

TOWN OF CRESTED BUTTE MARKET ANALYSIS

OCTOBER 2022

PREPARED BY WESTERN SPACES FOR THE TOWN OF CRESTED BUTTE



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Key Findings

The purpose of this study is to determine demand for new ownership and rental housing in the North Valley. The North Valley includes the Town's of Crested Butte and Mt. Crested Butte, as well as unincorporated areas north of, but not including, Almont.

Demand is calculated using estimates of existing households in the North Valley by income, number of people in the household, and whether they own or rent. Additional data on economic and demographic characteristics, trends in the rental and ownership market, as well as housing preferences, help paint a picture of who might live in new housing and what that housing could look like.

There is expressed consensus between residents and employers in the North Valley that the availability of housing represents a major problem. When the market fails to respond to a community need, it creates an environment where public and private sector cooperative efforts can step in to provide solutions. An optimally located housing supply supports resident and workforce mobility, productivity, and contributes to a higher quality of life.

Income Distribution

Household incomes are typically expressed as a percentage of the Area Median Income (AMI) to allow for applicability among various programs and across geographies. For the purposes of this study, the market is defined as households between 60 and 180% AMI.

| AMI | Income Range* | Renter HH | Owner HH |
|-----------------------|------------------------|------------------|-----------------|
| 60% to 80% | \$42,480 to \$56,640 | 18% | 18% |
| 80.1% to 100% | \$56,641 to \$70,800 | 24% | 22% |
| 100.1% to 120% | \$70,801 to \$84,960 | 18% | 16% |
| 120.1% to 150% | \$84,961 to \$106,200 | 20% | 31% |
| 150.1% to 180% | \$106,201 to \$127,440 | 20% | 13% |
| Total | - | 503 | 658 |

Source: Ribbon Demographics, Western Spaces Calculations

*Income range varies by HH Size, ranges provided here are for a 2-person HH

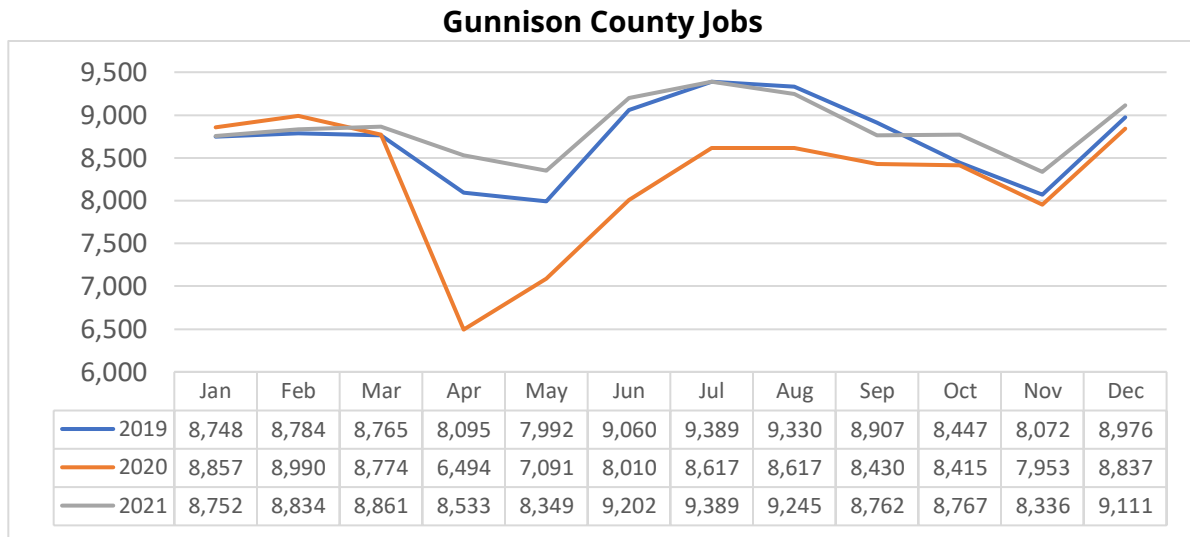
Population

The population and labor force in the North Valley is aging, as is the trend in other Colorado mountain resort communities. According to the American Community Survey, the median age increased from 36 years in 2015 to 41 years in 2020. The largest increase occurred in households between 50 and 54 years (5%). Most retiring workers in the community will remain in their existing housing, increasing the demand for housing to accommodate new workers.

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Unfilled Jobs

After a spike in unemployment in April 2020 (16%), labor shortages are once again a challenge with unemployment down to 2.4% in May 2022. As reported by the QCEW, total jobs in the County follow a similar pattern to unemployment with a net decrease in jobs (over 2,000) occurring in March of 2020. At the end of 2021, total jobs were near pre-COVID numbers.



Source: QCEW

Employers are both replacing employees lost between 2019 and 2020, as well as growing and hiring for new positions. While low-wage and mid-wage jobs were the hardest hit by COVID shutdowns, the ability of new hires to find housing is difficult for the entire

The ability of new hires to find housing is difficult for the entire spectrum of income levels.

spectrum of income levels. Employers’ ability to recruit and retain qualified employees has become harder, in large part due to a lack of available housing. The North Valley is seeing high demand for new talent, however, the current housing supply is unable to accommodate the influx.

Availability of Housing

Vacancy rates are below 1%, which is far below a functional market vacancy level. Typically, vacancy rates around 5% suggest some equilibrium in the market, meaning there is sufficient supply to provide renters with a choice of product. Vacancy rates below this threshold indicate under-supply, whereas rates above this level suggest over-supply of housing.

As of early August, rental vacancy rates were below 1% and there were no market rate units for sale in the North Valley at prices affordable to households making 180% AMI or less.

The distribution of sales across the North Valley that are affordable to households making between 80 and 180% AMI has been decreasing. As of early August, there were no market rate units for sale in the North Valley at prices affordable to households making up to 180% AMI.

Rental Trends

Properties listed during a three-month inventory of rental listings revealed primarily large homes that are fully furnished with high end finishes, or condos with amenities targeted to second homeowners, and many do not allow pets – all contrary to what most locals want, which is pet-friendly studio and one-bedroom units.

Interviews with multiple stakeholders, including property managers, real estate agents, and other community members, indicate that rental rates and lack of availability have been rising.

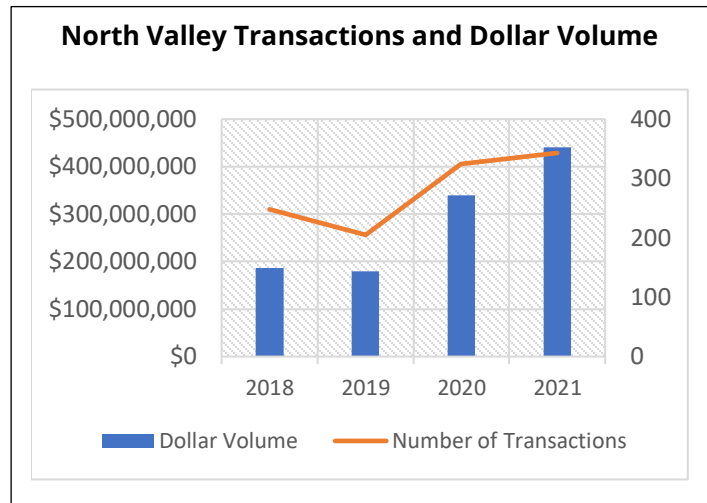
North Valley Average Market Rent

| | Studio | 1BR | 2BR | 3BR |
|-----------------------------|---------------|------------|------------|------------|
| 2016 | - | \$890 | \$1,175 | \$1,883 |
| 2020 | \$892 | \$1,104 | \$1,534 | \$2,100 |
| 2022 | \$1,150 | \$1,300 | \$2,295 | \$3,400 |
| 2022 Income Required | \$46,000 | \$52,000 | \$91,800 | \$136,000 |
| 2022 AMI Required | 74% AMI | 73% AMI | 115% AMI | 154% AMI |

Source: 2016 Housing Needs Assessment, Property Manager interviews, CHAFA

Ownership Trends

Overall dollar volume of residential sales in the North Valley remained fairly steady through 2019 and then jumped quickly in 2020. This increase can partly be attributed to COVID migrations coming with the arrival of summer, strong demand fueled by the ability to work remotely, and the motivation to get out of urban areas. County Wide, the median sales price for residential units rose steadily between 2019 and 2021, with an increase of 15% from 2019 to 2020 and another 17% from 2020 to 2021.



However, data indicate that the COVID frenzy has slowed and data show an overall decrease in transactions compared to last year. Countywide, the number of transactions decreased by 39%. North Valley followed a similar trend, with 37% fewer transactions.

Changes in the Use of Existing Units

The trend observed in the last two years indicating an influx of “zoomers” does not preclude those rented for a month or more, that effectively have resulted in a loss of units available to the local workforce.

Data indicate that the proportion of units occupied by long-term rentals has remained constant within the Town limits (34%). A long-term rental is typically categorized as a lease of 30 days or more. The trend observed in the last two years indicating an influx of “zoomers” does not preclude those rented for a month or more, that effectively have resulted in a loss of units available to the local workforce.

Additionally, as reported in the Mountain Migration report, families were moving into their second home residences as a result of COVID shutdowns. This transition does not necessarily indicate a loss of second homes, as many maintained their primary residence elsewhere. While the ratio of second homeownership has not changed, the use may have. This trend can attribute to the general increase in busyness around the area and around town.

Design and Development

Decisions about the provision of rental and homeownership opportunities – number of units, location, unit type, amenities, and pricing, will depend on policy and developer decisions as to which segments of the potential market for each should be the focus.

The lack of available housing choice has resulted in renters simply getting by with anything that is available and for would-be homebuyers staying in the rental market.

Units for rent could include one, two, and three bedrooms but the primary emphasis should be on one and two-bedroom units. Owners are most often in need of two and three-bedroom homes. Homes of 1,200 to 1,800 square feet were reported as the “sweet spot” by property managers and realtors, consistent with modest two- and three-bedroom homes.

For renters and owners in the North Valley market, choosing where to live inevitably involves tradeoffs. While many are willing to make tradeoffs to live in their preferred location, the lack of available housing choice has resulted in renters simply getting by with anything that is available and for would-be homebuyers staying in the rental market.

Demand Estimates

The estimate of demand quantifies the size of the market and the capture rates for the proposed units taking into consideration the number of households residing within the market area by income and household size and in-migration of households from outside the market area.

This demand calculation uses a conservative method, considering only existing households. It is assumed that with growth, demographics and preferences will remain much the same. In market analysis it is not necessary to consider households that might move in unless major events, like a large tech company moving into a community, are planned.

For new rental units, there is potential demand for between 40 and 82 units generated by households with incomes between 60 and 120% AMI. The less served renter population is between 60 and 80% AMI which is above LIHTC and generally still below market rate.

North Valley Capture Rates – For Rent

| | 60 to 80% | 80 to 100% | 100 to 120% |
|---|----------------------|-------------------|-------------------|
| Max Affordable Monthly Payment 2-person HH | \$1,000 - \$1,300 | \$1,300 - \$1,600 | \$1,600 - \$2,000 |
| Total Eligible Households | 116 | 134 | 60 |
| Capture Rate - Conservative | 20% | 10% | 5% |
| Number of potential units at conservative Capture Rate | 23 | 13 | 3 |
| Capture Rate - Mid | 30% | 15% | 10% |
| Number of potential units at mid Capture Rate | 35 | 20 | 6 |
| Capture Rate - Aggressive | 40% | 20% | 15% |
| Number of potential units at aggressive Capture Rate | 46 | 27 | 9 |

For ownership units, there is total potential demand for between 50 and 81 units generated by households with incomes between 100 and 180% AMI. The majority of purchasers will be first-time homebuyers. For households in the North Valley, 100 to 120% AMI is a transitional range where renter households become more capable to purchase.

North Valley Capture Rates – For Sale

| | 100 to 120% | 120 to 150% | 150 to 180% |
|---|-------------|-------------|-------------|
| Max Affordable Purchase Price 2-person HH | \$360,000 | \$440,000 | \$540,000 |
| Total Eligible Households | 38 | 102 | 109 |
| Capture Rate - Conservative | 10% | 20% | 15% |
| Number of potential units at conservative Capture Rate | 4 | 30 | 16 |
| Capture Rate - Mid | 15% | 30% | 20% |
| Number of potential units at mid Capture Rate | 6 | 31 | 22 |
| Capture Rate - Aggressive | 20% | 40% | 30% |
| Number of potential units at aggressive Capture Rate | 8 | 41 | 33 |

Max Purchase Price assumes 30-yr fixed, 5.875% interest, 30% of income towards payment

Introduction

The Town of Crested Butte commissioned Western Spaces, LLC, to complete a market study to inform the development of workforce housing. The goal of this study is to determine the spectrum of demand for workforce housing in the North Valley and to help design a development program for targeting portions of that demand.

This analysis is different than a Needs Assessment in that it represents the households from which a proposed housing development will draw its residents. It is used to determine if projects are feasible and to gauge risk.

After quantifying the total number of households that comprise the market of potential project residents, this report segments the market by income, household type and size, and housing and location preferences to inform decisions about unit type, bedroom mix, pricing, and amenities.

The market area is defined as the North Valley, including the towns of Crested Butte and Mount Crested Butte, as well as Crested Butte South and unincorporated subdivisions south to, but not including, Almont.

Methodology and Sources

Western Spaces, LLC reviewed all relevant data, conducted personal interviews with local apartment managers, government officials, local real estate professionals, and service providers, and independently established the conclusions for this report. This preliminary market analysis is intended to inform initial decisions on the design and pricing of potential new units.

This study references the most up-to-date information available from:

- Colorado State Demographer;
- Colorado Department of Labor and Employment;
- U.S. Bureau of Labor Statistics;
- Gunnison County MLS ;
- Ribbon Demographics;
- Interviews of property managers, municipal and county planners, and representatives of the Gunnison Valley Regional Housing Authority;
- For-rent listings in the Crested Butte News, Gunnison Country Times, Craigslist and Zillow;
- 2016 Gunnison Valley Regional Needs Assessment by Rees Consulting, Inc., WSW Consulting and Williford LLC;
- 2021 Gunnison Valley Housing Market Update by Williford LLC, Rees Consulting and the Urban Rural Continuum;

- 2021 North Gunnison Valley Rental Market by Williford LLC and Karen Bauer.
- Stakeholder interviews.

Area Covered

This report uses the same methodology for defining market areas as the 2021 Gunnison Valley Housing Market Update. The North Valley is the primary market and the focus of this report. For data collection purposes, the North Valley includes census tract 9638. South Valley is the secondary market and includes census tracts 9636 and 9637.

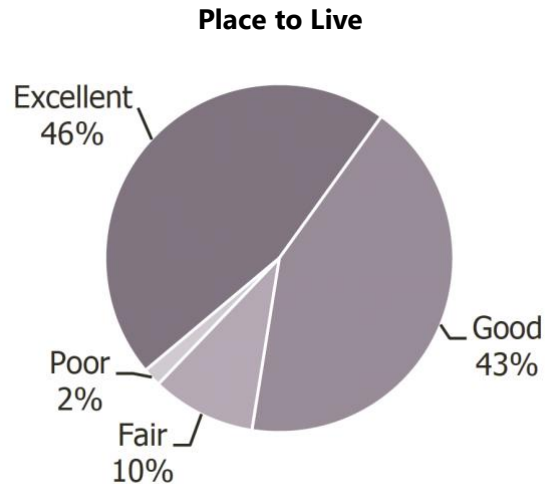
Market Area



Source: ESRI, US Census

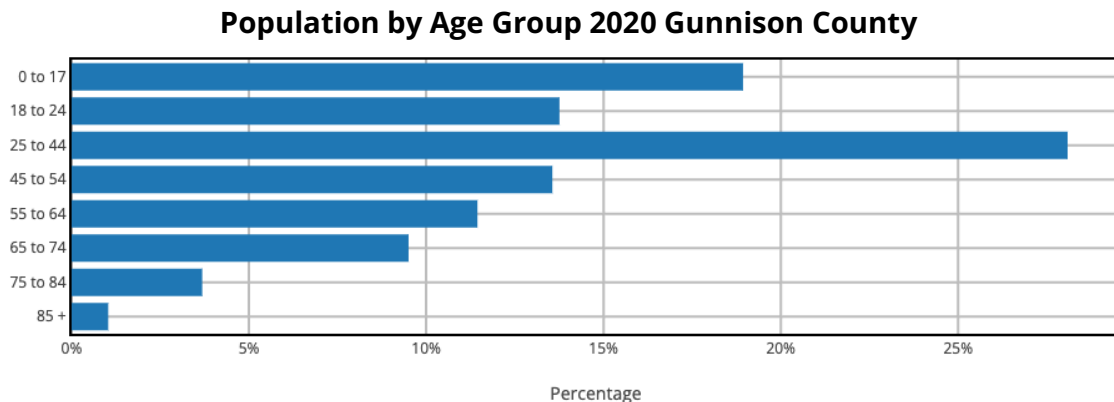
Gunnison County

Gunnison County is the fifth-largest county by area in Colorado with 3,260 square miles. According to the National Community Survey, residents rate the County as an excellent (46%) or good (43%) place to live. This is an indicator of the overall health of the County.



2018 Gunnison National Community Survey (NCS)

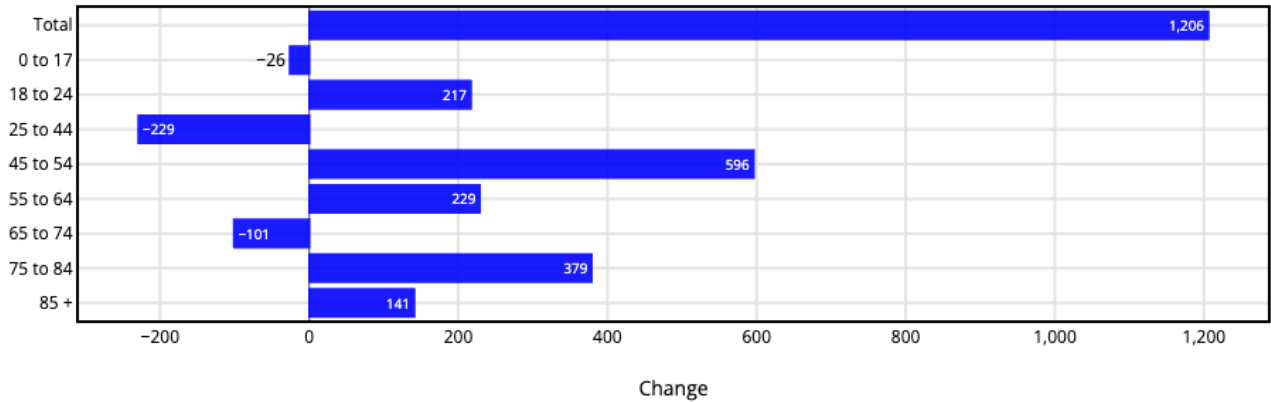
Per the Colorado Department of Local Affairs State Demography Office, the 2020 population of Gunnison County is estimated to be 16,944. The largest age category is the 25 to 44 age group (28%).



Source: Data Visualization by the Colorado State Demography Office

The County is projected to grow to 18,149 by 2030, about 7%. During that time, countywide, the largest growth is projected to occur in the 45 to 54 age group, while the 25 to 44 age group is projected to decrease.

Projected Population Change by Age Group, 2020 to 2030 Gunnison County



Source: Data Visualization by the Colorado State Demography Office

North and South Valley

Overall, 34% of households in the County are located in the North Valley and a slightly higher 36% of owner households are located in the North Valley. The distribution of owner and renter households varies, with the South Valley having a higher ratio of renters (43%) compared to the North Valley (37%).

Households by Tenure

| | South Valley | | North Valley | |
|--------------|--------------|------|--------------|------|
| | # | % | # | % |
| Rent | 2,088 | 43% | 913 | 37% |
| Own | 2,740 | 57% | 1,533 | 63% |
| Total | 4,828 | 100% | 2,446 | 100% |

Source: Ribbon Demographics

Market Area Demographics

As of 2020, Gunnison County had a population of around 17,000 persons residing in 12,131 households. Of these, 2,256 households or 32% of the total were within the North Valley market area.

In the North Valley, the housing occupancy rate was only 52% in 2020, up slightly from 2010 which was estimated at 49% occupancy. As classified by the US Decennial Census, a housing unit is vacant if no one is living in it at the time of the interview, unless its occupants are only temporarily absent. In addition, a vacant unit may be one which is entirely occupied by persons who have a usual residence elsewhere. These primarily consist of those used for seasonal, recreational, or occasional use. The estimate also includes vacant units listed for rent or sale at the time of the survey.

The homes that are not occupied by members of the workforce typically create demand for workforce housing through cleaning, repair, snow removal, landscaping, and similar jobs involved in the operation and maintenance of the units.

2020 Population and Housing Occupancy

| | North Valley | Gunnison County |
|-------------------------------|---------------------|------------------------|
| Population | 5,116 | 16,918 |
| Housing units | 4,355 | 12,131 |
| Households | 2,256 | 7,135 |
| Housing occupancy rate | 52% | 59% |

Source: 2020 Decennial Census

The population and labor force in the North Valley is aging, as is the trend in other Colorado mountain resort communities. According to the American Community Survey, the median age increased from 36 years in 2015 to 41 years in 2020. The largest increase occurred in households between 50 and 54 years (5%).

Economic Conditions

This section of the report covers jobs, wages and the distribution of jobs in Gunnison County. It also quantifies impacts as a result of COVID-19 closures and reviews the quarterly survey conducted by the Gunnison County Recovery Team and the One Valley Leadership Council for employer perceptions on housing.

Unemployment

Unemployment is estimated differently depending on the source. The Bureau of Labor Statistics, which is the source used for this report, classifies people as unemployed if they do not have a job, have actively looked for work in the prior four weeks, and are currently available for work. Workers expecting to be recalled from temporary layoff are counted as unemployed whether or not they have engaged in a specific job seeking activity.

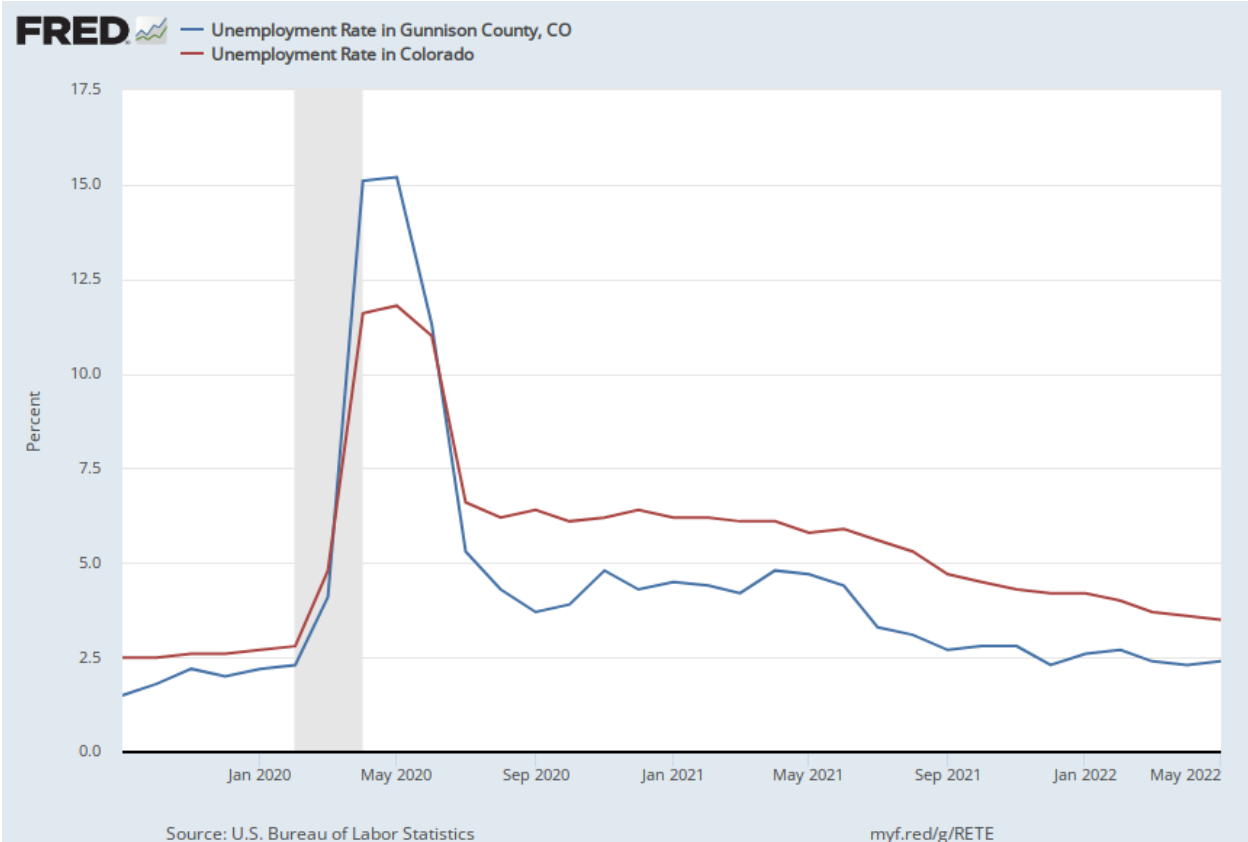
When the 2016 assessment was released, the County’s economy was growing quickly. Unemployment was extremely low at 1.9% and jobs were projected to grow at a rate of 2% per year on average through 2020.

As reported in the May 2021 Gunnison Valley Housing Market Update, County job growth between 2016 and 2020 ended up being even higher than estimated in the 2016 Needs assessment (2% per year) at 2.6% per year on average according to the Colorado Demography Office. Valley employers struggled with labor shortages in 2019 into early 2020.

Coming into 2020, unemployment remained low up until March 2020 (2.2%). By Mid-March the ski area was shut down, visitors were asked to go home, second-home owners were asked to stay at their primary residence (essentially closing County borders) and COVID-19 was determined a global pandemic.

The unemployment rate across the State spiked in April. The spike in Gunnison County reached 16.0%, higher than the State of Colorado at 12.2%, but took a rapid decline over the next few months to 3.9% in October. As of May 2022, the unemployment was down to 2.4%, lower than the State overall at 3.5%.

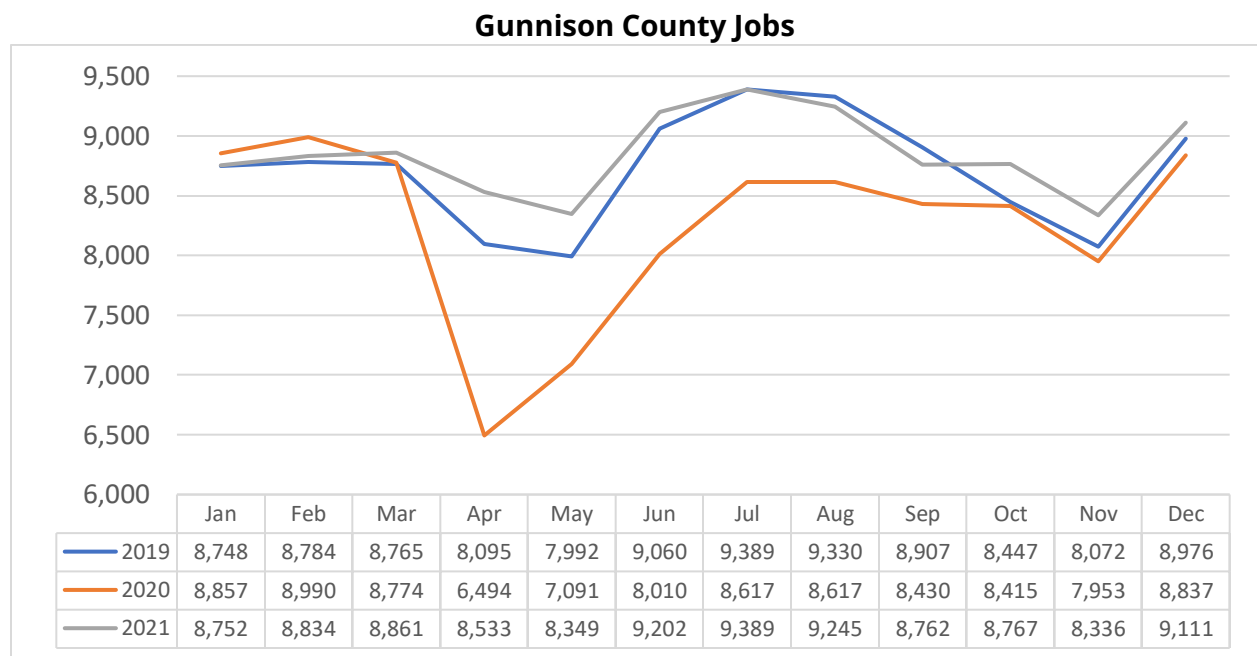
Unemployment Rate Gunnison and State of Colorado Compared



Current and Projected Jobs

The estimation of jobs, as with unemployment, varies by source. The Quarterly Census of Employment and Wages (QCEW) is used in this report. QCEW monthly employment data represent the number of covered workers who worked during, or received pay for, the pay period that included the 12th day of the month.

As reported by the QCEW, total jobs in the County follow a similar pattern to unemployment with a net decrease in jobs (over 2,000) occurring in March of 2020. At the end of 2021, total jobs were near pre-COVID numbers. The seasonal fluctuation of jobs in the County follows a typical mountain tourist economy with drops during the shoulder seasons in the Spring (April and May) and Fall (September and October).

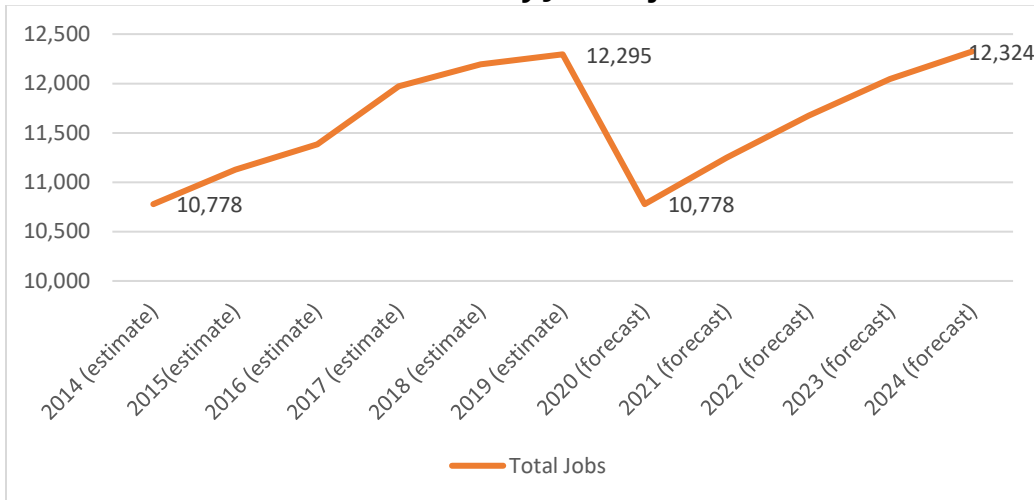


Source: QCEW

*2021 number are noted as preliminary

Recent Colorado Demography Office projections indicate strong annual job growth for the next few years with a full recovery to pre-COVID total jobs around 2024.

Gunnison County Job Projections

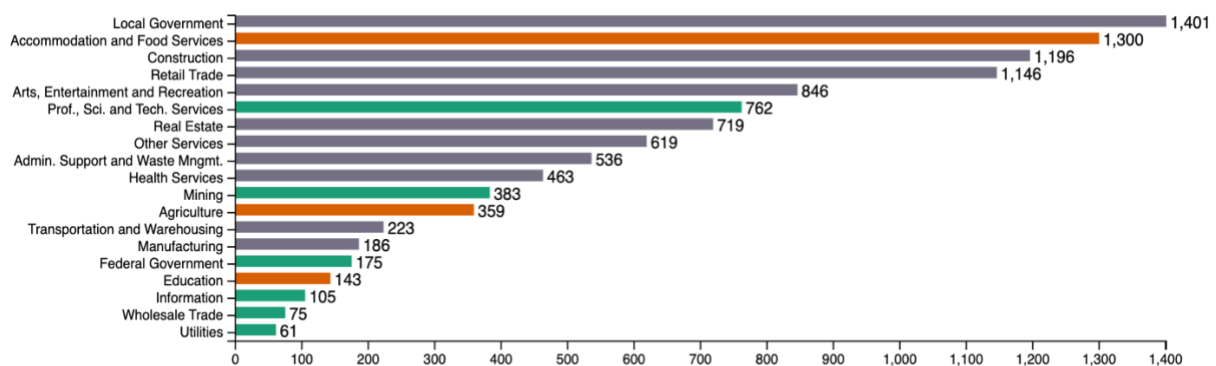


Source: DOLA

Jobs by Sector

In Gunnison County, the largest sector is local government providing 1,401 jobs (12%). The second largest sector is accommodation and food services providing 1,300 jobs in 2020 (11%). This group on average makes the lowest annual wage, between \$22,382 and \$34,327. Construction, retail trade and arts, entertainment and recreation are the next three largest sectors.

Jobs by Sector: Gunnison County, 2020



Job sector data is suppressed according to Bureau of Labor Statistics standards.
 Data Source: Bureau of Labor Statistics Source Date: November, 2020.
 Visualization by the State Demography Office, Print Date: 07/08/2022

11,693 Total Estimated Jobs
 \$43,246 Average Annual Wage
 2020 Employment Share by Wage
 ■ Low Wage Jobs: (\$22,382 - \$34,327) 16.5%
 ■ Mid Wage Jobs: (\$36,522 - \$49,472) 69.2%
 ■ High Wage Jobs: (\$56,964 - \$133,678) 14.3%

Taking a closer look at the effects of COVID on jobs in the County, data indicate that between 2019 and 2020, an estimated 662 jobs were lost. The largest sector, accommodation and food services, lost an estimated 296 jobs, followed by arts, entertainment and recreation (151). These job categories are classified at low-wage (\$22,382 - \$34,327) and mid-wage (\$36,522 - \$49,472). The sectors that gained the most jobs during this time period were transportation and warehousing and construction.

Change in Jobs by Sector 2019 to 2020

| Sector | Change 2019 to 2020 |
|------------------------------------|------------------------------------|
| Accommodation and Food Services | -296 |
| Arts, Entertainment and Recreation | -151 |
| Other Services | -82 |
| Retail Trade | -48 |
| Mining | -37 |
| Prof., Sci. and Tech. Services | -17 |
| Real Estate | -12 |
| Wholesale Trade | -11 |
| Information | -7 |
| Local Government | -1 |
| Manufacturing | 0 |
| Utilities | 1 |
| Agriculture | 2 |
| Health Services | 2 |
| Education | 3 |
| Federal Government | 7 |
| Admin. Support and Waste Mngmt. | 15 |
| Construction | 23 |
| Transportation and Warehousing | 37 |

Source: QCEW

Commuting

The relationship between where households live and where they work in the region is central to understanding current housing demand patterns and to planning for future housing development.

Data and anecdotal evidence suggest that the ski and tourism industry in the North Valley has contributed to local workers being priced out of the area. This is a trend seen in many resort communities. To sustain a living, workers live further away, where housing is available and more attainable.

As noted in GVRHA Housing Market update, commuting up and down valley for work dropped off sharply when businesses closed and/or employees worked from home, but as employees returned to work on site, commuting returned.

Based on April 2021 responses to Gunnison County's monthly business survey question asking where employees live and where they work, 34% of employees that work in the North Valley (Crested Butte, Mount Crested Butte, or Crested Butte South) commute in from the South Valley. This finding is consistent with data from 2016. Comparing 2016 to 2020 employer survey data suggests that the dominant commuting pattern has not changed – many South Valley residents still commute north for work.

In contrast, almost all (93%) employees that work in the South Valley (Gunnison, Almont and the Unincorporated County) also live in the South Valley, a figure that is higher than in 2016 (82%). This indicates that workers in the South Valley are also increasingly living in the South Valley.

A trend that was noted prior to COVID, but accelerated as a result, is the increasing number of remote workers in many resort communities. This is a hard trend to measure, however, Census data from the American Community Survey 5-year estimates indicate that the percent of workers 16 years and over working from home in the North Valley almost doubled between 2017 and 2020, going from 5% to 10%. This estimate does not represent jobs in the North Valley, but employed persons living in the North Valley.

Employer Perceptions

The Gunnison County Recovery Team and the One Valley Leadership Council conduct regularly recurring surveys to ask community members about their experiences during COVID-19 and how the regions' economic situation is impacting them. As noted, the participation rate has declined in the last two quarters but still provides valuable information regarding perceptions on housing.

Employer Comments:

"Create more affordable housing to be able to support our workforce."

"Actual affordable housing and a living wage for this area."

"Anything that can be done to provide workforce housing for the people who are already here!"

Responses in the last quarter of 2021 indicate that labor shortages are once again a challenge, one that is likely to get worse. In the last quarter of 2021, 56% of business survey respondents indicated that they have unfilled jobs. This is a 6% increase from April 2021. Additionally, the percentage of employers who responded that it has gotten harder to recruit and retain qualified employees has increased from 46% to 67%. Long-term workforce challenges continue in the County and appear to be getting more severe.

Employers interviewed for this study noted difficulty for new hires across the board to find housing. In particular, while the North Valley is seeing high demand for new talent, the current housing supply is unable to accommodate the influx.

Deed Restricted Inventory

In the North Valley, the Town of Crested Butte has been investing in affordable housing options for over 30 years. The Town has enabled a wide variety of affordable housing including rentals and home ownership units that are dispersed throughout. There are currently 314 deed-restricted units within Town limits, including 16 employee housing units owned by the Town of Crested Butte, 6 of which are dormitory style.

In addition to the 314 deed restricted units in the Town of Crested Butte, there are 95 units spread between Mt. Crested Butte and the balance of the North Valley in unincorporated Gunnison County.

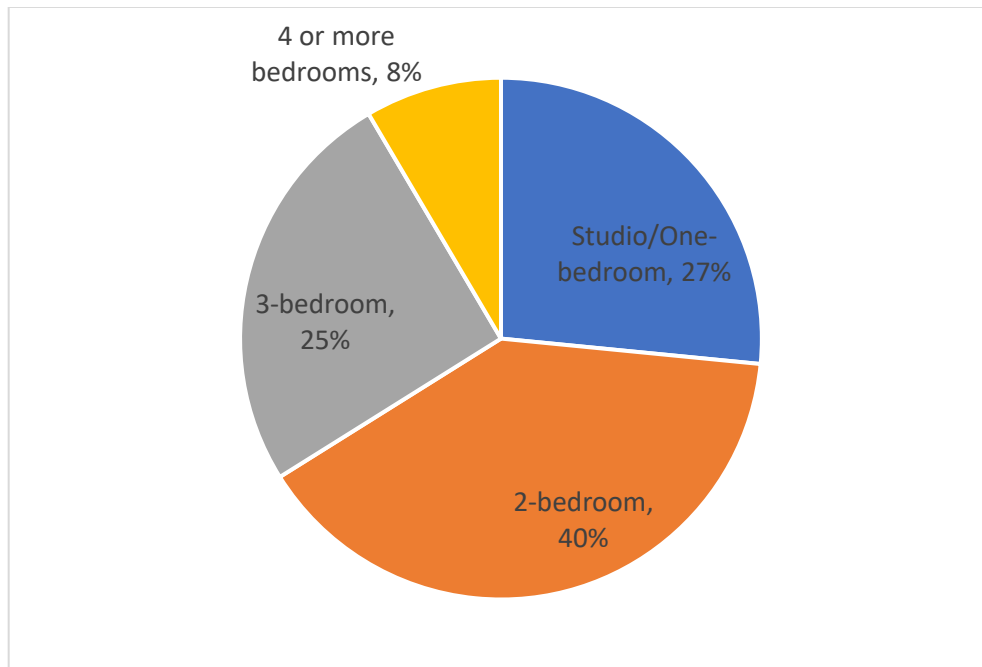
Data recorded by the Gunnison County Assessor’s office for the North Valley were used to assist in compiling this inventory. Assessor records were compared to the inventory kept by the Town of Crested Butte, as well as the inventory kept by the Gunnison Valley Regional Housing Authority. In the Assessor data, it was discovered that properties within the Town of Crested Butte classified as residential in-commercial, dorm room, multi-family six-plex and three-plex and four mobile homes were excluded. These have been added to reconcile the tally.

| North Valley Deed-Restricted Units | |
|---|--------------|
| | Units |
| Town of Crested Butte | 314 |
| Remainder of North Valley | 95 |
| Total | 409 |

Source: Town of Crested Butte, Gunnison County Assessor, GVRHA, 2016 Needs Assessment, 2021 Needs Update

The largest category of deed restricted properties in the North Valley (40%) are two-bedroom units. An additional 27% are one-bedroom units, followed by a similar 25% 3-bedroom units. Very few, 8%, have four or more bedrooms.

Bedroom Mix



Source: Gunnison County Assessor

Of the 409 deed workforce housing units in the North Valley, 150 are deed restricted or used as rentals. The Gunnison Valley Regional Housing Authority (GVRHA) manages two income-restricted workforce housing buildings in the North Valley: Anthracite Place and Elk Creek Townhomes.

- Anthracite Place is a 30-unit LIHTC development consisting of one and two-bedroom units. Construction was completed and it took about four months to fully lease up (7.5 units/month.) The income restriction includes 13 units at 50% AMI and 17 units at 60% AMI.
- Elk Creek Townhomes has eight units. Gunnison County owns seven and Gunnison Hospital owns one.

Scattered throughout Town are 96 privately owned, deed-restricted accessory dwelling units (ADUs) that are required to be rented via a long-term lease. Additionally, the Town of Crested Butte owns ten units that are used as long-term rentals for Town employees as well as a six-unit dorm-style property that provides housing for seasonal workers with priority leasing given to Town employees.

Renter Market Size

Market size represents the market from which new development would draw its renters and helps determine feasibility and risk. After quantifying the total number of renter households that comprise the market, the market is segmented by income and household size to inform decisions about unit size and pricing.

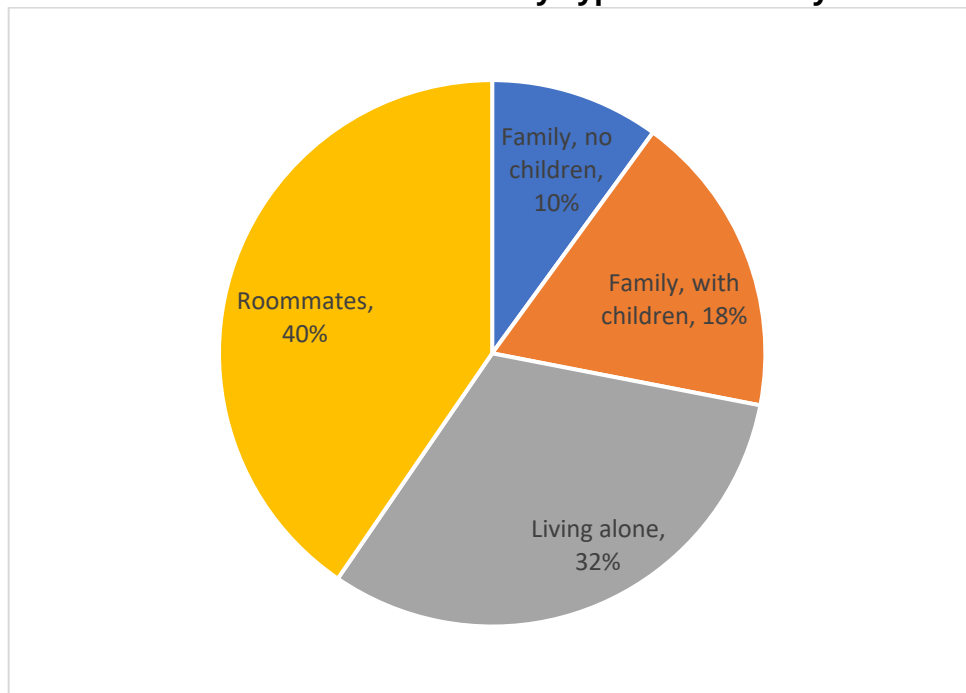
This section focuses on the North Valley and provides overall figures for Gunnison County and the South Valley for insight into regional differences and similarities.

Current and Projected Renter Households

The potential market for rental housing in the North Gunnison Valley consists of approximately 913 renter households who now reside in the market area year-round. They represent the market from which apartment properties must draw residents. Design and rent decisions should be based upon the characteristics and preferences of renters currently living in the area since no significant in-migration from outside of Gunnison County is anticipated.

Roommate households are the most common (40%), followed by those with only one member living alone (32%). Families are in the minority (28%). About 18% of renter households are families with children and 10% are families (both couples and singles) without children.

2020 Renter Households by Type: North Valley



Source: 2020 ACS

Renter households in the North Valley are projected to grow by 6% overall between 2022 and 2027, adding a total of 51 renter households. A similar growth rate is projected for the South Valley (5%), adding around 118 rental households in the next five years. The largest projected increase by household size is three- and four-person households (11% change each). These estimates could be impacted by the construction of additional rental units in the valley through projects not yet on the ground.

Projected Growth in North Valley Renter Households

| | 1-person | 2-person | 3-person | 4+ person | Total |
|-----------------|----------|----------|----------|-----------|-------|
| 2022 | 251 | 343 | 169 | 150 | 913 |
| 2027 | 258 | 353 | 187 | 166 | 964 |
| # Change | 7 | 10 | 18 | 16 | 51 |
| % Change | 3% | 3% | 11% | 11% | 6% |

Source: Ribbon Demographics

Renter Households by AMI

Household incomes are typically expressed as a percentage of the Area Median Income (AMI) to allow for applicability among various programs and across geographies. These incomes are tied to household size and are published annually by the Department of Housing and Urban Development (HUD).

For the purposes of this study, the market is defined as households between 60 and 180% AMI. Applying AMI by household size to income estimates for households in the North Valley, the largest category of households falls between 80 and 100% AMI (24%). The maximum annual income for an average two-person household in this range is \$70,800.

North Valley Renter Household Distribution 2022

| AMI | Income Range (avg. 2-person HH) | Renter HH | Renter HH 60 to 180% | % Renter HH 60 to 180% |
|---------------------|------------------------------------|--------------|-------------------------|---------------------------|
| Under 60% | Under \$42,480 | 328 | - | - |
| 60% to 80% | \$42,480 to \$56,640 | 93 | 93 | 18% |
| 80% to 100% | \$56,641 to \$70,800 | 120 | 120 | 24% |
| 100% to 120% | \$70,801 to \$84,960 | 89 | 89 | 18% |
| 120% to 150% | \$84,961 to \$106,200 | 98 | 98 | 20% |
| 150% to 180% | \$106,201 to \$127,440 | 103 | 103 | 20% |
| Over 180% | Over \$127,440 | 82 | - | - |
| Total | - | 913 | 503 | 100% |

Source: Ribbon Demographics, Western Spaces Calculations

Maximum Affordable Rents

AMI's are used to determine eligibility to rent most of the apartment complexes in the County. Rents are calculated to be affordable at different AMI levels by the Colorado Housing and Finance Authority (CHFA) and are often expressed by the AMI at which the corresponding rental unit is income restricted, for example 80% AMI rents.

Maximum Affordable Rents by AMI and Bedrooms Gunnison County 2022

| AMI | Studio | 1 bed | 2 beds | 3 beds | 4 beds |
|------|---------|---------|---------|---------|---------|
| 60% | \$930 | \$996 | \$1,195 | \$1,380 | \$1,540 |
| 80% | \$1,240 | \$1,328 | \$1,594 | \$1,841 | \$2,054 |
| 100% | \$1,550 | \$1,660 | \$1,992 | \$2,301 | \$2,567 |
| 120% | \$1,860 | \$1,992 | \$2,391 | \$2,761 | \$3,081 |
| 150% | \$2,325 | \$2,490 | \$2,988 | \$3,450 | \$3,849 |
| 180% | \$2,790 | \$2,988 | \$3,586 | \$4,140 | \$4,619 |

Source: CHFA

HH Sizes and Incomes

The following table is provided to help inform potential unit mix, focusing on households between 60 and 180% AMI. The majority of renter households in the North Valley include one or two people.

North Valley Renter Households 2022 60% to 180% AMI

| | 1-person | 2-person | 3-person | 4+ people | Total | % of Total |
|-------------------|------------|------------|------------|------------|-------------|-------------|
| 60 to 80% | 29 | 38 | 15 | 10 | 93 | 18% |
| 80 to 100% | 40 | 65 | 13 | 2 | 120 | 24% |
| 100 to 120% | 44 | 23 | 8 | 13 | 89 | 18% |
| 120 to 150% | 1 | 29 | 0 | 69 | 98 | 20% |
| 150 to 180% | 12 | 18 | 34 | 39 | 103 | 20% |
| Total | 126 | 173 | 70 | 133 | 503 | 100% |
| % of Total | 25% | 34% | 14% | 26% | 100% | |

Source: Ribbon Demographics, CHFA, Western Spaces Calculations

Renter Market Conditions

This section provides an overview of the renter market. It includes an evaluation of current conditions and past trends including occupancy, average rents, and renter preferences.

Vacancy Rates

Vacancy rates are below 1%, which is far below a functional market vacancy level. Typically, vacancy rates around 5% suggest some equilibrium in the market, meaning there is sufficient supply to provide renters with a choice of product. Vacancy rates below this threshold indicate under-supply, whereas rates above this level suggest over-supply of housing.

Focus groups and interviews with property managers and realtors support this data, noting that in the rare instance when they have a vacancy, they can fill it within a week. Many managers maintain a waist list, and one indicated that they do not bother because there are always people looking for housing. Many properties report having historical occupancy rates of 100%.

A three-month inventory of rental listings in the Crested Butte News Classifieds, Craigslist, Zillow, property manager websites, and multiple Facebook groups resulted in just over 30 listings. Asking rents are captured below; however, because there are so few vacancies to evaluate, the sample sizes are too small for meaningful analysis.

Market Rents

Rents and occupancy levels that drive rent adjustments tend to be more volatile in resort communities than in more diversified urban areas. Rents are generally lowest in the South Valley. Rents in the northern end of the valley have historically been the highest in the region. Of the 31 units listed for rent in the North Valley over the summer, 40% are fully furnished units.

For Rent Listings – Average Price by Bedroom Size

| Bedrooms | June | July | August |
|-----------------|-------------|-------------|---------------|
| 0 | - | - | \$1,150 |
| 1 | - | \$1,267 | \$1,320 |
| 2 | \$2,238 | \$1,999 | \$2,650 |
| 3 | \$3,100 | \$3,500 | \$3,733 |

Source: Crested Butte News, Craigslist

Interviews with multiple stakeholders, including property managers, real estate agents, and other community members, indicate that rental rates and scarcity have been increasing. Concurrently, the quality of available rental housing has also declined. The rents below are

based on property manager interviews and secondary data. They vary broadly and are estimates.

North Valley Average Market Rent (excludes ADUs and Affordable Rentals)

| | Studio | 1BR | 2BR | 3BR |
|-----------------------------|---------------|------------|------------|------------|
| 2016 | - | \$890 | \$1,175 | \$1,883 |
| 2020 | \$892 | \$1,104 | \$1,534 | \$2,100 |
| 2022 | \$1,150 | \$1,300 | \$2,295 | \$3,400 |
| Change | | | | |
| 2022 Income Required | \$46,000 | \$52,000 | \$91,800 | \$136,000 |
| 2022 AMI Required* | 74% AMI | 73% AMI | 115% AMI | 154% AMI |

Source: 2016 Housing Needs Assessment, Property Manager interviews, CHAFA

*Adjusted for household size by bedroom(s)

Market rents have increased to levels where mortgage payments could be competitive, depending upon how units are priced. To be affordable for households with incomes ranging from 60% AMI to 180% AMI, monthly payments would need to range from about \$1,000 to \$4,000, resulting in an overall average below \$2,500 per month. Rents now average about \$2,300 for two-bedroom condos/townhomes and \$3,400 or three bedrooms.

Rental Trends

Properties listed during a three-month inventory of rental listings revealed primarily large homes that are fully furnished with high end finishes, or condos with amenities targeted to second homeowners, and many do not allow pets – all contrary to what most locals want, which is pet-friendly studio and one-bedroom units.

Renters are seeking assurance that they will be able to renew their lease. North Valley realtors and property managers report that in the last couple of years, renters are more frequently forced to move when owners decide to sell or convert to short term rental use.

Managers of properties in the South Valley have seen some pressure from buyers coming from the north end of the valley. Given the extreme for-sale prices in the North Valley, long time owners are choosing to cash in and purchase in the South Valley where the prices are more affordable. This trend results in some rental units being converted into ownership.

The decreased availability of rental units combined with rising rents will cause some renters who want to live in the North Valley to consider buying, especially households that have been residing in the area for some time. Employees moving into the area will be more likely than longer term residents to live with multiple roommates, allowing them to share the cost of higher rents with others and crowd into the available units.

As senior employees retire, jurisdictions and quasi-governmental entities are struggling to hire because of the limited rentals even in the higher rental ranges, so many positions go unfilled. Landing pad rentals for these positions would go a long way in helping recruiting efforts.

Ownership Market Size

This section focuses on the North Valley and provides overall figures for Gunnison County and the South Valley to provide insight into regional differences and similarities.

Market size represents the market from which new development would draw homeowners and helps determine feasibility and risk. After quantifying the total number of owner households that comprise the market, the market is segmented by income and household size to inform decisions about unit size and pricing.

Current and Projected Owner Households

Ribbon Demographics estimates there are about 1,533 owner occupied households in the North Valley. These are households that are considered to be full-time residents.

Owner households in the North Valley are projected to grow by 6% overall between 2022 and 2027, adding a total of 86 households. This projected growth rate is consistent for both owner and renter households; however, the majority of the growth in owner households is projected to occur among those with one and two-people and the majority of growth in rental households is projected to occur among those with three-four people.

| | 1-person | 2-person | 3-person | 4+ person | Total |
|-----------------|-----------------|-----------------|-----------------|------------------|--------------|
| 2022 | 482 | 615 | 225 | 211 | 1,533 |
| 2027 | 521 | 649 | 233 | 216 | 1,619 |
| # Change | 39 | 34 | 8 | 5 | 86 |
| % Change | 8% | 6% | 4% | 2% | 6% |

Source: Ribbon Demographics

Owner Households by AMI

Applying AMI by household size to income estimates for owner households in the North Valley, the largest category falls between 120 and 150% AMI (31%). The maximum annual income for an average two-person household making up to 150% AMI is \$106,200.

North Valley Owner Household Distribution 2022

| AMI | Income Range (avg. 2-person HH) | All HH | HH in AMI Range | % HH in AMI Range |
|-----------------------|------------------------------------|--------|--------------------|-------------------------|
| Under 60% | Under \$42,480 | 200 | - | - |
| 60% to 80% | \$42,480 to \$56,640 | 122 | 118 | 18% |
| 80.1% to 100% | \$56,641 to \$70,800 | 142 | 142 | 22% |
| 100.1% to 120% | \$70,801 to \$84,960 | 108 | 108 | 16% |
| 120.1% to 150% | \$84,961 to \$106,200 | 205 | 205 | 31% |
| 150.1% to 180% | \$106,201 to \$127,440 | 85 | 85 | 13% |
| Over 180% | Over \$127,440 | 671 | - | - |
| Total | - | 1,533 | 658 | 100% |

Source: Ribbon Demographics, Western Spaces Calculations

Maximum Affordable Purchase Price

The table below shows estimates for the maximum affordable purchase price by income and household size. Housing is generally considered to be affordable when the monthly mortgage or rent payment plus utilities does not exceed 30% of a household's gross income. Households paying more than 30% are considered to be cost burdened by their housing payment, which makes it difficult for them to afford other necessities. While this is a standardized measure, it should be noted that the cost of living, HOA dues, commuting, availability of assets, and other factors also play into affordability.

Affordable purchase prices were calculated based on an interest rate of 5.875%, which is about the prevailing rate for 30-year fixed rate mortgages. However, interest rates have been rising and have a profound impact on housing affordability. Rates at the beginning of the year were closer to 3.22%. This is a huge change for households looking to purchase a home.

Maximum Affordable Purchase Price by AMI and HH Size 2022

| AMI | 1-person | 2-person | 3-person | 4-person |
|----------------|-----------|-----------|-----------|-----------|
| 60 to 80% | \$210,000 | \$240,000 | \$270,000 | \$300,000 |
| 80.1 to 100% | \$270,000 | \$300,000 | \$330,000 | \$370,000 |
| 100.1 to 120% | \$320,000 | \$360,000 | \$400,000 | \$440,000 |
| 120.1% to 150% | \$400,000 | \$440,000 | \$500,000 | \$560,000 |
| 150.1% to 180% | \$470,000 | \$540,000 | \$600,000 | \$660,000 |

Source: CHFA, mortgageloan.com (assume 30-yr fixed, 5.875% interest, 30% of income towards payment)

Household Sizes and Incomes

The following table is provided to help inform potential unit mix, focusing on households between 60 and 180% AMI.

North Valley Owner Households 2022 60% AMI to 180% AMI

| | 1- person | 2- person | 3- person | 4+ people | Total | % of Total |
|-------------------|--------------|--------------|--------------|--------------|-------------|---------------|
| 60 to 80% | 48 | 34 | 28 | 12 | 122 | 18% |
| 80 to 100% | 34 | 67 | 21 | 20 | 142 | 22% |
| 100 to 120% | 20 | 64 | 11 | 13 | 108 | 16% |
| 120 to 150% | 52 | 84 | 36 | 33 | 205 | 31% |
| 150 to 180% | 6 | 42 | 12 | 24 | 85 | 13% |
| Total | 159 | 291 | 109 | 103 | 661 | 100% |
| % of Total | 24% | 44% | 16% | 16% | 100% | |

Source: Ribbon Demographics, CHFA, Western Spaces Calculations

Ownership Market Conditions

This section provides an overview of the ownership market for both market rate and deed restricted housing. It evaluates current conditions and past trends, including the number of sales, sales prices, and inventory of units listed for sale. The information was gleaned from realtor interviews and analysis of MLS data for homes sold between 2019 and July 2022. Current listings were pulled from the MLS on August 5th, 2022.

County Wide Sales Trends

County Wide, the median sales price for residential units rose steadily between 2019 and 2021, with an increase of 15% from 2019 to 2020 and another 17% from 2020 to 2021. However, sales data pulled through July 2022 indicates a leveling of the market with similar numbers to 2021.

Price patterns vary by community, with Crested Butte having the largest swings by year. As reported, the number of sales in Crested Butte currently total 25% (13) of the sales volume experienced the last two years (average around 53 per year).

Gunnison County MLS Median Sales

| | 2019 | 2020 | 2021 | 2022 YTD* |
|----------------------------|-------------|-------------|-------------|-------------|
| Crested Butte Rural | \$1,010,000 | \$1,250,000 | \$1,337,500 | \$1,812,500 |
| Crested Butte South | \$547,000 | \$602,500 | \$872,500 | \$992,500 |
| Mt. Crested Butte | \$495,000 | \$500,000 | \$601,000 | \$565,000 |
| Crested Butte | \$1,042,500 | \$1,250,750 | \$1,002,500 | \$1,680,000 |
| | | | | |
| Gunnison City | \$312,500 | \$343,500 | \$410,000 | \$456,500 |
| Gunnison Rural | \$376,250 | \$438,250 | \$575,000 | \$565,000 |
| | | | | |
| Totals | \$434,500 | \$500,000 | \$582,500 | \$575,000 |

Source: Gunnison County MLS
 Almont excluded due to low number of sales.
 *YTD Pulled through July 2022

Transactions and Dollar Volume

The number of sales in the North Valley increased by almost 60% from 2019 to 2020. This increase corroborates findings from the May 2021 GVRHA Market Update report that indicated while COVID stalled listings and sales in spring 2020, the market quickly rebounded when summer arrived with strong demand.

While this trend continued through the end of 2021, data from sales through July of this year show an overall decrease in transactions compared to last year. Countywide, the number of transactions decreased by 39%. North Valley followed a similar trend, with 37% fewer transactions.

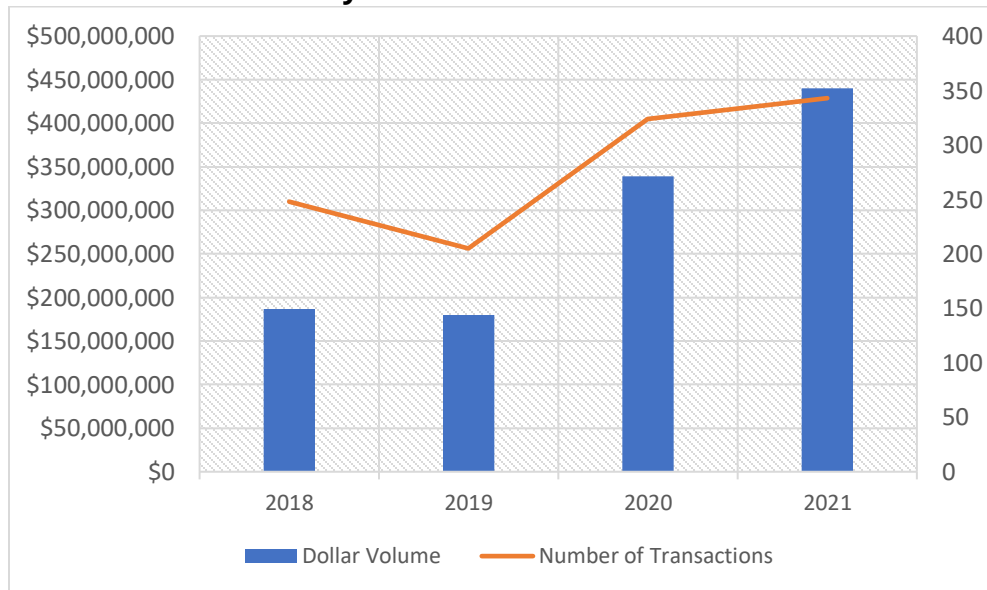
Number of Transactions

| | | 2021 Jan thru July | 2022 Jan thru July | % Change |
|---------------------|----------------------------|--------------------------|--------------------------|----------|
| North Valley | Crested Butte Rural | 48 | 24 | -50% |
| | Crested Butte South | 18 | 16 | -11% |
| | Mt. Crested Butte | 109 | 76 | -30% |
| | Crested Butte | 90 | 52 | -42% |
| | | | | |
| South Valley | Gunnison City | 79 | 68 | -14% |
| | Gunnison Rural | 50 | 24 | -52% |
| | | | | |
| Countywide | Totals | 353 | 216 | -39% |

Source: Gunnison County MLS
 *YTD Pulled through July 2022
 Almost excluded due to low number of sales.

Overall dollar volume in the North Valley remained fairly steady through 2019 and then jumped quickly in 2020. This increase can partly be attributed to COVID migrations coming with the arrival of summer, strong demand fueled by the ability to work remotely, and the motivation to get out of urban areas. The number of sales also increased in 2020 but experienced more of a leveling off coming into 2021. The increase in transactions in 2020 can primarily be attributed to single-family sales (77% increase).

North Valley Transactions and Dollar Volume



Source: Gunnison County MLS

Affordability of Sales

The distribution of sales across the North Valley that are affordable to households making between 80 and 180% AMI has been decreasing. In 2018, an estimated 31% of sales fell in this category, steadily decreasing to 13% in 2021. This year, through July, only 7% of sales were affordable to these households. It should be noted that the calculation of affordability does not include additional homeowner's association fees (HOA). In many cases, HOA fees significantly decrease the affordability of units.

In looking closer at sales affordable to incomes between 80 and 180% AMI, the large majority between 2018 and 2021 have been condo units (around 94%). The average size of these condo units is between 800 and 900 sqft. with an average of 1.5 bedrooms. The majority of these sales were in the Mt. Crested Butte area (54% in 2021) and Crested Butte Rural (24%).

North Valley Sales by AMI

| AMI | Income Range 2-person HH | 2018 | 2019 | 2020 | 2021 | 2022 YTD |
|--------------------|-----------------------------|------|------|------|------|-------------|
| Under 60% | Under \$42,480 | 0% | 0% | 0% | 0% | 0% |
| 60 to 80% | \$42,480 to \$56,640 | 0% | 1% | 2% | 0% | 1% |
| 80 to 100% | \$56,641 to \$70,800 | 2% | 2% | 2% | 1% | 1% |
| 100 to 120% | \$70,801 to \$84,960 | 4% | 4% | 3% | 2% | 2% |
| 120 to 150% | \$84,961 to \$106,200 | 14% | 8% | 7% | 5% | 3% |
| 150 to 180% | \$106,201 to \$127,440 | 10% | 8% | 6% | 6% | 1% |
| Over 180% | Over \$127,440 | 68% | 76% | 79% | 86% | 93% |
| Total % | - | 100% | 100% | 100% | 100% | 100% |
| Total # | - | 248 | 205 | 324 | 343 | 112 |

Source: CHFA, mortgageloan.com

*AMI for the average 2-person HH

Occupancy

Occupancy can be a hard measure to pin down and invariably only captures a point in time, as measured by the Decennial Census. The Department of Local Affairs provides estimates and projections at the County level that are based off of the Decennial Census, which is used here. The occupancy rate across the county decreased slightly between 2010 and 2020 from 59% to 57%. The North Valley also experienced a slight decrease from 52% to 49%. Within the North Valley, however, the Town of Crested Butte increased the ratio of units occupied from 65% to 68%.

Housing Unit Occupancy

| | % Occupied 2010 | % Occupied 2020 |
|------------------------------|--------------------|--------------------|
| Gunnison County | 59% | 57% |
| North Valley | 52% | 49% |
| Town of Crested Butte | 65% | 68% |
| Mount Crested Butte | 33% | 26% |

Source: Decennial Census 2010 and 2020

While the American Community Survey (ACS) only provides estimates from a sampling of households, it can shed some light on patterns in the reasons for homes to be classified as vacant. The 2020 ACS indicates the most prevalent reason for vacancy is use for seasonal, recreational, or occasional purposes.

Reason for Vacancy – 2020 American Community Survey

| | North Valley | Crested Butte | Mt. Crested Butte |
|--|-----------------|------------------|----------------------|
| Total Vacant Units | 2,229 | 520 | 1,208 |
| For rent | 27% | 26% | 36% |
| Rented, not occupied | 0% | 0% | 1% |
| For sale only | 2% | 2% | 2% |
| Sold, not occupied | 1% | 3% | 0% |
| For seasonal, recreational, or occasional use | 65% | 59% | 58% |
| For migrant workers | 0% | 0% | 0% |
| Other vacant | 6% | 11% | 3% |
| | 100% | 100% | 100% |

Source: 2020 ACS

Interestingly, units that are classified as vacant because they are listed as ‘for rent’ is the second largest category. While the ACS does not further classify why the unit is for rent, it can be assumed this category captures both long-term and short-term rentals. As noted previously, there are very few long-term rentals available in the North Valley.

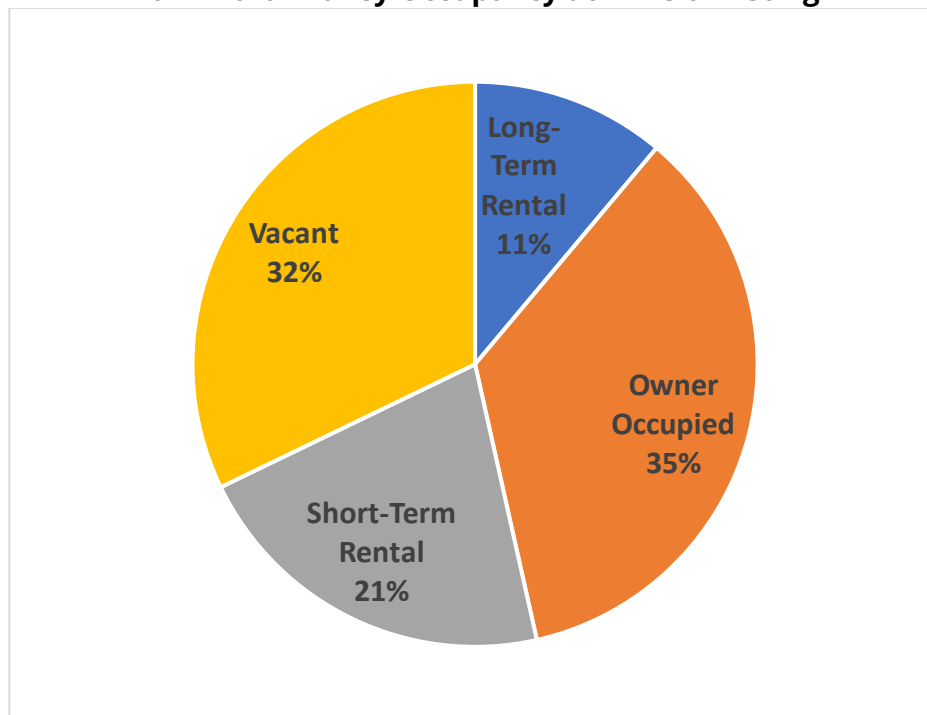
Percent of Vacant Units Categorized as 'For Rent'

| | North Valley | Crested Butte | Mt. Crested Butte |
|-------------|---------------------|----------------------|--------------------------|
| 2010 | 13% | 11% | 18% |
| 2020 | 27% | 26% | 36% |

Source: 2010 and 2020 ACS

Units listed with the MLS include a category for occupancy at the time of listing. This last year, the largest category of units sold were owner occupied (35%), followed by vacant or second home (32%), short-term rental (21%) and long-term rental (11%). Data from sales since 2019 indicate a similar distribution over time, with little variation.

2021 North Valley Occupancy at Time of Listing



Source: MLS

Availability of Market Housing

As of early August, there were no market rate units for sale in the North Valley at prices affordable to households making 180% AMI or less. A total of 103 units were listed for sale, with an average listing price of \$2,100,000. Overall, 81% of listings are over \$1 million.

With the exception of one unit, the remaining seven units listed below \$800,000 were built between 1974 and 1980, with an average age of 44 yrs old. As noted previously, HOA fees are not included in the calculation of affordable purchase price and can significantly effect affordability.

Current Listings North Valley August 5th, 2022

| Listing Price | Count | Percent |
|--------------------------|------------|-------------|
| \$500,000 to \$600,000 | 3 | 3% |
| \$600,000 to \$700,000 | 1 | 1% |
| \$700,000 to \$800,000 | 4 | 4% |
| \$800,000 to \$900,000 | 7 | 7% |
| \$900,000 to \$1 million | 5 | 5% |
| \$1 to \$2 million | 30 | 29% |
| \$2 to \$3 million | 27 | 26% |
| Over \$3 million | 26 | 25% |
| Grand Total | 103 | 100% |

Source: MLS

Sale of Deed Restricted Units

The Gunnison County Assessor maintains sales records for deed-restricted properties in the County. There are five categories of deed restricted sales recorded; income restricted, price cap, residency requirement and long-term rental. For these purposes, long-term rental properties are excluded.

County Assessor records indicate 62 deed restricted housing units sold in the North Valley from 2017 through August 2022.

Improved Deed Restricted Sales 2017 thru August 2022

| Bedrooms | Median Sales | Average PPSF | Count |
|----------------|------------------|--------------|-----------|
| 1 | \$190,900 | \$281 | 12 |
| 2 | \$276,757 | \$309 | 33 |
| 3+ | \$660,000 | \$473 | 17 |
| Overall | \$289,000 | \$353 | 62 |

Source: Gunnison County Assessor

Over the last 5 years, 25 vacant deed restricted lot sales have been recorded. In 2019, the inventory for vacant sales was large due to the sale of lots by the Town of Mt. Crested Butte and Prospect Development Company to Homestead Housing. The 20 recorded vacant lots are now newly constructed 2 and 3-bedroom units deed restricted with price caps. In June 2020, the GVRHA held a lottery for pre-qualified applicants and the available 20 units were claimed and purchased.

Considering the affordability of deed restricted sales over the last 5 years, the largest percentage of sales were affordable to households between 80 and 100% AMI (24%); however, this income segment only represents 13% of current renter households that

would most likely be prospective buyers. In comparison, only 7% of sales were to households between 100% and 120% AMI, yet this group makes up 10% of the market . This distinction helps identify the income ranges that have fewer purchase options in the deed restricted market. As you reach upwards of 120% AMI, many of these households are renters by choice, are newer to the area, or are temporarily in the North Valley.

Deed Restricted Sales by AMI Affordability

| AMI | Sales (5 yrs) | % Current Renter HH |
|----------------------|---------------|---------------------|
| Under 60% | 16% | 36% |
| 60 to 80% | 12% | 10% |
| 80.1 to 100% | 24% | 13% |
| 100.1 to 120% | 7% | 10% |
| 120.1 to 150% | 9% | 11% |
| 150.1 to 180% | 2% | 11% |
| Over 180% | 30% | 9% |
| Total | 100% | 100% |

Source: Gunnison County Assessor, HUD, Ribbon Demographics, Western Spaces, LLC Calculations

Residency Trends

The most recent 2021 Town of Crested Butte housing census shows a small proportional gain in both long-term rentals and short-term rentals between 2018 and 2021; however, the ratio of long-term rentals (32%) and vacation rentals (16%) remained constant during this time.

Community perception is that there has been an accelerated loss of long-term rentals as a result of owners taking advantage of high sales prices. However, the data presents a different narrative. In 2021, 11% of sales were existing long-term rentals, a percentage that has remained constant over the last few years. The Town of Crested Butte 2021 Housing Census also indicates that the proportion of units occupied by long-term rentals has remained constant within the Town limits (34%).

It is important to note that the Town census does not account for the demographics of renters as well as the length of time rented. A long-term rental is typically categorized as a lease of 30 days or more. The trend observed in the last two years indicating an influx of “zoomers” does not preclude those rented for a month or more, that effectively have resulted in a loss of units available to the local workforce.

Additionally, as reported in the Mountain Migration report, families were moving into their second home residences as a result of COVID shutdowns. This does not necessarily indicate a loss of second homes, as many maintained their primary residence elsewhere.

While the ratio of second homeownership has not changed, the use may have. This trend can attribute to the general increase in busyness around the area and around town.

Demand Estimates

This section quantifies the size of the market and the capture rates for the proposed units taking into consideration the number of households residing within the market area by income and household size and in-migration of households from outside the market area.

This demand calculation uses a conservative method, considering only existing households. It is assumed that, with growth, demographics and preferences will remain much the same. In market analysis it is not necessary to consider households that might move in unless major events, like a large tech company moving into a community, are planned.

Two market areas were considered for both ownership and rental. The North Valley is defined as Census Tract 9638, the geography north of Almont extending through Mt. Crested Butte. This approach is consistent with the primary market area used for the Anthracite Place Market Study in 2014. The secondary market (South Valley) includes Census Tracts 9636 and 9637 including Almont, City of Gunnison, and parts of Taylor Canyon and east of Gunnison.

The potential market for deed restricted homes in the North Valley primarily consists of persons who already live in or near the market area. Very little movement up valley of families from the South Valley should be expected. Results from the 2016 Household Survey in Gunnison County showed there is not strong interest from residents living in the South Valley to move to the North Valley (10%).

For this calculation, data from the 2016 Household Survey is used to distribute potential owner and renter households. Respondents to the 2016 survey were asked whether they wanted to buy or rent a different residence and which community they preferred. For the many renter households planning to move within the Valley (56%), most would prefer to become homeowners (71%).

Rental Estimate

There is total potential demand for between 40 and 82 rental units in the North Valley generated by households with incomes between 60 and 120% AMI.

Tiers of capture rates are used to create a range of potential housing price points.

- The largest gap for rental units is between 60 and 80% AMI, where there is almost no inventory and affordable rents fall below market rate rents.
- Rents affordable to 80% to 100% AMI start to overlap with market rents, particularly for smaller units; however, availability is very limited.
- Households between 100 and 120% AMI can afford payments that exceed market rents, thus smaller capture rates are used. Some households in this category also approach the ability to purchase and are captured in the ownership calculations.
- The demographic over 120% AMI price point is not included in this calculation, as that typically exceeds affordable/workforce housing needs and are well above local market rent levels.

North Valley Capture Rates - For Rent

| | 60 to 80% | 80 to 100% | 100 to 120% | Total |
|---|----------------------|-------------------|-------------------|-----------|
| Max Affordable Monthly Payment 2-person HH | \$1,000 - \$1,300 | \$1,300 - \$1,600 | \$1,600 - \$2,000 | - |
| Eligible Households | 93 | 120 | 54 | 267 |
| In Migration - 10% of South Valley eligible renters | 23 | 14 | 5 | 42 |
| Total Eligible Households | 116 | 134 | 60 | 310 |
| Capture Rate - Conservative | 20% | 10% | 5% | 13% |
| Number of potential units at conservative Capture Rate | 23 | 13 | 3 | 40 |
| Capture Rate - Mid | 30% | 15% | 10% | 20% |
| Number of potential units at mid Capture Rate | 35 | 20 | 6 | 61 |
| Capture Rate - Aggressive | 40% | 20% | 15% | 27% |
| Number of potential units at aggressive Capture Rate | 46 | 27 | 9 | 82 |

Ownership Estimate

There is total potential demand for between 50 and 81 ownership units generated by households with incomes between 100 and 180% AMI.

Tiers of capture rates are used to create a range of potential housing price points.

- For ownership units affordable to households making between 100 and 120% AMI, a lower capture rate is used to account for mortgage and down payment availability.
- Households between 100 and 150% are where the largest gap exists.
- Households between 150 and 180% AMI begin to overlap slightly with market rate housing, although there are currently no units for sale below \$500,000.

North Valley Capture Rates - For Sale

| | 100 to 120% | 120 to 150% | 150 to 180% | Total |
|---|-------------|-------------|-------------|-------|
| Max Affordable Purchase Price 2-person HH | \$360,000 | \$440,000 | \$540,000 | - |
| Eligible Households | 35 | 98 | 103 | 236 |
| In Migration - 10% of South Valley eligible renters | 4 | 4 | 6 | 14 |
| Total Eligible Households | 38 | 102 | 109 | 249 |
| Capture Rate - Conservative | 10% | 20% | 15% | 20% |
| Number of potential units at conservative Capture Rate | 4 | 30 | 16 | 50 |
| Capture Rate - Mid | 15% | 30% | 20% | 23% |
| Number of potential units at mid Capture Rate | 6 | 31 | 22 | 58 |
| Capture Rate - Aggressive | 20% | 40% | 30% | 33% |
| Number of potential units at aggressive Capture Rate | 8 | 41 | 33 | 81 |

Max Purchase Price assumes 30-yr fixed, 5.875% interest, 30% of income towards payment

Design and Development

The information for this section is from a combination of data sources, including secondary data as well as primary data collected through interviews and focus groups.

Design/location/price decisions should be based upon the characteristics and preferences of households currently living in the valley who will likely lease or purchase most of the new units.

Decisions about the provision of rental and homeownership opportunities – number of units, location, unit type, amenities, and pricing, will depend on policy and developer decisions as to which segments of the potential market for each should be the focus.

The majority of purchasers will be first-time homebuyers. For households in the North Valley, 100 to 120% AMI is a transitional range where renter households become more capable to purchase.

Number of Bedrooms

The following table is provided to help inform potential unit mix, focusing on households between 60 and 120% AMI for renters and 100 to 180% AMI for potential homebuyers.

Eligible renter households in the North Valley are primarily one and two-person households. Units could include one, two and three bedrooms but the primary emphasis should be on one and two-bedroom units. This is consistent with household survey data collected for the 2016 GVRHA Needs Assessment, which additionally highlighted that the need for one-bedroom homes for renters is particularly pronounced.

The large majority of eligible households to purchase a unit are two-person (42%). As was noted in the 2016 GVRHA Needs Assessment, and further confirmed through discussion with realtors, owners are most often in need of two and three-bedroom homes. Homes of 1,200 to 1,800 square feet were reported as the “sweet spot” by property managers and realtors, consistent with modest two- and three-bedroom homes.

Eligible Households by Size and Tenure

| | Rent* | Own** |
|------------------|-------|-------|
| 1-person | 39% | 23% |
| 2-person | 40% | 42% |
| 3-person | 12% | 16% |
| 4+ people | 9% | 19% |
| Total | 100% | 100% |

Source: Ribbon Demographics, Western Spaces Calculations

*Renter household distribution is for 60 to 120% AMI

**Owner household distribution is for 100 to 180% AMI

Tradeoffs

For renters and owners in the North Valley market, choosing where to live inevitably involves tradeoffs. While many are willing to make tradeoffs to live in their preferred location, the lack of available housing choice has resulted in renters simply getting by with anything that is available and for would-be homebuyers staying in the rental market.

For renters, cost is typically the number one deciding factor. Community character, access to amenities and transportation are important. Many renters are willing to rent a smaller unit that is affordable and in the right location.

For potential homebuyers, type of home and size of home is relatively unimportant compared to location and price. This suggests that there is flexibility in terms of the type of units to be developed in response to demand.

If priced appropriately and located where desired, condominiums and townhomes may be acceptable to many who prefer to buy a single-family house. If housing cannot be developed where potential buyers want to live or prices are not considered to be a good value, it will be more important to provide the type of units that buyers most want.

Amenities

Realtors and property managers report that the preferred amenities of the workforce are similar throughout the Valley and among owners and renters. Some of the most frequently mentioned ones include:

- Furry friends allowed - Most HOA's do not allow pets. Of the 32 units listed for rent over the summer, only two allowed pets.
- Energy efficiency – Gunnison County is cold! Utilities are typically not included in rent and many existing rentals are older. Newer energy efficient units are highly desirable and more affordable in the long run.
- Storage – Mountain residents have lots of gear and recreational equipment. Plus outdoor furniture and grills must often be moved into storage in the winter so as not to impede snow removal. In-unit spaces, exterior storage lockers and extra space in garages have all worked well.
- Laundry - In-unit washers and dryers are extremely important to most renters.
- Decks or Patios – Private outdoor space is highly valued among owners and renters.
- An Extra Bedroom – While many of the owners now living in deed restricted housing and many of the potential buyers are single they want the opportunity to grow.
- Mud Room – Since residents have many boots, coats, hats and gear, a “mud” room/entryway is far more functional and appealing than a coat closet. Designs that provide an air lock/doorway between the entry and main living area would also improve energy efficiency.
- A Second Bathroom – Whether for use by a roommate, family member or guest, most buyers seek two bathrooms.

Lease Terms

Property managers report renters seeking shorter term leases, just June-August or just Dec-March for summer or winter peak employment; however, this lease term is not readily available in most situations. Most lease terms are for six months or one year. Those units

listed as for month to month are primarily fully furnished and designed for short-term rentals.

As noted through employer interviews, there is an immediate need to house new hires to the community, provide a landing pad to absorb new community members and the seasonal influx of workers, as well as contract workers looking for temporary housing.

This is not just evidenced in hiring new workers, but also in replacing retiring employees. As senior employees retire and stay in their housing, jurisdictions and quasi-governmental entities are struggling to hire at all levels because of limited rentals. Many positions go unfilled. Mid-term rentals, typically leased for between one month and six months, could go a long way in helping recruit.

Down Payment Availability

The availability of funds for down payments will be a factor and will determine how many residents who want to own will qualify. Although there are some mortgage programs that allow for little or no down payment, buyers' costs increase under these programs with the need to carry Private Mortgage Insurance, which results in higher housing costs. It is appropriate to assume that down payments for first-time homebuyers of up to 20% will be needed. With an example price of \$300,000 the minimum down payment would be \$60,000.