

Market Demand Study

Anvil Market Study

Prepared for the Silverton Housing Authority

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Background and Objectives

The Silverton Housing Authority, in partnership with Fading West Development, is working to address the critical need for workforce housing in Silverton, CO with the development of the Anvil Mountain Subdivision. The development includes 12 units to be developed across three four-plex buildings. Of these, 4 units will be designated for rent and 8 for sale. The project targets various income levels, ensuring affordability for households earning 80% to 140% of the Area Median Income (AMI).

The primary objective of this study is to determine the spectrum of demand for workforce housing at the Anvil site and to inform a program that effectively addresses this demand. This study aims to provide supporting data for unit mix, pricing, and capture rates, ensuring that the development is strategically aligned with the housing needs of the community. For this analysis, the primary market area (PMA) is defined as San Juan County.

The methodology for this market demand study encompasses an analysis of:

- **Demographic Data:** Reviewing population changes and household composition.
- **Economic Data:** Examining local employment trends and income levels.
- **Housing Market Data:** Assessing current housing inventory, rental and for sale market conditions, and recent developments.
- **Demand Estimate:** Apply a capture rate of 15%, 20% and 25% to all income bands (expressed as AMI) for households below 140% AMI.

The study focuses on Silverton, CO, a small, remote town characterized by its seasonal economy and tourism-driven industry. Silverton's unique geographic and economic conditions pose challenges and opportunities for workforce housing. The town's housing market is marked by high vacancy rates for seasonal use and a limited supply of affordable rental and for sale units.

Overview of the Selected Site

The initial phase of the Anvil Mountain Subdivision included the construction of 8 modular sections, resulting in 12 apartment units. These units are currently serving the community by providing much-needed rental housing options. The first phase was made possible through a combination of grants and in-kind assistance totaling over \$2.1 million, with contributions from the EPA, the Colorado Department of Local Affairs, the Colorado Brownfields Foundation, the Colorado Department of Health and Environment, the Colorado Department of Transportation, and the Bureau of Land Management. San Juan County also contributed over \$500,000 to the project.

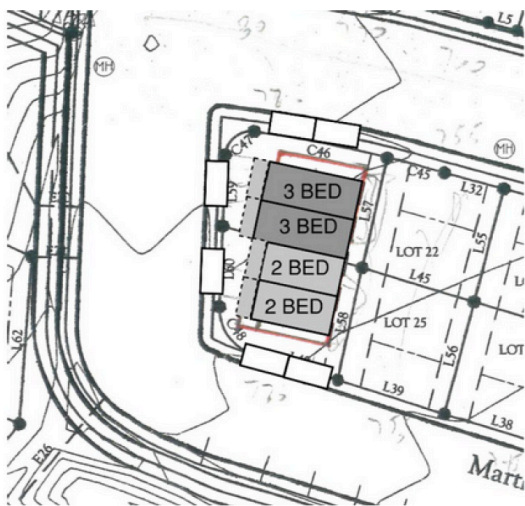
The ongoing development of the Anvil Mountain Subdivision includes both a Rental Phase and a For-Sale Phase. The Silverton Housing Authority is responsible for the Rental Phase, which involves constructing a new four-unit complex. Fading West Development serves as the general contractor for both phases and as the developer for the For-Sale Phase.

The current program includes:

- **Total Units:** 12
- **Configuration:** Three four-plex buildings
- **Units for Sale:** 8 units, targeted at households earning between 100% and 140% of AMI.
- **Units for Rent:** 4 units, targeted at households earning 80% and below AMI.

The project benefits from various subsidies, including in-kind land contributions, building permit waivers, and tap fee waivers, which collectively enhance its financial feasibility. The development aims to provide stable, affordable housing options for Silverton's workforce, thereby reducing in-commuting and supporting local economic growth.

PROPOSED SITE PLAN

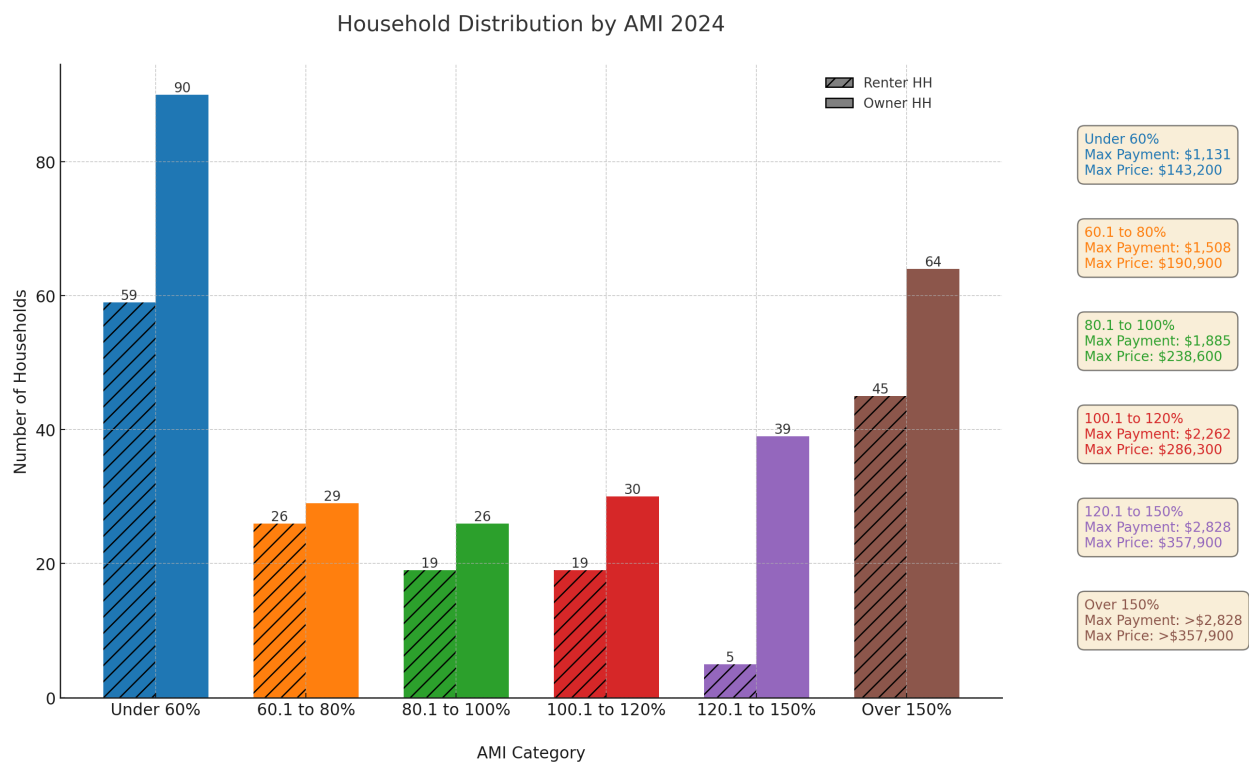


Executive Summary

San Juan County faces ongoing challenges in meeting the housing needs of its residents, particularly those in the workforce. The county's economy is heavily reliant on lower-wage industries such as tourism, retail, and government services, which contributes to the affordability gap for both renters and potential homeowners. The limited availability of affordable housing, coupled with rising property prices, has created a constrained housing market that makes it difficult for many residents to secure suitable housing and for employers to hire and retain qualified staff.

The positive response to the first phase of the Anvil Mountain Subdivision reflects a notable demand for affordable housing in the area. This interest underscores the importance and potential success of the next phase of the project, which will provide additional rental and for-sale units designed to meet community needs.

As illustrated in the chart below, the distribution of households across various AMI (Area Median Income) categories highlights the significant challenges faced by both renters and owners within San Juan County. A substantial number of households fall within the 60% to 150% AMI range, yet the affordability of housing within this bracket remains a pressing issue.



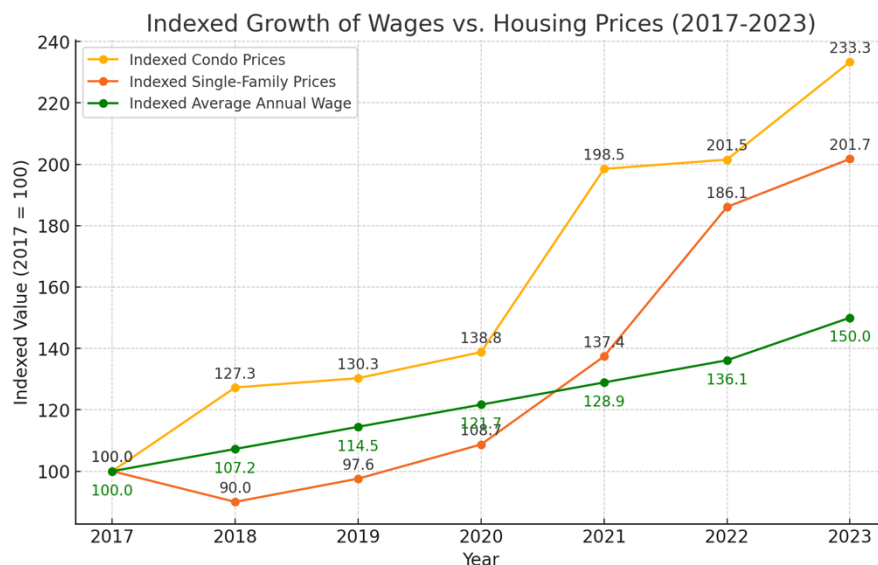
AMI and Prices for an average 2-person HH

Key Demographic and Economic Factors

Housing Affordability

Many working-age residents, including young families and first-time homebuyers, are priced out of the ownership market and face rising rents, often consuming a significant portion of their income. This lack of affordable options forces many to live in suboptimal conditions, exacerbating their housing insecurity.

- Households earning between 100% and 140% of AMI are a key focus due to the homeownership affordability gap they experience. A 2-person household in this income range needs homes priced between \$285,300 and \$357,900 for homeownership, but the current market offers very few options.
- For renting, a 2-person household at 80% AMI can afford monthly rent up to \$1,500. However, the current rental market offers limited options within this price range, making it difficult for these households to find affordable and suitable housing.



Housing Availability

The housing market in San Juan County is extremely constrained, with significant challenges in both the rental and ownership sectors.

- The rental market is particularly tight, with vacancy rates near 0%. To achieve a healthier 5% vacancy rate, the county needs approximately 17 additional rental units. This shortage leads to several issues: rents tend to rise faster than wages and incomes, renters find it difficult to move when their personal circumstances change, new employees may decline job opportunities due to housing unavailability — adversely affecting businesses and the economy — and renters face higher displacement risks when properties are sold or rents surge beyond affordability. Additionally, landlords lack the incentive to maintain or improve their properties under these conditions.
- The ownership market is similarly strained, with limited availability of homes that are affordable to households earning between 100% and 140% of AMI. This shortage of affordable homes, priced up to \$357,900 for a 2-person household, means that many residents who wish to

transition from renting to owning are unable to do so. The lack of available, affordable ownership options further exacerbates housing insecurity and restricts the ability of working-age residents and young families to establish long-term roots in the community.

Employment and Wages

The local economy in San Juan County is heavily reliant on industries such as tourism, retail, and government services. These sectors are characterized by lower wages, with average annual earnings in retail trade and accommodation/food services sectors ranging from \$27,404 to \$30,004, respectively. These wage levels are often insufficient to cover the rising costs of rental housing and homeownership in the area, where housing prices have seen significant increases in recent years.

- The county currently has an estimated 37 unfilled jobs, predominantly in the low-wage sectors. Employers report that the lack of affordable housing is a critical barrier to attracting and retaining workers to fill these positions. Potential employees are often deterred by the high cost of living, which limits their ability to secure suitable housing close to their workplaces.

Strategic Housing Initiatives

San Juan County's workforce housing needs are becoming increasingly urgent, particularly for households earning between 80% and 140% of the Area Median Income (AMI). Many employed residents, especially those working in lower-wage sectors such as tourism and government, are struggling to find affordable housing due to rising property prices and limited availability.

Demand Analysis

The demand analysis indicates a significant need for both rental and ownership housing within the county. Specifically, there is a high demand for rental units affordable to households earning below 80% of AMI. Additionally, there is a strong demand for ownership opportunities for households earning between 100% and 140% of AMI, particularly among young families and first-time homebuyers. The 2024 Silverton Housing Authority homeownership readiness survey showed strong interest, with 75% of respondents indicating they are ready or might be ready to purchase a home. The current market lacks sufficient options in these price ranges, underscoring the need for targeted development.

Rental Market

Adding rental units targeted at the workforce, especially for those earning 80% of AMI, would help stabilize the rental market and provide essential housing options for low- to moderate-income workers. These units are expected to be quickly absorbed due to the near-zero vacancy rates and high demand identified in the analysis.

Homeownership Opportunities

Expanding first-time homeownership opportunities with smaller, more affordable units and accessible financing options will help young families and first-time buyers establish roots in the community. The demand analysis shows that homes priced within the range affordable to households earning between 100% and 140% of AMI are in particularly high demand. Meeting this demand is crucial for ensuring that the next generation of the workforce can secure stable housing.

Absorption Analysis

Both the rental and ownership markets are positioned for a quick absorption of new housing units, as long as they are priced appropriately and aimed at the right demand segments. The rental market, with

its high demand and low vacancy rates, is expected to absorb new units rapidly. In the ownership market, the success of new units will hinge on their affordability and the availability of financial assistance, but strong absorption is anticipated given the current market conditions and the Anvil development program.

Section 1 – Demographics

San Juan County, Colorado, has experienced notable demographic shifts over the past decade, with changes in age distribution, household composition, and income levels. This section outlines these key demographic trends, including the aging population, shifts in household types, and the income gap between homeowners and renters. Understanding these changes is essential for addressing the county’s housing challenges and supporting its economic stability.

Age

Over the last decade, there has been a notable increase in the age of residents in San Juan County, Colorado. The share of the population age 55 years and older increased by 17 percentage points between 2012 and 2022. The median age of residents has increased from 37.9 (2008-2012 ACS) to 49.3 (2018-2022 ACS).

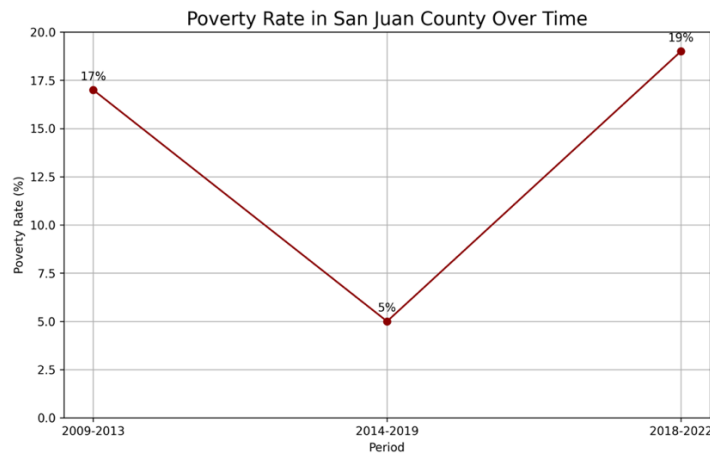
Age Distribution

	2012	2017	2022	2012-2022 point change
Under 18	8%	17%	12%	4.6
18-24	14%	7%	8%	-6.9
25-34	26%	13%	10%	-15.9
35-44	9%	8%	17%	7.6
45-54	15%	19%	9%	-6.4
55-64	12%	20%	20%	7.8
65-74	10%	14%	17%	7.6
75+	5%	3%	7%	1.7

Source: 5-year ACS estimates (2008-2012, 2013-2017, 2018-2022)

Poverty

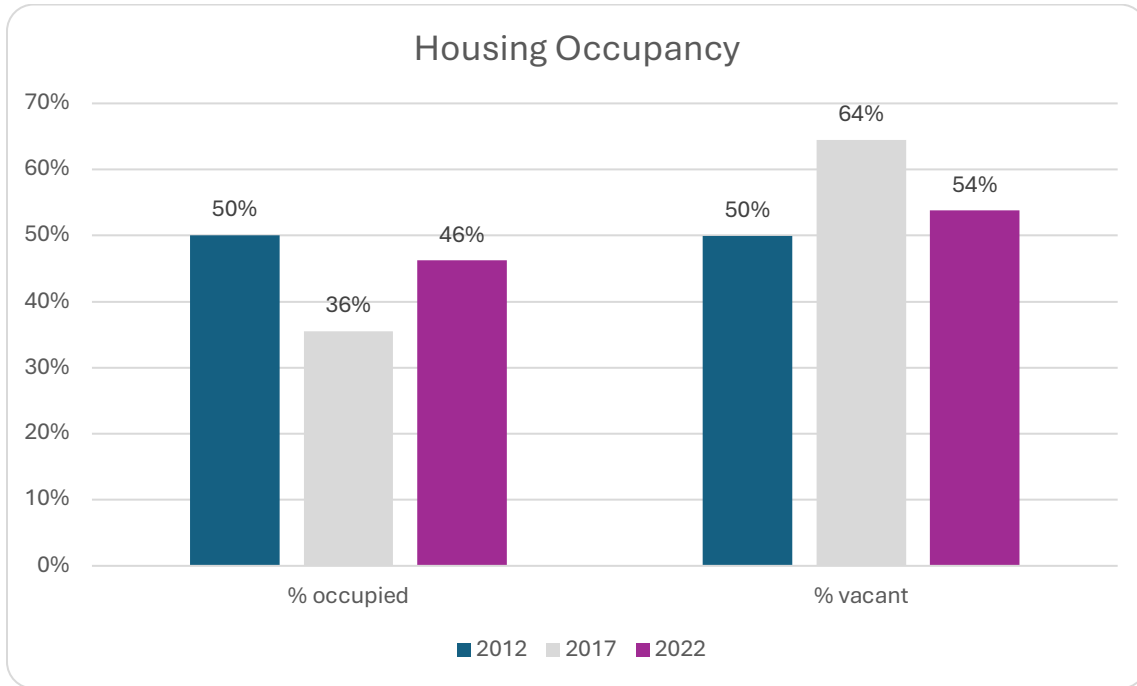
The poverty rate in San Juan County, as reported by the American Community Survey (ACS), has fluctuated significantly over the past decade. Between 2009 and 2013, the poverty rate was around 17%. This figure saw a dramatic decrease to approximately 5% during the 2014-2019 period. However, the poverty rate jumped back up post-Covid to 19% in the 2018-2022 period.



Source: American Community Survey (ACS)

Households and Occupancy

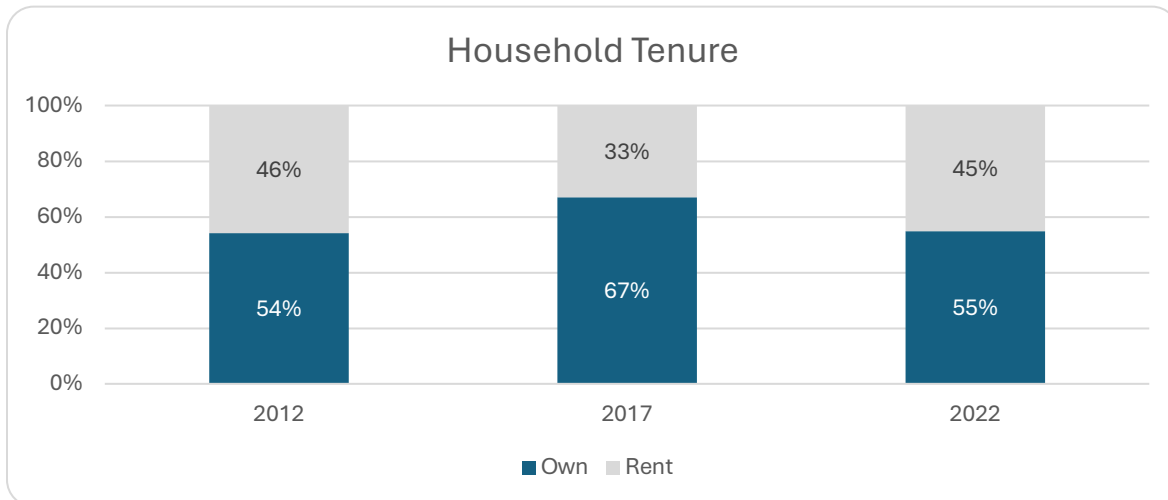
Occupied homes are those lived in by resident households. Homes classified as “vacant” are those with no one living in them or are temporarily occupied by people staying a few months or less. In Silverton, more homes are considered vacant than occupied, and most vacant homes are second homes used seasonally or for vacations. The town has enacted a short-term rental cap, which is currently at capacity.



Source: 5-year ACS estimates (2008-2012, 2013-2017, 2018-2022)

Tenure (own vs. rent)

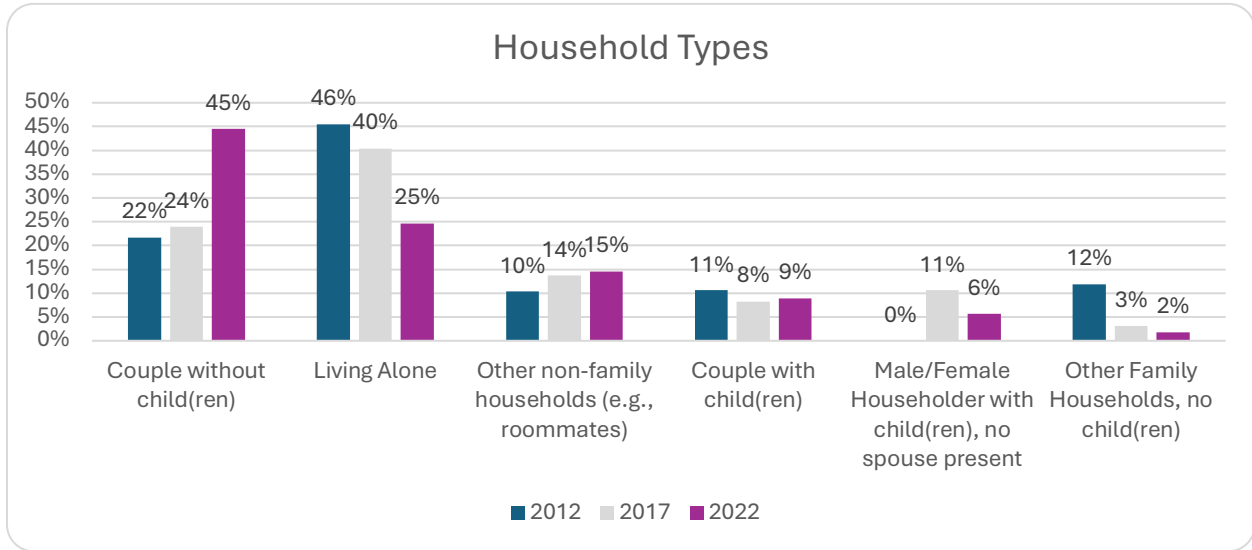
While there was a trend of increasing homeownership between 2012 and 2017, that trend has shifted over the last five years. The share of renters is now about where it was a decade prior at about 45%.



Source: 5-year ACS estimates (2008-2012, 2013-2017, 2018-2022)

Household Type

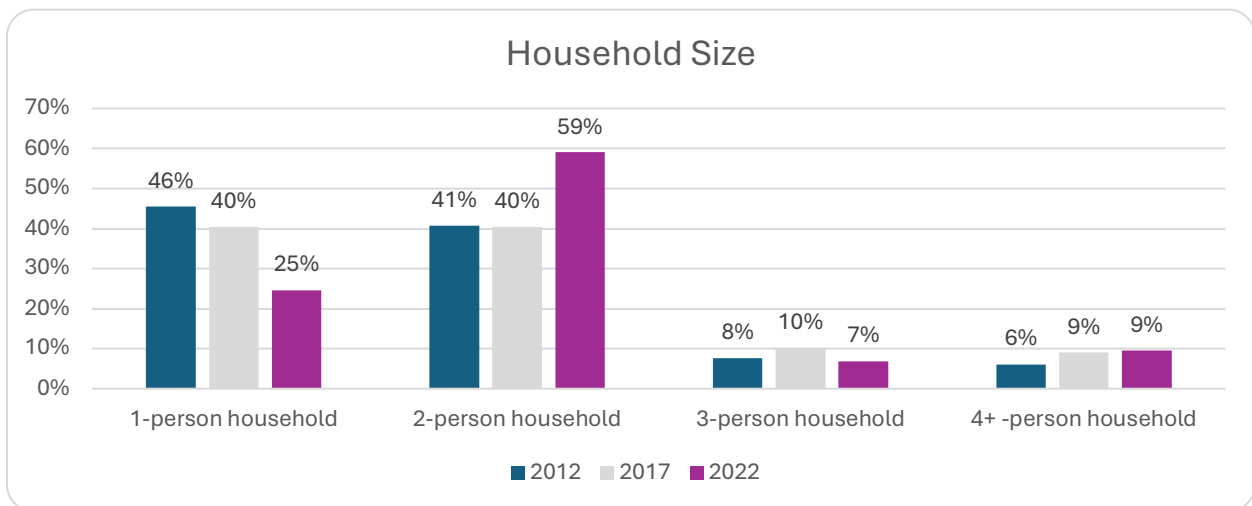
Household composition has changed over time in San Juan County. The two largest changes over the 10 years through 2022 were a 21-percentage point increase in the share of couples without children and a 15 percentage point decline in people living alone. The increase in the share of roommate households indicates that some single-person households have been forced to get roommates to afford housing prices, which have increased notably over this time.



Source: 5-year ACS estimates (2008-2012, 2013-2017, 2018-2022)

Household Size

Almost 60% of households have two people, followed by a quarter with just one person. Larger households with four or more people now represent almost one in ten households. The average household size is now, unsurprisingly, about 2 people.



Source: 5-year ACS estimates (2008-2012, 2013-2017, 2018-2022)

Household Income

Over the period from 2012 to 2022, median incomes have shown varying rates of growth across different household types. Household median income experienced the most significant increase, with an average annual growth rate of 6.08%, rising from \$37,330 in 2012 to \$67,344 in 2022. Family median income also saw notable growth, increasing by 4.38% annually on average, from \$47,083 to \$72,292. Married couple families had a more modest increase, with an average annual growth rate of 2.35%, while non-family households experienced the slowest growth, with an average annual increase of 2.15%, going from \$35,871 to \$44,375 over the same period.

Median Households Income

	All Households	Families*	Married Couple Families*	Non Family Households
2012	37,330	47,083	65,909	35,871
2017	46,397	59,250	60,000	36,500
2022	67,344	72,292	83,125	44,375
Average Annual Increase	6.08%	4.38%	2.35%	2.15%

Source: 5-year ACS estimates (2008-2012, 2013-2017, 2018-2022)

*A "family" is defined as a group of two or more people who are related by birth, marriage, or adoption and live together, a "married-couple family" is a family where the householder and their spouse live together, with or without children or other relatives.

Section 2 - The Economy

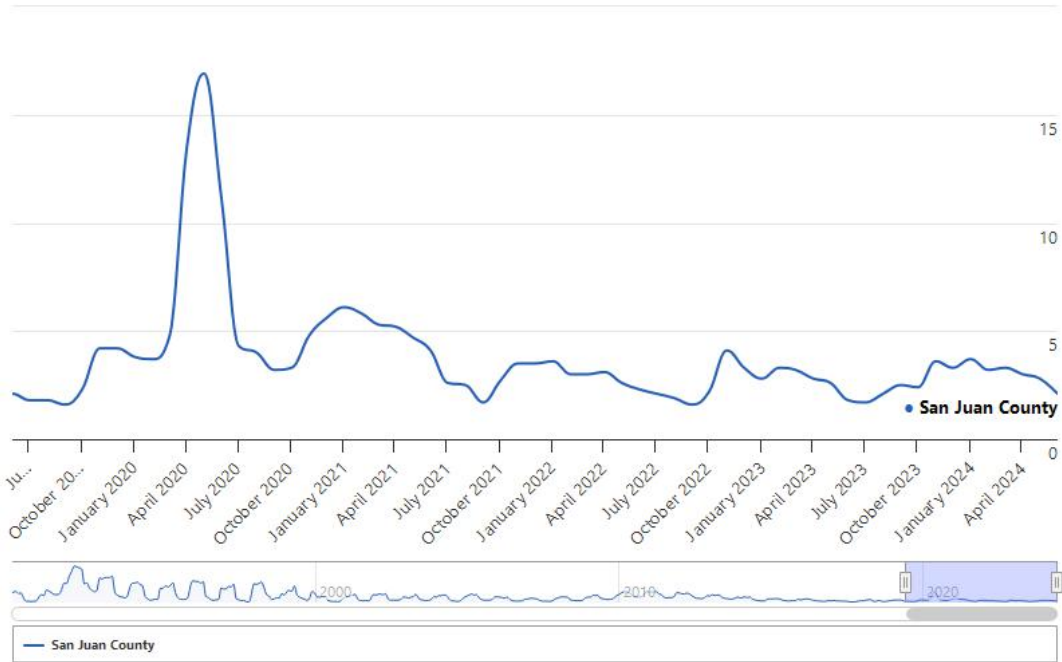
San Juan County's economy has seen steady growth over the past decade, driven by increases in both wage and salary jobs and proprietor employment. Despite low unemployment and rising annual pay, the county's economy remains heavily reliant on tourism and government sectors, which offer predominantly low-wage jobs. This section explores key economic trends, including employment patterns, wage levels, and the impact of seasonality and commuting on the local workforce.

Jobs and Unemployment

San Juan County's economy continues to grow. From 2012 to 2022, total employment in the county grew by 3.4% per year, with annual average proprietor employment growth (5.3%) outpacing wage and salary growth (2.1%). Proprietor employment represents just under half (47%) of all jobs in the county.

The county has a very low unemployment rate as of June 2024 (2.1%). Its labor force is about 760, and only 16 people were unemployed in June.

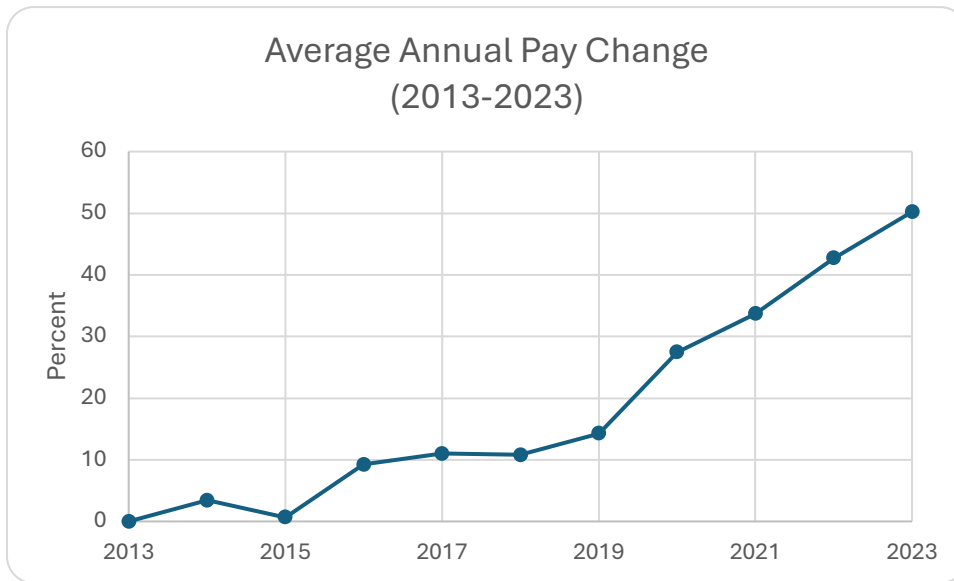
**Not seasonally adjusted Labor Force, Employment and Unemployment data in San Juan County
Unemployment Rate (%)**



Source: LAUS Unit: LAUS system output file
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Annual Pay

Average annual pay increased each year from 2018 to 2023 to \$36,175¹. Since 2013, pay has increased by about 50%.



¹ Bureau of Labor Statistics, QCEW, preliminary data subject to change.

Source: Bureau of Labor Statistics, QCEW; Western Spaces

Most wage and salary jobs in the county are still directly tied to tourism or government. Key sectors include accommodation and food services, retail trade, and public administration, with the former being low-paying jobs.

Key Economic Sectors: Annual Wage and Maximum Affordable Rent

	2023 Average Annual Wage [1]	Max Housing Payment
Accommodation and Food Services	\$30,004	\$750
Retail Trade	\$27,404	\$685
Public Administration	\$42,068	\$1,052

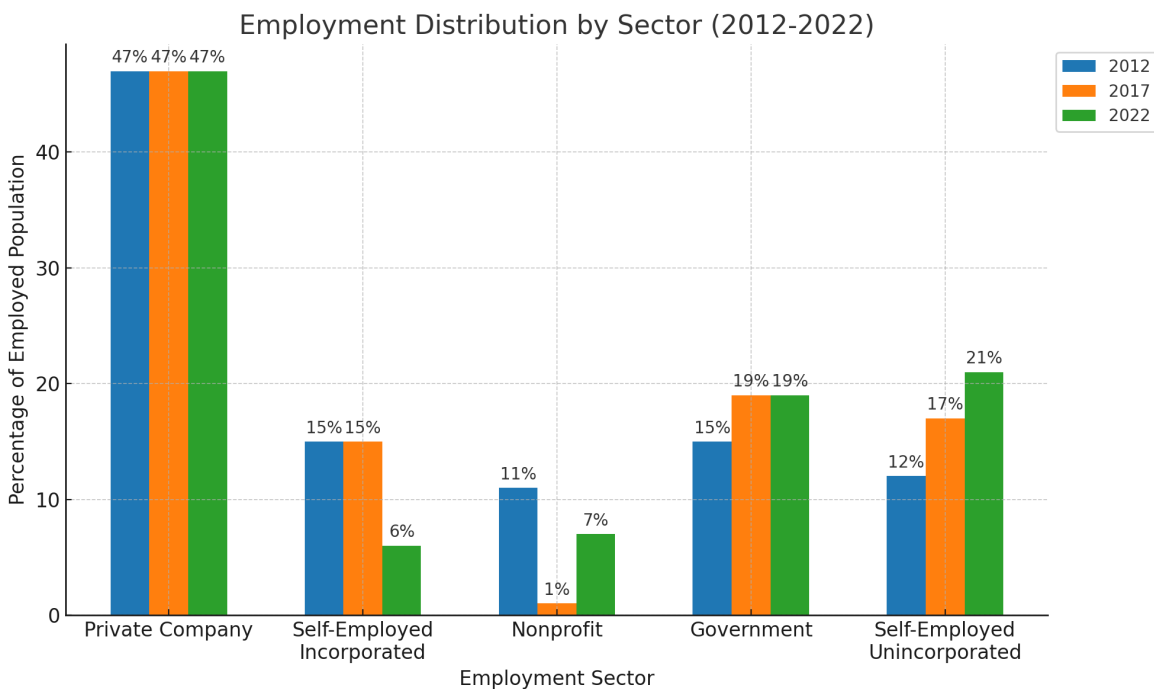
[1] average weekly wage multiplied by 52 weeks per year

Source: Bureau of Labor Statistics, QCEW; Western Spaces

Occupation

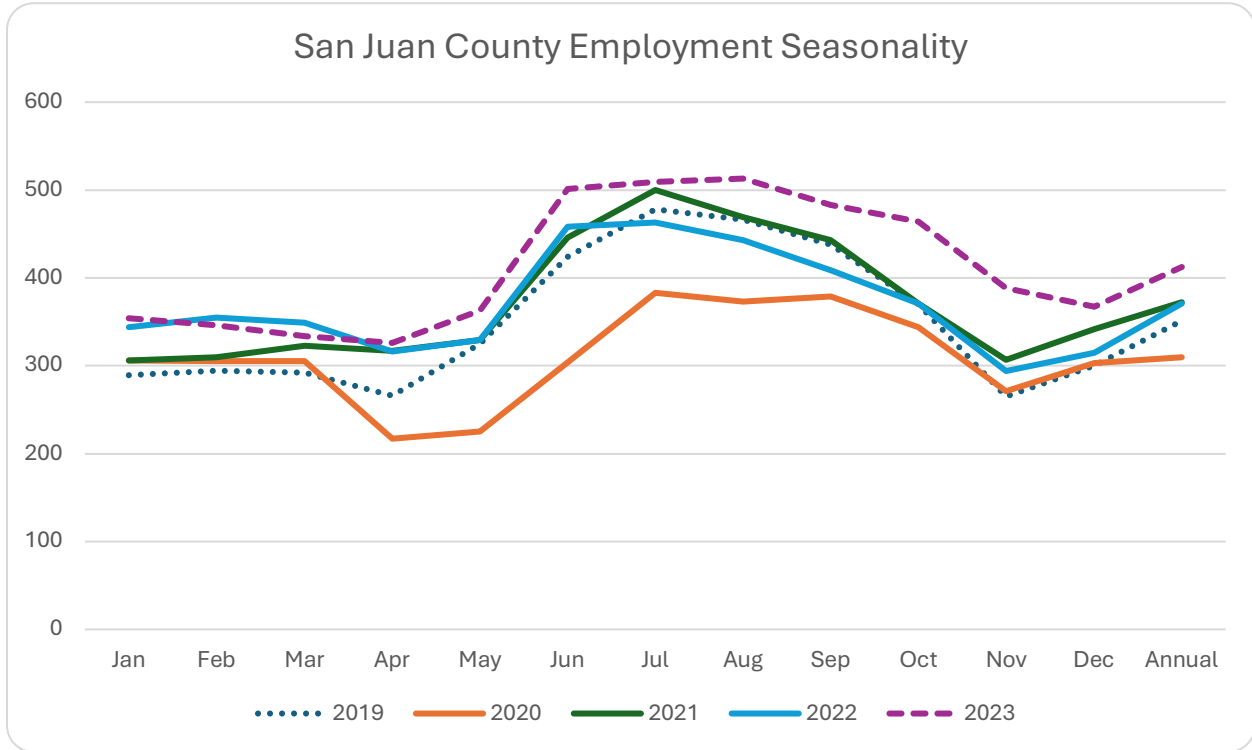
Over the past decade, the civilian employed population aged 16 years and over has seen notable changes. The total employed population was 381 in 2022, a recovery from 305 in 2017 but still lower than the 473 in 2012.

The most significant shifts occurred in self-employment. By 2022, 21% of workers were self-employed in their own unincorporated businesses or as unpaid family workers, up from 17% in 2017 and 12% in 2012. In contrast, self-employment in incorporated businesses dropped sharply from 15% in 2012 and 2017 to just 6% in 2022. Employment in private companies remained steady at 47% throughout the period, while government employment held constant at 19% in both 2022 and 2017.



Employment Seasonality

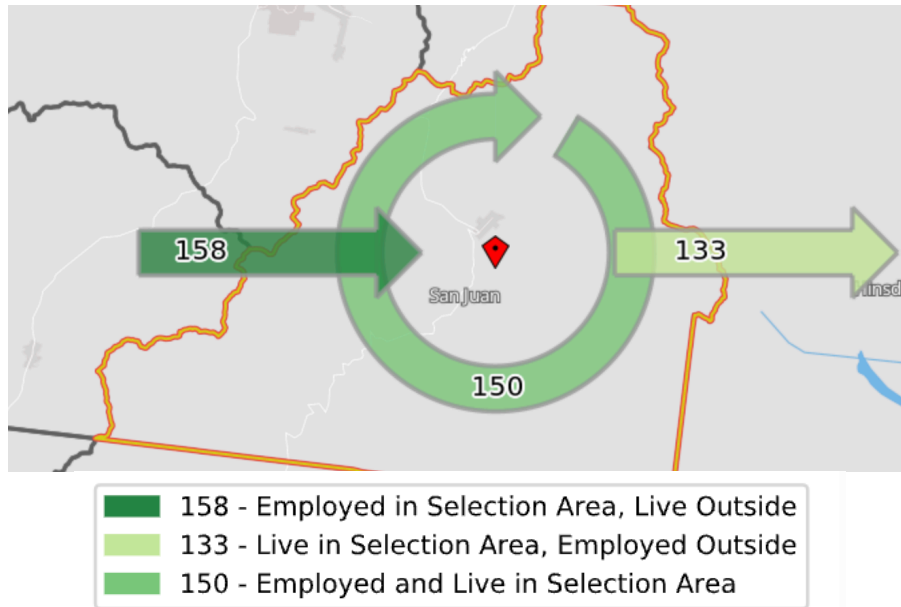
Employment peaks each year in the summer, as seen in the figure below. Employment in 2023 exceeded that of the previous four years for most of the year. The ski resort in town is currently open on weekends only, which brings some winter visitors but not enough to equal out with the summer peak.



Source: Bureau of Labor Statistics, QCEW

Commuting

Of people employed in San Juan County, the share who also live in the county was estimated to be about 58% before Covid (2019), but fell to 49% in 2021. More recent data is not available from the U.S. Census, but the decline may have continued given that most employment growth in the county was from proprietors, not wage earners. In-commuters (those who work in San Juan County and live outside the county) live in many parts of Colorado and New Mexico. Many live in Durango. The county's housing shortage has led to an increase in-commuting.



Source: US Census Bureau on the Map 2021

Section 3 - Housing Market Analysis

This section examines current market conditions, including vacancy rates, rent trends, and homeownership affordability. It also analyzes recent sales trends, building permits, and absorption rates to provide a comprehensive overview of the county's housing landscape.

Renter Market

This section provides an overview of the renter market. It includes an evaluation of current conditions and past trends including renter households by income, occupancy and average rents. Data for this section is from secondary sources as well as monitoring of online listing sources and property manager interviews. For rental trends, the section primarily focuses on San Juan County which is the primary market area.

Vacancy

Vacancy rates in San Juan County are currently at or near 0%, indicating a very tight housing market. A healthy market typically sees a 5% vacancy rate, providing enough options for renters. Rates below this level denote a housing shortage, while higher rates point to a surplus.

Rental listings were monitored in July and August of 2024 in the Silverton Standard, Craigslist, Zillow, and multiple Facebook groups. Only 2 listings were found county wide during this time period. Both were three bedrooms, one being a duplex for \$2,400/mo and the other a single-family residence for \$3,000/mo.

The persistently low vacancy rate in San Juan County signals a pressing need for a larger inventory of rental properties to establish a functional market. This shortage leads to several issues: rents tend to rise faster than wages and incomes, renters find it difficult to move when their personal circumstances change, new employees may decline job opportunities due to housing unavailability — adversely affecting businesses and the economy — and renters face higher displacement risks when properties are

sold or rents surge beyond affordability. Additionally, landlords lack the incentive to maintain or improve their properties under these conditions.

Market Rents

Interviews with property managers and real estate agents reveal that rental rates have been rising steadily, driven by a growing scarcity of available units. At the same time, the quality of rental housing has declined, with many properties renting out despite being in poor condition.

Property managers report no vacancies and minimal turnover, indicating a very tight rental market. It's been noted that virtually any property, regardless of its condition, size, or whether it allows pets, is quickly rented. Some properties have maintained 100% occupancy with waitlists extending over the past few years, underscoring the high demand for rental housing.

These high rents, coupled with limited availability, suggest a market struggling with significant affordability challenges. The lack of differentiation in pricing across various property types points to a shortage, which makes it difficult for local workers, particularly those in lower-wage jobs, to secure affordable housing.

Market Rents August 2024

Rent (\$/month)	Bedroom	Bathroom	Description
\$1,800	1	2	Loft Style
\$2,000	1	1	Live/work space
\$1,300	2	1	Victorian
\$1,300*	2	2	Highlander (10 units)
\$2,000	3	2	1600 square feet
\$2,400	3	2.5	Duplex
\$3,000	3	2	Single Family

Source: Property Managers; Zillow, Facebook

*Heat and hot water are included. Excludes internet and electricity, which only powers the lights, refrigerator, microwave, TV, or any other things the tenants plug in.

Rental Trends

Data from the American Community Survey is useful to compare year over year change. While the population is small and one-year estimates are not available, 5-year ACS estimates are available. Some general assumptions regarding gross rents in the County can be made. Please note that, while the ACS data is helpful to illustrate changes in rents over time, the data is not reflective of current rents charged by property managers as reported in the previous section.

Between 2017 and 2022 (2012 data is not available), the rental market experienced notable changes, both in rent prices and in the availability of different unit types. The overall median gross rent slightly decreased by 3.6%, from \$1,069 in 2017 to \$1,031 in 2022. However, this overall decline contrasts with increases in rent for specific unit sizes.

- **1-bedroom units** saw a substantial rent increase of 42.8%, rising from \$788 in 2017 to \$1,125 in 2022.
- **3-bedroom units** also experienced a modest increase of 4.0%, with rents going from \$1,106 to \$1,150.

- **4-bedroom units** at \$1,200.

There were no studio, 2 bedroom or 4 bedroom units in the rental inventory in 2017, however the 2022 data suggest an expansion in the variety of rental options available in the market.

Median Gross Rent San Juan County

	2017	2022	% Change
No bedroom	-	\$555	-
1 bedroom	\$788	\$1,125	42.8%
2 bedrooms	-	\$1,031	-
3 bedrooms	\$1,106	\$1,150	4.0%
4 bedrooms	-	\$1,200	-
Overall	\$1,069	\$1,031	3.6%

Source: 5-year ACS estimates (2013-2017, 2018-2022)

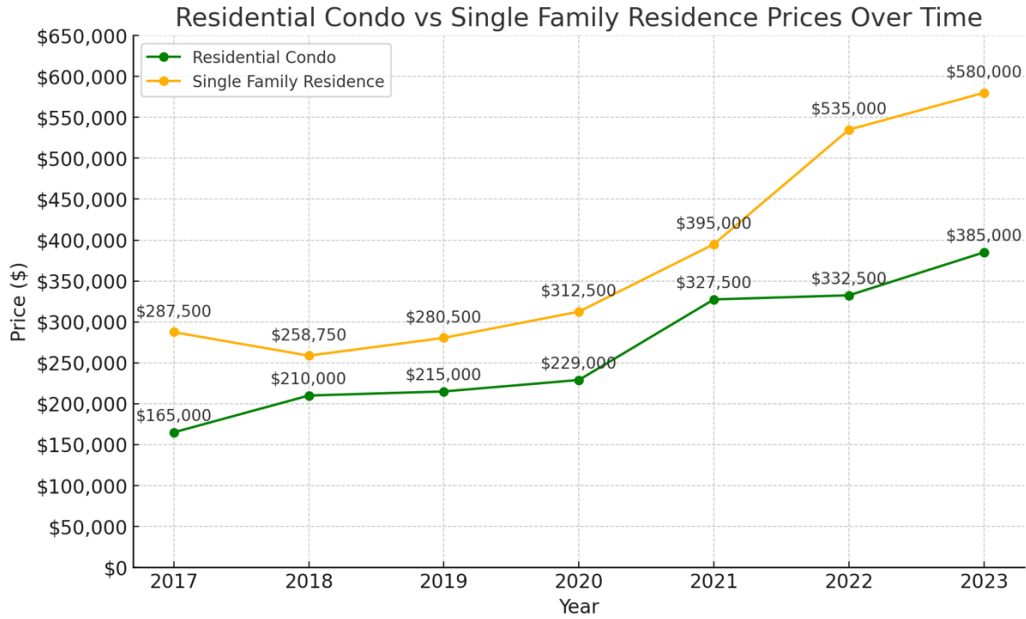
Ownership Market

This section takes a brief look at the ownership market in San Juan County, including current listings and sales trends. It is helpful to understand where the market is and what opportunities there are for first time homebuyer and move-up housing.

Sales

The San Juan County Assessor maintains records of all property sales, including details on quality and type. For this analysis, sales data from the Assessor’s records were used, excluding transactions such as deed restricted sales (Anvil), bank-owned properties, multi-unit buildings (4+ units), related party sales, and mobile homes without land. Some qualified modular homes were included in the single-family category.

Over the six years from 2017 to 2023, median sales values for residential properties showed significant growth, particularly in the residential condo and single-family residence categories. Residential condos saw their median price rise from \$165,000 to \$385,000, reflecting a compound annual growth rate (CAGR) of 14.9%. Similarly, single-family residences increased from \$287,500 to \$580,000, with a CAGR of 12.5%. These categories had relatively consistent sales volumes, with 9 condo sales recorded in both 2017 and 2023, and single-family residence sales increasing from 12 in 2017 to 19 in 2023, making these price increases a reliable indicator of market trends.



Source: San Juan County Assessor

The chart below also includes townhomes, however the substantial rise in the median price for townhome residences—from \$198,500 to \$927,500—should be interpreted with caution due to the very low sales volumes in this category. With only two sales recorded in both 2017 and 2023, the median value is likely skewed and may not accurately represent broader market dynamics.

Median Sales by Type 2017 and 2023

Year	Residential Condo	Single Family Residence	Townhome Residence	Grand Total
2017	\$165,000	\$287,500	\$198,500	\$226,550
2023	\$385,000	\$580,000	\$927,500	\$515,200
CAGR (%)	14.9%	12.5%	30.9%	14.6%

Source: San Juan County Assessor

In 2023, 31 property sales were analyzed, revealing distinct trends across different price categories. Notably, there were four single-family homes sold for under \$400,000. These included a 300 sq ft modular unit in badly worn condition sold for \$200,000, a 1,000 sq ft one-bedroom home sold for \$260,000, and a 1,500 sq ft single-family residence, also in badly worn condition, sold for \$395,000. Finally, a badly worn 900 square foot one bedroom for \$310,000.

Townhome sales were limited, with only two transactions, both exceeding \$900,000. Most of the sales activity occurred in the \$301K-\$900K range, particularly for single-family residences and residential condos, with fewer transactions in the higher price ranges.

2023 Sales Volume by price category

	Residential Condo	Single Family	Townhome
\$0-\$300K	2	3	0
\$301K-\$400K	3	1	0
\$401K-\$500K	2	3	0
\$501K-\$600K	1	4	0
\$601K-\$900K	1	7	0
Over \$900K	0	1	2

Source: San Juan County Assessor

Active Listings and Market Trends

There are a total of 20 active residential listings in San Juan County in or near Silverton. Of those, two units are listed below \$500,000. One is a single family 4-bedroom 1,700 square foot unit for \$410,000 in livable condition, the other is a 900 sq ft 2-bedroom one bath, built in 1900 for \$460,000. The rest of the listings (96%) are over \$500,000 and up to about \$3 million.

Realtors in San Juan County provided valuable insights into the current state of the housing market, reflecting on trends in sales volume, inventory, and buyer preferences.

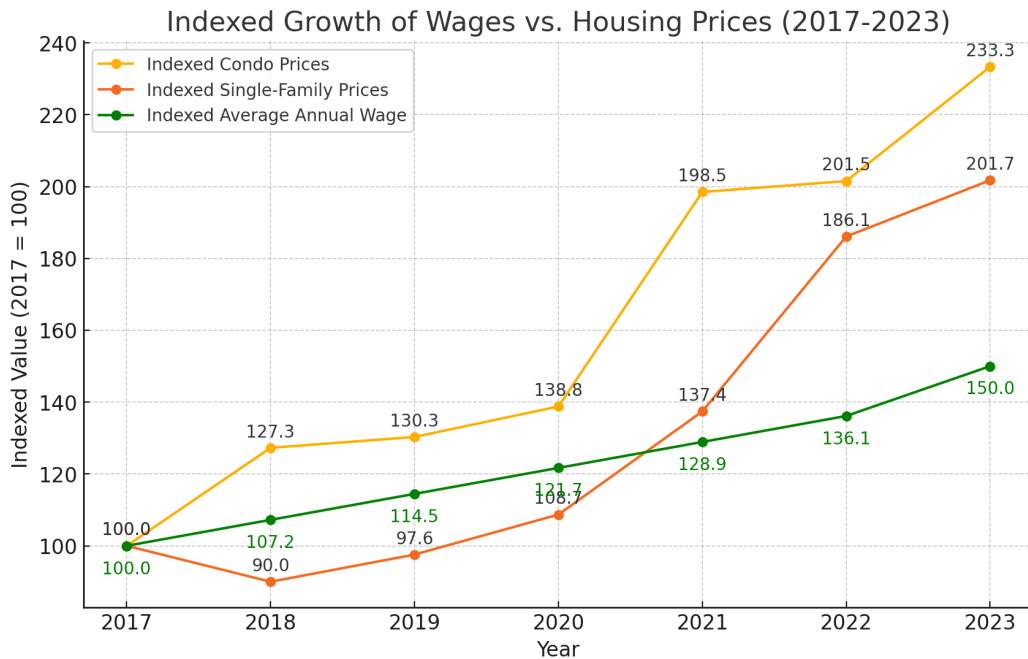
- **Sales Trends:** In general, realtors note that approximately half of the property sales second homes, with the remaining half being local sales. Realtors observed that sales volume has slowed compared to five years ago, although inventory levels have remained consistent during this period.
- **Impact of COVID-19:** During the COVID-19 pandemic, the housing market experienced a surge in rapid sales, with properties selling quickly and prices doubling. This period saw an unprecedented demand for homes, particularly in Silverton. However, as the market stabilizes post-pandemic, sales have slowed, and some properties are now remaining on the market for longer periods, especially those priced around \$700,000. Despite this, prices have not decreased, indicating a potential plateau rather than a decline.
- **Buyer Preferences and Market Gaps:** There is a noticeable demand for new housing products, with buyers particularly interested in options that are not currently available in the market. Realtors identified a significant gap in middle-income housing and townhomes, which are in short supply. This shortage limits options for local residents and potential new homeowners, particularly those seeking more affordable housing.
- **Influences on the Market:** The limited operating schedule of Silverton Mountain (open only Thursday through Sunday) continues to be a driver of interest in the area, particularly for those looking to invest in properties. However, the cap on short-term rentals (STRs) has curbed some investment purchases, as buyers are restricted in their ability to generate rental income.
- **Barriers to Homeownership:** The biggest barriers to homeownership identified by realtors include the availability of suitable housing and the challenge of securing a down payment. These factors contribute to the difficulty many potential buyers face when trying to enter the market, particularly in a region where housing costs have risen significantly.

Affordability over Time

The chart below illustrates the indexed growth of average annual wages compared to the growth in median housing prices for residential condos and single-family homes in San Juan County from 2017 to 2023. All values are normalized to an index of 100 in 2017, providing a clear comparison of growth trends over time.

- Average annual wages have shown steady but moderate growth over the period, as represented by the green line.
- Median housing prices for condos and single-family homes, shown by the blue and orange lines respectively, have increased at a much faster rate.

These trends underscore the existing affordability challenges in San Juan County, where housing costs have risen significantly more than wages. This growing disparity makes it increasingly difficult for local residents, especially those working in lower-wage sectors, to afford homes in the area.



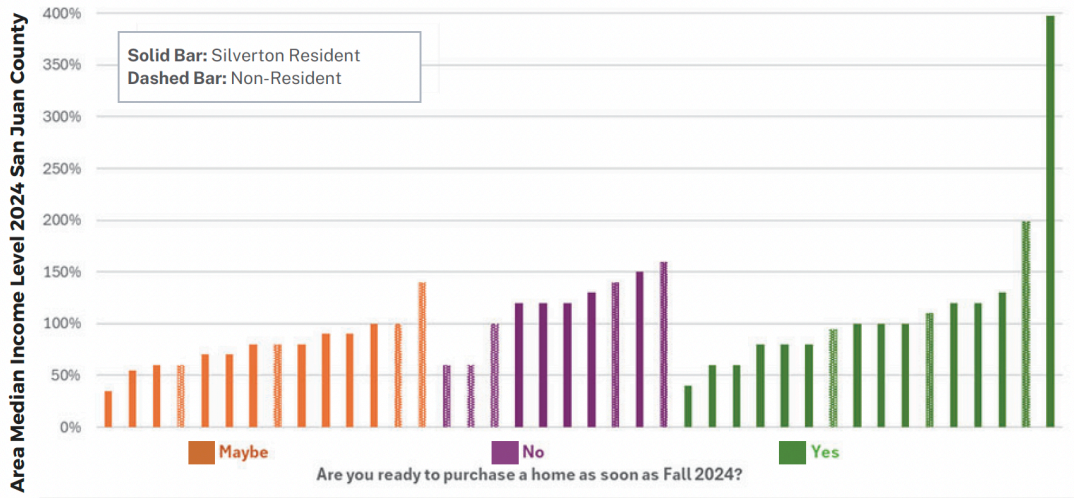
Source: BLS, ACS, San Juan County Assessor

Homeownership Interest

In 2024, the Silverton Housing Authority conducted a survey to gauge the demand for homeownership in Silverton, focusing on various income levels and household sizes. The survey received 40 responses, providing valuable insights into the community's readiness and interest in purchasing homes. The majority of respondents were from 2-person households (53.8%), followed by 1-person households (33.3%). Larger households, including 3-person (7.7%) and 4-person (5.1%), were less common.

Overall, 75% of those surveyed indicated they are either ready or might be ready to purchase a home in Silverton. In considering purchasing power, respondents reported a wide range of gross annual incomes, from \$20,000 to \$300,000. Of those ready to purchase a home, about 44% fall in the 100 to 140% AMI range.

Readiness to Purchase by AMI Levels & Residency

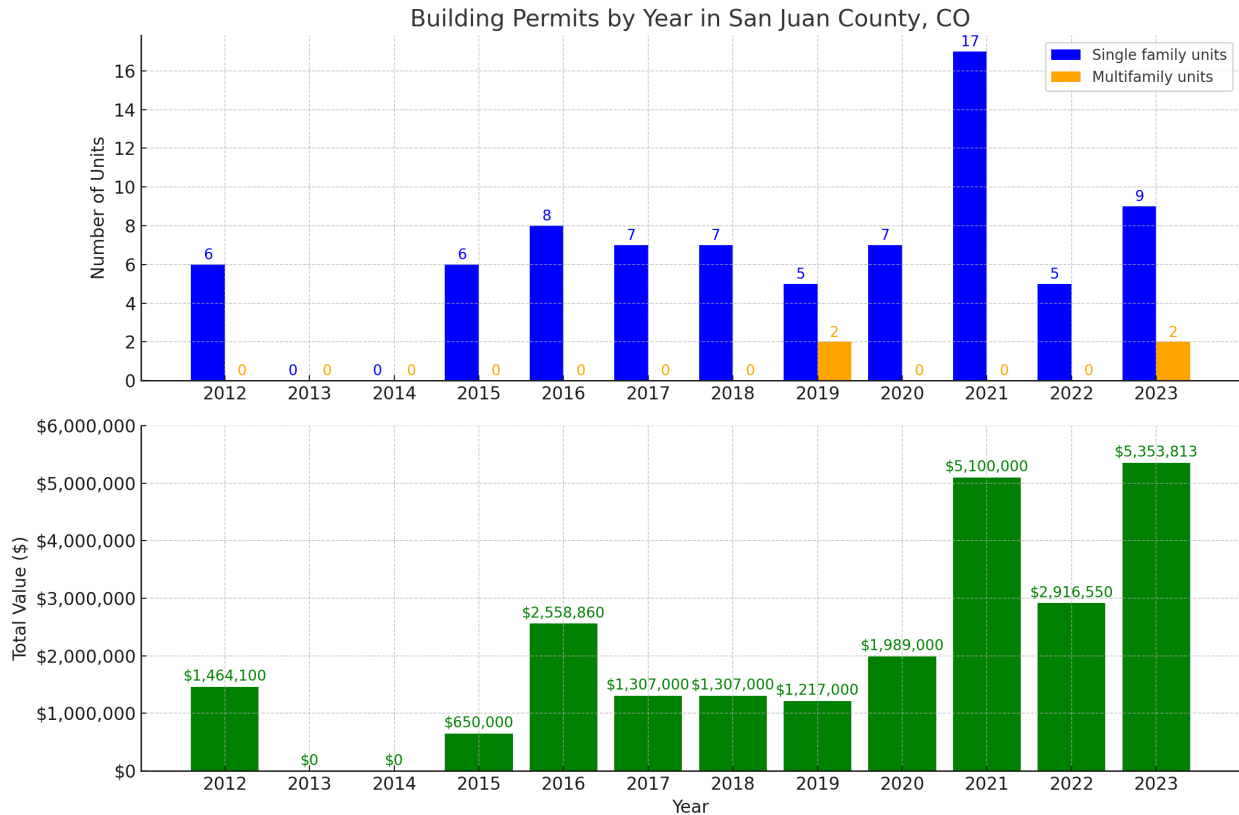


Source: 2024 Silvertown Housing Authority Homeownership Interest Survey

Residential Building Permits and Pipeline

Building trends in San Juan County, CO, from 2012 to 2023 show significant fluctuations, with certain years seeing more activity than others. In 2021 and 2023, there was a notable surge in both the number of single-family homes built and the overall value of construction permits. Single-family homes have been the primary focus, with the highest number of permits issued in 2021. Multifamily housing has been much less common, with only a few permits granted in recent years.

The total value of residential building permits has seen considerable variation, with notable increases in 2016, 2021, and 2023. The spike in 2021, reaching \$5.1 million, aligns with the high number of single-family permits. In 2023, the total value of permits surpassed \$5 million, likely due to both more expensive projects and rising construction costs. These figures suggest a strong emphasis on single-family housing in the county, with periods of increased building activity.



Source: US Census Bureau Building Permits Survey

The Silverton Building Department reports that, as of now, there are no applications for new single-family housing construction for the current building season. It's still too early to predict the activity for the next season.

In addition to the ongoing Anvil and Zanoni projects, there are a few housing development projects in progress, though they are several years out from completion:

- **Mineral Creek Home Sites:** Mineral Creek Homes is currently focusing on the infrastructure development necessary to service up to 64 potential building sites. The exact number of developed sites will depend on how the developer proceeds with the development or parcel sales. At this stage, no plans have been submitted for the construction of dwelling units. The estimated timeline for the commencement of construction is within 1 to 3 years.
- **Aminas Overlook PUD:** GFS LLC is proposing a Planned Unit Development (PUD) to subdivide two blocks into 16 home sites. Similar to the Mineral Creek project, no construction plans for dwelling units have been received yet. Construction is estimated to begin within the next 3 to 5 years.

Absorption - Rental

San Juan County's rental market is currently experiencing near-zero vacancy rates, which indicates a strong demand for rental units. The tightness in the market, driven by a limited supply and increasing rental costs, suggests that any new rental units introduced into the market would likely be absorbed quickly.

- **Historical Context:** In recent years, particularly from 2019 to 2023, the number of building permits for single-family homes ranged from 5 to 17 units annually, with multifamily permits being issued sporadically. Given the high demand and low vacancy, it's reasonable to assume that newly built rental units will be absorbed at a rapid pace.
- **Expected Absorption Rate:** Considering the current market dynamics, new rental units, particularly those targeted at households earning up to 80% of AMI, are expected to achieve full occupancy within a few months of completion. The absorption rate could be as high as 90% within the first three months, particularly if the units are competitively priced and located near employment centers.

Absorption - Ownership

The ownership market in San Juan County has seen significant growth in home prices, reflecting strong demand, particularly among higher-income households. However, the market also faces affordability challenges, which could impact the absorption of new ownership units.

- **Historical Sales Trends:** From 2017 to 2023, the median sales price for residential condos and single-family homes rose significantly, with compounded annual growth rates of 14.9% and 12.5%, respectively. The report also notes a limited number of sales in the lower price ranges, with most transactions occurring in higher price brackets.
- **Target Market:** For new ownership units targeted at households earning between 100% and 140% of AMI, absorption may vary based on the affordability and accessibility of financing options. The target market for these units includes first-time homebuyers and young families, who may require additional financial assistance to make purchases feasible.
- **Expected Absorption Rate:** Given the existing demand and limited availability of affordable ownership options, new units in this price range are expected to be absorbed within 6 to 12 months. However, absorption could be slower if economic conditions worsen or if there is limited access to favorable mortgage products. Conversely, if local and state incentives are provided, the absorption rate could accelerate.

Section 4 - Demand Estimates

This section provides a detailed analysis of the housing demand in San Juan County, focusing on both rental and ownership markets. Using a conservative approach, the estimates consider existing households and the need to fill currently unfilled jobs over the next three years. The analysis breaks down demand by Area Median Income (AMI) and tenure, offering insights into the specific needs of different income groups.

Households by AMI and Tenure

Household incomes are typically expressed as a percentage of the Area Median Income (AMI) to allow for applicability among various programs and across geographies. Figures vary by household size and are published annually by the Department of Housing and Urban Development (HUD).

HUD 2024 San Juan County AMI (up to 4 person household)

	1-person	2-person	3-person	4-person
60%	\$39,600	\$45,240	\$50,880	\$56,520
80%	\$52,800	\$60,320	\$67,840	\$75,360
100%	\$66,000	\$75,400	\$84,800	\$94,200
120%	\$79,200	\$90,480	\$101,760	\$113,040
150%	\$99,000	\$113,100	\$127,200	\$141,300

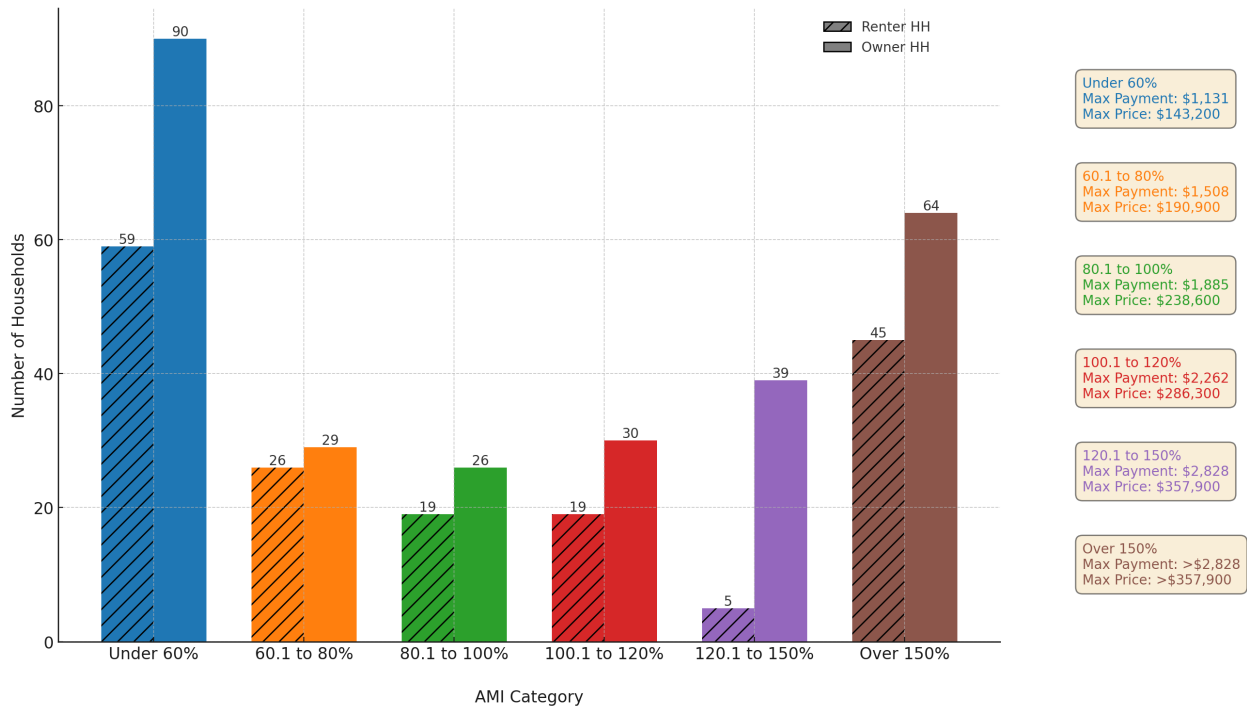
Source: HUD

The chart below shows the distribution of households in San Juan County by income level and housing tenure, focusing on their ability to afford housing costs. Households in San Juan County earning under 60% of the AMI, which equates to a maximum income of \$45,240 for a two-person household, represent the largest group among both renters (59 households) and owners (90 households). These households can afford a maximum monthly housing payment of \$1,131, with a purchase price limit of \$143,200.

As incomes increase, the number of households decreases, with fewer households in the higher AMI categories. For example, those earning between 60.1% and 80% of the AMI can afford up to \$1,508 in housing payments, with a maximum purchase price of \$190,900. This group includes 26 renter households and 29 owner households.

The highest income group, earning over 150% of the AMI, can afford housing payments above \$2,828 and homes priced over \$357,900. This group comprises 45 renter households and 64 owner households.

Household Distribution by AMI 2024



Source: HUD, Ribbon Demographics, Western Spaces Calculations

*Calculated with a 30% housing cost from gross monthly income, a 7% interest rate on a 30-year mortgage, and a 5% down payment.

Unfilled Jobs

Labor is in short supply, both locally and nationally. In such a competitive environment, the near-zero rental vacancy rates, and high and rising home prices and rents, make it even more difficult to attract labor to the area.

Employers as part of the 2021 Housing Needs Assessment reported difficulty in hiring and retaining employees due to housing shortages. Many employees resort to long commutes or living in substandard conditions.

Based on the 2021 Employer Survey conducted as part of the regional housing needs assessment, there were 37 unfilled jobs in Silverton, primarily in low-wage sectors such as food and beverage and housekeeping. Since that survey, 14 new housing units have been permitted. However, sales data from 2022 and 2023 show no new construction sales below \$500,000, suggesting that these new units are not addressing the housing needs of workers in these industries. Without specific data on retiring workers, it's likely that while some positions may have been filled, the lack of affordable new construction means the number of unfilled jobs could remain unchanged in 2024.

Category	Calculation
Unfilled Jobs	37
Jobs per employee	1.2
Employees filling jobs	31
Employees per households with a worker	1.8
New housing units needed	17

Functional Rental Market

The current rental supply in the county is not functional because vacancies are below 1%, placing substantial upward pressure on rents. When vacancy rates are this low, the rental market is near capacity and cannot absorb new residents or employees moving to the area, much less provide opportunities for current residents to find more suitable rentals as their housing needs change. Renters are “stuck” in their homes, and subject to burdensome rent increases.

A 5% vacancy level, while still low, provides some choice and availability of units for residents and employees. To increase the vacancy rate to 5%, about 9 rental units are needed.

Rentals Needed for a Functional Market	
Renter-occupied units (2024 est.)	174
Number of rentals if 5% vacancy rate	183
Total number of units needed for 5% vacancy rate	9

Rental Demand Estimate

The demand for rental housing is estimated for households earning between 60% and 80% of the Area Median Income (AMI). For a two-person household, this income range caps at \$60,320, allowing for a maximum monthly housing payment of \$1,508.

Currently, there are 26 renter households in this income bracket, along with 3 unfilled jobs that could potentially be filled by workers in this category. A functional rental market is projected to add 1 additional household, resulting in a total of 30 eligible households.

Capture rates are used to estimate the portion of the eligible housing market that can realistically be expected to rent newly available units. These rates are expressed as a percentage of the total eligible households within a specific income bracket.

- **Low Capture Rate (15%):** This conservative scenario assumes that only 15% of the eligible households in the 60% to 80% AMI range would choose to rent the new units. Under this scenario, 5 potential units could be absorbed by the market.
- **Mid Capture Rate (20%):** This moderate scenario assumes that 20% of the eligible households would rent the new units. Under this scenario, 6 potential units could be absorbed.

- **Aggressive Capture Rate (25%):** This more optimistic scenario assumes that 25% of the eligible households would rent the new units. Under this scenario, 8 potential units could be absorbed.

These capture rates help estimate the number of new rental units that could be successfully filled based on the existing and projected demand in the market. By applying different capture rates, the analysis provides a range of potential outcomes, helping to guide planning decisions.

Demand for Rental Units

	60.1 to 80%
Max Income - Up to 2 person HH	\$60,320
*Max housing payment 2 person HH	\$1,508
Current Renter Households	26
Unfilled Jobs	3
Functional Rental Market	1
Total Eligible Households	30
Capture Rate-Low	15%
# of potential units	5
Capture Rate-Mid	20%
# of potential units	6
Capture Rate - Aggressive	25%
# of potential units	8

Ownership Demand Estimate

For this estimate, certain assumptions were made. It is assumed that, with growth, demographics and preferences will remain largely the same. Additionally, the estimate includes 20% of current owners as potential movers, accounting for those looking to downsize, upgrade, or relocate due to the quality of their existing home, lifestyle changes, or other personal reasons. This figure may vary based on local market dynamics, the appeal of new developments, and broader economic conditions.

The demand for ownership housing is estimated for households earning between 80.1% and 150% of the Area Median Income (AMI). For a two-person household, this income range spans from \$75,400 to \$113,100, corresponding to maximum purchase prices between \$238,600 and \$357,900.

- **Low Capture Rate (15%):** 4 potential units could be absorbed in both the 80.1% to 100% and 100.1% to 120% AMI categories, and 2 units in the 120.1% to 150% category.
- **Mid Capture Rate (20%):** 5 potential units could be absorbed in the 80.1% to 100% and 100.1% to 120% AMI categories, and 3 units in the 120.1% to 150% category.
- **Aggressive Capture Rate (25%):** 6 potential units could be absorbed in the 80.1% to 100% category, 7 units in the 100.1% to 120% category, and 4 units in the 120.1% to 150% category.

Demand for Ownership Units

	80.1 to 100%	100.1 to 120%	120.1 to 150%
Max Income - Up to 2 person HH	\$75,400	\$90,480	\$113,100
*Max purchase price 2 person HH	\$238,600	\$286,300	\$357,900
Current Renter Households	19	19	5
Owners would move (20%)	5	6	8
Unfilled Jobs	2	2	2
Total Eligible Households	26	27	15
Capture Rate-Low	15%	15%	15%
# of potential units	4	4	2
Capture Rate-Mid	20%	20%	20%
# of potential units	5	5	3
Capture Rate - Aggressive	25%	25%	25%
# of potential units	6	7	4

Capture Rate Considerations

The 2021 Workforce Housing Needs Assessment highlights critical housing challenges in San Juan County, particularly for individuals and families within the 80% to 125% AMI range. Here's a breakdown of the key insights and how they support the use of a higher capture rate:

- **Target Population:** The assessment focuses on those earning between 80% and 125% of the Area Median Income (AMI), a group that is essential to the local workforce. This population faces significant challenges in finding affordable housing, particularly for larger units that can accommodate families.
- **Demand Projections:** The lack of available and affordable units further intensifies the demand, suggesting that the market is not meeting the needs of the local workforce. The needs assessment revealed significant gaps in the current affordable housing supply. At least 22 new units are needed for permanent residents, along with 14 beds for seasonal workers, over the next three years. The sharp increase in in-commuting due to the lack of local housing options has led to unfilled jobs and high turnover rates, directly impacting local businesses.
- **Employer Challenges:** Qualitative data from surveys and interviews with local employers reveal that housing shortages are directly impacting their ability to hire and retain employees. Many workers are forced into long commutes or substandard living conditions, which highlights the urgent need for more affordable housing options.

Market Insights Supporting a Higher Capture Rate:

- Given the severe affordability gaps and the pressing demand for larger rental units, increasing the capture rate could be an effective strategy. A higher capture rate would aim to better meet the housing needs of the local workforce by accelerating the development of affordable units.
- The persistent difficulty in filling jobs due to housing shortages further justifies a more aggressive approach. By targeting a higher percentage of the eligible population, the market could more effectively address the existing gaps and improve the overall quality of life for workers, making it easier for local employers to attract and retain talent.

Section 5 - Design and Development

The information in this section is derived from a combination of secondary sources and primary data collected. Design, location, and pricing decisions should be informed by the characteristics and preferences of households currently residing in the County, as they are most likely to lease the new units.

The number of units, their location, type, amenities, and pricing for both rental and ownership opportunities will be determined by policy priorities and developer decisions, focusing on specific market segments that align with these factors.

Number of Bedrooms

The following table is provided to help inform potential unit mix, focusing on both owner and renter households earning between 80% and 150% AMI. Eligible households in the County are primarily 1-person households across all income brackets, particularly within the 120-150% AMI range, where 62% are 1-person households. Two-person households are relatively consistent across all income ranges, while 3-person households are more prevalent in the 80-100% AMI bracket.

Comparing the provided unit mix in the development program to the household size percentages across different AMI categories gives us insights into how well the housing options are tailored to the community's existing composition:

- 100% AMI: The program offers two-bedroom and three-bedroom units, well-suited for the 2-person (16%) and 3-person (32%) households within the 80-100% AMI range. Incorporating more one-bedroom units would better serve the significant number (36%) of single-person households.
- 125% AMI: This range includes two-bedroom and three-bedroom units, aligning well with the needs of the 100-120% AMI bracket, particularly for households of three (20%) and four or more persons (33%).
- 140% AMI: Exclusively offering three-bedroom units, this does not ideally match the predominant single-person households (62%) in the 120-150% AMI range. However, with only two units at this level and a marked need for family-appropriate housing, this supports the need for larger family units.

Eligible Households by Size

	80-100% AMI	100-120% AMI	120-150% AMI
1-person	36%	30%	62%
2-person	16%	17%	17%
3-person	32%	20%	5%
4+ people	16%	33%	16%
Total	100%	100%	100%

Source: Ribbon Demographics, Western Spaces Calculations

Amenities

Community surveys in Mountain Resort communities over time have indicated that renters are more likely than owners to be unsatisfied with their housing. Many renters want to move from the homes they currently reside in. This desire provides the opportunities for new apartment properties to attract residents. When new units have been built in the last decade, most residents move from older properties in the area. Renters who are new to the area tend to find units to rent among older properties.

Some of the most frequently mentioned amenities include:

- **Pet-Friendly Options:** Allowing pets is highly desired, as many HOA's currently restrict them.
- **Energy Efficiency:** With many existing homes being older and less efficient, features like improved insulation and energy-efficient appliances are sought after to reduce utility costs and environmental impact.
- **Ample Storage:** Residents in mountain areas need significant storage for recreational gear, outdoor furniture, and seasonal equipment. Solutions like in-unit storage, exterior lockers, or extra garage space are highly valued.
- **In-Unit Laundry:** Having a washer and dryer within the unit is a significant convenience and frequently requested.
- **Private Outdoor Spaces:** Decks, patios, or other private outdoor spaces are highly desirable, providing access to outdoor living and relaxation.
- **An Extra Bedroom:** Flexibility for growing families or additional space is a common need, with many residents looking for an extra bedroom for future use.
- **Mud Room:** Practical entryways designed with storage for boots, coats, and outdoor gear are essential, especially in mountain environments. An airlock design can also improve energy efficiency.
- **A Second Bathroom:** Additional bathrooms are important for families, guests, or roommates, adding convenience and privacy to any household.