

Housing Needs Snapshot

Westcliffe + Silver Cliff

Colorado

Date: May 2022

Prepared for: Custer County Attainable Housing Board

Prepared by: Urban Rural Continuum (URC)



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Purpose + Geography + Summary



Purpose

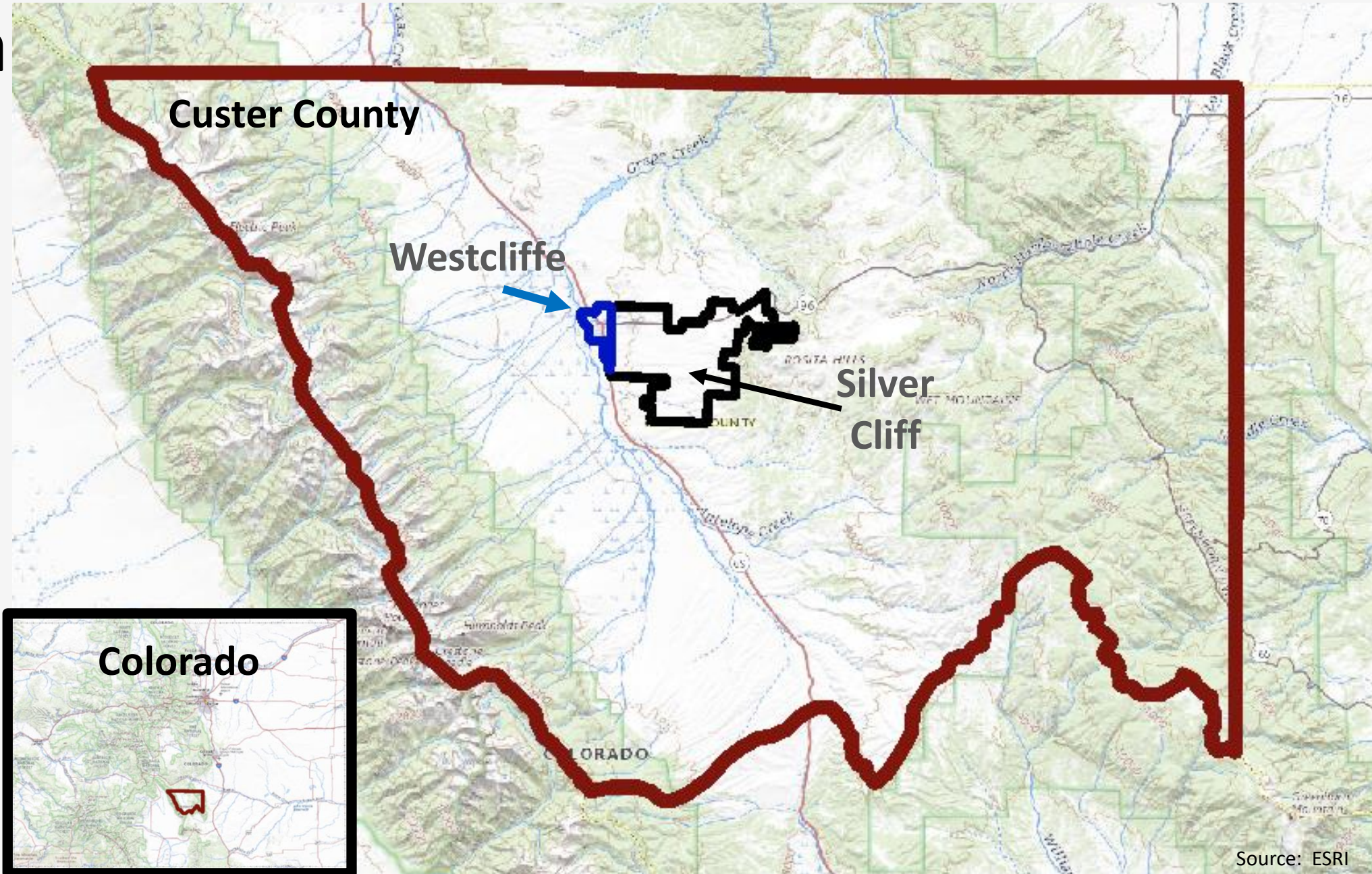
This brief snapshot of the housing needs in Westcliffe and Silver Cliff, Colorado, was prepared to support the Custer County Attainable Housing Board in determining the best course of action related to land under its control and to guide the allocation of future time, effort and funding. In addition, the report may be helpful in highlighting how housing is impacting the local economy and in catalyzing collaboration and cooperation among the Custer County Attainable Housing Board, local jurisdictions, employers, organizations, developers/builders, and residents to find ways to build more housing at prices that locals can afford.

There is no silver bullet solution that will address the needs identified. A separate housing action planning process and/or project-specific analysis is recommended. The Round Mountain Water and Sanitation District moratorium on new water/sewer permits will constrain new development in the short run despite the many permits issued prior to it taking effect. A delay in the production of new housing units at prices affordable to those earning their income locally will continue to impact the economy, employers, and the local workforce.

Study Area

The study area is all of Westcliffe and Silver Cliff combined, referred to herein as “The Cliffs”

All other land in Custer County outside of The Cliffs is referred to as balance of county or unincorporated county.



Summary of Findings

Housing production for the local workforce has not kept pace with changing economic conditions and housing demand. More housing is needed at prices that the local workforce can afford, especially rental units. An estimated 75 to 90 housing units are needed from now through 2027. The market is very small, however, and economic conditions and housing production should be closely monitored and adjusted as conditions change.

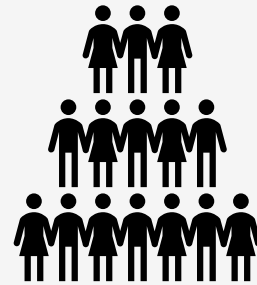
- 30 to 35 are needed to help local employers fill unfilled jobs and create a functional and balanced housing market.
- 45 to 55 are needed over the next five years to house people filling new jobs and jobs vacated due to retirement.

Most local employers interviewed are struggling to recruit and retain a workforce that allows them to provide high quality services to the community and visitors. This includes employers across sectors, including accommodation and food services, education, and law enforcement. Given the intensity of the problem today, local businesses are looking for immediate solutions.

The market, however, is unlikely to build homes that are affordable to a large percentage of households in The Cliffs because the cost of construction exceeds what those households can afford to pay. Home prices and rental rates have increased much faster than wages and many locals have been priced out of the market. As a result, some are leaving the valley in search of opportunities elsewhere.

The population continues to age, about 80% of households are comprised of one or two people, and rental vacancy is zero. Therefore, the primary focus should be on building one- and two-bedroom rental units below \$1,300 per month (80% AMI). There appears to be potential for another housing development for seniors, but a focused study is recommended that accounts for additional considerations such as access to health care, etc.

Demographics



Population & Age

From 2010 to 2020, the population in The Cliffs changed very little, with only a slight decrease according to the Colorado Demography Office.

- The Cliffs population in 2020 was 1,046.
- Unincorporated Custer County grew to 3,665 in 2020.

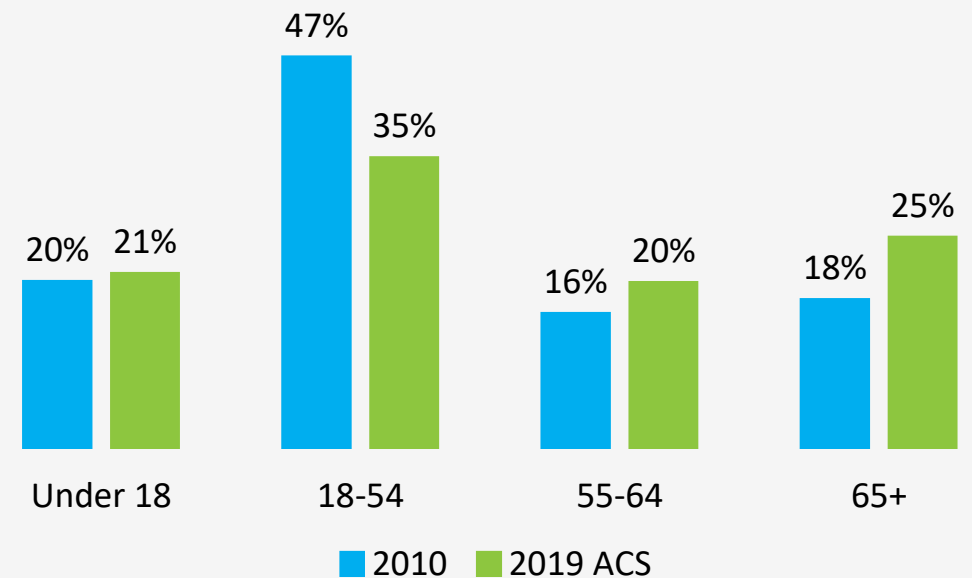
The share of prime working age residents in The Cliffs (18-54) has dropped dramatically since 2010 while the share of seniors (65+) and those nearing retirement (55-64) has jumped up to 45% of the population. A shrinking share of prime age workers is a notable challenge as local employers are struggling to find and retain workers. Without younger workers moving to town, the economy will be impacted.

The median age in the county and The Cliffs is very high compared to Colorado (37). There is a need for smaller homes with low maintenance needs for seniors to downsize.

The Cliffs, Median Age

	2010	2019 ACS
Custer County	53	60
Silver Cliff	48	47
Westcliffe	43	54

The Cliffs, Age Distribution



Source: 2010 & 2020 Census, 2015-2019 ACS, Colorado Demography Office

Households

The rate of household growth in The Cliffs from 2010-2020 was much lower than in the balance of the county.

About 35 additional households were living in The Cliffs in 2020 than in 2010.

	2010	2020	Annual Average Growth
The Cliffs	494	529	0.7%
Balance of County	1,322	1,693	2.5%

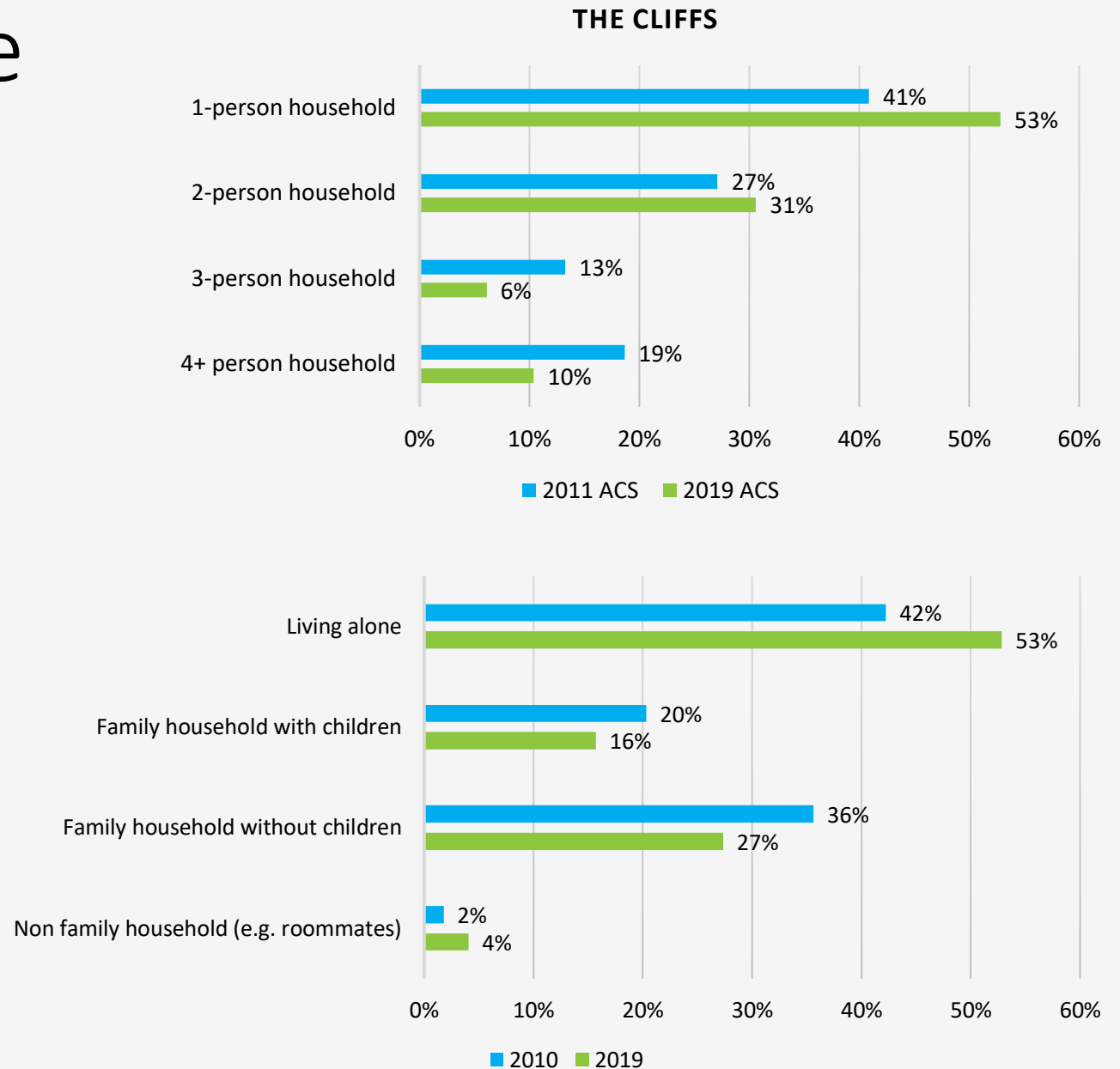
Source: Colorado Demography Office, URC

Household Size & Type

80%+ of households in The Cliffs have either one or two people in them, a much higher percentage than in 2010 due in large part to an increasing number of senior households.

The average household size in Custer County and The Cliffs is about 2 people and differs little whether homes are rented or owned.

There has been a large increase in the share of one and two-person households and a shrinking share of larger households.



Housing Inventory



Housing Units, Occupancy & Tenure

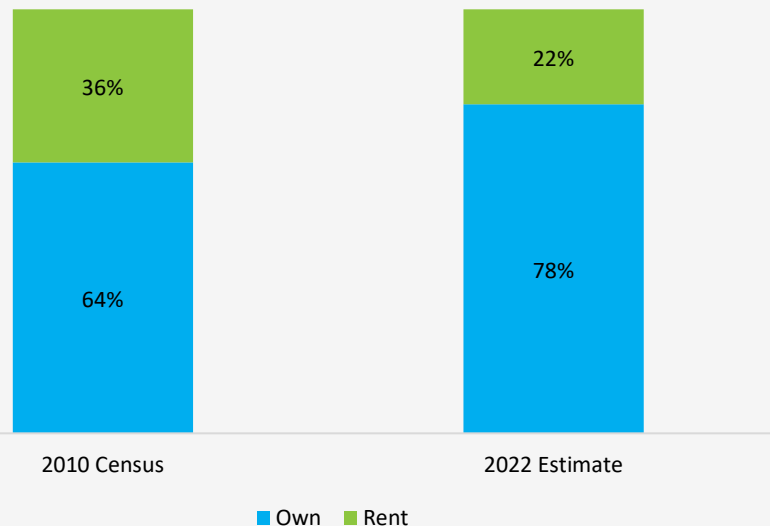
The Cliffs

	2010	2020
Housing Units	665	725
Occupied units (households)	494	529
Unoccupied units	171	196
Percent unoccupied	26%	27%

New homes were added to the housing stock at a rate of 0.9% per year on average from 2010 to 2020. The number of vacant units increased by 1.4% per year on average.

The share of homes not occupied is relatively high (27%) compared to the State (9%), but much lower than that in the balance of county (51%).

- In large part this is due to the area’s attractiveness as a weekend or vacation getaway.
- Of homes not occupied in The Cliffs, the largest share fall unsurprisingly into the category of those “used for seasonal, recreational, or occasional use,” followed by those for rent or for sale but not yet occupied.
 - Westcliffe only allows 10 short term rental permits outside of the downtown district; Silver Cliff does not currently regulate short term rentals.



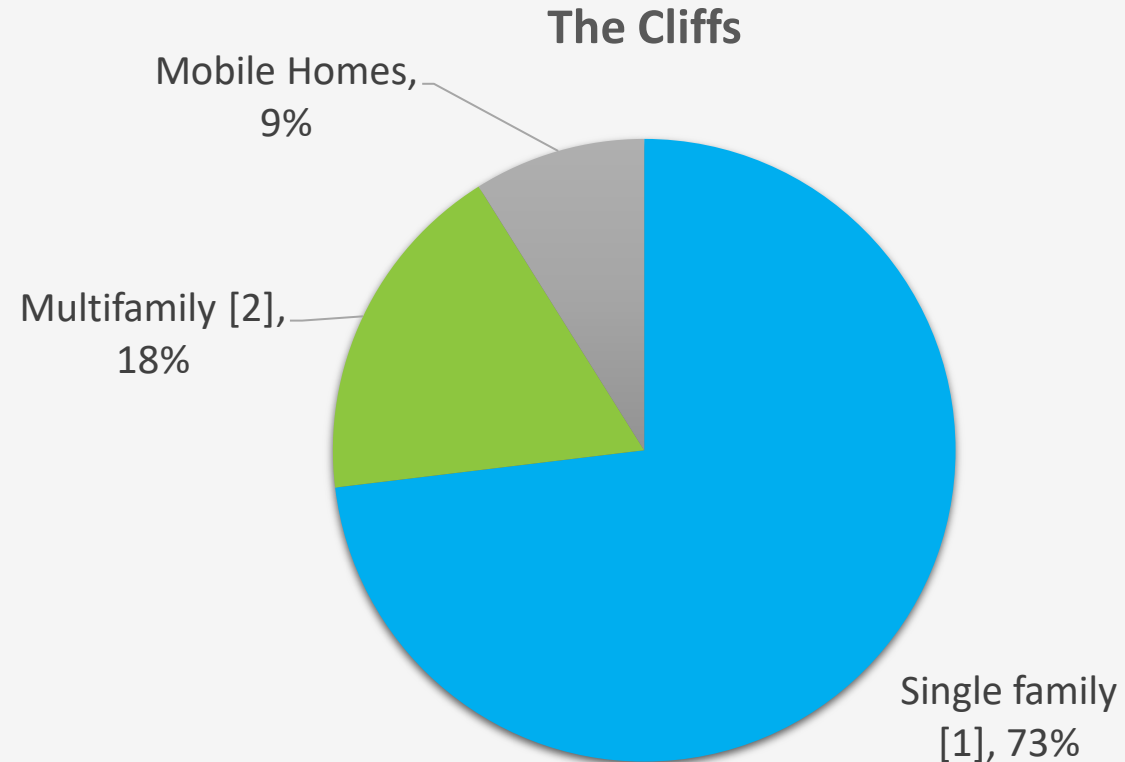
Source: 2010 Census, Colorado Demography Office, Ribbon Demographics, LLC

Home Type

82% of all homes in The Cliffs are single family homes or mobile homes.

As land, labor, and construction prices have risen, a more diverse housing stock is needed to provide greater choice to residents and to lower the per unit cost of housing.

Attached housing with low maintenance requirements works well for seniors; smaller rental units are needed for the workforce and consideration should be given to the development of small to mid size multifamily buildings.



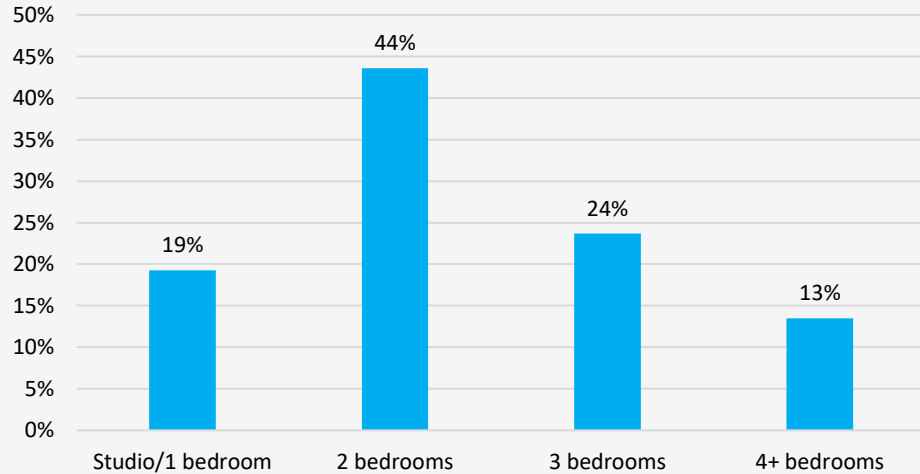
Source: 2015-2019 ACS

[1] attached and detached

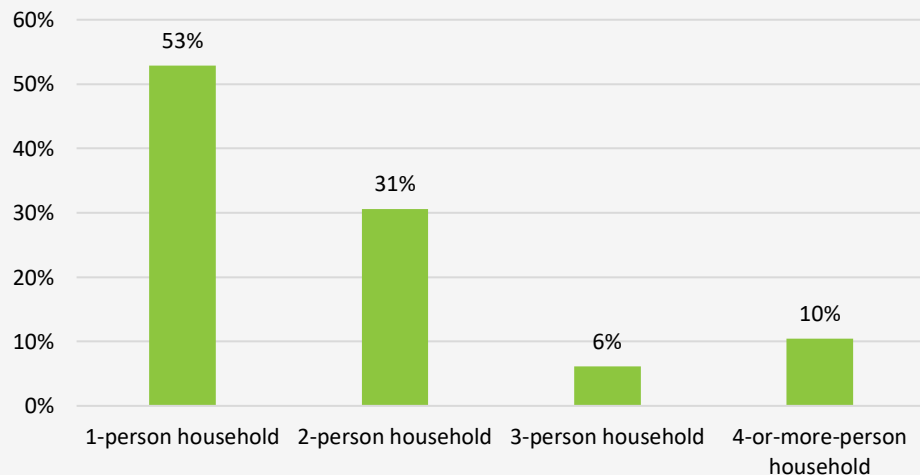
[2] 2 or more units

Bedroom Mix vs. Household Size

Bedroom Distribution



Household Distribution



90% of households have 3 or fewer people in them, yet only 63% of homes are two bedrooms or less.

Household size and the number of bedrooms in current homes point to the need for more one and two bedroom housing units.

Source: 2015-2019 ACS

Jobs



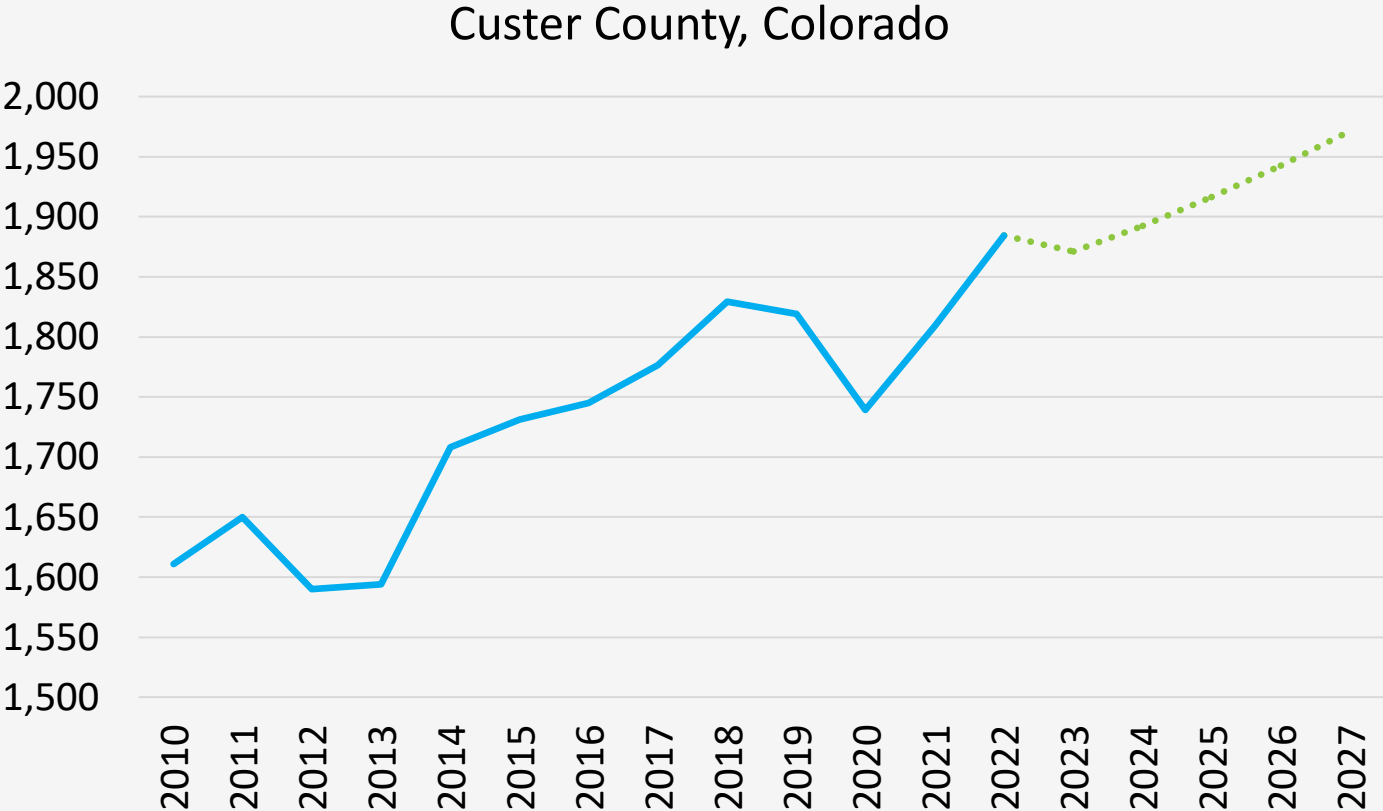
Job Growth

The total number of jobs in Custer County grew by 1.4% per year on average from 2010-2019.

It is anticipated that jobs lost in 2020 will have fully been recovered in 2022.

Jobs are projected to grow at an annual average rate of about 0.9% from 2022-2027 - a slower pace than prior to the pandemic.

This increase in jobs will create demand for additional housing in The Cliffs. **It is critical, however, to monitor actual job growth in real time through 2027 relative to these projections.** An economic shock or a slowdown relative to projections would reduce the keep up need figure included in this assessment.



Source: Colorado Demography Office

Sectors

The share of jobs by sector has changed little since Custer County's job market hit a low point in 2012 following the Great Recession.

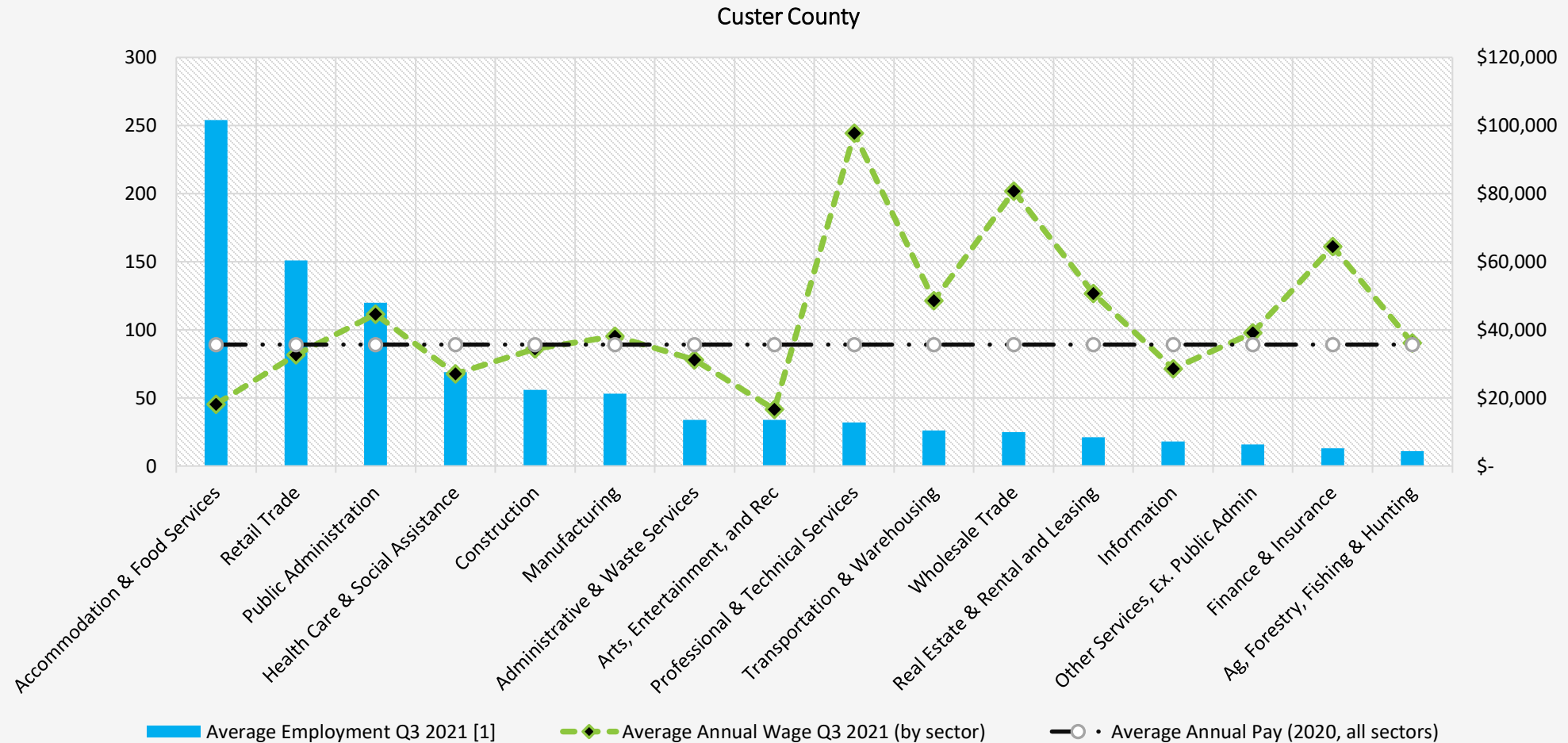
NAICS Sector	2012	2019	2020
Agriculture	10%	15%	15%
Construction	14%	12%	12%
Manufacturing	3%	3%	3%
Wholesale trade	1%	1%	1%
Retail Trade	10%	11%	11%
Transportation and warehousing	1%	-	-
Information	2%	1%	1%
Finance activities	3%	2%	1%
Real estate	5%	6%	6%
Professional, scientific and technical services	6%	6%	7%
Administrative & support & waste management and remediation services	0%	4%	4%
Health Services	-	4%	4%
Arts, entertainment and recreation	5%	4%	3%
Accommodation and food services	7%	7%	6%
Other services, except public administration	7%	8%	7%
Government	16%	15%	15%

Data about mining; utilities; management of companies and enterprises; and education is entirely/mostly suppressed and not shown; columns do not add to 100%.

Source: Colorado Demography Office

Pay by Sector

Local wages in all but a few sectors make current housing prices very difficult to afford. The county's average annual pay is only about \$35,500 per year (~ 55% AMI), which is dramatically lower than the estimated median household income of about \$60,000 per year. Local wages cannot compete with those with non-wage sources of income or wages from higher paying markets moving to the county.



Source: QCEW data - Bureau of Labor Statistics & Colorado Department of Labor & Employment

Ownership + Rental Market



Ownership Market – Rising Prices

With the exception of 2020, the average number of sales per year in The Cliffs in recent years has been about 30.

The average annual sale price increased by about 11% per year on average from 2018 to 2021.

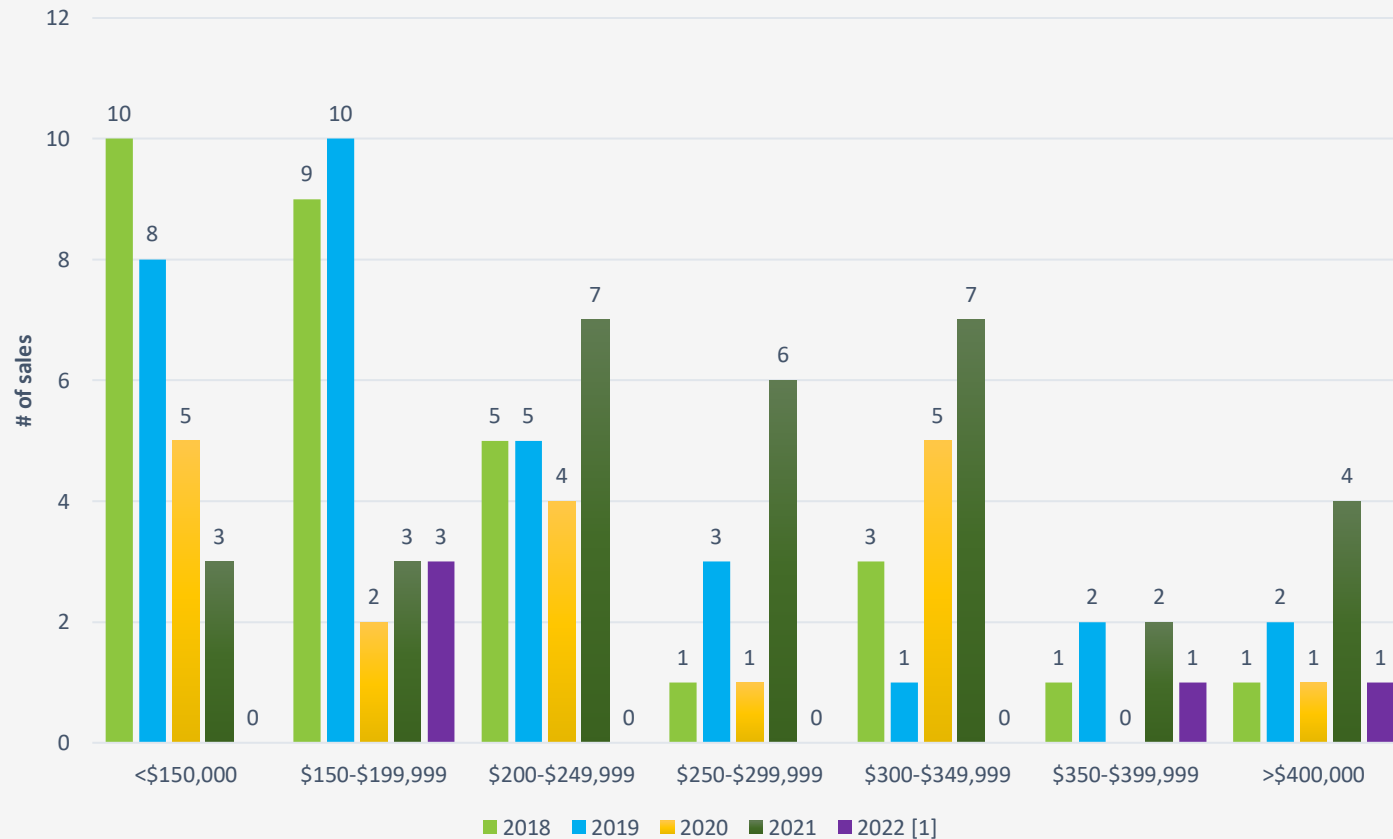
Wages from 2018 to 2020 grew by 3% per year, much slower than home price appreciation. This discrepancy has made it very difficult for households earning local wages to afford homes.

Year	Number Sold	Average Sale Price	Median Sale Price
2018	30	\$185,177	\$177,450
2019	31	\$207,106	\$190,000
2020	18	\$223,481	\$230,975
2021	32	\$283,500	\$277,500
2022 [1]	5	\$281,780	\$188,900

[1] through March 23, 2022
Source: RealtyProMLS®; Mattie Burt Realty, Inc.; URC

Ownership Market – Rising Prices

Home Sales by Price: 2018 to March 2022



There has been a dramatic decrease in the number of sales per year under \$150,000 and those between \$150,000 and \$200,000.

There was a notable increase in the number of sales in 2021 relative to prior years for prices between \$200,000 and \$350,000.

Housing affordability in The Cliffs is currently being adversely impacting by rising prices and the recent rise in mortgage rates.

[1] through March 23, 2022

Source: RealtyProMLS®; Mattie Burtt Realty, Inc.; URC

Rental Market

Accurately capturing information about the rental market in The Cliffs is very difficult because there are so few rentals, and units are rented by word of mouth. What is abundantly clear is that rental units are extremely scarce. If a unit opens up, it is typically rented in a few days. The vacancy rate is essentially zero; of the two landlords who could be reached during this brief assessment, not one had vacancy. The only reason landlords mentioned that a unit had not been rented for a brief period of time (a few months) was so they could renovate.

Income Restricted/Subsidized Rental Inventory

The Upper Arkansas Area Council of Governments had an 86-person waiting list in early 2022, which includes many people who are elderly or have a disability.

	City	Total Units	Rental Rate	Resident Type
Vista Celesta Apartments	Westcliffe	14 (all 1 bedroom)	\$920/month (Tenant only pays 30% of income + electric)	Elderly and Disabled
Silvercliffs	Silver Cliff	16 (size unknown)	30% of income	Income Restriction Only

Source: URC, local property owners, National Housing Preservation Database

Market Rates

The few rental units for which prices could be obtained from late March through April 2022 are shown below but given the very small sample size it is subject to error by omission - interpret with caution.

	Rental Rate (excluding utilities)
1 bedroom	\$600 - \$675
2 bedroom	\$650 - \$800
3 bedroom	\$1,500-\$2,000

Housing Needed



Catch Up Need

Number of
units needed
today

30-35

Focus on Where People Work

- The number of new units needed in The Cliffs to address unfilled jobs depends on whether current development patterns continue, and most new construction occurs in unincorporated Custer County, or whether efforts and policies are focused on directing new residential construction to The Cliffs where an estimated 70%+ of jobs in the county are located.
- The catch up figure above accounts for the need for new homes to meet demand from unfilled jobs where those jobs are located, and from those who live outside of the county and drive to Custer County for work (in commuters) who would prefer to live in The Cliffs if housing they could afford was available.
- The need has been adjusted down to account for homes currently under construction. These new homes are likely to only be affordable to higher earning local working households or those with income from outside the county. The catch up need is therefore somewhat conservative.

Rentals Needed for a Functional Market

Renter-occupied units (2022 Estimate)	118
Average vacancy rate (~0%)	0
Total rentals	118
Number of rentals if 5% vacancy rate	124
Difference	6
New housing units needed (Difference minus existing vacant units)	6

For-sale Homes Needed for a Balanced Supply

Home Sales (2021)	32
Average sales per month (divide by 12)	2.7
6-month supply	16
Listings (March 2022)	12
New homes needed	4

Unfilled Jobs

Total annual average jobs, Custer County (2020) [1]	813
Unfilled jobs (5%)	41
Jobs per employee	1.1
Employees per households with a worker	1.5
New housing units needed to house employees (Custer County)	25
New housing units needed in Westcliffe & Silver Cliff	18

Estimate of In Commuters Who Prefer to Live in The Cliffs **17**

Current housing units under construction (10-15)

Total Catch Up **30 to 35**

[1] BLS QCEW

Catch Up Need Discussion

Functional Rental Market

The current vacancy rate in The Cliffs is functionally zero. Six more rentals are needed to reach 5% vacancy, which will help alleviate the following issues that stem from such a tight market:

- Rents increasing faster than wages/incomes
- Renters have difficulty moving to another rental when their circumstances change
- New employees moving to town struggle to find housing and may turn down jobs, which adversely impacts businesses and the economy
- Renters are more easily displaced when owners sell or rents increase beyond what can be paid
- Landlords have little incentive to make repairs and capital investments

Balanced For Sale Market

Four more homes are needed to reach a six month inventory level as of the end of March 2022.

A general industry standard is that when the number of homes available for sale is below a 6-month supply, it is a seller's market – meaning that there are more buyers than homes available to purchase and prices rise.

Unfilled Jobs

Eighteen new housing units are needed today to house employees filling those jobs that are unfilled.

The scope of this assessment did not include a survey of employers, but interviews with employers indicates that many local businesses have jobs that are not filled.

In many mountain and resort areas of Colorado, the percentage of jobs that have been unfilled over the last 24 months has been very high, well above the conservative 5% figure used herein. A conservative estimate was used because the risk of oversupplying such a small market is greater than in larger markets.

Keep Up Need

Homes needed for Job Growth

New Jobs (through 2027) [1]	87
Jobs per employee	1.1
Employees filling jobs	81
Employees per households with a worker	1.5
New housing units needed to house employees (Custer County)	53
New housing units needed in The Cliffs	39

Retirees

% to retire by 2027	6%
# to retire (share that live and work in the county)	28
Employees per households with a worker	1.5
Housing units (Custer County)	18
New housing units needed in The Cliffs	13
Total Keep Up	52

[1] Colorado Demography Office

Number of units needed through 2027 in The Cliffs

45-55

The table at left shows the need for 52 new homes to keep up with job growth and retirements.

- The bottom end of the range presents a more conservative estimate.
- The top end of the range assumes a few more new jobs or retirees.

Job Growth

Based on projected job growth, an estimated 53 new housing units are needed through 2027 in Custer County to house workers. Focusing new housing construction where jobs are located rather than where households are located results in the need for about 39 new homes in The Cliffs.

Retirees

A conservative estimate of 6% of jobs being vacated due to retirements between now and 2027 was used and then adjusted down to account for the current commuting pattern. Housing units needed in The Cliffs to fill jobs as current employees retire is based on where most jobs in the county are located – The Cliffs.

Definition: Housing Affordability

What is affordable?

The standard definition is that housing is affordable if monthly housing costs (rent or mortgage plus utilities) is equal to or less than 30% of gross household income (before taxes).

“Affordable housing” is often thought of as rentals that are subsidized by the government, but it’s really just a calculation of housing costs divided by household income.

This calculation is applied the same way to those making minimum wage or six figures, regardless of the type of home, who built it, or if it is for rent or for sale.

Ownership Market - Prices Needed

AMI	Household Income (2-person household)	Max Affordable Home Price [1]	Total Household Distribution	Listings [2]
<60%	\$0 to \$39,480	\$138,600	38%	0
60.1-80%	\$39,481 to \$52,640	\$184,800	17%	0
80.1-100%	\$52,641 to \$65,800	\$231,100	10%	0
100.1-120%	\$65,801 to \$78,960	\$277,300	10%	67%
120.1-150%	\$78,961 to \$98,700	\$346,600	8%	8%
150.1-200%	\$98,701 to \$131,600	\$462,100	8%	25%
>200%	>\$131,600	>\$462,100	9%	0
Total	-	-	100% (530 households, 2020)	100% (12 listings)



The average sale price of all homes sold in 2021 was \$283,500.

8 homes were listed for sale at the end of March 2022 from about \$266,000 to \$275,000. These homes are only affordable to households earning more than 100% AMI.

Homes listed for sale at the end of March 2022 were too expensive for about 65% of all households in The Cliffs.

[1] Max purchase price assumes 30-year mortgage at 6% with 5% down and 20% of the payment covering taxes, HOA, PMI and insurance.

[2] Active listings as of March 26, 2022

Source: CHFA; Ribbon Demographics, LLC; RealtyProMLS®; Mattie Burt Realty, Inc.; URC

Ownership Market – Unit Size Needed

The Cliffs, 2018-2022 [1]

	Number Sold	% of Sales	% of Current Listings
1 bedroom	5	4%	0%
2 bedrooms	38	33%	17%
3 bedrooms	53	46%	25%
4+bedrooms	20	17%	33%

[1] Active listings as of March 26, 2022

Source: RealtyProMLS®; Mattie Burt Realty, Inc.; URC

The majority of homes sold since 2017 have had three or more bedrooms, yet 90% of households in The Cliffs have 3 or fewer people.

Smaller sized homes with one and two bedrooms are needed to better align with the size of area households, which include downsizing seniors along with singles and couples moving to town for work and those seeking to put down roots.

Rental Market - Prices & Unit Size Needed

AMI	Household Income (2-person household)	Max Affordable Rent (2-person household)	Percent of Renter Households
<40%	\$0 to \$26,320	\$658	50%
40.1-50%	\$26,321 to 32,900	\$823	16%
50.1-60%	\$32,901 to 39,480	\$987	10%
60.1-80%	\$39,481 to 52,640	\$1,316	9%
80.1-100%	\$52,641 to \$65,800	\$1,645	5%
100.1-120%	\$65,801 to \$78,960	\$1,974	1%
120.1-150%	\$78,961 to \$98,700	\$2,468	3%
150.1-200%	\$98,701 to \$131,600	\$3,290	4%
>200%	>\$131,600	>\$3,290	2%

Source: CHFA; Ribbon Demographics, LLC; URC

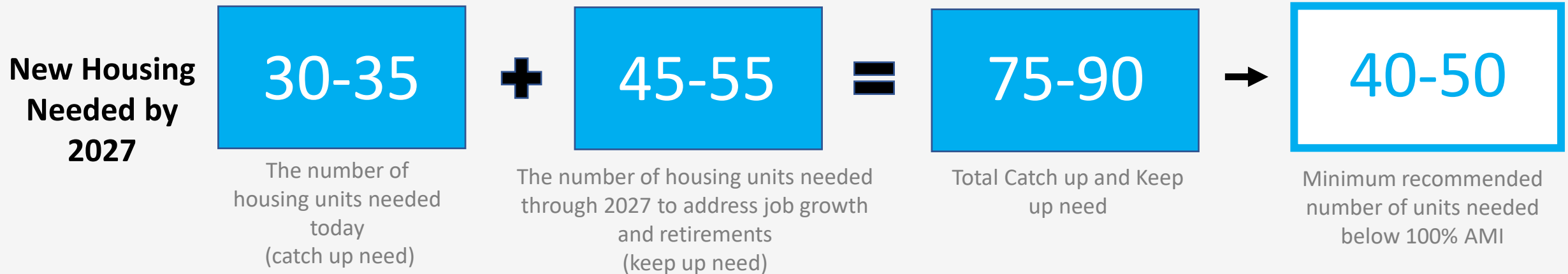
Just over 75% of renter households are comprised of one or two people, pointing to the need for smaller rental units with one and two bedrooms.

About 85% of renter households have incomes under 80% AMI.

- 50% of households who rent need rentals priced no higher than about \$650 per month inclusive of utilities (under 40% AMI).
- An additional quarter (26%) of renter households need units priced from about \$650 to \$1,000 per month (40%-60% AMI).

Note: Utilities paid by tenants and the amount paid varies throughout The Cliffs and should be subtracted from the numbers in the table to reach the monthly rental rate charged to tenants if utilities are not included in the monthly rental fee. Use of the Colorado Department of Local Affairs utility cost chart is recommended if another source is not available.

The Cliffs Need Summary



The total housing need identified above is based on where households work. This reduces rural sprawl, infrastructure costs, and commuting time and associated costs.

The summary of needed units accounts for the housing needs of the local workforce. Some of these units will be built and sold or rented at market rates, but a large share of units are needed below where market prices are in April 2022. The extent to which the market can address the need will be influenced by changes in land, labor and construction costs, prices of existing homes, developers' construction of community housing and the presence or absence of concerted effort and programs by the public and private sector to facilitate more development. Therefore, the recommendation is for community leaders and stakeholders to **focus on building at least 40 to 50 units priced to be affordable to households earning 100% AMI and below.**

The tenure goal of how many rental units to build versus ownership units is a policy decision. The consultant recommendation is to focus on rentals to help alleviate the extremely limited supply of rentals that have had very little to no vacancy for some time. A tenure split of about 80% rentals and 20% for sale units would likely be appropriate for this market.

- Rentals: 35 to 40 with 65% of these targeted to households earning 50% AMI or less.
- For sale: 5 to 10 targeting a sale price between \$140,000 to \$230,000.

The community could set housing goals based on a percentage of the numbers above. It could also adjust these figures down to account for where households currently live and not where they work. This is a policy decision.

Rate of Construction

To build 75-90 units over the next 5 years, roughly 15 to 18 units need to be built each year through 2027.

- Since 2010, building permits have been issued for approximately 12 residential units per year in The Cliffs.
- Permits were issued for 43 housing units in 2020 and 2021, which is much higher than at any time in the last decade.
- In 2020 and 2021, 23 new housing units came online, or about 12 per year.

The rate of production, which is already very high relative to past production, needs to increase to meet the total housing need identified in this assessment.

- But, the recommendation is to focus on building 40-50 units from now through 2027 priced to be affordable to households earning 100% AMI or lower, or 8 to 10 housing units per year on average. This rate aligns with the average number of permitted homes from 2010 to 2019.



Big Challenge: The Capital Gap

The cost of new construction has increased significantly in the last 24 months. In April 2022, new construction was estimated to cost between \$300 and \$325 per square foot inclusive of all costs. Using the low end of current construction prices, a two person household earning \$65,800 per year (100% AMI) can only afford to build a home with 700 square feet.

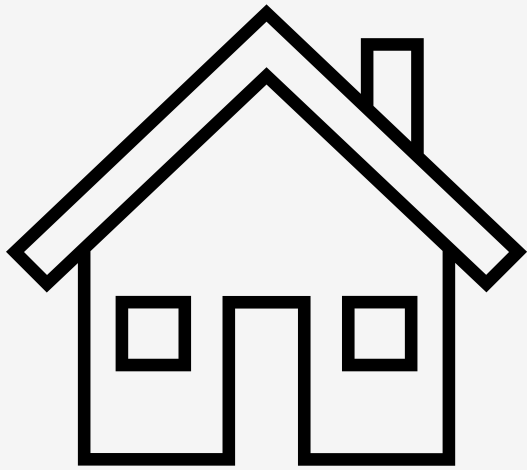
- The market will continue to build for households earning 120% AMI and higher.
- Financial assistance and subsidies are needed to help cover the gap between what it costs to build and what local households can afford. Building housing that covers the capital gap is difficult and requires a large amount of time, money, and coordination among many entities. Action is needed now.

Home Size (square feet)	Cost to Construct at \$300 per square foot	Amount a 2-person household earning 100% AMI (\$65,800/year) can afford	Capital Gap
600	\$180,000	\$231,100	\$51,100
700	\$210,000	\$231,100	\$21,100
800	\$240,000	\$231,100	-\$8,900
1000	\$300,000	\$231,100	-\$68,900
1200	\$360,000	\$231,100	-\$128,900
1400	\$420,000	\$231,100	-\$188,900
1600	\$480,000	\$231,100	-\$248,900

The average size of homes sold from 2018 to 2021 was 1,640 square feet.

Understanding the Capital Gap

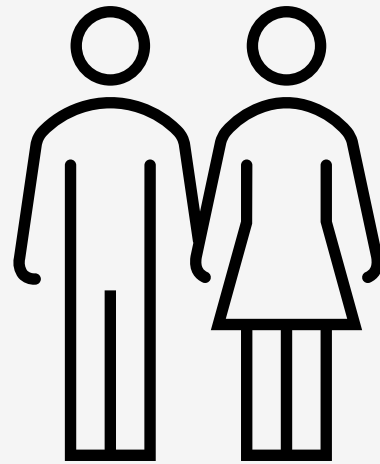
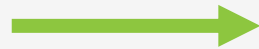
Single Family Home: 1400 square feet



\$420,000

What it costs to build

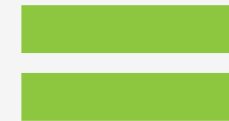
@ \$300 per square foot



\$231,000

Who we are trying to serve

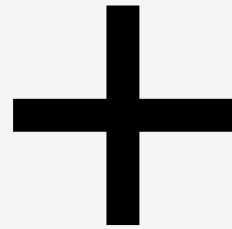
2-person household earning 100% AMI
can afford



**\$189,000
Capital
Gap**

**Community
investment
required**

Appendix



Methodology

A variety of secondary and local sources of published information were used in the preparation of this report, including but not limited to:

- U.S. Census Bureau: 2010 Census, 2020 Census (PL94-171 only), American Community Survey data
- LEHD Origin-Destination Employment Statistics
- US Bureau of Labor Statistics, Quarterly Census of Employment and Wages (QCEW)
- State Demography Office, Colorado Department of Local Affairs
- Colorado Department of Labor and Employment, Quarterly Census of Employment and Wages (QCEW)
- Ribbon Demographics, LLC
- 2022 Area Median Income from the Department of Housing and Urban Development and Colorado Housing and Finance Authority
- Mattie Burtt Realty, Inc. provided sale and current listing data from RealtyProMLS®
- National Housing Preservation Database
- The Towns of Westcliffe and Silver Cliff provided building permit, certificate of occupancy, and current construction information

In addition, information was obtained via interviews and communication with:

- Custer County Attainable Housing Board
- Local employers
- Local property managers

URBANrural
— c o n t i n u u m —