

RESOLUTION NUMBER 15-008

A RESOLUTION OF THE CITY OF KETCHUM, IDAHO, ESTABLISHING A FEE IN LIEU FEE OF CONSTRUCTING COMMUNITY HOUSING THEREBY SATISFYING REQUIREMENTS OF THE ZONING ORDINANCE FOR CERTAIN PROJECTS THAT MEET SPECIFIC CRITERIA TO PROVIDE COMMUNITY HOUSING

WHEREAS, Title 17 of the Ketchum Municipal Code, Zoning Regulations, requires community housing units when developments meet stated criteria;

WHEREAS, according to 17.64.080.H.2.d requires annual review and adoption of a fee paid in lieu of providing community housing where required by Title 17, the Land Use Ordinance;

WHEREAS, the Blaine County Housing Authority is charged with conducting research and making recommendations on community housing policies and issues;

WHEREAS, the Blaine County Housing Authority recommends adoption of the following recommendations regarding fees paid in lieu of providing community housing, as required by Title 17; and

WHEREAS, the recommendation and analysis from the Blaine County Housing Authority for this fee adoption are attached hereto as Exhibit A.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND CITY COUNCIL OF KETCHUM, IDAHO, AS FOLLOWS:

SECTION 1: COMMUNITY HOUSING IN LIEU FEES ESTABLISHED:

The City of Ketchum hereby adopts a standard fee of \$196.00 per square foot (\$196/sf) which shall be applied by all developments electing to pay fees in lieu of providing community housing.

SECTION 2. FEES WHEN DUE AND PAYABLE.

Fees paid in lieu of providing community housing shall be paid prior to issuance of a building permit for all projects that meet the community housing criteria as defined in Title 17.

SECTION 3. EFFECTIVE DATE. All provisions of this Resolution shall become effective upon the date of adoption.

This Resolution will be in full force and effect upon its adoption this 2nd (second) day of February, 2015.



Nina Jonas, Mayor

Attest: Approved as to form and content:

Sandra E. Cady

Sandra Cady, CMC
City Treasurer/Clerk



Stephanie Bonney

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City Attorney

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January 12, 2015

To: Micah Austin, Planning Director
Re: 2015 Housing In-lieu Fee

Each year the City of Ketchum adopts a housing in-lieu fee based on recommendations from the Blaine County Housing Authority. This annual update has not happened over the past several years due to the Great Recession's effects on new development in Ketchum. Increased activity in the development sector has prompted the city and BCHA to update the in-lieu fee. Our recommended in-lieu fee and the explanation of the variables that go into the calculation follow.

In-lieu Fee Variables

There are several variables that affect the final in-lieu fee. These variables, and the targeted affordable price, are discussed below with BCHA's recommendations for each.

Targeted Income Categories

BCHA serves a wide range of income categories. Our applicant database contains households that earn anywhere from 30% of the Area Median Income (AMI) up to households earning 140% of the AMI. Most housing markets in the United States support housing for households that earn 80% (moderate-income) of the AMI. In higher-cost markets, some type of assistance is required for moderate and median households to afford homeownership and rental housing. This is the intention of Ketchum's inclusionary up-zoning incentive.

In years past BCHA made its recommendation to the city for a targeted income category based on the current profile of our applicant database. While this is the most effective way to respond to changing demand in the market, the development community has told BCHA and the city that it needs a definitive target income category to adequately evaluate potential development projects. Therefore, BCHA recommends targeting the median household (100% of the AMI), also referred to as BCHA Income Category 4.

On line 1 of Table 1 below, we target the middle of the income range between 80% and 100% AMI households. We need to do this because the income limits for each range is a maximum income. By using the maximum income limit, the resulting maximum affordable price yields a result that is only affordable to households at the very top of that income category. Income Category 2 is only included in the table below to establish the midpoint between Category 2 and Category 3.

Targeted Household Size

For the purpose of calculating the city's in-lieu fee, we recommend the city target a two person household. According to the U.S. Census, the average household size in Blaine County is 2.3 persons per household and the average household size in Ketchum is 1.7 persons per household. The average in the BCHA applicant database is 2.0 persons per household.

Targeted Affordable Price

There are several factors that influence the targeted affordable price.

Interest Rates - The higher the assumed interest rate, the lower the targeted affordable price and the higher the in-lieu fee. Interest rates are currently at historic lows and this helps with affordability in all markets. However, BCHA's programs are intended to provide long-term affordability. The tool BCHA uses to ensure the long-term affordability is a deed covenant running with the land. The future affordable price is indexed to the initial sale price, so any future rise in interest rates above the initial interest rate will erode the built-in affordability. **Assuming too low of an interest rate in the initial sale price will create the need for additional subsidies in the future to keep these Community Homes affordable.** We therefore use a rate of 6.5%. (For comparison, Teton County, WY assumes 7.5% interest rate in its maximum sale price calculations.)

Utilities, Tax, Insurance - We use 15% of the affordable monthly payment.

HOA - The median HOA dues for units sold in Ketchum in the last year is \$250/month.

Down payment - For the purpose of establishing a target affordable price, we assume graduated down payment amounts for different income levels. For an Income Category 4 (100% AMI) we use an assumed down payment of \$5,000.

Target Affordable Home Price

(Ketchum In-lieu fee)

BCHA Income Category	2	3	4	5
Area Median Income	< 60%	61% - 80%	81% - 100%	101% - 120%
Max. Annual Income (2 person HH)	\$38,700	\$51,150	\$64,500	\$77,400
Gross Monthly Income	\$3,225	\$4,263	\$5,375	\$6,450
Targeted Monthly Income		\$3,744	\$4,819	\$5,913
Affordable Monthly Payment (30% of gross)		\$1,123	\$1,446	\$1,774
Utilities, Taxes & Insurance (15%)		\$168	\$217	\$266
HOA Dues (Ketchum median)		\$250	\$250	\$250
Mortgage Payment Amount		\$705	\$979	\$1,258
Max. Mortgage (6.5%, 30 years)		\$111,500	\$154,750	\$200,000
Down payment		\$2,500	\$5,000	\$10,000
Target Affordable Purchase Price		\$114,000	\$159,750	\$210,000

Market-rate Price

The median price of all homes sold in Ketchum from October 2013 through September 2014 is \$377,500. The average in that same time period is \$826,393. We use the median price because it is less influenced by abnormally large or small sales.

Size of Units and Price per Square Foot

The median size of units sold in Ketchum in the last twelve months is 1,248 square feet and the median price per square foot \$306/sq.ft.

Administrative Fees

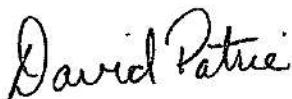
By making a payment in-lieu of providing housing, the developer passes the administrative costs of construction as well as the other soft and marketing costs associated with development to the city or community housing developer. The city should consider adding an administrative fee to compensate for these soft costs. We use 10% in our recommendation. Soft costs are often estimated to be 20% of the total cost of development.

Rehabilitation/Remodel Costs

In lieu fees may be used to construct new housing or to acquire existing inventory. Considering the later, the median age of home sold in Ketchum in the past twelve months is 35 years. Only one third of the homes sold had been remodeled in the last 10 years. We have not included a fee or factor in this recommendation that considers the need for remodeling. However, the city should be aware that converting existing market-rate housing to community housing will likely require some remodel/rehabilitation costs.

City of Ketchum In-lieu Fee Calculation Worksheet <i>(Affordability Gap Method)</i>	
Market Rate Median Price*	\$377,500
Market Rate Median Size (sq. ft.)*	1,248
Market Rate Median Price per Square Foot*	\$306
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Affordable Purchase Price	\$159,750
Affordable Price Per Square Foot	\$128
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Affordability Gap	\$217,750
Affordability Gap (per sq.ft.)	\$178
Administrative Fee (10%)	\$18
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Payment In-lieu (per sq.ft.)	\$196
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<i>*all units in Ketchum, Oct '13 - Sept '14</i>	

Respectfully Submitted,



David Patrie
Executive Director