

January 13, 2023
Mayor Mortensen and Frisco Town Council
RE: Deed Restriction Revisions

Dear Mayor and Town Council Members,

We are writing to you to raise concerns about the current standard deed restriction and the long-term inequities that it is causing in the Town of Frisco. We also would like to propose a potential solution to these issues for you to consider.

We are grateful for the opportunity to live in workforce housing in Frisco. Peak One Neighborhood is a special place. Many of us have spent a decade here raising children, getting to know neighbors, and working and volunteering in Frisco. The foresight of Frisco Town Council many years ago made this neighborhood possible, and for that we are thankful.

One unique aspect of our neighborhood is that Town Council envisioned a wide diversity of AMI incomes to reside here. As a result, we have a true cross section of the community – small business owners, nurses, teachers, engineers, dentists, coaches, etc. There are 80%, 100%, 120%, and 160% AMI homes here, as well as “market deed restricted” which have no appreciation restrictions but a work requirement. Peak One Neighborhood won the Eagle Award from Housing Colorado for this very reason. It is a true community of varying professions, ages, and stages in life. The problem we are facing is that no one can leave the neighborhood and remain in Frisco. With very few exceptions, families that have moved have left Frisco or Summit County altogether.

For background, over the last ten years, there have been two changes to our deed restriction. The first change was led by Mayor Gary Wilkinson to fix a serious error that was causing zero appreciation for homeowners. The second change is voluntary and was led by Town Manager Nancy Kerry. This modification allows homeowners to earn the full 3% appreciation instead of the increase in AMI rate increase year to year which is often lower than 3%. However, homeowners may not exceed the SCHA “affordable” sales price¹ for that home’s AMI category. In other words, a home can be sold at 3% simple appreciation or the SCHA price, whichever is less.

While it is an improvement to previous restrictions, it has created an inequity between our sales prices and the AMI prices set forth by SCHA. Our homes are being significantly undervalued which creates a financial deficit that residents find hard to escape. The sale prices are as much as 30-40% less than the SCHA AMI prices, with impacts across all AMI levels (see attached tables). It is important to note that when households choose to rent their homes as they are allowed for up to a year, the deed restriction requires them to set their rental rate to the same AMI table set by SCHA annually. However, when we sell, we are limited to the 3% appreciation and not allowed to achieve the AMI price.

To make matters worse, the economy has grown so much that when we face home improvements such as a new water heater or exterior painting (both all too common in our neighborhood), we are set back years in equity. To put real numbers to it, a home that was purchased for approximately \$400,000 earns \$12,000 annually in appreciation. A water heater can cost that much or more. As a result, some households choose not to maintain their homes due to lack of funds or in fear that there are bigger repairs that they should save for.

The most dramatic result of the current deed restriction is that people cannot leave workforce housing and stay in Frisco. The gap is too large, even between older deed restricted homes and new. For example, a 120% AMI home that is 1,600 square feet in Smith Ranch is currently listed for \$590,000. A home in Peak One of the same size that was purchased in the 160% AMI category in 2013, can be sold today for approximately \$560,000. This would indicate that the Peak One house is now selling at approximately 100% AMI, rather than the 160% AMI that it was purchased. While Smith Ranch is new construction, appraised values in Summit County generally reflect the condition of a unit, not necessarily when it was built, and certainly would not reflect a 30% loss over a home of identical size and specifications.

¹ Please note that the “AMI price” is different than the “increase in AMI”. Those are two different metrics. The “AMI price” is set annually by the SCHA for each category of home, and takes into account economic factors, interest rates, etc. (see attached table). AMI “rate” is just the rate at which incomes are increasing, which is usually very gradual year to year.

When looking at this issue broadly and over time, the entire neighborhood will sell at lower and lower AMI's which will depreciate all workforce homes. Meanwhile, the market homes have no limitations and have appreciated upwards of 100% in the last ten years, some more than doubling in value. The disparity is astounding and a great departure from Council's original vision for this neighborhood. In the next several years, all workforce homes will be selling at prices below the 100% AMI price and all market homes will be well over 200% AMI affordability with nothing in between.

Each of us bought into workforce housing and appreciate our homes and what the Town has invested in our neighborhood. We believe that workforce housing should remain affordable to the next family. We just don't believe that we should be the ones to shoulder a steep discount to the next household in the same AMI category as we were when we bought the home. As shown in the attached tables, the jump to AMI prices set by SCHA is only 3% to 7% appreciation in most cases. This change would cost the Town nothing but give homeowners the opportunity to move or make much needed improvements and keep the homes affordable to the next household as defined by SCHA.

The solution we would like you to consider is: **Revise the standard deed restriction to allow workforce homes in Frisco to sell at the SCHA AMI price set for their home or 3% appreciation, whichever is greater.** As with previous implemented revisions, this would be a voluntary option for homeowners.

Thank you for consideration, time, and working towards finding a solution.

Sincerely,

C.B. and Colleen Betchel
Lauren and Eric Hitchell
Noah and Bonnie Lehman
Daric and Ali Lindsey
Steve and Cathy Maylone
Emily and Tom Oberheide
Christian and Melissa Sherburne
Missy and Andy Stabile
Karla and Tom Whelan

We do not represent Peak One Neighborhood in its entirety or the HOA.

Attachments:

1. SCHA 2022 AMI Pricing Table (highlighted for home types found in Peak One Neighborhood)
2. 3% Appreciation Table

SCHA 2022 SUMMIT COUNTY AREA MEDIAN INCOME (AMI)

Figures in RED are directly from HUD 4/18/2022; other numbers have been extrapolated

AMIs

	HUD																
	EXTREMELY LOW			HUD LOW	TRUE												
Household size	INCOME	50%	60%	INCOME	80%	85%	90%	95%	100%	105%	110%	115%	120%	125%	130%	140%	160%
1 person	\$22,000	\$36,650	\$43,980	\$58,650	\$58,640	\$62,305	\$65,970	\$69,635	\$73,300	\$76,965	\$80,630	\$84,295	\$87,960	\$91,625	\$95,290	\$102,620	\$117,280
1.5 person	\$23,575	\$39,275	\$47,130	\$62,825	\$62,840	\$66,768	\$70,695	\$74,623	\$78,550	\$82,478	\$86,405	\$90,333	\$94,260	\$98,188	\$102,115	\$109,970	\$125,680
2 person	\$25,150	\$41,900	\$50,280	\$67,000	\$67,040	\$71,230	\$75,420	\$79,610	\$83,800	\$87,990	\$92,180	\$96,370	\$100,560	\$104,750	\$108,940	\$117,320	\$134,080
3 person	\$28,300	\$47,150	\$56,580	\$75,400	\$75,440	\$80,155	\$84,870	\$89,585	\$94,300	\$99,015	\$103,730	\$108,445	\$113,160	\$117,875	\$122,590	\$132,020	\$150,880
4 person	\$31,400	\$52,350	\$59,880	\$83,750	\$79,840	\$84,830	\$89,820	\$94,810	\$99,800	\$104,790	\$109,780	\$114,770	\$119,760	\$124,750	\$129,740	\$139,720	\$159,680
4.5 person	\$32,675	\$54,450	\$65,340	\$87,100	\$87,120	\$92,565	\$98,010	\$103,455	\$108,900	\$114,345	\$119,790	\$125,235	\$130,680	\$136,125	\$141,570	\$152,460	\$174,240
5 person	\$33,950	\$56,550	\$67,860	\$90,450	\$90,480	\$96,135	\$101,790	\$107,445	\$113,100	\$118,755	\$124,410	\$130,065	\$135,720	\$141,375	\$147,030	\$158,340	\$180,960
6 person	\$37,190	\$60,750	\$72,900	\$97,150	\$97,200	\$103,275	\$109,350	\$115,425	\$121,500	\$127,575	\$133,650	\$139,725	\$145,800	\$151,875	\$157,950	\$170,100	\$194,400
7 person	\$41,910	\$64,950	\$77,940	\$103,850	\$103,920	\$110,415	\$116,910	\$123,405	\$129,900	\$136,395	\$142,890	\$149,385	\$155,880	\$162,375	\$168,870	\$181,860	\$207,840
8 person	\$46,630	\$69,150	\$82,980	\$110,550	\$110,640	\$117,555	\$124,470	\$131,385	\$138,300	\$145,215	\$152,130	\$159,045	\$165,960	\$172,875	\$179,790	\$193,620	\$221,280

Rentals

Maximum affordable monthly rent

Assumes affordability = 30% of monthly household income

Maximum affordable monthly rent amounts should also include the following utilities: electric, gas, water, sewer, trash, & snow removal

	HUD EXTREMELY LOW			HUD LOW	TRUE												
Unit Size	INCOME	50%	60%	INCOME	80%	85%	90%	95%	100%	105%	110%	115%	120%	125%	130%	140%	160%
Studio (1 person)	\$550.00	\$916.25	\$1,099.50	\$1,466.25	\$1,466.00	\$1,557.63	\$1,649.25	\$1,740.88	\$1,832.50	\$1,924.13	\$2,015.75	\$2,107.38	\$2,199.00	\$2,290.63	\$2,382.25	\$2,565.50	\$2,932.00
1 bed (1.5 person)	\$589.38	\$981.88	\$1,178.25	\$1,570.63	\$1,571.00	\$1,669.19	\$1,767.38	\$1,865.56	\$1,963.75	\$2,061.94	\$2,160.13	\$2,258.31	\$2,356.50	\$2,454.69	\$2,552.88	\$2,749.25	\$3,142.00
2 bed (3 person)	\$707.50	\$1,178.75	\$1,414.50	\$1,885.00	\$1,886.00	\$2,003.88	\$2,121.75	\$2,239.63	\$2,357.50	\$2,475.38	\$2,593.25	\$2,711.13	\$2,829.00	\$2,946.88	\$3,064.75	\$3,300.50	\$3,772.00
3 bed (4.5 person)	\$816.88	\$1,361.25	\$1,633.50	\$2,177.50	\$2,178.00	\$2,314.13	\$2,450.25	\$2,586.38	\$2,722.50	\$2,858.63	\$2,994.75	\$3,130.88	\$3,267.00	\$3,403.13	\$3,539.25	\$3,811.50	\$4,356.00
4 bed (6 person)	\$929.75	\$1,518.75	\$1,822.50	\$2,428.75	\$2,430.00	\$2,581.88	\$2,733.75	\$2,885.63	\$3,037.50	\$3,189.38	\$3,341.25	\$3,493.13	\$3,645.00	\$3,796.88	\$3,948.75	\$4,252.50	\$4,860.00

For Sale

Maximum Monthly Principal & Interest Payment

Based on the affordable monthly rent amounts above, less a \$350 allowance to cover taxes, insurance, and HOA dues

	HUD EXTREMELY LOW			HUD LOW	TRUE												
Unit Size	INCOME	50%	60%	INCOME	80%	85%	90%	95%	100%	105%	110%	115%	120%	125%	130%	140%	160%
Studio (1 person)	\$200.00	\$566.25	\$749.50	\$1,116.25	\$1,116.00	\$1,207.63	\$1,299.25	\$1,390.88	\$1,482.50	\$1,574.13	\$1,665.75	\$1,757.38	\$1,849.00	\$1,940.63	\$2,032.25	\$2,215.50	\$2,582.00
1 bed (1.5 person)	\$239.38	\$631.88	\$828.25	\$1,220.63	\$1,221.00	\$1,319.19	\$1,417.38	\$1,515.56	\$1,613.75	\$1,711.94	\$1,810.13	\$1,908.31	\$2,006.50	\$2,104.69	\$2,202.88	\$2,399.25	\$2,792.00
2 bed (3 person)	\$357.50	\$828.75	\$1,064.50	\$1,535.00	\$1,536.00	\$1,653.88	\$1,771.75	\$1,889.63	\$2,007.50	\$2,125.38	\$2,243.25	\$2,361.13	\$2,479.00	\$2,596.88	\$2,714.75	\$2,950.50	\$3,422.00
3 bed (4.5 person)	\$466.88	\$1,011.25	\$1,283.50	\$1,827.50	\$1,828.00	\$1,964.13	\$2,100.25	\$2,236.38	\$2,372.50	\$2,508.63	\$2,644.75	\$2,780.88	\$2,917.00	\$3,053.13	\$3,189.25	\$3,461.50	\$4,006.00
4 bed (6 person)	\$579.75	\$1,168.75	\$1,472.50	\$2,078.75	\$2,080.00	\$2,231.88	\$2,383.75	\$2,535.63	\$2,687.50	\$2,839.38	\$2,991.25	\$3,143.13	\$3,295.00	\$3,446.88	\$3,598.75	\$3,902.50	\$4,510.00

Maximum Sales Prices

Assumes interest rate of 5.29%, 30 year loan term, and 90% loan-to-value (Interest rate is the Freddie Mac 10-year trailing average for 2012-2021)

HUD																	
Unit Size	EXTREMELY LOW			HUD LOW		TRUE											
	INCOME	50%	60%	INCOME	80%	85%	90%	95%	100%	105%	110%	115%	120%	125%	130%	140%	160%
Studio (1 person)	\$40,085	\$113,491	\$150,220	\$223,726	\$223,676	\$242,040	\$260,404	\$278,768	\$297,132	\$315,496	\$333,860	\$352,224	\$370,588	\$388,953	\$400,787	\$436,927	\$509,206
1 bed (1.5 person)	\$47,977	\$126,644	\$166,003	\$244,646	\$244,721	\$264,400	\$284,079	\$303,759	\$323,438	\$343,118	\$362,797	\$382,476	\$402,156	\$421,835	\$434,437	\$473,165	\$550,620
2 bed (3 person)	\$71,652	\$166,103	\$213,354	\$307,655	\$307,855	\$331,480	\$355,106	\$378,731	\$402,356	\$425,981	\$449,607	\$473,232	\$496,857	\$520,482	\$535,386	\$581,879	\$674,865
3 bed (4.5 person)	\$93,574	\$202,681	\$257,247	\$366,279	\$366,380	\$393,663	\$420,946	\$448,229	\$475,512	\$502,795	\$530,078	\$557,361	\$584,644	\$611,927	\$628,963	\$682,655	\$790,038
4 bed (6 person)	\$116,197	\$234,248	\$295,128	\$416,636	\$416,887	\$447,327	\$477,767	\$508,206	\$538,646	\$569,086	\$599,526	\$629,965	\$660,405	\$690,845	\$709,722	\$769,626	\$889,433

Effective 4/18/2022

THESE FIGURES ARE SUBJECT TO CHANGE WITHOUT NOTICE

3% Growth Line Simple - CURRENT DEED RESTRICTION

AMI Category	2012*	3% Appreciation	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	10 Year Increase
80%	\$ 216,900	\$ 6,507	\$ 223,407	\$ 229,914	\$ 236,421	\$ 242,928	\$ 249,435	\$ 255,942	\$ 262,449	\$ 268,956	\$ 275,463	\$ 281,970	30%
100%	\$ 279,900	\$ 8,397	\$ 288,297	\$ 296,694	\$ 305,091	\$ 313,488	\$ 321,885	\$ 330,282	\$ 338,679	\$ 347,076	\$ 355,473	\$ 363,870	30%
120%	\$ 329,900	\$ 9,897	\$ 339,797	\$ 349,694	\$ 359,591	\$ 369,488	\$ 379,385	\$ 389,282	\$ 399,179	\$ 409,076	\$ 418,973	\$ 428,870	30%
160%	\$ 446,000	\$ 13,380	\$ 459,380	\$ 472,760	\$ 486,140	\$ 499,520	\$ 512,900	\$ 526,280	\$ 539,660	\$ 553,040	\$ 566,420	\$ 579,800	30%
Market (DR)	\$ 509,900	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$ 1,200,000	135%

SCHA AFFORDABLE PRICES BY AMI (CURRENT PRICING)

AMI Category	2012	App. Cap	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	10 Year Increase
80%	\$ 216,900	n/a										\$ 307,855.00	42%
100%	\$ 279,900	n/a										\$ 475,512.00	70%
120%	\$ 329,900	n/a										\$ 584,644.00	77%
160%	\$ 446,000	n/a										\$ 790,038.00	77%
Market (DR)	\$ 509,900	n/a										n/a	n/a

*Numbers are extrapolated from sales data and the Town's estimated pricing.

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