



MEMORANDUM

P.O. Box 4100 ♦ FRISCO, COLORADO 80443

TO: MAYOR AND TOWN COUNCIL
FROM: DANELLE COOK, HOUSING PROGRAM MANAGER
RE: AFFORDABLE HOUSING STRATEGIES
DATE: JULY 26, 2022

Summary and Background: Increasing access to homes that the local workforce can afford continues to be a top priority for Frisco Town Council. Over the last year, staff has met with Council regularly to review the housing program goals, projects, funding, and opportunities. Since November 2021, staff has been focused on doubling the number of deed restricted properties within the Town by the end of 2027, to 306 total deed restricted properties. At the March 8, 2022 Town Council meeting, staff presented a 10-year financial plan on how to achieve this goal. The pro-forma has evolved to include changes that have occurred over the past four months, such as the short-term rental excise tax, awarded grant funds, continued construction cost escalation, and recent property acquisitions.

In addition to developing a financial model that provides a path to achieving the Town's housing goals, staff has also been working on potential Town Code amendments which could incentivize private investment in housing development, such as additional options in the density bonus program, and creation of a workforce housing overlay. Town Council has also directed staff to develop amendments to the Town's short-term rental regulations, which may not have an immediate impact on availability or affordability of workforce housing units, but may result in some stabilization of the local housing market. The goal of this work session is to provide an update on the continued evolution of the housing program, which is intended to help guide Council in housing decisions for years to come, and outline the primary focus of housing program efforts for the next year.

Analysis: The Town of Frisco has implemented several strategies and projects aimed at doubling the number of workforce housing within the Frisco community by 2027. This section provides an overview of existing strategies that are currently in place, current projects, and potential strategies for future consideration.

Existing Strategies

Housing Helps: On March 8, 2022, Town Council adopted Resolution 22-07, further amending the Frisco Housing Helps program. The program offers various options designed to create more affordable housing units in Frisco.

- Option 1: The Town purchases a deed restriction from a prospective home buyer as a down-payment assistance program (buyers may include businesses) that limits occupancy to the local workforce community members with no income cap, price appreciation cap, or household size requirement.
- Option 2: The Town purchases a deed restriction from a current property owner (including businesses and developers) that limits occupancy to the local workforce community members with no income cap, price appreciation cap, or household size requirement. The homeowner may use this money to pay for repairs, an assessment, energy upgrades, or whatever they desire.
- Option 3: The Town purchases a market-rate or existing deed-restricted housing unit and re-sells the property with a deed restriction limiting occupancy to the local workforce community members. Income caps, price appreciation caps, and/or household size limits may be imposed at the discretion of the Town.
- Option 4: The Town provides financial assistance to a current property owner to construct an accessory dwelling unit that is deed-restricted under the terms of the affordable housing incentives of Section 180-5.5 of the Frisco Unified Development Code.
- Option 5: The Town partners with Summit County to purchase a deed restriction from a current property owner (including businesses and developers) that limits occupancy to local workforce community members with no income cap, price appreciation cap, or household size requirement.

The following table provides a summary of Housing Helps transactions that have taken place to date.

Date	Address	Option	TOF Amount	Subdiv	Unit Type	Unit Mix
Sep 28, 2021	220 Galena St #1	#1	\$73,500	Galena Place	Condo	2 bed / 1 bath
Sep 28, 2021	220 Galena St #2	#1	\$73,500	Galena Place	Condo	2 bed / 1 bath
April 5, 2022	539 Granite #2B	#5	\$71,250	Bears Den	Condo	2 bed / 2 bath
April 28, 2022	85 Pine Drive	#5	\$75,000	County	Single-Family	3 bed / 2.5 bath
May 25, 2022	406 S 8 th Avenue	#3	\$1.35M	Frisco Town	Single-Family	3 bed / 1 bath
TOTAL			\$1,643,250			

So far, the Town has successfully purchased 4 deed restrictions through the Housing Helps program, and spent a total of \$1,643,250 (across two fiscal years). The fifth home listed in the table above has not been deed-restricted. Instead, the Town will retain ownership of the home and utilize it as employee housing until a plan is determined to move forward with re-developing the property as future workforce housing.

The numbers provided in the table above reflect money spent from both the 2021 and 2022 budgets. The 2022 budget allocates a total of \$1,545,000 for Housing Helps purchases. So far, the Town has spent \$1,499,840. It is important to note that \$1,350,000 was spent on the acquisition of 406 South 8th Avenue. Therefore, the remaining balance is \$45,160. Since the Housing Helps budget allocation has nearly run out, staff recommends that Council consider increasing the 2022 budget so that we can continue to consider future purchases.

Frisco Housing Locals: On October 12, 2021, the Frisco Town Council approved a pilot, long-term rental incentive program that aims to immediately increase the number of long-term rental units available to the Town's local workforce. The Town of Frisco is partnering with Omni Real Estate to administer the program. The Town incentivizes property owners to sign a long-term lease by offering guaranteed rent and peace of mind knowing the Town is responsible for any damages incurred. The Town is also responsible for matching tenants with available units. Omni provides professional property management services and acts as an intermediary between the tenant and the property owner to collect and distribute rent, and administer the lease.

Town Council directed staff to launch this pilot program with the target goal of housing approximately 24 Town of Frisco employees for six-months with a program budget of \$100,000, which includes management fees. The idea was to give the Town a chance to explore the feasibility of this program, before making it available to the larger community.

To date, the Town has only engaged in 3 Frisco Housing Locals master lease agreements. Staff has identified a few reasons that the program has not experienced a high level of success. First, Frisco is competing with a similar program at the County wherein the County is paying a large cash incentive, averaging \$6,758 per bedroom, to the property owners for converting their short-term rentals into long-term rentals. Because of this, the property owners have high expectations and are disappointed when they learn the Town is not offering a similar amount of money. Second, the unit mixes that have become available don't match the needs of the Town employees seeking housing. Most Town employees seeking housing are looking for a one-bedroom unit, while many of the property owners inquiring about the program are offering three and four-bedroom units. Third, most of the Town employees seeking housing have secured a Town-owned rental unit instead of a Frisco Housing Locals unit. And finally, the high rent price the property owner charges does not align with the short timeframe the unit will be available to the local workforce. For example, if a property owner charges a monthly rent of \$4,000, the Town and the tenant will spend \$48,000, plus management fees, to make the unit available for one year. In contrast, the Town has successfully completed four buy downs for an average of \$73,312 per unit, and each unit is now available to the local workforce in perpetuity.

As such, staff recommends adjustments to this program. Rather than limiting this program to Town of Frisco employees only, staff proposes to allow anyone employed by a business in the Ten Mile Basin to apply for housing. Additionally, instead of using Town resources to fund all master leases, staff recommends inviting local business owners, childcare providers, and the school district to participate.

Staff recently emailed a survey to 344 Frisco business owners and received 75 responses. Forty percent of the respondents indicated that they would be interested in participating in a Town-sponsored master lease program to provide rental units for their employees. Sixty-four percent are currently understaffed. Fifty-three percent reported that at least one or more of their employees have quit their job and moved away from the community due to housing challenges

within the past three years. And forty-four percent indicated that they have employees currently seeking housing.

In this scenario, the Town would still pay Omni Real Estate to administer the program. The local business owner would be responsible for signing the master lease, and placing their employees in available units. This would create a public-private partnership that would enable the Town to continue this program and address the immediate need, without expending all available resources on housing that will only be temporarily affordable.

Town-Owned Rental Units: The Town of Frisco owns 18 rental units. Four of the rental units are available to anyone employed by a business in the Ten Mile Basin, as shown in blue below. The remaining 14 units are available for Town of Frisco employees only, including both seasonal and full-time.

#	Address	Unit Type	Unit Mix	Max Occupancy
1	113 Granite Street	Single-Family	1 bed / 1 bath w/ loft	3
2	117 Granite Street	Single-Family	1 bed / 1 bath	2
3	1 st & Main Unit 110	Condo	Studio	2
4	1 st & Main Unit 112	Condo	Studio	2
5	Mary Ruth 308A	Townhome	Studio / 1 bath	2
6	Mary Ruth 308B	Townhome	1 bed / 1.5 bath	2
7	Mary Ruth 310A	Townhome	2 bed / 1 bath	4
8	Mary Ruth 310B	Townhome	2 bed / 2 bath	4
9	Mary Ruth 311A	Townhome	1 bed / 1 bath	2
10	Mary Ruth 311B	Townhome	2 bed / 1 bath	4
11	Mary Ruth 311C	Townhome	1 bed / 1 bath	2
12	Mary Ruth 311D	Townhome	1 bed / 1 bath	2
13	Mary Ruth House – 306	Single-Family	2 bed / 1 bath	4
14	Public Works Unit #1	Condo	1 bed / 1 bath	2
15	Public Works Unit #2	Condo	1 bed / 1 bath	2
16	Mountain Side C111	Condo	1 bed / 1 bath	2
17	760 Pitkin	Duplex	3 bed / 3 bath	6
18	406 S 8 th Avenue	Single-Family	3 bed / 1 bath	4

With the exception of the Town Manager's duplex, rent prices for all units are determined based on the area median income (AMI) as determined by Summit Combined Housing Authority. The Town has contracted with PMI Summit Colorado to provide professional property management services such as coordinating move-in/out, collecting rent payments, collecting and refunding deposits, getting leases signed and renewed, performing general maintenance, and responding to tenant inquiries and emergencies. The contract term began on September 30, 2021 and expires on October 31, 2022. The contract commits to paying PMI a \$30,000 flat fee for the year (charged in monthly increments of \$2,500), plus an onboarding fee of \$4,250, and \$65 per hour for additional specified services. So far, the Town has paid \$23,552.76 to PMI for property management services provided from January through May of 2022. During that same time frame, we collected \$78,171.45 in rent, yielding a net revenue of \$54,618.69. All rent proceeds are designed to recuperate the initial cost of building the units. The idea is to have the rental units pay for themselves over time.

Density Bonus Incentive: Since implementation of the density bonus incentive in 1998, 29 deed-restricted workforce housing units have been constructed across 7 different projects as a direct result of the bonus density incentive provided in the Town Code (as shown in the table below).

Units	Subdivision	Zone	Year Built	AMI
1	Mount Victoria Lodge	CC	2005	100%
3	Bears Den	CC	2005	100%
8	Boulevard Bend	MU	2011	100%
7	Condos Off Main	CC	2013	110%
1	481C West Main	MU	2014	80%
6	Town Centre Condos	CC	2014	110%
1	481B West Main	MU	2015	80%
2	317 Granite St*	CC	2022	100%
29 Units Total				

Town Code Section 180-5.5.1. *'Affordable Housing – Incentives,'* allows two density bonus options for new development in the CC, GW, and MU Zone Districts. The first option incentivizes the developer to build on-site workforce housing units by allowing multi-family projects to exceed the maximum density, provided that a minimum of 50 percent of the total number of bonus units is deed restricted at 100 percent of the area median income (AMI). To qualify, each deed-restricted unit shall be no more than 15 percent smaller in gross floor area than the corresponding bonus market-rate unit.

While the first option requires the affordable units to be built on-site, the second option allows the affordable units to be built off-site. The developer may exceed the maximum allowable density, provided that for each bonus unit allowed, at least two deed-restricted units are constructed off-site within a one-mile radius of the Town of Frisco. In the event that the deed-restricted units are constructed off-site, the total combined floor area of every two off-site affordable units shall be equal to or greater than the floor area of the corresponding on-site density bonus unit. However, in no instance shall an off-site affordable housing unit be less than 600 square feet in gross floor area.

At the July 12, 2022 Town Council Work Session, Town staff proposed to add two additional options to the density bonus incentive. A third option would allow a development to exceed the maximum density, provided that 100% of the bonus units are restricted with the deed restriction that the Town is currently utilizing under the Housing Helps program, which requires occupants to work a minimum of 30 hours per week in Summit County, but has no AMI limitation.

The fourth option would allow a developer to combine Low Income Housing Tax Credits (LIHTC) with the density bonus incentive. Town Council directed staff to draft the code revisions, and bring them back to Planning Commission and Town Council for further review. Additionally, staff was

directed to consider parking reductions and expanding the allowable radius for where the off-site units can be provided. Staff will present the proposed Code amendments to the Planning Commission in August. If the Planning Commissioners provide a positive recommendation, staff will present the Code revisions in an Ordinance to Town Council in September.

Accessory Dwelling Units: The Town Code defines an accessory dwelling unit as a second, subordinate unit located on the same lot as a primary dwelling unit or commercial unit. The unit includes its own independent living facilities with provisions for sleeping, cooking, and sanitation, and is designed for residential occupancy independent of the primary dwelling unit or commercial unit. The unit may have a separate entrance or an entrance to an internal common area accessible to the outside. Each ADU must have at least one parking space. Any ADU meeting the Town's requirements may be exempted from the density calculation as long as the unit is deed-restricted for rent to persons earning a maximum of 100 percent of the area median income. The Town Code permits ADUs in all zone districts, except the Open Space Zone District. ADUs cannot be subdivided or short-term rented, and are restricted to a maximum of 900 square feet. To create an ADU, the homeowner is required to pay water and sewer tap fees (approximately \$11,000+), submit a building permit application, construct a firewall separation, and meet all building code requirements. Additionally, if the ADU is located in the RS, PR, or PF Zone Districts, the homeowner must also obtain a Conditional Use Permit.

The Town Code also allows lock-offs. A lock-off is a portion of a dwelling unit suitable for short-term habitation, with a separate entrance, containing at least one bathroom but no cooking facilities, and capable of being securely separated from the dwelling unit. Each lock-off is required to have one parking space. Lock-offs do not have any deed-restriction requirements and may be short-term rented. The property owner is not required to pay water and sewer tap fees. A firewall separation is not required. And, in some cases, a building permit may not be required, depending on the existing layout of the home. The Town Code allows lock-offs in all residential zone districts.

When comparing the two options, an ADU versus a lock-off, the return on investment is far more lucrative for a lock-off. If a homeowner is short-term renting a lock-off, they could collect approximately \$25,099.59 per year (based on the average daily rate per bedroom for an STR in Summit County of \$157 and the average occupancy rate which is 43.8%). In comparison, the 2022 AMI chart would allow the homeowner to collect a maximum of \$1,963.75 in rent per month for a one-bedroom ADU, or \$23,565 per year, assuming the unit is occupied 365 days per year.

In summary, the lock-off requires less effort, time, and money, and yields a higher profit. As a result, there are far fewer ADUs than lock-offs in Frisco. The ADU code provision is an example of an existing workforce housing strategy that is not functioning as intended. The Town Code allows ADUs and incentivizes a deed-restriction by offering to not count it as a unit of density. However, the Town Code also allows lock-offs, which are not counted as a unit of density, have no short-term rental restrictions, and require no initial investment. Staff recommends considering Code revisions that would present a deed-restricted ADU as a more enticing option.

Land Banking: Land banking is defined as buying vacant land and holding it for future use. The Town of Frisco is currently in the process of securing a land banking purchase at 810 Pitkin Alley (described in detail in the '*Current Projects*' section below). The general idea is that the Town will purchase the land with the intent of developing it as workforce housing at some point in the future. Since the Town of Frisco is nearly built out, buying any remaining vacant parcels and banking them for future workforce housing development is key if the Town wants to engage in new construction projects.

New Construction: This strategy requires that the Town take the lead on building new workforce housing units, from start to finish, including design, planning approval, building permit application, and construction. In order to initiate a new construction project, the land must be available. A list of current and future workforce housing construction projects is provided as follows.

Current Projects

602 Galena Street: In 2021, the Colorado State legislature passed House Bill 21-274, which encourages the sale of excess or under-utilized State properties to local jurisdictions for beneficial community uses, such as affordable housing. The State owns a 0.72-acre parcel located at 602 Galena Street in Frisco. Since 1984, this property has been utilized by the Colorado Department of Labor & Employment (CDLE) as the home of the Colorado Workforce Center, and includes a 4,153-square-foot building, which currently provides office space for approximately 11 employees.

CDLE staff indicated that the property could be available for redevelopment by the Town and County. CDLE prefers to sell the property outright, for the appraised value of \$3 million, with a possibility of entering into a lease arrangement to aid in project finances. In order to facilitate this project, the Town would have to find temporary office space for the Workforce Center employees, and provide permanent office space in the new development on the property.

Town staff is presenting an intergovernmental agreement (IGA) with the County (as a separate item on the July 26th Town Council agenda), wherein the County agrees to contribute \$1.5 million toward the purchase of the property, and the Town would be responsible for all other costs and responsibilities associated with development. The IGA must be executed prior to purchasing the property, which is tentatively scheduled for September 1, 2022. Staff anticipates that grant funds will become available within the next 6 months and will pursue opportunities as they arise.

The property is located in the Central Core Zone District, which allows a maximum of 16 dwelling units per acre, or 12 units in this case. Because this parcel is between Galena Alley and Galena Street, Commercial uses are permitted but not required. Based solely on the proportion of units to lot size for the Granite Park project (22 units on 0.58 acres), and assuming a similar unit mix of studio, one, and two-bedroom units, staff estimates this property could support between 30-40 units. By taking advantage of the density bonus incentive, the maximum density (12 units) may be exceeded without limitation, as long as all other zoning requirements are met (i.e., height, setbacks, and parking).

The main constraints related to residential development in the Central Core zone district are parking, snow storage, step backs, bulk plane, and roof and façade designs. If the Town were to adopt a workforce housing overlay zone prior to Planning Commission approval, the full potential of the site could be maximized. Town Council directed Staff to draft a workforce housing overlay zone, and staff recommends prioritizing this effort, as there are several other affordable housing projects that could benefit in the near future.

The total cost of the 602 Galena project is to be determined, but based on preliminary estimates, the project could cost between \$16 and \$25 million. The 2022 budget allocated funds in the amount of \$5 million for Capital Projects in the SCHA 5A Fund. When the budget was adopted, it did not anticipate the purchase of 602 Galena. If Town Council approves the purchase of 602 Galena Street, the Town will spend \$3 million of the \$5 million that was allocated for Capital Project expenses, and will receive \$1.5 million in revenue from the County as a partner contribution. On August 9, 2022, staff is scheduled to present a Reimbursement Resolution to

Town Council. If approved, it would allow the Town to reimburse itself with potential financing for the 602 Galena purchase. Staff recommends that Town Council amend the budget to include an additional \$1.5 million in partner contributions from the County, and approve a supplemental appropriation for \$3 million to cover the cost of purchasing 602 Galena Street.

Granite Park: The Town of Frisco entered into a partnership with CDOT to develop a workforce housing project on the lot owned by CDOT located at 619 Granite Street, Lots 18-24, Block 12 in the Town of Frisco. Final construction drawings were completed in April 2022. The design includes 22 multi-family condominiums in two buildings on the 0.58-acre site. All 22 units will be deed-restricted in perpetuity at 100% of the area median income or less, and will require that occupants are employed in Summit County a minimum of 30 hours per week on average per year. CDOT will own 11 units and make them available for rent to their employees. The Town of Frisco will own the remaining 11 units, and make them available for rent to anyone employed by a business in the Ten Mile Basin.

On May 10, 2022, Diversified Consulting Solutions, Inc. was selected as the owner's representative to manage construction of the project. On that same day, an intergovernmental agreement between CDOT and the Town of Frisco was approved, establishing the roles and responsibilities for construction and allocation of costs, as well as future operation and ownership of the property.

Town staff is currently reviewing submittals from the Construction Manager / General Contractor (CM/GC) candidates who responded to the RFP. Construction is tentatively scheduled to begin in the Fall of 2022, with completion slated for the Spring of 2024. Award of a contract for CMGC services is tentatively set for the August 9, 2022 Town Council meeting.

The 2022 budget allocated funds in the amount of \$5 million for Capital Projects in the SCHA 5A Fund, including Granite Park. Additionally, the Town received notice on May 2, 2022, that grant funds in the amount of \$1.5 million have been awarded by the Colorado Department of Local Affairs (DOLA) for the project. Per the terms of this agreement, any grant funds obtained will be allocated to reduce the financial contribution of each party equally. Recognizing that material and labor costs remain unstable, and considering the purchase of 602 Galena was not included in the 2022 budget, Town staff recommends considering financing options for the Granite Park project. The August 23, 2022 Town Council agenda tentatively includes an item to review potential financing options for the project.

Future Projects

406 South 8th Avenue & 810 Pitkin Alley: On May 31, 2022, the Town of Frisco purchased a 0.24-acre parcel containing a 3-bedroom, 1-bathroom single-family residence for \$1.35 million, located at 406 South 8th Avenue in Frisco. Additionally, the Town is under contract to purchase an adjacent lot located at 810 Pitkin Alley for \$1.6 million. The subject site is 0.322 acre and is currently vacant. By combining these two properties, as well as the two adjacent Town-owned rights-of-way, approximately 0.75 acre could be utilized for the future development of workforce housing. In accordance with the Town Code, the Residential Low Density Zone District allows a maximum density of 8 dwelling units per acre, or 6 units in this case. Per Town Code Section 180-5.5.1.A., accessory dwelling units may be exempted from the density calculation as long as the unit is deed-restricted for rent to persons earning a maximum of 100% AMI. This exemption would allow for a maximum of 12 units on this property. Furthermore, Town staff is drafting a workforce housing overlay zone, which could further increase the possibilities for density. In the short-term, the single-family residence will be available for rent to Town of Frisco employees. In the long-

term, Staff recommends prioritizing the workforce housing overlay zone, and subsequently moving forward the design of a future workforce housing development at this location.

275 Granite Street: The Town of Frisco owns a 0.48-acre parcel of vacant land located at 275 Granite Street. The Central Core Zone District allows 16 units per acre, or 8 units for this site. The adjacent parcel is also vacant and the property owner has proposed to combine these two parcels and develop them to include workforce housing. By combining the two parcels, the Town would be able to achieve an increased quantity of affordable units and more diversity in the unit mixes, while also ensuring the sustainability and architectural quality of the project. If Council wishes to develop this land with affordable housing units, this is yet another project that may benefit from the workforce housing overlay zone. Staff recommends prioritizing the workforce housing overlay zone, and continuing discussions with the neighboring property owner to consider a partnership.

Lake Hill: Summit County Government purchased the Lake Hill property in 2016. The site is 44.81 acres and is located in unincorporated County between the Dillon Dam Road and Interstate 70, just outside Frisco town boundaries. The intended use of the parcel is to facilitate development of workforce housing. The conceptual plan includes 436 units (300 multi-family condos, 85 townhomes, and 51 single-family/duplex homes), a community center, open space, and a green belt. The County and the Town of Frisco have engaged in multiple different feasibility studies. The main constraints at the site are providing water and sewer services. The County is currently considering increasing the density and exploring the option of building a new water treatment plant to service this development.

Potential Strategies

Workforce Housing Overlay Zone: Workforce housing overlay zone is an incentive-based tool that encourages developers to include affordable housing in their projects. Incentives such as increased density, decreased setbacks, flexible height limits, parking reductions, exemptions from mixed-use requirements, and new housing concepts (i.e. shared kitchens), help lower development costs and motivate developers to build workforce housing. It is a tool that requires zero subsidies from the Town. By nature, an overlay zone is an added layer of zoning on top of existing zoning ordinances. To qualify for the incentives, a project typically has to include a minimum number of affordable units. Based on Council's direction, staff is developing the overlay zone concept and potential code language.

Inclusionary Zoning: In contrast to a workforce housing overlay zoning, which incentivizes and encourages developers to build workforce housing, inclusionary zoning (IZ) is usually implemented as a mandatory regulation that *requires* affordable housing in all new developments. Typically, IZ policies require a new development to rent or sell a pre-determined portion of newly constructed residential units at a specific AMI. IZ would be implemented through the zoning code. In the past, Town Council has expressed interest in learning more about this concept, but has not directed staff to prioritize it.

Commercial Linkage: Commercial linkage is simply an impact fee that is paid to the Town by an applicant to offset the need for affordable housing that is generated by new commercial development. The money collected is then utilized to fund the development of affordable housing. The fee is typically assessed on a per square foot basis. For example, if the fee is \$5 per square foot, an applicant proposing to construct a 20,000 square-foot retail space would be obligated to pay a \$100,000 commercial linkage fee at building permit issuance, or construct an equivalent amount of affordable units. In the past, Town Council has expressed interest in learning more about this concept, but has not directed staff to prioritize it.

Public-Private Partnerships: In the past, the Town of Frisco partnered with a private developer to construct the Peak One Neighborhood. Town staff continues to look for additional opportunities to partner on workforce housing projects. Recently, Town staff was approached with an opportunity to partner with a private developer on a future workforce housing development located at 207 and 275 Granite Street (as previously noted). Staff is exploring the potential increased value of developing adjoining properties.

Adaptive Reuse: The COVID-19 pandemic has transformed the way people live their day-to-day lives. Commercial office spaces are left vacant due to the ability to work remotely, and brick and mortar retail businesses are closing down as more and more people shop online. Rather than leaving these spaces vacant or underutilized, they could be repurposed and transformed into affordable housing. A developer has recently approached Town staff with a project that would convert existing commercial space into workforce housing. In order for this strategy to realize its full potential, some type of zoning reform may be necessary to allow flexibility for workforce housing, such as the workforce housing overlay zone.

Prefabricated ADUs: The Frisco Town Code allows accessory dwelling units in all zone districts, except Open Space, as long as they are less than 900 square feet in size. While some property owners may like the idea of collecting rent from an accessory dwelling unit, they may not like the idea of taking on the responsibility of design and construction. If the Town were to commission the design and construction of detached ADUs, the units could then be sold to the property owners at a subsidized rate, with a specified AMI requirement. This strategy would expand Frisco's inventory of deed-restricted rental units without requiring more land.

New Housing Concepts: In some cases, traditional housing concepts such as the single-family home, are no longer ideal for all members of the community. New housing concepts such as shared living spaces (i.e., hostel or dormitory-style units) and tiny homes, could be used to address varying housing needs. Staff recommends adding language to the Town Code to encourage and/or facilitate new housing concepts.

Long-Range Planning: After the Summit Combined Housing Authority completes a new housing needs assessment, Staff recommends formulating and adopting a housing plan that maps out where the Town is headed with implementing housing solutions over the course of the next 5 to 10 years. A long-range housing plan would match funding opportunities with specific solutions to move forward in a strategic direction. The housing plan would be solution-oriented and address a wide variety of potential strategies such as down payment assistance, incentivizing ADUs, new construction, inclusionary zoning, density bonuses, buy downs, adaptive reuse, and partnering with other entities, among others. Each strategy would be carefully analyzed and vetted for Frisco's unique needs.

The plan would also consider available funding as well as other funds that can be obtained in the future, such as grants, loans, and federal and state tax credits. A timeline of these funding opportunities would be key in determining when to implement each solution and which solutions meet short-term needs versus long-term needs. The housing needs assessment will be complete in the Summer of 2023. Once the needs assessment is complete, Staff recommends utilizing the data to move forward with long-range planning.

Financial Impact: The Town of Frisco has specific funding sources dedicated to workforce housing. In November of 2006 Summit County voters authorized a County-wide development impact fee (paid at the time of building permit issuance) and a 0.125% sales tax to be utilized for

affordable housing purposes. Additionally, Ballot Measure 5A was approved by Summit County voters in November of 2016, implementing a 0.6% sales tax to help fund affordable housing.

On April 5th, 2022 registered voters in Frisco decided to implement a 5% excise tax on short-term rentals within town limits, effective June 1, 2022. One hundred percent of the excise tax collections will be used for workforce housing.

Finally, any unspent funds are invested in government bonds, and the return on investment also goes into the workforce housing fund. All five of these funding sources go into the SCHA 5A Fund, which can be found on page 156 of the 2022 Adopted Budget. A summary of these funding sources is also provided below.

Fund Source	Effective Period	2022 Projected
0.125% Sales Tax	2006 - In perpetuity	\$275,172
Development Impact Fee	2006 - In perpetuity	\$70,000
0.6% Sales Tax	2016 - 2046	\$1,320,828
5% STR Excise Tax	2022 – In perpetuity	\$571,429
Investment Income	N/A	\$7,500
Total		\$2,244,929

In addition to the \$2.2 million in revenue projected for 2022, the Town will also receive \$1.5 million in grant funds to be used on the Granite Park project, and \$1.5 million from Summit County Government, to be spent on the 602 Galena purchase. The total projected revenue for the SCHA Fund 5A in 2022 is \$5.2 million.

In comparison, the 2022 projected workforce housing expenditures total \$7.4 million. In other words, the 2022 projected expenses are \$2.2 million greater than the anticipated revenue. If the Town continues along this trajectory, other financing options must be considered.

On March 8, 2022, Town staff presented a 10-year workforce housing proforma, which has been updated with year-to-date numbers and provided as an attachment to this report. The proforma projects dedicated revenue sources and related housing expenditures over the next 10 years to guide future budget decisions and keep Frisco on track to achieve our workforce housing goals.

A summary of 2022 projected workforce housing expenditures is provided below.

Expense	2022 Budgeted	2022 YTD Actual	2022 Projected
Operating Expenses	\$202,155	\$23,047	\$175,863
Housing Helps	\$1,545,000	\$1,499,840	\$1,545,000
275 Granite Street	\$0	\$0	\$0
Granite Park	\$5,000,000	\$2,500	\$1,100,000
810 Pitkin Alley	\$0	\$50,000	\$1,600,000
602 Galena	\$0	\$0	\$3,000,000
Lake Hill	\$0	\$0	\$0
Total	\$6,747,155	\$1,575,387	\$7,420,863

**Note: This table does not include the Frisco Housing Locals program or Town-owned rental expenditures.*

As previously noted, the Town has nearly reached the maximum amount allocated for the Housing Helps program. Staff recommends that Town Council consider whether or not the Town should expand this budget and continue Housing Helps purchases that exceed the budgeted amount, for the remainder of 2022. Additionally, only \$5 million was allocated for Capital Projects (highlighted

in blue above). Staff recommends considering financing options for Granite Park. Staff also recommends that Town Council amend the budget to include an additional \$1.5 million in partner contributions from the County, and approve a supplemental appropriation for \$3 million to cover the cost of purchasing 602 Galena Street.

Alignment with Strategic Plan: A concrete housing plan that guides future decisions will help the Town to meet the Inclusive Community goal of increasing residents to 50%, as well as the creation of a 5-year housing plan. Additionally, adding workforce housing to the community supports the goal of Thriving Economy, as ensuring housing for our workforce is the greatest economic development driver for the Town.

Staff Recommendation: Staff recommends that Town Council consider increasing the 2022 Housing Helps budget, review financing options for Granite Park, amend the budget to include an additional \$1.5 million in partner contributions from the County, approve a supplemental appropriation for \$3 million to cover the cost of purchasing 602 Galena Street, expand the Frisco Housing Locals program to open it up for businesses to participate, and direct staff to prioritize the workforce housing overlay zone as a primary focus over the course of the next year. Additionally, after the 2023 Housing Needs Assessment is published, Staff recommends that Town Council direct staff to use the data to move forward with a long-range housing plan, that would contemplate code revisions for ADUs and new housing concepts, and map out the future of new workforce housing development projects at 275 Granite Street and 810 Pitkin/406 S 8th Ave.

Approved By:

Diane McBride, Interim Town Manager
Leslie Edwards, Finance Director
Don Reimer, Community Development Director

Attachments:

10-Year Housing Pro-forma