

# How public entities can solve workforce housing in Colorado

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## **Consultant Introduction** **Kwame Spearman**

**“AS A COLORADO NATIVE AND PUBLIC SCHOOL GRADUATE, I’VE REALIZED AFFORDABLE HOUSING IS ESSENTIAL FOR OUR WORKERS”**

- 15+ years leading and advising organizations
- Education: Columbia University, Yale Law School and Harvard Business School
- 5 years at Bain & Company; former CEO and owner of Tattered Cover
- Deep roots in real estate
- Consulted for 13 school districts and municipalities on workforce housing

## Two Important Definitions & Distinction

### Affordable Housing

- Housing for individuals who are housing insecure, often job insecure, and reliant on subsidies for both development and long term affordability

### Workforce Housing

- Housing for individuals with full time employment, often in public sector roles, who still cannot afford to live and thrive in the communities they serve

**Today – we are going to solely focus on workforce housing**

# Colorado has a workforce housing crisis

- Short ~106K housing units
  - ~140K “affordable” rental units
- Mountains and Denver metro have high land values, while rural communities have a lack of inventory – both driving up prices
- Across the state, we lack supply of duplexes, townhomes, and small single-family units
- Median home sale price in 2025: ~\$622K
  - Median home sale price in 2015: ~\$285K
- Lack of starter homes



# Why workforce housing has been so tricky to solve

- Middle earners make too much to qualify for affordable housing – which has more subsidy
- And yet not enough money to save for starter homes in current market

Household Size	80% AMI	100% AMI	120% AMI	150% AMI
1	\$59,150	\$73,950	\$88,700	\$110,900
2	\$67,600	\$84,500	\$101,400	\$126,750
3	\$76,050	\$95,050	\$114,050	\$142,600
4	\$84,500	\$105,600	\$126,700	\$158,400



# The way to support workforce housing historically

- Traditionally, municipalities or other public agencies would create incentives to spur workforce housing development via:
  - Tax breaks and fee waivers
  - Land donations
- Developers would likely still need subsidies to achieve true workforce housing
- These subsidies would often invoke fair housing laws
  - Or if subsidies weren't obtained, projects would fail



# A New Path For Workforce Housing

- Now, municipalities and other public entities are beginning to solve their workforce housing problems by outright ownership of units

- Partnering with developers to build or going on the market to acquire units

To offer units as subsidized rentals and paths to ownership for their employees

# Public entities owning housing? This can't be a good idea!

Here are three things we've heard consistently:

1. Do our employees even want housing from their employer?
2. We shouldn't be in the housing business
3. We don't have the funding for housing
4. We do not have the internal resources & staff do this



myths



facts

# Employees want subsidized housing – even if you're their landlord

- The Keystone Policy Center (and me) did housing surveys of educators at 11 school districts

## *Our findings:*

- 58% of respondents interested in educator housing
- 80%+ of renters interested in housing
- Renters spending over 40% of income on housing
- Housing stress disproportionately reduces retention and affects job performance
- The problem is likely to get worse – as middle aged staff are unable to buy homes





# Housing can function as a double-digit, tax-free compensation increase

Housing Costs	Market Rate	Employer Housing	Difference
Monthly Rent	\$1,750	\$1,100	\$650
Annual Rent	\$21,000	\$13,200	\$7,800

Annual Salary	\$ 55,000.00
Annual Increase	\$ 7,800.00
Effective Compensation Increase (%)	14.2%



## Should you not be in housing *OR* property management?

- Entities can work with existing housing authorities or private property managers
  - Short term rental market has fueled private operators
- Expected costs run 10% of subsidized rental rates
- Public entity sets guidelines, rental rates, and policies
- Subsequently, property manager can then handle all interactions with employee renters
- Allows public entity to be an asset holder – and pass through lack of need for margin to employees

# Municipalities have access to cheaper cash and equity

*You can produce / acquire housing more efficiently because*

- Build housing on unused land (and conduct land swaps, sales)
- Can access impact investment & grants
  - Impact investments typically provide 1-3% interest rates with a balloon payment after a period of time
- Can leverage bonds and certificates of participation



# If you have demand, housing can be financially advantageous

- Subsidized rates reduce vacancy concerns
- Rental revenue – minus expenses can lead to positive operating income and a greater return than standard investment
- Should be margin left to repay debt (if needed)
- Building or acquiring housing diversifies and improves your balance sheet by creating a new asset class
- Housing enhances land value



# Case Study: Durango School District



- DSD passed a bond in 2024 – allocating \$20M to housing
- District engaged in 3 Phase Plan:
  - 1) Acquire existing real estate – completed 35-unit acquisition
  - 2) Partner with developers to create and own units – developer selection on 4/30
  - 3) Build homes on either district owned or donated land – TBD



<b>Estimated Net Rent + Garage + Storage + Utility Bill Back Income Projections</b>					
	Occupancy Percentage (%)				
	100.00%	98.00%	94.00%	90.00%	47.00%
Annually	\$372,723	\$358,751	\$330,805	\$302,860	\$2,447

**DSD created subsidized housing and cash flow at the same time**

- DSD now owns assets – thereby having the freedom to set policies and rental rates
- Outsourced policy guidance to staff to create lottery selection and other rules
- Partnered with a property manager to remove any day-to-day interaction



# Leverage Third Party Pre-Development Support to Answer Your Housing Questions

- **Better understand internal and external housing demand**
  - We want to gain insights into types of homes, how many units needed, and pricing (rentals vs. ownership)
- **Establish community-based partners**
  - Find other organizations that are equally interested in pursuing housing opportunities – especially for employees
- **Create support for infrastructure needs**
  - Create collaborations with the town, county, and state
  - Explore PRIs, debt instruments, and tax districts
- **Secure funding**
  - Create funding model off of home acquisition or rental
  - Help partners develop their own funding models
  - Leverage grant opportunities
- **Lead Developer Engagement**
  - Understanding how to best incentivize developers to minimize costs



# How you can help support workforce housing

- Assess whether by owning assets you can offer subsidized housing to your employees
- Empower your public entities to collaborate and participate in ownership to house their employees
- Fund pre-development work for these organizations (and yours) to understand demand, feasibility, and access capital



YOU  
can  
DO IT!

