

San Juan County, Colorado COMMUNITY HOUSING PLAN

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Prepared For:



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Community Housing Plan

Introduction

The Town of Silverton is experiencing a housing crisis that affects every aspect of the town's economic and social well-being, as well as its base population and school enrollment.

While this crisis is being experienced by resort communities all across Colorado, Silverton cannot look beyond our geographic community (ie: to a 'down-valley' location) to solve housing issues for us in the way many mountain communities do. We must seek local solutions as a coalition of government, schools, stakeholders and organizations. Our community's unique geography, which is defined by rugged mountain terrain and separation from neighboring employment centers, causes a majority of local residents to work locally rather than commute to work.

At present 2.7%, or just 12 units, of the housing stock in the Town of Silverton is considered 'affordable' by the Colorado Division of Housing (DOH). By definition, this means there is an affordable deed restriction on the property, and it is specifically affordable to households earning 80% or less than the area median income. (see attachment A)

The County Commissioners, County Administrator, Town and San Juan Development Association have demonstrated a strong commitment to creating and championing a Community Housing Plan, which will detail a set of affordable housing definitions, define existing circumstances, and set comprehensive goals for our County. We are committed to reaching or exceeding the housing goals described in this document, and ensuring the distribution of affordable housing units throughout our community.

A successful outcome will require cooperation. Town Trustees, County Commissioners, School District leadership, businesses, non-profit organizations, residential lenders, and the Town's property owners and residents must work together to champion and reach these affordable housing goals. It will not be an easy task to challenge the housing market's natural forces and to overcome the many barriers to housing that exist in small, rural, mountain communities. However, it can be done with adequate planning, networking and utilization of the many federal, state, regional and local resources that exist to assist us. This is an ambitious but achievable plan. All the citizens of the Town of Silverton will reap the benefits of having an appropriate percentage of the town's housing stock be affordable to our workforce.

Community Description

Silverton is a rural southwest Colorado community of .81 square miles, located 50 miles north of Durango and 23 miles south of Ouray. It is accessed by Highway 550 (The Million Dollar Highway) across Red Mountain, Molas and Coal Bank Passes, each of which exceeds 10,500 feet in elevation. Silverton, which was incorporated in 1874 and is home to 550 year-round residents, was primarily a mining community until the 1980's, when mining completed its departure and left the economy of the community reliant upon seasonal tourism. The Victorian and mining-inspired flavor of the town center and dramatic setting at 9,300 feet in the San Juan Mountains, impart an historic, rural ambience which the town cherishes.

Silverton's population declined between the 1980's and 2007. In 2007, the population finally grew 2%, which is remarkable in that it represents the first population increase in several decades. Silverton has maintained its historic 'character' and avoided much of the gentrification experienced by other Colorado mountain towns mainly because its year-round job base is very limited. The economy is primarily driven by seasonal tourism in the restaurant, accommodations and retail sectors.¹

Silverton's public school embarked on an ambitious school reform effort in 2004 and converted the school's curriculum to the Expeditionary Learning Outward Bound (ELOB) model. Silverton currently has one school which includes elementary, middle and high school grades (K-12) with a total of 60-70 students enrolled each year. School enrollment declined steadily over the past several decades, but enrollment in elementary and middle schools has recently stabilized and increased over the last 2 years.

San Juan Development Association has played an informal role as the de facto "affordable housing advocacy group" since 2001, and has worked with partners on the construction of 16 homes for the Silverton workforce, of which 12 are deed restricted. Housing Solutions for the Southwest, based in Durango, acts as San Juan County's Community Housing Development Organization (CHDO) using funds from the Colorado Division of Housing. Over the last seven years, the San Juan County government has taken a leadership role in banking land for affordable housing, acting as an investor to stimulate projects, enacting inclusionary zoning, and financially supporting community-wide planning efforts.

¹ Please refer to the 2008 Housing Needs Survey for additional information on employment trends.

More recently, the Town of Silverton has joined this coalition by spearheading research studies, master planning, grant requests, and infrastructure projects.

Housing Plan Intent

In November, 2007, the San Juan County Board of County Commissioners formally charged San Juan Development Association (SJDA) with the task of researching and compiling a Community Housing Plan for the Town and County.

SJDA was charged specifically to address and clarify the roles, policies, responsibilities and outcomes in order to:

- Create shared definitions of “community housing”, “workforce housing”, “affordable housing”, “attainable housing” and other related vocabulary as it relates specifically to San Juan County and Silverton.
- Maintain, manage and network resources for a waiting list of local residents who need housing options beyond those available at market rates.
- Compile resources and information to educate elected officials and the public about the need for community housing in Silverton, and about methods widely used in meeting these needs.
- Consider ways to enhance the ability of employees of the County, Town, Sheriff’s Department, School District, Durango Mountain Resort, and other workforce employers to live in Silverton, and to maintain our community’s economic diversity by enabling those of modest to medium income to live and work in Silverton.
- Identify, review, evaluate, and make recommendations on approaches for the preservation and expansion of community housing, including but not limited to, ways of making existing homes available to qualified families, obtaining subsidies to assist present home owners, and changing zoning and bylaws, as consistent with Federal, State and local law, to stimulate affordable and attainable housing.
- Increase the number of housing options by identifying possible private, Town/County-sponsored, or other opportunities for community housing.
- Assisting in the creation of affordable and attainable homes by supporting initial planning and project formulation, project approvals, development and completion, and collaboration.

- Define what kind of data on community housing is useful and what kind of housing, housing inventory, demographic, and financial data should be gathered and made available to the public and funders.
- Assist the Town and County with efforts to create and comply with affordable housing statutes.
- Report quarterly to the Town Trustees and County Commissioners regarding the state of these efforts.

The intent of this housing plan is to recommend plans and policies which will assist Silverton and San Juan County in addressing the housing crisis. This plan builds on the data and recommendations contained in the 2008 Affordable Housing Needs Study funded by the Colorado Division of Housing and carried out by Economic and Planning Systems (EPS) of Denver. That study is available for review at www.housingforsilverton.org. The development of this plan also involved research into national trends in affordable housing, three public meetings in Silverton to obtain input and feedback from residents, attendance at 2 state level conferences, and 3 regional meetings with directors of housing authorities, organizations and alliances. The recommendations contained herein (noted in bold and italicized type) are designed to further inform and cultivate San Juan County's efforts to increase the affordable housing stock in Silverton. San Juan Development Association (SJDA) will continue its efforts to convert these recommendations into policy in 2009.

Existing Conditions

During the past five years, adverse conditions in the local housing market have continued to escalate at an alarming rate. Between 1997 to 2007, the median sale price for a home in Silverton nearly tripled, increasing from \$113,000 to \$300,000. Between 2003 and 2007 alone, the median home price jumped 84%.² Regional wage rates have not come close to keeping pace with this trend, making it more difficult than ever for residents to purchase an affordable home.³ Average gross-adjusted income for Silverton residents is **half** the State average, or worse, according to 2004 individual income tax return data.⁴ In 2006, 70% of Silverton's school aged children qualified for free or reduced lunch, as

² 2008 Southwest Colorado Housing Index, Data and Trends: p. 2

³ 2008 San Juan County Housing Needs Study, p. 18

⁴ Colorado Department of Revenue, 2004 Tax Data.

compared to 22% state wide, making San Juan County's rate the worst in the State.⁵

Arguably, our rural community of Silverton is the most economically-challenged in the State of Colorado. Our challenges stem from the departure of the mining industry in the latter part of the 1980's and 90's, and from the difficulty Silverton has faced in replacing that employment base in the years since. We are neither close to nor accessible enough to our neighbor municipalities (such as Durango and Montrose) to allow Silverton to become a 'bedroom community' for commuting workers - or to have a 'down-valley' area for our workers to find affordable homes. Seasonal tourism, combined with the economic 'engine' of the Durango and Silverton Narrow Gauge Train, has provided some degree of stability for our workforce. However, these jobs are low wage and service-oriented, which rarely creates lasting prosperity and self-sufficiency among local residents. San Juan County also has one of the highest unemployment rates in the region (7.5% in 2005).

The Median Home Price in 2007 was \$300,000.⁶ Lenders prefer to see a 30% debt to income ratio on home purchases. Unfortunately, the average Silverton household, in order to afford the average Silverton house, would need to earn ~\$68,000 a year, which is **\$27,000 per year more** than average households earned in 2007.

Even as recession has hit the United States in 2008 and the housing market nationwide has trended downward, home prices in Silverton have remained at or above average.

The age and condition of our housing stock is another critical factor in San Juan County. Houses selling at, above *and* below the average home price are likely to require thousands of dollars of renovations and improvements to heating systems, insulation, roofing, windows, etc. There is rarely household income available to undertake these upgrades, and their corresponding debt, even if these renovations would result in significant savings in heating costs later.

These housing and economic issues alone are implicated in the very high rate of turn-over in all jobs, and most noticeably in the better-paid professional positions in Silverton. High turn-over has left our community in a spiral of "leadership fatigue", wherein so much diverse responsibility is mounted upon so few shoulders that eventually the strain leads highly-qualified residents to depart for jobs and communities offering higher wages, more attainable homeownership, more staff support, and greater upward mobility. At present, The Town Administrator, Town Planner, Town Clerk/Treasurer, several County Sheriff's

⁵ Colorado Department of Education, 2006 report of Student Eligible for Free and Reduced Lunch.

⁶⁶ Durango Area Association of Realtors, Durango, Colorado and Colorado

Deputies, several school teachers and CDOT's local plow drivers are all living in rental housing without reasonable prospects of buying a market-rate home. These circumstances cause a sense of instability that disheartens even the most optimistic among our residents.

Although tourism provides great economic benefit to the county and the Town of Silverton, it does not provide the tax base that supports basic services (i.e. roads, water, sewer and health services). The property tax base for San Juan County is also adversely impacted by the high percentage of public lands (88%). There has been an influx of seasonal/summer residents, many of whom purchase 2nd homes in the area in order to enjoy the rural amenities of life in the high country. This phenomenon, known as "amenity migration", has produced wide-ranging economic impacts on the community. (refer to Region 9 EDD Second Home Study at www.scan.org)

However, the news is not all bad. San Juan Development Association has assisted 6 new employers in adding 22 newly created jobs in San Juan County in the last five years. Silverton Mountain Ski Area has added nearly 30 winter season jobs over the last 7 years. Since 2005, the percentage of school children in Silverton qualifying for free and reduced lunch has dropped by nearly 13%, from 75% to 62%. 12% of our K-12 school children and 30% of our preschool children are living in 16 workforce homes that San Juan Development Association was instrumental in constructing. The median household income jumped \$10,000 a year between 2000 and 2007. We have some successes under our belt, but we have much more work to do in the coming years.

Housing Needs Assessment Results (Executive Summary)

The ability of people to afford housing is largely determined by the economic conditions in the region, including the type of jobs people hold and the prevailing wage levels. Housing prices in most communities are a reflection of the wage and associated household income levels determined by the overall economy. However, in communities with special aesthetic or cultural characteristics, such as San Juan County, housing prices are affected by a number of other factors, such as constrained land supply and competition from buyers with imported income and equity.

For this study, local employment and prevailing wage levels, as indicators of what local resident wage earners can afford for housing, have been used to evaluate affordable housing needs. The primary purpose of this study was to provide San Juan County with an assessment of housing needs, both current and projected. An affordability analysis was also provided to show how the community should direct its resources to address the identified levels of need. Results of residential and employer surveys are provided to document

conditions and to show levels of interest in housing programs. Finally, the findings of the research have been used to provide inputs for the planning and development of future projects.

Economic and Demographic Conditions:

a. Employment & Wages

In 2000, there were 279 wage and salary jobs. In 2006, this number was closer to 285 wage and salary jobs. While the number of sole proprietors increased at a higher average rate (3.7 percent annually) than the wage and salary positions (0.4 percent annually), the overall rate of change from 2000 to 2005 was only 0.2 percent annually. While some employment industries have seen increases and others have seen decreases, there has been little net job change. The Manufacturing, Professional & Technical Services, Health Care & Social Assistance, Arts & Recreation, and Accommodations & Food Services sectors have seen the highest average annual growth in the County. On the other hand, the sectors of Real Estate, Administrative Services, Education, and Public Administration have seen either the slowest growth or negative change.

Many industries in resort communities are seasonally based, but the economy is still dependent on year-round services. The number of total jobs is an average of annual employment levels that fluctuate, and some industries are more seasonal than others. Over the past ten years, seasonal employment level fluctuations have decreased as a result of increased activity in year-round industries. From 1997 to 2006, the seasonal highs and lows have become more moderate, indicating a larger overall year-round workforce. Wages have increased at 2.4 percent annually since 2000 and averaged \$21,097 in 2006.

Population & Housing Trends

Since 2000, the number of resident households in San Juan County has increased only by approximately three per year. In contrast, the number of housing units and residential permits issued in the County indicates that non-resident (second homeowner) households are increasing at an annual rate of almost five times the annual rate of resident households.

SURVEY RESULTS:

Jobs & Commuting

In addition to the economic and demographic analysis, this needs assessment benefits from a survey of businesses in the County as well as a survey of households living in the County. Both surveys were sent and returned by mail. The response rates for both surveys were better than anticipated. Approximately 34 percent of the employer surveys were returned, and approximately 25 percent of the household surveys were

returned. Each of the surveys provides an estimate of jobs represented by the survey respondents. In the Employer Survey, respondents estimated their total full-time and part-time positions at 221. In the Household Survey, respondents employed indicated their industry and totaled 109 jobs.

Commuting in San Juan County is present but does not seem to be predominant. Employers estimated how many of their employees travel from various locations in and outside of the County to their business, and households indicated the distances they travel to work. The Household Survey found that approximately 79 percent of respondents commute less than one mile, indicating that they most likely live and work in relatively the same area, and the remaining 21 percent commute distances of one to more than 50 miles. The employer survey found that 12 percent of those employees who work in the Town of Silverton commute from other locations. Related to the issue of commuting, a survey conducted in late 2007 analyzed the needs of Durango Mountain Resort employees. It found that only one percent of respondents ranked the Town of Silverton as a place they would prefer to live. In general, this finding shows that the housing needs of DMR's employees will not be a significant factor in the Silverton area of San Jan County.

For this study, employers were asked to estimate their totals of currently unfilled fulltime and part-time positions, the number of jobs lost because of housing-related issues, and how many seasonal workers do not return for multiple seasons. The results indicate that, in addition to 33 currently unfilled positions, approximately 34 jobs are lost each year because of housing-related issues. Furthermore, an estimated 61 of 114 seasonal workers do not return for multiple seasons.

Housing Payments

Monthly housing costs, particularly mortgage payments, have been increasing quickly over the past 10 years. In addition to providing their length at current residence, households indicated their monthly mortgage or rent payments. The results show that those who have been in their current ownership residence for more than 10 years pay slightly more than \$800 per month, whereas those who have moved into their current residence in the last three years are paying up to twice that amount on average. Monthly rental costs among survey respondents averaged approximately \$550. Average monthly payments for those who have lived at their current residence for four or more years is approximately \$460, and those who have lived at their current residence for three or fewer years are paying an average of \$560.

Employer Assistance

If housing costs continue to increase at a greater rate than wages, the County could find it increasingly difficult to keep its essential workers. To counter some of these consequences, a limited number of employers offer housing assistance programs for their employees. Approximately 88 percent of employers do not currently offer housing assistance to their employees and, when asked if they would be willing to offer such a program in the future, only 36 percent indicate that they would support a program for their own employees and for employees countywide.

Affordable Housing Perceptions

Employers and households were asked to rank affordable housing among other problems perceived in San Juan County. Overall, more than half of all respondents believe that it is one of the more serious problems, followed by more than a third who feels it to be a problem among others needing to be addressed.

Market Conditions

Notwithstanding slow employment and wage growth, housing costs are increasing substantially. In addition to making housing less affordable for those who already live in San Juan County, higher average prices make the decision to take a job and move to San Juan County much more prohibitive.

Sales volume for new and existing homes has averaged approximately 10 units per year since 2003. Building permits for residential construction have averaged 13 new units per year since 2001. Rental rates in these units vary by unit type. Studio apartments typically rent for \$350 to \$500 per month, one bedroom units rent for approximately \$450, two bedroom units for approximately \$600, and three bedroom units rent for approximately \$800 per month. These data are also consistent with the findings of the Household Survey conducted in 2007.

Affordability Measures

The Department of Housing and Urban Development (HUD) defines categories of area median income (AMI) according to various percentages and household sizes for affordable housing purposes (see Chapter VI of the Housing Needs Assessment for a more detailed discussion of AMI). In 2006, the AMI in San Juan County was \$43,100 for a two-person household. Approximately 67 percent of all households earn below the AMI. The U.S. Census defines a cost-burdened household to be one that spends more than 30 percent of its income on housing (excluding utilities). According to the 2000 U.S. Census, approximately 44 percent of all households in Silverton and San Juan County are cost-

burdened, i.e., 55 percent of renters and more than 30 percent of owners are cost-burdened.

According to the Household Survey conducted for this Assessment in 2007, the census findings seem largely intact. 26 percent of the renter household respondents and 31 percent of the owner household respondents in 2007 were currently cost-burdened. The differences between the renter household statistics may indicate a disparity between the source data. Nevertheless, households face significant costs relative to income.

Definition of Affordability for San Juan County

Based on current AMI figures for the county, a typical household earning the median income can afford a home priced at \$148,000 or rented for slightly less than \$1,100 per month. For those earning 80 percent of median, the price drops to \$117,000 or less than \$900 per month for a rental. A typical two-income household with a teacher and retail trade worker would be able to afford a unit priced at \$148,000 at slightly above 100 percent AMI.

Gap Analysis & Estimate of Need

The purpose of the gap analysis is to show what income segments are currently served and which segments the community should prioritize. Households earning below 100 percent AMI were under-served by available market rate housing options in 2006, and those earning above 100 percent AMI had an excess of options. There are gaps in the supply of affordable for-sale housing with respect to the distribution of the County's households at various AMI levels. In 2006, eight percent of the for-sale housing available was affordable to households earning between 100 and 120 percent AMI, and approximately seven percent of the County's households fell into that category. By contrast, the remaining 92 percent of sales were only affordable to those households earning above 120 percent of AMI. No sales occurred in 2006 that would have been affordable to those households earning below the San Juan County (100 percent) area median income.

The County has a current deficit of 20 units. This figure is derived from the number of current unfilled jobs, applied across the County, plus in-commuters. The analysis assumes that half of the countywide deficit translates to a housing need as the gap analysis shows that 50 percent of households cannot find housing without some assistance.

The County is facing a need for 33 new units by 2015, a number which may increase if Colorado Goldfields Inc. meets its employment

projections. Looking into the future, employment projections call for at least six jobs per year or four households per year. This assumes that each employee holds one job, and that there are 1.7 employees per household. As noted previously, because the gap analysis indicates that 50 percent of new households will not be able to find housing without some form of assistance, the total 'Keep-Up' need is factored down to 17 units.

Priorities for Affordable Housing

According to the statistical data above, residents who earn below 100% of the area median income cannot afford to purchase a home at current or foreseeable market rates in San Juan County without being seriously cost burdened. Renters are cost burdened as well. We know that cost-burdened residents are less likely to stay in our community and hold the essential workforce jobs that make our economy work.

Therefore, it is critical that our coalition of housing stakeholders in Silverton focus on residents who earn 100% AML or below who do not yet own a home in Silverton. *We must:*

- *generate for-sale housing stock which is affordable to all workers who earn 100% of area median income and below.*
- *draft deed restrictions which keep these housing units affordable for subsequent owners over the longer term, since the available supply of land is limited.*
- *provide low interest loans and grants for home and rental rehabilitation for existing homes owned by residents who earn 100% of AML or below, to allow for the replacement of heating systems, roofing, windows, insulation, and other elements which may cause these owners to be cost-burdened.*
- *Provide down payment assistance grants and low interest loans to assist qualified buyers in our workforce to purchase a home in our community.*
- *assure that we serve a diverse population of families and singles, younger and older, to keep our neighborhoods vital.*
- *continue seeking land to bank so we can address future affordable housing demand.*



The 16 homes which have been built under the USDA Rural Development Self-Help Housing Program between 2004 and 2007 are considered 'affordable' by federal standards. However, the USDA Self-Help program does not serve the full spectrum of Silverton's essential workforce (eg: school teachers, sheriff's deputies, and most town/county employees) because these

employee incomes are slightly too high to qualify for the 80% AMI program. This program also does not serve disabled, aged, single parents, or other populations who may be unable to contribute 600 hours of labor in lieu of a down payment during construction. ***Therefore, we must also involve other funding programs in our development agenda, to expand the income range and eligibility of buyers within our County-wide criteria.*** These funding options will be discussed later in this document.

Funding, Leadership and Project Management

San Juan Development Association (formerly San Juan 2000 Development Association) has played an informal role as affordable housing proponent, project advocate, and administrative manager for approximately 8 years. To date, the only formal funding source provided for this role has been a fee-for-service contract with San Juan County starting in 2007 in the amount of \$5,000 per year. San Juan County also granted SJDA a one time grant for housing planning in 2007 of \$5,000.

Housing Solutions for the Southwest (HSFSW) in Durango has received capacity building funds from the Colorado Division of Housing (\$30,000) over the last 5 years, as well as funds for housing rehabilitation, emergency homelessness prevention, downpayment assistance, and rental rehabilitation for San Juan County. HSFSW has also acted as San Juan County's CHDO (Community Housing Development Organization).

This plan strongly recommends that the role and function of CHDO be brought home to Silverton, while still maintaining strong partnership ties to Housing Solutions for the Southwest. Silverton's needs and characteristics are unique, compared to our neighbors. SJDA believes that these needs may be better served by formal Silverton-based leadership. Our organization may not have had the capacity to undertake this role in the past, but we feel strongly that we do now.

SJDA has also investigated the concept of becoming a multi-jurisdictional housing authority. For the time being, we have chosen not to pursue this option because of the quasi-governmental status that it would confer on our small organization in exchange for a small number of benefits to our community (eg: the ability to implement a real estate transfer tax). We feel that we can secure these benefits in other ways, such as a fee structure, to generate local revenue for affordable housing efforts.

If San Juan County does not develop formal local leadership for affordable housing, funded by available State grants, it is likely that SJDA will provide many of the same services voluntarily while state grants pay staff elsewhere for the same service. This is an unnecessary duplication of administrative expense for

the County, and we believe these funds could be drawn from coffers outside the county general fund.

With Town and County support, SJDA will apply to the Colorado Division of Housing for official CHDO status for San Juan County. This will allow us to access and administer funds for new affordable housing development on the Walsh Smelter site, develop down payment assistance, undertake home rehabilitation, fund our administrative costs, and more. It will also allow our community to better connect to DOH mortgage lending services.

San Juan Development Association would also play a formal role in managing deed restricted units, monitoring compliance of incentive programs, and other administrative services that result from the recommendation of this plan.

Specific Strategies for Affordable Housing

Colorado mountain communities employ a number of different strategies to provide housing for their essential workforce and low-income residents. Below, these strategies are described in general terms, as is their applicability to Silverton/San Juan County and the methods necessary to bring them to our community.

Accessory Dwelling Unit Programs:

Accessory Dwelling Units (ADU's) are garage apartments, carriage houses, shed cottages, back houses, and integrated apartments that often spring up behind and in larger houses and second homes. The legal definition: "An ADU is a self-contained apartment in an owner occupied single-family home that is either attached to the principal dwelling or in a separate structure on the same property."⁷

In other Colorado mountain communities such as Telluride, homes above a certain designated square footage must provide an ADU, which is then rented to a year-round resident in the County workforce. This helps to address the syndrome of 'dark windows' caused by uninhabited second homes, and creates a housing supply of small, typically energy-efficient apartments without cost to the County beyond compliance monitoring.

ADU's have the potential to serve three other very important functions in our communities by contributing to age, economic and historic diversity within neighborhoods. As homeowner's age, they are more likely to remain in their homes longer if they can generate income from a rental and/or house a person who exchanges rent for shoveling, home

⁷ For more detailed information about ADU's, visit http://www.mass.gov/envir/smart_growth_toolkit/pages/mod-adu.html

maintenance and longterm care. Also, in neighborhoods where the cost of homes is higher, ADU's bring younger, lower-income residents into the neighborhoods, thereby maintaining community diversity.



Lastly, ADU's have potential to adaptively reuse and preserve historic structures in Silverton. Silverton's neighborhoods are full of historic barn and shed structures that are unused and falling into disrepair. If ADU incentives were in place, it is possible that these structures might be converted into dwellings and be better preserved, due to their income-generating capacity.

Concerns about ADU's are typically related to assuring for the provision of adequate parking, limiting the number of ADU residents, preventing their use as weekly rentals, and providing adequate fire protection and emergency access via alleys and yards. Silverton's street grid and codes allow for these concerns to be met. Also, there is substantial precedent in Colorado law and municipal codes regarding how to structure ADU programs to address these concerns.

The current code and utility fee structure in Silverton creates a substantial barrier for owners and developers to integrate ADU's into their plans. Separate tap fees are required for sewer, water, and electrical, as well as plant investment fees, which total approximately \$13,000-\$15,400 per unit. This investment is exactly the same for a 500 sq. ft 'granny flat' over a separate garage as it is for a primary house of the maximum square footage allowed on the lot by code.



To get around the current code barriers, local owners have constructed long (and architecturally clunky) breezeways to connect the primary structure to the secondary one, thereby avoiding the second round of tap fees while providing an apartment or garage office. This outcome is preventable.

This plan recommends that San Juan County and the Town of Silverton:

- ***remove the financial barriers to ADU's by implementing an alternate fee schedule specifically for this type of secondary structure.*** This change will not cause a diminishment of income for the utilities,

because these tap fees are not being paid currently. If the intent of the detached ADU is for profit-making purposes, the current fee structure can remain intact. However, when an owner's intention is to contribute the ADU to the pool of affordable housing, a different scale may be applied – with compliance management by SJDA. The barriers to entry are currently too high to incentivize affordable housing. This change might actually increase utility income from tap fees. SJDA would provide legal language and recommendations about how to draft these changes (if so requested).

a. Inclusionary Zoning:

Inclusionary zoning, also known as inclusionary housing, refers to ordinances that require a given share of new construction to be affordable to people with low to moderate incomes. These ordinances seek to counter “exclusionary” zoning practices which create economic separation between upscale neighborhoods and low-income ones. In practice, these policies place the burden on developers to deed restrict 10%-30% of new houses or apartments in order to make them affordable to lower-income households. The mix of "affordable housing" and "market-rate" housing in the same neighborhood is widely viewed as beneficial. Inclusionary zoning is becoming an oft-used method for local municipalities in the United States to offer a wider range of housing options than the market provides on its own.

Currently, the Town of Silverton does not require Inclusionary Zoning. Instead, it requires all new Planned Unit Developments (PUD's) to dedicate 10% of their land area (or a fee in lieu) to 'public purpose'. This land dedication is not specifically set aside for affordable housing, but includes a broad range of possible uses including parks, schools, trails, and public building projects.

This plan does not recommend that the Town of Silverton eliminate the 10% land dedication/fee in lieu, replacing it with Inclusionary Zoning. However, ***this plan does recommend that the Town of Silverton specifically discuss options for using this 10% resource to provide a regular land and cash resource for the development of affordable housing, especially as it relates to providing workforce housing rental and/or ownership housing for Town employees, housing allowance funds, and down payment assistance for Town Employees.*** Specifically, we recommend dedicating at least 50% of such land and fee dedications to a fund dedicated to housing the Town of Silverton workforce. Without a pro-active approach, turnover is likely to remain high among employees who did not buy into the market 7+ years ago due to the gap between housing costs and

salary ranges. The currently-housed cohort (ie: employees who bought into the market previously) will inevitably age and eventually retire, leaving new employees unable to obtain housing. SJDA will provide assistance for developing policies for such a fund, as requested.

San Juan County currently requires inclusionary zoning or an affordable housing 'fee' in lieu for each PUD initiated in the county. These funds have been utilized for land banking, due diligence on property set aside for affordable development, land planning, and affordable housing planning. *The recommendation of this plan is that San Juan County continue this practice, incorporating the findings of the Housing Needs Assessment Final Report and of this Community Housing Plan into the process of prioritizing projects.*

b. Affordable Housing Incentives:

Municipalities and counties wishing to stimulate private development of affordable housing often implement incentive programs. These programs offer rewards such as higher densities, variances, and waived requirements to PUD plans which provide deed-restricted units voluntarily. Since the cost of affordable development may come from other allocations of funds Town or County funds, this approach tends to produce greater results at lesser cost for the government entity.

This plan recommends that the Town and County create a schedule of negotiable benefits for owners and developers, to be considered during the PUD process, which fairly recognize the efforts of developers to include affordable units in their PUD's. SJDA will assist with the development of legal language and a formal schedule of benefits, as requested.

c. Down payment assistance

One of the greatest barriers to entry into homeownership among essential workers is down payment funds. It is rare for a family or individual in America's working class to have \$20,000 sitting in a bank account waiting for their down payment. More likely, these buyers are hampered by lack of savings, credit card debt and damaged credit histories. One way communities overcome these circumstances is to develop a Down Payment Assistance Fund for workforce applicants. The fund may be structured as a Revolving Loan Fund (RLF), which relends the assistance as it is paid off by other recipients. Another method is to provide a 'silent second mortgage' on the home which is either paid back at the time of sale or flows with the house to the next buyer should they need it.

However this fund is structured, it is necessary that it be funded initially by some sort of investment. There are Down Payment Assistance programs

throughout the state which assist first-time home buyers who earn 80% AMI or below with down payment assistance. *However, since this plan recommends serving broader workforce population, it is necessary to establish a Down Payment Assistance Fund to serve repeat homebuyers who earn 100% or below of AMI, and first time homebuyers who earn between 80% and 100% of AMI.*

This plan recommends that San Juan County and the Town of Silverton, in cooperation with the Colorado Division of Housing (DOH), develop a RLF to serve San Juan County's workforce with downpayment assistance. These funds may be generated by setting aside a certain portion of fees-in-lieu from PUD's, dedicating a percentage of sales tax revenue for a period of time, establishing a Mill Levy for this purpose, or by dedicating other discretionary income as allowed by state and local law. SJDA will manage applications and committee considerations, if requested.

d. Resource generation through Sales Tax

Most mountain communities in Colorado utilize a percentage of sales tax revenues for affordable housing development, management and administration. Summit, San Miguel, Routt, Mesa, and Pitkin Counties, and their municipalities, all dedicate sales tax revenue for this purpose. Year over year, their housing inventory and workforce subsidies grow, their investment portfolios grows, and so does their capacity to house their essential workforce in their own communities. In many cases, their sales tax revenues provide the seed funds that result in greater value as they purchase blighted areas and mined scarred lands to convert them into neighborhoods. When their investments sell to local owners, their investment is returned into the pool of funds for development.

This plan recommends that, beginning in 2010, the Town of Silverton allocate a percentage (50%) of the 1% sales tax increase approved in 2008 to fund affordable housing programs. These funds may be exclusively dedicated to serving Town employees if necessary. However, our recommendation is that the Town not limit their scope to Town employees, because serving the workforce in general will result in greater sales tax generation through an increase in base population. When resident workers are not cost-burdened by living expenses, they have more discretionary income to spend locally. SJDA will assist in developing a plan for the use of these funds, and legal documentation to assure that funds are allocated fairly in the community, in compliance with State, Federal and local laws.

e. Self-Help Housing

USDA Self Help Housing program (Section 502) is a federal program which assists low and very low income individuals and families to build their own home. The owners exchange 600 hours of labor (24 hours per week until completed) for down-payment equity in the home. Mortgages through the Section 502 program offer low interest rates and make an effort to keep housing costs at 30% of the owner's income.⁸

As mentioned before, USDA Self Help Housing has been a tremendously successful program in Silverton. 17 homes have been constructed since 2003. These homes accommodate many school children and local employees. By allowing owners to achieve a better ratio of housing cost to income, the quality of life for owners has improved greatly. The impacts may be felt in many ways, including a significant drop in the number of children qualifying for free and reduced lunch at the local school.

This plan recommends that San Juan County continue to set aside land investments for Self-Help Housing, to coordinate with USDA Rural Development and Colorado Housing Inc. to build homes under this program, and to provide regular design input to assure that the USDA homes are consistent with local architectural vernacular and local energy efficiency design needs.

f. Tax Credit Rental Housing

Tax Credit rental programs provide state and federal subsidies for larger rental projects. These projects are limited to qualified residents who earn 60% or AMI or below. It is typically necessary to build 40+ units at one time and to have vacancy rates of 10% or less to allow these projects to be financially solvent and eligible for subsidy. It is also necessary to hire a property manager approved by the State. *Due to the results of the Housing Needs Assessment Study in 2008, this plan does not recommend pursuing Tax Credit rental housing in Silverton in the foreseeable future due to a lack of demand for a project of this scale. However, it is documented that there is a quality issue among local rentals that must be addressed.*

Community Land Trusts

In resort and mountain communities, the high cost of land can make affordable housing development very challenging. One creative way to overcome this hurdle is to retain the ownership of the land in perpetuity in a Community Land Trust (CLT). Following home construction, the land is leased to residents who

⁸ Visit http://www.ruralhome.org/manager/uploads/RD_502_Selfhelp.pdf for more information about self-help housing.

own homes on the leased land. Their ownership is subject to restrictions on use and resale that keep the units permanently affordable. A CLT has been considered on the Walsh Smelter/Anvil Mountain development site. However, the consensus of the stakeholders has been that this should be a solution of last resort because the counties commitment to keeping this land affordable for buyers is well documented. However, a CLT could be started with lands owned by the County or the Town (and deeded to the CLT) if a suitable site for housing is identified. Also a private landowner who donates land to a non-profit CLT can claim the donation as a charitable contribution for tax purposes.

Rehab and Renovation Assistance: *This plan recommends continuing to partner with Housing Solutions for the Southwest to provide low-interest loans to income eligible owners for housing and rental rehab and weatherization.*

Deed Restrictions

It is widely accepted that the most effective way to maintain a stock of affordable housing is to create binding deed restrictions on each property sale which allow affordability to 'run with the land' as it is sold from owner to owner. SJDA will develop legally-resilient Deed Restrictions that will be general to the whole community and all community projects. These restrictions are in development.

From Housing Plan to Strategy: Political Methods

The ultimate goal of the Community Housing Plan is to foster public policies in individual communities that will result in increased housing innovation, production, and enhanced affordability. At all times, the strategy process must balance two objectives:

Market feasibility: The strategy must create policies that are attractive to the mainstream of the housing industry and will lead builders to adjust the types of homes they feel comfortable producing. The vast majority of homes are built by small builders who have enough difficulty managing the unavoidable risks of the business without taking on major new ones. This suggests two things about new housing policies. First, they must allow builders currently active in the market to adjust their product mix incrementally so they are not being asked to go too far out on a limb. Second, policies should be able to attract builders from other markets who have experience with the kinds of products being promoted. Market pioneers are often builders from outside the area who have already adjusted their business model to new products. This is not about cutting edge design, niche markets or boutique builders. New housing policies will only be successful if they apply to the average builder in a market who can see new ways to operate successfully in the future.

Community acceptance: Policies must be acceptable to a broad segment of the community. It is not necessary to gain absolute consensus, but town council members and county commissioners must feel comfortable adopting policies without undue fear for their political future. Moreover, builders must feel confident that they can build projects under the new policies without running into a handful of individuals who can stall their permits, resulting in costly delays.

Community acceptance begins with adoption of policies that allow new types of housing that truly reflect local values and do not stretch the envelope too far. The challenge comes in writing policies and regulations that are clear enough that they will have a high likelihood of producing the desired result, but not so prescriptive that they tie builders in knots. Not every outcome can be written in an ordinance, and communities must accept some risk that not every project will be a total aesthetic success. However, early developer/neighborhood dialogue can help ensure that projects have a high level of community acceptance.

The balancing of market feasibility and community acceptance must acknowledge one key factor: builders ultimately decide what, if anything, gets built. Innovation only moves into the mainstream of a business when the innovative option is a better business proposition than the more conventional option. In homebuilding, if regulations make innovative housing too cumbersome to develop, builders will simply continue to build what they are accustomed to building, and opportunities to use scarce land more efficiently will be lost.

Features of a community housing strategy

The Community Housing Strategy process developed by The Housing Partnership attempts to strike the crucial balance between market feasibility and community acceptance. The program is built around a number of key features.

- Research, input and recommendations

- Partnerships.

- Broad support without requiring total consensus

- Focus on demand

- New information and Best Practices

- Local leadership and participation

- Mid-term time horizon (3-10 years)

Attachment A: USDA Area Median Income Data