



## Memorandum

To: Vail Town Council

From: George Ruther, Housing Director

Date: September 1, 2020

Subject: Inclusionary Zoning/Commercial Linkage Fee in Lieu Rate Update and Policy Amendment

### 1. SUMMARY

The purpose of this memorandum is to present a proposed scope of work, schedule and budget for updating the fee in lieu rate for inclusionary zoning and commercial linkage and receive policy direction to explore options for adopting residential linkage as an additional tool to mitigate the need for deed-restricted homes in Vail

### 2. BACKGROUND

The Vail Town Council adopted inclusionary zoning and commercial linkage as two primary means of mitigating the increased need for workforce housing resulting from new residential and commercial development in Vail. In doing so, three methods of mitigation were adopted and include:

- 1) constructing deed restricting dwellings units, both on-site and off-site
- 2) remitting a fee in lieu payment, and
- 3) conveyance of vacant property into a land bank.

The fee in lieu payment rates have not been amended since the original adoption of the inclusionary zoning and commercial linkage requirements and are based upon the gap in affordability between area median income in Eagle County and the median price of residential dwelling units in the Town of Vail. Currently, the fee in lieu rate for inclusionary zoning is \$320.90 per square foot and \$ 177,733.00 per employee for commercial linkage. Each of these amounts includes an administrative fee of \$4.90 per square foot and \$4,033 per employee, respectively.

The Vail Town Council is the policy making body of the Town of Vail. The Town Council has expressed an interest in updating the fee in lieu payment rate and amending certain housing policies. For instance, changing the policy for determining the payment rate from the gap in affordability to the actual cost of constructing deed-restricted homes and adopting residential linkage requirements. As such, proposed changes in policy should first be considered by the Vail Town Council. If the Town Council determines a possible change in policy warrants further consideration, policy making direction can be provided and the town staff will prepare options for policy implementation to be presented to the Town's Planning and Environmental Commission

for evaluation. The Planning and Environmental Commission will then be charged with forwarding a policy implementation recommendation to the Vail Town Council for consideration and adoption.

### **3. RECOMMENDATIONS**

The Town of Vail Housing Department has reached out to Economic & Planning Systems, Inc. (EPS) for technical assistance in updating the fee in lieu mitigation rates. EPS is widely recognized as leaders and industry experts in the development of land use policy and regulations based upon economic considerations and impacts.

Town staff and EPS have collaborated on the development of a scope of work, schedule, and budget for completing the inclusionary zoning/commercial linkage fee in lieu rate update and policy amendment.

#### **A. Scope of Work**

The scope of work includes seven distinct tasks. The tasks are summarized as follows:

Task 1 – Project kick off – Identify key project goals, desired outcomes and deliverables.

Task 2 – Review of Best Practices – Focus on communities that have transitioned from inclusionary zoning to residential linkage.

Task 3 – Consideration of Policy Approaches – A pros/cons/trade-offs review and analysis of shifting from affordability gap approach to actual construction cost approach, fee structure and implementation, mitigation rates, etc.

Task 4 – Worksession with ToV legal team – identify key considerations from a legal perspective and identify any additional studies or reports required to establish a rational nexus and rough proportionality.

Task 5 – Worksessions with Town staff, Boards, and Vail Local Housing Authority – Present policy implementation options to town staff and the various town boards in the developing of updating and amending language. The VLHA will be relied upon to act in an advisory role to the Vail Town Council.

Task 6 – Fee Update and Analysis – Present fee structure, fee models and calculations

Task 7 – Final Report and Policy Recommendation – Share final report and conclusions with the Vail Town Council.

#### **B. Schedule**

A schedule has been developed which allows for changes in policy to be implemented effective January 1, 2021. This is an aggressive schedule that will require clear direction and commitment to completion to achieve. It is the project team's goal to have an amending ordinance to the Vail Town Council for consideration by no later than December 1, 2020.

### **C. Project Budget**

The completion of an update to the inclusionary zoning/commercial linkage pay in lieu rates project was approved in the 2020 budget of the Town of Vail Housing Department. To that end, \$50,000 was appropriated by the Vail Town Council to complete the project. Due to the financial impacts of the Covid-19 pandemic, the budget has since been amended resulting in a reduction of \$39,000 leaving approximately \$11,000 in the project account.

A project budget has been developed to cover the costs anticipated to complete the inclusionary zoning/commercial linkage update project. The cost of the project is not to exceed \$48,000. The budget for this project requires a supplemental budget request of \$37,000 to move forward. This will be included in the second reading of the supplemental on September 15<sup>th</sup> should Town Council direct staff to move forward.

## **4. NEXT STEPS**

If instructed to do so, the town staff will collaborate with EPS and stakeholders and potentially affected parties to develop policy implementation options and land use regulation amendments. Said options and amendments will be presented to the Planning and Environmental Commission and the Vail Local Housing Authority for feedback and comment. In the end, the town staff will return to the Vail Town Council for final decision making and adoption on this policy matter. It is estimated this process will require approximately 120 days to complete.

## **5. ACTION REQUESTED**

The Vail Town Council is being asked to answer each of the following questions to provide policy direction:

- **Does the Vail Town Council support an update to the pay in lieu rates for both inclusionary zoning and commercial linkage?**
- **Does the Vail Town Council support a change in policy for determining fee in lieu payment rates from gap in affordability to actual cost of construction?**
- **Does the Vail Town Council support the exploration of residential linkage requirements as an additional tool for providing deed-restricted homes in Vail?**
- **If yes, what, if any, specific policy direction does the Vail Town Council have for the town staff and the Planning and Environmental Commission as they develop policy implementation options and land use regulation amendments for further consideration and adoption?**