

Memorandum

To: Vail Town Council

From: Vail Local Housing Authority
George Ruther, Director of Housing

Date: April 17, 2018

Subject: Town of Vail Annual Resale Lottery Criteria Process – Recommendation to Vail Town Council

I. Purpose of this Memorandum

The Vail Town Council requested that the Vail Local Housing Authority and the Housing Department review the existing Town of Vail annual resale lottery criteria process and recommend options for amendments, improvements and enhancements. The goals and objectives of the effort were to:

- Improve efficiency (ie. cost) and effectiveness (ie. time) of the lottery process for both the Town and the applicants.
- Ensure consistency, predictability and fairness in the process.
- Increase alignment between the annual lottery processes with the Town's housing policies and objectives.
- Reinforce emphasis on creating housing opportunities to maintain and sustain community; not just workforce.
- Improve the opportunity for participation in the lottery amongst all persons eligible to own a deed-restricted home in Vail.
- The opportunity to own deed-restricted housing in Vail is at the core of maintaining and sustaining community.
- Increase participation and opportunity in the lottery selection process.

The purpose of this memorandum is two-fold:

- 1) share the adopted Town of Vail Annual Resale Lottery Criteria Process, and
- 2) present the recommendation of the Vail Local Housing Authority for amendments, improvements and enhancements to the criteria and lottery process consistent with the goals and objectives outlined above.

II. Background

The Town of Vail Housing Department conducts an annual resale lottery selection process to determine eligibility to bid and purchase for-sale deed-restricted employee housing units which may become available for purchase in the coming calendar year. This lottery selection process occurs the first week of June, annually. The procedures for the Town's annual resale lottery

process are outlined in the Town of Vail Employee Housing Guidelines, adopted October 10, 1999. By and large, and specifically as it relates to the lottery process, the Guidelines have remained unchanged since their original adoption nearly twenty years ago.

The Housing Department routinely receives feedback from annual resale lottery participants about the process. Unfortunately, not all of the feedback is positive. Some of the more frequently shared negative feedback includes comments regarding the following:

- Participants must meet the deed-restriction criteria at the time of application instead of the time of purchase.
- Household size requirements limit home purchase options and simply ignore future changes in lifestyle or family sizes.
- Telecommuting and other forms of “*work from home*” employment is not allowed.
- The weighted preference system limits participation and prevents persons from moving back into Town.
- The tiered system conflicts with and is counter to the weighted preference system.
- The entire process is time consuming, costly, inefficient, and nonresponsive to changes during the past 20 years.
- The current process is anything but a true lottery and discourages participation.
- Persons that currently own a home or a vacant residential lot in Eagle County can not participate.

The following chart indicates the number of annual resale lottery participants and number of annual resales occurring during the six-year period of time from 2012 to 2017.

Annual Resale Lottery Statistics 2012 to 2017

<u>Year</u>	<u># Participants</u>	<u># of Annual Resales</u>
2012	3	1
2013	9	2
2014	12	4
2015	28	7
2016	31	3
<u>2017</u>	<u>16</u>	<u>3</u>
Avg.	17	3

III. Existing Annual Lottery Resale Criteria and Process

A copy of the Resale Lottery Criteria is outlined below:

Resale Lottery Criteria

- A. There are six basic eligibility requirements which must be met prior to an individual submitting a bid to purchase an employee-housing unit.
1. The applicant must intend to use the unit as his/her primary residence and maintain it as his/her primary residence in the future.
 2. The applicant must be currently employed at a business located within Eagle County which holds a business license with the appropriate jurisdiction (Town of Vail, Town of Avon, etc.), must be employed an average of 30 hours each week on an annual basis, and must maintain this level of employment for as long as he or she owns the unit.
 3. The applicant must demonstrate that at least 75% of his/her income and earnings are earned by working at a licensed Eagle County business.
 4. Neither the applicant nor any member of the applicant's immediate family (including, but not limited to, spouse and children under 18 years of age) may own residential real estate in Eagle County at the time of application, except where that real estate is deed restricted as a Town of Vail employee housing unit with a resale appreciation cap. A current residence may not be deeded to a corporation or other entity in order to qualify the applicant for a Town of Vail deed restricted unit.
 5. The applicant must be prequalified with a mortgage lender.
 6. For all Town of Vail deed restricted three bedroom units, the applicant must have a household size of 3 or more persons. For the purposes of determining household size, applicants may include all persons related to the applicant by blood, marriage, or adoption. If the applicant plans to include dependents, they must be continuously listed on federal income tax forms and reside in the household at least six months and one day out of every 12 month period of time. A pregnancy may be counted towards the family size requirement as long as a note from an Eagle County doctor is provided.
- B. Once basic eligibility has been met, the qualified person(s) submitting the highest bid price (not to exceed the maximum bid price) during a bidding period shall have the first right to negotiate purchase of the unit. If two or more qualified bids are submitted at the highest bid price, they shall receive preference and be prioritized for selection as the top bidder based on the highest score using the criteria listed below. Each year of residency and employment in Eagle County will count as one point in determining the total score. Additional points will be determined as follows:
1. All current years of employment in Vail shall be weighted at 3:1 over years of employment in Eagle County.

2. All current years of residency in Vail shall be weighted at 3:1 over years of residence in Eagle County.
3. All years of residency and/or employment prior to a leave from Eagle County shall be given points at a 1:1 ratio regardless of location of residency or employment within Eagle County.

C. Notes:

1. The physical place of residence and employment is what counts, not the mailing address.
 2. Employment physically located on Vail Mountain shall be considered inside the Town of Vail.
 3. Employment requiring work to be completed at locations “on-site” throughout Eagle County (e.g., construction sites) shall be considered outside the Town of Vail.
 4. Seasonal work and part time work shall be counted on a pro-rata basis. Seasonal work and part time work alone may not be adequate to meet the 30 hours/week average *annual* requirement. This type of work *may* need to augment other employment to meet the minimum eligibility.
 5. For the purposes of determining the standing of each applicant, each year of residency (or employment) reflects one point. For the portion of time in excess of a complete year, the Town will round to the next highest number if the time exceeds six months and one day. If the time is less than six months, the Town will round down.
 6. If two individuals are applying jointly, the years of employment and/or residency shall not be combined. The single individual with the longest record of employment and/or residency shall use his or her record for the purposes of determining longevity.
 7. Persons who own residences located in Vail or Eagle County at the time of the application deadline are not eligible.
 8. All claims will be verified by Town of Vail staff. Claims of residence or employment that do not check out or are un-verifiable will not be counted in determining your longevity.
 9. If there is a sole applicant in the top tier of the lottery, the scheduled lottery will not be conducted and the unit will be awarded to the top tier applicant. A drawing to establish the reserve list will be held in the Community Development office during regular business hours and shall be witnessed by the Town Clerk.
 10. The application and any accompanying documentation shall become the property of the Town of Vail and will not be returned to the applicant.
- D. For all resales of existing Town of Vail deed restricted units, a permanent reserve lottery list will be used. The reserve list will be created using the exact same criteria outlined above.

1. The first person on the list will be offered the unit available for resale. If that person chooses not to take the unit, they will be dropped to the end of the list and the next person will have the option to purchase the available unit and so on, until a buyer is found.
2. The list will be updated by an annual lottery.
3. Separate reserve lists will be created for two bedroom and three bedroom units.

IV. Vail Local Housing Authority Recommendation

Following careful and thoughtful review of the Town's annual resale lottery criteria and selection process the Vail Local Housing Authority finds that amendments, improvements and enhancements are needed to realize the goals and objectives for housing in Vail. To be successful, the resale lottery criteria and selection processes must be aligned with Town's goals and objectives for housing. In the minds of the Authority, in the absence of alignment, it is unlikely that the Town will realize its desired results when it comes to housing in the community. To that end, the Vail Local Housing Authority has reviewed the current criteria and recommends that Vail Town Council authorizes the Housing Department staff to pursue revisions to the current criteria and lottery by taking action on the following:

1. Clearly define and adopt goals and objectives for the Town's lottery criteria and process.
2. Allow current residential property owners, including vacant residential land, to participate in the lottery with the understanding that they must either 1) deed-restrict their current residential property for employee housing or, 2) dissolve their interest in the real estate prior to closing on the new deed-restricted property.
3. Phase out the weighted preference and tiered systems and replace them with a true lottery process with preference, effective June 2018. The existing weighted and tiered system is inconsistent with the Town's goal of maintaining and sustaining community. A point system of preference that increases the probability that one category of persons (ie, long time local, Vail business employee, critical worker/occupation, etc.) is selected over another, yet still maintains an opportunity for all participating to be selected (ie, multiple tickets in the drawing).
4. Replace the annual lottery process with an individual and separate process for each home when it becomes available for purchase. This improves efficiency and effectiveness as lottery participants are only participating in lotteries for home types they wish to purchase
5. Eliminate the minimum household size requirements and thereby acknowledge the changes in lifestyle or family size that occur over time.

6. Simplify and streamline the application submittal process and minimize, to the extent possible, the materials required for participation to increase participate numbers and be more cost effective and efficient.
7. Implement a true lottery drawing process which affords all qualified participants a chance of being selected for homeownership.

Further, the Vail Local Housing Authority recommends the Vail Town Council instructs the Housing Department staff to prepare an administrative process for demonstrating eligibility and compliance with the terms of the deed-restriction and the employee housing guidelines. Currently, there is no prescribed process for administrative determination. Inevitably, however, as the Town's housing programs grow, situations and circumstances will arise whereby a determination will be needed. To ensure effectiveness and sound decision-making occur, criteria for consideration should be established and adopted. It is likely most appropriate that the Vail Local Housing Authority, as an impartial five member authority appointed by the Vail Town Council, and not the Housing Department staff, be the entity which hears, evaluates and renders decisions in the administrative process. Examples of where this process would be most useful are when making determinations of legitimate business, employment, residency/occupancy, income generation, etc.

V. Next Steps

The Vail Local Housing Authority and the Housing Department staff are prepared to work through the details of implementing the amendments described herein. With Town Council direction, the Authority and the staff will return to the Town Council meeting on May 1 with proposals and recommendations on how best to implement 1) a point-based system for lottery participation, 2) a lottery process for which is more streamlined and home type specific, and 3) an administrative process for making determinations of eligibility and compliance based unique situation and special circumstances.

With this direction provided, a new process can be in place for the 2018 annual resale lottery.