

TELLURIDE REGION HOUSING DEMAND ANALYSIS

FINAL REPORT

Prepared for:

San Miguel County
Town of Mountain Village
Town of Telluride

Prepared by:
Economic & Planning Systems, Inc.

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EPS #16854

D E N V E R

730 Seventeenth Street, Suite 630
Denver, CO 80202-3511
www.epsys.com

phone: 303-623-3557
fax: 303-623-9049



B E R K E L E Y

phone: 510-841-9190
fax: 510-841-9208

S A C R A M E N T O

phone: 916-649-8010
fax: 916-649-2070

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I. 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**.

FUTURE PROJECT APPLICATION

- 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.

FUTURE PROJECT APPLICATION

- 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.

FUTURE PROJECT APPLICATION

- 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.

FUTURE PROJECT APPLICATION

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.

FUTURE PROJECT APPLICATION

- 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.

II. ECONOMIC & DEMOGRAPHIC FRAMEWORK

This section of the report describes the economic and demographic trends for San Miguel County. The regional employment, population, and household growth provide the basis for housing demand, specifically affordable housing demand.

EMPLOYMENT

San Miguel County job growth has averaged 2.0 percent annually from 2000 through 2006, as shown in **Table 1**. Following the national economic contraction of 2001, total employment in the County dropped by 1.3 percent. Job growth in the following four years exceeded the loss and by 2006, the County had a total of 6,677 jobs, for a net gain of 750 jobs since 2000. A detailed assessment of jobs by location showed that 91.9 percent of all County jobs are located within the Telluride Region. Accordingly, there was an increase of 689 jobs in the region during this time period.

Table 1
Total Employment, 2001-2006
Telluride Region Housing Demand Analysis

Year	ES202	Nonemp ¹	Total #	Telluride Region	Ann % Change
2000	4,653	1,274	5,927	5,447	---
2001	4,781	1,312	6,093	5,599	2.8%
2002	4,650	1,361	6,011	5,524	-1.3%
2003	4,533	1,450	5,983	5,498	-0.5%
2004	4,601	1,567	6,168	5,668	3.1%
2005	4,875	1,575	6,450	5,928	4.6%
2006	5,030	1,647	6,677	6,136	3.5%
Total Growth	377	373	750	689	
Ann % Growth	1.3%	4.4%	2.0%	2.0%	

¹ Estimates for 2006 & 2007 based on growth rates of individual industries

Source: ES202; US Census; Economic & Planning Systems

H:\16854-Telluride Housing Demand Analysis\Data\ES202 DATA\16854-Data from Paul at DOLA online.xls\Employment Totals (2)

Total employment, as shown above is based on wage and salary positions (ES 202 data) and sole proprietors (U.S. Census Non Employer Statistics). Tables showing data from each of these two sources broken out by employment sectors are provided in the Appendix.

The average wage in 2006 in San Miguel County was approximately \$33,500, as shown in **Table 2**. Annual wage growth between 2001 and 2006 was approximately 3.7 percent. Industries that saw the largest growth in wages were Finance and Insurance, with a total wage growth of \$18,300, Real Estate, Rental and Leasing with \$13,900, and Professional and Technical Services with \$12,000 in total wage growth from 2001 to 2006. Industries that saw wages decrease between 2001 and 2006 were Transportation and Warehousing.

Table 2
San Miguel County Wages, 2001–2006
Telluride Region Housing Demand Analysis

Industry ¹	2001	2002	2003	2004	2005	2006	Change 2001-2006		
							Total #	Ann. #	Ann. %
Agriculture, Forestry, Fishing & Hunting	\$38,481	---	---	---	---	---	---	---	---
Mining	\$31,497	---	---	---	---	---	---	---	---
Utilities	\$51,926	\$56,883	\$50,531	\$52,348	\$57,792	\$60,489	\$8,563	\$1,713	3.1%
Construction	\$38,633	\$40,049	\$38,120	\$38,919	\$40,589	\$42,459	\$3,825	\$765	1.9%
Manufacturing	\$35,104	\$36,536	\$38,385	\$40,763	\$37,908	\$42,274	\$7,170	\$1,434	3.8%
Wholesale Trade	\$49,331	\$37,125	\$46,615	\$40,735	\$46,717	\$58,174	\$8,844	\$1,769	3.4%
Retail Trade	\$21,396	\$21,008	\$20,872	\$22,131	\$25,074	\$25,831	\$4,435	\$887	3.8%
Transportation and Warehousing	\$34,063	\$37,862	\$35,788	\$41,498	\$28,759	\$30,067	-\$3,995	-\$799	-2.5%
Information	\$19,076	\$20,515	\$19,294	\$19,529	\$19,451	\$26,967	\$7,891	\$1,578	7.2%
Finance and Insurance	\$43,342	\$41,480	\$44,902	\$47,071	\$59,662	\$61,601	\$18,259	\$3,652	7.3%
Real Estate and Rental and Leasing	\$31,886	\$31,566	\$34,011	\$40,461	\$41,033	\$45,814	\$13,929	\$2,786	7.5%
Professional and Technical Services	\$38,050	\$39,475	\$40,725	\$43,873	\$47,450	\$50,104	\$12,053	\$2,411	5.7%
Management of Companies and Enterprises	---	---	---	---	\$29,887	\$29,134	---	---	---
Administrative and Waste Services	\$23,433	\$25,824	\$21,368	\$23,574	\$29,538	\$29,936	\$6,503	\$1,301	5.0%
Educational Services	\$23,950	\$25,839	\$29,397	\$29,234	\$30,984	\$28,771	\$4,822	\$964	3.7%
Health Care and Social Assistance	\$27,863	\$29,843	\$27,966	\$30,959	\$28,368	\$29,300	\$1,437	\$287	1.0%
Arts, Entertainment, and Recreation	\$28,470	\$28,296	\$26,121	\$29,568	\$30,608	\$32,494	\$4,024	\$805	2.7%
Accommodation and Food Services	\$17,747	\$17,195	\$17,851	\$19,586	\$19,357	\$21,123	\$3,375	\$675	3.5%
Other Services, except public administration	\$20,904	\$21,120	\$24,654	\$25,106	\$25,052	\$26,004	\$5,100	\$1,020	4.5%
Public Administration	<u>\$33,360</u>	<u>\$34,962</u>	<u>\$34,581</u>	<u>\$35,442</u>	<u>\$36,026</u>	<u>\$37,514</u>	<u>\$4,154</u>	<u>\$831</u>	<u>2.4%</u>
Total	\$28,008	\$29,108	\$27,940	\$29,847	\$31,420	\$33,516	5,508	1,102	3.7%

¹ Industry numbers will not equal total due to disclosure issues within the individual industries.

Source: ES202; Economic & Planning Systems

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POPULATION AND HOUSEHOLDS

Telluride Region's economy has a significant impact on the population and households in surrounding counties and communities, as shown in **Table 3**. The counties in closer proximity to the Town of Telluride and Mountain Village had faster growth rates than those located farther away. For example, Dolores County's population grew from approximately 1,500 people in 1990 to 1,800 in 2000 at a rate of 2.1 percent annually. Ouray County's population grew by 5.0 percent annually from 1990 through 2000, and by 2.6 percent annually from 2000 to 2006, for a total of 4,358 people. Ridgway, also influenced by the economic engine of the Telluride Region, grew 5.4 percent annually from 1990 to 2000, and 5.4 percent from 2000 to 2006.

San Miguel County reached a population of approximately 7,345 by 2006. The County population grew by 6.2 percent annually from 1990 through 2000, and by 1.8 percent from 2000 to 2006. From 1990 through 2000, most towns within San Miguel County showed high growth. Town of Telluride had slower population growth than the County from 2000 to 2006, likely due to greater land constraints and more growth pressure outside the Town. Norwood grew significantly, relative to the size of the Town, from 2000 to 2006 with the addition of 49 people, compared to the virtually flat growth from 1990 to 2000.

Table 3
Population by Place, 1990–2006
Telluride Region Housing Demand Analysis

Location	1990	2000	2006	Change 90-00		Change 00-06	
				Total #	Ann. %	Total #	Ann. %
Dolores							
Dove Creek	643	698	719	55	0.8%	21	0.5%
Rico	92	205	256	113	8.3%	51	3.8%
Unincorp. Area	<u>769</u>	<u>941</u>	<u>971</u>	<u>172</u>	<u>2.0%</u>	<u>30</u>	<u>0.5%</u>
Subtotal	1,504	1,844	1,946	340	2.1%	102	0.9%
Ouray County							
Ouray	644	813	853	169	2.4%	40	0.8%
Ridgway	423	713	979	290	5.4%	266	5.4%
Unincorp. Ouray County	<u>1,228</u>	<u>2,216</u>	<u>2,526</u>	<u>988</u>	<u>6.1%</u>	<u>310</u>	<u>2.2%</u>
Subtotal	2,295	3,742	4,358	1,447	5.0%	616	2.6%
San Miguel County							
Mountain Village	---	978	1,203	---	---	225	3.5%
Norwood	429	438	487	9	0.2%	49	1.8%
Ophir	69	113	134	44	5.1%	21	2.9%
Sawpit	36	25	34	-11	-3.6%	9	5.3%
Telluride	1,309	2,221	2,345	912	5.4%	124	0.9%
Unincorp. San Miguel County	<u>1,764</u>	<u>2,819</u>	<u>3,142</u>	<u>1,055</u>	<u>4.8%</u>	<u>323</u>	<u>1.8%</u>
Subtotal	3,607	6,594	7,345	2,987	6.2%	751	1.8%
Total	7,406	12,180	13,649	4,774	5.1%	1,469	1.9%

Source: Colorado Department of Local Affairs; Economic & Planning System

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Table 4 shows the three Counties' growth in households. Similarly to population growth, the towns with the highest annual household growth rates in Dolores and Ouray Counties were those that were the most influenced by the Telluride Region. The growth in households in Rico from 1990 to 2000 was 9.0 percent compared to 3.1 percent Countywide. Household growth in Ridgway was 5.9 percent from 1990 to 2000 compared to 5.2 percent annually in the County of Ouray, and 5.5 percent from 2000 to 2006, compared to the County's 2.5 percent. San Miguel County grew by 7.3 percent annually from 1990 to 2000, from approximately 1,500 households in 1990 to 3,000 in 2000. From 2000 to 2006 San Miguel County's annual growth rate was 1.9 percent Countywide, reflecting an additional 351 households.

Table 4
Households by Place, 1990–2006
Telluride Region Housing Demand Analysis

Location	1990	2000	2006	Change 90-00		Change 00-06		
				Total #	Ann. %	Total #	Ann. %	
Dolores								
Dove Creek	252	285	292	33	1.2%	7	0.4%	
Rico	44	104	130	60	9.0%	26	3.8%	
Unincorp. Area	<u>285</u>	<u>396</u>	<u>409</u>	<u>111</u>	<u>3.3%</u>	<u>13</u>	<u>0.5%</u>	
Subtotal	581	785	831	204	3.1%	46	1.0%	
Ouray County								
Ouray	290	374	394	84	2.6%	20	0.9%	
Ridgway	161	285	392	124	5.9%	107	5.5%	
Unincorp. Ouray County	<u>496</u>	<u>917</u>	<u>1,044</u>	<u>421</u>	<u>6.3%</u>	<u>127</u>	<u>2.2%</u>	
Subtotal	947	1,576	1,830	629	5.2%	254	2.5%	
San Miguel County								
Mountain Village	---	520	639	---	---	119	3.5%	
Norwood	170	195	217	25	1.4%	22	1.8%	
Ophir	33	50	58	17	4.2%	8	2.5%	
Sawpit	14	12	16	-2	-1.5%	4	4.9%	
Telluride	539	1,013	1,069	474	6.5%	56	0.9%	
Unincorp. San Miguel County	<u>733</u>	<u>1,225</u>	<u>1,367</u>	<u>492</u>	<u>5.3%</u>	<u>142</u>	<u>1.8%</u>	
Subtotal	1,489	3,015	3,366	1,526	7.3%	351	1.9%	
Total	3,017	5,376	6,027	2,359	5.9%	651	1.9%	

Source: Colorado Department of Local Affairs; Economic & Planning System
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San Miguel County is 52 percent owner-occupied and 48 renter-occupied in 2006, as reported through Claritas (a national data provider), and shown in **Table 5**. Within the County, Town of Mountain Village and Town of Telluride both have a higher percentage of renters than owners, at 69 percent and 64 percent, respectively. Unincorporated San Miguel County is heavily owner-occupied, at 73 percent, followed by Ophir with 72 percent and Sawpit at 67 percent.

Table 5
Household Tenure by Place, 2006
Telluride Region Housing Demand Analysis

Location	Owner	Renter	% Owner	% Renter
Mountain Village	219	497	31%	69%
Norwood	114	88	56%	44%
Ophir	36	14	72%	28%
Sawpit	8	4	67%	33%
Telluride	380	687	36%	64%
Unincorp. San Miguel County	<u>1,038</u>	<u>386</u>	<u>73%</u>	<u>27%</u>
Total	1,795	1,676	52%	48%

Source: Claritas; Economic & Planning Systems

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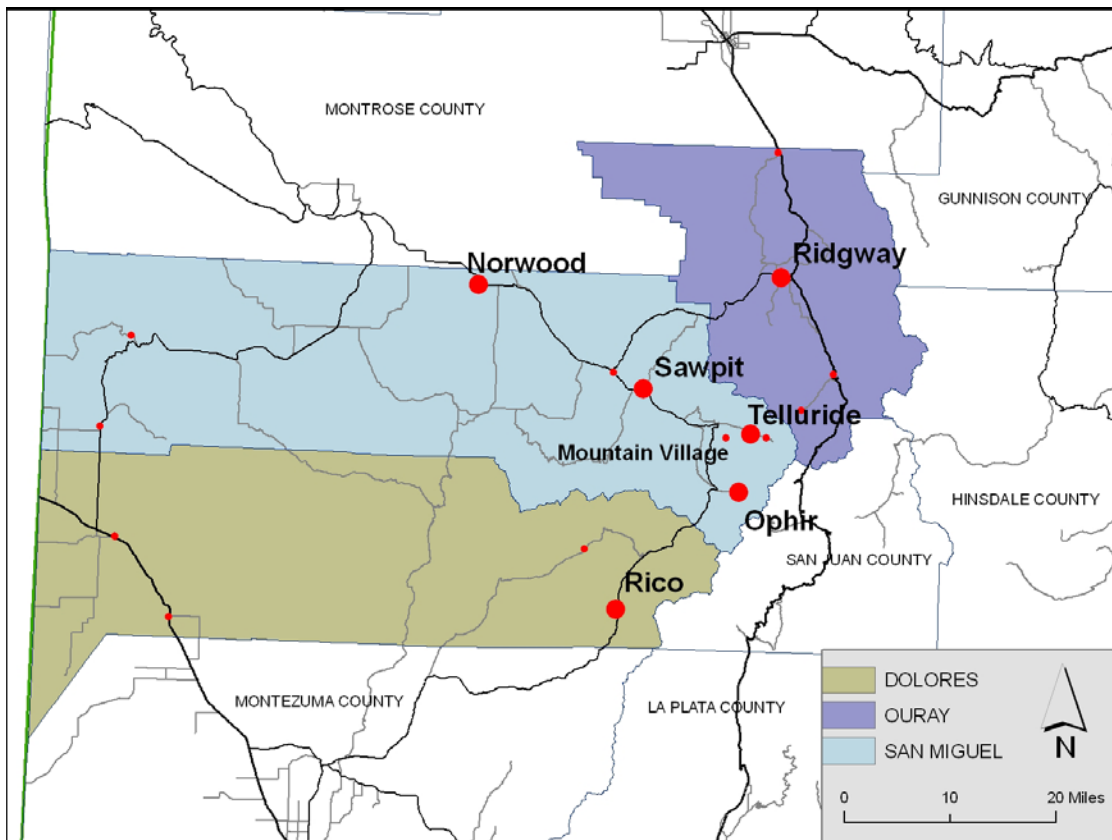
III. MARKET SUPPLY

This chapter of the report reviews the residential market conditions and trends within the Telluride Region. Permit absorption by type is examined first in order to understand volume of new construction and where the construction is occurring. This analysis is followed by land and home sales. The for-sale market is examined by location, product type, sales price, and volume by year, and the rental market is examined for lease rates, unit mix, and vacancy within the region.

MARKET AREA DEFINITION

The market area is shown below in **Figure 1** and has been defined as the areas that are influenced by the economic engines of Town of Telluride and Town of Mountain Village. The market area includes Town of Telluride, Town of Mountain Village, the immediate unincorporated areas of San Miguel County, as well as the Towns of Ridgway, Norwood, Ophir, Sawpit, and Rico.

Figure 1
Market Area Map
Telluride Region Housing Demand Analysis



DEED RESTRICTED INVENTORY

Given the priorities of the local communities to expand the affordable housing inventory, the trends within the deed restricted inventory are the primary focus of this section. The deed restricted inventory includes multiple sub-classifications, the most basic of which is a requirement that residents be employed locally. One of the most significant classifications, in terms of long-term affordability, is the cap on appreciation. A summary of the inventory is provided below in **Table 6**, with a detailed break down provided on the following page in **Table 7**.

There are a total of 1,089 deed restricted units in Town of Mountain Village, Town of Telluride, and unincorporated San Miguel County. Town of Mountain Village has approximately 48 percent of the area inventory, with 524 deed restricted units including 400 rental units. The Town of Telluride accounts for 24 percent of the area inventory with 261 deed restricted units, over half of which are rental. Unincorporated San Miguel County accounts for the remaining 28 percent of the area's deed restricted inventory with 304 total units.

Table 6
Regional Deed Restricted Housing Inventory, 2007
Telluride Region Housing Demand Analysis

Location	Inventory		% of Total
	Number	Percent	
Town of Mountain Village			
Individual Units - Price Cap	10	1.9%	0.9%
Individual Units - No Price Cap	114	21.8%	10.5%
Rental Complexes ¹	<u>400</u>	<u>76.3%</u>	<u>36.7%</u>
Subtotal	524	100.0%	48.1%
San Miguel County			
Individual Units - Price Cap	13	4.3%	1.2%
Individual Units - No Price Cap	215	70.7%	19.7%
Rental Complexes ²	30	9.9%	2.8%
County ADU	<u>46</u>	<u>15.1%</u>	<u>4.2%</u>
Subtotal	304	100.0%	27.9%
Town of Telluride			
Individual Units - Price Cap	71	27.2%	6.5%
Town EDU	30	11.5%	2.8%
Rental Complexes ³	<u>160</u>	<u>61.3%</u>	<u>14.7%</u>
Subtotal	261	100.0%	24.0%
Total	1,089	---	100.0%

¹ Rental Complexes include: Village Court, Big Billies, Telluride Apartments

² Rental Complexes include: Cottonwood Creek

³ Rental Complexes include: Shandoka, Creekside Apartments

Source: SMRHA; Economic & Planning Systems

H:\16854-Telluride Housing Demand Analysis\Data\SMRHA Data\16854-DR Inventory.xls\Inventory Summary

The detailed analysis of the inventory provided below in **Table 7**, shows where the collective community effort has been successful in the past and where the supply is lacking.

- **Tenure** – Based on the demographic analysis, 64 to 69 percent of the Towns of Telluride and Mountain Village are renters. For the County as a whole, 48 percent of households are renters. Rental units comprise 60 percent of the inventory, with another 15 percent that can be owner or renter occupied. Units dedicated to ownership exclusively are limited to 25 percent. The community should recognize the substantial rental inventory it has achieved and shift its focus to ownership. It is recommended that the future development efforts of the local communities target ownership units.

*Future Project Application:
Because only 25 percent of the inventory is dedicated to ownership housing, and because the community has produced a substantial rental inventory, future projects should prioritize ownership units. However, the rental needs must be continually monitored. See Table 7.*

- **Deed Restriction** – Recent ownership projects in Town of Mountain Village, and all of those within the Town of Telluride, include a comprehensive deed restriction with a cap on appreciation that runs in perpetuity. The analysis of the inventory shows that 9 percent of the inventory has the cap and 91 percent does not. Based on the comparison, future projects should only include those with the comprehensive terms.

Table 7
Deed Restricted Units by Restriction Type
Telluride Region Housing Demand Analysis

Location	Total Number	Live Req.			Price Cap		Income/Asset Cap		Income Qual Guideline
		OwnOcc	RentOcc	Either	Yes	No	Yes	No	
Town of Mountain Village									
Coyote Court - Affordable Housing Guidelines 12-10-02	10	10	0	0	10	0	10	0	0
Employee Housing Unit ¹	114	0	3	111	0	114	0	114	0
Town Rental (Village Court, Big Billies, Telluride Apts)	400	0	400	0	---	---	400	0	0
Subtotal	524	10	403	111	10	114	410	114	0
San Miguel County									
County ADU ²	46	0	46	0	---	---	0	0	46
County Cov.	13	13	0	0	13	0	13	0	0
County R-1 ²	204	198	0	6	0	204	0	0	204
Live-work ²	11	0	0	11	0	11	0	0	11
County Rental (Cottonwood Creek)	30	0	30	0	---	---	30	0	0
Subtotal	304	211	76	17	13	215	43	0	261
Town of Telluride									
Affordable Housing Units (AHU)	71	56	15	0	71	0	71	0	0
Rental Complexes	160	0	160	0	0	0	160	0	0
Employee Dwelling Unit	30	0	0	30	0	30	0	30	0
Subtotal	261	56	175	30	71	30	231	30	0
Total	1,089	277	654	158	94	359	684	144	261
% of Total	100.0%	25.4%	60.1%	14.5%	20.8%	79.2%	62.8%	13.2%	24.0%

¹ Residents of these units do not have an income/asset cap, but must earn their income in the Telluride R-1 SD and demonstrate local residence.

² Residents of these units must qualify based on the Income Qualification Guidelines

Source: SMRHA; Economic & Planning Systems

H:\16854-Telluride Housing Demand Analysis\Data\SMRHA Data\16854-DR Inventory.xls\Inventory by DR Description

Future Project Application: 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.

As shown in **Table 8**, approximately 55 percent of the deed restricted inventory in the Telluride Region is apartments and/or dormitory units. Approximately 22 percent are single family units and duplexes. A small amount of the inventory (6.6 percent) falls into the accessory dwelling unit category with the balance comprised of condominiums and townhomes (17.3 percent).

Within each community, the unit mix varies dramatically. Units in larger rental properties comprise approximately 77 percent of the inventory in Town of Mountain Village and 61 percent of the units in Town of Telluride. Within unincorporated San Miguel County, 62 percent of the inventory is single family or duplex units.

As a subset of the total, most of the units with a cap on appreciation are condominium or townhouse units. Approximately 18 percent are single family or duplex units. Based on the findings from the previous section, it is recommended that future development projects focus on ownership housing that is fully deed restricted. It follows that the unit mix should be concentrated on single family and duplex homes, given that the current inventory is lightest in this category.

Given land constraints in the region, higher density developments will use the limited land supply more efficiently to increase the size of the inventory. Thus, each project should have a mix of unit types, including some townhomes or condominiums. The priority should be for duplex units, with some single family units as site plans allow.

Table 8
Deed Restricted Units by Unit Type
Telluride Region Housing Demand Analysis

Location	Accessory	CO/TH	SFD/DU	Apt./Dorm	Other	Total
Town of Mountain Village	0.0%	15.8%	7.3%	76.9%	0.0%	100.0%
San Miguel County ¹	15.1%	12.5%	62.5%	9.9%	0.0%	100.0%
Town of Telluride	<u>10.0%</u>	<u>25.7%</u>	<u>3.1%</u>	<u>61.3%</u>	<u>0.0%</u>	<u>100.0%</u>
Total	6.6%	17.3%	21.7%	54.5%	0.0%	100.0%
Price Capped Units	0.0%	81.9%	18.1%	0.0%	0.0%	100.0%
Town of Mountain Village	0	83	38	403	0	524
San Miguel County ¹	46	38	190	30	0	304
Town of Telluride	<u>26</u>	<u>67</u>	<u>8</u>	<u>160</u>	<u>0</u>	<u>261</u>
Total	72	188	236	593	0	1,089
Price Capped Units	0	77	17	0	0	94

¹ Cottonwood Creek rentals included in Apt./Dorm classification

Source: SMRHA; Economic & Planning Systems

H:\16854-Telluride Housing Demand Analysis\Data\SMRHA Data\16854-DR Inventory.xls# by Unit Type

The region's housing supply is distributed among studio units (21 percent), one-bedroom units (17 percent), and two-bedroom units (25 percent), as shown in **Table 9**, with three-bedroom and four-bedroom units accounting 17 percent and 6 percent, respectively. Concerning the units with appreciation caps, the largest category is two-bedroom units (34 percent), followed by one- and three-bedroom units.

Future Project Application:
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 inventory, as shown in Table 9.

As the communities look to future projects, the development program should ensure that larger units are included to balance the inventory. As in any market, two-bedroom units have the greatest versatility. In the local market, 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. Moving forward, the Towns and County should monitor the inventory to maintain balance, with a specific focus on the appreciation capped projects.

Table 9
Deed Restricted Units by Bedroom Count
Telluride Region Housing Demand Analysis

Type of Unit	Studio	1 Bd	2 Bd	3 Bd	4+ Bd	Not Avail. ²	Total
Individual Units							
Town of Mountain Village	0	12	39	47	11	15	124
San Miguel County	0	17	82	93	25	57	274
Town of Telluride	<u>2</u>	<u>16</u>	<u>30</u>	<u>12</u>	<u>0</u>	<u>41</u>	<u>101</u>
Total	2	45	151	152	36	113	499
% of Total	0.4%	9.0%	30.3%	30.5%	7.2%	22.6%	100.0%
Rental Complexes							
Town of Mountain Village	227	78	53	12	0	30	400
San Miguel County	0	0	0	0	30	0	30
Town of Telluride	<u>0</u>	<u>63</u>	<u>67</u>	<u>27</u>	<u>3</u>	<u>0</u>	<u>160</u>
Total	227	141	120	39	33	30	590
% of Total	38.5%	23.9%	20.3%	6.6%	5.6%	5.1%	100.0%
Total	229	186	271	191	69	143	1,089
% of Total	21.0%	17.1%	24.9%	17.5%	6.3%	13.1%	100.0%
Price Capped Units							
	2	19	32	14	1	26	94
% of Total	2.1%	20.2%	34.0%	14.9%	1.1%	27.7%	100.0%

¹ Studio units in ToMV are comprised of 149 units at Big Billies and 78 units at Village Court

² "Not Avail" = specific information on units is not available

Source: SMRHA; Economic & Planning Systems

H:\16854-Telluride Housing Demand Analysis\Data\SMRHA Data\16854-DR Inventory.xls\Bedroom Count by Loc

AFFORDABLE FOR SALE CONDITIONS

Deed restricted sales data came from the San Miguel County Assessor’s office, and accounts for the sale and resale transactions of deed restricted inventory. The sales listed below, shown in **Table 10**, were categorized by the San Miguel Regional Housing Authority by type of deed restriction. As shown, there were a total of 626 deed restricted sales between 2000 and 2007 in the Telluride Region, averaging 78 sales per year. Town of Mountain Village had a total of 186 sales during the period, San Miguel County had 329 sales, and Town of Telluride had 111 total sales.

Table 10
Deed Restricted Unit Sales, 2000–2007
Telluride Region Housing Demand Analysis

Location	2000	2001	2002	2003	2004	2005	2006	2007	Total #	Avg. #
Town of Mountain Village										
EHU, No Price Cap	16	15	36	33	21	16	19	17	173	22
Coyote Court	0	0	0	0	10	1	1	1	13	2
San Miguel County¹	37	43	63	52	38	40	25	31	329	41
Town of Telluride										
EDU, No Price Cap	0	1	1	0	2	0	0	0	4	1
Price Cap	1	20	14	8	25	7	20	12	107	13
Total	54	79	114	93	96	64	65	61	626	78

¹ County ADUs are not included

Source: San Miguel County Assessor; Town of Telluride; SMRHA; Economic & Planning Systems

H:\16854-Telluride Housing Demand Analysis\Data\16854-Assessor DR Sales.xls# Sales DR Type

Price appreciation within the Telluride Region has averaged 8.7 percent growth annually, as shown in **Table 11**. Deed restricted units that have been price capped in Coyote Court are averaging 3.8 percent annual appreciation. Non price capped units have appreciated 14.9 percent in Town of Mountain Village, and 16.2 percent in Unincorporated San Miguel County. All units in the Town of Telluride are price capped at or below 3 percent with the exception of a few EDUs. Appreciation for the Town of Telluride is not shown due to the disparity of sales data as a result of the small number of sales of price capped units. The value of the information from the larger data sets (i.e., the Town of Mountain Village and the County) shows the importance of maintaining affordability through caps on appreciation.

The data in Table 11 shows the importance of maintaining affordability through caps on appreciation. It is recommended that communities apply comprehensive deed restrictions to all future projects.

Table 11
Deed Restricted Sales by Deed Restriction Type, 2000–2007
Telluride Region Housing Demand Analysis

Location	2000	2001	2002	2003	2004	2005	2006	2007	Change 2000-2007			
									Total \$	Ann. \$	Ann. %	
Town of Mountain Village												
EHU, No Price Cap	\$157,258	\$178,567	\$190,859	\$155,532	\$240,094	\$328,045	\$376,454	\$415,636	\$258,378	\$36,911	14.9%	
Coyote Court ¹	\$0	\$0	\$0	\$0	\$321,440	\$336,400	\$370,500	\$359,300	\$37,860	\$12,620	3.8%	
Average	\$157,258	\$178,567	\$190,859	\$155,532	\$271,381	\$328,742	\$376,029	\$410,942	\$139,561	\$46,520	14.8%	
San Miguel County ²	\$202,208	\$226,448	\$230,226	\$372,617	\$240,495	\$320,673	\$389,746	\$377,132	\$136,637	\$45,546	16.2%	
Area Average	\$196,777	\$205,626	\$206,176	\$253,613	\$251,262	\$310,872	\$316,649	\$353,714	\$156,937	\$22,420	8.7%	

¹ Appreciation taken from 2004 to 2007

² County ADUs are not included

³ Appreciation taken from 2001 to 2006

Source: San Miguel County Assessor; SMRHA; Economic & Planning Systems

H:\16854-Telluride Housing Demand Analysis\Data\16854-Assessor DR Sales.xls\Avg. \$ DR Type

AFFORDABLE RENTAL CONDITIONS

There are approximately 590 units currently available in income restricted rental complexes within the Telluride Region, as shown in **Table 12**. A majority of the units are studios, based on the large number of these units in Big Billie’s (149) and Village Court (78). There is an even split between one- and two-bedroom units within the inventory, at 146 and 145, respectively. Larger units with three or more bedrooms account for 72 units.

In addition to the units available in these rental complexes are individual rental units dispersed throughout each of the jurisdictions. The Town of Telluride has 71 affordable housing units (AHUs) can be either income restricted renter-occupied units or owner-occupied units, as well as 30 employee dwelling units that are available as either renter- or owner-occupied. Within the County there are 46 accessory dwelling units (ADUs) that are restricted to renter occupants, and another 17 that can be either renter- or owner-occupied. Lastly, within the Town of Mountain Village, there are 127 units with this mixed tenure designation.

Table 12
Affordable Rental Unit Mix
Telluride Region Housing Demand Analysis

Location	Studio	1 Bd	2 Bd	3 Bd	4+ Bd	Total
Rental Complexes						
Big Billies	149	0	0	0	0	149
Telluride Apartments	0	5	25	0	0	30
Village Court	78	78	53	12	0	221
Cottonwood Creek ¹	0	0	0	0	30	30
Creekside Apartments	0	20	6	0	0	26
Shandoka	0	43	61	26	4	134
Total	227	146	145	38	34	590

¹ Out of Region

Source: Economic & Planning Systems

H:\16854-Telluride Housing Demand Analysis\Data\16854-Affordable Rental.xls\Unit Mix

Interviews were conducted with the management of Shandoka, Village Court, and Telluride Apartments to better understand the demand dynamics of the Telluride Region’s affordable rental housing. A summary of market conditions is provided below:

- **Mountain Village’s Village Court** – The 221-unit development has approximately 60 people on the wait list. Tenants with pets take significantly longer to place in a Village Court apartment than those without. Approximately 30 to 40 percent of the Village Court leases are short-term, six-month leases. The market for long-term leases is not strong enough for the complex to phase out the short-term leases, and

both the tenants and the management team like the flexibility of a six-month lease term. Nearly 50 percent of the tenants renew their six-month leases, and the management team is better able to manage turnover by staggering lease starts. All units are restricted to income levels between 80 and 100 percent of AMI.

- **Shandoka** – Shandoka units in Town of Telluride are available for only long-term leasing, and therefore tenants looking for short-term leases are often lost to Village Court. The management team would prefer the flexibility of a six-month lease because the area attracts a significant number of seasonal workers looking for housing. Urgency often drives demand, as does the seasonality of the employment opportunities in the region. Those who are evicted from Shandoka are often unable to pay their rent due to the lack of job availability in the off-season. AMI restrictions are for incomes under 80 percent of AMI.
- **Big Billie's** – The dorm-like, studio complex houses primarily seasonal workers, restricted to those earning under 60 percent of AMI. The 200 square foot rooms rent for \$600 per month and include a hot-plate and mini-fridge. The building has a high rate of vacancy due to the type of tenants it attracts. Often the seasonal worker does not have a car, and commuting from Big Billie's to work without one can be difficult. For this reason, the location of the building adds to the vacancy rate. In addition, tenants are not allowed to share their room, which makes the complex less competitive. As a comparison, studios in Village Court have a full kitchen, allow a roommate situation, and rent for \$550 per month.
- **Cottonwood Creek** – There are 26 additional affordable rental units available at the Cottonwood Creek Estates in the Town of Norwood. They are all four-bedroom units and have a requirement of 40 to 50 percent AMI to qualify. Rent for the five units on the 40 percent AMI scale is \$733 per month, and for the remaining 21 units at a 50 percent AMI scale rent for \$1,033 per month. Both prices include utilities. Unfortunately, because the income limits are so low, families wanting a four-bedroom rental unit who qualify to rent in Cottonwood Creek Estates often cannot afford the rent. Therefore, the vacancy rate is very high due to eviction or to a potential raise in income that disqualifies the tenant, and new tenants are difficult to find in this low-end income range. Typically, tenants in this community work in Telluride in transportation, food service, or construction industries.
- **Telluride Apartments** – Located in Mountain Village, this 30-unit project is income restricted. One-bedroom units rent for \$525 to \$765 per month and two-bedrooms rent for \$615 to \$910 per month. It offers a one-year lease, but allows a 30-day notice to break the lease without penalty. Telluride Apartments has a wait list approximately four to five tenants long, while only three or four apartments turn each year. Approximately 65 percent of the apartments have been rented to the same tenant for five or more years. When people leave these apartments, they will typically move out of the Telluride Region entirely, sometimes moving to Montrose to purchase a home.

There is a large demand for rental units in the Towns of Telluride and Mountain Village, based on the size of the wait lists at Shandoka and Village Courts. Two major factors contribute to the success of these two affordable housing complexes. First, they are priced such that tenants can afford them and are considerably cheaper than market rate rental units. Second, they are located in areas convenient to tenants without cars.

Property managers report that demand for one-bedroom units is higher for people new to the Telluride Region. These tenants are typically single, and do not know many people in the area, so finding a roommate is more difficult. Generally, the new, single tenant wants to live closer to the commercial core of Telluride, and also want the flexibility of the short-term lease. Once these new residents meet people, however, they often move into two- or more bedroom units with roommates to reduce their monthly living expenses. Overall, tenants look for two-bedroom units for cheaper rent, or one-bedroom units for privacy if they are able to pay more.

MARKET RATE OWNERSHIP CONDITIONS

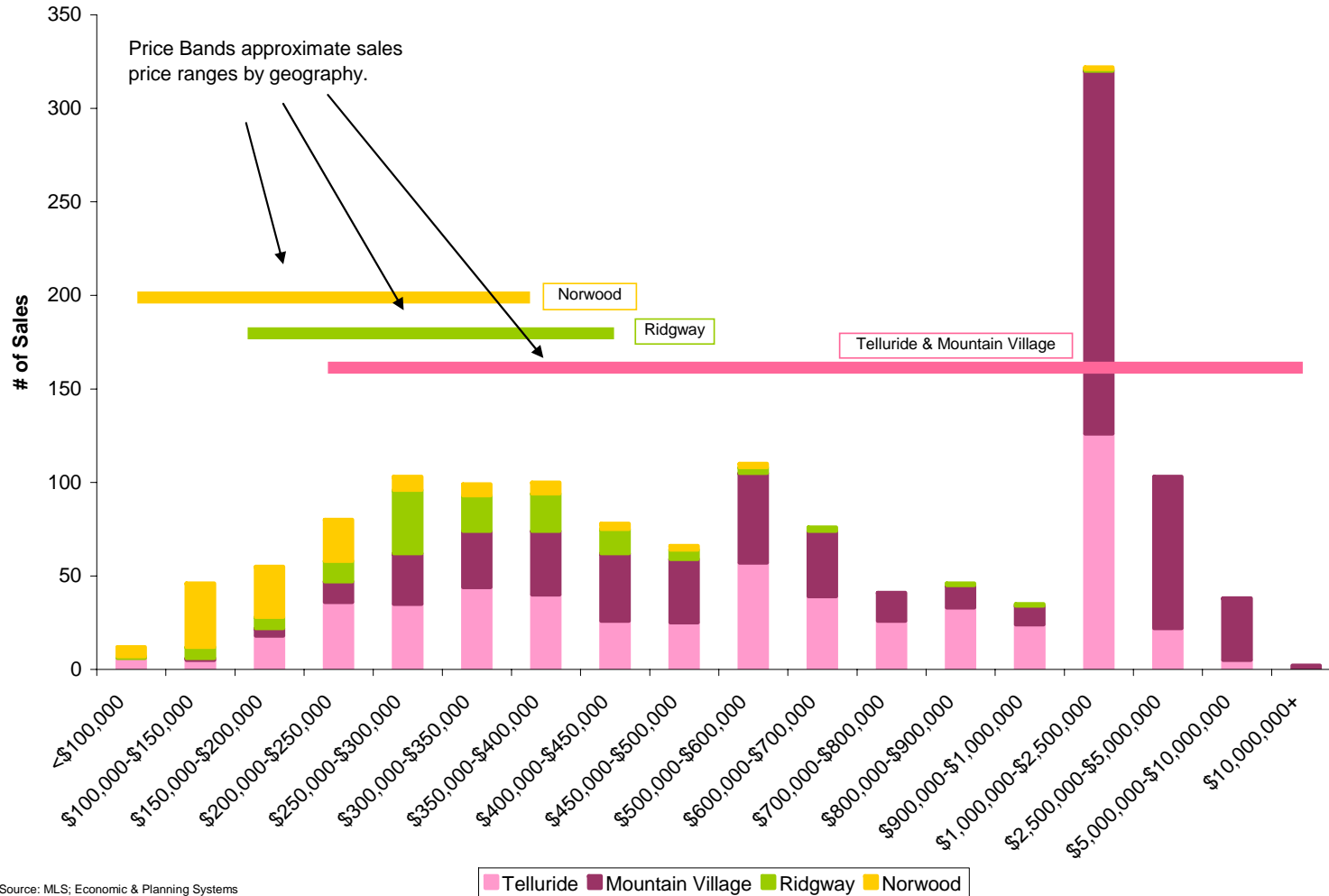
Data from the regional housing market is summarized below to quantify the volume and distribution of sales. Additional detail is provided in the Appendix. Sales in Town of Mountain Village, Town of Telluride, and San Miguel County are contrasted with sales in Norwood and Ridgway to understand how affordability is affected by geography. The information reflects all property listed through the MLS. Deed restricted units are not included in the following data.

- **Regional Data** – The number of sales from 2002 to 2007 totaled 2,174, including 581 single family homes, 837 attached units, and 756 vacant land sales. In aggregate, single family homes appreciated at 12.1 percent per year; attached home prices grew at 26.7 percent annually; and land value appreciated at 32.4 percent.
- **Mountain Village** – Prices in Mountain Village appreciated at 24.2 percent per year for land sales, and 27.7 percent per year for attached product between 2002 and 2007. Single family sales appreciated 7.8 percent per year for the same time period.
- **Telluride** – Land and attached product sales prices appreciated in Telluride at 19.8 percent and 23.3 percent per year, respectively. Telluride had the fastest rate of single family sales prices of all geographies, with an annual appreciation of 13.5 percent.
- **Norwood** – Data on the Norwood area, which includes Wright’s Mesa, had the slowest appreciation across all product categories. There were no attached product sales in the area; however, there were 166 land sales and 115 sales in single family product from 2002 to 2007. Land prices appreciated at an annual rate of 4.3 percent and single family sales appreciated at approximately 7.2 percent per year.

- **Ridgway** – Ridgway vacant land prices appreciated approximately 52 percent per year, reflecting a low base from 2002. Single family prices appreciated by 10.8 percent and attached product appreciated at an annual growth rate of 11 percent. It should be noted that Norwood and Ridgway sales cover a broad spectrum. Additional information about these communities is provided in the following section.

The home sales activity is depicted graphically below in **Figure 2**. The largest concentration of activity falls in the \$1.0 to \$2.5 million range. Approximately 32 percent of the total sales activity was priced above \$1.0 million. Of more significance is the percentage of the inventory priced affordably. Of sales occurring in these communities, as well as the unincorporated areas surrounding them, 9 percent is considered affordable to households earning 100 percent or less of the San Miguel AMI.

Figure 2
Single Family and Attached Sales by Location, 2002-2007
Telluride Region Housing Demand Analysis



Source: MLS; Economic & Planning Systems

Data from Norwood show a wide distribution. **Table 13** shows the 31 active listings including parcel size. The table shows that some of the higher priced properties are large acreages and, given their size, can support prices above \$1.0 million. A majority of the listings (18), however, are priced under \$400,000

Most of the active listings are priced at the upper end of the spectrum. Affordable 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. In outlying communities, the percentage does not increase significantly and accounts for only 8.4 percent of total listings. See Table 14.

with the lowest price at \$89,900, and account for 58 percent of the total. Twenty-six percent (8 listings) are small lots, likely located within the Town. The remaining 42 percent of the single family units for sale in the Norwood area, 13 total listings, are priced between \$400,000 and \$1.8 million. The higher priced, larger acreage units are likely those outside of the Town, located on large lots on Wright’s Mesa.

Table 13
Norwood Active Single Family Listings, MLS
Telluride Region Housing Demand Analysis

Price Bracket	# Listings	% of Total	Avg. Acres
<\$100,000	1	3%	<0.2
\$100,000-\$150,000	1	3%	0.2
\$150,000-\$200,000	2	6%	0.3
\$200,000-\$250,000	4	13%	0.3
\$250,000-\$300,000	5	16%	11.5
\$300,000-\$350,000	1	3%	5.4
\$350,000-\$400,000	4	13%	26.6
\$400,000-\$450,000	1	3%	40.0
\$450,000-\$500,000	3	10%	30.5
\$500,000-\$750,000	3	10%	45.0
\$750,000-\$1,000,000	4	13%	36.4
\$1,000,000+	2	6%	119.0
Total	31	100%	25.63
Average Price	\$502,381		

Source: MLS; Economic & Planning Systems
 H:\16854-Telluride Housing Demand Analysis\Data\16854-MLS DATA.xls\Norwood Active Listings

Table 14 on the following page shows all active listings, including Norwood and Ridgway, as well as the immediate Telluride Region. Most of the product is priced at the upper end of the spectrum. Affordable options are limited. Within Telluride, Mountain Village, and other areas of San Miguel County, 4.9 percent of the active listings, or 20 units, are priced below \$400,000. Of these, two are single family homes. In the outlying communities of Ridgway and Norwood, 8.4 percent, or 34 units, are priced below \$400,000, 32 of which are single family homes.

Table 14
Active MLS Listings
Telluride Region Housing Demand Analysis

Price Bracket	Telluride		Mountain Village		Unincorp. Area		Ridgway		Norwood	
	# SF	# MF	# SF	# MF	# SF	# MF	# SF	# MF	# SF	# MF
<\$100,000	0	0	0	0	0	0	0	0	1	0
\$100,000-\$150,000	0	0	0	0	0	0	0	0	1	0
\$150,000-\$200,000	0	0	0	0	1	0	0	0	2	0
\$200,000-\$250,000	0	1	0	0	0	0	0	1	4	0
\$250,000-\$300,000	0	2	0	0	0	0	3	0	5	0
\$300,000-\$350,000	0	2	0	3	0	0	6	1	1	0
\$350,000-\$400,000	0	6	0	3	1	1	5	0	4	0
\$400,000-\$450,000	0	6	0	2	1	0	5	1	1	0
\$450,000-\$500,000	0	5	0	6	4	0	3	0	3	0
\$500,000-\$750,000	0	21	1	21	7	0	7	1	3	0
\$750,000-\$1,000,000	1	15	1	4	2	0	3	0	4	0
\$1,000,000+	<u>54</u>	<u>28</u>	<u>59</u>	<u>62</u>	<u>12</u>	<u>0</u>	<u>8</u>	<u>0</u>	<u>2</u>	<u>0</u>
Total	55	86	61	101	28	1	40	4	31	0
Average Price	\$2,702,982	\$981,194	\$5,106,589	\$1,967,441	\$2,372,464	\$385,000	\$871,102	\$383,750	\$502,381	\$0
<\$100,000	0%	0%	0%	0%	0%	0%	0%	0%	3%	0%
\$100,000-\$150,000	0%	0%	0%	0%	0%	0%	0%	0%	3%	0%
\$150,000-\$200,000	0%	0%	0%	0%	4%	0%	0%	0%	6%	0%
\$200,000-\$250,000	0%	1%	0%	0%	0%	0%	0%	25%	13%	0%
\$250,000-\$300,000	0%	2%	0%	0%	0%	0%	8%	0%	16%	0%
\$300,000-\$350,000	0%	2%	0%	3%	0%	0%	15%	25%	3%	0%
\$350,000-\$400,000	0%	7%	0%	3%	4%	100%	13%	0%	13%	0%
\$400,000-\$450,000	0%	7%	0%	2%	4%	0%	13%	25%	3%	0%
\$450,000-\$500,000	0%	6%	0%	6%	14%	0%	8%	0%	10%	0%
\$500,000-\$750,000	0%	24%	2%	21%	25%	0%	18%	25%	10%	0%
\$750,000-\$1,000,000	2%	17%	2%	4%	7%	0%	8%	0%	13%	0%
\$1,000,000+	<u>98%</u>	<u>33%</u>	<u>97%</u>	<u>61%</u>	<u>43%</u>	<u>0%</u>	<u>20%</u>	<u>0%</u>	<u>6%</u>	<u>0%</u>
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	0%

Note: SF = Single Family, MF = Multifamily

Source: MLS; Economic & Planning Systems

H:\16854-Telluride Housing Demand Analysis\Data\16854-MLS Active Listings.xls\All Active Listings

MARKET RENTAL CONDITIONS

Interviews were conducted to document the market rate rental market conditions. One entity, Mountain Management, has contracts for the majority of the market rate rental units available in the market area and manages approximately 100 privately owned rental units. Units are located in Rico, Telluride, Placerville, Mountain Village and the surrounding County. Additional units managed by individual owners are difficult to track and are not represented here.

Unit types range from studios to single family homes with over six bedrooms, and rents range from \$800 to \$7,000 depending on the size of the unit and the length of the lease terms. Typical one-bedroom rents are approximately \$1,200 in Town of Telluride and Town of Mountain Village and \$900 in outlying locations. Typical two-bedroom units rent for \$1,450. The largest percentage of the inventory is two-bedroom units, followed by one-bedroom units. The greatest demand for privately-owned rental units, however, is for three- to four-bedroom units because four to five people can live together to reduce rent. Rental rates have increased in Town of Mountain Village by as much as 15 percent with the recent boom in construction. Construction companies are often paying for the three- and four-bedroom rental units in the region to house their workers because they are cheaper than other units available.

Seasonal workers seeking short-term housing accommodations for the summer and winter seasons represent between 40 and 50 percent of the market rate rental population. These employees typically leave the region in the shoulder seasons. An additional 50 percent of the rental population is comprised of residents looking for a 12-month lease, or to renew their current year-long leases. The short-term rental inventory is currently an estimated 10 percent of the units managed by Mountain Management.

There are two significant factors that affect the market rate rental market. The first is pets. There are very few rental units that allow pets, and approximately two-thirds of the potential renters that Mountain Management cannot place in a market rate rental unit are pet owners. The second factor is House Bill 1023, which requires legal residency documentation in order to live in subsidized housing, or to receive state aid to help pay rent. As a result of the passage of this bill, some employees have recently left developments owned or subsidized by a governmental entity, which has increased demand on privately-owned units. It is significant to note that the departure of these tenants from affordable properties has not impacted overall occupancy rates from recent historical averages.

IV. MARKET DEMAND

As with all market analyses, demand for housing is ultimately driven by employment growth. For this analysis, employment projections are used to estimate future demand. The existing affordable housing deficit is also factored into the analysis. The projected annual demand is then compared to historic production to establish a realistic capture rate for future projects.

FORECASTS

EMPLOYMENT

The forecast of future jobs in the Telluride Region, shown in **Table 15**, covers the period from 2001 to 2020. The evaluation summarizes the historical growth from 2001 through 2006 and projects future growth based on growth rates tailored for each employment category. The projection accounts for factors that will affect the future growth in a given industry. For example, future employment in retail trade is based on the new supportable square footage estimated in the *Commercial and Accommodations Land Use Study* (completed 2003 by Economic & Planning Systems). The growth rate of 1.6 percent annually will produce approximately 124 new jobs, which has been derived based on the level of new retail that is supportable (99,100 square feet) and the employee generation rate.

The growth factors in other employment categories reflect the general trends in the region. Employment in Construction, Finance and Insurance, Real Estate, and Professional Services will grow slightly slower than historical rates due to a maturing of the communities in the region. Lodging Services is expected to increase its annual growth from 1.8 percent to 2.9 percent annually, accounting for projected growth in visitation and demand for new accommodations. The Construction industry is also anticipated to grow, based on current and projected activity. Analysis of construction activity in other resort communities suggest that construction will continue to make up a significant portion of employment over time, due to redevelopment pressure as communities reach buildout.

Using these factors, employment in the Telluride Region is estimated to grow from approximately 6,136 jobs in 2006 to 8,208 jobs by 2020 at an annual average growth rate of 2.1 percent. This is an increase over the 2001 to 2006 historical growth rate of 1.8 percent, but less than the decade from 1990 to 2000. Because employment flattened between the estimate used in the *2004 Affordable Housing Strategic Plan* and 2007 ES202 data, the forecasted 2020 employment number has been adjusted down slightly from the previous study.

Table 15
Jobs Forecast by Industry, 2001-2020
Telluride Affordable Housing Strategic Plan

Industry ¹	Annual Growth		2006	2010	2015	2020
	01-06	06-20				
Agriculture	1.8%	0.0%	23	23	23	23
Mining	---	0.0%	12	12	12	12
Utilities	---	0.0%	25	25	25	25
Construction	2.6%	3.0%	1,192	1,341	1,555	1,802
Manufacturing	1.5%	0.5%	137	139	143	146
Wholesale Trade	12.0%	1.6%	44	47	51	55
Retail Trade	-0.3%	1.6%	509	542	587	635
Transportation & Warehousing	7.9%	0.5%	95	97	99	102
Information	4.4%	3.0%	164	185	214	248
Finance & Insurance	-4.4%	3.0%	125	140	162	188
Real Estate	0.4%	2.5%	650	717	811	918
Professional & Technical Services ²	5.0%	1.8%	443	476	520	569
Management	20.1%	2.0%	5	5	6	7
Administrative & Waste Services	9.1%	1.0%	288	299	314	330
Educational Services	3.4%	2.0%	258	280	309	341
Health Care & Social Assistance	14.2%	2.0%	218	236	260	287
Arts, Entertainment & Recreation	-2.6%	0.6%	452	462	476	491
Accommodation & Food Services ³	0.1%	2.9%	1,114	1,248	1,440	1,662
Other Services	0.5%	0.1%	344	345	347	349
Public Administration	<u>2.5%</u>	<u>2.0%</u>	<u>508</u>	<u>550</u>	<u>607</u>	<u>670</u>
Total	1.8%	2.1%	6,136	6,668	7,398	8,208

Note: Data includes wage and salary as well as proprietors

¹ Industry numbers will not equal total due to disclosure issues within the individual industries.

² Estimated growth rate based on additional units triggered by future visitation (462 new units / 1 employee per unit = 431).

³ Estimated growth rate on the total supportable space identified in the retail expenditure analysis, *Commercial and Accommodations Study*, February 2003 (99,100 sf / 222sf per employee = 432).

Source: DOLA; Economic & Planning Systems

H:\16854-Telluride Housing Demand Analysis\Data\ES202 DATA\16854-Data from Paul at DOLA online.xls\Employment Forecast (2)

POPULATION AND HOUSEHOLD

Population projections for San Miguel County are based on Colorado State Demographer data, which forecast an increase of 257 persons per year through 2020, or 117 new households per year. Growth is expected to slow over the planning horizon, with an increase of 129 households annually through 2010, dropping to 113 through 2015, and remaining relatively stable with an additional 112 households annually from 2015 through 2020. As shown below in **Table 16**, the projections translate to growth rates of 3.6 percent for the initial period, to 2.7 percent for the mid-term, and 2.4 percent for the last five years. At 2020, the San Miguel County is projected to have a population of 10,951, an increase of 3,600 over the 2006 population of 7,345.

What is more significant than San Miguel County growth is the growth in surrounding counties. While San Miguel County growth rates decline, Dolores County and Ouray County rates increase, suggesting that the market will respond to increasing land constraints in San Miguel County and shift the focus to outlying locations. It should be noted that the base populations figures in the other two counties are low, particularly Dolores County, and that the combined population increase actually falls below San Miguel County. Nevertheless, the forecast indicates that the surrounding counties will face increased growth pressure.

Table 16
Population and Household Forecast by County, 2005–2035
Telluride Region Housing Demand Analysis

Location	Factor	2006	2010	2015	2020	Change '06-'10		Change '10-'15		Change '15-'20	
						Ann. #	Ann %	Ann. #	Ann. %	Ann. #	Ann. %
Population											
Dolores County		1,946	2,024	2,176	2,350	20	1.0%	30	1.5%	35	1.6%
Ouray County		4,358	4,815	5,869	6,731	114	2.5%	211	4.0%	172	2.8%
San Miguel County		<u>7,345</u>	<u>8,493</u>	<u>9,726</u>	<u>10,951</u>	<u>287</u>	<u>3.7%</u>	<u>247</u>	<u>2.7%</u>	<u>245</u>	<u>2.4%</u>
Total		13,649	15,332	17,771	20,032	421	2.9%	488	3.0%	452	2.4%
Households ¹											
Dolores County	2.3	831	862	926	1,001	8	0.9%	13	1.5%	15	1.6%
Ouray County	2.4	1,830	2,025	2,468	2,831	49	2.6%	89	4.0%	73	2.8%
San Miguel County	2.2	<u>3,366</u>	<u>3,880</u>	<u>4,444</u>	<u>5,003</u>	<u>129</u>	<u>3.6%</u>	<u>113</u>	<u>2.7%</u>	<u>112</u>	<u>2.4%</u>
Total		6,027	6,787	7,862	8,861	190	3.0%	215	3.0%	200	2.4%

¹ Calculated from Population/Population Per HH average (2002-2005) for forecast period.

Source: Colorado Department of Local Affairs; Economic & Planning System

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ESTIMATED DEMAND FOR AFFORDABLE HOUSING

The estimated demand for affordable housing is based on historical analysis. As indicated in the *2004 Telluride Affordable Housing Strategy*, the housing deficit as of the year 2000 was 192 units. The historic deficit is based upon the gap between the existing level of locally residing employees, 54 percent as of the 2000 Census, and the targeted goal of housing 60 percent of employees locally. (It should be noted that a goal of 70 percent resulted in a deficit of 500 units.) The data reflect the needs of Town of Mountain Village, Town of Telluride, and the portion of San Miguel County in the Telluride vicinity. For the purposes of this report, a goal of housing 60 percent of local employees is used. The Town of Telluride has adopted a 70 percent goal as stated in the 2007 Master Plan.

Since 2000, the region has grown by 689 jobs, which translates to a need for another 215 units for local employee-households. This is based on factors that assume 1.2 jobs per employee and 1.6 employees per household. At the same time demand was growing, local communities increased the supply of affordable housing by 185 new units. The inventory that has been constructed during this time period includes phase II (66 units) and phase III (24 units) of Village Court, Wilken Court (13 units), Rio Vistas (10 units), Mendota (16 units), Shandoka Phase IV (25 units) and other various units constructed on platted lots in Lawson Hill, Aldasoro, as well as mitigation units (31 units). The rate of construction results in an annual absorption rate of 26 units per year (185/7).

As shown below in **Table 17**, total new jobs added from 2000 to 2006 increased the deficit by 215 units for a total need of 407 units. After accounting for construction of 185 units, the current net deficit is 222 ($192 + 215 - 185 = 222$).

Table 17
Estimated Housing Deficit, 2000-2007
Telluride Region Housing Demand Analysis

Description	2000-2007	
Job Growth, 2000 - 2006		
Job Growth ¹		689
Employees	1.2	574
Percentage of Local Residency		60%
Net increase in housing need		344
Subtotal -- Housing Unit Need	1.6	215
Historic Deficit		
2000 Total Employees ²		5,123
Local Resident Employees		2,786
Percentage		54%
Goal		60%
Difference		6%
Employees		307
Subtotal -- Housing Unit Need	1.6	192
Total Housing Unit Need		407
DR Housing Construction		185
Net Affordable Housing Need		222

¹ Job Growth derived from 2006 regional employment less the 2000 regional employment
 from 2004 Affordable Housing Strategic Plan

² 2000 Employee from 2004 Affordable Housing Strategic Plan

Source: Economic & Planning Systems

H:\16854-Telluride Housing Demand Analysis\Models\16854-HHDemand Model 11.14.07.xls\Deficit

HOUSING DEMAND FORECAST

Demand for affordable housing is based on the combination of the existing deficit and projected growth. The total deficit in deed restricted housing units in 2007 was 222, as shown in **Table 18**. Future Telluride Region housing need based upon the forecasted employment growth discussed previously. As employment grows, the need for housing within the region will grow, and by 2010, there will be a need for an additional 166 units. Between 2010 and 2015, housing for another 228 households will be needed and by 2020, the cumulative total need is estimated to be 870. The total annual need, therefore, is approximately 62 units per year ($870 / 14 = 62$). Of the total 870 units, approximately 100 to 110 will be provided through mitigation requirements, and another 170 to 190 will be built on lots already approved for deed restricted housing (not necessarily price-capped). The resulting production target for the community ranges from 570 to 600 units translating to 40 to 42 units per year over the 14 year horizon.

It should be noted that the projected demand of 870 units by 2020 is lower than the 1,096 units projected based on 2002 data for the report published in 2004. The reason for this is that the forecast period is two years shorter (2006 to 2020 compared to 2004 to 2020). All figures have been derived assuming a community goal of housing 60 percent of employees locally. If higher goals are applies, such as the 70 percent figure from the Town of Telluride Master Plan, estimated need would increase accordingly.

As employment grows, the need for housing within the region will grow. By 2020, the cumulative total need is estimated to be 877 units. For the forecast horizon, total need 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 should be collectively addressed by the Town of Mountain Village, Town of Telluride, and County.

Table 18
Telluride Region Employee Household Forecast, 2007–2020
Telluride Region Housing Demand Analysis

Descriptor	Factor	2007	2010	2015	2020	Total
Employment/Jobs		6,136	6,668	7,398	8,208	
Employees	1.2	5,113	5,556	6,165	6,840	
Net New Employees			443	608	675	1,727
Net Locally Housed Employees 60% Goal	60%		266	365	405	1,036
Net Housing Units Needed	1.6	222	166	228	253	870

Source: ES202; Economic & Planning Systems

H:\16854-Telluride Housing Demand Analysis\Models\16854-HHDemand Model 11.14.07.xls\New HHs Forecast

The need for housing, approximated at 62 units per year to address 60 percent of future growth and existing deficits, does not translate directly to demand. Regardless of the opportunity provided by new affordable housing projects, a significant percentage of the prospective households will not choose to buy or rent the new housing for a variety of reasons. Factors affecting demand include location, size, unit type, form of deed restriction, price, availability of down payment (for ownership units), and timing.

Hypothetically, an optimal project that offered premium products, low prices, and modest deed restrictions will generate far higher demand. However, this study assumes that the communities involved in building the housing will stretch subsidies over a number of years and apply them to multiple projects. Thus, it is recommended to use an annual average production rate that is extended over the study horizon.

It is also important to note that some of the employee-households will find market rate housing, although the options for that are quite limited. The analysis of active listings shows that 17 of 303 listings (5 percent) in the Telluride Region are listed at prices affordable to households earning approximately 200 percent of AMI. It should be noted that many of these units are older, smaller condominiums that work only for a limited percentage of the local workforce.

Future housing demand is projected at 30 to 35 units annually, and is a 15 to 35 percent increase over historical production rates. The increase is warranted based on past project performance, and recognition that demand is for units priced affordably for households earning between 81 and 120 percent of AMI.

Because demand is less than need, for reasons stated above, the number of deed restricted housing units that should be built in the region over the next 14 years should be less than 40 to 42 units per year. Historically, the production of approximately 26 deed restricted units per year resulted in pent up demand. Therefore, it is recommended that housing production be between 30 and 35 units annually, which equates to a 15 to 35 percent increase in historic production rates.

NEW CONSTRUCTION

Building permit activity for the region is provided below in **Table 19**. The purpose of documenting the rate of construction is to provide context for the assumptions about housing development. Local jurisdictions issued an average of 135 new residential permits annually between 1997 and 2001, declining to 120 between 2002 and 2006. If future production ranges from 30 to 35 units annually, it will capture 25 to 29 percent of total production (assuming a base of 120 permits per year).

Attached permits constituted between 31 and 34 percent of all permits issued. Single family detached permits averaged 69 percent of annual permits issued in the area from 1997 through 2001, decreasing slightly to 66 percent of those issued from 2002 to 2006. The permits are for new construction of any dwelling unit (which includes units sold to fractional buyers). The data do not include remodels.

Table 19
Building Permits by Area, 1997–2006
Telluride Region Housing Demand Analysis

Type	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Average	
											97-01	02-06
Attached												
Mountain Village	6	12	9	16	18	2	16	19	50	7	12	19
Telluride	26	20	9	10	78	14	34	3	47	9	29	21
County	2	2	0	0	0	1	0	0	0	1	1	0
Subtotal	34	34	18	26	96	17	50	22	97	17	42	41
% of Total	30%	29%	13%	21%	54%	19%	40%	18%	52%	22%	31%	34%
Detached												
Mountain Village	21	30	39	42	20	8	13	20	26	14	30	16
Telluride	9	14	9	15	10	9	8	19	18	11	11	13
County	48	40	76	42	53	57	54	60	45	37	52	51
Subtotal	78	84	124	99	83	74	75	99	89	62	94	80
% of Total	70%	71%	87%	79%	46%	81%	60%	82%	48%	78%	69%	66%
Total	112	118	142	125	179	91	125	121	186	79	135	120

Source: US Census C40; Town of Mountain Village; Town of Telluride; San Miguel County; Economic & Planning Systems

H:\16854-Telluride Housing Demand Analysis\Data\16854-Permits.xls\Permit Summary

V. MARKET OPPORTUNITIES

This chapter synthesizes the previous information to enable local communities to target their housing resources. Issues to be covered include an analysis of household income to develop recommendations for AMI targets; an evaluation of seasonal demand; and a discussion of regional land availability.

HOUSEHOLD INCOME

The U.S. Department of Housing and Urban Development (HUD) publishes Area Median Income (AMI) definitions for counties and metropolitan areas. These income figures are used to administer housing programs by providing standards for qualifying renters and owners for housing programs. The median income is the income at which half of households earn more and half earn less.

Local income definitions for San Miguel County are shown in **Table 20**. The Town of Telluride has adjusted the HUD income definitions based on Regional incomes, such that in 2006 the median income for a four person household is defined at \$74,600. It should be noted that HUD figures for 2006 show an income of \$70,000 for the same size household. Like the Telluride Region, other high-cost communities, such as Aspen and Boulder, find that a local calibration of income is needed to more accurately reflect the local conditions. While it may be appropriate, it should be recognized that it differs from HUD estimates. The methodology used by the Town of Telluride adjusts HUD incomes based on local changes in wage levels at an annual rate of 2.89 percent, the annual average rate at which wages increased since 2000. The Town's methodology, used in the past to set pricing for Town projects, will be used as the basis of the remainder of this report.

There is a direct correlation between income and size, and incomes are adjusted up or down as size increases or decreases. For regional studies such as this, an industry standard household size of 2.5 persons is used as it is the most accurate reflection of local demographics and local household size. For purposes of estimating household needs, the adjusted AMI for an average household size of 2.5 earning 100 percent of AMI is \$63,500.

Table 20
Area Median Income, San Miguel County, 2006
Telluride Region Housing Demand Analysis

HH Composition	60%	80%	100%	120%	150%	200%
1 Person HH	\$31,400	\$41,800	\$52,300	\$62,800	\$78,400	\$104,600
2 Person HH	\$35,800	\$47,800	\$59,700	\$71,600	\$89,600	\$119,400
2.5 Person HH	\$38,100	\$50,800	\$63,500	\$76,200	\$95,200	\$126,900
3 Person HH	\$40,300	\$53,800	\$67,200	\$80,700	\$100,800	\$134,400
4+ Person HH	\$44,800	\$59,700	\$74,600	\$89,600	\$112,000	\$149,300

Note: AMI Incomes are adjusted HUD numbers, and have been rounded to the nearest 100

Source: Town of Telluride; Economic & Planning Systems

H:\16854-Telluride Housing Demand Analysis\Models\16854-Gap Analysis 4.30.08.xls\AMI 2006

As shown below in **Table 21**, the composition of the local households is depicted by AMI. The total number of households, 3,366 is divided among income brackets established by HUD. Approximately half of all households fall above the median income and half fall below.

Table 21
Households by AMI, 2.5 Person Household, 2006
Telluride Region Housing Demand Analysis

Range		Total #	Income Limits - 2.5 Person AMI						
Low	High		\$38,100 60%	\$50,800 80%	\$63,500 100%	\$76,200 120%	\$95,200 150%	\$126,900 200%	\$126,901 200%+
	\$10,000	225	225						
\$10,000	\$14,999	124	124						
\$15,000	\$19,999	144	144						
\$20,000	\$24,999	151	151						
\$25,000	\$29,999	145	145						
\$30,000	\$34,999	154	154						
\$35,000	\$39,999	195	121	74					
\$40,000	\$44,999	177		177					
\$45,000	\$49,999	199		199					
\$50,000	\$59,999	268		21	246				
\$60,000	\$74,999	375			88	288			
\$75,000	\$99,999	414				20	335	60	
\$100,000	\$124,999	277						277	
\$125,000	\$149,999	161						12	149
\$150,000	\$199,999	85							85
\$200,000	\$249,999	70							70
\$250,000	\$499,999	112							112
\$500,000		88							88
Total		3,366	1,064	472	334	308	335	349	505
Total % HHs		100.0%	31.6%	14.0%	9.9%	9.1%	9.9%	10.4%	15.0%

Note: Assumes all HHs contain 2.5 persons

Source: HUD; Claritas; Economic & Planning Systems

H:\17890-Garfield County Cattle Creek Crossing Market Analysis\Data\Income Limits.xls\HUD Garfield County 2008

Tables 22 and 23 show affordable rental rates and purchase prices. The monthly affordable rents are shown in **Table 22** for a 2.5 person household earning between 60 and 200 percent of AMI. The model takes the maximum earning potential of the AMI range and derives both the hourly pay rate for the household and the affordable rent at that pay rate. A household earning 60 percent of AMI earns an estimated \$19.05 per hour, assuming a 40 hour work week, and a 50 week work year. This household can afford to pay \$953 per month, using the guideline of 30 percent of annual income used for housing payments. For a 2.5 person household earning between 80 and 100 percent of AMI, affordability is defined as \$1,588 per month.

Table 22
Rental Affordability, 2.5 Person Household, 2006
Telluride Region Housing Demand Analysis

2.5 Person HH Income Level	HH Income Range	Hourly HH Pay Rate ¹	Monthly Affordable HH Rent ²
60% and under	\$0 - \$38,100	\$19.05	\$953
60% to 80%	\$38,100 - \$50,800	\$25.40	\$1,270
80% to 100%	\$50,800 - \$63,500	\$31.75	\$1,588
100% to 120%	\$63,500 - \$76,200	\$38.10	\$1,905
120% to 150%	\$76,200 - \$95,200	\$47.60	\$2,380
150% to 200%	\$76,200 - \$126,900	\$63.45	\$3,173

¹ Assumes a 40 hour work week, 50 weeks per year

² Assumes 30 percent of annual income spent on rent

Source: Economic & Planning Systems, Inc.

H:\16854-Telluride Housing Demand Analysis\Models\16854-Gap Analysis 4.30.08.xls\2.5 MAX Rent Affordability

Table 23 shows the potential purchase power of a 2.5 person household to buy a house, assuming a 10 percent down payment on a 30-year loan at 7 percent. The household earning up to 80 percent AMI, or \$50,800 per year in income, can purchase a house at a price no higher than approximately \$247,900. The same household earning between 150 percent and 200 percent of AMI, or about \$126,900 per year, can afford to buy a \$502,600 home.

Table 23
Home and Mortgage Affordability, 2.5-Person Household, 2006
Telluride Region Housing Demand Analysis

Description	Factor	FY2008 AMI Level - 2.5 Person AMI						
		31 - 60%	61 - 80%	81 - 100%	100 - 120%	121 - 150%	151 - 200%	200%+
Maximum Income ¹		\$38,100	\$50,800	\$63,500	\$76,200	\$95,200	\$126,900	\$126,901
Housing Payment Capacity ²		\$879	\$1,187	\$1,484	\$1,792	\$2,247	\$3,009	\$3,009
Affordability Target								
Loan Amount	7% interest	\$132,100	\$178,400	\$223,100	\$269,300	\$337,700	\$452,300	\$452,300
Loan Term		30 Years	30 Years	30 Years	30 Years	30 Years	30 Years	30 Years
Down Payment		10%	10%	10%	10%	10%	10%	10%
Loan : Value Ratio		<u>90%</u>	<u>90%</u>	<u>90%</u>	<u>90%</u>	<u>90%</u>	<u>90%</u>	<u>90%</u>
Target Affordable House Price		\$146,800	\$198,200	\$247,900	\$299,200	\$375,200	\$502,600	\$502,601

¹ Based on a 2.5 person household.

² Based on 30% monthly income payment capacity less estimated property taxes and insurance

Source: HUD; Economic & Planning Systems

H:\16854-Telluride Housing Demand Analysis\Models\16854-Gap Analysis 4.30.08.xls\OwnrAfford

The ownership housing supply is summarized below in **Table 24** based on AMI level. All 2006 sales from MLS records have been allocated to a specific AMI category, based on purchase potential by AMI. In addition, all sales of deed restricted units have been shown by AMI. The data set is a conservative reflection of the market, as it includes sales from Norwood and Ridgway, in addition to the communities within the immediate Telluride Region. The resulting distribution provides a comprehensive understanding of affordable options.

Table 24
Supply of Inventory by AMI, 2006
Telluride Region Housing Demand Analysis

AMI Level	Purchase Capacity		2006 Sales		
	Low	High	Market Rate %	Deed Rest. %	Total %
31% - 60%	\$0	\$146,800	1%	4%	2%
61% - 80%	\$146,801	\$198,200	3%	9%	4%
81% - 100%	\$198,201	\$247,900	3%	13%	4%
101% - 120%	\$247,901	\$299,200	8%	23%	10%
121% - 150%	\$299,201	\$375,200	12%	21%	13%
151% - 200%	\$375,201	\$502,600	15%	19%	16%
Greater than 300%	\$502,601	\$502,601	<u>57%</u>	<u>11%</u>	<u>51%</u>
Total			100%	100%	100%

Note: 2007 Sales total includes only sales of improvements built after 2000

Source: MLS; SMRHA; Economic & Planning Systems

H:\16854-Telluride Housing Demand Analysis\Models\[16854-Gap Analysis 4.30.08.xls]Supply

The ownership inventory is evaluated in detail below, based on recommendations of this study made in previous sections to focus future efforts on ownership projects. A gap analysis of ownership units is provide in **Table 25** to document the degree to which the current housing supply aligns with specific AMI levels. Not surprisingly, the market inventory is weighted towards upper income households. What warrants additional focus is the percentage of the deed restricted inventory that is also weighted to the upper incomes.

Future development projects should address the needs shown in the gap analysis. While gaps at the lower income levels are the largest, the previous 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 immediately above 120 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.

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.

Table 25
Inventory Gap, 2006
Telluride Region Housing Demand Analysis

Description	AMI Level - 2.5 Person AMI							Totals
	31 - 60%	61 - 80%	81 - 100%	100 - 120%	121 - 150 %	151 - 200%	200%+	
Maximum Income ¹	\$38,100	\$50,800	\$63,500	\$76,200	\$95,200	\$126,900	\$126,901	---
Target Purchase Price	\$146,800	\$198,200	\$247,900	\$299,200	\$375,200	\$502,600	\$502,601	---
Market Rate, 2006 Sales	1%	3%	3%	8%	12%	15%	57%	100%
Deed Restricted, 2006 Sales	4%	9%	13%	23%	21%	19%	11%	100%
Total 2006 Sales	2%	4%	4%	10%	13%	16%	51%	100%
Households by AMI	32%	14%	10%	9%	10%	10%	15%	100%
Surplus (+) / Gap (-)	-30%	-10%	-6%	1%	4%	5%	36%	---

¹ Based on a 2.5 person household.

Source: Ouray MLS; Ribbon Demographics; HUD; Economic & Planning Systems
H:\16854-Telluride Housing Demand Analysis\Models\16854-Gap Analysis 4.30.08.xls\GAP

SEASONAL HOUSING

Assessing the magnitude of the seasonal workforce is critical to understand how to allocate housing resources. Because the Telluride Region has a seasonal economy, both employees and jobs change on a monthly basis. **Table 26** shows 2005 employment by month for San Miguel County using Bureau of Labor Statistics monthly employment reporting.

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.

The data shows the number of employees working in the region each month. The four shoulder months of April, May, October, and November were averaged to establish a base number of employees, or number of year-round employees, at approximately 3,600. The difference between this base number and the number of employees by month ranged from 28 percent to -7 percent, and averaged to 14 percent seasonal employees. The 14 percent is an annualized average and accounts for the peaks and valleys of seasonal employment.

Concerning the allocation of resources, it is assumed that seasonal housing is viewed as a critical element of the overall housing inventory. Based on the annualized representation of seasonal employees, it is recommended that units likely to be used by seasonal employees account for a minimum of 14 percent of the total inventory. Because the existing inventory includes a significant number of rental units, including studio units, additional seasonal housing is not recommended at this time.

Table 26
Seasonal Employees, 2005
Telluride Region Housing Demand Analysis

County	Factor	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Average
2005 Employment		5,273	5,266	5,290	4,218	3,995	4,806	5,063	5,154	5,040	4,540	4,358	5,494	4,875
Employees ¹	1.2	4,394	4,388	4,408	3,515	3,329	4,005	4,219	4,295	4,200	3,783	3,632	4,578	4,062
Base Employees ²		3,565	3,565	3,565	3,565	3,565	3,565	3,565	3,565	3,565	3,565	3,565	3,565	
% Difference		23%	23%	24%	-1%	-7%	12%	18%	20%	18%	6%	2%	28%	14%

¹ Assumes each employee holds an average of 1.2 jobs

² Base employees takes the average of the shoulder season months (April, May, October, November) assuming no seasonal employees work at that time

Source: RRC Associates; Bureau of Labor Statistics; Economic & Planning Systems

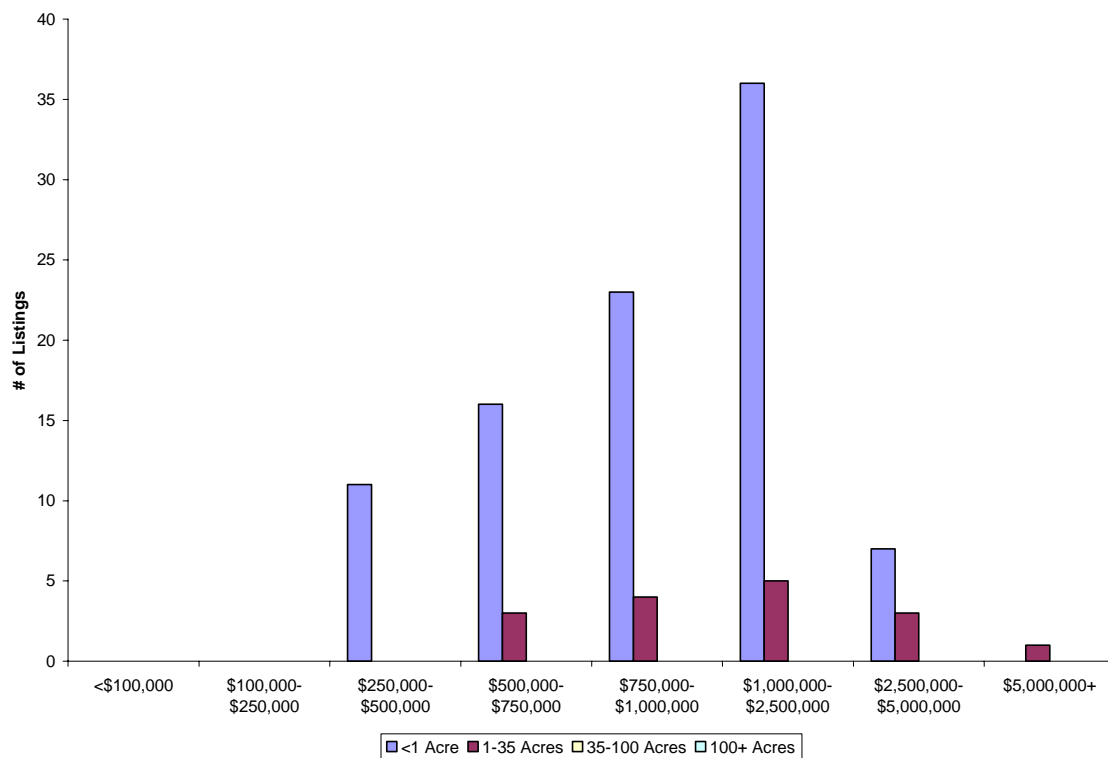
H:\16854-Telluride Housing Demand Analysis\Models\16854-Seasonal Employees.xls\Seasonal Employment

LAND AVAILABILITY

LOCALLY AVAILABLE LAND

There is very little vacant land currently available in the immediate Telluride Region. Based on reports from locals involved with affordable housing development, some of the remaining parcels require higher site work and construction budgets to address steep topography. More importantly, there are just not that many sites available. **Figure 3** shows the price range and size of all active land listings on the MLS in the Towns of Telluride and Mountain Village, but does not include those available within the County jurisdiction. There are no parcels available over 35 acres, and no vacant land available for purchase under \$250,000.

Figure 3
Local Active Land Listings
Telluride Region Housing Demand Analysis



OUTLYING LAND OPPORTUNITIES

Ridgway

The Ridgway area is quickly changing due to the influx of second homeowners and becoming prohibitive for affordable housing development. The average price of a home in the Town has nearly doubled since 2001. Brokers report that homes that were affordable three years ago, priced between \$270,000 and \$300,000, are now priced close to \$400,000 or over.

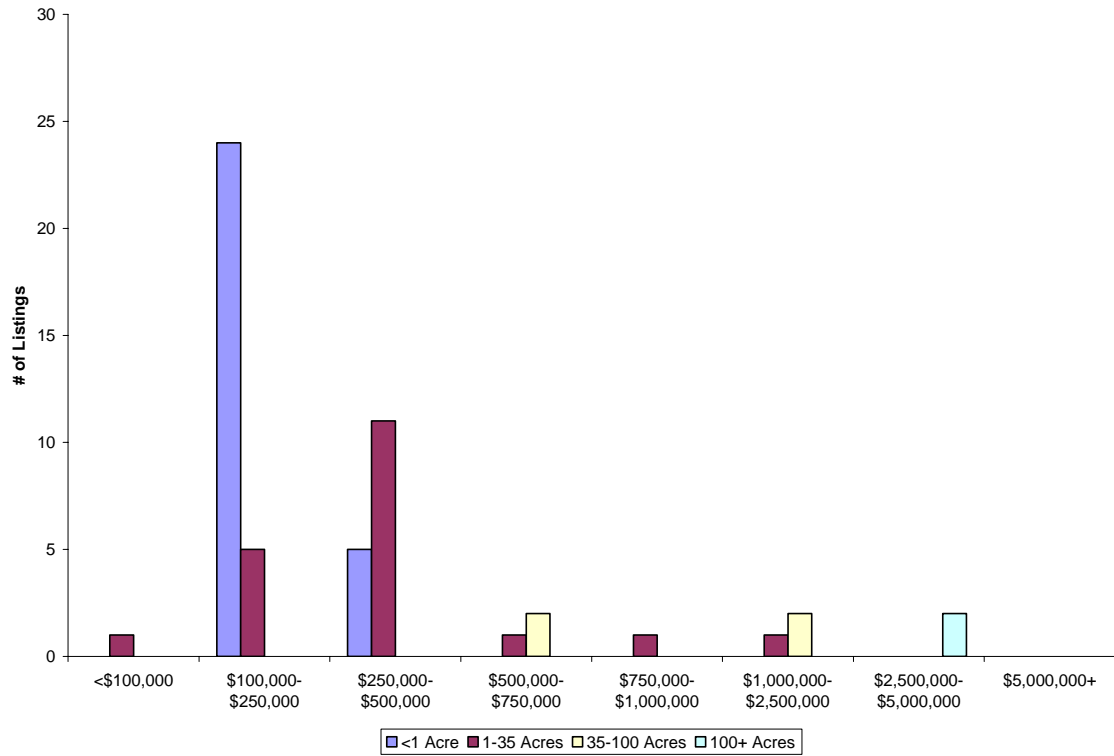
While prices for lots have increased, land availability for large developments has become limited. Ouray County is very restricted. Local brokers report that a small portion of vacant land, less than 10 percent of the total, can be subdivided at a ratio of one home per 6 acres. The remainder of developable land is currently limited to one home per 35 acres. Much of the vacant land with reasonable topography cannot be developed due to comprehensive plan regulations.

Development opportunities increase if land is annexed or if the County changes its zoning. Practically speaking, land can only be subdivided if it is annexed into the Towns of Ouray or Ridgway. However, the availability of parcels with this potential is also quite limited. While a handful of sites exist, locals expect the owners to keep the land as an asset for an extended period of time.

Brokers estimate that the number of vacant lots under private ownership in Ouray County to be between 800 and 1,000, with most being platted for single family development. For example, 200 home sites are available in a golf course community, each ranging from 2 to 4 acres, priced between \$350,000 and \$400,000 per lot. The finished home prices far exceed what most local wage earners can afford.

Figure 4 shows the 55 active land listings in Ridgway. Approximately 30 of the active lots are less than 1 acre, and all are priced under \$500,000. An estimated 20 additional lots are available in Ridgway between 1 and 35 acres. These lots range in price from \$100,000 to \$2.5 million. The remaining lots available are over 35 acres and are priced between \$500,000 and \$5.0 million.

Figure 4
Ridgway Active Land Listings
Telluride Region Housing Demand Analysis

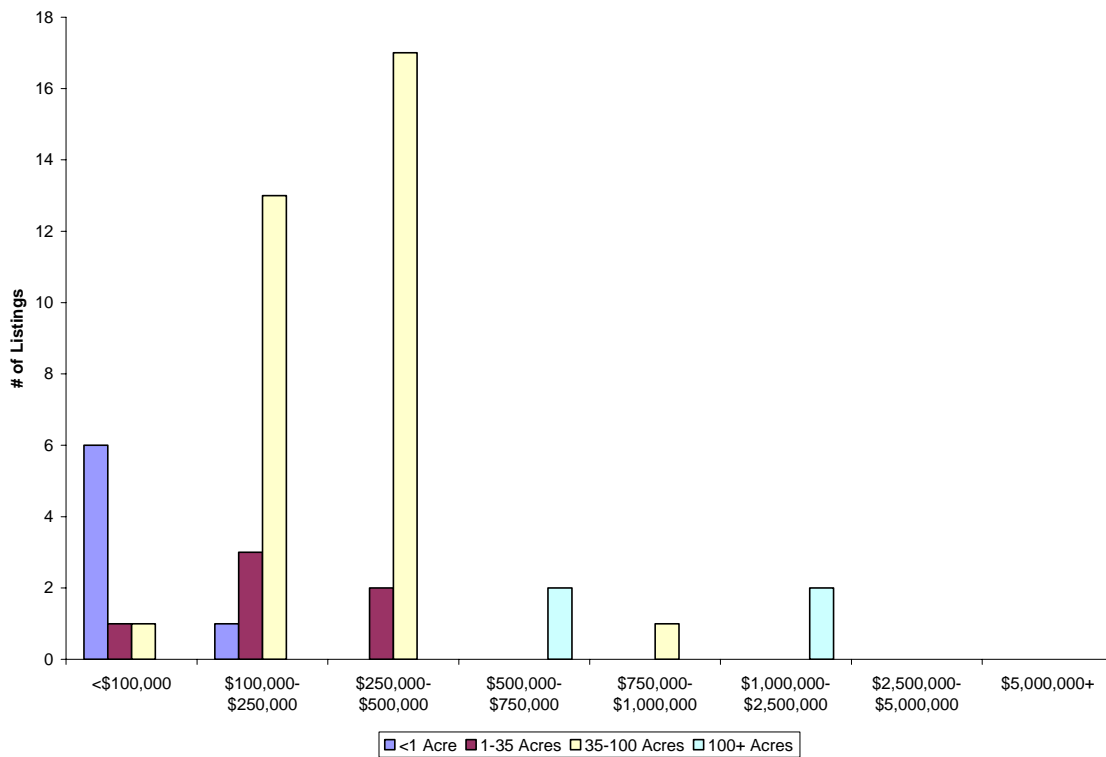


Norwood

Norwood has land available for development, but has limited services available to that land. Additionally, distance and perception are two major issues associated with Norwood. The Town is approximately 30 miles from Telluride, and Telluride locals report a perception that the community is more removed.

Figure 5 shows vacant lots actively listed on the MLS. Of the 49 listed lots, 32 are between 35 and 100 acres. The prices of the lots available in this acreage range from \$100,000 to \$1.0 million.

Figure 5
Norwood Active Land Listings
Telluride Region Housing Demand Analysis





**Economic &
Planning Systems**

*Public Finance
Real Estate Economics
Regional Economics
Land Use Policy*

APPENDIX

Table A1
San Miguel County ES202 Employment, 2001-2007
Telluride Region Housing Demand Analysis

Industry ¹	2001	2002	2003	2004	2005	2006	Change 2001-2006		
							Total #	Ann. #	Ann. %
Agriculture, Forestry, Fishing & Hunting	7	---	---	---	---	---	---	---	---
Mining	25	---	---	---	---	---	---	---	---
Utilities	18	18	17	17	21	23	5	1	5.0%
Construction	790	690	687	668	753	871	81	16	2.0%
Manufacturing	111	89	86	97	116	113	2	0	0.4%
Wholesale Trade	25	20	16	19	20	22	-3	-1	-2.5%
Retail Trade	453	462	451	450	431	451	-2	0	-0.1%
Transportation and Warehousing	47	44	47	42	55	57	10	2	3.9%
Information	116	120	142	136	150	133	17	3	2.8%
Finance and Insurance	124	125	114	121	125	100	-24	-5	-4.2%
Real Estate and Rental and Leasing	320	253	230	245	286	303	-17	-3	-1.1%
Professional and Technical Services	141	138	125	137	146	166	25	5	3.3%
Management of Companies and Enterprises	2	1	1	---	3	5	3	1	20.1%
Administrative and Waste Services	110	118	142	167	182	194	84	17	12.0%
Educational Services	202	216	213	221	223	236	34	7	3.2%
Health Care and Social Assistance	92	99	127	135	144	139	47	9	8.6%
Arts, Entertainment, and Recreation	447	410	375	363	349	350	-97	-19	-4.8%
Accommodation and Food Services	1,088	1,150	1,084	1,067	1,102	1,081	-7	-1	-0.1%
Other Services, except public administration	214	226	187	194	198	204	-10	-2	-1.0%
Public Administration	450	443	462	483	499	508	58	12	2.5%
Total	4,781	4,650	4,533	4,601	4,875	5,030	249	50	1.0%
Telluride Region at 91.9%	4,394	4,273	4,166	4,228	4,480	4,623	229	46	1.0%

¹ Industry numbers will not equal total due to disclosure issues within the individual industries.

Source: ES202; Economic & Planning Systems

H:\16854-Telluride Housing Demand Analysis\Data\ES202 DATA\16854-Data from Paul at DOLA online.xls\ES202 Totals

Table A2
San Miguel County Nonemployer Statistics, 2001-2005
Telluride Region Housing Demand Analysis

Industry ¹	2001	2002	2003	2004	2005	Change 2001-2005		
						Total #	Ann. #	Ann. %
Agriculture, forestry, fishing and hunting	14	20	16	18	21	7	2	10.7%
Mining	---	---	---	---	12	---	---	---
Utilities	---	---	---	---	---	---	---	---
Construction	258	250	279	324	308	50	13	4.5%
Manufacturing	16	20	24	22	22	6	2	8.3%
Wholesale trade ²	---	14	11	12	20	6	2	12.6%
Retail Trade	64	63	57	57	59	-5	-1	-2.0%
Transportation and Warehousing	18	25	24	30	34	16	4	17.2%
Information	16	18	21	24	28	12	3	15.0%
Finance and insurance	32	16	19	23	26	-6	-2	-5.1%
Real estate and rental and leasing	318	319	327	327	341	23	6	1.8%
Professional and technical services	206	228	255	257	263	57	14	6.3%
Management of companies and enterprises	0	0	0	0	0	0	0	0.0%
Administrative and waste services	76	85	90	93	90	14	4	4.3%
Educational services	16	18	21	22	21	5	1	7.0%
Health care and social assistance	20	58	71	79	67	47	12	35.3%
Arts, entertainment, and recreation	69	70	72	81	95	26	7	8.3%
Accommodation and food services	20	32	28	30	30	10	3	10.7%
Other services, except public administration	121	117	127	156	136	15	4	3.0%
Public administration	0	0	0	0	0	0	0	0.0%
Total	1,312	1,361	1,450	1,567	1,575	263	66	4.7%
% Change	---	3.7%	6.5%	8.1%	0.5%			

¹ Industry numbers will not equal total due to disclosure issues within the individual industries.

² Change in employment taken from 2002 - 2005

Source: US Census; Economic & Planning Systems

H:\16854-Telluride Housing Demand Analysis\Data\ES202 DATA\EPS_CNTY_OUTPUT.xls\Nonemployer Statistics

Table A3
Market Rate Sales Prices by Location, 2002-2007
Telluride Region Housing Demand Analysis

Location	2002		2003		2004		2005		2006		2007		Total	Growth '02-'07 ²	
	#	Avg. \$	#	Avg. \$	#	Avg. \$	#	Avg. \$	#	Avg. \$	#	Avg. \$		Ann. \$	Ann. %
Mountain Village	47		139		152		186		182		79		785		
Land	12	\$678,333	44	\$708,090	43	\$1,174,623	58	\$1,671,564	71	\$945,477	13	\$2,004,192	241	\$265,172	24.2%
Single Family	16	\$2,500,956	21	\$3,010,335	31	\$3,421,061	34	\$3,216,324	29	\$3,209,979	19	\$3,636,923	150	\$227,193	7.8%
Attached	19	\$389,604	74	\$715,107	78	\$860,043	94	\$911,154	82	\$1,128,733	47	\$1,322,184	394	\$186,516	27.7%
Norwood	22		56		59		69		58		17		281		
Land	9	\$118,089	34	\$172,796	39	\$234,827	39	\$200,862	37	\$155,311	8	\$145,938	166	\$5,570	4.3%
Single Family	13	\$159,946	22	\$189,205	20	\$236,400	30	\$214,188	21	\$265,276	9	\$226,222	115	\$13,255	7.2%
Attached	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0.0%
Ridgway	32		80		43		58		61		25		299		
Land	21	\$78,080	65	\$86,544	23	\$132,848	29	\$381,993	27	\$307,648	13	\$634,200	178	\$111,224	52.0%
Single Family	11	\$330,445	12	\$223,750	16	\$322,581	23	\$342,752	26	\$377,996	8	\$552,250	96	\$44,361	10.8%
Attached ¹	0	\$0	3	\$244,333	4	\$287,918	6	\$311,083	8	\$304,124	4	\$370,750	25	\$31,604	11.0%
Telluride	68		118		151		100		106		46		589		
Land	5	\$662,000	10	\$578,750	18	\$851,917	6	\$1,120,833	8	\$1,648,125	6	\$1,633,333	53	\$194,267	19.8%
Single Family	9	\$1,026,667	33	\$1,131,439	33	\$1,577,580	18	\$2,023,917	23	\$2,712,957	12	\$1,930,625	128	\$180,792	13.5%
Attached	54	\$340,812	75	\$382,424	100	\$523,414	76	\$795,001	75	\$840,164	28	\$972,276	408	\$126,293	23.3%
SMC Unincorp. Area	14		47		37		65		33		24		220		
Land	10	\$572,500	19	\$416,829	14	\$1,067,214	36	\$1,258,794	20	\$1,392,650	19	\$2,018,158	118	\$289,132	28.7%
Single Family	3	\$346,667	24	\$793,083	22	\$472,252	26	\$886,640	12	\$1,958,847	5	\$503,500	92	\$31,367	7.8%
Attached ¹	1	\$225,000	4	\$214,250	1	\$270,000	3	\$270,000	1	\$435,000	0	\$0	10	\$52,500	17.9%
Total	183		440		442		478		440		191		2,174		
Land	57	\$348,728	172	\$327,696	137	\$678,818	168	\$999,427	163	\$749,815	59	\$1,417,146	756	\$213,684	32.4%
Single Family	52	\$1,077,106	112	\$1,128,893	122	\$1,462,229	131	\$1,398,069	111	\$1,751,282	53	\$1,910,199	581	\$166,619	12.1%
Attached	74	\$351,775	156	\$533,267	183	\$660,363	179	\$830,978	166	\$954,436	79	\$1,149,992	837	\$159,643	26.7%

Note: MLS listings include Deed Restricted units

¹ Annual \$ growth and % growth taken from years with sales only

² 2002 and 2007 are partial years only

Source: MLS; Economic & Planning Systems

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