



# The Social and Economic Effects of Second Homes

## *Executive Summary*

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## Background:

Northwest Colorado Council of Governments (NWCCOG) is a voluntary association of county and municipal governments in north central Colorado. Members of the association include five counties (Eagle, Grand Jackson, Pitkin and Summit) and 21 municipalities (Avon, Basalt, Eagle, Gypsum, Minturn, Red Cliff, Vail, Fraser, Granby, Grand Lake, Hot Sulphur Springs, Kremmling, Winter Park, Walden, Aspen, Breckenridge, Dillon, Frisco, Montezuma, Silverthorne and Glenwood Springs).

NWCCOG was the fastest growing region in the state from 1990-2000, with an overall 73% population growth. Over 70% of the skier visits in the state occur in this area. A tourism based economy dominates the region which includes a strong second home market and high real estate values.

In 2002, the Town of Vail, on behalf of towns and counties in the NWCCOG region, received a Colorado Heritage Grant from the Colorado Office of Smart Growth to study the social and economic effects of second homes. A steering committee for the project was established with representatives from NWCCOG member towns and counties.

## Questions to be answered by the Study:

Table #1
1. Effects on overall housing prices:
2. Jobs generated by second homes
3. Effects on community values and social structures:
4. Usage patterns of second homeowners:
5. Effects on community services:
6. Effects on local and regional economies:

Initial steering committee discussions identified many questions about second homes and their effects on mountain communities. What motivates people to buy second homes here, how often do they use them, what do they do when they are here, how do they spend their money, how many jobs are generated, where do the workers live, how are these trends changing mountain resort communities, and what will happen in the future?

The steering committee discussed all of these questions and decided to focus on six areas of greatest interest (see Table #1) for the study.

## Methodology for the Study:

In order to answer the questions identified by the steering committee, the study was divided into three sections.

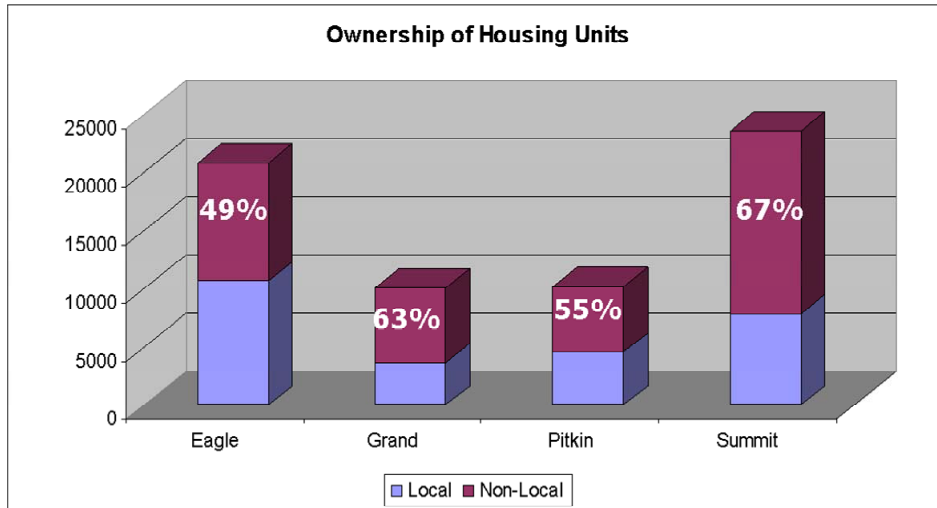
**1. Typology:** The first part dealt with existing data. How many second homes are there and what are their characteristics? How do they compare/contrast and interrelate with other residential housing units?

Assessor databases from four of the counties (Eagle, Grand, Pitkin and Summit) were collected and assembled into one large GIS database of over 64,000 records. The database reflects ownership information dated from the years 2000-2001.

Chart #1
<b>Methodology for Study</b>
1. Typology of second homes <ul style="list-style-type: none"><li>- Size (Square Footage), Type (Single family residence, Condo), Year Built, Value of property, Ownership of property</li></ul>
2. Survey of homeowners <ul style="list-style-type: none"><li>- Utilization, behaviors and spending patterns</li><li>- Local and Non-Local</li><li>- Significant to the county level</li></ul>
3. Social and Economic Indicators <ul style="list-style-type: none"><li>- Jobs generated</li><li>- Economic Effects</li><li>- Social effects to communities</li></ul>

Records were re-coded to reflect common fields such as type of unit (single family home, condominium, etc.), value of unit, square footage and year built. There is no indicator within County Assessor records for whether a home is being used as a second home or local residence. A code was added to the NWCCOG database to indicate the current usage of the housing unit based on where the property tax assessment notice was being sent. Out of county addresses were marked as “second homes” and local addresses were marked as “local residents”.

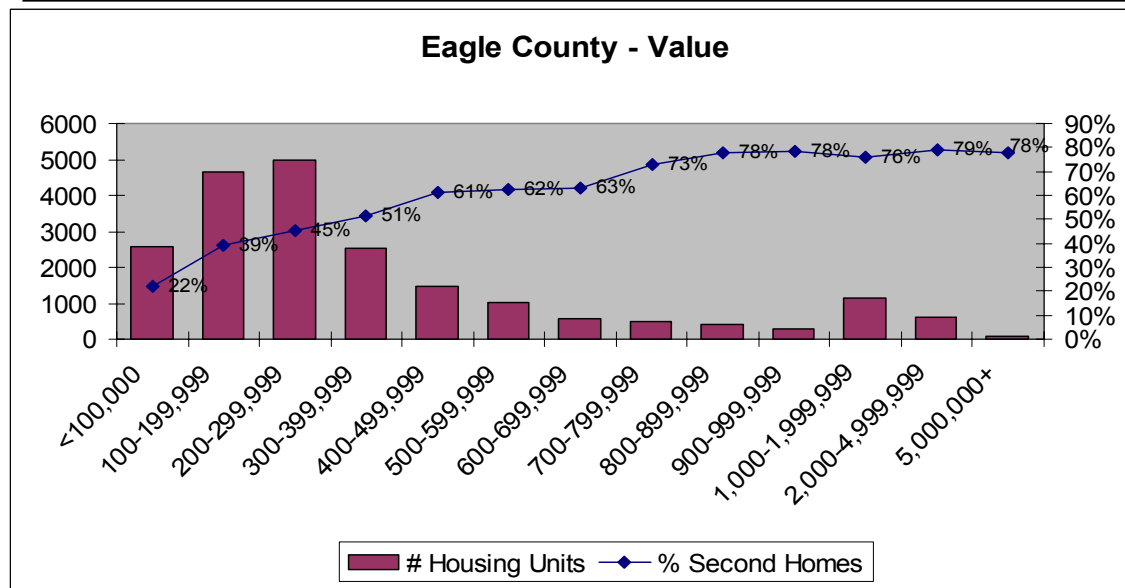
**Chart #2: Number of Housing Units and % of Non-Local Ownership**



Using this methodology, NWCCOG discovered that 60% of the housing units in the four county study area were second homes. Chart #2 shows the percentages of second homes (non-local) within the total housing stock for each county. The percentages vary from a low of 49% in Eagle County to a high of 67% in Summit County.

Other analysis of the database allowed us to cross tab information about year built, value of housing unit, type of housing unit, etc. with whether the housing unit was currently owned by a second homeowner. An example of this type of analysis is displayed in Chart #3, where the number of housing units in each price range is represented by the total height of the red vertical bars and the percentage of those units that are second homes are represented by blue line and corresponding percentages on the scale on the right.

**Chart #3: Number of Homes by Assessed Value and % Non-Local Ownership**



**2. Survey of Homeowners:** In order to learn about utilization, shopping patterns and behaviors of second homeowners, we would need to ask them. The steering committee designed a survey that went out to homeowners (both local residents and second homeowners) in the four county study area. The sample was randomly selected from the NWCCOG database of 64,000 property records. Over 4,300 surveys were mailed out and 1,346 were returned, for an overall response rate of 32%. The survey has an overall 2.6% margin of error.

Survey questions covered shopping patterns, demographics, values, usage of second home, future usage plans (see Table #2), recreational activities, involvement in the community, use of services, and much more.

<b>Table #2</b>					
<b>Future use of second home property</b>					
	<b>Eagle County Second Home</b>	<b>Grand County Second Home</b>	<b>Pitkin County Second Home</b>	<b>Summit County Second Home</b>	<b>ALL Second Home</b>
	<i>n</i> =112	<i>n</i> =240	<i>n</i> =129	<i>n</i> =240	<i>n</i> =721
Increase my personal use of the residence/property	45	49	37	52	47
Maintain current use	42	44	51	40	44
Increase use by friends and family	26	29	23	30	28
Use the residence as a part time rental unit	12	13	17	24	17
Retire to the area and use as retirement residence	17	9	7	13	11
Renovate the residence	17	13	11	9	11
Sell the residence/property	8	7	11	10	9
Use the residence as a full time rental unit	5	6	7	9	7
Become a full time resident	5	3	2	4	3
Decrease current use	1	1	0	2	1
Other	0	1	2	0	1

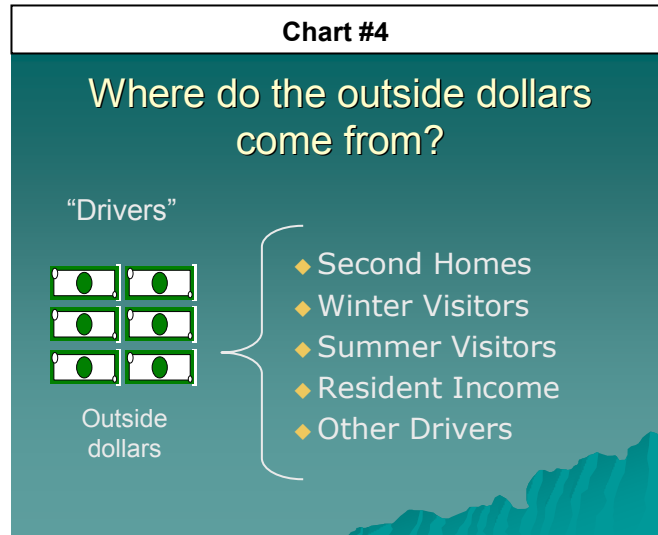
The demographic questions allowed us to compare second homeowners in the region with those described in a “National Study of Second Homeowners” published in *American Demographics* magazine in June 2003. The national study identified 55-64 as the age cohort most likely to purchase second homes and forecast great growth in the second home industry nationally as baby boomers are just beginning to enter this age cohort.

Second homeowners nationally tend to be high income, high-asset, highly educated, middle age or older couples, with children nearing adulthood or children no longer living at home. Our survey confirmed all of these characteristics but showed much higher income levels and even greater likelihood to be in the 55-64 age bracket than the national study.

**3. Social and Economic Indicators:** In order to answer the questions related to jobs generated by second homes, we needed to have a complete economic base analysis performed for the four counties in the study area. We contracted with Lloyd Levy Consulting to do the economic analysis.

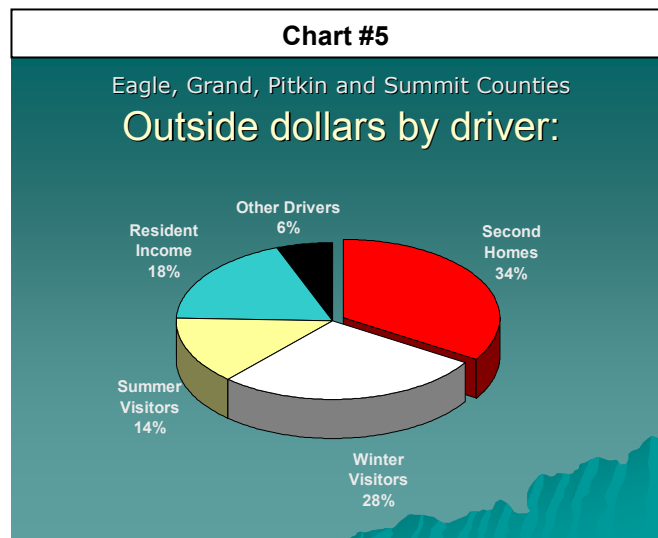
We identified the main economic “drivers” that bring outside dollars into the region (see Chart #4). These direct basic dollars generate both basic and secondary jobs.

The economic analysis tracks the \$5.3 billion outside dollars coming into the four counties into the specific drivers to account for 48,908 basic jobs, 33,424 secondary jobs, and 82,332 total jobs. It identifies the ratio of secondary to direct basic jobs for each of the subcategories, such as second homes less than 3000 sq. ft. and second homes greater than 3000 sq. ft. It also provides job generation rates for each of the drivers based on a per-unit denomination such as a dwelling unit, 1,000 skier/visitor days, or \$1 million sales.



The individual counties in the study display distinctive patterns in their economic pictures.

Overall, second homes (construction and spending) account for 34% of the outside dollars coming into the four county area (see Chart #5) and represent the largest driver. Winter Visitors are second at 28%, followed by Resident Income at 18%, Summer Visitors at 14% and Other Drivers at 6%.



**In Conclusion:**

Knowledge of the effects of any economic driver or basic industry is essential to planning. Such developments create demands for construction, maintenance and operations. The workers employed in the basic industry and their families require housing and a wide range of private and public community services, whose workers also have the same needs. Good planning requires anticipating and providing for the “multiplier” or secondary effects. Not doing so can lead to shortages and to major conflicts among the users of the various resources of the area.

These concerns are especially important in resort counties because of the development of second homes. Typically, in these types of counties, there is the initial development and maturation of a traditional tourism industry. However, over time second homes become a large and often dominant part of both the physical and economic landscape. Their development creates a demand for workers above that of the traditional tourists industry, especially in construction but also in their maintenance, operation and use. As their numbers increase, the demand for workers increases as well.

Second homes take up large amounts of land in Colorado mountain resort areas where developable land is already in short supply. As a result, the second homes' values and the land surrounding them rises above that normally paid for worker housing. As their numbers increase, and the land available for development decreases, a dilemma is created. Second homes have generated the need for more workers, but the rise in property values and subsequent housing costs have made it difficult for the workers to live within a reasonable distance of their place-of-work.

Traditionally, residential homes and their neighborhoods have provided workers with a decent home and adequate community services. However, second homes are different in that they are not a residence, but an industry creating a demand for workers. Secondly, second homes drive up property values, including residential housing for workers. Because of this, it becomes especially important for elected officials and community planners to understand and estimate the secondary effects of second homes in tourist based economies. With this information, policies can be developed by local governments to provide for the social needs of citizens with each new development and to influence the growth in the economic drivers themselves. To ignore this information concerning second homes within Colorado rural resort region casts social and economic fates to the wind.

## **There is Much More!**

This summary is only meant to outline some basic information about the NWCCOG Second Home Study. Please visit our web page [www.nwc.cog.co.us](http://www.nwc.cog.co.us) for:

- Steering committee minutes
- Complete typologies for all of the counties
- Complete 2003 Mountain Resort Homeowner Survey results
- Economic Base Analysis – Executive Summary
- PowerPoint Presentations
- Spreadsheets
- Additional materials

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