Telluride, Colorado: Affordable Housing Solutions

Telluride Ski Resort: consistently ranked in top 10 for North American ski areas.

Telluride Bluegrass Festival-June up to 12,000 attendees.

Telluride Blues and Brews-Mid September

Telluride Mushroom Festival

Telluride, Colorado: Affordable Housing Solutions

- Growth in tourism and recreation in Telluride region has accounted for approximately 60% of total employment growth since 2010.
- With growth of tourism—and similar to other popular Western resorts like Aspen, Jackson, WY, Sun Valley, ID—Telluride has become a retreat for wealthy 2nd and 3rd homeowners.
  - Current average sales price for a home in San Miguel County—Telluride is County seat—was just under $1.5m in 2019.
- Average price free market residential per square footage in San Miguel County just over $600/sq.ft.
- Town of Telluride $775/sq.ft.
- More recently many in Town sales over $2,000/sq.ft.

225 N. Fir: 2972 sq. ft. single family residence with 250 sq. ft. guesthouse in back. Lot size: 25’ x 117’.

Sold at: $4.77m.

Telluride, Colorado: Affordable Housing Solutions

235 E. Columbia, 3900 sq. ft. single family residence; Lot size 50’ x 100’; **Sold at: $7.625m.**

- 2 top floor penthouses in newly constructed Transfer Warehouse:
  - Unit 301 San Juan bldg: 3900 sq. ft. **Sold at $8.4m.**
  - Unit 301 Transfer bldg: 3700 sq. ft. **Sold at $7.725m.**

Recent local poll: 39% of residents believe affordable housing is the most critical issues in region (up from just 15% who said the same in 2011). Employers feel the same…32% most critical, was 11% in 2011 (ability to retain employees is huge issue for employers).

Gold Run Project:

- 20-units completed in 2010, combination single family and duplex. This is a single-family unit constructed by Town, sold for about $330,000. With deed restricted price cap on appreciation would now resell to qualified employees for approximately $400,000, which is the average County wide, deed restricted price per unit. Town is often building and selling our affordable housing units for approximately $200 per sq. ft.

Long-Term Focus on Affordable Housing:

- Beginning in the 1990s, efforts directed at enhanced affordable housing in region.
- Town created dedicated Affordable Housing Fund in 1990s.
  - Currently about 400 units of deed restricted housing in Town of Telluride.
  - Town of Telluride has been averaging construction of approximately 15 units per year.
- From 2000 to present…approximately 31% of all dwelling units constructed in Town of Telluride were deed restricted units.
- 70% inventory is rental deed restricted; 30% owner occupied.
- In addition, approximately 530 units of deed restricted housing in Town of Mountain Village (ski area mitigation); 280 in County.

2017 Virginia Placer Project: Apartment 18 units; boardinghouse with 32 units and tiny homes- built for approx. $8m.

Apartment complex: 18 units (1 & 2 bedroom).


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Boardinghouse: 32 units: 18 single, 14 double, dorm style rooms.

Dorm style living.

Two models: Rental & Owner Occupied

- Ownership based- Town built, either on Town owned land or land we acquire for specific project.
  - Building at some level of subsidy, but typically getting close to 80-90% back to the Affordable Housing Fund by the sales proceeds. Ex: Building a unit for a cost of $350,000, selling it for $280,000 ($70k is the subsidy). Deed restriction then limits who can purchase:
    - limits on income;
    - required to work full-time locally;
    - net worth restrictions;
    - cannot own other residential property.
- Important change in 2006, under revised FNMA rules for “conventional” loans, the deed restriction can now survive foreclosure (previously had to either exercise our option on property or we would lose the deed restriction).

Rental model-

- Town builds the project with significant capital outlay from bond.
- Debt payments on bond are supported by rental proceeds from the project.
  - Advice: Watch for maintenance costs on a project. Great model for new construction, but make sure bonds are paid off before maintenance costs increase over time.
- After bonds paid off, then rental proceeds can build up significant reserve for more significant capital/maintenance obligations.
- WATCH OUT….what if rental occupancy numbers go down?! Most of our bond payment obligations are calculated on at least 90% occupancy—Town has maintained this even during ‘08-’09 Great Recession—but could have been a concern if we would have witnessed significant vacancy rates.
- “Good fortune” of needing affordable housing: Shandoka 134 units, wait list at **148**; Virginia Placer 18 units at **121**.
- Current bonding model: revenue pledge only…earlier bond obligations had a rental pledge AND a deed of trust on the property, which are not preferred as we could potentially lose the public asset as the secured obligation on the bond.

Supporting the AH Program-Revenue sources:

1) ½ cent sales tax approved in 1994 dedicated to "fund and finance affordable housing".

- Included a bonded indebtedness component on the revenue up to $5m.
- Substantial growth in sales tax revenue for this ½ cent tax in last 25 years:
    - 1995: $300k
    - 2000: $389k
    - 2005: $445k
    - 2010: $468k
    - 2015: $683k
    - 2019: $888k
- Since inception, over $13m total.
- Yearly amount has tripled since 1995…rapid growth in the last 5 years!

Affordable Housing Mill Levy and Short-Term Rental Tax

- 2) 2 mill levy (property tax) dedicated for affordable housing purposes approved by voters in 2018:
  - 2019: raised $556k.
  - 2020: $612k.
  - Separate TABOR bond question on debt from mill levy also approved: $8.1m.
- 3) 2.5% Short-term rental tax: "for the purpose of funding affordable housing and affordable housing programs."
  - Applies to short-term rentals (less than 30 days). $200k-$300k/yr.?
  - Originally Town Council directed to draft for Nov. 2018 election, but then decided not to send to voters. Next year (Nov. 2019) citizen lead initiative took our TABOR drafted language, made minor changes and it was put on ballot as citizen lead initiative. PASSED!
  - Also included a $9.9m principal debt component in the question.

Thoughts/Advice:

- Build a base of your workers (electorate). That base is inclined to pass tax measures benefiting them and community, but which are primarily paid for by those "outside the community" who visit resort Town.

Examples: Short-term rental tax…only visitors paying it!

Mill levy: lots of 2nd-3rd homeowners who are required to pay this mill levy, but not eligible to vote on passage of the tax measure.

- Early on, Town had a fundamental argument of whether to build AH in Town (much more expensive) or County and get greater density. Nothing built in Town v. People should live here! (Community not a commodity…)

Thoughts/Advice:

- Think into the future! Establish measures/revenue even if it doesn't seem significant now.

½ cent sales tax…$300k/yr. when approved in 1994, now at $900k/yr.!

- BOND authorization: Importance of bonding as part of your TABOR ballot question. Get the authorization to borrow as part of the tax approval. Except as to mill levy, can consolidate and embed into the tax question.
  - Sales Tax: $5m
  - STR: $9.9m
  - Mill levy: $8.1m

Town has over $23m in bonding capacity if need it! (Revenue per year of approx. $1.8m).

Thoughts/Advice:

- Watch out for….key money…
- Should every unit go into lottery for resale? With most recent Town affordable housing projects we now require the resale of units into a "blind" lottery process administered by the Town.

The "Challenge" will continue: With expected employment and population growth in San Miguel County estimated at 760 new jobs in County by 2026, this will generate the need for 325 additional housing units in County by 2026.

- While Town and regional efforts since 1980s have been aggressive (approx. 1200 units in 25 years…we need another quarter of that 25 year total in the next 5 years just to keep pace.

QUESTIONS?