



**2015 City Council Retreat
Affordable, Attainable and Middle Income Housing
Setting the 2015- 2020 Agenda**

Background

City Council and staff conducted a Community Futures study session on December 4, 2014 in preparation for the 2015 City Council retreat. Council reviewed their current priorities, identified short term and long term objectives and specific areas of concerns. At the conclusion of the study session Council elevated two of its priorities to critical focus: (1) Affordable, Attainable and Middle Income Housing and (2) Transportation, Congestion Reduction and Traffic. .

Purpose

The purpose of this report is to provide Council with context for a discussion and direction on options for advancing the goal of *Affordable, Attainable and Middle Income Housing* in Park City. This report includes an overview of the current state of housing in Park City, 2014 accomplishments, a one-year action plan and five year targets. The City's current Five-Year Housing Plan, adopted in 2012, is included as an attachment to this report.

Defining Affordable Housing

Many terms are used to describe housing needs in Park City... affordable, attainable, employee, community-based, deed restricted, low-income, and moderate-income. At its most basic, affordable housing is the relationship between income and housing cost, not a housing type. Housing is considered affordable when the income of a household is sufficient to procure it on the open market with sufficient income remaining for all the non-housing expenses that are part of everyday life. A general rule of thumb is that no more than one-third of a household's income should be allocated toward housing. Lenders generally put a cap of 38 percent of a household's gross monthly income towards housing costs and other credit obligations.

In Park City, housing affordability spans a broad income swath from the hourly service industry worker to a tenured professional household. At prevailing interest rates, for example, the maximum sales price a household can afford is about 3.5 times its annual income (with a 20 percent down payment.) Based on these parameters, a 2013 survey of Park City's housing market found that only households with incomes of at least \$227,500 and savings or equity in excess of \$150,000, could afford to purchase the median priced home in Park City in 2013, assuming one is available in the marketplace.

A Short History of Affordable Housing in Park City

Today, in 2015, there are 497 units of affordable housing in Park City. Eighty percent of these units are rental. Twenty percent are owner-occupied.

The City's first housing resolution was adopted in 1991 and amended in 1993 and 1995. These early resolutions used incentives to encourage development of affordable housing. In 1999, the City moved from incentivizing affordable housing to instituting requirements that required Master Planned Developments (defined at that time as residential developments of 50 or more units and/or mixed use space of 5,000 square feet or more) to provide affordable housing in order to mitigate its impacts on the existing housing stock and the community as a whole. Subsequent amendments were in 2006, 2007 and 2012 refined this approach, addressing additional provisions including seasonal and special needs housing, affordable unit equivalents, and calculation of in lieu fee. The Housing Resolution is adopted by reference as part of the Land Management Code.

In December 2005, the City Council adopted the 2010 Workforce Housing Assessment and Demand Analysis. Among the findings of the assessment was that "employment and population growth exert a strong demand in a supply-constrained housing market. Accelerating demand pressure resulting from continued job and population growth will push prices higher over the next several years, exacerbating the existing affordability challenges. This pressure will result in higher prices for single family home and condominiums, as well as higher rents." At that time there were 372 units of affordable housing in Park City.

The 2007 City Council adopted the City's current housing vision and goals during its Council Retreat.

Affordable, quality housing opportunities available for persons of all economic levels

- Provide a variety of housing options to meet the socio-economic needs of people who live and work here, including persons with special needs.
- Maintain a community that contains a broad diversity of owner-occupied and rental housing types.
- Preserve and develop high quality, accessible and affordable housing to serve the diversity of people who live and work here.
- Promote housing that is energy efficient, environmentally sensitive and that blends with the City's natural environment.

Council also affirmed the primary role of the City as a facilitator of the development and/or preservation of affordable housing through financial tools and the regulatory process. It recognized that in some instances, specifically where there is a significant city contribution of land or capital, the City's role may include coordinating and/or overseeing the development of housing.

Over the past decade 109 units of affordable housing were added to the City's housing stock with an additional 17 units provided by Talisker outside of city limits. After several years of effort, the Park City Heights subdivision has been approved and construction has commenced on the first phase of affordable units. Seventy-nine of the 239 units being developed will be deed-restricted affordable units. This development advances the city's vision for affordable, quality housing options for persons of all economic levels.

Most recently the City Council passed a criminal ordinance to protect affordable units from fraudulent use. An energy efficiency demonstration program was completed for city-owned units in Silver Meadows and the Transit Seasonal housing program opened and received the Project of the Year from the Utah Housing Coalition. The City was recognized by the Urban Land Institute with the Larson Award for Public Policy in Affordable Housing. Staff was invited to participate on affordable housing panels at state, regional and national conferences.

While the city's posture has been to use the regulatory process to mitigate housing impacts on the community, it is important to note the nonprofit/public sector produced 40 percent of the new housing stock added since 2008. The City played a significant role in nonprofit housing developments through the contribution of land, bridge financing and special service grants. Recent changes in government accounting will limit our ability to provide financing support in the future.

Housing Development 2008 – 2014		
Nonprofit/Public Developments		
The Line Condominiums	22 units	Mountainlands Community Housing Trust
Ontario Avenue	2 units	Habitat for Humanity
Snow Creek Cottages	13 units	Park City Municipal
Seasonal Transit Housing	13 units	Park City Municipal
Subtotal Nonprofit/Public	50 units	
Development Agreements		
Silver Star	20 units	Silver Start Development Agreement
Empire Pass	16 units	Flagstaff/Empire Pass Dev Agreement
Prospectors Condos	23 units	Flagstaff/Empire Pass Dev Agreement
Black Rock Condos	17 units	Flagstaff/Empire Pass Dev Agreement
Subtotal Dev Agreements	76 units	
Total Units	126 units	

The Dynamics of the Housing Market in Park City

Today there are 497 units of affordable housing in Park City. Eighty percent of these units are in rental housing stock serving the lowest incomes in our community. Approximately thirty percent of these rental units are subsidized through the Rural Development 515 program which provides direct financial assistance to ensure that households do not pay more than 30 percent of their income for housing. The balance of the units (approximately 100 units) provides affordable homeownership. The City Council made an affirmative decision to promote affordable homeownership when it adopted its 2005 housing plan. Incomes of homeowners in deed -restricted affordable units range from \$52,000 - \$105,000.

Over the past year staff has analyzed existing housing trends in Park City and the surrounding region, evaluated our current programs and researched best practices in housing finance, development and asset management. Perhaps one of the key findings is that it's not enough to have product in the right price points, but the units must also be desirable and match the purchasing power and demand preferences of potential buyers and renters if we want those households to remain in Park City.

Demographic Trends

Since 2002, Park City has been on a steady trend towards losing middle-income families, primarily due to mismatch of affordable product and desired homes (condos vs single family homes with yards).

Between the years 2000 - 2010 the number of owners under 55 fell with the greatest decline in the 35-44 and 45-54 age groups. In contrast the number of owners over 55 rose dramatically. The 55-64 age group increased by 52 percent (182 persons) and the 65+ nearly doubled from 199 to 370 persons.

The number of family households with children in Park City declined from 872 to 774 households. Conversely, the number of Park City households without children increased by nearly the same amount (816 to 968). Similarly during the first decade of the 2000s the number of city residents enrolled in kindergarten through 12th grade declined by more than 200 (1,324 to 1,121.)

Supply and Demand

Our dilemma is in the middle – households with incomes in the \$75k - \$150k with a buying power of \$260,000 - \$525,000. These are households that earn enough money to buy a home in the region, but not enough to buy one in Park City, unless they are willing to buy a condominium. Individuals and households in this income range, primarily young professional families want a backyard, and given the housing options outside of Park City, they are willing to commute to get it.

Middle-income buyers are increasingly choosing to buy in Snyderville, Jordanelle and elsewhere and commute. By 2011 Park City housed just one-quarter of its share of the region's owner households with incomes between \$75k and \$150k and fewer than 60 percent of households between \$100k and \$150k.

Housing supply is also a significant issue. We are falling behind in both housing price and housing production. Citywide, one-third of all single family homes were built before 1980. And, when property is sold, is it finding the "right buyer" – another year-round, middle income family to help maintain the community of permanent residents.

Prospector and older parts of Park Meadows used to be the place where middle-income families purchased homes. Today the median sales price is no longer affordable to middle-income buyers without a substantial down payment or other equity investment. From 2006 – 2011 just 10 percent of all single family sales in Prospector, Thaynes and Park Meadows sold for under \$500,000 and often required substantial updates. In Park Meadows 1, 2 and 5 replacement units average 1.5 to 2.5 times the size of original home thus driving up prices for neighboring properties today and forever removing affordable homeownership opportunities as the value of remodeled homes are substantially higher

At the same time, renter households are doing much better in PC than elsewhere in the region. 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. Park City houses nearly two times its regional share of renter

households and more than three times its share of households with incomes between \$25,000 and \$50,000.

Renters paying close to Fair Market Rents for two- and three-bedroom rental units have sufficient income to buy condominium units priced at about \$180,000 and \$250,000 respectively. About 60 percent of all renters in Park City have incomes above 50 percent Area Median Income. If even a fraction of these 750 higher income renters were induced by favorable interest rates and market conditions to move to homeownership, a significant number of rental units would be "freed-up" thereby offsetting and alleviating some supply constraints and pressures on the local rental market. There is also concern for the aging of the rental stock for year-round residents. In 2010 the median age of rental units is 30 years. There has been no new apartment development since the mid-1990s in Park City.

The Proposed 2020 Housing Agenda

Park City is remarkable place. Our evolution from a mining town and ghost town to community on the world stage did not happen by accident. We made deliberate choices over the past 40 years to shape Park City into an international resort destination. We continually work to balance the ongoing tension between the care and feeding of our local economic tax base, our "golden goose" and our ability to maintain a local workforce and sustain Park City as a resort community rather than simply a resort destination.

The challenge of providing affordable housing in Park City is an unintended consequence of our success and the choices we made along the way to increase our desirability. We are fortunate that prior City leaders had the foresight to recognize the potential impacts of increasing demand for land and housing in Park City on the local community and instituted housing policies in the early 1990s that secured the housing stock we have in 2015.

Today we find ourselves once again at a community crossroads that requires leadership, commitment, resources and community support if we are to retain our community culture and character.

In 2010 the City set a goal that **10 percent** of all housing units in Park City would be secured as permanent, affordable housing. To date we are at **5.3 percent**.

Staff is proposing setting a goal to increase the share of permanent affordable housing in Park City to **seven percent** by 2020. This will add 184 units to our current housing inventory.

There are an estimated 9,471 housing units in Park City and 498 affordable housing units. A modest increase of 250 units over the next five years would bring our total housing stock to 9,746. This unit increase anticipates build out at Park City Heights. Achieving our goal of **seven percent** of permanent affordable housing by 2020 will require an aggressive commitment of staff and financial resources as well as sustained Council and community support over the next five years.

Five Year Affordable Housing Build Out Scenario

Project	Number of Affordable Units	Status
Park City Heights	79	Under construction
Lower Park Avenue	25	Predevelopment
TBD (outlined below)	80	Concept

Staff has outlined a set of tools and programs for Council consideration and discussion. Staff is requesting Council direction on the following:

1. Staff is proposing increasing the proportional share of affordable housing in the community to seven percent by 2020 against our community goal of ten percent. Does Council support this level of increase in housing programs? If not, what would be a reasonable goal to set?
2. Staff has outlined a set of tools to accomplish this goal. These tools can be scaled as necessary. Staff is requesting Council discussion and direction on the tools and the level of resources proposed over the next five years.
3. Is there specific guidance from Council either on types of units, age or income targets or other objectives?

Proposed Housing Tools and Programs

Tool	Description	Type	Resources & Estimated Cost
Housing Resolution	Revise housing resolution to ensure base requirements for Bonanza Park. Evaluate metrics used to assess housing obligation and consider application of housing mitigation for all new development regardless of size. Evaluate application of fee-in-lieu option.	Regulatory	Staff Consultant services \$15,000
Land Management and Building Codes	Review LMC to identify barriers to affordable housing in Land Management, Building and other codes. Recommend revisions where applicable	Regulatory	Staff Consultant services (included above)
Monitoring	The city conducts an annual affordability compliance of all its deed-restricted units. This will expand to include the initial sales of Park City Heights.	Regulatory	Staff
Land Acquisition.	A corollary to property acquisition is land acquisition for housing development. There are several parcels throughout town that could accommodate small housing development of six to 12 units. Land costs could be recouped through sales, contributed in all or part. Other parcels to consider are securing air rights to add housing in existing commercial areas or building above surface parking lots.	Acquisition	Staff Realtor RDA Resort Cities Sales Tax Donated Value \$5 million over five years
Development	The City may act as the Developer or partner in a public private partnership beginning with the city-owned land in Lower Park Avenue RDA	Development	Staff RDA Resort Cities Sales Tax \$6mi for construction funding recouped through sales.

Proposed 2015 Action Plan

Work Item	Timing
Press & Community Event to launch Council housing goals and commitments	Spring 2015
Regulatory Review	Housing Resolution - Spring 2015 Code Review – Summer 2015
Lower Park Avenue	Charette - Spring 2015 RFP Process - Summer 2015 Design and Engineering - Fall 2015 – Spring 2016
Land Acquisition	Develop parameters for acquisition – Spring 2015
Neighborhood Pilot Program	Develop program parameters – Summer 2015 Host community meetings to test idea - Fall 2015