

White Paper
for
Living Star Systems

Attainable Housing: Solutions and a Path Forward

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Executive Summary

For millions of Americans, the dream of home ownership is out of reach. A variety of reasons have brought us to this point---income to housing cost ratio, restrictions on development, low inventory of affordable housing (houses \$350k and under), lack of funding---to name only a few. The protections that were put into place for renters and homeowners during the Covid-19 pandemic are expiring, landlords are increasing rent, and interest rates for mortgages are so high as to be prohibitive. According to the Colorado Coalition for the Homeless, there has been a 130% increase in chronic homelessness in the last 10 years. It's a bleak picture, but there *are* solutions. They will require collaboration, nontraditional approaches, and funding from multiple sources.

Who Are the Missing Middle?

The Missing Middle can be any typical family, likely a two-income household. They often work in the services industries as secretaries, waitresses, teachers, etc. They make too much to qualify for financial assistance (government subsidies, for example), but not enough to be able to afford a monthly mortgage payment on a house (even though they may make more than the Average Median Income, or AMI).

The missing middle demographic encompasses both white people and people of color, with POC at a particular disadvantage, as they may not have access to generational wealth. Add to this group young professionals who, upon graduating from a university (with considerable debt) and embarking upon their career, find their rental options financially prohibitive and home ownership dreams completely out of reach.

Seniors over 60 can also be part of this group (add to that the challenges of aging in place safely and securely). They are part of the "Silver Tsunami" that is already here; 10,000 Baby Boomers turn 65 every day. On the other end of the age spectrum, it is also not unusual for GenXers and Millennials to move back in with their parents or cohabitate with several other renters in order to make ends meet.

So, what can be done? Currently, there are many conversations taking place around the housing crisis. Federal and state dollars have been committed so that implementation of solutions can begin. The timing is critical. Housing must not only be affordable---it must be attainable. Barriers to home ownership for the Missing Middle must be lowered. Inclusive economic prosperity must be fostered. Solutions must be based on a combination of individual and community needs but must also be focused on home ownership.

From a development/construction perspective, how can we strike the balance between a for-profit company's directive (make money) and the need to effect urgent change (do good)? Many nonprofits, organizations, companies and state/federal programs look at rentals when discussing the housing crisis. For the purpose of this white paper, Living Star Systems will be focusing on ways to enable the Missing Middle to own their own home. Since the 1920s, when the term was first coined, the American Dream has evolved to include whatever is recognized during that era

to represent the physical embodiment of life, liberty and the pursuit of happiness. This has almost always included home ownership.

Potential Solutions

There are some obvious approaches:

- Relax restrictions around tiny homes and tiny home villages
- Provide assistance in navigating the complex world of home ownership
- Allow more Accessory Dwelling Units (such as Mother-in-law cottages) to be built on lots that already have a house on it
- Legislation that requires developers to make a small percentage (10-15%) of their construction affordable (\$350k and under)
- Using nontraditional materials, such as shipping containers, that can be repurposed into affordable dwelling units

The Path to Implementation: Making Home Ownership an Attainable Reality

Living Star Systems has identified other opportunities as well:

- Redeveloping already existing buildings to transform them into live/work concepts, with business ownership on the bottom floor and “living above the shop” houses on top. Think abandoned or failing strip malls, defunct church properties or blighted areas. These artisan businesses and microenterprises will revitalize neighborhoods and transform urban blight, creating mini-downtowns and diversifying the tenant base. Their presence will directly affect the economy of that neighborhood, creating inclusivity and resilience.
- Create a small housing development that, through its design and construction, engenders a sense of community, safety, and security. Example: a cottage-style development for women over 60 that would include a communal building surrounded by a group of small homes with a footprint of 1200 square feet or less.
- Work with school districts (such as D14 in Manitou Springs) to develop the land the district owns for teacher housing
- Identify churches and civic organizations that are “sitting” on land

Can a construction company “do well while doing good”? We believe so, and this philosophy is at the heart of why Living Star Systems (LSS) was founded and is a cornerstone of our company culture. The need is obviously there and it’s a critical need that is set to only escalate. Going the opposite direction of developing for the sake of mega-profit (without care for community or the environment), our goal is to work collaboratively with other like-minded entities to help the Missing Middle realize their version of the American Dream. We want to build affordable homes, and help remove the barriers to attaining those homes. We know it's possible, and Living Star Systems is the kind of construction company that can make it happen, using a combination of redevelopment, infill, site/stick building, and nontraditional materials.

So, how can we do it, while making a (small) profit AND building an affordable (and attainable) home? Collaboration and creativity are key. We recently took a tour of the IndieDwell (indiedwell.com) facility in Pueblo. A modular construction company, IndieDwell's mission/values/vision closely align with Living Star System's company culture---it's a good fit. Modular homes are not a new concept, but historically they were not well built. Enter this new breed of energy efficient dwellings that better occupant health and well-being. Built to last with a small footprint and easy placement.

In this potential opportunity, Living Star Systems would serve as the general contractor for the project, overseeing the construction of the foundation of the modular building. Once the building is placed on the foundation, LSS would then hook up this energy efficient home, cladding it to blend in seamlessly with its environment (which would hopefully allay some of the objections from potential NIMBYs).

As mentioned above, other nontraditional building materials, such as shipping containers, and nontraditional developments such as tiny homes and cottages, are low hanging fruit that could be nimbly and quickly made into affordable, easily attained homes for certain sub-demographics of the Missing Middle.

Challenges

Funding: We have been researching, strategizing, and making strong connections in the affordable/attainable housing sector for close to two years. In our meetings, seminars, conferences, etc., we have identified these areas of potential funding:

- Federal/state housing programs
- Angel investors (who will have significant tax breaks available)
- Land Trusts
- Community Development Corporations
- Local government investment
- A creative mix of all of the above

We have met with people in the city planning departments and affordable housing departments in Colorado Springs. We have had in depth conversations with representatives from Manitou's city council and school board. We have established a strong connection with Elevation Land Trust in Denver; they stand ready to collaborate on a project. It is our immediate goal to meet with Colorado Springs' new mayor, who ran with affordable/attainable housing as a major plank in his campaign platform.

Land/Property/Opportunities for Redevelopment: We have identified several potential redevelopment opportunities in Colorado Springs, and a few in Manitou Springs. Redevelopment of these locations would not only result in affordable/attainable housing for the Missing Middle, but will also serve to revitalize neighborhoods, create and strengthen community, and upgrade areas of urban blight. Additionally, we have kept an eye out for infill areas, but those tend to go quickly in this profit-driven sector. Land is out there, but competition is fierce among those who

can more easily finance a development venture. We want to be strategic and intentional about finding our first project.

This is our search for the “sweet spot”: that one piece of land, or redevelopment opportunity, combined with the optimal mix of funding sources, that will allow Living Star Systems to get that first success story---that first family/professional/senior in a home that they are able to afford. To that end, we are working diligently to partner with the abovementioned entities to make our dream, and the attainment of the American Dream, a reality.

About Living Star Systems

David and Beth Coons, founders of Living Star Systems, offer a unique insight into the subject of attainable housing. David brings 30+ years of construction experience that spans commercial, residential, historic renovation and project management. Beth brings an entrepreneurial focus that blends three decades of cottage business ownership, community involvement and a sincere passion for architecture and design. Both met as a result of their mutual involvement with the opening of Seeds Community Café in downtown Colorado Springs. Seeds was a nonprofit that utilized a pay-what-you-can or volunteer concept to provide healthy meals to anyone regardless of their ability to pay.

It was the profound and enlightening experience of seeing firsthand the many faces of homelessness and the housing/food insecure that fueled their desire to use their unique skills as builders to make a difference---by putting people in homes of their own. As AI general contractors, Living Star Systems is perfectly positioned with the necessary skill set to approach small scale development and redevelopment in our changing community, while meeting the highest standards of social and environmental impact.

Conclusion

The timing is right; the lack of affordable and attainable housing is reaching a critical juncture. What is the tipping point? How do we help people in a way that creates stability, security, sustainability, and, most importantly, equity? Large scale developers do not have the heart or inclination for this cause. It will be small scale developers, ones who can move quickly and nimbly, shortening the timeline from concept to occupancy, who will lead the charge to effect lasting change.

Only partnerships that bring together all the resources, skills, and funding on one team will be able to accomplish this daunting task. Living Star Systems is only one component of the solution, but we have everything in place to collaborate and achieve the goal. It's not too late to change our course and invest in actions that will make the biggest difference for the most people and build stronger, more inclusive economies for our communities.

We are ready. It's beyond time to for us to do better as a society. Let's get to building!