

WILLIFORD, LLC

land use & affordable housing

URBANrural
—continuum—

Logan County / Sterling Housing Needs Assessment February 2020

Introduction



Report Purpose and Contents

Purpose

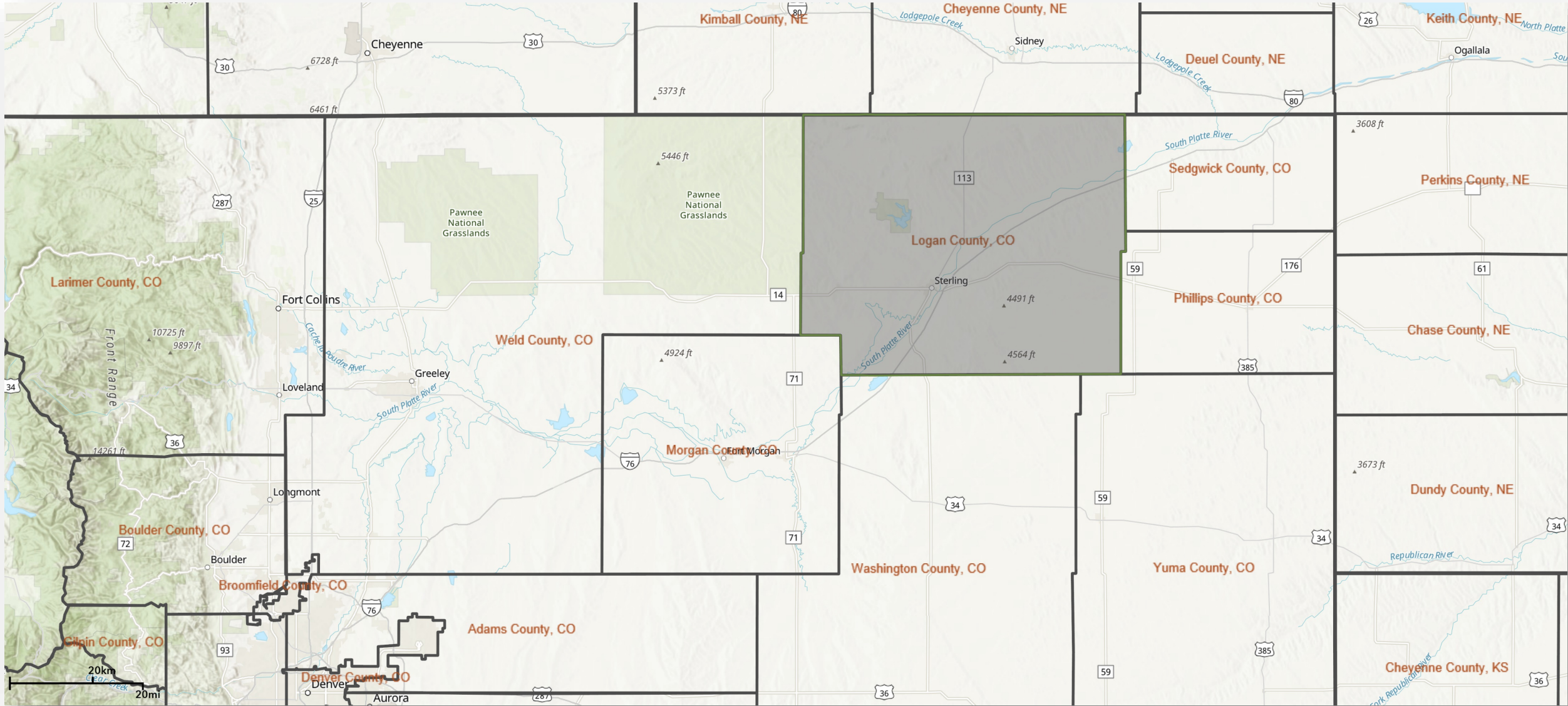
- 1. Provide current context on people, jobs, and housing markets in Logan County, including Sterling;
- 2. Provide estimates of housing needs and gaps the market isn't filling through the year 2025; and
- 3. Inform housing the Housing Action Plan phase of this work.

Table of Contents

	Page
Overview, definitions, and key take away messages	
Demographics	8
Housing Inventory	15
Economy and Employment	22
Housing Market, Affordability, and Need Projections	28
Recommendations	39
Next Steps	40



Logan County





What is “affordable” for housing anyway?



Housing is generally considered to be affordable when the monthly payment (rent or mortgage) is equal to no more than 30% of a household’s gross income.

This standard is commonly applied by federal and state housing programs, local housing initiatives, mortgage lenders and rental leasing agents.

Affordable rents and purchase prices meeting this 30% standard are often calculated for various income levels, which are expressed as a percentage of the Area Median Income (AMI). The AMI varies by household size.

Housing Challenges

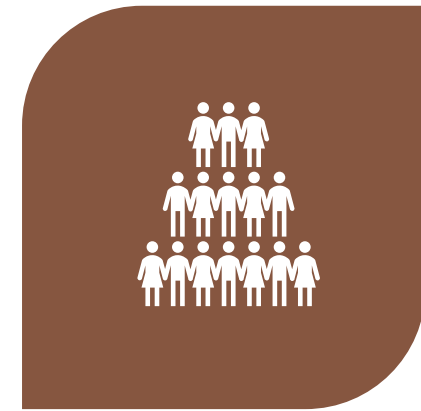
- Low wages, currently not keeping pace with housing cost increases.
- Little new housing built or planned; cost to construct outpaces what homes can be sold/rented for.
- Housing age and quality create limitations in the market.
- Need for as many as 390 additional homes for sale and rent by 2025.
- Greatest need is for those with incomes below 60% Area Median.

.....

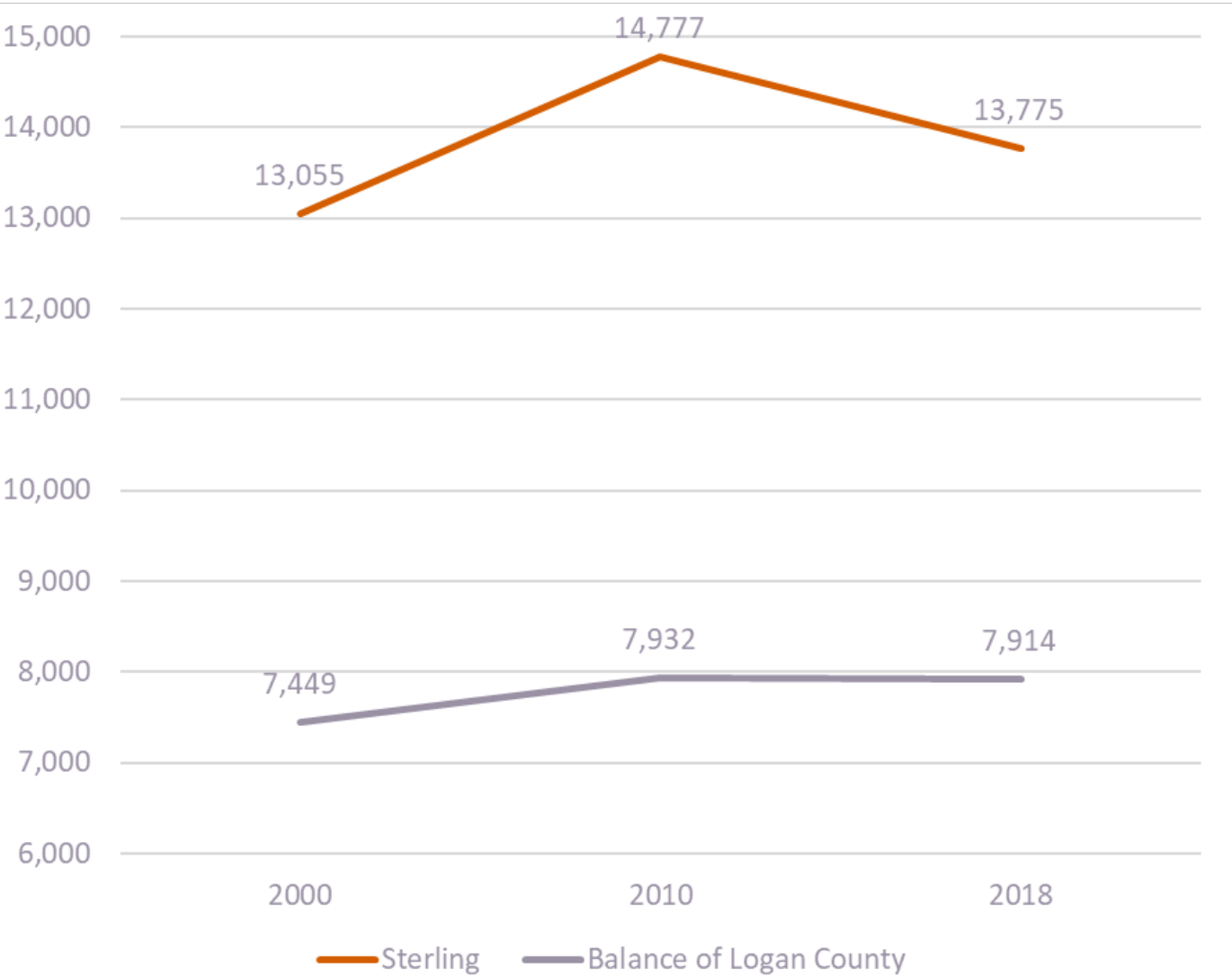
Logan County AMI's by Household Size (2019)

	1-person	2-person	3-person	4-person
30%	\$14,310	\$16,350	\$18,390	\$20,430
50%	\$23,850	\$27,250	\$30,650	\$34,050
60%	\$28,620	\$32,700	\$36,780	\$40,860
80%	\$38,160	\$43,600	\$49,040	\$54,480
100%	\$47,700	\$54,500	\$61,300	\$68,100
120%	\$57,240	\$65,400	\$73,560	\$81,720
150%	\$71,550	\$81,750	\$91,950	\$102,150

Demographics

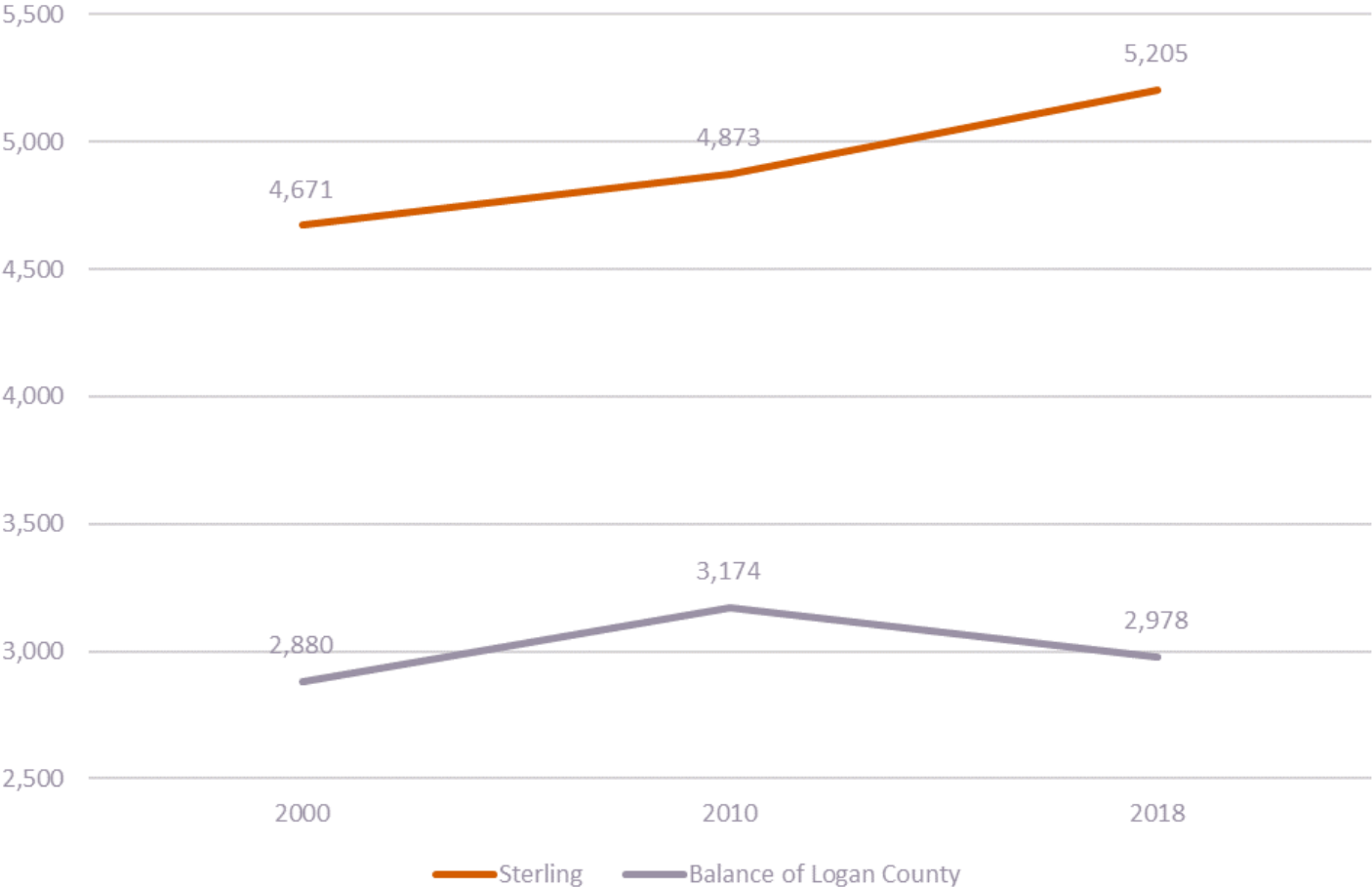


Population, 2000 to 2018



- About 64% of Logan County’s population is in Sterling
- About 20% of Sterling’s population is in group quarters, most at the Sterling Correctional Facility.
- Overall, population has decreased since 2010 following the Great Recession.

Households, 2000 to 2018



The number of households has increased relatively consistently over the past two decades in Sterling, with a small decrease since 2010 outside of Sterling.

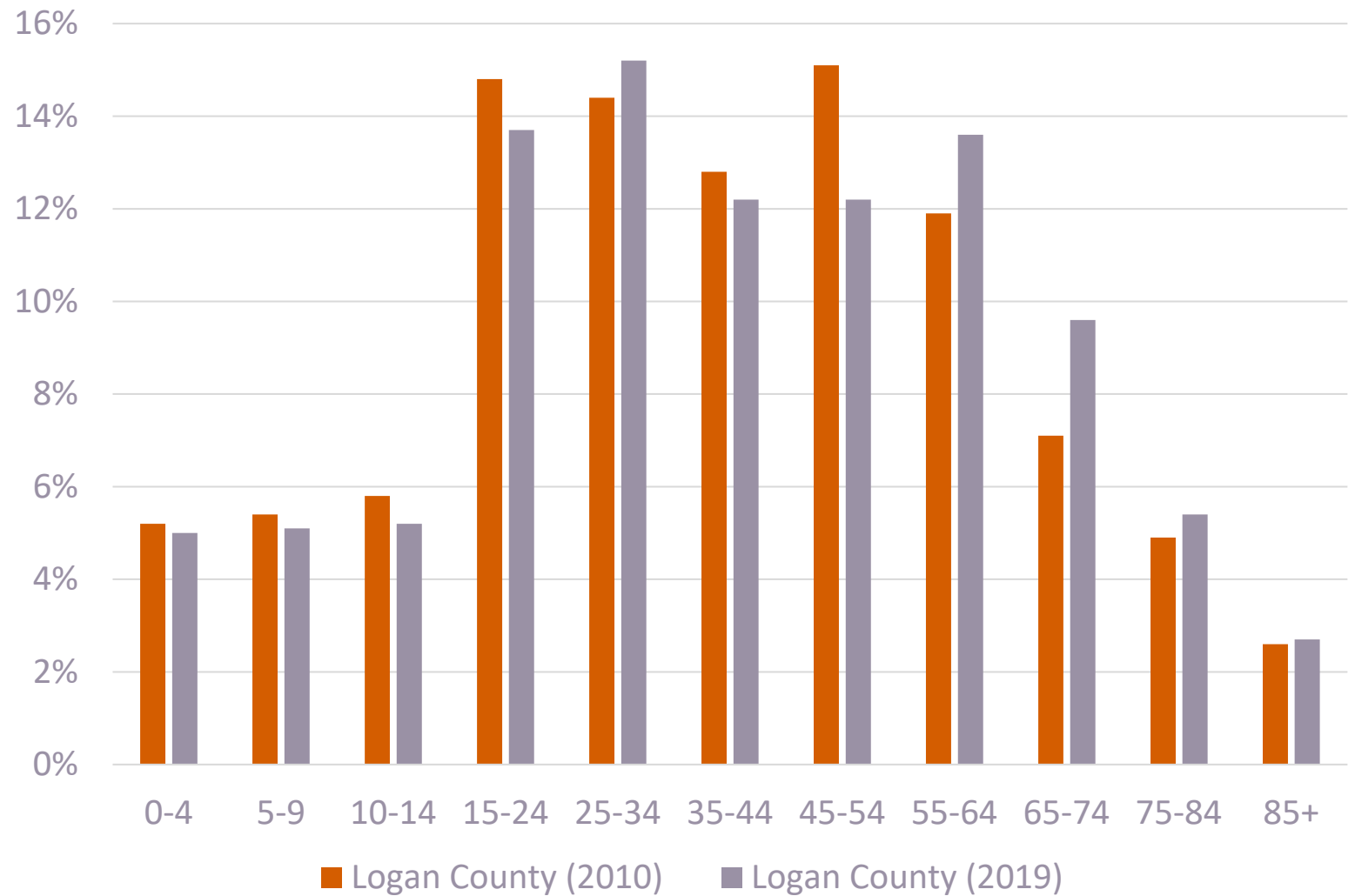


Average Household Size

Household size has decreased since 2000, with households in Logan County having 2.34 persons on average and Sterling at 2.30.

Age Distribution, 2010 to 2019

- Since 2010, the percentage of the population under 17 years of age has decreased very slightly in Logan County and in Sterling.
- The working age population has also decreased by about 1.7% in the county and 2.6% in Sterling. The 45 to 54 age group has seen the largest percentage decrease.
- The senior population (65+) has increased by about 3% in the county, and also in Sterling. Seniors now represent just under one fifth of the county's population.



Logan County



Median Age

Sterling



Median Age

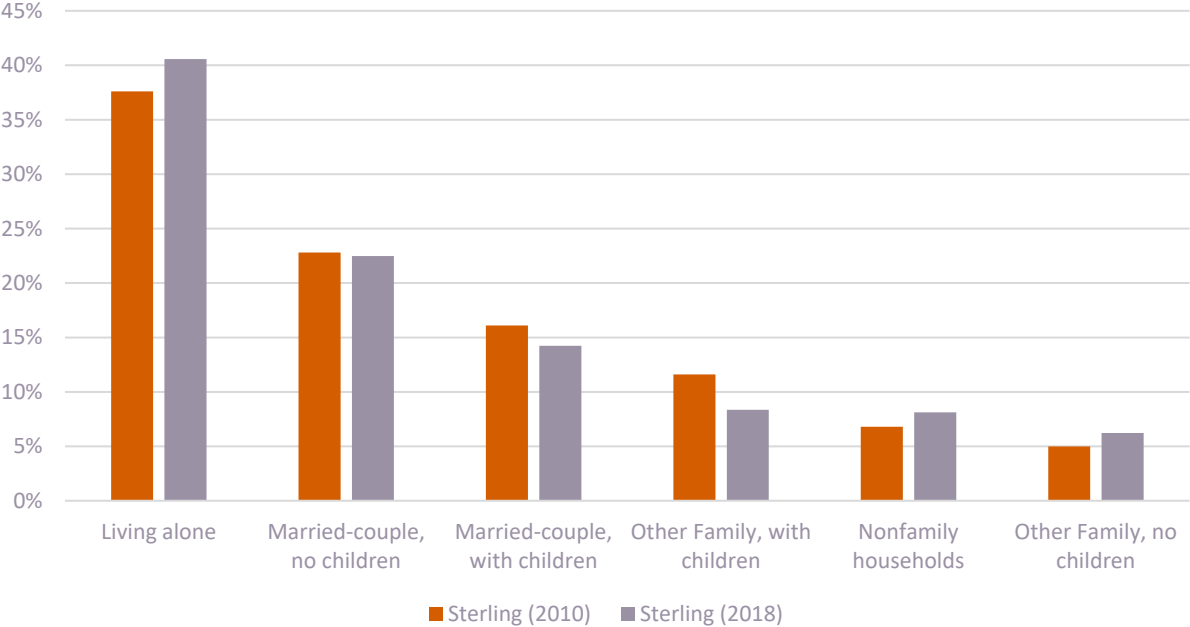
Household Size

Household Size	Sterling		Balance of County	
	2010	2018	2010	2018
1 person	37.6%	40.6%	21.8%	17.8%
2 persons	32.0%	32.6%	42.5%	47.5%
3 persons	12.5%	8.4%	14.0%	12.3%
4+ persons	17.9%	18.5%	21.6%	22.4%

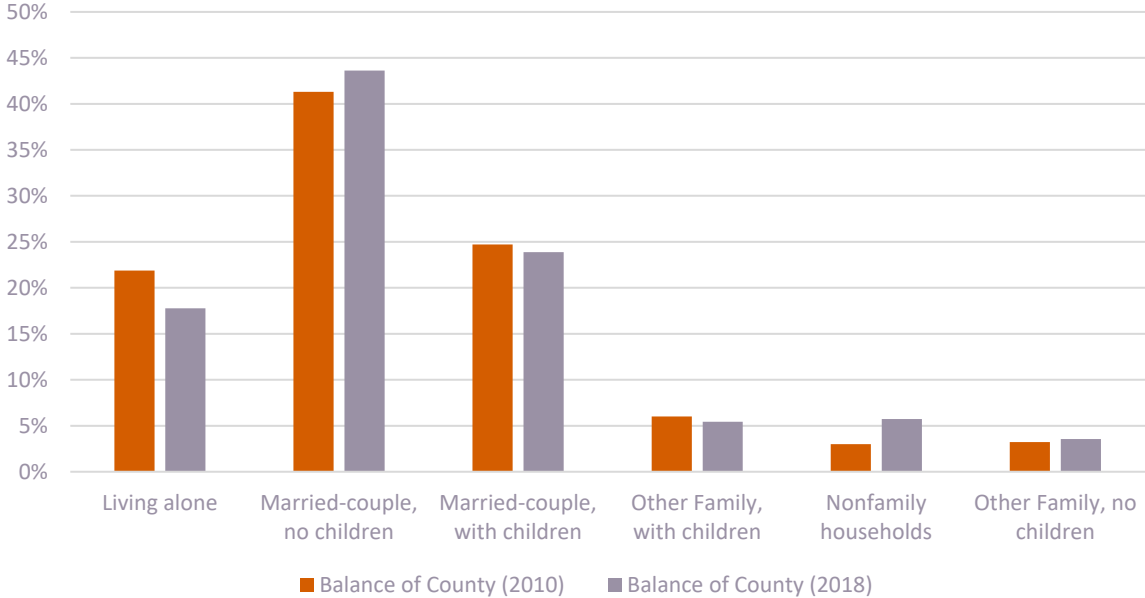
- The biggest change in household size has occurred in Sterling with an increase in the percentage of 1 person households and a drop in 3 person households.
- The percentage of 1 person and 2 person households in Sterling is now about 75% of all households.
- The percentage of 1 person households has decreased outside of Sterling and the number of 2 person households has increased.
- Over one fifth of all households outside of Sterling are 4+ person households.

Households by Type

Sterling



Balance of County



- About 40% of all households in Sterling are comprised of one person living alone. Another 23% are married couples with no children.
- Outside of Sterling, 44% of households are comprised of married couples with no children. This group and those living alone represents just over 60% of households.

Logan County

\$51,000

Median Household Income

\$200,000

Home Buying Power

\$1,275

Affordable Monthly Rent

Sterling

\$43,000

Median Household Income

\$168,600

Home Buying Power

\$1,075

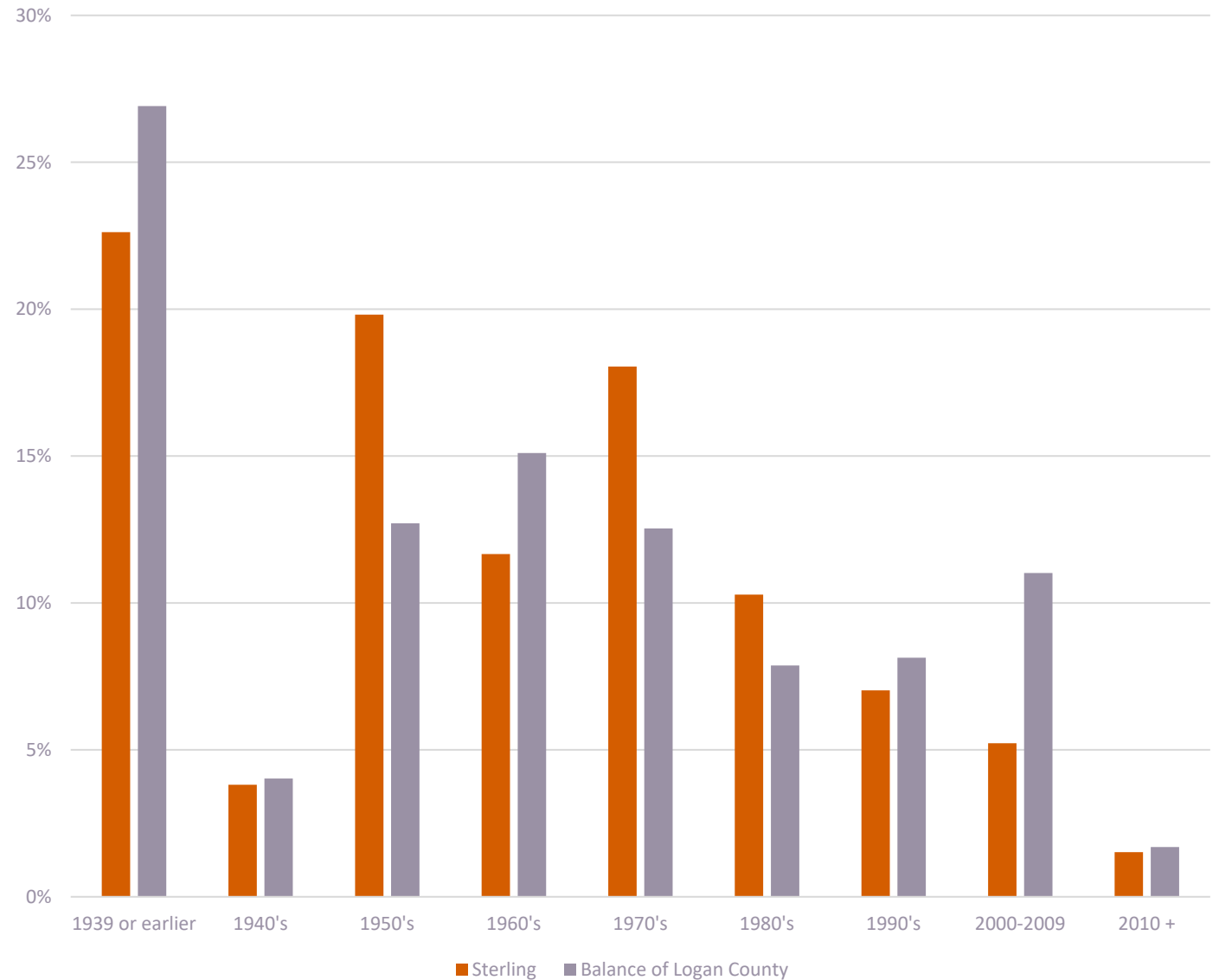
Affordable Monthly Rent

Housing Inventory



Year Built

- There are approximately 9,200 housing units in Logan County and 5,500 in Sterling.
- The housing stock is aging, with less than 10% of all units built since the turn of the century.
- 45% of all housing was built before 1960 and about 75% was built before 1980.
- Almost one quarter of all housing was built prior to 1940.
- There is very little housing in the formal permitting pipeline other than the potential for an age restricted Low Income Housing Tax Credit (LIHTC) development.



Housing Quality

“If a “nice” rental comes on the market, it’s gone.”

“The quality of housing is not good. The quality of rental property is horrible.”

“There’s no investment in anything new.”

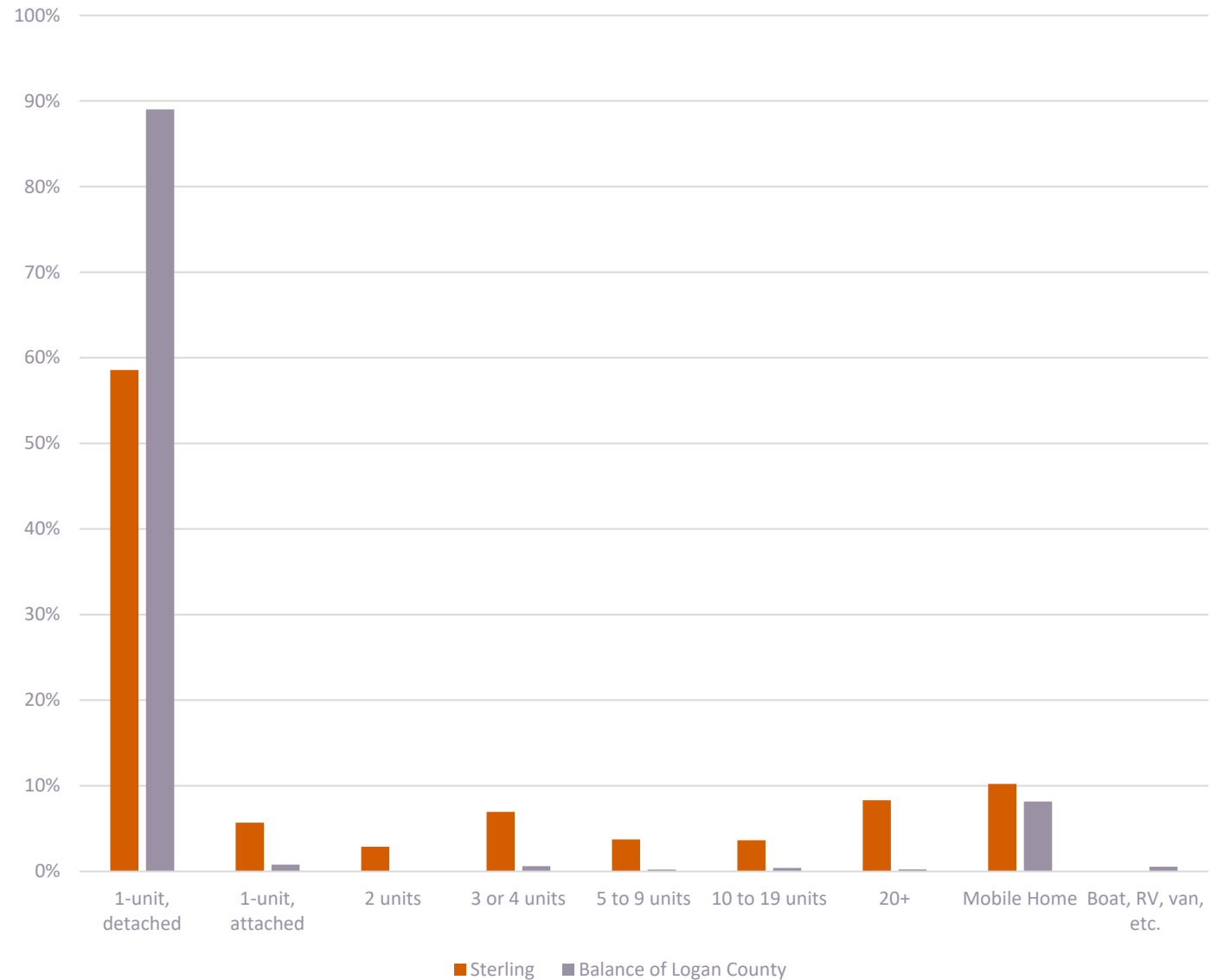
“We have “country clubber” kind of homes and “rough” with not much between.”

“If anything new were to be built, folks would move out of existing crap rentals and pay a little bit more.”

“Some folks in town that make decent money rent crappy places.”

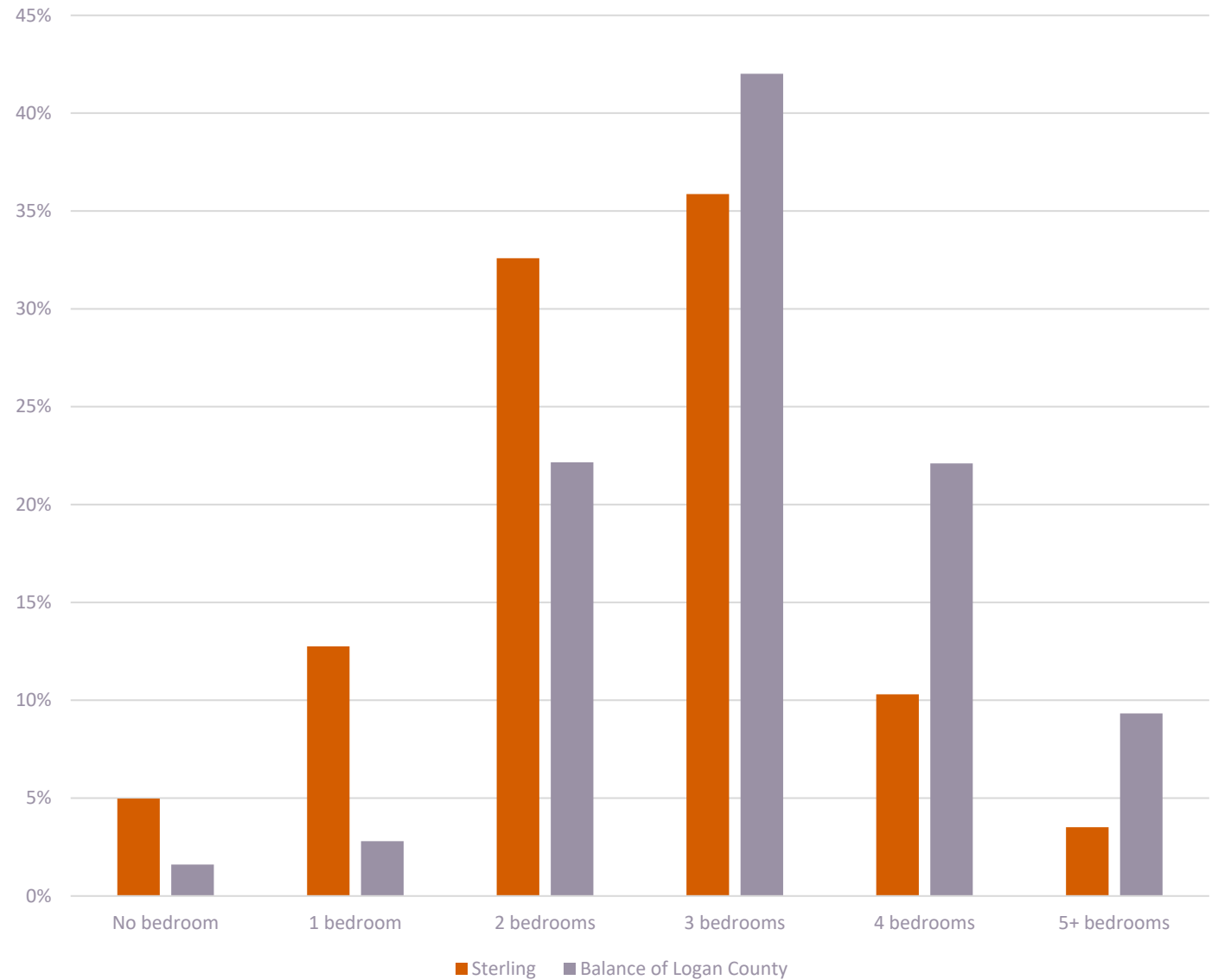
Units in Structure

- The housing stock provides little in the way of housing choice.
- Sterling's housing stock is more diverse than beyond its borders, but it is still dominated by single family homes.
- About 16% of Sterling's housing stock has more than four units per structure. This figure is effectively zero outside of Sterling.



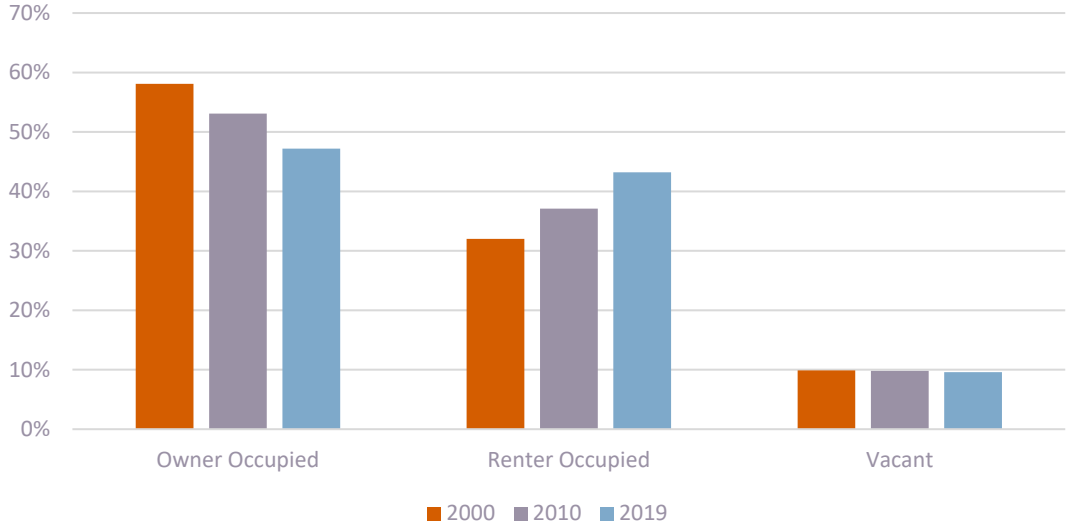
Bedroom Mix

- Homes tend to have more bedrooms outside of Sterling than in the city.
- 50% of Sterling's housing stock has 2 bedrooms or fewer, whereas only 27% of homes outside the city have this number of bedrooms.

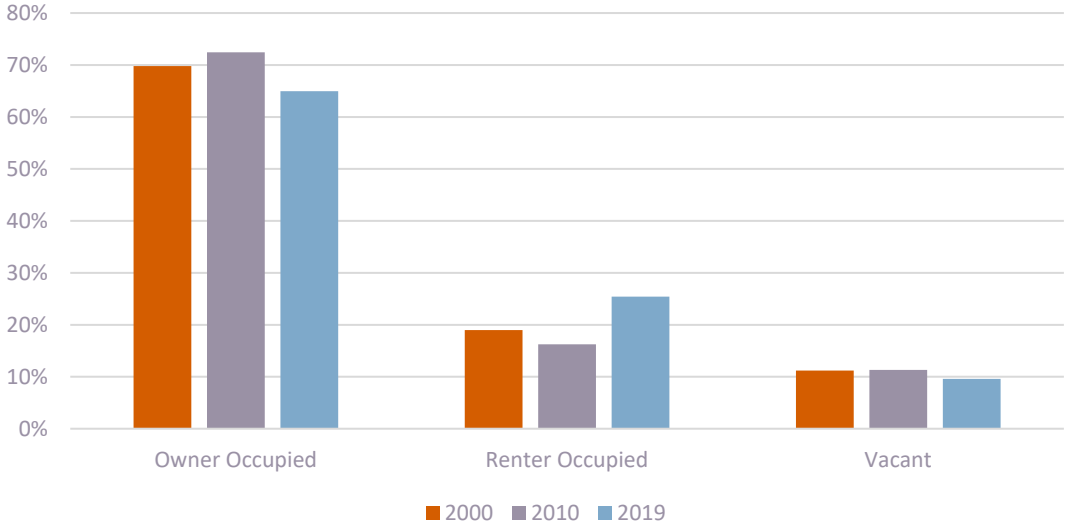


Housing Tenure and Vacancy, 2000 to 2019

Sterling



Balance of County



- About 10% of all housing units in the county are vacant and the other 90% are occupied.
- Ownership has decreased while rentals have increased in Sterling over the past two decades.
- Tenure outside of Sterling has not seen a consistent trend, but the percentage of rentals is up and owner occupied units down, in general.

Occupied Housing Tenure

Sterling



State of Colorado



Balance of County

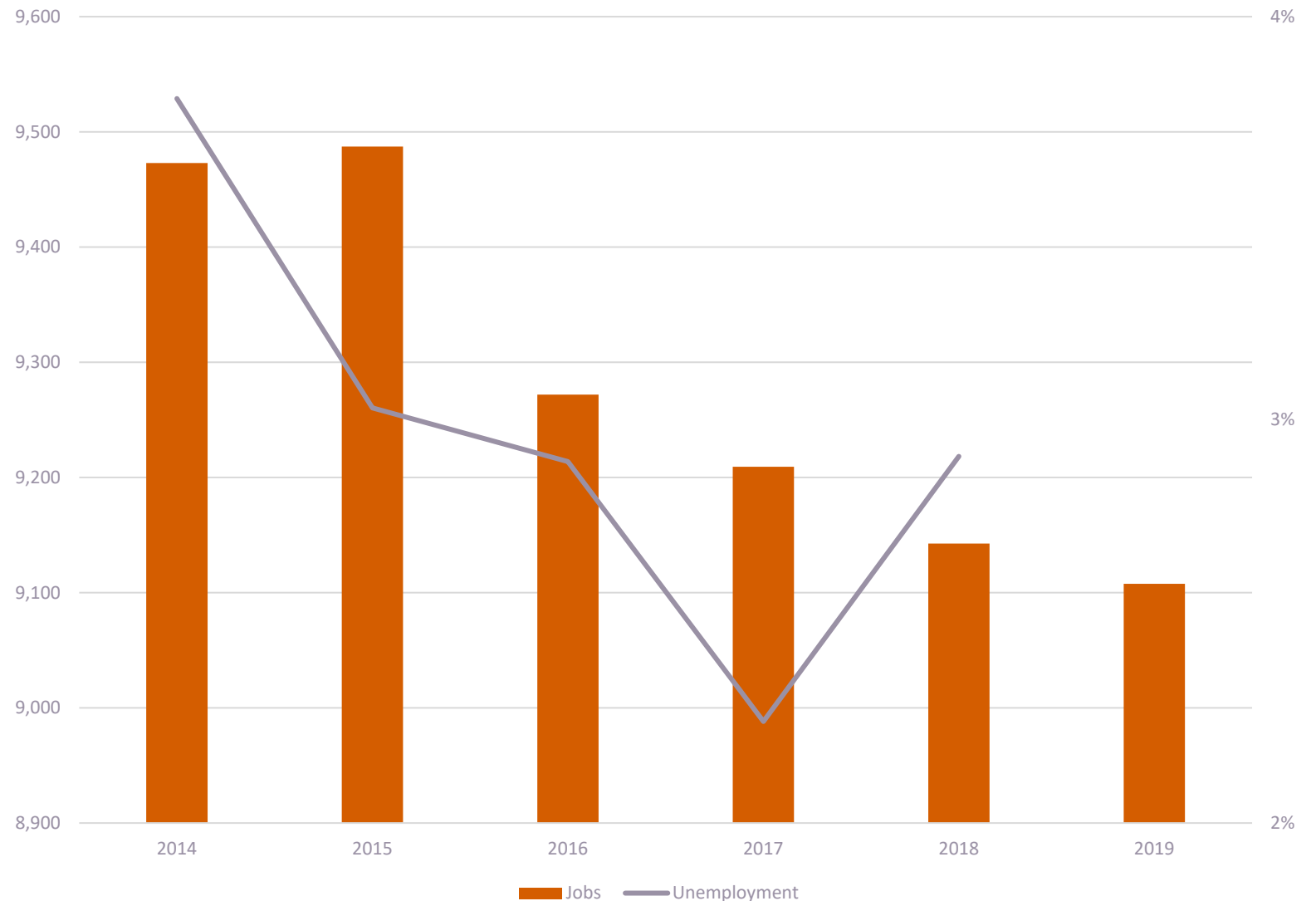


Economy and Employment

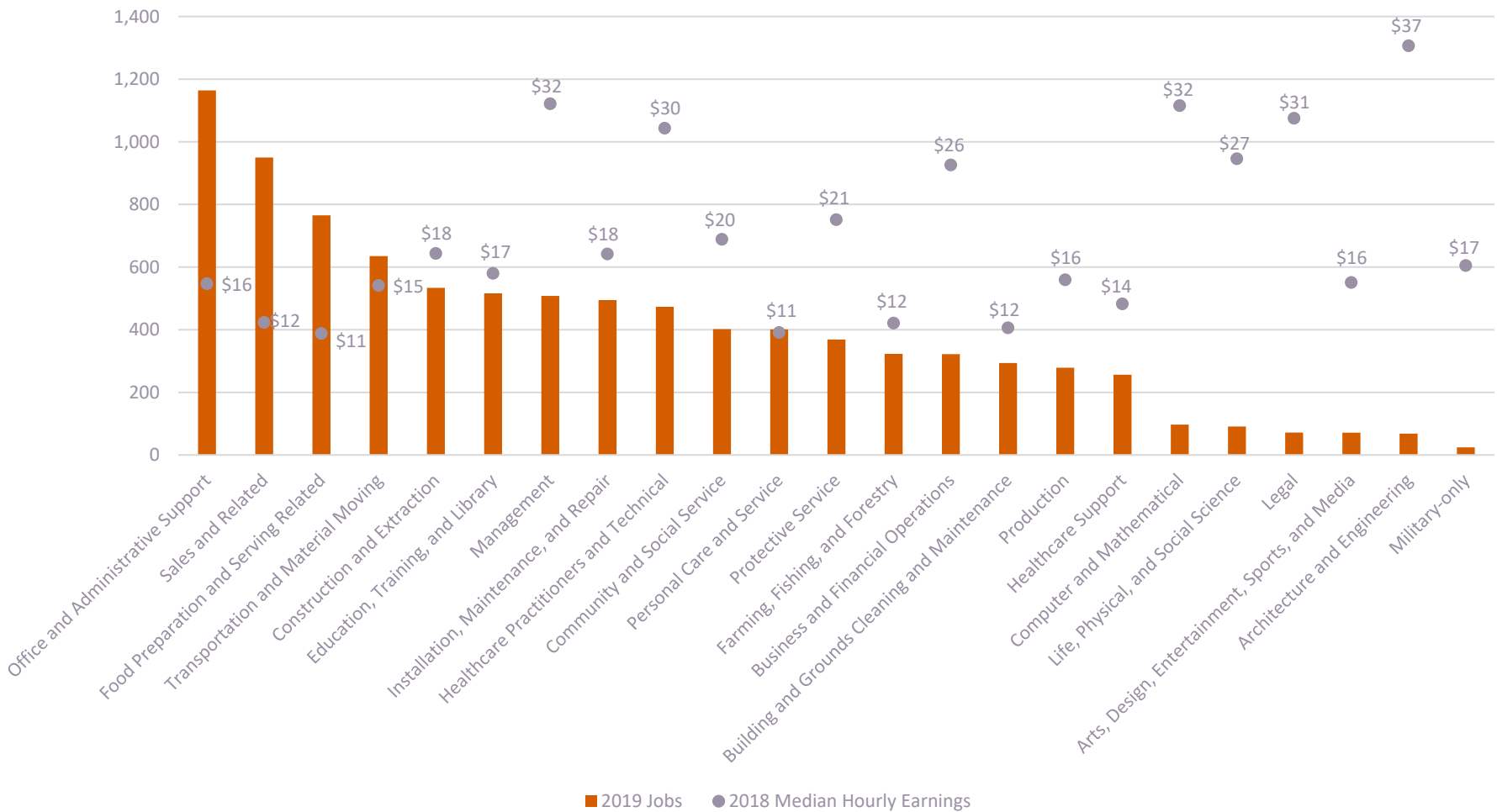


Jobs and Unemployment

- Since 2015, the number of jobs has fallen by 3.9%, or just under 1% per year at a time when the national growth rate was 6.9%.
- The unemployment rate bottomed out in 2017, yet as jobs continued to fall in 2018 the labor force participation rate increased. This led to the unemployment rate climbing higher.
- The 2019 annual unemployment rate is not yet published. The rate was just over 3% through April 2019 and then fell below 3% through the summer.



Jobs and Pay



- There are just over 9,000 jobs in Logan County, about 4% fewer than five years ago.
- Job losses have primarily occurred in lower paying occupations.
- 82% of jobs had median earnings of \$47,700 (100% AMI, 1 person) or less.
- There is no prominent employment seasonality in Logan County.

Commuting

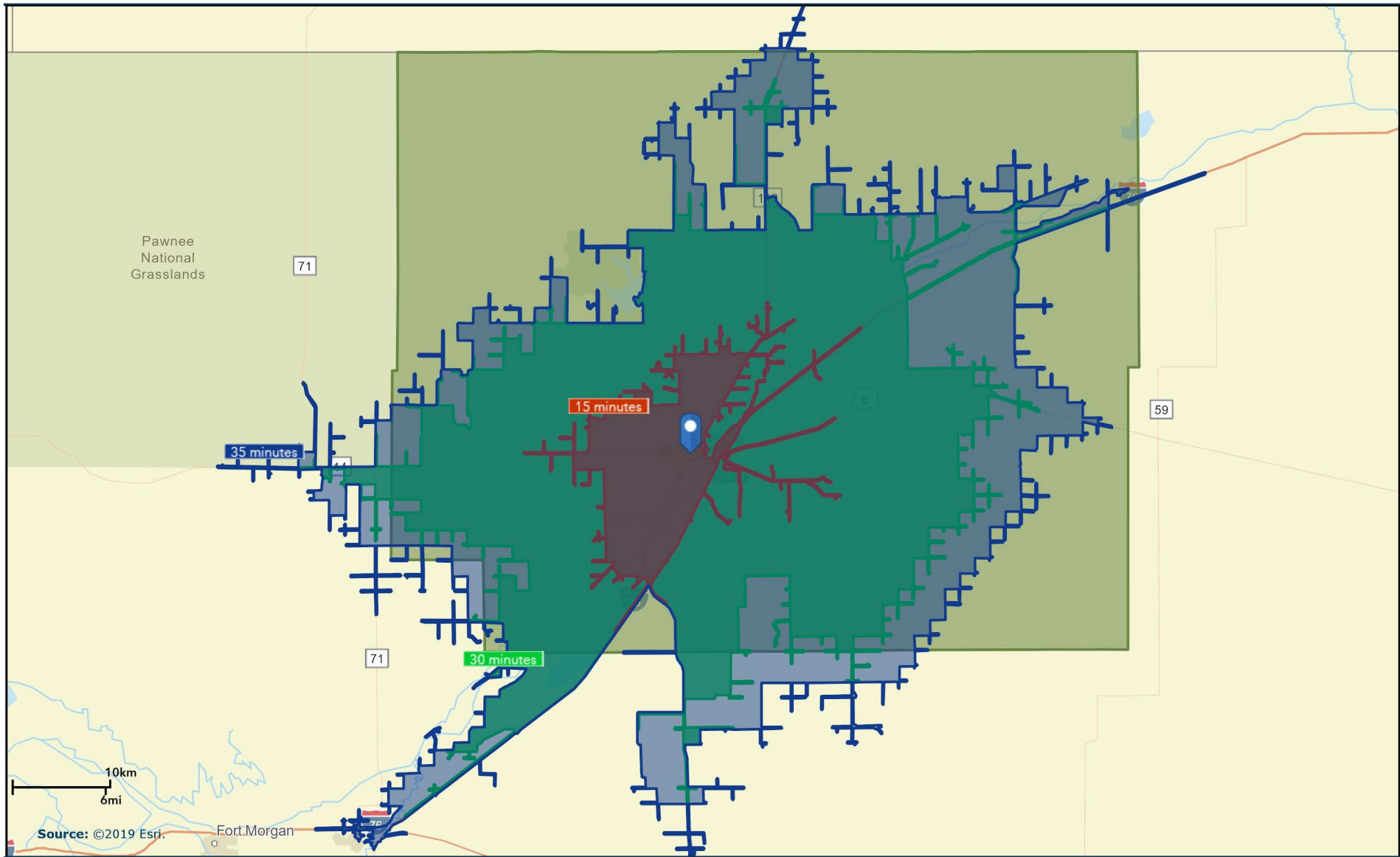
- Sterling is the employment hub of the region and there is a reasonable amount of in-commuting from nearby communities such as Merino and Fleming.
- Some workers are commuting from the broader region, including Colorado's Front Range communities (e.g. Greeley) and southwestern Nebraska (e.g. Sidney)
- The table does not include every location where people work or live, just the dominant locations.

Where Talent Works

ZIP	Name	2019 Employment
80751	Sterling, CO	90%
80728	Fleming, CO	3%
80747	Peetz, CO	2%
80741	Merino, CO	2%
80722	Atwood, CO	1%

Where Talent Lives

ZIP	Name	2019 Workers
80751	Sterling, CO	77%
80741	Merino, CO	5%
80728	Fleming, CO	5%
80736	Iliff, CO	3%
80747	Peetz, CO	2%



December 17, 2019

Employment Projections

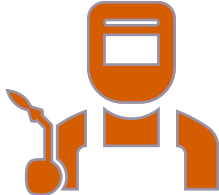
An estimated 253 jobs are projected to be added by 2025. This is based on very low annual growth of just 0.5%.

2019 Jobs

9,108

New Jobs by 2025

253



Housing Market, Affordability, and Need Projections



Maximum Affordable Housing Costs (2 person household)

	Household		Max
AMI	Income	Max Rent	Purchase Price*
30%	\$16,350	\$409	\$64,100
60%	\$32,700	\$818	\$128,200
80%	\$43,600	\$1,090	\$171,000
100%	\$54,500	\$1,363	\$213,700
120%	\$65,400	\$1,635	\$256,500
150%	\$81,750	\$2,044	\$320,600

*Assumes 30-year mortgage at 5% with 5% down and 20% of the payment covering taxes, HOA, PMI and insurance

Rental Housing Market

- The rental market has a functional vacancy of zero and rents are rising.
- Rentals occur by word of mouth, with few public listings.
- Landlords are becoming increasingly selective, with few rentals allowing pets.
- People with imperfect background checks are also struggling to find rental housing.

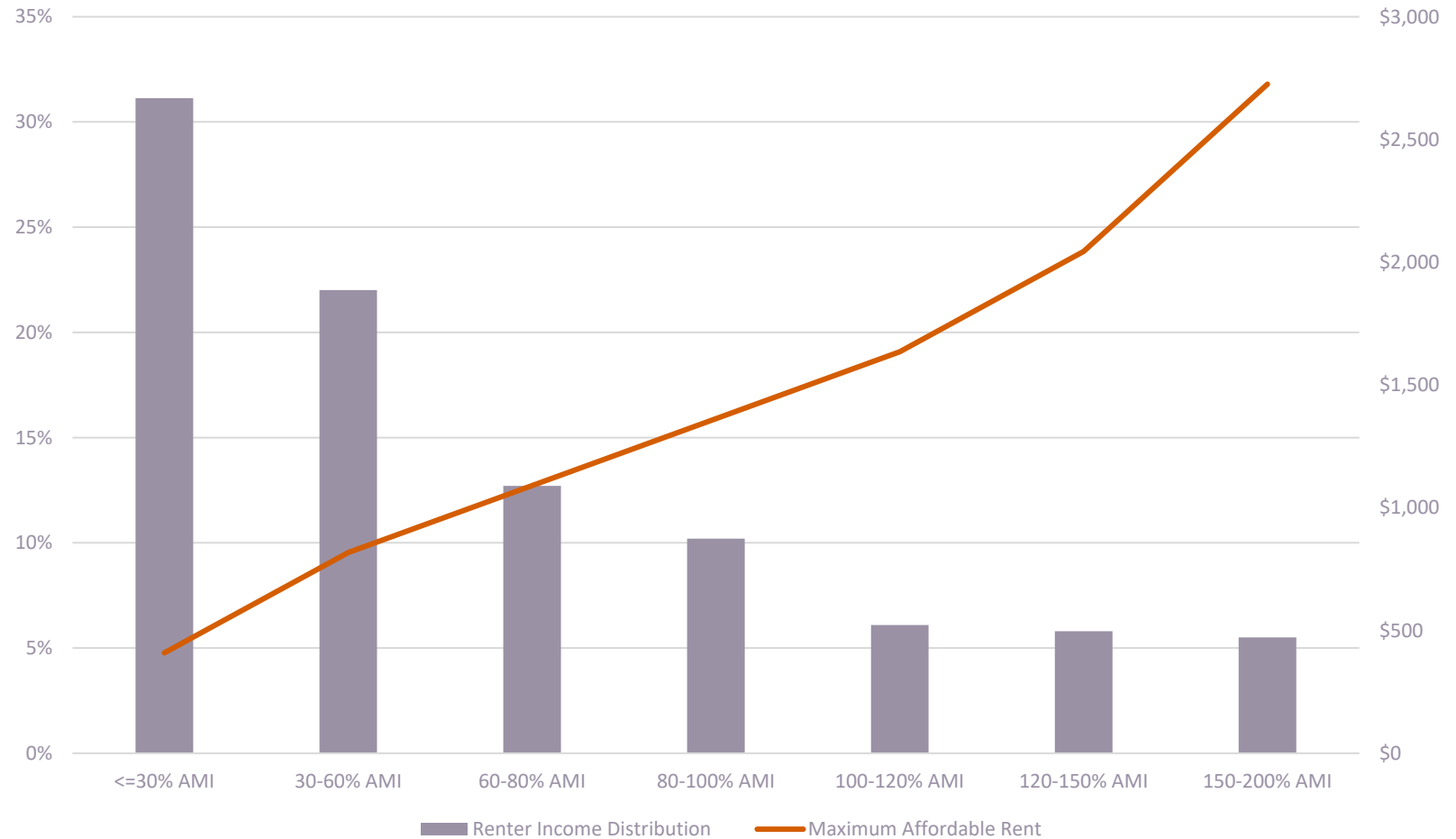
	Studio	1 BD	2 BD	3 BD
Listings	1	1	4	2
Average Monthly Rent	\$400	\$650	\$988	\$1,100
Monthly Rent/square foot	\$1.41	\$1.08	\$1.06	\$1.00

*all listings in Sterling

Renter Income Distribution

- 76% of renter households have incomes representing 100% or less of the area median income, with 53% of renter households falling into the 60% or under category.
- Only about a quarter of renter households make more than 100% of the area median income.

Income Level	Maximum Household Income
<=60% AMI	\$32,700
60-80% AMI	\$43,600
80-100% AMI	\$54,500
100-120% AMI	\$65,400
>120%	>\$65,400



Renter Income Distribution Compared to Recent Rental Listings

- Rentals affordable for households earning under 30% AMI are undersupplied. Producing rental units at such price points will require substantial subsidies and/or programs such as Habitat for Humanity.
- The extent to which the market includes rentals affordable to households earning 100% AMI and above is unclear given the limited number of publicly listed rentals.
- The gap is for rentals affordable to households earning 30% AMI or less.

AMI Range	Household Income (2 person)	Maximum Affordable Rent	Renter Income Distribution	Active Listings*
<=30% AMI	\$16,350	\$409	31.1%	13%
30-60% AMI	\$32,700	\$818	22.0%	38%
60-80% AMI	\$43,600	\$1,090	12.7%	13%
80-100% AMI	\$54,500	\$1,363	10.2%	38%
100-120% AMI	\$65,400	\$1,635	6.1%	0%
120-150% AMI	\$81,750	\$2,044	5.8%	0%
Over 150% AMI	>\$81,750	>\$2,044	12.1%	0%

**based on very small sample size*



Owner Housing Market (2019)

- 277 homes were sold in 2019. 87% were in Sterling.
- Sale prices were higher in Sterling than outside the city.
- Based on median household income figures, household buying power was roughly in line with or exceeded the median sale price in 2019.

	Sterling	Balance of County
Number of home sales	240	37
Average sales per month	20	3
Median sale price	\$165,000	\$148,000
Average sale price	\$181,000	\$165,900

Owner Housing Market – Active Listings

- There are only 39 homes currently for sale, with 87% of them in Sterling.
- The number of active listings only represents 14% of the total number of homes sold in 2019.
- As a result, Logan County has a strong seller's market.
- The current median list price in Sterling is 32% higher than the 2019 median sale price. This figure is 38% outside the city.

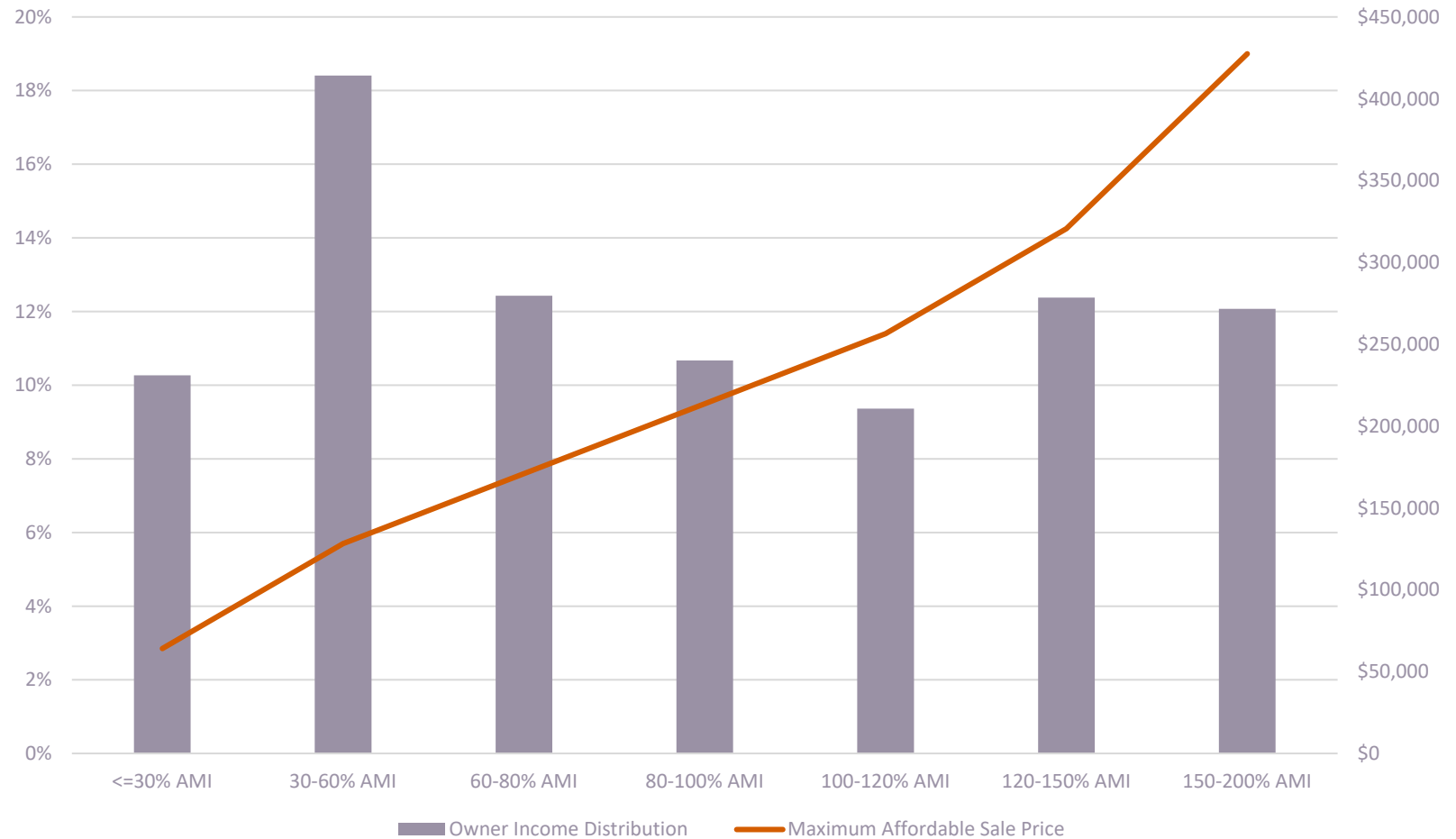
	Sterling	Balance of County
Active Listings	34	5
Months of Inventory	1.7	1.5
Median list price	\$217,500	\$204,500
Average list price	\$221,000	\$238,200

*balance of county excludes one \$3M+ listing

Homeowner Income Distribution

- 29% of households have incomes of 60%AMI or less.
- 41% of households have incomes under 80% AMI.

Income Level	Maximum Household Income
<=60% AMI	\$32,700
60-80% AMI	\$43,600
80-100% AMI	\$54,500
100-120% AMI	\$65,400
>120%	>\$65,400



Homeowner Income Distribution Compared to For- Sale Listings

- Homes affordable for households earning under 60% AMI are undersupplied. Producing homes at such price points will require substantial subsidies and/or programs such as Habitat for Humanity.
- The market may be undersupplying homes affordable to households earning 120% AMI or more.
- Hence, the gap is for homes affordable to households earning 60% AMI or less.

AMI Range	Household Income (2 person)	Maximum Affordable Sale Price	Owner Income Distribution	Active Listings (39)
<=30% AMI	\$16,350	\$64,100	10.3%	3%
30-60% AMI	\$32,700	\$128,200	18.4%	13%
60-80% AMI	\$43,600	\$171,000	12.4%	18%
80-100% AMI	\$54,500	\$213,700	10.7%	13%
100-120% AMI	\$65,400	\$256,500	9.4%	31%
120-150% AMI	\$81,750	\$320,600	12.4%	5%
Over 150% AMI	>\$81,750	>\$320,600	26.5%	18%

	Market Partially Provides
	Market Provides

Catch Up and Keep Up

- The housing units needed through 2025 is a combination of catch-up and keep-up needs.
- Catch-up needs are primarily to address a non-functional rental market.
- Future housing is needed to keep up with projected job growth.

	Units Needed through 2025
Catch-Up (Existing Needs)	
Unfilled Jobs	65
Functional Rental Market	125
Keep-Up (Future Needs)	
New Jobs	200
Total Housing Units Needed through 2025	390

Housing Units Needed by AMI

- 60% units the housing needed should be priced to be affordable to households below 100% AMI.
- 40% of the housing needed should be priced to be affordable to households at or above 100% AMI.

Housing Needed by 2025 – By Income and Price

AMI Range	Household Income (2 person)	Units Needed	Max Affordable Sale Price	Maximum Affordable Rent
<=30% AMI	\$16,350	66	\$64,100	\$409
30-60% AMI	\$32,700	76	\$128,200	\$818
60-80% AMI	\$43,600	49	\$171,000	\$1,090
80-100% AMI	\$54,500	41	\$213,700	\$1,363
Over 100% AM	>\$54,500	157		
Total Units Needed		390		

Recommendations

- Greatest market gaps are for rentals below 30% AMI (\$400/month for two people) and ownership below 80% AMI (\$171,000 home price)
 - Inventory is needed at higher price points too.
 - New housing at higher price points may be more financially feasible, creating more housing choices, and helping to reduce competition between low and middle income households now competing for the same housing.
- Public/private partnerships will be needed to overcome the gap between cost to build and price points affordable to local residents.
- Projects should be small scale (less than 40 – 50 units) to stay in keeping with the size of the community and limit market risk: no one specific project should attempt to solve all the housing needs.
- Each new development project should conduct a market study to ensure price point, unit size, and location will be viable.
- Invest in existing inventory – Action Plan should include renovation and preservation strategies to improve aging inventory.

.....

Next Steps

- Community Outreach on Draft Housing Needs Assessment – now through March 7th
- Finalize Housing Needs Assessment – March 16th
- Action Plan Phase – March 6th – late May
 - Set direction on housing goals
 - Determine “where/when/what” community wants to do
 - Identify priority tools, timing, and roles
- Action Plan final – May/June 2020

.....

WILLIFORD, LLC

land use & affordable housing

URBANrural
—continuum—