

2012 ANNUAL GROWTH AND DEVELOPMENT PROJECTIONS REPORT

Prepared in Support of the
Capital Improvement Planning Process



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I. Introduction

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 provides a foundation for defining the boundaries of the Adequate Public Facilities Area (APFA), the core portion of the city where all municipal services are available. Development outside these areas is allowed, subject to the developer's funding of needed extensions of the municipal infrastructure. Broader APFA policy 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.

The next and 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% followed by a drop in 2011 to .12% (42 new units). Figure 1 summarizes activity since 1991.

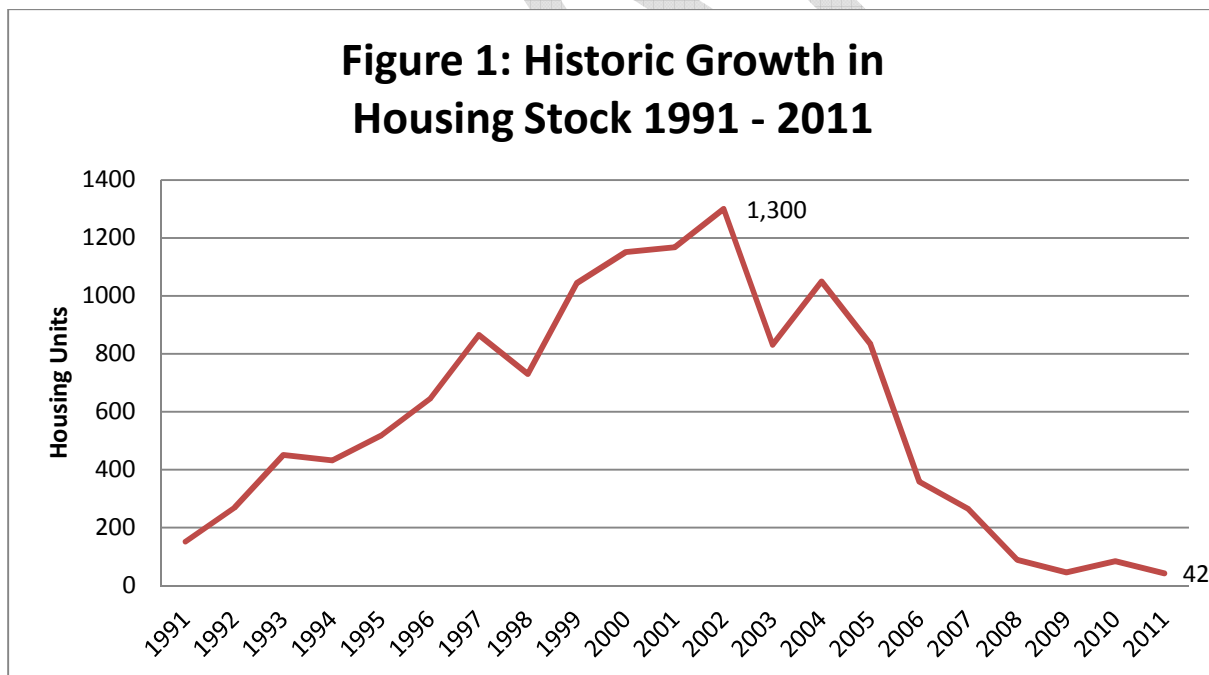
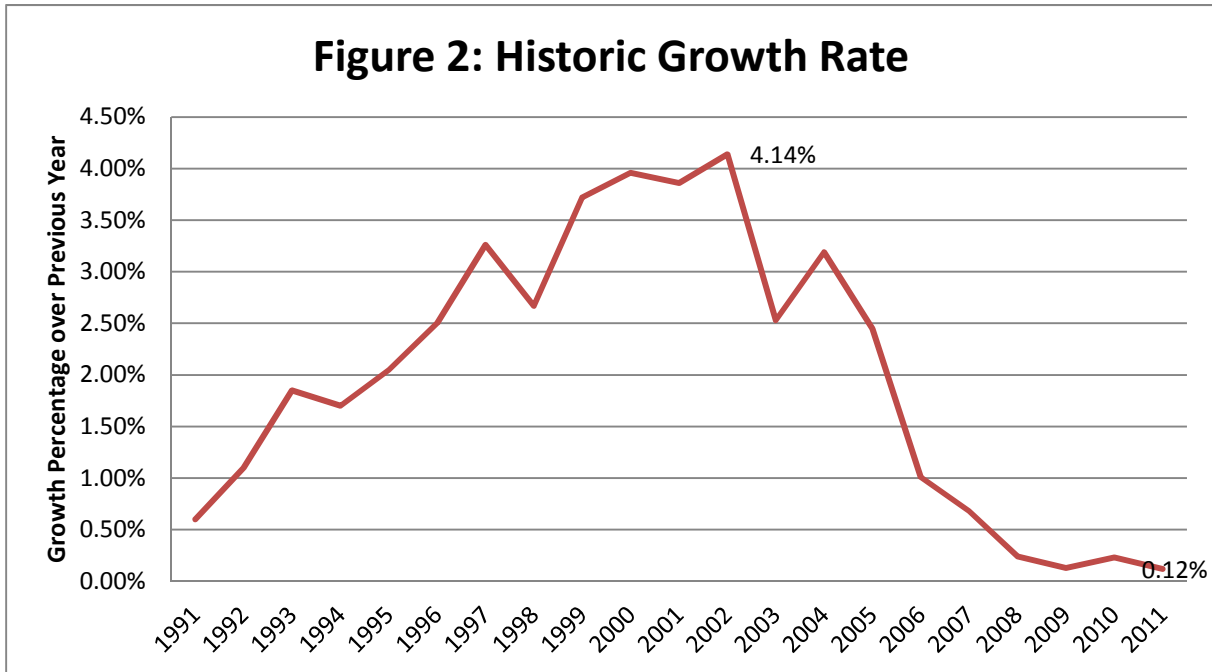


Figure 2: Historic Growth Rate



The 2011 near-zero actual growth rate of .12% – coupled with a slowly rebounding economy – suggests a possibly higher rate for 2011. In order to project growth levels for 2012, staff used an average of similar growth levels experienced over the last five years, ranging from a high of 168⁵ new housing units in 2007 to a low of 42 in 2011. The average number of housing units added over this time period is 85. If this average is any indicator of potential housing activity for 2012, it would represent a 102% increase over 2011 numbers and a growth rate of .24%.

Table 1: Change in housing activity 2007-2011 and extrapolation into 2012

Year	Additional Housing (construction + annex)	Construction only (units)	Percent Change	Gross Units	(-) Demolitions	(=) Net Units ¹	Growth Rate ²
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	42	42	-50%	36,227	0	36,227	0.12%
2012	105³ (avg.)	85 (avg.)	+102%⁴	36,312	6 (avg.)	36,306	0.24% (projected)

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

¹ Net Units = New Construction + Annexation – Demolitions.

² Growth Rate = Current Year Total Permitted Units/Previous Year Total Net Units.

³ Average of new housing units added since 2007 via new construction and annexations.

⁴ Percent change in additional permitted units from actual 2011 to extrapolated 2012 (85-42/42=102%).

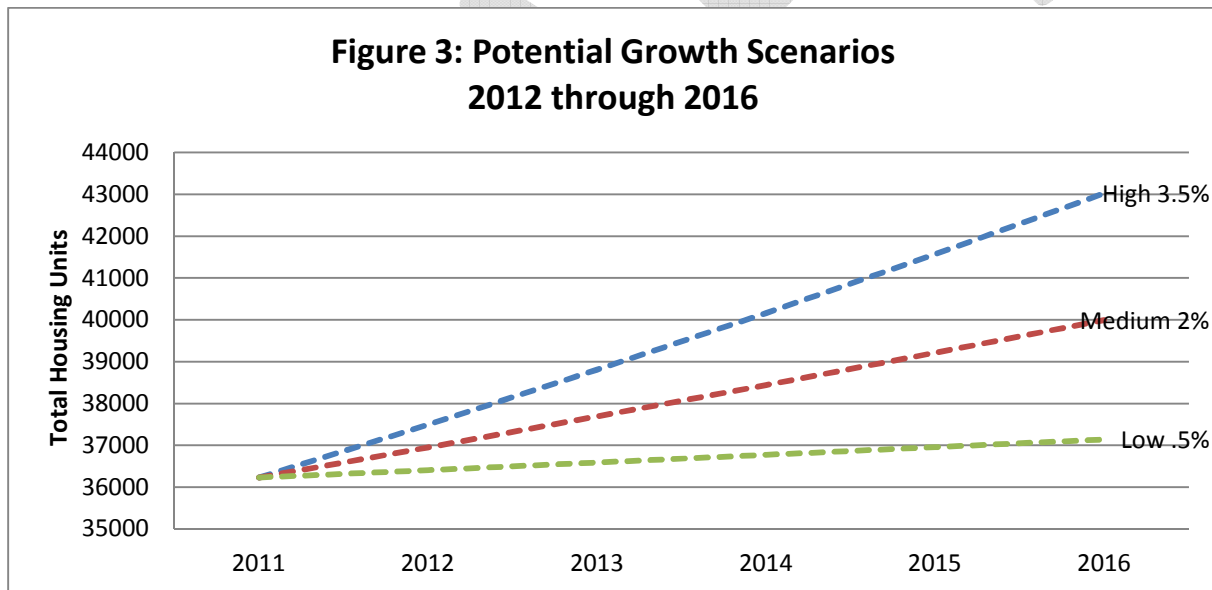
⁵ Figure represents new construction only as measured by building permits; annexed units not included.

IV. Residential Growth Projection for 2012

Based on the current trends discussed above, a growth rate of .24% can be projected for 2012, yielding 85 new units with no anticipated annexations, minus six⁶ assumed demolitions for 79 net additional units. This rate is based on the average number of new units permitted since 2007. This projection implies a total number of new building permits in 2012 that is 102% higher than 2011⁷.

V. Potential Growth Scenarios 2012 - 2016

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 2012, suggests a high potential growth scenario of 3.5% that would yield about 6,799 new housing units through 2016, 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 915 new units through 2016. A medium growth scenario of 2% is based on an average of the low and high scenarios, with a potential yield of 3,771 new units through 2016. These scenarios are summarized in Figure 2 below:

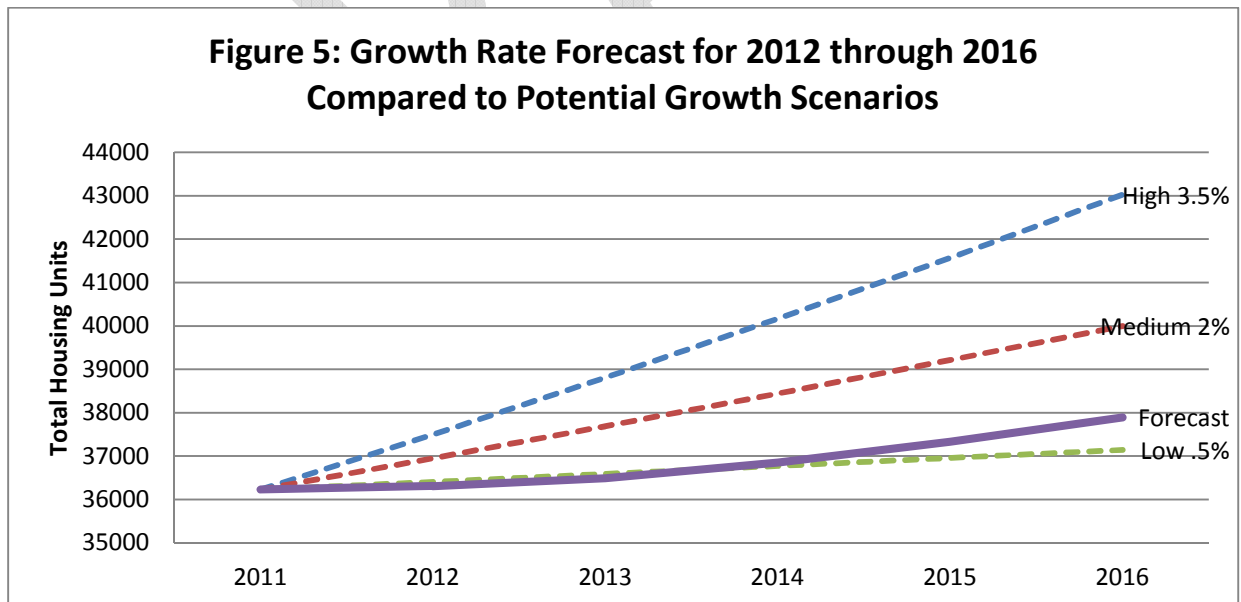
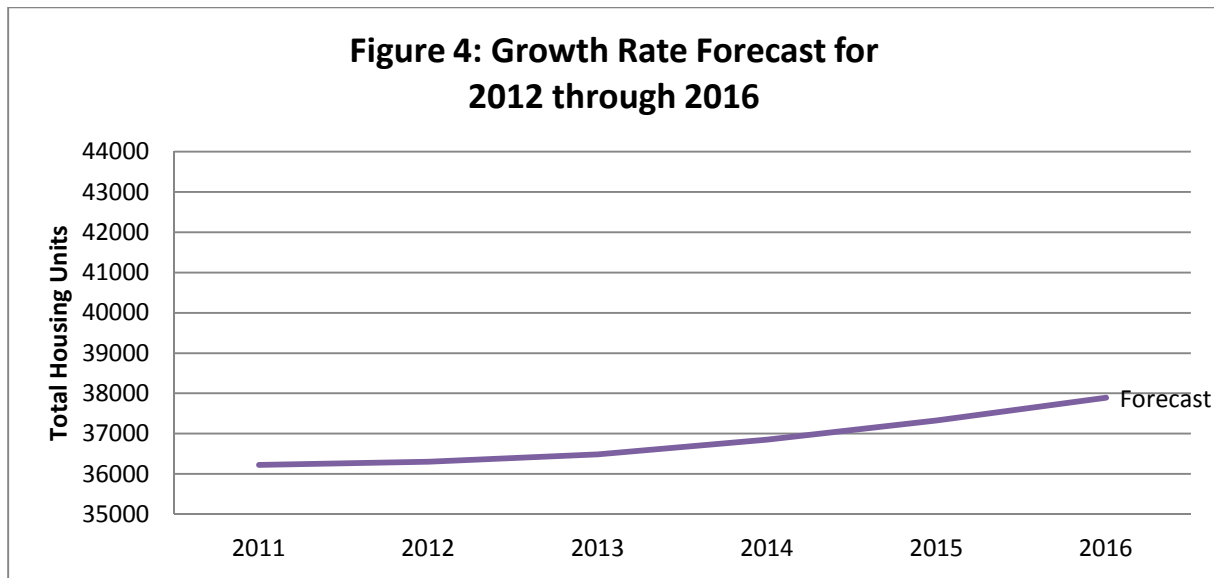


⁶ Average number of demolitions 2009 through 2011.

⁷ 2011 Actual (A) = 42 units; 2012 Projected (P) = 79 units; P-A/A

VI. Residential Growth Forecast 2012-2016

In keeping with the 2011 report,⁸ 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 4 below. Also see Table 6 for more information. For perspective, Figure 5 below shows these projections as they relate to historically high, medium and low growth rates discussed earlier in Section V.



⁸ Given similar existing economic conditions, staff used the same projected housing growth percentage pattern in this report (2011) that was used in the 2010 Growth and Development Projections Report for the five-year CIP cycle.

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 briefly⁹ to 2,834 on the heels of an all-time high of 2,869 in 2007. The number of foreclosures rose again to 3,354 in 2009 before dropping to a still-high 2,757 for 2010.¹⁰ During 2011, the number of foreclosures fell **below 2,000**, which is a significant drop but still double the rates seen in the mid 1990's before the recent housing boom and bust cycle. Foreclosures continue to fuel the inventory of vacant single-family homes, flooding the market with converted rental housing and inexpensive purchase options which curb 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 make it even harder for people to move up. All of these factors continue to demand for new construction.

Employment: The estimated unemployment rate for the Greeley Metropolitan Statistical Area was 8.7% for November 2011, compared to 7.8% for Colorado as a whole. These figures are an improvement over those of 2010, when the Greeley MSA unemployment rate was estimated at 9.8% (as of December 2010), compared to 8.6% for Colorado.¹¹ However, 8.7% unemployment is still considered high.

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.

⁹ The first decrease in 13 years.

¹⁰ Weld County Public Trustee records http://www.wcpto.com/Forms/Current_Statistics_2011.pdf

¹¹ State Department of Labor and Employment:

<http://lmigateway.coworkforce.com/lmigateway/vosnet/lmi/area/areasummary.aspx?session=areadetail&geo=0821024540§ion=empunempinddata&item=>

However, a rebound in employment may be on the horizon for Greeley with projected increases in regional employment¹² and a number of new employers bringing up to **2,400 jobs or more** to the area over the next two to three years. The first phase of the Leprino Foods facility was 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 scheduled to add more than 400 jobs between the two, further boosting housing demand. DCP Midstream, Anadarko and Bayou Well Services are also expanding oil and gas operations in and around Greeley. See Table 3 for more information on these new employers.

Table 3: New Employers and Jobs 2010- 2014

Employer	Type	Estimated New Jobs	Construction status	Date Operational
National Board of Chiropractic Examiners (added building to campus)	Primary	66	Complete	Spring 2010
Schneider Energy (O&G) <i>*Acquired by Rocky Mountain Energy Solutions which was recently acquired by and now a division of Select Energy Services</i>	Primary	88	Complete	Mid-Late 2011
JBS Corporate HQ Expansion (to accommodate Pilgrim's Pride acquisition)	Primary	300-600	Property acquired; construction 2011	Early-Mid 2012
King Sooper's	Secondary	125	Operational	Mid 2011
Leprino Foods Phase 1	Primary	150-200	Ongoing	Late 2011
JBS Transportation Facility	Primary	50-80 office 120-150 road	Complete?	?
Noble Energy (Oil & gas)	Primary	325-400	Complete?	Early-Mid 2012??
Tele-Tech (call center in old K-Mart building)	Secondary	350-450	On-going remodeling (2 phases)	Phase 1: January 2012 Phase 2:

¹² 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

				Spring 2012
Poudre Valley Hospital Urgent Care Center	Primary	45	Development Review	Mid-Late 2012
DCP Midstream (Oil and gas) building \$270 million gas processing plant in La Salle	Greeley operations?	?	?	Greeley Plant David Stults - (970) 301-6087
Bayou Well Services (Oil and gas)	Primary	?	?	Greeley Office 970-378-0400
Anadarko (Oil and gas – doubled office space in Evans)	Primary	?	Complete	Denver Office 720-929-6000
Leprino Foods Phase 2	Primary	100-150	On-going	2013
Leprino Foods Phase 3	Primary	100-150	conceptual	2014 or beyond
Total Estimated New Primary Jobs by 2014		1299-1884+		
Total* Estimated New Secondary Jobs by 2014		475-575+		

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

*This figure only represents new secondary jobs created by large employers; jobs created by small employers would be almost impossible to track and list here, so those figures are not included.

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, uncertainty with respect to 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 Farms and Mountain Shadows Subdivisions have accounted for the majority of detached single-family construction in this price range. However, Riverview Farms and Mountain Shadows completed build out during 2011, so new construction for 2012 and beyond will have to come from other areas. The exhaustion of buildable lots in these two subdivisions could spur additional development.

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, appears to have stopped. The inability of people to trade up for larger homes has reduced the demand for higher-end custom homes in Greeley. However, the expansion of the JBS Swift Corporate Headquarters, and other local business developments may do something to spur demand for higher-priced homes.

Multi-Family: The multi-family housing vacancy rate has been chronically high (over 5%), 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 2010.¹³ The result was a lag in multi-family construction.

However, the 2011 Multi-Family Vacancy Survey indicates that the vacancy rate dropped to 5.6% - a significant decrease over 2010.¹⁴ This decreased vacancy rate is likely due to continued high foreclosure and unemployment forcing people into rental properties and may help to spur new construction, although no multi-family building permits were issued in 2011.

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 2012 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 Projections

Mark C. Snead, Vice President of the Federal Reserve Bank of Kansas City proclaimed the recession in Northern Colorado “over” at the annual Northern Colorado Business Report Economic Forecast Luncheon on January 6, 2011. 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

¹³ *City of Greeley 2007-2010 Multi-family Vacancy Survey*
<http://greeleygov.com/CommunityDevelopment/studies.aspx>;

¹⁴ *City of Greeley 2011 Multi-Family Housing Vacancy Survey*
<http://greeleygov.com/CommunityDevelopment/Documents/UrbanRenewal/2011%20Survey%20final.pdf>

housing market hampered by bankruptcy rates and foreclosure inventories¹⁵ that are still high.

Such prognostications of a slow recovery in Northern Colorado have held true in Greeley, particularly with respect to the residential construction market. As discussed previously, Greeley only added 42 new units to its inventory of housing stock during 2011, for a growth rate of only .12% over 2010. Although foreclosure rates in Greeley and Colorado have decreased, they are still high and will continue to impact the demand for new construction, further slowing recovery.

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 3-4 years and will not use them for 2012. 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 development¹⁶ within the January 2010 city limits and the Long-Range Expected Growth Area (LREGA)¹⁷ indicates an estimated total housing capacity of 16,765 units. If and when all of these units are built and occupied, an additional 45,266¹⁸ (estimated) people will be added to the currently estimated population of 94,896¹⁹ for a total long-term estimated population of 140,162²⁰. 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.

¹⁵ Presentation for both speakers available on Northern Colorado Business Report website:

http://www.ncbr.com/ncbr_events.asp?nID=26

¹⁶ Does not include infill or redevelopment sites; green field sites only.

¹⁷ 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.

¹⁸ Average household size used by Planning Division for population projections is 2.7.

¹⁹ Pop. Est. = Housing Units 2000 + Change in Housing Units * Occupancy Rate * Avg. Household Size + UNC Pop.

²⁰ 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.

Table 4: Potential Dwelling Units based on Buildable Lots (as of January 1, 2011)	
Approval Status (Single and Multi-Family Units)	Units²¹
Zoned, platted, infrastructure installed (permit ready) beginning 2010	2,609 ²²
<i>Approved in 2011 (Mtn. Shadows)</i>	+??
<i>Created via demolition in 2011</i>	+0
<hr/>	<hr/>
Total potential dwelling units (permit ready) in 2011	????
<i>New dwelling units built in 2011 (35 SF, 7 MF)</i>	-42
<hr/>	<hr/>
Total building-permit ready potential units for 2011	????
<u>Zoned, platted, no infrastructure (preliminary approval)</u>	<u>+1,529</u>
Total approved potential dwelling units within city limits²³	4,129
Estimated units from zoned, un-platted land beginning 2010 ²⁴	12,604
<i>Platted in 2010 (Mtn. Shadows)</i>	-67
<hr/>	<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

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. An ordinance officially recognizing the “APFA” and replacing the previous Mid-Range Expected Service Area concept was adopted by the City Council in August 2011.

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.

See Attachment XX for more information on the APFA.

²¹ “Units” used instead of “Lots” so as to account for multi-family dwelling units, many of which can be built per lot.

²² Several MF projects (about 400 units) would require Design Review approval prior to obtaining a building permit.

²³ These potential dwelling units have at least preliminary plat approval.

²⁴ Densities estimated using proportion of SF to MF (approx. 2:1) provided in the 2060 Comprehensive Plan (2008).

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
2011	0.12%	42 (0 annexations)	36,227 (0 demos)

Year	Projected Growth Rate	Additional Housing Units	Total Housing Units*
2012	0.24%	85	36,312 – 6 projected demos = 36,306
2013	0.5%	182 ²⁵	36,488
2014	1.0%	365	36,853
2015	1.3%	479	37,332
2016	1.5%	560	37,892

*2012-2016 Growth Rate: 4.4%
 *Total Additional Housing Units: 1,671

²⁵ Additional units from 2012 to 2016 were calculated by multiplying the total housing units by the growth rates.