



Memorandum

To: Vail Town Council

From: Community Development Department

Date: February 17, 2015

Subject: Overview of the Town of Vail Employee Housing Policies and Programs

I. INTRODUCTION

The purpose of this work session is to provide an overview of the employee housing policies and programs adopted by the Vail Town Council. Each of the policies and programs is aimed at achieving the Town's adopted housing goals.

In 2006, the Vail 20/20 Focus on the Future process resulted in the following housing goal statement:

"The Town of Vail recognizes the need for housing as infrastructure that promotes community, reduces transit needs and keeps more employees living in the town, and will provide enough deed restricted housing for at least 30 percent of the workforce through policies, regulations and publicly initiated development."

In 2008, with the adoption of the [Town of Vail Employee Housing Strategic Plan](#), the Vail Town Council adopted the following goal for housing:

"To ensure there is deed restricted housing for at least 30% of Vail's workforce within the Town of Vail."

II. 2008 EMPLOYEE HOUSING STRATEGIC PLAN OBJECTIVES

The 2008 Employee Housing Strategic Plan adopted by the Vail Town Council includes eight objectives. The objectives are:

- A. Provide housing to address needs generated by new development or redevelopment.
- B. Respond to the existing affordable housing shortfall by pursuing a number of identified programs and development opportunities.
- C. Call for any deed restricted housing that is required as a condition of development to be constructed at the time of new development.
- D. Create and maintain housing for emergency and key service workers.

- E. Actively address affordable housing for Vail workers to ensure that the community remains economically competitive.
- F. Increase and maintain deed restricted housing within the Town to encourage the efficient use of resources by providing homes for employees closer to their place of work.
- G. Planning for new employees will take jobs and wages into account.
- H. Provide and plan for housing along with local and regional public transportation.

III. KEEP UP AND CATCH UP STRATEGIES

There is a current shortfall in the number of deed restricted housing units needed to achieve the Town Council’s adopted goal of providing housing for at least 30% of Vail’s workforce. Two employee housing actions have been identified to achieve the adopted goal.

1. Keep Up – ensure new development and redevelopment provides a requisite amount of new deed restricted housing to address any incremental increase in employee generation created by the new development or redevelopment.
2. Catch Up – pursue public initiatives (i.e. town-sponsored) to create new deed restricted housing to address existing deficits in the deed restricted housing need resulting from prior development and redevelopment.

IV. SUMMARY OF ECONOMIC IMPACTS OF EHUS

In March 2012, BBC Research & Consulting completed a study for the Vail Local Housing Authority. The Economic Value of the Town of Vail’s Investment in Employee Housing (the “Study”) documented the then current inventory and use of employee housing in Vail and calculated the cost and benefits of the investment from multiple community perspectives.

The Study assumed the following:

- Without EHUs Vail businesses would likely still attract workers, but attraction and retention would be more expensive; employee turnover would be higher; and employee flexibility to work irregular hours or multiple jobs would be diminished.
- The provision of affordable EHUs requires some form of public investment, which implies that tax payers – or some subset of taxpayers – are in some degree supporting this amenity.
- The provision of EHUs can displace other forms of development, which under many circumstances may be of higher economic value.
- The economic value of EHUs varies depending upon the nature of the individual business interest or taxpayer considering the issue. Similarly, the economic value of EHUs is not consistent from year to year – it varies considerably depending upon background economic conditions.
- EHUs enhance the Vail community’s ability to provide high levels of guest services. Deed restricted, for sale housing is particularly valuable in allowing Vail residents to stay in Vail and participate in civic life.

The Study concluded:

- Deed restricted housing is not the only component of local employee housing. Many workers, roughly 43% of persons who live and work in Vail, live in private rental housing or own their own homes. Nevertheless the disparity between Vail housing costs and local salary levels makes ownership an unrealistic option for the vast majority of residents. Many resident homeowners purchased their units years ago and it is likely that these units will eventually be sold and transfer into temporary occupancy use – further exacerbating the Town’s housing/jobs imbalance.

The economic value of employee housing will grow as private ownership stock is diminished and the diversity of employee housing, including additional deed restricted family and for sale units, expands.

- From a Vail community perspective the quantifiable economic value of employee housing lies in three areas: the costs avoided by businesses of having to induce workers from considerable distance; the additional town retail spending by employee-local residents; and the public costs avoided in not having to find a local parking solution for additional commuting workers. There are additional non-economic benefits associated with employees being housed within Vail, ranging from lessened seasonality to the invigoration of the community’s public life.

V. COMMERCIAL LINKAGE AND INCLUSIONARY ZONING

The Vail Town Council adopted two keep up actions in April 2007. Commercial linkage and inclusionary zoning are two regulatory tools designed to mitigate the impacts that new development in the Town of Vail has on the need for deed-restricted housing. When combined, the two tools conjunctively provide deed restricted employee housing for 30% of the workforce generated by new development in Vail. These tools are only used in the Town’s high density residential and mixed-use zone districts, typically found in the more intensely developed commercial core areas of Vail and have not been required in the lesser developed, lower density, residential districts.

Initial developments, following adoption of commercial linkage and inclusionary zoning, proposed to provide their requisite employee housing off-site. Recognizing the scarcity of available land resources to develop new employee housing in Vail, in 2008, the Vail Town Council amended the regulations. The amended regulations require new construction and demo/rebuild projects that result in a mitigation requirement of 438 square feet or greater, or 1.25 employees or greater, to provide at least 50% of the required mitigation of employee housing on site.

- Applies to new or an increase in net floor area, accommodation units or limited service lodge units and GRFA.

- Mitigation requirements may be met by providing newly deed restricted units, the payment of fees in lieu, the conveyance of property off site, or a combination thereof.
- All mitigation shall be provided within the Town of Vail.

Commercial Linkage ([12-23, Vail Town Code](#))

Each commercial development or redevelopment shall mitigate its impacts on employee housing by providing EHUs for twenty percent (20%) of the employees generated. Employee generation rates, by type of commercial use, are established by the Town's [nexus study](#).

Commercial linkage requirements do not apply to development in the following zone districts:

- Hillside Residential
- Single Family Residential
- Two-Family Residential
- Two-Family Primary/Secondary Residential
- Residential Cluster
- Low Density Multiple Family
- Medium Density Multiple Family
- Housing
- Vail Village Townhouse
- Agricultural and Open Space
- Outdoor Recreation
- Natural Area Preservation District

Inclusionary Zoning ([12-24, Vail Town Code](#))

Residential development and redevelopment shall be required to mitigate its direct and secondary impacts on the town by providing employee housing at a mitigation rate of ten percent (10%) of the total new GRFA.

Inclusionary zoning requirements do not apply to development in the following zone districts:

- Hillside Residential
- Single Family Residential
- Two-Family Residential
- Two-Family Primary/Secondary Residential
- Residential Cluster
- Low Density Multiple Family
- Medium Density Multiple Family
- Housing
- Vail Village Townhouse

- Agricultural and Open Space
- Outdoor Recreation
- Natural Area Preservation District

VI. METHODS OF MITIGATION

The acceptance of fees in lieu is a component of keep up strategy and a method of mitigation for commercial linkage, inclusionary zoning, and the Town's EHU exchange program. The fee in lieu amount is established annually by resolution of the Vail Town Council and establishes a fee per square foot and a fee per employee to be housed. According to the adopting legislation, the Town shall only use monies collected from fees in lieu to provide new employee housing within the Town of Vail.

Pursuant to Resolution No. 10, Series of 2007, (the original adopting resolution), *"the proposed fee in lieu amounts accurately reflect the affordability gap between a two person household earning 120% of the Area Median Income and the 2006 (adjusted annually)median cost per unit."*

- The fee in lieu amount originally proposed, and subsequently rejected by the Town Council, was calculated to reflect the gap between a two person household earning 100% of AMI and an administrative fee of 15%, reflecting the increased burden on the Town to use the funds to create new deed restricted units in Vail. As stated in the March 20, 2007, staff memorandum:

"At the March 13, 2007, Town Council meeting Resolution No. 6, Series of 2007, reflected a fees-in-lieu payment of \$178,695 per employee and \$325 per sq. ft. This fee was targeted at a two-person household earning 100% of Area Median Income (AMI) and an administrative fee of 15%.

The revised recommended fees-in-lieu in payment is \$131,385 per employee and \$236.65 per sq. ft. The recommendation is based on a target of two-person households earning 120% of AMI. The administration fee has been reduced to a flat rate of \$3,000 per employee and \$3.65 per sq. ft. Staff believes that the revised fees should cover the administrative costs the Town will incur.

The Average Square Feet of Units and the 2006 Median Price per Square Foot was held constant. Without an abundance of land to build new units on, staff believes that the money collected as a fees-in-lieu of developers providing employee housing, the Town will be "buying down" existing non-deed restricted units in the Town of Vail. The recommended fees-in-lieu will allow the Town to have adequate funds to buy down, deed restrict and resell or rent units at a rate affordable to local employees."

- An administrative fee, established by resolution of the Town Council, shall be added to the amount set forth. The fee has not been changed.

- The current year fees in lieu amount is determined by averaging the affordability gap with the two prior year’s actual fees in lieu amounts.
 - Increased predictability and reduced annually volatility.
- Fees in lieu shall be due and payable prior to the issuance of a building permit for the development.
- The fees in lieu amount for inclusionary zoning is the fees in lieu amount used for any Employee Housing Unit Exchange that pays fees in lieu.

VII. ZONING INCENTIVES

The Vail Town Code contains a chapter on [Employee Housing](#). The written purpose of the chapter is:

The town’s economy is largely tourist based and the health of this economy is premised on exemplary service for Vail’s guests. Vail’s ability to provide such service is dependent upon a strong, high quality and consistently available work force. To achieve such a work force, the community must work to provide quality living and working conditions. Availability and affordability of housing plays a critical role in creating quality living and working conditions for the community’s work force. The town recognizes a permanent, year round population plays an important role in sustaining a healthy, viable community. Further, the town recognizes its role in conjunction with the private sector to ensure housing is available.

The following chart shows the zoning incentives for a private property owner to create and EHU. The adopted incentives vary based on lot size and the zone district.

Lot Size	Zone District	Additional GRFA	Additional Site Coverage	Garage Credit	Density
Less than 14,000 sq ft	Primary Secondary Residential and Two-Family Residential	550 sq ft GRFA deduction	5%	Maximum of 600 sq ft	EHU allowed as a 2nd unit
14,000 sq. ft. or greater	Single-Family Residential, Two-Family Residential, Primary Secondary Residential, and Agriculture and Open Space	550 sq ft GRFA deduction	None	Maximum of 300 sq ft	EHU allowed as a 3rd unit

Lot Size	Zone District	Additional GRFA	Additional Site Coverage	Garage Credit	Density
14,000 sq. ft. or greater	Residential Cluster, Low Density Multiple Family, Medium Density Multiple Family, High Density Multiple Family, Vail Village Townhouse, Public Accommodation, Commercial Core 1, Commercial Core 2, Commercial Core 3, Commercial Service Center, Arterial Business, Heavy Service, Lionshead Mixed Use 1, Lionshead Mixed Use 2, Public Accommodation 2, Ski Base/Recreation, Ski Base/Recreation 2, Special Development District, Parking District, and General Use	EHU is excluded from GRFA calculation	None	None	EHU is excluded from density calculation
14,000 sq. ft. or greater	Hillside Residential	None	None	None	EHU allowed as a 2nd unit

VIII. TOWN SPONSORED DEVELOPMENT’S MASTER DEED RESTRICTION – VAIL COMMONS, RED SANDSTONE, NORTH TRAIL, AROSA DUPLEX, BUY DOWN UNITS

Town sponsored employee housing developments are a catch up strategy. To date, the Town has sponsored the development of for sale, deed restricted units that are priced to be permanently affordable to local employees. The Town’s master deed restriction further enhances affordability by being Federal National Mortgage Association (FNMA) approved, allowing buyers to obtain mortgages on the secondary market.

The [master deed restriction](#) recorded for Vail Commons, Red Sandstone, North Trail, Arosa Duplex and Buy Down Units includes:

- ✓ Maximum annual price appreciation of 3% per year (prorated at the rate of 0.25% for each whole month of any part of a year).

- ✓ Permitted Capital Improvements may be recouped and shall not exceed 15% of the purchase price for every ten-year period.
 - Increased from 10% and Permitted Capital Improvements was expanded to include replacement flooring, appliances, etc. on a five-year depreciation schedule.
- ✓ Owner shall use the unit as their permanent residence.
- ✓ Owner shall not own any interest in another developed residential property in Eagle County.
 - Exception made during new construction – time of construction allows prospective purchasers to sell their free market unit prior to closing on the Town of Vail deed restricted unit.
- ✓ Owner may rent the unit for a limited period of time, with Town approval, but not as an income producing asset.
- ✓ Nothing precludes an owner from sharing occupancy of the unit with non-owners on a rental basis.
- ✓ Units are resold through the Town.
- ✓ The deed restriction does not survive foreclosure.

IX. EMPLOYEE HOUSING GUIDELINES

The [Town of Vail Employee Housing Guidelines](#) is a companion document to the recorded master deed restriction. The purpose of the Employee Housing Guidelines is to set forth the occupancy requirements, re-sale procedures and resale price limits for the Town sponsored for sale, deed restricted employee housing units. This document has been amended from time to time by the Vail Town Council.

A summary of the Employee Housing Guidelines is described below:

Occupancy Requirements

- ✓ Must be employed an average of 30 hours each week on an annual basis, and must maintain this level of employment for as long as he or she owns the unit.
- ✓ May retire in the unit when he or she is sixty years of age or older and has worked a minimum of five years in Eagle County for an average of 30 hours per week on an annual basis.
- ✓ At least 75% of his/her income and earnings are earned by working at a licensed Eagle County business.
- ✓ Leave of absence may be granted for up to one year.

Resale Lottery Criteria

- ✓ In scoring lottery applications, years of employment and/or residency in the Town of Vail shall be weighted at 3:1 over years of employment and/or residency in Eagle County.
- ✓ Neither the applicant nor any member of the applicant's immediate family may own residential real estate in Eagle County at the time of application, except

where that real estate is deed restricted as a Town of Vail employee housing unit with a resale appreciation cap.

- ✓ Must have a household size of 3 or more persons for a three bedroom unit.
- ✓ For all resales of existing units a reserve lottery list shall be used.
 - The reserve lottery list shall be created using the exact same criteria.
 - The reserve lottery list shall be updated annually.
 - Separate reserve lottery lists shall be created for two bedroom and three bedroom units.

X. COMPLIANCE WITH DEED RESTRICTIONS

There are 265 deed restricted units within the Town of Vail that have been established using zoning incentives or regulatory obligations. Based on the era in which the units were deed restricted there are different requirements for the occupancy of the unit.

Pre-1992 deed restrictions (29 units):

- If the EHU shall be rented, it shall be rented only to tenants who are full time employees who work in Eagle County.
- There is no reporting requirement.

1992 to 1994 deed restrictions (22 units):

- If the EHU shall be rented, it shall be rented only to tenants who are full time employees who work in Eagle County.
- Annually the owner shall submit a report setting forth evidence establishing that the employee housing unit has been rented throughout the year, the rental rate, the employer, and that each tenant who resides within the EHU is a full-time employee in Eagle County.

1995 to 2000 deed restrictions (68 units):

- Annually the owner shall submit a report setting forth evidence establishing that the employee housing unit has been rented throughout the year, the rental rate, the employer, and that each tenant who resides within the EHU is a full-time employee in Eagle County.
- The owner of each EHU shall rent the unit at a monthly rental rate consistent with or lower than those market rates prevalent for similar properties in the Town of Vail.
- If the unit is not rented and is not available at the market rate it shall be determined to be in noncompliance. In addition to any other penalties and restrictions provided herein, a unit found to be in noncompliance shall be subject to publication as determined by the housing authority.

Post-2000 (146 units):

- Annually the owner shall submit a sworn affidavit establishing that the employee housing unit has been rented or owner-occupied throughout the year, the rental rate, the employer and that the tenant who resides within the employee housing unit is a full-time employee in Eagle County.
- The EHU shall be operated and maintained in accordance with [Chapter 13, Title 12 of the Vail Town Code](#). Failure to do so may result in enforcement proceedings in a

court of competent jurisdiction and in accordance with [Chapter 3, Title 12 of the Vail Town Code](#).

XI. TOWN OF VAIL AS AN EMPLOYER

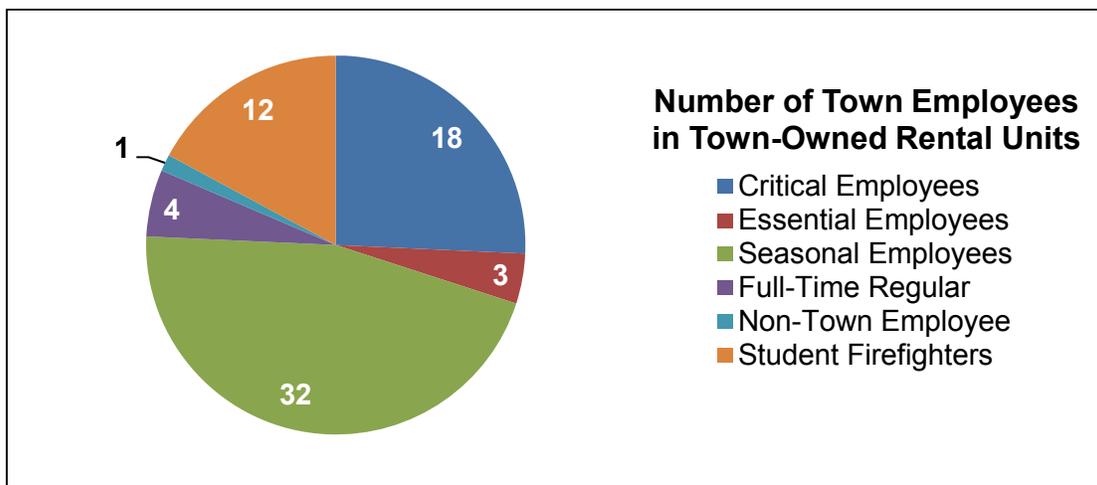
The Town of Vail is not only the municipal government, it is also an employer. As an employer, the Town has a goal of providing deed restricted housing for at least 30% of its workforce in Vail. The benefits of doing so are:

- Improves employee recruitment and retention
- Keeps critical service employees geographically accessible
- Reduces over-time costs by enabling the Town to be more fully staffed
- Stabilizes employment costs
- Reduces employee commuting times and distances

To meet the goal the Town provides:

- Seasonal and long-term rentals
- Priority for deed restricted purchases at Red Sandstone Creek
- Down payment assistance loans and rental assistance loans
- Reduced monthly rental rates

The Town of Vail currently employs +/- 345 people. Today, 69 Town employees (+/- 20%) live in 52 Town-owned rental units.



Source: Town of Vail Human Resources

XII. OVERVIEW OF CURRENT PRICE CAPPED EHU OWNERS

Arosa Duplex (2 units completed June 2010)

- Average age of owners is 37 years old
- Average length of ownership is 4 years 7 months
- Both owners were 1st time homebuyers

- Units are owned 100% by couples

North Trail (6 units completed May 2001)

- Average age of owners is 52 years old
- Average length of ownership is 10 years 5 months
- There are 3 original owners
- Owners have been 1st time homebuyers (50%) or moved from Vail Commons (50%)
- Units are owned 66% by women, 17% by men, and 17% by couples

Red Sandstone (18 units completed September 1999)

- One-half of the units are owned by individuals (9 units)
- Average age of individual owners is 43 years old
- Average length of ownership is 7 years 8 months
- Individual owners have all been 1st time homebuyers
- Owners of 2 units were born and raised in Vail
- Individually owned units are owned 44% by couples, 33% by women, and 22% by men

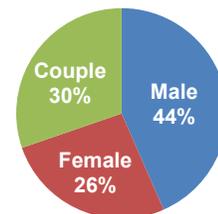
Vail Commons (53 units completed in 1996-1997)

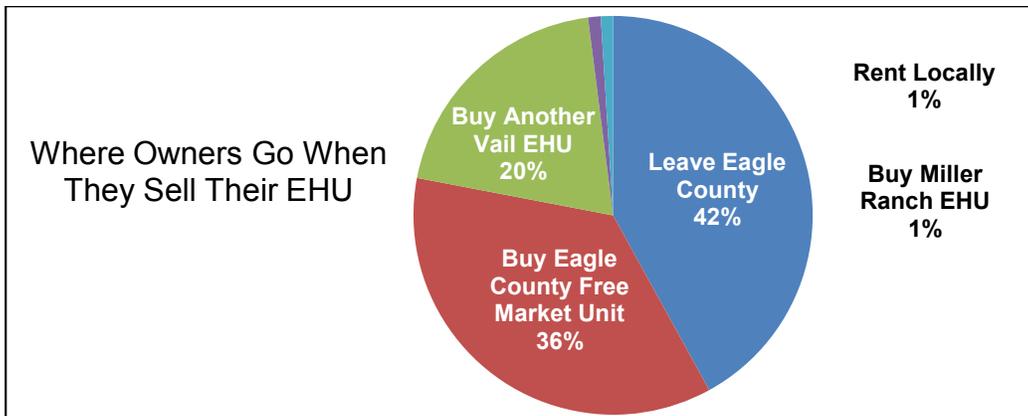
- Average age of owners is 53 years old
- Average length of ownership is 11 years
- Resale's purchased by 1st time homebuyers or current Vail Commons owners
- Original purchasers own 42% (22) of the units
- Owners of 2 units were born and raised in Vail
- Resale's of three-bedroom units have been purchased by Vail Commons two-bedroom unit owners 50% of the time and 1st time homebuyers 50% of the time
- Units are owned 52% by men, 27% by couples, and 21% by women

Demographics of All Properties

- 52 years old is the average owner's age
- 34% of owners are married
- 23% of owners have children
- 6% of units are owned by people born and raised in Vail
- 84% of units had at least one owner employed in Vail in 2013

Ownership By Status





Source: Town of Vail Housing

X. STAFF RECOMMENDATION

Staff recommends the Town Council listen to the presentation, ask questions, and provide direction to staff on additional information requested.