



Housing Subcommittee Meeting Agenda

Tuesday, January 18, 2022
2:00-3:00 p.m.

Remote Meeting Only
Webinar ID: 999 9716 7414
<https://zoom.us>

- I. Introductions
- II. Meeting Notes – November 16, 2021
- III. Discussion Items
 - a. Root Policy Research Housing Study – Executive Summary
 - b. Grant Update
- IV. Community Updates

Southwest Colorado Council of Governments
Housing Subcommittee Meeting Notes
Tuesday November 16, 2021, 2:00 p.m.
Remote Meeting Only

In attendance:

David Black – Town of Bayfield

Andrea Phillips – Town of Pagosa Springs

Mike Segrest – La Plata County

Miriam Gillow-Wiles – Southwest Colorado Council of Governments

Bryce Bierman – Southwest Colorado Council of Governments

The meeting began at 2:12 pm

Discussion:

There was discussion about trying to include someone from Cortez on the subcommittee. Mike mentioned that he reached out to Shak Powers and they may be interested in participating in the Housing Subcommittee meetings going forward.

Mike reported that he met with the new CCAT group where there was a lot of discussion regarding housing and how to spend the \$400M that has been earmarked from ARPA funding for housing. He mentioned discussion regarding a company who specializes in panelized construction, instead of modular construction. He mentioned another company called Amwood from Wisconsin as an example of the panelized construction. Mike mentioned the old Pepsi building should have enough space for a panelized housing construction facility, but not a modular site which generally needs 20 acres. Miriam mentioned a company named Delve out of Montana that has expressed interest in a new location in southwest Colorado. Mike mentioned another site the County is exploring for a modular home construction facility.

Mike reported that La Plata County has a meeting in the next week to discuss how to allocate the ARPA funds. He mentioned the rollout will be prolonged over time. He said the County is likely going to use ARPA funds for housing and commit more of the new infrastructure bill's funds to broadband expansion.

Mike mentioned when he was manager of Snowmass Village and they had a program that would charge additional money for homeowners to build homes over 2600 sq/ft. Mike suggested a development impact fee could be instilled across the region to provide a new source of funding to allow for sustainability of the RHA. It would be important to be on the same page as a region so that developers are not shopping between different counties. Andrea mentioned Pagosa Springs had development impact fees and the council received so much pressure from developers that they eliminated the fees. She clarified that a housing impact fee may be received differently.

Andrea reported that in Pagosa Springs a citizen's group is proposing two ballot questions for funding for workforce housing, one would be an excise tax and the other to reallocate a portion of current lodger's tax. She added that the Town has budgeted \$500,000 in 2022 regarding workforce housing. She reported that staff will be recommending award of a bid to construct workforce housing. The Town is also exploring modifications to their land use code to encourage the development of more housing.

Mike mentioned an alternative revenue stream for the RHA, a vendor fee which could be instilled to retain a small percentage all sales tax collected that could be used to address housing affordability. This could be made by a resolution of town boards or county commissions.

Miriam described the status of the HB1271 planning grant for housing. She added that the letter of intent for the second round of funding, the incentives component, will be due in October 2022.

Andrea asked if Cortez should be involved in the Subcommittee conversations if they are leaving the SWCCOG. Miriam said that she has confirmed that Cortez will remain a SWCCOG member in 2022.

Andrea asked David what's happening with the Bayfield development project. David replied are working with an engineer on lot costs and a process for engaging builders this spring.

Andrea would like to see a dashboard that would describe where each of the jurisdictions has added housing units. This would allow the public and other jurisdictions to see how the needle is being moved regarding the housing crisis. Miriam mentioned there is a dashboard included in the Root Policy Research housing study. She mentioned the dashboard could be maintained for an annual cost of roughly \$5,000.

David mentioned the Town of Bayfield has several proposals for annexations into the Town. David asked how the Town could include requirements for the new affordable units to be available to low-income individuals. Mike mentioned a development agreement could stipulate those requirements if the town zoning code allows it. He added that inclusionary zoning is difficult to manage and he would not recommend it, however development impact fees could be useful. He mentioned it can be helpful to allow the developers the option to build the affordable units on their own site, rather than trying to squeeze them into a market-rate project.

Andrea asked if the group is familiar with the Energize Colorado grant program meant to assist sustainable housing projects. This is one more funding opportunity for potential regional housing projects. Andrea will send a link of the information to the group.

There was discussion about trying to include representatives from the west side of the region and from San Juan County on the group. Staff will send the Root Policy executive summary and a link to the dashboard in preparation for the next meeting.

The group agreed the next meeting would be held the afternoon of Tuesday December 21.

Andrea asked if she should ask for a regional nexus study. Mike mentioned he has a study he uses regarding the "Cost of Growth". There was discussion about the defensibility, estimated cost, and process for developing a regional nexus study.

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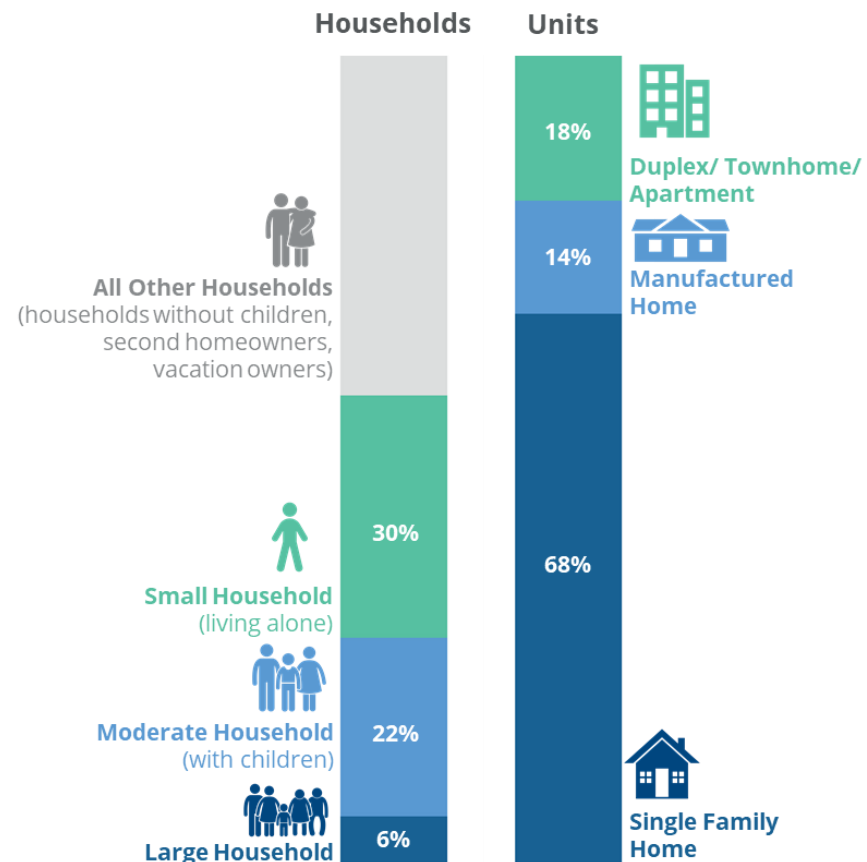
In spring of 2021, the Southwest Colorado Council of Governments (SWCCOG) and Housing Solutions of the Southwest (Housing Solutions) received a grant to complete a regional analysis of existing housing data, housing plans, and identified housing needs across the five-county SWCCOG region. Although some cities and counties in the region have completed independent housing needs assessments, no studies have examined the cross-dependency of housing needs or taken a regional approach to housing strategies. This Executive Summary contains the primary findings and recommendations from the regional housing assessment.

PRIMARY FINDINGS

In the past decade, new housing has favored occupancy by seasonal and vacation owners over workforce. About 80 percent of new households forming in the region since 2010 contained no workers. No county has been able to keep up with demand for housing to accommodate employment growth and demand for seasonal and vacation housing.

Single family detached homes have been the dominant type of units permitted in the region in the past 40 years, despite a shift in household types.

Unit Types v. Household Types



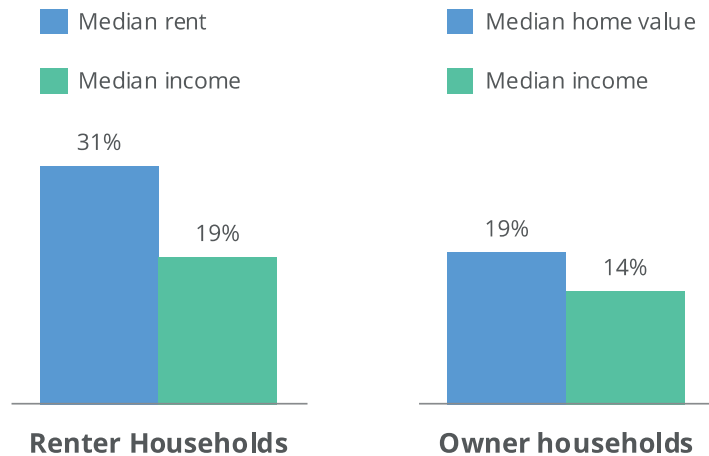
Source: Root Policy Research.

The influx of retirees and seasonal and vacation owners put upward pressure on housing prices. Although median incomes of both permanent resident owners and renters increased from

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2010, the additional income—especially for renters—was far short of what was needed to keep up with rising housing costs.

Change in Permanent Resident Renter and Owner Income v. Housing Costs, 2010-2019



Source: 2010 and 2019 1-year ACS estimates and Root Policy Research.

This has led to an increase in in-commuting across all counties. Smaller counties and towns, with fewer housing options for workers and sustained employment growth, saw the largest in-commuting increases.

A shift towards accommodating workforce in new housing development is needed to improve the balance between jobs growth and housing. If workforce housing needs are unaddressed, levels of service for both residents and visitors will decline, which could compromise economic growth.

CONSULTANT RECOMMENDATIONS SET HOUSING TARGETS

- **Develop 152 deeply affordable rental units** to assist renters who are cost burdened and vulnerable to displacement and homelessness beyond what is currently in the pipeline. These affordable rentals should ideally average \$625/month, the price point at which rental gaps are the most severe, regardless of location within the region.
- **Preserve the 100 affordable rentals** whose affordability restrictions will expire in the 3-5 years. An estimated 100 affordable rental units currently have rent restrictions associated with their public subsidies that are set to expire between now and 2027. Plans for preserving these units should be developed now to ensure that funding is available to keep these units affordable.
- **Approach seasonal surge housing** through tiny home developments and repurposing of aging motels and hotels or similar structures. An estimated **126 beds** are needed regionwide to accommodate seasonal surges, with most—about 45 each—needed in Archuleta County and La Plata County.
- **Create new moderate-priced multifamily rental developments** for low to moderate wage workforce. Nearly **400 units** are needed for a 2-earner

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household with both low-wage earners (earning \$35,000 per year and less);

- **Focus on moderate wage ownership.** This study estimates that the region could absorb 830 ownership units priced between \$380,000 and \$525,000 for current moderate-wage renters who desire to become owners and new workforce. Increasing ownership opportunities for workforce would help mitigate the acute need for affordable rental units. In addition, an opportunity exists to help transition mobile home parks to cooperative ownership by residents who own homes within the park.

Meeting these housing targets will require an average annual development of 310 units during the next 3 years—a production level twice as high as in the past decade. Units for seasonal and vacation ownership would be in addition to these units.

FORMALIZE A REGIONAL APPROACH TO ADDRESSING HOUSING NEEDS

The increasingly cross-dependent nature of the region's housing market necessitates a stronger, more intentional approach to addressing housing needs.

Formalizing a regional approach would consist of the following:

- a. **Set regional housing goals.** Establish annual and five-year goals for development of intentional workforce housing and seasonal surge beds based on

the above housing targets. Then, set county and town/city goals and orient the regionwide action plan around those collective efforts.

- b. **Develop a regionwide housing action plan.** Compile local housing strategies and roadmaps for alignment and potential conflict. Counties and towns/cities would tailor their approach to meeting individual goals (and meeting the regional goal) to available resources, capacity, and political will.
- c. **Formalize regional leadership.** The SWCCOG Board recently established a subcommittee to expand regional leadership for addressing housing needs. This subcommittee would be a natural body to facilitate and coordinate, and then manage implementation, of a regionwide housing action plan.
- d. **Meet regularly.** Regional leadership should meet monthly to discuss progress toward achieving jurisdictional, county, and regional goals, share progress on local initiatives, coordinate on funding applications, collectively troubleshoot roadblocks, and coordinate on state and federal initiatives and policymaker communication.

it is important to acknowledge that current housing challenges—and the state's housing market—is unlike anything experienced historically. **Additional staff capacity and funding resources**—within jurisdictions, within regional

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organizations, and for regional housing providers—**must be prioritized** to narrow the gaps between housing needs and housing supply.

REPURPOSE, ACQUIRE, AND BANK LAND

The public sector has very limited control over prices set by the private market. One way to achieve price reductions is to require that affordable housing be part of private development when it is built on publicly owned land. Another method is to set aside public land specifically for affordable and mixed-income housing.

Many of the communities in the region have land banking in their housing plans, and these actions should be more concerted as regional (trust fund) or state funds become available.

Towns and cities should also consider requiring affordable units as part of developments built from annexations. In the Town of Breckenridge, annexed properties are required to provide 80 percent of their project units in deed restricted housing in exchange for access to utilities.

APPLY FOR STATE FUNDS

A new state funding source available from DOLA beginning in fall 2021 will help communities make investments, including updating land use regulations and zoning codes and identifying available public land, to facilitate affordable housing creation.

Once such commitments are demonstrated, cities and counties are eligible to apply for additional and larger grants (“housing development incentives grant”).

One of the biggest challenges in the southwest region is attracting developers to build a relatively small number of units and to navigate various regulatory codes and approval processes. If the region is able to come together and ensure developers volume, predictability, and efficiency, the region will be more competitive.

To that end, the region should apply for a state grant to identify, study, and entitle land for affordable and mixed-income development—a regionwide plan to transform that land into affordable housing communities.

Grant funds would be used to:

- Identify and assess the developability of land owned by the public sector or which could be relatively easily acquired by the public sector;
- Study the economic feasibility of building affordable and mixed income housing on the identified sites, including the programs that would need to be in place to ensure affordability; and
- Update city and county codes to ensure that development on the sites would occur in a streamlined fashion (e.g., administrative approval, by right zoning, through an affordable housing overlay).

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A future incentive grant could then be used to:

- Master plan the communities, including extending and financing infrastructure;
- Create a design book of allowed housing prototypes, especially for attached housing products and ADUs;
- Design programs to ensure a balance of wealth-building and preservation of affordable housing; and
- Establish partnerships with developers.

DEVELOP A REGIONAL TRUST FUND

Stakeholders engaged for this study agreed that new funding for affordable and workforce housing production is needed to have any significant impact on housing needs and create a more balanced housing stock. Ideally, this would be a regional dedicated source of flexible funding.

A regional funding source would have several advantages: It would generate a volume of funding that could provide meaningful support for affordable housing projects (v. generate smaller amounts of funding locally that are inadequate for gap financing); a voter-approved tax may be easier to pass at a regional level because it does not put any one community at an economic disadvantage; and regional resources will help secure state funding by providing funds to meet local “match” requirements.

For example, Bayfield is well positioned to increase its workforce housing stock—it has access to water, utilities, and some land. Development of workforce housing in Bayfield is constrained by funds to subsidize construction. If the town could draw on a regional fund (v. accumulate local funds over many years), housing could be developed more quickly.

DEVELOP WORKFORCE HOUSING COMMUNITIES

While not all policymakers embrace deed-restricted housing, in markets where costs are accelerating and development cannot keep up with demand, deed-restricted communities are a sure mechanism to provide workforce housing. Several could be supported in the region.

A [study of the impact of workforce housing in Breckenridge](#) found that the town’s workforce housing accounted for 60 percent of growth in families with children; increased permanent resident occupancy; decreased in-commuting by 100,000 vehicle-miles each week; increased local expenditures; and provided locals with housing options that were more price-stable during recessionary periods.

The housing needs model built to support this study provides guidance on the types and price points of units that would be a target for workforce housing.

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INCENTIVIZE PROPERTY OWNERS TO RENT LONG TERM

The region needs an incentive program that would make it easier for landlords with long term rentals to run their businesses including supplemental security deposits to insure against property damage; assisting tenants with first and last month rent deposits; supporting property management functions; and offering rehabilitation loans and direct payments to smaller (non-investor) landlords.

These should be coupled with disincentives for owners to keep their properties vacant or in STR status—e.g., license and annual fees and continued STR regulations that set caps, require applications, and set property quality standards.

The Colorado Division of Housing's (DOH) Strategic Housing Working Group recommended in July 2021 that DOH consider developing a program to provide funding for landlords to keep units in long-term rental status. Assistance from DOH would be provided in the form of assurance to a landlord for payment of last month's rent and security deposits. Participating landlords would be required to accept rental assistance, offer reasonable rents, carry a one-year lease, keep their property in good condition, and offer a transparent and friendly rental application. Local housing agencies with matching financial support would develop, implement, and administer a localized master lease program.

The region should apply for such funding when it becomes available. Alternatively, the region could establish a program and seek DOH funding once available.