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# **A City Where People Can Live and Work**

A Data-Driven Housing Strategy



City of Durango  
Prosperity Office  
Innovative Housing Solutions Division



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# Introduction

## Workforce Housing: The Foundation of Durango's Prosperity

Housing affordability has become the single most significant structural constraint affecting Durango's economy, workforce stability, service delivery, environmental goals, and community cohesion. It is not one issue among many, but a foundational condition for sustaining a working community, supporting a resilient local economy, and preserving the social fabric that makes Durango distinct. As a result, workforce housing is not a standalone policy area. It sits at the intersection of nearly every priority articulated in the City's Strategic Plan, including economic vitality, community well-being, environmental sustainability, organizational excellence, and equity.

Over the past decade—and especially since 2020—housing costs have grown far faster than wages. Market forces tied to amenity migration, second-home ownership, short-term rentals, construction costs, and constrained land supply have fundamentally changed the housing landscape. While Durango continues to attract investment, visitors, and national recognition, the unintended consequence has been the steady erosion of housing options for the local workforce.

The recent housing market has structurally shifted. While sales volumes have stabilized following the pandemic-era surge, prices and rents have reset at levels that exceed what much of the local workforce can afford. Using 2025 Area Median Income (AMI) benchmarks for La Plata County, households earning between 80% and 120% AMI—teachers, nurses, city staff, hospitality managers, skilled trades, and early-career professionals—are largely priced out of homeownership and increasingly cost-burdened in the rental market. This has extended renter tenure, reduced mobility, and intensified pressure on limited rental supply.

The result is a compounding feedback loop:

- Employers face labor shortages and increased turnover.
- Workers commute longer distances or leave the region entirely.
- Local businesses adapt to staffing constraints, delay expansion, or forgo growth.
- Critical services struggle to recruit and retain essential staff.
- Families with children decline as a share of the population.
- Environmental and transportation pressures increase due to in-commuting.
- Community resilience and civic participation erode.

These dynamics directly intersect with the City’s Strategic Plan priorities. Economic opportunity cannot be sustained without a stable workforce. Organizational excellence is challenged when staffing vacancies persist. Environmental goals are undermined by longer commutes and dispersed housing patterns. Community well-being is weakened when housing instability becomes normalized for those who serve the community every day.

Importantly, this challenge is not the result of a single policy failure or short-term market volatility. It reflects years of underproduction, constrained land and infrastructure, rising construction and insurance costs, and intensified demand driven by amenity migration, investment capital, and demographic change. Market forces alone are not calibrated to deliver housing aligned with workforce incomes and current forecasts confirm that without intervention, new supply will continue to skew toward higher-priced rentals and ownership products that serve external demand rather than local need.

Durango has not been idle. The City and its partners have advanced meaningful initiatives: public-private partnerships, deed-restricted units, rental assistance programs, regulatory reform, regional collaboration, and innovative development approaches. These efforts matter—and they are working. But the scale of the challenge now exceeds the capacity of incremental, one-time, or fragmented solutions

**This White Paper is intended to do three things:**

1. Define the alignment between workforce housing and the City’s Strategic Plan, economic goals, and long-term prosperity.
2. Provide data grounded in current conditions, employer impacts, and forecasted trends.
3. Present a detailed strategy, including policy tools, partnerships, and the funding requirements to move from incremental progress to durable solutions.

## Strategic Alignment: Workforce Housing as an Expression of Durango’s Mission, Vision, and Values

*Housing Is Not just part of the Strategic Plan—It Is How the Plan Is Achieved*

The City of Durango’s Mission, Vision, Values, and Strategic Plan articulate a clear commitment to community well-being, economic vitality, environmental stewardship, and organizational excellence. Workforce housing is just a major issue competing with these priorities, it is one of the most direct ways they are realized.

The data presented throughout this White Paper including housing forecasts, Area Median Income benchmarks, employment and labor trends, demonstrate that housing affordability now sits at the center of Durango’s ability to deliver on its strategic commitments. Without intentional action on workforce housing, progress across multiple strategic priorities becomes increasingly constrained.

## Alignment with the City Vision

*A city where people can work but not live is not fully thriving*

The vision of a multigenerational connected and thriving Durango depends on residents having the ability to establish long-term roots. The data show clear warning signs:

- Declining proportions of families with children
- Increased in-commuting from outside the region
- Longer renter tenure with fewer ownership pathways
- Growing strain and risk among middle-income households

A city where people can work but not live is not fully thriving. Housing is what transforms economic activity into community. When housing becomes unattainable, community participation declines. Workers spend more time commuting, less time volunteering, engaging, or investing locally. Civic life weakens not because of lack of interest, but because of lack of stability.

## White Paper Purpose and Timing

This white paper has been published at a moment of transition for the local housing market, the City's Innovative Housing Solutions programming, and state housing policy. The City has operated housing programming in one form or another since at least 2009, with the adoption of the original Fair Share inclusionary zoning ordinance. Program design from 2009 to 2018 was centered around generating revenue for two purposes: attracting low-income housing tax credit (LIHTC) projects and funding down payment assistance (DPA) loans. These strategies operated more-or-less in scale with the housing affordability gap during that time period.

In 2018, the City adopted a Housing Plan that emphasized the expanding affordability gap and the need to identify new strategies, particularly long-term sources of funding. From 2020 to 2025, the effects of the COVID-19 public health emergency rapidly grew the affordability gap even further. During the same period, new Colorado laws opened up affordable housing funding sources and made other strategies available to municipalities that had previously been illegal. The City responded, in part, with a major rewrite of the Fair Share program in 2024 to de-emphasize revenue generation and emphasize production of new supply. In general, the 2018 Housing Plan is no longer an accurate guide to City strategies and programming.

The natural question is therefore: why release a white paper and not adopt a revised Housing Plan accounting for new needs and strategies since 2018? The City believes a white paper is more appropriate at this juncture for two reasons: first, the community engagement for a full Housing Plan in 2026 would interfere with immediate needs and the City's capacity to comply with certain state policy mandates; second, the City will begin the process of writing a new Comprehensive Plan in 2026, with a target to finish by the end of 2027. Because of the obvious interaction between housing policy and integrative land use planning, staff feel it is critical that the Housing Division not get ahead of the Comp Plan process and risk recommending or even investing in a strategy that is disfavored by the future Comp Plan.

As a result, this white paper should be considered an interim step between the 2018 Housing Plan and a future (2026-27) Housing Action Plan, which state law requires the City to adopt no later than January 1, 2028. The white paper captures the current state of the housing need in Durango, a list of current and available future strategies, and the potential impacts of additional resources, but does not create policy on behalf of the City. It is intended to serve as a stable reference point as staff introduce policy changes in 2026 to serve immediate needs and comply with State mandates and incentives.

# La Plata County Housing Needs Assessment

As required by state law, the Regional Housing Alliance of La Plata County completed a comprehensive Housing Needs Assessment in 2025. This assessment provides an essential baseline for understanding how current housing conditions evolved and why today's affordability pressures are structural rather than cyclical. While portions of the underlying data pre-date the most recent post-pandemic market acceleration, the core findings remain highly relevant and, in many cases, conservative when viewed alongside more recent pricing and construction trends.

At its core, the assessment shows that La Plata County has experienced sustained population growth and a fundamental mismatch between income growth, housing production, and housing costs. Between 2012 and 2022, the county's population grew by roughly 10%, reaching approximately 56,500 residents. Growth has not been evenly distributed across age cohorts. Seniors aged 65 and older already represent about one-fifth of the population and are projected to approach one-quarter of all residents by mid-century. At the same time, households with children have declined as a share of the population—an early signal of affordability-driven displacement that aligns with more recent school enrollment trends. **Jobs increased by 12% and housing units increased by only 9% in this period.**

Income growth has been real but uneven. Median household income in La Plata County reached approximately \$82,000 by 2022, placing it above many rural peers. However, this headline figure masks a pronounced tenure divide. Homeowner households earn nearly twice as much as renter households, with renters' median incomes closer to \$48,000. This disparity is critical because renters are disproportionately exposed to market volatility and rising housing costs, while homeowners—particularly those who purchased before recent price escalation—are insulated by fixed housing costs and accumulated equity.

The structure of the housing stock compounds this imbalance. Roughly two-thirds of La Plata County's housing inventory consists of single-family detached homes, while small multifamily and “missing middle” housing types make up a comparatively modest share. Manufactured housing continues to play an important affordability role, particularly outside of Durango, but these communities face increasing preservation and infrastructure pressures. Approximately 18% of the county's housing units are not occupied by permanent residents, reflecting seasonal use, second homes, and short-term rentals—an important factor in why overall housing supply growth has not translated into workforce housing availability.

Affordability metrics underscore the depth of the challenge. Nearly 30% of all households in La Plata County are housing cost-burdened, paying more than 30% of income toward housing. Among renters, the situation is significantly more acute: **nearly half of renter households are cost-burdened**, and more than one in five are severely cost-burdened, spending over 50% of income on housing. **Even before the most recent rise in rents and interest rates, the assessment identified a shortage of nearly 1,000 rental units affordable to households earning below 50% of Area Median Income.** Subsequent market data suggest that this gap has widened rather than narrowed.

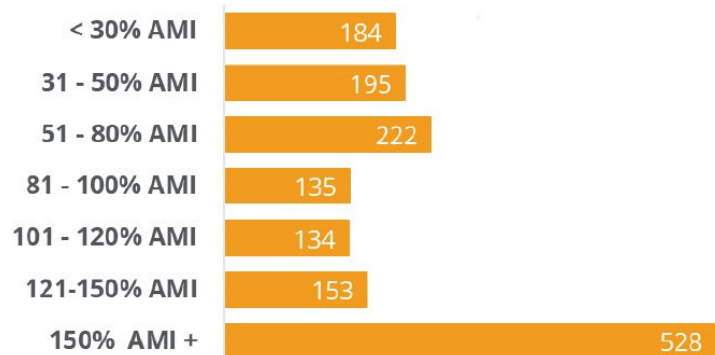
The ownership market reflects similar structural constraints. Median home values documented in the assessment already exceeded levels affordable to the typical local household, and affordability calculations showed that **a two-person household would need income well above 200% of AMI to purchase a median-priced home without assistance.** Since that analysis, median prices have continued to rise while mortgage rates have normalized at higher levels, reinforcing the conclusion that market-rate ownership alone cannot sustain local homeownership rates without targeted interventions.

Looking forward, **the Housing Needs Assessment estimated that La Plata County would need 264 units to catch up and approximately 1,550 additional housing units over a five-year period simply to keep pace with projected household growth and economic demand.** Importantly, more than two-thirds of those units would need to be ownership units to maintain existing tenure balance—an insight that aligns closely with current forecasts showing a pipeline heavily weighted toward rental housing. Absent intentional policy and investment strategies, the assessment anticipates continued erosion of attainable homeownership and increased pressure on the rental market.

### *Units Needed over 5 years (through 2029):*



### *Units Need by Income/Affordability Level*



Source: Colorado State Demographer and Root Policy Research.

Community and stakeholder input captured in the assessment reinforces the quantitative findings. Residents consistently identified affordability as the county’s most pressing housing concern, while employers across sectors cited housing availability as a constraint on recruitment and retention. There was broad support for smaller-scale density solutions—such as townhomes, duplexes, and cottage housing—particularly when paired with local occupancy or affordability requirements.

Taken together, the Housing Needs Assessment provides a clear through-line to the current housing environment: **La Plata County’s challenges are not the result of a short-term market disruption, but of long-standing structural gaps between housing supply, housing types, and the incomes of the local workforce.** Subsequent market trends have accelerated these dynamics, making the assessment’s findings a foundational—if now conservative—reference point for shaping policy, investment, and implementation strategies outlined in this white paper.

## Housing Needs Assessment Summary by the Numbers

### Population and Demographics

- **Population Growth:** La Plata County's population was ~56,557 in 2022 — a roughly 10% increase since 2012, with continued growth projected.
- **Aging Profile:** Seniors (65+) are projected to grow from ~20% to ~26% of the population by 2050, outpacing other age cohorts. The under-18 Population has declined from 16.6% in 2020 to 13.71% in 2025 (Neilsberg Research, 2025)
- **Households:** There were nearly 23,000 permanent resident households in 2022, growing modestly with stable household size (~2.4 persons).

### Housing Inventory

- **Occupancy & Usage:** ~82% of housing stock is occupied by permanent residents; ~18% is vacant mainly, for recreational/seasonal/short-term use.
- **Homeownership Rates:** ~71% countywide, but varies — Durango ~55%, Bayfield ~74%
- **Housing Production Lag:** Job growth has consistently outpaced housing production since 2012, contributing to supply constraints.
- **Future Housing Need Estimates:** To “catch up” La Plata County needs ~264 units. To “keep up” with projected growth, La Plata County needs an additional ~1,550 housing units over five years.
  - Of those, ~1,100 would need to be owner-occupied to sustain current homeownership levels, and ~1,000 will need to be affordable below 150% AMI.

### Housing Market and Costs

- **Rent Trends:** Median effective rent paid (including regulated units) was ~\$1,350 in 2022, with market rents averaging ~\$1,500 by 2024 — rent increases have outpaced income growth.
- **Cost Burden:** 30% of all households are cost-burdened (housing costs >30% of income). Among renters, close to 49% are cost-burdened (27% cost-burdened + 22% severely cost-burdened).
- **Affordability Gaps:** There is an estimated shortage of nearly 1,000 undermarket rental units affordable to households earning <50% AMI, even when accounting for existing income-restricted units. Ownership supply is similarly skewed; median home values far exceed affordability for a typical local household.
- **Income vs. Housing Cost Mismatch:** Under 2024 conditions, a typical two-person household needs income ~246% of AMI to afford the median home.

# Current State of Housing in Durango

## Housing Inventory

According to the U.S. Census Bureau's 2023 American Community Survey (ACS) 5-Year Estimates, the City of Durango has an estimated 9,464 total housing units. Of these, approximately 8,304 units are occupied and 1,160 units are vacant, resulting in an overall occupancy rate of roughly 88%. This relatively tight housing market provides important context for the City's ongoing housing challenges, particularly given limited developable land, high demand driven by employment and tourism, and rising construction and financing costs. With fewer than 10,000 total housing units citywide, even modest changes in housing supply can have meaningful impacts on affordability and availability.

Durango's housing market has become increasingly out of reach for local residents. According to the 2025 La Plata County Housing Needs Assessment, the median home value in the County for a single-family home was \$775,000 in 2025, more than double the 2010 value. **A two-person household would now need an income equal to 246% of the area median income (AMI) to afford a median-priced home.** The greatest affordability gap exists for homes priced below \$450,000, those attainable to households earning under 150% AMI. La Plata County must add roughly 1,550 new homes by 2029, including more than 1,100 owner-occupied units, to meet local demand.

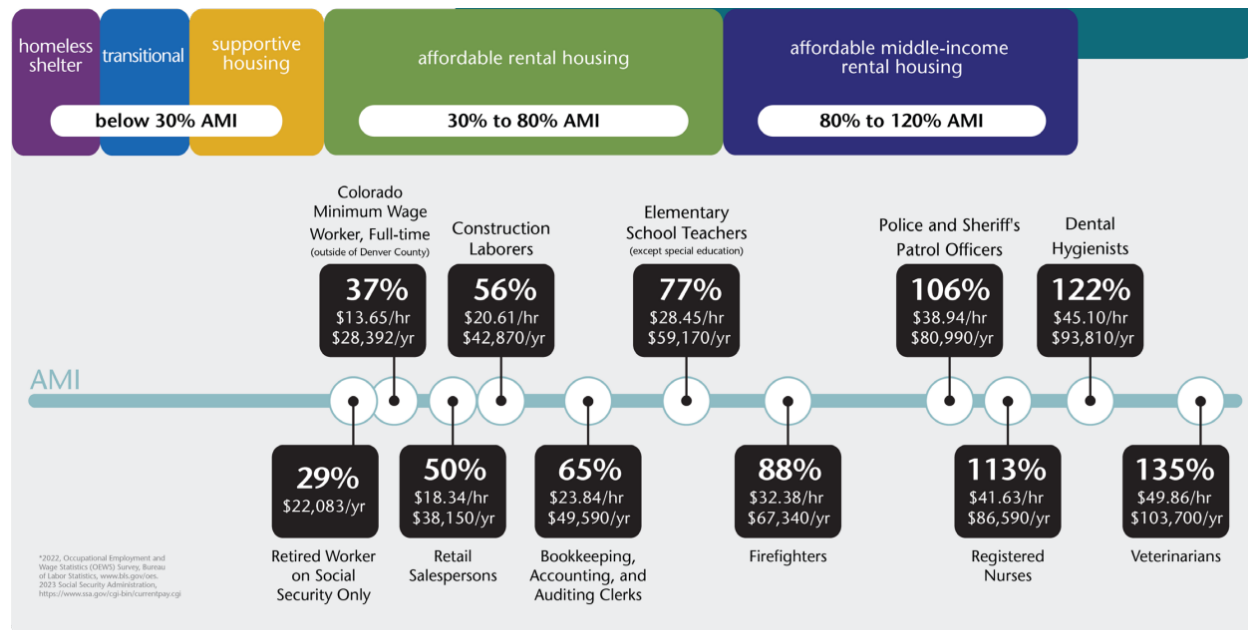
Within city limits, the outlook is even more challenging. Data from the Colorado Real Estate Network (CREN) shows **the median home price in Durango rose from \$506,625 in 2019 to \$925,000 in 2024, with the average price surpassing \$1 million. The fact that home prices have nearly doubled in five years underscores the urgent need to create homeownership opportunities for Durango's workforce.**

## Housing Continuum

The housing continuum is a framework used to describe the full range of housing options needed in a healthy community, organized by household income levels and housing stability. Rather than treating housing as a single category, the continuum illustrates how different housing types serve different income bands, from households with very limited incomes to moderate- and middle-income households, and ultimately to market-rate housing. The continuum is closely tied to AMI, which is commonly used to define eligibility for housing programs and affordability thresholds.

The figure below illustrates the rental housing continuum alongside typical employment wages in Colorado, showing how common occupations align with different AMI levels and housing types. The graphic highlights that many full-time workers earning local wages fall

within income ranges traditionally associated with affordable or workforce housing, rather than the unrestricted market. This visualization helps demonstrate that housing affordability challenges are not limited to households experiencing homelessness or extremely low incomes, but extend across a broad portion of the local workforce.



Source: 2022, Occupational Employment and Wage Statistics (OEWS) Survey, Bureau of Labor Statistics, <https://www.bls.gov/oes/>.  
2023 Social Security Administration, <https://www.ssa.gov/cgi-bin/currentpay.cgi>

At the lower end of the housing continuum are emergency shelters, transitional housing, and supportive housing, which primarily serve households earning below 30% of AMI. These housing types are typically paired with services and rely heavily on public subsidy to address housing instability and prevent homelessness.

Affordable rental housing generally serves households earning between approximately 30% and 80% of AMI. Many occupations critical to local communities, such as retail workers, construction laborers, and administrative staff, fall within this income range. Housing in this segment often requires public investment, income restrictions, or other affordability mechanisms to remain attainable.

The middle of the continuum includes affordable middle-income and workforce housing, typically serving households earning between 80% and 120% of AMI. This segment includes many essential workers such as teachers, firefighters, nurses, and public safety employees. In high-cost communities like Durango, these households are frequently priced out of the private market despite stable employment.

At the upper end of the continuum is market-rate rental and ownership housing, which does not include income restrictions or long-term affordability controls. In constrained housing markets, rising prices at this end of the continuum can push moderate-income households into lower-cost segments, increasing demand for subsidized housing and placing pressure on the entire system.

Understanding the housing continuum and how local wages align with AMI is critical for identifying gaps in housing supply and targeting policy responses. Addressing housing needs across the full continuum helps stabilize the housing market, support the local workforce, and ensure that housing investments align with the realities of local incomes.

## Cost Burden and Area Median Income

Housing affordability is commonly evaluated using the concept of housing cost burden, which measures the share of a household's income spent on housing costs. A household is generally considered cost burdened if it spends more than 30% of gross income on housing, including rent or mortgage payments, property taxes, insurance, and basic utilities. When housing costs exceed this threshold, households often have less income available for other necessities such as food, healthcare, transportation, and childcare. As a result, the 30% standard is widely used at the federal and state levels as the benchmark for determining whether housing is affordable.

*Income and affordability levels are shown for a household size of two*

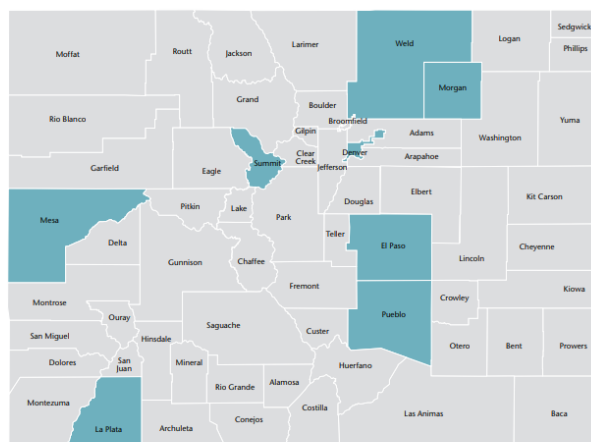
|                                                                       |                                                                                                                                                               |
|-----------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>"extremely" low income</b></p> <p><b>&lt; 30% AMI</b></p>       | <p>Income &lt; <b>\$26,550</b> per year</p> <p>Affordable rent: &lt; <b>\$664/mo.</b></p>                                                                     |
| <p><b>"very" low income</b></p> <p><b>30-50% AMI</b></p>              | <p>Income: \$26,550 - <b>\$44,200</b> per year</p> <p>Affordable rent: \$664 - <b>\$1,105/mo.</b></p> <p>Affordable home: &lt; <b>\$75,348</b></p>            |
| <p><b>"low" income</b></p> <p><b>50-80% AMI</b></p>                   | <p>Income: \$44,200 - <b>\$70,750</b> per year</p> <p>Affordable rent: \$1,105 - <b>\$1,769/mo.</b></p> <p>Affordable home: \$75,348 - <b>\$187,803</b></p>   |
| <p><b>"median" to "moderate" income</b></p> <p><b>80-120% AMI</b></p> | <p>Income: \$70,750 - <b>\$106,080</b> per year</p> <p>Affordable rent: \$1,769 - <b>\$2,652/mo.</b></p> <p>Affordable home: \$187,803 - <b>\$337,638</b></p> |

Note: AMIs shown in the figure reflect a 2-person household in La Plata County. Affordable home price shows the Economic Development Alliance Home Ownership Reference Charts, which calculate the affordable homeownership (1) a 30-Year Fixed Mortgage Interest Rate of 7.06%, (2) ability to contribute 33% of income to housing costs, (3) a 3% down payment; and (4) ancillary costs (property taxes, insurance, HOA payments, etc.) are estimated using a HomesFund formula.

Source: HUD Income Limits, Economic Development Alliance Home Ownership Reference Charts and Root Policy Research

AMI thresholds are used to translate the 30% standard into maximum affordable rents and home prices. For rental housing, affordability is achieved by setting rents so that a household at a given AMI level would spend no more than 30% of its income on housing costs. For homeownership, the same standard is applied by determining a maximum purchase price that results in monthly housing costs factoring in mortgage payments, taxes, insurance, and utilities. This framework ensures that housing programs are targeted not simply to income levels, but to what households can reasonably afford without becoming cost burdened.

| County    | 1-person | 2-person | 3-person  | 4-person  |
|-----------|----------|----------|-----------|-----------|
| Denver    | \$86,900 | \$99,300 | \$111,700 | \$124,100 |
| El Paso   | \$68,300 | \$78,000 | \$87,800  | \$97,500  |
| La Plata  | \$72,800 | \$83,200 | \$93,600  | \$103,900 |
| Mesa      | \$60,900 | \$69,600 | \$78,300  | \$87,000  |
| Morgan    | \$60,900 | \$69,600 | \$78,300  | \$87,000  |
| Pueblo    | \$60,900 | \$69,600 | \$78,300  | \$87,000  |
| Summit    | \$77,600 | \$88,700 | \$99,800  | \$110,800 |
| Weld      | \$73,400 | \$83,900 | \$94,400  | \$104,800 |
| Statewide | \$77,100 | \$88,200 | \$99,200  | \$110,200 |



Source: FY 2023 income limits summary, [https://www.huduser.gov/portal/datasets/il/il2023/select\\_Geography.odn](https://www.huduser.gov/portal/datasets/il/il2023/select_Geography.odn)

County-level AMI limits provide important local context for understanding affordability in Durango. In La Plata County, the AMI for a one-person household is \$72,800, increasing to \$103,900 for a four-person household. While these income limits are higher than those in many other Colorado counties, they reflect the region’s high housing costs rather than increased affordability. As shown in the county comparison table and map, La Plata County’s AMI is closer to high-cost Front Range and mountain counties than to many rural counties, which helps explain why housing affordability challenges persist even for households earning near the median income.

Understanding cost burden and AMI together provides important context for evaluating housing needs in Durango. Rising housing costs can push households across income levels into cost-burdened situations, increasing pressure on lower-cost housing segments and reducing overall housing stability. This dynamic underscores the importance of addressing housing affordability across a range of AMI levels, rather than focusing exclusively on a single income group.

## Proposition 123

In 2023, the City of Durango formally filed its Proposition 123 commitment with the State of Colorado, committing to support the creation of new affordable housing units within city limits in exchange for access to dedicated state housing funding. Under Prop 123, participating jurisdictions are required to increase their affordable housing stock by 3% over a three-year period. For Durango, this equates to approximately **184 units created or preserved by the end of 2026**. Jurisdictions that meet their Prop 123 commitments remain eligible for ongoing state resources administered by the Colorado Department of Local Affairs (DOLA) and CHFA, while failure to comply will result in the loss of eligibility for those funds. Prop 123 compliance is a critical component of the City's broader housing strategy.

To date, **the City has filed 138 completed housing units toward its Prop 123 commitment**. The majority of these units are associated with the Residences at Durango, a Low-Income Housing Tax Credit (LIHTC) development that repurposed a former Best Western motel and added new residential buildings to create long-term affordable rental housing for households earning up to 60% AMI. The other units counted towards the current unit count include homes purchased within city limits using down payment assistance administered by HomesFund. Looking ahead, the City is confident it will meet its full Prop 123 commitment through a combination of developments currently in progress and ongoing housing programs.

In addition to meeting housing production targets, Proposition 123 requires participating jurisdictions to implement an expedited, or "fast-track," development review process for qualifying housing projects. Additional detail on the expedited review process is provided in the Strategies section later in this white paper. Durango is on track to be compliant with the Prop 123 expedited review requirement by the State's deadline. This compliance not only preserves access to Prop 123 funding but also aligns with the City's broader efforts to streamline housing development and reduce barriers to delivering new housing units.

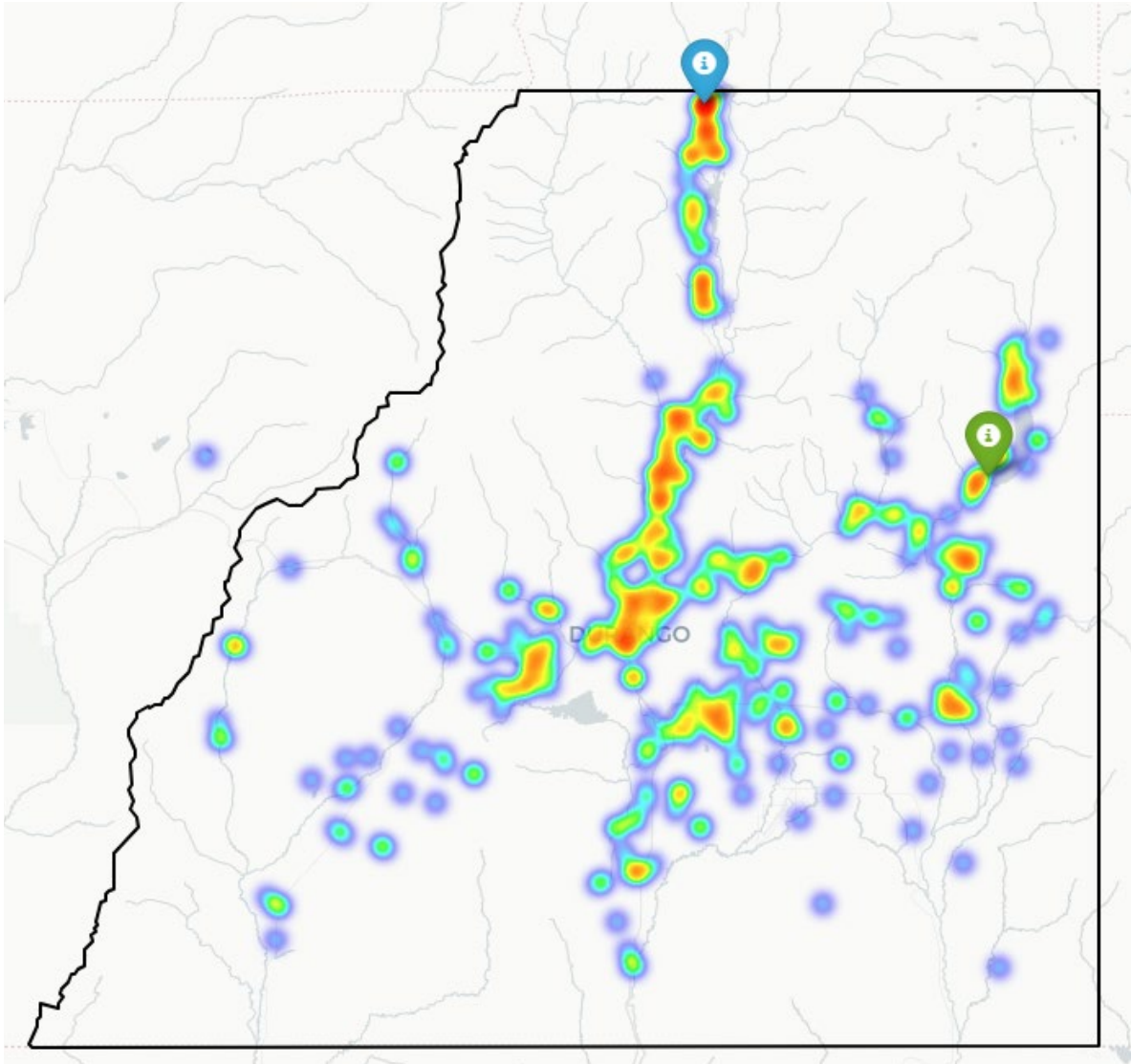
## Short Term Rentals

The impact of short-term rentals (STRs) on the housing market is a significant variable regionally. STRs are an established component of the tourism economy in La Plata County and Durango. They generate visitor spending, tax revenue, and supplemental income for property owners. At the same time, in a supply-constrained mountain housing market, STRs compete directly with long-term housing, particularly smaller homes and units historically accessible to the local workforce that are along transportation corridors or close to work centers.

### Short-term rentals by the numbers

- Supply growth: Active STR units increased from roughly ~1,100 units in 2019 to a peak of ~1,750 units in 2024, before modestly plateauing in 2025. This represents ~50–60% growth over five years—**far exceeding the pace of net housing production during the same period.**
- Capacity growth: Guest capacity expanded in parallel, from ~7,500 to ~12,000, indicating not only more STRs, but larger average units.
- Revenue signals: Average Daily Rates (ADR) rose steadily from the mid-\$300s (2019) to \$600–\$700+ (2024–2025) with event-driven spikes higher, reinforcing **strong financial incentives to convert housing to STR use.**
- Demand durability: Despite rapid supply growth, occupancy remained resilient, signaling sustained demand rather than short-term volatility.
- Use patterns: Average length of stay increased from ~3 nights (2019–2023) to 4–6+ nights (2024–2025), and booking windows extended dramatically—evidence that STRs increasingly function as quasi-temporary housing, not just weekend lodging.

Heat maps of existing STRs (next page) show that STRs are no longer confined to expected second-home corridors (e.g., resort-adjacent or legacy vacation areas). While concentrations remain in amenity-rich zones, notable STR presence is now visible along commute corridors, near employment centers; and within mixed residential neighborhoods historically serving the local workforce.



With geographic spread outside of tourist enclaves, STR impacts to the housing market are increasingly diffuse, affecting everyday housing markets and Durango's commute shed. This spatial spread elevates the need for policy tools to address STR impacts across the region. There are many mountain communities that include towns, cities and counties that have managed and balanced the need for STRs with policy and parameters that support housing.

## Five-year Forecast

Durango's housing forecast points to a widening gap between the housing being built and the housing the local workforce can realistically access. While the City is on track to add a meaningful number of new units over the next several years, the composition of that growth matters as much as the volume. The data show a pipeline dominated by rental housing, limited ownership production, and price points that remain misaligned with local wages. When viewed alongside labor market trends, commuting patterns, and regional economic indicators, the forecast makes clear that housing affordability is not a cyclical issue tied to market swings, but a structural constraint shaping workforce stability, economic resilience, and long-term community sustainability.

### Key Forecast Statistics

- ~1,750 residential units are currently in the active development pipeline within the City of Durango, representing approximately an 18% increase in the City's housing stock over the next 3–5 years.
- Of this pipeline, ~73% are rental units, ~27% are ownership units
- Among rental units, ~80% are market-rate, ~20% are income-restricted or under-market
- 7 projects are over 50 units
- 2 projects make up most of the affordable units (Durango Crossings and Miramonte phase 2, which is a senior housing project)
- Ownership production remains limited, and without continued intervention, the City's homeownership rate (currently ~55%) is forecast to decline
- The City is prioritizing land and cash contributions for attainable home ownership or mixed ownership-rental projects.

At the same time, broader market indicators from the regional forecast indicate:

- Inventory remains historically low, despite modest year-over-year increases.
- Median home prices remain elevated, well above pre-2020 levels.
- Mortgage rates are expected to remain around 6% in the near term, limiting affordability and suppressing resale activity.
- Over 80% of existing homeowners hold mortgage rates below current market rates, significantly reducing housing turnover and constraining supply.

These statistics demonstrate that **Durango is adding housing, but the type, tenure, and price point of new supply do not naturally align with workforce incomes.**

### *Workforce and Labor Data: Demand Is Structural, Not Speculative*

Durango does not have a jobs problem; it has a housing problem that constrains labor supply. Region 9 jobs and labor data reinforce that housing demand is not driven by speculative growth, but by the existing structure of Durango's economy. Durango's employment base is concentrated in government, healthcare, education, hospitality, construction, retail, and professional services. These sectors represent the majority of local jobs and are forecast to remain stable or grow modestly. Unemployment remains between 3% and 3.5%, which is under State of Colorado and US rates, with labor force participation remains strong at above 65%, creating a tight labor market.

It is estimated from Region9 commuting analysis that 45% to 55% of Durango workers do not live in Durango but commute from Bayfield, Aztec, Mancos, or the un-incorporated area of La Plata County.

### *Supply Forecast: Why the Pipeline Is Rental-Dominant*

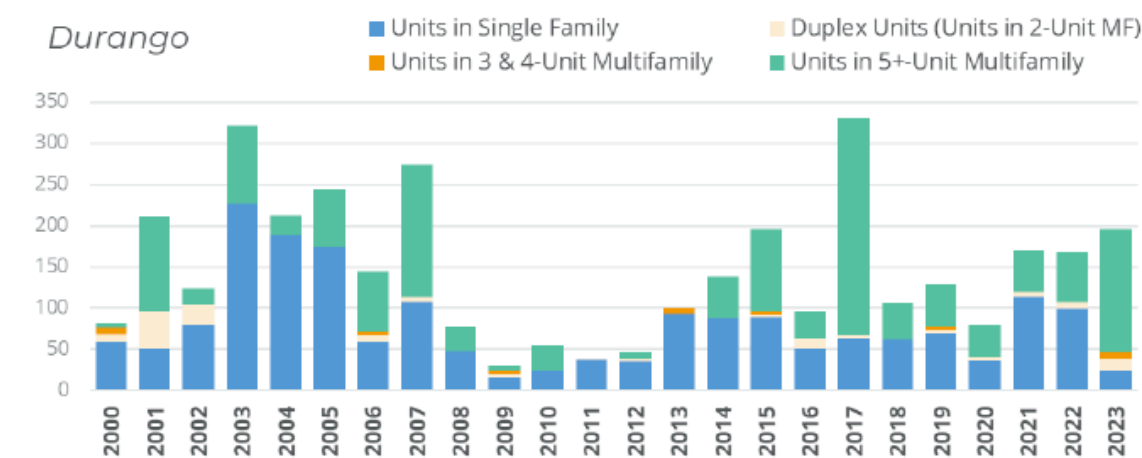
The forecasted rental-heavy pipeline (~73%) is the predictable result of current market conditions. Institutional and external investors continue to target Durango as a high-amenity, supply-constrained market. Rental housing offers predictable cash flow and lower risk than for-sale product under current financing conditions that are difficult to forecast. Recent multifamily acquisitions locally reinforce investor confidence in sustained rental demand based on their research and metrics.

Challenges created by current economic conditions include:

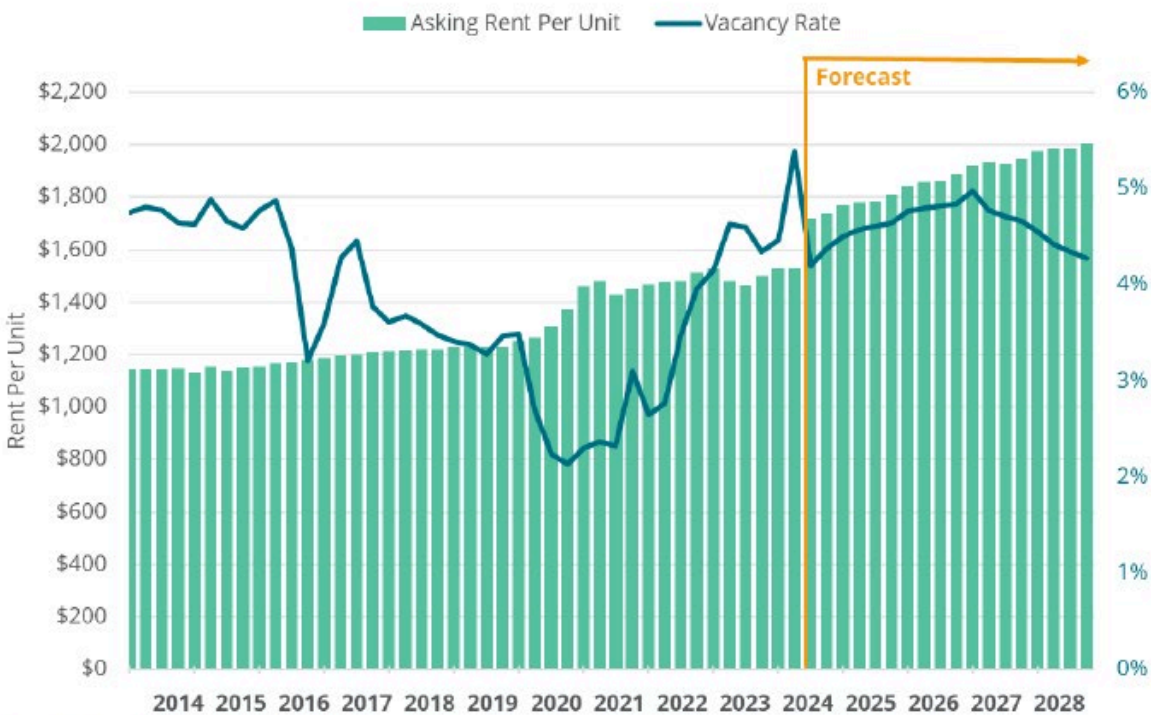
- Feasibility Constraints on Ownership
  - High construction costs, insurance premiums, infrastructure expenses, and financing rates have pushed new ownership product well beyond workforce affordability.
  - Without subsidy, ownership units cannot be built at attainable price points.
- Extended Renter Lifecycle
  - As ownership becomes less accessible, renter tenure lengthens.
  - Reduced turnover tightens vacancy and supports continued rent growth.
- Speed and Scale of Delivery
  - Rental projects can be delivered at greater scale and with more flexible financing structures.
  - In a constrained environment, capital flows toward projects that can move efficiently from approval to occupancy.

**The result is a supply forecast that is rental-dominant by market logic, not community intent.** The following graphs show the trend of more multifamily building permits increasing rental unit counts compared to ownership units and the forecast or median rent and occupancy rates.

**Building Permits by Number of Units in Structure, La Plata County and Jurisdictions, 2000-2023**



**Monthly Asking Rent, La Plata County, 2014-2024; Forecasts through 2029**



Source: CoStar and Root Policy Research.

## Implications of the Forecast

The data lead to several clear implications:

- Market-rate rental growth helps relieve pressure, but does not ensure affordability for households earning 80–120% AMI.
- Ownership opportunities for the workforce will remain extremely limited without continued policy intervention and subsidy.
- New housing supply alone will not resolve affordability gaps, especially for home ownership, without alignment to AMI realities.
- Employers will continue to face housing-driven labor challenges, even as jobs remain available.
- In-commuting and displacement pressures will persist, affecting transportation, emissions, and community cohesion.
- Family retention will continue to be a challenge with expected attrition

## Key Performance Indicators and Metrics

Since at least 2021, the City has used a version of the Housing Opportunity Index (HOI) as one of its primary performance indicators for housing affordability. The City's method calculates the percentage of homes sold, by quarter, that would have been affordable to the average-income household. This figure has steadily dropped since 2022, with quarters regularly showing zero single family homes sold in this price range in the City limits.

| MORTGAGE ANALYSIS FOR SINGLE FAMILY RESIDENTIAL HOMES ONLY |       |                             |                    |             |                                        | (FOR CITY OF DURANGO<br>SF Homes Only) |                               |
|------------------------------------------------------------|-------|-----------------------------|--------------------|-------------|----------------------------------------|----------------------------------------|-------------------------------|
|                                                            | Qtr   | Avg Mtg Int<br>Rate For Qtr | Monthly<br>Payment | Mtge Amount | Affordable<br>Home Price @<br>10% Down | Res SF<br>Homes Sold<br>Below          | Res SF<br>Homes Sold<br>Above |
| 2021                                                       | Qtr 1 | 2.88%                       | \$1,809            | \$435,809   | \$484,232                              | 16                                     | 57                            |
|                                                            | Qtr 2 | 3.00%                       | \$1,809            | \$428,963   | \$476,626                              | 18                                     | 88                            |
|                                                            | Qtr 3 | 2.87%                       | \$1,809            | \$436,183   | \$484,648                              | 14                                     | 82                            |
|                                                            | Qtr 4 | 3.08%                       | \$1,809            | \$424,606   | \$471,784                              | 8                                      | 70                            |
| 2022                                                       | Qtr 1 | 3.79%                       | \$2,088            | \$448,418   | \$498,242                              | 5                                      | 47                            |
|                                                            | Qtr 2 | 5.24%                       | \$2,088            | \$378,356   | \$420,395                              | 6                                      | 64                            |
|                                                            | Qtr 3 | 5.32%                       | \$2,088            | \$375,332   | \$417,035                              | 7                                      | 47                            |
|                                                            | Qtr 4 | 6.52%                       | \$2,088            | \$329,616   | \$366,240                              | 1                                      | 49                            |
| 2023                                                       | Qtr 1 | 6.37%                       | \$2,143            | \$343,681   | \$381,868                              | 1                                      | 22                            |
|                                                            | Qtr 2 | 6.51%                       | \$2,143            | \$338,693   | \$376,326                              | 1                                      | 31                            |
|                                                            | Qtr 3 | 7.04%                       | \$2,143            | \$320,813   | \$356,459                              | 0                                      | 37                            |
|                                                            | Qtr 4 | 7.30%                       | \$2,143            | \$312,586   | \$347,318                              | 0                                      | 49                            |
| 2024                                                       | Qtr 1 | 6.75%                       | \$2,228            | \$343,561   | \$381,735                              | 1                                      | 23                            |
|                                                            | Qtr 2 | 7.00%                       | \$2,228            | \$334,935   | \$372,150                              | 1                                      | 41                            |
|                                                            | Qtr3  | 6.51%                       | \$2,228            | \$352,180   | \$391,311                              | 0                                      | 46                            |
|                                                            | Qtr4  | 6.63%                       | \$2,228            | \$347,828   | \$386,476                              | 0                                      | 29                            |
| 2025                                                       | Qtr 1 | 6.83%                       | \$2,317            | \$354,271   | \$393,635                              | 0                                      | 24                            |
|                                                            | Qtr 2 | 6.79%                       | \$2,317            | \$355,772   | \$395,303                              | 0                                      | 28                            |
|                                                            | Qtr 3 | 6.57%                       | \$2,317            | \$363,920   | \$404,355                              | 1                                      | 41                            |
|                                                            | Qtr 4 | 6.25%                       | \$2,317            | \$376,309   | \$418,121                              | 0                                      | 37                            |

With the growing gap between market-rate housing and affordable housing as described elsewhere in this white paper, this metric is no longer useful for tracking the performance of the City's housing program and strategies going forward. Beginning with the 2026 budget book, the City will track the following key performance indicators either by month or by quarter:

- Number of affordable and workforce housing units created or preserved with long-term affordability
- Number of Durango residents receiving down payment assistance through funds provided, facilitated or leveraged by the City

- Number of Durango residents receiving housing counseling or placement services through funds provided, facilitated or leveraged by the City
- Number of review days for projects that qualify for expedited review on the basis of housing affordability

In addition, the City will continue to track outside and indirect metrics used in the Housing Needs Assessment and elsewhere in this white paper:

- Median rents
- Median home prices
- Total new supply
- Attainable units permitted that meet Proposition 123 goals and commitments

## Strategies

Due to the scale of the housing crisis, the City cannot rely on one or two strategies to produce workforce units as it did prior to roughly 2018. To maximize efficiency, **strategies must align with each other and not present competing demands on resources**. A brief description of each current strategy follows, with more detailed explanation below:

- Public-private partnerships: City contributions of money and/or land directly into a project's capital stack to reduce costs in exchange for long-term affordability
- Areas of identified growth: Expansion of City services and subdivision to undeveloped sites, primarily in Twin Buttes and Three Springs
- Fair Share Inclusionary Zoning: Requirement that certain new developments include long-term workforce housing
- Infill and Accessory Dwelling Units: Incentivizing incremental development in existing neighborhoods with City services
- Down payment assistance: Partnering with nonprofits to offer down payment support for income-qualified homebuyers
- Process improvement: reducing barriers to affordable development found in the LUDC and complying with Proposition 123 approval process requirements for affordable housing
- Short-term rental regulation: Limiting the number of short-term rentals to balance economic opportunity and tax revenue with long-term housing availability

## Public Private Partnerships

Public-private partnerships are collaborations between a public entity and one or more private or nonprofit partners to deliver projects or services that advance public goals. In the housing context, these partnerships allow cities to leverage private development expertise, capital, and operational capacity while retaining a role in shaping outcomes related to affordability, design, long-term stewardship, and community benefit. Rather than the City acting solely as a regulator or funder, a public-private partnership positions the City as an active participant in the development process.

Public-private partnerships are particularly important for affordable and workforce housing because local governments typically do not have the resources, staffing, or risk tolerance to develop housing entirely on their own. At the same time, private developers often cannot deliver deeply affordable units without public support due to high land costs, construction expenses, and financing constraints. By combining public assets, such as land, infrastructure investment, fee waivers, or financing tools, with private sector development

capacity, these partnerships help close feasibility gaps and enable housing projects that would not otherwise pencil.

The Rivergate workforce housing project is a clear example of this approach in practice. At Rivergate, the City is leveraging publicly owned land, along with project finance support, to help facilitate a housing development that aligns with community goals for affordability, scale, and neighborhood compatibility. The City has chosen to partner with a private development team selected through a competitive process, which established clear expectations around income targeting, long-term affordability, unit mix, and overall project vision, while relying on the developer's experience to manage design, financing, construction, and ongoing operations.

Through this partnership, the City is using its land ownership to reduce development risk and cost, which in turn supports a higher share of income-restricted workforce units than would likely be achieved through a purely market-driven project. The private partner brings access to financing sources, construction expertise, and project management capacity, while the City maintains accountability to the community and ensures the project advances broader housing policy objectives. In this way, Rivergate illustrates how public-private partnerships can be an effective tool for delivering housing that meets local needs, balances public and private interests, and makes efficient use of limited public resources.

## Areas of Identified Growth

As discussed previously, although Durango's 2017 Comprehensive Plan and 2018 Housing Plan do not necessarily reflect the current state of Durango's housing market, they are the guiding documents for zoning and directing the City's growth until adoption of a new Comprehensive Plan. Both documents divide the City conceptually into "areas of stability," "areas of change," and "areas of growth." The most significant areas of growth are Twin Buttes and Three Springs.

Twin Buttes and Three Springs were each approved as Planned Developments (PDs), which act as a master plan and, to various degrees, a "custom zoning code" for each development. At the time that each development was approved, Fair Share inclusionary zoning (see next section) was contemplated but not yet in effect, and the City negotiated with each developer a voluntary transfer assessment (VTA, commonly known as a "transfer fee"). Under these agreements, a percentage of each real estate transaction in these developments accrues to the City for affordable housing purposes. The City therefore has an interest in promoting additional market-rate development in both areas, but cannot generally require mixed-income or affordable developments in these areas.

The first phase of Three Springs is nearing completion, and the first phase of Twin Buttes is approximately 60% complete. Much has changed in the housing market and construction industry since the execution of the two PD Agreements. There may be opportunities for the City and the respective developers to revisit the VTA-only models for phase 2 of each development, perhaps to include more traditional inclusionary zoning requirements or land dedications in exchange for infrastructure partnerships with the City or changes to the VTA fee structure. Such changes would have to be sought mutually by the City and the respective developer, but the City should undertake the Housing Action Plan and Comprehensive Plan in 2026-27 with goals or objectives for these growth areas in mind, should the developer wish to revisit any of the existing PD Agreements.

Twin Buttes and Three Springs will likely remain the largest sources for new greenfield development (and, especially, new single-family detached residential development) in the City under the new Comprehensive Plan, but that planning effort should identify if there are other suitable areas of growth with good access to infrastructure for residential or mixed-use development, including areas outside the current City limits.

## Fair Share Inclusionary Zoning

Inclusionary zoning (IZ) is a strategy widely used in Colorado and around the country that requires certain types of development to include a percentage of workforce housing. When designed properly, inclusionary zoning mandates allow mixed-income developments to be “self-subsidized,” that is, reliant on the market-rate units to subsidize the income-restricted units. Most IZ programs include some city incentives to lessen the amounts the market rate unit prices need to rise to cover the subsidy of the workforce units. Durango’s IZ program is called Fair Share Housing and has existed in some form since 2009.

In 2024, the City undertook a major rewrite of the Fair Share Housing code in response to three major developments in the early 2020s: (1) the growing gap between market and workforce housing prices caused by the economic impact of the COVID-19 public health emergency, (2) the increasing availability of state funding for workforce housing, and (3) state legislation that allowed IZ to apply to rental housing for the first time. A minor update to Fair Share code language will be proposed to streamline processes and eliminate unclear language in early 2026.

One potential drawback of IZ programs is that, if not designed well, they can act as a hindrance to overall development due to the requirement that the developer build a certain fraction of the development below-market and, essentially, take a loss on those units. Fair Share offsets those losses by waiving or reimbursing the developer’s fees for the Fair Share unit(s) and, in certain zoning districts, offering density bonuses to Fair Share projects that

increase the overall unit count for the development. The only data source that the City will have on the effect of Fair Share requirements are the development proposals that it produces and developments that do not proceed because they do not produce adequate rates of return for private developers. The City should anticipate regular updates to the Fair Share requirements to “calibrate” the program to deliver mixed-income housing that meets the City’s goals without stifling development overall.

In Colorado, IZ programs are required to offer developers alternatives including payment of a “fee-in-lieu” of affordable units. The Fair Share program design discourages payment of a fee-in-lieu (and thus, encouragement of mixed-income development) by setting the fee amount on the high end of what can be justified. Fees-in-lieu can also be a source of revenue for City housing programs if they are set to a lower level. Ultimately, design of the next iteration of Fair Share will need to be a part of an integrated Housing Action Plan in order to make Fair Share play the right role alongside other strategies, revenue sources, and cost centers.

For exemptions to Fair Share, see the next section.

## Infill and Accessory Dwelling Units

Infill development focuses on adding housing within existing neighborhoods by making better use of land that already has streets, utilities, and access to services. Instead of sprawling outward through greenfield development, infill helps communities grow in a more efficient and sustainable way, while supporting walkability, neighborhood vitality, and access to jobs and amenities. When done thoughtfully, infill can add housing without fundamentally changing the character of established neighborhoods.

Accessory dwelling units (ADUs) are one of the most effective infill tools available to local governments. ADUs allow homeowners to add a small, independent housing unit on an existing residential lot, increasing rental opportunities while maintaining the look and feel of single-family neighborhoods. ADUs also tend to be more naturally affordable and can help meet local workforce housing needs without large-scale redevelopment.

Durango’s *ADUs for Locals Rebate Program* is one example of how the City can actively promote infill housing. The program offers a flat rebate to property owners who build or legalize an ADU and rent it to a local worker. By pairing a modest financial incentive with a clear occupancy requirement, the program helps offset costs while ensuring the new unit contributes directly to the local housing supply. Programs like this demonstrate how infill can be encouraged through a combination of regulatory flexibility and targeted incentives. By supporting homeowners and small-scale builders, the City can unlock incremental

housing across the community, expand rental options for local workers, and make efficient use of existing infrastructure.

Another tool the City uses to support infill and incremental development that poses lower infrastructure impacts is to exempt projects smaller than nine units from Fair Share inclusionary zoning requirements. This enables smaller projects to proceed without requiring a portion of those units be dedicated as affordable. The City has long recognized that market-rate development is the fastest way to increase overall housing supply, though that increase may have an indirect or delayed effect on housing prices if none of the units are income-restricted. The threshold for Fair Share exemption, like the design of Fair Share requirements themselves, must be revisited regularly to ensure that exempt projects continue to serve the City's goals.

## Down Payment Assistance and Regional Homeownership Support

Down payment is a critical tool for expanding access to homeownership, particularly in high-cost rural and resort communities where even moderate-income households struggle to accumulate savings for a down payment. In Southwest Colorado, HomesFund plays a central role in administering down payment assistance (DPA) programs that help income-qualified households bridge this gap and transition from renting to owning.

HomesFund, a HUD-approved housing counseling agency, provides DPA loans in conjunction with homebuyer education and one-on-one counseling to ensure buyers are financially prepared and positioned for long-term housing stability. Assistance is typically structured as a deferred or shared-appreciation loan and can be layered with first-mortgage financing to reduce upfront costs for eligible buyers.

The City of Durango supports this work through a formal partnership with HomesFund by serving as a pass-through entity for Community Development Block Grant (CDBG) Balance of State funds from the State's Department of Local Affairs Division of Housing. Under this model, the City administers CDBG funding and passes through those resources to HomesFund, which then deploys CDBG-funded down payment assistance loans to income-eligible households earning 80% of Area Median Income (AMI) or less, consistent with HUD regulations.

To maximize the regional impact of these funds, the City has entered into an intergovernmental agreement with La Plata County, Montezuma County, Archuleta County, San Juan County, and Dolores County. This structure allows HomesFund to provide CDBG-funded DPA loans to qualifying households residing anywhere within these participating counties, rather than limiting assistance to a single jurisdiction.

By stepping into the pass-through role, the City demonstrates regional leadership and a willingness to leverage its administrative capacity to strengthen housing outcomes across Southwest Colorado. This collaborative approach expands homeownership opportunities beyond city boundaries, supports workforce stability throughout the region, and reinforces the City’s commitment to shared solutions for housing affordability in neighboring rural communities.

## Process Improvement

### *Expedited Review, Code Audit, and Standard Development Agreements*

The Land Use and Development Code (LUDC) not only contains zoning standards like maximum densities, parking requirements, and lot coverage ratios, it also specifies the approval process for new development and redevelopment. Approval processes, designed well, protect the public interest in high-quality development while giving predictability and investment confidence to developers. Designed poorly, they can introduce uncertainty, make development less likely (even if the underlying physical development standards are favorable), and raise costs by lengthening the time that developers have to hold property without earning revenue (the duration of approval is especially important in higher interest rate environments).

Recognizing this, the State of Colorado requires that jurisdictions engage in process improvement in order to qualify for Proposition 123 affordable housing funding, most notably “Expedited Review” (ER, also known as “Fast Track”). Prop 123 ER requires that, no later than the end of 2026, jurisdictions have a process to approve or deny projects that are 50% affordable within 90 days of submission. Jurisdictions are allowed to request extensions of the developer under certain circumstances, and it is likely that many Prop 123 ER projects will take longer than 90 days to approve. Durango is currently underway with Prop 123 ER program design and is targeting early summer for process adoption into the LUDC (adoption by June 30, 2026 entitles the City to a financial bonus from the state). The state encourages jurisdictions to go beyond the Prop 123 minimums in designing an ER program, and Durango is assessing how to design a program that will actually be used to generate affordable units without high demand for subsidy or overwhelming the City’s capacity to process and approve other non-ER projects. It will be critical for Durango to maintain Prop 123 eligibility at a minimum, but ER could be a valuable tool at producing more affordable housing without direct financial subsidy by the City.

The same assessment project will also identify barriers to affordable housing production in the LUDC that will likely apply to other types of needed development projects, including physical development standards with unintended consequences and approval processes with steps disproportional to community impact (outside of Prop 123 ER requirements).

City staff will propose LUDC amendments to remove those barriers around the summer of 2026.

There is one additional way the City can speed the process of developing workforce housing: through standardized development agreements for public-private partnerships. While each development project is different, they generally involve combinations of the same elements: land conveyance, financial contribution, public improvement obligations, and eventual sale or rental terms, to name a few. The City has begun using a standard set of agreements that set clear expectations for development partners. Terms within these agreements can be negotiated, but the standard form means developers know the types of commitments they will have to make and Durango's expectations of its private partners early in the process. This strategy would be even more useful if Durango had the funds to incentivize smaller affordable projects on an ongoing basis, as it could standardize application periods for City funds and allow the City to set explicit goals for particular rounds of funding.

## Short-term Rental Regulation

As described earlier, short-term rentals (STRs) are already affecting the broader housing market despite the City's regulation of STRs (called "vacation rentals" in the LUDC) since approximately 2014.

- The City requires STRs to obtain a use permit, restricts STRs to certain zoning districts, has a strict numerical cap on STRs in established neighborhoods, and restricts the adjacency of STRs to prevent clustering and preserve neighborhood character
- La Plata County's code, effective outside City limits, requires STRs to comply with all general land use and nuisance standards but does not require STRs to obtain a use permit or restrict their concentration or adjacency.

The County's framework constrains the County's ability to align STR activity with housing goals, particularly as growth has moved beyond traditional resort corridors. Absent a coordinated strategy between City and County, continued STR growth presents several risks. Higher STR returns accelerate conversion of entry-level and mid-market units away from long-term use. As prime areas saturate, STR activity migrates into workforce neighborhoods. Units best suited for local households (smaller homes, condos, townhomes) are often the most lucrative as STRs. In a constrained market, these dynamics compound, meaning policy timing matters. Early, measured intervention is less disruptive than late, reactive measures.

## Other Strategies to Explore to Advance Housing Goals

### Establishing a City Housing Authority Function Focused on Tax Abatement and Project Partnership

The City of Durango already participates in the Regional Housing Alliance of La Plata County (RHA), a multi-jurisdictional housing authority created through an intergovernmental agreement among La Plata County, the City of Durango, and the Towns of Bayfield and Ignacio. The RHA's core value is regional coordination, strategic planning, and support for workforce housing efforts across jurisdictions.

Separately from the City's role in the RHA, the City could evaluate whether it is beneficial to establish an internal housing authority function (or a comparable city-controlled entity) for a narrower purpose: partnering directly with affordable housing developments and offering property tax abatement or exemption mechanisms where legally feasible. In some jurisdictions, a housing authority structure is used to reduce operating costs for income-restricted developments (or to improve project feasibility) by creating a pathway for partial abatement, structured ownership, or other tax-related tools during an affordability period. This concept would require detailed legal, financial, and intergovernmental review (including impacts to overlapping taxing entities), as well as clear policy guardrails to ensure the public benefit is explicit and enforceable.

### Preservation Strategies

Preserving existing affordable housing is often more cost-effective than new construction and can play a critical role in preventing displacement as housing markets tighten. Colorado law provides several tools that allow local governments to participate in preservation efforts when income-restricted or naturally occurring affordable housing is at risk of being lost. Under state statute, local governments may have a right of first refusal or right of first offer in certain situations when qualifying multifamily rental properties are being sold, provided the intent is to preserve long-term affordability. These authorities are time-limited and procedurally defined, and they primarily apply to properties with active affordability requirements, underscoring the importance of early, proactive preservation strategies before affordability restrictions expire.

Preservation opportunities are also especially relevant for mobile home parks, which represent one of the largest sources of unsubsidized affordable housing but are highly vulnerable to redevelopment. Colorado law provides mobile home park residents with a right to an opportunity to purchase their park when the owner intends to sell or change the use of the property. In some circumstances, this opportunity may be paired with a right of first refusal that can be assigned to a public entity or nonprofit partner to help execute the

purchase. While residents must organize and opt into the opportunity to purchase, municipalities can play a supportive role by partnering with residents, connecting them to technical assistance and financing resources, or assisting with coordination to help facilitate resident-owned community models. Evaluating how the City could support these preservation pathways could help protect existing housing stock, reduce displacement risk, and promote long-term housing stability.

## Anti-Displacement Strategies and Tenant Protections

Housing production can be paired with stability strategies that reduce involuntary displacement and help residents remain in the community as the market changes. Depending on local priorities and legal constraints, anti-displacement tools can include notice requirements, relocation assistance policies for redevelopment, targeted emergency assistance, or programmatic support for households at risk of displacement. The goal is not to stop change, but to ensure that housing initiatives expand opportunity without pushing existing residents out.

## Credit-Building Programs to Support Homeownership Readiness (Rent Reporting for Credit)

Most municipal housing strategies focus on the supply side. A complementary, demand-side strategy is to help renters become more “mortgage-ready,” especially households that are credit-invisible or have thin credit files despite consistent on-time rent payments.

CHFA’s Rent Reporting for Credit Pilot Program tested a model where positive, on-time rent payments are reported to credit bureaus. The pilot results were strong: participating tenants saw an average credit score increase of 62 points, 67% experienced a positive score change, and participating landlords reported the program was low-burden and worth recommending.

While the City does not currently operate a credit-building initiative, exploring a local partnership or referral pathway tied to homebuyer education and down payment assistance could help more residents qualify for financing and compete for attainable homeownership opportunities.

## Establishment of an Affordable Housing Trust Fund

The 2018 Housing Plan recommended the City evaluate a Housing Trust Fund that could make direct investments into qualifying projects. This would essentially represent an expansion of the City’s current public-private partnership strategy discussed earlier, with important differences. Most notably, PPPs generally originate with the City identifying a

tract of land suitable for development and seeks a development partner through the standard City procurement process. A housing trust fund could operate by publishing periodic (annual, semiannual or quarterly, perhaps) funding priorities and inviting applications of all types from private and philanthropic developers seeking funding for a project idea. A trust fund model could include grants, loans (both short-term construction loans and longer-term debt positions) and equity positions in exchange for affordability commitments (note that a housing authority can also make these investments).

The City is already a regular grant-making organization and has software and financial procedures to award and track grants and rebates (although, presumably, trust fund grants would function somewhat differently than the City's existing cost-reimbursement grants in the Economic Opportunity and Sustainability programs). The City does not have extensive experience making loans or equity investments; significant legal research, financial policy development, and community engagement would be required to take this approach.

Like most of the strategies listed in this white paper, a housing trust fund requires an ongoing source of funds to be effective but may generate net revenue in out-years if loans and equity investments are included. Potential sources of funding are identified in the 2018 Housing Plan and are discussed further in the next section.

### Predevelopment Subsidy

The City has historically funded the Catalyst predevelopment fund, housed within the La Plata Economic Development Alliance ("the Alliance"). Predevelopment costs are a promising space to invest in housing for two reasons: one, they are the riskiest investments for traditional funders (as there is no guarantee the development will be constructed or opened) and thus command high interest rates in the traditional market or must be financed internally to developers; two, they can more easily take the form of cost-reimbursement grants familiar to governments, philanthropists, and concerned businesses rather than construction loans or equity investments, and with lower administrative costs than a development investment. The City can easily contribute additional funds, when available, into the Catalyst fund at any time, or could operate its own predevelopment program.

# Funding Sources and Opportunities

## Current Funding Sources and Near-Term Forecast

The City operates a Housing Innovation Fund as a special revenue fund. The fund can accept transfers from the City's general fund when made by City Council as well as dedicated revenue sources. Monies in the Housing Innovation Fund must be spent on housing expenses and cannot generally be transferred to the general fund or other funds absent an emergency.

The approximate end-2025 fund balance of the Housing Innovation Fund is **\$4,339,384**. The fund has historically benefitted from infusions from the city's general fund at City Council discretion and from infusions from federal stimulus funds. Ongoing revenues are limited to pending Fair Share fees-in-lieu, pending Twin Buttes and Three Springs transfer assessments, and a few active project-specific grants. The Community Development Block Grant is a fiscal agent pass-through and contains no net revenue or fiscal agent fee.

The City's expense forecast includes PPPs already entered (including direct financial contribution and fee offsets) and fee offsets for Fair Share projects that have submitted pre-application materials as of December 31, 2025, as well as current programming and operating costs. The table below makes the following assumptions:

- Existing City public-private partnerships build units according to their most recent phasing plans with no delays
- All Fair Share Housing proposals are built within three years of entitlement
- The City continues to offset impact fees for all new affordable housing units
- The City obtains no additional project-specific funding
- The City transfers no general funding into housing strategies in the period 2026-2028
- The City adopts no new housing strategies in the period 2026-2028
- Recurring revenues and costs remain steady

It is unlikely that this exact scenario will come to pass, especially the lack of delays in both Fair Share Housing and PPPs. Nevertheless, these assumptions establish a useful baseline for forecasting. **In the baseline scenario on the next page, the Housing Innovation Fund is forecasted to reach negative fund balance in calendar year 2028.**

| <b>Category</b>                                                         | <b>2026 Forecast</b> | <b>2027 Forecast</b> | <b>2028 Forecast</b> |
|-------------------------------------------------------------------------|----------------------|----------------------|----------------------|
| Fair Share fees-in-lieu                                                 | \$272,016            | \$464,576            | \$514,230            |
| VTAs                                                                    | \$167,750            | \$187,750            | \$187,750            |
| CDBG revenue                                                            | \$120,000            | \$120,000            | \$120,000            |
| Project-specific grants                                                 | \$97,704             | \$75,000             | \$0                  |
| Interest and miscellaneous                                              | \$129,000            | \$64,000             | \$55,000             |
| <b>Total revenue</b>                                                    | <b>\$786,470</b>     | <b>\$911,326</b>     | <b>\$876,980</b>     |
| CDBG passthrough                                                        | \$120,000            | \$120,000            | \$120,000            |
| Programming through nonprofit partners and intergovernmental agreements | \$171,387            | \$121,387            | \$121,387            |
| Operating cost                                                          | \$445,325            | \$428,384            | \$429,420            |
| Direct housing subsidy (PPPs and ADU rebates)                           | \$796,000            | \$80,000             | \$80,000             |
| Fee offsets (Fair Share and PPPs)                                       | \$1,805,235          | \$1,434,442          | \$2,101,000          |
| <b>Total expense</b>                                                    | <b>\$3,337,947</b>   | <b>\$2,104,213</b>   | <b>\$2,771,807</b>   |
| <b>Net revenue</b>                                                      | <b>(\$2,551,477)</b> | <b>(\$1,192,887)</b> | <b>(\$1,894,827)</b> |
| <b>Start-of-year fund balance</b>                                       | <b>\$4,339,384</b>   | <b>\$1,787,907</b>   | <b>\$595,020</b>     |
| <b>End-of-year fund balance</b>                                         | <b>\$1,787,907</b>   | <b>\$595,020</b>     | <b>(\$1,299,807)</b> |

The Housing Innovation Fund was never intended to be “profitable” year-over-year but cannot become dependent on repeated transfers from General Fund for ongoing costs. Meanwhile, external grants generally operate on a reimbursement basis and may require City matching funds, so they are not a reliable source of ongoing revenue. Finally, the 2024 changes to the Fair Share program to emphasize unit production and de-emphasize revenue generation, while beneficial to the City’s housing market, removes the most significant source of housing fund revenue after existing Fair Share Agreements (beyond 2028). **In order for the Housing Innovation Division to keep up with developer interest in building workforce housing according to existing program rules and commitments, the City must establish a dedicated funding source for housing.**

## Funding Need Forecast

There are two core reasons the forecasted expenses exceed revenues in the baseline scenario. First, the City has aggressively built capacity to engage in land acquisition and public-private partnerships, which are both high-cost, high-benefit strategies to produce large numbers of affordable units. The baseline forecast includes over 400 attainable PPP units, all of which leverage municipal or state land and all of which are expected to need City fee offsets to be feasible. A useful number for fee offset forecasting is \$11,000 per unit, meaning over \$4 million in fee offsets alone for existing partnerships. Successful completion of these PPPs would make a serious impact on City demonstrated housing needs, especially for home ownership, but represent one of the City's most significant outlays in funds and land.

The second core reason is the ongoing gap between total development cost and affordable prices and rents. That gap now well exceeds \$100,000 per unit, meaning that absent outside funding sources for a project or existing City or state land (i.e. a standard Fair Share Housing project), the needed subsidy is an order of magnitude higher than the design subsidy for the Fair Share program (fee offsets). Unless construction or land costs decrease significantly, **the subsidy needed to build the demonstrated shortfall in affordable housing in Durango will remain significantly higher than the City's recurring available resources.**

The 2025 Housing Needs Assessment estimates that La Plata County needs 1,550 new housing units by 2029 to keep up with population growth, with about 900 of those meeting Durango's definition of workforce housing, in addition to a current shortfall of approximately 1,000 workforce units. Durango has one-third of La Plata County's total population and about 30% of La Plata County's employment. If Durango aimed to fulfill one-third of the demonstrated need in the county, the City's goal would be around 600 workforce units, and the total subsidy needed to produce them would be well over \$60 million. Fortunately, much of this value is likely to be contributed in the form of existing City and state land, as well as land the City is able to acquire with external funding sources. In addition, it should be assumed that the City will obtain Proposition 123 and Low-Income Housing Tax Credit financing for at least some projects. The direct cash subsidy need from the City will be lower than the total development cost gap and higher than the existing fee offset per-unit amount, based on the performance of the current Fair Share program. A reasonable estimate might be somewhat more than \$11,000 per unit, or a minimum of **\$1.65 million per year** over four years that could be spent simply on keeping pace with current demands, in addition to annual operating costs. Prior to pursuing any of the funding sources in the next section, the City should engage in a more detailed analysis of costs and the expected performance of selected funding sources.

## Potential Funding Sources

The 2018 Housing Plan lists several potential funding sources that could be dedicated to housing. They are summarized below, along with other promising alternatives used elsewhere in Colorado (ideas not discussed in the 2018 Housing Plan are marked with an asterisk).

- **Fair Share fees-in-lieu:** fees-in-lieu could be recalibrated as part of a comprehensive Housing Action Plan to provide a balance between unit generation and revenue generation. The Fair Share exemption threshold could also be lowered to generate revenue from smaller projects.
- **Voluntary transfer assessments:** it is unlikely that the existing VTAs can be renegotiated to generate additional revenue (indeed, the opposite may be more likely, i.e. a reduction in revenues in exchange for land dedications for affordable housing). However, in evaluating any new large developments as part of the Comprehensive Plan, a voluntary transfer assessment may be requested as part of the annexation and utilities extension process on projects large enough to justify the administrative cost of collecting and transmitting the assessments.
- **Commercial linkage fee:** Many Colorado communities levy a “linkage fee” on commercial development to fund the housing “needed to staff” the commercial square footage. This requires a detailed “nexus study” justifying fee amounts, sources and uses. The City last completed a nexus study in 2017.
- **Excise tax or linkage fee on all development:** At least one Colorado city expands the concept of linkage fees to all development, justifying and assessing a fee on all new square footage to generate revenue for affordable housing.
- **Demolition fees:** In Durango, demolitions of single-family homes generally lead to development of a larger single-family home that may be exempt from paying impact fees and would be exempt from Fair Share Requirements under current rules. The City could explore impact fees and linkage fees on these types of developments to incentivize building denser or more affordable housing on these lots.
- **Dedicated sales or property tax:** The City could ask voters to dedicate (new or reallocated) sales and/or property tax to affordable housing initiatives.
- **Housing revenue bonds\*:** The City (or a city housing authority or other affiliated entity) can petition the voters to issue low-interest long-term debt to fund housing construction. Under the right structure, a City-affiliated entity may also be able to issue housing revenue bonds without voter authorization that does not impact the City’s balance sheet, as has been pursued in the Town of Vail. Bond and COP

funding, discussed later, are more suitable for rental projects than home ownership due to the ongoing availability of rents to pay long-term debts.

- **General obligation bonds\*:** These are voter-approved bonds that draw on all City sources of revenue, rather than housing revenue specifically, for any City capital projects, including housing and related infrastructure.
- **Certificates of participation\*:** COPs are a debt instrument wherein City facilities are essentially used as collateral for loans for capital projects. The project revenues repay the loan with interest. COPs require annual reauthorization by City Council and are not considered a long-term debt instrument under Colorado law, thus not requiring a ballot initiative.

## Scaling Strategies with Funding

The strategies presented earlier in this white paper could respond differently to influxes of funding. A brief discussion of how each strategy could scale follows:

- **Public-private partnerships:** PPPs will likely remain the highest-cost, highest-impact strategy in the City’s toolkit. With dedicated funding, PPPs would become less reliant on Proposition 123 and other state and federal funding, which are severely oversubscribed. The City could encumber or otherwise dedicate cash funding at the outset of a PPP, which speeds development time and reduces uncertainty for developers, especially for home ownership projects. The City could also engage in smaller or more distributed PPPs rather than only seeking high-dollar, high-impact projects.
- **Areas of growth:** Twin Buttes and Three Springs, in addition to potential future growth areas like Grandview East and Webb Ranch, are predicated on the model that development should pay for its own infrastructure. Dedicated funding sources could fundamentally change the calculus for these developments, offering advanced infrastructure funding in exchange for significant land dedication or even vertical development requirements for workforce housing.
- **Fair Share inclusionary zoning:** Conceptually, inclusionary zoning programs should be “self-funded” outside of administratively simple subsidies like fee offsets. However, when the gap between construction cost and attainable home prices and rents is so high, additional funding may be needed to make Fair Share developments feasible. An alternative would be adjusting Fair Share unit percentages and/or target AMIs to improve feasibility and keep the program “self-funded,” though these approaches are not mutually exclusive. Either change would require amendment to the City’s LUDC.

- **Infill and ADUs:** Under a housing trust fund approach, dedicated funding could make a significant impact on the affordability of smaller-scale infill development. Currently, the City reserves most funding for PPPs and seeks larger partnerships to make an impact at scale with limited dollars. With more funding available, the City could make grants, loans and/or investments to smaller projects and incentivize affordability throughout existing neighborhoods. Even without a true trust fund, the City could increase the size of ADU rebates or change their payment structure in exchange for longer-term or deeper affordability.
- **Down payment assistance:** Given the lack of available for-sale inventory in Durango, additional funds for DPA can only go so far. However, the City and HomesFund can combine DPA funding with deed-restricted housing in upcoming PPPs and Fair Share projects to make the projects available to a wider selection of buyers. HomesFund reports that the majority of buyers of deed-restricted homes need DPA to qualify, so the demand for DPA will scale along with the for-sale PPPs completed by the City.
- **Process improvement:** Dedicated funding could be used to maintain the City's internal capacity to engage in process improvement as well as to engage consultants, but the scale is simply lower than the subsidy needed for physical development.
- **Short-term rental regulation:** The City could engage in more proactive enforcement of unpermitted STRs, but this would likely produce a lower return on investment relative to other strategies listed here.
- **Housing authority for tax abatements:** This strategy would require startup funding but has relatively low operating costs and zero capital costs.
- **Preservation fund:** Due to the demonstrated shortfall in supply at all income levels in the Housing Needs Assessment, the City has focused on creating new housing units. However, when an existing affordable housing development (either formally affordable to income-based restrictions or naturally affordable due to age and condition) is sold and converted to market-rate rental housing, the loss of inventory has a significant impact on the housing market. Dedicated funding would allow the City to partner with nonprofit property managers and land trusts to purchase affordable rental housing that would otherwise be converted to market-rate housing.
- **Anti-displacement and tenant protections:** The City could partner with nonprofits to offer security deposit assistance similar to down payment assistance, improving mobility in the rental market as supply increases for a relatively small amount of money. Other tenant protection policies would require financial support to do research and program design, and then would require ongoing enforcement costs.
- **Housing trust fund:** A housing trust fund is, by far, most effective when it has access to a predictable, ongoing source of funding that is scaled to the annualized need in

housing supply growth and the capacity of the local development industry. One advantage of using a true trust fund to support small-scale development is that it opens up development to small and nontraditional developers who may lack access to traditional financing. Development of a housing trust fund could target certain investment amounts per unit created that makes the program attractive to developers with certain types of opportunities. Along with more traditional PPPs, a trust fund is perhaps the strategy that can have the biggest impact at scale, but in a more distributed way across the City's neighborhoods. It is likely that a trust fund would have a multi-year warmup period, as it could take small-scale and nontraditional developers time to adjust their approaches and expectations to the new availability of funds. Priorities for a housing trust fund (rental vs. ownership, deeply affordable vs. intermediate ownership, infill vs. growth areas, etc.) can be adjusted with each award window to match the present needs and priorities of the City.

- **Predevelopment subsidy:** The City could easily route additional funds into the Catalyst predevelopment grant fund at any time and/or could operate its own predevelopment grant award program. The benefit of housing predevelopment grant funds in a third party like the Alliance is that third parties can fundraise from philanthropic and business donors who want to contribute to resolving the housing crisis without getting directly involved in acquisition, preservation, or development projects.

## Conclusion: A City Where People Can Live and Work

The City of Durango enters 2026 with the opportunity to take housing affordability from the front of people's minds to the center of City strategy. Colorado communities are presented with a robust suite of policy and financing tools to match housing production to people's needs up and down the housing continuum. But as the cost of construction remains high and outside investment sees Durango primarily as an opportunity for high market rents, the City can target public investment into the exact income ranges and housing types that are missing from our vision of a prosperous community.

This type of housing investment sits at the center of the City's 2024 Strategic Plan: without reducing housing cost burdens, the City cannot make progress on economic vitality, essential services, sustainability, or long-term multigenerational stability. To create a city where people can live and work, housing programming must transform into integrated housing strategy backed up by committed housing investment, all informed by robust data analysis and accountable to the public. While far from the only city facing workforce housing challenges, Durango is poised to become a leader in meaningful housing action.