



MEMORANDUM

P.O. Box 4100 ♦ FRISCO, COLORADO 80443

TO: MAYOR AND TOWN COUNCIL

FROM: BILL GIBSON, ASSISTANT COMMUNITY DEVELOPMENT DIRECTOR
EVA HENSON, HOUSING COORDINATOR

RE: WORKFORCE HOUSING DISCUSSION

DATE: SEPTEMBER 14, 2021

Summary and Background: In Colorado's mountain communities, where affordable housing has been a decades-long issue, the COVID-19 pandemic last year compounded the issue into a "housing crisis". As people relocated to our mountain community, it further displaced some of the long-term rental properties which had previously been available to local workers. The housing shortage is affecting families, residents and businesses, from schools to hospitality, tourism to service industries, employers to employees, all struggling to find affordable housing.

In 2020, the Town Council identified housing affordability as a key element to creating an "Inclusive Community." Over the past several months, Town Council has continued to discuss housing as a priority. These dialogs have resulted several outcomes, including an update of the Housing Helps program to allow for purchase of deed restrictions on more properties, and allowing deed restrictions to be based on occupancy by a local worker, rather than occupancy and an income limitation, thereby opening up the program to more potential units.

In July of 2021, the Town of Frisco and leaders across Summit County met for the Summit County Housing Action Initiative. The purpose of this housing action summit was to convene with key stakeholders to discuss and identify idea specific and actionable strategies that can be used to address the housing shortage. The Initiative identified various partnerships, strategies, opportunities and system-level changes to address the short-term and long-term housing needs of Summit County. A summary of the meeting is included as Attachment 1.

Staff has researched other communities to create a robust comprehensive "Strategy Tool Box" to assist with identifying and defining various strategy tools, which will be a foundational concept for drafting the Frisco Strategic Housing Plan. This report encompasses a full list of tools that focus on specific projects and programs, which staff believes will have the most impact in Frisco and should be the focus of our efforts.

Analysis: Frisco is not the only Town that has worked to develop an overall strategy to improve and/or incentivize additional workforce housing in their community, which provides ample opportunities to learn from others successes and challenges. As in example, in 2017, Rees Consulting prepared a presentation of Best Practices in Mountain towns throughout the western

Unites States, including, Breckenridge, Telluride, and Crested Butte in Colorado, Truckee California, and Jackson Wyoming¹.

The report explores various attributes of affordable housing efforts across the five communities, including strategies and tools, policies and goals, capacity and roles, deed restricted housing inventory, housing qualifications and occupancy; housing prices and affordability, and short term rental regulations. The presentation identified key themes amongst communities that had achieved success in workforce housing programs:

- **Multiple Strategies** – use multiple strategies and tools to accomplish goals.
- **Qualitative and Quantitative Goals** –set goals. Some goals are measurable and time bound, for example: “house 65% of the workforce in town by 2030,” and others are more qualitative, for example: “maintain community character.”
- **Local Funding** – have a dedicated local funding source; the most successful have several strategies for generating local funds dedicated to workforce housing. These local funding sources are key to increasing the supply of housing, and creating opportunities for locals who exceed the income limits of state and federal programs.
- **Diversity of Incomes Served** – create ranges of incomes to guide housing production and create a spectrum of opportunities for locals. Three to eight ranges of income are used, and some target incomes as low as 30% AMI while others serve as high as 200%, depending on local needs and priorities.
- **Housing Choices** – create housing choices for the local workforce: most portfolios include a range of housing types such as condos, apartments, townhouses, and accessory units. In most cases, these communities also offer diverse choices in terms of bedroom mix, location, and owner/renter mix.

Over the past several years, Frisco and the larger Summit County community have made strides in some of these areas, specifically in creating a dedicated funding source, and leveraging those funds while pursuing multiple strategies, as will be further described in the sections below.

Recently, the Colorado Association of Ski Towns (CAST) conducted a survey of various mountain resort communities in the west to gather feedback and ideas for what has worked for housing in these communities, and what innovative ideas are being considered. Several examples from that survey are included in the following sections, and the full survey summary is included as Attachment 2.

Current Conditions. The 2019 Summit County Housing Needs Assessment (Attachment 3) completed in March 2020, is the most recent report prepared for local use that includes information on occupancy of residential properties within the Town. The Needs Assessment presents data based on the four planning basins in Summit County. Frisco is within the Ten Mile basin, which also includes unincorporated areas such as Copper Mountain and Bill’s Ranch. The housing data presented in the Needs Assessment was based on data from the American Community Survey and State Demography office.

¹ “Best Practices Workforce Housing in Mountain Resort Towns, Rees Consulting, Inc. / Williford LLC / WSW Consulting Inc., June 2017”

When reviewing Housing Needs Assessment data for the Ten Mile Basin in the report (pg. 23), by 2023:

- **Owner** – Approximately 190 owner units are needed between 80%-120% AMI.
- **Renter** – Approximately 950 rental units are needed at up to 80%.

The Colorado State Demography Office provides an annual estimate using birth and death data, net migration and changes in the number of housing units, which may be used to provide insight into changes in a community. The most recent available data is from July 2019; however, data that is more current will be imminently available with the final release of 2020 Census data:

	Number of Units	Percent of Total
Housing Units	3607	100
Occupied	1528	42.4
Vacant	2079	57.6

Based on the fore mentioned, if no additional dwelling units were created, increasing full-time occupancy to 50% would be equivalent to converting approximately 275 vacant units to full-time residency. Using the estimate of 2.07 occupants per household, this would result in an increase of 570 residents, but would fall short of the approximately 1140 units identified as needed in the Ten Mile basin.

HOUSING GOALS

Frisco has made strides in a number of areas with the housing program, but there is also a sense that with a more focused set of goals and strategies could result in greater success in increasing housing availability for the local workforce. With that in mind, staff recommends that Council develop and adopt specific goals for the housing program that can be used to measure progress over the next several years. Various strategies and tools may then be employed in order to pursue projects to meet those goals. As a starting point, staff suggests the following, which can be refined as more data becomes available:

1. Create 5-year Frisco Strategic Housing Plan (1, 3, 5-Year Implementation Plan with Funding Sources)
2. 50% of the employees of all businesses within the Town of Frisco live within three miles of Frisco Town Limits.
3. 50% of all dwelling units within the Town are occupied by full-time residents, with full-time residency meaning occupied as the primary residence for a minimum of 10 months per year.
4. Increase the number of deed restricted properties in Frisco from 153 to 306 by 2026.
5. Identify targets for the desired number (or proportion) of deed restricted units at varied AMI ranges for rental and for ownership.
6. Enact a policy that redevelopment of current rental housing units must replace those units on a 1 for 1 basis.

The “Strategy Tools” are broken down into several key categories that sets the framework for a focused housing discussion with Council today:

1. Current Development Opportunities
2. Partnership Opportunities
3. Policy and Regulatory Measures
4. Funding/Finance Opportunities

1. DEVELOPMENT OPPORTUNITIES

The Town of Frisco currently owns several properties and may have future development opportunities with various properties that could be developed for affordable housing including:

275 Granite Street (aka Sabatini Lot). The Town owns the ½ acre lot located at the corner of 3rd and Granite Streets. The parcel is zoned Central Core (CC) and has a broad range of permitted options for development. The site is currently used for parking, but a potential housing development has previously been discussed with the owner/private developer of the ½ acre adjoining lot that is located at the corner of 2nd and Granite. There is no specific project proposal at this time. Staff recommends that Council consider selling this property and utilize funds on another project.



First and Main Building. In April 2015, the Town of Frisco executed a lease and option to purchase agreement for the building located at 100 E. Main Street, commonly known as the “First and Main Building,” for \$1.2 million with 4% interest. Annual payments are \$100,000 (interest and principal) and are due on January 1 each year until January 1, 2031, at which time final payment is \$67,729.36. The Town can exercise its option to purchase at any time with 30 days’ notice; current payoff amount is \$774,104.86. The building is adjacent to the Historic Park and is also in close proximity to Town Hall and is approximately a 0.24 acre lot. The building has ground floor commercial and meeting room spaces as well as two (2) existing residential studio units. The Central Core (CC) Zoning District allows for a variety of commercial uses on the first floor along Main Street and allows for commercial and/or residential uses on the upper floors of buildings. The existing First and Main building could be renovated or razed with a new building constructed in its place. The property could also be repurposed as an expansion area for the adjacent Frisco Historic Park & Museum.

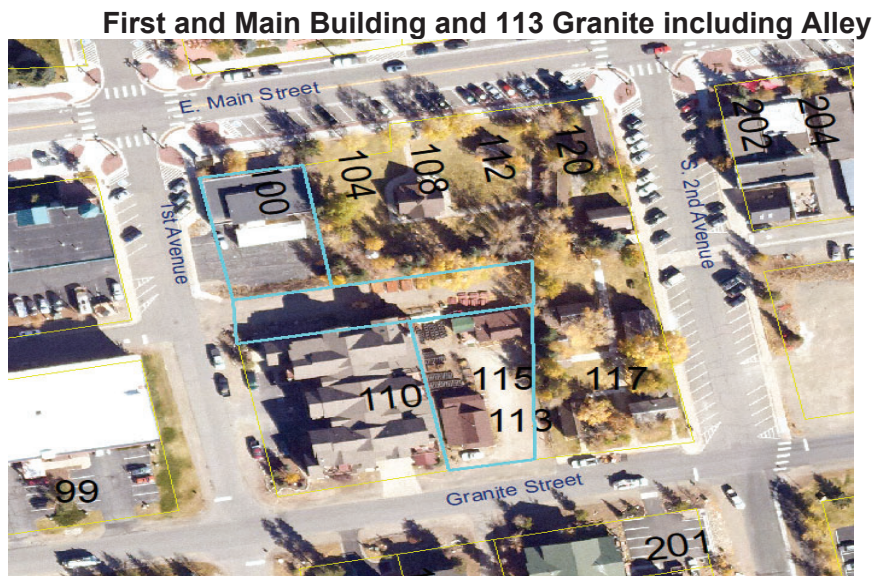
First and Main Building



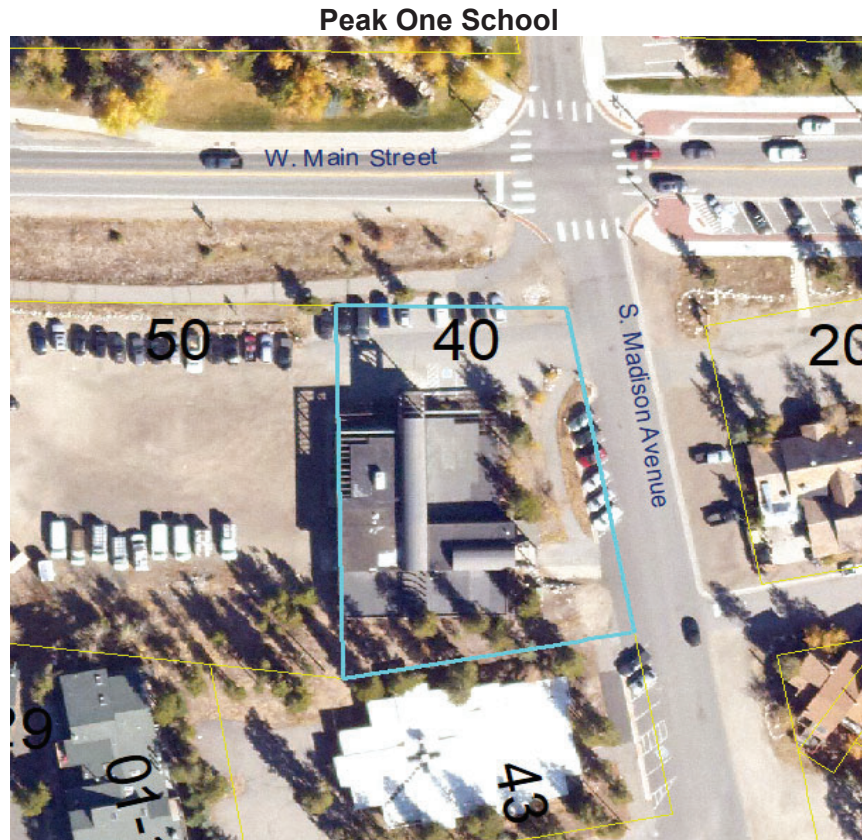
113 Granite Street. The Town owns the 0.25 acre lot, which is located within the Central Core (CC) District, and also zoned as Historic Overlay District (HO) as designated by Ordinance 01-01. The property is currently occupied by an old house and a cabin that are used as Town of Frisco employee housing. Pursuant to §180-4.2.4 of the Frisco Town Code, since the property and existing structures have not utilized any of the incentives outlined within the HO District, the owner shall be entitled to revocation of the HO District designation upon filing of a rezoning application and having a preliminary and final public hearing before the Planning Commission and 1st and 2nd reading of an Ordinance before the Town Council. The 2018 Frisco Housing Task Force Report identified this property as an opportunity site for the construction of multi-family housing and various redevelopment scenarios were explored. Similar to the First and Main Building, this property could also be repurposed as an expansion area for the adjacent Historic Park & Museum or for affordable housing.



- Located between the First and Main Building and 113 Granite is the unimproved Granite Street Alley Right-of-Way (ROW.) The ROW is approximately 8,847 sq. ft. or 0.20 acres. This could be an opportunity for park expansion or future redevelopment including providing additional driveway access to the 113 Granite Street, but it is important to note that the ROW is encumbered by multiple utilities and would be difficult to develop/construct buildings.



Peak One School. The Peak School property consists of 1.31 acres and is located at 40 W. Main Street and owns the adjoining parcel at 50 W. Main Street that is currently used as surface parking. The Peak School is interested in relocating the school to the Town's Peninsula Recreation Area (PRA) and recently presented a preliminary proposal to Town Council. If the Peak School was moved, which is subject to a public vote, the property could be revitalized with the potential for affordable housing and childcare.



2. PARTNERSHIP OPPORTUNITIES

The Town of Frisco currently has several affordable housing partnership projects underway, either in development or in discussions to be developed, including:

619 Granite Street (aka CDOT Lot). Colorado Department of Transportation owns the 0.58 acre lot located at 619 Granite Street that was formerly used as a mobile home park for CDOT employees. Under an agreement with CDOT, the Town and CDOT are sharing costs to develop 80% construction drawings, prior to making a final decision on whether to construct the project.

- The current project design is for 22 rental units (5 Studios/11 One-Bedrooms/6 Two-Bedrooms).
- As of July, construction cost estimates were \$6,058,337 for the project, which is approximately \$241,103 per unit. This does not include the land value or existing utility taps. Estimating the value of the land and utility taps, which will comprise the majority of CDOT's contribution to the project, staff estimates that the Town's share of the construction costs will be approximately \$4.5 - \$5 million.

- On September 2, 2021 the Planning Commission held a public hearing and approved the Major Site Plan Application for this project.

619 Granite Street (aka CDOT Lot)



602 Galena Street – State of Colorado – Workforce Center. This property is currently the home of the Colorado Workforce Center, and is owned by the State of Colorado Division of Employment (CDLE). The legal description is Lots 13-21 of Block 3 of the original Frisco Town site. These nine Town site lots are each 25 feet wide by 140 feet long, so the entire parcel is 31,500 square feet (0.723 acres). The workforce center building was built in 1984, and is approximately 4,153 square feet in size. The parcel is bounded on the north by Galena Street, on the west by 6th Avenue, on the South by Galena Alley, and on the east by a private surface parking lot for the Marina Park Development.

- The property is zoned CC – Central Core, which allows for commercial and residential uses, with residential density set at 16 dwelling units per acre. Using the parcel size of 0.723 acres, the base residential density is 11.57 units, which is rounded up to 12 units per Town Code. Because this parcel is between Galena Alley and Galena Street, Commercial uses are permitted but not required on this property.
- The Central Core zone district also allows bonus density if units are deed restricted to be for sale or rent to no more than 100% AMI. For example, if 8 units were deed restricted, an additional 8 market rate units could be allotted to the property, for a total of 28 units on the parcel (8 deed restricted and 20 market rate).
- CDLE staff is discussing with the Town and Summit County a potential project and/or partnership opportunity for affordable housing on this site. CDLE is working to order an appraisal and the Town has agreements to have a Phase I Environmental Site Assessment and topographic survey completed in September with costs shared accordingly.

602 Galena Street (Colorado Workforce Center)



Lake Hill. Summit County acquired a 44.81 acre parcel on the Dillon Dam Road from the USFS in 2016 as a desirable location for affordable workforce housing. Summit County is preparing the impact study which will assist in continued planning for development of the property.

- Master Planned for 436 units, ownership and rental
- 300 multi-family
- 85 townhomes
- 51 single family/duplexes

Development costs will vary depending on the number of rental vs. ownership units, the size, and the AMI range on the units. The County has indicated a desire to partner with the Town on this project; however a formal request on what that partnership may entail has not been presented to the Town.

Lake Hill



3. **POLICY AND REGULATORY MEASURES**

Currently, the Town of Frisco has a variety of policy and regulatory measures that are in place, while others present opportunities that have potential to create and/or incentivize additional workforce housing. The following lists illustrates what Frisco currently has and the other opportunities that some jurisdictions have called “Best Practices” that present potential for Frisco to create and/or incentivize additional workforce housing:

Current Frisco Housing Measures	Other Opportunities
<input checked="" type="checkbox"/> Density Bonus	<input type="checkbox"/> Incentivize Short-Term Rentals to Long-Term Rentals
<input checked="" type="checkbox"/> Accessory Dwelling Units	<input type="checkbox"/> Inclusionary Zoning
<input checked="" type="checkbox"/> Land Banking	<input type="checkbox"/> Commercial Linkage
<input checked="" type="checkbox"/> Housing Assistance Programs	<input type="checkbox"/> Development Standards – Tiny Homes
<input checked="" type="checkbox"/> Short-Term Rentals	<input checked="" type="checkbox"/> Small Lot Development (Cabin Housing)
	<input type="checkbox"/> Workforce Housing Overlay District
	<input type="checkbox"/> Parking Requirements

Current Frisco Housing Measures:

Density Bonus. A density bonus is granting a developer additional density in a development project if a portion of the bonus units are deed restricted as housing for the local workforce.

Example: Town of Moab. Moab created a Planned Affordable Development (PAD) ordinance, which allows for unlimited density on a property, within development guidelines (setbacks, building height, parking, etc.), in exchange for 70% of the units to be deed restricted under 100% AMI. Similarly, Grand County (of which Moab is the county seat) created a High Density Housing Overlay (HDHO) with allows for density bonuses in exchange for 80% of the units to be restricted for primary residency and active employment. The HDHO has been wildly successful amongst developers, but the PAD has been less successful, which has indicated to local leaders that our housing demand is for restricted units that are dedicated to local residents, regardless of income. Local housing partners are developing a significant amount of income-restricted units, but we are seeing a large donut hole in our housing stock for residents/households who earn too much to qualify for these programs but cannot afford the housing available in our market.

Frisco Opportunities: Frisco currently allows bonus units in certain zone districts if at least one-half of the bonus units are deed restricted for occupancy to persons earning 100% AMI or less. There is no cap on the number of allowed density bonus units; however, development projects must still comply with all zoning standards (setbacks, height, lot coverage, parking, landscaping, etc.) This has been used successfully with the creation of 63 number of deed restricted units since 1998, with 2 units currently under construction and 7 additional units in the planning process.

Currently, the program is limited in availability only to the CC and MU zone districts. Expansion of the program to other zone districts could create more units in more locations, but should be balanced with density limits in various zones. There also may be opportunities to increase the proportion of deed restricted compared to the total bonus units.

Staff recommends initiating a UDC amendment to expand the allowance for density bonuses to additional zone districts. There is no financial impact to implement this recommendation.

Accessory Dwelling Units. An Accessory Dwelling Unit (ADU) is a legal and regulatory term for secondary house or apartment that shares the building lot of a larger, primary home. The unit cannot be bought or sold separately, but they are often used to provide additional income through rent or to house a family member.

Example and Frisco Opportunities: Town of Frisco. Frisco has guidelines for ADUs. In all districts where accessory dwelling units are permitted or conditional, except the PR and PF Districts one ADU is permitted per principal dwelling unit or commercial unit.

Challenge – ADUs have not been developed in Frisco. A primary reason may be that a “lock-off” is a permitted accessory use to residential homes. For practical purposes, a lock-off is an accessory dwelling unit without an oven. Lock-offs do not count as density, do not require physical modification of the building (such as constructing fire rated party walls and separate plumbing services), do not increase property taxes, do not increase water and sewer tap fees, do not require affordable workforce housing deed restrictions, and do not prohibit short-term rental. So, most home owners interested in an accessory unit choose to pursue a lock-off instead.

Staff recommends that Council consider modifications to the accessory apartment and / or lockoff regulations; for example requiring lockoffs to be deed restricted for local employees, and not allowing short-term rental.

Land Banking. Land banking is acquisition of available land in the community to hold it for future housing development, or for sale or trade to fund various housing opportunities.

Example: The Town of Breckenridge and Summit County have each achieved recent success in housing development resulting from acquisition of land well in advance of development. In 2010, Summit County purchased a 2 acre parcel in Dillon Valley, and held the property in reserve until it was ripe for development. In 2020, the Dillon Valley Vistas project was completed, with 12 deed restricted townhomes (100% AMI) for sale to the local workforce.

Example: In 2000, The Town of Breckenridge purchased 128 acres north of Town, known as the McCain property for \$1 million. Over the past several years, several housing projects have been and are continuing to develop, resulting in 80 units constructed and 150 more in the pipeline.

Frisco Opportunities. Frisco has banked land on a limited basis, the primary example being the property at 275 Granite, aka the Sabatini Lot. The Town acquired this property in 1997, and has used it for a number of temporary purposes since, while considering options to use the property for a workforce housing project.

Challenge - The primary challenge for land banking in Frisco is cost and the significant limitation on undeveloped land.

Housing Assistance Programs. The Town of Frisco has several programs that provide opportunities to assist individuals in obtaining housing, either through purchase or lease / rent.

Employee Down Payment Assistance Program. The program was established to assist Town employees in purchasing a primary residence. The assistance is in the form of a loan not to exceed:

- \$40,000 for property located within the Town of Frisco, or
- \$30,000 for property located within Summit County outside of Town limits, or
- \$15,000 for property located within another Colorado county within a 60-mile radius of the Town of Frisco town limits.
- Loans are secured by a second deed of trust, payable for a term not to exceed ten (10) years at an interest rate of 3%.
- This is not a Town budgeted item.
- With mortgage interest rates at a historic low, but home prices at historic highs there has not been any employee down payment assistance applications so far for 2021. In 2020, there was one.

Housing Specific Programs (Housing Helps 2.0). Although these programs have not yet resulted in additional deed restrictions, there has been significant interest by the public since the Council recently amended the Housing Helps program. Staff anticipates that at least three Housing Helps deed restriction purchases will be completed by the end of 2021.

- 2021 budget \$100,000

Short-term Rentals (STR). Short-Term Rental is a dwelling unit, or portion thereof, that is offered or provided to a guest by a short-term rental owner or operator for a fee for fewer than thirty consecutive nights. They are commonly referred to as vacation rentals. Short-Term Rentals may be a whole house, apartment, condominium, townhome, duplex, or individual rooms in homes.

Example: Town of Crested Butte. In 2017 the Town of Crested Butte set the fees to be charged for vacation rental licenses. An Unlimited Vacation Rental License and a Primary Residence Vacation Rental License are available. The Unlimited Vacation Rental License is subject to 30% cap of the free market residential units located in permitted zones. This is a two year rolling license that requires two years of fees paid in advance at \$1,500 the initial year and \$750 each year thereafter to keep the license active.

- Crested Butte has approximately 700 residential units and the 30% cap for Unlimited Vacation Rental License maxes out at approximately 212 Short-Term Rental Licenses.
- Currently Crested Butte has 212 STR Licenses and has reached the max cap.
- The Primary Residence Vacation Rental License may be issued to vested title property owners who reside in their property. The property owner is required to submit a primary residence affidavit. The license carries an annual fee of \$200.
- No cap on how many STRs, but are restricted to 60 nights per calendar year
- Currently have 12 STRs (*number fluctuates periodically*)

Example: Town of Breckenridge. Breckenridge Town Council held a community discussion about capping short-term rentals at their August 24th Work Session. The Council directed Town staff to draft legislation capping the short-term rental licenses to 2,200. According to the Work Session memo, Breckenridge currently has 3,945 licensed short-term rental units, which amounts to 52% of the Town's housing stock. Town Council will consider an ordinance to enact this change on Sept. 14th and a second reading on Sept. 28th. Should the legislation pass second reading, it will take effect 35 days after the Council vote – Nov. 2.

Frisco Opportunities: The Town adopted regulations on short-term rental of residential properties in 2019. Frisco currently has a population of over 3100, and approximately 3600 housing units. Of those, approximately 638 are short-term rentals. This represents about 17% of our total housing units. Many are concentrated in condominium developments; however, there are STRs located in nearly every residential area of the Town. While the majority of STR properties are

primarily used only as a commercial lodging enterprise, there are a number of full-time residents that rent out a portion of their residence as an STR, or rent out the property during peak seasons or at other times they are not using the residence in order to offset living expenses.

Challenge – STR Regulations continue to be a matter of concern throughout the community. As communities continue to evaluate their STR programs and look to the future, several options have either been utilized or are being discussed including:

- Establish a limit to the number of STR Licenses via a percentage of total units
- Establish a limit to the number of STR Licenses via a number of maximum licenses
- Limit STR Licenses in certain neighborhoods or zoning districts
- Implement a STR Impact Fee
- Implement a STR Excise Tax
- Ask the voters to approve a new tax on STR Licenses

Other Opportunities:

Incentivize Long-Term Rentals. One of the solutions most discussed in the community includes incentivizing owners of short-term rentals to convert their properties to long-term rentals.

Example: The Town of Truckee Workforce Rental Grant Program includes a set of incentives for homeowners that shift from renting their home from short-term to long-term – or not renting at all – to 3 to 12-month (or longer) lease arrangements with locally employed tenants.

- The Town has partnered with Truckee based local housing business, Landing Locals, to market and administer the program. Participating and qualifying homeowners will receive grants ranging from \$1,000-\$10,000 and free tenant-matching services as part of the program.
- Tenant qualification in this program is based on annual income. The average annual income of adult residences of a household (unrelated or related) cannot be more than 150% of the area median income (\$97,050 per person)
- Since the program's inception in December 2020, this program has converted 20 residences to long-term rentals, housing 36 Truckee residents. For context, this does represent a very small portion of the Truckee housing stock.
- Truckee Population – approximately 17,000
- Number of Residential Units (housing stock) – approximately 14,000
- Percentage of units with STR Permits – approximately 1,540-1,680 STRs (11-12%)
- As of July, the program is moving to grants based on number of people served vs. homes converted. Goal is to house 100 people per year.
- Grants are given in 3, 6, 9, 12 months, and rooms are now in the program
- Annual Budget to run the program is about \$300,000, including \$80,000 contract with Landing Locals to operate/market program.
- Thus far, program costs have been approximately \$220,000

Example: Big Sky, Montana. The Big Sky Community Housing Trust has created the Rent Local Cash Incentive Program to switch owners from renting short-term to renting to local workers.

- The pilot program started on August 1, 2021
- Funded by Resort Tax and Spanish Peaks Community Foundation
- Lease Options and Cash Payments including:
 - \$1,500 for 6-month lease
 - \$6,750 for 12-month lease

- \$14,500 for 24-month lease

Example: Winter Park is laying the foundation for a new program that would pay cash to convert short-term rentals into long-term workforce housing. On August 17, 2021, the Town Manager presented the Winter Park Town Council with a proposal that would offer cash to short-term rental owners who would change their rental model to offer 6-month or 12-month leases to qualifying members of the workforce.

- The Town would dedicate \$325,000 for the pilot program.
- Town staff believe the program could generate workforce housing units in the very near future and would have a larger and faster impact than the Town continuing to pursue the acquisition of existing buildings or property development.
- Program proposal suggested that businesses rent the units from the property owners and then sublease to their employees. Structuring it this way, the property owner can hold the business owner responsible for any damage to their unit.
- Grant amounts being considered:
 - Studio and 1-bedroom - \$5,000 per 6-month lease
 - 2 and 3-bedroom - \$10,000 per 6-month lease
- Challenge – Potential pushback from property owners who are already long-term renting. The intent of the incentives is to make new units available for workers in Winter Park, thus helping the Town's existing businesses. The targeted entities to be benefited by the expense of public dollars are the businesses that generate the Town's revenue.
- Many of the program details have yet to be worked out, but the goal is to create around 40 workforce housing units as quickly as possible. Winter ski operations typically begin mid-November to early December. Could expand the program to property owners who don't currently rent at all.

Frisco Opportunities. This is a new concept that doesn't exist on a large scale in resort areas and there is no set plan to pull from. It would be a pilot program for the Town which would include inventing a process, criteria, eligibility, who would administer the program, who will screen tenants and manage property, determining an implementation timeline, goal of how many units to convert, and how much funds should be allocated to start the program.

Challenge – Unlikely conversion of an STR property that an owner periodically uses. Many STR properties have reservations/guest bookings into the future and won't be able to convert until after the winter season.

Staff is investigating options for an incentive program to encourage some rental property owners to convert their short-term rentals into long-term rentals to provide additional workforce housing options. A survey was sent on August 13th to all active STRs in regards to a short-term to long-term rental conversion opportunities. Deadline for responses is August 31st. This survey will help identify the biggest barriers to renting long-term and which solutions could be most helpful in overcoming those barriers. Full survey results were not available by the time of publication of this staff report, but staff can come back to Town Council at a future Council Meeting.

Inclusionary Zoning (IZ). A zoning land use requirement that a certain percentage of new and redevelopment residential construction projects be sold or rented below market rate. IZ programs can be implemented town-wide or be limited in scope to certain geographic areas such as specific zoning district. IZ programs typically allow multiple options for developers to meet the

requirements such as constructing on-site deed restricted dwelling units, constructing off-site deed restricted dwelling units, deed restricting existing off-site dwelling units, paying a fee-in-lieu, land donations, etc. Prior to adopting an inclusionary zoning ordinance, local governments conduct a feasibility study to evaluate the economic development impacts of such a policy and a nexus study to determine the maximum legally defensible associated fees. Such studies are typically prepared by a qualified consultant. The benefit of inclusionary zoning is that it leverages future growth to facilitate affordable workforce housing and neighborhood diversity at no direct cost to the public or local government. The critique of inclusionary zoning policies is that it can be a disincentive to future residential development which could be counter to a community's economic development and housing goals. There is also the potential for cost-shifting where the developer's costs for building below market rate units are passed along to other homebuyers which could further increase market rate housing costs. In resort areas like Frisco, as residential properties change ownership or redevelop there is a high likelihood that homes currently occupied by the local workforce will be converted into vacation homes or short-term rentals. Inclusionary Zoning is one tool that help reduce the net loss of existing workforce housing opportunities.

Example: The Town of Avon just implemented a 20% mitigation requirement. The City of Salida implemented an Inclusionary Housing Ordinance in 2018 requiring new developments to include 12.5% of their housing units as affordable to 80% AMI. In early 2019, the City of Moab passed a Workforce Assured Housing Ordinance (WAHO), which is an inclusionary zoning (IZ) ordinance specific to overnight accommodations industries. The ordinance is specific to overnight accommodations because an economic impact analysis indicated an IZ policy would not be economically viable for other commercial industries, and it would be minimally viable for second and/or high-end homes, but because second homeownership is not identified until the property is built and assessed, the IZ policy does not apply to this development typology. They received approximately \$1.6MM in fees-in-lieu from the WAHO. Within the following year, the city placed a moratorium on and eventually removed overnight accommodations from their land use code, which has halted the development of this development type, but it has also halted income to this funding source.

Frisco Opportunities: Staff recommends the Town of Frisco pursues Inclusionary Zoning regulations. Such a policy could be implemented by amending the Unified Development Code by ordinance. This policy could be implemented through the Town's existing development review processes.

Commercial Linkage (CL). A fee assessed on nonresidential construction projects for the purpose of mitigating impacts of increased affordable workforce housing demand generated by increased employment from the commercial development. Fees are typically assessed based the type of commercial business and the associated floor area square footage. CL is very similar to inclusionary zoning, just applied to nonresidential rather than residential development. A critique of commercial linkage policies is that it can be a disincentive to future nonresidential development and that is could result in increased commercial rental rates which could be counter to a community's economic development goals.

Frisco Opportunities: The Town of Frisco does not have a commercial linkage requirement at this time. Similar to Inclusionary Zoning such a policy could be implemented town-wide or in strategic zoning districts. Implementing such a policy would require amending the Unified Development Code by ordinance. This policy could be implemented through the Town's existing development review processes.

Challenge - Given the limited amount of new commercial development projected in Frisco, Staff does not recommend pursuing this policy at this time.

Development Standards - Tiny Homes. The Frisco Unified Development Code does not include specific regulations to facilitate “tiny homes”. The Frisco Unified Development code also prohibits mobile homes and mobile home parks. It also only allows campers to be occupied in a formal campground. The UDC does include a Cabin Housing land use which is already permitted in many of Frisco’s zoning districts. Cabin Housing allows a 50% increase in allowed density in exchange for caps on the size of dwelling units and the provision of affordable deed restricted housing for Cabin Housing projects with 5 or more units. There is only one Cabin Housing project in Frisco. Various developers have explored this option over the years but the economics of small unit development doesn’t compete effectively against larger scale development options that are a use by right.

Frisco Opportunities: Staff recommends amending the zoning regulations to facilitate tiny homes and to better incentivize Cabin Housing in return for more workforce housing deed restrictions (Small Lot Development).

Small Lot Development. Allowing development on smaller lots can facilitate lower cost homes through increased density and reducing land costs. The Frisco Unified Development Code requires minimum lot sizes in most of its residential and mixed-use type zoning district. The minimum lot size is typically 10,500 sq. ft. (0.24 acres) which happens to correspond to the combined size of three lots from the original Frisco Town site (25’ x 140’ each). The Peak One Neighborhood is an exception and has a minimum lot size of 3,000 sq. ft. for single-family homes and 4,000 sq. ft. for duplexes.

Frisco Opportunities: A reduction in minimum lot requirements could be explored in more zoning districts in return for workforce housing deed restriction. Given the current housing market pressures, simply constructing a smaller sized dwelling unit in the absence of a deed restriction will not necessarily generate an affordable housing opportunity.

Workforce Housing Overlay District. Today, the Frisco Unified Development Code includes a Historic Overlay District provision. This zoning overlay district allows for relief from specific development standards (lot coverage, setbacks, lot area and frontage, density bonus, parking, landscaping, bulk plane, etc.) in exchange for the preservation of qualified historically buildings. A similar concept could be used as an incentive for the construction of affordable workforce housing projects. Qualification criteria would be established and the scope of zoning relief options would be defined.

Example: Moab created a Planned Affordable Development (PAD) ordinance, which allows for unlimited density on a property, within development guidelines (setbacks, building height, parking, etc.), in exchange for 70% of the units to be deed restricted under 100% AMI. Similarly, Grand County Utah (of which Moab is the county seat) created a High Density Housing Overlay (HDHO) with allows for density bonuses in exchange for 80% of the units to be restricted for primary residency and active employment. The HDHO has been wildly successful amongst developers, but the PAD has been less successful, which has indicated to local leaders that the housing demand is for restricted units that are dedicated to local residents, regardless of income.

Frisco Opportunities: Amend the zoning regulations to establish a housing overlay district that provides relief from certain development standards to facilitate and incentivize affordable workforce housing projects.

Parking Requirements. Today, the Frisco Unified Development Code includes on-site parking minimums to help ensure basic quality of life standards for residential development. It has also been observed that the parking requirements can be challenging when planning for higher density affordable housing developments. The current regulations include parking incentives for deed restricted workforce housing and historic preservation to further the high-priority goal of an Inclusive Community, and creating additional parking options or reductions may further support this goal.

However, another consideration is with the recent experience of the COVID-19 pandemic. While the pandemic accelerated the transition to remote work for many, it also highlighted that remote work is not an option for a significant portion of the workforce including those identified as “essential” workers. While remote workers, small households, and more affluent households may be trending toward lower demand for personal vehicles; many essential workers, multiple person households, and lower income households may not be sharing that same experience and may have no option other than a personal vehicle for daily travel to and from work.

Frisco Opportunities: Parking regulations related to development have been modified several times since they were initially established several decades ago. Parking and other regulations should continually be evaluated in the context of evolving community priorities and values, new technology, and development trends.

4. FUNDING AND FINANCE

There are several methods for funding any of the aforementioned programs. Frisco is currently utilizing some, and could pursue opportunities for others including grants.

Current Housing Funds	Funding Opportunities
<input checked="" type="checkbox"/> SCHA 5A Tax and Affordable	<input checked="" type="checkbox"/> Real Estate Investment Fee (REIF)
<input checked="" type="checkbox"/> Affordable Housing Development Impact Fees	<input type="checkbox"/> Short-Term Rental Excise Tax
	<input type="checkbox"/> Housing Impact Fee
	<input type="checkbox"/> Short-Term Rental or Second Home Tax
	<input type="checkbox"/> Low Income Housing Credits (LIHTC)
	<input type="checkbox"/> 2021 Legislative Funding for Affordable Housing and Grants
	<input type="checkbox"/> Federal Infrastructure Bill

Current Housing Funds:

SCHA 5A Tax. The voters in Summit County voted to support workforce-housing needs by passing the Summit Combined Housing Authority Referred Measure 5A in November 2006, and then renewing the measure in perpetuity in November 2015. The measure authorizes a sales and use tax of one eighth of one percent (0.125%) and a Development Impact Fee of two dollars or less per square foot for new construction. The cumulative funds collected are to be used for affordable workforce housing purposes (e.g., land purchases, construction of new homes, and purchases of existing homes for employee use.

- With the ongoing and pressing affordable housing shortage throughout the County, local municipalities and the County have begun discussing the feasibility of extending the added

0.6% tax, which would then result in the retention of the current tax of 0.725%, which has generated approximately \$1.5 annually in revenue since 2017.

- The SCHA voted at their August 25, 2021 meeting to place on the ballot a 20-year extension of the tax to January 20, 2046.

SCHA 5A Data:

- There continue to be ongoing administrative fees and some minor housing related expenditures used from this fund and this year the Town has budgeted a significant amount for projects as they arise.
- Actual 2021 beginning fund balance was \$6,667,177. 2021 revenues are projected at \$1,815,040; expenditures are projected at \$1,339,714, resulting in a projected 2021 ending fund balance of \$7,142,503. There is no required reserve for this fund.
- January-June 2020 collection for TOF was \$625,994
- January-June 2021 collection for TOF was \$790,099. For the same period of January-July compared to 2020 was an increase of 26.25%
- 2021 budget \$1,350,000
- 2021 projection is \$1,652,000

Affordable Housing Development Impact Fees are assessed on new construction and additions, as applicable. Property developers and owners have the option of avoiding the impact fee at the time of building permit issuance by voluntarily imposing a private transfer fee upon subsequent sale of the property.

Affordable Housing Development Impact Fee:

- 2020 budget - \$50,000/ actual \$115,000
- 2021 budget \$50,000

Funding Opportunities:

Real Estate Investment Fee (REIF). Real Estate Investment Fees, commonly referred to as a transfer tax, occur on the transfer of all real property located within municipal limits. The fee is calculated based on the total consideration paid for the transfer of interest in the property and is due upon closing.

Example: A 3% Land Transfer Excise Tax is imposed on the sale of all real property within the Town limits of Crested Butte. Half of this tax goes to the preservation of open space outside the Town limits of 1991. The other half goes into the Town's General Capital Fund.

Example: A 2% REIF is imposed on the sale of all real property in the Town of Avon and is used for capital improvements. Avon does not currently have dedicated funding sources for housing. Avon Council may transfer up to 10% of the REIF revenue each year to Community Housing.

Frisco Opportunities: Since June 6, 1989, Frisco has collected a REIF on the sale of most properties within the Town of Frisco. The fee of 1%, is collected at property closing, pursuant to §160-10 and shall be expended for recreation and open space unless the Council determines from time to time that the funds should be expended on capital projects that benefit the Town. Historically, this has not been used for housing. Similar to Avon, the Frisco Town Council could choose to have a certain percentage of the annual REIF revenue allocated to Housing.

REIF Data:

- January-July 2020 collection for TOF was \$757,626
- January-July 2021 collection for TOF was \$1,296,092. For the same period of January-July compared to 2020 was an increase of 71%.
- 2021 budget \$1,400,000
- 2021 projection is \$2,200,000

Short-term Rental Excise Tax. This is an excise tax specifically applied to short-term rental stays, similar to a lodging tax.

Example: Crested Butte has a 5% Excise Tax on all Vacation Rental/Short-Term Rentals, since 2018. The 5% Excise Tax revenue is specifically allocated to the Affordable Housing Fund.

- This is in addition to the current 4.5% Town of Crested Butte Sales Tax on Vacation/Short-Term Rentals. The total tax to be collected on all Vacation/Short-Term Rentals is 18.4% which is broken down as follows:

State Sales Tax	2.9%
Gunnison County Sales Tax	1.0%
RTA Sales Tax	1.0%
Local Marketing District Sales Tax	4.0%
Town of Crested Butte Sales Tax	4.5%
Town of Crested Butte Excise Tax	5.0%
Total Tax	18.4%

- This November, the Town of Crested Butte plans to have a Ballot Measure Question seeking to raise the 5% Excise Tax to 7.0% and raise the 4.5% Sales Tax on Short-Term Rentals by .5% for a total of 7.5%.

Example: Mt. Crested Butte has a 2.9% Excise Tax on all STRs that is dedicated for affordable/workforce housing.

Example: Telluride has a 2.5% Excise Tax on STRs, which passed in 2019.

Frisco Opportunities: Currently Frisco has a 2% Sales Tax and 2.35% Lodging Tax for a total of 4.35% for STRs that must be remitted directly to the Town. STR Owners are required to remit all applicable taxes for a total of 10.725% broken down as follows:

State Sales Tax	2.9%
Summit County Sales Tax	2.0%
Summit County Mass Transit Tax (Summit Stage)	0.75%

Special District (Summit County Housing Authority) Sales Tax	0.725%
Town of Frisco Sales Tax	2.0%
Town of Frisco Lodging Tax	2.35%
Total Tax	10.725%

- Frisco Town Council could choose to have a Short-Term Rental Excise Tax (i.e. 2.5% or 5%), but would be subject to a public vote with a Ballot Measure (i.e. April 2022).

Housing Impact Fee.

Example: Town of Breckenridge is currently evaluating the possibility of a “Workforce Housing Program Fee.” They have contracted with EPS (the consulting firm who conducted the 2019 Housing Needs Assessment) on a scope (and ultimately a proposal) for a study that would be needed to implement such a fee.

Frisco Opportunities: At the June 22nd Frisco Town Council Meeting, Council briefly discussed the idea of a “Workforce Housing Program Fee” as well as the EPS consultant agreement with the Town of Breckenridge and at that time were not aligned with pursuing a joint partnership for the study.

Short-term Rental or Second Home Tax. This would be a fee or tax imposed on any residential property that is not a primary residence or is listed for rent for 6 months or more per year.

- Example: Crested Butte is putting a question on the November 2021 ballot to consider a \$2,500 flat tax on these non-primary residence properties.

Low Income Housing Tax Credits (LIHTC). The Low Income Housing Tax Credit (LIHTC) program was created by Congress in 1986 as Section 42 of the Federal Tax Reform Act. Its purpose is to encourage the construction cost and rehabilitation of low income rental housing by providing a federal income tax credit as an incentive to investors. Both individual and corporate investors may receive 10 years of tax credits in return for investing equity capital into the development of eligible housing projects (*larger scale developments that are bigger than 25 units*).

2021 Legislative Funding for Affordable Housing.

HB21-1271 Department of Local Affairs (DOLA) Innovative Housing Strategies. Creates 3 different grant programs in DOLA and additional details and guidelines are slowly rolling out this fall.

1. The first program is called Local Government Affordable Housing Development Incentives Grant Program and provides grants to local governments to develop one or more affordable housing developments in their community that are livable, vibrant, and driven by community benefits. State funding available will be \$37.7 million and award amounts have not been determined, but a local match of 20% of the total project cost is required. These incentive grants can help cover tap fees, infrastructure, parks/playgrounds and other needs and amenities that support the affordable housing project. Local governments are encouraged to pick one or two shovel-ready projects that can spend all of the funds by June 2024, and provide gap funding. DOLA anticipates providing additional program details later this fall.
2. The second grant program is the Local Government Planning Grant Program and State funding available is \$6,816,000. Colorado municipalities and counties are eligible to apply

and grant award amounts will vary in range from \$50,000-\$200,000 (no set max). Local match of 25% of the total project cost is required. Money under the planning grant program will be available to a local government to enable them to retain a consultant to identify housing needs. The deadline for first review of applications is September 20, 2021. Applications will then be reviewed and awarded on a rolling basis monthly until funds are depleted.

3. Finally, the act creates Affordable Housing Guided Tool Kit and the Local Officials Guide Program. The purpose of the housing toolkit program is to provide local governments the tools to begin the process of identifying their housing needs.

HB21-1274 Unused State-Owned Real Property Beneficial Use. Concerning the beneficial unused state-owned real property, and, in connection therewith, directing the department of personnel to inventory such property and use such property to promote affordable housing, child care, public schools, residential mental and behavioral health care, and renewable energy development.

- 602 Galena Street – State of Colorado – Workforce Center

SB21-242 Housing Development Grants Hotels Tenancy Support Program. Expands the use of the Housing Development Grant Fund in DOLA. The funds may be used for tenancy support services, including those that target individuals experiencing homelessness, and for grants and loans to local governments and non-profits for the rental, acquisition, or renovation of under-utilized hotels, motels, and properties to provide no congregate sheltering or affordable housing.

- Alpine Inn, in Frisco, was recently leased by Summit County for conversion of 32 hotel rooms into affordable workforce housing, and was ready for move-in late August. Individuals must work full time, 30 hours a week on average in Summit County for a business providing goods and services to the County (Excludes remote work that could be done outside of the County, i.e. tech workers for out of county businesses) Income priority of 80% AMI or less; if rooms are still available after 80% AMI selections then those with incomes of 100% AMI or less.

Federal Infrastructure Bill. On August 11, 2021, the U.S. Senate passed a \$1 trillion infrastructure bill. It is intended to rebuild roads and bridges, bring lead-free drinking water and reliable broadband to more regions of the country, require domestic production of personal protective equipment, build nationwide electric vehicle charging network and invest in new electric transmission lines to clean energy.

- Lake Hill

Financial Impact: Financial analysis will be ongoing, depending on the extent of participation in each program. Each of the programs or initiatives listed above will have a budget impact. Additionally, there are a number of funding sources becoming available at the State and Federal levels, as mentioned above, which could be used to offset some of these costs.

Alignment with Strategic Plan: Workforce housing is specifically identified in the *Inclusive Community* priority of the Strategic Plan. However, as mentioned at the outset of this report, having an adequate supply of workforce housing in the community are critical to each of the Strategic Plan Priorities. Workforce housing is directly related to the *Thriving Economy, Vibrant Culture and Recreation, and Quality Core Services* priorities, as having skilled employees is vital for both the private and public sector of our community. Additionally, having an adequate supply of workforce housing within the community has a positive impact on the *Environmental*

Sustainability priority, demonstrated through a reduction in vehicle miles travelled by commuting employees, and therefore, vehicle emissions.

Environmental Sustainability: Ensuring availability of workforce housing has indirect benefits to the environment, as noted above.

Staff Recommendation: Staff is seeking to confirm the Town Council's housing priorities, expectations and direction on what strategies staff should focus on moving forward. Any action items selected by Town Council will be discussed in further detail at a future Town Council meeting.

Approved By: This report has been reviewed and approved by:

Don Reimer, Community Development Director
Bonnie Moinet, Finance Director
Tony O'Rourke, Town Manager

Attachments:

Attachment 1 – Summary from Housing Action Initiatives Meeting July 21, 2021
Attachment 2 - CAST Housing Survey Summary (August 2021)
Attachment 3 – 2019 Summit County Housing Needs Assessment