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Executive Summary Community Housing Needs Assessment

PREPARED FOR:

City of Centennial
13133 E. Arapahoe Rd.
Centennial, CO 80112

REPORT

7/18/2022

Report Organization:

- Existing Conditions
- Current Housing Needs
- Future Housing Needs
- Strategy and Policy Change

Why work to address housing needs?

- Research shows that a constrained housing market negatively impacts economic growth.
- Residents' housing needs change over time, most often due to aging, education and skill development, employment, economic disruption, care for family members, and/or transition to a fixed income.
- Recent trends in market prices, increasing mortgage interest rates, and land constraints are putting the city out of reach for middle income households.
- The existing housing products and price points offered may not be able to accommodate the needs of starter families, the growing workforce, or aging residents who wish to downsize.

Introduction

The Community Housing Needs Assessment (HNA) is the first phase of a four-phase Housing Study and Policy Development which includes 1) HNA, 2) refinement of strategies, 3) draft policy and land development code changes, and 4) policy and code consideration.

The HNA provides an update of past housing analyses with new data reflecting current gaps in the housing market and determining how residents' needs have changed since the last housing market update in 2017. The housing needs identified in the report can be leveraged by city staff, community members, and decision makers as the project moves into the next phase of the process—refinement of strategies.

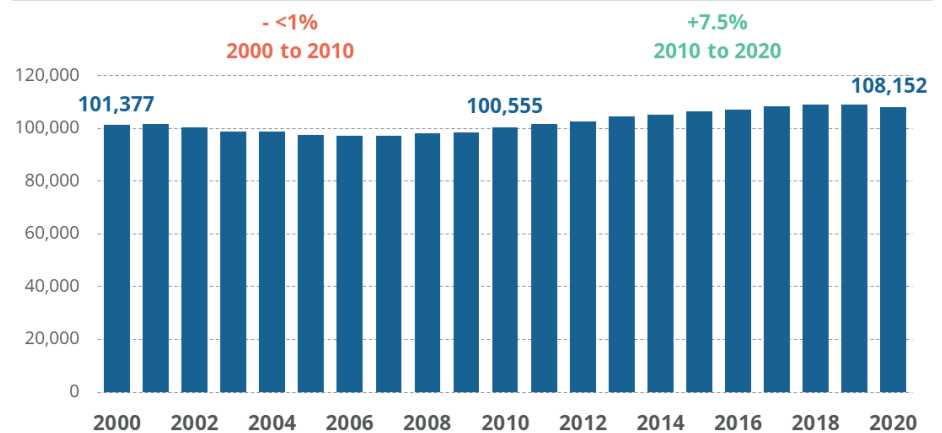
Top Housing Needs in Centennial Today

- To accommodate projected household and employment growth, the City of Centennial would need to **increase production of housing**—including market rate rental units and for sale housing. Over the past 10 years, the city has approved an average of 241 units per year. To keep up with household projections the city needs to produce 561 to 706 new units per year. (see Section II and III)
- To address the existing gap for low income renters with annual incomes less than \$35,000 in the city, **896 rental units and/or subsidies** priced under \$875 per month (including utilities) are needed. (see Section II)
- To allow for a wider variety of households to purchase homes in Centennial and for seniors to downsize, the city needs to **accommodate more missing middle housing types**—single family attached and condos. Increasing smaller-scale ownership opportunities would alleviate some of the barriers to homeownership and provide housing for smaller household sizes—specifically, **two-bedroom ownership opportunities**. (see Section II)
- To accommodate growing employment industries in the city, Centennial should **target affordable homeownership and rental strategies** toward price points that **Centennial workers can afford**. If the city's workers cannot be housed in the city, in-commuting will increase, and homeownership will decline. (see Section III)

Existing Conditions

- Centennial experienced modest population growth from 2010 to 2020 compared to the State of Colorado and Denver Metropolitan Statistical Area (MSA). From 2010 to 2020, the city's population grew by 7.5% compared to 14% in the Denver MSA and 33% statewide (ES-1).
- Centennial is an older community compared to the rest of the state with a median age of 41.3 in the city compared to 36.9 statewide. The senior population in the city is growing as residents age in place (ES-2).
- Centennial is a relatively high income community in the Denver MSA with a very low poverty rate (3% poverty).
- Family households with children and school-aged children have declined. The share of nonfamily households has increased (ES-2).
- Employment increases in the city—primarily in low wage jobs in arts, entertainment, and recreation—have driven up in-commuting for workers who work in the city but cannot afford housing prices or prefer to live elsewhere (ES-3).
- Racial and ethnic diversity in the city increased from 2010 to 2020, particularly within school aged children.

Figure ES-1. Total Population, 2000-2020



Source: DOLA and Root Policy Research.

Figure ES-2. Share of Population by Age, 2010-2020

Source: 2010, 2017, and 2020 5-year ACS and Root Policy Research.

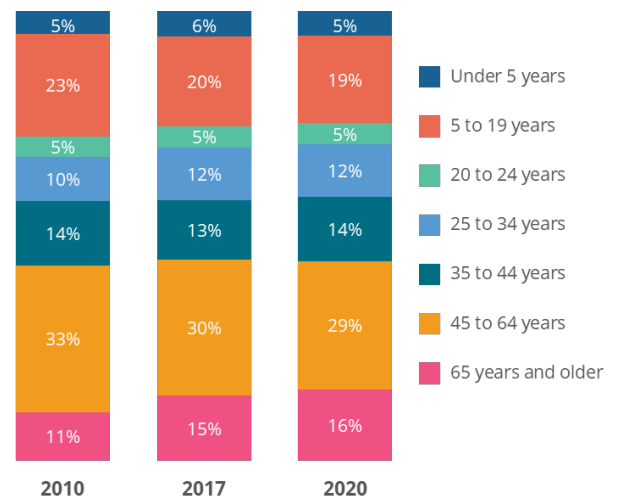
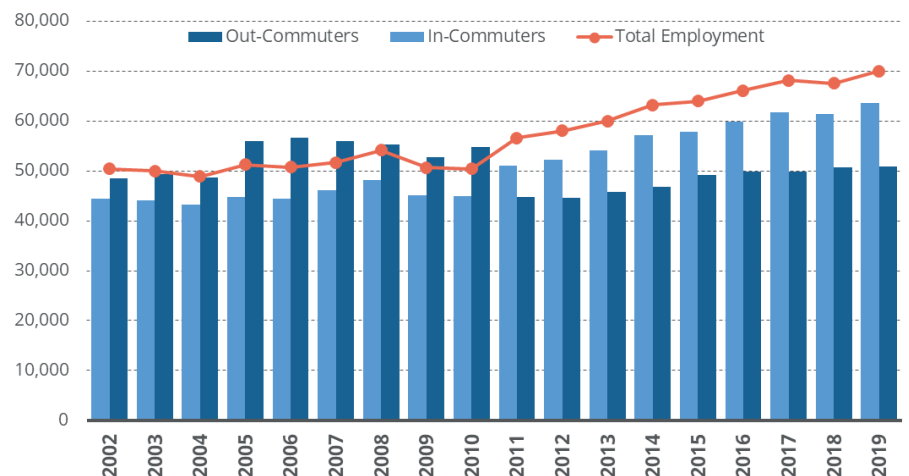


Figure ES-3. Commute Patterns and Total Employment, 2002-2019



Source: LEHD and Root Policy Research.

Housing Market

Housing Stock

- Around three-fourths of homes in Centennial are single-family detached homes. However, much of the development in recent years has been multifamily units (ES-4).

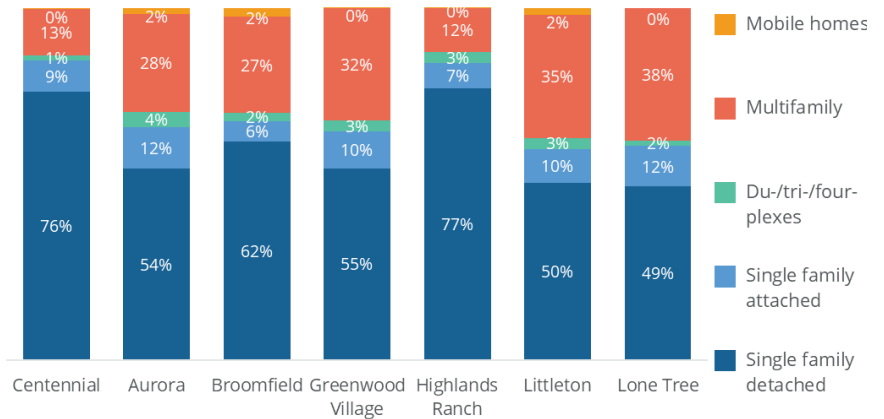
Rental Market

- Overall, the median gross rent in Centennial increased from \$1,554 in 2017 to \$1,728 in 2020 (11% increase).
- Over the past year (Q2 2021-Q1 2022) rents in the City of Centennial have increased dramatically, particularly in west Centennial (ES-5).

Ownership Market

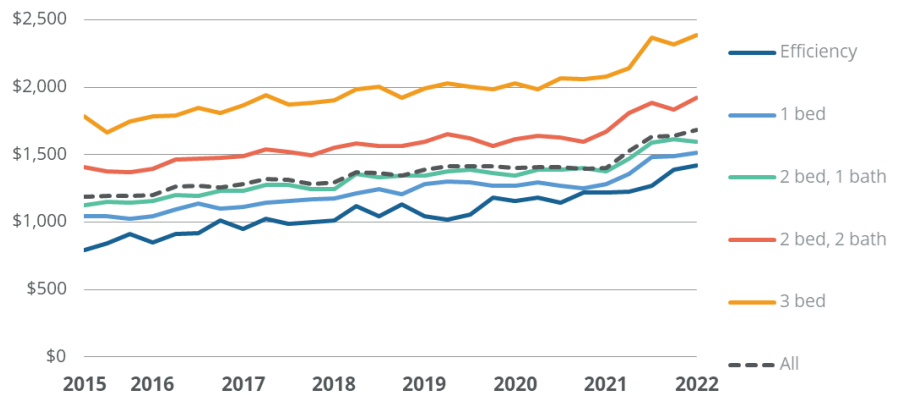
- Centennial has an above average homeownership rate. In Centennial 82% of all households own their home compared to 60% statewide.
- The average price of single family detached units sold in 2022 was \$233,990 higher than attached units and \$301,766 higher than condos. However, from 2012 to 2022 79% of all sales were single family detached (ES-6).
- Barriers to homeownership in Centennial include difficulty making a downpayment, households debt to income ratio, credit history, and increasing interest rates.

Figure ES-4. Housing Type, Centennial and Peer Communities, 2020



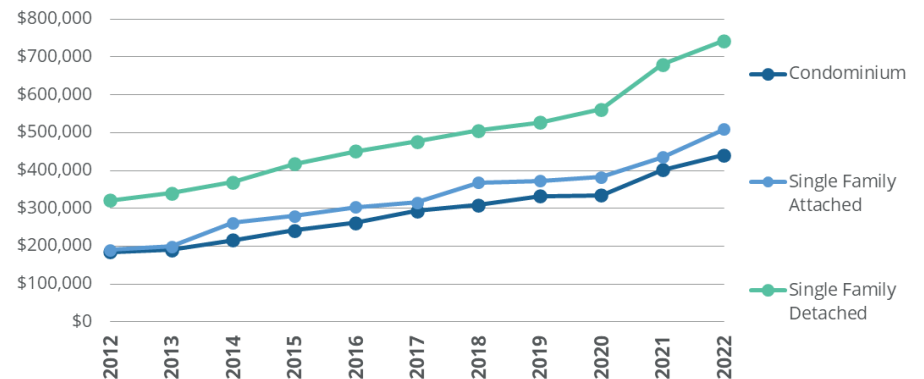
Source: 2020 5-year ACS and Root Policy Research.

Figure ES-5. Median Rent by Type, Arapahoe County, 2015-2022



Source: Denver Metro Vacancy and Rent Survey Q1 2022 and Root Policy Research.

Figure ES-6. Average Sale Price by Housing Type, 2012-2022



Source: MLS and Root Policy Research.

Current Housing Needs

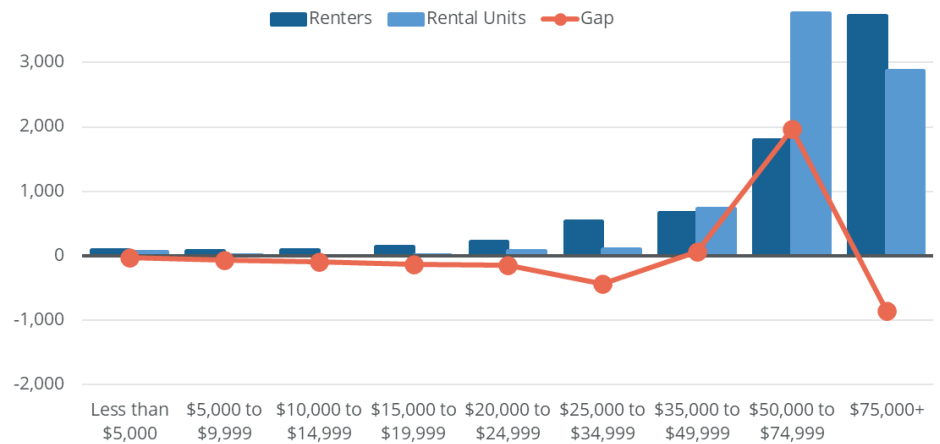
Rental Market

- The city has a gap of 896 units for renter households earning less than \$35,000. Sixteen percent of renter households have incomes less than \$35,000. These residents are not homeless, rather they are renting-up into units they cannot afford and are housing cost burdened—spending more than 30% of their income on housing (ES-7).

Ownership Market

- Units for sale in the City of Centennial are predominantly three- to four-bedroom units (67%). Conversely, most households are one or two person households (57%). There is a mismatch between the current inventory of for sale housing and the types of households living in Centennial (ES-8).
- With a 5.25% interest rate, households need to earn \$100,000 or more to be competitive in the market. Increased interest rates have decreased the purchasing power for households based on their income (ES-9).

Figure ES-7. Rental Gaps, Centennial, 2020



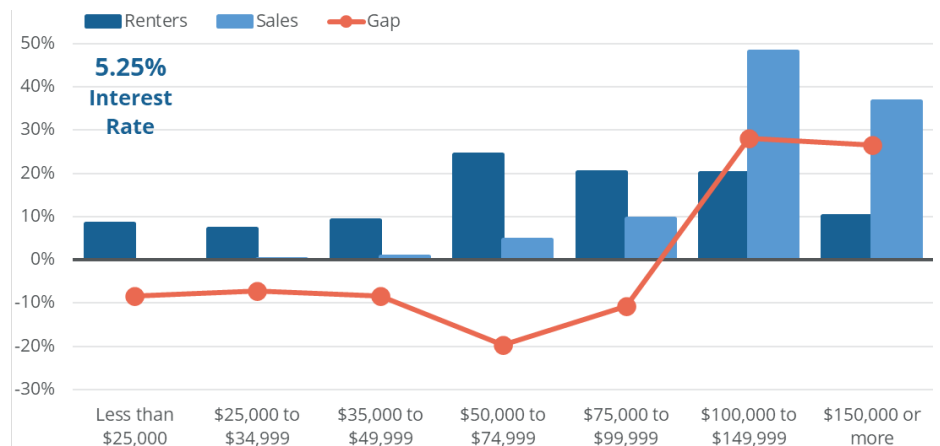
Source: 2020 5-year ACS and Root Policy Research.

Figure ES-8. Households by Number of People in Household vs. Sales by Number of Bedrooms

Number of Bedrooms or People in Household	Households		Sales in Centennial (2020-2022)	
	# of Households	% of Households	# of Sales	% of Sales
Centennial				
1 or less	8,637	21%	97	2%
2	14,560	36%	480	11%
3	7,428	18%	1,311	29%
4	6,388	16%	1,724	38%
5 or more	3,684	9%	935	21%

Source: MLS, 2020 5-year ACS, and Root Policy Research.

Figure ES-9. Renter Purchase Gaps, 5.25% Interest Rate, Centennial, 2020



Source: 2020 5-year ACS, MLS, and Root Policy Research.















Future Housing Needs

What if all new workers who can afford to live in Centennial are housed?

Figure ES-10 shows the outcomes of a scenario where all new worker households who can afford to rent or purchase in Centennial are housed and those who cannot afford Centennial become in-commuters.

By 2025, an estimated 4,948 new worker households will work in the city and 519 households would be able to afford the median priced detached single family home in 2025 (\$823,688); 1,453 households could afford to purchase a condo or attached home (\$780,000); and 2,189 households could afford the median rent (\$2,063). Out of the 8,321 new workers in the city, 1,324 could not afford to live in the city and would be forced to in-commute to work. Without an increase in ownership affordability in the next five years, the homeownership rate is estimated to decrease from 82% in 2020 to 77% in 2025.

Figure ES-10. Industry Workers can Afford, 2035

	 New Workers	 New Households	Housing Types Households Can Afford		Impact
2025	+8,321 Workers	+4,948 Households	 Detached	Households 519	In-Commuters  +1,324 Homeownership Rate 82% to 77%
			 Attached & Condos	1,453	
			 Rent	2,189	
2030	+13,447 Workers	+7,996 Households	 Detached	Households 383	In-Commuters  +2,138 Homeownership Rate 82% to 75%
			 Attached & Condos	2,688	
			 Rent	3,654	
2035	+17,791 Workers	+10,590 Households	 Detached	Households 17	In-Commuters  +2,826 Homeownership Rate 82% to 67%
			 Attached & Condos	1,154	
			 Rent	7,728	

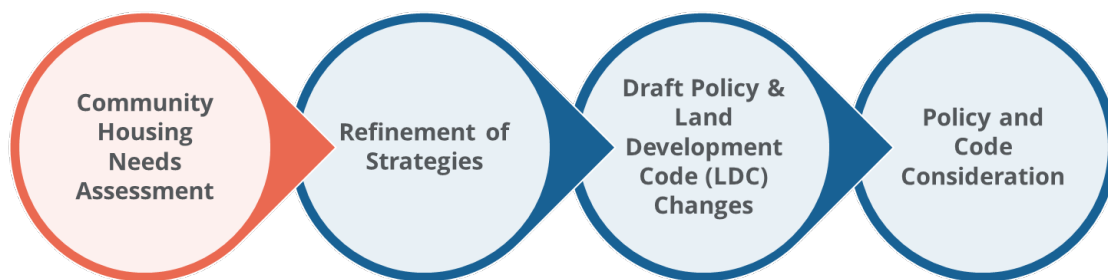
Note: Affordability based on 1.68 wage earners in with the average weekly wage for each industry per household and 30% of monthly income on housing. Mortgage assumptions include 5.25% interest rate, 20% monthly payment to ownership costs (e.g., property taxes, utilities, and insurance), and 10% downpayment.

Source: QCEW, MLS, 2020 5-year ACS, and Root Policy Research.

Next Steps:

The ultimate purpose of the study is to provide a strategy and recommendations to guide future policy decisions relating to housing. This draft reflects the first phase of the overall study—an analysis of demographics, existing housing stock, and needs related to the Centennial’s housing context and potential future housing needs. This is the first phase of a four-phase process which includes 1) HNA, 2) refinement of strategies, 3) draft policy and land development code changes, and 4) policy and code consideration.

Figure ES-11.
Centennial Housing Study and Policy Development Phases



Throughout the process, the City of Centennial and the consultant team are committed to conducting robust community engagement efforts. Upcoming events, public drafts and information, and our newsletter can be accessed at www.centennialco.gov/housing.

The next phase of work will center around the nine strategies identified by the City of Centennial as strategies for further exploration. Each strategy will undergo a public vetting process with community members, stakeholders, the Working Group, and decision makers. The strategies for consideration include:

- (B) Subsidize or reduce development fees¹
- (C) Expedited development review for affordable housing
- (D) Expedited development review for underutilized commercial/office property
- (E) Establish density bonus program
- (G) Dedicated funding source to subsidize infrastructure costs
- (J) Authorizing Accessory Dwelling Units (ADUs)
- (N) Create a land donation/banking program
- (IIa) Inclusionary zoning policy
- (IIb) Incentivize current landlords to lower prices of existing units

¹ Lettering references the strategies as presented in HB21-1271.