

Lake County Colorado: Barriers to Renting and Homeownership 2019

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Lake County Build A Generation
Authored by: Kristi Galarza
Housing Manager kristi@lcbag.org



**LAKE COUNTY
BUILD A GENERATION**
*Building a movement for community
health and well-being*

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Introduction: Housing -- An American Crisis

Growing housing prices and stagnant wage growth are causing an affordable housing crisis for America.ⁱ A broad spectrum of Americans are impacted, including 40% of low-income seniors and 22% of young adults.ⁱⁱ In the state of Colorado, the housing struggle is acute, due to a rapidly increasing population and a housing supply that is not keeping up with demand.



According to data from the US Bureau of Labor and Statistics, half of Coloradan renters are “cost-burdened,” or paying more than 30% of their income on housing.ⁱⁱⁱ When a household is cost-burdened, they are forced to make difficult decisions regarding food, healthcare, transportation, childcare, education, and other essentials. Amongst the many conditions that impact how we grow, live, and age, access to

affordable housing “constitutes one of the most basic and powerful social determinants of health.”^{iv}

Colorado’s housing market is facing extreme pressures, which are not likely to ease any time soon. Colorado’s population has grown by 800,000 residents from 2008 to 2019.^v According to the Colorado state demographer, even if sustained, the present building rate will not meet the current demand until 2025.^{vi} A study detailing nation-wide building costs of single-family homes revealed labor costs make up 29% of the overall costs. No research has been completed regarding Colorado’s building labor cost. However, it is known that a shortage of construction workers exists in 2019 due to a significant portion of construction workers leaving the state after the 2008 recession.^{vii}

Lake County Colorado, along with the rest of the state, is experiencing a housing crisis. Rural Lake County is an outdoor recreation headquarters, with easy access to hiking and fat-tire biking trails, alpine, and cross-country skiing. The two tallest mountains in Colorado, Mt. Elbert and Mt. Massive, can be viewed from any location in the city of Leadville. The county’s only city, Leadville, is the highest incorporated city in the

continental United States, with an elevation of 10,152 feet. Managing the area's annual average of 141 inches of snow is one great indicator of residents' resilience.^{viii}

Lake County is a “bedroom community,” meaning the majority of residents work in neighboring counties.

According to the last census, 75% of residents work outside of the county, most prominently in Summit and Eagle counties.^{ix}

The high cost of market-rate housing in these counties has historically made living in Leadville an affordable option. Increased market competition

in Lake County is one of the reasons that this “bedroom community” no longer affordable.



The county has experienced boom and bust economies tied to the mining industry. Local employers have voiced that lack of housing is increasing employee turnover. A housing intervention plan with multiple strategies is being implemented to support sustainable growth.

This report presents data obtained from a housing research initiative conducted by the housing manager at Lake County Build a Generation. Colorado Department of Public Health and Environment (CDPHE) funds the project through the Health Disparities Grant Program.

This Report: The Reason Behind it

Lake County volunteers created a housing coalition in 2017. The coalition consists of volunteers working to support the preservation, protection, and expansion of affordable housing in Lake County. A housing needs assessment was completed in 2018 by Economic and Planning Systems, Inc (EPS). According to the assessment, the number one housing concern in Lake County is inadequate housing supply.

There are currently subcommittees within the Housing Coalition working on recommendations for a boilerplate deed restriction, a Low-Income Housing Tax Credit (LIHTC) development, as well as funding mechanisms to make this work sustainable. An action plan curated by Willa Williford and Jonathan Cappelli, housing expert consultants hired and managed by the Housing Coalition, identified these projects as the next steps.

The coalition has outreached to other communities who have recently developed affordable and low-income housing for feedback on the process. One lesson learned was that for the overall project to be successful, tenants must be ready for occupancy. Future tenants or homeowners experience many barriers that could prevent them from taking advantage of any development built, including process, financial, cultural, and market obstacles.

Many barriers to homeownership and renting exist nation and statewide. A 2019 survey conducted online by Harris Poll on behalf of the NFCC (National Foundation for Credit Counseling) found that 50% of American's attempting to buy a home experienced obstacles to the task.^x The top five barriers identified in this nation-wide survey were: affordability, down payments and closing costs, prior debt, availability of homes within budget, and credit scores.

This report will identify the barriers that are specific to Lake County. A desk review was conducted on national and regional barriers to homeownership and renting. Next, key informant interviews were conducted of both local housing experts and community residents who could benefit from the future implementation of the Housing Coalition Action Plan. Implementation of a system of supports for the community will be developed based on data-supported recommendations. The system could include programs or educational opportunities that will inform and empower community residents to access resources that will help them overcome the affordable housing barriers identified in the next steps section of this report.

Local Expert Feedback: What Housing Professionals Know

Collectively, the local experts interviewed for this report have 54 years' worth of housing knowledge in the region. They are the frontline service providers for market rate, affordable, and low-income housing for tenants and owners in the region. The experiences they shared were insightful.

"Housing isn't just about people that are making \$13 an hour. This is impacting people who make over \$20 an hour. This is a problem for everybody. It is not going to resolve itself. It is going to be a big problem. There is not just one magic pill. I can't stress that enough to people. We need to create a toolbox to establish a culture to help resolve this issue."

– Local Expert

Six local housing experts identified several top areas as potential barriers to renting and owning in this region. They included:

- ✓ **Financial Literacy** – about credit, mortgage readiness/lending, documentation needed, etc.
- ✓ **Rental Application Screening Process** – level of scrutiny regarding credit history, past criminal record, rental debt, evictions, landlord references, etc.
- ✓ **Affordability** – high renting/owning costs, increases in rent

Financial Literacy

Local experts felt strongly that renters and potential homeowners alike lack basic knowledge and education across a wide range of issues, including how to establish credit and obtain credit scores; understanding different kinds of mortgage loans (traditional, FHA, USDA); how to qualify for lending; and even being able to navigate the length and detail of rental applications. Experts claimed financial education needs to start at a young age and stressed that “Bad credit...it only takes one mistake!”

Rental Application Screening Process

Additionally, experts ranked navigating the rental application screening process as a top barrier. Any bad credit or rental debt accrued in the past, or a recent criminal record, will prevent many potential renters from getting past the screening process. One local expert claimed, “Even factoring out any medical or education debt, automatic denials can be issued on things like felonies, rental debt, and evictions.”

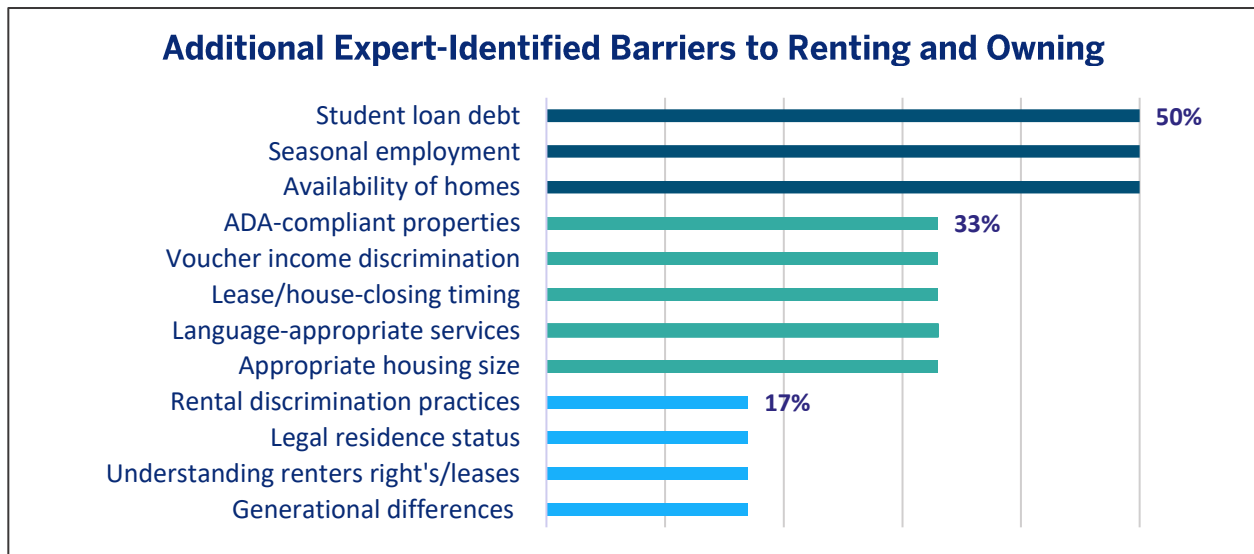
Affordability

Across both local expert and community member interviews, there is a resounding consensus that the high cost (and lack of inventory) of rentals and properties for purchase in this area, paired with low wages and residents working multiple jobs to cover existing bills, is prohibitive. There are two affordable housing developments in Lake County, both of which have waiting lists as of the end of 2019.

Additional Barriers

Several other barriers were identified as relevant – **insufficient income/low-paying jobs** (83%), **financial input requirements** (1st and last month rent/security deposit/down payment for a house – 83%), **market competitiveness** (67%), and **pets** (67%). The issue of having pets was expanded on at length by those interviewees that identified it as a barrier for renters. One interviewee claimed it as “self-imposed by the renter,” but most identified it as a genuine “compassion” issue that should be addressed by rental property managers, claiming “It just doesn’t seem fair they {pets} are part of your family and yet, if you get displaced, it is really hard to find another place.”

Additional barriers identified by local experts included:



Community Member Feedback: The Voice of the People

Eleven community members (seven individuals and two couples) who could benefit from affordable housing were interviewed. Community member interviewees all currently rent either a house, apartment, or a lot in a manufactured home community. Nearly all interviewees identified becoming homeowners as a goal.

Community members offer lived experience context to the input of experts and provided insight into a variety of financial and cultural barriers. While many of the barriers corresponded in both importance and type with those identified by local experts – community members also revealed previously unidentified barriers, such as storage locations for recreational gear, access to transportation, and generational passing of wealth.

Community members identified the following top five areas (50% and above) as barriers to renting or owning:

Barrier	% response
Financial literacy	89%
Ability to save for deposits	78%
Insufficient income	67%
Affordability	56%
Rental application screening process	56%

"I do think {housing is} something that's {going to} have to evolve as the town changes. It's changed a lot, but I don't think it's done. And I think people are kind of just seeing the beginning of whatever these changes are going to entail. I think it's {going to} have to be an ongoing conversation with the people in the community... I think really talking to the people who are living through it is where you're going to get good ideas from."

– Community Member

Financial Literacy

As experts also identified, a lack of financial literacy was the top barrier to renting and owning. The areas in which community members struggled were broad: from not knowing they needed to provide an SSN or Individual Taxpayer Identification Number (ITIN) number during the rental application process, to understanding the language in loan

applications, to finding out the hard way that “if you do everything in cash, you have no history of established credit.” One community member indicated, “For Latinos, {it is} hard to understand interest rates, finances and requirements – we just aren’t exposed to that information enough. {We} are good at saving money.” Two interviewees are actively working toward purchasing their first home, and those two spoke specifically to the process of home buying and the lack of available education to them.

Ability to Save for Deposits/Insufficient Income

As housing experts also indicated, community members spoke at length of the complex interplay of financial, socioeconomic, and market forces that are barriers to renting and owning. It is a constant and circular struggle that includes low-paying jobs and “working over the hill,” not being able to save or meet deposit requirements, lack of affordability and availability, and in general “spending too much of one’s income on the commute, childcare, and housing.” In 2017 the average wage for the county was \$17 per hour, with a majority of sectors reporting wage growth of less than 1% annually.^{xi} Housing prices increased by 8% annually from 2015-2017. It is clear when reviewing these statistics that the two barriers are closely linked.

Other Barriers

Community members identified several cultural barriers and norms -- feeling comfortable with multiple generations living under one roof, wanting to live affordably so they can save money to send home to family or buy a home in Mexico. Several interviewees indicated the importance of being able to access documents and resources in Spanish.

What's Next: How to Get the Ball Rolling?

Both local experts and community members identified **financial literacy** and **ability to save for deposits** as barriers to homeownership and renting. Financial literacy was identified by 94% of all interviewees, and 89% of the interviewees referenced the ability to save for security deposits and down payments as a barrier. 55% percent of interviewees identified the above barriers as ones that can be addressed with programs and educational opportunities.

Lake County has an estimated population of 7,764.^{xii} A small community with limited resources must be creative in their solutions. One local expert stated, “We don’t want to reinvent the wheel.” Fully utilizing existing resources and modeling established programs are at the center of all recommendations.

Financial Literacy

An educational opportunity would be the best fit for addressing the financial literacy barrier. As a reminder, the barriers under the financial literacy umbrella were: building or repairing credit scores, understanding mortgage options, and being mortgage/rental ready. There are many programs in our region to assist with these topic areas, yet they are underutilized in Lake County. At the time this report was written, pamphlets and flyers are the primary mode of information dissemination. Frontline workers (property managers, real estate agents, bankers, mortgage brokers, and the department of human services) should become educated on the available programs. Additionally, they should commit to funneling users to these programs.

The Upper Arkansas Area Council of Governments (UAACOG) is a volunteer coalition of county and city governments over four counties. They offer the following educational opportunities at various times throughout the year in Canon City: ^{xiii}

- First-Time Homebuyer’s Workshop: A one day workshop that explains the home buying process.
- Homebuyer Counseling Workshop: An expanded version of the above workshop, which has six two-hour-long workshops.
- Financial Success Classes: Six one-hour classes that teach financial literacy.

Lake County should advocate for these workshops and classes to be offered locally. Chaffee and Custer counties have been successful in a similar request. The UAACOG requires ten registrants to hold any of the educational opportunities. Successful educational opportunities would require substantial outreach in both Spanish and English. Other considerations to keep in mind for successful implementation include training offered at accessible opportunities, providing training in Spanish as well as English, and providing transportation.

Ability to Save for Deposits


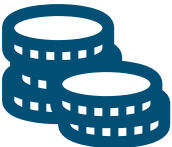
The Colorado Housing Finance Authority, commonly known as CHFA, offers down payment assistance programs, which can assist with the homeowner portion of this barrier. CHFA provides 3% grants and 4% loans on the homebuyers' first mortgage. Loan programs that have lower down payment requirements and CHFA programs can be combined. Disseminating information about these resources effectively and sustainably should be a priority. None of the community members interviewed were aware of these options.

Modeling a program that currently runs in Chaffee County would address the barrier of the ability to save money for rental deposits. The Chaffe County Department of Housing assists renters by providing them a promissory document, which can be claimed if the tenant does not meet the agreement written into the lease to pay extra on their rent until the security deposits are paid. After receiving a grant from El Pomar, the department established the revolving fund.

An additional challenge with this program is that it comes with an administrative burden. There is currently no mechanism in Lake County established to handle this work. The identified partners should be brought together to discuss how this program may operate in Lake County.

POTENTIAL PARTNERS

- **CHAFFEE COUNTY HOUSING TRUST**
- **COLORADO LEGAL SERVICES**
- **COLORADO MOUNTAIN COLLEGE**
- **DEPARTMENT OF HUMAN SERVICES**
- **FULL CIRCLE**
- **LAKE COUNTY BUILD A GENERATION**
- **LAKE COUNTY COMMUNITY FOUNDATION**
- **LAKE COUNTY ~ LEADVILLE ECONOMIC DEVELOPMENT CORPORATION**
- **LAKE COUNTY SCHOOL DISTRICT**
- **LOCAL BANKS**
- **LOCAL MORTGAGE BROKERS**
- **PROPERTY MANAGERS**
- **REALTORS**
- **UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS**

Barrier Summary			
Barrier	Current Resources	Recommendation	Challenges
Financial Education 	<ul style="list-style-type: none"> • UAACOG Workshops • Local Mortgage Lender Education 	<ul style="list-style-type: none"> • Utilize UAACOG Services More <ul style="list-style-type: none"> ◦ Raise Awareness • Create a resource connection system 	<ul style="list-style-type: none"> • Effective Outreach • Bilingual Workshops • Offering Times • Transportation • Sustainability
Ability to Save for Deposits 	<ul style="list-style-type: none"> • CHFA Down payment Assistance Programs 	<ul style="list-style-type: none"> • Increase awareness of CHFA programs • Establish a revolving fund for rental deposit assistance 	<ul style="list-style-type: none"> • Administrative Burden • Funding • Sustainability

To conclude, Lake County is full of motivated individuals who hold a wide range of expertise. The challenge of addressing housing is a difficult one that is being approached with a number of innovative solutions. The movement has begun to work on building affordable units in Lake County. The image below shows an affordable housing design style recommendation by Colorado University Master Students of Urban Planning and Development.^{xiv} For that significant task to be successful, the tenants and owners must be prepared as well. According to local experts, it can take up to two years to get someone mortgage or rental ready. Understanding the barriers before affordable development begins in Lake County will enable the community to help prepare residents by the time homes are ready for tenants and owners.



Affordable Housing Design Style Recommendation from Colorado University Students Completed Summer 2019

Resources

- ⁱ <https://www.fastcompany.com/90369113/americas-housing-crisis-summed-up-in-3-charts>
- ⁱⁱ <https://www.urban.org/urban-wire/middle-income-seniors-face-gap-housing-and-health-supports>
https://www.urban.org/sites/default/files/publication/99707/young_adults_living_in_parents_basements_0.pdf
- ⁱⁱⁱ https://drive.google.com/file/d/1PUzP-3Mm_siXzJAVDDzq5nWIKSL-xhXu/view?usp=sharing
- ^{iv} https://d155kunxf1aozz.cloudfront.net/wp-content/uploads/2014/07/SocialDeterminantsofHealth_2014.pdf
- ^v <https://demography.dola.colorado.gov/population/population-totals-colorado-substate/#population-totals-for-colorado-and-sub-state-regions>
- ^{vi} <https://www.shiftresearchlab.org/projects/exploring-colorados-housing-affordability-challenges-in-all-of-their-complexity>
- ^{vii} <https://www.shiftresearchlab.org/projects/exploring-colorados-housing-affordability-challenges-in-all-of-their-complexity>
- ^{viii} <https://www.bestplaces.net/climate/city/colorado/leadville>
- ^{ix} https://drive.google.com/file/d/1PUzP-3Mm_siXzJAVDDzq5nWIKSL-xhXu/view?usp=sharing
- ^x <https://www.nfcc.org/2019-consumer-financial-literacy-survey/>
- ^{xi} https://drive.google.com/file/d/1U_Jbm0cHBuZavxduKvST5Uv8D8N0Evx-/view?usp=sharing
- ^{xii} <https://demography.dola.colorado.gov/population/population-totals-colorado-substate/#population-totals-for-colorado-and-sub-state-regions>
- ^{xiii} <http://www.uaacog.com/housingcounseling.html>
- ^{xiv} <https://drive.google.com/file/d/10Jnb0cTDwMse2vXOGAIMkrS3bx6jzJMJ/view?usp=sharing>