

North Gunnison Valley Affordable Rental Market Review

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**Prepared for: Valley
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North Valley Long Term Rental Housing Overview

Purpose

This rental market overview attempts to quantify current long-term rental rates and vacancies for the north end of the Gunnison valley, including Crested Butte South, Town of Crested Butte, Town of Mt. Crested, and surrounding unincorporated areas. The information is intended to support Valley Housing Fund as they seek to establish development partnerships for affordable housing for rent in the North Village.

North Valley Rental Inventory and Trends

We estimate there are currently about 800 rental units in the north valley. This is only an estimate, and could be better refined with full census or comprehensive statistically valid survey, such as was conducted in 2016. For purposes of this study, we calculated the number of long-term rentals by using the number of units from the 2016 Housing Study, minus the number of conversions including short-term rentals, condominiums and apartments, and added new units.

Over time, the percentage of residential units in the Gunnison Valley that house local residents has been decreasing while the number of second/vacation homes has been on the rise. This trend contributes to housing shortages not only by reducing availability but also by increasing demand for workforce housing from the jobs that second/vacation homes generate. At the time of the *2016 Housing Needs Assessment* 46% of residential units in the north valley were occupied by full time residents. Of those occupied units, 40% were occupied by renters, so 18% of total housing inventory was long term rented.

COVID-19 is also impacting the housing market. Property managers report a number of short-term rentals have converted back to long-term, mostly serving “amenity migrants” – households moving here and working remote jobs. Second homeowners are also electing to occupy their homes for longer periods or full time. There is also a Facebook group with 150 comments and at least a dozen people that have lost their housing either because the owner is moving back in or the unit is otherwise being removed from the long-term rental market.

Rental Inventory

Inventory	Rental Units – North 2016	Rental Units - Mid Valley 2016	Total - 2016	New rentals built	Lost to STR or sale	Estimated total 2020
Single Family/Duplex/THomes	206	80	287	26	60	253
ADUs	138	25	163	3		166
Condos	268	38	307	3	30	280
Market Apartments	38	23	61	3		64
Affordable Apartments	38	0	38			38
Total	688	167	855	36	90	800

Notes:

Sources include *2016 Housing Needs Assessment*, Property Managers, online sources, GVHRA, Town of Crested Butte.

New built include Paradise Park employee units, SOAR, new townhouses and ADUs in CB and County, and employee mitigation units in Horseshoe Homes lost to STR or second homeowners are from CB Census, and property manager interviews; may be incomplete.

“Mid-valley” includes Almost and CB South, and was defined by specific census tracts in the *2016 Housing Needs Assessment*.

Rental Market Conditions

Property Management

Of the 22 property managers contacted, just three companies currently manage long-term rentals. Peak Property Management & Sales, Crested Butte Lodging & Property Management, and Toad Property Management. Together, these firms manage about 117 rentals, which is approximately 13% of long-term rentals. They, and other property management firms primarily focus on short-term rentals. There may be an opportunity to increase customer service and maintenance through more professional management of long-term rentals.

Rent Rates

Per the *2016 Housing Needs Assessment*, more than half the workforce is rent burdened, and rents have only increased since that time. More affordable rental choices would allow households to move out of rent burdening situations and free up more of their income for other basic necessities, savings, and discretionary spending.

Rent by unit type and bedroom size

	# of Units Surveyed in 2020	Total estimated # of Units	Avg Rent						
			Studio	1BR	2BR	3BR	4 BR	5 BR	6 BR
Single Family/Duplex/THomes	5	254			\$1,350		\$3,500	\$2,500	\$18,000
ADU	31	166	\$892	\$1,126	\$1,219	\$1,000			
Condo	41	280		\$1,081	\$1,552	\$2,100	\$2,450		
Apartment-Market Rate	9	64		\$1,127	\$1,700				
Affordable Apartments	38	38		\$748	\$895	\$1,775			
TOTAL	124	801							

Property Managers, online sources, Gunnison Valley Housing Authority and research team.

Rent per sq ft

	Studio	1BR	2BR	3BR	4 BR	5 BR	6 BR	Avg
Home			\$1.13		\$1.16	\$1.13	\$3.60	\$1.64
ADU	\$1.55	\$1.56	\$1.33	\$0.72				\$1.56
Condo		\$1.84	\$1.68	\$1.51	\$1.69			\$1.68
Apartment-Market Rate	\$1.24	\$1.46	\$1.91					\$1.54
							Average	\$1.60

Sources: Property Managers, online sources, GVRHA and research team.

Rents of all unit types have been rising over the past four years, and it appears that trend will continue. One property manager expects to raise rent by about \$100 this coming year based on demand. The average rent is \$1.60 across all unit types.

Increase in rents since 2016

Avg market rent (excludes ADUs and Affordable Rentals)	1BR	2BR	3BR	4 BR
2016	\$890	\$1,175	\$1,883	\$2,638
2020	\$1,104	\$1,534	\$2,100	\$2,975
Change	\$214	\$359	\$217	\$337

Vacancy

Vacancy rates are below 1%, far below a functional market vacancy level. Since 40% of households rent in the North Valley, demand is high. Property Managers can fill units within a week and one said they don't keep a waitlist because people are always calling.

A three-week inventory of rental listings checking Craigslist, Zillow, Apartments.com, Crested Butte News, property manager websites, and multiple Facebook groups resulted in just seven listings; four condominiums and three homes. Asking rents are captured below, but sample sizes are too small for meaningful analysis.

Current Availability - Asking Rents

	1BR	2BR	3BR	4 BR
Home	NONE VACANT	\$1,350	NONE VACANT	\$3,500
ADU	\$1,112	NONE VACANT	NONE VACANT	NONE VACANT
Condo	\$1,081	\$1,552	\$2,100	\$2,450
Apartment	\$1,127	\$1,700	NONE VACANT	NONE VACANT

Sources: Property Managers, online sources, GVRHA and research team.

Affordable Rentals

The GVRHA manages two income-restricted workforce housing buildings in Crested Butte, Anthracite Place and Elk Creek Townhomes at Stallion Ranch. The property has no vacant units at this time. Anthracite Place has 30 units which are a mix of one- and two-bedrooms as follows:

Anthracite Place

	1br	2br		
# of Units	24	6		
Sq ft	550	785		
50% AMI	11	2		
60% AMI	13	4	Rent/sqft 1 br	Rent/sqft 2 br
Rent 50% AMI	\$677	\$810	\$1.23	\$1.03
Rent 60% AMI	\$819	\$980	\$1.49	\$1.25
Average	\$748	\$895		

Source: GVRHA

Elk Creek Townhomes has eight units. Gunnison County owns seven and Gunnison Hospital owns one. The GVRHA manages the properties and had an “interested list” of over 50 people when the property was nearing completion. The property has no vacant units at this time.

Elk Creek

	3br/2.5ba		
# of Units	7	50% AMI	60% AMI
Sq ft	2,200		
Rent		\$1,300	\$2,250
Rent/sq ft		\$0.59	\$1.02
Avg Rent	\$1,775		

Source: GVRHA

Renter Preferences and Needs

Property managers and the *2016 Housing Needs Assessment* observe these preferences and needs:

- Many renters have pets, and there are very few pet friendly properties.
- Many renters would like an opportunity to live without roommates, but studios and one-bedroom units are rarely vacant.
- Many renters have had to settle for units that are in poor condition, energy inefficient and have high utility bills.
- Price is the most important consideration for renters in selecting a place to live. Location is the second highest consideration. Many renters make extensive tradeoffs in the current market related to size, quality, and living arrangements.
- Available units are primarily large homes 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 studio and one-bedroom units.
- Renters are frequently forced to move when owners decide to sell or convert to short term rental use. Renters are seeking assurance that they will be able to renew their lease.
- Many properties are self-managed by owners with small portfolios. Additional professional property management could increase customer service and a sense of housing stability.
- Property managers report renters seeking shorter term leases, people looking for just June-August or just Dec-March for summer or winter peak employment, although this lease term is not readily available in most situations.

Age

The rental inventory in the north valley is quite old: 96% of units managed by property managers interviewed were 30 years or older. Recent new construction has mostly been affordable housing, including Anthracite Place, Paradise Park, and employee housing mitigation units.

Area Median Income and Rental Rate

Condos in the north valley are used as the closed comparable to multifamily apartments. Current condo asking rents align with about 80-130% AMI, depending on number of bedrooms. These rents can be considered a

ceiling on a prospective affordable housing project, and renters would probably need a discount to these rental rates to be enticed to participate in a rigorous eligibility screening.

AMI Equivalent of Market Rents

	1BR	2BR	3BR	4 BR
Market Rate Condo Asking Rents	\$ 1,081	\$ 1,552	\$ 2,100	\$ 2,450
AMI Equivalent	82%	103%	124%	130%

Source: November Rent Study, CHFA

Household Sizes and Incomes

The following table is provided to help inform potential unit mix, focusing on households under 150% AMI. The majority of renter households in the north valley include one or two people.

North Valley Households by Income and Number of People

	Below 50% AMI	60% AMI	80% AMI	100% AMI	120% AMI	Up to 150% AMI	Total	% of Total
1 Person	36	72	44	22	30	42	246	35%
2 People	54	24	67	63	22	46	276	39%
3 People	12	16	89	11	4	13	145	21%
4+ People	2	0	0	20	7	8	37	5%
Total	104	112	200	116	63	109	704	100%
% of Total	15%	16%	28%	16%	9%	15%	100%	

Source: Ribbon Demographics, Inc, CHFA

Capture Rates for Potential North Valley Multifamily Project

Two market areas were considered. The North Valley is defined as Census Tract 9638, the geography north of Almont extending through Mt. Crested Butte. This 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. An in-migration metric of 10% of eligible households from the secondary market is included.

Three tiers of capture rates are used to create a range of potential housing price points at each price point. Capture rate levels were assigned to be responsive to the local market conditions: for rents below 60% AMI, there is anticipated to be the strongest ability to lease up, based on almost no available inventory at those price points. Above 80% to 100% AMI starts to overlap with market rents, particularly for smaller units. As rent levels approach, and potentially exceed market rate, smaller capture rates are used. The demographic over 150% AMI price point, as that typically exceeds affordable/workforce housing needs and is well above local market rate rent levels.

The market has very limited vacancy, and renters would likely be attracted to a new housing development based on several factors:

- Affordable/attainable rents
- Amenities
- Location
- New construction – quality, energy efficiency, lower utility bills

- Housing stability and predictability provided by a purpose-built rental housing that won't be sold or converted to a short-term rental
- Professional property management

North Valley Capture Rates

NORTH VALLEY MARKET AREA	30% AMI and below	50% AMI	60% AMI	80% AMI	100% AMI	120% AMI	up to 150% AMI	Total
Eligible Households	57	47	111	200	116	63	109	704
In Migration - 10% of south valley eligible renters	33	52	25	31	14	16	12	183
Total Eligible Households	90	98	136	231	131	79	121	887
Existing Units	0	13	17	0	0	0	0	30
Units Under Construction/Planned	0	0	0	0	0	0	0	0
Total Existing & Planned	0	13	17	0	0	0	0	30
Capture Rate - Conservative	20%	20%	20%	10%	10%	3%	3%	12%
Number of potential units at conservative Capture Rate	18	7	10	23	13	2	4	77
Capture Rate - Mid	30%	30%	30%	15%	15%	5%	5%	21%
Number of potential units at mid Capture Rate	27	26	36	35	20	4	6	153
Capture Rate - Aggressive	40%	40%	40%	20%	20%	10%	10%	27%
Number of potential units at aggressive Capture Rate	36	34	48	46	26	8	12	210

Source: Ribbon Demographics, Inc, CHFA

Note: Anthracite Place is included in the "existing units" line. It is the only deed restricted rental property funded with LIHTC in the market area. The supply of other existing restricted rental units (Elk Creek, Town of Crested Butte ADUs, employer owned rentals etc.) and market rentals is not included, nor are the potential pending projects at Whetstone Vista and Slate River Annexation. All of these variables could impact demand, and would need to be included in a market analysis used for a CHFA funding request.

Conclusions

There is a market opportunity for long term rental housing for local residents and workforce in the north valley. The following considerations are recommended:

- Unit sizes could include one, two bedrooms, and three bedrooms, with an emphasis on one and two bedrooms.
- Rent levels should generally focus on prices that are affordable to households at 60% AMI and below for one bedroom units, 80% AMI and below for two bedrooms, and 100% AMI and below for three bedrooms, although some market up to 150% AMI may be viable, based on the tight rental market and other renter preferences that could be provided.

- Given the small market size of local renter households, a mix of income levels and price points would help capture the greatest demand.
- To the extent that lower price points can be achieved, those units will likely be in highest demand and lease up very quickly.
- A single project in a single phase should probably not attempt to fulfill the full “aggressive” level capture rate program.
- Public/private partnerships and a variety of financing subsidies will likely be needed to create a viable development that is responsive to market conditions for north valley residents and local workforce.
- There may be an opportunity to capture more in-migration from the south valley, based on commuting patterns. The *Gunnison Valley Housing Market Conditions Update*, anticipated spring 2021, may assist in quantifying this.
- Other potential affordable rental projects in the north valley, Whetstone Vista and Slate River Annexation, should be taken into consideration in the development planning and marketing.

Methodology

Research included:

Property Manager Interviews Three property managers were interviewed who lease affordable and market rate rentals, including apartments, condominiums and single-family homes. Information on the rental market including rents, vacancy rates, and recent trends was obtained. Two property managers submitted their rent rolls including address, unit type, affordability status, rent rate and square footage.

Data Sources

Current rentals listings came from daily monitoring of the following sources:

- Property Manager websites, Apartments.com, craigslist, Zillow, *Crested Butte News* and local Facebook groups.

The Town of Crested Butte provided a list of Accessory Dwelling Units (ADU), including address, square footage and in some cases rental rate. They also supplied a census of long-term rental units done in 2018. Gunnison County Assessor provided square footage for some rental listings.

HISTA Demographic Data from Ribbon Demographics Inc. and Colorado Housing and Finance Authority Area Median Income charts were used to calculate capture rates.

2016 Housing Needs Assessment conducted by Rees Consulting, Inc. and *2019 Demand Analysis Update* conducted by Williford LLC.

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