WHO LIVES HERE NOW?

THE REGION IS GROWING

The face of Colorado Springs is changing. The sepia-toned photos of the City founders, hard-drinking miners, and steadfast shop-keepers are morphing into a multi-cultural composite of outdoor enthusiasts, active retirees, military personnel, and young entrepreneurs. Multiple surveys rank the City as one of the best places to live, work, and retire in the U.S.

Newcomers continue to drive growth. More than 3,000 persons per year are moving into the Pikes Peak region as net in-migration outpaces the natural growth rate, mirroring a trend across the Rocky Mountain region as a whole. According to the State Demographer’s Office, the El Paso County region will continue to see substantial growth in the coming years. Current projections estimate the region’s population increasing from approximately 700,000 people to just below 1 million people by 2040.

THE REGION IS GROWING

The two fastest growing demographics in the El Paso county region are working age cohorts between the ages of 20 to 34 and retirees aged 65+. The increase in younger residents is reflected in Colorado Springs’ recent ranking of #7 “Cities Where Millennials are Moving”. The net increase of this generation contributes to a relatively young median age of just over 34. As a result, the local population is on par with Denver, but younger than the U.S. as a whole.

PlanCOS notes that between 2015 and 2040, the 65 and older population will double with even greater proportional increases in the 85 and older category.

Many still think of the “typical American household” as a nuclear family consisting of two parents and children, a model that was prevalent in the 1950s. Recent data show that the typical household composition is changing due to large increases in senior- and younger, single-headed households. As a result, local households are more diverse than local housing stock. Data analyzed over several decades make it clear that these are not short-term trajectories, but rather long-term trends. TYPICAL HOUSEHOLD COMPOSITION IS CHANGING

LOCAL HOUSEHOLDS ARE MORE DIVERSE THAN LOCAL HOUSING STOCK
1 IN 3 HOUSEHOLDS ARE COST-BURDENED

COLORADO SPRINGS ESSENTIAL

HOUSING COSTS ARE INCREASING FASTER THAN HOUSEHOLD INCOMES

Housing affordability is measured as a percentage of total household income spent on housing. Households that spend more than 30% of their income on housing are considered cost-burdened. Households spending more than 50% of their income on housing are considered extremely cost-burdened. Currently, in El Paso County 82,235 households, or 1 in 3, are cost-burdened while 34,069, or 1 in 8, are extremely cost-burdened.

The local job market is expanding; however, large numbers of the new jobs pay wages below state and national levels. Working households falling into some of the lower income brackets include teachers, retail and accommodation staff, and food-service workers. 56% of these very low-income households are spending more than 1/3 of their income on housing, while 64% of extremely low-income households are spending more than half. Extremely low- and very low-income households paying more than 30% of their income on housing typically lack additional resources to pay for expenses such as transportation or preventive medical care.

The Harvard Joint Center for Housing Studies notes that in cost-burdened households a lack of preventive medical care due to strained household budgets often results in larger, more costly medical issues down the road. To understand the magnitude of the burden deferred medical attention presents: “Five percent of hospital users are responsible for half of the health care costs in the US, and most of those patients live below the poverty line and are housing insecure.”

A variety of housing types at multiple price-points are needed to reduce cost burden and meet the region’s current and future housing needs.

MEDIAN HOME PRICES, MEDIAN RENTS, MEDIAN INCOME

SOURCES: APARTMENT ASSOCIATION OF SOUTHERN COLORADO, PIKES PEAK ASSOCIATION OF REALTORS, HUD INCOME LIMITS

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ALL COST-BURDENED EL PASO COUNTY HOUSEHOLDS

52% of households (92,235) are paying more than 30% on housing (cost-burdened) in El Paso County, with 13% (34,069) paying more than half of their income on housing.

COST-BURDENED EL PASO COUNTY HOUSEHOLDS BY INCOME RANGE

85% of households in this income bracket (54,847) are cost-burdened, with 64% (25,879) paying more than half of their income on housing.

56% of households in this income bracket (25,327) are cost-burdened, with 13% (6,191) paying more than half of their income on housing.

14% of households in this income bracket (7,685) are cost-burdened, with <1% (47) paying more than half of their income on housing.

5% of households in this income bracket (3,250) are cost-burdened, with <1% (47) paying more than half of their income on housing.
WAGES AREN’T KEEPING UP WITH THE COST OF HOUSING

EMPLOYMENT SECTORS IN COLORADO SPRINGS

Private sector wages in El Paso County are below state and national averages. Average wages across El Paso County are almost 17% lower than average wages for Colorado and nearly 14% lower than average wages across the U.S. Some of the lowest paying sectors in the region include hospitality, retail, and social assistance; these sectors make up 40% of the local job market.15

While high paying jobs in the professional and technical service sectors are expected to continue growing, there is no indication that the number of less well-paying jobs will decrease. Key contributors to the local tax base, including teachers, social workers, retail sales people, and others in the hospitality industry struggle with the rapidly increasing housing costs in Colorado Springs. The dark green “super sector” bars on the left side of the chart (r) are some of the fastest growing employment sectors in the region. Jobs in the healthcare and social assistance categories have projected annual growth rates around 3%. Accommodation and food services, education services, and construction are also expected to see annual gains at a pace that exceeds other employment sectors across the Rocky Mountain region.34

While large numbers of the workforce fall into a handful of categories, other employment opportunities available in the community result in a wide income spectrum for El Paso County residents; however, 45% of households in El Paso County have total household income of $62,150 or less.14

Year over year, new jobs are being added in the El Paso County region at a rate that exceeds population growth. The UCCS Economic Forum projects that the local job market needs to add 5,400 or more jobs each year in order to keep up with the growing population.16

92% of the new jobs were created within the following four “super sectors” between 2017 and 2018: construction, healthcare, social assistance and education; accommodation and food services; and professional and business services.35

Since 2015, the region has been largely successful in this category, adding nearly 5,600 new jobs in 2018 alone:14

The existing job market consists largely of employment in the healthcare, social assistance, and education sector followed by military employment, retail trade, accommodation and food services and administrative and support.34
MANY POTENTIAL HOME BUYERS ARE UNABLE TO BREAK INTO THE LOCAL HOUSING MARKET

Homeownership continues to be a proven household wealth builder. For many households across the country and across income categories, ownership of a home is their single biggest asset. Homeowners in the El Paso County region, where home values are on the rise, benefit from increased equity and favorable provisions written into the tax code. Increasingly, however, many potential homebuyers are unable to crack the local housing market. In Colorado Springs, only 4.1% of the homes on the market are affordable to households making $50,000. By comparison, in Kansas City the share of homes that are affordable increases to 31.5% for households making $50,000.

HOUSEHOLDS EARNING $50,000 CAN AFFORD 4% OF HOMES LISTED FOR SALE IN COLORADO SPRINGS
SOURCE: MARCH 2018 - NATIONAL ASSOCIATION OF REALTORS

HOMEOWNERSHIP VARIES WIDELY BY RACE & ETHNICITY
In Colorado Springs, 63% of white households are homeowners compared to 36% of black households and 43% of Hispanic households. The rate of homeownership among black households has fallen 6% since 2000, while the homeownership rate among white households has remained relatively steady. The low homeownership rate among minority populations points to a legacy of exclusion from landmark homeownership programs of the latter half of the twentieth century.

HOMEOWNERSHIP IS DELAYED FOR YOUNGER DEMOGRAPHICS
Nationally, the median age of first-time home buyers is 33, up 3 years since 2010. A lack of entry-level homes at an affordable price coupled with high levels of student debt are some of the factors delaying the ability of younger households to make the transition from renting to homeownership.

NEWLY BUILT SINGLE FAMILY HOMES ARE GETTING BIGGER & MORE EXPENSIVE
Delayed and lower homeownership rates may also be attributed to the expanding size of newly constructed housing being built. Simply put, homes are getting bigger and more expensive. The average size of a single family home in the Pikes Peak region increased by over 1/3 over the last three decades, from 2,023 to 3,286 square feet.

NEWLY BUILT SINGLE FAMILY HOME SIZE
SOURCE: PPAR

DESPITE THE INCREASING COST, SINGLE FAMILY HOMES REMAIN THE COMMUNITY PREFERENCE
While the clear preference in the community based on survey responses is for single family homes, the lack of variety in housing types combined with rapidly rising home prices are making the transition from renting to owning more difficult for low- to moderate-income households.

ACCORDING TO THE COS HOUSING SURVEY: RESPONDENTS WHO CURRENTLY DO NOT OWN A HOME...

NEWLY BUILT SINGLE FAMILY HOME BETWEEN ’70-’79 - ’15-’19

HOMEOWNERSHIP VARIATION CHART

HOMEOWNERSHIP VARIATION CHART
HOMES ARE TRANSFERRING OWNERSHIP TO LARGE CORPORATIONS & INVESTORS

According to the Colorado Association of Realtors, in February 2020, the median sales price of a single-family home in El Paso County ($341,000) was 44% higher than that of a townhouse/condo ($237,000).\(^1\) Increasing the variety in housing types will help bridge the gap between renting and homeownership. The housing stock in Colorado Springs is predominately single family homes (62%), while townhomes, condominiums and small multifamily properties, also known as the “Missing Middle”, make up just 19% of the housing stock.\(^2\)

A corollary trend can be seen in declining homeownership rates in some of the city’s older neighborhoods. Areas closer to the city’s core have seen homeownership rates decline as investors have purchased the existing single-family housing stock and converted them to rentals. The 2008 housing crash created an opportunity for real estate investment corporations to buy up homes priced at a fraction of their value. Across the country, more than $220 billion in housing wealth transferred from Americans who once owned, or would have owned, homes to corporate ownership.\(^3\) The high demand for properties in neighborhoods located close to the city’s core coupled with higher percentages of rentals has depleted what would have been a ready supply of for-sale housing stock at affordable price points for younger households.

HOMEOWNERSHIP RATE BY CENSUS TRACT: 2000

HOMEOWNERSHIP RATE DECLINE BY CENSUS TRACT: 2014 - 2018

ACROSS THE COUNTRY, MORE THAN $220B IN HOUSING WEALTH TRANSFERRED FROM AMERICANS WHO ONCE OWNED, OR WOULD HAVE OWNED, HOMES TO CORPORATE OWNERSHIP DURING THE 2008 HOUSING CRASH
DEVELOPMENT COSTS KEEP GOING UP

CONSTRUCTION COSTS

The lack of affordable housing in the community is the product of many different variables, including rapidly increasing construction costs. While there are a handful of national and international trends related to development costs, most cost determinants are directly linked to conditions in the local housing market. In Colorado Springs, two factors contribute the most to increased housing costs: competition for skilled labor in a competitive job market and a scarcity of land suitable for development.

As a result, per door costs for new single- and multifamily projects have reached new heights. The average cost to build a new single-family home in 2019 was $370,990 leading to high monthly mortgage payments. A typical multifamily project in 2019 cost $205 per square foot to construct, resulting in rents upwards of $1,500 to $2,000 per month. The escalating cost of developing new housing makes it nearly impossible to rent or sell units at rates affordable to a large portion of the community.

LOW-INCOME HOUSEHOLDS ARE LIMITED IN LOCATION CHOICE

In addition to high costs, lower-income households experience fewer choices in location. Apartments with lower rents tend to be concentrated in areas near the center of the City while much of the new multifamily housing stock is being built in the northeast and southwest, where rents are higher than many lower-income households can afford. Rising numbers of relatively low-wage households combined with a lack of affordable and available rental units is increasing the number of cost-burdened households in the community.

Post-World War II suburbanization driven by auto-centric patterns of development has also widened the gap between the cost of building housing and the buying power of households. Higher density housing that once provided affordable rentals and homeownership opportunities for lower-income households has become difficult to build without overcoming community opposition.
THE NEED FOR LIHTC FINANCING IS GREATER THAN AVAILABLE FUNDS

LOW-INCOME HOUSING TAX CREDIT (LIHTC) FUNDS

The Low-Income Housing Tax Credit (LIHTC) program was created by Congress in 1986 as Section 42 of the Federal Tax Reform Act. Its purpose is to encourage the construction and rehabilitation of low-income rental housing by providing a federal income tax credit to investors. The tax credits are made available to developers of qualified projects, and the developers sell the credits to raise equity, reducing the amount that the developer would otherwise have to borrow. Tax credit properties are able to offer lower, more affordable rents because the overall debt associated with financing the project is lower.

As the low-income housing tax credit administrator for Colorado, the Colorado Housing Finance Authority (CHFA) allocates $10 - $12 million dollars of federal and state tax credits each year to development projects across the state. Unfortunately, the amount of LIHTC financing available doesn’t match housing need and the application window is small. CHFA has two application rounds each year: one for 9% credits that are used to fund deeply subsidized projects such as Greenway Flats, a permanent supportive housing project in southwest downtown; and a second for the 4% State of Colorado Affordable Housing Tax Credit (AHTC) which is typically used to finance low-income housing for seniors or working families. During each application period, CHFA typically receives three times the number of applications that can be funded.

As the El Paso County region continues to grow and eventually surpass the Denver metro area as the State’s most populous region, it is critical for CHFA to have a broad understanding of the community’s housing needs. It is equally important for CHFA to have ongoing evidence of the community’s commitment to meeting those needs. Going forward, development teams applying to CHFA will be able to reference HomeCOS to support the need for a particular project, access local funding sources, and meet local housing goals.

THE 4% LIHTC SUBSIDIZES 30% OF A PROJECT’S COST, AND THE 9% LIHTC, SUBSIDIZES 70% OF A PROJECT’S COST

HUD LOANS

BETWEEN 2016-2019 IN COLORADO SPRINGS

8 LIHTC PROJECTS WERE FUNDED
4 PROJECTS 4% LIHTC
4 PROJECTS 9% LIHTC
ADDED 889 UNITS
LIHTC FUNDING AWARDED

CURRENTLY IN COLORADO SPRINGS

THERE ARE 30 LIHTC PROPERTIES IN COS
PROVIDING 3,246 RENTAL UNITS
767 UNITS 2,011 UNITS
50% AMI 40% AMI
UNITS THAT ARE INCOME RESTRICTED TO AMI LEVELS IN COS

43% OF THE TOTAL UNITS APPLIED FOR BETWEEN 2016-2019 WERE FOR 9% LIHTC FUNDS
ON AVERAGE IN COS 38% OF THE LIHTC UNITS APPLIED FOR EACH YEAR ARE FUNDED

20% OF THE LIHTC UNITS ARE FOR ELDERLY RESIDENTS
4% OF THE LIHTC UNITS ARE FOR THE HOMELESS
WHY DOES HOUSING MATTER?

HOUSING IS INTEGRAL TO REGIONAL PROGRESS

Regional progress is largely quantified by the improved health, higher educational attainment, and improved financial stability of residents. Housing is the platform that enables individuals and families to focus on improving long-term outcomes rather than the immediate need to find and secure adequate, affordable, or attainable housing. Increased housing choice at all income levels helps ensure that the Pikes Peak region and all of its residents will continue to thrive.

While considered a basic human necessity, households at different income levels rely on different housing types. For example, permanent supportive or transitional housing for homeless individuals or families earning less than $25,100 can facilitate movement from the shelter system to more independent housing. Affordable rental housing typically serves working households earning between $25,101-$46,620, while first-time homeownership programs provide an opportunity for households earning anywhere from $46,621-$62,150 to make the shift from renting to homeownership.

A lack of housing choice, particularly for lower-income renters, is having a number of adverse effects in the region. Homeless individuals and families continue to struggle with rising housing costs, relying on the shelter system and the City’s public spaces to meet basic needs. Households spending 30% or more of their income on housing have less to spend on other essentials such as medical care, after-school activities, cultural events, or recreation. Younger households working hard to put down roots in the region find it difficult to purchase housing. And the continued growth of senior-headed households isn’t matched by the availability of age- and lifestyle-appropriate housing types.

HOUSEHOLDS THAT ARE NOT COST-BURDENED SHOW IMPROVED OUTCOMES ACROSS GENERATIONS

Stable, affordable housing is directly linked to a family’s wellbeing and future security. Affordable housing enables families to spend nearly five times more on healthcare, a third more on food, and twice as much on retirement savings. Access to decent, safe, affordable housing consistently leads to better outcomes, particularly for children. A sample of some of the research shows the many ways that housing is directly linked to better educational opportunities, healthier people, and more vibrant neighborhoods.

- Children who live in a crowded household at any time before age 19 are less likely to graduate from high school and tend to have lower educational attainment at age 25.14
- Homeless students are less likely to demonstrate proficiency in academic subjects. Passing rates for English language arts, math, and science exams are lower among homeless students than among their housed counterparts.14
- Being behind on rent, moving multiple times, and experiencing homelessness are associated with adverse health outcomes for caregivers and children and with material hardship.14
- Access to housing and access to opportunity are inextricably linked, affecting future intergenerational mobility.29
- Children who are raised in stable, safe homes in lower-poverty neighborhoods have 31% higher annual incomes, are 32% more likely to attend college, and earn an additional $302,000 over the span of their lifetime.30

The benefits of addressing family homelessness are exponential. Studies have found, that children in substandard housing are less healthy, do poorly in school, and are at a higher risk of developing lifelong problems including learning, behavior, and mental health disorders.13 Providing access to affordable, stable housing in neighborhoods without concentrations of poverty is a means to improve outcomes across all of these measures.

STABLE HOUSING CONTRIBUTES TO CHILDREN’S SUCCESS

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INCREASED TAX BASE

Additional flexibility within a family’s budget allows for increased spending on transportation, entertainment, and necessities, which in turn increases local retail profits. The support of businesses within the community increases the tax base of the City, creating needed revenue for additional public safety officers and infrastructure repairs that benefit all residents.
WHAT ARE THE ECONOMIC BENEFITS?

COMPANIES LOOKING TO RELOCATE OR EXPAND LOOK FOR A DIVERSE HOUSING MARKET AFFORDABLE TO THEIR EMPLOYEES

A diverse housing mix encourages an equally diverse mix of business opportunities and investments. Companies deciding whether to relocate or expand into a region look closely at the range of available housing when making their decision. Executives involved in selecting the location of new facilities rank housing costs and housing availability just below the crime rate and adequacy of healthcare facilities when considering “quality of life” factors for new sites.

In a survey of more than 300 companies, 2/3 of respondents believe that the shortage of affordable housing “is having a negative impact on retaining qualified entry-level and mid-level employees.”

As the Pikes Peak region continues to attract large numbers of younger, working-age adults filling entry- and mid-level professional positions, regional housing costs will play an important role in retaining qualified employees instead of losing them to out-migration.

Lower cost metros offering more affordable and attainable housing options will play an important role in retaining qualified employees instead of losing them to out-migration.

Without affordable and attainable housing options, our community is losing employment opportunities. A 2010 Federal Reserve Bank of Boston study comparing housing costs to household incomes concluded that the price of housing has a direct effect on regional employment growth. The researchers found that if the median selling price of a home is more than 3 times that of the median household income, regional employment growth was 2% slower, on average, over a two-year period. Locally, this translates to a loss of over 100 employment opportunities per year.

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ECONOMIC BENEFITS TO THE LOCAL ECONOMY

The residential construction industry generates multi-year economic benefits that begin before ground-breaking and continue well after final occupancy. Statewide, the ripple effect of construction activity in the first year alone is estimated to exceed $12 billion. Over a ten-year period, the economic benefits are estimated at nearly $29 billion with a legacy of more than 20,000 jobs pumped into the local market.

Data from the National Association of Home Builders shows that the construction of 100 homes generates $11.7 million in local income, 161 local jobs in the first year alone, and $2.2 million in taxes and other revenues for local governments. Economic benefits accrue to all types of residential construction at every price point, single- and multifamily, affordable, attainable and high-end.

RECURRING IMPACTS OF HOUSING CONSTRUCTION

100 SINGLE FAMILY HOMES

$28.7 MILLION LOCAL INCOME

$11.7 MILLION LOCAL INCOME

100 RENTAL APARTMENTS

$3.6 MILLION IN TAXES

$2.2 MILLION IN TAXES

394 LOCAL JOBS

161 LOCAL JOBS

$1 MILLION LOCAL INCOME

$500,000 IN TAXES

69 LOCAL JOBS

44 LOCAL JOBS