

AGENDA
Town of Crested Butte
Town Council Work Session
Monday, March 9, 2020
Council Chambers, Crested Butte Town Hall

PUBLIC NOTICE IS HEREBY GIVEN THAT THE TOWN COUNCIL OF THE TOWN OF CRESTED BUTTE, COLORADO WILL HOLD A WORK SESSION ON MONDAY, MARCH 9, 2020 BEGINNING AT 6:00PM IN THE TOWN COUNCIL CHAMBERS LOCATED IN THE CRESTED BUTTE TOWN HALL, 507 MAROON AVENUE, CRESTED BUTTE, COLORADO.

6:00 **WORK SESSION**

- 1) Discussion on Funding Mechanisms for Affordable Housing and Climate Action.



Staff Report

March 9, 2020

To: Mayor and Town Council

Prepared by: Rob Zillioux

Thru: Dara MacDonald

Subject: Possible Funding Mechanisms – Affordable Housing and CAP

Summary:

The Town Council asked Staff to prepare material for purposes of evaluating methods to fund Council's Five Year Goals related to Affordable Housing and Climate Action Plan.

Discussion:

Town's current revenue streams are insufficient to fund both of Council's five year goals around affordable housing and climate action:

- *Increase percentage of residents living in Town by achieving a 75% housing full-time occupancy*
- *30% of units in Town are deed restricted, including 15 rental units for Town employees*
- *Reduce greenhouse gas emissions footprint of Town's operations by 50% versus 2017 levels; and, reduce Town of Crested Butte community emissions footprint by 25%*

Moreover, the bulk of Town's current reserves are restricted for Streets & Alley, Sewer & Water, Open Space, etc.

Work Session:

Objectives for the work session are:

- Clarify current funding mechanisms for Town's Climate Action Plan (CAP) and Affordable Housing
- Consider additional / new mechanisms to accelerate funding of these two Council priorities
- Obtain Council direction on funding options

Funding Mechanisms

Town of Crested Butte

Town Council – March 9th Work Session



Summary

Note: pro-forma numbers within are largely illustrative and for discussion purposes only

- This work session is intended to:
 - ✓ Clarify current funding mechanisms for Town's Climate Action Plan (CAP) and Affordable Housing
 - ✓ Consider additional / new mechanisms to accelerate funding of these two Council priorities
 - ✓ Obtain Council direction on funding options

- Affordable Housing is funded now primarily through the STR Excise Tax of 5%, which amounts to \$275k to \$300k per year. Housing Payment in Lieu, typically \$40k to \$60k per year, is another current funding source. For 2019, a discretionary RETT allocation of \$550k was made to Affordable Housing. This allocation was taken from the Capital Fund and away from other potential uses such as Parks, building maintenance, capital equipment and CAP projects.

- For 2020, a net amount of \$332k was allocated to CAP from the General Capital Fund. To achieve Council's related 5 year goal of reducing GHG by 50% for Town operations and 25% for the whole Town, significant additional funding will be required.

Sources and Uses Summary

	General Fund	Enterprise Fund			General Capital Fund			Conservation Trust Fund	Street & Alley Fund	Affordable Housing Fund	Total
		Water	Wastewater	Trash	Capital	Open Space	Parks				
Revenue											
Taxes	\$4,381,604				\$455,000	\$550,000	\$711,941		\$974,197	\$255,000	\$7,327,742
Service Charges	\$314,530	\$654,096	\$878,546	\$271,347			\$49,600			\$38,000	\$2,206,119
Licenses & Permits	\$251,825										\$251,825
Housing Payments in Lieu										\$40,000	\$40,000
Fines & forfeitures	\$34,600	\$5,000									\$39,600
Grants / fundraising		\$200,000			\$509,151		\$50,000				\$759,151
Interest Income	\$140,000	\$50,244	\$50,244		\$7,000						\$247,488
Misc	\$200	\$1,750			\$5,000		\$0	\$11,820	\$4,922	\$6,555	\$30,247
Total Operating Revenue	\$5,122,759	\$911,090	\$928,790	\$271,347	\$976,151	\$550,000	\$811,541	\$11,820	\$979,119	\$339,555	\$10,902,172
Tap Fees		\$150,000	\$150,000								\$300,000
Other		\$1,225,000									\$1,225,000
Total Capital Revenue	\$0	\$1,375,000	\$150,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,525,000
Total Revenue	\$5,122,759	\$2,286,090	\$1,078,790	\$271,347	\$976,151	\$550,000	\$811,541	\$11,820	\$979,119	\$339,555	\$12,427,172
Operating Expenses											
Enterprise Fund		\$539,384	\$918,406	\$275,506							\$1,733,296
Affordable Housing										\$112,500	\$112,500
Streets & Alley									\$705,292		\$705,292
Conservation Trust								\$0			\$0
Parks							\$744,482				\$744,482
Open Space						\$22,000					\$22,000
Misc Capital					\$195,000						\$195,000
Total Operating Expense	\$5,019,882	\$539,384	\$918,406	\$275,506	\$195,000	\$22,000	\$744,482	\$0	\$705,292	\$112,500	\$8,532,451
Capital Expenses		\$891,000			\$1,303,955		\$262,500		\$255,000	\$496,000	\$3,208,455
Total Expense	\$5,019,882	\$1,430,384	\$918,406	\$275,506	\$1,498,955	\$22,000	\$1,006,982	\$0	\$960,292	\$608,500	\$11,740,906
Net Surplus / (Deficit)	\$102,877	\$855,706	\$160,384	-\$4,159	-\$522,804	\$528,000	-\$195,441	\$11,820	\$18,828	-\$268,945	\$686,266
	General Fund	Enterprise Fund			General Capital Fund			Conservation Trust Fund	Street & Alley Fund	Affordable Housing Fund	
Fund Balance - 2019 (F)	\$3,772,324	\$4,115,398			\$1,763,953			\$65,090	\$1,073,138	\$316,560	\$11,707,210
Fund Balance - 2020 (B)	\$3,875,201	\$5,127,329			\$1,045,708			\$76,910	\$1,091,966	\$47,615	\$12,393,476

Major Revenue Sources - 2019

Round Numbers for Illustration Purposes

Revenue Source	Allocation %	Use
Total Town Sales Tax \$4,400,000	11%	Parks \$488,889
	22%	Transportation \$977,778
	67%	General Fund \$2,933,333
County Sales Tax \$500,000	100%	General Fund \$500,000
STR Excise Tax \$300,000	100%	Affordable Housing Fund \$300,000
RETT \$1,900,000	50%	Open Space \$950,000
	50%	Capital, Parks, Housing \$950,000
Property Tax \$1,000,000	20%	General Fund \$200,000
	80%	Streets and Alley Fund \$800,000
Total Major Sources <u>\$8,100,000</u>		<u>\$8,100,000</u>

State	2.9%	
County	1.0%	
RTA	1.0%	
Town of CB	4.5%	
	<u>9.4%</u>	
Retail	9.4%	
Groceries	8.4%	<i>no RTA</i>
Lodging	13.4%	<i>Retail plus 4% local mrktg dist</i>
VRBO	18.4%	<i>Lodging plus 5% STR Excise tax</i>

5 Year Capital Plan

Capital Schedule	2020	2021	2022	2023	2024	2025	Total
Revenue, with 1/2 RETT to Capital	\$1,483,541	\$1,483,541	\$1,483,541	\$1,483,541	\$1,483,541	\$1,483,541	\$8,901,247
Total Marshal	\$67,233	\$72,965	\$76,613	\$230,443	\$750,000	\$0	\$1,197,254
Total Affordable Housing	\$430,000	\$0	\$0	\$0	\$0	\$0	\$430,000
Total Facilities:	\$115,000	\$174,000	\$151,500	\$111,500	\$0	\$0	\$552,000
Public Works and Town Shop total:	\$5,000	\$165,000	\$0	\$0	\$0	\$75,000	\$245,000
Total Planning & CAP	\$702,571	\$150,000	\$150,000	\$150,000	\$0	\$0	\$1,152,571
Total Parks/Trails Projects (net) sub total	\$237,500	\$182,000	\$159,000	\$32,500	\$0	\$75,000	\$686,000
Parks Operating	\$769,982	\$785,382	\$801,089	\$817,111	\$833,453	\$850,122	\$4,857,140
Total Parks	\$1,007,482	\$967,382	\$960,089	\$849,611	\$833,453	\$925,122	\$5,543,140
Grand Total Capital	\$2,327,286	\$1,529,347	\$1,338,202	\$1,341,554	\$1,583,453	\$1,000,122	\$9,119,965
Net annual surplus / (deficit)	-\$843,745	-\$45,805	\$145,339	\$141,987	-\$99,912	\$483,419	-\$218,718
Fund Balance	\$1,045,708	\$999,903	\$1,145,241	\$1,287,228	\$1,187,316	\$1,670,735	

Potential New Funding Sources *(discussion purposes only)*

Revenue Source	Current Rate	Potential Rate	Impact \$	Notes:
Total Town Sales Tax	4.5%	5.0% 5.5%	\$488,889 \$977,778	CAST towns range from 2% to 7%. Mt CB is 5.0%, Gunnison 4.0%, Telluride 4.5%.
STR Excise Tax	5.0%	5.5% 6.0% 6.5%	\$30,000 \$60,000 \$90,000	Short Term Rental licenses are capped. Another method of raising funds would be to increase licenses. However, that could be counterproductive.
Property Tax	8 mills	9 mills 10 mills 11 mills	\$125,000 \$250,000 \$375,000	Would be directed to General Fund and then allocated out. Town voters already approved a levy up to 16 mills. Schools, fire protection district, library, among others, also seek increased mill levies.
Empty House Excise Tax	na	\$1,000 per unit \$2,000 per unit \$3,000 per unit	\$350,000 \$700,000 \$1,050,000	Based on 350 units. Ballot language would define timeframe and/or \$ raised for specific purposes
Loans / Bonds	na		\$2,000,000	At 3% and 20 years, total payments of approx. \$2.5mm. Loan payback would likely come from existing Capital Fund revenue sources and, thus, taking away from other needs / uses.
Grants	na		?	Grants will always be sought, but can't be assumed.
308 3rd Street	na		\$2,000,000+	This building has some, but relatively limited, historical significance to Town.

Affordable Housing – 5 Year Scenario *(discussion purposes only)*

	2020	2021	2022	2023	2024	Total
REVENUE						
HOUSING PMT IN LIEU	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$200,000
DUPLEX/RANCH HSE RENT	\$38,000	\$39,900	\$41,895	\$43,990	\$46,189	\$209,974
RED LADY RENT/SALES	\$6,555	\$6,555	\$6,555	\$6,555	\$6,555	\$32,775
EXCISE TAX	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$1,500,000
TOTAL REVENUE	\$384,555	\$386,455	\$388,450	\$390,545	\$392,744	\$1,942,749
EXPENSES						
Sub-Total Maintenance and Current	\$608,500	\$94,150	\$95,778	\$97,486	\$99,281	\$995,195
Possible Future Projects						
TOWN RENTAL BUILD			\$250,000			\$250,000
REDDEN MOBILE HOME RENTAL	\$170,000					\$170,000
PARADISE PARK PHASE 3	\$80,000	\$200,000				\$280,000
GREEN / INDEED		\$250,000	\$250,000	\$250,000	\$250,000	\$1,000,000
SLATE RIVER ANNEXATION	\$0	\$0	\$0	\$20,000	\$1,580,000	\$1,600,000
TOTAL EXPENSES	\$858,500	\$544,150	\$595,778	\$367,486	\$1,929,281	\$4,295,195
In year surplus / (defecit)	-\$473,945	-\$157,695	-\$207,327	\$23,058	-\$1,536,536	-\$2,352,445
Ending Fund Balance	-\$4,458	-\$162,153	-\$369,480	-\$346,422	-\$1,882,958	
Possible Funding Mechanisms						
SALE of Lot 5 Block 80	\$450,000	\$0	\$0	\$0	\$0	\$450,000
REGIONAL SUPPORT					\$500,000	\$500,000
Increase Excise Tax 1pp	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$300,000
Empty House Tax	\$0	\$750,000	\$750,000	\$750,000	\$750,000	\$3,000,000
Total Funding Mechanisms	\$510,000	\$810,000	\$810,000	\$810,000	\$1,310,000	\$4,250,000
Fund Balance After Funding	\$505,542	\$647,847	\$440,520	\$463,578	-\$572,958	

We must find approximately \$3mm of additional funding to achieve this five year plan and to get Fund balance back to positive.

CAP – 5 Year Scenario *(discussion purposes only)*

Climate Action Plan	2020	2021	2022	2023	2024	Total
Potential Projects & Expenses						
Energy Efficiency (Phase 1)	\$250,000	\$500,000	\$250,000			\$1,000,000
Roof Top Solar	\$250,000	\$500,000	\$250,000			\$1,000,000
GCEA Green Energy Program	\$15,000					\$15,000
GV Heat Support	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$50,000
Fleet Conversion	\$60,000	\$50,000	\$50,000	\$50,000	\$50,000	\$260,000
Large Scale Solar	\$0	\$150,000	\$30,000	\$30,000	\$30,000	\$240,000
Land Preservation / Carbon Sequestration			\$1,000,000		\$1,000,000	\$2,000,000
Compost Facility	\$0	\$0	\$0	\$50,000	\$1,000,000	\$1,050,000
Additional Transit Routes	\$0	\$0	\$50,000	\$50,000	\$50,000	\$150,000
Mountain Express Fleet Conversion	\$0	\$0	\$500,000	\$500,000	\$500,000	\$1,500,000
Total Expenses	\$585,000	\$1,210,000	\$2,140,000	\$690,000	\$2,640,000	\$7,265,000
Possible Funding Mechanisms						
RETT allocation	\$330,000		\$250,000		\$250,000	\$830,000
Grant Funding	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$1,250,000
Empty Home Tax		\$750,000	\$750,000	\$750,000	\$750,000	\$3,000,000
Cigarette / Nicotine Tax		\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Open Space Fund			\$1,000,000		\$1,000,000	\$2,000,000
Total Possible Funding Mechanisms	\$580,000	\$1,050,000	\$2,300,000	\$1,050,000	\$2,300,000	\$7,280,000
Funding Surplus / (Gap)	\$5,000	\$160,000	-\$160,000	-\$360,000	\$340,000	-\$15,000

Recommendations

- Within existing funding sources, prioritize CAP and Affordable Housing over other uses of Capital Fund revenue. This would require tough decisions and delaying investments in building maintenance, Parks, capital equipment replacement, etc.
- Pressure the Valley Housing Fund to invest funds, \$1.5mm of which was contributed by the Town of Crested Butte, back into Crested Butte projects.
- Consider placing a Empty House Excise Tax on the 2020 election ballot. This could be the fastest and cleanest way to generate significant capital to invest in CAP and Affordable Housing. “Trophy” 2nd / 3rd / etc. homes are a significant driver of Town’s current housing crisis and also generate proportionally high GHG emissions. In five years or less, this tax could largely help fund both Council 5 year goals around affordable housing and CAP.
- Consider selling 308 3rd Street while the market is at an all time high. The \$2mm+ generated from this sale would largely fund the Affordable Housing 5 year plan or a significant portion of CAP.

Dear Town Council Member,

As you contemplate the empty home tax, as nonprofit professionals and full-time residents we want to express the importance of second homeowners to our community. We worry, ironically, that if we are not careful, the Town could accelerate the loss of community. Community is a muscle. The more we exercise it, the stronger we become. The muscle grows when we do the hard work of building relationships, coming together to solve problems, and learning and growing from our failures. Too much emphasis on treating community members as a transaction will atrophy that muscle. While taxes will always have a role in town politics, taxes need to be considered in the context of a problem and available tools. Currently, the discussion feels like we are losing sight of the power of community-based problem-solving.

Like full-time residents, second homeowners come in all types and flavors, from around the world, with varied experiences and socioeconomic backgrounds. Many of them have been here for decades, with community engagement passing from one generation to the next. They are our volunteers, our board members, our donors, our advisors, our loyal patrons, our neighbors and our friends. When there is a community need or issue, they have always been part of the solution.

As non-profits we rely heavily on second homeowners. They play a significant role in our ability to advance our missions in service to the public. Their support enables many nonprofit employees to be full-time community members. Without them, the Adaptive Sports Center, Center for the Arts, Land Trust, Music Festival, Nordic Center, Wildflower Festival, Rocky Mountain Biological Laboratory and Tough Enough To Wear Pink would not have been able to increase our capacity to connect people to the outdoors, provide community art opportunities, and address climate change.

We appreciate the challenges that the Town is facing, and the temptation of an income stream levied on people who do not vote locally. Ultimately, we do not know whether adoption of an empty home tax is a good or bad idea. Our experience is that our community will be stronger if second homeowners are part of community conversations and planning to find creative, sustainable solutions to the biggest issues facing this community; their community. As the conversation moves forward, let's recognize their importance!

Sincerely,

Ian Billick, Executive Director RMBL

Michelle Bivens, Executive Director CB Wildflower Festival

Noel Durant, Executive Director CB Land Trust

Chris Hensley, Executive Director Adaptive Sports Center

Christie Hicks, Executive Director CB Nordic Council

Heidi Sherratt, Executive Director Cattlemen's Days Tough Enough To Wear Pink

Erica Vernon, Executive Director CB Music Festival