

MEMORANDUM

TO: Planning and Environmental Commission

FROM: Nina Timm, Housing Coordinator

DATE: February 12, 2007

SUBJECT: A request for a worksession to discuss text amendments to Title 12, Zoning Regulations, Vail Town Code, to add commercial linkage requirements and inclusionary zoning requirements to the Zoning Regulations for the purpose of mitigating employee housing impacts resulting from development in the Town of Vail, and setting forth details in regard thereto. (PEC06-0084)

I. Introduction

The Vail Town Council has set a goal of ensuring that there is employee housing available in the Town of Vail for at least 30% of the work force. With the projected job growth and free market real estate trends this will be challenging. In order to achieve this goal a number of strategies will need to be implemented. Commercial linkage and inclusionary zoning are tools that Town Council is choosing to implement today. Commercial Linkage is a tool that the Town currently utilizes. In the case of a Special Development District the current requirement is mitigation for 30% of the net new employees generated. If the development complies with the density controls of the underlying zone district then the requirement is reduced to mitigation for 15% of net new employees. At their January 2, 2006 meeting Town Council stated that 20% mitigation for net new employees is their preferred new commercial linkage policy.

At the January 2, 2007 Town Council meeting staff was directed to modify the Employee Housing Ordinance to include an inclusionary zoning requirement of 30% net new employees. Following input from the Community, Town Council has requested that staff further determines what measures are needed to achieve the goal of housing 30% of Vail's workforce and what percentage of net new employees generated from residential development must be housed through the use of inclusionary zoning in order to achieve that goal.

It is important to remember that the Town Council is considering two specific policy tools at this time to address employee housing demand as it is created. Inclusionary zoning includes focus on not just the primary job generation of development and commercial linkage focuses exclusively on the primary job generation of specific commercial uses. To ground the discussion in the purpose

of these tools that require employee housing as new demand is generated the following definitions are critical:

Inclusionary Zoning: requires a minimum percentage of residential development be provided at below-market rates to serve lower income households as part of new residential developments. Inclusionary zoning is a housing production obligation based on the Community's need for affordable housing as related to many factors, including a scarcer supply of land, rising home values, insufficient provision of housing affordable to residents by the market, etc., in addition to any direct employee generation impacts.

Commercial Linkage: Requires that a development provide housing for a specified percentage of new employees generated by the development. Linkage programs focus only on the development's impacts as related to employee generation and do not take into account secondary impacts.

Residential Linkage: Requires that a development provide housing for a specified percentage of new employees generated by the residential development. Linkage programs focus only on the development's impacts as related to employee generation and do not take into account secondary impacts.

II. Background

Employee and Housing conditions in the Town of Vail:

- (1) 6,400 Dwelling Units in Vail
 - (a) 1,500 employee households in Vail (Rental or Ownership)
 - (i) 624 employee occupied dwelling units are deed restricted
 - (ii) 876 employee occupied dwelling units are non deed restricted
- (2) 9,100 jobs held by 6,100 employees (Average employee holds 1.2 jobs)
 - (a) 4500 jobs are entry level (\$9 - \$12 hour)
- (3) Where do employees live?
 - (a) **30%** of Vail employees live and work in Vail today
 - (b) 34% of Vail employees live between Eagle Vail and Edwards
 - (c) 14% of Vail employees live in Lake County
- (4) 1,500 new jobs/1,154 new employees needed by approved projects
 - (a) 257 new beds to offset new jobs
 - (b) 385 new beds needed to maintain 30% status quo
 - (i) short 128 beds to maintain current status
- (5) 1,175 new jobs/980 new employees anticipated by redevelopment in West Lionshead, West Vail, and Vail Village

- (6) There is continuing loss of existing employee occupied housing
 - (a) High rate of ownership by non-employees
 - (b) Increasing property Values – existing owners are moving down valley or out of County
 - (c) New owners are not typically renting their units
- (7) January, 2007 there were 17 units listed for-sale in Vail under \$500,000
 - (a) 3 units were studios
 - (b) 4 units were one-bedroom
 - (c) 10 units were two-bedroom

Employee and Housing conditions in Eagle County:

- (1) In the next five to ten years there will be 7,370 new jobs between Eagle-Vail and Edwards
 - (a) Today, 37% of Vail's workforce lives between Eagle-Vail and Edwards
- (2) The Ginn development will add approximately 1,000 new jobs
 - (a) Currently 14% of Vail's workforce commutes in from Lake County
- (3) The average sales price of a unit (2/06) in Gypsum was \$351,897
- (4) The average sales price of a unit (2/06) in Eagle was \$437,363
- (5) The average sales price of a unit (2/06) in Homestead was \$913,333

II. Questions from the January 22, 2007 PEC Meeting

- What are the type and quantity of employee housing units needed?

The types and quantity of employee housing units that are needed will vary as development actually occurs in the Town of Vail. The need is across the entire spectrum of housing. The focus of the housing developed by the Town and through the Town's policies will need to be varied to address seasonal workers to employees with families. The entire need will not be addressed through either policy or development and the focus will need to be continually reevaluated to ensure that it is meeting the community's goals.

It is estimated that the currently approved redevelopment projects will create 1,500 new jobs or the need for 1,154 new employees when they are complete. When looking at a model that estimates potential redevelopment in West Lionshead, West Vail, and Vail Village there will

be approximately 1,175 new jobs or 980 new employees in those three areas alone.

- What types of jobs are being created by redevelopment?

The types of jobs anticipated by the redevelopment are predominately service sector/customer service jobs typically associated with resort residential development. For example, it is not anticipated that there will be a significant increase in office space.

- What are the possible development sites within and outside of the Town of Vail to build employee housing?

It is possible that employee housing may be built on-site with every development project.

The Town of Vail is largest owner of undeveloped land in Town. The Town Council and the community will ultimately need to determine what sites are appropriate for employee housing development. To the extent possible, publicly owned sites should be used to address the “catch up component” of the employee housing issue and should not be used to mitigate demand generated by new redevelopment. Commercial linkage and inclusionary zoning address keeping up with need as it is generated and therefore not exacerbating the problem.

Looking at parcels outside of the Town will require regional cooperation. The Blue Ribbon Panel on Housing may begin to identify appropriate sites on a regional basis. Again, elected officials and the community will need to determine what sites are appropriate for employee housing development.

- Do we understand what the budget needs are for employee housing?
 - Can a portion of RETT be redirected, a dedicated mill levy increase or a dedicated sales tax increase pay for some of the employee housing need?

Town Council recognizes that a dedicated funding source is a critical component of the employee housing solutions. At this point in time, they have expressed an interest in exploring a reallocation of RETT (requires the passage of an Ordinance), a dedicated mill levy increase (requires a vote of the Town), and a dedicated sales tax increase (requires a vote of the Town). Town Council acknowledges that some mitigation from inclusionary zoning and commercial linkage requirements will generate a fee-in-lieu. The funding benefit from these requirements will likely vary greatly. Any funds generated by an inclusionary zoning or commercial linkage requirement will need to address the new need being created by

the specific development project generating the demand. Additional funding sources will be needed to address existing demand shortfall.

Town Council also recognizes that the Blue Ribbon Panel on Housing is exploring a dedicated County-wide funding source and Town Council wants to ensure that they are not duplicating efforts.

- Is 30% the right goal? Is it too high or too low?

Town Council has determined that the stated goal of ensuring that at least 30% of Vail's workforce lives in the Town of Vail is an appropriate goal at this point in time. This goal has been further validated through the Vail 2020 strategic planning process.

- Where are the units going? On-site, off-site, etc.
 - Do we understand the impact of building additional units in Town?

At this point in time, Town Council has supported mitigation options that include on-site and off-site units as well as fee-in-lieu. While there is not consensus, there is support for preferring off-site units (deed restricting existing housing units) and fee-in-lieu currently. However, on-site units will remain an option.

- Who benefits from employees living in Town?

The community benefits from having a year-round resident base and employers benefit from having year-round customers as well as employees in proximity to their jobs. The community also benefits from a reduction in commute times and fewer employees requiring parking spaces in Town.

- What do we want this housing to look like?

This will need to be evaluated on a periodic basis.

- What are successful incentives for the private sector to create employee housing?

Reduced permitting fees, increased density, increased GRFA.

- Please provide information about what has been required of recently approved projects.

Attached to this memo is a chart (Attachment 2) that provides an overview of recently approved projects.

III. Comments and Themes from Town Council

- 1) The goal is to maintain deed restricted housing for at least 30% of the workforce in the Town of Vail.
 - a. An inclusionary zoning requirement of 10% of net new residential square footage and a commercial linkage requirement to mitigate for 20% of net new employees achieves that goal when analyzing the anticipated redevelopment model for West Lionshead, West Vail, and Vail Village.
- 2) Application of commercial linkage and inclusionary zoning to certain zone districts is in keeping with the intent of the current proposed policy direction. The model driving the policy direction looks at specific areas of redevelopment and does not encompass the entire Town of Vail.
 - a. High density multiple-family (HDMF) district, Public accommodation (PA) district, Public accommodation 2 (PA-2) district, Commercial core 1 (CC1) district, Commercial core 2 (CC2) district, Commercial core 3 (CC3) district, Commercial service center (CSC) district, Arterial business (ABD) district, Heavy service (HS) district, Lionshead mixed use 1 (LMU-1) district, Lionshead mixed use 2 (LMU-2) district, Ski base/recreation (SBR) district, Ski base/recreation 2 (SBR2) district, General use (GU) district, and Special development (SDD) district.
- 3) The established deadline of April 15, 2007 to enact a new Employee Housing Ordinance needs to be achieved.

IV. Request of Planning and Environmental Commission

In light of the fact the Community, Town Council, and PEC have expressed concern about the application of inclusionary zoning to all residential development, irregardless of size; staff was previously looking for a recommendation from PEC on an appropriate minimum threshold for these requirements. At the most recent Town Council meeting staff was directed to look at applying inclusionary zoning and commercial linkage requirements by zone district. Because the current model that staff has been using looks only at three areas of redevelopment (West Lionshead, West Vail, and Vail Village) Town Council believes that application of these requirements by specific zone district may be appropriate.

There is not a specific request of PEC at Today's meeting.

A draft Employee Housing Ordinance will be presented to PEC at the February 26, 2007 meeting for discussion.

The action requested at the March 12, 2007 PEC meeting will be to make a recommendation to Town Council regarding the proposed Employee Housing Ordinance.

V. Criteria for Consideration on the Town's Employee Housing Policy

Before recommending an employee housing policy alternative to the Vail Town Council, the Community Development Department recommends that the Planning and Environmental Commission considers the following factors with respect to the employee housing policy amendment:

- 1) The policy ensures that there is employee housing available in the Town of Vail for at least 30% of the town's work force?
- 2) The policy takes a broad approach towards achieving the community's housing goals?
- 3) The policy addresses the housing needs of a wide range of Vail's present and future population (i.e., seasonal, local, families, etc.)
- 4) The policy can be incorporated into the Town's adopted rules and zoning regulations.
- 5) The policy furthers the general and specific purposes of the zoning regulations.
- 6) The policy implements and better achieves the applicable elements of the adopted goals, objectives, and policies outlined in the Vail comprehensive plan and is compatible with the development objectives of the town; and
- 7) The policy demonstrates how employee housing conditions have substantially changed since the adoption of the current employee housing policy and how the existing policy is no longer appropriate or is inapplicable.
- 8) The policy provides a harmonious, convenient, workable relationship among land use regulations consistent with the Town's development objectives.
- 9) The policy promotes the health, safety, morals, and general welfare of the town and promotes the coordinated and harmonious development of the town in a manner that conserves and enhances its natural environment and its established character as a resort and residential community of the highest quality.
- 10) No action is **NOT** an acceptable alternative.

VI. Next Steps

February 20, 2007 (Town Council)

Present draft Employee Housing Ordinance for discussion

February 26, 2007 (PEC)

Present draft Employee Housing Ordinance for continued discussion

March 6, 2007 (Town Council)

Town Council public hearing

March 12, 2007 (PEC)

Planning & Environmental Commission public hearing and recommendation to Town Council on the proposed employee housing policy

March 20, 2007 (Town Council)

1st Reading of the Employee Housing Policy Ordinance

April 3, 2007 (Town Council)

2nd Reading of the Employee Housing Policy Ordinance

VII. Attachments

- 1) Map showing location of proposed zone districts to be affected by inclusionary zoning and commercial linkage.
- 2) Chart showing employee housing requirements for major projects completed in 2005 or later.
- 3) A letter from Lin and Betty Grubbs dated February 1, 2007.