



## Staff Report

December 3, 2010

**To:** Crested Butte Planning Commission  
**Thru:** Susan R. Parker, Town Manager *SP*  
**From:** John F. Hess, Town Planner.  
**Subject:** Housing amendments to the Land Use Plan

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### SUMMARY:

Attached is the proposed amendment to the Housing chapter of the Crested Butte Land Use Plan (Amendment). It is also the Affordable Housing Strategic Plan which was put together by the Affordable Housing Task Force, Town staff, and Melanie Rees, a housing consultant we hired to lead the strategic planning process and document how much affordable housing the Town could require. The plan includes a history and what the Town has accomplished so far and policies regarding affordable housing. There are also several appendices. The following is a list of all parts of the 2010 Housing amendment:

- Amended Acknowledgements, including the 2010 Planning Commission and Affordable Housing Task Force.
- Amended Table of Contents including a revised Housing chapter and Resolution titles adopting this amendment.
- Glossary of Terms, which is new in the Land Use Plan.
- Housing Chapter, pages 121 through 132
- Appendix C-1 which contains strategies that go into more detail than the policies in the Housing chapter.
- Appendix C-2 which contains Tier 2 strategies, those strategies we are less likely to have time to address.
- Appendix C-3 which discusses Affordable Housing Implementation/Administration
- Appendix C-4 which is a two page spreadsheet model showing how required units and fees are calculated.
- Appendix C-5 which is the support study that documents the affordable housing needs and proposed requirements when new residential or commercial development is built.

### HIGHLIGHTS OF THE HOUSING CHAPTER OF THE LAND USE PLAN

INCLUDE THE FOLLOWING: (These highlights generally summarize new Housing Policies for the Town of Crested Butte)

#### **Goal:**

“Maintain a diverse and enduring community by providing dispersed housing for people of all economic levels, employees, and people who contribute to the community, in a manner that is consistent with the historic character of the Town.”

OVER →

- **Policy 4:** Those who create the need for affordable housing (AH) should build AH to meet the housing needs of the people who will work in the new commercial, lodge, or residential spaces.  
Payment of fees-in-lieu of units should only be used for fractions of units.
  - **Policy 6:** The percentage of occupied housing units (owner occupied or long-term rentals) in annexations should be increased to 70%.
  - **Policy 11:** Acquire land for AH.
  - **Policy 13:** Housing design should be compatible with design in the vicinity of AH and quality should be sufficient for long-term livability and energy efficiency.
  - **Policy 23:** Summary: AH should be designed to serve 40% to 200% AMI.
  - **Policy 30:** Summary...AH requirements should vary by size of the home.
  - **Policy 31:** Summary...occupants of units that get a tap fee reduction should earn at least 80% of their income in Gunnison County.
- The Commercial Linkage recommendation in Appendix C-1 is that housing should be provided for 25% of the housing demand generated by new commercial development.
  - The Residential Linkage recommendation in Appendix C-1 is to establish a stepped up mitigation rate that increases with house size from 20% for homes with fewer than 2,000 sq. ft., to 30% for homes with 2,000-2,999 sq. ft., and 40% for homes with 3,000 or more sq. ft.
  - Appendix C-3 recommends that an advisory Board be established to guide the Town's housing programs.
  - Appendix C-5 distinguishes between lodging and other commercial uses for AH requirements.

At the Town Council meeting following adoption of the Amendment, Town staff will ask the Town Council to appoint the Housing Committee recommended in the Amendment. I am still looking for a better name than the "Crested Butte Affordable Housing Committee."

After adoption of this Amendment, Town staff and the Housing Committee will begin preparing draft ordinances and other documents for the Town Council to begin implementing this amendment.

RECOMMENDATIONS:

Adopt the attached Housing chapter amendment to the Crested Butte Land Use Plan.

Amendments to the Land Use Plan must be approved by at least a 2/3 majority vote of the Planning Commission.

## RESOLUTION 2010-1

### A RESOLUTION OF THE PLANNING COMMISSION OF THE TOWN OF CRESTED BUTTE ADOPTING THE 2010 AMENDMENTS TO THE HOUSING CHAPTER OF THE CRESTED BUTTE LAND USE PLAN.

**WHEREAS**, the Town of Crested Butte, acting through its Planning Commission, is empowered pursuant to Section 31-23-201, et. seq., C.R.S., to adopt and amend a comprehensive plan for the physical development of the Town; and

**WHEREAS**, by Resolution 1996-1 the Planning Commission of the Town adopted the 1996 Crested Butte Land Use Plan, and by Resolution No. 4, Series 1996, the Town Council adopted the 1996 Crested Butte Land Use Plan; and

**WHEREAS**, the Town has prepared an update of the Housing chapter of the Crested Butte Land Use Plan; and

**WHEREAS**, in accordance with Section 31-23-208, C.R.S. the Town Planning Commission held a public hearing on December 6, 2010, following the publication of notice of the time and place of the hearing in the Town's newspaper of record and notice published in the official newspaper for Gunnison County, Colorado; and

**WHEREAS**, the Planning Commission believes that adoption of the below amendments to the Plan are in the best interests of the Town.

**NOW, THEREFORE, BE IT RESOLVED BY THE PLANNING COMMISSION FOR THE TOWN OF CRESTED BUTTE, COLORADO,**

**Section 1.** The "Crested Butte Land Use Plan" is hereby amended by deleting the Housing chapter in its entirety, starting on page 121 and inserting the document attached hereto which is entitled "Housing" starting on page 121 and continuing to page 132 of the Plan, and including the attached Appendices C-1, C-2, C-3, C-4 and C-5.

**Section 2.** The Crested Butte Land Use Plan is hereby amended by inserting the document attached hereto which is entitled "Glossary of Terms" starting on page 1 and continuing to page 2 of the Plan.

**Section 3.** The Acknowledgements shall be amended as set forth on the attached Acknowledgements. The Table of Contents for the Crested Butte Land Use Plan shall be amended as set forth on the attached Table of Contents.

**Section 4.** Following ratification and approval of the 2010 Amendments to the Crested Butte Land Use Plan by the Town Council as shown below, the Town Clerk shall send a certified and attested copy of this Amendment to the Crested Butte Land Use Plan to both the Town Council for the Town of Crested Butte and to the County Commissioners of Gunnison County. Attachment by the Town Clerk of a certified copy of this Resolution and a certified copy of the Town Council's Ratification Resolution to a copy of the 2007 Amendment to the Crested Butte Land Use Plan shall constitute certification and attestation of the 2010 Amendment to the Crested Butte Land Use Plan.

**Section 5.** This Resolution shall become effective upon adoption by the Planning Commission.

ADOPTED BY THE PLANNING COMMISSION OF THE TOWN OF CRESTED BUTTE, COLORADO, BY AN AFFIRMATIVE VOTE OF NOT LESS THAN TWO-THIRDS OF THE ENTIRE MEMBERSHIP OF THE COMMISSION, BY A VOTE OF \_\_\_\_AYES AND \_\_\_\_ NAYS, ON THIS \_\_\_\_\_ DAY OF DECEMBER, 2010.

PLANNING COMMISSION FOR THE TOWN OF  
CRESTED BUTTE, COLORADO

By: \_\_\_\_\_  
Leah B. Williams,  
Planning Commission Chairperson

ATTEST

\_\_\_\_\_  
Eileen Hughes, Town Clerk

**RESOLUTION NO. \_\_, SERIES 2010**

**A RESOLUTION RATIFYING AND APPROVING AN  
AMENDMENT TO THE CRESTED BUTTE LAND  
USE PLAN.**

Resolution 2010-1 by the Town of Crested Butte Planning Commssion and the Planning Commission's adoption of the 2010 Amendments to the Crested Butte Land Use Plan are hereby ratified and approved pursuant to C.R.S. § 31-23-206(1) by a majority vote of a quorum of the Town Council of the Town of Crested Butte, Colorado.

By: \_\_\_\_\_  
Leah B. Williams, Mayor

ATTEST:

\_\_\_\_\_  
Eileen Hughes, Town Clerk

## ACKNOWLEDGMENTS

The Town of Crested Butte thanks the following people for their participation in helping to create the 1996 Crested Butte Land Use Plan.

### The Crested Butte Planning Commission

Scott Truex, Chairman, Jim Schmidt, Cath Sherrer, Victor Shepard,  
Gary Sprung, Lucy Zavala, Ted Bosler

Past Members: Mark Reaman and Gloria Wojtalik

### The Board of Zoning and Architectural Review

Steve Shaffer, Chairman, Marcia Hegeman, Chuck Shaw, John LaDuke,  
Chris Myall, Linda Beck, Julie McCarthy, Dale Swanson

### The Participants of the November 18, 1996 Land Use Plan Workshop Who Were Not Already Mentioned Above.

Vinnie Rossignol	Mike Petersen	Jim Sell
Chuck Stearns	Mandy Gillie	John Banker
David Leinsdorf	Ken Spann	Cathy Frank
Gary Knerr	Erka C. Vohman	Sue Navy
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Chris LaMay	Annie Starr	Sean Cunan
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Robert C. Widner and Jerry Dahl, Gorsuch Kirgis, L.L.C.  
Crested Butte Property Management and Sales

Cover photo and C.F.&I. employee housing photo courtesy of  
The Colorado Historical Society

## ACKNOWLEDGMENTS

The Town of Crested Butte thanks the following people for their participation in helping to create the 2003 amendments to the Crested Butte Land Use Plan.

Linda Powers, Chairperson,  
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Robert C. Widner, Gorsuch Kirgis, L.L.C.

The Town of Crested Butte thanks the following people for their participation in helping to create the 2004 amendments to the Crested Butte Land Use Plan.

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**The Town of Crested Butte thanks the following people for their participation in helping to create the 2007 amendments to the Crested Butte Land Use Plan.**

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**The Town of Crested Butte thanks the following people for their participation in helping to create the 2010 amendments to the Crested Butte Land Use Plan.**

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# CRESTED BUTTE LAND USE PLAN

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**Resolution 1996-1**

A Resolution of the Planning Commission of the Town of Crested Butte for the Adoption of the 1996 Land Use Plan

**Resolution No. 3 Series 1996**

A Resolution Updating the Town's Three Mile Plan

**Resolution No. 4 Series 1996**

A Resolution Approving the Adoption of the 1996 Land Use Plan

**Resolution 1996-2**

A Resolution of the Planning Commission of the Town of Crested Butte for the Adoption of Article 15-3.

**Resolution 1996-3**

A Resolution of the Planning Commission of the Town of Crested Butte Adopting the First Amendment to the 1996 Land Use Plan to Authorize the Imposition and Collection of Capital Expansion Recovery System Fees for Fire Protection Services.

**Resolution 2003-1**

A Resolution adopting the 2003 Housing Amendment to the 1996 Land Use Plan.

**Resolution No. 5, Series 2003**

A Resolution Ratifying and Approving the Adoption of the 2003 Amendment to the 1996 Town of Crested Butte Land Use Plan.

**Resolution 2004-1**

A Resolution of the Planning Commission of the Town of Crested Butte Adopting the 2004 Park and Recreation Improvements Amendment to the Crested Butte Land Use Plan and Renaming the Plan

**Resolution No. 7, Series 2004**

A Resolution Ratifying and Approving the Adoption of the 2004 Amendments to the Crested Butte Land Use Plan.

**Resolution 2006-1**

A Resolution of the Planning Commission of the Town of Crested Butte Updating the Town's Three Mile Plan by Adopting the Crested Butte Area Plan and Adoption of an Amendment to the 1996 Crested Butte Land Use Plan.

**Resolution No. 7, Series 2006**

A Resolution Amending the Town's Land Use Plan by Replacing the Town's Three Mile Plan with the Crested Butte Area Plan and Approving the Planning Commission's Amendment of the Master Plan.

**Resolution 2007-1**

A Resolution of the Planning Commission of the Town of Crested Butte Adopting the 2007 Park Land and Land For Town Public Facilities Chapters of the Crested Butte Land Use Plan.

**Resolution 2007-2**

A Resolution of the Planning Commission of the Town of Crested Butte for the Adoption of Amendments to the Crested Butte Area Plan, Dated July 5, 2006, Concerning Park Land Dedications and Land for Town Public Facilities.

**Resolution No. 9, Series 2007** – A Resolution Ratifying and Approving an Amendment to the Crested Butte Land Use Plan.

**Resolution No. 10, Series 2007** – A Resolution Ratifying and Approving an Amendment to the Crested Butte Area Plan.

**Resolution 2010-1**

A Resolution of the Planning Commission of the Town of Crested Butte Adopting the 2010 Amendments to the Housing Chapter of the Crested Butte Land Use Plan.

**Resolution No. 15, Series 2010**

A Resolution Ratifying and Approving the Adoption of the 2010 Amendments to the Crested Butte Land Use Plan.

## Glossary of Terms

**Affordable Housing** – As a general standard, housing is considered to be affordable when the monthly rent or mortgage payment costs no more than 30% of the household's income. In Crested Butte, it is also used to refer to housing that is deed restricted or otherwise intended to be affordable for qualifying residents. Terms often used in other communities are community, essential and workforce housing. Crested Butte uses the term "local housing" in the Area Plan and in the Subdivision Regulations. Local Housing is defined as "...*permanently deed restricted housing. The intended beneficiaries for such housing are people who cannot afford unrestricted sale or rental housing prices. At minimum the occupants of affordable housing are a variety of mixed income people who earn at least 80% of their income in Gunnison County. "Earned Income" is defined by the IRS. Other restrictions such as maximum income, maximum assets and/or maximum resale price may also be a part of a deed restriction on local housing.*"

**AMI (Area Median Income)** – Figures published annually for counties by the US Department of Housing and Urban Development (HUD) by household size. When a single figure is referenced, like the median income for Gunnison County, it refers to 100% of the area median for a 4-person family. Housing programs are generally targeted to serve a defined income group. HUD defines income limits for low-income households ( $\leq 80\%$  AMI). Additional categories are usually used in high-cost mountain communities for various programs and policies:

1. *Extremely low-income*, which is less than or equal to 30% AMI;
2. *Very low-income*, which is between 30 and 50% AMI;
3. *Low-income*, which is between 50 and 80% AMI;
4. *Moderate/middle income*, which is between 80 and 120%;
5. *Middle Income*, which is 121% to 160% AMI;
6. *Upper/middle income*, which is 161% to 200% AMI; and
7. *Upper income*, which is over 200% AMI.

**Catch-up** - addresses housing deficiencies that exist now.

**Keep-up** - addresses housing needs as growth continues.

**Commercial** – references to commercial development in this document are references to development in the Commercial, Business or Tourist zones or any other development deigned to house a business.

**Commercial Linkage** - Developers of new commercial space build or pay for the construction of housing for a percentage of the workforce housing demand generated by the new development. The basic premise of linkage programs is that new commercial development fuels demand for housing through the new on-site jobs that are created. This is a form of impact mitigation. Indirect jobs are not used to document the housing demand generated. When applied to redevelopment, developers are credited for space that already exists.

**Inclusionary Zoning** – A portion of the units in new residential subdivisions and PUD's are designated as Affordable Housing, typically with deed restrictions that permanently protect their affordability and occupancy.

**Lodging Room** – A lodging room is a unit with up to one bedroom or sleeping space. Two bedrooms equals two lodging rooms.

**Mean** – the average of a group of numbers, which is the sum of all the data values divided by the number of items.

**Median** – the middle point in a data set. ( $\frac{1}{2}$  of the numbers are above and  $\frac{1}{2}$  are below the median)

**Residential Linkage** – Builders of new residential units are required to address a portion of the housing demand generated by on-site jobs associated with the maintenance and operation of the home, usually by providing a payment in lieu when homes are the size allowed in Crested Butte.

**Resident Occupied (RO) units** – Resident occupied units are units that have fewer restrictions than other deed restricted units. To live in a resident occupied unit a qualified buyer might need to earn 80% of their income in Gunnison County, but not need to be in an income category and there may not be an appreciation cap on the unit.

## Housing

### I. Introduction

This chapter of the Crested Butte Land Use Plan is intended to guide Affordable Housing efforts in Crested Butte. It calls for the responsibility for affordable housing to be broadly shared through a comprehensive combination of policies and strategies scheduled for implementation by 2015, simultaneously addressing both “catch-up” and “keep-up” needs.

### Organization of the Plan

This Plan consists of three sections and five appendices:

- I. Introduction.
- II. *Affordable Housing in Crested Butte to Date* -- provides a history of housing efforts, identifies units built to date, describes regulations in place through which affordable housing units are produced and summarizes the cost thus far.
- III. *Goal and Policies* -- includes the number of units to be built; the primary/second home relationship; the owner/renter mix; the relationship between jobs and housing; location; unit types and sizes; eligibility and priorities for affordable housing; income targeting; maintaining affordability over time and responsibility.

#### Appendices

- C-1 *Strategy Identification* -- provides a list of all Tier 1 strategies considered during the development of this plan and prioritizes them based on defined criteria, such as funding availability.
- C-2 *Strategy Development* -- describes each Tier 2 strategy and includes detailed recommendations for moving forward with their implementation.
- C-3 *Implementation/Administration* -- identifies optional approaches for providing the time and expertise needed to continue with administration of the Town’s expanding housing programs and to implement new strategies contained in Appendix C-2.
- C-4 *Model – Crested Butte Affordable Housing Study* -- provides the Excel-based model used to develop projections through 2015.
- C-5 *Affordable Housing Strategy Support Study* -- was prepared by Rees Consulting, Inc. simultaneously with this Plan to inform the establishment of policies and goals and to document the link between both residential and commercial development and the demand for housing. It provides a rational, defensible foundation for the Town’s affordable housing efforts. It also provides a Statement of the Problem and why affordable housing needs to be addressed in Crested Butte.

### I. Affordable Housing in Crested Butte to Date

#### History

Since the early 1990’s the Town of Crested Butte has worked to insure that a diversity of housing, affordable for all income levels, is provided as the community grows. In 1990, the Town Council re-defined accessory dwellings and said in the definition that they are to be used

exclusively as long-term rentals. In 1992, the Town participated with the Town of Mt. Crested Butte, the City of Gunnison and Gunnison County in the sponsorship of a county-wide Housing Needs Assessment. Through surveys of employees and employers, the study identified a variety of housing needs including more affordable rental housing, preservation of existing units and provision of affordable single-family homes.

The Town took a multi-faceted approach to address these needs including creation of incentives, imposition of affordable housing requirements on new subdivisions and direct development of housing. In 1999, another county-wide Housing Needs Assessment was completed that quantified affordable housing needs and provided information to support the Town's expansion of its housing efforts.

In 2003, the Town amended the affordable housing section of its Land Use Plan. The new policies increased the requirements placed on new subdivisions, identified new strategies and required new residential and commercial construction to address a portion of the housing demand it generates (referred to in this Plan as Linkage).

In the seven years since the affordable housing chapter of the Land Use Plan was amended, the Town's affordable housing program continued to produce units, through incentives, through public-sector development and via development of deed restricted lots by private land owners. These efforts have been subsidized through a combination of Federal, State and Town funding. A combination of factors necessitates that the Town's plan for affordable housing again be considered. Those factors include the following:

In 2009, a third county-wide Housing Needs Assessment was completed which again identified existing deficiencies and provided a forecast of housing needs for the next five years.

The Town's housing funds have been depleted and with decreases in sales tax revenue and linkage receipts, alternative approaches for developing and financing affordable housing are needed.

The slowdown in development activity has provided a window of opportunity for the Town to have the time to evaluate the effectiveness of the existing programs and to determine how to best proceed in the future.

The Town recognizes that very few long-term rental units, affordable for low incomes, have been produced through the Town's affordable housing program.

The findings from the Needs Assessment combined with the experience gained from affordable housing efforts to date, supported this planning effort and led to the development of a plan that will be effective, feasible, responsive to needs and appropriate for the community.

## **Units Built**

As the result of incentives, the Town serving as the developer, requirements for inclusionary zoning in new subdivisions and requirements on residential and commercial construction, 186 deed-restricted units have been created since 1990.

### *Tap Fee Incentives*

Through 2009, property owners in the Town had created 63 accessory dwellings that are deed-restricted as long-term rentals. The Town reduces the water and sewer tap-in fee to 1/3 of the standard fee as an incentive for the construction of these units. The standard fee in 2010 is \$15,000 for free market housing units, requiring one EQR.

### *Other Incentives*

The Town's tap fee incentives, sometimes in combination with density/FAR bonuses, have also been used to encourage private developers to build deed-restricted units in commercial buildings, multi-family buildings and single-family homes. A total of 65 units have been deed restricted in this way. The Town has provided reduced tap fees for all of these units and for the units it has developed and all of the deed-restricted units in new subdivisions. The Housing Fund has paid the difference between a free market tap fee and the deed restricted fee, so the Water and Sewer Fund will remain whole.

### *Town as Developer of Affordable Housing*

Red Lady Estates Mobile Home Park was created by the Town in 1994. Originally, 10 spaces were leased to qualified people who have lived in Gunnison County a minimum number of years, earned 80% of their income in the County and owned no other developed residential land. The qualified people purchased their own mobile homes and moved them on to the spaces provided by the Town. Resale price appreciation is capped at 2% per year. Owners of six of the 10 units now own the land under their mobile homes. Four owners of mobile homes continue to rent their space from the Town.

Town Ranch Triplex -- In 1994 the Trust for Public Land purchased the Eccher Ranch, which is now the Town Ranch, and sold it to the Town. The ranch house was moved to make way for the Community School and was converted into three rental units for Town employees.

Poverty Gulch Condominiums were constructed through a partnership of local builders, the Town and the Gunnison County Housing Authority in 1999. There are ten units and resale appreciation is capped at 3% or the change in the consumer price index appreciation (CPI), whichever is less.

Paradise Park -- 15 acres of land were given to the Town during the Verzuh Ranch Annexation. In 2002 the Town approved a subdivision plan for the Paradise Park affordable housing subdivision. Infrastructure for Blocks 77 and 78 has been constructed. A total of 40 units were approved for these two blocks, of which 24 units had been built as of June, 2010. As planned, the entire subdivision will have 85 deed-restricted units at build out.

### ***Subdivision Regulations (Inclusionary Zoning)***

The Town's subdivision regulations currently require 60% of the total number of units in a new development be deed restricted as "local housing". At least 21% of the total number of units must be deed restricted to households earning 111% to 153% of the Area Median Income. This type of requirement is typically referred to as inclusionary zoning (IZ). Developers may satisfy the deed restricted housing requirement by offering the Town a substitute percentage if the developer will build the units, as opposed to selling deed-restricted lots. The Town is not required to accept this offer. Deed restricted units have been provided in two subdivisions through inclusionary zoning:

Kapushion Subdivision -- In 1993 the Town recommended that 15% of the units in new subdivisions annexed to Town to be deed restricted. The Kapushion Annexation subdivision was approved in 1994, on the northwest corner of town, and it produced five deed restricted lots. Homes have been built on all five lots.

Verzuh Subdivision – In 2000, the Town required 21% of the units in new subdivisions annexed to Town to be deed restricted. The Verzuh Annexation, approved in 2000, on the east side of town, included eight deed-restricted lots where duplexes could be built. As of June 2010, six units had been built. Resale appreciation for these deed restricted units is capped at 3% or the change in the Consumer Price Index (CPI), whichever is less.

The subdivision regulations also address the location of the deed-restricted housing in the subdivision, conveyance of the units to the Town, minimum eligibility requirements, sale price limits, satisfying some of the requirement by deed restricting existing units, and the rate of sale of the units, compared to the free-market units.

### ***Linkage Requirements***

When new buildings are built, or when older buildings are enlarged, developers of such projects are required to build affordable housing or pay a fee in lieu of building the units. The requirement is .0000347 of a Resident Occupied unit for each new square foot of residential floor area and .000296 of a Resident Occupied unit for each square foot of new commercial floor area. The fee in lieu is \$1.82 per new square foot of residential floor area and \$2.08 for each new square foot of commercial floor area. Since 2004 the fee in lieu has generated \$464,770 which has been used to construct units and pay the reduced portion of tap fees, and pay the Town's portion of costs for the Gunnison County Housing Authority.

### **The Costs and the Financing**

In the past 10 years, the Town of Crested Butte has spent nearly \$2.7 million for affordable housing tap fee subsidies, to build eight dwelling units, to construct infrastructure for two blocks in Paradise Park and to participate in the Gunnison County Housing Authority (see table below). During this same time, approximately \$1.75 million in revenues were received from payment in lieu fees, grants, lot sales and duplex sales. The two grants, the only non-local sources of revenue, covered 9% of costs over the 10-year period. The net cost to the Town after taking in to consideration all housing expenditures and housing revenues was approximately \$940,000.

	Expenses	Revenues
<b>Poverty Gulch</b>		
Infrastructure	\$31,710	
Tap/Fee Reductions	\$70,000	
<b>Paradise Park</b>		
Infrastructure	\$680,102	
Lot Sales		\$565,210
Duplex construction (6 units)	\$753,734	
Duplex sales (4 units)		\$479,160
Manager's House & Accessory	\$397,343	
Other Affordable Housing Tap Fees	\$566,094	
Housing Authority payments, 1999 - 2009	\$199,685	
Payment in Lieu Fees, 2004 - 2009		\$464,770
USDA Grant		\$21,761
Energy Impact Assistance Grant		\$224,026
<b>Totals</b>	<b>\$2,698,668</b>	<b>\$1,754,927</b>
<b>Net Cost (paid by other Town sources)</b>		<b>\$943,741</b>

This summary does not include miscellaneous expenses incurred by the Town such as legal fees, closing costs, utilities, interest on manager's house lease, property maintenance, staff time, and insurance. It also does not include rental or interest income. Costs for Red Lady Estates and the Ranch House apartments are also not included because they were completed more than 10 years ago.

## II. Goal and Policies

These policies provide specific direction to guide the development of solutions to Crested Butte's Affordable Housing needs. A combination of strategies are described in Appendix C-1 to address the multiple needs of community members.

### Goal:

Maintain a diverse and enduring community by providing dispersed housing for people of all economic levels, employees, and people who contribute to the community, in a manner that is consistent with the historic character of the Town.

The 2009 Housing Needs Assessment found that the majority (59%) of the Town's population felt that housing was the most critical problem or one of the most serious problems in the community.

### Number of Units and Rate of Growth

**Policy 1:** By the time the next 85 free market units are built, all policies and strategies in this plan should also produce the next 86 deed restricted units.

When the economy rebounds, the Town expects Crested Butte's overall rate of residential growth, which has resulted in a net gain of about 17 units per year, to be maintained into the future. This would result in the addition of 85 free market housing units during the next five years. The assumption about the number of units, assumes there will be an annexation into the town and at least two major commercial projects will be built. If the economy does not rebound, then the rate of growth will be slower. How much slower is unknown.

While it is recognized that affordable housing will be needed in the future as the community grows, and that resources to address those needs are limited, the development, on average, of between seven and eight housing units per year has not produced desired results. Proportionately more units are becoming second/vacation homes, no affordable units are currently available for eligible buyers, and there are no opportunities for families to move up or down in housing as their circumstances change. When possible, opportunities to take advantage of the slowdown in construction and lower labor costs should be pursued.

**Policy 2:** Construction of affordable housing units should outpace the development of free-market homes.

The rate at which affordable housing is developed in Crested Butte should be increased. By 2015, a total of 86 additional affordable housing units should be built. This target equates to a production rate of 17.2 units per year. Should residential development surge as the economy recovers, the goal of 86 affordable units over the next five years should be re-evaluated to consider how to keep up with free-market construction.

In addition to the goal of 17 new deed restricted units per year on average over the next five years, efforts should also be made to preserve the affordability of at least eight free-market housing units that have offered long-term rental and entry-level homeownership opportunities in the past.

### **Affordable Housing for Employees**

**Policy 3:** As residential and commercial development occurs, new deed restricted units should be provided to address the housing needed by employees who will work in the new residential and commercial spaces.

**Policy 4:** Those who create the need for affordable housing should build affordable housing to meet the housing needs of the people who will work in the new commercial, lodge, or residential spaces. Payment of fees-in-lieu of units should only be used for fractions of units or as discussed in Appendix C-1.

The Affordable Housing Strategy Support Study, in Appendix C-5, clearly shows that as new residential or commercial space is built, jobs are generated and housing for the people who hold those jobs is also needed. Specifics such as recommended mitigation rates and targeted income groups are located in the Strategies in Appendix C-1. The advantage to developers of providing units rather than paying a fee is that the units should become an asset and income source when they are rented monthly or sold.

### **Primary/Second Home Relationship**

**Policy 5:** Create and maintain an enduring community by providing quality affordable housing for people who have demonstrated a commitment to the community.

**Policy 6:** The percentage of occupied housing units, owner occupied or long-term rentals, in annexations should be increased to 70%.

Approximately 69% of all residential units in Crested Butte are occupied by owners or long term renters. During the past decade, vacation homes (second homes and short-term rentals) grew from approximately 20% to 25% of total units. The Town would like to maintain the current percentage of occupied units. Continuation of the second home and short term rental trend is not desired by the Town. Vacation homes have increased at the rate of 8.6 units per year through new construction and purchase/conversion of existing units. While this rate will likely not be replicated over the next five years due to the current state of the economy and slow rate of sales, the Town census can be used to monitor shifts in occupancy/use. As the Town staff conducts its annual census of people and dogs, staff should report to the Town Council any change in the percentage of homes occupied by residents and the percentage of second homes and vacation rentals.

### **Owner/Renter Mix**

**Policy 7:** Since owners generally provide neighborhood stability, commitment to the community and maintenance of their homes and yards, the goal for ownership should be increased from 48% in the 20003 Crested Butte Land Use Plan to 52%.

Between 2006 and 2008 the annual Town census found that the percentage of owner occupied units varied from 54% in 2006 to 49% in 2008.

**Policy 8:** Providing additional rental opportunities should also be pursued given the dependency of the community's economy on low-wage retail and commercial service jobs.

### **Jobs/Housing Relationship**

**Policy 9:** To maintain a sustainable community, an adequate labor force, and preserve the fabric or character of the community as it grows, affordable housing policies and strategies should provide:

- a diversity of housing opportunities,
- balanced residential development, and
- maintenance of the supply of housing relative to employment as the community grows.

Crested Butte's sustainability is dependent upon it remaining a community in which people can work, live, play and raise families. A greater imbalance between jobs and housing would lead to increased commuting and traffic congestion, the need for additional employee parking, and a loss of the sense of community that is now so vibrant. An indicator is needed to track this relationship.

### **Location**

**Policy 10:** Affordable housing should be dispersed throughout Crested Butte.

As demonstrated by having inclusionary zoning policies for new development, the Town encourages people of all income levels to live throughout town. Concentrations in

neighborhoods where land for affordable housing is acquired through annexations, like Paradise Park, are also desirable. In those cases, free market housing interspersed with deed restricted housing, should be considered. Residential development should also be allowed and encouraged in situations where housing and commercial space can be effectively integrated and parking needs can be addressed.

**Policy 11:** The Town should acquire land for affordable housing.

Obtaining land to build housing on can be the most difficult part of providing affordable housing. The Town should give careful consideration to opportunities to acquire land for affordable housing.

### Unit Types and Size

**Policy 12:** A variety of housing types and sizes should be produced to accommodate the desired population diversity and maintain a mix of housing types similar to that found in Crested Butte today.

Single-family homes and duplexes are most compatible with the existing character of development within the town. Greater diversity in unit types and sizes is needed, however, to achieve affordable price levels. Relatively high density is also needed to make housing affordable.

The cost of housing should be addressed with more creative and intensive use of land. Mixed-use developments with multi-family units located above or behind retail and office space are desirable as a way to provide high-density housing without significantly impacting the amount of land that is available and suitable for commercial uses, or affecting single-family residential neighborhoods. Continuing with the development of accessory dwelling units on both existing lots and in new subdivisions is also desired.

**Policy 13:** Housing design should be compatible with the designs of housing units in the vicinity of affordable housing and quality should be sufficient for long-term livability and energy efficiency.

**Policy 14:** Size is important, but low cost should not to be achieved by building units that are so small that their livability is compromised. The minimum size for deed restricted units should be as follows:

**Minimum Size for Deed-Restricted Units**

Category	Minimum Size
1 Low Income ( $\leq 80\%$ AMI)	500 Sq Ft
2 Moderate Income (81 – 120% AMI)	900 Sq Ft
3 Middle Income (121 – 160% AMI)	1,100 Sq Ft
4 Upper Income (161% - 200% AMI)	1,400 Sq Ft

Size should vary by income for several reasons. There is a correlation between household size and income. Low income households tend more often to have only one income earner. Middle and upper income households tend to be larger because couples can afford to support children. Larger units require smaller subsidies if sold for higher prices. It is very expensive to lower the price on large units to levels that are affordable for low-income households. Households with income above 120% AMI can afford to purchase the average three-bedroom

home in many communities and might leave Crested Butte if their only housing options are significantly smaller.

**Policy 15:** The average size of all required units should be as follows:

#### Average Size for Deed-Restricted Units

Category	Minimum Size
1 Low Income ( $\leq 80\%$ AMI)	800 Sq Ft
2 Moderate Income (81 – 120% AMI)	1,000 Sq Ft
3 Middle Income (121 – 160% AMI)	1,200 Sq Ft
4 Upper Income (161% - 200% AMI)	1,500 Sq Ft

The purpose of this policy is to discourage all required units from being the minimum size. When two or more units are required, their average size should be as described in the chart above.

### Sustainability

**Policy 16:** Sustainability should be an underlying principal of affordable housing in Crested Butte.

Sustainability in all affordable housing should be achieved by the following, but is not limited to the following:

- “Green” designs with energy-efficient appliances, alternative energy sources, non-toxic building materials, solar orientation, and high R-value insulation and windows, which improve long-term affordability and provide a healthier living environment.
- Compact developments, which reduce the amount of land converted into residential use, minimize resources consumed in infrastructure construction and maintenance, lower water consumption and enhance sense of neighborhood.

**Policy 17:** The Town will pursue affordable housing to sustain community.

Crested Butte’s vibrant local community is unique among comparable small mountain resorts. Loss of community challenges the very foundation of the community. Where housing is concerned, loss of community occurs when people who volunteer to participate in community organizations, and when people who lived here for a time, find that they can no longer afford to own or rent a home in Crested Butte and decide to move “down valley” where prices and rents are lower. Crested Butte loses its sense of community when this occurs.

### Eligibility and Priorities for Affordable Housing

**Policy 18:** *Workforce Housing* - Affordable housing efforts should focus primarily on providing units designed for the workforce.

Length of residency should be a consideration with priority based on the time lived/worked in the community. A minimum of one year residency should be required.

**Policy 19: *Family Housing*** – Family oriented housing should be maintained into the future as growth occurs to help maintain the current mix of household composition.

To preserve this demographic trait, about 75% of new units intended for occupancy as primary residences should accommodate families, (couples and adults with children) and roommate households with design characteristics that include at least two bedrooms, a safe outside area for children to play and adequate storage. About 20% should be designed for single households, with the recognition that it is generally more affordable and desirable for units developed for single homeowners to have one bedroom.

**Policy 20: *Senior Housing*** – If opportunities arise (eg. grant programs) the Town could consider including housing specifically for seniors, when designing affordable housing developments.

Because the baby boomer generation is reaching retirement age, Crested Butte's retiree population is expected to grow at a disproportionately high rate for at least the next 15 years. Providing housing for seniors could provide opportunities for seniors to downsize their homes. The primary senior housing program should be to provide housing for the employees who acquired affordable housing while working and want to continue to live in their homes after retirement. Because the proposed requirements and fees in this document are based on the number of employees generated by increases in residential and commercial floor areas, senior housing should not be built to satisfy the housing requirements.

**Policy 21: *Seasonal Workers*** –The Town's affordable housing efforts will focus on year-round residents.

Employers who provide seasonal jobs should be responsible for providing housing for seasonal employees.

## **Income Mix**

**Policy 22:** Income targeting should be responsive to the housing needs unmet by the private market and appropriate for the type of jobs in the community.

**Policy 23:** The current mix of incomes is as follows, and affordable housing should be designed to serve Categories 1 through 4:

### Categories

1	40% low income	(less than or equal to 80% AMI),
2	23% moderate/middle income	( 81% to 120% AMI)
3	16% upper- middle income	(121% to 160% AMI)
4	10% upper income	(161% to 200% AMI)
5	11% high income	(greater than 200% AMI)

The income diversity of the community's population should therefore be maintained as it grows. It is appropriate that affordable housing serve households with incomes as high as 200% AMI, since the free market provides few options for housing at this income level. However, the number of units provided for incomes as high as 200% AMI , should be much lower than the number of units provided for lower incomes, since the list above indicates that most incomes are in the "low" to "upper- middle" income ranges (79%), and Policy 18 recommends maintaining the current mix of incomes.

## Income Distribution – Crested Butte Households, 2009

Shading Denotes Low Income

	AMI	Max Income	% total Households	% Owners	% Renters
Extremely Low Income	0 - 30%	\$18,000	11%	10%	12%
Very Low Income	31 - 50%	\$30,000	12%	5%	27%
Low Income	51 - 80%	\$48,000	17%	16%	19%
Moderate Income	81 - 100%	\$60,000	16%	17%	13%
Middle Income	100% - 120%	\$72,000	7%	5%	12%
Upper/Middle Income	121% - 160%	\$96,000	16%	18%	10%
Upper Income	161% - 200%	\$120,000	10%	13%	4%
High Income	>200%	N/A	11%	15%	4%
Total			100%	100%	100%

Source: 2009 Gunnison County Needs Assessment.

### Responsibility

**Policy 24:** Responsibility for housing should be broadly shared in the community with mechanisms for financial support to be contributed from multiple sectors including government, employers, developers, the general public and various stakeholders.

Therefore, new residential and new commercial development should be held responsible for addressing a reasonable share of the housing demand it generates in order to sustain the community and its economy.

### Affordability over Time

**Policy 25:** A variety of deed restricted units is needed to address the variety of housing needs in Crested Butte.

Most deed restrictions should require that only people in a particular income category are eligible to live in a particular unit. A 3% appreciation cap, or the change in the consumer price index, whichever is less, should also be applied to most units to help keep units affordable. Funding sources may also have deed restriction requirements that must be met.

Because higher income households can afford to pay more than lower incomes, the Town subsidies for their units can be smaller, or a smaller percentage, than for lower income units and therefore, deed restrictions on units for higher income households may be less. For instance, there may be no appreciation cap on a unit for the 160-200% AMI range if the Town subsidy for the lot price is less than the subsidy for a lot in the 80% AMI range. The Town can, in turn, use payments for the higher income lots to further subsidize lower income units.

**Policy 26:** Occupants should be allowed to make improvements, but the primary goal of the program is to ensure units remain affordable for the income bracket identified for each unit.

Continuation of the current policy which allows the owner of a unit to be reimbursed up to 10% of the original value (original sales price) of the unit for each 10 years of ownership should continue. This does not allow the owner to be reimbursed for very many

improvements for a low cost unit so owners of units costing less than \$100,000 when new, should be allowed to be reimbursed up to 20% of the price of the unit when new, for each ten years of ownership. In all cases the restriction should also be coupled with a maximum sales price that is affordable for the income bracket identified for the unit, assuming the buyers do not spend more than 30% of their income on housing.

Reimbursable improvements include adding square footage for a bedroom. Reimbursable improvements do not include upgrades, such as replacing linoleum with tile. The price of cosmetic upgrades should not be allowed to affect the unit price.

**Policy 27:** New deed restrictions on affordable housing units should give the Town a first right of refusal when those units sell.

This will allow the Town to purchase the unit, and if necessary, resell it at a lower price that is affordable to a lower income household. It will also allow the Town to make changes to the deed restriction as needed.

**Policy 28:** An affordable housing first right of refusal fund should be started so when a unit sells, the Town has the funds to purchase it.

**Policy 29:** If a resale unit is priced too high, so the target income group is not interested due to price, the price should be reduced rather than weakening the deed restrictions on the unit.

One purpose of affordable housing is provision of housing that is affordable.

### **Incremental Unit Size**

**Policy 30:** To ensure fairness in implementation, affordable housing requirements should vary by size of the home.

As unit sizes grow, their impacts on the community increase. The job generation rates for residential units are based on finished square feet and are expressed in 500 square foot increments because there is a positive correlation between household size and job generation - the larger the home, the more jobs that are generated by the residence. The implementation of requirements segmented by categories that are too broad (e.g., less than 2,000 square feet and 2,000 square feet or more) does not equitably distribute job generation and employee mitigation.

### **Incentives**

**Policy 31:** When the owner of a deed restricted unit receives benefits from reduced fees for a deed restricted unit, occupants of those units should earn at least 80% of their income in Gunnison County.

The Town has offered the tap fee reduction for many years but has no way to ensure owners who receive the tap fee reduction will rent their units to employees in the valley. The policy above helps ensure housing will be available for employees in the county. The deed restriction should be written to allow confirmation by the Town that the deed restriction is being met.

## Appendix C-1

### Affordable Housing Strategy Identification - Tier 1

This appendix describes in detail implementation options to achieve the goals and policies of the affordable housing Chapter of the Land Use Plan.

To date, a total of 13 distinct approaches have been used to provide affordable housing in Crested Butte. Town staff, the consultant and task force members identified 15 additional ways by which the Town could address housing needs in the future.

#### Existing and Potential Strategies

Existing Strategies	New Potential Strategies
Commercial Linkage	Housing rehabilitation/weatherization
Residential Linkage	Acquisition/preservation of market units
Inclusionary Zoning (Annexation Policy Amendments)	6320 non-profit corp. & tax exempt bond issue
Tap fee/permit reductions	Demolition/replacement regulation
Density and height bonus for ADU's	Tax credit apartment development
FAR bonus in B-1 and C zones	Senior housing development
Housing for Town employees	Mortgage/down pmt assistance
Sale of Paradise Park lots	Employer-assisted housing
Town development of units	Sales tax for housing
USDA Mutual Self Help Build	Lodging tax for housing
Habitat for Humanity	Voluntary housing contribution
Annexation Policy	Donation/tax break program
Public /private partnerships	Lot trades
	General obligation bonds
	Section 8 rental vouchers

Of the 15 new, potential strategies, five were eliminated from inclusion in this five-year strategic plan but should be considered in the future (identified by strike through on table above). All taxes were eliminated because a public vote would be required, and task force members felt that it would probably not pass given current economic conditions. Strategies involving tax exempt bond issues were eliminated due to the high cost of issuance, the requirement for voter approval and the inability to sell unrated bonds under current market conditions. Creating a voluntary housing contribution program was also removed from further consideration at this time since non-profit organizations are struggling with declines in donations, and there are no examples of similar programs elsewhere that could potentially be copied in Crested Butte.

A two-tier grouping of strategies was done in order to focus the time and expertise of task force members on the strategies that could be the most effective in the near term and that could be realistically implemented given funding and staffing constraints.

General criteria for assigning the strategies into the two groups were as follows:

#### Criteria Used to Prioritize

Tier 1 Criteria	Tier 2 Criteria
Funding appears to be available	Funding uncertain
Involves continuation of existing program	New program
Opportunities appear to be forthcoming	Market conditions limit opportunities
Builds on existing admin expertise	Extensive administrative requirements
Effective at producing units	Results in a limited number of new affordable units

The following table lists the strategies by group. Specific objectives for each strategy in the Tier 1 group were developed with detailed steps for implementation (see following section of this Plan). The strategies in the Tier 2 group need further refinement. The Task Force should be reconvened within one year of the Plan's adoption to tackle this task.

#### Priority Strategies by Group

Tier 1 Strategies	Tier 2 Strategies
Commercial Linkage	Inclusionary Zoning Amendments
Residential Linkage	
Annexation Policy Amendments	Sec 8 Rental Subsidy Vouchers
Paradise Park Lots	Donation/Preservation
Paradise Park Duplexes/Triplexes	Employer-Assisted Housing
Mortgage Assistance & Homebuyer Counseling	Lot Trades
Incentives (eg. fee reductions, density bonuses)	
Low Income/ Tax Credit Apartments	
Acquisition/Preservation	
Rehabilitation/Weatherization	

In some cases, strategies were combined. For example, development of senior housing was not eliminated but rather addressed as a component of the construction and sale of duplex/triplex units in Paradise Park.

## Strategy Development

### Tier 1

#### Commercial Linkage

Commercial linkage is a requirement for addressing keep-up needs – it is based on the jobs created by new development and the resulting demand generated for affordable housing. It requires developers of new commercial space (it does not apply to existing businesses or existing space) to provide or fund a portion of the affordable housing for which need is generated by the new commercial space, usually by building it on site in mixed-use projects. Structuring the requirement as an impact fee also appears to be allowable based on the Gunnison County decision, a lawsuit in which the court upheld the County's impact fee for affordable housing charged on both residential and commercial buildings.

Crested Butte has had a commercial linkage requirement in place since 2003. Since the fee is low relative to the documented maximum fee and to the cost for building units (\$2.08 per square foot when

the cost of building new commercial square feet is roughly \$500 per square foot), developers have opted to pay the fee. Revenues from this fee have been used to support a variety of affordable housing efforts including incentives, infrastructure and administration.

An *Affordable Housing Strategy Support Study* for both commercial and residential linkage was completed in March 2010 that documents the link between development and housing demand. It provides the basis for calculating the fee-in-lieu so that it can be periodically updated to reflect changes in incomes and housing costs.

Recommendations for Crested Butte's commercial linkage requirements include:

- Require new commercial development to address 25% of the housing demand it generates. The Town prefers that units provided to meet the housing requirement be long-term rentals but recognizes that long term rentals may not be practical in all cases. Therefore, developers are encouraged to work with the Town to determine the types of units provided to meet the requirements.
- Incent on-site development of units but allow off site development, in the Town of Crested Butte, fees in lieu and land in lieu as options for compliance, based on community benefits, incompatibility with adjacent commercial/industrial uses, opportunities to utilize and leverage revenue, location and site attributes.
- Require new commercial development to address 50% of the housing demand it generates if a fee-in-lieu of building units is proposed.
- Calculate the fee in lieu according to the methodology provided in the *Affordable Housing Strategy Support Study* and update it annually.
- Units provided via the commercial linkage requirements should be targeted for Category 2 households (81% to 120% AMI) with the average price of units affordable for households with income of 100% AMI.
- Clarify that the commercial linkage requirement is imposed when the building permit is pulled and is therefore applicable to all new commercial development that has not been permitted by the date the changes are enacted.

Based on the model in Appendix C-4, if 50,000 sq. ft. of commercial space is built in the next five years, the proposed commercial linkage program is projected to produce 23 affordable units by 2015, primarily on site above or behind commercial space. Ideally, fees-in-lieu would be accepted for three to five units to generate income needed to support other housing efforts. Fees-in-lieu on three units would generate approximately \$615,000 by 2015 based on a linkage fee of \$94 per square foot on the construction of new commercial space.

While it is recognized that a 25% affordable housing requirement for commercial development falls far short of the housing demand created by the development, policies of this Plan call for responsibility for affordable housing to be broadly shared, as described below.

### **Residential Linkage**

Residential linkage requires new home construction to contribute to the provision of affordable housing based on the housing demand that the new home generates from the resulting permanent on-site jobs.

Since most home maintenance and service jobs are low wage, these requirements are typically designed to provide housing for low-income employees. The requirement can be a fee-in-lieu formula where affordable units are required (typically only a fraction of an affordable housing unit is required for each single-family home), or as an impact fee as was done and upheld in Gunnison County. In Crested Butte, home builders are currently charged \$1.82 per square foot.

Recommendations for the Town's residential linkage requirement are as follows:

- Establish a stepped up mitigation rate that increases with house size from 20% for homes with fewer than 2,000 square feet, 30% for homes with 2,000 to 2,999 square feet, and 40% for homes with 3,000 or more square feet.
- Recommended affordable housing units required for each free market residential unit built and fees in lieu, based on the Support Study and the model in Appendix C, are as follows and are based on the total square footage built for a new home or the total square footage for a home after an addition is added:
  - Up to 1,999 sq. ft. at a 20% mitigation rate: .016 AH units or \$2.85 per sq. ft. of free market residential unit built.
  - 2,000 to 2,999 sq. ft. at a 30% mitigation rate: .033 AH units or \$3.50 per sq. ft.
  - 3,000 sq. ft. or more, at a 40% mitigation rate: .061 AH units or \$4.50 per sq. ft.
- Update the fee annually as incomes and housing prices change.
- Continue to exempt from the requirement all deed-restricted units, except units with the resident occupied deed restriction (RO) (qualified owners or renters must earn 80% of their income in the County but no income or price caps).
- The program should primarily address the housing needs of low-income households (Category 1 - ≤80% AMI) but also serve Category 2 households (81% - 120% AMI) as appropriate to partially keep-up with housing demand generated by future residential growth; possible uses of the funds might include subsidizing the development of low-income tax credit apartments to achieve the quality and design desired.
- If a deed restricted unit is built on a single family residential parcel with a free market unit, there should be no additional affordable housing requirement for the free market unit.

Based upon a series of assumptions about future residential development, a linkage program as proposed would generate total revenue of approximately \$261,500 by 2015. This estimate is based on the assumption that six free-market homes will be built each year at an average size of 2,500 square feet. In the past decade, an average of about 9.4 free-market homes were built each year.

## **Annexation Strategies**

The Town's current annexation policy calls for 60% of residential units to be deed restricted in developments on land previously outside of Town boundaries. This policy serves as a guide for consideration of future annexations, and the basis for negotiations. Communities often require higher

standards from annexed developments in trade for providing the added amenities of town services through annexation since through negotiation, both catch-up and keep-up housing needs can be addressed. Consideration should be given to amending Crested Butte's annexation policy to insure that the goals set forth in this Strategic Plan are addressed.

Recommendations include:

- Increase the percentage of deed restricted residential units in annexations to 70% in accordance with the desire to keep the percentage of homes occupied by local residents at 70%, and slow down the shift toward vacation homes
- Require pricing to generally align with the income distribution of current town residents as presented on page 11 of this Plan, so that as the Town grows, its diversity will be maintained.
- Use an RO-type of deed restriction for a portion of the deed-restricted units that serve higher-income residents. In accordance with the policy for income targeting, about 11% of units should be RO.
- Policy 16: Half lots of approximately 2,500 sq. ft., or larger, may be appropriate in new developments where utility service can be provided through adjacent lots. Such lots should be resale deed restricted, since small lots alone do not ensure affordability, and should be located at block corners to allow for access and utility service. Such lots will need a new zoning district because F.A.R. ratios will be around .6 in existing zone districts.

Assuming an annexation of 75 units occurs, 70% of the units are deed restricted, and the build out is 15 years, then within the next five years as many as 17.5, or rounded to 18, units could be provided by means of these annexation policies.

### **Paradise Park Lots**

The Town has provided infrastructure to two blocks within the Paradise Park subdivision in which all lots are deed restricted. Lots in Block 77 were sold at below market prices ranging from \$15,000 to \$85,000, or donated – a triplex lot to the Housing Authority, a duplex lot to Habitat for Humanity and a duplex lot to the Fire Protection District in lieu of the subdivision's fire impact fee. Only one lot has been sold in Block 78. The infrastructure improvements which will serve a total of 40 units in Blocks 77 and 78 cost \$680,102, which equates to a cost of \$17,003 per unit.

After donating lots for five units, the Town sold the remaining 11 lots (18 units) in Block 77 for \$492,000 and one lot (2 units) in Block 78 for \$80,000. The average revenues collected for each unit were about \$28,600 per unit  $((\$492,000 + \$80,000) / 20 \text{ units} = \$28,600)$ . Since the costs were \$680,102 and the revenues were \$572,000, the Town subsidized these units a total of \$108,102  $(\$680,102 - 492,000 - 80,000 = \$108,102)$ .

Continuing to sell lots so that local residents have the option to design and build their homes is a unique approach not frequently done in other communities but one that appears to be appropriate for Crested

Butte. It is effective at building unique, diverse neighborhoods compatible with the remainder of town. Block 79 is the next area scheduled for development. It is platted with 7 single-family lots, 8 duplex lots and 1 triplex lot, for a total of 26 units.

Recommended steps include:

- Sell only single-family lots; reserve duplex and triplex lots for the Town to develop the units since selling duplex lots is a concern for the Town because two unit owners of the same lot could have very different design ideas which could create issues for the owners from day one.
- Consider selling duplex lots to builders who are required to sell the constructed units to people in specific AMI ranges. Consider requiring the builder to provide a bond, or other mechanism, to ensure the units are completed.
- Sell a few dispersed lots with RO deed restrictions (no appreciation limits or income limits but require that owners or renters earn 80% of their income in the County) at prices that are approximately one-third below the free market. Also consider selling the lots at auction. This step will help generate funds to pay for infrastructure costs or other affordable housing.
- Develop a pricing structure for the lots that covers all infrastructure costs and generates revenue to subsidize the construction of low-income units.
- Devise a way to cover the cost of infrastructure improvements until revenues from lot sales are received since the Town can not incur debt without a vote.
- Impose consistent deed restrictions on all lots other than the high-priced RO lots that limit the value/resale price of homes built so that they remain affordable at the AMI levels originally targeted.
- If grants are obtained for the infrastructure, use lot sales money to build low income, Town owned, rental units.

### **Paradise Park Duplexes/Triplexes**

The Town has developed six duplex units on Paradise Park lots, four of which were sold to eligible households and two of which are town employee rentals. The average subsidy per unit for the units that were sold equaled \$17,832 including \$10,000 each in tap fee reductions but not counting the value of the land and soft costs. The cost for the rental units was approximately \$137,000 each, also not counting land. This approach has been effective at producing marketable, permanently-affordable homes and should be continued with some modifications.

Recommendations for the continued development of duplexes and triplexes in Paradise Park include:

- Build 10 units during the next five years for sale to eligible households; building rental units using local revenues should be low priority and considered only if attempts to obtain Federal and State subsidies are unsuccessful.
- Primarily target Category 2 households (81% to 120% AMI) but attempt to price a couple of dispersed units as low as 60% AMI.

- Encourage the Gunnison County Housing Authority to exchange the triplex in Block 77 donated by the Town for the triplex lot in Block 79 so that it could be combined with the four triplex lots in Block 78 for the development of 15 low-income, permanently affordable apartments. (See Low Income Apartment strategy, p. 20)
- Partner with the Fire Protection District to develop a duplex on the lot in Block 77 donated by the Town with the District providing financial subsidies and the Town providing expertise and administration.
- Build some units that are ADA compliant.

## **Mortgage Assistance and Homebuyer Counseling**

The credit crisis has calmed but not subsided. While mortgage interest rates are at very low levels, qualifying for loans is difficult -- underwriting criteria have toughened and are still in a state of flux, high credit scores are required, 100% loan products have disappeared, and large reserves are required at closing. Many eligible low, moderate and middle income buyers will likely need down payment assistance or other forms of financial assistance like a shared equity investment in order to purchase homes. Since one goal is to create owner occupied housing in 52% of the units built, the Gunnison County Housing Authority (CGHA) should be encouraged to offer homebuyer education classes but these classes alone may not be sufficient for moving higher risk borrowers into ownership.

Personalized credit counseling and down payment assistance are likely needed.

- Work with the Gunnison County Housing Authority on a down payment assistance program that has limits appropriate for Crested Butte.
- Apply for down payment assistance for low income households through the Colorado Division of Housing.
- Establish a pipeline for accessing CHFA down payment assistance.
- Work with local lenders and local residents to establish a locally-funded mortgage assistance pool.
- Consider a shared equity approach for buying free market units. By structuring the assistance in the form of an equity investment rather than debt, the Town could realize appreciation upon the sale of the free-market homes to subsidize the purchase of other units.
- Develop the administrative capacity to assist potential buyers with credit counseling through a personalized case management approach or refer potential buyers to the GCHA for this service.

## **Incentives**

Commercial FAR bonuses in B1 and C zones allow up to two deed restricted units per building. Units must be rentals unless occupied by the owners of the commercial space. Conflicts have occurred between residential and commercial uses. Residential development in both zones will be limited by the lack of on-street parking and limited off-street parking options. As the commercial zone transitions further from light industrial to business services, the compatibility and desirability of residential units in mixed-use developments should increase. One change to the FAR bonuses is recommended.

- Eliminate the limit on two units per residential building if parking needs can be addressed.

The Town waives two-thirds of its tap fee for all types of deed-restricted units. The subsidy now equals \$10,000 per unit. Since their enactment in 2003, revenues from the Town's commercial and residential linkage programs have paid for this subsidy. Since 2000, the Town has spent just over \$566,000 on affordable housing tap fees which were covered from a variety of sources including Linkage fees and an Energy Impact Assistance grant. These fee reductions have served as an incentive for the construction of deed restricted accessory dwelling units. When combined with land, infrastructure improvements, grants and other revenue from the Linkage programs on the construction of duplexes, these fee reductions are an additional subsidy but should not be considered as incentives.

- Provide fee reductions only for Town-developed units when needed to make the costs affordable for low- and moderate-income households. Fee reductions should no longer be automatic for deed restricted units targeting Category 3 and 4 households (120% to 200% AMI).
- Increase compliance with deed restrictions on accessory dwelling units that receive fee reductions.

Modify the deed restriction for all deed restricted units when the owner benefits from this incentive by requiring occupants to earn at least 80% of their income in Gunnison County, and require confirmation by the Town that the deed restriction is being met,.

## Low-Income Apartments

In accordance with the policy established by this Plan, 48% of new deed restricted units should be rentals. While approximately 70% of existing deed restricted units are rentals, only those owned by the Town are permanently affordable. There are no limits on the rents that can be charged for the other units since rent controls are not allowed in Colorado. The most common technique now used to finance the development of rental units that are affordable for low-income households are Low Income Housing Tax Credits (LIHTC). Tax credits are allocated on a competitive basis by the Colorado Housing and Finance Authority (CHFA) for apartment projects that target households with incomes no greater than 60% AMI. Housing authorities, non-profit organizations (like Mercy Housing and the Denver Archdiocese) and private developers can all utilize the credits. Credits are often used to finance development of rental units by public/private partnerships.

- Provide triplex lots in Blocks 77 and 78 of Paradise Park for the construction of up to 15 rental units. Since the lots in Block 78 are already served by infrastructure, this site might work for the development of low-income apartments. Team with the Housing Authority on this effort by exchanging their lot in Block 77 for the one in Block 79.
- Explore the feasibility of partnering with a private or non-profit developer for construction of the project. Consider issuing a Request for Qualifications to evaluate a number of firms and identify an appropriate partner for the development that will maximize the funds available for this community asset.

- Insure that the scale and design of the buildings are compatible and appropriate with variation in appearance; it is imperative that the buildings not look like an apartment complex.
- Incorporate green building/energy-efficiency into the design and construction of the buildings.

## **Acquisition/Preservation**

Crested Butte's 2003 Land Use Plan called for purchase of existing free-market housing followed by resale with deed restrictions or conversion to long-term rentals under public management. As of mid February, six condominiums were listed for sale in Crested Butte at prices under \$200,000. Subsidies in the range of \$25,000 to \$50,000 per unit could make them affordable for households with incomes around 80% AMI. Another way to approach acquisition would be to purchase homes where an additional unit or two is/are allowed in the Zone District (like a single family home on a lot where a duplex or accessory dwelling are allowed), and to build allowable units and sell/rent them with deed restrictions.

- Determine the amount of buy down required for the imposition of deed restrictions acceptable to buyers in part by analyzing the results from the 2009 Gunnison County Housing Needs Assessment survey.
- Identify funding sources to make improvements to the units if necessary to make them marketable and energy efficient.
- Explore utilizing a non-profit organization as a vehicle for obtaining loans to purchase units since, with the Town's inability to incur long-term debt without a public vote, acquiring units could require large cash outlays.
- Request the GCHA to consider acquiring and buying down low-end condominium units using funds from their Linkage program.

With a large inventory of homes listed for sale and declining home prices, there is a window of opportunity for an acquisition effort. Linkage revenues are the only known source of funds, however, for the subsidy needed to buy down units. Given the amount available in the Town's fund at present and expected in the near future, and the competition for these funds among the strategies in this Plan, acquisition may need to be a Tier 2 strategy unless the Housing Authority can assist.

## **Rehabilitation and Weatherization**

Providing assistance for weatherization and rehabilitation of units to address high utility costs, unsafe surroundings, overcrowding, needed repairs and substandard living conditions would help preserve the town's aging housing stock while improving affordability. Assistance programs for this work in the form of energy audits, weatherization grants and low-interest rehabilitation loans are often part of a comprehensive affordable housing strategy and should be a component in Crested Butte.

Because of the complex administrative requirements associated with financing and implementing a rehab/weatherization program, these services should ideally be provided county-wide resulting in sufficient volume to be efficient and effective. It would potentially fall under the auspices of the

Gunnison County Housing Authority (GCHA) or the Office of Resource Efficiency, in partnership with the Town. The Town recently received a grant to work with ORE to pilot a similar program in two blocks in town. If this proves successful, the program could be expanded, using Town and ORE resources, including grant writing resources.

To make weatherization and rehabilitation more accessible to the community's residents, the following steps are recommended:

- Develop a specific operations plan outlining the scope, initiation, implementation and monitoring of weatherization and rehabilitation programs;
- Obtain multiple sources of funding including assistance from the Colorado Division of Housing (Community Development Block Grants), CARHOF, Housing Resources of Western Colorado in Grand Junction, the Governor's Energy Office (American Recovery and Reinvestment Act [ARRA] monies), local utility providers and local lending institutions;
- Hire or contract for inspection services and field work; utilize existing staff, ORE staff or GCHA staff for coordination, program administration and financial management;
- Initially target efforts to an historic block and to a block of houses that is less than 50 years old given funding limitations but expand to serve the whole town as opportunities are identified;
- Investigate options for trading energy upgrades for RO type deed restrictions on the houses receiving the energy upgrades.

While ARRA funds are now available, the tasks associated with preparing grant applications, establishing agency relationships, staffing up and running a program are significant and may take a long time to accomplish.

## Appendix C-2

### Affordable Housing Strategy Identification - Tier 2

#### Inclusionary Zoning Amendments

Since 2003 the Town has required that 60% of the new units in a Major Subdivision be deed restricted. The base level of deed restriction is that people living in these units must earn 80% of their income in Gunnison County, but more restrictions could be required. The Town also requires that at least 21% of the total number of units in a Major Subdivision be affordable for households with incomes from 111% to 153% AMI. This technique is known as inclusionary zoning (or IZ). Inclusionary zoning is one of the oldest and most tested methods for mandating affordable housing in new development, and is often one of the most effective ways of maintaining income diversity in communities as they grow. This strategy has limited potential for generating affordable units in Crested Butte because most of the residential land within the town has already been subdivided. Opportunities for redevelopment in the future through a PUD (Planned Unit Development) process make continuation of this program worthwhile provided that it is amended to achieve desired goals. Specific amendments that should be considered include the following:

- Increase the percentage of units that are deed restricted from 60% to 70% in accordance with the policy of this Plan to insure that 70% of units in Crested Butte are occupied by local residents; (See also Annexation Strategies in Tier 1 Strategies)
- Amend the income targets to align with the AMI categories delineated in the *Policies and Goals* section of this plan ranging as high as 200% AMI;
- Allow developers to place a permanent 1% real estate transfer assessment (RETA) on all sales after the initial purchase in exchange for a 5 percentage point reduction in the requirement.

Because of its limited potential, the extent of the amendments needed, and the unlikelihood that any residential PUD applications will be submitted in the near future, IZ amendments should be in the Tier 2 group of strategies.

#### Rent Subsidy Vouchers

The Section 8 rent subsidy voucher program is funded by the US Department of Housing and Urban Development (HUD). Vouchers are provided to low income households who, on their own, find units with rents lower than the HUD-defined Fair Market Rents (FMR's). The landlord is then paid the difference between 30% of the tenant's income and the market rent.

The GCHA administers the Section 8 voucher program with a total of 42 vouchers currently held. About 15% are used in Crested Butte. The wait list is short but most, if not all vouchers,

are now being utilized. For 2010, the FMR's for Gunnison County are: studio - \$538; 1 bedroom - \$650; 2 bedrooms - \$845; three bedrooms - \$1,169; four bedrooms - \$1,483. These low rates have limited the utilization of the Section 8 program in Crested Butte in the past.

- Request the GCHA to work with the State Housing office to increase the number of vouchers allocated to Gunnison County.
- Conduct a survey that conforms to HUD's requirements to raise FMR's so that they are more in line with rents in the Crested Butte area.
- Publicize the program in Crested Butte and identify landlords who are willing to participate. With relatively high rental vacancy rates at this time, landlords might be more interested than they have been in the past.
- Determine if Town employees are eligible for vouchers that would be used to rent the Town owned apartments.

It will take time to improve the extent to which this program can be utilized in Crested Butte. Pursuing landlord participation before the next surge in construction increases occupancies and rent rates is advisable.

## **Donation/Preservation**

Selling free market units at below market prices in exchange for a tax deduction/write off, for making a donation to a non-profit organization, should be explored as a means for acquiring and deed restricting existing units. Homeowners who value the community and who could benefit from a tax deduction upon the sale of their homes might forego selling their homes at the maximum price the market would bear.

- Research interest in a program of this type before extensive time and money is spent determining how to make it work.
- Consider the feasibility and legality of using a non profit for the transactions in order to provide a tax deduction.
- Target Category 3 and 4 households since the homes owned by sellers who could benefit from a sizable tax deduction are probably high end; discounts of at least 50% of value would likely be required to make them affordable.
- Identify eligible/interested buyers before accepting donations of homes.
- Explore other incentives to encourage unit owners to deed restrict units. For instance, unit owners could voluntarily give the right to rent to anyone to a non-profit 501 (c) 3 corporation. The non-profit could then set rents for the units that are affordable to low income households. The owner would be giving part of the value of the property to a non-profit which may be tax deductible. Another example would be that the non-profit corporation controls who the unit is rented to and only rents the unit to people who earn at least 80% of their income in the county. Rents may need to be lower since only a

small share of the market will be allowed to rent the unit so there may be a donation of value that is tax deductible.

### **Employer-Assisted Housing (EAH)**

The Town owns seven units that are rented to its employees – three apartments at Town Ranch, a duplex in Paradise Park, the Town Manager's home and its accessory dwelling. In 2003, the Town adopted a strategy as part of its Land Use Plan calling for efforts to encourage employers "to address the affordable housing situation." Ten specific ways by which employers could provide assistance, ranging from low-interest loans to direct development of units, were called for in the plan. While a small number of employers in the community have provided housing for their employees, they have done so independently.

Employer assisted housing has a long history in this country with mining, textile and other "company" towns. Today it is common in isolated areas where housing is not available, like in the remote oil/natural gas fields of northwest Colorado. Ski area operators often provide housing especially for seasonal employees, and in high cost resort communities, municipalities and special districts frequently provide housing for essential employees who need to live near their work. Small retailers, restaurants and service providers rarely provide housing assistance, lacking the resources and expertise to do so.

The ability of employers to provide assistance might be enhanced if the Town, GCHA or non-profit housing organization serves as a catalyst, possibly providing technical assistance, marketing of the program, pooling of resources and management. To explore the feasibility of, potential value from, and the cost of such an effort, the following steps are recommended:

- Conduct research on examples elsewhere.
- Survey employers about their interest and ability.
- Clearly define the roles, responsibilities and tasks to be assumed by the Town.

Because most Crested Butte employers appear to be struggling now as a result of the recession and declines in both tourism and construction, this strategy should be in the Tier 2 group and explored when the economy recovers.

### **Lot Trades**

Trading Town-owned lots in Paradise Park for lots elsewhere in town could be a technique for achieving greater dispersal of affordable housing throughout the community. This strategy would not, however, produce additional homes or preserve existing units.

To determine if the value to be obtained for the community from dispersing additional affordable housing units throughout the town is worth the financial cost, transaction and legal costs should be identified and quantified.

### Timing

The strategies outlined herein cannot all be implemented simultaneously due to funding and administrative capacity limitations. The following sequence is recommended:

Strategy	Schedule
Commercial Linkage	2010
Residential Linkage	2010
Annexation Policy Amendments	2010
Paradise Park Lots	2011 - 13
Paradise Park Duplexes/Triplexes	2011 - 15
Mortgage Assistance/Homebuyer Counseling	2011
Incentives	2011 - 2015
Low Income/Tax Credit Apartments	2011 - 2013
Acquisition/Preservation	2011-12
Affordable Housing Advisory Committee	2010

## Units, Costs and Revenues

The first modeling of the Tier 1 strategies called for the construction of 89 new units and preservation of eight but resulted in a development deficit of \$328,500 (administrative costs not considered). By assuming that fees in lieu are paid for three of the units that would be required from commercial linkage, the estimated budget produced net revenue of \$286,125. As is often the case with five-year budgets, costs are likely underestimated. Scenario B, however, appears financially feasible with sufficient funding to cover administrative costs.

Scenario/A	DR Units	Expenses	Revenue
Residential Linkage			\$261,500
Commercial Linkage	23		\$0
Units in Com. Bldgs - FAR bonus	4	\$40,000	
Low Income Apartments	15	\$150,000	
Accessory Dwellings - 2 per yr	10	\$100,000	
Paradise Park Lots	7	\$585,000	\$585,000
Paradise Park Duplex Units	10		
Fire Protection District Duplex	2		
Annexation	18		
<b>Total New Units</b>	<b>89</b>		
Acquisition	4	\$200,000	
Mortgage Assistance	4	\$200,000	\$100,000
<b>Total Units Built/Preserved</b>	<b>97</b>	<b>\$1,275,000</b>	<b>\$946,500</b>
<b>Net Revenue</b>			<b>-\$328,500</b>
Scenario/B	DR Units	Expenses	Revenue
Residential Linkage			\$261,500
Commercial Linkage	20		\$614,625
Units in Com. Bldgs - FAR bonus	4	\$40,000	
Low Income Apartments	15	\$150,000	
Accessory Dwellings - 2 per yr	10	\$100,000	
Paradise Park Lots	7	\$585,000	\$585,000
Paradise Park Duplex Units	10		
Fire Protection District Duplex	2		
Annexation	18		
<b>Total New Units</b>	<b>86</b>		
Acquisition	4	\$200,000	
Mortgage Assistance	4	\$200,000	\$100,000
<b>Total Units Built/Preserved</b>	<b>94</b>	<b>\$1,275,000</b>	<b>\$1,561,125</b>
<b>Net Revenue</b>			<b>\$286,125</b>

## **Appendix C-3**

### **Affordable Housing Implementation/Administration**

Multi-disciplined expertise and extensive time will be needed to implement the tasks called for in this Strategic Plan. Additional resources will need to be committed and responsibilities clearly defined. In the past, the responsibilities of existing staff members in the Planning, Building and Finance departments have been expanded to include affordable housing. As the Town's housing programs have grown over the years, the capacity and expertise to design, implement and manage/operate them has not been significantly increased, however. The work required to administer resales and rentals of existing units has increased with the inventory, and this Plan will require even more time. Specific areas that need increased expertise and/or focus are:

#### **Financing:**

Seeking Federal and State funding for housing (writing and administering grant applications, applying for tax credits, developing a pipeline to down payment assistance), which is especially important now with the decline in local revenues and increase in some Federal housing program through stimulus legislation.

#### **Administration:**

Keeping requirements (codes and guidelines) up to date as incomes and housing prices change.

#### **Community Outreach:**

Conducting outreach and education involving community relations, establishment of wait lists for affordable housing that can provide insight for development decisions, a case management approach to entry-level ownership and working with other entities (GCHA, Town of Mt. Crested Butte, ORE, banks and developers).

## **Alternative Approaches**

Four approaches have been identified for obtaining the time and expertise needed to carry out this Plan:

1. Contract with the Gunnison County Housing Authority for clearly-defined services.
2. Contract with consultants to manage specific projects and/or undertake short-term tasks.
3. Hire a staff member with expertise in housing development and finance to take the lead on the implementation of this Plan with the acknowledgement that staff now involved will need to continue to perform certain tasks.
4. Form and staff a multi-jurisdictional housing authority to serve the north end of the valley.

## **Examples**

### ***Breckenridge - Population 3,296***

The Town of Breckenridge has utilized a combination of approaches to carry out their housing program, which involves development of units on Town-owned land, requirements placed on new private development and an aggressive annexation policy. Staff in the Planning Department has assumed lead responsibility. The Town has a close working relationship with the Summit Combined Housing Authority (a multi-jurisdictional housing authority) for the provision of services including down payment assistance, certifying applicant eligibility, calculating resale prices and marketing. The Town partnered with a private developer (Corum Real Estate Group) for the development of an affordable apartment project on a Town-owned parcel (leased to the developer). The Town also pursued a partnership with a non-profit housing development (Mercy Housing) for development of a 42-unit neighborhood but terminated the relationship and hired a project manager to take charge of the project. There are three people in the Breckenridge Planning Department plus one person dedicated to Housing.

### ***Boulder - Population 97,467***

In Boulder, two entities are responsible for a very comprehensive array of housing programs, the City of Boulder Housing Division and Boulder Housing Partners (BHP - a public housing authority). The City receives property and excise tax revenues for housing (voter approved) and allocates them to BHP and various non-profit housing groups through their Community Housing Assistance Program (CHAP). The City also provides homeownership assistance by participating in mortgage revenue bond issues and imposes inclusionary zoning on new development but does not directly develop units. BHP builds, owns and manages housing with a large inventory of rental projects and some homeownership. They also operate the Section 8 rental subsidy voucher program.

### ***Steamboat Springs - Population 10,742***

When the City of Steamboat Springs embarked upon a major expansion of its housing program with adoption of both residential and commercial linkage and amendments to their inclusionary zoning requirements, they used facilitators to consider administration options. After discussions with the Yampa Valley Housing Authority, the City opted to hire a housing director. The position was created within the Planning Department. The City Council assumed oversight responsibilities. With elections and significant changes in the composition of the Council, housing programs were frequently debated, which ultimately led to the resignation of the Housing Director. The future of the position, as well as the Yampa Valley Housing Authority, is uncertain.

### ***Telluride - Population 2,335***

Telluride adopted a policy in 2004 to house, in the Telluride region, 60-70% of the people who work in the Telluride region. Currently the town estimates 55% of the people who work in the region live in the region. To achieve the 60% goal, it is estimated that an additional 500 affordable housing units would be needed region-wide over the next 23 years, assuming current

mitigation programs are maintained, that trends in new construction continue to favor second homeownership, etc. Given that approximately 60% of the region's jobs are attributable to Telluride, the Town has set a goal to construct approximately 300 of these units, and is building 10-20 units per year or land banking. Presently, there are 270 deed restricted units in town. Telluride uses a ½ cent sales tax for affordable housing that was passed in 1994. Using this revenue stream, Telluride has constructed approximately \$22 million dollars in new affordable housing since 1999. Subsidies for for-sale units have ranged from \$55,000 to \$120,000, inclusive of development costs and land. About 1,100 deed restricted units have been built in the region. San Miguel County and the Town of Mt. Village do not have price caps on most of their deed restricted units, thus their units tend to serve higher wage earners. Telluride's for-sale, price-capped projects, and units constructed through the Town's development mitigation program, target the 80-120% AMI income group. Within the Town, planning and policy development, and construction of units, is performed at the direction of the Town Council by a Council Subcommittee and town staff. The Town contracts with the San Miguel County Housing Authority to administer deed restrictions, qualify occupants, perform enforcement, etc. SMRHA also performs similar services for the County and the Town of Mt. Village. The Program Director in the Town Manager's office works part time on affordable housing, as do other town employees, as needed, to complete projects. The deed restriction/enforcement component of SMRHA is performed by two employees.

### **Affordable Housing Fees charged in lieu of providing units in other communities.**

#### Vail

\$329,206 per employee for commercial

\$398.65/sq ft of residential

Must provide at least ½ on site; other half can be Payment in Lieu (PIL) or off-site or land trade

#### Ketchum, ID

System is based on density bonus. Density can be increased if the housing is constructed or the in-lieu fee is paid.

\$337/sq ft

May pay-in-lieu for fractions of unit

Must build each whole unit

May apply for PIL of whole unit, requires Council approval

Fee based on Prop. Assessment; adjusted annually

Also have a hotel housing requirement.

#### Telluride

\$171/sq ft for comm. and multi-family res.

May only PIL for up to 10% of the total required AH needed; paid before issued permit

May provide off-site w/in Town or County at a 1:1 sq ft ratio

May deed restrict existing free-market units in-lieu

## **Advisory Board**

An advisory board should be established to oversee and guide the Town's housing programs. Implementing the comprehensive and complex strategies called for in this Plan will require continuous consideration of policy and administrative issues. Taking all of these issues to the Town Council as has mostly been done in the past would slow implementation. Getting time on the Council's agenda alone would be a significant challenge. Expertise is required, which is hard to develop and maintain at the Council level when seats change every two to four years. The nature of the issues that arise such as foreclosures, non-compliance situations and evictions, also complicates the Council's involvement.

As an alternative, an advisory board should be established, perhaps consisting of the Task Force members who helped develop this Plan. Duties of this advisory board could include:

- Recommending the allocation of revenues received from fees in lieu and residential linkage requirements;
- Making decisions about development of Paradise Park including the pricing structure, unit mix and design;
- Considering and approving annual/periodic changes to the Town's Affordable Housing Guidelines including routine fee-in-lieu updates;
- Reporting to the Town Council on goals and progress in meeting them;
- Approving annual budget requests for the Town Council's consideration.

## **Administrative Tasks**

The following is a list of the tasks associated with putting the strategies contained herein into place and operating them over time. It is not all inclusive of day-to-day operations, but rather focuses on the main tasks.

- Draft code language for changes to requirements (linkage, inclusionary zoning, incentives).
- Annually update AMI figures and fee in lieu amounts.
- Support the functions of a housing advisory board – meeting packets, public notices, minutes.
- Create and take lead on public relations/outreach/education effort.
- Create and maintain a page on the Town's web site for affordable housing.

- Write succinct guidelines for developers that consolidate information on all requirements and incentives.
- Write and administer grant applications -- comply with quarterly and annual reporting requirements from various funding agencies – HUD, Colorado Div. of Housing, CHFA
- Recommend maximum Area Median Incomes for each unit to the Housing Advisory Board.
- Negotiate acquisition deals for existing housing to be deed restricted.
- Work with BOZAR and the Building Department to design and build duplexes and triplexes.
- Coordinate regularly with the GCHA.
- Form a partnership for a tax credit apartment projects on Town land
- Set up a financial management system for program operators to better track and evaluate project costs.
- Develop budget requests for submission to the Town Council.
- Update deed restrictions and restrictive covenants including mechanism for keeping rents affordable and for controlling occupancy on ADU's.
- Update administrative procedures for the sale and rental of affordable units.
- Update unit tracking system – address, date approved, CO date, # bedrooms, sq ft, initial sales price, resale prices, AMI target, # occupants.
- Support rehab/weatherization with coordination among funding agencies, public outreach and home inspections
- Provide counseling to residents in need of housing assistance; serve as a clearinghouse for all housing services
- Review development applications to determine compliance with IZ and linkage requirements
- Negotiate compliance alternatives – on site, off site, fees-in-lieu, land-in-lieu
- Qualify/certify applicants for affordable housing; provide homebuyer education and counseling as needed.
- Conduct lotteries if needed
- Periodically update Strategic Plan; prioritize allocation of funds
- Monitor IZ/linkage/incentive effectiveness; make modifications as needed
- Monitor key community/housing indicators on regular basis; update housing needs assessment as appropriate
- Manage/maintain properties
- Administer deed restrictions; calculate resale prices
- Revise deed restrictions for ADU's to help ensure they are occupied.

<b>Appendix C-4 Model - 2010 Crested Butte Affordable Housing Strategy</b>						
<b>The following spreadsheet projects the number of units that could be created, costs and revenues in the next five years if:</b>						
1. An average of six residential units are built per year, between 2 and 3,000 sq.ft., each,						
2. There is an annexation and subdivision of about 75 units,						
3. The annexation will not be built out in 5 years. Instead, about 18 DR units will be built by 2015.						
4. About 50,000 sq. ft. of new commercial space will be built.						
5. The 50,000 sq. ft will require 23 DR units. Assumption is that 20 will be built and fees will be paid for three units,						
6. The infrastrucutre for Block 79 will be built and 7 DR SFR tracts will be sold,						
<b>Projected new units, expenses and revenues 2010-2015</b>						<b>Estimated Budget</b>
<b>New Construction</b>	<b>Total Units</b>	<b>Inc. Category</b>	<b>Expense Item</b>	<b>Cost per Unit</b>	<b>Expenses</b>	<b>Revenue</b>
Residential Linkage						\$261,499
Commercial Linkage	20	2				\$613,006
Units in Com. Bldgs - FAR bonus	4	2, 3 & 4	tap fees	\$10,000	\$40,000	
Low Income Apartments*	15	1	tap fees	\$10,000	\$150,000	
Accessory Dwellings - 2 per yr	10	2, 3 & 4	tap fees	\$10,000	\$100,000	
Paradise Park Lots**	7	3 & 4	infrastructure	\$85,000	\$585,000	\$585,000
Paradise Park Duplex Units	10	2 & 3	construction/fees	break even prices		
Fire Protection District Duplex	2	TBD				
Annexation	18	1 thru 4	N/A			
<b>Total New Units</b>	<b>86</b>					
Acquisition	4	1, 2	purchase, write down	\$50,000	\$200,000	
Mortgage Assistance*	4	1, 2	down pmt/equity	\$50,000	\$200,000	\$100,000
<b>Total Units Built/Preserved</b>	<b>94</b>			<b>Totals</b>	<b>\$1,275,000</b>	<b>\$1,559,505</b>
				<b>Difference</b>		<b>\$284,505</b>
* Assumes Fed/State subsidies						
** Infrastructure costs to be shared by single family and duplex/triplex lots						

This Spread sheet models the number of jobs, housing demand, DR units required, fee per sq. ft., and shows some scenarios for different mitigation rates.					
<b>Commercial Linkage</b>	<b>Mixed Use</b>	<b>Sensitivity Analysis/Examples</b>			
Sq Ft to be built in 5 yrs	50,000	<b>Sq. Ft. Bldg</b>	5500	5000	5000
Median 4 jobs/1,000 SF)	4	Jobs per 1,000 sq ft	4	4	4
Jobs generated	200.0	Total Jobs	22	20	20
Housing demand	91.4	Housing demand	10.1	9.1	9.1
<b>Mitigation Rate</b>	<b>25%</b>	<b>Mitigation rate</b>	<b>10%</b>	<b>25%</b>	<b>50%</b>
DR Units produced	22.84	Units Required	1.01	2.28	4.6
<b>OR Fees in Lieu (category 2)</b>	<b>\$4,667,747</b>	Fee in Lieu	\$205,381	\$466,775	\$933,549
Fee per Sq Ft	\$93	Fee per Sq Ft	\$37.34	\$93.35	\$186.71
	<b>Lodging</b>	<b>Sensitivity Analysis/Examples</b>			
Rooms to be built	55	Rooms to be built	55	55	55
Jobs per rooms	0.42	Jobs per rooms	0.42	0.42	0.42
Total employees	23.1	Total employees	23.1	23.1	23.1
Housing demand	10.6	Housing demand	10.6	10.6	10.6
<b>Mitigation Rate</b>	<b>25%</b>	<b>Mitigation Rate</b>	<b>10%</b>	<b>20%</b>	<b>30%</b>
DR Units produced	2.6	Units produced	1.1	2.1	3.2
<b>Residential Linkage</b>	<b>Total Units</b>	<b>Sensitivity Analysis/Examples</b>			
# free market units per year	6				
Avg size of units	2,000 - 3,000	<b>Unit Size</b>	1500	2500	3500
Job generation rate (FTE/unit)	0.19	Jobs per unit	0.14	0.19	0.26
Jobs generated	1.14	Jobs generated	0.14	0.19	0.26
Housing demand	0.67	Housing demand	0.082	0.111	0.152
<b>Mitigation Rate</b>	<b>30%</b>	<b>Mitigation rate</b>	<b>20%</b>	<b>30%</b>	<b>40%</b>
Units produced annually	0.20	Units required	0.016	0.033	0.061
By 2015 (5 Years)	1.00	OR Fee required	\$4,282	\$8,717	\$15,904
<b>OR Fees in Lieu (category 1)</b>	<b>\$261,499</b>	Fee per Sq Ft	\$2.85	\$3.49	\$4.54
<b>Summary - B continued</b>					
<b>Annexations</b>		<b>Sensitivity Analysis/Examples</b>			
# by 2015	1		1	1	1
# of units	75		75	75	75
<b>% deed restricted</b>	<b>70%</b>		<b>50%</b>	<b>60%</b>	<b>80%</b>
DR units produced by build out	52.5		37.5	45	60
DR units by 2015	17.5		12.5	15	20
<b>Fees in Lieu per Unit</b>					
Category 1 (avg 40% AMI)	\$261,499	<b>Assumptions</b>			
Category 2 (Avg 100% AMI)	\$204,335	Jobs per emplo	1.28		
Category 3 (Avg 130% AMI)	\$196,188	Employees per	1.71		
Category 4 (Avg 180% AMI)	\$188,040				

**TOWN OF CRESTED BUTTE, COLORADO**  
**AFFORDABLE HOUSING – STRATEGY SUPPORT STUDY**

March 2010

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**Purpose of the Study**

The Town of Crested Butte is continuing its efforts to address the housing needs of its residents. Since 1990, the Town of Crested Butte has sought to address the community's affordable housing needs through multiple strategies ranging from Town sponsorship of projects to programs that encourage or require private developers to build affordable units. Through the development of a strategic plan for affordable housing, in the Affordable Housing chapter of the Crested Butte Land Use Plan, modifications to existing programs and the addition of new strategies are under consideration. This study is intended to support the strategic planning process and future decisions about affordable housing, and to establish the rationale for programs that place responsibility for producing affordable housing on new development.

**Organization of the Report**

This report provides support to the Town for decisions on a wide range of housing policies and specific regulatory housing strategies. It provides the rationale for the percentage of housing demand that should be addressed through new development and the percentage of total new units that should be deed restricted. It provides a basis for public accountability. It also offers defensibility against legal challenges. The report is organized into four sections:

- I. *Statement of the Problem*, which briefly describes why communities like Crested Butte have affordable housing problems and quantifies the disparity between incomes and housing prices in the town.
- II. *Community Characteristics – Support for Policy Decisions*, which summarizes key information on housing units and residential growth rates, primary/vacation home relationship, owner/renter mix, incomes, the job/housing relationship, household composition and the types of housing units in Crested Butte. This section provides the foundation for policy decisions and the setting of quantitative objectives.
- III. *Basis for Linkage Requirements*, which provides both commercial and residential job generation rates and the methodology for applying that data to proposed development thus establishing the link between new development (both commercial and residential) and affordable housing demand.
- IV. *Payment in Lieu Calculation*, which presents a formula and current data for determining the amount that the Town might charge under certain conditions as a payment in lieu of the provision of an affordable housing unit.

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## I. Statement of the Problem

In Crested Butte and similar communities where land is expensive and housing demand is fueled by wealth from outside the region, the private market tends to supply housing that is priced beyond the reach of most local employees. With few exceptions, private developers will supply housing at the highest prices that the market will bear. When there is demand for high-end homes, lower-cost housing is not built. Even when the upper end of the market is saturated with inventory, the high cost of land, materials and labor in mountain communities like Crested Butte makes it difficult to build homes that employees in a tourism-based economy can afford. This results in an undersupply of adequate housing that is affordable for low- to middle-income employees.

The Gunnison County Housing Needs Assessment prepared by BBC Consulting dated December 2009 provided multiple measurements of the extent to which housing prices and incomes are out of balance in Crested Butte:

- The median price of homes increased over 200% between 2000 and 2009, while the median income grew 45%.
- Households would need to earn \$150,000 more in 2009 than in 2000 to afford the median priced home.
- The median income in Crested Butte was \$60,000 in 2009 yet the median price of all units listed for sale as of May 2009 (single family homes and condominiums) was \$802,500, which would be affordable for households with annual incomes of at least \$228,540. An income of over \$283,000 is needed to afford the median priced single family home.
- Nearly half (47%) of the households in Crested Butte spend more than 30% of their income on their housing payment and are therefore considered to be cost burdened.

With this disparity between incomes and housing costs in Crested Butte, the study also found that 59% of the town's population feels that housing is the most serious or critical problem in the community.

When the supply of housing that is affordably priced for local wage earners is inadequate labor shortages arise with too few employees to support a healthy economy. Jobs are difficult to fill including positions that are essential to the welfare and safety of residents such as fire fighters, police officers, teachers, and medical practitioners. Employees are often forced to commute long distances in sometimes dangerous conditions to find homes in less expensive communities. Forcing employees to drive until they qualify has long been recognized by smart growth initiatives throughout this state as a detrimental consequence of poor planning and land use management.

The insufficient response by development to workforce housing demand also results in what is often termed "loss of community." Residents often leave when they cannot find housing that is affordable and meets their family's changing needs. School enrollment may decline. Civic organizations are unable to raise the volunteers they rely upon. Sense of neighborhood is lost as homes that were once occupied as primary residences stay empty and dark much of the time.

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Municipalities and counties throughout the United States, and particularly in Colorado, California and Florida, have created requirements to address the shortcomings of the free market when it comes to providing housing that is affordably priced for local wage earners. The requirements were enacted to provide an adequate labor force for a sustainable economy and community, and to preserve the fabric or character of the community as it grows with a diversity of housing opportunities and balanced residential development.

The Town recognizes that there is an existing deficiency in Community Housing, and intends to continue efforts to partially address this shortfall. Plans include providing Town-owned land for housing and offering incentives such as reduced tap fees for deed-restricted units. The number of units now needed and the number that will be provided by these efforts in relationship to the existing deficiency is to be addressed by the strategic plan in the appendices of the Affordable Housing chapter of the Crested Butte Land Use Plan but is not addressed in the study since the Town of Crested Butte will not make new development within existing Town limits address existing needs. This study focuses on the links between new development and affordable housing demand, insuring that new development is only required to address housing needs it generates in the future as growth occurs.

## II. Community Characteristics – Support for Policy Decisions

This section of the report provides measurements of several key community characteristics which support the setting of policies and development of strategies to address affordable housing needs. They inform decision making on the unit production goals, how housing units should be priced to be affordable for the community's households, the income ranges that should be targeted by housing efforts and occupancy restrictions.

### Number of Units and Rate of Growth

Since 2000, Crested Butte has been growing at an average rate of 18.6 units per year. This equates to a 1.7% average annual rate of growth. The 2009 Housing Needs Assessment assumed a rate of 1.5% per year throughout Gunnison County when projecting housing demand through 2015.

#### *Total and Deed-Restricted Housing Units*

<b>Inventory</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>Average</b>
Total Units	928	945	953	962	982	1010	1052	1049	1063	N/A
New/Change in Units	32	17	8	9	20	28	42	-3	14	18.6
Growth Rate		1.8%	0.8%	0.9%	2.1%	2.9%	4.2%	-0.3%	1.3%	1.7%
Total Deed Restricted	122	132	136	140	154	162	172	176	187	N/A
New Deed Restricted	10	10	4	4	14	8	10	4	11	8.3
Growth Rate - DR Units		8.2%	3.0%	2.9%	10.0%	5.2%	6.2%	2.3%	6.3%	5.5%
DR % of Total Units	13.1%	14.0%	14.3%	14.6%	15.7%	16.0%	16.3%	16.8%	17.6%	15.4%
DR % of New Units	31.3%	58.8%	50.0%	44.4%	70.0%	28.6%	23.8%	N/A	78.6%	48.19%

Source: Town of Crested Butte Annual Census

Of the 1,063 residential units in Crested Butte as of 2008, 187 units or 17.6% were deed restricted. The growth in deed restricted units has surpassed growth overall with an average of 8.3 units added each year, which equates to a 5.5% average annual rate of growth. Of new units built since 2000, an average of 48.1% has been deed restricted.

### Primary/Vacation Home Relationship

The relationship between primary and second homes is an important component of community character. As more homes become vacation properties sitting vacant much of the year, local residents are forced out by the higher prices the absentee owners can pay, neighborhoods lose their neighbors, and volunteerism declines. As employees face increasing competition for housing from absentee, vacation-home buyers, all types of employees including those who provide essential emergency services are forced out. This leads to concerns about safety and welfare as responders are unable to reach their jobs/duties quickly in cases of emergency. These are well recognized trends in high-amenity communities.

The percentage of homes in Crested Butte occupied as primary residences has been decreasing while the number of units that are second homes or short-term vacation rentals is increasing. As shown on the following table, over 75% of the residential units in Crested Butte were lived in by local residents in 2000. By 2008, that percentage had dropped four percentage points to 71%. At the same time, second homes and vacation rentals increased from 21% to 25% of the total. Note: These percentages do not add up to 100% due to vacant units.

To maintain the community's character, the Town might want to aim for having 70% of all new units occupied as primary residences. This could be achieved through a combination of full deed restrictions with income, price and residency limits, restrictions that limit only occupancy to local, growth management that restricts the rates at which housing units can be built and possibly incentives.

### Owner/Renter Mix

In the first half of this decade, the homeownership rate increased in Crested Butte, as was the case in the state as a whole and much of the nation when interest rates were low, mortgages were easily obtained and the economy was prospering. With the economic recession and the mortgage melt down, this trend is not likely to continue. Based on the Town's 2008 Annual Census, it appears that the homeownership rate is already decreasing. The Affordable Housing Goal, Policies and Strategies used to achieve them, could seek to preserve the owner/renter relationship at roughly 50/50 or shift more towards rental housing. Efforts at providing affordable homeownership will likely need some form of publically-subsidized mortgage assistance until such time as mortgage underwriting standards become less stringent.

*Housing Units by Occupancy/Use*

Occupancy/Use	2000	2001	2002	2003	2004	2005	2006	2007	2008
Second homes	142	159	148	161	151	158	181	170	185
Short term rentals	50	47	63	55	67	81	89	93	76
Total Vacation Units	192	206	211	216	218	239	270	263	261
% of Total	20.7%	21.8%	22.1%	22.5%	22.2%	23.7%	25.7%	25.1%	24.6%
Renter Occupied	364	342	365	354	327	333	341	348	382
Owner Occupied	335	345	342	361	390	393	399	393	376
Total Primary Residences	699	687	707	715	717	726	740	741	758
% of Total	75.3%	72.7%	74.2%	74.3%	73.0%	71.9%	70.3%	70.6%	71.3%
Homeownership Rate	47.9%	50.2%	48.4%	50.5%	54.4%	54.1%	53.9%	53.0%	49.6%

Source: Town of Crested Butte Census

## Income Targeting

Providing housing priced to be affordable for Crested Butte's current mix of low-, moderate-, middle- and upper-income households would maintain the community's demographic character and diversity as it grows. To implement a "stay the same" policy preserving the current income distribution of households into the future, a goal for *all new housing* in the community should be targeted to the income distribution in the left column of the table below: 40% for low-income households ( $\leq 80\%$  AMI), 23% for moderate- to middle-income households (81% - 120% AMI) and 26% for middle/upper-income residents (121% to 200% AMI), and 11% for high-income households.

Based on home prices as of February 2010, the free market is generally providing housing without subsidies or mandates for households with incomes greater than 200% AMI. While there are some condominiums and mobile homes priced lower, options are very limited. As such, the efforts of the Town, Gunnison County Housing Authority, employers and others who work to provide housing for the workforce could target households with incomes as high as 200% AMI. Loss of the middle class is a common consequence when the gap between the upper income levels served by the free market and the low incomes that qualify for federal and state assistance is not addressed.

*Income Distribution – Crested Butte Households  
Shading Denotes Low Income*

	AMI	Max. Income	% total households	% Owners	% Renters
Extremely Low Income	0 - 30%	\$18,000	11%	10%	12%
Very Low Income	31 - 50%	\$30,000	12%	5%	27%
Low Income	51 - 80%	\$48,000	17%	16%	19%
Moderate Income	81 - 100%	\$60,000	16%	17%	13%
Middle Income	100% - 120%	\$72,000	7%	5%	12%
Upper/Middle Income	121% - 150%	\$90,000	16%	18%	10%
Upper Income	151% - 200%		11%	13%	4%
High Income	>200%		11%	15%	4%
Total			100%	100%	100%

Source: 2009 Gunnison County Needs Assessment.

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## Jobs/Housing Relationship

Understanding the relationship between housing and jobs and setting policy on this relationship is often a key component of strategic housing plans since workforce housing is key to a sustainable economy. The 2009 Gunnison County Housing Needs Assessment reported a 8.7% growth in jobs in the county between 2000 and 2009 (from 7,603 to 8,265, a gain of 662 jobs) but did not provide any information on the number of jobs or employees in Crested Butte. Using information from the Needs Assessment survey on households with employees and employees per household in combination with zip code business pattern files from the US Census Bureau allows for partial examination of the jobs/housing relationship in Crested Butte.

Approximately 1,076 of Crested Butte's residents work (69% of population - from Needs Assessment). Of these, 66% or 710 employees work in Crested Butte.

### *Employees Living in Crested Butte*

Households in CB - 2008	758
No employees in the household (17%)	129
Employee households	629
Employees per households	1.71
Employed persons living in CB (some commute out for work)	1076
<hr/>	
Work in Crested Butte	66%
Employees living and working in CB	710
<hr/>	
Employees in 81224 zip code	1934
% of employees living in Crested Butte	56%
<hr/>	
Employees in 81224 & 81225 zip codes	3,246
% North Valley employees housed in CB	33%

The number of jobs in Crested Butte is not known therefore it is impossible to calculate the percentage of employees working in the town who are also able to live there. It appears, however, that approximately 56% of the employees working in the 81224 zip code live in Crested Butte and that 33% of the persons working in the north end of the valley (zip codes 81224 and 81225) are Crested Butte residents.

According to the 1999 Housing Needs Assessment, 1,296 employees worked in Crested Butte and 58% of them also lived in town. This equated to 752 employees who live and work in Crested Butte. While data availability and the methodology are different, it appears that fewer of Crested Butte's employees are now able to reside in the community.

## Household Composition

Crested Butte has a diverse population. To preserve this mix, housing developed for occupancy as primary residences should be designed so that about 20% is appropriate for one person to live alone, 12% should be for roommate households, one-third should be suitable for children, and the remainder should be designed for couples or other types of households.

*Household Composition in Crested Butte*

<i>Persons in Household</i>	<i>% of total</i>
Single adult living alone	20%
Single adult living with roommates	12%
Single parent	4%
Couple no children at home	32%
Couple with children living in the home	23%
Couple planning to have children	6%
Other household types	4%
	100%

**Unit Types**

Crested Butte's homes are a significant part of the town's appeal both as a tourist destination and a desirable place to live. Their character – unit size, scale and design, are controlled for compatibility with the community's original historic core. Affordable housing policies should consider this environment and the mix of unit types that exist when setting goals for the types of affordable units that will be developed in the future. Preserving the mix would limit the development of apartments to only small projects and would also limit new mobile homes, which are typically the most cost effective options for housing, since mobile homes comprise only 4% of the housing inventory and only 18% of total units are multi-family residences.

*Units by Type in Crested Butte*

<i>Unit Type</i>	<i>% of Total</i>
Single family	40%
Duplex	16%
Multi- family	18%
Mobile homes	4%
ADU's	8%
Unit in business bldgs	9%
Other	1%
	100%

Preserving the bedroom mix in the community as it grows could be an ambitious goal since over 60% of units have three or more bedrooms. Basing targets for bedrooms on household composition would lead to higher percentages of one- and two-bedroom units.

*Bedroom Mix*

<i>Number of Bedrooms</i>	<i>% of total</i>
one	9%
two	29%
three	41%
four or more	21%
	100%

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### III. Basis for Linkage Requirements

Crested Butte assesses fees on new residential development and new commercial development for affordable housing. This type of strategy is generally referred to as linkage, though the terms impact mitigation and impact fees could also be applicable. The definitions

- Commercial Linkage-- Developers of commercial space build or pay for the construction of housing for employees which is affordable for a targeted income level. The basic premise is that new commercial development fuels demand for affordable housing through the new on-site jobs that are created in the finished space.
- Residential Linkage – Builders of new residential units are required to address a portion of the housing demand generated by on-site jobs associated with the maintenance and operation of the home, usually by providing a payment in lieu when homes are the size allowed in Crested Butte.

In both cases, linkage or mitigation rates are established that equal a percentage of the demand for housing generated by the development. Establishment of these rates is typically based upon a combination of factors including the key community metrics presented earlier in this report, the effectiveness in producing units, and acceptability to builders and developers.

#### Methodology

To establish a basis for both residential and commercial linkage requirements, a five-step formula-driven process as outlined below is followed. It uses well-documented statistics from primary research conducted in Crested Butte as well as similar western mountain communities to provide a method for quantifying the number of jobs and corresponding housing demand generated by development. It establishes a reasonable relationship between development in general and the legislative adoption of linkage requirements.

The steps are as follows:

1. Determining the number of jobs generated by commercial and residential development in order to calculate housing demand generated by new development;
2. Accounting for multiple job holding to eliminate double counting of employees;
3. Converting the number of employees to households by applying an employees per household ratio;
4. Crediting developments for contributions to employee housing; and,
5. Consolidating the information on job generation, job holding patterns, employees per household and income levels into a formula that can be applied to commercial, residential or mixed-use projects to calculate mitigation requirements.

The formula often results in a fraction of a dwelling unit being required. When this is the case, or in other circumstances as may be allowed, payment can be made in lieu of building units. Determining the amount of the payment that can be made in lieu is based on the affordability gap, which is the difference between what targeted households can afford to pay and market prices for housing.

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It is important to note that the housing demand estimates contained herein are based only on direct, on-site, permanent jobs. This study does not establish the link between development and the total impact it generates including those from:

- Construction jobs, which are temporary in nature.
- Direct, off-site jobs, like the architect who designed the home or commercial building, the realtor who sold it, the truck driver who delivered landscaping materials, the interior designer who furnished it, the mortgage broker who financed it ,etc.
- Indirect jobs, like retail clerks, police officers and health care providers who provide services to the residents of the new residential development – the general job growth in the town which results from new development.

## **1. Job Generation**

When new commercial/industrial/lodging/residential projects are built, additional employment is generated. Some of the new commercial employment may be from new businesses and some may be from businesses relocating from other space (thereby freeing up that space for other tenants), but the net effect over time is a net increase in employment in the community. Job generation rates that provide measurements of the number of jobs typically generated by residential units and in various types of commercial spaces can be used to estimate the number of jobs that will be created when development is planned.

### *Commercial*

Beginning in 1990, RRC Associates and Rees Consulting, Inc. conducted housing needs assessments in mountain communities and counties in Colorado, Idaho and Wyoming. As part of these studies, public- and private-sector employers were surveyed concerning the number of jobs they offer and the amount of space they occupy. These surveys of 1,995 employers were used to compile a database on job generation ratios (Merged Database), which are expressed as the number of total jobs (full- and part-time combined, not FTE) per 1,000 square feet of net leasable space.

The merged data base contains a total of 1,995 cases from surveys conducted in Colorado, Idaho and Wyoming from 1990 through 2008. The employer surveys conducted in Gunnison County in 1992 and 1998/99 as part of housing needs assessment generated 100 valid cases that are included in the merged database. The merged database combines surveys from commercial core areas, where space tends to be intensively used, and nearby communities and unincorporated areas, where employment is often less. It is recommended that the merged dataset be used rather than figures for just Gunnison County for the following reasons:

- The smaller number of cases in individual communities is less statistically valid than the merged data set, particularly when broken down by types of businesses;

- Surveys of individual communities provide point-in-time estimates of job generation during the year of the survey. These rates are subject to change depending on many factors, including local and regional economic conditions and changes in development incentives, ordinances and regulations that may affect the intensity of commercial space usage in the community;
- The merged data set provides a more general sample of the types of businesses and intensity of uses found in resort communities over a period of time that includes both economic booms and slumps. This results in numbers that represent average commercial job generation that can be comfortably used over an extended period of time, rather than constantly changing with point-in-time economic conditions; and,
- The merged data set also provides a more general sample of the intensity of uses of businesses in multiple resort communities. Because each community represents a different "maturation" state, the database presents an average mix of intensities that could be expected as communities change and as businesses move into and out of communities. The merged database provides job generation rates that recognize the changing economic mix of communities over time, both within and between different industries, and accommodates this change.

The merged database includes both core resort areas as well as nearby communities, which are listed below, with survey dates ranging between 1990 and 2008.

- Aspen 2002, 2008
- Basalt 2008
- Blaine County, ID: 1990, 1996
- Copper Mountain: 2001
- Eagle County: 1990, 1999, 2001, 2007
- Frisco: 1998
- Garfield County 2004
- Grand County: 1992, 2001, 2007
- Gunnison County: 1992, 1998
- Keystone 2001
- Pitkin County 1991, 2004
- Routt County: 1990
- San Miguel County: 2000
- Snowmass Village: 1999, 2008
- Summit County: 1990, 2001
- Telluride: 1993, 1996, 2001
- Teton County: 2006
- Pitkin, Eagle & Garfield Counties (Healthy Mountain Communities surveys - 1997/98)

### Commercial Job Generation Rates

	Gunnison County Jobs/1,000 sq ft	N	Merged Database Jobs/1,000 sq ft	N
Bar/restaurant	7.95	7	8.15	213
Construction	12.50	5	6.67	165
Education	2.11	6	1.67	45
Office	3.18	18	3.64	395
Government	3.67	4	2.44	79
Real Estate/property management	1.46	2	5.00	116
Retail sales	2.06	24	3.28	421
Service	1.46	10	3.94	124
Recreation/attractions/amusements	2.00	13	4.38	69
Other	2.69	11	3.33	233
Overall Median	2.20	100	4.00	1,860

	Gunnison County Emp/unit	N	Merged Emp/unit	N
Lodging/hotel/housekeeping	.21	14	0.53	102
Property Management	--	--	0.42	33

Source: RRC Associates/Rees Consulting surveys

Overall, 4.0 employees work in every 1,000 square feet of net leasable commercial space. The ratios for restaurants and bars (8.15 per 1,000 SF), construction (6.67 per 1,000 SF) and real estate/property management offices (5.0 per 1,000 SF) are considerably higher than the overall median. Research has shown that these job generation ratios change very little over time.

The rates for lodging and professionally managed vacation properties are unique in that they are expressed on a per room or unit basis rather than per 1,000 square feet. The rate for lodging is .53 employees per room while property management is .42 per unit. The employee generation for lodge/hotel properties varies significantly by property type. For example, a luxury/upscale resort hotel with a spa, restaurant, room service etc. might have a job generation rate of between 2 and 3/room. A small hotel with only front desk service might have a generation rate between 0.01 and 0.4. Some communities have recognized the large variance in hotel generation rates and have provided the option for an independent calculation of the number of employees to be generated by the proposed development. The proposed rate would be evaluated as part of the development review process.

Some communities use a single average while others combine similar categories into several groups. The rates are usually used to estimate employment when the PUD or building permit application is filed. The rates can be applied to new development and to redevelopment that results in additional space being created. Using a single average makes it less problematic when the exact use of space is not defined at the time of project approval. For instance, space in a commercial building could be used for either a retail shop or an office, which have different job generation rates. The problem is compounded by the fact that the use could change over the years; a single rate makes it unnecessary to reconsider the employment generated by the space. It is acknowledged that restaurants, bars and other uses with high job generation rates

may be encouraged by the use of a single average and that uses with lower rates, like services and education, might be discouraged from locating in Crested Butte.

*Residential*

Residential dwelling units generate demand for housing through their operation and maintenance. Activities including exterior and interior maintenance and upkeep, house cleaning, meal preparation, childcare, personal services, and home office support generate jobs, many of which are relatively low paying. The employees that fill these jobs generate demand for modestly-priced housing. Furthermore, homes built for second homeownership reduce the land and number of units available for the local workforce. As a result, the more homes that are built in Crested Butte (particularly for visitor or second home use), the more the affordable housing problem is aggravated.

Average job generation rates were calculated to support an employee housing mitigation program that is fairly simple to administer, yet responsive to the finding that large residential units generate more jobs than smaller units. Data from homeowners surveys administered in mountain communities across Colorado including Gunnison County were used. The data include 3,362 valid cases for residences. The surveys focused on jobs directly generated as a result of the residential unit. That is, jobs associated with housing maintenance and operations, including property and rental management, homeowner's association, gardeners, snow removal, exterior maintenance, housekeepers, kitchen help/chef, child care provider/nanny, caretaker/ concierge/butler, personal trainer/administrative assistant and other related employees. The studies did not include workers generated through construction of the home.

The job generation rates, expressed in full-time equivalents (FTE) per unit, were found to vary by square footage according to the following exponential functions:

Equation of Residential Employee Generation by Home Size

$$\text{Total FTE} = 0.0893 * e^{(.0003)(\text{Finished Square Footage})}$$

The following table of FTE employee generation rates was calculated by applying the above formula to each of the residential square-footage categories shown in the first column.

**Residential Job Generation Rates by Size**

Finished Sq Ft	Gunnison County	Merged Database
<1,000 s.f.	.16	0.10
1,000 - 1,999	.17	0.14
2,000 - 2,999	.29	0.19
3,000 - 3,999	.45	0.26
4,000 - 4,999	.64	0.34
5,000 - 5,999	.41	0.46
6,000 - 6,999	n/a	0.63
7,000 - 7,999	.46	0.85
8,000+	1.41	1.14
Number of Cases	80	3,362

Source: Rees Consulting, Inc. and RRC Associates

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The residential job generation rates expressed in 500 square foot increments are substantially similar in all of the communities surveyed; there is little variation by community/county. In other words, a 5,000 square foot house in Gunnison County generates about the same employment as a 5,000 square foot house in Summit County. The fact that job generation is linked to the size of the home and not the value of the home ensures this consistency in job generation rates. If an overall average for all homes was used, however, job generation rates would vary considerably due to the different mix of housing sizes in each community. Communities where house sizes tend to be large would have higher averages than communities with smaller homes. Use of an overall average is therefore not recommended.

There is a positive correlation between household size and job generation – the larger the home, the more jobs that are generated by the residence. To ensure fairness in implementation, requirements should vary by size of the home. The implementation of requirements segmented by broad categories of mitigation (e.g., less than 2,000 square feet and 2,000 square feet or more) does not equitably distribute job generation and employee mitigation.

## **2. Accounting for Multiple Job Holding**

The *commercial* job generation ratios measure the number of full- and part-time employees working within various types of commercial space. Some of the employees, particularly the part-time workers, may also hold other jobs. In order to avoid double counting and potentially requiring two different commercial developments to pay for housing the same employee, the number of total employees in commercial space that generate demand for housing in Crested Butte is adjusted for multiple jobs they might hold.

The 2009 Gunnison County Housing Needs Assessment measured multiple job holding. On average in the town, employees hold 1.28 jobs. This measure was calculated by evenly weighting the number of jobs held during the winter, summer and shoulder seasons.

It should be noted that the job generation rates for *residential* dwellings are presented in terms of full-time equivalents (FTE) and, as such, do not need to be adjusted for multiple job holding.

## **3. Converting from Workers to Households**

It is recognized that employees often live together in family and unrelated roommate households. Housing requirements should recognize established lifestyle patterns and existing characteristics. The 2009 Gunnison County Housing Needs Assessment found that there are 1.71 employees per unit on average in Crested Butte. As such, the number of employees generated by a project should be divided by 1.71 to convert to the number of households generated.

## **4. Credits and Double Charging**

Communities considering commercial linkage and residential linkage should ensure that the adopted programs are not “double-charging” for the same employees. In other words, if residential developments are required to mitigate for all jobs created through homeowner expenditures (direct basic jobs and secondary jobs), commercial linkage figures must ensure

that employees housed by residential linkage requirements are not also required to be housed through commercial linkage. The job generation rates provided in this study eliminate the possibility of double charging by only accounting for the direct jobs provided on-site.

### 5. Linkage Formula

To determine the number of workforce housing units that commercial, residential or mixed-use projects must produce, the following formula is recommended:

- The size of the project is first multiplied by the appropriate job generation rate to estimate the number of jobs that will be created.
- The number of jobs generated for commercial space and lodging is then divided by the average job holding ratio of 1.28 to estimate the number of new employees that will be generated by the development.
- The number of new employees is then converted to an estimate of the number of new households generated by the project by applying a factor of 1.71 employees per household, an estimate from the 2009 Gunnison County Housing Needs Assessment.
- The rates, expressed as percentages of the total number of households generated to determine the number of units required.

**Table 5  
Linkage Calculation Formulas**

Formula	Residential	Commercial	Lodging
Size of Development	# units in 1,000 s.f. ranges	# square feet	# lodging units
x Job generation rates	<1,000 s. f. – 0.10 1,000 – 1,999 – 0.14 2,000 – 2,999 – 0.19 3,000 – 3,999 - 0.26	Bar/restaurant – 8.15 Construction - 6.67 Retail sales - 3.28 Manufacturing - 1.80 Overall Median - 4.00	ea. Unit .53
= Jobs Generated			
+ Jobs per Employee = Employees Generated	N/A	1.28	1.28
+ Employees per Household = Housing Demand Generated	1.71	1.71	1.71
x linkage rate = Affordable Housing Units Required	TBD	TBD	TBD

The following table provides an example for a 5,000 square foot commercial building at three different linkage or mitigation rates. At 10%, just under one unit would be required. A fee in lieu, if allowed, would equal \$187,203. The number of units or fee in lieu required would double with a doubling of the linkage rate.

### Commercial Linkage Example

Sq. Ft. Bldg	5000	5000	5000
Jobs per 1,000 sq ft	4	4	4
Total jobs	20	20	20
Housing demand	9.1	9.1	9.1
<b>Mitigation rate</b>	<b>10%</b>	<b>20%</b>	<b>30%</b>
Units Required	0.9	1.8	2.7
Fee in Lieu	\$187,203	\$374,406	\$561,609
Fee per Sq Ft	\$37	\$75	\$112

With much lower job generation rates than commercial buildings, residential units of the size possible in Crested Butte create demand for only fractions of units. Fees in lieu are therefore typically paid. Since the job generation rates increase with size on a curved line, the fee per square foot is generally not a consistent rate but varies by size. Mitigation rates could be flat or step up with unit size. The two approaches are shown in the table below.

### Residential Linkage Examples

Unit Size	1500	2500	3500
<b>Flat Rate Approach</b>			
Jobs per unit	0.14	0.19	0.26
Housing demand	0.082	0.111	0.152
<i>Mitigation rate</i>	<b>20%</b>	<b>20%</b>	<b>20%</b>
Units required	0.016	0.022	0.030
OR Fee required	\$4,282	\$5,811	\$7,952
Fee per Sq Ft	\$2.85	\$2.32	\$2.27
<b>OR Stepped Up Rate</b>			
Jobs per unit	0.14	0.19	0.26
Housing demand	0.082	0.111	0.152
<i>Mitigation rate</i>	<b>10%</b>	<b>20%</b>	<b>30%</b>
Units required	0.008	0.022	0.046
OR Fee required	\$2,141	\$5,811	\$11,928
Fee per Sq Ft	\$1.43	\$2.32	\$3.41

## IV. Payment in Lieu Calculation

The difference between prevailing market prices and what targeted households can afford to pay for housing is the gap that must be taken into consideration when determining the amount of the payment that could be made in lieu of producing units under certain circumstances. This gap varies by the income level of the targeted household.

To generate a figure for the targeted income category that represents the gap between affordable and market costs, a series of calculations must be made, as follows:

1. The income range of targeted households is first established. Three categories are presented as a method for targeting the Town's different strategies to serve different income groups. These categories are subject to change based on the outcome of the Strategic Plan. The basis is the median family income for two-person households from the 2009 median income estimates published by the US Department of Housing and Urban Development (HUD). It is assumed that the size of households served by residential linkage will average close to two persons given that the average household size in the community is 2.06 persons per unit, according to the Town's census. The income range must be updated annually to reflect changes in the published wage or median income figures, depending upon which is used as an eligibility measure. As a result, the amount of the gap and resulting payment in lieu will fluctuate yearly.
2. Target income points within the range are then set so that a gap calculation can be performed for the range of household incomes served.
3. The affordable monthly housing payment is next established based on a commonly used standard: 30% of gross income equals housing payment.
4. The affordable monthly housing payment is then converted to an affordable purchase price by assuming a 5% down payment, 20% of the total affordable housing payment covers property taxes and insurance with the remaining 80% of the payment paying for a mortgage with a 6.0% fixed rate of interest for 30 years. Interest rates are currently lower (FHA's rate for a 30-year term was 5.5% as of early February 2010) but is expected to increase. A rate of 6% better represents where interest rates for 30-year fixed rate mortgages will likely be, and makes it less likely that the payment in lieu would need to be adjusted during the coming year.
5. The average size for Affordable Housing units varies by AMI category, ranging from 800 to 1,200 square feet.
6. The market price for comparable units is then determined using the median sales price per square foot of dwelling units purchased in Crested Butte in 2009. The cost of units sold rather than the cost of construction has been used for several reasons:
  - Market-rate prices on a per square foot basis can be readily obtained and can be used to update the fee on a regular basis;
  - Construction costs vary widely, depending upon numerous variables. Adding the cost of land further complicates the calculation; and
  - The Town may use the fees obtained to purchase existing units, provide rent subsidies, or support other housing efforts in addition to new construction projects.

7. The affordability gap is the difference between the market cost and the affordable purchase price. The market cost for the average Affordable Housing unit is determined by multiplying the average size of the unit by the median price per square foot of \$382 for units sold within the Town of Crested Butte in 2009. The average size of unit varies by AMI category.

### Payment in Lieu Calculation for 2009

Category	1	2	3	4
AMI Range	≤80% AMI	81% -120%	121%-160%	161% - 200%
Max. Income: 2-person HH's	\$42,300	\$63,480	\$79,350	\$105,800
Targeted Income Point (middle of range)	40% AMI	100% AMI	140% AMI	180% AMI
Average Income to be Served	\$21,160	\$52,900	\$74,060	\$95,220
Gross Monthly Income	\$1,763	\$4,408	\$6,172	\$7,935
Affordable Monthly payment	\$529	\$1,323	\$1,852	\$2,381
Prop. Taxes/Ins./HOA = 20% of pmt	\$106	\$265	\$370	\$476
Mortgage Payment	\$423	\$1,058	\$1,481	\$1,904
Max. Mortgage Amount	\$79,160	\$197,899	\$277,058	\$356,218
5% Down	\$4,166	\$10,416	\$14,582	\$18,748
Affordable Purchase Price	\$83,326	\$208,315	\$291,640	\$374,966
Average Sq. Ft of Units	800	1,000	1,200	1,400
Median per Sq Ft. 2009 sales	\$382	\$382	\$382	\$382
Market Cost per Unit	\$305,600	\$382,000	\$458,400	\$534,800
Affordability Gap	\$222,274	\$173,685	\$166,760	\$159,834
Plus 15% Administrative Fee	\$39,225	\$30,650	\$29,428	\$28,206
Payment in Lieu per Unit	\$261,499	\$204,335	\$196,188	\$188,040

In many cases, linkage regulations will result in a fraction of a housing unit being required. As such, the payment is determined by applying that fraction to the per-unit in lieu amount.

The payment in lieu calculation must be updated annually upon publication of household income estimated by HUD and sales data for the previous year compiled by the Town of Crested Butte from County Assessor files.

It should be noted that the payment in lieu calculations include an allowable administrative fee for expenses directly related to operation of the impact mitigation program and production of units, which is optional. Also, the calculations presented above assume that any HOA fees (plus property taxes and insurance) would be covered by 20% of the "affordable monthly housing payment." This percentage can be amended if HOA dues tend to be lower or higher than this allowance.