

FRIDAY SESSION: 10:30–11:45 AM

The West's Evaporating Middle Class

10:30—11:45 a.m.

Friday, March 10, 2006

Sturm College of Law/Frank J. Ricketson Law Building

A sea change in the social structure is underway in the West as many communities experience dramatic growth in the ranks of the wealthy and a simultaneous influx of lower income residents. Meanwhile, the middle class experiences stagnant wages and evaporating opportunities. Presenters explore the social, environmental, and planning implications.

Moderator: **Eric Bergman**

Director

Office of Smart Growth, State of Colorado

Denver, Colorado

Panelists: **Elizabeth Garner**

State Demography Office

Department of Local Affairs

Denver, Colorado

Patty Silverstein

President

Development Research Partners

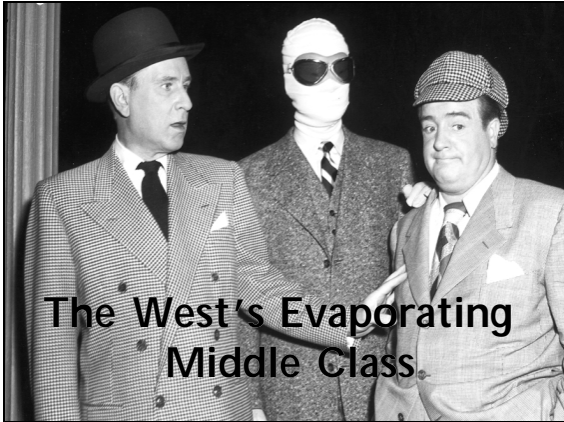
Littleton, Colorado

Gary Severson

Executive Director

Northwest Colorado Council of Governments

Silverthorne, Colorado



**The West's Evaporating
Middle Class**

**Department of
Local Affairs
Office of Smart Growth**



Smart Growth Workshops

**Office of Smart Growth
Website:**

www.dola.state.co.us/smartgrowth

OSG Listserv

Receive notices for workshops, trainings,
new publications, grant opportunities

Post local government RFQs/RFPs

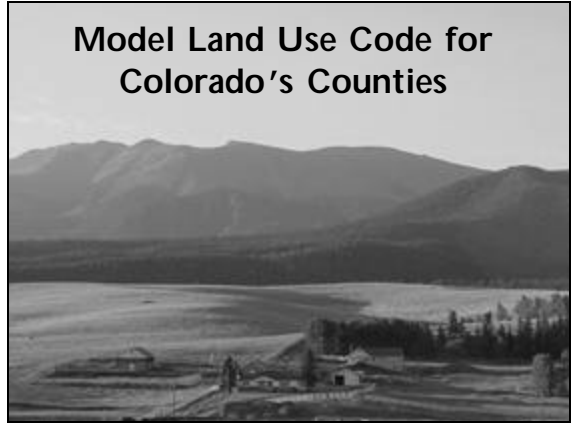
**Colorado Heritage
Planning Grants**

- Regional and multi-jurisdictional
- Innovative projects that could serve as models for other areas
- Target high-growth regions
- Address impacts of growth

**Model Land Use Code for
Colorado's Small Communities**



**Model Land Use Code for
Colorado's Counties**



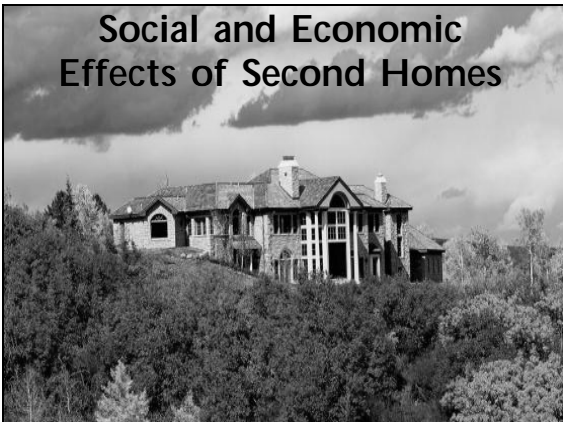
**Wildland Fire and Fuel
Management Plan**



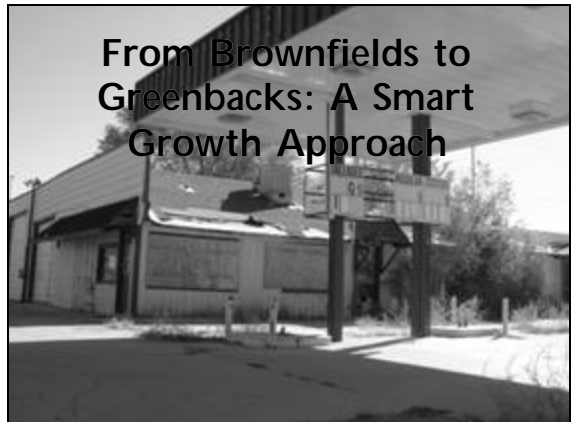
**Water Efficient
Landscape Design**



**Social and Economic
Effects of Second Homes**



**From Brownfields to
Greenbacks: A Smart
Growth Approach**



Let's Meet Our Contestants!

Elizabeth Garner

State Demographer,
Colorado Department
of Local Affairs

Gary Severson

Executive Director,
Northwest Colorado
Council of Governments

Patricia Silverstein

President,
Development Research
Partners

Colorado Demography Office

www.doja.colorado.gov/demog/

- **State Agency**
 - Responsible for population data needed by state agencies.
- **Department of Local Affairs**
- **Decennial Census support and use**
- **Estimates**
 - annual population totals by county / municipality.
- **Forecasts**
 - Expected population totals and those by age and gender in the future by county.

OUTLINE

- What is “Middle Class”
- Is there a problem if it disappears?
- What do data imply for Colorado
- What are the factors influencing the data
- Income vs. Costs
- Conclusions

What Is Middle Class?

- No official definition
- In terms of income distributions
 - Middle 20%
 - Inequality between income groups
 - Wealth Issue – not in the data.
- Sociological or Economic – ability to meet needs.

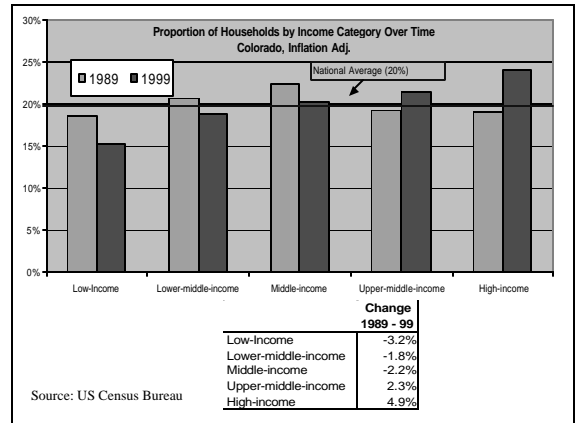
Is There a Problem if the Middle Class Disappears?

- First Question: where did they go?
 - Did they leave completely? – U - curve
 - Did they move up? or
 - Did they move down

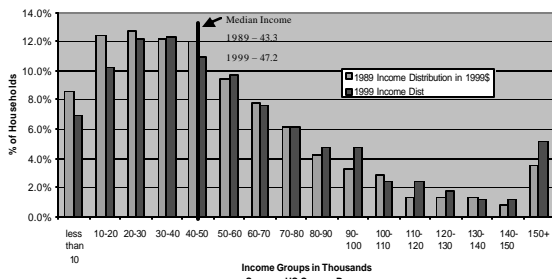
Is There a Problem if the Middle Class Disappears?

- Struggling city neighborhoods lack positive role models for children.
- Key middle income workers like police officers, nurses and teachers lose connection to the communities they serve.
- Lack of a stepping stone - makes the work of moving people out of poverty more difficult.
- Important part of the fiscal base.
- Civic engagement.
- Bridge between concerns of low and high income households.

Source: Brookings Institution – Metropolitan Policy Program



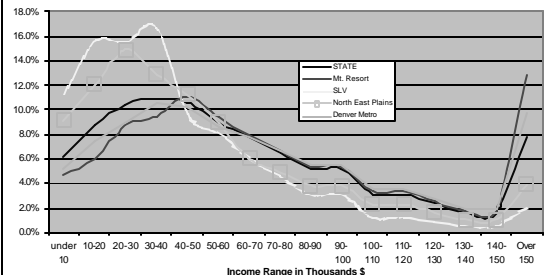
Proportion of CO Households by Income Group in 1999\$



Distribution of Household Income by Region

2005 Estimate

Source: Colorado Business and Economic Forecasting, 2005



Income Inequality

- Degree of income inequality can be measured using a “Gini Coefficient” that ranges from 0 to 1 (perfect equality – perfect inequality)
- Colorado in 1999 Gini = .439 ranked 22 of 50 states
- US in 1999 Gini = .459
- Best was Alaska and Utah at .408 and .409
- Worst was New York and Louisiana at .488 and .476
- Range in Colorado was .37 in Douglas to .496 in San Miguel

Source: Garner, E. H and J. B. Eckert, 2003. “Income Inequality in Colorado”, Cooperative Extension Service, Colorado State University, Fort Collins.

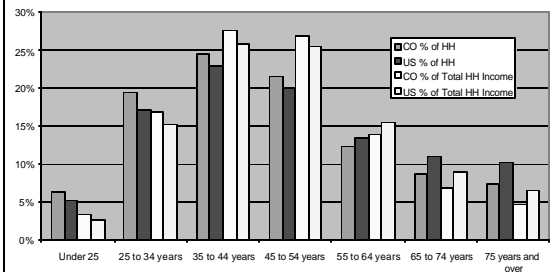
Income Inequality

- Highest levels of inequality were counties with high concentrations at the lowest income levels and with bi-polar income distributions (concentration of households at low and high income levels)
- High inequality may indicate
 - unequal access to land or other capital,
 - a discriminatory labor market,
 - barriers to social mobility,
 - unequal educational achievements.

Factors Influencing Income Distributions in Colorado

- Age Structure
- Occupational Structure
- Educational Attainment

Distribution of Households and Income by Household Age Group, 1999



Source: Census 2000

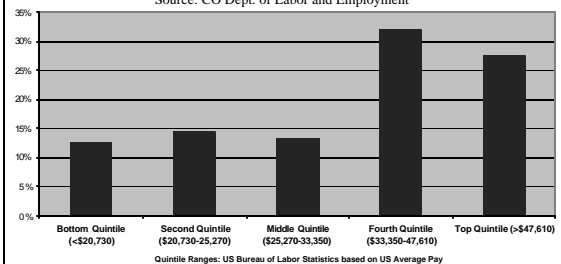
Age Structure

- Currently fewer older households
- More households in the highest earning age groups
- Similar through Western US
- Future aging of the “baby boomers”
- Wealth effect

Occupational Structure

Colorado Jobs by Average Pay in 2004

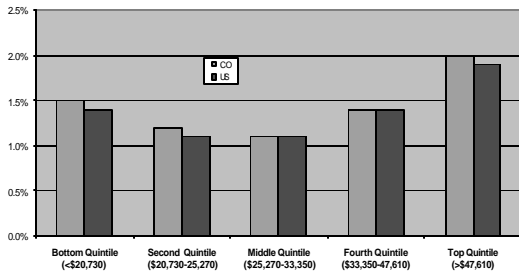
Source: CO Dept. of Labor and Employment



Occupational Structure

Projected Annual State Job Growth, 2002-2012, by Average Pay in 2002

Source: Federal Reserve Bank of Kansas City, 2005



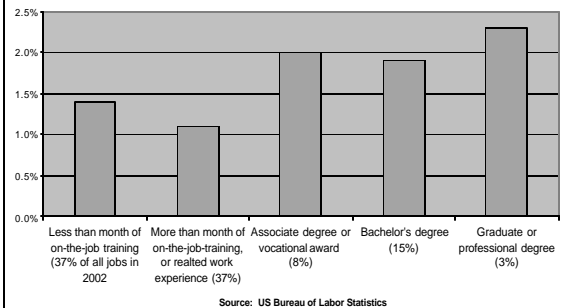
Occupational Structure

- BLS projection of continued shift out of ag. and goods-producing into service-producing
 - High tech.
 - Business services
 - Health and social services
- Concentration of jobs at higher wage rates.
- Growth projected at both the higher and lower ends of pay range.
 - Software and computer design industries
 - Tourism
- High wage jobs create low and middle wage jobs
- Potential to increase income inequality

Educational Attainment

- CO was ranked top 3 in 2000 in US for educational attainment.
- Higher education - higher wage.
- Future Demand – Bureau of Labor Statistics
 - Complex thinking
 - Complex communication skills
 - 9 of 15 occupations projected to grow fast require a vocational award or higher

Projected Annual US Job Growth, 2002-12, By Primary Ed. Requirements of Jobs in 2002



Educational/Skills Attainment

- Will supply of high skilled workers keep up with demand?
 - If not wages could be pushed further up.
- If the supply of workers at the mid and lower levels of the pay scale exceed demand
 - Wages could be held back.
- Education and workforce training/retraining
 - Allowing for wage growth throughout pay scale

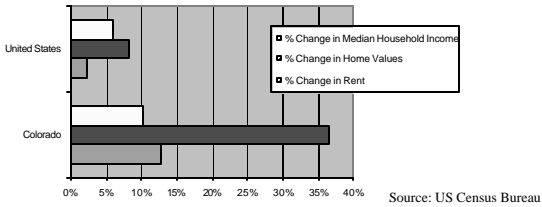
“Middle Class Lifestyle” Costs of Living

- Housing is single largest component of consumer expenditures at about 30%
- At the median household income of \$47K in 1999, over 35% of the households were spending more than 30% of their income on housing - Census
- Over one third of the counties are in situations where the income required to buy the median valued home is greater than the median household income - Census

Between 1990 and 2000 (inflation adjusted)

- Median home value increased 37% (ranged from declines to over 100% by county)
- Gross rent increased 13%
- Household income increased 10%

Change in Median Household Income vs. Change in Home Values and Gross Rent from 1990 to 2000 (adjusted for inflation)



Median HH as a % of HH income needed to afford median home, 2000

Larimer	98%	San Juan	79%
Delta	96%	La Plata	78%
Gilpin	94%	Custer	75%
Mineral	92%	Routt	74%
Elbert	90%	Summit	72%
Clear Creek	90%	Eagle	71%
Garfield	86%	Gunnison	70%
Denver	84%	Ouray	60%
Archuleta	83%	Hinsdale	58%
Grand	83%	San Miguel	55%
Boulder	82%	Pitkin	41%
Chaffee	80%		

Is it a coincidence that the least affordable counties are in the mountain resort and scenic mountain areas?

Findings

- The middle class has shrunk but it has become upper-middle class
- Income inequality
 - poverty concentrated
 - bi-polar.
- Factors influencing income distribution (age and occupational structure current and future)
 - Education and workforce development.
- Costs - Housing
 - Jobs - housing mix (housing for all wage ranges)
 - Second homes.
 - Retirees / "baby boomers"



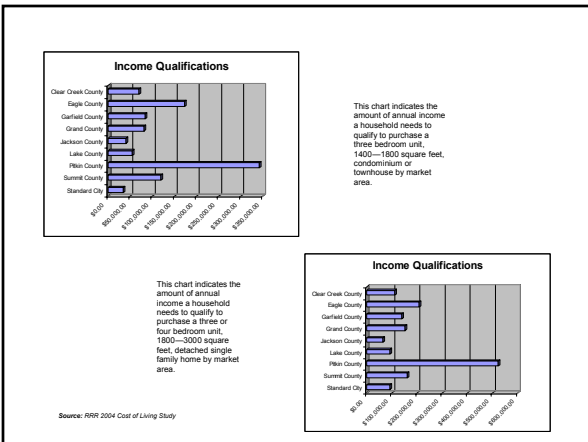
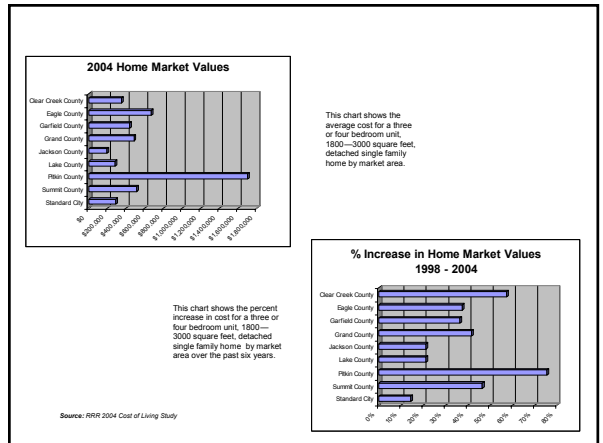
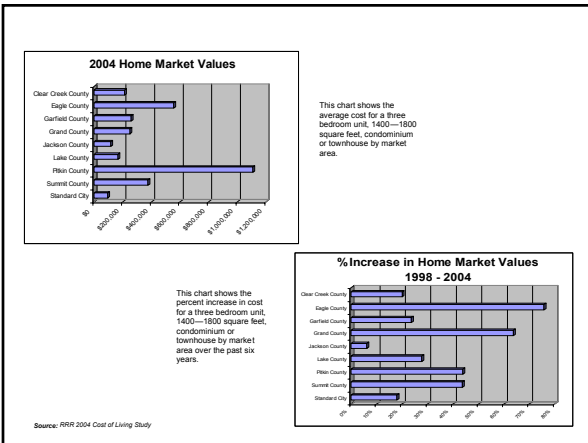
**RURAL RESORT REGION IS A 501(c) (4)
COLORADO CORPORATION ADMINISTERED BY:**

Northwest Colorado
COUNCIL OF GOVERNMENTS

Please direct comments or questions regarding the 2005 Benchmark Report to:

Northwest Colorado Council of Governments
PO Box 2308
Silverthorne, CO 80498
970-468-0295

Additional information may be found on the NWCCOG web site at
<http://nwc.cog.co.us>



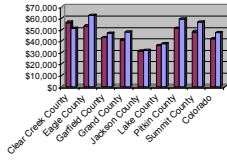
REGIONAL EARNING STATISTICS

Median Family Income is calculated for groups living together in one housing unit who are all related to each other.

Median Household Income is calculated for groups living together in one housing unit who are not related (i.e. includes roommates).

	Median Family Income	Median Income of married couple family	Number of children living in Poverty (as defined by the US Census)	% of children living in poverty
Clear Creek County	\$51,400	\$65,066	140	5.82%
Eagle County	\$58,228	\$73,584	628	6.82%
Garfield County	\$53,840	\$67,826	956	6.10%
Grand County	\$55,917	\$67,324	209	7.95%
Jackson County	\$37,361	\$40,795	89	22.52%
Lake County	\$41,852	\$44,668	323	15.60%
Pitkin County	\$75,048	\$81,693	107	4.40%
Summit County	\$66,014	\$73,666	162	4.32%
Colorado	\$55,953	\$62,481	115,628	10.82%

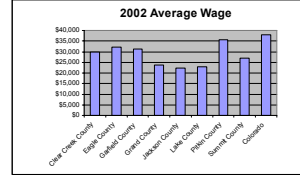
Median Household Income



	1995	2000
Clear Creek County	\$56,361	\$56,997
Eagle County	\$53,159	\$52,699
Garfield County	\$43,251	\$47,019
Grand County	\$40,812	\$47,759
Jackson County	\$31,238	\$31,621
Lake County	\$36,072	\$37,691
Pitkin County	\$51,133	\$50,379
Summit County	\$48,248	\$56,587
Colorado	\$42,073	\$47,203

Source: Census 2000

AVERAGE WAGE



	1996	1999	2002	% of state
Clear Creek County	\$23,112	\$27,327	\$28,788	78.30%
Eagle County	\$24,200	\$28,586	\$30,084	84.40%
Garfield County	\$23,369	\$27,584	\$31,252	82.22%
Grand County	\$17,874	\$20,351	\$23,712	62.95%
Jackson County	\$18,838	\$19,489	\$22,412	60.35%
Lake County	\$20,134	\$20,783	\$22,984	60.47%
Pitkin County	\$25,578	\$30,065	\$35,778	94.13%
Summit County	\$19,838	\$24,065	\$28,832	70.59%
Colorado	\$28,511	\$34,189	\$38,012	100.00%

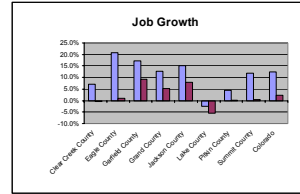
Source: 2000 Census, ESN2 Data, Department of Labor and Employment



2002 AVERAGE WAGE IN TOP 5 JOB CATEGORIES IN THE RURAL RESORT REGION

County	Industry	Average Employment	Average Annual Wages
Clear Creek County	Construction	713	\$49,920
	Retail Trade	250	\$18,772
	Real estate and rental and leasing	46	\$15,200
	Accommodation and food services	467	\$14,456
	Government	695	\$12,757
Eagle County	Construction	4,315	\$42,456
	Retail Trade	2,483	\$28,122
	Real estate and rental and leasing	518	\$33,480
	Accommodation and food services	3,127	\$28,449
	Government	4,499	\$25,305
Garfield County	Construction	3,134	\$38,148
	Retail Trade	2,974	\$25,119
	Real estate and rental and leasing	418	\$39,235
	Accommodation and food services	2,296	\$13,624
	Government	3,973	\$32,758
Grand County	Construction	724	\$42,768
	Retail Trade	700	\$21,098
	Real estate and rental and leasing	430	\$32,764
	Accommodation and food services	1,825	\$13,888
	Government	1,513	\$30,160
Jackson County	Construction	20	\$26,936
	Retail Trade	38	\$11,024
	Real estate and rental and leasing	9	\$0
	Accommodation and food services	188	\$17,924
	Government	154	\$25,512
Lake County	Construction	154	\$36,512
	Retail Trade	35	\$17,613
	Real estate and rental and leasing	245	\$35,712
	Accommodation and food services	223	\$24,907
	Government	1,298	\$44,304
Pitkin County	Construction	1,889	\$36,389
	Retail Trade	926	\$33,844
	Real estate and rental and leasing	4,148	\$22,100
	Accommodation and food services	464	\$14,704
	Government	1,830	\$41,528
Summit County	Construction	1,264	\$33,844
	Retail Trade	1,825	\$41,528
	Real estate and rental and leasing	3,303	\$35,264
	Accommodation and food services	1,911	\$14,704
	Government	1,981	\$32,064

JOB GROWTH

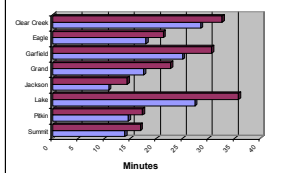


Source: Colorado Department of Labor and Employment

	1996	1999	1996-1999 % Change	2002	1999-2002 % Change
Clear Creek County	2,796	2,988	7.2%	2,900	-0.27%
Eagle County	22,812	27,307	20.8%	27,569	1.03%
Garfield County	15,487	18,762	17.3%	19,830	9.18%
Grand County	5,724	6,452	12.7%	6,795	5.16%
Jackson County	442	467	5.2%	547	7.89%
Lake County	2,083	2,032	-2.4%	1,921	-6.46%
Pitkin County	14,929	15,932	4.4%	15,814	0.21%
Summit County	19,459	18,440	-11.8%	18,923	0.45%
Colorado	1,873,728	2,105,286	12.4%	2,154,018	2.31%

Source: ES202 Data, Department of Labor and Employment

Travel Time to Work



Legend: 1990 (dark blue), 2000 (light blue)

County	Number of Workers				Travel Time (Minutes)			
	1990	2000	1990-2000 # Change	1990-2000 % Change	1990	2000	1990-2000 # Change	1990-2000 % Change
Clear Creek	4,222	5,556	1,333	31.5%	28.4	32.8	4.3	14.4%
Eagle	11,150	25,000	13,850	124.2%	18	21.3	3.3	18.3%
Garfield	14,750	22,540	7,790	52.8%	29	30.6	1.6	22.4%
Grand	4,814	7,243	2,429	50.2%	17.8	24.2	6.4	35.7%
Jackson	804	769	-35	-4.3%	10.8	14.4	3.6	33.3%
Lake	2,983	3,951	970	32.7%	27.4	35.8	8.4	30.7%
Pitkin	4,418	7,284	2,866	64.9%	14.8	17.2	2.4	16.2%
Summit	8,521	15,593	7,072	83.1%	13.4	16.2	2.8	21.6%
Total	57,305	90,593	33,288	58.1%				

NUMBER OF WORKERS PARTICIPATING IN THE WORKFORCE

	1990	2000	1990-2000 # Change	1990-2000 % Change
Eagle	13,156	25,020	11,864	90.2%
Clear Creek	4,225	5,568	1,343	31.6%
Garfield	14,756	22,540	7,784	52.8%
Grand	4,810	7,328	2,518	52.0%
Jackson	804	769	-35	-4.3%
Lake	2,985	3,951	970	32.7%
Pitkin	4,175	8,463	4,288	102.5%
Summit	6,990	15,999	9,009	128.9%
Total	57,305	90,593	33,288	58.1%

Source: Census 2000

NUMBER OF WORKERS COMMUTING OUT OF THEIR COUNTY OF RESIDENCE TO WORK

County	Out of County				Out of County			
	1990	2000	1990-2000 # Change	1990-2000 % Change	1990 % of Total	2000 % of Total	% Change	% of Total
Eagle	2,291	3,814	1,523	66.5%	17.4%	15.2%	-12.6%	15.2%
Clear Creek	2,182	3,131	949	43.5%	51.6%	58.4%	14.3%	58.4%
Garfield	3,155	5,954	2,799	88.7%	21.4%	29.4%	37.4%	29.4%
Grand	312	893	581	186.2%	6.8%	12.2%	78.8%	12.2%
Lake	33	59	26	66.7%	4.1%	7.0%	70.5%	7.0%
Jackson	1,278	2,065	787	61.8%	42.7%	52.1%	21.5%	52.1%
Pitkin	697	841	144	20.7%	8.5%	8.9%	5.9%	8.9%
Summit	528	919	391	73.3%	6.1%	6.7%	10.0%	6.7%

Source: Census 2000



The West's Evaporating Middle Class
 15th Annual Land Use Conference
 Rocky Mountain Land Use Institute
 March 10, 2006
 Gary Severson, Executive Director
 Northwest Colorado Council of Governments

Middle-class is difficult to define on a universal level, but a definition advanced by Tucker Hart Adams, a Colorado Springs-based economist, and paraphrased by me, seems to be applicable in the rural resort region of Colorado:

Working people who earn enough to handle the basics of life with a little left over.

Kathy Williams, the Director of the Colorado Division of Housing and the co-chair of the Colorado Blue Ribbon Panel on Housing describes the middle-class as:

Teachers, Tellers, and Cops

The middle-class includes those that teach our kids, safeguard our money and protect our streets. In other words, those people who make our communities work.

In the resort areas of Colorado, a better description of the fate of the middle-class may be the:

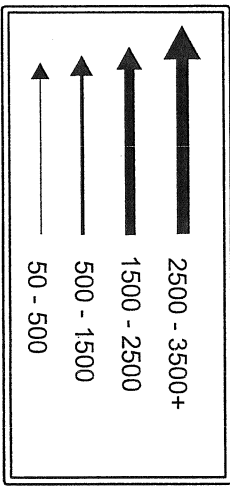
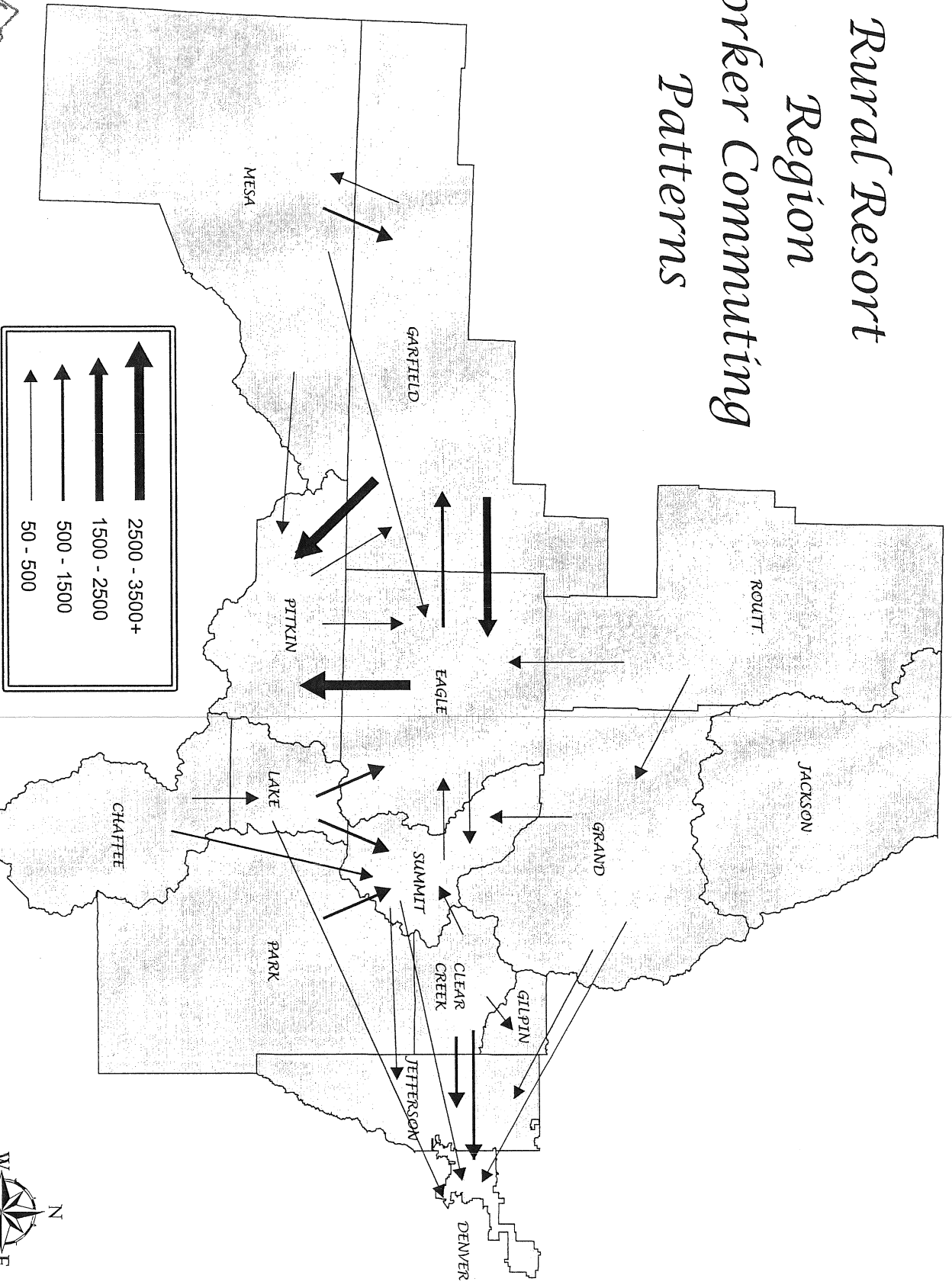
Rural Resort Region's Displaced Middle Class

The displacement of the middle-class in places like Aspen, Vail, and Breckenridge can be directly attributed to the cost of housing. Let the numbers do the talking:

	Average Housing Cost*	Income to Qualify	Average Wage	Median Family Income	Median Household Income
<u>Net Labor Importer</u>					
Eagle County	\$640,000	\$200,000	\$32,084	\$68,226	\$62,682
Pitkin County	\$1,700,000	\$510,000	\$35,776	\$75,048	\$59,375
Summit County	\$500,000	\$160,000	\$26,832	\$66,914	\$56,587
<u>Net Labor Exporter</u>					
Clear Creek County	\$310,000	\$110,000	\$29,796	\$61,400	\$50,997
Garfield County	\$400,000	\$130,000	\$31,252	\$53,840	\$43,281
Grand County	\$450,000	\$150,000	\$23,712	\$55,217	\$47,759
Lake County	\$250,000	\$85,000	\$22,984	\$41,652	\$36,072

*2004 Average Home Market Values for an 1,800 to 3,000 sq. ft. Detached Single Family Home

Rural Resort Region Worker Commuting Patterns



Created by: NWCCOG GIS
June 2003
Source: US Census 2000