

Garfield County Housing Assessment and Nexus Executive Summary

This overview summarizes the key findings from the 2005 Garfield County Housing Assessment and Nexus study and recommends specific program opportunities for Garfield County to consider in refining their employee housing requirements and regulations. Stated simply, Garfield County will continue to have demand for housing that is related to growth in the economy and local jobs, with a significant portion of these households being unable to afford average market prices for housing in the area. Combined, the Garfield County Housing Assessment and Nexus study identify the specifics of this demand, including:

- The incomes of households that are adversely affected by market prices in the county (primarily those earning less than 120 percent of the AMI) and variations in affordability by county region;
- The estimated number of housing units that will be demanded by new employees working in Garfield County through 2025 (3,895 units);
- The mix of rental and for-sale units that should be supplied (about 33 percent rental);
- The income targets for needed units (about 53 percent of ownership units need to be priced affordable for households earning less than 120 percent of the AMI; between 70 to 80 percent of rentals should be priced for households earning less than 100 percent of the AMI); and
- The mitigation rates that housing linkage programs could require given current county service levels (33 percent for 80 percent AMI and below units; 50 percent for 100 percent AMI and below units; 63 percent for 120 percent AMI and below units).

The key findings from the Housing Assessment and Nexus study that provide the research and support for these conclusions are summarized herein. The full reports should be referenced for a more detailed discussion of housing issues and opportunities in Garfield County.

Housing Assessment Summary

Garfield County will continue to have demand for housing that is related to growth in the economy and local jobs. It is estimated that existing demand from current Garfield County employees that commute into Garfield County for work is about 628 units – 375 in the Carbondale/Glenwood Springs area and 114 in areas west of Glenwood Springs. Projected job growth estimates in the County will result in demand for an additional 3,895 units by local employees by 2015, with about 73 percent of these units in the Carbondale/Glenwood Springs area. Assuming that the income and tenure distribution of new employees added between 2005 and 2015 will be similar to the current mix of employee households, about 33 percent of new units provided would need to be rentals, with 70 to 80 percent affordable to households earning less than 100 percent of the AMI (\$56,900 for a three-person household). Of ownership units demanded, about 53 percent will need to be affordable for owner households earning less than 120 percent of

the AMI (\$68,280 for a three-person household). Findings in support of this determination include:

1. Wages vs. Home Prices: Between 1999 and 2005, wages in Garfield County, on average, increased about 18 percent, compared to a 48 percent rise in single family home purchase prices and a 22 percent rise in condominium purchase prices. Current for-sale prices of homes indicate that sale prices will continue to rise faster than local incomes, further reducing the affordability of homes to local employees and residents.

Second Homeowners: Currently, Garfield County is not experiencing tremendous impact from second homeowners. As of October 2005, residents of Garfield County occupied 88 percent of all homes in the area. However, about 30 percent of non-local homeowners that purchased homes between 2003 and 2005 paid less than \$200,000 for their home. This indicates that second homeowners are competing for units that are generally affordable to local residents. As Garfield County is “discovered” there will be increasing interest from out of area buyers, reduced availability of homes for locals and associated accelerated market rate prices of homes. This is a pattern that is being repeated throughout the resort communities in the area.

2. Affordability by Area: Comparing affordable purchase prices of homes by Area Median Income (AMI) in Garfield County to median single family home prices in different areas of the County provides some explanation as to why about 57 percent of the workforce in Garfield County lives west of Glenwood Springs, while about 49 percent of residents are employed in Glenwood Springs or Carbondale. A 3-person household earning 120 percent of the AMI (\$68,280 per year) would not be able to afford the median priced single family home sold in 2005 in Glenwood Springs (\$325,000) or Carbondale (\$395,000). Affordability increases as one moves west in the County, where a 4-person household earning 80 percent of the AMI in Garfield County (\$54,550 per year) could afford a median priced home in the Parachute/Battlement Mesa area (about \$160,000).

This is important and points to a tiered housing program in the County based on the region of development. For example, in the Carbondale/Glenwood Springs area, households earning 120 percent or less of the AMI have difficulty affording homes; households earning less than 100 percent AMI will have difficulty in the New Castle and Silt area and households earning less than 80 percent of the AMI may need some assistance in the Rifle/Parachute areas. It is likely that home prices will continue climbing in all areas. Because of this, the County should be prepared to adjust the targeted income groups and monitor sales prices in each region to keep programs on track with regional conditions. It is also likely that homes in down valley communities (New Castle, Rifle, Parachute, Silt) will continue to be relatively more affordably priced than up valley communities (Carbondale, Glenwood Springs), in part because of the lower land values and less competition from second homeowners.

3. Distribution of Households by Income: There is an uneven distribution of households by income throughout the County. Carbondale shows the most variation in incomes, with among the highest percentage of households earning 80 percent or more of the AMI (66 percent), plus a relatively high percentage of households earning 30 percent

or less of the AMI (11 percent). Parachute has the lowest percentage of households earning above 80 percent of the AMI (28 percent) and a striking 35 percent of households in the moderate 50 to 80 percent AMI range.

Home values and rents generally follow the hierarchy of median incomes found in the communities, except for New Castle, which reported the highest median household income at the time of the Census, yet median home values were in the middle of the range.

4. **Residential Growth:** Residential growth has accelerated in areas west of Glenwood Springs in recent years compared to historical growth patterns. The largest number of residential units were constructed in Rifle, New Castle and unincorporated Garfield County between 2000 and 2005. Growth in Silt has been comparatively slow, but is expected to pick up substantially given recent infrastructure improvements. Glenwood Springs has had among the slowest rate of growth; however, the Glenwood Meadows development will contribute significantly to new residential units in this area.
5. **Rental Units:** The market for rental housing is no longer soft, which is contrary to patterns that existed over the past several years. During recent periods of higher vacancies and reduced rents, very little new rental housing had been introduced into the market, with most rentals being constructed in the 1970's. However, under current rental conditions vacancies are below 2 percent and rents are beginning to rise due to a lack of supply. Several new rental projects are planned or are under construction. Given current growth projections, these units should be easily absorbed into the market. Two of these developments will be mixed income projects, with a portion financed with Low Income Housing Tax Credits, which require that certain income restrictions are maintained, with the balance of units being provided at market.

Nexus Summary

The Nexus study establishes the link between new commercial and residential development and the demand for employees. It provides a rationale for determining the amount of affordable housing units needed to offset the increased housing demand created by development and presents a formula for determining the amount of fee that could be paid in lieu of producing units.

The Garfield County Housing Assessment shows clear demand for housing in the county that would be affordable to employee households earning 120 percent or less of the AMI (\$68,280 per year for a three-person household), with relative affordability of homes varying by region within the county. The Nexus also supports a program that is scaled according to county region due to variances in housing and land prices in the county. In other words, the Carbondale/Glenwood Springs area is generally not affordable for households earning less than 120 percent of the AMI given the higher price of land in this area, more competition for housing and resulting higher priced market rate homes that are developed. The Battlement Mesa/Silt region is generally affordable for households until they fall below the 100 percent AMI level (\$56,900 for a family of three). Homes in Rifle/Parachute are generally affordable for employee households, except for those earning less than about 80 percent AMI (\$45,500 for a family of three). The

relative difference in the price per square foot of homes also supports alternative fee-in-lieu amounts in each region.

Based on current levels of service in the county, housing linkage programs that target households earning less than 80 percent AMI could require up to a 33 percent mitigation rate in Garfield County. Linkage programs that target employee households earning less than 100 percent AMI could require up to a 50 percent mitigation rate. And, for programs targeting 120 percent AMI households or below, a 63 percent mitigation rate could be supported. The County may require mitigation rates different from the above service levels depending upon local needs, supplemental housing programs and housing development undertaken by the County, and desired outcomes from linkage housing programs.

The below table summarizes the variations in maximum service levels and fee-in-lieu amounts by county region, as estimated in the Nexus study for Garfield County. Note that the square footage sizes of homes used to calculate the fee-in-lieu for each income category are based on standard household sizes and may be redefined by Garfield County given their program needs and preferences.

**Supported Mitigation Rates and Estimated Fees-in-Lieu by Region:
Garfield County 2005**

AMI Range	Garfield County	Carbondale/ Glenwood Springs	New Castle/ Silt/ Rifle/ Parachute
<i>Supported mitigation rates: (based on current service levels)</i>			
<80% AMI	33%	33%	43%
<100% AMI	50%	48%	62%
<120% AMI	63%	61%	74%
<150% AMI	81%	79%	87%
	<i>Carbondale/ Glenwood Springs area</i>	<i>New Castle/ Silt area</i>	<i>Rifle/ Parachute/ Battlement Mesa area</i>
<i>Fee-in-lieu amounts*: (based on given size of home)</i>			
<80% AMI (1,100 sq ft home)	\$92,038	\$54,638	\$27,138
80 - 100% AMI (1,200 sq ft home)	\$53,907	\$13,107	\$0
100-120% AMI (1,300 sq ft home)	\$34,719	\$0	\$0

*Based on the affordable price of homes to each income group assuming a 30-year, 6.5% fixed rate loan, with 5% down and 20% of monthly payment for property taxes, insurance and HOA fees, with no more than 30% of household income used for housing payments.

Program Recommendations and Opportunities

The Housing Assessment and Nexus studies identify workforce housing issues in Garfield County and recommend where housing programs could be most effectively focused to serve new and existing employees. While local housing programs should be based on this research, it is recognized that there are many community and political factors involved in housing program design and implementation. Garfield County needs

to understand and incorporate these issues while formulating and implementing a workable and successful housing program for the county. This includes determining:

- Who to target (e.g., AMI ranges of households, owner, renters, etc.);
- Where to target programs (east county, west county, entire county, housing development options/locations, etc.);
- How to target programs (scaled system based on county region or a flat program throughout the region, etc.);
- What programs to implement (linkage, inclusionary zoning, density bonus programs, fees, etc.);
- Supportable mitigation rates (e.g., 20 percent inclusionary zoning for 80% to 120% AMI households, 30 percent linkage requirement for household earning under 80% AMI, etc.);
- County attorney input regarding legal interpretations presented in the Nexus study and Housing Assessment; and
- Other specifics of implementable housing programs (required bedroom mix, size of units, etc.).

Recommended programs and opportunities which Garfield County should consider in this process include:

1. Currently, Garfield County only imposes inclusionary zoning requirements on PUD's seeking to increase residential density through a change in zoning in the Glenwood Springs/Carbondale area (Comprehensive Plan Study Area 1). The program allows for homes to be acquired and/or built in other areas within Study Area 1 (off-site development), but does not accept payment in lieu.
 - a. It is recommended that Garfield County consider imposing an inclusionary zoning requirement on all new development, including subdivisions. This would also be consistent with the inclusionary zoning regulations in place in Carbondale and Glenwood Springs. New homes that are produced under an inclusionary zoning requirement will ensure a continuing supply of more affordably priced homes for entry and mi-level employees and help stabilize the workforce.
 - b. The County should accept proposals to provide units off-site, with a provision that they are of comparable quality to those being built within a specific development and located within an agreed upon radius to where a new development is being built. Off-site units could include newly constructed homes as well as existing houses that have been rehabilitated to a near new condition. As part of this provision, the County should also enter into agreements with incorporated communities to locate off-site units in or adjacent to incorporated communities where services are more readily available.
 - c. Payment-in-lieu should be considered, particularly since many projects are large lot/acreage which are not conducive to constructing affordably priced units. Payment-in-lieu requires that funds be used to increase the supply of affordably priced homes in the area. Under a program that has different fees based on the region of construction, this would most likely require that units constructed with the fees collected be located within the region of impact.

The payment-in-lieu covers the “gap” between what a targeted income household can afford to pay for housing and the market price for that housing. The payment-in-lieu does not cover full construction costs of a project. A couple methods of calculating the in-lieu fee include:

- Using the average or median per foot sales price of homes that have sold in the area for the previous year and applying this to the average size of a deed restricted unit to be built under the current program. The difference between the median cost to buy a home of the specified square footage and the sales price of a deed restricted home would equal the in-lieu fee. This method was used in the accompanying Nexus report or
- Using the median price of similar style homes proposed in a development that were sold the previous year and the median sales price allowed under the inclusionary zoning program for a comparably sized unit. For example, the median sales price of a townhome sold in Carbondale in 2005 was \$287,800. A three-person household at 100% of the AMI might purchase a comparable unit and could afford to pay \$189,437. The cash-in-lieu would be \$98,363.

The payment-in-lieu for the County should be adjusted to reflect the difference in costs for each community/region, as shown in the Nexus. This means that both the income groups targeted and the payment-in-lieu amount would vary based on where a development is proposed in the County. For example, the Housing Assessment and Nexus indicate it would be appropriate to set the income threshold for programs in the Parachute/Rifle area at 80 percent AMI and programs in the Carbondale/ Glenwood Springs area at 120 percent AMI, given the relative differences in affordability in these areas. The resulting payment-in-lieu would then be calculated based on the median price of homes in each respective area and the affordable purchase price for each targeted AMI household.

- d. Payment-in-lieu funds could accrue to the Roaring Fork Community Housing Fund (RFCHF) and be allocated per its guidelines. To cover administrative costs incurred by both the county and the RFVHTF, the legislation adopting the payment-in-lieu would stipulate that up to 10 percent of the funds could be used for administration. Alternatively, the payment-in-lieu fee could be increased by 10 percent to cover the cost of administration. Care should be taken to ensure low administrative costs in order to maximize the use of payment-in-lieu funds to purchase/construct affordably priced homes. This is the intended purpose of these dollars and it must be met, if payment-in-lieu is used.
- e. The County should coordinate common guidelines for qualifying households to purchase homes produced through housing programs. Several communities in the area impose inclusionary zoning or other affordable housing requirements and each has slightly different guidelines for qualifying households to purchase these homes. Common guidelines for qualifying households would make program administration easier and be less confusing for households looking to purchase a deed restricted unit.

2. Growth and the associated demand for housing are not limited to the unincorporated county. There may be an opportunity to have up- and down-valley communities agree to some type of mitigation/zoning requirements that would increase the supply of housing priced affordable to employees within individual jurisdictions, while maintaining some consistency with Garfield County's housing requirements. Garfield County should consider taking a leadership role in helping to establish complementary housing requirements between the County and its communities. Complementary housing requirements will ensure that housing needs will be met regardless of whether the development occurs in the unincorporated county or within city/town boundaries.
3. Although Garfield County does not have a significant amount of non-residential development, consideration should be given to creating a commercial linkage fee. A commercial linkage fee would provide income in proportion to the demand for housing that is generated by new commercial development, as identified in the Nexus. This is recommended for several reasons:
 - a. Meeting housing demand generated as a result of non-residential growth does not fall solely to the residential builder. With this type of fee, non-residential developers are also contributing toward mitigating the impacts of new growth;
 - b. Other communities in the County may be more willing to consider a commercial linkage program if one is in place at the county level; and
 - c. Commercial linkage has been used successfully in other areas without an adverse impact on decisions being made by companies to locate in an area. In addition, many of the new businesses locating in Garfield County will be retail and service related, which generally do not pay sufficient wages to afford market housing costs in the area.