

Executive Summary

In July 2024, the Town of Wellington contracted with Matrix Design Group, Inc. (Matrix) to conduct a *Housing Needs and Affordability Assessment*. A Colorado Department of Local Affairs Innovative Housing Opportunities Planning (IHOP) grant provided the funding for this project. As the title implies, the assessment serves to quantify the gaps in the town's housing stock. Because demographics are inextricably linked to a community's housing needs, the assessment features a comprehensive analysis of the town's population and household characteristics. It also assesses the state of the town's housing stock and rental and ownership markets. The findings are set to aid local leaders and stakeholders in achieving the *Wellington Comprehensive Plan 2021*'s goal of ensuring that "existing and future residential developments contribute to enhancing quality of life."

What is the composition of Wellington's population and households in terms of demographics, socioeconomic status, and housing tenure?

In 2023, Wellington's population reached 11,871. It is projected to rise to 25,000 in 2040 and 33,000 in 2050. Seniors have outpaced other age groups in population growth, with the 2022 five-year American Community Survey (ACS) showing that residents aged 65 and over accounted for 10% of the population. There is a clear need for accessible housing for people with disabilities, as well as assisted living and memory care facilities: An estimated 245 seniors were experiencing ambulatory difficulties, while 143 were impacted by a self-care or living difficulty. Cognitive disabilities were less common, affecting an estimated 56 seniors.

According to the ACS, the median Wellington household earned \$101,259. Given that housing is considered affordable when monthly costs account for less than 30% of gross household income, it was

advisable for the typical Wellington household to spend no more than \$2,531 on total rental or ownership costs. Despite Wellington's relatively high median household income, it had substantial income inequality. ***The town's family poverty rate of 7.4% exceeded the regional and statewide rates, underscoring the need for low-income housing.***

As of 2022, approximately 84% of the town's 4,000 households owned their homes. This rate was almost identical to the one observed five years earlier, even though recent home price and interest rate surges have rendered homeownership less attainable. Homeownership is far more common in Wellington than in other parts of the state, which likely reflects the town's limited rental options.

What are some key characteristics of Wellington's housing stock?

Consistent with the observation that Wellington households overwhelmingly own their homes, about nine-in-ten residential properties in Wellington are single-family detached homes. The housing stock also features 300 townhomes and 123 condos. Other housing types, including duplexes, triplexes, and apartments, are rarer.

By any measure, the housing stock is in exceptional condition. The town has been the beneficiary of a significant amount of new development, with the median home having been constructed in 2007. However, Wellington does have its share of older homes, especially in the north central neighborhoods. Substandard units, defined as those with incomplete kitchen or plumbing facilities, are so rare in Wellington that none appeared in the most recent ACS sample.

Vacancies have consistently been scarce in Wellington. As of 2022, just one percent of the town's homes were unoccupied. This rate, which was considerably lower than the countywide and statewide rates, suggests that Wellington has faced a housing

shortage. Wellington's constrained housing supply has fostered favorable market conditions for sellers and landlords, who can generally command high asking prices.

How affordable is Wellington for renters?

In August 2024, median asking rent in Wellington was \$2,395. To limit gross rent (including utilities) to less than 30% of household income, a household would need to earn at least \$113,800. This represents 96% of the FY 2024 area median income (AMI) of \$118,800 for the Fort Collins, CO Metropolitan Statistical Area (MSA). But because one- and two-person households generally earn significantly less than AMI, which is calculated for a family of four, they often struggle to afford the typical rental unit in Wellington. **Compared to Larimer County in its entirety, Wellington is about 43% more expensive for renters.** Previously, this disparity was significantly smaller.

Per the 2022 ACS, Wellington was home to 251 cost-burdened renter households, defined as those that devote 30% or more of household income to gross rent. This equates to a cost-burdened rate of 41%, which, encouragingly, fell below the countywide and statewide rates and marked a decline from 2017. **Among the subset of renters who qualified as cost burdened, though, more than eight in ten qualified as "severely burdened," in that they spent 50% or more of their income on housing.**

How affordable is Wellington for homeowners?

In September 2024, the median Wellington home sold for \$475,000, a 23% real increase over pre-pandemic levels. Assuming a 20% down payment, a 30-year loan term, and a 7% interest rate, such a home would carry a mortgage of \$2,528. In accordance with the general rule that a home's sale price should represent no more than three times household income, a family would need to earn at least \$159,982 to afford a home at this price point. Homes that sell for substantially less than the median price are more likely to be older and, by extension, require repairs and upgrades. Prices tend to be lower in Wellington, and Larimer County more generally, than in Weld County and the state as a whole. Inadequate supply has been a main contributing factor to

Wellington's escalating home prices. **While availability has increased more recently, there were periods in 2022 and 2023 when the entire inventory was estimated to sell out in just two months or less.**

Whereas prospective homeowners can expect to pay over \$2,500 on the mortgage alone, among all homeowners in Wellington, median monthly costs (inclusive of property taxes, HOA fees, utilities, and insurance) totaled \$1,965 in 2022. Homeowners faced less severe affordability challenges than renters. About 23% of the town's homeowners met the definition of cost burdened, spending 30% or more of household income on housing costs. By comparison, the countywide and statewide homeowner cost-burdened rates were 27% and 29%, respectively.

What are Wellington's current and future housing gaps?

Wellington's renter households spanned the income spectrum, yet its rental units were concentrated in a price range suitable for households earning at least 50% AMI (\$55,650). **At the below 50% AMI level, the rental shortage amounted to 139 units.** This mismatch exposes the community's lowest-income renters to increased housing instability.

Likewise, the owner housing stock did not fully reflect the income distribution of homeowners. **For example, 1,448 owner households earned below 80% AMI, yet just 233 homes would have been affordable to them at today's market values.** This finding underscores the need for additional entry-level for-sale housing in Wellington, especially if the town aims to sustain a diverse homeowner population.

When market conditions are unfavorable to renters and buyers, much of the demand for housing is unrealized, or latent, as individuals and families turn to shared living arrangements to reduce housing expenses. **As of 2022, 4,000 realized, or actual, households resided in Wellington, but an additional 170 to 307 would have formed if housing were more affordable.** These latent households would have been disproportionately low income, further highlighting the need for additional affordable options.

In 2040, 1,467 renter households and 7,493 owner-occupied households are projected to reside in Wellington. These totals are anticipated to rise to 1,937 and 9,891 by 2050, respectively. ***To accommodate this expected growth, the town requires approximately 800 new units by 2030 and over 1,300 new units by 2035.*** The new units must cater to a wide range of residents in order to preserve Wellington's current socioeconomic diversity.

What strategies can Wellington pursue to address existing and emerging shortages?

By implementing various policy and regulatory changes, as well as pursuing key funding opportunities, Wellington can reinforce its housing supply for current and future generations. A high-level list of recommended strategies appears below.

1. Support the development of accessory dwelling units;
2. Reevaluate parking standards, amend the design review process, and introduce inclusionary zoning to incentivize affordable development;
3. Create a naturally occurring affordable housing (NOAH) inventory and consider other measures aimed at promoting housing rehabilitation and preservation;
4. Modify dimensional standards and other regulations to increase housing diversity;
5. Increase senior housing options and facilitate aging in place;
6. Pursue funding opportunities through HUD and DOLA.

What tangible benefits will increased housing diversity bring to Wellington?

Expanding housing diversity in Wellington is vital to fostering economic and workforce development. A variety of housing options—including affordable apartments, townhomes, and single-family residences—would accommodate a broader range of workers,

enabling workers, families, and retirees to live in the community. This inclusivity would help attract and retain a diverse consumer base and skilled workforce for local businesses. Indeed, shorter commute times can boost employee satisfaction by promoting work-life balance and lowering stress. Additionally, the perception that a community has suitable housing for employees can stimulate economic growth by encouraging new businesses and industries to establish operations in Wellington. In sum, an adequate supply of safe, quality housing for younger workers, middle-income families, and older residents looking to downsize can help Wellington build a more resilient economy and vibrant community that meets the needs of all residents.

Wellington's comprehensive housing plan includes a set of strategies to address housing needs across ongoing, short-, medium--, and long-term horizons. To measure success, the plan incorporates industry best practices for benchmarking, including metrics on affordability and supply gap reduction. Priority community housing goals are recommended to create realistic targets by the next Housing Needs & Affordability Assessment update. These benchmarks will be regularly reviewed and adjusted to ensure the plan's effectiveness in meeting the community's evolving housing needs.