



Memorandum

To: Vail Town Council

From: George Ruther, Housing Director

Date: April 2, 2019

Re: Proposed Parcel E, Chamonix Vail Neighborhood – Options for Consideration – Request for Direction

I. Purpose

The purpose of this memorandum is to outline options for consideration in determining the best approach to selling the Town's interest in Proposed Parcel E, Chamonix Vail Neighborhood. To aid in making that determination, a background section has been included to establish context for the discussion and a summary of the options for consideration is provided herein.

At the end of this discussion, the Vail Town Council will be asked to provide direction to the Town staff as to which, if any, of the proposed approaches best serves the interest of the greater Vail community.

This agenda item furthers the Town's adopted housing goal and aligns with the housing initiatives and priorities highlighted in the 2018-2020 Vail Town Council Action Plan.

II. Background

The Town of Vail was the previous owner of the 3.54 acre Chamonix Vail property located in West Vail. Through its ownership, in part, the Town sponsored and caused the Chamonix Vail Neighborhood to be master planned and developed. As discussed throughout the course of the site design, entitlement and development processes, the Chamonix Vail property, upon its completion, was to include thirty-two (32), resident-occupied, deed-restricted, for-sale, two and three bedroom townhomes with a future opportunity for the Town to sell, or otherwise develop for residential uses, Parcel D of the Chamonix Vail Neighborhood. The Chamonix Vail Community Townhome Plat was recorded on December 19, 2017. The Chamonix Vail Neighborhood development was completed in the spring of 2018. As recently as December 2018, the Vail Town Council had again, expressed its intent to sell Parcel D (aka Proposed Parcel E).

It has been long understood that the availability and affordability of residential homes are significant barriers to entry into the Vail real estate market for many local residents.

In fact, according to the most recent community survey, housing is one of, if not the most, significant issue facing the Vail community. With that in mind, the Vail Town Council set forth to develop the Chamonix Vail Neighborhood. To that end, the Town of Vail provided a financial subsidy to incentivize the development of the Chamonix Vail Neighborhood. The total development cost, including site access, below grade utilities and land was approximately \$21M. The Town subsequently entered into a development agreement with Triumph Development for a total project cost of \$17.725M. As a result, a nearly \$4M financial subsidy was granted to the project by the Town of Vail.

The Town of Vail took many strategic actions throughout the design, entitlement and development processes with the intent of recouping a portion of the \$4M financial subsidy through the sale or development of Parcel D.

Examples of strategic actions taken include,

- Establishment of Parcel D through the recording of the Townhome Plat
- Addition of a Plat Note indicating the intended future residential use of Parcel D
- Separated Parcel D from any involvement in operations of the Chamonix Vail Community
- Established a ten-year window for the Town to further subdivide Parcel D from the Chamonix Vail Community
- Maintained the Housing (H) District designation on Parcel D

Parcel D remains within the Town's Housing (H) District. In part, the Housing District is intended to provide adequate sites for resident-occupied, deed-restricted homes for Vail residents. And, because of the unique nature and characteristics of deed-restricted housing, it is acknowledged in the (H) District the importance of providing flexible, nimble and adaptable development standards and processes specifically prescribed for each development proposal or project. This acknowledgement is best achieved through the approval of a development plan for each project and the ability for the administrator to waive or defer certain development plan application materials. Further, pursuant to the provisions of Chapter 6, Article I, of the Zoning Regulations of the Town of Vail, certain free-market dwelling unit uses are allowed in the (H) District, subject to the issuance of a conditional use permit, and provided said free-market dwelling units are:

- created solely for the purpose of subsidizing deed-restricted housing on the property,
- not the primary use on the property and GRFA of the free-market homes does not exceed 30% of the total GRFA,
- only created in conjunction with deed-restricted housing, and

- compatible with existing and proposed uses and buildings.

To achieve the Town's development objectives for sites in the Housing (H) District the approval of a Development Plan is required. In part, an Approved Development Plan sets forth the development standards for the property (i.e. # of homes, GRFA, site coverage, building height, etc.) and prescribes the development potential of the site. Unlike other zone districts in the Town of Vail, where the development standards are prescribed in the Zoning Regulations, the development potential of a site in the (H) District can only be determined upon approval of an Approved Development Plan.

In January of 2017, the Town of Vail Planning & Environmental Commission adopted an Approved Development Plan for the Chamonix Vail Neighborhood. For zoning purposes, the entire 3.54 acre parcel, which includes Parcel C, Parcel D, and each of the 32 townhome lots, is considered the development site. To achieve the Town's development objectives for Parcel D, an amendment to the Approved Development Plan for the Chamonix Vail Neighborhood is required. Amendments to previously approved development plans are permitted. Amendment procedures are set forth in Section 12-6I-11E of the Zoning Regulations of the Town of Vail. An application for an amendment to the Approved Development Plan requires the signature of the Chamonix Vail HOA Board.

The Vail Town Council has reaffirmed its intent to sell Parcel D. To that end, the Vail Town Council instructed the town staff to complete a residential real estate appraisal to provide an estimate of value of Proposed Parcel E. Understandably, as a vacant, undeveloped parcel, the estimate of value is largely based upon the permitted development potential of the property. As instructed, a real estate appraisal was completed in August of 2018 utilizing the following assumptions:

- Proposed Parcel E shall remain in the Housing (H) District and continue to be associated with Chamonix Vail Neighborhood Development Plan
- The maximum allowable density on Proposed Parcel E could be three dwelling units (two free-market & one deed-restricted) and up to 8,700 square feet of GRFA total
- At least one of the homes shall be deed-restricted for resident occupancy
- The total area of Proposed Parcel E shall be 0.4638 acres, or 20,203 square feet.

The estimated value of the property will vary widely, up or down, depending upon the development potential of the property. In general terms, the more that can be developed, the higher the value of the land. According to the consulting real estate appraiser, a true comparable estimate of value can not be determined until the development potential of the property is verified. The development potential of the

property can not be verified until an amendment to the development plan is approved. Therefore, the development potential of Proposed Parcel E can not be determined until an amendment to the Chamonix Vail Neighborhood Development Plan is approved by the Town's Planning & Environmental Commission. It has been suggested that an amendment can not be reviewed in the absence of building elevations, floor plans, architectural drawings, massing and orientation drawings, landscape plan, etc. This is not necessarily correct given the intended flexibility and administrator discretion granted to the Housing (H) District.

Parcel D has no development potential today. Knowingly, Parcel D was set aside for future residential development at the time the Chamonix Vail Community Townhome Plat was recorded. At that time, it was widely understood that the review and approval of certain development applications would be necessary to develop on Parcel D in the future. Given the circumstances of the site, it was understood that the review and approval of the following applications would likely be needed:

- Master Plan Amendment
- Minor Subdivision
- Rezoning
- Approved Development Plan
- Variance for Steep Slopes
- Conditional Use Permit for Free-Market Dwelling Units
- Design Review

III. Options for Consideration

The Vail Town Council has instructed the town staff to sell Parcel D (aka Proposed Parcel E). The purpose of selling Parcel D is to recoup a portion of the Town's investment in the original 3.54 acre land purchase and to create additional resident-occupied, deed-restrictions on Parcel D. When forwarding its instruction to the town staff, the Town Council expressed the following development objectives:

- utilize the flexibility and financial incentives afforded by the Housing (H) District designation,
- allow the development of free-market dwelling units to incentivize the creation of more deed-restricted homes in Vail,
- maximize the return on town funds invested (i.e. sales price) to reduce the amount of subsidy granted to the Chamonix Vail Neighborhood, and
- optimize the number of resident-occupied, deed-restricted homes on Parcel D.

To effectively sell Proposed Parcel E and realize the Town's objectives, the value of the property must be understood. There are several options for the Vail Town Council to

consider when determining the best approach to selling Proposed Parcel E and realizing the Town's objectives. Each of the options is summarized below.

1. Sell "as is"

Parcel D has no development potential "as is". The development potential would need to be created through a minor subdivision and amendment process. The buyer would have an obligation of going through the Town's development review process in hopes of gaining development potential. Value is determined based upon "as is" condition. This approach likely yields the lowest sales price and has a high level of risk to the buyer. This approach has the lowest likelihood of achieving the town's objectives.

2. Sell contingent upon approval of a Subdivision and an Amendment to the Approved Development Plan

Similar to Option #1 above, however, the potential buyer only purchases the property if the minor subdivision and amendment applications are approved. The value of the land would be based upon what might be approved. The determination of value would be speculative. This approach yields a higher sales price and has a low level, if any, risk to the buyer. The buyer is exposed to the cost of the development review process and time. This approach has a higher likelihood of achieving the Town's objectives.

3. Subdivide the Parcel, Amend the Approved Development Plan, and then Sell the Property

As the owner of Parcel D the Town of Vail can pursue a request to subdivide the Parcel, amend the Approved Development Plan and then, if approved, sell the property. This approach places the onus on the Town of Vail to establish the development potential of the property up front by going through the development review process prior to listing the property for sale. Once the development potential has been established, the determination of value is no longer speculative. This approach yields the highest sales price and is most assured of achieving the Town's objectives. This approach places the cost, and obligations of the development review process, on the Town of Vail. This approach does not perfectly align with the development review process, however, the town code does grant authority to the administrator to make exceptions based upon findings.

4. Land Bank Parcel D

The Town of Vail owns Parcel D with no debt on the property. The Vail Town Council could reconsider its early decision to sell Parcel D and hold it in a land

bank situation. This approach differs from all previous considerations and does not address the Town's interest in recouping a portion of the financial subsidy granted to the Chamonix Vail Neighborhood. Simply said, a decision to take no action at this time and land bank the property defers any decision making to a future date. It should be noted that the Town's ten-year window for further subdividing the property closes in 2027.

IV. Action Requested of the Vail Town Council

The Vail Town Council is being asked to provide direction to the town staff. That said, which, if any, of the options summarized in Section III above is supported by the Vail Town Council?

Once direction has been provided, the Town's Housing Department will take the steps necessary to implement the Vail Town Council's direction.