

Final Report

Updated Housing Needs Assessment

The Economics of Land Use



Prepared for:
City of Manitou Springs

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EPS #193048

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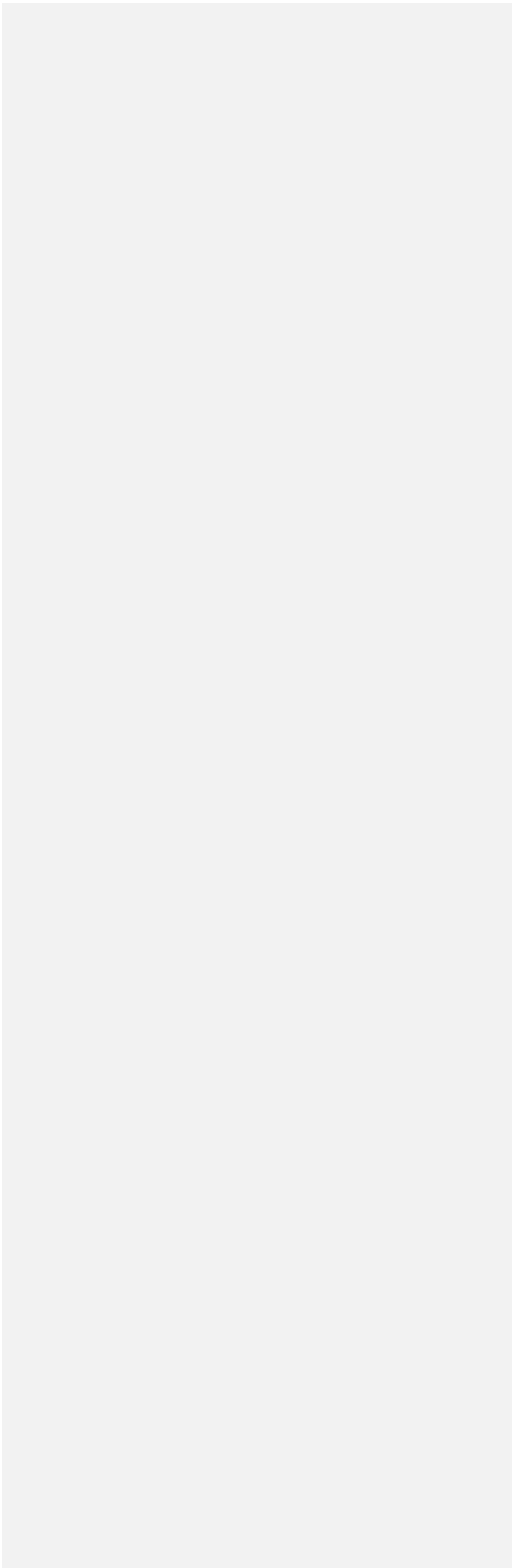
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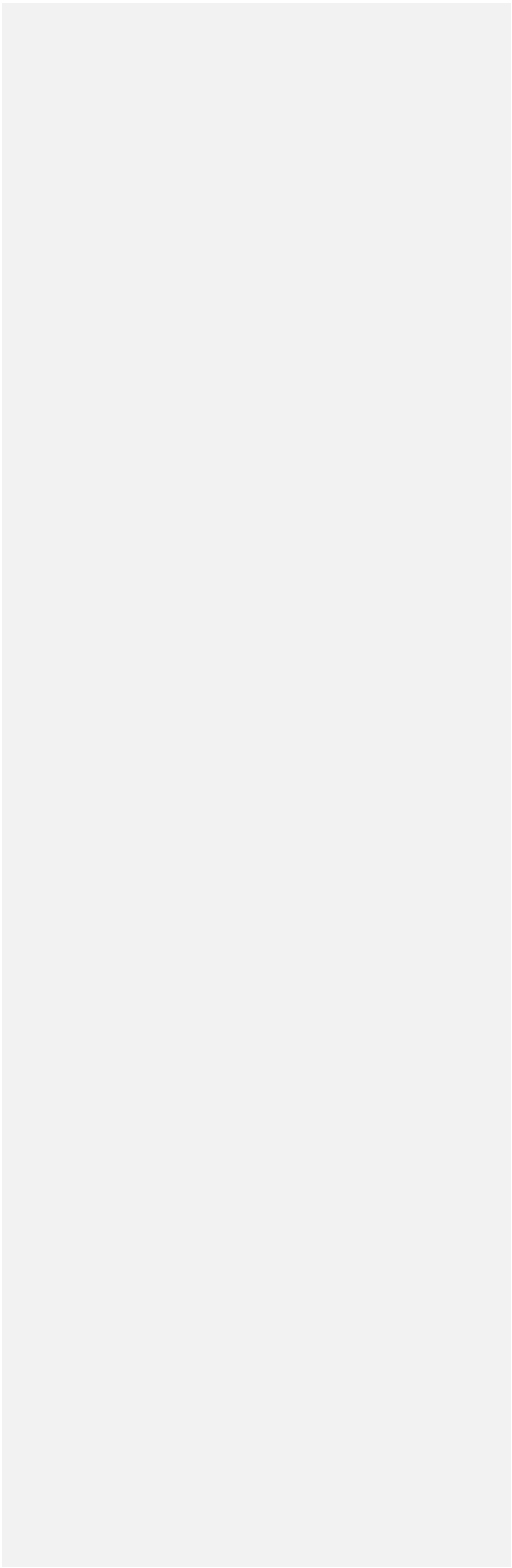
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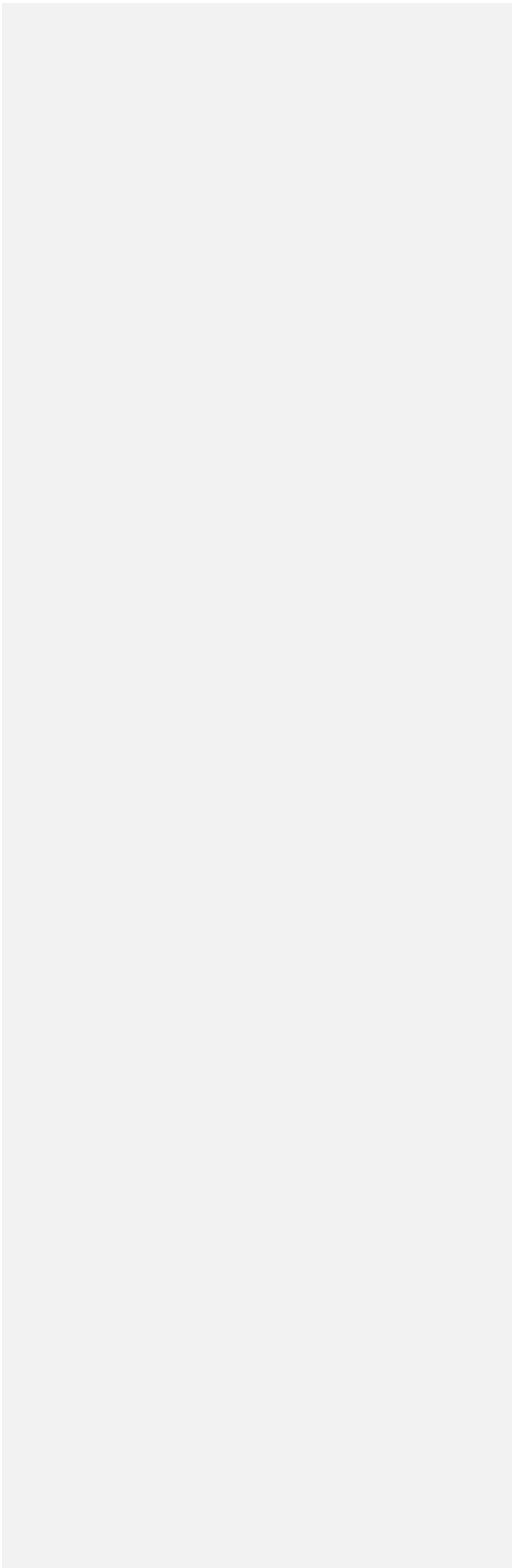
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Overview

Economic & Planning Systems (EPS) participated, as part of a multidisciplinary team, to complete Plan Manitou, City of Manitou Springs' Master Plan and Hazard Mitigation Plan (adopted in 2017). EPS helped develop policies and near-term action strategies to help the community become more economically resilient. One major threat to the City is the affordability of housing. In the past, the City offered more housing options for workers in the City but the desirability of the community has made housing less attainable for tourism-oriented workers. To supplement the Master Plan, EPS analyzed community housing issues to identify the most pressing workforce and affordable housing needs within the City. This analysis led to the development of recommendations for short- and long-term affordable housing actions.

One of the recommended actions was to "Establish the Housing Advisory Board (HAB) as an official citizen advisory board." The HAB has since been formalized and is completing a Draft Strategic Housing Plan. To support the housing plan, the City of Manitou Springs requested that EPS update data and analysis of affordable housing gaps and needs to reflect more current data. This report summarizes the update to that analysis. The report contains updates to six tables in the original analysis and additional supplemental information. The primary data source is the US Census American Community Survey (ACS). The original analysis utilized the 2014 ACS 5-Year estimates. The updated data reflects the 2017 ACS 5-Year estimates. Comparisons between the 2014 and 2017 data are made, as well as comparisons to 2000 and 2010 data. Note that the ACS data is a survey of residents in order to make estimates of conditions. For smaller communities such as Manitou Springs, the estimates are made from surveys performed over a 5-year period. Changes in data points reflect relative trends, but may overstate or understate the magnitude of changes due to the fact that the numbers are estimates.

Demographic Changes

Households and Housing Units

The number of households and housing units in the City of Manitou Springs has grown nominally since 2000. According to US Census estimates, the City has grown by 75 households and 269 housing units since 2000, as shown in **Table 1**. The vacancy rate in the community is growing, increasing from 8 percent in 2000 to 14 percent 2017. The increase is worth examining as increases since 2010 may be attributed to the flood and fire events that have occurred. However, increased vacancy may also indicate increasing presence of second home owners and vacation rentals in Manitou Springs, if the fire/flood related vacancies are not the major cause. The US census estimates that 154 of the 410 vacant units are “for seasonal, recreational, or occasional use”.

Table 1 Manitou Springs Households and Housing Units, 2000 to 2017

	2000	2010	2014	2017	Change 2000-2017	
					Total #	Ann. %
Households	2,422	2,504	2,598	2,497	75	0.2%
Housing Units	2,638	2,796	2,957	2,907	269	0.6%
Vacant Units	216	291	359	410	---	---
Vacancy Rate	8.2%	10.4%	12.1%	14.1%	---	---

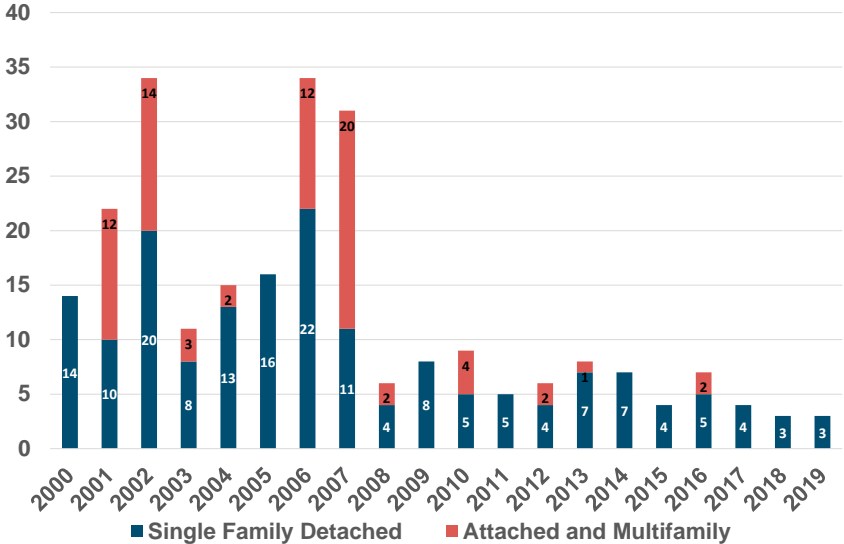
Source: US Census 2000 and 2010; US Census ACS 5-Year Estimates 2014 and 2017; Economic & Planning Systems

Commented [KEB1]: Could Short-term vacation rental housing also be a factor? Residents must obtain a minor CUP for a STR and there are limits on the overall number in the City, but could still be a factor. Some residents want to increase number of permitted STRs.

Commented [M2]: Vacant units seem to be split between “seasonal, recreational, occasional” units and “other” vacant units. I suspect the seasonal units are both second homes and vocational rentals.

The building permit records from the Pikes Peak Regional Building Department estimate there have been 244 new residential units permitted in the City since 2000 (excluding the 3 in 2019), as shown in **Figure 1**. The number of permitted units is slightly lower than the census estimate. The majority of new units have been single-family, detached units, especially since 2008.

Figure 1 Manitou Springs Permitted Residential Units, 2000 to 2019

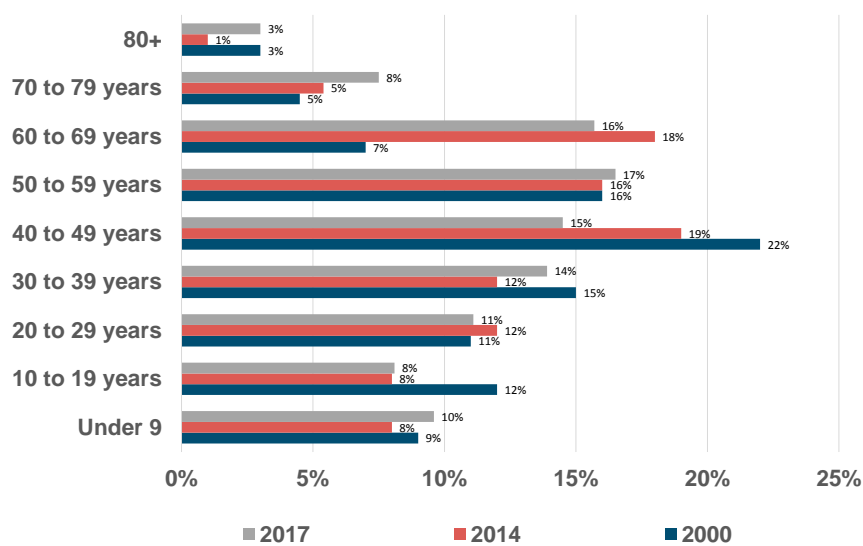


Source: Pikes Peak Regional Building Department

Age of Residents

The Community Profile created for the Master Plan found that the age make-up of residents shifted greatly from 2000 to 2014. The 2017 data reinforces this trend. The City of Manitou Springs generally has an older than average population relative to El Paso County and the State. The City has had a significant decrease in children living in the City and an even greater increase in resident's age 60 to 79 years old.

Figure 2 Manitou Springs Age of Residents, 2000 to 2017



Source: US Census ACS 2014 and 2017 5-Year Estimates

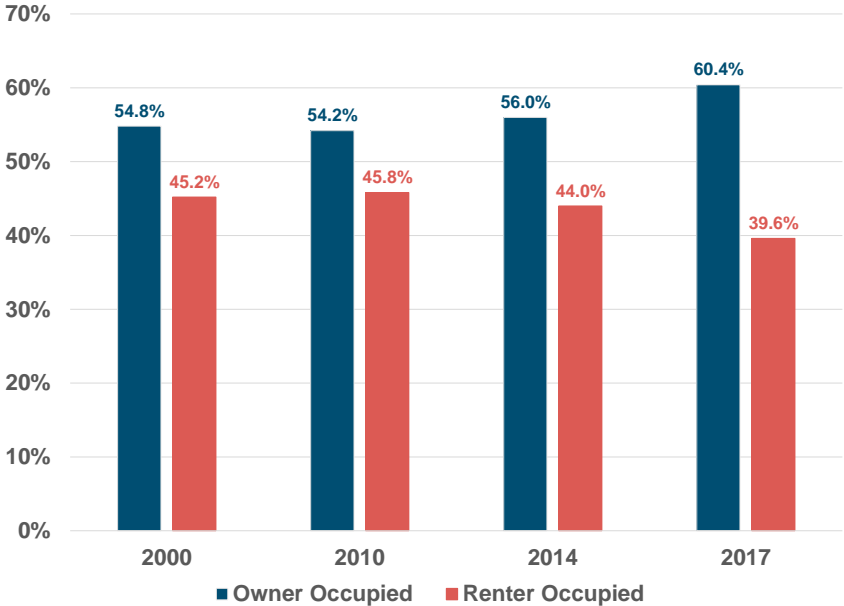
Commented [KEB3]: There are small increases in the 0-9 and 30-39 year age categories since 2019. Is this worth mentioning, or are we not able to assess whether this change indicates a trend?

Commented [M4]: The changes between 2014 and 2017 are bit hard to substantiate as a trend given they are estimates. I think comparing the 2017/2014 numbers to 2000 is more important.

Housing Tenure

The split between owner-occupied housing and renter-occupied housing appears to be growing. The percent of owner-occupied housing increased to 60 percent in 2017, as shown in **Figure 3**. The shift from 2014 to 2017 is significant, but may be overstated due to the limitations of the data. However, there is evidence of a growing percentage of owner-occupied households that is worth noting.

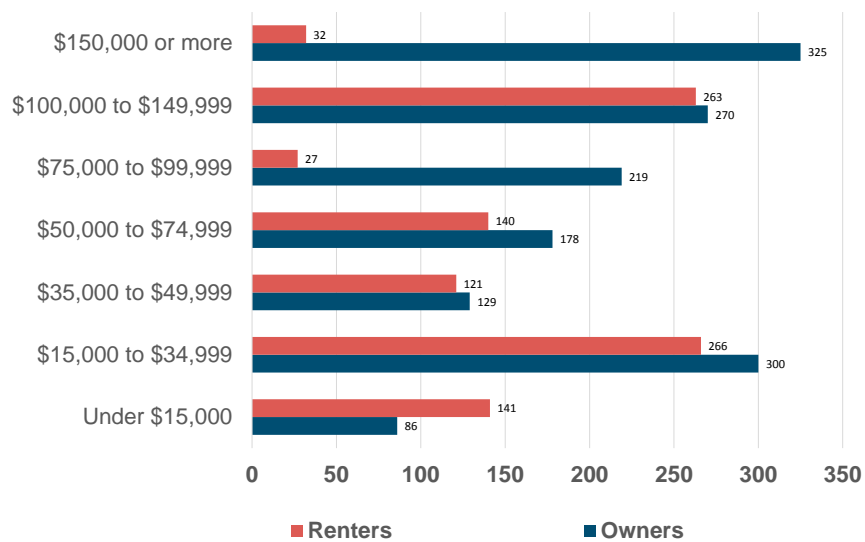
Figure 3 Manitou Springs Housing Tenure, 2000 to 2017



Household Income

The average household income in the City of Manitou Springs is \$88,865 according to the US Census 2017 ACS. The median income is \$65,396, which is slightly lower than the estimated Area Median Income (AMI) for El Paso County in 2017 provided by HUD (approx. \$70,000). There is a sizeable difference between the median household incomes of renters and home-owners, as illustrated in **Figure 4**. The median household income of a renter-occupied household in Manitou Springs is \$41,341 and the median for an owner-occupied household is \$80,208.

Figure 4 Manitou Springs Households by Income by Tenure, 2017



Source: US Census ACS 2017 5-Year Estimates

Wages

There is also a big difference between the average wages of residents in Manitou Springs and the average wages of workers employed in the City. The largest employment sectors in the City are retail, accommodation/food service, and arts/recreation. These industries all pay not only generally low wages but lower than average wages compared to the County-wide average and averages for other industries. Over 85 percent of workers employed in Manitou Springs earn less than \$3,333 monthly (\$39,999 annually), as shown in **Table 2**. The vast majority of people employed in the City do not live in the City, as only 17 percent of employed residents work in Manitou Springs.

Table 2 Manitou Springs Workers Monthly Wages, 2015

Monthly Earnings	Manitou Springs	El Paso County
\$1,250 per month or less	47.8%	24.20%
\$1,251 to \$3,333 per month	39.0%	36.20%
More than \$3,333 per month	13.1%	39.60%

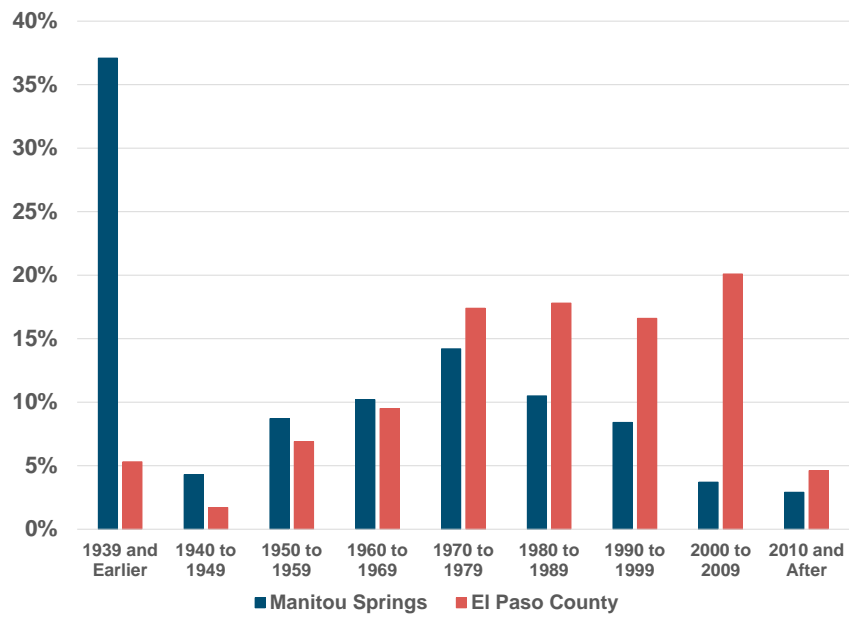
Source: US Census LEHD

Housing Conditions

Housing Stock

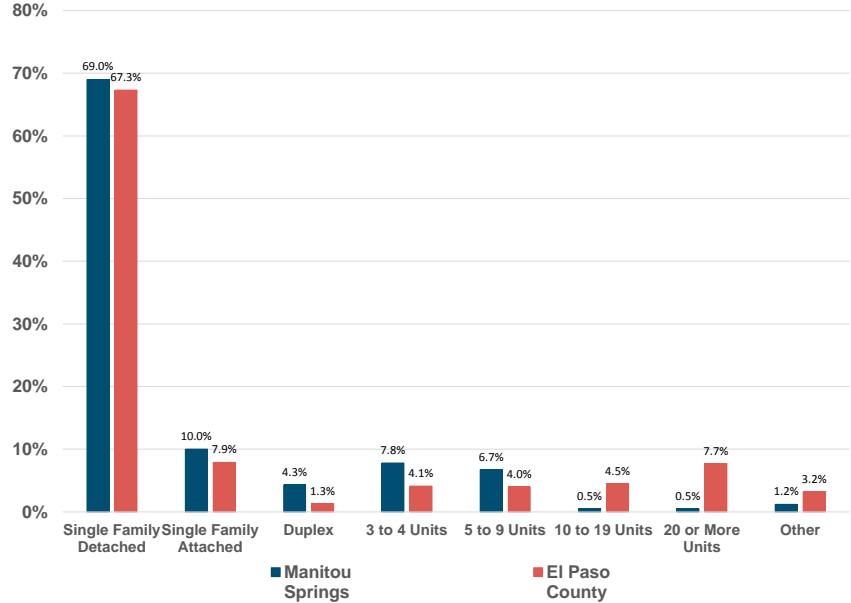
The housing stock in Manitou Springs is primarily older units. Nearly 40 percent of units were built before 1940 and there has been a relatively small amount of new units permitted in the past two decades.

Figure 5 Manitou Springs Age of Housing Units



There is a good diversity of housing types (based on units in structure) in the City, which has a much greater share of units in structures with 2 to 10 units than the County. A portion of this diversity can be attributed to the subdivision of older, larger single-family homes into buildings with multiple units. There is a lack of multifamily units in larger structures (10+ units) and almost all new construction has been single-family, for-sale housing.

Figure 6 Manitou Springs Units in Structure, 2017



Housing Affordability

The affordability of housing for both renters and home owners in Manitou Springs was assessed using two measurements. First, EPS identified the percent of income spent on housing (rent or mortgage) from the US Census. Second, EPS estimated the “gap” in housing units available for various AMI cohorts based on the income of renter and owner households and the availability of units affordable to each AMI cohort. This analysis is completed by utilizing the US Census ACS data for renters and owners by household income and by the self-reported monthly rental and mortgage costs of residents of the City. These data points are compared to the HUD-identified AMI levels for El Paso County based on the 2017 HUD definition. The gap analysis is meant to indicate the AMI levels where there may be a deficiency of housing available and is not necessarily an estimate of the actual number of units needed to address the gap. The primary objective is to identify the types of households that may need housing support.

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Commented [M6]: Census Table ID B25119 – Tenure by household income in the past 12 months (in 2017 inflation-adjusted dollars)

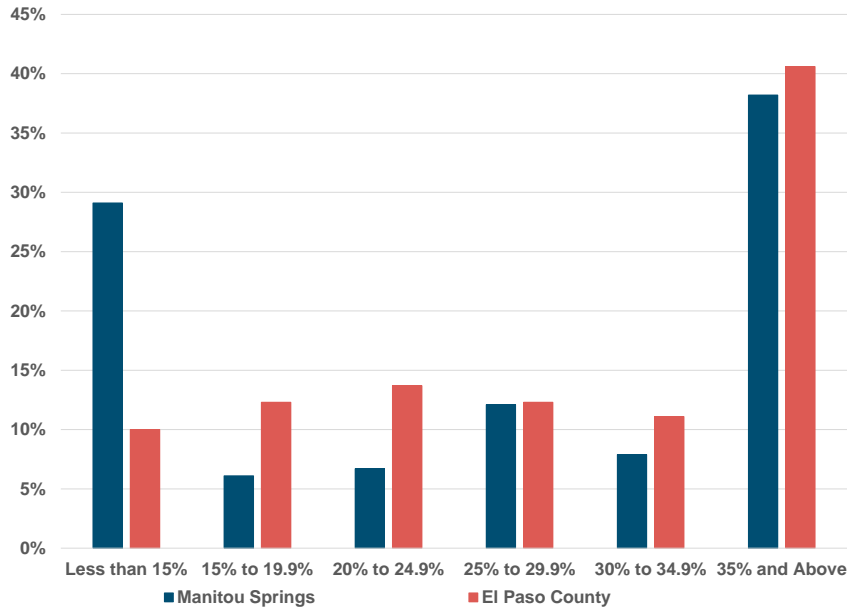
Commented [M7]: Census Table ID CP04 – Comparative Housing Characteristics – Value of Owner Occupied housing and Gross Rent data. We proportionally split households by income cohort and housing units (By value or gross rent) based on the HUD income cohorts to compare the data.

Commented [M8]: From CHFA
<https://www.chfainfo.com/arh/asset/rent-income-limits>

For-Rent Housing

The identification of households that are “Cost Burdened” is a measurement to identify housing affordability issues in a community. Generally, households should not spend more than 30 percent of their incomes on housing. Households that spend more than 30 percent of income on housing are considered to be cost-burdened. The percent of income renter households in Manitou Springs spend on rental costs mirrors that of El Paso County as a whole. Approximately 46 percent of households spend more than 30 percent of their income on rent, as shown in **Figure 7**. This measurement does not indicate a major affordability issue for existing renter households in the community.

Figure 7 Manitou Springs Rent as Percent of Income, 2017



The analysis completed for the Master Plan found that rental rates in Manitou Springs were relatively affordable and that the vast majority of rental units rented for similar monthly amounts. The renter household gap analysis using 2014 data found that there is a lack of housing for renters earning less than 50 percent of AMI, as shown in **Table 3**. Many of these renters are likely retail and food service workers employed in the City. As mentioned above, the rental stock in Manitou Springs is relatively homogenous. The City lacks larger apartment buildings and most rentals are in older buildings that are rented or subdivided into multiple rental units. The 2014 gaps analysis found that the only AMI category with a surplus of units was units affordable to households earning 51 to 80 percent of AMI. The estimated surplus was 445 units while all other income cohorts had lack of units both at the highest and lowest end of the AMI cohorts.

Table 3 Manitou Springs Rental Housing Gaps, 2014

Gap Analysis for Renters					
AMI Level	2-Person Household Income	Renter Households By Income	Affordable Monthly Rent	Units by Monthly Rent	Surplus / Deficit (units)
0-30%	\$17,550	286	\$439	217	- 68
31- 51%	\$29,200	241	\$730	239	- 2
51-80%	\$46,750	147	\$1,169	592	445
81-100%	\$58,438	131	\$1,461	43	- 88
100-120%	\$70,125	172	\$1,753	29	- 143
Above 120% of AMI	>\$70,125	167	>\$1,753	23	- 144

Source: Economic & Planning Systems

The gaps analysis utilizing 2017 data illustrates some potential shifting trends in rental housing in Manitou Springs. The shift in housing tenure to more owner-occupied housing units is evident in the gaps analysis as there are fewer renter-occupied households. The decrease in renters appears to be primarily within the below 50 percent of AMI cohorts and the 81 to 120 percent of AMI cohorts. The concentration of rental units affordable at the 51 to 80 percent AMI cohort has decreased as rental rates have increased and increase unit availability at the higher income cohorts. In short, the same rental units that were once affordable to households earning less than 80 percent of AMI are no longer affordable.

Table 4 Manitou Springs Rental Housing Gaps, 2017

Gap Analysis for Renters (2017)					
AMI Level	2-Person Household Income	Renter Households By Income	Affordable Monthly Rent	Units by Monthly Rent	Surplus / Deficit (units)
0-30%	\$17,670	204	\$442	133	- 71
31- 51%	\$29,450	155	\$736	248	93
51-80%	\$47,120	146	\$1,178	326	180
81-100%	\$58,900	73	\$1,473	126	53
100-120%	\$70,680	66	\$1,767	40	- 26
Above 120% of AMI	>\$70,680	346	>\$1,753	117	- 230

Source: Economic & Planning Systems

Commented [KEB9]: Which part of the table illustrates this – renter HH's by income?)

Commented [M10]: Renter Households by Income (also illustrated in the Tenure chart (Figure 3)

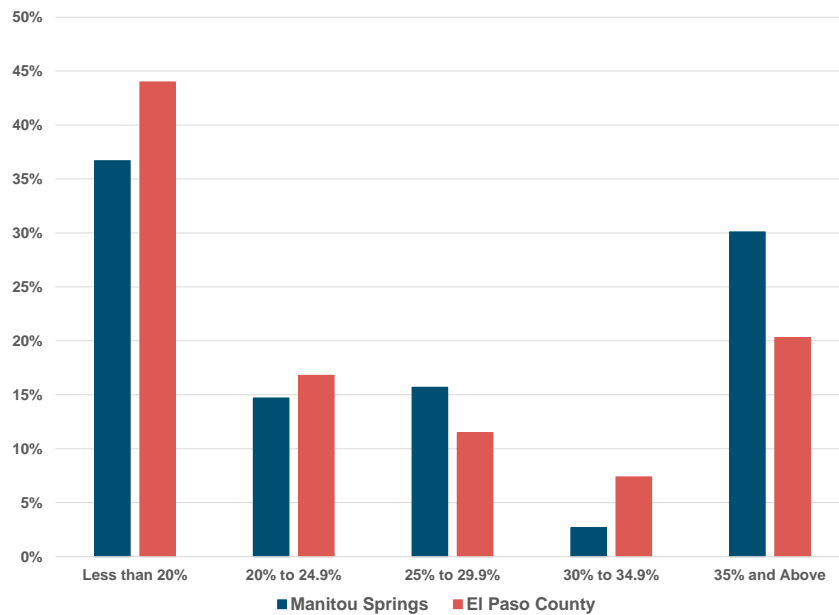
Commented [M11]: Question for HAB: Could some part of this decrease in rental units be attributed to short-term vacation rentals?

Commented [M12]: Perhaps. The shift would be from a renter-occupied unit to a "vacant" unit. No direct data to prove this but since renter households decreased, owner households increased and vacant housing units increased, it seems logical to infer this.

For-Sale Housing

The cost burden analysis for home owners in Manitou Springs found that 30 percent of home owners pay more than 35 percent of their income on housing, as shown in **Figure 8**. The percent is higher than the El Paso County average and indicates that the City has a greater proportion of home owners that are cost-burdened.

Figure 8 Manitou Springs Owners Mortgage Payment as Percent of Income, 2017



For-Sale Gaps

The housing gaps analysis completed for the Master Plan found that there was a lack of housing options for homeowners earning less than 80 percent of AMI, as shown in **Table 5**. Home ownership typically is more prevalent and feasible for households that earn more than 80 percent of AMI. Finding gaps at these cohorts is not atypical. However, the residents in the 50 percent to 100 percent AMI groups are often workers that support the services in the community such as teachers, police officers, etc. For-sale programs aimed at ownership for 50 percent to 100 percent of AMI were identified as a need. In addition, helping to support lower income households that are home owners is necessary, especially given the greater proportion of older residents in the City. Many of these home owners are likely on retired or fixed incomes.

Table 5 Manitou Springs Ownership Housing Gaps, 2014

Gap Analysis for Owners					
AMI Level	2-Person Household Income	Owner Households	Affordable Home Price	Units by Value	Surplus / Deficit (units)
0-50%	\$29,200	269	\$87,900	47	- 222
51-80%	\$46,750	220	\$162,200	151	- 70
81-100%	\$58,438	103	\$211,600	155	51
100-120%	\$70,125	95	\$263,100	198	102
Above 120% of AMI	>\$70,125	767	Over \$263,100	905	138

Source: Economic & Planning Systems

The updated gaps analysis using 2017 data has found the same gaps exist in the community: there is a lack of homes affordable to residents earning less than 80 percent of AMI. As mentioned previously, there was an increase in the number of owner-occupied housing units. The increase appears to be primarily in higher value housing units (above \$263,800) and households earning more than 120 percent of AMI, as shown in **Table 6**.

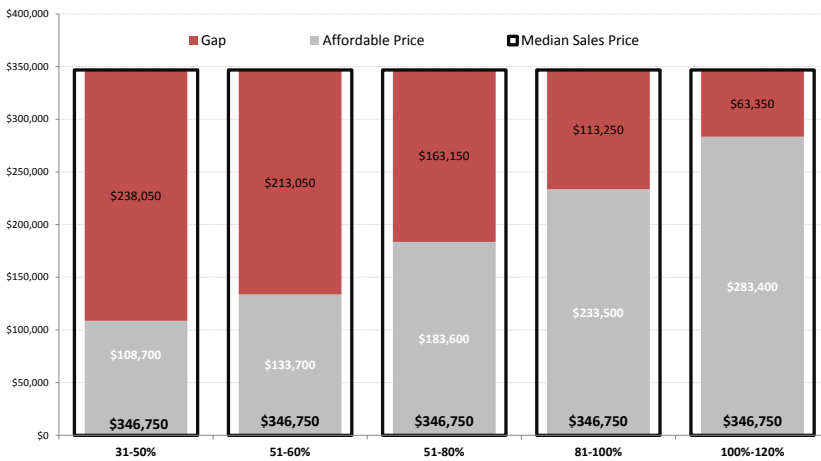
Table 6 Manitou Springs Ownership Housing Gaps, 2017

Gap Analysis for Owners (2017)					
AMI Level	2-Person Household Income	Owner Households	Affordable Home Price	Units by Value	Surplus / Deficit (units)
0-50%	\$29,450	244	\$89,200	54	- 190
51-80%	\$47,120	246	\$164,000	146	- 99
81-100%	\$58,900	88	\$213,900	219	131
100-120%	\$70,680	84	\$263,800	145	61
Above 120% of AMI	>\$70,680	845	\$263,800	942	97

Source: Economic & Planning Systems

Housing prices in Manitou Springs have increased since the original analysis was completed. The median home sale price in the Manitou Springs over the past six months was \$346,750 (according to data published by Manitou Springs Real Estates LLC for September 2018 to February 2019). EPS compared an estimated affordable home price for residents earning 50 through 120 percent of AMI to the median home price in Manitou Springs. The analysis found that even households earning 120 percent of AMI cannot afford the median home price, as shown in **Figure 9**. As home prices continue to rise, more middle income residents will not be able to afford to own a home.

Figure 9 Manitou Springs Ownership Gap by AMI, 2017



Housing Strategy Revisited

This section summarizes the housing issues and potential strategies developed during the initial housing needs assessment completed for the Master Plan. The issues and strategies were evaluated to identify if the changes in the housing gaps found using updated data should change the previous recommendations from EPS.

Identified Issues

The following housing issues were identified in the Master Plan.

- Home prices are increasing and becoming less affordable to middle income residents. The increases may be impacting the attraction of young professionals and young families to the community.
- There are limited affordable options for retail/food service workers in the community for both rental and ownership housing. These workers likely can find more affordable options in region. As a result, fewer people live and work in Manitou Springs.
- Manitou Springs has an older than average population and the number of older residents (age 60 and above) is growing. The older housing stock in the City may need investment to remain livable and this may create issues for older residents. In addition, in regard to the housing needs of the City's older residents, there is likely a lack of housing options for them to transition into and remain in the community.

The updated gaps analysis for the community reinforces the housing issues that were previously identified. The price of housing is still increasing and becoming less affordable, in terms of home ownership, for middle income residents. The available rental options in the City are decreasing and as a result, increasing the affordable housing gap for lower income residents. The data appears to indicate that some rental units in the community have been sold to new owners who are the primary occupant, which shifts them to owner-occupied housing. The increases in home prices have made it more attractive for owners to sell than to continue to rent these units. Lastly, the community continues to increase in the proportion of older residents.

Evaluated Strategies

The following high-level strategies were evaluated during the Master Plan Process and formed the actions identified in the Action Plan.

- The City should plan for and allow for a greater diversity of housing types
- The Housing Advisory Board and the City should focus on creation of housing options for specific groups, including:

- Affordable rental housing for tourism-related workforce
- Affordable for-sale housing for families
- Affordable senior housing
- The City should consider the use of City-owned land for affordable housing
- The City should explore purchasing or aiding in the purchase of sites for affordable housing
- The City should focus on supporting and funding rehabilitation and energy efficiency improvements to existing homes

Based on the updated gaps analysis, the strategies identified in the Master Plan are still relevant for addressing the needs of the community and there are no major changes in direction of efforts that are needed. The decrease in renter-occupied units coupled with an increase of vacant units, increase in owner-occupied housing and limited new development, may indicate rental housing may be shifting to short-term rentals and/or to owner-occupied housing. Future policy changes should consider the potential impacts on the rental housing stock in the city, in addition to the continued efforts to attract development of new rental units.