

Memo from the Vail Local Housing Authority

Date: January 11th, 2007

To: The Vail Town Council and the Vail local residential, business, and development community

Regarding: The advancement of employee and affordable housing for the Vail Resort Community

Executive Summary:

In regards to the current public debate regarding affordable/employee housing within the Town of Vail, the Vail Local Housing Authority supports:

- Codifying commercial linkage
 - Codifying inclusionary zoning
 - Providing appropriate exemptions for single family or very low density residential developments.
 - Utilization of the following implementation tools:
 - On-site mitigation (with qualitative standards)
 - Off-site mitigation (with qualitative standards)
 - Pay-in-lieu at \$125,000 per employee to be housed (preferred initial option)
 - Provision for development incentives to reward creation of deed restricted affordable housing
 - Provision for a housing credit system
 - Pursuit of affordable/ employee housing options outside TOV boundaries
 - Establish permanent funding source(s) for affordable housing
-

As members of the Vail Resort Community, and as the board duly appointed and tasked by the Vail Town Council to pursue these vital interests of affordable local housing, the VLHA emphatically supports a robust ongoing dialog regarding the short and long range provision of quality affordable local housing so important to the Vail Resort Community. Before articulating our position on the most pressing policy matters in this discussion, the VLHA strongly encourages all the stakeholders in this crucial issue to remember and consider the following:

- It is vital that the strong desire to come to resolution on these issues does not result in insufficient dialog, inadequate negotiation, or incomplete communication between all the involved parties. Specifically, it is crucial that undue haste in making decisions (even when motivated by a sincere desire for forward progress) does not result in the loss of any potential tools that may help achieve the Town's long range housing goals. This being said, the VLHA encourages all parties to work on these issues with great purpose and all due diligence.
- The VLHA believes in the strength of the market as the primary force in ensuring the long range quality and sustainability of the Vail Resort Community. However, we also recognize that there are crucial elements in every community where market forces are not sufficient to ensure this ongoing health and balance. In such instances, it is both the ability and *responsibility* of the empowered governmental entities to enact and enforce the necessary regulatory provisions to provide this health and balance. The matter of quality affordable local housing is one such issue.
- While endorsing the use of fair and well-structured regulatory mechanisms to accomplish the Town of Vail's housing goals, the VLHA encourages the inclusion of appropriate exemptions or limitations that protects the ability of the individual property owner to achieve homeownership and personal financial growth as residents of our community. A specific example of this is detailed herein.
- Underlying all the above, the VLHA believes that the well-executed creation and security of quality local affordable housing is absolutely essential to both the short and long term health and viability of the Vail Resort Community. We affirm the desire of many to see a diverse, sustainable local residential community, but we emphatically stress that the provision of quality employee housing for our local business community is paramount to Vail's economic future and standing as a world class resort destination.

Consistent with the above, the VLHA:

- Supports the creation and codification of Commercial Linkage and Inclusionary Zoning as the two principle regulatory tools for meeting the Town of Vail’s housing goals.
 - Important clarification: Inclusionary zoning, as the regulatory mechanism impacting residential development, should include all residential developments in a broad sense. This includes not only pure dwelling units, but also commercially managed fee simple units, fractional fee units, lodging units, and the like.
 - All deed-restricted local/ affordable housing units should be exempt from these requirements
 - There should be a limited exemption for individual private property owners who desire to build, rebuilt, or expand their homes for either personal occupation or financial growth. One possible mechanism, for example, would be to exempt from the proposed regulations the first 4,000 square feet of NEW residential floor space. This exemption would not constitute an entitlement of additional development rights, but only would apply to residential creation or expansion already permitted under the TOV’s existing codes. Additionally, this exemption would be limited to a single application per development parcel, **NOT** applicable on a multiplied basis to units within a multi-family or lodging unit development parcel.
 - If the Town of Vail believed further exemptions to be necessary, a potential option could be to exempt all development on parcels zoned for less than three units.

- Encourages the Vail Town Council to give all due consideration to the final inclusionary zoning and commercial linkage percentages. The VLHA believes the currently proposed inclusionary zoning percentage of 30% is likely too high. The final percentage should represent not only the Town of Vail’s housing goals but also a fair representation of the employee generation impact caused by residential developments within the town.

- Supports providing the options of on-site mitigation, off-site mitigation, and pay-in-lieu as implementation tools for commercial linkage and inclusionary zoning requirements

- Recommends that pay-in-lieu should be the initially preferred mitigation alternative, as this mechanism provides the town with the greatest flexibility in the type, location, and density of affordable local housing units. While pay-in-lieu does place the burden of housing unit delivery on the Town of Vail, the town will benefit from an economy of scale, and the town has demonstrated it’s ability to create strong and dynamic housing communities such as the Vail Commons and North Trail Townhomes

- Strongly recommends that all on-site and off-site mitigation options include qualitative design standards reflective of the Town of Vail’s architecture and quality of life.

- Supports a reduction in the currently proposed pay-in-lieu fee of \$178,000 per employee to be housed. The eventual agreed upon pay-in-lieu figure should:
 - Fairly represent the typical cost of an on-site housing unit to a developer, PLUS a premium representing the developers savings in time, design, and other unit delivery factors. (NOTE: The calculated typical cost is NOT the total cost to deliver a unit, but the *differential* between the units delivery cost and its reduced market value as a deed restricted EHU. In other words, an on-site EHU will still produce a revenue stream, just not a full market revenue stream)
 - Be an adjustable figure tied to strong local economic benchmark
 - Based on the above principles and previous research undertaken by the VLHA, we recommend a pay-in-lieu fee of 125,000 dollars per employee to be housed.

- Recommends that the Town of Vail provide density and other zoning incentives to enhance the successful implementation of both inclusionary zoning and commercial linkage requirements. Incentives could include consideration of site coverage, height, density, and the like. Such measures have precedent in the Town of Vail (see the Lionshead Master Plan), and will incentivize on-site (and perhaps to a lesser extent off-site) fulfillment of a projects housing obligations.
- Recommends the creation of an ‘employee housing credit system’ that will also increase the success of the commercial linkage and inclusionary zoning requirements. Such a system would allow a developer to build or purchase deed-restricted housing units and ‘bank’ them in advance of a future development project.
- Recommends pursuing employee housing options outside the boundaries of the Town of Vail. Such opportunities should:
 - Be ‘well-located’ in proximity to the Town of Vail and public transportation nodes.
 - Include appropriate mitigation rate increases. For example, if the inclusionary zoning rate within the Town of Vail was ‘X’ percent, the rate for such externally located projects may be ‘X+Y’ percent.
- Recommends that the Vail Town Council explore utilization of alternative tools to secure a dedicated housing funding source, such as sales tax, property tax, lodging tax, or the re-allocation of RETT.
- Reminds all involved parties that even with the goal of housing 30% of our employees within the Town of Vail, this still leaves 70% who must commute into the town. As such, the VLHA strongly encourages the Town of Vail to work with Eagle County and our sister Eagle County municipalities to provide improved, affordable, and new public transit opportunities.

Finally, the VLHA restates is recommendation that all necessary due diligence and negotiation take place on these vitally important measures to the health, viability, and long term sustainability of the Vail Resort Community.