Policy Direction

Housing Rules and Regulations 11/13/17

The Housing Rules and Regulations help to make sure that the over 800 homes managed by the Housing Department are used in a way that best meets the needs of the community. These rules govern who can qualify to own or rent a Housing Department home, and what rules apply to owning or renting a Housing Department home.

The Housing Department has been working since May of 2017 with the Town and County Planning Departments to gather public comment on five projects to inform the update of housing regulations, parking in town, density in town, and natural resources regulations.

Using analysis of public comment, the Town and County approved twelve policy questions pertaining to the Housing Rules and Regulations. After reviewing staff and consultant (Clarion Associates) analysis of the alternatives to the questions along with staff and Housing Authority recommendations, the Town and County gave final policy direction on November 13, 2017.

For a list of all documents, meetings, and workshops for this project please visit the project website at www.engage2017.jacksontetonplan.com/housingrulesandregulations .

1. What should the employment criteria be to rent or purchase a restricted home?

Direction: At least one person in the household must work at least an average of 30 hours per week (1560 hours per year). Remove the ability for retirees to qualify to purchase or rent a restricted home. Remove the requirement that at least one person in the household must be a U.S. Citizen or Lawful Permanent Resident for rental units. *(Alternative 1.B with changes)*

The Jackson/Teton County Comprehensive Plan sets the goal of housing 65% of the workforce locally. The community's housing programs are intended to further this goal. Providing housing for retirees does not directly further the goal of housing the workforce.

Many businesses in this community operate on a seasonal basis, and their employees work little or no hours in the off season(s). Teachers are included in this group. Requiring 30 hours per week, averaged across the entire year will allow these employees to qualify.

Homes are at risk if an undocumented owner leaves the country and the home goes into foreclosure. Banks can sell the homes at market rate if they are foreclosed upon. Rental units are not at risk if rented to undocumented households. If an undocumented household leaves the country, the unit can be rented to another household. The community could lose some rental income during the interim between tenants.

2. What kind of assets should be allowed and/or counted, and how much is the limit?

Direction: Allowed assets are anything of value more than $500, funds in retirement accounts are not included, residential property must be sold, and the asset limit is twice the income limit for a 4-person household. Only liquid business assets are counted. Employment-based units have no asset limit and may never own residential real estate within 150 miles of Teton County. Mobile homes are considered the same as residential property. *(Alternative 2.B and C)*

The asset limit has a nexus to the income limit and adjusts each year. It allows households to hold assets such as vehicles and recreational equipment but limits them from affording a down payment on a market home.

Mobile homes that are connected to utilities (water, sewer, electricity and/or gas) serve as housing and should be considered the same as residential real estate.

Business assets that are not liquid are needed to do business. Business owners could lose their business if they were forced to sell these assets, and could then lose their income altogether so they should not be counted toward assets when qualifying.

3. How many months out of a calendar year should a household be required to occupy a restricted unit?

Direction: Standardize all units 10 months out of a calendar year *(Alternative 3.C)*.

Ensures that units are occupied, but allows households with seasonal jobs flexibility to leave in the off season.

4. What livability standards should apply to restricted units?

Direction: Minimum size requirements should be removed and livability standards should be adopted *(Alternative 4.F)*.

Livability standards that regulate when the unit is getting built will exist in the Land Development Regulations (LDRs) and the Housing Rules will refer to the LDRs. These include minimum number of bedrooms per person required to be housed, and minimum livability features such as kitchen, bathroom, bedroom, and storage.

Additional requirements such as maximums and details about finishes and other livability standards are more appropriately addressed in the Housing Department Rules and Regulations. Livability standards will guide the functionality of the unit without the need for minimum size requirements.

5. What percentage of a household's income should be spent on housing?

Direction: 30% of a household's income should be spent on housing. *(Alternative 5.A)*.

30% of a household's income spent towards housing is the standard set forth by HUD for housing affordability. The debt to income limit of 45% protects homes from going into foreclosure and being lost from the program.

6. When should a household have to qualify for a rental or ownership home?

Direction: Rental units should qualify at the time of their lease renewal. Employment-based units should continue to provide employment and income verification annually. Annual check-in with households in ownership Affordable units to verify employment and occupancy. Standardize annual qualifications for ARU, Employee and Employment-based units *(Alternative 6.D with changes)*.

Households should not be impeded from bettering themselves financially, which could happen if required to re-qualify based on income earned. However, they should be required to remain employed full-time because the goal of the program is to house the workforce. The Housing Department will set up a process for an annual check-in with Affordable homeowners to ensure they are still occupying the home and working locally. Households who have retired in their unit are exempt from the employment check-in, but are still required to occupy their unit 10 months per year.

7. How should the sale/rent price be set?

Direction: Base the rental rates for JTCHA owned units and Employee housing units on 30% of the low end of the category. Base maximum sales prices using 30% of a household's income toward housing (22% toward principle and interest, 8% toward HOA dues, taxes and insurance). Use a 30-year mortgage with 5% down, 20 year rolling average interest rate, and income at middle of the income range.

(Alternative 7.B, D, E, and F)

Pricing rents based on income in the low end of the categories ensures everyone in that category will be able to afford the rent. The Fair Market Rent model as calculated by HUD is three to five years lagging and is often based on the closest metropolitan area rather than Teton County. This causes it to be unreliable.

Using the middle of the income category will price the home at an affordable rate for everyone in the income category, recognizing that those in the low end of the category will pay more than 30% of their income toward housing.

HOA dues are trending up and taxes and insurance costs have risen as well. Using 8% to cover HOA, taxes and insurance will better cover actual costs.

The rolling 20-year average interest rate will keep homes affordable over time. If a low rate is used because rates are currently low, then the home prices will be set higher, but 10 years from now, if mortgage rates go up, the home will no longer be affordable. Recalculating the 20-year average is a more updated approach.

8. How should restricted ownership homes be valued at resale?

Direction: Homes should appreciate using the Denver-Boulder-Greeley CPI capped at 3% *(Alternative 8.D)*

The CPI will give appreciation a connection to the fluctuations in the economy without allowing for too much appreciation, which could make the home unaffordable to households in the category.

9. How should renting or subletting be handled?

Direction: Consensus on this issue was not reached between the Council and the Commissioners. The Town Council and County Commissioners voted on an alternative that was not presented by staff.

The **Town Council** voted to allow rentals in both Affordable and Employment-based units as long as there is a fee or some portion of the rent returning to the Housing Department. This allows empty bedrooms to serve as workforce housing. Approval from the Housing Department would be required.

The **County Commissioners** voted to allow rentals in Employment-based units and not in Affordable units. The Employment-based qualification criteria do not have an income limit so earning money from a rental will not affect their qualification status. Affordable units qualify based on household income. Allowing a rental will change the household size, which could affect the household's ability to qualify for the home. A fee or a portion of the rent will be returned to the Housing Department, and renting will only be allowed with approval from the Housing Department.

10. How should the buy/sell process work?

Direction: The Council and Commissioners reached consensus on an alternative that was not presented by staff.

The process moving forward will be a lottery process where all households who meet the minimum occupancy for the unit will have a chance to be selected first in the lottery. The amount of entries in the lottery a household receives will be based on the amount of points they have. Employment-based and Affordable lotteries will be handled using this process. Points will be given for years working in Teton County and Critical Services Providers.

11. What types of relief should be allowed from the Rules and Regulations?

Direction: Formalize the appeal process, including the appeal hearing, and model after the Wyoming Contested Case Rules. Set out standards for making determinations on exceptions, appeals, and grievances *(Alternative 11.D).*

Standardizing the appeal process will provide a more transparent, predictable process.

Developing standards for making determinations on exceptions, appeals, and grievances will help the Housing Manager and the Housing Authority Board, and provide for a more transparent, predictable process.

12. How should new Rules and Regulations be applied to existing units?

Direction: Place new restrictions on units at resale. The standard restriction and/or lease agreement will refer to the Rules and Regulations where appropriate *(Alternative 12.E)*.

Rules and Regulations can be changed through a public process. This will eliminate the problem of various restrictions existing that have many different processes. The substantive rules that affect the owner directly will remain in the restriction e.g. appreciation index and category of home.