



MEMORANDUM

P.O. Box 4100 ♦ FRISCO, COLORADO 80443

TO: MAYOR AND TOWN COUNCIL
FROM: EVA HENSON - HOUSING COORDINATOR
RE: HOUSING HELPS PROGRAM – OPTIONS FOR PURCHASED UNIT
DATE: FEBRUARY 9, 2021

Summary, Background and Analysis:

Resolution 19-31 (Attachment 1) established the framework for the “Frisco Housing Helps Program” (the “Program”), which was approved by Town Council on August 27, 2019. Town Council further clarified the goals of the program at a work session on November 12, 2019.

The Program was implemented to help locals obtain and maintain affordable housing, help businesses house their employees, help incentivize investment in local housing, and help preserve the character of the Frisco community. Housing Helps is one strategy that strives to address the Town’s Council’s priority goal to implement housing solutions. Housing solutions come in a variety of approaches and the Program is but one of an integrated approach to achieve the Council’s housing goals.

The Town of Frisco recently completed its first purchase under the Program, a one-bedroom condominium in the Mountain Side development, on January 28, 2021. The acquisition of this property provides an opportunity to review the Program, as well as options for use of this newly acquired unit.

Housing Helps Program Guidelines

Resolution 19-31 states that the Program could take one of several forms, including but not limited to one of four specific options listed in the Resolution. (Note, the intent of the program was clarified at the November 12, 2019 Town Council Work Session to eliminate one of the original four options). The three remaining options are:

- *(Resolution 19-31, Option 1): Town provides cash to buyer at time of private party real estate transaction with the condition that the property will be occupancy deed restricted. This enables the buyer to gain access to and acquire a property that would be financially unattainable without the buy down assistance by the program.*
- *(Resolution 19-31, Option 3): Town purchases a market rate or existing deed restricted housing unit and resells the property with a new or revised occupancy deed restriction attached to the property and may include Average Median Income limits as determined by the Town.*

- *(Resolution 19-31, Option 4): Town provides cash to property owner to construct an accessory dwelling unit approved under the terms of the Frisco Unified Development Code.*

Employment Qualifications: An occupant of a property with a Housing Helps deed restriction would be required to be employed a minimum of 30 hours per week within one mile of the Ten Mile Basin of Summit County. It should be noted that the motion to approve Resolution 19-31 directed staff to amend the draft resolution in the packet to correct a typo (replace “Upper Blue River Basin” with “Ten Mile Basin”); and revise the occupancy provision to state “within one mile of Ten Mile Basin of Summit County”, which would include areas such as Summit High School and the Climax Mine. However, the executed version did not include these revisions.

Area Median Income and Appreciation Caps: Based upon the initial Staff Memo for the Housing Helps Program dated 8-27-19 (Attachment 2), the Program would not have a requirement of Area Median Income (AMI) target limit, appreciation cap, rental rates, or resale price cap, but would allow the market to determine those considering the property use limitations due to the deed restriction. The only requirement would have been the occupancy restriction described above.

However, at the November 12, 2019 Town Council Work Session, Council gave direction to use the new standard housing covenant that had been approved with Resolution 19-27, which includes AMI limits and appreciation caps. The new standard covenant does not have a set AMI percentage, so the AMI limits could vary based on the size/type of unit.

Housing Helps Standard Deed Restriction: Based upon the above, the deed restriction to be used with the Housing Helps Program was drafted in a similar manner to the Town’s new standard housing covenant, to require that the property be used as a primary residence by persons (and families) who are employed full time within one mile of the Ten Mile Basin of Summit County (30 hours/week average/year), prohibit short-term rentals and not allow for ownership of other residential properties. An AMI limit and an appreciation cap are both included, however the AMI limit and appreciation cap values each could vary as part of the evaluation of each unique deed restriction.

Mountain Side Condominium Unit Purchase

A Summit Daily News article was published on November 22, 2020 titled “[Housing Crunch: Summit County’s Workforce is increasingly being pushed out by second-home owners](#)”. The owners of a Mountain Side Condominium unit, who initially listed as a For Sale By Owner, read the article and reached out to the Town as they preferred to sell their condo to the Town for future workforce housing than selling to a second homeowner.

On December 29, 2020, the Town executed an Agreement for Purchase and Sale of Real Property for \$410,000 to purchase a one bedroom, one bathroom (602 sq. ft.) Mountain Side Condominium unit located at 500 Bills Ranch Road Bldg. C Unit 111, in Frisco (Attachment 3). The unit was fully furnished at purchase, including bedroom and living room furniture and kitchen appliances. The unit does not have a washer and dryer, but there are several coin operated machines located in the Mountain Side Clubhouse adjacent to Building C.

The County Property Detail records indicate the unit was built in 1983, but over the years the interior of the unit has had some updating, including laminate flooring, tile in the bathroom and kitchen, bathroom and kitchen appliance upgrades, and replacement of the hot water heater in 2014. The sellers disclosed that all appliances are in working order, although the wood-burning fireplace and furnace had not been annually serviced since purchasing the unit in 2018.

On January 6, 2021, the Town's Community Development Department Building Division completed a home inspection of the unit and noted that the windows, sliding glass door, kitchen cabinets, kitchen counter tops, wood-burning fireplace and furnace are all original. They also inspected the fireplace including the damper, and indicated it was tight, but was able to open and close successfully. It appeared to be clean and sound, but had not been inspected by a fireplace specialist.

On January 8, 2021, the Sellers had the furnace evaluated and serviced by High West Heating and Cooling from Silverthorne, Colorado. When checking the pilot assembly and burners, it was found that the two burners were not burning properly due to a dirty heat exchanger. The furnace is functioning and heating the unit, but is not running efficiently. High West Heating and Cooling recommended replacing the furnace. Staff received two cost estimates to replace the furnace and High West Cooling and Heating was the lower of the two estimates. The new furnace will be installed during the first week of February 2021, at a cost of \$3,599.

The Mountain Side Condominium Complex is currently managed by Summit Resort Group, a full service property management company located in Dillon, Colorado. Staff reviewed the Homeowner Association (HOA) Documents as this is a market-rate complex and did not find anything in the documents that addressed residential deed restrictions or a right of first refusal. It also did not appear to limit the ability to rent this unit, other than renters must follow the HOA rules and regulations and the HOA manager must be notified of any rental of more than 90 days.

On January 14, 2021, the Inspection Objection and Additional Materials Deadline passed and the Town made no objections. The sale closed and purchase of the unit was completed on January 28, 2021.

Financial Impact:

The condo was purchased using the Town's 5A Housing Fund and the Frisco Housing Helps Program Fund for \$410,000, plus closing costs. The Town is exempt from the one percent Real Estate Investment Fee that is calculated based on the total consideration paid for the transfer of interest in the property and is due upon closing.

Depending on the future use of the unit, the Town will either collect rents on the property, or receive a one-time payment as a resale. Depending on option, there will be on-going monthly costs, or potential additional expenditures prior to resale.

If the unit is retained as a rental property, there will be on-going monthly costs for HOA dues and electricity. As of January 1, 2021, the monthly Homeowner Association Fees are \$335 and include the following: Comcast basic cable and internet, water, sewer, trash removal, snow removal, tennis courts, clubhouse including pool and hot tubs (currently closed due to COVID-19 precautions) common area maintenance and common area insurance. An owner is responsible for the Xcel Energy electric and natural gas utility bill and the average monthly cost is \$55.

If the unit is to be resold with a deed restriction, some improvements to the unit may be considered prior to sale, such as energy efficiency improvements, or updating of counters and cabinets.

Alignment with Strategic Plan:

Town Council has identified in the 2020-2021 Strategic Plan, the goal “Implement Housing Solutions” as a high priority under the guiding principle of “Creating an Inclusive Community”. The Frisco Housing Helps Program enhances the “Inclusive Community” priority through ensuring the Town maintains a variety of housing options for its residents. Additionally, the Program contributes to the guiding principles of the Strategic Plan through “Sustainable Economy” with the direct relationship that housing the workforce has to the success of Frisco’s businesses.

Environmental Sustainability:

The Housing Helps Program requires that a home energy assessment be completed as part of the purchase. On January 15, 2021, High Country Conservation (HC3) completed a Home Energy Assessment on the unit (Attachment 4). HC3 did replace all of the light bulbs in the unit with LEDs. They also wrapped the hot water heater with insulation to help the appliance run more efficiently and store hot water more effectively. The suggested upgrades do not appear to save much money annually, but will likely make the unit far more comfortable. Gilly Plog, Environmental Programs Coordinator, recommended the following list in priority order for future energy upgrades:

1. Seal air leaks – estimate \$600
2. Replace sliding door – estimate \$2,500
3. Insulate frame floor - \$2,500
4. Thermostat set points (this will be completed with the new furnace installation)

The recommended energy upgrades in the report for this unit are estimated to cost a total of \$5,600.

Staff Recommendation:

This report is prepared for Council’s information and background in regards to the Frisco Housing Helps Program and the acquisition of Mountain Side Condominium Bldg. C Unit 111 and to discuss and consider various options of what next to do with the unit.

The 2019 Summit County Housing Needs Update indicates there is a large need for renter housing at up to 80% AMI and additional renter housing gaps exist in the 100% to 120% AMI. The County currently needs approximately 2,900 units of rental housing at the 80% AMI. By 2023, this gap is projected to grow to 3,400 units. There is a smaller need for owner housing at approximately 200 units of owner housing at the 80% to 100% AMI. This need is projected to remain relatively constant through 2023, and Upper Blue and Ten Mile Basin is projected to see a need for affordable owner housing between 100% and 120% AMI by 2023. The 2020 Summit County Area Median Income (AMI) Chart (Attachment 5) takes into account HOA fees for Rentals vs. For Sale units and breaks it down into the following:

Some of the options for Town Council to consider are listed below. Attachment 6 compares the for sale versus the for rent options with AMI percentages and the potential costs for the Town’s investment.

1. Add and record the Frisco Housing Helps Program restrictive covenant with a target AMI and an appreciation cap, then resell the deed restricted unit. A resale of the deed restricted unit requires an Ordinance approved by Town Council.

For Sale

Maximum monthly principal and interest payment on the AMI Chart = based on the affordable monthly rent amounts as noted in the Rentals section, less a \$350 allowance to cover taxes, insurance, and HOA dues.

Maximum Sales Price - one bedroom/ one bathroom (1.5 person)

	Max Resale Price	Total Purchase Price 5A funds	Town Investment	Recommended Energy Upgrades	Replace Counters and Cabinets	Total Investment	Town Investment Percentage
80%AMI	\$211,198	\$417,262.50	\$206,064.50	\$5,600	Cost TBD	\$211,664.50	51%
100% AMI	\$280,951	\$417,262.50	\$136,311.50	\$5,600	Cost TBD	\$141,911.50	34%
120% AMI	\$350,705	\$417,262.50	\$66,557.50	\$5,600	Cost TBD	\$72,157.50	17%

2. Add and record the Frisco Housing Helps Program restrictive covenant without a target AMI or appreciation cap and only require the occupancy provision: *requiring the property be used as a primary residence by persons (and families) who are employed full time within one mile of the Ten Mile Basin of Summit County (30 hours/week average/year)*
3. Keep the unit and put into the Town of Frisco rental housing inventory pool, which currently has 16 properties, and rent to a Ten Mile Basin employee and target a specific AMI income level and AMI rental rate. The Town could also arrange a Master Lease for the unit with a local employer such as the Summit School District or Centura Health.

Rentals

Maximum affordable monthly rental rates assume affordability on the AMI Chart = 30% of monthly household income and should also include the following utilities: electric, gas, water, sewer, trash and snow removal.

Maximum Affordability Monthly Rent – one bedroom/ one bathroom (1.5 person)

	Max Rental Rate month	Total Purchase Price 5A funds	Rental Revenue	HOA Dues and Xcel \$390 month	Summit County Property Taxes \$1,293 & Insurance	Town Investment	Town Investment Percentage
80%AMI	\$1,440	\$417,262.50	\$17,280 annual	\$4,680 annual	\$2,000 annual	\$6,680 annual	39%
100% AMI	\$1,800	\$417,262.50	\$21,600 annual	\$4,680 annual	\$2,000 annual	\$6,680 annual	31%
120% AMI	\$2,160	\$417,262.50	\$25,920 annual	\$4,680 annual	\$2,000 annual	\$6,680 annual	26%

Housing Helps Program: This is also an opportunity to review the Housing Helps Program, and consider modifications to increase the use of the Program, including adding additional options for purchase of deed restrictions or changes to evaluation criteria. Even if there are no changes to the Program, staff recommends bringing an updated Resolution to Council which clarifies the intent between the original adoption and subsequent work sessions.

Attachments:

- Attachment 1: Resolution 19-31 Establishing the “Frisco Housing Helps Program”
- Attachment 2: Staff Memo Frisco Housing Helps Program dated 8-27-19
- Attachment 3: Photos of unit
- Attachment 4: HC3 Home Energy Assessment Report
- Attachment 5: 2020 Summit County Area Median Income (AMI) Chart
- Attachment 6: For Sale v. For Rent Calculations based on AMI Percentage