



MEMORANDUM

P.O. BOX 4100 ♦ FRISCO, COLORADO 80443

TO: MAYOR AND TOWN COUNCIL
FROM: JOYCE ALLGAIER, COMMUNITY DEVELOPMENT DIRECTOR
RE: RESOLUTION 19 - 31, ADOPTING THE “FRISCO HOUSING HELPS PROGRAM”
DATE: AUGUST 27, 2019

Summary: This memorandum proposes the framework for a housing program, called, “Frisco Housing Helps Program”, (hereinafter the “Program”). The Program is one strategy that strives to address the Town Council’s priority goal to implement housing solutions. It is acknowledged that solutions to housing the workforce come in a variety of approaches and the Program is but one of an integrated approach to achieve the Council’s housing goals.

Resolution 19 - 31 attached for your consideration, would establish the Program. Under the Program, the Town would pay homeowners, buyers, sellers, investors, or businesses for an occupancy deed restriction on the property. The occupancy restriction will limit the use of the property to local employees and as proposed uses the employment definition of 30 hours per week, averaged over a year.

Staff believes this program will help locals obtain and maintain housing, help businesses house their employees, help incentivize investment in local housing, and help preserve the character of the Frisco community. The Program is similar to those of Vail InDeed and Breckenridge’s Housing Helps Program, but tailored to the Frisco community.

This memo lays out a framework for how the program would work and offers some options for the Town Council to consider. As proposed in the resolution, the Program would restrict occupancy to workers, prohibit short term rental, not allow for the ownership of other residential properties (unless for rental to workers only). The Program would not have a requirement of AMI income target limit, appreciation cap, rental rates, or resale price cap but would allow the market to determine those considering the property use limitations due to the deed restriction. Seven year occupancy in deed restricted housing would be required for retirement in place.

Funding for the Program would come from the Town of Frisco 5A Housing Funds budget. Projected 5A funds are included in the “Financial” section of this report.

Background Information:

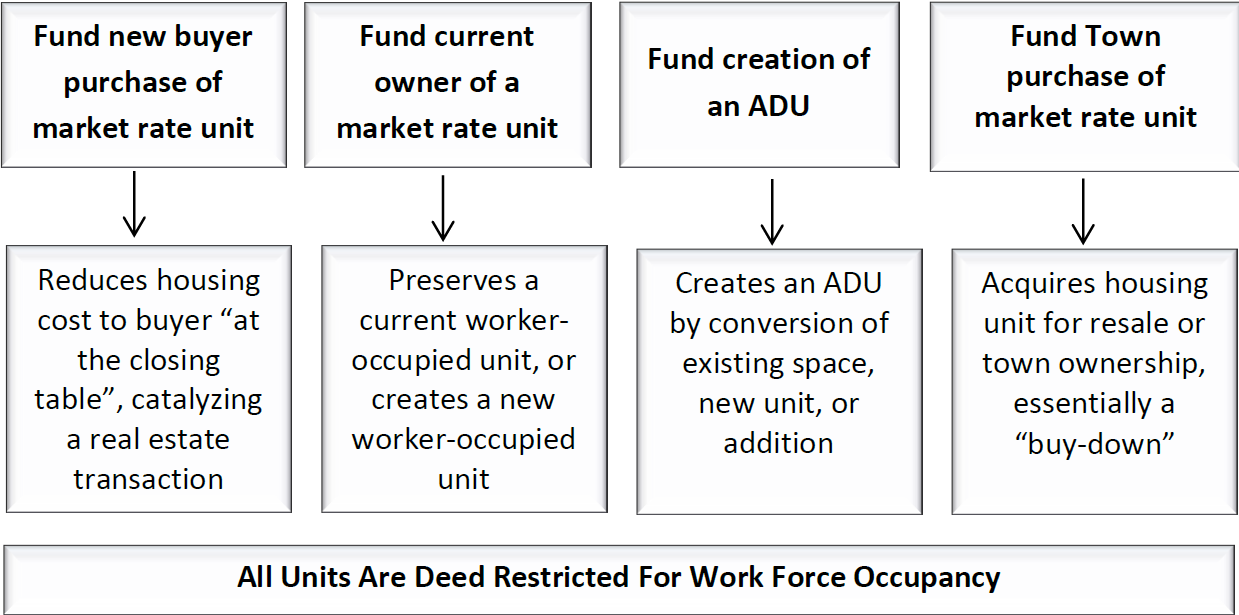
- In 2017 the Town Council appointed the Frisco Housing Task Force, comprised of knowledgeable citizens in the housing arena from financing to construction. In 2018 the task force produced the Frisco Housing Task Force Report which documented housing needs and recommended numerous strategies to address Frisco’s housing issues on both the

construction project and policy fronts. The task force suggested the Town find ways of working with businesses and individuals to help them attain workforce housing. The Frisco Housing Helps program would be such a strategy.

- In the 2019-2020 Strategic Plan, the Town Council identified “Implement Housing Solutions” as a high priority goal under the guiding principle of “Inclusive Community”. A key step in undertaking this goal is to implement housing opportunity programs through use of the 5A Housing Funds.
- On July 23, 2019, the Town Council conducted a work session to discuss a 5-Year Strategic Housing Plan. Three (3) key components of the proposed plan included recommendations regarding 1.) the CDOT Construction Project, 2.) a Business Housing Support Program, and 3.) a Buy-down Program. As discussed on the 23rd, staff will continue to pursue strategy #1, by working with CDOT on an agreement that would bring about the construction of a workforce housing project.

The proposed “Frisco Housing Helps” melds ideas from the proposed 5-Year Strategic Plan items #2 (Business Support), and #3 (Buy-downs), shown above.

Analysis - Considerations and Recommendations:



While not using these common housing-related terms directly, Frisco Housing Helps is a hybrid program drawing from the basics of buy-downs, down payment assistance, and construction subsidy. Four key ways that the new proposed Program will help the Town of Frisco attain and increase its deed restricted housing inventory include:

- Opportunity 1: Town provides cash to buyer at time of private party real estate transaction with the condition that the property will be occupancy deed restricted. This enables the buyer to gain access to and acquire a property that might be financially unattainable without the assistance aspect of the program.

- Opportunity 2: Town provides cash to current property owner in return for an occupancy deed restriction. This enables the owner to obtain cash for repairs, upgrades, homeowner association assessments, or any other purpose, and it enables the Town to purchase a deed restriction.
- Opportunity 3: When appropriate to take advantage of an opportunity, the Town purchases a market rate or existing deed restricted housing unit and resells the property with a new or revised occupancy deed restriction attached to the property and may include AMI limits or other measures as determined by the Town.
- Opportunity 4: Town provides cash to property owner to construct an accessory dwelling unit approved under the terms of the Frisco Unified Development Code (presently requires maximum AMI of 100%). (This option is the only applicability of the Program for new construction as the Town has a housing density bonus incentive already in place through the UDC.)

Within these options, the deed restriction will include an occupancy provision requiring the property be used as a primary residence by persons (and families) who are employed full time in Ten Mile Basin of Summit County (30 hours/week average/year), participant may not own other residential real estate unless they are renting the Housing Helps unit to a qualified employee, and with the exception of Option 4, may not be used for new construction. The program is intended to aid in the conversion of existing housing stock to become part of the deed restricted inventory.

As provided for in the resolution, the Town Manager, after consultation with and acceptance of the specific terms of each transaction by the Mayor and Finance Director, and after review by the Town Attorney, will be authorized, empowered, and directed to approve of transactions and sign agreements to implement the Program.

In researching the Program, staff has found that in both the Breckenridge and Vail programs, it is anticipated that the reduction in value of a free market unit, once deed restricted, is around 10 to 15%. The determination about how much to pay an owner or buyer for the deed restriction will be determined by:

- 1.) comparing similar market rate and deed restricted properties to determine the impact of the deed restriction,
- 2.) the current market conditions and circumstances,
- 3.) how well the property meets current community needs (size, location, access to transit, etc.), and
- 4.) amount requested and participant's justification.

Staff anticipates that the value of a deed restriction may be approximately 10-15% of the market value of the property but the exact amount that the Town will pay will be determined through negotiation between the Town and the participant. The Town will utilize market information from local licensed real estate appraisers and professionals, or other qualified persons to determine value. To help illustrate the impact of the Program, Table 1, identified changes in affordability.

Table 1-Effects of Frisco Housing Helps Program on Housing Attainment relative to AMI

Market Rate Home Price	Town Buy-Down Cost	Subsidy Percentage of Home Price	Subsidized Home Price	Approximate AMI Category 1-Bedroom	Approximate AMI Category 2-Bedroom
\$600,000	\$50,000	8.3%	\$550,000	200%	160%
\$550,000	\$50,000	9.1%	\$500,000	180%	150%
\$500,000	\$50,000	10.0%	\$450,000	160%	140%
\$450,000	\$50,000	11.1%	\$400,000	150%	120%
\$400,000	\$50,000	12.5%	\$350,000	130%	110%
\$350,000	\$50,000	14.3%	\$300,000	120%	100%
\$300,000	\$50,000	16.7%	\$250,000	100%	85%

Financial Impacts: As shown in the table below, the Town of Frisco’s Housing fund balance available for programming at the end of 2019 is estimated to be \$4.7M. Funds exist to support the Frisco Housing Helps Program immediately and to the extent the Town Council wishes to expend them.

The Town receives 5A funds from the original 0.125% 5A sales tax that will continue, and receives additional funds for the 2017 .6% 5A sales tax that will sunset at the end of 2026. Considering these sources, approximately \$1.3M total each year from both of the tax measures combined is projected. This table illustrates projected revenues over the course of the 5 years of the Plan (through 2023), and the amounts available for new construction projects and programs.

5A Projected Available Revenues	
Estimated fund balance year end 2019	\$ 4,700,000
Year 2020 projected revenues	\$ 1,300,000
Year 2021 projected revenues	\$ 1,300,000
Year 2022 projected revenues	\$ 1,300,000
Year 2023 projected revenues	<u>\$ 1,300,000</u>
Total 5A revenues available	\$ 9,900,000

Use of the funds will be determined by the success of the program or any desired limits to use as determined by the Town Council.

Alignment with 2019-2020 Strategic Plan: In the Frisco 2019-2020 Strategic Plan, the Town Council identified, “Implement Housing Solutions” as a high priority goals under the guiding principle of “Inclusive Community.”. The Frisco Housing Helps Program would further efforts to address this goal. Additionally, the Program cut across other guiding principles of the Strategic Plan including, “Sustainable Economy” because of the direct relationship that housing the workforce has to the success of Frisco’s businesses

Staff Recommendation: Staff recommends that the Town Council evaluate and provide direction on the Frisco Housing Helps Program introduced in this memorandum. A resolution is

provided for action. Should the Town Council choose to adopt the proposed resolution as drafted or with amendments, a motion is provided.

“I move to APPROVE Resolution 19-31, A RESOLUTION ESTABLISHING THE FRISCO HOUSING HELPS PROGRAM.”

Considerations for Council might include:

- Acceptable to decision-making by town manager, with acceptance of terms by the mayor and finance director, and with review by the town attorney
- Geographic area for use of the program is within the Town of Frisco boundaries
- Work area for employees would be 10 Mile Basin (as proposed) or Summit County
- Acceptable to program terms of no AMI limit required, resale cap, appreciation cap, no other residential property ownership, retirement after seven years, etc.
- Acceptable to funds being used for accessory dwelling unit construction per the UDC provisions in place at time

If the Town Council approves the Resolution 19 - 31, staff would move forward to create a deed restriction template, confirm decision-making guidelines, launch and aggressively market the Program by reaching out to local realtors and the Summit Association of Realtors, establish a Program website, finalize forms and documents for implementation, and begin greater community outreach to potential participants (businesses, buyers, HOAs, SCHA, etc.)

Reviews and Approvals: This report has been reviewed and approved by:

Bonnie Moinet, Finance Director -
Nancy Kerry, Town Manager – Approved

**Town of Frisco
County of Summit
State of Colorado
RESOLUTION 19-31**

A RESOLUTION ESTABLISHING THE “FRISCO HOUSING HELPS PROGRAM”

WHEREAS, in its 2019-2020 Strategic Plan, the Town Council has identified the goal “Implement Housing Solutions” as a high priority under the guiding principle of “Creating an Inclusive Community”. Such goal is the foundation for developing and implementing housing initiatives to address workforce housing; and

WHEREAS, needs assessments of workforce housing conducted by the Summit Combined Housing Authority in 2013 and updated in 2016 document a deficit of sufficient housing for locals, most specifically people who are employed in the Frisco community, significantly impacting the ability of businesses to recruit and retain employees who provide the goods and services that support a sustainable economy; and

WHEREAS, a recorded restrictive covenant limiting the use of real property for working people is commonly known as a “deed restriction;” and deed restrictions have successfully been used in Frisco to ensure that housing will be accessible and attainable to working people; and

WHEREAS, a deed restriction requiring that real property only be used to provide workforce housing is one tool that can be used to further the Town Council’s goal of providing more housing for the residents of the Town; and

WHEREAS, the Town Council finds and determines that the public interest will be furthered by the adoption and implementation of a program to acquire suitable deed restrictions on housing located within the Town of Frisco; and

WHEREAS, the program is referred to in this resolution as the “Frisco Housing Helps Program;” and

WHEREAS, the Frisco Housing Helps Program could take one of several forms, including, without limitation, the following:

- Option 1: Town provides cash to buyer at time of private party real estate transaction with the condition that the property will be occupancy deed restricted. This enables the buyer to gain access to and acquire a property that would be financially unattainable without the buy down assistance by the program.

- Option 2: Town provides cash to current property owner in return for an occupancy deed restriction. This enables the owner to obtain cash for repairs, upgrades, homeowner association assessments, or any other purpose, and it enables the Town to purchase a deed restriction.
- Option 3: Town purchases a market rate or existing deed restricted housing unit and resells the property with a new or revised occupancy deed restriction attached to the property and may include Average Median Income limits as determined by the Town.
- Option 4: Town provides cash to property owner to construct an accessory dwelling unit approved under the terms of the Frisco Unified Development Code.

Within these options, the deed restriction will include an occupancy provision requiring the property be used as a primary residence by persons (and families) who are employed full time in Ten Mile Basin of Summit County (30 hours/week average/year); and

WHEREAS, the Town Council desires to formally adopt and begin immediate implementation of the Housing Helps Program.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF FRISCO, COLORADO:

Section 1. The Town Manager, after consultation with and acceptance of the specific terms of each transaction by the Mayor and Finance Director, and reviewed by the Town Attorney, is authorized, empowered, and directed to begin immediate implementation of the Frisco Housing Helps Program outlined above. Without limiting the generality of the preceding sentence, the Town Manager is authorized, empowered, and directed to take the following action:

- A. Implement the Frisco Housing Helps Program through negotiation and purchase of suitable deed restrictions involving real property located in Frisco.
- B. Make, enter into, and execute purchase and sale agreements, deed restrictions, instruments, papers, and other documents necessary or appropriate for the purchase of suitable deed restrictions in accordance the Frisco Housing Helps Program;
- C. Expend funds that have been budgeted and appropriated in the Town's 5A Housing Fund for costs associated with the acquisition of deed restrictions pursuant to the Frisco Housing Helps Program, including, without limitation, costs for purchases, appraisals, legal fees, filing fees, closing costs and title insurance.
- D. Perform all other things necessary or appropriate for the purchase of deed restrictions pursuant to the Housing Helps Program.

Section 2. The following criteria shall be used by the Town Manager in determining whether to acquire a particular deed restriction for the Town:

- A. Whether the particular deed restriction would further the housing goals for working people established from time to time by the Town Council.
- B. Whether the particular deed restriction would support and help to grow and maintain a permanent population within the Town of Frisco that grows a diverse community where a wide range of demographics, economics, occupations, and family household sizes are served.
- C. Whether there is a demonstrated housing need within Frisco for a defined segment (i.e., for rent, for sale, owner occupied, etc.) of the residential property market.
- D. Whether the market value of the deed restriction is comparable in value to other existing deed restrictions within the Upper Blue River Basin as demonstrated by a licensed real estate appraiser or other person qualified to make such determination in the opinion of the Town Manager.
- E. Whether the particular deed restriction would be a cost effective and efficient use of the Town's limited supply of financial resources.
- F. Whether fair market value is paid for the deed restriction relative to the current market conditions (i.e., supply and demand and other relevant factors).

Section 3. This resolution is effective upon adoption.

By: _____
Gary Wilkinson, Mayor

ATTEST:

Deborah Wohlmuth
Town Clerk

APPROVED IN FORM

Town Attorney

Date

“Frisco Housing Helps”

Increasing Frisco’s Deed Restricted Housing Inventory Resolution 19 - 31



Presented to Frisco Town Council

August 27, 2019

By:

Joyce Allgaier, Community Development Director

Discussion Agenda

- Introduction
- Background
- 5A Budget Status
- Overview of the Frisco Housing Helps Program
- Q & A
- Council Direction and Action

“Frisco is a community that recognizes the importance of ensuring a variety of housing opportunities are available for people to live and work here.”

- 2019 Frisco Community Plan

Introduction

2019-2020 Strategic Plan: Create an “Inclusive Community”

Implement Housing Solutions

- A Housing Program for Individuals and Businesses
- Aligned with 5A Budget 2019-2023
- Supported by 2018 Housing Task Force Report & SCHA Needs Assessment

5A Budget Status

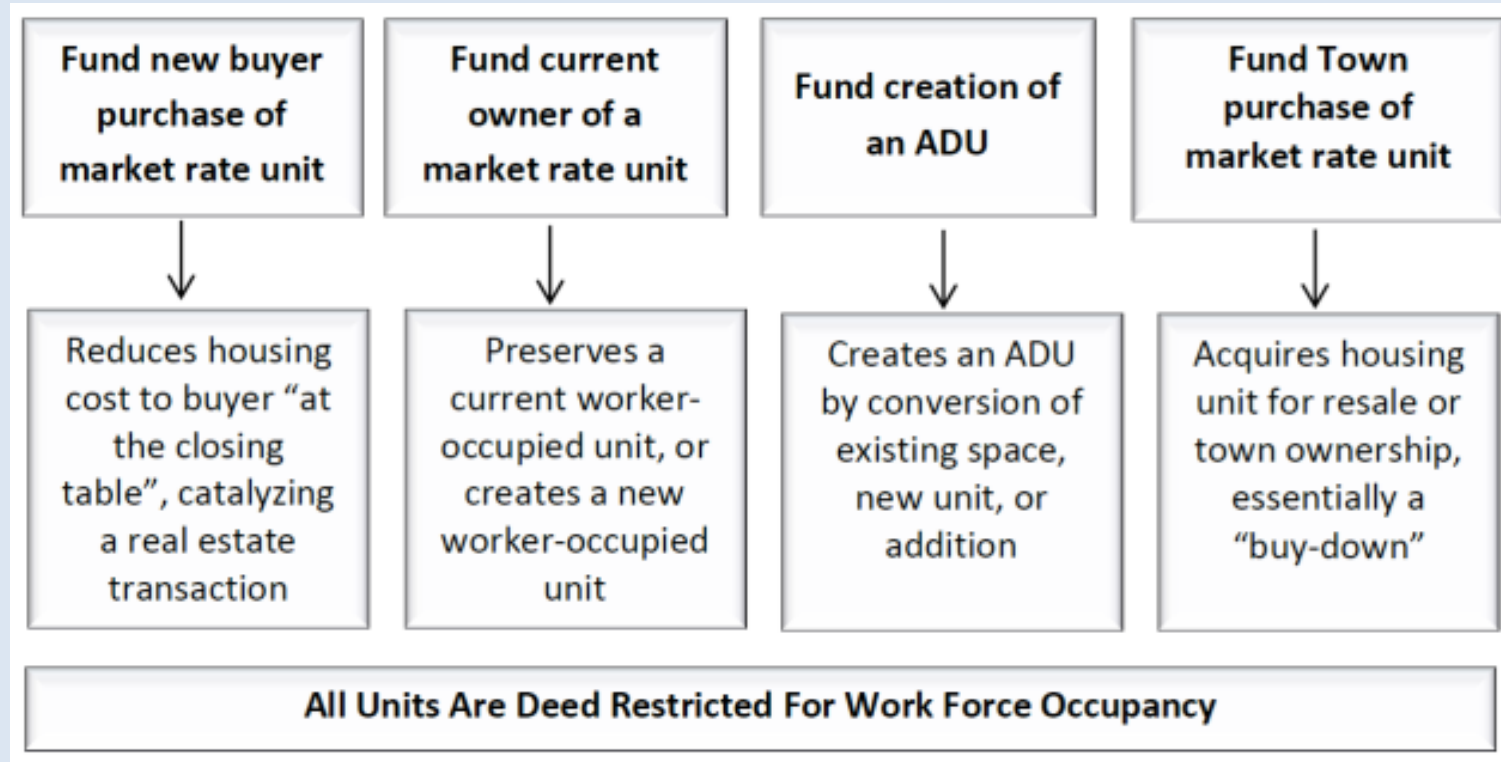
Laying the 5A Budget Groundwork 2019-2023

<u>5A Projected Available Revenues</u>	
Estimated fund balance year end 2019	\$ 4,700,000
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Program Overview

- **What?** A program to increase the deed restricted housing inventory for working people in Frisco.
- **How?** Pay individuals and businesses with 5A Funds for a deed restriction on existing housing stock or to create an ADU.
- **When?**
 - ... A worker buys a market rate unit
 - ... An owner of an existing unit is ready to deed restrict
 - ... An owner or business wishes to build an ADU
 - ...Town has opportunity for buy down
- **Cost?** Value of the deed restriction is determined for each property individually. +/- 10-15% of market value

Program Overview



Program Overview

Criteria for Consideration of Value

- *Compare similar market rate and deed restricted properties (impact of restriction)*
- *Current market conditions/circumstances*
- *Location, size, access to transit and condition*
- *Amount requested*
- *Furtherance of housing goals – types of housing needed*
- *Recommendations from real estate professionals*

Questions and Discussion

