

EXECUTIVE SUMMARY

PROJECT SCOPE

Town of Mountain Village, Town of Telluride, San Miguel County, and San Miguel Regional Housing Authority (SMRHA) joined together to address the regional demand for affordable housing. Unlike previous housing efforts that have focused on needs, this study addresses demand in the context of regional market conditions.

Economic & Planning Systems (EPS) was retained by this consortium to address the market conditions for the Telluride Region (Region). For this study, the region is defined as the Towns of Mountain Village and Telluride and the developments in unincorporated San Miguel County in the immediate vicinity such as Lawson Hill, Ilium, and Aldasoro Ranch. The outlying communities are those in the surrounding counties of Dolores and Ouray, as well as towns in western San Miguel County such as Norwood. These are commonly referenced in this report as the outlying communities.

Representatives from the organizations summarized the key issues driving the study, which include:

- Evaluate regional economic trends and discuss their implications on demand for affordable housing.
- Assess the current deed restricted inventory within Town of Mountain Village, Town of Telluride, and San Miguel County. Document the amount of product by type of deed restriction, type of unit, and tenure to understand the strengths and weaknesses of the current inventory.
- Analyze the composition of the local population to document demand by income level, as expressed as a percentage of the Area Median Income (AMI).
- Evaluate market conditions to document housing opportunities for locally employed households within the immediate Telluride area as well as in outlying locations such as Norwood and Ridgway.
- Based on employment projections, estimate the expected demand for housing.
- Estimate market demand and market preference for future affordable housing projects in terms of tenure, pricing, and unit mix.

The key findings that address each of these points, which can be used to define future housing development, are both within the Executive Summary and are called out throughout the study with text boxes.

SUMMARY OF FINDINGS

1. Growth rates in employment, population and households have been strong in San Miguel County. It is reasonable to assume these growth rates will continue to be strong into the future, notwithstanding the current economic downturn.

The regional employment, population, and household growth provide the basis for housing demand, specifically affordable housing demand. Employment in the County followed a series of contractions and expansions since 2000, averaging 2 percent annual growth from 2000 to 2006, for a net gain of 750 jobs. This expansion and contraction reflected trends in the national economy during that time period.

Population and households in the County grew at a faster yearly rate than employment, at 1.8 percent and 1.9 percent, respectively. Additionally, the population in San Miguel County grew at a faster annual rate than the neighboring counties of Ouray and Dolores, as shown in **Table 3**. San Miguel County population reached approximately 7,345 persons in 2006, reflecting approximately 3,366 households.

2. Because the community has produced a substantial rental inventory, the focus of future deed restricted housing should be on ownership units. Rental needs should continue to be monitored and addressed as the inventory becomes more balanced.

There are a total of 1,089 deed restricted units in the Telluride Region, including the Town of Mountain Village, Town of Telluride, and unincorporated San Miguel County. Of these units approximately 60 percent are renter occupied, 25 percent are owner occupied, and 15 percent can be either rental or owner occupied, as shown in **Table 7**.

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- Because only 25 percent of the inventory is dedicated to ownership housing, future projects should prioritize ownership units.
- Based on the annualized representation of seasonal employees, seasonal housing should account for at least 14 percent of the total inventory, as shown in **Table 26**. Because the existing inventory has a significant number of rental units, including studio units, additional seasonal housing is not recommended at this time.

3. Concerning unit mix in future projects, the community should focus on larger units to balance the current inventory.

As shown in **Table 8**, approximately 55 percent of the deed restricted inventory in the Telluride Region is apartments and/or dormitory units, with single family units and duplexes accounting for approximately 22 percent. Within the regional inventory, smaller units (less than two-bedrooms) account for 38 percent of the total, while larger units (three or more bedrooms) comprise 23 percent.

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- Given land and subsidy constraints, higher density developments more effectively address housing needs than low density plans. However, the communities in the region should prioritize duplex units in future projects to balance the inventory, as shown in **Table 8**.
- Two-bedroom units have the greatest versatility as they work well for couples, small families, and roommates. Accordingly, specific projects should include a majority of two-bedroom units, followed by three-bedroom units to address the fact that larger units are currently under represented in the overall inventory, as shown in **Table 9**.

4. Trends in rental conditions show that a large percentage of the renter population cannot afford market rate units, creating demand in the form of wait lists for deed restricted rental housing in the Region. This demand is likely to continue into the future.

One-bedroom rental units in the Telluride Region range from \$900 per month for outlying areas to \$1,200 per month within the Town of Telluride. These prices are typically high for local wage earners, many of whom earn less than the County-wide average of \$33,500 per year. Due to the price sensitivity of the local renter, there are long wait lists at the income restricted rental complexes within the area such as Shandoka and Village Court. Given the economic composition of the community and the importance of a robust supply of rental housing, the rental supply should not be overlooked but should be monitored over time and expanded as sites and opportunities arise that lend themselves to rental development.

5. Market rate for-sale product in the Telluride Region is expected to appreciate at high annual rates, rendering a smaller and smaller percentage of market rate product affordable for local wage and salary earners.

Of all market rate sales occurring in the Telluride Region in 2006, 9 percent of those were considered affordable to households earning 100 percent or less of the San Miguel AMI. Most of the active listings are priced at the upper end of the spectrum, and affordable ownership options are limited. Within Telluride, Mountain Village, and Unincorporated San Miguel County, 4.9 percent of the total active listings are priced below \$400,000 (approximately 200 percent of AMI). In outlying communities, the percentage does not increase significantly and accounts for only 8.4 percent of total listings, as shown in **Table 14**.

Of the for-sale deed restricted housing, appreciation rates have averaged above 8 percent annual growth for product that does not have an appreciation cap. Additionally, less than one-quarter of the current inventory of owner occupied units are price capped. While over 82 percent of all deed restricted units have an income or asset cap qualification guideline in place, the data show that the guidelines alone are insufficient to maintain affordability.

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- The data in **Table 11** shows the importance of maintaining affordability through caps on appreciation. Recent ownership projects in Town of Mountain Village and all of the Town of Telluride projects include a comprehensive deed restriction with a cap on appreciation that runs in perpetuity. Based on the comparison, it is recommended that future projects should only include those with the comprehensive terms.

6. Future job growth in the Telluride Region is expected to grow at rates comparable to the recent past. It is projected that job growth will create the need for 870 new deed restricted housing units in the area.

Demand for housing is ultimately driven by employment growth. As shown in **Table 17**, total new jobs added from 2000 to 2006 increased the need for affordable housing by 215 units from a base deficit of 192, for a total need of 407 units. After accounting for construction of 185 units, the current net deficit is 222 ($192 + 215 - 185 = 222$). By 2020, the addition of 2,072 new jobs in the area translates to the cumulative total need of an estimated 689 units. The aggregate need in the area, adding the existing deficit of 222 units to the future 648 units, totals 870 deed restricted rental and ownership units.

For the forecast horizon, total need of 870 units translates to approximately 62 units per year, which will address 60 percent of future growth as well as existing deficits. Approximately 1/3 of the production will be completed on sites already approved for deed restricted housing or through mitigation requirements. The balance of approximately 40 to 42 dwelling units per year represents total need. Because need does not translate directly to demand, approximately 30 to 35 per units per year should be constructed to meet the projected demand.

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Because regional need does not translate directly to demand, future housing demand is projected at 30 to 35 units annually. This target is 15 to 35 percent higher than historical production rates and is warranted based on past project performance.

7. A gap analysis shows that the community should concentrate its future efforts on households earning 81 to 120 percent of AMI category.

Future development projects should address the needs shown in the gap analysis shown in **Table 25**. While gaps at the lower income levels are the largest, the analysis in Section III qualitatively shows that most local rental projects are used to address needs below 80 percent of AMI. Thus, future ownership projects should be focused on households earning between 81 and 120 percent of AMI. Because the gaps grow as income drops, a greater focus should be placed on the lower end of the income spectrum, including a very limited number below 80 percent of AMI. It is also important to recognize that vital members of the community with incomes between 120 and 150 percent have few to no market rate options and a limited number of units should also be provided above the 120 percent level. Optimal projects in the future will include a mix of income levels.

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- Based on the gap analysis, the community should attempt to increase the number of units between 81 and 120 percent of AMI, recognizing that optimal future projects will include a mix of income levels.