

MEMORANDUM

TO: Town Council

FROM: Nina Timm and Russ Forrest

DATE: February 6, 2007

SUBJECT: Commercial Linkage and Inclusionary Zoning in West Lionshead, West Vail, and Vail Village

I. Introduction

The Vail Town Council has set a goal of maintaining housing for at least 30% of the workforce within the Town of Vail. Current focus has been on two tools that will generate employee housing as demand is created – Inclusionary Zoning and Commercial Linkage. At the January 2, 2007, Town Council meeting staff was directed to revise the draft Ordinance to include a Commercial Linkage requirement of 20% applied to commercial development and a 30% Inclusionary Zoning requirement applied to residential development.

With specific policy direction from Town Council local community members have become concerned about the burden increase the policy direction puts on residential development. To help facilitate more meaningful dialogue with the Town Council tonight, the Community Development Department held an “open house” on January 10, 2007. The purpose of the open house was to provide a brief overview of the background information and facts that Town Council has had to guide the policy direction.

Town staff had a work session with the Planning and Environmental Commission (PEC) on January 22, 2007. At that meeting the PEC expressed concern at the lack of information they had received to date regarding the employee housing issues facing the Town of Vail. They also expressed concern regarding the direction of the housing policy placing a disproportionate burden for providing employee housing on a sector of the market that was not directly responsible for generating the need.

It is important to remember that the Town Council is considering two specific policy tools at this time to deal with employee housing demand as it is created in the future. 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 two tools that provide 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 other 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 other impacts.

II. West Lionshead, West Vail, and Anticipated Redevelopment in Vail Village (Projected development model)

The potential for net new growth exists in West Lionshead, West Vail, and Vail Village. Staff has created a model which estimates potential new commercial and residential development in these three areas. They include West Lionshead, West Vail, and anticipated redevelopment projects in Vail Village. It is anticipated that these areas will all have mixed use redevelopment occur in them. As proposed, the commercial redevelopment would be subject to Commercial Linkage requirements and the residential development would be subject to Inclusionary Zoning.

- A. The following information is based on this model.
- B. Assumptions for calculating employee generation

Conversion Factors from 2006 Nexus Study

- 1.2 jobs per employee
- 1.5 employees per household
- 2.9 jobs per 1,000 square feet of commercial development (overall average)
- .11 employees per new residential unit (residential linkage)

- C. Actual Employees Generated By Use

In these three areas of proposed redevelopment there will be significant increase in the net new residential floor area. Currently there is

approximately 639,027 square feet of residential and it is expected to increase to 3,163,029 (an increase of 2,524,002 square feet).

<u>Residential Floor Area</u>	
Existing Today	173,426
Potential Redevelopment	1,484,328
Potential Net New	1,310,902

$$1,310,902 \times .11 / 1,500 / 1.2 = 79$$

New Employees Generated 79

<u>Commercial Floor Area</u>	
Existing Today	289,260
Potential Redevelopment	742,977
Potential Net New	453,717

$$453,717 \times 2.9 / 1,000 / 1.2 = 1,096$$

New Employees Generated 1,096

Of this potential net new floor area the commercial development will generate the need for 1,096 new employees while utilizing only 18% of the total redevelopment floor area.

The goal of providing housing for 30% of the community's net new workforce needs as created by anticipated redevelopment in West Lionshead, West Vail, and Vail Village requires **353 new employee beds**.

D. Actual Employees Housed by Use Through Application of Proposed Tools

a. 30% Inclusionary Zoning and 20% Commercial Linkage

	<u>Actual Emps By Use</u>	<u>30% of Total</u>	<u>Application of Policy</u>
Residential	79	24	537 (30% Inclusionary Zoning)
Commercial	1,096	329	219 (20% Commercial Linkage)
	<hr/> 1,175	<hr/> 353	<hr/> 756 or over 60%

- Using the redevelopment model for West Lionshead, West Vail, and Vail Village the proposed policy

including 30% Inclusionary Zoning and 20% Commercial Linkage achieves employee housing for **over 60%** of the anticipated net new workforce.

2. This proposal meets the Town Council objective of moving a disproportionate share of the employee housing burden to residential development. Residential development will directly generate the need for 79 new employees, but through Inclusionary Zoning provide housing for 537 new employees.

III. Revised Policy to Achieve the Goal of Housing at Least 30% of the Net New Workforce

A. 10% Inclusionary Zoning and 20% Commercial Linkage

	Actual Emps By Use	30% of Total	Application of Policy
Residential	79	24	179 (10% Inclusionary Zoning)
Commercial	1,096	329	219 (20% Commercial Linkage)
	1,175	353	398 or 34%

1. Using the redevelopment model for West Lionshead, West Vail, and Vail Village a proposed policy including 10% Inclusionary Zoning and 20% Commercial Linkage achieves employee housing for **30%** of the anticipated net new workforce.
2. This proposal meets the Town Council objective of moving a disproportionate share of the employee housing burden to residential development. Residential development will directly generate the need for 79 new employees, but through Inclusionary Zoning will provide housing for 179 employees.

B. Application of the 10% Inclusionary Zoning and 20% Commercial Linkage policy to specific multi-use zone districts.

C. Staff is recommending applying Commercial Linkage mitigation at 20% of net new employees and Inclusionary Zoning of 10% in the following zone districts: High density multiple-family (HDMF) district, Public accommodation (PA) 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, Special development (SDD) district.

- D. This will achieve Town Council's goal of have new development mitigate for 30% of the net new employees generated by that development.
- E. This will provide a disproportionate share of responsibility for the 30% to residential development – meeting stated policy objectives.
- F. By applying these two specific policy tools by zone district staff does not recommend providing an exemption to the requirements.
- G. An Alternative for Residential Zone Districts – Proposed Residential Linkage Only.
 - a. Staff is recommending excluding the following zone districts from Commercial Linkage mitigation and Inclusionary Zoning: Hillside residential (HR) district, Single-family residential (SFR) district, Two-family residential (R) district, Two-family primary/secondary residential (PS) district, Residential cluster (RC) district, Low density multiple-family (LDMF) district, Medium density multiple-family (MDMF) district, Housing Zone District, Agricultural and open space (A) district.
 - b. Town Council began looking at policy tools specifically to address anticipated major redevelopment in three core areas in Vail. The model that has been talked about to date has not specifically looked at redevelopment in residential only zone districts.
- H. Acknowledging that all residential development adds to the community's need for additional employee housing, staff is recommending establishment of Residential Linkage based on the information contained in the Rational Nexus Report presented in September, 2006.
- I. As staff acknowledged in the early policy discussions (September, 2006) the number of employees directly attributed to residential development in the Rational Nexus is not significant, but does exist. Application of Residential Linkage to all net new residential floor area would create a proportionate employee housing mitigation requirement to the employee housing demand being generated by the specific development.
 - a. Staff is recommending Residential Linkage apply to the following residential zone districts: Hillside residential (HR) district, Single-

family residential (SFR) district, Two-family residential (R) district, Two-family primary/secondary residential (PS) district, Residential cluster (RC) district, Low density multiple-family (LDMF) district, Medium density multiple-family (MDMF) district.

i. Example of Demo Rebuild

- 1. Existing home of 1,800 sq ft = .09 emps
- 2. Demo Rebuild of 3,800 sq ft = .14 emps
- 3. Difference of 2,000 sq ft = .05 emps
- 4. Fee in Lieu of \$178,500 x .05 = \$8,925

ii. Example of Vacant Lot

- 1. Existing home of zero sq ft = 00 emps
- 2. Build home of 5,999 sq ft = .20 emps
- 3. Difference of 5,999 sq ft = .20 emps
- 4. Fee in Lieu of \$178,500 x .20 = \$35,700

iii..Example of Vacant Lot

- 1 Existing home of zero sq ft =00 emps
- 2. Build home of 7,000 plus sq ft =.36 emps
- 3. Difference of 7,000 plus sq ft =.36 emps
- 4. Fee in Lieu of \$178,500 x .36 =\$64,260

IV. Action Requested of Town Council

A. Provide staff with policy direction on Commercial Linkage and Inclusionary Zoning.

- a. The current proposed direction of 30% Inclusionary Zoning and 20% Commercial Linkage exceeds the stated goal of housing 30% of the net new workforce.
- b. A policy of 10% Inclusionary Zoning and 20% Commercial Linkage achieve the 30% goal.

B. Provide staff with policy direction on applying Commercial Linkage and Inclusionary Zoning to the following zone districts: High density multiple-family (HDMF) district, Public accommodation (PA) 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, Special development (SDD) district.

V. Future Considerations for Town Council

- A. The proposed housing policies discussed in this memo address future employee housing demand only.
- B. Staff is proposing to restart the policy discussion on applying Residential Linkage at 100% to the following zone districts: Hillside residential (HR) district, Single-family residential (SFR) district, Two-family residential (R) district, Two-family primary/secondary residential (PS) district, Residential cluster (RC) district, Low density multiple-family (LDMF) district, Medium density multiple-family (MDMF) district.
 - a. This will allow the Town to achieve its stated goal of providing housing for at least 30% of the net new workforce as demand is created.
- C. The Town of Vail will need to consider funding and development for additional deed restricted employee housing units to maintain housing for 30% of the community's workforce. Estimated non-deed restricted units account for 1,314 current employee beds and a shortfall of 128 beds by approved projects.
 - a. Current market forces are eroding the existing non-deed restricted employee housing base in the Town of Vail
 - b. This could include a dedication of a portion of the expansion of deed restricted units at Timber Ridge, purchasing deed restrictions on existing units in Town, building on Town owned lands, zoning incentives, etc.
- D. The Town of Vail will need to consider funding and development of deed restricted employee housing outside of the Town of Vail for at least a portion of the remaining 70% of the community's workforce needs.
 - a. This will require regional planning.