

ATTACHMENT D: EVOLUTION OF BRECKENRIDGE COVENANTS AND TABLE 1, RESALE PRICE CALCULATIONS

Breckenridge Annexation Phase:

The earliest covenant for a 'for sale' neighborhood was the original Wellington template in 1999 for the first 98 units. The goal for Wellington 1 was to target 100% AMI and allow the developer to use market rate units to cover the gap. There was minimal Town subsidy in the project (fee waivers and value of density, but no cash or land). The key components of the covenant included:

- Appreciation formula and resale cap
 - greater of 3% or AMI change
 - real estate commission of 7%
 - capital improvements 15% of purchase price
- Work 30 hours a week
- Owner Occupancy

Vista Point was Breckenridge's second largest 'for sale' neighborhood in 2002 (18 units) and it generally mirrored Wellington but with an even high appreciation formula (sum of annual increase in AMI, never lower than 4% a year with 7% realtor commission and 15% capital improvement).

When the Town started negotiating Phase 2 of Wellington in 2006 (66 units) they tightened up the resale formula and added some income testing. The goal was to include a few lower (80% AMI units), reduce price creep by lowering real estate and capital improvements, and match units to the right AMI:

- Appreciation formula and resale cap
 - Greater of 3% or AMI change
 - Real estate commission of 3%
 - Capital improvements 10% of purchase price
- Work 30 hours
- Owner Occupancy
- Income Cap for the lower priced 80% AMI triplexes

For the last phase of Wellington-Lincoln Park in 2014 (62 units) there were no significant changes to the formulas/restrictions, and those general terms were also used for Vista Point which was also built by the private section with minimal Town subsidy and targeting a higher AMI.

One exception to the early annexation projects was Gibson Heights which was built by SCHA in 2002 and because of the public sector participation the target was 80% AMI and minimizing price creep was a high priority, so appreciation was capped at lessor of 3% or AMI and real estate was 3%.

After the early annexations, the Town of Breckenridge became more involved in subsidizing housing, got away from using market rate units to cover the gap, instead relying on public sector for land and for cash subsidy. This included Valley Brook in 2010 and Blue 52 in 2017 and the new standard became:

- Appreciation formula and resale cap
 - Lessor of 3% or AMI change
 - Real estate commission of 2%
 - Capital improvements 10% of purchase price

Breckenridge then got away from 'for sale' for a while, until Stables Village. The Stables Village covenant (2023) reflect their most current restrictions and might be best template going forward:

- Appreciation formula and resale cap
 - Fixed Rate of 3%
 - Real estate commission of 2%
 - Capital improvements 10% of purchase price
- Work 30 hours
- Owner Occupancy
- Income Cap for the lower priced Townhomes-priced at 80 and 110% will be tested at 140% (required per Grant)

Additionally, Breckenridge offers owners with older covenant to opt into their preferred template:

- Appreciation formula and resale cap
 - Fixed Rate of 2%
 - Real estate commission of 3%
 - Capital improvements 10% of purchase price
- Work 30 hours
- Owner Occupancy
- Income Cap for the lower priced

In summary for Breckenridge, the terms and level of restriction has continued to change over time and to some degree depends on the amount of Town subsidy/participation in the project. They had a study performed to try and understand price creep, but that study seemed to conclude that price creep was related more to capital improvements than the appreciation formula. More recently, after discussion with Council, there was strong preference for a fixed rate of appreciation (2 or 3%) because of multiple concerns with AMI which include:

- Owners deserve some predictability in the appreciation formula-AMI is not predictable. Breckenridge has seen HUD change their methodology (2006) so using AMI as an indicator of change over time isn't reliable
- AMI is also not an accurate reflection of local incomes (buying power) because only the incomes from related households is included in their analysis, so lower price roommate situations are not included in the sample. It over exaggerates income. They had a consultant tell them that incomes were probably 10-20% lower than HUD would indicate.
- There is worry that many lower income households may not be included in the HUD sample for various reasons (language, documentation status, etc.)
- HUD AMI is old when it is released and doesn't reflect real time. It is based on data that is 5 years old in some case, so in their experience HUD will show incomes increasing during times when they locally are experiencing obvious declines and vice versa.

Table 1 illustrates more methods of resale calculations performed throughout local jurisdictions:

Table 1: Resale Price Examples

TOWN	Development Name	Resale Calculation
Summit County	Ophir Mountain Village and Soda Creek Condos and West Hills	2% per year, not compounding; plus cost of QCIs, not to exceed 10% of initial purchase price over every 10 year period; plus sales commission up to 1.75%
Breckenridge	Blue 52	2% per year, not compounding; plus cost of QCIs; plus sales commission up to 1%
Dillon	Sail Lofts	The greater of: 1. the Maximum Sales Price in the 2017 AMI chart, based on the purchaser's income and size of the unit, or 2. Initial sale plus 2% fixed appreciation, plus capital improvement costs to a maximum of 3% of the Maximum Resale Price prorated over the 10-year period prior to the sale, plus up to 1.75% in sales commission.
Silverthorne	Smith Ranch	2% per year, not compounding; plus cost of limited capital improvements, not to exceed 5% of initial purchase price over every 10 year period; plus sales commission up to 1.75%
Summit County	Dillon Valley Vistas	2% per year, not compounding; plus cost of QCIs, not to exceed 10% of initial purchase price over every 10 year period; plus sales commission up to 1.75%
Frisco	2019 Covenant	Purchase Price plus 3% a year not compounded plus Qualified Capital Improvements (QCIs) plus \$ paid for real estate commission = a value no greater than the number on the 2024 AMI spreadsheet for that unit type
Frisco	South End Village	The Maximum Resale Price of a Unit may not exceed the greater of: a. the Purchase Price paid by the Owner for the Unit, plus an increase of three percent (3%) of such Purchase Price per year from the date of the Owner's purchase of the Unit to the date of the Owner's execution of the listing contract, compounded annually (prorated at the rate of 1 ½ for each whole month), plus real estate commissions not to exceed five percent (5%) of the Purchase Price if the Unit is sold by the Owner within one year of such Owner's purchase of the Unit; and b. the Purchase Price paid by the Owner for the Unit, plus a percentage increase equal to the percentage increase in the Area Median Income

		<p>from the date of the Owner's purchase of the Unit to the date of the Owner's execution of the listing contract, compounded (prorated at the rate of 1/12 for each whole month), plus real estate commissions not to exceed five percent (5%) of the Purchase Price if the Unit is sold by the Owner within one year of such Owner's purchase of the Unit.</p>
Frisco	Main Street Commons	<p>A. The Maximum Resale Price of a Property shall be equal to the sum of: the lesser of:</p> <ul style="list-style-type: none"> a. the Purchase Price paid by the Owner for the Property, plus an increase of three percent (3%) of such Purchase Price per year (prorated at the rate of 1/12 for each whole month) from the date of the Owner's purchase of the Property to the date of the Owner's execution of the listing contract, such percentage increase to not be compounded annually; or b. the Purchase Price paid by the Owner for the Property, plus a percentage increase equal to the percentage increase in the Area Median Income from the date of the Owner's purchase of the Property to the date of the Owner's execution of the listing contract (prorated at the rate of 1/12 for each whole month), such percentage increase to not be compounded annually. <p>(2) Plus the amount of any commission payable to the SCHA.</p>
Frisco	Bears Den	<p>The Maximum Resale Price of a Unit may not exceed the greater of:</p> <ul style="list-style-type: none"> a. the Purchase price paid by the Owner for the Unit, plus an increase of five percent (5%) of such Purchase price per year from the date of the Owner's purchase of the Unit to the date of the Owner's execution of the listing contract, compounded annual (prorated at the rate of 1/12 for each whole month); or b. the Purchase price paid by the Owner for the Unit, plus a percentage increase equal to the percentage increase in the Summit County Area Median Income (AMI), as published by the U. S. Department of Housing and Urban Development (or any successor index thereto acceptable by the Town) from the date of the Owner's purchase of the Unit to the date of the Owner's execution of the listing contract. If AMI data pertaining to the date of

		<p>the listing contract is yet not available as of the date the resale price is calculated, then the most recent data published by the U. S. Department of Housing and Urban Development shall be used in its place.</p>
<p>Frisco</p>	<p>Majority of Original Peak One Neighborhood</p>	<p>A. The Maximum Resale Price of a Property shall be equal to the sum of:</p> <p>(1) The lesser of:</p> <ul style="list-style-type: none"> a. the Purchase Price paid by the Owner for the Property, plus an increase of three percent (3%) of such Purchase Price per year (prorated at the rate of 1/12 for each whole month) from the date of the Owner's purchase of the Property to the date of the Owner's execution of the listing contract, such percentage increase to not be compounded annually; or b. the Purchase Price paid by the Owner for the Property, plus a percentage increase equal to the percentage increase in the Area Median Income from the date of the Owner's purchase of the Property to the date of the Owner's execution of the listing contract (prorated at the rate of 1/12 for each whole month), such percentage increase to not be compounded annually. <p>(2) Plus the cost of the Permitted Improvements approved by the SCHA or the Town.</p> <p>(3) Plus the amount of any commission payable to the SCHA.</p>