TELLURIDE FOUNDATION

USING PUBLIC, PRIVATE PARTNERSHIPS (P3) TO BUILD WORKFORCE HOUSING

REVIEW

- Experts and regional planning professionals worked for 8 months collecting data, creating models and analyzing the economic viability of private public partnership (P3) to build workforce housing developments in the Telluride region (R1 school district).

- Results
  - P3's are potentially viable to accelerate the creation of new workforce housing supply
  - Need a regional approach
    - Need regional working group
  - Need "deal" expertise to attract projects that align with community goals
    - Need for "owners rep"
  - TMV and County have passed MOU unanimously

- Ask of TOT Council
  - Agree to join MOU that creates regional work groups that will create budget/goals and retain owners rep. Foundation will provide seed funded; no funding request from governments

P3 INITIATIVE GROUP

Working Group

- Dan Tishman, Foundation Initiatives Chair, Tishman and AECOM
- Glen Van Nimwegen, Town of Mountain Village, Planning Director
- Lance McDonald, Town of Telluride, Special Projects
- Mike Rozycki, San Miguel County, Planning Director
- Jeff Proteau, TSG, Planning Director and TMVOA Board
- Paul Major and April Montgomery (former County Planning), Staff

P3 Group Tasks

- Agree principles/definitions for work
- Inventoried potential land parcels
- Hired EPS for data and research
- Created P3 parcel economic modeling tool
- Brief paper and presentation to Governments
- Approach governments to join together in MOU

REMINDER – WHY SHOULD WE CARE

- **Wage leakage** –50% of all wages earned in the Telluride region are spent outside the region.
- **Carbon commute** – commuters contribute to clogged roads, decreasing the driving experience for all, and increase the region's carbon footprint.
- **Economic mobility** – since the 1950s, a building block of household economic upward mobility and wealth creation has been investing in home ownership.
- **Human capital -** critical to the vibrancy of a community is that people live where they work.
- **Regional issue** –the impacts of a housing shortage and the benefits of additional housing units are spread across Telluride, Mountain Village and San Miguel County. The lack of a plan "exports" our local problem to our neighboring communities the appearance that we are unwilling or unable to address our own issues.

FEEDBACK

- Create mixed income housing developments
  - 60-200% AMI
- Think about next 20 years growth and infrastructure needs
  - Telluride must be at table since it control sewer, water and roads
  - Regional sewer plant
  - Power, broadband connectivity
- Investigate creating a housing trust (financing resource)
  - What best practices and how to fund
- How does RHA fit into P3
  - Invite RHA, School district and TSG reps as advisory to working group

CURRENT DEMAND AND SUPPLY

- Region has built 8 units over last 6 years
  - Spruce 8 units completed in 2016
  - Gold Run 18 units completed in 2010
- 1500 employee/workforce households (80-200% AMI) in 2015 (40% of total housing market)
  - 4% annual growth rate of 80-200% AMI households
  - Assume 60% live in region
  - New demand 40 units each year
- Meeting only 3% (1.2 units/year) of the annual new employee/workforce demand

CHANGING SUPPLY AND DEMAND

Supply

- Accelerating decrease in supply
- 30%+ loss of inventory
  - Gentrification, Airbnb, VRBO
    - Vacation to fuller-time
    - Options for owners to "monetize" housing (Airbnb, VRBO)
    - Converted primary to second home

Demand

- Teachers
  - School district students 600 to 900+ in 7 years
- Businesses
  - Expending economy; job growth
- Government employees, public safely employees

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WHY P3 – SUMMARY

- If we are **satisfied** with the current state of meeting local housing demand, don't act
- Supplement what Town of Telluride is doing
- Creating additional inventory for employee/workforce market will free up existing inventory
- The workforce market segment is the largest segment, growing the fastest and no product is being built
- Use private developers to make it can happen now; without tax payer cash subsidy
- Create a coordinated lean regional effort

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WORKFORCE HOUSING BRIEF

Introduction

The purpose of this document is to introduce the Telluride Foundation's **P3 Housing Collaborative Implementation Strategy (P3HS)** to address the current affordable housing[1] crisis in the Telluride region. Critical action is needed to identify, fund and build new housing to meet the existing and future needs of our local community. This Workforce Housing Brief outlines why developing new housing should be a critical priority for the community, potential development opportunities, and methods to accelerate the construction of housing to meet the demand.

Background

For the past year, The Workforce Housing Initiative, including Telluride Foundation staff and Board Member Dan Tishman, has been meeting with government planners to explore public private partnerships (P3) to provide housing for the region. This Workforce Housing Initiative facilitated and funded a study on local income-based market segments, developed a list of potential development parcels for P3 projects, and created financial models to demonstrate the structure of a viable P3 project. The Telluride Foundation considers itself a partner and facilitator in this important community issue, and this document reviews the findings from the Workforce Housing Initiative and provides recommendations for steps to help solve the regional shortage of housing.

1. Why Housing

The Telluride region is experiencing a critical shortage of affordable housing, including low-income, moderate-income and work force housing. Housing plays a critical role in people's lives. It is a major consumption item, a source of safety and stability, and a nationally encouraged means for accumulating wealth. It also shapes where people access education and pursue employment. This is a concern for governments and residents for the following reasons:

- **Wage leakage** – according to the San Miguel Regional Housing Authority, 2011 Housing Needs Assessment, of persons employed in the Telluride region, more than 30% commute; 50% of all wages earned in the Telluride region are spent outside the region. These wages earners are not only spending their discretionary funds on commuting expenses, but on purchasing goods and groceries and generating a tax base in other communities.

[1]For purposes of this paper, affordable housing refers to housing that is attainable based on locally generated household income, including low-income, seasonal, and workforce housing.

- **Carbon commute** – commuters contribute to clogged roads, decreasing the driving experience for all, and increase the region's carbon footprint. Vehicles are the single biggest contributor to our regional carbon footprint.
- **Economic mobility** – since the 1950s, a building block of household economic upward mobility and wealth creation has been investing in home ownership. Lack of home ownership opportunities and affordable rental housing options has been shown to be a major contributor to lack of family upward economic mobility.
- **Human capital -** critical to the vibrancy of a community is that people live where they work. A healthy thriving community needs a diversity of residents who have the time to engage and invest in civic life including, participating in government, boards and commissions, contributing to the community, volunteering, and attending community nonprofit, school, church and other activities.
- **Regional issue** –the impacts of a housing shortage and the benefits of additional housing units are truly regional issues, spread across Telluride, Mountain Village and San Miguel County. We have the opportunity to work together to benefit all, as well as build relationships and trust that can be applied to other regional projects, including transportation, economic development, broadband, etc. In addition, the lack of a serious housing plan "exports" our local problem to our neighboring communities like Norwood and Ridgway and creates tension and the appearance that we are unwilling or unable to address our own issues.

2. What We Know About Housing

We know that housing is a regional issue and that one government entity, working alone, cannot solve the problem. Currently all three governments and planning departments are looking at solutions to this issue.

We know that there are land parcels available that could provide real opportunities to address the affordable housing crisis. The hope is that these parcels could be purchased below market rate or donated by one of the government entities. As part of the Workforce Housing Initiative, regional planners identified 25+ parcels that could potentially be used to build significant affordable housing units.

We also know that the housing market in resort communities does not function normally. In a conventional market, demand drives supply in type, quantity and pricing. Because of the limited supply of viable land parcels, their associated high costs, and the relative higher cost of construction due to labor and materials costs, the resulting supply is naturally driven to the upper end of the spectrum. While there is significant demand for lower cost housing, there is little to no new supply.

3. Local Housing Markets

A variety of housing market types reflects the make-up of any community and its residents. While recognizing that not everyone wants to live where they work, it is important to provide the option for those that do. Telluride's housing markets include:

a. Low income
- Service sector jobs
- Serve an economy based on tourism and construction

b. Middle market
- Year round employees
- Teachers
- Managers
- Government employees
- Fire, Police, Nursing (?)

c. Seasonal employees
- Ski resort
- Seasonal service sector
- TSRC scientists

d. High end
- Second homeowners

4. The Middle or Workforce Market Segment

In an ideal market, households are not spending more than 30% of their household income on housing. In many markets household income spent on housing exceeds 40% due to the lack of housing opportunities, high demand and market factors. As households spend more than 30%, other critical household spending gets squeezed out, including childcare costs, retirement savings, children's higher education savings, preventive healthcare, etc.

Middle market households are defined as households earning between 100% and 200% of Area Median Income (AMI). In 2015, AMI[2] equated to:

- 100% = $70,000 per household
- 200% = $140,000 per household

Assuming housing for this middle market could be priced at up to 30% of household income, the following target housing prices emerge:

- Ownership: $337,000 to $714,000
- Rental: $1,750 to $3,500 per month

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[2] HUD estimate for San Miguel County & a household size of 2.5 persons

5. Housing Economics

How and what housing gets built depends on a number of factors, including the cost of land, the type of construction and materials, access to and cost of capital, government regulation, and market demand. For the four types of housing above, we understand the following about their markets:

a. Low income -requires grants and public subsidy and has been the traditional focus of government.
b. Middle market - there is significant demand and income from workers, but limited product because of marginal returns for private sector to build.
c. Seasonal employees - there is significant demand, but no private sector incentive to build.
d. High end - there is significant demand, notwithstanding a high cost to build, there is a proven track record for large financial returns.
e. Mixed income – mixed income developments can include factors from the low income, middle market, and high end (e.g. a development with market-rate luxury condos and below market rate condos). This scenario allows for average returns rather than high returns or marginal returns, grouped with other incentives, this becomes more attractive for the private sector.

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6. Households by Income

The following chart shows the number of households in each of the AMI household income brackets and the forecasted growth over the next 25 years. Highlighted is the band of $75,000-140,000 AMI household income that represents the 100-200% of AMI markets. The lower part of the chart shows the percentage of the total AMI housing markets and the growth over time of the 100-200% AMI "middle market".

Description	2015	2020	2025	2030	2035	2040	2015-2040 Total	Ann. #	Ann. %
All Household Groups									
Less than $10,000	152	153	150	143	133	121	-31	-1	-0.9%
$10,000 to $19,999	281	282	278	265	247	224	-57	-2	-0.9%
$20,000 to $29,999	370	372	366	349	325	296	-74	-3	-0.9%
$30,000 to $44,999	460	463	455	435	404	368	-92	-4	-0.9%
$45,000 to $59,000	583	587	577	552	513	467	-116	-5	-0.9%
$60,000 to $74,999	410	459	481	466	433	394	-16	-1	-0.2%
$75,000 to $99,999	560	656	757	877	971	1,009	449	18	2.4%
$100,000 to $124,999	379	443	512	596	704	845	466	19	3.3%
$125,000 to $149,999	137	160	185	215	254	305	168	7	3.3%
$150,000 to $199,999	146	170	197	229	271	325	179	7	3.3%
$200,000 or More	294	343	397	462	546	655	361	14	3.3%
Subtotal	**3,772**	**4,088**	**4,355**	**4,589**	**4,801**	**5,009**	**1,237**	**49**	**1.1%**
Avg. Ann. Change		63	53	47	42	42			
Target Household Groups									
$75,000 to $99,999	560	656	757	877	971	1,009	449	18	2.4%
$100,000 to $124,999	379	443	512	596	704	845	466	19	3.3%
$125,000 to $149,999	137	160	185	215	254	305	168	7	3.3%
Subtotal	**1,076**	**1,259**	**1,454**	**1,688**	**1,929**	**2,159**	**1,083**	**43**	**2.8%**
% of Total	29%	31%	33%	37%	40%	43%			
Avg. Ann. Change		37	39	47	48	46			

Source: Woods & Poole Economics; Economic & Planning Systems

H:\153039-Telluride Workforce Housing Study\Data\[153039-Emp Forecast-WP50610-09-29-2015.xlsm]Forecast Table

7. Telluride Regional Housing Projects

Telluride, Mountain Village and the County all have a history and success of building or partnering to provide low income housing; however, these projects have been financed through tax credits, grants or HUD financing, with the government accepting the risk and managing either the sale or rental of the units. In addition, the funding sources for low income housing typically restrict these units to households making less than 60% AMI, and do not provide housing for the middle, including moderate income and workforce households.

8. Why Housing Now

As the middle continues to be squeezed out, land values go up, and housing prices increase, the importance of identifying creative, aggressive solutions becomes of critical importance. Key questions the Workforce Housing Initiative have identified are:

- What is the present value of housing?
- Why should we try and solve the housing shortage now versus waiting?

The chart below illustrates the annual and six-year cumulative benefits of building housing today vs. waiting six years for such housing to be built. In this example, by waiting an additional six years to build 20 units of workforce rental housing, the Town of Telluride would lose $103,950 in retail sales tax, the community would lose up to $2.3 million in local spending on goods and services, and 450,000 vehicle miles driven would occur as result of the workforce commuting.

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WHY NOW: Advantage of Building Now vs. 6 Years from Now		
Development/Units	20	Town of Telluride rental units
Households	20	Number of households in development
AMI	150%	Average medium income
Household wages	$ 110,000	Annually
Totla household income	$ 2,200,000	
Retail spend per HH	$ 38,500	35% of wages spent on retail goods
Telluride retail spend per HH	$ 19,250	50% Telluride capture of retail spend
Annual Community Benefits		
Town of Telluride Sales Tax Collected	$ 17,325	Annual 4.5% sales tax collected
Total Local Spend in Community	$ 385,000	Annually spent for good and services
Carbon Emissions Avoided	5850	Annual CO2 kg (Montrose commute)
Accumulation over 6 Years		
Town of Telluride Sales Tax Paid (6 yrs)	**$ 103,950**	Over six (6) years
Total Local Spend in Community (6 yrs)	**$ 2,310,000**	Over six (6) years
Carbon Emissions Avoided (6yrs)	**450,000**	Eliminate vehicle miles driven equivalent
Other Savings or Costs		
	Carbon social costs	Air quality, health and other issues
	Business employees	Recruitment and retention
	Quality of life	Less time commuting, etc.

9. Why Public Private Partnership (P3) Housing

P3 housing is an approach to solving housing development challenges through a coordinated effort between the public, private, and nonprofit sectors. Local government, which controls entitlements (zoning, fees, and the approval process) and may own land, partners with the private housing development sector to deliver projects that meet the goals of the local municipalities while utilizing the expertise and financing of private housing developers. One advantage of P3 housing is that it allows workforce housing to be built by the private sector, allowing governments to simultaneously focus on developing low-income or seasonal housing. P3 housing leverages the resources of multiple parties and has the following benefits:

- Enhances project feasibility and can accelerate the provision of housing
- Private sector reduces or shares government sector risk
- Taps private sector expertise and attracts private sector creativity and capital
- Broadens target market to include moderate and middle income housing
- Aligns public sector incentives (i.e., land, up-zoning, fee rebates, etc.) with private sector experience
- Brings lower cost equity to finance the project (capital stack)
- Doesn't necessarily require tax payer funding and minimizes public subsidy requirements
- Increases velocity of housing production
- Leverages and expands resources to produce housing (dollars and time)
- Leads to the ultimate present value of workers living in the community
- Frees up affordable housing units as occupants upgrade and move into work force housing

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P3s are generally developer led and financed by private capital. Because P3 housing, by nature, calls for a partnership between the public and private sectors, the public sector involvement often takes form in a contribution of land. Policy can come into play, too, with entitlements, reductions in some requirements (i.e., parking), waivers/reductions of fees, as well as modifications of restrictions related to the occupancy, sale and/or leasing of the units. Restrictions, including affordable housing requirements, can be applied to P3s and could include the following:

- Live-work requirements
- Limit maximum return to the developer
- Buy-back conditions
- Target household income levels
- Financing layers (debt and equity structure) that distribute risk

As part of a P3 negotiation, governments would consider offering the following incentives:

- Donate land or low cost land lease
- Waive/reduce tap fees or other impact fees
- Waive/reduce permitting fees
- Donate legal and staff resources
- Build predictability into the approval process through shared investment and clearly articulated entitlement process
- Increase density in exchange for housing development
- Reduce parking requirements
- Allow a combination of mixed income units
- Consider other creative incentives that have been used elsewhere

10. Examples of Successful P3s

I. Vail

- Town of Vail Lion's Ridge Apartment Homes new-construction
- 112 deed-restricted rental units on 5.24-acre parcel for year round residents/employees
- One and two bedroom units will include four, three-story tall buildings
- All construction and costs of construction borne by the developer, Gorman
- Town of Vail invested $8 million to ensure that the units remain deed restricted
- Town of Vail leased the underlying land to the developer with payments deferred up to 10 years

II. Sun Valley, Denver CO

- Quadrupled the density to nearly 1,400 units

- Mix of market rate, workforce, and affordable units, as well as retail, office and maker spaces
- Redevelops dated public housing project with a diverse set of low, moderate and market rate housing
- Partnership includes multiple public agencies, private, and nonprofit

11. Potential Development Parcels

The following chart summarizes the parcels that were identified as potential locations for affordable housing, including P3 housing projects:

Location	Parcel Name	Ownership	Zoning	# Units
Town of Mountain Village	8 Parcels from 16-70 unites/parcel in size	TMV and Private	Multi-Family	379
San Miguel County	10 Parcels from 5-32 unites/parcel in size	County	Single Family to Industrial	103
TMVOA	3 Parcels from 12-18 unites/parcel	TMVOA	Various	30
Town of Telluride	5 Parcels from 8 to 100 Unites/parcle in size	Telluride	Various	200
Down and Up Valley	Multiple 5-70 Acres parcel sizes	Private	Various	300

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12. P3 Scenario Modeling

The Telluride Foundation hired Economic & Planning Systems (EPS) to develop a modeling tool to show the economics of various scenarios for P3 housing developments. This modeling tool can be used for any parcel and a variety of potential scenarios. A screen shot of the modeling tool is shown below.

Table 1.01
Model Inputs and Summary of Results
P3 Feasibility Scenarios: Sunshine Valley Site
Return to Table of Contents

[NOTE: If any changes are made to the project assumptions on this tab, the ***Developer Equity*** *and* ***Gap Closure/Public Equity*** *must be first changed to "$0" and then re-entered."]*

RESIDENTIAL	Input	Output
Residential: Rent/Own	Rental	
Total Residential Units	13 Units	
Land Cost	$690,300	
Housing Cost (% of HH Inc.)	30.0%	
Unit Type		Units
1-Bed	0.0%	0.0
2-Bed	69.0%	9.0
3-Bed	31.0%	4.0
Total	100.0%	13.0
Affordability		Amount
100% AMI	0.0%	N/A
125% AMI	0.0%	N/A
150% AMI	0.0%	N/A
175% AMI	70.0%	$2,869
200% AMI	30.0%	$3,278
Market Rate	0.0%	N/A
Subtotal	100.0%	**$2,991**
Building Type	Townhome	
Construction Period	14 Months	
Absorption Rate		
Pre-Lease: Total Units	13 Units	
Pre-Sale: Total Units	13 Units	
Monthly: Rental	5 Units/Month	
Monthly: Ownership	5 Units/Month	
Parking		
Type	Garage Parking	Spaces
Ratio (spaces/unit)	2.00	26.0
Additional Spaces	0.00	0.00
		26.00
Going In Cap Rate	6.00%	
Terminal Cap Rate	6.50%	
Rental Project Sale Year	10	

COMMERCIAL		
Commercial: Rent/Own	Rental	
Retail Space	0 Sq. Ft.	
Office Space	0 Sq. Ft.	
Land Cost	$0	
Absorption Rate (Monthly)		
Commercial: Retail	0 Sq. Ft./Mo.	
Commercial: Office	0 Sq. Ft./Mo.	
Parking		
Type	Surface Parking	
Ratio (spaces/1,000 sq. ft.)	0 per 1,000 Sq. Ft.	
Additional Spaces	0	
Going In Cap Rate	7.50%	
Terminal Cap Rate	8.00%	
Sale Year	10	
PROJECT FINANCING		% of Cost
Developer Equity	$1,518,297	30.0% [1]
Gap Closure/Public Equity	$0	
Construction Loan		
Interest Rate	7.5%	
Term	30 Years	
Required LTC	70%	
Loan Amount	$3,511,848	
LTC	70.00%	
Permanent Loan		
Interest Rate	5.50%	
Term	30 Years	
Interest Only Period	14 Months	
Max LTV	70%	
Required DCR	1.20	
Loan Amount	$3,498,628	70.0% [1]
LTV	70.00%	
DCR	1.26	

FINANCIAL METRICS	Amount
PROJECT SUMMARY	
Construction Cost	-$5,016,926
Project Deficit	$0
Developer Equity	$1,518,297
Gap Closure/Public Equity	$0
Debt Financing	$3,498,628
Project Gap	$0
FINANCIAL METRICS	
Project Discount Rate	5.0%
Developer Discount Rate	10.0%
Unleveraged (Project)	
Rental Project Metrics	
NOI at Stabilization [2]	$299,882
Project Value [3]	$4,998,041
NPV	$625,309
IRR	6.6%
ROC [4]	6.0%
For-Sale Project Metrics	
Project Cost	N/A
Gross Sales Revenue	N/A
Net Revenue	$0
NPV	N/A
IRR	N/A
Developer Metrics	
Developer Equity	-$1,518,297
Developer Cash Flow	$3,097,597
NPV	**-$146,422**
IRR	**8.7%**
Gap Closure	**$0**
Gap per Unit	**$0**
Composition of Gap	
Financing/Equity	$0
Revenue Targets/AMI Coverage	$0
Total	**$0**

[1] Percent of total project cost.
[2] Project stabilization is assumed to occur in year 3.
[3] For a rental project, project value is calculated by dividing the NOI for the residential and commercial components of the project in year 3 by their respective cap rates.
[4] Return on Cost (ROC) is calculated by dividing stabilized project NOI by the total project cost.
Source: Economic & Planning Systems
H:\153009-Telluride Workforce Housing Study\Models\Scenarios\[153009-FFM-Sunshine Valley Rental-150AMI-5-26-2016.xlsm]I-Input and Summary

13. Four Regional P3 Scenarios Modeled

EPS in cooperation with the planning professionals modeled four different land parcels for the working group, shown in the figure below. The scenarios illustrate different AMI target levels and the resulting financial subsidies required to meet the total project cost.

I. San Miguel County – Sunnyside, Ownership Townhomes, 20 Units

- 2-Bed: 15 units, 950 sf/unit
- 3-Bed: 5 units, 1,150 sf/unit
- 2.0 parking spaces per unit
- $750,000 in additional site costs

	Scenario I: All Units @ 125% AMI	Scenario II: All Units @ 150% AMI
Average Unit Price	$422,000	$507,000
Total Project Cost	$7.34M	$7.34M
Cost per unit	$367,000	$367,000
Developer Equity	$2.20M	$2.20M
Developer ROI	10.0%	13.5%
Add. Fund./Gap Closure	$1.58M	$0
Cash subsidy per unit	$79,200	$0

II. Mountain Village, Lot 644 & 327: Rental 2-3 story walk-up, 24 Units

- 1-Bed: 6 units, 650 sf/unit
- 2-Bed: 12 units, 950 sf/unit
- 3-Bed: 6 units, 1,150 sf/unit
- 1.5 parking spaces per unit
- $750,000 in additional site costs

	Scenario I: All Units @ 125% AMI	Scenario II: 50% @ 150% AMI & 50% @ 175% AMI
Average Unit Rent	$1,980 per month	$2,580 per month
Total Project Cost	$8.03M	$8.03M
Cost per unit	$334,000	$334,000
Developer Equity	$2.19M	$2.19M
Developer ROI	10.0%	10.6%
Add. Fund./Gap Closure	$1.82M	$0
Cash subsidy per unit	$75,800	$0

III. Telluride, Lot B, Rental 2 to 3 story walk –up, 35 units

- 1-Bed: 9 units, 650 sf/unit
- 2-Bed: 18 units, 950 sf/unit
- 3-Bed: 8 units, 1,150 sf/unit
- 1 parking space per unit
- No additional site costs

	Scenario I: All Units @ 100% AMI	Scenario II: 25% @ 125% AMI & 75% @ 150% AMI
Average Unit Rent	$1,580 per month	$2,280 per month
Total Project Cost	$10.18M	$10.18M
Cost per unit	$290,700	$290,700
Developer Equity	$2.00M	$2.65M
Developer ROI	10.4%	11.5%
Add. Fund./Gap Closure	$2.94M	$0
Cash subsidy per unit	$84,000	$0

IV. Mountain Village, Sunshine Valley, 13 Rental Townhomes

- 2-Bed: 9 units, 890 sf/unit
- 3-Bed: 4 units, 1,040sf/unit
- Land Cost: $690,300
- 1.0 tuck-under parking space per unit, plus 8 surface parking spaces
- Additional Costs - $50,000 for a retaining wall and additional fill

	Scenario I: 70% @ 175% AMI & 30% @ 200% AMI
Average Unit Rent	$2,991 per month
Total Project Cost	$5.02M

Cost per unit	$385,900
Developer Equity	$1,52M
Developer ROI	8.7%
Add. Fund./Gap Closure	$0
Cash subsidy per unit	$0

14. Conclusion and Action

P3 housing is a proven way to complement the existing efforts of the governments and to accelerate meeting the critical workforce housing shortage in the region. Waiting for the problem to go away or maintaining the current pace for housing product entering the market undermines the community and economic future of the region. Acting now enables the region to invest in the long-term economic and social sustainability for the region and make a deliberate and critical impact today.

As a demonstration of collaboration and commitment to this effort and an expression of intended common action, the Foundation suggests that the government boards consider the following action items in support of the P3HS.

1) Publically express your support and commitment for developing workforce housing through the use of Public Private Partnerships (P3).

2) Jointly retain and fund an independent owner's representative (Representative) to work for the public sector with the private sectors to implement the P3HS goals. The Representative will act on behalf of the governments' interests to provide a central point of contact, provide technical assistance, identify funding sources and development partners, align the common interests of the governments, and negotiate with interested private developers/investors. The Foundation is willing to help with the role definition, scoping and request for services and would consider being a funding partner.

3) Designate representatives (Staff and Council representatives) to serve on an Oversight Committee to work with and provide information, input and oversight to the Representative.

4) Agree to partner with other regional governments to activate and elaborate upon the above actions through a Memorandum of Understanding.

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Case Study: Lion's Ridge Apartments

- 112 deed-restricted units on 5.24 acres parcel
- Deed restricted to employees working 30+ hours in Vail
- Developer (Gorman)
  - All costs of construction borne by developer
- Town of Vail
  - Leased the land to developer with payments deferred up to 10 years.
  - Town has invested $8m in the parcel to insure units remain deed restricted.
  - Town will own and operate 95 rental units.

Case Study:
The Wellington Neighborhood

- Affordable housing development in Breckenridge
- 122 units on 85 acres
- City of Breckenridge
  - Impact fee waivers
  - Deed restrictions on the purchase of the neighborhood
- Developer (Poplarhouse LLC)
  - "Trust was important because there were no upfront guarantees. Trust allowed each party to take a risk that they would not otherwise have taken. Without trust, the parties would not have taken the risk and nothing would have happened." - Developer David O'Neil
- Mutually agreed objectives:
  - Affordable housing – 80% of units deed restricted
  - Open space preservation – 20 acres
  - Community development
  - Alternative transportation opportunities – transit center

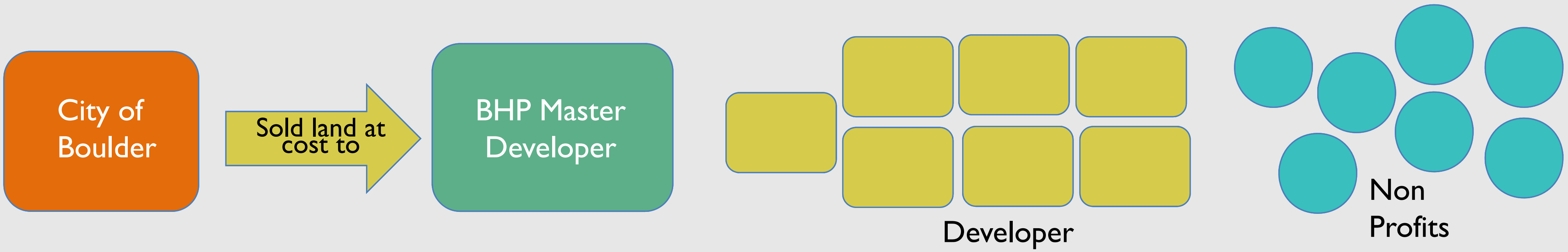
Holiday Neighborhood, Boulder

27-acre site of the Holiday Drive-In Theater

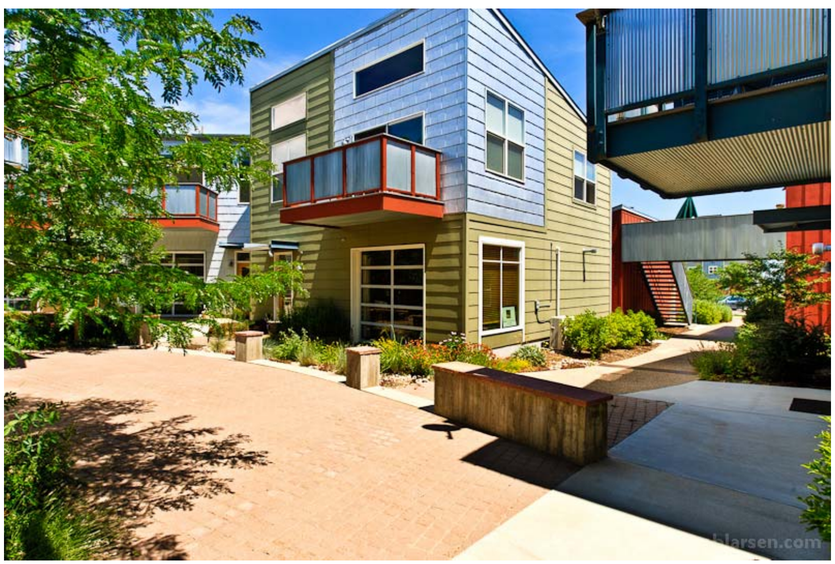
333-unit community in Boulder, Colorado

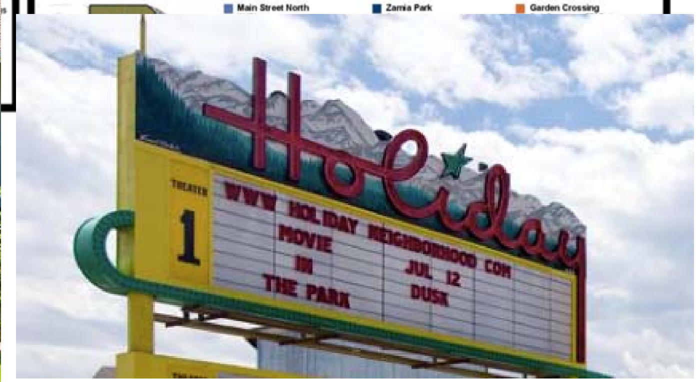
40% of the development or about 130 units are income restricted

- The City was key in making the Holiday Neighborhood successful in providing a high level of affordability that is also economically, socially, and environmentally sustainable.
- BHP acted as master developer and land developer in a unique partnership with local government, Seven (7) developers and at least seven (7) other non-profit organizations




HOLiDAY NEIGHBORHOOD MAP
Lee Hill Road
North Court
Zamia Park
Studio Mews
Wild Sage Cohousing
Garden Crossing
North Broadway
Main Street North
Northstar Place
YOU ARE HERE
Silver Sage
Northern Lights
The Crescent
Yarmouth Avenue
NEIGHBORHOOD SUB-ASSOCIATION KEY
Main Street North
Zamia Park
Garden Crossing




Holiday
THEATER
1
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MOVIE
IN
THE PARK
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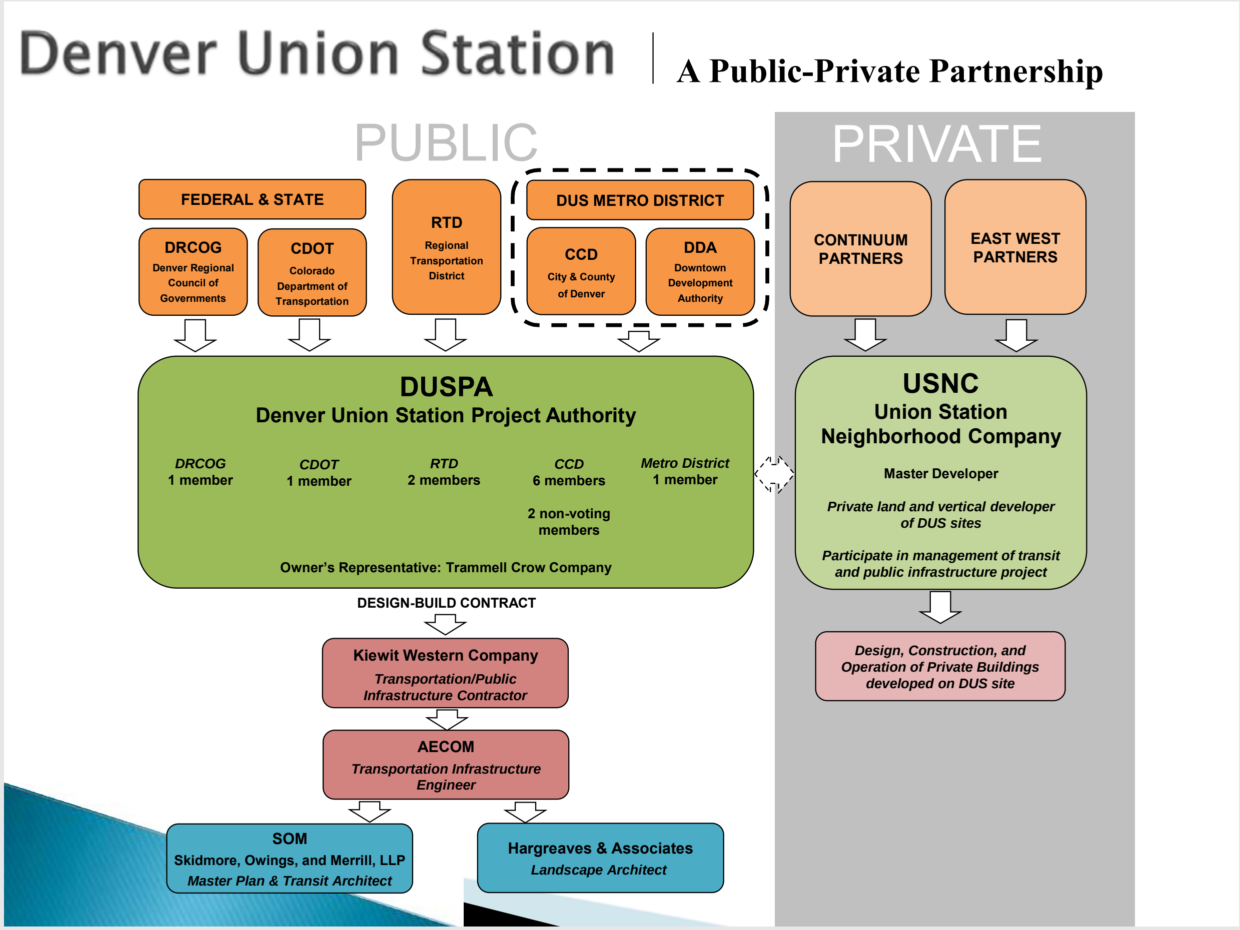
Case Study:
Denver Union Station

- 19.5 Acres
- Players
  - Regional Transportation District
  - City and County of Denver
  - Denver Regional Council of Government
  - Colorado Department of Transportation
  - Union Station Neighborhood Company
  - Continuum Partners
  - East West Partners

Team Mantra: "No is not the answer!"

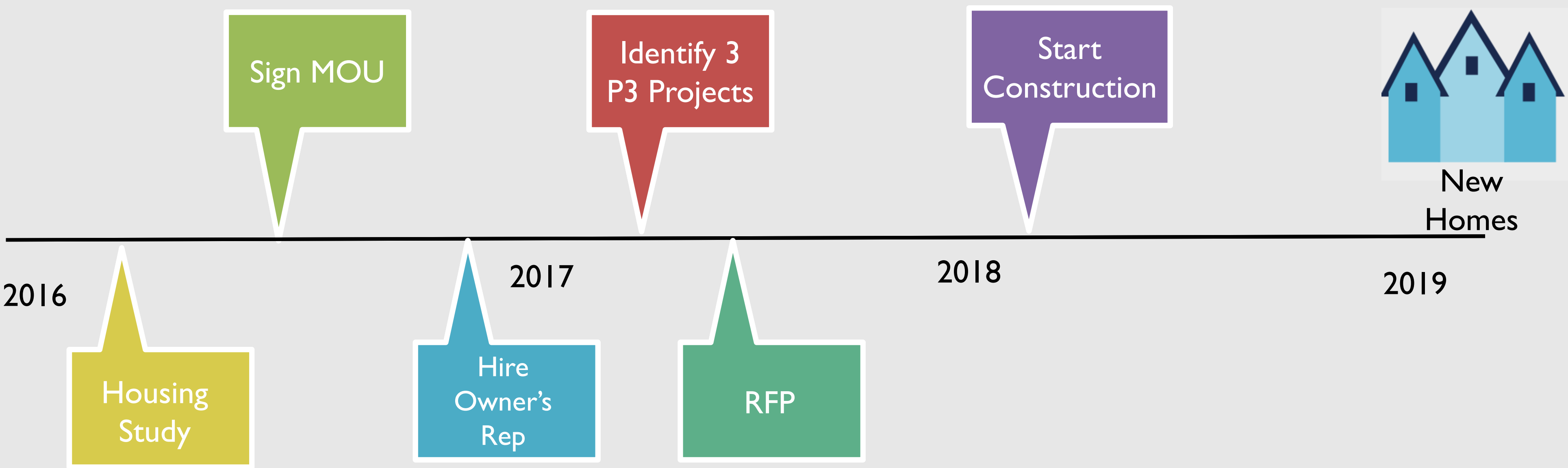
- Intergovernmental Agreement between 5 partner agencies
- $500 M project with 9 financing sources

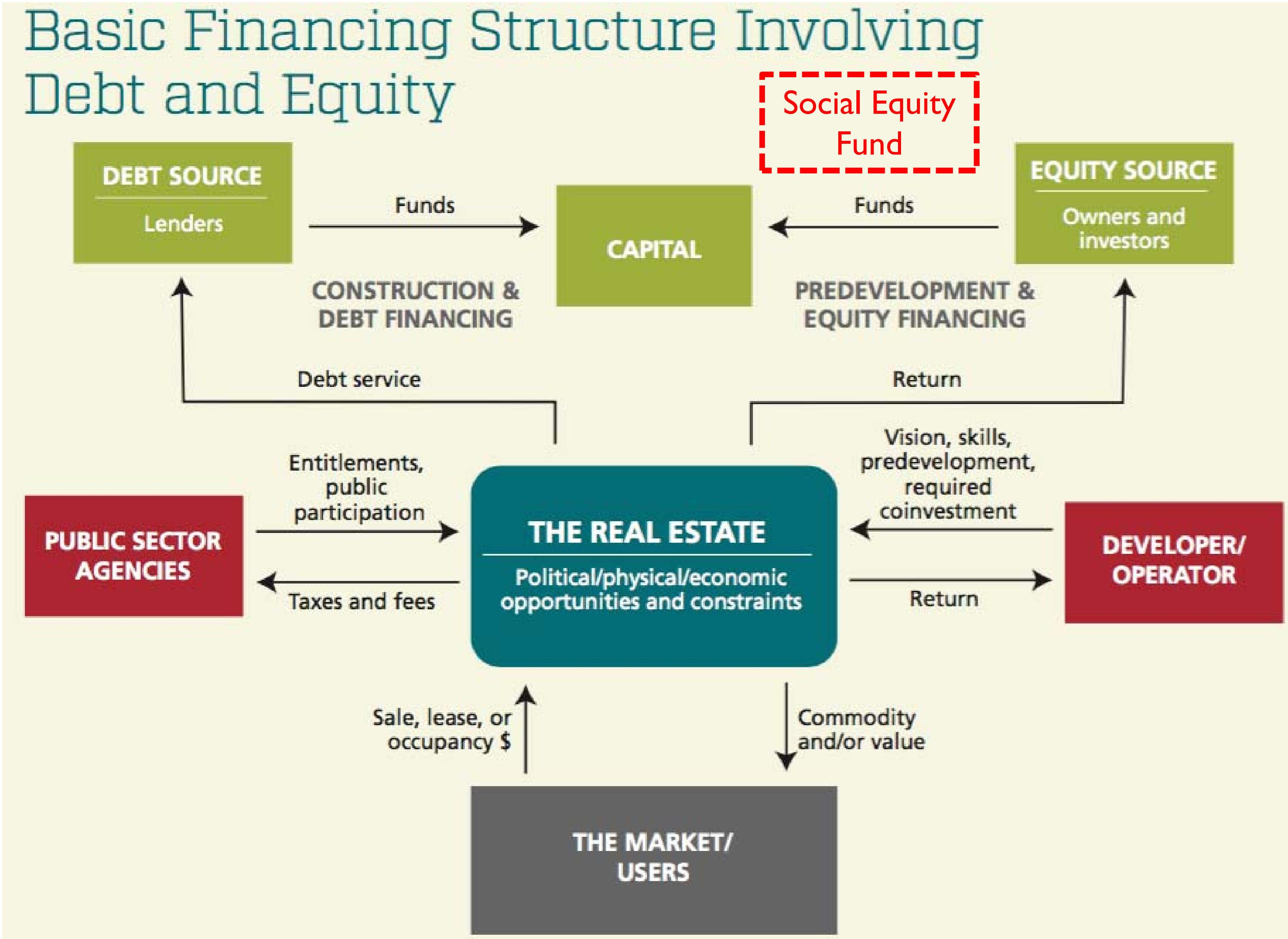
Denver Union Station's PPP Structure



Source: *Denver Union Station*. Sturm College of Law, University of Denver.

How do we do this?





Source: *Successful Public/Private Partnerships from Principles to Practices*. Urban Land Institute