

*The Economics of Land Use*



## **Final Report**

# Archuleta County Housing Needs Study

Prepared for:

Archuleta County  
Town of Pagosa Springs

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## Table of Contents

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|    |   |    |
|----|---|----|
| 1. | FINDINGS AND RECOMMENDATIONS .....                  | 1  |
|    | Report Organization .....                           | 1  |
|    | Summary of Findings .....                           | 2  |
|    | Recommendations.....                                | 6  |
| 2. | ECONOMIC AND DEMOGRAPHIC FRAMEWORK .....            | 11 |
|    | Population and Households .....                     | 11 |
|    | Income.....   | 13 |
| 3. | EMPLOYMENT CONDITIONS .....                         | 15 |
|    | Employment.....                                     | 15 |
|    | Commuting .....                                     | 20 |
| 4. | HOUSING CONDITIONS.....                             | 21 |
|    | Existing Housing Stock .....                        | 21 |
|    | Vacation Rentals and Lodging .....                  | 27 |
|    | Housing Market .....                                | 30 |
|    | Other Housing Models.....                           | 34 |
|    | Existing Affordable Inventory .....                 | 36 |
| 5. | AFFORDABILITY ANALYSIS .....                        | 37 |
|    | Definitions .....                                   | 37 |
|    | Area Median Income and Affordability Measures ..... | 37 |
|    | Cost Burden .....                                   | 43 |
| 6. | HOUSING NEEDS AND GOALS .....                       | 44 |
|    | Current Needs .....                                 | 44 |
|    | Employer Survey .....                               | 47 |
|    | Future Housing Need .....                           | 49 |
| 7. | IMPLEMENTATION RECOMMENDATIONS .....                | 50 |
|    | A. Organization.....                                | 51 |
|    | B. Development .....                                | 54 |
|    | C. Resources .....                                  | 57 |

Appendices

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APPENDIX A: TOOLS AND RESOURCES ..... 66

APPENDIX B: SURVEY QUESTIONS ..... 80

APPENDIX C: NEXT STEPS AND ACTION PLAN ..... 93

## List of Tables

---

|          |   |    |
|----------|---|----|
| Table 1  | Population and Households, 2000-2016 .....                              | 11 |
| Table 2  | Population Age Distribution .....                                       | 12 |
| Table 3  | Median Household Income, 2000-2015 .....                                | 13 |
| Table 4  | Archuleta County Employment by Supersector, 2001-2016 .....             | 18 |
| Table 5  | Wage Change by Supersector, 2001-2016.....                              | 19 |
| Table 6  | Commuting Patterns – Archuleta, San Miguel, and La Plata Counties ..... | 20 |
| Table 7  | Housing Units, 2000-2016.....   | 21 |
| Table 8  | Housing Tenure, 2000-2016 .....   | 25 |
| Table 9  | Vacant Units by Type, 2000-2015 .....                                   | 26 |
| Table 10 | Households by Tenure and AMI, 2015.....                                 | 38 |
| Table 11 | Home Affordability by AMI Level .....                                   | 40 |
| Table 12 | Rental Affordability by AMI Level.....                                  | 42 |
| Table 13 | Cost Burdened Households by AMI Level and Tenure, 2015 .....            | 43 |
| Table 14 | Rental Housing Gaps .....   | 44 |
| Table 15 | 2016-17 Home Sales by Affordability .....                               | 45 |
| Table 16 | Selected 2017 Survey Responses .....                                    | 48 |
| Table 17 | Housing Authority Recommendation Summary.....                           | 52 |
| Table 18 | Potential Revenue Sources .....   | 62 |
| Table 19 | Public and Other Available Land Summary.....                            | 65 |
| Table 20 | Land Use Tools - Mandates.....  | 70 |
| Table 21 | Land Use Tools - Incentives.....  | 71 |
| Table 22 | Development Policy Tools.....   | 72 |
| Table 23 | Revenue Generation Tools.....   | 76 |

## List of Figures

---

|           |   |    |
|-----------|---|----|
| Figure 1  | Recommendations Summary .....   | 6  |
| Figure 2  | Archuleta County Population, 2000-2016 .....                                | 12 |
| Figure 3  | Archuleta County Household Income Distribution, 2016 .....                  | 13 |
| Figure 4  | Components of Personal Income, 2000-2015.....                               | 14 |
| Figure 5  | Archuleta County Employment by Type, 2001-2015 .....                        | 15 |
| Figure 6  | Archuleta County and Colorado Statewide Employment, 2003-2016 .....         | 16 |
| Figure 7  | Archuleta County Quarterly Employment, 2003-2016 .....                      | 17 |
| Figure 8  | Archuleta County Employment Inflow/Outflow, 2014 .....                      | 20 |
| Figure 9  | Tenure of Occupied Housing Units, 2000-2016.....                            | 22 |
| Figure 10 | Housing Units by Year Built, 2015 .....                                     | 23 |
| Figure 11 | Archuleta County and Pagosa Springs Permitted Housing Units, 2001-2016..... | 24 |
| Figure 12 | Housing Unit Vacancy by Type, 2000-2015.....                                | 27 |
| Figure 13 | Archuleta County Housing Unit vs. Household Growth, 2000-2016 .....         | 28 |
| Figure 14 | 2016 and 2017 Home Sales by Price, Archuleta County.....                    | 30 |
| Figure 15 | Average Home Price Per Square Foot, Archuleta County 2005-2017 .....        | 31 |
| Figure 16 | Average Home Sales Price, Archuleta County 2005-2017 .....                  | 31 |
| Figure 17 | Average Home Size, Homes Sold from 2005-2017.....                           | 32 |
| Figure 18 | Renter-Occupied Units by Monthly Rent, Archuleta County 2000-2015.....      | 33 |
| Figure 19 | Archuleta County Household Income Distribution, 2016 .....                  | 38 |
| Figure 20 | Households by AMI and Tenure, 2015.....                                     | 39 |
| Figure 21 | 2016-17 Home Sales by Affordability Level.....                              | 41 |
| Figure 22 | Cost Burdened Households by AMI Level .....                                 | 43 |
| Figure 23 | Rental Housing Gaps .....   | 45 |
| Figure 24 | Households and Home Sales by AMI .....                                      | 46 |
| Figure 25 | Recommendations Summary .....   | 50 |

# 1. FINDINGS AND RECOMMENDATIONS

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This Housing Needs Study was prepared by Economic & Planning Systems (EPS) for Archuleta County and the Town of Pagosa Springs. The purpose of this report is to:

- Document the economic and demographic conditions that contribute to housing affordability issues;
- Evaluate the housing market to document housing costs compared to incomes and identify market trends that will continue to affect housing affordability, and;
- Recommend strategies and actions in land use, organization, and funding that will have the greatest impact on increasing the supply of housing for low and moderate income residents and the local workforce.

## Report Organization

This report is divided into seven chapters, outlined below.

**Chapter 1** contains the Summary of Findings and Recommendations.

**Chapter 2** contains an economic and demographic framework, outlining existing conditions and trends in Archuleta County.

**Chapter 3** provides an overview of employment conditions, outlining employment and wage conditions and growth in the County.

**Chapter 4** outlines current housing and affordability conditions including for-sale housing, rental housing, vacation rentals, and affordable housing.

**Chapter 5** presents an affordability analysis for the County, examining area median income, home affordability, and cost burden.

**Chapter 6** outlines housing needs and goals, addressing the drivers of future housing demand and identifying opportunities to meet that demand.

**Chapter 7** delineates implementation recommendations for the County and the Town to achieve these housing goals, including organizational recommendations, financial tools, and project implementation strategies.

**Appendix A** provides a toolkit of policies and strategies available to local governments to address housing needs.

**Appendix B** provides a copy of the survey distributed to local employers.

**Appendix C** provided by the Community Builders Housing Institute Workgroup (a group of local elected officials and policy makers), provides an outline of the steps taken by local leaders following the release of the first draft of this report. The group has outlined actions and goals to move this issue forward in the next year.

## Summary of Findings

### Economic and Demographic Conditions

- 1. Archuleta County and Pagosa Springs have both increased in population since 2000. While growth was slower from 2010 to 2016 than in the decade from 2000 to 2010, the post-Recession recovery is established. However, an older and aging population will pose distinct challenges moving forward.***

Archuleta County had a population of 12,400 in 2016; 14 percent of those residents live in Pagosa Springs. This population is significantly older than the State of Colorado overall. Median age in 2016 was 50.1 years in the County, compared to 36.9 years in Colorado. The population of Pagosa Springs has a similar age distribution to the County, with a median age of 51.1 years. Additionally, over 20 percent of the population is aged 65 and older, compared to just 13 percent of the population statewide.

- 2. The dominant economic sectors in Archuleta County are Retail, Leisure and Hospitality, Education and Health Services, and Government. Job growth has been strong since the Great Recession and now exceeds prerecession peaks. However, much of the growth is taking place primarily in low wage industries.***

In 2016, Archuleta County had a total of just over 4,000 jobs – exceeding the 2007 prerecession peak of 3,700. After strong employment growth leading up to 2007, there was a significant decline in employment during the Great Recession. While the County has recovered from those losses, this recovery took place later and more slowly than the State, with employment growth in the County beginning again in 2013.

Retail, Leisure, and Hospitality make up the largest share of County employment, at 39 percent of all jobs in 2016. Education and Health Services is the next largest employment sector, with 15 percent of area jobs, followed by Government with 13 percent of County employment.

On average, wages in the County have increased 2.2 percent per year since 2001; however, these changes have not been uniform across sectors. Government sector jobs as well as Professional and Business Services have seen the greatest average wage increases, while Manufacturing jobs have seen an average wage decrease. Wages for retail, leisure, and hospitality jobs have increased an average of 2.4 percent annually; however, these sectors consistently have the lowest average wages while accounting for nearly 40 percent of area employment. This combination of high employment and low wages creates a large population with a need for affordable housing.

### Housing and Land Use Conditions

- 1. Unlike job growth, housing development has been slower to recover. The growth in supply is not keeping pace with the growth in demand. Moreover, much of the growth in new housing construction is unaffordable to local households.***

Housing development activity in the County declined significantly during the recession years, but has been slowly recovering since 2013. Between 2001 and 2007, an average of 302 housing units were permitted each year; between 2008 and 2012 this decreased to an average of 59 units permitted annually. Since 2013, development activity has increased to an average of 107 permitted units per year.

While development is recovering, these new homes are increasingly expensive. The average price per square foot of new construction (a home built and sold within five years) has increased by \$18 since 2005; over the same time period, the average price per square foot of homes older than five years has decreased by \$17.

While rental housing has not seen the same level of development activity, similar cost changes have occurred. Until 2010, most rental units had rents of between \$500 and \$749 per month, with a relatively equal distribution of rents above and below that level. Since 2010, however, the distribution has shifted to higher rental levels. Nearly all rental units in the County rent for at least \$500 per month, with a large portion of units renting for \$1,000 per month or more – rent levels that were rare prior to 2010.

## **2. *Second homes and vacation rentals are a significant – and growing - portion of the housing stock in Archuleta County.***

There are two types of intermittently-occupied properties – second homes used on an occasional basis only by owners, and vacation rentals used as short term rental units. Based on a January 2016 report prepared for Region 9, an estimated 41 percent of residential properties in Archuleta County are owned by people whose primary residence is outside the County. In a survey of these homeowners, 12 percent of these homes were reported as part-time rentals and 11 percent as full-time rentals. The study also found that 65 percent of survey respondents do not use their properties for short-term rentals.

Another indication of second home and speculative housing construction can be found by comparing the growth in households (equivalent to an occupied housing unit) to growth in housing units. Historically, 35 to 40 percent of housing units across the County have been vacant. While a small percentage of these are vacant while for rent or for sale, most are likely second homes. Between 2000 and 2010, the County added 2,550 housing units but only 1,287 households, indicating that 50 percent of new housing units were second homes. From 2010 to 2016 this proportion increased as the County added only 187 households but 468 housing units - 60 percent of new housing units were second homes. These data points indicate that the share of second homes in the market is growing.

Another factor in the local economy that limits the housing supply are units set aside for short term rentals. A study commissioned by the Pagosa Springs Visitors Center put the inventory of vacation rentals at 500 to 600 units. The demand by second homeowners as well as the additional demand by short term guests reduce the supply available to long-term local residents.

## **Housing Needs and Opportunities**

### **1. *Thirty-six percent of households in Archuleta County are "cost burdened" with housing – spending more than 30 percent of household income on housing costs. This burden is greater on renter households, with 49 percent of all renter households cost burdened, compared to 30 percent of all owner households.***

Comparing renter households to census data on unit rents shows significant affordability gaps between households and units available at very low income levels, as well as higher income levels. Although the data appears to show that needs for households earning 60 to 120 percent AMI are generally being met, the gaps at the high and low ends may indicate that those households are renting the units that would otherwise be affordable to those earning 60 to 120 percent, creating additional gaps for middle-income households.



Gaps exist for ownership housing as well; 32 new homes (constructed and sold within five years) were sold in Archuleta County in 2016 and the beginning of 2017, none of which were affordable to households earning less than 100 percent of AMI. Over 80 percent of these homes were affordable only to households earning over 120 percent AMI, or \$60,400 per year. Of all homes sold since 2016, only 18 percent were affordable to households earning between 30 and 80 percent AMI, although these households make up 27 percent of the population.

**2. Future housing demand is likely to be driven by employment growth, and affordable housing will need to be available for these new employees. The County may struggle to continue to grow economically if its workforce cannot find affordable housing.**

A number of area employers have recently grown or are planning expansions in the near future, but many employers are struggling to attract and retain employees because of difficulty finding housing.

An online survey was distributed to local employers to better understand the needs that they see for housing for their employees, and how these housing needs affect their business. Additional direct outreach was done with large employers to further understand their experience of housing needs in the region. While the response rate for the survey was not high enough to make statistically significant conclusions from the data, some qualitative findings are important to note:

**How do seasonal housing issues compare to year-round challenges?**

44% Believe they are both equally challenging.  
27% Believe year round needs are more complex than seasonal.

**What is the relative degree of the housing problem today compared to the past?**

0% Believe it is not as bad  
90% Believe it is worse or substantially worse

**What industry faces the greatest need as it relates to housing employees?**

49% Responded service (food/beverage/hotel/retail)  
17% Responded "all"

**What is more important? Ownership or rental**

46% Say rental housing ☐  
51% Say both rental and ownership ☐

**How does the availability of suitable housing impact your recruitment and retention efforts?**

49% Say substantially  
*These respondents represent 86% of full-time and 78% of part-time job openings and unfilled positions reported on the survey*

A similar survey of employers was conducted as part of the 2007 County housing needs assessment. Although the 2017 survey had a narrower focus, some questions were carried over from 2007 to track broad changes. The biggest change came in asking employers generally about the issue of affordable housing for Archuleta County residents and employees:

| <b>Do you feel affordable housing for Archuleta County residents and employees is:</b> | <b>2007</b> | <b>2017</b> |
|--|-------------|-------------|
| Not a problem  | 6%          | 0%          |
| One of our lesser problems   | 10%         | 0%          |
| A problem among others needing attention   | 44%         | 20%         |
| One of the more serious problems in the County   | 34%         | 51%         |
| The most critical problem in the County  | 6%          | 29%         |

**3. *Some of the pressure for vacation rentals is likely a result of low hotel room inventory, with only 50 percent of demand for visitor lodging being met by hotels.***

The existing hotel inventory is both limited and aged; there are approximately 500 hotel rooms in the area, with Ecolux at the Springs – the most recent development of 28 new rooms – built in 2009.

Given the estimated 500 vacation rentals in the area, the existing 500-room hotel inventory is only meeting 50 percent of demand for visitor lodging. While not directly a housing strategy, increasing the hotel inventory may lessen demand for vacation rentals, creating some incentive for owners of these properties looking for rental income to either place or leave them in the long-term rental pool.

## Recommendations

This section contains the key recommendations for Archuleta County and Pagosa Springs to implement in a common effort to increase the housing opportunities in the region. A comprehensive Action Plan targeting affordable housing will help the County and Town create a framework to address identified housing needs, both immediately and into the future.

Actions are needed in three areas: expanding local organizational capacity around housing; increasing the inventory of affordable housing; and increasing resources (financial and other) available for affordable housing. If pursued concurrently, these strategies can help the County and Town address the current local housing need, while putting a structure in place to continue to address housing issues into the future. Key recommendations are summarized in **Figure 1**.

**Figure 1**  
**Recommendations Summary**

|                    | Increase the Housing Supply  | Expand Capacity to Address Housing  | Ensure Policy Keeps Pace with Actions   |
|--------------------|--|---|---|
| <b>Short Term</b>  | <ul style="list-style-type: none"> <li>Review and confirm site evaluation</li> <li>Identify 2-3 sites that warrant development</li> </ul>  | <ul style="list-style-type: none"> <li>Consolidate ideas from this process to establish work program for Housing Authority</li> <li>Request that Housing Authority legal advisor address questions about autonomy and compliance</li> </ul> | <ul style="list-style-type: none"> <li>Consider incentives for ownership housing</li> </ul>                   |
| <b>Medium Term</b> | Vet options for vertical construction: <ul style="list-style-type: none"> <li>Cost to community</li> <li>Cost to future residents</li> <li>Ability to tap grants/funding</li> <li>Nexus between critical needs and resource allocation</li> <li>Track peer examples</li> </ul> | <ul style="list-style-type: none"> <li>Establish process for interface between Housing Authority, Town Council, and BoCC</li> <li>Test effectiveness with incremental steps</li> </ul>  | <ul style="list-style-type: none"> <li>Review lodging tax options as dedicated revenue for housing</li> </ul> |
| <b>Long Term</b>   | <ul style="list-style-type: none"> <li>Establish partnership</li> <li>Build project</li> </ul>   | <ul style="list-style-type: none"> <li>Consider ways to tap additional State revenue</li> </ul>   | <ul style="list-style-type: none"> <li>Test community support for linkage requirements</li> </ul>             |

As noted previously, **Appendix C** outlines actions that been started in response to these recommendations, including a modification to the recommended approach to broaden organizational capacity.

## **A. Organization**

At different times, various entities within the region have taken on the responsibility to advance the affordable housing cause. To the extent the community can consolidate its resources and identify a single entity that could articulate the challenges and align resources, the community will be that much more effective. Based on a review of local resources, EPS recommends that the community evaluate options, with a specific focus on the Archuleta County Housing Authority. It could be an optimal organization to advocate for and implement affordable housing policies and programs, and to evolve the organization to steward resources for the County, Town, and community as a whole. This study recommends elevating the role of the existing housing authority and, concurrently, improving communications with the Town and County to ensure it can evolve into a new role that works on behalf of both the Town and the County.

Although its scope of work has recently been limited to the Casa de los Arcos property, the Housing Authority has been working over the past few years to overcome previous organizational challenges. Current leadership is ready and willing to be the primary advocacy and leadership organization for affordable housing in the County moving forward, and believes that the organization has the capacity and ability to do so.

With an existing organizational structure in place, and the desire of current leadership to expand the organization's role and capacity, promoting the role of the Housing Authority is a natural first step in a comprehensive strategy to address housing needs. Having a central organization that policy makers, developers, and community members can all look to for leadership and guidance is critical to making progress on affordable housing issues. As this newly empowered organization works to build trust and relationships in the community, there will be opportunities to bring together groups that are currently working separately. Enabling this type of central organization will strengthen the voice of the entire housing community in the region and support the long term success of other housing initiatives.

This recommendation involves recognizing a community resource to dedicate to the housing cause and capitalize on the Housing Authority as an existing, local entity with an understanding of the affordable housing environment. No binding agreement or financial commitment with the Town or the County is recommended at this time. In recognition of concerns about the Housing Authority's historically limited responsibility, an incremental approach is suggested, such that complexity can be built in over time.

Recognizing the need for a long-term strategy to build capacity within the region, the Town and County may want to solicit proposals from other organizations as well. Next steps in pursuing this strategy involve identifying goals to be accomplished, metrics to measure effectiveness over time, and expectations regarding information flow and collaboration with elected boards. Following clarification of these issues, the Town and County could extend invitations to talk with other organizations in the region with capacity and interest in addressing these tasks.

## **B. Development**

Increasing the inventory of affordable housing is a key component of this strategy. Given the local housing conditions and needs, a multifaceted approach to move forward with housing development is optimal. Options for the Town and County to consider include: rental housing; modular housing; mutual self-help housing development; tiny homes; and incentive programs to assist with private development of both ownership and rental housing. EPS recommends that the community focus first on rental housing development, followed by other options.

### ***Rental Housing***

The need for affordable rental housing in the area has been growing, but the inventory to meet that need has not been developed. To address this need, the County, Town, and Housing Authority (or other designated local housing organization) should move forward with the elements of a new rental project, including organization, financial resources, and land. This will involve the donation of a publicly owned site to the project, in addition to other determinations of how the Town and County can contribute (while maintaining compliance with the Anti-Donation Clause in the State Constitution). This may include fee waivers, expedited development review, or other procedural and/or financial assistance.

In addition to a traditional rental housing development, private development of other housing types, such as modular construction and tiny homes, can be utilized as part of this strategy to increase rental inventory.

### ***Ownership Housing***

The Town and County should utilize land use and regulatory tools, and if possible financial resources, to support development of affordable ownership housing. This may include traditional development, modular homes, and/or tiny homes. Mutual self-help programs can also be utilized to address this piece of housing need. Small infill sites exist around the community, and presents a significant opportunity for these types of developments.

### ***Tiny Homes***

While a community-oriented model for Tiny Home development is beginning to be explored for special populations and in some mountain settings, it has not yet been shown to be effective as a mainstream approach to affordable housing development. However, if there is a local group that is interested in pursuing this type of development, the community should support their efforts and vet the concepts for viability. Because of the numerous types of concepts around Tiny Homes and associated communities, it is important to define how a local development would take shape. Definitions should be provided by community advocates regarding utilities, permanency of homes, design requirements, provision of community areas, and maintenance of the site and homes. Among the more important elements in the concept definition is to identify the linkage between identified needs (as defined in this report) and how the tiny home development would address them (e.g. increasing the local employee base, ensuring affordability).

### ***Development Project***

Given the local need and available resources, pursuing an affordable housing project is an immediate and achievable goal for the Town and the County. While need for affordable rental housing in the community has been growing, the inventory to meet this need has not grown at the

same pace. A new affordable rental development of between 30 and 50 units would help alleviate some of this need, as well as demonstrate that new, affordable development is feasible. Due to the ability to leverage investor equity, a 9% Low Income Housing Tax Credit project is recommended.

Given the significant competition for 9% funds, in addition to numerous factors including location and workforce availability, development in this part of the state is more expensive than other areas. Based on conversations with area affordable housing developers, as well as the Colorado Housing and Finance Authority (CHFA), a new affordable project in Archuleta County will likely only be successful if the Town and the County contribute in a meaningful way.

Developers indicated that concessions from the local government are critical to project success. Land is often dedicated to a project, in addition to fee waivers and other in-kind contributions. CHFA also indicated that strong emphasis is placed on community support, which is expected to take the form of financial contribution as well as a broad cross section of community organizations passing resolutions in favor of the project.

The local opportunity could be led by the housing authority, with the goal of selecting a developer partner on behalf of the larger community. Communication with both the Town and County during this process will be critical. Another opportunity is to increase the number of housing authority staff and develop the project internally. This would require retaining staff with development expertise, which should be considered.

## **C. Resources**

Local resource dedication is a key component of any successful affordable housing strategy. Archuleta County and Pagosa Springs have a number of resources, both existing and potential, that can be directed to address housing issues and need. These resources may be policy (e.g. zoning changes), physical (e.g. staff capacity or public land dedication) or financial (e.g. dedicating tax revenue to a housing fund).

In order to attract a successful affordable project, as well as ensure that housing issues can continue to be addressed in the future, allocation resources on the part of both the Town and the County will be necessary. Recommendations are provided in three categories: land use and regulatory tools, public land dedication, and financial resources. In addition to resources that the Town and the County can provide, there are regional resources and organizations available that can assist with affordable housing.

### ***Land Use***

In terms of general land use, the Town has taken a number of important steps recently to create a development environment that supports affordable housing construction, and the County is currently evaluating its Community Plan. The Town and County should ensure that developers are aware of the recent policy changes made, and understand how they can be utilized to deliver affordable housing.

Public benefits for public investment, whereby local governments can assist with infrastructure or other development costs to accelerate new development, should also be considered—particularly for target areas where high infrastructure or other construction costs make delivering affordable units difficult. Any contributions by local government would be in exchange for some percentage of units set aside as permanently affordable through a deed restriction on the lot or donation of

the lot to a land trust or other organization. A consistently applied policy of receiving public benefit for this investment could generate affordable housing, if the investment offered is significant enough to be a meaningful incentive for a developer.

In terms of Inclusionary Housing or Residential Linkage, it is recommended to test the local support for a residential linkage approach. Given that inclusionary housing has the greatest benefit for communities in which the pipeline of subdivision applications is large, and given that a significant portion of Pagosa Springs and Archuleta County have already been platted, a linkage program would have greater impact. If community support exists for a linkage fee program, complete a nexus study to document the degree of benefit and corresponding fee to establish.

Lastly, the policy issues surrounding vacation rentals warrant additional focus. Visitors to the region are a significant “demand-generator” for housing, requiring services that utilize local labor and thus create a need for local, affordable housing for those employees. While this labor demand is being generated, the units being rented on a short-term basis lead to a reduction in the supply of units available for long-term rental. Addressing this market segment will be a key element of any housing solution. While it is procedurally and organizationally challenging, expanding the scope and purview for County lodging tax is the most appropriate strategy, and one with the most significant potential outcomes—particularly if additional lodging tax proceeds generated by vacation rentals are directed to a housing fund. Another strategy that may be adopted more easily is limiting the use of housing units as short-term rentals, with the goal of increasing the long-term rental supply.

### **Public Land**

Land is a large component of development costs, and dedication of public land to an affordable housing project can significantly mitigate these costs and strengthen development feasibility. Archuleta County and Pagosa Springs are in a particularly strong position in regards to this, as there are a number of publicly owned sites identified as available for housing projects. This is an especially critical public resource when considering a 9% LIHTC project, as public contribution of a prime site – in terms of both location and development readiness - plays a significant role in strengthening the funding application.

There are eight public or development-ready private parcels that were identified as available for housing. Based on an analysis of development potential and suitability for housing, it is recommended that the Town, with County support, dedicate the Trujillo Road property or Town Maintenance Shop parcel to be the site of a new affordable housing development.

### **Financial Resources**

There are many possible sources of dedicated funding for affordable housing, which can be dedicated to a housing fund or other housing organization, and used to fund projects directly or mitigate the impacts of high construction costs for private developers. Any funding stream should be maintained by the entity generating the funds, with nonbinding resolution to use them to fund a housing development or program. Regardless of what tool(s) may be selected, both the Town and the County should resolve to use these on regional solutions.

The three recommended potential funding strategies are: a dedicated sales tax, a dedicated property tax, or amended lodging tax language; however, more input and outreach will be required in order to determine which is most likely to gain voter approval.

## 2. ECONOMIC AND DEMOGRAPHIC FRAMEWORK

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This chapter outlines trends and conditions in demographics and income for Archuleta County and Pagosa Springs. Data are presented from 2000 to 2016, documenting the magnitude and nature of growth over that time. Figures presented for the County are inclusive of the Town.

### Population and Households

Archuleta County and Pagosa Springs have increased in population and households since 2000; however, both have seen slower growth since 2010 than in the decade from 2000 to 2010 (**Table 1**). As of 2016, the population of the Town is 1,776 and the County has reached a population of 12,427 (including the residents living within the municipality).<sup>1</sup> Thus, the Town accounts for 14.3 percent of the region's population.

While the County grew by nearly 2,200 people between 2000 and 2010, it has only increased by approximately 350 since 2010; Pagosa Springs increased by close to 200 people from 2000 to 2010; however the Town has only grown by approximately 50 people since 2010. Average household size in both areas has stayed relatively consistent from 2010 to 2016, increasing from 2.32 to 2.35 in Pagosa Springs, and decreasing slightly from 2.27 to 2.25 in Archuleta County.

While its total population has increased as a share of the County population, Pagosa Springs has decreased from 16 percent of the County in 2000 to 14 percent in 2016 (**Figure 2**).

**Table 1**  
**Population and Households, 2000-2016**

| Description      | 2000  | 2010   | 2016   | 2000-2010 |        | 2010-2016 |        |
|------------------|-------|--------|--------|-----------|--------|-----------|--------|
|                  |       |        |        | Total     | Annual | Total     | Annual |
| Population       |       |        |        |           |        |           |        |
| Pagosa Springs   | 1,540 | 1,727  | 1,776  | 187       | 1.15%  | 49        | 0.47%  |
| Archuleta County | 9,898 | 12,084 | 12,427 | 2,186     | 2.02%  | 343       | 0.47%  |
| Households       |       |        |        |           |        |           |        |
| Pagosa Springs   | 582   | 716    | 745    | 134       | 2.09%  | 29        | 0.66%  |
| Archuleta County | 3,980 | 5,267  | 5,454  | 1,287     | 2.84%  | 187       | 0.58%  |

Source: ESRI; Economic & Planning Systems

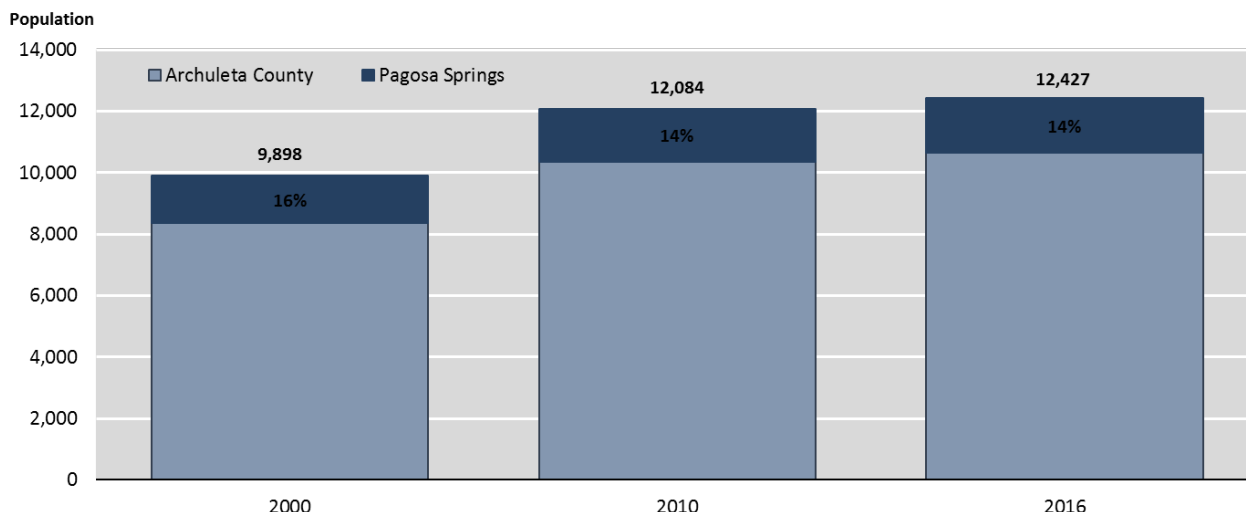
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<sup>1</sup> The US Census 2016 Population Estimates place the County population at 12,854. EPS data estimates the County's population at 12,427, and the Town's population at 1,776, based on ESRI population estimates. The difference between these sources (ESRI and the Census) is attributable to differing methodologies used for the time period between official decennial census results. It represents a variance of 3.3 percent, which is not material with respect to the findings of housing needs and gaps.



**Figure 2**  
**Archuleta County Population, 2000-2016**



Source: ESRI; Economic & Planning Systems

The population of Archuleta County is significantly older than the State of Colorado overall. Median age in 2016 was 50.1 years in the County, compared to 36.9 years in Colorado (**Table 2**). The population of Pagosa Springs has a similar age distribution to the County, with a median age of 51.1 years.

While the share of the population aged 25 to 64 years in both the County (54 percent) and the Town (52 percent) is similar to the State (54 percent), both have a much larger share of population aged 65 and older – 22 percent of the Archuleta County population, and 24 percent of the population in Pagosa Springs, compared to just 13 percent of the population statewide. The area has also been aging quickly, likely due to both aging of existing population and the attraction of the area for retirees. This is particularly apparent in Pagosa Springs, where between 2010 and 2016 the share of the population aged 65 and older grew from 16 percent to 24 percent, and the median age of the Town's population increased over that time from 40.2 to 51.1 years.

**Table 2**  
**Population Age Distribution**

| Description             | 2010 | 2016 | 2010-2016 |
|-------------------------|------|------|-----------|
| <b>Pagosa Springs</b>   |      |      |           |
| 0-24                    | 31%  | 25%  | -7%       |
| 25-64                   | 52%  | 52%  | -1%       |
| 65+                     | 16%  | 24%  | 7%        |
| <b>Median Age</b>       | 40.2 | 51.1 | 10.9      |
| <b>Archuleta County</b> |      |      |           |
| 0-24                    | 26%  | 24%  | -1%       |
| 25-64                   | 57%  | 54%  | -3%       |
| 65+                     | 18%  | 22%  | 5%        |
| <b>Median Age</b>       | 48.2 | 50.1 | 1.9       |
| <b>Colorado</b>         |      |      |           |
| 0-24                    | 34%  | 33%  | -1%       |
| 25-64                   | 55%  | 54%  | -1%       |
| 65+                     | 11%  | 13%  | 2%        |
| <b>Median Age</b>       | 36.1 | 36.9 | 0.8       |

Source: ESRI; Economic & Planning Systems

## Income

Median household income in Archuleta County was just over \$50,000 in 2015, about \$13,500 lower than the overall State median income (**Table 3**). Incomes have grown an average of 1.85 percent per year since 2000, a total increase of \$12,120. This is slower than the statewide average of 2.0 percent income growth per year.

**Table 3**  
**Median Household Income, 2000-2015**

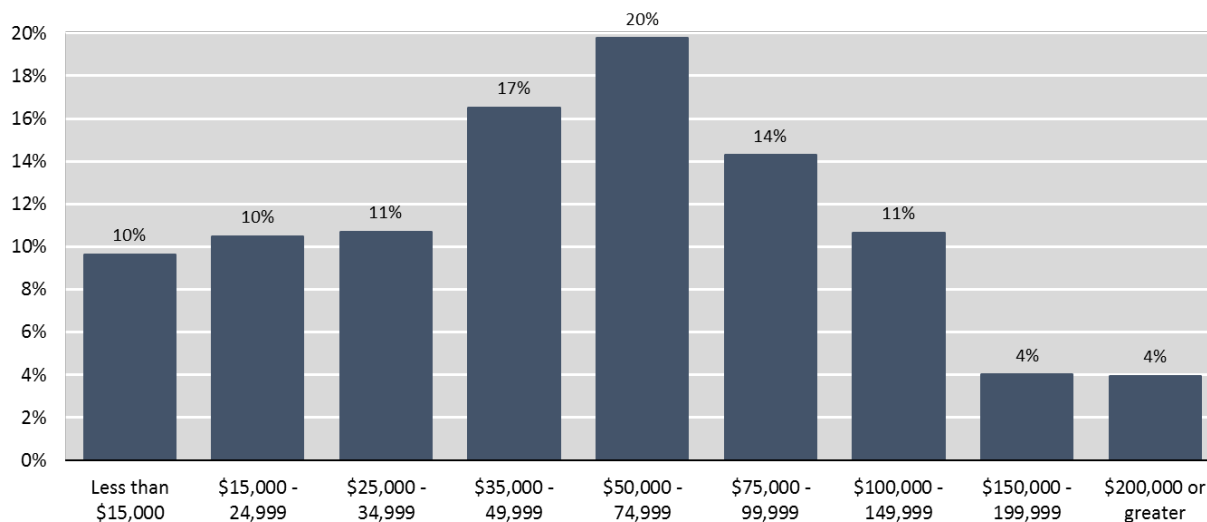
| Description                    | 2000     | 2010     | 2015     | 2000-2015 |         |        |
|--------------------------------|----------|----------|----------|-----------|---------|--------|
|                                |          |          |          | Change    | Ann. #  | Ann. % |
| <b>Median Household Income</b> |          |          |          |           |         |        |
| Archuleta County               | \$38,241 | \$46,165 | \$50,361 | \$12,120  | \$808   | 1.85%  |
| Colorado                       | \$47,505 | \$54,411 | \$63,945 | \$16,440  | \$1,096 | 2.00%  |

Source: US Census; Small Area Income and Poverty Estimates; Economic & Planning Systems

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Over 80 percent of households in the County earn under \$100,000, with 20 percent of households earning between \$50,000 and \$75,000 (**Figure 3**). Nearly one-third of households earn less than \$35,000.

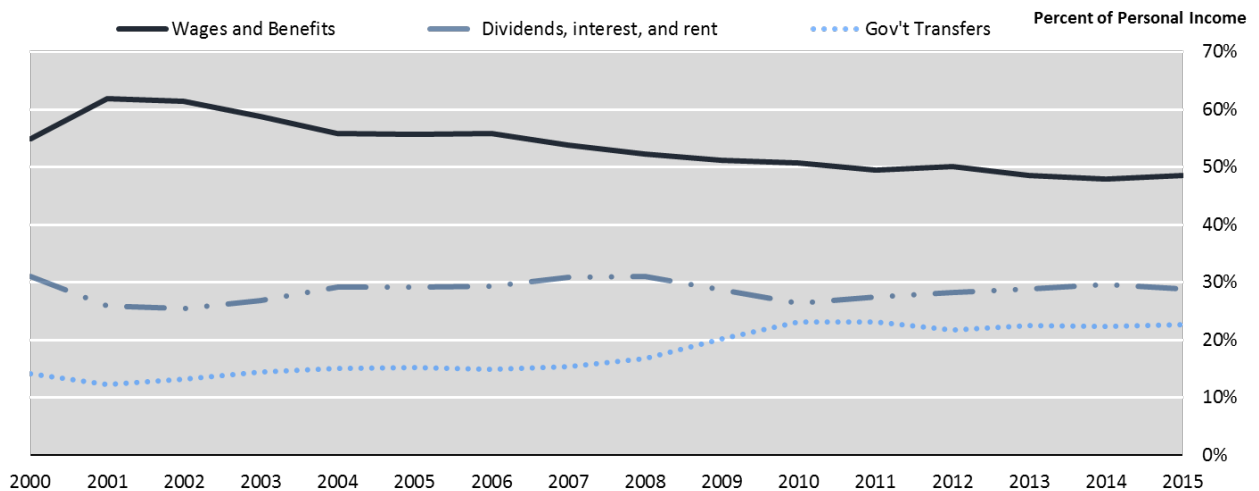
**Figure 3**  
**Archuleta County Household Income Distribution, 2016**



Source: ESRI; Economic & Planning Systems

Total income can be categorized into wages and benefits, dividends interest and rent, and government transfers. Since 2000, the composition of total income in Archuleta County has changed - an indicator of demographic changes. As a percent of personal income, wages and benefits have declined, investment income has remained stable, and government benefits - including social security, welfare, and other assistance - have increased (**Figure 4**). Government transfers increasing as a percentage of personal income may indicate an aging population, with a greater number of people receiving social security, Medicare, and other benefits.

**Figure 4**  
**Components of Personal Income, 2000-2015**



Source: US Bureau of Economic Analysis; Economic & Planning Systems

### 3. EMPLOYMENT CONDITIONS

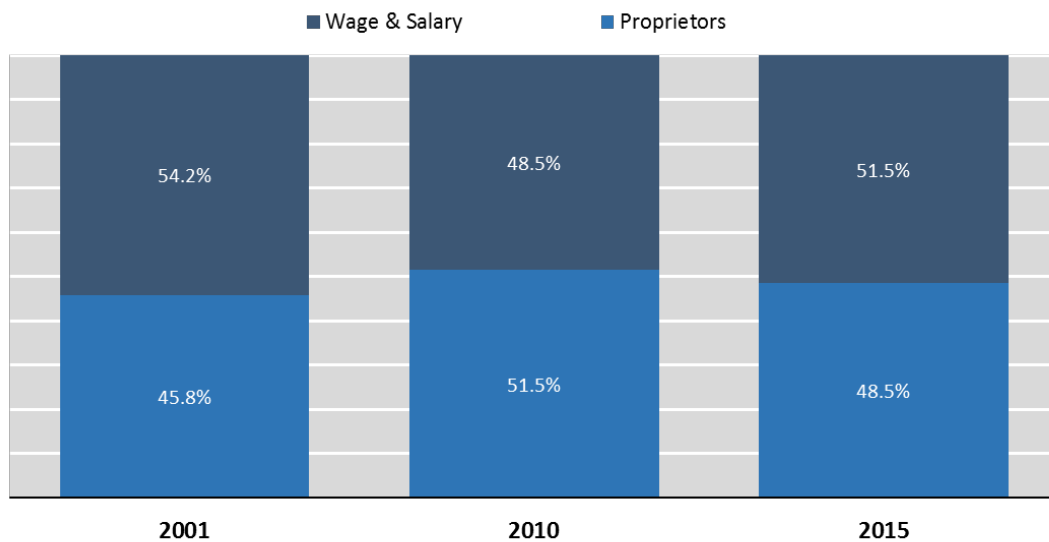
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The purpose of this section is to document employment conditions, identifying the degree of growth in the recent past, the composition of employment by sector, and the relationship between employment and commuting. It is noteworthy to compare the recovery statewide from the Great Recession to that of the local recovery. While local conditions are strong, with total employment now exceeding that of the previous peak, the timing of this recovery has lagged the larger trends of the state.

#### Employment

Overall job growth in Archuleta County has been slow but steady; there has been a total increase of just over 700 jobs from 2001 to 2016, averaging 1.6 percent growth per year. As of 2016 (the most recent year available), countywide employment totaled 4,048 jobs. Employment in the County is divided nearly evenly between proprietors and wage and salary employment, a split that has remained consistent since 2001 (**Figure 5**).

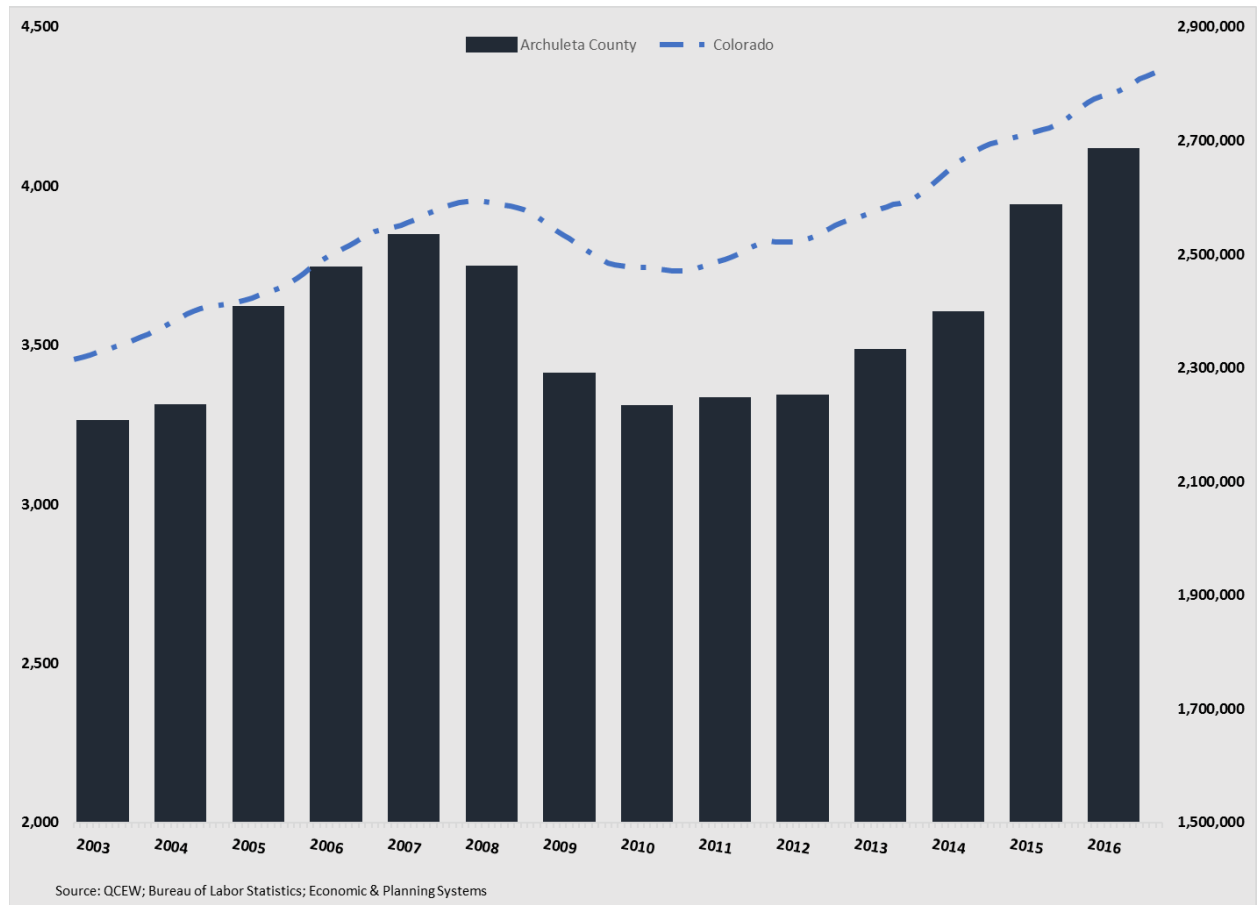
**Figure 5**  
**Archuleta County Employment by Type, 2001-2015**



Source: Bureau of Economic Analysis; Economic & Planning Systems

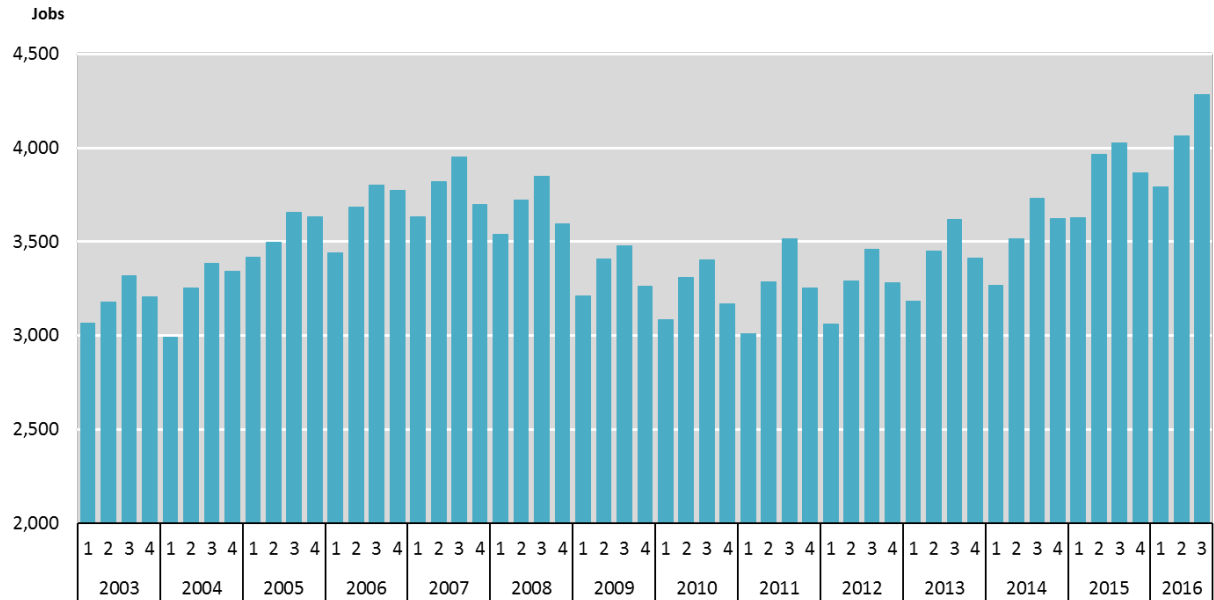
Employment trends in Archuleta County have been similar to those of Colorado statewide, and when job growth is examined on an annual basis the impact of the Great Recession on the area is clear (**Figure 6**). After strong growth leading up to 2007, there was a significant decline in employment during the Great Recession. While Colorado began to recover in 2011, Archuleta County recovery has been later and slower, with employment growth beginning again in 2013.

**Figure 6**  
**Archuleta County and Colorado Statewide Employment, 2003-2016**



In 2016, Archuleta County had a total of just over 4,000 jobs – exceeding the pre-recession peak of 3,700 in 2007. From Q3 2003 to Q3 2007, County employment increased 19 percent, from 3,300 jobs to nearly 4,000. The recession led to a 14 percent decrease from that peak, down to 3,400 jobs in Q3 2010. By Q3 2016, however, County employment had increased 26 percent from the low point in 2010, to nearly 4,300 jobs – higher than the previous peak experienced leading up to the recession (**Figure 7**).

**Figure 7**  
**Archuleta County Quarterly Employment, 2003-2016**



Source: QCEW; Economic & Planning Systems

Archuleta County has a seasonal economy, with the third quarter consistently posting the highest employment of the year – between 1 percent and 18 percent higher than other quarters (**Figure 7**). This seasonality is also clear in the industry breakdown of area employment. Retail, Leisure, and Hospitality make up the largest share of County employment, at 39 percent of all jobs in 2016 (**Table 4**). While this is related to the importance of tourism and seasonal jobs to the economy, the low-wage nature of employment in these sectors, discussed below, also affects the area's economy and housing needs.

Education and Health Services is the next largest employment sector, with 15 percent of area jobs, followed by Government with 13 percent of County employment. As a share of County employment, the Construction industry has seen the largest decline, from 13 percent of total employment in 2001 to 7 percent in 2016. Government employment has increased the most, from 9 percent of County employment in 2001 to 13 percent in 2016.

**Table 4**  
**Archuleta County Employment by Supersector, 2001-2016**

| BLS Supersector                        | 2001         |             | 2010         |             | 2016         |             | 2001-2016 |     |
|--|--------------|-------------|--------------|-------------|--------------|-------------|-----------|-----|
| 10 Natural Resources and Mining        | 78           | 2%          | 47           | 1%          | 45           | 1%          | -33       | -1% |
| 20 Construction                        | 436          | 13%         | 188          | 6%          | 268          | 7%          | -168      | -7% |
| 30 Manufacturing                       | 40           | 1%          | 64           | 2%          | 151          | 4%          | 111       | 3%  |
| 40 Trade, Transportation and Utilities | 133          | 4%          | 124          | 4%          | 120          | 3%          | -13       | -1% |
| 50 Information                         | 75           | 2%          | 64           | 2%          | 63           | 2%          | -11       | -1% |
| 55 Financial Activities                | 271          | 8%          | 260          | 8%          | 299          | 7%          | 29        | -1% |
| 60 Professional and Business Services  | 175          | 5%          | 235          | 7%          | 244          | 6%          | 69        | 1%  |
| 65 Education and Health Services       | 435          | 13%         | 435          | 13%         | 596          | 15%         | 161       | 2%  |
| 70 Retail, Leisure and Hospitality     | 1,258        | 38%         | 1,295        | 40%         | 1,595        | 39%         | 337       | 1%  |
| 80 Other Services                      | 120          | 4%          | 135          | 4%          | 141          | 3%          | 21        | 0%  |
| 90 Government                          | 292          | 9%          | 395          | 12%         | 525          | 13%         | 233       | 4%  |
| <b>Total</b>                           | <b>3,312</b> | <b>100%</b> | <b>3,241</b> | <b>100%</b> | <b>4,048</b> | <b>100%</b> |           |     |

Source: QCEW; Economic & Planning Systems

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On average, wages in the County have increased 2.2 percent per year since 2001; however these changes have not been uniform across sectors (**Table 5**). Government and Professional and Business Services jobs have seen the greatest average increases, while wages for Manufacturing jobs have decreased. Information and Education and Health Services jobs have seen the slowest wage growth, averaging only 1.0 percent annually since 2001. While wages for Retail, Leisure, and Hospitality jobs have increased an average of 2.4 percent annually, these sectors consistently have the lowest average wages of all jobs in the area. As discussed previously, these sectors account for nearly 40 percent of area employment – taken together, the high employment and low wages create a large group of area residents with a high need for affordable housing.

**Table 5**  
**Wage Change by Supersector, 2001-2016**

| BLS Supersector                        | 2001            | 2010            | 2016            | 2001-2016       |              |             |
|--|-----------------|-----------------|-----------------|-----------------|--------------|-------------|
|  |                 |                 |                 | Total           | Ann. #       | Ann.%       |
| 10 Natural Resources and Mining        | \$27,893        | \$36,662        | \$38,783        | \$10,891        | \$726        | 2.2%        |
| 20 Construction                        | \$27,076        | \$30,769        | \$35,052        | \$7,976         | \$532        | 1.7%        |
| 30 Manufacturing                       | \$32,573        | \$19,700        | \$22,463        | -\$10,111       | -\$674       | -2.4%       |
| 40 Trade, Transportation and Utilities | \$41,272        | \$53,382        | \$58,867        | \$17,595        | \$1,173      | 2.4%        |
| 50 Information                         | \$38,246        | \$54,623        | \$44,628        | \$6,381         | \$425        | 1.0%        |
| 55 Financial Activities                | \$31,882        | \$47,419        | \$43,610        | \$11,729        | \$782        | 2.1%        |
| 60 Professional and Business Services  | \$21,274        | \$37,565        | \$43,003        | \$21,729        | \$1,449      | 4.8%        |
| 65 Education and Health Services       | \$23,532        | \$27,720        | \$27,384        | \$3,852         | \$257        | 1.0%        |
| 70 Retail, Leisure and Hospitality     | \$14,587        | \$19,505        | \$20,944        | \$6,357         | \$424        | 2.4%        |
| 80 Other Services                      | \$20,132        | \$29,514        | \$29,554        | \$9,421         | \$628        | 2.6%        |
| 90 Government                          | \$23,534        | \$40,422        | \$51,357        | \$27,822        | \$1,855      | 5.3%        |
| <b>Average</b>                         | <b>\$27,455</b> | <b>\$36,116</b> | <b>\$37,786</b> | <b>\$10,331</b> | <b>\$689</b> | <b>2.2%</b> |

Note: 2016 data reflects Q2 wages annualized

Source: QCEW; Economic & Planning Systems

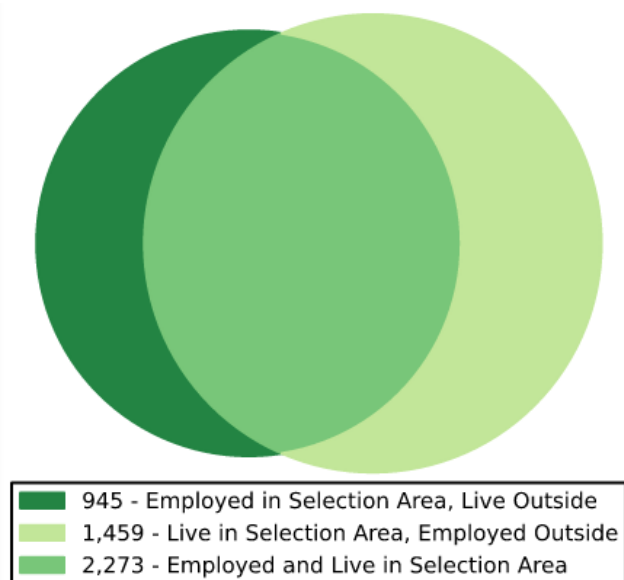
\\EPSPDC02\Proj\163071-Archuleta County Housing Needs Study\Data\QCEW\163071-QCEW Data to work with.xlsx\Avg. Wage by Supersector



## Commuting

Most of the workforce in Archuleta County lives in the county (**Figure 8**). Seventy-one percent of people employed in the County live there, while 29 percent of the workforce commutes in from other locations. This is a similar split to La Plata County, where 70 percent of workers also live there; in San Miguel County, only 48 percent of workers also live in the county, while 52 percent of those employed in the area commute in from other counties (**Table 6**). The comparative communities are shown to provide context and show how the constrained housing supply (particularly in San Miguel County) affects local employee availability.

**Figure 8**  
**Archuleta County Employment Inflow/Outflow, 2014**



Of those workers who commute in to Archuleta County, nearly 7 percent come from La Plata County, 1.7 percent from Alamosa County, 1.5 percent from Costilla County, and 1.5 percent commute in from San Juan County in New Mexico. Most workers live relatively close to their place of employment, with 62 percent of those employed in the County commuting less than 10 miles, and 7.4 percent of workers commuting between 10 and 24 miles.

Approximately 40 percent of Archuleta County residents commute out of the County for work. This is a higher proportion than San Miguel County, where 31 percent of residents leave the County for work, and La Plata County, where only 24 percent of residents commute out of the County.

**Table 6**  
**Commuting Patterns – Archuleta, San Miguel, and La Plata Counties**

|            | <b>Employed in the County</b> |                   | <b>Live in the County</b> |                    |
|------------|-------------------------------|-------------------|---------------------------|--------------------|
|            | <i>Live in The County</i>     | <i>Commute In</i> | <i>Work in the County</i> | <i>Commute Out</i> |
| Archuleta  | 71%                           | 29%               | 61%                       | 39%                |
| San Miguel | 48%                           | 52%               | 69%                       | 31%                |
| La Plata   | 70%                           | 30%               | 76%                       | 24%                |

Source: LEHD; Economic & Planning Systems

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## 4. HOUSING CONDITIONS

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This chapter documents current housing conditions in the County, including existing housing stock, vacancy rates, development activity, and vacation rentals. It also details recent market trends and provides an inventory of the current supply of affordable housing. This data is used to inform the affordability analysis presented in the next chapter, and frame the housing need in the area.

### Existing Housing Stock

There are a total of 9,230 housing units in the County, inclusive of both the Town and County jurisdictions. The majority of the housing stock is in the unincorporated County. Of the area's 9,200 housing units, only 11 percent are in Pagosa Springs. Both the County and the Town have experienced an increase in housing units over the past 16 years. Pagosa Springs has added an average of 22 units per year over this time, while Archuleta County has added an average of 189 units per year (**Table 7**).

Seventy-four percent of housing structures in the County are single family detached homes, with mobile homes accounting for another 10 percent of housing structures. There is very little multifamily housing in the County, with only 11 percent of all housing structures containing more than two units.

**Table 7**  
**Housing Units, 2000-2016**

| Description             | 2000         | 2010         | 2016         | 2000-2016    |            |              |
|-------------------------|--------------|--------------|--------------|--------------|------------|--------------|
|                         |              |              |              | Change       | Ann. #     | Ann. %       |
| <b>Pagosa Springs</b>   |              |              |              |              |            |              |
| Owner-Occupied          | 446          | 390          | 539          | 93           | 6          | 1.19%        |
| Renter-Occupied         | 136          | 326          | 206          | 70           | 4          | 2.63%        |
| Vacant                  | 82           | 229          | 268          | 186          | 12         | 7.68%        |
| <b>Total</b>            | <b>664</b>   | <b>945</b>   | <b>1,013</b> | <b>349</b>   | <b>22</b>  | <b>2.68%</b> |
| <b>Archuleta County</b> |              |              |              |              |            |              |
| Owner-Occupied          | 3,057        | 3,947        | 4,000        | 943          | 59         | 1.69%        |
| Renter-Occupied         | 923          | 1,320        | 1,454        | 531          | 33         | 2.88%        |
| Vacant                  | 2,232        | 3,495        | 3,776        | 1,544        | 97         | 3.34%        |
| <b>Total</b>            | <b>6,212</b> | <b>8,762</b> | <b>9,230</b> | <b>3,018</b> | <b>189</b> | <b>2.51%</b> |

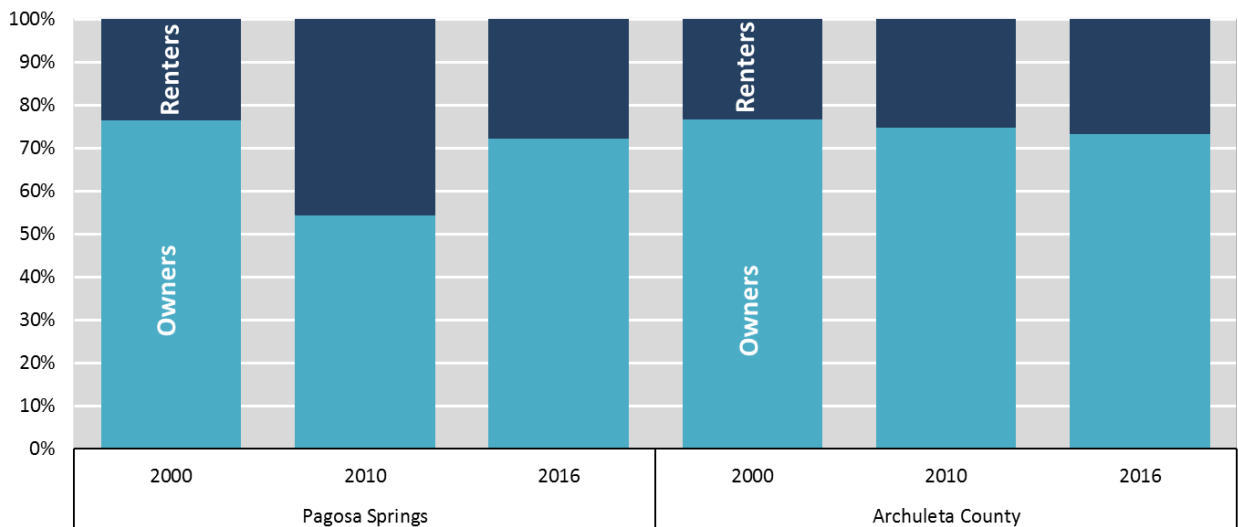
Source: ESRI; Economic & Planning Systems

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Housing tenure has remained relatively consistent in the County since 2000; Archuleta County residents were 77 percent owners and 23 percent renters in 2000, and are now 73 percent owners and 27 percent renters (**Figure 9**).

While Pagosa Springs saw an increase in renter-occupied units between 2000 and 2010, from 2010 to 2016 the proportion of renters returned closer to its 2000 levels. The Town also had 77 percent owners and 23 percent renters in 2000, but jumped to 56 percent owners and 46 percent renters in 2010 before returning back to 72 percent owners and 28 percent renters in 2016. Part of the reason for this shift was a large increase in vacant housing units, in addition to renter-occupied units, indicating that residents who had owned their homes either moved out of the area or moved into rental housing. This has changed since 2010; while the number of both total housing units and vacant units in the Town have remained relatively consistent since 2010, there are over 100 fewer renter-occupied units and more owner-occupied units. This indicates a transition of housing units that were previously being rented back to owner occupation.

**Figure 9**  
**Tenure of Occupied Housing Units, 2000-2016**

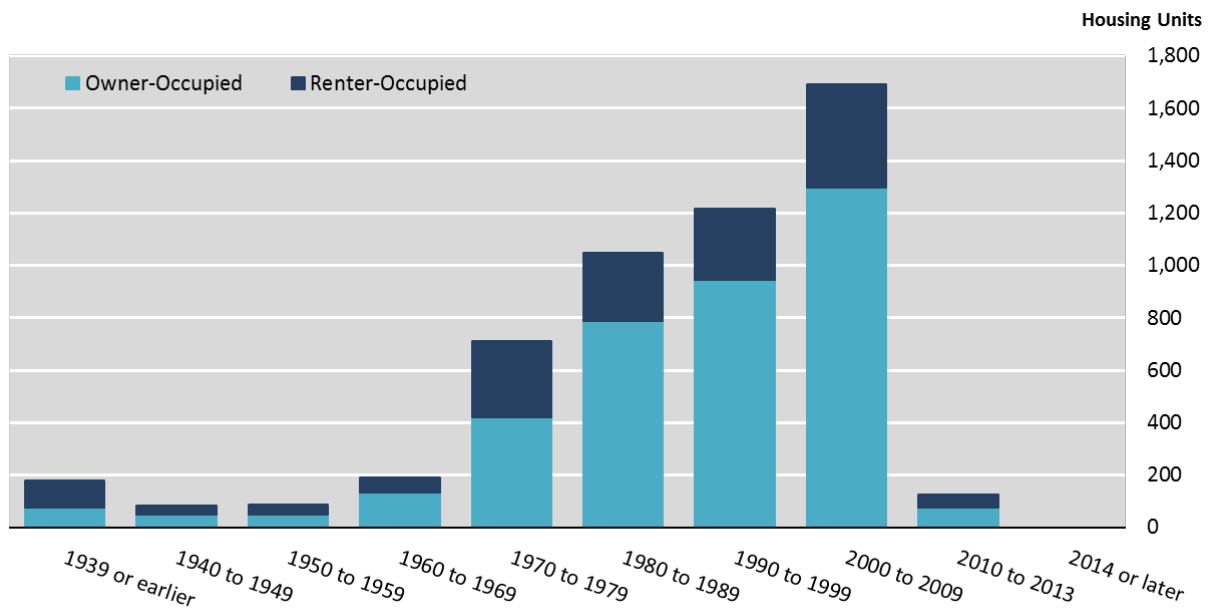


## Development Activity

Most housing development in the County has occurred relatively recently. According to Census estimates, only 10 percent of housing units were built prior to 1970, while over half were built between 1990 and 2009, and 32 percent were built between 2000 and 2009 (**Figure 10**).

Much of this recent development has been owner-occupied housing. Of all owner-occupied housing units, over one-third were built between 2000 and 2009, while only 8 percent of units were built prior to 1970. For renter-occupied units, 26 percent were built between 2000 and 2009, and 16 percent built prior to 1970.

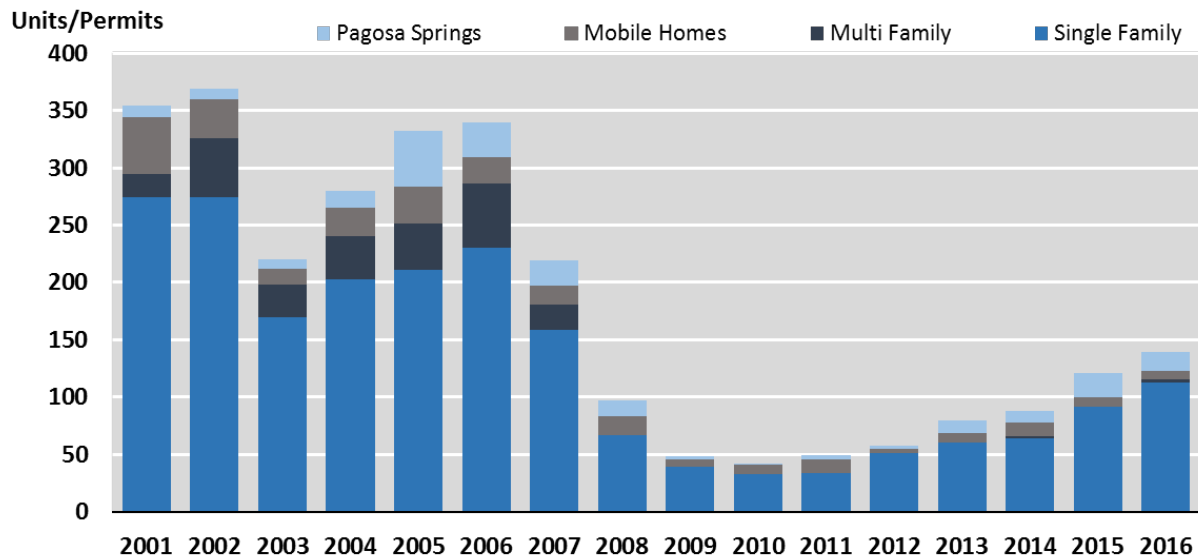
**Figure 10**  
**Housing Units by Year Built, 2015**



Source: US Census; Economic & Planning Systems

Housing development activity in the County declined significantly during the recession years, but has been slowly recovering since 2013 (**Figure 11**). Between 2001 and 2007, an average of 302 housing units were permitted each year; between 2008 and 2012 this decreased to an average of 59 units permitted annually. Permit activity increased again beginning in 2013, and in both 2015 and 2016 over 100 units were permitted. Since 2013, there have been an average of 107 permitted units per year, indicating a slow but steady recovery in housing development. Mobile homes account for an average of 9 permitted units annually.

**Figure 11**  
**Archuleta County and Pagosa Springs Permitted Housing Units, 2001-2016**



## Vacant Units

While both the County and the Town have added housing units since 2000, the share of housing units that are vacant has also increased in both areas (**Table 8**). The largest growth in vacant units came between 2000 and 2010, while the proportion has stayed relatively constant since 2010. In Archuleta County, 41 percent of housing units were estimated to be vacant in 2016; in Pagosa Springs, 26 percent of units were vacant.

**Table 8**  
**Housing Tenure, 2000-2016**

| Description             | 2000 | 2010 | 2016 |
|-------------------------|------|------|------|
| <b>Pagosa Springs</b>   |      |      |      |
| Owner-Occupied          | 67%  | 41%  | 53%  |
| Renter-Occupied         | 20%  | 34%  | 20%  |
| Vacant                  | 12%  | 24%  | 26%  |
| <b>Archuleta County</b> |      |      |      |
| Owner-Occupied          | 49%  | 45%  | 43%  |
| Renter-Occupied         | 15%  | 15%  | 16%  |
| Vacant                  | 36%  | 40%  | 41%  |

Source: ESRI; Economic & Planning Systems

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Some of these units are vacant because they are for sale or rent; however others are vacant “for seasonal, recreational, or occasional use” and are not part of the housing inventory available to the local population. Based on the economic and market forces in western slope communities like Archuleta County, it is assumed that most of the vacant inventory is, in fact, attributed to seasonal use rather than conventional definitions of vacancy. As shown in **Table 9**, of the 281 vacant housing units in Pagosa Springs in 2015, 148 units (53 percent of those vacant, and 14 percent of all housing units) were vacant for seasonal, recreational, or occasional use. In Archuleta County, 2,571 of 3,545 vacant units (73 percent of vacant units, and 29 percent of all housing units) were these second homes.

**Table 9**  
**Vacant Units by Type, 2000-2015**

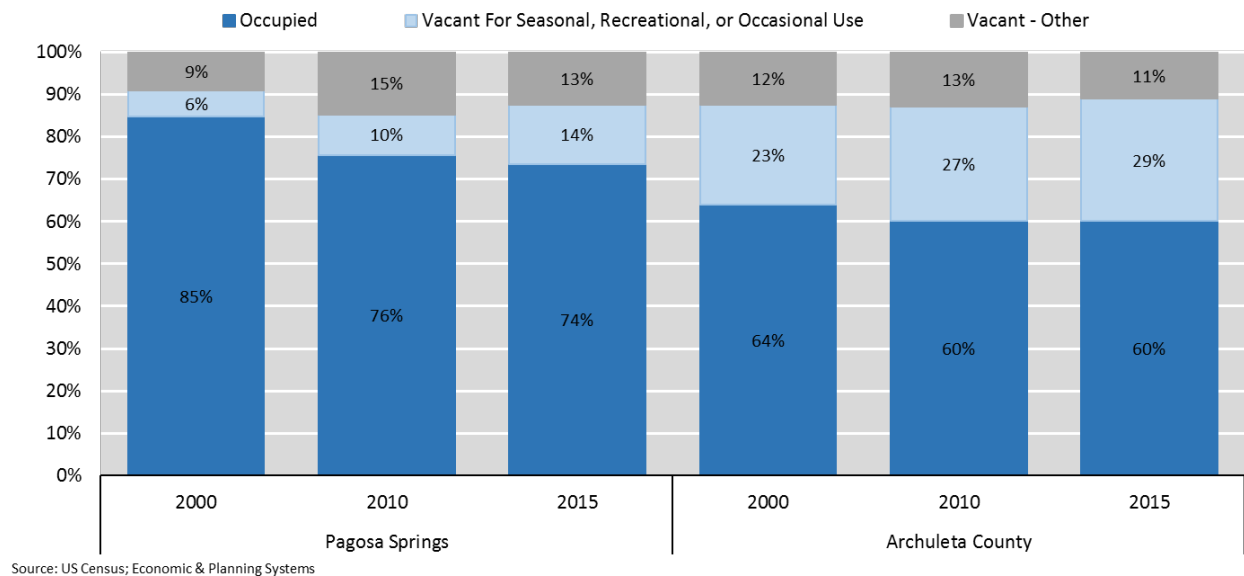
| Description                                   | 2000         | 2010         | 2015         | 2000-2016    |            |              |
|---|--------------|--------------|--------------|--------------|------------|--------------|
|   |              |              |              | Change       | Ann. #     | Ann. %       |
| <b>Pagosa Springs</b>                         |              |              |              |              |            |              |
| Occupied                                      | 633          | 716          | 782          | 149          | 10         | 1.42%        |
| Vacant  | 113          | 229          | 281          | 168          | 11         | 6.26%        |
| For Seasonal, Recreational, or Occasional Use | 45           | 90           | 148          | 103          | 7          | 8.26%        |
| <b>Total</b>                                  | <b>746</b>   | <b>945</b>   | <b>1,063</b> | <b>317</b>   | <b>21</b>  | <b>2.39%</b> |
| <b>Archuleta County</b>                       |              |              |              |              |            |              |
| Occupied                                      | 3,980        | 5,267        | 5,334        | 1,354        | 90         | 1.97%        |
| Vacant  | 2,232        | 3,495        | 3,545        | 1,313        | 88         | 3.13%        |
| For Seasonal, Recreational, or Occasional Use | 1,456        | 2,361        | 2,571        | 1,115        | 74         | 3.86%        |
| <b>Total</b>                                  | <b>6,212</b> | <b>8,762</b> | <b>8,879</b> | <b>2,667</b> | <b>178</b> | <b>2.41%</b> |

Source: US Census; Economic & Planning Systems

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In Pagosa Springs, this category of vacant units has increased from 6 percent of the total housing stock in 2000 to 14 percent in 2015. In Archuleta County, these units were 23 percent of the housing stock in 2000, and now make up 29 percent of all housing units in the County (**Figure 12**). Some of these units are used solely by their owners on an occasional basis as “second homes,” however some are also rented on a short-term basis.

**Figure 12**  
**Housing Unit Vacancy by Type, 2000-2015**



## Vacation Rentals and Lodging

### Short Term and Vacation Rentals

There are two categories of intermittently-occupied properties to be considered – second homes used on an occasional basis by owners, and vacation rentals used as short term rental units. While there is no official data available on short term and vacation rentals in the County, a number of data sources can be used to estimate the inventory of these properties.

A January 2016 report prepared for the Region 9 Economic Development District, Town of Pagosa Springs, and Pagosa Springs Community Development Corporation found that in 2015 an estimated 41 percent of residential properties in Archuleta County were owned by people whose primary residence is outside of the County, an increase from 38 percent in 2006. In a survey of these homeowners, the study authors found that 57 percent of survey respondents currently use their properties as a vacation home for owner, friends, and family use. Thirty-one percent of these homes are used only by the owners, while 12 percent are part-time rentals and 11 percent are full-time rentals (respondents were allowed to check multiple options regarding use of property). It is noteworthy that 65 percent of survey respondents do not use their properties for short-term rentals.

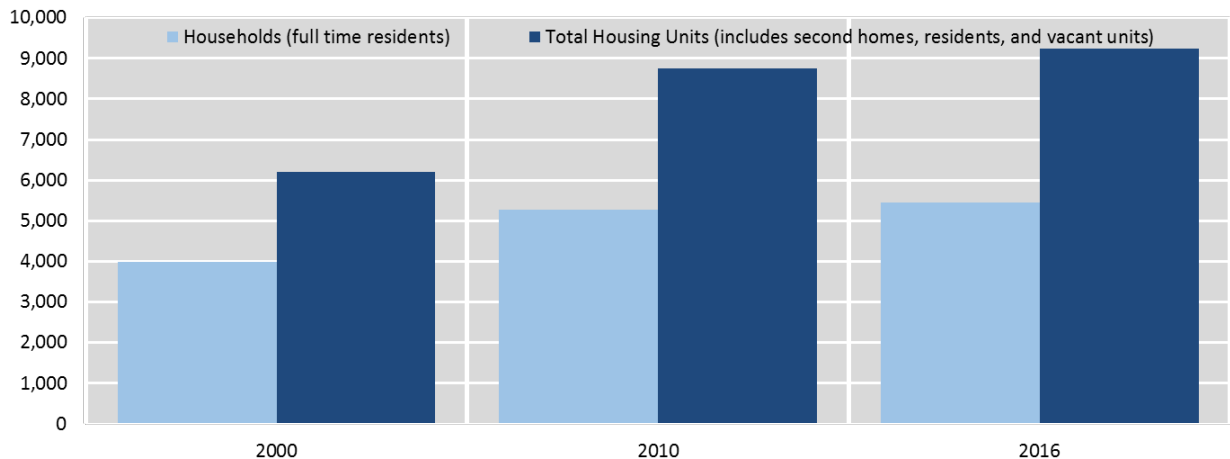


## Second Homes

Census data can also be utilized to understand the composition of the local housing inventory. One household represents one occupied housing unit, and so the growth in households can be compared to growth in total housing units as an indication of second home and speculative housing construction. From 2000 to 2016, 3,000 housing units were added in the County, while the number of households only increased by 1,500 (**Figure 13**). Some of this difference is accounted for by vacant units that are part of the local housing market, however given the strength of the housing market in the region a large portion of the difference is likely due to an increase in second homes.

This data is further broken down by time period to examine trends in the overall market share of second homes. Historically, between 35 and 40 percent of housing units across the County have been vacant. While a small percentage of these are vacant while for rent or for sale, as discussed previously given the nature of the housing market and economy it can be inferred that most of those vacant units are intermittently-occupied second homes. Between 2000 and 2010, the County added 2,550 housing units but only 1,287 households, indicating that 50 percent of new housing units were second homes – an increase from the historical average of around 40 percent. From 2010 to 2016 this proportion increased as the County added only 187 households but 468 housing units, indicating that 60 percent of new housing units were second homes. Some local builders have suggested that the percent of the new housing inventory occupied by second homeowners is higher than 60 percent. The data, and local insight, corroborate the growing trend that a greater percentage of new housing is being occupied intermittently by second homeowners.

**Figure 13**  
**Archuleta County Housing Unit vs. Household Growth, 2000-2016**



Source: ESRI; Economic & Planning Systems

The Region 9 survey and census data provide estimates of how many second homeowners there are in the area, but estimating the number of these homes that are being used primarily as short term or vacation rentals is difficult. While the Town requires a business license for short term rentals, compliance is not high enough to get an accurate estimate of units from these licenses. Additionally, the majority of vacation rentals are located in the County outside of Town boundaries, and as a statutory municipality the County does not have the authority under State statute to require a business license for these units.

One company, Host Compliance, compiled a database of short term rentals for the Pagosa Springs Visitors Center and estimated the inventory at 500 to 600 units countywide. Based on comparisons of household and housing unit growth, the Region 9 survey, and vacancy data, an estimate of between 400 and 600 housing units in the County being used as vacation and short term rentals is an appropriate range.

### **Hotel Inventory and Trends**

Some of the pressure for these vacation rentals is likely a result of low hotel room inventory. The existing inventory is both limited and aged; there are approximately 500 hotel rooms in the area, with Ecolux at the Springs, the most recent development of 28 new rooms, built in 2009. Compounding the issues created by the lack of new inventory, the region lost 100 rooms when the Pagosa Lodge closed in January 2015.

Given the estimate of around 500 vacation rentals in the area, this indicates that the existing 500-room hotel inventory is only meeting 50 percent of demand for visitor lodging. In addition to the low inventory, since 2007 hospitality occupancy and room rates have both been increasing, another indicator of constrained demand.

The tourism market is currently dictating the need for these rental properties, particularly as the hotel inventory is constrained. Moving forward, however, there may be a need to re-evaluate this approach; this will be particularly necessary if tourism demand increases and requires more service workers, who will require affordable housing. An alternative to addressing vacation rentals directly, addressing hotel needs may have an effect on the housing market as well. While not directly a housing strategy, increasing the hotel inventory may lessen demand for vacation rentals, creating some incentive for owners of these properties looking for rental income to either place or leave them in the long-term rental pool.

## Housing Market

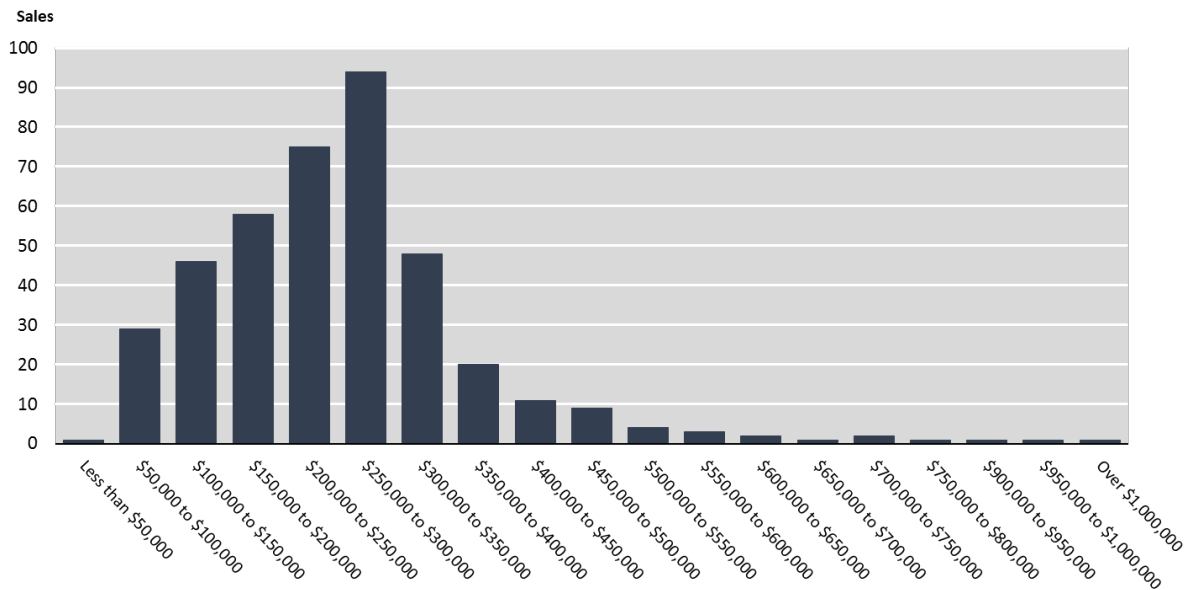
### For Sale Homes

Homes sold in Archuleta County in 2016 and the beginning of 2017, excluding mobile and manufactured homes, had an average sales price of \$255,700 (**Figure 14**). There is a wide continuum of pricing for homes in the County, with 4 percent of homes sold for more than \$500,000. This is a pattern often found in mountain communities.

Considering all homes sold in 2016-17, mobile homes accounted for 9.5 percent of sales. These homes had an average sales price of \$121,700.

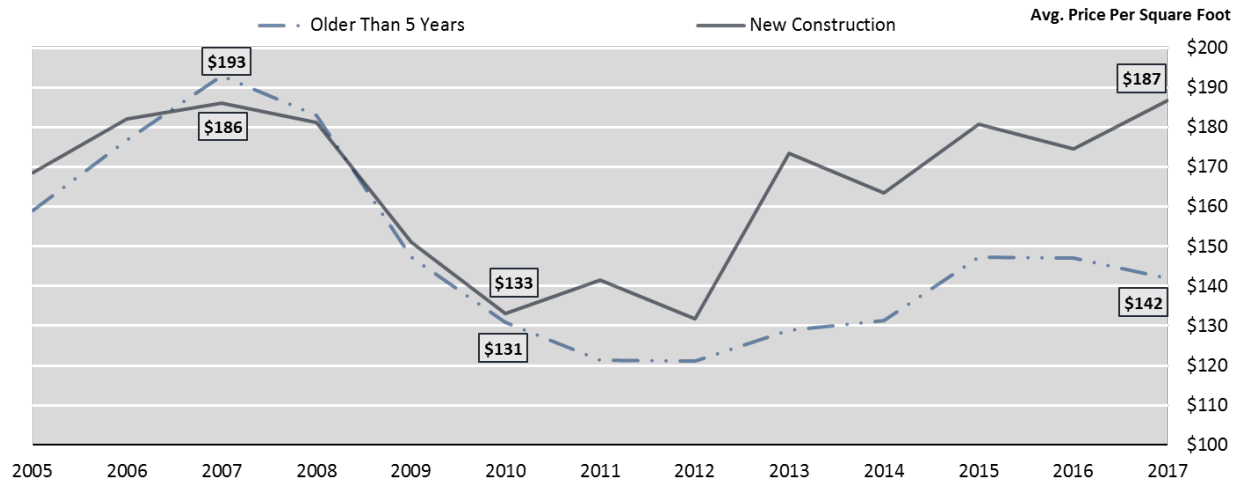
Home sale trends in the County follow broader regional economic trends, with a decline in sales beginning in 2008 and slow recovery beginning around 2013.

**Figure 14**  
**2016 and 2017 Home Sales by Price, Archuleta County**



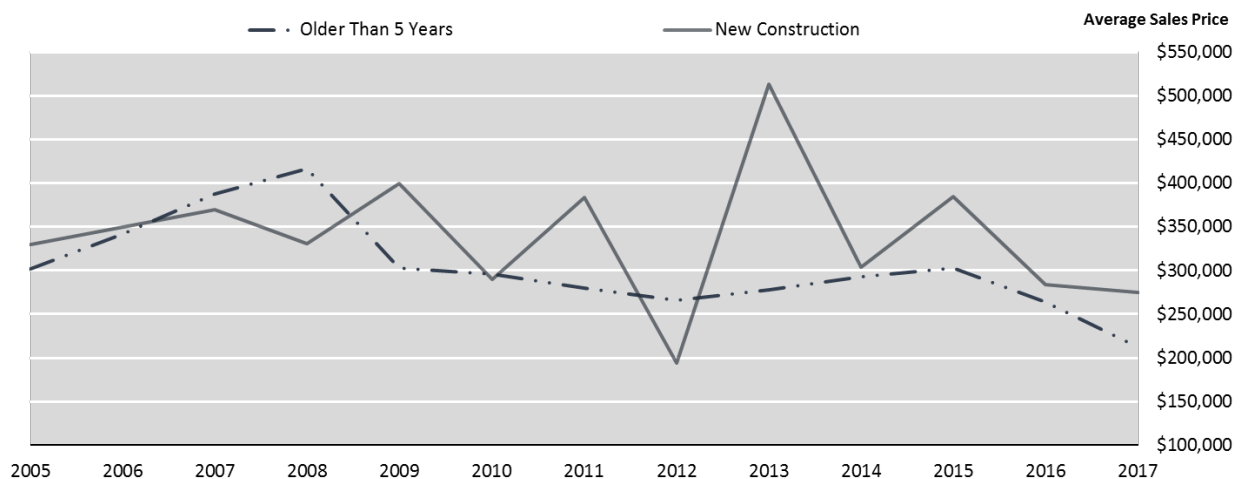
For the purposes of trend analysis, new construction homes – those built and sold within a five year time period – are broken out from other home sales. In Archuleta County, the average price per square foot of new construction has increased by \$18 since 2005; over the same time period, the average price per square foot of homes older than five years has decreased by \$17 (**Figure 15**). Despite this increase on a per square foot basis, average overall sale price for both new and older homes are lower in 2017 than in 2005 (**Figure 16**).

**Figure 15**  
**Average Home Price Per Square Foot, Archuleta County 2005-2017**



Source: MLS; Economic & Planning Systems

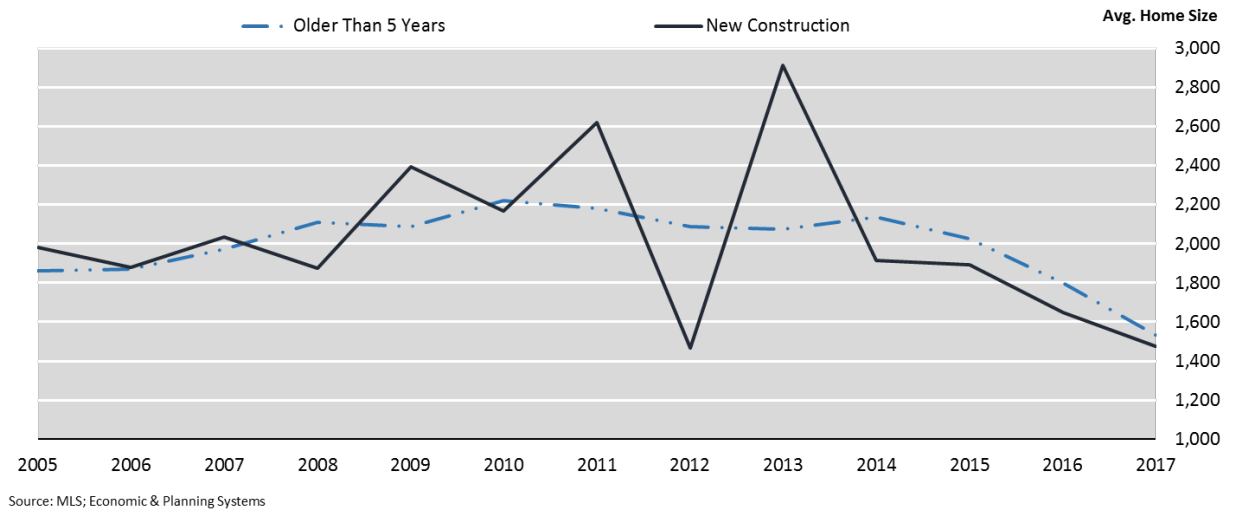
**Figure 16**  
**Average Home Sales Price, Archuleta County 2005-2017**



Source: MLS; Economic & Planning Systems

Over this same time period, the average size of homes has decreased; homes older than five years decreased an average of 325 square feet, while new homes have decreased in size by an average of 507 square feet (**Figure 17**).

**Figure 17**  
**Average Home Size, Homes Sold from 2005-2017**



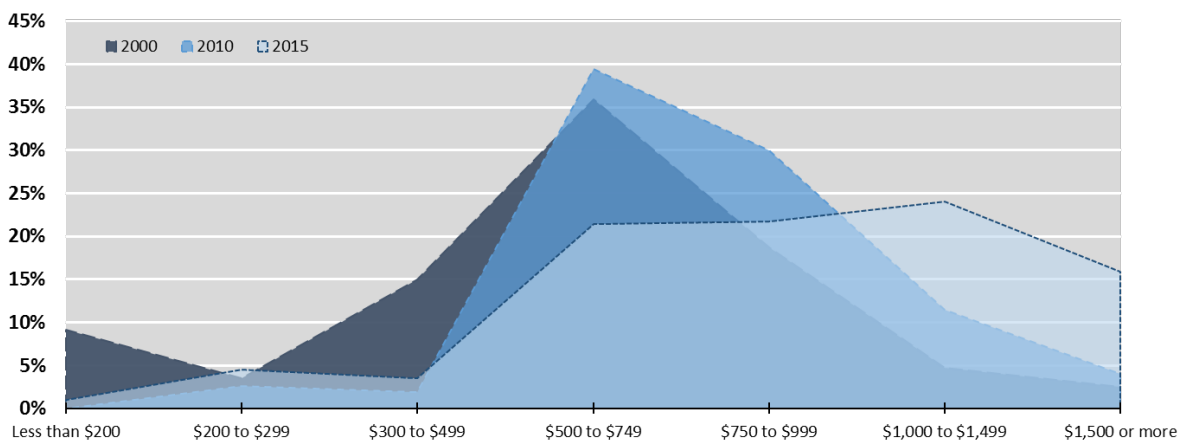
## Rental Homes

Since 2010, the composition of rental inventory in the area has shifted (**Figure 18**). Until 2010, the most common rental units had rents of between \$500 and \$749 per month, with a relatively equal distribution of rents above and below that level. Since 2010, however, the peak has flattened and nearly all rental units in the County rent for at least \$500 per month, with a large portion of units renting for \$1,000 per month or more – rents that were rare prior to 2010.

While more detailed historical rent data is difficult to obtain, anecdotal evidence from interviews with multiple stakeholders, including property managers, real estate agents, and other community members, indicate that rental rates have been rising quickly – particularly over the past few years.

Data gathered from one property management company of rental inventory from 2015 to 2017 showed rents for 79 properties ranging from \$490 to \$3,300 per month, and averaging \$1,100. Data compiled over two months from Pagosa Sun rental listings inventoried rents for 45 units, mostly 2- and 3- bedroom apartments and homes. Rents overall averaged \$1,235, and ranged from an average of \$900 for a 1-bedroom unit to \$1,400 for a 4-bedroom.

**Figure 18**  
**Renter-Occupied Units by Monthly Rent, Archuleta County 2000-2015**



Source: US Census; Economic & Planning Systems

## **Other Housing Models**

### **Modular and Manufactured Housing**

Most multifamily affordable housing in the area is located within Pagosa Springs; in the rest of the County, the greatest affordability tends to be found in manufactured housing. To preserve this existing stock of affordable housing in the County, the zoning of the land that these homes sit on should be maintained as mobile home parks, reducing the risk of purchase and redevelopment.

While manufactured housing makes up a portion of the existing County housing stock, increasing the amount of this housing should not be a primary strategy for affordable and workforce housing. There is limited land available for manufactured housing, and the land that is available is not as well-located to services and employment as other potential development sites in the County and the Town. Additionally, although the structure itself may be affordable, as a long-term investment manufactured housing does not perform as well as other affordable models, and depending on the ownership of the land on which the manufactured home is placed can leave the owner in a precarious housing situation. The average sales price associated with this housing stock makes it appear compelling as a strategy for affordability, as it is inexpensive compared to other development models. However, manufactured housing depreciates in value over time and is often restricted to small areas of the community; other strategies can provide broader, communitywide applicability for improving affordability.

In considering future developments as technology advances, modular construction is likely to become a more attainable option for affordable product. Construction costs for modular product are lower than traditional construction methods; however, unlike manufactured housing modular homes can qualify for mortgages and other financing, and are stronger wealth-building tools than manufactured housing. Recently, new modular construction systems have been designed, and represent the most innovative branch of the home construction industry. Often manufactured off-site, transported in, and then set on a foundation on a traditional lot, modular housing provides cost savings compared to traditional construction methods, and appreciates in value for the resident. While the cost savings are not as large as those seen with manufactured housing, modular construction can provide a higher quality living environment than manufactured homes.

### **“Tiny Homes”**

There has been increased interest across the state and the country recently in “tiny homes” – a designation that applies to a range of different housing products. Units are small, often in the range of 200 to 400 square feet – although there is no standard “tiny home” definition. These structures may have wheels, have previously had wheels, or exist on a foundation, characteristics which can significantly affect how they are viewed under building and zoning codes. Because of their smaller nature and construction costs, tiny homes are sometimes seen as a way to achieve housing affordability. Oftentimes, however, on a per square foot basis the costs for these units are higher than other housing types.

Many housing advocates see Tiny Homes as a solution to housing affordability issues, as small-scale homes can be built for a fraction of the cost of a conventional home. However while a smaller, more community-oriented housing model based on tiny homes is beginning to be explored for special populations such as transitional homeless housing, it has not been shown to be a viable model to pursue for general housing affordability. These homes are often not large

enough to accommodate families, and developing this type of housing on a large scale can be akin to developing only one-bedroom apartments. Additionally, tiny homes still require land with services and other infrastructure, further reducing their overall cost benefits.

For this study, tiny home developments in two peer communities were researched. The first is located in the River North neighborhood immediately adjacent to Downtown Denver, and provides homeless solutions. This program, managed by a nonprofit organization, has developed 11 tiny homes as a 180-day pilot project. While not on wheels, the homes are portable and will likely need to relocate after the six-month temporary permit allowing them on the site expires, as they are located on a future development site (although there are no immediate construction plans). All homes in this development are “off the grid” – showers and bathrooms are provided in a common building, with water trucked to the site and sewage stored until it can be hauled away. This is not a model for likely development in Archuleta County, but has been included as it is one of the few that has been successfully launched.

Another example is a tiny home development proposed in Salida, Colorado. The plan, which has recently been placed on hold, calls for a community of tiny homes located on a former ranch just outside of the city. Homes would range in size from 200 to 800 square feet, with rents ranging from \$750 to \$1,400 per month. Costs for site development, particularly related to water and sewer taps and wet utility infrastructure, can be prohibitive for tiny home developments, an issue that has plagued the Salida proposal. The project costs are reported to be higher than financially sustainable levels, with specific issues related to water and sewer infrastructure.

Costs to residents of tiny homes can also be expensive on a square footage basis. Using the Salida proposal as an example, assuming that the smaller units rent for the lowest price and largest units for the highest price, these rents range from \$1.75 per square foot for the 800 square foot homes to \$3.75 per square foot for the 200 square foot home. As a point of comparison, the rental inventory analyzed from the local property management company had an average rent of \$0.64 per square foot, with a maximum rent of \$1.28 per square foot.

If a tiny home development is pursued locally, the financial viability of the development would need to be determined, accounting for costs including site improvements, utilities, common areas, and other project elements as well as revenue estimates. A long-term financial plan would need to ensure that there is adequate operating and maintenance budgets for ongoing expenses, as well as a plan for future capital improvements. If grants to subsidize development costs are expected, the Return on Investment of the project for the community would need to be addressed, identifying the metrics in which the community will benefit and ensuring that they are proportional to the investment. For example, will there be employment requirements by residents (similar to other communities with housing programs), how many net new employees to the region are expected, how will the homes remain affordable over time, are there financial repayments? The benefits to the community and local economy should be measurable and the project should advance community goals regarding an increase in the supply of affordable housing as well as an expansion of the workforce.

Additional insight regarding tiny homes is provided in the recommendations, including ways the community can, as a first step, establish definitions, parameters, and measurements of community benefit.



## Existing Affordable Inventory

There is limited program-based affordable housing inventory in Archuleta County. Existing housing includes one Low Income Housing Tax Credit (LIHTC) project, two affordable senior living facilities, and project-based Section 8 units administered by the Archuleta Housing Corporation, a private organization. The existing affordable housing includes:

- **Hickory Ridge:** The only LIHTC project in Archuleta County, Hickory Ridge is a 40-unit apartment complex that opened in 2010. The project offers 15 units at 40 percent AMI, 20 units at 50 percent AMI, and five units at 60 percent AMI, and has had a steady waitlist of around 30 potential renters for the last few years. The current wait for a unit is approximately one year.
- **Casa De Los Arcos:** Casa De Los Arcos is a 16-unit project for low-income elderly and/or disabled individuals. The project was built in 1980 under what is now the Section 202 program. There are currently plans to add eight units to this project. The Archuleta County Housing Authority, created in 1978, manages this project.
- **Archuleta Housing Corporation Properties:** The Archuleta Housing Corporation, a private organization, has built and manages four affordable properties. The Corporation's 64 units include 52 project-based Section 8 units and 12 Section 202 senior housing units. The Section 8 units include four studio apartments, four 1-bedroom apartments, 10 2-bedroom apartments, 24 3-bedroom apartments, and 10 4-bedroom apartments. The Section 202 housing was built in 1997; all other units were built in 1972.
- **Socorro:** Built by Housing Solutions for the Southwest, Socorro is a 19-unit senior living facility located next to Casa De Los Arcos.
- **Lakeview Estates:** Lakeview Estates is a USDA Rural Development Multi-Family Housing Rental project. The development contains a total of 40 units, 31 of which are subsidized. Lakeview Estates is a "family" development, and part of the USDA Section 515 program. It has 20 1-bedroom units, 14 2-bedroom units, and six 3-bedroom units, and is managed by Mountain Management Co.
- **Bristlecone Lofts:** Managed by Community Resources and Housing Development Corporation, Bristlecone Lofts contains 20 apartments available to households earning up to 120 percent of AMI. The development has 1-bedroom and 2-bedroom units.

## 5. AFFORDABILITY ANALYSIS

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This chapter presents an analysis of housing affordability for both rental and ownership housing in Archuleta County. Housing affordability is determined by both the cost of housing and the income of the household occupying the unit, and so this analysis considers both the cost and ability to pay in determining what is affordable. In general, under standards defined by the U.S. Department of Housing and Urban Development (HUD), if a household spends 30 percent or less of gross income on housing, it is considered to be “affordable.” If over 30 percent of income is spent on housing, a household is considered to be “cost burdened.” This 30 percent threshold was used as the determinant of affordability throughout this analysis.

### Definitions

**Area Median Income (AMI):** Households are categorized by income as a percent of the area median - \$50,361 for Archuleta County in 2015.

**Cost Burden:** A household that spends over 30 percent of income on housing is considered to be cost-burdened.

**Affordable Housing:** A general term for housing that is “affordable” to a given household (i.e. less than 30 percent of income is spent on housing costs).

**Very Low Income Housing:** Housing that is affordable to households earning between 30 percent and 50 percent of AMI.

**Low Income Housing:** Housing that is affordable to households earning between 50 percent and 80 percent of AMI.

**Workforce Housing:** Housing that is affordable to households earning between 80 percent and 100 percent of AMI.

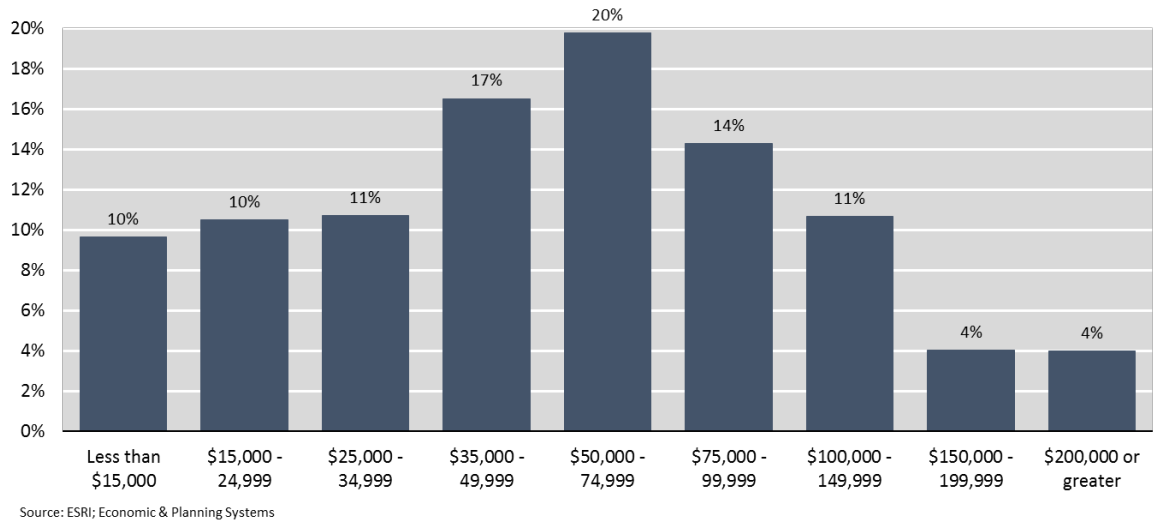
**Attainable Housing:** Housing that is affordable to households earning more than 100 percent of AMI.

### Area Median Income and Affordability Measures

Housing affordability is calculated based on area median income (AMI) – households are categorized by income as a percent of the area median, adjusted for household size. According to the U.S. Census Small Area Income and Poverty Estimates, the median income for Archuleta County in 2015 (not adjusted for household size) was \$50,361. This figure was used as the area median throughout this analysis.

In 2016, nearly 70 percent of households in Archuleta County earned less than \$75,000. Twenty percent of households earned between \$50,000 and \$75,000, while 31 percent earned less than \$35,000 annually (**Figure 19**).

**Figure 19**  
**Archuleta County Household Income Distribution, 2016**



Considering this income distribution in terms of AMI, 30 percent of all households in Archuleta County have incomes below 60 percent of the County's median income of \$50,361, while 39 percent of all households earn above 120 percent of AMI (**Table 10, Figure 20**). This distribution varies by housing tenure, with 43 percent of all renters, but only 25 percent of owners, earning less than 60 percent AMI.

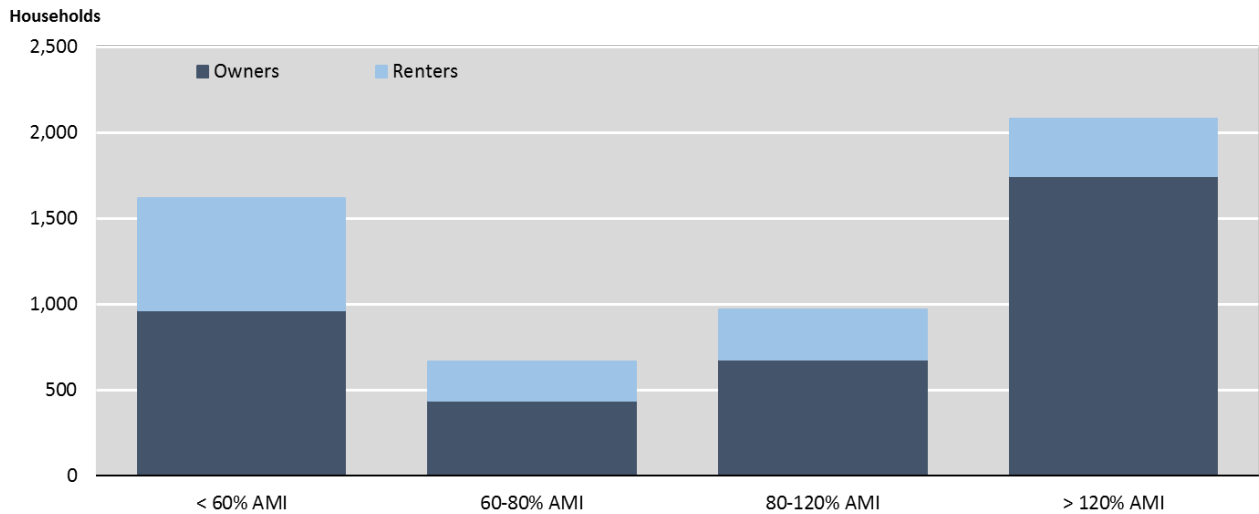
**Table 10**  
**Households by Tenure and AMI, 2015**

| AMI Level    | Owners       | Renters      | Total        |                       |
|--------------|--------------|--------------|--------------|-----------------------|
|              |              |              | Number       | % of Total Households |
| < 60%        | 965          | 652          | 1,617        | 30%                   |
| 60 - 80%     | 439          | 225          | 664          | 12%                   |
| 80 - 120%    | 680          | 291          | 971          | 18%                   |
| > 120%       | <u>1,743</u> | <u>339</u>   | <u>2,082</u> | <u>39%</u>            |
| <b>Total</b> | <b>3,827</b> | <b>1,507</b> | <b>5,334</b> | <b>100%</b>           |

Source: US Census; Economic & Planning Systems

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**Figure 20**  
**Households by AMI and Tenure, 2015**



### Affordable Purchase Price

Home affordability was calculated based on local income and cost measures, including mortgage payment, insurance, property taxes, and utilities. Based on this analysis, a household earning the area median income of \$50,361 and spending 30 percent of income on housing costs can afford a home with a purchase price of \$211,500 (**Table 11**). A household earning 60 percent of AMI, or just over \$30,000 annually, can afford a \$109,000 home, while a household earning 150 percent of AMI, or around \$75,000, can afford a home costing \$339,300.

**Table 11**  
**Home Affordability by AMI Level**

|   | 30% AMI         | 60% AMI          | Income Level     |                  | 100% AMI         | 120% AMI         | 150% AMI |
|---|-----------------|------------------|------------------|------------------|------------------|------------------|----------|
|   |                 |                  | 80% AMI          |                  |                  |                  |          |
| Household Income                                  | \$15,108        | \$30,217         | \$40,289         | \$50,361         | \$60,433         | \$75,542         |          |
| Monthly Rental Maximums at 30%                    | \$378           | \$755            | \$1,007          | \$1,259          | \$1,511          | \$1,889          |          |
| <b>Supportable Monthly Payment</b>                |                 |                  |                  |                  |                  |                  |          |
| Less: Insurance                                   | -\$125          | -\$125           | -\$125           | -\$125           | -\$125           | -\$125           | -\$125   |
| Less: Property Taxes                              | -\$20           | -\$60            | -\$80            | -\$100           | -\$120           | -\$150           | -\$150   |
| Less: Utility Costs                               | -\$75           | -\$75            | -\$75            | -\$75            | -\$75            | -\$75            | -\$75    |
| <b>Net Supportable Mortgage Payment (Monthly)</b> | \$158           | \$495            | \$727            | \$959            | \$1,191          | \$1,539          |          |
| <b>Valuation Assumptions</b>                      |                 |                  |                  |                  |                  |                  |          |
| Loan Amount                                       | \$33,000        | \$103,800        | \$152,300        | \$200,900        | \$249,400        | \$322,300        |          |
| Mortgage Interest Rate                            | 4.0% int.       | 4.0% int.        | 4.0% int.        | 4.0% int.        | 4.0% int.        | 4.0% int.        |          |
| Loan Term   | 30-year term    | 30-year term     | 30-year term     | 30-year term     | 30-year term     | 30-year term     |          |
| Downpayment as % of Purchase Price                | 5.0% down pmt   | 5.0% down pmt    | 5.0% down pmt    | 5.0% down pmt    | 5.0% down pmt    | 5.0% down pmt    |          |
| <b>Maximum Supportable Purchase Price</b>         | <b>\$34,700</b> | <b>\$109,300</b> | <b>\$160,300</b> | <b>\$211,500</b> | <b>\$262,500</b> | <b>\$339,300</b> |          |

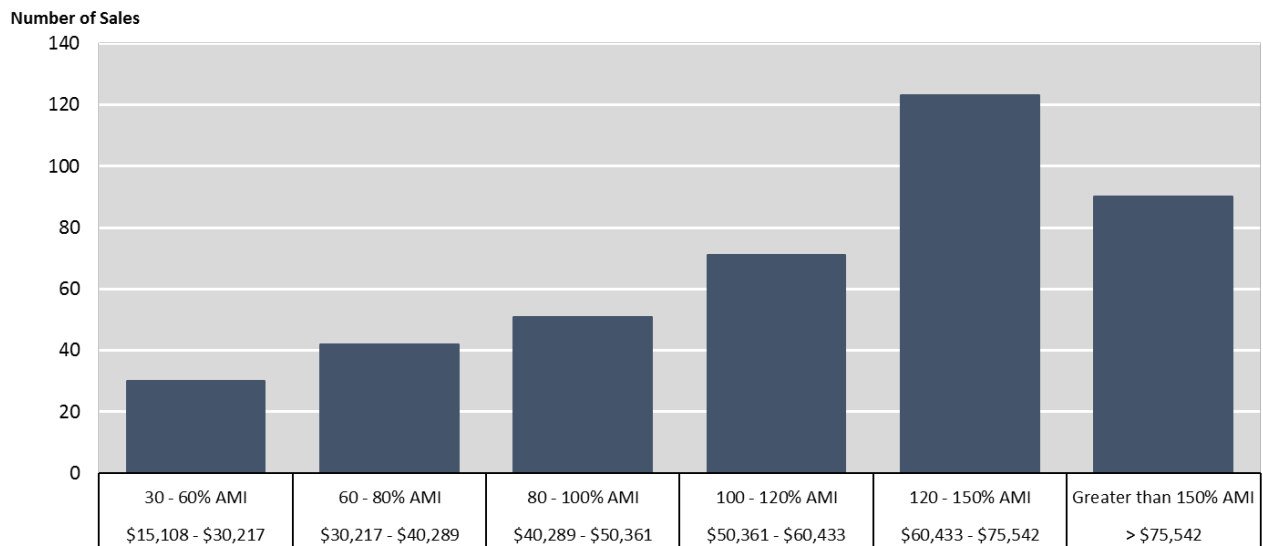
Source: Economic & Planning Systems

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## Home Sales by AMI Level

Recent home sales provide an indication of how well the current market is meeting these affordability needs of the community. Of the 407 homes sold in 2016 and early 2017, 284, or 70 percent, were affordable only to households earning 100 percent of AMI or more (**Figure 21**). Of the 32 new homes (constructed and sold within five years) sold during this time, none were affordable to households earning less than 100 percent of AMI, and over 80 percent were affordable only to households earning over 120 percent AMI, or \$60,400 per year.

**Figure 21**  
**2016-17 Home Sales by Affordability Level**



Source: MLS; Economic & Planning Systems

## Affordable Rental Price

This affordability analysis was also done for rental costs. An Archuleta County household earning 100 percent of AMI can afford \$1,260 in monthly rent. This household, earning an annual income of \$50,361, would require an average hourly wage of \$12.11 for both earners in a two-earner household. A household earning 60 percent of AMI, or an average hourly wage of \$7.26 per earner in a two-earner household, can afford rent of \$755 per month (**Table 12**).

**Table 12**  
**Rental Affordability by AMI Level**

|                                | Income Level |          |          |          |          |          |
|--------------------------------|--------------|----------|----------|----------|----------|----------|
|                                | 30% AMI      | 60% AMI  | 80% AMI  | 100% AMI | 120% AMI | 150% AMI |
| Annual HH Income               | \$15,108     | \$30,217 | \$40,289 | \$50,361 | \$60,433 | \$75,542 |
| Hourly Wage                    | \$7.26       | \$14.53  | \$19.37  | \$24.21  | \$29.05  | \$36.32  |
| Monthly Rental Maximums at 30% | \$378        | \$755    | \$1,007  | \$1,259  | \$1,511  | \$1,889  |
| Avg. Income for 1.5 Earner HH  | \$10,072     | \$20,144 | \$26,859 | \$33,574 | \$40,289 | \$50,361 |
| Hourly Wage                    | \$4.84       | \$9.68   | \$12.91  | \$16.14  | \$19.37  | \$24.21  |
| Avg. Income for 2 Earner HH    | \$7,554      | \$15,108 | \$20,144 | \$25,181 | \$30,217 | \$37,771 |
| Hourly Wage                    | \$3.63       | \$7.26   | \$9.68   | \$12.11  | \$14.53  | \$18.16  |

Source: Economic & Planning Systems

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## Cost Burden

Households are “cost burdened” if more than 30 percent of household income is spent on housing costs; in 2015, 36 percent of all households in Archuleta County were cost burdened (**Table 13**). This includes 65 percent of households earning less than 30 percent AMI, 59 percent of households earning 30 to 60 percent AMI, 48 percent of households earning between 60 and 80 percent AMI, and 30 percent of households earning 80 to 120 percent AMI (**Figure 22**). This burden is greater on renter households; while 30 percent of owner households in the County are cost burdened, 49 percent of all renter households are spending over 30 percent of income on housing costs.

**Table 13**  
**Cost Burdened Households by AMI Level and Tenure, 2015**

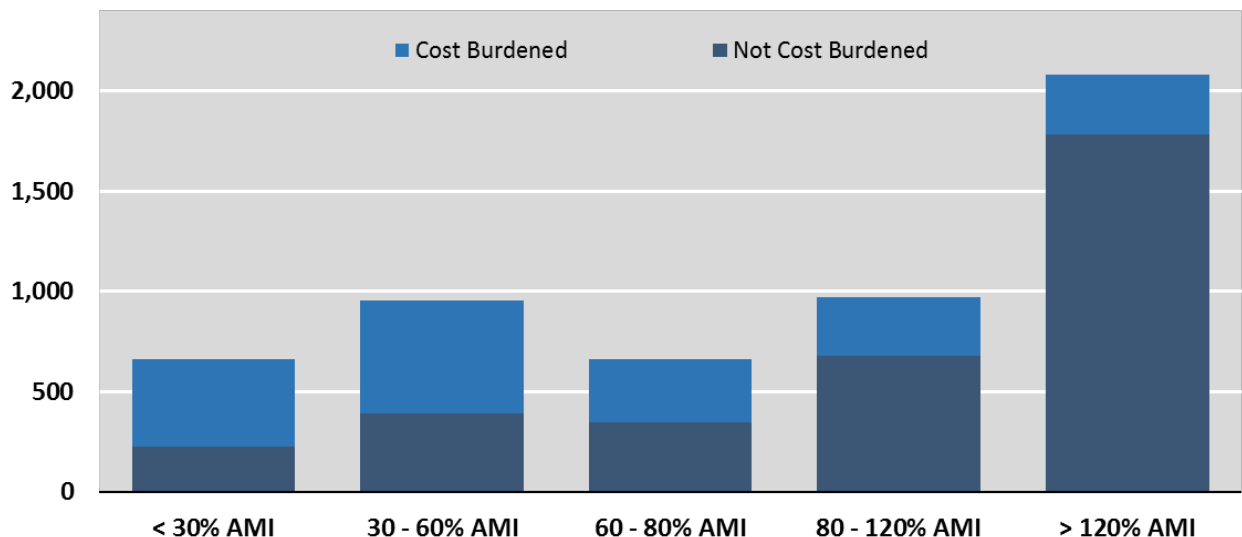
| AMI Level    | Owners       | Renters    | Total Cost Burdened |                               |                       |
|--------------|--------------|------------|---------------------|-------------------------------|-----------------------|
|              |              |            | Number              | % of Cost Burdened Households | % of Total Households |
| < 60%        | 523          | 472        | 995                 | 52%                           | 19%                   |
| 60 - 80%     | 181          | 135        | 316                 | 17%                           | 6%                    |
| 80 - 120%    | 204          | 89         | 294                 | 15%                           | 6%                    |
| > 120%       | <u>256</u>   | <u>43</u>  | <u>298</u>          | <u>16%</u>                    | <u>6%</u>             |
| <b>Total</b> | <b>1,164</b> | <b>739</b> | <b>1,903</b>        | <b>100%</b>                   | <b>36%</b>            |

Source: US Census; Economic & Planning Systems

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**Figure 22**  
**Cost Burdened Households by AMI Level**

Households



Source: US Census; Economic & Planning Systems



## 6. HOUSING NEEDS AND GOALS

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Utilizing the market and affordability data presented in previous chapters, this chapter characterizes the current housing needs of Archuleta County, outlines opportunities and challenges to meeting these needs, and sets housing goals for the region moving forward. Chapter 7 then details the tools that are recommended to achieve these goals.

### Current Needs

#### Rental Housing

Interviews with multiple stakeholders, including those in government, real estate, affordable housing, and local employers, indicate that there is a lack of rental housing inventory in the area, particularly rentals that are affordable to the local population. While detailed rental data is difficult to gather, comparing the renter household population to census data on unit rents shows significant gaps at the very low income levels, as well as higher income levels (**Table 14, Figure 23**). This gap may be larger than this data indicates, as only households that are currently renting their home are captured, and it does not account for those who may be living with family or in roommate situations who would rent a unit if it were available and affordable.

**Table 14**  
**Rental Housing Gaps**

| AMI Level    | Rental Units | Renter Households | Under/Over Supply |
|--------------|--------------|-------------------|-------------------|
| < 30%        | 96           | 276               | (180)             |
| 30 - 60%     | 363          | 376               | (13)              |
| 60 - 80%     | 328          | 225               | 103               |
| 80 - 120%    | 362          | 291               | 71                |
| > 120%       | <u>240</u>   | <u>339</u>        | (99)              |
| <b>Total</b> | <b>1,389</b> | <b>1,507</b>      | <b>(118)</b>      |

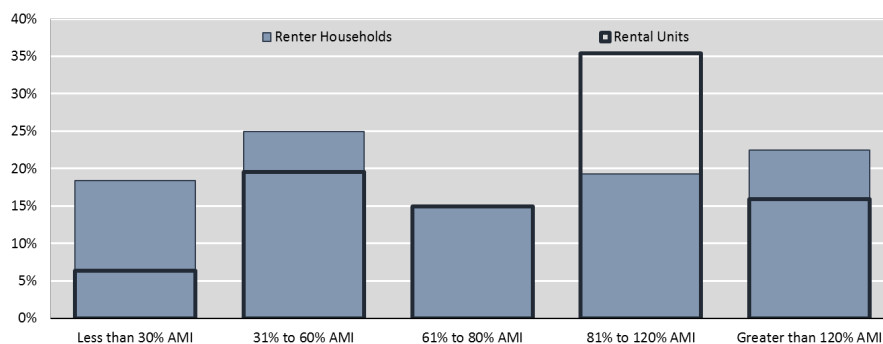
Source: US Census; Economic & Planning Systems

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While the data appears to show that needs for households earning 60 to 120 percent AMI are generally being met, the gaps at the high and low ends may indicate that those underserved households are renting the units that would otherwise be affordable to those earning 60 to 120 percent, creating additional gaps for middle-income households that this data will not capture. Additionally, this data only indicates the presence of housing, and does not address the quality of the existing rental units; stakeholder interviews indicated that where rental units are available, they are not of high quality.

Private development can likely address the needs of the higher income groups, which would alleviate some of the pressure on middle- and lower-income households. However, it is challenging for private development to provide housing to those earning less than 80 percent of AMI without significant financial assistance. This data indicates that there are many households earning less than 60 percent AMI without affordable rental units; these households are likely renting more expensive units, leaving them cost burdened. To help close this gap, public efforts should focus on assisting rental housing development affordable to these lower income households.

**Figure 23**  
**Rental Housing Gaps**



Source: US Census; Economic & Planning Systems

## Ownership Housing

Thirty two new homes (constructed and sold within five years) were sold in Archuleta County in 2016 and the beginning of 2017, none of which were affordable to households earning less than 100 percent of AMI (**Table 15**). Over 80 percent of these homes were affordable only to households earning over 120 percent AMI, or \$60,400 per year. Of all homes sold since 2016, only 18 percent were affordable to households earning between 30 and 80 percent AMI, although these households make up 27 percent of the population (**Figure 24**).

**Table 15**  
**2016-17 Home Sales by Affordability**

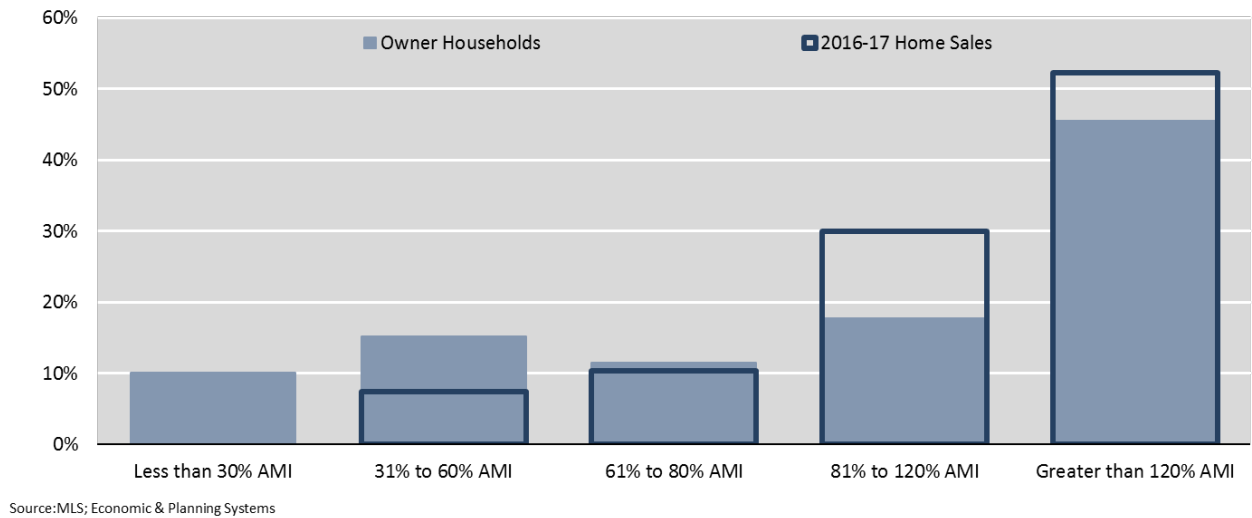
|                       | All Sales  |             |                     | New Home Sales |             |                     |
|-----------------------|------------|-------------|---------------------|----------------|-------------|---------------------|
|                       | Number     | Percent     | Average Sales Price | Number         | Percent     | Average Sales Price |
| 30 - 60% AMI          | 30         | 7%          | \$84,433            |                |             |                     |
| 60 - 80% AMI          | 42         | 10%         | \$122,357           |                |             |                     |
| 80 - 100% AMI         | 51         | 13%         | \$173,063           |                |             |                     |
| 100 - 120% AMI        | 71         | 17%         | \$218,644           | 6              | 19%         | \$218,300           |
| 120 - 150% AMI        | 123        | 30%         | \$272,978           | 18             | 56%         | \$273,005           |
| Greater than 150% AMI | 90         | 22%         | \$427,496           | 8              | 25%         | \$345,000           |
| <b>Total</b>          | <b>407</b> | <b>100%</b> | <b>\$255,707</b>    | <b>32</b>      | <b>100%</b> | <b>\$280,747</b>    |

Source: MLS; Economic & Planning Systems

H:\163071-Archuleta County Housing Needs Study\Data\163071-MLS Full Data.xlsx\T- Home Sales by Affordability

While the data on households accounts for all resident households in the County, the sales data does not account for whether the purchaser is a local resident, and is likely capturing some sales of second homes.

**Figure 24**  
**Households and Home Sales by AMI**



## Employer Survey

An online survey was distributed to local employers to better understand the needs that they see for housing for their employees, and how these housing needs affect their business. The survey was distributed through the Chamber of Commerce, as well as direct contact with major employers. Additional direct outreach was done with large employers to further understand their experience of housing needs in the region. A copy of the survey is included in **Appendix B**.

Overall, 41 survey responses were analyzed; 44 percent of respondents represented service businesses (e.g. food, beverage, hotel, retail) and 34 percent of respondents represented professional businesses (e.g. education, medical, Town/County, financial).

While the response rate for the survey was not high enough to make statistically significant conclusions from the data, some qualitative findings are important to note, summarized in **Table 16**.

- 90% of respondents believe that the housing problem today is worse or substantially worse than in the past.
- 44% of respondents believe that seasonal housing issues are equally as challenging as year-round housing needs, while 27% believe that year-round needs are more complex than seasonal needs.
- 49% of respondents believe that the service industry faces the greatest need as it relates to housing employees; 17% of respondents, when asked to indicate which industry faces the greatest need, answered “all of them”.
- 46% of respondents believe that rental housing is more important than ownership, while 51% believe that both are equally important.
- Employers were asked how the availability of suitable housing impacts recruitment and retention efforts; 49% responded “substantially”.
- A similar survey of employers was conducted as part of the 2007 County housing needs assessment. Although the 2017 survey had a narrower focus, some questions were carried over from 2007 to examine broad changes. The biggest change came in asking employers generally about the issue of affordable housing for Archuleta County residents and employees:
  - 29% of 2017 respondents believe it is the most critical problem in the County, up from only 6% of 2007 respondents.
  - 51% believe it is one of the more serious problems in the County, compared to 34% in 2007.
  - 20% of respondents believe it is a problem among others needing attention, compared to 44% in 2007.
  - No respondents in 2017 believed that it is not a problem (compared to 6% of 2007 respondents) or one of the lesser problems (10% of 2007 respondents).

**Table 16**  
**Selected 2017 Survey Responses**

| How do seasonal housing issues compare to year-round challenges?   | Percent |
|--|---------|
| Neither one is that complex.   | 10%     |
| The challenge to find seasonal employees (and housing for them) is more complex than solving the problem for year round employees. | 7%      |
| They are both equally challenging.   | 44%     |
| Year round housing needs are more complex than seasonal needs.   | 27%     |
| <i>Did not answer</i>  | 12%     |

| What is the relative degree of the housing problem today compared to the past? | Percent |
|--|---------|
| About the same <input type="checkbox"/>  | 7%      |
| Substantially worse than in the past <input type="checkbox"/>                  | 41%     |
| Worse than in the past <input type="checkbox"/>                                | 49%     |
| <i>Did not answer</i>  | 2%      |

| What industry faces the greatest need as it relates to housing employees?          | Percent |
|--|---------|
| Construction <input type="checkbox"/>  | 2%      |
| Professional (education, medical, town/county, financial) <input type="checkbox"/> | 24%     |
| Recreation (ski area, fishing, rafting, horseback riding) <input type="checkbox"/> | 5%      |
| Service (food/beverage/hotel/retail)   | 49%     |
| Other (please specify)   |         |
| <i>Teaching</i>  | 2%      |
| <i>All of the above</i>  | 17%     |

| What is more important? Ownership or rental | Percent |
|---|---------|
| Ownership housing <input type="checkbox"/>  | 2%      |
| Rental housing <input type="checkbox"/>     | 46%     |
| Both <input type="checkbox"/>               | 51%     |

| What is the wage level associated with the greatest need? | Percent |
|---|---------|
| \$10 per hour or less <input type="checkbox"/>            | 10%     |
| \$10 to \$15 <input type="checkbox"/>                     | 63%     |
| \$15 to \$25 <input type="checkbox"/>                     | 22%     |
| \$25 and higher   | 5%      |

| How does the availability of suitable housing impact your recruitment and retention efforts? | Percent |
|--|---------|
| Not at all   | 10%     |
| Very little  | 12%     |
| Moderately   | 24%     |
| Substantially  | 49%     |
| <i>Did not answer</i>  | 5%      |

## Future Housing Need

Based on the data presented in this report, the housing needs in Archuleta County are significant and are growing, relative to conditions in the past. This suggests that, with current trend lines, it will become more critical in the future. This presents an opportunity for the County and the Town to take proactive measures to address current need and mitigate future housing needs. The most significant need is for rental inventory, particularly quality rental units affordable to households earning less than 80 percent of AMI. This housing is often developed through affordability programs, such as Low Income Housing Tax Credits, which help to bridge the funding gap inherent in developing affordable housing.

Entry-level homeownership opportunities are also needed in the community; these may be able to be delivered through private development if public assistance is provided to bring down development costs (e.g. fee waivers in exchange for affordable purchase prices).

One of the biggest drivers of future housing need will be business and employment growth. As employers grow and look to recruit new employees, the demand for local housing affordable to the wage levels of these new jobs will increase. Some area employers are already having difficulty bringing employees in to the region, and these challenges will only worsen if the housing inventory cannot meet the demands from these new workers. Adding housing stock – particularly rental housing – that is affordable to employees at the wage levels of the jobs being created will be critical to maintaining economic growth in the region.

A number of planned and recent expansions of area employers will place immediate pressure on the housing market:

- The Pagosa Springs Medical Center recently opened a new primary care facility. This added 30 primary care rooms, seven providers, and two primary care doctors.
- Axis Health, which is based in Durango, recently opened the Archuleta Integrated Healthcare facility, a 10,000 square foot outpatient clinic.
- BeeHive Homes of Pagosa Springs, an assisted living facility, opened in the summer of 2017 and is hiring for all positions needed to staff the new facility.

## Development Opportunities and Challenges

The availability of development-ready lots in the County is a significant opportunity for housing development. In many areas, finding an affordable lot with infrastructure is one of the biggest challenges for new housing construction; Archuleta County has a significant amount of land – including publicly owned land that can be dedicated to housing development – available for housing.

A major challenge to attracting new development in the area, however, is construction costs. In addition to the cost of getting materials to the area and having the labor pool available to perform the work, region-specific building requirements (such as snow load and frost depth requirements) increase the cost of constructing new housing. To overcome this challenge and get affordable housing built, the Town and County will likely have to offer some form of financial assistance to developers.

## 7. IMPLEMENTATION RECOMMENDATIONS

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This chapter outlines the strategies and actions recommended for Pagosa Springs and Archuleta County to address housing issues and needs. The action plan for these strategies and actions is summarized in **Figure 25**. Three main strategies are presented:

- 1. Organization:** Expand local organizational capacity around housing; designate an organizational structure to manage the region's housing strategies.
- 2. Development:** Increase the inventory of affordable housing through new affordable housing development, utilizing the local organizational structure and resources; commit land for housing solutions.
- 3. Resources:** Create and/or allocate local resources (financial and other) to support housing efforts. Increase financial resources available for affordable housing; utilize other locally available resources; maintain recent land use policy changes and consider more progressive options.

If pursued concurrently, these strategies can help the Town and the County address the current local housing need, while putting a structure in place to continue to address housing issues into the future.

**Figure 25**  
**Recommendations Summary**

|             | Increase the Housing Supply   | Expand Capacity to Address Housing   | Ensure Policy Keeps Pace with Actions   |
|-------------|---|--|---|
| Short Term  | <ul style="list-style-type: none"><li>Review and confirm site evaluation</li><li>Identify 2-3 sites that warrant development</li></ul>  | <ul style="list-style-type: none"><li>Consolidate ideas from this process to establish work program for Housing Authority</li><li>Request that Housing Authority legal advisor address questions about autonomy and compliance</li></ul> | <ul style="list-style-type: none"><li>Consider incentives for ownership housing</li></ul>                   |
| Medium Term | <p>Vet options for vertical construction:</p> <ul style="list-style-type: none"><li>Cost to community</li><li>Cost to future residents</li><li>Ability to tap grants/funding</li><li>Nexus between critical needs and resource allocation</li><li>Track peer examples</li></ul> | <ul style="list-style-type: none"><li>Establish process for interface between Housing Authority, Town Council, and BoCC</li><li>Test effectiveness with incremental steps</li></ul>  | <ul style="list-style-type: none"><li>Review lodging tax options as dedicated revenue for housing</li></ul> |
| Long Term   | <ul style="list-style-type: none"><li>Establish partnership</li><li>Build project</li></ul>   | <ul style="list-style-type: none"><li>Consider ways to tap additional State revenue</li></ul>  | <ul style="list-style-type: none"><li>Test community support for linkage requirements</li></ul>             |

## A. Organization

At different times, various entities within the region have taken on the responsibility to advance the affordable housing cause. To the extent the community can consolidate its resources and identify a single entity that could articulate the challenges and align resources, the community will be that much more effective. Based on the resource review and discussions with current leadership, EPS has identified the Archuleta County Housing Authority as an optimal organization to advocate for and implement affordable housing policies and programs, and to evolve the organization to steward resources for the County, Town, and community as a whole. This study recommends elevating the role of the existing housing authority and, concurrently, improving communications with the Town and County to ensure it can evolve into stewarding community resources effectively for the County, the Town, and the community as a whole. Details on the scope and timing of this recommendation are provided in **Table 17**.

Although its scope of work has recently been limited to the Casa de los Arcos property, the Housing Authority has been working over the past few years to overcome previous organizational challenges. Current leadership is ready and willing to be the primary advocacy and leadership organization for affordable housing in the County moving forward, and believes that the organization has the capacity and ability to do so. While the Authority currently only employs one staff member, leadership has indicated a willingness and desire to expand capacity, including increasing the role of the executive director and hiring additional staff, if and when necessary to fulfill this role.

With an existing organizational structure in place, and the desire of current leadership to expand the organization's role and capacity, promoting the role of the Housing Authority is a natural first step in a comprehensive strategy to address housing needs. Having a central organization that policy makers, developers, and community members can all look to for leadership and guidance is critical to making progress on affordable housing issues. As this newly empowered organization works to build trust and relationships in the community, there will be opportunities to bring together groups that are currently working separately. Enabling this type of central organization will strengthen the voice of the entire housing community in the region.

Recognizing that this is a long-term strategy to build capacity within the region, the Town and County may want to solicit proposals from other organizations as well. Next steps in pursuing this strategy involve identifying goals to be accomplished, metrics to measure effectiveness over time, and expectations regarding information flow and collaboration with elected boards. Following clarification of these issues, the Town and County could extend invitations to talk with organizations in the region with capacity and interest in addressing these tasks.

It appears that the Housing Authority could fulfill these requirements and to clarify what this report recommends (and what it does not recommend), see the summary of tasks, issues, and solutions listed below in **Table 17**.



Table 17  
Housing Authority Recommendation Summary

| What is Being Recommended  |  |
|--|--|
| Recognize a community resource, in the form of staff, that can be dedicated to the housing cause and advance specific policies and/or projects over time.  |  |
| The single action, with the greatest potential to effect change, would be to initiate a practice in which Housing Authority staff meet with BOCC and Town Council on a monthly basis and advance the vision of both entities regarding affordable housing in the region.   |  |
| Capitalize on the Housing Authority as an existing entity – it is local, and understands much of the housing environment (e.g. HUD, CHFA).   |  |
| The current staff and leadership have capacity and the desire and motivation to take on more and address housing needs.  |  |
| Assumes that the restructuring of the recent past provides autonomy.   |  |
| In the future, can act as non-profit owner of property (1% or some small share) and allow for tax-exempt status; this can also enable easier transfer/donation of public land.   |  |
| What is <i>Not</i> Being Recommended   |  |
| No agreements would be binding between the Town, County or Housing Authority. A non-binding agreement is recommended to recognize the Housing Authority as a resource that provides regular updates to both sets of elected boards, to memorialize a new approach. If it proves to lack merit, there is nothing that obligates either the County or the Town to continue to meet with the Housing Authority. |  |
| Any future project that involves funds, land, or approvals from the Town or Country would trigger a vote by the Town Council and/or BOCC. The Housing Authority could not make any decision on behalf of either body.  |  |
| No financial commitment is envisioned. The staff for the Housing Authority would continue to be funded with the current structure. No obligations from the Town or County are needed.  |  |
| Concerns   | Solutions  |
| Historically, the Housing Authority has had a limited set of responsibilities. Some members of the community have expressed doubt that it is adequately resourced to take on more complex issues.  | Begin incrementally. If it proves to be unfruitful, discontinue practice of meeting monthly. |
| Some community members have questioned if the Housing Authority can be autonomous and if it can advance the interests of the Town and the County simultaneously.   | Build in complexity over time.   |
| Future Considerations (5-10 year horizon)  |  |
| Building on the model of other mountain communities, treat the Housing Authority as an extension of both the Town and County that can create housing solutions that are in the interest of both entities.  |  |
| Maintain financial autonomy, always requiring a vote of the respective Board for any project or decision that involves a financial commitment.   |  |

**Recommendation:** Town and County officials need to identify goals to be accomplished, metrics to measure effectiveness over time, and expectations regarding information flow and collaboration with elected boards associated with this new organization. EPS recommends recognizing the Archuleta County Housing Authority to be the primary organization for advocating and implementing affordable housing policies and programs in the County. Increase the communication between the Town and the County, with a monthly briefing at the joint sessions of the BOCC and Town Council.

**Action:** Identify a local organization to take ownership of the affordable housing issue, either through directly identifying the existing Housing Authority or soliciting proposals from local organizations. If the Archuleta County Housing Authority is determined to be the best organization for this role, elevate the role of the current Executive Director, and increase staff capacity if necessary. Integrate the Housing Authority into local government reporting structures, with a standing report presented at the monthly joint Town Council and Board of County Commissioners meeting to maintain consistent communication. Ensure representation of both Town Council and Board of County Commissioners on the Housing Authority board, and have the Authority create a work plan and protocol to address the needs and strategies outlined in this report. If action grounded in state statute is desired, consult the *Affordable Housing Guide for Local Officials* published by the Colorado Department of Local Affairs, and the relevant state statutes regarding housing authorities, for direction on appropriate steps to take.

**Timeline:** Three to six months to conduct discussions among the organizations and develop a non-binding resolution to be passed by the Town Council and BOCC to issue an RFP and/or elevate the Housing Authority role. Because the Housing Authority would remain legally and financially autonomous, no formal agreements are needed.

### **Local Government Organization**

In addition to the immediate goal of empowering one organization to become the central voice and advocate for affordable housing in the region, there are longer-term organizational changes the Town and the County may want to consider to more efficiently address housing issues in the future.

These include the County adopting home rule status, which under State law would enable it to access a wider array of policy options to address housing issues – particularly funding sources. There is also the possibility to consolidate Town and County governments. While not part of the immediate action plan and thus outside the scope of this work, housing is one area that would likely see great benefit from these two large scale organizational changes.

Regardless of organizational changes at the government level, both the Town and the County governments will need to work together and strongly back changes or new policies that are implemented in order for any program or policy to be most effective.

## **B. Development**

Increasing the inventory of affordable housing is a key component of this strategy. Given the local housing conditions and needs, a multifaceted approach to move forward with housing development is optimal. Options for the Town and County to consider include: rental housing; modular housing; mutual self-help housing development; tiny homes; and incentive programs to assist with private development of both ownership and rental housing. EPS recommends that the community focus first on rental housing development, followed by other options.

### **Rental Housing**

The need for affordable rental housing in the area has been growing, but the inventory to meet that need has not been developed. To address this need, the County, Town, and Housing Authority (or other designated local housing organization) should move forward with the elements of a new rental project, including organization, financial resources, and land. This will involve the donation of a publicly owned site to the project, in addition to other determinations of how the Town and County can contribute (while maintaining compliance with the Anti-Donation Clause in the State Constitution). This may include fee waivers, expedited development review, or other procedural and/or financial assistance.

In addition to a traditional rental housing development, private development of other housing types, such as modular construction and tiny homes, can be utilized as part of this strategy to increase rental inventory.

### **Ownership Housing**

The Town and County should utilize land use and regulatory tools, and if possible financial resources, to support development of affordable ownership housing. This may include traditional development, modular homes, and/or tiny homes. Mutual self-help programs can also be utilized to address this piece of housing need. Small infill sites exist around the community and present a significant opportunity for these types of developments.

### **Tiny Homes**

As discussed previously, while a community-oriented model for Tiny Home development is beginning to be explored for special populations and in some mountain settings, it has not yet been shown to be effective as a mainstream approach to affordable housing development. It is a compelling option on the surface, as Tiny Homes make efficient use of land and often have lower absolute monthly costs than traditional development. However, costs on a square footage basis are often much higher than traditional construction, and if they are being developed as owner-occupied housing it can be difficult for buyers to obtain financing. Additionally, there are significant financial barriers to development (particularly with infrastructure costs). Comparable projects are emerging but not yet tested, and Tiny Homes are often not the best suited solutions for larger segments of the community.

If there is a local group that is interested in pursuing this type of development, the community should support its efforts and vet the concepts for viability. Because of the numerous types of concepts around Tiny Homes and associated communities, it is important to define how a local development would take shape. Definitions should be provided by community advocates

regarding utilities, permanency of homes (versus the ability to drive and/or pull homes off site as trailers), design requirements, provision of community areas, and maintenance of the site and homes. Among the more important elements in the concept definition is to identify the linkage between identified needs (as defined in this report) and how the tiny home development would address them (e.g. increasing the local employee base, ensuring affordability).

The financial viability of the development would then need to be determined, accounting for costs including site improvements, utilities, common areas, and other project elements as well as revenue estimates. A long-term financial plan would need to ensure that there is adequate operating and maintenance budgets for ongoing expenses, as well as a plan for future capital improvements. If grants to subsidize development costs are expected, the Return on Investment of the project for the community would need to be addressed, identifying the metrics in which the community will benefit and ensuring that they are proportional to the investment. For example, will there be employment requirements by residents (similar to other communities with housing programs), how many net new employees to the region are expected, how will the homes remain affordable over time, and are there financial repayments? The benefits to the community and local economy should be measurable and the project should advance community goals regarding an increase in the supply of affordable housing as well as an expansion of the workforce.

### **Development Project**

Given the local need and available resources, pursuing an affordable housing project is an immediate and achievable goal for the Town and the County. While need for affordable rental housing in the community has been growing, the inventory to meet this need has not grown at the same pace. A new affordable rental development of between 30 and 50 units would help alleviate some of this need, as well as demonstrate that new, affordable development is feasible. Due to the ability to leverage investor equity, a 9% Low Income Housing Tax Credit project is recommended.

Given the significant competition for 9% funds, in addition to numerous factors including location and workforce availability, development in this part of the state is more expensive than other areas. Based on conversations with area affordable housing developers, as well as the Colorado Housing and Finance Authority (CHFA), a new affordable project in Archuleta County will likely only be successful if the Town and the County contribute in a meaningful way.

Developers indicated that concessions from the local government are critical to project success. Land is often dedicated to a project, in addition to fee waivers and other in-kind contributions. CHFA also indicated that strong emphasis is placed on community support, and the strongest applications for funding will have significant community backing that is reflected in both the project costs and the site. Land donation, zoning support, fee waivers, and general community support for the development will all strengthen a project in the funding application process.

The local opportunity could be led by the housing authority, with the goal of selecting a developer partner on behalf of the larger community. Communication with both the Town and County during this process will be critical. Another opportunity is to increase the number of housing authority staff and develop the project internally. This would require retaining staff with development expertise, which should be considered.

## Recent Affordable Projects

While there is not as much development activity in Western Colorado as in the Front Range, and there are development challenges unique to the region, a number of recent affordable projects have been completed or are currently in the development process in the area, demonstrating that when the right resources are provided, these developments can be feasible. Recent area affordable developments include:

- **Lumien Apartments, Durango:** This 50-unit project by Solvera Affordable Housing Advisors was awarded 9% LIHTC funds in 2013, and construction was completed in 2015. Phase II of the project, planned for an additional 36 units, was awarded 9% LIHTC funds in Round 2 of 2017 funding.
- **Senior Residences at Three Springs, Durango:** This proposed 60-unit senior housing project by Volunteers of America applied for 9% LIHTC funds in Round 2 of 2017 funding. This development is intended to be Phase I of a two phase project, which will total 100 units once complete.
- **Woodgate Trails, Montrose:** This proposed 50-unit project by Four Corners Development was awarded 9% LIHTC funds in Round 2 of 2017 funding.
- **Villas at the Bluff Phase II, Delta:** This 48-unit project by the Delta Housing Authority was awarded 9% LIHTC funds in 2013, and construction was completed in 2015.
- **Collegiate Commons, Buena Vista:** This 48-unit project by Urban, Inc. was awarded 9% LIHTC funds in 2016, and is currently securing remaining financing before construction begins.
- **Brubaker Place, Cortez:** This 48-unit project owned by the Housing Authority of the County of Montezuma was awarded 9% LIHTC funds and opened in 2011.
- **Alta Vista de la Montana, Delta:** This 41-unit project by the Community Resources & Housing Development Corporation was awarded 9% LIHTC funds and opened in 2011. This is a farm labor housing project, with additional funds from USDA grants, loans, and rental assistance.
- **Bristlecone Apartments, Pagosa Springs:** This 20-unit project was a foreclosed property, acquired by the Community Resources & Housing Development Corporation and rehabilitated with Neighborhood Stabilization Project funding.

**Recommendation:** As an immediate strategy, pursue a 9% LIHTC funded project. Consider the range of development options available for longer-term housing development plans.

**Action:** It is recommended that the community pursue the elements of a project both in terms of organization, financial resources, and land. This will involve selecting a publicly owned site to donate to the project, and determining how else the Town and County can contribute (e.g. fee waivers, expedited development review) to assist the project.

**Timeline:** These types of projects generally take between 3 and 4 years from the initial project conception to completion; the Town and County need to be involved from the beginning so that the developer can be confident that the required concessions will be available, and will be willing to pursue the project. Developers contacted for this study have expressed interest in the area, and initial planning for this strategy can get underway within months.

## C. Resources

Archuleta County and Pagosa Springs have a number of resources, both existing and potential, that can be directed to address housing need. These resources may be policy (e.g. zoning changes), physical (e.g. staff capacity or public land dedication) or financial (e.g. dedicating tax revenue to a housing fund). In order to attract a successful affordable project as well as ensure that housing issues continue to be addressed in the future, allocation of resources, on the part of both the Town and the County, will be necessary. Recommendations are provided in three categories: land use and regulatory tools, public land dedication, and financial resources. In addition to resources that the Town and the County can provide, there are regional resources and organizations available that can assist with affordable housing. These are summarized at the end of this section.

### 1. Land Use and Regulatory Tools

#### ***Land Use Regulations***

The Town has taken a number of important steps recently to create a development environment that supports affordable housing construction. Changes include reduced minimum lot sizes and increased density; by allowing more housing on a site, these changes can help spread high development costs across more units and make it easier to develop affordable units.

Recent changes include:

- Reduced minimum lot sizes: The Town recently approved reductions in minimum lot sizes in the R-12 residential district, allowing townhomes on 3,000 sq. ft. lots and single family homes/duplexes on 3,630 sq. ft. lots. In this district, a 50 x 150 ft. lot can now be subdivided into up to 2 lots.
- Upzoning: The Town reclassified its former R-18 residential district to an R-22 district, increasing the allowable density by 4 units per acre. Minimum lot sizes in the R-22 district are 1,875 sq. ft. for townhomes, single family homes, and duplexes. In this district, a 50 x 150 ft. lot can now be subdivided into up to 4 lots.
- Accessory Dwelling Units: The Town recently approved an ordinance allowing Accessory Dwelling Units (ADUs) to be up to 75 percent of the size of the primary structure in all residential zone districts (minimum 400 sq. ft., maximum 800 sq. ft.).
- While the County has not made any recent changes to the *Archuleta County Land Use Regulations*, the Planning Commission is currently reviewing the *Archuleta County Community Plan of 2001*, including policies and action items for economic development and affordable housing. Accessory Dwelling Units may be a discrete policy that the County can adopt to try and increase the available housing stock (although ADU development volume is very dependent on additional regulations and market conditions).

#### ***Public Benefit for Public Investment***

Another policy that may be pursued is public benefit for public investment, whereby local governments can assist with infrastructure or other development costs to accelerate new development. Any contributions by local government would be in exchange for some percentage of units set aside as permanently affordable through a deed restriction on the lot or donation of

the lot to a land trust or other organization. A consistently applied policy of receiving public benefit for this investment could generate affordable housing, if the investment offered is significant enough to be a meaningful incentive for a developer.

### ***Inclusionary Housing and Residential Linkage Fees***

A final consideration regarding policy changes would address inclusionary housing or a similar effort such as residential linkage fee. Both establish standards for affordable housing applied to new development. Depending on how regulations are written, both can offer a cash-in-lieu alternative in which developers fulfill the requirement in the form of a financial contribution to a local fund. Some communities prioritize cash, while some prioritize construction; the approach should be tailored to the local community needs and opportunities.

Inclusionary housing reflects standards applied at the time of subdivision in which local governments require a set aside of lots (or units) for affordable households. Because the terms are based on how the land is used and is, in essence, a use restriction, a nexus study is not required. Alternatively, residential linkage fees are established by linking employment generation to housing construction (via a nexus study). Fees are collected at time of subdivision or building permit - most often the latter.

In general, these types of standards are more common in communities in which the housing markets are more constrained than the current conditions of Archuleta County (i.e., Aspen or Telluride). That said, these tools could provide additional resources for the community if adopted.

Factors that suggest it would be a good course of action include:

- Increases revenue sources for the community to address housing.
- Based on current building patterns in which a greater percentage of homes are occupied by second homeowners, the tools are an effective way to engage the second homeowner in solving local housing issues.
- The tools are oriented towards growth and ensuring additional growth addresses the impacts it generates.
- For a fee to be effective, it should be adopted by both the Town and the County to keep the market uniform throughout the region.

While there are benefits to adopting these policies, they may also have negative implications, such as:

- Can raise the cost of housing for all residents, including both locals and second homeowners (which should be evaluated in light of the size of the fee).
- The nexus study needed for the residential linkage fee (which quantifies employment generated by housing) may not generate a substantial amount of revenue per unit based on local employment patterns.
- Inclusionary housing is most effective in communities with a large number of unplatted areas with developers seeking subdivision plats.

**Recommendation:** The Town and County should ensure that developers are aware of the recent policy changes, and understand how they can be utilized to deliver affordable housing.

Public benefits for public investment should also be considered, particularly for target areas where high infrastructure or other construction costs make delivering affordable units difficult.

The policy issues surrounding vacation rentals warrant additional focus, given the nature of the issues and the prevalence of these properties in the region. Visitors to the region are a significant “demand-generator” for housing, requiring services that utilize local labor and thus create a need for local, affordable housing for those employees. At the same time that this labor demand is being generated, the units being rented on a short-term basis lead to a reduction in the supply of units available for long-term rental. Addressing this part of the market will be a key element of any housing solution. It is important to recognize the importance of this element of the housing market within the community, and its relative impact on the market. While it is procedurally and organizationally challenging, expanding the scope and purview for County lodging tax is the most appropriate strategy, and the strategy with the most significant potential outcomes – particularly if additional lodging tax proceeds generated by vacation rentals are directed to a housing fund. Another strategy that can potentially be adopted more easily is to limit the use of housing units as short-term rentals, with the goal of increasing the long-term rental supply.

In terms of Inclusionary Housing or Residential Linkage, it is recommended to test the local support for a residential linkage approach. Given that inclusionary housing has the greatest benefit for communities in which the pipeline of subdivision applications is large, and given that a significant portion of Pagosa Springs and Archuleta County have already been platted, a linkage program would have greater impact. If community support exists for a linkage fee program, complete a nexus study to document the degree of benefit and corresponding fee to establish.

**Action:** Determine whether passing an incentive program is feasible to provide formalized development incentives to projects that set aside affordable units. Test support for a residential linkage fee and pursue a nexus study if community support exists.

**Timeline:** 6 months to 1 year

## **2. Public Land Dedication**

Land is a large component of development costs, and dedication of public land to an affordable housing project can significantly mitigate these costs and strengthen development feasibility. Archuleta County and Pagosa Springs are in a particularly strong position in regards to this, as there are a number of publicly owned sites that have been identified as potentially available for housing projects and would be appropriate for affordable projects. This is an especially critical public resource when considering a 9% LIHTC project, as public contribution of a prime site – in terms of both location and development readiness – plays a large role in strengthening the funding application.

There are eight public or development-ready private parcels that have been identified as potentially available for housing, summarized in **Table 19**. Based on an analysis of development potential and suitability for housing – including location, availability of services, current zoning, and competing uses or interests – the Town-owned Trujillo Road property and Maintenance Shop site emerged as clear candidates for affordable housing projects.



**Recommendation:** The Town, with County support, should dedicate a parcel of available land for a new affordable housing development (to be led by the Housing Authority). Based on the analysis of available parcels, the Trujillo Road property or Maintenance Shop site are recommended.

**Action:** Review the rankings of sites provided by this study and confirm the top site for a housing use. Recommend the Housing Authority lead a process to develop a 9% Low Income Housing Tax Credit project. The Housing Authority, generally, may recommend a partnership with a more experienced developer or may expand its resources to implement the project internally. For either option, it is recommended that the Housing Authority lead the process, and finalize contributions from other local entities (i.e., Town, Country, major employers) upon successfully receiving an allocation from CHFA. The top sites for consideration should be the Trujillo Road property or Town Maintenance Shop parcel.

**Timeline:** The timeline for this action will depend on a project development timeline and current use of the parcel; however, the Town should commit this contribution to the project early, as it will strengthen the project potential for both developers and funding.

### 3. Financial Resources

There are many possible sources of dedicated funding for affordable housing. These funds can be dedicated to a housing fund or other housing organization, and used to fund projects directly or mitigate the impacts of high construction costs for private developers. Financial contributions in some form from local governments are often required for projects to be feasible.

Any funding stream should be maintained by the entity generating the funds, with nonbinding resolution to use them to fund a housing development or program. Regardless of what tool(s) may be selected, both the Town and the County should resolve to use these on regional solutions. Potential sources are outlined below and in **Table 18**.

#### Excise Tax

- An excise tax of between \$0.50 and \$1.00 per square foot in Archuleta County could generate an estimated \$75,000 to \$150,000 per year. This funding source is most successful in a strong development market; given the volume of construction in the County and existing high construction costs, this is not a recommended funding source for consideration.

#### Use Tax

- Based on current development and home value trends, a 0.25% use tax on construction materials in Archuleta County could generate approximately \$35,000 per year, while a 0.75% use tax could generate approximately \$105,000 per year. Similarly to an excise tax, the success of this strategy is highly dependent on the strength of the development market, and given existing costs in the region this is not a recommended funding source for consideration.

#### Dedicated Property Tax

- A dedicated property tax of 1.000 mills could raise approximately \$330,000 per year. While a property tax puts an added cost on local residents, given the significant portion of County housing units that are owned by people living outside of the area, this tool can share the burden with second homeowners and visitors. As with any tax increase, a dedicated property tax requires voter approval and thus its success is highly dependent on political context; however, this option should be considered at the appropriate time.

#### Dedicated Sales Tax

- A dedicated sales tax has the potential to generate a substantial amount of revenue, estimated at \$725,000 per year on a 0.50% sales tax (50 cents on a \$100 purchase). A sales tax increase dedicated to housing may have traction with voters, however the County pursued a sales tax increase to fund new facilities in Fall 2017, and an additional pursuit of a sales tax increase will likely be difficult to pass for a number of years.

#### Dedicated Lodging Tax

- An increase in the lodging tax dedicated to housing is a logical funding tool, however this may be difficult to implement. The County, as a statutory jurisdiction, is already charging the state-mandated maximum lodging tax rate and cannot increase this tax. Additionally, the ballot measure that put the lodging tax in place stipulates that the majority of the funds collected are used for external marketing, and so there is limited opportunity to target revenue to housing. If the County pursues a change to become a Home Rule municipality, a dedicated lodging tax would be the preferred revenue generation strategy. Because of the limitations to increasing the tax rate, the best strategy to pursue under the current structure may be to present a ballot measure amending the current use of lodging tax funds to enable a portion of already-collected funds to be dedicated to housing.
- Despite these challenges, a recently executed agreement between Airbnb and the state may lead to new revenue from vacation rental properties. Airbnb has agreed to collect sales and lodging tax on behalf of the state, which will allow the County to capture some tax revenue that previously was not being collected. As an estimated 90 percent of vacation rentals are outside of Town limits, this could be significant revenue. Airbnb is in the process of working out agreements with home rule communities, and so the Town may have an agreement in place in the future as well.

**Recommendation:** The three recommended potential strategies are a dedicated sales tax, a dedicated property tax, or amended lodging tax language, however more input and outreach will be required to determine which is most likely to gain voter approval.

**Action:** Place a dedicated funding source on the ballot for November 2018, and engage in a public outreach campaign to educate voters on how it would improve the housing situation in the County.

**Timeline:** Target a Fall 2018 ballot measure to pass a dedicated funding source.

**Table 18**  
**Potential Revenue Sources**

|                               | What is it?   | Annual Revenue | Advantages/<br>Disadvantages   |
|-------------------------------|---|----------------|--|
| <b>Excise Tax</b>             |   |                |  |
| \$0.50/Sq.Ft.                 | Residential and commercial development pay a fee per sqft                         | \$75,000       | <ul style="list-style-type: none"> <li>• Generates revenue at pace of development</li> <li>• Voter approval required</li> </ul>  |
| \$1.00/Sq.Ft.                 |   | \$150,000      |  |
| <b>Use Tax</b>                |   |                |  |
| 0.25%                         | Additional assessment on construction materials                                   | \$35,093       | <ul style="list-style-type: none"> <li>• Strong nexus to new residential, commercial and industrial development</li> <li>• Voter approval required</li> </ul>  |
| 0.50%                         |   | \$70,187       |  |
| 0.75%                         |   | \$105,280      |  |
| <b>Head Tax</b>               |   |                |  |
| \$5.00/Empl./Month            | Tax assessed per employee per month   | \$242,880      | <ul style="list-style-type: none"> <li>• Addresses both existing and new needs</li> <li>• Voter approval required</li> <li>• Links housing to employment</li> </ul>  |
| \$10.00/Empl./Month           |   | \$485,760      |  |
| \$15.00/Empl./Month           |   | \$728,640      |  |
| <b>Dedicated Sales Tax</b>    |   |                |  |
| 0.10%                         | Additional assessment on taxable goods  | \$145,000      | <ul style="list-style-type: none"> <li>• Possible to generate high revenues</li> <li>• Voter approval required</li> </ul>  |
| 0.25%                         |   | \$363,000      |  |
| 0.50%                         |   | \$725,000      |  |
| 0.75%                         |   | \$1,088,000    |  |
| <b>Dedicated Lodging Tax</b>  |   |                |  |
| <b>Town</b>                   |   |                |  |
| 1.00%                         | Additional assessment on lodging; applicable to Town only - County at State limit | \$63,000       | <ul style="list-style-type: none"> <li>• Possible to generate high revenues</li> <li>• Voter approval required</li> <li>• Reasonable nexus exists</li> <li>• Lodging industry expects to use funds for tourism; most funds generated are dedicated to external marketing by law</li> </ul> |
| 1.50%                         |   | \$95,000       |  |
| 2.00%                         |   | \$126,000      |  |
| <b>County</b>                 |   |                |  |
| 1.00%                         | Additional assessment on lodging, if County were to become Home Rule              | \$63,000       |  |
| 1.50%                         |   | \$95,000       |  |
| 2.00%                         |   | \$126,000      |  |
| <b>Dedicated Property Tax</b> |   |                |  |
| 0.500 mills                   | Additional mill levy  | \$165,000      | <ul style="list-style-type: none"> <li>• Possible to generate high revenues</li> <li>• Voter approval required</li> </ul>  |
| 1.000 mills                   |   | \$330,000      |  |
| 3.000 mills                   |   | \$990,000      |  |
| 5.000 mills                   |   | \$1,650,000    |  |

<sup>1</sup> Currently only accounts for residential development

Source: Economic & Planning Systems

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#### 4. Other Local and Regional Resources

In addition to the resources outlined above, there are other local and regional organizations and resources that can be part of a comprehensive approach to affordable housing in Archuleta County.

##### **Housing Organizations**

**Housing Solutions for the Southwest:** Housing Solutions for the Southwest operates a variety of housing programs in Southwest Colorado including Archuleta, Dolores, La Plata, Montezuma, and San Juan Counties. The organization is a HUD-certified counseling agency, assisting with mortgage modification and foreclosure prevention, and provides homebuyer and credit counseling and housing rehabilitation services.

Programs offered include:

- Community Emergency Assistance Coalition – this is a multi-agency effort working with individuals and families in La Plata and San Juan Counties to provide homeless prevention and community stability through one-time emergency assistance.
- Rapid Re-Housing – this program provides housing and advocacy to those who are homeless and need short term rental assistance, assistance locating housing, and case management.
- Housing Counseling – housing counseling programs include money management, reverse mortgage counseling, search for affordable housing, fair housing issues and referrals, homeless services referrals, and information on local subsidized housing programs.
- Housing Choice Vouchers – Housing Solutions manages approximately 130 families on the Housing Choice Voucher Program (Section 8 Vouchers).
- Home Rehabilitation and Repair – low interest loans, paid back to Housing Solutions over 20 or 30 years, are provided for health and safety related repairs to homes.

**Community Resources and Housing Development Corporation (CRHDC):** CRHDC has offices in Westminster and Alamosa, working throughout Colorado in both urban and rural areas to address housing needs and asset-building opportunities. The organization has overseen the construction of over 1,700 “Self-Help” homes for low-to-moderate income households, and built over 500 units of farm worker housing and over 300 units of affordable multifamily housing.

CRHDC services include:

- Counseling and Education – CRHDC is a HUD approved Housing Counseling agency, providing services that include pre-purchase housing counseling, a financial capability program, foreclosure prevention counseling, and reverse mortgage counseling.
- Lending – Colorado Housing Enterprises, LLC, a part of CRHDC, is a Community Development Financial Institution (CDFI), providing first mortgage lending and down payment and closing cost assistance.
- Real Estate – Pathways Realty, LLC, a part of CRHDC, is a licensed real estate brokerage that provides real estate assistance to CRHDC clients.
- Rentals – CRHDC provides affordable apartment rentals across the state for families, seniors, and people with special needs.

- **Housing Development** – CRHDC develops multifamily housing for families, seniors, farm workers, and the disabled, as well as single family homes through the Self-Help, Purchase Rehab and modular programs. CRHDC also provides technical assistance to organizations in rural communities where there is a lack of capacity to develop new housing. CRHDC is a partner of Next Step, an organization with a mission to make manufactured housing a practical, sustainable solution to housing affordability issues across the country.

**HomesFund:** HomesFund serves southwest Colorado, with a focus on promoting homeownership. The organization develops affordable housing and provides financial resources and educational tools to residents in La Plata, Montezuma, Archuleta, San Juan, and Dolores Counties. HomesFund is a CDFI and a HUD-approved housing counseling agency.

**Volunteers of America (VOA):** VOA works across the state, and has a significant presence in western slope communities. As part of its spectrum of services and programs, VOA develops affordable housing.

### ***Community Development Financial Institutions (CDFIs)***

CDFIs are specialized financial institutions with a primary mission to promote economic development by providing financial products and services to people and communities underserved by traditional financial institutions. CDFIs are profitable, but not profit-maximizing, and may be banks, credit unions, loan funds, or venture capital funds.

CDFIs serving Archuleta County include:

- **HomesFund** – HomesFund provides down payment assistance loans, and can also lend to affordable housing developers.
- **Colorado Housing Enterprises, LLC (part of CRHDC)** – Colorado Housing Enterprises provides services including first mortgage lending and down payment and closing cost assistance.
- **Mile High Community Loan Fund** – the Mile High Community Loan Fund makes loans to non-profit housing development organizations, housing authorities, and mission-compatible for-profit affordable housing developers. Funds can be used for predevelopment expenses, real estate acquisition, construction (including rehabilitation), bridge financing, and mini-perm financing.
- **First Southwest Bank** – First Southwest Bank is the only bank in Southwest Colorado and the Four Corners region designated as a CDFI; CDFI initiatives include affordable housing projects.

Table 19  
Public and Other Available Land Summary

| Site | Location                             | Ownership   | Size   | Current Use/Zoning   | Infrastructure   | Planned Use  | Recommended for Housing | Priority Level | Potential Challenges   |
|------|--------------------------------------|---|--|--|--|--|-------------------------|----------------|--|
| 1    | "Foothills" Development Site         | By Yamaguchi Park, 6th Street to 8th Street. North of and adjacent to the high school and high school parking lot | 6.5 acres across 4 parcels (including TOPS Maintenance Shop) | Mostly vacant; Pearce House sits on property   | Access to existing water and sewer, electrical service and natural gas | Proposed three phase residential development, including affordable as well as potential set-aside of units for school district employees in exchange for land  | Yes                     | High           | Negotiations with school district for land; getting project to move from plans to development  |
|      |                                      |   |  |  |  |  |                         |                |  |
| 2    | TOPS Maintenance Shop                | 663 S. 5th Street   | 2 acres  | Town Maintenance Shop  | Yes  | New shop facility is being planned for a different site; once that occurs, Town would consider deeding this land to a housing project<br>Adjacent to Foothills site, potential to be included as part of that development  | Yes                     | High           | Dependent on development of new shop   |
| 3    | TOPS Trujillo Road Property          | 873 CR 500  | 6 acres  | Currently leased out to trash company and equestrian group; long-term leases were not renewed, tenants are currently leasing on a month-to-month basis | Existing   | Being considered for housing (would require developer interest/partnership)  | Yes                     | High           | Parcel is skinny, oddly shaped<br>Currently zoned R12 - no multifamily allowed, would require rezoning or conditional use  |
|      |                                      |   |  |  |  |  |                         |                |  |
| 4    | Yamaguchi Annex                      | South of Yamaguchi Park; east edge of the property fronts on the San Juan River, west side faces the high school  | 27 acres   | Pagosa Springs Sanitation General Improvement District has begun decommissioning the old sewer lagoons located south of Yamaguchi Park                 | Either available or close by and relatively easy to extend             | New town shop may locate on part of the site<br>Discussion of expanding sporting uses from Yamaguchi Park<br>Discussion of locating rec center on the site<br>Parcel owned by Gem Partners being considered for residential development<br>Overall high interest in the property | Yes                     | Mid            | River frontage makes parcel appealing for market-rate residential<br>School transportation center is adjacent to the site<br>Competing interests may make affordable housing development challenging<br>The entire site is in the Floodway, making federal funding difficult or impossible to secure<br>Sewer lagoon has Brownfield status, which may affect funding for housing |
|      |                                      |   |  |  |  |  |                         |                |  |
| 5    | Archuleta School District Vista Site | Vista Boulevard and Park Avenue   | 37 acres   | Vacant   | Access to water, sewer, electrical service                             | School District is interested in surplusng this land; being considered for housing, has County PUD zoning  | Yes                     | Low            | Site may be difficult to build on, close to highway but far from town  |
| 6    | Reservoir River Ranch                | East side of Highway 94, across from County Public Works  | 5 acres  | Vacant; zoned County PUD   | No utilities   | Committed to housing in vested rights agreement; no development movement   | No                      | N/A            | Private ownership; development contingent on developer dedication or participation in a fee-in-lieu program<br>Land is outside Town sewer district and would need to go through annexation and inclusion<br>Without future area development will remain relatively isolated  |
|      |                                      |   |  |  |  |  |                         |                |  |
| 7    | Cloman Annex                         | Cloman Boulevard, south of Humane Society (west end of industrial park)   | 28 acres   | Vacant; zoned Agricultural/Ranching; formerly BLM land, has use restrictions   | Access to water, sewer, electrical service                             | No current plans; potential for housing  | No                      | N/A            | Close to industrial uses, far from town, has land use restrictions; site is also in the Airport Influence Area   |
| 8    | Skyyrocket Park Annex                | East side of Highway 84, approx. 1 mile south of County Fairgrounds   | 7.5 acres  | Vacant; currently zoned Commercial in the County   | No water, sewer, or electrical service                                 | Originally planned for sporting complex; no current plans  | No                      | N/A            | Parcel is outside Town sewer district (would need to go through annexation and inclusion into the sewer district); without future development in the area, site will remain relatively isolated<br>Some of the area is wetlands<br>CDOT will require improvements to Highway 84  |

Source: Town of Pagosa Springs; Archuleta County; Economic & Planning Systems  
H:\163071-Archuleta County Housing Needs Study\Output\163071-Land Inventory.xlsx\Public Land Inventory



## **Appendix A: Tools and Resources**

Appendix A presents a “toolkit” of strategies and resources available to local governments to address housing needs. Tools are detailed, along with examples of their use in communities where appropriate. This Appendix is intended to provide a general overview of the types of tools various communities may use to address housing. Chapter 7 provides details on the tools that are recommended to best address the needs of Archuleta County.

There are a range of reasons that communities adopt affordable or workforce housing tools. Many do so because local and regional housing market assessments have concluded that a significant portion of the local workforce has been priced out and forced to commute. Beyond the determination of the presence and extent of these patterns, communities make policy determinations based on quality of life and economic development considerations. For example, if a portion of the workforce – such as teachers, police, fire protection, and other municipal employees – cannot afford to live locally, they are not readily available to address health, safety, and welfare needs. The motivation to develop programs to address affordable or workforce housing is largely based on some or all of the following conditions:

- **Housing Costs:** The sales price or rent of locally available housing exceeds what a permanent-resident household can afford.
- **Housing Availability:** The development community is oriented to building more expensive housing than is affordable to the workforce or local residents.
- **Commuting Patterns:** A large portion of the workforce cannot afford to live in the community and is forced into longer commutes from more affordable locations.
- **Employee Shortages:** Local businesses increasingly find it difficult to recruit and/or retain employees.

The tools local governments can use to address affordable and workforce housing needs are outlined in three major categories:

- **Land Use and Regulatory Tools:** These tools address development directly, seeking to leverage the momentum of development through land use controls, mandates, and incentive zoning.
- **Financial Tools:** These tools create or take advantage of local funding sources, generating revenue often needed to support affordable development.
- **Organizational Tools:** A central housing organization can coordinate funding, policy, development, and administration. Certain types of organizations also have access to funding that may not be available to all groups.

## **Land Use and Regulatory Tools**

Land use and regulatory tools address development directly. These strategies are initiated by local authority, but generally fulfilled by the development community. A summary of the available tools for mandating or incentivizing and funding affordable housing developments is provided in **Table 20**, **Table 21**, and **Table 22**. Regulatory tools may be implemented as mandates, incentives, or may be broader policy tools. Based on the advantages and disadvantages of each, and the market and development characteristics in an area, not all of these tools are appropriate for every community. As with all land use tools, these types of



strategies will be most effective if adopted by both the Town and the County. Because Archuleta County is a small market, if either the Town or the County has more restrictive land use regulations, developers may choose to build where there are less restrictive regulations. An IGA may be necessary to formalize an agreement to adopt the final policies and practices.

### ***Production Tools – Inclusionary Mandates***

Inclusionary housing ordinances (IHOs or “inclusionary zoning”) refer to planning ordinances that require developers to “set aside” a portion of new housing construction as affordable to households at specified income levels. IHO set-aside requirements generally range from 10 to 30 percent of units, and the affordability level generally ranges from 60 to 100 percent of AMI. Some high cost mountain resort communities have requirements above 150 percent AMI, above what is needed in Archuleta County.

In most versions of an IHO, a developer can comply with requirements by building the units on site as part of the overall project master plan and/or by building them in an off-site location. Alternatively, many IHO programs allow for all or a portion of the housing requirement to be met by cash-in-lieu payments – i.e. the payment of a fee in-lieu of building affordable units.

In Colorado and the Rocky Mountain West, the IHO is most commonly the cornerstone of many mountain communities’ affordable housing programs. Communities using this tool include Aspen and Pitkin County, Telluride and San Miguel County, Breckenridge, Park City, UT, and Jackson and Teton County, WY. While it is most common in resort communities, there are also IHOs in some of Colorado’s urban markets, including Denver and Boulder.

At this time, it is recommended that Archuleta County test the community support for potential pursuit of this program or a related program, such as Residential Linkage. It is important to note that these programs work best in high cost areas, where development interest is high and highly competitive, the market is highly land constrained, and there are few options to build in other nearby jurisdictions. IHOs can also increase the cost of housing for the non-affordable units, thereby reducing overall affordability. For these reasons, IHOs work best in markets where costs are already very high, especially when second home buyers are purchasing the majority of the market rate units.

### ***Production Tools – Residential Linkage Fees***

Residential Linkage is a fee program where developers pay fees to offset the housing demand generated by new development, specifically additional housing required as a result of employment generated from the development. A nexus study is completed to document the relationship between the development, the employment required to service the development (e.g. increased demand for snowplowing, landscaping, and a range of other services often required by residents that results from new housing), and the need for affordable housing for the employees required to service that need. This is often the most direct linkage for residential development in second home dominant communities, where a large number of employees are required to provide services for the additional residents (full- or part-time).

In the case of Archuleta County, trends suggest that with more housing development, more services are required by the residents (or part time residents) of the new development. A linkage fee would require developers to pay a specified amount towards the development of affordable housing in order to offset the needs generated by their projects. It is important to recognize that

the beneficiaries of this fee are the end users, in this case the residents who rely on local employees to provide the requested services.

If there is community interest in a residential linkage fee, by law a nexus study must be completed before the fee can be implemented to document the scale of the relationship between new development and increased need for affordable housing. It should be noted that the level of services generated by residential development may not be sufficiently high in a community like Archuleta County to support a substantial fee. Communities for which nexus studies have been completed (e.g. Aspen) show an increasing need that is correlated to home size. It is important to note that these large homes, and the corresponding reliance on local employees to support their functioning, may not be present to the same degree in the Pagosa Springs and Archuleta Community. At this time, it is recommended to test community support, and pursue a nexus study if sufficient support exists.

***Production Tools – Land Use Incentives and Incentive Zoning***

There are a variety of bonuses and waivers local governments can offer to incentivize affordable housing. While many of these are more suited to larger urban mixed use projects, some can be applied to smaller multifamily, infill, and single family neighborhood developments. While the potential impact of these incentives on the total amount of need may be marginal, they can be significant for individual development projects, and if enough individual projects are built the overall impact will be greater. While Archuleta County is a small market, there are a number of locations available for large developments, which may strengthen the potential impact incentives can have.

Table 20  
Land Use Tools - Mandates

| Land Use Tools - Mandates                               |   |   |   |  |  |
|---|---|---|---|--|--|
|   | Inclusionary Housing Ordinance  | Incentive Zoning Ordinances   | Targeted Inclusionary Housing Ordinance   | Commercial Linkage   | Residential Linkage  |
| Recommended for Archuleta County?                       | Potential   | No  | No  | No   | Potential  |
| What is it?   | <ul style="list-style-type: none"><li>Requires a percent of housing in new development to be provided at affordable levels</li><li>Addresses housing need resulting from inflated housing prices</li></ul>                        | <ul style="list-style-type: none"><li>Responds to development and redevelopment pressure requesting special permits</li><li>Requires residential / commercial development to provide affordable housing and/or public amenities</li></ul> | <ul style="list-style-type: none"><li>Requires a percent of housing be provided at affordable levels in best locations for mass transit and workforce proximity</li><li>Addresses housing need resulting from inflated housing prices</li></ul> | <ul style="list-style-type: none"><li>Requires commercial development to provide housing units (or pay a fee) based on new employees generated</li><li>Addresses housing need resulting from commercial growth</li></ul> | <ul style="list-style-type: none"><li>Requires residential development to provide housing for the employees it generates</li><li>Particularly effective in markets with large second-homes</li><li>Developer provides employee housing units or pays fee in-lieu</li></ul> |
| What is a typical affordable housing build requirement? | 10% to 30%  | 10% to 20%  | 10% to 30%  | 20% to 100% of employee generation by land use   | 10% to 20%   |
| What incentives are used?                               | Bonus density, fee waivers, expedited review, parking reduction, public funding assistance  | Density bonus, reduced parking requirement, reduced open space, or any variance to zoning   | Bonus density, fee waivers, expedited review, parking reduction, unit equivalency, public funding assistance  | Bonus density, fee waivers   | Bonus density, fee waivers, expedited review, parking reduction, unit equivalency  |
| Are there alternative satisfaction options?             | Payment of fee in-lieu, offsite units, and voluntary adoption of RETA   | Payment of fee in-lieu  | Payment of fee in-lieu, offsite units, and voluntary adoption of RETA   | Payment of fee in-lieu, land dedication, offsite units, deed-restricted commercial space   | Payment of fee in-lieu, land dedication, offsite units   |
| What are the legal / nexus issues?                      | Does not require voter approval but nexus study required  | No nexus study required   | Does not require voter approval but nexus study with geographic overlay required  | Does not require voter approval but does require nexus study and documentation   | Does not require voter approval but does require nexus study and documentation   |
| Who is affected?  | <ul style="list-style-type: none"><li>New residential development</li></ul>   | <ul style="list-style-type: none"><li>New residential development</li><li>Businesses</li><li>Visitors</li></ul>   | <ul style="list-style-type: none"><li>New residential development in targeted areas</li></ul>   | New commercial development   | New residential development  |
| What are its advantages / disadvantages?                | <ul style="list-style-type: none"><li>Addresses community workforce housing needs (i.e. ownership or rental)</li><li>Limits the burden to new residential development</li><li>Most common among the programs identified</li></ul> | <ul style="list-style-type: none"><li>Value of incentives is relative to the market</li><li>Success is dependent on the value of respective incentives within the market</li></ul>  | <ul style="list-style-type: none"><li>Addresses community workforce housing needs (i.e. ownership or rental)</li><li>Limits the burden to new residential development</li><li>Focuses affordable development where it is needed most</li></ul>  | <ul style="list-style-type: none"><li>Addresses workforce housing needs</li><li>Broadens the burden to a wider variety of land uses</li><li>Requires nexus analysis</li></ul>  | <ul style="list-style-type: none"><li>Addresses seasonal/service worker housing needs (i.e. rental)</li><li>Requires complicated nexus analysis</li></ul>  |
| Who uses it?  | Boulder, CO<br>Burlington, VT<br>Cambridge, MA<br>Davis, CA   | Cambridge, MA<br>Seattle, WA<br>Chicago, IL<br>Boston, MA   | Denver, CO  | Vail, CO<br>Aspen/Pitkin County, CO<br>Telluride, CO<br>Park City, UT  | Telluride, CO<br>Jackson/Teton County, WY  |

Source: Economic & Planning Systems

H:\163071-Archuleta County Housing Needs Study\Reports\163071-Housing Program Matrix.xlsx\Mandates

Table 21  
Land Use Tools - Incentives

| Land Use Tools - Incentives              |   |   |   |  |  |   |  |   |
|--|---|---|---|--|--|---|--|---|
|  | Expedited Development Review  | Height Waivers  | Density Bonus   | Parking Reduction  | Development Standards/ Variances   | Fee Waiver  | Fee Offset   | Fee Delay Until Certificate of Occupancy  |
| Recommended for Archuleta County?        | Yes   | No  | No  | No   | Yes  | Yes   | Yes  | Yes   |
| What is it?                              | Projects with qualifying affordable components are processed on an expedited timeline   | Additional height provided as incentive to include portion of units as affordable or providing other community amenities  | Additional density is provided as incentive to include portion of units as affordable   | Parking requirement lowered dependent on the amount of affordable housing within project and type of housing (e.g. senior housing)   | Reduction in project costs by waiving development standards, such as street widths, alley widths, etc.   | Certain development fees waived when 10%+ of total housing units are affordable   | Percentage of water and sewer system development fees offset (paid by). Affordable Housing Fund for qualifying projects that provide a high amount of affordable homes or very low income homes            | City delays payment of certain development fees until end of construction when certificate of occupancy is issued   |
| What is a typical incentive?             | 50% of benchmark processing time  | 25% to 75%  | 10%-20%   | 25% to 50%   | Varies   | Minumum 20%   | Minumum 20%  | Delay fees until certificate of occupancy is issued   |
| What are its advantages / disadvantages? | <ul style="list-style-type: none"><li>● Challenge to effectively shorten review time</li><li>● Minimal return to developers</li><li>● New revenues required to increase staff</li></ul> | <ul style="list-style-type: none"><li>● Typically only feasible in certain parts of city (downtown, mixed-use areas)</li><li>● Strong market demand required</li><li>● Might be in conflict with community preference</li></ul> | <ul style="list-style-type: none"><li>● Zoning must be restrictive enough to make additional density valuable</li><li>● Strong market demand required<ul style="list-style-type: none"><li>● Might be in conflict with community preference</li></ul></li></ul> | <ul style="list-style-type: none"><li>● May encounter community resistance over parking issues</li><li>● May be alternatives besides affordable housing</li><li>● Valuable to developers as long as there is enough parking to be marketable</li></ul> | <ul style="list-style-type: none"><li>● Inexpensive to implement</li><li>● Need to take into account safety and public health standards</li><li>● Modifications may not be valuable enough to generate incentive</li></ul> | <ul style="list-style-type: none"><li>● Rental units must be kept affordable for 20 years, for-sale 10 years</li><li>● Increased percentage waived for higher percentage of affordable units, lower AML, longer terms, etc.</li></ul> | <ul style="list-style-type: none"><li>● Water and sewer funds remain whole</li><li>● Requires use of AHF resources to backfill city funds</li><li>● Allows developments to reach very low income</li></ul> | <ul style="list-style-type: none"><li>● Most applicable to urban mixed use projects</li><li>● Increased pressure on City to track development process and secure commitments from developer</li><li>● Provides significant savings to developer as it eliminates financing costs for fees</li><li>● Can fund as part of permanent debt rather than equity</li></ul> |
| Who uses it?                             | San Diego, CA<br>Austin, TX<br>Charlottesville, VA  | Seattle, WA   | Portland, OR<br>Seattle, WA<br>Austin, TX<br>Arlington County, VA   | Portland, OR<br>Seattle, WA<br>Austin, TX<br>Arlington County, VA  | Carbondale, CO   | Fresno, CA  | Loveland, CO<br>Fort Collins, CO<br>Austin, TX   | Windsor, CO   |

Source: Economic & Planning Systems  
H:\163071-Archuleta County Housing Needs Study\Reports\1163071-Housing Program Matrix.xlsx\Incentives

Table 22  
Development Policy Tools

| Development Policy Tools                                |   |  |   |   |  |
|---|---|--|---|---|--|
|   | Annexation  | City Investments Trigger Affordable Housing  | Financial Incentives and TIF  | Upzoning/Rezoning/Redevelopment   | Affordable Housing Easement  |
| What is it?   | As land is annexed into the City then the development must provide a minimum level of affordable housing  | When the City provides any investment in a development (infrastructure, provision of surplus real estate, right-of-way or easement vacations, financing/funding, etc.), the development must provide a minimum level of affordable housing | Any project receiving TIF or other public funding would be required to provide affordable units (or fee-in-lieu) as part of the agreement   | If land is upzoned or rezoned (developer request), the resulting development must provide a minimum level of affordable housing   | Preserve current affordable housing developments through placing an easement on sites. Target applications include expiring Section 8 or CHFA Covenants, potential condo conversions or other existing units   |
| What is a typical affordable housing build requirement? | 10% to 30%  | 10% to 30%   | 10% to 30%  | 10% to 30%  | N/A  |
| Are there alternative satisfaction options?             | Payment of fee in-lieu; land dedication; offsite units  | Payment of fee in-lieu; land dedication; offsite units   | Payment of fee in-lieu; land dedication; offsite units  | Payment of fee in-lieu; land dedication; offsite units  | N/A  |
| What are its advantages / disadvantages?                | <ul style="list-style-type: none"><li>• Similar to inclusionary housing only applied to annexation</li><li>• Can be seen as a cost of business and achieving a public benefit when bringing in new land</li><li>• Can be coupled with incentives to reduce burden</li><li>• Can apply to rental units since annexation is voluntary</li></ul> | <ul style="list-style-type: none"><li>• Limited occasions for city investment may limit effectiveness</li><li>• Formal policy adoption would benefit housing and set expectations for entities receiving City assistance</li></ul>         | <ul style="list-style-type: none"><li>• Adds to redevelopment costs</li><li>• Incorporates affordable housing into revitalized areas of the community</li><li>• Ensures broader community values are achieved through redevelopment and URA process</li></ul> | <ul style="list-style-type: none"><li>• Sets clear expectation with development community</li><li>• Results in a deeper supply of housing in locations that are in the heart of redevelopment activity.</li><li>• May be hard to determine the scope or magnitude of rezoning needed to trigger the requirement</li></ul> | <ul style="list-style-type: none"><li>• Requires detailed understanding of affordable properties</li><li>• Requires effective negotiation skills</li><li>• Often most efficient and cost effective method for maintaining restricted housing inventory</li></ul> |

Source: Economic & Planning Systems  
H:\163071-Archuleta County Housing Needs Study\Reports\163071-Housing Program Matrix.xlsx\Policy

## Financial Tools

Financial tools can generate the revenue often needed to support affordable development. Establishing a local funding source is a strategy whereby everyone in the community shares some of the burden, rather than placing it all on new development. It is the best way to generate a dependable annual revenue source for housing. However, it is politically challenging, since all tax increases require a vote in Colorado. Strong local leadership is needed to implement these funding approaches. The development-based fees noted previously do not require voter approval because they are considered fees, not taxes, under Colorado law. Dedicated funding can be used for many purposes broader than federal and state grant funds, including:

- Building housing
- Acquiring land for a land trust, housing trust, tax credit rental development
- Homebuyer assistance (e.g. down payment assistance)
- Raising local matching funds for grants
- Leveraging private development funds; gap funding
- Housing program administration
- Infrastructure costs

Several dedicated funding options are shown in **Table 23**. The vast majority of State and Federal housing programs target households earning less than 60 to 80 percent of AMI, and funds are limited and highly competitive. Because of this, the focus here is on locally generated funding.

### **Excise Tax**

An excise tax is a tax paid by the developer on units of production (e.g. construction materials) that becomes a part of the cost of the final product purchased by the end user. It differs from the sales tax, which is applied to the final purchase price and paid directly by the end user. One advantage of an excise tax, in comparison to a linkage fee, is that it does not require a nexus study and does not require funds collected to be allocated to a specified set of improvements. Communities that have introduced an excise tax with revenues designated to the development of affordable or workforce housing include:

- **Boulder** – Excise tax of \$160 per 1,000 square feet of residential development and \$340 per 1,000 square feet of commercial development.
- **Snowmass Village** – Excise tax, passed in 1999, is calculated on a complex formula and only applies to certain residential expansions. Revenues from the tax are restricted for the acquisition, construction, or rehabilitation of affordable employee housing. Revenues for 2017 to 2021 are budgeted at \$274,000 annually.

### **Use Tax**

A use tax is essentially a sales tax on building materials, charged at the place of use rather than the place of sale. Many communities throughout the state allocate or dedicate all or a portion of their use tax to capital projects. Increasing the use tax countywide could generate additional dedicated funding for housing.

### **Head Tax**

An occupational privilege tax ("head tax") is a tax calculated on a per-worker basis that can be assessed on the employer, employee, or both. It has most often been used by larger cities for general fund revenues or for designated services. It is one of the more appropriate taxes because of its relationship to general wage levels and affordability issues. A disadvantage is that it is a flat tax and does not increase or decrease with wages, inflation, or home price appreciation as a sales or property tax does. Communities that have implemented or considered a head tax (for any purpose) include:

- **Denver** – A \$9.75 per month head tax, \$5.75 of which is paid by the employer and \$4.00 by the employee. Its revenues are split 50/50 to the general fund and the capital improvement fund.
- **Aurora** – A \$4.00 per month head tax, \$2.00 of which is paid by the employer and \$2.00 by the employee.
- **Greenwood Village** – A \$4.00 per month head tax, \$2.00 of which is paid by the employer and \$2.00 by the employee. Revenue from this tax is used exclusively for capital projects.
- **Fort Collins** – The City of Fort Collins also investigated a head tax in the past, but encountered opposition from the Chamber of Commerce, as it is seen by some as anti-business with the potential to affect economic development efforts.

EPS is not aware of any communities that have implemented a head tax dedicated to affordable or workforce housing.

### **Dedicated Sales Tax**

Some communities use a dedicated sales tax to fund affordable or workforce housing. In tourism-oriented markets, this can be an attractive funding option because a majority of the taxes are often paid by visitors. Communities with a dedicated sales tax include:

- **Aspen** – a 0.45 percent tax currently generates about \$2.75 million per year in revenues.
- **Telluride** – a 0.5 percent sales and use tax funds an Affordable Housing Fund with approximately \$520,000 in annual tax revenue. Funding is allocated to the San Miguel Regional Housing Authority.
- **Mountain Village** – 11.11 percent of the Town's sales tax is directed into the Affordable Housing Development Fund.

### **Dedicated Lodging Tax**

A dedicated lodging tax can also be used to fund affordable or workforce housing, but using lodging tax revenues for such purposes is less common. Lodging taxes in larger cities can be as high as 15 or 20 percent, but for the most part, a majority of revenues generated are dedicated to tourism, marketing, and promotions, as well as supportive facilities such as convention centers. Communities with dedicated lodging taxes include:

- **Snowmass Village** – Revenues from the 2.4 percent lodging tax are used to fund housing programs. This is in addition to its overall rate of 10.4 percent, which is restricted to the marketing and promotion of special events and the development of tourism.

### ***Dedicated Property Tax***

Similar to the dedicated sales tax, a number of communities have approved an additional property tax levy dedicated to affordable or workforce housing. A property tax increase would be subject to TABOR and require voter approval. Other than for school-related initiatives, it is generally harder to implement a property tax increase than a sales tax increase. Communities with a dedicated property tax include:

- **Denver** – The City approved a dedicated property tax of 0.5 mills in Fall 2016, which along with dedicated impact fees on new development will pay into the City’s Dedicated Affordable Housing Fund. The fund is projected to generate \$150 million over 10 years to support affordable housing development and preservation.



Table 23  
Revenue Generation Tools

| Revenue Generation Tools                 |  |  |   |   |  |   |   |   |  |   |
|--|--|--|---|---|--|---|---|---|--|---|
|  | Excise Tax   | Use Tax (on Construction Materials)  | Occupational Privilege Tax (Head Tax)   | Document Recording Fee  | Dedicated Sales Tax  | Dedicated Property Tax  | Dedicated Lodging Tax   | RETT / RETA   | General Fund Set-Aside   | CDBG/HOME/AHF/ PAB Dedication   |
| What is it?                              | Residential and commercial development pay a fee per sqft of new floor area  | Additional assessment on construction materials  | Tax assessed per employee per month   | Additional fee per document   | Additional assessment on taxable goods   | Additional mill levy  | Additional assessment on lodging  | Ad valorem tax (RETT) or assessment on sale of home (RETA)  | Ongoing annual contribution from the General Fund to the Affordable Housing Fund   | Dedication from these funds to create or maintain affordable units  |
| What is a typical assessment?            | \$0.50 to \$13.00 per sqft   | 0.35% to 3.00%   | \$4 to \$10 per month per employee  | \$3 per document  | 0.25% to 0.50%   | 0.17 to 0.80 mills  | 2% to 4%  | 0.1% to 2.0%  | Set annual amount or % of annual revenue   | 40% CDBG (60% already dedicated elsewhere); \$3 million PAB (must be debt);   |
| How is it administered?                  | Collection system needs to be created  | Uses existing tax collection structure   | Collection system needs to be created; businesses need to be educated   | Uses existing tax collection structure (typically County in CO)   | Uses existing sales tax collection structure   | Uses existing property tax collection structure   | Uses existing lodging tax collection structure  | Implemented by developer at time of entitlement   | Annual Budget  | Annual Budget   |
| Who is affected?                         | <ul style="list-style-type: none"><li>New residential and commercial development</li></ul>                               | <ul style="list-style-type: none"><li>Developers</li><li>Contractors</li></ul>   | <ul style="list-style-type: none"><li>Employers</li><li>Employees</li></ul>   | <ul style="list-style-type: none"><li>Legal</li><li>Business</li><li>Real estate</li></ul>                      | <ul style="list-style-type: none"><li>Residents</li><li>Businesses</li><li>Visitors</li></ul>                      | <ul style="list-style-type: none"><li>Existing and future property owners as well as residential and commercial tenants</li></ul> | <ul style="list-style-type: none"><li>Visitors</li></ul>  | <ul style="list-style-type: none"><li>Real estate developers</li><li>Home buyers</li></ul>  | <ul style="list-style-type: none"><li>Other city departments</li></ul>   | <ul style="list-style-type: none"><li>Other programs funded with CDBG</li></ul>   |
| What is the revenue potential?           | \$   | \$\$   | \$\$  | Varies  | \$\$\$   | \$\$\$  | \$\$  | \$  | \$\$   | \$  |
| What are its advantages / disadvantages? | <ul style="list-style-type: none"><li>Generates revenue at pace of development</li><li>Voter approval required</li></ul> | <ul style="list-style-type: none"><li>Strong nexus to new residential, commercial and industrial development</li><li>Voter approval required</li></ul> | <ul style="list-style-type: none"><li>Addresses both existing and new needs</li><li>Voter approval required</li><li>Links housing to employment</li></ul> | <ul style="list-style-type: none"><li>Applies to broad set of documents</li><li>Weak nexus to housing</li></ul> | <ul style="list-style-type: none"><li>Possible to generate high revenues</li><li>Voter approval required</li></ul> | <ul style="list-style-type: none"><li>Possible to generate high revenues</li><li>Voter approval required</li></ul>                | <ul style="list-style-type: none"><li>Reasonable nexus exists</li><li>Lodging industry expects to use funds for tourism</li><li>Voter approval required</li></ul> | <ul style="list-style-type: none"><li>Can be imposed voluntarily by developer at time of project initiation</li><li>Applies to new sales subject to developer agreement</li></ul> | <ul style="list-style-type: none"><li>Provides greatest amount of flexibility in terms of utilization of funds</li><li>Competes with other city priorities</li></ul> | <ul style="list-style-type: none"><li>CDBG allocation changes annually and often declines</li><li>Each fund has use restrictions so may not be able to address immediate needs</li><li>HOME and AHF already dedicated to affordable housing</li></ul> |
| Who uses it?                             | Cambridge, MA<br>San Francisco, CA<br>Berkeley, CA<br>Boulder, CO<br>Parker, CO  | St. Louis, MO<br>San Miguel County, CO   | Denver, CO<br>Aurora, CO<br>Greenwood Village, CO   | Indianapolis, IN<br>Jackson County, MO<br>Bucks County, PA<br>Philadelphia, PA                                  | Aspen/Pitkin County, CO<br>St. Paul, MN<br>Dayton, OH  | Pitkin County, CO<br>Boulder, CO<br>Cambridge, MA<br>Seattle, WA  | San Francisco, CA<br>Columbus, OH<br>Snowmass Village, CO   | Aspen, CO;<br>Snowmass Village, CO<br>Vail, CO<br>Breckenridge, CO<br>Telluride, CO<br>Winter Park, CO  | N/A  | N/A   |

Source : Economic & Planning Systems  
H:\163071-Archuleta County Housing Needs Study\Reports\163071-Housing Program Matrix.xlsx\Revenue

## Organizational Tools

In smaller communities, having a single organization to coordinate funding, policy, development, and administration is likely to be more efficient than multiple organizations. This structure also ensures that there is not competition between organizations for State and Federal funding. A housing organization could develop a framework to allocate housing funds and to identify priority projects.

### Non-Profit Organizations

There are a wide variety of non-profit organization types that are involved in housing. A model that is becoming increasingly common is a non-profit with status with HUD and the IRS as a Community Housing Development Organization (CHDO), discussed in this section. The non-profit types described below are not mutually exclusive; an organization could carry out any of the functions described below according to its mission.

#### Housing Trusts

Housing trust funds (HTFs) are state, county, or municipal organizations that may collect and disburse funds for constructing and operating affordable housing. There are over 700 trust funds in the U.S. Local trusts typically collect and disburse funds from a city's other housing programs, such as dedicated sales taxes, excise taxes, and cash in lieu payments (a fee in lieu of constructing units in a project) from Inclusionary Housing Ordinance programs. A dedicated sustainable funding source is critical for a housing trust to have any significant impacts.

#### Community Land Trusts

Another organizational model, the community land trust (CLT), is a non-profit organization that provides permanently affordable housing units by acquiring land and removing it from the speculative for-profit real estate market. CLTs hold the land they own "in trust" in perpetuity for the benefit of the community by ensuring that it will always remain affordable for homebuyers. CLTs were enabled under Section 213 of the Housing and Community Development Act of 1992. There are currently over 250 CLTs in the U.S. including the Colorado Community Land Trust in Denver (formerly the Lowry Community Land Trust) and the Thistle Community Land Trust in Boulder.

A CLT typically acquires land for affordable housing in its designated community. The land is transferred to a developer and ultimately a homeowner under a long term land lease. The CLT generally leases the land to a qualified homeowner at a reduced rate to subsidize the housing unit price. It retains the option to repurchase the housing unit upon sale and the resale price is set by formula to give the homeowner a fair return on investment but also to maintain affordability for future homeowners.

Funding, annexation policy, and other land dedication exactions are needed to bring land into a land trust. Organizations that fall under the housing or land trust model include:

- **Jackson Hole Community Land Trust** – Established in 1992 by a number of wealthy Teton County, Wyoming area residents. The Trust has an endowment of \$5.6 million and has built over 100 deed-restricted workforce housing units. It has also acquired sufficient land to build an additional 55 housing units.

- **Mountainlands Community Housing Trust (MCHT)** – A non-profit corporation in Summit County, UT founded in 1993 based on the belief that a safe and decent home is often a family's first step towards economic self-sufficiency. MCHT addresses the dual problems of housing affordability and availability on three fronts: acquisition and new construction of workforce housing, direct assistance in securing housing and needed basic services, and education and advocacy to promote housing policy. MCHT has \$4.7 million in assets and has built or acquired 135 housing units in Summit County, UT (Park City area) for workforce housing.
- **Colorado Community Land Trust (CCLT)** – A 501(c)(3) non-profit organization founded in 2002 with the mission of creating, and preserving in perpetuity, affordable homeownership opportunities for moderate income individuals and families. Originally called the Lowry Community Land Trust, CCLT initially focused on the redevelopment of the former Lowry Air Force Base. In 2006, the service area was extended to include the entire Denver metro area. In general, CCLT ensures long-term affordability by maintaining and owning the land and by limiting the resale price of the home, allowing the seller to benefit from some appreciation (24 percent return on equity) while still keeping the resale price affordable. It has a total of 189 properties, including two projects at Lowry – Maple Park, a 68 home development built in 2004, and Falcon Point, a 72 unit townhouse development built in 2007.
- **The Housing Trust** – An independent community development 501(c)(3) non-profit corporation based in Santa Fe and serving the northern New Mexico counties. The Trust was formed in 1992 by the City of Santa Fe, Enterprise Community Partners, and existing housing non-profit groups to provide an umbrella housing organization that could directly assist potential homeowners and work to obtain land, project financing, and other resources needed to accelerate affordable housing efforts in Santa Fe. The Housing Trust has produced 500 units of housing in Santa Fe and provided hands-on training and individual counseling for nearly 5,000 potential homeowners.

#### Deed Restrictions

Deed restrictions are powerful tools for maintaining permanent affordability. Even if the private market delivers housing in the 80 to 120 percent AMI range, it will become less affordable as the market appreciates. There is, in fact, a large risk that early buyers in low priced projects could flip their home at a significant profit. Many deed restrictions have appreciation caps to ensure permanent affordability. The downside is that in markets where buyers perceive that they can find other options, the appreciation cap is a deterrent as buyers may feel that they are potentially missing out on the appreciation gains.

While there are many types of deed restrictions, the simplest and least restrictive form is to restrict ownership to local resident wage earners, with no appreciation cap. This works to limit price appreciation to the range of what local residents can afford, rather than second home buyers.

#### Community Housing Development Organizations

A Community Housing Development Organization (CHDO) is a 501(c)(3) non-profit recognized by HUD. As such, CHDOs are eligible to receive HUD funding through the Colorado State Division of Housing. Fifteen percent of HOME funds (HOME Investment Partnerships Program) are required to be allocated to CHDOs. A CHDO can receive approximately \$35,000 per year for administration out of HOME funds, plus other competitive grants for housing development and other housing programs. Many CHDOs were formed in the 2000s, and the funding is more

competitive now. A housing authority can form a CHDO, but it needs to create sufficient separation in the board, staffing, and funding structure to be recognized as a CHDO and separate organization from the housing authority.

As non-profit organizations, rather than a government, CHDOs have more flexibility to engage in broader housing activities than a housing authority. Because of their non-profit status, CHDOs also have access to funding sources, such as certain grant and foundation funding, that housing authorities do not. CHDOs can operate well in partnership with housing authorities, by partnering on development projects to pool funding and staff resources. When a housing authority is a partner in a CHDO development, the project can have tax exempt status, which helps project cash flow and feasibility. CHDOs can develop real estate, own, and manage property much like a private company. CHDOs can more easily partner with private developers and builders to build projects, and can more easily borrow money. A CHDO can also operate a land trust, or vice-versa.

Like any organization, funding is a constraint for CHDOs. CHDOs lack the powers of taxation that a Multijurisdictional Housing Authority (MJHA) has. Any number of revenue sharing and funding arrangements could be structured between local governments, a MJHA, and a CHDO or other non-profit structure.

CHDOs must have a board comprised of one-third representation of the low-income community, and no more than a third from local government. This gives some control and influence to local government, however not as much as with a MJHA.



## **Appendix B: Survey Questions**

## Archuleta County Housing Needs

### Archuleta County Housing Needs Study - Area Employer Survey

The Town of Pagosa Springs and Archuleta County are conducting a housing needs study to evaluate housing issues and needs in the region. To best understand housing issues and concerns related to economic development and economic sustainability, we are seeking input from local employers and businesses. Your input will be used to inform our understanding of the housing issues facing the community, and the most effective strategies to address these issues.

The survey should take approximately 10 minutes to complete. All results are strictly confidential, and responses will only be reported when combined with all other responses. The results of this study will be available as part of the Housing Needs Study report by fall of 2017.

If you have questions or need assistance completing the survey, please contact:

James Dickhoff, Town of Pagosa Springs Planning Department Director  
970-264-4151 X225

or

John Shepard, Archuleta County Planning Manager  
970-264-1390

Please complete this survey within the next three (3) weeks.

Thank you for your time and input on this important community project.

Part I: Business Information

**Please tell us about your business**

1. What type of business do you have?

- ☐ Service (food/beverage/hotel/retail)
- ☐ Recreation (ski area, fishing, rafting, horseback riding)
- ☐ Professional (education, medical, town/county, financial)
- ☐ Technical (electricians/plumbers/trades, manufacturing, wholesale trade)
- ☐ Construction
- ☐ Other (please specify)

## Archuleta County Housing Needs

### Service

2. Please choose your specific business type

- ☐ Retail Trade
- ☐ Arts, Entertainment, and Recreation
- ☐ Accommodation and Food Services
- ☐ Other (please specify)



Recreation

3. Please choose your specific business type

☐ Arts, Entertainment, and Recreation

☐ Other (please specify)

Professional

4. Please choose your specific business type

- ☐ Information
- ☐ Finance and Insurance
- ☐ Real Estate and Rental and Leasing
- ☐ Professional, Scientific, and Technical Services
- ☐ Management of Companies and Enterprises
- ☐ Educational Services
- ☐ Health Care and Social Assistance
- ☐ Public Administration
- ☐ Other (please specify)

Technical

5. Please choose your specific business type

- ☐ Mining, Quarrying, and Oil and Gas Extraction
- ☐ Utilities
- ☐ Manufacturing
- ☐ Wholesale Trade
- ☐ Other (please specify)

Construction

6. Please choose your specific business type

☐ Construction

☐ Other (please specify)

## Archuleta County Housing Needs

### Other

#### 7. Please choose your specific business type

- ☐ Agriculture, Forestry, Fishing and Hunting
- ☐ Mining, Quarrying, and Oil and Gas Extraction
- ☐ Utilities
- ☐ Construction
- ☐ Manufacturing
- ☐ Wholesale Trade
- ☐ Retail Trade
- ☐ Transportation and Warehousing
- ☐ Information
- ☐ Finance and Insurance
- ☐ Real Estate and Rental and Leasing
- ☐ Professional, Scientific, and Technical Services
- ☐ Management of Companies and Enterprises
- ☐ Administrative and Support and Waste Management and Remediation Services
- ☐ Educational Services
- ☐ Health Care and Social Assistance
- ☐ Arts, Entertainment, and Recreation
- ☐ Accommodation and Food Services
- ☐ Other Services (except Public Administration)
- ☐ Public Administration
- ☐ Other (please specify)

## Archuleta County Housing Needs

8. How long has this business been operating (under both current and previous ownership)?

- ☐ Less than 2 years
- ☐ 2 to 5 years
- ☐ 6 to 10 years
- ☐ 11 to 20 years
- ☐ More than 20 years

9. How many year-round employees do you have at all Archuleta County locations (include yourself and all other owners)?

Full Time:

Part Time (less than 30 hours per week):

Total:

10. How many seasonal employees to you typically hire each year?

Summer Season full time:

Summer Season part time:

Winter Season full time:

Winter Season part time:

11. How do seasonal housing issues compare to year-round challenges?

- ☐ The challenge to find seasonal employees (and housing for them) is more complex than solving the problem for year round employees.
- ☐ Year round housing needs are more complex than seasonal needs.
- ☐ They are both equally challenging.
- ☐ Neither one is that complex.

12. How does the number of employees you have today compare to the number of employees you had five years ago?

- ☐ More employees today than five years ago (please enter approximate number)
- ☐ Fewer employees today than five years ago (please enter approximate number)
- ☐ No Change
- ☐ N/A – not in business for more than five years

If you have more or fewer employees, please enter the approximate change

13. If you have changed the number of employees, please choose the reason(s) why there has been a change (check all that apply):

- ☐ Fewer customers
- ☐ Reduction in sales activity
- ☐ Less business.
- ☐ More customers
- ☐ Increase in sales activity
- ☐ More business.
- ☐ Changed the way the business operates
- ☐ Other (please describe)

14. Within one year, do you plan to:

- ☐ Increase the number of employees
- ☐ Reduce the number of employees
- ☐ Stay about the same
- ☐ Don't know/unsure

15. How many jobs at your business are currently open/unfilled?

Full-time:

Part-time:

Part II: Community Context

**Tell us a bit about the community context**

16. Do you feel affordable housing for Archuleta County residents and employees is:

- ☐ Not a problem
- ☐ One of our lesser problems
- ☐ A problem among others needing attention
- ☐ One of the more serious problems in the County
- ☐ The most critical problem in the County

17. What is the relative degree of the housing problem today compared to the past?

- ☐ Not as bad
- ☐ About the same
- ☐ Worse than in the past
- ☐ Substantially worse than in the past

18. What industry faces the greatest need as it relates to housing employees?

- ☐ Service (food/beverage/hotel/retail)
- ☐ Recreation (ski area, fishing, rafting, horseback riding)
- ☐ Professional (education, medical, town/county, financial)
- ☐ Technical (electricians/plumbers/trades)
- ☐ Construction
- ☐ Other (please specify)

19. What is more important?

- ☐ Increasing the availability of housing
- ☐ Addressing the affordability of housing
- ☐ Both

20. What is more important?

- ☐ Rental housing
- ☐ Ownership housing
- ☐ Both



21. What is the wage level associated with the greatest need?

- ☐ \$10 per hour or less
- ☐ \$10 to \$15
- ☐ \$15 to \$25
- ☐ \$25 and higher

22. How does the availability of suitable housing impact your recruitment and retention efforts?

- ☐ Not at all
- ☐ Very little
- ☐ Moderately
- ☐ Substantially

23. How does housing compare to other issues facing Pagosa Springs and Archuleta County? Rank in order of importance

|                      |                 |
|----------------------|-----------------|
| <input type="text"/> | Housing         |
| <input type="text"/> | Day Care        |
| <input type="text"/> | Health Care     |
| <input type="text"/> | Economic Growth |
| <input type="text"/> | Transportation  |



## **Appendix C: Next Steps and Action Plan**

## **Next Steps and Action Plan – Provided by the Community Builders Housing Institute Workgroup**

Following the presentation of this report by Economic & Planning Systems, a group of community members from Pagosa Springs/Archuleta County attended a conference sponsored by Community Builders. The group integrated the research and findings of this report with new insights gained at the conference. More importantly, the group articulated concrete action items with a specific time frame for 2018, linking tasks to quarterly milestones. The ownership of the issues represented by this effort represents an excellent method for generating results. A summary of this effort, including the action plan, is provided below.

### **Local Action Plan**

On September 25, 2017, EPS presented their Draft Housing Needs Assessment report to the Town Council and Board of County Commissioners at a joint work session.

On September 27-29, 2017, an eight-member team participated in a Community Builders Housing Institute Workshop in Glenwood Springs. Attendance at the Workshop was the result of a Community Builders grant award for attending the intensive three-day workshop. The eight-member team was comprised with individuals meeting the grant application requirements and our team participated with 5 other Colorado communities, 4 of which were western slope Colorado mountain communities.

The Pagosa Team members included: Andrea Phillips, Town Manager / Bentley Henderson, County Administrator / David Schanzenbaker, Town Council / Michael Whiting, County Commissioner / MaryJo Coulehan, Chamber of Commerce Director and Community Development Corporation Board Member / Ryan Searle, BWD Construction / Steve Emrich, First Southwest Bank / James Dickhoff, Town Planning Director.

During the three-day workshop, participants listened to a number of presentations regarding housing with topics including:

- Understanding the Affordability Issue
- Housing Choices and Affordability from a Developers Perspective.
- Local Funding and Project Finance:
- The Work Group did feel that inclusionary zoning regulations would be a good tool for our community.
- Creating Planning and a Policy Framework
- The Holiday Neighborhood in Boulder Colorado
- Finding the Missing Middle
- Lessons from Teton County Wyoming
- Institutional Capacity and Community Readiness
- Effective Community Engagement / Developing a Consistent Message

The Pagosa team, a.k.a. "Community Builders Housing Institute Workgroup" (CBHIWG) also participated in numerous exercises including:

- Accessing Challenges and Opportunities
- Evaluating Funding Needs and Opportunities
- What is it we are trying to do and how do we accomplish it
- Creating an Action Plan

The Pagosa CBHIWG learned much during the intensive 3-day work shop and have summarized their findings into next steps actions as a means to capture the current momentum and help steer forward progress. The following are the CBHIWG recommendations for the Archuleta County Commissioner's Town Council's consideration:

- 1) Formalize Oversight and Establish Organizational Structure:
  - a. Community Builders Housing Institute Workgroup (CBHIWG) requests the BoCC and Town Council appoint a Housing Advisory Board (HAB) to continue in an advisory capacity. The CBHIWG is willing to serve in this capacity with the assistance of members from the initial Housing Task Force and community stakeholders. This HAB would regularly report back to the elected officials.
  - b. HAB would research successful programs from other communities and determine what will be best for our community.
  - c. HAB will bring back recommendations for establishing an Organizational Structure that could serve as the Community's Housing Department. This may include drafting and advertising a Request for Proposals to identify an organization or individual to serve in this capacity.
- 2) COMMUNITY EDUCATION AND OUTREACH
  - a. Create a consistent base message for a Housing Choices Program.
  - b. Create series of articles for media outlets regarding Housing Choices
  - c. Review existing TOPS and AC regulations and communicate existing incentives and regulations.
- 3) PUBLIC POLICY CLARIFICATION
  - a. Develop Intentions: planning and developer participate in enhancing housing choices
  - b. New developments, Annexations, Greenfield subdivisions (include in LUDC): provide a range of options/a la carte menu
  - c. Incentivize the "Missing Middle"; include individual or smaller builders
  - d. Develop round table discussion with range of builders regarding a la carte menu.
- 4) FUNDING
  - a. Work on start-up funding through TOPS/AC budget process.
  - b. Update Nexus study (joint TOPS/AC), include linkage fees, send to EPS.
  - c. Plan for long-term funding.
  - d. Research short-term funding: grants, CDFI funding - seed money for revolving loan fund, lodging tax collections.
  - e. Research revolving loan funds: delayed fees with payment out to building permitting, CO. Include PAWS fees.

In Summary, the Community Builders Housing Institute Workgroup (CBHIWG) is eager to serve as the Housing Advisory Board (HAB) operating in an advisory capacity to the Town Council and Board of County Commissioners if approved to do so. The HAB would ensure the current momentum is maintained to expedite identifying housing option solutions for our community.

The HAB will endeavor to generally achieve the following in 2018:

***Within First Quarter of 2018:***

- 1) Develop a consistent Housing Need and Solution message.
- 2) Identify community stakeholders to help with communication efforts and to participate during 2018 in the development of a housing program.
- 3) Create informative media articles to help educate the community on housing issues
- 4) Research other communities for organizational structure, financing and LUDC regulation examples.
- 5) Develop Town and County intentions on Housing Choices with stakeholder involvement.
- 6) Create a Request for Proposals (RFP) for executive leadership and organizational structure.
- 7) Communicate existing regulations supporting housing development to the development community and general public.
- 8) Advocate for a Joint Impact Fee Study Update with a housing nexus for Housing linkage/impact fee inclusion.

***Within Second Quarter of 2018:***

- 1) Review RFP's and recommend candidate award.
- 2) Work closely with the selected organization for developing a sustainable housing program.
- 3) Research short-term funding options to encourage development of Housing choices.
- 4) Develop suggestions on incentivizing Missing Middle and Income based Housing and Infill Development.
- 5) Propose LUDC regulations for accommodating housing options through the annexations, greenfield subdivisions and commercial development application processes.

***Within Third Quarter of 2018:***

- 6) Wrap up efforts and hand off to the awarded housing team for leadership and organizational structure to administer and maintain full service housing services.