

# Housing Resolution & Policy Review

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## Blue Ribbon Commission Meeting November 30, 2015

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# Topics for Discussion

- Context and conditions
- Priorities
- Expansion residential & commercial policy
- Trigger point
- Fee in-lieu alternatives
- Incentives
- Preliminary results of survey

## **Purpose:**

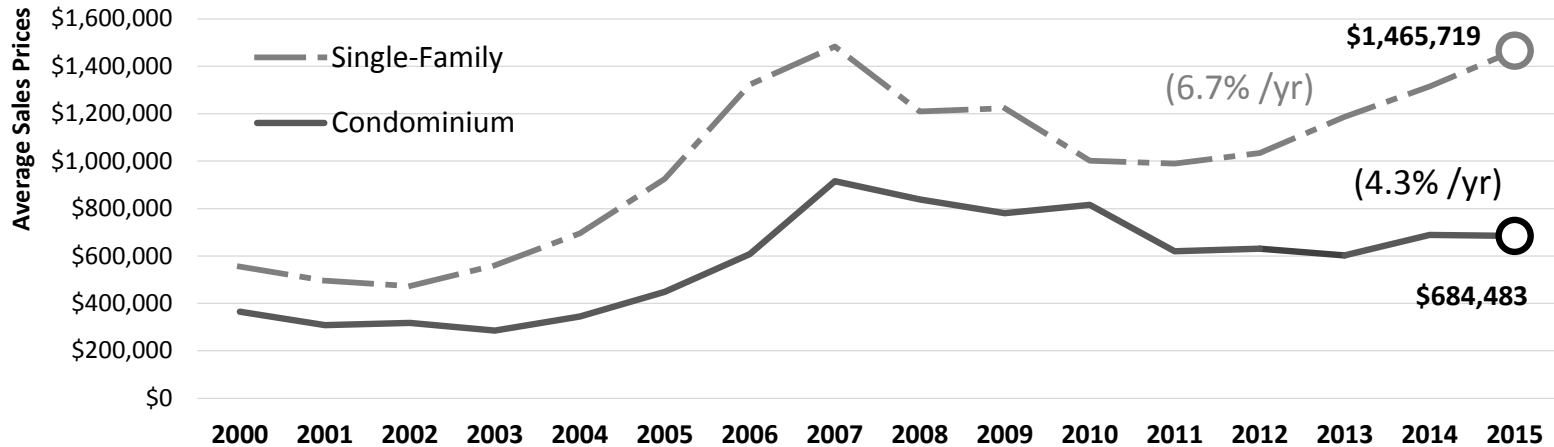
- *Highlight issues*
- *Raise awareness of need*
- *Frame discussion of priorities*

# **CONTEXT & CONDITIONS**

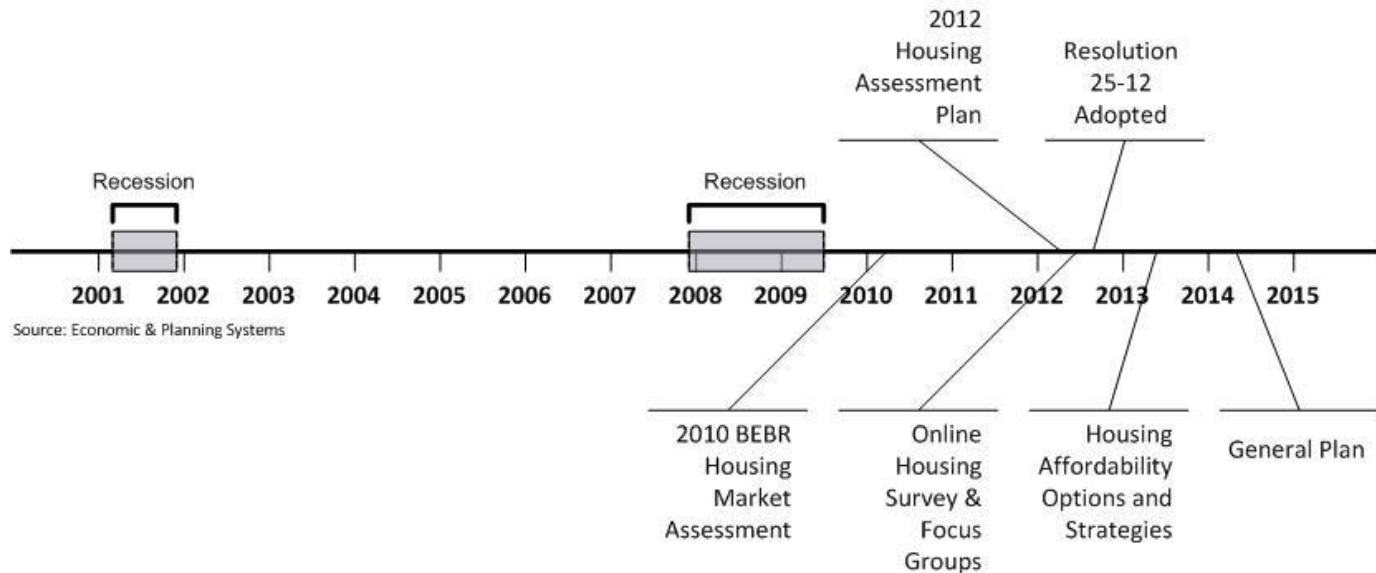
# The story continues

1. Rising housing costs
2. Rising affordability gaps
3. Magnitude of in-commuting (+85% of all jobs are in-commuters)
  - Only 1,700 job-holders in Park City live in Park City
4. Increased % of housing inventory 2<sup>nd</sup> homes (btw 2000 & 2013, +2,900 units (2,100 of which were 2<sup>nd</sup> homes))
5. Increased demand for service-sector workforce jobs (btw 2000 & 2013, +8,200 jobs)
6. 40% of businesses say housing affordability a major issue for finding qualified workers
7. Scarce availability of land w/in City limits (perhaps w/in School District boundaries)
8. Increased cost to build
9. 484 units in affordable inventory (~5% of total housing)
  - 269 units in pipeline (56% increase)
10. Is new residential or commercial development the driver of affordable housing demand?
  - \$1.2B in total building value since 2004: 40% res.; 60% comm.

# Overlay of Studies & Market Conditions



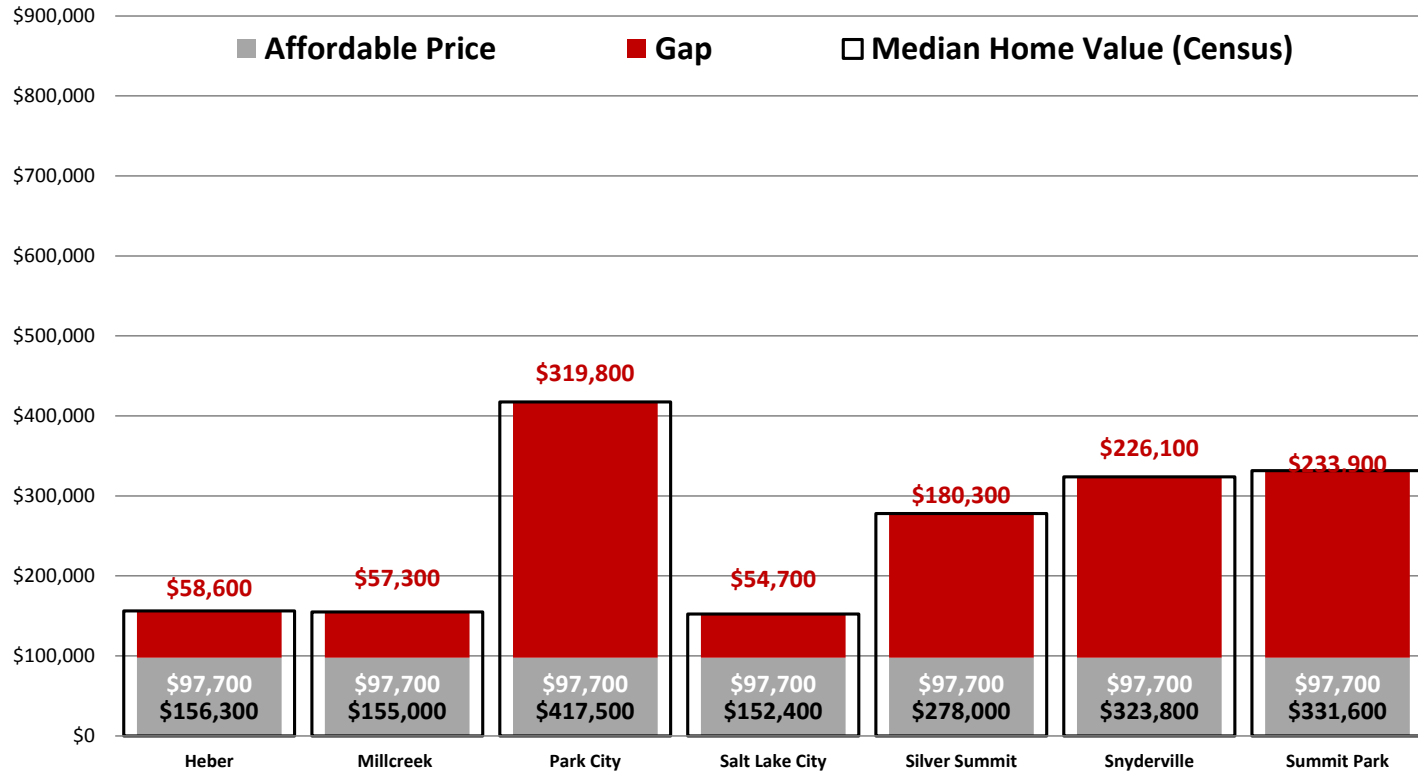
[Note 1]: Statistic in parentheses indicate annual average rate of change.  
 Source: Park City MLS; Economic & Planning Systems



Source: Economic & Planning Systems

# Affordability Gaps (2000)

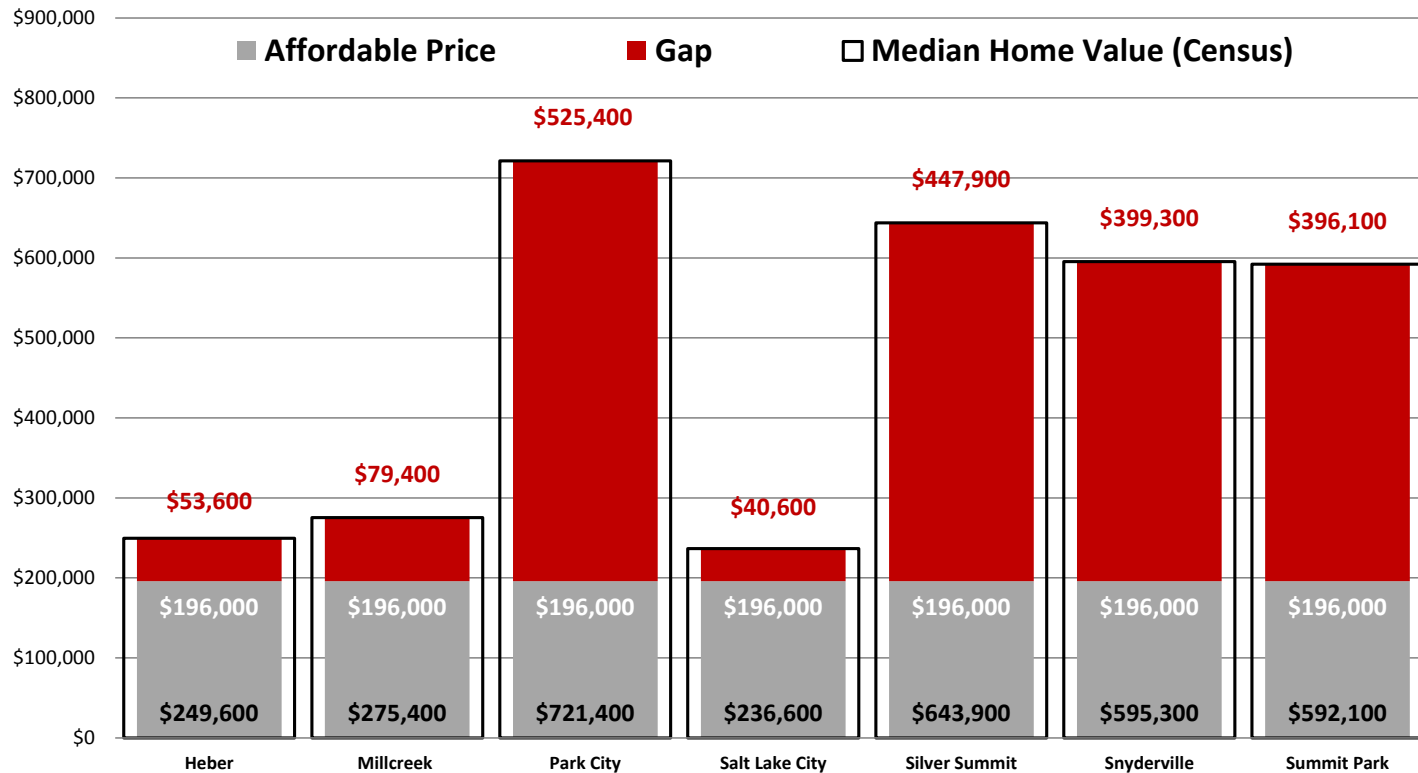
(calculated w/ regional median income = \$40,000)



Source: U.S. Census, Economic & Planning Systems

# Affordability Gaps (2013)

(calculated w/ regional median income = \$54,000)



Source: U.S. Census, Economic & Planning Systems

# Housing Demand Estimates

(...in 2012, Location Substitution Method = 213; Commuters = 390)

Location Substitution Method	Factor	2013
Individuals working in Park City		12,079
Multiply by Location Substitution Rate	34%	4,107
Subtract persons already living in the City		1,737
Estimate of those wanting to live in the City		2,370
Divided by 1.5 jobs per household	1.5	1,580
Multiply by % of core sector jobs	39%	616
<u>Less: Pipeline projects</u>		<u>269</u>
<b>Estimate of households needing assistance</b>		<b>347</b>

Profile of Commuters Method	Factor	2013
Individuals working in Park City		12,079
Less % of those already living in City		1,737
Workers living outside City limits		10,342
Multiplied by % of primary jobs	84%	8,656
Divided by 1.5 jobs per household	1.5	5,771
Less % for households living in 84098	69%	3,982
Estimate of those wanting to live in the City		1,789
Multiply by % of core sector jobs	39%	698
<u>Less: Pipeline projects</u>		<u>269</u>
<b>Estimate of households needing assistance</b>		<b>429</b>



**Objective:** *to think clearly about intended versus unintended consequences*

# POLICY VS. ECONOMICS

# Planning Policies

(Intended vs. Unintended consequences; source: czb)

Limit Height	→ Views	→ ▲ Quality of Life
Limit Density	→ Small town feel	→ ▲ Quality of Life
Limit Infill	→ Hist. Pres.	→ ▲ Quality of Life
Limit Development	→ Open Space	→ ▲ Quality of Life

Limit Height	→ ▼ Supply	→ ▲ Housing \$
Limit Density	→ ▼ Supply	→ ▲ Housing \$
Limit Infill	→ ▼ Supply	→ ▲ Housing \$
Limit Development	→ ▼ Supply	→ ▲ Housing \$

# Supply and Demand Influences on Price

(...and how a solution needs to be structured)

## Increased cost to build

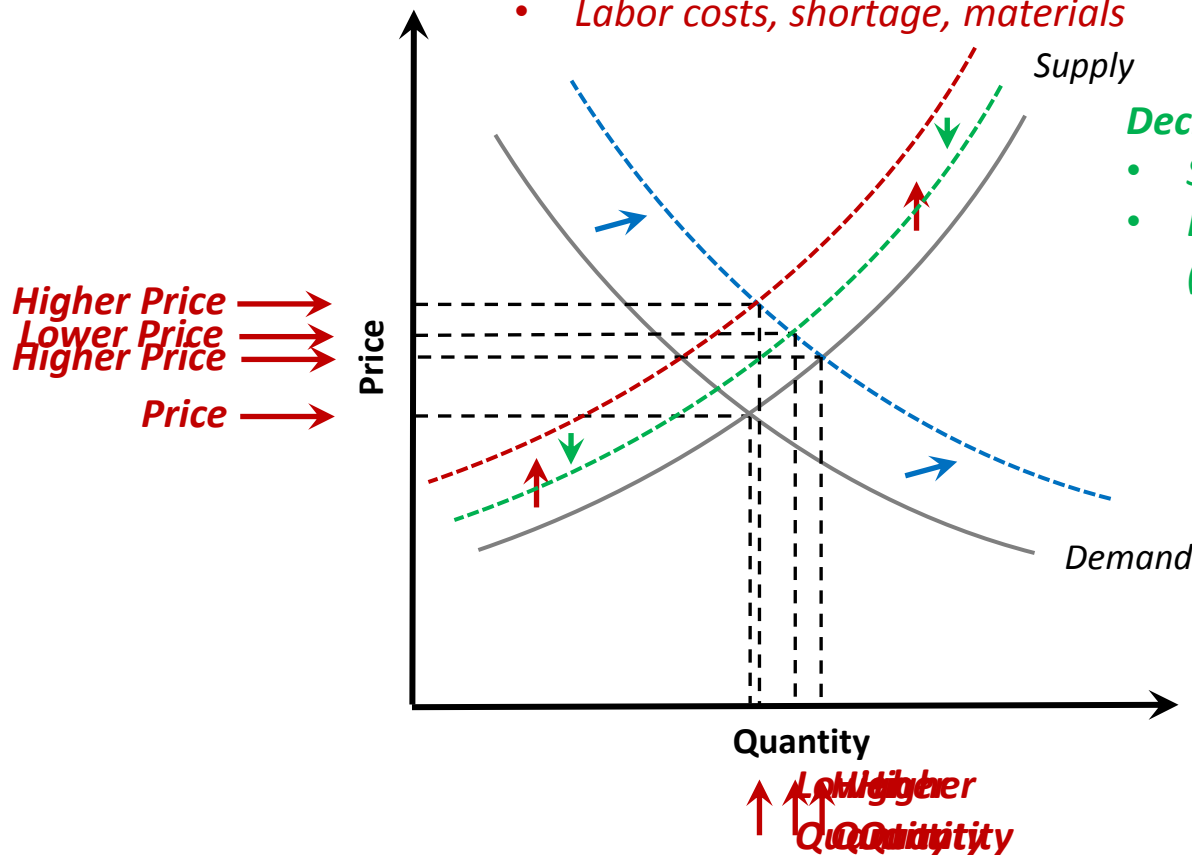
- Scarce land available, high cost
- Limited height, density, other regulation
- Taxes or fees (i.e. linkage, etc.)
- Labor costs, shortage, materials

## Decreased cost to build

- Subsidies
- Efficient use of land (i.e. more density)

## High willingness to pay of buyers in market

- Wealthy 2<sup>nd</sup> homeowners
- Other common causes (in-migration, high job / wage growth)



Discussion about

# **PRIORITIES**

# Policy direction

## **Maintaining / Preservation**

- ❑ Recapitalize the housing stock (rehab, resell)
- ❑ Shared equity versus appreciation cap (one of the 2012 Plan goals)
- ❑ Ensuring a monitoring/compliance enforcement mechanism for DR'd inventory
- ❑ Acquire and consolidate parcels in older, more affordable (and modestly sized) subdivisions, rehab/redevelop, resell as DR'd
- ✓ Ord. 13-08, addressing lending and resale, transfer provisions

## **Expanding**

- ❑ Financial incentives to developers

## **Serving the workforce**

- ❑ Existing higher income renters for local DR'd ownership
- ❑ Frees up rental inventory
- ❑ Target portion of in-commuters

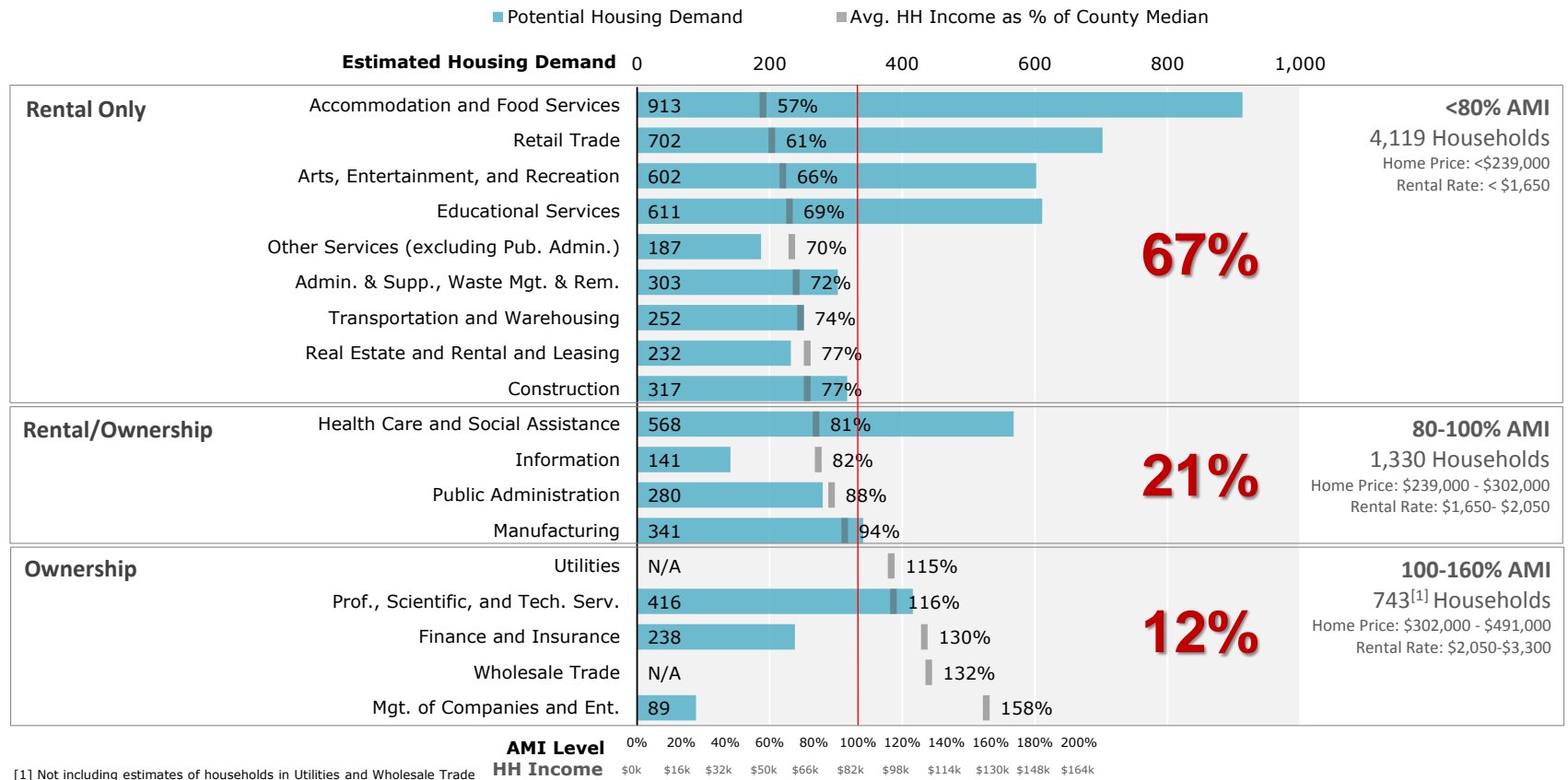
## **Target income ranges**

- ❑ Middle income households, i.e. community workforce

# Where is the need?

(At the root of the location substitution and commuter methods)

## Estimated Housing Demand by County AMI Level - Park City



# Point of comparison

## **Online Housing Survey & Focus Groups (2012)**

- 68% in 4 industries (Government, Recreational, Community Service/Non-Profit, Hospitality)
- 41% of PC renters (~100 respondents)
  - 72% of which would like to purchase home
  - Affordable mortgage would be \$900-\$1,300 (approx. \$198,000-\$287,000 in 2013)
  - Local 56% to 76% AMI
  - Regional 85% to 115% AMI
  - ~50% actually have incomes to purchase in this range

# Policy direction

## Questions

- What are your perspectives on where the need is?
- Does it conform to your understanding of affordable or workforce housing?

## General

- Process evaluation – any obstacles to development
- Need and potential for capacity expansion?
- Need for other services – more homebuyer counseling, expanded down payment assistance program?



**Objective:** *that the policy is reflective of and mitigates all magnitudes of development*

RESOLUTION 25-12

# EXPANSION & TRIGGER POINT

# Expansion of Residential Policy

## 1. Resolution 25-12 applies to MPDs and annexations

- Est'd 1,100 res units permitted btw 2005/2011
- 25-12 produced 78 units (~15% of 520 units)
- 25-12 applied to <50% of res development
- Is it really achieving desired result regarding annexation?
  - "Promote mixed-income residential development within the City's annexation boundaries" (City goals)
- What about by-right development (i.e. large 2<sup>nd</sup> homes)?

## 2. Residential requirement is 15% of *units*

- Rationale: 12,000 sqft (six 2,000-sqft units); results in ~1 req'd unit
- But what about six 4,000-sqft units?
  - 15% of *square-footage* → *could yield larger sqft for affordable units*
  - Use a "points" system where the ▲ sqft could yield ▲ units
- Alternative: residential linkage → would require nexus study
  - *Basis of price or size*
  - *Demand (consumption-based) or direct/measurable employment-based?*
- Affordability term (40, +10 years)

Size of Unit Finished Sq Ft	Employees Generated
<1,000 s.f.	0.10
1,000 - 1,999	0.14
2,000 - 2,999	0.19
3,000 - 3,999	0.26
4,000 - 4,999	0.34
5,000 - 5,999	0.46
6,000 - 6,999	0.63
7,000 - 7,999	0.85
8,000 +	1.14

Source of data: Rees Consulting, Inc. and RRC Associates, Residential Job Generation Studies

# Residential (cont'd) and Commercial

1. Commercial requirement is 20% of demand from new space
  - Increase mitigation %?
  - Rationale: 2,500 sqft results in ~1 unit produced
2. Analytical Needs: working with Building Department to quantify:
  - Need to fully understand/quantify whether residential or commercial is primarily responsible for generating affordable housing demand
    - Size of new commercial space built
    - Comparison of size of new residential units built
3. Thresholds in practice
  - 1 unit: Boulder, New York
  - 2-5 units: Anaheim, Burlington, Chapel Hill, Davis, San Diego, San Francisco
  - 6-10 units: Boston, Cambridge (or 10,000 sqft for comm.), Chicago
  - More than 10 units: Denver, Montgomery County, Tallahassee

**Objective:** *the fee should reflect the actual cost of developing and/or maintaining the affordable unit*

## **FEE IN-LIEU**

# Fee in-lieu Alternatives

(...for a 40-unit project (4,000 sqft/unit); 6-unit IZ req't)

## Approaches

1. Difference btw. market median and affordable price (150% AMI)
2. % of construction cost (varies)
3. % of maximum affordable sales price
4. Land value-based (varies)
5. Nexus-based (residential)

## Total Fee Examples

1.  $\$400,000 - \$260,000 =$   
 $\$140,000 / \text{unit} = \mathbf{\$840K}$
2.  $\$240,000 \times 75\% =$   
 $\$180,000 / \text{unit} = \mathbf{\$1.1M}$
3.  $\$260,000 \times 75\% =$   
 $\$195,000 / \text{unit} = \mathbf{\$1.2M}$
4.  $\$50 \times 1 \text{ acre (43,560 sqft)}$   
 $\times 80\% = \mathbf{\$1.7M}$
5.  $\$10.00^{**} / \text{sqft} \times 160,000$   
 $\text{sqft} = \mathbf{\$1.6M}$

\*\* This is a made-up number.

# Policy direction

## Points of discussion

- ❑ Pros and cons of changing the AMI level
  - ❖ Lowering the AMI would achieve a higher fee
  - ❖ Does existing/past affordable production really align with the stated AMI level?
- ❑ What's the overall objective?
  - ❖ To generate the maximum amount of fees?
  - ❖ To ensure that the fee accurately reflects the cost
    - ...to build a unit elsewhere?
    - ...to buy-down a unit elsewhere?
    - ...to preserve/rehab a unit elsewhere?

**Objective:** *to substantially motivate or influence behavior*

# INCENTIVES

Updating the commercial mitigation rates

# **EMPLOYMENT GENERATION**



# Business Survey

(83 online responses; door-to-door today, tomorrow)

The screenshot shows a survey builder interface for the 'Park City Employer Survey'. The top navigation bar includes 'Summary', 'Design Survey', 'Collect Responses', and 'Analyze Results'. Below this are buttons for 'Preview & Test', 'Print', and 'Next'. The main content area displays the survey title 'Park City Employer Survey' and a blue header with '+ Add Page Title'. The survey text reads: 'Park City is currently studying the effectiveness of its existing housing policies and looking at other feasible options for addressing affordable housing needs. The purpose of this survey is to update the City's employment generation rates with information that accurately reflects the local business environment. Your individual responses will be strictly confidential, and the data collected will be used in aggregate.'

**1. General information**

Business name

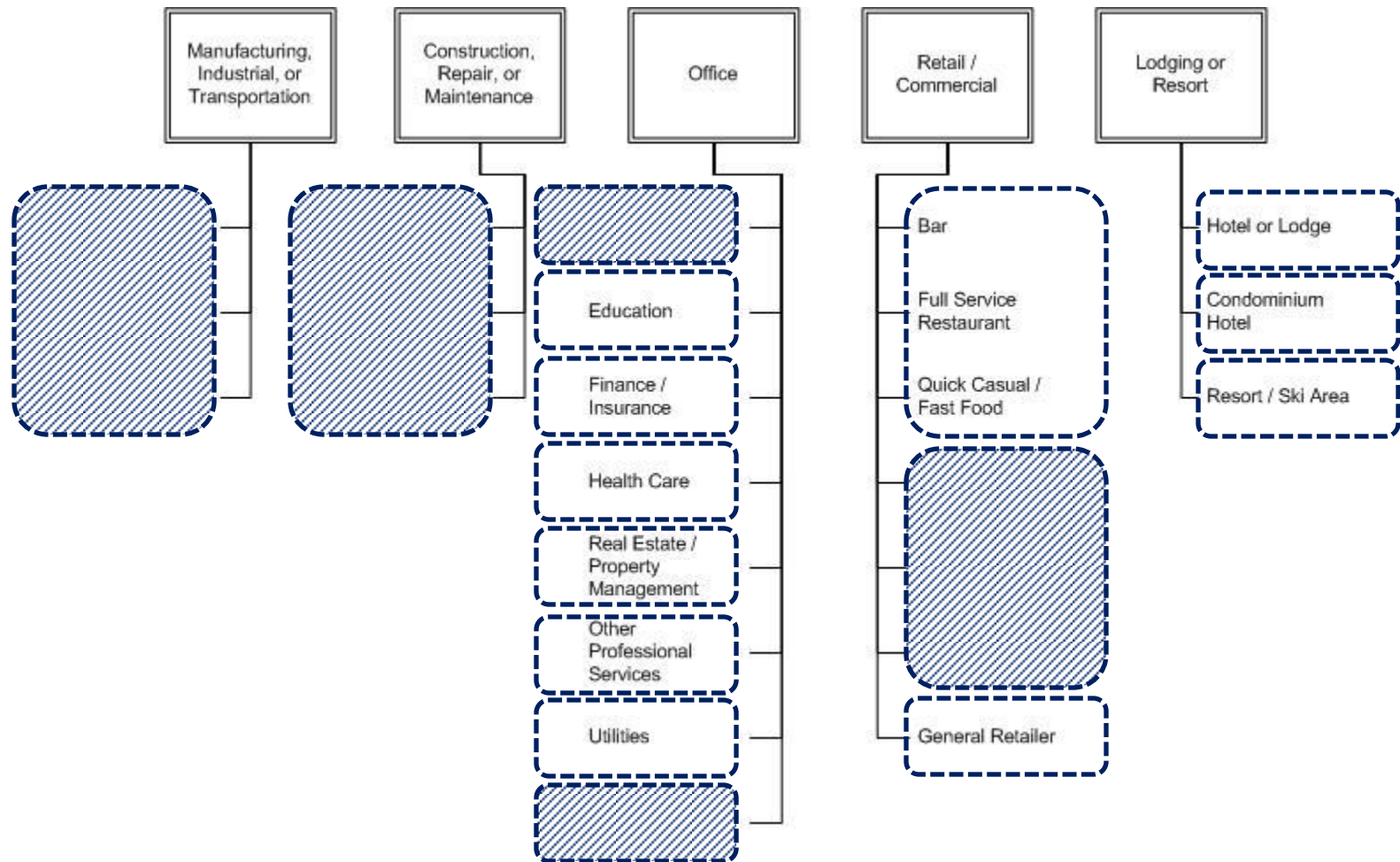
Physical address

**2. How long has this business been operating in Park City?**

- Less than 2 years
- 2 to 5 years
- 5 to 10 years
- 10 to 20 years
- More than 20 years

The left sidebar contains a 'BUILDER' menu with various question types: Multiple Choice, Dropdown, Matrix / Rating Scale, Matrix of Dropdown Menus, Ranking, Net Promoter® Score, Single Textbox, Multiple Textboxes, Comment Box, Contact Information, Date / Time, Text, Image, and Text A/B Test (with an 'Upgrade' button). Below the builder menu are sections for QUESTION BANK, LOGIC, OPTIONS, and THEMES, each with a question mark icon.

# Employment Generation Categories



# Existing Categories and Rates

(preliminary #s, some categories insufficient data, skewed results)

**Table 1: Employee Generation by Type of Use.**

Type of Use	Full Time Equivalents (2080 hours) per 1,000 net leasable square feet
Restaurant/Bar	6.5
Education	2.3
Finance/Banking	3.3
Medical Profession	2.9
Other professional services	3.7
Personal services	1.3
Real Estate/Property management	5.9
Commercial/Retail	3.3
Recreation/amusements	5.3
Utilities	2.9
Lodging/hotel	0.6/room
Condominium Hotel	Greater of lodging/hotel calculation or residential mitigation rate
Overall/General	4.4