Report on Housing Affordability Options and Strategies
Addressing Park City's Goldilocks Dilemma

czbLLC
Charles Buki; Karen Pooley, PhD
Assistance Provided by Susan Wachter, PhD, Richard Voith, PhD, Dean Oliver, PhD

Contents

Executive Summary

Park City, UT is a remarkable place, and it is remarkable not by accident. Both its uncommon natural beauty and the town's character have been protected and enhanced through a series of intentional and strategic actions taken by the community since the mid 1970s.

Decades of hard work have leveraged "the best snow on earth" into converting Park City from a struggling silver mining community into arguably America's best ski town (National Geographic). The hard work to get 64 Victorian era buildings onto the National Register has been central in establishing Park City as "one of the prettiest towns in America" (Forbes).

Because of the foresight of Park City residents and their Planning Commission, mountain views from virtually anywhere in Park City are largely unobstructed; they afford visitors and residents alike the experience of being in a vibrant, diverse town while still being in a largely natural setting. Because of leadership by citizens and City Council, significant parts of Park City's mining history have been preserved, leading to the creation of a Main Street unrivaled in charm that "still has the rugged good looks of a 19th century western mining town" (Travel & Leisure).

Because of community efforts to protect the environment, more than 7,000 acres have been purchased with open space bonds, thereby buffering Park City from the sprawling, land consumptive development that has come to define so much of the surrounding region. And because of great vision and leadership by the business community, Park City landed and then successfully hosted major events at the 2002 Winter Olympics, not to mention 23 Sundance Film Festivals.

For the breathtaking views that have been protected, the small town charm that has been enhanced, the vast expanses of open space that have been conserved, and the world class skiing that makes it so envied, Park City is rightfully mentioned alongside Kitzbühel and Chamonix.

That's half the story, anyway. The other half is that while Park City is increasingly the standard against which Whistler, Telluride and Niseko measure themselves, it is also mentioned in the same breath as Aspen – not for the fact that Aspen is among the greatest places in the world to ski, but because housing in Aspen is among the very costliest in America. Aspenization, according to an Aspen official, "is what happens when small towns choke on what their charm has brought them" and it poses a serious threat to Park City.

As Newsweek noted in 1993, Aspenization is "the upscale living death that fossilizes trendy communities [that] have been discovered by the rich and famous -- and the greedy and entrepreneurial -- [and which become] case studies in overdevelopment [with] lavish second homes that sit empty for most of the year while three quarters of the work force, who can't afford to live there, commute."

Foreshadowing with exquisite similarity the sentiments expressed by so many Park City residents during "Community Visioning" in 2009, Aspen's mayor a decade prior said "we don't want to be just an empty theme park, full of houses that are occupied only a few weeks out of the year. We want to remain a real life town, with living, breathing people who have real jobs." Yet today, Aspen is far more "empty theme park" than "real life town."

While in many ways a mirror image of Aspen, Park City is fortunate that, unlike Aspen, its own experience with high-end, seasonal development is not yet at a point of no return. Options - while costly and complex - exist for Park City to remain a "real life town."

However, these options are not likely to exist for long

- Park City today is far more “seasonally” owned than even Aspen itself.

	2000			2010		
	Total	Seasonal	% Seasonal	Total	Seasonal	% Seasonal
Aspen	4,354	1,121	25.7%	5,929	1,917	32.3%
Park City	6,661	3,383	50.8%	9,471	5,609	59.2%

Sources: 2000 and 2010 U.S. Censuses; czbLLC.

- Park City’s housing cost-to-income ratio stands at more than ten to one.

	2000			2010		
	Value	Income	Ratio	Value	Income	Ratio
Aspen	$535,000	$54,973	9.73	$707,400	$74,509	9.49
Park City	$417,500	$65,375	6.39	$765,600	$61,383	12.47

Sources: 2000 and 2010 U.S. Censuses; czbLLC.

Like Aspen, Park City is a magnet for vacation home-buying by wealthy residents from very high-cost New York and California zip codes. When second and third homes list for $20-50 million in Upper Deer Valley, the effects on the rest of market are substantial. As the market migrates to accommodate demand, each square foot of developable land becomes more costly, and the result is an acute affordability problem down the line.

While four decades of hard work did indeed make Park City into a world-class ski destination, it also made Park City into a very expensive place. Years of stewarding Main Street into becoming a unique and charming destination have increased the desirability among locals and tourists to visit and shop in Park City. Hundreds of planning commissioner meetings to manage building height and density to maintain the town’s character did just that, and, by doing so, further increased the demand to own property in Park City. Bonds passed to buy open space successfully created a permanent green buffer around Park City, but also reduced the supply of developable land, which, in turn, increased (and continues to increase) the cost of the remaining developable land.

These factors and trends are powerful and highly interconnected:

- First, Park City actively took steps to increase its desirability: the city has intentionally kept building heights low to preserve views, and kept densities low to prevent congestion; and the city’s land conservation efforts on the edges of town ensures that residents and visitors experience a beautiful natural entry into Park City and that the area stays pristine, unspoiled by additional development. In succeeding with all of these initiatives, the city increased the demand to visit, and live in, and own property in Park City, particularly among wealthy households.

- Second, *those exact same steps* – limiting height, limiting density, limiting infill development, and limiting development on the edge – have decreased the available supply of buildable area, a direct consequence of which is price appreciation. While no one intentionally set out to create an affordable housing problem, the net of Park City's work has been to do precisely that.

- Third, when combined – an increase in demand along with a decrease in supply – the result is not merely price appreciation, but sustained and sometimes rapid as well as significant increases in housing value.

- And fourth, as sales increasingly reflect vacation home-buying, ultimately what's at stake more so even than affordability is <u>the issue of local control and the presence of year-round residents</u>. The more that real estate is owned by seasonal occupants, the less direct impact non-seasonal residents will ultimately have over land use and zoning decisions, and the less Park City will feel like a "real life town."

In short, the recipe for becoming great is also a recipe for becoming expensive. More height allows for more housing, which reduces housing costs. By <u>choosing</u> *less* height time and again, Park City has created an affordable housing problem. More density allows for more housing, which reduces housing costs. By <u>choosing</u> *less* density time and again, Park City has created an even more acute affordable housing problem than the one triggered by height limitations alone. By limiting building height, density, and the amount of developable land, Park City has made housing (or the land available for it) scarce, and wound up both exceptional and exceptionally expensive.

Ironically, many of the issues Park City sought to prevent are now increasingly the result of the community's exceptionality and high costs. Much like Van Gogh - whose bipolarity, Thujone poisoning, temporal lobe epilepsy, and Lead/Kerosene consumption all contributed to both greatness and madness - Park City's greatness is increasingly having serious impacts on local quality of life (congestion) and environmental sustainability (sprawling land development pressures outside of Park City in a region without regional growth management controls in a strong property rights state). It is a paradox of housing market strength that the very tools used to increase livability often trigger some of the exact outcomes that socially conscious communities such as Park City seek to avoid in the first place.

Action	Desired Result	Output	Unintended Result	Outcome
Limit Heights	Maintain views	Increase quality of life	Reduce housing supply	Increase housing costs
Limit Density	Keep small town feel	Increase quality of life	Reduce housing supply	Increase housing costs
Limiting Infill	Historic preservation	Increase quality of life	Reduce housing supply	Increase housing costs
Limit Development	Preserve open space	Increase quality of life	Reduce housing supply	Increase housing costs
				↓
				Development pressure
				↓
				Sprawl + Congestion

Where does all this leave Park City in 2013? With low average densities (3 du/a) in Park City and an average building height of 30 feet, Park City has some difficult housing policy decisions to make. These are heights and densities that significantly increase the quality of life in Park City. *But they are also heights and densities that change the city's housing math.* Moderate to low densities combined with moderate to low building heights alongside substantial open space protections *gets* a high livability result. But, in return, this combination *gives* away the capacity for Park City to be home to a year-round middle class.

Just as Aspen and Snowmass have had to contend with congestion and sprawl throughout the Roaring Fork Valley owing to workers commuting not just to and from Carbondale but Rifle, so too is Park City now and increasingly going to be contending with the same.

Park City is at a point in its history where it will soon need to decide if its high housing costs are a problem that requires attention, or not. And if high housing costs are determined by the community to be a problem worth addressing, it will need to decide how willing it is to do something about it. And if it is willing to do something about high housing costs, Park City must decide whether it will tackle this problem by building higher and if so how much higher; or by building more densely, and if so how much denser; or building on open space, and if so under what conditions and in what ways.

Magnitude of the Affordable Housing Challenge in Park City

Housing is affordable when the income of a household is sufficient to procure it on the open market and thereafter to be able to pay for all the non-housing expenses that are part of everyday life: food, transportation, health care, taxes, insurance, savings, clothing, and so on. With the exception of a small number of very financially strong households able to pay cash to own their homes, Americans either rent, or they become owners over time (that is, they borrow money to purchase their homes and gradually pay off a lender).

As a reliable general rule, about one-third of a household's income will go towards taxes, which are non-negotiable. Roughly speaking, that leaves two-thirds for housing and everything else, both being negotiable. As another reliable rule, no more than one-third of a household's income should be allocated towards housing, leaving the remaining third to be put toward all other expenses. It is also a housing rule of thumb that lenders become far less willing to make loans where the total of housing costs and other credit obligations exceeds 38% of a household's gross monthly income, and where the size of a loan exceeds 80% of the building's value. At prevailing interest rates, this means that the maximum sales price a household can "afford" is about 3.5 times their annual income, and the down-payment required to purchase a home will be equal to 20% of this affordable price.

Based on these parameters, *only households at 2.96 times Park City's median household income – and with more than $150,000 in cash available for a down payment – can currently afford to buy a home in Park City*. This is the boiled down essence of the situation today.

	Annual Income	Buying Power	Median House	Gap
Upper Income (300 % Median)	227,500	796,250	796,250	0
Down Payment Implication		159,250	159,250	
Down Payment as Percent of Annual Income		70.0%	70.0%	

	Annual Income	Buying Power	Median House	Gap
Upper Middle Income (200 % Median)	153,716	538,007	796,250	258,243
Down Payment Implication		107,601	159,250	
Down Payment as Percent of Annual Income		70.0%	103.6%	

	Annual Income	Buying Power	Median House	Gap
Median Income (100 % Median)	76,858	269,003	796,250	527,247
Down Payment Implication		53,801	159,250	
Down Payment as Percent of Annual Income		70.0%	207.2%	

When housing units near workplaces are not affordable (when the cost-income ratio is greater than 3.5 at current interest rates), or when the units that are affordable are not desirable (when they do not match the preferences of potential buyers or renters), workers instead choose to commute. Our analysis of Park City finds both of these factors behind commuting to be true.

In the late 1980s and through much of the 1990s, while Park City housing prices were high, they were still within reach of Park City's middle-income wage earners, and the suburban, split level product available at these affordable prices was desirable to these households. When this was the case, Park City was predominated by full time resident families and, to borrow from Aspen's mayor, was indeed "a real life town, with living, breathing people who have real jobs." After the Olympics and into the 2000s, this changed substantially. Park City is now on the verge of losing its middle *entirely*; the only real middle that remains are those families who bought in Park City in the 1990s or before, and who are land and house rich, but who could not afford to buy their current homes at today's prices.

As the middle continues to shrink, it is worth noting that Park City has been exceptionally successful in fostering the development of low-cost rental housing, enabling many workers critical to the tourist industry to be able to rent right in town. (By 2011, Park City housed 841 renter households with incomes below 50% of AMI (or less than $50,000), up from 678 in 2000.) At the other end of the housing spectrum, the private sector is ably supplying housing the top third wants and can afford.

	AMI	Income Range		Affordability	Gap	O/R	1990	2000	2010	Consequence	
				$5-50M			5%	10%	15%	Seasonal	Deer Valley
	976%	500,000	1,000,000	2,625,000	1,828,750	O				Seasonal	Deer Valley
Upper	520%	300,000	500,000	1,400,000	603,750	O	30%	35%	40%	Seasonal	Park City
	296%	155,000	300,000	796,250	0	O				Year Round	Park City
Middle	150%	76,000	155,000	404,250	-392,000	O	50%	40%	30%	Year Round	**Priced Out**
	80%	47,000	76,000	215,250	-581,000	R				Year Round	**Verging**
Lower	50%	30,000	47,000	134,750	-661,500	R	15%	15%	15%	Year Round	Park City
	20%	0	30,000	52,500	-743,750	R				Year Round	Park City

But it is in the middle where Park City's real dilemma now exists. Even as the number of low-income renters increased, the number of renter households with incomes between $50,000 and $75,000 (or at roughly 80% of AMI) declined from 214 in 2000 to just 132 in 2011. Similarly, families with incomes from $75,000 to $150,000, who used to be able to buy a home in Park City, no longer can. These households – with buying power ranging from $260,000 to $525,000 – make enough money to buy a home in the region, but not enough to buy in Park City *unless they are willing to buy a condominium*.

Yet at this income range, which primarily includes professional young families, most buyers want a yard and - given the housing options outside of Park City - are willing to commute in order to have one.

These households used to be able to find housing with a yard in their price range in Park City – in the older portions of Park Meadows and Thaynes Canyon, and in Prospector. Now, most of these homes are priced well out of reach: just 10% of all single-family home sales in the city's year-round neighborhoods (53 properties) sold for less than $500,000 between 2006 and 2011. At the same time, those closer to the limit of these households' price range typically require substantial upgrades or updating. According to a recent focus group, many of these homes “are too small and/or need too much work” to attract buyers.

Faced with these options (or lack thereof), middle-income households are increasingly choosing to buy in Snyderville, Jordanelle, and elsewhere, and commute into Park City. By 2011, Park City housed just one-quarter (0.26) of its share of the region’s owner households with incomes between $75,000 and $100,000 – while Snyderville Basin housed nearly its share and the rest of Summit County nearly one-and-a-half times its share. Similarly, while Park City housed just half (0.59) its share of owner households with incomes between $100,000 and $150,000 that year, Snyderville Basin housed nearly one-and-a-half times its share.

Share of Region's…	**Park City**	**Snyderville Basin**	**Rest of Summit County**	**North Wasatch**	**Greater Heber**
All Households	1.00	1.00	1.00	1.00	1.00
Owner Households	**0.73**	**1.11**	**1.03**	**0.88**	**1.02**
with Incomes less than $25,000	***0.76***	***0.63***	***1.51***	***1.29***	***1.08***
with Incomes $25,000 to $49,999	***0.87***	***0.69***	***1.11***	***0.25***	***1.33***
with Incomes $50,000 to $74,999	***0.61***	***0.58***	***1.41***	***0.92***	***1.29***
with Incomes $75,000 to $99,999	***0.26***	***0.90***	***1.35***	***0.43***	***1.25***
with Incomes $100,000 to $149,999	***0.59***	***1.33***	***0.87***	***0.56***	***1.01***
with Incomes $150,000 or more	***1.16***	***1.95***	***0.40***	***1.68***	***0.40***

Sources: 2007-2011 American Community Survey, czbLLC.

As a result, if Park City does not do something to provide units that match the purchasing power and demand preferences of these households, increased traffic congestion and more sprawl will naturally follow.

Recommended Focus

Because of its tourist economy – which relies heavily on low-wage arts/entertainment and accommodations/food services jobs – Park City has an ongoing obligation to help house much of its lower-income (less than $50,000 per year) workforce who are unlikely to find affordable units on the private market. Because of its strong seasonal housing market, Park City's private housing market is also increasingly underserving moderate-income households ($50,000 to $75,000) looking to rent and middle-income households ($75,000 to $150,000) looking to buy (particularly looking to buy single-family homes with yards).

For these reasons, Park City should have a three-tiered affordable housing strategy going forward.

Middle Income	➔	Single Family Detached/Semi Detached House w Yard	$100,000	$150,000
	➔	Condominium or Cooperative / Multifamily Structure	$50,000	$100,000
Lower Income	➔	Rental Apartment / Multifamily Structure	$30,000	$50,000

Our analysis shows that Park City does a very good job developing and partnering with developers to generate affordable rental housing units for lower income households (those with incomes below $50,000). In fact, Park City currently accommodates twice its share of the region's renter households – and over three times its share of renter households with incomes between $25,000 and $50,000, a tangible illustration of Park City's genuine commitment to this issue. (This is in stark contrast to Snyderville Basin and North Wasatch, which both provide just a very small fraction of their shares of rental housing for these households.)

Share of Region's…	Park City	Snyderville Basin	Rest of Summit County	North Wasatch	Greater Heber
Renter Households	1.92	0.62	0.91	1.41	0.94
with Incomes less than $25,000	*1.29*	*0.42*	*1.40*	*1.39*	*1.09*
with Incomes $25,000 to $49,999	*3.13*	*0.18*	*0.76*	*0.15*	*1.01*
with Incomes $50,000 to $74,999	*0.92*	*0.63*	*0.73*	*1.82*	*1.46*
with Incomes $75,000 to $99,999	*2.90*	*1.07*	*0.71*	*0.13*	*0.34*
with Incomes $100,000 to $149,999	*1.04*	*1.57*	*0.57*	*5.73*	*0.30*
with Incomes $150,000 or more	*2.03*	*1.53*	*0.83*	*2.33*	*0.04*

Sources: 2007-2011 American Community Survey, czbLLC.

While successful, this effort unfortunately constitutes the entirety of Park City's housing strategy. At present, the city's housing strategy does nothing to address the growing needs of moderate- and middle-income households, needs that must be met if Park City is to remain a "real life town."

What is needed now is an expanded, deliberate, three-part housing strategy – focused on providing 1) rental housing for the lowest income service sector workers, 2) rental and for-sale multifamily options for moderate income households, and 3) affordable single-family homes with yards for middle income households – that will rely on a range of partners, financing mechanisms, and housing products.

Income			Tenure Type	Rents/Price		Density
Low	15,080 19.6%	50,220 65.3%	Rental Apartments Developed w Federal Housing Tax Credits	419	1,395	24-30
Moderate	50,220 65%	100,000 130%	Condominium Ownership in Moderately High Density Developments (12-30 du/a)	175,770	350,000	12-30
Middle	100,000 130%	150,000 195%	Fee Simple Ownership of a Detached Home w a Yard in Moderate Density Developments (8-11 du/a)	350,000	525,000	7-9

To reach lower income households, Park City should continue, for the most part, doing what it has been doing: making effective use of federal low income house tax credits to generate high quality affordable rental apartments for service sector workers. To both catch up and keep pace with projected population growth, Park City should be producing an average of 8-9 new affordable two- and three-bedroom apartments per year for the next 20 years, while maintaining current deed restricted supplies. This will yield 170 new units which, combined with 714 existing affordable rental units, will maintain Park City's appropriate balance of supply and demand. The target range for these apartments' rents should be between $400 and $1,250 per month, or affordable to households with incomes between approximately $16,000 and $50,000 (or at about 20% to nearly 70% of AMI). Every effort should be made to ensure that these units are strategically located throughout Park City - easily accessible to centers of service-sector employment and not overly concentrated in particular neighborhoods. Over 20 years, this is a $25-30M endeavor primarily financed with tax credits, rents, and RDA funds. At an estimated average density of between 24-30 units per acre, Park City will need to find and dedicate 6-8 acres over the next 20 years to meet this need.

The city's new efforts aimed at moderate-income households (those earning between $50,000 and $75,000 per year) would largely target single professionals, young professional couples, and empty nesters. According to survey results and focus group feedback, these households are looking for "multigenerational neighborhoods" and "smaller units for seniors and empty nesters who want to downsize from a full-size family home to a smaller property," and units in or close to Historic Old Town (Senior Focus Group participant; Survey respondent). Appropriately priced rental units and for-sale condominiums – with key amenities, and in a walkable, well-designed, mixed-used setting – would satisfy these households' housing needs and demands.

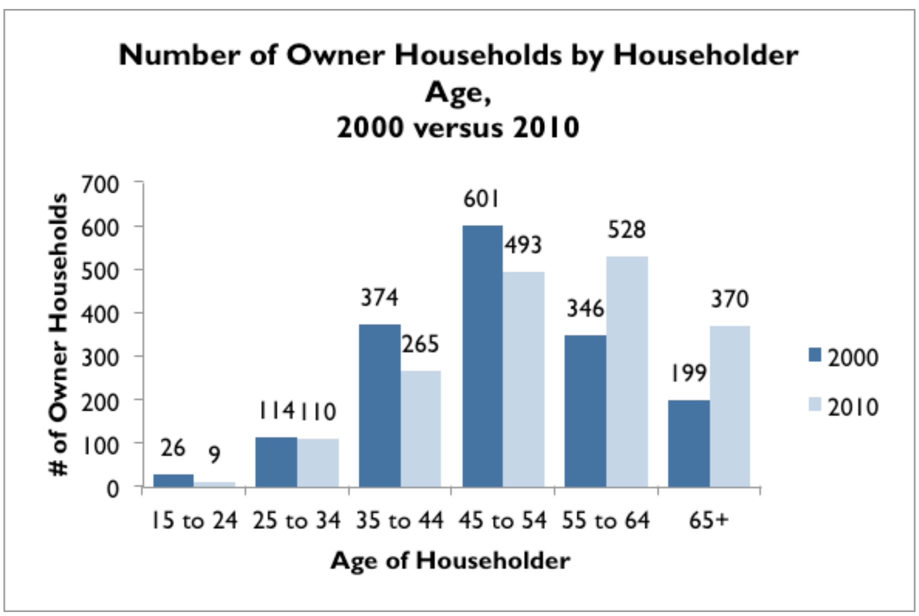
To both catch up and keep pace with projected population growth, Park City should be incentivizing the development of an average of 36 new affordable one- and two-bedroom apartments and condominiums per year for the next 20 years. This would yield 720 new moderately priced units. In 2012 dollars, target rent levels and price points for the products aimed at this cohort should be between $1,250 and $1,875, and $175,000 and $350,000. The ideal locations for these units are Bonanza Park and Lower Park. These places are where increases in height and density can be accomplished, where development can be profitable to the private sector with height and density bonuses, and where, geographically, moderately dense development can be tightly choreographed to coincide with office and retail to generate the necessary package of amenities, walkability, and profit. This represents an approximately

$190M effort over 20 years, primarily financed with private mortgages and cost reductions enabled by height and density bonuses that Park City will have to provide to developers. At an estimated average density of 24 units per acre, Park City will need to dedicate approximately 30 acres over the next 20 years to complete this component of its three-part housing strategy.

As ambitious as these goals may be, it is quite an accomplishment already that Park City is now poised to achieve them. The city addresses the rental housing needs of households earning less than $50,000 a year very well. And the redevelopment plans for Bonanza Park and development plans for Quinn's Junction suggest that the city is already exploring the role that height and density agreements might play in making space available for additional rental and for-sale multifamily properties in mixed-used settings. So long as Park City does not stop its efforts to create low income rental housing, or back off from its plans to transform Bonanza Park and eventually Lower Park into mixed income, moderately dense, three dimensional neighborhoods, meeting these two critical tiers of the city's new expanded housing strategy is well within reach – and these successes will contribute greatly to making Park City more diverse and sustainable.

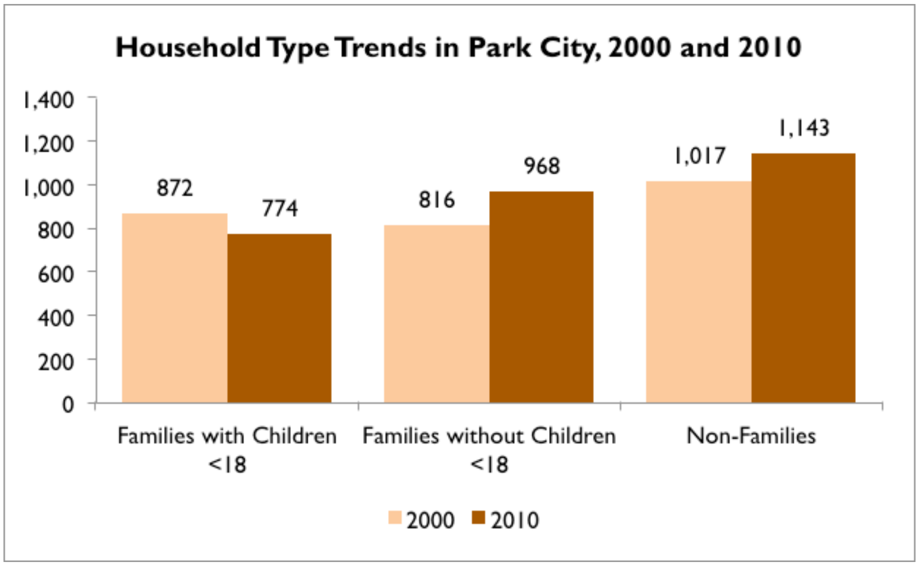
What looms largest – and furthest from efforts already underway – is the challenge of meeting the housing demands of middle-income households. Unlike the moderate-income single and young professional couples and empty nesters, who want smaller units with less to maintain, these middle-income households (typically families with children) want single-family homes and yards.

These are exactly the families that Park City is increasingly losing in today's market. Between 2000 and 2010, the number of owners under 55 fell; declines were greatest among owners aged 35 to 44 and 45 to 54. In contrast, the number of owners over 55 rose dramatically: the number of owners aged 55 to 64 increased by 52%; the number of owners over 65 nearly doubled (from 199 to 370).



Sources: 2000 and 2010 U.S. Censuses, czbLLC.

At the same time, the number of family households with children living in Park City declined by nearly 100 (from 872 to 774) while the number of families without children under 18 increased by roughly 150 (from 816 to 968).



Sources: 2000 and 2010 U.S. Censuses, czbLLC.

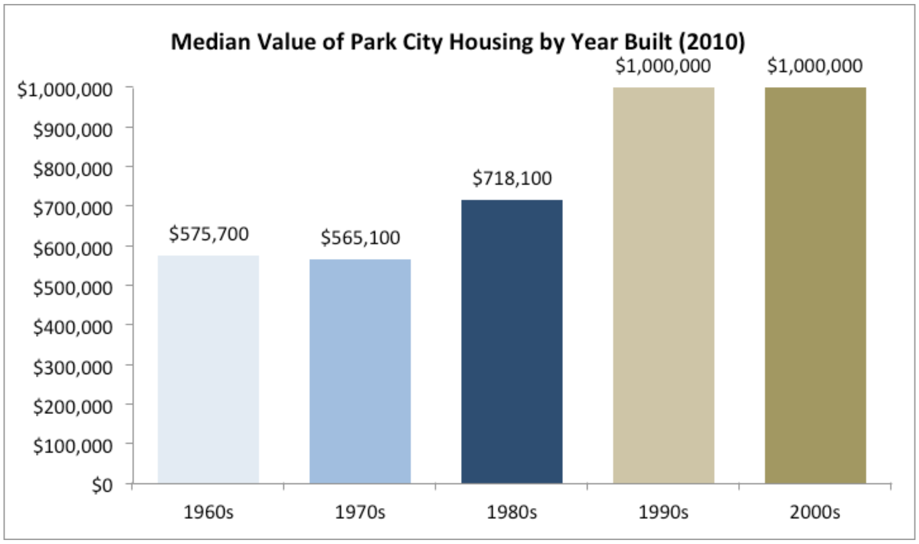
Another illustration of maturing families not being replaced by younger ones: Over the course of the 2000s, the number of city residents enrolled in Kindergarten through twelfth grade declined by more than 200 (from 1,324 to 1,121).

	Park City		
	2000	2010	Change
Kindergarten to 12th grade	1,324	1,121	-203
Kindergarten	83	55	-28
Elementary: grade 1 to grade 4	363	324	-39
Elementary: grade 5 to grade 8	407	358	-49
High school: grade 9 to grade 12	471	384	-87

Sources: 2000 and 2010 U.S. Censuses, czbLLC.

This is the crux of the housing challenge in Park City today and in the future, and it should be the core of the city's housing strategy going forward. These middle-income families want three and four bedrooms and they want a yard – even if modestly sized. If the market is not providing that in Park City at a price they can afford, they will continue to find it elsewhere, and will continue to settle on a 15-20 minute commute as part of the deal. If Park City wants these families to live in Park City, which is necessary for the city to remain "a real life town" on the one hand, and to have the light carbon footprint residents *say* they want on the other, it will have to find a way to provide some version of this desired housing product to do so.

This is especially important because Park City is both falling behind on producing such units *and also* increasingly losing the affordable single-family homes it currently has – those older homes largely clustered in Park City's year round neighborhoods (Park Meadows and Prospector). Citywide, over one-third (37%) of all single-family homes were built before 1980; those built in the 1960s and 1970s have median values well below those built more recently – particularly those built since 1990 (which have median values over $1 million).



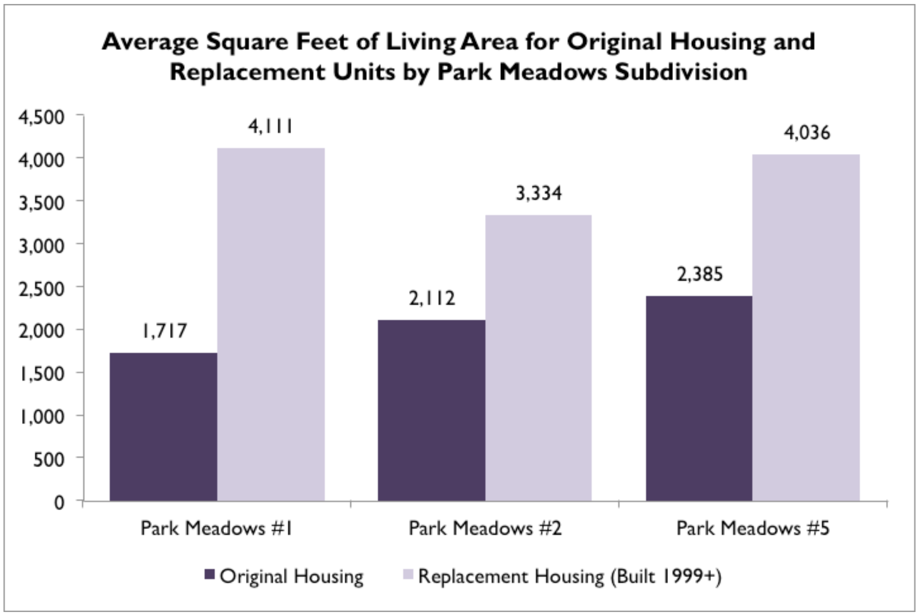
Sources: 2010 American Community Survey 5-Year Estimates, czbLLC.

Anecdotal evidence from recent surveys and focus groups suggests that these homes have been maintained but not significantly upgraded since they were built. As a result, these units are now proving hard to market at the prices they are offered. Rather than purchasing a smaller, older unit with few upgrades, middle-income families are moving elsewhere in the region into new, larger units with more amenities. Builders in the region have predictably figured this out, and land use and zoning in the region have predictably aligned with this; hence Snyderville and the rest of Summit County have more than their fair share of these families, and Voila: the very sprawl so anathema to Park City's sensibilities.

While these homes may not be appealing to middle-income buyers (of the four properties in older Park City subdivisions in Park Meadows currently listed for sale, three have been on the market for over one year), they are sitting on land with significant future value.

When these properties do transfer, it is unlikely that they will find the *right (desired) buyer* – another year-round, middle-income family household who will help maintain the community of permanent residents. Far more likely to buy will be higher-income households – likely seasonal owners – planning to tear down the existing structure, and replace it with a new home that is significantly larger than the one it replaced.

In Park Meadows Subdivisions #1, 2, and 5 (see maps), for example, replacement units average one-and-a-half to two-and-a-half times the size of original homes in the neighborhood:



The value of these replacement homes is substantially higher than the value of the original homes, removing an affordable ownership opportunity and influencing the price of nearby units and throughout the Park City market to a significant extent.

This moves the city only further from its goal of housing its "share" of the region's middle-income homeowners and further – and irretrievably so – from the community it is today, the one that Park City residents have built, to something else.

In the face of all this, we see improving the quality while maintaining (and even increasing) the affordability of these older units in certain older subdivisions as a key opportunity to increase the city's supply of affordable homeownership housing geared toward middle-income families.

The objective of this component of the city's expanded affordable housing strategy will be to 1) **acquire and consolidate the parcels** in targeted subdivisions; 2) **redevelop these sites** (at higher densities and with newer products); and 3) **provide these new products at affordable prices**.

In other words, the objective is to turn existing, low- and moderate-density single family housing (that suited young families when it was built but no longer does, and which is increasing becoming home to empty nesters), offered at a price of $600,000 to $800,000, into an appealing (marketable) product for today's middle income families who want a new house and a yard but who can only afford a price range of $350,000 to $700,000.

Theoretical Opportunity

It is clear that the magnitude of the affordability challenge now facing Park City is substantial. Park City has become more Aspenized than even Aspen. It has also been made clear that there are a finite number of variables that Park City – or any community – can put to use attempting to address this challenge.

To reduce the cost of housing, one area that can be influential is soft costs (interest rates, project planning and design). This is helpful, but ultimately of only nominal impact on cost reduction. Another area is hard costs. Hard costs are the costs of the materials and labor, and these can be reduced by making units smaller and by specifying less expensive materials and methods. This is useful, and will have more of an impact than soft cost reduction, but overall – especially in an expensive market like Park City – will reduce final costs to the buyer or renter only somewhat. The real gains are made through density and height, which allow for more units per acre, because land costs are spread further.

As previously noted, Park City has applied these cost reducing techniques very well in its utilization of the low-income housing tax credit program to deliver high quality affordable rental units for low income workers. And as noted, we strongly encourage Park City to continue that focus, both in preservation of existing units, and in creating new housing as well.

To maintain Park City as a genuinely year-round community, it will be necessary to encourage the development of neighborhoods and homes designed to be appealing and affordable to middle income families with many other great choices outside of Park City. There are not a lot of options for achieving this, but there are some.

One example would be to convert the city's golf course at Thaynes Canyon Drive into a mixed-use development containing a range of housing types at various price points. With an average density of seven dwelling units per acre, this could yield as many as 450 new homes, making a very significant impact.

It is an option that would challenge the city to make hard choices regarding priorities. On the one hand, the public golf course is a valuable economic development tool. It is also space that in its current form preserves important sight lines that themselves are critical quality of life ingredients in Park City. On the other, it is one of a small number of sites where development costs can be manipulated to create affordable outcomes, thereby both helping to *Keep Park City Park City* and mitigate sprawl. In making a choice about the future disposition of the public golf course then, Park City would really be making a choice about what is more important: affordability and having a year round community, or golf and view sheds.

In addition to the redevelopment of the public golf course as an example of one possible approach to take, the longer-term redevelopment of other existing neighborhoods is useful to consider.

The best location for a larger-scale undertaking is likely Park Meadows. That is where a combination of older, harder-to-market homes and seasoned mortgages makes such redevelopment, while complex, imminently possible.

Giving attention to a redevelopment effort in Park Meadows, for example, and on the approximately 400 properties in five older subdivisions there (which cover roughly 600 acres), becomes a very substantial way to address the significant affordability challenge Park City faces, especially if considered over a 40 year timeline. Over four decades, these subdivisions could be redeveloped to provide denser detached and semi-detached units as well as some senior housing.

Increased densities can help reduce the cost of individual units, but it is unlikely that density alone will be enough to make these new units affordable to households earning between $75,000 and $150,000 a year. To bridge the remaining cost gap, we recommend that Park City utilize a land trust in this area to purchase, hold, and lease the land under the redeveloped units. We have determined that the combination of densities high enough to reduce construction costs yet low enough to allow for sufficient yards, along with a land trust, can provide homes with marketable amenities and sales prices between $350,000 and $525,000.

There are several sites that might accomplish this. Redeveloping portions of Park Meadows over a long period of time is an illustration of how Park City could take a comparatively soft submarket of year round residences that will eventually become second homes, and program its future to be both year round and affordable for middles income families. Park Meadows provides a specific example of how deliberate acquisition and infill redevelopment could, over 40 years, transform a handful of older low-density single use developments into a vibrant set of new neighborhoods.

Such a hypothetical long-term effort would involve repurposing certain strategically located publicly owned parcels, probably acquiring and repositioning the golf course, and then obtaining site control of properties in five to seven subdivisions.

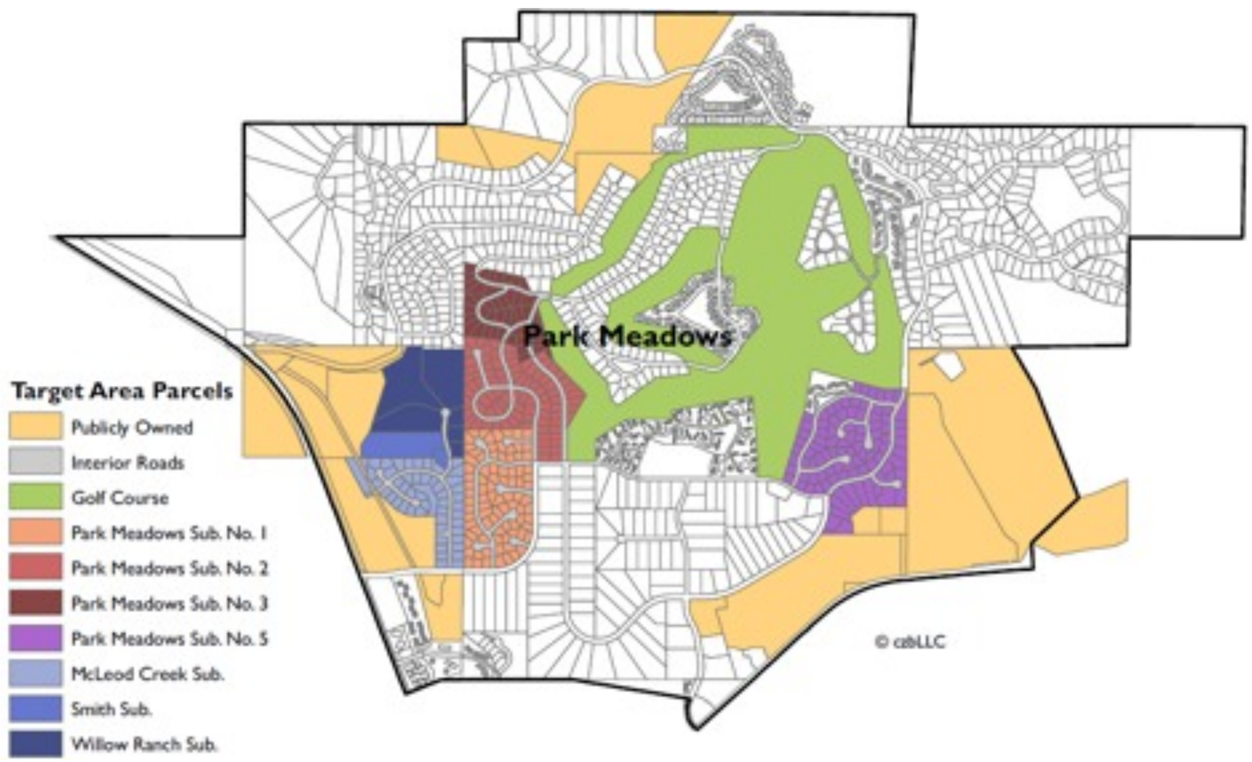
An effort of this magnitude would be approximately $1.1B in housing development activity. It would be primarily financed with private mortgages and cost reductions enabled by specific density increases and reduced land costs that Park City would have to convey to developers through new zoning and the creation of a land trust mechanism.

Park Meadows: Example Case Study

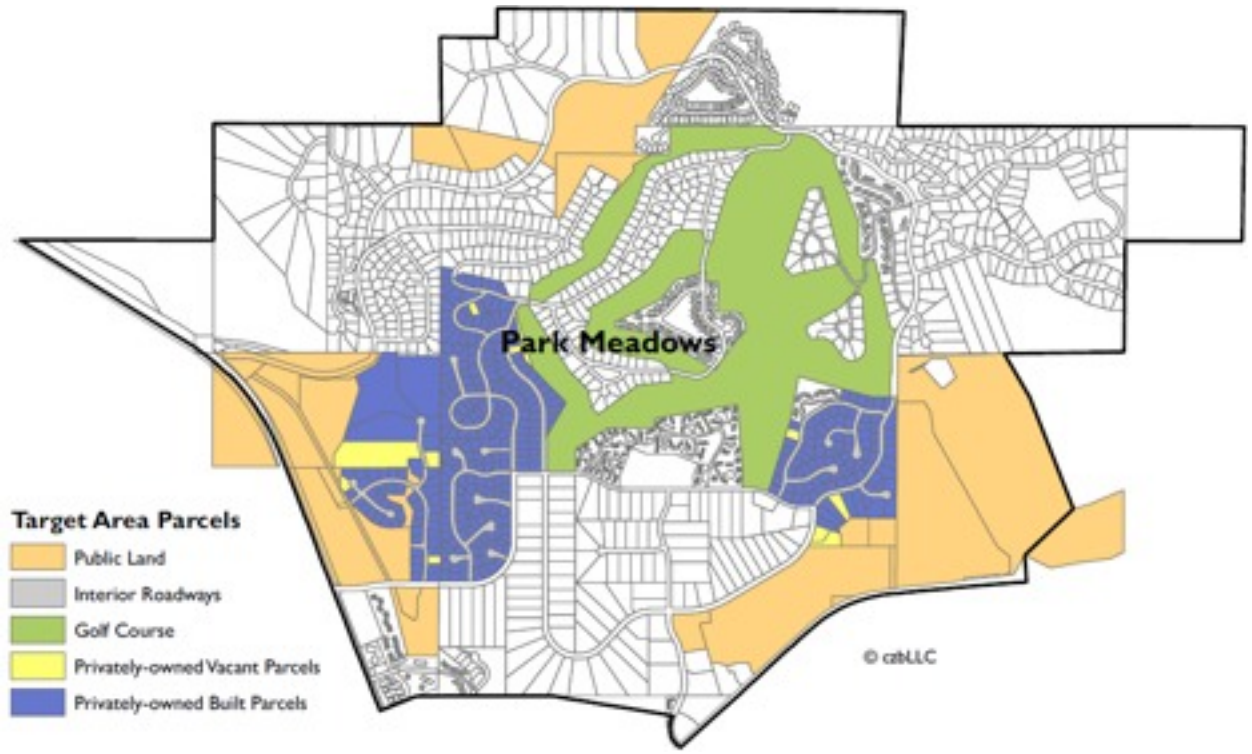
It is clear that the magnitude of the affordability challenge now facing Park City is substantial.

czbLLC proposes that Park City think about strategically repositioning the oldest subdivisions in Park Meadows for redevelopment.

These subdivisions include Park Meadows 1, 2, 3, and 5, and McLeod Creek. (It may also make sense to target Smith and Willow Ranch due to their location – one that could better link Park Meadows 1 and 2 to Old Town.)



The bulk of the parcels in these subdivisions are developed single-family lots. These subdivisions are near a significant amount (293 acres) of publicly owned land and also a privately owned golf course (180 acres), some of which may be appropriate to redevelop. Portions of publicly owned areas that are designated open space could not be developed, of course, but would, naturally, remain as amenities to offset denser development than now exists. The school district's land in the neighborhood should be considered in such a concept as well.



Category	# of Parcels	Acreage	Market Value (Land)	Market Value (Improvements)	Market Value (Total)	Tax Value (Total)	Total Taxes
Publicly-owned Parcels	25	293.3	$0	$0	$0	$0	
Interior Roads	10	26.6	$0	$0	$0	$0	
Golf Course	1	179.7	$1,170,585	$5,049,376	$6,219,961	$6,219,961	$55,656
Privately-owned Vacant Parcels	13	11.8	$2,529,594	$1,014,647	$3,544,241	$2,294,188	
Privately-owned Developed Parcels	354	135.5	$62,201,625	$142,417,998	$204,619,623	$124,086,027	$1,096,877
Total	403	647.0	$65,901,804	$148,482,021	$214,383,825	$132,600,176	$1,152,533

Note that the publicly owned parcels contain bond-financed acquisitions that prohibit future development, military owned property, designated trailheads, and areas owned by the Park City School District.

Sources: Summit County Assessor's Office, czbLLC.

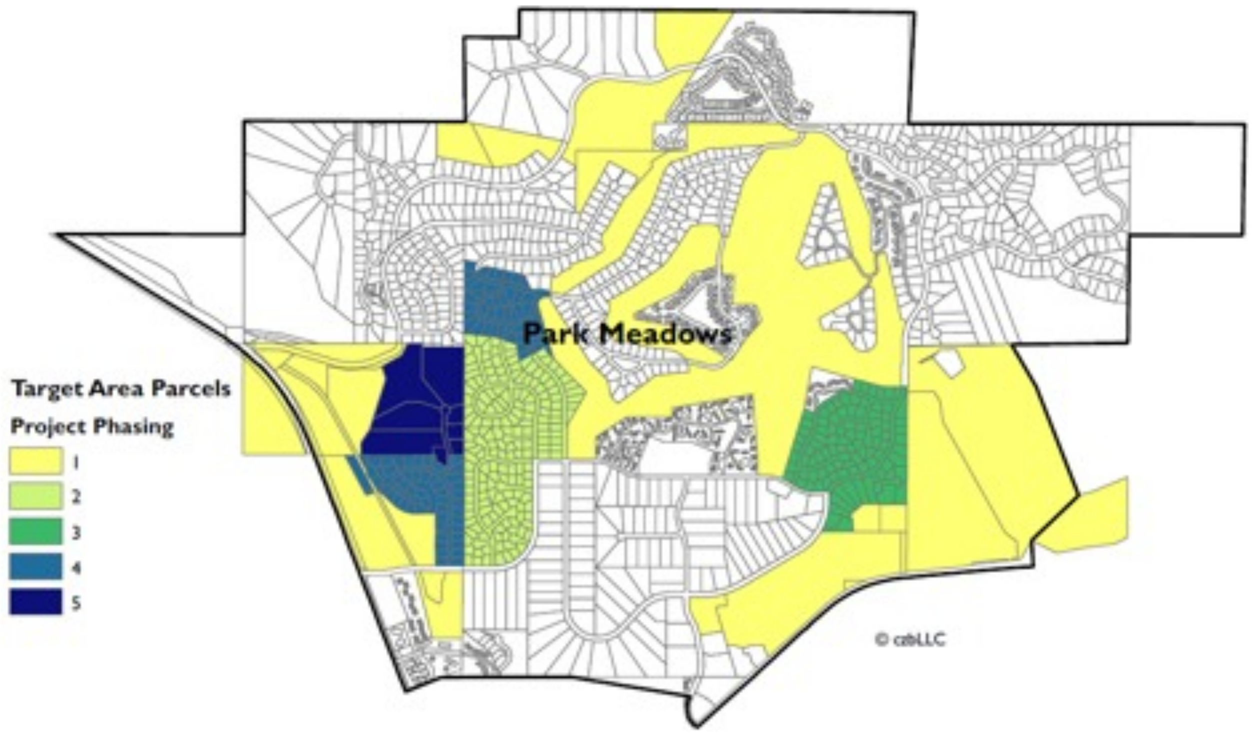
If Park City were to consider undertaking a decades long redevelopment of an area like Park Meadows, we would propose starting with a master plan for the developable publicly owned land and the acquisition of the Golf Course (Phase 1; five years).

A second phase would include the acquisition of properties or development rights for 174 properties in Park Meadows Subdivisions #1 and #2.

Phase 3 (initiated five years after the start of the effort) would focus on the 94 parcels in Park Meadows Subdivision #5.

Phase 4 (also starting five years after project inception) would address the 92 parcels in McLeod Creek and Park Meadows Subdivision #3.

An optional Phase 5 could focus on Smith and Willow Ranch (if appropriate).



Of greatest importance is the fact that Park Meadows is now at inevitable risk of redevelopment by the private sector in ways certain to result in the eventual loss of the bulk of Park City's middles class family housing stocks. The land is too valuable to the market to keep Park Meadows in the middle in perpetuity. For this reason, *not* redeveloping Park Meadows is every bit the decision that redeveloping it would be.

Location	Phase	Years	Current Use	Parcels	Acreage	Strategy/Action	Description of Future Use
Public Land (Eagle Point)	1a	0-1	Vacant Land	4	45.9	Subdivide and Sell (Sending Area) to support development in other areas	Assumes subdivided into parcels .5 to 1.5 acres (the current average and median/mode among developed Eagle Point parcels) which would allow for the development of 30 to 90 future units.
Public Land (Other)	1b	0-1	Vacant Land	21	251.8	Strategic Planning	These areas will be strategically used for additional units (for-sale (5-9 units per acre) and senior housing (8-12 units per acre)) or green space to complement development in the adjacent subdivisions
Golf Course	1c	0-5	Golf Course	1	180.0	Acquisition and redevelopment	Portions of this property will be redeveloped with clustered senior housing (8-12 units per acre); the remainder will be converted into active or passive greenspace.
Park Meadows Subs. 1 and 2	2	Ongoing	Single-family housing	174	51.0	Acquisition (through property swaps (in exchange for units in new senior development), purchasing development rights/land, waiving tax collection, in exchange for equity in the deal, etc.) and redevelopment	The current density in these subdivisions is roughly 3.5 units per acre. The goal is to increase this to at least 5 units per acre, or a minimum of roughly 250 units (an increase of 75 units).
Park Meadows Sub. 5	3	Ongoing	Single-family housing	94	35.2	Acquisition (through property swaps (in exchange for units in new senior development), purchasing development rights/land, waiving tax collection, in exchange for equity in the deal, etc.) and redevelopment	The current density in these subdivisions is 2.7 units per acre. The goal is to increase this to at least 5 units per acre, or a minimum of roughly 175 units (an increase of 81 units).
Park Meadows Sub. 3 and McLeod Creek	4	Ongoing	Single-family housing	92	33.9	Acquisition (through property swaps (in exchange for units in new senior development), purchasing development rights/land, waiving tax collection, in exchange for equity in the deal, etc.) and redevelopment	The current density in these subdivisions is collectively 4 units per acre (3 units per acre in Park Meadows #3 and 2.5 units per acre in McLeod Creek). The goal is to increase this to at least 5 units per acre, or a minimum of roughly 170 units (an increase of 78 units).

Conclusion

A response this bold is in order because the housing affordability problem Park City now faces is so serious. Between the Vail that Park City does not want to be (because of aesthetic concerns) and the Aspen that Park City has nearly become (because of trends in seasonal ownership and housing costs), there is only one way to successfully move forward: the development of moderate density neighborhoods designed to be appealing to middle income families with lots of other great choices located outside of Park City. The best location for this type of undertaking is likely in sections of Park Meadows, where the combination of older, harder-to-market homes and seasoned mortgages makes such redevelopment, while complex, imminently possible. But other locations should be considered. The key is going to be land costs, the single most important driver of affordability, one shaped by height and density and location.

Park City does not have to be Vail, which it abhors. But in avoiding becoming Vail, it has come right up to the edge of becoming Telluride or Aspen, which Park City also loathes. The margin between dense, high, and ugly (Vail) and historic, charming, and beautiful (Aspen) constitutes the smallest imaginable room in which to operate. In effect, this requires something of a Goldilocks strategy, that is, finding the sweet spot for density, height, authenticity (preservation), views, and open space that will result in both charm and affordability. Santa Monica, Aspen, and Telluride blew it. Breckenridge is blowing it. Charleston, Boulder, Chapel Hill, and others did not even try. Not really. Park City can do this, and in Visioning in 2009 said it wants to and is ready for the challenge. What is needed will be an aggressive strategy to sequence and stage various phases of acquisition and redevelopment over 40-50 years. This will require about $1B in forward commitments to fund land and property acquisitions and the purchase of development rights or the option to buy certain parcels at a later date; to cover the cost of holding the land in anticipation of possible redevelopment; and to subsidize units' ultimate resale prices.

It will require the establishment of a land trust with the capacity to acquire roughly $300M in land over four to five decades (at current dollars). It will require modifying the zoning of older, established Park City subdivisions from an average of 3 to 4 units per acre to between 7 and 9 units per acre. It will require the development and use of a range of acquisition tools to purchase development rights. Both urban design and architectural issues are especially crucial for success. Therefore, along with zoning changes, there should be accompanying focus on redesigning the neighborhoods to enhance community amenities (like passive and active green space), improve linkages between the neighborhoods and nearby mixed-use and commercial zones, and improve the design of individual units and streetscape elements more broadly.

This clearly constitutes a major shift in how to think about affordable housing in Park City, if not in Utah, which has historically focused narrowly on the lowest income workers and their families. Park City does this admirably well and, as noted earlier, should continue to do so, both through preservation and new construction. But the market has evolved in Park City to the edge of an affordability cliff so resembling the Aspen market that without a serious commitment to the middle, Park City's affordability gap for moderate- and middle-income households will soon become too costly to mitigate.

Of course, no one has a crystal ball. But the data strongly suggest that the looming future for Park Meadows - affordable today as the foundation of a hedge strategy to achieve middle class affordability going forward - is as the certain site of tear downs and new seasonal construction, just as not so long ago, Old Town experienced oversize infill to meet market demand. Without an intentional strategy to redevelop affordably, Park City will be more Aspenized than Aspen.

References

Voith, R. P. and S. M. Wachter, 2012. The Affordability Challenge: Inclusionary Housing and Community Land Trusts in a Federal System.

Inclusionary housing and community land trusts (CLTs) are two mechanisms used to increase the stock of affordable housing. This chapter examines the potential of these mechanisms to provide long-term (“durably”) affordable housing in the United States, where there is strong local government and significant competition among local jurisdictions. In particular, it assesses the role of land value capture in enabling these mechanisms to provide for such housing.

Pooley, K., Buki, C., and Knowlton, T, 2012. Balanced Growth Strategy Outline; Analysis and recommendations to the Park City Municipal Corporation

Analysis of regional growth trends and forecasts as basis for developing an inclusionary policy across multiple Summit and Wasatch County jurisdictions.