

The Economics of Land Use



Final Report

Village Court Evaluation of Need

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San Miguel Regional Housing Authority

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December 18, 2018

EPS #173086

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1. INTRODUCTION

The Town of Mountain Village plans to construct a 50-unit addition to the existing Village Court Apartment development. As part of the 2018 San Miguel Housing Needs Assessment, the following section has been provided to focus on this expansion. A building within the existing complex is shown in **Figure 1** and the unit mix is provided in **Table 1**. The current project consists of 90 units of which 52 are rented at the 60 percent Area Median Income (AMI) level and 38 are rented at 50 percent of AMI. The future units are not anticipated to be restricted to a specific AMI level but will be targeted to locally employed renter households.

Figure 1. Existing Village Court



Table 1. Unit Mix by AMI

Unit	50% AMI	60% AMI	Total	% of Total
Studio	37	18	55	61.1%
1 Bedroom	1	14	15	16.7%
2 Bedroom	0	19	19	21.1%
3 Bedroom	0	1	1	1.1%
Total	38	52	90	100.0%
% of Total	42%	58%	100%	

Source: Village Court Apts; Economic & Planning Systems

Methodology

This report integrates primary and secondary data to evaluate the need for the VCA expansion. Drawing from a range of data sources, the information illuminates how to program the additional units to best address community needs and preferences. A key part of the analysis includes survey findings, which are drawn from the companion report, the San Miguel Regional Housing Needs Assessment, completed in 2018.

The San Miguel Regional Housing Authority (SMRHA) contracted Economic & Planning Systems (EPS) and RRC Associates (RRC) to provide a Housing Needs Assessment for the county. A key component of this analysis included an employer and household survey that was distributed throughout San Miguel County. There were a total of 3,850 surveys mailed out to residents living in San Miguel County, Ridgway, and Nucla/Naturita and there were a total of 806 survey responses which represents a response rate of 20.9 percent. This rate is strong, particularly for recent community surveys in which the response rate has been trending downward. The analysis included in this report focuses on the response received from residents living in Mountain Village and specifically residents living in the Village Court Apartment development.

Report Organization

The following sections of this report provide insight on the following topics:

Section I: Methodology and Summary of Findings

Section II: Depth of Renter Demand

A series of tables are provided to document the depth of renter demand. As the Town seeks to involve lenders and/or investors, this information is provided to show how the additional 50 units fits within the regional rental housing context and the degree of demand for a project of this magnitude. Specific information includes:

- The number of rental households in the Telluride Region, within the overall composition of the housing market
- The supply of rental housing in the Telluride Region, specifically the number of market rate units and the number of income-restricted units
- Demand represented by current residents and future residents, based on projections of those expected to move to the region in response to economic growth

Section III: Rental Housing Costs

A review of rental costs in the region, based on specific properties as well as listings of market rate units. The section includes:

- Current rental costs reported in the survey by location throughout San Miguel County
- Comparison of costs in the market rate inventory to those that are income restricted
- Detailed breakdown of housing costs by property

Section IV: Program Considerations, with a focus on Unit Mix

The data included in this section pertain to renter preferences and can be used to help define the development program, including unit mix as well as amenities and features found to be of significance to the renter population in the Telluride Region. Specific issues include:

- Household Composition and Unit Mix
- Age of Residents
- Desired bedroom mix, based on existing inventory, competitive position, results from survey respondents, as well as open ended comments collected by the survey

Section V: Preferences and Satisfaction

The report addresses the desired amenities, relative preferences by location, as well as degree of satisfaction with Village Court Apartments.

- Desired Amenities
- Locational Factors
- Satisfaction Levels with Village Court

Section VI: Other Considerations

In addition to project-specific elements of the report findings, there are related topics which are helpful to the development team regarding the nature of the rental market in the Telluride Region. Some of these include:

- Longevity of residents
- Commuting patterns
- Role of Village Court to Mountain Village Employers
- Perception of Housing Needs

Summary of Findings

1. Market demand for the additional 50 units at Village Court is expected to be sufficient to reach full occupancy with little risk for lingering absorption.

The regional economic, demographic, and market data evaluated in this study show a depth of demand that is far greater than observed in most real estate markets. Lenders and/or equity investors should have a high level of confidence in the existing and future market conditions, with interest from existing renters in the area representing two to three times the proposed inventory. Economic growth in the region and the corresponding increase in households could generate over a three-year time period (2018 through 2020) demand for up to 60 percent of the complex. Drawing from existing renters as well as future growth, the project is expected to be oversubscribed in terms of demand.

2. The current rental rates at VCA are compelling as they are some of the lowest in the region. Rather than maintain this competitive rental advantage, a better approach may be to raise rents to be commensurate with the competition and use the added revenue to provide amenity and quality of life improvements.

Under this scenario, VCA will be better positioned in the long run to maintain high occupancy rates, high satisfaction rates, and high quality of employees available to businesses located in Mountain Village. For additional context, the report provides rental rates from newer developments in Vail, Basalt, and Keystone (**Appendix 1**) as framework to help set rents for the new expansion of VCA. Clearly, lower rents achieve affordability goals more effectively, which is the goal of the Town of Mountain Village. The information in this report provides the context to help balance affordability goals with operation and maintenance costs.

3. The unit mix for the proposed expansion should be set to balance the regional inventory and address local needs, as indicated by the current household composition.

Given the data on unit mix throughout the Telluride Region, the current VCA household composition, and survey results, it is recommended to diversify the housing inventory. Because two-bedroom units are the most versatile and lend themselves to families, couples, and unrelated roommates, it is recommended that a majority of unit types be two-bedroom. Larger three-bedroom units remain versatile and work very well for families. Studio units should be included on a limited basis, particularly given the unit mix in developments located in Telluride (including the newest project). The ranges provided below reflect an optimal mix given the context and needs of the community in 2018.

- Studio 10% to 15%
- One-Bed 20% to 25%
- Two-Bed 45% to 55%
- Three+ 15% to 15%
- Range 90% to 110%

4. Amenities within the new development are important to prospective renters.

When asked the question in terms of a percentage of current rental payment, approximately one-quarter to one-third are willing to pay up to 20 percent more in terms of monthly rent for additional amenity. It should be noted that two-thirds to three-quarters stated that they are not willing to pay more. When the question was posed in terms of specific dollar amounts, the number of households willing to pay was substantially more, with 40 to 50 percent willing to pay between '\$100 to \$199' more per month. Generally, it appears that when asked in direct ways, a sizeable percentage of Village Court residents (just under half) are willing to pay between \$100 and \$199 for additional amenity. The data indicate that the future phase could incorporate more quality of life features (see **Figure 11** for specific examples) and that a large percentage of the residents would be willing to pay for these features.

2. RENTAL HOUSING SUPPLY AND DEMAND

Housing Supply

There are 6,706 housing units in San Miguel County, with just under half (48.6 percent) occupied on a full-time basis, as shown below in **Table 2**. The balance are considered seasonal homes and are occupied during portions of the year, often corresponding to the peak summer and winter months. Of the occupied inventory of 3,258 dwelling units, approximately 40 percent are renter households with the balance of 60 percent as owner households. The resulting inventory of 1,326 rental units forms the basis of the following analysis in this section.

Table 2. Housing Composition within San Miguel County

Description	2010	2016	2010-2016		
			Total	Ann. #	Ann. %
Housing Units					
Occupied Units	3,228	3,258	30	5	0.2%
Vacant Housing Units	<u>3,193</u>	<u>3,448</u>	<u>255</u>	<u>43</u>	<u>1.3%</u>
Total	6,421	6,706	285	48	0.7%
Occupied % of Total	50.3%	48.6%			
Vacant % of Total	49.7%	51.4%			
Occupied Housing Units					
Renter Occupied	1,151	1,326	175	29	2.4%
Owner Occupied	<u>2,077</u>	<u>1,932</u>	<u>-145</u>	<u>-24</u>	<u>-1.2%</u>
Total Occupied Units	3,228	3,258	30	5	0.2%
Renter % of Occ.	35.7%	40.7%			
Owner % of Occ.	64.3%	59.3%			

Source: U.S. Census Bureau; Economic & Planning Systems

Housing Demand Estimates

As shown below in **Table 3**, nearly 70 percent of the occupied renter pool of 1,326 households falls below 120 percent of the Area Median Income (AMI). The survey results show the distribution by AMI level for each income level. Based on the data that show the Telluride Region has a deed restricted rental inventory of 659 units, the balance of 243 households have found market-rate rental properties. In some cases, these are priced at very aggressive rates. In other cases, the properties are dated and/or small and are priced at rates that locals can rent, albeit many would still be considered cost burdened.

The industry standard for rental turn over for rental units is 45 percent per year. This analysis assumes that occupants in the deed restricted, government owned properties are more stable, given the below-market rental rates offered. The market rate inventory, however, will see turnover closer to industry standards. In terms of the new 50-unit expansion, the potential turnover of market rate units can be expected to generate 109 potential renter households for the future development. The Demand: Supply ratio stands at 2.18, as the potential demand is nearly twice that of the proposed units.

Table 3. Demand for VCA Expansion, based on market turn over

Description	Factor	Amount
Total Occupied Renter HHs (2016)		1,326
Income Qualified Renter HHs by AMI		
Under 30% AMI	5%	66
30% - 50% AMI	7%	93
50% - 80% AMI	21%	278
80% - 100% AMI	20%	265
100% - 120% AMI	<u>15%</u>	<u>199</u>
Total	68%	902
Less: Existing Inventory		659
Potential Renters		243
Renter HH Turnover	45%	109
Necessary Capture	50 units	46%
Demand : Supply Ratio		2.18

Source: Economic & Planning Systems

Occupancy of the new VCA expansion can also be viewed in terms of demand generated from current rental households in the Telluride Region. It should be noted that this pool of prospects is not distinct from the pool of market rate renters, evaluated in the previous table, but provides another lens for viewing potential demand. Survey data show that 7 percent of renter households are “Interested” in living in Village Court and that another 10 percent are “Very Interested,” as shown in **Table 4**. Thus, 153 existing renter households in San Miguel County would consider moving into the complex, given their level of interest. This demand is 3.07 the size of the future supply and the project could reach full occupancy by capturing 33 percent of it.

Table 4. Demand for VCA Expansion, based on level of interest

Description	Factor	Amount
Total Occupied Renter HHs (2016)		1,326
Income Qualified Renter HHs by AMI		
Under 30% AMI	5%	66
30% - 50% AMI	7%	93
50% - 80% AMI	21%	278
80% - 100% AMI	20%	265
100% - 120% AMI	15%	199
Total	68%	902
Interest in Living in Village Court		
Interested	7%	63
Extremely Interested	10%	90
Total	17%	153
Necessary Capture	50 units	33%
Demand : Supply Ratio		3.07

Source: Economic & Planning Systems

Future growth also plays a part of demand for the development. The region is expected to grow by a total of 325 new households from 2016 through 2026. By subtracting commuters (30 percent of households) and accounting for the tenure split (70 percent are expected to be renters), the net demand is 159 new renter households as shown in **Table 5**. It is important to note that these will be generated over a 10-year period, representing approximately 11 households annually.

Based on the timing of the data availability, it is expected that the region has accommodated some of this growth in higher than average commuting rates, higher rates of overcrowding, and/or higher rates of cost burdened renter households residing in market rate housing. When the expansion to VCA opens, it can be expected to tap into this pent-up demand, represented by multiple years of growth while the project has been planned and constructed. Thus, the two to three years of process (with little competitive supply added elsewhere in the region) equates to approximately 22 to 33 new households seeking housing. This represents 40 to 60 percent of the development, from households new to the region, not accounted for in previous tables.

Table 5. Demand for VCA Expansion, based on regional growth

Description	Factor	Amount
Ten-Year Housing Demand		
New Jobs (2016-2026)		760
New Employees	1.50	507
Housing Unit Demand	1.56	325
Less: Commuters	30%	97
San Miguel County Housing Demand		227
Renter Households	70%	159
Income Qualified Renter HHs by AMI		
Under 30% AMI	5%	8
30% - 50% AMI	7%	11
50% - 80% AMI	21%	33
80% - 100% AMI	20%	32
100% - 120% AMI	<u>15%</u>	<u>24</u>
Total	68%	108
Annual Demand	10	11
Demand for Village Court	50	22%

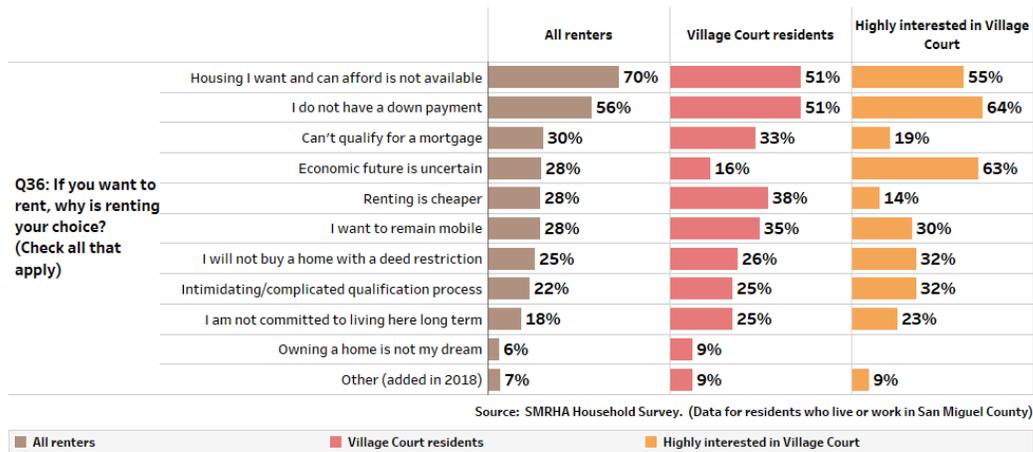
Source: Economic & Planning Systems

The conclusion from these tables shows a depth of demand that is far greater than observed in most real estate markets. Lenders and/or equity investors should have a high level of confidence in the existing and future market conditions, with interest from existing renters in the area representing two to three times the proposed inventory. Economic growth in the region and the corresponding increase in households could generate over a three-year time period (2018 through 2020) demand for up to 60 percent of the complex. Drawing from existing renters as well as future growth, the project is expected to be oversubscribed in terms of demand.

Housing Demand Factors

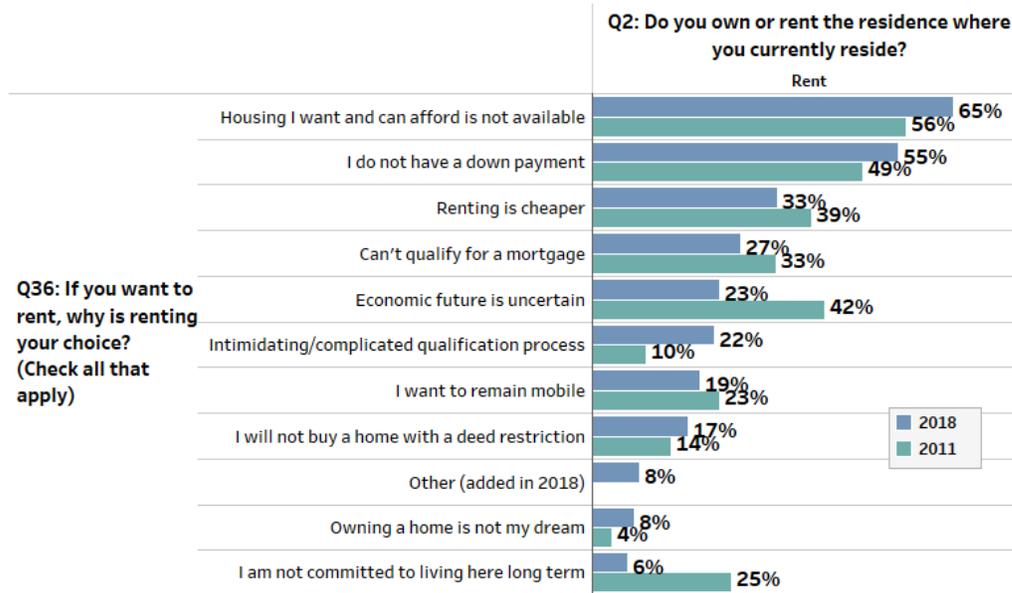
Based on the results of the Household Survey, approximately 70 percent of all renters stated that the reason they rent is due to the fact that the housing they want and can afford is not available, as shown in **Figure 2**. Approximately 56 of renters stated that they currently rented because they do not have a down payment to purchase a home. For Village Court residents, these were also they primary reasons for renting. Among renters interested in Village Court, a lack of housing that is appealing and affordable and a lack of a down payment were also the two primary reasons for renting. However, a feeling that the economic future is uncertain is significantly higher among this group than in all renters and Village Court residents.

Figure 2. Reason for Renting, Select Respondents



Responses for reasons for renting in 2011 and in 2018 are summarized in **Figure 3**. The proportion of respondents citing the top two reasons for renting, "housing I want and can afford is not available" and "I do not have a down payment," has increased since 2011, indicated added strain on renters in 2018 compared to 2011.

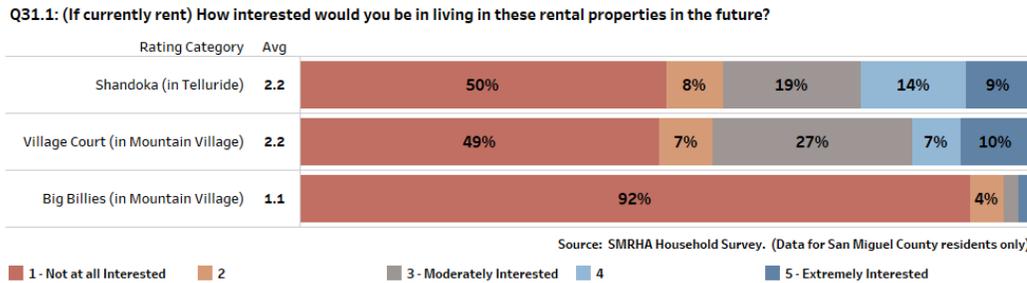
Figure 3. Reasons for Renting, 2011 and 2018



Source: SMRHA Household Survey. (Data for San Miguel County residents only)

For survey respondents that are renters, approximately 44 percent indicated that they were at least moderately interested in living in Village Court, as shown in **Figure 4**. Approximately 10 percent of respondents currently renting indicated that they were "Extremely Interested" in renting a unit in Village Court. These levels of interest align with interest in living in Shandoka in Telluride.

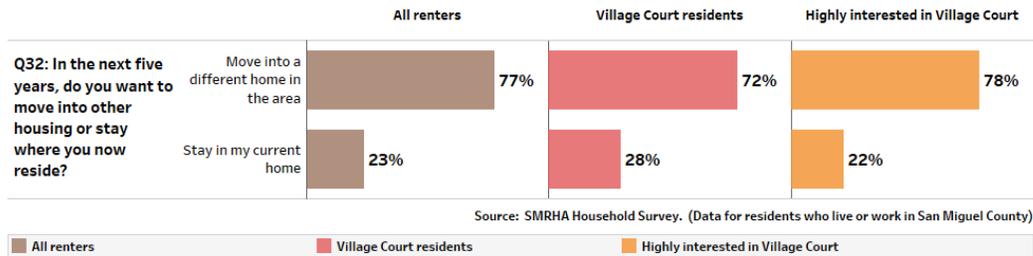
Figure 4. Relative perceptions among larger rental properties



Source: SMRHA Household Survey. (Data for San Miguel County residents only)

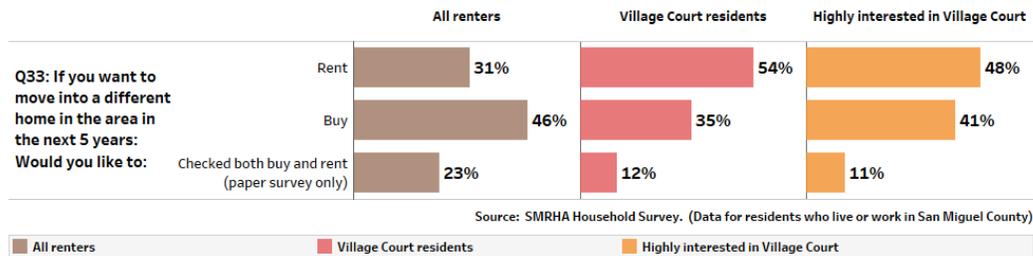
The majority of renters in San Miguel County and Village Court specifically have a desire to move into a different home in the area, as shown in **Figure 5**. Approximately 77 percent of all renters and 72 percent of Village Court residents stated that they would prefer to move to a different home in the same area.

Figure 5. Village Court: Desire to Move by Location



A final consideration is the role Village Court plays in the perceptions of local renters. There are generally three large rental complexes that are income restricted and offer lower rents, which include Big Billies, Shandoka, and Village Court. In terms of interest, Shandoka and Big Billies are viewed in similar terms by renters, as shown below in **Figure 6**. (Shandoka has a slight edge among those who ranked each of 4 on a scale of 1 to 5.) Both are perceived to be far superior to Big Billies, and thus enjoy a competitive advantage in that regard.

Figure 6. Village Court: Desire to Rent or Own



3. RENTAL COSTS

The purpose of this section is to delineate rents in the region, for other income-restricted properties like VCA as well as market rate rents. The key question for the development team is how to position the property relative to its competitive place in the market. Historically and currently, Village Court has some of the most affordable rents in the Telluride Region. While this is admirable, given the area’s very high housing costs, there may be a need to balance affordability goals with project quality of life goals.

The 220 units in the current development have rents that range from \$680 up to \$1,215, spanning unit types from a studio up to a three-bedroom unit, as shown in **Table 6**.

Table 6. Village Court Rental Rates

Type	Units	Rent per Unit
Studio	78	\$680
1-Bedroom	78	\$845
2-Bedroom	52	\$1,040
3-Bedroom	<u>12</u>	\$1,215
Total	220	\$853

Source: Economic & Planning Systems

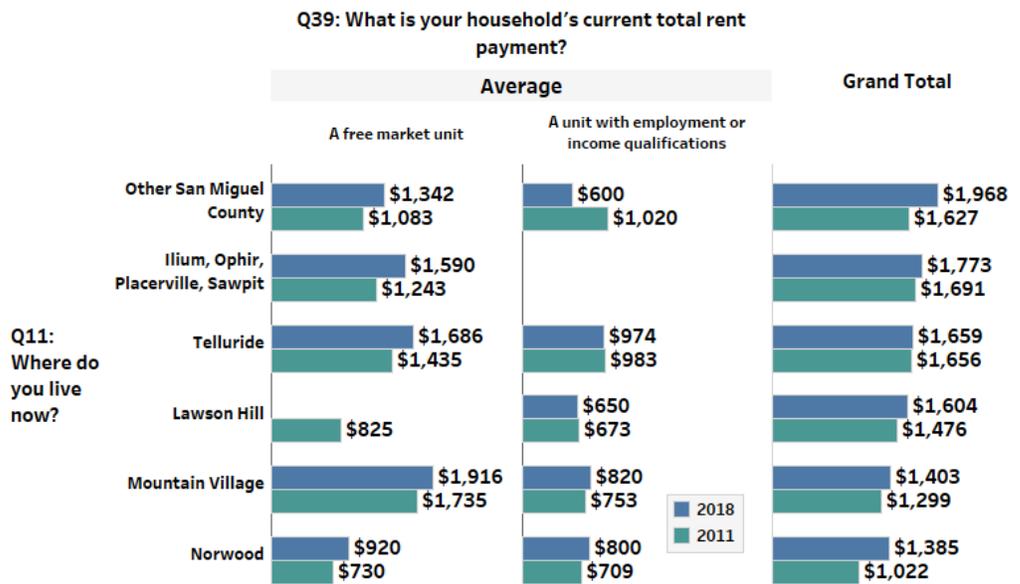
Rental Housing Payments

Household rental payments for the region are provided below in **Figure 7**, and show the average payment by community, broken out for ‘Free Market’ and those with ‘Income Qualifications.’

Survey data show that free market units in Telluride and Mountain Village rent for \$1,686 and \$1,916, respectively. This contrasts the ‘Income Qualified’ set, with rents at \$974 and \$820 for Telluride and Mountain Village, respectively.

In Mountain Village, the rents reported in the survey are lower. This is likely due to the predominance of smaller units, particularly the concentration of studio units in Big Billies. The survey data point of \$820 falls just under the current one-bedroom rents at Village Court.

Figure 7. Rental payments by Location and Tenure



Source: SMRHA Household Survey. (Data for San Miguel County residents only)

Rental Rates

Because the rental market is approximately 73 percent 'income qualified' with the balance of just over one quarter as 'market rate,' the rents reported in the survey are weighted to the lower end of the spectrum. In contrast to the 'income qualified rents,' market rents are substantially higher. The research for this analysis includes a review of listings for market rate units in the summer of 2018 that were posted on Zillow and Craigslist. The inventory is limited and only 12 listings in Telluride and 7 listings outside of Telluride could be captured, shown below in **Table 7**.

Current rental rates for market rate units are approximately \$2,500 per unit or \$2.46 per square foot in Telluride. The average rental rate per bedroom, a common metric in mountain communities, was \$1,560 per bed. Outside Telluride, average market rate rental rates are approximately \$1,480 per unit or \$0.99 per square foot. The average rental rate per bedroom was \$488 per bed.

It is likely that the household survey included a broader section of the community, including renter households with established long-term situations. Additionally, the research shown below reflects a limited number of units (given that there were a very limited number of available rentals) and is likely to include those at the 'top of the market.' Regardless, all the data indicate that market rate options are about twice the cost of the existing, income qualified inventory in Mountain Village.

Table 7. Market Rate Rental Costs, 2018

Description	Sample Size	Size (SF)	Price per Month	Price per SF	Rent per Bed
Telluride					
1-Bed	7	694	\$1,832	\$2.52	\$1,832
2-Bed	2	778	\$2,738	\$3.59	\$1,369
3-Bed	1	2,500	\$2,800	\$1.12	\$933
4-Bed	2	2,506	\$4,448	\$1.84	\$1,112
Average		1,203	\$2,500	\$2.46	\$1,560
Subtotal	12				
Outside Telluride					
1-Bed	1	500	\$850	\$1.70	\$850
2-Bed	2	975	\$825	\$0.88	\$413
3-Bed	2	1,200	\$1,038	\$0.88	\$346
4-Bed	2	2,485	\$1,900	\$0.69	\$475
Average		1,644	\$1,484	\$0.99	\$488
Subtotal	7				
Overall Average		1,375	\$2,160	\$1.89	\$1,119
Total	19				

Source: Craigslist; Zillow; Economic & Planning Systems

For additional context, this report includes a summary of newer employee housing constructed in other mountain resort markets in Colorado (See **Appendix 1**). The communities included are Vail, Basalt, and Keystone. The selected projects comprise some form of local government financial support, but not to the degree applied for deed restrictions and set asides for low AMI level projects. The information in **Appendix 1** provides an indication of the rents needed to service debt for new construction while still geared to employee housing.

The income restricted inventory is summarized below in **Table 8**. The developments with the largest inventory include Shandoka and Village Court. Village Court has the lowest rents in the region and thus holds a highly compelling market position. Particularly when compared to market rents, Village Court represents a good value. Given this spectrum, the Village Court ownership group could consider and upward adjustment, without meeting any market resistance, to address quality of life opportunities.

A summary of developments include:

- **Creekside** – Rental rates range from \$645 for 1-bedroom units to \$1,349 for 2-bedroom units
- **Shandoka** – Rental rates range from \$838 for 1-bedroom units to \$1,648 for 4-bedroom units
- **Virginia Placer** – Rental rates range from \$700 for a tiny home to \$1,430 for a 2-bedroom unit.
- **Boarding House** – The Boarding House is a recently completed shared-unit development in Telluride, rental rates range from \$385 for double rooms to \$450 for single rooms
- **Big Billies** – Rental rates average \$688 per unit for studios
- **Village Court** – Rental rates range from \$680 per unit for a studio up to \$1,215 for a 3-bedroom unit

Table 8. Deed-Restricted Rental Rates, 2018

Unit Type	Telluride				Mountain Village	
	Creekside	Shandoka	Virginia Placer	Boarding House	Big Billies	Village Court
Studio	-	-	\$850	-	\$688	\$680
1 Bedroom	\$645 - 985	\$838 - 872	-	-	-	\$845
2 Bedroom	\$725 - 1,349	\$1,115 - 1,150	\$1,400 - 1,430	-	-	\$1,040
3 Bedroom	-	\$1,435 - 1,541	-	-	-	\$1,215
4 Bedroom	-	\$1,616 - 1,648	-	-	-	-
Single Room	-	-	-	\$450	-	-
Double Room	-	-	-	\$385	-	-
Tiny Home	-	-	\$700	-	-	-

Source: SMRHA; Economic & Planning Systems

Vacancy Rates

Vacancy rates for the income restricted properties are very low, as shown in **Table 9**. Based on a review in the summer of 2018, there is virtually no available inventory. Those projects with available inventory include Big Billies, which is owned by the TellSki and will be at full occupancy as the ski operator staffs up for the season. The Boarding House is a recently completed project that is under lease up. More recent reports indicate that absorption has been quite strong, with nearly all units having been leased within eight weeks of project completion, and only three units remaining at the time the analysis was completed. The market is particularly tight, with market pressure likely to increase in the winter season.

Table 9. Vacancy Rates for Income Qualified Properties

Description	Total Units	Vacant	Percent
Telluride			
Creekside	26	0	0.0%
Shandoka	134	1	0.7%
Virginia Placer	21	0	0.0%
Boarding House	<u>46</u>	<u>16</u>	<u>34.8%</u>
Subtotal	227	17	7.5%
Mountain Village			
Big Billies	147	13	8.8%
Hotel Madeline	10	0	0.0%
Mountain View Apts	30	0	0.0%
Village Court Apts	<u>222</u>	<u>0</u>	<u>0.0%</u>
Subtotal	409	13	3.2%
Total	636	30	4.7%
Total Excluding Boarding House	590	14	2.4%

Source: SMRHA; Economic & Planning Systems

In conclusion, the current rental rates at VCA are compelling. They are some of the lowest in the region with 1-bedroom units at a comparable level to 1-bedroom units in Shandoka and 2-bedroom and 3-bedroom units at 92 to 82 percent below those of Shandoka. Rather than maintain this rental advantage, a better approach may be to raise rents to be commensurate with the competition and use the added revenue to provide amenity and quality of life improvements. Under this scenario, VCA will be better positioned in the long run to maintain high occupancy rate, high satisfaction rates, and high quality of employees available to businesses located in Mountain Village.

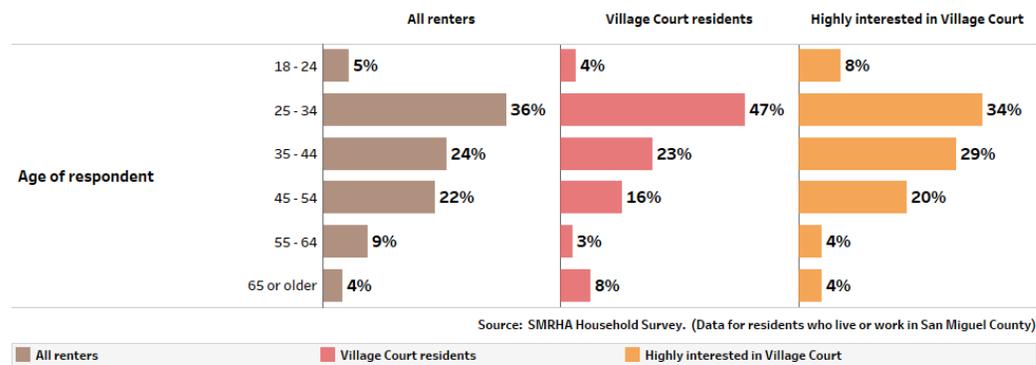
4. UNIT MIX

The survey data include a broad array of information about current and future residents that can be used to inform the program. The primary focus of this chapter is on unit mix. An important limitation of the survey data is the lack of insight regarding Hispanic residents. No surveys were returned by this group of residents. Village Court management estimate that nearly one-quarter of the residents are Hispanic. It is therefore advised that a more detailed review of the needs of these residents should be done, focusing on household size at a minimum.

Age of Residents

Village Court residents mirror the age distribution of the larger San Miguel renter population, noting that the data underrepresent Hispanic residents. The most concentrated cohort is the '25 to 34' age group, with declining percentages at higher age cohorts. This is true of current residents as well as those who are 'Highly Interested' as shown below in **Figure 8**.

Figure 8. Household Characteristics Comparison by Age

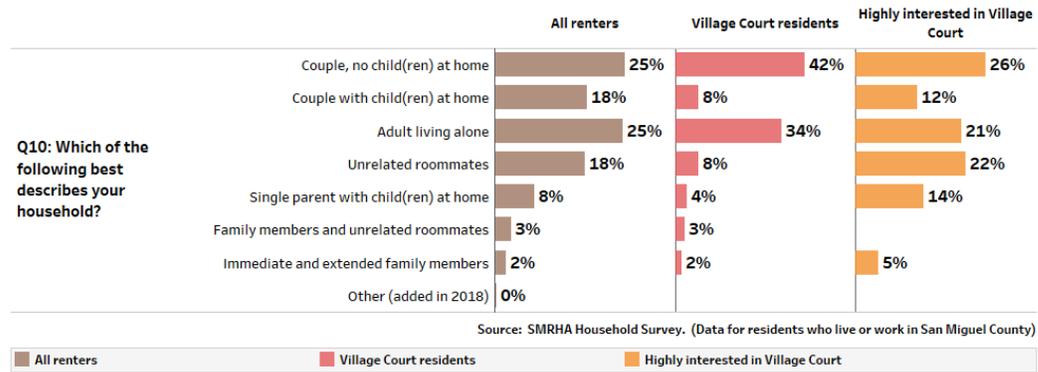


Household Composition

The composition of households (based on survey respondents, which under represents Hispanic Households), places the greater concentration of existing residents at 'Couple, no child(ren) at home' (42 percent) and 'Adult living alone' (34 percent). Both are greater than the pool of 'All Renters'. Both reflect the greatest interest from future residents, at 26 percent and 21 percent, respectively, with an additional cohort of 'Unrelated roommates' at 22 percent (**Figure 9**). The development program should account for these household configurations, noting that Hispanic families did not return surveys. Given that on-site management report that they account for nearly one-quarter of all residents, a detailed breakdown of their household composition should be done to ensure the future phase adequately accounts for the community needs.

The larger question is one that is the most challenging to address in market analyses. The data show the composition of local renter housing and their corresponding sizes. What is not shown are the renter households who did not respond to the survey as they no longer live in San Miguel County. How should the Village Court expansion address the needs of households who no longer remain in the region? More insight on this challenging question will be provided below.

Figure 9. Household Type



Based on information provided by Town of Mountain Village staff, the average household size of current Village Court residents is estimated at 1.82 persons per household, as shown in **Table 10**. Nearly 50 percent of units are occupied by a single person, 25 percent are occupied by two people, and 25 percent are occupied by three people or more. In addition, approximately 25 percent of units are occupied by renters with children.

Table 10. Village Court Household Size by Bedroom Type

Households	Studio	1 Bedroom	2 Bedroom	3 Bedroom	Total	% of Total
With Children	6	13	32	4	55	25.0%
1 Person	61	36	4	3	104	47.3%
2 People	11	29	13	1	54	24.5%
3 People	0	0	3	0	3	1.4%
4 People	0	0	0	2	2	0.9%
5 People	0	0	0	1	1	0.5%
6 People	0	0	0	1	1	0.5%
Total	78	78	52	12	220	100.0%
Average HH Size	1.22	1.60	2.71	0.50	1.82	
Average # of Children	0.08	0.12	1.04	0.58	0.35	

Source: Village Court Apartments; Economic & Planning Systems

Nearly 70 percent of current Village Court residents define themselves as white, 23 percent define themselves as Hispanic, and the remaining 7 percent of residents define themselves as either African American, Asian, Indian, or Hawaiian, as shown in **Table 11**.

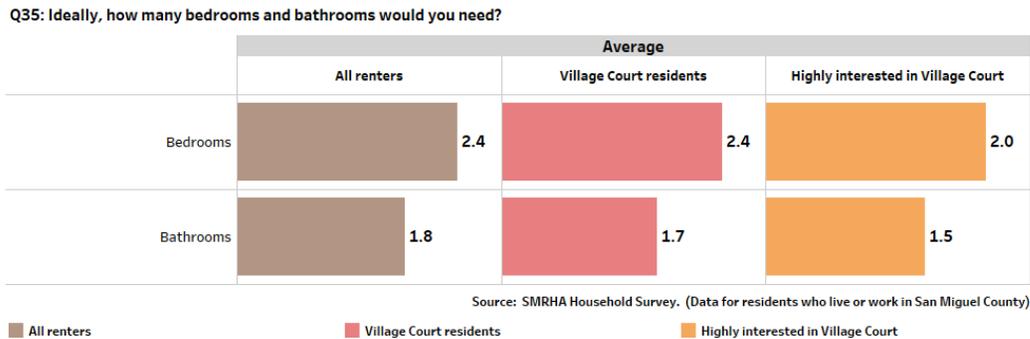
Table 11. Village Court Racial Composition by Bedroom Type

Race/Ethnicity	Studio	1 Bedroom	2 Bedroom	3 Bedroom	Total	% of Total
White	57	58	28	8	151	68.6%
Hispanic	15	12	20	3	50	22.7%
African American	0	4	0	1	5	2.3%
Asian	3	2	1	0	6	2.7%
Indian	2	2	3	0	7	3.2%
Hawaiian	1	0	0	0	1	0.5%
Total	78	78	52	12	220	100.0%

Source: Village Court Apartments; Economic & Planning Systems

Based on results from the Household Survey, current Village Court residents have an average preference for 2.4 bedrooms and 1.7 bathrooms, as shown in Figure 10. For those respondents that are highly interested in living in Village Court there is a preference for an average of 2.0 bedrooms and 1.5 bathrooms.

Figure 10. Village Court Bedroom Count Preference



Existing Unit Mix

The major deed restricted developments in Telluride and Mountain Village are summarized in **Table 12**. There are a total of 712 deed restricted units in both Telluride and Mountain Village. Of these units, 263 units are located in Telluride and 449 are located in Mountain Village. Overall, approximately 36 percent are studio units, 30 percent are 1-bedroom units, 23 percent are 2-bedroom units, 7 percent are 3-bedroom units, and 9 units or roughly 1 percent are 4-bedroom units. Mountain Village has a significantly higher proportion of studio units compared to Telluride, which has a higher proportion of 1-bedroom and 2-bedroom units.

Table 12. Type Deed Restricted Rental Inventory, 2018

Description	Studio	1 BR	2 BR	3 BR	4 BR	Total Units
Telluride						
Creekside	0	20	6	0	0	26
Shandoka	0	43	57	27	7	134
Virginia Placer	6	12	0	0	0	18
Boarding House ^[1]	0	32	0	0	0	32
Other	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>53</u>
Subtotal	6	107	63	27	7	263
% of Total	2%	41%	24%	10%	3%	100%
Mountain Village						
Big Billies	149	0	0	0	0	150
Hotel Madeline	1	6	3	0	0	10
Mountain View Apts	0	5	25	0	0	30
Village Court Apts	78	78	52	12	0	220
Fairway Four	0	0	1	6	2	9
Parker Ridge	0	1	2	0	0	3
Prospect Creek	0	0	3	2	0	5
Prospect Plaza	0	0	4	0	0	4
La Tramontana	0	0	1	0	0	1
Other	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>17</u>
Subtotal	228	90	91	20	2	449
% of Total	51%	20%	20%	4%	0%	100%
Total	234	197	154	47	9	712
% of Total	33%	28%	22%	7%	1%	100%

^[1]18 single occupancy and 14 double occupancy rooms

Source: SMRHA; Economic & Planning Systems

Returning to the question regarding the households who currently reside in the region and those who have left the region, it is significant to note that:

- The Village Court Unit mix is limited to 5 percent three-bedroom units, although 25 percent of the development are households with children. (It is recognized that, depending on family size, two-bedroom units can meet the needs of many families.)
- Approximately 10 percent of the units (19) are Studio and One-Bedroom units that are occupied by households with children.
- The most helpful data set regarding the trends relating to unit mix have been captured in the open-ended comments of the Resident Housing Needs Survey (2018). Survey respondents provided comments that total approximately 20-pages of insights on the needs of the region. A portion of these have been captured in **Appendix 2**. Some of the most compelling are from parents who are starting and/or growing their families and face limited housing options. Many have no alternatives other than to uproot and relocate to a new region. These choices are made notwithstanding high levels of commitment to the region with long-term goals of remaining in Mountain Village and Telluride (see data sets in Chapter Six regarding longevity).
- About 61 percent of the combined Telluride and Mountain Village apartment inventory is studio and one-bedroom units.
- Finally, approximately 71 percent of the Mountain Village apartment inventory is committed to studio and one-bedroom units.

Given the data, current household composition, and survey results, it is recommended to diversify the housing inventory. Because two-bedroom units are the most versatile and lend themselves to families, couples, and unrelated roommates, it is recommended that a majority of unit types be two-bedroom. Larger three-bedroom units remain versatile and work very well for families. In the event demand slackens, these units can be rented to unrelated roommates (although it is recognized that concentrating too many individuals in one unit does not provide for quality living conditions nor quality neighborly conditions). Studio units should be included on a limited basis, particularly given the fact that Telluride has recently opened the Boarding Housing, catering to single individuals. The ranges provided below reflect an optimal mix given the context and needs of the community in 2018.

Studio	10%	to	15%
One-Bed	20%	to	25%
Two-Bed	45%	to	55%
Three+	15%	to	15%
Range	90%	to	110%

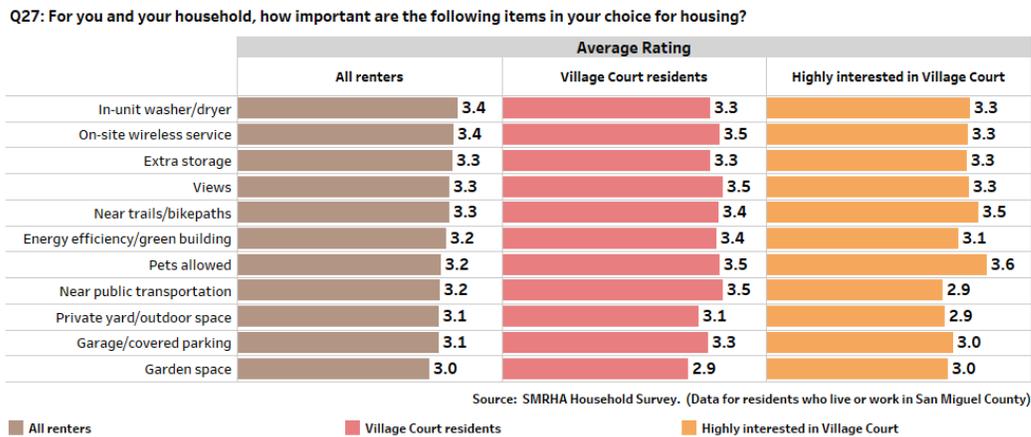
The range provides a bracket for each unit type, with some variance based on building configuration, parking parameters, and calibration by staff. With this approach, the product mix will complement the existing supply and better serve the community.

5. AMENITIES, PREFERENCES, AND SATISFACTION

Preferences

Amenity preferences for all renters, Village Court residents, and survey respondents highly interested in living in Village Court are summarized in **Figure 11**. The survey data are listed in hierarchy, based on responses from 'All Renters.' Generally, Village Court residents place a higher priority on most options, with the top choices being 'On-site wireless service', 'Views', 'Pets allowed', and 'Near public transportation'. For those who are 'Highly Interested', pets were the highest scoring amenity, closely followed by several others.

Figure 11. Amenity Preferences



There is a limit to what residents are willing to pay for additional amenities as shown in **Figure 12**, **Figure 13** and **Figure 14**. When asked the question in terms of a percentage of current rental payment, approximately one-quarter to one-third are willing to pay up to 20 percent more in terms of monthly rent for additional amenity. It should be noted that two-thirds to three-quarters stated that they are not willing to pay more. When the question was posed in terms of specific dollar amounts, the number of households willing to pay was substantially more, with 40 to 50 percent willing to pay between '\$100 to \$199' more per month. Generally, it appears that when asked in direct ways, a sizeable percentage of Village Court residents (just under half) are willing to pay between \$100 and \$199 for additional amenity. The data indicate that the future phase could incorporate more quality of life features (see figure above for specific examples) and that a large percentage of the residents would be willing to pay for these features.

Figure 12. Willingness to Pay, as a Percent of Current Rent

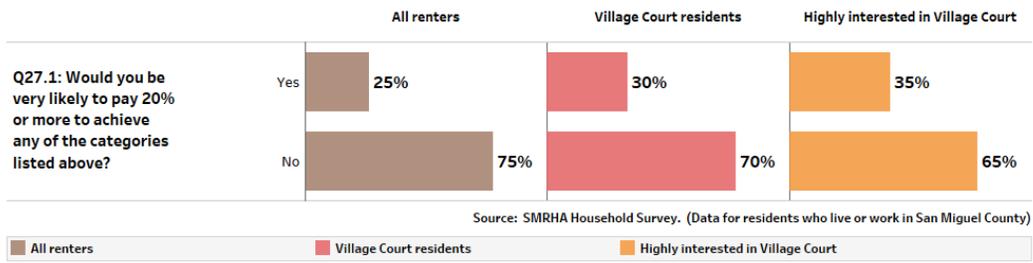


Figure 13. Willingness to Pay, Housing Preferences

Q28: On a scale of 1 to 5 where 1 is "not very likely" and 5 is "very likely," how likely are you to pay 10% more per month on housing to achieve the following?

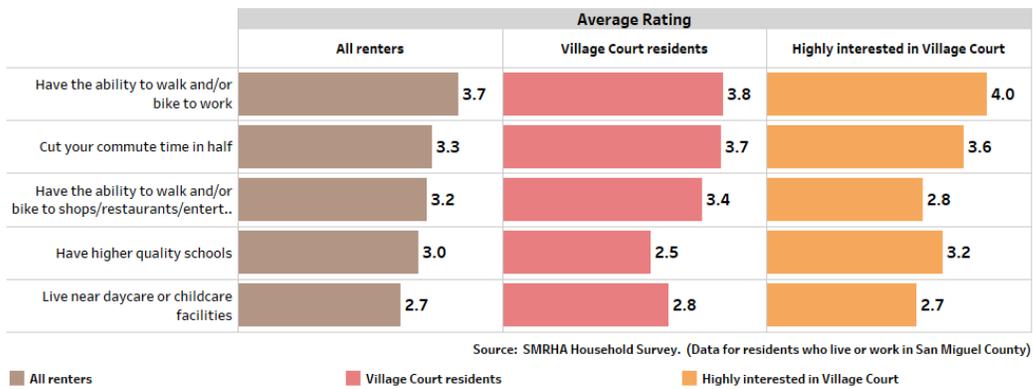
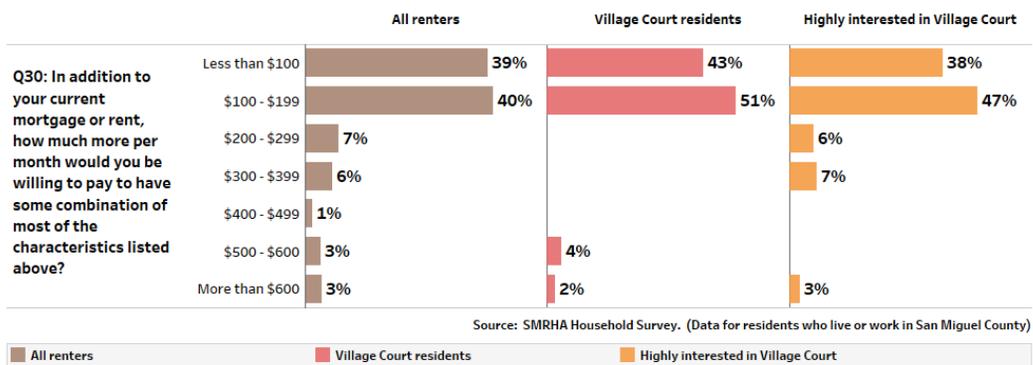
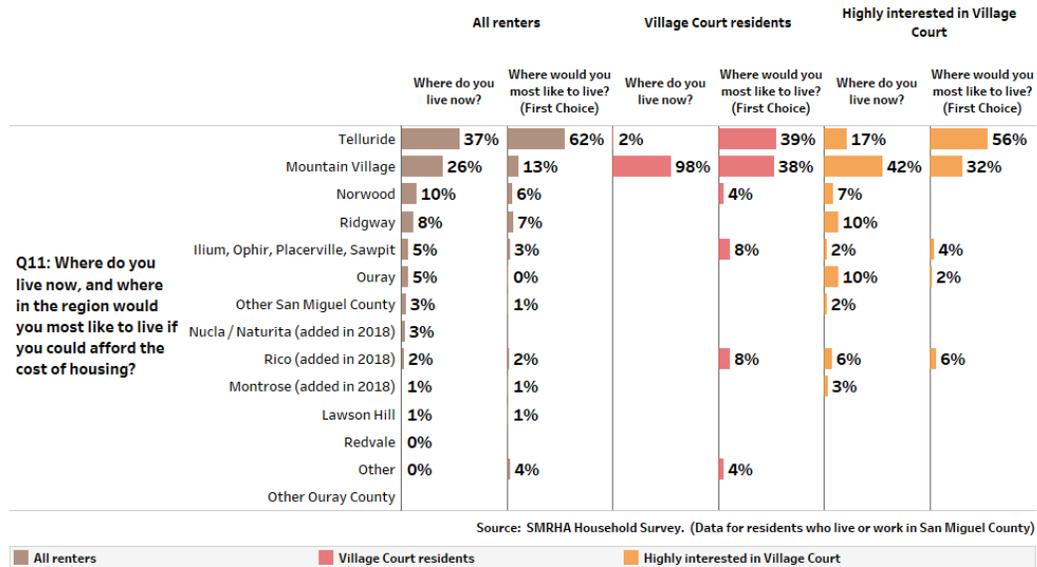


Figure 14. Willingness to Pay, as a Dollar Amount



Locational preferences are delineated below in **Figure 15**. The close connection between Village Court and the local community can be seen with the data pertaining to where residents currently live and their preferences for where they would like to live. As a point of comparison, 37 percent of all renters reside in Telluride, with 62 percent stating it is their first choice. For those living in Mountain Village, 13 percent state it is their first choice. However, for Village Court residents, 38 percent state that Mountain Village is their first choice, nearly three times higher than the renter pool at large.

Figure 15. Current Home Location and Preferred Location



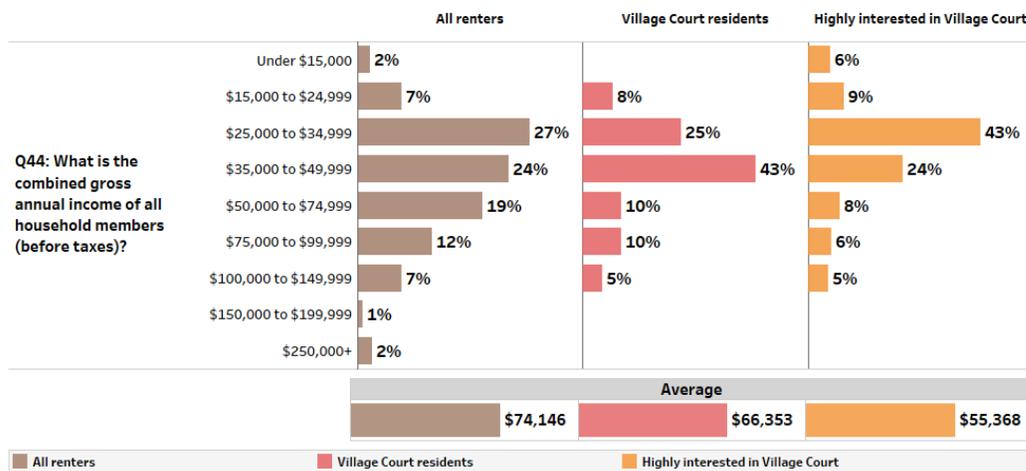
6. OTHER CONSIDERATIONS

The final chapter of this report includes a variety of factors that could affect the future performance of Village Court. Each stands alone. Collectively, they reinforce the need for the project and its relevancy to Mountain Village and the Telluride Region.

Household Income

The distribution of household income for all renter survey respondents, Village Court residents, and survey respondents highly interest in Village Court are summarize in **Figure 16**. For respondents currently living in Village Court, approximately 43 percent earn between \$35,000 and \$49,999 per year and 76 percent have a household income of less than \$49,999 per year. The average household income for Village Court residents is estimated at \$66,353.

Figure 16. Village Court: Household Income



Typically, households are considered cost burdened if they dedicate over 30 percent of their household income to housing related costs (i.e. rent, mortgage, home owners insurance, property taxes, etc.). In many mountain communities this is often an unattainable goal and spending 35 percent of household income on housing costs on an annual basis is a reasonable target. For a household that earns \$25,000 per year and dedicates 35 percent of their household income to housing costs, their annual housing payments are estimated at \$729 per month, as shown in **Table 13**.

Households earning \$50,000 per year can dedicate up to \$1,458 per month on housing costs without being cost burdened (i.e. spending more than 35 percent of their annual household income on housing costs). Approximately 68 percent of Village Court residents earn between \$25,000 and \$49,999 per year. In addition, the highest monthly rent in Village Court is currently \$1,215 for a 3-bedroom unit with an overall average of \$853 per unit. Existing rental rates and current Village Court household incomes indicate that there is the potential to increase rents in Village Court without causing household housing cost payments to increase to a level that is cost

burdensome. Affordable housing developers face a mutually exclusive challenge to provide housing at the lowest cost possible and at the same time, cover expenses related to construction debt, on-going operations and maintenance, and capital expenditures (Cap Ex). The first two are givens. Often the third is not given the attention required to maintain the quality of life for the residents and ensure long-term viability of the development over an extended period. It is recommended that Mountain Village set rents commensurate with incomes, potentially adjusting some up to ensure adequate resources for Cap Ex. Industry standards for mountain communities indicate that housing expenses should range from 30 to 35 percent of household income. Moving in this direction will ensure that the housing needs of future generations are addressed.

Table 13. Spending on Rent by HH Income

Ann. HH Income	30% of HH Income to Housing Cost		35% of HH Income to Housing Cost	
	% of HH Income	Rental Spending per month	% Spent on Rent	Rental Spending per month
\$15,000	30.0%	\$375	35.0%	\$438
\$25,000	30.0%	\$625	35.0%	\$729
\$35,000	30.0%	\$875	35.0%	\$1,021
\$50,000	30.0%	\$1,250	35.0%	\$1,458
\$75,000	30.0%	\$1,875	35.0%	\$2,188
\$100,000	30.0%	\$2,500	35.0%	\$2,917
\$150,000	30.0%	\$3,750	35.0%	\$4,375
\$250,000	30.0%	\$6,250	35.0%	\$7,292

Source: Economic & Planning Systems

Longevity of Residents

The local renter pool is relatively stable, which is a reflection of the lack of other options as well as the compelling rents offered by Village Court. As shown in **Figure 17** through **Figure 19**, for all renters, 85 percent have lived in the area for more than five years, compared to 42 percent for Village Court residents. In terms of living in the same residence, 18 percent of all renters have lived in their unit for more than five years, while 20 percent of Village Court residents have the same longevity. It is very interesting that over half of all renters (56 percent) and over half of all Village Court residents (51 percent) are committed to the region and see themselves living in the area for more than ten years, with most of these (37 and 31 percent respectively) expressing interest to remain for 'More than 20 years.' For those 'Highly Interested' but not yet living in Village Court, the aspiration for long term residency reaches as high as 49 percent who want to live in the area for more than 20 years.

Figure 17. Time Living in the Area

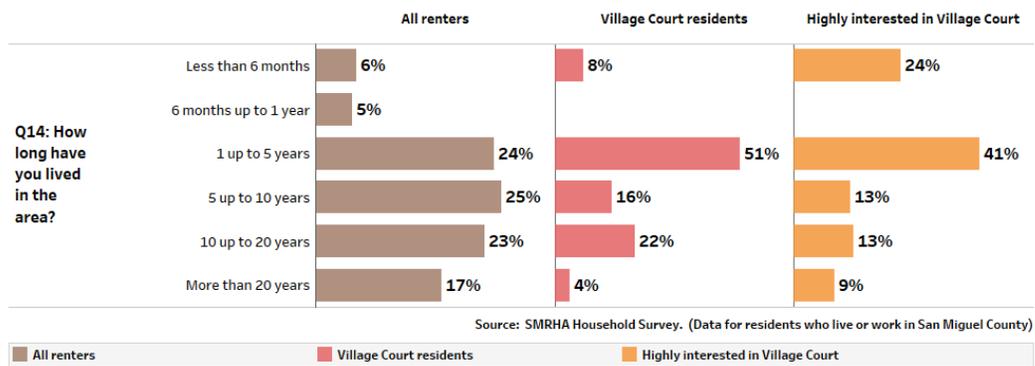


Figure 18. Time Living in the at Current Residence

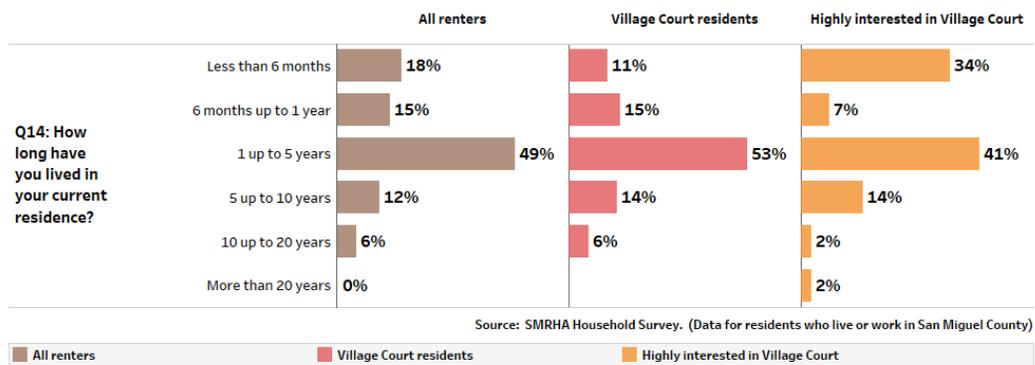
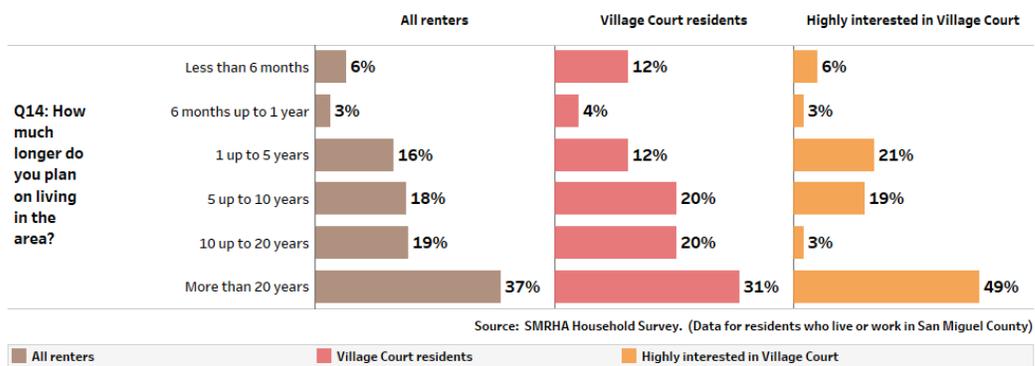


Figure 19. Village Court: Expected Remaining Time in the Area



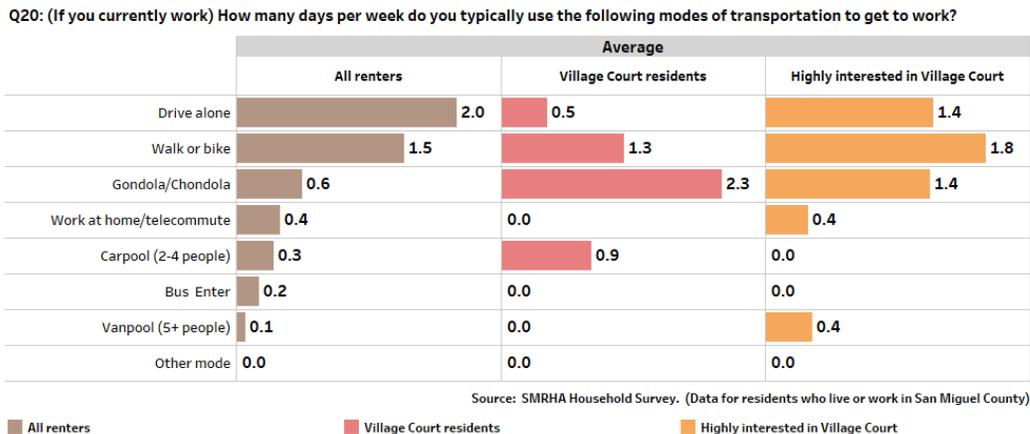
Commuting

One mechanism that alleviates the pressure on the local housing supply is an increase in commuting rates. As of 2018, commuting rates have risen to a new high, with approximately 30 percent of the workforce living outside the Telluride Region and commuting into work. Local employers face greater challenges when looking to fill positions within their businesses, given that commuters have a greater range of choices and may look outside Mountain Village for employment. Moreover, one of the key drivers of the San Miguel County economy is quality of the guest experience and the expansion of visitation. High quality employees are central to fulfilling that mission.

The proposed expansion of VCA will increase the pool of employees residing directly adjacent to many Mountain Village employers. Their commitment to the community is expected to be higher, given the opportunity to both live and work within the same town.

Survey data pertaining to community is shown below in **Figure 20**. Village Court residents are far more likely to use alternative means of transportation, compared to the pool of 'All Renters.' Specifically, Village Court residents are less likely to 'Drive alone' to get to work and rely on more environmentally sustainable methods such as the 'Gondola/ Chondola', 'Walk or Bike', or 'Carpool'. These forms of commuting likely reflect the close proximity of this residential development to local employers.

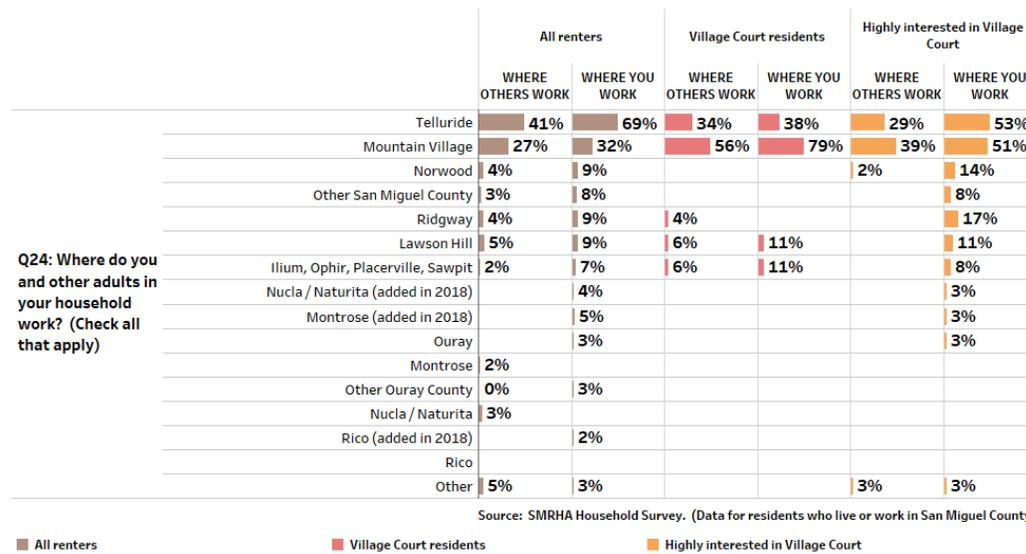
Figure 20. Village Court: Commuting Mode of Transportation



Mountain Village Employers

The Village Court property is critical to Mountain Village Employers. A majority of Village Court residents work in Mountain Village, ranging from 56 percent to 79 percent, as shown below in **Figure 21**. These rates of local employment (within Mountain Village) are approximately double the rates shown for 'All Renters' which range from 27 to 32 percent who work in Mountain Village. Employment in the immediate area is a key driver for those interested in moving to Village Court, with 39 percent to 51 percent already working in Mountain Village.

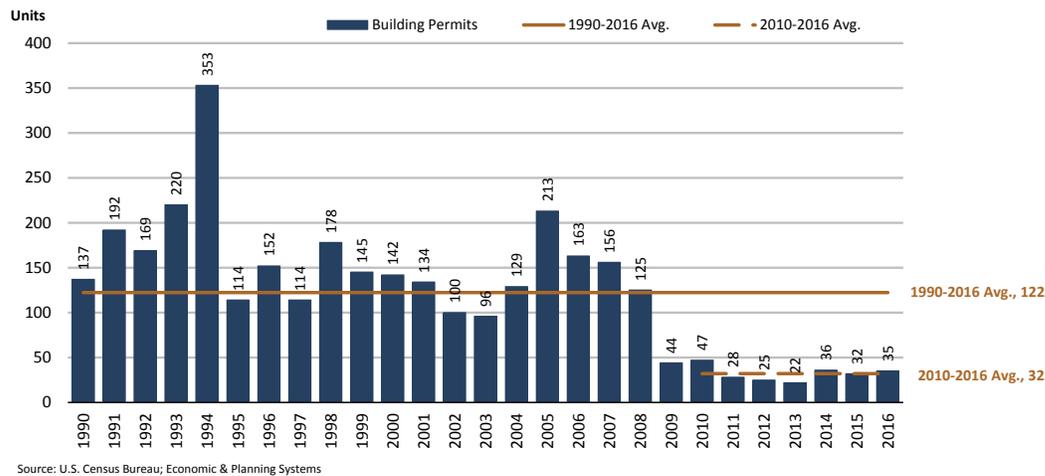
Figure 21. Households by Work Location



Regional Construction Activity

One of the most significant factors affecting overall demand for housing in San Miguel County is the lack of new product. From 1990 through the Great Recession in 2008, the County averaged 122 building permits annually, as shown below in **Figure 22**. Since 2009, however, permits have averaged only 32 units per year. The under supply of housing, notwithstanding consistent employment growth, is one of the larger factors affecting demand. Clearly, additional product is needed. Given the dearth of new construction activity, the market is expected to support the VCA expansion.

Figure 22. Building Permit Activity, San Miguel County, 1990 through 2016



The new development that has occurred since the recovery, essentially 2010 through 2016, a majority of the dwelling units have been constructed as single-family homes. Not only has overall production declined, but the amount of attached housing, such as the proposed Village Court expansion, has been under-represented, as shown in **Figure 23**.

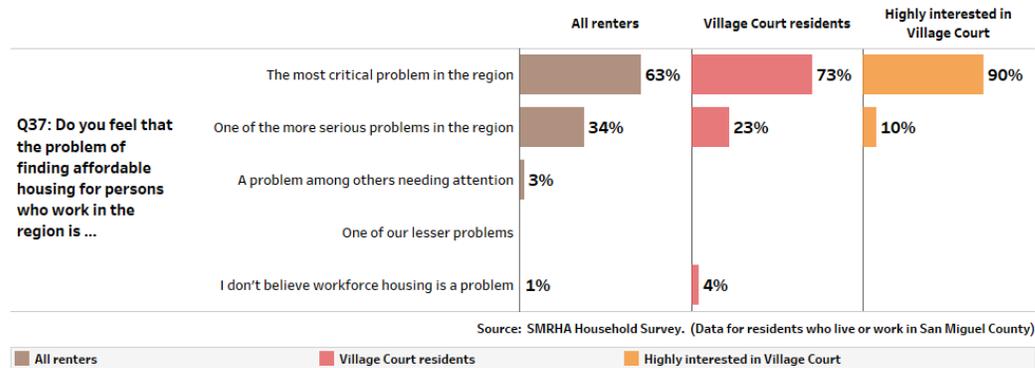
Figure 23. Composition of Construction by Single Family and Multifamily Product



Community Perception of Need

The final point of this evaluation of the need for the Village Court expansion can be seen in the perspective of residents. The vast majority of all renters, current Village Court residents, and those with a high level of interest in Village Court, believe that housing is 'The most critical problem in the region,' as shown below in **Figure 24**. The fact that it increases to a high of 90 percent from those residents seeking an income-restricted more affordable solution, like Village Court, reflects the strong support and need for additional housing in the community.

Figure 24. Affordable Housing Issue as a Regional Issue





Appendix 1 Comparable Projects

EPS has compiled a brief summary of rental rates in comparable Colorado mountain communities that include Keystone, Vail, and Basalt. The purpose is to show the comparable rents for newly constructed apartment developments geared to local employees.

Specific projects evaluated include Wintergreen in Keystone, Lions Ridge in Vail, and Willits Seven in Basalt. All of these projects provide workforce housing, but fall outside the heavily subsidized projects geared to lower-income households. Target income levels have broad range, spanning from 80 percent of the local area median income (AMI) up to 120 percent of AMI. For these projects, rental rates average \$1,631 for 1-bedroom units, \$1,846 for 2-bedroom units and \$2,043 for 2-bedroom units with an overall average of \$1,815 per unit, as shown in **Table 14**.

Rental rates at these levels are nearly twice as high as existing rates in Village Court, suggesting that the market can (and is willing to) pay higher rents for new construction. Current VCA rents are shaded in the table below and include average rental rates of \$680 for a studio unit, \$845 for a 1-bedroom unit, \$1,040 for a 2-bedroom unit, \$1,215 for a 3-bedroom unit, and an overall average of \$853 per unit, which is less than half of the overall average rental rate in comparable communities.

The goal of providing rents at rates that are as affordable as possible is commendable. VCA rents should be set proportional to local earning power. The information below has been provided to show context for mountain communities outside San Miguel County and how these new properties have been priced. It is intended that the information be used to help frame proposed rents and balance the need for affordability with the need to cover development costs.

Table 14. Comparable Project Rental Rates

Project	Town	Average Rent				Average
		Studio	1-Bed	2-Bed	3-Bed	
Wintergreen	Keystone	N/A	\$1,650	\$1,980	N/A	\$1,815
Lions Ridge	Vail	N/A	\$1,503	\$1,575	\$2,000	\$1,693
Willits Seven	Basalt	N/A	\$1,740	\$1,984	\$2,086	\$1,937
Average		N/A	\$1,631	\$1,846	\$2,043	\$1,815
Village Court	Mountain Village	\$680	\$845	\$1,040	\$1,215	\$853

Source: Economic & Planning Systems



Appendix 2 Open-Ended Comments

The comments below provide various detailed perspectives on the housing conditions in San Miguel County. The full set of open-ended comments are included in the Appendix of the full housing needs analysis and exceed 20 pages of single-spaced comments. It is important to note that the comments cover a wide spectrum of opinions, including those that think the market forces are sufficient to address housing needs as well as those who think that additional investment by local government is needed. Generally, the vast majority of respondents believe the latter. A wide variety of other opinions are also expressed. The point to note is that differences exist within the local communities on the best ways to proceed.

The comments below are a small selection of the total, capturing themes related to former residents who no longer live in the County; the instability and insecurity stemming from the housing market; desired unit mix; and needs related to families and pets. Additional comments related to these themes (and others) can be found in the full report.

If you are not satisfied or very dissatisfied with your home, why?

- Being evicted to short term rent
- Could be kicked out anytime
- Eviction/teardown 04/2018
- It's a truck
- Not enough room to grow as a family
- Not secure-owner may sell at any time
- Small
- Too many restrictions
- Unstable

Do you have any additional comments or suggestions on local housing issues?

-important to build housing where the work is or provide adequate public transportation from cluster housing (Sawpit, San Bernardo, Ophir, Rico, MTD). Second homeownership without rental availability is a huge problem. Rentals are disappearing rapidly because of second homeowners buying for vacations and investments. How in the heck does a community handle that problem? Dark neighborhoods are depressing, creating "donut holes" in the fabric of our community. Does there need to be increased designated deed restricted housing created in T-ride and MTV? Thanks for the survey and the opportunity to comment. Hope it helps.
-desperately need homes for young families. The county government needs to take a more active leadership approach. We need better career/job opportunities and better infrastructure.....
- Employees make the resort a successful function. If we cannot be accommodated in housing and employment, we seek elsewhere to live and work, a loss of great employees who refuse to settle and move around in search of reasonable, firm housing.....
- I am considering leaving behind my opportunities here due to housing affects and costs. I can't afford the groceries here so I have to travel which is also another expense it takes to survive here. I have spent a lot of money trying different housing, that the deposits, availability and offers don't satisfy my needs which are minimal. I work hard and would like a comfortable, well maintained place to call home that is affordable.

- I am a CPA that has lived in town for about 15 years. We are moving because there is nothing that meets my criteria and is somewhat reasonably priced. I feel like there is a real shortage of options for young professionals. We are very sad to be leaving the valley but having a home that we feel like we are proud of with some sort of small outside space is very important to myself, my husband and our 2 huskies.
- Affordable housing is outrageous and slim. I had to move to Redvale because it was all I could find.
- Norwood, RICO are great places to build affordable house, cheaper, both has access to public transportation. These areas could use a boost \$\$ wise anyway. People should not be stuck on looking or building in Telluride. Unless Telluride is going to allow building of many more houses, other communities could help.
- Please build for families, not just singles, couples or roommate situations. Think about this in depth. Way too many one bedroom and two bedrooms being built (seems like just for numbers; please build less, but build practically, again for families – we’re the ones working the career jobs locally). If you make it impossible for us to live here, we will have to move away – I cannot count how many of my friends this has happened to in the last decade
- More large scale apartments like Doka and VCA. Nice work with new deed restricted – keep it going.
- Rent too expensive for young families, plus utilities, and daycare if needed
- Need more 3 bedrooms
- Critically need more options and lower to moderate income options. As of now I will be leaving in 6-12 months due to this issue.
- Have a studio, no kitchen. Would love to have a 1BR 1BA. Been in Telluride 20 years but rent is too high to continue living here. Would love to have just 1 job as I am getting older.
- My boyfriend and I want to be long-term locals here and raise a family; however, the cost to purchase a home for a family is becoming more unrealistic and unattainable because of the millionaire second homeowners.
- Rentals are ridiculous high especially for the value and outdated homes and condos are. Landlords don’t care they are just greedy and know because of the lack of housing they ask for outrageous prices. I work 3 jobs just to pay my portion of rent.
- We have reached the breaking point. If I lose my current housing (I rent a backhouse in the Ski Ranches and the property is for sale), I may have to leave Telluride permanently after 11 years.
- Extremely difficult to find affordable housing for 2 people and a dog. I have not applied to any affordable housing rentals since none allow pets and no affordable homes have been for sale in our price range.