

APRIL 2022

The *Missing* Middle

A Pathway to Addressing
the Housing Affordability
Challenge in Colorado
Springs for Middle-Income
Earners

PRESENTED TO

Elected Leaders

PRESENTED BY

Community Housing Affordability Taskforce

- Housing & Building Association of Colorado Springs
- Colorado Springs Chamber and EDC
- Pikes Peak Association of REALTORS
- Apartment Association of Southern Colorado
- COS Downtown Partnership
- Affordable Housing Collaborative

INTRODUCTION



Colorado Springs, like much of Colorado, is facing a housing challenge. While there are great efforts underway to address parts of the housing spectrum for the most vulnerable, one area is continually left behind--left to the market to solve the challenge--yet the situation only worsens. Inventory decreases as prices increase, and those in the middle-income range are left with few options. Educators, military personnel, nurses, firefighters, and recent college graduates are faced with a market that leaves them very few options to find the right housing that will allow them to settle down, create roots, and engage in the community for years to come.

Families are simply choosing not to rent or buy in Colorado Springs because it is too expensive. Should they be so lucky to actually do so, the rising costs of utilities, gas, and other basic living expenses make the prospect of maintaining their lifestyle a worrisome feat. Simply put, middle-income earners are being left behind. However, there are actions our local governments can take to ease the problem.

Both our federal and state elected officials have committed in 2022 to pieces of the challenge, and we ask our local governments of Colorado Springs and El Paso County to join the effort. We invite the city and county to come aboard as meaningful partners to ease the burden on middle-income earners.

THE DEFINITIONS

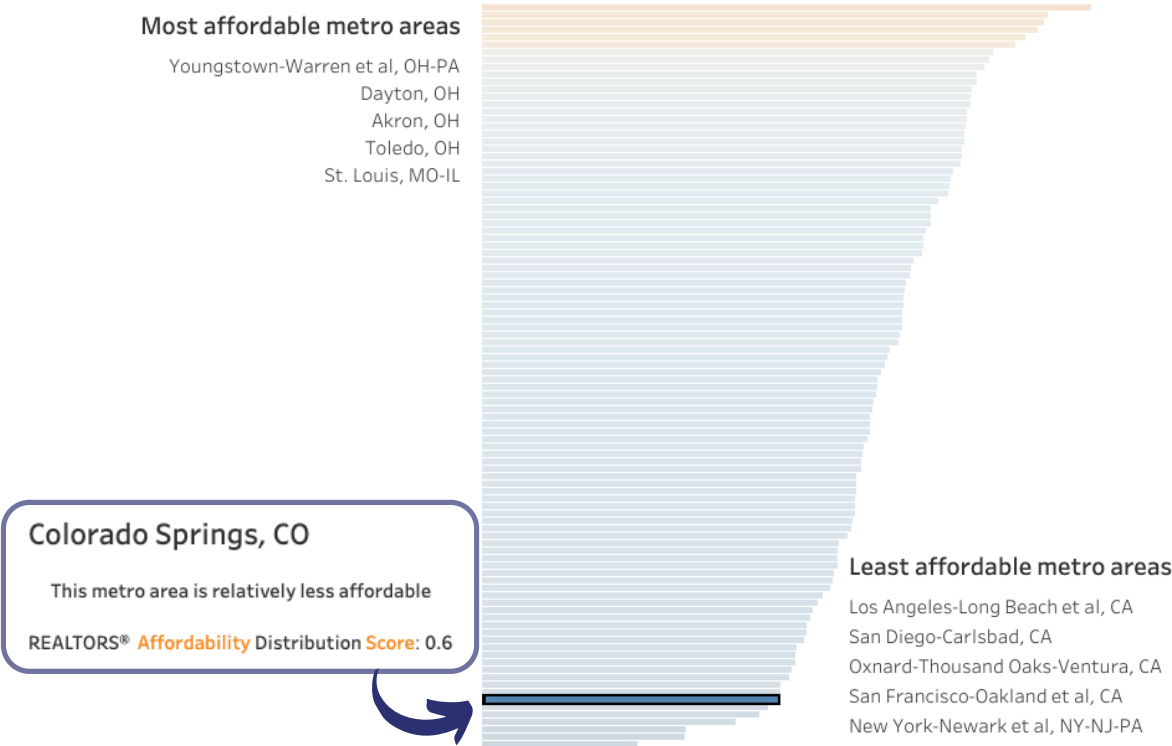
Missing Middle: People who fall between 60-150% of AMI who, given their income, usually struggle to qualify for a house within the existing housing inventory.

AMI: Area Median Income; the midpoint of a region's income distribution, meaning half of the households in a region earn more than the median and half earn less than the median.

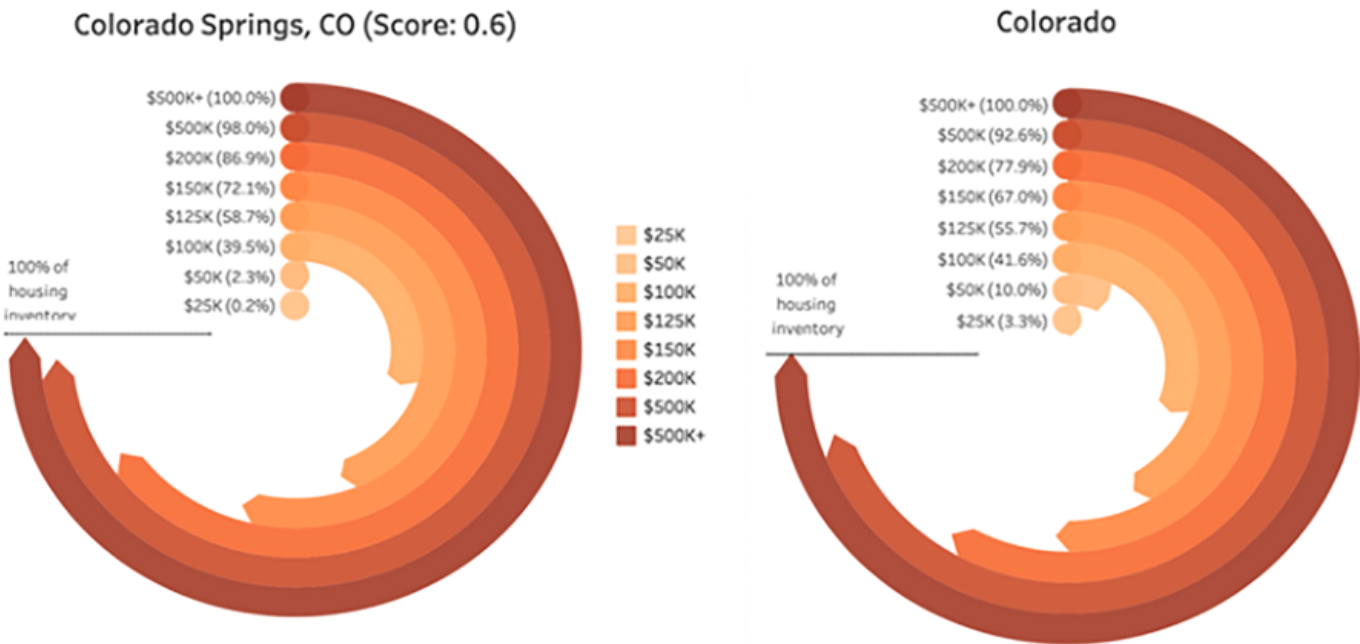
Attainable Housing: A term referring to market rate housing that meets the HUD requirement of affordable, meaning a household spends 30% or less of their income on housing.

COLORADO SPRINGS HOUSING CHALLENGE

"According to the National Association of REALTORS®, Colorado Springs is in the *top 10 least affordable metros areas in the country.*"



INVENTORY



COLORADO SPRINGS HOUSING CRISIS

"According to the National Association of REALTORS®, Colorado Springs is in the *top 10 least affordable metro areas in the country.*"

Metro area	Income Level	Affordability Score	Cumulative Share of Households	Share of Homes for Sale That They Can Afford to Buy	Number of Homes That They Can Afford to Buy	Listing per Household Ratio
Colorado Springs, CO	Less than \$15,000	0.5	7%	0	3	8,228
Colorado Springs, CO	\$15,000-\$24,999	0.5	14%	0	3	5,717
Colorado Springs, CO	\$25,000-\$34,999	0.5	22%	1	9	2,189
Colorado Springs, CO	\$35,000-\$49,999	0.5	33%	3	21	1,658
Colorado Springs, CO	\$50,000-\$74,999	0.5	51%	7	57	896
Colorado Springs, CO	\$75,000-\$99,999	0.5	65%	20	170	215
Colorado Springs, CO	\$100,000-\$124,999	0.5	76%	42	352	79
Colorado Springs, CO	\$125,000-\$149,999	0.5	84%	58	489	37
Colorado Springs, CO	\$150,000-\$199,999	0.5	92%	71	597	44
Colorado Springs, CO	\$200,000-\$249,999	0.5	95%	82	693	14
Colorado Springs, CO	\$250,000-\$499,999	0.5	95%	90	761	12
Colorado Springs, CO	\$500,000 and Up	0.5	100%	100	841	2

THE SOLUTION: BUILD MORE UNITS

FEDERAL AND STATE CONSENSUS



"Our state faces significant challenges with providing affordable housing. We continue to attract new residents and jobs, but with this growth has come ever-increasing housing prices.

It's no wonder people find housing so unaffordable. The Federal Housing Finance Agency's all transactions house price index for Colorado suggests that home prices have nearly doubled over the last decade.

THIS IS EXACERBATED BY A HOUSING DEFICIT.

225,000 housing units must be built for current Colorado residents in the next couple of years, and an additional 100,000 to accommodate new residents. These challenges call for transformational change in housing policy." ✱

"At the most basic level, the housing crisis is driven by a shortage of affordable and attainable housing. The supply deficit exists because the current system does not have the capacity or adequate tools to handle the scope of need.

It is unrealistic to expect the private market to solve this challenge alone, and, due to years of underinvestment, our current system of public support does not have the capacity to fill the gap." †

"We are desperately in need of an updated and innovative approach that meets our times--one that brings everyone to the table, builds upon existing tools, and readily integrates the new ideas that work." †



Affordable Housing Transformational Task Force,
Recommendation Report, January 2022



Comprehensive Housing Affordability Strategy
Framework, Recommendations by Senator Bennet's
Housing Affordability Strategy Group, January 2022



THE FACES OF THE MISSING MIDDLE HOUSING CRISIS



FAMILIES ARE IMPACTED.

Kimberly and her husband Erin Gooch moved to Colorado Springs three-and-a-half years ago from Fort Rucker, AL. Erin is an Apache Helicopter Instructor Pilot for the U.S. Army, and Kimberly works supporting soldiers for the Fort Carson Marketing Department in the morale division.

Homeownership is not something that Kimberly thought of until it made sense for their family. To her, owning a home is associated with commitment to an area and the desire to put down roots in the community. But when she and Erin decided it was the right time, the housing market disagreed.

"The home buying process has a pretty crazy reputation these days," she said. "The process seemed intimidating, and when we got into the process, that was true. Inventory was limited to meet the needs of our family of four and two dogs, and when we finally found a home, we would put in an offer, only not to get it. We went through that process six times before we finally got an offer accepted. I had a friend go through it twelve times."

"It was tough to find a home, a home that we could afford and would fit our needs."

The American dream is about being able to form roots, be involved in the community, raise happy kids, and have opportunities for career paths in the community in the future. Colorado Springs offers all of that. The trick is for middle- and upper-middle-class families to be able to afford it."

Affordability is always a worry. Life expenses add up quickly, and being in a good financial place is a huge concern.

SENIORS ARE IMPACTED.



Dayton Romero of Silver Key helps seniors with financial assistance, government agency navigation, and community advocacy to help simplify their daily lives.

He knows homeownership is a big deal in terms of stability and sustainability for a senior's mental and physical well-being. Helping seniors age in their homes without worry is better for all. For example, with means of sustainability and leveling opportunities for creative aspects for room sharing, homeowners can help solve housing inventory challenges in a community.

Aging in place is critical; AARP says 98% of people want to age in place, and homeownership is essential to making that happen.

"We have a 2:1 ratio of renters to homeowners; those who own their own home have more security as they are aging."

Anything to increase homeownership early in life is helpful because, ideally, seniors will own their homes outright by retirement. Whether they are free and clear or close to paying off their mortgage, retired homeowners still have financial issues, but one less problem is their living situation. Investing earlier in life sets up more stability in later years.

Unfortunately, the staggering fact of 1/3 of Coloradans are in unstable housing circumstances means many are struggling on a fundamental level. Housing is the foundational mobilizer to help a community thrive.

Once housing is addressed, all the other factors in a community become easier to solve.

Colorado Springs is a fantastic place to live, and generating creative solutions for diversified and sustainable housing stock is critical.

Elected officials need to look closely at opportunities with universal design and more accessibility in design. We can be more forward-thinking and creative regarding codes, planning, and homeownership programs, to help ease the burden on seniors and the rest of the market.

UCCS FACES HIRING CHALLENGES BECAUSE OF HOUSING SHORTAGES

Administrators at the University of Colorado Springs have reported challenges in hiring due to a lack of attainable housing stock. In 2021 they hired professors who came to Colorado Springs, ready to teach and be part of the community. After months of trying to find a home to purchase, they kept coming up short. Out of frustration, they decided to move on to opportunities elsewhere in more affordable communities.

ALLISON'S STORY

Allison was born and raised in Colorado Springs; she knows this community. She and her husband moved away from Colorado Springs in 2016, then came back because it was the place they wanted to call home, finish raising their family and eventually retire.

Finding a home this time was much more difficult than they anticipated. Much has changed in the market between the mid-2010s and now. They expected more options to fit their budget and needs and were disappointed when reality sank in.

Their return to Colorado Springs proved challenging. Moving from North Carolina made it even more of a struggle to choose and close on a reasonable house. There was no time to make good decisions in transition. With so little inventory and a fast-moving market, one spouse had to relocate early in order to make informed decisions on houses of interest. This tripled their housing cost in the meantime. Allison states, "It was stressful to make such a long-term decision in a fast-paced environment with investors constantly outbidding them."

"Homeownership means we can build roots, especially as a military family. There is a pride that comes with homeownership. I am a small business owner; we chose to set down roots here but wonder at what cost," Allison said.

"Prices are becoming out of reach; homeownership is becoming out of reach. It is costly to live in Colorado Springs. I own a business, I have grown up here, my husband and I both have stable jobs, and we can't afford to live here. When all you can do is work to pay the bills and nothing else, it's demoralizing. Simply put, there are other places we could live that are more affordable."

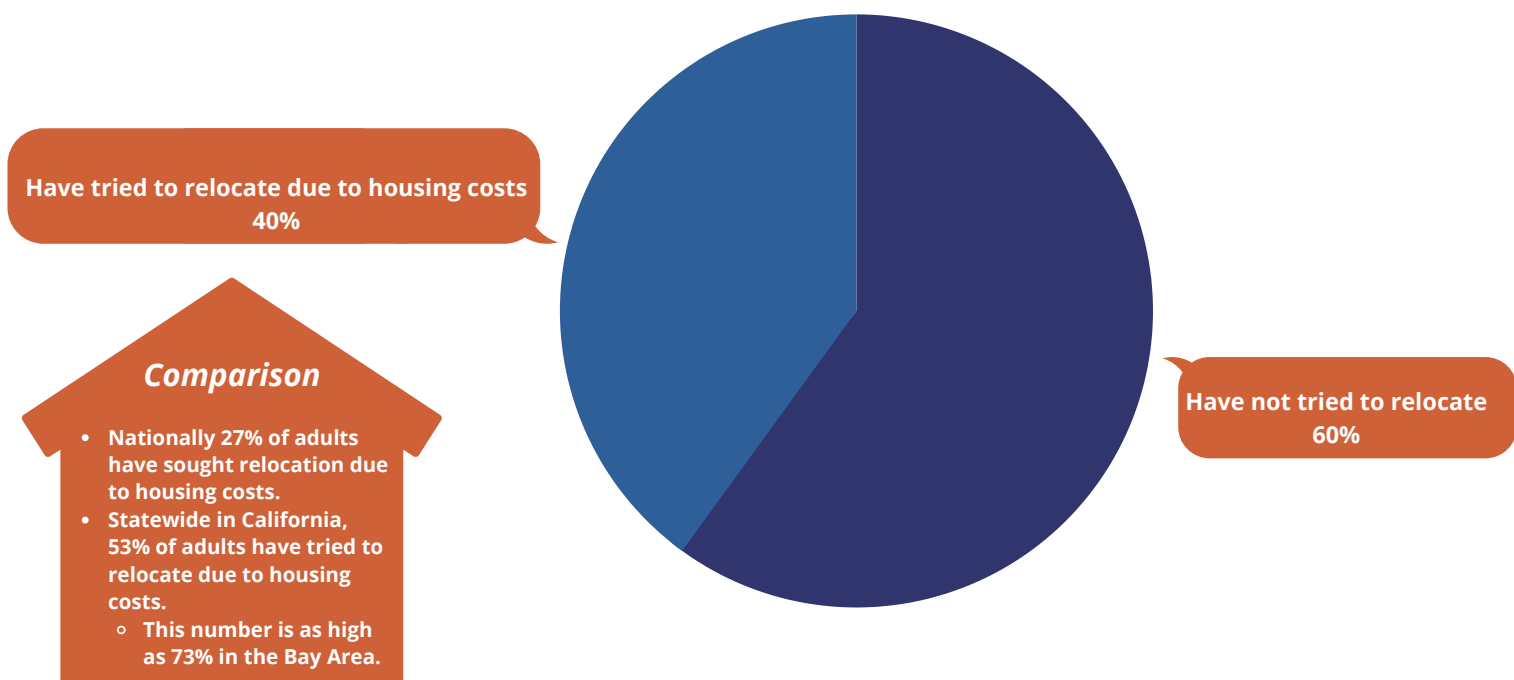
Elected officials must make affordability a number-one priority. If a healthy community dynamic is desired, affordability is paramount. There is no way for professionals and/or families to get a foot in the door or get ahead when the cost of housing and living is so expensive.



POLLING DATA STORY

WHAT PEOPLE IN COLORADO SPRINGS ARE SAYING ABOUT HOUSING AFFORDABILITY

LOOKED FOR JOBS IN AREAS WITH LOWER HOUSING COSTS

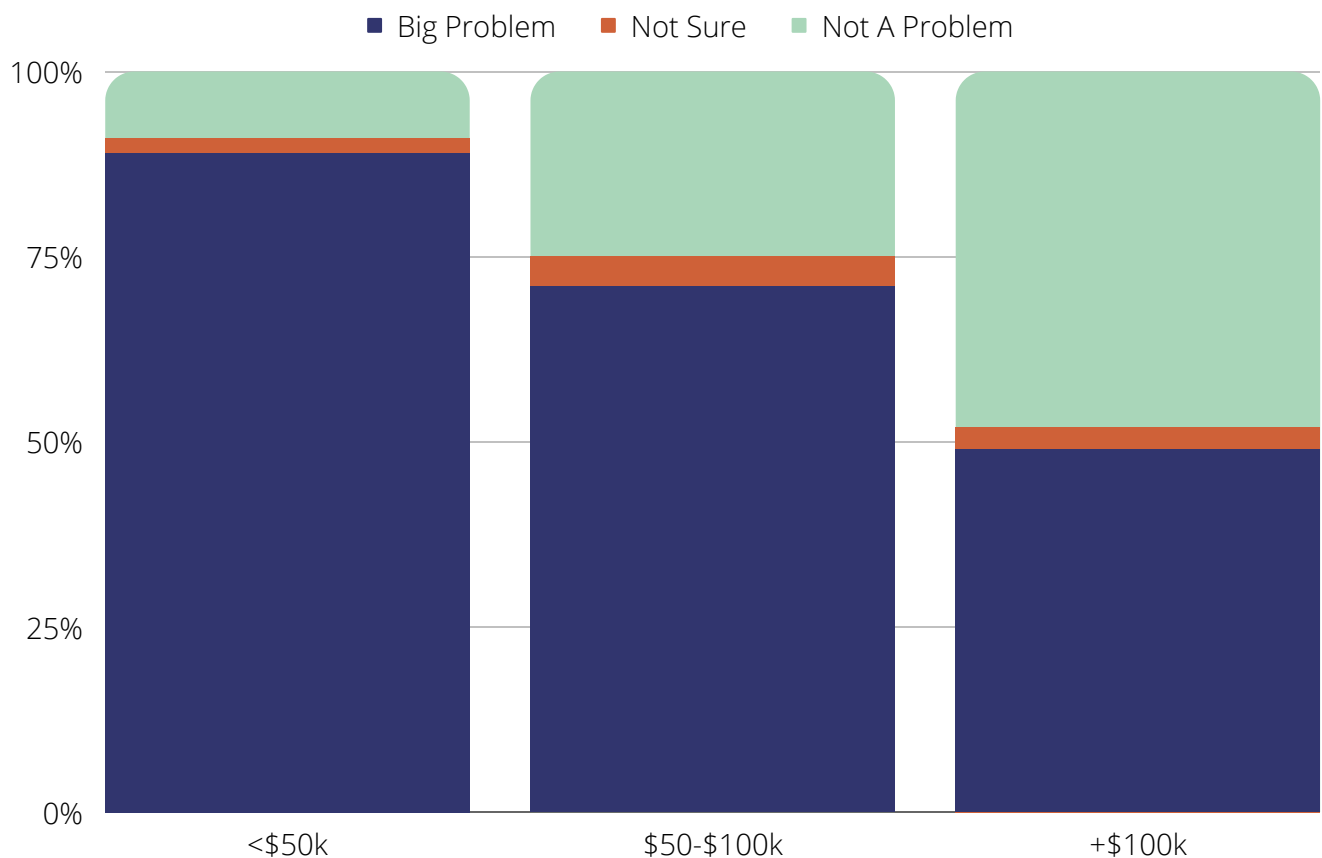


The Colorado Springs Chamber and EDC's poll of registered Colorado Springs voters in December 2021 tells a story of voters who are not optimistic about housing and government. However, the poll also shows room for hope.

Top-of-mind issues for voters are homelessness (75%) and affordable housing (74%); lagging by almost 20 points are K-12 education and crime (each 57%).

Both renters (91%) and homeowners (55%) say housing costs are a big problem. We would expect those in the "affordable" category (AMI 30-60), or household incomes under \$50,000, to say housing costs are an issue. What is telling is that 71% of those in the "missing middle" (AMI 60-120), or household incomes of \$50,000-\$100,000, believe housing costs are a big problem. Even 49% of respondents making more than \$100,000 feel housing costs are a big problem.

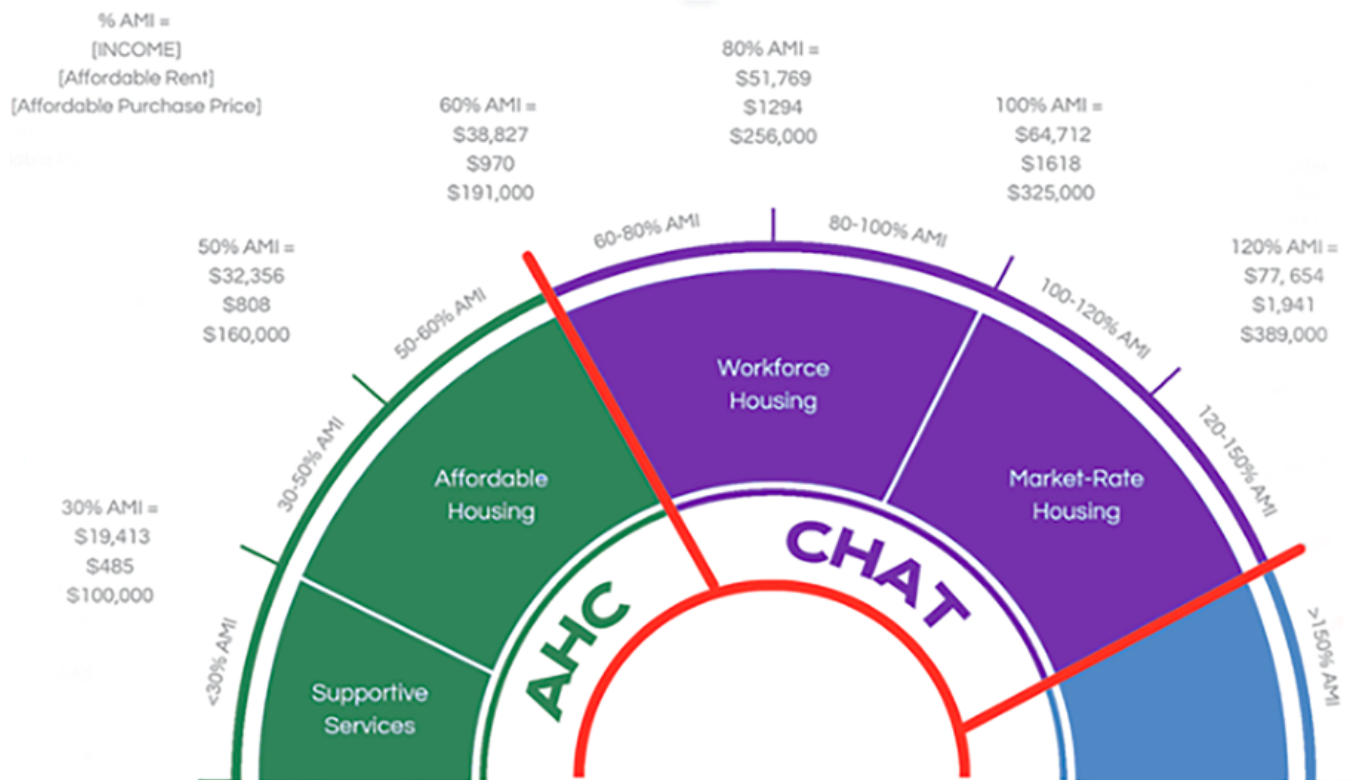
Thinking specifically about housing costs, how much of a problem is it for you and your family to afford housing in Colorado Springs?



THE CASE BY THE NUMBERS

AFORDABILITY

What can the missing middle afford?



Affordable housing terminology and AMI categories for a 3.0-person Owner household (2019)
Source: HUD Income Limits: Economic & Planning Systems

- El Paso County's Home Ownership rate was 72.2% in 2006 and down to 66.5% in 2019.*
- While there are many factors to homeownership, this trend should be alarming to Colorado Springs representatives; it has far outpaced the United States trend in the drop of homeownership, which slightly decreased from 68.6% to 65.3%.*

*Data from the US Census Bureau

IT'S A COMPETITIVE MARKET

Colorado Springs, with its over 250 aerospace and defense contractors, NORAD, and significant military presence, is a prime location for Space Command. The public and private incentives and land offered by the City of Colorado Springs make the location even more compelling. However, the available housing market is a critical issue. The median sales price for a home in Colorado Springs is almost \$200,000 more than in Huntsville. The region needs immediate action from officials and local partners to demonstrate awareness of the problem.

Median Colorado Springs Home Price: **\$438,000;**

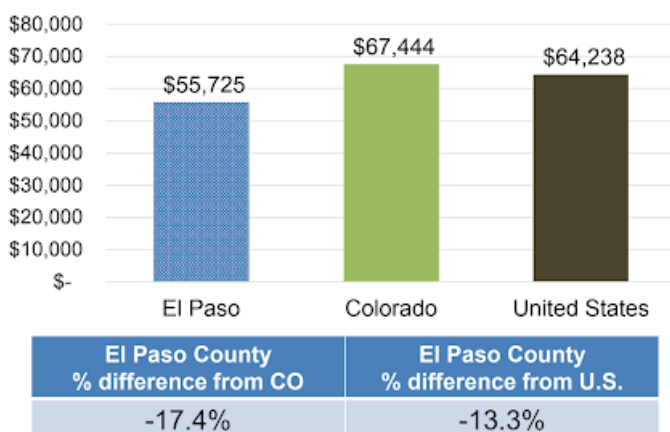
Median Huntsville, AL, Listing Home Price: **\$285,000;** sold price: **\$265,000**

We know El Paso County has produced more units of housing recently than in years prior, but that doesn't mean they are affordable or attainable units. We aren't getting to the core of the problem, and our elected officials must act quickly and partner with the housing industry; otherwise, we will be pricing out a generation or more of homeowners in our community.

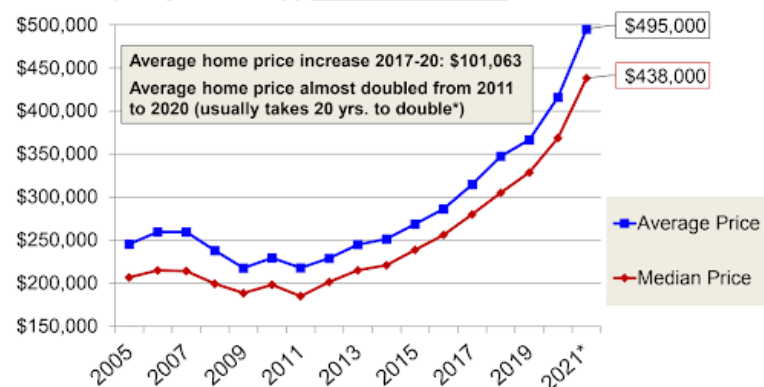
WAGES AREN'T KEEPING UP.

Wages aren't keeping up with housing costs: Given the amount it costs for a family to purchase a home, even a family making 120% of AMI is stretching to afford homeownership based on housing costs and their wages. When looking at job openings in Colorado Springs, most people applying for positions, especially people in the "workforce housing" category, simply cannot afford homeownership in the Colorado Springs market.

Private Industry Average Annual Wages, 2020



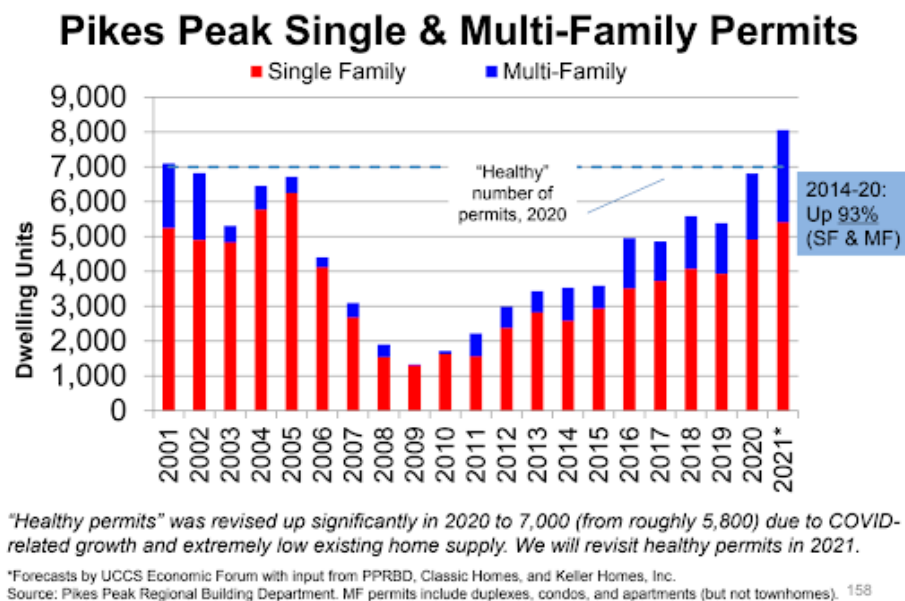
Pikes Peak Region Annual Average & Median* (Single-Family) New & Existing Home Prices



*Forecasts by UCCS Economic Forum with input from Cheri Fischer, Doug Stimple, Eddie Hurt, Harry Salzman, Michelle Blessing and Zillow.
Source: UCCS Economic Forum; Pikes Peak REALTOR® Services Firm (BSC); Foreclosure comment by Bruce Bette

WE ARE UNDERBUILT

Homebuilders are quite pleased with the speed with which Colorado Springs moves a project through the process, but it still generally takes two years. We are living in a truly unique time, with the relentless demand for housing, supply chain issues, people working remotely, and many other drivers squeezing supply. Because supply has not kept pace with demand, we must speed up the process with which housing units reach the market.



As demand puts pressure on supply, prices continue to skyrocket. Those in 60-120 AMI are most impacted, with fewer and fewer options to purchase. Given outside forces, it is almost impossible to build single-family homes for less than \$350,000. We need creativity in new construction and government flexibility to build various products for the "missing middle" being left behind.

U.S. Existing Sales Distribution, May 2021

\$0-100K	\$100-250K	\$250-500K	\$500-750K	\$750K-1M	\$1M+
5%	26%	42%	15%	6%	6%

Colorado Springs MSA Sales Distribution, May 2021

\$0-200K	\$200-300K	\$300-500K	\$500-800K	\$800K-1M	\$1M+
1%	5%	61%	26%	5%	3%

Note: U.S. sales are existing only; Colorado Springs MSA sales are for all single-family homes. Notice price categories are slightly different.
Sources: National Association of REALTORS®, Pikes Peak REALTOR® Services Corp. (RSC)

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LOCAL GOVERNMENT'S ROLE

COLORADO SPRINGS MISSING MIDDLE HOUSING CHALLENGE POLICY ACTION ITEMS

The "missing middle" challenge is not going away. It is only exacerbated by inflation, rising interest rates, and supply chain challenges. Supply chain challenges will be further burdened by the Marshall Fire and other U.S. disasters. Quite simply, the cost of housing is rapidly rising. While there are programs to help those below 70% AMI, those between 80-120% AMI are quickly losing ground on their ability to purchase a home and harness the power of equity to build the American dream.

As a community, we must look at the aspects we can control and the ones we can't. We can't control supply chain challenges, inflation, or interest rates. Still, we can control what local governments are doing:

- What collaborations we are leveraging to create more public/private/non-profit partnerships.
- We can think outside the box on land planning, land use, density, and antiquated codes that don't allow for innovative housing types like manufactured homes and tiny homes.
- We can rethink what "home" is by envisioning a place where perhaps shared common areas like kitchens are imaginable

All ideas that could solve the missing middle housing challenge should be on the table while ensuring consumer safety isn't compromised. The days of sprawling middle-income neighborhoods are no longer feasible; the size of lots, and where those lots can go must be evaluated if we are genuinely going to make a dent in this challenge at the required pace. We need affordable housing for middle-income earners in Colorado Springs right now.



We are calling on our elected leaders to act!
Be a partner in bringing more units online to ease the supply challenge and reduce regulations so that the private sector can move forward quickly to build the affordable homes we need . We must relieve pressure on demand by increasing supply as quickly as possible.

At the Federal level

- Lobby for a 40-year mortgage
- Work on lumber and other tariffs
- Practical consideration of energy and electrical codes – need vs. cost
- Expedited environmental regulation reviews - i.e., wetlands

At the state level - advocate for:

- Construction defect reform
- Regulatory of cost of housing
- ARPA funds
- Increase Tax Credits
- Homestead Transferability
- Practical consideration of energy and electrical codes – need vs. cost

At the local level

- RetoolCOS- allow more density and flexibility
- PlanCOS- encourage quality growth
- Encourage and empower infill and high-density projects
- Home COS -Implement identified strategies
- Rebate tap fees for affordable housing projects
- Identify land for the product - City, County, School Districts, Colorado Springs Utilities
- Code review and changes- modular, 20 code changes today
- Ensure fee increases are studied and reviewed for the cost of housing
- Need more available lots/units
- Review plans quicker (not less quality -more quantity)
- Housing fiscal note to all new fees and ordinances
- Review parking minimums
- Encourage new city codes that allow for the market to change and evolve

The key is bringing more affordable products to the market now. We know our elected officials are creative leaders who always look to address our most significant challenges. The most important action they can take now is to help ensure the government is in full partnership with the private and non-profit sectors so the market can generate the units needed to ease the "missing middle"