

Town of Mountain Village Workforce Housing Update

There is an important on-going discussion in our community about the need for more work-force housing, with specific comments directed towards two potential projects: the proposed Lofts project in the Town Hall sub-area and the potential new development on the old Telluride Apartments' site. While there have been a range of comments about the process and deal terms related to these projects, it is important to note that almost every public comment has begun with a statement of clear support for more work-force housing in our community.

This update is focused on the Lofts project, as it is closer to fruition, though we expect to provide future updates on the Telluride Apartments' site if that project progresses. We have structured this update around several themes that have emerged in the public debate. If your substantive issue is not addressed here, please reach out and the Town will gladly respond. Please direct any inquiries to Director of Administration/Town Clerk Jackie Kennefick email address: mvclerk@mtnvillage.org or phone: 970.369-6406.

Process: Last year, the business community approached the Town to express a pressing need for more workforce housing. While the businesses are certainly taking action on their own, they also wanted the Owners Association (TMVOA) and the Town government to help. The Town considers the ability of our businesses to hire quality staff and maintain a high level of service to be an important part of our resort destination economy and has acted expeditiously to help out. In the fall, there were several Town Council discussions on how to respond quickly. While a formal written RFP process was certainly an option but not a requirement, the Town Council instead chose to issue a verbal challenge to the developer community to expedite the process. The request was to bring forward solutions that could address the workforce housing needs relatively quickly and creatively. While we appreciate that some constituents would have preferred a slower more formal written RFP process, the Town's verbal challenge was not an unusual approach, and is well within the full scope and rights of our government to act quickly. Several developers did come forward, and are still coming forward, with a range of ideas. We similarly appreciate our residents and all constituents in the community who came forward and contributed to the discussion. That said, it is important to join the process before decisions are made, and while the recent engagement of a few residents is providing some helpful ideas, some of which are still possible to implement (e.g. calibrating parking rates), some suggestions have come too late in the process. The Town would encourage all residents to engage on key issues facing the community during the process before decisions are made and contracts signed.

Project timing: The timing of the project is still being determined, and is up to the developer if and when they file an application. Our agreement simply identified the project completion date of November 30, 2016. We understand that the developer is working on design, foundation and wetland mitigation issues, but interested parties should reach out to them for an update. If these issues can be resolved quickly, we suspect that the developer could be able to file an application this fall and still meet the project completion date which still occurs within the workforce housing economic parameters. If the project is not completed by the November 31, 2016 timeline, the Town has the option to require the re-conveyance of the land to the Town.

Value of the property: Of the developers who responded to the Town's request for creative solutions, only one expressed an interest in the portion of the Lot 1003 R-1 being proposed for the Lofts project. With the exception of this developer, the other developers that we spoke with considered it to be a low value, difficult to build on, very small and tight piece of property. The ability to generate any revenue, let alone the potential public benefit of sizable workforce housing, was considered attractive by the Town Council. The Lofts project could generate well over \$1M for the town under certain scenarios (i.e. using estimated numbers: \$100k for the land, \$75k initial parking payment in lieu, ~\$225k in tap fees, \$210,000 in other fees and taxes (building permit fees, use tax, county use tax etc...)-\$937k additional parking payment in lieu, parking revenues in an amount to be determined for the gondola parking structure that, on average, is 14% utilized). Yes, admittedly, these are rough estimates based on reasonable assumptions but without the benefit of a pending application. The Town's primary focus is addressing the workforce housing needs, and not targeting revenue. In this regard, the Town believes and continues to believe that it has exercised its appropriate fiduciary responsibility in pursuing this objective. The Town has engaged in preliminary discussions with a well-known professional appraiser with many years' experience in the Town. His initial thoughts, without having conducted a formal study, are that the very nature of the property renders it a questionable candidate for a traditional appraisal.

A recent opinion piece in the Daily Planet attempted to value the property utilizing a methodology that the Town believes to be of questionable validity. The data source, the County Assessor, applies fewer rigors to public lands that do not generate property tax revenue. For example, the County's current assessed value of the near-by and similarly sized (to the Lofts parcel) lot 1008 is \$57,650. Using this 'comparable', and utilizing the same methodology as the Town deems questionable, the Town received great value for the Lofts parcel. Furthermore, the Assessor has provided conflicting information relative to whether or not the assessed valuation includes or does not include improvements, thus further rendering the Assessor's methodology questionable. At the time the of the Town's inquiry, the Assessor's office advised the Town's Director of Community Development that the valuation did include improvements, however, inquiry by others with the Assessor's office indicated that improvements

were not included.. The Town continues to believe that under almost any conceivable valuation scenario, it is highly unlikely that the Town would receive revenue equal to the current agreed upon sales price of \$100,000. The Town Council is aware that many workforce housing projects in other communities have significant incentives included, including the donation of land, and would rarely result in the municipality receiving revenues such as the Town is poised to receive if this project becomes a reality. Notwithstanding the potential revenues to be derived from this project, first and foremost is the public benefit of additional workforce housing to be derived that remains the driving force.

Employee deed restrictions: One challenge facing our residents is the plethora of deed restrictions that exist within our Town and region. Potential owners and/or renters need to understand an array of rules that often vary across different properties. Some rules allow for rental of units in one development, but not others. Bankruptcy can in some cases eliminate an employee deed restriction, and in other cases the restriction survives bankruptcy. One goal the Town has is to simplify and coordinate the deed restrictions. Ideally, we should do this as a region. We believe that the best model is one where an occupant of the unit simply needs to be employed in the R1 school district, and that restriction carries with the property forever. This is what we have agreed to on the Lofts project and is consistent with the Town's 1997 Deed Restriction which governs most deed restricted properties in the Town. Some advocates of larger more intrusive government have asked the Town to define the housing product more specifically, set rents, cap prices, constrain residency rules even further and generally intervene more deeply. Our experience suggests that this deep level of intervention creates distortions and discourages private investment. If the local investors supporting the Lofts professional workforce housing project create the wrong product, or set the rents too high or too low, they will bear the brunt of those decisions, not the Town. The Town Council generally believes that private capital will find the most in demand market opportunity and serve it better than deep government intervention. A recent initiative led by Kris Holstrom on regional workforce housing needs coined the phrase 'opportunity housing' where our employees can find a range of options from entry level to professional housing. The Town Council endorses this concept and believes the proposed Lofts project is consistent with this community view.

Parking payment in lieu fees: Developers in our Town are generally asked to contribute in some way to our collective parking needs. This is a subjective and negotiated process with the actual financial terms varying over time and not necessarily tied to replacement cost. For example, the Town, while retaining ownership to the parking spaces in front of the market, granted the TMVOA free utilization of those spaces on a short term parking basis in order to help attract a tenant to create an important public benefit for our community (our first supermarket in Mountain Village). Public benefits are often a critical part of an overall deal structure, and in this example, the market at Town Hall would

probably not exist if the Town had not worked with the TMVOA to help make it a reality. In the case of the Lofts, the Town Council agreed upon a parking payment in lieu amount that, contrary to some beliefs, assisted in keeping this project in a viable workforce rental range and still provide revenues for the next parking expansion, if that is deemed necessary in the future (i.e. our current gondola parking garage is underutilized and averages 14% occupancy over the entire year). The Planet article offered a questionable methodology by comparing this subjective parking payment in lieu fee to the cost to build an underground multi-level parking structure supporting the luxury for-profit Madeline hotel. These are two very different projects, and under that logic, it would be very difficult for any privately funded workforce housing project to ever be economically viable and thus undertaken.

With regard to parking rates, we think some recent suggestions have been positive and helpful. The Town Council will be discussing higher parking rates to the Lofts residents and may encourage the parking committee, at a minimum, to calibrate the rates with employees, as they have the ability to do so at any point in time. It is important to remember, this 460 space structure is utilized on average 14%, which means there are routinely hundreds of empty spots. During Bluegrass it is almost full, mostly because we discount the parking so heavily to support the festival. The next busiest day of the year is 59% utilized, suggesting that even on this busy day, over 180 parking spaces sit empty. It is also important to note that given its location near our free gondola system and our recreational amenities, this workforce housing opportunity may appeal to those residents who choose not to drive cars, thus potentially reducing traffic in our Town. Finally, the Town would expect those asking about the Town's fiduciary responsibility to be wondering why we are not doing more to sell empty parking spaces, which is not an unreasonable question in our view. We are working to cover more of our significant parking costs each year.

In closing, the Town appreciates the community wide support for more workforce housing and the deep engagement in this and other issues we face together. There are many important issues ahead of us: cell coverage, broadband services, expanded recreational amenities, a town park, etc. The Town would encourage any and all constituents to engage in the process of addressing these important issues. Once decisions are made, let's move forward together on these and the next set of opportunities before us.

Let us not forget that we are all citizens of this community. We are neighbors. Neighbors sometimes agree and sometimes they disagree. Neighbors can also agree to disagree but without being disagreeable. When we do disagree, let us do so with civility and without questioning the integrity of those with whom we disagree. With this approach, together, we can make Mountain Village an even better community.