REGIONAL HOUSING ALLIANCE LA PLATA COUNTY

Agenda

RHA Board of Directors

October 20 ~ 2:00-3:00 p.m.

Webinar Video/Phone Conference Info:
https://zoom.us/j/95170360901

Or by Telephone:
US: +1 669 900 6833, Webinar ID: 951 7036 0901

A. Call Meeting to Order

B. Roll Call – Quorum Determination

C. Approval of the Agenda

D. Consent Agenda

1. Action: **Approve the Consent Agenda**
   a) **June 25, 2020** Minutes
   b) **September 2020 Financial Statements** as prepared by Jessica Laitsch
   Proposed Motion: Approve the Consent Agenda.

E. Discussion

1. Consideration of a 3-year Strategic Plan
2. Proposed amendments to the 2021 Budget
3. Request for Proposals for legal council
4. Governance document revision/board composition
5. Potential asset allocation/distribution

F. Executive Session

G. New Business

1. Action: **Transfer of Loan Portfolio Resolution #2020-05**
   Proposed Motion: Adopt Resolution #2020-05 transferring EIAF Loan Portfolio to HomesFund.
2. Action: **Direct staff to prepare amendment to 2021 Budget**
   Proposed Motion: Direct staff to make specific amendments to the 2021 Budget for consideration at the next board meeting.

H. Partner Reports & Public Comment

1. Ignacio
2. City of Durango
3. La Plata County
4. Bayfield
5. Public comments

Adjournment

The next RHA Board meeting date to be determined.

About Public Comments

The Board welcomes public participation in the Board meetings. Individuals wishing to address the Board under Public Comment are asked to please notify either the Chair of the Board or the Clerk to the Board upon their arrival at the meeting. Public Comment will be taken as time permits. Comments shall be limited so that everyone may be heard. This item is limited to matters under the jurisdiction of the Board, which are not on the posted agenda and items which have not already been considered by the Board. The Board limits testimony on matters not on the agenda to 3 minutes per person and not more than 20 minutes total unless the Board approves an extended time as part of the agenda. No formal action may be taken at the meeting on matters addressed at Public Comment. Comments on matters on the current agenda will be taken following discussion of each item by the Board.

Minutes
Board of Directors Meeting ~ **June 25, 2020**
Webinar ~ 2:00-3:00 p.m.

A. Call Meeting to Order

B. Roll Call – Quorum Determination

Board Members Present: Julie Westendorff – La Plata County, Commissioner, RHA President
Katie Sickles – Town of Bayfield, Manager
Kevin Hall – City of Durango, Assistant Manager
Mark Garcia – Town of Ignacio, Interim Manager

Staff/Others Attendees: Mike Segrest – La Plata County
Lisa Bloomquist Palmer - HomesFund
Elizabeth Salkind – Housing Solutions for the Southwest
Miriam Gillow-Wiles - Southwest Colorado Council of Governments
Jessica Laitsch – Southwest Colorado Council of Governments

The meeting began at 2:04 p.m.

C. Approval of the Agenda
Mark Garcia motioned to approve the agenda, Kevin Hall seconded, unanimously approved.

Julie asked if Katie would be Bayfield's representative. Katie confirmed yes, that she is taking all Chris's appointments.

D. Consent Agenda
1. Action: **Approve the Consent Agenda**
   a) **January 27, 2020** Minutes
   b) **May 2020** Financial Statements as prepared by Jessica Laitsch
   Proposed Motion: Approve the Consent Agenda.

Julie asked that the minutes identify the board members present versus other attendees.

Mark Garcia motioned to approve the amended minutes, Kevin Hall seconded, unanimously approved.

Julie requested to move the consideration of the May financials to the discussion concerning the December financials.

E. Old Business
1. Action: **December 2019 Corrected Financial Statements** as prepared by Jessica Laitsch
   Proposed Motion: Approve the corrected December 2019 Financial Statements.

Jessica described that prior to the January meeting, she realized that the insurance prepaid costs hadn't been being moved to the expense line.

Mark Garcia motioned to approve the December corrected financials, Kevin Hall seconded, unanimously approved.

Mark asked that staff address the negative balance. Jessica replied this is planned since there are no revenues coming in. Mark asked if there is a need to transfer from fund balance. Jessica replied that they are spending into fund balance. Julie summarized that the general fund is the operating account, so a transfer is not necessary.

Mark Garcia motioned to approve the May financials, Kevin Hall seconded, unanimously approved.

F. Public Hearing

1. A Public Hearing on the Proposed 2021 Budget

Jessica summarized the draft budget. Mark asked about the estimated shared appreciation. Jessica replied that the 2019 and 2020 shared appreciation were received when a number of loans were paid off, but staff does not have information about what might be expected for the remainder of 2020 or in 2021. Lisa added that it is difficult to predict when any of these loans might be paid off. Julie asked about the estimate for the insurance. Jessica replied that an estimate was not yet available, the estimate assumes a small increase.

Julie opened the public hearing, there being no members of the public wishing to speak, Julie closed the public hearing.

G. New Business

1. 2021 Budget – Resolution 2020-03 Adopting a Budget and Resolution 2020-04 Appropriating Sums of Money

Proposed Motion: Adopt the 2021 Budget.

Katie Sickles motioned to approve Resolution 2020-03 summarizing expenditures and revenues for each fund and adopting a budget for the Regional Housing Alliance of La Plata County, Colorado for the calendar year beginning on the first day of January 2021 and ending on the last day of December 2021, Mark Garcia seconded, unanimously approved.

Katie Sickles motion to adopt Resolution 2020-04 appropriating sums of money to the various funds and spending agencies in the amount and for the purpose as set forth below for the Regional Housing Alliance of La Plata County, Colorado, for the 2021 budget year, Kevin Hall seconded, unanimously approved.

2. Action: **2019 Audit Exemption**

Proposed Motion: Authorize the SWCCOG staff to complete required documentation to request a 2020 audit exemption from the State Auditor in January 2021.

Jessica reported that the RHA's requested exemption for the 2019 audit was just approved and that the documentation for exemption from the 2020 audit would be due to the State in January 2021.

Kevin Hall motioned to authorize staff to complete required documentation to request a 2020 audit exemption from the State auditor in January 2021, Katie Sickles seconded, unanimously approved.

1. Action: **Election of Officers**

Julie stated that she would be willing to serve as president for the next six months until she leaves office. She asked for nominations.

Proposed Motion: Elect a President.

Mark Garcia nominated Julie Westendorff as president, Kevin Hall seconded, unanimously approved.

Proposed Motion: Elect a Vice-President.

Katie stated that she would be willing to serve as vice-president.

Kevin Hall nominated Katie Sickles as Vice-President, Mark Garcia seconded, unanimously approved.

Proposed Motion: Elect or Re-elect Mark Garcia as Secretary/Treasurer.

Mark Garcia was elected Secretary/Treasurer by consensus.

H. Discussion

1. 2019 audit exemption – The State is processing the request, indicated that we should receive a response by the end of June 2020.

Addressed earlier in meeting.

2. Next steps for RHA

Julie mentioned the attached staff report. Kevin suggested that there needs to be a larger discussion about housing outside this forum. Mark expressed that a housing authority is needed. Katie mentioned there is a need for workforce housing. Lisa suggested that there needs to be clarification about what the needs and gaps are and what could be addressed by existing resources. She mentioned that the primary benefit of the RHA is the authority to levy taxes. Kevin replied that there needs to be a larger discussion about what is needed and what should be next. Mike reiterated that there needs to be larger discussions about housing in the community. Katie asked if there is a strategic plan. Lisa replied there was a strategic plan developed in 2015. There was discussion about the need to have larger discussions including various stakeholders, and that the discussions be held sooner than later.

3. Transfer of Revolving Loan Fund

Kevin summarized the background pertaining to the agreement to transfer the revolving loan fund. Kevin and Mark suggested that this discussion should probably wait until after the larger discussions take place. There was discussion about the need to use this money to benefit the community. Lisa described the programs offered by HomesFund. There was general consensus to set up some meetings as soon as possible, ideally during the summer. Lisa asked if a summary of information would be helpful. Kevin replied that information about existing services would be helpful. Staff at the housing agencies will be available to provide information as requested.

I. Partner Reports & Public Comment

1. Ignacio

Mark reported that the Town is doing a housing study for the Rock Creek properties. He added that this could be a project that could benefit from the existence of a housing authority.

2. City of Durango

Kevin reported that the City is working through implementation of their housing plan. There are a number of ongoing projects related to fee-in-lieu, deed restricted units, and new affordable units.

3. La Plata County

No report.

4. Bayfield

Katie reported that she is getting settled in.

5. Public comments

Marsha Porter-Norton commended the entities for addressing housing and added that the issue is a priority for her.

Adjournment 3:24 pm

The next RHA Board meeting will be held in **January 2021.**

Regional Housing Alliance Mission Statement

As a local governmental partnership, the Regional Housing Alliance develops housing policy, identifies priorities, and allocates resources to provide La Plata County workforce and residents with affordable housing opportunities and to ensure the county remains diverse and economically strong.

Regional Housing Alliance of La Plata County
Balance Sheet
All Transactions

		Sep 30, 20
ASSETS		
Current Assets		
Checking/Savings		
Operating Funds (Unrestricted)		
1000 · Operating Account	37,615.65	
Total Operating Funds (Unrestricted)		37,615.65
Loan Funds (Restricted)		
1006 · LPC MA Revolving Loan Fund		
LPC MA Revolving LF Interest In	1,661.58	
LPC MA Revolving LF - EIAF	248,997.71	
Total 1006 · LPC MA Revolving Loan Fund	250,659.29	
Total Loan Funds (Restricted)		250,659.29
Total Checking/Savings		288,274.94
Other Current Assets		
1400 · Prepaid Expenses		
1400.1 · Prepaid Liability	378.23	
Total 1400 · Prepaid Expenses		378.23
Total Other Current Assets		378.23
Total Current Assets		288,653.17
Other Assets		
Notes Receivable		
1950 · EIAF Loans		
1956 · EIAF N/R- Loan #68-01-01	76,000.00	
1952 · EIAF N/R- Loan #73-01-01	80,000.00	
1951 · EIAF N/R- Loan #74-01-01	14,450.00	
1960 · EIAF N/R- Loan #79-01-01	50,000.00	
1957 · EIAF N/R- Loan #100-01-01	61,583.00	
1964 · EIAF N/R- Loan #118-01-01	15,000.00	
Total 1950 · EIAF Loans	297,033.00	
1999 · Allowance for Losses on Loans	(33,224.00)	
Total Notes Receivable		263,809.00
Total Other Assets		263,809.00
TOTAL ASSETS		**552,462.17**
LIABILITIES & EQUITY		
Equity		
2050 · Beginning Net Assets		(1,708,774.77)
2051 · Invested In Capital Assets		250,470.00
2052 · Restricted Net Assets		1,386,513.60
2053 · Unrestricted Net Assets		(8,826.96)
2054 · Reserved for Emergencies		22,500.00
2055 · Assigned Operating Fund		100,000.00
Net Income		510,580.30
Total Equity		552,462.17
TOTAL LIABILITIES & EQUITY		**552,462.17**

Regional Housing Alliance of La Plata County
Profit & Loss
January through September 2020

		Jan - Sep 20
Ordinary Income/Expense		
Income		
3000 · Unrestricted Revenues		
3121 · Interest Income - Bank Accounts	393.32	
Total 3000 · Unrestricted Revenues		393.32
3001 · Temp Restr Operating Revenues		
3210 · Shared Appreciation Income	3,012.26	
Total 3001 · Temp Restr Operating Revenues		3,012.26
Total Income		3,405.58
Expense		
4080 · Liability Insurance		1,134.70
4315 · Professional Services		
4398 · Prof'l Services - Admin Fee	10,000.00	
4322 · Prof'l Services- Legal Fees	56.25	
Total 4315 · Professional Services		10,056.25
4337 · Release Fees		0.00
Total Expense		11,190.95
Net Ordinary Income		(7,785.37)
Net Income		**(7,785.37)**

La Plata County Colorado

Memorandum

To: **Regional Housing Alliance Board of Directors**

From: **Mike Segrest, Deputy County Manager**

Date: **October 9, 2020**

Subject: **Strategic Three Year Plan**

ITEM AND ISSUE

All of the member agencies of the Regional Housing Alliance have indicated support for the continuation of the RHA with a revised, outcome based mission. There is also significant community support for this initiative. The first step in this initiative is for the RHA Board to define the new mission and identify specific steps to achieve progress in the near term toward the fulfillment of that mission. The purpose of this presentation to is to provide information, specific recommendations for a "Strategic Three Year Plan" and receive direction on the continuation and redefined mission for the RHA, including possible amendment of the 2021 budget to provide funding for consultant support of the proposed initiatives.

BACKGROUND

Two documents are included in this packet for the convenience of the Board in refreshing the collective recollections regarding the background on the history and informative statistics on housing costs, affordability, and trends. They are the Housing Needs Assessment prepared in 2013 for the RHA, and the Durango Housing Plan prepared for the City of Durango in 2017. Although they are both several years old, there is ample anecdotal information and opinion from local experts to conclude that the reports are still relative today and that affordable housing is more of a challenge, not less.

There are a number of organizations that provide valuable and extensive services to address the housing needs of low and moderate income residents that should be recognized and supported to continue and grow the services they provide. These include, just to mention some of the agencies: HomesFund that has accepted the mortgage assistance program from the RHA and also contracts with the City of Durango for its Fair Share housing program; Housing Solutions that manages the rental assistance programs as well as a number of rental units; Habitat for Humanity; and Volunteers of America. Any redefined mission for the RHA would enhance and support the roles of these agencies.

The RHA has limited financial resources still available to support the exploration and possible initiation of projects in support of a new redefined mission (See current financial report). The loan portfolio of $263,000 could be transferred to HomesFund per the existing agreement for management and to perpetuate the program from the eventual repayment of the outstanding loans. The remaining cash balance of $293,000 could support the RHA as it transitions to a new mission and pursues the resources needed for long-term sustainability.

RECOMMENDATION

During the past few months, I have had numerous conversations with knowledgeable leaders from the business community and employers who face the challenges of finding affordable housing for their critical workforce. I have also begun exploring specific possibilities for addressing these challenges. From those I have spoken with there is unanimous agreement that affordable housing is essential to the long-term economic, cultural, and social vitality of La Plata County. It is also typically the first priority mentioned in these discussions.

Home ownership for critical workforce employees, including educators, first responders, health care workers and other essential service areas, is vital to the sustainability of the quality of life we enjoy. Home ownership provides long-term stability to these workers and can allow them to become committed and engaged in all aspects of the social life of the County.

The draft "Strategic Three Year Plan" is provided to facilitate the Board's consideration of a redefined mission and specific steps that may be used to evaluate progress and ultimate achievability of the mission. Implementation of the plan will need the support of the member agencies. There will likely be the need for contract support for specific initiatives, but the plan does not anticipate permanent staff.

I would very much like to continue to provide my support to the RHA if the Board wishes. My primary focus will be to work with the private sector and major employers of critical workforce positions to increase the production of new, affordable housing units for home ownership. The non-profits mentioned above are very capable of providing programs that support access to existing housing and expansion of rental units. The development of new additional housing that can be afforded by our critical workforce employees is necessary to offset the existing deficiency of suitable housing and to keep up with increased demand for such. I believe the RHA is the only entity that has the potential to address this need at the scale needed.

I request that the Board approve (with any modifications) the three-year plan and authorize an additional $50,000 for planning consultant project support. It might also be helpful to have some additional funding for legal advice, perhaps $10,000.

I am also requesting that an Executive Session be placed on the agenda in case the Board wants to advise me on negotiations for specific potential projects.

REGIONAL HOUSING ALLIANCE

STRATEGIC PLAN 2021-2023

MISSION

To facilitate, coordinate, initiate and support the development of appropriate, affordable housing for the critical workforce essential to the long-term economic sustainability and resiliency of La Plata County and its communities.

ESSENTIAL PROGRAM ELEMENTS

The RHA recognizes the vital housing programs and services provided by other agencies and non-profit organizations that serve La Plata County. RHA seeks to support those while filling gaps in meeting the housing needs of the critical workforce that provide essential services including: first responders; medical care; education, and others services vital to a strong economy. To achieve its mission the RHA will focus its efforts on the following major program elements:

- Securing land for current and future workforce housing development
- Financing infrastructure necessary to support workforce housing development projects
- Joint ventures with private developers, builders and non-profits for development projects
- Support for efficient and economical construction innovations in the County
- Advocacy for State and Federal legislation and policy making to increase housing affordability
- Building support for permanent funding of workforce housing programs and projects

STRATEGIC OBJECTIVES

Year One

- Minimize operating costs and continue contract with SWCOG for administrative support
- Establish Technical Advisory Committee to provide expertise in project development
- Establish working relationships with financial institutions for financing home loans
- Secure site for pilot development project and process land use application
- Pursue joint venture with manufactured housing company for local plant

Year Two

- Joint venture with private developer for pilot development project and begin construction
- Secure additional sites for land banking for future development projects
- Begin Phase I of pilot development project with presale of units
- Begin presale of Phase II of pilot development project
- Support the establishment of a coordinated advocacy group for funding initiative

Year Three

- Prepare a funding initiative for 2023 ballot
- Complete pilot development project
- Develop plan and funding for infrastructure of second development project
- If ballot initiative is successful, hire full time staff to support expansion of development program
- Develop capacity to construct 50 additional affordable housing units per year

La Plata County, Colorado
Housing Needs Study

Sponsored by the Regional Housing Alliance of La Plata County
And La Plata Homes Fund

Produced by Werwath Associates, April 19, 2013

TABLE OF CONTENTS

Housing needs study and report completed
For La Plata Homes Fund and the Regional Housing Alliance of La Plata County by:

Werwath Associates
Columbia, Maryland and Santa Fe, New Mexico
www.werwathassociates.com

1. Executive Summary

Background and Goals of Study

In August, 2012, La Plata Homes Fund entered into a contract with Werwath Associates to conduct a study on the needs for housing affordable to low- and moderate-income residents of La Plata County. This study is intended to inform the public and lay the groundwork for a new five-year housing action plan for the county. The housing plan is scheduled to be completed in January, 2013 after the Homes Fund receives extensive input from the public, businesses, and nonprofits. La Plata Homes Fund is an affiliate of the Regional Housing Alliance of La Plata County.

The primary goals of the study are as follows.

1. To examine facts and trends regarding the supply of three types of housing: owner-occupied, renter-occupied, and housing for people with special needs (such as recently homeless people).

2. To analyze the cost of housing and the extent to which low- and moderate-income residents find it unaffordable. In other words, the gaps in supply that can be addressed by future housing construction, energy retrofits, rent subsidies or other activities of the public, nonprofit, and for-profit sectors.

3. To describe—in measurable outcomes—what various key entities have done to address the most acute housing needs, both historically and on an annual basis. This data is intended to serve as benchmarks for setting specific, measurable objectives in the new five-year housing plan. Most of the needed activities are already occurring. The questions that need to be answered in a new a five-year plan are which activities should continue, what activities (if any, including regulatory changes) should be added, who will do what, and where will the financing come from.

Demographic Profile and Trends

Analysis of demographic data is crucial to the needs study and housing plan. This reveals the trends in supply and demand for housing overall, for specific types of housing, and housing at specific price points.

Growth in the number of households is the primary driver of overall demand for homes and apartments. The growth in La Plata County from 2000 to 2010 was 2.2% per year—twice the national rate of 1.1% per year, but much lower than La Plata County's 40-year household growth trend—which has averaged an exceptionally strong 6.5% growth per year. A leading local market analyst estimates that at least 350 households will be added each year over the next five years—a growth rate of about 1.4%—based on data from the State Demographer's office. (All data in this executive summary is from the U.S. Census unless otherwise noted, and explained in more detail in the full report.)

In the near term, this demand will drive a need for construction of at least 350 year-around homes and apartments each year, and many more if strong job and population growth resumes. Yet building permit data indicate that homes were being built at only about half this rate during the past three years. For several years during the recession, there was a surplus of homes on the market. Now a shortage of new homes and apartments is looming, if not already occurring.

Housing cost burdens – The largest single indicator of the lack of housing affordability is the number of households paying over 30% of their incomes for housing costs. A total of 7,485, or 37%, of households in La Plata County were cost-burdened in this manner, according to the 2010 Census. Of these, about 61% were homeowners. Very high percentages of very low income families and individuals are unable to find affordable housing, despite the availability of nearly 700 subsidized apartments with below-market-rate rents as well as nearly 170 federally-funded rent subsidies that allow tenants to afford rental housing in the open market.

Homeless and Special Needs Populations – A July, 2012 survey identified 146 homeless people from La Plata County. The interviewers discovered a number of special needs that could be addressed by the construction of more “supportive housing”—meaning housing with medical, counseling, job placement, and other services provided. Of the entire group (146 people), 97 were ex-offenders, 76 reported substance abuse, 62 had mental health problems, and 48 had suffered from a serious illness—while 22 were veterans and 25 were young people currently or recently in foster care.

The Workforce, Economy, and Overall Housing Demand

Overall employment growth in the past decade was a major factor driving household growth and demand for new, market-rate homes and apartments from 2000 through 2007. Most of the net job growth occurred in and around Durango. In that period, the number of people at work in La Plata County increased by nearly 6,000, to 30,000 employed people. This drove a strong increase in the number of households and helping to fuel a real estate development and construction boom—especially in and around Durango and Bayfield. But then, from 2008 through 2012, the number of people employed fell by nearly 2,000.

Naturally, strong household growth driven by underlying employment growth tends to drive up housing costs—as occurred in La Plata County up to 2007. Conversely, the decline in demand for home purchases led to some reductions in home prices (although supplies of lower cost homes are now drying up), while rents have increased steadily since early in the recession.

Demand for Second Homes and Vacation Homes

Virtually all of the housing and household data in this Needs Study pertains to year-around homes, rental units, and residents. However, it should be noted that construction of second homes and vacation homes has historically tended to drive up the prices of land and construction for most types of housing in and around Durango and the northern part of the county, according to local housing market experts. Prior to the housing recession that began in 2007, this was a major factor that negatively affected housing affordability. While the lingering effects cannot be quantified accurately, common sense indicates that current asking prices for land presume a resumption of vacation/second home construction at some time in the future.

Housing Market Profile and Trends

After a big increase in housing demand and construction from 2000-2006, overall housing supply exceeded market demand, especially in Durango and Bayfield. The total number of housing units increased by 35% in Durango between 2000 and 2010, and the number of vacant homes jumped by more than 155%. The town of Bayfield had a similar experience with the number of housing units there increasing by 61% and the number of vacant units more than doubling (110% increase).

Housing construction then fell off sharply when demand slacked during the recession. The peak year for construction starts was 2005, when permits were issued for 907 housing units. This is more than double the housing starts in 2000 and more than five times the 154 housing units that began construction in 2011. No multi-family units started construction in La Plata County in 2011—the first time this has occurred since the Census Bureau started collecting this data in 1990.

La Plata County had 25,860 housing units in 2010, of which nearly 3,000 were seasonal units—in other words, not occupied by year-around residents. The data below refer to the year-around housing stock, not the resort housing and second homes in the county.

For-sale housing - According to data from the Durango Area Association of Realtors, the number of home sales countywide (leaving aside the resort areas) peaked in 2005 at 871, dropped sharply to 404 in 2009, and since stabilized at 516 sales (annualized but not seasonally adjusted) by end the of June, 2012. In the past two years, the number of sales of rural homes has increased, while sales of homes inside Durango and Bayfield have declined slightly after an uptick in 2011. Median sale prices outside the resort areas have followed a similar trend. For example, median home prices in Durango peaked at $422,982 in 2006 and fell to $339,500 in mid-2012, after increasing modestly during 2011.

As noted above, the number of vacant homes rose significantly between 2006 and 2010, due to sluggish sales of homes and the foreclosure crisis. However, foreclosures have abated after a large spike in 2009-2011. Approximately 600 families in La Plata County are either in foreclosure or at imminent risk of foreclosure, according to Housing Solutions for the Southwest, which also reported that new foreclosure filings were still occurring in 2012. The rate of foreclosures in the county (213 in 2012) was over 10 times the number in the years before the nationwide housing recession began in 2006-2007.

Rental housing – There are several factors creating pressure on the La Plata County rental market. As noted above, the number of La Plata County households grew 22% during the last decade. Demand and available financing for purchasing homes fell sharply, increasing the demand for (and costs of) rental housing. In addition, the growth in enrollment at Ft. Lewis College has added to the demand. Very few rental housing units have been built since 2005, except for 121 units of subsidized, affordable housing.

As a result of these supply and demand factors, the rental vacancy rate for Durango in the first quarter of 2012 was a very low 3.86%—a significant decrease from 4.65% in the previous quarter and the lowest rate since 2010 (according to a survey by Colorado Department of Local Affairs). Since a 5% vacancy rate is typically seen as indicating a healthy balance between supply and demand, the recent, lower vacancy rates indicate a need for additional rental housing construction, particularly in and around Durango. Subsidized rental housing is in even stronger demand, with only a $6/10^{th}$ of 1% vacancy rate (per a subsidized rental housing survey by the authors).

The median rental amount in Durango jumped from $808 in the third quarter of 2011 to $934 in the first quarter of 2012—another factor indicating increased demand for rental units, particularly affordable rentals. More than 1,900 renter households with incomes below $35,000 paid over 30% of their income for housing. This group of cost-burdened renters is the primary market for subsidized rental housing with below-market rents.

<u>Meeting expected future demand</u> – Given La Plata County's numerous attractions—in terms of quality of life, services, outdoor recreation, and scenic vistas—it is virtually certain that economic activity, household growth, demand for vacation homes, and demand for year-around homes will increase during the next five years. This demand will tend to push up housing prices and worsen the affordability problems of low- and moderate-income households. To keep pace with that growth, builders and construction lenders will need to greatly increase their activities—which are still far below historical levels due to the after-effects of the recession. This has implications for local public sector policies related to housing.

Public-Sector Policies and Regulations Affecting Affordable Housing

Historically—and especially during the past decade—local governments and the Southern Ute tribal government have shown strong support for affordable housing. Key policies adopted and actions taken include funding and in-kind support, agreements with developers to provide some discount-priced homes, expedited development approvals and fee waivers for subsidized housing in Durango, and intergovernmental cooperation through the Regional Housing Alliance.

In July, 2011, 10 representatives of nonprofits and housing industry firms were invited to provide input to the county government on the then-pending Comprehensive Plan. Recommendations included: density increases, more flexible development standards, encouragement of infill housing, new codes to require more energy conservation, fee waivers for attainable and affordable housing, additional local government funding via earmarked fees and taxes, and resource support for nonprofit housing organizations. One key finding was this: while many parcels of land are approved for housing development, many are not economically feasible to develop due to the asking prices of land and the costs of off-site and on-site infrastructure.

Within the city limits of Durango, much of the ready-to-build land is in the Three Springs development, and indeed, housing construction is rebounding there. For the longer term, there are only three obvious solutions to the infrastructure cost problems—for local governments to: 1) extend public infrastructure,

2) allow relatively high-density development in current population centers that already have infrastructure in place, and 3) continue to provide financial support for affordable housing projects.

Affordable Housing Activities and Delivery Capacity

All development of affordable and attainable housing in La Plata County has been carried out by the private sector—both for-profit and nonprofit developers. Nearly 700 affordable, subsidized rental units have been created since 1972—accounting for 10% of all rental units in the county. Nonprofits also offer low-cost homes for sale, rent subsidies, home repair and weatherization assistance, homeless shelters, transitional housing for homeless people, and halfway houses for ex-offenders. Continuation and expansion of this capacity is essential if La Plata County is to meet its current and future needs for affordable housing.

Affordable Housing Price Points and Gaps in Housing Stock

<u>Price points for affordable/attainable homes for sale</u> **–** Prices of homes in the current market are generally affordable to households with incomes at or above 65% of area median income (AMI). Currently, this translates to a three-bedroom home priced below $206,000 and a two-bedroom home priced below $162,000 according to an analysis of home sales in the Multiple Listing Service. This affordability picture will not last for long unless more lower-priced new homes and condos come on the market—and condo financing once again becomes widely available. As the current supply of lower-cost homes continues to shrink, more mortgage assistance will be needed and/or regulatory changes or incentives to builders to provide more homes for buyers with incomes at 65% to 80% of AMI.

<u>Needs for rental and special needs housing</u> **–** There is a need and strong demand for subsidized rental housing affordable to households with incomes at or below 50% of area median income. This translates to rents at or below approximately $649 for one-bedroom units, $741 for two-bedroom units and $926 for three-bedroom units. The current median rent of $934 is considerably higher—indicating a need for additional rent subsidies for existing rental housing and special financing to develop new rental units.

<u>Quantifying the number of homes needed</u> – Sometimes, studies such as this attempt to give a single number that expresses housing needs—as in, "La Plata County needs to build x-number of affordable-attainable housing units." In our opinion, this would be misleading. All we can say with certainty is that in 2010, 7,485 households in La Plata County (37% of the total) were paying more than the standard of affordability for housing, which is 30% of income. Certainly, more construction of affordable homes and apartments needs to occur, but the potential for construction will be severely limited by the relatively high local costs of land and construction as well as the limited availability of special financing to make the monthly costs of new homes and apartments affordable to low- and moderate-income households. It is important to note that affordability problems can be solved, in part, by means other than construction. For example, homes and apartments can be made affordable through special financing—such as low-cost financing for new homebuyers, weatherization grants to existing homeowners, and rent subsidies for low-income renters.

The upcoming five-year countywide housing plan is expected to set ambitious but realistic five-year goals for construction of affordable/attainable housing and provision of other housing assistance by known sectors and entities within the county. (In Colorado, "affordable" housing is generally defined as affordable to households at or below 80% of AMI; "attainable" housing, at or below 125% of AMI.)

New and Continuing Initiatives Indicated by Needs Study

The housing needs described in this report indicate the following potential programmatic priorities for nonprofits, for-profit developers and local governments. These are suggested for consideration during the process of drafting a new affordable housing plan, and their order does not indicate priorities.

<u>Construction of new rental housing</u> – Development of rental housing using the federal Low Income Housing Tax Credit (LIHTC) program should be a high priority, given that this program has provided rents in affordable to La Plata County households with incomes from 40% to 60% of the area median. LIHTC is the major federal incentive program for building affordable rental housing. Finding a way to include more units with very low rents—at 30% of area median income—should be pursued. Adding in additional federal and local subsidies is a typical way of achieving this goal.

<u>New housing and rent subsidies for special populations</u> – Given the unmet needs of special populations for affordable and supportive housing options, the construction or acquisition and rehab of more residential properties should be a priority. Construction is constrained by the limited availability of governmental grants and private donations, so these resources should be sought out aggressively. Limited amounts of federal grants are still available for very low-income seniors, disabled people, recently homeless people, victims of domestic violence, veterans, and those with other special needs. Aggressive efforts to obtain more federal rent subsidies should continue.

<u>Incentives for for-profit builders</u> – As recommended by the public-private ad hoc planning committee mentioned earlier, the local governments might consider amending their development policies and regulations to allow for less costly development standards (where appropriate). Fee waivers and limited-time property tax waivers might be considered for affordable and attainable housing. Additional local funding sources were recommended from some combination of general revenue, real estate transfer fees, and other earmarked taxes or fees. To be able to finance the development of raw land, the committee recommended consideration of special improvement districts, in which future fees from property owners are used to finance expensive, up-front infrastructure needs.

<u>Assistance for purchasing lower-priced market-rate homes</u> – The recent reductions in home prices—which will undoubtedly be temporary—make this an opportune time to step up pre-purchase counseling and down payment assistance programs. This can not only help lower-income families attain affordable homeownership, but it can help encourage builders to construct more lower-priced homes by adding to overall demand from buyers who can qualify for financing.

<u>Construction and sale of affordable homes</u> – Projects sponsored by nonprofits such as Habitat for Humanity should continue, since they assist very low-income households, many of which have very high

housing cost burdens. Likewise, discount-priced homes offered by Durango's Fair Share program meet similar needs; these are new, discount-priced homes that are required to be built in recently-approved subdivisions. While these programs have historically produced many fewer homes than for-profit builders, they fill an important niche—providing homes to low- and very-low-income homebuyers at affordable, below-market costs.

2. Demographic Profile and Trends

Household and Population Trends

La Plata County includes the incorporated communities of Durango, Bayfield, and Ignacio, as well as unincorporated areas that consist primarily of ranches, unincorporated settlements, rural residential subdivisions, and resort areas. From 2000 to 2010, the county experienced a major increase in its population (16.8%) which was nearly twice the national average of 9.7%.

This population growth was concentrated primarily in Durango and Bayfield, with these areas seeing their populations rise dramatically—by 21.3% and 50.6%, respectively. The town of Ignacio only saw 4% population growth in this time period. The growth of households between 2000 and 2010 generally outpaced population growth in all areas of La Plata County (22% on average), indicating a trend toward smaller households. The average household size declined slightly from 2.43 persons in 2000 to 2.35 in 2010. See key population data in Figure 1. (Unless otherwise noted, data is cited from the 2010 Census.)

The growth in households from 2000 to 2010, at 2.2% per year, was twice the national rate of 1.1% per year, but much lower than La Plata County's 40-year household growth trend which has averaged an exceptionally strong 6.5% per year. Growth in the number of households is the primary driver of overall demand for homes and apartments. However, given current employment and real estate market conditions (described below), it is difficult to predict when La Plata County will return to a higher growth rate. From 2010 to 2011, the Census Bureau estimated a 1.1% annual growth rate for the county. A leading local market analyst, Bob Allen, conservatively estimates a growth rate of no less than 350 new households each year which is approximately 50% of the annual household growth estimated by the Colorado State Demographer's office. In the near term, this will drive a need for construction of at least 350 year-around homes and apartments each year, and a much higher number if the county returns to historical rates of growth in employment and households.

Figure 1. Population, households and housing units in La Plata County: 2010

	La Plata County	Bayfield	Durango	Ignacio	Unincorporated County
Total Population	51,334	2,333	16,887	697	31,417
Percent change since 2000	16.8%	50.6%	21.3%	4.2%	13.0%
Households (Occupied housing units)	21,100	903	7,017	280	12,900
Total housing units	25,860	966	7,851	307	16,736
Seasonal housing units	2,930	8	278	5	2,639
Percentage vacant, year-around	7.1%	5.7%	7.1%	7.2%	7.2%
Percent renter occupied	33.1%	27.2%	52.0%	45.7%	23.0%
Percent owner occupied	66.9%	72.8%	48.0%	54.3%	77.0%

Source: Census Bureau, ACS 2010

From 2000 to 2010, the growth in La Plata County households (22%) was slightly outpaced by the growth in total housing units (24%), with the number of renter-occupied units increasing faster than the number of owner-occupied units (28% vs. 19%). There were significant differences by area, however. The total number of housing units increased by 35% in Durango, with the number of vacant housing units jumping by more than 150% from 2000 to 2010. The town of Bayfield had a similar experience with the number of housing units there increasing by 61% and the number of vacant units more than doubling (a 110% increase).

These census numbers suggest a housing boom in Durango and especially Bayfield from 2000 to 2006. In Bayfield, a large number of newly-constructed units came on the market with prices substantially lower than in Durango, the employment center of the county. Bayfield was once considered far from Durango for commuting purposes, but as homes became more expensive in Durango, Bayfield became a more attractive place to live due to lower pricing and generally larger house lots. However, the large number of vacant homes in Durango and Bayfield must represent the effects of the housing market decline that began in 2007 and has only recently bottomed out.

La Plata County has a minority population consisting primarily of Native Americans and Hispanics. According to the 2010 Census, the County's population includes 0.8% African Americans, 1.0% Asians and 7.6% Native Americans. Approximately 11.8% of the population identified itself as Hispanic or Latino of any race. There was no significant change in the minority population over the previous decade.

Population Change

La Plata County experienced a significant aging of its population at a rate faster than the national average, with the median age of the population rising from 35.6 to 39.6 years old between 2000 and 2010 (compared to 35.3 and 38.5 nationally). La Plata has a "two-tier" age distribution, with the population more concentrated between the ages of 15-29 and 45-59. While this phenomenon can be seen throughout the United States due to the effects of first- and second-generation baby boomers, it is more pronounced in La Plata County.

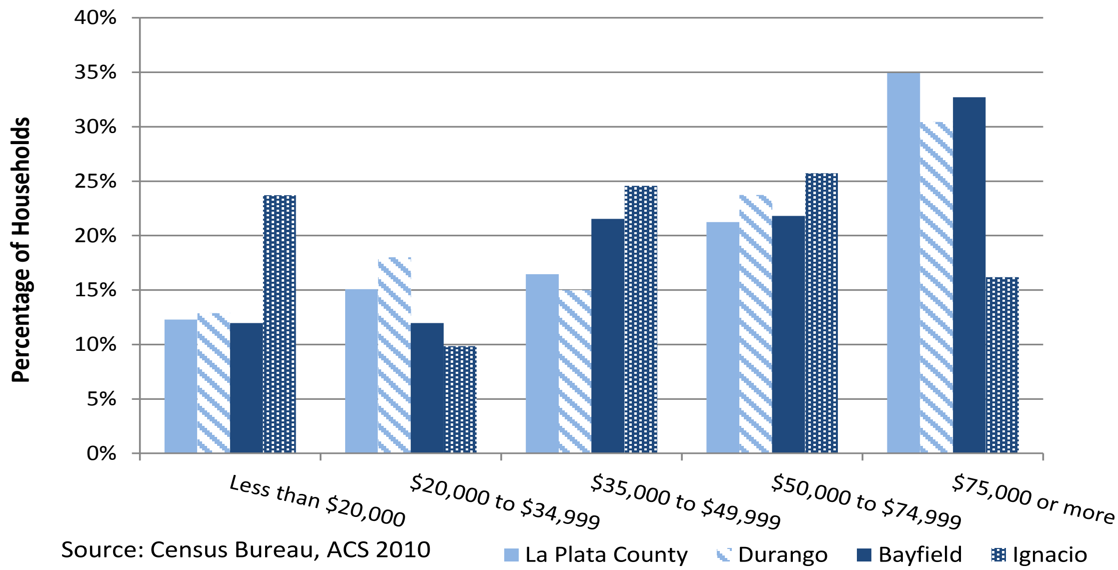
In 2010, 9.2% of La Plata's population stated that they had lived in a different county one year ago, higher than the national average of 5.7%. This percentage was even higher in Durango, where new residents accounted for 14.6% of the population

Income Distributions

La Plata County has a median income that is very close to the state median income and about $6,000 higher than the national median income. Within the county, most areas have the same income distribution, with Ignacio being the only notable exception with a significantly higher percentage of people making less than $20,000 and a lower percentage of people making more than $75,000 (see Figure 2).

As defined by the U.S. Department of Housing and Urban Development (HUD), 45% of La Plata households are considered "low-income"—meaning that they have incomes at or below 80% of the area median income as calculated by HUD.

Figure 2. Income Distributions



Source: Census Bureau, ACS 2010

Census data on median income do not align with HUD median income calculations, because HUD uses a different method. The Census tally of households with less than $20,000 annual income closely equates to HUD's "extremely low income" group, defined by HUD as those having incomes at or below 30% of area median income. This group comprises 12% of La Plata County households.

The HUD AMI standard is important to consider for planning purposes because 80% of area median income is considered "low-income." This is the upper income limit used to determine eligibility of homebuyers for mortgage assistance programs funded by HUD. The HUD AMI level for a three-person household is the closest comparison to the Census median incomes, since the average household size in La Plata County is about 2.8 persons per the Census. Comparative income levels are listed in Figure 3.

Figure 3. Census and HUD Household Income Benchmarks for the County

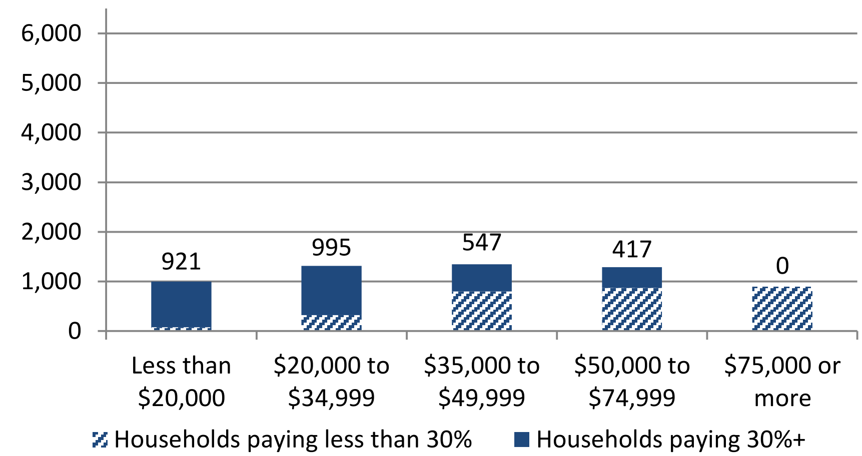
La Plata median income, 2010 Census	$56,422
HUD median income, family of three, 2012	$74,100
HUD 80% of AMI level, family of three, 2012	$53,400
HUD 50% of AMI level, family of three, 2012	$33,350
HUD 30% of AMI level, family of three, 2012	$20,050

Housing Cost Burdens

The most important indicator of housing affordability problems is the number of households paying over 30% of their incomes for housing costs—a widely used standard of rental housing affordability, although 33% to 35% has become an acceptable standard for homeowners. This study uses the 30%-of-income standard because it is broadly accepted and available in tables for 2000 and 2010 Census data.

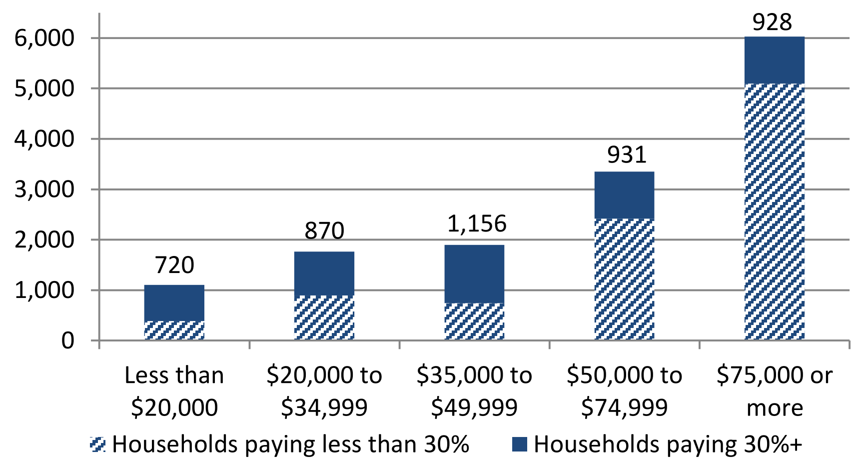
A total of 7,485, or 37%, of households in La Plata County paid over 30% of their incomes for housing costs, according to the 2010 Census. Of these, about 61%—or 4,605 households—were homeowners. But a larger portion of renters were cost-burdened when compared with homeowners. In 2010, 47% of renters were cost-burdened, compared with 29% of homeowners. Therefore, while renters are more likely to experience housing cost burdens, housing policies aimed at alleviating these burdens should address both renters and owners.

Figure 4. Renter Housing Cost Burdens in All La Plata County, 2010



Source: Census Bureau, ACS 2010

Figure 5. Owner Housing Cost Burdens in All La Plata County, 2010



Source: Census Bureau, ACS 2010

Cost-burdened households make up a majority of renters with incomes less than $35,000 (about 50% of area median income) and homeowners with incomes under $50,000. This specific population makes up only 35% of all households but 62% of households paying over 30% of income for housing.

Figure 6. Owner-Renter Household Growth and Cost Burden Changes in La Plata County, 2000 to 2010

	2000	2010	% Change
Owner-occupied housing units	11,867	14,112	19%
Renter-occupied housing units	5,475	6,988	28%
Percentage of owners paying over 30%	23.2%	28.8%	24%
Percentage of renters paying over 30%	42.6%	47.1%	11%

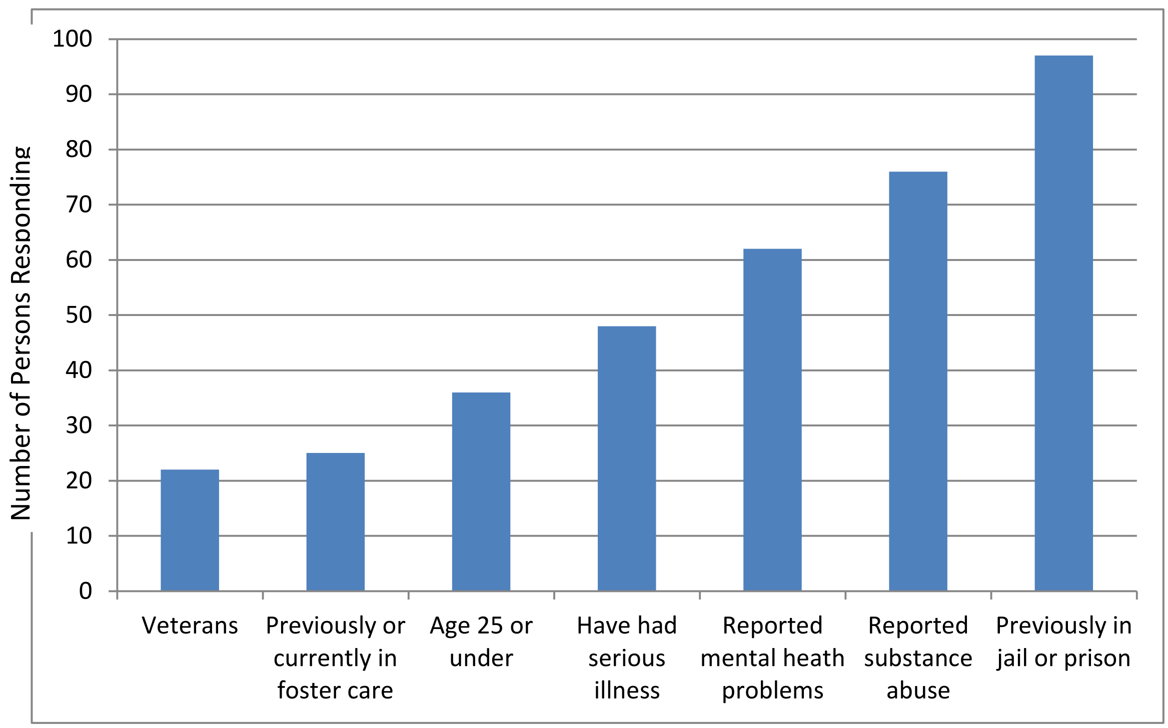
Sources: 2000 and 2010 Census and 2010 American Community Survey

From 2000 to 2010, the number of households with housing cost burdens increased dramatically. Despite presumed reductions in housing costs for new homeowners starting in 2007, nearly 29% of all La Plata homeowners were cost burdened in 2010 (compared to 23% in 2000). During that decade, rents and home values in La Plata County had increased faster than the income of low- and moderate-income families and individuals. See Figure 6 above.

Homeless and Special Needs Populations

In July 2012, a comprehensive survey of the homeless population in Southwest Colorado was completed as part of Colorado Counts, a statewide program to prevent homelessness sponsored by the governor's office. The survey is called the Vulnerability Index and was conducted by scores of trained volunteers recruited by local homeless shelters, social service agencies, and the Regional Housing Alliance of La

Figure 7. Special problems and situations of homeless people from La Plata County

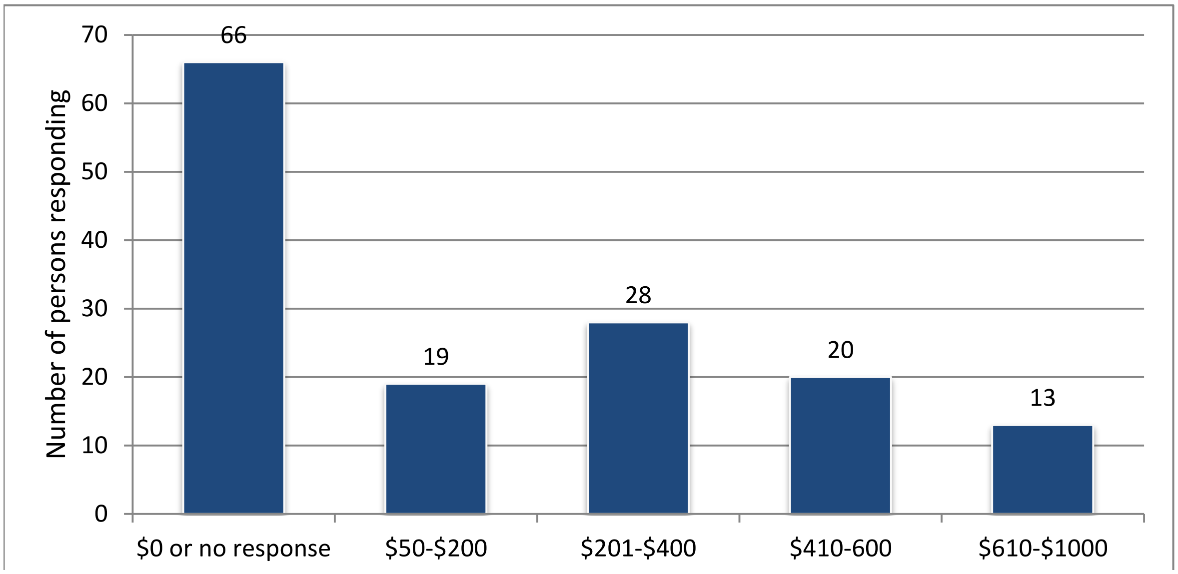


Note: Many individuals reported problems and characteristics in multiple categories.

Plata County. In a few days' time, interviewers blanketed the typical locations where homeless people are found in the multi-county Southwest Colorado region—such as at food banks, shelters, social service agencies, and on the streets. Following are key findings of the survey with regard to the needs and problems of homeless people in La Plata County, extracted from the regional data.

Of those surveyed, 146 people identified themselves as homeless and having resided in La Plata County before becoming homeless. Males made up 63% of this group and females 37%. Of those who wanted to report their race or ethnicity, 67% identified themselves as white, 15% as Native American, 13% as Latino/Latina, 7% as being of mixed race, and 1% as Asian. See Figure 7 for data on the interviewees reported special needs and/or situations and Figure 8 for data on what housing costs the interviewees believed they could afford.

Figure 8. Housing costs considered affordable by homeless people from La Plata



Interviewees participating in the multi-county survey expressed frustration with the stagnant job market and cited long-term unemployment as the biggest impediment to stable housing. One startling statistic revealed the correlation between chronic illness and homelessness. Those with kidney problems, liver cirrhosis, HIV/AIDS and other conditions took an average of 8.2 years to find stable housing, compared with 2.7 years for healthy people.

Of the veterans surveyed in the three counties, three-fourths were honorably discharged and are eligible for Veterans Affairs benefits such as disability compensation and housing vouchers.

3. The Workforce, Economy, and Overall Housing Demand

Employment Trends

La Plata County experienced significant gains in employment from 2000 to 2007—from nearly 24,000 to over 30,000 people at work—driving a strong increase in the number of households and helping to fuel a real estate development and construction boom. In the height of the recession, from 2008 through 2010, there was a steep drop in the number of employed people in the county. Then in 2011, La Plata County saw a small increase in the number of persons employed. In the first half of 2012, another more modest downward trend resumed, with 731 fewer people at work compared to the end of 2011. (The data source is the U.S. Bureau of Labor Statistics. Note that the 2012 numbers were not available on a seasonally adjusted basis.)

Figure 9. Market Factors Likely to Affect Future Housing Demand in the County

Increased Demand

Increase in employment
Shrinking households = more households
More in-migration of workers & households
Resurgence of 2nd /vacation home market
Increasing college enrollment

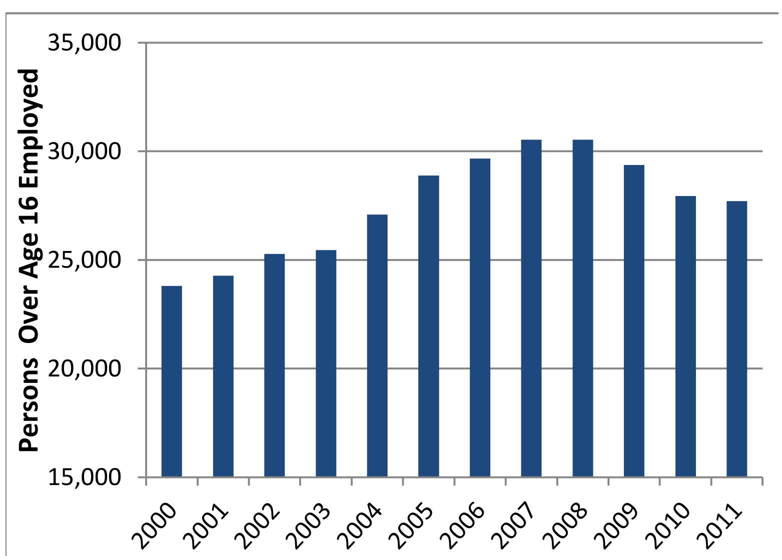
Reduced or Static Demand

Return to employment losses or slow growth
Out-migration due to employment issues
Stagnant or decreasing college enrollment

The employed population of La Plata County rose 19% from 2000 to 2010, nearly on par with a population increase of 17%. So why was there a greater increase in the number of households (22%) and housing units (24%) over the same time period? Typically, these trends track more closely together. Some of the disparity can be explained by shrinking sizes of households—clearly, household formation (and housing demand) increased slightly faster than population growth. As noted, the average household size decreased over the last decade from 2.43 to 2.35 countywide. Also, the county's housing stock was slightly overbuilt, with the number of homes increasing 3% faster than the number of households. If the recession had instead been a "soft landing" after the boom, this surplus housing stock would have been absorbed more quickly.

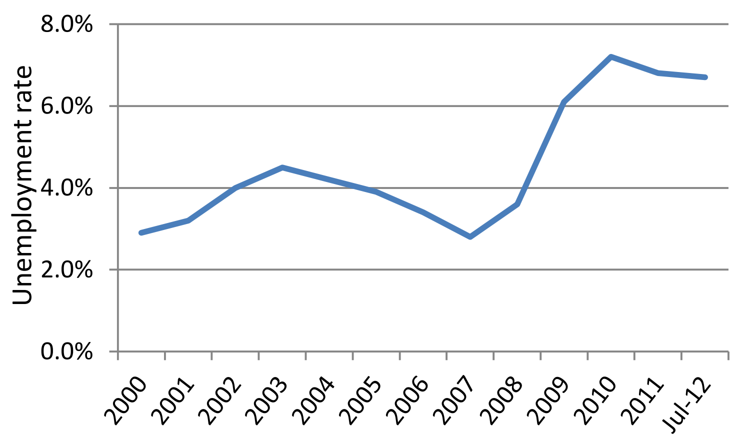
The labor force grew by 12.7% in the three years before 2007, then contracted by 8.5% in the three years after 2007. These dramatic swings in the size of the labor force coincided with similar swings in housing demand.

Figure 10. Employment in La Plata County, 2000 – Aug. 2012



Employment gains in the period before 2007 supported the rapid expansion of the housing market, especially in the city of Durango and the town of Bayfield. When people lost their jobs, this contributed to reduced demand for both new and existing homes. The number of vacant homes rose by 155% in Durango and 110% in Bayfield.

Figure 11. County Unemployment Rate, 2000 - Jul. 2012



Source: U.S. Bureau of Labor Statistics

What does this mean for future trends in housing demand, costs and affordability in La Plata County? Naturally, strong household growth driven by underlying employment growth tends to drive up housing costs—as occurred in La Plata County up to 2006. Conversely, slow growth or declines in the number of households translates into reduced demand for housing and tends to stabilize or reduce housing costs. Figure 9 (on the previous page) summarizes the major factors that will influence future housing demand—of which employment levels are the most influential and unpredictable.

The countywide unemployment rate in July 2012 was 6.7%, having reached a peak of 7.2% in 2010. While the county's unemployment rate is lower than the national rate of 8.9% in 2011, it is still at historically high levels. See figures 10 and 11 for the 11-year trends in employment and unemployment.

To summarize, the loss of jobs starting in 2007—as well as the threat of losing jobs—clearly contributed to a dramatic fall-off in demand for homes and rental units in recent years. See Section 4 below for more explanations of supply and demand trends.

Figure 12. Top 10 Employers in La Plata County

Employer	# Jobs
Southern Ute Indian Tribe	1,500
Mercy Medical Center	625
Durango School District 9-R	544
Fort Lewis College	535
City of Durango	500
Mercury Payment Systems	442
La Plata County	412
Wal-Mart Stores Inc.	353
Durango Mountain Resort	346
San Juan Basin Health	226

Source: Durango Chamber of Commerce

Major Employers and Growing Sectors

Aside from the recent recession, La Plata County has seen a long-term trend of economic growth paired with strong population growth. Primary growth drivers are the casino in Ignacio, Ft. Lewis College, a regional hospital, as well as plentiful opportunities for outdoor recreation and tourism. The Southern Ute Indian Tribe is the largest single employer in La Plata County, with approximately 1,500 employees. This includes people working for the Tribal Administration and for the Sky Ute Casino in Ignacio, CO.

Mercy Medical Center is the second largest employer, with 625 employees. Durango School District is the third largest employer, with 544 employees. See Figure 12 (on the previous page) for a list of the top 10 employers in La Plata County.

Figure 13. Occupations of La Plata County Workforce

Occupations	Number Employed	Percentage Of Workers	Change Since 2000
Management, business, science, arts	10,530	38.2%	+2247
Sales and office	6,509	23.6%	+461
Service	4,884	17.7%	+899
Natural resources, construction, maintenance	3,604	13.1%	+867
Production, transportation, material moving	2,058	7.5%	+294

Source: 2000 Census and 2010 American Community Survey

Figure 14. La Plata County Workforce by Industry

	Number Employed	Percentage Of All Workers	Change 2000-2010
Educational services, health care, social assistance	5,275	19%	+301
Arts, entertainment, recreation, lodging, food services	3,462	13%	+167
Retail trade	3,445	12%	+657
Professional, scientific, mgt, administrative, waste mgt	2,783	10%	+754
Construction	3,388	12%	+1086
Manufacturing	1,074	4%	+124
Finance, insurance, real estate, rental and leasing	1,769	6%	+315
Other services, except public administration	1,296	5%	+282
Transportation and warehousing, and utilities	1,111	4%	-36
Wholesale trade	653	2%	+147
Public administration	1,667	6%	+656
Agriculture, forestry, fishing and hunting, and mining	1,119	4%	+90
Information	543	2%	+52

Source: 2000 Census and 2010 American Community Survey

Much of the growth in industry sectors during the 2000s was exactly what is expected in a community that has experienced recent economic growth. The largest numbers of jobs were created in in construction, professional services, public administration, and retail businesses—a mix that indicates above-average wages and salaries for the new jobs. See Figures 13 and 14 for statistics on La Plata County's workforce by industries and occupations.

It should be noted that Figures 13 and 14 describe the number of civilians in La Plata County over age 16 who are employed either full-time or part-time, some of whom hold down more than one job. The industries and occupations represent the primary jobs that were reported. The American Community

Survey data on “workforce by industry” covers the period of 2006-2010 and therefore would not reflect the subsequent loss of jobs in certain sectors, construction in particular, due to the recession.

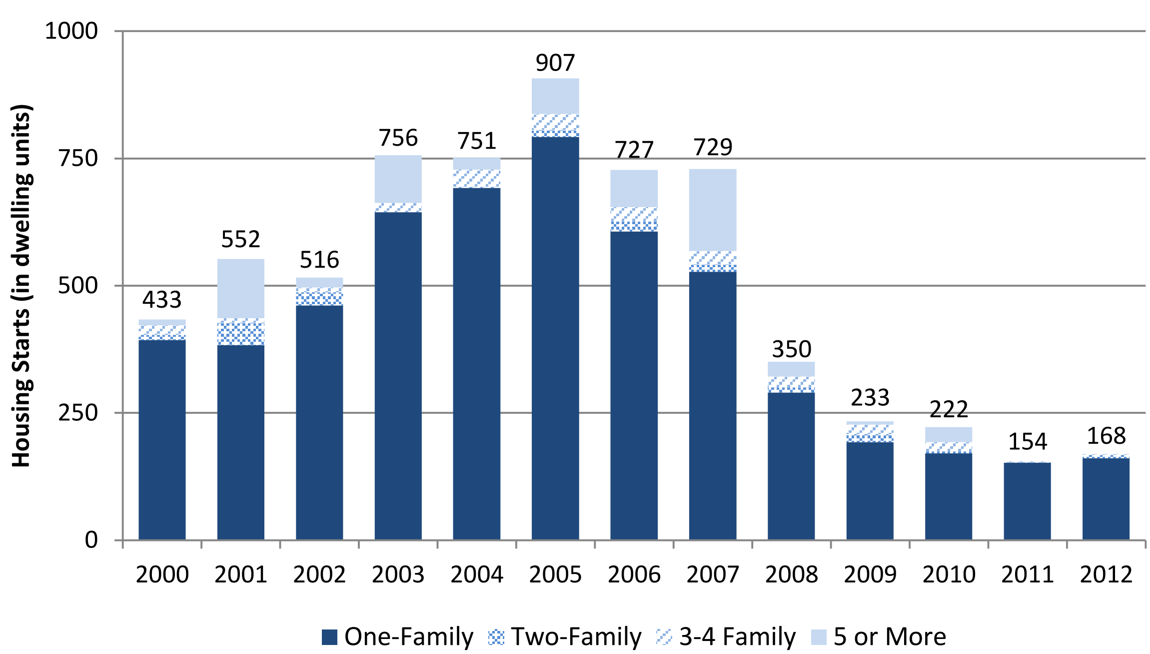
Subsequent sections of this report will address more detailed supply, demand, pricing, and affordability issues, as well as some proposed solutions.

4. Housing Market Profile and Trends

Housing Construction Activity

Housing construction in La Plata County boomed in the mid-2000s and then fell off sharply after 2007 when demand slackened during the recession. The peak year for construction starts was 2005, when permits were issued for 907 housing units, and then the number fell steadily to 154 in 2011. The number of starts for all of 2012 is estimated at 168 units, which is only two-fifths of the starts in 2000, and one-fifth of the 2005 starts. This appears to be due to very soft demand, and difficulties of both builders and buyers in obtaining financing, particularly for multifamily units.

Figure 15. Housing Units, Construction Starts, 2000-2012



Source: U.S. Department of Commerce (2000-2011 data); 2012 data from local jurisdictions through August and September was annualized but not seasonally adjusted

For residential buildings with three or more units, construction starts peaked in 2007 at 188 units. In 2011, for the first time since Census began collecting these statistics in 1990, no buildings with three or more units were constructed. This lull in multifamily construction appears to be the result of current difficulties in obtaining financing and not lack of demand, which appears strong.

Building permit data indicate that homes were being built at only about half the rate of household growth during the past three years. For several years during the recession, there was a surplus of homes on the market. Now a shortage of new homes and apartments is looming, if not already occurring.

Year-round and Seasonal Housing Stock

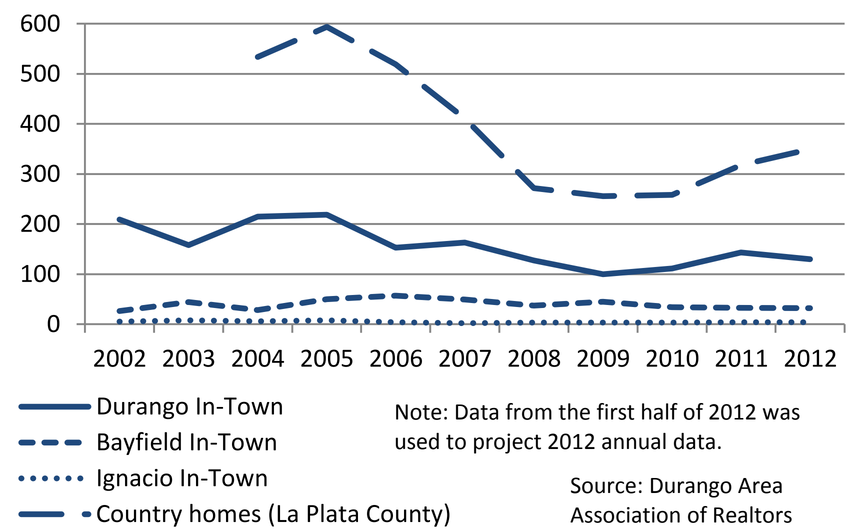
La Plata County had 25,860 housing units in 2010, of which nearly 3,000 were seasonal units—in other words, not occupied by year-around residents. The data below refer to the year-around housing stock, not the resort housing and second homes in the county.

Home Sales Activity and Prices

The Durango Area Association of Realtors provided sales volume data and median sale prices for 2002-2012—shown in Figures 16 and 17 below for Durango, Bayfield and Ignacio, where year-round homes are concentrated. Also included are "country homes" in the vicinity of those communities. While a reliable indicator of sales trends, these Multiple Listing Service (MLS) statistics do not include homes sold privately or some of the homes sold directly by builders.

Single-family home sales – According to data of the Durango Area Association of Realtors, the number of home sales in these selected markets (see Figure 16) peaked in 2005 at 871, dropped sharply to 404 in 2009, and have since stabilized at 516 sales (annualized but not seasonally adjusted) by the end of June 2012. Based on year-end 2011 numbers and annualized numbers from the first half of 2012, it appears that the number of sales of "country" homes increased, while sales of homes inside Durango and Bayfield have declined slightly.

Figure 16. Trends in the Number of Home Sales, 2002 – 2012



Note: Data from the first half of 2012 was used to project 2012 annual data.

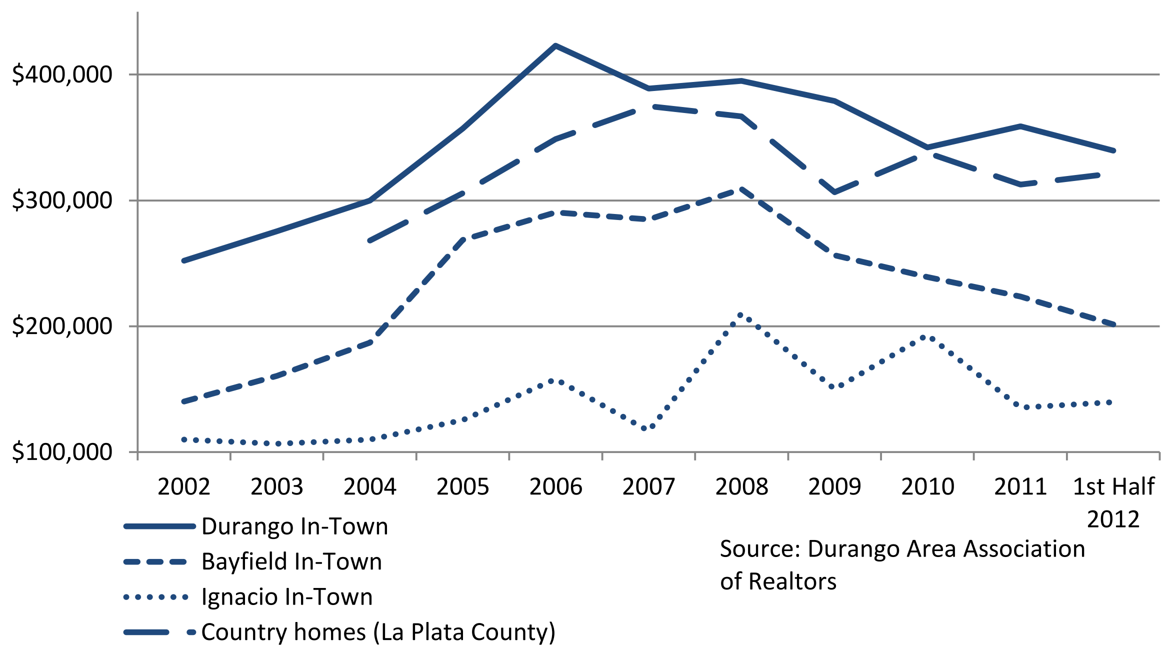
Source: Durango Area Association of Realtors

Historically, the majority of home sales have occurred in rural parts of the county. This market niche was significantly more affected by the housing recession than the in-town markets, with sales dropping faster and further,but this is also the market segment that has recovered most strongly in the volume of sales.

The most concentrated drop in sales during the recession occurred in the rural area outside of Bayfield, where the number of country home sales was cut in half between 2005 and 2011. In the housing boom, Bayfield and Vallecito to some extent became "suburbs" for Durango workers because they offered lower-cost homes. Home sales in Ignacio have remained in the single digits.

Median sale prices have followed a similar downward trend. In Durango, the median sales price of detached homes rose steadily by 68% between 2002 and 2006, peaking at $422,982. Nearly half of this gain was lost after 2006, with the median sales price currently at $339,500 for the first half of 2012. After an up-tick in 2011, median sale prices in Durango dipped again in the first half of 2012, having decreased $20,000 since 2011. A similar trend can be seen in the sale of Bayfield detached homes, although Bayfield's median home price dropped further and saw no uptick in 2011. Prices of country homes fell the least and have recovered slightly.

Figure 17. Trend in Median Sale Price, 2002 through June 2012



Condo and Townhome Sales

Although the number of condo and townhome sales in Durango doubled between 2002 and 2005, the net increase in sales was only 5% from 2002 to 2011. The period was marked by turbulent ups and downs in the number of sales. In contrast, the median sale price for condos and townhomes (which also doubled from 2002 to 2005) saw a net increase of 54% between 2002 and the first half of 2012. The median sale price of condos and townhomes in Bayfield has steadily declined since 2008.

The condo market has been especially hard-hit because builders could not get bank financing due to changes in rules that require at least 50% owner-occupants in a condo project. These projects have to be "certified" to qualify for FHA insured mortgages (the most common type for condos). This process is difficult and lengthy because creditors seriously consider the financial health of the project (i.e., the collection and use of condo fees) before investing. Due to a lack of capital available to owner-occupants, most condos are now reportedly being bought by investors with cash.

For-Sale Inventory

The number of vacant homes rose significantly between 2000 and 2010, due to sluggish sales of homes and the foreclosure crisis.

As noted earlier, Durango experienced a 155% increase in the total number of vacant homeowner units between 2000 and 2010, while the town of Bayfield saw an increase of 110%. This trend was of course negative for sellers and builders, but positive in terms of affordability as buyers were given more options at lower prices compared to the tight and more expensive market in the middle of the last decade. However, the fact that the rise in vacant units was more than three times higher in Durango than in the county as a whole means that large drop in housing demand had considerably more impact in and around the Durango area. At the same time, the majority of foreclosures were in Bayfield and rural areas east of Durango—although that trend has since abated. This vacancy data now dates back nearly three years, and no more recent data is available. Due to the severe decline in new home construction, much excess inventory has no doubt been absorbed.

A major factor in the falling demand has been a severe tightening up of mortgage lending standards in the wake of the sub-prime lending crisis, which has made it harder for builders to finance construction and for homebuyers to get mortgage loans.

Mortgage Foreclosures

Approximately 600 families in La Plata County are either in foreclosure or at imminent risk of foreclosure and are eligible to apply for foreclosure intervention assistance, according to Housing Solutions for the Southwest. Housing Solutions is the only HUD certified housing agency that assists homeowners in La Plata County with mortgage modifications and other foreclosure interventions. Housing Solutions provided this additional information.

In 2012, there were 213 foreclosures filed in La Plata County. This is a very slight decrease from 2011 numbers but still over ten times the rate of foreclosures filed in years 1986-2006, which had an average of 20 foreclosures per year. Requests for assistance from Housing Solutions increased in 2012 and the process for completing a mortgage modification continues to get more complex—factors which led to an expansion of Housing Solutions foreclosure intervention program. Due to changes in mortgage modification programs at the federal level and as a result of lawsuits of various states' Attorneys General, more people are eligible for a modification than in 2011—including people who own rental property, unemployed people, and those with insufficient income to qualify under the prior programs. Additionally, banks accept mortgage modification applications from families who are not yet in foreclosure, but are at imminent risk of defaulting. Two-thirds of the homeowners that Housing Solutions assists do not appear on the foreclosure listings.

Existing Housing Conditions

No detailed data are available that indicate possible needs for housing rehabilitation in La Plata County. The Census only tallies the number of housing units without complete plumbing facilities—an inadequate measure for substandard housing conditions. Even so, the number of those housing units increased from 246 to 471 between 2000 and 2010—representing 1.8 percent of the total housing stock in 2010, the same as the national average.

For a number of years, Housing Solutions for the Southwest has provided lower income homeowners with low-cost loans and grants for home repairs. This organization reports that substandard conditions are pervasive in La Plata County and the region. Its views on the situation are as follows.

Because low- and moderate-income homeowners in La Plata County must cope with relatively high monthly housing costs, many have little to no discretionary income to pay for essential repairs and maintenance on their homes. The weatherization program operated in the Southwest Colorado region by Housing Solutions for the Southwest (in partnership with 4Core) provides evidence of the needs for more major repairs. The dozens of homes weatherized in La Plata County each year typically have inadequate insulation, leaky windows, and are otherwise in poor condition, according to Housing Solutions—while a long list of qualified homeowners give evidence that this is a pervasive problem. Older furnaces with cracked heat exchangers, flues out of alignment, and propane or natural gas leaks are often found in energy audits performed by the weatherization staff. Indoor air quality issues, such as radon and mold, are frequently found in the homes. Mobile homes comprise close to one-third of the housing stock in the region and a large portion of the older mobile homes are reportedly in extremely poor condition.

On the other hand, overcrowding is not a significant problem in La Plata County. Only 141 dwelling units were reported by the 2010 Census to have more than 1.5 occupants per room—a decrease of 40 dwelling units compared to the tally in the 2000 Census. This condition occurred in only ½ of 1% of the housing stock, compared to 1% nationwide.

Rental Housing

There are a number of factors creating pressure on the La Plata County rental market. As noted earlier, the number of La Plata County households grew 22% during the last decade, nearly keeping pace with the growth in total housing units (24%). This statistic in and of itself does not indicate increased demand. But there is another more telling statistic: the number of renter-occupied units increased much faster than the number of owner-occupied units (28% vs. 19%). Part of this trend was undoubtedly due to the foreclosure crisis, falling home prices, and the resulting contraction of lending and demand for home purchases. In short, renting became the only option or the best option for some people who otherwise would have purchased homes or lost their homes to foreclosure.

In addition, Ft. Lewis College students add to the demand for rental housing. Approximately 1,307 students live on campus, while 2,579 live off-campus. This demand has increased overall in the past 12 years. The school's population grew by 973 students to a peak of 4,349 between 2000 and 2002 to 4,349, before steadily dropping off to 3,748 in 2011. In 2012, enrollment increased by 88 students to a total of 3,836. (Data was obtained from the college's website in October, 2012).

Not enough additional rental housing, nor student on-campus housing, has been built to satisfy these demand pressures from students living off-campus. Demand from students typically adds its own special inflation factor. To the extent that students rent houses with multiple roommates, their combined rent-paying capacity often exceeds that of low- and moderate-income renters and they often compete head-on for the older, more modest, and least costly rentals.

As a result of supply and demand factors, the rental vacancy rate for Durango in the first quarter of 2012 was a very low 3.86%--a significant decrease from 4.65% in the previous quarter and the lowest rate since 2010 (according to a survey by Colorado Department of Local Affairs). Since a 5% to 6% vacancy rate is typically seen as indicating a healthy balance between supply and demand, the recent, lower vacancy rates indicate a need for additional rental housing construction, particularly in and around Durango.

The median rental amount in Durango jumped from $808 to $934 between the third quarter of 2011 and the first quarter of 2012—another factor indicating increased demand for rentals.

According to the 2010 Census, there were 995 renter households in La Plata County with incomes between $20,000 and $35,000 paying more that 30% of their income on housing. In addition there are another 921 cost-burdened renter households with incomes below $20,000 a year. Altogether, this yields a total “very affordable” rental housing need of more than 1,900 renter households. This shortage particularly affects the Durango area, where most of the supply is located and presumably where demand is the strongest.

Renters making less than $35,000 per year (about 50% of area median income) are the primary target for below-market-rate rental housing subsidized by local and federal housing programs. A survey of affordable rental projects in Durango found that there were virtually no vacancies and wait lists averaged 50 applicants per unit type. The demand is highest for one-bedroom units, with a wait list that is nearly twice as long as that for three-bedroom units (68 vs. 36). These numbers indicate a high demand for subsidized rental housing that is not being met. The under-$20,000-per-year income group can afford to pay only $500 a month or less for housing, using the 30%-of-income standard—far less than average market rents in Durango and impossible to achieve with newly constructed housing without deep subsidies.

To be clear, this “rental housing need” experienced by about 1,900 households does not translate into an immediate need to build 1,900 affordable rental units—that would flood and damage the overall rental market. In fact, the currently available rental housing subsidy programs would permit only a construction rate of 30-50 affordable rentals per year, even in the best case. Both the “housing needs” and market data strongly support that level of affordable rental housing construction.

Comparison with Other Geographic Areas

La Plata County has a median household income nearly the same as the state of Colorado and higher than the national median (as measured by the Census, not HUD). Yet the median home value as measured by the 2010 Census was higher than median home values statewide, as well as nationwide. See Figure 18 below. The comparison jurisdictions within Colorado had median incomes and home values higher than La Plata County.

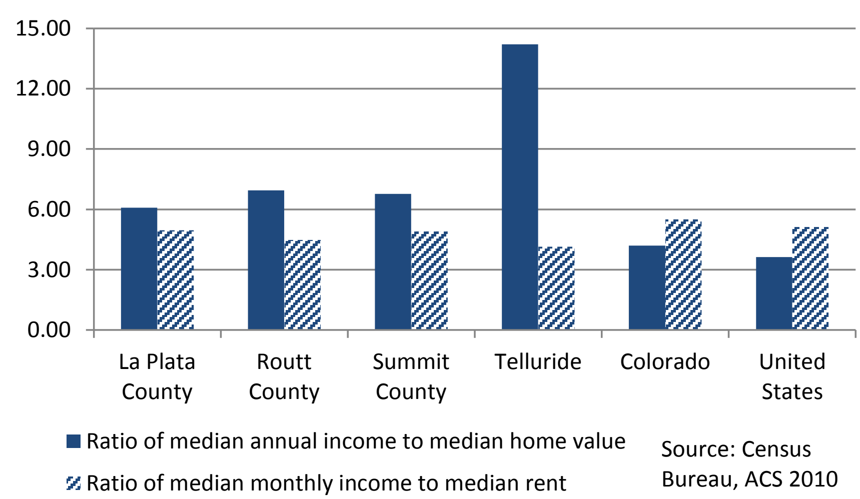
Figure 18. Selected Income and Housing Indicators for La Plata County and Other Areas, 2010

	La Plata County	Routt County	Summit County	Telluride, Colorado	Colorado	United States
Median household income	$56,422	$60,876	$68,750	$70,375	$56,456	$51,914
Median home value	$343,400	$422,300	$465,700	$1,000,000	$236,600	$188,400
Median rent	$944	$1,127	$1,165	$1,408	$852	$841
Percentage of renters paying over 30%	42.1%	42.7%	45.2%	58.0%	47.9%	47.0%
Percentage of owners paying over 30%	28.8%	39.2%	38.6%	54.2%	30.9%	30.3%
Rental vacancy rate	8.7	16.4	25.7	25.7	7.6	7.8
For-sale housing vacancy rate	2.8	3.8	6.2	0	2.7	2.4
Ratio of median home value to median household income	6.09	6.94	6.77	14.21	4.19	3.63

Source: Census Bureau, ACS 2010

Higher home values make La Plata County an expensive place for the typical household to buy a home. Figure 19 indicates that the median income La Plata County family would have to pay nearly 6.1 times its income for a median-valued home. This compares with a much more affordable ratio of 3.6 nationwide and 4.2 statewide in Colorado. At the same time, homes in La Plata County are less expensive than the three other resort-area counties that are shown in Figure 19. Note that this data from the Census was collected in 2010, so it is only useful for

Figure 19. Ratio of Median Incomes to Median Home Values In La Plata County and Other Areas



Source: Census Bureau, ACS 2010

relative comparisons, not as a picture of the current markets.

The La Plata County median rent was higher than the national and statewide medians, but lower than the median rents in the comparison resort-area jurisdictions of Summit County, Routt County and Telluride. Other resort-area counties in Colorado have very high vacancy rates in year-around rental units—most likely a result of their much greater dependence on the resort and second-home economies, which suffered during the recession. It should be noted that the Census typically reports much higher rental vacancy rates than indicated by rental housing market studies.

All of these comparisons indicate that the La Plata County's housing industry has done better than average in meeting demands for affordable housing. Several positive factors are obvious:

- La Plata County homebuilders have generally kept up with demand for home purchases, and most homeowners in the county bought homes at affordable prices—notwithstanding the steep run-up in prices from 2000-2007.

- Nonprofit-run programs such as RHA's homebuyer assistance loans and home construction have helped to maintain affordability, along with affordable housing construction by Mercy Housing, Volunteers of America, Habitat for Humanity, Housing Solutions for the Southwest, and other organizations. Most significantly, over 40 years, nonprofit and for-profit builders have successfully built and now operate 686 affordable rental homes and apartments that use various federal subsidies to reduce rents to below-market levels. Subsidies have included below-market rate loans, grants, tax credits, and ongoing rent subsidies.

5. Land Use and Building Regulations

Current Policy and Regulatory Environment

Historically—and especially during the past decade—each of the incorporated local governments and the Southern Ute tribal government have shown strong support for affordable housing. Following are key policies adopted and actions taken.

Funding and in-kind support – The County and the City of Durango have historically provided partial operational funding for nonprofits and funding of specific projects. Ignacio received funding from the state to acquire a parcel of land that is awaiting development as affordable housing. The County arranged a land donation near the Tamarron community (not yet developed), and both Durango and the County have received fees from housing developers which have been dedicated for affordable housing. All of the incorporated local governments appoint board members and provide operating support for the Regional Housing Alliance of La Plata County. The City of Durango has contributed cash and land for affordable housing and shelter construction. The Southern Ute tribe has used its own funds and federal funds to construct housing for tribal members, in and near Ignacio.

Affordable housing requirements for new residential developments – Since the early 2000s, both the City of Durango and La Plata County have negotiated agreements with certain property developers to incorporate price- and income-restriction housing, or to pay in-lieu fees. As a result, a total of 79 affordable homes and rental units have been produced and an estimated 448 in additional affordable homes have been pledged for construction in future years—most of these in Three Springs. In addition, a total of approximately $500,000 in fees-in-lieu have been received by Durango and the County for affordable housing activities. These funds are managed by the Regional Housing Alliance. Of these fees, $121,000 has been spent to provide seven low- and moderate-income families with second mortgage home purchase assistance. All of the City of Durango fees—from several developers and totaling $65,000—have been spent to assist five homebuyers. A total of nearly $386,000 remains in a County fee-in-lieu account that was funded by Durango Mountain Resort. These remaining fees are restricted to DMR employees and have proved difficult to spend due to market conditions and the structure of the original agreement.

In 2008, the City of Durango formalized its inclusionary housing policies in a “Fair Share” ordinance that requires developers of for-sale homes in Durango to provide 16% of the homes at restricted prices for income-restricted buyers; under certain circumstances, developers may pay an in-lieu fee or make a land donation. In Durango, rental housing is not at this time subject to Fair Share requirements, since prevailing market rents for most recently-built properties have been determined to be “affordable” (at or below an income of 80% of area median income) or “attainable” (at or below an income of 125% of area median income.) Rents affordable to households with incomes below 50% of AMI are scarce except in subsidized housing, but it was deemed infeasible and counter-productive to require rental developers to provide this housing, since any new “affordable” and “attainable” rentals will ease upward pressure on rents.

Regulatory support – The City of Durango has been the location of most of the subsidized, affordable housing built in La Plata County since the 1970s, as well as facilities for homeless individuals and families. For this new construction, the City generally allowed relatively high densities—of up to 16 dwelling units per acre and even higher downtown—and has generally been helpful and flexible with regard to development approvals. Durango's parking requirements have traditionally been an issue perceived as affecting development costs, because of the added land and paving costs. During many past decades, the County, Bayfield, and Ignacio have each approved a number of subdivisions where modestly-priced homes have been built—typically with lower regulatory and infrastructure costs than in the City of Durango. Yet Durango remains the employment, services, and retail center of La Plata County. Those factors, plus its higher density and intensity of development, account at least in part for more Durango's more rigorous development standards.

Fee waivers – The City of Durango provides reduced-cost development, utility taps, and building permit fees for homes created through the Fair Share program with prices substantially below market values. As with all Fair Share homes, these homes are price- and income-restricted. The City of Durango has also individually reduced fees for income- and rent-restricted rental housing.

Intergovernmental cooperation – In 2006, three of the four incorporated local governments (including the County) banded together to create the Regional Housing Alliance of La Plata County (RHA). RHA's purposes are: 1) to increase affordable homeownership through mortgage assistance and counseling; 2) to promote land acquisition and development for additional affordable housing, shelters, and special needs housing; 3) to assist Durango and the County in managing their inclusionary housing agreements and funds; 4) to assist its member governments in considering and creating new policies and actions to support affordable/attainable housing; and 5) to educate the public about housing needs and progress in meeting them.

Recommended Policy and Regulatory Improvements

In July 2011, 10 representatives from nonprofit and housing industry firms were invited to a "Housing Roundtable" to provide input to the County government on the then-pending Comprehensive Plan. Participants included one building contractor, two housing developers, six representatives of nonprofit housing organizations, a County planner and three comprehensive planning consultants engaged by the County. The specific purpose was to recommend goals and objectives for a proposed housing element to a comprehensive plan.

The following policy initiatives and regulatory improvements were recommended as ways to encourage increased production, preservation and quality of affordable housing.

1. Density Increases
    - Create policies, incentives and regulations to encourage higher density based on well-defined criteria.

2. Infill housing construction and housing rehabilitation
    - These activities should be encouraged.

3. Energy conservation
    - Institute County energy codes that require new homes (and perhaps home additions) to meet 2009 international energy codes.
    - Require LEED certification for all commercial development and newly developed neighborhoods.

4. Fees, taxation, and financing
    - Implement fee waivers for attainable and affordable housing. This policy would identify specific fees.
    - Establish property tax waivers for attainable and affordable housing during a specified time. (This policy should be considered an investment in affordable housing by the County.)
    - Make appropriations from the general fund for affordable housing.
    - Pay for the costs of affordable housing development through fees and/or taxes. (San Miguel County is a model.)
    - Set up financing mechanisms such as local improvement districts (LIDs) or special improvement districts (SIDs) to amortize the cost of infrastructure for undeveloped land.
    - Establish a real estate transfer assessment or voluntary fee that is collected each time there is a property transfer. (Eagle County has such a transfer fee, but it should be noted that its program pre-dated a state law that made such mandatory fees illegal in most instances.)
    - Eliminate leakage of sales tax by promoting a "buy local" campaign and attracting competitive commercial development in Grandview to keep purchases in La Plata County.

5. Resource support for housing nonprofits
    - Create a clearinghouse or resource center to provide support and technical assistance for organizations seeking financing and other resources. (This policy responds to changes in the priorities of traditional funding sources including Community Development Block Grants and U.S. Dept. of Agriculture housing subsidies.)
    - Establish a County land-banking program to set aside parcels for future development. This policy would be one of a mix of policies and would require the County to identify a revenue source for the program such as impact fees or other assessment/land dedication mechanisms.

6. Regulatory changes and related suggestions
    - Work with the City of Durango to revamp development standards. The standards should:
        a. Avoid costly urban requirements and city requirements for affordable housing built in exurban and rural areas,
        b. Reflect the context and location of the development when requiring infrastructure improvements (For example, curbs and sidewalks would not be required in undeveloped areas.),
        c. Be connected to housing needs including the needs of persons with disabilities, and

d. Encourage narrower streets, soft path surfaces, and infrastructure that have minimal impact.

- Create a zoning code for the County.
- Create a five-year housing plan that is approved by the County Commission, managed by the RHA, and updated on a regular basis. The plan would include a one year action plan that sets development goals for affordable housing to which both the client and the County would agree. For example, the goals would call for the development of a certain number of transitional housing and tax credit units as well as allocate specific County resources to support that development.
- La Plata County should include provisions for imposing affordability deed restrictions when referencing affordable housing in the new Land Use Code.

One key finding of the Housing Roundtable was that while many parcels of land are approved for housing development, many are not economically feasible to develop—least of all for affordable/attainable housing—due to the asking prices of land and the costs of off-site and on-site infrastructure.

Near Durango, much of the ready-to-build land is in the Three Springs development, and indeed housing construction is rebounding there. Some lower-cost house lots are available in and around Bayfield. For the longer term, there are three obvious solutions to the infrastructure cost problems—for local governments to: 1) extend public infrastructure, 2) to allow relatively high-density development in current population centers that already have infrastructure in place, and 3) to continue to provide financial support for affordable housing projects.

6. Affordable Housing Activities and Delivery Capacity

All development of affordable and attainable housing in La Plata County has been carried out by the private sector—both for-profit and nonprofit developers. Nearly 700 affordable rental units have been created since this activity began in 1972. This amounts to a very significant portion (10%) of the 6,988 rental units in the county. Unlike many jurisdictions elsewhere, La Plata County has no government-owned public housing because no local public authority with those powers has ever been created.

In addition, nonprofits also offer rent subsidies, home repair and weatherization assistance, homeless shelters, transitional housing for homeless people, and halfway houses for ex-offenders. Continuation and, if possible, expansion of this capacity is essential if La Plata County is to meet its current and future needs for affordable housing.

Activities of Nonprofit Housing Organizations

Following are brief descriptions (in alphabetical order) of nonprofit housing organizations which are currently active—or have been recently active—in providing homes, apartments, shelters and related services to low- and moderate-income individuals and families in La Plata County.

Colorado Housing Inc. (CHI) **–** This regional organization based in Pagosa Springs suspended its operations last year. Prior to that, CHI focused on helping teams of families build their own homes using financing and operational support from the Department of Agriculture's rural Self-Help Housing program. Started in 1995, this organization discontinued its operations last year, having helped 49 low-income families build homes in Archuleta, Dolores, La Plata, Montezuma and San Juan Counties. The phase-out of CHI very likely means that funding from this particular federal program may never again benefit families in La Plata County. Nationally, funding for Self Help Housing has been declining, and the Department of Agriculture is reportedly reluctant to add new grantees in this environment due to the steep learning curve in successfully organizing a teamwork sweat equity program. In this program, groups of five to 10 families typically work together to help each other build homes, usually on a 12-month cycle.

Habitat for Humanity La Plata County **–** Habitat for Humanity La Plata County builds affordable housing through the use of volunteers and the "sweat equity" of their homeowners. They build homes with 0% interest mortgages for people earning between 30% and 50% of the median income in La Plata County. Since they are also the lender for the homeowners, their need is to continue their capacity to build homes by replenishing their cash supply. They have assisted 36 homebuyers since they began in 1994. One of the organization's goals is to increase its output from two homes to three or more homes per year.

Hilltop House **–** This facility in Durango was built in 1985 as a half-way house to help former inmates re-establish their lives after incarceration. It now has space for as many as 69 clients, among whom are some sentenced to participate in the Hilltop House program in lieu of incarceration. Clients of Hilltop

House must immediately find a job or enroll in school, and receive counseling and other supports for problems such as addiction.

<u>Housing Solutions for the Southwest</u> **–** Housing Solutions for the Southwest is a 501 (C) 3 nonprofit corporation which has been in existence for 32 years and serves Archuleta, Dolores, La Plata, Montezuma and San Juan Counties. In the past 30 years, Housing Solutions has provided housing and housing services to thousands of households and individuals in the five-county region of Southwest Colorado. In 2000, Housing Solutions built and now manages 61 affordable rental units using the Low Income Housing Tax Credit program, located several miles south of the City of Durango on Florida Mesa. The organization operates a transitional housing program that serves about 20 adults and 40 children each year, partly in a five-unit facility in Durango and in other leased housing. Clients of Housing Solutions receive emergency homelessness prevention assistance, homeowner rehabilitation and replacement, weatherization services, pre-purchase counseling for homebuyers, mortgage modification, foreclosure counseling, and reverse mortgage counseling. Housing Solutions also manages federal rent subsidies for very low-income clients which have assisted 2,495 low-income renter households since 1989. Annual outcomes for these and other activities in the multi-county region are described in Figure 20 of this report.

<u>La Plata County CDC</u> **–** The La Plata County Community Development Corporation (commonly called "the CDC") is a nonprofit organization comprised entirely of volunteers. In the past decade, the CDC acquired and developed the Fox Farm subdivision in Bayfield, which has been partly developed with homes built and sold by Habitat for Humanity and Colorado Housing, Inc. The CDC has also acquired and prepared two separate parcels for the construction of 60 units of affordable rental housing for seniors (Volunteers of America completed the first 30 units in 2006 and the second 30 in 2012). They have assembled a team of local attorneys, real estate agents and appraisers, bankers, engineers, architects and contractors, most of who contribute time and materials to CDC projects free of charge (?). At this time, the organization is not actively pursuing new projects.

<u>La Plata Homes Fund</u> – The Homes Fund is a community development lender partly staffed by the Regional Housing Alliance of La Plata County (RHA: see below for its activities). The Homes Fund has made 90 second mortgage loans to homebuyers with incomes at or below 80% of AMI, with RHA providing homebuyer training and counseling to prepare the clients. Local lenders provide first mortgage loans.

<u>Mercy Housing Inc.</u> – Mercy Housing, Inc. is a national nonprofit housing organization. Subsidiary nonprofit corporations of Mercy Housing have developed and now manage 162 affordable rental housing apartments in Durango since 1992 on three sites—two infill sites in the older parts of Durango and at Three Springs. The apartments were financed with the Low Income Housing Tax Credit program and other sources. The Three Springs development donated land for Mercy's most recently-built rental housing community, pursuant to an affordable housing agreement with the City of Durango.

Regional Housing Alliance of La Plata County – The Regional Housing Alliance of La Plata County (RHA) is a multi-jurisdictional housing authority. The agency aims to increase the availability of housing through homebuyer and mortgage assistance programs, land development, Fair Share programs, and policy development. RHA, working together with La Plata Homes Fund (see above) has assisted with 130 home purchases since 2008. Of the homebuyers, 90 received second mortgage loans (seven directly from RHA) and 30 received only counseling and education services. A total of 755 clients have received pre-purchase counseling , homebuyer education or both. RHA's target market consists of low and moderate-income households in La Plata County that earn less than 125% of the Area Median Income.

Southwest Center for Independence – The Southwest Center for Independence (SCI) is an organization formed at the request of the state of Colorado to develop a center that supports independent living by and for persons with disabilities. Founded in 1990, the organization brings together persons with both developmental and acquired disabilities in an effort to support one another. The SCI also provides 118 rent subsidies to their clientele, of which about 108 are currently being used in La Plata County.

Southwest Transitions – This Christian organization was formed in 2008 to assist former inmates on parole or probation. Initially it provided food vouchers, clothing and hotel vouchers to its clientele. In 2012, it opened a new facility in an old motel that can house up to 14 residents a 120-day program where residents stay in studio apartments and are required to find a job, attend church or a weekly Bible study, and help with chores at the facility. The organization is the process of acquiring two other properties that will house as many as 44 former inmates and homeless veterans.

Volunteers of America – Volunteers of America (VOA) is a national, nonprofit, faith-based organization dedicated to helping those in need rebuild their lives and reach their full potential. VOA's local staff in Durango operates rental housing and emergency shelters. It manages two rental properties with 60 apartments for low-income elderly residents, financed with Low Income Housing Tax Credits and other sources. VOA operates a 36-bed Community Shelter in Durango that serves about 500 adults and children each year. For this facility, VOA recently received a grant from the U.S. Department of Veterans Affairs that provides shelter funding for homeless veterans as well as one full-time and one part-time case management position to assist formerly homeless vets and their families in becoming more stable and self-sufficient. VOA also operates a 26-bed shelter in Durango for victims of domestic violence.

Figure 20. Selected Affordable Housing Outcomes in La Plata County

Activities	Sponsor	Service/ Market Area	Recent Annual Outcomes	Start Year for Outcomes	Total Outcomes To Date
HOME CONSTRUCTION AND SALES					
New construction of homes	Habitat for Humanity	County	2	1994	36
New construction of homes (inactive)	Colorado Housing	County	0	1995	49
OTHER HOMEOWNER ASSISTANCE					
Land developed for new homes	The CDC	Bayfield	0	2001	24
Home purchases by clients	RHA/Homes Fund	County	33	2008	130
2nd mortgage loans made	RHA/Homes Fund	County	18	2008	90
Homebuyers trained/counseled	RHA/Homes Fund	County	187	2010	638
Homebuyers trained/counseled	Housing Solutions	Region*	93	2003	686
Owners counseled – foreclosures	Housing Solutions	Region*	120	2006	780
Home repairs/rehabs completed	Housing Solutions	Region*	12	1983	360
Weatherizations/crisis interventions	Housing Solutions	Region*	255	1983	3,000
Reverse mortgage counseling: seniors	Housing Solutions	Region*	40	1995	620
SENIOR RENTAL HOUSING					
Section 202 housing	Volunteers of America	Durango	30	2006	60
USDA & HUD subsidized rentals	Four for-profit owners	Durango	0	1980	140
Sites acquired for senior rentals	The CDC	Durango	0	2001	2
FAMILY RENTAL HOUSING					
Federally subsidized	For-profit owner	Durango	0	1973	60
Project-based federal rent subsidies	Durango Housing	Durango	0	1977	97
USDA subsidized rentals	For-profit owners	Durango	0	1989	106
LIHTC (tax credit) program - 3 projects	Mercy Housing	Durango	0	1998	162
LIHTC (tax credit) program	Housing Solutions	County	0	2000	61
OTHER RENTAL HOUSING ACTIVITIES					
Rent subsidies added – private rentals	Housing Solutions	Region	0	1989	130
HOMELESS SHELTERS, TRANSITIONAL AND SUPPORTIVE HOUSING					
Homeless shelter beds (serve 500/yr)	Volunteers of America	County	0	1990	36
Transitional housing – units created	Housing Solutions	County	0	1991	5
Transitional housing – clients served (includes clients with rent subsidies)	Housing Solutions	County	20	1991	225
Rental subsidies – disabled persons	SW Center for Indep.	County	36	--	108
Domestic violence shelter beds	Volunteers of America	County	0	1990	26
Halfway house beds – offenders	Hilltop House	Region*	0	1979	69
Transitional housing beds – parolees	Southwest Transitions	Region*	14	2012	14
Homeless prevention/referral – cases	Housing Solutions	Region*	190	1991	3,990

* “Region” refers to these counties collectively: La Plata, Archuleta, Dolores, Montezuma, and San Juan.

7. Affordable Housing Price Points and Gaps in Housing Stock

For this study, affordable housing price points are calculated in relation to percentages of "area median income" as calculated and annually updated by HUD. The methodology is used because housing assistance programs in La Plata County, as nationwide, use these benchmarks to determine eligibility for assistance—and in some cases to determine the amount of assistance needed on a needs-tested basis. See page 11 for an explanation of these benchmarks.

Rental Housing Affordable Price Points and Gaps

Figure 21 shows various levels of area median incomes (AMIs) by household size. Figure 22 provides a calculation of affordable rental rates based on those calculations and the commonly used standard of 30% of income being the maximum affordable amount to pay for rent. When compared to rental rates in the La Plata County market, it is apparent that there are affordability gaps for households at or below 50% of area median income, since average rents have increased to $934, according to a survey sponsored by the Colorado Division of Housing. Our own survey of subsidized rental apartments indicated minimum rents of $413 to $660 for one- to three-bedroom units. Households with income at or below 30% of AMI need rent subsidies, since rents at the affordable levels do not even cover all of the typical operating expenses such maintenance, insurance, utilities and property management.

Figure 21. Incomes by HUD AMI Levels for County, by Household Sizes

	Number of Persons in Household:					
% of Median	1	2	3	4	5	6
10%	$996	$1,139	$1,281	$1,423	$1,538	$1,651
20%	$4,982	$5,693	$6,403	$7,114	$7,690	$8,256
30%	$12,456	$14,232	$16,008	$17,784	$19,224	$20,640
40%	$20,760	$23,720	$26,680	$29,640	$32,040	$34,400
50%	$25,950	$29,650	$33,350	$37,050	$40,050	$43,000
65%	$33,735	$38,545	$43,355	$48,165	$52,065	$55,900
80%	$41,550	$47,450	$53,400	$59,300	$64,050	$68,800
95%	$49,305	$56,335	$63,365	$70,395	$76,095	$81,700
110%	$57,090	$65,230	$73,370	$81,510	$88,110	$94,600
125%	$64,875	$74,125	$83,375	$92,625	$100,125	$107,500

Figure 22. Affordable Monthly Rent at 30% of Income

	Number of Persons in Household:					
% of Median	1	2	3	4	5	6
10%	$25	$28	$32	$36	$38	$41
20%	$125	$142	$160	$178	$192	$206
30%	$311	$356	$400	$445	$481	$516
40%	$519	$593	$667	$741	$801	$860
50%	$649	$741	$834	$926	$1,001	$1,075
65%	$843	$964	$1,084	$1,204	$1,302	$1,398
80%	$1,039	$1,186	$1,335	$1,483	$1,601	$1,720
95%	$1,233	$1,408	$1,584	$1,760	$1,902	$2,043
110%	$1,427	$1,631	$1,834	$2,038	$2,203	$2,365
125%	$1,622	$1,853	$2,084	$2,316	$2,503	$2,688

The high demand for project-subsidized and rent-subsidized housing is borne out by the extremely low vacancy rates in subsidized rental properties in La Plata County. Of 496 family apartments surveyed in March 2012, only three were vacant—a minuscule vacancy rate of 6/10ths of one percent.

For-Sale Housing Affordable Price Points and Gaps

Figure 23 below indicates affordable housing price points for households of various sizes at different levels of area median income. We assumed that homeownership is feasible for most families at 50% of area median income (AMI) but less so below that level—except in special homeownership support programs such as Habitat for Humanity's. Figure 25 calculates the affordability gaps, using the data in Figures 23 and 24. The assumed "low-end" home prices come from an annual survey by the Regional Housing Alliance, which estimates typical sale prices of lower-cost homes listed in the Multiple Listing Service. Figure 24 shows assumptions about matching household sizes with typical numbers of bedrooms required.

Figure 23. Home Prices Affordable at AMI Levels Per Affordability Analysis

	Number of Persons in Household:					
% Median	1	2	3	4	5	6
50%	$103,787	$120,908	$137,026	$154,345	$166,811	$180,454
65%	$139,922	$162,278	$183,433	$205,987	$222,746	$243,034
80%	$177,600	$206,070	$233,018	$265,023	$287,267	$313,048
95%	$215,957	$254,112	$287,086	$325,240	$352,641	$383,062
110%	$258,209	$302,389	$341,387	$385,566	$417,851	$453,075
125%	$300,462	$350,666	$395,689	$445,892	$483,062	$523,089

Figure 24. Assumed Appropriate Bedroom Sizes of Homes and "Low-End" Prices

	Number of Persons in Household:					
	1	2	3	4	5	6
BRs assumed	0-1 BR	2 BR	2 BR	3 BR	4 BR	4 BR

Figure 25. Home Purchase Price Gaps Based on Assumptions Above

	Number of Persons in Household:					
% Median	1	2	3	4	5	6
50%	-$66,213	-$49,092	-$52,974	-$35,655	-$33,189	-$19,546
65%	-$30,078	-$7,722	-$6,567	$0	$0	$0
80%	$0	$0	$0	$0	$0	$0
95%	$0	$0	$0	$0	$0	$0
110%	$0	$0	$0	$0	$0	$0
125%	$0	$0	$0	$0	$0	$0

The affordability gap (shown as a negative number) is calculated as the difference between the home prices that are affordable versus the typical low-end home prices. To calculate the affordable price, formulas were used that assume current interest rates, down payment terms, other lending terms—as well as typical monthly costs for property insurance, homeowner association fees, and real estate taxes.

Needs for Ownership Housing

Prices of homes in the current market are generally affordable to households with incomes at or above 65% of area median income. Currently, this translates to a three-bedroom home priced below $206,000 and a two-bedroom home priced below $162,000. This affordability picture will not last for long unless more lower-priced new homes and condos come on the market—and condo financing once again becomes widely available.

Currently, at 50% of area median income, the affordability gaps become significant, requiring second mortgage subsidies of $22,000 to $66,000 per home. As the current supply of lower-cost homes continues to shrink, more mortgage assistance will be needed and/or regulatory changes or incentives to builders to provide more homes for buyers with incomes at 65% to 80% of area median income—along with continuing efforts to help homebuyers under 65% of area median.

For example, the analysis indicates an ongoing need for three-bedroom homes priced below $206,000 and two-bedroom homes priced below $162,000. There is currently only a small supply of for-sale townhomes in this price range and a few older detached homes, but without future subsidized home construction or incentives for builders to provide very low-cost homes, this supply will likely be depleted in the near future.

There is a larger supply of for-sale condominium units available in this price range, but they are not available to, nor affordable to, low- and moderate-income households for several reasons. First, some are in resort areas that are long drives from places of employment, schools, and services—with relatively high monthly condo fees due to recreational amenities. Second, conventional or government-insured 30-year mortgage financing is not currently available for condos in La Plata County.

Needs for Rental Housing

There is an acute need and demand for rental housing affordable to households with incomes at or below 50% of area median income. This translates to rents at or below approximately $649 for one-bedroom units, $741 for two-bedroom units and $926 for three-bedroom units. There is also a shortage—though less acute—of housing affordable to households with incomes from 50% to 60% of AMI.

For most households with incomes below 30% of area median income, the situation with rental housing is dire, particularly for individuals who were recently homeless, have disabilities or have other special needs. The maximum rents affordable to this group are $311 for a one-bedroom unit, $356 for a two-bedroom unit and $445 for a three-bedroom unit. Virtually the only rentals in this price range are subsidized, and only several hundred of the 700 subsidized rental units are affordable to people in this lowest income range.

Quantifying the Number of Homes Needed

Sometimes, studies such as this attempt to give a single number that expresses housing needs—as in, "La Plata County needs to build x-number of affordable-attainable housing units." In our opinion, this would be misleading. All we can say with certainty is that in 2010, 7,485 households in La Plata County (37% of the total) were paying more than the standard of affordability for housing, which is 30% of income. Certainly, more construction of affordable homes and apartments needs to occur, but in the real world, this number will be severely limited by the relatively high local costs of land and construction as well as the limited availability of special financing to make monthly costs of homes and apartments affordable. Moreover, existing homes can be made affordable through special financing—such as homebuyer assistance and rent subsidies.

The upcoming five-year countywide housing plan is expected to set ambitious but realistic five-year goals for the construction of affordable/attainable housing and provision of other housing assistance by known sectors and entities within the county.

8. New and Continuing Initiatives Indicated by Needs Study

The housing needs described in this report indicate the following potential programmatic priorities for nonprofits, for-profit developers, and local governments. These are not in priority order, and are suggested for consideration during the process of drafting a new affordable housing plan.

- Construction of new rental housing – Development of rental housing using the federal Low Income Housing Tax Credit (LIHTC) program should be a very high priority, given that this program provides rents in an affordable range to La Plata County households making 40% to 60% of area median income. LIHTC is the major federal incentive program for building affordable rental housing. Finding a way to include more units with very low rents—at 30% of area median income—should be pursued. Piggybacking federal HOME and Community Development Block Grant subsidies is a typical way of achieving this goal. High land costs are an exceptionally difficult barrier that needs to be overcome with subsidies, land donations, or below-market land acquisitions.

- New housing and rent subsidies for special populations – Given the unmet needs of special populations for affordable and supportive housing options, the construction or acquisition and rehab of more residential properties should be a priority. Construction is constrained by the limited availability of governmental grants and private donations, but these resources should still be sought out. Limited amounts of federal grants are still available for very low-income seniors, disabled people, the recently homeless, victims of domestic violence, veterans, and those with other special needs. Aggressive efforts to obtain more federal rent subsidies should continue.

- Incentives for for-profit builders – As recommended by a local public-private committee, the local governments might consider amending their development policies and regulations to allow for less costly development standards (where appropriate). Fee waivers and limited-time property tax waivers might be considered for affordable and attainable housing. Additional, local funding sources were recommended from some combination of general revenue, real estate transfer fees, and other earmarked taxes or fees. To be able to finance the development of raw land, the committee recommended consideration of special improvement districts, in which future fees from property owners are used to finance expensive, up-front infrastructure needs.

- Assistance for purchasing lower-priced market-rate homes – A reduction in prevailing home prices—which, as noted earlier, will probably be temporary—makes this an opportune time to step up pre-purchase counseling and down payment assistance programs. This can not only help lower-income families attain affordable homeownership, but it can help encourage builders to construct more low-priced homes by adding to overall demand from buyers who can qualify for financing.

- Construction and sale of affordable homes – Projects sponsored by nonprofits such as Habitat for Humanity should continue, since they assist very low-income households, many of which have very high housing cost burdens. Likewise, discount-priced homes offered by Durango's Fair Share program meet similar needs; these are new, discount-priced homes that are required to be built in recently-approved subdivisions. While these programs have historically produced far fewer homes than for-profit builders, they fill an important niche of providing very affordable homes.

Appendix A: Acknowledgments

We gratefully acknowledge the assistance of the following individuals, who participated in review meetings or were interviewed in November-December, 2012.

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Roger Zalneraitis, La Plata Economic Alliance

DURANGO HOUSING PLAN

JANUARY 2018

This plan establishes the goals, priorities and implementation measures for the Durango Housing Program and serves as the foundational document for the program.

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♦ ACKNOWLEDGEMENTS

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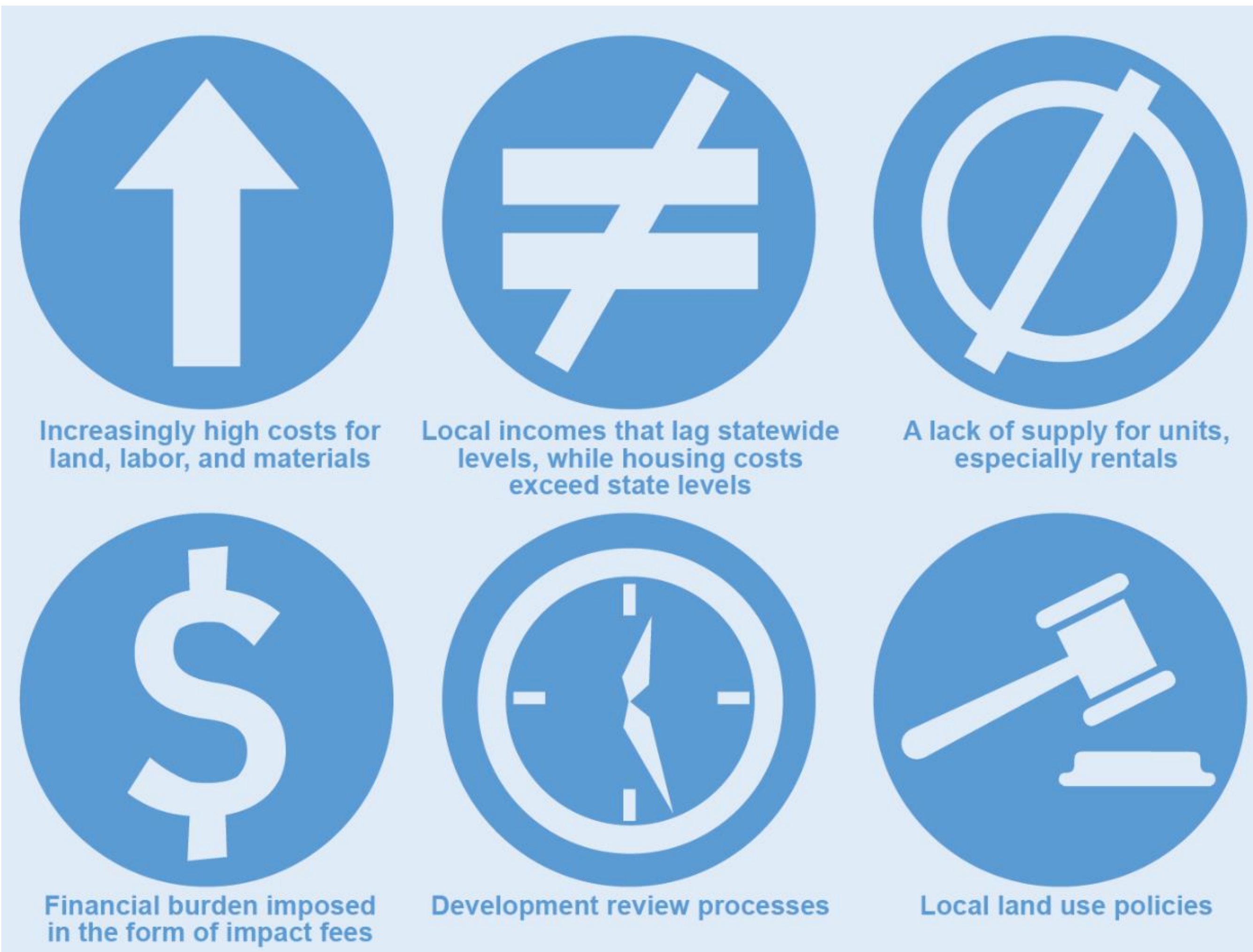
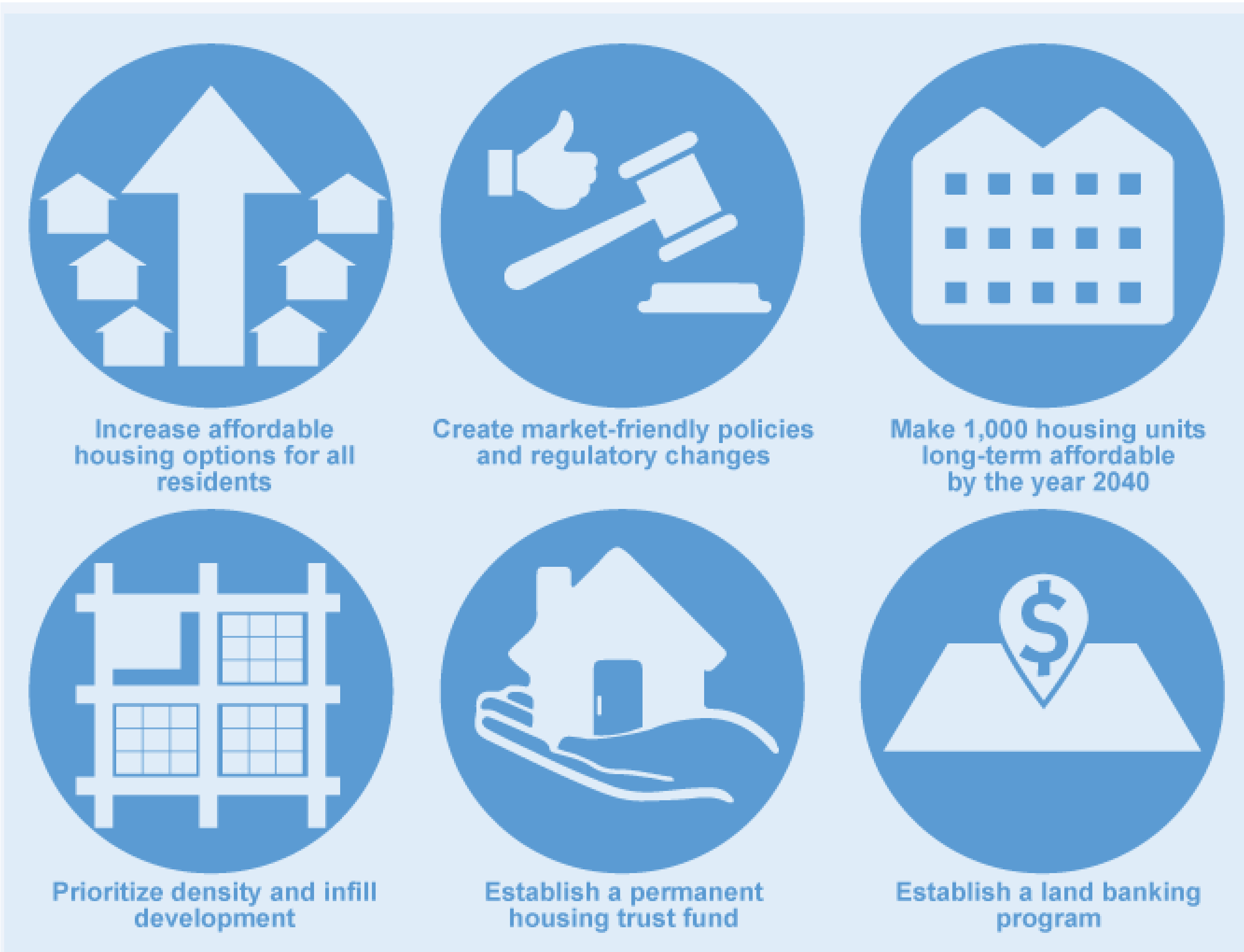
♦ EXECUTIVE SUMMARY

Unmet housing needs in Durango are becoming more commonplace for all, and the City of Durango wants to do its part in helping to address this issue. This Plan serves as the foundation for a housing program within the City of Durango to address the city's housing issues. Much of the cost of housing stems from forces beyond local control, but there are things Durango can do to affect cost, quality and availability of housing.

Housing affordability relates directly to:



This Plan has six primary policy goals based on ideas and feedback from the Housing Policy Advisory Committee, City Council, and outside housing agencies, public meetings and outreach, and staff initiatives:



The Durango Housing Plan and Program will advance actions that can be taken now, such as amendments to the development Land Use and Development Code (LUDC) to incentivize more residential development, while some proposals such as land banking will take years to accomplish. The action items are compiled at the end of the Plan, before the Appendices.

1. PRINCIPLES

The Durango Housing Plan is guided by principles that have emerged during the Plan's development. The housing strategies implement the following ten principles:

- Quality housing should be available to all residents of Durango.
- Durango is a place where you can live, work, raise a family, start a business and retire. Preserving Durango's livability requires housing to stay affordable for as many as possible.
- This plan recognizes that Durango is a small part of a vast economic system, but local actions make a difference.
- Community-wide support is essential for the housing program – all of Durango has a stake in housing.
- The City must evaluate land use planning and regulatory authority to allow developers to respond to housing market needs: Developers must continue to create the high-quality places expected by Durango residents.
- The Plan promotes housing in what are referred to as the Areas of Change because of the importance of infill development and redevelopment.
- The Areas of Stability will continue to absorb more housing.
- Growth on the periphery is likely to surpass infill development because land is cheaper and more abundant away from the core of Durango. These are Areas of Growth.
- Quality housing, whether it is infill or greenfield development, must have dense, walkable neighborhoods with access to multi-modal transportation options including transit, bike lanes and sidewalks.
- Housing is a foundation for Durango's local economy and for its residents to build wealth through equity and financial stability.

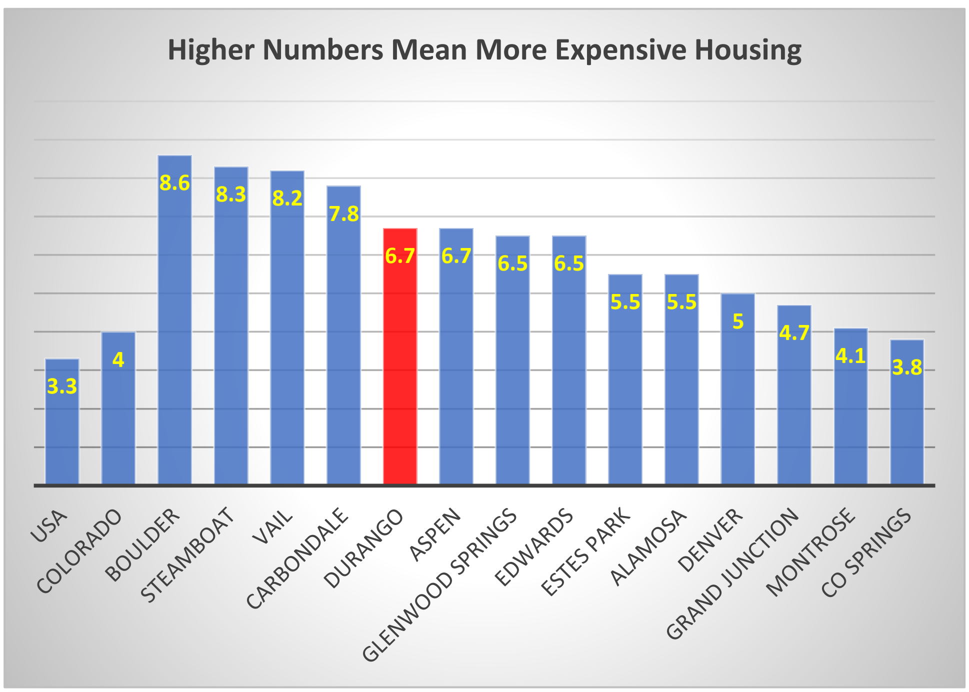
2. INTRODUCTION

2.1 STATEMENT OF THE ISSUE

Durango has a housing affordability issue, and this Plan will provide alternatives to help alleviate those issues. The central role of housing in shaping the character of a community makes housing as crucial to Durango as the road network or utility system, but many factors in Durango make affordable housing increasingly difficult to obtain. Housing affordability depends on land use regulation, housing supply, the cost of materials and labor, the availability of land, the cost of infrastructure, adequate densities for infill development, incomes commensurate with housing costs, and the strength of affordable housing programs.

As the people who make Durango work—the teachers, waiters, first responders, Fort Lewis professors, young families—find it increasingly difficult to afford housing, Durango is in danger of losing its identity. Prices will continue to escalate, and are likely to continue to accelerate faster than income growth, with significant implications for Durango's future social and economic health. Local employers, including Fort Lewis College, local banks and the 9R school Durango have all commented on the difficulty of hiring new employees or retaining new hires, with obvious potential consequences for Durango.

Figure 1
Home Price to Income Ratio



*Almost half of the housing units in Aspen are publicly owned subsidized housing, otherwise the ratio would be much more.

Housing prices are expected to continue to accelerate faster than income growth, a situation with significant implications for Durango's future social and economic health. Housing prices have grown faster than income for at least two decades, as Figure 2 shows.

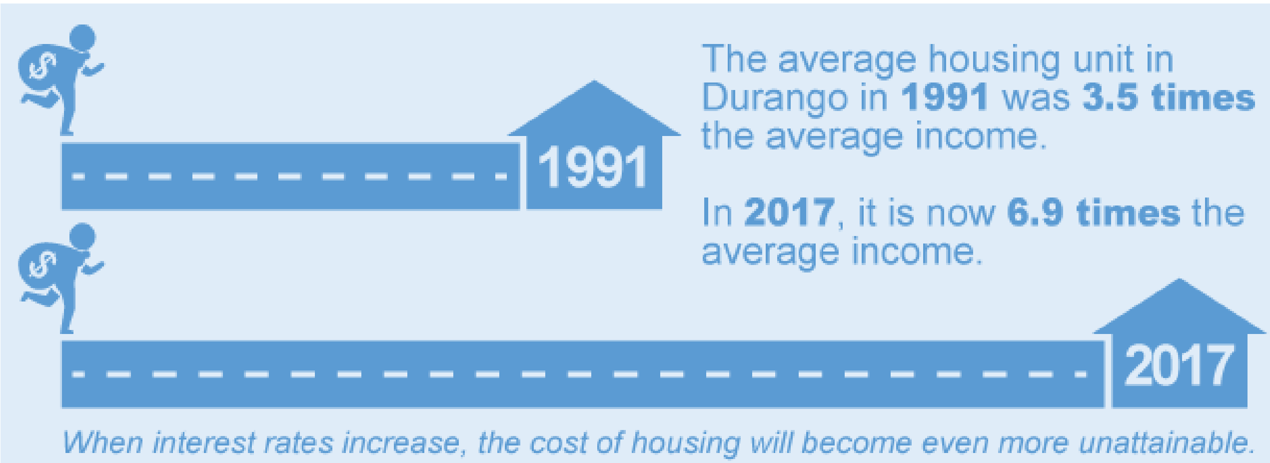
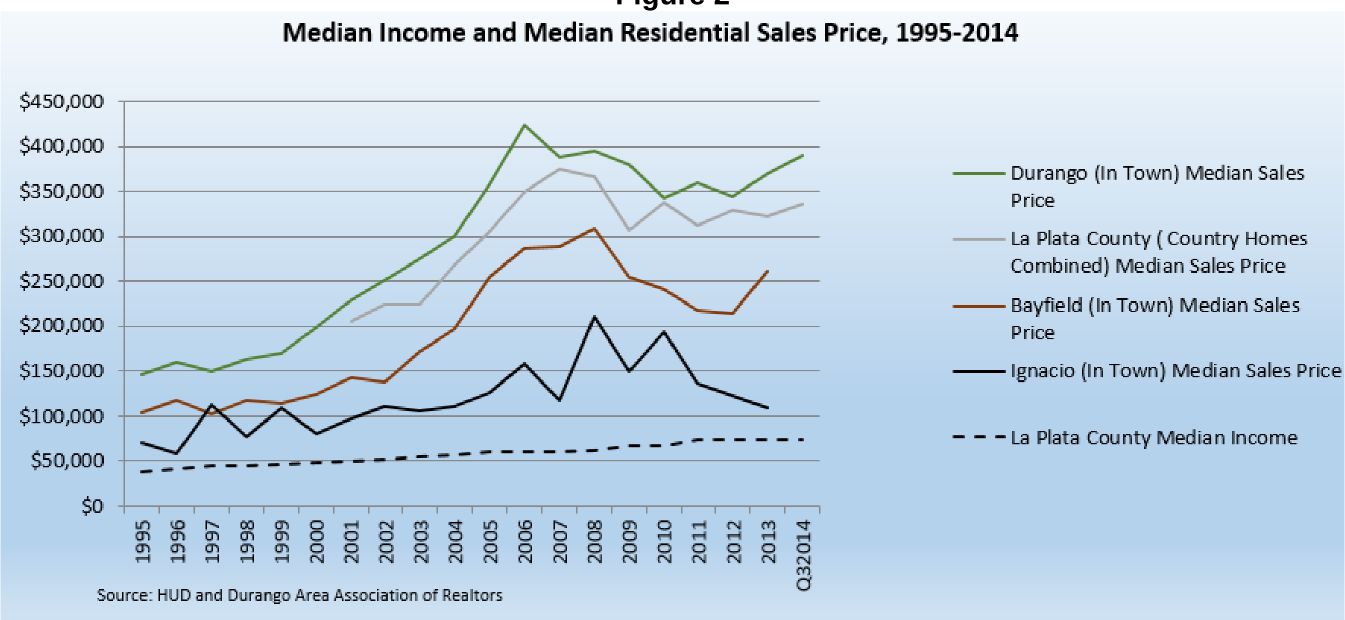


Figure 2



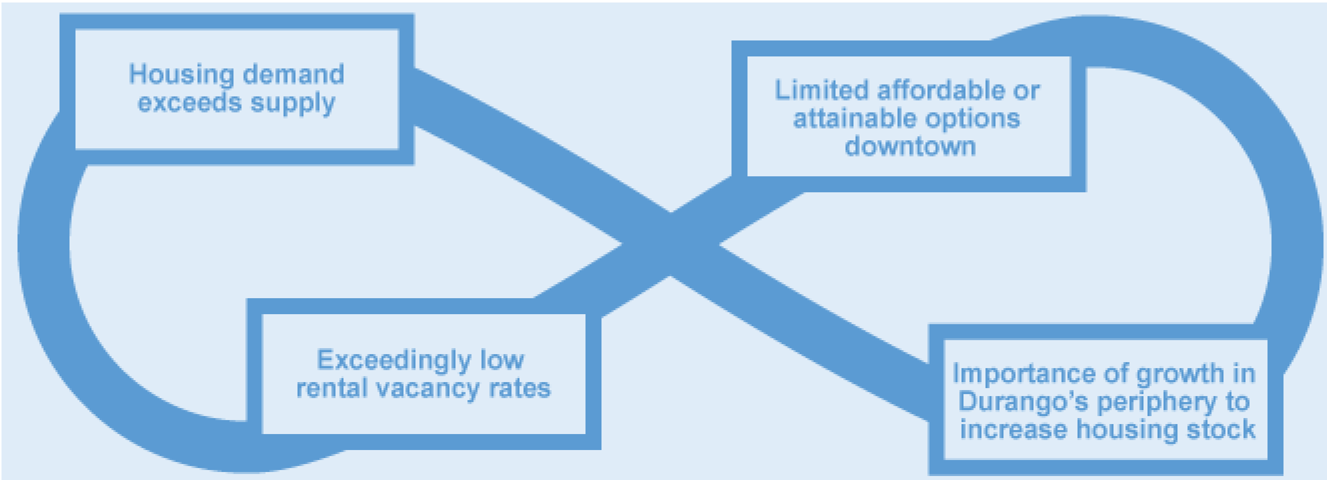
One of the premises of the Plan is that more housing will benefit all residents regardless of income. To do this, the Plan proposes to mix market-based approaches, as adopted in the Land Use and Development Code (LUDC) and other City regulations, with funding sources, land banking and other ways to subsidize workforce housing, which is defined as both affordable and attainable housing. Housing for lower income residents requires some type of subsidy such as gap funding, tax credit financing and other funding mechanisms or subsidization managed by the City or other agencies. Without the additional assistance, development of affordable housing will be very difficult. Residents higher up the housing spectrum will benefit more from regulatory changes, which are intended to increase the supply of market rate housing and decrease the cost to develop housing.

Affordable and attainable housing have specific meanings in relation to income, as determined by the Department of Housing and Urban Development (HUD). These terms are based on the level of Area Median Income, or AMI, as determined by HUD, as shown in Figure 3. Housing spectrum is a common phrase in this document and it is used as a way to describe housing costs from critical needs housing for the least well-off up to housing for those making well above average incomes.

Figure 3
The Housing Continuum

CATEGORIES OF HOUSING INCOME LEVELS

- **Critical Needs - Permanent Supportive Housing.**
- **Affordable and Attainable - These income levels are specific enough to serve as the basis for funding programs.**
- **Workforce Rental and Workforce Ownership - General terms with no legal meaning, but helpful in categorizing housing.**



One way to assess affordability, for rentals in this instance, is a comparison of median income and median housing costs[1]. The Census American Community Survey (ACS) of July 2015 and the quarterly Colorado Multi-Family Vacancy & Rental Survey from the Colorado Division of Housing shows the following:

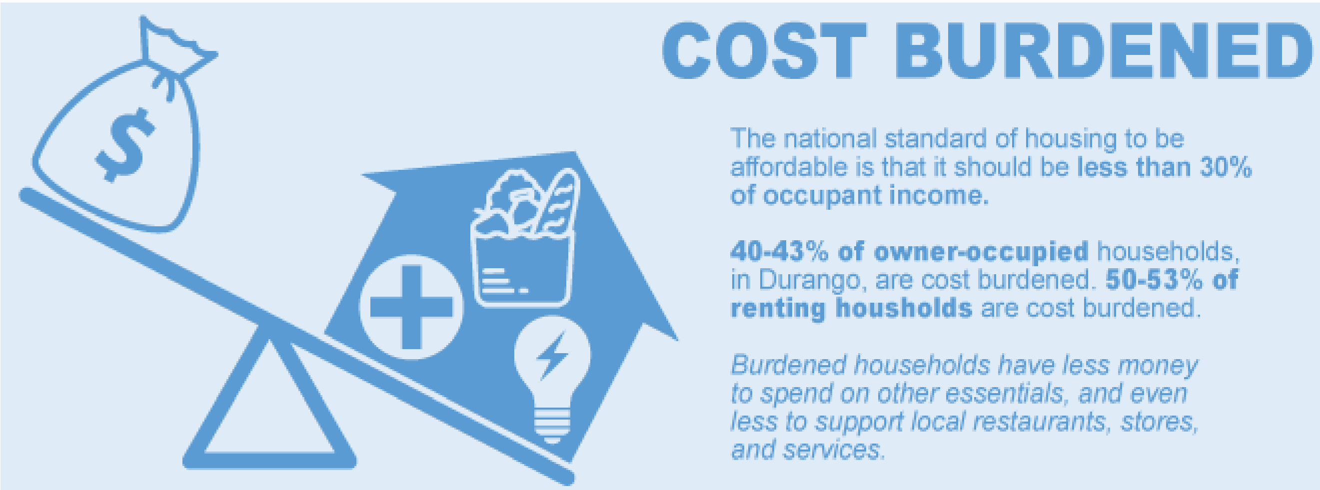
Figure 4
Housing Affordability for La Plata County Workers – Elementary School Teacher
July 2015

Median Hourly Wage in Durango	$21.15
Equivalent Annual Income	$44,070
Monthly Budget of 30% For Housing	$1,101.75
Median Durango Rent	$1,131.83
Median Housing Unit Sales Price in Durango	$373,492

Source: Census ACS, Durango Area Association of Realtors

Elementary school teachers, for instance, are important people to every town, and in Durango the majority of teachers on one salary would have to spend more than 30% of their income on rent. In Durango as in most places, renters make less money than home owners. More than half of Durango's renters are cost burdened, compared to one-quarter of homeowners. A teacher would have an even harder time affording the median for sale unit (which includes houses, townhouses and condominiums), priced at $373,492 in 2015.

[1] The median is the number in the middle of a range of numbers, e.g. 5 is the median of 2, 3, 5, 6, 14. The mean is the average, or sum divided by the total number of instances, so the mean for the same numbers is 6. The median is used for housing analysis because the median does not allow an outlier, a $10,000,000 house for example, to distort the measurement.



Another common affordability measurement is income based on the number of people in a household. Figure 5 shows income limits based on a median income of $69,500 for a four-person household, and how that income ranks for AMI.

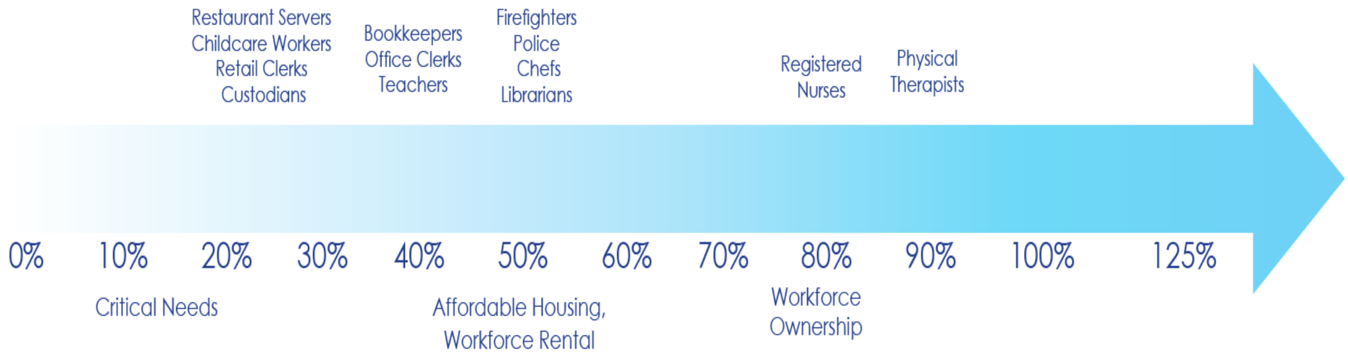
Figure 5
Household Income Threshold

Household Income Level	1-Person	2-Person	3-Person	4-Person	5-Person
Extremely Low (0%-30%)	$14,850	$17,000	$20,160	$24,300	$28,440
Low (31%-60%)	$29,700	$33,950	$38,200	$42,400	$45,800
Below Median (61%-80%)	$39,600	$45,250	$45,250	$56,550	$61,100
Median (80%-125%)	$48,650	$55,600	$55,600	$69,500	$75,100
Above Median (>125%)	$61,900	$70,700	$79,550	$88,400	$95,500

Source: Department of Housing and Urban Development

Durango is too small to have its own data for this measurement, so County-level data has to be used. Figure 6 shows what the typical employee in La Plata County earns, with the inference showing how challenging it is for Durango's workforce to afford housing. People in essential jobs frequently earn less than they need for housing: teachers earn $45,000-$50,000 or less, food service workers average in the $20,000s, and many workers in construction trades make in the $25,000-$45,000 range. When the Plan states the importance of affordable workforce housing, ***these are the people who are most affected by the lack of it.***

Figure 6
AMI Levels of Common Occupations in La Plata County for a Four Person Household



Source: Bureau of Labor Statistics

Note Concerning Plan Scope

The Plan is not intended to directly address homelessness, habitability or senior housing. Durango's homelessness issues are the focus of a separate initiative. Habitability is the concept that every dwelling unit should be maintained to a minimum standard, which would require rehabilitation of older units. The City had previously examined adopting a habitability code without success. Given its importance, minimum living standards may be something the City will again take up for consideration in the future.

ECONOMIC DEVELOPMENT

Difficulties with workforce retention will increase. Multiple local employers discussed retention issues during development of the Plan. Employees are more likely to leave the area to find work than they are in larger cities, diminishing the local talent pool. As Roger Zalneritis of the La Plata County Economic Alliance has observed, Durango cannot maximize sales tax revenue unless people who work in Durango also live and shop in Durango.

ECONOMIC DIVERSITY

No community can have a strong economy without having a diversity of workers for different jobs. Many of these workers cannot find affordable housing in Durango. Providing opportunities for workers to be able to afford to live in Durango is a key objective in this Plan.

SPRAWL

Many affluent places in Colorado are too expensive for the local workforce, which in turn leads to sprawl and increased air pollution for extra vehicle trips. Many people must “drive till they qualify.” Every house built in the unincorporated county equates to more time driving and increased transportation costs for the buyer, more air pollution, and increased infrastructure construction and maintenance costs.

MISSING 1ST GENERATION HOME BUYERS

Durango attracts the young and adventurous. When this part of our population wants to settle down, or to start a career, or to buy a house, they discover the challenges and inequities in the Durango housing market. The City is at risk of losing an important part of its demographic because of our housing situation, as young families and first-time home buyers are forced to look in the county or neighboring communities for housing, or to leave the area completely.

2.2 HOUSING ASSESSMENT

La Plata County Housing Demand Study

The 2015 Housing Demand Study for La Plata County, prepared by the Regional Housing Alliance (RHA), shows that housing supply is not keeping up with demand, and that is significant because as demand exceeds supply home prices rise, driving less affluent buyers and renters out of the market. The study used county-level data, so data specific to Durango must be extrapolated, but the primary lessons of the plan are that La Plata County will need 560-790 or more units annually to meet demand. Durango is approximately one-third of the county, and that demand equates to 185 to 260 units in Durango annually. Durango averaged 134 building units annually from 1995-2015, indicating that demand continues to exceed supply. Demand for housing will continue to be strong, driven by Durango's high quality of life, new jobs created by local employers and demand for new housing types to serve changing demographics.

Additional findings of the Demand Study include:

1. Individuals over the age of 80 will be the fastest growing age group, growing 237 percent (or 3,900 persons) by 2035. Baby Boomers have a strong desire to age in place, however those who expect to move show a shifting preference for attached housing, low-maintenance single-story homes, and homes that are close to parks and medical facilities.

MARKET STUDY VS. HOUSING ASSESSMENT

A Market study is an independent confirmation that a specific housing proposal will be successful in the marketplace, and is different from a housing assessment. Market studies are performed by developers and usually required by lenders. Durango housing policies are intended to help provide housing, meeting the needs identified in the assessment; builders will determine features like bedroom count through a market study.

2. The millennial generation (and younger Generation Xers) will drive growth in individuals age 35-54. This age group will grow 71 percent (or 10,000 persons) by 2035. Currently, this generation is driving demand for multi-family units and they value walkable, diverse communities with access to urban amenities. However, as this generation establishes careers and families, they will likely shift their preference to single-family homes and townhomes, preferably those that can combine good schools, moderate yards, and walkable/bikeable access to basic amenities such as grocery stores, parks, and restaurants.

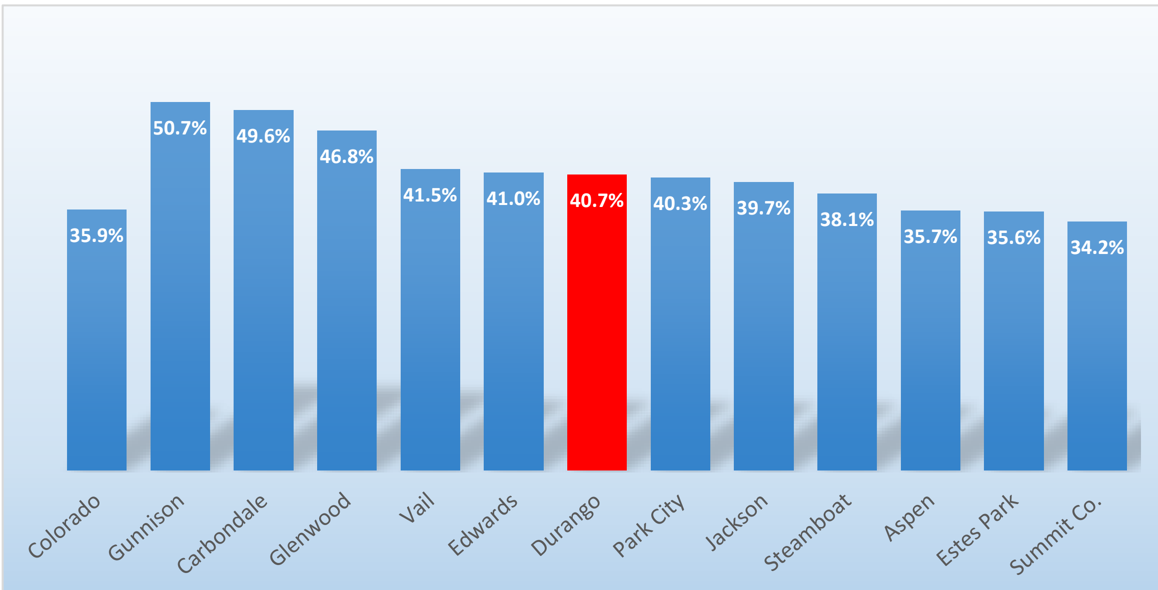
3. The service sector and tourism industry are projected to have the largest number of new jobs over the next 20 years. While the service sector and tourism industry represent a wide range of occupations and salaries, the average wage is traditionally low ($42,000 and $28,000, respectively). This will increase the demand for affordable housing including smaller single-family homes, townhouses, and multi-family units. It will also increase demand for rental units.

4. Assuming that the cost of construction and land continues to increase in La Plata County, this will lead to an increase in demand for smaller units that economize both on the amount of land consumed and the construction cost per unit.

5. Assuming that the real cost to commute will incrementally increase over the twenty-year forecast horizon, this will likely create more demand for housing that is close to employment and services.

6. Current real estate indicators demonstrate strong demand and short supply of both rental units and entry-level homeownership, especially in Durango.

Figure 7
Percentage of Households Spending More Than 30% on Housing - 2015



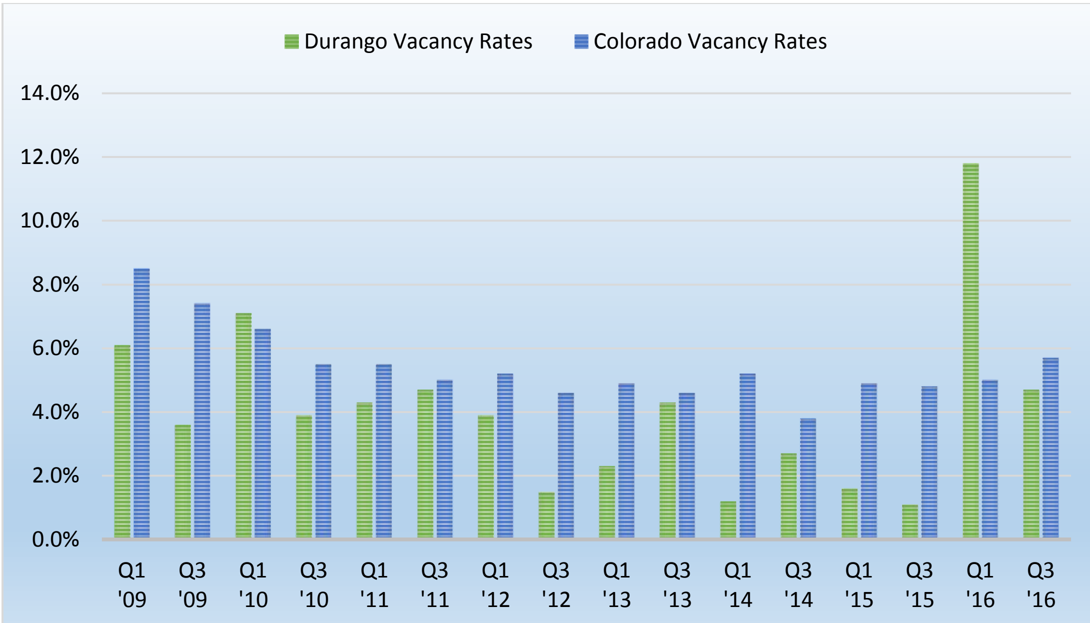
Source: Census ACS Data

Rental vacancy rates in Durango are lower than Colorado's, pushing up prices (see Figures 8 and 9), and are comparable to those in Summit County, Aspen and Steamboat Springs. Durango's consistent low vacancy rates indicate the need for greater supply. Several new rental projects have either recently been completed or are in some stage of review or development and will add more than to 400 units to Durango's rental market. Based on the forecast of the Housing Demand Study, these new developments could provide Durango with housing to meet two to three years of demand. Changes to rental vacancy rates and market prices in this period will be informative about the relationship between local supply and demand and its effect on prices.

Importance of Rental Housing

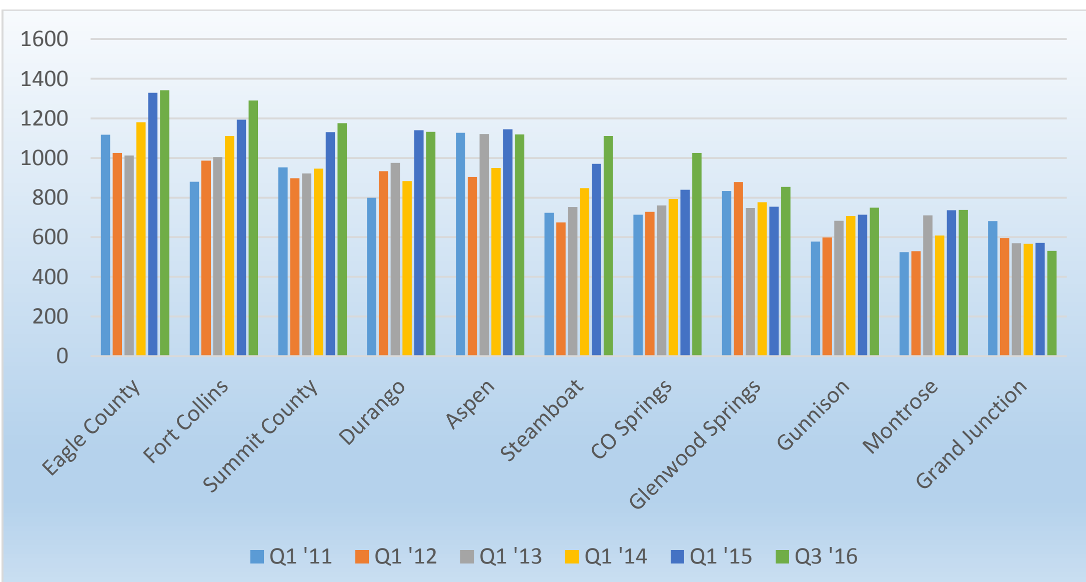
Rental housing provides housing for those who cannot afford to own or who choose not to own. Workers in essential services such as services and tourism need rental housing due to the expense of owning. Renters as a group have lower incomes, and are thus more impacted by rising rents. To the extent that the Housing Program can focus on providing more rental housing, the City is preserving the ability of its workforce to live in Durango. Each new household with access to affordable housing means an additional household with more income to spend in the local economy, as lower housing costs equal more opportunity for purchasing goods and services.

Figure 8
Rental Vacancy Rates in Durango and Colorado 2009-2016



Source: Colorado Department of Housing, University of Denver

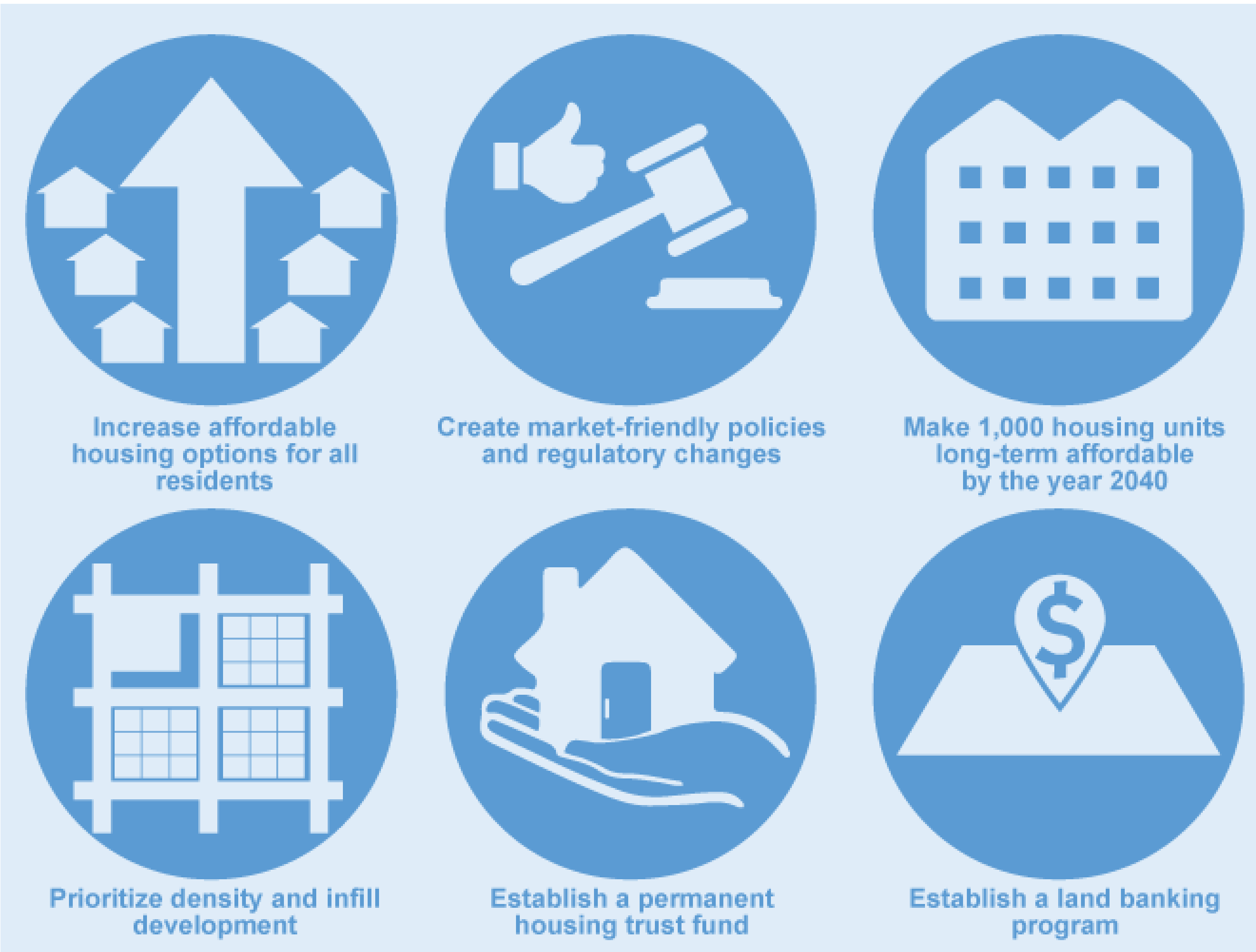
Figure 9
Median Rent - Selected Colorado Places 2009-2016



Source: Colorado Department of Local Affairs, University of Denver

2.3 HOUSING GOALS

Between 2015 and 2017, the City of Durango Community Development staff, working with the Housing Policy Advisory Committee and with input and direction from City Council, analyzed Durango's housing situation with the goal of alleviating the core problem: housing in Durango is increasingly unaffordable. The housing team vetted policy and regulatory options and developed the following policies to improve housing options in the long-term:



Increase affordable housing options for all residents.
Durango does not have enough quality affordable workforce housing units and needs around 200 or more new rental and ownership units to be built each year to meet demand (200 units is based on the Housing Demand Study). The current economics of the housing market makes building attainable housing difficult and building affordable housing impossible without some type of subsidy. Federal and

state housing policies such as housing vouchers and tax credits are primarily focused on households with lower incomes. Durango needs to help people on the lower end of the income spectrum, but also focus on new housing for residents and households making up to 125% and even 140% AMI and above, a group largely comprised of the essential workforce.

Market-Friendly Housing Policies

Over time, an increased supply of market-rate housing will improve the availability and affordability of housing in Durango. New housing has positive implications for the local economy as it increases development activity, household retention and wealth creation, and reduces costs borne by the City and affordable housing developers to provide traditional affordable housing products.

The City is a regulatory body and it would be easy for the City to create additional regulations that developers must comply with, but the City is cognizant that without proper incentives, the housing program will not achieve its policy goals. One characteristic of a healthy housing market is that supply matches demand, and that balance cannot exist unless there is a favorable market for home builders that includes a reduction in barriers and, in some cases, incentives. If the City is to help increase the supply of housing, changes to the LUDC will be necessary to improve the development climate, to maximize the number of affordable units within Durango, and to minimize other uses that conflict with housing supply, such as vacation rentals. Staff is undertaking a comprehensive review of the Land Use and Development Code as it relates to creating housing and will propose numerous changes. Potential revisions are presented later in this Plan.

Durango grew as new neighborhoods developed, from the first neighborhoods in the 1880s, Crestview and Riverview in the 1950s, Skyridge in the early 2000s, to Three Springs and Twin Buttes currently under construction. One central theme in this development pattern is that new undeveloped areas have been annexed and have provided a new source of housing, creating the supply Durango needed. That pattern of the housing development should continue in neighborhoods such as Three Springs and Twin Buttes, while the existing neighborhoods will continue to absorb more density through infill development.

Long Term Affordability

Durango's housing affordability problem is documented back to the 1980s, but existed before then. A long-term problem needs a long-term solution, therefore long-term affordable housing should be a part of the solution. Many communities with successful affordable housing programs, including Aspen, Boulder and Fort Collins, have goals ranging from 10% to 60% for the percentage of housing stock to be permanently affordable. Numerical targets are important policy tools because they provide a quantifiable goal, and bring accountability to the goals in this plan. Currently there are 10 housing developments in the City with permanent or long-term affordability. Collectively these 10 developments contain 435 affordable units, which is equal to about 6.5 percent of Durango's total of approximately 8,000 housing units, as shown in Figure 10. The City's goal is to have 1,000 housing units with long-term affordability by 2040. This would equate to approximately nine percent of the total housing stock in the City at that time.

This Plan outlines strategies on how to build more affordable housing units in Durango. Because affordable units don't get built without some type of subsidy, below are some programs that can help:

- Land banking, with the City providing discounted land for affordable housing developers;
- A permanent housing trust fund. The trust fund can be used in any number of ways, such as leverage for grants or loans, to pay down developer costs or fees or to loan money to developers.
- Changing city development regulations. Regulations are a common theme in this Plan, and are examined in much greater detail below.

FIGURE 10
Subsidized Affordable Housing in Durango

Project	Affordable Units	Year of Construction
Lumien	50	2015
Pinion Terrace	65	2006
Valle de Merced	45	2005
Merced de Las Animas	50	1998
Mercy Housing Colorado VI LTD (Behind Ski Barn)	50	1998
Westwood Apartments, 60 Westwood Pl	12	1998
Durango Housing, 510 7th Ave	16	1971
Springtree Village	27	2003
Tamerin Apartments	67	1979
Cedar View I and II	53	2006
TOTAL	435	

Prioritize higher density infill development
In many cases zoning decisions made decades ago have become engrained in the city's fabric. Industrial areas are now commercial, for instance, but the low density physical form has never changed, and that has implications for the Housing Program.

Through the Housing Plan the City will review the legacy of the decisions that created Durango's physical framework, and propose regulatory and design changes to accommodate higher density infill development. Code changes that could reduce parking requirements, allow density and height bonuses in exchange for affordable housing, and reexamine base density are all examples of potential changes. Infill areas already have infrastructure, are walkable, and can more easily absorb housing density. More housing in these areas, as explained more thoroughly in the Areas of Change and Areas of Stability

Snapshot of Durango Housing

Number of housing units – 7,851

Subsidized Units – 435

Vacation Rental Units – 1.5% of housing stock

Rental Vacancy rates in Durango have consistently been below 3%, and even below 2%, since 2012.

Low Density on Camino del Rio – Density along Camino del Rio adjacent to downtown is 10% of the density on Main Avenue downtown, and a little over half of the Home Depot/Wal-Mart area density.

According to the Harvard Joint Center for Housing Studies, Durango has some of the least affordable housing for households making at least $45,000 per year. Those households are a large part of our workforce.

314 – The number of residential building permits issued by the City from 2008 through 2013. Durango is still catching up to this long dip in production.

Three Springs and Twin Buttes are approved for close to a combined total of approximately 2,800 housing units.

discussion, also means reduced transportation costs for residents compared to housing in undeveloped areas farther from downtown.

Land Banking

The City should have a supply of land that can be made available to housing developers for the creation of workforce housing. These lands should be developable, close to transit, services and employment centers and zoned to accommodate medium to high density residential uses.

Many successful housing programs have relied on land banking as an essential means of delivering affordable housing. Land banking means that the government, a nonprofit or a private partner purchases land or acquires it through annexation or land-in-lieu agreements to hold for future housing development. The local development community has stated clearly and frequently that land costs are one of the biggest obstacles to the provision of affordable housing. The power of land banking is that as the cost of land rises through time, the banked land can be made available to developers at no cost or reduced cost, thus reducing the price of future development. The biggest hurdle to establishing a land bank is raising the capital to make the purchase, and for this reason the Housing Trust Fund and development pipeline should be considered in tandem.

Permanent Housing Trust Fund and Diversification of Funding Options

The City should formalize a Housing Trust Fund as a repository of funds dedicated to affordable and attainable housing. An evaluation of appropriate funding sources and their potential uses is a focus of the Plan. Existing revenue from the Fair Share Program will be reexamined to analyze their effectiveness. New funding sources such as a commercial linkage fee, impact fees, developer-implemented transfer fees, dedicated tax funding, state and federal funds, and other sources will be analyzed.

Funds collected through Fair Share, the City's inclusionary housing ordinance, provide mortgage assistance, but additional ways to use the funding could be to pay down other development fees; to provide leverage for additional funds; to purchase land for land banking; or even to address infrastructure costs. Successful housing programs typically have a dedicated funding stream available to leverage other resources to complete projects. Funding agencies look more favorably upon applicants with dedicated and substantial reserves, so it is imperative that the City's funding options are maximized.

The City has negotiated a long-term funding source for housing with Three Springs. A voluntary Home Owner Association transfer fee on the sale of homes for a half percent (0.5%) fee on every real estate transaction is expected to generate more than $25 million dollars for housing programs in Durango over the next 40 years this fee. This transfer fee could serve as model for voluntary fees in other places.

Voluntary Transfer Fees may be a viable alternative for generating funds for affordable and attainable housing over a long-term period. An important difference of transfer fees over the current Fair Share model is that under Fair Share the developer pays a one-time upfront fee. With a transfer fee the City collects less money initially, as the required Fair Share contributions are significant, but with multiple transfers over time the City collects a little every time a property is sold. The transfer fee also removes the burden of an additional development expense that compounds already expensive land, labor and materials.

2.4 HOUSING PROGRAM DEVELOPMENT

The Plan serves as the foundation for the Durango Housing Program, which will be administered as a part of the Community Development Department's routine activities. The Housing Program will provide a more focused approach to promoting, analyzing and managing housing-related issues. The focus of the Program will be to implement the six primary policy goals listed above by:

- Allocating housing trust fund monies.
- Administering and updating the Fair Share program.
- Managing the land banking program.
- Fostering public/private partnerships and maintaining relationships with nonprofits and other organizations to create affordable housing.
- Proposing and advancing regulatory, administrative and legal procedures to create a favorable environment for housing construction.
- Participate in long-range planning efforts to promote increased housing opportunities.
- Annual monitoring to track the progress the City is making towards meeting its housing goals, identifying problem area, and creating new solutions.

3. IMPLEMENTATION STRATEGIES

3.1 IMPLEMENTATION TOOLS

If there is a way to create more housing options, chances are it has been tried somewhere. Durango can learn from the experiences of other communities, and has included initiatives such as the Areas of Change and Stability, first used in Denver, in the Plan. This section contains market oriented approaches designed to bolster attainable and market rate housing. Section 4, Financial Analysis, focuses on generating revenues that are needed to help create affordable and subsidized housing. Action items are called out after each subsection in Section 3 and 4, and are compiled at the end of the Plan.

Areas of Change, Stability and Growth

New housing units are going to be built in one of three places: existing neighborhoods, along mixed-use corridors, and in the new growth areas such as Three Springs and Twin Buttes.

Like any city or town Durango has residential areas suited for slow growth, such as Crestview and Riverview, where big changes could be politically difficult and physically constrained. This is not to say that stability is synonymous with stagnation, as people will reinvest in these areas, and residents may want options such as Accessory Dwelling Units, or ADUs. These stable areas will evolve, but the Plan directs the vast majority of additional growth in Durango to areas that more easily accept change. The Areas of Change are the high intensity corridors such as North Main, the Rocket area, and the Florida Road corridor. Three Springs, Twin Buttes and other growing areas on the edge of Durango fall into a third category to be called Areas of Growth, as they are mostly undeveloped and are already targeted for development, and much of Durango's new housing is likely to occur in the Areas of Growth.

> **DURANGO RESIDENTS**
>
> *Rachel Landis is the type of resident that makes Durango so interesting – advanced college degree, Director of the Fort Lewis Environmental Center, member of many local boards, ski patroller in the winter. But, she says the high cost of housing makes it difficult for her to commit to the long term here in Durango.*

Many Areas of Change such as downtown, North Main and the College and Eighth Avenue corridors are mixed use, meaning residential units can (and should) be built in tandem with commercial uses to create the walkable, urban environments Durango values. Most of these areas are underdeveloped relative to maximum possible densities permitted by zoning, meaning there is significant development potential. The Camino corridor is a perfect example. The Camino corridor lies between the Highway 160/550 intersection and the Camino/14th Street/Main Avenue intersection. The area between the railroad and the river developed as a low-density light industrial area, composed of large, low industrial buildings, and the low intensity legacy has endured to the present day. The Camino corridor has an FAR of 0.15. By way of comparison, the Wal-Mart—Home Depot corridor has an FAR (see the following inset for an explanation of FAR) of 0.27, a number that will rise after the Rocket Apartments and Purple Cliffs developments are built. Main Avenue downtown, just a block east of the Camino corridor, has an FAR of at least 1.5, or ten times the intensity of the Camino corridor.

Floor Area Ratio

Floor area ratio, or FAR, is the ratio of a building's total floor area to the size of the piece of land upon which it is built. For example, a lot of 10,000 square feet with a building that has 5,000 square feet of floor area has an FAR of 0.5. A 10,000 square foot building would have an FAR of 1.0, and a 20,000 square foot building would have an FAR of 2.0.

Florida Road is another area with development potential. The corridor is zoned for medium density and mixed-use, but large swaths of the Florida Road corridor contain single-family homes or are undeveloped. The City should emphasize appropriate density along Florida Road, and several multi-family developments are being planned or have been approved in this area. Many medium and high density developments have already occurred along the Florida corridor, and densities of at least 12 units per acre are appropriate in this area.

The implication of this analysis is that much of the mixed-use areas in Durango are underdeveloped, and collectively they are good locations for hundreds of new housing units. Just as importantly, increasing density in these areas has positive fiscal and economic implications for the City. Infill development is more fiscally efficient than new development farther from Durango's urban core, and should have the lowest net cost to serve. Constraining factors in denser areas near Durango's center include higher land costs, high parking requirements that can limit density, and the general complexity of infill development that make in-town development more expensive and riskier to develop.

The areas to contain the most growth, however, are the Areas of Growth. Three Springs and Twin Buttes alone are approved for more than 2,000 additional housing units beyond those already built, and other master planned communities may develop in the future. Three Springs in particular is the primary source of new attainable housing in Durango. The City must continue to plan for workforce housing on the periphery, and pursue land planning that supports these areas.

Action 3.1: Evaluate ways to increase housing in the Areas of Change.

Action 3.2: Support new housing and development in the Areas of Growth.

Market Friendly Approach
Durango cannot regulate its way into workforce housing. Approaches that make building housing easier also need to be considered. These approaches include changing Durango's high parking standards comparable to those of other communities; eliminating density caps in some areas; reducing buffering standards in more urban areas; and through the adoption of other code standards such as a construction defects ordinance and changes to residential demolition requirements.

The breadth and depth of the City's regulatory authority allows the City to make important changes to how housing gets built, if the political will exists to do so. However, these regulations do not exist in a vacuum, and other considerations, perhaps most importantly neighborhood character, will serve as a check as possible code amendments work their way through the City.

Over time, an increased supply of market-rate housing will improve the availability and affordability of housing in Durango. New housing has positive implications for the local economy, through increased development activity, household retention and wealth creation, as well as reducing the costs borne by the City and affordable housing developers to provide traditional affordable housing products. Creating policies to promote more housing is a primary housing policy goal.

Infrastructure Loans
Infrastructure costs vary by project, but are always a significant cost. The City has a long standing policy that development must pay its own way, and that approach is the only realistic way for Durango to grow: the City simply will never have enough money to pay for development infrastructure, nor should it. What could be possible is that when the housing trust fund is adequately funded infrastructure loans or grants may be a possibility.

These programs can provide money up to a certain point to meet off-site infrastructure requirements for a project that meets criteria to be determined by the City on a case-by-case basis, and affordable housing would be a priority. The option of infrastructure loans will make affordable housing developments more financially viable. Because infrastructure is so expensive it is probable that loans will cover a portion of the actual cost, and that the loan will be one of many factors that help developers get to a favorable pro forma.

Realistic Analysis of Current Housing Densities and Uses

A factual assessment of how Durango's housing stock is being used and how it has developed over 136 years would surprise many City residents. This very brief analysis of the state of Durango's neighborhoods shows what is happening, and provides examples of what living arrangements and building types have evolved in the city's neighborhoods.

The status of Durango's Accessory Dwelling Units, or ADU's, is a good example. Before the City began permitting existing ADU's in 2014 it was anyone's guess as to how many there were. The City has so far legalized approximately 265 preexisting ADUs, and permitted another 13 new ones since July 2014. There are still an unknown number of unpermitted ADUs in Durango, including a substantial number of lots in the EN-1 zone (aka the Grid, or Old Durango) with three, four or even more units on one lot. Two units per lot is the maximum legal number allowed in the EN-2 zone, which is parallel to Main Avenue north of the Main Avenue Bridge, and EN-1 zones. ADUs are now legal in the EN-3 zone in East Animas City as well, as shown on the map on the following page. It is almost certain that substantially more than 300 lots in Durango have ADUs, including single-family zoned parcels with three or more units.

The EN-1 neighborhood is zoned for a density of up to eight housing units per acre.[2] A more realistic number, reflecting what is already in much of EN-1, is a density of 10-12 units per acre. Because the City has not yet addressed the lots with three or more units it is not unreasonable that sections of the EN-1 zone exceed 12 units per acre, and that 12 unit per acre threshold is the point at which an area is classified as high density residential. High density is often synonymous with overcrowding, a lack of parking and cheaper housing, and some would say that describes the Grid, yet the Grid has the highest per square foot land values in Durango, it is the most walkable neighborhood in the city, and to many it is Durango’s most desirable area.

The lesson that can be inferred from this assessment is that design, walkability and character are more impactful on neighborhoods than density alone. Not every neighborhood or every part of already dense neighborhoods can absorb more units, but design and density can provide a critical tool for providing more housing and a variety of housing options. Put another way, if the city strictly adhered to its density limits and banned existing multi-family EN-1 lots, many places to live units and some of Durango’s vitality would be lost. Replacing these units would cost millions of dollars, with a loss of character that would be just as great. The legal status of these multi-family units is currently in limbo, but they house a substantial population. The status of these units must be addressed by the City. City Council in the past has stated they do not want people to lose their housing, so a solution for this situation will need to be found.

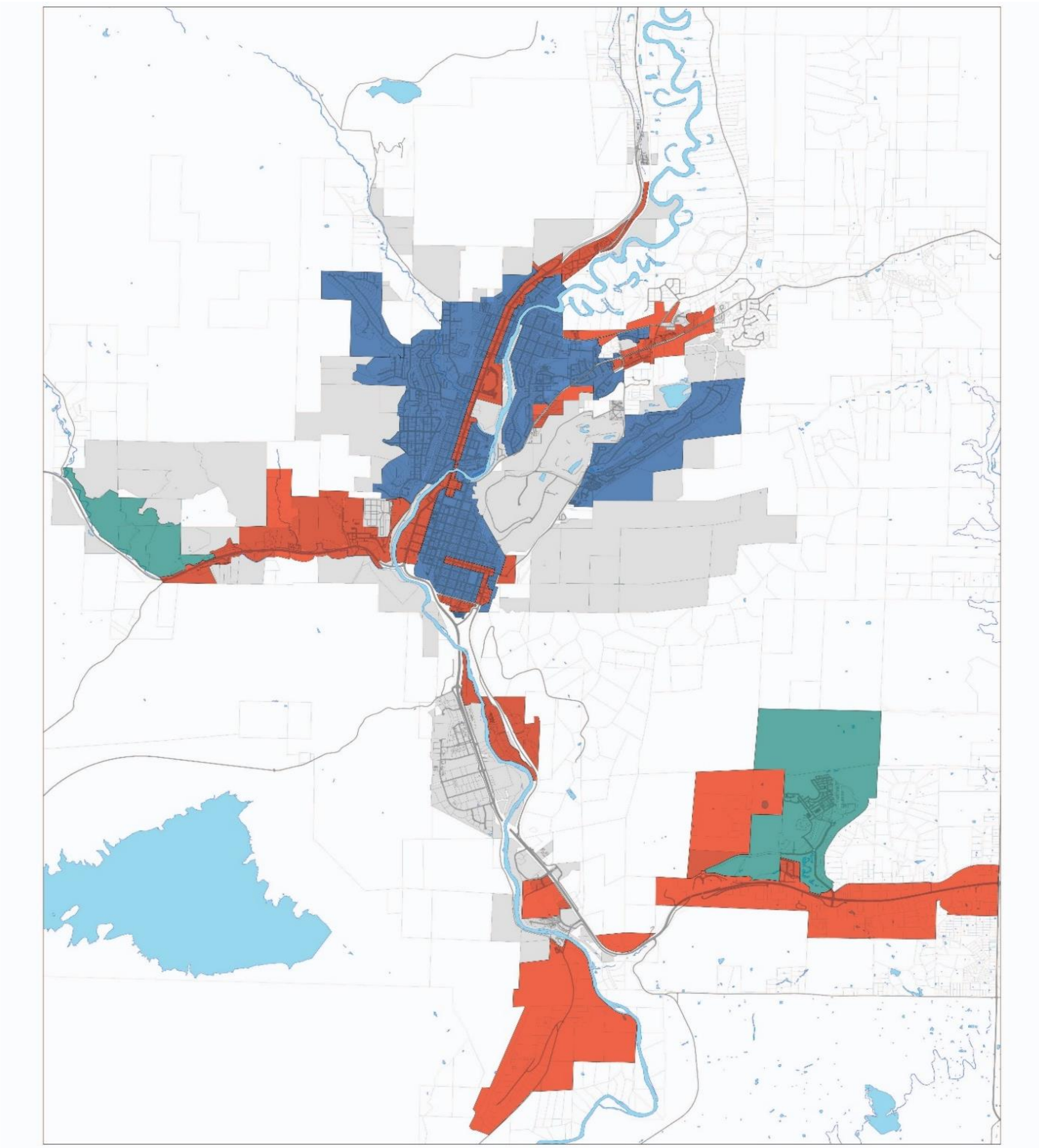
Action 3.3: Evaluate expansion of ADUs to additional Durango neighborhoods.

Action 3.4 Establish a program for addressing the many illegal but vital lots with three or more units in the older parts of town.

Action 3.5 Reassess design and density standards in high density neighborhoods.

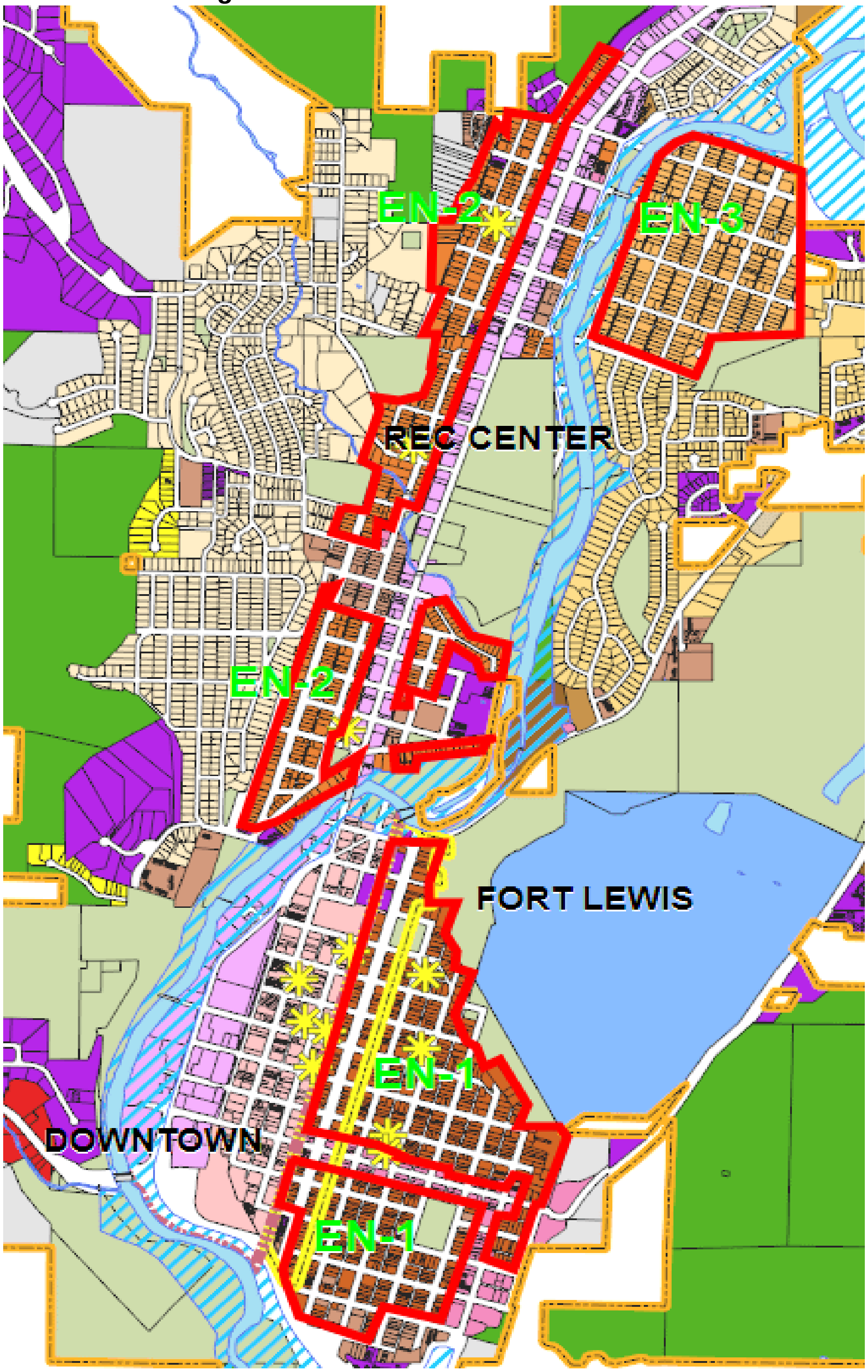
[2] Parts of old Durango are zoned for multi-family, and because high density housing is already legal on these lots they are not a part of this discussion.

Figure 11: Areas of Change, Stability and Growth



Areas of Change are in Red, Areas of Stability are in Blue, Areas of Growth are in Green, and Open Space area are gray

Figure 12: Areas That Allow ADUs



ADUs are allowed in the EN-1, EN-2 and EN-3 zones.
The yellow asterisks are historic structures.

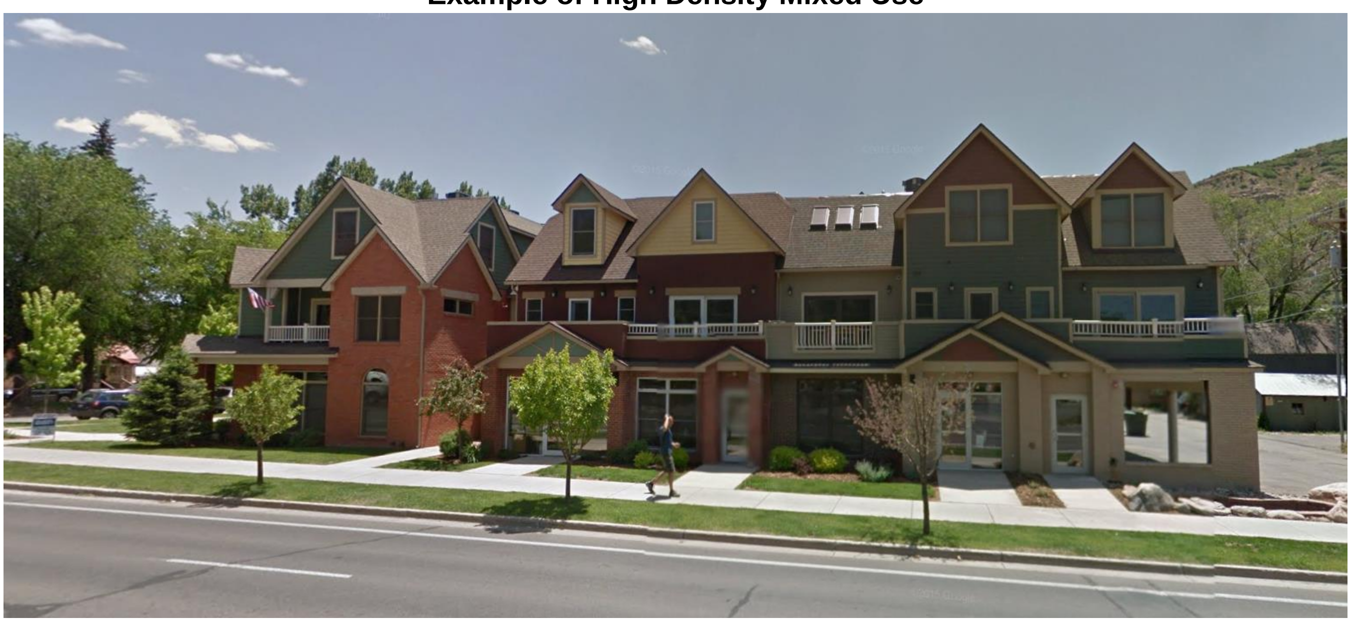
Land Use Development Code Analysis

The Land Use and Development Code (LUDC) sets the standards for development, and it represents the City's best effort to uphold community design and development values. The LUDC is a long, complex and always evolving document, and there are opportunities to modify and update the Code to reflect current values including helping to create housing. The following section identifies Code sections that should be modified to facilitate housing development.

LUDC Standards–Changes to Mixed-Use Zones

In 2014, the City of Durango adopted two new zone districts which emphasized the desire of having commercial and residential uses in the same building. The zones were applied in the Main Avenue, College Drive and 8th Avenue corridors to more accurately reflect the desired development trend. A series of development-related text amendments should be undertaken in conjunction with the Durango Districts Initiative where feasible, to address the process and content of LUDC mixed-use standards. The Durango Districts Initiative is the City's plan to take major ideas from the *Comprehensive Plan* and apply those recommendations at the district level. The findings from the assessments and community visioning processes will result in proposals to update the Land Use and Development Code (LUDC) and zoning map to ensure future development and redevelopment is compatible with community desires. The Housing Program will incorporate some of these principles of compatibility to promote housing.

Figure 13
Example of High Density Mixed Use



Many of these changes are addressed in the following chapter and deal with standards such as parking, height and density. One of the goals of these possible changes is to reconsider code provisions that could prevent desirable development standards. Examples of projects that could not be built currently include the mixed-use project on the southwest corner of College and E 3^{rd} Avenue, as shown in Figure 13, and the mixed-use project on the north side of College between 7^{th} and 8^{th} Streets.

This mixed use development on College Drive would not be allowed under current zoning standards for the Mixed-Use Neighborhood zone district. The project was built shortly before the standards from the 1989 LUDC were changed in the 2014 LUDC to lower density in this area.

The evaluation of areas in Durango to make development more suited to current demands dovetails with the Durango Districts Initiative. Areas like north Main Avenue, the College and 8^{th} Corridors and the Camino corridor between Highway 160 and the Main Avenue Bridge are in development or planned for development.

Figure 14: Example of Mixed Use Building

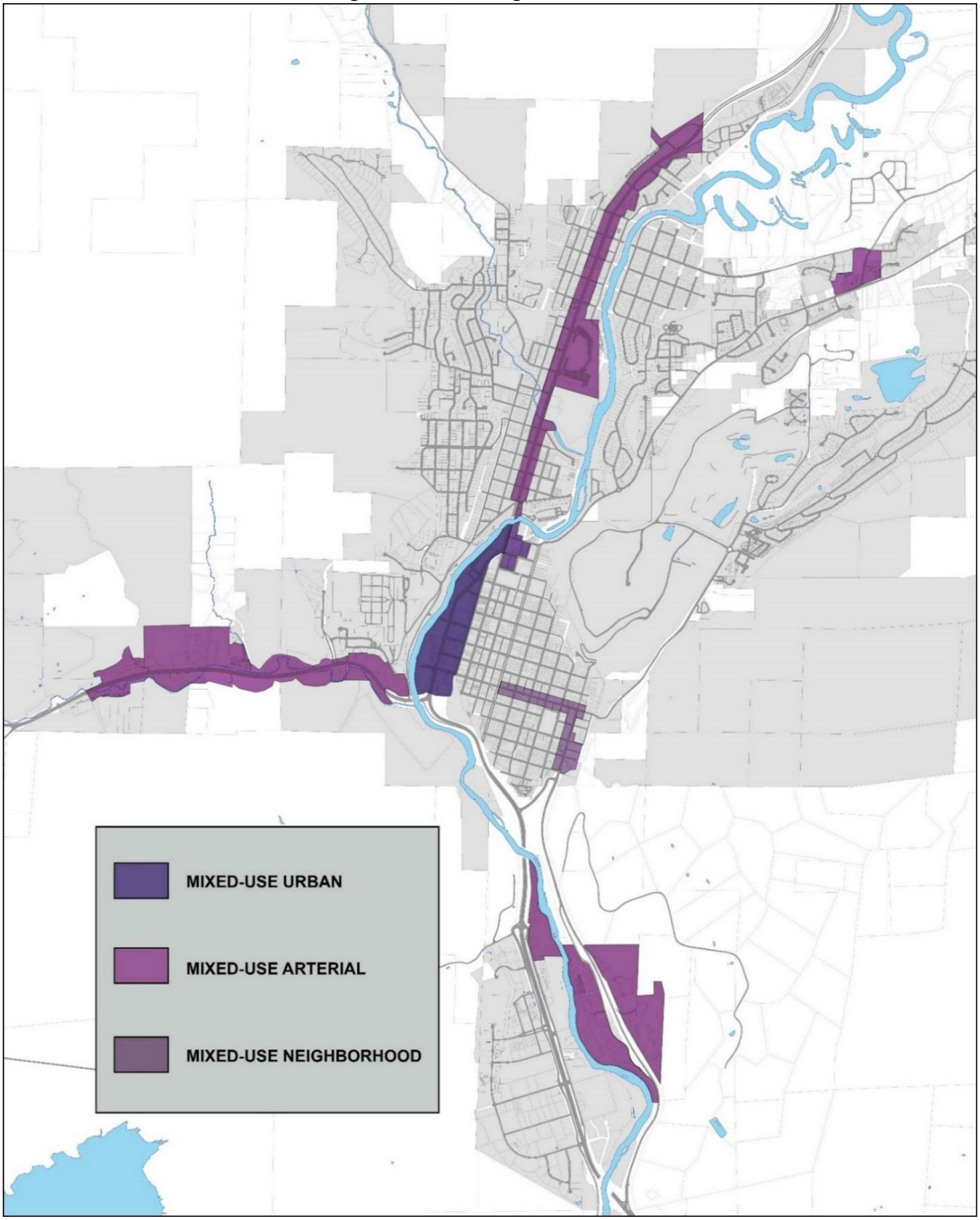
Good design and density are essential to walkable Mixed use neighborhoods

An idea to come out of the Housing Plan's development is a new mixed-use zone. The Mixed-Use Urban zone would be a more intense zone than Mixed-Use Arterial, allowing greater heights and density, and reduced setbacks and landscaping requirements, something close to the CB zone, but which reflects being located on or near Camino. A conceptual rezoning of some areas to Mixed-Use Urban is shown on Figure 20. The map is intended to provoke discussion about mixed-uses, but the term MU-U and the locales of the zone are hypotheticals at this point.

Action 3.6: Combine efforts of Durango Districts Initiative and the Housing Plan to examine the potential for denser mixed-use zones such as Mixed-Use Urban.

Action 3.7: Evaluate current mixed-use zoning standards for ways to increase density and flexibility.

Figure 15: Durango Mixed-Use Zones



Parking

The importance of accurate parking standards cannot be overstated for medium and high density housing or in mixed-use projects. Parking can add anywhere from 20% to 40%, or more, to the cost of a project; in the case of one city creating its first ever parking requirement of one parking space per apartment unit increased housing costs by 39%.[3]

Durango's multi-family residential parking standards are among the highest in the region. This is partially due to the explicit allowance that up to five unrelated individuals can live in a unit together. However, the parking requirement for studios and one-bedroom units, where it is unlikely that five unrelated people would live together, is still higher than most other cities. The increase in parking in larger units to reflect the possibility of five roommates seems to have inflated the parking standards for smaller units as well. A reassessment of Durango's parking standards should have a significant impact on multi-family housing costs.

Special Parking Studies

Until Durango's parking standards are revised, special parking studies are an option developers may use on a case-by-case basis. A parking study was used by the developers of the Rocket Apartment complex to justify the reduction in the parking requirement by 22.5%. The particular circumstances of every development are different, but the parking study was informative, as described in the side bar, and is a valuable tool in evaluating parking standards on a case-by-case basis.

Action 3.8: Evaluate and propose new parking standards for certain residential land uses.

Action 3.9: Continue to use special parking studies as a way to match parking demand to supply.

Construction Defects

A construction defects ordinance was adopted in May 2016. The purpose of the construction defects ordinance is to allow builders to develop condominium projects without being subject to the numerous lawsuits that have brought condominium construction in Colorado almost to a halt. Multi-family construction is a necessity to get the density and number of workforce housing units needed to put a dent into Durango's housing problem, especially in in-town

[3] The High Cost of Free Parking, Donald Shoup

A CASE STUDY IN PARKING

The Rocket Apartments is a 194-unit complex that should have 408 parking spaces, if the current code had been applied strictly. The City instead asked the developers to perform a special parking study of other apartment complexes in Durango to assess parking demand.

The result? 316 spaces were required, plus uncounted tandem parking spaces. The parking survey of parking lot use in existing apartments in Durango was taken at different times and days at six complexes, found parking lots were rarely more than 60% full even at peak hours.

The analysis also used data provided by the developer for other projects it had constructed, showing similar parking demand as the apartment study.

Data indicated that sometimes Durango's parking standards are excessive. Parking is a major cost for builders—reducing these standards can reduce housing costs.

Durango. Unless the Colorado Legislature acts further to reform defects law, condominium construction in Colorado is unlikely to represent more than a few percentage points of new construction, and will remain a state-wide problem.

Vacation Rentals

Vacation rentals are increasingly popular in Durango and there are approximately 85 permitted rentals, plus approximately 30 illegal rentals at any given time. The total of 115 or so rentals means that about 1.5% of Durango's housing stock is used for short term rentals, defined as a rental used for less than 30 days by one tenant. Each unit used as a vacation rental takes a unit out of the housing pool, reducing supply and putting upward pressure on housing prices. In 2014, City Council capped the number of rentals in the EN-1 zone at 22 and in the EN-2 zone at 17. The Crimson Cliffs and Ryler Park developments are also capped, at six and two, respectively, but areas such as the downtown CB zone, mixed-use zones, and several higher density zones are uncapped. The CB in particular is seeing strong growth in vacation rentals, and buildings such as the Jarvis Suites and the Mears House have more vacation rental units than permanent residential units, functionally making them hotels.

The City has made enforcement against unpermitted vacation rentals a priority, and tracks compliance through a second party firm. The appeal of operating a vacation rental continues to be strong because of the high nightly rates vacation rental owners can charge. With the high return, and because the City regulates vacation rentals carefully, demand exceeds supply and unpermitted rentals will continue as an enforcement issue for the City.

City Council, City Staff and the public have had many conversations about vacation rentals and their place in Durango, and staff needs to evaluate the impact rentals have on the housing market. One potential way to address the issue is to assess an annual fee on vacation rentals to be used for the housing fund. Another potential revenue source is to assess houses containing vacation rentals at the commercial property tax rate, which is higher than the residential rate. Continuing to prohibit vacation rentals in other neighborhoods and vacation rental caps in commercial areas would preserve more housing for Durango residents.

Action 3.10: Evaluate the steady growth of vacation rentals on Durango's housing market. Additional fees on vacation rentals should be considered to offset the cost of impacts created by the vacation rental market and limitations on vacation rentals should be considered for other zones.

Townhouse and Condominium Standards

Minimum lot standards prevent what are reasonable development models in higher density residential zones. Townhouses, for example, are limited by the City's LUDC lot size standards in the EN-MF and MU zones. In the EN-1 and EN-2 zones the minimum lot size for a new lot is 4,000 square feet, but the most common lot size is 7,500 square feet. Two units on a 7,500 square foot lot are allowed, but both must remain under the same ownership and cannot be subdivided. Reducing the minimum lot size to

3,750 sf would allow separate ownership and would change development patterns in some areas, but not in all areas. The City's standards for duplexes allow a homeowner and a renter in the second unit, but changing the ordinance would allow many renters to become homeowners.

Reducing the minimum lot size is a big change and not one the City should approach lightly. Any move to reduce minimum lot size should be undertaken with the understanding that it could encourage demolitions of existing houses so that two replacement houses could be built. In order to promote both the values of building new housing and preserving neighborhood character, appropriate zoning tools should accompany the reduction of lot sizes.

Action 3.11: Evaluate the viability of reducing minimum lot sizes in the EN-1 and EN-2 zone districts.

More Detailed Goals for Development in 30% Slopes

Preservation of steep slopes is important for a number of reasons, including the views that are integral to Durango's identity and safety. Some slopes should be able to be developed, however. Slopes that have low visibility could be one criteria, and these standards will need to be further evaluated.

Manufactured Home Parks and Tiny Homes

The City has three manufactured home parks that provide affordable housing to more than five hundred people.[4] The City should work to preserve these parks because of their importance to the affordable housing supply. The LUDC contains standards for manufactured home parks, but staff will reevaluate the Code to ensure that a new park could be successfully built. The City views manufactured home parks as an important potential source of housing for the City's workforce.

Tiny homes are a popular, yet untested, housing option in Durango. The City has worked with a couple of different tiny home developers, but nothing has yet come to fruition. The City will work to make it easier for tiny homes to be used in Durango.

Action 3.12: Evaluate the LUDC to identify and remove barriers to the use of tiny homes.

Density Bonuses

Cities frequently use tools such as density bonuses to encourage more efficient land use. Density bonuses provide for an increase in density over the otherwise maximum developable density when a project incorporates a certain ratio of affordable units to market units and when units stay affordable for a designated period of time. Density bonuses should be allowed in the appropriate situations—a subsidized affordable project with a low parking need is a good example.

Action 3.13: Develop a schedule or density bonuses and guidelines for their implementation.

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[4] Staff estimate

Annexations

Durango's attainable new housing is currently being built in an area that was not in the City in 2000. The City annexed Three Springs knowing the project would greatly expand the City's housing supply that is affordable to most residents. The City must continue to identify annexation areas in the Comprehensive Plan where large scale projects can provide housing. State statutes provide municipalities the authority to impose many requirements on annexations, and in Durango the City has used that authority to require master planned development communities that are dense, walkable and with transit access, with a range of housing prices to serve all categories of residents.

Action 3.14: The City should continue to use annexation policies that implement principles such as good urban design, a mix of housing types and price points and innovative affordable housing approaches found in projects such as Three Springs, Twin Buttes and Skyridge for use in all residential annexations where feasible.

4. FINANCIAL ANALYSIS

Financing affordable housing is not an easy proposition. Local subsidies in Durango are currently limited, and used exclusively for down payment mortgage assistance, and state and federal funds are subject to cuts and competition for funds. Federal funds seem likely to decrease in the near term and have already grown more limited in recent years. Locally, housing is not the only critical need vying for local money, as Durango will always have multiple funding demands, therefore it is important for the City to continue to seek additional dedicated funding streams specifically to fund affordable housing. One of the primary policy goals of the Plan is to establish a Housing Trust Fund to provide resources for affordable housing opportunities.

A goal of the Plan is to identify and examine different revenue sources to maximize housing creation, including the existing Fair Share program, a linkage fee, impact fees, a dedicated tax stream and other sources. Ultimately these funding sources will enable a housing pipeline for workforce and affordable housing, by providing matching funds for grants, leverage for attracting state and federal grants and loans, or fund to defray costs for developers of qualified projects.

Most of the funding discussed in this section is likely to be for affordable housing at the lower end of the housing spectrum, as developers cannot build affordable housing without a subsidy of some type. Durango has a number of affordable housing projects, as discussed above, and these all received a tax credit or other type of government subsidy.

4.1 TRUST FUND DEVELOPMENT STRATEGIES

Potential Funding Sources

A diverse funding base will provide a greater opportunity to assist with the development of affordable housing. It would be optimal to source the City's funding portfolio broadly, with federal, state and local funds, residential and commercial developers, and from private sources when possible. Potential funding sources could include:

1. Fair Share Ordinance
2. Voluntary Development Transfer Fee
3. Commercial Linkage Fee
4. Demolition Fee
5. Second Home Assessment
6. Dedicated Sales Tax
7. Excise Tax
8. Progressive Fees and Fee Waivers
9. State and Federal Funding
10. Equity Purchases in Rental Properties by the City

Fair Share Inclusionary Housing Ordinance

Fair Share, adopted in 2009, is the City's sole dedicated revenue source for housing and requires for-sale housing developments with four or more units to provide 16% of the units as affordable housing. The ordinance requires built units as the priority, but provides an option whereby City Council can allow developers to make fee-in-lieu payments or to donate land instead of building units. The fee-in-lieu payment is a lesser cost option for developers under the current system.

Fair Share is inclusionary zoning, a method for affordable housing provision used by more than 500 local governments across the nation. The in-lieu funds generated by Fair Share are directed to the mortgage assistance program managed by the HomesFund, the successor to the now dormant La Plata County Regional Housing Alliance. The mortgage assistance program creates affordable homeownership through providing zero-interest, zero-payment second-mortgages that decrease the first-mortgage loan amount, and facilitate permanent affordable homeownership for eligible households. The Homes Fund receives a portion of the funds to be reinvested into its assistance fund upon the sale of the property. Through 2017, the RHA and the HomesFund have received $174,424 from City Fair Share fees, and has deployed more than $131,000 in mortgage assistance to eight families. Another $78,480 was collected by the City at the end of 2017, and more funds are expected to be collected from projects nearing approvals. In total, 57 households have received $1,904,914 in assistance from HomesFund, leveraging a total of $13,645,392 in home purchasing power. The average income of mortgage assistance loans was 83% of AMI.

> *Working is not a cure for housing affordability problems, as more than half of non-elderly households with severe cost burdens include at least one worker earning half the household income. Many of these workers are in service occupations that are vital to their communities, yet in some places their housing costs far exceed their incomes. As long as the economy continues to demand low-wage jobs that provide little opportunity for advancement, the plight of the working poor will continue.*
>
> *--A Reality Check for Housing Affordability Advocates,* ***Rachel Drew***

Fair Share is criticized by developers as cumbersome and hard to understand. Many developers feel the fee makes housing more expensive, as the Fair Share costs are passed to the home buyer, thus exacerbating housing cost issues. The benefit of Fair Share is that people who could not otherwise afford to own housing can use the assistance program to buy a home, and the City anticipates a growing greater community benefit from Fair Share as housing growth continues.

Expanding Fair Share to include developments of one to three units should also be considered, as is making these funds available to rental projects. The City will undertake a re-evaluation of the Fair Share process in 2018.

Action 4.1: Amend the Fair Share Ordinance to make more effective and easier to administer.

Voluntary Development Transfer Fee

New government-imposed real estate transfer taxes are no longer allowed in Colorado. Communities that had established such taxes prior to their prohibition have found such tax to be an effective method for funding affordable housing programs.

The City of Durango, through negotiated development agreements, receives a 0.5 percent transfer fee from the Three Springs Home Owner's Association upon the sale of each home. While not a government imposed transfer tax, the fee functions similarly, and satisfies requirements of the Three Springs Development Agreement pertaining to affordable and attainable housing commitments. The City should evaluate the merit of utilizing this tool with future planned developments as an alternative to the Fare Share fee-in-lieu.

Action 4.2: Evaluate future utilization of voluntary developer transfer fees as an alternative to Fare Share fee-in-lieu.

Commercial Linkage Fee

With the assistance of TischlerBise, a firm specializing in financial analysis of municipal impact fees, a housing linkage fee study was completed in 2017. The purpose of the study was to define and analyze the relationship between new nonresidential development and the demand for housing for workers of the new development. Through the analysis of existing types of nonresidential development, income levels of employees, and the composition of worker households, the analysis defined the demand for affordable housing created by each type of nonresidential development and an associated cost per new job to effectively house the workers in the community. The concept behind a commercial linkage fee is to establish a funding mechanism to bridge the gap between what a worker at a new business can afford to pay and the cost of market rate housing. Linkage fees have been used throughout Colorado and the United States since the 1980s.

Linkage fees must be created methodically and in a justifiable manner—there must be a demonstrable nexus and proportionality in order to establish a linkage fee. The maximum supportable fees established in the study are shown in Figure 16. While these figures have been identified as supportable, they are not recommended fees. The determination of if a fee should be established, and at what level, is a political decision. Housing linkage fees may be adopted at levels lower than the maximum supportable fees.

Figure 16: Maximum Supportable Linkage Commercial Fee

	Housing Prototype	Affordability Gap per Unit	Industrial	Institutional	Assisted Living	Lodging	Office	Retail
Housing Cost per Sq. Ft. of Building Area[1]								
Extremely Low (0% - 30%)	Rental	$190,200	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Low (31% - 60%)	Rental	$118,500	$3.40	$0.55	$0.00	$5.53	$3.15	$9.30
Below Median (61% - 80%)	Ownership	$99,210	$11.38	$3.01	$14.53	$6.32	$9.64	$15.66
Median (81% - 125%)	Ownership	$32,560	$5.72	$6.22	$2.97	$1.62	$6.46	$5.52
Above Median (>125%)	Excluded							
Total			**$20.50**	**$9.78**	**$17.50**	**$13.47**	**$19.25**	**$30.48**
					$7,000 Per Bed[2]	$8,100 Per Room[2]		

1. TischlerBise analysis (housing demand per square feet of bulding area multiplied by affordability gap).
2. Converted from square feet based on 400 square feet of gross building area per bed for assisted living and 600 square feet of gross building area per room for lodging.

The concept of a commercial linkage fee and the preliminary finds of the study were presented to City Council in the spring of 2017. Imposition of a commercial linkage fee on nonresidential development would require City Council action. If considered and adopted, the fee would function as a development impact fee and be assessed at the building permit stage of the development. Findings of the study are valid for 3 – 5 years. Given the volatility of the commercial retail market in Durango in 2017, further consideration of a fee should be weighed against the impact such a fee could have on the viability of new development

Action 4.3: Further evaluate the viability and potential effectiveness of a commercial linkage fee to assist in establishing more workforce housing in Durango.

Demolition Fees

Demolition of residential structures is a common occurrence and is not inherently a negative activity. Many of the houses that are demolished are rundown and substandard in some way. Approximately 35 houses have been demolished in Durango during the past decade. Without exception, the older houses were replaced with much larger houses with typical sales prices of $700,000 to $800,000. While the City will need to continue to allow residential demolitions, it should consider changing the way it administers demolitions. Demolitions are driven by the high value of land in Durango, which far exceeds the value of many smaller and poorly maintained houses, a situation that is unlikely to change.

As of 2017, the demolition permit fee is $15. Most fees, such as road and utility impact fees, assessed to new houses are not assessed to new houses that are replacing demolished houses. The City is essentially incentivizing the demolition of older less expensive homes for replacement by homes that are in some cases valued at more than $1,000,000.

Potential changes to the demolition permit process could include:

- Charge a demolition fee based on the value of the new house and consider the full assessment of fees charged to a new home built on a vacant lot.
- If a demolition is to occur, the City could still charge the fixed demolition permit fee but waive the utility fees (for one unit) if the resulting structure has an affordable unit, or if the lot is developed into three or more units, where such development is allowed by code.

Action 4.4: Revise demolition permit standards to reflect the costs of demolition and construction and incentivize lower cost housing.

Second Home Assessment
Durango is a desirable location for vacationers and second home owners, but second-home ownership does present an opportunity cost problem with respect to City revenues. Second home owners do not live in Durango and therefore cannot support the local economy on a regular basis, as permanent residents do when they buy groceries, eat at restaurants or buy other goods. Every house used as a second home also removes a house for full-time residents, shrinking supply and putting upward pressure on prices.

Dedicated Taxes
Sales and property taxes are the two most frequently used taxes for the support of affordable housing. The use of sales tax money for housing is a viable option and should be explored through a public process. Sales taxes are inherently regressive taxes which disproportionately impact those with less money. A sales tax that benefits people in need of affordable housing, however, has a direct link to the benefit, i.e. those who are most affected by the tax are helped most by the tax, which is an equitable use of sales tax.

Action 4.5: Evaluate the possibility and process for establishing a dedicated sales tax revenue to support the creation of workforce and affordable housing.

Excise Tax
Excise taxes are taxes paid when purchases are made on a specific good. Some cities have adopted excise taxes on residential and commercial development. The benefit of an excise tax is that, unlike inclusionary housing, the tax can be spread to all development, not just multifamily development. Some jurisdictions tax all development with a set percentage, such as Portland, which charges 1%. Other cities, such as Boulder, assess a fee based on square footage of the development.

Action 4.6: Evaluate the possibility and process for establishing an excise tax to support the creation of workforce and affordable housing.

Progressive fees and fee waivers

An idea proposed by at least one member of the Housing Policy Advisory Committee is a progressive fee schedule for residential development. A progressive fee is simply one that assesses a smaller fee for less expensive housing. A one million dollar house will have larger fees than a $300,000 condominium, but under this model the percentage any fees are based on would be higher as well. Staff must evaluate these concepts, but these are ways to encourage workforce housing while not increasing overall fee collection.

Delay, deferral or waivers of some development fees for projects serving 30% to 40% of AMI could be possible at the discretion of City Council. If granting a waiver will not jeopardize City finances. Delays in assessing impact fees for projects serving low income residents could serve as a tool to assist in having a cash flow for the project and ease the burden of upfront costs that make it difficult to finance low-income housing.

State and Federal Funding

Private Activity Bonds

Private Activity Bonds (PAB) are a potential funding source for affordable housing. The Colorado Department of Local Affairs allocates private activity bonds on a prorated share, based on population, to Colorado counties and cities. PAB funding is required for 4% tax credit housing. PAB funds are expensive and are difficult to use for any housing projects aimed at an AMI of less than 50%. Projects targeting 50% to 60% AMI should cash flow enough to work with PAB funding, which broadens the pool of potential developers for affordable housing projects. La Plata County receives a PAB allocation of $2.7 million, and often does not use it, although its 2016 allocation was used. The County and City can elect to make affordable housing a priority for its PAB allocation.

Some cities have used a bifurcated structure with a mix of market rate and subsidized housing, requiring bond capacity only for the affordable portion of the project. The reduction in the usage of bonding capacity can allow more affordable housing projects to be built.

Action 4.7: Work with private nonprofit developers to assess feasibility of using PAB for housing development.

Federal Grants and Funds
Federal government programs for housing include HOME investment partnerships. HOME dollars provide competitive funding to local government, non-profit and private developers and can be used for homebuyer assistance and tenant-based rental assistance, among other things.

Action 4.8: Develop a schedule of potential development fee changes to allow delays, deferrals or waivers in certain circumstances for review by Council.

Low Income Housing Tax Credits (LIHTC)
LIHTC funding has been used to fund many projects in Durango over the years. The credits reduce the debt necessary to develop a project, allowing rents to stay affordable. If the City establishes a housing trust fund it can supplement LIHTC funded-projects to increase the potential for affordable housing projects.

4.2 LAND BANKING

Land acquisition and banking

The high cost of land is one of the major impediments to the construction of affordable housing for residents of Durango. The City is exploring ways to acquire and use land for housing. Land acquisition can be through the Fair Share Program, and as an in-lieu to cash or housing development. At least two parcels of land, with the potential for as more than 150 housing units, may be dedicated to the City in the near future.

Land banking involves acquiring land and holding it for future development. The City owns very little developable land, but it does have some. Land banking may play a role in future development. Many successful housing programs around the country have relied on land banking as a primary means for delivering affordable housing. If there is a litmus test for land banking it is if affordable housing will still be a need 20 years or more in the future. The idea of land banking is simple: the City would hold a parcel of land for future housing development. Land can be obtained in different ways, whether through donation, a Fair Share obligation of development, by purchase, or it could be land the City already owns.

Land costs are one of the biggest obstacles to the provision of housing. The power of land banking is that as the cost of land rises through time, the purchased land becomes more valuable. When a decision is made to develop the land, the land cost has been eliminated. The biggest hurdle to establishing a land bank, as with everything in affordable housing programs, is raising the capital to make the purchase, and for this reason the Housing Trust Fund and land banking are considered in tandem.

The true payoff for land banking may take decades to fully appreciate, but when the time comes to develop the benefits are enormous. The City of Fort Collins, for example, began purchasing land for its land banking program in the 1990s and is now beginning to develop these parcels. Fort Collins' land banking program was, as one housing official from there stated, possibly the most important decision that city made in their housing program.

In Durango, parcels on the periphery of the city are more likely to be used for land banking because land is cheaper and bigger parcels are easier to find. Areas that are also candidates for land banking include the areas not currently in the City which are in the City's planning area, where Durango planning standards apply to new construction.

Action 4.9: Establish a land banking program to hold for future development.

Creation of Affordable Rental Units

Building affordable rental products in Colorado can be constrained by the State's prohibition on rent control. Rents in new development can be kept affordable, however, when government money is involved in the creation or retention of the ownership of the property. Without such an exception, Low Income Housing Tax Credit projects would not be feasible. Government funds may also be used to purchase equity stakes in rental projects to keep rents affordable and available to the City's workforce, and the City should examine the potential of using this strategy.

Action 4.10: Evaluate the option of equity purchases by the City in rental projects to more easily create affordable rental products.

5. CONCLUSION

The City of Durango has a problem with housing availability and affordability. Housing costs have been an issue for several decades and costs continue to grow faster than incomes, and more than four in ten Durango residents must spend more 30% of their income on housing. The City has taken steps to address its housing issues, including the formation of the Regional Housing Alliance (now part of the Homes Fund) and the adoption of the Fair Share Ordinance in 2009, and now proposes to use a combination of market friendly approaches to funding regulations to address Durango's workforce housing issues.

The lack of affordable housing is forcing many to live outside the city and even the county. The large number of commuters means fewer children in Durango schools, less sales tax collection from workers who do not live in Durango, and less discretionary income to spend for the 40% of Durango residents who are housing burdened. Many of the people who are facing these problems—such as teachers, food service workers, first responders and young families—are the people who make Durango a real community.

There are many examples in Colorado and the Rocky Mountain West of communities where the working class and even professionals have no chance to own market rate housing. This is not an imminent threat in Durango, especially with less expensive housing available on Durango's edges, but people should also have access to reasonably priced, quality housing in Durango. Many of the solutions proposed in this plan will require making potentially difficult decisions, and decisions that will have financial consequences. In the coming months and years ahead, the City will undertake additional research and a variety of actions in order to implement this Plan. An implementation table for proposed items that will be brought to public discussion and Council consideration is listed below.

♦ IMPLEMENTATION OF HOUSING ACTIONS

The table below contains the anticipated timeline for implementing the action items contained in the Housing Plan. The timelines are grouped into three categories: short-, mid- and long-term. Short-term actions are things the City can do immediately, such as amendments to the LUDC. Mid-term changes will require more planning and input from the public or elected officials before they become effective. Longer term items, such as creating a land bank and developing financial resources, are going to take time to develop and implement, and may even require help from outside agencies or consultants.

Action	Timeline
Action 3.1: Evaluate ways to increase housing in the Areas of Change.	Short-term
Action 3.2: Support land use planning, housing and development in the Areas of Growth.	Long-term
Action 3.3: Evaluate the possibility of expanding ADUs to additional Durango neighborhoods.	Short-term
Action 3.4 Establish a program for addressing the many illegal but vital lots with three or more units in the older parts of town.	Short-term
Action 3.5 Reassess design and density standards in high density neighborhoods.	Mid-term
Action 3.6: Combine efforts of character districts initiative to examine the potential for denser mixed-use zones such as Mixed-Use Urban.	Short-term
Action 3.7: Evaluate current mixed-use zoning standards for ways to increase density and flexibility.	Short-term
Action 3.8: Evaluate and propose new parking standards for certain residential land uses.	Mid-term
Action 3.9: Continue to use special parking studies as a way to match parking demand to supply.	Short-term
Action 3.10: Evaluate the steady growth of vacation rentals on Durango’s housing market. Additional fees on rentals could help to offset the upward pressure on housing prices caused by the number of rentals in the city.	Short-term
Action 3.11: Evaluate the viability of reducing minimum lot sizes in the EN-1 and EN-2 zone districts.	Mid-term
Action 3.12: Evaluate the LUDC to identify and remove barriers to the use of tiny homes.	Mid-term
Action 3.13: Develop a schedule of density bonuses and guidelines for their implementation.	Short-term
Action 3.14: The City should continue to use annexation policies that implement principles such as good urban design, a mix of housing types and price points and	Short-term

innovative affordable housing approaches found in projects such as Three Springs, Twin Buttes and Skyridge for use in all residential annexations where feasible.	
Action 4.1: Amend the Fair Share Ordinance to make more effective and easier to administer.	Mid-term
Action 4.2: Evaluate future utilization of voluntary developer transfer fees as an alternative to Fare Share fee-in-lieu.	Mid-term
Action 4.3: Further evaluate the viability and potential effectiveness of a commercial linkage fee to assist in establishing more workforce housing in Durango.	Short-term
Action 4.4: Revise demolition standards to more accurately reflect the costs of demolition and construction.	Short-term
Action 4.5: Evaluate the possibility of using City general revenue funds as seed money for the housing trust fund.	Mid-term
Action 4.6: Evaluate the possibility and process for establishing an excise tax to support the creation of workforce and affordable housing.	Mid-term
Action 4.7: Work with private nonprofit developers to assess feasibility of using PAB for housing development.	Long-term
Action 4.8: Develop a schedule of potential development fee changes to allow delays, deferrals or waivers in certain circumstances for review by Council.	Mid-term
Action 4.9: Establish a land banking program to hold for future development.	Long-term
Action 4.10: Evaluate the option of equity purchases by the City in rental projects to more easily create affordable rental products.	Mid-term

APPENDIX A

HOUSING COSTS BY THE NUMBERS: WHY IS HOUSING IN DURANGO SO EXPENSIVE?

Demographics

The first step in the housing program's development was to assess the state of housing affordability in Durango. A quick review of real estate websites or rental listings shows how expensive housing is, but a more pressing question is the relationship of housing costs to income, i.e. what can people in Durango afford? One of the fundamental parts of understanding any housing market is to quantify demand and supply, and one of the initial actions of the housing program was commissioning in 2015 a housing demand study by the Regional Housing Alliance (RHA). With assistance from the Colorado State Demographer and the Colorado Department of Local Affairs, the RHA produced a study indicating strong current and future housing demand in La Plata County.

One of the most striking conclusions of the study was the absolute demand for housing, with an estimated 550 to 950 new units needed annually in La Plata County. From 1995 to 2015 on average, 555 building permits were issued countywide, with 134 of those in Durango, as shown in Figure 17. Building permit numbers are highly volatile on a yearly basis, ranging as little as 186 in 2009 to as much as 869 in 1995 countywide. However, over the long term, the number of permits to be issued will need to approach the number suggested by the demand analysis to keep pace with demand.

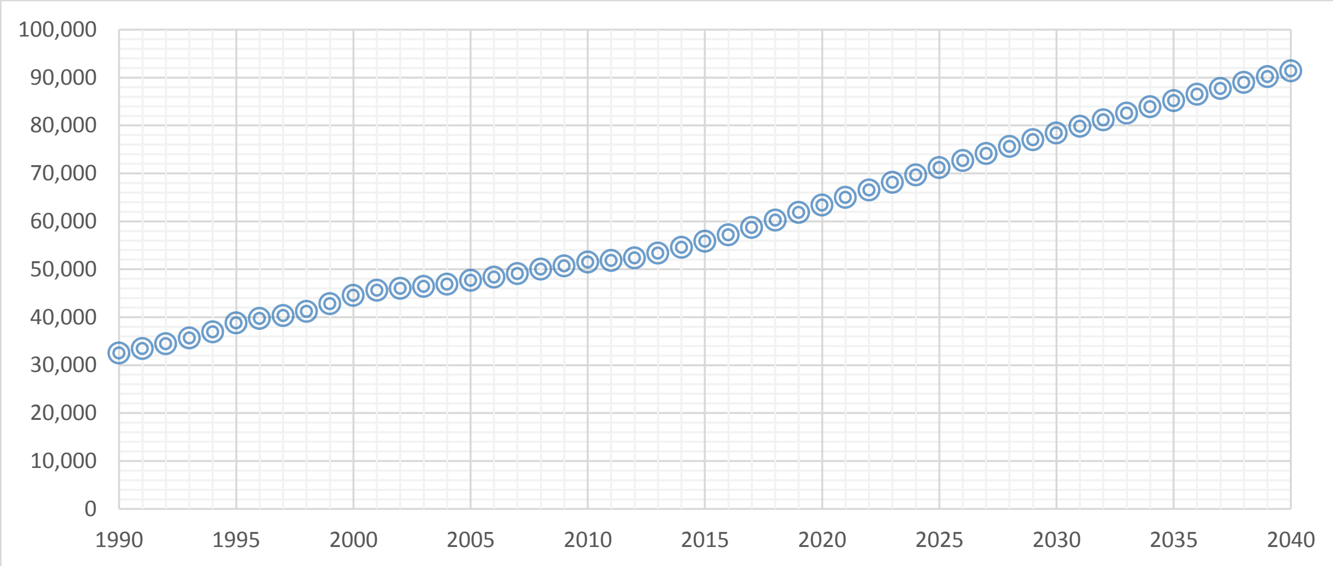
Figure 17: Building Permits in La Plata County and Municipalities

Residential Building Permits Issued by Year 1995-2015				
Year	**Durango**	**Bayfield**	**Unincorporated La Plata County**	**Total**
Total	2,805	486	8,211	11,107
Average	134	23	391	555

Source: La Plata County and Durango Building Departments

La Plata County's population was less than 40,000 in 1995 but is now 56,000, and as the county and Durango population grow, the forecasted annual demand should continue to increase as well. Larger population bases typically produce greater population increases, and the demand for new housing is likely to steadily increase as well. La Plata County's population is expected to reach 85,000 by 2030, as shown in Figure 16.

Figure 18: Population Growth and Projections for La Plata County 1990-2040



Source: US Census data

Much of the study data was available only at the county level, thus the numbers for Durango must be extrapolated from the larger La Plata County numbers, but demand at both the City and County levels is driven by steady population growth, and Durango accounts for one-third of La Plata County's population, but that percentage is shrinking as new residents have to look elsewhere in the county to find housing they can afford.

National Housing Trends and Durango

Housing is getting more expensive in many places, and to a significant extent what happens in the rest of the Mountain West, and the nation, is happening in Durango. Nationally, housing prices climbed slowly until the end of the 1990s, forming the housing bubble that burst in 2008, contributing to the Great Recession. Housing prices are again climbing, and are nationally at 95% of the 2008 peak, according to data from the Zillow housing website. In Durango, the 2008 median home price of $358,000 has now been eclipsed by the 2016 $382,000 median home price.

Many desirable areas of the West are experiencing limited growth in supply, high land and labor costs and increased housing demand due to steady population growth. Among the most 25 most populous states in the U.S., Colorado has the 5th most expensive housing, and Durango housing is more expensive on average than Colorado. The increase in home prices in Durango and the West is not linked to equivalent increases in income, however.

Many areas in the West, as in Durango, have rental markets where more than half of the renters are housing burdened. Homeowners as a class have more wealth than renters, but the share of housing burdened homeowners is also rising. The higher the share of housing as part of a person's income, the less money people have not just for disposable income—to buy clothes, go to the movies, eat at a restaurant—but the less there is for necessities as well. The higher the housing burden, the less there is for groceries, health care, and transportation.

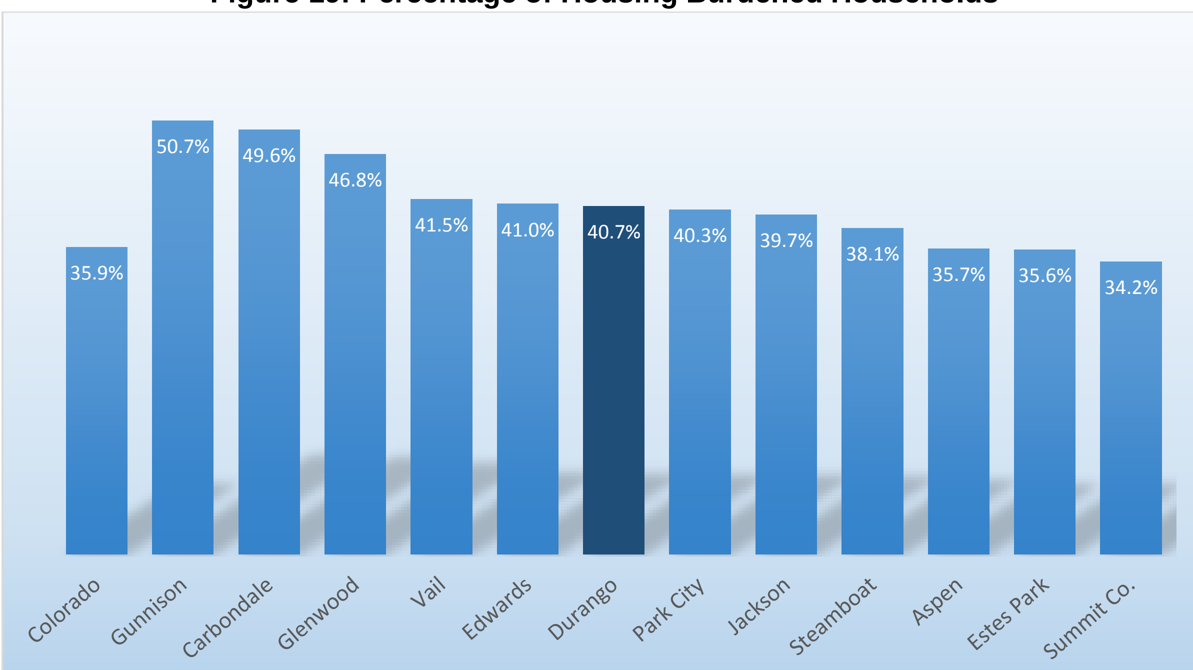
The absolute measure of percentage of income spent on housing shows how expensive Durango is, with almost 41% of Durango residents being housing burdened. The fact that Aspen, at 35.7% housing burdened, is comparatively low is due to the success and length of time of their affordable housing program.

The presence of vacation rentals can also have an effect on housing prices. In Durango as much as two percent, or about 160 units, of the housing stock is used as vacation rentals. Two percent may not jump off the page as a huge number, but if a developer were to build 160 new units the process would cost millions of dollars. In Durango's rental market, which often has a vacancy rate of less than two percent, 160 units is a significant number.

Comparable Communities

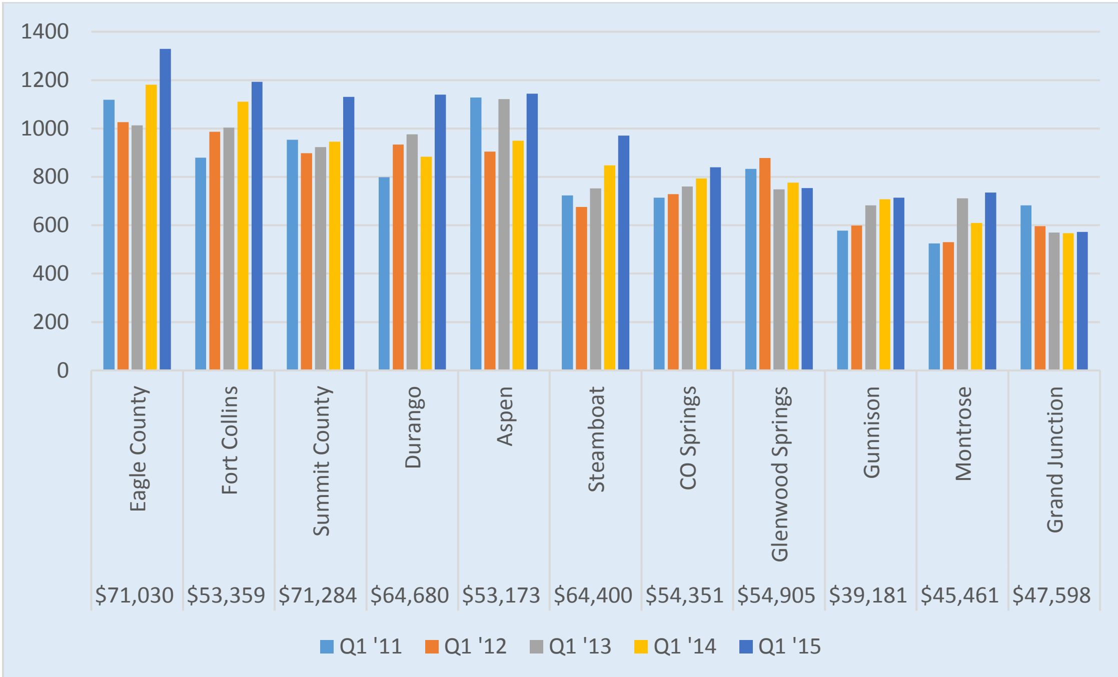
Durango lives in a very pricey region, that of the Colorado mountain town. While Durango may will never be as expensive as Aspen or Telluride, Durango is expensive and, as noted in the introduction, relatively low wages exacerbate high housing costs. The relative measure of housing costs and income gives a more accurate picture of cost alone, and as shown in Figures 20 and 21. Durango is in expensive company.

Figure 19: Percentage of Housing Burdened Households



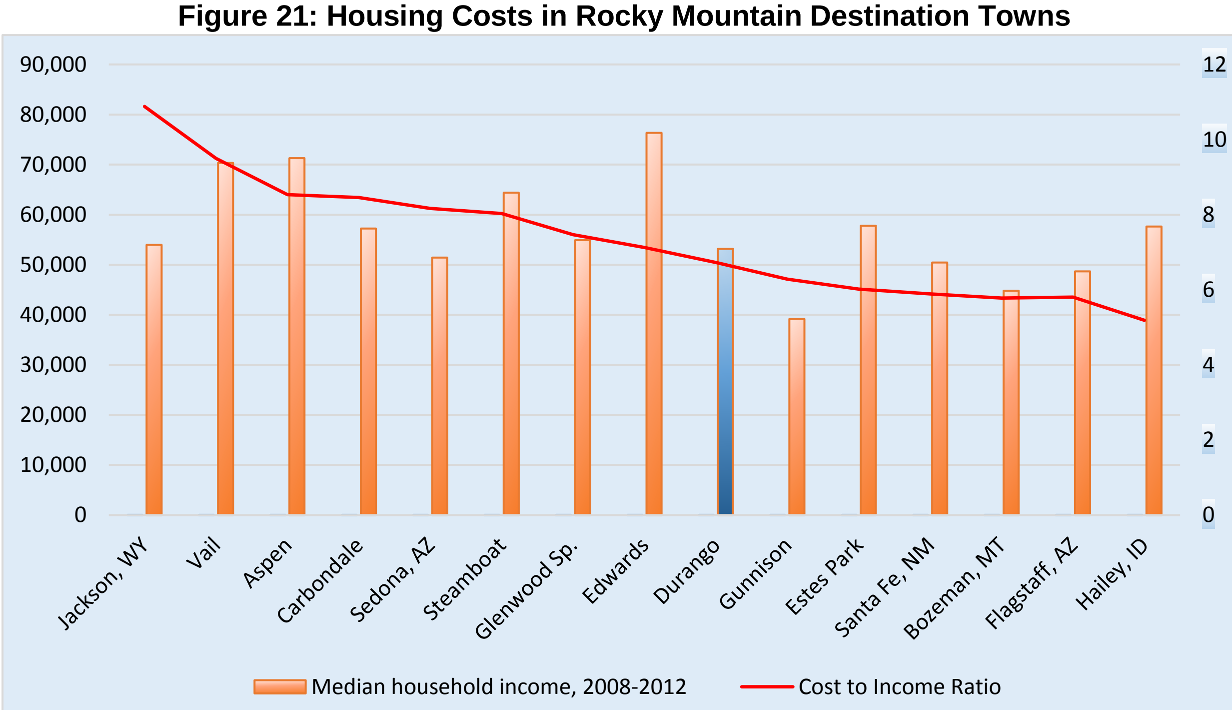
Source: Staff analysis based on U.S. Census American Community Survey

Figure 20: Rents in Colorado Places Comparable to Durango, 2011-2015



Source: *Colorado Multi-Family Housing Vacancy & Rental Survey,* Ron Throupe and Jennifer Von Stroh

Figure 21: Housing Costs in Rocky Mountain Destination Towns



Source: Staff analysis based on U.S. Census American Community Survey

♦ APPENDIX B

2017 COMPREHENSIVE PLAN GOALS

The Durango Comprehensive Plan was updated in 2017 and included revised and additional housing goals. There is a great deal of overlap between the objectives of the housing section of the Comprehensive Plan and the goals of the housing plan but they are not the same. The implementation of the housing program will include the implementation of the Comprehensive Plan housing goals, and the goals are listed as follows.

6.5 Housing Goals, Objectives and Policies

Goal 13: To continually improve the sustainability of Durango's housing and neighborhoods.

- Objective 13.1: Reduce energy demand and water use on a per-unit basis.
    - Policy 13.1.1: Routinely update City energy codes to improve energy efficiency and foster use of renewable energy technologies.
    - Policy 13.1.2: Use building codes, landscaping standards, fee structures and other measures to reduce water demand in new and existing homes.
    - Policy 13.1.3: Pursue a range of incentives and requirements to measure and improve the energy efficiency of existing and new housing units.
    - Policy 13.1.4: Pursue a range of incentives and requirements to reduce water demands for existing and new housing units.
    - Policy 13.1.5: Enhance mobility options for existing and new neighborhoods through improved bicycle, pedestrian and transit access from homes to goods and services
    - Policy 13.1.6: Consider environmental justice and priorities in the location and design of new as well as the redevelopment of existing housing and neighborhoods.

Goal 14: To provide for the development of a variety of housing types throughout the Durango planning area that meets the diverse needs of the community.

- Objective 14.1: Promote housing affordability for all residents through efficient development patterns as well as design standards that minimize long-term costs to residents, considering up-front costs, operating costs and health impacts of construction materials. The City will also consider diverse housing types and promote development patterns that minimize transportation costs.
    - Policy 14.1.1: Encourage the provision of various types of housing in mixed-use and mixed-income projects.
    - Policy 14.1.2: Encourage residential development in areas where the necessary public facilities and services can be provided economically and efficiently.
    - Policy 14.1.3: Encourage high-density residential development in areas that are located near work, retail, service and community facilities (such as parks, playgrounds and schools) to reduce transportation related costs.

Policy 14.1.4: Promote subdivision design that provides bike and pedestrian access to trails and transit routes.

Policy 14.1.5: Protect the existing housing stock by limiting nonresidential uses into residential neighborhoods.

Objective 14.2: To provide for opportunities for a variety of housing types.

Policy 14.2.1: Encourage a mix of housing types and allow greater densities to provide a greater number of workforce housing units

Policy 14.2.2: Incentivize the construction of smaller units.

Policy 14.2.3: Encourage residential development with convenient pedestrian and bicycle access to schools, neighborhood commercial centers and other public facilities designed to serve neighborhood residents. For large developments, on-site development of such facilities will be encouraged.

Policy 14.2.4: Facilitate development of mixed-density and mixed-income projects and other creative housing options that reduce housing costs and provide adequate amenities.

Goal 15: Increase housing opportunities for workforce and special needs housing populations (target populations) through public/private partnerships.

Objective 15.1: Support local and regional efforts to identify housing needs and advance coordinated public and private sector efforts through the creation of a Regional Strategic Housing Plan.

Policy 15.1.1: Develop a City housing program that will: (1) maintain data documenting the demand for and supply of housing for Durango's workforce and special needs households, (2) quantify the linkage (rational nexus) between new residential and non-residential development and affordable housing demand; (3) facilitate provision of needed housing options; and (4) create policies, in partnership with La Plata County, which will facilitate development of housing that is affordable to target populations. (5) Create additional funding strategies that will increase access to affordable housing and workforce. Policy 15.1.2: Assist local and regional efforts to develop and implement a comprehensive toolbox of effective affordable housing strategies to increase housing options for target populations.

Policy 15.1.3: Support the retention of existing housing through active monitoring of the supply of housing by type, condition and tenure, encouraging the maintenance and rehabilitation of units in substandard condition and requiring rehabilitation or demolition of dangerous housing units. Illegal units should be brought into compliance with zoning and housing codes or vacated.

Policy 15.1.4: Work with local and regional partners to establish a permanent housing trust fund and its potential sources of revenue. The fund will be used to subsidize the development of workforce and special needs housing.

Policy 15.1.5: Ensure that housing units meet minimum safety codes.

Policy 15.1.6: Encourage the provision of various types of affordable housing in mixed-use and mixed-density projects. Assist local and regional partners in identifying and acquiring land for the development of mixed-income neighborhoods that will provide a range of opportunities to the target populations. Policy 15.1.7: Permit development of

accessory apartments on parcels that are large enough to compatibly accommodate structures and required parking.
Policy 15.1.8: Work with the local and regional housing providers to increase the development capacity of both for profit and nonprofit developers to deliver housing that is affordable to the target populations. Policy 15.1.9: Support public/private sector housing initiatives to increase housing options that are compatible with market rate housing and surrounding development for the target populations.

♦ APPENDIX C

Plan Development and Public Engagement Process

In December 2014, the City Council, in an effort to more clearly understand Durango's housing issues, tasked the Community Development Department with analyzing Durango's housing situation, and to propose a suite of solutions. One of the first steps in the program development was engagement of those more specific housing knowledge or skills that would benefit the incipient housing program.

Housing Policy Advisory Committee
The City created a Housing Policy Advisory Committee (HPAC), composed of builders, real estate professionals, bankers, neighborhood activists, Fort Lewis employees, and others to provide guidance and perspective on housing issues. Vetting proposed concepts with the HPAC ensured the Housing Plan's content and approach has informed staff's approach, especially the market friendly approach.

Engagement with Stakeholder Groups
Staff has worked with the Regional Housing Alliance to quantify local housing affordability issues and coordinate policies to ensure plan effectiveness. While there are some policies and regulations which are nearly universal in their appropriateness and effectiveness in addressing workforce housing in Colorado, the process of research and consultation with a diverse set of communities and stakeholders aided the staff in developing a plan suited for Durango's market and community needs.

Research Process
Staff had a series of dialogs with local developers, and have met in person with the housing authorities in Denver, Boulder, Fort Collins and Aspen, along with numerous State of Colorado housing officials and private sector experts. Research was an important first step in understanding local housing issues, market conditions, regional and national trends and the policy and regulatory approaches taken by other communities. Staff reviewed professional and industry journals, news sources, planning documents and web-based information from housing programs around Colorado to gather relevant information and inform the development of this plan.

Engagement with Elected and Appointed Officials
Staff regularly updated City Council on the progress of the Housing Program at more than a dozen study session updates during a period of two years. Staff presented a Housing Program overview to the City of Durango Planning Commission.

Public Engagement
The City hosted a community housing forum on December 1, 2016, with more than 60 members of the public in attendance. Attendees submitted 95 written comments related to housing in Durango, and some of those comments are compiled below. The City also posted a housing survey on Virtual City Hall on its website and got 130 responses. The results of the survey are also below. Respondees to the

survey skewed more heavily to home owners than the general public, pointing to the need for staff vigilance in finding opinions that represent all members of the public.

Selected Responses from Virtual City Hall Survey, online in February 2017.

In which neighborhood(s) would you prefer to live? (Top 3 responses):
Animas City – 26.8%
Downtown Durango – 25.2 %
Crestview/North Durango – 21.1%

How satisfied are you with your current residence?
Somewhat or very satisfied – 74%
Somewhat or very dissatisfied – 24.5%

If you are dissatisfied with your current housing, please tell us why.
Too expensive – 37.2%
Size/configuration – 27.9%
Residence needs repairs I cannot afford, and Bad/Rude/Loud neighbors tied– 12.8%

Why have you not moved from your current residence?
Want to stay in my current residence – 52.5%
Cannot find an affordable place to live – 34.4%
Lack of appealing options – 23.0%

What is most important to you when choosing your residence?
Like the neighborhood – 71.8%
Affordability – 63.4%
Close to services – 41.2%
Close to work – 40.5%
Yard size – 33.6%

What percentage of your total household income do you spend on rent/mortgage payments?
20% or less - 35.9%
21-30% - 28.1%
31-35% - 11.7%
36-40% - 8.6%
41-50% - 7.8%
More than 50% - 7.8%

Housing Forum Comments - 12/1/2016

1. What parcels of land does the City own, and are any suitable for affordable housing.
2. Is land cost one of the biggest barriers?
3. Island Cove – like that they can own their own unit – quality affordable housing. Where do they go now if it is sold? Have more mobile home parks where they own their own land as well.
4. Smaller lots and smaller houses make it easier to own. *Many comments supporting tiny houses*.
5. Everyone should contribute to affordable housing, it keeps us resilient. Land trust would be beneficial with larger developments. *Numerous comments supported land trust*.
6. ½ cent sales tax for affordable housing? Could be reallocated by voters and City Council.
7. Different tax structure for second homes? Santa Barbara has successfully done this.
8. Visitability requires all new SF homes to have one accessible entrance. Is this a possibility in Durango?
9. Q - What has the private sector told us they need to contribute to affordable housing? *A, from Staff* - Often hear parking and density. Height and density are incentives.
10. Work with employers to provide workforce housing. Burden should not fall on developers. Fair Share does not work in current form.
11. Yes! Increase demo fee to preserve more existing historic housing.
12. A commercial linkage fee makes much desirable redevelopment becomes uneconomic.
13. Propose affordable housing bond, more impact than airport. Specific projects, be shovel ready.
14. Encourage owner occupied ADUs.
15. Rentals with 5 unrelated adults is too many. Three is more appropriate. Five often turns into 8+.
16. ADU available throughout town.
17. This all looks great! Especially density cap removal, also: Yes to increased height and density!
18. Do we have a goal relative to this indicator (Incomes to Housing Cost Ratio)? Is there a way to know if we've "succeeded in addressing the affordable housing issue?
19. Affordable and attainable housing is a necessity for a resilient local economy.
20. Are we attracting young professionals and entrepreneurs to stay and buy homes?!
21. I love bungalow courts – they build community.
22. Encourage more ADUs (less parking regs).
23. The denser the housing=More tenants = more places for their vehicles.
24. Courtyard apartments can be aesthetically pleasing and have lots of units.
25. Charge higher property taxes to owners of rental units and out of state property owners.
26. Great idea! (Missing middle types). Especially as Durango transitions gradually to more density.
27. Allow buildings to go vertical on North Main and College Drive, 3-4 stories…and on Camino.
28. Multi-story apts. on major streets—Main, College, 8th Ave. Durango is a city, not a rural town.
29. I would love housing that enable me to walk to work in the downtown area.
30. Not everyone can walk to work, a better, more realistic measurement would be cycling to work.
31. North Main is difficult to cross as a pedestrian.
32. Need more designated bike lanes and paint pedestrian crossings.
33. Grant SUP for existing nonconforming housing stock.
34. Create mobile homes parks where the land is zoned.
35. Development of close relationships with health-care providers, job provider, work skill developers very important. Stable housing only the first step.
36. When implemented these goals MAINTAIN high quality of life for people.
37. Provide density incentives, but do not subsidize costs of infrastructure.

FIFTH AMENDED AND RESTATED INTERGOVERNMENTAL AGREEMENT ESTABLISHING THE REGIONAL HOUSING ALLIANCE OF LA PLATA COUNTY

THIS FIFTH AMENDED AND RESTATED INTERGOVERNMENTAL AGREEMENT is entered into as of the Effective Date defined below by and among the BOARD OF COUNTY COMMISSIONERS OF LA PLATA COUNTY, COLORADO, whose address is 1101 E. Second Avenue, Durango, CO 81301 ("La Plata County"); the CITY OF DURANGO, whose address is 949 E. 2nd Avenue, Durango, CO 81301 ("Durango"); the TOWN OF IGNACIO, whose address is 540 Goddard Avenue, Ignacio, CO ("Ignacio"); and the Town of Bayfield, Colorado, whose address is 1199 Bayfield Parkway, Bayfield, Colorado ("Bayfield") (collectively, the "Parties").

RECITALS

A. The provisions of Section 18 of Article XIV of the Colorado Constitution and C.R.S. § 29-1-203, allow Colorado local governments to cooperate or contract with one another to provide any function, service or facility lawfully authorized to each local government.

B. The provisions of C.R.S. § 29-1-204.5 allow Colorado local governments to contract with each other to establish a separate governmental entity to be known as a multijurisdictional housing authority.

C. La Plata County, Durango, and Ignacio previously entered an Intergovernmental Agreement (hereafter the IGA) effective August 8, 2004 to create a multijurisdictional housing authority entitled the La Plata County Regional Housing Authority. The IGA has been amended by the following: First Amendment (dated – Oct. 23, 2007), Second Amendment (dated – Nov. 7, 2008), Third Amendment (dated – March 7, 2011), and Fourth Amendment (dated – January 14, 2014). The name change from "Authority" to "Alliance" was in the First Amendment. The Town of Bayfield was added as a party in the Second Amendment. The Third Amendment and The Fourth Amendment revised the Number and Qualifications of Directors and Term of Office.

D. Per section 7.2 of the IGA: This Agreement . . . may be amended or supplemented only by an instrument in writing executed by all parties to the Agreement.

E. The RHA has decided to wind-down the organization and become dormant. As part of this process, the RHA wishes to simplify its governance structure and reduce the number of board members in Section 3.1 of this Agreement.

F. It is anticipated that the RHA will maintain basic operations for four years to maintain the legal structure. During such time, if the Parties find a purpose for the legal structure, the Parties may amend the Intergovernmental Agreement to increase the number of board members and provide funding to implement the program(s) identified. If at the end of four years, no such purpose has been identified, it is anticipated that the RHA will dissolve per the Intergovernmental Agreement.

G. This fifth and restated Agreement has been approved by Resolution of the RHA Board of Directors (Resolution 2017-04-05-02 dated April 5, 2017).

NOW, THEREFORE, for and in consideration of the mutual promises, covenants, and obligations herein set forth, the parties hereby mutually agree as follows:

ARTICLE I
ESTABLISHMENT OF AUTHORITY

Section 1.1 Establishment and Name of Authority. The parties hereby establish a multijurisdictional housing authority to be known as the "Regional Housing Alliance of La Plata County" (the "Authority").

Section 1.2 Purpose. The purpose of the Authority shall be to effect the planning, financing, acquisition, construction, reconstruction or repair, maintenance, management, and operation of housing projects or programs in La Plata County, including the incorporated jurisdictions, to provide: (a) dwelling accommodations at rental prices or purchase prices within the means of families of low or moderate income; (b) affordable housing projects or programs for employees of employers located within the jurisdiction of the Authority; and (c) mixed income or mixed use properties that facilitate either of the purposes set forth in Section l.2(a) or (b) herein but subject to the restrictions set forth in Section 2.l(c) hereof.

Section 1.3 Functions or Services. The functions and services of the Authority include but are not necessarily limited to the following:

a. Advise local governments of the practical applications of local housing policy and infrastructure needs;
b. Ensure compliance with the Authority's policies and procedures by the Authority's project participants;
c. Review development proposals that may require Authority participation;
d. Facilitate partnerships to create housing;
e. Allocate funds for eligible housing projects;
f. Facilitate the establishment of a housing land trust;
g. Identify and facilitate the acquisition of vacant land that may be developed for affordable housing;
h. Identify financing opportunities;
i. Propose ballot initiatives;
j. Acquire existing housing or other real estate to assure retention of or conversion to affordable housing stock;
k. Acquire land and obtain development approvals. Issue requests for proposals for private sector and non-profit entities to build;
l. Develop new for-sale or rental affordable housing; and
m. Rehabilitate existing housing.

Section 1.4 Boundaries. The boundaries of the Authority shall be coterminous with the boundaries of the separate governmental entities that comprise the Authority, unless said boundaries are modified by the Authority.

Section 1.5 Separate Entity. The Authority shall be a political subdivision of the state, a governmental authority separate and apart from the parties, and shall be a validly created and existing political subdivision and public corporation of the state, irrespective of whether a party to this Agreement terminates its participation (whether voluntarily, by operation of law, or otherwise) in the Authority subsequent to its creation under circumstances not resulting in the rescission or termination of this Agreement establishing the Authority. It shall have the duties and the privileges, immunities, rights, liability and disabilities of a public body politic and corporate. The Authority may deposit and invest its moneys in the manner provided in this Agreement and in the manner provided in C.R.S. § 43-4-616. The bonds, notes and other obligations of the Authority shall not be the debts, liabilities or obligations of the parties.

Section 1.6 Term. The term of the Authority shall be continuous until terminated or rescinded in the manner set forth in Section 6.1.

ARTICLE II
POWERS

Section 2.1 Powers of Authority. The Authority shall have the following general powers:

a. To plan, finance, acquire, construct, reconstruct or repair, maintain, manage, and operate housing projects and programs pursuant to a multijurisdictional plan within the means of families of low or moderate income;

b. To plan, finance, acquire, construct, reconstruct or repair, maintain, manage, and operate affordable housing projects or programs for employees of employers located within the boundaries of the Authority;

c. To plan, finance, acquire, construct, reconstruct or repair, maintain or manage multi-use and mixed use projects provided such projects have a predominant affordable housing component and, in the event that a project contains a component or components that are commercial in nature, that such components are incidental to the scope of the entire project. Notwithstanding the foregoing, the Authority shall not directly or indirectly operate any business or commercial activity in any multi-use or mixed use project except to act as a landlord or property manager for the property and in the event the Authority acts in such capacity, the properties let or managed shall be offered by the Authority on terms not more or less favorable than those afforded by property owners within the surrounding vicinity for similarly situated properties

d. To make and enter into contracts with any person, including, without limitation, contracts with state or federal agencies, private enterprises, and nonprofit organizations also involved in providing such housing projects or programs or the financing for such housing projects or programs, irrespective of whether such agencies are parties to this Agreement;

e. To employ agents and employees;

f. To cooperate with state and federal governments in all respects concerning the financing of such housing projects and programs;

g. To acquire, hold, lease (as lessor or lessee), sell, or otherwise dispose of any real or personal property, commodity, or service;

h. To condemn property for public use, if such property is not owned by any governmental entity or any public utility and devoted to public use pursuant to state authority; provided, that the Authority has obtained the prior written consent of the party or parties having jurisdiction over the property to be condemned;

i. To levy, in all of the area within the boundaries of the Authority, a sales or use tax, or both, upon every transaction or other incident with respect to which a sales or use tax is levied by the state, as more fully described in Section 4.3 of this Agreement.

j. To levy, in all of the area within the boundaries of the Authority, an ad valorem tax, as more fully described in Section 4.4 of this Agreement.

k. To establish, and from time to time increase or decrease, a development impact fee and collect such fee from persons who own property located within the boundaries of the Authority who apply for approval for new residential, commercial, or industrial construction in accordance with applicable ordinances, resolutions, or regulations of any county or municipality, as more fully described in Section 4.5 of this Agreement.

l. To incur debts, liabilities, or obligations;

m. To sue and be sued in its own name;

n. To have and use a corporate seal

o. To fix, maintain, and revise fees, rents, security deposits, and charges for functions, services, or facilities provided by the Authority;

p. To adopt, by resolution, bylaws or regulations respecting the exercise of its powers and the carrying out of its purposes;

q. To exercise any other powers that are essential to the provision of functions, services, or facilities by the Authority and that are specified in this Agreement;

r. To do and perform any acts and things authorized by C.R.S. § 29-1-204.5, as it may be amended from time to time, and by any other applicable law, under, through, or by means of an agent or by contracts with any person, firm, or corporation; and

s. To establish enterprises for the ownership, planning, financing, acqms1t1on, construction, reconstruction or repair, maintenance, management, or operation, or any combination of the foregoing, of housing projects or programs authorized by C.R.S. § 29-1- 204.5, as it may be amended from time to time, and by any other applicable law, on the same terms as and subject to the same conditions provided in C.R.S. § 43-4-605, as it may be amended from time to time.

t. To propose a referred measure to the electorate providing that the Authority is authorized to collect and spend or reserve all revenues of the Authority from existing property and sales or use taxes, non-federal grants and other revenue sources in any given year or in perpetuity to fulfill any of the prescribed purposes of the Authority, notwithstanding any limitation set forth in Article X, Section 20 of the Colorado Constitution.

ARTICLE III
ADMINISTRATIVE PROVISIONS

Section 3.1 Board of Directors. The Authority shall be governed by a Board of Directors, in which all legislative power of the Authority shall be vested.

a. *Number and Qualifications of Directors.* The Board of Directors shall be comprised of four board members. Each of the entity parties shall appoint one member to the Board of Directors. It is the intent of the parties that the appointment from each entity either be a high level administrative staff member of that entity or an elected official if possible. If an elected official or administrative staff member cannot serve on behalf of any entity, then that entity may appoint any interested person with an interest in affordable housing to serve as a member of the Board of Directors on behalf of that entity. All members of the board must be residents of La Plata County and be at least 18 years old at the time of their appointment.

b. It is recognized that an entity may have difficulty in appointing a board member, so any member entity may relinquish its right to appoint a board member when there is a vacancy in a board seat to be appointed by that entity. If an entity fails to appoint a board member within sixty days of the date when the vacancy began, then it shall be deemed to have relinquished the right to appoint that board member. Any relinquished seat shall be filled by the vote of the RHA board of directors. The entity that relinquished its right to appoint a board member shall again have the right to appoint a member when there is a vacancy in that seat for any reason, including the end of the term or a resignation.

c. *Term of Office.* Each party shall establish the term of office of the Directors appointed by that party, and the term of office for each Director shall be communicated to the RHA. The parties may strive to make appointments in a fashion that will maintain a reasonable stagger to the terms of Directors to avoid having more than three new Directors in any year. A Board member may be reappointed by any party for successive terms.

d. *Resignation or Removal.* Any Board member may resign at any time, effective upon receipt by the Secretary or the President of written notice signed by the person who is resigning. Each member of the Board serves at the pleasure of his or her appointing entity. The appointing entities may terminate the appointment of its appointee, at will at any time without cause. Furthermore, unless excused by the Board, if a director fails to attend three consecutive meetings of the Board, or otherwise fails to perform any of the duties devolving upon him or her as a director, he or she may be removed by the Board and the appointing entity shall fill such vacancy within sixty (60) days after such removal. Consideration of removal of a director by the Board shall be at a regular or special meeting of the Board, reasonable notice of which shall be given to the director to be removed, and to the entity which appointed him or her.

e. *Compensation of Directors.* A director shall receive no compensation for his or her services, but he or she shall be entitled to the necessary expenses, including traveling expenses, incurred in the discharge of his or her duties.

f. *Action by Board.* Each member of the Board shall have one vote on matters brought before the Board. A majority of the directors shall constitute a quorum and a majority of the quorum shall be necessary for any action taken by the Board. Notwithstanding the foregoing, or any other provision herein to the contrary, the following actions shall require the approval of seventy-five percent (75%) of the full board of directors: (i) condemnation of property for public use; (ii) proposal of ballot initiatives; (iii) the removal of a director under Section 3.1(d) herein; and (iv) termination of the Authority. Meetings of the Board of Directors shall be open to the public and conducted in accordance with the C.R.S. 24-72-201 *et seq.*

g. *Duties of Board.* The directors shall govern the business and affairs of the Authority. The directors shall also comply with all provisions of parts 1, *5*, and 6 of article I of title 29 of the Colorado Revised Statutes, which provisions relate to the obligations of local governments with respect to budgets, accounting, and audits, as such provisions may be amended from time to time.

Section 3.2 Officers. The officers of the Authority shall be a President, a Vice-President, a Secretary, and a Treasurer, each of whom shall be elected by the Board of Directors. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the Board of Directors. Any two or more offices may be held by the same person, except the offices of President and Secretary and an officer need not be a director of the Authority.

a. *Election and Term of Office.* The officers of the Authority shall be elected annually by the Board. Each officer shall hold office until his/her successor shall have been duly elected and shall have been qualified or until his or her death or until he or she shall resign or shall have been removed in the manner hereinafter provided.

b. *Resignation or Removal*. Any officer may resign at any time, effective upon receipt by the Secretary or the President of written notice signed by the person who is resigning. Any officer or agent may be removed by the Board whenever in its judgment the best interests of the Authority will be served thereby.

c. *Vacancies.* A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board for the unexpired portion of the term.

d. *Duties.*

(i) President: The President shall be the principal executive officer of the Authority and, subject to the control of the Board of Directors shall in general supervise and control all of the business and affairs of the Authority. He or she shall, when present, preside at all meetings of the Board of Directors. He or she may sign, with the Secretary or any other proper officer of the Authority deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Authority, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

(ii) Vice President. In the absence of the President or in the event of his or her death, inability or refusal to act, the Vice-President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice-President shall perform such other duties as 'from time to time may be assigned to him or her by the President or by the Board of Directors.

(iii) Secretary. The Secretary shall: (a) keep the minutes of the proceedings of the Board of Directors; (b) see that all notices are duly given in accordance with the provisions of the C.R.S. 24-72-201 *et seq* and this Agreement or as otherwise provided by law; (c) sign with the President; (d) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him or her by the President or by the Board of Directors.

(iv) Treasurer. The Treasurer shall be the financial officer for the Authority and shall: (a) coordinate with the department of revenue regarding the collection of sales and use tax authorized pursuant to paragraph (f.l) of subsection (3) of C.R.S. § 29-1-204.5; (b) have charge and custody of and be responsible for all funds of the Authority; (c) receive and give receipts for moneys due and payable to the Authority from any source whatsoever, and deposit all such moneys in the name of the Authority in such banks, trust companies or other depositaries as designated by the Board of Directors; and (d) in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him or her by the President or by the Board of Directors. All checks written from an Authority bank account over $10,000 shall require the signature of the Treasurer and a single member of the Board of Directors or the signature of two members of the Board of Directors.

e. *Salaries and Expenses.* The Board of Directors shall fix the salaries of the officers from time to time and no officer shall be prevented from receiving such salary by reason of the fact that he or she is also a director of the Authority. Each officer shall also be entitled to his or her necessary expenses, including traveling expenses, incurred in the discharge of his or her duties.

Section 3.3 Committees. The Board of Directors may create such committees as it deems necessary or appropriate in order to carry out the affairs of the Authority.

Section 3.4 Conflicts of Interest. No member of the Board nor any immediate member of the family of any such member shall acquire or have any interest, direct or indirect, in:

a. Any property or project acquired, held, leased or sold by the Authority; or (b) any entity with whom the Authority has contracted with to plan, finance, construct, reconstruct, repair, maintain, manage or operate any property, project or program related to the Authority. If any Board member has such an interest, whether direct or indirect, he or she shall immediately disclose the same in writing to the Board of Directors, and such disclosure shall be entered upon the minutes of the Board. Upon such disclosure, such Board member shall not participate in any action by the Board affecting the project, property, or contract unless the Board determines that, in light of such personal interest, the participation of such member in any such act would not be contrary to the public interest.

Section 3.5 Insurance. The Authority shall purchase and maintain at all times an adequate policy of public entity liability insurance, which insurance shall at the minimum provide the amount of coverage described in C.R.S. § 24-10-115(1), including errors and omissions coverage. The Authority may purchase such additional insurance as the Board deems prudent. The Authority's employees acting within the scope of their employment shall be indemnified pursuant to C.R.S. § 24-10-110.

ARTICLE IV
SOURCES OF REVENUE

Section 4.1 Sources of Revenue. The expected sources of revenue for the Authority may include, but are not limited to the following:

a. federal, state, local and private grants or donations;
b. property management fees;
c. rents or other lease income;
d. interest on interest-bearing accounts;
e. proprietary revenue of the parties in accordance with this Agreement;
f. sales and/or use taxes levied in accordance with this Agreement and other applicable law;
g. ad valorem taxes levied in accordance with this Agreement and other applicable
h. development impact fees imposed in accordance with this Agreement and other applicable law; and
i. revenue or general obligation bonds issued in accordance with applicable law.

Section 4.2 Prerequisites for All Tax Levies and Impact Fees. The Authority shall not establish or increase any tax or development impact fee unless first submitted to a vote of the registered electors of the Authority in which the tax or development impact fee is proposed to be collected. Moreover, prior to levying any tax or imposing any development fees on any property within the boundaries of the Authority, the Board of Directors shall:

a. Adopt a resolution determining that the levying of such taxes or fees will fairly distribute the costs of the Authority's activities among the persons and businesses benefited thereby and will not impose an undue burden on any particular group of persons or businesses; and

b. Obtain the prior written consent of the governing party or parties having jurisdiction over the property on which the taxes or fees are proposed to be levied or imposed.

Section 4.3 Sales and Use Taxes. Any sales or use tax imposed or levied by the Authority on any transactions within the boundaries of the Authority shall not exceed the rate of one percent. Prior to levying any sales or use tax, the Authority shall designate a financial officer who shall coordinate with the Colorado Department of Revenue regarding the collection, administration, and enforcement of any sales and use tax to be levied in the manner established by C.R.S. § 29-1-204.5, as it may be amended from time to time, and by other applicable law. The Authority shall apply the proceeds of all sales or use taxes solely towards the purposes, functions, or services authorized by this Agreement.

Section 4.4 Ad Valorem Taxes. The Authority may levy an ad valorem tax on all properties within the Authority's boundaries of the Authority at a rate not to exceed five mills on each dollar of valuation for assessment of the taxable property within such boundaries. To levy an ad valorem tax, the Board shall certify to the La Plata County Board of County Commissioners the levy of ad valorem property taxes in accordance with the schedule prescribed by C.R.S. § 39-5-128, as it may be amended from time to time. Thereafter, La Plata County shall levy and collect the ad valorem taxes in the manner prescribed by law. All taxes levied under this Section 4.4, together with interest thereon and penalties for default in payment thereof, and all costs of collecting them shall constitute, until paid, a perpetual lien on and against the property taxed, and such lien shall be on a parity with the tax lien of other general taxes.

Section 4.5 Development Impact Fees. The Authority shall not impose a development impact fee unless it also imposes a sales or use tax pursuant to Section 4.3, or an ad valorem tax pursuant to Section 4.4, or both. No development impact fee imposed by the Authority shall be imposed on the development, construction or permitting of low or moderate income housing or affordable employee housing. Any development impact fee imposed by the Authority shall not exceed the rate of two dollars per square foot of gross floor living area of any building constructed thereon.

Section 4.6 Other Sources of Revenue. The parties may make monetary and in-kind contributions to the Authority. The parties shall enter into a funding agreement which shall provide, at a minimum, funding or in-kind contributions for the Authority for the first two (2) full calendar years after the appointment of the Board. The parties acknowledge that such funding may not be adequate to completely fund the Authority for such years. Funding from each party shall be subject to annual availability and appropriation by the governing body of each jurisdiction.

In addition to the foregoing, the parties may, from time to time, pay the Authority with proprietary revenues or other public funds for services rendered or facilities provided by the Authority, as contributions to defray the cost of any purpose set forth in this Agreement, and/or as advances for any purpose subject to repayment by the Authority.

ARTICLE V
AUTHORITY PROPERTY

In the event of termination or dissolution of the Authority, all right, title and interest of the Authority in General Assets (as hereinafter defined) shall be conveyed to the jurisdictions that are parties to this Agreement at the time of termination, as tenants-in-common subject to any outstanding liens, mortgages, or other pledges of such General Assets. The interest in the General Assets of the Authority conveyed to each party shall be that proportion which the total dollar amount paid or contributed by such jurisdiction to the Authority for all purposes during the life of the Authority bears to the total dollar amount of all such payments and contributions made to the Authority by all such jurisdictions during the life of the Authority. The term "General Assets" as used herein shall include all legal and equitable interests in real or personal property, tangible or intangible, of the Authority.

ARTICLE VI
TERMINATION OR ADDITIONAL MEMBERS

Section 6.1 Termination of Authority. This Agreement may be terminated by the approval of seventy-five percent (75%) of the full Board of Directors or when less than two parties are willing to remain as parties to this Agreement. Upon termination, each party hereto shall be released from all further liability and obligations hereunder. Notwithstanding the foregoing, the right of the Board or the parties to terminate this Agreement shall be abrogated if the Authority has bonds, notes or other obligations outstanding at the time of the proposed termination unless provision for full payment of the same has been made by escrow or otherwise.

Section 6.2 Termination of Participation. Any party may terminate its participation in this Agreement as of the end of any calendar year by giving at least 90 days' written notice to the other parties provided that such withdrawing party shall pay all of its obligations hereunder or any effective funding agreement to the effective date of the termination of its participation.

Section 6.3 Amendment to Provide for Additional Members. This Agreement may be amended to add one or more additional parties upon: (a) resolution of the Board of Directors providing for such amendment; and (b) approval of such amendment by the governing body of the prospective additional party and each then-existing party.

ARTICLE VII
GENERAL PROVISIONS

Section 7.1 Effective Date. The Effective Date of this Agreement shall be the date of the last party to sign.

Section 7.2 Entire Agreement. This Agreement embodies the entire agreement about its subject matter among the parties and supersedes all prior agreements and understandings, if any, and may be amended or supplemented only by an instrument in writing executed by all parties to this Agreement.

Section 7.3 No Third Party Beneficiaries. The parties to this Agreement do not intend to benefit any person not a party to this Agreement. No person or entity, other than the parties to this Agreement, shall have any right, legal or equitable, to enforce any provision of this Agreement.

Section 7.4 Signatory Authority. Each person signing this Agreement in a representative capacity, expressly represents the signatory has the subject party's authority to so sign and that the subject party will be bound by the signatory's execution of this Agreement. Each party expressly represents that except as to the approval specifically required by this Agreement, such party does not require any third party's consent to enter into this Agreement.

Section 7.5 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original and all of which together shall constitute one original Agreement.

Section 7.6 Severability. If any term or provision of this Agreement shall be adjudicated to be invalid, illegal or unenforceable, this Agreement shall be deemed amended to delete therefrom the term or provision thus adjudicated to be invalid, illegal or unenforceable and the validity of the other terms and provisions of this Agreement shall not be affected thereby.

Section 7.7 Notices. Except as otherwise provided in this Agreement, all notices or other communications by the Authority or any party hereto, any Board member or officer shall be in writing; shall be sufficiently given and shall be deemed given when actually received.

Section 7.8 Interpretation. Subject only to the express limitations set forth herein, this Agreement shall be liberally construed (a) to permit the Authority and the parties to exercise all powers that may be exercised by a multijurisdictional housing authority pursuant to Colorado law; (b) permit the parties hereto to exercise all powers that may be exercised by them with respect to the subject matter of this Agreement and applicable law; and (c) to permit the Board of Directors to exercise all powers that may be exercised by the board of directors of a multijurisdictional housing authority pursuant to Colorado law and by the governing body of a separate legal entity created by contract among the parties pursuant to C.R.S. § 29-1-203.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement the day and year set forth below.

Dated this _____ day of _______________, 2017

BOARD OF COUNTY COMMISSIONERS
OF LA PLATA COUNTY, COLORADO

Attest:

____
County Clerk

____
Julie Westendorff., Chair

____

ADDITIONAL SIGNATURES ON THE FOLLOWING PAGES

Dated this _____ day of _______________, 2017 CITY OF DURANGO, COLORADO

Attest:

_________________________________ _________________________________

City Clerk *Dick White, Mayor*

ADDITIONAL SIGNATURES ON THE FOLLOWING PAGES

Dated this _____ day of _______________, 2017 TOWN OF IGNACIO, COLORADO

Attest:

_________________________________ _________________________________

Town Clerk *Stella Cox, Mayor*

ADDITIONAL SIGNATURE ON THE FOLLOWING PAGE

Dated this _____ day of _______________, 2017 TOWN OF BAYFIELD, COLORADO

Attest:

_________________________________ _________________________________

Town Clerk *Matthew Salka, Mayor*

Regional Housing Alliance

2021 Proposed Revised Budget

	2018 Actual	2019 Actual	2020 Budget	2020 Estimate	2021 Budget
Beginning Fund Balance	77,965	59,120	59,237	59,237	49,176
Income					
3121 · Interest Revenue Bank Accounts	430	635	430	440	600
Total Unrestricted Income	**430**	**635**	**430**	**440**	**600**
Restricted Funds Released					
XXXX - Release of EIAF funds to RHA Operating					249,000
Total Funds Released to Operating	**-**	**-**	**-**	**-**	**249,000**
Total Income	**430**	**635**	**430**	**440**	**249,600**
Expense					
4080 · Casualty & Liability Insurance	1,275	1,514	1,514	1,514	1,514
4398 - Prof'l Services - Admin Service Fee	10,000	10,000	10,000	10,000	10,000
4005 · Prof'l Services - Audit Fees	8,000	-	-	-	-
4322 · Prof'l Services- Legal Fees	-	635	1,000	1,000	11,000
4386 - Prof'l Services- Strategic Plan					50,000
6240 · Miscellaneous	-	-	1,000	1,000	1,000
Total Expenses	**19,275**	**12,149**	**13,514**	**13,514**	**73,514**
Other Income Unrestricted					
5030 · Other Income					
Net Ordinary Income (Loss) Unrestricted	(18,845)	(11,515)	(13,084)	(13,074)	176,086
Temporarily Restricted Income					
3210 · Shared Appreciation Income		11,632		3,012	
Total Temporarily Restricted Income	**-**	**11,632**	**-**	**3,012**	**-**
Total Income - Unrestricted	430	635	430	440	249,600
Total Income - Restricted	-	11,632	-	3,012	-
Total Expense - Unrestricted	19,275	12,149	13,514	13,514	73,514
Total Expense - Restricted	-	-	-	-	-
Net All Activity	**(18,845)**	**117**	**(13,084)**	**(10,062)**	**176,086**
Ending Fund Balance	59,120	59,237	46,153	49,176	225,262

REGIONAL HOUSING ALLIANCE LA PLATA COUNTY

RESOLUTION NO. 2020-05

(Pursuant to 29-1-108, C.R.S.)

A RESOLUTION TO TRANSFER CERTAIN ASSETS TO HOMESFUND

WHEREAS, the Regional Housing Alliance of La Plata County received a grant from the State of Colorado, Department of Local Affairs under the Energy and Mineral Impact Assistance Program to assist with making shared appreciation second mortgage loans to low and moderate income families in La Plata County ("EIAF Fund") as set forth in a Contract between the RHA and the Department of Local Affairs, Contract Encumbrance Number F09S6599, EIAF #6599 ("Contract"), and;

WHEREAS, the EIAF Fund was restricted by the Contract until "the end of the ten (10) year period following the date of completion and thereafter, no State restrictions on use of the shared appreciation second mortgage shall be in effect." The date of completion is identified as on or before November 30, 2010, following expiration of this ten-year period from the date of completion or after November 30, 2020, there will be no State restrictions on the use of the loans and shared appreciation second mortgage fund, and the RHA is free to take whatever action it deems is in the best interest of the RHA with respect to those funds, and;

WHEREAS, in an Agreement to Transfer Certain Assets dated April 5, 2017 between the RHA and HomesFund. The RHA agreed to transfer to the HomesFund all unrestricted assets associated with the EIAF Fund as a contribution, including cash and cash equivalents and a loan portfolio, and;

WHEREAS, said Agreement to Transfer Certain Assets stated that at any time prior to ten years form the date of completion, or until the actual date of transfer, the RHA may revoke the anticipated transfer without recourse or liability from HomesFund, and;

WHEREAS, the RHA wishes to retain and utilize a portion of the assets of the EIAF Fund in order to support the RHA as it transitions to a new mission and pursues the resources needed for long-term sustainability;

NOW, THEREFORE, BE IT RESOLVED by the Board of the Regional Housing Alliance of La Plata County, Colorado:

Section 1. That the loan portfolio consisting of the loans set forth in Exhibit A, attached hereto and by reference incorporated herein, together with all moneys now owing or that may later become due or owing in respect thereof, and the full benefit of all the powers and covenants therein contained, and all right title and interest to the property described in the notes and deeds of trust on Exhibit A shall be transferred on or after November 30, 2020. The RHA makes no warranty or representation as to whether the money owed pursuant to the loans set forth in Exhibit A or that may ultimately be transferred to Homes Fund are collectible, not as to the process necessary to collect the money. The transfers will be made without warranty or recourse.

Section 2. HomesFund will prepare documents to transfer the assets for execution by the RHA, and Homes Fund will record such documents in the La Plata County real estate records after transfer. HomesFund shall provide notice to the borrowers identified in the assets. Following the transfer of the assets, the RHA shall have no further duties or responsibility for the transferred assets, nor under any notes and deeds of trust, those obligations and liabilities are to be assumed by HomesFund.

Section 3. The RHA shall retain all unrestricted assets associated with the EIAF Fund, including cash and cash equivalents, with the exception of the loan portfolio consisting of the loans set forth in Exhibit A.

ADOPTED, in La Plata County Colorado this 20 day of October, A.D., 2020.

____

Julie Westendorff, Board President

EXHIBIT A - RHA RESOLUTION 2020-05
EIAF LOAN PORTFOLIO

Loan Number	Amount
68-01-01	$76,000.00
73-01-01	$80,000.00
74-01-01	$14,450.00
79-01-01	$50,000.00
100-01-01	$61,583.00
118-01-01	$15,000.00