



Staff Report

To: Summit County Council

From: Jeffrey B. Jones, AICP
Economic Development and Housing Director

Presentation by: Jeffrey B. Jones, AICP

County Council Discussion Topic: *Potential housing strategies for the retention of Bear Hollow deed restricted affordable housing and the potential acquisition of property located at 5573 N. Oslo Lane #104.*

Council Meeting Date: August 8, 2018

RECOMMENDATION

Staff recommends to the County Council:

1. That they authorize the County Manager to exercise the County's right of first refusal for deed restricted affordable housing properties located within the boundaries of the Bear Hollow Subdivision and to work with Mountainlands Community Housing Trust (MCHT), to acquire the units, revise the deed restrictions, utilize County in-lieu fees to create a reduced base maximum resale price and then convey the units to qualified buyers. Or,
2. That they authorize the County Manager to exercise the County's right of first refusal for the condominium property located at 5573 N. Oslo Lane #104 and enter into a purchase and sale agreement at the maximum resale price for the subject property (\$289,033).

BACKGROUND/EXISTING CONDITIONS

The Bear Hollow Subdivision development in the Snyderville Basin and located just off Highway 224 was approved in 1999 for single family homes, townhomes, condominiums and commercial property. It has 60 "affordable" units with at least four different versions of deed restrictions.

The initial deed restrictions that are recorded against Bear Hollow Village Subdivision (28 units), Cross Country Condominiums (8 units) and Calgary Condominiums (9 units) were recorded on February 17, 2000. These

restrictions only limit the maximum sales price and rents but do not provide for owner occupancy or income limits which are essential elements of meaningful affordable housing deed restrictions. Also there are no preferences for local workers.

Deed restrictions dated July 26, 2016 were recorded against eight units at The Lodges Condominiums and eight units at Bear Claw Condominiums. Revised restrictions were recorded on December 3, 2008 against the same eight Bear Claw Condominium units and two unbuilt The Lodges Condominiums. The later restrictions were more comprehensive than the original deed restrictions, but still require improvement through recording new restrictions.

The County has been notified that a unit addressed as 5573 N. Oslo Lane #104 (Bear Claw Condominiums) is available for sale. The County has a right of first refusal. The purchase price is \$289,033. The association fees are as follows: Bear Hollow Village = \$207.76 Monthly, Bear Claw = \$68.57 Monthly, Bear Claw = \$49.00 Quarterly. Staff has notified the property owner that the County would be exercising its right of first refusal for the subject property.

Since notifying the owner of the Bear Claw Unit, the County has also been advised that several other units are available for purchase (one after the first of the year). The County needs to decide if it will exercise its right of first refusal or provide the Owners of these properties with written notification of the County's intent to waive its right of first refusal.

The initial pricing for the units constructed under the 2000 deed restrictions allowed for an increase of 3% annually (even before built) "plus any costs for improvements". Current permitted prices range from \$178,316 to \$463,817. Additionally HOA fees for the affordable units vary throughout the subdivision with some of the higher fees (\$540 per month at The Lodges Condominiums) making the units unaffordable for the lower income potential purchasers.

The Bear Hollow units are in a great location and generally nice units in decent condition. Half or more of the units are non-owner occupied and many are currently rented for amounts exceeding the rents allowed by the current deed restrictions. Summit County has engaged Mountainlands Community Housing Trust (MCHT) to assist the County identify and remedy the current situation. As a result of stepped up enforcement, it is staff's opinion that several of the restricted units may soon become available for sale because of lower rents/returns.

Although the County has the funds necessary to purchase the property located at 5573 N. Oslo Lane #104, a more impactful method of retaining affordable housing would be to assign the County's right of first refusal over to MCHT to purchase the targeted Bear Hollow units and record new deed restrictions on the subject properties. These restrictions would provide for owner occupancy,

income qualifications, limited capital improvements, right of first refusal on behalf of the County, priorities and other adjustments. Deed restricted affordable units that are currently priced over what is affordable for households earning 80% AMI and below could be reduced by utilizing the County's in-lieu fees. The County has approximately \$460,000 in the affordable housing in-lieu fee account that could be allocated for such purposes.

In this scenario, MCHT would serve as a middle man to contract to purchase targeted units, record the new deed restrictions against them, lower the sales price with in-lieu fees provided by the County and then convey the units to qualified buyers. MCHT would need to close on the properties prior to altering the deed restrictions. In some cases, MCHT could accomplish the above without committing funds for more than a few days. MCHT has indicated to staff that it could obtain a line of credit from a bank needing Community Reinvestment Act (CRA) credit to assist in creating affordable housing for local workers earning below 80% AMI.

Such an approach would enable several of the Bear Hollow units to become truly affordable with meaningful restrictions and would better leverage the County's in-lieu fees as opposed to a single unit purchase by the County.

It is the opinion of staff and MCHT that some units are currently priced too high to utilize existing in-lieu fees to lower prices to affordable rates. Furthermore, those with excessive HOA fees may not be able to be adjusted to reasonable affordable prices. As such, it may be appropriate to obtain some of these units (which should contain considerable upgrades and capital improvements), remove the current deed restrictions and sell them at market rates. The utilized gains could be used to subsidize other restricted units.

Another alternative would be to allow some of the higher priced units to become available to households earning up to 120% AMI. Although the total net units would decrease by improving restrictions and pricing, more units would represent what is desired with more legitimately affordable units than currently exist.

MCHT is willing to assist the County with a long range plan to "clean up" Bear Hollow. In the end, such a project could provide a greater impact at less cost than constructing or purchasing units in locations that are not as well situated.

GENERAL PLAN POLICIES

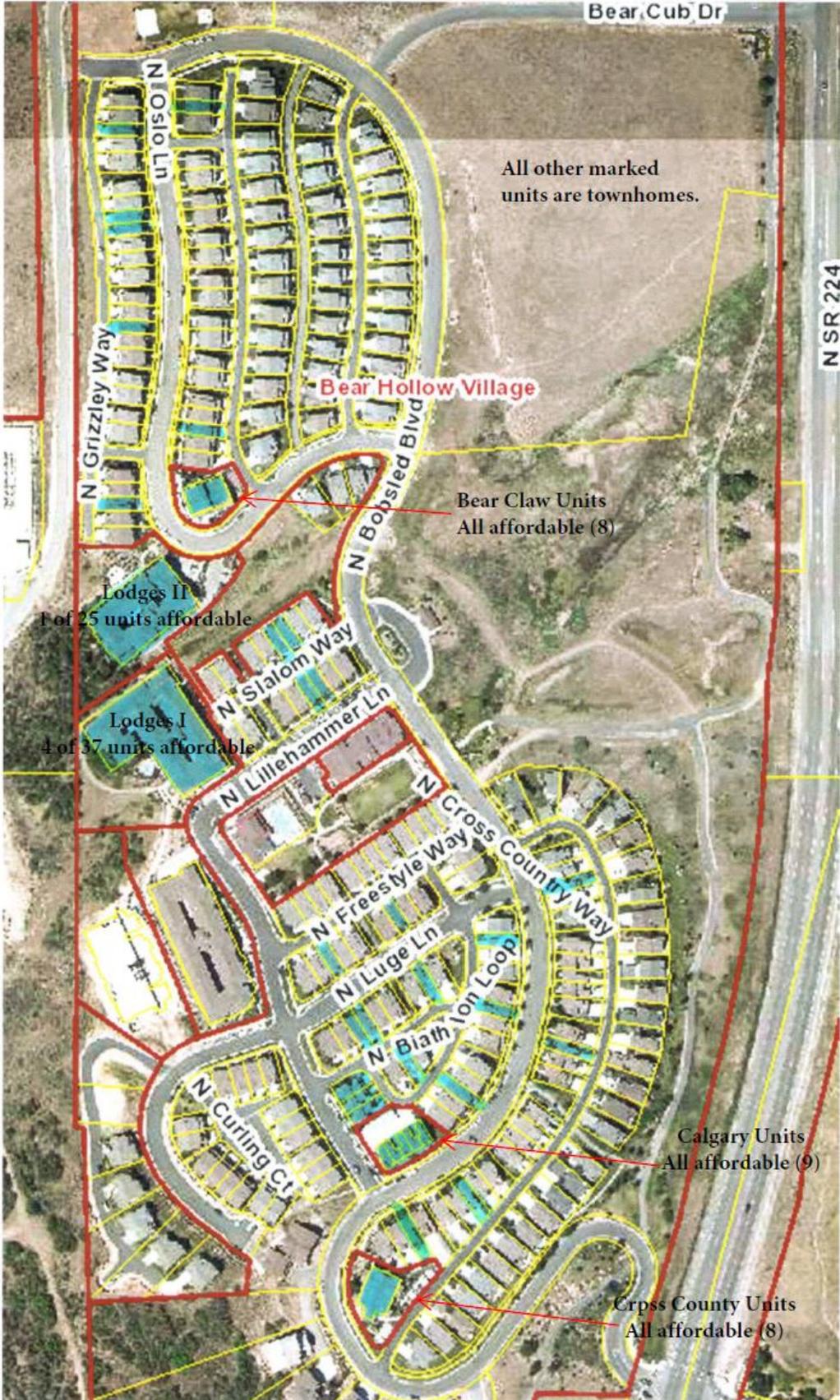
GOAL: Provide equal housing opportunities for all residents of the Basin by facilitating reasonable opportunities for a variety of housing, including low and moderate income housing.

OBJECTIVE A: Develop strategies to ensure that an adequate supply of housing is provided that meets the needs of various moderate and low income groups in the Basin identified in the Housing Needs Assessment, as updated.

Policy 6.8: Support the use of private, local, state, and federal assistance for housing development or **preservation** (emphasis added).

ATTACHMENTS

Map of Bear Hollow Affordable Housing Units
Property Summary for 5573 N. Oslo Lane #104
Memorandum from Scott Loomis (MCHT) to Jeff Jones



Summit County
60 N Main Street, Coalville UT 84017
(435) 336 3200

Project: Bear Claw: 5573 N. Oslo Lane #104

Address: 5573 N. Oslo Lane #104

Owner: Ms. January Day, Trustee
801-414-6901
Email: jd.day20@gmail.com
Address: 2255 E. Garfield Ave.,
Salt Lake City, UT 84108

Building Type: Eight (8) Plex

Parcel Number: BCLAW-104

Square Feet: 901/SF

Bedrooms: Two (2)

Bathrooms: Two (2)

Taxes: \$1,605.56

Purchase Price: \$289,033

Monthly Association Fees: BHV \$207.76 Monthly
Bear Claw \$68.57 Monthly
Bear Claw \$49.00 Qtrly

Income Qualifications: (1) 80% AMI or less who "intends" to occupy the unit. (2) Works or lives in Summit County (3) Non-qualified buyer if 1 and/or 2 cannot be satisfied.

Rental Qualifications: Renters are not income qualified. However, the rents are capped using a family sized formula based on the 2018 Utah Housing Corporation's Income Rent Limit 60% AMI Table.

Nightly Rentals: Allowed. However, the income earned must not exceed the same annual amount allowed for long-term rentals. This is very difficult to enforce or monitor.

Timeline: Under 2.2, (Deed Restrictions) the County has 60 days to exercise its option to purchase and 30 days to close after it provides the seller with a notice of exercise of option. The owner initially contacted MCHT on July 2 regarding the sale, so I would use that as the start of the 60 day clock (we have not required owners to send official notice to the County Clerk). That would give the County a deadline of **August 31, 2018** (note also that the County is to use its best efforts to notify the owner ASAP if it intends to exercise).



5573 N. Oslo Lane #104

Summit County
60 N Main Street, Coalville UT 84017
(435) 336 3200

**TO: JEFF JONES
SUMMIT COUNTY ECONOMIC DEVELOPMENT DIRECTOR**

**FROM: SCOTT LOOMIS
EXECUTIVE DIRECTOR
MOUNTAINLANDS COMMUNITY HOUSING TRUST**

**RE: BEAR HOLLOW DEED RESTRICTED AFFORDABLE
HOUSING**

DATE: AUGUST 1, 2018

The Bear Hollow Subdivision development in the Snyderville Basin located just off Highway 224 was approved in 1999 for several single family homes, townhomes, condominiums and commercial property. It has 60 “affordable” units with at least four different versions of deed restrictions. The initial deed restrictions that are recorded against Bear Hollow Village Subdivision (28 units), Cross Country Condominiums (8 units) and Calgary Condominiums (9 units) were recorded on February 17, 2000. These restrictions only limit the maximum sales price and rents but do not provide for owner occupancy or income limits which are essential elements of meaningful affordable housing deed restrictions. Also there are no preferences for local workers. Deed restrictions dated July 26, 2016 were recorded against eight units at The Lodges Condominiums and eight units at Bear Claw Condominiums. Revised restrictions were recorded on December 3, 2008 against the same eight Bear Claw Condominium units and two unbuilt The Lodges Condominiums. The later restrictions were better than the original but still require improvement through recording new restrictions.

The initial pricing for the units constructed under the 2000 deed restrictions allowed for an increase of 3% annually (even before built) “plus any costs for improvements”. Current permitted prices range from \$178,316 to \$463,817. Additionally HOA fees for the affordable units vary throughout the subdivision with some of the higher fees (\$540 per month at The Lodges Condominiums) making the units unaffordable for the lower income potential purchasers.

The Bear Hollow units are in a great location and generally nice units in decent condition. Half or more of the units are non-owner occupied and many are currently rented for amounts exceeding the rents allowed by the deed restrictions. Mountainlands Community Housing Trust (MCHT) is currently working with Summit County to remedy this situation. As a result of stepped up enforcement several of the restricted units may become available for sale because of lower rents.

A method of creating meaningful affordable housing at a low cost would be to purchase targeted existing Bear Hollow units and record new deed restrictions providing for owner occupancy, income qualifications, limited capital improvements, right of first refusal on behalf of the County, priorities and other adjustments. Those units that are currently priced over what is affordable for households earning 80% AMI and below could have prices reduced by the County utilizing in lieu fees to subsidize the price.

On the assumption that the County does not have funding to purchase the units or the desire to borrow funds to purchase units, MCHT could serve as a middle man to contract to purchase targeted units, record new deed restrictions against them, lower the sales price with in lieu fees then convey the units to qualified buyers. This will enable several of the Bear Hollow units to become truly affordable with meaningful restrictions that will allow local workers to purchase and occupy the units.

In some cases MCHT could accomplish the above without committing funds for more than a few days. MCHT could obtain a line of credit from a bank needing Community Reinvestment Act credit to assist in creating affordable housing for local workers earning below 80% AMI. Currently pricing at 80% AMI for a family of four would allow for a purchase price of approximately \$330,000.

Some units are currently priced too high to utilize existing in lieu fees to lower prices to affordable rates and those with excessive HOA fees may not be able to be adjusted to reasonable affordable prices. It may be appropriate to obtain some of these units (which should contain considerable upgrades and capital improvements) then remove the current deed restrictions and sell them at market rates utilizing gains to subsidize other restricted units. Another alternative would be to allow some of the higher priced units to become available to households earning up to 120% AMI. Although the total net units would decrease by improving restrictions and pricing, more units would represent what is desired with more legitimately affordable units than currently exist.

The process will take many years to complete since it is unlikely more than a few targeted units will become available each year. County Council needs to decide whether it is desirable to utilize in lieu fees to improve the status quo. Is it better to have 60 units that are not affordable or occupied by the intended households or fewer with meaningful restrictions and affordable prices?

MCHT is willing to assist the County with a long range plan to “clean up” Bear Hollow. In the end such a project could provide a greater impact at less cost than constructing or purchasing units in locations that are not as well situ