



MEMORANDUM

P.O. Box 4100 ♦ FRISCO, COLORADO 80443

TO: MAYOR AND TOWN COUNCIL
FROM: DON REIMER, COMMUNITY DEVELOPMENT DIRECTOR
RE: STRATEGIC PLAN - HOUSING STRATEGIES
DATE: MARCH 9, 2021

Summary and Background: The 2020-2021 Town Council Strategic Plan includes two inter-related topics as part of the Inclusive Community Strategic Priority. These include the High Priority Goals of Increasing Full-Time Residents to 50%, and Creating a 5-year Housing Capital Project Plan. Staff previously presented population background information and housing data at the November 10, 2020 Town Council work session.

At that time, Council discussion honed in on why it is desirable to increase the number of full-time residents as it relates to the character and sense of community, supporting a less cyclical economy, and maintaining the small town character that Frisco has been known for.

Over the past couple of months, Council has also been holding visioning sessions which further expanded on this concept, and how to achieve that vision of Frisco's future. Further, housing is not just a set of stand-alone goals, but is integral to achieving a vision for the community as well as many Town Council strategic plan goals.

Analysis: The baseline housing data presented on November 10, 2020 identified a number of gaps in housing data, which can be improved as new information, such as 2020 census results are obtained. However, Council also recognized that the exact data is less important than data trends, and the types of data which could be useful in monitoring to mark progress to Town goals. As a hypothetical example: if the data showed that the percentage of two and three bedroom units that were available for rent on a short-term basis was decreasing at the same time that proportional occupancy of larger two and three bedroom units was increasing, that could be an indication that more families were making Frisco their home, supporting the vision of maintaining small town character.

The following discussion presents the Town's housing inventory in a variety of different ways in order to identify what is missing, and therefore, what inventory should be the target of the Town's housing strategies.

Housing Statistics

The County Assessor maintains a database of all property within Summit County. Reviewing this database provides insight on the composition of the housing inventory, relative value of housing units, and opportunities for occupancy by local residents. The following is a breakdown of the Town's housing inventory by type and bedrooms:

<u>Type of Housing</u>		<u>Number of Bedrooms</u>	
Single family	29%	Studio:	3%
Townhome:	25%	1 bedroom	9%
Condominium	45%	2 bedroom	41%
		3 bedroom	36%
		4+ bedroom	14%

These two data sets indicate the largest percentage of dwelling units in Frisco are condominiums, and over half of all dwelling units are two-bedrooms or less.

Property by Valuation and Qualifying AMI Household Income

The Assessor's data also includes "2020 Taxable Value" for each property. To be clear, the taxable value is useful as an indicator of market values, but in 2021, it generally is significantly lower than the list price in real estate listings. For example, Mountainside C-111, which the Town recently purchased, had a 2020 taxable value of \$339,653. However, the purchase price was \$410,000, and was comparable to recent sales in Town and within that complex.

A rough breakdown on the numbers of units for each range, based on 2020 total taxable value is presented below. This breakdown **does not include** the 154 deed restricted properties within the Town. As a reference point, the qualifying Area Median Income (AMI) range for a two-bedroom (3 person) household is included, which stops at 160%. As shown, fewer than half of the market rate (non-deed restricted) housing units in Frisco have a Taxable Value of less than \$600,000, which is also the highest value in the AMI range.

<u>2020 Valuations:</u>	<u>Percent</u>	<u>AMI Range</u>	<u>Household Income</u>
\$200k - \$300k	4	75 - 85%	\$73,440
\$300k - \$400k	9	90 - 110%	\$86,000
\$400k - \$500k	16	115 - 130%	\$105,000
\$500k - \$600k	18	140 - 160%	\$120,000
\$600k - \$700k	15	160% +	\$138,000 +
\$700k - \$800k	11		
\$800k - \$900k	8		
\$900k - \$1 mill	5		
\$1 - \$1.1 million	3		
\$1.1 - \$1.2 million	3		
\$1.2 - \$1.3 million	2		
1.3 million +	6		

Deed Restricted and Employee Housing

Depending on the data estimate source used, Frisco currently has a population of just over 3100, and approximately 3600 housing units. Of those 3600 housing units, 154 (4%) are deed restricted to require occupancy by a person employed within Summit County, and in some cases further restricted to employment within the Ten Mile Basin or Frisco Town Limits. These deed restrictions commonly, but do not always, include income limitations for the occupant to a certain level of AMI. These properties are located in primarily deed restricted neighborhoods such as Peak One Neighborhood and South End Village, but also include units within predominately market rate developments such as Town Center, Basecamp, and Drake's Landing (Attachment 1).

The Town of Frisco also owns 16 housing units. Over the years, the Town has typically rented these units to Town employees, although the Town Council could direct staff to make some or all of these units available to the public. These include:

- 2 units above the Town Public Works shop
- 2 units above the 1st and Main building
- 2 “cabins” at 113 and 117 Granite, adjacent to the Historic Park
- 5 units at Mary Ruth Place on Galena
- Town Manager residence
- Available for employees in Ten Mile Basin: 4 units at Mary Ruth Place on Galena

Not included in this total is the recently acquired Mountainside condo unit. This unit could be rented, or have a deed restriction placed on it and re-sold for a lower price, which was discussed by the Town Council at their February 9, 2021 meeting.

Short-Term Rentals

Currently, approximately 620 housing units (17%) have a short-term rental (STR) license, which allows the owner to rent out all or a portion of the residence for all or parts of the year. The great majority of these STR units are available for rent on a year-round basis, and therefore these are not reasonably utilized or available for occupancy by local residents or employees.

Also worth noting is that the Town STR licensing program is relatively new, and Town staff is continually identifying additional properties that are coming into compliance with the STR licensing program. Since November 10, 2020 the number of STR licenses has increased from 581 to 622. Based on this and other anecdotal information, staff anticipates that this number will steadily increase as the STR licensing program gains further compliance.

Housing Bridge.

The consultant team of Insights Collective presented a graphic showing a “Housing Bridge” (Attachment 2) at the Town Council visioning session on February 11, 2021. The graphic showed a method of looking at a spectrum of housing types and AMI levels, which may be present in any community, and which should be present in an inclusive community. While there is no set formula or ratio for any community, it does follow that most communities should have some proportion of most types of housing. The table below utilizes the categories from the Housing Bridge, along with estimated proportions of each type in Frisco:

<u>Income Description</u>	<u>Housing Description</u>	<u>AMI Range</u>	<u>Estimated % of Units</u>
Very Low	Emergency Shelter / Transitional	0%- 30%	0
Low	Affordable Subsidized Rentals	31%- 60%	0
Moderate	Market Rentals	61% -80%	3
Middle	First Time Home Buyers	81%-100%	7
Middle	Entry Level Subsidized Housing	101%-120%	13
Upper Middle	Entry Level Market Housing	121%-150%	9
Upper	Step Up Market	151%-180%	9
Upper	High End Market	180% and above	59

Reviewing the table, it is apparent there are not many units in the lower income levels, and therefore those income levels may be the place to target opportunities. This concept is similar to information presented in the county-wide Summit County Housing Needs Assessments which are updated every few years, most recently in March 2020, which have consistently identified a lack of housing availability in particular in the lower AMI rental and ownership categories, but also reflect limited availability in the higher 120 and 140 AMI categories.

Recent Developments.

Over the past few years, new housing has primarily been developed as market rate development, with a smaller number of deed restricted units being created by a developer’s use of density bonus provisions in the Code. Further, most recent development projects have been focused and marketed to non-residents. An example is the recently completed Estates on Galena. For this 13-unit project, 11 of the new owners have mailing addresses outside of Summit County.

While it may be that these owners are transitioning to becoming Frisco residents and have not yet updated their mailing addresses with the Assessor’s office, it is unlikely that the majority of these properties will be local residents in the near term. This is reflected in another recent project, Town Center, which was completed in 2015. Of the 12 market rate units, only one owner has a Frisco mailing address. What this shows is that market rate developments are not meeting the goal of increasing the number of full-time Frisco residents, which if these trends continue where non-resident housing creation vastly outpaces development of housing geared to local residents, has the potential to impact the community character that we value.

Frisco Housing Strategy.

In 2011, there were approximately 46 deed restricted properties within the Town, meaning that in the past 10 years the Town has tripled that number, mostly through the completion of the Peak One Neighborhood; but also through other strategies such as buydowns of properties (Coyote Village), density bonuses for developers (Town Center), and Town projects (Mary Ruth). Private developers have primarily targeted market rate housing.

While the Town has successfully increased the raw number of deed restricted and employee units, this has not kept pace with the rate of loss of housing opportunity for local employees. Using current strategies, it will be challenging to catch up to the rate that additional non-resident housing is being created, let alone increasing the number of long term residents in Town. As described in the November 10, 2020 staff report, even if no additional dwelling units were created, increasing full-time occupancy to 50% would be equivalent to converting approximately 275 units to housing for full-time residents.

Current Development Projects.

The Town is currently working on development of two workforce housing projects. The first, 619 Granite, is a partnership with the Colorado Department of Transportation (CDOT). This project is in the early stages of design for between 20-24 rental housing units, which will likely target at 100% AMI monthly rent. The project is tentatively scheduled for the March 23, 2021 Council to provide an update on the design and the next steps in the project. Completion of designs are anticipated by December 2021, with the potential to break ground in Spring 2022.

The second project is a potential project for a Town owned lot at 275 Granite, commonly known as the Sabatini Lot. Staff is drafting an RFP for release on March 10, 2021, for a development partner to develop this property. Staff estimates between 14 and 18 units could be built on this property, with a target to begin construction by the summer of 2022.

Private developers also continue to propose developments which may incorporate some housing for local employees. An example is the Granite Vistas project at 317 Granite, which received a density bonus to include two deed restricted units in exchange for two additional market rate units, with a total of seven market rate units in the project. Centura has also submitted an application for site plan approval for a 37-unit housing project adjacent to the new Medical Office Building on School Road which has been indicated to be an affordable housing development.

Other Options to Increase Local Residency.

The combination of the projects noted above has the potential to add approximately 73-81 additional residences for local workers within the next few years. This is a good start, but the Town will have to continue to identify additional opportunities to increase the housing available for local employees and residents. It is unlikely that solely building new residential units will be sufficient to achieve this goal, so other options may need to be considered.

Several regulatory options or other programs which could be employed to increase the proportion of full-time residents in Frisco were discussed at the November 10, 2020 Town Council work session. While there were no specific actions directed, the Council discussion focused less on regulatory changes and more on options such as continuing to utilize 5A funds to create housing, potentially using 5A funds to incentivize conversion of short-term or second residences to long-term rentals, marketing Frisco as a great place to live full-time, and improving or increasing

amenities that are specifically available or targeted to residents. Other ideas included potential to rebate REIF over time for local residents, and offsetting of water tap or building permit fees for deed restricted housing projects. The presentation by Insights Collective and the subsequent Council discussion at the February 11, 2021 meeting supported some of these concepts to enhance the quality of life of local residents, which may encourage more part-time residents to become full-time residents.

Housing Helps Program.

There has been some discussion about the Frisco Housing Helps Program, whether it is supporting achieving Town housing goals, and if the program could be modified to enhance use of the program. The concept behind the program was to place deed restrictions on existing residences, as data on the cost of housing suggests that the cost to build new could be more than the cost to purchase deed restrictions. Currently, the only options in the program for existing residences are for the Town to purchase a unit for resale; or, Town provide up to 15% of the purchase price (up to \$75,000) to a buyer in exchange for a deed restriction. In each case, the deed restriction would be at an AMI of 100% or less.

To date, Frisco Housing Helps has been utilized only for the recent purchase by the Town of a condominium in the Mountainside complex. One of the challenges with using these options is the extremely limited housing market in Frisco, and the comparatively few residences that are listed for sale in town. Additionally, in comparing the Frisco Housing Helps program to similar programs in other communities such as Vail and Breckenridge, there are some potential adjustments that could increase the use of the program. These could include allowing purchase of a deed restriction from a current property owner; or, allowing the deed restriction to only require local employment and not have an AMI cap; or using the program to incentivize a non-resident property owner to long-term rent the property to a local employee. Information from other communities has suggested that an occupancy-only deed restriction may decrease the value of a property by approximately 10%. For comparison, based on initial estimates for construction of the 619 Granite, construction of a new deed restricted unit can be as much as \$260,000. So, purchase of deed restrictions under certain conditions could be more cost effective than building new.

The Town acquired Mountainside unit C-111 on January 28, 2021. At the February 9 meeting of Town Council, there was discussion of options for use of the unit, including retain as a Town employee housing unit, retain and rent to a person employed within the Ten Mile Basin, or record a deed restriction and re-sell the unit to a person employed in the Ten Mile Basin. Council initially agreed that the unit should be rented, however has requested that this should be revisited.

The Housing Helps program and options to utilize 5A funds can address the gaps identified in the Housing Needs Assessment and the Housing Bridge concept, whether the unit is for sale or for rent, or deed restricted for local employee occupancy only, or AMI capped. Each different residential unit may have an option that is most suitable for that situation, so additional options may be beneficial, and would likely result in increased utilization of the program, supporting the goal of increasing the number of full-time residents.

Financial Impact:

Several of the programs identified above would have a financial impact if implemented due to either reduced revenues resulting from fee waivers or reduced rates. Development of housing projects will be budgeted expenditures of 5A funds, and may result in long-term operational costs for management of rental properties.

Alignment with Strategic Plan:

The goals of increasing the proportion of residences occupied on a full-time basis and developing additional workforce and deed restricted housing units are each part of the Inclusive Community goal in the Strategic Plan. As noted, resident and employee housing not only support, but are integral to the success of the community and achieving progress on the Thriving Economy, Sustainable Environment and Vibrant Recreation goals in the Strategic Plan.

Environmental Sustainability:

An increase in the number of residents that live and work in Frisco may have some positive Environmental impact, such as a reduction in vehicle emissions resulting in fewer vehicle miles traveled by those residents. Depending on the options pursued, there may be other environmental impacts that will be evaluated with those strategies.

Staff Recommendation:

Summary:

- There are 3600 of housing units
- Of this figure, 620 are being utilized as STR, therefore, 2980 are currently available for long term residential housing needs.
- Of the 2980 currently available, 170 are deed restricted, which is 5.7% of the available housing inventory.

Staff recommends the Town Council consider adopting a specific goal of increasing the number of deed restricted housing units from nearly 6% to 10% by 2025, targeting the lower income levels (the data makes clear those units are the most lacking in availability). Setting a goal would be a clear guiding principle for the Town, Town staff, and community. Further, a specific goal would be used as a “lens” by which to make decisions on housing projects and programs and assist the Town Council in identifying and achieving a specific goal.

Adopting a goal of increasing affordable or deed restricted housing to 10% of available inventory would an increase of approximately 120 units and require about 30 additional units per year over the next four years. This may be an aggressive goal based on available housing supply, resources, and opportunities, but would also help to achieve the Town Council’s vision of a more inclusive community, and increase the number of full-time residents in Town.

One way to achieve this goal would be to amend the Housing Helps Program to pursue more deed restrictions from current homeowners, which is a more cost-effective method of increasing the number of units reserved for locals.

In addition to the information above, staff recommends the recently purchased Mountainside unit C-111 be retained as a rental unit because (a) this unit is located in a complex that has a property management contract and (b) managing this rental unit would have minimal impact on Town staff and budget. Staff also recommends that the unit be evaluated for future disposition following further discussion of Housing Helps programs options.

Reviews and Approvals:

This report has been reviewed and approved by:
Nancy Kerry, Town Manager

Attachments:

Attachment 1: Map of deed restricted properties

Attachment 2: Insights Collective Housing Bridge slide