

La Plata County Housing Demand Forecast

Prepared by:



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FINAL

The Regional Housing Alliance of La Plata County (RHA) is a multi-jurisdictional housing authority. The mission of the RHA is to create affordable housing opportunities to ensure La Plata County remains diverse and economically vibrant. The RHA offers a comprehensive homebuyer assistance program, supports development of affordable and workforce housing, and provides housing data and policy analysis. La Plata County, City of Durango, Town of Bayfield, and Town of Ignacio are members of the RHA.

Donna Graves of Information Services completed the analysis of La Plata County Tax Assessors data used in this study.

Executive Summary

Seven hundred and ninety (790) new dwelling units will be needed annually in La Plata County to provide the housing needed to meet the Colorado State Demography Office’s economic growth forecast. This projection would more than double the 330 building permits issued in La Plata County in 2014. According to the mid-range projection, La Plata County is projected to grow 52 percent over the next twenty years, generating demand for an additional 15,700 housing units. While the future is predictably uncertain, the objective of this study is to make an informed forecast of how housing demand might manifest over time.

Demand of New Dwelling Units by Structure Type La Plata County, 2015-2035							
		Population Projections					
		Low-Range (1.6% Average Annual Population Growth Rate)		Mid-Range (2.1% Average Annual Population Growth Rate)		High-Range (2.6% Average Annual Population Growth Rate)	
		Total	Annual	Total	Annual	Total	Annual
Single-Family- Rural	24%	2,710	140	3,770	190	4,820	240
Single-Family- Urban	29%	3,280	160	4,550	230	5,830	290
Duplex	3%	340	20	470	20	600	30
Townhome	8%	900	40	1,260	60	1,610	80
Multi-Family/Condo	20%	2,260	110	3,140	160	4,020	200
Manufactured/Modular	16%	1,810	90	2,510	130	3,210	160
Total	100%	11,300	560	15,700	790	20,100	1,000

The following economic and demographic trends suggest that multi-family and more affordable housing types close to employment and service centers will increase in their share of housing types demanded.

- Individuals over 80 will be the fastest growing age group, growing 237 percent (or 3,900 persons) by 2035. Baby Boomers have a strong desire to age in place, however those who expect to move show a shifting preference for attached housing, low-maintenance single-story homes, and homes that are close to parks and medical facilities.
- The millennial generation will drive growth in individuals age 35-54. This age group will grow 71 percent (or 10,000 persons) by 2035. Currently, this generation is driving demand for multi-family units and they value walkable, diverse communities with access to urban amenities. However, as this generation establishes careers and families, they will likely shift their preference to single-family homes and townhomes, preferably those that can combine good schools, moderate yards, and walkable/bikeable access to basic amenities such as grocery stores, parks, and restaurants.
- The service sector and tourism industry are projected to have the largest number of new jobs over the next 20 years. While the service sector and tourism industry represent a wide range of occupations and salaries, the average wage is traditionally low (\$42,000 and \$28,000, respectively). This will increase the demand for affordable housing types including smaller single-family homes, townhouses, and multi-family units. It will also increase demand for rental units.

- Hard construction costs in Durango are 15- 30 percent higher than in Denver. Assuming that the cost of construction and land continues to increase in La Plata County, this will lead to an increase in demand for smaller units that economize both on the amount of land consumed and the construction cost per unit.
- There is a growing affordability chasm in La Plata County. Since 2001, the median home price increased 63 percent in La Plata County and 73 percent in Durango. However, the median family income in La Plata County has only increased 48 percent. Forty-six percent of renters and 31 percent of homeowners in La Plata County cannot afford their current housing payment.
- The shift towards townhouses and multi-family development has already occurred. During the pre-recession years (2003-2008), 29 percent of building permits issued in La Plata County, Durango, and Bayfield were for multi-family, townhouse, or duplex units.
- Assuming that the real cost to commute will incrementally increase over the twenty-year forecast horizon, this will likely drive more demand for housing that is close to employment and services.
- Current real estate indicators demonstrate strong demand and short supply of both rental units and entry-level homeownership, especially in Durango.

The trends above will likely cause the demand for housing to shift. If supported by local land use regulation and policies, demand will likely shift in the direction of more compact and more multi-family housing products.

Policies for Further Analysis

Implementing policies and strategies that will ensure a sufficient supply of desirable and financially feasible land (both vacant and redevelopable) for the housing types identified will be critical to the economic growth of the region. Further analysis on the buildable land supply and a review of existing policies would provide the supply and policy data needed for a more robust analysis and to inform policy development. This additional analysis may support strategies in the following broad policy areas:

- Ensure development regulations provide clear non-discretionary development standards, especially for compact development, where appropriate and whenever possible.
- Develop/refine a coordinated growth plan which identifies growth hubs that are opportunities for compact residential development.
- Increase the supply of buildable residential land by coordinating the extension of infrastructure, conserving residentially zoned lands, and identifying lands (including lands owned by local jurisdictions) to be used for residential development.
- Facilitate redevelopment by developing and implementing a comprehensive redevelopment strategy that includes pulling together key stakeholders, selecting areas of opportunity, developing financing tools, creating an implementing agency, and forming public-private partnerships.
- Expand affordable and workforce housing opportunities and funding resources to ensure affordable housing opportunities in close proximity to employment and service centers.

Methodology

This study uses the Colorado State Demography Offices' population and household forecast for a mid-range forecast. The State Demography Office bases their population growth forecast on the labor force needed to meet the economic growth forecast.¹ This study also includes a low- and high-range population growth projection that is 10% below and 10% above the State Demography Office's projection. Variation in population growth, household size, and vacancy rates will impact housing demand. The future is predictably uncertain. This forecast presents only one range of possible scenarios.

To determine the current inventory of dwelling units in La Plata County, Information Services completed an analysis of La Plata County Tax Assessors data. All dwelling units were classified into the following housing types:

- Single-Family, Rural- A single-family detached unit in unincorporated La Plata County that is on a parcel that is 1 acre or larger. This does not include manufactured/modular homes.
- Single-Family, Urban- A single-family detached unit within Durango, Bayfield, or Ignacio and single-family units in unincorporated La Plata County that are on a parcel that is smaller than 1 acre. This does not include manufactured/modular homes.
- Duplex- A single structure containing two dwelling units on one parcel. Accessory dwelling units were included only if recorded in the Tax Assessors database as a dwelling unit. Data on accessory dwelling units is limited.
- Townhomes- A dwelling unit attached to one or more other units, with each unit on its own parcel.
- Multi-Family/Condo- Multi-family units with three or more units and condominium units.
- Manufactured/Modular Homes- Homes constructed entirely in a factory and have a non-removable chassis, allowing them to be moved again AND homes that are constructed in a factory and are permanently placed on a foundation. This category includes both modular homes built to IBC/UBC standards and manufactured homes built to HUD standards.

Using the current distribution of housing types, a historical trend scenario for housing demand in La Plata County from 2015-2035 was created. The scenario assumes that the distribution of new housing units will be in the same proportion as the current distribution. The distribution of housing types was applied to the three population projections.

An informed scenario of housing demand was also created. This scenario took into consideration the following factors that influence the type of housing built in a community: (1) demographic changes, (2) income/job growth, (3) cost to construct housing, (4) housing affordability, and (5) commuting trade-offs. After reviewing data regarding these factors in La Plata County and how these factors might influence housing demand over the next twenty years, an informed forecast of housing type

¹ The State Demography Office's detailed population forecast methodology can be found at the following website- <http://www.colorado.gov/cs/Satellite/DOLA-Main/CBON/1251593300013>.

distribution was created. This distribution of housing types was applied to the three population projections.

This report is a forecast of *housing demand*, which is different than *housing need*. *Housing demand* is what households demonstrate they are willing to purchase in the market place. *Housing need* is based on what a household is financially able to pay for housing. Households that cannot find affordable housing are either homeless, living in overcrowded/substandard situations, or are paying more for their housing than they can afford. (The Federal standard is that a household should not spend more than 30 percent of their gross income on their housing payment.) These households would have a *housing need*.

This report forecasts demand without considering the supply of buildable residential land, which could significantly impact demand and economic growth. A suggested next step is to conduct a buildable land supply analysis to ensure a sufficient pipeline of buildable land for each housing type given considerations such as environmental constraints, feasible extension of infrastructure, current zoning, and financial feasibility.

Local regulations have a significant impact on the production of housing through local land use regulations, zoning, extension of infrastructure, creating affordable housing mechanisms, and implementing redevelopment strategies. An inventory of current policies and an evaluation of the effects of housing and land use policy within the jurisdictions on housing demand is outside the scope of this report.

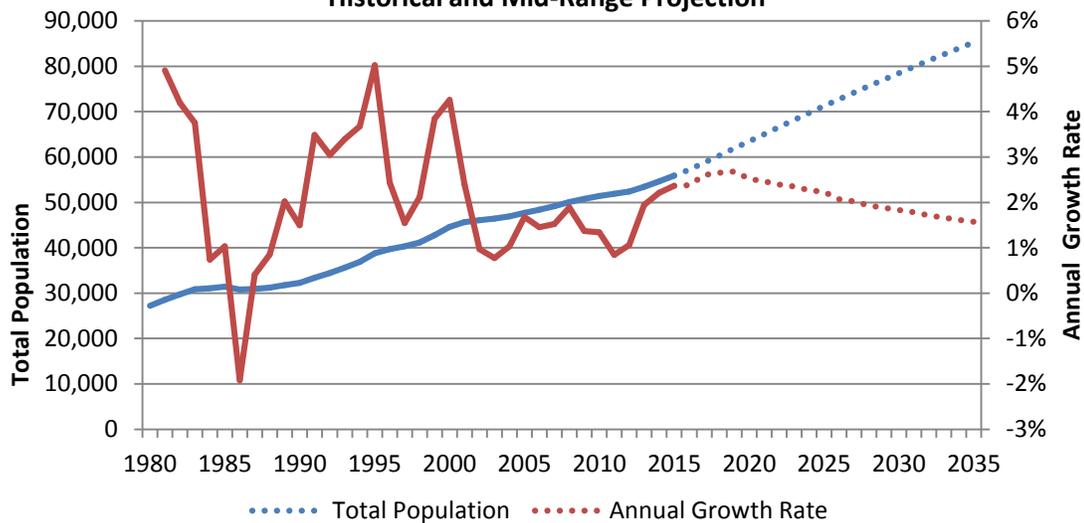
Population/Housing Unit Projections

This study uses the Colorado State Demography Offices' population forecast for the mid-range forecast. To create the population forecast, the Demography Office first determines the economic forecast for the State. Economic growth is then distributed by County based on the County's historical share of the State's economic growth. The population projections are then derived by determining the labor force that will be demanded and the net migration needed to provide the labor force.²

According to the Demography Office, La Plata County's population will grow by 29,300 reaching 85,300 by the year 2035, a 2.1 percent average annual growth rate. Chart 1 below shows the historical population and annual growth rates in La Plata County and the population and growth rates projected by the State Demography Office. The historical population growth rates in La Plata County mirror economic downturns with low growth rates during the 1980's (1.5%) and 2000's (1.5%) and high growth rates during the economic expansion period during the 1990's (3.0%). The CO State Demography Office projection established the mid-range growth projection used in this study.

² The State Demography Office's detailed population forecast methodology can be found at the following website- <http://www.colorado.gov/cs/Satellite/DOLA-Main/CBON/1251593300013>.

**Chart 1. Population and Annual Growth Rates
La Plata County 1980-2035
Historical and Mid-Range Projection**



Source: CO State Demography Office, 2015

A low-range and high-range growth projection is also provided. The low-range growth projection reduced the State Demography Office’s projection by 10%, resulting in an annual average growth rate of 1.6%, reaching 76,700 by 2035. The high-range growth projection increased the State Demography Office’s projection by 10%, resulting in an average annual growth rate of 2.6%, reaching 93,800 by 2035.

Mirroring national trends, the average household size in La Plata County has decreased from 2.66 persons per household in 1985 to 2.35 persons per household in 2013. By 2035, the average household size is projected to be 2.24.³ According to the State Demographer, by 2035, there will be an additional 13,100 households in La Plata County.⁴ For the low-range and high-range projection, the number of additional households is projected to be 9,400 and 16,800, respectively.

The average vacancy rate in La Plata County over the past twenty years has been 20 percent.⁵ Included in this vacancy rate are unoccupied homes that are currently for sale or rent, seasonal/vacation homes, and long-term unoccupied homes. Vacation home starts are highly correlated to U.S. housing starts, which suggests that both are driven by similar economic factors and that vacation housing should continue to recover strongly as the US housing market rebounds.⁶ An analysis of La Plata County Tax Assessor records showed that 24 percent of all residential parcels in La Plata County are owned by “non-locals.”⁷ For this analysis, a 20 percent vacancy rate was used. Table 1 shows how

³ Colorado State Demography Office, 2015.

⁴ Ibid.

⁵ US Census.

⁶ RCLCO, Vacation Housing Recovery Tied to Primary Housing Starts Recovery Soon Is Likely in Areas that Have Been Lagging, November 1, 2013.

⁷ Information Services/La Plata County Tax Assessor, 2015. “Non-Locals” are defined as property owners with a non-La Plata County mailing address on record with La Plata County Tax Assessor.

the vacancy rate was used to determine the number of new dwelling units needed for the three population projections. According to the mid-range projection there will be demand for 15,700 additional dwelling units by 2035, or 790 units annually.

**Table 1. Forecast of New Dwelling Units
La Plata County, 2015-2035**

	Low-Range (1.6% Average Annual Population Growth Rate)	Mid-Range (2.1% Average Annual Population Growth Rate)	High-Range (2.6% Average Annual Population Growth Rate)
Average Annual Growth Rate	1.6%	2.1%	2.6%
New Occupied dwelling units	9,400	13,100	16,800
<i>times</i> vacancy rate	20%	20%	20%
<i>equals</i> vacant dwelling units	1,900	2,600	3,300
Total New Dwelling Units	11,300	15,700	20,100
Annual average new dwelling units	560	790	1,000

Group Quarters

The demand for group quarters is projected separately from the State Demographer’s household forecast. Group quarters includes college dorms, nursing homes, detention centers, and juvenile facilities. Below is some basic information that was gathered regarding these facilities.

Fort Lewis College

Enrollment at Fort Lewis College for fall 2014 was 3,800. Undergraduate headcount was down 6 percent from the prior fall. The Master Plan for the College is to increase enrollment by 2 percent annually. Freshman are required to live on-campus for two semesters with some exemptions.⁸ On-campus “regular” housing capacity is 1,540 beds. In fall of 2014, there was a 91 percent occupancy rate. As is typical with student housing, the occupancy rate dropped to 83 percent in spring 2015. The 20-year Fort Lewis College housing master plan calls for increasing capacity to 1,700 beds.⁹ The State Demographer’s household projections do not include an increase in population due to growth of the college student population. Any additional housing unit demand generated by Fort Lewis College students is in addition to the housing unit demand forecast presented in this analysis.

Nursing Homes/Assisted Living Facilities

There are two nursing homes and three assisted living facilities in La Plata County with 160 nursing home beds and 100 assisted living units. Based on a survey conducted the week of May 4th 2015, 89 percent of the nursing home beds and 70 percent of the assisted living units were occupied.¹⁰

⁸ Exemptions include that the student lives with parents/guardians within a 60-mile radius of the campus, they are 20 years of age or older, they have previously lived in a residential school for at least a year (i.e. boarding school), they have prior military service, or they are married or are a parent.

⁹ Based on information collected from Steven Schwartz, Vice President Finance and Administration at Ft. Lewis College and Julie Love, Director Student Housing & Conference Services at Ft. Lewis College, and from the following website- <https://www.fortlewis.edu/Portals/112/PR%20FACTS-2014-15.pdf>.

¹⁰ Assisted living and nursing home beds/units were included in the La Plata County Tax Assessors multi-family unit count.

Historical Trend Housing Demand Forecast

Currently, there are 25,190 dwelling units in La Plata County. Fifty-eight percent of the units are single-family, split almost evenly between rural single-family units and urban single-family units. Multi-family units comprise 18 percent of all dwelling units. This includes both condominiums and apartment units.

Structure Type	Units	Percentage
Single-Family- Rural	7,180	28%
Single-Family- Urban	7,490	30%
Duplex	540	2%
Townhome	1,440	6%
Multi-Family/Condo	4,460	18%
Manufactured/Modular	4,080	16%
Total	25,190	

Source: Information Services/La Plata County Assessor, 2015.

Table 3 presents a historical trend forecast of dwelling units by type based on the current distribution of housing stock in La Plata County. This forecast assumes that historical development trends will continue over the next twenty years. The current distribution of housing types was applied to the three growth scenarios.

Structure Type	Current %	Low-Range (1.6% Average Annual Population Growth Rate)		Mid-Range (2.1% Average Annual Population Growth Rate)		High-Range (2.6% Average Annual Population Growth Rate)	
		Total	Annual	Total	Annual	Total	Annual
Single-Family- Rural	28%	3,160	160	4,400	220	5,630	280
Single-Family- Urban	30%	3,390	170	4,710	230	6,030	300
Duplex	2%	230	10	310	20	400	20
Townhome	6%	680	30	940	50	1,210	60
Multi-Family/Condo	18%	2,030	100	2,830	140	3,620	180
Manufactured/Modular	16%	1,810	90	2,510	130	3,210	160
Total		11,300	560	15,700	790	20,100	1,000

Factors that will Influence Housing Demand

There are several trends that will likely influence housing demand including demographic changes, income/job growth, the cost to construct housing, housing affordability and the cost to commute. The section below summarizes trends in these areas and how they might impact housing demand in La Plata County. The future is predictably uncertain. The objective of this study is to make an informed forecast of how housing demand might manifest over time.

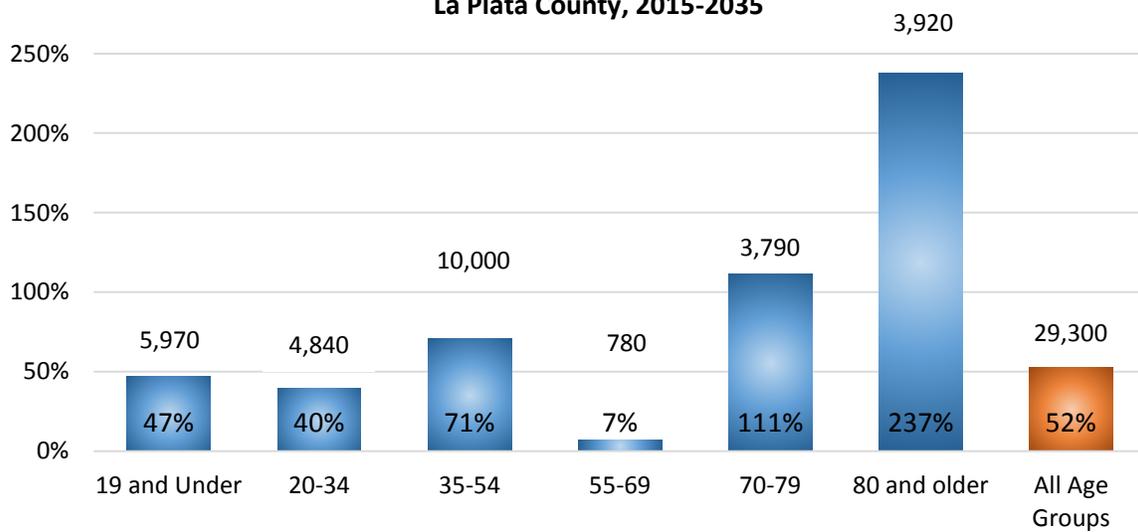
Demographic Changes

Future demand for housing will be affected by demographic changes. By 2035, La Plata County will experience significant growth in individuals over 70 and those age 35-55. There will also be a substantial increase in households without children.

Baby Boomers

As Baby Boomers (born 1946-1964) age and retire, individuals over 80 will be the fastest growing age group, growing 237 percent and adding 3,900 people to this age group by 2035.¹¹ Nine percent of the population in La Plata County is currently over seventy and this percentage will grow to 15 percent over the next twenty years. Forty percent of households will have a head of household that is over 65. In La Plata County, homeownership rates begin to decline at age 85. Twenty percent of households in La Plata County over 85 are renters.¹²

**Chart 2. Projected Percent Change in Population by Age Group
La Plata County, 2015-2035**



Source: Colorado State Demographers Office, 2015

¹¹ Colorado State Demography Office, 2015.

¹² US Census, American Community Survey, 2009-2013.

Baby Boomers 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.*”¹³ 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.¹⁴ 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.¹⁵ They also showed the highest preference (72%) of any age group for shorter commute/small yard compared to a longer commute/large yard.¹⁶ 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.

Millennials

Millennials (born 1980-1999) will drive the growth in individuals age 35-54. This age group will increase 71%, adding an additional 10,000 people, by 2035 and will have a profound impact on real estate. 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.¹⁷ 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 have 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.¹⁸

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.¹⁹ 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.

¹³ AARP, Home and Community Preferences of the 45+ Population, 2010.

¹⁴ Fannie Mae, Are Aging Baby-Boomers Abandoning the Single-Family Nest, 2014.

¹⁵ Urban Land Institute, Americans’ Views on their Communities, Housing, and Transportation, March 2013.

¹⁶ Ibid.

¹⁷ Ibid.

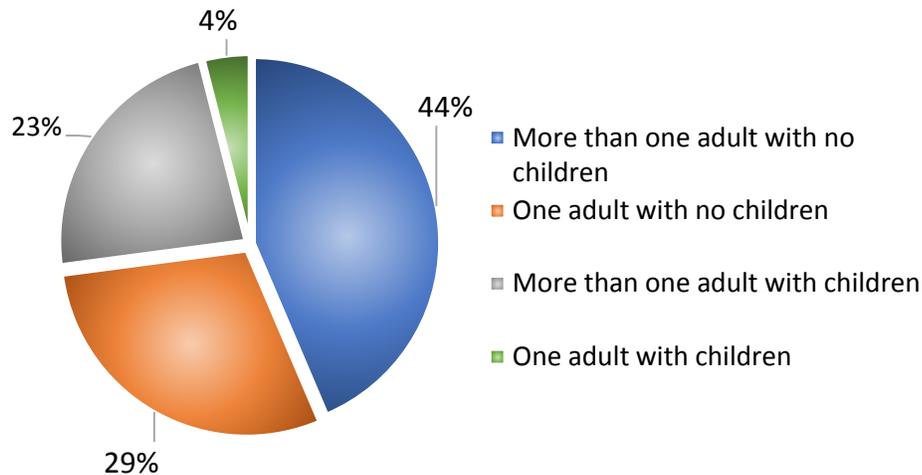
¹⁸ Experian, Generational Credit Trends Report, 2012.

¹⁹ 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.

Household Size

Household growth will be dominated by households without kids. Households without children are more likely to rent or live in multi-family dwelling units. Forty-four percent of projected household growth will be single-person households and 73 percent will be households without children.²⁰ Single person households are more likely to be renters and to live in multi-family structures. In La Plata County, 45 percent of 1-person households are renters, compared to 30 percent of households with 2 or more people. In La Plata County, twenty-seven percent of single-person households live in multi-family dwelling units, compared to 11 percent of households with more than 2-people.²¹

Chart 3. Projected Distribution of Additional Households Formed by Type, La Plata County, 2015-2035



Source: Colorado State Demography Office, 2015

To summarize, demand for housing will be impacted by the changing demographics in La Plata County. Population growth will be dominated by those over 70 and those age 35-55. The majority of new households formed will be households without children. These trends indicate an increased demand for smaller units such as smaller single-family, townhouse, and multi-family units preferably close to urban amenities such as medical services, parks, retail, and entertainment.

Income/Job Growth

According to the State Demography Office, the industries projected to have the largest number of new jobs over the next 20 years will be the basic industries of retiree generated jobs (2,900 new jobs) and tourism jobs (1,700 new jobs) and in non-basic resident service jobs (7,900 new jobs).²² Retiree generated jobs will be split between high-wage and low-wage service jobs, for example doctors and

²⁰ Colorado State Demography Office, 2015.

²¹ US Census, American Community Survey, 2009-2013.

²² Colorado State Demography Office, Labor Force Supply and Demand, 11/7/2014.

home health aides.²³ The service sector and tourism industry currently both have a low annual wages. According to Region 9’s 2015 annual report, the La Plata County average annual wage is \$42,000 in the service sector and \$28,000 in the tourism industry. **Assuming that the La Plata County economy continues to be largely a service and tourism economy and the wages in these sectors/industries remains low, this will increase the demand for affordable housing types including- smaller single-family homes, townhouses, and multi-family units. It will also increase the demand for rental units.**

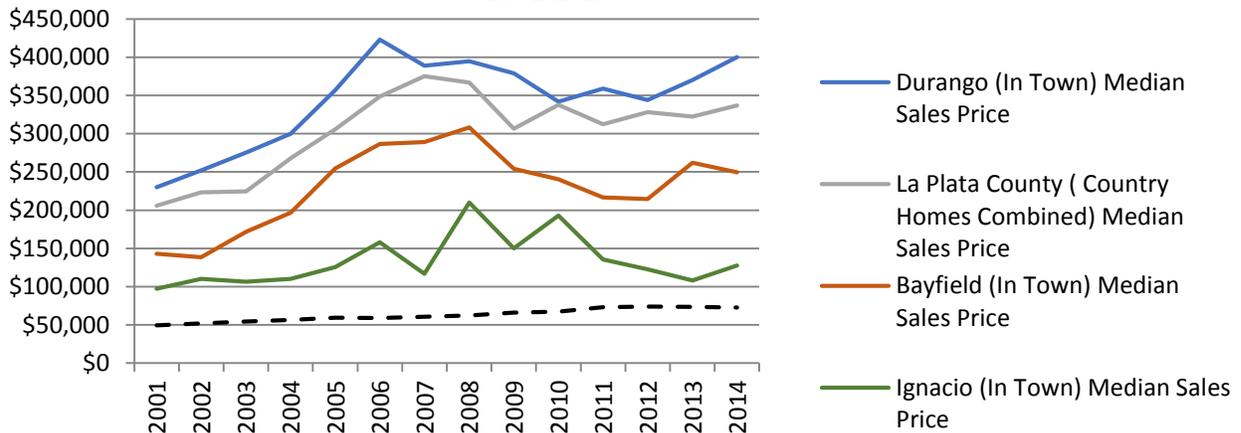
Cost to Construct Housing

The remoteness, geography, and economic conditions contribute to high development costs in La Plata County. The reasons are many: a short-construction season, higher cost for materials that must be shipped from long distances, a smaller and less flexible labor pool resulting in higher labor cost, few contractors with the equipment and people to build at scale, and escalating land costs in La Plata County. According to local development sources, hard construction costs in Durango are 15-30 percent higher than in Denver. **Assuming that the cost of construction and land continues to increase in La Plata County, this will lead to an increase in demand for smaller units that economize both on amount of land consumed and the construction cost per unit.**

Housing Affordability

Over the past thirty years, median household income has not kept pace with the price of housing in La Plata County. Since 2001, the median home price has increased 63 percent in La Plata County and 73 percent in Durango. However, the median family income in La Plata County has only increased 48 percent.²⁴

**Chart 4. Median Family Income and Median Residential Sales Price
2001-2014**



²³ Interview, Eliz; Source: HUD, Durango Area Association of Realtors

²⁴ Source: HUD, Durango Area Association of Realtors, 2001 and 2014.

The number of households that cannot afford their housing payment has also increased since 2000. Housing is affordable when a household is paying 30 percent or less of the household’s gross income on a housing payment. A household that pays more than 30 percent of their income is considered to be living in unaffordable housing. The number of La Plata County homeowners who cannot afford their housing payment has increased from 23 percent in 2000 to 31 percent in 2013. The number of renter households who cannot afford their housing payment in La Plata County has increased from 42 percent in 2000 to 46 percent in 2013.²⁵

Table 4. Percentage of Households that Cannot Afford Current Housing Expenses, 2013		
	Renters	Homeowners
Bayfield	56%	19%
Durango	50%	32%
La Plata County (inclusive of municipal jurisdictions)	46%	31%

Source: US Census, American Community Survey 2009-2013

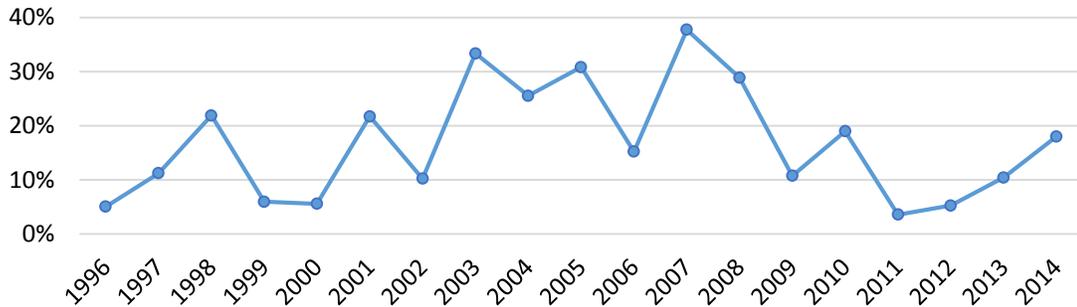
Assuming that the gap between income and housing prices continues to widen, households will increasingly demand housing options that are more affordable such as smaller homes on smaller lots and attached homes. While this housing type may be more costly to build on a per square foot basis, the final price point will be more affordable to households that are economizing.

Recent Construction Trends

The shift towards townhouse, duplex, and multi-family development has already occurred, as evidenced by the distribution of building permits during the years leading up to the housing crisis of 2008. Chart 5 below shows multi-family, duplex, and townhouse building permits as a percentage of total building permits issued within La Plata County, Town of Bayfield, and City of Durango. Twenty-nine percent of building permits issued in La Plata County between the years of 2003-2008 were for multi-family, townhouse or duplex units. Multi-family projects normally include a large number of units and one or two projects can significantly impact the number of permits from year to year. After 2008, the number of multi-family permits significantly dropped. This is because multi-family construction is a more risky building type and is typically built speculatively. In addition, in 2007 additional state construction defect laws were passed exposing builders to increased liability risk due to construction defects claims by homeowners. **Construction trends during pre-recession construction years, suggest that the development community was responding to market demand for more multi-family and attached housing units, especially within the City of Durango where urban amenities exist. This trend supports the projection that multi-family and townhouse development will continue to increase in its share of dwelling units.**

²⁵ US Census 2000 and American Community Survey, 2009-2013.

**Chart 5. Multi-Family, Townhomes, and Duplex Building Permits
as a Percentage of Total Building Permits
La Plata County, Bayfield and Durango
1996-2014**



Source: City of Durango, La Plata County, and Town of Bayfield Building Permit Data.

Current Inventory

Current real estate indicators demonstrate strong demand and short supply of both entry-level homeownership and rental units, especially in Durango.

- In 2014, the rental unit vacancy rate was 2.7 percent in Durango and the average rent has increased 38 percent since 2011.²⁶
- The current vacancy rate of subsidized rental housing in La Plata County is 2 percent.²⁷
- The median home price in La Plata County increased 8.7 percent from 2013-2014, while incomes increased only 2 percent.²⁸
- The “entry-level” price for a 3-bedroom home in the City of Durango increased from \$295,000 to \$340,000 or 15 percent this past year (2013-2014).²⁹
- The current inventory for homes less than \$350,000 is extremely tight. A 5-month supply is considered a balanced market. Table 6 below shows the months’ supply of townhouse and single-family homes in Durango and in La Plata County. There is less than 5 months’ supply for both entry-level single-family homes and townhouses in La Plata County, indicating a short supply and competitive market.

²⁶ Colorado Division of Housing, Colorado Multi-Family Housing Vacancy & Rental Survey, Third Quarter 2014.

²⁷ Based on a survey conducted by the Regional Housing Alliance, the week of May 10, 2015.

²⁸ HUD Median Family Incomes and Durango Area Association of Realtors.

²⁹ Custom analysis of Multiple Listing Service data conducted for the RHA. The “entry-level” home price is the price point at the 25th percentile, excluding unfinanceable condominiums and homes less than \$100,000 which are assumed unfinanceable. This includes single-family detached, townhouses, and condominiums.

Table 6. Months' Supply of Residential Property Less than \$350,000, May 2015		
	Townhouses	Single-Family
In-Town Durango	3.0 months	2.1 months
La Plata County (excluding Durango) ³⁰	0.1 months	4.3 months

Source: Bob Allen, Allen and Associates/Durango Area Association of Realtors, May 2015.

Commuting Trade-Offs

One common trade-off decision when considering to purchase a home is the cost of real estate verses the cost to commute. Often households will “drive till they qualify.” If they cannot afford a home close to the town center, they will expand their search further away until they find an affordable home. Sixty percent of the “resident” Durango workforce does not live in Durango.³¹ Over 13 percent commute from South La Plata County/Southern Ute Indian Reservation and 11 percent from East La Plata County.

Using the Federal mileage reimbursement rate, it costs \$440 more per month for a worker to commute from Forest Lakes Subdivision to Durango than to commute from Three Springs.³² However, when making trade-off decisions, buyers will commonly only look at fuel costs. When looking at fuel costs alone, the difference in the cost to commute is \$78 per month. **Assuming that the cost to commute will increase over the 20 year forecast horizon (including fuel costs, vehicle purchase, maintenance, and commuting costs), this will likely incrementally shift housing demand closer to employment centers such as Durango and near the Southern Ute Indian Headquarters.**

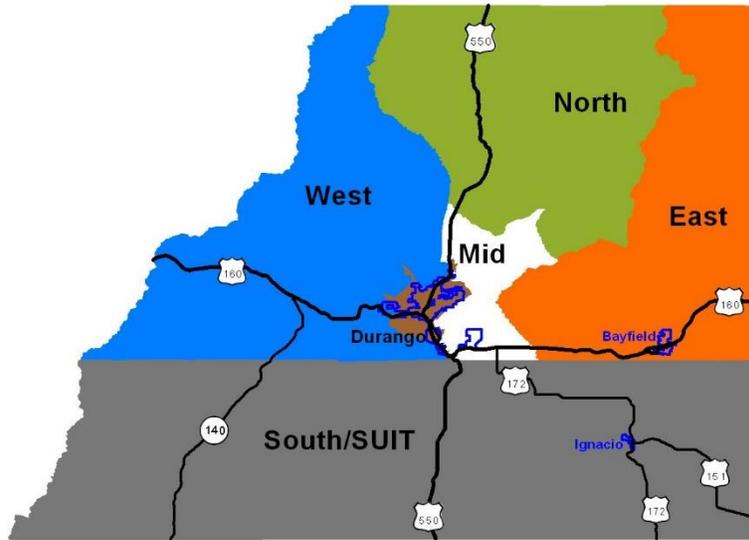
Table 7. Where “Resident” Durango Workers Live, 2011	
Durango	40%
La Plata County	
East	11%
West	10%
Mid	9%
North	6%
South/ SUIT	13%
Montezuma County	5%
San Juan County, NM	4%
Archuleta County	2%

Source: U.S. Census Bureau on the Map, 2011.

³⁰ Not including manufactured/modular housing. Includes Bayfield, Ignacio, and unincorporated La Plata County.

³¹ U.S. Census Bureau on the Map, 2011. Accordingly there were 15,200 workers in Durango in 2011. 2,400 had a non-local address and were removed from the “resident” workforce dataset. These individuals were likely students or seasonal workers.

³² Cost calculated by multiplying 27 miles (one-way distance from Forest Lakes Subdivision to downtown Durango) x 40 one-way trips per month X \$0.575- the 2015 IRS Standard Mileage Rate. This is compared to an 8 mile commute from Three Springs to downtown Durango. Fuel costs alone are calculated at \$.10 per mile.



La Plata County, CO

Informed Scenario of Housing Demand

For the informed scenario of housing demand, population growth, household size and vacancy assumptions were held constant for the three population projections. The factors described above will likely cause the housing market to change from historical distribution. Based upon these trends and if supported by local land use regulation and policies, demand will shift in the direction of more compact and more multi-family housing products because the land cost is lower and construction cost per dwelling unit is less.

There are dozens of ways that the housing mix could vary over the next twenty years. Table 8 below presents one range of informed scenarios.

Table 8. Informed Scenarios Demand of New Dwelling Units by Structure Type La Plata County, 2015-2035							
		Low-Range		Mid-Range		High-Range	
		Total	Annual	Total	Annual	Total	Annual
Single-Family- Rural	24%	2,710	140	3,770	190	4,830	240
Single-Family- Urban	29%	3,280	160	4,550	230	5,830	290
Duplex	3%	340	20	470	20	600	30
Townhome	8%	900	40	1,260	60	1,610	80
Multi-Family/Condo	20%	2,260	110	3,140	160	4,020	200
Manufactured/Modular	16%	1,810	90	2,510	130	3,220	160
Total		11,300	560	15,700	790	20,100	1,000

Conclusion

Seven hundred and ninety (790) new housing units will be needed annually in La Plata County to provide the housing needed to meet the Colorado State Demography Office's economic growth forecast. This projection more than doubles the 330 building permits issued in La Plata County in 2014. Demographic and economic trends indicate that smaller, more affordable housing types will increase in their share of housing types demanded. Housing demand, if allowed by local land use regulation, will shift in the direction of more compact and more multi-family housing products.

Policies for Further Analysis

Implementing policies and strategies that will ensure a sufficient supply of desirable and financially feasible land (both vacant and redevelopable) for the housing types identified will be critical to the economic growth of the region. Further analysis on the buildable land supply and a review of existing policies would provide the supply and policy data needed for a more robust analysis and to inform policy development. This additional analysis may support strategies in the following broad policy areas:

- Ensure development regulations provide clear non-discretionary development standards, especially for compact development, where appropriate and whenever possible.
- Develop/refine a coordinated growth plan which identifies growth hubs that are opportunities for compact residential development.
- Increase the supply of buildable residential land by coordinating the extension of infrastructure, conserving residentially zoned lands, and identifying lands (including lands owned by local jurisdictions) to be used for residential development.
- Facilitate redevelopment by developing and implementing a comprehensive redevelopment strategy that includes pulling together key stakeholders, selecting areas of opportunity, developing financing tools, creating an implementing agency, and forming public-private partnerships.
- Expand affordable and workforce housing opportunities and funding resources to ensure affordable housing opportunities in close proximity to employment and service centers.

Appendix A. 2015 Inventory of Housing Units

This appendix includes additional housing inventory data. Table A-1 below summarizes the number of dwelling units by type and by sub-area. The numbers refer to the La Plata County planning districts on the following page. Manufactured/modular homes that are not on a permanent foundation, including those in mobile homes parks, were not geographically located and distributed in the sub areas. Therefore, the number of registered manufactured homes not on a foundation is included at the bottom of the table.

Table A-1. Number of Dwelling Units by Type La Plata County, 2015							
	Total Residential	Single Family	Manufactured/ Modular on a Foundation ³³	Duplex	Town home	Condo	Multi-Family 3+
City of Durango	7,780	3,620	10	430	950	1,100	1,670
Town of Bayfield	900	720	10	10	80	0	80
Town of Ignacio	260	190	30	4	0	0	30
Unincorporated La Plata County Planning Districts							
1. Florida Road	1,410	1,250	40	10	50	50	10
2. Junction Creek	280	260	10	10	0	0	3
3. West Durango	1,320	1,150	90	4	0	50	20
4. North County	1,510	470	0	4	110	920	0
5. Vallecito	840	770	30	4	0	0	30
6. Southeast La Plata	920	670	250	2	0	0	0
7. Bayfield/Crowbar Area	1,960	1,690	270	2	0	0	4
8. Forest Service Area NW	4	3	1	0	0	0	0
9. Forest Service Area NE	10	10	0	0	0	0	10
10. Fort Lewis Mesa	750	630	120	0	0	0	3
11. Florida Mesa	2,150	1,690	400	14	0	0	50
12. La Posta Road Area Plan	50	40		0	4	0	0
13. Animas Valley	1,540	1,090	30	40	190	70	130
14. Durango Planning District	750	420	30	10	60	90	140
Unincorporated Subtotal	13,490	10,140	1,270	100	410	1,180	400
<i>Manufactured- NO foundation (includes mobile home parks)</i>	<i>2,760</i>		<i>2,760</i>				
TOTAL	25,190	14,670	4,080	540	1,440	2,280	2,180

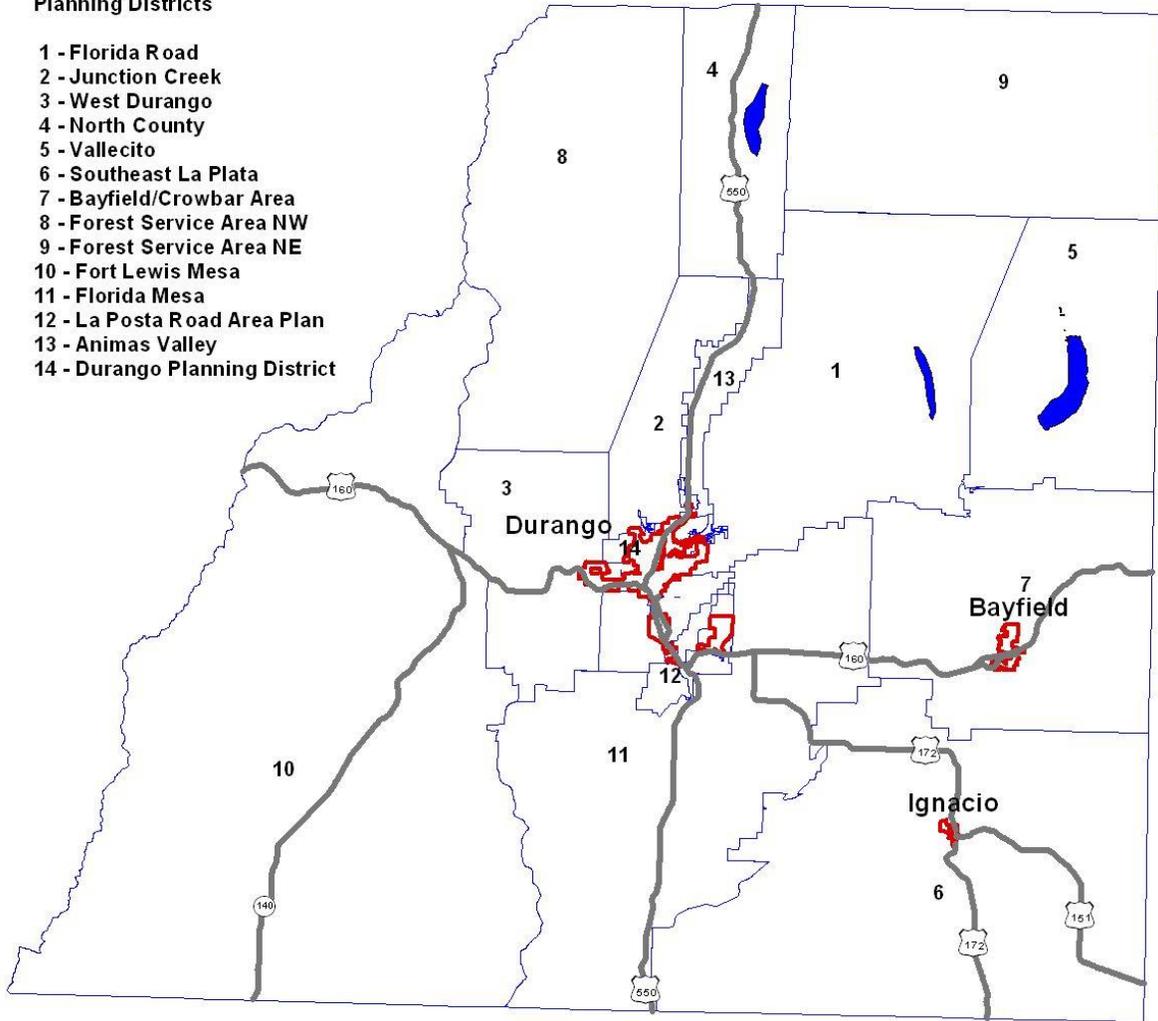
Source: Information Services/La Plata County Tax Assessor, 2015.

³³ Manufactured/Modular includes homes constructed entirely in a factory and are permanently placed on a foundation. It includes both manufactured homes built to HUD standards and modular homes built to IBC/UBC standards. Manufactured homes not a foundation were not geo-located, including those in mobile home parks. The number of manufactured/modular homes not on a foundation was obtained from the La Plata County Tax Assessor's office. They are included in the bottom of the chart, but are not associated with a sub-area.

Map A-1. La Plata County Planning District Boundaries

Planning Districts

- 1 - Florida Road
- 2 - Junction Creek
- 3 - West Durango
- 4 - North County
- 5 - Vallecito
- 6 - Southeast La Plata
- 7 - Bayfield/Crowbar Area
- 8 - Forest Service Area NW
- 9 - Forest Service Area NE
- 10 - Fort Lewis Mesa
- 11 - Florida Mesa
- 12 - La Posta Road Area Plan
- 13 - Animas Valley
- 14 - Durango Planning District



Nearly 24 percent of residential parcels in La Plata County are owned by “non-locals.” Non locals are defined as property owners with a non-La Plata County mailing address on record with the La Plata County Tax Assessors office. Table A-2 illustrates the rate of non-local ownership by sub-area. The Town of Bayfield has the lowest non-local ownership rate. Unincorporated North County and the Vallecito sub-areas have the highest rates of non-local ownership with 70 and 61 percent, respectively.

Table A-2. Percent of Improved Residential Parcels with Non-Local Property Owner³⁴ La Plata County, 2015	
City of Durango	20%
Town of Bayfield	7%
Town of Ignacio	10%
Unincorporated La Plata County Planning Districts	
1. Florida Road	28%
2. Junction Creek	21%
3. West Durango	14%
4. North County	70%
5. Vallecito	61%
6. Southeast La Plata	11%
7. Bayfield/Crowbar Area	18%
8. Forest Service Area NW	25%
9. Forest Service Area NE	20%
10. Fort Lewis Mesa	20%
11. Florida Mesa	10%
12. La Posta Road Area Plan	22%
13. Animas Valley	25%
14. Durango Planning District	16%
Unincorporated Subtotal	26%
La Plata County Total	24%

Source: Information Services/La Plata County Tax Assessor, 2015

³⁴ Multi-family parcels were excluded from this table, since there are typically rental units and ownership is less relevant.

Table A-3 below shows the allocation of single-family units in unincorporated La Plata County by parcel lot size and planning district. Over half (53%) of single-family homes in unincorporated La Plata County are on a lot that is greater than 3 acres. The lot size groupings have the following significance:

- On lots less than 1 acre, the dwelling unit(s) must be connected to a municipal or community water and sewer system.
- On lots 1- 2.99 acres, the dwelling unit(s) must be connected to either a municipal/community water OR sewer system. The other utility can be provided on site.
- On lots 3 acres or larger, a well and septic system can be provided on site.

Table A-3. Single-Family Detached Units by Parcel Lot Size, Unincorporated La Plata County, 2015				
	Single Family Detached ³⁵	Lot Size (acres)		
		<1	1 - 2.99	3+
Unincorporated La Plata County Planning District				
1. Florida Road	1,290	460	270	560
2. Junction Creek	270	0	180	90
3. West Durango	1,250	550	50	640
4. North County	480	140	230	100
5. Vallecito	810	530	200	70
6. South East La Plata	910	20	30	870
7. Bayfield/Crowbar Area	1,950	470	530	960
8. Forest Service Area NW	4	0	0	0
9. Forest Service Area NE	10	0	0	0
10. Fort Lewis Mesa	750	70	90	590
11. Florida Mesa	2,090	160	220	1,720
12. La Posta Road Area Plan	50	0	0	40
13. Animas Valley	1,120	560	200	360
14. Durango Planning District	450	230	120	110
Total	11,420	3,180	2,120	6,120

Source: Information Services/La Plata County Tax Assessor, 2015

³⁵ This table includes single-family, farm/ranch residences, and manufactured/modular homes that are on a foundation.