

I. Action Plan

To address existing and future housing needs throughout Ouray County, a comprehensive Action Plan has been developed that calls for the implementation of 11 different types of strategies by 2015. These strategies are aimed at simultaneously addressing both catch-up and keep-up needs while broadly sharing the responsibility for affordable housing.

Given the uncertain economic times and the changes that have occurred since the 2008 Housing Needs Assessment, quantitative objectives for the development of additional units to meet existing or catch-up needs have not been set. This Action Plan does not ignore existing housing needs but rather outlines a pragmatic approach that focuses immediately on improvements to the existing housing inventory and postpones plans for unit development until market indicators suggest that new construction would be prudent and feasible.

The current lull in development activity provides the time for staff and stakeholders to develop, and elected officials to consider and adopt, regulations aimed at keeping up with housing needs as growth occurs. In accordance with the policy that development pay its own way, this Action Plan calls for the adoption of measures now that will insure that affordable housing demand generated by new development is at least partially provided by that development. Since no new units would be built through these methods until such time as growth occurs, waiting for market conditions to stabilize before enacting the requirements is not necessary or appropriate.

The following pages contain a summary of each strategy recommended for implementation by 2015.

Rehabilitation and Weatherization - 2009

Providing assistance for weatherization and rehabilitation of units is an immediate priority to address high utility costs, unsafe surroundings, the potential for overcrowding and dissatisfaction due to disrepair and substandard or less than desirable living conditions. Assistance for this work in the form of energy audits, grants and low-interest loans is now available through five different coordinating agencies stretching from Durango to Grand Junction. None of the agencies have offices in Ouray County, however, making it potentially confusing and complicated for residents to take advantage of the assistance available. To remedy this situation and make weatherization and rehabilitation funding more accessible to the County's residents, the following steps are recommended:

1. Provide staff support for coordination and administration;
2. Identify, confirm and develop a relationship with all existing support services, providers and key stakeholders currently involved in providing these services for Ouray County

3. Develop a specific action plan outlining the scope, initiation, implementation and monitoring of weatherization and rehabilitation programs
4. Identify financial partners for grant and loan administration, including local lending institutions, the Governor’s Energy Office, local utility providers and others
5. Identify or develop specific standards for home inspection, insulation, construction/rehabilitation and other services necessary for successful program implementation and solicit qualified providers for these services
6. Initially target efforts to households qualified for LEAP assistance given funding limitations but expand to serve up to 120/150% AMI as opportunities are identified.

Annexation Policy -- 2009

Through policies and practices that the municipalities of Ouray and Ridgway can apply to the annexation of land, new development can be required to address not only the impacts that it directly generates but can be used to improve conditions that currently exist in the communities, including a shortage in the availability of affordably priced housing. Communities often hold development proposed on property that must be annexed to higher standards than projects proposed for land already within municipal limits. Drafting and adoption of a policy for future annexations should be pursued immediately while neither town has an application before them for consideration. To do so, the following actions are recommended:

- The desire to halt the shift from primary to second homes should be taken into consideration when setting the policy with potentially a Resident Occupied (RO – no income or price caps) deed restriction for a portion of the units.
- The ability to use annexations as a means for addressing existing or catch-up needs should be considered and the number of affordable units required should be higher than if imposed under IZ and linkage requirements for in-town parcels.

Inclusionary Zoning (IZ) – 2009/ 2010

Inclusionary zoning is the imposition of a requirement on new subdivisions or PUD’s that a portion of all new units be affordable for a targeted group, typically moderate- and middle-income households in the communities in Colorado that have adopted IZ. Research on IZ programs in urban areas across the country has shown that the higher the income level served, the more units produced. The most effective IZ programs have been complemented by development incentives. Recommendations for adoption of IZ requirements are as follows:

- All three jurisdictions should have similar requirements in terms of the rate – a rate of --% should be considered.
- Methods for satisfying the requirements should be flexible although building units on site is generally preferred, and could vary by jurisdiction.

- Placement of a permanent voluntary transfer assessment (RETA) on subsequent sales of free market units should be allowed in exchange for a partial reduce in the percentage of affordable units required (in Eagle County, their 35% IZ requirement is reduced to 30% in exchange for a 1% RETA).
- IZ should be used to primarily provide homeownership opportunities for moderate and middle income households (81% - 150% AMI).
- IZ should be enacted in 2009/ 2010 before additional subdivision applications are received.

Development Incentives – 2009, 2012

Incentives are an important strategy for use with IZ and linkage requirements. They are the “carrots” that can make development of affordable housing a win/win experience. Given variations in code requirements, lot sizes, densities and development opportunities, incentives should vary among the jurisdictions in Ouray County. For all three:

- Incentives should be put into place simultaneously with IZ and linkage requirements;
- Stakeholders including developers and property owners should be involved in their structure.
- Increased density with high utilization should be allowed for affordable housing, as a means to reduce development costs and promote sustainable land use.

In Ridgway, incentives should include:

- a. Deferral, Reduction or Waiver of Building Permit and Plan Review Fees
- b. Deferral, Reduction or Waiver of Excise Taxes (Excise tax calls for payment of \$1500 per new residential units created, enacted at subdivision - n/a to new building permits but due at subdivision)
- c. Density Bonuses
- d. Expedited Development and Permit Review
- e. Flexible Development and Design Standards (lot size and coverage, street frontage, etc.)

In Ouray, requirements are likely to be similar to Ridgway based on incentives previously offered.

In Ouray County, a minor density bonus should be considered for single-family subdivisions on small acreage, providing rural homeownership opportunities for moderate/middle income families. For example, where one unit per 6 acres is allowed, the ratio could be dropped to 1 per 5 acres if the additional unit(s) is deed restricted. To make this palatable and feasible, open

space requirements shall be maintained at levels consistent with the land use code. This effort should be pursued after other affordable housing efforts have established a track record, possibly 2012.

Residential Linkage - 2010

Residential linkage is a requirement that the construction of new homes contributes to the provision of affordable housing based on the demand that new residential development and the resulting permanent on-site jobs generate for housing. The requirement can be formula driven where affordable units are required (typically a fraction for single-family homes but more for condominium projects) with a fee in lieu, or as an impact fee as was done and upheld in Gunnison County. Recommendations for residential linkage are as follows:

- All three jurisdictions in Ouray County should adopt an identical residential linkage requirement, in 2009 while construction activity is minimal;
- The mitigation rate should start out low for small units (maybe 10% or \$--/SF) and escalate with unit size (around 40% or \$--/SF), stepping up significantly for the large homes being built in unincorporated areas;
- Options should be offered for ways to meet the requirement including payment of a fee, construction of units on or off site, and placement of a permanent voluntary transfer assessment (RETA) on subsequent sales of the free market units;
- The program should address the housing needs of low-income households ($\leq 80\%$ AMI) to partially keep-up with housing demand generated by future residential growth;
- The program should primarily be used to produce affordable rental housing. Possible uses for the funds include subsidizing the development of tax credit apartments to achieve the quality and design desired, and the cost of ADU incentives.
- A housing support study should be prepared that includes a sample of homeowner surveys to establish residential job generation rates and a reasonable link between residential development and the requirements.

Examples to be inserted

Commercial Linkage – 2010

Commercial linkage is a requirement similar to residential linkage for addressing keep-up needs – it is based on the jobs created by new development and the resulting demand generated for affordable housing. It requires developers of new commercial space (does not apply to existing businesses or existing space) to provide or fund a portion of the affordable housing for which

need is generated, usually by building it on site in mixed-use projects. Structuring the requirement as an impact fee also appears to be allowable based on the Gunnison County decision. Recommendations for commercial linkage are as follows:

- Ridgway and Ouray should adopt similar commercial linkage requirements; the requirements for commercial development in the unincorporated county should be more stringent to encourage job growth within the municipalities.
- The requirement should be based on only a small portion of the estimated housing demand or impact generated by development (**no more than 10% initially?**) in recognition of the importance of commercial uses to sustainability.
- The program should encourage on-site development of units but allow fees in lieu and off site development of affordable housing as options for compliance, based on community benefits, opportunities to utilize and leverage revenue, location and site attributes.
- Affordable housing provided on site should primarily be for low-income households ($\leq 80\%$ AMI), yet the program should allow for the flexibility to also provide housing for moderate/middle income households.
- A housing support study should establish the link between commercial development and the requirements imposed.

Homeownership Counseling and Mortgage Assistance – 2010

As units are built or become available for sale to moderate- and middle-income employee households, potential buyers will need assistance in order to qualify to purchase the homes. Homebuyer education classes along will not be sufficient. Personalized credit counseling and down payment or other forms of financial assistance like a shared equity injection are needed.

- The RHA should hire or contract with someone experienced at moving moderate income households into homeownership.
- A system for Ouray County residents to access down payment assistance through the Delta Housing Authority should be established.
- A grant application should be submitted to the Colorado Housing Division for a down payment assistance allocation.
- A pipeline should be established for accessing CHFA down payment assistance.

- Local mortgage lenders should be involved in the RHA-initiated effort.

Revisiting Catch-Up Needs – 2010

Next year, the economy and housing market conditions may be sufficiently stabilized to determine the housing needs that still exist and to set quantitative objectives for addressing these catch-up needs. Information should be obtained from multiple sources and compared to the 2008 Needs Assessment to calculate changes and gaps. The specific information that should be obtained and considered includes:

- Unemployment rates and job numbers from the Colorado Department of Labor and Employment;
- Regional study with San Miguel County
- Data from the Census Bureau on housing and commuting
- MLS listings for home prices and availability
- County Assessor data for sales in the prior year to determine if prices are stable or declining.

ADU Incentives – 2011

Offering incentives for the development of accessory dwelling units (ADU's) could address both catch-up needs and keep-up needs. In Ouray and Ridgway, possible incentives include

- Deferral of waivers of tap fees; evaluation of Ridgway's program with possible modification and replication in Ouray and the County.
- Using linkage fees and IZ fees in lieu to subsidize construction costs with permanent covenant on long-term rental occupancy.
- Changing codes to

The County does not have tap fees to waive/defer but could allow the construction of accessory units as a means for meeting IZ requirements to offer. Other opportunities for the County include:

- Increase maximum size of ADUs to 1000 sf
- Eliminate requirement for proximity to primary residential unit
- Close the employee housing loop hole in the land use code
- Waive building permit fee for ADU if permitted simultaneously with primary residence

Low Income Housing Tax Credit Apartments - 2011

Tax credits are available on a competitive basis from the Colorado Housing and Finance Authority (CHFA) for apartment projects that target households with incomes no greater than 60% AMI. Housing authorities, non-profit organizations (like Mercy Housing and the Denver Archdiocese) and private developers can all utilize the credits. Credits are often used to finance development of rental units by public/private partnerships. While development of an apartment complex would not be appropriate in rural Ouray County, opportunities exist in both Ouray and Ridgway. Recommendations include:

- The City of Ouray should set aside town-owned land suitable for the development of at least 10 apartment units (*should parcels be named?*) and partner with a developer for design and eventual construction.
- Ouray County should consider the feasibility of using some or all of a County-owned parcel in within the city of Ouray for future apartment development.
- The Town of Ridgway should explore opportunities for partnering with a private or non-profit developer for construction of a small apartment project (up to 20 units) perhaps through dedication of future linkage fees to subsidize the development.
- Partnerships should be preferred over strictly private tax credit developments because the additional public subsidies could improve the quality of construction, reduce the number of units needed to be feasible, and influence their location and density. Opportunities may also exist to “package” site in Ridgway and Ouray so that a single developer could construct both and enjoy some economy of scale.
- Green building or energy-efficiency objectives should be incorporated into the LIHTC development (as well as all affordable housing units); the RHA should research resources whereby energy efficiency improvements are incorporated into the design and construction of buildings and financed over time.
- Construction should not be pursued immediately, however, since numerous rentals are now available. While most of these units are homes listed for sale with rents above levels that are affordable for low-income employees, the glut might result in a lowering of rents if allowed to prolong. Also, given economic conditions, new apartments might not be marketable at this time. Partnerships should be formed by 2011 when the timeline for construction dependent upon economic conditions at that time.

Use Tax - 2015

A tax on construction materials purchased outside of Ouray County (usually Montrose) could be used for affordable housing, if approved by voters. The tax could be levied by either or all of the jurisdictions, or by the RHA. If the RHA also assesses a sale tax along with the use tax, it could then charge an impact fee of \$2.00 per square foot on all new construction. Summit County is the only jurisdiction to approve this tax/fee combination allowed by CRS 29-1-204.5. Reasons to consider a use tax for affordable housing include:

- A tax could provide an income stream for the housing authority that could be used for a variety of purposes including construction, land acquisition/banking, acquisition and buy down of existing units and administration.
- A use tax could pave the way for an impact fee, if a sales tax is also levied.
- Without a use tax, local businesses that sell construction materials are at a disadvantage since Montrose stores are not required to charge a sales tax on materials shipped into Ouray County; it is assumed that a use tax will eventually be passed to address this disparity and housing would be an appropriate beneficiary of the proceeds.

Timeline Summarized

2009

- Rehabilitation and Weatherization
- Annexation Policies
- Inclusionary Zoning
- Development Incentives

2010

- Residential Linkage
- Commercial Linkage
- Homeownership Counseling and Mortgage Assistance
- Revisiting Catch-Up Needs

2011

- ADU Incentives
- Low Income Housing Tax Credit Apartments

2012

- SF Density Bonus in unincorporated Ouray County

2015

- Use Tax