

TO: Vail Town Council

FROM: Community Development Department  
Finance Department

DATE: November 1, 2016

SUBJECT: Chamonix Buyer Profile & Subsidy Discussion

**I. SUMMARY**

As the Council begins to formulate unit types and design of future homes at Chamonix, staff recommends a parallel discussion surrounding a vision of “who” might these homes serve and at what cost and/or subsidy? The purpose of this discussion is to provide Council with a picture of buyer profiles, what those buyers can afford, and how that compares to the estimated unit costs of the Chamonix Housing Development. With that information, Council may be better prepared for a key policy discussion surrounding additional subsidy beyond land and infrastructure.

**II. BACKGROUND**

**Buyer Profiles**

In the last several years the town has commissioned several housing market studies, with the most recent being in April of 2015 by Melanie Rees. In February of 2016 staff provided a memo to Council presenting results of a buyer profile based on market surveys taken during Chamonix open houses. For a look back at that memo, please refer to Attachment A. Those market surveys were the basis behind the site plans and unit types being presented to Council.

Another key factor in the success of this housing project is the alignment of a target market of homebuyers to a reasonably priced, or affordable, product. To put perspective around a potential target market, staff has gathered additional information on annual incomes for various jobs from the Eagle County Housing department. This will help formulate a picture of what type of jobs fall into the various levels of Average Median Income (AMI). Examples of jobs within AMI levels are outlined below. The range in annual income represents a single wage earner or 1 person household, with the high end representing a two-earner household and 1 or 2 dependents.

**Households earning 80% AMI**

**Income: \$49,520 - \$70,720**

- Accountant III
- Code Enforcement Officer
- Staff Nurse
- Police Officer - entry level
- Firefighter – entry level
- Heavy Equipment Operator II

- Dispatcher
- Two earners such as an Accounting Technician and a part time Administrative Assistant
- Two earners such as a Custodian and a Cashier

#### **Households earning 100% AMI**

**Income: \$61,900 - \$88,400**

- Maintenance Supervisor
- Fire Lieutenant
- Planner II
- Streets Crew Leader
- Police Officer with several years experience
- Two earners such as a Landscape Technician and Parking Attendant
- Two earners such as an entry level Teacher and an Administrative Assistant
- Two earners such as an experienced Teacher and a Light Equipment Operator

#### **Households earning 120% AMI**

**Income: \$74,280 - \$106,080**

- Engineer II
- Fire Captain
- Police Sergeant
- Nurse Practitioner
- Systems Engineer II (IT)
- Senior Planner
- Two earners such as a Building Maintenance Specialist and a Parking Supervisor
- Two earners such as a Civil Engineer and a part time host/hostess
- Two earners such as a Facilities Specialist and an Executive Assistant

#### **Households earning 140% AMI**

**Income: \$86,660 - \$123,760**

- Fleet Manager
- Town Engineer
- Physician Assistant
- Street Superintendent
- Two earners such as a Heavy Equipment Mechanic and a Graphic Designer
- Two earners such as an Elementary School Principal and a Mechanic I

#### **Pricing Options and Target Market**

Staff has prepared the attached worksheet (**Attachment B**) to provide perspective surrounding the affordability of each proposed unit. This has been outlined by comparing the unit price (at cost) with various Average Median Income (AMI) levels.

For the purposes of this exercise, staff used the “Option A” plan, which includes a total of 32 units with four types of townhomes. While costs have not yet been finalized, an estimated construction cost for each unit type was provided by Triumph Development, for a total of approximately \$18.0 million. The additional \$3.6 million invested in land and infrastructure by the town is **not** included in the pricing scenario at this time, which represents a savings to home buyers ranging from \$85,000 to \$150,000 depending on the unit type.

The worksheet first outlines the cost to construct each type of unit, ranging from \$431K for a 1,055 square foot 2 bedroom, 2 story townhome to \$684K for a 1,878 square foot 3 bedroom, 3 story townhome. Using a ten percent down payment and 4% mortgage rate, along with property tax and homeowner's association dues, staff has calculated an estimated monthly housing cost for each unit type.

Next, the percentage of that monthly housing cost compared to annual household income was computed to determine affordability. The unit and household combinations highlighted in green identify where the cost of housing is 35% or less of annual income for that household. This follows the philosophy that housing costs should average approximately 30% of a homeowner's annual income.

The next section of the worksheet identifies the maximum home price a buyer can afford at 35% of annual income, and an amount of subsidy that would be necessary to lower the Chamonix unit cost in order to keep the housing costs at 35%.

Virtually all of the units are affordable at household incomes of 120% of Average Median Income (AMI) and above. Households earning less than 120% of AMI may require additional cash subsidy to become affordable.

### **III. DISCUSSION**

Council has a number of options for defining what market this project should target. Some examples of homebuyer profiles and the impact to the town's overall project cost are provided below:

- 1) Council makes a policy decision to sell units to households earning 120% of AMI or greater. In this scenario, the town would have subsidized the land and infrastructure, but no additional cash.
- 2) Council makes a policy decision to sell a number of units to lower AMI levels, with an additional cash subsidy, with remaining units selling at no additional subsidy. Based on the chart in Attachment B, households earning 80% of AMI would require a cash subsidy of \$31,000 for a Type 1 unit, \$106,000 for a Type 2 unit, \$174,000 for a Type 3 unit and \$284,000 for a Type 4 unit. This is in addition to the land/infrastructure subsidy of \$85,000 to \$150,000 per unit.
- 3) Council makes a policy decision to recoup some of the land and infrastructure costs by selling a number of units to households with higher AMI levels.

### **IV. ACTION FROM COUNCIL**

**Does Council want to provide additional cash subsidies on the sales of the Chamonix Housing units?**



**Memorandum**

To: Vail Town Council

From: George Ruther, Director of Community Development

Date: February 16, 2016

Subject: Chamonix Neighborhood Home Buyer Profile

**I. PURPOSE**

The purpose of this meeting is to present the Buyer Profile developed from the data obtained from the Chamonix Neighborhood Buyer Survey.

**II. BUYER PROFILE**

A buyer profile is a generalized representation of ideal potential home buyers. The profile helps understand the needs of prospective buyers better, and makes it easier to tailor development to the specific needs, behaviors, and concerns of different buyer groups.

The strongest buyer profiles are based on market research (Chamonix has had three market studies and one update) as well as on insights gathered from actual customer base through surveys. The Town collected 187 surveys from actual potential buyers at the Chamonix Neighborhood Open House and through the on-line survey.

Based upon the results of the survey data obtained, the typical buyer represents a cross section of the community. Both persons with professional/managerial occupations and those with resort/community-related occupations are expressing an interest in the Chamonix Neighborhood.

There is definite market demand for two and three-bedroom townhomes and duplex homes (with room to grow). There is lesser demand for one-bedroom flats. The typical buyer works in Vail or close by and wants a permanent home in a neighborhood setting in the Town of Vail. There are needs for more affordable homes on the lower end of income spectrum and more incrementally higher priced homes on the other.

Garages, guest parking, private outdoor space, shared open space and storage are important features to the typical buyer. The typical buyer wants quality built homes with amenities and room to grow and they are willing to sacrifice some features in order to live in Vail.

## Highlights of the Characteristics of Potential Home Buyers:

- Home owners make up 34.8 % of potential home buyers, and renters are 65.2%. Of the home owners, 54.5% purchased their homes for less than \$300,000 and 55.17% of renters pay between \$1,100 and \$1,950 per month in rent.
- Occupations are split into two general categories that reflect somewhat correspondingly to the renter/owner mix. There are professionals/managers, e.g., doctors, lawyers, hotel managers, restaurant managers, accountants, etc. and resort and resort/community-related occupations, e.g., ski industry, waiters, concierge, firefighter, police, lock smith, teachers, etc.
- The typical buyer has worked in Eagle County for an average of five to six years, works within the Town of Vail (57.48% of all income earners identified) and has a median household income of \$87,500 (the potential home buyers are almost precisely split 50% below and above this level of income). The largest single group of respondents has incomes between \$100,000 and \$125,000 at 17.4%, while the second largest group has incomes between \$62, 501 and \$75,000, at 15.7% of the total.
- The majority of potential buyers (55.11%) have lived in Eagle County for 10 years or less with 42.62% having lived in the County 11 years or more. The vast majority of the potential buyers (76%) have lived in the Town of Vail at some time in their past, whereas only 47.2% currently do today. The next largest segment lives between Eagle-Vail & Edwards (32.6%).
- 50% of potential home buyers are married couples, 34.9 % are families with children, and 19.7% percent are unmarried couples with no children.
- 40.56 % of potential home buyers are currently two-person households, while another 37.75% have household sizes of 3 or more persons.
- At 67.23%, the duplexes and townhomes are the most favored style of home to accommodate the needs of the potential home buyers with 32.77% showing a preference for condos.
- The typical buyer owns at least two vehicles (63.44%) and therefore needs at least two parking spaces. The overwhelming majority of potential buyers (74.13%) have two or more parking spaces available currently.
- The typical buyer is ready to buy now and can afford homes in a variety of price ranges. The largest single segment (40.56%) states their maximum affordable price between \$300,000-\$399,000. A full 30% are at or above \$400,000 and 26.67% are below \$275,000.

- Comments that support the readiness for people to purchase homes in Vail include:
  - *Any opportunity to own property in Vail, especially within the neighborhood we have called home for many years, would be a dream fulfilled.*
  - *I would love to have a place to grow and raise my children that's close to work in a safe area.*
  - *Would like a place of which we can be proud and live in for the long term.*
  - *We are living in a friend's house that moved to Georgia. He gives us a break on rent. We are desperate to get back to Vail.*
  - *We need reasonable housing for families (incl. pets) that are affordable on a TOV paycheck.*
  - *With both of us working in Vail, a child going to school in Vail, it would be nice to not have live down valley in order to afford a home.*
  - *We currently rent from the town of vail as I am a TOV employee. I currently work for the Vail police department and since my time here (2.5 years) we have had about 20 people leave due to affordability of living in the area. I think this project could keep people in our department for a lot longer.*
  - *There are currently very few options for families with more than one or two children and with older children. This forces families to move down-valley.*
  - *Currently renting an out of date property for the price that I would expect modern and energy efficient, due to market demand. Would like to buy something I can call home and care for in a neighborhood that would reflect all owners enjoying and caring for each property.*
  - *Would be great to have an affordable housing option for purchase in the town we love.*
  - *We both want to continue to live in town of vail but expect our family size to grow and want a home where we can have kids but still live close to work and in town recreation.*

### III. COMPARE/CONTRAST

When compared to the most recent site plan proposals, the needs and wants of the typical buyer profiled suggest that the Town evaluate alternative options. The typical buyer prefers townhomes and duplexes to condos, but the profile shows that not all of the buyers could afford the homes as presently sized.

Private space and “room to grow” were key features requested by the typical buyer. Consideration, therefore, should be given to building slightly smaller townhomes and/or duplexes with unfinished space to allow more buyers the opportunity to purchase now and expand their livable space in the future as needs change. Perhaps the site plan could be reconfigured in such a way to allow a group of smaller sized townhomes to be built in place of one multiple family building in the center of the site without drastically impacting the total density.

Since the profile also shows that there are buyers, who can afford slightly higher priced units, perhaps there can be a variety of sizes and types of units to accommodate the needs of this segment and priced according to means, thereby generating additional revenue to balance the sale and subsidy of more modestly priced homes.

There is also contrast among the buyers with a large group of potential home owners, who have lived and worked in the Valley 10 years or less and those who have been here much longer. This suggests that there may be a need to amend the Town's lottery process to ensure that newer residents have an opportunity to live in the Chamonix Neighborhood.

#### **IV. STAFF RECOMMENDATION**

The Community Development Department recommends the Vail Town Council considers the following:

- changing the mix and sizes of the homes to accommodate the needs of the typical buyer profile as outlined.
- develop a pricing strategy which allows for a variety of price points to meet the varying needs of the buyers, which also allows for higher price points to help subsidize more affordably priced units.
- using a variety of deed restrictions to allow some homes to be sold with lesser restrictions to generate more revenue and still maintain permanent residency, while others have greater restrictions to maintain affordability.
- changing the lottery parameters for some of the homes in to allow more recent residents the opportunity to obtain a home in the Chamonix Neighborhood.
- building a number of the new homes with unfinished spaces that allows for affordability today and the opportunity to grow into the home over time as needs and lifestyle change.

Attachment: Chamonix Neighborhood Buyer Survey

# of Units	5	11	6	10	
Unit Type	Type 1	Type 2	Type 3	Type 4	Total
	2 BR - 2 story	2 BR - 3 story	3 BR - 3 story	3 BR - 3 story LG	Cost
Investment in Land/Infrastructure	85,000	90,000	115,000	150,000	3,605,000
Estimated Cost of Construction *	431,000	506,000	574,000	684,000	18,005,000

With a 10% downpayment and 4% mortgage rate; based on construction cost only

Estimated Monthly Mortgage Amount	1,852	2,174	2,466	2,939
Estimated Other Monthly Housing Costs	463	503	540	598
Total estimated Monthly Housing Cost:	2,315	2,677	3,006	3,537
Total estimated Annual Housing Cost:	27,780	32,124	36,072	42,444

Affordability at AMI Levels			% of Annual Income	% of Annual Income	% of Annual Income	% of Annual Income
160%	4 person HH	\$ 141,440	20%	23%	26%	30%
140%	4 person HH	\$ 123,760	22%	26%	29%	34%
120%	4 person HH	\$ 106,080	26%	30%	34%	40%
100%	4 person HH	\$ 88,400	31%	36%	41%	48%
80%	4 person HH	\$ 70,720	39%	45%	51%	60%

Subsidy \*\*assumes 35% of annual income used for housing costs

		Max Price	Conforming loan amount is \$625,500			
160%	4 person HH	\$ 810,000	\$ -	\$ -	\$ -	\$ -
140%	4 person HH	\$ 705,000	\$ -	\$ -	\$ -	\$ -
120%	4 person HH	\$ 595,000	\$ -	\$ -	\$ -	\$ 89,000
100%	4 person HH	\$ 485,000	\$ -	\$ -	\$ 89,000	\$ 199,000
80%	4 person HH	\$ 375,000	\$ 56,000	\$ 131,000	\$ 199,000	\$ 309,000