



Issue Brief: Solutions to Housing Affordability

Executive Summary

- Housing affordability is a function of supply and demand cycles; currently demand outpaces supply resulting in higher prices for new AND existing housing.
- Existing housing, including single-family homes and multifamily, makes up 98 percent of the roughly 280,000 housing units in El Paso County; new housing added about 2 percent to the county's overall supply in 2018.
- The largest part of the population struggling with higher housing costs need moderately priced housing or workforce housing, the majority of which will be found in the existing market, not new housing.
- State construction defects legislation effectively prohibits the building of new attached, for-sale housing that is affordable to that segment of the market.
- As a result, the most effective public policy initiatives for curbing rapid increases in housing costs are those that assist in creating additional supply in a timely manner:
 - o Efficient and effective regulatory reviews in all aspects of the process – subdivision, building permits and inspections; and
 - o Continued scrutiny of all fees and charges that increase the cost of new houses and, through the market place, increase the price of ALL housing.

“Affordable housing is important at all levels and housing types. The HBA advocates for the future homeowner by working with all levels of government to achieve our mission of providing safe and affordable homes.”

—Kevin Walker, Chair of Housing & Building Association of Colorado Springs Public Policy Committee

Housing demand will grow with population

Colorado Springs and El Paso County, like the rest of Colorado, have witnessed a significant increase in population. According to the state demographer, El Paso County will gain more than 410,000 residents by 2050, a nearly 59 percent increase. Over that same period, El Paso County will catch up to and then surpass Denver as the state's most populated county.

At the current household size of 2.63 per household, 155,000 units of additional housing will be needed to address this increase in population—or more than 5,000 units per year. It will be important to ensure that this region has adequate numbers and the proper mix of housing types to help keep the cost of housing reasonable for all economic levels. This mix should include both for-sale and rental housing, and must have single-family homes, townhomes, condos and apartments.

Housing affordability

The vast majority, more than 95 percent, of housing is built and then owned in the private market. Public housing is a small piece of the housing market in Colorado Springs, so the best opportunities to increase the supply of housing and to provide housing at all cost levels, including affordable and attainable homes, requires working with the private sector, such as the members of the HBA.

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Housing affordability is a national and local concern. The members of the HBA participate at the state and national levels to proactively impact housing policies that influence cost and availability, as well as construction materials and workforce.

Across Colorado and here in El Paso County, new housing is typically built at the higher ends of the affordability range. But since this housing increases supply by about 2 percent each year, it affects the entire cost structure. As the cost of new housing increases, existing for-sale housing and rental properties likewise increase. This further impacts the attainability gap for all segments of the community. Creating additional supply will allow communities to moderate the cost of new housing, which will help stabilize and possibly reduce the cost of all housing.

Housing supply needs to meet demand

Right now, the region's pricing and affordability is driven by demand. In recent years, the Pikes Peak region has faced an "inventory crisis" on homes in the \$150,000 to \$300,000 range. In February 2018, as an example, the supply of homes in this price range fell to a record low of 1,229 for sale. According to research from the Pikes Peak Association of Realtors, several times over the past few years there has been less than a month's supply of homes in the \$150,000 to \$300,000 range, and a lack of homes, particularly in lower price ranges, contributed to a 4.7 percent decline in single-family sales in 2018.

Here in El Paso County and Colorado Springs, HBA members and local government officials have an opportunity to make important changes that will increase supply to meet the current and future demands for housing created by population growth.

HBA recommendations

The HBA believes there are reasonable policy changes at the local level that would positively improve the business climate and regulatory burdens for builders. Those changes include:

- 1. Land development**—Lot price is one of the largest costs of a new home. Lot availability is one of the most limiting factors in the current market, increasing the value and cost of each lot, thus increasing costs. Efficiently and effectively processing zoning, subdivision and inspections will help moderate this cost for builders.
- 2. Fees and local regulations**—It is estimated by the National Association of Home Builders that regulatory costs make up just over 24 percent of the cost of an average new home, or about \$84,000. Reducing regulatory burdens and reducing the cost of construction, such as tap and other impact fees, would make a noticeable change in the cost of a new home. This will encourage builders to look at developing lower cost new housing.
- 3. Workforce**—Another critical piece to improve supply is an available and prepared workforce to build homes. Local governments, including school districts, can help partner on programs like the HBA's Careers in Construction to support workforce development and training strategies that already are growing the construction labor force.
- 4. Community attitudes**—Unfortunately, affordable housing is impacted by "Not in MY Backyard" (NIMBY) attitudes of neighborhoods and communities that negatively characterize affordable housing and its occupants, as well as fears about impacts on home values. This perception must change, and the HBA and local government officials need to take responsibility for educating the community about the need for affordable housing for essential workers.

About the Housing & Building Association of Colorado Springs

The Housing & Building Association of Colorado Springs is a trade association that represents more than 500-member companies, including builders, developers, and remodelers, as well as trade contractors, materials suppliers, mortgage lenders, real estate agents, title companies, interior designers, architects, landscapers and beyond. The HBA and its members are community leaders and builders, contributing to the growth, prosperity and quality of life our exceptional community.

HBA Mission

The Housing & Building Association of Colorado Springs promotes policies that allow for the production of safe and affordable housing and enhances the environment for the housing and building industry in El Paso County.