MEMORANDUM

To:	South Metro Housing Options and Littleton Housing Task Force
From:	Mollie Fitzpatrick, Root Policy Research
Re:	2020 Littleton Housing Study Data Update
Date:	08/21/2020

Introduction

In 2017 Root Policy Research (then a part of BBC Research & Consulting) was contracted by the City of Littleton to conduct a comprehensive housing study for the city. Deliverables included the "Littleton Housing Study Final Report" (July 2017) and the "Littleton Housing Study Recommendations" (July 2018). Root principal, Mollie Fitzpatrick presented key findings from the housing study to City Council in June of 2017 and presented recommendations to address housing needs in August 2018.

In June 2020, South Metro Housing Options and the Littleton Housing Task Force requested Root Policy Research update key data findings to evaluate changes in the Littleton Market over the past three years. This 2020 data update takes the form of an updated slide deck based on the original findings presentation made to City Council in 2017. This memo, which accompanies the 2020 Housing Data Update slide deck, highlights key changes in the Littleton Housing Market since the 2017 study.

Data Update Sources

Data sources used for the 2020 data update include:

- 2018 five-year American Community Survey estimates for Littleton and Arapahoe County and one-year estimates for Metro Denver (the Denver-Aurora combined statistical area).
- Multiple List Service (MLS) data on home listings/sales from 2019 Q1 to 2020 Q2.
- U.S. Census Bureau Longitudinal Employment Household Dynamics (LEHD) 2017 data (the most recent available).

Top Level Findings

Demographic Profile. Most of the demographic profile data remained consistent or on consistent trends relative to the previous study (2015 data). Population continued to increase at a similar rate, older adults still represented about 17 percent of the population, the young adult population continues to increase while the proportion of households with children continues its modest decline. Homeowners still account for a majority of households (60%), though the proportion of renters did increase slightly since 2015 (from 38% to 40%). Poverty has moderated back to pre-recession levels (note that the 2015 data, as a 5-year dataset, still included some recessionary poverty) and median incomes—for both renters and owners—continued to rise at similar rates.

Notable changes to previous trends include:

- The older adult poverty rate increased slightly (7% to 8%), while poverty rates for other groups moderated back to pre-recessional levels).

- The continued decline in households with children brought the proportion of Littleton households that include children down to 24 percent in 2018 (from 29% in 2010 and 27% in 2015).

- Median home value and median rent continued to increase substantially with more rapid growth between 2015 and 2018 relative to change between 2012 and 2015, especially in home values. Between 2015 and 2018, median gross rent increased by roughly $200 per month (20%) while median home values increased by roughly $100,000 (39%).

Housing Profile and Market Analysis. The proportion of housing types in Littleton remains well-balanced and diverse with a slight uptick in the proportion of multifamily structures with 10 or more units. Affordability continued to decline in Littleton as housing price increases outpaced changes in income for residents.

- Upward trends in housing prices for both owners and renters continue. As illustrated in the For-Sale Trends (slide 8), steep increases in median home price persist—rising by 39% between 2015 and 2018 (slide 9). Over the same period, purchasing power (a function of both incomes and interest rates), increased by just 14 percent.[1]
- These trends (prices rising faster than purchasing power) indicate declining affordability in the for-sale market for Littleton households (see slide 9).
- MLS sales and listing data indicate that areas of relative affordability remain consistent (clustered in northern portions of the city or in several developments along transportation corridors), however prices overall have increased significantly (see slide 10).
- In 2016, about 5 percent of listed/sold homes were priced below $200,000; by 2019/2020, that proportion dropped to less than 1 percent. Homes priced below $300,000 constituted just 25 percent of all homes listed/sold in Littleton in 2016 and contracted further to 13 percent in 2019/2020.

[1] Purchasing power assumes 3.75% interest rate 2020), 10% down, and other housing expenses (insurance, HOA, utilities etc.) that add 30% to mortgage amount.

- The Littleton rental market also experienced rising prices as the rental distribution shifted notably upward. In 2015, nearly half of all rentals were priced below $1,000 but by 2018, that had dropped to one-third. Median rent increased by 20 percent ($200 per month). This increase exceeded the rise in median household incomes overall (12%) but median *renter* incomes experienced more growth (29%) and were able to keep up with rents.
- However, rising median renter incomes do not necessarily mean income improvements for all renters—indeed, a rise in median incomes may also signal low-income renters being displaced from the city due to growing affordability challenges. Renters being priced out of the city may be moving to more affordable areas or may be shifting into unstable housing situations, doubling up with other friends and family, or even entering homelessness.
- Cost burden (spending 30% or more of income on housing costs) overall actually declined slightly between 2015 and 2018 for Littleton households. However, severe cost burden (spending 50% or more of income on housing) increased for renters, from 21 percent to 27 percent (see slide 11).
- The rental gaps analysis highlights a shortage of 1,094 rental units priced below $625 per month to meet the needs of renters earning less than $25,000 annually. (The analysis compares rental units by price-point to the number of current renter households that can afford those units to identify mismatches in supply and demand). In 2018, there were 1,882 renter households earning less than $25,000 per year but only 788 rental units affordable to them (including units with a public subsidy).
- The 2018 gaps analysis reflects an overall reduction in the rental gap from a 1,350-unit shortage to a 1,094-unit shortage. This reduction is primarily due to a loss of low-income renters in the city. As noted earlier, this loss may reflect improving incomes from some but also likely reflects the displacement of low income households from Littleton as they are priced out of the city or pushed into more vulnerable living situations (doubling up and/or homelessness).
- Among the largest five industries for Littleton residents, two of five can't afford median rent (retail trade and accommodation/food services). While there is some affordability at the median for renters, no industry's average wage can afford the median sale price except natural resources (oil and gas extraction). This signifies a loss of ownership affordability across industries compared to 2015 when "professional services" and "financial and insurance" industries could both afford the median home price.

Impacts on Previous Recommendations

Overall, the findings in this data update do not substantively change the recommendations provided to City Council in July 2018. The top needs identified in the previous study remain:

- **Additional affordable rentals**, specifically for residents earning less than $25,000.

- **Starter homes and family homes priced near or below $300,000** (roughly affordable to a household earning at least $73,000 per year).
- **Housing options attractive to seniors—**primarily low-maintenance housing options with few or no stairs.

As such, the previous recommendations also stand (additional details available in the Final Recommendations report completed July 26, 2018):

1. Adopt and articulate a vision for housing.
2. Set a goal to mitigate increases to the rental gap.
3. Consider implementing policies/programs to improve homeownership affordability and accessibility.
4. Inventory vacant and underutilized parcels for residential redevelopment potential.
5. Increase capacity for affordable preservation and development through financial resources.