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Executive Summary

Larimer County Affordable Housing Needs Assessment

PREPARED FOR:

Larimer County, Colorado
www.larimer.org

DRAFT REPORT

3/29/2021

This report responds to the Larimer County Commissioner Strategic Plan objective to reduce the housing overburdened ratio by at least 5% by 2023 (Goal 2, Objective 4). The Affordable Housing Needs Assessment helps set a course for achieving that objective by clearly identifying and quantifying housing needs across the county and presenting strategies that are tailored to meet identified needs.

Report Organization:

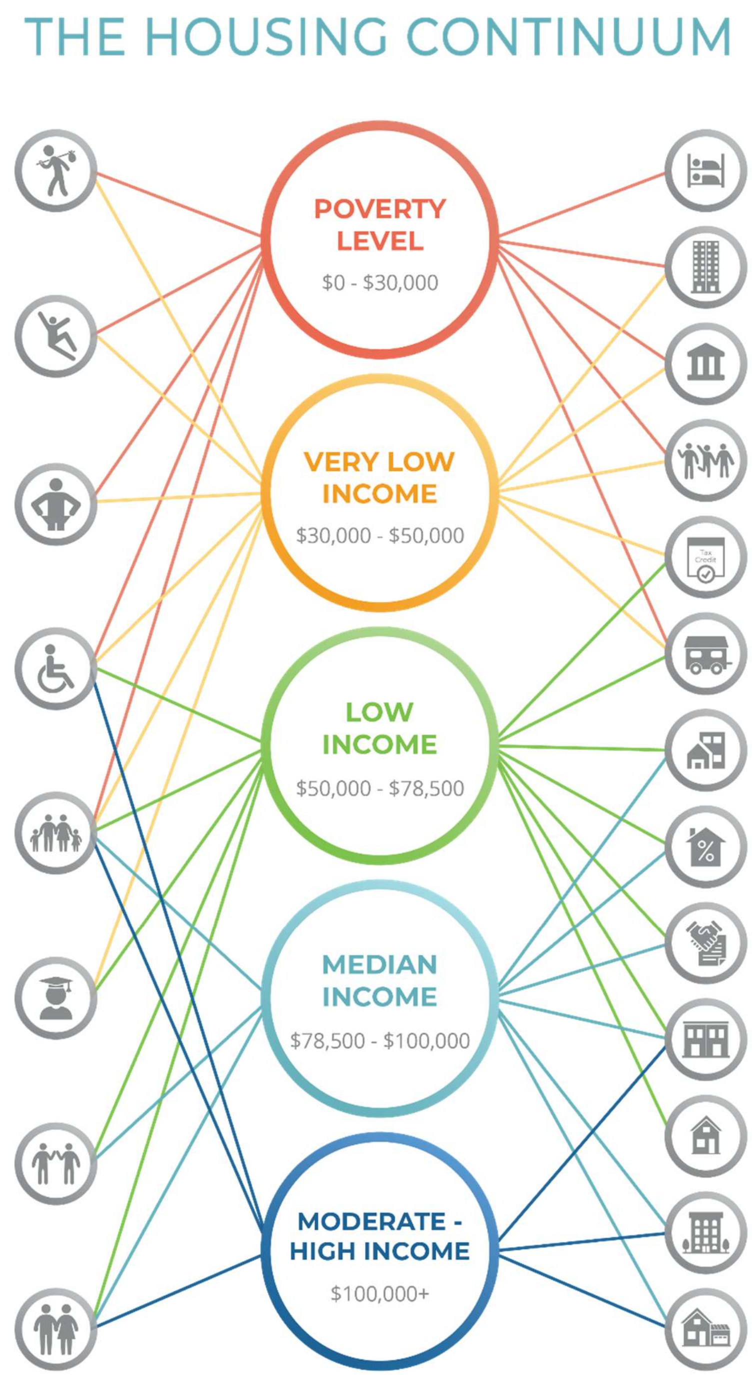
- Demographic and Economic Profile
- Housing Market Analysis
- Special Interest Populations
- Housing Affordability and Gaps

Community Engagement Process:

- Resident focus groups with special interest populations
- Stakeholder focus groups and interviews with stakeholders, service providers, advocates, and industry professionals in fields related to housing development and real estate, manufactured housing communities, housing and homeless services, affordable housing providers/developers, older adult housing and social services, as well as services for low income families, Hispanic residents, and limited English populations.
- Broad engagement through project website and virtual feedback (over 400 responses)

Why Work to Address Housing Needs?

A balanced housing stock accommodates a full "life cycle community"—where there are housing options for each stage of life from career starters through centenarians—which in turn supports the local economy and contributes to community culture.



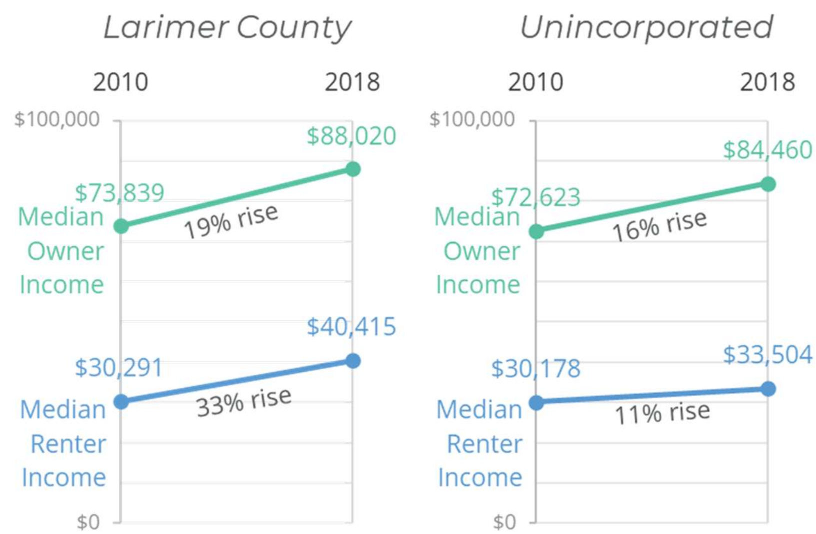
Demographic and Economic Context:

- Strong population growth (outpacing state overall), with particular growth expected among older adults.
- Most recent growth has occurred in incorporated areas and forecasts indicate that 96% of the County's anticipated population growth through 2040 will be absorbed by municipalities.
- Overall, median income in the county rose by 20% between 2010 and 2018, but income gains varied by community and demographic.
- The median income in unincorporated areas rose more slowly (11% gain) but remains higher than the county overall (driven by higher proportion of owners in unincorporated areas).
- Since 2010, poverty rates of both families and individuals (of all age groups) has declined in both the county overall and in unincorporated areas,

Shifting Incomes

Countywide shifts reflect a decline in lower income households (<$50,000) offset by increase in high income households (>$100,000) with a relatively stable middle income proportion. Renters and owners both experienced income growth between 2010 and 2018, but the magnitude of the change differed by tenure and by location.

Figure ES-1.
Median Income by Tenure, 2010 to 2018



Source: 2010 and 2018 ACS and Root Policy Research.

The biggest shifts among owners reflect a decline in lower and moderate income owners, offset by an increase in high income owners (earning more than $150,000 annually).

Among renter households, the most notable change is a sharp decline in renters earning less than $50,000, with marginal increases in moderate and high income cohorts.

- Some workers are earning more income, particularly as the economy recovers from the Great Recession (the effects of which are still evident in 2010 data).
- However, other low income renters are being displaced as rents increase beyond what their wages can absorb.
- Middle income renters face barriers to entry into the ownership market (due to rising prices) so remain renters longer or choose to purchase a home outside the county, in more affordable for-sale markets.

Housing Market Analysis

Housing Stock

- Two-thirds of homes countywide are single-family detached homes, though multifamily development has increased slightly in recent years. Single family detached is even more dominant in unincorporated areas, where it accounts for 85% of all units.

- 8% of units in the county are vacant. Vacancy is higher in unincorporated areas (18% of units) driven by the number of homes that are vacant for seasonal or recreational use.

Home-Ownership

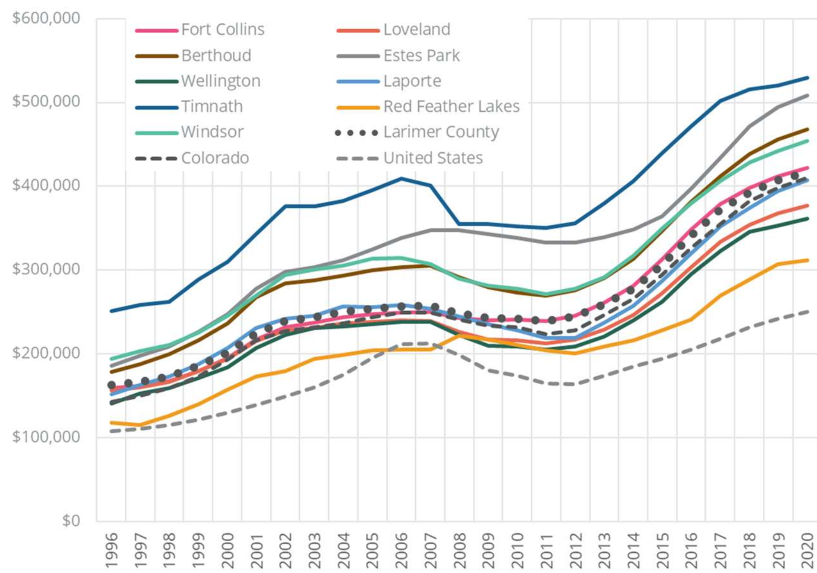
- Ownership declined in the county overall, from 68% to 65% between 2010 and 2018, driven by drops in ownership in the county's two largest cities (Loveland and Fort Collins). The ownership rate of unincorporated areas held steady at 86%.

- Renters and owners occupy different structure types with owners much more likely to live in single family units and renters more likely to live in attached housing. Renters in unincorporated areas are less likely than those in incorp. areas to live in traditional apartment buildings and large multifamily structures.

Market Trends

Zillow estimates for Larimer County have more than doubled since 2000, with much of that increase occurring since 2012. As of 2020, median sale value was $417,000 in Larimer County overall and $429,000 in unincorporated areas.

Figure ES-2.
Zillow Sale Price Trends, 1996 to 2020



Source: Zillow Research Data and Root Policy Research.

Similar to the ownership market, Larimer County's rental market has experienced sharp increases over the past five years. Rent increases were highest in incorporated areas, but rents in unincorporated areas also rose substantially (faster than other rural parts of the state).

- The median rent in Larimer County was $1,228 in 2018, up 45% from the 2010 median rent of $849.

- Median rent in unincorporated areas is lower ($1,009) and experienced slower growth over the period (21% increase from 2010 median of $830).

In unincorporated areas, the most significant changes were a loss of units priced between $500 and $750, offset by marginal gains in all price categories over $1,000 per month. In 2010, 41% of rentals were priced below $750 per month; by 2018 that proportion had dropped to 21%.

Special Interest Populations:

By the Numbers...

Older Adults (55+):

- 27% of residents countywide
- 39% of unincorporated

Residents with a Disability

- 10% of residents countywide
- 11% of unincorporated

Mobile/Manufactured Homes

- 4% of homes countywide
- 10% of unincorporated homes

People Experiencing Homeless

- 506 counted in 2019 Point-In-Time Count (Jan 29, 2019)
- 2,157 students (K-12) exp. Homelessness in Larimer County school districts in 2019

Data not available for unincorporated area.

Affordable Housing Inventory

- 3,656 Low Income Housing Tax Credit (LIHTC) units
- 789 HUD-funded units
- 69 (of the 4,445 countywide income restricted units) are in unincorporated areas.
- 2,300 Housing Choice Vouchers

Note: Vouchers and units are not additive as vouchers can be used in subsidized units, creating overlapping subsidies.

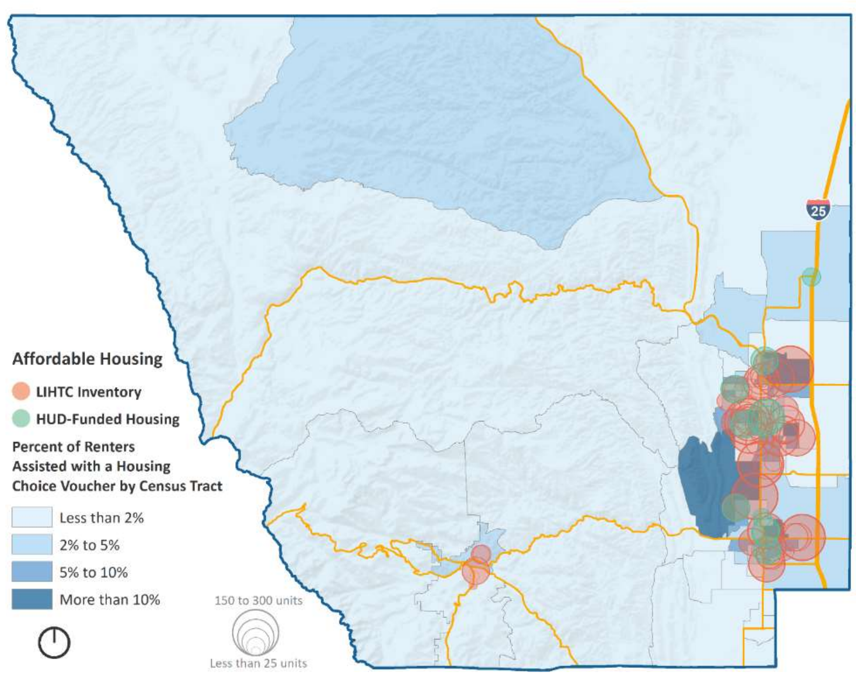
Housing Needs

Section III of the full report details the unique housing needs of older adults, people with disabilities, people experiencing homelessness, and manufactured housing residents. The section includes an inventory of income restricted affordable housing. Resident and Stakeholder perspectives are included throughout the section. Though specific needs and proposed solutions differ, common threads were a need for affordable housing and more diverse/creative housing options (in terms of product type and occupancy options).

As illustrated at left, both older adults and manufactured housing residents have higher representation in unincorporated areas than they do in the county overall.

- Housing challenges faced by seniors can be particularly difficult to address in rural/mountain areas with limited access to transit and services.
- Manufactured homes in unincorporated areas are very similar to those in the county overall, though they are slightly more likely to be on vacant land and slightly older. Still, the majority (82%) of mobile homes in unincorporated areas are located in mobile home parks.

Figure ES-3.
Publicly Assisted Housing in Larimer County



Source: Colorado Housing Finance Authority, HUD, and Root Policy Research.

Summary of Affordability Needs

Housing pressures in the county are unlikely to improve if the region continues to be a destination for economic development and population growth. Housing price increases have outpaced rising incomes over the past decade resulting in declining affordability within the rental and ownership markets alike. Widening affordability gaps are particularly acute in the for-sale market, pushing ownership further out of reach for many households.

Rental Affordability

- Between 2010 and 2018, the median rent in Larimer County increased from $849 to $1,228—as $379 per month or 45% increase. Renter incomes rose as well, but only by 33%, not enough to absorb the change rents.

- Trends in unincorporated Larimer County reflect smaller gains to both incomes and rent prices, but still result in a decline in renter affordability. Median renter income rose by 11% while median rent rose by 21%.

- More than half of all Larimer County renters (56%), 25,456 renter households, are cost burdened, spending 30% or more of their income on housing costs. More than one quarter of renters (27% or 13,153 households) are severely costs burdened, spending at least half of their income on housing costs.

- Renters living in unincorporated Larimer County have similar—though slightly lower—rates of cost burden: 49% are cost burdened and 25% are severely cost burdened.

- Altogether, the County has a 9,900-unit shortage of rentals priced affordably for renters earning less than $25,000 per year.

- In unincorporated Larimer County, the gaps analysis shows a 313-unit shortage for households earning less than $25,000 (needing rentals for less than $500/month).

Homeownership Affordability

- As of 2020, median sale value was $417,000 in Larimer County overall and $429,000 in unincorporated areas, reflecting about a 70% increase over 2010 values.

- Purchasing power at the median income level has lagged far behind home prices in Larimer County (in both incorporated areas and unincorporated areas). In unincorporated areas, median households' purchasing power was similar to median sale values in 2010, but by 2018 there was a 30% gap between the two.

- In 2018, 27% of Larimer County owners with a mortgage were cost burdened and 30% of owners in unincorporated areas were cost burdened.

Summary of Affordability Needs (continued)

- The for sale gaps analysis shows the Larimer County market offers some affordability for renters earning more than $75,000 per year and is manageable for renters earning between $75,000 and $100,000. However, in unincorporated areas, the market doesn't' offer widespread affordability until households are earning $150,000 or more.

- Renters earning less than $75,000 per year can afford a max home price of nearly $284,000. Fewer than 10% of homes in the county and in unincorporated areas were sold in that price range.

- Rising rents and rising home prices both create barriers to ownership as current renters have a harder time saving for a down payment while the liquid capital required for a down payment rises with escalating home prices.

- The homeownership rate declined in the county between 2010 and 2018 (from 68% to 65%), driven by drops in ownership in the county's two largest cities (Loveland and Fort Collins). In contrast, the ownership rate in Weld County—which presents a more affordable ownership market—rose from 72 to 73%.

Next Steps:

The ultimate purpose of the study is to provide recommendations that serve to guide future policy decisions relating to housing. This draft reflects the first phase of the overall study—an analysis of housing stock, market trends, and community perceptions related to Larimer County's housing context and potential housing needs. The second phase of the study is to craft recommendations for addressing the identified housing needs, with a focus on the County's sphere of influence (primarily in unincorporated areas). Those recommendations will be developed in conjunction with County staff and Commissioner feedback.