ELEVATE LONGMONT

2021 State of Industry REPORT

LONGMONT
ECONOMIC DEVELOPMENT PARTNERSHIP

Table of Contents

Introduction

About Longmont EDP

Longmont Economic Development Partnership's mission is to lead a comprehensive, collaborative economic development strategy to promote and strengthen our community's economic health.

A 501c(6) non-profit organization, Longmont EDP exists to help build and maintain a vibrant economy, and to help Longmont achieve its full potential for growth, prosperity, and inclusion.

Longmont EDP is a true public/private partnership, a networked organization bringing the resources of the public and private sectors to bear to create a collective impact on our shared economic future. Through this model, we are free to use creative approaches to economic development leveraging the time, talent, and treasure of both the public and private sectors to make sure Longmont becomes the best version of itself.

About the ELEVATE Survey

ELEVATE Longmont is Longmont EDP's business retention and expansion program. Longmont EDP offers many services for existing primary employers including providing data insights & reports, incentive negotiations, administration of the North Metro Enterprise Zone, the City Leadership program, site selection services, and advocacy.

Part of Longmont EDP's efforts to promote a strong local economy includes contacting all of the Longmont area's existing primary employers on a yearly basis to ENGAGE, LISTEN, EDUCATE, VALUE, ACKNOWLEDGE, TELL THE STORY and EXECUTE, through the ELEVATE program: the survey, Executive Roundtable discussions, and the State of Industry Report. The goal of these efforts is to identify industry trends, gather strategic intelligence, address concerns, identify new opportunities, and offer support. The results are used to inform Longmont EDP's future programs, initiatives, and policies.

The ELEVATE survey would not be possible without the support of the ELEVATE Longmont Committee, a group of dedicated volunteers who helps the Longmont EDP reach out to primary employers, administer surveys, and engage business leaders in meaningful conversations that allow us at Longmont EDP to undertake truly impactful economic development initiatives. We are especially grateful for their participation this year, when, against a backdrop of upheaval, change, and challenge, they gave us so much of their time and energy. Thank you to the 2021 ELEVATE Longmont Committee.

ENGAGE | LISTEN | EDUCATE | VALUE | ACKNOWLEDGE | TELL THE STORY | EXECUTE

Executive Summary

This year's ELEVATE survey was a significant departure from previous years. With the COVID-19 pandemic raging throughout 2020, we felt it was necessary to adopt a different approach. As so many businesses were impacted by the pandemic, the 2021 survey was significantly shortened and provided to all 234 primary employers through email, instead of being administered by volunteers in person. This shorter version of the survey was supplemented by a series of Executive Roundtables. These conversations were facilitated by our ELEVATE Longmont Committee, and allowed us to gather meaningful, qualitative data directly from primary employers themselves.

This report summarizes the data gathered from 42 surveys and 14 participants across 4 roundtables. Normally, our goal is to receive surveys from 25% of our primary employers; due to the pandemic and the change in our approach, we missed this mark in 2021 with a response rate of approximately 18%. As such, this year's report is buttressed with significant third party data taken from a variety of authoritative data sources: EMSI, mySidewalk, ESRI, Catylist Research, the US Census Bureau, the Bureau of Economic Activity, the Bureau of Labor Statistics, and others.

In addition to sharing this data, this report further engages with some of the toughest challenges Longmont's primary employers are facing both before and in the wake of this unprecedented public health crisis. The labor shortage that is affecting employers nationwide has been termed "The Great Resignation" as more Americans quit their jobs and leave the labor force. Lower-wage positions are proving particularly hard to fill, and in a community like ours, with a higher-than-average cost of living and a runaway housing market, these positions are likely to remain challenging to fill for some time to come.

The housing market is the single greatest challenge to the growth and prosperity of our community. According to the most recent data from the National Realtor's Association (Q3 2019), the Boulder MSA scored 168 out of 174 on the Housing Affordability Index, making it the eighth most expensive metropolitan housing market in the entire country. The Bureau of Labor Statistics estimates that in 2021, the median household income in Longmont is $77,030, yet, in September 2021, the median sales price for a single-family home was $582,000. The American Community Survey (ACS) 5-year estimates (2015-2019) suggest that median home rent in Longmont was $1,340 per month, while the median income for renter-occupied dwellings was $48,333 annually. It should come as no surprise that the ACS 5-year estimates also indicate that 31.3% of Longmont households are considered cost burdened—meaning more than 30% of their monthly income goes to cover housing costs. This is higher than both the state of Colorado (28.4%) and the national rate (27.1%); not to mention that these numbers predate the pandemic that plunged the global economy into turmoil from which we have yet to fully recover. In this pivotal moment for Longmont's economy, the negative impact of the housing market on talent attraction, workforce retention, and the prosperity of the city simply cannot be overstated.

And yet, despite myriad difficulties we all faced in 2020 and 2021 as we lived and worked through a historic health crisis, the 2021 ELEVATE survey and State of Industry Report highlight just how much our community has to be thankful for and proud of. The economic indicators show that the post-pandemic recovery is well underway in Longmont. Our labor force is at an all-time high, unemployment is dropping, company earnings are up across all sectors, and the changing economic landscape in the US has opened up new markets from which we are able to attract the kinds of talent needed by our four target industry clusters. The average annual wage paid by Longmont primary employers is almost $10,000 more than the national average annual wage.

This report attempts to knit together these two divergent truths; on the ELEVATE survey, the top advantage of doing business in Longmont that primary employers identified was our quality of life, and the next question found that the cost of living was tied for the top disadvantage. At Longmont EDP we are continuously working with our partners throughout the community and across the region to address the latter while rigorously upholding the former. This is why our economic development strategy, Advance Longmont 2.0, focuses on three dimensions—growth, prosperity, and inclusion—for assessing our economic and community impact.

We have a lot of work to do, but if we work together, the future will be bright..

Note on Data Sources

A multitude of data sources were compiled for use in this report. Government-provided data are used when possible, but a variety of third-party sources' proprietary data have also been used—EMSI, ESRI, CoStar, Colorado Association of Realtors, and Catylist—in addition to several market research reports and outlooks, including Leeds School of Business's *Colorado Business Economic Outlook 2022*, *PwC's 2022 Emerging Trends in Real Estate*, Civistruct Strategy & Development's *Longmont Area Market Assessment* from Q1 2021, JLL Research's Q3 2021 U.S. Outlook reports for both the office market and the industrial market, and the COVID Special Report by Metro Denver EDC, among others. These all represent authoritative sources, but there is, at times, noticeable disagreement between them. Methodologies vary by database and from one government agency to the next. Therefore, where possible, data was taken from a single source for each table and chart.

Further, this report prioritizes data from 2020 and 2021 in order to show the impacts of the pandemic and the state of recovery efforts; using more recent data required consulting multiple databases with diverse specialties. Additionally, larger margins of error exist for smaller geographies; while national and state-level data have margins of error less than 0.5%, the Boulder MSA and the City of Longmont have margins of error upwards of 2.5%. For these reasons, different data may not fully align, especially across different sources. For smaller geographies, data should be read as estimates and indicative of trends, not absolute numbers.

Economic Indicators

It goes without saying that the single greatest factor impacting Longmont's economy over the past two years has been the COVID-19 pandemic. In addition to the toll that the pandemic took on each of us as individuals, it also had significant implications for industry. From supply chain disruptions, to adapting business models and sales channels, to an increasingly online environment, to ensuring the health and wellbeing of an entire workforce—2020 and 2021 were some of the hardest on businesses since the end of the Great Recession in June of 2009. While a special spotlight section will delve into the impacts of COVID-19 on Longmont's four primary industry clusters, it would be impossible to neatly cleave a discussion of the pandemic's impacts on our primary businesses from any assessment of Longmont's economy in 2020 through the third quarter of 2021. This section will attempt to consider these changes, for better and for worse, within a larger context, as we consider past trends and look to the future.

Gross Regional Product

Gross Regional Product (GRP)[i] measures the final market value of all goods and services produced in a region; when considered in conjunction with job growth, GRP provides additional depth to our understanding of industry growth in a given period. In 2019, EMSI began calculating the GRP at the zip code level, making it possible to assess GRP data for cities. In considering trends prior to 2019, however, it is necessary to examine the data at the county- or MSA-level.

Unsurprisingly, Longmont's GRP decreased between 2019 and 2020, from $6.6B to $6.4B. The GRP also decreased for the Boulder MSA, Colorado, and the nation as a whole. Longmont experienced a slightly greater decrease of 2.6% when compared to these other geographies.

Gross Regional Product, 2019-2020

	2019 GRP	2020 GRP	Y-O-Y Change %
Longmont	$6,620,227,534	$6,448,827,391	-2.59%
Boulder MSA	$30,107,045,744	$29,669,198,323	-1.45%
Colorado	$390,285,592,044	$382,506,083,898	-1.99%
United States	$20,916,033,592,223	$20,489,915,801,770	-2.04%

EMSI Q3 2021 Input-Output Data

While the GRP decreased, industry earnings actually went up by 1.7%. The main cause for the decline in GRP for Longmont was the increase in the number of subsidies, which ballooned from $15.3M in 2019 to $198.7M in 2020, as a result of attempts to offset the negative effects of the pandemic on businesses.

Gross Regional Product for Longmont, 2019-2020

	GRP	Earnings	Property Income	Taxes	Subsidies
2019	$6,620,227,534	$4,311,894,982	$1,877,981,540	$445,667,454	($15,316,442)
2020	$6,448,827,391	$4,385,019,509	$1,834,678,975	$427,801,488	($198,672,581)

EMSI Q3 2021 Input-Output Data

In fact, earnings for Longmont increased at a higher rate than they did for the Boulder MSA, which experienced a year-over-year earnings increase of 1.2% across all industries. Longmont underperformed Colorado, which saw a 2.7% increase in earnings, and the US, which saw a 1.8% increase.

The decrease in GRP at every level in 2020 should be considered an outlier, the product of significant challenges posed by the pandemic, especially through the second quarter of 2020. The fact that total industry earnings increased in such a year is a positive indicator, and is consistent with the growth trends experienced by the region (both the Boulder MSA and the state) in previous years. Though data for Longmont isn't available prior to 2019, by looking at year-over-year GRP growth for the Boulder MSA and Colorado for the past five years, there is a nearly consistent trend of growth that outpaces the national GDP growth rate (with the exception of the Boulder MSA in 2015-2016).

Year-Over-Year GRP Growth Rates

	Boulder MSA	Colorado	USA
2015-2016	2.29%	2.94%	2.70%
2016-2017	5.61%	5.94%	4.21%
2017-2018	5.82%	6.11%	5.34%
2018-2019	8.71%	5.58%	4.08%

EMSI Q3 2021 Input-Output Data

Comparing the pandemic impacts on GRP to those of the Great Recession yields another positive indicator. In the years 2008-2009, GRP for the Boulder MSA declined by 4.7%, with earnings plummeting by 5.3%. Colorado's GRP and earnings fell 2.8% in the same period. Colorado's GRP recovered two years later, rising to pre-Recession levels by 2010; in the Boulder MSA, however, both earnings and GRP didn't recover until 2011. The fact that 2020 saw an increase in earnings across the board is a strong indicator that we can expect Longmont's GRP to grow in 2021.

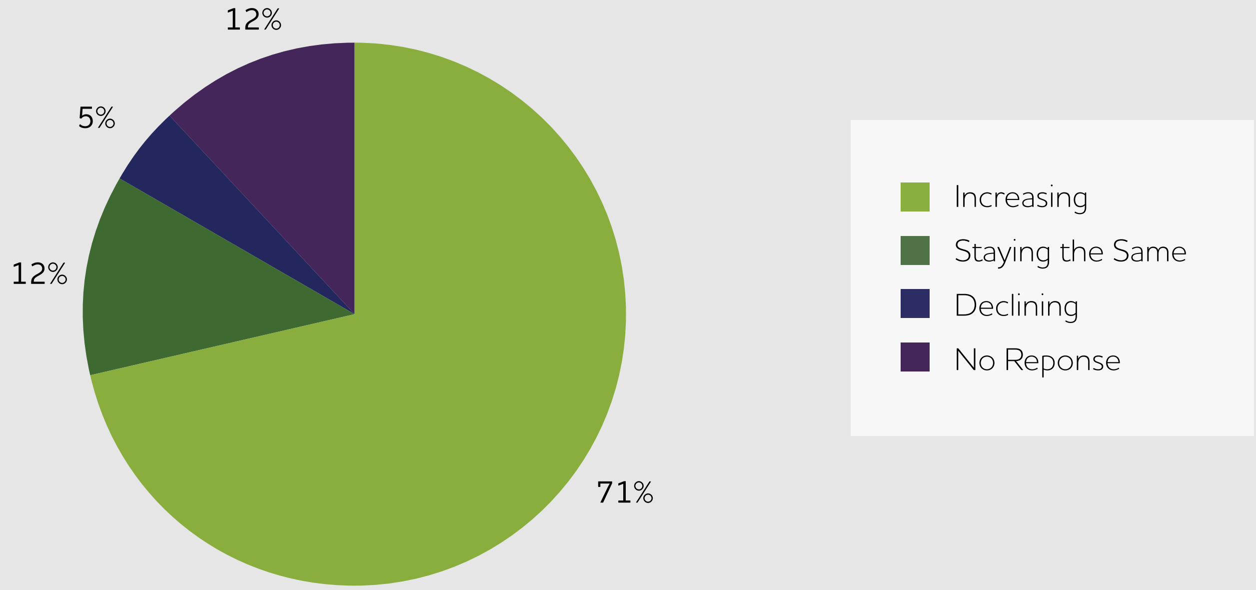
How much growth can we reasonably expect in GRP for 2021? With continued disbursement of subsidies and ongoing supply chain disruptions, Longmont's GRP will likely experience only modest growth in 2021. Of Longmont's four target industry clusters, Food & Beverage and Smart Manufacturing have been among the most negatively affected by the pandemic, not only by shutdowns and other operational disruptions in the early days of the pandemic, but also by ongoing issues such as inflation, labor shortages, and supply chain issues.

Conversely, businesses in the Knowledge Creation & Deployment and Business Catalysts clusters have generally fared quite well during the pandemic, with some even flourishing in the new business landscape. Knowledge Creation & Deployment includes businesses engaged in developing products needed to combat the coronavirus, including components for vaccines, testing, PPE, and medical equipment. Companies in the Business Catalysts cluster employ many knowledge workers, one of the easiest groups to transition to remote work, and much of the cluster is made up of companies in the professional services sector, which do not rely as heavily on goods and physical resources—which may be subject to supply chain disruptions and inflation—in order to make a profit.

The pandemic has shown the importance of having a diverse industry mix at the local level, especially those that bring new dollars into the community. Industries that continue to grow in the face of an economic crisis help to protect the regional economy from collapse. Because Longmont has made the investment to identify and strengthen our four distinct primary industry clusters, it is likely that Longmont will see a rise of at least 2% in GRP in 2021, despite lingering impacts from the pandemic.

This somewhat rosy outlook is echoed in the 2021 ELEVATE survey responses. When asked about revenue and profitability trends at Longmont-based facilities over the next two years, 71% of respondents said that revenue and profitability were increasing, while 12% reported that they were staying the same. Another 12% selected "No Response," while only 5% reported declining revenues and profits. If these trends are broadly applicable to Longmont's primary industry base, which accounts for over 25% of the GRP in the region, it would contribute to a general upward trend between now and 2023.

Revenue and Profitability Trends, 2021-2023



ELEVATE 2021 Survey

Labor Force

While Longmont's GRP fell only 2.6% between 2019 and 2020, Longmont's labor force suffered a much more significant impact as a result of the pandemic. Employers certainly felt the pinch. In surveys submitted between January and April of 2021—after the initial leveling off of the unemployment rate in the second half of 2020 but before Texas A&M professor Anthony Klotz coined the term "The Great Resignation"—respondents on the ELEVATE survey clearly conveyed their struggle to attract, train, and retain skilled talent.

Top Three Workforce Challenges for Longmont Companies, 2021

ELEVATE 2021 Survey

According to EMSI, total regional employment decreased 5.3% between 2019 and 2020, a loss of approximately 3,048 jobs. At the height of the shutdown, in April 2020, employment in Longmont had dropped to 46,035, down 13.25% from 53,067, in April of 2019, according to the Bureau of Labor Statistics. The severe impact of the early pandemic on jobs should come as no surprise, but looking at the current state of Longmont's labor force can shed some light on the state of the post-pandemic recovery.

Longmont Labor Force Snapshot, Q3 2021

98,885
2020 Population

54,459
2020 Total Regional Employment

$69,467
2020 Average Earnings Per Job

71.5%
2019 Labor Force Participation Rate

6.8%
2020 Unemployment Rate

4.4%
Sep 2021 Unemployment Rate

U.S. Census Bureau, 2020 Census Redistricting Data; Bureau of Labor Statistics, Local Area Unemployment Statistics; EMSI Q3 2021 Industry Data

In 2020, the City of Longmont had a population of 98,885 according to the latest census data, up 15% from 2010 (86,270). EMSI forecasts that the population will increase another 6% between 2020 and 2025. Longmont had 54,459 jobs (employees and self-employed) in 2020, up 3% from 2015 (52,896). Prior to the pandemic, however, the region had 57,507 jobs, up 8.7% from 2015. Longmont's negative jobs growth of 5.3% between 2019 and 2020 was roughly on par with losses seen at the national level (-5.27%), but outpacing losses in the region; the Boulder MSA saw jobs decline -4.1%, on par with Colorado which saw a -4% drop.

Jobs and % Change Year-Over-Year for 4 Regions, 2015-2021

EMSI Q3 2021 Industry Data

In 2020, average earnings per job[ii] in Longmont were $69,467, up 7.2% from $64,831 in 2019. This year-over-year increase in average earnings per job was considerably larger than in 2017-2018 and 2018-2019, when the average earnings went up 4.5% and 4.4%, respectively. This is likely attributable to the loss of lower-wage jobs throughout 2020 that have proven particularly difficult to fill. Similar jumps in average earnings per job can be seen at the state (6.9%) and national (7.2%) levels.

In 2019, Longmont's labor force participation rate was 71.5%, and the unemployment rate had reached 2.5%, the lowest it had been since 2000, according to the Bureau of Labor Statistics. This was roughly on par with the annual rates for Colorado (2.7%) and the Boulder MSA (2.3%). These regions outperformed the national unemployment rate of 3.7% for the same period. Unsurprisingly, rates increased dramatically in 2020; in Longmont, the unemployment rate averaged 6.8% throughout the year, peaking at 11% in April 2020. By comparison, the Boulder MSA's unemployment rate was 6.2% in 2020, while Colorado and the nation as a whole fared slightly worse at 7.3% and 8.1% respectively.

Throughout 2021, unemployment rates have seen a general downward trend; in January Longmont's unemployment rate was 7.1%, but it had fallen to 4.4% by September. The September data for the Boulder MSA suggests an unemployment rate of 3.7%, while in Colorado it was 4.6%. Longmont and the state were on par with the national unemployment rate for September 2021 of 4.6%.

Taken in sum, the data suggests that Longmont's post-pandemic recovery is well underway. Though not yet at pre-pandemic numbers, unemployment has fallen 2.7 percentage points between January 2021 and September 2021. EMSI forecasts that the number of jobs in the city will increase by 1.9% in 2021. Further, contrary to certain narratives about a shrinking talent pool as people leave the labor force, the number of people in Longmont's labor force was at an all-time high of 56,345 in September 2021, according to the Bureau of Labor Statistics. BLS's county wage data shows that the average weekly wage in the first quarter of 2021 (the most recent county-level data) had increased 7.4% from the first quarter of 2020, up to $1,609 from $1,498.

The ELEVATE survey revealed similarly hopeful findings: 30 of 42 respondents (71%) said that they anticipated an increase in the number of employees at Longmont facilities within the next two years. Another ten expected their employment numbers to stay the same, while only two foresaw declining employment at their facility. Through 2021, total regional employment may see only minor growth, in line with EMSI's forecast of ~2%. Given the increases in the size of the labor force throughout the third quarter of 2021, and the downward trend in unemployment, 2022 may see greater gains in total regional employment as the lingering health and safety risks from the pandemic become more manageable and more employers adjust working conditions to "the new normal."

Commercial Real Estate

Unsurprisingly, the commercial real estate market trends closely align with those seen in employment. The industrial real estate market in Longmont saw negative absorption and increasing vacancy rates through the second quarter of 2020, when the pandemic was wreaking the most havoc on business operations in manufacturing facilities. In the five quarters since, the industrial market has trended upward, with falling vacancy rates and generally positive absorption. Meanwhile, the office market has trended in the opposite direction, with growing vacancy rates and mostly negative absorption since the second quarter of 2020, as employers have pivoted to remote or hybrid work models and progressively shed either some or all of the square footage in their office spaces.

Most of the respondents on the ELEVATE survey were renters (55%), while 45% were owners. Almost 74% of respondents said there was room at their facility for expansion, but less than 5% said they were planning to expand their facility footprint in the next 6 to 12 months, likely another biproduct of the uncertainty caused by the pandemic. Most respondents said their facilities were used for office functions, but there was a healthy mix across responses, with many answering that multiple functions were performed at the same site.

Functions Performed at Longmont Area Facilities, 2021

ELEVATE 2021 Survey

Office Market

The Longmont office market is made up of 1,518,554 s.f. of office space. In the third quarter of 2021, Longmont had 178,539 s.f. of office space available and 144,212 s.f. vacant. This is up from 127,123 s.f. available and 122,308 s.f. vacant in the first quarter of 2020, an increase of 40.5% in availability and 17.9%, in vacancy. Availability and vacancy rates also reached their greatest extent in the third quarter, at 13.9% and 11.2%, respectively.

Longmont Office Market Snapshot, Q3 2021

1,518,554 Total Inventory (s.f.)	**11,324** Absorption (s.f.)	**$24.37** Q3 2021 Market Rent
13.9% Total Available Rate	**11.2%** Total Vacancy Rate	**-1.3** 2020-2021 Change, Market Rent

Catylist Research Q3 2021 Office Market Trends Report, Boulder, CoStar Q3 2021 Office Market, Boulder

These trends are on par with what can be seen throughout the region. In the Boulder MSA, the Q3 vacancy rate of 11.1% was the highest it's been for a decade. Construction activity is significantly down in the region, with only 290,000 s.f. delivered in Boulder County between the third quarters of 2020 and 2021. Catylist reports that, in Longmont, only one office building has been completed since the start of 2020 and none are currently under construction.

Regional Office Market Comparison, Q3 2020-Q3 2021

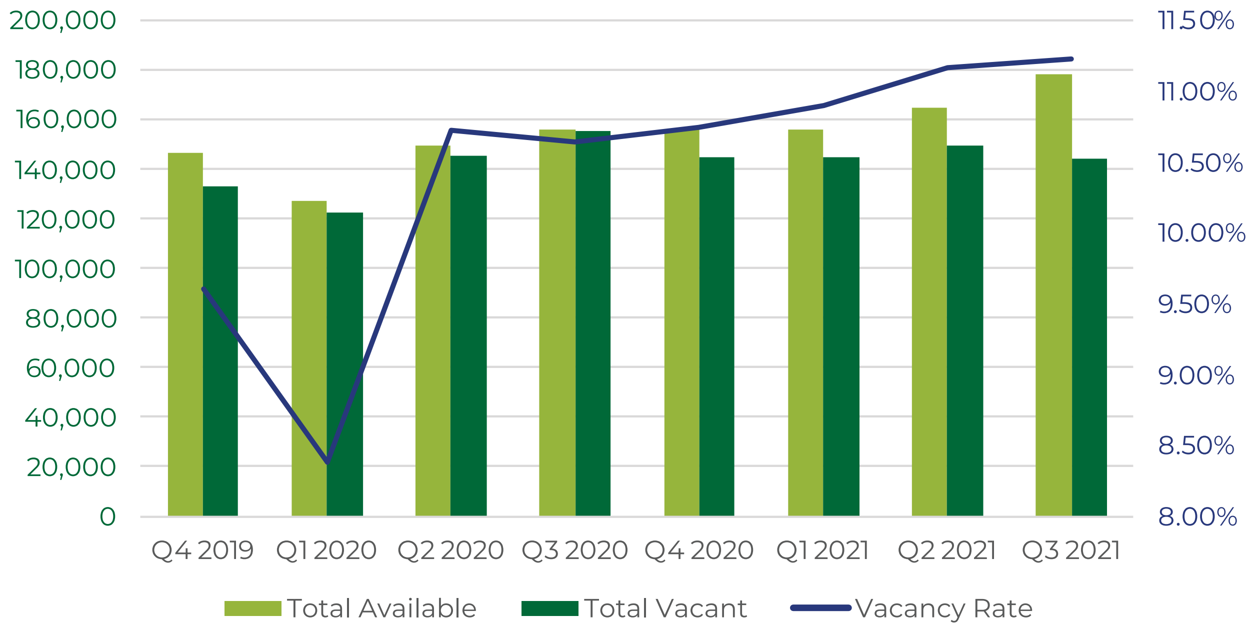
	Longmont	Boulder MSA	Denver Metro	U.S.A.
Q3 2021 Vacancy Rate	11.2%	11.1%	14.4%	19.4%
Q3 2020 Vacancy Rate	10.6%	9.0%	12.1%	12.6%
Gross Market Rent	$24.27	$31.49	$28.45	$34.72
12-Month Market Rent Growth	-1.30%	0.54%	0.04%	1.20%
Q3 2021 Net Absorption	11,342	55,584	(219,217)	(7,300,000)
YTD Net Absorption	381	(126,420)	(2,445,913)	(72,000,000)

Catylist Research, CoStar, Colliers U.S. Office Market Outlook, JLL Q3 Office Outlook

While this summary appears to paint a bleak picture, both Longmont and Boulder County are outperforming the nation; JLL Research, leaders in commercial real estate, reports that in Q3 the national vacancy rate reached a new peak of 19.4%. Despite the slowdown in construction and rising vacancy rates, when compared with the nation, the County's office market actually maintained solid fundamentals throughout the pandemic driven by the tech giants that occupy a large percentage of the City of Boulder's office space, and favorable rent prices in comparison to those in other tech centers like California. Like the City of Boulder, Longmont has a high proportion of jobs in the information, technology, professional and business services industries. The information and professional services industries were among the top performers during the pandemic, and they are likely to help drive the recovery of the office market post-pandemic as workers return to the office.

We may be seeing the beginnings of the office market's recovery: the third quarter of 2021 saw the greatest positive net absorption in both Longmont and Boulder County since the start of the pandemic. This outperformed the nation, which recorded a sixth consecutive quarter with negative net absorption.

Available & Vacant Office Space, Vacancy Rate in Longmont, Q4 2019-Q3 2021



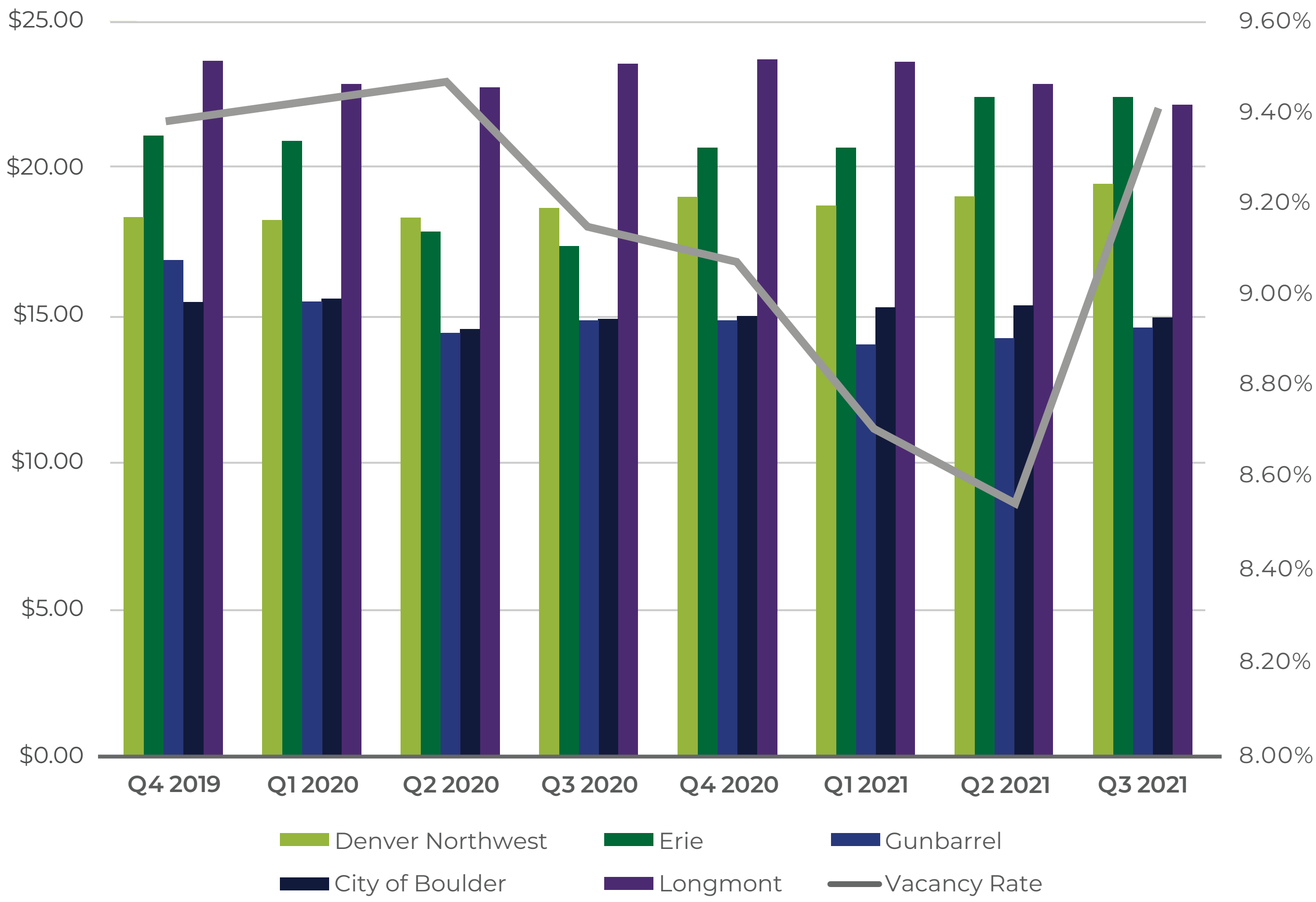
Catylist Research Office Market Trends, Boulder

This is likely attributable to several factors, the most significant being Boulder County's highly successful vaccine roll out over the first two quarters of 2021, and the (sadly, temporary) rollback of mask mandates and other COVID protocols over the summer months. Further, the State of Colorado ended the extended unemployment benefits on September 6th. This all coincided with significant increases in labor force participation and decreases in unemployment at all levels. The Bureau of Labor Statistics reported that the number of employed adults who had worked from home at any point in the last 4 weeks has been steadily declining throughout 2021. In January, this number was 23.2%; by September 2021, it had dropped to 13.2%. Finally, Longmont's mix of businesses in innovation-rich industries may have also contributed; JLL Research reports that many tech-heavy geographies experienced positive absorption in Q3 as a result of inbound migration and higher levels of re-occupancy.

Looking forward, it is unknown what role the factors attributed to the positive absorption in Q3 may play into 2022 and beyond. Longmont had also seen positive absorption in Q4 2020 (although Boulder County did not), despite increasing COVID positivity rates throughout the fall, before vaccines were available and mask mandates were universal. The success of Boulder County's vaccine rollout—as of November 27th, 2021, 72% of eligible individuals had received the full dose (in comparison to only 59.4% nationally)—may not play as significant a role in Q4 business operations as positivity rates have surged, even surpassing those of early 2021, driven by new variants Delta and Omicron. Despite this, BLS data shows that more and more people are returning to work; since September, unemployment has continued to fall, the labor force has continued to grow, and fewer people are reporting that they are working from home—in November, only 11.3% of employed persons reported working from home in the last 4 weeks, down 2 percentage points from September.

Regardless, Longmont has some key advantages in the "new normal" office environment. Longmont's office market stock is on the smaller size: according to Catylist, 53% of spaces are smaller than 5,000 s.f. The average building size in Longmont is 10,698 s.f., while the City of Boulder's average office building size is 20,300 s.f. Throughout the pandemic, these smaller office spaces have had much lower vacancy rates than larger buildings. In Q3 2020, Civistruct Strategy & Development found that office buildings under 10,000 s.f. had a vacancy rate of 3% or less. Meanwhile, buildings with 25,000-50,000 s.f. had vacancy rates of 15.5%, and those over 50,000 s.f. had vacancy rates of 21.3%. The number of smaller office spaces in Longmont may prove attractive to companies increasingly adopting hybrid work schedules looking to right-size their footprint.

Weighted Average Asking Rate (NNN) by Submarket, Q4 2019-Q3 2021

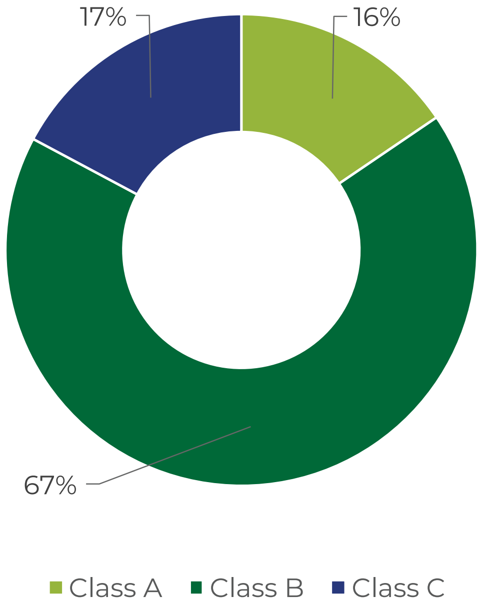


Catylist Research Q3 2021 Office Market Trends Reports, Boulder

Another attractive feature of Longmont's office buildings is the price per square foot. In the third quarter, the triple net weighted average asking rate was $14.92 per square foot, down from pre-pandemic rates of $15.55. Asking rates dropped significantly in response to rising vacancy rates and negative net absorption caused by the pandemic, bottoming out at $14.53 in Q2 2020.

Gunbarrel ended Q3 2021 with asking rates lower than Longmont's. This submarket, however, is notably without any Class A office stock. Looking only at the prices for classes B and C, Longmont is still more affordable, with an average asking rate of $14.19. Further, experts have forecast that medium-sized, suburban communities with urban amenities, such as Longmont, are set to be increasingly popular in the wake of the pandemic for the lower cost of living and doing business that they offer.

Longmont Office Stock by Class, Q3 2021



	Class A	Class B	Class C
# of Buildings	9	76	14
Total s.f.	306,755	1,017,843	193,956
Available	123,067	53,680	1,792
Vacant	97,608	44,812	1,792
Vacancy Rate	31.82%	4.40%	0.92%
Avg. Year Built	2000	1971	1944
Avg. Size in s.f.	34,219	13,555	13,854
NNN Rate	$16.39	$15.87	$12.50

Catylist Research Q3 2021 Office Market Trends Report, Boulder

The office stock in Longmont, however, is on the older side. Based on data from the Boulder County Assessor's Office, the average office building in Longmont is 61 years old (built in 1959). This may present a significant challenge for the office market in Longmont going forward. JLL Research notes that, nationally, Q3 2021 was the sixth consecutive quarter of significant positive net absorption in newer office stock: buildings delivered since 2015 saw 39.1 million s.f. of occupancy growth versus 188.6 million s.f. of negative absorption among all other vintages. Flexible, modern spaces that capitalize on the new realities of office work can help with workforce retention and encourage employees' return to the office, and in Colorado, Class A buildings are forecast to recover more quickly because they offer health and safety benefits to employees.

Currently, Class A buildings make up the smallest percentage of Longmont's office buildings. Though Class A also currently has the highest vacancy rate in Longmont, in the Emerging Trends in Real Estate report for 2022, the authors predict a "flight to quality" over the next year. Upgrading older buildings and building new stock should be a top priority for Longmont going forward. Additionally, larger Class A buildings that cater to the needs of workers and employers may even serve to attract new tech companies to the Longmont area, given the city's proximity to major markets, location quotient for tech talent, and price-point advantage according to Civistruct Strategy & Development.

Industrial Market

As of the third quarter of 2021, the Longmont industrial market was made up of 7,183,902 s.f., according to Catylist. Of that, 846,322 s.f. was available and 675,566 s.f. was vacant. This is down from 858,528 s.f. of availability and 836,044 s.f. of vacancy prior to the pandemic in the first quarter of 2020. This is a decrease of 1.4% in availability and a 19.2% drop in vacancy from Q1 2020. Industrial availability peaked in the second quarter of 2020, with 1,007,082 s.f. of space available. Vacancy was higher before the pandemic than in any quarter since; the vacancy rate was 11.6% in Q1 2020, compared to 9.1% in Q3 2021.

Longmont Industrial Market Snapshot, Q3 2021

7,183,902 Total Inventory (s.f.)	**68,307** Absorption (s.f.)	**$10.41** Q3 2021, Market Rent
9.6% Total Available Rate	**9.1%** Total Vacancy Rate	**7.7%** 2020-2021 Change, Market Rent

Catylist Research Q3 2021 Industrial Market Trends Report, Boulder; CoStar Q3 2021 Industrial Market, Boulder

The industrial market in Longmont has seen falling availability and vacancy rates throughout 2020 and 2021, and generally positive absorption from the third quarter of 2020 onward, mirroring the increase in employment in the manufacturing sector in Boulder County beginning in June 2020. According to the Bureau of Labor Statistics, the number of jobs in the manufacturing sector in Boulder County increased from 197,000 in May to 200,000 in June 2020, after bottoming out at 195,000 in April 2020.

The Boulder MSA saw several major industrial deliveries in 2020, after a very slow year of construction in 2019. Outside of Longmont, Boulder County had 228,000 s.f. under construction in Q3. Longmont currently has 97,500 s.f. of warehouse/ office space under construction at 1660 S Fordham St. in southwest Longmont. According to Catylist, since 2016, there have been approximately 400,000 s.f. of industrial real estate delivered.

Regional Industrial Market Comparison, Q3 2020-Q3 2021

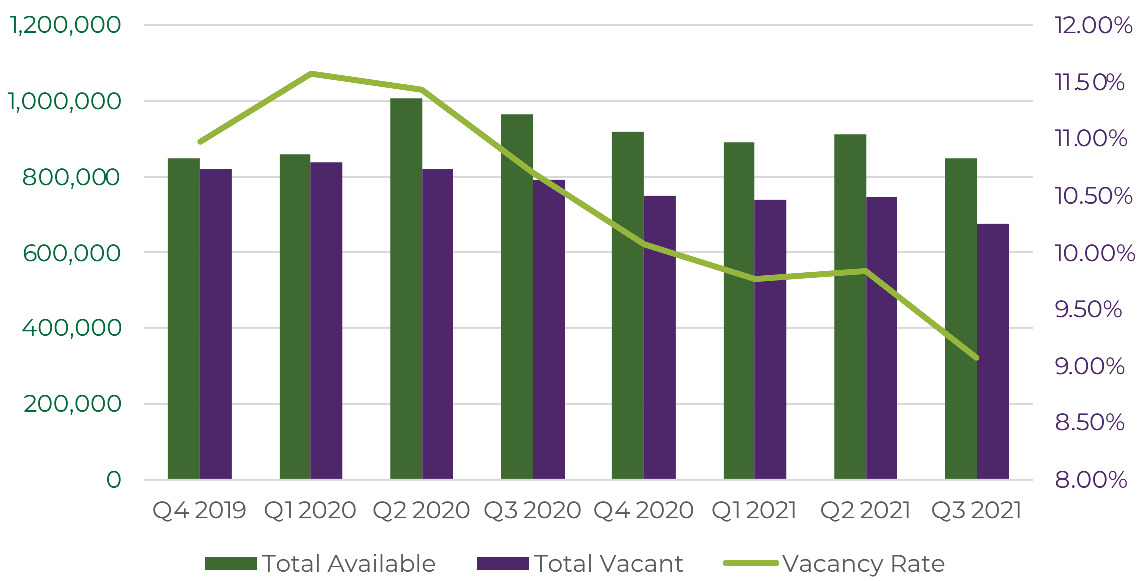
	Longmont	Boulder MSA	Denver Metro	U.S.A.
Q3 2021 Vacancy Rate	11.2%	11.1%	14.4%	19.4%
Q3 2020 Vacancy Rate	10.6%	9.0%	12.1%	12.6%
Gross Market Rent	$24.27	$31.49	$28.45	$34.72
12-Month Market Rent Growth	-1.30%	0.54%	0.04%	1.20%
Q3 2021 Net Absorption	11,342	55,584	(219,217)	(7,300,000)
YTD Net Absorption	381	(126,420)	(2,445,913)	(72,000,000)

Catylist Research Industrial Market Trends Report, CoStar, Colliers U.S. Industrial Market Outlook, JLL Research Q3 2021 Industrial Outlook Report

Gross market rents in Longmont were $10.41 per square foot, up 7.7% in Q3 2021 from $9.67 in the same quarter in 2020, even outpacing the national rate of 7.1%. Rents in the City of Boulder were up 7% from Q3 2020-Q3 2021 to $14.15, the highest rates in the region. The Boulder MSA saw industrial rents rise to $12.50, up 6.6% from the previous year. Finally, the Denver Metro saw a more modest rise of 4.4% to $10.44 per s.f., only $0.03 more than Longmont's market rent in the third quarter.

According to Catylist, in the third quarter, both the Boulder MSA and Longmont posted the largest positive net absorption since the start of the pandemic, with Boulder posting 544,303 s.f. of net positive absorption and Longmont seeing 68,307 s.f. Prior to this, Boulder County had seen four quarters of consecutive negative net absorption starting in the third quarter of 2020. Longmont, meanwhile, only saw negative net absorption in the second quarters of 2020 and 2021.

Available & Vacant Industrial Space, Vacancy Rate in Longmont, Q4 2019-Q3 2021

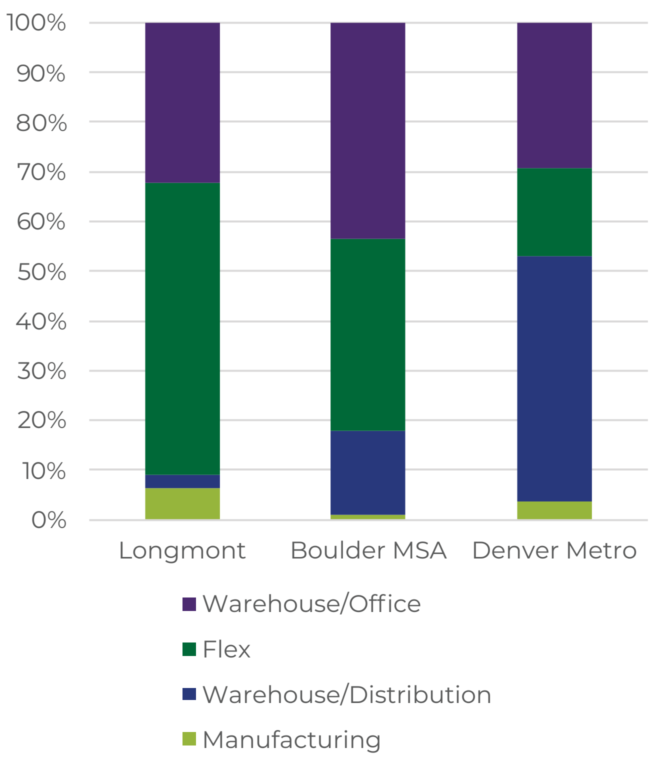


Catylist Research Industrial Market Trends Report Boulder

Though Longmont's industrial fundamentals are a mixed bag, the third quarter saw the market finally overtake its pre-pandemic numbers in terms of vacancy, availability, and absorption. And yet, despite this upward trend, industrial real estate in the Boulder MSA and Longmont have drastically underperformed both the state and the nation. Driven by the increased strain placed on supply chain imports and the shift toward e-commerce as a result of the pandemic, increased demand for logistics real estate has put tremendous downward pressure on industrial vacancy and availability rates. Nationally, Q3 saw vacancy rates dip to a historic low of 4.3%, with year-over-year market rents increasing 7.1% to $6.76 per s.f., according to JLL Research. At the end of September 2021, the Colorado industrial real estate market wrapped up its 46th consecutive quarter of positive net absorption. Even in the Denver metro, Q3 was characterized by the highest level of absorption in a single quarter for the past decade at 3 million s.f.

Before the pandemic, warehousing and distribution were largely concentrated in critical hubs such as port cities and gateway cities across the country, but the increase in online shopping across the country has made small-to-mid-sized logistics facilities grow in popularity, with the 10,000-49,000 s.f. size segment outperforming all others. In the Boulder MSA, however, the combination of high rents and limited inventory has put a damper on industrial fundamentals since Q2 2020. Even compared with the Denver metro area, rents in Boulder County for logistics facilities were high, availability was low, and there were relatively few under construction or delivered in the third quarter of 2021.

Distribution of Industrial s.f. by Type, Q3 2021

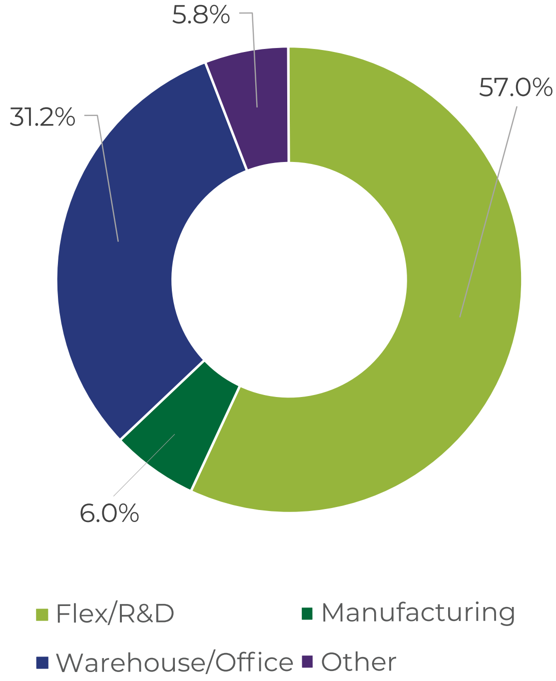


Catylist Research Q3 2021 Industrial Market Trends Report, Boulder

Like the rest of the Boulder MSA, Longmont does not have an abundant supply of distribution and fulfillment space; it makes up under 3% of the industrial stock in the immediate Longmont submarket. The Boulder MSA has a slightly higher concentration of warehousing and distribution space (17%). In the Denver metro area, by contrast, warehousing and distribution makes up over 49% of the industrial square footage. Given the proximity of Denver to Boulder County, taken together with the availability of warehousing facilities and lower market rents, it's not surprising that the Denver metro has, for the time being, surpassed Boulder County in its strong industrial fundamentals.

Both the Boulder MSA and Longmont have an abundance of flex/R&D space—38.5% and 57%, respectively. Such a concentration of flex space is a hallmark of tech-heavy metros such as San Jose and San Francisco. In Longmont, these flex spaces are key to our diverse economy—flex space is the real estate of choice for many of the businesses in Longmont's target industry clusters including Knowledge Creation & Deployment, Food & Beverage, and Smart Manufacturing.

Longmont Industrial Stock by Type, Q3 2021

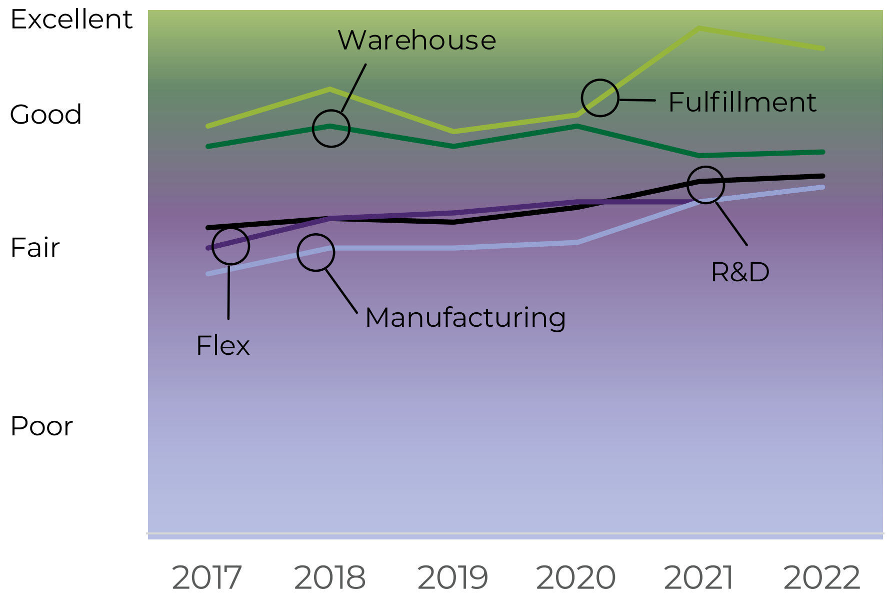


	Flex/R&D	Manu-facturing	Whse/ Office
# of Buildings	76	8	108
Total s.f.	4,342,373	460,720	2,380,809
Available	736,194	8,622	101,506
Vacant	593,936	8,622	73,008
Vacancy Rate	13.68%	1.87%	3.07%
Avg. Year Built	1985	1957	1975
Avg. Size in s.f.	57,136	57,590	22,045
NNN Rate	$13.20	$12.90	$11.50

Catylist Research

Unfortunately, at the national level, flex and R&D have been underperforming other key industrial real estate segments. In PwC's annual Emerging Trends in Real Estate report, investor sentiment regarding flex and R&D investment prospects—not to mention manufacturing, another real estate type that caters to Longmont's Food & Beverage, and Smart Manufacturing industry clusters—are underperforming fulfillment and warehousing spaces. Additionally, the buy/hold/sell recommendations show that investors are the least bullish on these three types of real estate: while 55.3% recommend buying fulfillment properties, only 36% recommend investing in flex space. Slightly more give R&D a "buy" rating (38.5%) and fewer support investment in manufacturing (29.4%).

Industrial Real Estate Investment Prospect Trends



PwC, Emerging Trends in Real Estate, 2022

Investor sentiment may be a contributing factor to some of the lackluster fundamentals seen in Boulder's flex market in Q3 2021. Flex space had the highest vacancy rates of any property type in the Boulder MSA and in Longmont—12.4% and 13.7% respectively. Compare this to the Denver Metro, where flex space had only a 6.8% vacancy rate in the same period.

With that said, Longmont's vacancy rate tends to be higher in comparison to other parts of the region. This is largely attributable to larger blocks of vacant flex space in Longmont. The largest vacant flex space is the 460,000 s.f. former Maxtor facility; in the third quarter of 2021, this property alone accounted for 77.5% of all flex vacancy and 68% of all vacant industrial space in Longmont.

As with the office market, looking to the future of the industrial market presents many uncertainties. Without a doubt, the pandemic has forever changed the way consumers shop—after nearly two years since the start of COVID, e-commerce is here to stay, and will continue to put downward pressure on availability and vacancy rates for warehousing space. Longmont has many smaller warehouse/office spaces that are affordably priced relative to other markets (Boulder and Denver), making it a prime market for those looking to situate a smaller office with some warehousing capacity in the region. Spaces under 50,000 s.f. that offer fulfillment and distribution in addition to office space are projected to be very popular going forward in the "long tail" of the pandemic and beyond, as customers increasingly shop for all manner of goods online.

Another key driver has been—and will continue to be—the pressure to compete with Amazon's tight delivery windows. Whereas pre-pandemic businesses sought out larger facilities in major hubs like ports and gateways cities, the need to stay competitive with Amazon's prime delivery service is pushing more businesses to snap up warehouses and fulfillment centers in a greater number of markets.

Longmont's price point and proximity to both Denver and Boulder can make it an attractive option for those looking to locate their fulfillment and distribution operations in the region if the appropriate stock can be made available. Additional forecast trends that Longmont may benefit from are the anticipated switch from just-in-time supply chain distribution to safety stock inventorying—which may make the warehouse/office and flex stock more appetizing for companies making this transition—and the growing pressure for companies to reshore their manufacturing and warehousing operations.

Despite Longmont being well situated to accommodate these trends, the industrial stock in the City is older—the average industrial building in Longmont was built in 1979. As with the office market, experts agree that amenity-rich workplaces that prioritize health and safety are going to be the gold standard in the industrial market well into the future. By updating and modernizing manufacturing and flex/R&D spaces in the City, Longmont will be better able to stay competitive with the Denver Metro area, the rest of Boulder County, and Weld County in attracting and retaining top manufacturing and technology companies looking to establish a presence in the mountain region.

Residential Real Estate

Contrary to the conventional wisdom that a sluggish economy equates to a slower real estate market, the pandemic had the opposite effect on the residential market in Longmont. In August of 2020, monthly sales reached a historic high; nearly 400 homes were sold in that month alone. In September 2021, the median sales price for a home (including single-family, townhomes, and condos) was $530,000, up 20.5% over the previous year. The housing affordability index, which measures a region's housing prices against its median household income, reached a punishing new low of 71 in July 2021, having fallen from 142 a decade ago (July 2011).

Longmont Residential Market Snapshot, September 2021

$530,000 Median Sales Price	**20.5%** 12 Month % Change	**101.5%** % of List Price Received
298 New Listings	**309** Sold Listings	**30** Days on Market

IRES Monthly Indicators Report, September 2021

While the fundamentals for residential real estate have been strong throughout the pandemic, the inventory of active listings has decreased considerably. From September 2020 to September 2021, the number of active listings declined by 46.1%. Additionally, in September 2021, there were more listings sold than came on the market. Year-to-date, as of October 2021, the number of new listings was down 25.8% compared to October 2020, and the number of listings sold was down 23.6%. To some, these numbers may indicate a slowing market, but buyers' appetites remain strong: in the summer of 2021, the number of days listings stay on the market before sale, and the percent of list price received reached their greatest extent in over a decade.

Months supply of inventory, a measure of how balanced the market is between buyers and sellers, has also reached a ten year low. While a balanced market ranges from 4-7, in October, Longmont's was 0.7, indicating massive buyer demand over thin supply. This has, in turn, pushed prices up, with buyers paying over list price. Year-to-date, as of October 2021, the average percent of list price received was 103%. The market is becoming increasingly competitive, as too many buyers compete for too few homes. While net migration in Boulder County was positive in 2019—indeed, net migration in Boulder County has been positive since 2005—negative migration from Boulder to more affordable counties like Weld and Larimer may push Boulder County to total negative net migration in 2021 and/or 2022, a trend that may continue until housing prices in the region stabilize.

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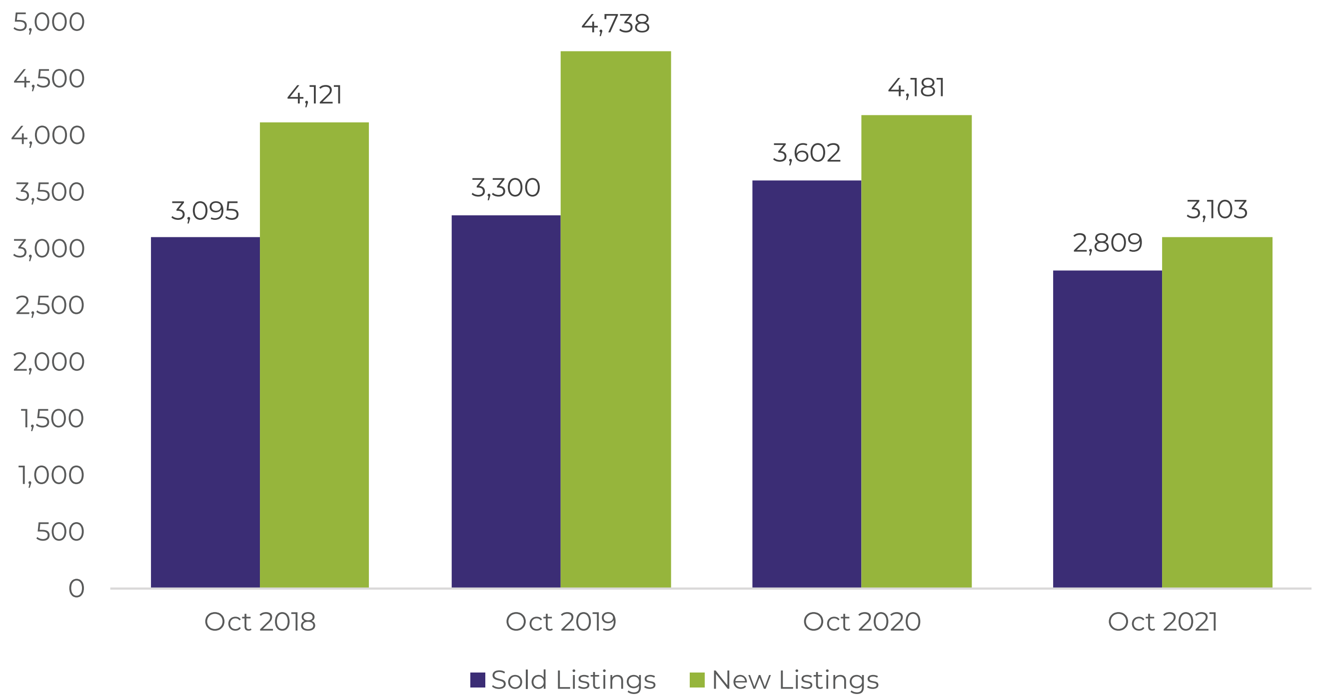
Sold Listings & New Listings, Longmont, October 2018-2021



IRES Monthly Indicators Report, September 2021

Another source adding to the housing demand are interest rates. In March of 2020, the Fed instituted a zero interest rate policy (ZIRP) in response to the pandemic-related economic downturn. With rates at their lowest point since 2008, and the evolving importance of the home in the wake of the pandemic, 2020 and 2021 have seen the greatest competition in the single-family home market.

Single Family Homes, September 2021

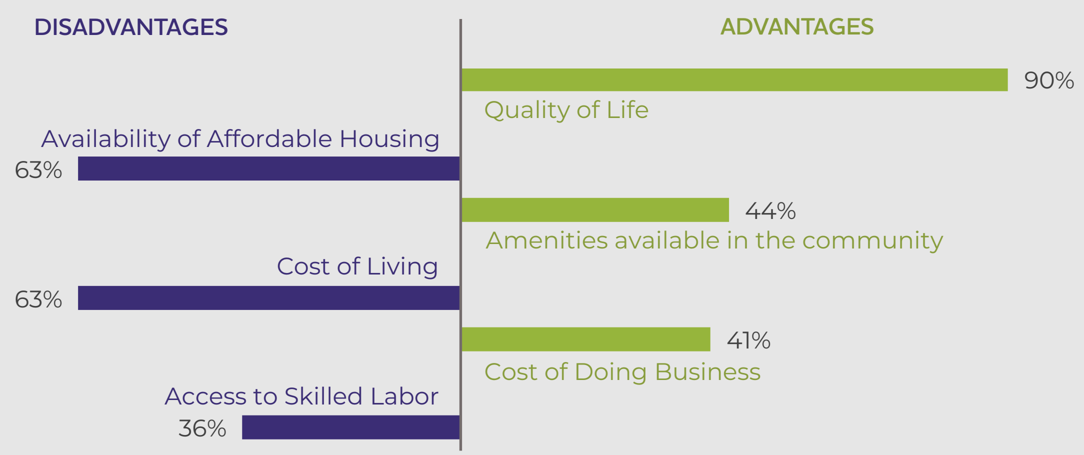
	Median Sales Price Sep 2021	% Change Sales Price 12 months	Days on Market	% of List Price Received	Months Supply	Affordability Index
Longmont	$582,000	17.8%	35	101.5%	0.9	73
Boulder County	$765,000	11.9%	34	101.6%	1.0	N/A
Denver Metro	$562,000	14.1%	14	101.8%	0.9	69
Colorado	$520,000	15.6%	27	101.3%	1.1	74

Colorado Association of Realtors, Boulder Area Association of Realtors

One thing is certain, the rate at which prices are increasing year-over-year is not sustainable: but with the Fed rolling back its pandemic-era bond purchases in 2022, it's paving the way for three interest rate hikes before the end of next year. With higher interest rates, the rate of appreciation for residential real estate will likely return to pre-pandemic levels of 5%-10% annually.

Even returning to lower year-over-year increases, however, Longmont's real estate market has become untenable for many wishing to live and work in this community. On the ELEVATE survey, respondents overwhelmingly identified "quality of life" as one of the top three advantages of operating in the Longmont area. The second highest-scoring response singled out the amenities available within the community. And yet, when asked about the top disadvantages associated with operating in Longmont, there was a first-place tie between "availability of affordable housing" and "cost of living."

Top 3 Advantages & Disadvantages of Operating in Longmont, 2021



ELEVATE 2021 Survey

This has had a tremendous impact on local businesses. Ninety percent of primary employers—the highest degree of consensus anywhere on the ELEVATE survey—agree that this vibrant community is an amazing place to live, and yet, they recognize that few can afford to do so.

According to the decennial census, the median household income in 2010 was $61,272. In September of that year, the median sales price for a home was $235,000. Eleven years later, the median household income for Longmont is estimated to be $77,030, an increase of approximately 25.7%. Had home prices stayed in sync with median income, the median sales price of a home in 2020 would be around $295,395—a 25.7% increase over home prices in 2010.

This is not the case. In September 2021, the median sales price for a home in Longmont was $530,000, 125.5% more than in 2010. Looking only at single family homes, the median sales price in September was $588,667. Using the model developed by CHFA (Colorado Housing & Finance Authority), the median income needed to buy a house of this price would be $116,900, $39,870 more than Longmont's estimated median income in 2021. This further assumes a FICO score of 675 and a debt-to-income ratio of 45% or less.

The impact of this tremendous increase has reverberated in myriad ways throughout the community. Even before labor shortages were headline news, Longmont was experiencing unmet demand for skilled talent, higher turnover of employees due to long commutes, and an extremely limited inventory of affordable housing stock. Rents have soared; ACS 5-year data for 2019 estimates average monthly rent in Longmont at $1,340, and yet renters have an estimated median household income of $48,333. In Longmont, 31.3% of households are considered cost-burdened, meaning they are paying more than 30% of their income to cover housing costs—higher than estimates for Colorado (28.4%) or the nation (27.1%). With higher rates of unemployment, skyrocketing real estate prices, and rising inflation, it is likely that the pandemic has only exacerbated this problem. While we will have to wait until new ACS data for 2020 and 2021 are released to be certain, it seems unlikely that the number of cost-burdened households hasn't increased by at least a few percentage points since 2019.

ELEVATE LONGMONT

ELEVATE Survey: Key Takeaways

TOP ISSUES

#1: Housing affordability & cost of living are the top issues for primary employers

#2: Talent supply shortages impact employers across industries and positions

#3: Regional connectivity/ transportation is the most underrated issue

"We struggle to find people to apply or even show up to their interview. It's becoming very expensive to recruit...there's a reluctance to enter the workforce post-COVID"

#1 Finding talent with the right skills

#2 Attracting talent

#3 Retaining talent

76% "More than half of our employees commute from outside Longmont"

30% "Regional transportation is important or very important"

"I've lost a lot of people after 18 months—a huge investment—because they hate the commute"

50% "More than half of our employees live outside Boulder County"

26% "We are willing to invest in regional transportation solutions"

"People are looking for houses in cheaper places like Frederick or Loveland. We're hearing it first hand from people we're interviewing"

62% Housing affordability is one of the top three disadvantages of doing business in Longmont

Overall Rank: Tied for #1

57% Paying employees a competitive wage is the top retention challenge

Overall Rank: Tied for #1

44% Housing affordability it a top attraction & recruiting challenge

Overall Rank: Tied for #3

Skilled Workforce & the Labor Shortage

What We're Facing:

- "We have trouble with entry-level. Moving people up is not a problem, the problem is those entry-level positions. No one shows up to interviews, no one even applies. We don't even have a requirement for a high school diploma." *-Primary Employer, Construction*
- "We have always struggled with the Longmont office because [employees] want to live somewhere trendier than Longmont...and [we're hearing it] from people across the [age] spectrum." *-Primary Employer, Professional Services*
- "The problem isn't Longmont, we have trouble finding people with a huge breadth of skills—ones who know multiple programming languages, for example. We need people who are adaptable—people who are willing to learn... Not just hard skills, but other, soft skills...That's what a lot of today's college graduates are missing." *-Primary Employer, Information*

Between COVID making people hesitant about going back to work, an unemployment rate roughly twice the pre-pandemic number, and people quitting their jobs at a 20-year high, employers all over the country, and here in Longmont, are struggling to fill job openings with the right people.

Finding #1: Lower wage jobs with minimal education and skill requirements are proving very difficult to fill.

Key insights:

- Lower wage positions (under $17/hour) are not only challenging to find applicants for, but those who apply often don't show for interviews.
- The cost of recruitment for these roles has increased significantly since the start of the pandemic.
- In addition to attraction, retention of lower wage workers is a challenge due to the high cost of living in Longmont.

Finding #2: Attracting a competitive skilled workforce requires Longmont to effectively communicate its urban amenities.

Key insights:

- Companies with multiple regional offices in cities like Boulder and Denver have found greater workforce recruitment challenges for their Longmont office.
- Younger age demographics and candidates without spouses and/or children are more challenging to recruit due to a perception of Longmont as a suburan bedroom community.
- However, Longmont's primary employers recognize the city as an up-and-coming community with a mix of urban amenitites and a high quality of life.

Finding #3: Higher-wage professional positions are just as likely to report challenges finding the right person with the right skills.

Key insights:

- More employers who reported an average annual wage of $80K chose "finding talent with the right skills" as the top employment challenge than employers who reported an average annual wage of $40K.
- Many employers highlighted "the right skills" to be "soft skills" that enable an employee to be adaptable and integrate effectively within the culture of an organization.
- Employers who utilize non-traditional recruitment and selection techniques, although often more time consuming and generally at a higher cost per hire, have been more successful in finding the right candidate.
- The majority of employers who responded do not use a skills or competency-based recruitment and selection process.

What We're Doing:

"Recruiting is going to improve over the next five years as people recognize Longmont as trendier and hip." – *Primary Employer, Professional Services*

Longmont Pathways Program
Indigo Education Company is building a custom hiring portal and talent development pipeline for the Longmont community. This platform supports employers in finding local talent that fits their corporate culture and open job roles. It is a lower cost platform than national recruiting tools with more qualified candidates. It will also help employers provide best-fit career paths to grow and retain talent and cut hiring costs with a lower cost platform than national recruiting tools with more qualified candidates.

National Marketing Campaign
Avocet Communications has developed a national talent attraction marketing campaign designed to generate awareness and interest in relocating to Longmont. Leveraging a combination of digital and social media, this data-driven approach targets talent in key industries in specific markets with an oversupply of talent. The campaign mantra is "Longmont. Colorado's Best Kept Secret". Supporting messaging and imagery highlight all the reasons why Longmont is a great place to live and work. An enhanced website, currently in development, will allow interested talent to seamlessly search for jobs and find their perfect neighborhood.

Advance Longmont 2.0 Initiative: The Maker Block

Longmont is a vibrant and amenity-rich community that offers a diverse mixture of options for play, food, culture, and unique experiences. The Longmont Downtown Development Authority will collaborate with the City of Longmont, private property owners and developers, and our entrepreneurial support organizations to develop the "Maker Block", a cohesive placemaking project stretching east of Main St. to Collyer, and between 1st and likely to 3rd Ave along Emery St. This initiative will create a unique destination experience in Downtown Longmont that also supports the success of local artists and artisanal manufacturers.

Regional Connectivity & Transportation

What We're Facing:

- "I've lost a lot of people after 18 months—a major investment—because they hate the commute." – *Primary Employer, Professional Services*
- "There is essentially no public transit in Longmont, so when I say connectivity is important, I mean roads and highways." – *Primary Employer, Manufacturing*
- "It's a multi-dimensional problem. Commuting is getting more expensive, too. If prices and taxes and whatnot [keep rising], it's just going to get more expensive and it will implode." – *Primary Employer, Manufacturing*

According to ESRI, 76% of workers in Longmont drive alone to work. Just under 10% carpool, 2.4% walk or bike, and 2.8% take some form of public transit. Further, the COVID-19 pandemic has had a tremendous negative impact on public transportation systems across the country—investment is down, construction has stalled, schedules have been cut back, and the future, like so many other things, remains uncertain. With such a large percentage of Longmont's workforce residing outside of the city, both employers and employees are feeling the impact of long commutes, which will only worsen as employees head back to the office.

Finding #1: There is a significant discrepancy between the number of employers who reported that a high percentage of their worforce commute daily and the number of employers that rated regional connectivity as important or very important.

Key insights:

- 76% of respondents reported that over half of their workforce communtes from outside Longmont.
- 50% of respondents reported that over half of their workforce communtes from outside of Boulder County.
- However, only 30% of these employers rated transportation and regional connectivity as important or very important.
- Only 26% of respondents indicated a willingness to make an investment in regional connectivity, which includes not only financial investment but also advocacy.
- Many Longmont employers perceive investment in regional connectivity to be the responsibility of government alone.

Finding #2: It is time to acknowledge the hidden costs associated with communting.

Key insights:

- Commuting is a retention issue: empolyers are finding that employees with long communtes are more likely to have shorter job tenures.
- Commuting is a significant financial burden for employees that has become increasingly expensive since the pandemic due to rising vehicle and fuel costs.
- Commuting affects air quality: in 2018, the Denver Metro region was among the top 10 worst U.S. cities for hazardous air, which can have significant environmental and health impacts.

Finding #3: Regardless of other actions we take in Longmont, workers will continue to commute to the region in high numbers for years to come.

Key insights:

- The issue of transportation is interwoven with many of the other significant issues facing Longmont's economy, including work force availability, worker attraction and retention, as well as housing affordability.
- Investment in affordable housing, talent attraction campaigns, and other initiatives that address the local talent shortage are major, long-term projects; commuting is the only available option for many in the interim.
- Regional connectivity requires a collective impact approach; private sector support is needed to effect meaningful change.

What We're Doing:

"Transportation is one of two main topics discussed at every housing meeting or economic discussion that I attend. Work-related issues such as employee retention, shift work and overtime depend upon a sustainable transportation network. Regional transit with SH119 and the rail corridor are two areas that city staff, along with our transportation partners, are aggressively addressing. Local transportation needs are difficult to define and address. It would be helpful to have our local businesses partner with the city and Advance Longmont 2.0 to discuss what types of investments we need to meet this transportation challenge." – *Joan Peck, Mayor of Longmont*

Expanding Business Engagement on Transportation

Currently, regional transportation is led predominantly by the public sector, but private sector support, advocacy, and investment can yield significant results. Private companies undertake road improvements, support ride sharing/vanpooling among employees, incentivize walking or biking to work, sponsor shuttle service for employees, etc.

Advance Longmont 2.0 Initative: Explore Intra-City Shuttle System
This initaitive seeks to develop a an intra-city shuttle service for more heavily trafficked areas of Longmont such as Downtown, North Main St., and the Hover Street corridor. Frequent shuttle circuits along these corridors would make it easier to ride than the RTD, which covers a larger area and therefore makes less frequent stops along these popular routes. Many municipalities around the world already use similar models, such as the intra-city system in use in Japan, the 16th Street Mall trolley in Denver, the trolley systems in Miami and San Francisco. A fesability study is intended in 2022.

Housing Affordability

What We're Facing:

- "[We're losing people after] 6 months if we're lucky. Warehouse workers making $40K a year can't afford an apartment in town" – *Primary Employer, Manufacturing & Retail*
- "Our minimum salary is $50K. Most of [our employees] are already married… if their partner is making $50K also, at 3x salary, to be responsible, that's only $300K for a home." – *Primary Employer, Professional Services*
- "Developers go wherever there's a market. We go wherever we can make money. But it's hard to make money developing here…Lumber is expensive, labor is expensive. Everywhere. The things that vary from place to place being restrictions and guidelines at the city level—codes, density, height, etc. From a developer's perspective it's a yield on cost. We've created a constraint on land with all the open space. Which is great, but it creates a constraint. One of the biggest impediments to construction here is all the input from everyone. It takes two years to get a project approved." – *Real Estate Developer*

Such is its ubiquity across the United States and Canada that the issue of housing affordability has appeared as an "emerging trend" in PwC's annual Emerging Trends in Real Estate report for the past 3 years. Like sushi in the late 1990s, it's not just in major metros anymore—it's everywhere. In July, 2021, it was announced that it is no longer possible for a minimum wage worker to afford a 2-bedroom apartment anywhere in the country. And studies have shown that declining affordability of homes inhibits migration and slows job growth because qualified workers can no longer afford to move where the jobs are.

Finding #1: Employers recognize affordable housing as the most pressing issue facing economic growth in Longmont.

Key insights:

- 63% of primary employers acknowledged housing affordability as the greatest disadvantage of doing business in Longmont.
- Addressing this issue will take the collective power of the public sector, the private sector, non-profits, and real estate developers.
- The consequences for failing to meet this challenge head-on are potentially calamitous, causing shifts in Longmont's demographics and economy that may drastically alter the way our city looks and feels.

Finding #2: There is a need to focus on "workforce attainable" housing.

Key insights:

- The term "affordable housing" is often associated with low income families, which HUD defines as families making less than 80% of the area median income (AMI). This excludes households at or even above the median income.
- According to CHFA's model, a family in Longmont would have to make 157.4% of Longmont's current AMI ($74,242 in 2020) to be able to afford the median sales price of a home.
- Attainable housing is defined as non-subsidized, for-sale housing that is affordable to households with incomes between 80% and 120% of AMI.

Finding #3: Increasing Longmont's stock of affordable and attainable housing will have wide-reaching impacts on the community's quality of life.

Key insights:

- It promotes the health and wellbeing of the community: homeownership is more economical than renting, allowing owners to build equity, increase their net worth, and create generational wealth. These benefits reduce mental, physical, and financial stress.
- It's better for the environment: as previously discussed, long daily commutes are harmful to the air and environment. Living where you work decreases the need to frequently drive long distances.
- It promotes diversity: people from a variety of socio-economic, educational, professional, and cultural backgrounds can integrate in a community with housing stock variety.

"Housing affordability isn't a problem. It's *the* problem. It's the only problem."
– Eric Wallace, Left Hand Brewing Company

What We're Doing:

Start 2 Home

In May, Longmont EDP and Cornerstone Home Lending launched the Longmont Start 2 Home program, a unique talent relocation and retention program designed to help employees of Longmont-based employers enjoy a stress-free relocation and home buying experience from start to home.

Through Cornerstone Home Lending, Longmont Start 2 Home offers employees of Longmont-based employers a dedicated team focused on serving their home buying needs, whether they are relocating across the country or across town. Depending on the needs of the employee, and contributions by the employer, the program may also provide reduced costs to employees with discounted home buying, lending, and moving fees; a $2,000 lender-paid credit from Cornerstone; reduced mortgage insurance premiums from Arch MI; exclusive access to HomeScout, a next-generation, immersive real estate search app featuring 100% MLS data; and full marketing support and resources for employers to promote the program internally.

PROSPER
LONGMONT

Prosper Longmont

There are significant pressures on Longmont's housing market. Median home prices are now beyond what a growing share of local workers can afford and continuing to appreciate at an unprecedented rate. Current policies that restrict housing supply have created an environment in which home prices continue to outpace income levels. Prosper Longmont is an initiative designed to advocate for a Longmont that thrives and whose residents and workers prosper through a balanced approach to the creation of attainable housing that ensures the needs of our current generation are met without compromising our future.

In Conclusion

These pages identify some of the most pressing issues facing our community. But for all the questions, concerns, and anxieties the data and findings presented herein may raise, ultimately, Longmont is on a good path. We are emerging from the other side of this once-in-a-century pandemic as a community more determined and more unified in our goals for Longmont than when we started.

The visionary economic development approach embodied in Advance Longmont 2.0, one based in collective impact, is only in its infancy. Nearly every single program and initiative mentioned in the last six pages of this document was born within the last 24 months. Just imagine where we'll be next year, or in five years, or in ten years.

The Longmont Economic Development Partnership is proud to serve the people and businesses of Longmont. We're proud that our work not only prioritizes economic growth, but the prosperity of our citizens and the inclusivity of our opportunities.

And if you believe in the bright, bold future for Longmont that we do, we want you to know—we've saved a seat at the table for you.

End Notes

[i] Gross Regional Product is the sum of total industry earnings, taxes on production & imports, and profits, less subsidies (GRP = earnings + TPI + profits – subsidies).

[ii] Also called 'average earnings per worker', average earnings is the result of total pre-tax industry earnings divided by same-year industry employment. Earnings are defined as labor-related personal income—that is, income from work. Income from stock dividends or interest, rents, Social Security and other non-work sources are not included. Average earnings is the sum of wages and salaries, and supplements. [EMSI]

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