LAKE COUNTY

HOUSING ACTION PLAN

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A Roadmap for the creation of a Community Housing Program in Lake County, CO

CONTENTS

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ACRONYM AND TERM DEFINITIONS

- **AFFH – "*Affirmatively Forwarding Fair Housing*"** refers to a federal legal requirement tied to the Fair Housing Act (see below) that recipients of federal housing funds take meaningful actions to overcome historic patterns of segregation, promote fair housing choice, and foster inclusive communities that are free from discrimination.
- **Affordable Housing** - Housing is generally considered affordable for low-moderate income people when the rent or mortgage payment does not exceed 30% of household income—a widely used standard for federal and state housing programs and mortgage programs. This standard will be used to calculate sales prices and rents for units based on the targeted income range unless exceptions are made for specific programs, like housing acquisition and/or rehabilitation, when high utility and/or repair costs necessitates adjustments to the standard. When speaking about housing programs in general, especially federal programs, this Housing Action Plan will use this term. When speaking specifically about housing programs being developed in Lake County, we will use this word somewhat interchangeably with "Community Housing" (see definition below).
- **AMI – "*Area Median Income*"** is a number that establishes the mid-point on a spectrum of incomes where 50% of an area's incomes fall below that point and 50% occur above it. The 2019 Area Median Income for a single-person household in Lake County is $47,700.
- **Community Housing -** refers to the creation of a housing program envisioned in this Plan that makes living in Lake County affordable for its residents at the income levels and target populations identified by the Coalition and described throughout this document. When referring more generally to the low-income housing sector, this document will use the term "Affordable Housing" (see definition above).
- **Community Land Trust –** or "***CLTs***" are organizations that work to develop and/or acquire affordable housing and preserve its affordability through the creation of a long-term land-lease. A person who lives in a community land trust home owns the home itself and any improvements to the building, but the community land trust owns the land underneath it, which it leases to the homeowners at a low rate. This allows homes to be less expensive, since the value of the land is not included in the low-income buyer's purchase price, all while allowing the community land trust to maintain an ownership interest in the property (through the land) to ensure that it remains affordable for the next buyer. CLTs are usually managed by a board where at least 1/3 of members are local residents. CLTs are sometimes used to create/preserve community-serving commercial and retail development as well.

- **Deed Restriction –** a covenant placed on a property that restricts its rate of appreciation so it remains affordable. It also restricts new buyer eligibility to low-moderate income households so that it can continue to serve those who are most in need.
- **DOH –** "***Department of Housing***", an agency of the State of Colorado which manages state affordable housing programs.
- **DOLA –** "***Department of Local Affairs***", an agency of the State of Colorado which manages the Department of Housing and other state departments.
- **Fair Housing Act** - The Fair Housing Act of 1968 prohibits discrimination concerning the sale, rent, and financing of housing based on race, religion, national origin or sex of the prospective tenant/buyer of that property.
- **HA –** "***Housing Authority***", an organization empowered by the government to administer Section 8 housing vouchers and perform housing program management and (often) development on behalf of a municipality, county, or region. Housing Authorities are exempt from paying state or local taxes.
- **HIT –** "***Housing Implementation Team***", a group of active Housing Coalition members that meet to ensure that action items and items with unwieldy technical components are acted on and moved forward in an efficient fashion.
- **Housing Coalition –** a coalition of community members, non-profit & business leaders, county & municipal staff members, and elected officials working to advocate for community housing in Lake County. The Coalition receives staffing and other support from Lake County Build a Generation" (LCBAG)—currently a program of the Lake County Public Health Department but becoming its own independent non-profit in late 2019.
- **Housing Rehabilitation –** programs that provide low-moderate income households with financial and technical assistance to make critical home repairs.
- **IHO –** an "***Inclusionary Housing Ordinance***", also often called an "Inclusionary Zoning Ordinance", is a type of municipal or county ordinance that requires that residential developments of a certain size make a certain percentage of their units affordable, or, pay a "fee in lieu" of developing said units (a fee that is usually directed to an affordable housing fund).
- **HUD –** the department of "***Housing and Urban Development***" – a federal agency tasked with administering federal housing grants and programs.
- **LIHTC –** "***Low Income Housing Tax Credits***", a federal program, administered in Colorado by the Colorado Housing Finance Agency (CHFA), that provides funding for qualified affordable housing projects.
- **LHA –** "***Leadville Housing Authority***" (see "HA" above for more information)
- **Manufactured Homes –** homes that are prefabricated offsite and usually are delivered or "parked" in a location where they pay rent for use of the land. Sometimes called "Mobile Homes", however this term only applies to manufactured homes built before 1976.
- **Mill –** a term used by many cities and counties to calculate the value of a property it will assess for taxes. 1 Mill = .0001 or, 1/10th of 1 cent; 10 Mills translates to about a 1% tax rate.
- **MJHA –** "***Multi-Jurisdictional Housing Authority***" a type of housing authority (see "HA" above for more information) that is established by contract between jurisdictions to provide housing authority-programs for more than one jurisdiction.

- **RFP – "*Request for Proposals*",** an invitation that creates an open competition between consultants or other entities to perform a specific scope of work.
- **STR – "*Short Term Rental*"** homes where the owner may or may not be the primary resident, that are rented out to others for a short period of time—often through companies such as VRBO and AirBnb. In Leadville, that period is defined as less than 30 days.

EXECUTIVE SUMMARY

Introduction & Purpose

Lake County, CO is a community of over 7,700 people situated in the mountainous center of the state. Like many mountain communities, population growth, low housing supply, and the proliferation of second homes are leading to increasing land values and decreasing affordability. This decreasing affordability negatively impacts business and civic services because it stymies the supply of a local workforce. It also negatively impacts the community as a whole because it forces out long-time residents, low-moderate income households, fixed-income households, and young families. As has been seen in similar communities across the state and country, market forces alone cannot solve these issues—indeed, they tend to exacerbate them.

As a result, the Lake County Housing Coalition—a volunteer group facilitated Lake County Build a Generation (LCBAG), a program of the Lake County Public Health Department—has been spearheading a number of initiatives to understand and begin to address the housing shortage in the community. In 2018, the Coalition commissioned Economic Planning & Systems (EPS) to conduct a county-wide Housing Needs Assessment. Based on those findings and subsequent recommendations of that report (summarized in Appendix Figure A), the Housing Coalition hired Cappelli Consulting, Williford LLC, and Rees Consulting (the Consultants) to work on the creation of this Housing Action Plan to lay out the next steps required to build a "Community Housing Program". These recommendations were informed over the course of five work sessions with Housing Coalition members and numerous interviews with stakeholders, public employees, and elected officials from Lake County, Leadville, and the neighboring counties of Eagle, Chaffee, and Summit. All recommendations are made to help Lake County and Leadville achieve the following goal identified by the Housing Coalition:

"***Preserve and increase the supply of community housing—both ownership and rental—that is priced to be permanently affordable for the local workforce and residents.***"

Concurrently, Lake County and Leadville have been undertaking several other separate housing related initiatives and issues. These include a proposed Inclusionary Housing Ordinance, an overhaul of the land use codes of Leadville and Lake County respectively (*and the creation of an advisory committee to provide input*), a graduate student project to identify sites in Lake County that have potential for Low Income Housing Tax Credit-funded development, and the influx of applications for a number of multifamily developments—some of which may provide housing that is affordable. While elements of this HAP were informed by these initiatives, it focuses on the following ***six action priorities***:

1. Develop recommended affordability targets for housing programs in Lake County/Leadville
2. Determine how to leverage the Low-Income Housing Tax Credit (LIHTC) to build community housing
3. Identify the top three most desirable public funding streams to support community housing development and programs
4. Recommend an organizational structure to best manage the responsibilities of a community housing program
5. Identify the attributes for deed-restrictions on properties funded through a public community housing program that will be responsive and successful in the Lake County/Leadville market

6. Identify the long-term role of the Housing Coalition in Lake County/Leadville's burgeoning community housing strategy, and the structure it should take to best implement that role

In short, ***the purpose of this document is to help the county identify what it needs to do to create and administer a "community housing program"***—steps that should be followed by the creation of a "community housing plan" to guide the investment of funds to address the county's decreasing affordability and unique housing challenges. That subsequent plan may be guided by the *EPS Housing Needs Assessment* as well as the findings in this document.

Because of its focus on the above issues (as commissioned in the scope of work), this action plan preliminarily recommends, but does not go in-depth into prescribed uses for funds. As such, certain important housing issues facing the county, such as protection and preservation of manufactured homes, are not deeply addressed in this document.

An Important Note About the Intended Audience of this Action Plan: Although the creation of this document was commissioned by the Housing Coalition in coordination with the Lake County Public Health Department via LCBAG, it is not recommended that Lake County simply embark alone on the majority of the recommendations herein. Budget constraints of both the city and county, overlapping jurisdictions, and a ***shared housing crisis necessitate*** close coordination and collaboration between the two. Whether the recommendations involve creating new revenue streams, staffing and administrating housing programs, incentivizing development through land-use decisions, or removing impediments to developing affordable housing or housing programs, Lake County and Leadville should work together to ensure maximum efficacy and sustainability of these efforts. Additionally, because housing is a regional issue, and because many of Lake County/Leadville's neighbors are further ahead in terms of the development of institutions and programs to address it, Lake County and Leadville should also seek wherever possible to collaborate with their neighbors for technical assistance and in program/policy implementation.

The six action priorities listed above, ***when implemented in coordination with one another***, will begin to produce tangible results to allow Lake County and Leadville to address their critical housing needs and gaps. The action priorities and recommended steps are:

1. Recommended Affordability Targets

Lake County/Leadville community housing programs should predominantly address the needs of households less than 121% of the area median income ($56,400). Eligibility for rental housing development and assistance should be targeted to households earning from 0 to 80% AMI ($37,600), and eligibility for for-sale housing development and assistance should be restricted to households earning up to 120% AMI—with some flexibility to address households earning up to 150% AMI due to rising property costs[1]. Income targets should be periodically reconsidered as market prices change.

[1] See Appendix, Figure B for HUD 2019 Median Income Estimates

2. Recommended Approach to LIHTC

Lake County/Leadville is well positioned to compete for the competitive 9% LIHTC program. CHFA prioritizes jurisdictions with populations of less than 175,000 and jurisdictions without a large number of existing LIHTC properties. Thus, because the area has well-below that population, and has only received two 9% LIHTC awards in the past, it would likely receive strong consideration if it applied. The 9% LIHTC program also raises more money than other LIHTC programs to build housing and is the most effective financing tool for affordable rental housing currently available. Thus, Lake County/Leadville should prioritize seeking to catalyze the development of a 9% LIHTC-funded multifamily apartment at one of the sites recommended in the MURP student analysis. To improve the financial feasibility of such a development, the land should be contributed for little or no cost—making City, County, or other publicly-owned land the preferable site option. The owner of the land of the selected site should act as the project catalyst, with close support from the Housing Coalition. Once land is identified, Lake County/Leadville (and/or the property owner) should issue a Request for Proposals (RFP) to qualified community housing developers, asking them to pursue the 9% LIHTC. Because under State law, Housing Authorities are exempt from taxes, Lake County should ask the Leadville Housing Authority (or another housing authority, such as Eagle County's) to act as "special limited partner" in the project so that it qualifies for this exemption. The non-competitive Colorado 4% LIHTC, paired with the State Housing Tax Credit, may also be feasible in Lake County, and can be considered an alternative option if timing and project specifics support it.

3. Recommended Housing Funding Mechanisms

The following funding recommendations are listed in rough order of their implementation speed and ease.

First Priority: Lake County should pass a measure activating all or part of its 3.807 mill credit in a property tax levy to fund community housing. Based on 2017 numbers, activating 1 mill would generate an estimated ***$200,000*** per year in revenue, 1.5 mills would generate $300,000, 2 mills would generate $400,000, 3 mills would generate $600,00, and using all 3.807 mills would generate $787,000. The recommendation of this report and the Consultants is to activate ***at least 1*** of the existing 3.807 mill credit. This is listed as the first priority because it creates a consistent and large revenue stream to fund community housing, and helps the community capture a portion of its increasing property-values—something that is causing affordability issues—to neatly feed back into the community to address those very issues. Costing less than ***$24.26/year*** for the median-value home, this could be accomplished at minimal cost to taxpayers, while still leaving 2.807 mill credits for other important county priorities.

Second Priority: Next, Lake County should work with the Tourism board, local lodgers, property managers, and real estate agent to craft a tax on Short-Term Rental properties. A tax of 5% would generate approximately ***$60,000*** per year. 2020 or 2021 should be targeted for the ballot, but timing is flexible. However, Lake County *may* need to become a "Home Rule" county in order to legally levy such a tax. This may require a vote of the people. Further legal consultation should be sought before proceeding to a ballot.

Third Priority: After passing the above measures, Lake County should seek to implement a Building Materials Use Tax. Based on an initial review of Building Use Taxes in peer communities, a 3% or 4.5% tax at a 50% materials valuation would likely be feasible and would generate ***$93,000 to $232,000*** in revenue to fund community housing programs. Housing development funded through this measure should partner with the Leadville or other Housing Authority to benefit from a state exemption from applying this tax to housing development—thus avoiding burdening these units with a tax designed to help fund their development. It is important to note that ***this would not be a "new" or "additional" tax on builders***—this tax simply allows the county to collect taxes on materials purchased outside the county to build inside the county *instead* of builders paying sales taxes in the counties where they purchase the materials. Thus, depending on tax-rates in the county where the materials come from, ***such a tax could result in tax savings to builders***.

Enacting one or more of Lake County's existing mill credits to use to fund community housing could be accomplished by a simple majority vote of Lake County's board of county commissioners; a short-term rental tax requires a vote of the people; and a building materials use tax could also be placed on the ballot at any upcoming election, but requires more research on how to structure it before it should go to a vote. The county should also explore the use of ***Urban Renewal*** and ***Historic Tax Credits*** to create further funds for and opportunities to develop housing.

4. Recommended Approach to Deed Restrictions

Lake County should adopt a draft standard deed restriction policy for rental and ownership units modeled off the proposed terms included in Chapter 4 that create a permanent deed restriction on housing funded with public resources. Lake County should convene a working group with County and City representatives, an attorney, a title company, a property manager and a real estate agent to help further draft the deed restrictions.

While the deed restriction approach to housing preservation has sometimes been pitted against the community land trust "land lease" preservation model, it is important to note that deed restrictions do not preclude a community land trust model. Rather, we recommend that when public resources are used to support housing built by a community land trust, the deed restriction is designed to work in tandem with the land lease. However, we do recommend that when public resources are directed to support a community housing project that is *not* using the community land trust model, the *default* regulatory tool of the city or county is to utilize a deed restriction.

In terms of eligibility for housing assistance, we do not recommend that Lake County establish a preference policy for resident-workers over resident-commuters at this time. The reasons for this recommendation are numerous:

- Fairness to current residents who commute
- Impacts on financing, lease-up speed, and sales by narrowing Lake County's already small market size to an even smaller submarket

- Consideration of how changing jobs or household composition over time will impact eligibility, potentially forcing eviction from rental units.
- Determining how to deal with buyers who met resident-worker preference policies at the time of purchase, but later change jobs
- Potential legal issues arising from the Fair Housing Act and Affirmatively Forwarding Fair Housing policy if it a preference policy is created or administered incorrectly
- Competitiveness in the 9% LIHTC process (*CHFA has been known to discourage preference policies and may have concerns about the financing, leasing speed, and sales impact that a resident-worker preference policy would have*)
- Additional administrative burden it will place on the County. The more restrictions that are in place, the more tracking and enforcement that is required. Once Lake County improves its community housing program administrative capacity, Chapter 4 provides some conditional guidance on how it could be structured—especially if a LIHTC project is pursued in the short-term.

Thus, we recommend keeping eligibility broad, simple to understand, and uncomplicated to enforce until such time as the marketability of deed restrictions has been well established, administrative capacity has been created, and the County has a successful community housing development and administration track record.

5. Recommended Steps to Structure and Administer a County Community Housing Program

Rather than replicate a specific model from another community, Leadville and Lake County should form a long-range plan that builds upon the strengths and talents of existing entities, using the guiding principles elaborated on in this section's chapter. This involves the following recommended actions (below in rough order):

1. Assign recommended actions from this Plan to the appropriate entities
2. In the short term, lean on expertise from Eagle County Housing and Development Authority, the Valley Home Store, Habitat for Humanity of the Vail Valley, Chaffee Housing Trust, UAACOG, and C4 to help implement housing recommendations
3. Formalize the internal governance of the Housing Coalition
4. Bolster the Leadville Housing Authority Board with the expertise currently present in the Housing Coalition
5. Begin transitional steps to turn the Leadville Housing Authority into a multi-jurisdictional housing authority (MJHA), or create a separate MJHA
6. Create a Multijurisdictional Housing Authority Board

Recognizing that it will take time to grow the capacity and decision-making structure of the County to administer community housing, the organizational structure of housing administration in Lake County should move through 2 phases.

Phase I: The City of Leadville and Lake County should ***partner*** to govern housing programs and combine resources to hire a full-time staff person to administer these programs at the County level. These two entities should also partner with the Leadville Housing Authority if a LIHTC project is pursued in the short-term in order to secure a property tax exemption and manage the property. To efficiently and effectively implement these steps, ***1 to 1.5*** dedicated staff members are needed within the next 12 months to help implement a LIHTC project, change management with the Housing Coalition and Housing Authority, implement inclusionary housing and deed restrictions, lead the development of local funding sources, and work in general to consolidate existing housing programs implemented by other agencies/organizations so that this position acts as a central hub for community housing. In addition to recommending that Leadville and Lake County collaboration to pay for this position (or positions), we also recommend they seek financial assistance from UAACOG. This would help mitigate the financial burden to the city/county, while simultaneously helping UAACOG achieve its goal of having a local presence in Lake County to help administer their (complimentary) housing assistance programs.

Phase II: Lake County should build the infrastructure of the existing Leadville Housing Authority (or create a new housing authority) and then use that infrastructure to develop a multi-jurisdictional housing authority (MJHA) with support from the Housing Coalition, the Lake County Planning Commission, the City of Leadville, Lake County, C4, and UAACOG. In addition to the staff capacity that should already have been added in Phase I, this MJHA should have 1 – 1.5 dedicated staff members.

6. Recommended Role and Structure of the Coalition

To formalize the role and governance of the Housing Coalition, it should move through the following two phases:

Phase I: While housing programs and structures are still in their infancy in Lake County, the Coalition should continue in its role as a volunteer advocacy group, independent from City or County oversight, to continue to drive the implementation of community housing efforts. The Coalition should elect a formal board of 7-9 members that are representative of the interests of the community. Some of these members should also fill board positions with the Leadville Housing Authority. As of August 2019, the Leadville Housing Authority Board has three vacant positions and needs increased capacity in order to play the role in Lake County/Leadville community housing program recommended in this plan.

Phase II: In step with Phase I of the structure and administration of housing programs through the creation of a multi-jurisdictional housing authority, the Housing Coalition should move some of its board members to serve on the board of the MJHA. As the MJHA matures and grows its capacity, the Coalition can transition some of its technical assistance-related responsibilities to it. However, it should continue its advocacy efforts to ensure that policies and programs continue to advance community housing goals—serving as a touchstone for community advocates who do not serve in positions in the future structure of the multi-jurisdictional housing authority. At that point, it could begin to meet less-frequently and need less staff support from LCBAG.

Timeline

For all these steps, we suggest the following timeline. While the county may choose (*or based on market and other realities, be forced*) to take a longer or shorter amount of time to act on certain steps listed below, we suggest that the following order of events be adhered to:

Action Step	Lead Agency*	2019	2020	2021	2022	Longer Term
LIHTC						
Establish site	?					
Form public/private partnership	?					
Predevelopment and architecture	Development Partner					
Apply for LIHTC credits	Development Partner					
Construction	Development Partner					
Lease-up	Development Partner					
FUNDING						
Existing Mill Levy Credit	BOCC					
Excise Tax - Short Term Rentals	LCC/BOCC					
Building Material Use Tax	LCC/BOCC					
DEED RESTRICTIONS (note: first development approval with DR units will drive timing)						
Guidelines working group	MJHA or HC					
Research and drafting process	MJHA or HC					
Outreach and education	MJHA or HC					
FHA and FNMA approvals	MJHA or HC					
HOUSING GOVERNANCE						
Bolster LHA Board	LHA/HC/LCC					
Explore transition to MJHA	LHA/HC/BOCC/CC					
Formalize Governance of HC	HC					
Create MJHA Org & Board	LHA/HC/LCC /BOCC					

**LCC* = *Leadville City Council*; *LHA* = *Leadville Housing Authority*; *BOCC* = *Board of County Commissioners*; *MJHA* = *Multi-Jurisdictional Housing Authority*; *HC* = *Housing Coalition*

1. RECOMMENDED AFFORDABILITY TARGETS

Purpose

An established goal of the Lake County Housing Coalition is to "***preserve and increase the supply of community housing—both ownership and rental—that is permanently affordable for the local workforce and residents***". In order to do this effectively, housing programs and development efforts need to <u>target populations that are the least-served by the current housing market</u>. The purpose of this chapter is to identify those populations and describe how to effectively target Lake County's community housing program to best serve them.

Guiding Principles

Lake County's community housing development program should:

- Serve populations <u>not</u> being served in the current market
- Be financially sustainable
- While focusing on aiding those with the greatest need, it should still be responsive to the changing market and be able to change affordability targets when necessary to serve households who become priced out

Income Targeting Strategy

The goal of preserving and creating housing for the range of incomes not adequately served by the market can be best accomplished through <u>a strategy which uses a *combination* of policy/programmatic "tools" that will help to address the overall need</u>, with each tool targeted to a specific income category. For example, the first tool, "LIHTC", should serve households with incomes at or below 80% AMI. Other tools, such as inclusionary housing, would likely provide housing for moderate income households earning at or above 80% AMI. By combining these and other tools, the entire range of incomes for which the free market does not provide housing can be served.

Within certain developments, a <u>mix of incomes is highly desirable</u> because revenues from higher priced homes/units will offset the cost of developing and operating units serving lower income households—thus improving the financial feasibility of the project. Small projects that target a narrow range of incomes are also appropriate—provided that the overall goal of serving a wide range of incomes is achieved through the various efforts called for in this Action Plan.

As shown on the following table, the majority of homes sold in 2017 were only affordable for households with incomes above 120% AMI, while <u>over 70% of rental units required incomes of over 80% AMI to be considered affordable</u>.

Lake County Market Prices and Rents

AMI	HH Income	Max Affordable Price	% 2017 Affordable Sales*	Max Affordable Rent	% Affordable Rental Units
30%	$14,100	$32,500	0%	$353	0%
60%	$28,200	$103,600	4%	$705	8%
80%	$37,600	$148,800	5%	$940	18%
100%	$47,000	$194,000	19%	$1,175	52%
120%	$56,400	$241,500	19%	$1,410	19%

**From 2018 EPS HNA: 53% of units for sale in lake county are affordable for incomes above 120% AMI. For 2019 AMI levels for single-person households, see Appendix Figure B.*

AMI Range	% of Lake County Residents*
1-30%	11%
31-60%	14%
61-80%	13%
81-100%	16%
101-120%	5%

**Approximate percentages from ACS 2017 5-year survey (the most recent Census data as of 2019)*

Recommended Ownership Targets

Homeownership efforts should primarily focus on households with incomes of less than 121% AMI as recommended by EPS in the *2018 Housing Needs Assessment*. However, with an income of over 150% AMI required to afford a median-priced home in early 2018, some homes developed through the community housing program should serve up to 150% AMI.

Finally, given the goal to address households with the greatest need, and with some federal programs like Self-Help Build and non-profit initiatives like Habitat for Humanity targeting fairly low income households, this Action Plan encourages efforts to provide affordable homeownership opportunities at the lower range of the AMIs in the preceding table wherever possible.

Recommended Rental Targets

Rental housing should focus on households with incomes below 80% AMI, since, based on 2018 data, most market rents require an income over 80% AMI to be affordable. If market rents continue to rise, income targeting for rental units should be broadened to address the increasing range of household incomes that are not served by the market.

Next Steps

1. Create a spreadsheet for calculating purchase prices and rents that are affordable for each income category
2. Develop a consistent methodology for creating financial assumptions for down payment, mortgage interest rates, HOA fees, insurance and utilities
3. Draft a section for the Housing Guidelines that explains the methodology for calculation of purchase prices and rents
4. Determine the specific income targets within the broad range for each tool recommended by this Action Plan

2. RECOMMENDED LIHTC STRATEGY

Purpose

The *2018 EPS Housing Needs Assessment* recommended pursuing a Low-Income Housing Tax Credit (LIHTC) project as a key action step required to address the housing gaps in Lake County. The Housing Coalition convened in Spring 2019 to gain a deeper understanding of LIHTC as a tool, and to discuss whether this funding mechanism would be appropriate in Lake County. There was strong consensus that LIHTC would be an appropriate tool for addressing housing needs in Leadville/Lake County. Urban Planning students in the graduate program at CU Denver have also conducted site feasibility and created recommendations regarding suitable locations for a LIHTC project in the community. The purpose of this chapter is to provide education about how LIHTC can play a role in Lake County's community housing strategy and provide recommendations regarding the exact strategy and type of LIHTC program that should be pursued.

Guiding Principles

A LIHTC program in Lake County should:

- Pursue tax credit programs that are both appropriate for the region and raise the most capital for housing development
- Partner with a housing authority where possible to lower tax liability. In order to be eligible for lowered tax liability, a housing authority must have a sliver of ownership interest (which in some cases may be as small as .001%) in the property. Because of the valuable tax savings such ownership conveys to a development, this ownership interest is usually conveyed to the housing authority at minimal cost
- Layer with as many other subsidies as possible (such as city/county funds, donated land, grants, etc.) so the property may support lower rents as sustainably as possible

Preliminary Project Strategy & Goals

This plan recommends creating a public/private partner to pursue a LIHTC project that will serve households with a range of incomes below 80% AMI. The project should be targeted to serve individuals, couples, and families, and should not be age restricted. The target size of the project should be between 30 and 70 units, but the final number should be determined by the site selected, market study findings, and financial feasibility analysis.

Background

Over the past three decades, LIHTC has emerged as the primary method for building and preserving rental housing affordable to lower-income households in the United States. The LIHTC is such a powerful tool for creating housing because it uses private investment to cover anywhere from 30-80% of the capital costs to build or renovate housing, while keeping rents affordable for households at or below 80% of Area Median Income.

In Colorado, both federal and state tax credits are available to create housing that is affordable. These tax credits are administered by Colorado Housing and Finance Authority (CHFA). As of 2019, the amount of available state credits has doubled from $5 million to $10 million annually. There are three basic variations in the programs administered:

1. ***9% federal credits***, which generate the most equity and are awarded through a competitive process, about one in four applications is successful
2. ***4% federal credits***, which generate about a third the equity of the 9% credit but are limited only by meeting threshold requirements regarding to financial feasibility, experience, and market conditions
3. ***State Credits***, which are also competitive, and are paired with 4% credits to help fill the financial gap on more difficult to finance projects

The 9% competitive tax credit has historically been most successful in creating financially feasible projects in mountain communities. The 4% credit has been less successful in mountain communities because it often works best for larger scale projects, higher rents, and in combination with high local subsidies.

It is possible to combine 4% non-competitive tax credits with State competitive tax credits to reach feasibility levels that approach that of the 9% tax credit. Thus, the combined 4% and State credit may be an option for Leadville and Lake County. However, given that layering two different credits is more complicated than simply using one, and that the 9% credit raises more in funding than either the 4% or the State credit, ***this plan recommends that Lake County pursue the 9% credit first.***

Essential Considerations for a Successful LIHTC Application

CHFA uses a document called a Qualified Allocation Plan (QAP)[2] to set the rules and expectations of the LIHTC programs. The QAP is updated annually to reflect CHFA's policy priorities and any changes in the market etc., that affect affordable housing development. CHFA's chief goals include seeking to allocate credits broadly across the state and funding projects that serve the lowest income people for the longest period of time.

A project located in Leadville and Lake County would need to conform with all the expectations of the current QAP. Leadville and Lake County have only received two prior allocations of credit in 1992 and 2014, both for the Tabor Grand Hotel. Because one of CHFA's priorities is to

[2] Link to CHFA's Qualified Action Plan: https://www.chfainfo.com/arh/lihtc/Pages/qap.aspx

award credits in communities with populations under 175,000, and a carefully planned project in Leadville/Lake County would probably compete well.

The following is a list of important factors to consider when pursuing tax credits:

1. **Market Need –** The *2018 EPS Housing Needs Assessment* gives a strong indication that there is a significant need for rental housing for households under 80% AMI in Lake County who are not being served by the market. As with any development however, CHFA and lenders will require an additional site-specific market study to ensure there is demand for the proposed LIHTC project. Another factor that CHFA takes into consideration when assessing market need is the proximity of the proposed project to other LIHTC projects and/or other existing rental housing that might compete with the proposed project. Due to these and other considerations, CHFA is very unlikely to award two projects in the same community at the same time. If multiple projects in the county are considering pursing LIHTC, it is highly recommended that local sponsors and developers coordinate with and not compete against each other.
2. **Local Support –** CHFA seeks to invest in communities where there is a groundswell of local support. This support may take the form of donated land, fee waivers, local grants, in-kind donations of site work or infrastructure, letters from residents, elected officials, and other community leaders.
3. **Experience and Track Record –** CHFA requires development and property management teams to have a strong track record of successful LIHTC development. In order to meet this threshold, a local sponsor from Leadville/Lake County will need to assemble a highly experienced and qualified team and potentially form a partnership or joint venture with an experienced developer.
4. **Suitable Site and Thoughtful Design –** CHFA has high standards with regard to location, access to schools, groceries, retail, non-profit services, and amenities. Building designs are also expected to be durable, meet green building standards, and be attractive and compatible in the neighborhoods where they are located. In addition, the sponsor/applicant must have demonstrated “site control” in the form of a deed, lease, purchase contract, or option.
5. **Financial Feasibility and Project Costs –** Projects presented to CHFA must have balanced budgets with a full set of construction cost estimates and “letters of intent” for all listed the funding sources. CHFA closely scrutinizes proposed project costs. While they seek to fund high quality design and construction, they also strive to use their relatively scarce resources to fund as much housing as possible and are likely to question project budgets that fall above or below the typical cost-ranges.

Roles and Responsibilities

It takes a robust team to successfully compete for and implement a LIHTC Award. There are many ways to structure the roles and responsibilities of this team. The following responsibilities (next page) are common to all LIHTC deals; with many opportunities to match roles to the local context.

Typical LIHTC Development Roles & Responsibilities

Responsibility	Typical Lead	Potential Leadville/Lake Lead
Sponsor/catalyst	Housing authority, private developer, non-profit developer, town or tounty	Lake County/City of Leadville and/or site owner
Developer	Housing authority, private developer, non-profit developer – must have LIHTC experience	To be selected through a competitive process
Lender	Bank	To be selected through a competitive process
Financial Guarantor	Housing authority, private developer, non-profit developer, town or county	To be selected through a competitive process
LIHTC Investor	Specialized financial institution	To be selected through a competitive process
Entitlement approvals	Local government	Leadville or Lake County, depending on location
Architect, engineer	For-profit, hired by developer	To be selected through a competitive process
General Contractor	For-profit, hired by developer	To be selected through a competitive process
Financial support – Gap	Local government, local foundations, faith-based groups, Colorado Division of Housing	Leadville and Lake County, Climax Mine, Colorado Division of Housing
Local support – in kind/political	Local government, local non-profits, neighbors, business owners	TBD
Property Manager	Housing Authority, non-profit, or for-profit – LIHTC experience highly recommended	TBD
Compliance Specialist	Property manager or third party	TBD

Next Steps

Pursuing a LIHTC project is a time and resource-intensive proposition. The process to identify a site, assemble a team, design the project, and successfully compete for LIHTC often takes several years. Then, once credits are awarded, the project usually takes another 18 to 24 months that to close project finance, construct the project, and lease the completed units to qualified tenants. For Lake County and Leadville to embark on this process, key next steps include:

1. Making a final determination on the recommended location.
2. Deciding who will be the local lead in catalyzing the project. Potential options include the City, County, the Leadville Housing Authority, or the owner of the preferred site. The Housing Coalition can play a key supportive role, advocating for local resources, assisting with community outreach, and potentially serving on a "working group" to assist with assembling the project team or making design decisions. At this time, the consultant team recommends that the owner of the land of the selected site act as the project catalyst, with close support from the Housing Coalition, and that the Leadville Housing Authority act as special limited partner to bring property tax exemption.
3. Refining project goals – such as the target number of units, housing type, household income served, and whether to develop a slate units that are mixed income or 100% affordable. Evaluating the tradeoffs between 4%/State Credit and 9% credits could be done as part of this step or once a development team is assembled.
4. Establishing a proposed project timeline. To complete a successful LIHTC application, the site should be selected and the project team assembled four to six months in advance of the deadline. Upcoming LIHTC deadlines are:
    a. February 3, 2020 for 9% credits,
    b. June 1, 2020 for 4% and State Credits
    c. February 2021 for 9% Credits
    d. June 2021 for 4% and State Credits
5. Assembling a project team, including an experienced LIHTC developer. This partner may be able to bring a full team including architect, engineer, financial analyst, market analyst, legal support and general contractor, or some of these services may need to be procured individually.

Additional Resources

- For the University of Colorado's MURP Student Presentation of preferred locations for a LIHTC development, visit the LCBAG website here: http://lcbag.org/
- For more details on LIHTC, see the consultant team's presentation to the Housing Coalition here: http://lcbag.org/wp-content/uploads/2017/05/LIHTC_Presentation-Lake-County.pdf
- For more information on the Colorado Housing Finance Authority (CHFA), visit their website here: https://www.chfainfo.com/

3. RECOMMENDED FUNDING STRATEGIES

Purpose

The 2018 Housing Needs Assessment made the following recommendation: "*the County and City [should] adopt a **use tax** dedicated to housing, and further study the potential for **inclusionary housing** (which would produce fees-in-lieu that can fund housing activities) and **impact fees**.*" (page 15).

The Housing Coalition convened in Spring 2019 to examine these recommendations, explore the other funding tools available, and determine top priorities for Leadville and Lake County. The purpose of this chapter is to describe the Housing Coalition-informed recommendations for what revenue streams the County should create or pursue in order to fund its community housing program.

Guiding Principles

A local housing fund should be:

- Consistent year over year to help the region address its current dearth of affordable housing. Funds that experience dramatic fluctuations year over year should be paired with consistent funding streams to ensure housing needs can be steadily addressed
- Responsive to Local Needs
- Demonstrate Local Support
- Generate enough revenue to help close the funding gap and make development feasible – especially for LIHTC projects
- Generate enough revenue to help make community housing development and programs feasible
- Fund the staff needed to implement this housing plan. Funding for staff capacity will be an annual ongoing need, while funding for specific projects and programs will vary from year to year

Background

The establishment of a local housing fund would help Lake County and Leadville better respond to local needs, demonstrate local support when applying for external resources (such as LIHTC), and maintain consistent momentum in addressing the city/county's housing shortage. It is important to note that in jurisdictions across the country, local contributions are usually treated as "gap" funding and, with investments from state sources, federal sources, and the finance sector, may ***leverage many times the city/county's contribution*****—**thus flowing 100s of thousands to millions of dollars in external investment into the city and county.

Increased staff capacity is needed to implement the action steps identified in this plan. In the *short term*, it may be possible to fund the staffing requirements through grants or existing local resources. Over the *long term*, developing a more consistent, dedicated funding source would provide greater continuity. As can be seen below, communities use a wide variety of sources to fund local housing initiatives:

Typical Local Funding Sources for Housing

Grants:
- Federal funds such as HOME and CDBG administered by HUD
- Colorado Division of Housing grants
- Foundations and local charitable organizations

Favorable Loans:
- Bonds
- Certificates of participation
- HUD, Federal Housing Administration (FHA), and CO Housing Finance Authority (CHFA) loans

Local taxes:
- General Fund Appropriations
- Property Tax
- Sales/Use Tax
- Short Term Rental Excise Tax

Proceeds from regulations:
- Commercial and residential linkage fees
- Inclusionary housing funds generated through developer payments of "fees in lieu" of developing community housing under the ordinance.

Program income:
- Developer/property manager/admin fees
- Rental income
- Proceeds from home sales

Top Funding Priorities in Lake County

The Housing Coalition reviewed the universe of possible local funding sources at the county-level and completed a prioritization exercise designed to discover which funding sources were likely to be a good fit. Out of that process, three priorities emerged:

1. **Existing Mill Levy Credit**
2. **Excise Tax on Short Term Rentals**
3. **Building Material Use Tax**

Other sources such as sales tax, marijuana tax, and linkage fees[3] were deemed mid-tier opportunities that could be further explored in the future. Use of general funds, private donations, existing property tax, and/or general obligation bonds were deemed not a good fit for this community at this time. 4th and 5th highest priorities of the Coalition (***Urban Renewal Districts*** and ***Historic Preservation Tax Credits***) are discussed at the end of this chapter. Greater detail on the top three priorities is provided in the following sections.

Existing Mill Levy Credit

How it Works: The county calculates the value of a property it will assess for taxes ("Assessed Value"). The county then determines the rate it will tax the property at using a system called a "Mill". 1 Mill = .0001 or, 1/10th of 1 cent; 10 Mills translates to about a 1% tax rate.

The Taxpayers Bill of Rights, a state law often referred to as "TABOR," caps how much taxes can increase without voter approval. However, if the tax rate of a jurisdiction is lower than the cap imposed by TABOR, it leaves a "credit" that the jurisdiction may levy without needing prior voter approval.

How Other Communities are Using this Tool: Property taxes are the primary funding mechanism for most county governments in Colorado. Most counties that are actively engaged in housing are appropriating some funds from property taxes to do so. For example, Yampa Valley and Boulder County have specific have dedicated property tax mills for local community housing activities. However, it can be difficult to levy such taxes if, due to TABOR, it needs voter approval. Gunnison county voters denied a ballot initiative for a property tax in 2017.

Potential in Leadville/Lake County: For 2019, the estimated value of property that Lake County will assess for taxes is $196 million. Using the rate of 38.2 Mills (an approximately 3.8% tax rate), this will raise about $7.5 million to support all county services. The Housing Coalition did ***not*** recommend asking voters for a new Mill Levy dedicated to housing, or shifting currently collected mills to fund a community housing program.

However, In Lake County, there is currently an unused Mills balance of 3.807, with an estimated value of $747,000, known as the "Mill Levy Credit." The activation of any single mill credit will generate about ***$200,000*** for community housing, and only cost the owner of a median-value home less than ***$24.26/year***.

Given the high revenue potential for housing programs and the low cost to individual tax-payers, the Housing Coalition recommended exploring opportunities to use a portion of the Mill Levy Credit to fund local housing activities. A breakdown of the mill value and credit is in the following table:

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[3] Linkage fees (often called "impact fees") are typically assessed on new development on a square foot basis, based on the nexus between the development and its effect on employment demand, housing demand, and how those factors affect community housing. To create a Linkage Fee, a "nexus study" must be conducted to determine the appropriate fee per square foot that is legally permissible.

Property Tax Revenue & Tax-Payer Cost Calculation	
Total valuation - 2019	±$196,000,000
Mill levy	38.2 Mills (3.807%)
Revenue raised	±$7,500,000
Mill levy credit/surplus	$747,000
Approx. Cost per Year per Mill for a Homeowner with a Median-Value Home ($242,600) *Note: this estimate is for the market-value of a median value home—the actual tax depends on the assessed value, and thus, would cost less.*	**$24.26/year**

The rationale for implementing a wide-based tax such as this is connected to wide-swath of benefits it will convey. Benefits of activating some or all of this Mill credit include:

- Addressing local housing shortfalls that are affecting the whole community—especially those who are most vulnerable
- Supporting the economy in light of employer's ongoing difficulty in establishing a local work-force due to housing costs
- Providing housing for civil servants such as teachers, firefighters, hospital staff, and others that cannot afford housing
- Alleviating commuter traffic by giving more people the opportunity to live and work locally

Additionally, because rising property values contribute to diminishing affordability, using some or all of this mill credit for affordable housing has the benefit of being directly connected to the issue at hand, and spreads the cost across a wide sector of the community—a community that will directly benefit from the subsequent investment of those funds into housing.

Drawbacks: There may be competing uses for the Mill Levy Credit, which will need to be evaluated and prioritized by the Board of County Commissioners. For instance, the county is planning for the closure of the Climax Mine in 2038, which will have an enormous negative impact on property tax revenue. For this reason, the coalition recommends using a portion and not necessarily all of this credit for community housing.

Next Steps: Though levying all or a portion of this Mill credit would not need voter approval, it would need a majority vote of the Lake County BOCC. To ensure that the funds are used wisely, the County should draft a clear plan determining how proceeds would be spent. The better that advocates and the BOCC can articulate priorities for funding and create openness and transparency with regard to who can access the funds, the more likely such an effort will be successful in garnering the support of the public and elected officials.

Proposed Roles: The Board of County Commissioners is responsible for setting the Mill Levy rate and holding proceeds—thus it follows that they should also approve funding requests for housing programs/projects. The county or its agent(s) could passively receive and vet applications for funds from housing assistance organizations and developers, and/or create and circulate an RFP among those organizations stating that funds were available to actively catalyze a public/private partnership.

Excise Tax on Short Term Rentals

How it Works: An excise tax on short term rentals (STR tax) functions similarly to a sales or lodging tax; it is paid consumers by who rent a house, condo, or room for less than 30 days. Landlords of short-term rentals are responsible for collecting and remitting the tax.

The benefits of am STR tax include the fact that <u>the cost is borne by visitors, not residents—helping offset the negative effect that STRs have on housing affordability for longer-term residents</u>. An STR tax can also help to level the playing field between commercial hotel operators and short term landlords—the former of whom pay commercial taxes (which in 2019, because of the effects of Colorado's Gallagher law, are more than 3X what residential uses pay in property taxes) while the latter pay residential property taxes—despite operating similarly to and directly competing with hotels.

Regular tracking and licensing of short-term rentals must be done to support the effective assessment and collection of an STR tax. To streamline administration, an STR tax can be implemented in coordination with other short-term rental management tools such as licensing, inspections, and zoning limitations—some of which Leadville and Lake County are already beginning to implement.

How Other Communities are Using this Tool: As of 2019, Crested Butte is currently the only community using this tool for housing in Colorado—although other communities are currently considering it. <u>In Crested Butte, a 5% short term rental excise tax raises about $300,000/year, which is dedicated to increasing workforce housing in the town</u>. Crested Butte has also capped the number of permits issued for short term rentals.

Potential in Leadville/Lake County: Based on the current estimated counts of 120 short term rentals in the county, and assuming each is rented for 100 nights/year at $100/night, <u>an STR tax of 5% could generate about $60,000/year</u>. The Housing Coalition recommends pursuing this tool as a County-wide initiative, although with an estimated 200 short term rentals in Leadville, <u>a city-specific tax might also be considered</u>. Both the county and city have recently implemented licensing regulations, which will be a valuable source of data to inform research on a potential short-term rental excise tax.

<u>Short-Term Rental Unit Count & Revenue Estimate (*Lake County Only*)</u>	
Number of Short- Term Rental Units	120
Number of nights/year rented	100
Average nightly rate	$100
Units x nights x nightly rate	$1,200,000
Excise tax rate	5%
Funds generated	$60,000

Drawbacks: Needs support from local lodging owners/operators, real estate agents, and property managers to be successful. Further research on the potential requirement to become a "Home Rule" jurisdiction is needed.

Next Steps: As a new tax, this tool would require a vote of the people. To improve chances of successful passage, the recommended next steps are:

- Monitor the timing of such a voter ask with the timing and impact of other tax initiatives, such as those for the jail, school, and roads
- Conduct outreach and focus groups with Tourism Board, local lodgers, property managers, and real estate agents
- Monitor the local market for short term rentals. Key questions to ask include the following: "*Is the number of short term rentals continuing to grow, what are typical nightly rental rates, and how many nights are homes rented/year?*"
- Determine what parameters would be appropriate for the proposed tax and articulate a clear plan for use of the funds
- Initiate a county ballot measure, potentially in 2020 or 2021

Proposed Roles: The county and/or city would be responsible for initiating a ballot measure. The Housing Coalition could support research, public outreach and engagement, and local advocacy. The city, county, and/or Multijurisdictional Housing Authority could lead administration of the fund if a ballot initiative was successful.

Building Material Use Tax

How it Works: A Building Materials Use Tax (BMUT) is assessed on anyone who is performing construction work which requires a building permit. This tax is usually estimated and paid prior to the issuance of the building permit. The BMUT is usually calculated based on the total estimated cost of the contractor—a cost that includes building materials, labor, overhead expenses, and profit—and then is later reconciled to rebate the contractor for tax costs not related to the building materials themselves. "Building materials" are defined as materials that become permanently affixed to the building and include bricks, concrete, glass, steel, stone, and lumber.

To ensure that a builder isn't taxed twice—once where they purchase the materials, and again in the jurisdiction where they use the materials—under Colorado law, no city or county sales tax is imposed on the sale of construction and building materials if all of the following conditions are met: **1)** the purchaser picks up the materials from the seller's location, **2)** the purchaser presents to the seller a building permit or similar documentation, and **3)** the building permit or similar documentation shows that local use tax has been paid or is required to be paid.

However, that the contractor still must pay all state taxes—this tool only applies to city and county sales tax. Regardless of where the construction materials are purchased, the tax is usually collected at the city or county where the construction is taking place prior to the issuance of building permits. Given that there are currently no major construction materials suppliers in Leadville and Lake County, the approach would potentially capture use tax from surrounding areas. If Lake County implemented this program, the City or County would likely collect the use tax based on an established valuation formula prior to or concurrent with issuing a building permit.

How Other Communities are Using this Tool: The tool is widely used in Colorado. Other communities using it include Broomfield, Denver, Eagle County, Glenwood Springs, Grand Junction, Gypsum, Mountain Village, Steamboat Springs, Boulder, Lakewood, Thornton, Wheat Ridge, Vail, Loveland, Greenwood Village, Larimer County, Lone Tree, and Louisville.

Examples of Structure & Revenue Generation from Building Materials Use taxes in other Communities

Location	Revenue 2018	Tax percentage
Lakewood	$5,500,00	3% on 50% valuation
Steamboat Springs	$1,456,560	4.5% on 50% valuation
Eagle County	$325,000	2% on 120% valuation
Telluride Mountain Village	$630,000	4.5% on 40% valuation

Potential in Leadville/Lake County:
A 3% or a 4.5% tax rate based on a 50% valuation of the building materials could potentially generate between $93,000 and $232,000/year for housing, depending on the level of building activity. For more details, see the following table:

Multi-Year Estimated Value of a Building Materials Use Tax in Lake County & Leadville

Year	Construction Valuation (Leadville + Lake County)	3% tax (*50% valuation*)	4.5% tax (*50% valuation*)
2016	$6,197,652	$92,965	$139,447
2017*	$9,337,821	$140,067	$210,101
2018	$10,301,645	$154,525	$231,787
2019 YTD	$7,296,775	$109,452	$164,177

* This is an adjusted figure after accounting for the refund of $12,500,000 for the county hospital project after it was delayed

Drawbacks: A common criticism of this tool is that it adds to the cost of housing construction. However, because this tax can let builders waive payment of taxes for these materials in the jurisdiction of purchase, the cost may actually be lower than what many builders are currently paying in sales tax on these materials. Another criticism is that this tax adds costs to the development of affordable housing itself. That argument is also addressed by the above points—but in any case, it is important to remember that all taxes can be avoided on affordable housing projects in which the local housing authority has an ownership interest because it creates an exemption under state statute.

A more significant drawback to this tool is the cyclical nature of construction activity – when the construction market is strong, the tool will generate significant funding. However, in a down market, there may be little or no funding generated. Given the fact that there is a backlog of un-met need in affordable housing in the county and city, it is important to pair this funding stream with a more steady source, such as that of an activated mill credit.

The administrative burden of record keeping is also an important consideration. Contractors need to keep good records on materials, and communities that have enacted the tax have had to use various methods to track, audit, and reconcile to ensure the appropriate tax was paid, and provide refunds if needed.

Finally, because this tax makes the developer exempt from paying sales tax in the municipality where the item was purchased, Lake County should be sure to consider the impact this measure may have on the sales tax revenue of its neighbors.

Next Steps: This tool was identified as the third priority, after existing mill levy credit and STR excise tax. Lake County should pursue this tool if additional funds are needed after a full exploration of mill levy credit and STR tax, and implementation of inclusionary housing. At such time, the next steps would be to further understand how the tool is used in other communities, model additional scenarios for Leadville and Lake County, and determine if this would be a county-wide and/or city specific initiative. As a new tax, this tool would require a vote of the people. Recommended steps prior to putting an initiative on the ballot include public outreach and engagement, refinement of the potential positive and negative impacts of the tool, determining the desired tax percentage and valuation approach, and defining the eligible uses of the proceeds.

Proposed Roles: City and/or County would be responsible for initiating a ballot measure, while the Housing Coalition would be responsible for providing research and advocacy to support the effort. If a ballot measure is successful, the city and/or county would lead administration of the resulting funds.

Summary

The revenue streams described in this chapter could generate the following funding levels if implemented together:

Mill Levy	200,000 - $747,000
STR	$50,000 - $100,000
Building Use	$93,000 - $232,000
TOTAL =	**$343,000 - $1,079,000**

Local housing funds are usually leveraged to help build new housing, meaning the funds cover a relatively small percentage of the total project cost. In mountain communities, local investments in affordable housing range from $5,000/unit to upwards of $200,000/unit.

Assuming an investment of $20,000/unit, these funding sources could leverage funds to build ***17 to 54 new homes/year*** (Note*: these numbers to not take into account funding used for staff capacity or other housing programs*).

Other Funding Strategies

In addition to the three funding sources highlighted above, the coalition also identified Urban Renewal and Historic Tax Credits as potential strategies to generate revenue for and/or incentivize affordable housing development and preservation.

Urban Renewal Areas: As recommended in the EPS report, the city and county should work with the Leadville Urban Renewal Authority to ensure that development that takes place in any future Urban Renewal Areas should be required to address affordability in exchange for the significant savings projects garnered through access to Tax Increment Financing. Investments in affordable housing should also be identified as eligible uses of the tax increment proceeds. For examples of how to structure a system whereby tax increment proceeds are invested in affordable housing, the city and county should look to Whitefish, Montana and Portland, Oregon.

Historic Preservation Tax Credits: these credits may be used to rehabilitate historic buildings and allows participants to claim 20 percent of eligible improvement expenses against their federal tax liability. While complex to implement, this tool may be used to help mitigate the costs of rehabilitating a building that the city/county wishes to use for affordable housing.

Uses of Funding

In the course of implementing this strategic plan, Leadville & Lake County should continue to refine and gain specificity regarding how investments in housing programs and development will be prioritized. Investment goals and eligible program areas for each funding source may differ. The city and county may choose, for instance, to invest STR tax revenue in rent subsidy programs; Building Use Tax revenue for single family new constitution; meanwhile choosing to invest Mill Levy revenue on affordable housing development and programs of a broader range.

However, while it may be easier to garner political will to pass any given funding stream by focusing on specific housing programs, the more general the use of each fund, the more flexible the city and county can be to changing needs in the housing market year over year, and the easier it will be to pool resources from multiple revenue streams in order to make meaningful investments when large opportunities arise. Thus, flexibility is key.

Rather than overly constraining the allowable uses of any individual fund, the city and county should create annual, and/or periodic housing plan updates. These plans should be responsive to housing market conditions and the most acute housing needs of the day—while also setting aside funds for unexpected development or preservation opportunities. Based in the 2018 EPS study, future housing funds should address the following needs (in rough order):

- **Rental Housing Developmen**t – with virtually zero inventory affordable to a renter earning at or below the median income, a significant portion of the investment strategy should be to develop affordable rental housing.
- **For-Sale Housing Development** – with the percentage of for-sale inventory that is affordable at only 19% at 100% AMI, 5% at 80% AMI, and 4% at 60% AMI, the second highest priority should be to increase the stock of affordable for-sale housing.
- **Housing Preservation** – with aged and aging housing stock, a significant percentage of funds should be dedicated toward help homeowners earning below the median income to maintain or rehabilitate their homes. Housing preservation programs should collaborate closely with C4, Habitat for Humanity, and UAACOG.
- **Manufactured Homes** – these homes constitute 16% of Lake County's housing stock. Due to increasing land rent cost and high utility costs, the EPS report recommended that Lake County pursue regulatory measures to increase the stability of households living in these units. Funds from one of the revenue streams discussed could be used to help provide staff capacity to address these issues. Where applicable, some portion of the housing preservation funding discussed above should be used to provide utility and maintenance cost assistance.

Additional Resources

- For more information about the above revenue streams and other sources considered, view the "Non-LIHTC Funding Presentation" made to the Housing Coalition here: http://lcbag.org/wp-content/uploads/2017/05/Non-LIHTC-Funding-Presentation-Lake-County.pdf

4. DEED RESTRICTIONS

Purpose

"Deed restrictions" are restrictive covenants placed on housing units to ensure that units that receive public subsidy remain an asset to the community and affordable for households over time. Deed restrictions function by limiting who can own and rent units and (often) the amount they can be charged for said units. Deed restrictions are important because they can keep second home and investment buyers, who are increasingly driving up home prices in Leadville and Lake County, from competing for these units.

Guiding Principles

- Preserve community housing investments so that Leadville and Lake County's housing inventory serves the community for the long term
- Create a system that is consistent, transparent, fair, and easy to use
- Facilitate inclusiveness and marketability by keeping restrictions simple so that deed restricted housing units are attractive to local renters and buyers

Background

In Colorado, there are generally three approaches to preserving affordability in housing where housing prices exceed local wages:

1. **Resident Occupancy Requirement –** (often referred to as RO) the occupant of the unit is required to be a full-time resident in the community, but their income is not limited, and the price of the home is not capped. Local employment conditions are also often stipulated in restrictions. Resident occupancy requirements tend to serve the higher end of the local's market. Examples of entities that implement this preservation method include "Vail InDEED" (a program which manages deed restrictions in Vail), and Eagle County.
2. **Price and Income-Based Restriction –** eligible buyers are limited to households earning equal to or lower than a set percentage of the area median income. The home prices are kept affordable through a pre-determined resale formula that permits appreciation so that the owner can make a profit if they sell, while staying affordable enough so that the next low-moderate income buyer can afford it. This is the community housing preservation method used for the majority of community housing units across the mountain west including Aspen, Telluride and Jackson.
3. **Community Land Trust –** the upfront price of the land is removed from the value of the home by virtue of a community land trust owning the land and providing a long-term land lease (usually 99 years) to the homeowner. Examples of organizations which do this include Chaffee Housing Trust in Chaffee County and Thistle Communities in Boulder. Because land usually represents 30% or less of the property value, additional restrictions are often needed in Colorado communities to ensure affordability over time.

Some jurisdictions use more than one of these approaches. Many use a combination of deed restrictions that limit price and income for most units while imposing only occupancy restrictions on higher-priced homes. The land-lease model may also be implemented by community land trusts in these communities for certain homes, particularly ownership units, while other units use one of the above deed-restriction models.

Price and income restrictions tend to have the most direct success in ensuring that affordable housing created with public resources serves the intended community for the long term. However, some communities may forego imposing local deed restrictions on some developments if certain stacks of Federal or State financing already impose long-term or permanent affordability.

Recommendation

Given local incomes and housing needs in Leadville & Lake County identified in the EPS report, the consultant team recommends that they use option 2, ***Price and Income-Based Deed Restrictions***, to restrict the appreciation and re-sale value of properties it funds to create community housing. Where development partners utilize a community land trust model, the city/county and the development partner should work together to ensure that the two affordability preservation models complement one another.

The Housing Coalition also discussed the timeframe for which deed restrictions should last, and agreed that anything besides permanent or very long term restrictions provides an unfair monetary windfall for a single household or landlord at the point of sale—making it unaffordable for subsequent prospective homeowners—and therefore would constitute an unacceptable loss of community housing stock.

In accordance with the goal of this Housing Action Plan, the implementation of deed restrictions to permanently preserve the affordability of housing produced is recommended when:

1. Public resources are provided (land, Federal/State grants, local funds, etc);
2. Local non-profits acquire or build housing with a mission to serve the local community; and/or,
3. Affordable units are required as part of new development through inclusionary housing, annexation, or linkage (sale of public land).

Deed restrictions may also be placed on homes produced through the provision of incentives depending upon the type and value of the incentive. In other words, residential properties built by market-rate developers which are not directly subsidized by the city or county may still receive a deed restriction if the developer agrees to subject their property to said restriction in exchange for the offered incentive. The city or county could negotiate a deed restriction on such properties in exchange for fee waivers/reductions/deferrals, increases in density, reductions in parking and/or setbacks, exceptions to height limitations, land contributions, and the provision of other opportunities or modifications to development standards.

Other methods could also be used to preserve the affordability of homes produced through this Housing Action Plan in lieu of or in addition to deed restrictions. These methods include:

1. Restrictions placed on rent, incomes and occupancy associated with project financing (like LIHTC)
2. Lease agreements placed by a non-profit community land trust, primarily for homeownership opportunities

Terms and Conditions for Deed Restrictions

Many factors were considered in establishing the following recommended terms and conditions: employment and commuting patterns, marketability of restrictions to residents, an increase in the percentage of homes purchased by out-of-county buyers, experience and trends in other mountain communities, price volatility versus stability in changing market conditions, and developer preferences. The resulting recommendations are as follow:

1. All deed restrictions should be permanent. If restrictions imposed through financing, like LIHTC, are long-term but expire in 20-40 years, efforts should be made through partnerships or financial support to impose permanent affordability restrictions.
2. <u>Resale price caps of no more than 3% per year</u> should be placed on ownership units to keep it affordable while also giving the homeowner an opportunity to make a profit at sale (3%/y has been shown to be roughly analogous to the rate of appreciation in the market over the long-term if bubbles and crashes are ignored). However, to ensure that the homeowner has in incentive to maintain the property,<u> no price appreciation should be automatically guaranteed</u>.
3. Affordability should also be preserved by accounting for and mitigating transaction costs, HOA fees, and selecting for design/construction features that help lower the cost of utilities.
4. Ongoing maintenance and stewardship of homes in the community housing program should be promoted by allowing *some* capital improvements to be added to the resale calculation.
5. Units should be <u>priced to be affordable for households with incomes at least 20% percentage points lower than the maximum allowed</u>. This will ensure that homes developed through city/county programs aren't only affordable to residents at the top of the income-range cut-off for housing assistance eligibility.
6. For rental units where rents are not capped by LIHTC or similar funding, affordable rents should be determined through partnerships or public-sector financial participation
7. In the case where a for-sale or rental community housing property is put up for sale, <u>the first option to purchase that property should be granted to City, County or its designated agent</u>. However, it is important to note that to ensure the option to purchase can *actually be exercised* if necessary, The city/county housing fund needs to <u>maintain reserves</u>.
8. Occupancy exceptions for a designated period (often 1 year) should be created for owners who leave for a designated time period, but intend to live there again
9. Guidelines on renting to roommates should be established
10. Prohibitions against renting short term (less than 30 days) should be established
11. Property maintenance agreements and excessive damage charge levels should be established
12. Employment should be a priority, but, <u>should not exclusively determine eligibility</u> to buy or rent a deed restricted unit. Long-term residents (at least five years) should be allowed to rent or buy deed restricted homes if they are retired seniors or are disabled.

Residency and Employment Requirements

The consultant team recommendation does not reflect the desire of many Coalition members that community housing primarily serves low-moderate income households that both live and work in Lake County. The consultant team recognizes that Lake County does not desire to "solve the housing problems" of neighboring counties. However, according to the 2018 EPS Housing Needs Assessment, only 25% of Lake County residents work in the county (resident-workers) and 75% of residents work in neighboring counties (resident-commuters) such as Summit, Eagle, and Chaffee County. Lake County's commuter profile appears this way for two reasons: **1)** Historically, Lake County has had lower housing costs than its neighbors, and thus, ends up housing many people who work in recreation, service, and other industries in the surrounding area. In fact, Lake County contributes to the funding a bus system that transports commuter-workers to and from Eagle and Summit County every day. **2)** Lake County's economy is not as strong as that of its neighbors, so there are comparatively fewer local jobs.

This is a complex issue. Below are a series of pros and cons of having a resident/worker preference the consultants derived from conversation with Coalition members, stakeholders, and Fair Housing organizations:

1. **Pros of a Resident-Worker Preference**:
    a. Traditionally, Leadville and Lake County had a fairly self-contained economy with the majority of local residents living and working in Leadville. However, with the decline of the mining industry, an increasing share residents (both new and existing) began working in neighboring counties as their economies (recreation, construction, and service-based) grew. As housing costs have grown in recent years, a key part of restoring its economic vitality and local character is ensuring that residents-workers can continue to afford to be a part of its community and that the local workforce grows.
    b. Housing resident-commuters has the implicit side-effect of Lake County spending local tax dollars to house the workforce of other communities and removing opportunities for its own workforce to find affordable housing solutions.
2. **Cons of a Resident-Worker Preference**:
    a. The vast majority (75%) of Lake County residents are resident-commuters. Some of these residents are newcomers, others have lived in the county for many years and are key members of the community. Regardless of where they work, everyone is challenged by rising housing costs. One key strategy that the Coalition and neighboring counties agree upon is that there are significant benefits to collaborating on a regional housing strategy, given the mutual ebb and flow of each-others residents across each-other's borders, and the fact that nearly all communities in the region are experiencing a housing crisis. However, if Lake County only houses its own worker-residents, the mutual benefits of collaborating on housing solutions start to erode.
    b. Long residency preferences may backfire when working to get support of employers, since the workforce in many industries includes people who have recently moved or are planning to move to Lake County.
    c. While having a local preference isn't strictly prohibited by law, it may open the county up to legal issues under the Federal Fair Housing Act and Affirmatively Forwarding Fair Housing policy if it is implemented improperly.

d. The narrower lease/buyer eligibility requirements are, the longer it can take to lease up or sell a unit. Long lease-up/purchase timelines may negatively affect the financials of a project—especially in a market as small as Lake County's.

Given the above, and the city/county's limited capacity to administer housing programs, the consultant team does not recommend that they create a preference policy for resident-workers at this time. If a preference policy is pursued as the city/county builds its capacity to administer its community housing program, it should focus on an applicant's location of employment rather location of residency to ensure that it facilitates the growth of its local workforce.

Administration and Enforcement

Consistent administration and enforcement are essential ingredients in maintaining a high integrity program with a good reputation in the community. The following are some considerations/recommendations to consider in order to ensure the successful long term administration of the community housing program:

1. Administration and enforcement are often performed by a housing authority, housing department in local government, or non-profit. For Leadville & Lake County, these tasks are recommended to eventually become a function of the (to be formed) Multijurisdictional Housing Authority.
2. Rental unit occupants are (typically) re-certified annually, while ownership may only be enforced at time of sale or in response to complaints. Neighbors can often help report noncompliance
3. A single consistent deed restriction is recommended. Multiple versions of a deed restriction operating in one jurisdiction tend to compound administration and confuse owners. A "fill-in-the-blank" boilerplate deed restriction avoids these issues
4. Deed restriction modifications may be needed/desired over time. To ensure that updates can be made easily, it is best to have program details reside the program's "Housing Guidelines" so it they can be referenced in the deed restriction and various ordinances, but can be updated more easily than the deed restriction itself. Plan for periodic revisions.
5. Price limits and buyer qualification calculations are needed at each resale. This task is recommended to be a function of the (to be formed) Multijurisdictional Housing Authority
6. Lender approvals are required to ensure that projects can receive sufficient financing. Thus, it is important to vet draft deed restrictions with local lenders who will likely be serving buyers of the deed restricted homes.
7. Obtain FHA and Fannie Mae approvals of draft deed restrictions before implementation
8. Real estate agents, mortgage lenders and title companies need education and buy-in. Plan for outreach to gather feedback, learn about peer communities, and share information.
9. Coordination with County Assessors will be important to make sure that deed restrictions are recorded in the attribute tables of parcels in the County's GIS and other databases.

Next Steps

1. Create a working group with County and City representatives, an attorney, a title company, a property manager and a real estate agent to help draft standard boilerplate for rental and ownership units and the overall Housing Guidelines. Ideally the Multijurisdictional Housing Authority would lead this effort. If it needs to move forward more quickly, the Housing Coalition may lead.
2. Determine when restrictions will be needed and develop timeline for drafting.
3. Obtain deed restriction samples from other jurisdictions to build a workable draft.
4. Outreach to and educate groups and individuals who have an interest in deed restrictions such as title companies, appraisers, developers, the County Assessor, real estate agents, property managers, mortgage lenders and potential buyers. This will help to address potential misconceptions before they arise.

Additional Resources

- For more information about Federal Fair Housing Laws, visit the Denver Metro Fair Housing Center website at: https://www.dmfhc.org/

5. HOUSING GOVERNANCE STRUCTURE & POTENTIAL PARTNERS

Purpose

In this chapter, we recommend a near-term and long-term organizational structure for Leadville and Lake County to implement their housing goals.

Guiding Principles

The consultant team and Housing Coalition developed the following guiding principles for organizing the responsibilities of housing work in Leadville and Lake County:

- Establish clear roles and user-friendly interfaces for housing consumers, developers, and the community at large
- Ensure that when applicable, lead agencies have the ability to make legally binding decisions
- Ensure tasks assigned to each agency are well aligned the with strengths, values, and levels of experience of those agencies
- Ensure each housing-related responsibility has a clear "owner" – but allow multiple agencies to have supporting roles on any given task
- Ensure that staffing provisions are consistent, sustainable over time, responsive to changing market conditions, and able to grow in capacity if needed

Background - What's Been Successful in Other Communities?

The consultant team and Housing Coalition reviewed what housing responsibilities and decision-making structures exist in Lake County's neighboring mountain communities and beyond. Communities that were evaluated included Summit County, Eagle County, Chaffee County, City of Boulder, and Whitefish, Montana. <u>No two communities use the same models</u>. For example:

- Some communities take on development responsibilities at the City or County level, while others delegate those roles to the housing authority, non-profit, or public/private partnerships.
- Some communities have an extensive advisory committee structure, while others only have decision-making boards and commissions.
- Some public and non-profit housing agencies develop expertise in both rental and homeownership, seniors and families, while others decide to specialize in developing only specific types of housing.
- Some communities have dedicated funding sources through voter approved taxes; those that do not have instead developed creative ways to fund their housing activities over time—often drawing upon multiple funding sources to cover programs, staffing, and gap finance for projects.

However, some common themes also emerged:

- With the exception of Chafee County (which as of 2019 is currently exploring the creation of a housing authority), each relevant community the consultant team reviewed had a housing authority in a central role.
- It's easy for housing programs to become insular and bureaucratic. To avoid this, best practices that were surveyed included bolstering name recognition, visibility in the community, having a good website, and a presenting a user-friendly "one stop shop" approach are essential to making affordable housing choices accessible to local residents in need.
- Community housing is complex. Being agile and effective requires a long-term investment in capacity and expertise. Thus, we found that programs with dedicated staff and knowledgeable Boards and Commissions have been the most successful.

Recommendations for Leadville and Lake County

Rather than replicate a specific model from another community, we recommend that Leadville and Lake County form a long-range plan that builds upon the strengths and talents of existing entities, using the guiding principles established above. We also recommend creating near- and long-term organizational charts that recognize the need to grow capacity and evolve decision making and responsibilities to be effective over time. Specific recommended next steps are below:

1. **Assign Actions from this Plan to the Appropriate Entities –**
   In the near term, City of Leadville and Lake County governments will continue to be responsible for land use and policy implementation. We also recommend they be responsible for initiating a LIHTC project and establishing a local funding source. In the near term, the Housing Coalition should retain responsibility for outreach, advocacy, and regional coordination, but over time, those responsibilities should transition to the local housing authority, which we recommend become multijurisdictional (see below). In the near term, the Leadville Housing Authority should also participate as a special limited partner in the LIHTC project. Chaffee Housing Trust can be relied on as a resource to build affordable homes for sale, and ensure buyers are successful through financial readiness classes and down payment assistance. Habitat for Humanity of the Vail Valley, currently also active in Chaffee County, should also be solicited to develop for-sale community housing. Habitat, C4, and UAACOG should be solicited to assist in a housing repair and rehabilitation strategy. Public/private partnerships will be essential for creating new community housing options, and EDC, the housing authority, and the local government entities may all have roles in initiating them.
2. **Transition to a Multi-Jurisdictional Housing Authority –**
   Several mountain communities have multi-jurisdictional housing authorities that are central to implementing community housing goals. Multi-jurisdictional housing authorities (MJHAs) have several advantages that could benefit Leadville and Lake County:
   a. Cover a large geographic region – more effectively responding to the regional nature of community housing
   b. Ensure Broad representation – MJHAs are governed by a Board with representation from all the jurisdictions served - providing broader perspectives, more community expertise and capacity, and reducing provisional dynamics and in-fighting for resources

c. Leverage the ability to administer proceeds from a ballot measure – unlike city and county housing authorities, MJHAs have the power to collect and administer taxes, if approved by the voters. This is a long-term consideration, as a ballot measure for taxes administered by the housing authority is *not* a current recommendation in this plan.

With a willing Board and staff, the strengths and assets of the existing Leadville Housing Authority could be maintained while transitioning to a new legal structure. For an example of how to do that effectively, Lake County and Leadville should look to the Gunnison Valley Regional Housing Authority, which made a similar transition approximately 10 years ago. First steps are to develop consensus on the approach and build capacity on the Leadville Housing Authority Board. If the Leadville Housing Authority does not support this approach, a new Housing Authority may be created.

3. **Lean on Expertise from Neighbors (at first) –**
As Leadville and Lake County grow their housing capacity, there are several local/nearby agencies with strong track records who can provide technical assistance and help avoid costly mistakes:

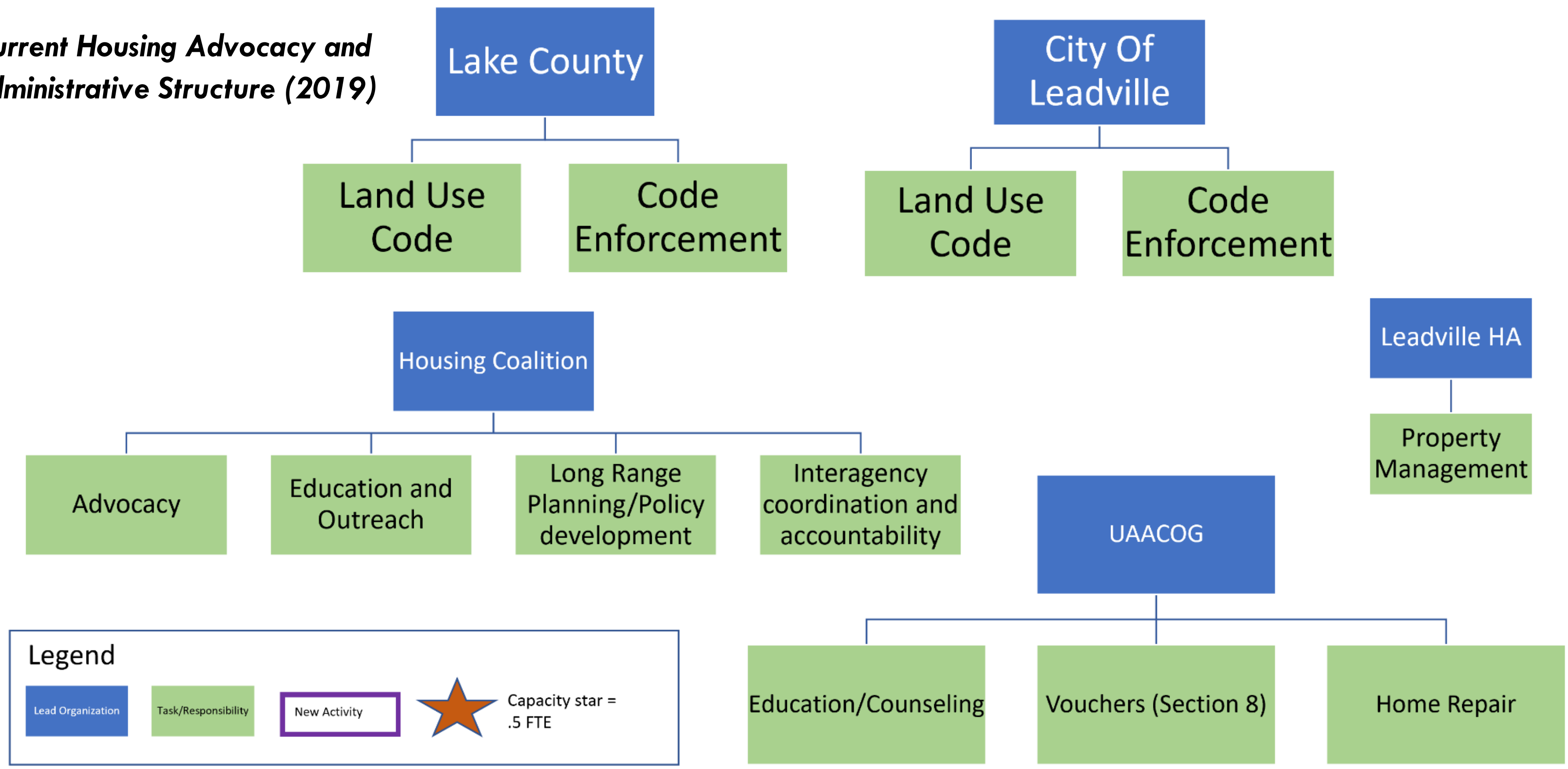
- ***Eagle County Housing and Development Authority*** has already served as a special limited partner in a LIHTC project in Leadville and has expressed interest in playing a similar role in future community housing development efforts
- ***The Valley Home Store*** currently administers over 40 types of deed restrictions in Eagle County, and may help administer deed restrictions if community housing is developed before Lake County has the capacity to administer it.
- ***Habitat for Humanity of the Vail Valley*** has previously worked in Leadville.
- ***Chaffee County*** has recently created a housing department and evolved from an informal coalition to more formal advisory and decision structure.
- ***Chaffee Housing Trust*** is a non-profit community land trust that recently successfully completed their first eight townhomes for sale to households below 80% AMI in Salida.
- ***UAACOG*** administers Housing Choice Vouchers and other housing related programs across the region, and has expertise in eligibility and federal programs.
- ***Cloud City Conservation Center (C4)*** is a non-profit organization based in Leadville that, among other programs, provides home energy efficiency services in Lake County.

Lake County and Leadville should strongly consider including these agencies in program development, and, if needed, contract with them until they have enough capacity to do the work locally. With UAACOG in particular, there may be opportunities to share the cost of locally staffing the community housing program.

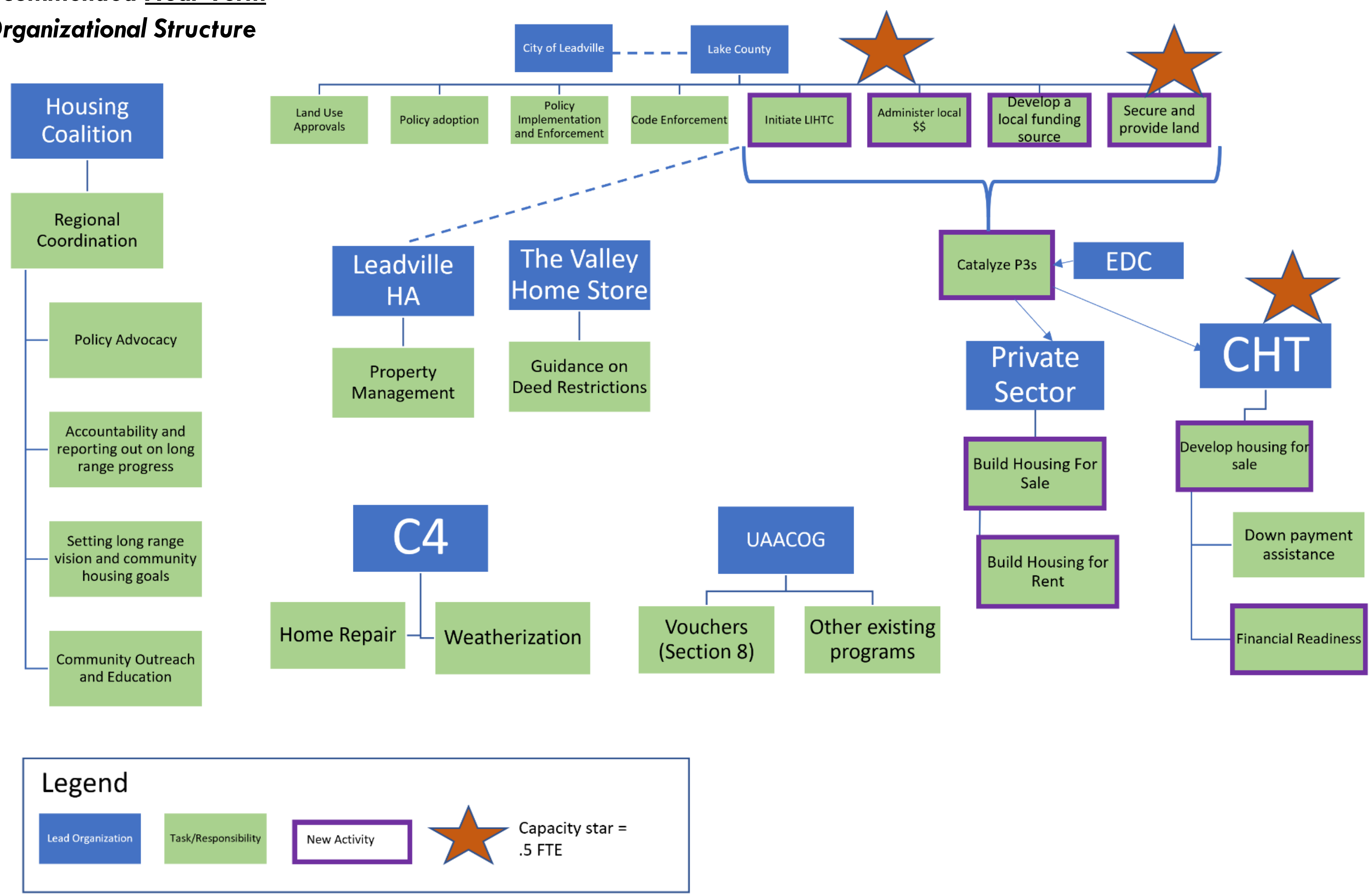
Organization Chart Recommendations for Leadville and Lake County

The charts below provide a visual representation of how housing advocacy and administration is currently structured, and how it should become structured in the near-term and long-term to improve the efficacy of Lake County and Leadville's efforts to increase the supply of community housing.

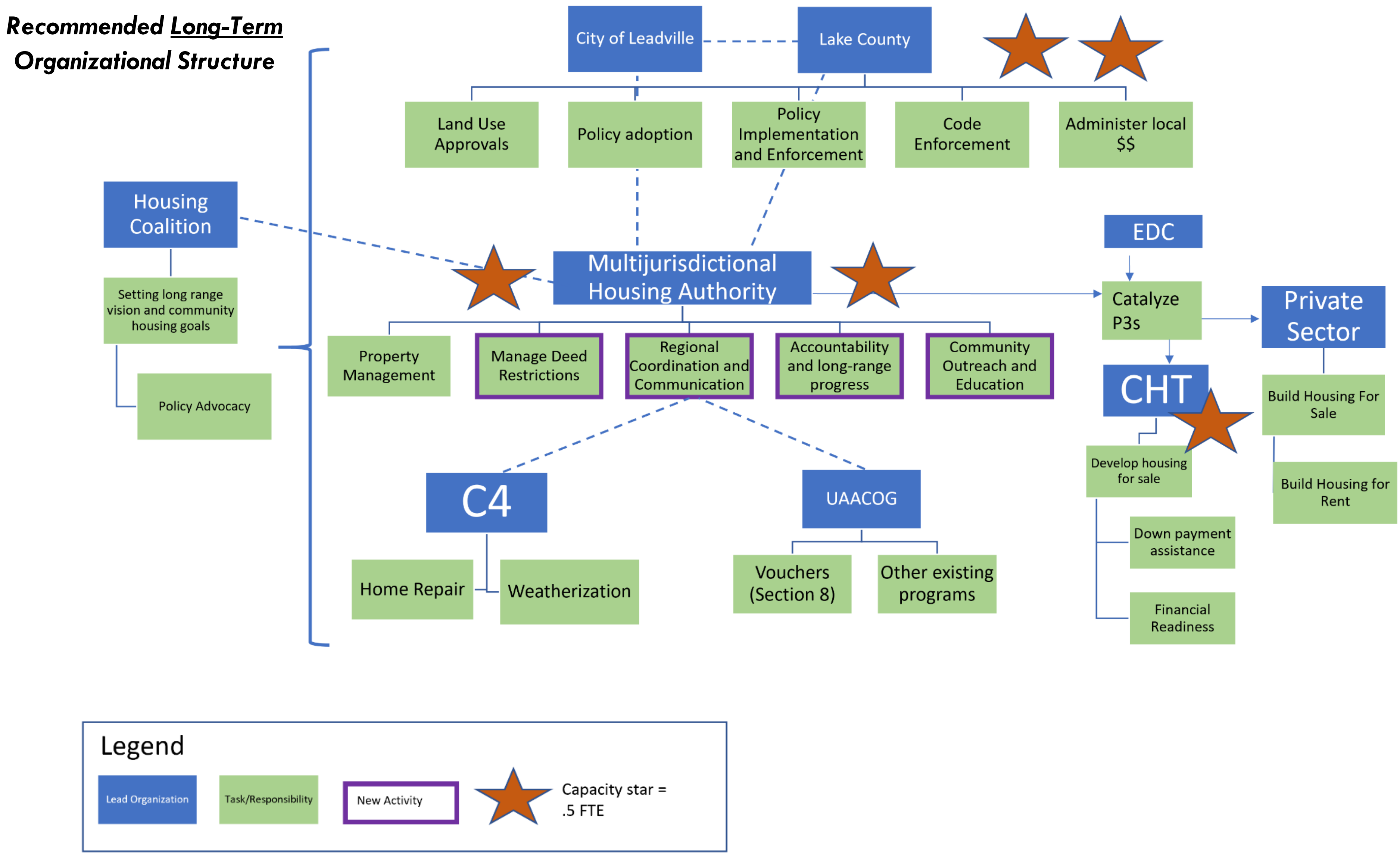
Current Housing Advocacy and Administrative Structure (2019)



Recommended Near-Term Organizational Structure



Recommended Long-Term Organizational Structure



Capacity Needed to Implement this Plan

To efficiently and effectively implement the near-term action steps of this plan, we estimate that 1 to 1.5 full time staff members are needed within the next 6 months.

In the short-term, the most time-intensive tasks will likely be initiating a LIHTC project, change management, responsibilities, and decision-making processes within the Housing Coalition and Housing Authority, implementing inclusionary housing and deed restrictions, and developing local funding sources.

The Coalition has been the primary driver of housing work in recent times, and can continue to lend expertise, advocacy, and initiative. However, the goals of this plan will be advanced much more quickly and effectively if paid staff at the city/county level are dedicated to the day to day work of implementation. Over time, we recommend staff capacity be shifted to the housing authority, as they take on greater responsibility for a wide variety of tasks under the recommendations of this Action Plan.

Other mountain communities fund their capacity to administer housing activities using a wide array of sources, including:

- **Contributions from local jurisdictions**: general fund dollars
- **Local housing fund sources**: inclusionary housing fees in lieu of development, linkage fees, and dedicated taxes
- **Program income**: transaction fees, property management fees, fee for services, housing voucher admin fees, developer fees, revolving loans
- **Colorado Division of Housing:** Community Housing Development Org (CHDO) funds
- **Private donations or voluntary assessments**: such as from foundations or local charitable groups

By far the most common financial resource used to increase housing administration capacity, and what we recommend for Leadville/Lake County in the near term, is fiscal contributions from local jurisdictions. Housing is a community priority and will take many years to become self-sustaining from a staff capacity/funding perspective. Other recommendations with regard to funding are covered in Chapter 4.

Composition of a Housing Authority Board

To provide needed guidance to the organizations above responsible for implementing housing programs, the city and county will want to build a sophisticated and capable board for the Leadville Housing Authority (and eventually, a multi-jurisdictional housing authority). To see how this board would relate to the Coalition, please see Chapter 6. For the board to be well-rounded, its membership must balance the voices of advocates, policy implementation experts, public departments affected by and/or implementing future housing policies, housing funding/financing entities, and housing program administrators.

To cover all these perspectives, we recommend a seven-member board with board representation of perspectives and depth of real estate expertise.

Towards that end, here is a recommended slate of potential positions to pull from to fill the Housing Authority Board (note: the chart below is a guideline not a prescription):

7 Voting Members – Chosen from the List Below - Appointed by Participating Jurisdictions	***Considerations for *At-Large Appointments* Referenced in Left Table**
Lake County Jurisdiction Representatives BOCC Member Planning Commission Member *At Large appointment** **Leadville Jurisdiction Representative** City Council Member or Mayor Planning Commission Member *At Large appointment* **Housing Coalition** *At Large appointment* **Ex-Officio (non-voting) Members** County Planning and Zoning staff City Planning and Zoning staff UAACOG Director Housing Authority Executive Director	**Community Representatives** Renter Homeowner **Institutional Employers** School District Hospital Executive **Private Business Representative** Lake County Economic Development Corporation Leadville Chamber of Commerce Designated major employer **Housing Experts** Housing Coalition member Real Estate Professional Member of a local bank, or a bank that has lent on affordable housing in the past Housing Developer Non-Profit Service Provider

Diversity

Lake County has a diverse community. To ensure that housing governance is representative of its population, the board should take steps to ensure the following groups are represented.

Sexual Representation
52.8% of Lake County's population is Male, and 47.2% is Female. To ensure that the board is as representative of the population being served as possible, it makes a reasonable effort to ensure that at least 30% of members are women.

Racial Representation
64% of Lake County's population is White, 34% of its population is Hispanic or LatinX, and the remaining 2% is of one or more other races. To be as representative of the population being served as possible, the board should make a reasonable effort to ensure that at least 20% of members are non-white.

Generational Representation
24% of Lake County's population is under 18. To ensure that the County's youth have a chance to be involved in the policies that will shape the communities they may live in, the board should actively invite high school-aged youths from the local school system to be advisory (non-voting) members.

Organization of the HA Board
The board should abide by Robert's Rules of board conduct and keep regular minutes. It should have a Chair and a Vice-Chair that formally run the meetings, working closely with the Housing Department Staff which would provide meeting facilitation and work with the Chairs to set agendas. The board should meet monthly, require a quorum of ¾ to vote, and have the ability, when/if necessary, to form various subcommittees. All members (except Ex-Officio members) should serve 2y terms between elections.

"Plan B"

If for some reason the Leadville Housing Authority cannot fulfil the roles listed for it above, this should not preclude Lake County and Leadville from pursuing the creation of a Multi-Jurisdictional Housing Authority in the shorter term. If no housing authority is pursued, then they should spend resources to significantly increase internal staff capacity and work with Eagle County Housing Authority to play part of the role laid out above for the Leadville Housing Authority and/or MJHA. In this scenario, all the recommendations above would apply to the creation of a formal "Housing Advisory Committee" rather than a housing authority board.

6. COALITION GOVERNANCE STRUCTURE

Purpose

The Coalition is a volunteer group that utilizes the LCBAG for staff support. LCBAG is currently a program of the Lake County Department of Public Health, however it is transitioning to becoming its own stand-alone non-profit organization in the near future—which means that the Coalition itself will also soon be formally de-coupled from the county. While the group has been effective in its efforts to push the conversation about affordable housing, concerns remain about effective decision-making, sustainability, transparency, community representation, and the role it plays in the county as affordable housing policy, structures, and programs mature. The following recommendations spring from a combination of work-sessions with coalition members, interviews with its Housing Implementation Team (HIT), and case-studies of analogous groups in similar jurisdictions.

Guiding Principles

1. Formalize decision-making
2. Standardize voting members
3. Streamline decision-making
4. Be responsive to the county's evolving approach to community housing

Recommendations

Like the Housing Governance Structure, the Coalition's role in and approach to affordable housing should evolve as the county increases its capacity to address affordable housing. To accomplish this, the Coalition should move through 2 phases in step with the county's evolution.

1. **Phase 1**: While housing programs and structures are still in their infancy in Lake County, the Housing Coalition should continue in its role as a volunteer advocacy and technical assistance group independent from city or county oversight to ensure it can continue to push the conversation about affordable housing. However, to ensure it can have effective internal decision-making processes, be transparent, and remain sustainable, it should take the following steps:
   - ***Decision-Making*** -The Coalition should elect a single voting board of 7 - 9[4] members. This group should include the most active members of the current coalition and should comprise the following interests to endure that it is both sophisticated and representative:
     - 1 Renter (if possible, a resident or beneficiary of an affordable housing development or program)
     - 1 Homeowner (if possible, a resident or beneficiary of an affordable housing development or program)
     - 1 At large Community Member

[4] Board should have an odd number of members to avoid tie votes on key issues.

        - 1-2 Affordable Housing Developers and/or Housing Service Providers
        - 1 Affordable Housing Policy Expert
        - 1 School District Representative
        - 1 Real Estate Agent
        - 1 Employer (or the EDC as their representative)
        - …
    - ***Role in Housing Advocacy*** **–** The Coalition Board should stay separate from the city/county so it can continue to advance the conversation about affordable housing. However, as securing buy-in and new ideas from elected officials is critical to the success of community housing initiatives and is necessary to ensure policy efforts are coordinated with other policy efforts underway in the city and county, the Coalition should have regular scheduled meetings with decision makers.
    - ***Non-Board Membership*** - To date, the coalition has 83 members. This group should be kept apprised of decisions the Board is making and be encouraged to weigh in (in a non-voting capacity) to express their opinions. This will help ensure that the Coalition doesn't lose its role as a grassroots voice of the community. To help facilitate getting ongoing feedback from the wider non-voting membership, the Coalition should hold quarterly or bi-annual meetings with the larger membership.
    - ***Staffing*** - At this stage, the Coalition should continue to rely on staff support from the LCBAG. City/county resources should be reserved for staffing the Leadville Housing Authority (*unless there are resources available to the city/county that are not dedicated to staffing the housing authority that could be given to the HA as grants, etc.*).
2. **Phase 2**: Once the city/county creates an administrative structure (*preferably, via the Housing Authority or a new Multi-Jurisdictional Housing Authority*) for implementing, funding, and overseeing housing development and programs, the Coalition should take more of an advisory role, with some coalition members joining the Housing Authority or Multi-Jurisdictional Housing Authority (MJHA) Board.
    - ***Decision-Making*** **–** The Coalition should continue using the same board-led decision-making structure detailed in Phase 1.
    - ***Advocacy Role*** - The Coalition should continue to play an advocacy role, but with a decreased focus on technical assistance (*because the city/county will by this point have more internal technical capacity*) and increased focus on representation of community interests. This will ensure that housing programs and/or policy measures advocated by membership or crafted and proposed for implementation by the Housing Staff are well-made and keep in line with the goals of this plan, any subsequent strategic plans that the Housing Authority or MJHA creates, and any comprehensive plans Leadville and Lake County Planning and Zoning departments creates. While periodic meetings with city/county decision-makers may be warranted, in Phase 2 it should primarily interface with the Housing Authority or MJHA staff.
    - ***Non-Board Membership*** - Coalition members who are not voting members of the board should continue to be involved in housing policy advocacy, with the guidance of LCBAG staff members (see below).
    - ***Staffing*** - Staffing duties should be shared by the staff of the Housing Authority or MJHA and LCBAG. The former should organize board meetings, as well as communicate the recommendations of the Board to elected officials; while LCBAG staff should take on the role of engaging the current membership as well as the larger community by informing them of the

recommendations of the Board and the decisions of the city/county. To ensure good engagement, it should continue to hold quarterly or bi-annual member meetings that are open (and advertised to) members of the public who are interested in advancing affordable housing policy and/or would be on the receiving end of housing assistance[5]

Additional Resources

- Housing Administration & Coalition Decision-Making Workshop/Presentation: http://lcbag.org/wp-content/uploads/2017/05/Decision-Making-Workshop-2.pdf

[5] These meetings would be intended for individuals who are pro-community housing in order to maintain its role as a grassroots voice of more aggressive housing policy. However, the County would STILL be encouraged to hold public hearings to ensure that the wider community – including those who are against community housing programs – to weigh in. In short, the Coalition membership should not seek to replace the role of the County in soliciting general public input on various decisions – it should remain true to its roots as a pro-community housing entity.

APPENDIX

Figure A: 2018 EPS Housing Needs Assessment Summary

EPS STUDY CONCLUSIONS

Key Issues
1. Inadequate housing supply
2. Challenges facing new housing development
3. Location and regional context of Lake County
4. Continuing pressure on housing cost
5. Links between housing and employment/economic development

Suggested Goals
1. Define Affordability
2. Identify and Commit Publicly Owned Parcels
3. Identify and Commit Funding Resources
4. Adopt Land Use Regulations and Policies to Support Housing
5. Partner with OR Establish a Governing Agency
6. Identify and Participate in Regional Solutions

EPS STUDY SUPPORTING DATA

Demographics/Housing Stock
1. ***Median Income***: $47,000, 28% lower than the state average, with 30% of households earning less than $25,000 per year
2. ***Population Change***: 7,900 residents in 2017, with a 1.1% (80 residents) annual growth rate since 2010.
3. ***Population Age***: 2000 - 2017, age group 60-74 has seen highest growth, from 8% to 14% of the population. Population below age 34 has decreased from 58% to 48% of the population
4. ***Households***: There were 3,200 households in Lake County in 2017 and 4,470 housing units
5. ***Owner vs. Renter***: 63% owners, 37% renters.
6. ***Housing Stock Type***: 72% SF Detached, 16% Mobile Homes, 5% "attached", 8% Multifamily.
7. ***Housing Distribution***: 39% of homes in Leadville, 61% distributed across the county.

For-Sale Market
1. ***Sale Rates***: Sales have gone from $174k in 2014 to $291k in 2018, increasing approx. 14%/year. $194k = max aff rate for 100% AMI
2. ***Number of Sales***: 53 sales per year in 2014 to over 133 sales per year in 2017
3. ***Affordability Rates***: Only 28% of 2017 homes sales were affordable at the 100% AMI level.

Regional Influences
1. ***Out of County Buyers***: On average, from 2002-2017, 48% of Lake County home buyers were from out-of-county
2. ***Commuters***: In 2017, 75% of Lake County residents commuted out of the county for work (mostly to Summit and Eagle); 34% of the work force commuted into Lake County (mostly from Chaffee).
3. ***Second Homeowners***: 29% of housing units county-wide are vacant, an increase from 24% in 2000

Rental Market
1. ***Rent Rates***: Rents have increased on 2BR units by 70% over the last 3-5 years, with increases in 2017 of 14-24%. Rents may have been below-market previously, so they may be stabilizing. However, there is still a supply issue.
2. ***Rent Affordability***: An affordable rental property for a 100% AMI earner would be $1,175/month. While 78% of the properties in town meet that threshold, many are older and in need of repair. But w/low non-secondary home vacancy rates landlords are not motivated to improve them.
3. ***Non-Secondary Home Vacancy Rate***: 1-2%,

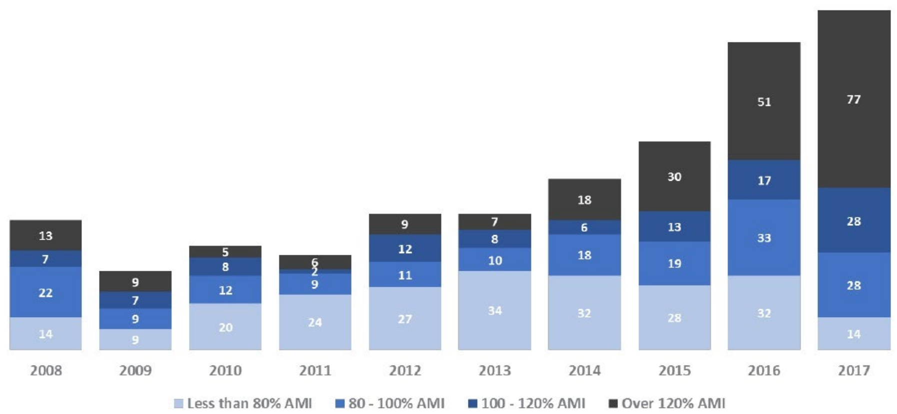
EPS STUDY RECOMMENDED ACTIONS

Recommended Actions/Strategies:
1. ***Define a strategy to utilize publicly held parcels of land as a resource for affordable housing development***.
   a. Harrison Ballfields
   b. Climax Parcel
   c. School District Properties
   d. East 8th & Ash St.
2. ***Pass targeted policy initiatives to address key housing issues***:
   e. Manufactured Home Policy
   f. Infill Policy
   g. Short-Term Rental Policy
   h. Address Lack of a central Lake County Housing Organization
   i. Deed Restrictions
3. ***Partner with existing agencies to help govern and manage housing activities. Look to***:
   j. Chaffee Housing Trust
   k. the Upper Arkansas Area Council of Governments
   l. Leadville Lake County Economic Development Corporation
4. ***Dedicate a local funding source for housing activities***.
   m. Use Tax
   n. Inclusionary Zoning (and corresponding fee-in-lieu)
   o. Impact Fees
5. ***Suggested Affordability Targets***:
   p. Rent: 30-60% AMI
   q. For-Sale: 80-120% AMI
   r. Mixed Income
6. ***Strategies***: land-use and zoning; public land; Low Income. Housing Tax Credits; Urban Renewal; Individual Assistance

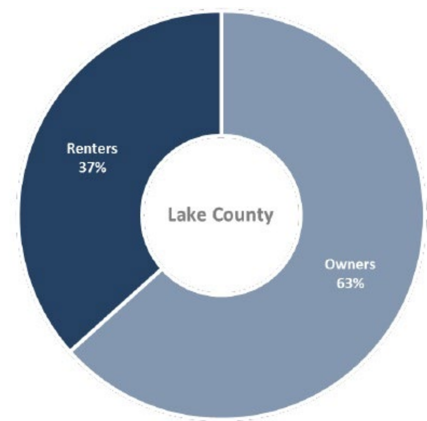
Threshold Affordability Levels

Households earning 100 percent AMI ($47k) can afford: a $194,000 home or $1,175 in monthly rent

Home Sales by Affordability 2008 - 2017



Housing Tenure 2018



Source: US Census; Economic & Planning Systems

Rent Rates by Affordability 2018

	Household Income	Max. Affordable Monthly Rent	% Inventoried Units
30% AMI	$14,100	$353	0%
60% AMI	$28,200	$705	8%
80% AMI	$37,600	$940	18%
100% AMI	$47,000	$1,175	52%
120% AMI	$56,400	$1,410	19%

Source: US Census; Personal Interviews with Property Managers in Spring 2018; Economic & Planning Systems

Rent Vacancies 2018

Description	Units	Vacant Units	Vacancy Rate
Eagles Nest	162	1	0.6%
Tabor Grand	37	1	2.7%
Dispersed Rentals	66	1	1.5%
Total	**265**	**3**	**1.1%**

[NOTE] Online listings were collected over a period of 3 months, and are not included in this vacancy data

Population Growth

				2000 - 2010			2010 - 2017		
Description	2000	2010	2017	Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
Population									
Leadville	2,790	2,602	2,720	-188	-19	-0.7%	118	17	0.6%
Lake County	7,812	7,310	7,877	-502	-50	-0.7%	567	81	1.1%
Summit County	23,548	27,994	30,492	4,446	445	1.7%	2,498	357	1.2%
Eagle County	41,659	52,197	54,768	10,538	1,054	2.3%	2,571	367	0.7%
Households									
Leadville	1,244	1,202	1,268	-42	-4	-0.3%	66	9	0.8%
Lake County	2,977	2,953	3,181	-24	-2	-0.1%	228	33	1.1%
Summit County	9,120	11,754	12,746	2,634	263	2.6%	992	142	1.2%
Eagle County	15,148	19,236	19,989	4,088	409	2.4%	753	108	0.6%

Figure B: Lake County Area Median Income (AMI) Levels

2019 Lake County Area Median Income (AMI) Levels								
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
30% AMI	14,310	16,350	18,390	20,430	22,080	23,700	25,350	26,970
50% AMI	23,850	27,250	30,650	34,050	36,800	39,500	42,250	44,950
60% AMI	28,620	32,700	36,780	40,860	44,160	47,400	50,700	53,940
80% AMI	38,160	43,600	49,040	54,480	58,880	63,200	67,600	71,920
100% AMI	47,700	54,500	61,300	68,100	73,600	79,000	84,500	89,900
120% AMI	57,240	65,400	73,560	81,720	88,320	94,800	101,400	107,880