

## **The Uphill Battle**

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The lack of affordable housing has been a serious problem in recruiting and retaining workers in ski resort areas such as Colorado's Aspen, Vail Valley, and Summit County. Land supply is constrained by a high percentage of public ownership, and steep terrain limits the buildability of many parcels. For example, 97 percent of the land in Teton County, Wyoming, home of the Jackson Hole ski area and the Teton National Park, is public land, according to the Teton County Housing Authority in Jackson. Similarly, 83 percent of the land in Pitkin County, home of Aspen, is in public ownership, reports the Northwest Colorado Council of Governments (NWCCOG).

Demand for this limited supply of land is high, fueled by the prosperous economy of the 1990s and a booming market for second homes. In Summit County, Colorado which includes the ski resorts of Breckenridge, Keystone, Arapahoe Basin, and others, owners of second homes hold 65 percent of the housing stock, points out Gordon Ferris, executive director of the Summit County Housing Authority (SCHA), headquartered in Breckenridge.

Those involved in Colorado's housing industry say prices for residential land are high and multifamily-zoned land is scarce. "It's hard to find multifamily-zoned land in Vail Valley, and if you can find it, it costs, \$80,000 per unit," explains Jane Harrington, manager of western slope operations—everything west of the Continental Divide, which includes Aspen, Steamboat Springs, Telluride, Vail, and other ski areas—for the Colorado Housing and Finance Authority (CHAFA). "Comparable land in Grand Junction [a nonski area in western Colorado] is about \$8,000 per unit." Harrington also points out that many resort communities that depend on sales tax revenues are reluctant to rezone commercial land for housing.

Adding to the higher land costs are higher construction and material costs, as well as a short construction season. Affordable housing developers must attract contractors from out of town whose bid prices, though they include lodging and subsistence costs; still are cheaper than those of local subcontractors whose high prices reflect their involvement in the building of "trophy homes" for wealthy landbuyers.

Attitudes toward growth in general and affordable housing in particular have presented further barriers. There are those who fear that affordable housing will attract stereotypical ski-bums or worse, as well as residents who can be passionate about preserving the environment and the quality of life in the area. "The Tetons are an awe-inspiring environment and people

don't want that to change," ' Says Forrest H. Neuerburg, executive director of the Teton County Housing Authority." changing that is, not what they came here for. There's NIMBYism with backyards expanded," As a result approval processes can be both time-consuming and tough.

Yet, few question the need for affordable housing, the lack of which forces many local workers to commute an hour or more one way over mountain passes or on narrow canyon roads, which can be especially treacherous in winter. "More than 40 percent of emergency workers live outside the [Teton] county. There are no linemen for the power company living in the county," says Neuerburg. Car commuters require scarce land for parking and create auto-related pollution. Employers face recurring difficulties in recruiting and retaining workers. Residents worry that community character and cohesion deteriorate when the permanent workforce is forced to live elsewhere.

In Telluride, Colorado 97 percent of the community says affordable housing is a significant problem, according to Laura Duncan, executive director of the San Miguel County regional Housing Authority in Telluride. Summit County's Ferris adds, "Affordable housing today is ranked among the top one or two issues in local polls."

Some areas recognize that the problem is spreading and becoming more regional. Silverthorne and Winter Park, Colorado mountain towns once considered affordable, are experiencing price percentage increases in housing greater than unaffordable Aspen, According to a report on employer-assisted housing from NWCCOG.

Addressing community concerns about development in general and overcoming misperceptions about affordable housing are seen as major hurdles. Nearing completion in Hailey, Idaho, about nine to ten miles from the Sun Valley ski resort, is Balmoral Apartments, the first affordable housing to be built in Blaine County in ten years. Phase I of the 120-unit rental apartment project opened in June 2001, and Phase II, with 72-units, is scheduled to open this month. There are 19 buildings in the Balmoral project, including nine two-story buildings with eight units each and ten three-story buildings with 12 units each.

"It's more difficult to develop affordable housing in ski or resort towns than in other comparable towns. the question is, is it geometrical or exponential?" says Tom Mannschreck owner and president of Thomas Development Company, Headquartered in Boise, Idaho. Mannschreck cites higher land and construction costs and a more difficult process. "NIMBYism

is very challenging." Balmoral is located on a site of approximately 14.5-acres in a neighborhood of predominantly single-family starter homes and is bordered by a greenbelt that run to Sun Valley. Financed by a combination of tax-exempt bonds, Idaho Housing Finance Authority Affordable Housing Investment Trust Funds, and housing tax credits, Balmoral is targeted at renters with incomes that are 30 to 50 percent of the area median income (AMI) level.

Negotiations for the project began in 1998. Mannschreck says he wanted a street vacation and increased density on the site. City zoning allowed ten units per acre, but the city council had discretionary authority to award a 20 percent density bonus. The city sought a parkland dedication; the city's parkland exaction for new development did not apply because the site had been platted and approved before the exaction was enacted. The developer notes that he offered to build and give a 2.6-acre park with a soccer field to the city. He also offered a written commitment to maintain affordable rents for 40 years instead of the 15-year minimum, to include internal amenities in the project, and to design the site to take advantage of the greenbelt as an amenity. In return, relates Mannschreck, he asked for, and eventually received, a transfer of density development rights from the parkland to the rest of the site and a 20 percent density bonus for the entire site.

Meeting with neighborhood residents before submitting a plan to the city, Mannschreck sought input from residents over a wider area than required by the city. Neighbors to the south asked that a view corridor be preserved, and Thomas Development Company reoriented buildings to preserve those views. Meetings were held early in the process with city department heads to address security, snow removal, and site lighting. Concerns were raised that affordable housing would bring residents with criminal records and on drugs, and a neighborhood watch was instituted. Members of the zoning commission traveled to Boise to inspect some of Thomas's other apartment properties. The city stressed that it did not want 19 identical buildings. In response, working with Springer Architectural Group of Bozeman, Montana, Thomas Development varied materials and colors and stepped building elevations on site to avoid an institutional look. In all, 18 months elapsed from the initial meetings to ground breaking.

"With all the time spent on site design and configuration, building presentation, rotating buildings, going to multiple zoning and neighborhood meetings, we ended up building a better mousetrap," admits Mannschreck. He also credits local officials and neighbors generally for not having unrealistic expectations about what could be built and still remain

affordable.

While local governments cannot lengthen the construction Season or lower the cost of labor and materials, they often have contributed land or subsidized costs. The average sales price for a single-family house in Breckenridge, Colorado, in 2000 was \$802,000, and in Summit County, it was \$496,399; the average sales price for all categories (including single-family homes, condominiums, townhouses, and mobile homes) was \$317,000 in the fourth quarter of 2000, according to the SCHS's Ferris. "Virtually no local workers can afford housing that's on the market." says Ferris. "Since the private sector won't provide housing, we need to build a submarket of housing that is deed restricted to local workers."

The Summit County Housing Authority, in cooperation with the town of Breckenridge and Miami Beach-based developer WSG Development Company, is developing Gibson Heights, which comprises 38 new homes eight three-bedroom, single-family homes; ten three-bedroom duplexes; and 20 two-bedroom townhouses. Two finished lots are being sold to Habitat for Humanity. In targeting employees such as teachers, firefighters, etc., sales prices could not exceed 80 percent of AMI. The 2,441-square-foot, single-family units, which include an unfinished basement, are selling for approximately \$207,000. Occupancies are expected to start this summer and the project is scheduled to be completed this fall.

All homes are deed restricted to local workers. Ferris notes that generally a local worker is defined as someone who works 30 hours a week, year-round. Price appreciation is limited to approximately 3 percent, or the growth in AMI, whichever is less. (Private developers of affordable, for-sale units are allowed to use whichever amount is greater in order to make their units more marketable.) The homes are sold by lottery to income-qualified members from a waiting list. The longer someone has worked in Summit County, the greater the chances given in the lottery--a common approach to allocate the scarce supply of affordable housing. The project is adjacent to WSG Development Company's Vista Point, a 56 Unit development with most of its units priced at the market rate, in the high \$500,000s. It, too, will have 18 deed-restricted units aimed at households with incomes of 90 to 110 percent of the AMI--\$72,700 for a household of four in Summit County.

Ferris emphasizes the public/private partnership involved. "The project wouldn't have happened without the town of Breckenridge, which donated land, waived water tap fees and building fees, and paid cash for sewer tap fees (to a separate sewer authority)." Ferris estimates the total value of this support at around \$1 million. WSG Development bought the Gibson Heights parcel and traded it to the town for another parcel that the town owned,

known as Revett's Landing. Although Breckenridge had planned to develop Revett's landing for affordable housing, NIMBY concerns arose from neighbors in the area, which is a physically more difficult site requiring greater engineering costs. WSG Development intends to build market-rate units at Revett's and is better able to absorb the higher costs of preparing the site than construction aimed at the affordable housing market in another project, Ophir Mountain, Summit County leased a three-acre site it owned for 99 years for a 28-unit condominium project comprising 14 two-bedroom and 14 three-bedroom units, each with a one car garage. The project targets 80 percent AMI buyers and was completed in 1998.

Land donations and subsidies can come from different governmental bodies. In Telluride, Colorado, the local school district, adopting a tactic used in Aspen, Colorado, developed four rental units on district-owned property to help retain employees, according to Duncan.

Ski resort owners may be amenable to creative financing on the land. At Big Sky, in south central Montana, developer William "Dab" Dabney, managing partner of Bozeman-based Farmhouse Partners, worked with resort owner Big Sky Resorts, a unit of Boyne, Michigan-based Bayne Resorts, to develop affordable housing at the mountain base. Boyne Resorts, both major employer and landowner, "had issues with employee turnover and costs associated with attrition," according to Dabney. "You own land with proper zoning for the kind of housing I want to build. Your money is better spent on facilities your customers can use and see, and it takes a different skill set to build and manage housing," argued Dabney to Big Sky Resorts.

Big Sky sold the Land for nothing down and no interest for 15 years. Dabney also received a 15-year loan to pay sewer impact fees funded by resort sales tax fund. He notes that sewer impact fees would have added an estimated 10 percent to the hard cost of construction, making the project uneconomical. Combining this financing with low-income housing tax credits and other funding, Farmhouse Partners built Big Sky I -36 affordable one-bedroom rentals that opened in 1998. Big Sky Apartments II, 12 single-room-occupancy units, each with two bedrooms-each of which is leased separately -two baths, and a shared living room, opened in 1999. The units are available to the qualifying public on a first-come, first-serve basis. The one-bedroom units rent for \$325 compared with about \$600 for an older studio condominium, estimates Dabney. In many areas, a community may not have an inventory of land available for affordable housing, or that inventory may be small relative to the need under these circumstances, communities have relied on a mix of exactions and incentives to attract

private developers to build affordable or attainable housing; the latter is targeted at buyers with higher incomes, usually exceeding the limits for low-income housing tax credits, but still the buyers need housing assistance in the community's eyes. Communities also have tried to identify funding sources to purchase land for affordable housing.

A variety of approaches are being discussed or implemented in Eagle County, Colorado home of Vail - according to David Carter, executive director of the Eagle County Housing Authority, based in Eagle. These include employee-housing linkages requiring new commercial developments to build housing for a percentage of employees. This approach has been implemented by the town of Basalt, down the valley from Aspen, and is being negotiated in the town of Avon, outside Vail. The town of Eagle uses inclusionary zoning requiring a percentage of new housing developments for local residents. Aspen, in Pitkin County, requires that 80 percent of new housing developments be for local residents, with a goal ultimately of housing 60 percent of the workforce locally, according to Harrington.

Another approach is to link residential development and the resulting jobs generated to affordable housing. An estimate is made of the number of new jobs that will be created by a development, and a target is calculated for the amount of affordable housing that will be needed incentives are provided to develop the affordable housing on site, or developers could provide it off site or pay a fee to a fund for affordable housing.

In Summit County, while there are no blanket exaction requirements, the county has negotiated affordable housing set asides in several projects and a transfer fee of 0.5 percent to 1 percent of the sales price to be paid to a housing fund in other projects, according to Ferris. Teton County, Wyoming, recently adopted overlay zoning for planned unit developments to encourage affordable housing. Developments that provide 66 percent affordable housing, defined as at or below 120 percent of AMI, or 66 percent attainable housing, defined as 125 to 175 percent of AMI, or a combination of the two are eligible for density bonuses. The county also has an exaction requiring an amount of affordable housing equal to 15 percent of the residents in new developments. Developers have the option to build housing off site or pay a fee to a housing fund.

Raising funds to support affordable housing can provide another option. Aspen and Telluride have a half-cent sales tax for affordable housing, a source no longer available to other communities in Colorado after tax cap legislation. Telluride has used the funds to buy parcels for future housing, and the tax raises about \$500,000 annually in the region Mountain Village, a

municipality located at the ski hill base. also levies the tax for affordable housing, according to San Miguel's Duncan.

Wyoming, with voter approval, allows communities to levy, a one-cent sales tax, known as special purpose tax funds, to use for capital or special projects contributing to the community good. The process is competitive: first, a community panel screens the projects and then residents vote to approve or reject each project. In 2001, voters in Teton County approved \$9.3 million (out of \$45 million available that year) in special purpose tax funds for affordable housing. In May, the Teton County Housing Authority purchased land known as the Karns Ranch Parcel for \$4.16 million, where it plans to develop 100 rental units, its first rental project, for mixed-income residents.

Colorado enacted in 2001 the multijurisdictional housing authority bill (also referred to as House Bill 1172) permitting two or more housing authorities, with the approval of the voters in each authority's jurisdiction, to raise property or sales taxes and impact fees to support affordable housing. Summit County housing groups polled residents in June and found sufficient support for a sales tax increase to move forward with plans to put the proposition on the ballot in November. Ferris says that a 0.15 percent sales tax in Summit County would raise approximately \$1.2 million annually.

The challenge of providing affordable housing for the workforce varies from community to community; some communities may have more land on which to build than others, some may have neighboring communities with affordable housing stock, while others may be more isolated. Some may be internationally known, drawing buyers from around the world, while others may draw from the region. Some may be playing catch-up; others may have an opportunity to provide housing before it reaches a crisis point.

There has been some form of affordable housing program in effect in the Telluride area for 20 years, involving the city, the county, and the ski resort, points out Duncan. The program supports approximately 1,000 units, but, she notes, Telluride residents still point to housing affordability as a critical issue.

More than a dozen affordable housing projects using low-income housing tax credits in Colorado's mountain communities have been set up by Coughlin & Company, Denver-based developers and investment bankers, which is currently planning Middle Creek, a 142-unit project for local workers in the heart of Vail Village. Michael Coughlin, executive vice president, sounds a cautionary note, "They [the ski resort areas] can create a few hundred jobs much faster than they can create a few hundred affordable housing units."

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