

2011 ANNUAL GROWTH AND DEVELOPMENT PROJECTIONS REPORT

Prepared in Support of the
Capital Improvement Planning Process



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I. Introduction

Prepared by City of Greeley Planning staff under the guidance of the Greeley Planning Commission, the Annual Growth and Development Projections Report estimates how much new residential development will occur in the near future. The report examines historic and recent development and annexation activity, and uses apparent trends, along with local and regional projections, to forecast building activity in the coming years. The report also identifies the geographic areas where new development will likely occur, based on inventories of existing subdivisions and zoned but undeveloped land.

The City Council, City Manager, and City departments use this information in developing the 5-year Capital Improvements Plan (CIP), a mechanism for meeting the service and infrastructure needs of future development, while maintaining existing service levels and managing community resources. Through the CIP, the City estimates development fee revenue that may be available to meet growth demands. City departments recommend projects for funding which may then be incorporated into the City budgeting process, and future infrastructure upgrades, public facility construction and staff service extensions are scheduled based on available resources.

The report also recommends any adjustments to the boundaries of the Long-Range Expected Growth Area (LREGA) to reflect the City's future expansion goals as appropriate. The LREGA boundary¹ represents the greatest geographical extent to which the City anticipates growing between now and 2060.

The report also provides a foundation to define the boundaries of the Adequate Public Facilities Area (APFA), the core portion of the city where all municipal services are available, if a supporting ordinance is passed in 2011.² Proposed APFA goals include: 1) promoting compact development; 2) ensuring that new development pays its own way; and 3) promoting efficient City maintenance obligations and costs.

II. Methods

The methods used in this report include both quantitative projections and qualitative forecasting components. Staff uses a variety of information sources, including building permit data, information from the real estate and building communities, and economic data from regional and state organizations.

The first step of the quantitative projection portion of the process uses building permit data to document home-building activity and project future trends assuming a continuation of current trends.

¹ See LREGA boundary map on page 14.

² Policy is scheduled to change in 2011 from the 5-year Mid-Range Expected Service Area (MRESA) based on projected capital improvements spending to an Adequate Public Facilities system. Such a system would delineate a series of areas where municipal services are available to support development. Development outside these areas would be allowed, subject to the developer's funding of needed extensions of the municipal infrastructure.

The final quantitative step is to calculate a range of potential growth scenarios by identifying the actual number of building permits issued the previous year and extrapolating that number through the current year and the 5-year CIP cycle beyond using historical high, medium and low growth rates. The resulting growth possibilities are therefore based on historical perspective, through which a single specific growth trajectory and an official projection can be estimated and further qualified.

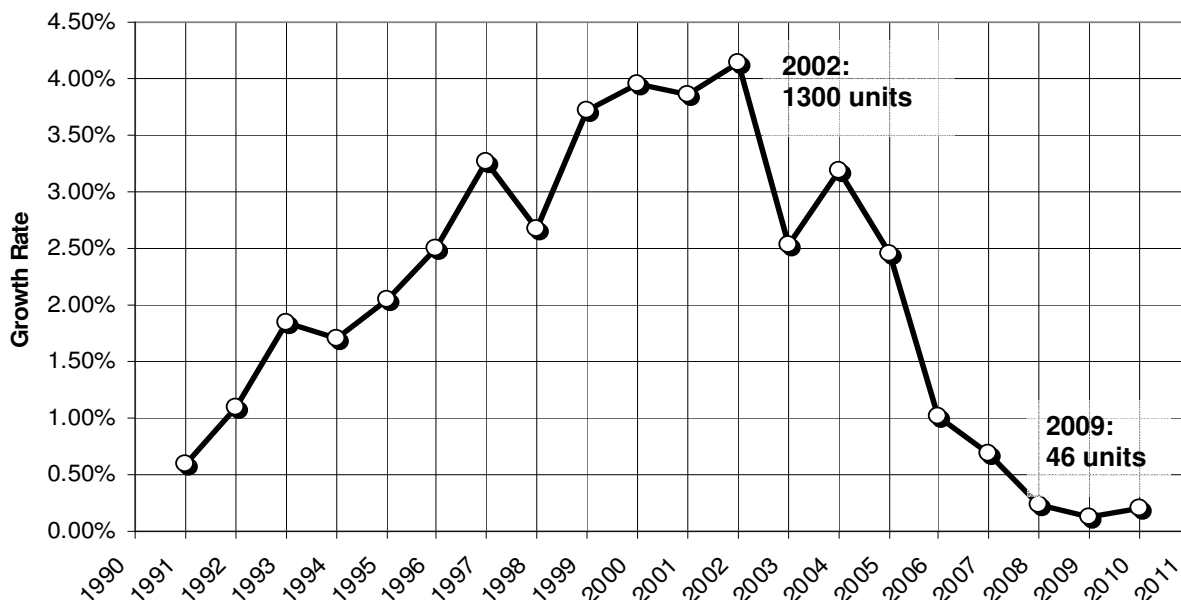
The qualitative forecasting portion of the process involves thoughtfully choosing a reasonable growth scenario for the report year and the 5-year CIP cycle based on observational information. The process includes a review of projections found in previous Growth and Development Reports and the Greeley 2060 Comprehensive Plan, the Greeley Urban Renewal Authority's annual multi-family vacancy survey, and input from the building community and planning staff on upcoming projects.

Staff also considers regional economic forecasts, state housing and population projections generated by the Colorado Department of Local Affairs (DOLA), more localized population projections published by the North Front Range Metropolitan Planning Organization (NFRMPO) and information from the real estate community. Specific assumptions are noted throughout the report.

III. Historical Residential Growth

After relatively slow increases in home construction throughout most of the 1990s, Greeley began to experience annual growth rates of almost 4% beginning in 1999. The boom peaked in 2002 with 1300 new homes, translating to an actual growth rate of 4.14% over 2001. An overall decrease in activity followed, punctuated by steep drops during the recession in 2002, after the housing bubble burst in 2006, and after the economic downturn in 2008, eventually resulting in an annual growth rate of .13%, with only 45 new homes built in 2009. A slight rebound was realized in 2010 with 84 new homes built for a growth rate of .23%. Figure 1 summarizes activity since 1991.

Figure 1: Historical Residential Growth 1991-2010



The 2010 actual growth rate of .23% – coupled with a slowly rebounding economy – suggests a possibly higher rate for 2011. However, one year of positive growth is not enough data to declare a trend, so instead of making projections for 2011 based on the assumption of a trend, staff used an average of similar growth levels experienced over the last four years, ranging from a high of 168⁷ new housing units in 2007 to a low of 46 in 2009. The average number of new building permits over this time period is 96.

Year	Additional Housing (construction + annex)	Construction only (building permits)	Percent Change	Gross Units	(-) Demolitions	(=) Net Units ³	Growth Rate ⁴
2007	265	168	-	-	-	35,987	0.68
2008	89	86	-48.8%	-	-	36,072	0.24
2009	46	45	-47.7%	36,118	9	36,109	0.13
2010	84	84	+86.7%	36,193	8	36,185	0.23
2011	121⁵ (avg.)	96 (avg.)	+12.9%⁶	36,281	9 (avg.)	36,272	0.24% (projected)

Source: Community Development Department (Building Inspections and Planning Divisions)

³ Net Units = New Construction + Annexation – Demolitions.

⁴ Growth Rate = Current Year Total Building Permits/Previous Year Total Net Units.

⁵ Average of new housing units added since 2007 via new construction and annexations.

⁶ Percent change in addition building permits from actual 2010 to extrapolated 2011 (96-85/85=12.9%).

⁷ Figure represents new construction only as measured by building permits; annexed units not included.

If this average is any indicator of potential housing activity for 2011, it would represent a 12.9% increase over 2010 numbers and an overall growth rate of .24%. As of February 1, 2011, the City had issued no new single or multi-family permits, 12 less than were issued during the same period in 2010. While local economic indicators are improving, this slow start may signal a continuation of modest growth for 2011. A comparison of January residential building permit activity since 2007 is provided in Table 2 below.

Table 2: January Residential Building Permits as % of Year Activity 2007-2011			
Year	January	Year end	January as % of total
2007	7	168	4.2%
2008	7	86	8.1%
2009	1	45	2.2%
2010	12	84	14.1%
2011	0 (actual)	96 (average)	7.2%⁸ (average)

Source: Community Development Department (Building Inspections Division)

IV. Residential Growth Projection for 2011

Taking into account zero growth in January 2011 (0 new SF/MF permits), a growth rate of .24% can be projected for 2011, yielding 96 new units with no anticipated annexations. This rate is based on the average number of building permits issued since 2007. This projection implies a total number of new building permits in 2011 that is 12.9% higher than 2010⁹.

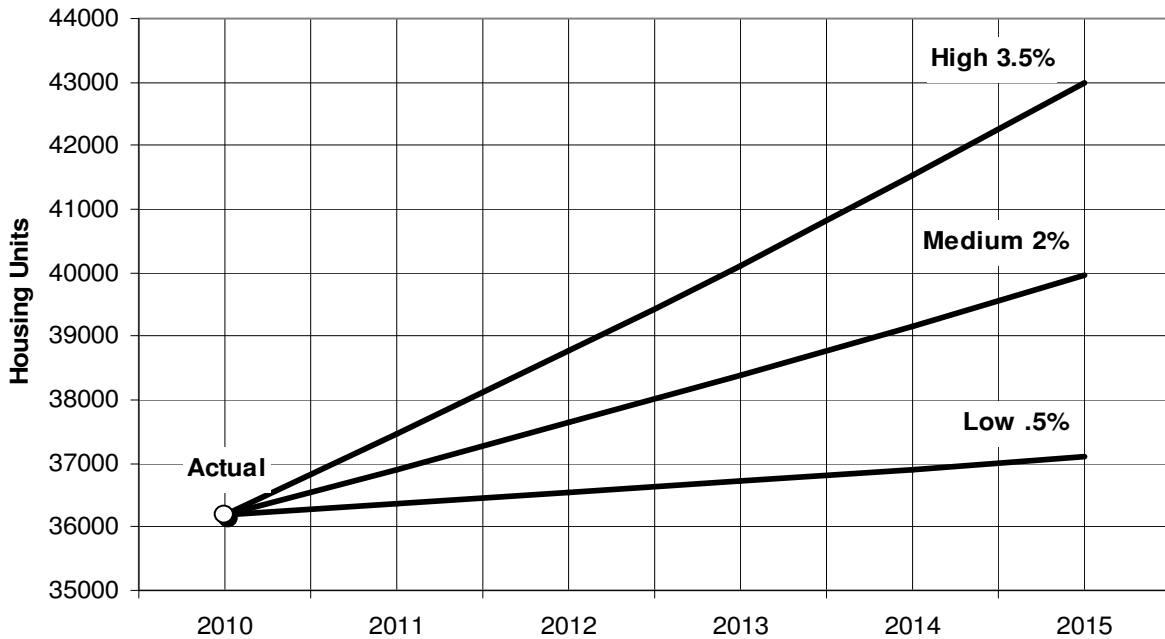
V. Potential Growth Scenarios 2011 - 2015

A helpful tool in predicting housing growth further into the future is a range of potential growth scenarios that provides historical perspective and serves as a framework for qualitative forecasting. Analysis of historical growth rates discussed above and projections for the remainder of 2011, suggests a high potential growth scenario of 3.5% that would yield about 8,278 new housing units through 2015, roughly equivalent to the period of peak growth between 1998 and 2003. A low growth scenario of .5% represents the slow growth experienced since 2005 and would yield 1,097 new units through 2015. A medium growth scenario of 2% is based on an average of the low and high scenarios, with a potential yield of 4,556 new units through 2015. These scenarios are summarized in Figure 2 below:

⁸ Based on average percentage of year building permit totals accounted for during January.

⁹ 20010 Actual (A) = 85 units; 20110 Projected (P) = 96 units; P-A/A

Figure 2: Potential Residential Growth Scenarios 2011-2015



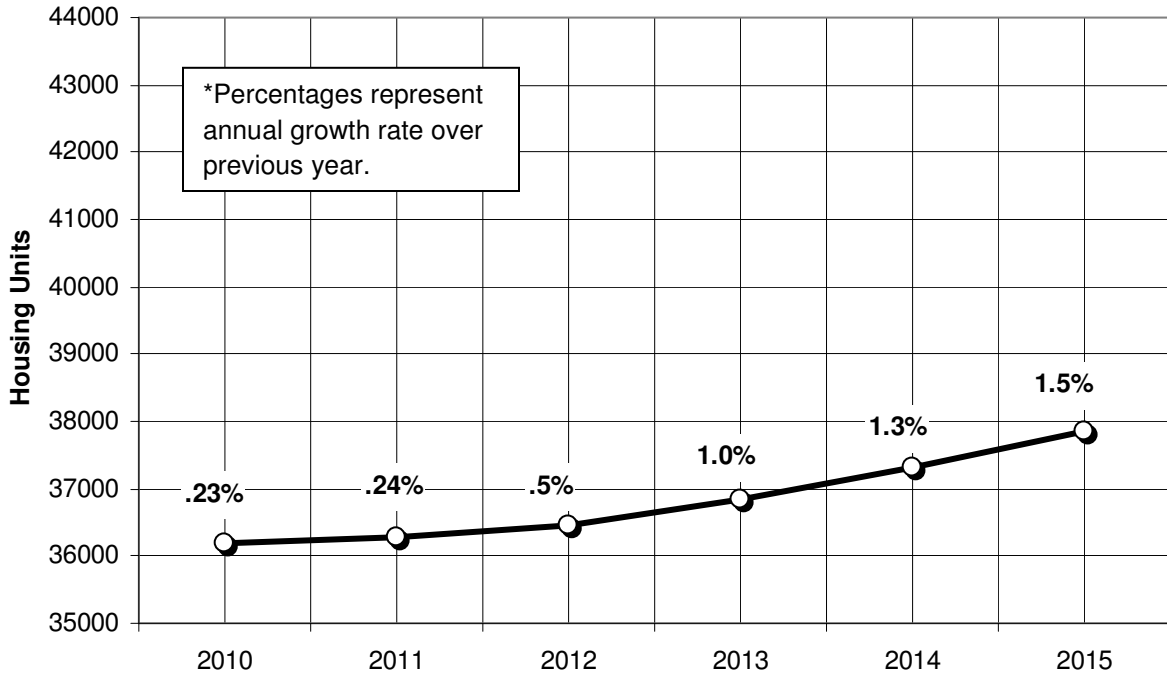
VI. Forecasted Residential Growth 2011-2015

In keeping with the 2010 report,¹⁰ staff forecasts very low growth through 2012 (.5%) and sustained low-medium growth through 2015 (1.5%) as the economy improves, consumer spending increases, more jobs become available, housing inventories shrink, and housing demand is stimulated. This possible growth scenario is summarized in Figure 3 below. Also see Table 6 on page 15 for more information.

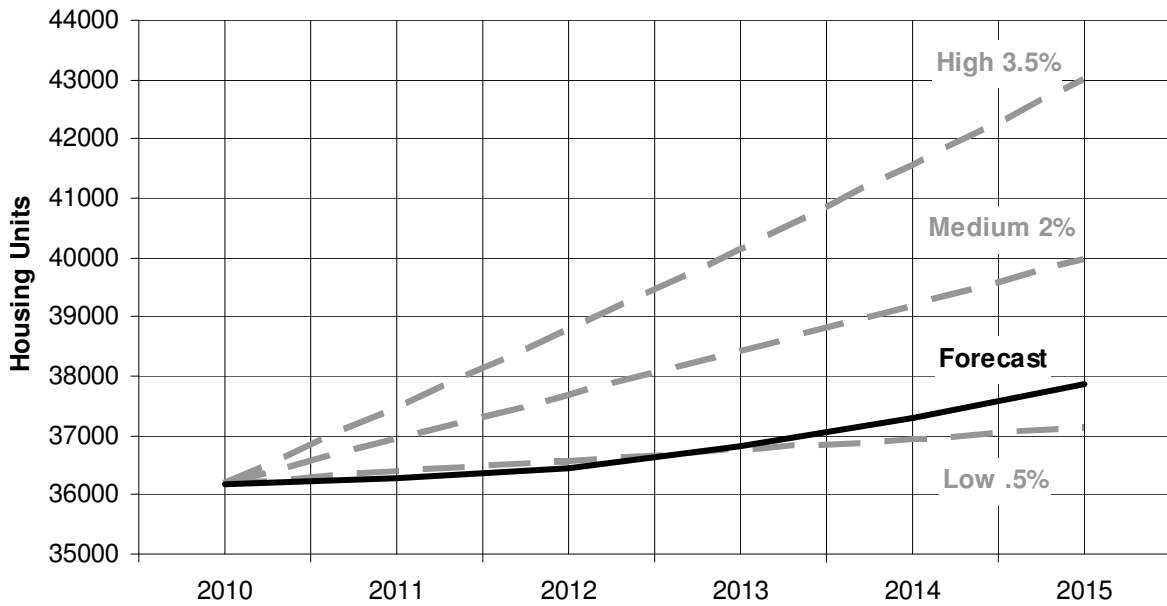
For perspective, Figure 4 below shows these projections as they relate to historically high, medium and low growth rates discussed earlier in Section V.

¹⁰ Given similar existing economic conditions, staff used the same projected housing growth percentage pattern in this report (2010) that was used in the 2009 Growth and Development Projections Report for the five-year CIP cycle.
March 2011

Figure 3: Forecasted Residential Growth Rate 2011-2015



**Figure 4: Residential Growth Rate Forecast 2011-2015
(as compared to historical rates)**



VII. Local Factors Impacting Growth

The forecast above is supported by a number of local factors related to continued foreclosures, employment, slow local economic growth that would otherwise stimulate demand for new home construction, and high inventories in virtually every sector of the housing market. Brief elaboration on each of these factors follows below.

Foreclosures: In 2008, Weld County foreclosures dropped briefly¹¹ to 2,834 on the heels of a 2007 high of 2,869. The number of foreclosures rose again to 3,354 in 2009 before dropping to a still-high 2,757 for 2010.¹² Foreclosures continue to fuel the inventory of vacant single-family homes, flooding the market with converted rental housing and inexpensive purchase options which curbed demand for new construction.

Much of new home construction depends upon the ability of homeowners to “move up” to larger, more expensive housing, which has become more difficult with low appraisals preventing homeowners from selling their property at enough of a profit to move up. Many homeowners are “under water,” meaning that their mortgages are higher than the appraised value of their home, and some are simply walking away. Banks are also tightening lending practices in response to the foreclosure problem, and new lending restrictions making it even harder for people to move up. All of these factors curbed demand for new construction.

Employment: The unemployment rate for the Greeley Metropolitan Statistical Area was 9.8% for December 2010, compared to 8.6% for Colorado as a whole.¹³ Because of widespread foreclosure problems, instability in some banking institutions and the overall economic downturn, lending practices have tightened, and small businesses, usually a large source of employment, have had difficulty accessing credit. As a result, businesses have not been expanding, creating new jobs, or stimulating housing demand at the rates they have in the past, and in many cases they have been forced to close or lay off workers. Public agencies such as School District #6, Weld County and the cities of Greeley and Evans have also had significant reductions in work force.

However, a rebound in employment may be on the horizon for Greeley with projected increases in regional employment¹⁴ and a number of new primary employers bringing up to 1,800 jobs or more to the area over the next two to three years. The first phase of the Leprino Foods facility should be operational by November 2011, increasing in 2012 and 2013 to full-scale operations with two more phases. Also, JBS Swift’s recent acquisition of Pilgrim’s Pride is reported to bring up to 600 new jobs to Greeley, the bulk of which should arrive in 2012. JBS is also relocating some of its transportation activities to Greeley, which is reported to result in up to 230 additional office and driver positions. Oil and gas producers Noble Energy and Schneider Energy are also

¹¹ The first decrease in 13 years.

¹² Weld County Public Trustee records http://www.wcpto.com/Forms/Historical_Data_1978-2009.pdf ; http://www.wcpto.com/Forms/Current_Statistics_2010.pdf

¹³ State Department of Labor and Employment: <http://lmigateway.coworkforce.com/lmigateway/vosnet/lmi/area/areasummary.aspx?session=areadetail&geo=0821024540§ion=empunempinddata&item=>

¹⁴ Regional economist John W. Green, PhD presenting at NCBR Economic Forecast Luncheon January 6, 2011; presentations available on NCBR website: http://www.ncbr.com/ncbr_events.asp?nID=26

scheduled to add more than 400 jobs between the two, further boosting housing demand. See Table 3 for more information on these new primary employers.

Table 3: New Primary Employers and Jobs 2011- 2013			
Primary Employer	Estimated New Jobs	Construction status	Date Operational
Schneider Energy (Oil & Gas)	88	Ongoing	Mid-Late 2011
Leprino Foods Phase 1	150-200 (phase 1)	Ongoing	Late 2011
JBS Transportation Facility	50-80 office 120-150 road	Ongoing	Late 2011
JBS Corporate HQ Expansion	300-600	Property acquired; construction 2011	Early-Mid 2012
Noble Energy (Oil & Gas)	325-400	To begin 2011	Early-Mid 2012
Leprino Foods Phases 2-3	200-300+	To begin 2012	2013
Total Estimated New Jobs by 2013	1233-1818+		

Source: City Manager's Office, Community Development Department (Planning Division)

Commuters: Greeley's 2000 - 2005 development boom was fueled in part by the "drive 'til you qualify" factor, with Denver Metro and Boulder/Longmont area workers choosing more affordable housing in the Greeley area. However, the high number of foreclosures has made inexpensive housing prevalent throughout the Front Range, thereby decreasing the attraction of some workers to more distant housing stock. Furthermore, recent spikes in gas prices and continued unrest in the Middle East may affect the decisions of potential homebuyers.

Affordable Single-Family: Because of foreclosures, decreases in housing prices, and a subsequent tightening of the lending market, construction of homes in the \$135,000 to \$165,000 price range that have accounted for a significant percentage of past growth have dropped off dramatically. Except for the Greeley Urban Renewal Authority and other non-profit housing developments such as Habitat for Humanity, private development as found in Riverview and Mountain Shadows Subdivisions account for the majority of detached single-family subdivisions currently under construction in this price range.

High-End Single Family: The previous cycle of trading up for a bigger home, made possible by relatively low prices, interest rates and loose lending practices, has virtually stopped. The demand for higher-end custom homes has also reduced dramatically in Greeley.

Multi-Family: The multi-family housing vacancy rate has been chronically high (over 5%) for several years, reaching a peak of 12% in spring 2004 and holding steady at 9%

through 2007 and 2008 before dipping to a still relatively high 7.8% in 2009. Lending practices were more aggressive during this period, making it possible for people to purchase starter homes at near the price of rent. Despite the number of recent foreclosures, the multi-family vacancy rate increased to 8.6 in early 2010.¹⁵ The result has been a recent lag in multi-family construction. Five multi-family building permits were issued in 2010, with none issued so far in 2011.

However, while vacancy rate data for 2011 will not be available from the Greeley Urban Renewal Authority until April, the data is likely to show a significant decrease over 2010 figures. Colorado Department of Local Affairs data for the Greeley/Evans area shows significantly fewer multi-family vacancies in the second half of 2010 with rates of 3.9 and 5.1% in Quarters 3 and 4, respectively – the lowest they have been since early 2002.¹⁶ This decreased vacancy rate is likely due to continued high foreclosure and unemployment forcing people into rental properties.

Such a decrease may help to spur new construction. Also, the University of Northern Colorado reported its intentions to increase enrollment by 1,000 students between 2010 and 2014, which may further reduce the vacancy rate over that time period, creating additional demand for multi-family construction.

Mobile Homes: Much like the multi-family housing market, the demand for new mobile home lot construction will likely remain zero for 2011 since there is a large inventory of vacant mobile home lots. Even as overall interest rates rise and more jobs become available, much of this existing inventory will need to be absorbed before new development is likely.

VIII. Regional & State Employment Considerations

Mark C. Snead, Vice President of the Federal Reserve Bank of Kansas City recently proclaimed the recession in Northern Colorado “over” at the annual Northern Colorado Business Report Economic Forecast Luncheon on January 6, 2010. He cited growth in private sector jobs, income and consumer spending as drivers of the recovery. Snead also predicted a slow recovery hampered by the housing market and government hiring.

Regional economist John W. Green, PhD, also spoke at the luncheon and concurred with Snead’s optimism predicting an increase in employment to 2007/2008 levels accompanied by increases in commercial construction, retail activity and continued strength in the agricultural sector in 2011. Green also predicted slow growth in the housing market hampered by bankruptcy rates and foreclosure inventories¹⁷ that are still high.

¹⁵ *City of Greeley 2007-2010 Multi-family Vacancy Survey*
<http://greeleygov.com/CommunityDevelopment/studies.aspx>;

¹⁶ Department of Local Affairs, Division of Housing - Statewide Multifamily Housing Vacancy and Rent Survey
<http://dola.colorado.gov/cdh/vacancy/statewideintro.htm>;

¹⁷ Presentation for both speakers available on Northern Colorado Business Report website:
http://www.ncbr.com/ncbr_events.asp?nID=26

State and regional organizations such as The Colorado Division of Local Affairs (DOLA) and the North Front Range Metropolitan Planning Organization use employment as a critical component of population projections. Since the economic growth rate is related to households, it can be used to project housing unit growth. However, this model becomes problematic during times of dramatic transition and before the model has had an opportunity to recalibrate. Both models project creation of over 8,000 new primary jobs in Greeley between 2011 and 2015. While possible, staff believes this projection to be overly optimistic based on current new employer information collected from the City Manager's Office and Planning staff. As a result, staff has not used DOLA or NFRMPO projections for the last 2-3 years and will not use them for 2011. The 2060 Comprehensive Plan projects an average of 2.2% growth over 50 years.

IX. Residential Development Capacity

Analysis of the available sites for residential development¹⁸ within the January 2010 city limits and the Long-Range Expected Growth Area (LREGA)¹⁹ indicates an estimated total housing capacity of 16,765 units. If and when all of these units are built and occupied, an additional 45,266²⁰ (estimated) people will be added to the currently estimated population of 94,896²¹ for a total long-term estimated population of 140,162²². Of these potential units, 4,128 are already approved for development and could accommodate an additional 11,146 people, for a nearer term estimate of 106,042.

Table 4: Potential Dwelling Units based on Buildable Lots (as of January 1, 2011)	
Approval Status (Single and Multi-Family Units)	Units²³
Zoned, platted, infrastructure installed (permit ready) beginning 2010	2,609 ²⁴
<i>Approved in 2010 (Mtn. Shadows)</i>	+67
<i>Created via demolition in 2010</i>	+8
<hr/>	
Total potential dwelling units (permit ready) in 2010	2,684
<i>New dwelling units built in 2010 (79 SF, 5 MF)</i>	-84
<hr/>	
Total building-permit ready potential units for 2011	2,600
<u>Zoned, platted, no infrastructure (preliminary approval)</u>	<u>+1,529</u>
Total approved potential dwelling units within city limits²⁵	4,129
Estimated units from zoned, un-platted land beginning 2010 ²⁶	12,604
<i>Platted in 2010 (Mtn. Shadows)</i>	-67
<hr/>	
Estimated total of units from zoned, un-platted land for 2011	12,637
<u>Total approved potential dwelling units within city limits</u>	<u>+4,129</u>
Estimated dwelling unit capacity in city limits	16,766

¹⁸ Does not include infill or redevelopment sites; greenfield sites only.

¹⁹ The Long-Range Expected Growth Area (LREGA) is the area inside a boundary representing the furthest extent that the City expects to expand over the next 50 years.

²⁰ Average household size used by Planning Division for population projections is 2.7.

²¹ Pop. Est. = Housing Units 2000 + Change in Housing Units * Occupancy Rate * Avg. Household Size + UNC Pop.

²² This figure does not include land within city limits zoned as "holding agriculture" and the equivalent designation in Weld County. If developed, such land could yield about 33,283 additional housing units.

²³ "Units" used instead of "Lots" so as to account for multi-family dwelling units, many of which can be built per lot.

²⁴ Several MF projects (about 400 units) would require Design Review approval prior to obtaining a building permit.

²⁵ These potential dwelling units have at least preliminary plat approval.

²⁶ Densities estimated using proportion of SF to MF (approx. 2:1) provided in the 2060 Comprehensive Plan (2008).

X. Adequate Public Facilities Area (APFA)

The 2060 Comprehensive Plan proposed an “Adequate Public Facilities Area” (APFA) where a full complement of municipal services is available to support development. Services include water, sewer, roads, drainage, parks, police and fire.

As contemplated, the criteria for land to be a part of the APFA include connection to 8-inch water and sewer lines, and connection to an arterial or collector road via a 2-3 lane paved roadway, possibly with curb, gutter, sidewalk, landscaping and street lights. The development would also need to be within a half-mile radius of a neighborhood park and a mile radius of a community park. Police and fire extend service to anywhere within city limits and are evaluated on a case-by-case basis.

The APFA boundary would eventually be designated annually in this report, replacing the Mid-Range Expected Service Area (MRESA) that has been used to date. As a result, staff will soon present proposed APFA policies and subsequent area boundaries for Planning Commission review and final Council consideration in the near future.

XI. Long-Range Expected Growth Area (LREGA)

No changes are proposed for 2011. See the following Land Use Guidance map for current LREGA.

XII. Exhibits

Table 5: Historical Residential Growth

Table 6: Projected Growth Rate and Additional Housing Units
 Dwelling Unit Capacity Maps

Year	Actual Growth Rate ¹	Additional Housing Units	Total Housing Units
1991	0.60%	152	24,143
1992	1.10%	269	24,412
1993	1.85%	451	24,863
1994	1.70%	432	25,295
1995	2.05%	519	25,814
1996	2.50%	645	26,459
1997	3.26%	865	27,324
1998	2.67%	731	28,055
1999	3.72%	1,044	29,099
2000	3.96%	1,151	30,250
2001	3.86%	1,168	31,418
2002	4.14%	1,300	32,718
2003	2.53%	831	33,549
2004	3.19%	1,050	34,587
2005	2.45%	833	35,399
2006	1.01%	358	35,743
2007	0.68%	265	35,987
2008	0.24%	89	36,072
2009	0.13%	45 (new const) + 1 (annex) = 46	36,118-9 (demos) = 36,109
2010	0.23%	84 (0 annexations)	36,193 – 8 (demos) = 36,185

Year	Projected Growth Rate	Additional Housing Units	Total Housing Units*
2011	0.24%	96 ²⁷	36,281 – 9 projected demos = 36,272
2012	0.5%	181	36,462
2013	1.0%	365	36,827
2014	1.3%	479	37,306
2015	1.5%	560	37,866

*2011-2015 Growth Rate: 4.4%
 *Total Additional Housing Units: 1,681

²⁷ Additional units from 2011 to 2015 were calculated by multiplying the total housing units by the growth rates.