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The Impact of Affordable Workforce Housing on Community Demographics, Economies, and Housing Prices and Options

CASE STUDY: The Town of Breckenridge, Colorado

Introduction

Using the town of Breckenridge, Colorado, as an example, this report examines the impact that targeted workforce housing development can have on community demographics, the local economy and housing affordability.

Many resort communities, which are typically rich in amenities, yet poor in terms of the number of high-paying jobs, encourage development of affordable housing for its local workforce. This often includes not only very low-income residents, but also households earning middle-incomes and above. These communities are attractive for second home buyers looking to purchase their "piece of paradise," helping to drive up local home prices well beyond what local wage earners can afford to pay. With often upwards of 60 percent of housing units being owned by second homeowners or otherwise occupied by visitors, these communities are susceptible to becoming "ghost towns" during times of low tourism activity and to losing businesses and amenities necessary to support resident households. This affects not only the quality of life for existing residents, but can also adversely affect the visitor experience and second homeowner investment in an area.

Common reasons for promoting affordable and below-market priced housing in resort communities range from:

- Boosting the resident base and increasing household diversity to build and maintain a sense of community;
- Housing essential workers – healthcare, emergency services and education – to improve the quality of such services to residents and visitors;
- Decreasing seasonal fluctuations in the local economy by providing a local resident base that can support local businesses throughout the year; and
- Improving employee satisfaction, decreasing job turnover and reducing commutes by allowing workers to reside in or near the community in which they work.

Purpose

While several studies evaluating the need for such housing are available, few show the actual impact that the provision of workforce housing has on a community. This report, using the town of Breckenridge, Colorado, as an example, provides such an overview. This community was chosen for two primary reasons:

(1) About 32% of resident households (623 of 1,946 total households) reside in what is termed "workforce housing" – housing units that carry occupancy, pricing, income and/or use restrictions to ensure their availability for and occupancy by locals. With almost one-third of resident households in affordable housing, such households have a measurable impact on the community's demographics, economy, vibrancy – everything.

(2) Affordable housing began being constructed in the town in 1997, with the bulk of deed restricted ownership housing being built since 2001. Therefore, the effects of this housing can be consolidated over a relatively short timeframe – in fact, 46% of the growth in resident households between 2000 and 2010 can be attributed to new workforce housing development. By falling neatly between the 2000 and 2010 US Census, this data can be used to help evaluate impacts.

This report:

- Presents the rate of affordable and market-rate development in the town of Breckenridge between 2000 and 2010;
- Compares the demographics of affordable and market-rate households and their relative effects on changing resident dynamics;
- Identifies the general benefits to the economy by housing local workers and decreasing in-commuting; and
- Shows the effects that affordable workforce units have on home prices and their relative performance during the housing recession.[1]

[1] Many trends highlighted may not be solely due to the provision of workforce housing, although the extent to which workforce housing contributes to these trends is discussed. Also, several components are not included – E.g., civic participation, school enrollments, volunteerism, actual sales tax contributions, etc. More detailed research could isolate the specific impacts and broaden the reach of this analysis.

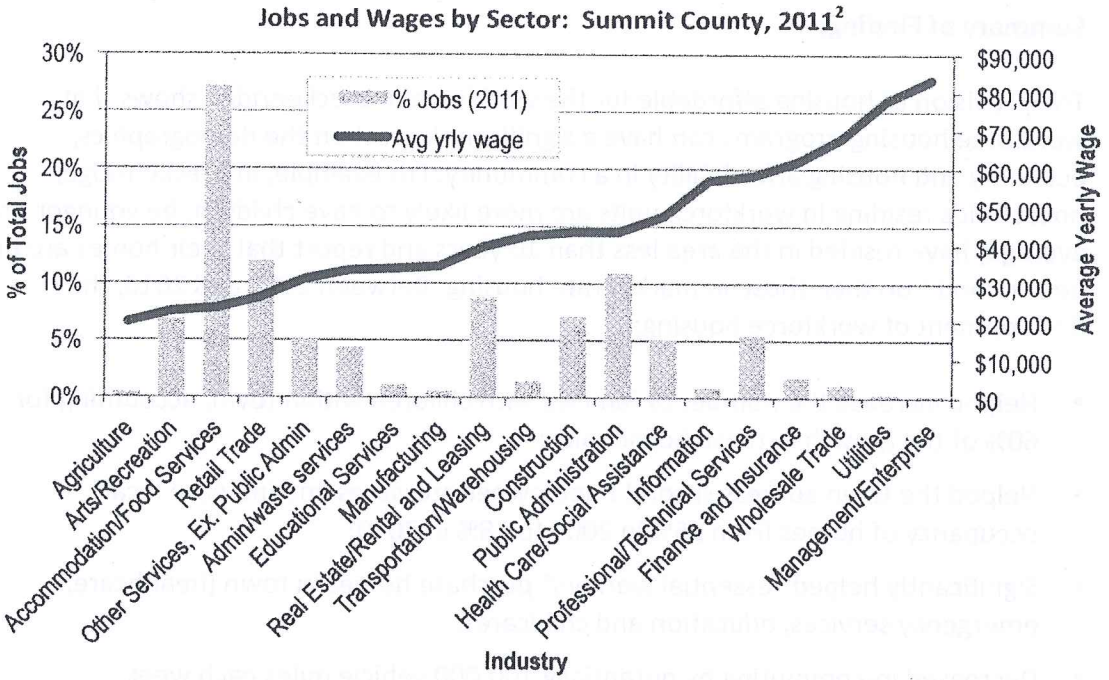
Summary of Findings

The provision of housing affordable for the workforce in Breckenridge shows that workforce housing programs can have a significant impact on the demographics, economy and housing affordability in a community. For example, in Breckenridge, households residing in workforce units are more likely to have children, be younger on average, have resided in the area less than 10 years and report that their homes are in better condition than those in market rate housing. Between 2000 and 2010, the development of workforce housing:

- Helped increase the number of families with children within town, accounting for 60% of the growth in these households;
- Helped the town address second homeowner pressures and increase local occupancy of homes from 25% in 2000 to 28% in 2010;
- Significantly helped "essential workers" purchase homes in town (healthcare, emergency services, education and childcare);
- Decreased in-commuting by potentially 100,000 vehicle miles each week;
- Increased local area expenditures by potentially $15 million per year by increasing the number of year-round occupants in town; and
- Provided locals with a variety of housing options and price points that, overall, held their value better during the housing recession and were much less susceptible to foreclosure than market rate units.

The Town of Breckenridge, Colorado: A Brief Overview

The town of Breckenridge, located within Summit County, Colorado, is a major destination for residents and visitors to the state. Readily accessible from Denver International Airport and the downtown Denver metropolitan area via Interstate 70, Breckenridge is home to the world-class Breckenridge Ski Resort and is nestled among three other ski resorts in Summit County – Copper Mountain, Keystone Ski Resort and Arapahoe Basin. In addition, its location at the end of the scenic Blue River Valley, rich history of mining and historic downtown assures a significant amount of tourism and retail trade – the primary economic drivers and supplier of jobs in the town.



Source: Quarterly Census of Employment and Wages (QCEW) from Colorado Department of Labor and Employment, Labor Market Information

With only 25 percent of its housing units occupied by residents in the year 2000, the town saw a need to expand housing options for persons making their living locally. This stemmed in part from concerns that further loss of local residents would eventually erode the character and spirit of the town. The economic benefits of a larger year-round resident base to support businesses and decrease reliance on the fluctuating tourism market was also recognized. Supplying housing options for the local workforce who were priced out of the market due in large part to second homeowner demand was an important component of realizing these, among other, goals.[3]

The Housing Problem

As of 2010, Breckenridge had a population of 4,540 persons. Residents resided in only 28% of the 6,911 housing units in town – meaning about 1,946 housing units were occupied by year-round residents, with the remaining 4,965 units occupied by temporary visitors and owned by second homeowners.

Average Residential Sale Price
$585,509

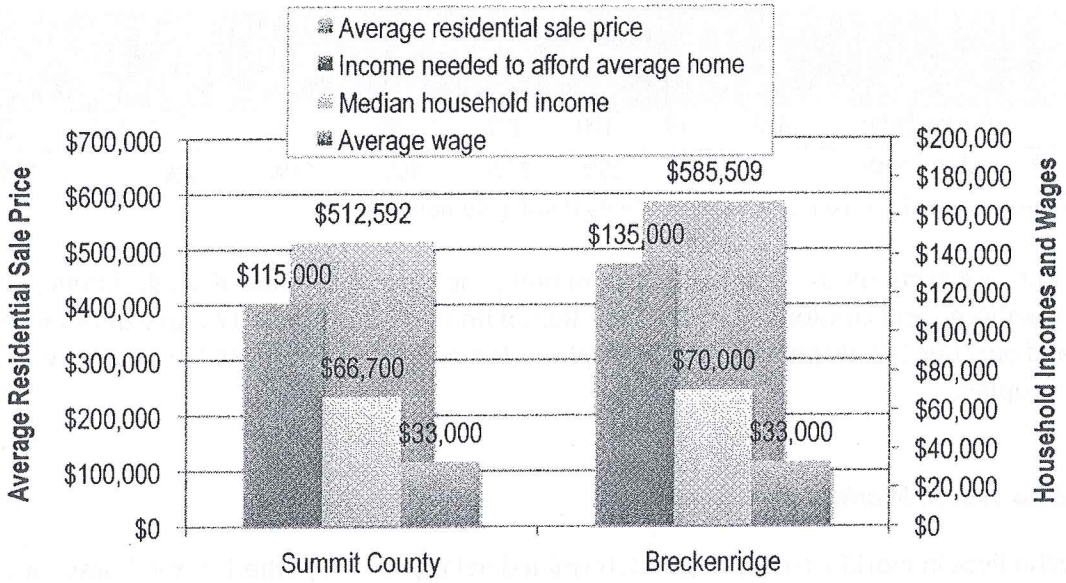
Home Price The Average Local Household Can Afford
$300,000

[2] Low wage jobs predominate in Breckenridge; indicative of resort economies. In 2012, there were about 23,000 jobs on average in Summit County, with roughly 38% located within the Breckenridge area. The average wage paid in 2011 was about $33,000; accommodation and food services employed the largest percentage of workers (27%), with an average wage of $23,400.

[3] See the Town of Breckenridge Vision Plan, August 2002, for more information. Available at: http://www.townofbreckenridge.com/index.aspx?page=215.

Home prices far exceed what locals can afford to pay for housing. The average sale price of residences in Summit County in 2012 was $512,592 ($219 per square foot) and in Breckenridge was $585,509 ($382 per square foot). These are affordable[4] for households earning a respective $115,000 and $135,000 per year. In comparison, the median household income in 2012 was $66,700 in Summit County and $70,000 in Breckenridge. The average wage paid in the County was only $33,000.

Average Price of Residential Homes Sold,
Income Needed to Afford Average Home and Actual Incomes and Wages, 2012



Sources: Land Title Guarantee; Quarterly Census of Employment and Wages (QCEW) from Colorado Department of Labor and Employment, Labor Market Information; 2013 Summit County Workforce Housing Needs Assessment.

Because of the cost of construction in the area and the premium that housing marketed to second homeowners can demand, much of the private market builds to meet visitor demands. This means that even attached condominium product that may otherwise be affordable for locals are typically high-amenity with high homeowner association fees that make them unaffordable. Locals can also face challenges in qualifying for loans on properties that are primarily rented to visitors as opposed to being owner-occupied due to restrictive lending standards; floor plans and property design may be unsuitable for year-round occupancy; and building a "sense of place" with constantly rotating visitors as neighbors can be difficult and undesirable for many households.

[4] For purposes of this report, housing is affordable when the monthly payment (rent or mortgage) is equal to no more than 30% of a household's gross income (i.e., income before taxes). Housing affordability estimates assume the mortgage, plus HOA, insurance and tax payments, comprise 30% of total income, where 80% of the monthly payment is for principal and interest, 20% for HOA, property taxes and insurance, a 4.5% 30-year loan and 5% down payment

Workforce Housing in Breckenridge

In the late 1990's, the town of Breckenridge began avidly encouraging development of workforce housing within the town. Breckenridge now has 623 workforce housing units that carry occupancy, pricing, income and/or use restrictions to ensure their availability for locals. Workforce units comprise 32% of all resident-occupied housing units within the town. A total of 397 of these units, the majority of which are marketed for local ownership, have been built since 2000.[5]

Workforce Housing with Income and/or Price Restrictions: Breckenridge 2013

	Total Units	60% AMI	80% AMI	100% AMI	110% AMI	120% AMI	160% AMI	# with price/income restrictions
Breckenridge	623	19	100	137	59	66	7	388
Percent of Totals	**-**	**5%**	**26%**	**35%**	**15%**	**17%**	**2%**	**100%**

Source: Town of Breckenridge; Summit County Housing Authority

Units are primarily 1-, 2- and 3-bedroom units and consist of a mix of single-family, townhome and condominium product. Rental units include about 175 apartment units and another 105 dispersed units throughout town. The remaining 343 units are owner-occupied.

Who lives in Workforce Housing?

Who lives in workforce housing is determined in large part by whether the homes were built for owner or renter occupancy, the type and size of units and targeted incomes and price points.[6] By strategically targeting housing for households not otherwise served by the private market, there are distinct differences in the households that occupy each housing type.

Households residing in workforce units are more likely to have children, be younger overall, have resided in the area less than 10 years and report that their homes are in better condition than those in market rate housing. Specifically:

- About 76% of workforce housing residents and 58% of market rate housing residents own their homes;

[5] Of the 397 units built since 2000, 101 are apartments in Breckenridge Terrace, 6 are scattered rentals in various property types, and the rest (290 total) provide affordable ownership opportunities for locals.
[6] Both Breckenridge and Summit County have conducted several housing needs assessments over the years to understand the demographics and incomes of households priced out of the local market and in need of housing. Housing programs focus on providing housing for identified households in need.

- Workforce households are much more likely to have children in their home (7% single parent households and 33% couples with children) than are market rate households (3% single parent households and 19% couples with children);
- Workforce households also tend to be younger than those residing in market rate housing, with 70% of workforce households having persons between 26 and 45 years of age compared to 52% of market rate households;
- Workforce housing has permitted a higher percentage of newer residents in Summit County to purchase homes. About 45% of workforce households that own have lived in Summit County for between one and ten years compared to 30% of market rate households that own. Many market rate owners purchased their homes prior to the significant rise in prices that occurred in the late 1990's and 2000's – 68% of market rate owners have been in Summit County for over ten years; and
- Workforce households also generally report better housing conditions than those in market rate units – in significant part due to the age and maintenance of units. About 91% of workforce households report that their homes are in good or excellent condition compared to 72% of market rate households.

Breckenridge Households (2012)
Household Composition, Age, Housing Condition

	Workforce Housing	Market Rate Housing		Workforce Housing	Market Rate Housing
TOTAL Households	623	1,364	**Tenure**		
			Own	76%	58%
			Rent	24%	42%
Household Composition			**Age of Household Members**		
Adult living alone	18%	17%	Under 6	18%	10%
Single parent with children	7%	3%	6-17	29%	9%
Couple, no children	24%	38%	18-25	13%	24%
Couple with children	33%	19%	26-45	70%	52%
Roommates	11%	19%	46-55	19%	22%
Family and roommates	5%	2%	56-65	7%	23%
Other	2%	2%	Over 65	6%	7%
Length of Residency in Summit County (Owners only)			**Condition of Residence**		
Less than 1 year	1%	2%	Poor	0%	3%
1 up to 5 years	14%	6%	Fair	9%	26%
5 up to 10 years	31%	24%	Good	55%	44%
10 up to 20 years	37%	34%	Excellent	36%	28%
20 or more years	17%	34%			

Source: Summit County Household Survey conducted as part of the 2013 Summit County Workforce Housing Needs Assessment by Rees Consulting, Inc., Sullivan and RRC Associates, Inc

Effect on Demographic Trends

The development of workforce housing in Breckenridge helped boost families with children, improved housing occupancy rates, and increased the rate of homeownership in the town.

Between 2000 and 2010, Breckenridge had the fastest growth in households comprised of couples with children, the greatest increase in the percentage of households that own homes, the most growth in the number of new households and the most significant increase in the percentage of housing units occupied by residents of all communities within Summit County. All of this occurred despite having among the highest housing costs (both ownership and rental) in the area.[7]

The town of Breckenridge helped facilitate the development of 397 workforce housing units since 2000. As noted above, there are distinct demographic differences between occupants of workforce housing and market rate units in the town. This makes it possible to assess the extent to which workforce housing units impacted observed trends between 2000 and 2010. More specifically:

- Workforce housing units comprised about 18% of all housing units built between 2000 and 2010 in Breckenridge, yet accounted for 46% of the growth in resident households during this period;
- Workforce housing has helped the town combat second homeowner pressures and increase local occupancy of homes. The percentage of housing units occupied by residents increased from 25% in 2000 to 28% in 2010. If the 397 workforce housing units were not built during this period, only about 24% of housing units would be occupied by locals;
- Between 2000 and 2010, the number of families with children in Breckenridge increased by 216 households. Workforce housing accounted for 130 of these households, or 60% of this growth; and
- The percentage of households that own homes increased from 39% in 2000 to 52% in 2010. Workforce housing units accounted for almost 50% of this growth (290 households of 586 total). If workforce housing units for ownership had not been constructed, only about 47% of resident households in Breckenridge would own their homes.

[7] Source: 2000 and 2010 US Census; 2013 Summit County Workforce Housing Needs Assessment (Rees Consulting, Inc./Sullivan/RRC Associates, Inc.), available at: http://www.summithousing.us/Summit_Needs_Assess_2013FINAL.pdf.

Town of Breckenridge Trends: 2000 – 2010
Actual vs. Non-Construction of Workforce Housing

	Breckenridge (Actual)	Breckenridge (excluding 397 workforce units)		Breckenridge (Actual)	Breckenridge (excluding 397 workforce units)
Population			**Housing Units**		
2000	2,408	2,408	2000	4,270	4,270
2010	4,540	3,508	2010	6,911	6,514
% change	89%	46%	% change	62%	53%
Households			**Families with Children**		
2000	1,081	1,081	2000	149	149
2010	1,946	1,549	2010	365	235
% change	80%	43%	% change	145%	58%
Occupied Units			**Ownership**		
% Occupied (2000)	25%	25%	% Own (2000)	39%	39%
% Occupied (2010)	28%	24%	% Own (2010)	52%	47%
# change	865	468	# change	586	296
% change	80%	43%	% change	138%	69%

Sources: 2000 and 2010 US Census; 2013 Summit County Workforce Housing Needs Assessment; Town of Breckenridge; Sullivan

Employment, Commuting and the Local Economy

Workforce housing has helped more "essential workers" purchase homes in town, decreased commuting, and, by placing more locals in homes, increased year-round expenditures in town.

Workforce housing has allowed more health care, emergency services, education and child care workers to purchase homes locally – what are generally referred to as "essential workers" in a community. Workers in the high-turnover professions of retail, bar/restaurant and lodging have also been able to purchase homes, to the benefit of the business community. One bar/restaurant owner stated that he "loves to see his employees purchase homes." Not only does it add to worker stability, but also job satisfaction, attendance and performance.

Breckenridge Households (2012): Employment and Work Location

	Workforce Housing	Market Rate Housing
Type of Jobs Held (Owners Only)		
Retail, bar, restaurant, lodging	**45%**	**26%**
Recreation, ski area, guiding, prof'l athlete	29%	27%
Health care and emergency services	**28%**	**17%**
Management, professional, banking, computers	22%	31%
Education and child care	**20%**	**10%**
Civil servant	19%	28%
Construction, maintenance, repair	19%	27%
Real estate, property management	17%	18%
Bus driver, snowplow operator, utilities, etc.	4%	9%
Personal service	4%	6%
Other	15%	23%
Where Residents Work		
At least one worker employed in Breckenridge	89%	83%
Owners only	91%	76%

Source: Summit County Household Survey per the 2013 Summit County Workforce Housing Needs Assessment by Rees Consulting, Inc./Sullivan/RRC Associates, Inc.

About 89% of households that reside in workforce housing units have at least one worker who is employed within Breckenridge. Assuming these workers would otherwise be living outside of town and traveling an average of 27.8 miles round-trip each day for work, the 623 workforce housing units are saving 850 workers from driving a combined 100,000+ vehicle miles *each week*.[8]

The 623 workforce households in Breckenridge earn an average of about $74,000 per year. National estimates on expenditures per household show that households earning $70,000 or less spend about $34,605 dollars per year on everything from housing payments to insurance, car purchases, health care and other living expenses. Some of the more likely expenses to be captured through local businesses are included in the below table, totaling about $25,444 per household. Based on these national estimates, 623 workforce households would contribute over $15 million per year to the local area economy.[9] Significantly, such expenditures would occur in the community year-round, as opposed to tourist expenditures which fluctuate with the seasons.

[8] The 623 workforce units house about 1.8 workers each (1,120 total); about 76% work within Breckenridge (about 850 workers). In-commuters traveled an average of 27.8 miles round-trip in 2006 and 90% used a single-occupancy vehicle. See the 2013 Summit County Workforce Housing Needs Assessment (Rees Consulting, Inc./Sullivan/RRC Associates, Inc.) and 2006 Town of Breckenridge Housing Needs Assessment (RRC Associates, Inc./ Sullivan).

[9] Resort communities have unique economies – in terms of services and amenities offered, preferences of locals (who may spend more on outdoor activities than other populations), pricing of services and goods (groceries, apparel, fuel) and, of course, housing. These figures are likely conservative given that only expenditures likely to be captured locally have been included (e.g. $25,444 of an estimated $34,605 total expenditures) and they are based on national averages rather than local pricing and preferences. Local research is recommended to more accurately target actual expenditures.

Breckenridge Household Incomes (2012)

	Workforce Housing	Market Rate Housing
Average Household Income	$74,400	$82,470

Source: Summit County Household Survey conducted for the 2013 Summit County Workforce Housing Needs Assessment (Rees Consulting, Inc./Sullivan/RRC Associates, Inc.)

Average Expenditures Per Year for Consumers With Incomes Under $70,000[a]

Food and Beverage	Housing	Apparel and Services	Entertainment	Health Care	Gas and Motor Oil	TOTAL Expenditures
$5,119	$12,666	$1,190	$1,659	$2,695	$2,115	$25,444

Source: 2011 US Consumer Expenditure data, Bureau of Labor Statistics.

Housing Market Impacts

The goal of providing workforce housing is to provide housing units affordable to residents making their living locally. Whereas an income of over 170% of the AMI was required to afford a market-rate home in Breckenridge in 2012, about 88% AMI was needed to afford the average priced deed restricted home.

Ownership housing with workforce deed-restrictions provides homes affordable for the workforce and out- performed the free market, with lower foreclosure rates and steadier prices, during the housing recession.

Deed restricted sales make local housing appear more affordable when evaluating overall sales activity in Breckenridge. For example, in 2001, the impact of selling several newly constructed workforce ownership units was apparent in the sales data. The median sale price of market rate single family homes was $789,900. A total of 20 deed restricted workforce housing units were also sold for a median price of $267,000, effectively bringing the overall median sale price of single family homes for that year to $608,000 – or 30 percent lower than market rate sales alone. Such effects are also apparent in future sale years.

Median Sale Price of Homes: Breckenridge, 2001
Sales of Market Rate Homes vs. Deed Restricted Homes

	Market Rate	Deed Restricted	ALL sales
Single family homes	$789,900	$267,000	$608,000
Townhomes	$400,000	None	$400,000
Condominiums	$267,500	$158,000	$258,700
TOTAL	$319,900	$254,900	$302,000
TOTAL #	315	29	344

Median Sale Price of Homes: Breckenridge, 2001 through June 2006

	2001	2002	2003	2004	2005	7/1/2005 to 6/30/2006	% change (2001 to 2005/06)
Market rate sales	$319,900	$350,900	$303,500	$350,000	$390,000	$405,000	27.0%
Deed restricted sales	$254,900	$185,060	$249,000	$270,700	$265,000	$267,900	NA
TOTAL	$302,000	$339,950	$296,500	$320,000	$378,000	$390,000	29.1%
TOTAL # (deed restricted)	344 (29)	600 (65)	536 (39)	409 (22)	673 (43)	637 (45)	-

Source: Summit County Assessor records; RRC Associates, Inc/Sullivan; Town of Breckenridge Housing Needs Assessment 2006, by RRC Associates, Inc/Sullivan.

Over the past five years, ownership housing with workforce deed restrictions out performed the free market, with lower foreclosure rates and steadier prices. While the *average* priced free market condominiums in Summit County declined 24% and single-family homes dropped 19%, average prices of deed restricted resales in Breckenridge depreciated no more than 3%, if at all.

Average Prices Compared, Free Market Sales: Summit County 2007 - 2012

	Free Market	
Year of Sale	Multi-Family	Single-Family
2007	$406,529	$798,889
2008	$463,633	$835,803
2009	$398,051	$905,030
2010	$425,080	$770,797
2011	$367,280	$734,262
2012	$353,339	$764,445
% decline (peak to trough)	-24%	-19%

Sources: Summit County Assessor; Land Title Guarantee – Summit County; 2013 Summit County Workforce Needs Assessment.

Change in Average Price on Deed Restricted Projects: Breckenridge, 2002 - 2012

	Gibson Heights	Vista Point	Wellington 1	Wellington 2	Vics Landing
2002			12.2%		
2003	2.0%		3.6%		
2004	2.3%		4.7%		
2005	3.1%	7.4%	5.4%		
2006	2.7%	5.5%	6.3%		
2007	1.7%	4.7%	5.2%		
2008	3.6%	3.8%	4.2%	2.6%	
2009	3.5%		2.4%	15.3%	
2010	2.7%	-0.3%	-0.3%	-1.2%	
2011	2.3%	2.2%	0.9%	-1.2%	-2.9%
2012	2.2%		0.2%	-3.3%	-2.9%

Source: Town of Breckenridge; 2013 Summit County Workforce Needs Assessment.

The number of foreclosure filings peaked in 2010 and has since been decreasing in Summit County. Overall, one foreclosure was filed for every 18 units (excluding rentals) in Summit County, which is more than 3 times the rate of foreclosure filings on deed-restricted ownership units. Of 11 total foreclosures filed on deed restricted units, 4 were withdrawn/cured. Deed restrictions are lost on these units once foreclosure occurs.

Foreclosures Compared, 2008 – 2012

	# Filings	# Owner/Vacation/ Vacant Units*	Percent	5-Yr Rate
Total (free market and restricted)	1,423	25,974	5.5%	1 in 18
Deed-restricted	11	550	2%	1 in 50

Source: SCHA and Summit County Public Trustee; 2013 Summit County Workforce Needs Assessment.
*Renter-occupied units excluded.

Conclusion

While the provision of workforce housing is not without its challenges, the experience in the town of Breckenridge shows that targeted programs can help a community shape its demographics, economic well-being and diversity and health of housing. While this analysis only touched upon those impacts for which data was readily available, more detailed analyses could be undertaken to include additional variables of importance to various communities. By understanding the extent to which workforce housing programs are (or are not) meeting the intended goals of a community, this information can help guide changes to and potentially build support for continued workforce housing programs in a community.