

Steamboat Springs Workforce Housing Demand Analysis Executive Summary: Integrated Findings from the Market Analysis and Consumer Research

YAMPA VALLEY HOUSING AUTHORITY | SEPTEMBER 2008

RCLCO

ROBERT CHARLES LESSER & CO. REAL ESTATE ADVISORS

RCLCO'S ANALYSIS OBJECTIVES

??

- Provide definition around the housing affordability problem in Steamboat Springs and Routt County.
- Identify, quantify, and describe the components of the city's workforce.
- Quantify and characterize the current supply of housing by affordability level in Steamboat Springs and Routt County and evaluate the supply in the context of housing demand.
- Perform a gap analysis that identifies specific age, income, industry sectors, and household composition groups that are most heavily impacted by the lack of housing choice/availability.
- Determine what trade-offs the workforce would be willing to make if affordable homes were made available to them.

METHODOLOGY

Research conducted May through August 2008

Interviews & Issue Identification

- Kick-off with key stakeholders
- Kick-off with local employers
- Employer survey
- Phone interviews
- Review of previous studies

Market Depth Analysis

- Makeup of workforce
- Anticipated growth
- Demand for future housing units based on economic and demographic makeup
- Demand for for-sale and for-rent product based on demographic and economic context

Supply Analysis

- Sales history based on assessor's data
- Available supply by location, price, and product type
- Available and planned deed-restricted units

Consumer Research

- In-depth survey of employee attitudes and behavior towards housing
- Focus groups to gain further qualitative input

PRESENTATION STRUCTURE

A stable community should have balanced housing options

- Steamboat Springs must provide suitable housing in order to attract and retain a wide range of employees

Steamboat Springs's housing options are currently out of balance

- Housing is negatively impacting the workforce
- Supply does not match demand
- Currently, greatest gap in housing is for households earning between 80% and 140% AMI[1] for for-sale homes and in rental overall

The community should pursue a wider variety of "affordable" housing to create more options for the workforce

- Workers are willing to make trade-offs to be in Steamboat Springs
- In order to be successful and address the problem, product must meet the home size and other needs of workers

[1] AMI stands for Average Median Income

PRESENTATION STRUCTURE

A stable community should have balanced housing options

- **Steamboat Springs must provide suitable housing in order to attract and retain a wide range of employees**

Steamboat Springs's housing options are currently out of balance

- Housing is negatively impacting the workforce
- Supply does not match demand
- Currently, greatest gap in housing is for households earning between 80% and 140% AMI for for-sale homes and in rental overall

The community should pursue a wider variety of "affordable" housing to create more options for the workforce

- Workers are willing to make trade-offs to be in Steamboat Springs
- In order to be successful and address the problem, product must meet the home size and other needs of workers

MACRO NATIONAL TRENDS CREATE A CHALLENGING CONTEXT FOR STEAMBOAT SPRINGS

- **Growth of high net worth second-home owners, pre-retirees and retirees in resort communities**
  - Steamboat Springs is a prime location for these groups, leading to continued second home construction, investor activity, and rising home prices

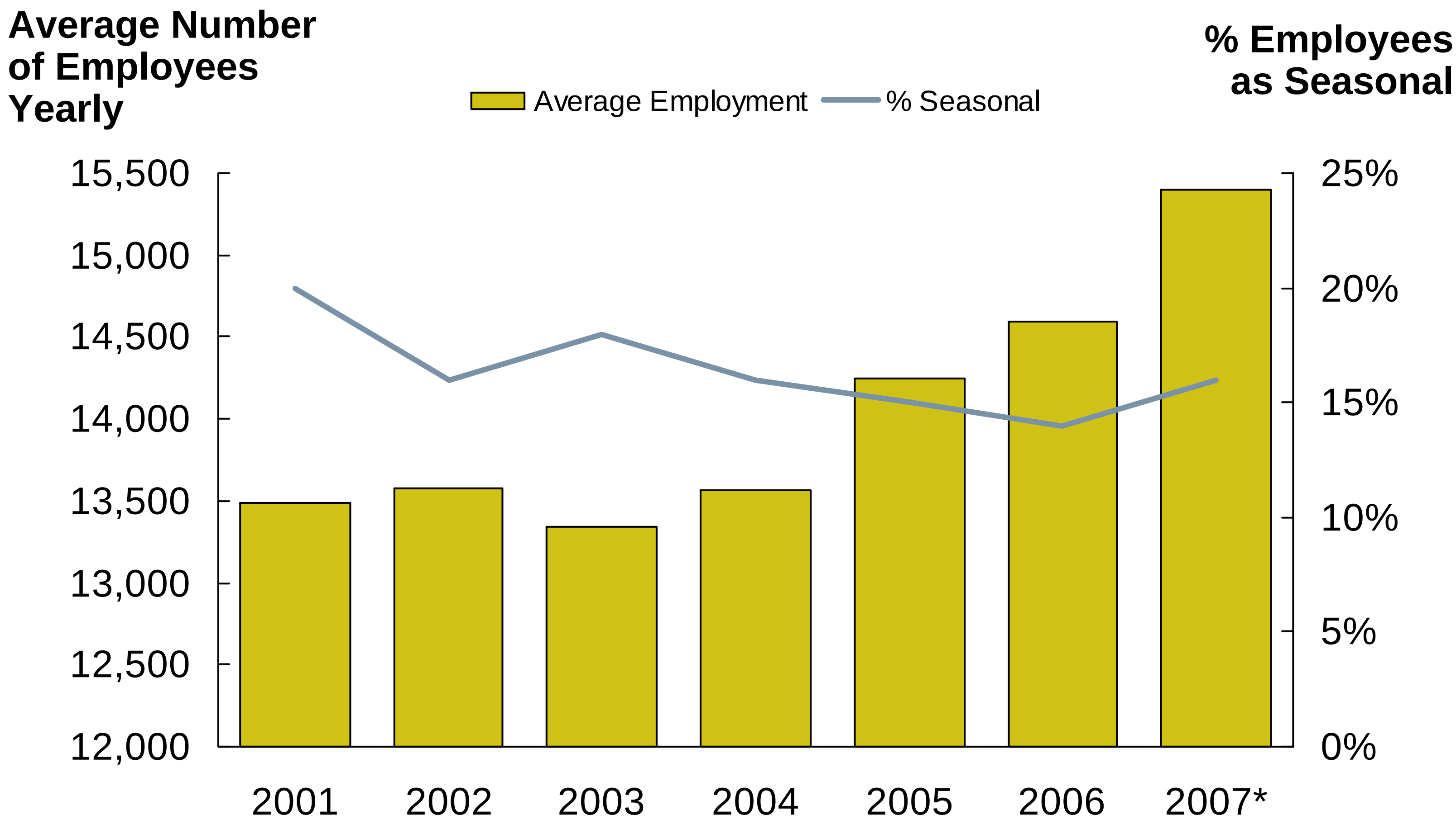
- **Rising gas prices**
  - Routt workers used to be able to "drive for value" outside of Steamboat Springs, however increased transportation costs are making that less attractive.
  - Creating competition for jobs outside of Steamboat Springs where workers can earn $50-60k at a mining/gas company instead of a $30k service job.
- **Work Visa policy changes**
  - The capping of H2B visas reduces the number of international workers choosing to work in Steamboat Springs, augmenting labor shortage

- **Devaluation of the dollar**
  - Results in more competition for attracting seasonal workers
- **Emergence of Generation Y in the workplace**
  - Demand high quality of life and healthy work-life balance
  - Not very appealing to be in an area with high cost of living and labor shortages
- **Competition for workers**
  - Due to demographic cycles, demand for workers is expected to increase

KICK-OFF MEETING WITH INDUSTRY GROUPS RESULTED IN OTHER COMMON THEMES

- Housing problems translating into higher business costs (recruitment, benefits, etc.) which often translate to higher prices for consumers;
- Low level of developable land coupled with regulation against certain types of small-lot housing product is contributing to affordable housing shortage;
- Overwhelming consensus on the need for additional rental units. Available units are typically expensive, overcrowded (especially with seasonal renters), and not necessarily well maintained;
- Experiencing a shortage of Generation X (30-45 years old) workers;
- In many cases there is a gap between the product people desire and the realities of the housing market and affordability;
- Observation that many employees (especially younger ones) no longer want to be defined by their job. They want a healthy work-life balance; and
- Speculation that appreciation caps will deter potential buyers from deed-restricted properties.

FULL TIME EMPLOYMENT IN ROUTT COUNTY IS INCREASING WHILE SEASONAL REMAINS STEADY: MEANS MORE HOUSEHOLDS LOOKING FOR OWNERSHIP AND YEAR-ROUND RENTAL OPPORTUNITIES



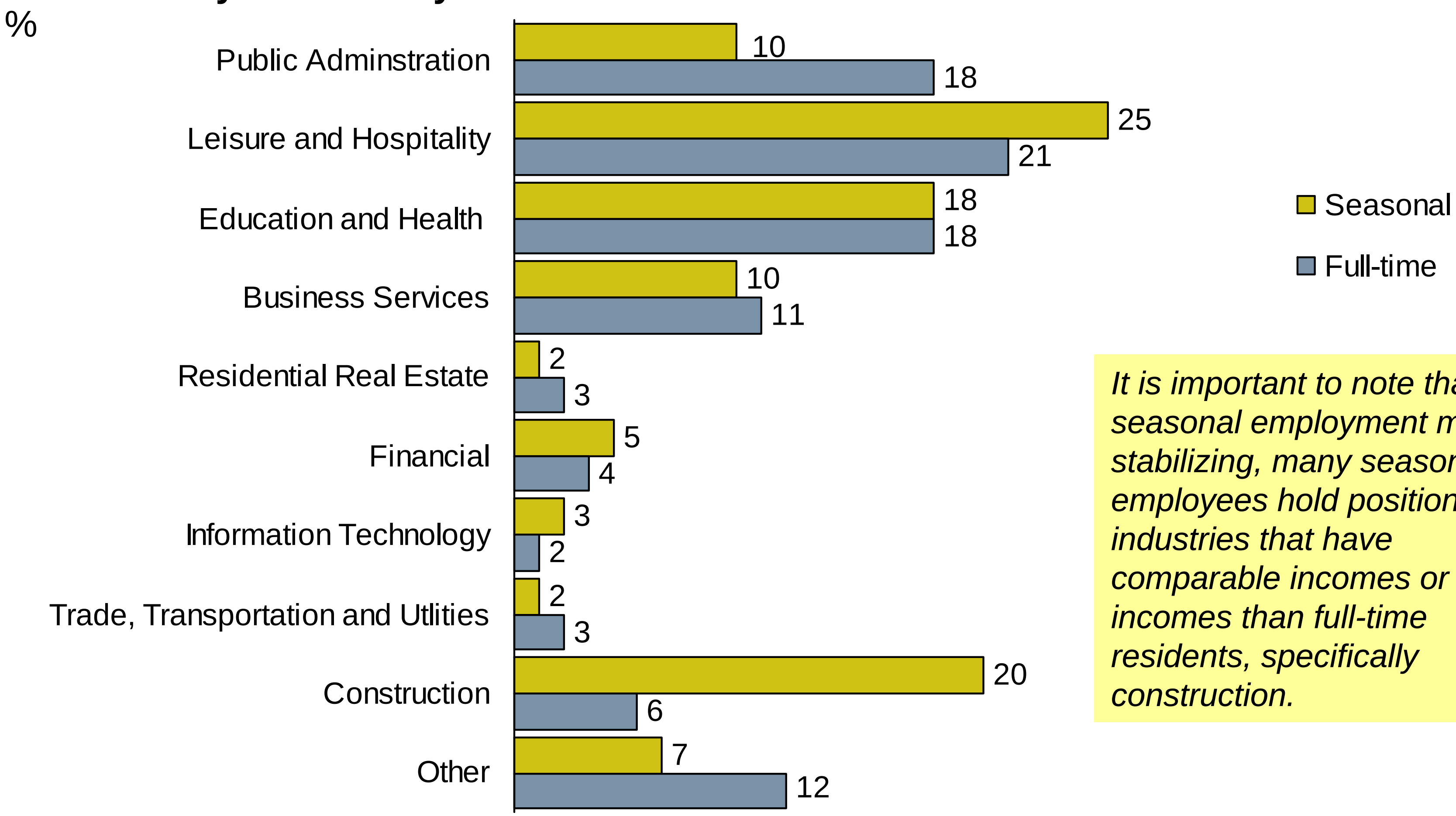
Employment has shown an annual 4% increase since 2004 and is projected to increase by 3% yearly through 2015.

* 2007 yearly averages calculated from 1st-3rd quarter data

SOURCE: Colorado Department of Labor and Employment, ES202 employment

SEASONAL EMPLOYEES HOLD POSITIONS IN SIMILAR INDUSTRIES AS MOST FULL-TIME BUT WITH A LARGER PERCENTAGE IN THE CONSTRUCTION FIELD

Industries by Seasonality



It is important to note that while seasonal employment may be stabilizing, many seasonal employees hold positions in industries that have comparable incomes or higher incomes than full-time residents, specifically construction.

1 Only industries with statistically significant results are shown
SOURCE: RCLCO Consumer Research. Research was conducted during the summer when construction jobs are in peak season

PRESENTATION STRUCTURE

A stable community should have balanced housing options

- Steamboat Springs must provide suitable housing in order to attract and retain a wide range of employees

Steamboat Springs's housing options are currently out of balance

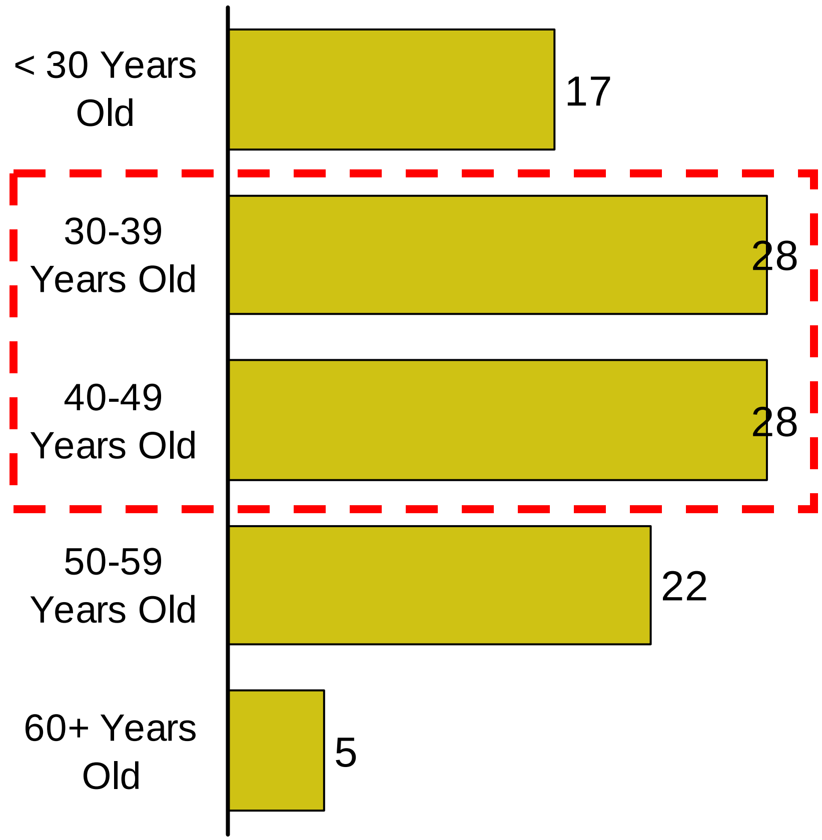
- **Housing is negatively impacting the workforce**
- **Supply does not match demand**
- **Currently, greatest gap in housing is for households earning between 80% and 140% AMI for for-sale homes and in rental overall**

The community should pursue a wider variety of "affordable" housing to create more options for the workforce

- Workers are willing to make trade-offs to be in Steamboat Springs
- In order to be successful and address the problem, product must meet the home size and other needs of workers

THE STEAMBOAT SPRINGS WORKFORCE WILL LOSE "MIDDLE MANAGEMENT" WORKFORCE DUE TO THE QUALITY OF HOUSING IN STEAMBOAT SPRINGS

Respondents Who Indicate the Quality of Housing Negatively Impacts Their Ability to Stay In Steamboat Springs
%

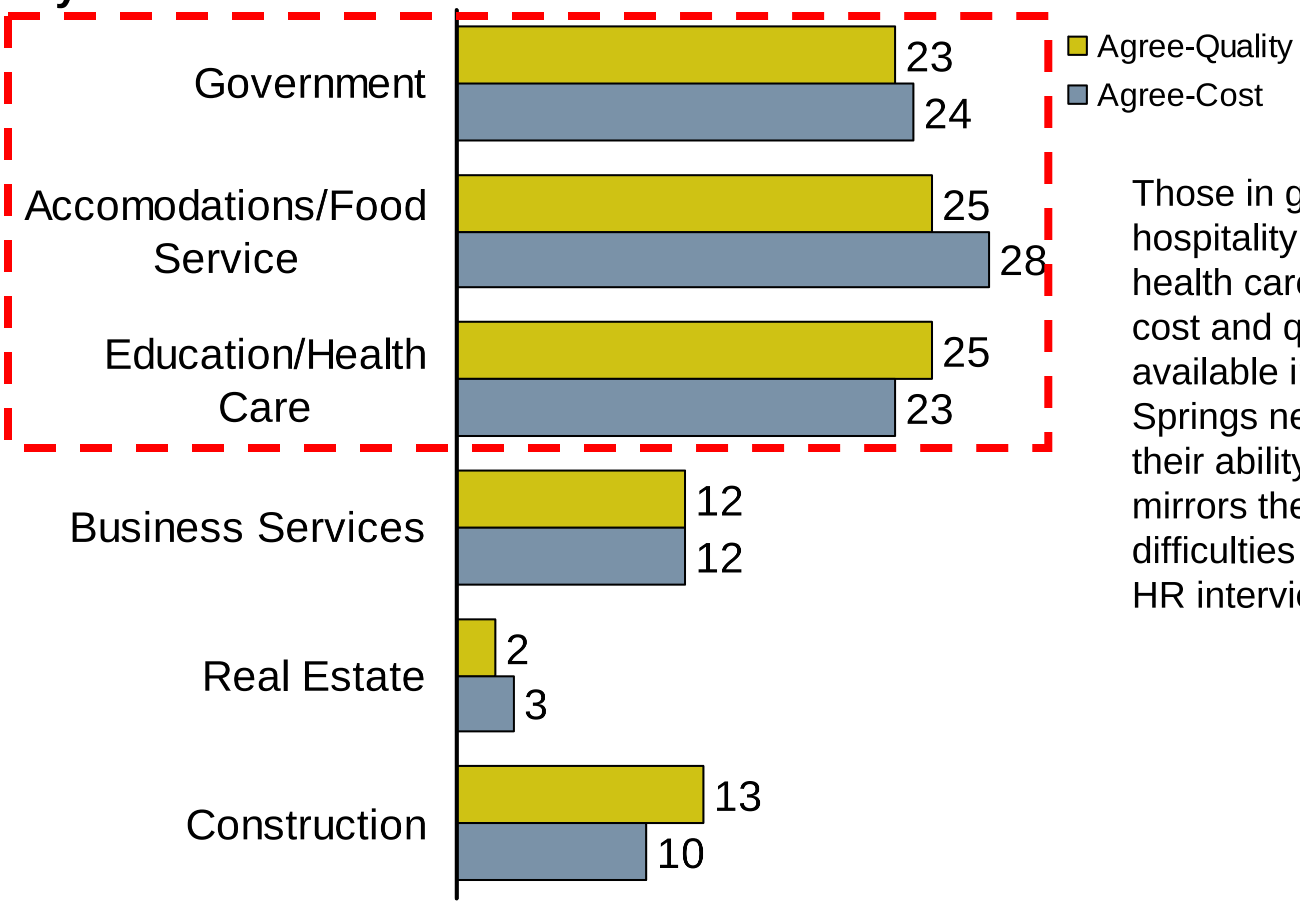


Those who are 30-49 years old indicate that they are under the most pressure by the cost of housing and agree with the statement, "The quality of housing in Steamboat Springs negatively affects my ability to remain in Steamboat Springs". This is the same cohort of employees that were pointed out in HR interviews as the least willing to remain in Steamboat Springs and the hardest to recruit.

SOURCE: RCLCO Consumer Research

GOVERNMENT, HOSPITALITY, EDUCATION, AND HEALTH CARE ARE MOST NEGATIVELY IMPACTED

Respondents Who Agree that Cost or Quality Negatively Affects Ability to Remain in Steamboat Springs
By Industry
%



Those in government, hospitality, education and health care indicate that the cost and quality of housing available in Steamboat Springs negatively affects their ability to remain. This mirrors the recruitment difficulties discussed in the HR interviews.

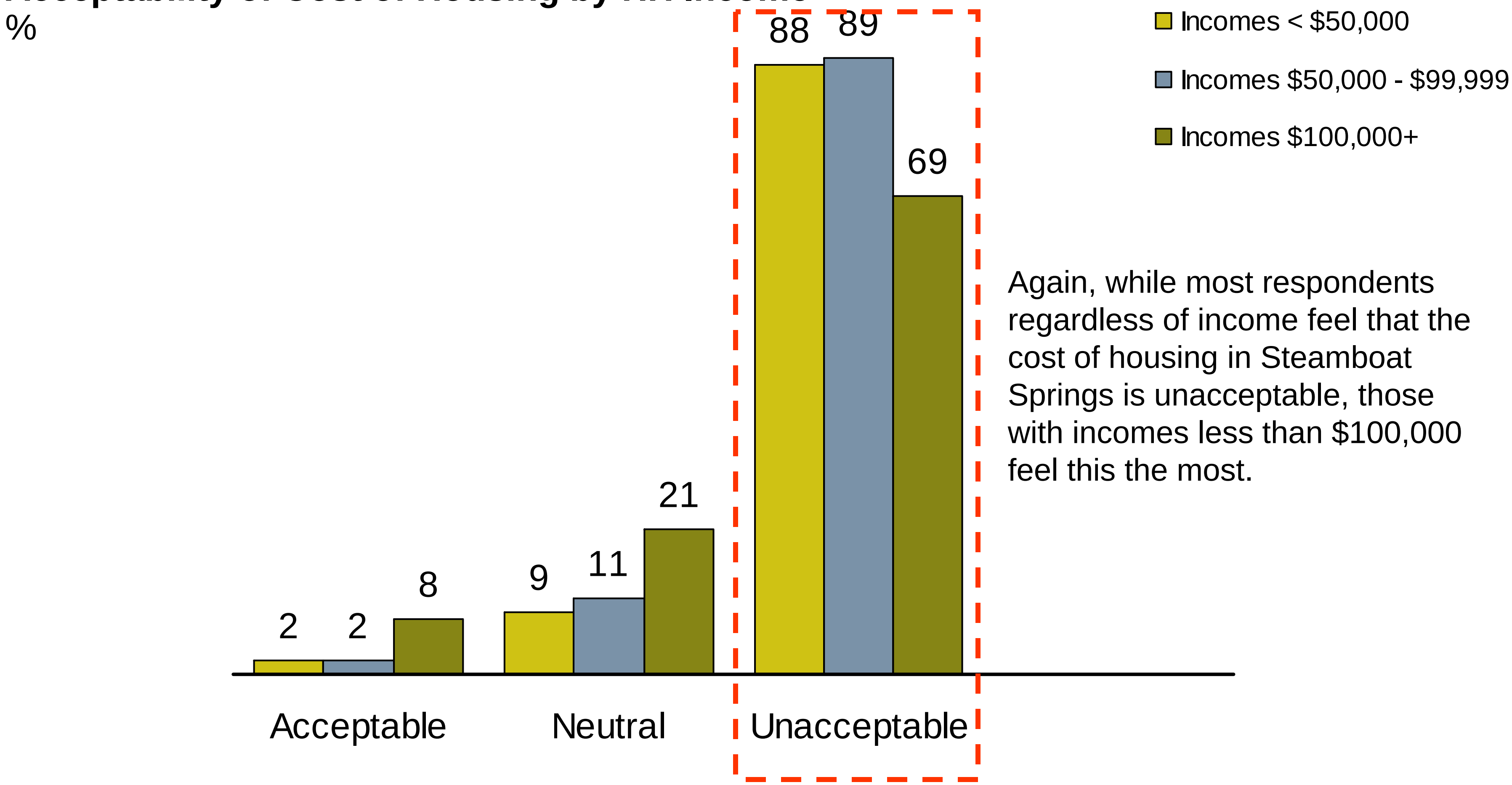
SOURCE: RCLCO Consumer Research

LARGEST GAP IN HOUSING FOR THOSE 30-49 YEARS OLD WITH HOUSEHOLD INCOMES UNDER $100,000 ANNUALLY

- This group indicates they are heavily burdened by the cost and quality of homes available in Steamboat Springs
- Additionally, focus group research indicates that once couples reach the age to consider children (30-49 years old) they oftentimes leave Steamboat Springs due to the high cost of living/housing
- Further, HR interviews suggest that the largest gap in the work force, and the hardest workforce to attract and keep are in the 30-49 year old range for jobs ranging from $50,000 to $100,000 (80% AMI to160% AMI)
- Retention of this group is mission critical in order to maintain a balanced community

MAJORITY OF ALL HOUSEHOLDS, PARTICULARLY THOSE EARNING LESS THAN $100,000, FIND HOUSING COST IN STEAMBOAT SPRINGS UNACCEPTABLE

Acceptability of Cost of Housing by HH Income



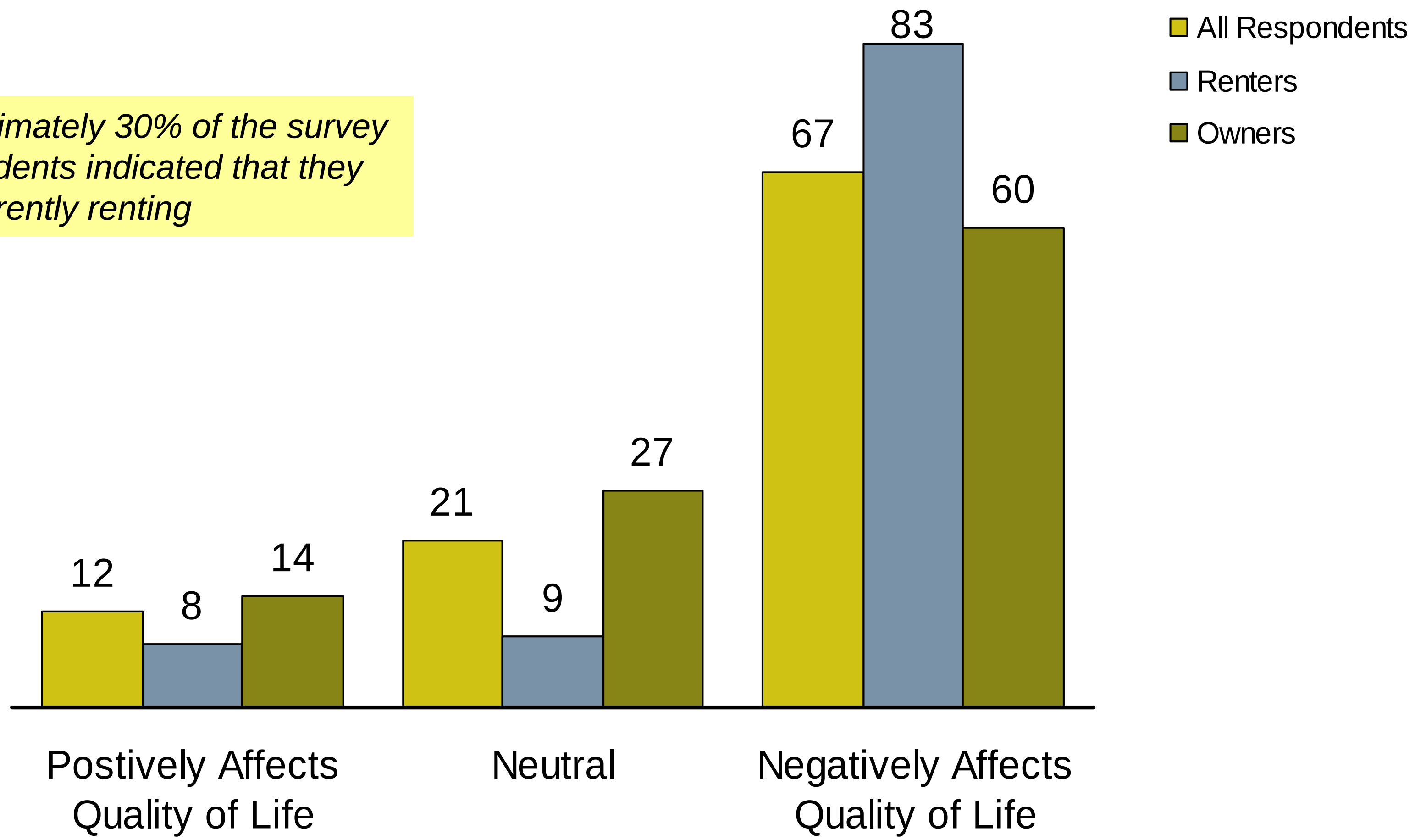
Again, while most respondents regardless of income feel that the cost of housing in Steamboat Springs is unacceptable, those with incomes less than $100,000 feel this the most.

SOURCE: RCLCO Consumer Research

RENTERS FEEL A GREATER NEGATIVE IMPACT ON QUALITY OF LIFE DUE TO COST OF HOUSING

Effect of Cost of Housing on Quality of Life
%

Approximately 30% of the survey respondents indicated that they are currently renting

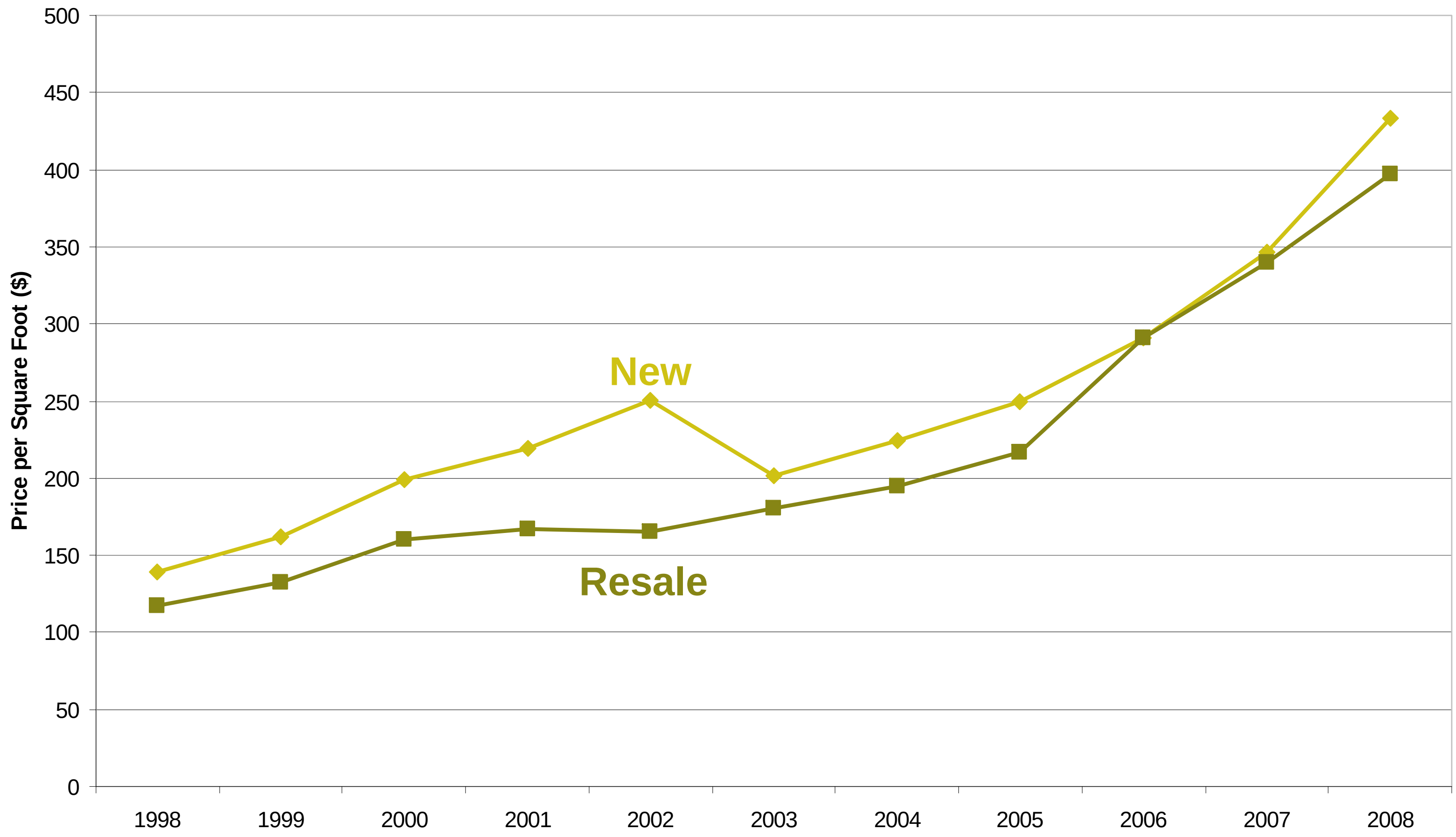


SOURCE: RCLCO Consumer Research

DRAMATIC INCREASE IN FOR-SALE HOME PRICES

234% INCREASE IN PRICES PER SQUARE FOOT IN LAST 10 YEARS

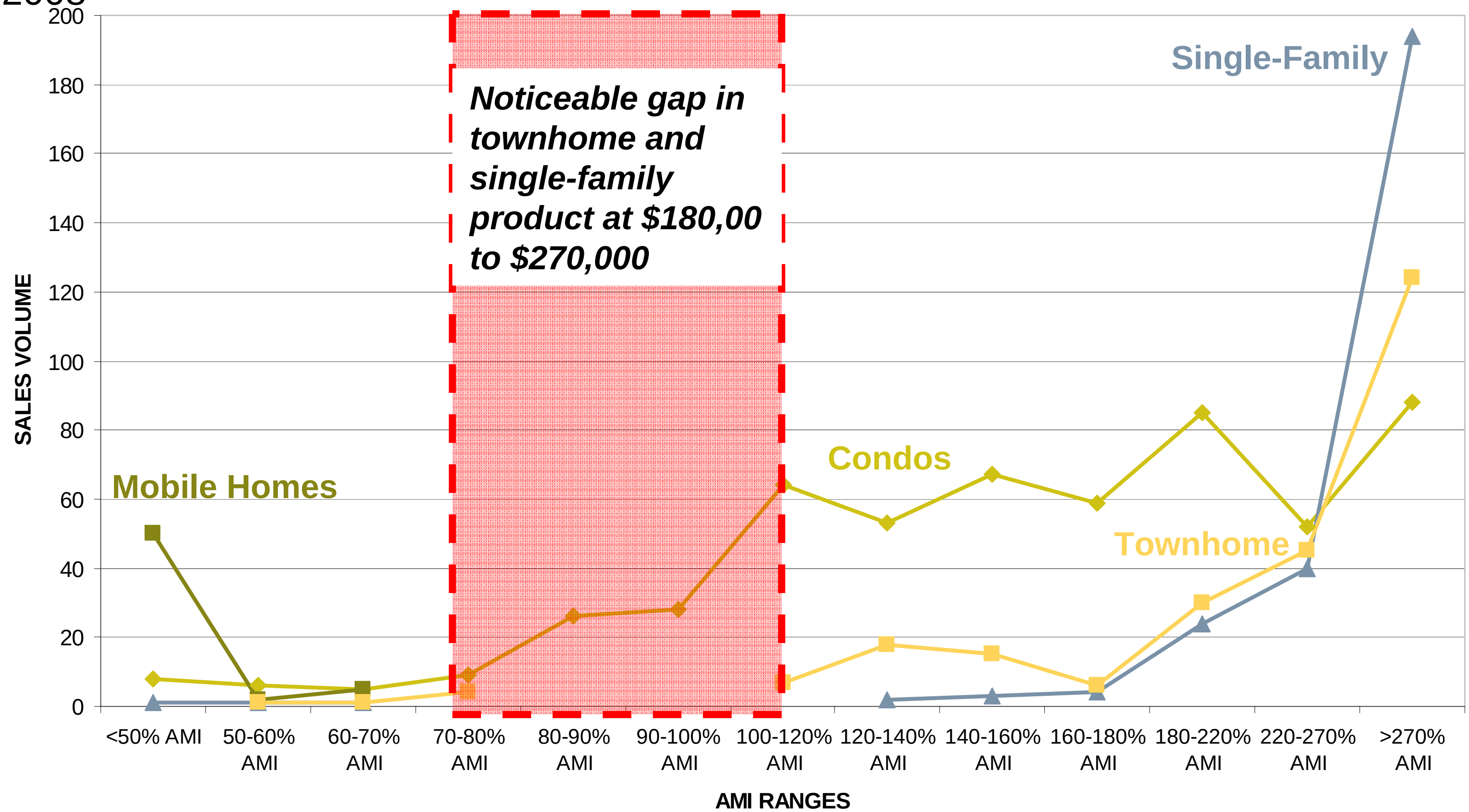
AVERAGE $/SF SALES
Routt County
2007-2008



Note: Data reflects homesales through May 15, 2008

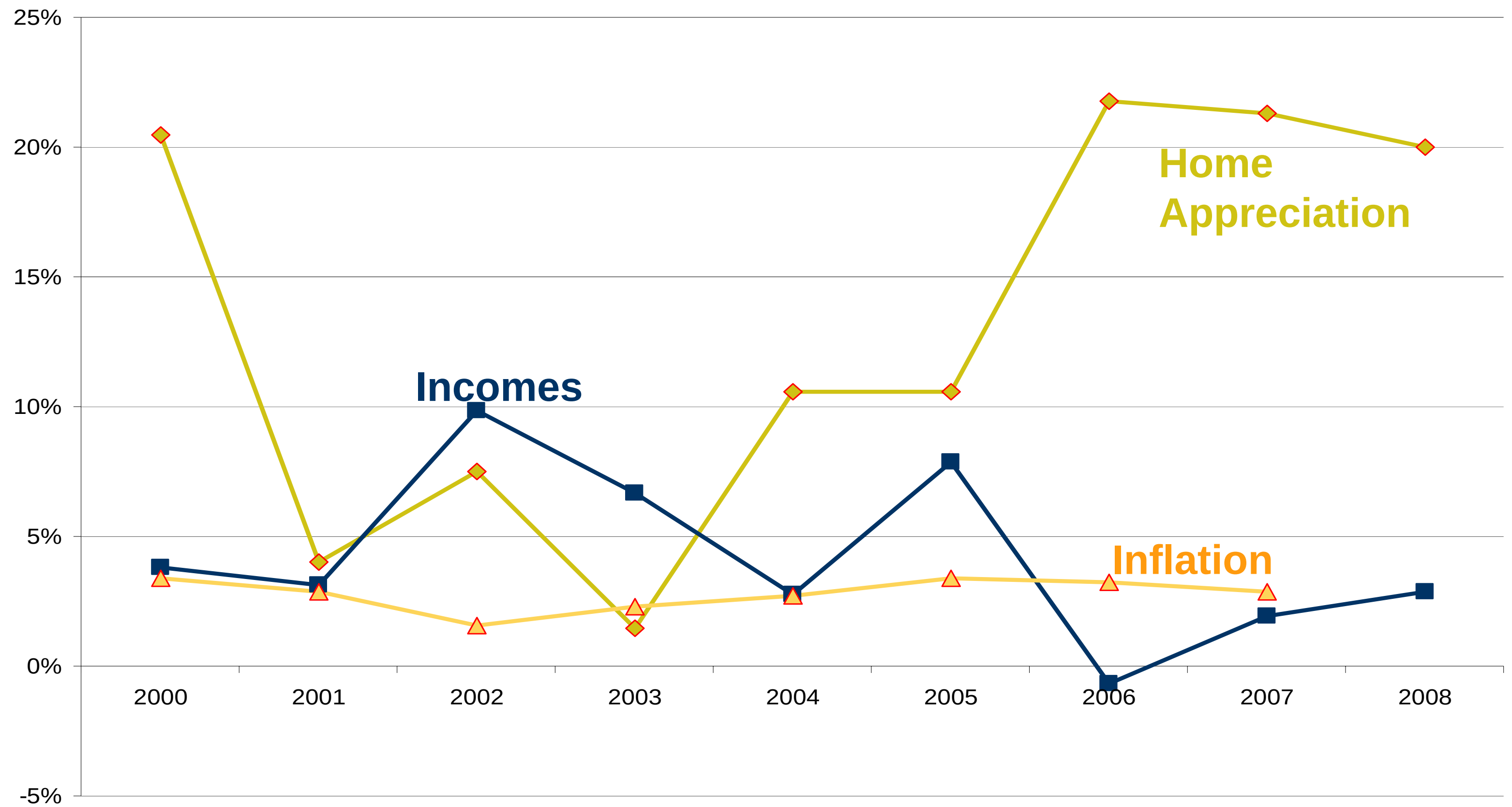
IN STEAMBOAT SPRINGS, CONDOMINIUM IS ONLY OPTION BETWEEN 80% AND 120% AMI

SALES VOLUME, CITY OF STEAMBOAT SPRINGS
By Product Type
2007-2008



THE GROWTH IN ROUTT COUNTY INCOMES HAS TRAILED SIGNIFICANTLY BEHIND HOME APPRECIATION

COMPARISON OF AVERAGE HOME PRICES GROWTH TO AMI AND CPI GROWTH
2000-2008



Anecdotal evidence suggests that home prices in Steamboat Springs are currently experiencing some degree of downward pressure. Home appreciation data above is through May 15, 2008 only.

HOMEOWNERSHIP OPTIONS UNDER $360,000 (160% AMI) ARE VERY LIMITED

PRICE	WHERE?	AVAILABLE PRODUCT, AVG. AGE
Up to $135,000	Steamboat Springs	Mobile homes, Few very small condos; late 1970s, no new
	Outlying	Mobile homes, Old single-family; 1960s, no new
$135,000 to $180,000	Steamboat Springs	Few very small condos; mid 1980s, no new
	Outlying	Few small condos, Few townhomes, Small single-family; 1950s, no new
$180,000 to $270,000	Steamboat Springs	Small condos; mid 1980s, very few new
	Outlying	Few condos, Few townhomes, Single-family; 1970’s, no new
$270,000 to $360,000	Steamboat Springs	Condos, Townhomes; 1980s, few new condos
	Outlying	Few townhomes, Single-family; 1970s, no new

PRESENTATION STRUCTURE

A stable community should have balanced housing options

- Steamboat Springs must provide suitable housing in order to attract and retain a wide range of employees

Steamboat Springs's housing options are currently out of balance

- Housing is negatively impacting the workforce
- Supply does not match demand
- Currently, greatest gap in housing is for households earning between 80% and 140% AMI for for-sale homes and in rental overall

The community should pursue a wider variety of "affordable" housing to create more options for the workforce

- **Workers are willing to make trade-offs to be in Steamboat Springs**
- **In order to be successful and address the problem, product must meet the home size and other needs of workers**

TRADE-OFF FINDINGS BASED ON CONSUMER RESEARCH RESULTS

SURVEY

- Conducted an internet and paper based survey in both English and Spanish
- With assistance, from the working group, RCLCO disseminated survey to employers throughout the City of Steamboat Springs
- Sample Size = 741
- The error range is +/- 3.7%

+

FOCUS GROUPS

- Conducted six focus groups. Two each with:
  - Real estate professionals
  - Renters
  - Home owners (market rate and deed-restricted)
- Structured but informal discussions surrounding attitudes towards housing in Steamboat Springs

IDEALLY, THE VAST MAJORITY OF DEMAND IS FOR TWO OR MORE BEDROOM HOMES

	SINGLES	COUPLES	EMPTY NESTERS	FAMILIES
1 Bedroom	4%	1%	0%	0%
2 Bedrooms	38%	19%	25%	10%
3 Bedrooms	48%	55%	61%	38%
4 + Bedrooms	10%	26%	14%	53%

Note: Households in resort communities typically exhibit a preference for a high bedroom count due to the increased need to accommodate visitors

OVERALL, SINGLES ARE WILLING TO MAKE MANY TRADE-OFFS TO LIVE IN STEAMBOAT SPRINGS

If a home were available in my price range and met all my needs in Steamboat Springs (within the city limits), I would choose …

SINGLES			
	I would make this trade-off	**I would not make this trade-off**	**I don't know**
Rent	49%	39%	12%
SFD on Smaller Lot	76%	18%	6%
Attached home	61%	32%	7%
Smaller Home	42%	53%	5%
Lower cost of transportation	70%	18%	13%

SOURCE: RCLCO Consumer Research

2 IN 3 COUPLES WILL COMPROMISE ON THE SIZE OF THE LOT; 1 IN 3 WILL COMPROMISE ON THE SIZE OF HOME OR ACCEPT ATTACHED PRODUCT TO BE IN STEAMBOAT SPRING

If a home were available in my price range and met all my needs in Steamboat Springs (within the city limits), I would choose …

COUPLES			
	I would make this trade-off	**I would not make this trade-off**	**I don't know**
Rent	23%	69%	8%
SFD on Smaller Lot	67%	27%	6%
Attached home	38%	54%	8%
Smaller Home	32%	59%	9%
Lower cost of transportation	70%	20%	10%

SOURCE: RCLCO Consumer Research

EMPTY-NESTERS WILL CHOOSE A SMALLER HOME TO LIVE IN STEAMBOAT SPRINGS

~30% WILL ACCEPT A SMALLER LOT AND/OR ATTACHED PRODUCT

If a home were available in my price range and met all my needs in Steamboat Springs (within the city limits), I would choose …

EMPTY NESTERS			
	I would make this trade-off	**I would not make this trade-off**	**I don't know**
Rent	8%	77%	14%
SFD on Smaller Lot	31%	32%	7%
Attached home	30%	61%	8%
Smaller Home	46%	45%	9%
Lower cost of transportation	31%	58%	11%

SOURCE: RCLCO Consumer Research

FAMILIES WILL MAKE A VARIETY OF TRADE-OFFS AND ARE WILLING TO DOWNSIZE

If a home were available in my price range and met all my needs in Steamboat Springs (within the city limits), I would choose …

FAMILIES			
	I would make this trade-off	**I would not make this trade-off**	**I don't know**
Rent	26%	63%	11%
SFD on Smaller Lot	65%	28%	7%
Attached home	25%	62%	13%
Smaller Home	52%	36%	12%
Lower cost of transportation	68%	21%	11%

SOURCE: RCLCO Consumer Research

SINGLES AND FAMILIES WILL BE MORE ACCEPTING OF APPRECIATION CAPS

- Only couples and pre-families respondents include expected appreciation as one of their top five reasons to choose a home
- This indicated that singles and families would be more accepting of caps on appreciation

SINGLES	COUPLES	PRE-FAMILY	FAMILIES
1) Availability of Transportation	1) Expected Appreciation	1) Expected Appreciation	1)School District
2) Cost of Transportation	2) Proximity to Recreation	2) Types of Homes Available	2) Size of Home
3) Cost of Housing	3) Proximity to Work	3)Cost of Housing	3) Age of Home
4) Proximity to Work	4) Proximity to Shopping and Services	4) Proximity to Recreation	4) Proximity to Shopping and Services
5) Proximity to Shopping and Services	5) Home Types Available	5) Proximity to Work	5) Cost of Housing

Note: Overall 57% percent of renters would consider appreciation caps versus 43% of owners

OWNERS MUST HAVE A GARAGE AND WILL PAY FOR IT

OWNERS				
	Critical, must have will pay extra	**Nice to have but not vital**	**Would not wish to have**	**I don't know**
Bus Access	22%	67%	7%	4%
Fitness Center	8%	64%	25%	4%
Pool	5%	59%	33%	4%
Walking or biking trails	36%	58%	4%	2%
Community Clubhouse or Community Center	3%	59%	34%	5%
Close proximity to daycare facilities	7%	34%	48%	11%
Walking access to retail, dining, cultural activities or recreation	18%	72%	7%	3%
CAM	22%	56%	18%	4%
Garage	70%	24%	3%	3%

Note: Renters prefer a similar set of amenities but with slightly lower intensities

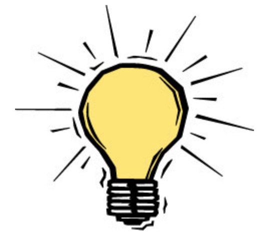
SOURCE: RCLCO Consumer Research

RESEARCH LED TO SEVERAL RECOMMENDATIONS

A stable community should have balanced housing options

Steamboat Springs's housing options are currently out of balance

The community should pursue a wider variety of “affordable” housing to provide more choice for the workforce



Recommendations for providing a wider housing choice for employees

OPTION 1: BUILD MORE SMALL-LOT SINGLE-FAMILY HOMES

- This was a consistent message throughout the survey and consumer research. There is an overwhelming preference for **single-family units** across all income brackets, household compositions, ownership status, et cetera.
- The vast majority of Steamboat Springs workers are **willing to accept a smaller-lot home** in order to be closer to their job.
- Regulatory changes are needed to make it easier to develop homes on **lots smaller than 6,000 square feet** (approximately 1/7 of an acre).
- Small lot single-family product satisfies **market preferences** and can accommodate a broad spectrum of the market in terms of income and age.




OPTION 2: BUILD PERMANENTLY AFFORDABLE HOMES THAT TARGET BUYER PREFERENCES

- Approximately **half of the market** between 80%-140% AMI will accept an attached, appreciation capped property within Steamboat Springs. These figures are very strong and reveal a strong preference toward both home ownership and a Steamboat Springs location.

- The disconnect with the current deed-restricted program is that the majority of the workers mentioned above **will not accept a small, attached, deed-restricted unit**. The overwhelming preference is for a minimum of 2 bedrooms. Many people are wary of purchasing a one-bedroom DR unit because they are afraid that they won't be able to resell the unit and/or will be unable to "trade-up" into a larger unit.

- Focus group interviews revealed that there is greater appetite for deed-restricted units when **larger units (2-4 BD units)** are an option. Buyers are more likely to invest the time, energy, and money in the deed-restricted process for a larger unit as it alleviates fears of becoming "trapped", particularly as their space/family needs evolve over time.

OPTION 3: BUILD MORE MARKET RATE AND/OR SUBSIDIZED APARTMENT COMPLEXES

- There is significant unmet **demand for both market-rate and subsidized apartment units** in Steamboat Springs.
- The majority of unmet apartment demand is **below 50% AMI** ($30,000 annual income), where need is greatest and workers simply cannot afford free-market prices.
- Apartment units help to satisfy housing needs for seasonal employees, year-round workers who are not yet prepared for home ownership, and new residents transitioning into the community.
- The current supply of true apartment product is **severely limited**.
- Market-rate apartment **development should be feasible** considering rent levels in Steamboat Springs and despite the paucity of affordable land.

CONTRIBUTORS

City of Steamboat Springs	Chuck Porter, Sheraton Steamboat
Steamboat 700, LLC	Robin Crossan, Steamboat Springs School District
Randall Hannway, Wilton West	Ron McKenzie, TIC
Routt County Board of Commissioners	Dean Vogelaar, Mountain Valley Bank
Whitney Ward, Resort Ventures	Sandy Evans Hall, Steam. Chamber and Resort Assoc
Jim Wells, SV Timbers	Kerry Hart, Colorado Mountain College
Mark Mathews, The Atira Group	Paul Clavadetscher, Millenium Bank
Richard Friedman, Chadwick Real Estate Group	John Kerst, Yampa Valley Bank
Jim Cook, Colorado Group Realty	Jill Leary, Wells Fargo Bank
Jamie Temple, Momentum Steamboat	Laura Cusenbary, Prudential Steamboat Realty
Chris Diamond, Steamboat Ski and Resort	Karl Gills, Yampa Valley Medical Center

RCLCO QUICK FACTS

- Founded by Robert Charles Lesser in 1967 in Beverly Hills, CA
- Pioneer in bridging feasibility, consumer research, and design
- 4 Offices—Washington, DC, Los Angeles, Orlando, Atlanta
- Best Minds in Real Estate—Developers, Analysts, Capital Market Experts, Transaction Specialists (90+ Consultants)
- 600+ Projects Per Year—US, Caribbean, Latin America, Middle East, Europe, and New Zealand
- Adaptability – Hands-on research methodology & innovative analysis allows for consultants to quickly adapt to new markets and challenging situations



Steamboat Springs Workforce Housing Demand Analysis Executive Summary: Integrated Findings from the Market Analysis and Consumer Research

YAMPA VALLEY HOUSING AUTHORITY | SEPTEMBER 2008

RCLCO

ROBERT CHARLES LESSER & CO. REAL ESTATE ADVISORS