

LA PLATA COUNTY

# 3-YEAR WORKFORCE HOUSING INVESTMENT STRATEGY

---

PUBLISHED JUNE 2022

---

**PREPARED BY**

CAPPELLI CONSULTING  
PROJECT MOXIE

**COMMISSIONED BY**

LA PLATA ECONOMIC  
DEVELOPMENT ALLIANCE

CAPPELLI  
CONSULTING



# INVESTMENT STRATEGY ORIENTATION & CONTENTS

This housing investment strategy prioritizes the key steps necessary to maximize the creation of housing affordable to the local workforce across La Plata County. The overarching strategy addresses rental housing, homeownership, a concerted effort to initiate a large-scale housing development, the preservation of existing affordable housing options, and the creation of a local housing fund. Successful execution of the strategy will require coordinated action across jurisdictions and between the public and private sectors.

This strategy document is a tool to bridge together a network of housing strategies and it is designed for accessibility. It can be read straight through or can be accessed by sections particular to the reader's needs:

## I NEED TO...



...see a summary of the priority housing strategies	<b>PAGE 4</b>
...learn about current housing initiatives	<b>PAGE 5</b>
...understand the funding strategy for this work	<b>PAGE 7</b>
...evaluate the success of the 3-Year Workforce Housing Investment Strategy	<b>PAGE 12</b>
...review the background and methodology that led to these specific strategies	<b>PAGE 16</b>
...have a roadmap for a particular strategy	<b>PAGE 18</b>
...start work on additional strategies	<b>PAGE 33</b>
...refresh my housing vocabulary	<b>PAGE 34</b>
...view appendices, supporting documents, and additional resources	<b>PAGE 37</b>

# OVERARCHING RECOMMENDATION

La Plata County and its local governments need to be intentional about creating below-market housing wherever possible. We are defining below-market housing as all housing that is created and delivered to the consumer that is below the existing market prices. Increasing housing supply may eventually soften prices, but in a new post-COVID world, markets have shifted and communities cannot assume that more housing necessarily means less expensive housing.

Furthermore, water scarcity and infrastructure capacity issues will eventually require local governments to prioritize what housing projects should have access to infrastructure. As such, **each government should consider setting a goal of creating a specific number of below-market housing units through the private sector development pipeline by providing direct subsidy. This is often referred to as a “buydown program.”**

A calculation of the potential resources needed to create a countywide buydown program can be found on page 12 of this report. The appendix also includes two examples of buydown programs. This document is intentionally focused on financial strategies, which is not to discount the importance of policy work, but rather to address the need for a strategy for fund investment at this unique moment in time.



# PRIORITY HOUSING STRATEGIES

This one-page summary provides an overview of the different components needed for a coordinated housing effort across La Plata County. More detailed descriptions for each component can be found beginning on page 18.

## 1. Rental

- a. Coordinate the allocation of Private Activity Bonds (PABs) through a regional agreement.
- b. Coordinate countywide support of housing projects applying for tax credits, prioritizing those with community sponsors and those which assist in recruiting developers for specific projects.
- c. Enact uniform local government policies for below-market housing fee waivers.
- d. Establish a Housing Catalyst Fund to support non-tax credit rental projects with predevelopment costs, including employer-initiated below-market rental development.
- e. Support Fort Lewis College's efforts to develop below-market rental housing for staff and faculty in the next 18 to 24 months on campus land.

## 2. Homeownership

- a. Provide technical assistance to municipalities to support subdivision development, identify development partners, find funds to subsidize projects, set below-market pricing, and develop resale controls while engaging in other activities that will result in the production of more below-market units for-sale across La Plata County.
- b. Support homebuyer and mortgage assistance programs provided by the HomesFund.
- c. Complete feasibility study on modular housing product options to create more affordable housing.

## 3. Land Development Initiative - Commit to "Big Idea" Projects

- a. Coalesce around "big idea" regional projects that bring together municipal and county resources as well as private funds to create development at scale that focuses on addressing the significant need to create for-sale housing highlighted in the Root Policy study and affirmed in stakeholder interviews.

## 4. Preservation

- a. Provide local funding for technical assistance, predevelopment, resident organizing, and permanent financing for mobile home park preservation.
- b. Provide Private Activity Bond allocations to preserve existing affordable rental housing.

## 5. Local Housing Trust Fund

- a. Develop and implement a local housing trust fund to support below market housing.

## 6. Ongoing Education and Advocacy

- a. Continue and expand efforts for broader community engagement in housing initiatives.

# CURRENT HOUSING INITIATIVES

Fortunately, housing work throughout La Plata County has been underway for some time and there are many existing policies, programs, and initiatives that have been very successful. The following chart shows existing initiatives and initiatives under consideration by local governments and housing agencies:

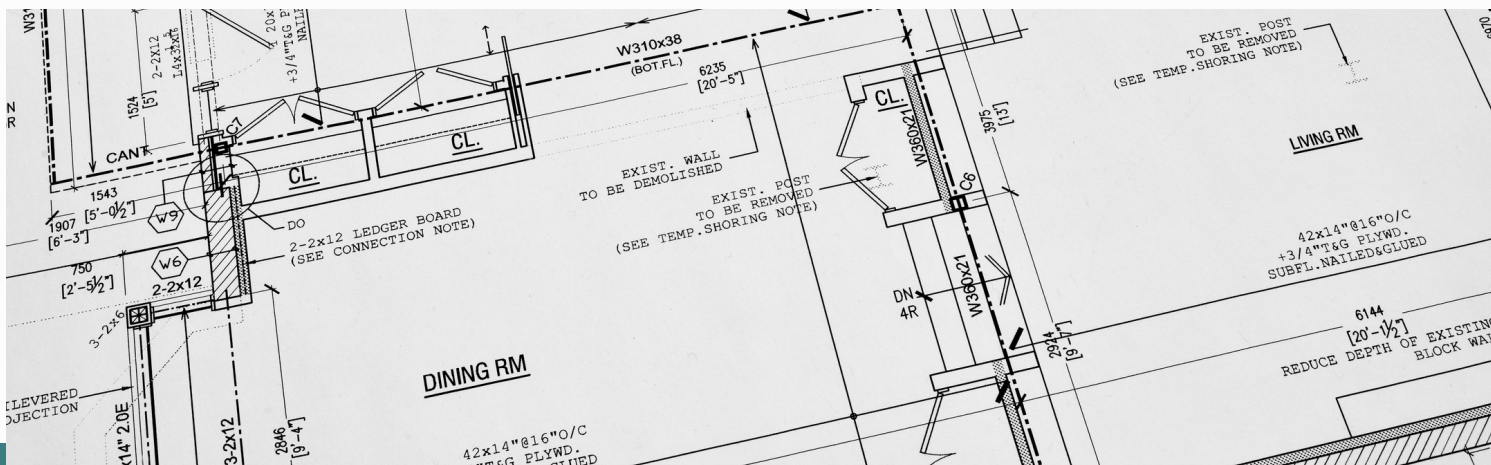
	Implementer	Use	Current/Future
<b>HOUSING RESOURCES</b>			
<b>Dedicated fund</b>	Bayfield	Utility relief	Current
	Durango	Mortgage assistance, fee offsets, infrastructure, development subsidy	Current
	HSSW	Emergency assistance fund	Current
	La Plata County	Affordable housing subsidy	Current
<b>Federal, state and privately funded initiatives and ARPA</b>	HomesFund	Mortgage Assistance	Current
	Durango	Infrastructure, development subsidy	Current
	Economic Alliance	Security deposit program	Future
	HomesFund	Mobile home park preservation	Current
	ECLT	Mobile home park preservation	Current
	La Plata County	Housing revolving loan fund	Current
	HSSW	Property rehab	Current
	<b>As-needed general fund</b>	Ignacio	Infrastructure; acquisition
<b>Public land</b>	LPC	Possible land swaps with other agencies and existing sites	Future
	Ignacio	Town owned sites	Current
	Durango	Site prioritization for city property	Future
	FLC	Site for below-market rental	Future
	Bayfield	Affordable development on city property	Current
<b>Fee waivers</b>	Bayfield	Land use application & building permit fees	Current
	Durango	<i>Ad hoc</i> policy	Future

# CURRENT HOUSING INITIATIVES

CONTINUED FROM PREVIOUS PAGE

	Implementer	Use	Current/Future
<b>HOUSING EDUCATION &amp; ADVOCACY</b>			
Working groups	Ignacio	Code evaluation	Current
	In the Weeds	Employer education	Current
Homebuyer education & counseling	9R	Family housing	Current
	HomesFund	Supporting future and at-risk homeowners	Current
<b>POLICIES &amp; PROGRAMS</b>			
Fair Share	Durango	IZ Fees-in-lieu support mortgage assistance and other programs	Current
Employee program	La Plata County	Mortgage Assistance	Current
Expedited review	Bayfield	Fast track affordable developments	Future

The recommendations in this report are designed to build on the work that is already being done, aligning existing efforts while looking for ways to increase coordination and leverage. Additionally, the recommendations seek to scale investments to maximize the pipeline of housing that is affordable to the local workforce and residents.



# COORDINATION & FUNDING

## COORDINATION PLAN

The success of this overarching 3-Year Workforce Housing Investment Strategy is predicated on the coordination of policies and resources around each strategy component.

The Regional Housing Alliance is currently defining its role, which will likely include some level of coordination among the regional governments. Emphasis here is on the opportunity for much broader coordination to increase affordable and workforce housing initiatives that lead to more units being built while engaging public and private employers, nonprofit organizations, private funding and philanthropy. The consulting team suggests establishing a cross-sector housing committee that would meet regularly to review progress on this plan and mold strategies responsively as more state and federal funding becomes available in the coming months.

The team believes that coordination efforts could fit neatly into three different arenas:

- 1. Regional Housing Alliance (RHA):** This agency is best positioned to (1) coordinate local government technical assistance, (2) track a countywide project pipeline and requests for activities that require interagency agreements or local government resources to match for competitive federal and state programs, and (3) implement a long-term funding source for housing initiatives in La Plata County. RHA is working on creating additional capacity by hiring an executive director to manage several activities, including grant writing to support member projects, assist in sponsoring, funding or providing development services for projects, and providing technical assistance through shared contracts with third-party consultants when possible.
- 2. Housing Coalition:** The second coordination effort is yet to be developed, but there is the opportunity and a need for a grassroots coalition to help guide this work. This coalition could be composed of community members committed to ongoing education and advocacy work, and who will help push local leaders to implement the Three-Year Workforce Housing Investment Strategy and additional bold actions in response to this dynamic funding environment. Through the interview process, we did hear about new efforts to establish a housing coalition. Existing nonprofits provide some advocacy but it is not formalized or coordinated. A more formal coalition will likely be developed organically as a result of future conversations regarding a dedicated housing trust fund later this year.
- 3. La Plata County Economic Development Alliance:** The Economic Development Alliance is uniquely positioned to coordinate local employers and the private sector for specific initiatives and focus on providing predevelopment funding and technical assistance in support of both private and public sector initiatives.

We recommend that RHA and the Economic Development Alliance formalize their coordination with each other and co-manage a cross-sector committee that meets quarterly to review progress on this plan, coordinate new efforts and identify funding as opportunities emerge over the next three years.

## OVERALL FUNDING STRATEGY

There are three primary funding sources for creating workforce housing in La Plata County:

1. **Local government funds** such as general funds, local infrastructure funding, American Rescue Plan Act (ARPA) funding, Durango’s Fair Share fee-in-lieu receipts, Twin Buttes and Three Springs Affordable/Attainable housing fees. Local ARPA funds should be prioritized to create immediate capacity for housing projects and initiatives, support predevelopment, match requests for funding to the state for housing projects, cover the costs of fee waivers and offsets and provide infrastructure to new developments in exchange for below-market housing.
2. **Private funds** from sources such as the Local First Foundation, employer-funded initiatives, local philanthropy etc. Employers are a significant resource and should be engaged in implementing these strategies. The Local First fund and local employers have already invested more than a million in housing activities and many others have indicated interest in providing land, programs and additional resources. Private funds can help initiate new projects by financing predevelopment, assisting with creating capacity, providing sites for development, funding mortgage assistance programs and providing rental assistance or housing subsidies while units are being developed over the next few years.
3. **State and federal housing funding** such as the Low Income Housing Tax Credit (LIHTC) program, grants and low interest loans, \$90M State Housing Trust Fund, State ARPA funds. State programs leveraging ARPA funds need to be expended by 2026, giving the local community less than four years to access these additional resources.

State ARPA	
Revolving loan fund	\$150,000,000
Grant	\$178,000,000
Innovative housing (manufactured)	\$40,000,000
Resident Owned Communities (ROCs)	\$35,000,000
Expansion of Middle Income Access Program	\$25,000,000
Workforce Housing Trust Authority	TBD
<b>Total</b>	<b>\$428,000,000</b>

Existing State Housing Fund	
General fund	\$9,200,000
Marijuana tax	\$15,300,000
Vendor fee	\$55,000,000
Tobacco tax	\$11,100,000
<b>Total</b>	<b>\$90,600,000</b>



These funding sources will each have specific guidelines and requests for applications throughout the year with deadlines. To track these opportunities please visit: <https://cdola.colorado.gov/housing>.

We recommend adhering to the following guidelines for local investments in below-market housing opportunities.

While local governments are currently allocating Private Activity Bond (PAB) resources and providing support for LIHTC applications, directly funding infrastructure, providing fee waivers and offsets, funding predevelopment activities and providing gap funding for projects, we recommend that they formalize their funding strategies. It is important that funding availability is predictable so that underwriting criteria between different funds can be consistent whenever possible. This document provides a framework for local governments to design their own programs based on funding needs by project type and funding availability at the state level.

State and federal funding should be prioritized to create housing now. Even though funds can be used for land banking, there are enough opportunities in the existing development pipeline (over 1,600 units) to buydown units immediately and to start alleviating the housing crisis.



Below is a table showing a high-level overview of funding sources available and the eligible uses for each:

		Pre-development	Infrastructure	Development Subsidy	Debt	Equity	Operating	Mortgage Assistance	Rent Assistance	Acquisition
<b>Local Gov.</b>	Local general funds	LTD	LTD	LTD						
	Local ARPA allocations		X					X	X	X
	PAB				X					X
<b>Private</b>	Local First Foundation									X
	Employer initiatives							X	X	
	Philanthropy	LTD		X						
<b>State &amp; Federal</b>	LIHTC					X				
	Grants	LTD	X	X		X		X	X	X
	Loan programs		LTD		X					X
	Other (HCV, Medicaid)						X		X	
<b>Lending Institutions</b>	Market rate/banks				X					X
	HomesFund							X		LTD
	IDF	X			X			X		
	CHFA				X			X		

LTD = some limited funding may be available

**Predevelopment gap:** The table on the previous page illustrates that there is a significant gap between what is needed to support predevelopment and project feasibility work across the county and current funding availability. One of our primary strategies is the housing Catalyst Fund, which is positioned to fill this gap but will need funding from public and private sources to fill this gap at scale over the next three years. The Catalyst Fund is described in greater detail starting on page 20.

**Infrastructure funding gap:** The next big funding gap is in providing resources to cover infrastructure costs. Although there is significant conversation and interest in using public funds to offset infrastructure costs, outside of Bayfield’s program and Durango’s URA efforts, there is not a broad or consistent program in place. The team recommends developing a program through at least one regional effort to increase below-market housing through a land development initiative (discussed on page 26).

**Development funding gap:** The third gap that needs to be filled by local governments is supplemental funding to cover the costs of developing homes. There should be a consistent program for each government that provides guidelines for how projects can receive funding, what the expectations are when receiving funding and identifying ongoing funding sources for these “buydown” initiatives. Initially, ARPA funds could be used to provide this subsidy but over time it should be the goal of RHA and its partners to develop a dedicated funding source to provide these resources consistently into the future.

**Land acquisition funding gap:** Funds can be used to acquire land but only after existing project options have been exhausted and additional land is deemed necessary to fill market demand in the next 5-10 years.

**Preservation funding gap:** Funds should be used to preserve existing units as well as develop new housing opportunities. The community should strike a balance between these activities or it will find an increase in displacement for the most vulnerable and lowest income community members which oftentimes are the minimum wage earners in our communities.

To find funding opportunities for a specific development project the CHFA Developer’s Guide has an interactive tool to find resources that meet specific needs:

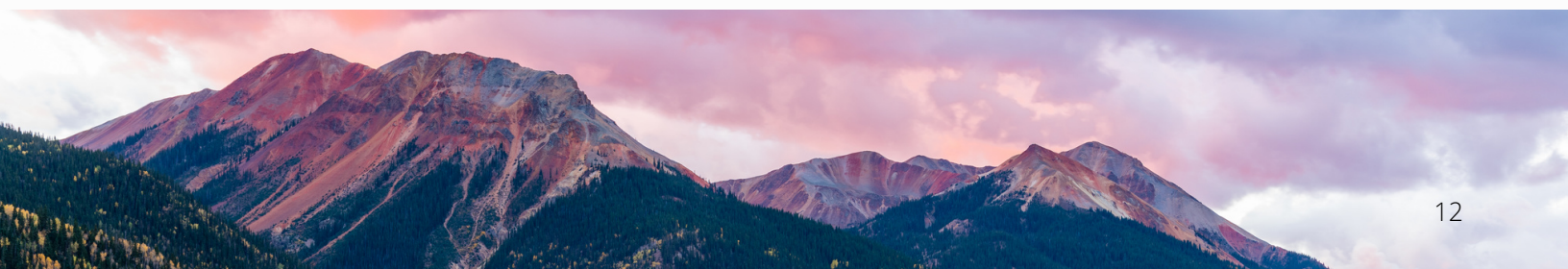
**<https://developers-guide.chfainfo.com/funding-sources-inventory>**.

# MEASURING OUTCOMES

In 2007, the Regional Housing Alliance hired a consultant to develop a model for measuring the gap between what a household can afford and what was then available on the market. This tiered income affordability matrix was used to develop a second mortgage program for the HomesFund. This analysis, included below, is still conducted annually to determine gap needs and appropriate second mortgage amounts and is provided below to set the context for current homeownership gaps in the community.

## 2022 TABLES (UPDATED ANNUALLY)

Household Income Tiers	Max AMI	1	2	3	4
Tier 1	80%	\$54,950	\$62,800	\$70,650	\$78,450
Tier 2	95%	\$65,253	\$74,575	\$83,897	\$93,159
Tier 3	110%	\$75,556	\$86,350	\$97,144	\$107,869
Tier 4	125%	\$85,859	\$98,125	\$110,391	\$122,578
Maximum Affordable Prices					
Price Tiers		0-1 BR	2 BR	3 BR	4 BR
Tier 1	80%	\$156,100	\$170,500	\$214,200	\$228,700
Tier 2	95%	\$212,100	\$234,500	\$294,100	\$321,500
Tier 3	110%	\$268,100	\$298,500	\$374,100	\$414,300
Tier 4	125%	\$324,100	\$362,500	\$454,000	\$507,100



The consulting team used the same income tiers as those on the previous page to determine affordability for rental housing. The analysis below does not include rental units developed for 60% AMI households under the LIHTC programs as these projects are primarily funded by state and federal resources. The first section in the table below shows rental prices that would be affordable to each income tier, and the second section shows the per-unit development cost gap that remains after calculating the debt that can be borrowed based on rent levels and operating income.

<b>Max Affordable Prices for Rental</b>	<b>Max AMI</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>Price Tiers</b>		<b>0-1 BR</b>	<b>2 BR</b>	<b>3 BR</b>	<b>4 BR</b>
Tier 1	80%	\$1,472	\$1,766	\$2,041	\$2,276
Tier 2	95%	\$1,748	\$2,097	\$2,423	\$2,703
Tier 3	110%	\$2,024	\$2,428	\$2,806	\$3,130
Tier 4	125%	\$2,300	\$2,759	\$3,189	\$3,556
<b>Per Unit Development Gap Based on Affordable Rents*</b>					
<b>Price Tiers</b>		<b>0-1 BR</b>	<b>2 BR</b>	<b>3 BR</b>	<b>4 BR</b>
Tier 1	80%	(\$88,670)	(\$165,123)	(\$243,175)	(\$287,750)
Tier 2	95%	(\$47,108)	(\$113,971)	(\$185,629)	(\$222,211)
Tier 3	110%	(\$6,347)	(\$66,016)	(\$126,484)	(\$158,271)
Tier 4	125%	--	(\$16,462)	(\$68,938)	(\$94,331)

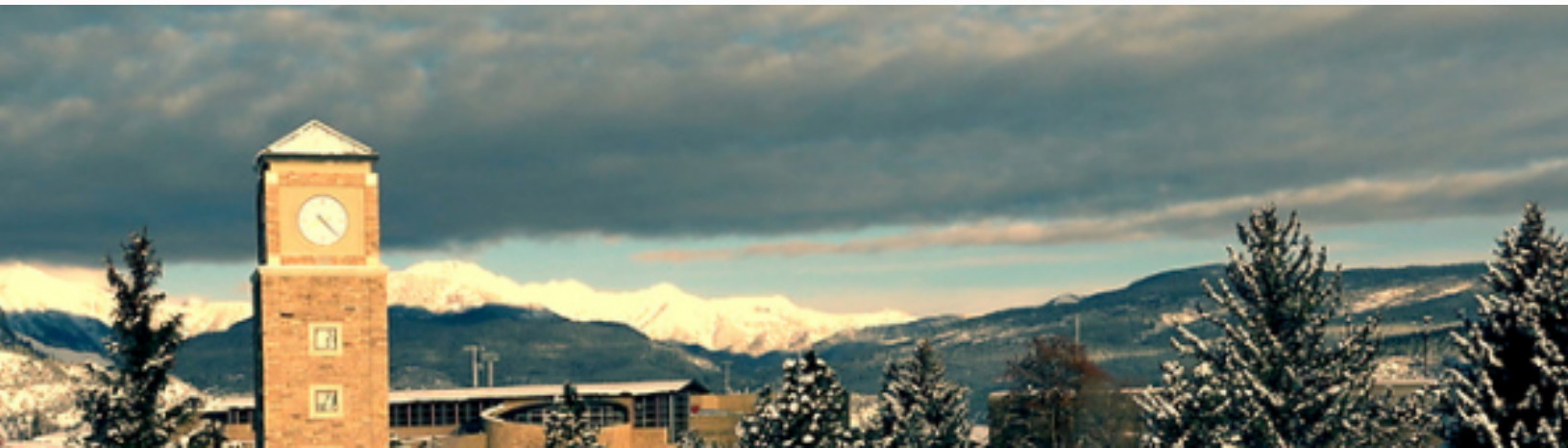
To evaluate the success of the 3-Year Workforce Housing Investment Strategy, it is important to understand the baseline numbers of new and preserved affordable housing units expected over the next three years, and estimate how adherence to this plan can increase the number of below-market units in the community.

Approximately 170 affordable rental units—LIHTC funded—are in the pipeline. This affordable housing pipeline assumes the creation of units for households below 60% of AMI and the use of tax credits and private activity bonds to finance the development. With these types of projects, the funding gap per project ranges \$35,000-\$75,000 per unit.

\* A description of rental assumptions is included in the appendix

Workforce rental housing, or 1-2 bedroom units from 80% AMI to 125% AMI, in the current market would require around \$72,000 of subsidy per unit based on the gap model on the previous page and current construction prices (see page 37 for a detailed gap analysis). For instance, if the community wants to increase the current pipeline by 10%, approximately \$1.4M of additional subsidy will be required. Workforce rental housing models have not been executed yet, and will be piloted with Fort Lewis College this year (50-70 units).

The HomesFund anticipates 90 affordable homeownership opportunities through their mortgage programs over the next three years. FLC's new initiative (15 mortgages), Bayfield's efforts at Cinnamon Heights (30 units), and the City of Durango's programming (60 deed-qualified units) over the next 3 years would create 195 homeownership opportunities in total. The average subsidy required to create affordable homeownership opportunities is nearly \$200k per home. Increasing this existing pipeline by 10% would require approximately \$3.5M of additional subsidy.



Planning for a coordinated land development initiative that will provide an estimated 300 additional units of rental and for-sale housing is a significant undertaking that will need the combined resources of local and state governments as well as support from the private sector. If the community wanted to provide more than 300 units, we estimate a per-unit subsidy that averages the amounts needed for rental and for-sale units, resulting in a \$134,000 per unit cost.

La Plata County is actively supporting nonprofit mobile home park preservation efforts which are also reflected in unit counts for the next three years on the chart on the next page. Costs for acquisition per unit/lot is \$118,000. What is not included on the chart are costs for park improvements and lot replacements. We do not have cost estimates, but wanted to create a placeholder and highlight that this will be a funding need in the near future.

## DEVELOPMENT & PRESERVATION PIPELINE

	Anticipated Below Market Units	Subsidy needed per unit	Subsidy to support existing pipeline	Cost to increase units by:		
				10%	20%	50%
<b>LIHTC Rental</b>	170	\$45,000	\$7,650,000	\$765,000	\$1,530,000	\$3,825,000
<b>Rental</b>	50	\$72,000	\$3,600,000	\$360,000	\$720,000	\$1,800,000
<b>Homeownership</b>	195	\$193,000	\$37,635,000	\$3,763,500	\$7,527,000	\$18,817,500
<b>Land Development Initiative</b>	300	\$132,500	\$39,750,000	\$3,975,000	\$7,950,000	\$19,875,000
<b>Mobile Home Park Preservation via Acquisition</b>	70	\$118,000	\$8,260,000	\$826,000	\$1,652,000	\$4,130,000
<b>Mobile Home Park Rehab</b>	TBD	TBD	TBD	TBD	TBD	TBD
<b>Rental Preservation</b>	50	\$22,000	\$1,100,000	\$110,000	\$220,000	\$550,000
<b>Total New Units/Mortgages</b>	<b>715</b>	-	<b>\$88,635,000</b>	-	-	
<b>Total Units Preserved</b>	<b>120</b>	-	<b>\$9,360,000</b>	-	-	-

Approximately 50% of required subsidy may be available from state and federal resources. Reaching these subsidy amounts will require leveraging local, state, federal, private and philanthropic resources.



# HOW WE GOT HERE

## PROJECT BACKGROUND

A **five-county housing needs assessment** conducted by Root Policy and published in the summer of 2021 serves as the most recent comprehensive dataset on housing needs for La Plata County. It provides important context on broader regional trends, too—many of which are relevant to members of the La Plata County workforce residing outside of La Plata County who commute in to their places of work. Some key takeaways from the report that are relevant to this strategy are:

- La Plata County will need 570 new permanent units and 45 seasonal surge beds in the next three to five years to accommodate workforce growth and address some of the county's unmet housing needs.
- Over the last decade, La Plata County has seen a decline in families with children and an increase in senior adults moving to the area.
- A significant amount of the region's forecasted demand falls in La Plata County.
- There is significant housing need for the “missing middle”— those earning 80-120% of area median income (AMI).

While the data collected in the 2021 assessment is not without flaws, it points to a clear and urgent need for additional units often deemed “workforce housing,” referring to housing for those earning moderate incomes—approximately 80-120% of area median income (AMI)—and who comprise much of the area's workforce. These earnings are too high for subsidized housing opportunities such as vouchers, and too low to afford current options on the open market.

## METHODOLOGY

The Project Moxie and Cappelli Consulting teams kicked off this engagement in early October of 2021 by undertaking an “environmental scan,” which is an in-depth interview and research process to better understand the local context and inform the strategic planning effort. To accomplish this, the team reviewed existing plans and documents, conducted one-on-one interviews with key stakeholders in the local community, and solicited opinions about challenges and opportunities to increase housing for the local workforce.

To support these efforts, the team worked closely with the La Plata County Economic Development Alliance, the organization that commissioned this study, to develop an advisory committee (deemed the “Kitchen Cabinet”) and identify key stakeholders to interview as part of the environmental scan.



Throughout the project, the team held numerous Kitchen Cabinet advisory meetings; developed and administered a survey on housing with local employers (takeaways are included in the appendix of this document); facilitated a luncheon discussion on employer-sponsored housing initiatives; reviewed identified parcels for development readiness and feasibility; reviewed data on housing needs; and narrowed in on key stakeholders whose activities relate to housing activity in La Plata County. These targeted stakeholder conversations led to a more complete understanding of what housing activities are happening now and what's in the near-term pipeline throughout the county allowing for opportunities for synergy and partnership to emerge.

Finally, in April of 2022, the team hosted two community engagement events (one for key stakeholders and another for the general public) wherein the proposed strategies were presented and time was allotted for feedback and questions. These meetings played a pivotal role in identifying strategy implementers and aligning on the key recommendations contained in this report.



# STRATEGY IMPLEMENTATION



## RENTAL

### Coordinate the allocation of Private Activity Bonds through a regional agreement

Private Activity Bonds (PABs) are a public funding resource that is allocated to La Plata County and the City of Durango by the State of Colorado. The Colorado Division of Housing (DOH) also allocates separate PABs in a statewide pool. This resource alone is not adequate to fund projects but combined with the 4% Low Income Housing Tax Credit (LIHTC), it is a powerful tool to support larger affordable rental developments. The PAB allocation process for housing is managed by the Colorado Housing and Finance Authority (CHFA) and the Colorado Division of Housing (DOH). Local governments have the choice to allocate PABs to a local project or assign them back to CHFA to support affordable housing statewide.

The community has a track record of coordinating PAB allocation with the first housing project in 2019; the use of PAB allocations to preserve Tamarin Square Apartments (68 units of low-income senior and disabled housing) was a significant win for the local community. In 2022 the community again coordinated PAB allocation for use by TWG development in its efforts to convert the Best Western into affordable housing through a PAB/4% LIHTC funding model. The team is hopeful that there will be more opportunities to use this limited resource to either preserve or promote rental housing projects, and also expects pressure from out-of-area developers and projects who have the ability to ask local governments to transfer their PAB cap to projects on the Front Range in Colorado. The consulting team recommends as a powerful yet simple action that the City of Durango and La Plata County coordinate their allocations annually by using a shared process for inviting applications from project developers, and jointly evaluating and selecting projects to increase resource leverage for both entities. As part of the appendix to this report the team is providing a draft template for coordinating PABs for future years.

## **Coordinate countywide support of housing projects applying for tax credits, prioritizing those with community sponsors and those which assist in recruiting developers for specific projects**

Low Income Housing Tax Credits are the most widely used subsidy for affordable housing rental development in the country. Annually, this tool produces thousands of units of affordable housing in Colorado. Every year, the federal government allocates credits to the state to distribute through a competitive process to projects. These projects are typically between 30 and 150 units and must restrict rents to certain income levels for 30-40 years, depending on their financial model. The 9% LIHTC model provides anywhere from 50% to 75% of the required equity for a project. Development partners are allowed between 10% and 15% of development costs as a fee for providing the units. Communities benefit from well-designed, affordable rental communities and investors receive a double-digit federal tax write-off. Because of these enormous benefits, LIHTC is a competitive program and is oversubscribed 4:1 in Colorado. The good news is communities have some control over the allocation process because CHFA, the allocating agency, gives significant weight to support from local communities and local governments for specific projects.

In our interviews for this report, we heard interest in using the 9% credit from several key players, which led us to recommend that local communities coordinate a development pipeline for the LIHTC program. Because we are in a rural region, we can expect to receive one 9% allocation every two to three years. There are strict requirements about local market demand, and with the LIHTC program being in high demand, many of the resources are allocated to the large population centers in Colorado. By coordinating a local LIHTC pipeline, the community will help prevent competition among local projects, can clearly support a project (giving it a competitive advantage), and will inevitably end up with higher quality projects and more community benefits for the projects that are funded.

## **Enact uniform local government policies for workforce housing fee waivers**

In our interviews, we learned that many local governments were providing some kind of fee waiver or fee offset for below-market or affordable housing. This has very positive impacts, and our recommendation suggests building on the public goodwill generated by this activity and improving upon this practice in multiple ways:

- Formalize the practice at the local level. Which fee offsets are available for which types of units, and what is expected in return for that waiver or fee offset? Bayfield has some very straightforward fee waiver practices in place that could provide a good template for other communities.
- Budget for fee-offset program costs based on the projected development pipelines or funding available.

- Fee offsets are critical to projects applying for competitive funding like LIHTC allocations; having a set program for waivers or offsets will make local applications much more competitive and will create a smoother process for the development team.

Fee waivers and/or offsets have been funded in a variety of ways in other communities: (1) by establishing a local funding source versus reliance on local government's general fund, (2) through state grants like CDBG, and (3) through subsidies provided by local governments' infrastructure funds. To simplify paperwork and add capacity for all local governments, the Regional Housing Alliance might consider coordinating funding applications to the Department of Local Affairs for funding for infrastructure and fee waivers.

## **Establish a Housing Catalyst Fund to support non-tax credit rental projects with predevelopment costs**

Predevelopment funding is the first funding for any project and also the riskiest funding. Predevelopment funding programs offer financing to cover a variety of development expenses—sometimes referred to as “soft costs”—incurred while determining the feasibility of a particular project, such as costs of preliminary financial applications, legal fees, architectural and engineering fees, and other exploratory work. Obtaining financing for these costs is difficult in good economic times and impossible in challenging times. A number of state and local governments have developed predevelopment loan programs to cover these expenses, thereby facilitating and expanding development of below-market housing. Our team has spent two decades doing predevelopment work and seeking predevelopment funding for projects throughout the Southwest. Our experience is that when a local community, agency or local government provides predevelopment resources, they have more influence over the project's design and most importantly, can help a “stuck” project move forward and determine feasibility. One of the “best practice” models for predevelopment is the Section 4 program, a federal initiative under the Department of Housing and Urban Development. Section 4 funds are awarded competitively across the country to help projects with early feasibility and due diligence work. The challenge with Section 4 is that it is underfunded and only five to seven projects in Colorado receive funding each year. Section 4 was a primary funding source in the early days of developing the Regional Housing Alliance and the subsequent creation of the HomesFund.

The consultant team recommends that the Economic Development Alliance launch a Housing Catalyst Fund (Catalyst Fund). This would adopt the best practices of the Section 4 program while providing more resources to launch several projects throughout the county. The team recommends the following structure for the Catalyst Fund:

The Catalyst Fund would be administered by the Economic Development Alliance team and its consultants. The Catalyst Fund would be directed by a steering committee of representatives from the four governments (staff or elected), RHA, a local employer, a local nonprofit, a local bank, and a member of the Economic Development Alliance board. The Catalyst Fund will launch with a focus on rental housing, but could be used for any housing projects in the near future.

This steering committee would approve funding guidelines, review applications to the fund, and approve funding allocations. It is anticipated that this committee would meet monthly to launch this fund by July 2022 and then would shift to meeting every other month.

The team recommends that the Catalyst Fund be capitalized with up to \$1,000,000 in the next 12 months with the following funding sources: local government contributions (ARPA), Funds from private sector (Local First Foundation and/or local employers), and a possible grant from DOH (requirements forthcoming this summer).

This fund would provide at least three levels of support for potential projects:

- **Predevelopment grants of up to \$25,000:** These grants could be used to cover the costs of third-party studies, hire a development consultant, or hire a technical consultant to assist with early feasibility assessments. Eligible applicants include local nonprofits, private developers, and local governments. These smaller grants are targeted toward projects of less than 30 units, nonprofit partners, and/or rural projects.
- **Predevelopment grants of up to \$75,000:** These grants could be used to cover the same costs as above, but projects must be larger in scale (31 units or greater).
- **Predevelopment grants up to \$150,000:** Given this level of funding, the applications would be more competitive and would require a higher threshold for demonstrating a readiness to proceed. Project underwriting would be provided by the Economic Development Alliance consulting team. The goal of these grants is to catalyze large-scale projects over the next several years.

The Catalyst Fund committee would act as an advisory committee and would confirm each program application and assist with application review and overall program development. With this mix of funding supports it is anticipated that the Catalyst Fund could support five to seven projects annually. Currently, the Economic Development Alliance has secured \$120,000 for this initiative and anticipates launching the committee in June of 2022 with a first funding opportunity in July. This program will not only catalyze projects but will help the county to track projects and the development pipeline, which will inform additional housing opportunities as well as notify the community of projects that are stymied by various constraints.

### Support Fort Lewis College's efforts to develop below-market rental housing for staff and faculty in the next 18 to 24 months on campus land

In 2021 Fort Lewis College launched an employer housing initiative with three primary strategies. One of those strategies is to explore a rental housing project on campus for faculty and staff. This project launches in May of 2022 and will require support and local funding. This project will target 80%-120% of area median income to meet a specific gap in rental affordable to this income bracket. The project will have a preference for FLC staff and faculty but will also serve employees from 9R and the broader community. As the first employer sponsored rental project; this will serve as a pilot that can inform the community on how to approach these projects and possibly replicate with additional employers in the near future.



## HOMEOWNERSHIP

### Provide technical assistance to municipalities for housing development

**Bayfield** has a significant development pipeline on the horizon and is poised to lead the region in affordable for-sale housing opportunities. In light of this, there are opportunities to support the Town of Bayfield as it continues to cultivate these developments. In our conversations with Town of Bayfield officials, we saw a few opportunities to provide support to them immediately:

1. Assist with a Request for Proposals (RFPs) to identify a development partner or partners for the 30-unit town-sponsored Cinnamon Heights project.
2. Assist with grant writing to access state housing funds to discount new housing products in the Bayfield pipeline.
3. Develop strategies to market housing to the local Bayfield workforce and create a fund to offset costs for local employees to buy in Bayfield.
4. Support the HomesFund as it develops deed restrictions and delivers homebuyer training and counseling services to regional homebuyers. The HomesFund may need additional grant support to deliver the needed services with the pipeline expansion in 2023.
5. Provide assistance to the town to develop a mobile home park strategy.

The Town of **Ignacio** has been working on activating existing sites for affordable housing as well as acquiring additional sites. They have expressed an interest in receiving support in the following ways:

1. Confirm a capture rate of for-sale and rental units in the community. This analysis will help to confirm how many units could be bought or rented annually and at what price point.
2. Pilot a modular housing product in the community and assist with a feasibility analysis for this product.
3. Identify a contractor or contractors to build units on their lots in Ignacio.

These technical assistance opportunities complement each other and would best be addressed through a coordinated effort. This could be provided as a service of the RHA or through a grant from the Economic Alliance (EA) Catalyst Fund.

**Durango:** Through Durango’s Urban Renewal Authority (URA), known as the Durango Renewal Partnership, the City is able to subsidize housing units. Though URA programs are not commonly used for housing, the City is partnering with a local developer to create deed-restricted units in a townhome project set to break ground in 2022. This project is slated to produce a total of 22 units, 10 of which will be deed restricted. The city has expressed an interest in identifying additional funding sources to “buydown” other market rate units in the near future.

### *HomeGrown Durango – Deed Qualification Program*

This program is the Durango community’s approach to ensuring that some portion of Durango’s housing stock will remain accessible and dedicated to meeting the needs of the local workforce. The City of Durango is leading the effort to create the legal mechanisms to accomplish this goal with assistance from a variety of community partners. The program goal is to create 200 deed-qualified units that will serve the local workforce by 2030.

There are a variety of mechanisms that will be used to create long-term deed restricted units. By contributing to the costs of development, Durango can require deed restrictions be placed on subsidized units. Opportunities may also exist to purchase existing units and place qualifications on them prior to re-selling. Some units may be rentals with reduced rental rates, some may be reduced price ownership opportunities, some units may simply be reserved for locals with no other restrictions. All the units will serve local residents and will preserve Durango’s quality of life.

### *Types of units*

At the present time, the program envisions managing three different types of units including:

- Permanent Workforce Ownership Unit (Heavy)
- Local Resident Occupancy (Light)
- Affordable/Workforce Rental Unit (Rent Restricted)

**As each local government is advancing housing strategies, it will be important to keep in mind that the location of new housing will necessitate improved coordination around regional transportation strategies.**

## Support homebuyer and mortgage assistance programs provided by the HomesFund

La Plata County is fortunate to benefit from the work of HomesFund, a leading Community Development Financial Institution (CDFI) in Colorado with a proven track record of providing a suite of homebuying services—including classes, counseling and a variety of mortgage assistance programs—to qualified local buyers. Annually, the HomesFund analyzes the local market, mortgage interest rates and home prices to determine a threshold income for entering the local homebuying market. HomesFund then administers assistance through a financial product (second mortgage) which enables buyers to purchase a home in the current high-cost real estate environment. From our interviews and analysis of the local housing market, development costs, and the anticipated future development pipeline, HomesFund will continue to be a critical player in helping to provide hundreds of homebuying opportunities. It is also clear that providing affordable opportunities will require significant subsidy and layered programming. As such, HomesFund will need more local support to increase staff capacity and would benefit from additional funding for mortgage assistance in addition to state and federal programs.

### Fee-in-lieu payment amounts

	<b>0-1 BR</b>	<b>2 BR</b>	<b>3 BR</b>	<b>4 BR</b>
<b>Tier 1</b>	\$163,310	\$253,610	\$340,970	\$538,679
<b>Tier 2</b>	\$107,310	\$189,610	\$261,070	\$445,879
<b>Tier 3</b>	\$51,310	\$125,610	\$181,070	\$353,079
<b>Tier 4</b>	\$0	\$61,610	\$101,170	\$260,279
<b>Average</b>	<b>\$80,500</b>	<b>\$157,600</b>	<b>\$221,100</b>	<b>\$399,500</b>

Employers could play a significant and immediate role in providing additional subsidies for homebuyers. In 2021, Fort Lewis College (FLC) began a partnership with HomesFund, providing capital to seed a program that helps FLC faculty members buy homes. This in turn enables FLC to attract and retain talent. We advise other employers interested in mortgage assistance to follow a similar course, and we encourage local governments, including the county and its municipalities, to explore ways to bolster funding for this program.

Finally, employers and local governments should refer those interested in the aforementioned mortgage assistance opportunities to attend homebuyer education classes offered by HomesFund. This education is key to maintaining a robust buyer pipeline, ensuring that local buyers can quickly fill new for-sale units as they become available.



## Complete feasibility on modular housing product options that benefit La Plata County

Housing construction costs are one of the major factors expanding the gap between what households can afford and the actual costs of renting or buying. Alternatives to framing and building housing on site can help stabilize these costs by securing development materials well in advance, standardizing building forms for economies of scale, and delivering units faster than on-site developments can be built.

Of course, modular homes are built in factories, and if a factory location is far away or challenging to access, delivery costs can begin to erode the savings offered by this style of construction. To capture the full benefit of modular development, La Plata County will need a modular factory in or near the county.

While no implementer has been identified for this strategy, analyzing the feasibility of siting a modular factory in or near La Plata County may be best served if led by a focus group housed within the Economic Development Alliance or a subcommittee of the Regional Housing Alliance. This group could kick off their work with informal interviews or tours of existing modular developers in Colorado.

There are at least two efforts locally to create panelized product or modular units: Timber Age and Higher Purpose Homes. Both companies are making progress in developing their prototype development units. Local leaders have also reached out to regional modular companies like indieDwell and Fading West.

The team interviewed staff at a prominent housing agency in metro Denver that is exploring the creation of a modular strategy at scale and received suggestions of some additional companies to be interviewed. Their approach is to develop an incentive package that would include early funding and guaranteed scale, and would remove some of the local land-use roadblocks to modular housing. This incentives approach is a common one and is something for La Plata County stakeholders to consider. A local agency needs to champion this approach and help select one or more modular companies that can increase housing stock in the next 24 months. An entity willing to lead this effort would need to undertake these next steps for feasibility:

- Ensure local land-use regulations are compatible with the standardized dimensions required to ship units.
- Conduct a market study to show demand and potential local absorption rate for modular units.

- Initiate preliminary discussions with local governments to identify any possible incentives for locating in or near the county. State incentives prioritize counties with lower AMIs, therefore entrepreneurs interested in starting a modular company may be more interested in locating in neighboring counties. While it would still benefit La Plata County residents to have a modular factory nearby and not in the county itself, the county might lose out on the job creation that would accompany the new business.
- Identify where modular housing could be placed throughout La Plata County, and assist with the entitlement process, as this will be a key action to confirm feasibility. Looking at lot availability over the next 24 months as well as possible lots available within a five-to-10-year horizon is critical to creating enough scale for modular to become a permanent tool for the community's workforce housing efforts.

## LAND DEVELOPMENT INITIATIVE

**Coalesce around “big idea” regional projects that bring together city and county resources as well as private funds to create development at scale**

As of May 2022, three primary projects are being discussed that could provide significant opportunities for below-market housing: (1) Three Springs Phase 2a; (2) La Posta Road Annexation; and (3) the Sinton property in the county. All three are in various stages of development and will require that the City of Durango either change existing development agreements to increase units and mitigate costs of development for hundreds of units, consider an annexation that would increase lots for housing in the 300-400 unit range, or look at possible projects near city limits to develop a below-market subdivision through a public-private partnership. The county would be asked to offset infrastructure costs in at least two of the above scenarios. The challenge in moving any of these major projects forward is a lack of consensus on which projects to pursue, primarily because additional information and technical assistance is needed. The consulting team was asked to provide some guidance on how to coordinate stakeholders countywide to select one or more projects to fully implement, define roles and responsibilities, and manage how to share costs for these various initiatives.

Much of the decision making about which projects to pursue should use a site-prioritization matrix approach, a best practice in the housing field and a transparent way to select projects that may receive significant public investment. The consulting team recommends using the Catalyst Fund committee discussed previously to coordinate a process to decide in the next 60 days which regional initiatives to support. This committee represents all major stakeholders and can facilitate a process with use of their consulting team. This is a short-term solution to moving this process forward while the RHA searches for an executive director. In the long run, it may make more sense for this kind of multi-year coordination to happen through the Regional Housing Alliance.

Basic site selection criteria should include the following:

- Site has infrastructure, water and sewer. (If the project does not have infrastructure, it must include a cost estimate and strategy for public funding.)
- Site is developable (slopes, soils, access, etc.).
- Project owner is willing to partner and enter into a formal agreement to provide below-market lots, units or both.
- Total costs for a home through this project will result in below-market unit prices. This should be verified through HomesFund’s annual affordability analysis.
- Development sponsor has experience in development directly or through a consulting team.
- Project’s location is near services/amenities and traffic impacts have been considered.
- Projects that are receiving or have received public financial support should be given priority.

**Sample site prioritization table for regional project selection**

Site Description	Willing landowner	Infra.	Zoning	Services	Site is developable	Land/ lot costs	Local government funding support	Priority
Site A	2	0	1	0	2	2	0	<b>7</b>
Site B	1	3	2	1	2	1	1	<b>11</b>
Site C	0	1	3	1	3	0	0	<b>8</b>

**Rank (0 is worst, 3 is best for category)  
Scoring criteria are included on the following page**



## Scoring criteria matrix:

*Ranking level*

Considerations	0	1	2	3
<b>Willing landowner</b>	Owner not yet contacted or uninterested in selling or complex ownership	Owner interested in market rate sale only	An owner who may be open to below-market housing	City/County owned land or an owner committed to below-market housing
<b>Infrastructure availability</b>	No infrastructure present or planned near site	Plan for infrastructure extension in place	Major infrastructure available near the site	Horizontal infrastructure already present
<b>Appropriate zoning</b>	Incorrect zoning	Incorrect zoning, but smooth process anticipated	Zoning change pending to intended use	Zoned for intended use
<b>Proximity to services</b>	More than two miles from services and no bus stop	Less than two miles to services and public transit available	Less than a mile to services and public transit available	Services in walking distance
<b>Developable topography/ access</b>	Not a flat site, floodplain issues, soil issues, access issues	Has some challenges and all issues not yet known	All issues known and solutions are costly but feasible	Has access and all known challenges and still feasible
<b>Land/lot costs</b>	Land not for sale	Land available at market rate	Land available at discounted cost	Land available at no cost to the development
<b>Local Government Support</b>	No active conversations about support	Conversations happening but no formal commitment	Some commitment for Staff time and resource	Major funding commitment via infrastructure or direct funds

The Catalyst Fund Steering committee can add criteria. The committee would invite projects to submit a letter of interest in receiving support from the fund; projects would then be vetted by the committee. The project selected would receive predevelopment grant funding and technical assistance from the committee members. The team recommends considering a large predevelopment grant in 2022 to catalyze a regional project to move forward with public and private support by fall of 2022.

Unlike other projects that may apply for support from this new fund, this one big regional project will require significant funding and consulting support and an unprecedented level of coordination between local governments. The team anticipates that new policies would be developed through a pilot project that could then be applied to other future projects. In the appendix of this report is an example of a model in which local governments have significantly supported infrastructure development that has led to creation of below-market housing (Nonprofit Development Models).

The City of Durango is actively working on two of the three efforts identified above:

- City staff is working to engage a consultant to explore options for redoing the development agreement with Three Springs to open up more land, provide greater density and explore other tools to create more below-market housing in the near future. There are also conversations regarding how the city could help cover costs for roads and infrastructure to move development of this next phase at Three Springs forward and to help offset costs for units.
- Secondly, the city is currently considering funding predevelopment and infrastructure to facilitate annexation of land in the La Posta Road redevelopment area. This decision should be made by June of 2022 and will be another indication of commitment for this large scale effort to move forward.

La Plata County has had multiple conversations with a private owner who is interested in providing a below-market housing subdivision east of Durango that is currently not receiving city services. This parcel also shows promise but may need to wait until these two city led initiatives have completed feasibility.

It's important to note that the scale of new development being discussed is unprecedented: There are over 1600 units in process throughout the three incorporated communities and these major regional efforts identified could yield several hundred additional units. It is therefore critical that the community monitor the housing market on a regular basis and continue to look at absorption rates by project and location before major investments are made.



## PRESERVATION

### Provide local funding for technical assistance, predevelopment and permanent financing for mobile home park preservation

Mobile homes represent some of La Plata County's last remaining, unsubsidized affordable housing units. In recent years, throughout Colorado and the nation, real estate investors have seized the opportunity to purchase mobile home parks in the interest of collecting revenue, primarily by aggressively raising lot rents. This has had a devastating effect on many mobile home communities, resulting in significant hardship and displacement of residents already earning modest incomes. A 2020 study from Apartment List found that the average annual household income for those living in mobile homes in the United States was \$34,000—approximately half of that earned by those living in stick-built homes.

One emerging tactic to preserve mobile home park affordability is Resident Owned Communities or ROCs, wherein mobile home park residents organize to collectively purchase their parks. Animas View, Westside, and Triangle Trailer Park are recent examples of La Plata County mobile home parks that have successfully negotiated resident-driven acquisitions. Recent state legislation (HB22-1287) has enacted provisions to give residents more time, resources, and rights regarding making an offer when their park is put up for sale, but the process remains exceedingly challenging.

The successful purchases noted above were aided by significant partnerships and financial assistance from nonprofit organizations including HomesFund, 9to5 Colorado, The Colorado Health Foundation, Elevation Community Land Trust and Compañeros, as well as public-sector support from CHFA, La Plata County and the City of Durango. Such support will remain vital to ensuring that mobile home parks remain affordable and viable options for La Plata County's workforce and to keep opportunistic out-of-area investors at bay.

The team recommends that La Plata County and its municipalities keep mobile home park preservation as an active use of local funds for housing projects. What would increase efforts to preserve parks in the future is if both entities created a formal program to provide feasibility grants and funding for resident organizing. Investing \$200,000 a year could significantly increase the likelihood of more parks being preserved in the near future. The Regional Housing Alliance or La Plata County could also support a mobile home park advisory committee and ask members from the three parks that are going through or have completed a preservation initiative to spearhead ongoing strategy work in this field. Finally, parks that have been actively acquired will need ongoing support for infrastructure improvement, home repair, and home replacement. Although there are funds at the state level to support this work, it is likely that local government funds will be needed to improve and stabilize these communities.

## Provide Private Activity Bond allocations to preserve existing affordable rental housing

Private Activity Bonds (PABs) are described earlier in this report and are essential when looking at financial resources to preserve existing affordable housing communities. The team anticipates that local projects that were built 20 years ago or later will be coming in and soliciting resources for refinancing and renovation in the next two years. For this reason, it's critical for the PAB coordination to happen and for this limited resource to be committed to either local preservation efforts or new construction projects at scale.

## LOCAL HOUSING FUND

### Develop and fund a dedicated resource to support local housing

Between the federal and state governments there is an historic amount of funding available to address housing needs, but even with the increased resources, there are still gaps in La Plata County's housing continuum that funding won't address. Many communities are establishing local housing funds to have more local control over how funding can be used and to provide a steady and reliable funding source. A local housing fund can be replenished through a lodging tax, luxury tax, mill levy, sales tax, or some combination thereof. The newly established RHA will form a committee to research which tool or combination of tools makes the most sense for La Plata County.

The RHA was created as a multi-jurisdictional housing authority in 2005 and one of its primary purposes was to create a local housing fund. The statute passed in 2003 describes how local governments can come together to form this special entity and levy public funds or facilitate bond financing to provide resources and support for housing activities.

In May of 2022 the Regional Housing Alliance, which reconstituted a board of directors over a year ago, confirmed their interest in assessing housing trust fund revenue sources over the next six months and putting forth recommendations to a broader community stakeholder group. Specifically, the next steps for exploring a public revenue source would include creating a steering committee with various stakeholders represented, requesting consulting support through Healthier Colorado, a state group that is funded to support local communities working on public finance options, and working through various options with this core group to put forth recommendations by the end of 2022.

# ONGOING EDUCATION AND ADVOCACY

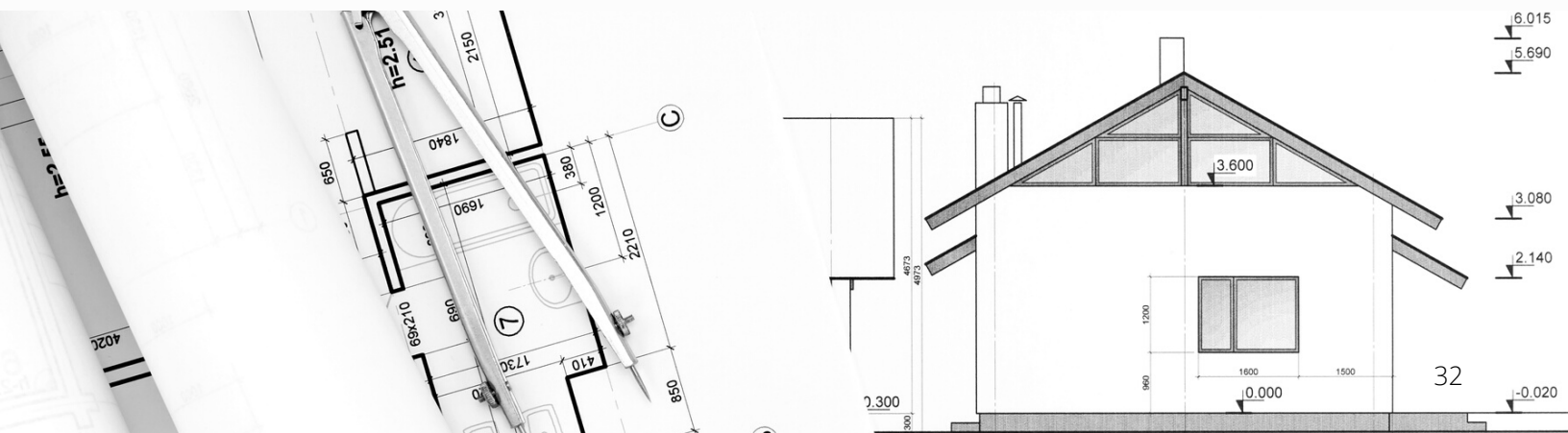
## Continue and expand housing engagement efforts in the community

Consistent educational programming, messaging, and community engagement opportunities are needed to build the public's will and support for the actions identified in this strategy. The Economic Development Alliance and nonprofit entities such as HomesFund, Habitat for Humanity, and Housing Solutions will continue to provide ongoing opportunities to their members and the Regional Housing Alliance is poised to take on activities for local government members. We have learned that without this ongoing function, programs critical to providing these opportunities can be underfunded and projects can be shut down if they need additional land-use approvals through the public process.

## EMPLOYER INITIATIVES

Throughout this document there are examples of how employers have stepped in and provided support or resources. We wanted to create a separate section in this strategy to emphasize their leverage and resources and continue building out partnerships with this critical stakeholder group. Economic Development Alliance will continue holding forums and discussions with employers to help them find ways to address their unique employee housing needs while also supporting broader community efforts. Some of the primary tools and strategies that will be considered moving forward include:

- Following up on employer owned sites and using the Catalyst Fund to finance early due diligence.
- Sharing best practices on housing stipends or pay adjustment models to address housing costs.
- Providing information on master leasing and motel conversion opportunities.
- Continuing exploring shared housing navigation services.
- Promoting additional employer sponsored mortgage funds.





# ADDITIONAL STRATEGIES FOR FUTURE CONSIDERATION



In addition to the priority strategies outlined in this report, there are other tools that can be used to promote housing affordability. These should be considered as implementer capacity increases.

## Coordination

- Apply for joint funding opportunities one or two times a year using local funds matched with state funds.
- Provide funding for Accessory Dwelling Unit development.
- Develop phased annexation agreements.
- Coordinate underwriting of projects using shared criteria.
- Develop a public land development pipeline. This would require a deeper analysis of sites and coordination among players to achieve alignment.
- Formalize a housing coalition.
- Share definitions and HomesFund price schedule, and augment for new categories.
- Coordinate regional development subsidy applications.
- Catalog affordable housing opportunities by establishing or joining a database that tracks affordability covenants and unsubsidized affordable housing.
- Connect landlords with tools and resources that enable them to maintain affordability.
- Provide underwriting and support for preservation loans.
- Provide support for Habitat for Humanity home development.
- Consider expanding Housing Solutions housing rehab programming with local funding.

## Land Use

- Allow density bonus-by-right for below-market housing; expand where housing is a use-by-right.
- Fast track development review processes for projects that meet specific community goals and parameters for below-market housing.
- Review and modify land-use regulations to support density and scale.
- Update and implement the Fair Share ordinance.

## Strategic Investment

- Create a plan for infrastructure cost sharing
- Develop a formal regional land bank strategy

# DEFINITIONS

**Accessory Dwelling Unit (ADU):** A small unit that is "accessory" to the main home. This may be a freestanding building, an apartment above a garage, or incorporated in the main structure but with separate entrance, kitchen, and bath.

**American Rescue Plan Act (ARPA):** Federal funding as part of COVID-19 recovery legislation. Communities have considerable discretion in how funds are invested at the state and local levels.

**Area Median Income (AMI):** The midpoint of the income distribution for a specified geography. Half of households in the region earn more than the AMI and half earn less. AMIs are used at the county level by the US Department of Housing and Urban Development (HUD) to set income and rent limits for affordable housing programs statutorily linked to HUD income limits.

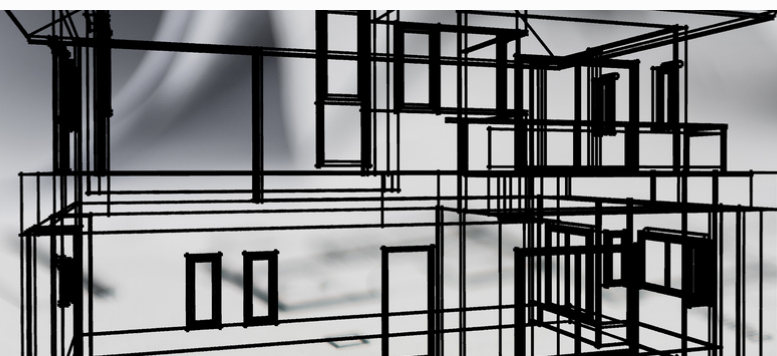
**Colorado Division of Housing (DOH):** DOH partners with local communities to create housing opportunities for Coloradans who face the greatest challenges to accessing affordable, safe, and secure homes. DOH supports projects ranging from homelessness prevention to homeownership.

**Colorado Housing and Finance Authority (CHFA):** CHFA finances the places people live and work. Created in 1973 by the Colorado General Assembly, CHFA strengthens communities by making loans to low-and moderate-income homebuyers, affordable multifamily rental housing developers, and small and medium sized businesses.

**Predevelopment:** The process of taking land from concept to "building permit ready." This involves architectural design, engineering, local land use approvals, and securing financial commitments.

**Request for Proposal (RFP):** A competitive, transparent process for securing services. RFPs can be used to find a suitable development partner for housing.

**Short Term Rental (STR):** Lease and occupancy of a residential unit for less than 30 days, typically. Often brokered by sites like VRBO and Airbnb.



# ACKNOWLEDGEMENTS

This report is possible only due to extensive and ongoing input from the community. The below individuals gave generously of their time, effort, and expertise to aid the consulting team in its work.

**Beatriz Garcia**, Program Manager, Compañeros  
**Andrew Atchley**, Housing Development Specialist, DOH  
**Chris Lopez**, Community Relationship Manager, CHFA  
**Lisa Bloomquist**, Executive Director, HomesFund  
**Elizabeth Salkind**, Executive Director and Attorney at Law, SW Housing Solutions  
**Rachel Bauske Frasure**, Volunteers of America  
**Blaine Bailey**, Co-founder, In the Weeds  
**Briggen Wrinkle**, Executive Director, SW Community Foundation  
**Laura Lewis**, Executive Director, Region 9  
**Jack Llewelyn**, Executive Director, Durango Chamber of Commerce  
**Amanda Erickson**, Executive Officer, Durango Area Association of Realtors  
**Terri Wheeler**, Executive Director, Housing Authority of the County of Montezuma  
**Lynn Urban**, President & CEO, United Way Southwest Colorado  
**Marsha Porter-Norton**, Commissioner, La Plata County  
**Kim Baxter**, Mayor, City of Durango  
**Katie Sickles**, Town Manager, Bayfield  
**Nicol Killian**, Community Development Director, Bayfield  
**Mark Garcia**, Town Manager, Ignacio  
**Jim Goodman**, General Manager, Glacier Club  
**Rick Carleton**, Glacier Club  
**Dale Kneller**, Vice President, Allied Pipeline Technologies  
**Pat Vaughn**, Operating Director - Non Energy, Southern Ute Growth Fund  
**Laurie Roberts**, Property Manager & Community Activist  
**Kent Curtis**, CEO, First Southwest Bank  
**Kurt Carter**, Co-owner, Durango Hot Springs  
**Tom Gorton**, Developer, Edgemont Highlands  
**Neal Starkebaum**, Director, La Plata County Community Development Department  
**Frank Sinton**, Developer and Business Owner  
**Steve Gates**, Architect/Owner, E-Terra Construction  
**Edward Asher**, Owner, Asher Custom Homes  
**Mike Segrest**, Deputy County Manager, La Plata County  
**Eva Henson**, Housing Innovation Manager, City of Durango  
**Scott Shine**, Assistant Director of Community Development, City of Durango

**Tim Zink**, General Manager, Southern Ute Indian Tribe Growth Fund

**Karen Cheser**, Superintendent, 9R Schools

**Kris Oyler**, Co-founder & CEO, Peak Food & Beverage

**Erin Hyder**, Human Resources, City of Durango

**Bob Bremmer**, Managing Director of Public Safety, City of Durango

**Brice Current**, Deputy Chief, City of Durango

**John Harper**, General Manager, Durango+Silverton Railroad

**Stephanie Weber**, Executive Director, San Juan Mountains Association

**Kira Horren**, Director of Finance, Durango School District 9R

**Samantha Gallagher**, Associate Vice President, Finance & Administration, Fort Lewis College

**Betsy Fitzpatrick**, Director of Human Resources, Stone Age

**Mike Foutz**, Vice President of Durango Operations, FCI Constructors Inc

**Carrie Willson**, Human Resources Director, Centura Mercy Hospital

**Joe Theine**, Chief Executive Officer, Animas Surgical Hospital

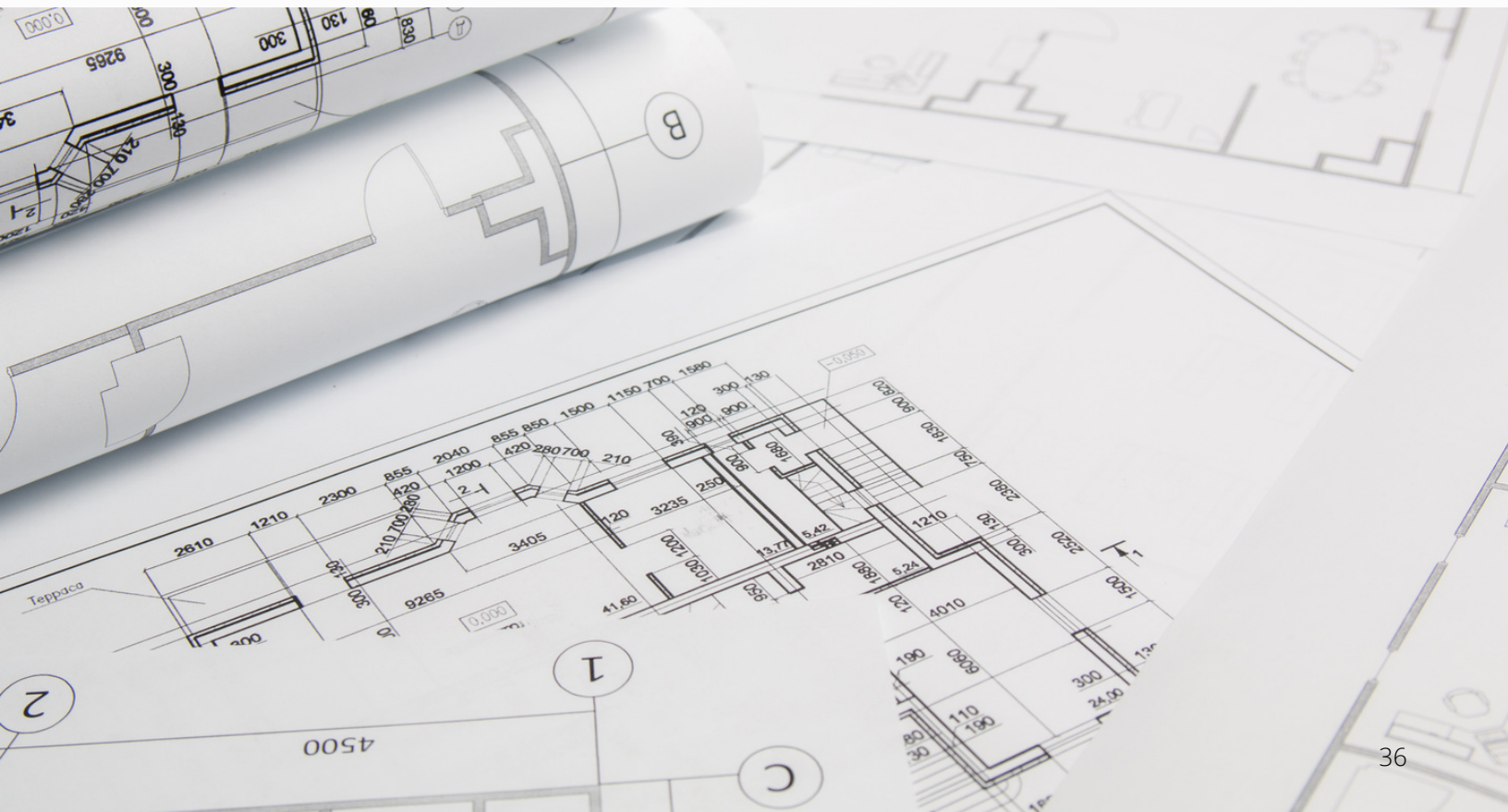
**Emily Bell**, Community Programs Director, Local First

**Kara Rundquist**, La Plata Land

**Sarah Boyette**, Durango Motor Company

**Rebekah DeLaMare**, Executive Officer, Home Builders Association of SW CO

**Andy Hawk**, Co-founder & Lead Story Teller, Timber Age Systems



# APPENDIX

## RENTAL GAP ANALYSIS

To identify the per-unit development cost gaps for rental housing the team created a *pro forma* reflecting current development costs and affordable rental rates based on the 2022 Rent and Income Limits published by CHFA.

Notes:

- Because this is not site-specific, there are no land costs reflected in this analysis. The land costs will increase the development gap and can add approximately \$30k-60k per unit in total project costs.
- It would be infeasible to build a 30 unit development of all 3 bedroom or all 4 bedroom units; this analysis is for illustrative purposes only.
- No additional square footage for circulation has been added.

**Preliminary development costs for a 30 unit development modeled four times as all 1 bedroom units, all 2 bedroom units, all 3 bedroom units, and all 4 bedroom units:**

	1bd	2bd	3bd	4bd
Square footage/unit	600	900	1,200	1,400
Total square footage	18,000	27,000	36,000	42,000
Acquisition	--	--	--	--
Site Improvements	--	--	--	--
Hard Costs @ \$250/sf	\$4.5M	\$6.75M	\$9M	\$10.5M
Professional Fees @5% of HC	\$225k	\$338k	\$450k	\$525k
Construction Finance (5.75% @ 60% accrual over 1y)	\$148k	\$222k	\$296k	\$345k
Permanent Finance	Varies based on loan size	Varies based on loan size	Varies based on loan size	Varies based on loan size
Soft Costs @100/sf	\$1.8M	\$2.7M	\$3.6M	\$4.2M
Developer Fee @ 8% HC+SC	\$504k	\$756k	\$1M	\$1.2M
Reserves	\$235k	\$277k	\$317k	\$351k
<b>Total Development Costs*</b>	<b>\$7.5M</b>	<b>\$11.1M</b>	<b>\$14.8M</b>	<b>\$17.2M</b>
<b>Development Costs per unit</b>	<b>\$248,670</b>	<b>\$370,123</b>	<b>\$491,508</b>	<b>\$572,818</b>

\* Development costs are based on the financing costs and reserve rates for the 80% AMI scenario

## RENTAL GAP ANALYSIS – CONTINUED

### Operating Revenue and Expenses for 80% AMI

	1bd	2bd	3bd	4bd
Monthly Rent per unit	\$1,472	\$1,766	\$2,041	\$2,276
Annual Rental Income	\$530k	\$636k	\$735k	\$819k
Vac Rate 7%	(\$37k)	(\$45k)	(\$51k)	(\$57k)
EGI	\$493k	\$591k	\$683k	\$762k
Operating Expenses PUPA \$5,100	\$153k	\$153k	\$153k	\$153k
<b>NOI</b>	<b>\$340k</b>	<b>\$438k</b>	<b>\$530k</b>	<b>\$609k</b>
Conventional Loan @ 5.16%; 1.15 DSCR	\$4.8M	\$6.2M	\$7.5M	\$8.6M
<b>Total development gap</b>	<b>\$2.7M</b>	<b>\$5M</b>	<b>\$7.3M</b>	<b>\$8.6M</b>
<b>Per Unit Gap</b>	<b>\$88,670</b>	<b>\$165,123</b>	<b>\$243,175</b>	<b>\$287,750</b>

### Operating Revenue and Expenses for 95% AMI

	1bd	2bd	3bd	4bd
Monthly Rent per unit	\$1,748	\$2,097	\$2,423	\$2,703
Annual Rental Income	\$629k	\$755k	\$872k	\$973k
Vac Rate 7%	(\$44k)	(\$53k)	(\$61k)	(\$68k)
EGI	\$585k	\$702k	\$811k	\$905k
Operating Expenses PUPA \$5,100	\$153k	\$153k	\$153k	\$153k
<b>NOI</b>	<b>\$432k</b>	<b>\$549k</b>	<b>\$658k</b>	<b>\$752k</b>
Conventional Loan @ 5.16%; 1.15 DSCR	\$6.1M	\$7.8M	\$9.3M	\$10.6M
<b>Total development gap</b>	<b>\$1.4M</b>	<b>\$3.4M</b>	<b>\$5.6M</b>	<b>\$6.7M</b>
<b>Per Unit Gap</b>	<b>\$47,108</b>	<b>\$113,971</b>	<b>\$185,629</b>	<b>\$222,211</b>

## RENTAL GAP ANALYSIS – CONTINUED

### Operating Revenue and Expenses for 110% AMI

	1bd	2bd	3bd	4bd
Monthly Rent per unit	\$2,024	\$2,428	\$2,806	\$3,130
Annual Rental Income	\$729k	\$874k	\$1M	\$1.1M
Vac Rate 7%	(\$51k)	(\$61k)	(\$71k)	(\$79k)
EGI	\$678k	\$813k	\$939k	\$1M
Operating Expenses PUPA \$5,100	\$153k	\$153k	\$153k	\$153k
<b>NOI</b>	<b>\$525k</b>	<b>\$660k</b>	<b>\$786k</b>	<b>\$895k</b>
Conventional Loan @ 5.16%; 1.15 DSCR	\$7.4M	\$9.3M	\$11.1M	\$12.6M
<b>Total development gap</b>	<b>\$190k</b>	<b>\$2M</b>	<b>\$3.8M</b>	<b>\$4.7M</b>
<b>Per Unit Gap</b>	<b>\$6,347</b>	<b>\$66,016</b>	<b>\$126,484</b>	<b>\$158,271</b>

### Operating Revenue and Expenses for 125% AMI

	1bd	2bd	3bd	4bd
Monthly Rent per unit	\$2,300	\$2,759	\$3,189	\$3,556
Annual Rental Income	\$828k	\$993k	\$1.1M	\$1.3M
Vac Rate 7%	(\$58k)	(\$70k)	(\$80k)	(\$90k)
EGI	\$770k	\$924k	\$1.1M	\$1.2M
Operating Expenses PUPA \$5,100	\$153k	\$153k	\$153k	\$153k
<b>NOI</b>	<b>\$617k</b>	<b>\$771k</b>	<b>\$915k</b>	<b>\$1M</b>
Conventional Loan @ 5.16%; 1.15 DSCR	\$8.7M	\$10.8M	\$12.9M	\$14.6M
<b>Total development gap (surplus)</b>	<b>(\$1.1M)</b>	<b>\$494k</b>	<b>\$2.1M</b>	<b>\$2.8M</b>
<b>Per Unit Gap (surplus)</b>	<b>(\$36,014)</b>	<b>\$16,462</b>	<b>\$68,938</b>	<b>\$94,331</b>

## EMPLOYER SURVEY

To supplement individual stakeholder interviews, we conducted an online survey geared toward employers of all sizes throughout La Plata County. The purpose of the survey was to quantify the impact of the housing shortage on employers' ability to hire and retain employees and thereby maintain and grow their businesses, as well as to identify potential opportunities for employer-sponsored housing solutions and/or public private partnerships.

In total, 58 individuals completed the survey. These individuals represent a range of small to midsize businesses all the way to some of the region's largest employers including the Southern Ute Growth Fund, Animas Surgical Hospital, Fort Lewis College, 9-R, and Peak Food & Beverage.



### Key takeaways from employers on housing shortage impacts:

<p><b>90%</b> of employers report that the housing shortage is affecting their business</p>	<p><b>60%</b> of employers report that they have raised wages as a direct result of the housing market</p>
<p><b>63%</b> of employers surveyed report having difficulty hiring due to the housing shortage</p>	<p><b>33% or 1 in 3</b> employers say that housing stress is affecting morale and/or performance</p>
<p><b>63%</b> of employers report that wages cannot keep up with housing cost</p>	<p>On average, employers are reporting <b>6 vacant positions</b>, with some larger employers reporting well over 30 vacancies</p>

In sum, it is clear that few businesses in the area have been spared from the impact of the region's housing woes. The most pronounced impact can be seen in difficulty hiring and retaining talent, even with the majority reporting having raised wages to offset housing costs.



The vast majority (over 90%) of employers completing the survey expressed interest in learning more about a partnership with other employers in the area to invest in housing through a collaborative opportunity, and nearly 70% indicated interest in taking part in a focus group. These employers will be invited to an online forum in March facilitated by our team in order to provide direct feedback on the strategies proposed in this memo.

When asked what their organization might bring to the table in a partnership with another organization or local government, 40% of respondents said they could contribute financial resources (co-investment in local real estate, mortgage assistance, and commitment to inventory investment), and 8 respondents reported having land that could be considered for housing development.

Finally, the survey provided the opportunity for employers to provide comments about how the housing crisis is affecting their business as well as any ideas for addressing it. Some noteworthy quotes and highlights are included below.

**Q: Tell us about the specific ways the housing crisis has affected your business.**

<p>“We currently have employees looking for their future home. Will we be unable to keep these qualified, good individuals if they can't find affordable housing.”</p>	<p>“0 employees live in Durango and only 3 live within 30 minutes of work. The rest commute from rural LPC, Aztec, Bloomfield, Farmington and even Shiprock. Commuting is a huge commitment of time and money for employees.”</p>
<p>“Due to staffing challenges, I have had to shorten my business hours and be closed 2 days a week.”</p>	<p>“Last summer, our staff ballooned to 45 employees as we brought on ~20 seasonal staff to address the growth in recreation on public lands. Many of our staff lived in their cars or camped since they could not find housing.”</p>
<p>“A new employee moved to Durango and found no availability beginning January 1st and I needed to put him up in a hotel for the month.”</p>	<p>“Easier to tell you how it has not.”</p>

**Q: What ideas do you have for how the community should address the housing crisis?**

<p>“When housing developments are classified during the development process as affordable or attainable, there must be a mechanism in place to guarantee these developments remain affordable or attainable.”</p>	<p>“The City/County planning process is onerous and costly. There is almost zero incentive for planners to work with a developer or builder. The length of time that it takes to muddle through the process, as well as the requirements that are imposed create high costs that must be passed on to homeowners.”</p>
<p>“Work with/support/incentivize contractors looking to build smart, efficient, average-income homes in the area.”</p>	<p>“Public/private partnerships, innovative manufacturing solutions, deed restrictions, workforce subsidizing.”</p>
<p>“Focus on increasing new housing supply, density, and scale where infrastructure supports it. City annex and invest in infrastructure in joint planning areas where jobs, schools, transportation, and services exist or can be expanded (i.e. Grandview, La Posta).”</p>	<p>Deprioritize cars and parking lots in developed areas to allow for higher density infill (i.e. redevelop Town Plaza with no surface parking, infill parking lots on 2nd ave).”</p>

# RESOURCES TO SUPPORT IMPLEMENTATION

## Coordinated support for state funding applications

Once a year the Regional Housing Alliance or another entity should issue a letter of interest opportunity for developers and sponsors interested in applying for the local Private Activity Bond (PAB) cap, 4% tax credits or 9% tax credits from CHFA. The letter of interest should be kept brief but ask for enough information for the community to assess potential development opportunities and select projects to support.

CHFA currently has three funding rounds a year for LIHTC: February, April and August. In order to provide support for any applications the local LOI process should happen in the fall of the prior year, ie. October 2022 for 2023 applications. If no one submits an LOI the agency should accept LOIs in the spring as well. This process will be simple, but will yield significant opportunities to coordinate these critical resources.

The entity managing this process would release the LOI process, close it and convene a committee or use the RHA board to review applications.

If there is more than one project requesting support the projects should be ranked using the following factors:

- Developer experience
- Readiness to proceed, site control, zoning, market data etc.
- Development timeline
- Project type
- Partnership with local agency (versus private developer only)

Once projects are ranked, only one 9% LIHTC and one 4% LIHTC plus PAB cap project should be selected for support annually to ensure local projects do not compete against each other.

Given the competitive nature of these programs, the community should anticipate the following level of demand for these resources:

- PAB plus 4% CAP, a project every other year at the most; the next project will likely be a preservation request for an existing affordable housing portfolio. PAB plus 4% projects require larger scale (usually over 80 units unless there is rental subsidy).
- The 9% LIHTC is extremely competitive and the community should expect a possible award every few years. As such, it is critical that only one application from the area go in at a time.

## Sample template for PAB/LIHTC letter of intent

**Dear Members of the Board,**

I am requesting support for an upcoming development project in **[jurisdiction]**. Project details are described below:

Developer

Project site

Project type (senior, family, special needs)

Scale, unit mix and income targets

Select one: New construction / preservation

Development timeline

Funding sources being requested; select one or more as needed:

- PAB cap
- 4% LIHTC application
- 9% LIHTC application
- Local gap support

Local agency partner; if yes, please indicate which agency will be partnering: Yes / No

Three references for the developer (community, funder, investor)

Thank you for your consideration.

Sincerely,

**[Applicant name]**

## Additional downloadable resources (PDF files)

### **Eagle County Good Deeds Program**

<https://drive.google.com/file/d/1Nxyq0zqP9Nzz9KVytRv8flqRjxwcJhAh/view>

### **Eagle County Good Deeds Resolution**

[https://drive.google.com/file/d/1B8ZwcdCzjPmlV\\_W2ROdzfoC9KjP1cmEE/view](https://drive.google.com/file/d/1B8ZwcdCzjPmlV_W2ROdzfoC9KjP1cmEE/view)

### **Summit County Housing Helps Program**

[https://drive.google.com/file/d/1FOVRJkYAB\\_cBWINPB7a\\_I1\\_bFpCYbpkq/view](https://drive.google.com/file/d/1FOVRJkYAB_cBWINPB7a_I1_bFpCYbpkq/view)

### **Town of Frisco Amended Housing Helps Resolution**

<https://drive.google.com/file/d/1xQoAZ-nhIXdLO0ZDsXzSSYazrHjmk8vf/view>

### **Nonprofit Development Models Recommendations**

<https://drive.google.com/file/d/1Olz1VfMEyMokumoV2mdhLDVDAuF8IryP/view>

### **3-Year Workforce Housing Investment Strategy: Phase One Memorandum**

<https://drive.google.com/file/d/1HzmAt8CoreB-479XimFLzxbmZ6agRaGf/view>

### **Root Policy 2021 Regional Housing Assessment: Executive Summary**

<https://drive.google.com/file/d/1PJQzjxdttdW9zu-3HSeJQn5vUOpOqcg2/view>

