

HOUSING FUNDING AND PROGRAM STUDY

City Council Check in #1



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The Economics of Land Use

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AGENDA

- Study purpose and context
- Housing and economic data
 - Local economy and wages
 - Prices and affordability
 - Gaps by income range and job type
 - Employer input
- Council input and discussion
 - Comprehensive Plan (Fruita in Motion)
 - Housing policies
 - Preliminary program outline
- Next Steps
 - Develop program targets/goals (EPS and Staff)
 - Council input
 - Regulatory Fee Study Report
 - Ordinance process

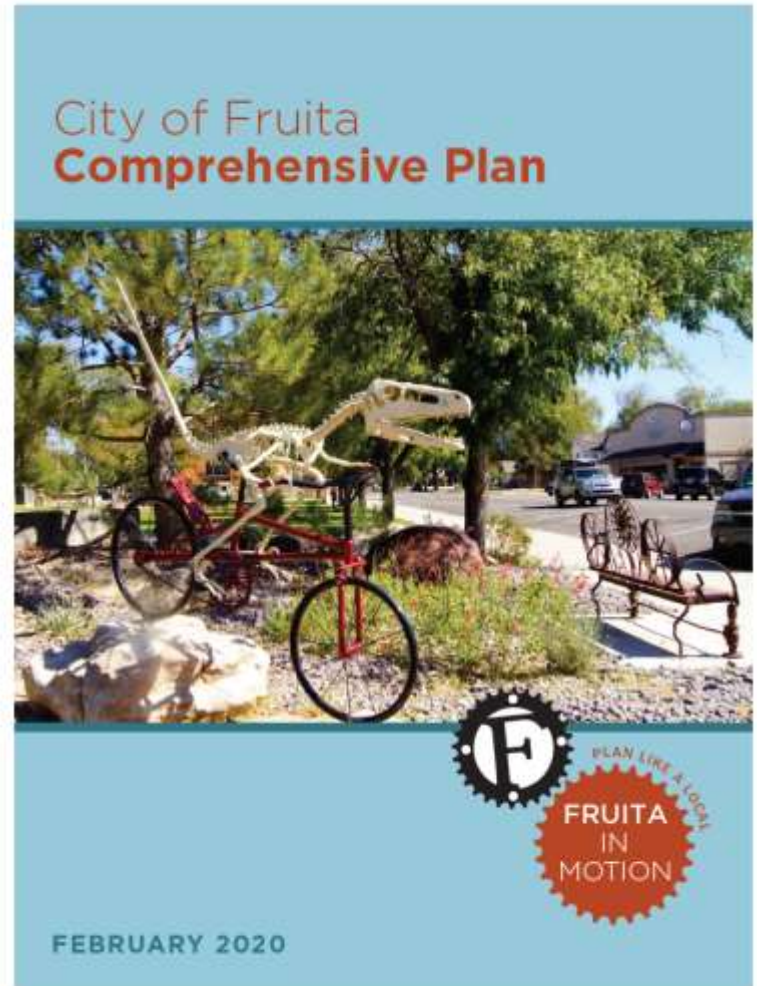


STUDY PURPOSE

- Perform housing and economic analysis needed to support the adoption of a proposed regulatory fee on housing transactions
- Phase I: Define the Issues (Dec 2021 – Jan 2022)
 - Assess housing needs for local workforce
 - Develop housing goals and policies as a basis for a regulatory fee
 - Relationships between housing and real estate purchases and the need for affordable/workforce housing
- Phase II: Housing Programs and Fee (Q1 – Q2 2022)
 - Define housing programs to achieve goals/policies
 - Estimate program costs
 - Calibrate fee and estimated revenue to program costs
 - Ordinance language



CONTEXT



FRUITA IN MOTION

- Fruita is committed to a land use pattern and supporting policies that promote access to housing across the income spectrum of residents (p. 2)
- Allow and encourage a diversity of housing types to fit the needs of the Fruita community and provide the diverse “funky” character that is treasured by residents (p. 39)
- Housing choices close to jobs to support labor force (p. 46, graphic)
- The availability and cost of suitable rental housing was cited [as a factor in a workforce shortage] (p. 50)
- Support flexibility in zoning and the development of diverse housing types as part of an economic sustainability strategy (p. 58)

CONTEXT AND TOOLS

- City is making progress
 - Land use and zoning changes to remove barriers
 - Allow more density in/around Downtowns
 - The market still sets prices: more tools are needed
- Common housing approaches
 - Inclusionary zoning and linkage fees (affordable housing impact fees)
 - Creates units when the market is strong
 - Burden is on new development
 - Can be appropriate depending on context
- Dedicated funding for housing
 - Predictable funding stream: planning and budgeting
 - Spreads cost and benefits of programs community-wide
 - More flexible use of funds in various programs
 - Target housing supply, homebuyer assistance, gap financing

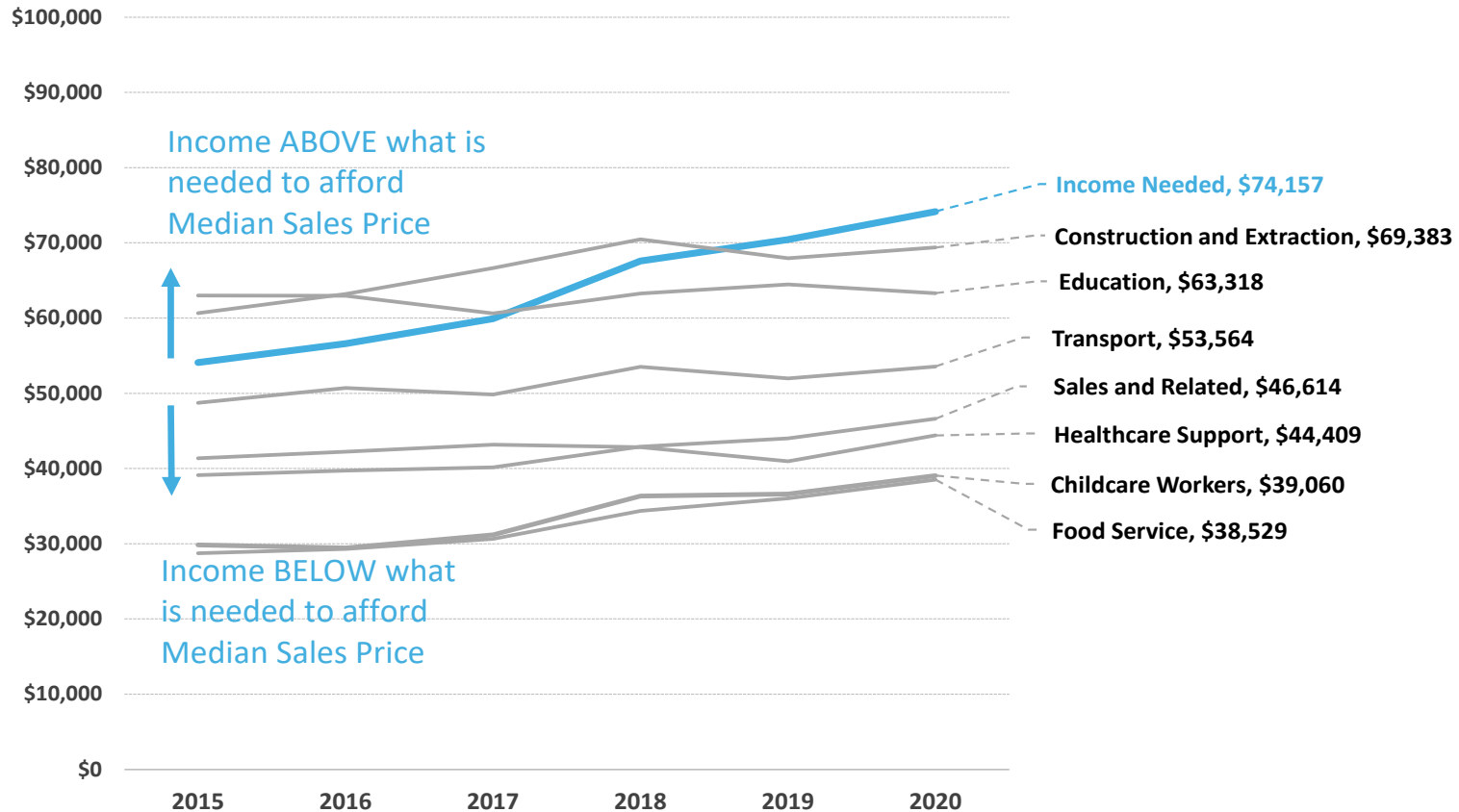
BASIS FOR FEE

- Regulatory fees are authorized by the City's police power: the power to regulate health, safety, and general welfare
- Study needs to show how are fee payers are “likely to benefit” from paying the regulatory fee – directly or indirectly
- Benefits
 - Workforce is available to fill jobs needed by residents and businesses (economic impact of housing)
 - Strong community where essential workers can live close to their jobs and be invested in the community
 - Culture, inclusivity, diversity of Fruita is maintained: variety of housing types and price/rent levels
 - The impact on climate and the environment is lessened through a reduction of in-commuting
 - Residents benefit from fully staffed businesses, nonprofits, and service providers



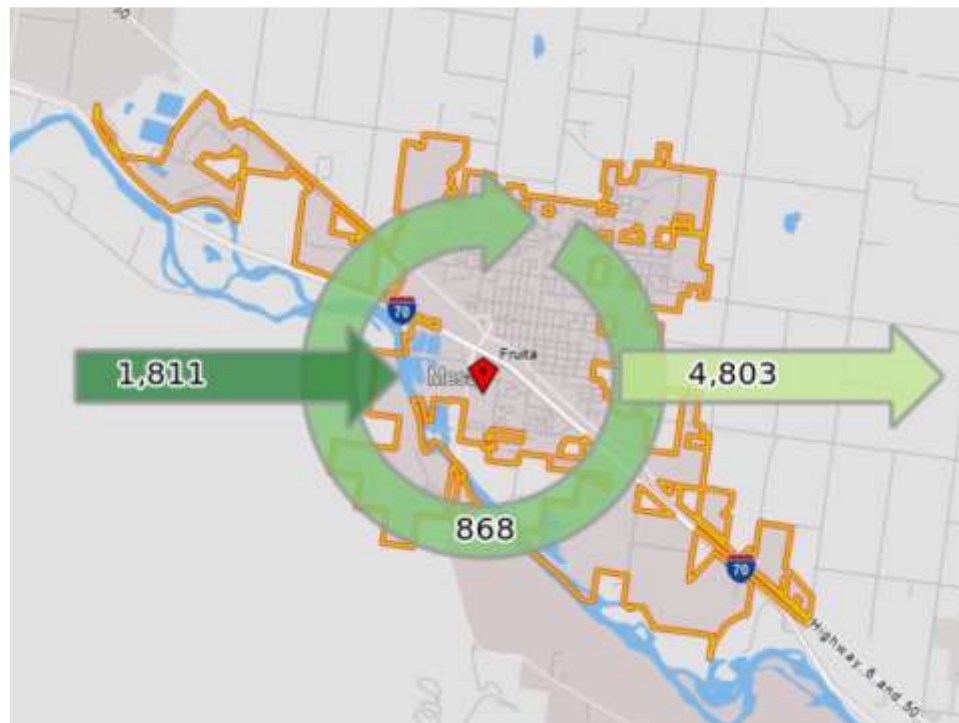
ECONOMY & AFFORDABILITY

INCOME NEEDED VS. WAGES

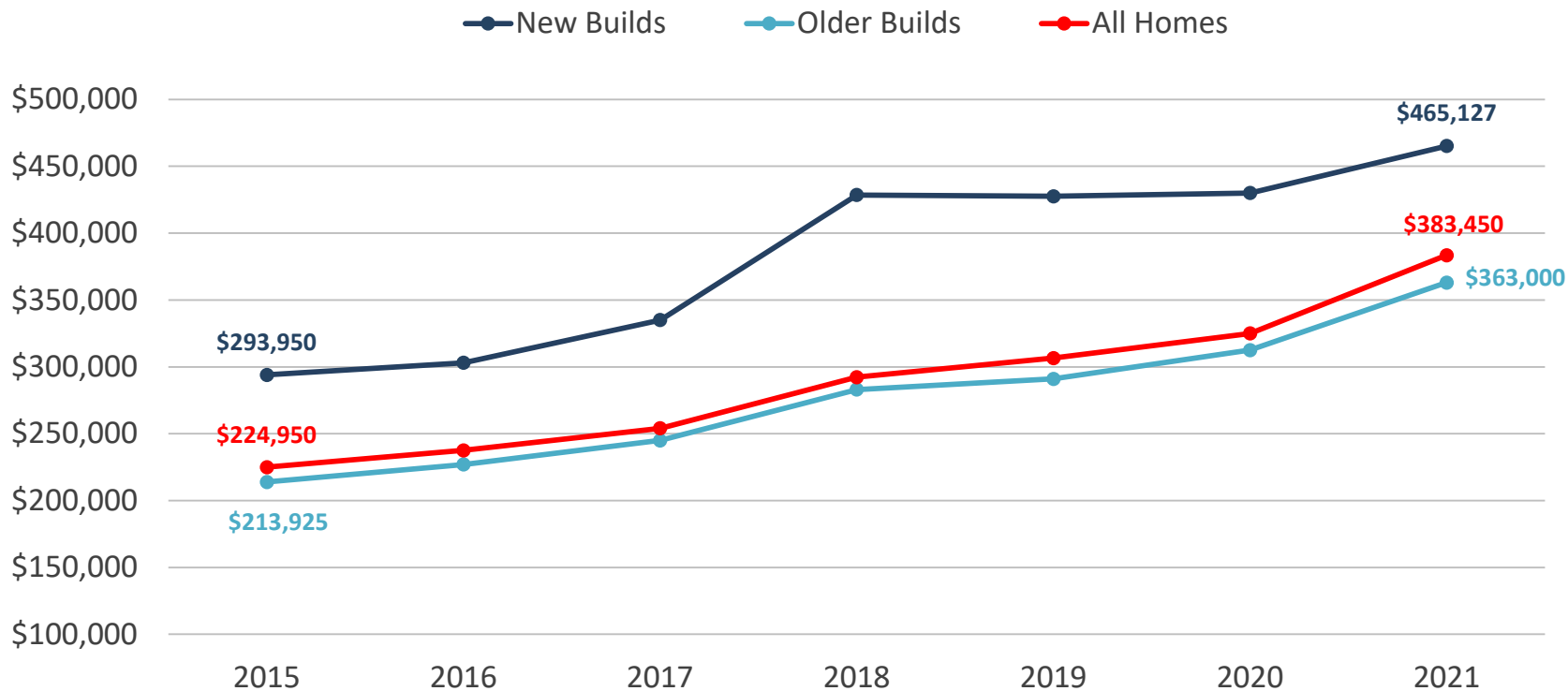


IN-COMMUTING

- 68 percent of the workforce commutes into Fruita
- Housing essential jobs locally is often a key goal in housing policies and programs
- Commuting is a major source of greenhouse gas emissions
- Commuting can weaken sense of community
 - Time, connection, volunteering



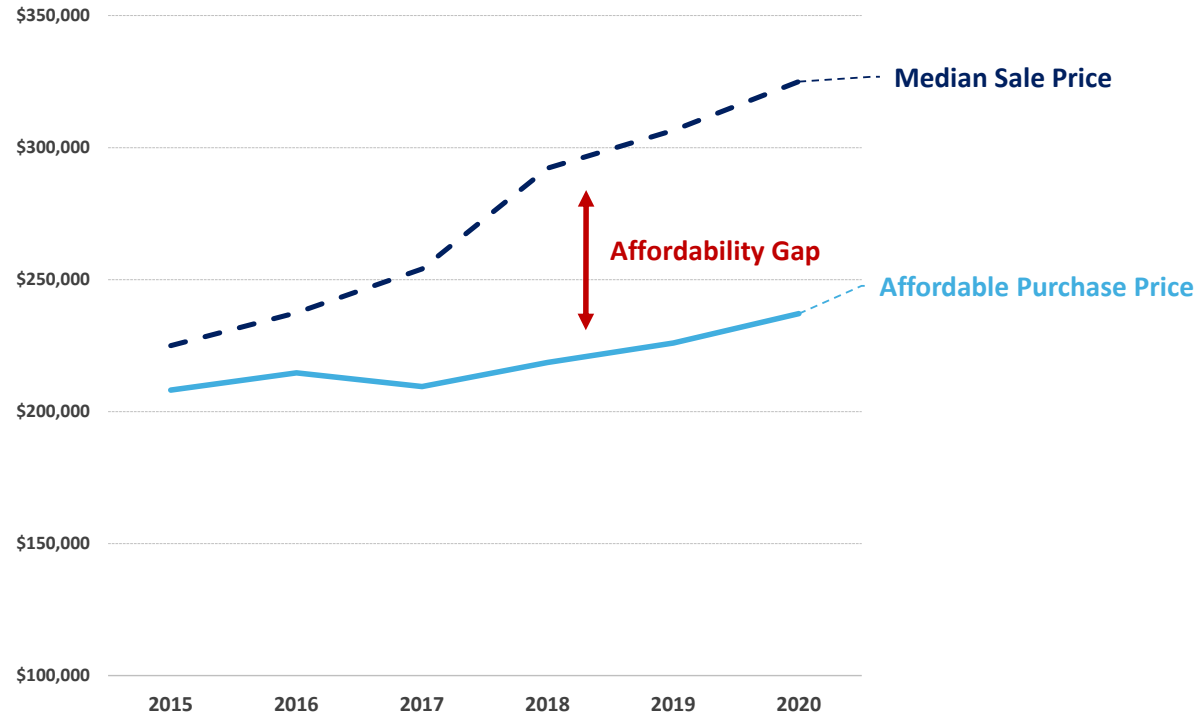
HOME PRICES



Source: Economic & Planning Systems

AFFORDABILITY GAP OVER TIME

- In 2015 a household with 1.5 earners at the median wage of \$38,000 (\$18.26/hr) could afford the median priced home in Fruita
- Home prices are about \$67,000 higher than what a median wage earner can afford (assume 1.5 earners per household)

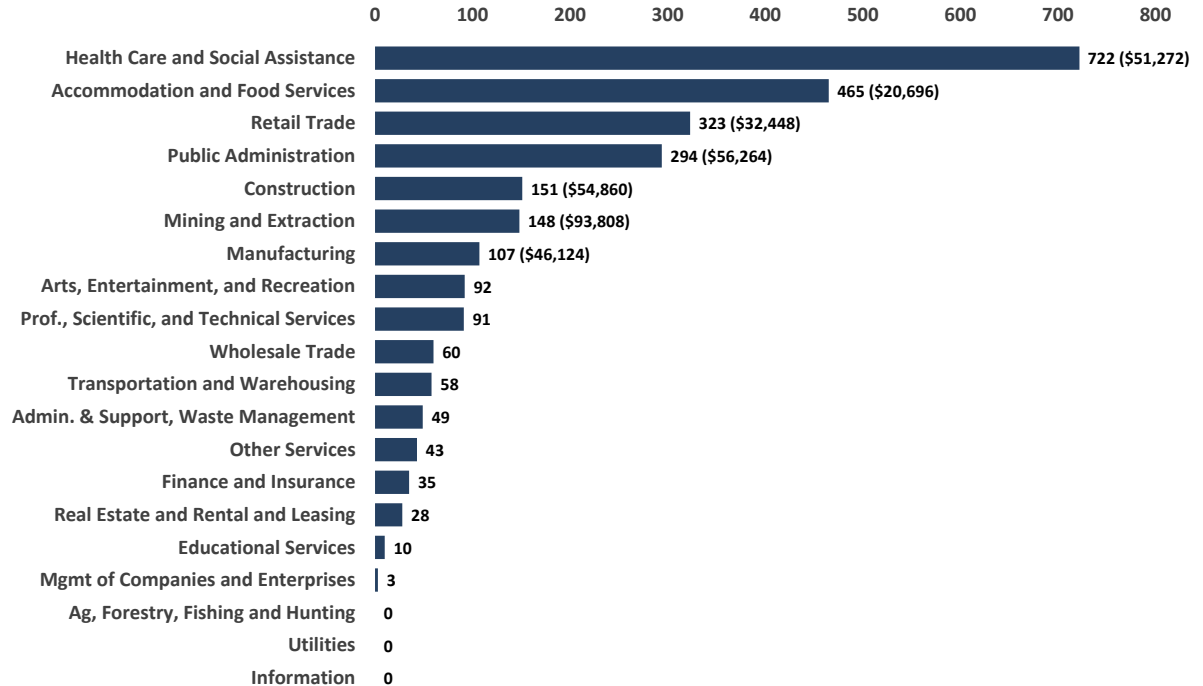


Source: MLS; Economic & Planning Systems

*Affordable purchase price is calculated based on a 1.5-earner household earning median annual wage

JOBS BY SECTOR, FRUITA

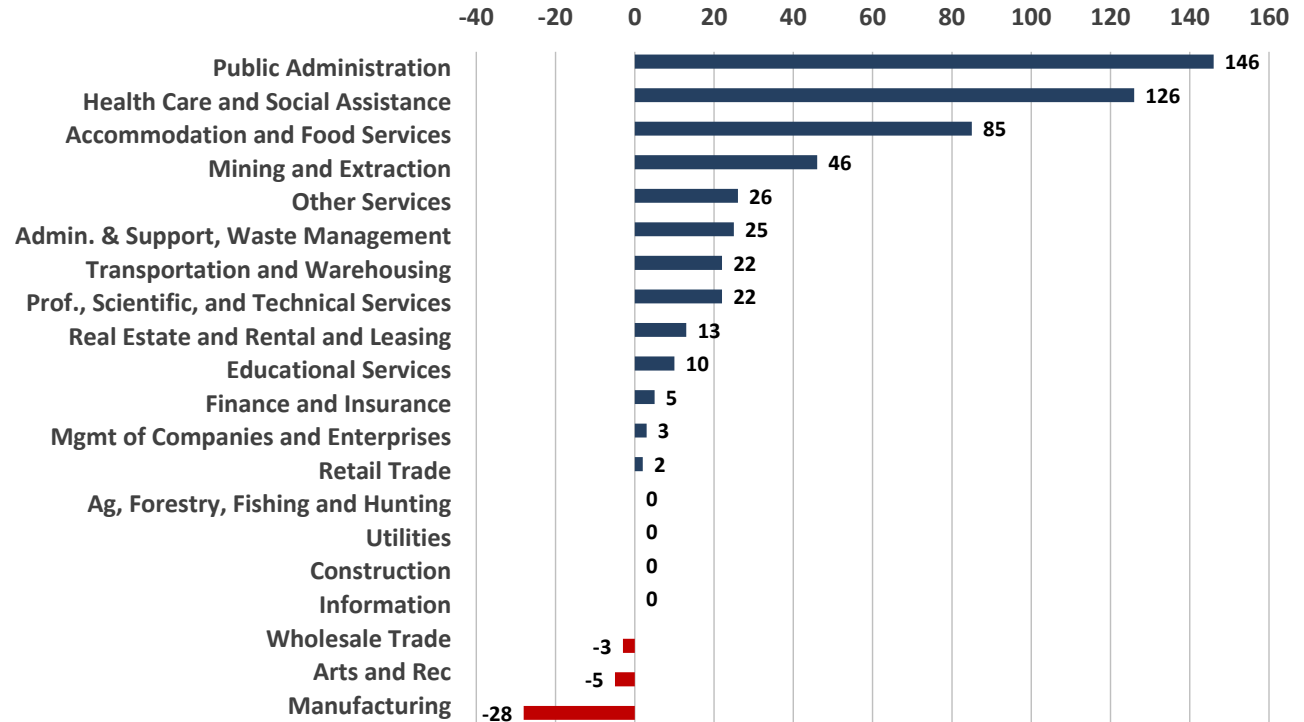
- Healthcare and tourism are largest sectors
- Healthcare has a wide range of wages
- Retail and tourism jobs typically have lower pay



Source: BLS; Economic & Planning Systems

JOB CHANGE BY SECTOR, FRUITA, 2010–2019

- Healthcare
- Hotels and restaurants
- Growing residential population “demands” services
- Wide range of wages and incomes



Source: BLS; Economic & Planning Systems

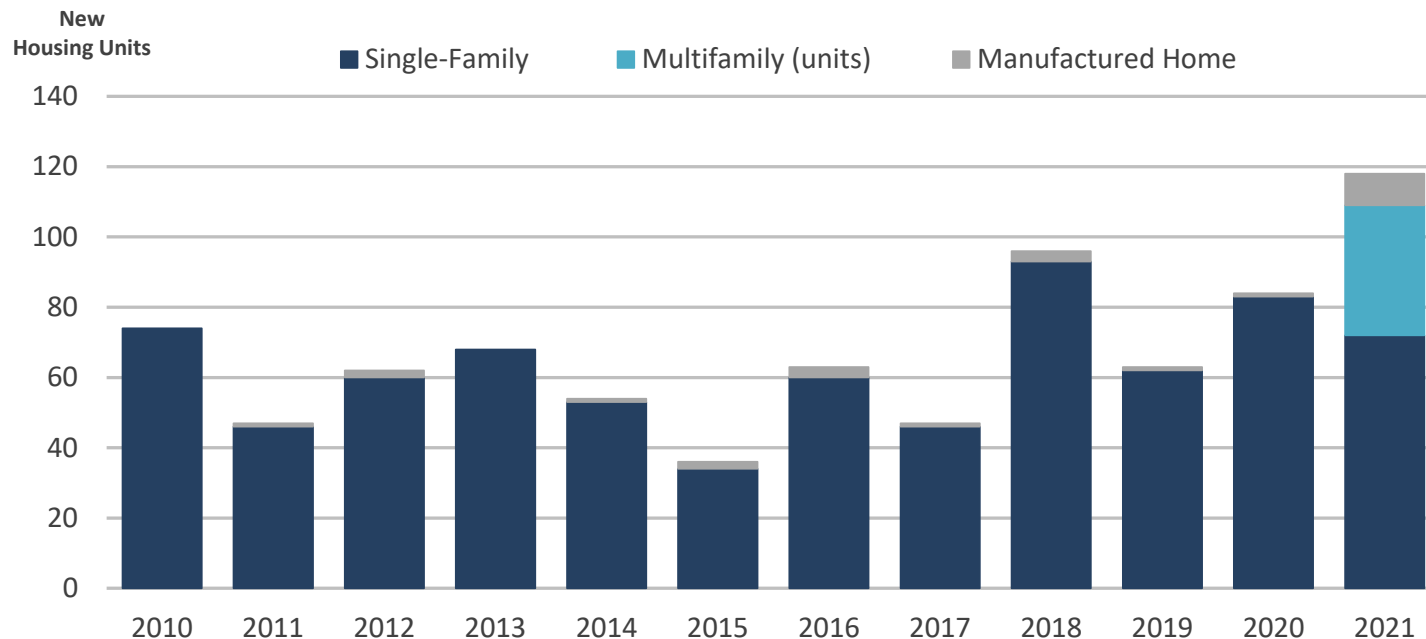
EMPLOYER FEEDBACK

- School District
 - New teachers have difficulty finding housing
 - Some still living in AirBNBs after a year
 - Cost of living (housing) and quality of life is no longer a recruitment advantage
 - Starting salary ~\$41,000 (80% of AMI for 1-person household)
- Health Care
 - 70 percent of workforce commutes into Fruita
 - Lower pay scale support positions are most affected by lack of rental housing
 - Competing job opportunities in Grand Junction for similar pay with less commute
- Law enforcement and emergency responders
 - \$52,600 starting salary (approx. 100% AMI 1-person household)
 - In 2015, 10 out of 18 sworn officers lived in Fruita compared to 4 today



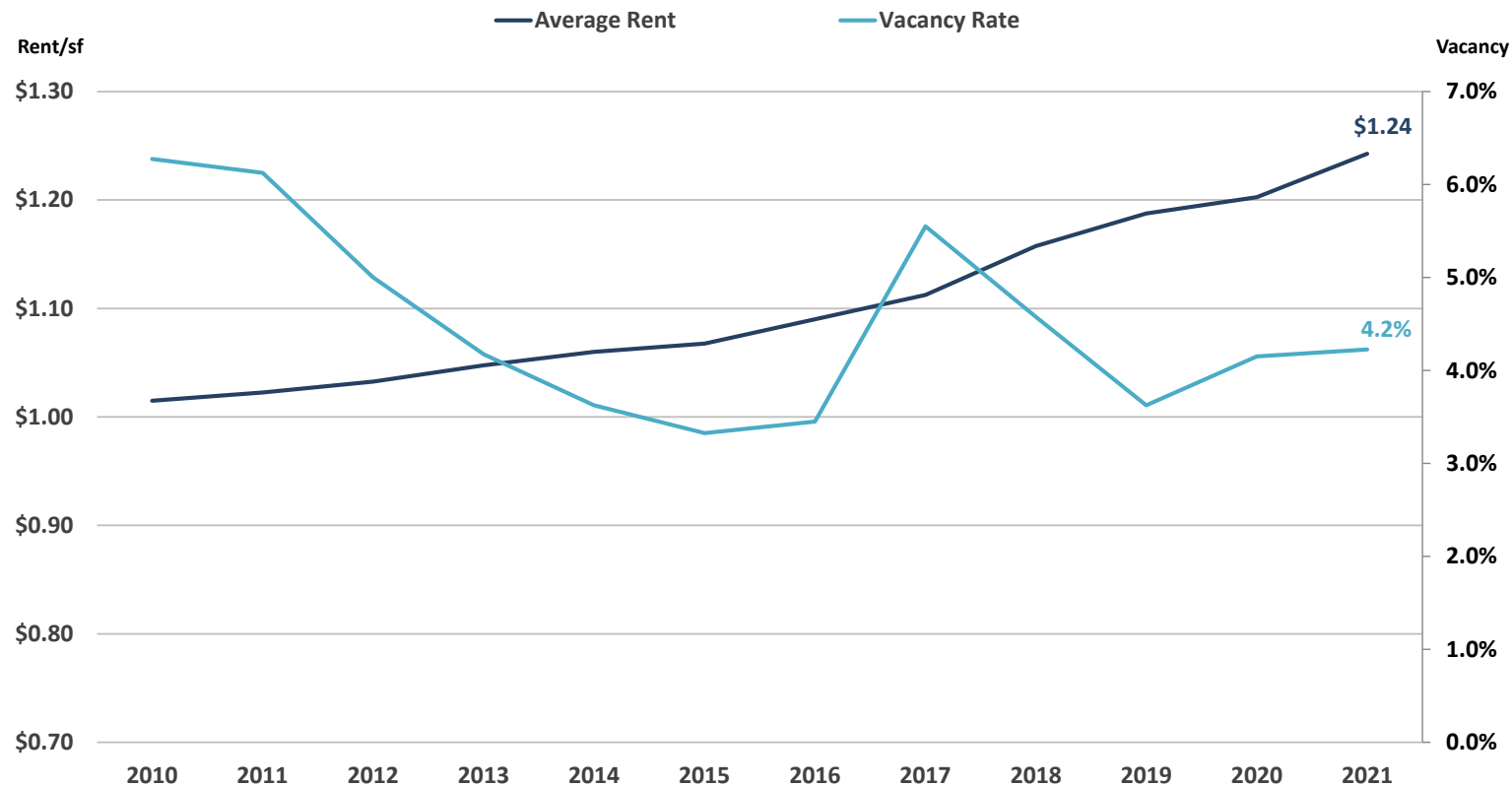
HOUSING DIVERSITY

- More variety in housing is needed to address affordability and inclusivity



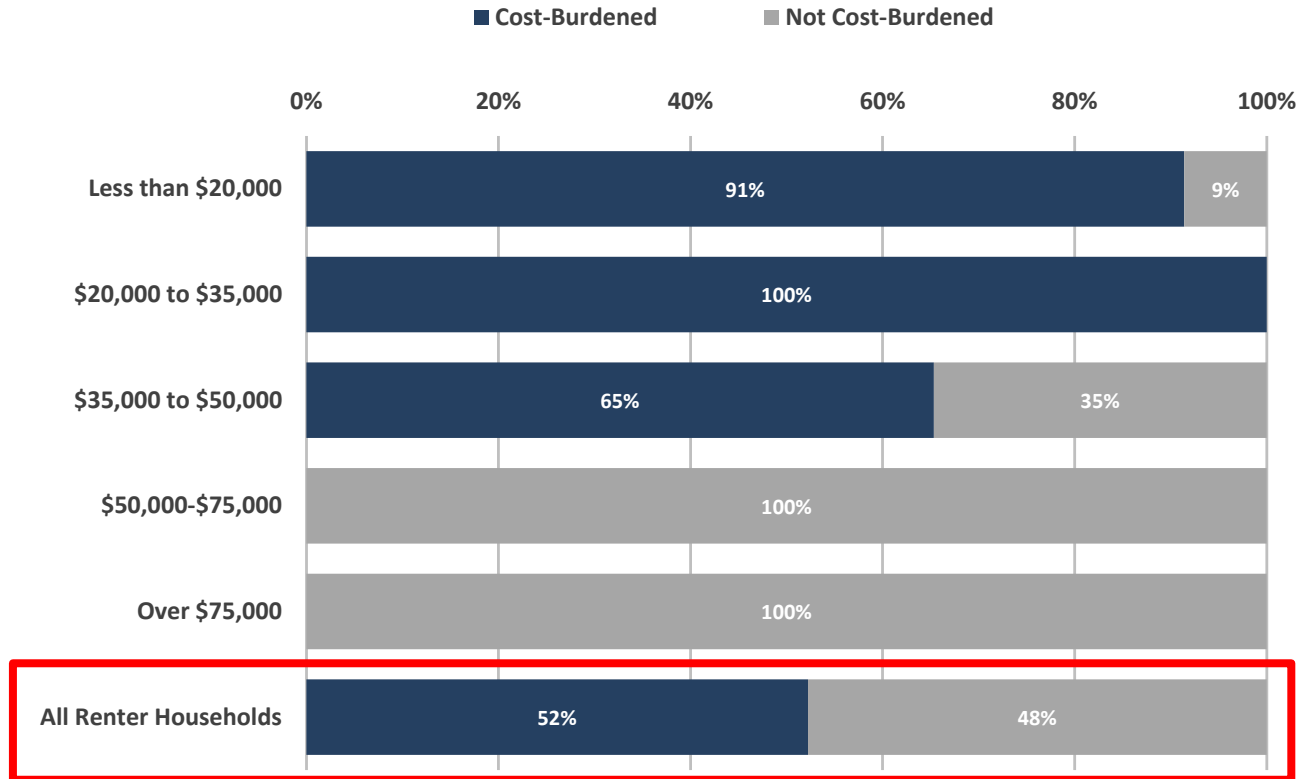
Source: Economic & Planning Systems

VACANCY AND RENTS FOR MULTIFAMILY, GJ METRO

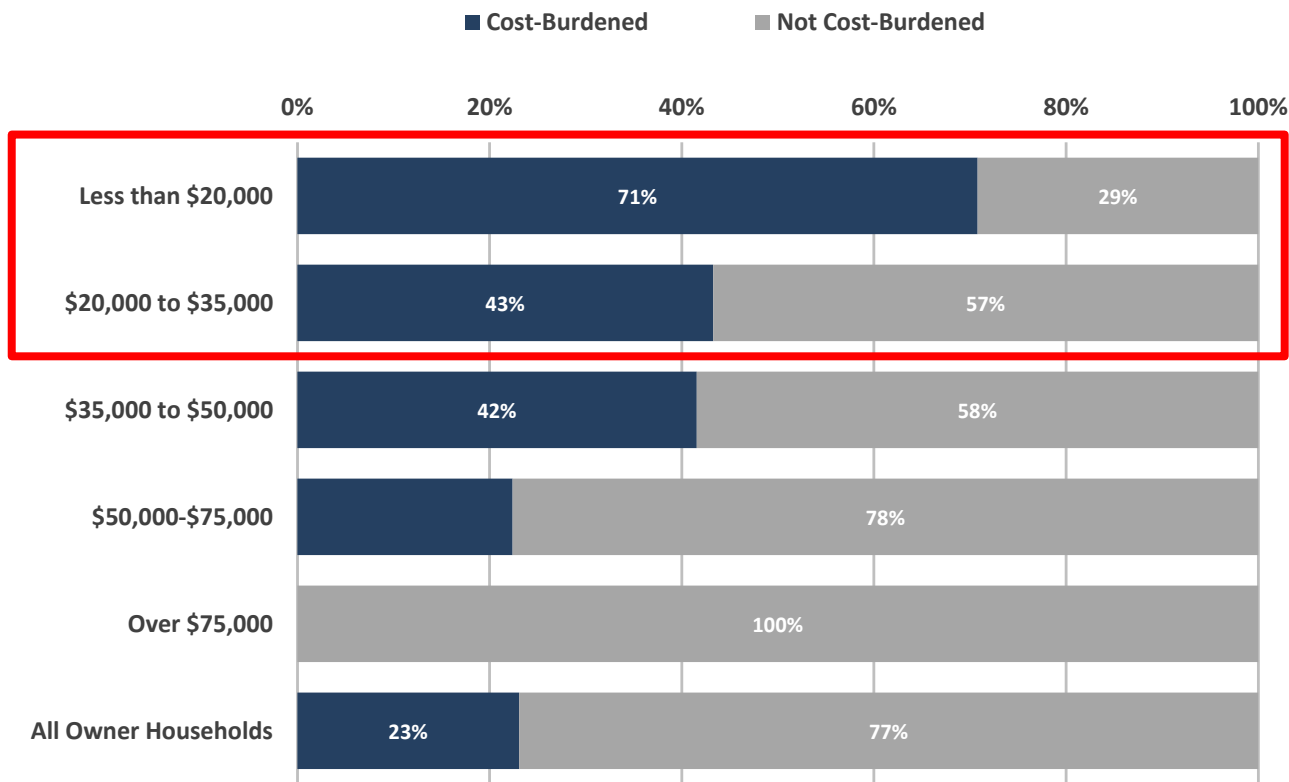


Source: Costar; Economic & Planning Systems

COST BURDEN – RENTER HOUSEHOLDS



COST BURDEN – OWNER HOUSEHOLDS



GRAND VALLEY NEEDS ASSESSMENT (2020–2021)

- Tight ownership and rental markets
 - Low vacancies
 - Shrinking inventory of for-sale homes
 - 33% increase in home prices countywide
- Fruita had the highest median rent increases 2010–2019
 - \$867 to \$1,169 (+35 percent)
- 45 percent of survey respondents worry about housing security
 - Threat of eviction
 - Struggling to pay housing costs
 - Half of market rate renters worry that rent will increase to unaffordable levels
- Supply barriers
 - Construction cost increases
 - Fees and entitlement processes (time)
 - Resistance to higher density housing by residents

QUESTIONS / NEXT STEPS

HOUSING PROGRAMS

- Housing supply
 - New housing production
 - Housing rehab programs: preserve existing housing stock
 - Ownership housing
 - Rental housing
- Homeownership programs
 - Down payment assistance
- Gap financing
 - Low-income housing tax credit
 - Affordable rental
- Stewardship & organization
 - Maintain long term affordability: multi generational
 - Community land trust
 - Land banking
 - Housing Authority

NEXT STEPS

- Phase I: Report and Presentation/Discussion
 - January
 - EPS to define more specific housing goals for basis of programs
 - Council and staff input
- Phase II
 - February–March
 - Develop housing programs
 - Estimate fee level needed to fund programs (iterations)
 - Coordination with legal counsel
 - Recommendations and Report to Council