

Archuleta County Housing Report 2016

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And

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EXECUTIVE SUMMARY

The purpose of this report is to: 1) provide a snapshot of the current (2015) inventory of existing housing stock in Archuleta County; 2) make some estimates regarding the demand for housing through 2035; and 3) update information regarding the social and economic impacts of 2nd Homeowners on the local economy.

Analysis of Archuleta County Assessors data found 8,239 units on 7,990 residential parcels in 2015. The majority (75%) of inventory is single family residences. Multi – family units account for about 12% of the housing stock; these include duplexes, triplexes, condominiums and large apartment complexes. Manufactured (3%) and mobile homes (6%) are also common housing types.

Archuleta County’s population is projected to grow 67% from 12,465 in 2015 to 20,804 by the year 2035 (a difference of 8,339). Archuleta County will experience significant (97%) growth in households 65 & over (Baby Boomers) and 93% in households age 25 to 44 (Millennials). Households aged 45-64 (Generation X) are projected to grow by about 35%. Household growth will be dominated (76%) by households without children.

An estimated **197 residential units per year** will be necessary to accommodate projected population growth. Given historical trends of building in the county this distribution would be 81% single family residential units, 12% multi-family units, 3% manufactured homes and 4% farm/ranch residences. Current national research indicates a growing trend that the most prevalent age cohorts – Baby Boomers and Millennials – are showing preferences for attached housing such as duplexes/condos/townhomes. However, a strong base of research suggests that as Millennials establish careers, increase their incomes, and form families, they will likely shift their preferences to live in owner-occupied single-family units and townhomes. Generation X shows a marked preference for single family residential units.

In 2015 an estimated 41% of residential properties were owned by people whose primary residence is outside of the county – 2nd Homeowners (up from 38% in 2006). What are these part-time residents doing with their properties now, and what do they intend to do with them in the future? How will the use of their properties impact planning for schools, medical services, public safety, recreation and other amenities? To answer these questions the Town of Pagosa Springs and Region 9 sent a survey to all 2,822 homeowners; 1,133 were returned by the due date, a **40% return**. The responses to the eight survey questions are as follows.

- 1) Most of the 2nd Homeowners reside in southwestern states, especially Texas (32%), New Mexico (15%) and Colorado (14%).
- 2) Most (92%) of respondents own one property in the county. However, several pointed out that they owned a home and a piece of raw land on which they intended to build another residence.
- 3) The average age of the respondents was 65; 29% were 55 to 64, 37% were 65 to 74, and 17% were over 75.
- 4) When asked why they bought property in the county, 19% provided multiple answers – though only one was requested. Otherwise, most (28%) respondents bought property because they intended to vacation here; 13% intended to retire here.
- 5) Most (57%) of respondents currently use their properties as a vacation home for owner, friends and family use; 31% are used only by the owners, 12% are part time rentals, and 11% are full time rentals.
- 6) Eighty-five percent of respondents do not use their properties as short term rentals, 11% advertise using a property manager, and 8% use internet sites. Others used “word of mouth” to advertise. Quite a few people (257) did not answer this question, the highest refusal rate of any question in the survey.

7) Most (54%) respondents thought they would spend more time at their residence in the future, while 39% thought they would spend about the same amount of time. Only 8% thought they would spend less time here in the future.

8) Most (77%) respondents would like to increase use of their property, and 27% would like to retire to the area. Only 13 % indicated they would like to sell the property, while 9% would like to rent the property.

If 27% of all 2nd Homeowners retired in Archuleta County it would add another 762 households to the area. They already have homes, but will require services that could put a strain on local infrastructure such as medical services. Given the average age of survey respondents is 65 it seems likely they will be taking up permanent residence sooner rather than later.

If 23% of homeowners that currently rent their properties took them out of the rental pool when they retire here, then 649 units would be removed from the housing stock available to locals (or vacationers).

It seems likely that as the Baby Boomers reach an age when they no longer wish to maintain a single family residence they will be drawn towards smaller attached units such as condos or townhomes/duplexes close to amenities and services. This trend is already evident in Archuleta County. Fifty-two percent of duplexes and fifty-seven percent of condos in the county are currently owned by 2nd homeowners.

Forty-one percent of single family residences in the county are owned by 2nd homeowners. As their homes become available young families might be able to purchase some already existing housing stock if it were offered at a price they could afford. In the meantime, those same families will probably be looking for affordable rental units.

The next step in resolving the housing dilemma may be to update the housing needs assessment that was done in 2008 by Economic & Planning Systems. The goal of the assessment would be to provide information that could be used to develop public policies and housing programs; identify resources for housing; and help plan for future housing impacts and growth.

BACKGROUND

Rising rents, simultaneous increases in vacation rentals and decreases in long-term rentals, a lack of low price housing stock and low wages have been identified as factors contributing to a perceived housing crisis. The lack of work force housing stymies economic growth and diversity when businesses cannot recruit employees because there is no place for them and their families to live.

The purpose of this report is to: 1) provide a snapshot of the current (2015) inventory of existing housing stock in Archuleta County; 2) make some estimates regarding the demand for housing through 2035; and 3) update information regarding the social and economic impacts of 2nd Homeowners on the local economy.

This report does not address housing affordability, or provide an assessment of housing needs. This report also estimates demand without considering the supply of buildable residential land, which could significantly impact demand and economic growth.

INVENTORY OF EXISTING HOUSING STOCK

In October of 2015 *Information Services* contacted the Archuleta County Assessors office and requested real estate data that could be organized to provide a snapshot of the number, type and ownership of residential properties in the county. Analysis found 8,239 units on 7,990 residential parcels. The majority (75%) of inventory is single family residences. Multi – family units account for about 12% of the housing stock; these include duplexes, triplexes, condominiums and large apartment complexes. Manufactured (3%) and mobile homes (6%) are also common housing types. Information regarding group quarters such as nursing homes was not available for this report.

Forty-one percent of total residential parcels are owned by people whose principal residence is outside of Archuleta County (2nd Homeowners). These were determined by the mailing address of where tax notices are sent. The implications of this will be addressed in greater detail later in this report.

Residential Property Type 2015					Parcel Ownership			
Code	Type	Parcels	Units	% of Total Units	In	In %	Out	Out %
1212	Single Family (SFR)	6,218	6,218	75%	3,651	59%	2,567	41%
1215	Duplex	56	112	1%	27	48%	29	52%
1215	Triplex	2	6	0.1%	2	100%	0	0%
1220	Multi 4-8	13	75	1%	11	85%	2	15%
1225	Multi 9+	7	134	2%	5	71%	2	29%
1230	Condo	620	620	8%	266	43%	354	57%
1235	Manufactured	260	260	3%	184	71%	76	29%
1235M	Mobile	526	526	6%	374	71%	152	29%
4277	Farm/Ranch Residence	288	288	3%	177	61%	111	39%
	Total	7,990	8,239	100%	4,697	59%	3,293	41%

Notes:

Of the 6,218 SFR, 96 are considered to be mixed use, i.e. residential plus commercial, industrial or agricultural.

Of the 6,218 SFR, 149 are Timeshares owned by Wyndham Vacation Resorts (considered local for this study).

Of the 620 Condo units, 126 are Timeshares owned by Wyndham Vacation Resorts (considered local for this study).

1235M are mobile homes not on a permanent foundation considered to be personal, rather than real property.

FACTORS THAT WILL INFLUENCE HOUSING DEMAND

Population Growth - This study uses the Colorado State Demography Offices' population forecast.¹ Archuleta County's population is projected to grow 67% from 12,465 in 2015 to 20,804 by the year 2035 (a difference of 8,339). That growth is estimated at between 2% to 3% annually, consistent with projections for other western slope counties in Colorado.

Year	Population	Avg. Ann. % Change
2000	10,042	
2005	11,402	2.6%
2010	12,060	1.1%
2015	12,465	0.7%
2020	13,778	2.0%
2025	15,961	3.0%
2030	18,424	2.9%
2035	20,804	2.5%

Demographic Shifts - A lot of the growth during that time period will be driven by the 65+ age group. Archuleta County will experience significant (97%) growth in households 65 & over, and 93% in households age 25 to 44.

Age Group	Households 2015	Households 2035	% Change	Difference
18-24	176	268	52%	92
25-44	1,160	2,234	93%	1,074
45-64	2,294	3,106	35%	812
65 & Over	1,978	3,894	97%	1,916
All Households	5,583	9,520	71%	3,937

Household Size - Household growth will be dominated (76%) by households without kids. Households without children are more likely to rent or live in multi-family dwelling units. Thirty percent of projected household growth will be single-person households.

Household Type	2015	2035	% Change 2015 to 2035	% of Total 2035
All Households	5,583	9,520	71%	100%
One adult with no children	1,648	2,875	74%	30%
One adult with children	187	319	71%	3%
More than one adult with no children	2,618	4,408	68%	46%
More than one adult with children	1,130	1,919	70%	20%

Single person households are more likely to be renters and to live in multi-family structures.

Historical Trends - If the numbers of households grow by 3,937 from 2015 to 2035, we can divide that by 20 to estimate a demand for the number of additional housing units per year (3,937 households/20 years = 197 additional units per year). This number is lower than the average annual number of single family (230 avg.) and multi family (13 avg.) building permits issued from 2000 to 2007 – before the recession hit Archuleta County. If we assume that future housing stock will be similar to historical development, based on current

Projected Demand of New Dwelling Units by Structure Type				
Code	Type	Units	% of Total Units	Annual 2015 to 2035
1212	Single Family (SFR)	6,218	81%	159
1215	Duplex	112	1%	3
1215	Triplex	6	0.1%	0.2
1220	Multi 4-8	75	1%	2
1225	Multi 9+	134	2%	3
1230	Condo	620	8%	16
1235	Manufactured	260	3%	7
4277	Farm/Ranch Residence	288	4%	7
	Total	7,713	100%	197

it could look similar to the estimated demand shown in this table. We have subtracted mobile homes from the unit types for this estimate (8,329 current housing units less 526 mobiles = 7,713).

¹ The State Demography Office's detailed population forecast methodology can be found at the following website- <https://dola.colorado.gov/households/forecastsParameters.jsf>.

Changing Housing Preferences – Shifting demographics will also play a role in the types of housing that are built. A recent report² by the Regional Housing Alliance of La Plata County profiled different age groups housing preferences based on a report by the Urban Land Institute and other resources. That report focused on Baby Boomer and Millennial age cohorts, as follows. We have added a short discussion of the Generation X age group, as they are expected to grow about 35% in Archuleta County over the next 20 years.

Baby Boomers - (Born 1946-1964) are showing a greater tendency to age in their homes than previous generations- creating “silver suburbs”. According to an AARP survey, 88 percent of respondents over age 65 strongly agreed with the statement, “*what I’d really like to do is stay in my current residence for as long as possible.*”³ Baby Boomers will live longer; have better health, and more energy than those who preceded them. The substantial decline in home values between 2006 and 2012 may delay some Boomers from leaving their single-family home.⁴ Even if the home is not underwater, Boomers who experienced a substantial decline in home equity might postpone moving until they have recouped the expected return on investment. Baby Boomers that are expecting to move are showing a shift towards attached housing. According to the Urban Land Institute, while only 7 percent of Baby Boomers currently live in a duplex or townhouse, 16 percent of those planning to move expect to live in a duplex/townhouse.⁵ They also showed the highest preference (72%) of any age group for shorter commute/small yard compared to a longer commute/large yard. Single-story, accessible construction and access to parks and medical facilities are highly valued by this cohort. As their health declines, some will move into assisted living or nursing home facilities, but this generation is showing a growing aversion for institutional living. This group is expected to grow about 97% in Archuleta County over the next 20 years.

Generation X – (Born 1965-1979) having moved into the married and child-rearing mode, members of Generation X – ages 35 to 47 – are largely homeowners in single-family residences. While many members of Generation X are anticipating moving, they are not likely to be looking for mixed-use communities, nor to push for mass transit. This group has the largest percentages of high-income members and if they move they will be seeking to buy single-family homes. This group is expected to grow about 35% in Archuleta County over the next 20 years.

Millennials - (Born 1980-1999) will drive the growth in individuals age 35-54. Research shows that this generation places a significant value on proximity to work and walkable, diverse communities with access to amenities such as trails, restaurants, retail, and grocery stores.⁶ They are currently the driving force behind demand for rental units and will likely choose to rent, most likely an attached or multi-family unit until they reach their 30’s. The tightening of lending standards and higher levels of student debt has delayed this generation’s entry into homeownership. The average Vantage credit score for Millennials is 672 compared to 718 for Generation X and 782 for Baby Boomers.⁷ However, a strong base of research suggests that as Millennials establish careers, increase their incomes, and form families, they will likely shift their preferences to live in owner-occupied single-family homes and townhomes.⁸ This preference will not be exactly the same as previous generations. Millennials will be drawn to communities that combine the best of urban living (convenience and walkability) with good schools and homes with moderate yard space. This group is expected to grow about 93% in Archuleta County over the next 20 years.

² La Plata County Housing Demand Forecast. Prepared by The La Plata County Regional Housing Alliance. June 2015.

³ AARP, Home and Community Preferences of the 45+ Population, 2010.

⁴ Fannie Mae, Are Aging Baby-Boomers Abandoning the Single-Family Nest, 2014.

⁵ Urban Land Institute, Americans’ Views on their Communities, Housing, and Transportation, March 2013.

⁶ Ibid.

⁷ Experian, Generational Credit Trends Report, 2012.

⁸ Urban Land Institute, Americans’ Views on their Communities, Housing, and Transportation, March 2013; National Association of Realtors, 2013 Community Preference Survey, 2013; National Association of REALTORS, Homebuyer and Seller Generational Trends, March 2015; RCLCO, Millennials’ Influence on New Homes Demand, 2014.

To summarize, Archuleta County's population is projected to grow 67% from 12,465 in 2015 to 20,804 by the year 2035 (a difference of 8,339). Archuleta County will experience significant (97%) growth in households 65 & over (Baby Boomers) and 93% in households age 25 to 44 (Millennials). Households aged 45-64 (Generation X) are projected to grow by about 35%. Household growth will be dominated (76%) by households without children.

An estimated **197 residential units per year** will be necessary to accommodate projected population growth. Given historical trends of building in the county this distribution would be 81% single family residential units, 12% multi-family units, 3% manufactured homes and 4% farm/ranch residences. Current national research indicates a growing trend that the most prevalent age cohorts – Baby Boomers and Millennials – are showing preferences for attached housing such as duplexes/condos/townhomes. However, a strong base of research suggests that as Millennials establish careers, increase their incomes, and form families, they will likely shift their preferences to live in owner-occupied single-family homes and townhomes. Generation X shows a marked preference for single family residential units.

WHAT ABOUT 2ND HOMEOWNERS

Colorado is a “lifestyle state” known for its natural beauty, sunshine and recreational amenities. Drawn by amenities such as the quality of life in rural areas and the natural environment, many people move here and bring their businesses and employees with them. Others buy real estate, build second homes, and often retire here and bring their pensions and savings. The attraction of people to an area with natural and social amenities, combined with advancing telecommunications technology and widespread package delivery services, can serve as a powerful new economic force for rural communities.

But this amenity-based growth can bring with it a whole set of new problems. Scarce housing goes to the highest bidder, and can push many local home buyers out of the market. In some parts of the region there is a growing shortage of affordable rental units.

As the numbers of second homes increase, and the land available for development decreases, a dilemma is created. Second homes have generated the need for more workers, but the rise in property values and subsequent housing costs have made it difficult for the workers to live within a reasonable distance of their place-of-work. Many of these workers are in service industries, which often do not pay wages high enough to allow them to purchase or even rent housing in a high demand market. Affordable housing or rental unit developments have not been a popular choice in many neighborhoods with a “not in my backyard” mentality.

In 2006, **Information Services** (at the request of Region 9 EDD) conducted a three-part study looking at the second homes in the region. Phase I examined the numbers and types of second homes, as well as their distribution. At that time there were an estimated 38% of residential properties in Archuleta County owned by 2nd homeowners, primarily single family residences and condominiums. Phase II summarized the results of a homeowners survey. That survey instrument was based on a homeowner survey done by the NW Colorado Council of Governments. Phase III (Economic Driver Study) examined the economic impacts to local communities. All of these documents are available at the Region 9 Economic Development website <http://scan.org/index.php?page=secondhomesstudy>.

Fast forward to 2015; there is a perceived housing crisis in which there is a shortage of available/affordable workforce housing. Some local officials and residents think that part of the reason is that 2nd Homeowners are renting their properties out as short term rentals using popular internet sites as a sales tool, and local property managers to provide services to vacationers. These properties are no longer available to locals looking for long term rentals, nor are they entering the market as homes that could be purchased.

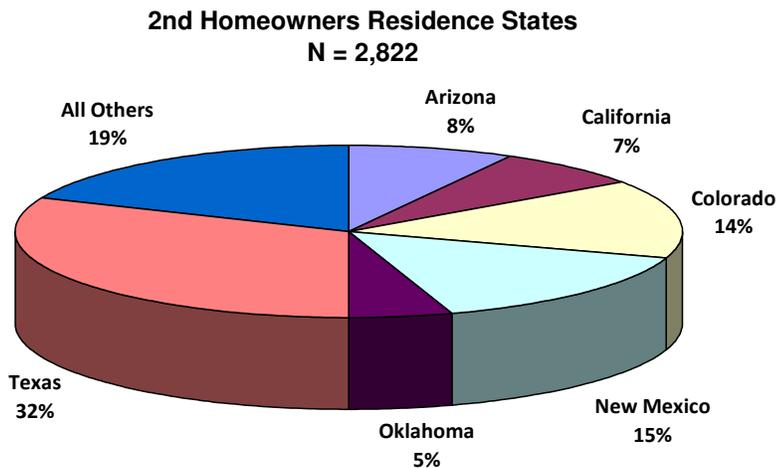
A preliminary look at how many properties were being used as short term rentals indicated that there may be about 400 of them, although this number is not yet substantiated.

In 2015 there were an estimated 41% of residential properties owned by people whose primary residence is outside of the county – 2nd Homeowners. The questions of what these people are doing with their properties now, and what do they intend to do with them in the future are important because they impact planning for schools, medical services, public safety, recreation and other amenities in the future.

2nd HOMEOWNERS SURVEY

To answer these questions the Town of Pagosa Springs and Region 9 reprised the 2nd Homeowners survey, though it was scaled back from the instrument used in 2006. A letter, survey form and a stamped envelope was sent to 2,822 homeowners and 1,133 were returned by the due date, a **40% return**. The responses to the eight survey questions are as follows.

1. Where is your primary residence located?



Most of the 2nd Homeowners reside in southwestern states, especially Texas (32%), New Mexico (15%) and Colorado (14%).

2. How many residential properties do you own in Archuleta County?		
Answer Options	Response Percent	Response Count
1	91.9%	1030
2+	8.1%	91
<i>answered question</i>		1,121
<i>skipped question</i>		12

Most (92%) of respondents own one property in the county. However, several pointed out that they owned a home and a piece of raw land on which they intended to build another residence.

3. What is your age?		
Answer Options	Response Percent	Response Count
Average Age = 65		
0 to 24		-
25 to 34	0%	3
35 to 44	2%	26
45 to 54	14%	156
55 to 64	29%	324
65 to 74	37%	411
Over 75	17%	184
answered question		1,105
skipped question		28

The average age of the respondents was 65; 29% were 55 to 64, 37% were 65 to 74, and 17% were over 75.

4. What is the main reason that you bought property in Archuleta County? Please check one.		
Answer Options	Response Percent	Response Count
Intend to vacation here for years	28%	299
Multiple or other	19%	198
Intend to retire here	13%	138
Recreational amenities	12%	126
Scenery/surroundings	10%	103
Proximity to Ski Resort	3%	35
Proximity to friends and/or family	3%	32
Investment potential	3%	27
Small town atmosphere	2%	25
Climate	2%	24
Rental income	2%	22
More affordable than other areas	2%	22
Friendliness	1%	8
Access to farm / ranch land	1%	7
answered question		1,066
skipped question		67

While we asked for one response to this question, 19% provided multiple answers, and some wrote in their own. Most commonly selected in the multiples were scenery, proximity to the ski resort and the small town atmosphere. We did not quantify the answer options for all of the multiple responses as they would not be consistent with the respondents who selected one option. Otherwise, most (28%) respondents bought property because they intended to vacation here; 13% intended to retire here.

5. What is the current use of your property(ies)? Please check all that apply.

Answer Options	Response Percent	Response Count
Full time rental	11%	123
Owner, friends and family use	57%	629
Part time rental	12%	132
Corporate use	1%	5
Owner use only	31%	340
No use	2%	21
<i>answered question</i>		1,108
<i>skipped question</i>		25

Most (57%) of respondents currently use their properties as a vacation home for owner, friends and family use; 31% are used only by the owners, 12% are part time rentals, and 11% are full time rentals. If 23% of homeowners that currently rent their properties took them out of the rental pool when they retire here, then 649 units would be removed from the housing stock available to locals (or vacationers).

6. If you rent your property(ies) as a short term vacation rental, how do you advertise? Please check all that apply.

Answer Options	Response Percent	Response Count
Does not apply	85%	741
Printed media	1%	4
Property Manager	11%	95
Online - VRBO	7%	59
Online - AirBnb	1%	9
Online - Homeaway	2%	20
Other (please specify)		25
<i>answered question</i>		876
<i>skipped question</i>		257

Eighty-five percent of respondents do not use their properties as short term rentals, 11% advertise using a property manager, and 8 % use internet sites. Others used “word of mouth” to advertise. Quite a few people (257) did not answer this question, the highest refusal rate of any question in the survey.

7. In the future, do you expect to spend more or less time at your residence?

Answer Options	Response Percent	Response Count
More	54%	588
Less	8%	85
About the same	39%	425
<i>answered question</i>		1,098
<i>skipped question</i>		35

Most (54%) respondents thought they would spend more time at their residence in the future, while 39% thought they would spend about the same amount of time. Only 8% thought they would spend less time here in the future.

8. Which of the following statements most accurately reflects your intended future use of your property? Please check all that apply.

Answer Options	Response Percent	Response Count
Increase my personal use of the residence/property	49%	537
Increase use by friends and family	28%	308
Maintain current use	33%	358
Decrease current use	1%	15
Sell the residence/property	13%	145
Use the residence as a full time rental unit	3%	33
Use the residence as a part time rental unit	6%	69
Retire to the area and use as retirement residence	19%	212
Renovate the residence	5%	59
Become a full time resident	8%	91
Other (please specify)		40
	<i>answered question</i>	1,098
	<i>skipped question</i>	35

Most (77%) respondents would like to increase use of their property, and 27% would like to retire to the area. Only 13 % indicated they would like to sell the property, while 9% would like to rent the property. If 27% of all 2nd Homeowners retired in Archuleta County it would add another 762 households to the area. They already have homes, but will require services such as public transportation and medical services. Given that the average age of survey respondents is 65 it seems likely they will be taking up permanent residence sooner rather than later.

It seems likely that as the Baby Boomers reach an age when they no longer wish to maintain a single family residence they will be drawn towards smaller attached units such as condos or Townhomes/duplexes close to amenities and services. This trend is already evident in Archuleta County. Fifty-two percent of duplexes and fifty-seven percent of condos in the county are currently owned by 2nd homeowners.

Forty-one percent of single family residences in the county are owned by 2nd homeowners. As their homes become available, young families might be able to purchase some already existing housing stock if it were offered at a price they could afford. In the meantime, those same families will probably be looking for affordable rental units.

The next step in resolving the housing dilemma may be to update the housing needs assessment that was done in 2008 by Economic & Planning Systems <http://bit.ly/1mW0yq3>. The goal of the assessment would be to provide information that could be used to develop public polices and housing programs; identify resources for housing; and help plan for future housing impacts and growth.