Building Gated Cities

The Economic and Fiscal Impacts of Restricting Housing Growth in the City of Lakewood, Colorado

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In Partnership with
Common Sense Policy Roundtable
Colorado Association of REALTORS®
Colorado Concern
Denver South Economic Development Partnership

October 2017

CU Leeds REMI Study: Quick Facts on Initiative 78

Economic Assessment of the 2,500-Foot Oil & Gas Setback Proposal

90.2% reduction in available Colorado land for production

Lower real GDP by an average of **$7.1 billion**, & **54,000 fewer jobs** in the first five years

95% of the land in the top five oil & gas producing counties of Colorado would be **off limits** to new drilling & hydraulic fracking endeavors

2.8% reduction in total Colorado employment

Average decrease in personal income of $10.9 billion per year through 2031

Average decrease in disposable personal income of $8.3 billion per year through 2031

3.4% reduction in annual state GDP

Download the entire report at:
www.commonsensepolicyroundtable.com/category/research-and-publications/

New study shows that without substantial improvement in student performance, Amendment 66 is drag on the Colorado economy.

Leeds School of Business Report Uses State-of-the-Art Dynamic Model to Determine What Impact Amendment 66 Will Have on Our State's Economy

DENVER, Colo., October 9, 2013—Two comprehensive studies using a newly calibrated, dynamic economic modeling system developed by the Regional Economic Models Inc., or REMI that analyzes the ripple effects of public policy … Amendment 66 would be a drag on Color…

The studies conducted by the Business R… …ado Boulder on behalf … …dtable (CSPR), the Den…

Restrictions on the Supply of Affordable Entry-Level Housing in Colorado

Key Findings:

Denver for-sale home prices have increased much more quickly than rent prices, particularly at the entry level. For the previous 5 years through December 2016, the median Denver home price increased 73.2%, while median rent prices increased just 46.4%.

Condominium prices in particular have skyrocketed. According to Metro Denver EDC average sales price for single-family homes in Denver rose 5.1% year-over-year to $421,962, while the average price of condos increased 21.3%.

Median home prices in Denver have reached all-time highs partly as a result of the insufficient supply of new housing for entry-level homes, especially in the area of condominiums. During 2016, nearly 90% of all existing condos re-sold in Denver were priced below $400,000, pointing to strong demand in the entry-level segment. However, less than 30% of the new condo supply built in 2016 was priced below $400,000, and nearly 40% was priced over $1 million.

Several studies from recent years have found that Colorado construction defects laws are having adverse effects on the housing market and the supply of affordable condominiums. A 2013 study released by the Denver Region Council of Governments found that the increased risk of litigation and resulting insurance costs due to Colorado's construction defect laws have increased condominium builder expenses by as much as $15,000 per unit, potentially making any condos priced under $450,000 uneconomic to build.

The REMI simulations found that even a 1% decrease in residential investment due to reduced building would result in over 1,800 fewer jobs for Coloradans in 2017, and over the next five years would decrease state GDP by $1.1 billion and revenue to the state General Fund by nearly $32 million. A 5% decrease in residential investment would eliminate 8,850 Colorado jobs the first year, and over the next five years would reduce state GDP by $5.2 billion and state revenue by $156 million.

The simulation also found that a 1% increase in housing costs would reduce Coloradans' aggregate real disposable income by $322 million in just the first year. A 5% increase would reduce Coloradan's real disposable income by $1.8 billion in the first year.

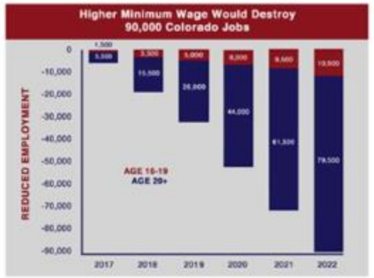
The crowding-out of young buyers impacts households by preventing them from building home equity, but also affects the state at large by leading to reduced migration, greater income inequality, increased infrastructure pressures as a result of urban sprawl, and disincentives for businesses to move to or open offices in the state.

COMMON SENSE Policy Roundtable · COLORADO CONCERN · Colorado Association of REALTORS · DENVER SOUTH

Full report to be released March 1, 2017

Key Findings From "Impacts of Increasing Colorado's Minimum Wage" June 2016 Report

Minimum wage initiatives would raise the state's minimum wage $12.65 per hour by 2022. This increase would likely harm the Coloradans who need the most help with employment and income opportunities.



$3.9 billion Decrease in Wage & Salary Income

Higher minimum wage decreases wage and salary incomes by as much as $3.9 billion per year due to unemployment.

The groups mainly affected are teens and unskilled, low wage workers, since they will be the ones losing their jobs to an unaffordable minimum wage.

The reduced employment would result from some workers losing their jobs and some workers being unable to find a job. Others may get discouraged by the reduced employment opportunities and exit the labor force.

"By 2022, the minimum wage would be 31% higher than under current law and employment would be 90,000 lower." *p.13: "Impacts of Increasing Colorado's Minimum Wage"*

May 2016

BUSINESS

Colorado population growth far outstripped new housing, census says

Denver Post file

1 of 2

Since 2012, Colorado is about 55,000 homes and apartments short of what it needs based on population growth, not accounting for vacant units that got absorbed.

By **ALDO SVALDI** | asvaldi@denverpost.com | The Denver Post
PUBLISHED: May 19, 2016 at 3:12 pm | UPDATED: August 22, 2016 at 11:28 am

Dec 2017

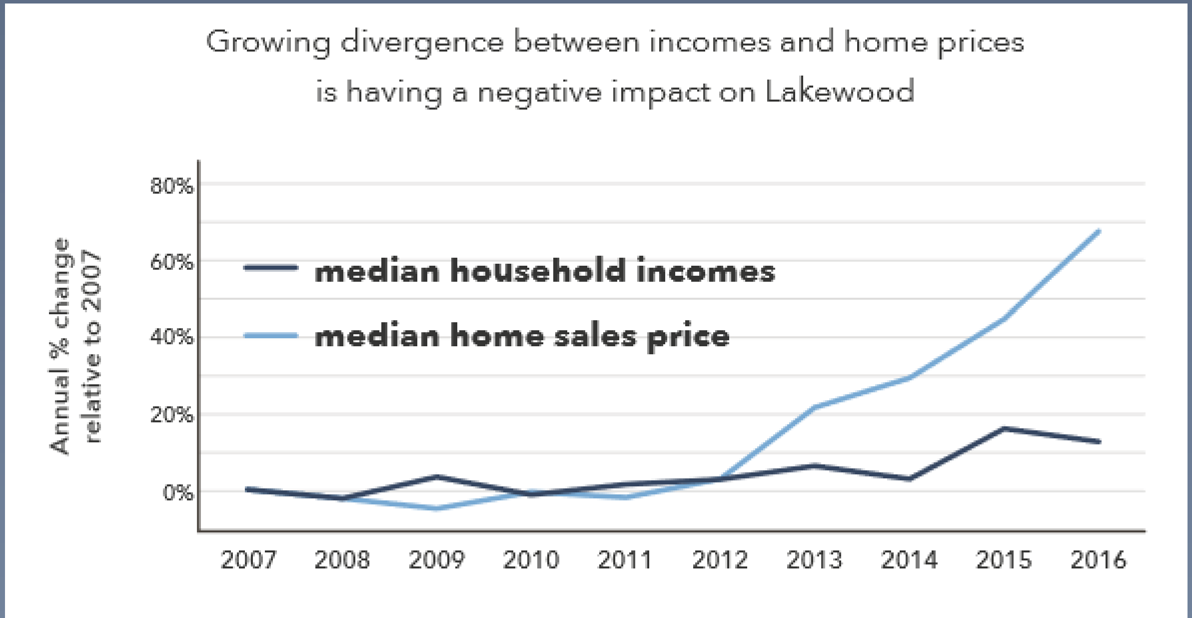
BUSINESS

More Coloradans moving out as population growth brings traffic headaches, higher home prices

Number of in-migrants to state remains higher, but gap is shrinking

By **ALDO SVALDI** | asvaldi@denverpost.com | The Denver Post
PUBLISHED: December 3, 2017 at 12:01 am | UPDATED: December 3, 2017 at 2:51 pm

Population to housing ratio of 28% to 91%



62% of Lakewood's employment can not afford the current median home price

The 2016 gap between what a starting police officer and West Metro firefighter can afford on a single salary could grow to as much as $107,000 and $139,000 below the median home price

Table 1: Growth in Median Household Income vs Median Home Prices (nominal change)

	2009-2016	2011-2016	2013-2016
Denver Metro Median Home Sales Price	76%	70%	37%
Lakewood Median Home Sales Price	75%	73%	38%
Denver County Median Household Income	32%	30%	20%
Lakewood Median Household Income	9%	11%	6%

Source: American Community Survey 1-year estimates and REcolorado – MLS Sales Price Data

Recent Lakewood Housing Study
EPS and RRC Associates

- In-commuters climbed from 9% of workforce to 17% from 2002 to 2014
- The city only added one housing unit for every three jobs between 2000 and 2015
- Limited space to facilitate additional growth except infill sites, redevelopment opportunities and a few areas for new development
- The city could increase its housing density in areas designated within the Comprehensive Plan without disturbing or altering the character of the community

Figure 1: Commuting Patterns, 2002-2014 (Economic & Planning Systems, Inc. and RRC Associates, August 28, 2017)

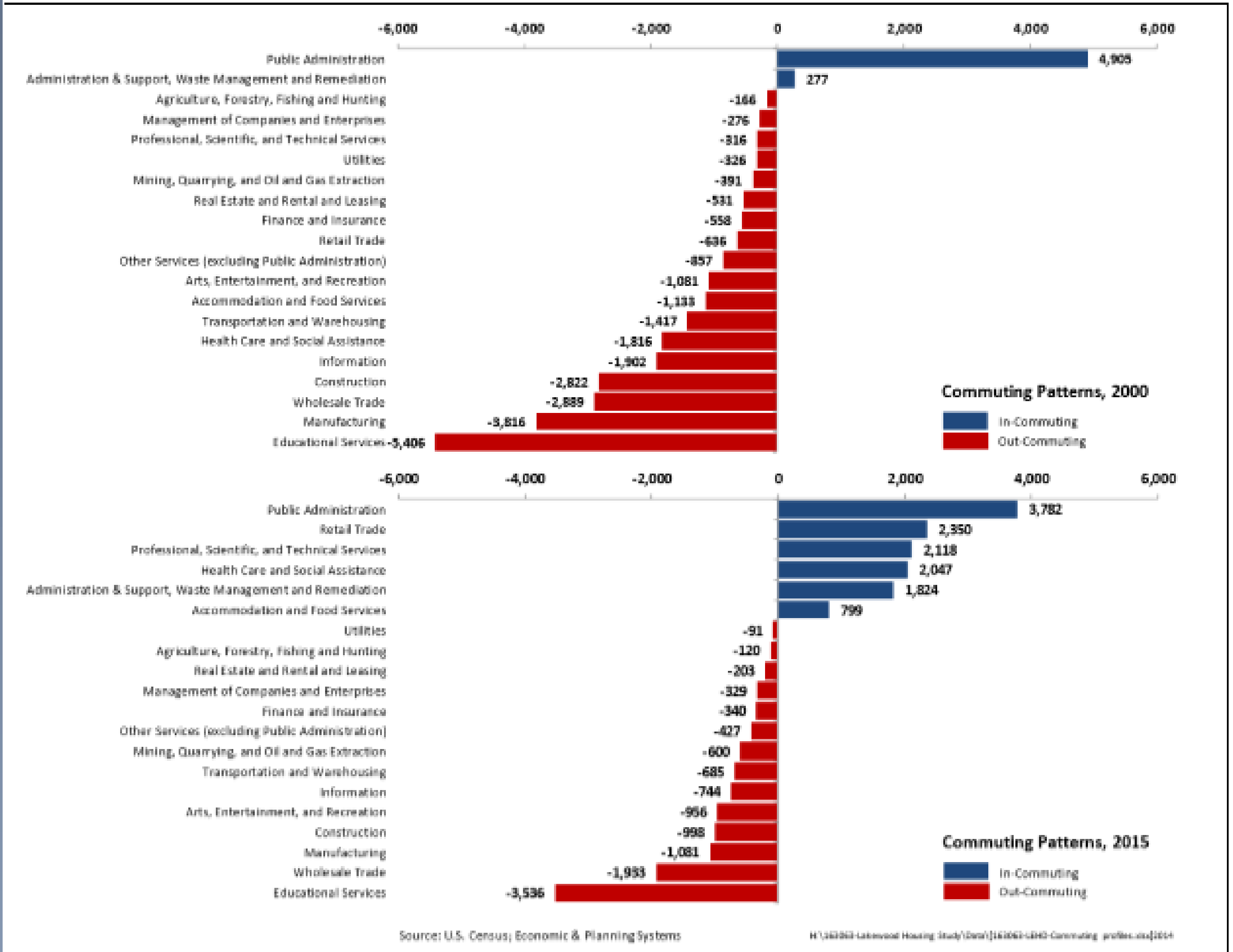


Table 2: City projected housing demand with and without 1% growth cap

	2018	Year 5	Year 10
1% Cap Projection	67,220	70,649	74,253
1% Cap 5 and 10-year sums of additional units		3,429	7,033
Baseline - Low scenario projection	67,220	71,280	75,340
Baseline - Low scenario 5 and 10-year additional units		4,060	8,120
Baseline - High scenario projection	67,220	73,117	78,370
Baseline - High scenario 5 and 10-year additional units		5,897	11,150

- Low - DRCOG, Lakewood Comprehensive Plan – 812 annually
- High – 5 year average of city share of county household growth – 941 annually
- History
  - 80/20 split multi-family vs single-family
  - Residential permits have surpassed a 1% cap twice in last 5 years but average of 870

Table 4: Lakewood direct loss in residential investment spending (fixed 2017$)

	5-year Sum	10-year Sum
Difference - Low scenario 5-year and 10-year sum	$160,316,303	$276,201,568
Difference - High scenario 5-year and 10-year sum	$626,968,982	$1,045,809,080

Table 5: Lakewood direct loss in residential household spending (fixed 2017$)

	5-year Sum	10-year Sum
Difference - Low scenario 5-year and 10-year sum	$40,378,202	$69,558,012
Difference - High scenario 5-year and 10-year sum	$157,929,323	$263,450,171

- Residential investment per unit
  - $321,750 for single-family detached
  - $225,000 for all others

- Household disposable income
  - $63,990 in 2017

If.. the region loses all displaced housing units

- Existing homes will pay growing share of property taxes
- Should homes not relocate in city's school district could forgo up to $23M in combined property, sales and motor vehicle taxes
- Previous work showed just a 1% increase in housing costs across Denver metro would reduce RDI by $322 M in just the first year.

Table 6: GDP Impacts of lower residential investment and household spending (fixed 2017$ Millions)

	5-year Sum	10-year Sum
Low - Residential Investment Only	-$264.60	-$429.83
High - Residential Investment Only	-$1,035.31	-$1,627.70
Low - Household Spending Only	-$39.00	-$66.00
High - Household Spending Only	-$158.37	-$255.29
Low - Combined Residential Investment and Household Spending Scenario	-$305.05	-$497.16
High - Combined Residential Investment and Household Spending Scenario	-$1,193.59	-$1,882.92

Table 7: Jobs impacts of lower residential investment and household spending

	Year 5	Year 10
Low - Residential Investment	-520	-270
High - Residential Investment	-2000	-800
Low - Household Spending	-80	-40
High - Household Spending	-300	-130
Low - Combined Residential Investment and Household Spending Scenario	-600	-310
High - Combined Residential Investment and Household Spending Scenario	-2300	-930

Affordability Impacts

- Previous works suggests significant impacts from even small changes
- Inventory is low
- Direct costs go up as construction gets delayed

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Figure 4: Areas in Lakewood within walking distance to employment centers (Economic & Planning Systems, Inc. and RRC Associates, August 28, 2017)

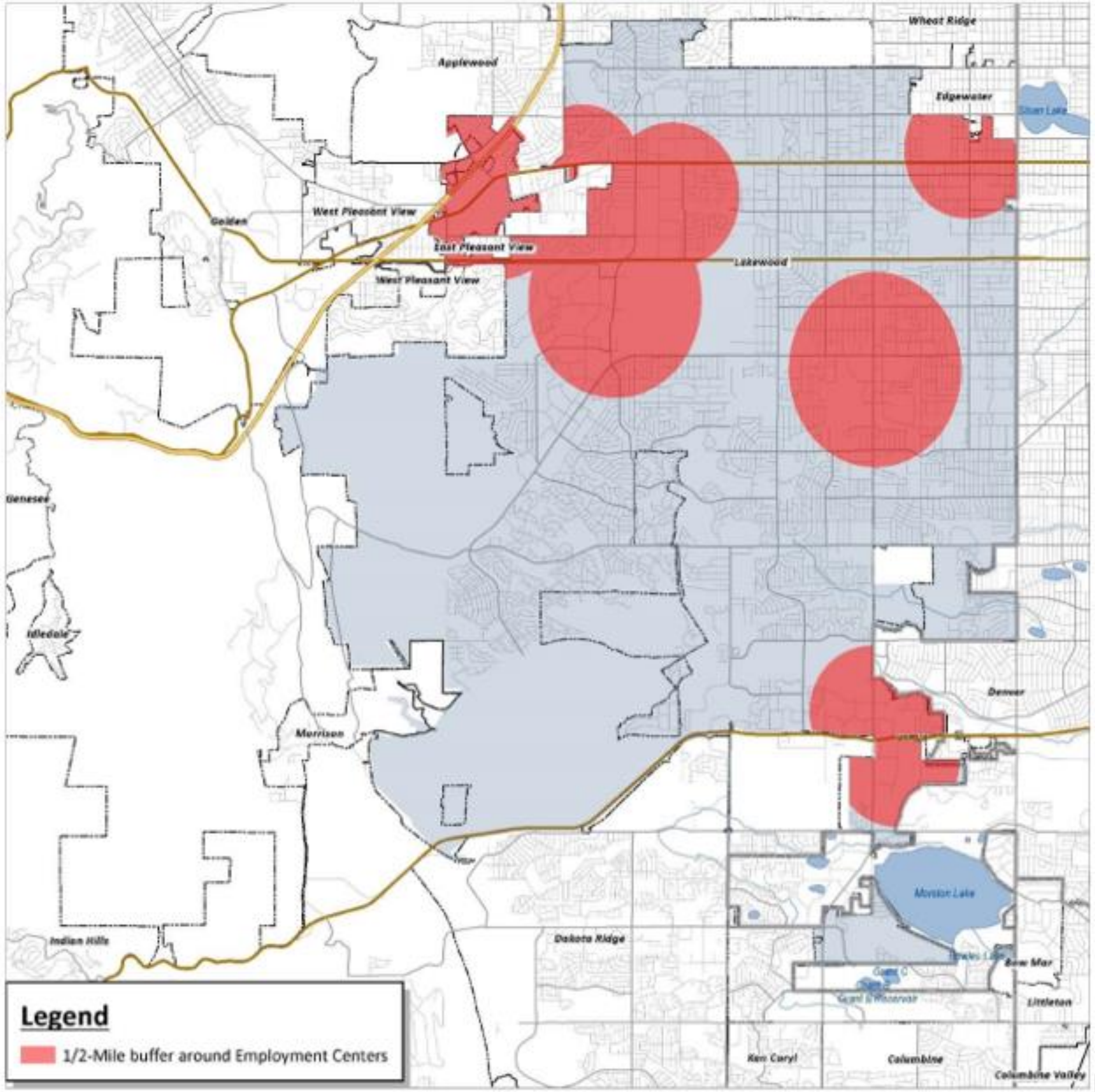


Figure 5: Areas in Lakewood within walking distance to retail and redevelopment (Economic & Planning Systems, Inc. and RRC Associates, August 28, 2017)

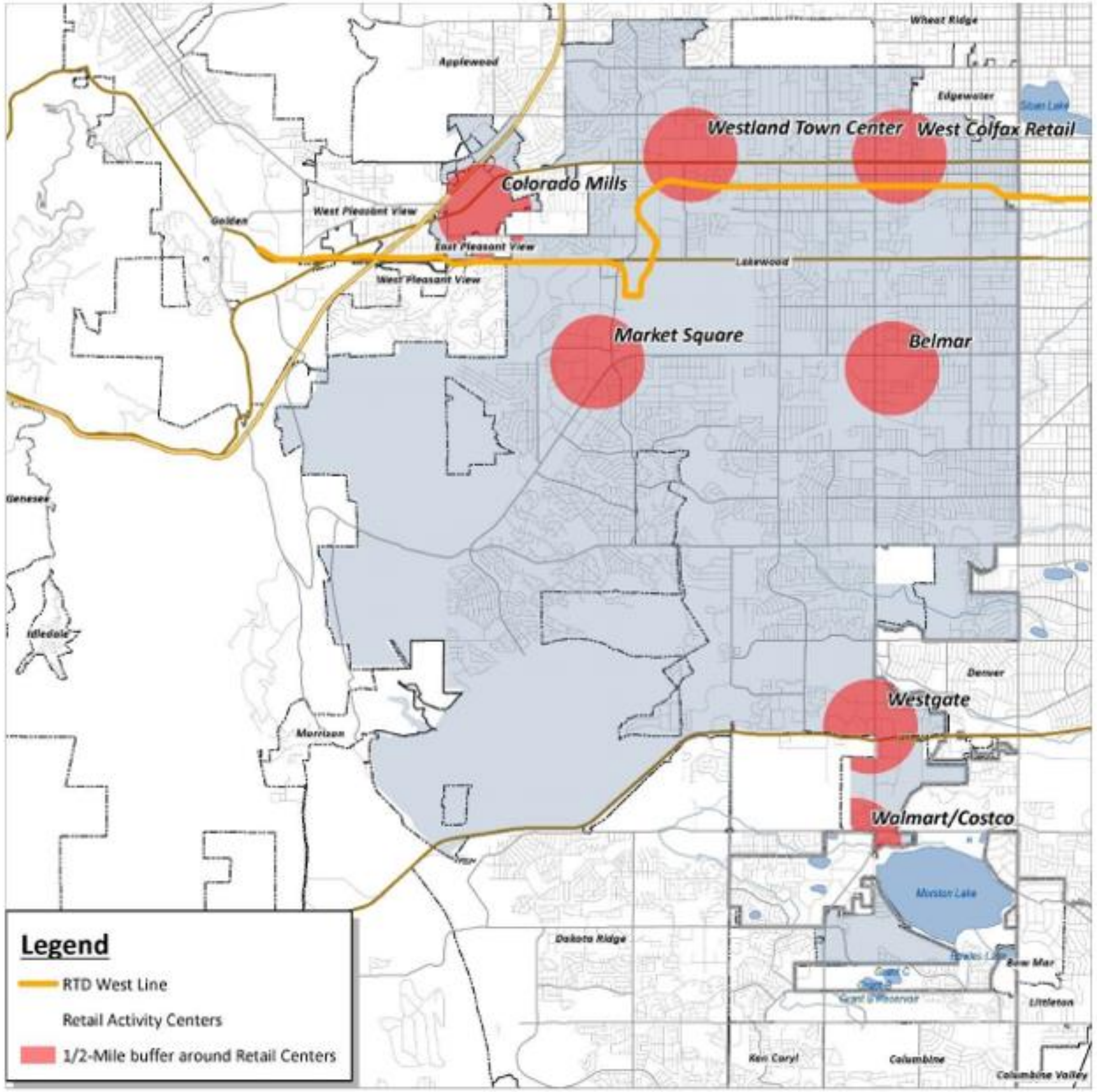


Figure 6: Areas in Lakewood within walking distance to fixed rail transit (Economic & Planning Systems, Inc. and RRC Associates, August 28, 2017)

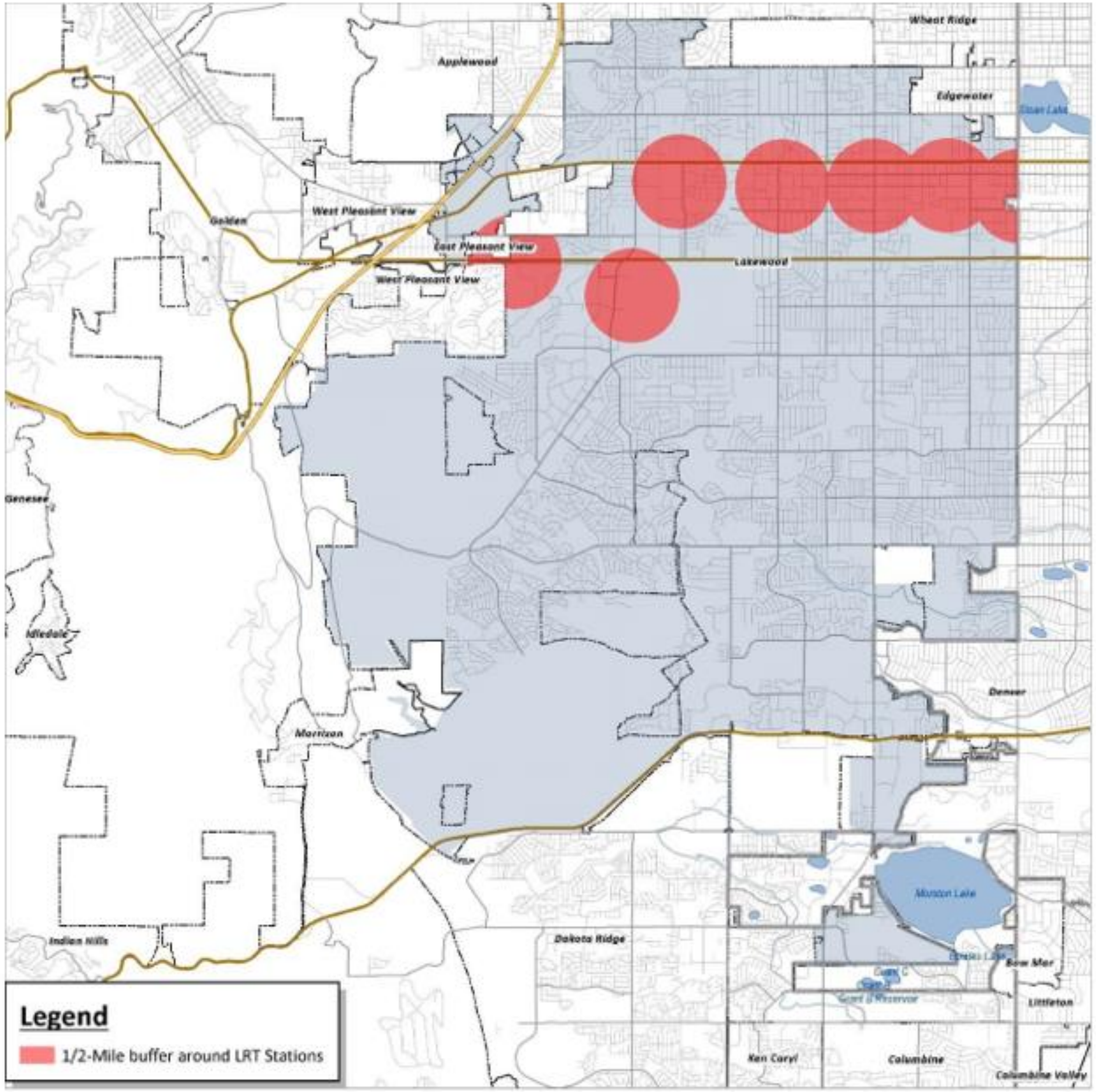
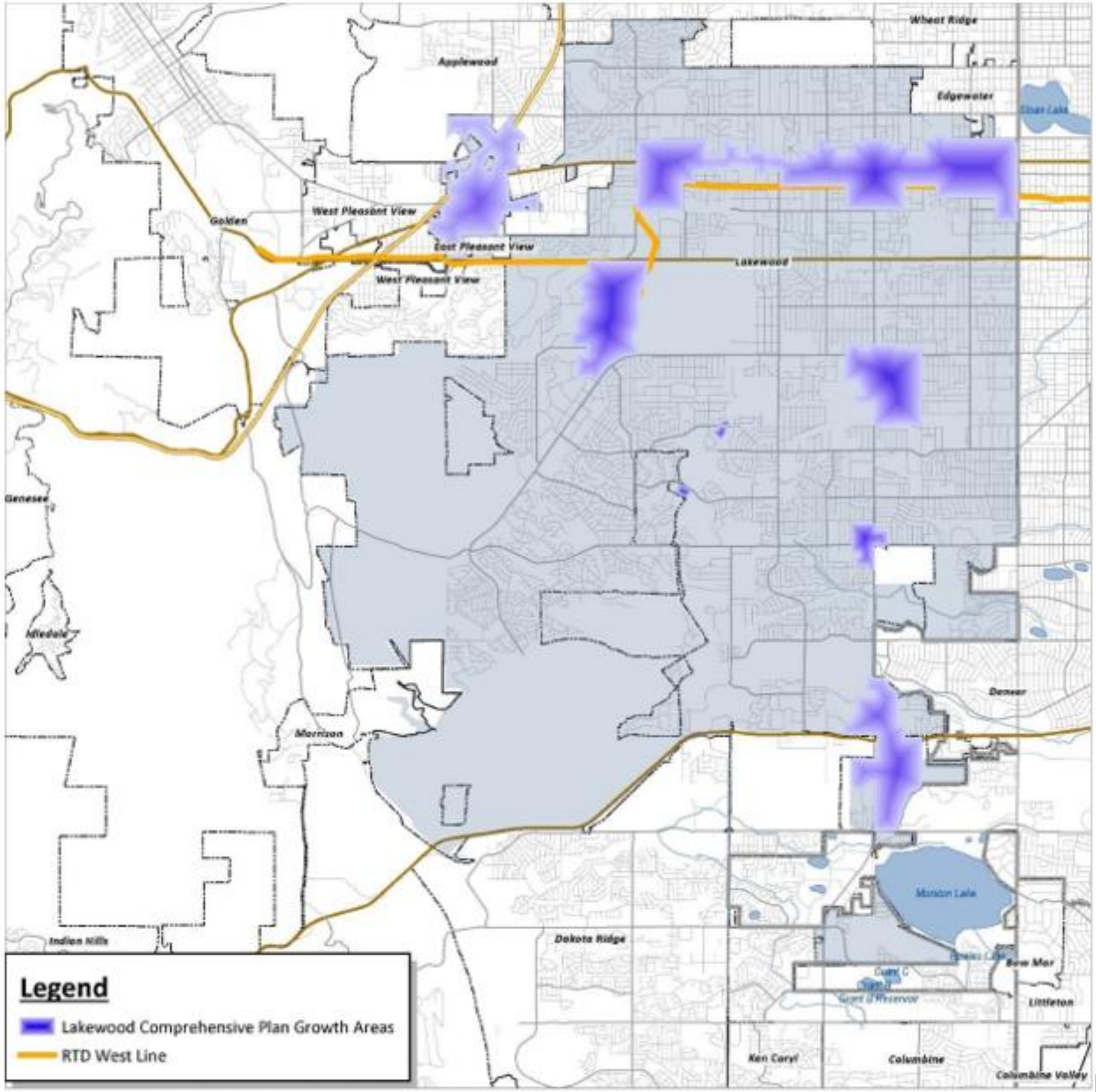


Figure 7: Growth Areas Targeted In Lakewood Comprehensive Plan (Economic & Planning Systems, Inc. and RRC Associates, August 28, 2017)



Housing, Density and Transportation

- Increase in supply of housing is needed to improve affordability

- 1% cap undermines stated preferences of community as established in comprehensive plan
  - Walkability
  - Amenities
  - Transit and Congestion– Less preference to build multi-family

1% Cap Could Go Statewide

Initiative 66 may appear on 2018 November Ballot

- Caps growth at 1% across 10 counties along front range between 2019 and 2020 and potentially longer

Memo to Colorado Legislative Council

http://www.leg.colorado.gov/content/limit-local-housing-growth-3

- Initial Findings
  - A 1% cap would reduce residential development by 42% over two years equally 26,050 fewer units
  - Could cost up to $7.8B in residential investment and roughly $350,000 in state revenue

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