AGENDA
CITY OF SALIDA PLANNING COMMISSION
WORK SESSION

MEETING DATE: Tuesday, August 08, 2017
MEETING TIME: 6:00 p.m.
MEETING LOCATION: City Council Chambers, 448 E. 1st Street, Salida, CO

I. **Main Street Patio policy discussion**

II. **Workforce housing**

III. **Adjourn**

PLANNING COMMISSION STAFF REPORT

MEETING DATE: August 8, 2017

AGENDA ITEM TITLE: Main Street Patio Program

AGENDA SECTION: Work Session

FROM: Glen Van Nimwegen, AICP
Community Development Director

BACKGROUND:
Resolution 2016-28 was approved by City Council on March 15, 2016 which set forth the Main Street Patio Program Policy. The policy set a process wherein a business owner may receive a revocable license from the city to place a patio structure within a parking space in front of their business.

At the June 6, 2017 meeting the City Council asked staff to put in place a moratorium on new applications for Main Street Patios. Resolution 2017-36 was approved on June 20 to "suspend" the policy until a new ordinance could be brought forward.

Some of the issues identified with the previous policy was the administrative approval; conflicts with other Code sections; impacts on parking; adjacent owner approval; license fees; and the lack of public input on approval of the patios.

Staff made a presentation to the City Council at their July 17th Work Session. There was support from Council to reduce the size of the patios, particularly the encroachment onto the sidewalk and raising the lease fees, which may be earmarked for a downtown parking study.

DISCUSSION:
Staff's initial proposal would be to use a two-step process that would include the Planning Commission reviewing the placement of patio structures through the conditional use process. If approved, it would be subject to approval of a revocable license agreement approved by City Council.

Conditional Use
The Land Use and Development Code states certain uses deserve a higher level of review. "Conditional uses are those land uses which are generally compatible with the permitted uses in a zone district, but which require site-specific review of their location, design, intensity, density, configuration and operating characteristics, and which may require the imposition of appropriate conditions…" Extending a bar and/or restaurant into the public right-of-way is worthy of this level of review.

The conditional use review by the Planning Commission concludes at a public hearing. The process leading up to the hearing includes referring the request to all affected departments and agencies for comment; mailing notices to every property owner within 175 feet within 15 days of the hearing; and posting an 11 X 17 inch sign describing the request and stating the hearing date at the site at least 15 days before the hearing.

Staff proposes limiting the patios to the Central Business District (C-2) which encompasses downtown. We would also recommend Review Standards be incorporated into Section 16-4-190 for the patios which may include a limitation on the number allowed per block; a requirement for the business to be open a minimum of nine (9) consecutive months; a season for the patios; a maximum size of 9 X 20 feet; minimum design and construction standards; assurance of handicapped accessible patio and parking spaces; and spacing from intersections.

Revocable License Agreement

Currently this is a contract between staff and the applicant. Staff proposes elevating approval of this agreement to Council. The agreement includes provisions for liability insurance; term; use restrictions; license fee ($3 per square foot); and standards for terminating the agreement. Staff would suggest other changes to the agreement to include a closer to market rate for leasing the parking space and requiring a bond to assure removal of the structure if the agreement is terminated.

The changes to the process proposed by staff will extend the time required for approval to about 60 days.

STAFF RECOMMENDATION:

The purpose of this item is to have an open discussion about the proposed changes with the Planning Commission, particularly potential Review Standards. The resolution adopted by Council gives us approximately four months for new rules. A tentative calendar for adoption may be:

August 8:	Work Session with Planning Commission
August 29:	Planning Commission hearing to consider code amendments.
~~September 4:~~	~~Council Work Session~~ TBD
September 5:	First reading and setting public hearing by City Council
September 19:	Second reading, hearing and adoption
October 19:	Effective date.

Attachments

Resolution 2017-36

Main Street Policy Program (current)

Letter from Krivanek

Email from Julie Sinclair

CITY OF SALIDA, COLORADO
RESOLUTION NO. 36
(Series of 2017)

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SALIDA, COLORADO, RESCINDING THE MAIN STREET PATIO PROGRAM POLICY.

WHEREAS, on March 15, 2016 the City Council approved Resolution 2016-28 to establish the Main Street Patio Program Policy; and

WHEREAS, the Policy allowed the City to enter into a license agreement to allow owners of retail food and beverage establishments to erect patio structures in the city right-of-way; and

WHEREAS, approval of the license agreement is administrative if certain criteria are met, such as adjacent owner consent, liability insurance, and a complete application; and

WHEREAS, structures and uses within the right-of-way are regulated by numerous sections of the Salida Municipal Code including Chapter 6. Business Licenses and Regulations which among other things requires license fees, taxes and penalties; Chapter 8. Vehicles and Traffic which regulates motor vehicles traversing and parking within public rights-of-way; Chapter 11. Streets, Sidewalks and Public Property which regulates encroachments on public rights-of-way; Chapter 16. Land Use and Development which regulates all land uses with the city through zoning and conditional uses; and Chapter 18. Building Regulations which ensure the safety of built structures; and

WHEREAS, the policy has been in place for a period of 15 months and a number of concerns have been raised by residents and business owners including where and how many of the patios structures should be allowed; the appropriate approving authority; license fees; the need for additional public input prior to approval and the loss of downtown parking; and

WHEREAS, additional considerations should be made for the ability of public works personnel to maintain streets and utilities; and

WHEREAS, regulations for establishing a use and erecting a structure within city right-of-way should be codified in the Salida Municipal Code; and

WHEREAS, City staff needs the necessary time to develop appropriate Main Street Patio land use and development regulations for consideration by the City Council; and

WHEREAS, while City staff develops appropriate regulations and receives input from those affected, it is the desire of the City Council to maintain the approved licenses for businesses that have established the patios per the previous policy and not accept new requests for licenses per the Main Street Patio Program until new regulations are established.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL FOR THE CITY OF SALIDA, COLORADO, THAT:

1. The City shall, effective June 21, 2017, halt the acceptance, processing and approval of applications for new Main Street Patio Licenses.
2. Existing licenses shall remain in full force and effect in compliance with the provisions of the license.
3. Any applications that are pending as of June 21, 2017 shall be processed in compliance with the provisions of the existing Main Street Patio Program Policy.
4. Automatic renewals of approved licenses will occur if annual lease payments are made for 2018 no later than ten (10) days prior to the annual renewal, or December 21, 2017 unless terminated by either party.
5. Staff is hereby directed to draft new regulations to be codified within the Municipal Code of the City of Salida within four months of the rescission date.

RESOLVED, APPROVED AND ADOPTED this 20th day of June, 2017.

CITY OF SALIDA, COLORADO

____
Mayor James LiVecchi

[SEAL]

ATTEST:

____
City Clerk/Deputy City Clerk

Main Street Patio Program
POLICY

Introduction or Purpose:

Through a process of public engagement, the Community Development Department in conjunction with local businesses, stakeholders, the Planning Commission and City Council have developed this policy framework.

The Main Street Patio policy of the City of Salida (the "City") is to allow for the use of public right-of-way for outdoor dining activities. This policy will enliven the streetscape by allowing dining on publicly owned property within a framework that promotes economic vitality while protecting the health, safety and welfare of residents, businesses, and visitors.

In addition, this policy will ease the process of obtaining approvals to operate an outdoor dining patio and ensure the safety of and provide adequate space for pedestrians and patrons of sidewalks and main street patios.

This Policy establishes the terms and conditions for use of a public right-of-way in addition to an appropriate application process.

Policy:

Main Street patios on public rights-of-way will be allowed subject to administrative review and approval of an application and execution of a revocable license agreement.

Retail food and beverage establishments and retail establishments that serve specialty foods and beverages (e.g. ice cream shops, coffee houses, and bars/distilleries/brew pubs) are eligible for the main street patio program. Mobile food vendors are not eligible for the main street patio program.

The revocable license shall be good for the term of the current calendar year (January 1st thru December 31st) with an automatic yearly renewal thereafter or until terminated by either party. The licensee will be responsible to pay an annual lease payment of three (3) dollars per square foot of leased area to the City no later than 10 days prior to the annual renewal. The first annual payment shall be paid at the time of approval and shall not be prorated.

An application and revocable license agreement for use of public rights-of-way, limited to parking spaces or alleys, owned or under the control of the City of Salida shall require the following:

- A completed application.

- A scaled site plan of the lease area.
- Scaled construction plans, stamped by a licensed engineer, of the proposed patio.
- Execution of the Revocable License Agreement. Patios will be assessed a fee of $3.00 per square foot of patio area per year to be paid at the time of approval.
- Proof of consent from adjacent property owners (adjacent shall mean properties with a common property line with the property making the request).
- Proof of liability insurance in the amount of $1 million with the City of Salida named as an additional insured party.
- Payment of the Administrative review fee: $200.00 (this fee will only be required for first time applicants and not renewals).

City staff shall review and approve applications under the Main Street Patio program. Any owner or operator that feels aggrieved by a staff decision may appeal to City Council.

General Process, Procedures, and Requirements:

- A Main Street Patio shall require an administrative review and approval of the following documents:

    1. A complete application which shall include the following:
        a. Detailed site plan, stamped by a professional engineer, with a written description of the project. The site plan and narrative shall accurately depict and describe the location, height, materials, nature and extent of all proposed improvements and fixtures within the revocable license area. The site plan and/or narrative shall include:
            i. North Arrow.
            ii. Property lines.
            iii. Building and patio area. Including dimensions of the patio area and length of building frontage.
            iv. Sidewalk from face of building to nearest curb. Including the building entrance, sidewalk and location of any obstructions in the immediate vicinity of the proposed patio including, but limited to, street trees, signposts, fire hydrants, planters, and other similar fixtures.
            v. Tables and chairs, and other proposed furnishings located on the patio.
            vi. Construction drawings and/or cut-sheets showing materials and method of construction.

b. Proof of consent from adjacent property owners (adjacent shall mean properties with a common property line with the property making the request).

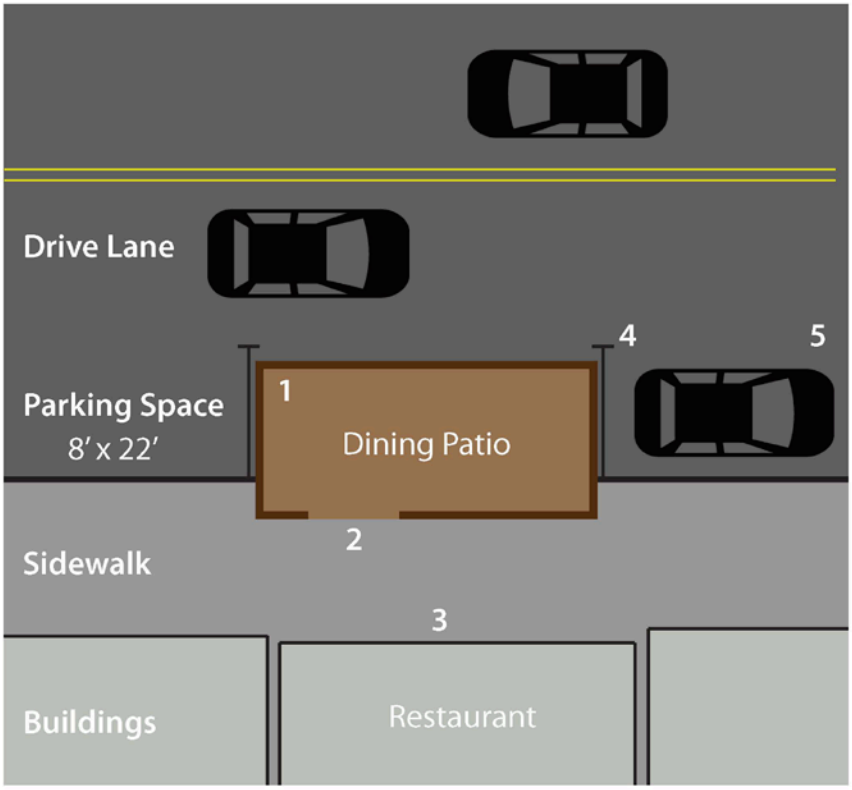
c. Proof of liability insurance in the amount of $1 million, with the City of Salida named as an additional insured party.

d. Complete Revocable License Agreement and lease payment ($3.00/square foot of deck area).

e. Payment of the Administrative review fee: $200.00. (this fee will only be required for first time applicants and not renewals).

- Main Street Patios operated under this program are allowed year-round. Outdoor dining is permitted only when the primary food establishment or its kitchen is open.
- Main Street Patios operated under this program must comply with adopted City of Salida regulations governing noise. No amplified sound shall be permitted on the patio.
- The sidewalk adjacent to a main street patio shall be located so that the public sidewalk has a minimum 6-foot wide continuous pedestrian throughway free from all obstruction.
- Covered patios may be allowed at the discretion of the City of Salida. Covered patios may be subject to additional review and subject to the approval of a building permit.
- At the end of license term, or upon termination of the lease agreement, the patio including all fixtures and furnishings associated with the patio shall be removed and the area returned to original condition at the sole expense of the lessee or building owner.
- The patio may not be used for storage. All furnishings shall be contained within the patio area.
- No signs or banners shall be permitted on the patio.
- The licensee shall at its sole expense promptly remove from the patio and adjacent areas all snow and trash.
- No utility connections shall be permitted.
- The licensee shall be responsible at its sole expense for the construction, installation, operation, maintenance, repair, and removal of any and all improvements associated with the placement of a main street patio.
- The licensee shall be responsible for the payment of all applicable sales and property taxes.
- Main Street Patios shall be constructed primarily of durable architectural or decorative metals. Acceptable colors shall include black or other naturally dark earth toned colors. Decorative railings are encouraged. Wood railings may be acceptable depending on design. Patio decking material must be metal, engineered wood/plastic composite, or other similarly attractive and durable material. Wood construction will be prohibited.

- Main Street Patio Placement and Design Concepts:



1 Patios may not occupy more than one (1) parking space regardless of overall dimensions.

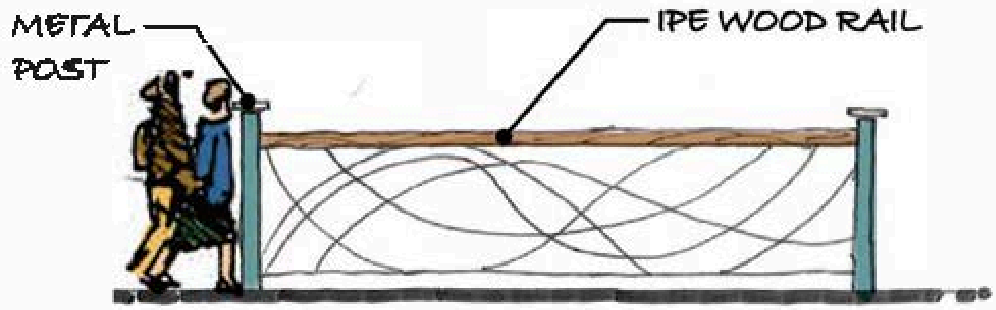
2 Patios must be open to the sidewalk and provide adequate ADA access.

3 Patios must be located adjacent to the business they serve and provide clear passage on the side-walk for the public.

4 Patios may be adjacent to each other, however, if separated there should be a minimum of twenty-two (22) feet between to accommodate a standard parking space.

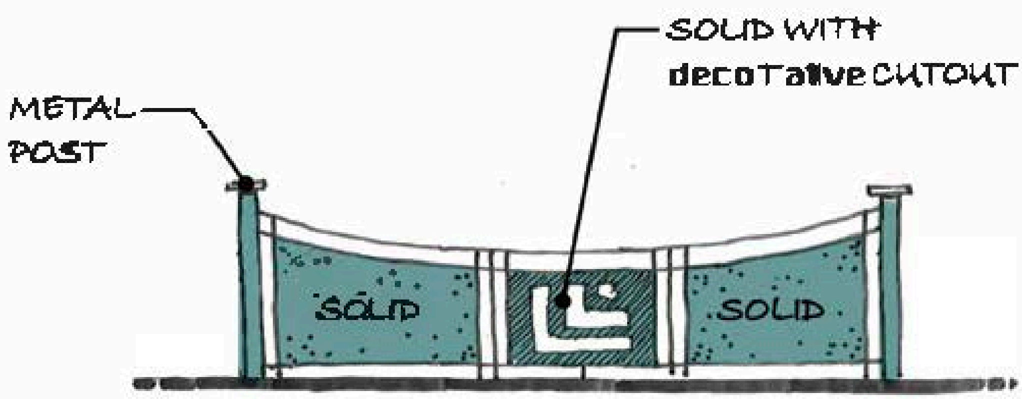
Main Street Patio
Placement Standards

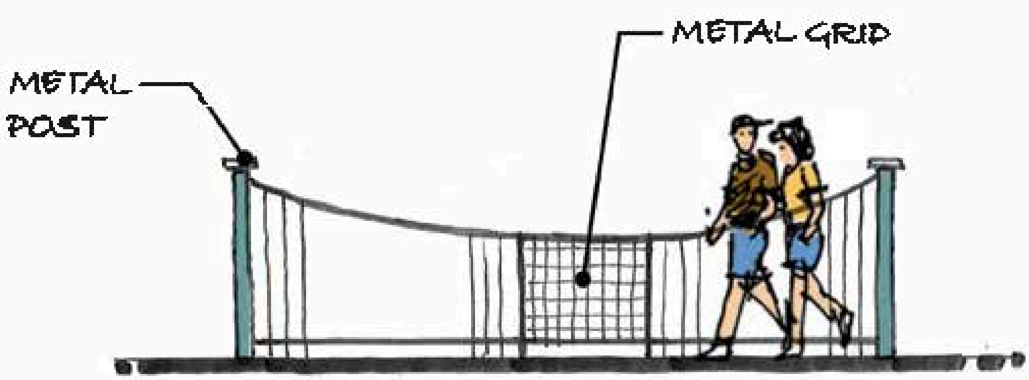
Main Street Patio Design Concepts



FRONT ELEVATIONS

(SCALE 3/8" = 1'-0")





Approvals:

Date	Name	Signature
	Department Head	
	City Administrator	
	Adopted by City Council Resolution 2016-28	

Revision History:

Version	Date Revised	Reason for Change

Main Street Patio Application
Community Development Department

448 East First Street, Suite 112
Salida CO 81201
Phone: 719-530-2626
Email: planning@cityofsalida.com

Type: ☐ Initial Application ☐ Renewal ☐ Transfer

Type of Right-of-way Impacted: ☐ Street/Parking Space ☐ Alley ☐ Sidewalk

Location of Patio:____

Contact Information:

Business Name:____

Applicant's Name:____

Street Address:____

Mailing Address:________________ City:__________ State:_____ Zip:__________

Phone:____________________ Email:____________________________

Applicant's Signature:________________________ **Date:**________________

Application Contents:

	# Copies	Item Required
☐	2	Detailed Site Plan w/ Stamped Engineered Patio Plan
☐	1	Certificate of Insurance ($1,000,000)
☐	1	Special Insurance Endorsement Form City named as additional insured.
☐	1	Revocable License Agreement
☐	1	Main Street Patio Application Fee: $50.00
☐	1	Written Authorization *(If applicant is not the owner of the business)*

Please verify that all items listed above are submitted in order for an application to be accepted for review. Incomplete submittals will not be accepted for review.

City Use Only:

City Approval:__________________ Date:__________ Expiration Date:____________

REVOCABLE LICENSE AGREEMENT

THIS REVOCABLE LICENSE AGREEMENT (hereinafter "Agreement") is made and entered into this _______ day of ____________ 2017, by and between the City of Salida, Colorado, Colorado a municipal corporation (hereinafter "City") and ___________ ("Licensee");

WITNESSETH:

WHEREAS, Licensee desires to obtain a revocable and non-exclusive license from the City to use and occupy a portion of the F Street right-of-way for patio improvements for food and beverage service; and

WHEREAS, the City is willing to grant Licensee a revocable license for such purpose, upon the terms and conditions of this Agreement.

NOW, THEREFORE, the City and Licensee agree as follows:

1. Licensed Premises. The City hereby grants to Licensee a revocable and non-exclusive license to occupy and use, subject to all of the terms and conditions of this Agreement, the following described premises (the "Premises"): that portion of the F Street right-of-way and sidewalk lying within the F Street right-of-way that is located adjacent to _____________________, as more particularly shown in Exhibit A, attached hereto and incorporated herein by reference.

2. Term. The term of the license shall be from _____________, 2017 through ______ ____________, 2017. The Licensee shall pay the City a license fee of $________________ upon the commencement of this License Agreement.

3. Purpose and Conduct of Use. The Premises may be occupied and used by Licensee during the term of this Agreement for the sole purpose of constructing, installing, operating, maintaining and repairing a patio for food and beverage service, such patio to consist of decking, fencing, tables, chairs, and other necessary facilities as shown in Exhibit A. Except as specifically allowed by this Agreement, Licensee shall not place, build, expand, or add to any structures or other items on the Premises. In its use and occupancy of the Premises, Licensee shall strictly comply with the following standards and requirements:

(a) Alcohol service on the patio shall be limited to retail sales of alcohol beverages by the drink. No alcohol tastings or private parties with alcohol service shall be permitted on the patio. Alcohol service requires and is subject to appropriate State of Colorado and Local Licensing Authority permits and/or licenses.

(b) No chairs, tables, or any other Licensee improvements, equipment, or facilities shall be placed within the sidewalk corridor depicted on Exhibit A, which corridor shall be remain open at all times for pedestrian passage.

(c) No amplified sound shall be permitted on the patio area.

(d) Licensee shall not place or permit any signs or banners on the Premises.

(e) No utility connections shall be installed on the Premises.

(f) Licensee shall not place or permit any hazardous materials in or about the Premises.

(g) Licensee shall at its sole expense promptly remove from the Premises and any adjacent areas all snow and trash generated by its operation of the patio facilities.

4. Patio Improvements. Licensee shall have the right to install on the Premises patio improvements consist of decking, fencing, tables, chairs, and other necessary facilities as described and depicted in Exhibit A. Licensee shall be responsible at its sole expense for the construction, installation, operation, maintenance, repair, and removal of the improvements to be undertaken by it. All improvements installed by Licensee shall be completed in accordance with plans and specifications approved in advance by the City. Any changes shall require additional advance approval by the City. All work shall be completed in compliance with all codes, ordinances, rules, and regulations of the City. Except for the improvements specifically authorized by the City, Licensee shall not place, build, expand, or add to any structures or other items on the Premises.

5. General Use and Care of Premises. Licensee agrees to take such actions as are necessary to maintain the patio improvements and Premises in good and safe condition at all times. Licensee further agrees to comply at all times with the ordinances, resolutions, rules, and regulations of the City in Licensee's use and occupancy of the Premises.

6. No Estate in Premises. Licensee agrees that it does not have or claim, and shall not at any time in the future have or claim, any ownership interest or estate in the Premises, or any other interest in real property included in the Premises, by virtue of this Agreement or by virtue of Licensee's occupancy or use of the Premises

7. Compliance. If Licensee fails to comply with its obligations under this Agreement, the City may at its sole option terminate this Agreement as provided herein or take such measures as it determines necessary to bring the Premises into compliance with the terms hereof, and the cost of any such measures shall be paid by Licensee.

8. Acknowledgment of General Condition. Licensee acknowledges that its use and occupancy hereunder is of the Premises in its present, as-is condition with all faults, whether patent or latent, and without warranties or covenants, express or implied. Licensee acknowledges the City shall have no obligation to repair, replace, or improve any portion of the Premises in order to make such Premises suitable for Licensee's intended uses.

9. Acknowledgment and Acceptance of Specific Matters. Licensee specifically acknowledges that the Premises may not currently meet standards under federal, state or local law for Licensee's intended use, including but not limited to accessibility standards under the Americans with Disabilities Act and Uniform Building Code and adopted and in force in the City of Salida. Compliance with such standards, if required for Licensee's use, shall be at the sole cost and expense of Licensee. If Licensee determines that compliance with such standards for Licensee's use is not feasible or economical, then Licensee may terminate this Agreement and the parties shall be released from any further obligations hereunder.

10. Taxes. The Premises are presently exempt from any real property taxation. In the event the County Assessor determines that the Premises is subject to the lien of general property taxes due to Licensee's use or occupancy, Licensee shall be responsible for the payment of taxes.

11. Liens. Licensee shall be solely responsible for and shall promptly pay for all services, labor or materials furnished to the Premises at the instance of Licensee. The City may at Licensee's expense discharge any liens or claims arising from the same.

12. Licensee and City's Property. The City shall have no responsibility, liability, or obligation with respect to the safety or security of any personal property of Licensee placed or located on, at, or in the Premises, it being acknowledged and understood by Licensee that the safety and security of any such property is the sole responsibility and risk of Licensee.

13. Right of Entry. Notwithstanding any other provisions of this Agreement to the contrary, the City shall at all times have the right to enter the Premises to inspect, improve, maintain, alter or utilize the Premises in any manner authorized to the City. If such entry requires disturbance of any items placed upon the Premises under this Agreement, the City shall not be required to repair or replace any such disturbance. In the exercise of its rights pursuant to this Agreement, Licensee shall avoid any damage or interference with any City installations, structures, utilities, or improvements on, under, or adjacent to the Premises.

14. Indemnity and Release. Licensee shall be solely responsible for any damages suffered by the City or others as a result of Licensee's use and occupancy of the Premises. Licensee agrees to indemnify and hold harmless the City, its elected and appointed officers, agents, employees and insurers harmless from and against all liability, claims, damages, losses, and expenses, including but not limited to attorneys' fees, arising out of, resulting from, or in any way connected with (a) Licensee's use and occupancy of the Premises; (b) the conduct of Licensee's operations or activities on the Premises; (c) any liens or other claims made, asserted or recorded against the Premises as a result of Licensee's use or occupancy thereof; and (d) the rights and obligations of Licensee under this Agreement. Licensee hereby further expressly releases and discharges the City, its elected and appointed officers, agents, employees, and insurers, from any and all liabilities for any loss, injury, death, or damages or any person or property that may be sustained by reason of the use or occupancy of the Premises under this Agreement, excepting only those arising solely from willful and wanton conduct of the City's officer's or employees.

15. Insurance. Licensee shall at its expense obtain, carry, and maintain at all times, and shall require each contractor or subcontractor of Licensee performing work on the Premises to obtain, carry, and maintain, a policy of comprehensive general liability insurance insuring the City and Licensee against any liability arising out of or in connection with Licensee's use, occupancy or maintenance of the Premises or the condition thereof. Such insurance shall be at all times in an amount of not less than $1,000,000 combined single limit for bodily injury and property damage per occurrence. Licensee shall also at its expense obtain, carry, and maintain at all times host and general liquor liability insurance in the same amount. Such policies shall include coverage for liquor liability and such other endorsements and coverages as the City may reasonably require. The City, its elected and appointed officers, agents and employees shall be named as additional insureds on such policies. The policies required above shall be primary insurance, and any insurance carried by the City shall be excess and not contributory insurance. Such policies shall contain a severability of interests provision. Licensee shall be solely responsible for any deductible losses under each of the policies required above. A certificate of insurance shall be completed by Licensee's insurance agent(s) as evidence that a policy or policies providing the coverages, conditions, and minimum limits required herein are in full force and effect, and shall be subject to review and approval by the City prior to commencement of Licensee's occupancy of the Premises. As between the parties hereto, the limits of such insurance shall not limit the liability of Licensee. No required coverage shall be cancelled, terminated or materially changed until at least 30 days prior written notice has been given to the City. The City reserves the right to request and receive a certified copy of any policy and any endorsement thereto. Failure on the part of Licensee to procure or maintain policies providing the required coverages, conditions, and minimum limits shall constitute a material breach hereof upon which the City may immediately terminate this Agreement.

16. No Waiver of Immunity or Impairment of Other Obligations. The City is relying on and does not waive or intend to waive by any provision of this Agreement the monetary limitations (presently $150,000 per person and $600,000 per occurrence) or any other rights, immunities, and protections provided by the Colorado Governmental Immunity Act, C.R.S. §24-10-101 *et seq.*, as from time to time amended, or otherwise available to the City, and its officers and employees.

17. Termination for Breach. At the City's option, it shall be deemed a breach of this Agreement if Licensee defaults in the performance of any term or condition of this Agreement. In the event the City elects to declare a breach of this Agreement, the City shall have the right to give Licensee 15 days written notice requiring compliance with the terms and conditions of this Agreement, or delivery and cessation of further use of the Premises. In the event any default remains uncorrected after 15 days written notice, the City, at City's option, may declare the license granted herein terminated and revoke permission for any further Licensee use of the Premises without prejudice to any other remedies to which the City may be entitled. Additionally, the City in the event of default may, but shall not be obligated to, correct or remedy Licensee's default at Licensee's expense.

18. Termination for Convenience. The City shall also have the right at its option to terminate this Agreement for its convenience and without any cause of any nature by giving written notice at least 45 days in advance of the termination date.

19. Restoration of Premises. At the termination of this Agreement by lapse of time or otherwise, Licensee shall deliver up the Premises in as good a condition as when Licensee took possession, excepting only ordinary wear and tear. At the time of such termination, Licensee at its sole expense shall remove from the Premises all patio improvements and other items placed on the Premises. If any such improvements or items are not removed at the termination of this Agreement, the City may remove them at Licensee's sole expense, and Licensee shall reimburse the City for all costs incurred, including but not limited to staff time and administrative overhead, within 15 days of receipt of a City invoice for same.

20. Notices. Any notices or communication required or permitted hereunder shall be given in writing and shall be personally delivered, or sent by facsimile transmission or by United States mail, postage prepaid, registered or certified mail, return receipt requested, addressed as follows:

City:	LICENSEE:
City of Salida	____________________
Attn: City Administrator	____________________
448 E 1st Street	____________________
Salida, CO 81201	Salida, CO 81201

or to such other address or the attention of such other person(s) as hereafter designated in writing by the parties. Notices given in the manner described above shall be effective, respectively, upon personal delivery, upon facsimile receipt, or upon mailing.

21. Existing Rights. Licensee understands that the license granted hereunder is granted subject to prior franchise agreements and subject to all easements and other interests of record applicable to the Premises. Licensee shall be solely responsible for coordinating its activities hereunder with the holders of such franchise agreements or of such easements or other interests of record, and for obtaining any required permission for such activities from such holders if required by the terms of such franchises or easements or other interests.

22. No Waiver. Waiver by the City of any breach of any term of this Agreement shall not be deemed a waiver of any subsequent breach of the same or any other term or provision thereof.

23. Agreement Personal. This Agreement is personal to the parties hereto. Licensee shall not transfer or assign any rights hereunder without the prior written approval of the City, which approval shall be at the City's sole option and discretion.

24. Entire Agreement; Authority. This Agreement is the entire agreement between the City and Licensee and may be amended only by written instrument subsequently executed by the City and Licensee. The undersigned signatory of Licensee represents that he or she has been duly authorized to execute this Agreement on behalf of Licensee and has full power and authority to bind Licensee to the terms and conditions hereof.

25. Survival. All of the terms and conditions of this Agreement concerning release, indemnification, termination, remedies and enforcement shall survive termination of this Agreement.

26. No Third Party Beneficiaries. The Parties expressly agree that enforcement of the terms and conditions of this Agreement, and all rights of action relating to such enforcement, shall be strictly reserved to the Parties. The Parties expressly intend that any person other than the Parties who receives services or benefits under this Agreement shall be deemed to be an incidental beneficiary only.

IN WITNESS WHEREOF, the parties have entered into this Agreement on the date first above written.

CITY OF SALIDA, COLORADO

By: ______________________________
City Administrator

ATTEST:

____
City Clerk/Deputy City Clerk

STATE OF COLORADO)
) ss.
COUNTY OF CHAFFEE)

Acknowledged, subscribed and sworn to before me this _____ day of _______________, 2017, by ___________________________, as City Administrator and ________________________, as City Clerk/Deputy City Clerk, on behalf of the City of Salida, Colorado.

WITNESS my hand and official seal.

My Commission expires: ________________.

____
Notary Public (SEAL)

LICENSEE

____

By: Name, Title

STATE OF COLORADO)
) ss.
COUNTY OF ____________)

Acknowledged, subscribed and sworn to before me this _____ day of ___________________, 2017, by ____________________________.

WITNESS my hand and official seal.

My Commission expires: ________________.

____

Notary Public (SEAL)

<u>List of Exhibits:</u>

Exhibit A: Description and Depiction of Licensed Premises

Attention: City Administrator, City Council, Code Enforcement Officer, for the city of Salida

I am Mark Krivanek, and I have lived in the downtown area of Salida for 23 years and have had a business on F Street for the same time. I currently have Krivanek Jewelers at 101 F Street and I am the building owner. I have served as a City Council member for Ward 3 in the past. I have raised a family here with two children. My livelihood relies on the community for me to survive.

My concerns are:

- Parking in the downtown area is in great demand, for businesses and residents. During seasonal influx, the congestion is pronounced. Parking is a community issue and regulated by the city. Safety for all citizens to be able to commute thru downtown without harm is paramount.

- These platforms in public parking spots are a safety concern; both motorists and bicyclists in the downtown area are put in harm's way by restricting traffic flows. Both motorized and non-motorized traffic must share a bottle-necked area that is random and with solid structures that allow for no variance if impacted. These obstructions add to the congestion during the regular course of traffic flows and increase obstruction and possible hazard during events such as parades and other outside venues. Currently the "Currents" platform is in a section that most parade routes avoid and would not be able to pass thru. By extending the obstructions on North F Street the city has compounded the restrictions to a much larger area, and is increasing the potential for accidents during events.

- <u>My question to the City Administrator and Council, with Planning and Zoning is this: Why would the city allow possession of valuable parking spots to a very few businesses for profit and a lease agreement to take away from the rest of the businesses and customers in the immediate area, and at the same time encourage traffic flow restrictions and hazards to the public?</u>

- Favoritism seems very real. Parking spots are publicly owned. Loss of a single parking spot is felt by all downtown merchants, not just the adjacent business. In many of the merchant programs and seminars sponsored by the city, they explain that a merchant using a convenient parking spot in front of their business for themselves is like stealing from that business.

- When I was a city council member I attended several merchant and business seminars that the city sponsored. During these meetings parking was still an issue of great concern. Parking spots in the busiest sections along F, G, & E streets in the lower part near Sackett Street, 1st,2nd, and 3rd, were the areas of largest congestion and most in demand by business and residents. There are currently over 17 locations serving food and beverage items that I can count in three square blocks. Each one of these locations can service a hundred or more customers a day. In my location I have a retail jewelry store, and it is common for my customers to park several blocks from my location and walk along sidewalks to my place of business. Therefore, my customers will and do park from next to my store (when available) to many blocks away to take advantage of my jewelry services. Most of my customers are mature in age, although my customer base runs from 15 to 101 years. My customer base is local <u>and</u> tourist based. I too have handled 100 customers in a 7 hour day. I am one of 50+ businesses in downtown Salida.

- Even though restaurants put a higher demand on parking than most merchants in downtown, essentially they are the minority business sector in the downtown. I still haven't mentioned the numerous residents in the downtown that also require street parking. In the past these residents needed to restrict their parking in the downtown between the hours of 9am to 5pm, so that area businesses could have some availability to offer close proximity parking for businesses to serve their customers' needs.

- Parking is a real issue in downtown that will take years to improve, but only after we value each spot as necessary to all individuals and businesses in Salida. Each parking spot has at least a one hour turnover, not that customers can't stay longer – it's just that some don't and some do. We currently charge individuals a $20 fee for parking past the two hour limit, based on an hourly rate that would be $10/hour. Restaurants that take up a single parking spot pay just $67/year, that's 365 days, 24 hours a day, that would be equivalent to $87,600 of value in parking space. A typical single parking spot could measure 17' x 8' or 136 square feet. Tax base value on this area would be $20,400 at $150 square foot. Property as of 2017 was trading hands at $250/ft. or $34,000. Rental values in downtown are averaging $1.50 per square foot. With this in mind the parking spot should rent for $204/ month. Keep in mind that currently the parking spots are community owned and valued by residents and businesses alike.

- Traffic flows in the downtown area are critical, with thousands of visitors every weekend and thru the summer tourist seasons; safety and fluid travel thru these congested areas is very important to all citizens in Salida. The current staged venues in downtown Salida are a great hindrance to traffic flows. From bicyclists fending off traffic thru restricted access, vehicles are taxed with intrusive parking entrances and exits to neighboring parking spots. Keep in mind these platforms are larger than a car in the same spot. Larger vehicles, whether a delivery semi bringing supplies to the downtown merchants or the larger motorhomes of visiting tourists, find it more difficult to access the area, and are a flow and safety concern.

- The traffic flows necessary to downtown are not unique to street traffic. Sidewalk traffic is also critical to safety and flows for pedestrians. The city has ordinances for obstructions along sidewalks recognizing the need for pedestrian flows. The city thru code enforcement should still monitor sidewalk obstructions. Currently the city would receive a D grade by not policing signage, bicycles, and seating along sidewalks. Off-sidewalk bicycle parking would be better, and allowing alley cycle racks could be one solution.

It is my hope that the city values parking, and limits sidewalk obstructions for the benefit of the whole community, and provides a safe commute for visitors and citizens alike.

Mark Krivanek

RECEIVED
JUN 0 0 2017
BY:

From:	CenturyLink Customer Sinclair
To:	glen.vannimwegen@cityofsalida.com
Subject:	decks on F Street, dogsthe downtown
Date:	Thursday, June 15, 2017 8:18:49 AM

Glen,

Thank you for listening to my concerns yesterday morning. I'm writing at your request to identify subjects you hope to have on the agenda at the City Council meeting next Tuesday evening.

1. Decks

I am appalled at the proliferation of outdoor decks in front of restaurants along F Street, particularly since the "test" deck for Currents, originally approved for use from Memorial Day to Labor Day, remains in place year round.

Patrons using the deck frequently tie their dogs to the outside of the deck partially blocking the sidewalk for pedestrian use and dogs are also tied to the north side of the deck where people often stand or wait to cross F Street.

I personally have observed dog fights between leashed and/or loose dogs, dog waste and dangerous situations with dogs being aggressive, growling and barking. They sometimes get tangled up in leashes of other passing dogs. The dog owners act oblivious or just shrug their shoulders.

As we discussed, my spouse is disabled with a progressive degenerative neurological condition and uses a walker full time. He loves having a beer a Bensons next door to Currents but can't possibly navigate down the sidewalk due to the tied up dogs and the wait staff running in and out delivering food and beverages to patrons sitting outside.

I've observed the wait staff petting and playing with the tied up dogs in the course of their duties, obviously not washing their hands. This behavior clearly violates sanitary regulations.

Pedestrians with small children and strollers, older people with mobility issues and even able bodied visitors barely can walk through the sidewalk space between the deck and the Currents building during busy weekends or festivals.

One partner of the Currents, Chris Tracy, has a history of non-compliance by parking his truck in front of Bensons or directly across the street and encourages his bar manager to do the same. I have dozens of photographs of their vehicles being parked there for hours, depriving patrons of nearby businesses access. The Code Enforcement officer, Deb, told me personally that she has ticketed them many times and "gotten into it" with Chris as well. He just laughs it off. He'll stop the behavior for a while, then starts it up again.

His disabled entrance to Currents is either locked or blocked by a service cart so we no longer patronize that business.

Since the deck has become a permanent fixture, city maintenance workers can't plow snow effectively around it so ice builds up in the area, especially in the alley between Currents and Bensons creating dangerous walking conditions. The only way I can safely help Robert with his walker into Bensons for example, is to park in the alley to assist him out of my small pickup, hold onto him lest he fall and escort him into the building. The police department advised me to use this procedure since there is no handicapped parking available close enough since Robert can walk only a few steps at a time.

Once I have Robert safely seated inside, I immediately move my truck from the alley and start searching for a parking spot. When we leave for home, I have to repeat the same procedure.

The deck also blocks visual attempts to see northbound traffic for motorists and bicyclists trying to exit that same alley onto F Street, especially when the large Christmas tree in in place.

Despite Chris's attitude of entitlement and his refusal to comply with agreements regarding his deck, he has no problem going to the City Council asking for favors and they approve them.

The deck in front of Currents has become a public nuisance and I see the same situation recurring for the two new decks in front of Amicas and the ice cream shop. The City Council should to revoke the deck permits since there is no enforcement in place.

Kristi Jefferson

From: Bob - Katy Grether <Grether@outlook.com>
Sent: Thursday, August 03, 2017 4:20 PM
To: Kristi Jefferson
Subject: Please Include in Work Session Packet for Next Tuesday

Hi Kristi,
I am enclosing our opinion about the streetside patios on F Street. We have had an ongoing discussion about parking and patios at our Salida Business Alliance meetings. The Mayor said at our SBA meeting today that there is a joint work session of Council and the Planning Commission this coming Tuesday evening and I would appreciate it if you would forward our letter to the Mayor, the Council members, Planning Commission members and to Glen in advance of that meeting. Since I only had email addresses for the Council (from the City website), I called the City today to ask what to do and they send I could send you the letter and you could get it distributed for Bob and me.
Many thanks!
Katy Grether

****
August 3, 2017
Dear Salida City Council, Mayor, Planning Commission and Community Development Director,
As owners of The Mixing Bowl store at the corner of Second and F Streets, we have been very concerned about the patio idea for many reasons as follows:
1) The patios only work for food and drink establishments and do not benefit bricks and mortar retail stores.
2) The patio represents ownership and elimination of what was once a very valuable parking space on F Street. That space would also benefit the restaurants and bars if it was still parking. If one were to suggest that each store could lease the parking spaces in front of the store for the exclusive use of its customers, everyone would rightly say that was a crazy idea but that is what a patio is.
3) When a patio takes up a space, it means that a potential customer of that restaurant can no longer use that space and must use a space in front of another retail store, taking that space away from that store's customers.
4) Bricks and mortar retailing already faces more and more competition from internet sales and should not face more competition from the restaurants and bars in the downtown also. The argument that this increases business for the restaurants means that there will less parking for all other businesses, potentially harming them. This pits businesses against each other which is not a good thing.
5) Generally, the parking in the downtown is not at a crisis point except for F Street and First Street where the most sought-after, platinum spaces are. The average distance a customer has to walk on a typical business day from a parking space to the business of his or her choice is rarely over a block and a half and this is based on frequent personal experience. When you go to Walmart, you often walk a block to the store entrance and then a block to your chosen department. I have not heard complaints about parking at Walmart.
6) The most logical parking expansion should occur over the F Street bridge so a greater effort must be made to persuade UP to work with the City.
7) Ideas like diagonal parking on one side of F Street, and thereby forcing it to be One Way, would be an unmitigated disaster, would not increase the parking count, and would destroy the downtown. It would be very frustrating for the visitors, who make up an increasing portion of the customer base, to find their way around and would favor the businesses on the side of the street with the parking spaces. Our current two way

traffic system with a grid is the optimum system for a downtown like ours. It is currently a successful downtown by any measure and should not be tampered with.

8) The suggestions by the Community Development Director we feel are in the right direction if we do maintain the patio idea but there should absolutely not be more than one patio on each block. To do more may create a dangerous tipping point and throw things out of the balance we now enjoy.

Thank you for your help and concern about this very important downtown issue that crucially affects the continued health of our downtown businesses.

Bob and Katy Grether
Owners of The Mixing Bowl, 148 F Street, Salida
719-530-1788

PLANNING COMMISSION STAFF REPORT

MEETING DATE:	August 8, 2017
AGENDA ITEM TITLE:	Work Force Housing
AGENDA SECTION:	Work Session
FROM:	Glen Van Nimwegen, AICP Community Development Director

BACKGROUND:

On April 24, 2017 staff presented some possible actions Salida could take to increase the supply of workforce affordable housing. The strategies included amending the Land Use and Development Code to create a system of carrots and sticks:

- Amend Table 16-F to allow greater densities, more parking coverage and less landscaping in the R-3, R-4 and RMU zones if there is a commitment that the additional density will be rented for twenty years (carrot);
- Require that 15% of new housing in new subdivisions be built for households that are making 80% of the Area Median Income (AMI) or less; or require cash in-lieu of the housing (stick). 80% AMI in Chaffee County for a family of four means a yearly income of $51,040. For a single person it is a yearly income of $35,760.
- Require 15% of new housing in a Planned Development be built for households that are making 80% of the Area Median Income or less. Alternatives to providing the housing on-site would be building the housing in another location; provide a fee in-lieu; or providing fewer income-capped units, but at a lower AMI (carrot-like stick); and
- Require 15% of new housing in a new Annexation be built for households that are making 80% of the Area Median Income or less. Alternatives to providing the housing on-site would be building the housing in another location; provide a fee in-lieu; or providing fewer income-capped units, but at a lower AMI (carrot-like stick).

The last two options are a cross between an incentive and requirement because annexations and planned developments are negotiated with a developer. The incentive may be they get water and sewer services, or increased density for providing affordable housing. However, the 15% does appear to be a requirement.

DISCUSSION:

Legal Challenges

Staff requested an analysis of the proposed actions by Jennifer DiLalla, an attorney with the firm of Moses, Wittemyer, Harrison and Woodruff, P.C. (attached). This was followed up with a conference call with her and City Attorney Ben Khan, Mayor Jim LiVecchi, Planning Commission Chair P.T. Wood and staff. In her memo she lays out the challenges of requiring affordable housing based on current legal precedents. A take away is the City of Salida must complete a detailed housing study that will establish a nexus between what we are going to require and the need that exists. Chaffee County recently completed a Housing Needs Assessment and Strategy (attached) that addresses the demand for work force housing in the County, but this is only a start.

The upside from the analysis is there are fewer legal issues with providing carrots, or incentives, for work force housing.

Administrative Challenges

An implementation challenge to the rental incentive is who will enforce the deed restriction? This is normally done by a Housing Authority. There are discussions that may lead to creating a housing authority as a part of Chaffee County government. Another idea would be the establishment of this function (maybe only temporarily) within the Upper Arkansas Area Council of Governments (UAACOG).

STAFF RECOMMENDATION:

Staff does not believe we can quickly implement the actions outlined in the April 24th staff report. However we would like to have an open conversation with the Commission about next steps, some of which may be:

- Request the Council budget for the detailed housing study to establish what our needs are: Step 1 to creating an inclusionary housing program.
- Support the creation of a County or UAACOG Housing Authority.
- Pursue other incentives for the construction of multi-family rental housing in the areas of fee reductions or streamlined processing. Attached is an article that makes the case that doing so will increase the number of sites that will become plausible for multi-family housing. The Chaffee County Housing Needs Assessment and Strategy also provides examples of incentives that might work in Salida.
- Meet with citizens to gauge support for increased neighborhood density.

Attachments

April 24, 2017 Staff Report
Memo from Jennifer DiLalla
Chaffee County Housing Needs Assessment and Strategy
Article: "Yes, Red Tape and Fees Do Raise the Price of Housing"

MEMORANDUM

Date: April 24, 2017

To: Planning Commission

From: Kristi Jefferson, Planner

RE: Discussion for Land Use Code - Revisions

Commissioners,

The Salida Housing Task Force is group that has been working together to try and address affordable housing issues within the city. The Mayor formed the group in November of 2016, which is comprised of the Mayor, City staff, Planning Commission Chairman, Developers and a representative of the Economic Development Corp.

The group has prioritized the need to add language to the Land Use Code regarding affordable housing and to suggest changes to Table 16-F.

Below are descriptions of possible updates to each Article of the Land Use Code. This is just the beginning of the discussions for updates to the Land Use Code. Staff will incorporate your comments into a draft that will be reviewed at a public work session within the next couple of months.

<u>Article I – General Provisions</u>

Add a definition of affordable housing: (example from the APA dictionary)

> Housing that has a sale price or rental amount that is within the means of a household that may occupy middle-, moderate-, or low-income housing. In the case of dwelling units for sale, housing that is affordable means housing in which mortgage, amortization, taxes, insurance, and condominium or association fees, if any, constitute no more than 28 percent of such gross annual household income for a household of the size which may occupy the unit in question.
>
> In the case of dwelling units for rent, housing that is affordable means housing for which the rent and utilities constitute no more than 30 percent of such gross annual income for a household of the size that may occupy the unit in question.

Add the affordable housing requirement back in the Land Use Code:

<u>Article VI- Subdivision</u>

> **16-6-120(13) Housing for the Community.** To provide housing for a diversity of moderate income residents a minimum percentage of all new residential housing within major subdivision shall be constructed to standard definitions of affordable housing or suitable alternative provided. Fifteen percent (15%) of the new residential units shall be constructed to affordable standards targeting households at or below 80% AMI as

defined annually by HUD and be made available for sale or rent.

(i) Fee-in-lieu. For those subdivisions when a development plan has not been determined for the property, the City may require a cash fee in lieu of the affordable housing requirement. The requirement for cash in lieu of dedication shall be noted as a plat note on the final plat of the subdivision. Moneys collected in lieu of dedication of affordable housing shall be collected at the time of development approval within the Subdivision and placed into a City fund to be earmarked for future acquisition or ______________________________.

Alternatives to providing the required percentage of housing in the planned development area:

- provide the required housing off-site
- paying a comparable fee in lieu of providing units
- providing more units at 60% - 80% of AMI
- fewer units targeting households at or below 60% of AMI,

Units designated as affordable in the project should be comparable to the market rate housing units in square footage and exterior finish and should blend into the overall project.

Article VII-Planned Developments

16-7-40 (b)(19) Housing for the Community. To provide housing for a diversity of moderate income residents a minimum percentage of all new residential housing in the planned development area shall be constructed to standard definitions of affordable housing or suitable alternative provided. Fifteen percent (15%) of the new residential units shall be constructed to affordable standards targeting households at or below 80% AMI as defined annually by HUD and be made available for sale or rent.

Alternatives to providing the required percentage of housing in the planned development area:

- provide the required housing off-site
- paying a comparable fee in lieu of providing units
- providing more units at 60% - 80% of AMI
- fewer units targeting households at or below 60% of AMI,

Units designated as affordable in the project should be comparable to the market rate housing units in square footage and exterior finish and should blend into the overall project. (Ord. xx)

Article IX-Annexation

16-9-20 (8) Housing for the Community. To provide housing for a diversity of moderate income residents a minimum percentage of all new residential housing in the annexed area shall be constructed to standard definitions of affordable housing or suitable alternative provided. Fifteen percent (15%) of the new residential units shall be constructed to affordable standards targeting households at or below 80% AMI as defined annually by HUD and be made available for sale or rent.

Alternatives to providing the required percentage of housing in the planned development area:

- provide the required housing off-site
- paying a comparable fee in lieu of providing units
- providing more units at 60% - 80% of AMI
- fewer units targeting households at or below 60% of AMI,

Units designated as affordable in the project should be comparable to the market rate housing units in square footage and exterior finish and should blend into the overall project. (Ord. xx).

The following are suggested recommendations to Table 16-F Schedule of dimensional standards.

TABLE 16-F
Schedule of Dimensional Standards

Dimensional Standard	R-1	R-2	R-3	R-4	RMU	C-1	C-2	I
Min. lot size (sq. ft.)	7,500	5,625	5,625	4,000	5,625	5,625	N/A	5,625
Density (Lot s.f./Min. lot area per dwelling unit)	3,750	3,125	2,400 (900 see note 1)	2,400 (900 see note 1)	3,125 (1200 see note 1)	2,800	N/A	2,800
Min lot size (sq. ft.) - attached units	N/A	3,125	2,400	2,400	3,125	2,800	N/A	2,800
Min. lot frontage – attached units	N/A	20’	15’	15’	20’	20’	N/A	20’
Max. lot coverage: structures (additive coverage total for structures and uncovered parking cannot exceed 90% except in C-2)	35%	40%	40% (60% see Note 1)	40% (60% see Note 1)	40% (60% see Note 1)	60%	100%***	60%
Max. lot coverage: uncovered parking/access (additive coverage total for structures and uncovered parking cannot exceed 90% except in C-2)*****	10%	15%	25% (30%) Note 1	25% (30%) Note 1)	25% (30%) Note 1	60%	No Req.***	30%
Min. landscape area	55%	45%	30% (10%) Note 1	30% (10%) Note 1	30% (10%) Note 1	10%	No Req.*	10%

Notes:

Note 1: Rental Property Incentive Conditions. Increased structural coverage and density; decreased landscape area and parking only apply to 5 or more rental unit projects with a deed restriction that they must remain long term rental units for 20 years rented. No short-term rental or conversion to condos or townhomes in the restricted period. Parking is reduced to 1 on lot space per unit. Projects must develop in full available primary and secondary frontages for on street parking in addition to on lot parking requirements.

*If a property does not utilize the zero setback allowance, the minimum landscape area shall be 10%.

** If the property adjoins a residential zone district, setbacks on the side and rear lot line shall be the same as those in the residential zone.

*** Existing structures are not required to meet off-street parking requirements. New structures and additions shall meet off-street parking requirements.

**** A covered porch may encroach into the front yard setback by twenty-five percent (25%).

***** If a front-loaded garage is set back at least ten (10) feet behind the primary street-facing building facade, the lot coverage between the garage entrance and the primary, street-facing building facade shall not be included in the calculation of lot coverage for uncovered parking/access.

MOSES, WITTEMYER, HARRISON AND WOODRUFF, P.C.

M E M O R A N D U M

PRIVILEGED AND CONFIDENTIAL
ATTORNEY-CLIENT COMMUNICATION

TO: Planning Commission

cc: Mayor LiVecchi
Guy Patterson, City Administrator
Glen VanNimwegen, Community Development Director
Benjamin Kahn, City Attorney

FROM: Jennifer M. DiLalla

RE: **Initial legal comments – proposed affordable housing regulations**

DATE: June 15, 2017

Introduction and Summary

This Memo provides the City of Salida ("City") Planning Commission ("Commission") our initial legal comments on the draft proposed affordable housing regulations attached to Kristi Jefferson's April 24, 2017 Memo to the Commission ("Draft Regulations"). Based on our legal research to date, the Memo also recommends next steps for the Commission in moving toward proposal of affordable housing regulations.

Affordable housing regulations that impose requirements for real property dedications or fees in lieu of such dedications are subject to legal challenge under the U.S. Constitution, the Colorado Constitution, and Colorado Statute. To insulate any proposed revisions to the City's Land Use Code from such legal challenge, the City should commission a study that documents the required "nexus" between the impact of new development and the affordable housing dedications that the City seeks to require to mitigate that impact. The Commission also should review representative affordable housing ordinances from other jurisdictions, and begin to work on developing the more detailed draft revisions to the Land Use Code and a separate set of affordable housing guidelines that will be needed to create a legally sound affordable housing program.

I. Applicable law

Under both the U.S. Constitution and the Colorado Constitution, regulatory "exactions" imposed on the municipal development and permitting process—including requirements that a developer dedicate real property or pay fees-in-lieu of such dedication—are subject to what is broadly characterized as the law of "takings." The "Takings Clause" of the Fifth Amendment to the U.S. Constitution and Article II, Section 15 of the Colorado Constitution provide that private property may not be taken for public use "without just compensation." Over the last several decades, the U.S. Supreme Court and the Colorado courts have developed standards by which regulatory exactions are judged under takings law, and the Colorado General Assembly has codified those standards in the "Regulatory Impairment of Property Rights Act," or "RIPRA."

Under RIPRA, which is codified at section 29-20-203, C.R.S., "no local government shall require an owner of private property to dedicate real property to the public, or pay money or provide services to a public entity in an amount that is determined on an individual and discretionary basis, unless there is an **essential nexus** between the dedication or payment and a legitimate local government interest, and the dedication or payment is **roughly proportional both in nature and extent to the impact** of the proposed use or development of such property." The keys to RIPRA—the language that is boldfaced in the quotation above—are explained below.

The language of RIPRA comes directly out of a U.S. Supreme Court case called *Dolan v. City of Tigard*, which was decided in 1994, and an earlier case called *Nollan v. California Coastal Commission*, which was decided in 1987. In interpreting *Dolan* and *Nollan*, the Colorado Supreme Court has explained that a local government's requirement that a landowner dedicate a portion of his or her property for public use "as a condition of development" will be deemed an unconstitutional taking requiring compensation unless that requirement satisfies "a two part test: (1) there must be an 'essential nexus' between [a] legitimate government interest and the exaction demanded, and (2) there must be 'rough proportionality' between the governmental interest and the required dedication." *Krupp v. Breckenridge Sanitation Dist.*, 19

P.3d 687, 695 (Colo. 2001). Quoting the U.S. Supreme Court, the Colorado Supreme Court also has held that "[n]o precise mathematical calculation is required for the rough proportionality test, but the governmental entity must make some sort of individualized determination that the required <u>dedication is related both in nature and extent to the impact of the proposed development</u>." *Id.* (emphasis added). In Colorado, "RIPRA's practical effect was to codify the test for regulatory takings announced by the United States Supreme Court" in *Nollan* and *Dolan*." *Wolf Ranch, LLC v. City of Colorado Springs*, 220 P.3d 559, 563 (Colo. 2009).

A. <u>RIPRA's component parts</u>

The key elements of RIPRA, and therefore the key elements of U.S. Supreme Court and Colorado Supreme Court holdings regarding so-called "regulatory takings," are as follows:

1. There must be an "essential nexus" between the required dedication of property and a legitimate local government interest. To meet this test, the City would need to establish (i) that the required dedication of property for affordable housing units has an essential connection to a legitimate municipal interest (as described in the Draft Regulations, providing housing for a diversity of moderate-income residents); and (ii) that providing housing for a diversity of moderate-income residents in turn has an essential connection to approvals of new development in the City.
2. There must be "rough proportionality" between the legitimate government interest and the required dedication. To meet this test, the City must demonstrate "that the <u>required dedication is related both in nature and extent to the impact</u> of the proposed development." In other words, the City will have to show that the impact of proposed new development, whether residential or commercial, reasonably triggers a need for the provision of housing for a diversity of moderate-income residents; and that the City's required dedication percentage is proportional to that impact and that need. The U.S. Supreme Court has held that a local government must come forward with specific "**findings**" to substantiate "the required reasonable relationship between" the impact of

the proposed development and the dedication upon which approval of development will be conditioned. *Dolan*, 512 U.S. 374, 394–95 (1994). Making this showing, and therefore establishing a reasonable relationship between the development's anticipated impact and the City's required dedication, is likely to be the more difficult obstacle that the City will have to overcome under RIPRA.

B. Meeting RIPRA's "rough proportionality" requirement

Assembling the specific findings that the City will need to satisfy RIPRA's "rough proportionality" requirement almost certainly will necessitate the City's commissioning of a study of housing demands—and the relationship between those demands and new development—in Salida. Such a study will need to determine the affordable housing demand generated by (i) new commercial development and (ii) new residential development. Because new commercial development typically will bring with it new employees, including employees who will need affordable housing in order to live in the City, demonstrating rough proportionality between such development and a required dedication of property for affordable housing purposes is likely to be significantly easier than demonstrating rough proportionality between new residential development and such a dedication. Based on the specific findings of the study's assessment of housing demands, the City would be able to fashion different required dedication/mitigation rates for affordable housing in rough proportionality with the projected impacts of different types and levels of development.

With Mayor LiVecchi's consent, in preparing this Memo I spoke with the Town Attorney for the Town of Telluride, which has been on the front lines of affordable housing law in Colorado since being the defendant in a Colorado Supreme Court case called *Town of Telluride v. Lot Thirty-Four Venture* in 2000. Telluride's Town Attorney emphasized repeatedly that a study to demonstrate the "essential nexus" and "rough proportionality" requirements of RIPRA are the necessary first step for any local government's adoption of successful affordable housing regulations. Based on Telluride's experience with such studies, the Town Attorney offered to recommend consultants that specialize in exactly this sort of development mitigation analysis.

The Town Attorney also offered to host City representatives for a discussion of affordable housing strategies and pitfalls and a tour of Telluride's privately owned and publicly owned affordable housing, if the City would be interested in such an exchange. Applying the lessons it learned in the *Lot Thirty-Four Venture* case and subsequent litigation, Telluride has developed a robust affordable housing program.

II. Initial Legal Comments on Draft Regulations

In light of the applicable law summarized above, our initial legal comments on the Draft Regulations are as follows. We note that in preparing these comments, we have reviewed only the Draft Regulations and our legal research; we have not received other materials from the City related to the Draft Regulations.

First, the City has not yet met its burden under RIPRA, and under the U.S. Constitution and Colorado Constitution, to establish that the proposed dedication requirement has an essential connection both to a legitimate public purpose and to approval of new development in the City. The City also has not yet met its burden under the law to establish that the dedication requirement has a reasonable relationship to both the nature and the extent of the impact of the future residential development described in the Draft Regulations. The requirement that 15% of all new residential units be constructed to affordable housing standards does not yet have a basis in specific findings on which the City could rely should it need to defend a revised Land Use Code in court.

Second, the City does not yet appear to have considered fashioning the Draft Regulations in a way that will provide for differing levels of required mitigation/dedication based on different types and levels of new development. That level of specificity would demonstrate that the City has done the analysis needed to estimate the housing-related impacts of various types and levels of new development, and therefore to demonstrate the proportionality of the mitigation/dedication requirement to those impacts.

Third, while the yellow-highlighted section of the draft revisions to Table 16-F appears to relate to development incentives rather than dedication requirements—and therefore is a promising start toward consideration of planning alternatives that would not trigger RIPRA—the draft "rental property incentive conditions" need to be explained in fuller detail.

III. Recommended next steps

In light of the analysis above, our recommendations to the Commission for next steps are as follows.

First, and most critically, to meet its burden under RIPRA and under Federal and State constitutional law, the City should commission or perform the housing needs assessment and analysis that will be required to meet the "essential nexus" test and "rough proportionality" test described above. The study should evaluate how any affordable housing dedication requirement is related both to the City's legitimate public interest and to the impacts of future development (both residential and commercial) in Salida. The study also should provide the results and conclusions—i.e., the required findings—on which the City will need to rely in ensuring that any affordable housing dedication requirement is roughly proportional to such impacts.

Second, the Commission should consider reviewing affordable housing ordinances and associated guidelines adopted by municipalities of similar size and culture. While Basalt and Telluride are somewhat smaller than Salida, their detailed affordable housing codes and guidelines would be a good starting point for such review. We have those documents available as PDFs and would be happy to send them to the Commission at your request.

Third, and again based on advice from the Telluride Town Attorney, the Commission should consider additional creative alternatives that would seek to increase the City's affordable housing stock through development incentives rather than dedication requirements. While an affordable housing program built on such incentives still would require a detailed set of affordable housing guidelines (e.g., standards and processes for deed-restricting property and for qualifying potential owners or renters of such property), RIPRA's requirements would not apply. Such incentives could include, for instance, additional variations on the sort of increases in site coverage that are contemplated in Note 1 to Table 16-F in the Draft Regulations.

IV. Conclusion

As explained above, creating a successful affordable housing program that will be defensible against legal challenge will take time. Please let us know what help we can offer as the Commission continues its work in drafting revisions to the Land Use Code and drafting associated affordable housing guidelines.

The Economics of Land Use

Report

Chaffee County Housing Needs Assessment and Strategy

Prepared for:

Chaffee County
Town of Buena Vista
Town of Poncha Springs
City of Salida

Prepared by:

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August 26, 2016

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1. FINDINGS AND RECOMMENDATIONS

This Housing Needs Assessment was prepared by Economic & Planning Systems (EPS) for and under contract with Chaffee County and in partnership with the City of Salida and the Towns of Buena Vista and Poncha Springs. The purpose of this report is to:

- Document the economic and demographic conditions that contribute to housing affordability issues;
- Evaluate the housing market to document housing costs compared to incomes and to identify market trends that will continue to affect housing affordability;
- Determine the income segments of the population where there are the greatest gaps between affordability and the prices at which housing is available;
- Recommend policies and strategies in land use, organization, and funding that will have the greatest impact on increasing the supply of housing for low and moderate income residents and the local workforce.

Conditions since the last Needs Assessment in 2007 have worsened, and the majority of the recommended actions in that study are still relevant today. It is very likely that housing costs in Chaffee County will continue to rise, and the gap between wages, incomes, and housing costs will continue to widen. The more costly land and housing becomes, the harder it will be to build affordable housing because the gap between market land costs and what local incomes can afford to pay for land and housing will be larger.

Report Organization

This report is divided into six Chapters, outlined below.

- Chapter 1 – Contains the Summary of Findings and Recommendations.
- Chapter 2 – Contains an Economic and Demographic Framework outlining existing conditions and trends in Chaffee County.
- Chapter 3 – Outlines Housing and Affordability Conditions including for-sale housing, rental housing, vacation rentals, and planned development.
- Chapter 4 – Contains an Affordability Analysis for the County examining area median income and home affordability, cost burden, and a construction cost analysis.
- Chapter 5 – Outlines Housing Needs and Goals addressing current need, future need, and recommended goals and priorities.
- Chapter 6 – Outlines Implementation Recommendations for the County to achieve these housing goals, including development-based approaches, community-based approaches, land use policy, and organizational structures.

Summary of Findings

This Summary of Findings identifies the key points and considerations identified in the analysis of economic and demographic trends, the real estate market, and housing market. These findings provide important input into the implementation strategies and policies for consideration including the types of housing and income ranges to be prioritized.

Economic and Demographic Conditions

1. ***Chaffee County is evolving the same way many other Colorado mountain communities have evolved. There are many positive economic changes happening. However, these positive changes also tend to further increase housing costs.***

   Five to ten years ago Downtown Buena Vista and Salida had almost entire blocks of vacant buildings. Today many buildings are full with new businesses including restaurants and bars, specialty retail stores, and boutique hotels. This area has long been popular as a year-round destination for mountain, river, and other outdoor recreation as well as just 'getting away'. With a growing number of art and cultural events including music festivals with a national draw, Chaffee County – a previously 'under the radar' gem – is becoming more well-known in Colorado and nationally. This is very positive for local business growth prospects.

   As seen in every other major mountain destination community in Colorado and elsewhere, this appeal brings in second home buyers and investors, retirees and early retirees, and others whose incomes are not tied to the local economy. These more affluent buyers can pay more for housing, driving up prices in the overall market.

   The demographics of the county are also changing in a way that could hamper economic sustainability. First, the workforce is aging. Young people are leaving the county after high school and college and not returning. The population in the core workforce ages 35 to 54 is declining as they age and potentially as some move out of Chaffee County. The number of retiree and early retiree aged people is increasing, however. Area employers report that it is difficult to recruit workers from the urban areas of Colorado and from other states due to housing price "sticker shock". As many communities have seen, unfilled jobs lead to reduced service quality in the public and quasi-public sectors (e.g. public safety, health care, and education) and a poor customer service experience in tourism oriented businesses.

2. ***The dominant economic sectors in Chaffee County are health care, construction, tourism and real estate related industries which is typical of high amenity mountain area economies. Job growth has been strong since the Great Recession but split between middle and low wage industries.***

   Employment (job) levels in Chaffee County have exceeded the pre-recession levels of 2008 by 556 jobs, an increase of 8.3 percent. Since 2010, job growth occurred at an annual rate of 2.6 percent. The largest increases were in Health Care and Accommodation and Food Services, which each gained just over 200 jobs. Health care is expanding nationally to meet the needs of the aging baby boomer generation. The hotel and restaurant sector in Chaffee County has grown substantially as tourism and second home appeal have increased.

   The average wage in Chaffee County is $33,413 per year, or about $16.00 per hour. The self-sufficiency wage for one adult and a preschooler is estimated at $18.70 per hour and approximately $14.00 per hour for two working adults with two children. [1] Since 2010, about a quarter of the new jobs were in health care with an average wage of $40,000 per year ($19.36/hr). Another quarter of the new jobs however were in hotels and restaurants with an average wage (before gratuities) of just $17,500 or $8.41 per hour, just above federal minimum wage.

3. ***Second homes will always be part of the Chaffee County housing market and local economy. The emergence of the rental by owner (RBO) market can bring some benefits to the larger economy through increased utilization of otherwise empty second homes.***

   The proportion of second homes in Chaffee County is currently estimated at 17 percent and has not changed significantly for 15 years, since the 2000 U.S. Census. Many local builders, tradespeople, and real estate brokers earn the majority of their living serving this segment of the housing market.

   The RBO market through VRBO and Airbnb is controversial because of the potential for neighborhood impacts. These impacts can be mitigated through licensing, zoning, and other land use regulations. However, this market is also a way to utilize otherwise empty homes to bring visitors and their associated spending to Chaffee County. The RBO market does not always compete head to head with hotels and motels, as larger homes can cater to families and larger groups who could not have otherwise found appealing lodging options. It has been reported anecdotally that the growth of the RBO market is in fact bringing in more large groups and families from Colorado and other states.

Housing and Land Use

1. ***Most housing growth has been single family detached housing in the unincorporated areas of the county. This creates a number of concerns related to affordability as well as preserving the beauty Chaffee County is known for.***

   Of the approximately 10,400 housing units in Chaffee County, 30 percent are in Salida, 14 percent in Buena Vista, 4 percent in Poncha Springs, and over 50 percent in the unincorporated county. Development in the unincorporated area is generally low density, dispersed, and without municipal utilities (water and sewer). Seventy-five percent of new housing in Chaffee County was built in the unincorporated area over the past 15 years. Construction in Poncha Springs comprised 15 percent of new housing followed by Buena Vista at 8.0 percent market share, and Salida at 1.6 percent market share. Development in the unincorporated area is expensive, with unpredictable and risky costs for well and septic improvements, making it unsuitable for most workforce and affordable housing.

   Most new housing has been single family detached units, increasing from 70 percent of all housing in 2000 to 80 percent in 2014. While the latest census figures have a large margin of error, it appears that the net increase in single family housing units was greater than the net increase in all unit types, meaning that there were losses in mobile home and multifamily units. There were, however, significant increases in single family attached units (rowhomes and duplexes) throughout the county.

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[1] Colorado Center on Law and Policy, http://cclponline.org/wp-content/uploads/2014/04/Chaffee.pdf

There is a need to increase the diversity of housing types being built in Chaffee County, and to expand the land supply for housing within each community, particularly in Salida which has the highest housing values and the largest number of jobs.

2. ***The average price of a single family home in Chaffee County is $300,000. A household income of over $65,000 is needed to afford this, or 135 percent of the area median income (AMI).***

   Since 2005, prices have increased countywide at an average rate of 3.1 percent per year, with higher appreciation in Salida. Over the past two years, appreciation rates were in the 5 to 10 percent range in Salida and in the double digits in Buena Vista and Poncha Springs. Salida has the highest average price at $318,500 (affordable to 145 percent of AMI) while Buena Vista and Poncha Springs remain more affordable with average prices of $289,000 and $255,000, 132 percent and 120 percent of AMI respectively. These averages range from new and existing construction in all ranges of quality and condition. There are currently seven active listings for under $300,000.

   New construction prices provide a better indication of current costs and the direction the market is headed. New homes in South Main in Buena Vista are priced above $450,000 to over $600,000. Some new construction duplexes and small single family homes can be found in Salida and Poncha Springs under $300,000 however they are limited in number with fewer than six current listings. Custom home prices are higher.

3. ***Rents have risen considerably over the past 10 years. In 2005, average rents were approximately $500 per month with a ceiling of $1,000, while current rental listings in the county average $1,400 per month. A household income of $58,200 is needed to afford this, or 120 percent of AMI.***

   Current rental listings in *The Mountain Mail* average nearly $1,400 per month, and interviews with rental brokers indicate that rents have been rising, currently averaging between $1,200 and $1,600 per month. Most rental properties are single family homes, and because of the limited supply when properties become available, they are usually rented within a month.

   An average rent of $1,200 per month is not affordable to a household earning less than 100 percent AMI, or $48,500 per year. To afford $1,400 per month, a household would have to earn close to 120 percent AMI, or a total income of $58,200 per year.

4. ***Until this year there has been very little apartment construction due to a lack of available sites with the right zoning and rents that did not cover the cost of new construction.***

   There are small rental housing developments in the planning and feasibility analysis stages in Poncha Springs and Salida being undertaken purely by the private market. With rents in the $1.40 per square foot range (approximately 90 to 100 percent of AMI), free market apartment development is becoming financially feasible. The constraint of available land with the right zoning remains, however, particularly in Salida. Right now, new multifamily development opportunities in Salida and Buena Vista are limited to small infill sites on which multiple zoning variances are needed. Most builders are not willing to take the risks of investing money on the zoning and entitlement process. Increasing the land supply for multifamily development by right under zoning (i.e. without the need for variances) should be a high priority.

5. ***For-sale housing can be delivered at 80 to 120 percent of AMI if land costs can be controlled. Fees and permits have an impact on home prices, estimated at approximately 10 percent.***

   Land costs are driven by the market value of housing. "Shovel ready" lots with municipal utilities and zoning in the Salida area start at approximately $90,000, $60,000 in Poncha Springs, and $40,000 to $50,000 in Buena Vista. However, very few shovel ready lots exist. With basic construction costs for a modest home and current building fees, a basic yet energy efficient 1,100 square foot home can be built at these land costs for approximately $210,000 (90 percent of AMI) in Buena Vista, $267,000 in Salida (110 percent of AMI), and $234,400 (100 percent of AMI) in Poncha Springs. As noted, however, these opportunities are limited to hard to find infill lots and it is more profitable for builders to build for the higher end market.

   A major focus of housing strategies and policies in Chaffee County should be to expand the supply of shovel ready lots, to utilize any land that can be acquired at a low cost, and to leverage land owned by local governments to deliver shovel ready lots. In order for a modest new home to be affordable to a household earning 100 percent of AMI, the land cost needs to be approximately $30,000 or less for a single family home.

   Fees and permits contribute about 10 percent of the cost of a home. Fee waivers or discounts can also be used to make housing more affordable, however if a local government is giving away a public good, in this case the infrastructure and services funded through fees and permits, there needs to be a public benefit provided by the development. Permanent affordability through a deed restriction could be required for fee and permit waivers. Any fees that waived will need to be backfilled through the local government's other revenue sources which are limited. An affordable housing fund could be used to pay for fee waivers or discounts.

6. ***There are immediate development opportunities in and around Buena Vista that can be developed to provide substantial amounts of for-sale housing in the 80 to 120 percent of AMI income range, an important income segment for essential community workers.***

   There are partially completed subdivisions in the Buena Vista area that were abandoned during the housing bubble and Great Recession that have been purchased at a substantial discount. Preliminary discussions with developers indicate that a portion or all of the finished lots in these developments could be delivered at a price that would make for-sale housing at approximately $200,000 financially feasible. These development opportunities cannot be identified specifically as of this writing however. As they become more formal they should be supported to maximize the opportunity for workforce housing. As the market continues to recover, however, these opportunities will be more limited.

7. ***In Salida, the Vandaveer Ranch property represents a unique opportunity to create workforce housing at all income ranges. It should be a priority for the City to invest in the necessary trunk infrastructure to serve the site and to establish a process for partnering with the private sector to build housing and amenities.***

   In the mid-2000s, the City of Salida purchased the 190-acre Vandaveer Ranch property for its water rights. The property is controlled by the Natural Resource Development Center (NRDC), a non-profit arm of the City organized as an IRS 63-20 corporation. A 63-20 corporation can issue tax exempt bonds to finance infrastructure and public buildings and does not require a vote of citizens, as would be required if the City itself were to issue debt. There is currently approximately $4.7 million in debt on the property held by local banks, which greatly complicates the process of selling off property to developers. In order to sell the property to developers, the debt needs to be paid off and the property brought back under City ownership and there are political challenges in doing this.

The draft master plan for the property has the capacity for at least 190 single family lots plus significant acreage for multifamily, commercial, and mixed use development. If the City is willing to discount land costs to private developers and partner on infrastructure costs, a mixed income community can be created with rental and for-sale housing to serve the entire spectrum of incomes and housing needs.

Housing Needs and Recommended Goals

1. ***Thirty percent of households in Chaffee County are currently cost burdened, spending more than 30 percent of gross income on housing. Most of these households earn less than 60 percent of AMI, or $29,000 per year.***

   One in three households in Chaffee County is currently cost burdened, up from one in four in the 2007 housing study. This burden is most significant for the lowest income households – over half of all cost burdened households earn less than 60 percent AMI, accounting for 16 percent of all households in the county.

   Overall, there are a total of 2,400 cost burdened households in the county, 1,200 of which earn less than 60 percent AMI. While the majority of need is at incomes below 60 percent AMI, there are 370 cost-burdened households earning between 60 and 80 percent AMI, and 460 households earning between 80 and 120 percent AMI. It is not realistic to set a goal of addressing all of this existing need, given local funding constraints. In addition, not all households in this gap would necessarily want to move into lower cost housing.

2. ***Chaffee County will grow by 1,072 jobs over the next year, which equates to a growth of 556 households.***

   To keep up with job growth, the largest amount of housing demand will come from households earning less than 60 percent of AMI, with an estimated 351 new households over the next 10 years. There will also be an estimated 82 new households earning between 60 and 80 percent AMI, and 96 new households earning between 80 and 120 percent AMI.

   The private market can address the housing needs of households earning over 120 percent AMI. With supporting zoning and land use policy, as well as dedicated programs and/or incentives, the private market in cooperation with local governments can address the housing needs for the population earning 80 to 120 percent AMI. Local funding will need to be raised to effectively address the housing needs of those households earning less than 80 percent AMI. State and federal funds typically only serve households below 80 percent of AMI and these funds are limited and highly competitive. A dedicated local funding source will allow the County to more effectively plan for and fund the construction of affordable housing.

3. *Set a realistic goal to address current and future housing needs. We recommend an annual goal of meeting 10 percent of existing and 10 percent of future need.*

In addition to the existing need of 2,400 cost burdened households, Chaffee County will grow by an estimated 556 households over the next 10 years. To "keep up" with the demand created by job growth, 556 new housing units are needed over the next 10 years, with 528 needed below 120 percent of AMI. Given the current annual countywide production of 144 housing units annually, this need must be scaled down to set a realistic production goal for permanently affordable housing.

Combined, we recommend setting a goal of 25 to 30 units per year for affordable housing production over the next 10 years, to catch up with 10 percent of the current need and keep up with 10 percent of employment growth:

- 15 to 20 units per year affordable to households earning below 60 percent of AMI
- 5 units per year affordable to households earning 60 to 80 percent of AMI
- 5 units per year affordable to households earning 80 to 120 percent of AMI

	Existing Need				Future Need					Total
AMI Level	Need	Priority	10 Year Goal *10% of need*	Units/ Year	Need *Jobs*	 *Households*	Priority	10 Year Goal *10% of need*	Units/ Year	Annual Production
< 60%	1,262	Y	126	13	561	351	Y	35	4	17 units
60 - 80%	372	Y	37	4	131	82	Y	8	1	5 units
80 - 120%	462	Y	46	5	153	96	Y	10	1	6 units
>120%	330	--	0	0	44	28	--	0	0	0 units
Total	**2,426**		**243**	**22**	**889**	**556**		**53**	**5**	**27 units**

Source: Economic & Planning Systems

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Recommendations

This section contains the key recommendations for each Chaffee County local governments to implement in a common effort to increase the housing opportunities for local workers, families, the elderly, and others in need of stable housing.

Land Use

There are several policies and strategies that Chaffee County local governments can pursue within their existing government organization, staff, and funding resources to expand affordable and attainable housing opportunities. Each jurisdiction can begin exploring and implementing these recommendations with direction from their City/Town Councils and County Commissioners.

It is important for each community to have similar land use regulation for affordable housing to create a level playing field for development. Otherwise, developers may shop for more favorable project entitlements across jurisdictions and development could be slowed or shifted to areas that do not support affordable housing in their development policies.

1. ***Identify more areas for multifamily (apartment) development.***

   More land is needed that is zoned for apartments by right with no variances or other discretionary approvals needed. Key locations for this may include aging and obsolete commercial properties along the Highway 50 corridor in Salida (redevelopment). Each community should carefully evaluate and identify areas where multifamily development can be zoned by right. Local leadership will be needed will need to communicate the importance of having a diverse housing stock to constituents as there may be local opposition to higher development densities in some areas.

2. ***Begin acquiring land for the purpose of developing affordable housing.***

   The City of Fort Collins passed an ordinance that directed the City to purchase certain properties in key locations, in the path of growth, to be developed as affordable housing at the appropriate time. Subject to funding availability, each jurisdiction in Chaffee County can do the same. Pooling funds would be the most effective.

3. ***Expand the supply of buildable lots within or contiguous to municipal boundaries with municipal utilities.***

   Most unincorporated areas of the County are not suitable for developing affordable or attainable workforce housing. First, these areas are generally further from jobs, daily needs, and services which increase the cost of living due to higher transportation costs. Second, development costs are higher and more unpredictable when well drilling and septic system construction is required.

   To increase the supply of "shovel ready" lots with infrastructure already in place, each jurisdiction could identify priority annexation areas for housing, and estimate the infrastructure costs needed to serve these areas. As funds are available, municipalities can partner with developers on a portion of the infrastructure costs in exchange for a percentage of homes or lots to be set aside with permanent affordability or resident-wage earner occupancy restrictions.

4. ***Adopt annexation policies to require a percentage of lots or housing units to be set aside as permanently affordable to local residents.***

   Land that is annexed into a municipality can be required to comply with a housing policy, with a dedication of a certain percentage of lots to affordable housing. Salida's comprehensive plan recommends a policy of at least 10 percent of lots or units to be dedicated to affordable housing. This policy should be followed and implemented by other jurisdictions in the County. Affordable lots or homes could be deeded to a housing authority or land trust that would then be responsible for qualifying buyers and ensuring that deed restriction requirements are met in perpetuity.

5. ***Public Benefit for Public Investment***

   Local governments have some ability, limited by funding, to assist with infrastructure costs in order to accelerate affordable housing development. Any contribution towards infrastructure costs by local governments should be in exchange for some percentage of units set aside as permanently affordable through a deed restriction on the lot or donation of the lot to a land trust. A consistently applied policy of receiving public benefit for this investment, such as deed restricted lots, would generate more affordable housing.

6. ***Land Costs and Public-Private Partnerships***

   If shovel ready lots can be delivered at $30,000 or less, builders can build housing affordable to households earning 100 percent of AMI. These lots may be found in distressed subdivisions (bankrupt or in financial/legal difficulty) in Chaffee County that could be purchased by developers, local governments, economic development partners, or by a housing organization to provide discounted lots in exchange for permanent affordability. These opportunities are dwindling as the market recovers and investors identify these properties.

   Publicly owned land plays an important role in controlling land costs. On City/Town or County-owned property, the local government can set the terms and price of any land sale. Partnerships can be formed with housing developers and builders to build affordable housing on land either sold below market value or held in trust. Salida's Vandaveer Ranch is a prime opportunity for this strategy. The legal and financial issues that are encumbering this property need to be solved to move forward.

Organization and Funding

1. ***Support the formation and operation of non-profit organizations engaged in housing assistance, development, and affordable housing preservation.***

   There are several types of non-profit organizations that engage in housing activities. In general terms, these organizations have some more flexibility in the activities they can engage in compared to a housing authority. However, without a substantial endowment or a reliable funding source they are not as effective. The most common types of non-profit organizations are housing trusts, land trusts, and Community Housing Development Organizations (CHDOs). A single organization can also perform the functions of all three. A CHDO is an organization that has special status with the U.S. Department of Housing and Urban Development (HUD) and the Colorado Division of Housing to receive federal and state grant money under the HOME program. These grants are increasingly competitive as more and more CHDOs have been formed, however they should not be overlooked.

A land trust, housing trust, or CHDO could begin working on housing issues and securing some funding likely before a larger governmental organization could be formed and begin working. CHDOs can be very effective in partnering with Housing Authorities by pooling HOME funds from the CHDO and CDBG funds from the Housing Authority. CHDOs can also sometimes more easily partner with developers and compete for LIHTC allocations. When housing authorities have a small (less than 1.0 percent) ownership share in a property, the property can have tax exempt status which helps the project cash flow. There is a requirement that CHDOs have one third of their board representation from local governments, giving local governments a degree of influence on their activities.

If both a CHDO and a housing authority are formed, there needs to be close communication and coordination in pursuing competitive funding. It is not efficient for two organizations to pursue the same competitive grants.

2. ***Form a multijurisdictional housing authority.***

   Colorado law allows the formation of Multi-Jurisdictional Housing Authorities (MJHA). A MJHA is created when any combination of cities, towns, or counties establish by contract a housing authority as a separate governmental entity. A key distinction over a City or County Housing Authority is the power to levy taxes and/or fees within the boundaries of the authority. Any new taxes used to fund a MJHA must be approved by voters. Fees, which are not taxes, do not require voter approval. There are several MJHAs in Colorado that are good models, most notably in Gunnison County, Summit County, San Miguel County, and Routt County. The key to an effective organization is good leadership and reliable funding. A dedicated funding source for this type of organization is essential, whether it is from property or sales tax or agreed annual general fund contributions from each jurisdiction.

3. ***Establish a dedicated funding source to develop and acquire affordable housing and to provide homebuyer and rental assistance.***

   Federal and state funding for housing is limited and competitive. Communities cannot rely on this funding to construct affordable housing or to provide other housing assistance. The communities that are the most successful in addressing housing are those that have established their own dedicated annual funding sources for construction, housing acquisition, down payment assistance (low interest loans), and many other programs. Communities are more resilient when they have programs, policies, and funding in place to address their local issues rather than relying on outside assistance.

   Several potential funding sources are identified in this Report. The two recommended funding sources with the potential to generate the most funding, and which spread the burden most evenly, are a dedicated sales or property tax. A dedicated sales tax has the potential to generate a substantial amount of revenue, estimated at over $500,000 per year on a 0.25 percent sales tax (25 cents on a $100 purchase). A dedicated property tax of 1.000 mills could raise nearly $400,000 per year. Chaffee County should pursue one of these options at the appropriate time. Sales tax increases are often most successful when packaged with a set of other community amenities or projects with broad support.

2. Economic and Demographic Framework

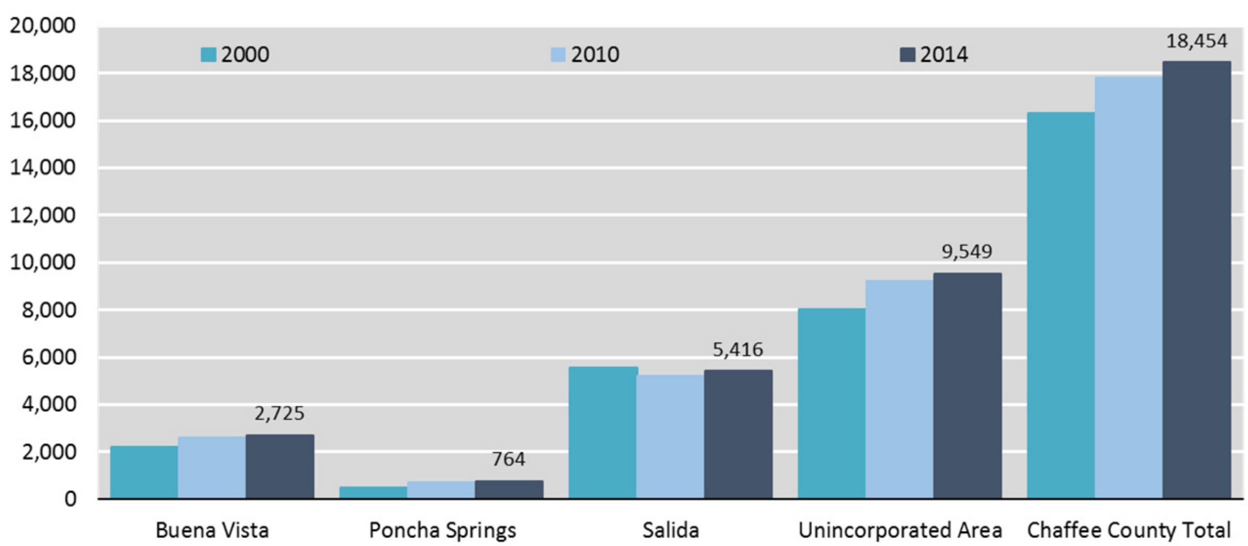
This chapter provides an overview of population and demographic trends in Chaffee County, as well as the county's current employment and economic context.

Population, Households, and Housing Units

Chaffee County has seen slow but steady growth over the past 15 years. The county had a 2014 population of 18,450 year-round residents – an overall increase of 2,100 residents since 2000 and 0.9 percent annual growth. Most of the population growth took place in the unincorporated county, which grew by 1,500 people from 2000 to 2014. Buena Vista and Poncha Springs grew modestly over that time, adding between 275 and 520 people. While other areas of the county grew, Salida's population actually declined despite having some of the highest home prices in the county – an indication of desirability. Salida's population has decreased by approximately 170 since 2000 (**Figure 1, Table 1**).

There were similar growth trends in households across the county. One household is a group of people, related or unrelated, living in one housing unit. Households in the county increased at a slightly faster rate than population over the last 15 years; in Salida the number of households increased from 2000 to 2014, even as the city lost population.

Figure 1
Chaffee County Population Growth, 2000-2014



Source: CO Department of Local Affairs; Economic & Planning Systems

Table 1
Chaffee County Population and Housing Trends, 2000-2014

Description	2000	2010	2014	2000-2010 Total	2000-2010 Annual	2010-2014 Total	2010-2014 Annual	2000-2014 Total	2000-2014 Annual
Population									
Buena Vista	2,202	2,615	2,725	413	1.7%	110	1.0%	523	1.5%
Poncha Springs	490	737	764	247	4.2%	27	0.9%	274	3.2%
Salida	5,586	5,233	5,416	-353	-0.7%	183	0.9%	-170	-0.2%
Unincorporated Area	8,034	9,212	9,549	1,178	1.4%	337	0.9%	1,515	1.2%
Chaffee County Total	**16,312**	**17,797**	**18,454**	**1,485**	**0.9%**	**657**	**0.9%**	**2,142**	**0.9%**
Households									
Buena Vista	978	1,194	1,243	216	2.0%	49	1.0%	265	1.7%
Poncha Springs	202	320	332	118	4.7%	12	0.9%	130	3.6%
Salida	2,504	2,515	2,604	11	0.0%	89	0.9%	100	0.3%
Unincorporated Area	2,900	3,572	3,695	672	2.1%	123	0.8%	795	1.7%
Chaffee County	**6,584**	**7,601**	**7,874**	**1,017**	**1.4%**	**273**	**0.9%**	**1,290**	**1.3%**
Housing Units									
Buena Vista	1,124	1,378	1,439	254	25	61	15	315	23
Poncha Springs	226	362	376	136	14	14	4	150	11
Salida	2,748	2,894	3,006	146	15	112	28	258	18
Unincorporated Area	4,294	5,386	5,590	1,092	109	204	51	1,296	93
Chaffee County Total	**8,392**	**10,020**	**10,411**	**1,628**	**163**	**391**	**98**	**2,019**	**144**

Source: Colorado Department of Local Affairs; Economic & Planning Systems

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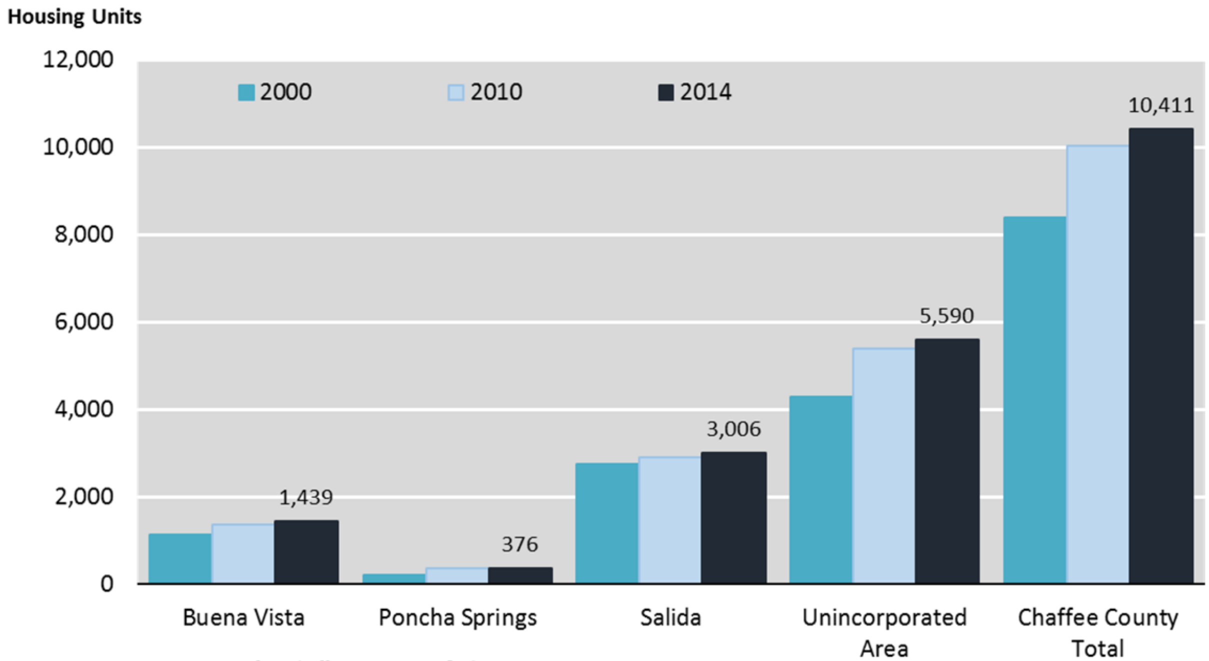
The number of housing units in the county has also increased, with growth of 2,000 units countywide from 2000 to 2014 (**Figure 2**). Most of that increase, 1,600 units, occurred between 2000 and 2010. Only 400 housing units were added from 2010 to 2014, as home construction slowed during the Great Recession. Although the county added 2,000 housing units between 2000 and 2014, it only grew by 1,300 households over that time. Since one household is equivalent to one occupied housing unit, this faster growth of housing units compared to households indicates an increase in second home ownership and/or speculative construction.

Salida was the only community where housing unit growth accelerated from 2010 to 2014 – all other communities saw slower growth in those four years than from 2000 to 2010. Population, household, and housing unit trends in Salida have not been consistent with the county overall, and have been somewhat in conflict with each other. Since 2000, population and average household size have declined while households and housing units have increased. While the magnitude of these changes are relatively small and may be within sampling margins of error, they nevertheless provide an indication of the combination of factors driving change in Salida. The loss of population and addition of housing units over this time period, combined with an aging population and an increase in home prices, indicates that the majority of housing construction in Salida has been for second homes.

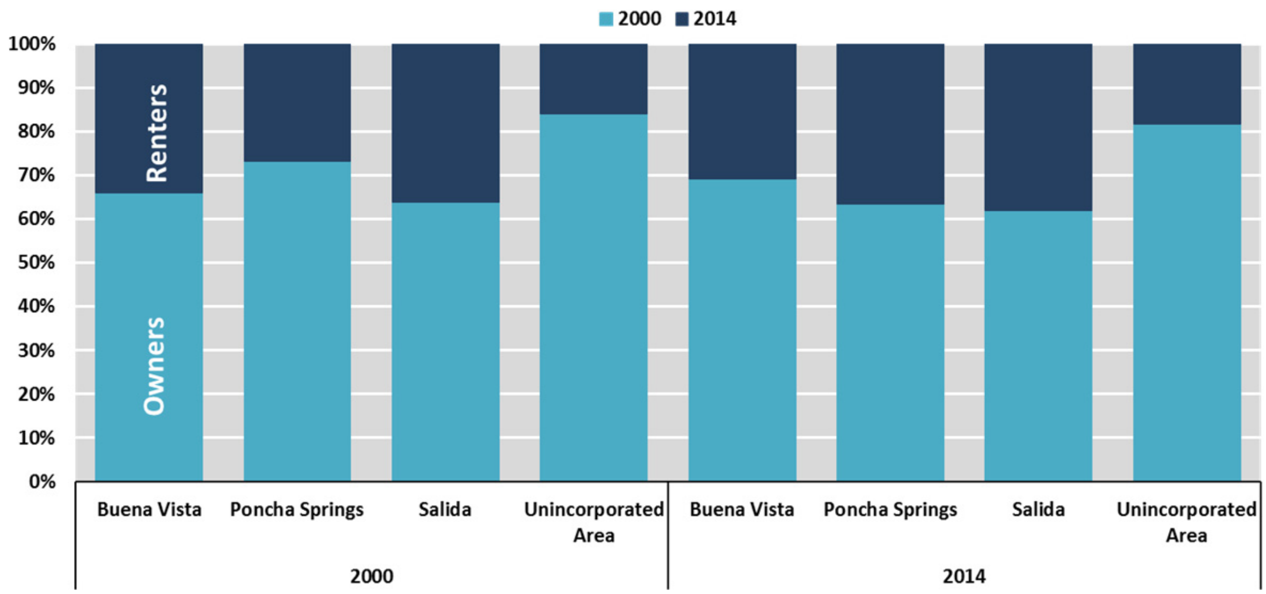
Figure 2
Housing Unit Growth, Chaffee County 2000-2014



Source: CO Department of Local Affairs; Economic & Planning Systems

Most housing units in the county are owner-occupied. Countywide, 76 percent of households own their home (**Figure 3**). Between 31 and 38 percent of housing units in Buena Vista, Salida, and Poncha Springs are renter-occupied, while in the unincorporated county only 18 percent of units are rented. Since 2000, Salida and the county overall have shifted slightly towards more owner-occupied housing, while Poncha Springs has shifted towards renter-occupied and Buena Vista's renter/owner split has stayed consistent.

Figure 3
Chaffee County Housing Tenure, 2000 and 2014

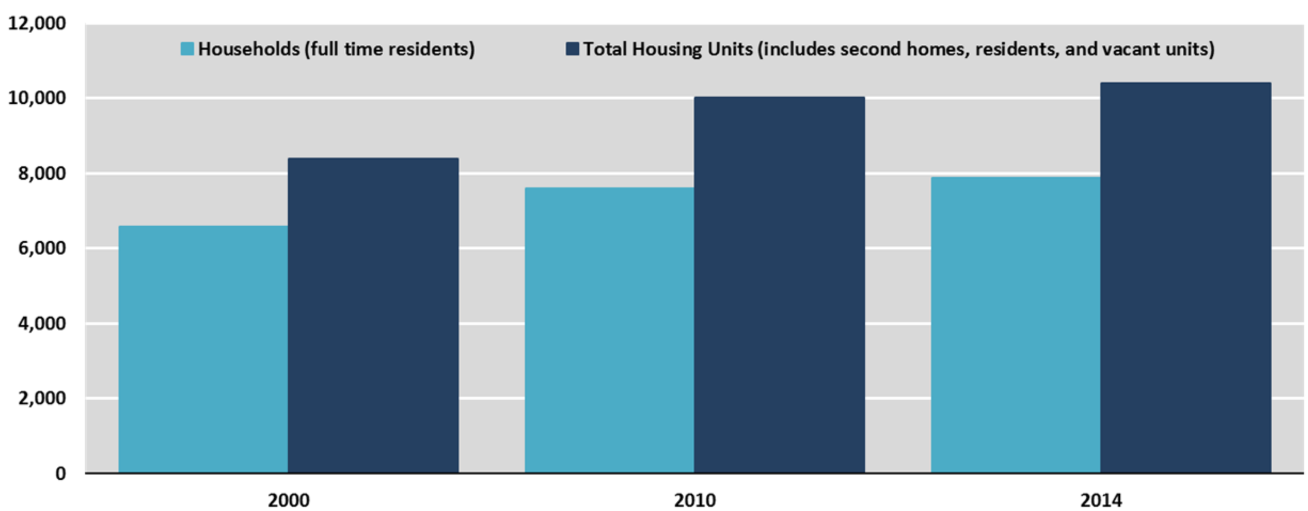


Source: US Census; Economic & Planning Systems

Second Homes

Given that one household represents one occupied housing unit, the growth in total housing units can be compared to growth in households as an indication of second home and speculative housing construction. From 2000 to 2014, 2,000 housing units were added in the county, while the number of households only increased by 1,300 (**Figure 4**). While some of this difference is accounted for by vacant units, most of it is due to an increase in second homes.

Figure 4
Housing Unit vs. Household Growth, 2000-2014



Source: CO Department of Local Affairs; Economic & Planning Systems
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The U.S. Census distinguishes between vacant homes that are for sale or rent, and those that are used as second homes, classified as "for seasonal or recreational use" (**Table 2**). The total number of vacant homes, as a percentage of total housing units in the county, has increased from 21.5 percent in 2000 to nearly 24 percent in 2014. Of all housing units in the county, in 2014 7.0 percent were vacant for sale or rent, while 17 percent of housing units were vacant as second homes. This number, while high, has stayed relatively consistent since 2000 when nearly 16 percent of housing units were vacant as second homes. Second homes are a significant component of the Chaffee County housing market. Buyers of these homes are typically more affluent and can pay more for these properties, contributing to higher home prices in the area.

Table 2
Second Homes, Chaffee County 2000-2014

Description	2000	2010	2014
Vacant Units (% of Total Units)			
For Sale/Rent, Other	5.6%	6.8%	7.0%
Second Homes	15.9%	17.4%	17.0%
Total Vacant	**21.5%**	**24.1%**	**23.9%**

Source: US Census; Economic & Planning Systems

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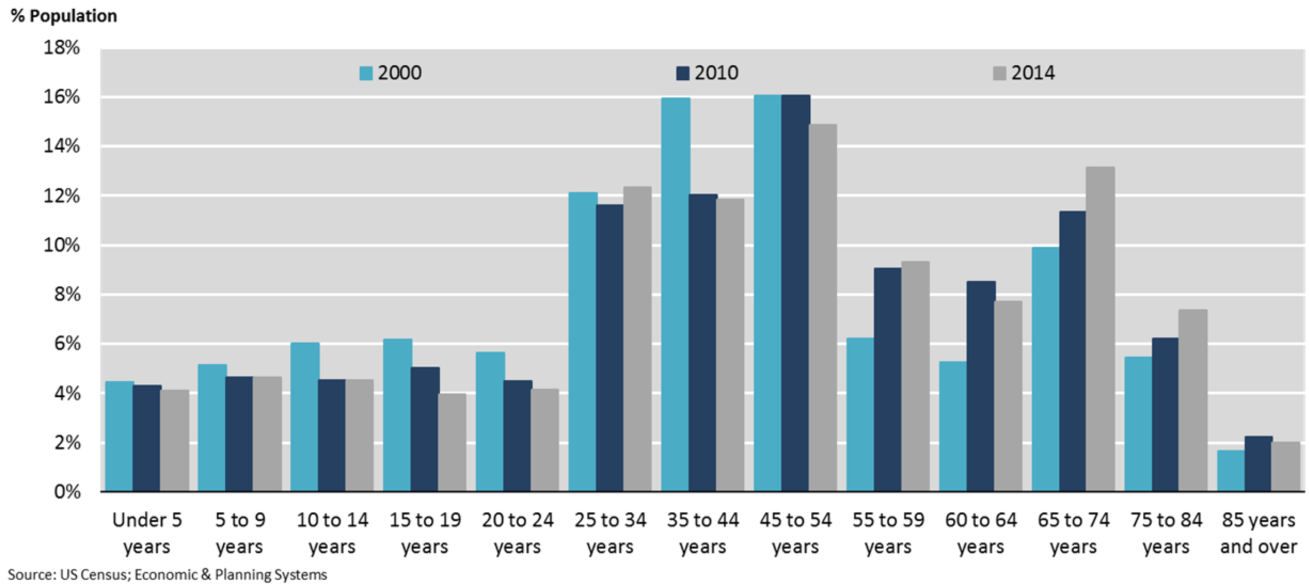
Demographic Characteristics

The age structure of Chaffee County's population has shifted dramatically over the last 15 years. Since 2000, Chaffee County has seen a large increase in population aged 45 and older, as well as an increase in the 25 to 34 age group (**Figure 5**). At the same time the populations aged 10 to 24 and 35 to 44 have declined, while the population under 9 years has remained relatively stable.

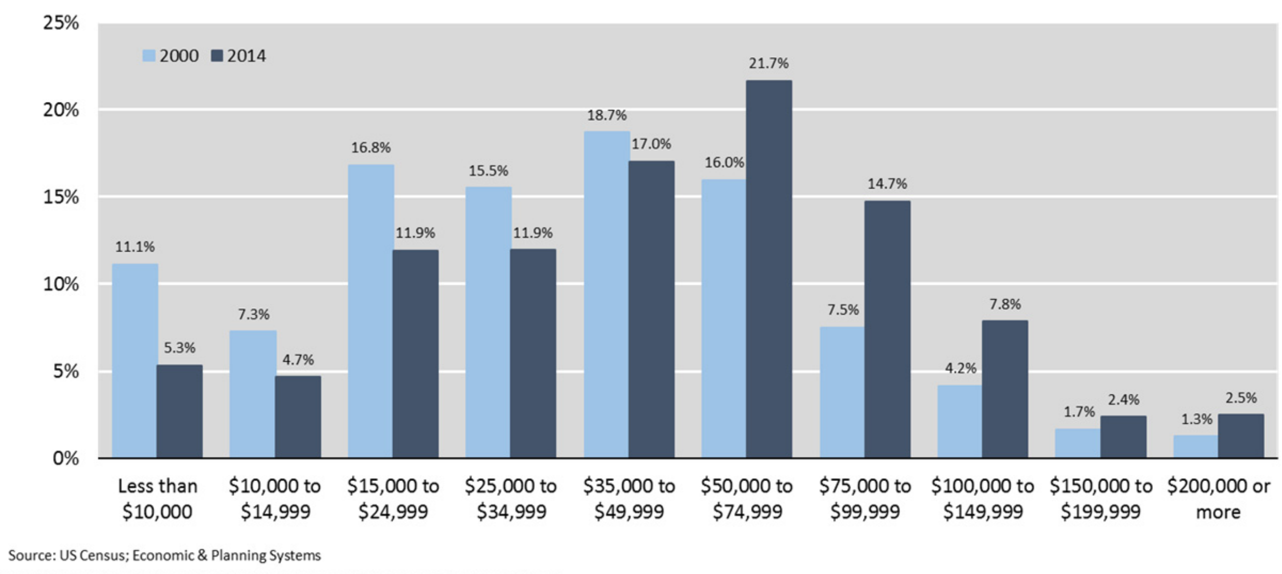
The biggest decline has been in the 35 to 44 age group, which made up 16 percent of the county population in 2000 but only 12 percent in 2014, a decrease of 440 people. This decline in the mid-career population, combined with a significant increase in the older population, has important implications for the County. In 2000, 28 percent of the county's population was aged 55 and older. By 2014, the population 55 and older comprised 40 percent of the county population, while the population aged 25 to 54 decreased from 44 percent to 39 percent of the total population. As the younger working population leaves and the early retiree (aged 55 to 59) and retiree (aged 60 and over) population grows, the economy and housing needs of the county will change.

Figure 5
Chaffee County Population by Age



The median household income in Chaffee County was approximately $48,500 in 2014, an increase of $14,000 since 2000. The difference between average and median income has grown from approximately $6,000 in 2000 to $14,000 in 2014, indicating an increase in high-income earners in the county. This increase in high-income earners is also seen in the distribution of household income (**Figure 6**).

Figure 6
Household Income Distribution, Chaffee County



Adjusted for inflation however, incomes in Chaffee County have been relatively stagnant since 2000 (**Table 3**). Median and per capita income have increased an average of 0.2 percent per year, while average income has increased at a slightly higher rate of 0.75 percent per year indicating more growth in income for high earning households than low or middle income households. This indicates an uneven distribution of income growth, as low and middle-income earners make up a large portion of the county population, with approximately 75 percent of households earning less than $75,000 per year (**Figure 7**).

Table 3
Chaffee County Inflation-Adjusted Income Measures

			2000-2014	
Description	**2000**	**2014**	**Total**	**Annual %**
Household Median	$47,084	$48,528	$1,444	0.22%
Household Average	$55,956	$62,146	$6,190	0.75%
Per Capita	$26,619	$27,467	$848	0.22%

Source: US Census; Bureau of Labor Statistics; Economic & Planning Systems

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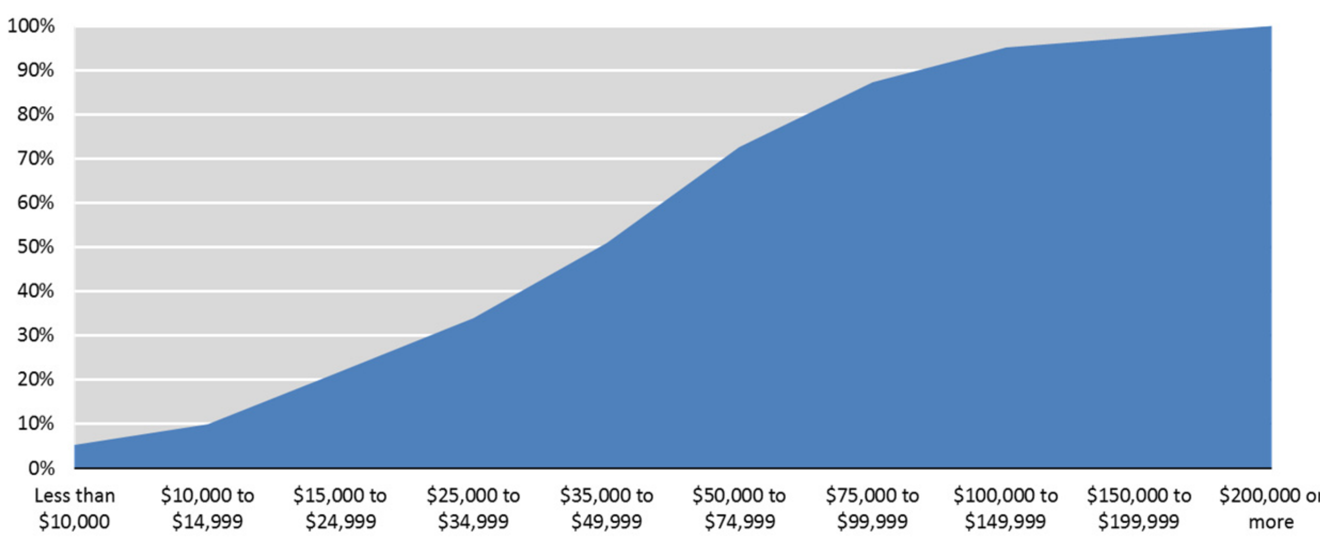
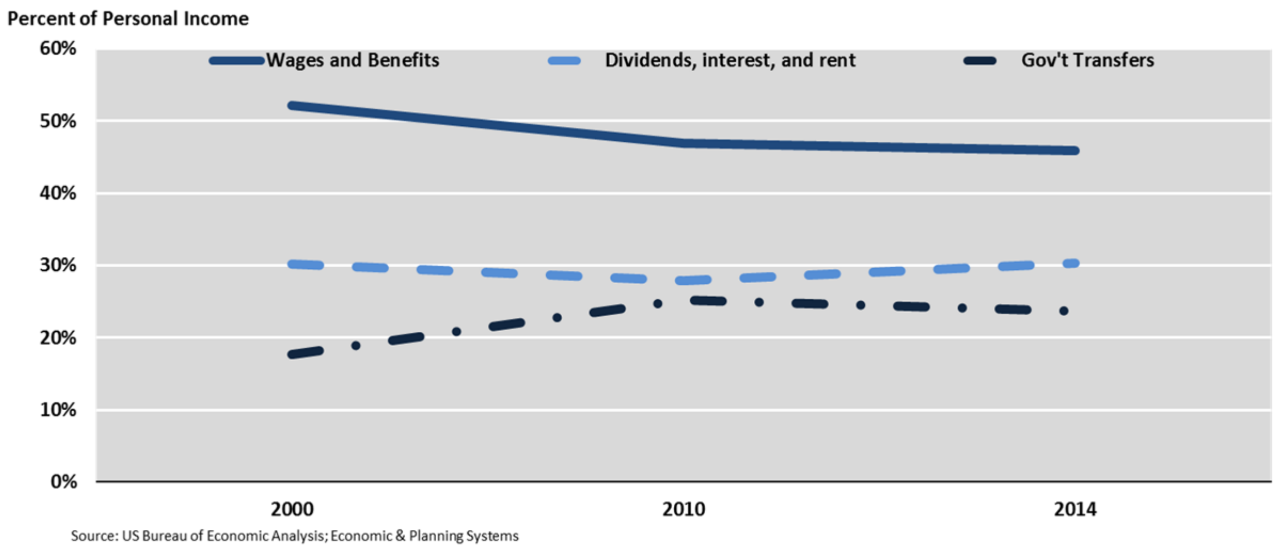
Figure 7
Chaffee County Cumulative Income Distribution, 2014



Source: US Census; Economic & Planning Systems

In addition to income measures changing, since 2000 the composition of total income in Chaffee County has changed, indicating other demographic changes. As a percentage of total income, wages have declined, investment income has been stable and government benefits – including social security, welfare, and other assistance – have increased (**Figure 8**). Investment income serves as an indicator of outside wealth moving in, and has stayed relatively stable at approximately 30 percent of personal income. Government transfers increasing as a percentage of personal income may indicate an aging population, with a greater number of people receiving social security, Medicare, and other benefits over time.

Figure 8
Personal Income by Source, Chaffee County



The poverty rate in Chaffee County has remained relatively constant since 2000. The poverty line is defined as $16,020 for a family of two, $20,160 for a family of three, and $24,300 for a family of four. Since 2000, approximately 10 percent of the county population has been living in poverty.

Household sizes have decreased slightly in most of the county since 2000. Poncha Springs maintained an average household size of approximately 2.3 while Buena Vista, Salida, and the county overall all experienced a decrease in average household size (**Table 4**). The average household size in Chaffee County is 2.15, lower than the state average of 2.49. This is indicative of few households with children, consistent with an aging population.

Table 4
Average Household Size, 2000-2014

Place	2000	2010	2014
Buena Vista	2.24	2.19	2.19
Poncha Springs	2.31	2.30	2.30
Salida	2.15	2.01	2.01
Unincorporated Area	N/A	N/A	2.23
Chaffee County	2.26	2.15	2.15
State of Colorado	2.53	2.49	2.49

Source: Colorado Department of Local Affairs; Economic & Planning Systems

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Employment and Wages

Between 2000 and 2015 Chaffee County saw a net increase of nearly 900 jobs, or nearly 1.0 percent annual growth (**Table 5**). The largest increases were in Health Care and Social Assistance and Accommodation and Food Services, which each gained just over 200 jobs. The only sector to lose jobs was Finance and Insurance, which declined by close to 20 jobs over this time period.

Chaffee County saw strong job growth after the Great Recession, with employment countywide increasing an average of 2.6 percent per year from 2010 to 2015, compared with 0.7 percent annual job growth from 2003 to 2008. The strongest post-recession growth has been in Wholesale Trade, Manufacturing, Health Care and Social Assistance, and Agriculture, Forestry, Fishing and Hunting. Finance and Insurance is the only sector to have experienced a post-recession decline, with jobs in that sector decreasing by 1.7 percent annually.

The majority of employment in Chaffee County is in low wage sectors, with 49 percent of all jobs having an average wage of under $30,000 per year. Ten percent of jobs are in sectors with an average annual wage of between $30,000 and $40,000, while only 7 percent of jobs are in sectors with an average wage above $50,000.

Table 5
Employment Growth and Average Wage by Sector, Chaffee County

Industry	2015 Avg. Wage	2000	2003	2008	2009	2010	2015	Change 2010 -2Q2015	Annual Growth Rate 2003-2008	2010-2015	2000-2015
				Peak	Post Great Recession		Recovery				
Agriculture, Forestry, Fishing and Hunting	$22,769	66	54	57	54	55	70	15	-1.8%	4.9%	0.4%
Mining, Quarrying, and Oil and Gas Extraction	$36,162	D	D	D	D	D	16	---	---	---	---
Utilities	$80,713	46	D	51	53	54	55	1	1.3%	0.4%	1.2%
Construction	$48,102	560	620	640	535	476	567	91	1.7%	3.6%	0.1%
Manufacturing	$34,071	237	194	139	169	152	206	54	-6.5%	6.3%	-0.9%
Wholesale Trade	$36,706	153	154	176	152	150	244	94	1.8%	10.2%	3.2%
Retail Trade	$27,553	915	952	1,036	1,019	996	1,026	30	1.6%	0.6%	0.8%
Transportation and Warehousing	$41,513	120	119	124	111	112	112	0	0.4%	0.0%	-0.5%
Information	$35,226	121	118	111	111	106	112	6	-1.1%	1.1%	-0.5%
Finance and Insurance	$53,066	221	250	224	229	222	204	-18	0.2%	-1.7%	-0.5%
Real Estate and Rental and Leasing	$35,169	153	160	141	150	134	136	2	-1.0%	0.3%	-0.8%
Professional, Scientific and Technical Services	$51,823	195	195	263	223	213	236	23	3.8%	2.1%	1.3%
Management of Companies and Enterprises	D	D	D	D	D	D	D	---	---	---	---
Admin., Support, Waste Mng., and Rem. Srvcs.	$25,582	53	68	76	72	65	70	5	4.6%	1.5%	1.9%
Educational Services	$29,171	441	448	505	494	492	529	37	1.7%	1.5%	1.2%
Health Care and Social Assistance	$40,272	533	577	662	673	715	925	210	2.7%	5.3%	3.7%
Arts, Entertainment, and Recreation	$18,926	412	316	425	405	426	513	87	0.4%	3.8%	1.5%
Accommodation and Food Services	$17,486	1,138	1,088	1,118	1,078	1,045	1,257	212	-0.2%	3.8%	0.7%
Other Services, except Public Administration	$25,192	202	200	141	135	137	141	4	-4.4%	0.6%	-2.4%
Public Administration	$44,728	794	754	833	861	859	874	15	0.6%	0.3%	0.6%
Total	**$33,413**	**6,361**	**6,324**	**6,737**	**6,536**	**6,419**	**7,293**	**874**	**0.7%**	**2.6%**	**0.9%**

Note: "D" indicates data withheld for confidentiality requirements.
Source: Colorado Dept. of Labor; Economic & Planning Systems

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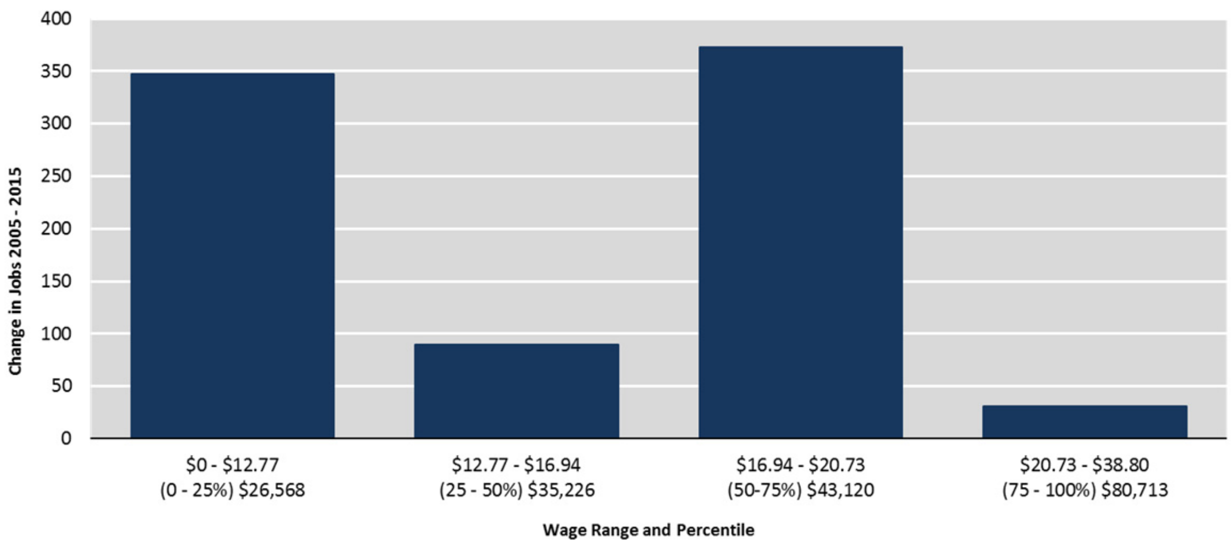
Lower-wage industries have seen faster growth than higher-wage industries, with most new jobs in Chaffee County at low- and middle-wage levels. Of the jobs created from 2005 to 2015, 41 percent were at or below $12.77 per hour ($26,500 per year), and 44 percent were at a wage level of between $16.94 and $20.73 per hour ($35,200 to $43,100 per year) as shown in **Figure 9**.

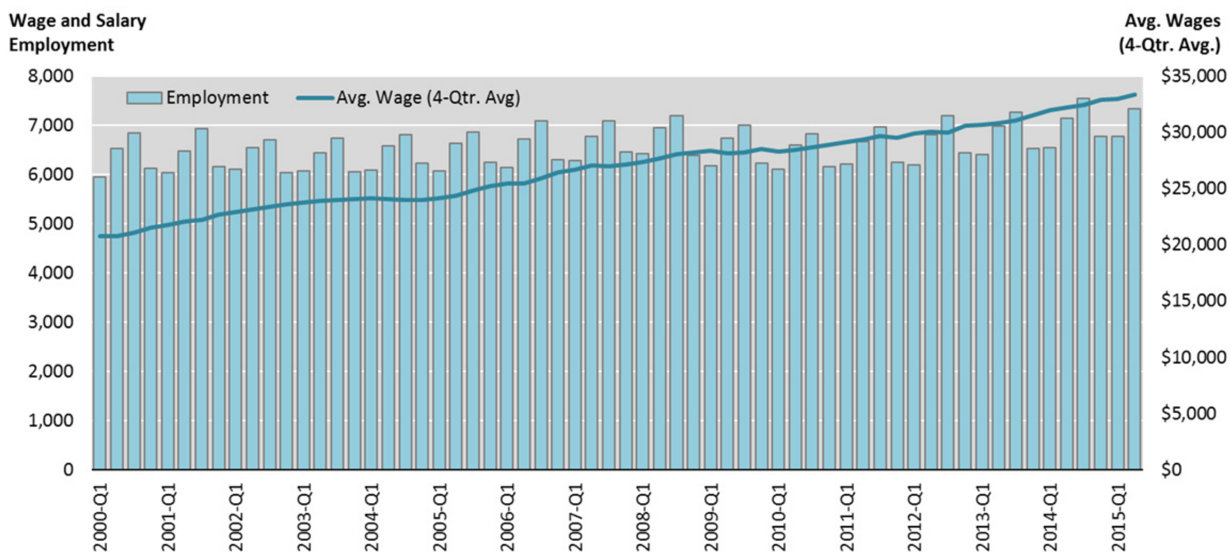
Figure 9
Job Change by Wage Quartile, Chaffee County 2005-2015



Source: Colorado Dept. of Labor; Economic & Planning Systems

Chaffee County has a seasonal economy, with employment peaks in the summer and dips in the winter (**Figure 10**). This economic pattern affects housing needs, with increased demand for short-term housing in the spring and summer by seasonal workers. Some major seasonal employers are addressing this need on their own. Monarch Mountain and Mount Princeton Hot Springs are exploring solutions to house more of their seasonal workforce in rental housing. Rafting guide operations also have seasonal workers, many of whom camp for the duration of their employment. At least one operator has purchased land to allow for long term employee camping, avoiding the requirement on federal land to move every 19 days.

Figure 10
Total Employment and Average Wages, 2000-2015

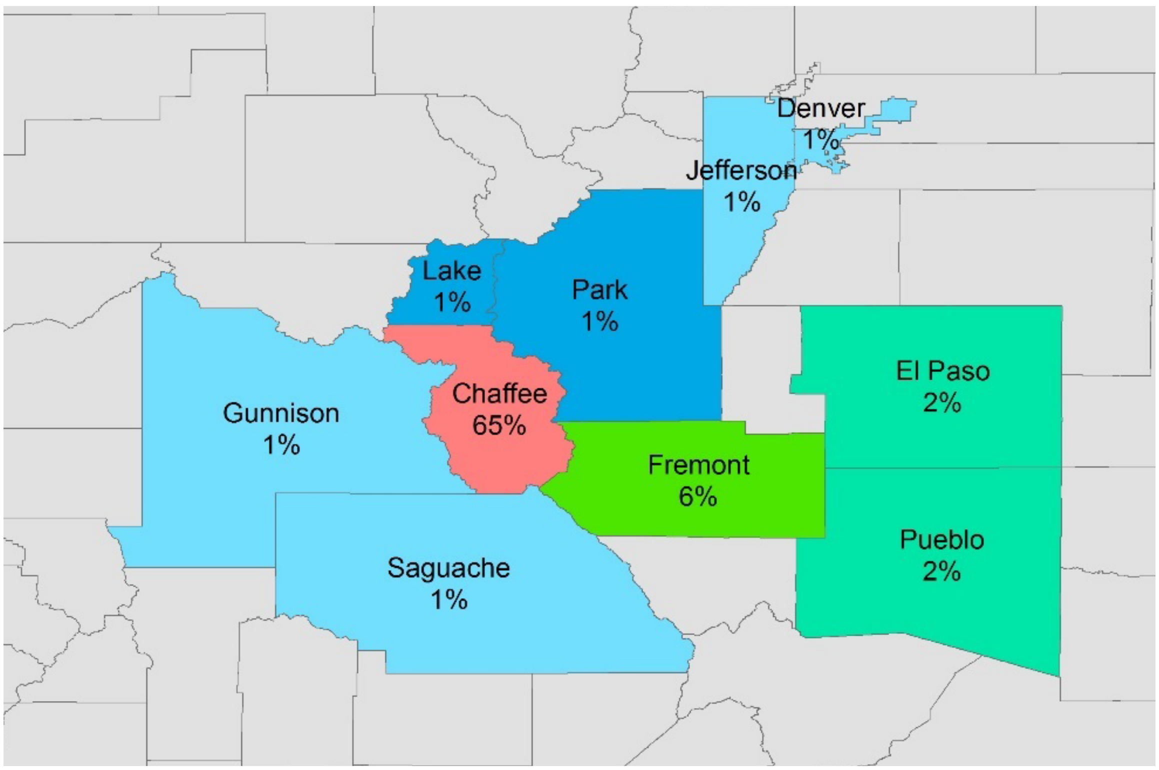


Source: Bureau of Labor Statistics; Economic & Planning Systems

Commuting Patterns

Sixty-five percent of jobs in Chaffee County are held by residents of the county, while 35 percent of workers commute in from other counties, mainly from the east (**Figure 11**). Six percent of workers commute from Fremont County, and 2 percent of workers come from each of El Paso and Pueblo Counties. Long commutes affect worker productivity, quality of life, participation in the community, and contribute to environmental degradation. Housing costs and wage levels will impact where workers decide to live, and a goal of this housing strategy is also to have more workers locally.

Figure 11
Place of Residence for People Who Work in Chaffee County



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3. HOUSING AND AFFORDABILITY CONDITIONS

This chapter presents a more detailed evaluation of market trends and housing costs in Chaffee County. This evaluation is presented in the following seven sections:

- Existing Housing Stock
- For Sale Market
- Rental Market
- Vacation Rentals
- Affordability Analysis
- Cost Burden
- Construction Cost Analysis

Existing Housing Stock

A large portion of the housing stock in Chaffee County is in the unincorporated county. Of the approximately 10,400 housing units in Chaffee County, 30 percent are in Salida, 14 percent in Buena Vista, 4 percent in Poncha Springs, and over 50 percent in the unincorporated area (**Table 6**). Development in the unincorporated area is generally low density, dispersed, and without municipal utilities (water and sewer).

Table 6
Housing Units by Place, 2014

Place	Total Units	% of Total
Buena Vista	1,439	13.8%
Poncha Springs	376	3.6%
Salida	3,006	28.9%
Unincorporated Area	5,590	53.7%
Chaffee County	**10,411**	**100.0%**

Source: CO Dept. of Local Affairs; Economic & Planning Systems

H:\163001-Chaffee County Housing Needs\Data\[163001- Housing Stock.xlsx]Tenure by Occupied Unit Type

Nearly 80 percent of housing structures in the county are single family detached homes – an increase from 2000 when approximately 71 percent of housing structures were single family detached (**Table 7**). The second most common type of housing structure in the county is a mobile home, accounting for nearly 10 percent of housing structures in 2014, a decrease from 2000 when mobile homes accounted for approximately 17 percent of all housing.

There is very little multi-family housing, and most housing structures have one unit. In 2014, fewer than 10 percent of all housing structures in the county had two or more units. From 2000 to 2014, there was a decline in multi-unit (two or more units) housing structures in all areas of the county except Poncha Springs. Over this time period there was a small net increase in multi-unit structures countywide, although Buena Vista had a net loss and Salida had a net increase of only three structures.

Table 7
Units in Structure, 2000-2014

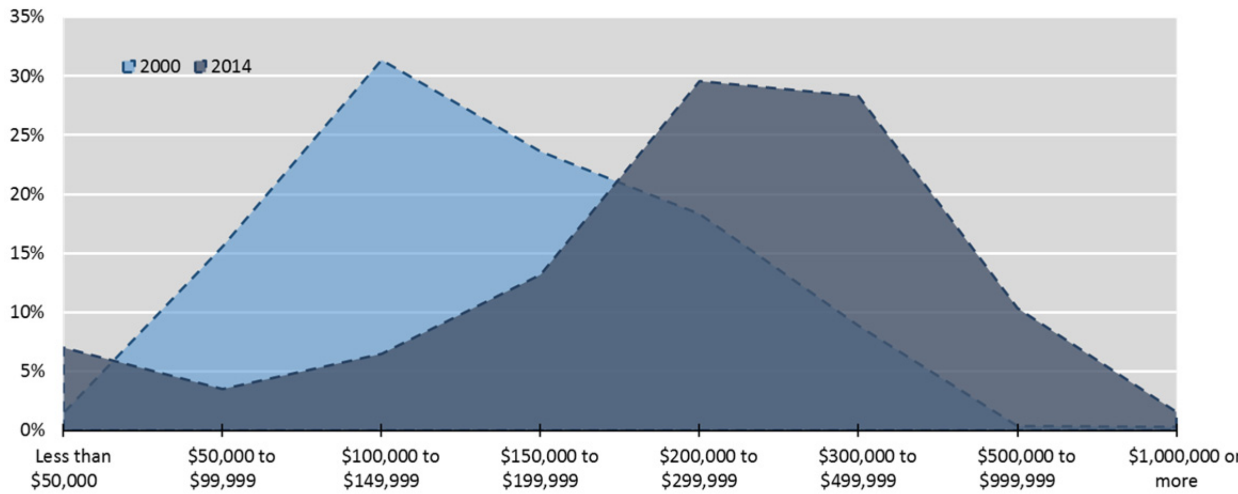
	Buena Vista		Poncha Springs		Salida		Unincorporated County		Chaffee County Total	
Units in Structure	**2000**	**2014**	**2000**	**2014**	**2000**	**2014**	**2000**	**2014**	**2000**	**2014**
1, detached	820	993	153	306	1,764	1,847	3,196	4,813	5,933	7,959
1, attached	8	50	3	63	125	151	52	168	188	432
2	19	30	11	11	111	96	13	59	154	196
3 or 4	36	23	2	15	96	209	4	12	138	259
5 to 9	65	36	2	28	141	102	20	0	228	166
10 or more	62	33	0	7	131	75	11	39	204	154
Mobile home	72	59	40	53	370	300	982	592	1,464	1,004
Boat, RV, van, etc.	0	0	9	0	13	0	61	0	83	0
Total Housing Structures	**1,082**	**1,224**	**220**	**483**	**2,751**	**2,780**	**4,339**	**5,683**	**8,392**	**10,170**

Note: 2014 numbers reflect American Community Survey 2010-2014 5-year estimates of housing structures which differ from DOLA 2014 estimates for housing units
Source: US Census; Economic & Planning Systems
H:\163001-Chaffee County Housing Needs\Data\[163001- Economic & Demographic Overview.xlsx]T- Units in Structure by Place

For Sale Market

The value of owner-occupied homes has increased since 2000, with 55 percent of homes worth between $100,000 and $199,999 in 2000, and only 20 percent of homes falling into that category in 2014, when nearly 58 percent of homes were valued at $200,000 to $499,999 (**Figure 12**). This upward trend in the value of homes in the county also holds when home values are adjusted for inflation.

Figure 12
Value of Owner-Occupied Homes, Chaffee County 2000-2014



Source: US Census; Economic & Planning Systems
H:\163001-Chaffee County Housing Needs\Data\[163001- Economic & Demographic Overview.xlsx]Housing Units

Sales prices have also been rising, with the average sale price of a home in Chaffee County increasing an average of 3.1 percent per year since 2005 (**Table 8**). Price increases have been highest in Salida, where the average price of a home increased by almost $96,500 from 2005 to 2015 – an average increase of 3.7 percent per year. Buena Vista and Poncha Springs saw increases of nearly $64,000 over this time, an average increase of 2.5 percent and 2.9 percent per year respectively.

Table 8
Sales Price Trends, Chaffee County 2005-2015

Description	2005	2010	2015	Change	Ann. %
Buena Vista	$225,352	$276,016	$289,190	$63,838	2.5%
Poncha Springs	$191,150	$239,714	$254,876	$63,726	2.9%
Salida	$222,010	$294,875	$318,464	$96,454	3.7%
Chaffee County	**$221,232**	**$287,533**	**$301,215**	**$79,983**	**3.1%**

Source: MLS; Economic & Planning Systems
H:\163001-Chaffee County Housing Needs\Data\[MLS_Full_2005_2015.xlsx]T-Average Sales Price

Average sale prices for new construction, defined here as homes built within two years of being sold, are higher than overall average sales prices (**Table 9**). The premium for a new home is highest in Poncha Springs, where the average 2015 sales price for a home constructed within the last two years was over $70,000 higher than the overall average. In Buena Vista new construction was $38,500 more expensive than the average, and in Salida it was $45,300 more. Countywide, the average price of a new home was $50,000 higher than the overall average sales price. These prices for new homes indicate the direction the housing market in the county is heading.

Table 9
Average Sales Price of New Construction Compared to Total Sales, 2015

Description	New Construction	Average Sales Price	Difference
Buena Vista	$327,686	$289,190	$38,495
Poncha Springs	$325,975	$254,876	$71,099
Salida	$363,800	$318,464	$45,336
Chaffee County	**$351,248**	**$301,215**	**$50,033**

Source: MLS; Economic & Planning Systems

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The impact of these home prices on the ability of residents to purchase a home can be illustrated by calculating the annual household income required to afford an average home, using an affordability threshold of 30 percent of income spent on housing. Based on the average 2015 sales price in each community, a household would need to earn between $57,620 and $70,000 annually in order to afford the average priced home (**Table 10**).

Table 10
Required Annual Income by Community

	Buena Vista	Poncha Springs	Salida	Chaffee County Average
Average Sales Price	**$289,190**	**$254,876**	**$318,464**	**$301,215**
Mortgaged Amount (less: downpayment)	$274,731	$242,132	$302,541	$286,154
Mortgage Interest Rate	4.0% int.	4.0% int.	4.0% int.	4.0% int.
Loan Term	30-year term	30-year term	30-year term	30-year term
Monthly Costs				
Mortgage Payment (Monthly)	$1,312	$1,156	$1,444	$1,366
Less: Insurance	$125	$125	$125	$125
Less: Property Taxes	$96	$85	$106	$100
Less: Utility Costs	$75	$75	$75	$75
Total Monthly Housing Costs	**$1,608**	**$1,441**	**$1,750**	**$1,666**
Required Annual Income	**$64,301**	**$57,620**	**$70,000**	**$66,642**

Source: Economic & Planning Systems

H:\163001-Chaffee County Housing Needs\Data\[163001-Target Purchase Price 6-15.xlsx]Required Income by Community

Depending on the number of earners in a household, this translates to a required hourly wage of between $13.85 and $33.65 (**Table 11**). As discussed above, 64 percent of new jobs since 2005 have been at a wage level of $16.34 or below – making it difficult for workers in these jobs to afford housing in their communities.

Table 11
Required Annual Income by Community and Number of Earners

	Buena Vista	Poncha Springs	Salida	Chaffee County Average
Average Sales Price	**$289,190**	**$254,876**	**$318,464**	**$301,215**
Total Monthly Housing Costs	**$1,608**	**$1,441**	**$1,750**	**$1,666**
Required Annual HH Income	**$64,301**	**$57,620**	**$70,000**	**$66,642**
Hourly Wage	$30.91	$27.70	$33.65	$32.04
Avg. Income for 1.5 Earner HH	$42,867	$38,414	$46,667	$44,428
Hourly Wage	$20.61	$18.47	$22.44	$21.36
Avg. Income for 2 Earner HH	$32,150	$28,810	$35,000	$33,321
Hourly Wage	$15.46	$13.85	$16.83	$16.02

Source: Economic & Planning Systems

H:\163001-Chaffee County Housing Needs\Data\[163001-Target Purchase Price 6-15.xlsx]Required Income by HH Size

Rental Market

The rental market in Chaffee County has also changed over the past 15 years, with a new range of units renting for over $750 per month – a rent level that was almost nonexistent in 2000 (**Figure 13**). Rental listings in *The Mountain Mail* average nearly $1,400 per month, and interviews with rental brokers indicate that rents have been rising – currently averaging between $1,200 and $1,600 per month. Most rental properties are single family homes, and when properties become available they are usually rented with one month.

An average rent of $1,200 per month is not affordable to a household earning less than 100 percent AMI (**Table 12**). To afford $1,400 per month, a household would have to earn close to 120 percent AMI, or a total income of $58,200 per year.

Table 12
Affordable Rents by AMI Level

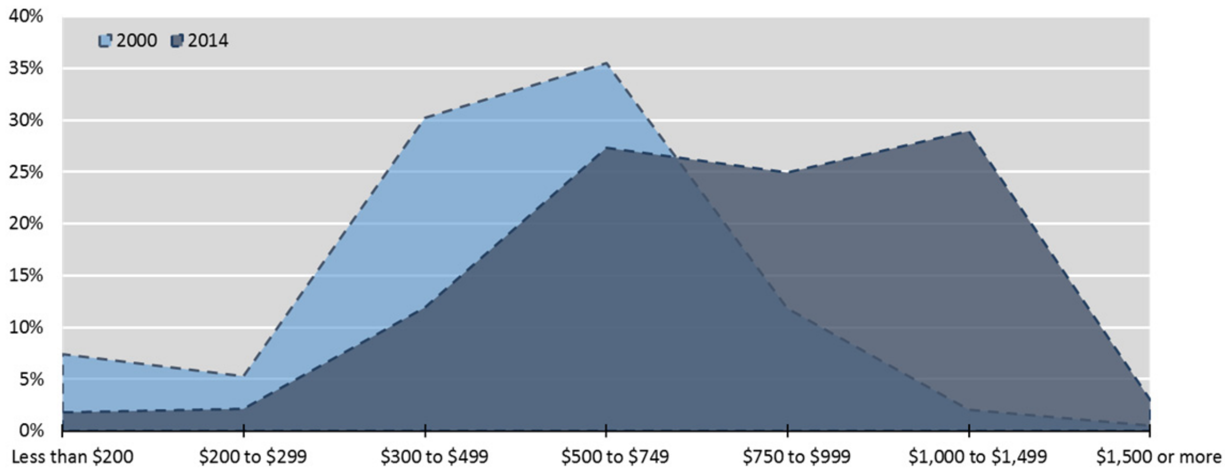
	Income Level					
	30% AMI	**60% AMI**	**80% AMI**	**100% AMI**	**120% AMI**	**150% AMI**
Annual HH Income	**$14,558**	**$29,117**	**$38,822**	**$48,528**	**$58,234**	**$72,792**
Hourly Wage	$7.00	$14.00	$18.66	$23.33	$28.00	$35.00
Monthly Rental Maximums at 30%	**$364**	**$728**	**$971**	**$1,213**	**$1,456**	**$1,820**
Avg. Income for 1.5 Earner HH	$9,706	$19,411	$25,882	$32,352	$38,822	$48,528
Hourly Wage	$4.67	$9.33	$12.44	$15.55	$18.66	$23.33
Avg. Income for 2 Earner HH	$7,279	$14,558	$19,411	$24,264	$29,117	$36,396
Hourly Wage	$3.50	$7.00	$9.33	$11.67	$14.00	$17.50

Source: Economic & Planning Systems

H:\163001-Chaffee County Housing Needs\Data\[163001-Target Purchase Price 6-15.xlsx]Target Rent

As noted above, fewer than 10 percent of housing units in the county have two or more units. While much of the current rental stock is single family homes, rising rents are making multi-unit development feasible and spurring more interest in multifamily development by the private sector, particularly in Salida and Poncha Springs. However, the supply of vacant land zoned for multifamily use is a constraint on this development in Salida and Buena Vista.

Figure 13
Renter-Occupied Units by Monthly Rent, Chaffee County 2000-2014



Source: US Census; Economic & Planning Systems
H:\163001-Chaffee County Housing Needs\Data\[163001- Economic & Demographic Overview.xlsx]Housing Units

Vacation Rentals

In addition to for-sale and rental homes, Chaffee County has a number of properties utilized as vacation rentals – rented on a short-term basis, and often used as second homes by the owners at other times. This Rental by Owner (RBO) market has been growing since 2008, and continues to grow. There are currently 105 properties in Salida that have applied for the required short-term business license to operate as a vacation rental.

This market is busy during the summer, which is the peak tourism season, as well as during holidays and ski weekends. During the summer and holidays four to seven night stays are typical, while the rest of the year an average stay is two or three nights.

Most owners of these properties spend at least a few weeks or months per year in them, renting them on a short-term basis the rest of the year. Rental income is used to offset the expenses of the home, rather than as an investment tool – interviews with brokers suggest that the rental income compared to the cost of a home does not support purchasing a property solely as an investment to be rented short-term.

4. *AFFORDABILITY ANALYSIS*

Housing affordability is determined by both the cost of housing and the income of the household occupying the unit. In general, if a household spends 30 percent or less of gross income on housing, it is considered to be "affordable" under standards defined by the U.S. Department of Housing and Urban Development (HUD). If more than 30 percent of income is spent on housing, the household is considered to be "cost burdened." This 30 percent threshold was used throughout this analysis as the determinant of affordability.

Area Median Income and Affordability Measures

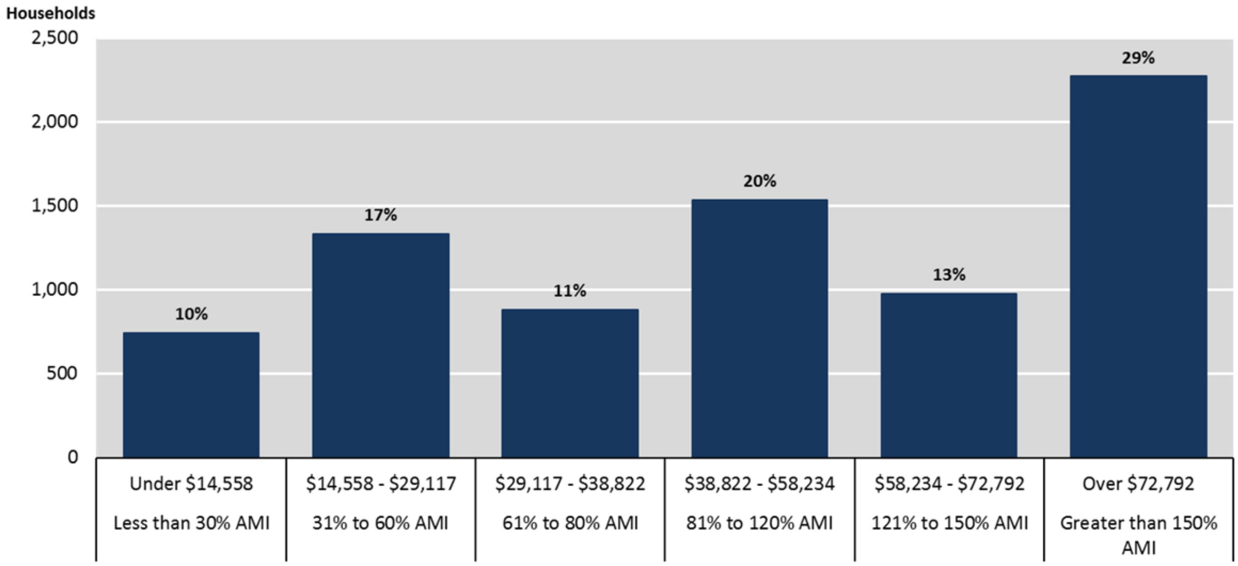
Housing affordability among a population is generally discussed in terms of area median income (AMI) – households are grouped based on income as a percent of the area median, adjusted for household size. According to the U.S. Census, the median income for Chaffee County in 2014 was $48,528. This figure was used as the AMI throughout this affordability analysis.

Households are shown by income as a percent of AMI in **Figure 14**. As shown, 27 percent of households earn under $29,000, or less than 60 percent of AMI. Thirty-eight percent of households earn less than 80 percent AMI. Providing affordable housing is particularly difficult for this population – while the market can sometimes provide housing affordable to households at 80 percent AMI or above, it is often difficult – if not impossible – for private developers to provide housing affordable to households below 80 percent AMI without financial assistance.

The estimates of housing needed by AMI level are broken into four ranges that align with federal and state funding and program requirements and the experiences of other mountain and urban communities in supplying housing for the local workforce.

- **Less than 60 percent of AMI –** Housing below 60 percent of AMI is generally rental housing that needs to be coupled with supportive services such as life skills and job training, jobs access, mental health, health care, and child care. Most federal and state funding sources for affordable housing are limited to households earning up to 60 percent of AMI. Local governments and private developers therefore need to be creative and resourceful in addressing housing demands above 60 percent of AMI, particularly in the area between 60 and 100 percent of AMI before the private market can begin to provide attainable housing.
- **60 to 80 percent of AMI –** This is also generally rental housing available to entry level service and hospitality industry workers with a household income of approximately $29,000 to $39,000 per year (for the average household size of 2.15).
- **80 to 120 percent of AMI –** This is often considered the core of essential workforce housing in mountain communities. "Teachers, tellers, and cops" is a phrase that has been used to describe this segment. This is a mix of rental and for-sale housing with a diversity of unit types to appeal to families, individuals, and households and families without children. Incomes range from $39,000 to $58,000 per year.
- **Greater than 120 percent of AMI –** These are higher earning households (above $58,000 per year) with greater ability to purchase housing priced at $257,000 and above or to afford rent of $1,500 per month or more.

Figure 14
Chaffee County Households by AMI, 2014



Source: US Census; Economic & Planning Systems

Affordable Purchase Price

This income data, when combined with housing costs, provides an indication of current housing affordability in the county (**Table 13**). Assuming 30 percent of income is spent on housing, the maximum supportable purchase price was calculated for various AMI levels. Based on this analysis, a household earning 60 percent AMI could afford a $108,000 home, while a household earning 120 percent AMI could afford a $257,000 home. These figures indicate that providing for-sale housing affordable to households earning below 80 percent AMI is not likely to be feasible without large subsidies.

Table 13
Affordable Purchase Price by AMI

	Income Level					
	30% AMI	60% AMI	80% AMI	100% AMI	120% AMI	150% AMI
Household Income	$14,558	$29,117	$38,822	$48,528	$58,234	$72,792
Monthly Rental Maximums at 30%	$364	$728	$971	$1,213	$1,456	$1,820
Supportable Monthly Payment						
Less: Insurance	-$125	-$125	-$125	-$125	-$125	-$125
Less: Property Taxes	-$20	-$40	-$50	-$70	-$90	-$110
Less: Utility Costs	-$75	-$75	-$75	-$75	-$75	-$75
Net Supportable Mortgage Payment (Monthly)	$144	$488	$721	$943	$1,166	$1,510
Valuation Assumptions						
Loan Amount	$30,200	$102,200	$150,900	$197,600	$244,200	$316,200
Mortgage Interest Rate	4.0% int.	4.0% int.	4.0% int.	4.0% int.	4.0% int.	4.0% int.
Loan Term	30-year term	30-year term	30-year term	30-year term	30-year term	30-year term
Downpayment as % of Purchase Price	5.0% down pmt	5.0% down pmt	5.0% down pmt	5.0% down pmt	5.0% down pmt	5.0% down pmt
Maximum Supportable Purchase Price	**$31,800**	**$107,600**	**$158,800**	**$208,000**	**$257,100**	**$332,800**

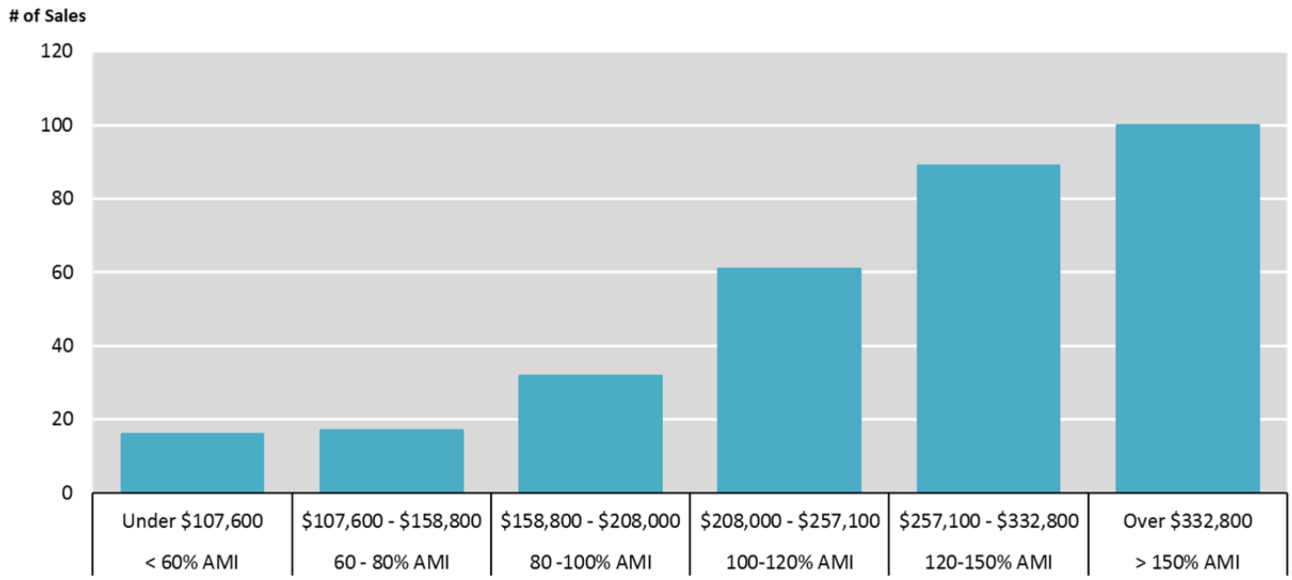
Source: Economic & Planning Systems

H:\163001-Chaffee County Housing Needs\Data\[163001-Target Purchase Price 6-15.xlsx]Target Purchase Price

Home Sales by AMI Level

The housing affordability analysis discussed above is combined with the current sales data to provide an overview of the current affordability situation. Of the 315 home sales in 2015, 60 percent were sold at or above $257,000, a price only affordable to households earning over 120 percent AMI (**Figure 15**). Thirty-two percent of all sales were at or above $332,000, affordable only to households earning over 150 percent AMI.

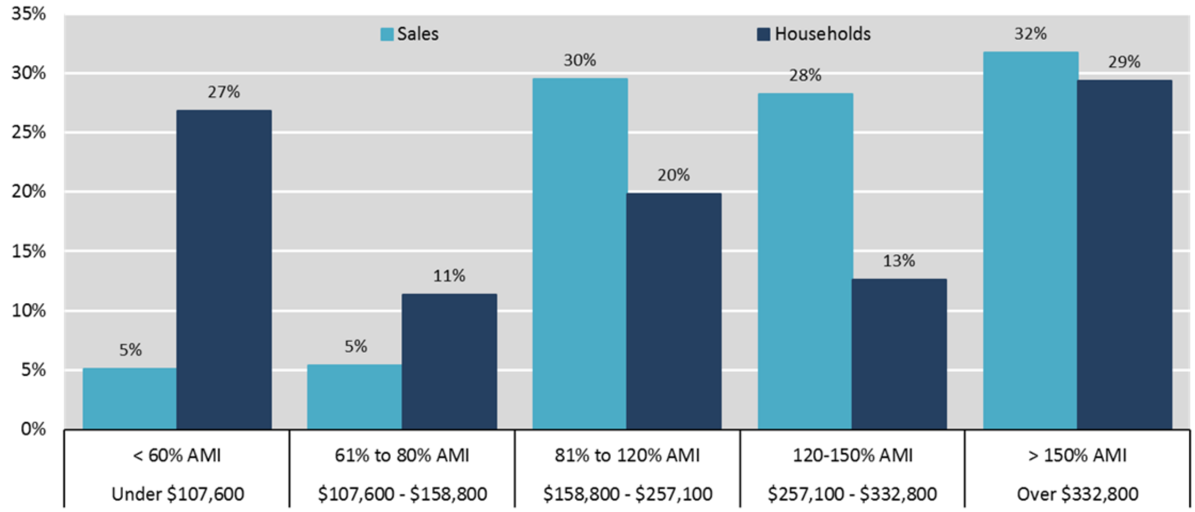
Figure 15
2015 Home Sales by AMI Affordability



Source: MLS; Economic & Planning Systems

The distribution of households by AMI level compared to the distribution of home sales by affordability level provides an indication of where the housing gaps between supply and household income are in the county (**Figure 16**). The greater percentage of sales than households above 80 percent of AMUI range does not indicate a surplus of housing. Many local residents lack the savings for a down payment to buy a home or are deterred by the quality of the home available at this price, and second home buyers comprise at least 20 percent of the market. The cost burden data presented in the next section indicates that 20 percent of households in the 80 to 120 percent of AMI income ranges are paying more than 30 percent of their income towards housing.

Figure 16
Home Sales and Household Income Distribution by AMI, 2014-15



Source: MLS; US Census; Economic & Planning Systems

Cost Burden

A household is considered "cost burdened" if more than 30 percent of gross income is spent on housing. In Chaffee County, nearly 30 percent of households are cost burdened (**Table 14**). A large number of renters are cost burdened, with 42 percent of all renter households paying more than 30 percent of their income towards rent. This is a slight decrease from 2010, but an increase from 2000.

Table 14
Housing Costs as a Percentage of Household Income

Description	2000	2010	2014
Owner-Occupied			
Less than 20 percent	56%	51%	51%
20 to 29 percent	21%	18%	20%
30 percent or more	23%	30%	28%
Renter-Occupied			
Less than 20 percent	28%	20%	30%
20 to 29 percent	26%	28%	24%
30 percent or more	38%	46%	42%

Source: US Census; Economic & Planning Systems

H:\163001-Chaffee County Housing Needs\Data\[Cost Burden.xlsx]Table- HH by Cost Burden

The distribution of cost burden can be further broken down by income level (**Table 15, Figure 17**). Fifty-two percent of cost-burdened households earn less than 60 percent AMI, and the burden is particularly strong on renters. Nearly all cost-burdened renters are earning less than 80 percent AMI.

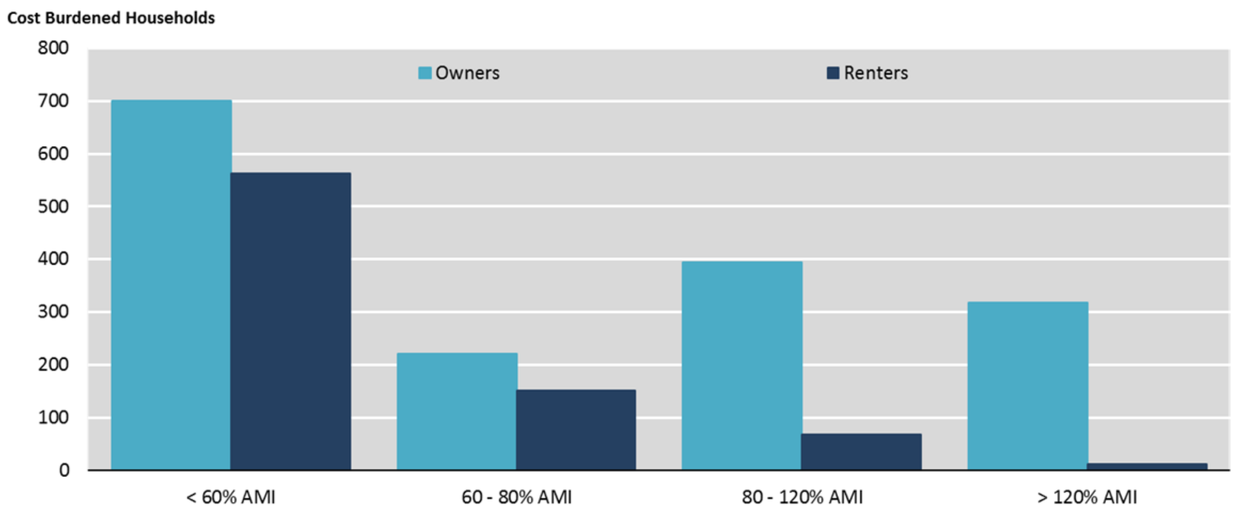
Table 15
Cost Burdened Households by AMI Level

			Total Cost Burdened	
AMI Level	**Owners**	**Renters**	**Number**	**Percent**
< 60%	700	562	**1,262**	**52%**
60 - 80%	220	152	**372**	**15%**
80 - 120%	395	68	**462**	**19%**
> 120%	318	12	**330**	**14%**
Total	**1,633**	**794**	**2,427**	**100%**

Source: US Census; Economic & Planning Systems

H:\163001-Chaffee County Housing Needs\Data\[2015 sales.xlsx]Sales Chart Data

Figure 17
Cost Burdened Households by Housing Tenure and AMI Level



Source: US Census; Economic & Planning Systems

Construction Cost Analysis

For new homes, construction cost is the primary driver of affordability. The major components of the cost to build a home include land, materials and labor (hard costs), fees and permits, and builder overhead and profit. EPS interviewed Chaffee County area builders and local planning and building officials to assemble estimates of the various costs to build a modest entry level single family home. The purpose of this analysis is to document the magnitude and influence that each component has on housing costs to inform policies and strategies for supplying more affordable and attainable housing. The total cost to build a modest entry level single family home was estimated for Buena Vista, Salida, and Poncha Springs. Detailed cost breakdowns are provided in **Appendix Tables 1 - 4.**

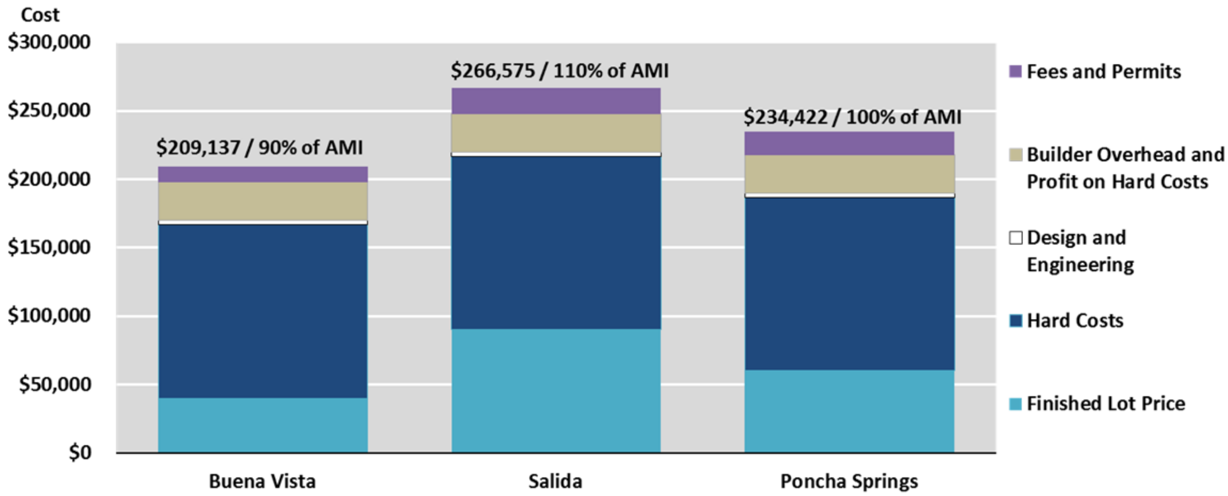
A set of common construction costs and building assumptions were used for each community to isolate the effects of differing land costs and fee levels by community:

- 1,100 square foot single family home, no garage
- Modest level of finish, quality and energy efficient construction
- $115 per square foot in construction costs – materials and labor only
- $3,500 allowance for design and engineering, such as purchasing an off-the-shelf home plan and any minor site engineering that may be needed
- 18 percent for builder/general contractor overhead and profit. A high volume production builder may be able to reduce this if building a number of homes.
- All fees are calculated with the municipalities' fee schedules
- Finished lot costs were estimated from MLS listings and discussions with local realtors and builders. A finished lot is a lot with municipal utilities available at the street, appropriate zoning, and "shovel ready".

— Salida: $90,000 per lot
— Poncha Springs: $60,000 per lot
— Buena Vista: $40,000 per lot

With those cost inputs, the highest base home cost is in Salida with an estimated cost of $267,000, which requires a 2.5-person household to earn 110 percent of AMI (**Figure 18**). Land costs are the highest in Salida, at approximately $90,000 per lot, which is the largest contributor to the home cost since construction costs are essentially equal throughout the county. Currently, but potentially not for the long term, land costs are lower in Buena Vista at an estimated $40,000 per lot which results in a home cost of $209,000, the lowest of the three scenarios evaluated. In Poncha Springs, with an estimated land cost of $60,000 per lot, the resulting home price is $234,000. The market is not delivering homes at these prices for several reasons. One is that the second home market is strong, and builders can find more profitable opportunities serving this market. Second, the supply of low cost buildable lots is limited.

Figure 18
Components of Single Family Home Cost

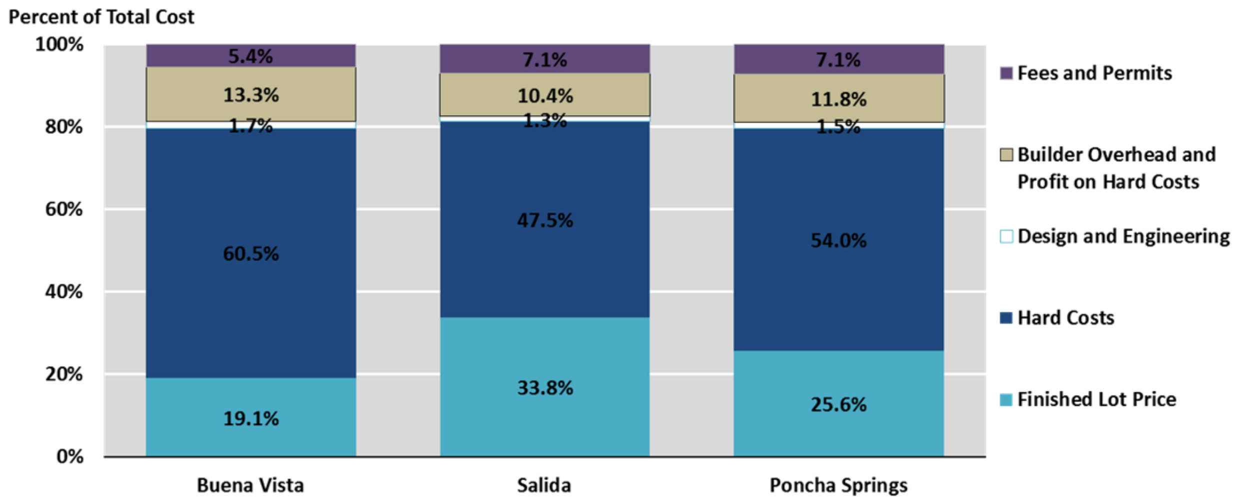


Source: Economic & Planning Systems

The two largest components of a home cost are land and construction. Land ranges from 19 to nearly 34 percent of the cost and hard construction costs range from 47.5 to 60.5 percent of the total cost (**Figure 19**). In terms of reducing costs, construction costs are essentially fixed unless one can obtain free or discounted materials and/or labor. This may be possible in isolated cases but not at the scale needed to expand affordability in Chaffee County. Builder profit can range from 15 to 25 percent of materials and labor, and is estimated at 18 percent here which equates to 12 percent of the total cost. Some builders and general contractors may donate time in isolated cases, but ultimately depend on this profit to earn their living. A production builder may be able to achieve economies of scale with a lower margin on each home. Fees and permits range from 5.4 to 7.1 percent of the cost. That leaves fees and land as the two remaining leverage points.

While accounting for less than 10 percent of the total cost, fees and permits do contribute to housing costs. Municipalities however rely on these fees to pay for necessary infrastructure and services such as acquiring water rights to serve new development, building and maintaining water and sanitation systems, roads, schools, parks and open space, all of which are essential to quality of life. If these fees were not charged, the services and infrastructure would need to be funded through other sources such as higher property taxes. There is the potential to offer fee reductions or waivers however in exchange for some form of permanent affordability such as a deed restriction.

Figure 19
Home Cost Components as a Percent of Total



Source: Economic & Planning Systems

Reducing land costs could have the greatest impact on affordability. If land could be provided at $25,000 per lot (or less), homes could be delivered at or under $200,000 which would be affordable to people in the 80 to 100 percent AMI income ranges. Publicly owned sites, including Vandaveer Ranch, are major opportunities to provide low cost land. Other mechanisms including land trusts are evaluated in the Implementation chapter.

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5. *HOUSING NEEDS AND GOALS*

This chapter provides estimates of housing needs by AMI level. It provides an estimate of the current need and the projected future need as a basis for setting a countywide goal for producing more affordable and attainable housing.

Current Needs

One in three households in Chaffee County are currently cost burdened (**Table 16**). This burden is most significant for the lowest income households – over half of all cost burdened households earn less than 60 percent AMI, accounting for 16 percent of all households in the county. While only 11 percent of all households countywide earn between 60 and 80 percent AMI, 42 percent of those households are cost-burdened (**Figure 20**).

Overall, there are a total of 2,400 cost burdened households in the county, 1,200 of which earn less than 60 percent AMI. There is a need for both ownership and rental housing, with a total of 1,600 cost-burdened owner households and 800 cost-burdened renter households. While the majority of need is at incomes below 60 percent AMI, there are 370 cost-burdened households earning between 60 and 80 percent AMI, and 460 households earning between 80 and 120 percent AMI. This large need for affordable units cannot be met immediately; however it should be factored into housing goals in order to incrementally decrease the current need, while also addressing housing needed to keep up with job growth.

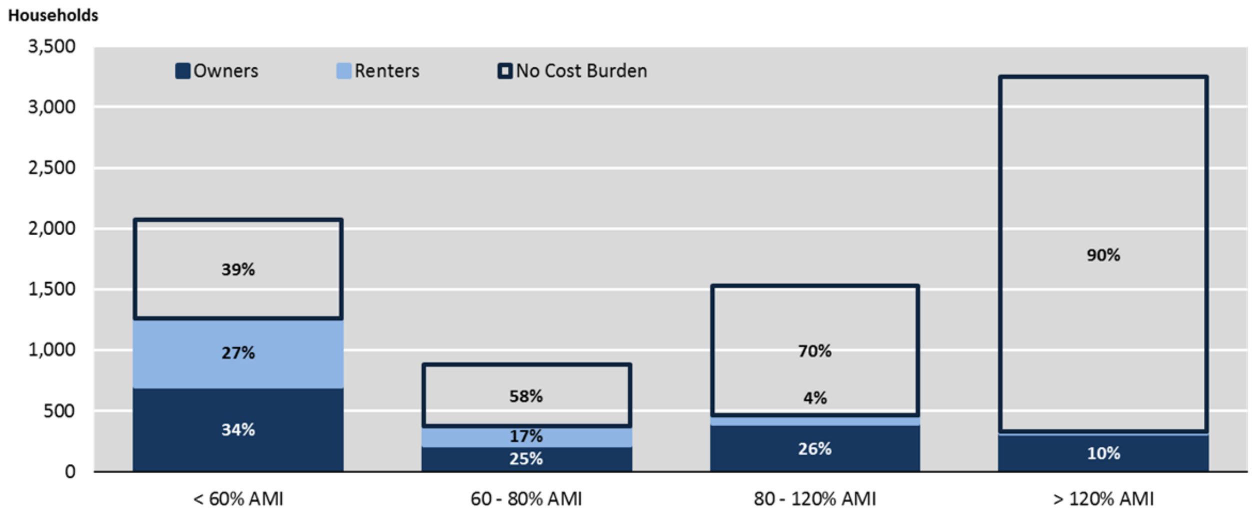
Table 16
Cost Burdened Households, 2014

			Total Cost Burdened		
AMI Level	**Owners**	**Renters**	**Number**	**% of Cost Burdened Households**	**% of Total Households**
< 60%	700	562	1,262	52%	16%
60 - 80%	220	152	372	15%	5%
80 - 120%	395	68	462	19%	6%
> 120%	318	12	330	14%	4%
Total	**1,633**	**794**	**2,427**	**100%**	**31%**

Source: US Census; Economic & Planning Systems

H:\163001-Chaffee County Housing Needs\Data\[2015 sales.xlsx]TABLE- Cost Burden by AMI

Figure 20
Cost Burdened Households, 2014



Source: US Census; Economic & Planning Systems

Future Housing Need

The previous section described the estimated existing housing needs of cost burdened households - the housing needed to "catch up" with current needs. This section estimates the housing needs going forward, to keep up with job growth for the next 10 years from 2015 through 2025. This estimated "keep up" need is based on a projection of job growth by wage level, which is then converted to new households (a group of people related or un-related living in one housing unit) at an estimated AMI level.

Projection of Employment and Households by Income Range

A 10 year projection of jobs was prepared by industry, occupation, and wage level for Chaffee County. Growth rates by industry were estimated by EPS using the past 15 years of employment data and observations of the local area to inform the estimates. Distributions of occupation by industry were estimated using national averages. These estimates of the occupations and the distributions of wage levels within each industry are needed because there can be a wide range of pay and skill levels within an industry. Health Care is a particularly good example in which wages range from less than $25,000 per year ($12.00 per hour) for food service workers to over $58,000 per year for health technicians and health practitioners.

The projected overall growth rate for jobs is estimated conservatively at 1.45 percent per year (**Table 17**) compared to 2.6 percent per year from 2010 through 2015 (post Great Recession) and 0.7 percent per year from 2000 through 2008 (pre-Great Recession) as presented in Chapter 2. A total of 1,072 new jobs are projected over the next 10 years. The largest number of new jobs is expected in Health Care, with 300 new jobs estimated over the next 10 years ($40,000/yr. avg. wage). Accommodation and Food Services with 332 new jobs and Retail with 102 new jobs estimated are the next largest growth sectors with wages ranging from $17,500 (before tips) to $27,500 per year, respectively.

In addition to the projected growth rate, two main factors were used to determine future job growth and housing needs:

- **Commuting -** Currently, approximately 35 percent of workers commute into Chaffee County. A policy goal is to reduce the amount of commuting, and the household forecast assumes that commuting is reduced to 17 percent (by half).
- **Jobs per Household -** In order to estimate housing demand, job growth needs to be converted to households, which is equivalent to housing demand. The analysis uses an estimate of 1.6 wage earners per household from past survey work in similar mountain communities to convert jobs to households. The 1,072 new jobs projected equate to 889 new employees (adjusted for commuting) and 559 new households.

The employment projection by sector is shown in **Table 17**. Adjusting the total projection for commuting, there will be 889 new jobs in the County over the next 10 years. The majority of these will be in Health Care and Social Assistance and Accommodation and Food Services. This projection is further broken down by occupation and wage level in **Table 18** and **Table 19**. As shown in these tables, over 25 percent of this job growth will be in food preparation and serving related occupations, which have some of the lowest average wages.

Accounting for both sector and occupation of employment, the majority of employment growth in the County over the next 10 years will be in jobs with wages below 60 percent AMI (**Figure 21**). These jobs account for 63 percent of employment growth, which will have a significant impact on demand for affordable housing.

Table 17
Employment Projection by Wage Level, Chaffee County, 2015-2025

Sector	2015 Avg. Annual Wage	2015 Avg. Hourly Wage	2015 Jobs	Estimated Growth Rate	2025 Projected Jobs	Growth to 2025	Resident Employees Commuting Reduction [1]
							17.0%
Agriculture, Forestry, Fishing and Hunting	$22,769	$10.95	70	0.25%	72	2	1
Mining, Quarrying, and Oil and Gas Extraction	$36,162	$17.39	16	0.00%	16	0	0
Utilities	$80,713	$38.80	55	0.75%	59	4	3
Construction	$48,102	$23.13	567	0.50%	595	28	23
Manufacturing	$34,071	$16.38	206	1.00%	226	20	17
Wholesale Trade	$36,706	$17.65	244	1.50%	281	37	31
Retail Trade	$27,553	$13.25	1,026	1.00%	1,128	102	84
Transportation and Warehousing	$41,513	$19.96	112	0.25%	115	3	2
Information	$35,226	$16.94	112	1.00%	123	11	9
Finance and Insurance	$53,066	$25.51	204	0.25%	209	5	4
Real Estate and Rental and Leasing	$35,169	$16.91	136	0.50%	143	7	5
Professional, Scientific and Technical Services	$51,823	$24.92	236	1.50%	272	36	30
Management of Companies and Enterprises	D	---	0	0.00%	0	0	0
Admin., Support, Waste Mng., and Rem. Srvcs.	$25,582	$12.30	70	1.00%	77	7	6
Educational Services	$29,171	$14.02	529	1.50%	609	80	67
Health Care and Social Assistance	$40,272	$19.36	925	3.00%	1,225	300	249
Arts, Entertainment, and Recreation	$18,926	$9.10	513	1.50%	591	78	65
Accommodation and Food Services	$17,486	$8.41	1,257	2.50%	1,589	332	276
Other Services, except Public Administration	$25,192	$12.11	141	0.00%	141	0	0
Public Administration	$44,728	$21.50	874	0.25%	895	21	17
Total	**$33,413**	**$16.06**	**7,293**	**1.45%**	**8,365**	**1,072**	**889**

[1] Goal to reduce commuting from 35 percent to 17 percent (half) for new jobs.

Source: Bureau of Labor Statistics; Economic & Planning Systems

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Table 18
Employment Projection by Industry and Occupation, Chaffee County 2015-2025

Sector	New Resident Employees	New Employees by Occupation																						
		Architecture and Engineering	Arts, Design, Entertainment, Sports, and Media	Building and Grounds Cleaning and Maintenance	Business and Financial Operations	Community and Social Service	Computer and Mathematical	Construction and Extraction	Education, Training, and Library	Farming, Fishing, and Forestry	Food Preparation and Serving Related	Healthcare Practitioners and Technical	Healthcare Support	Installation, Maintenance, and Repair	Legal	Life, Physical, and Social Science	Management	Office and Administrative Support	Personal Care and Service	Production	Protective Service	Sales and Related	Transportation and Material Moving
Agriculture, Forestry, Fishing and Hunting	1	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0
Mining, Quarrying, and Oil and Gas Extraction	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Utilities	3	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	1	0	0	0	0	0
Construction	23	0	0	0	1	0	0	14	0	0	0	0	0	2	0	0	1	2	0	0	0	0	1
Manufacturing	17	1	0	0	1	0	0	0	0	0	0	0	0	1	0	0	1	2	0	9	0	1	1
Wholesale Trade	31	0	0	0	1	0	1	0	0	0	0	0	0	2	0	0	2	7	0	2	0	8	6
Retail Trade	84	0	1	1	1	0	0	0	0	0	3	3	0	4	0	0	2	14	0	2	0	47	6
Transportation and Warehousing	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	1
Information	9	0	1	0	1	0	2	0	0	0	0	0	0	1	0	0	1	2	0	0	0	1	0
Finance and Insurance	4	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0	1	0
Real Estate and Rental and Leasing	5	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	1	1	0	0	0	1	0
Professional, Scientific and Technical Services	30	3	1	0	4	0	5	0	0	0	0	1	0	0	2	1	3	6	0	0	0	1	0
Management of Companies and Enterprises	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Admin., Support, Waste Mng., and Rem. Srvcs.	6	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1	1	0	1
Educational Services	67	0	1	3	1	2	1	0	40	0	2	1	0	1	0	1	3	7	1	0	1	0	1
Health Care and Social Assistance	249	0	0	6	4	14	2	0	7	0	7	84	47	2	0	1	9	37	25	1	1	1	2
Arts, Entertainment, and Recreation	65	0	6	6	2	0	0	0	1	0	10	0	0	2	0	0	3	6	19	0	3	5	2
Accommodation and Food Services	276	0	0	13	1	0	0	0	0	0	221	0	0	2	0	0	7	10	3	2	2	9	5
Other Services, except Public Administration	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Public Administration	17	0	0	1	0	1	0	0	7	0	1	1	0	0	0	0	1	2	0	0	2	0	1
Total	**889**	**6**	**12**	**30**	**20**	**16**	**12**	**17**	**54**	**1**	**244**	**90**	**48**	**20**	**3**	**4**	**33**	**99**	**50**	**18**	**10**	**76**	**27**

Source: Bureau of Labor Statistics; Economic & Planning Systems

H:\163001-Chaffee County Housing Needs\Models\[163001-Housing Demand 08-22-2016 NAICS.xlsx]Avg. Wage by SOC - 1.6WE

Table 19
Average Wage by Industry and Occupation

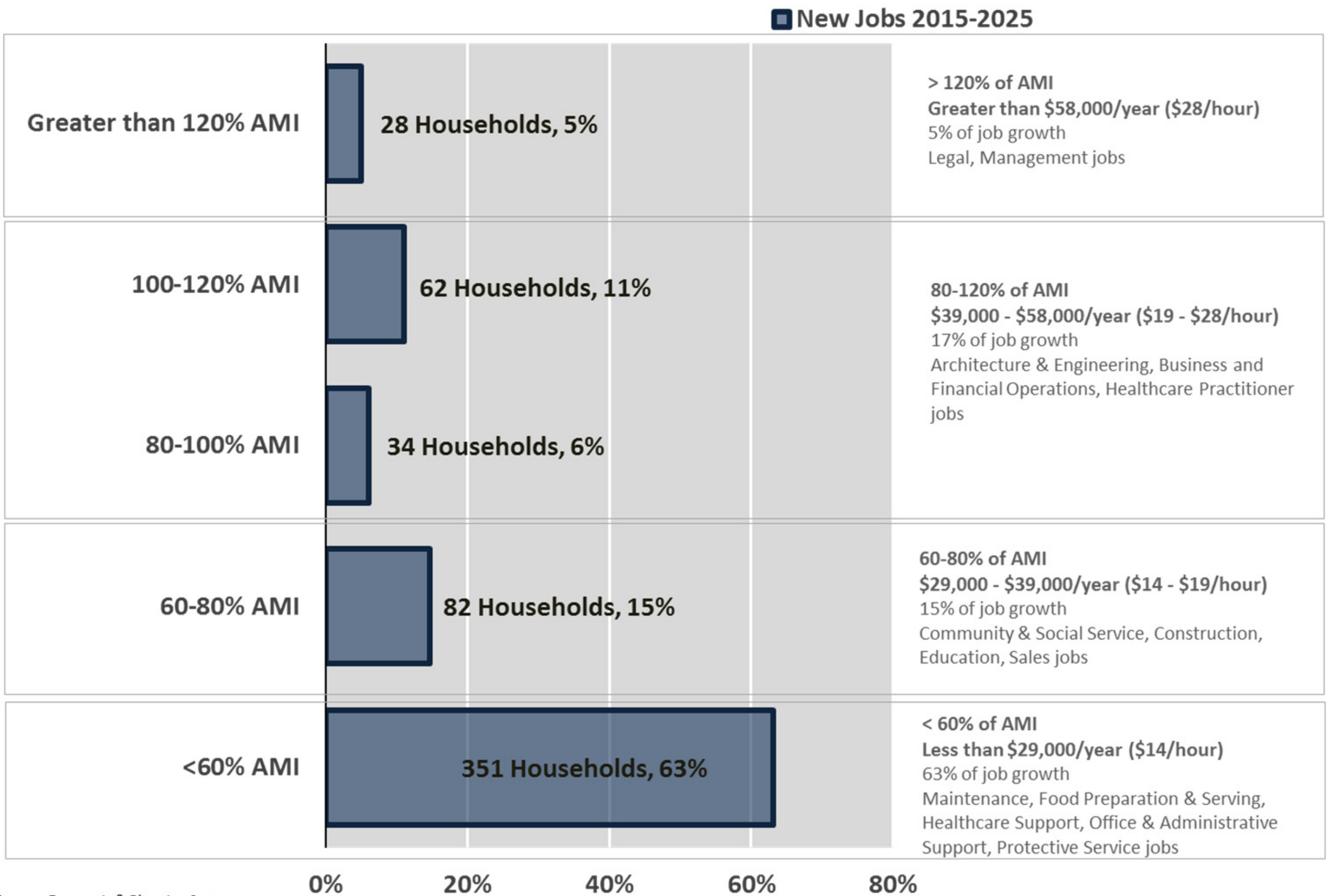
		Average Wage by Occupation																					
Sector	**Average Annual Wage**	**Architecture and Engineering**	**Arts, Design, Entertainment, Sports, and Media**	**Building and Grounds Cleaning and Maintenance**	**Business and Financial Operations**	**Community and Social Service**	**Computer and Mathematical**	**Construction and Extraction**	**Education, Training, and Library**	**Farming, Fishing, and Forestry**	**Food Preparation and Serving Related**	**Healthcare Practitioners and Technical**	**Healthcare Support**	**Installation, Maintenance, and Repair**	**Legal**	**Life, Physical, and Social Science**	**Management**	**Office and Administrative Support**	**Personal Care and Service**	**Production**	**Protective Service**	**Sales and Related**	**Transportation and Material Moving**
Agriculture, Forestry, Fishing and Hunting	$22,800	$32,600	$18,200	$14,700	$30,000	---	$34,600	$18,400	$17,300	$15,600	$12,100	$32,900	$14,300	$19,100	---	$28,100	$45,100	$16,700	$15,600	$17,000	$13,200	$34,000	$17,900
Mining, Quarrying, and Oil and Gas Extraction	36,200	50,900	37,600	17,200	41,700	---	44,000	29,200	52,500	19,500	15,400	40,200	---	29,800	65,300	40,600	71,600	22,700	20,100	29,200	19,500	46,200	25,700
Utilities	80,700	97,300	86,000	40,900	87,300	---	98,400	67,100	79,800	44,400	---	89,600	---	70,200	155,100	88,200	138,600	52,500	---	74,900	51,700	87,600	57,300
Construction	48,100	60,500	43,200	24,600	57,400	32,000	58,600	39,700	66,900	29,000	23,800	55,800	---	38,400	101,100	50,700	92,900	32,400	21,900	38,200	26,000	54,300	34,500
Manufacturing	34,100	44,900	33,000	16,300	39,500	36,300	43,700	30,200	31,900	18,900	15,600	38,400	22,300	28,300	82,200	35,300	69,800	22,700	16,800	21,400	20,100	39,500	19,400
Wholesale Trade	36,700	50,600	32,500	17,200	42,800	41,600	46,400	30,900	39,000	20,300	16,100	42,500	19,400	28,200	83,700	45,800	81,100	23,200	17,200	22,800	20,000	40,600	21,300
Retail Trade	27,600	43,100	25,500	16,700	39,100	---	38,700	30,400	24,900	17,400	15,100	43,400	18,200	24,300	68,400	40,600	60,600	19,700	19,100	21,200	22,000	20,100	18,800
Transportation and Warehousing	41,500	55,100	41,900	24,200	45,900	25,100	53,000	35,600	34,900	20,600	19,100	49,400	---	36,900	88,700	54,900	70,600	27,100	19,900	34,300	31,600	38,600	30,000
Information	35,200	48,100	34,100	14,600	41,400	28,400	45,000	31,800	28,800	13,800	12,800	42,200	---	27,300	75,400	47,200	74,400	20,800	16,300	21,100	22,400	32,800	18,000
Finance and Insurance	53,100	70,100	51,300	20,900	63,700	39,200	68,800	45,200	42,300	17,700	22,600	53,200	27,800	33,200	93,600	75,900	115,400	32,300	23,500	33,600	32,700	61,900	39,400
Real Estate and Rental and Leasing	35,200	53,400	36,200	19,200	46,800	30,600	50,800	32,200	34,700	18,900	17,100	38,000	22,800	27,300	73,500	47,500	68,800	25,000	20,300	27,400	20,900	32,300	20,900
Professional, Scientific and Technical Services	51,800	74,200	57,300	24,000	65,500	41,100	72,100	46,800	48,600	28,900	25,300	53,400	28,000	39,100	106,500	65,100	123,300	34,100	24,700	33,000	37,200	60,100	32,200
Management of Companies and Enterprises	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Admin., Support, Waste Mng., and Rem. Srvcs.	25,600	38,100	27,100	13,000	33,000	21,900	37,200	22,400	19,700	14,200	13,100	27,500	15,300	21,800	46,000	33,800	55,200	17,000	12,900	17,800	16,500	25,400	16,400
Educational Services	29,200	41,800	26,900	16,600	34,500	29,200	36,800	29,600	31,600	16,400	14,500	38,600	22,200	24,800	62,000	34,700	55,700	20,200	16,400	24,800	19,400	25,900	20,700
Health Care and Social Assistance	40,300	69,000	43,200	21,900	48,600	37,500	52,400	40,100	40,800	21,600	21,500	58,000	24,600	33,500	84,300	63,200	78,500	29,300	22,200	28,500	27,200	37,200	24,300
Arts, Entertainment, and Recreation	18,900	31,300	21,000	10,700	24,400	17,800	26,700	20,400	17,700	9,900	9,100	18,200	12,900	16,000	52,700	23,800	41,100	12,800	10,500	13,300	11,100	13,500	13,000
Accommodation and Food Services	17,500	30,000	19,400	11,100	24,600	19,600	24,600	22,000	18,200	12,700	11,300	24,200	15,400	15,500	50,100	24,000	31,200	13,900	11,600	13,500	13,300	12,400	12,100
Other Services, except Public Administration	25,200	41,100	27,700	13,400	31,900	20,400	33,500	25,100	24,900	15,900	12,500	33,100	16,800	19,700	58,400	36,700	50,000	17,400	13,900	17,400	16,400	20,100	14,500
Public Administration	44,700	66,500	37,700	27,800	55,000	49,000	56,800	41,800	45,600	31,500	21,700	57,300	26,900	42,400	73,800	59,700	80,600	33,200	24,200	44,700	47,400	27,800	32,600
Total	**$33,413**	**$52,600**	**$36,800**	**$19,200**	**$44,900**	**$31,300**	**$48,500**	**$33,600**	**$36,800**	**$20,400**	**$16,600**	**$44,000**	**$20,500**	**$30,300**	**$78,900**	**$47,100**	**$73,900**	**$24,900**	**$18,200**	**$28,100**	**$24,700**	**$37,400**	**$24,700**

Source: Bureau of Labor Statistics; Economic & Planning Systems

H:\163001-Chaffee County Housing Needs\Data\[Combined Housing Goals.xlsx]Sheet4

<60% AMI
60-80% AMI
80-120% AMI
>120% AMI

Figure 21
Job Growth by AMI, 2015-2025



Source: Economic & Planning Systems

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10 Year Housing Demand Projection

A challenge in estimating household incomes and housing needs is that workers may have multiple jobs, or live with a partner or roommate who also works. Therefore, wages usually do not equate to household income. In addition, HUD qualifying income levels vary with household size, and so using average wages to predict need can capture a broad trend, but not a specific demand for income-qualified housing.

This analysis therefore assumes that the 556 new households will have an income distribution similar to the distribution of jobs by wage level. This method may over-estimate some of the need in lower income segments, but still provides a useful indicator of where the major areas of demand will be.

Based on projected job growth, the largest amount of housing demand is estimated to come from households earning less than 60 percent of AMI, with an estimated 351 new households over the next 10 years. The private market is not likely to be able to supply housing at this affordability level, and meeting this demand will require local organization and a combination of local, state, and federal funding.

Another segment of need is 60 to 80 percent of AMI with 82 estimated new households over the next 10 years. Households at this income are most likely to seek rental housing, and can afford housing ranging from $730 to $970 per month in rent. The private market may be able to address a portion of the need closer to 80 percent of AMI. However, the area closer to 60 percent of AMI is more challenging as rents fall well below what the private market can supply.

In the 80 to 120 percent AMI range, 96 new households are projected over the next 10 years. Some developers are currently building a small number of homes (less than 10) that are affordable in this income range. Market rate rental housing can also be supplied if land can be identified, which is a constraint as discussed in the Implementation Strategy.

Over 120 percent of AMI, an estimated 28 new households will need housing in the next 10 years. Many of these households will seek to buy a home, although some may choose to rent based on their personal preferences and stage in life. With sufficient land supply and other supportive land use policies, the private sector can address this segment of the market. Because the need over 120 percent AMI can be addressed by the private sector, these households are not included in housing production goals for the County.

Combined Housing Goals and Priorities

The current and projected future need outlined above together form the basis for housing goals and priorities for Chaffee County over the next 10 years (**Table 20**).

The private market can address the housing needs of households earning over 120 percent AMI. With some dedicated programs and/or incentives, the private market in cooperation with local governments can address the housing needs for the population earning 80 to 120 percent AMI. Local funding will need to be raised to effectively address the housing needs of households earning less than 80 percent AMI in combination with competitive State and Federal funds including the Low Income Tax Credit Program.

For households under 120 percent of AMI, there are 2,100 living in cost burdened situations, paying more than 30 percent of their income to housing costs. Over 1,600 households that are cost burdened earn less than 80 percent of AMI. The housing needs of this large existing housing gap cannot be met in the short term, and not all households in this gap would necessarily want to move into lower cost housing. As new affordable units are added, "reshuffling" will take place across the housing market as households move between new and existing units. This means that while there are currently 2,100 cost-burdened households below 120 percent of AMI, it does not equate to a need for 2,100 affordable housing units to "catch up" with current needs.

To "keep up" with demand created by job growth, 556 new housing units are needed over the next 10 years, with 528 needed below 120 percent of AMI. If the County were to meet 100 percent of both existing and future need, it would need to produce 262 units annually for the next 10 years, including 161 units per year affordable to households earning less than 60 percent AMI. Even if only 50 percent of existing and future need were addressed, production would need to be 131 units per year, including 81 affordable for under 60 percent AMI. Given the current annual countywide production of 144 housing units annually, this is not a realistic goal for permanently affordable housing.

Combined, we recommend setting a goal of 25 to 30 units per year for affordable housing production over the next 10 years, to catch up with 10 percent of the current need and keep up with 10 percent of employment growth:

- 15 to 20 units per year affordable to households earning below 60 percent of AMI
- 5 units per year affordable to households earning 60 to 80 percent of AMI
- 5 units per year affordable to households earning 80 to 120 percent of AMI

State and federal funds typically only serve households below 60 percent of AMI and these funds are limited and highly competitive. A dedicated local funding source will allow the County to more effectively plan for and fund the construction of affordable housing.

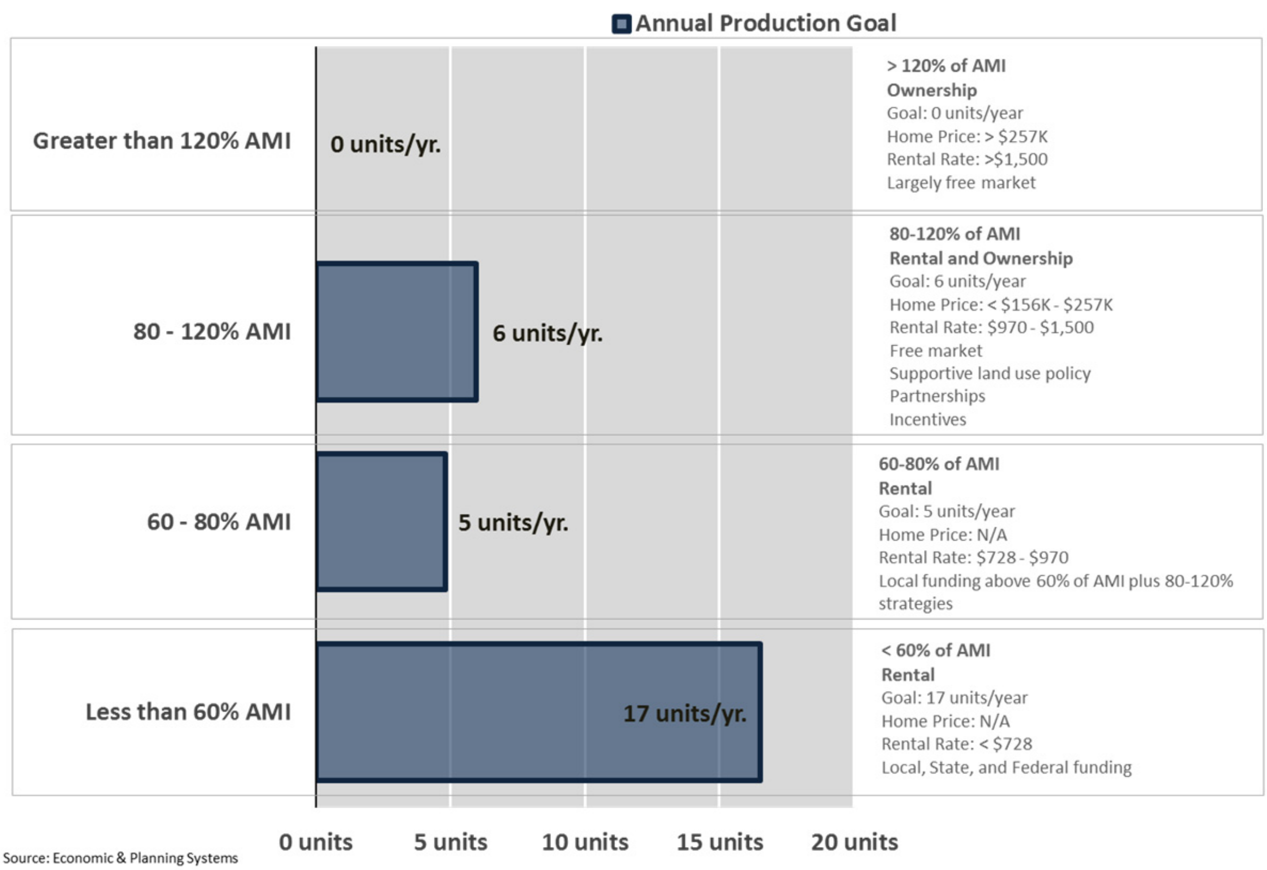
Table 20
10 Year Housing Production Goals

AMI Level	Existing Need: Need	Existing Need: Priority	Existing Need: 10 Year Goal (10% of need)	Existing Need: Units/ Year	Future Need: Need (Jobs)	Future Need: Need (Households)	Future Need: Priority	Future Need: 10 Year Goal (10% of need)	Future Need: Units/ Year	Total Annual Production
< 60%	1,262	Y	126	13	561	351	Y	35	4	17 units
60 - 80%	372	Y	37	4	131	82	Y	8	1	5 units
80 - 120%	462	Y	46	5	153	96	Y	10	1	6 units
>120%	330	--	0	0	44	28	--	0	0	0 units
Total	**2,426**		**243**	**22**	**889**	**556**		**53**	**5**	**27 units**

Source: Economic & Planning Systems

H:\163001-Chaffee County Housing Needs\Data\[Combined Housing Goals.xlsx]Updated 2

Figure 22
Annual Housing Production Goal by AMI Range



Source: Economic & Planning Systems

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6. IMPLEMENTATION RECOMMENDATIONS

This chapter contains a summary of methods and techniques used to address a spectrum of housing affordability issues. It identifies land use and regulatory techniques commonly used to accomplish narrowly defined and targeted housing objectives, and it identifies alternative funding methods used to address housing issues from a broader, more community-wide perspective.

There are a range of reasons why communities adopt affordable or workforce housing tools, such as inclusionary zoning. Many do so because local and regional housing market assessments have concluded that a significant portion of the local workforce has been priced out and forced to commute. Beyond the determination of the presence and extent of these patterns, communities make policy determinations based on quality of life and economic development considerations. For example, if a portion of the workforce – such as teachers, police, fire protection, and other municipal employees – cannot afford to live locally, they are not readily available to address health, safety, and welfare needs. The motivation to develop programs to address affordable or workforce housing is largely based on some or all of the following conditions:

- **Housing Costs**: The sales price of locally available housing exceeds what a permanent-resident household can afford.
- **Housing Availability**: The development community is clearly oriented to building more expensive housing than is affordable to the workforce.
- **Commuting Patterns**: A large portion of the workforce cannot afford to live in the community and is forced into longer commutes from more affordable locations.
- **Employee Shortages**: Local businesses increasingly find it difficult to recruit and or retain employees.

The tools for providing affordable and workforce housing can be separated into two major categories:

- **Development-based approaches -** Those that seek to leverage the momentum of development through land use controls, mandates, and incentive zoning.
- **Community-based approaches –** These approaches are typically funding mechanisms that leverage broader-based financing capabilities, spread the burden equally, and create a funding source far more flexible and dependable than state and federal grant funding.

Development-Based Approaches

A comprehensive list of the available tools for mandating or incentivizing and funding affordable housing development is provided in **Table 21, Table 22, and Table 23**. Based on our consideration of the pros and cons of each, and the market and development characteristics in Chaffee County, not all of these are recommended. In this section we review each tool, and recommend the most applicable and effective tools for Chaffee County.

As with all land use tools, these will be most effective if adopted by each jurisdiction, including the County. Because Chaffee County is a small market, if one jurisdiction has more restrictive land use regulations, developers may build in another community with less restrictive regulations or in the unincorporated County. An IGA may be necessary to formalize an agreement to adopt the final policies and practices.

Production Tools – Inclusionary Mandates

Inclusionary housing ordinances (IHOs or "inclusionary zoning") refer to planning ordinances that require developers to "set aside" a portion of new housing construction as affordable to households at specified income levels. IHO set-aside requirements generally range from 10 to 30 percent of units, and the affordability level generally ranges from 60 to 100 percent of area median income (AMI) based on family size, defined by HUD. Some high cost mountain resort communities have requirements above 150 percent of AMI, above what is needed in Chaffee County.

In most versions of an IHO, a developer can comply with requirements by building the units on site as a part of the overall project master plan and/or by building them in an off-site location. Alternatively, many IHO programs allow for all or a portion of the housing requirement to be met by cash-in-lieu (CIL) payments – i.e. the payment of a fee in-lieu of building affordable units.

In Colorado and the Rocky Mountain West, the IHO is most commonly the cornerstone of many mountain communities' affordable housing programs. Communities using this tool include Aspen and Pitkin County, Telluride and San Miguel County, Breckenridge, Park City, UT, and Jackson and Teton County, WY. While it is most common in resort communities, there are also IHOs in some of Colorado's urban markets, including Denver and Boulder.

We do not recommend any type of IHO or linkage fee for Chaffee County. These programs work the best in high cost areas, where development interest is high and highly competitive, the market is highly land constrained, and there are few options to build in other nearby jurisdictions. IHOs can increase the cost of housing for the non-affordable units, thereby exacerbating overall affordability. For these reasons, IHOs and linkage fees work best in markets where costs are already very high, especially when second home buyers are purchasing the majority of the market rate units.

It should be noted however, that the Gunnison Valley Regional Housing Authority charges a linkage fee on all new construction. Costs in Gunnison County are considerably higher than Chaffee County, particularly in Crested Butte and Mount Crested Butte.

Table 21
Production Tools – Land Use Requirements (Mandates)

	Production Tools - Mandates				
	Inclusionary Housing Ordinance	**Incentive Zoning Ordinances**	**Targeted Inclusionary Housing Ordinance**	**Commercial Linkage**	**Residential Linkage**
Recommended for Chaffee County?	**No**	**Yes**	**No**	**No**	**No**
What is it?	● Requires a percent of housing in new development to be provided at affordable levels ● Addresses housing need resulting from inflated housing prices	● Responds to development and redevelopment pressure requesting special permits ● Requires residential / commercial development to provide affordable housing and/or public amenities	● Requires a percent of housing be provided at affordable levels in best locations for mass transit and workforce proximity ● Addresses housing need resulting from inflated housing prices	● Requires commercial development to provide housing units (or pay a fee) based on new employees generated ● Addresses housing need resulting from commercial growth	● Requires residential development to provide housing for the emploees it generates ● Particularly effective in markets with large second-homes ● Developer provides employee housing units or pays fee in-lieu
What is a typical affordable housing build requirement?	10% to 30%	10% to 20%	10% to 30%	20% to 100% of employee generation by land use	10% to 20%
What incentives are used?	Bonus density, fee waivers, expedited review, parking reduction, public funding assistance	Density bonus, reduced parking requirement, reduced open space, or any variance to zoning	Bonus density, fee waivers, expedited review, parking reduction, unit equivalency, public funding assistance	Bonus density, fee waivers	Bonus density, fee waivers, expedited review, parking reduction, unit equivalency
Are there alternative satisfaction options?	Payment of fee in-lieu, offsite units, and voluntary adoption of RETA	Payment of fee in-lieu	Payment of fee in-lieu, offsite units, and voluntary adoption of RETA	Payment of fee in-lieu, land dedication, offsite units, deed-restricted commercial space	Payment of fee in-lieu, land dedication, offsite units
What are the legal / nexus issues?	Does not require voter approval but nexus study required	No nexus study required	Does not require voter approval but nexus study with geographic overlay required	Does not require voter approval but does require nexus study and documentation	Does not require voter approval but does require nexus study and documentation
Who is affected?	● New residential development	● New residental development ● Businesses ● Visitors	● New residential development in targeted areas	New commercial development	New residential development
What are its advantages / disadvantages?	● Addresses community workforce housing needs (i.e. ownership or rental) ● Limits the burden to new residential development ● Most common among the programs identified	● Value of incentives is relative to the market ● Success is dependent on the value of respective incentives within the market	● Addresses community workforce housing needs (i.e. ownership or rental) ● Limits the burden to new residential development ● Focuses affordable development where it is needed most	● Addresses workforce housing needs ● Broadens the burden to a wider variety of land uses ● Requires nexus analysis	● Addresses seasonal/service worker housing needs (i.e. rental) ● Requires complicated nexus analysis
Who uses it?	Boulder, CO Burlington, VT Cambridge, MA Davis, CA	Cambridge, MA Seattle, WA Chicago, IL Boston, MA	Denver, CO	Vail, CO Aspen/Pitkin County, CO Telluride, CO Park City, UT	Telluride, CO Jackson/Teton County, WY

Source: Economic & Planning Systems

H:\163001-Chaffee County Housing Needs\Reports\[163001-Housing Program Matrix.xlsx]Mandates

Table 22
Production Tools – Land Use and Zoning Incentives

	Production Tools - Incentives							
	Expedited Development Review	Height Waivers	Density Bonus	Parking Reduction	Development Standards Modifications/ Variances	Fee Waiver	Fee Offset	Fee Delay Until Certificate of Occupancy
Recommended for Chaffee County?	**No**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**
What is it?	Projects with qualifying affordable components are processed on an expedited timeline	Additional height provided as incentive to include portion of units as affordable or providing other community amenities	Additional density is provided as incentive to include portion of units as affordable	Parking requirement lowered dependent on the amount of affordable housing within project and type of housing (e.g. senior housing)	Reduction in project costs by waiving development standards, such as street widths, alley widths, etc.	Certain development fees waived when 10%+ of total housing units are affordable	Percentage of water and sewer system development fees offset (paid by) Affordable Housing Fund for qualifying projects that provide a high amount of affordable homes or very low income homes	City delays payment of certain development fees until end of construction when certificate of occupancy is issued
What is a typical incentive?	50% of benchmark processessing time	25% to 75%	10%-20%	25% to 50%	Varies	Minumum 20%	Minumum 20%	Delay fees until certificate of occupancy is issued
What are its advantages / disadvantages?	● Challenge to effectively shorten review time ● Minimal return to developers ● New revenues required to increase staff	● Typically only feasible in certain parts of city (downtown, mixed-use areas) ● Strong market demand required ● Might be in conflict with community preference	● Zoning must be restrictive enough to make additional density valuable ● Strong market demand required ● Might be in conflict with community preference	● May encounter community resistance over parking issues ● May be alternatives besides affordable housing ● Valuable to developers as long as there is enough parking to be marketable	● Inexpensive to implement ● Need to take into account safety and public health standards ● Modifications may not be valuable enough to generate incentive	● Rental units must be kept affordable for 20 years, for-sale 10 years ● Increased percentage waived for higher percentage of affordable units, lower AMI, longer terms, etc.	● Water and sewer funds remain whole ● Requires use of AHF resources to backfill city funds ● Allows developments to reach very low income	● Most applicable to urban mixed use projects ● Increased pressure on City to track development process and secure commitments from developer ● Provides significant savings to developer as it eliminates financing costs for fees ● Can fund as part of permanent debt rather than equity
Who uses it?	San Diego, CA Austin, TX Charlottesville, VA	Seattle, WA	Portland, OR Seattle, WA Austin, TX Arlington County, VA	Portland, OR Seattle, WA Austin, TX Arlington County, VA	Carbondale, CO	Fresno, CA	Loveland, CO Fort Collins, CO Austin, TX	Windsor, CO

Source: Economic & Planning Systems

H:\163001-Chaffee County Housing Needs\Reports\[163001-Housing Program Matrix.xlsx]Incentives

Table 23
Production Tools – Development Policy Tools

	Development Policy Tools				
	Annexation	**City Investments Trigger Affordable Housing**	**Financial Incentives and TIF**	**Upzoning/Rezoning/ Redevelopment**	**Affordable Housing Easement**
What is it?	As land is annexed into the City then the development must provide a minimum level of affordable housing	When the City provides any investment in a development (infrastructure, provision of surplus real estate, right-of-way or easement vacations, financing/funding, etc.), the development must provide a minimum level of affordable housing	Any project receiving TIF or other public funding would be required to provide affordable units (or fee-in-lieu) as part of the agreement	If land is upzoned or rezoned (developer request), the resulting development must provide a minimum level of affordable housing	Preserve current affordable housing developments through placing an easement on sites. Target applications include expiring Section 8 or CHFA Covenants, potential condo conversions or other existing units
What is a typical affordable housing build requirement?	10% to 30%	10% to 30%	10% to 30%	10% to 30%	N/A
Are there alternative satisfaction options?	Payment of fee in-lieu; land dedication; offsite units	Payment of fee in-lieu; land dedication; offsite units	Payment of fee in-lieu; land dedication; offsite units	Payment of fee in-lieu; land dedication; offsite units	N/A
What are its advantages / disadvantages?	● Similar to inclusionary housing only applied to annexation ● Can be seen as a cost of business and achieving a public benefit when bringing in new land ● Can be coupled with incentives to reduce burden ● Can apply to rental units since annexation is voluntary	● Limited occasions for city investment may limit effectiveness ● Formal policy adoption would benefit housing and set expectations for entities receiving City assistance	● Adds to redevelopment costs ● Incorporates affordable housing into revitalizaed areas of the community ● Ensures broader community values are achieved through redevelopment and URA process	● Sets clear expectation with development community ● Results in a deeper supply of housing in locations that are in the heart of redevelopment activity. ● May be hard to determine the scope or magnitude of rezoning needed to trigger the requirement	● Requires detailed understanding of affordable properties ● Requires effective negotiation skills ● Often most efficient and cost effective method for maintaining restricted housing inventory

Source: Economic & Planning Systems

H:\163001-Chaffee County Housing Needs\Reports\[163001-Housing Program Matrix.xlsx]Policy

Production Tools – Land Use Incentives and Incentive Zoning

There are a variety of bonuses and waivers local governments can offer to incentivize affordable housing. While many of these are more suited to larger urban mixed use projects, some can be applied to smaller multifamily, infill and single family neighborhood developments. It will be important for Chaffee County communities to use "every tool in the toolbox". However, in our judgement, the potential impact of these incentives on the total amount of need is marginal. They can, however, be significant for individual development projects, and if enough individual projects are built the overall impact will be greater. The limitation to using incentives is that Chaffee County is a small market with few locations for large developments, limiting the potential applicability.

Community Based Approaches

Establishing a local funding source is a community based approach to housing where everyone shares some of the burden, rather than placing it all on new development. It is the best way to generate a dependable annual revenue source for housing. However, it is politically challenging since all tax increases require a vote in Colorado. Strong local leadership is needed to implement these funding approaches. The development-based fees noted above do not require voter approval because they are fees, not taxes under Colorado law. Dedicated funding can be used for many purposes broader than federal and state grant funds including:

- Building housing
- Acquiring land for a land trust, housing trust, tax credit rental development
- Homebuyer assistance (e.g. down payment assistance)
- Raising local matching funds for grants
- Leveraging private development funds; gap funding
- Housing program administration
- Infrastructure costs

Several dedicated funding options are shown below with annual revenue estimates (**Table 24**). The vast majority of State and federal housing programs target households earning less than 60 to 80 percent of AMI. Funds are limited and highly competitive. Because of this, the focus of our recommendations is on locally generated funding.

Table 24
Revenue Estimates for Dedicated Funding Sources

	What is it?	Annual Revenue	Advantages/ Disadvantages
Excise Tax			
$0.50/Sq.Ft.	Residential and commercial development pay a fee per sqft of new floor area [1]	$105,000	
$1.00/Sq.Ft.		$210,000	● Generates revenue at pace of development
Use Tax			
0.25%	Additional assessment on construction materials	$52,713	● Strong nexus to new residential, commercial and industrial development
0.50%		$105,425	
0.75%		$158,138	● Voter approval required
Head Tax			
$5.00/Empl./Month	Tax assessed per employee per month	$432,000	● Addresses both existing and new needs
$10.00/Empl./Month		$864,000	● Voter approval required
$15.00/Empl./Month		$1,296,000	● Links housing to employment
Dedicated Sales Tax			
0.10%	Additional assessment on taxable goods	$255,000	● Possible to generate high revenues ● Voter approval required
0.25%		$637,000	
0.50%		$1,275,000	
0.75%		$1,912,000	
Dedicated Lodging Tax			
1.00%	Additional assessment on lodging	$237,000	● Possible to generate high revenues
1.50%		$355,000	● Voter approval required
2.00%		$474,000	● Reasonable nexus exists ● Lodging industry expects to use funds for tourism
Dedicated Property Tax			
0.500 mills	Additional mill levy	$191,000	● Possible to generate high revenues ● Voter approval required
1.000 mills		$383,000	
3.000 mills		$1,149,000	
5.000 mills		$1,914,000	

[1] Currently only accounts for residential development
Source: Economic & Planning Systems
H:\163001-Chaffee County Housing Needs\Models\[163001-Revenue Generation.xlsx]Sheet1

Excise Tax

An excise tax is a tax paid on units of production (e.g. construction materials) by the developer that becomes a part of the cost of the final product purchased by end user. It differs from the sales tax, which is applied to the final purchase price and paid directly by the end-user. One advantage of an excise tax, in comparison to a linkage fee, is that it does not require a nexus study and does not require funds collected to be allocated to a specified set of improvements. Communities that have introduced an excise tax with revenues designated to the development of affordable or workforce housing include:

- **Boulder -** Excise tax of $160 per 1,000 square feet of residential development and $340 per 1,000 square feet of commercial development.
- **Snowmass Village -** Excise tax is calculated on a complex formula and only applies to residential expansions over 550 square feet. Because larger residential expansions often pay as much as $150,000 to $200,000, the tax has generated more than $3.4 million in the last six years.

An excise tax in Chaffee County could generate an estimated $100,000 to $200,000 per year and is a possible funding source for consideration.

Use Tax

A use tax is essentially a sales tax on building materials, charged at the place of use rather than the place of sale. Many communities throughout the state allocate or dedicate all or a portion of their use tax to capital projects. Increasing the use tax countywide could generate additional dedicated funding for housing. A half percent use tax in Chaffee County in all jurisdictions could generate approximately $100,000 per year.

Head Tax

An occupational privilege tax ("head tax") is a tax calculated on a per-worker basis that can be assessed on the employer, employee or both. It has most often been used by larger cities for general fund revenues or for designated services. It is one of the more appropriate taxes because of its relationship to general wage levels and affordability issues. A disadvantage is that it is a flat tax and does not increase or decrease with wages, inflation, or home price appreciation as a sales or property tax does. Communities that have implemented a head tax (not necessarily dedicated to affordable housing) include:

- **Denver** - A $9.75 per month head tax, $5.75 of which is paid by the employer and $4.00 by the employee. Its revenues are split 50/50 to the general fund and the capital improvement fund.
- **Aurora** - A $4.00 per month head tax, $2.00 of which is paid by the employer and $2.00 by the employee.
- **Greenwood Village** - A $4.00 per month head tax, $2.00 of which is paid by the employer and $2.00 by the employee. Revenue from this tax is used exclusively for capital projects.
- **Fort Collins** – The City of Fort Collins also investigated a head tax in the past, but encountered opposition from the Chamber of Commerce as it is seen by some as anti-business with the potential to affect economic development efforts.

EPS is not aware of any communities that have implemented a head tax dedicated to affordable or workforce housing.

Dedicated Sales Tax

Some communities use a dedicated sales tax to fund affordable or workforce housing. In tourism-oriented markets, this can be an attractive funding option because a majority of the taxes are often paid by visitors. Such a tax can only be implemented in home rule cities or counties and requires voter approval. Communities with a dedicated sales tax include:

- **Aspen** – A 0.45 percent tax currently generates about $2.75 million per year in revenues.
- **Telluride** – A 0.5 percent sales and use tax funds an Affordable Housing Fund with approximately $520,000 in annual tax revenue. Funding is allocated to the San Miguel Regional Housing Authority.
- **Mountain Village** – 11.11 percent of the Town's sales tax is directed into the Affordable Housing Development Fund.

Recommendation: A dedicated sales tax has the potential to generate a substantial amount of revenue, estimated at over $500,000 per year on a 0.25 percent sales tax (25 cents on a $100 purchase). Chaffee County should pursue this option at the appropriate time. Sales tax increases are often most successful when packaged with a set of other community amenities or projects with broad support.

Dedicated Lodging Tax

A dedicated lodging tax can also be used to fund affordable or workforce housing, but using lodging tax revenues for such purposes is less common. Lodging taxes in larger cities can be as high as 15 or 20 percent, but for the most part, a majority of revenues generated are dedicated to tourism, marketing, and promotions, as well as supportive facilities, such as convention centers. Communities with dedicated lodging taxes include:

- Snowmass Village: Revenues from the 2.4 percent lodging tax are used to fund housing programs. This is in addition to its overall rate of 10.4 percent, which is restricted to the marketing and promotion of special events and the development of tourism.

Dedicated Property Tax

Similar to the dedicated sales tax, a number of communities have approved an additional property tax levy dedicated to affordable or workforce housing. A property tax increase would be subject to TABOR and require voter approval. Other than for school related initiatives, it is generally harder to implement a property tax increase than a sales tax increase. Communities with a dedicated property tax include:

- **Denver** – The City is considering implementing a property tax increase of up to 1.000 mill to fund affordable housing. The issue may be on the November 2016 ballot.

Recommendation: A dedicated property tax of 1.000 mills could raise nearly $400,000 per year. Chaffee County should pursue this option at the appropriate time.

General Land Use Policy Recommendations

Based on conversations with realtors and builders in Chaffee County and our analysis of market data, we are optimistic that Chaffee County communities can address the need above 80 percent of AMI through changes in land use policy and creative public-private partnerships. We recognize that local slow growth politics are an impediment in some communities; this must be addressed in order to make progress. There are five aspects of land use policy that need to be targeted to increase the development of affordable and workforce housing:

- **Multifamily Land –** More land is needed that is zoned for apartments by right with no variances or other discretionary approvals needed. Key locations for this may include aging and obsolete commercial properties along the Highway 50 corridor in Salida (redevelopment).
- **Buildable Lots –** To increase the supply of "shovel ready" lots with infrastructure already in place, each jurisdiction could identify priority annexation areas for housing, and estimate the infrastructure costs needed to serve these areas. In exchange for some permanent affordability set asides, the municipalities could partner with developers on infrastructure costs and issues.
- **Public Benefit for Public Investment –** Once priority areas are identified, local governments have some ability to assist with infrastructure costs in order to accelerate new development. Any contribution towards infrastructure costs by local governments would have to be in exchange for some percentage of units set aside as permanently affordable through a deed restriction on the lot or donation of the lot to a land trust. A consistently applied policy of receiving public benefit for this investment, such as deed restricted lots, would generate more affordable housing.
- **Annexation Policy –** Land that is annexed into a jurisdiction can be required to comply with a housing policy, with a dedication of a certain percentage of lots to affordable housing. Salida currently has a requirement that 12.5 percent of the lots or units in any annexation be set aside for affordable housing.
- **Land Costs –** If shovel ready lots can be delivered at $30,000 or less, builders can build housing affordable to households earning 100 percent of AMI. These lots may be found in distressed subdivisions (bankrupt or in financial/legal difficulty) in Chaffee County that could be purchased by developers, local governments, economic development partners, or by a housing organization to provide discounted lots in exchange for permanent affordability. Publicly owned land can also fill this role, and Vandaveer Ranch provides a prime opportunity for this strategy.

Organization

In a small county like Chaffee County, having a single organization to coordinate funding, policy, development, and administration is likely to be more efficient than multiple organizations. In addition, there would not be competition between organizations for State and Federal Funding, although a process would need to be defined for allocating funds at the local level. A housing organization could develop a framework to allocate housing funds and to identify priority projects.

Housing Authorities

A housing authority is a government-owned business with the power to apply for loans, grants, and contributions from governments and other sources, borrow money, and acquire property. There are two types of housing authority the County could pursue – a County or individual City Housing Authority(ies) or a Multi-Jurisdictional Housing Authority.

City and County Housing Authorities

Cities and counties in Colorado can establish a housing authority by resolution of the governing body. Housing authorities can develop, own, and manage publicly owned affordable housing, and they can function as an entity of the city or county or as a separate governmental entity. One of the major benefits of the housing authority model is its ability to receive a wide spectrum of funding to devote to community projects. Because housing authorities are interpreted in legal opinions as enterprises rather than local districts, as long as their annual grant revenue from state and local governments is less than 10 percent of their total budget, according to information from the Department of Local Affairs, certain expenditures by these authorities are not counted against the local or county government limits imposed by TABOR. The authority's powers include undertaking housing projects, leasing or renting units or land, and selling or transferring property.

Multijurisdictional Housing Authority

Colorado law allows the formation of Multi-Jurisdictional Housing Authorities (MJHA). A MJHA is created when any combination of cities, towns, or counties establish by contract a housing authority as a separate governmental entity. The authority's powers include the powers of a County Housing Authority, plus condemnation of property for public use, and levying taxes and/or fees within the boundaries of the authority.

A major difference between a MJHA and a City or County authority is the ability to levy taxes and fees. MJHAs can levy taxes and fees such as sales or use tax, a property tax, and development impact fees. Any new taxes used to fund a MJHA must be approved by voters which is a limitation to creating a highly effective organization.

<u>Gunnison Valley Regional Housing Authority</u>

The GVRHA was formed in 2012 (from the Gunnison County Housing Authority formed in 1979) through an IGA between the County and all local governments. It has a Board of Directors with equal representation from the City of Gunnison, the Town of Crested Butte, the Town of Mt. Crested Butte, and Gunnison County, with one at-large member. Its mission is to advocate, promote, plan, and provide the long-term supply of desirable and affordable housing in Gunnison County.

Its main funding source is a "workforce housing linkage fee" (not a tax) for all new residential, commercial and industrial construction. The fee is approximately $466 on a 1,500 square foot home, and adjusts up or down with the size of the home. GVRHA solicits proposals from private, public, and nonprofit developers for projects that will create new or preserve existing essential housing (under 120% of AMI), leveraging fee fund dollars with public and private investment dollars.

Summit Combined Housing Authority

The Summit Combined Housing Authority, a MJHA, was formed in 2002 through an inter-governmental agreement between the County and the Town of Silverthorne. In 2006, the IGA was amended to represent all jurisdictions within Summit County. Services provided by SCHA include homebuyer education, down payment assistance, Section 8 administration, deed monitoring, new development consultation, property management, and real estate sales. The Housing Authority is funded through a countywide 0.125 percent sales tax and $2.00 per square foot development impact fee, as well as fees for services and grants.

San Miguel County Regional Housing Authority

The SMRHA manages affordable housing programs on behalf of the Town of Telluride, San Miguel County, and Mountain Village. Programs include both rental (Section 8) and homeownership assistance, with a mission to preserve and increase the supply of housing for low, moderate, and middle income households. SMRHA also manages the deed restricted for-sale housing inventory to ensure homes are sold to qualified resident-buyers. The SMRHA is funded equally by San Miguel County, Telluride, and Mountain Village primarily through sales tax and general fund contributions.

Salida Housing Authority

The only housing authority in Chaffee County is the Salida Housing Authority, a City housing authority. It operates the 50-unit Mt. Shavano Manor property that houses seniors and people with disabilities. Currently it has one full time staff that manages Mt. Shavano Manor, and a volunteer Board of Directors. With an existing organizational structure in place, stakeholders should consider how or if the role of this agency could be expanded.

Recommendation: Because of its broader powers, a Multi-Jurisdictional Housing Authority is recommended for Chaffee County. It is however, recommended as a second or third step in addressing housing issues because of the time and complexity in forming it, the need for multijurisdictional cooperation, and the need for dedicated funding to maximize its potential. Housing Authorities can work effectively with non-profit organizations that are more flexible, as discussed in the next section.

MJHA's are not without challenges however. In any regional government or regional partnership, there are challenges in allocating funding and investment in an equitable way. For example, the Town of Breckenridge, a member of the Summit County MJHA, recently formed its owned housing authority for greater local control due to the fact that Breckenridge has more revenue available than the other jurisdictions.

Non-Profit Organizations

There are a wide variety of non-profit organization types that are involved in housing. A model that is becoming increasingly common is a non-profit with status with HUD and the IRS as a Community Housing Development Organization (CHDO), discussed in this section. The non-profit types described below are not mutually exclusive; an organization could carry out any of the functions described below according to its mission.

Housing Trusts

Housing trust funds (HTFs) are state, county or municipal organizations that may collect and disburse funds for constructing and operating affordable housing. There are over 700 trust funds in the U.S. Local trusts typically collect and disburse funds from a city's other housing programs, such as dedicated sales taxes, excise taxes, and cash in lieu payments (a fee in lieu of constructing units in a project) from IHO programs. A dedicated sustainable funding source is critical for a housing trust to have any significant impacts.

Community Land Trusts

Another organizational model, the community land trust (CLT), is a non-profit organization that provides permanently affordable housing units by acquiring land and removing it from the speculative for-profit real estate market. CLTs hold the land they own "in trust" in perpetuity for the benefit of the community by ensuring that is will always remain affordable for homebuyers. CLTs were enabled under Section 213 of the Housing and Community Development Act of 1992. There are currently over 250 CLTs in the U.S. including the Colorado Community Land Trust in Denver (formerly the Lowry Community Land Trust) and the Thistle Community Land Trust in Boulder.

A CLT typically acquires land for affordable housing in its designated community. The land is transferred to a developer and ultimately a homeowner under a long term land lease. The CLT generally leases the land to a qualified homeowner at a reduced rate to subsidize the housing unit price. It retains the option to repurchase the housing unit upon sale and the resale price is set by formula to give the homeowner a fair return on investment but also to maintain affordability for future homeowners.

Funding, annexation policy, and other land dedication exactions (noted above) are needed to bring land into a land trust. Several organizations that fall under the housing or land trust model are profiled below.

- **Jackson Hole Community Land Trust** was established in 1992 by a number of wealthy Teton County, Wyoming area residents. The Trust has an endowment of $5.6 million and has built nearly 100 deed-restricted workforce housing units. It has also acquired sufficient land to build an additional 57 housing units over the next three years.

- **Mountainlands Community Housing Trust (MCHT)** is a non-profit corporation founded in 1993 based on the belief that a safe and decent home is often a family's first step toward economic self-sufficiency. MCHT addresses the dual problems of housing affordability and availability on three fronts: acquisition and new construction of workforce housing, direct assistance in securing housing and needed basic services, and education and advocacy to promote housing policy. MCHT has $4.7 million in assets and has built or acquired 135 housing units in Summit County, UT (Park City area) for workforce housing.

- **Colorado Community Land Trust (CCLT)** is a 501(c)(3) nonprofit organization founded in 2002 with the mission of creating, and preserving in perpetuity, affordable home ownership opportunities for moderate income individuals and families. Originally called the Lowry Community Land Trust, CCLT initially focused on the redevelopment of the former Lowry Air Force Base. In 2006, the service area was expanded to include the entire Denver metro area. In general, CCLT ensures long-term afford ability by maintaining and owning the land and by limiting the resale price of the home, allowing the seller to benefit from some appreciation (25 percent return on equity) while still keeping the resale price affordable. It has a total of 189 properties, including two projects at Lowry – Maple Park, a 68 home development built in 2004 and Falcon Point, a 72 unit townhouse development built in 2007. To date, none of the homeowners have lost their homes through foreclosure.

- **The Housing Trust** is an independent community development 501(c)3 non-profit corporation based in Santa Fe and serving the northern New Mexico counties. The Trust was formed in 1992 by the City of Santa Fe, Enterprise Community Partners, and existing housing non-profit groups to provide an umbrella housing organization that could directly assist potential homeowners and work to obtain land, project financing, and other resources needed to accelerate affordable housing efforts in Santa Fe. The Housing Trust has produced 500 units of housing in Santa Fe and provided hands-on training and individual counseling for nearly 5,000 potential homeowners. To date, none of the 1,200 homeowners assisted through the Trust have lost their homes through foreclosure.

<u>Deed Restrictions</u>

Deed restrictions are powerful tools for maintaining permanent affordability. Even if the private market delivers housing in the 80 to 120 percent AMI range, it will become less affordable as the market appreciates. There is, in fact, a large risk that early buyers in low priced projects could flip their home at a significant profit. Many deed restrictions have appreciation caps to ensure permanent affordability. The downside is that in markets where buyers perceive that they can find other options, the appreciation cap is a deterrent as buyers may feel that they are potentially missing out on the appreciation gains.

While there are many types of deed restrictions, the simplest and least restrictive form is to restrict ownership to local resident wage owners, with no appreciation cap. This works to limit price appreciation to the range of what local residents can afford, rather than second home buyers.

Community Housing Development Organizations

A Community Housing Development Organization (CHDO) is a 501 C(3) non-profit recognized by HUD. As such, CHDOs are eligible to receive HUD funding through the Colorado State Division of Housing. Fifteen percent of HOME funds (HOME Investment Partnerships Program) are required to be allocated to CHDOs. A CHDO can receive approximately $35,000 per year for administration out of HOME funds, plus other competitive grants for housing development and other housing programs. Many CHDOs were formed in the 2000s and the funding is more competitive now. A housing authority can form a CHDO but it needs to create sufficient separation in the board, staffing, and funding structure to be recognized as a CHDO and separate organization from the housing authority.

As non-profit organizations, rather than a government, CHDOs have more flexibility to engage in broader housing activities than a housing authority. Because of their non-profit status, CHDOS also have access to funding sources, such as certain grant and foundation funding, that housing authorities do not. CHDOs can operate well in partnership with housing authorities, by partnering on development projects to pool funding sources and staff resources. When a housing authority is a partner in a CHDO development, the project can have tax exempt status which helps project cash flow and feasibility. CHDOs can develop real estate, own and manage property much like a private company. CHDOs can more easily partner with private developers and builders to build projects, and can more easily borrow money. A CHDO can also operate a land trust, or visa-versa.

Like any organization, funding is a constraint for CHDOs. CHDOs lack the powers of taxation that a MJHA has. Any number of revenue sharing and funding arrangements could be structured though between local governments, a MJHA, and a CHDO or other non-profit structure.

CHDOs must have a board comprised of one-third representation of the low-income community, and no more than a third from local government. This gives some control and influence to local government, but not as much as in a MJHA.

Recommendation: Establishing a CHDO or other non-profit structure including a CLT could be a good first step in creating an organization to promote the housing issue, and to pursue development and funding opportunities in Chaffee County. Initial funding could come from a combination of philanthropic donations, and contributions from local governments. Over time, CHDOs and other non-profits can build operating income through rental property income and fees on the sale of deed restricted homes. However, a sustainable operating funding source is needed; either an endowment or other local contributions.

If both a CHDO and MJHA - or other housing authority - is formed, there needs to be close communication and coordination in pursuing competitive funding. It is not efficient for two organizations to pursue the same competitive grants.

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Appendix

Appendix Table 1
Buena Vista Building and Impact Fees

Fee	Amount
County Building Permit Fee (Applies to All)	**$0.007 X $112.65/sf**
Buena Vista	
School Impact Fee (In Lieu of Dedication)	$354.00
Tap Fee: 3/4" Meter	$6,000.00
Buena Vista Sanitation District (kitchen, 2 BA, W/D, 18 fixt.)	$3,280.00
Total	**$9,634.00**
Salida	
School Impact Fee (In Lieu of Dedication)	$354.00
Tap Fee: 3/4" Meter	$8,512.00
Sewer Connection Fee	$5,206.00
Parks, Trails, and Open Space	$3,000.00
Total	**$17,072.00**
Poncha Springs	
School Impact Fee (In Lieu of Dedication)	$354.00
Transportation Capital Expansion Fee	$1,420.00
Tap Fee: 3/4" Meter [1]	$6,500.00
Tap and Meter Parts	$1,067.49
Sewer Connection Fee (Salida system)	$5,206.00
Total	**$14,547.49**

[1] May also include an additional $150 for a connection if lot is not stubbed out and $50 for inspection.

H:\163001-Chaffee County Housing Needs\Data\[163001-Building Cost 07-14-2016.xlsx]Fees

Appendix Table 2
Cost Components of a Single Family Home - Salida

Description	Factors		% of Home Price
Finished Lot Price	**$90,000**		**33.8%**
Vertical Construction			
Home Size	1,100 Sq. Ft.		
Hard Costs per Sq. Ft. (mat'l & labor)	$115/sq. ft.		
Hard Costs	**$126,500**		**47.5%**
Fees & Permits			
County Building Permit Fee	$867		
Tap Fee: 3/4" Meter	$8,512		
Sewer Connection	$5,206		
Parks, Trail, and Open Space	$3,000		
County Building Permit Fee	$867		
School Impact Fee (In Lieu of Dedication)	$354		
Fees & Permits	**$18,807**		**7.1%**
Summary			
Hard Costs	$126,500		47.5%
Design and Engineering	$3,500		1.3%
Builder Overhead and Profit on Hard Costs	$27,768	18%	10.4%
Fees and Permits	$18,807		7.1%
Finished Lot Price	$90,000		33.8%
Finished Home Price	**$266,575**		**100.0%**

Source: Economic & Planning Systems
H:\163001-Chaffee County Housing Needs\Data\[163001-Building Cost 07-14-2016.xlsx]Salida Cost

Appendix Table 3
Cost Components of a Single Family Home – Buena Vista

Description	Factors		% of Home Price
Finished Lot Price	**$40,000**		**19.1%**
Vertical Construction			
Home Size	1,100 Sq. Ft.		
Hard Costs per Sq. Ft. (mat'l & labor)	$115/sq. ft.		
Hard Costs	**$126,500**		**60.5%**
Fees & Permits			
County Building Permit Fee	$867		
Tap Fee: 3/4" Meter	$6,000		
Sewer Connection	$3,280		
County Building Permit Fee (Applies to All)	$867		
School Impact Fee (In Lieu of Dedication)	$354		
Fees & Permits	**$11,369**		**5.4%**
Summary			
Hard Costs	$126,500		60.5%
Design and Engineering	$3,500		1.7%
Builder Overhead and Profit on Hard Costs	$27,768	18%	13.3%
Fees and Permits	$11,369		5.4%
Finished Lot Price	$40,000		19.1%
Finished Home Price	**$209,137**		**100.0%**

Source: Economic & Planning Systems
H:\163001-Chaffee County Housing Needs\Data\[163001-Building Cost 07-14-2016.xlsx]BV Cost

Appendix Table 4
Cost Components of a Single Family Home –Poncha Springs

Description	Factors		% of Home Price
Finished Lot Price	**$60,000**		**25.6%**
Vertical Construction			
Home Size	1,100 Sq. Ft.		
Hard Costs per Sq. Ft. (mat'l & labor)	$115/sq. ft.		
Hard Costs	**$126,500**		**54.0%**
Fees & Permits			
County Building Permit Fee	$867		
Use Tax (2% of valuation X 50%)	$1,239		
School Impact Fee (In Lieu of Dedication)	$354		
Transportation Capital Expansion Fee	$1,420		
Tap Fee: 3/4" Meter [1]	$6,500		
Tap and Meter Parts	$1,067		
Sewer Connection Fee (Salida system)	$5,206		
Fees & Permits	**$16,654**		**7.1%**
Summary			
Hard Costs	$126,500		54.0%
Design and Engineering	$3,500		1.5%
Builder Overhead and Profit on Hard Costs	$27,768	18%	11.8%
Fees and Permits	$16,654		7.1%
Finished Lot Price	$60,000		25.6%
Finished Home Price	**$234,422**		**100.0%**

Source: Economic & Planning Systems
H:\163001-Chaffee County Housing Needs\Data\[163001-Building Cost 07-14-2016.xlsx]Poncha Cost

Sightline INSTITUTE

YES, RED TAPE AND FEES DO RAISE THE PRICE OF HOUSING

And no amount of hand-waving about "land values" changes that.

Author: **Dan Bertolet**
(@danbertolet) on July 24, 2017 at 6:30 am

Few public policy issues can match urban housing politics for its incendiary combination of passion and misconception. To wit: the confounding idea that relaxing regulations and fees to decrease the cost of homebuilding won't make homes more affordable.

Why? Because, goes the refrain, developers charge as much as the "market will bear" anyway. Any savings from streamlined regulations or reduced fees just yield more profit for the developer, not lower prices or rents.

That reasoning may sound legitimate, but it's bogus. It misses the forest for the trees—or, the city for the building. Across an entire metropolis, when homebuilding is cheaper, homebuilding speeds up. And in booming, housing-short cities such as Seattle, the more new homes built, the less prices rise—that is, the lower the price the market will bear.

Why does this misconception about costs matter? Because it excuses counterproductive housing policy. Why bother fixing ill-conceived regulations that boost the expense of homebuilding if you believe doing so won't help affordability? If you believe it just puts more money in developers' pockets?

Why does this misconception about costs matter? Because it excuses counter-productive housing policy.

What's more, the confused logic also infects debate over *adding* costs: if the market sets prices with no regard for cost, it follows that policies that *increase* the expense of homebuilding can't *raise* home prices. This rationale frees policymakers to ignore that imposing impact fees on new homes, for example, is likely to exacerbate their city's affordable housing crisis.

It's flawed thinking. It's all too common. And it needs to stop if booming cities are to get housing prices under control. So let's unpack it.

The real cost of red tape

Most people accept that if someone figures out a cheaper way to make a product, the price will drop. Producers make more, and the price the market will bear goes down.

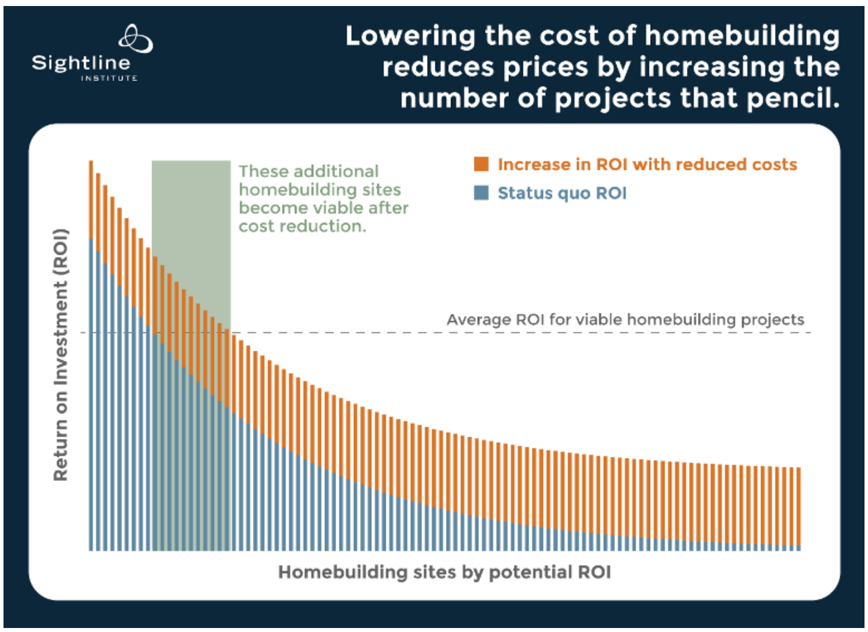
> ***A recent study conducted by the City of Portland, Oregon, estimated that on average, "government fees" add 13% of the total development cost of housing.***

For housing, the rules that govern development often conflict with cheaper production. Drawn-out permitting processes and legal challenges add cost because time is money. Minimum apartment sizes effectively mandate more expensive apartments. Requirements that complicate building design—such as setting back top floor facades further from the street—raise the cost of construction. A recent study conducted by the City of Portland, Oregon, estimated that on average, "government fees" add 13 percent of the total development cost of housing.

For a real-world example, consider this story from Portland: in 2010 the city waived system development charges—typically ranging from $8,000 to $11,000—on accessory dwelling units (ADUs, otherwise known as mother-in-law apartments or backyard cottages). For most homeowners financing is the biggest hurdle to adding an ADU, and it's not hard to imagine that the prospect of writing an extra $10,000 check just to get started would scare off many. Sure enough, after Portland removed the charge, ADU permit applications took off.

From pencil to project

Developers build homes until the market becomes saturated and falling sale prices (or rents) no longer generate an adequate return on investment. However, if a city changes a rule or trims a fee and reduces costs, developers' returns improve. Consequently, more homebuilding projects "pencil," and more homebuilders get into the game. Less expensive homebuilding means more new homes get built and then sell for lower prices.



Original Sightline Institute graphic, available under our free use policy.

The diagram above illustrates the concept. Across a typical city, the potential return on investment (ROI) from homebuilding varies widely depending on site-specific conditions. Each blue bars represents one building site in an imaginary city, with the bar height indicating its potential status quo ROI. The orange bars show how a cost-cutting measure could increase ROI. (It's an optical illusion that the orange bars are growing to the right—they are all the same length atop the blue bars). In practice there is no precise threshold ROI that makes all projects pencil, but for clarity the diagram depicts an average threshold ROI. Sites with ROI higher than the threshold pencil, and sites with ROI lower, don't. As delineated by the shaded green area, decreasing the cost expands the number of sites where homes could likely be built.

Policymakers sometimes have reservations about altering regulations to cut costs, worrying that they are just handing windfalls to builders without helping affordability. In the larger picture, though, reducing the cost of homebuilding makes *all housing throughout the city* more affordable by shrinking the average price the market will bear.

Pause: this is not an argument to eliminate all housing regulations or fees. For example, most life-safety building codes are well justified. However, many other rules are not, especially given their tradeoff with affordability.

Trying to have it both ways

It may not be surprising that anti-housing activists resort to arguing that reduced costs don't matter, but it is disappointing to hear similar thoughts from professional policymakers, who exhibit an oddly divided mind about it. On one hand, countless municipalities offer developer incentives intended to boost homebuilding. For example, the City of Seattle's Housing Affordability and Livability Agenda includes numerous recommendations for cost cutting, ranging from design review improvements to building code updates for inexpensive wood construction.

On the other hand, urban planners and advocates across North America commonly contend that added costs don't harm affordability, a prominent case in point being inclusionary zoning, which imposes costs on homebuilding by requiring private developers to provide below-market-rate homes.

In a recent interview with *Vox*, former Vancouver, BC, planning director Brent Toderian demonstrates the mindset in a discussion of mandates for family-sized units: "Economic analysis shows that two- and three-bedroom units can be less profitable than one-bedrooms or studios, but that's not the same as saying that they aren't viable."

Here, Toderian glosses over a fundamental truth: "less profitable" prospective homebuilding projects are less likely to ever get built. Some fraction of projects may remain financially viable despite costly requirements, but another fraction will not. And the absence of this latter fraction from the city's housing choices in the years ahead will increase competition throughout the housing market, raising prices. The figure above shows how this works.

Not to pick on Toderian—his views are commonplace among urban planners—but he recently provided another good example on Twitter in response to concerns that a new development fee would drive up prices: "Developers always claim that," he wrote. "Still not true. Fees push down land value or profit from contingencies. Homes sell for what market will pay."

User *Suburbanist* tweeted back, "But fees change market conditions. Buyers bid prices up when fees lower supply."

To which Toderian responded, "Show me where fees lower supply."

Unfortunately it's impossible to do a controlled experiment on two otherwise identical real cities to prove that fees on homebuilding lower the supply of new homes. So the question to ask is: *why wouldn't they?*

The standard retort is that added fees depress land values, so landowners, not homebuilders, take the financial hit. But as I have argued in detail previously, that claim doesn't withstand scrutiny. It ignores the fact that most urban property already generates revenue, and owners always have the choice to keep collecting rents until offered a price high enough to make it worth selling. No land sale means no new housing. And no new housing means greater upward pressure on prices. There's no wiggling out of it: affordability still suffers when fees depress land prices.

No land sale means no new housing. And no new housing means greater upward pressure on prices.

There is nothing magical about housing that insulates its market price from changes in its cost of production. Land values do complicate housing economics in some ways, but they do not break the universal economic supply chain that links cost of production, quantity of production, and price.

Furthermore, there is no magic number below which cost-inducing regulations and fees have zero impact on prices. The gain is proportional to the pain. Some policymakers may want to believe that a little added cost won't do any harm. But that is a perilous line of thinking, because it gives the green light to adding more and more little costs here and there. They pile up in bureaucratic layers over time, ultimately causing death of homebuilding by 1,000 cuts.

Extending the bottom of the ladder

Affordable housing crises in expensive cities such as Seattle will never be completely solved by streamlining counterproductive regulations that add cost. Nor by trimming fees. Even with perfect rules, high land values and the raw cost of construction put new homes out of reach to people on the lower end of the income ladder.

But here's the crux: the more costs can be cut, the further down on that ladder housing will reach. The lower the price of market-rate housing goes, the fewer households will need public subsidy to afford homes.

So, yes, red tape and fees do raise the price of housing—and cutting them lowers it.

Tagged in: ADUs, Inclusionary Zoning