



Root Policy Research

6740 E Colfax Ave, Denver, CO 80220

www.rootpolicy.com

970.880.1415

Executive Summary

Grand Valley Housing Needs Assessment

PREPARED FOR:

City of Grand Junction, Colorado
250 North 5th Street
Grand Junction, CO 81501

DRAFT REPORT

5/06/2021

This report presents the first phase of a two-part project. It identifies and quantifies housing needs across the Grand Valley. Phase II will present strategies and recommendations that are tailored to meet identified needs.

Demographic and Economic Context:

- Strong population growth with particular growth expected among older adults.
- Most recent growth has been driven by in-migration. Mesa County has experienced positive net migration of around 1,500 residents per year since 2015.
- The region continues to diversify its economic base, with employment losses in the natural resources and mining industry and gains in the education and health services industry.
- Given current trends, job growth is expected to be concentrated in industries that fall in the middle of the wage distribution.
- Poverty rates across the Grand Valley have increased since 2010.
- The number of unemployed workers in the county continues to be significantly higher than pre-pandemic levels, but underlying economic factors point to a continued recovery.

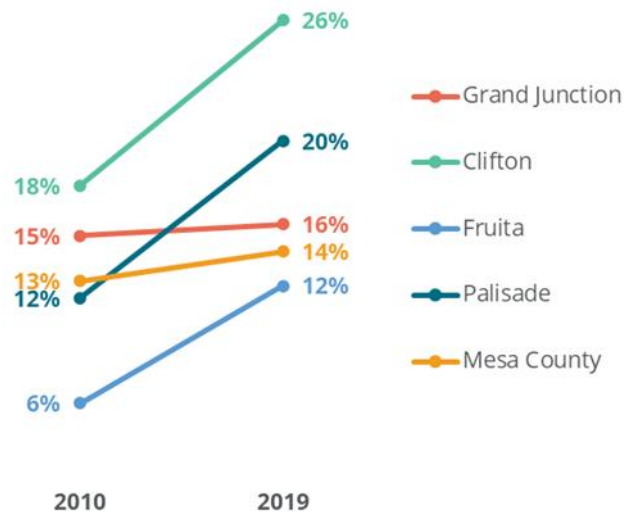
Income and Poverty

In Grand Junction and Mesa County the poverty rate increased slightly since 2010, while Clifton, Palisade, and Fruita saw sharp increases in their poverty rates.

Increasing poverty rates accentuate the need for affordable housing options.

Figure ES-1.

Poverty Rate, by Jurisdiction, 2010 and 2019



Source: 2010 and 2019 5-year ACS and Root Policy Research.

In Grand Junction, the income distribution has changed since 2010. The city has gained significantly more renters than owners.

The most notable changes are:

- A decline in owners earning less than \$50,000, offset by increases in higher income owners.
- The city gained renters across all income brackets, but the rate of growth has been higher among middle- and high-income renters.
- These middle-income renters face barriers to entry into the ownership market (due to rising prices).

Housing Market Analysis

Housing Stock

- Around two-thirds of homes in Grand Junction are single-family detached homes, and single-family development continues to dominate building activity.
- Extremely tight ownership and rental markets persist, with low rental vacancy rates and a shrinking inventory of for-sale homes.

Homeownership

- Homeownership rates across the county have trended down since 2010. In Grand Junction, the ownership rate decreased from 64% to 58%, and in Mesa County it decreased from 71% to 68%.
- Renters and owners occupy different structure types with owners much more likely to live in single-family units and renters more likely to live in attached housing.

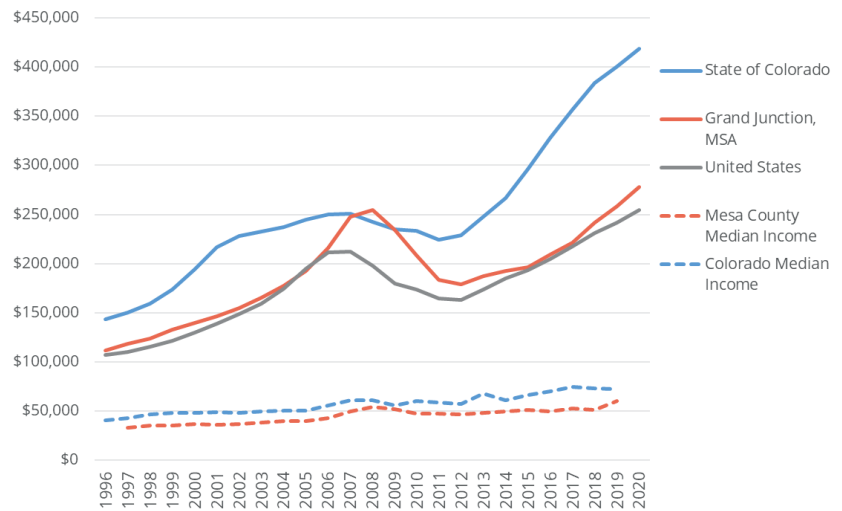
Gaps in Housing Supply

- There is a “gap” or shortage of 2,168 units affordably priced for renters who earn less than \$25,000 per year in Grand Junction. In Mesa County overall, there is a rental “gap” of 3,736 units for these low-income households.

Market Trends

Zillow estimates show that price trends in Grand Junction have accelerated since 2015 and continue to pick up. According to MLS data by Bray Real Estate, the median sold price in Mesa County has increased from \$256,400 in 2019 to \$309,000 in March of 2021, an increase of 20.5%.

Figure ES-2.
Zillow Sale Price Trends, 1996 to 2020



Source: Zillow Research Data and Root Policy Research.

Like the ownership market, Grand Valley’s rental market has experienced sharp increases over the past decade. Since 2010, Fruita experienced the largest increase in median rent, followed by Grand Junction and Mesa County overall.

- Median rent in Grand Junction was \$935 in 2019, up 21% from the 2010 median rent of \$770.
- Median rent in Mesa County was higher (\$981) and experienced the same growth over the period (21% increase from 2010 median of \$810).

In Grand Junction, the most significant changes were a loss of units priced below \$650 per month, offset by gains in units priced over \$1,250 per month. In 2010, 38% of rentals were priced below \$650 per month; by 2019 that proportion had dropped to 23%.

Special Interest Populations:

By the Numbers...

Older Adults (65+):

- 19% of residents countywide
- 18% of residents in Grand Junction

Residents with a Disability

- 15% of residents countywide
- 15% of residents in Grand Junction

People Experiencing Homeless

- 218 counted in 2020 Point-In-Time Count (Jan 28, 2020)
- 618 students (K-12) experiencing homelessness in Mesa County

Affordable Housing Inventory

- 901 Low Income Housing Tax Credit (LIHTC) units in Mesa County, 664 of those in Grand Junction
- 1,045 HUD-funded units, 887 of those in Grand Junction
- 1,300 Housing Choice Vouchers

Note: Vouchers and units are not additive as vouchers can be used in subsidized units, creating overlapping subsidies.

Community Engagement Findings

Section V of the full report details insight into residents' experience with housing choice and housing needs, the impacts of the COVID-19 pandemic, and residents' perceptions of the types of housing most needed in the Grand Valley.

Some key findings from the community engagement process include:

- Overall, about 45% of survey respondents said they face one or more housing challenges (e.g., worry about eviction, struggling to pay rent/mortgage, overcrowded, etc.). Housing challenges are more severe for renters, households with a member with a disability, and low-income households.
- Half of unsubsidized renters worry their rent will increase to an unaffordable level, one in four struggles to pay their rent and one in five struggles to pay utilities.
- Housing needs in the Grand Valley were present before the COVID-19 crisis. However, recent trends in the housing market such as rapid housing cost appreciation, and very low vacancies have made these needs more acute, particularly for vulnerable populations that are having increasing trouble finding and staying in market rate housing.
- According to stakeholders, the major barriers to housing development include increasing construction and lot development costs, fees, speed of approval process, and resistance to higher density housing by residents.
- Respondents expressed a strong desire for the housing stock to accommodate a wide range of residents including those living on a fixed income, low- and moderate-income families, and residents with mobility challenges. Increasing housing choice for a wide range of residents has implications for land use as well as affordability and housing policies/programs.
- The most common housing types considered "appropriate in my neighborhood" by respondents were, medium-sized single-family homes between 1,500 and 3,000 square feet, small homes with less than 1,500 square feet, and accessory dwelling units (ADUs).

Summary of Affordability Needs

Housing pressures in the county are unlikely to improve if the region continues to be a destination for economic development and population growth. Housing price increases have outpaced incomes over the past decade resulting in declining affordability within the rental and ownership markets alike. Due to the severe drop in the for-sale inventory, widening affordability gaps are particularly acute in the for-sale market, pushing ownership further out of reach for many households.

Rental Affordability

- Between 2010 and 2019, the median rent in Grand Junction increased from \$770 to \$935, a 21% increase. Renter incomes rose as well, but only by 14%, not enough to absorb the change in rents.
- Over half of all Grand Junction renters (53%), 5,700 renter households, are cost burdened, spending 30% or more of their income on housing costs. Over one fourth of renters (27% or 2,800 households) are severely cost burdened, spending at least half of their income on housing costs.
- In Mesa county, 52% of renter households or almost 9,800 renter households are cost burdened, of these, around 5,000 households are severely cost burdened.
- Based on a gaps analysis (which compares supply and demand at various price-points), Mesa County has a 3,736-unit shortage of rentals priced affordably for renters earning less than \$25,000 per year.
- In Grand Junction, the gaps analysis shows a 2,168-unit shortage for households earning less than \$25,000 (needing rentals for less than \$625/month).

Homeownership Affordability

- Low interest rates, a large drop in inventory, and low construction levels since the recession, have caused substantial price increases over the past two years. As of March 2021, median sold price was \$309,000 in Mesa County overall, reflecting about a 33% increase over 2010 values. In contrast, median income decreased by 0.2% between 2010 and 2019 in Mesa County.
- Renters earning less than \$50,000 per year can afford a maximum home price of about \$241,190 and they represent 68% of all renters. Cumulatively, only about a third (29%) of Grand Junction's sold homes were affordable to them.
- The homeownership rate declined in both Mesa County and Grand Junction between 2010 and 2019. It dropped from 71% to 68% in Mesa County and from 64% to 58% in Grand Junction.
- Rising rents and rising home prices both create barriers to ownership as current renters have a harder time saving for a down payment while the liquid capital required for a down payment rises with escalating home prices. In addition, homes priced affordably for low-income residents are increasingly being cash financed, leaving low-income home buyers unable to enter the market.

Next Steps:

The ultimate purpose of the study is to provide a strategy and recommendations that guide future policy decisions relating to housing. This draft reflects the first phase of the overall study—an analysis of housing stock, market trends, and community perceptions related to the Grand Valley’s housing context and potential housing needs. The second phase of the study is to craft recommendations for addressing the identified housing needs, with a focus on Grand Junction’s sphere of influence in the rest of the Grand Valley. Those recommendations will be developed in conjunction with City staff and Council feedback.