Employee Housing
Residential Impact

SAN MIGUEL COUNTY PLANNING COMMISSION AND BOARD OF COMMISSIONERS
JANUARY 10, 2023
Background

- Critical community housing NEED
  - 441 units in 2018 + additional 325 units by 2026. (2018 San Miguel County Housing Needs Assessment)
  - Retain essential local workforce
- 2007 BOCC adopted residential impact fees in lieu of mitigation
  - 2005 SMC Employee Housing Impact Fee Study, RPI Consulting
  - Significant analysis to update model; 2015 rate cap
- 2021-22 County staff evaluated nexus linkage studies & methods
  - Worksessions: CPC feedback / BOCC direction
  - New Fee Calculation Method and Mitigation proposed
  - Adopted and effective July 2022
Impact Fees

C.R.S 29-20-104.5

“As a condition of issuance of a development permit, local government may impose an impact fee or other similar development charge to fund expenditures by such local government . . . on capital facilities needed to serve new development.”

Legislatively adopted by BOCC

Generally applicable to a broad class of property

Intended to defray the projected impacts on capital facilities caused by proposed development

At a level no greater than necessary to defray impacts directly related to proposed development
1994-2007 – ADU Requirement

- If constructing a new single-family home, required to build a deed-restricted Accessory Dwelling Unit (ADU)
  - OR
- $80,000 payment-in-lieu
  - Adjusted from 1994 to 2023 - $160,708
  - Flat rate regardless of house size
Employee Housing Mitigation Fee based on:

- House size
  - <1800 s.f. exempted
- Employees generated (construction and maintenance)

**Multiplier based on subsidies for affordable housing projects**

- Subsidies are highly variable, depending on project conditions, i.e. land costs, financing
- Only captures a small portion of the actual cost of building housing

- Mitigation rate of 37%
  - At time of study, 37% of workforce lived in deed-restricted housing
  - This is not an indicator of demand; it is based on availability
  - About 25% of workforce now lives in deed-restricted housing

- Fee Schedule increased annually but topped out in 2015
2022 – Market Affordability Gap

**Market-Affordability Gap Approach:** the difference between the average price of market-priced housing in the Telluride Region and the price that is affordable to households earning 100% of the Area Median Income

- Establishes impact fees for single-family residences and duplexes
- Benefits of Market-Affordability Gap Approach
  - Uses publicly available MLS data
  - Adopted by other local and regional governments
  - Upheld by courts (2008, Gunnison County)
  - Provides sufficient revenue for capital housing projects to mitigate actual impacts of development
- Method calculates gap between actual real estate sales of free market units and what is affordable to family earning 100% AMI
  - Multi-family free-market units; excludes deed-restricted and fractional ownership
- 2021 Market gap fee is $527 per square foot; based on real estate sales
Fee Application

- Unincorporated San Miguel County
  - Town of Telluride and Town of Mountain Village use the same methodology, with some variations in formula
- Within the Telluride R-1 School District
- Free-market single- and two-family units
  - Multi-family development (3 units or more and Commercial development) are required to provide housing units
  - Deed-restricted units are exempt from the fee
## Fee Calculation Model

### San Miguel County Fee Calculation Model

<table>
<thead>
<tr>
<th>2/10/2022</th>
<th>2021</th>
</tr>
</thead>
</table>

### Income Targets
- Area Median Income (AMI) 100% - household size: 2, 4
- Maximum Income: $65,200, $81,500

### Affordable Price
- Affordable Monthly Payment (30%): $1,630, $2,038
- Affordable principal and interest (80% of pmt): $1,304, $1,630
- HOA dues, property taxes, insurance (20%): $326, $408
- Assumed Mortgage Interest rate: 5.0%, 5.0%
- Maximum mortgage: $242,911, $303,639
- Maximum affordable price - 5% down: $255,696, $319,620

### Market Price
- Market Price per SF of heated floor area: $824, $824
- Assumed Affordable Unit Size: 850, 1075
- Market Price per Unit: $700,256, $885,618

### Market-Affordability Gap/Fee
- per Affordable Unit: $444,560, $565,998
- Per SF of affordable unit (per unit gap/Unit Size): $523, $527
- Per Employee (per unit gap/1.6 employees per unit): $277,850, $353,749

- Sales in Telluride Region of free-market units in multi-family buildings
- Mean of three (3) prior years average annual sales price per square foot
Impact Fee Calculation

- Nexus & linkage studies-job generation: home construction/maintenance
- Residential job Generation Rate formula instituted in 2007 is still valid
- Floor Area * Job Generation Rate * Employee SF * Mitigation Rate * Market Gap Fee

![New Construction Table]

<table>
<thead>
<tr>
<th>Variables</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential Floor Area (Type SF in yellow box)</td>
<td>4,000</td>
</tr>
<tr>
<td>Affordable Housing Floor Area</td>
<td>-</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Constants</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance FTE's Coefficient</td>
<td>0.070174</td>
</tr>
<tr>
<td>Exponential Coefficient</td>
<td>0.000322</td>
</tr>
<tr>
<td>Average Construction FTE's</td>
<td>0.0044</td>
</tr>
<tr>
<td>Sq. Ft. Per Employee per LUC § 5-1303 E Ia</td>
<td>400</td>
</tr>
<tr>
<td>Impact Mitigation Rate per LUC § 5-1303 G XV</td>
<td>66%</td>
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<tr>
<td>Per SF of affordable unit (per unit gap/Unit Size)</td>
<td>$ 527</td>
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</table>

![Mitigation Calculation]

<table>
<thead>
<tr>
<th>Mitigation Calculation</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees Generated</td>
<td>0.694418</td>
</tr>
<tr>
<td>Employee Housing SF to be provided</td>
<td>183</td>
</tr>
<tr>
<td>Impact Fee</td>
<td>$96,613</td>
</tr>
<tr>
<td>Credit for Affordable Housing Unit constructed</td>
<td>$ -</td>
</tr>
<tr>
<td>Net Impact Fee</td>
<td>$96,613</td>
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</table>
## Impact Fee Scenario

### Variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Value</th>
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</thead>
<tbody>
<tr>
<td>Residential Floor Area</td>
<td>12,000</td>
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<tr>
<td>Durable Housing Floor Area</td>
<td>800</td>
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</tbody>
</table>

### Constants

- Maintenance FTE's Coefficient: 0.070174
- Exponential Coefficient: 0.000322
- Average Construction FTE's: 0.0044
- Sq. Ft. Per Employee per LUC: 400
- Impact Mitigation Rate per LUC: 90%
- Per SF of affordable unit (per unit gap/Unit Size): $527

### Mitigation Calculation

- Employees Generated: 4.664184
- Employee Housing SF required: 1,679

### Impact Fee

- Impact Fee: $884,889
- Credit for Affordable Housing Unit constructed: ($421,600)
- Net Impact Fee: $463,289

- 12,000 SF residence proposed
- Generates 4.2 employees
- 800 s.f. maximum ADU allowed
- Impact Fee $ amount
- Credit for Deed Restricted ADU
- Net Impact Fee
## Comparison

<table>
<thead>
<tr>
<th></th>
<th>SMC</th>
<th>TOT</th>
<th>TMV</th>
<th>Pitkin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Floor Area</td>
<td>4,000</td>
<td>4,000</td>
<td>4,000</td>
<td>4,000</td>
</tr>
<tr>
<td>Employee Generation Rate</td>
<td>.01735 @ 4,000</td>
<td>.01735 @ 4,000</td>
<td>0.12/1000 s.f.</td>
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<tr>
<td>Employees Generated</td>
<td>0.694</td>
<td>0.694</td>
<td>0.64</td>
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<tr>
<td>Housing Requirement – s.f.</td>
<td>400</td>
<td>400</td>
<td>400</td>
<td>500</td>
</tr>
<tr>
<td>Employee Housing to Mitigate – s.f.</td>
<td>183</td>
<td>183</td>
<td>115</td>
<td></td>
</tr>
<tr>
<td>Mitigation Rate</td>
<td>66%</td>
<td>90%</td>
<td>60%*</td>
<td>100%</td>
</tr>
<tr>
<td>Fee in Lieu</td>
<td>$527/s.f. emp. hsg.**</td>
<td>$630/s.f. emp. hsg.</td>
<td>$606/ s.f. emp. hsg.</td>
<td>$506,333/unit</td>
</tr>
<tr>
<td><strong>FEE</strong></td>
<td>$96,613</td>
<td>$157,494</td>
<td><strong>$69,811</strong>  (2022 - $17,452)</td>
<td>$158,140</td>
</tr>
</tbody>
</table>

*TMV – Phasing in over 4 years, currently collecting 25%; increasing to 50% later in 2023

**SMC Fee in Lieu (cost per s.f.) to be adjusted annually based on 3-year average; scheduled to increase to $609 in 2023
Building Permit Data

- July 1, 2020 to September 2022
- 27 Permits: subject to Employee Housing Mitigation Fee
- 30 permits: 1,800 s.f. or deed-restricted or outside R-1 School District

<table>
<thead>
<tr>
<th>Floor Area</th>
<th>Permits</th>
</tr>
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<tbody>
<tr>
<td>1800-1999 s.f.</td>
<td>1</td>
</tr>
<tr>
<td>2000-2999 s.f.</td>
<td>5</td>
</tr>
<tr>
<td>3000-3999 s.f.</td>
<td>5</td>
</tr>
<tr>
<td><strong>4000-4999 s.f.</strong></td>
<td><strong>8</strong></td>
</tr>
<tr>
<td>5000-5999 s.f.</td>
<td>4</td>
</tr>
<tr>
<td>6000-6999 s.f.</td>
<td>2</td>
</tr>
<tr>
<td>7000-7999 s.f.</td>
<td>2</td>
</tr>
<tr>
<td>8000 and up</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>27</strong></td>
</tr>
</tbody>
</table>
Options: Fees & Mitigation Adoption

- Three options were considered
- 1) Payment of impact fees **only** in lieu of providing employee housing units;
- 2) Payment of impact fees and **obligation** to provide employee housing units if required (mitigation after 400 sf or greater) with a credit applied toward payment of impact fee; OR
- 3) Payment of impact fees with an **option** of providing employee housing units voluntarily for a credit applied to the payment of impact fee

- Provision to permit the voluntary construction of a deed-restricted employee housing unit on site in lieu of full or partial payment of impact fee. This would only apply in zone districts/areas where second units are allowed.
- Unit subject to Affordable Housing Unit Deed Restriction Covenant that imposes occupancy requirements on the affordable housing unit.
Employee Generation

- Number of employees to build a house
- Number of employees to maintain a house
- Expressed in Employees per s.f.
- Approximately 6000 s.f. home = 1 employee
- Based on Residential Job Generation Study, December 2000
  - Generally, the number of employees required to build and maintain a house has remained constant
  - Town of Telluride and Pitkin County use the same study
  - Town of Mountain Village has a slightly different methodology
Potential Variables

- Mitigation rate(s) (currently 30% - 90%)
- Square feet per employee (increased from 350 s.f. to 400 s.f.)
- Per S.F. market gap rate – modify 3-year averaging
- Phase-in (e.g. Mountain Village example)
- Exempt floor area
  - Assumes smaller houses will most likely be occupied by local residents
  - Has been 1800 s.f. since inception of affordable housing mitigation
Draft LUC Amendment

- Increase exempt floor area from 1800 s.f. to 2000 s.f.
  - Match maximum Caretaker Unit size
- Smooth transition points where mitigation rate (%) changes