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SPRINGS**

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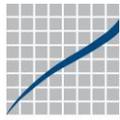


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Visit Colorado Springs

City Challenges & Opportunities



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City Challenges & Opportunities

In looking at other U.S. cities over the past few decades, it's evident...

- When cities are faced with opportunistic growth, they either take off or they don't. There isn't a lot in between.
- Smart to step back and assess our challenges and opportunities so we capitalize on the opportunities and mitigate the challenges.
- Our challenge is NOT lack of opportunities.
- We are currently at a HUGE advantage in that we are in a position of needing to accommodate growth.
- Typically, the Forum focuses on the short term. Herein we can examine the present and how challenges and opportunities may shape us in the next 5-10 years.

At a point where we can assure sustainable economic growth.

At a point where we need to make sure the growth doesn't crush us.

City Challenges & Opportunities

➤ ALL cities faced with challenges...

- 1) **Workforce** – Are we training for current and future jobs and can people access that training?
- 2) **Infrastructure** (esp. transportation), urban sprawl/planning
- 3) **Inequality/affordable housing**
- 4) **Environmental sustainability** and sufficient natural resources
- 5) **Differing ideologies** on how to deal with challenges and how to spend or not spend associated tax dollars

City Challenges & Opportunities

➤ MOST cities have opportunities...

- 1) **High-growth industries** (e.g. tech, sports) > JOBS!
- 2) **Define themselves** by those industries
 - Attract needed talent and more parallel businesses
- 3) **Partnerships** between business/government and educ/training systems to **target their workforce training**
- 4) **In-migration of people who can work** (esp. beneficial when they're educated/trained); increase in tax base, consumerism, innovation, investment..

If successful, the city is perceived well by the outside world, attracts more people and businesses who are drawn to its attributes, and the positive cycle begins..

Why This Can Be Helpful?

- Information on where we've been is interesting and sometimes helpful..
- ..but knowing where leaders and stakeholders are trying to take us gives us a vision of our own future/children's future.
- Tells us how our tax dollars are being spent.
- Citizens can make informed voting decisions.
- Tells us the strategic plans of key organizations and what resources/programs are available

Why This Can Be Helpful?

- Enables us to play a part in shaping our city and ensuring robust, sustainable growth.
- We can make good short-term decisions in the context of robust long-term competitiveness and growth.
- One government official: we can shape ourselves to almost anything and have so many assets that good, visionary planning at this juncture can make us an almost one-of-a-kind city in U.S. and even global terms.

“We are the most under-leveraged city I have ever seen.”

~Dick Celeste (2014)

Denver ranked #2 in 2019 best places to live by U.S. News and World Report; Colorado Springs ranked #3.



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Denver Traffic..



Looking Good in Colorado Springs..



Overall Economic Growth in our Region: Gross Metropolitan Product *Lots of Opportunity*



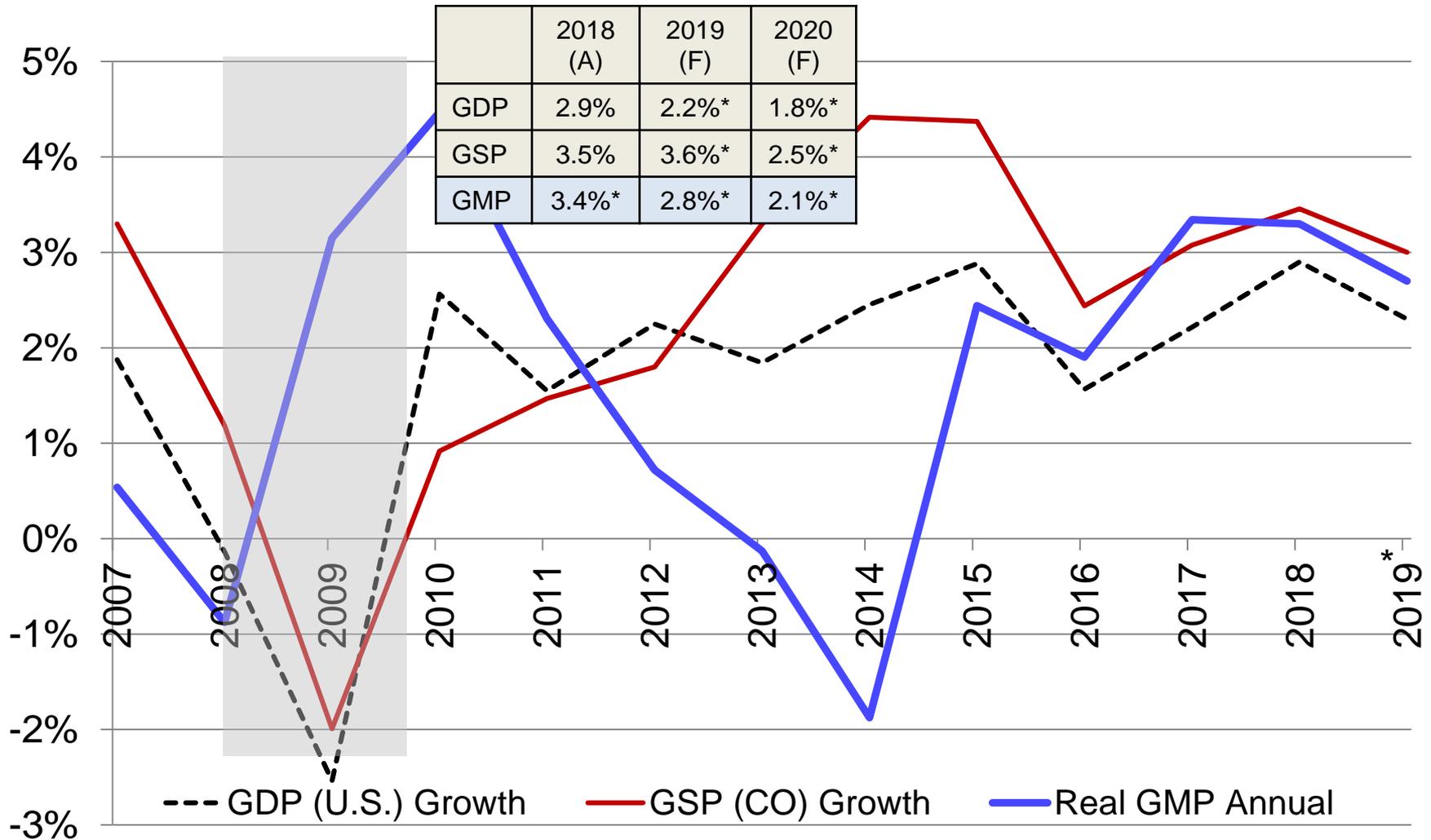
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Real Growth in Annual GDP, GSP & GMP vs. Year Ago

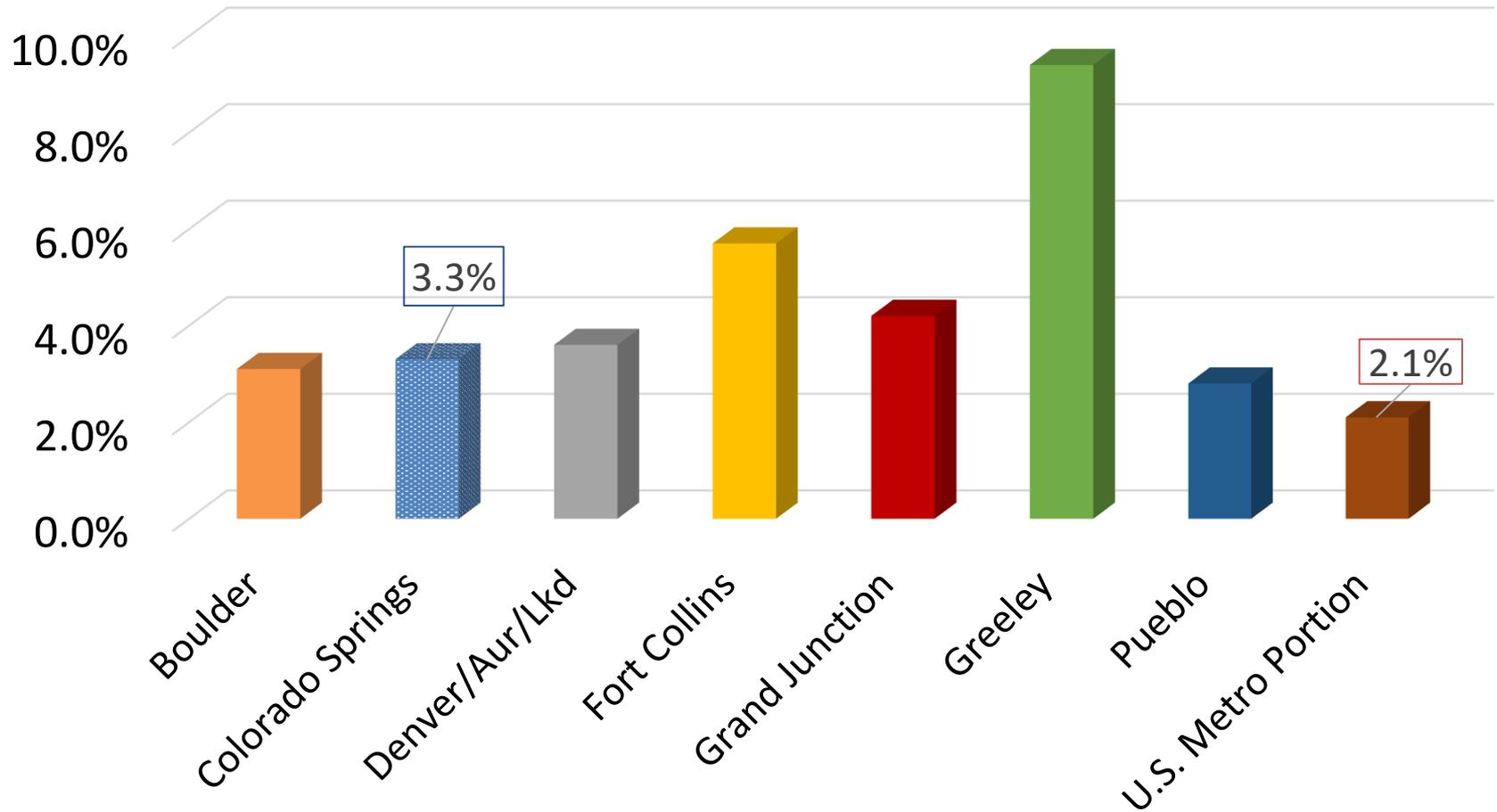


* Denotes forecasted growth rate; GDP forecast by CO OSPB. GSP and GMP forecasts by the UCCS Economic Forum.

Source: U.S. Bureau of Economic Analysis

Real GMP Change from 2016 to 2017

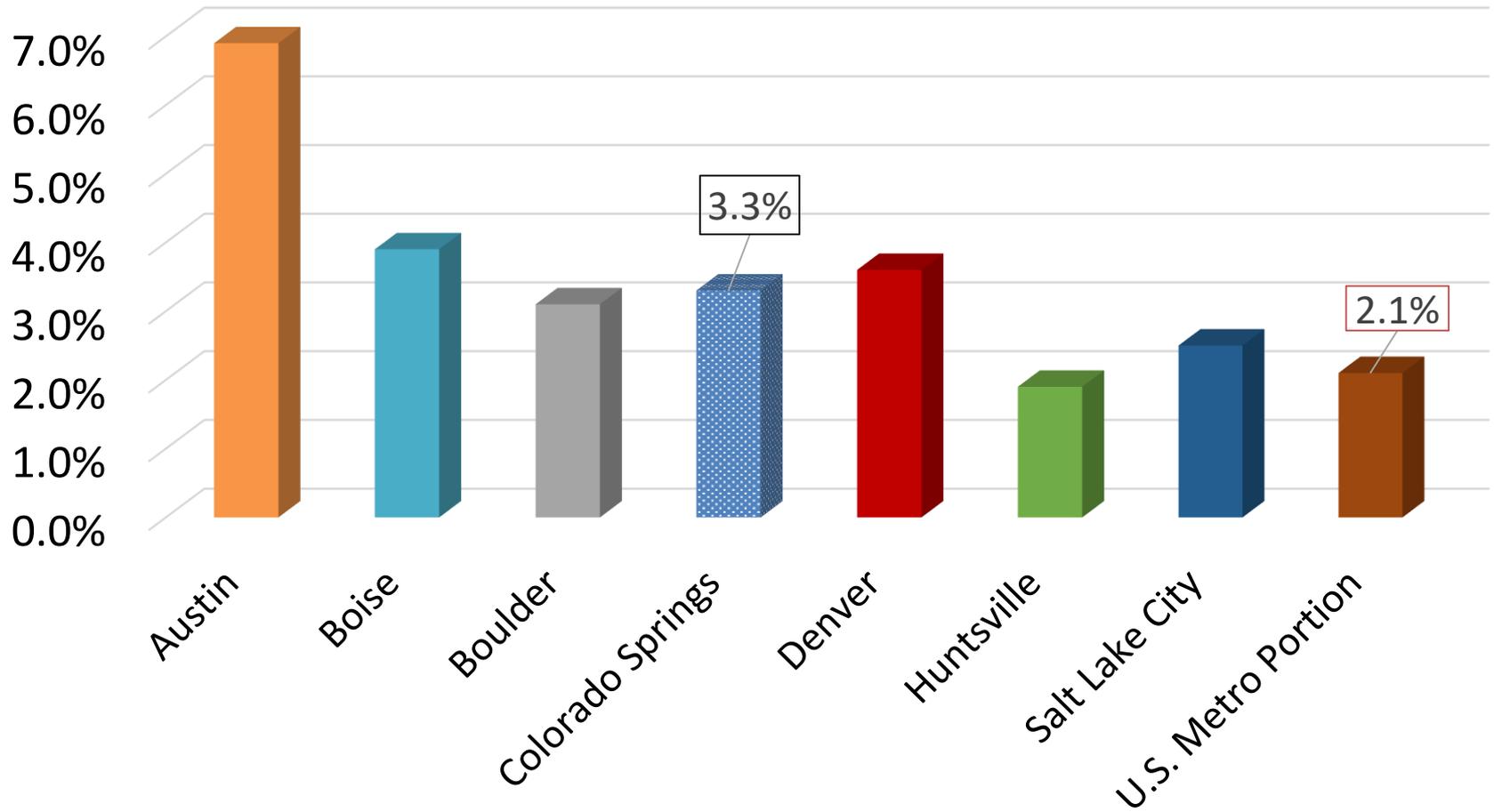
Major Colorado MSAs



Source: U.S. Bureau of Economic Analysis

Real GMP Change from 2016 to 2017

Select MSAs in United States



Source: U.S. Bureau of Economic Analysis

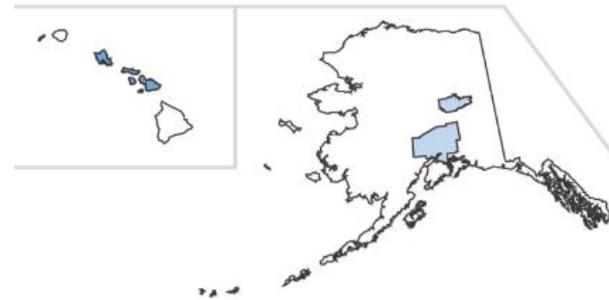
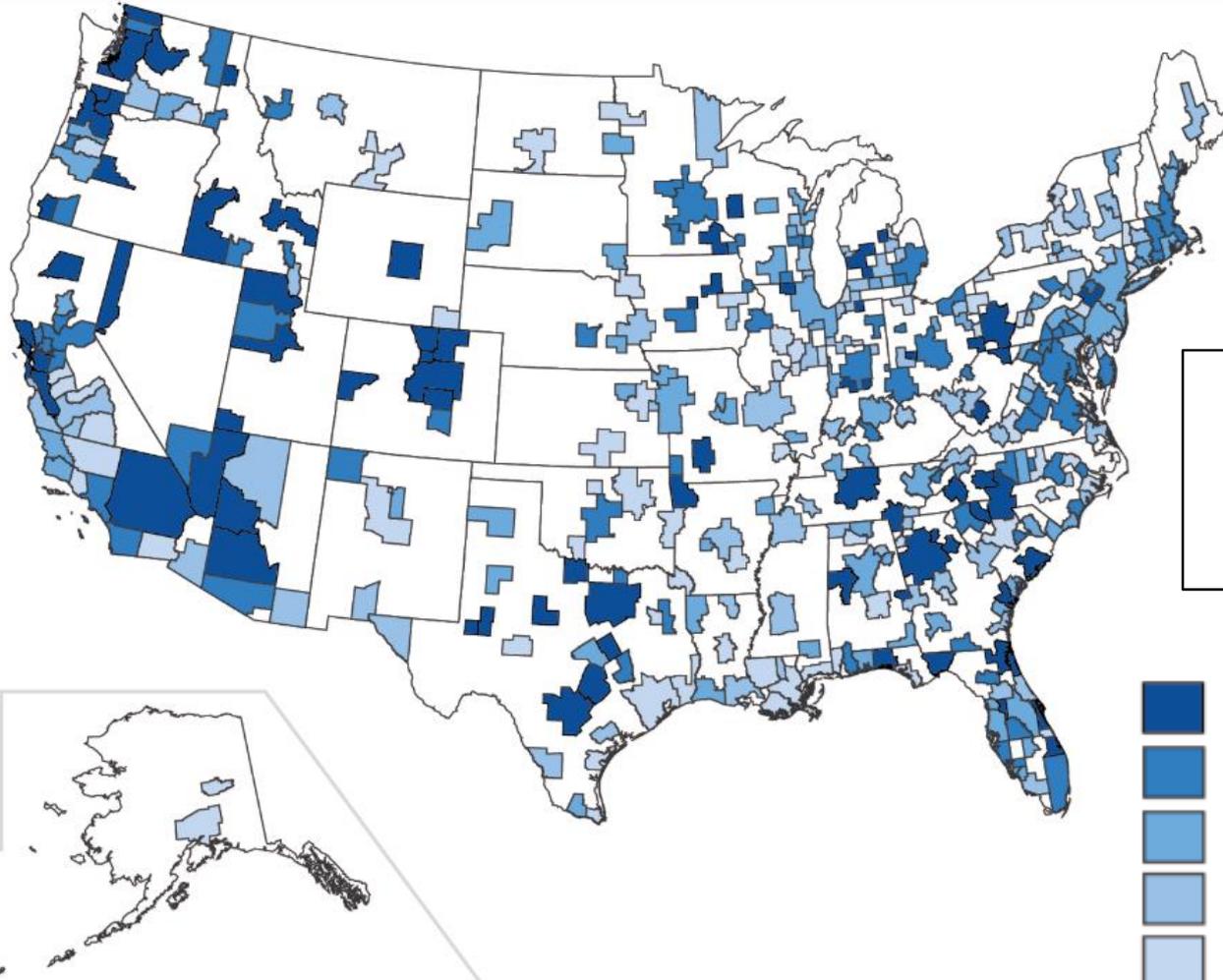


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Percent Change in Real Gross Metropolitan Product 2017



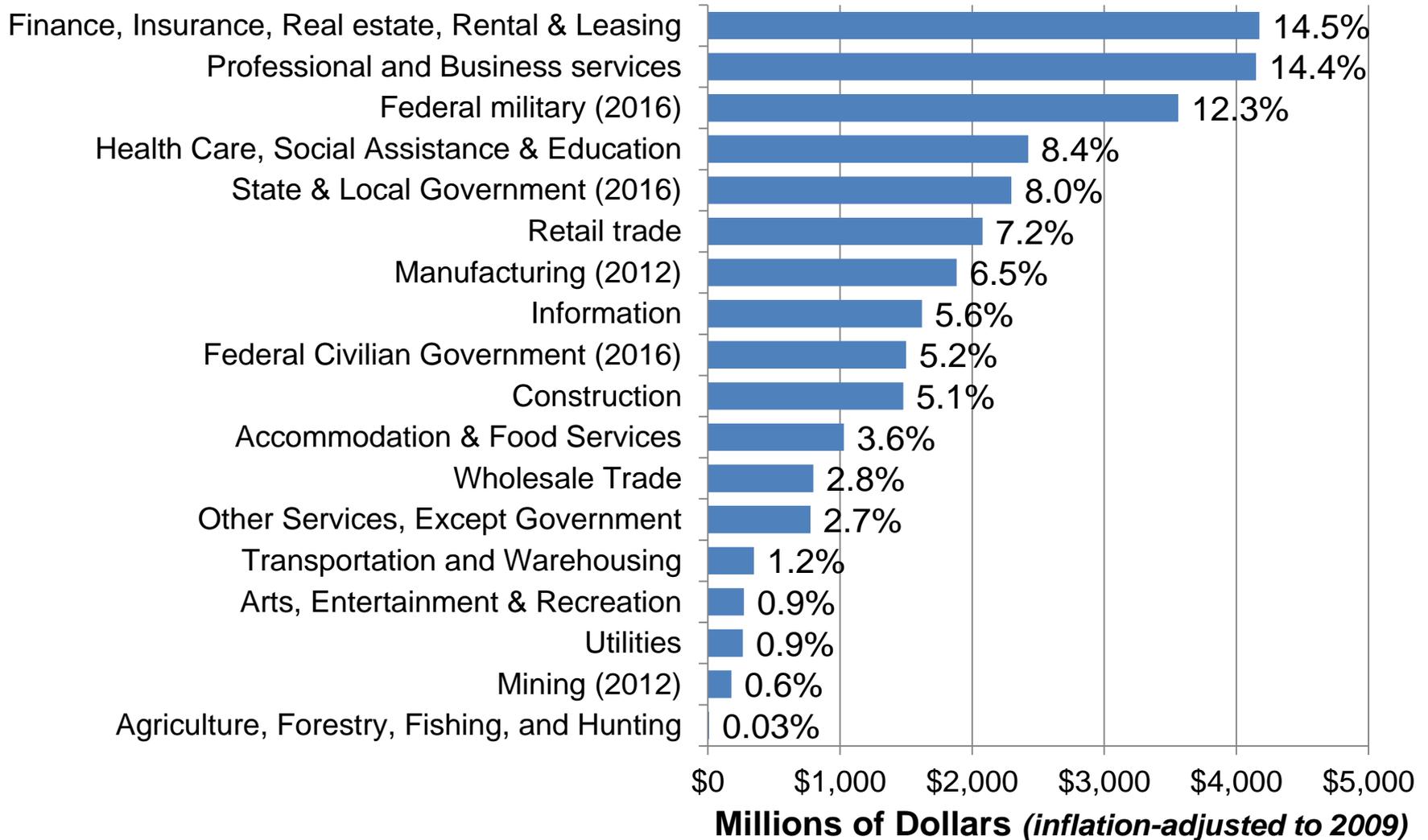
Nominal increase in U.S. GDP metro portion was 4.1% and for CS was 5.0%.
Source: U.S. Bureau of Economic Analysis

Real GMP Highlights

- Colorado Springs ranked **58th** out of 383 metro areas for 2017 (top quartile).
 - In 2016, Colorado Springs ranked 83rd.
- 81% metro areas saw increase in GMP in 2017
 - Professional & business services grew 3.5% - *high skill*
 - Wholesale and retail trade grew 3.2%
 - Finance, insurance, real estate, rental & leasing grew 1.5%
 - Natural resources & mining grew 2.2%

Source: U.S. Bureau of Economic Analysis & U.S. Department of Commerce

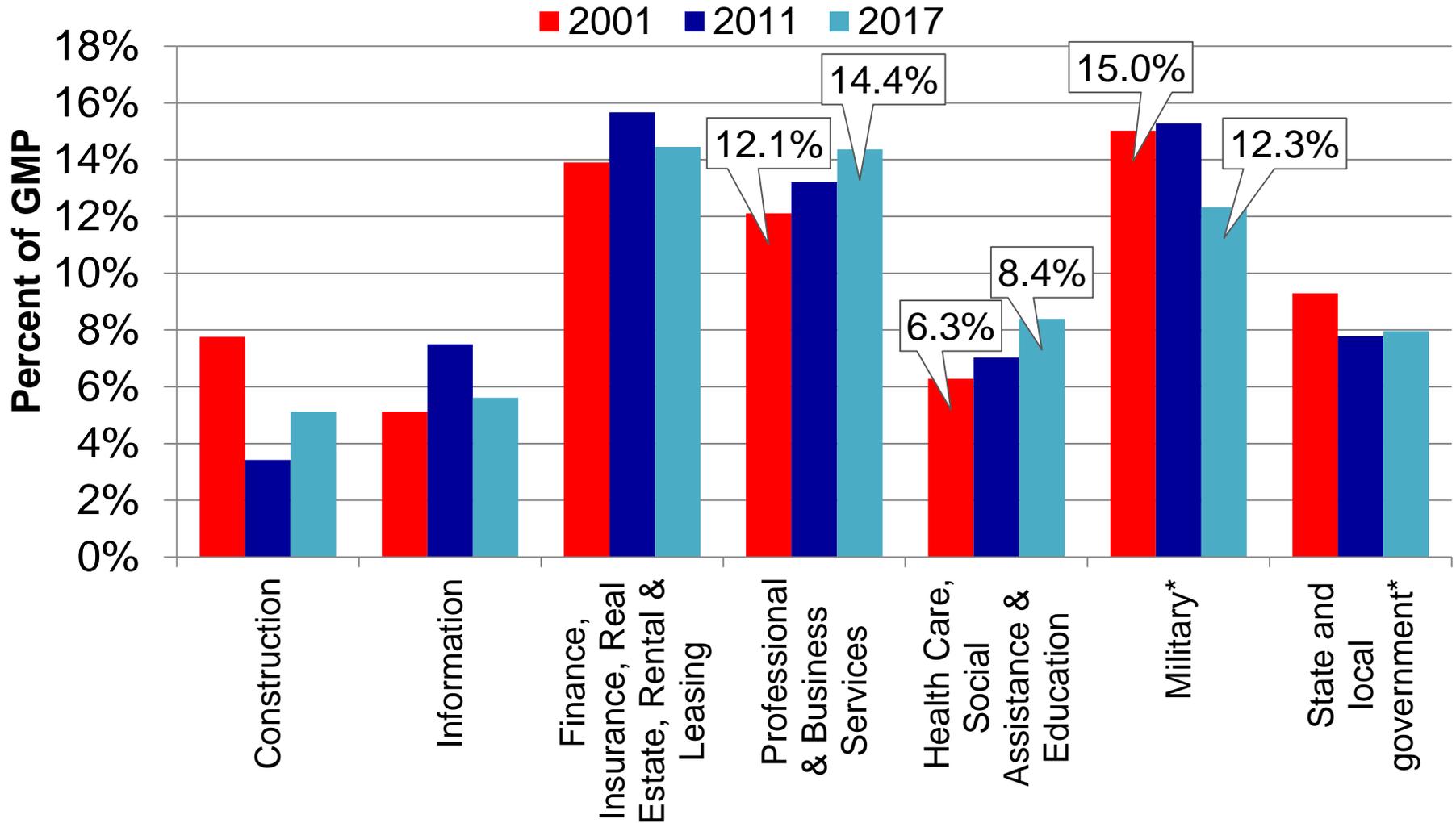
Real GMP Contribution by Sector, Colorado Springs MSA, 2017*



*Manufacturing and Mining data last disclosed in 2012. Government data lags a year.

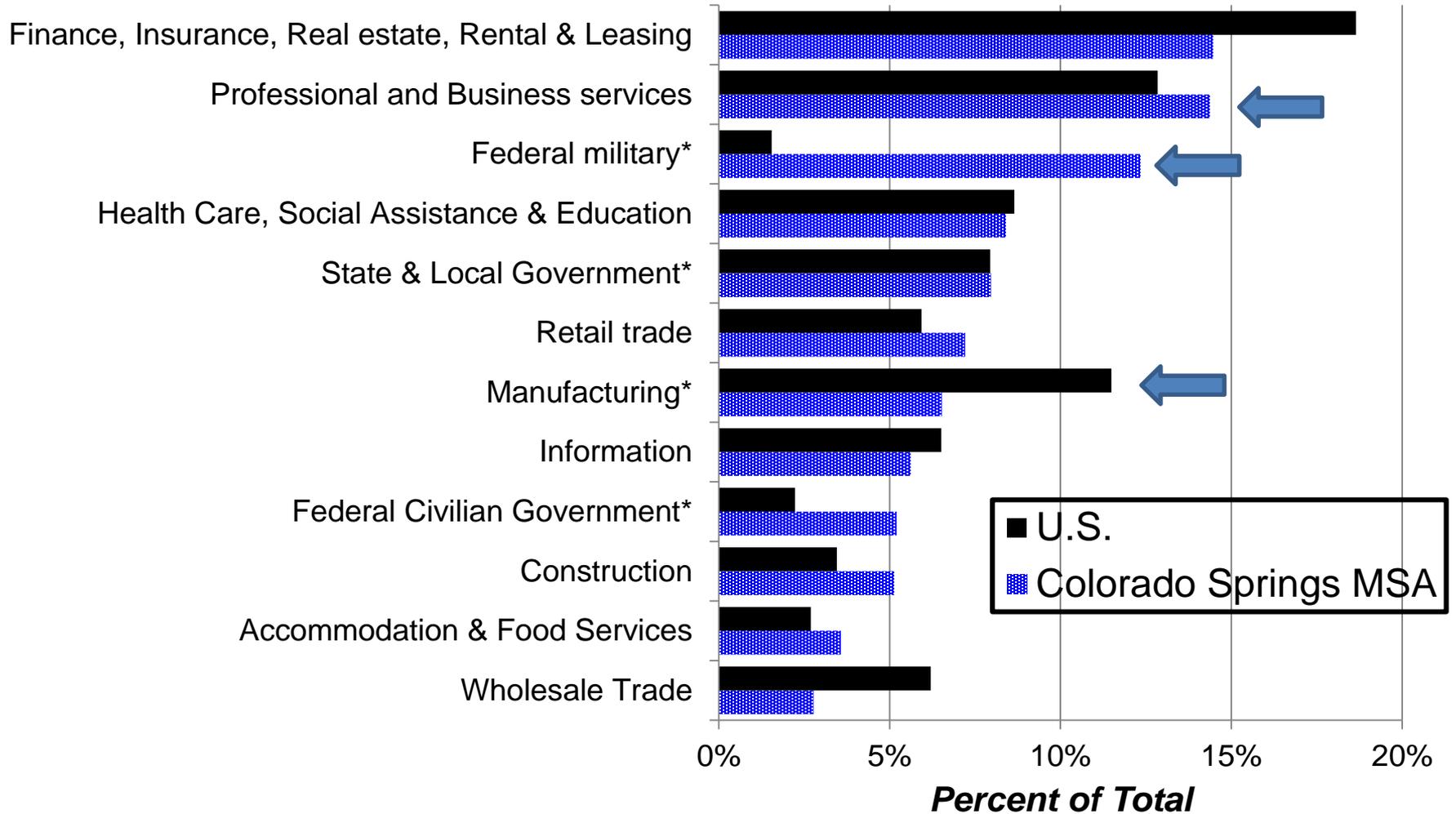
Source: U.S. Bureau of Economic Analysis

Contribution to GMP by Industry, Colorado Springs MSA



*Government data lags a year so government data is from 2016. Source: U.S. Bureau of Economic Analysis

Real GMP (2017*) & GDP (2018) Contribution by Select Sectors



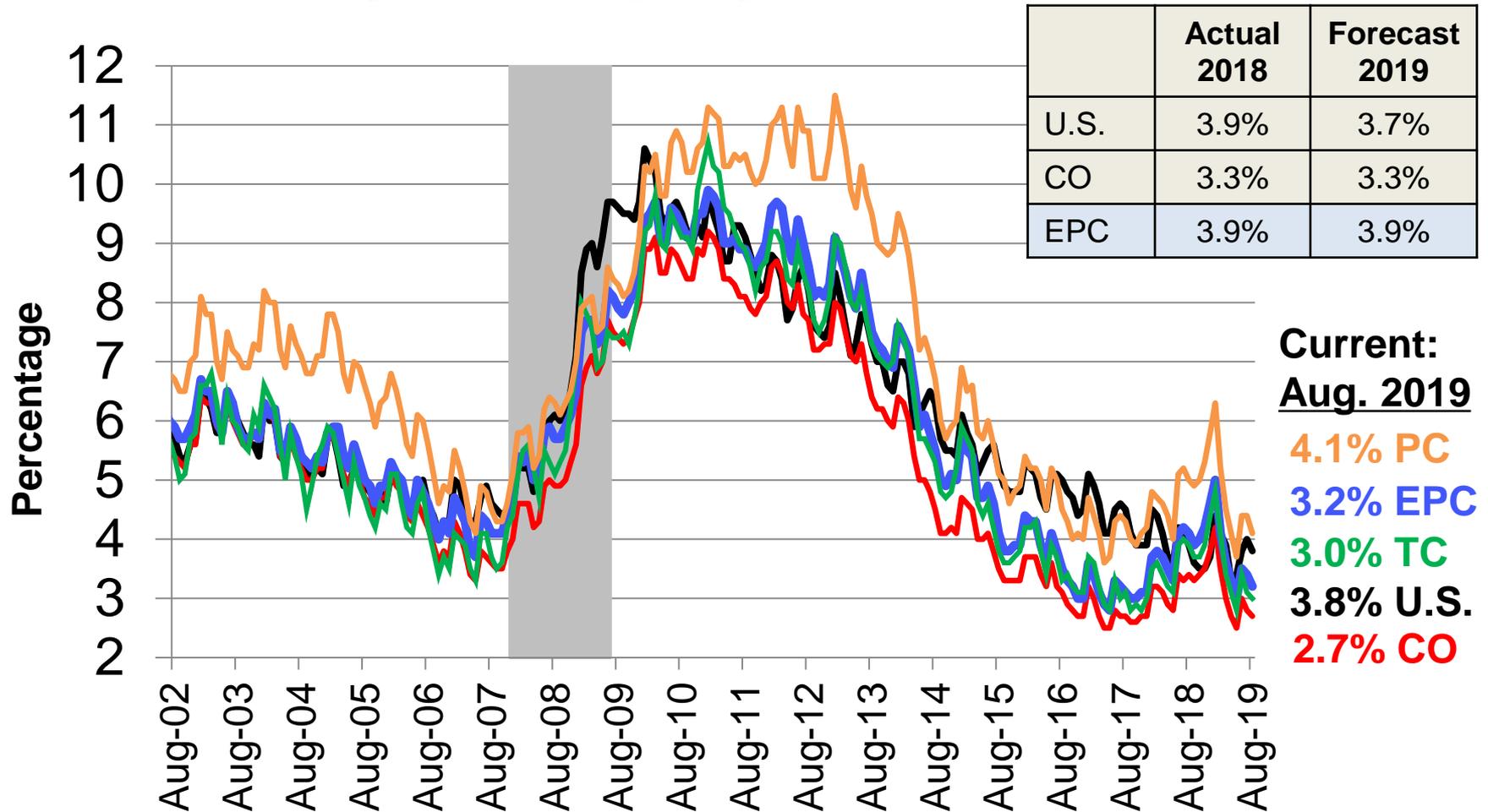
*MSA Manufacturing and Mining data last disclosed in 2012. Government data for lags a year so it is 2016 data for GMP and 2017 data for GDP.

Source: U.S. Bureau of Economic Analysis

State & Local Employment

Mixed: Opportunities & Challenges

Monthly Unemployment Rate – NSA



Note: September 2019 U.S. unemployment rate: 3.3%

Unemployment rate is from the CPS and includes self employed. Last time EPC rate was higher than U.S. was April 2014.

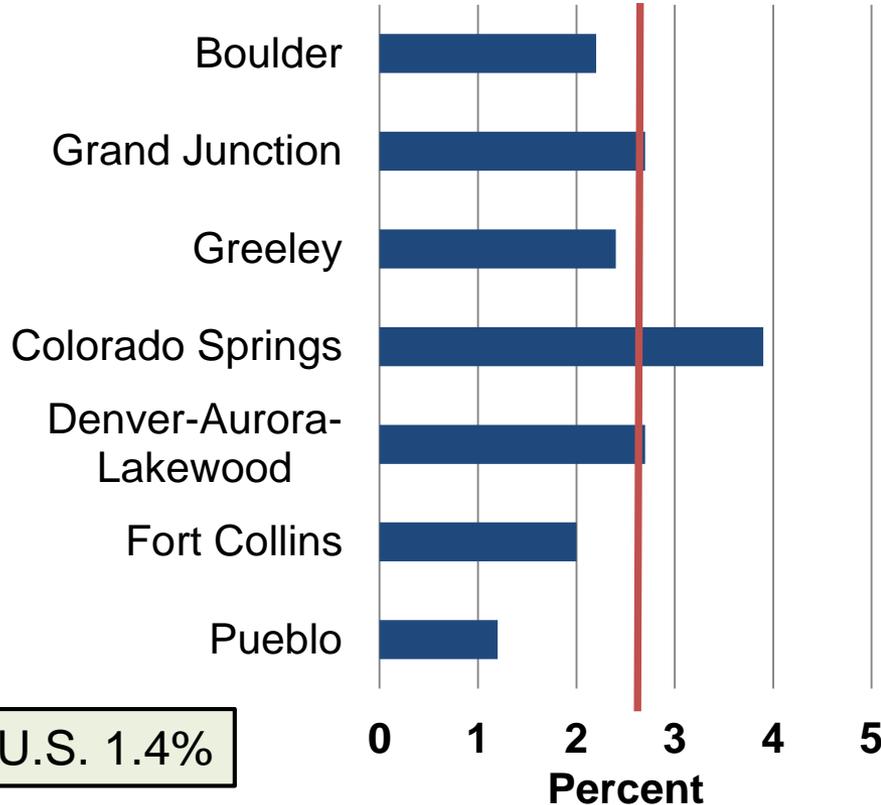
Forecasts by the Colorado Office of State Planning and Budgeting (OSPB) and UCCS Economic Forum

Sources: U.S. Bureau of Labor Statistics; Colorado Department of Labor and Employment

Regional Employment Growth and Unemployment

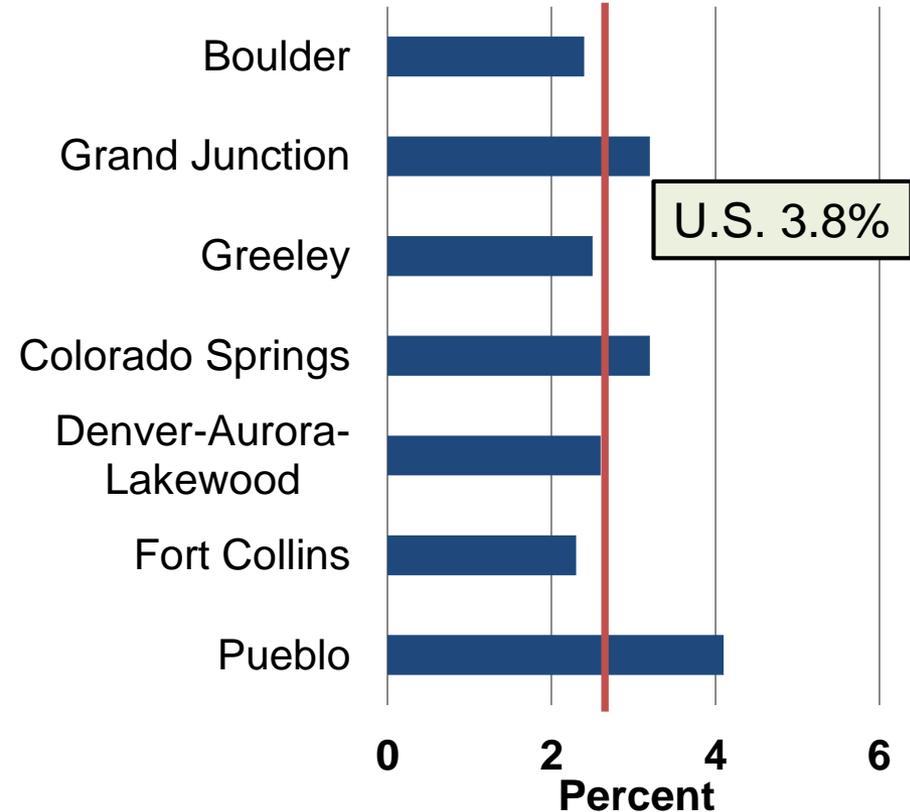
Employment Growth Rate August 2019 YoY

Colorado 2.7%



Unemployment Rate August 2019

Colorado 2.7%



Note: All data is not seasonally adjusted.

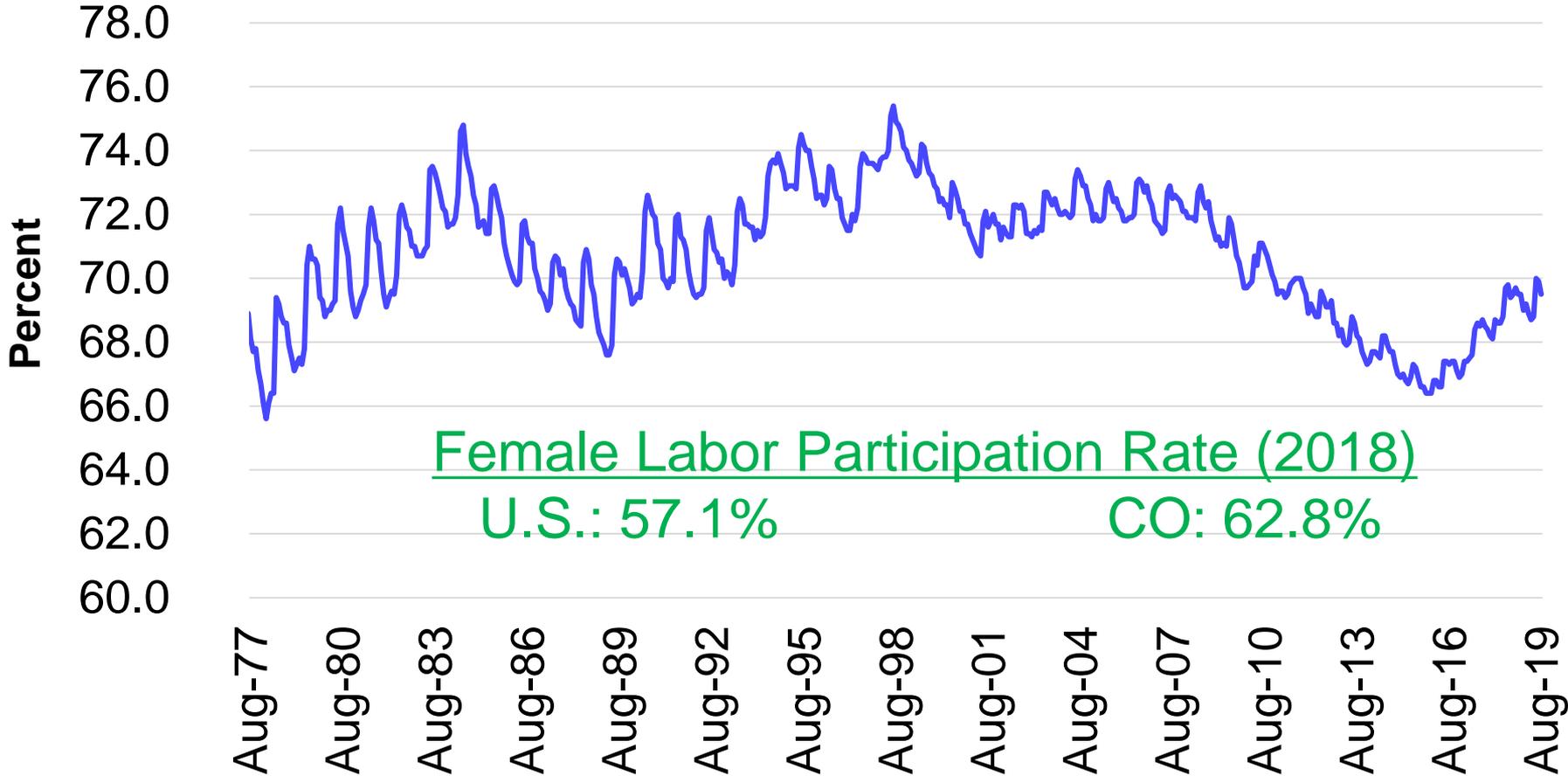
Sources: Colorado Department of Labor and Employment, Office of Labor Market Information, LAUS

An Interesting Phenomenon in Colorado..

- August 2018 to August 2019, the number people in the labor force increased by **44,242** people (up 1.4%). Number unemployed *decreased* by 18,539 (down 17.3%).
- Total employment grew by **62,781** (up 2.1%).
 - Good because businesses can still find workers (even if it's hard).
 - Good because it raises our overall productivity (e.g. GSP).
 - Good because it reduces transfer payments like unemployment insurance and Medicaid.

Source: Colorado Department of Labor and Employment (**seasonally adjusted data**)

Colorado Labor Force Participation Rate



Note: CO overall LF participation rate (NSA) was 69.5% in August 2019 and 63.2% in the U.S.
Source: U.S. Bureau of Labor Statistics

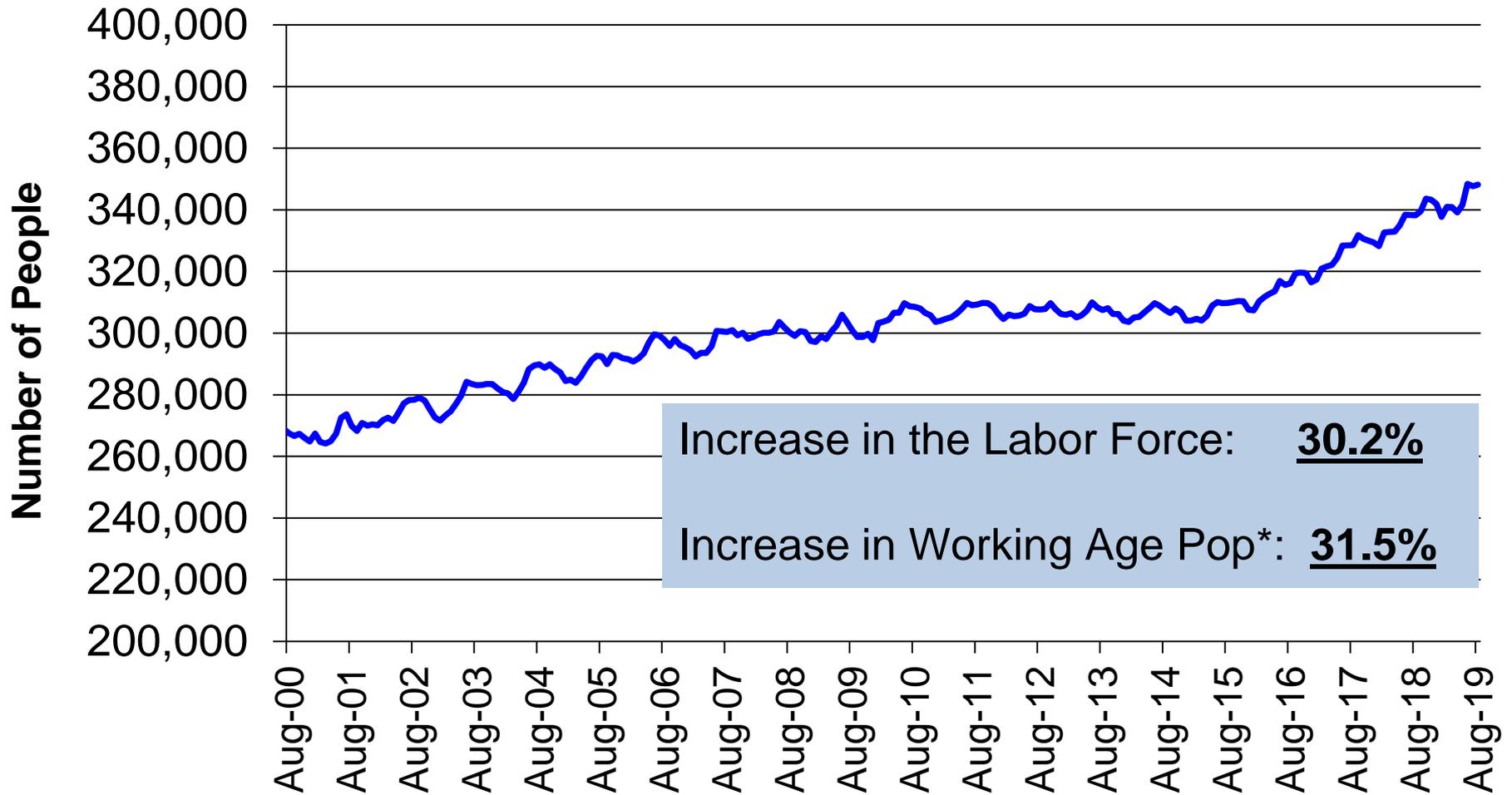
An Interesting Phenomenon in El Paso County...

- After decades of stagnant growth in the labor force...
- EPC had an increase in the labor force August 2018 to August 2019 of **9,918** (or 2.9%)
- **12,666** more people employed (up 3.9%)
- **2,748** fewer people unemployed (down 19.8%)

Note: Local data is only available NOT SEASONALLY ADJUSTED

Source: Colorado Department of Labor and Employment, Colorado Labor Market Information (LMI Gateway)

Increase in the Labor Force El Paso County 2000 – 2019**



*Ages 18-64 **Population change is 2000 – 2018.

Sources: U.S. Bureau of Labor Statistics; Colorado Department of Local Affairs

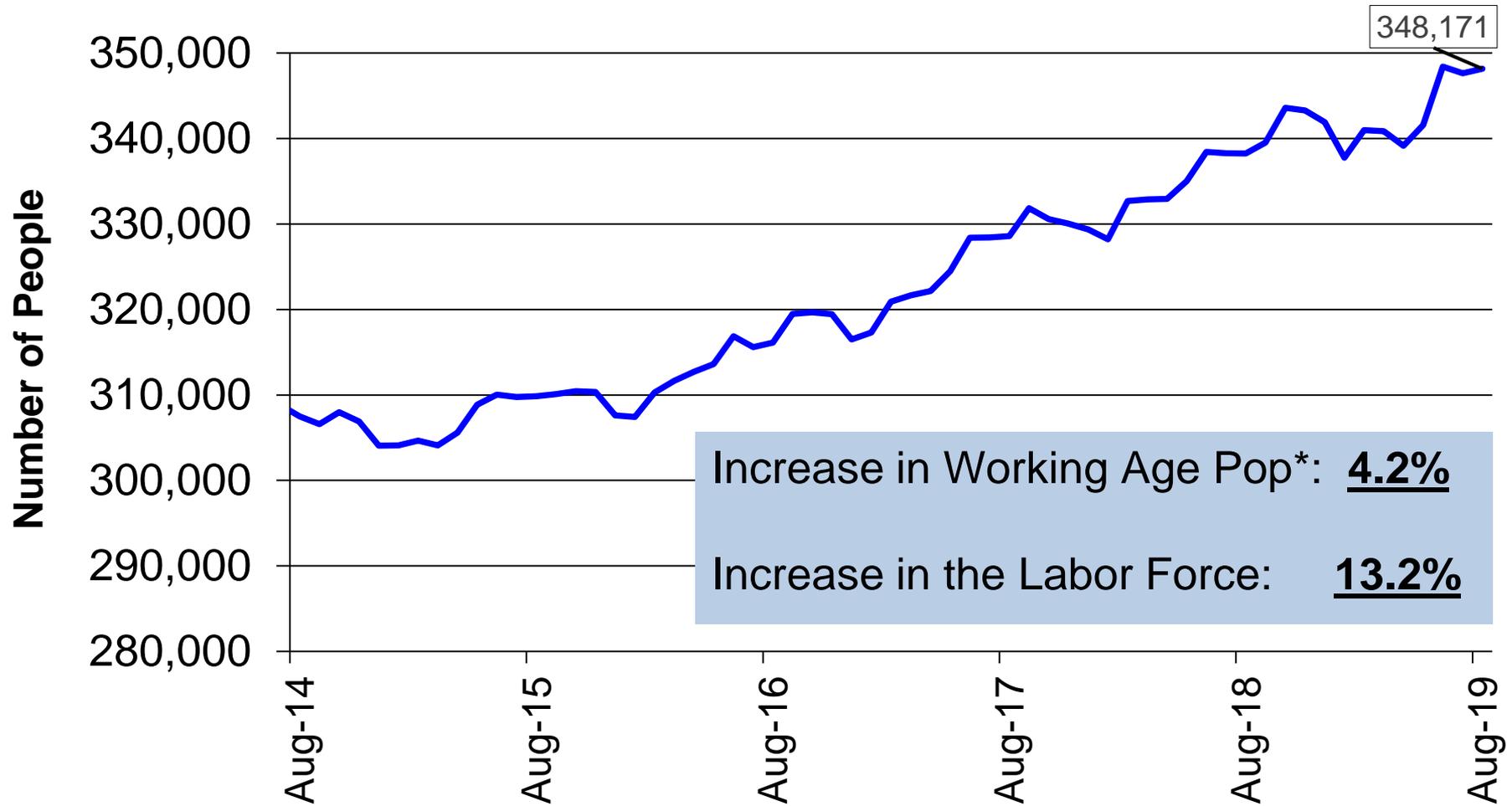


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More Recent Increase in the Labor Force El Paso County 2014 – 2019**

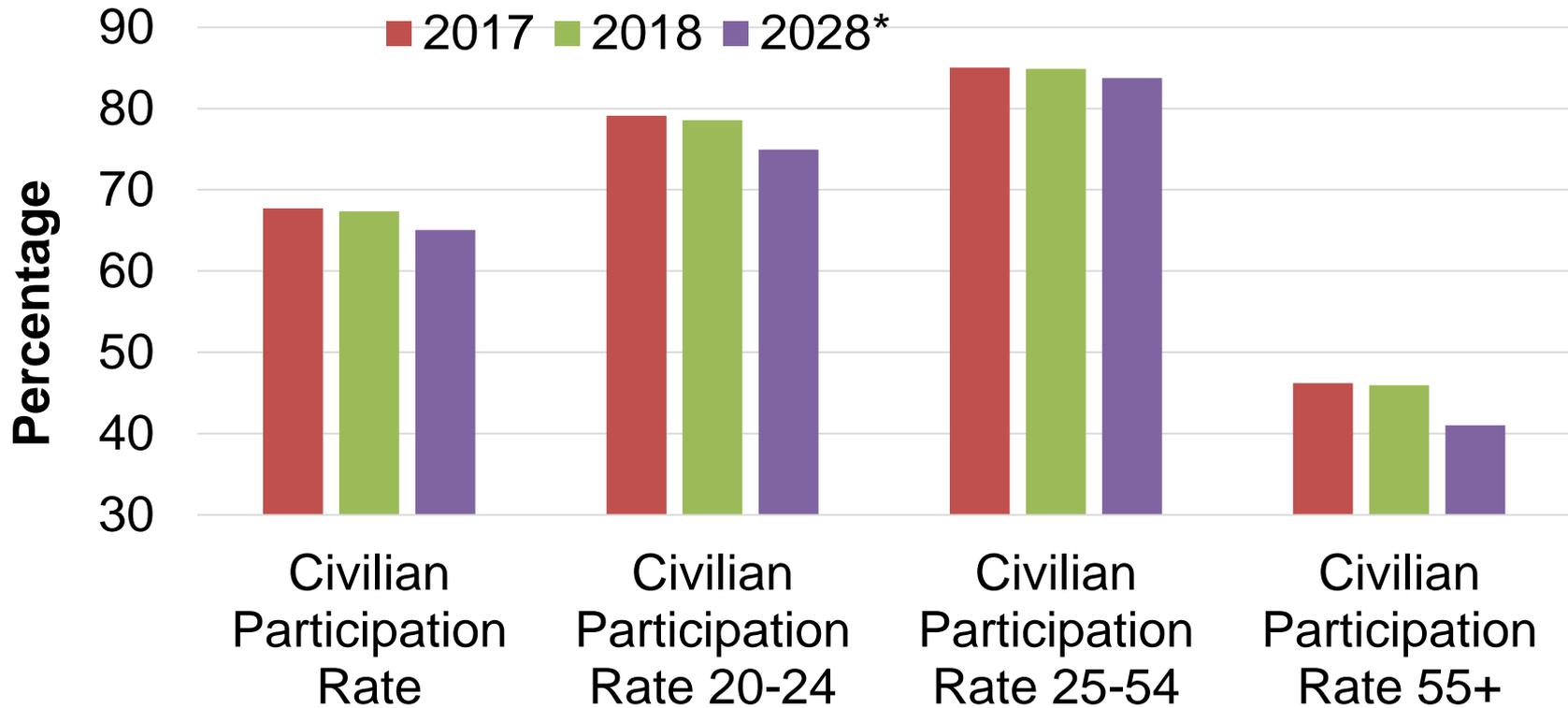


*Ages 18-64 **Population change is 2014 – 2018.

Sources: U.S. Bureau of Labor Statistics; Colorado Department of Local Affairs

Workforce Challenge – Aging of Population

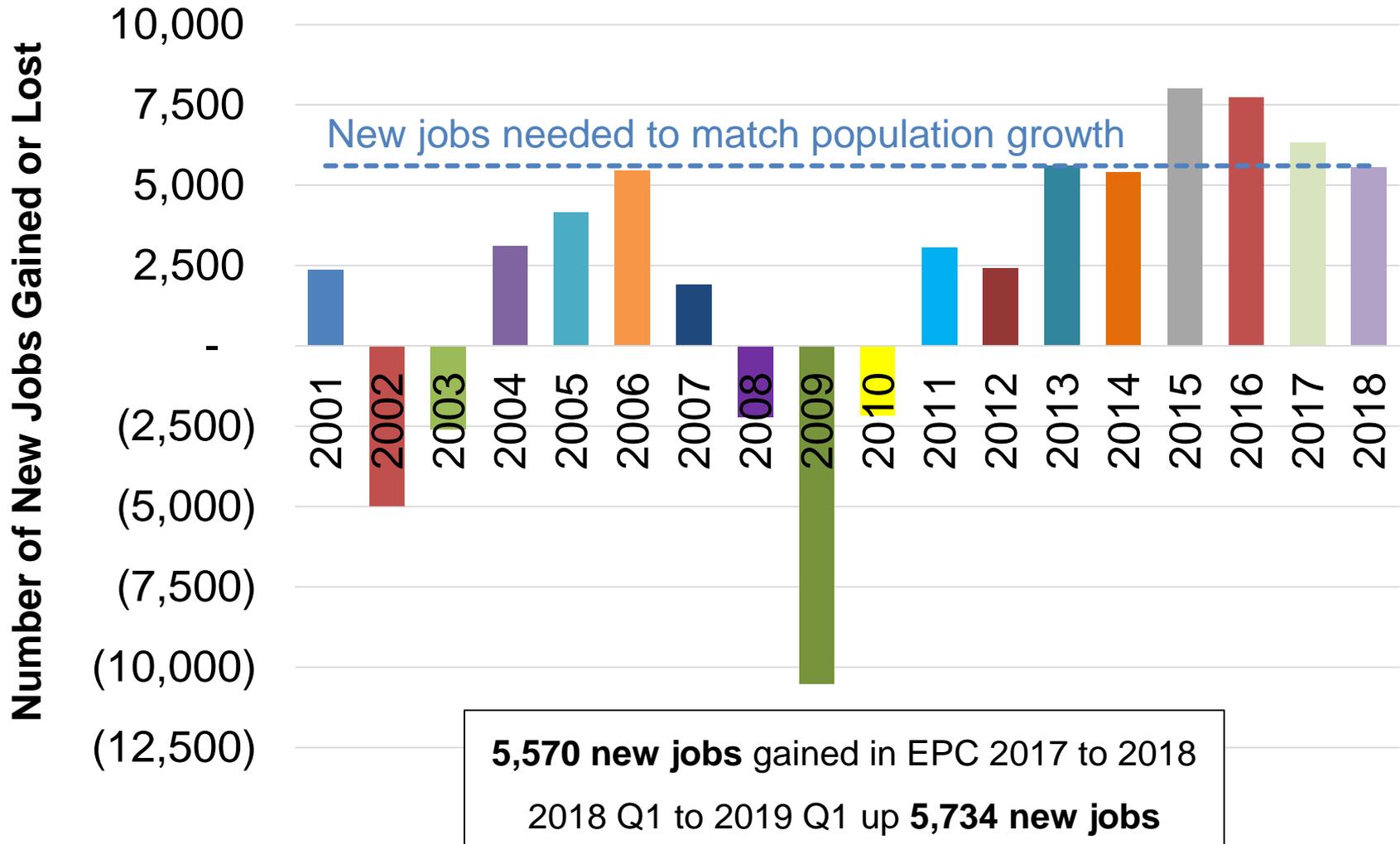
EPC Civilian Participation Rates SA, by Age



10,000 people in U.S. turning 65 every DAY for the next 20 years.

Source: Colorado Department of Labor and Employment, State Demography Office; St. Louis Federal Reserve

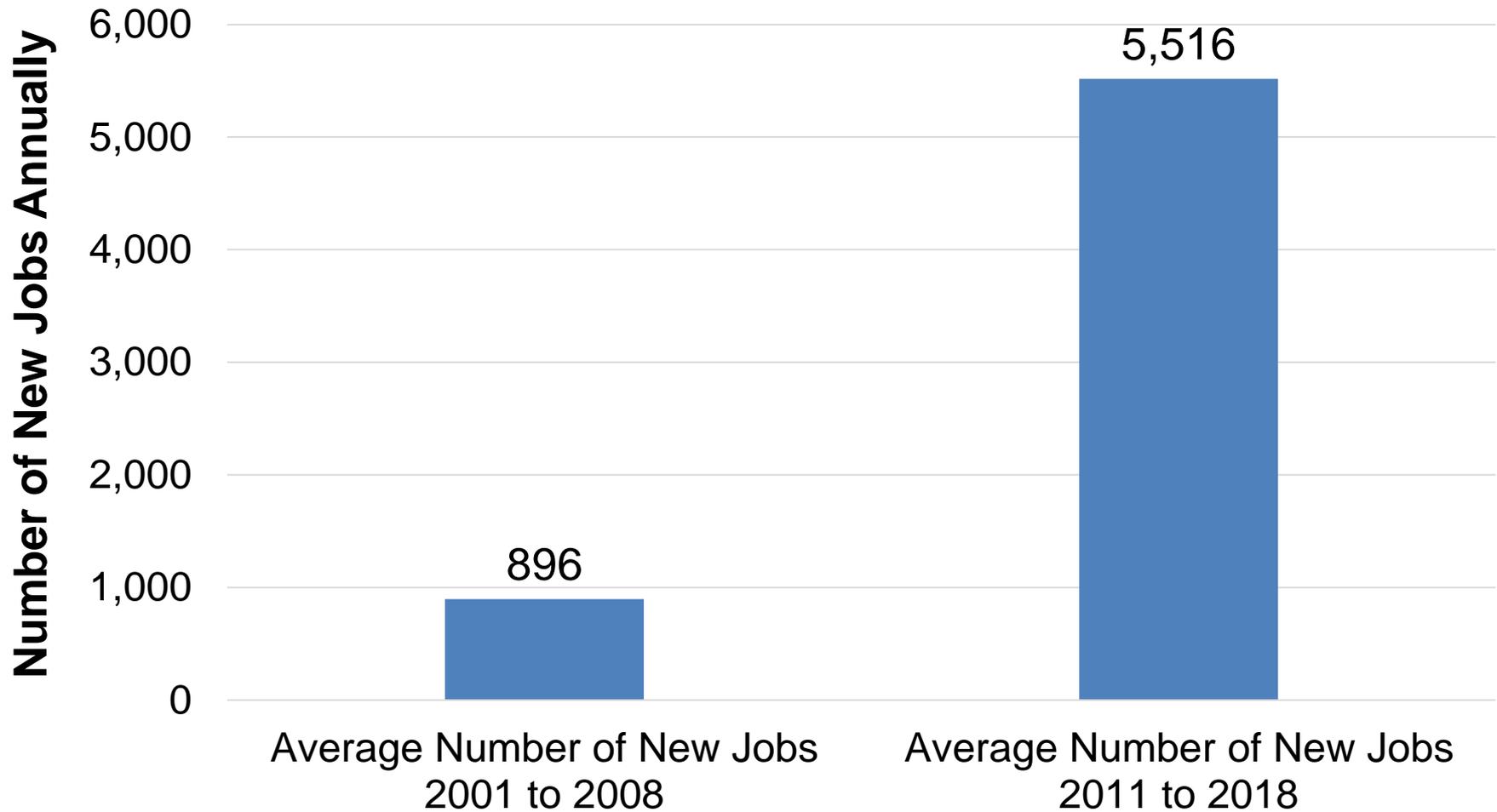
El Paso County Annual New Jobs



QCEW does NOT include self employed; unemployment rate does.

Source: Colorado Department of Labor and Employment: QCEW

How Times Have Changed



Source: CO Department of Labor and Employment, Quarterly Census of Employment and Wages (QCEW)

Colorado Springs MSA, September 2019

Top Job Titles	# of Job Postings	Market Salary
Registered Nurses	620	\$60,901
Software Developers, Applications	572	\$93,429
Retail Salespersons	400	\$27,793
Sales Reps, Wholesale & Mfg	381	\$47,190
Managers	327	\$68,270
Customer Service Reps	325	\$28,150
Computer Systems Engineers/Architects	310	\$96,910
First-Line Supervisors of Retail Sales	252	\$33,944
Heavy & Tractor-Trailer Truck Drivers	245	\$55,695
Network & Computer Systems Admins	221	\$69,426

TOTAL JOB OPENINGS: 16,159

Source: Burning Glass Technologies: Labor Insight, 2019 via Pikes Peak Workforce Center and CO Dept. of Labor & Employment



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Workforce: Challenges

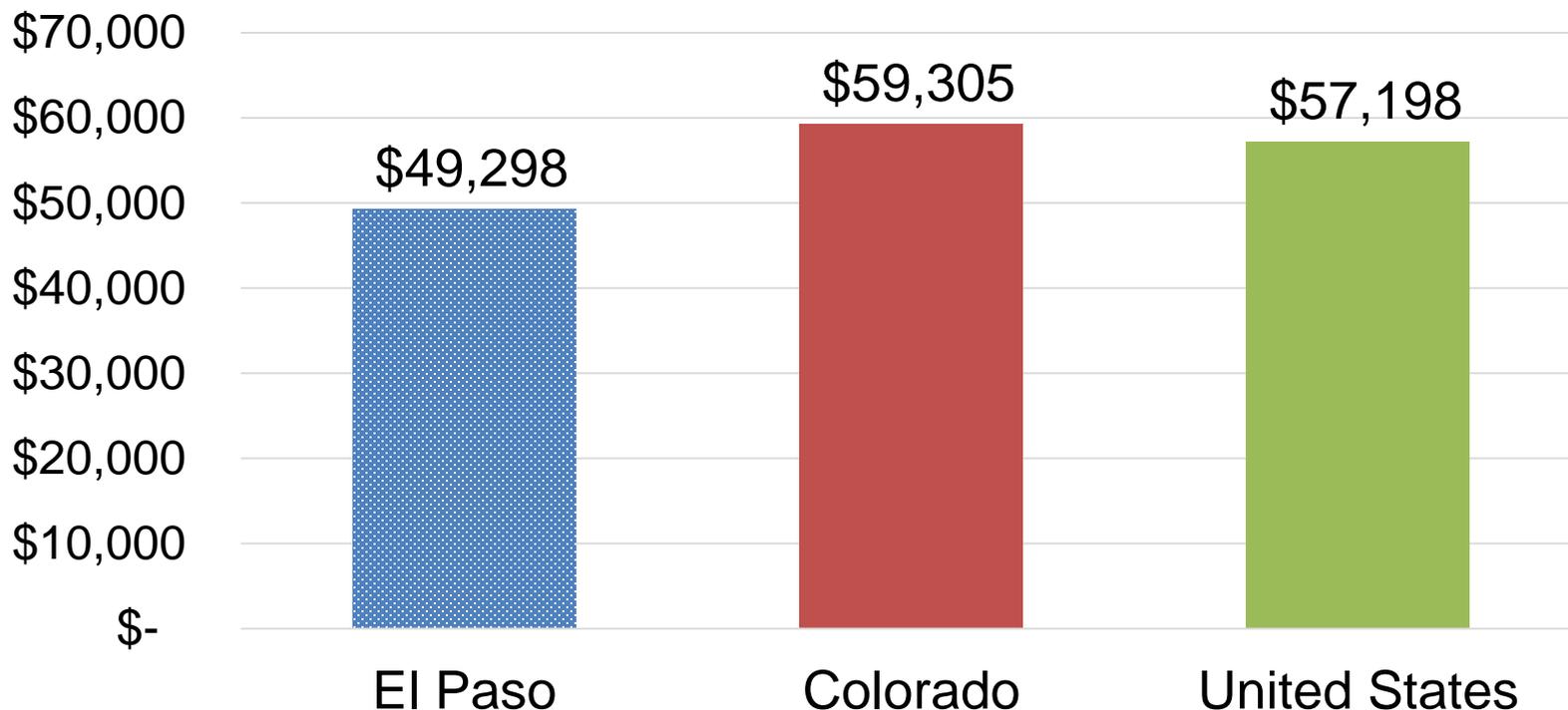
- Have a chronic shortage of some key occupations
- Competing especially for high-skill talent with cities that are NOT below average in wages.
- With rapid technological change, automation, etc.. K-12 and higher ed not pivoting quickly enough to train enough people in the new workforce landscape.
- Job demand will be 6,867 per year from 2020-2025.
- Job supply will only be about 5,600 = shortage!

September 2019		
<u>Top Job Titles</u>	<u># of Job Postings</u>	<u>Market Salary</u>
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Workforce: Challenge

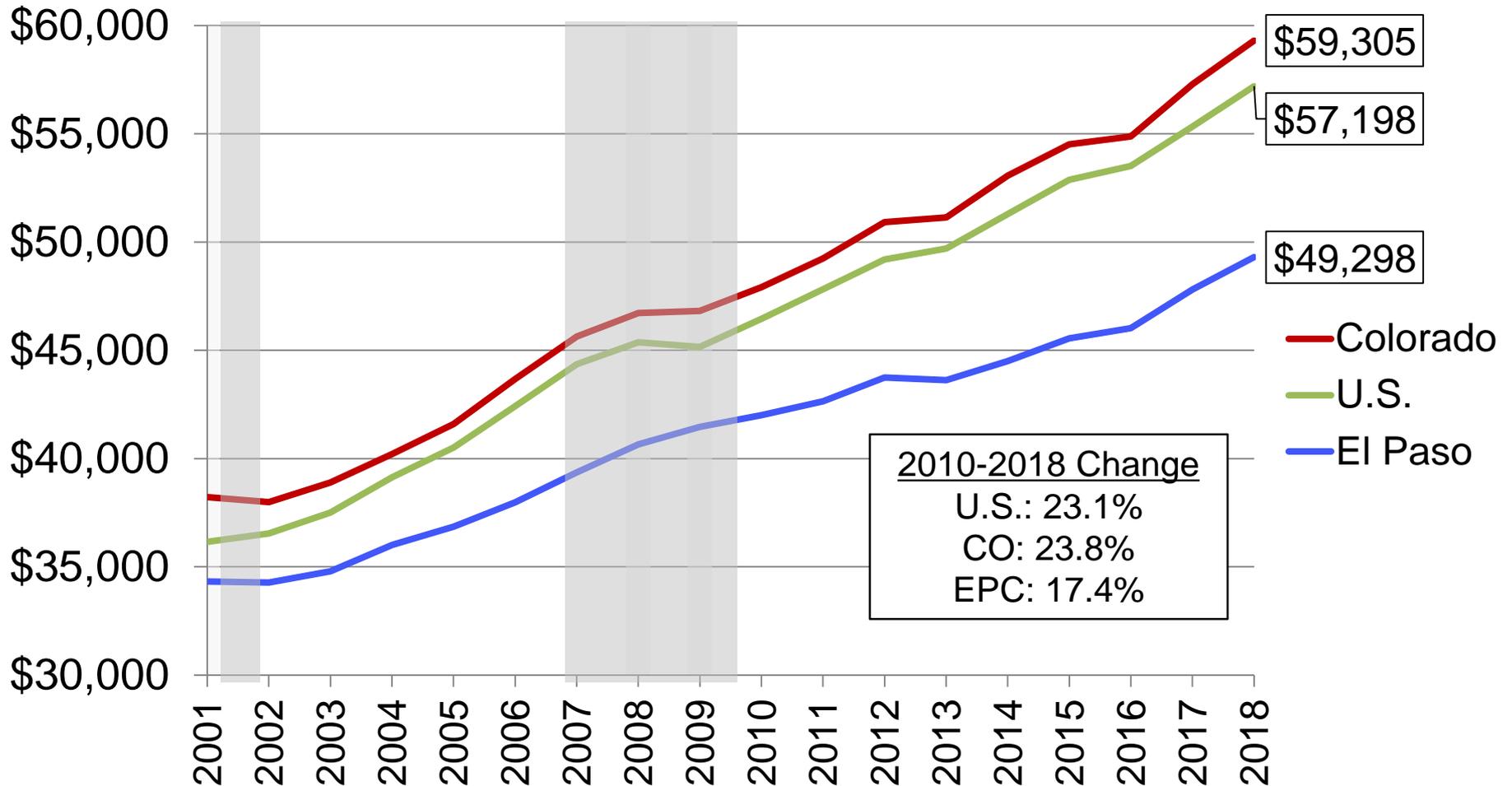
Private Industry Average Annual Wages, 2018



El Paso County % difference from CO	El Paso County % difference from U.S.
-16.9%	-13.8%

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages (QCEW)

Private Annual Wages (Nominal)



Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages (QCEW)



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Likely Reasons for Lower Local Wages

1) Retired military

- Have pensions, benefits
- Willing to work for less

2) Military Spouses

- Breaks in career, less time in positions
- Active military and spouses are younger

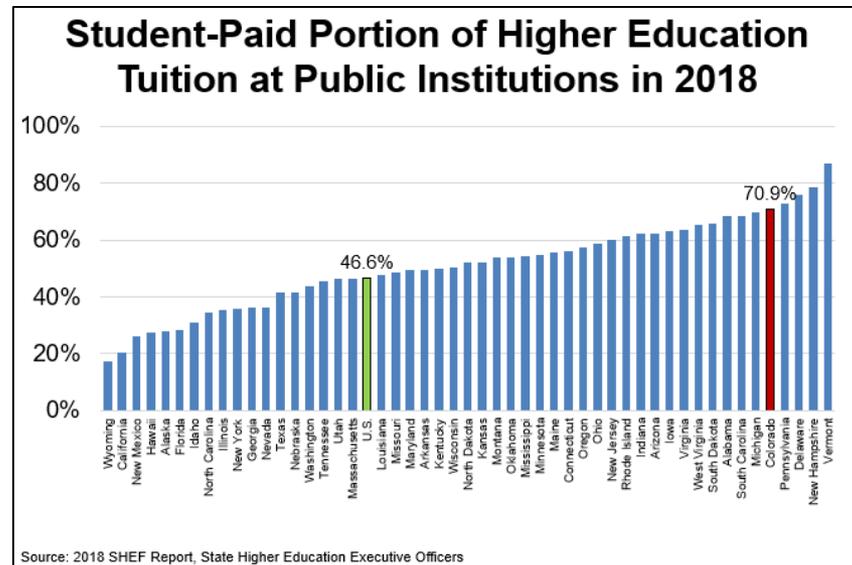
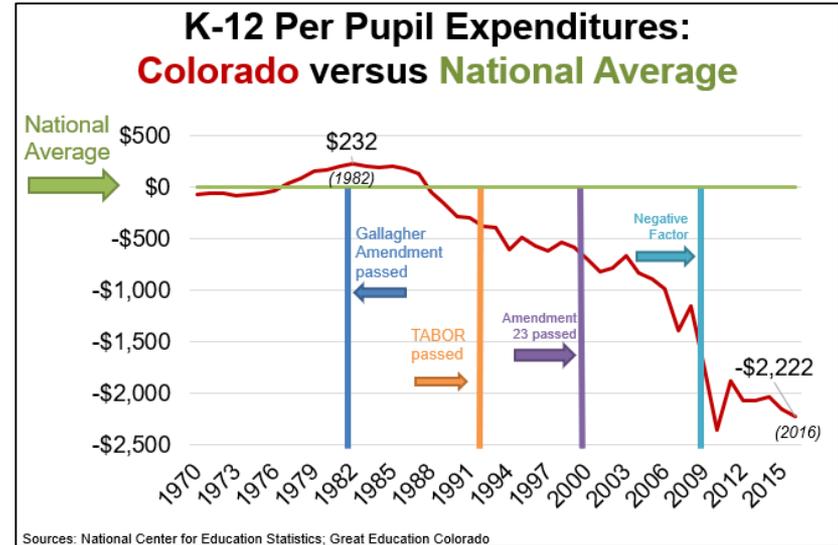
3) Legacy of lower wages

4) Large hospitality sector

Workforce Challenges – Looking Forward

- Pipeline issue:
 - Very low K-12 spending
 - Chronic teacher shortage b/c of low teacher pay
 - Subpar SAT scores

- Pipeline issues:
 - Increasing costs of higher education (esp. four-year universities) reducing supply of high-skill workers
 - CO students pay too high a proportion of tuition at public institutions



Workforce Challenges – Looking Forward

- Apprenticeships/internships need to increase at a faster rate, even with new federal and state initiatives
 - CO has over 40 pieces of legislation on internships; Need to simplify
- Adult Basic Education (ABE) could be better in CO as well – more workers who are on the sidelines
 - ABE is non-credit so adults can't get loans
 - Congress trying to re-write the Higher Education Act to make Pell grants available for shorter-term training.

Workforce: Opportunities

The chronic shortages are across the skill spectrum..

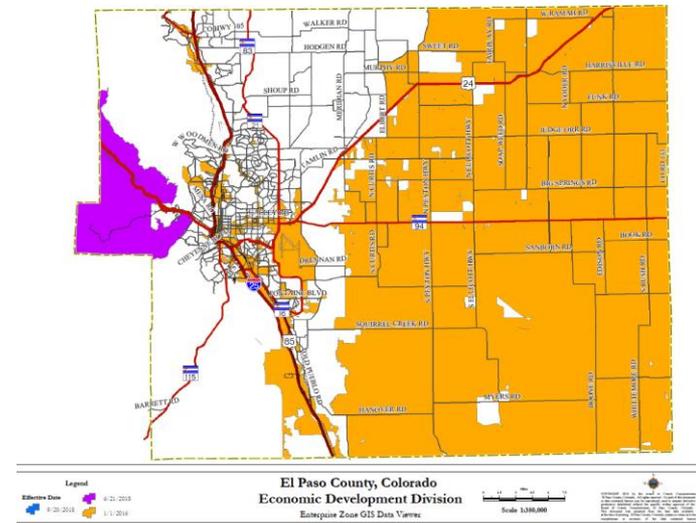
- **High skill** (7 out of 10 are in professional categories IT, RN)
 - **Middle skill** (paraprofessionals, construction..)
 - **Low skill** (retail, truck drivers..)
-
- Opportunities for all...
 - For **higher skill**, CO continues to attract highly educated young people who can fuel our growth in high-skill industries.
 - Emerging programs for **middle skill** (PPCC and its new simulated health care training facility, Careers in Construction..)
 - Within Colorado for **lower skill**, at a higher minimum wage (\$11/hr) than the national average – closer to livable wage, CO large increases in LP, and lower transfer payments
 - CO and EPC have a demographic advantage too (younger)

Workforce: Opportunities

- **UCCS:** \$2.8 million annual appropriation from the state towards **cyber education**.
- **UCCS and PPCC - deferred enrollment** partnership to allow a seamless transition from CC to university.
- **PPCC has new nursing and allied health facility** and programs.
 - 325 more total health graduates per year
 - Will have 150 RN graduates per year by 2023.
- **Careers in Construction** program is in 14 school districts.
- **Concurrent enrollment** in K-12 is growing.
- Philanthropic funding for District 2 HS graduate go to **PPCC for free**; many cities/state have instilled this through a bond initiative. ROI is high.
 - About 30% of jobs today require licensure (NGA)
- **PPWFC** helped place 15,000 jobs last year (1 in 4 are veterans)

Workforce: Opportunities

- El Paso County **Enterprise Zones** (CO program)
 - Credit on Colorado income taxes for ED activities
 - For capital investments, hiring new employees, training employees, rehabilitating old buildings and R&D
 - There are requirement/eligibility rules; economically distressed areas
- County also has **Transition to Work** program for formerly incarcerated
- Dovetails nicely with the emerging **Opportunity Zones** (which should increase employment in distressed areas)



Colorado Springs Workforce Asset Map

The Workforce Asset Map (WAM!) is a “one stop,” free, online tool that helps job seekers, employers, and students identify and easily access workforce-related resources within the Colorado Springs region.



I am a...



STUDENT



JOB SEEKER



EMPLOYER

Coming Soon! *WAMbassador!*

What About the Major Sectors?



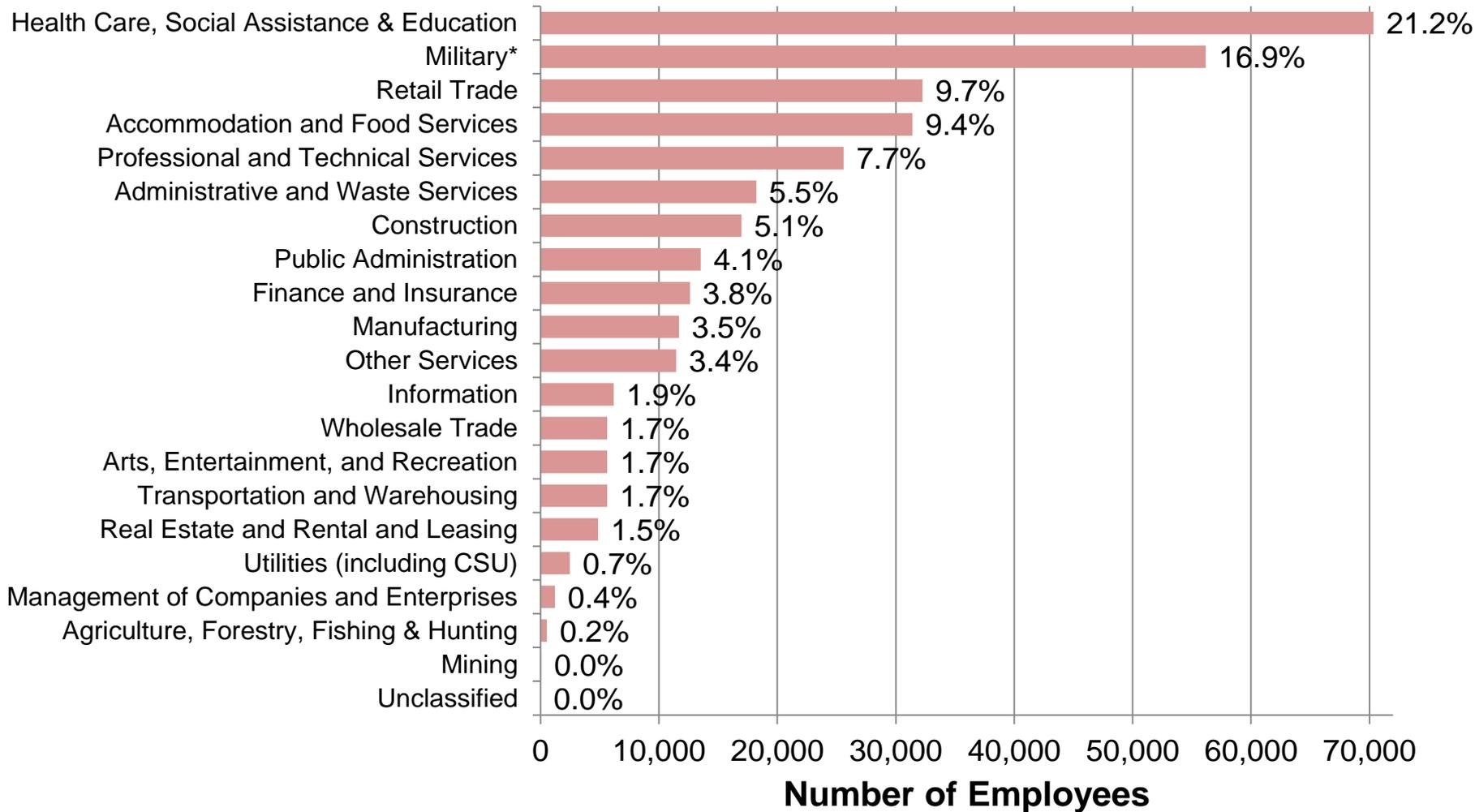
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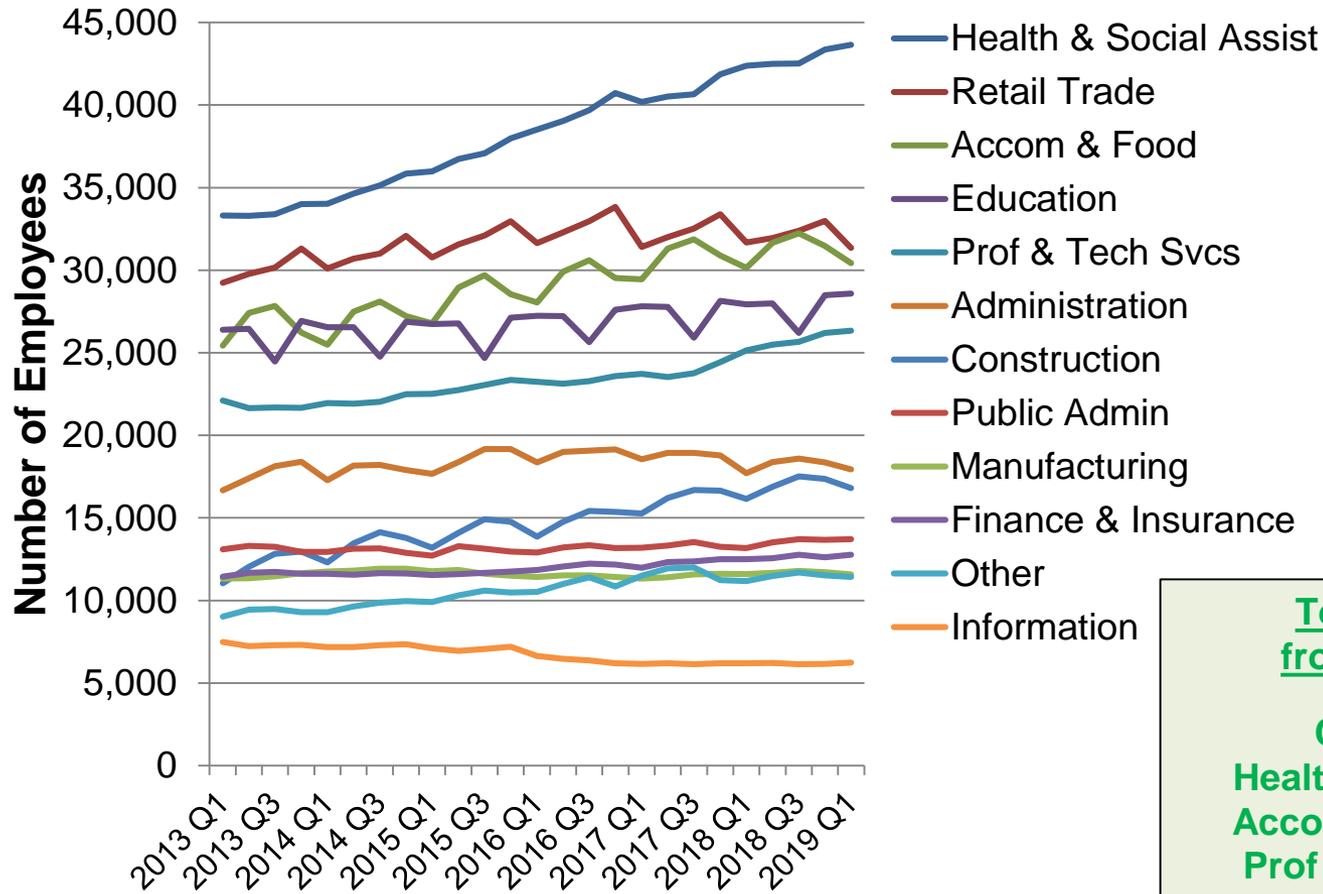
Employment by Sector in El Paso County, 2018



*Military data is from 2017.

Sources: Colorado Department of Labor and Employment, Quarterly Census of Employment and Wages (QCEW); Department of Military and Veteran Affairs; Colorado Springs Chamber of Commerce & EDC; respective military installations

Quarterly Employees in Top 12 Sectors



Top Growing Industries from 2013 Q1 to 2019 Q1:

Construction: +52.3%
Health & Social Assist: +31.1%
Accom & Food Services: +19.7%
Prof & Tech Services: +19.1%

92% of new jobs in these **four super sectors** from 2017 to 2018 (if add in Finance/Insur)

Source: CO Department of Labor and Employment, (QCEW); UCCS Economic Forum

Pikes Peak Tourism 2018

- 23 million visitors
- Visitors spent \$2.4 billion or \$6.6 million/day.
- Almost half (10.1 million) were overnight trips
 - 7% annual increase in their expenditures (\$1.7b)
- Overnight visitors spend an average of 3.2 nights in the region, up from 2.8 nights in 2017.
- \$100 million in taxes paid

Will undoubtedly increase with new attractions

Source: Colorado Springs Convention & Visitors Bureau and Longwoods International, Pikes Peak Region 2018 Visitor Research

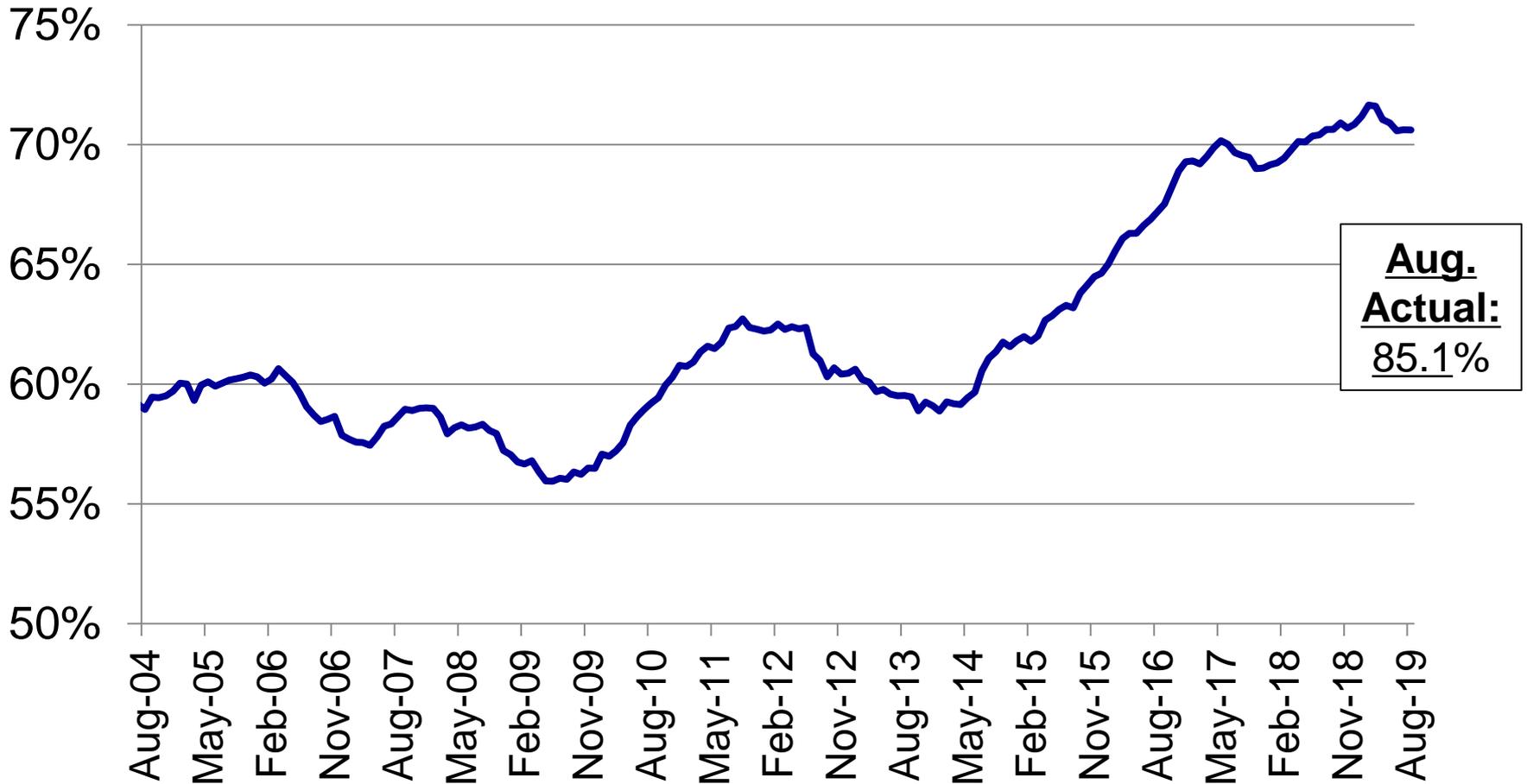


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Colorado Springs Hotel Occupancy Rate 12 Month Moving Average



**Aug.
Actual:
85.1%**

Source: CO Hotel and Lodging Association, Rocky Mountain Lodging Report

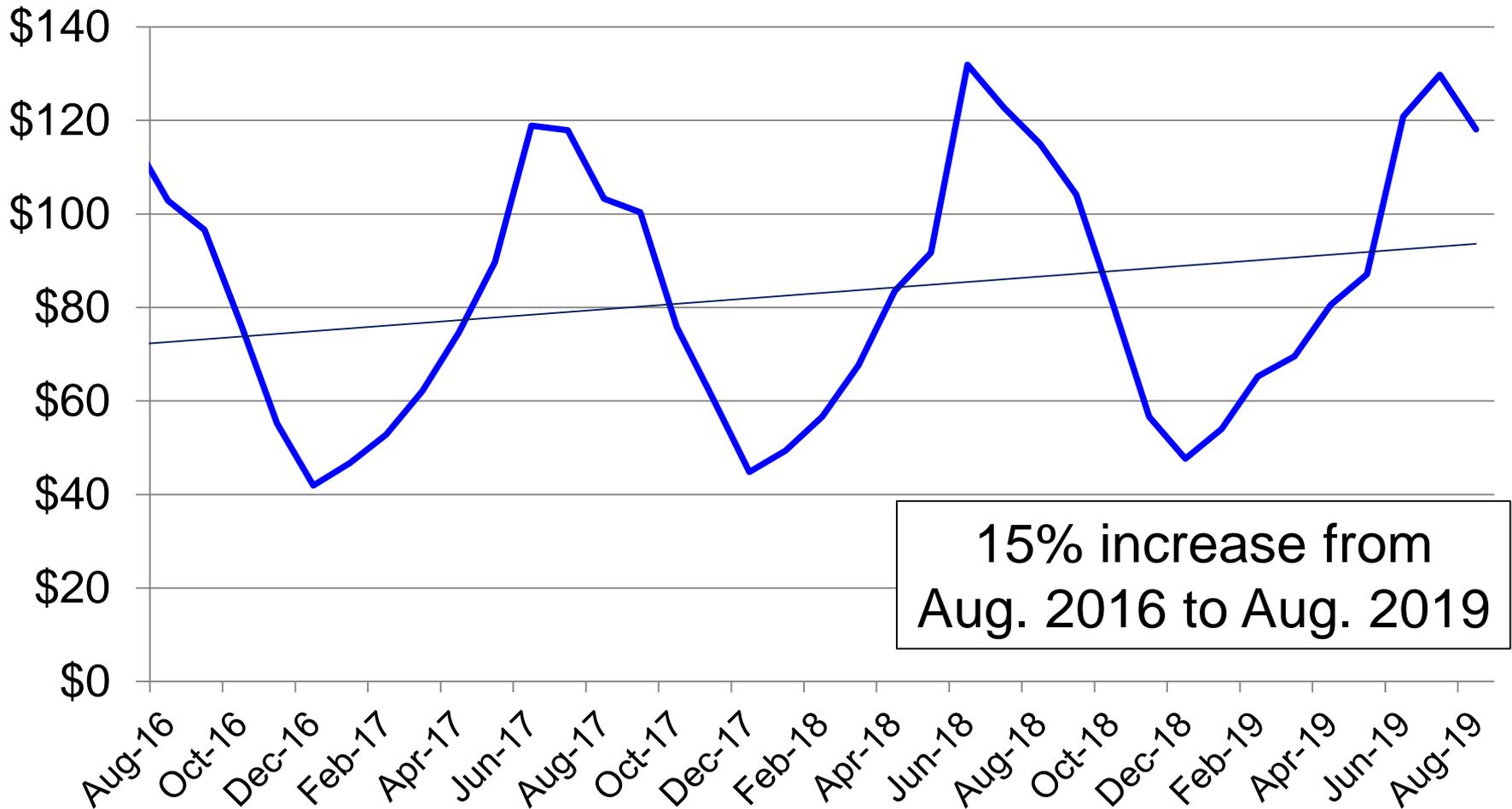


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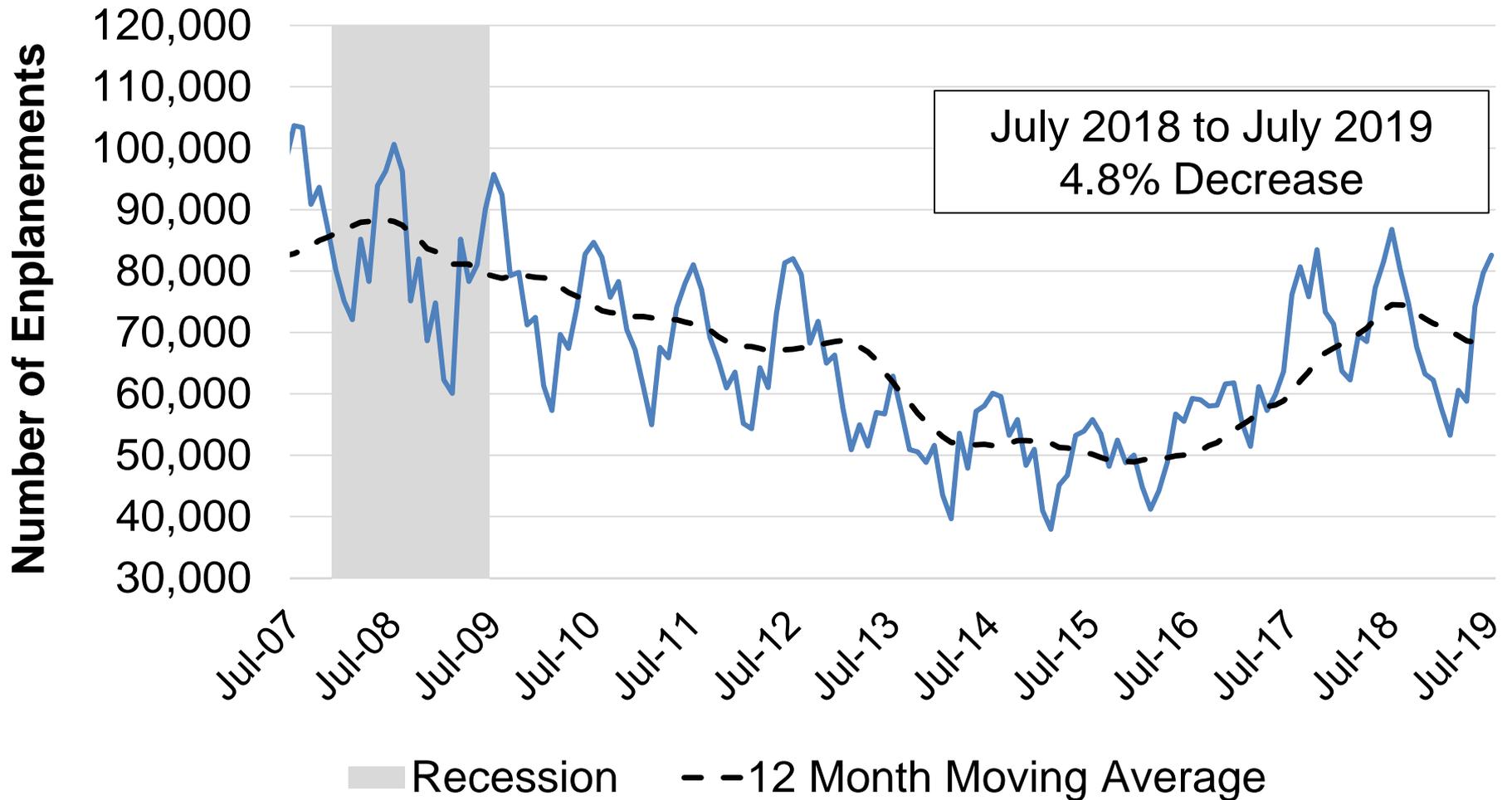
Colorado Springs Hotel RevPAR



15% increase from
Aug. 2016 to Aug. 2019

Source: CO Hotel and Lodging Association, Rocky Mountain Lodging Report

Colorado Springs Airport Enplanements



Airport is forecasting down about 4% this year, but up about 5% next year with new projects coming online.

Source: Colorado Springs Airport

Top 7 Industries for Employee Growth in Colorado Springs MSA, 2018 and 2028

	Employment Change	Annual Average Percent Increase
Health & Social Assistance	12,921	2.83%
Accommodation & Food Services	6,305	2.21%
Educational Services	6,257	1.76%
Construction	5,767	1.91%
Retail Trade	5,562	2.83%
Other Services	3,151	0.92%
Finance & Insurance	2,745	1.42%

Source: Colorado Department of Labor and Employment: QCEW

Total Growth Projection: 53,018 employees gained, 1.72% annual average increase

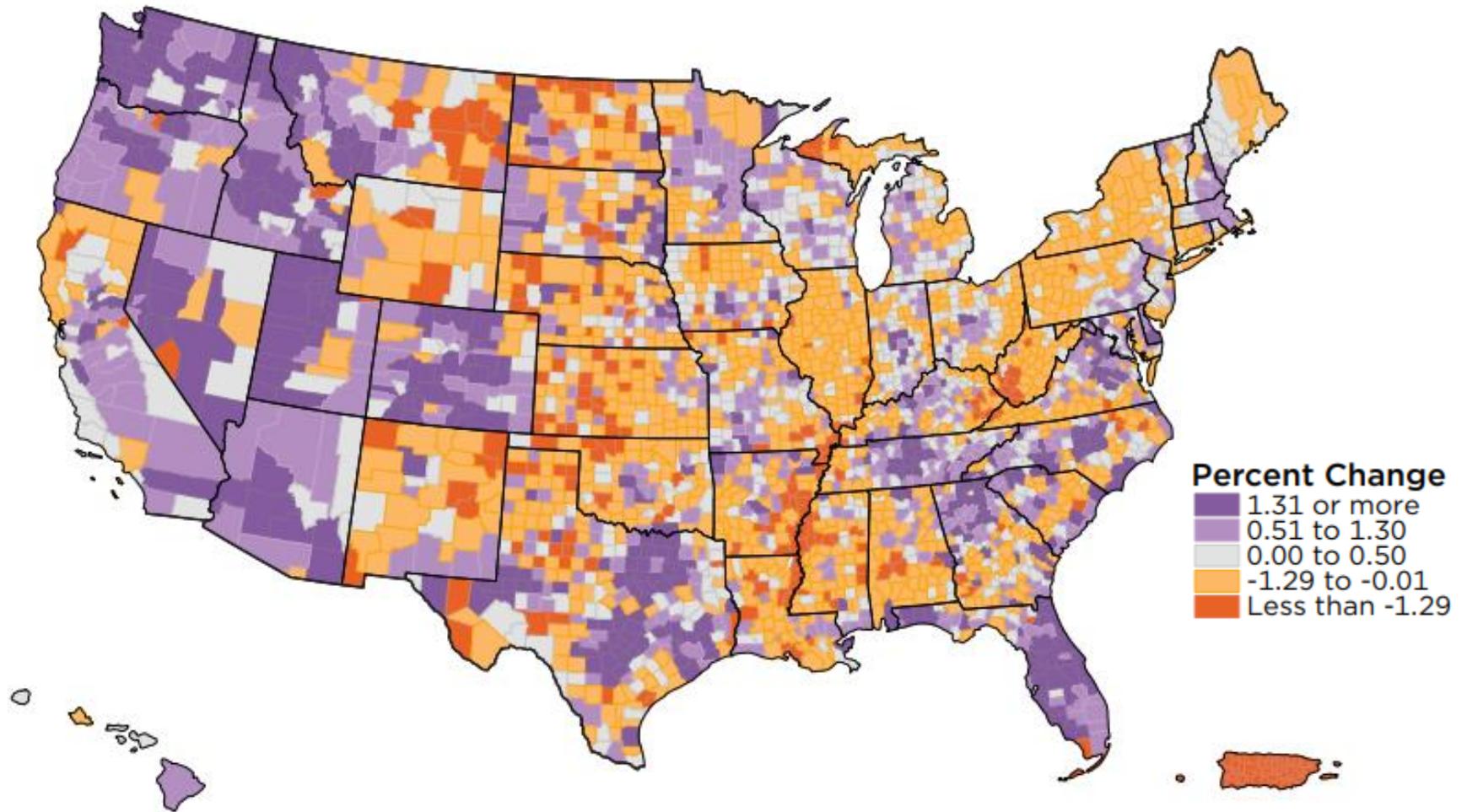
Opportunity: various high-growth sectors, with continued growth momentum

Local Demographics

By and Large an Opportunity (Quality)

Some Significant Growth Challenges (Quantity)

Where the Population is Changing, 2017 - 2018

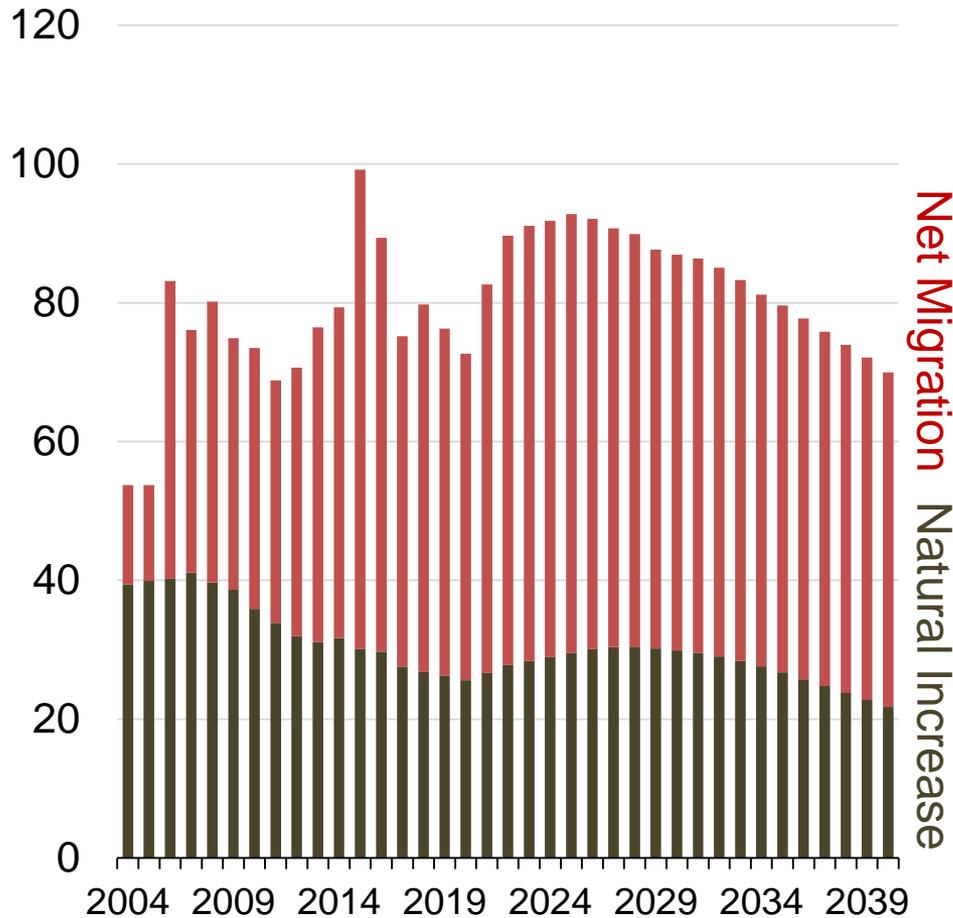


Source: U.S. Census Bureau; American Community Survey 1-year estimates

Colorado Change in Population

2005 - 2040

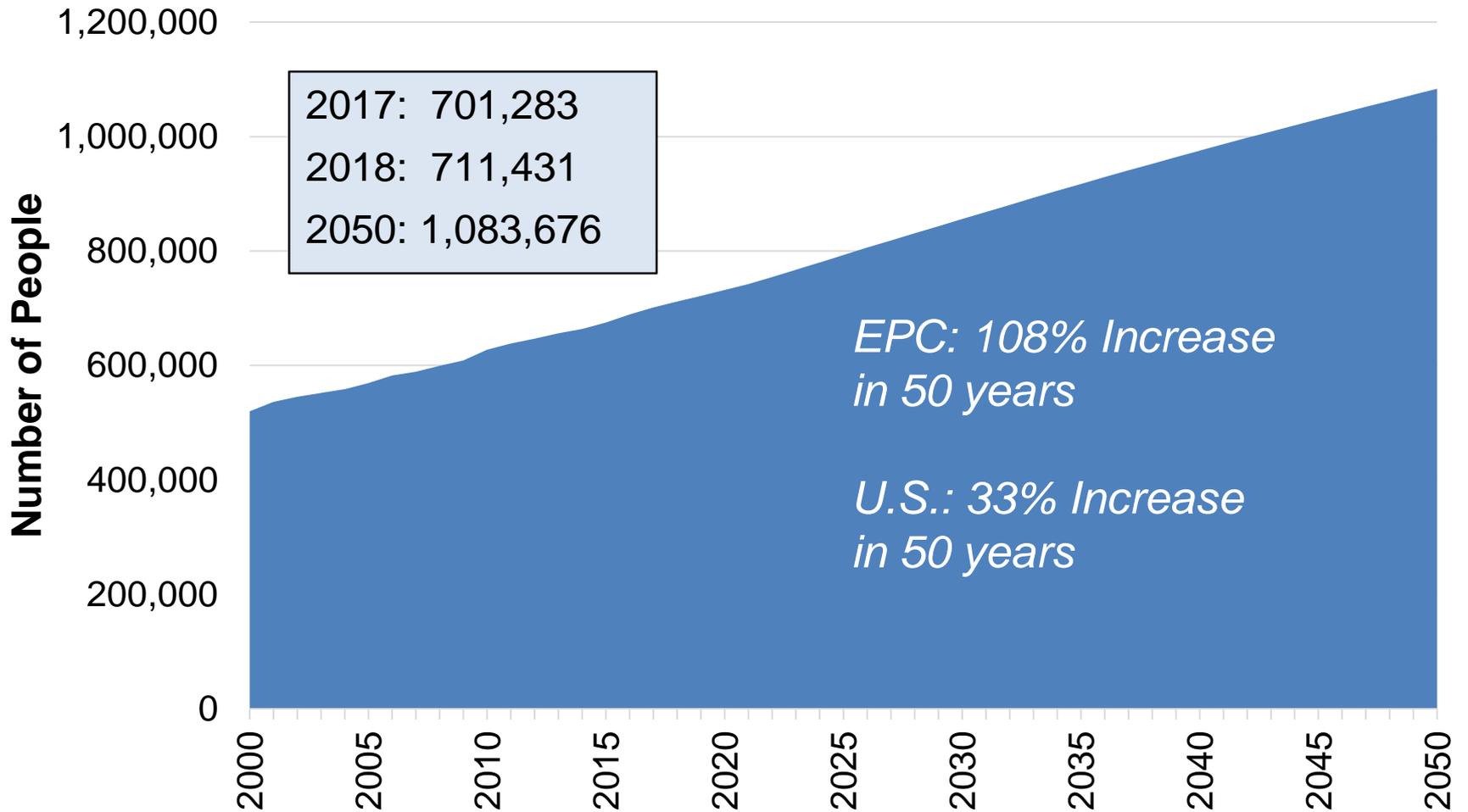
Thousands



- 9th-fastest state for percentage growth in 2017
- 8th-fastest state for absolute growth in 2017
- 95% of growth from 2010-17 along the Front Range
- **Denver the most populous county until 2022:**
 - **Denver County: 756,954**
 - **El Paso County: 758,327**

Source: Colorado State Demography Office; CU Boulder Leeds School of Business

Population Increase in El Paso County



Note: 2017 to 2018 up 1.4%.

Sources: Colorado State Demography Office; U.S. Census Bureau



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2018 Median Age

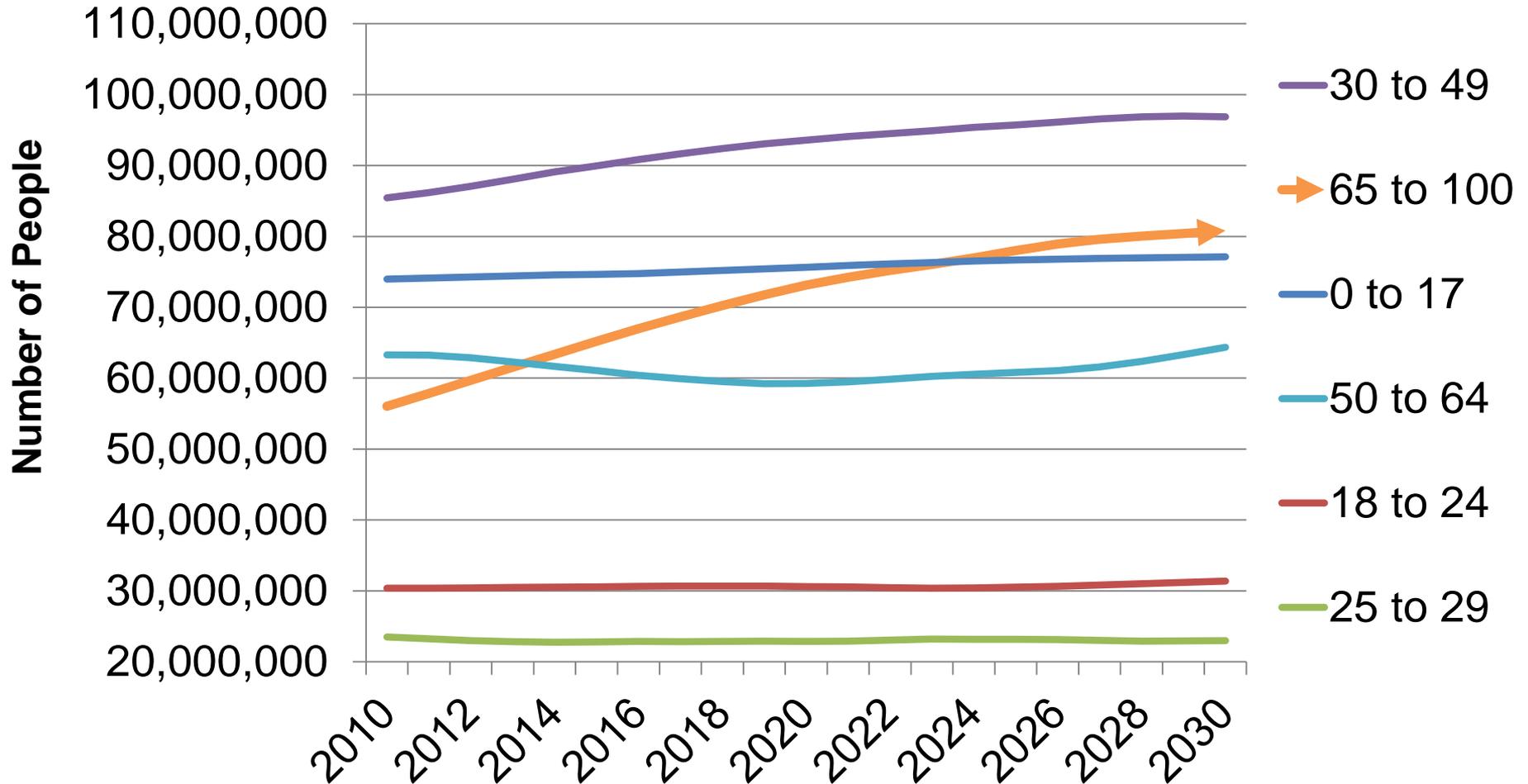
El Paso County	Colorado	United States
34.2	36.9	38.2

Source: U.S. Census Bureau, Population Division 1-year estimate

Young and Good-looking!

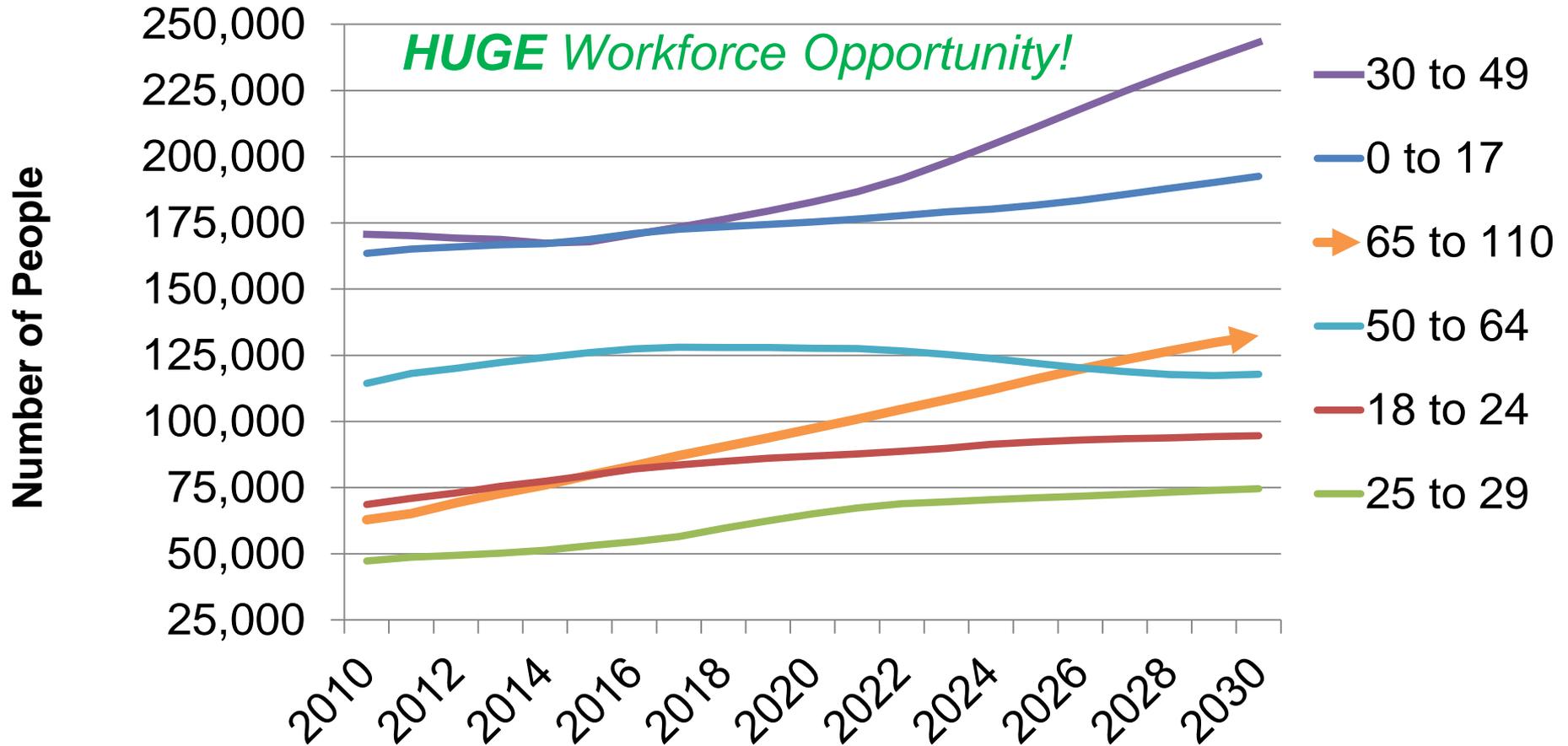


U.S. Population Projections by Age Group



Source: U.S. Census Bureau

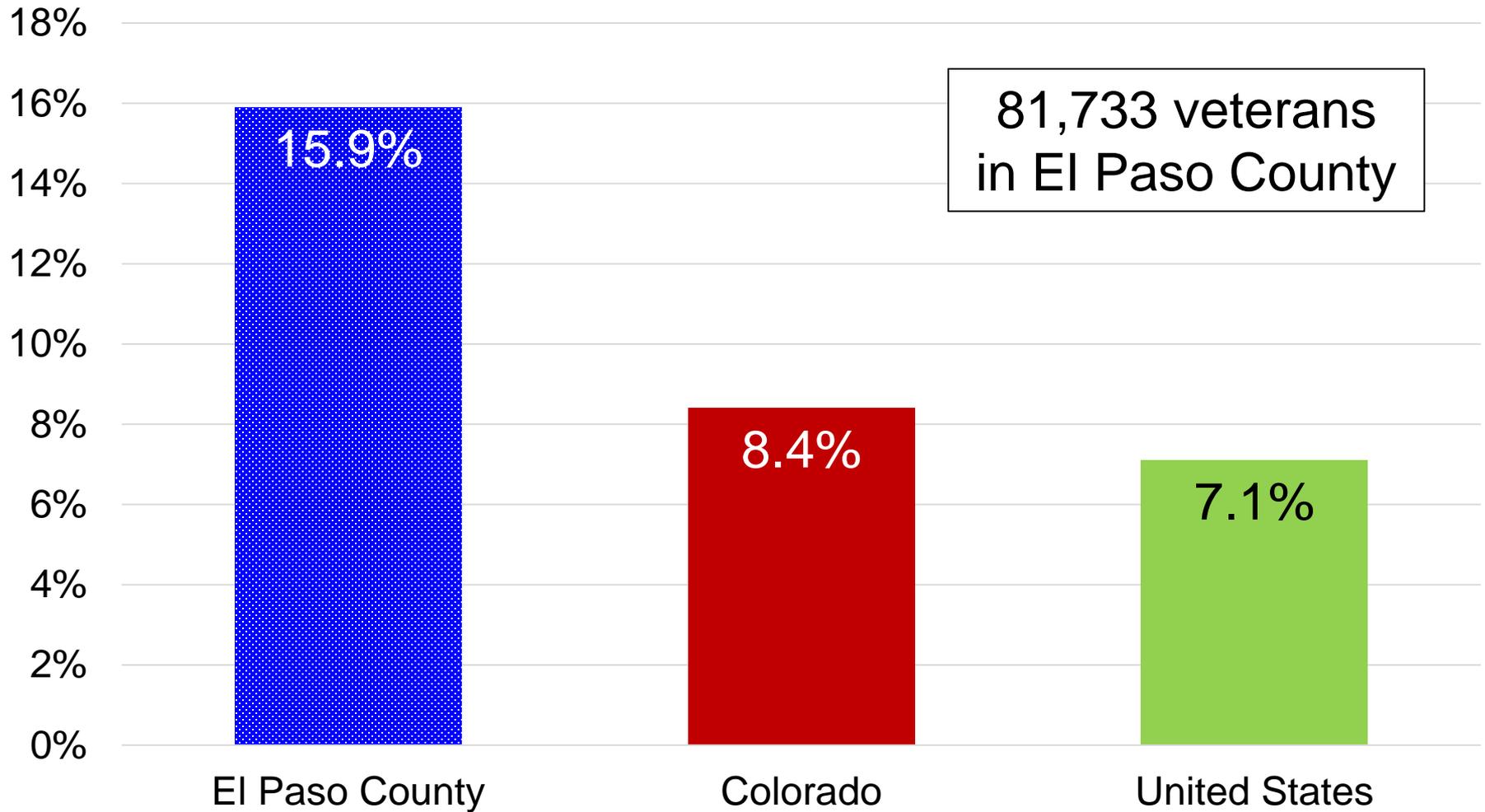
EPC Population Projections by Age Group



Population 20-34 increased 19.3% (or 27,000 Millennials) since 2010; largest % gain of any MSA.

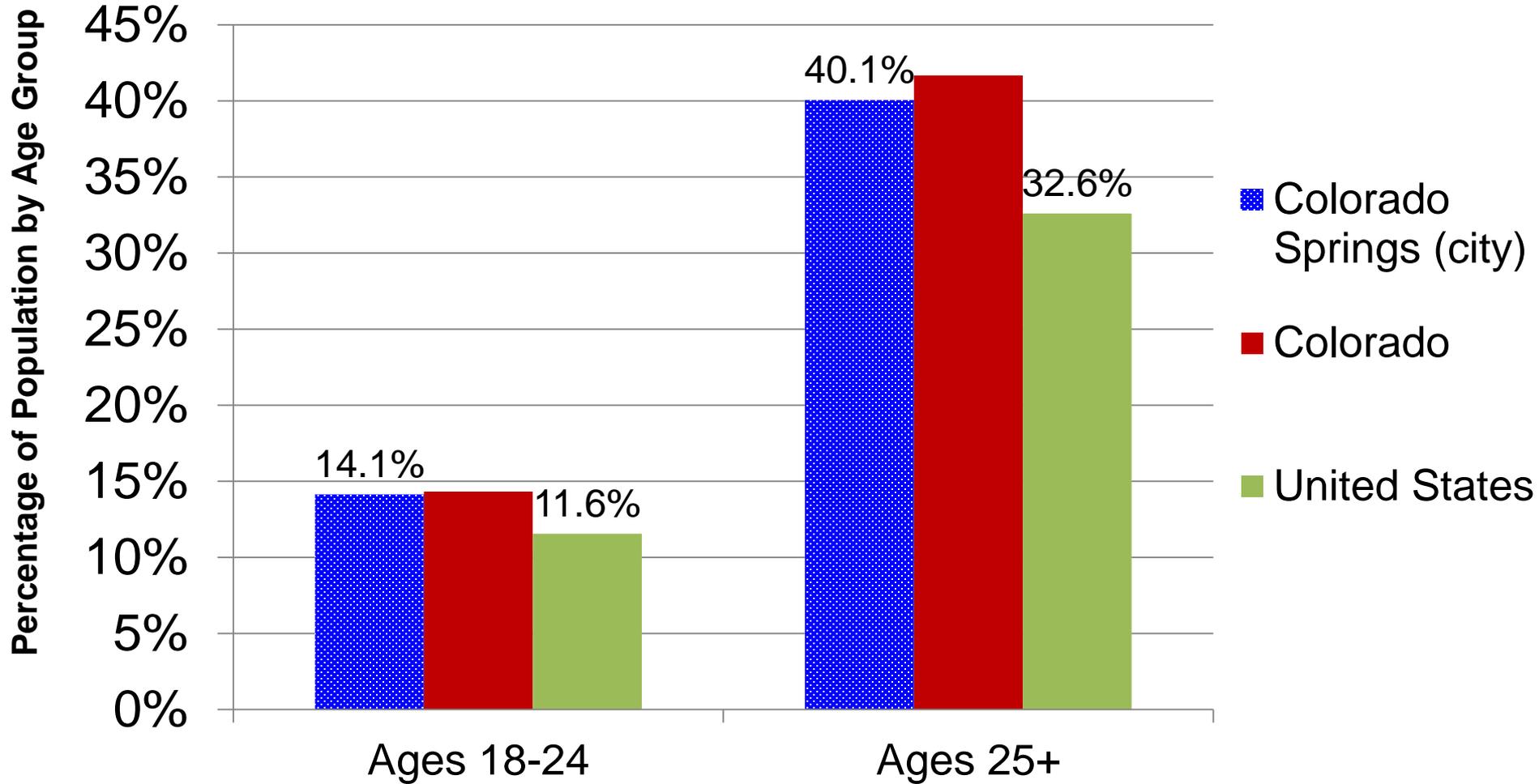
Source: Colorado Department of Local Affairs, State Demography Office.

2018 Adult Population with Veteran Status



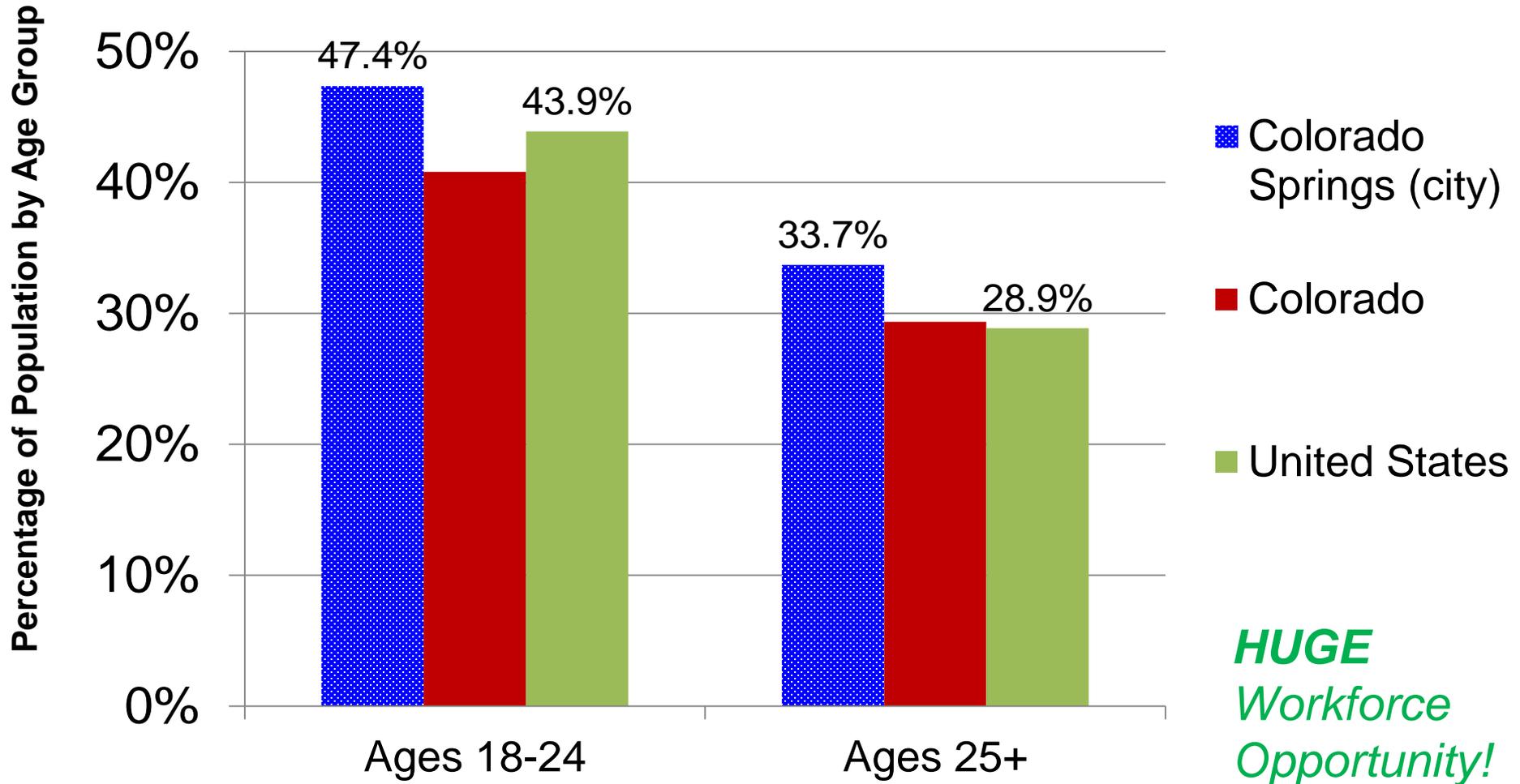
Source: U.S. Census Bureau, American Community Survey 1-year estimates

Bachelor's Degree or Higher in 2018



Source: U.S. Census Bureau, American Community Survey 1-year estimates

Some College or Associate Degree in 2018

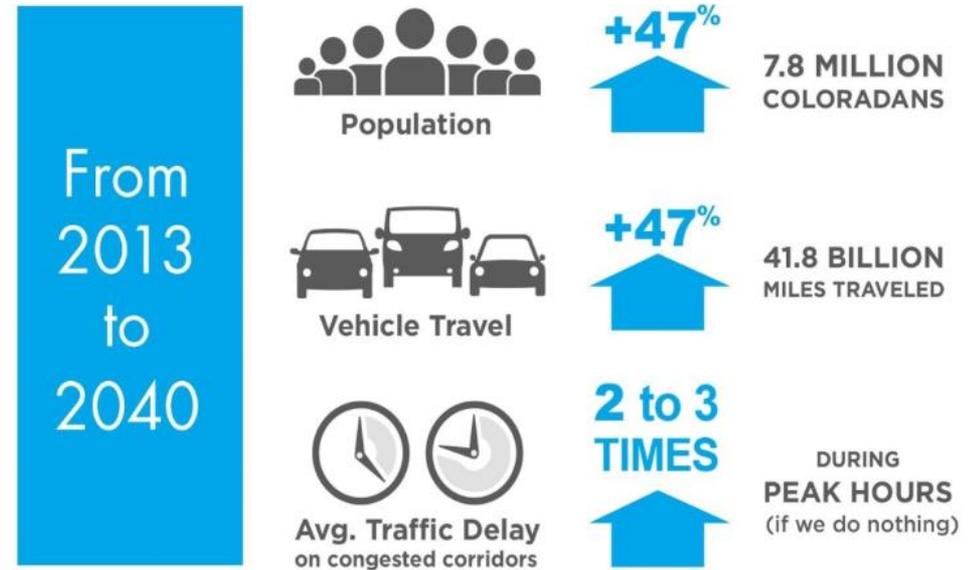


Source: U.S. Census Bureau, American Community Survey 1-year estimates

So we have an educated, hard-working population, but rapid population growth is also giving us growing pains

Infrastructure: Challenge

- Colorado's population has increased 53 percent since 1990, while lane miles on the state's highway system have only increased 2%.



Infrastructure: Challenge

- CDOT has \$1.4 billion budget..
 - Slightly larger than Utah's, but CO has 6,864 more highway lane miles and 2.4 million more residents.
 - Utah helps fund transportation with sales tax \$
 - CO state gas tax is the 12th lowest in the country, and hasn't been raised since G.H.W. Bush's presidency (1991)
- High-speed rail would cost \$11 to \$32 billion depending on the route and type of train used.
 - Topography challenges
- Insolvency of the Highway Trust Fund will result in a \$1B annual funding gap for the state over the next 25 years.

Infrastructure: Challenge

- About -11,000 net commuters in 2020.
- Because of tourism, our infrastructure gets a lot of additional wear and tear
- EPC has a higher rate of serious and fatal crashes than statewide.



Source: CDOT with American Community Survey (Census) data.

Infrastructure: Challenges

- EPC has more than 2,000 centerline miles of roads, half of which are gravel roads.
- Other U.S. counties around typically have more revenue from property taxes that can go towards roads.
 - Property taxes are a large part of funding K-12 education.
- CO has 15 transportation planning regions (TPRs)
- Not all of EPC in one TPR – Fractured system

Source: CDOT with American Community Survey (Census) data.



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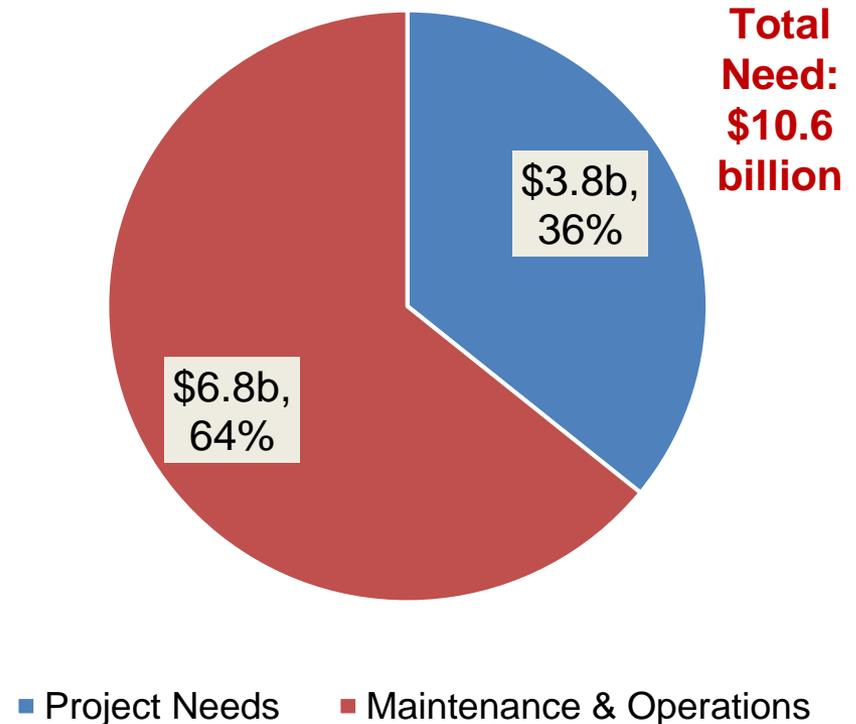
Transportation: Challenges

- Having less fractured planning regions would enable transportation to become more of a “system” that can be more efficient and reap economies of scale.
- All leaders stated inadequate funds; need bonding initiative.
- Very different ideologies on how to deal with transportation challenges.
- Need awareness about how the money is spent (pie chart).

Source: CDOT with American Community Survey (Census) data.

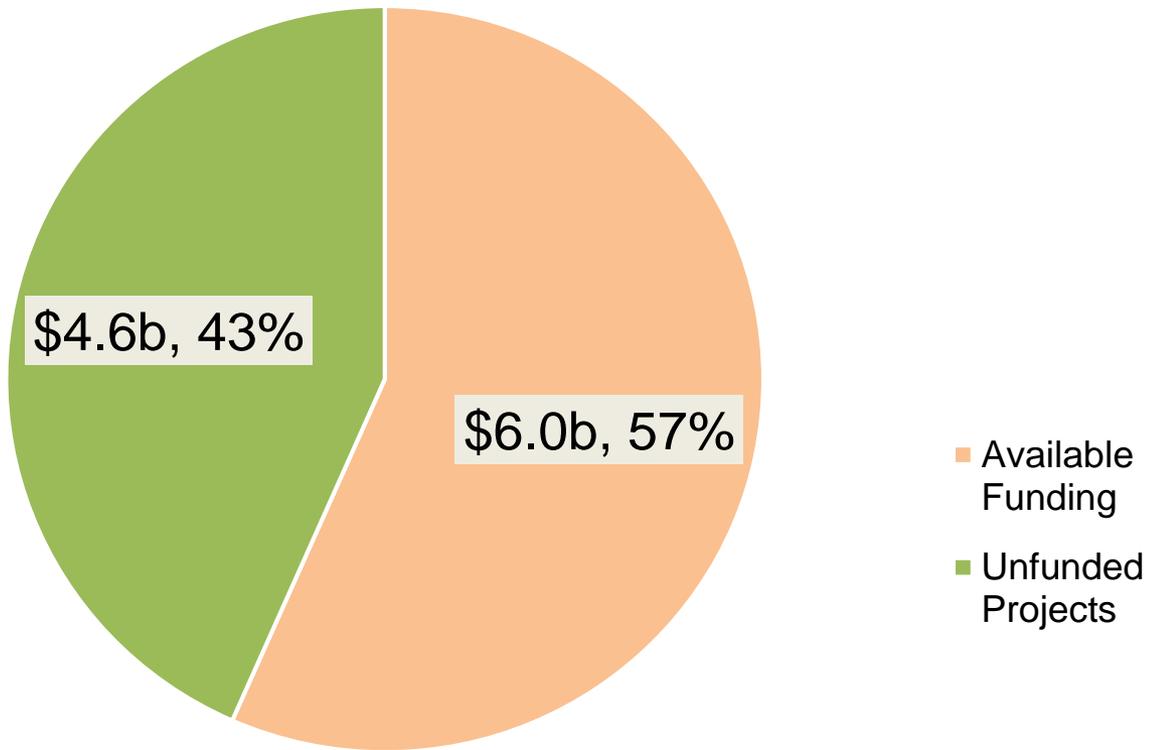
Total Transportation Needs, 2019-2045

- Most of transportation dollars just go to maintenance & operations
- Snow removal & topography are especially costly in CO
- Deferred maintenance is more costly than timely maintenance



Source: Pikes Peak Area Council of Government

Expected Funding Covers Only 57% of Needs



Source: Pikes Peak Area Council of Government

Infrastructure: Challenge - The Gap

- 18-mile stretch – only major connector btw Colorado Springs and Denver
- Cost: **\$350m** with contributions from Douglas & EPC, PPRTA, Federal INFRA grant
- Slated for completion in **2022**
- As one city leader stated: We need to stop patting ourselves on the back for adding one lane to I-25.

Opportunities: Transportation

- Local support for funding transportation needs: 2C
- Our region is trying to have fewer lane miles added (properly maintain)
- Have good collaboration with Denver
- Possibility that we will be able to connect to the SW Chief (2,265 mile route through MW, SW); La Junta and possibly Pueblo
- Front Range Passenger train feasibility study (Pueblo to Fort Collins)
 - Better chance of passing – pop growth and younger demographic
- Transportation Impact Fee helps share cost of new development in EPC between government and private developers.
- Good timing for infrastructure investment (regionally and nation-wide)

Another challenge related to population growth:

Sustainable Resources



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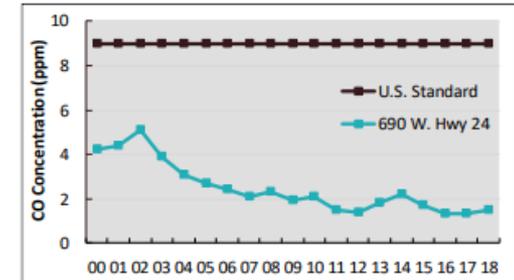
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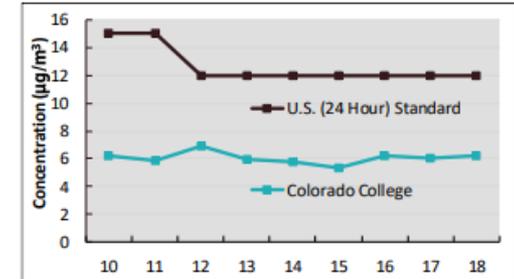
Sustainable Resources: Challenge

- Generally good environmental metrics..
- However: population growth will continue; tourist traffic
- However, a lot of high-growth industries are very energy intensive (e.g. think data centers)
- Old infrastructure (esp. downtown) costly to maintaining/upgrading; not energy efficient.

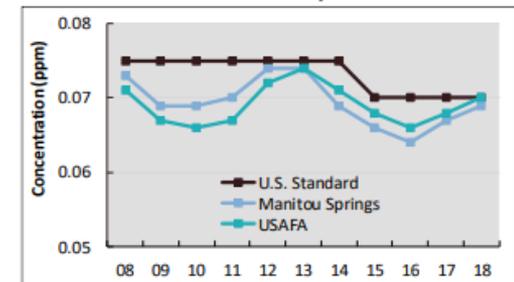
Carbon Monoxide



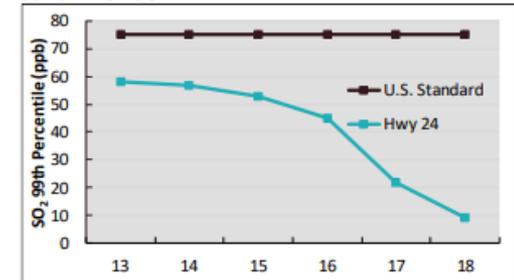
Particulate Matter



Ozone Trends in El Paso County



Sulfur Dioxide



Sustainable Natural Resources: Opportunities

- Have sufficient water for the next ~30 years *with conservation efforts*
- EPC has a Groundwater Quality Study Committee that ensures water safety in real time
- CSU takes over 12,000 water samples annually and more than 400 tests per month
- GWQS Committee also explores implications of land use and infrastructure planning – prospective.

Sustainable Natural Resources: Opportunities

- Efficiencies in billing, operations, planning, etc... with one entity managing four utilities (CSU).
- If utility infrastructure is outside the CSU service area and other provider cannot meet needs/pay, the region may be annexed to facilitate utility access to accommodate growth.
- Developers pay for new infrastructure, but CSU works with them to make it cost effective.

It's all a balance that must be attained in order to grow.

Sustainable Natural Resources: Opportunities

- CSU sees more regionalism as our city grows and matures.
- CSU sees a lot of opportunity in clean, alternative energy as prices have come down significantly for solar and wind.
- Their goal was 20% renewable by 2020, but they are creating a new strategic plan so this may be revised (probably upwards). Renewables are quickly changing.
- We are a “Smart City,” which gleans energy efficiencies using latest technology and reduces carbon footprint.

Local Housing

Emerging Challenges



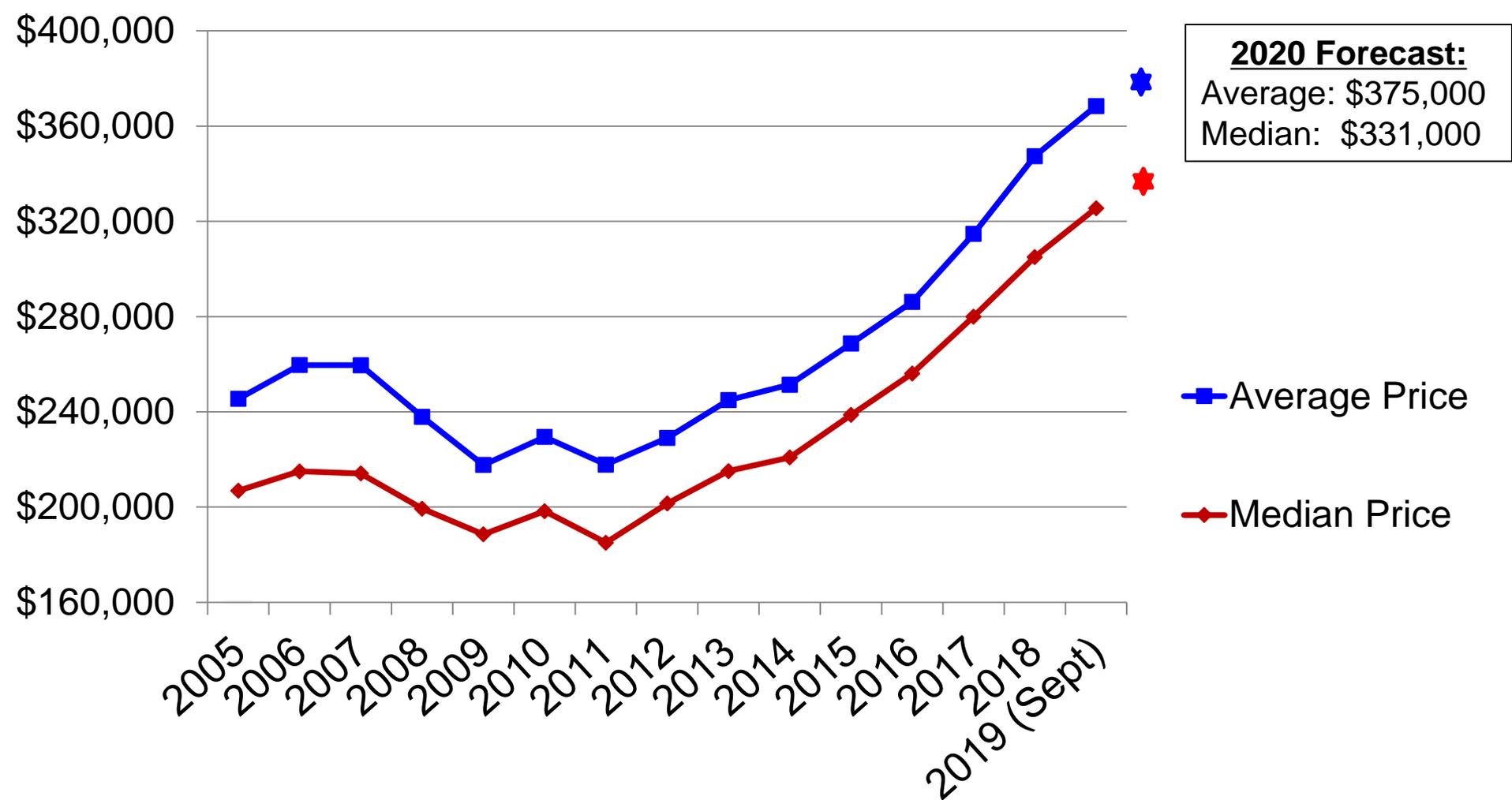
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Pikes Peak Region Annual Average & Median* (Single-Family) Home Prices



Source: UCCS Economic Forum; Pikes Peak REALTOR® Services Corp. (RSC) *Includes all homes: new and existing.

More Recently in the Colorado Springs MSA

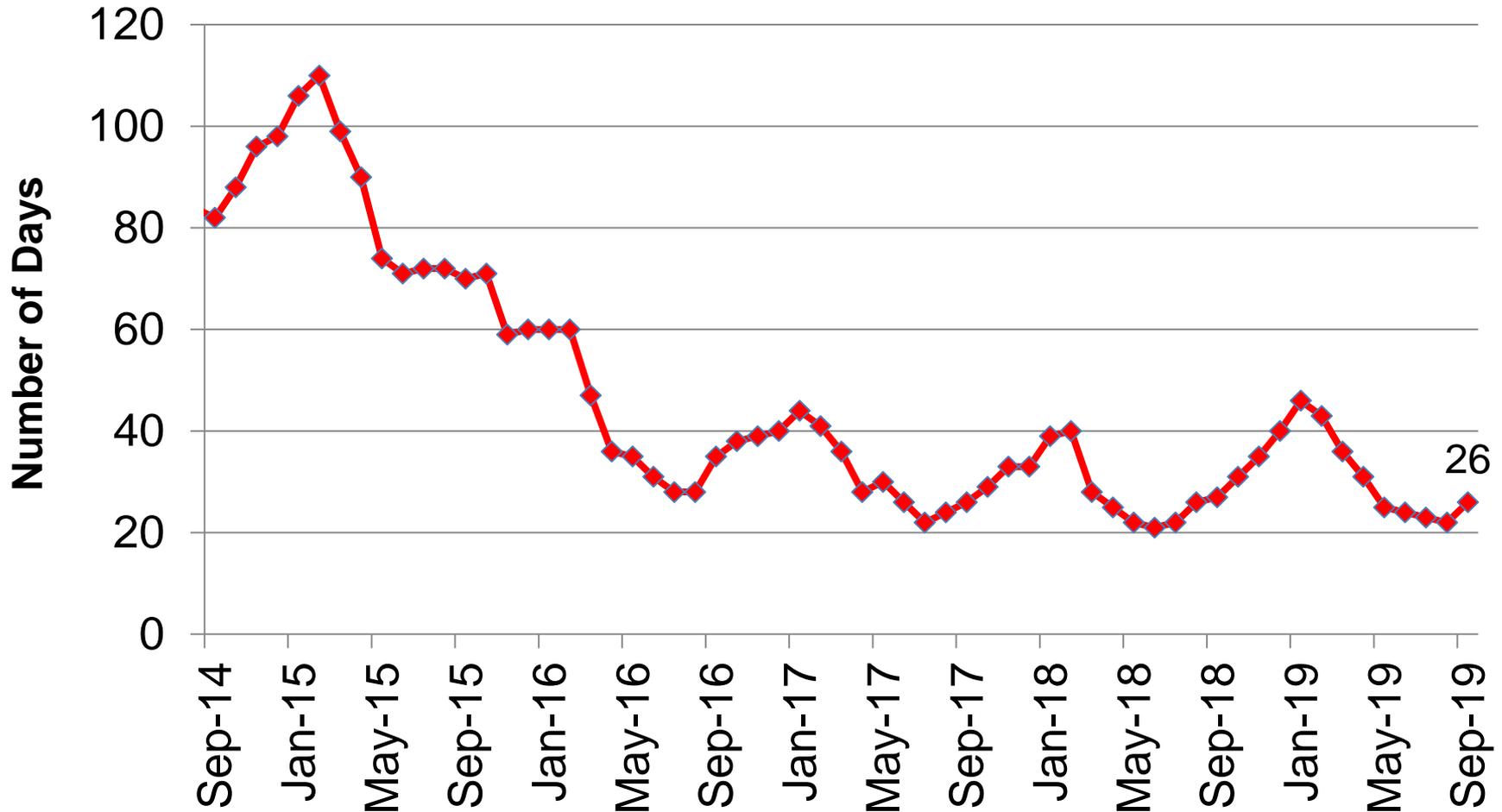
➤ In 2019 Q2, for existing single-family homes:

- Median home price was **\$326,300**
 - Up **0.8%** from 2018 Q2
 - U.S. median in Q2 was **\$279,600.**
 - We are now **16.7%** higher than U.S.
- 1.3 months supply in September 2019 in the Pikes Peak Region for existing homes (1.5 for all homes).
- DOM in September – 26 days

Sources: National Association of REALTORS®; Pikes Peak REALTOR® Services Corp. (RSC)

Single-Family/Patio Homes

Average Days on Market



Source: Pikes Peak REALTOR® Services Corp. (RSC)



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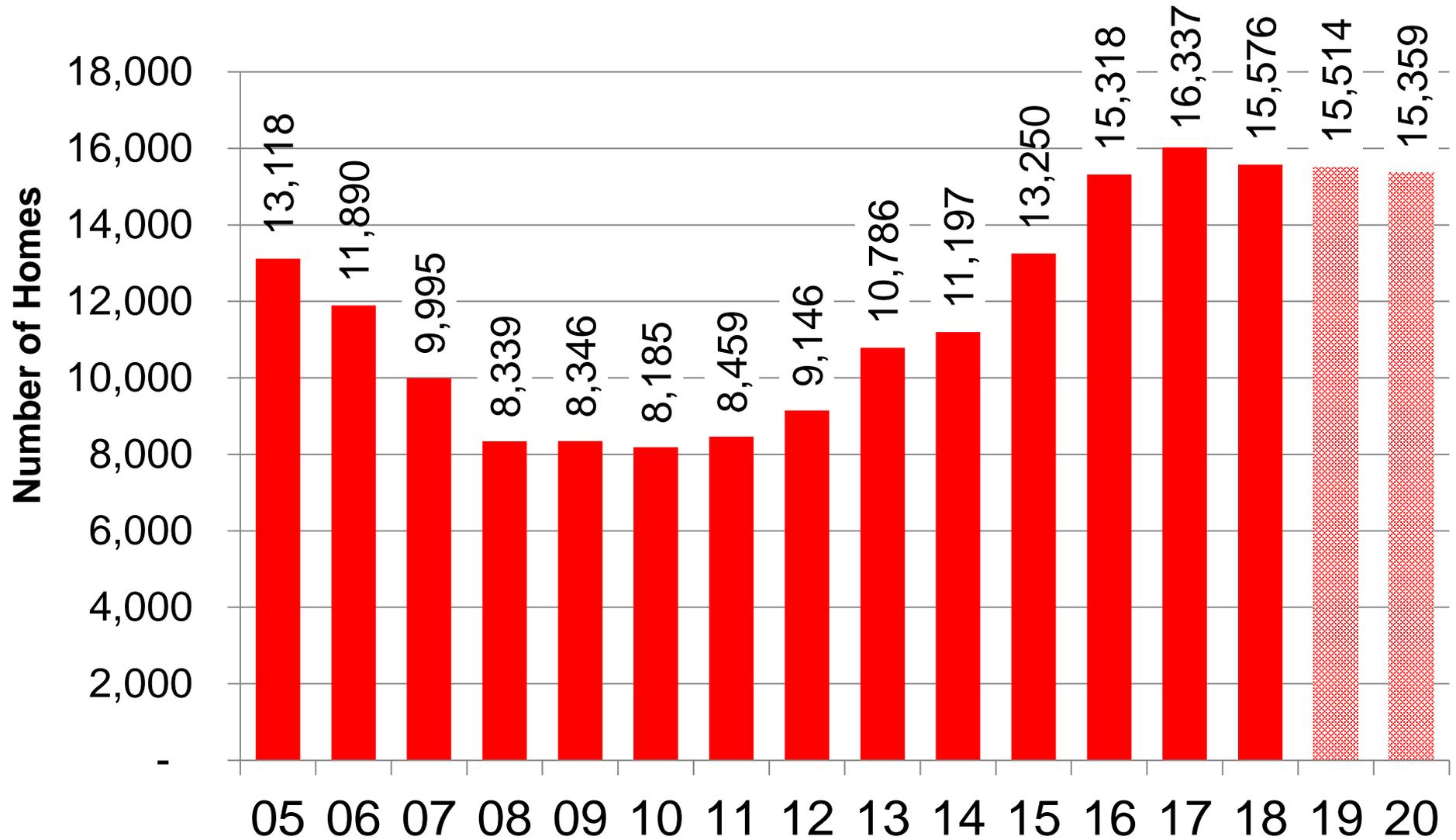
Single-Family Home Prices Forecast Pikes Peak Region (New & Existing)

	Actual 2018	Forecast 2019	Forecast 2020
Average	\$347,393	\$361,984 (up <u>4.2%</u>)	\$374,653 (up <u>3.5%</u>)
Median	\$305,000	\$318,725 (up <u>4.5%</u>)	\$330,837 (up <u>3.8%</u>)

Note: Zillow forecasts an average increase in home value (April 2019 to April 2020) of **4.4% for our region.**

Source: Pikes Peak REALTOR® Services Corp. (RSC); Forecasts by UCCS Economic Forum.

Pikes Peak Single-Family (Detached) Home Sales



Source: Pikes Peak REALTOR® Services Corp. (RSC)



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U.S. Existing Sales Distribution, Sep. 2019

\$0- <u>100K</u>	\$ <u>100</u> - 250K	\$250- 500K	\$500- <u>750K</u>	\$ <u>750</u> - 1M	\$1M+
7%	37%	38%	11%	4%	3%

EPC Sales Distribution, Apr. 2019-Sep. 2019

\$0- <u>150K</u>	\$ <u>100</u> - 250K	\$250- 500K	\$500- <u>800K</u>	\$ <u>800</u> - 1M	\$1M+
0.4%	12%	74%	12%	1.5%	0.6%

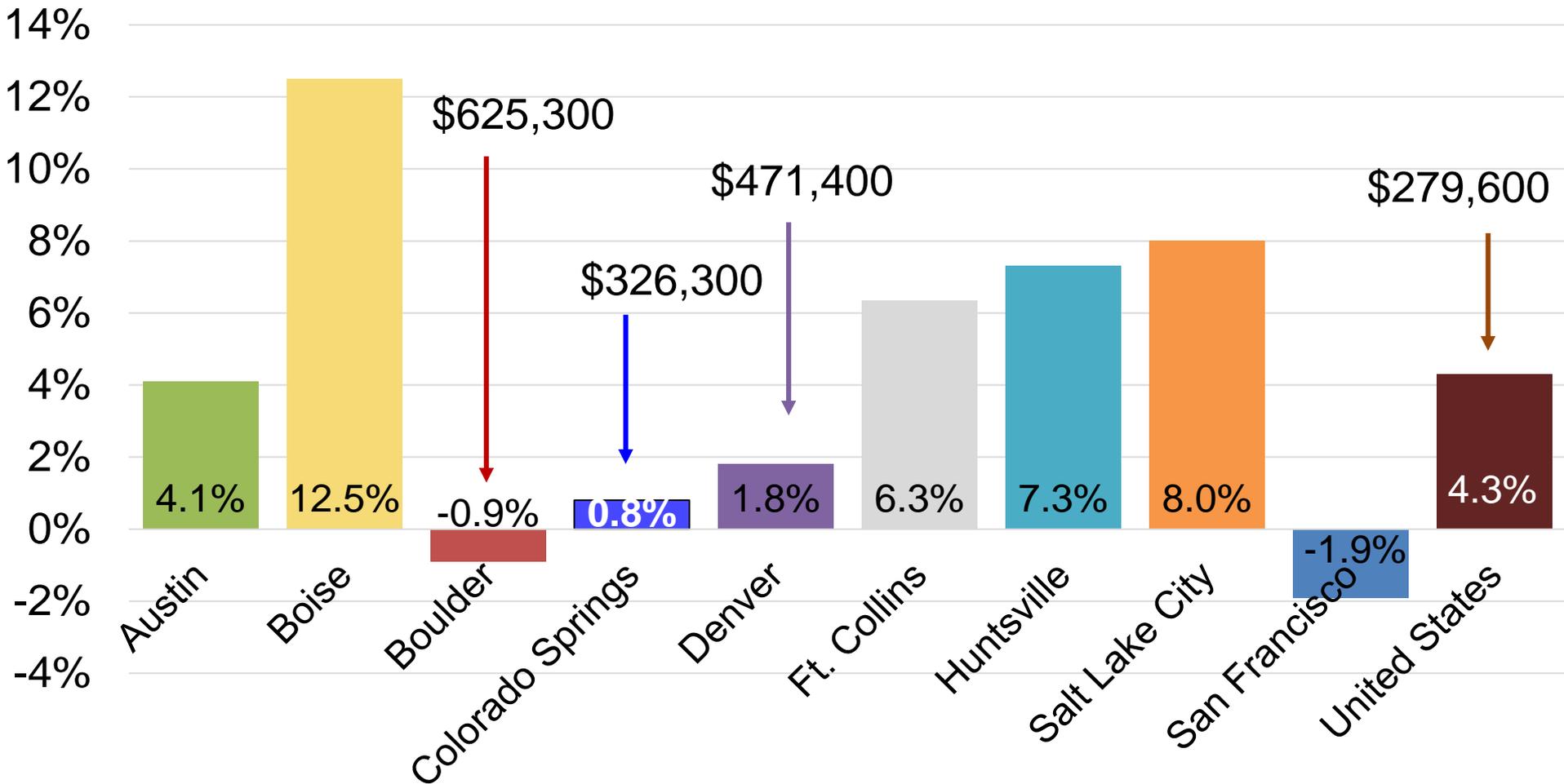
Sources: National Association of REALTORS®; Darrell Wass, RE/MAX Integrity, Inc.

It's all Relative..

- Denver's median price was **\$471,400** (up 1.8% Q2 to Q2).
- Boulder's median price **\$625,300** (down 0.9% Q2 to Q2).
- Boulder is the 6th most expensive city for median home price, Denver is 11th and Colorado Springs ranked 26th (out of 178 MSAs).

Sources: National Association of REALTORS®; PPAR (RSC)

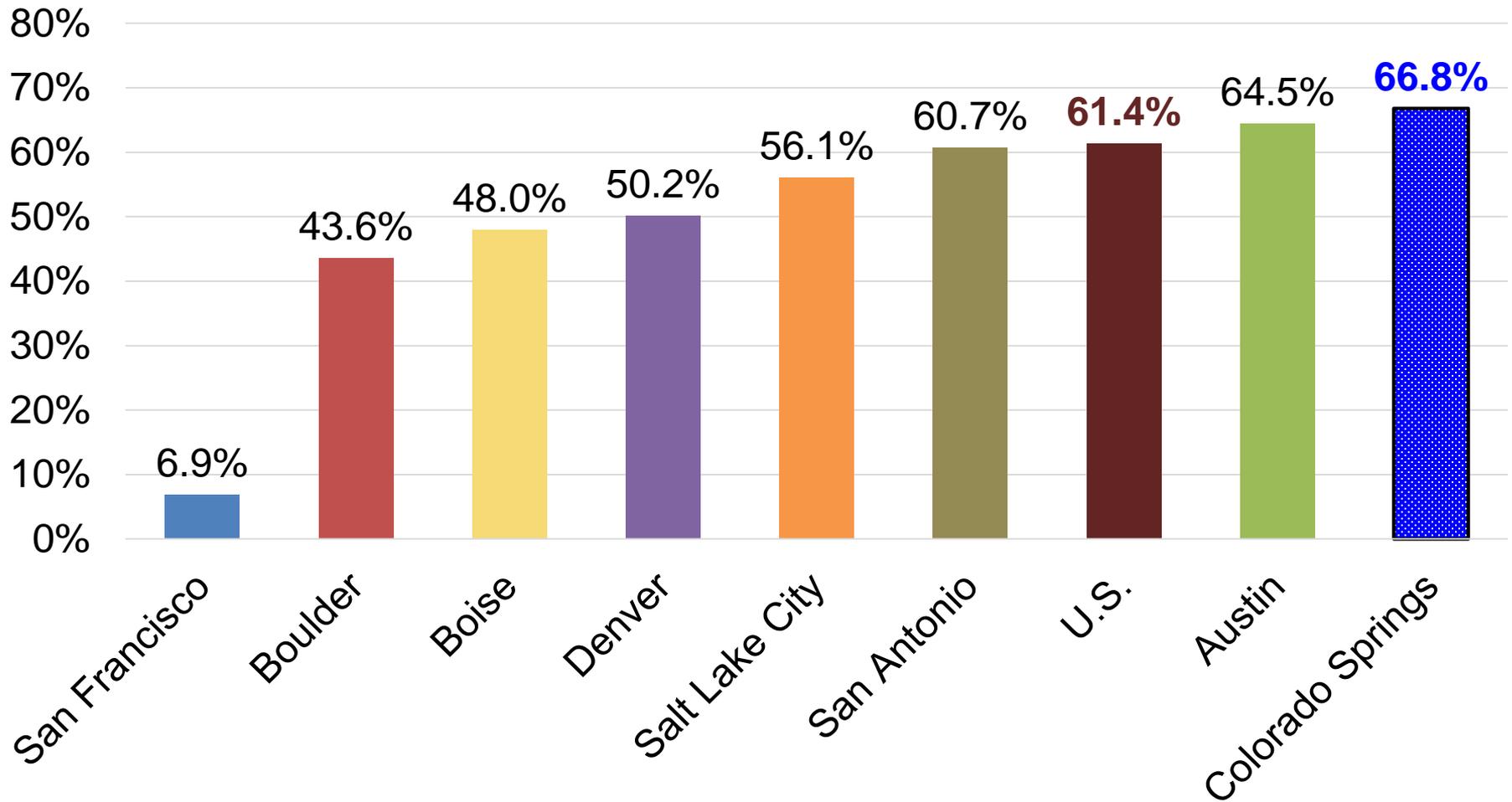
Annual Home Price Appreciation 2018 Q2 to 2019 Q2



Note: This data is seasonally adjusted. PPAR data is not seasonally adjusted. Year over year.

Sources: National Association of REALTORS®

Housing Opportunity Index – 2019 Q1



Notes: HOI is defined as the share of homes sold in that area that are affordable to a family earning the local median income, based on standard mortgage underwriting criteria. Includes new and existing homes.

Sources: National Association of Home Builders and Wells Fargo

Home Building

Projections for Local & U.S. Housing

- Our region has had high levels of construction in past few years..
 - **2016** had a **19.7%** increase in SF permits (U.S. up 2.0%)
 - **2017** up **6.1%** (U.S. up 6.2%)
 - **2018** up **9.4%** (U.S. 2.1%)

- With input from local experts, the Forum is forecasting modest reductions in single-family permitting.
 - 2019 single-family down 6.9% (U.S. down 1.1%)
 - 2020 SF down 1.3% (up 1.5%)

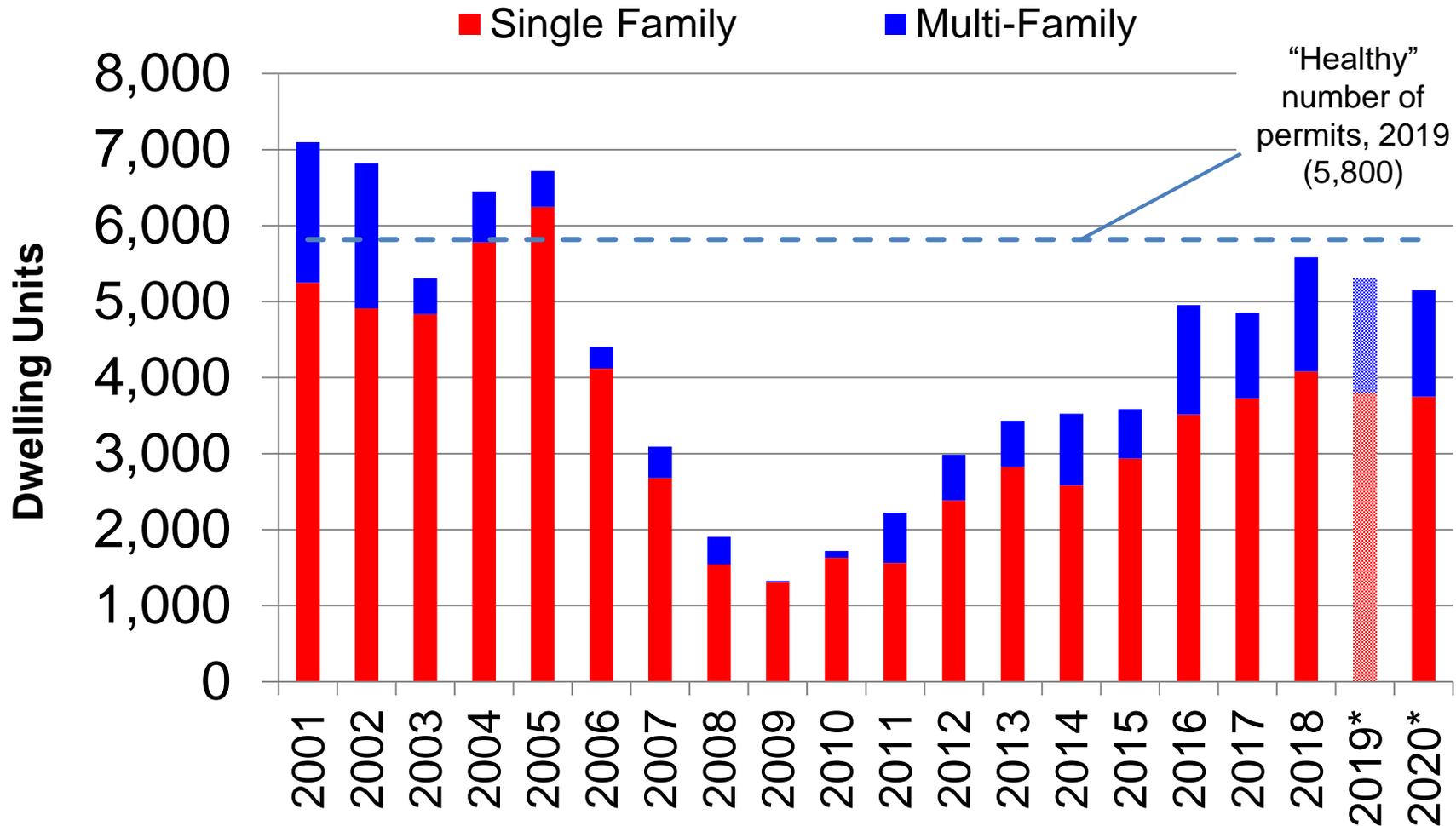
- Construction costs are high & available land is low.

*Forecasts by UCCS Economic Forum with input from Cary Bruteig; U.S. forecasts by CO OSPB

Notes: Single-family dwellings include detached and attached (townhomes).

Source: Pikes Peak Area Realtors, UCCS Economic Forum

Pikes Peak Single & Multi-Family Permits



*Forecasts by UCCS Economic Forum with input from Classic Homes, Vantage Homes, Cary Bruteig
 Source: Pikes Peak Regional Building Department

Interest Rate Correlations



Interest Rate Correlations



Rental Market

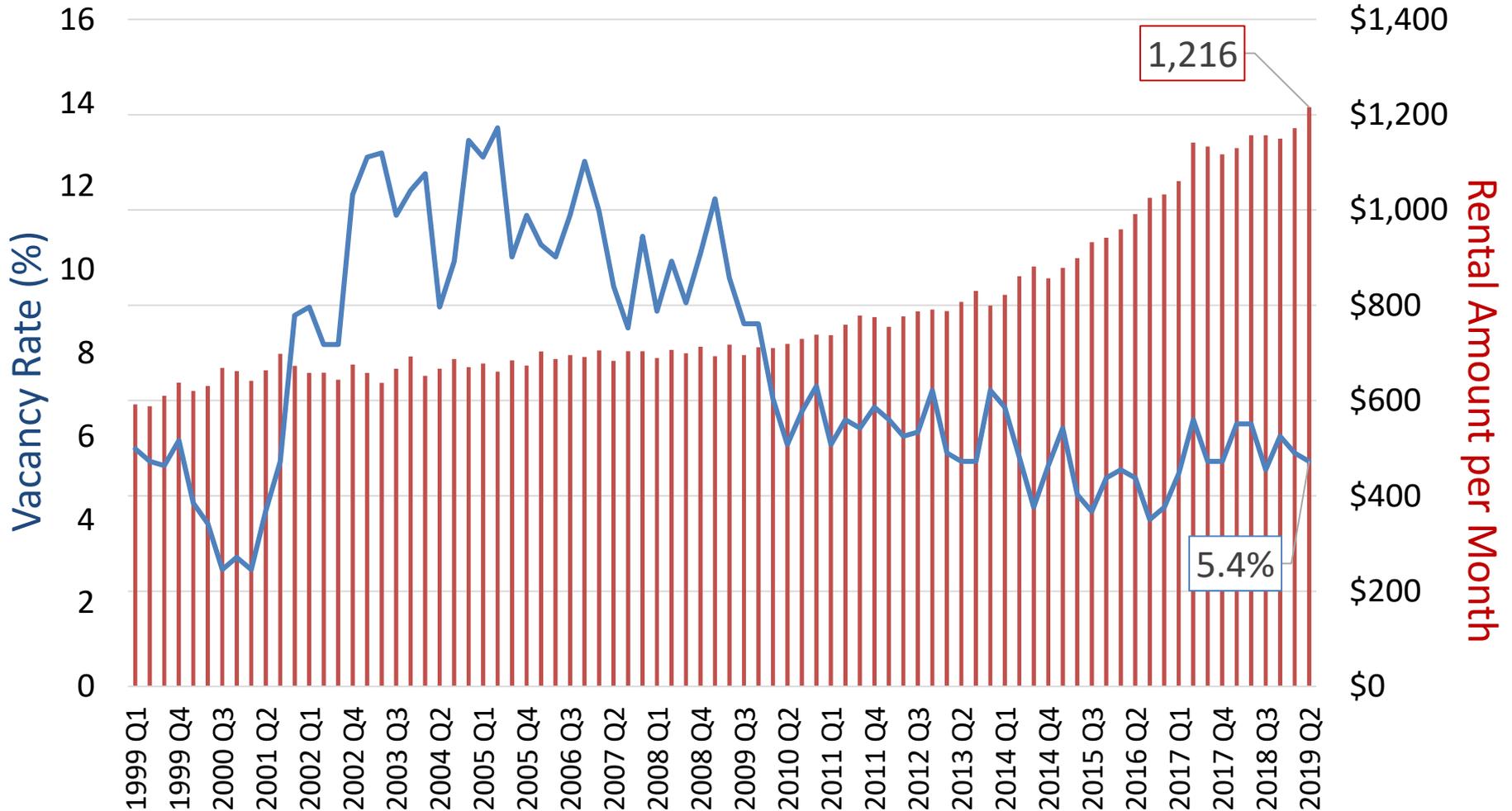
Apartment Leasing in Colorado Springs

- In 2019 Q2:
 - Average rent: **\$1,216** (new & old units combined)
 - Average rent for units built 2010-present: **\$1,486**
 - A LOT of Construction: 2018 (1,135)*; 2017 (1,521); 2016 (528)
- Forecasts: relatively flat MF construction (roughly 1,500 units per year, 2019 and 2020)
- Affordability a mounting issue because of a) high demand with our high pop growth, b) new product is geared towards higher income renters.

Source: CO Department of Local Affairs, Colorado Springs Metropolitan Area Apartment Vacancy and Rent Survey, 2019 Q2

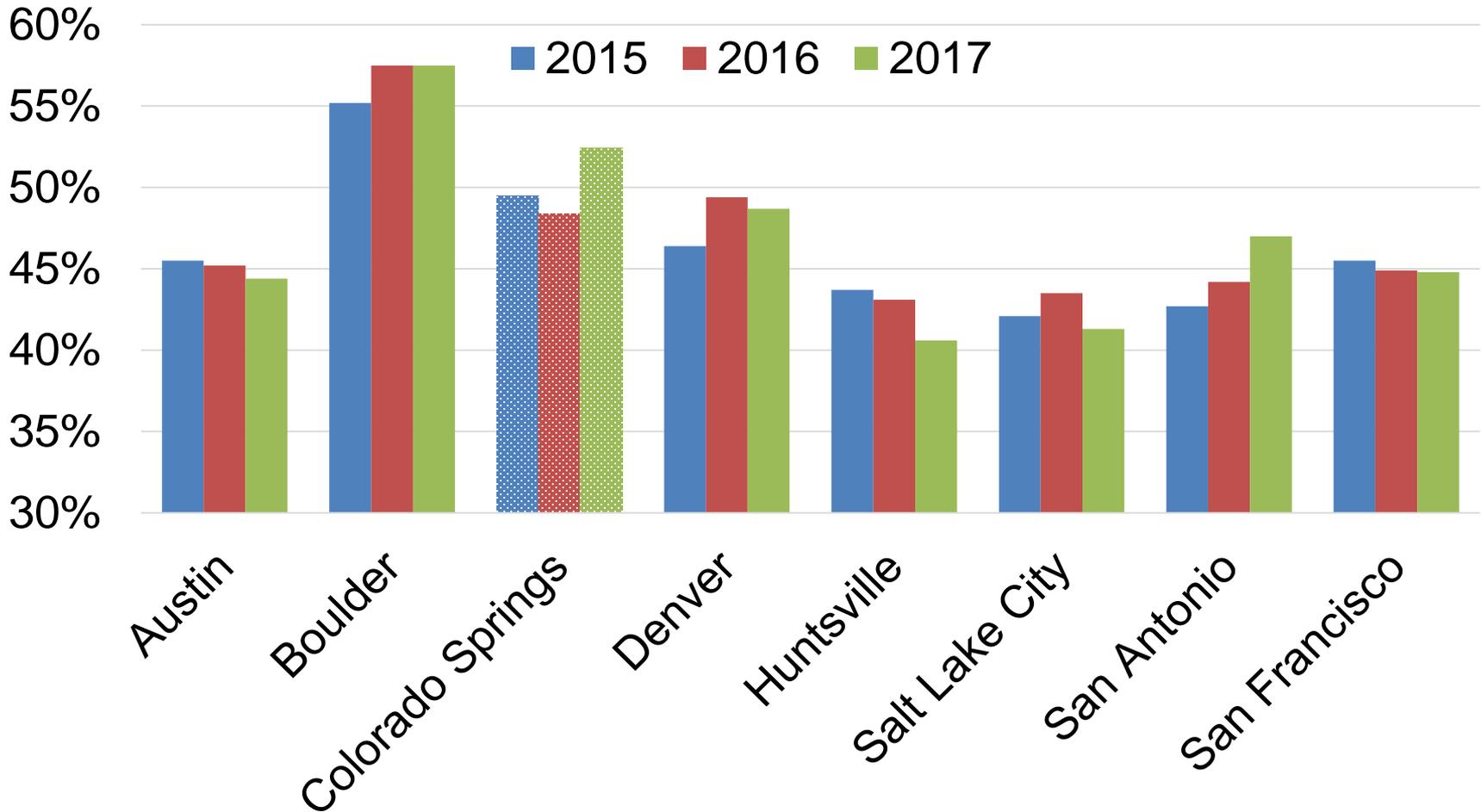
* Total of 49,260 apt units in 2018. **2019 Q2 HUD report states we are a “balanced” multi-family market.**

Colorado Springs Apartment Lease & Vacancy Rates



Source: CO Department of Local Affairs, Colorado Springs Metropolitan Area Apartment Vacancy and Rent Survey

MSA Rental Households Paying 30% or More of Income on Housing



Note: In the Colorado Springs MSA in 2017, 21% of owners paid 30% or more of their income on housing, while it was 52% of renters.
Source: U.S. Census Bureau, American Community Survey 1-year estimates

Denver and Colorado Springs, 2019 Q2

	Denver	Colorado Springs
Average Monthly Rent	\$1,520	\$1,216
Vacancy Rate	5.0%	5.4%

Note: Absorption is the net change in the # of apartment units rented in the current time period (quarter/year) compared to the same time period last year. CS vacancy rate is the from CS Metro Area Apartment Vacancy & Rent Study; Denver's is from HUD. Source: Housing and Urban Development, 2019 Q1 Report; CS Metro Area Apartment Vacancy & Rent Study; The Denver Post

Affordable Housing: Emerging Challenge

- Annual job growth and in-migration will continue to exert upward pressure on housing demand and prices
- Space Command would add roughly another 1,500 jobs
 - High skill – keep demand high for \$500K and up homes
 - Good, but builders will naturally gravitate towards building higher end/higher margin product if there is demand
- For downtown, city leaders say zoning must change in order to accommodate the menu of affordable housing options.
- Will not build ourselves out of the AH problem – need all of the above approach (Tiny homes, tax credits, higher local wages, etc..)

Affordable Housing: Opportunities

- We aren't that expensive YET (HOI).
- Some local builders studying and now beginning projects on lower-cost starter homes.
 - Care about the community and affordability issue
 - Astute in terms of spreading their own risk – most likely a downturn or recession occurring in the next 2 years.
 - Increases overall market share
- CS still friendly to developers – we aren't Boulder with NIMBY or BANANA issues

In 2017 through Private Activity Bonds and Housing Trust Fund dollars



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Affordable Housing: Opportunities

- EPC has a **Turnkey Plus** program – assistance with down payment for EPC homes including within City limits
 - Has assisted more than **2,430 homebuyers**
- EPC assisted in development of:
 - **444 new affordable MF** housing units and preservation of **311 existing MF units**
 - **451 HHs** assisted through **emergency rent and utility aid**
- In 2018, EPC helped develop **180 units of affordable senior housing** and 227 non-senior housing development (through state housing tax credits).

Affordable Housing: Opportunities

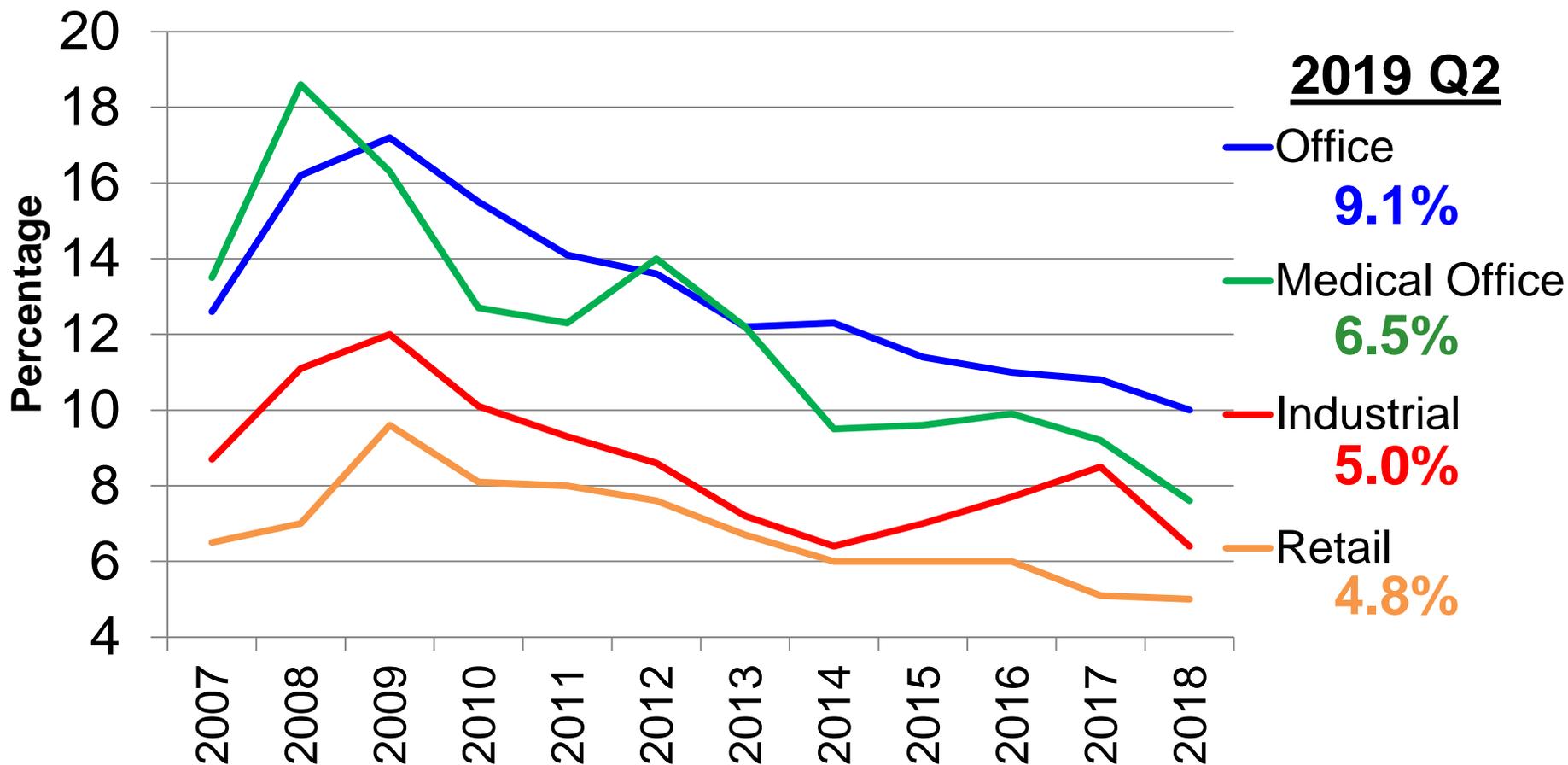
- Have about 2,000 units that are tied to tax credits (CSHA)
- Philanthropy has also stepped in (\$350 million or 20% of all needs according to CSHA)
- City works to on reduce or remove barriers to affordable housing construction/attainability
- City works with utilities to make things easier for development

Affordable Housing

We are now having the affordable housing discussion while we are still relatively affordable – we can affect change in time for meeting demand.

Commercial Real Estate

Colorado Springs Industrial, Retail, Office and Medical Office Vacancy Rates



Sources: CoStar Group™; Olive Real Estate Group, Inc.

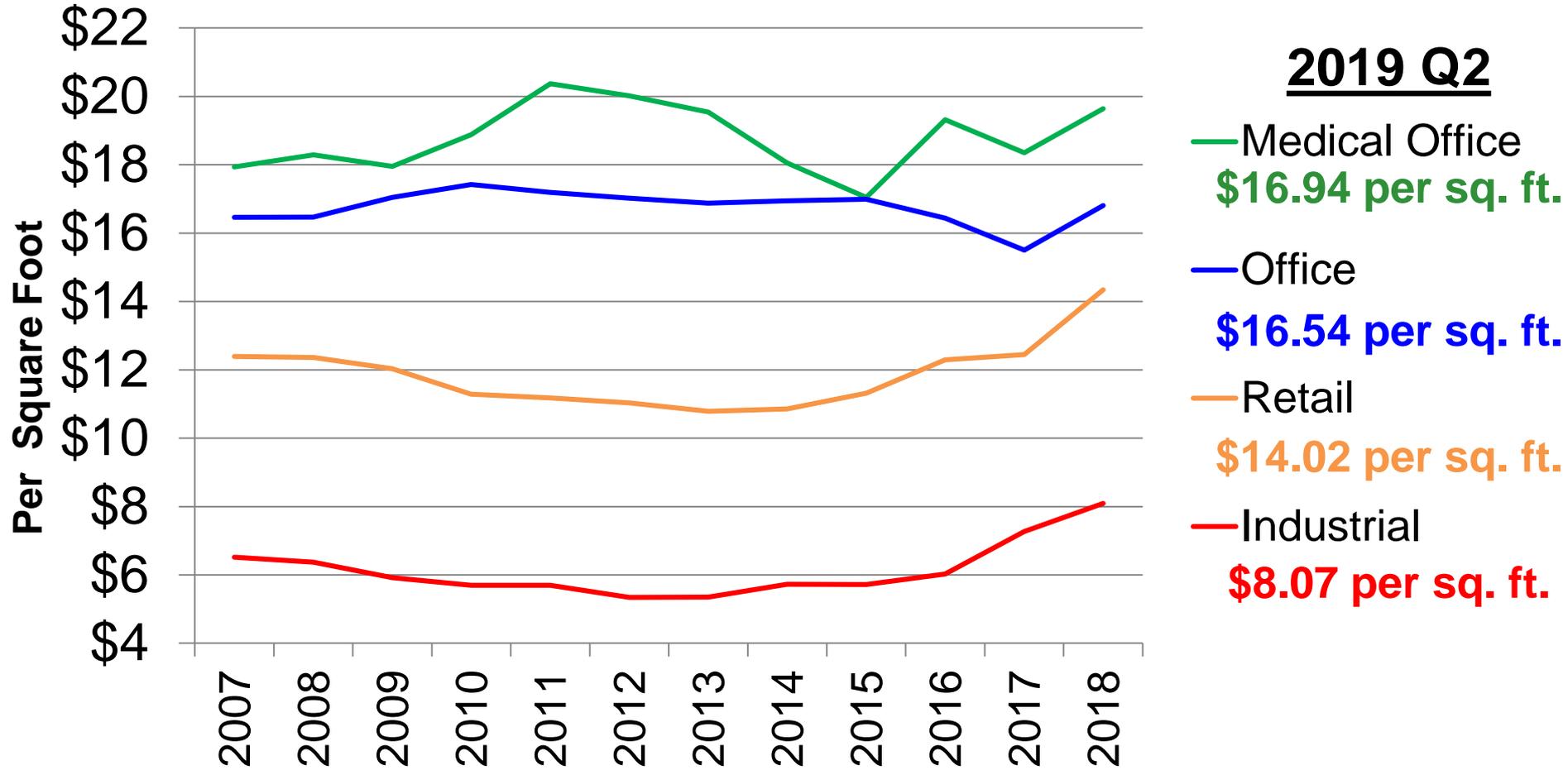


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Colorado Springs Industrial, Retail, Office and Medical Office Rents



Sources: CoStar Group™; Olive Real Estate Group, Inc.

Colorado Springs to Denver (metros): Rents per Square Foot

2019 Q2				
	Retail	Office	Industrial	Medical Office
<i>Colorado Springs</i>	\$14.02	\$16.54	\$8.07	\$16.94
<i>Denver</i>	\$22.65	\$31.19	\$7.47	\$26.63
<i>% Difference</i>	-38.1%	-47.0%	8.0%	-36.4%

Mostly an advantage & opportunity; Economic slowdown can work to our benefit.

Sources: CoStar Group™; Olive Real Estate Group, Inc., Jim Justus & Jim DiBiase

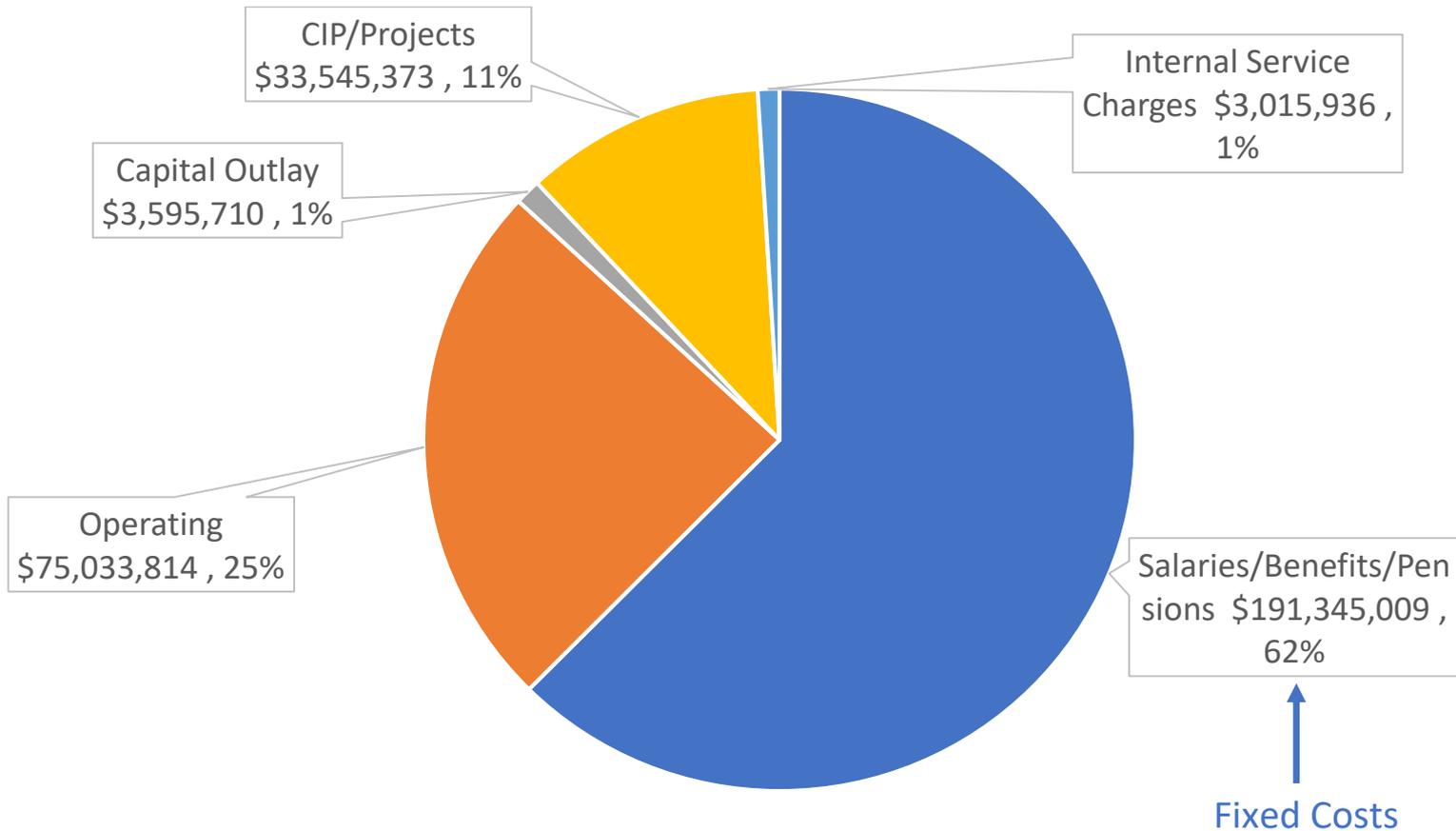
Reconciling Ideologies: Challenge

Central Theme

Ideologies: Challenges

- We are geographically and politically very spread out.
 - Makes consensus difficult
 - Spills over to issues like TABOR and how to reconcile funding shortages in tandem with high growth
 - Upkeep alone is expensive (e.g. \$1m for one new fire truck)
 - Advantage in CO to ask voters for tax increases, but perhaps looking at ROI of government expenditures would be helpful.
- City and county officials say fully capitalizing on regionalism is the next step for a maturing, growing city.

City of Colorado Springs 2018 General Fund Expenditures



Tough budget conversations and these are good economic times..

Source: City of Colorado Springs

Ideological Differences: Challenge

- Many state our biggest challenge is the reluctance to change – a natural growing pain of becoming a large city.
- Small minority that is very vocal ends up sometimes directing an outcome at expense of sustainable and inclusive growth
- We need to be better at engaging various groups
- “You do not have to live, work or even visit downtown to recognize that it’s a vital part of being a vibrant city”*

*2,000 people living downtown currently – multimodal transportation is a must.

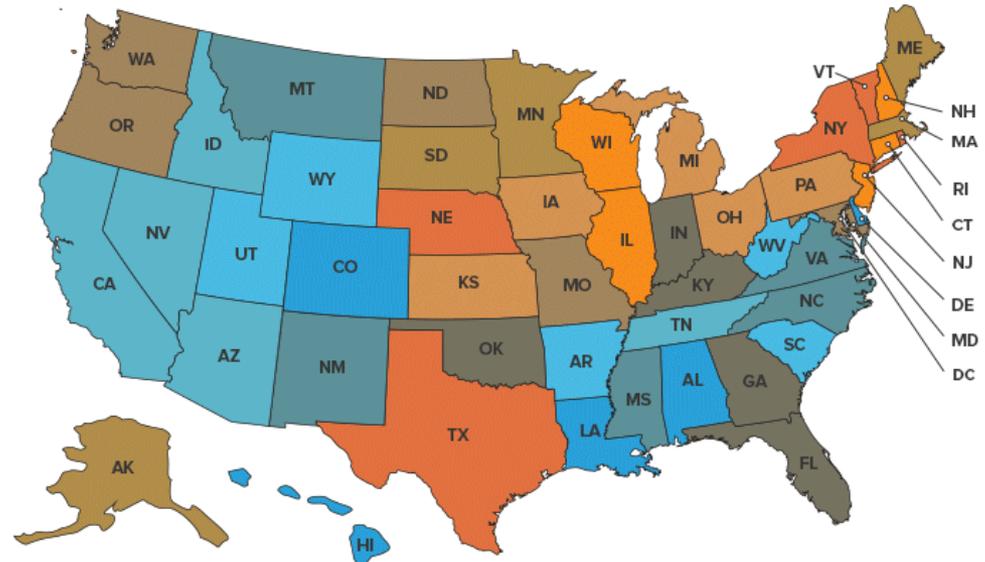
Ideological Differences/Taxation: Challenge

Building a Better Colorado surveys show 87% having some degree of opposition and 78% having a strong opposition to maintaining status quo w/TABOR.

Changes to Real Estate Tax Rates Over Time

Changes to Real Estate Tax Rates Over Time

2010 2011 2012 2013 2014 2015 2016 2017



Source: <https://buildingabettercolorado.org/wp-content/uploads/2019/08/BBCO-Final-Report-2019.pdf>

Ideological Differences/Taxation: Challenge

- In 2017, the average American household spends \$2,279 on property taxes.

Real-Estate Property Tax Rates by State

Rank (1=Lowest) ↕	State ↕	Effective Real- Estate Tax Rate ↕	Annual Taxes on \$194K Home* ↕	State Median Home Value ↕	Annual Taxes on Home Priced at State Median Value ↕
1	Hawaii	0.27%	\$525	\$563,900	\$1,529
2	Alabama	0.42%	\$817	\$132,100	\$558
3	Louisiana	0.52%	\$1,006	\$152,900	\$795
4	Colorado	0.55%	\$1,065	\$286,100	\$1,575

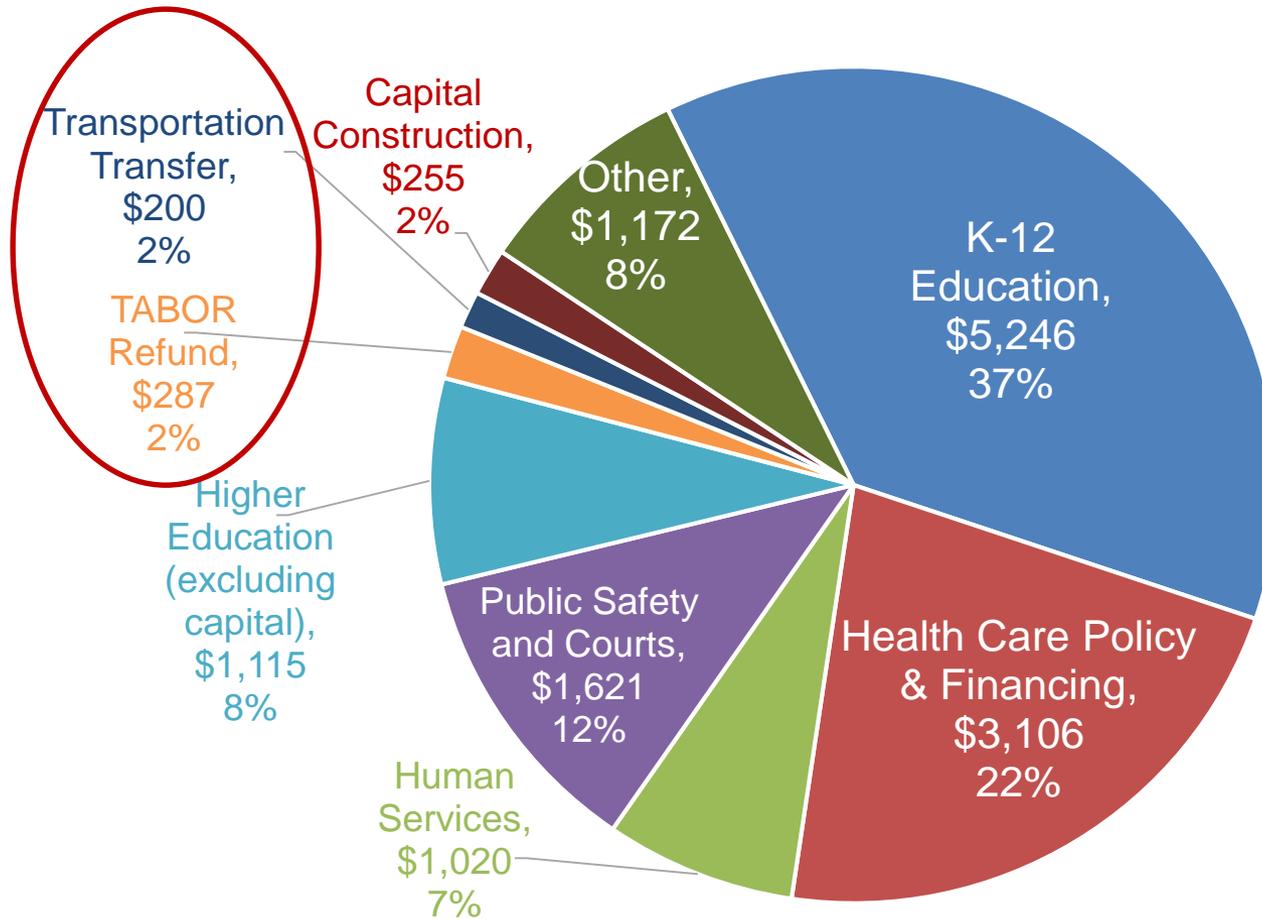


- Property taxes are primary mechanism to pay for K-12.
- Special districts have been created in order to meet shortfall.

Source: Wallet Hub and U.S. Census Bureau

Governor's Budget Request

General Fund Budget for FY 2019-20



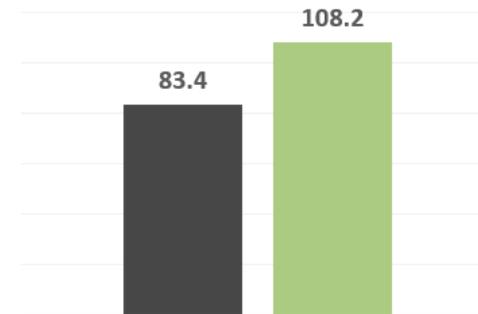
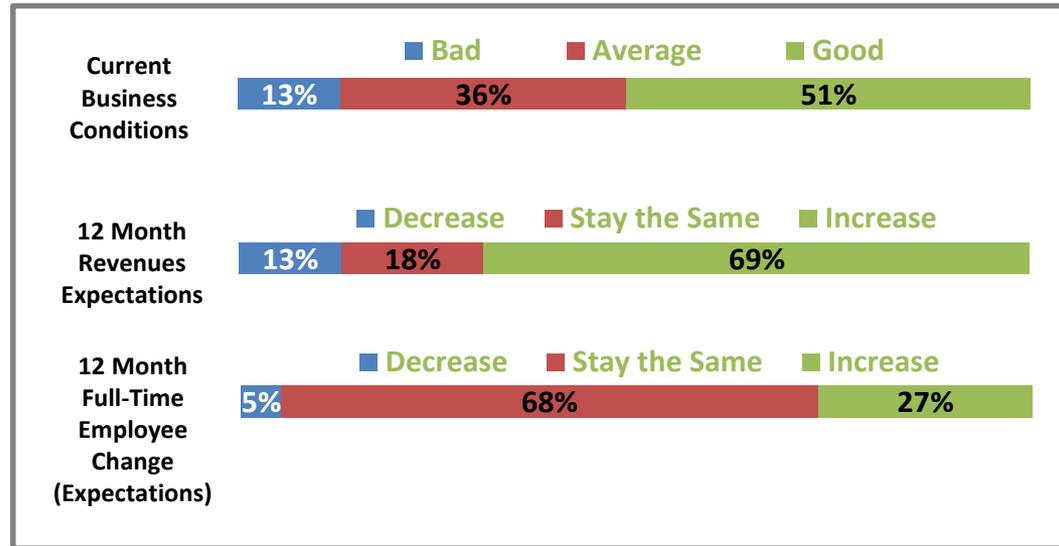
Total Budget:
\$14.0 Billion

\$264.9M in total marijuana taxes (retail & medical)

Source: Colorado Office of State Planning and Budgeting, March 2019 Colorado Outlook

Collaboration is High: Opportunity

- Residents are proud and excited about our city's future..
- Spills over to both consumer and business confidence..
- Capitalize on positive momentum



Consumer Expectations

30% higher

■ Total United States

■ Colorado Springs Area

Source: Elevated Insights

Parting Thoughts

➤ Workforce:

- Focus on informing our youth about high demand occupations and *target the associated training*
- Focus on training educ affordability (perhaps local initiatives)
- Examine K-12 funding (impacted by how we vote)

➤ Infrastructure:

- This is a big one in determining future in-migration
- Multi-modal; look at ROI of various proposals
- Regionalism will help; re-define TPRs?

Parting Thoughts

➤ Affordable Housing:

- Pressures will only increase with pop growth
- Seize the moment to ensure affordability
- Probably need some re-zoning, esp. downtown
- Will need all-of-the-above approach
- Define ourselves by our creativity

➤ Sustainability:

- Fortunate to have clean water sources – educate on conservation
- “Reality of climate change is not going away”
- “Regional collaboration will be key”
- Renewables are an opportunity (environ; job creation)

Parting Thoughts

➤ Ideologies:

- “We will pay the price for waiting too long or moving too slowly with the major challenges”
- Buck the national (extreme partisanship) trend; been doing that locally for many key issues
- Capitalize on and continue with high collaborative spirit
- Navigate by data and what it’s telling us
- Planning for the future is never a bad thing

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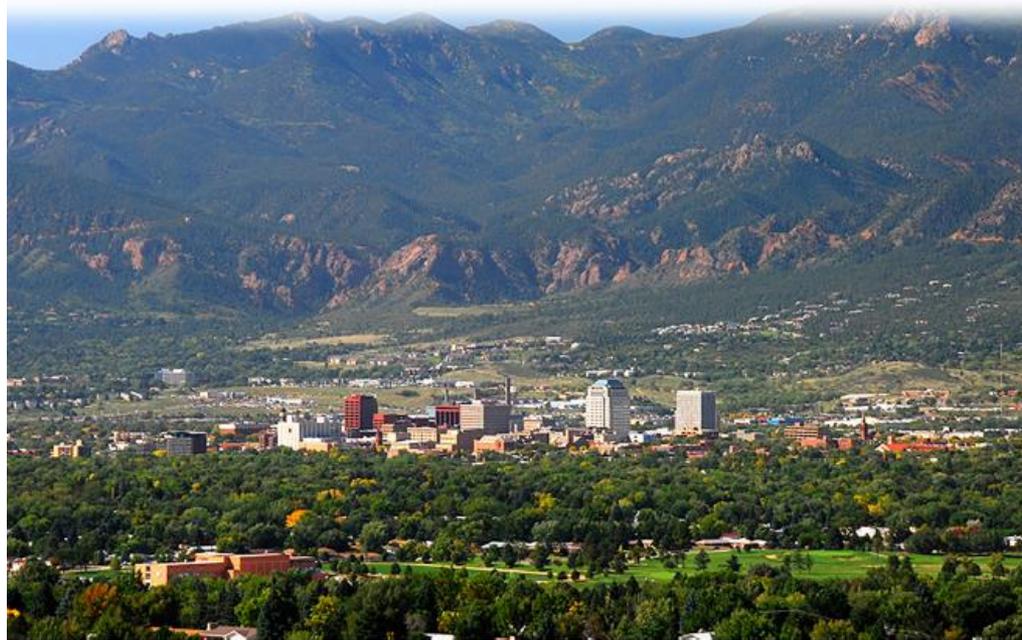
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Lance	Bolton	President, Pikes Peak Community College
Cary	Bruteig	Apartment Appraisers & Consultants
Bob	Cope	Economic Development Officer, City of Colorado Springs
Aaron	Doussett	El Paso County
Susan	Edmondson	Downtown Partnership
Jeff	Greene	Chief of Staff, City of Colorado Springs
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Eddie	Hurt	ERA Shields
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John	Liosatos	Pikes Peak Area Council of Governments
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