



Grand Valley Housing Strategy

Grand Valley, Colorado

Executive Summary

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The existing housing market in the Grand Valley may be active, but it is not producing the desired results and benefits that can be the product of a deliberate and unified regional housing strategy.

Preface

The *Grand Valley Housing Strategy* is the product of a public-private initiative to create long-term, sustainable solutions for housing challenges in the Grand Valley. Grand Valley jurisdictions, in partnership with private and nonprofit entities, are seeking to address barriers to housing investment, while also capitalizing on market opportunities and attending to product voids through development of a comprehensive housing strategy.

Purpose and Objectives

The purpose of the *Grand Valley Housing Strategy* is not to provide solutions for the peaks and valleys in the region's housing cycle, but rather to strengthen its base and, in so doing, make it better able to weather fluctuations that are inevitable in the Grand Valley. To this end, it has been designed to provide a framework for monitoring market conditions, while also providing appropriate responses and

recommendations, and keeping all of the public and private partners involved in the process.

The objectives of the *Strategy* are to:

- Document those housing issues that present the most significant challenge for the respective participating communities (see Preface);
- Document and monitor economic and market conditions;
- Understand the spectrum of needs and desires;
- Determine why the market can't or won't respond; and
- Develop solutions to barriers and strategies for advocates to work together.

The project's end goals are:

- To build community awareness;
- To enhance the efficiency of the delivery of services (time is money);
- To increase certainty and predictability for the development community;
- To provide incentives for private investment in key areas;

EXECUTIVE SUMMARY REPORT

- To create a platform for trusted partnerships; and
- To build a sustainable framework from which to focus on the Grand Valley’s range of housing needs, to monitor the housing market, to track progress toward meeting the housing needs, and to make strategic adjustments in response to changing conditions.

Grand Valley Housing Issues

During the strategy process, stakeholder and leadership input, together with market and financial analyses, brought to the forefront several key issues that require innovative solutions and policy reform. Among those issues identified by members of the housing delivery system including property owners, developers (for profit and non-profit), real estate brokers, lenders, institutional and community leaders, and others were:

- Fluctuations in growth rates;
- Private sector reluctance to invest and reinvest in Grand Valley cities and towns;
- Limited resources necessary to fill financial gaps associated with the construction of select housing product types;

- Few locations, appropriately-zoned, that can accommodate mixed-use developments and / or higher densities;
- Lack of program offerings for existing home owners desiring to finance improvements to owner-occupied units;
- Community resistance to density;
- Limited code enforcement;
- Desire for enhanced environmental sustainability;
- Concentrations of mobile home parks;
- Homelessness; and
- Migrant housing.

Given the depth and complexity of several of these issues, not all of them have been addressed in this housing strategy. Rather, key issues, especially those that have been determined to most significantly impact the ability of the region to address the diversity of need in the Grand Valley, are considered and strategies advanced in the list of *Recommendations* presented on the following page. A schedule for these strategic actions and the entities involved in addressing them is presented in greater detail in the *Strategies* section of the full report.

Recommendations

Improve the Process

1. Streamline Entitlement Process; Cultivate and Promote a “Pro-Business” Philosophy
2. Encourage Density Bonus Programs -- develop, improve and promote
3. Complete Cost-Benefit Analysis; Analyze Jurisdictions’ Codes for Provisions Which Impose Costs that Exceed the Public benefit
4. Coordinate Planning Efforts and Policy Documents; Agree on Growth Assumptions; Monitor Progress in Meeting Demand
5. Develop Turn-Key Plans for Private Development to Speed Approvals

Community Outreach

6. Develop Design Standards for Higher Density Mixed-Use Development, via a public input process
7. Quantify the Community Benefits of Increased Density vs. Costs associated with “Doing Nothing”, i.e., increased costs of sprawl
8. Survey Housing Preferences to Determine Receptivity to Product Variety; Hold Workshops to Address Concerns Related to Higher Density Development

Maximize Public and Non-profit Resources to Leverage Private Investment

9. Research and Develop Creative Incentive Programs for Affordable Housing Development, including -- rebate of sales taxes, infrastructure investment, reduced development fees, as well as other innovative solutions (may be based on relative affordability)
10. Acquire Land in Strategic Locations and Ready it for Development -- the use of existing non-profit entities is strongly encouraged
11. Work with Local and Regional Lenders to Fund Loan Pools
12. Create an Equity-Sharing Program for Low- and Moderate-Income Home Ownership
13. Establish and Capitalize a Local Housing Trust Fund -- with a dedicated revenue source to leverage private investment

Focus, Monitor and Adjust Over Time

14. Appoint a Valley-Wide Task Force to Implement the Recommendations -- charge it with continually monitoring market conditions and sharing them with members of the delivery system and community

Market and Economic Conditions

Because the market continues to exhibit high levels of volatility, adoption of a long-term housing strategy for the Grand Valley will be essential. The dramatic price increases seen in recent years have slowed significantly, but housing is not yet affordable to many Grand Valley residents. Among the indicators considered in the context of this effort are those related to: job levels, industry growth, home prices, and housing attainability. Some of these are summarized in the discussion below and all are presented in greater detail in the full report.

- Job growth continued in 2008, despite slowing at the national level. The local economy added a total of 2,800 nonfarm jobs during the past year, at a growth rate of 4.5 percent.
- Despite the fact that Garfield County reported the highest levels of drilling activity, the majority of residents working in this industry in 2008 lived in Mesa County. (65 percent of mining workers in the Piceance Basin report their residence is Mesa County.)
- From 2004 through 2007, median sale price increases in the double digits was the norm. In 2008, the median price was

up 2.9% from one year earlier, representing a slowdown in price gains, but providing a stark contrast to the 10 percent decline at the national level.

- The median single family sales price in the Planning Area was up to \$224,900 in the first quarter of 2009 almost double its 2001 level and 37 percent higher than the national median of \$164,600.
- Residential sales activity peaked in 2006 at just over 4,000 units, but was down 8% in 2007. This decline accelerated to 23 percent in 2008. Fewer than 2,900 homes were sold in the past year.
- The Planning Area had a relatively more affordable housing market than both the U.S. and Denver in the early part of the current decade. Since then, the Planning Area single family home affordability index¹ dropped to below 100. More dramatic price declines will push the Denver and U.S. affordability indices to their highest levels in the past 8 years, while the Grand Valley's index will remain close to its low point.
- Rental vacancy rates in the Planning Area were at 3.1 percent in the fourth quarter of 2008. This is the first time they have been above 3 percent since the third quarter of 2005.
- New construction of apartment units has been virtually dormant with only 237 attainable units delivered in the last 10 years. The largest new apartment projects in Mesa

¹ A measure of relative affordability derived from comparing median home price to median income.

County were Low Income Housing Tax Credit developments.

- As of the first quarter of 2009, over 1,300 families were on waiting lists with the Grand Junction Housing Authority (GJHA), most with incomes under \$10,000 and only able to afford rents of \$200 to \$300 per month.
- The American Community Survey indicates that between 2005-2007, about 43% of renters in Mesa County paid more than 30 percent of their household incomes for gross rent. Among households with incomes less than \$35,000, 65% paid more than 30 percent of income for rent.
- A little over half of renters in Mesa County are not eligible for affordable housing programs, but many still fall short in their ability to pay market rents, or the level of rents which would support new multifamily construction. At 80 percent of AMI (Area Median Income), households can only afford rents below \$800 per month.

What are the Region's Needs?

For the purpose of the *Grand Valley Housing Strategy*, projected household growth was analyzed along with historical patterns of single- and multi-family development to arrive at an estimated demand for new housing in the Planning Area of approximately 16,700 units over the next 10 years, or

approximately 1,670 units annually. Note: Growth assumptions are consistent with those used in the Grand Junction Comprehensive Plan Update 2009.

Approximately 4,400 units (or nearly 26%) of the Planning Area's 10-year demand could be in the form of rental units, or approximately 440 units annually. Attached ownership housing (condominiums and townhomes) appears to be underrepresented in the Valley compared to other communities of its size. Of the 12,310 units of ownership demand, approximately 20% could be delivered in the form of an attached product (assuming policy and regulatory support and developer capacity) based on demographic and consumer preferences. This translates into demand for approximately 2,480 attached ownership housing units in the Planning Area over the next 10 years, or approximately 250 units annually.

More detail regarding demand by price point and housing product type are summarized below:

EXECUTIVE SUMMARY REPORT

- Fifty-one percent of all demand for attached ownership units will be for units priced between \$150K and \$250K. 45% of all demand for detached ownership units will be for product in this price range.
- Future demand for 1,280 units at rents below \$375, combined with existing demand for at least 1,300 units (number of families on waiting list with GJHA) at this level, suggests a significant deficit at this point in the Grand Valley for the foreseeable future.
- Over the next 10 years, there will be demand for 2,200 units, or 50% of all rental demand, priced below \$625.
- Provision of rental housing to households below Area Median Income (AMI) is primarily left to advocacy agencies including the Grand Junction Housing Authority, Housing Resources of Western Colorado, and other non-profit developers.
- More than 1,300 units in the Planning Area are eligible for rehabilitation, but funding for this improvement activity is extremely limited.²
- Increased demand for rental units, as well as townhouse / condo units will require higher densities than are now

² Using county assessor GIS data, parcels were screened as rehab candidates if they were one of several multi-family account types constructed prior to 1985. A comprehensive field survey of each of several aggregated parcels was conducted in Oct 2008 to determine property type, construction material, overall condition, estimated occupancy, and notes on surrounding properties.

typically built / approved in the market. Assuming an average density of 16 to 18 units per acre for rental units and 12 to 14 units per acre for attached ownership units, the Planning Area will require the following acreages with appropriate zoning designations.

	Density (units / acre)	Acres
Single Family	1 to 10	2,420
Townhome / Condo	12 to 14	190
Rental	16 to 18	260
		2,870

- 16,700 new units by 2018 will require 2,870 acres
- More than 70% of this acreage (2,100 acres with 5,100 lots) is already in the municipal or county development pipeline, however:
 - Over 90 percent of the acreage in the pipeline has a density of 5 units per acre or less.
 - The pipeline already contains more than enough product at 0 to 2 and 3 to 5 units per acre.
 - Land for developments at 5 or more units per acre is well short of demand.
- 6,000 to 7,000 lots / units are in various stages of processing - most in developments of less than 5 units to the acre.

EXECUTIVE SUMMARY REPORT

- A typical lot cost of \$75,000 to \$80,000, at a density of 3 units per acre, creates an \$80K gap between the cost of development and a sale price of \$250,000.
- At current land and construction costs, there is a 40 percent gap between the costs of delivering apartments priced at rents of \$1.10 per square foot. (Note: As of the first quarter of 2009, market rents were averaging \$0.85 per square foot.)

Why the Shortage?

Experience has proven that when market opportunities exist (as borne out by the demand analysis presented above), yet development doesn't happen, or it doesn't happen in a meaningful and responsive way, barriers exist. Low rental vacancy rates, yet declining permit activity alone suggests that barriers are hindering the free market from being able to address demand in a strategic and equitable way. Specific explanations for why the market has not responded to demand came through input gained from representatives of the community during a series of small group meetings held over several days in October 2008. Broad categories of barriers to investment and reinvestment (expressed as both

perceptions and reality) in the housing market, identified by these groups, included those listed below.

- Availability of multi-family zoned land;
- Disparities between the cost of construction (including land costs) and value of development;
- Escalating government and special district fees and extended application processing times;
- Uncertainty around the rezoning process;
- Limited availability of private equity;
- Inexperience among local builders in delivering a greater range of product types;
- Perceived competition among for-profit and non-profit builders;
- Resistance to higher density development;
- Inconsistent interpretation of building codes and the costly delays this creates;
- Out-dated code provisions and inappropriate application (based on product type and project location);
- Size of the market that effectively limits competition ("small builder delivery system");
- Expense of retooling for new products among builders familiar with a specific product type; and

- Lack of experience among lenders and appraisers associated with mixed-use developments.

A more detailed discussion about impediments to investment and the input of stakeholders in the process is presented in the full report.

Conclusion

A comprehensive housing strategy seeks to align demand with supply, effectively allowing for greater movement within the market while also responding to fluctuations in market conditions over the near- and long-term.

Successful implementation of the *Grand Valley Housing Strategy* will be dependent not on the existence of this document, but rather on committed leadership from the public and private sectors. Without trust and participation from multiple interests, the *Strategy* will soon be obsolete. Without exception, all of the participants in the process stated four essential elements for success:

- Acknowledgement of the challenges;
- Political will;
- Community outreach and education; and
- Consideration of the consequences of doing nothing.

The *Grand Valley Housing Strategy* is intended to assist the housing advocacy partners that funded and participated in its preparation, with the tools to serve and guide growth and development of housing for the near- and long-term. The recommendations presented herein were developed with input from the Steering Committee and guidance from the Consultant Team. The information is designed to provide for thoughtful consideration and sound decision-making. Finally, it is the recommendation of the authors of this report that the information contained herein be reviewed and updated often, as conditions change and strategies are advanced.