counties substantially limits the amount of land available for new development. Mountain communities should explore ways to employ the federal "Townsite Act" to increase use of federal lands for public use within city limits.

Pursue foreclosure mitigation efforts.

State and local housing agencies, nonprofits, and lending institutions should work together to address the growing number of households experiencing foreclosure of their homes. These issues can best be addressed through appropriate improvements to training and counseling programs, and in devising systems that can address the foreclosure process in a timely manner while providing options to the households in foreclosure.

Efforts are already being made to head off foreclosure through a wide variety of homeownership training courses required of those seeking down payment assistance. These classes have been successful at reducing the foreclosure rate of those who graduate from such programs below the state average. For years, housing agencies have worked successfully to address foreclosures through pre-purchase training and counseling (often funded by CHFA, CDH, and other agencies) and by providing options to families to allow them to keep their homes. In addition, more front-end preventive action, perhaps including regulatory measures, should be considered as means to offer home buyers the opportunity to make better choices devoid of the high costs and fees of today's popular, emerging market products.

The housing market suffers overall when foreclosure numbers are high. Home values are depressed by numerous foreclosures, and the foreclosure process is

costly to both borrowers and lenders. In fact, lenders report an average cost of \$40,000 for each foreclosure process.

Housing agencies should work with Colorado public trustees and housing counseling agencies to prevent foreclosure after borrowers have gotten behind on payments. Such efforts require much attention to early intervention in the process, and this will be best addressed through cooperation between lenders, nonprofits, and state housing agencies.

For more information refer to disc

Disc Includes:

Description of meetings and discussion topics

All Participants—all presenters and all Roundtable members

Roundtable presentations and other presentations

Summary of Blue Ribbon Panel meetings and discussion topics

November 9, 2004 Introductory meeting and agenda setting.

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1. See employment estimates by industry at http://www.coworkforce.com/lmi/ces/Nov05_unadj.htm.
2. "Integrating Affordable Housing with State Development Policy." National Governors Association. Center for Best Practices. 2004. Page 2.
3. See the Housing Needs chapter of this report.
4. For more information, please see the Roundtable presentations in their entirety, available from the Colorado Division of Housing.
5. The median year of production for all housing in Colorado is 1976.
6. This is the practice of finding housing further and further from one's job until it becomes affordable.
7. Self-Sufficiency Study for Colorado, 2004: The Family Needs Budget. Prepared for the Colorado Fiscal Policy Institute by Dr. Diana Pierce, University of Washington Graduate School of Social Work. 2004. pg. 55.
8. According to the U.S. Department of Housing and Urban Development, households should spend only 30% of their income on housing. Households are low-income if they earn 30% or less of area median income. Households experiencing the most urgent need are those earning 30% or less of area median income and paying over 35% of their income to housing expenses. A household is defined here as four individuals. 30–33% of income spent on housing is also industry standard for lenders and REALTORS.
9. See the Colorado Association of REALTORS' median home price data, the Colorado Department of Labor's employment wage data, and the Rent Burden report produced by the Colorado Division of Housing.
10. This survey is conducted by Wilson D. Kendall of the Center for Business and Economic Forecasting.
11. For data and research methods, see NLIHC's report online, <http://www.nlihc.org/oor2005/>.
12. "The Self-Sufficiency Standard for Colorado," page 55. Published by The Colorado Fiscal Policy Institute.
13. Colorado Education Association, 2004–2005 Salary Schedules and Related Information for Colorado School Districts.
14. Colorado Housing and Finance Authority Mortgage Calculator. 30-year, 6% interest rate with \$1000 down. http://www.colohfa.org/homebuyer/Mortgage_calculator/How_much_house_can_I_afford.icm.
15. Colorado Association of Realtors. 2004 Median Home Prices.
16. Bureau of Labor Statistics, <http://www.bls.gov/oco/ocos126.htm>.
17. Colorado Department of Labor and Employment. Colorado Occupational Wages, 2004. <http://www.coworkforce.com/lmi/wages/wages.asp>.
18. Vacancy Survey.
19. Vacancy Survey.
20. Colorado Department of Labor and Employment. Colorado Occupational Wages, 2004. <http://www.coworkforce.com/lmi/wages/wages.asp>.
21. Colorado Housing and Finance Authority Mortgage Calculator. 30-year, 6% interest rate with \$1000 down. http://www.colohfa.org/homebuyer/Mortgage_calculator/How_much_house_can_I_afford.icm.
22. Colorado Association of Realtors. 2004 Median Home Prices.
23. Retrofitting is the process of equipping a home with amenities that make it more accessible to the elderly and the disabled after original construction has been completed. The process of installing features like grab bars and extra-wide doorways can require costly additions to homes.
24. "Integrating Affordable Housing with State Development Policy." National Governors Association. Center for Best Practices. 2004. Page 2.
25. Peter Neukirch's white paper (see Appendix) from the September finance committee meeting outlines some of the housing issues that will greatly affect economic development in coming years.
26. See the Housing Needs chapter of this report.
27. Regulations and Housing Development:
"What We Know and What We Need to Know," <http://www.huduser.org/rbc/search/rbcdetails.asp?DocId=872>.

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