

MEMORANDUM

TO: Town Council

FROM: Nina Timm

DATE: December 5, 2006

SUBJECT: Employee Housing Policy – Commercial Linkage and Inclusionary Zoning

I. Introduction

On October 17, 2006 staff met with Town Council to review Commercial Linkage and Inclusionary Zoning policy to meet the employee housing need in the Town of Vail. Both of these policies will require that new employee housing is generated based on growth in the Town of Vail.

Based on previous discussions staff has been working with the assumption that Town Council would like to see that there is employee housing available for at least 30% of Vail's workforce in the Town of Vail. Staff also heard that commercial uses, that generate sales tax and therefore mitigate a portion of their impact that way, should be less burdened by an employee housing requirement. Additionally staff heard that Town Council wants to ensure that the policies work together and are not "double dipping" any uses.

II. Glossary of Terms

- A. **Inclusionary Zoning:** Mandatory inclusion or set-aside of a percentage of residential development as affordable housing units (usually the same type or similar to other units in development). Program may allow cash-in-lieu, land-in-lieu, purchase/ renovation existing units or off-site housing as options for compliance.
- B. **Commercial Linkage:** Zoning provisions that require commercial development (lodge, retail, industry, etc), to provide funds or housing to meet some portion of seasonal and/or long-term employment generated by new development (15% to 60% range common).
- C. **Residential Linkage:** Requirement for residential development to provide housing or fees-in-lieu for some portion of employment positions created by the development (residential services, etc.)

III. Summary of Proposed Employee Housing Requirements for Commercial and Residential Uses

- A. The proposed employee housing policy changes would achieve the goal of providing housing for at least 30% of the new employment generated by new development/redevelopment in the Town of Vail.
- B. The proposed policy changes would take into account that commercial uses already mitigate a portion of their impact through sales tax generation.
- C. The definition of residential uses would include: dwelling units, fractional fee units, time share units, and lodge units. All other uses would be considered commercial uses for the purpose of the employee housing policy ordinance

IV. Commercial Linkage

The Town of Vail currently employees commercial linkage requirements to mitigate for a portion of the net new employees generated by commercial development. Current practice is that developments that comply with zoning are required to mitigate for 15% of their net new employees and developments that exceed zoning are required to mitigate for 30% of their net new employees. Commercial Linkage ties the employee housing mitigation requirement directly to the new jobs generated by commercial uses.

Proposed policy changes for Commercial Linkage are:

- A. Requiring that all commercial development be required to mitigate for 30% of their net new employees irregardless of the fact that they comply with zoning.
- B. Modify what is currently assessed a commercial linkage requirement to remove dwelling units (regardless if there is a front desk associated with the units) from employee housing mitigation through commercial linkage.
- C. Town Council may want to further reduce the mitigation percentage or exempt Accommodation Units from this requirement based on the sales tax dollars generated by this use.
- D. Create a definition of the employee housing mitigation requirement that is based on a per employee to be housed (ETBH)

Proposed mitigation requirements based on per employee to be housed requirements:

- A. Pay-in-Lieu
 - a. Based on the rational nexus completed by RRC this fall the data supports a fee between \$153,288 and \$178,526 per ETBH. This fee is to bridge the gap between wages and real estate prices.
 - b. The Town of Vail would be required to put fees collected in a dedicated fund for the purpose of providing additional employee housing units.
 - c. This option would provide a means to mitigate for a portion of an employee generated by development.
 - d. This can be set up as a method only available with Town Council approval, except in the instance where a portion of an employee must be mitigated.

B. On-Site and Off-Site Units

- a. Incent on-site units either through bonuses or creating more onerous off-site requirements.
- b. Provide explicit quantitative standards based on ETBH.

The following chart shows what Aspen/Pitkin County has adopted. Staff believes that this is the approach that the Town of Vail should take as well. Eagle County also has similar standards.

| | Minimum Sq Ft | # of Employees Credit |
|--------------------|----------------------|------------------------------|
| Studio Unit | 550 sq ft average | 1.25 |
| One Bedroom Unit | 750 sq ft average | 1.75 |
| Two Bedroom Unit | 975 sq ft average | 2.25 |
| Three Bedroom Unit | 1225 sq ft average | 3 |

V. **Inclusionary Zoning**

Based on Town Council’s desire to maximize the number of employees housed through the Town’s employee housing policy while not further burdening development that mitigates impacts through sales tax collection, staff and the Town’s consultants are recommending that the Town implement Inclusionary Zoning rather than Residential Linkage. Residential Linkage would not generate housing for as many employees as Inclusionary Zoning will provide. Also, by not utilizing Residential Linkage the Town can avoid “double dipping” housing requirements for certain uses.

Example

25,000 new square feet of new residential development is built and it will comprise of 25 new units with a front desk.

Commercial Linkage will require mitigation for 6 new employees at 30%.

$$25 \text{ units} \times .8 \text{ employees/unit} \times 30\% = 6$$

Residential Linkage will require mitigation for 2 new employees at 100%

$$25 \text{ units} @ 1,000 \text{ sq ft} \times .08 \text{ employees/1,000 unit} \times 100\% = 2$$

Inclusionary Zoning will require 3,750 square feet for employee housing mitigation at 15%. With an average one-bedroom unit of 750 square feet that will be 5 new units that house an average of 8.75 employees.

Based on the Town of Vail’s goal to provide housing for at least 30% of Vail’s new workforce staff is recommending that Town Council adopt an Inclusionary Zoning policy of 15%. This will allow the Town to achieve the 30% goal.

Proposed policy changes for Inclusionary Zoning are:

- A. Assess an Inclusionary Zoning requirement on all net new residential square feet.
- B. This will effect development in Lionshead and Vail Village differently than previous employee housing requirements. Currently residential development that had a front desk or appeared to act like a hotel would be assessed a commercial linkage requirement. An Inclusionary Zoning policy will generate more employee housing than our previous policy generated because it is based on net new square feet and not employees generated.
- C. This will require a percentage of all new residential square feet be dedicated as employee housing.
- D. At least a portion of this requirement should be mandated on-site. Eagle County incents on-site mitigation by increasing the total percent of the requirement by 5% if the square feet is provided off-site.
- E. Accommodation units would be treated as a commercial use.

Proposed mitigation requirements:

- A. Staff believes that the mitigation methods should be geared toward creating on-site employee housing units.
- B. As this is a per square foot requirement staff believes that the on-site standards should be left to the developers with staff review.
- C. Any units mitigated for off-site should require Town review and approval, and be based on the standards set in Commercial Linkage.
- D. Pay-in-Lieu should be established per square foot based on the pay-in-lieu fee supported in the nexus. Again this can be set up as a method only available with Town Council approval, except in the instance where a minimum number of square feet is required.

VI. Proposed Next Steps

If Town Council supports the recommendations in this memo this input could be incorporated into the draft ordinances that legal counsel is preparing and could be brought to the Planning and Environmental Commission potentially as soon as December 10, 2006 for their recommendation. Staff would then be prepared to bring this back to Town Council in January/February for worksessions and consideration of an Ordinance.