



To: Town Council, Board of County Commissioners
From: Stacy Stoker
Date: November 6, 2017
Subject: Housing Mitigation Rules and Regulations Update – Preliminary Direction



PURPOSE

The purpose of this agenda item is to finalize policy direction on the Housing Rules and Regulations.

Attached to this cover memo is the preliminary direction for the updates to the Housing Rules and Regulations. The preliminary direction reflects the answers provided at the November 2 Joint Information Meeting (JIM) to 12 policy questions. The purpose of the meeting is to review the preliminary direction and:

1. Consider the three outstanding issues without consensus; then
2. Consider any final modifications to the preliminary direction; then
3. Move to provide final policy direction prior to the drafting of updated housing mitigation LDRs.

All materials related to the project can be found at engage2017.jacksontetonplan.com/housingrulesandregulations.

BACKGROUND

The background for the project was presented in the memo dated September 13, 2017.

ALTERNATIVES

The alternative policy directions to be analyzed were attached to the memo dated September 13, 2017.

LEGAL REVIEW

Ongoing. The Town Attorney and County Attorney's Office continue to review the alternatives and preliminary direction.

PRELIMINARY DIRECTION

Town Council and the Board of County Commissioners met jointly to provide preliminary direction on the 12 policy questions adopted on July 10 to inform the Housing Rules and Regulations update. Council and the Board met on October 30 to take public comment and ask questions of staff and consultant, Leigh Anne King (Clarion Associates). They continued the item to November 2, where straw poll direction was provided on all 12 policy questions. The results of those straw polls is reflected in the attached Preliminary Direction document.

The preliminary direction was based on alternative policy options released for public review on September 13. In providing preliminary direction Council and the Board considered recommendations from the public, staff, and the Jackson/Teton County Housing Authority Board.

FINAL DIRECTION

DISCUSSION FORMAT

The purpose of this meeting is to finalize the attached preliminary direction prior to making a motion to direct staff to update the Housing Rules and Regulations based on the final direction. Staff recommends that Housing Director, April Norton again facilitate the discussion to allow the Mayor and Chair to participate. Staff recommends using the same format as is recommended by Planning staff for the housing mitigation update agenda item.

KEY ISSUES ANALYSIS

KEY ISSUE 1: Should homes be priced using a percentage of household income towards housing costs that is tiered through the categories with the lower categories paying less and higher paying more. (Part of Question 5)

Staff looked at 100 current homeowners in Categories 1, 2, and 3 and Employment-based units. The following data was gathered:

	Less than 25%	25% to 35%	More than 35%
Category 1	5	6	14
Category 2	10	2	13
Category 3	16	3	6
Employment-based	10	7	8

The above data shows that the majority of Category 1 and 2 households are paying more than 25% of their income towards housing costs. This is evidenced especially in Category 1 where only 5 households out of 20 are paying less than 25%. This is because Category 1 is a large range of incomes (0% of median to 80%). A remedy to this would be to add a category that would cover 50% of median and below. Homes priced for this level would require a higher subsidy, however, the subsidy would be off-set by housing restricted in higher categories as is directed in the housing mitigation LDR update. Pricing homes based on the new occupancy requirements will raise the prices of homes as will basing prices off of a lower interest rate (current 20-year average).

Tiered example of pricing with added category based on:

- New occupancy requirements increase home prices (3-person household)
- 8% HTI rather than 5% decreases home prices
- Current 20-year average mortgage interest rate of 6% increases prices
- Income towards housing:
 - 25% Category 1
 - 30% Category 2 and 3
 - 35% Category 4 and Employment-based

Category	Tiered Method Home Price	Current Method Home Price
Category 1a 2-bedroom	\$83,000	\$92,000
Category 1b 2-bedroom	\$143,000	\$161,000
Category 2 2-bedroom	\$264,000	\$206,000
Category 3 2-bedroom	\$291,000	\$252,000
Category 4 2-bedroom	\$455,000	\$275,000
Employment-based 2-bedroom	\$568,000	\$361,000

The lower income earners have less money to use toward other necessary expenses such as food and clothing than higher income earners. For example, a household in Category 1 earning \$50,000 using 30% of income towards housing costs would only have \$35,000 left for other costs. A household in Category 4 earning \$100,000 would have \$70,000 for other costs. If this change is made, the percentages would also apply to question 5.

KEY ISSUE 2: Should owners of restricted units be allowed to rent a room? (Part of Question 9)

The Town and County are currently split on whether to allow owners of restricted homes to rent a room out in their home. Staff looked at 20 homes sold over the past year and a half. Fourteen of the 20 will have a spare bedroom and could possibly benefit financially from renting a room.

There are five consequences of allowing owners to rent rooms.

1. The household's income is going to change dramatically. For Affordable units, not only is another full-time worker now a part of the household, the owner's income is also changing due to collection of rent. Since there are no income or asset limits on Employment-based homes, the change to the household size has no bearing.
 - a. The Housing Department could require the household to qualify under the Category's income and asset limit.
 - b. The change to the occupancy requirements in Question 10 will help to alleviate the issue of spare bedrooms.
 - c. Certain circumstances happen, such as divorce, that decreases the household size, and people may need to rent a room to keep their home. This could be allowed with approval of the Housing Department.
 - d. Employment-based households who rent rooms would be benefitting financially, however at this point there is little to no subsidy in Employment-based homes so financial benefit to the owner may not be an issue. This could change as construction costs continue to rise.
 - e. The homes are priced to be affordable to the household at time of purchase. The owners are also receiving the benefit of appreciation. If they rent a room, for a percentage of their mortgage payment, this is a significant profit to the owner.
2. The potential for abuse is high, and a significant amount of staff time could be spent qualifying and checking in with owners/tenants.
3. Parking could be affected. If a couple owns a unit with one or more extra bedrooms, they likely have two vehicles. Existing restricted units have two parking spaces. Adding another vehicle would cause problems in the neighborhood.
 - a. The Housing Department could evaluate this on a case by case basis and require that the lease addresses this issue. This would add to the compliance work and staff time.
4. In the Town, this could cause an issue with the "no more than three unrelated people in a housing unit" ordinance.
 - a. The Housing Department could evaluate on a case by case basis. This would add to compliance work and staff time.
5. Allowing rentals would provide housing for more of the workforce.

KEY ISSUE 3: Should the lottery system be simplified by removing preference tiers? (Question 10)

The Town and County discussed whether to remove the preference tiers in the lottery and give points for years working in Teton County, and Critical Services Providers. Households would be given a chance in the lottery for each point they have earned. Households would be required to meet the occupancy criteria to be eligible to enter a lottery.

There are 2 consequences of removing the preference tiers:

1. Everyone who is eligible would have a chance in the lottery.
 - a. All households eligible to enter the lottery would have hope of getting a home.
 - b. A household who has been working in Teton County for a short period of time could get the home over a household who has been working in Teton County for a long period of time and/or is a Critical Services Provider.

2. The lottery system would be easier for the public to understand and would seem more transparent.

ATTACHMENTS

- Preliminary Direction: Housing Rules and Regulation
- Public Comment received since October 23, 2017

SUGGESTED MOTION

I move to direct staff to draft updated Housing Rules and Regulations that implement the Preliminary Direction dated November 6, 2017, subject to the following modifications:

- ?
- ?
- ?