



Housing Rules and Regulations Update

Summary

3/9/18



The Jackson/Teton County Housing Department is updating the Housing Rules and Regulations that govern who qualifies to live in a Housing Department home and what restrictions apply to living in a Housing Department home. The 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.

The Housing Rules and Regulations have not been updated since 2008. In 2015, the community adopted a Workforce Housing Action Plan which requires that another update be done to the Housing Rules and Regulations.

Public Engagement Process

The Housing Department and the Town and County Planning Departments held five public engagement events from May of 2017 through October of 2017. These engagement meetings were conducted in both Spanish and English in order to get feedback from the community. Staff also held six sessions of office hours to discuss the Rules and Regulations and answer questions. In total, there were 297 individuals engaged in these meetings and office visits. Staff utilized newspaper advertisements, Facebook campaigns, email campaigns, and educational presentations to various non-profit organizations and advocacy groups to further gain input from the community. Additionally, two surveys addressing the topic of housing rules and regulations were administered to the public. These surveys yielded 325 responses from community members. The public also had the opportunity to provide public comment at six public meetings with the Town Council, County Commissioners, and Housing Authority Board.

What did we hear from the community?

The following bullets provide a summary of comments received from members of the public, and do not represent an exhaustive list of all feedback received:

- A new selection process should be implemented that is more transparent and fair to everyone.
- Households should not be required to provide proof of legal documentation to qualify for affordable rentals.
- Some members of the community said that households should have to work 40 hours per week to qualify and some said 30 hours.
- Non liquid business assets should not be counted in the asset limit calculation.
- Some members of the community said households should be required to occupy their homes 11 months out of each calendar year, some said 10 months, and some said 9 months.
- Some members of the community said that we should keep the status quo on livability standards, and others said to adopt livability requirements instead of having minimum size requirements. Others said that the size requirements should be increased or decreased.
- Some members of the community thought that no more than 30% of a household's income should be used towards housing costs. Others said that percentage should be increased.
- Some said that households should not be required to requalify annually. Others thought they should.
- Some members of the community said that roommates should be allowed in restricted homes as long as they work in Teton County and do not exceed the income or asset limits. Others said do not allow renters.

The New Regulations

After extensive outreach to the community, as well as internal input, staff made recommendations to the Jackson Town Council and the Teton County Board of County Commissioners using public comment collected during the Engage 2017 public outreach process along with other community feedback that informed the Jackson/Teton County Comprehensive Plan and Workforce Housing Action Plan. Recommendations to the elected officials were also provided by the Jackson/Teton County Housing Authority Board. The elected Officials were given all the public comment received throughout the process.

The Jackson Town Council and Teton County Board of County Commissioners used this public comment to answer twelve high level policy questions to direct staff in the Housing Rules and Regulations update. These questions, the direction provided by the elected officials in response to these questions, and how this direction has changed the Rules and Regulations is outlined below. Note, we have only listed the *changes* that make the new regulations different from the old. In many cases, the elected officials provided direction that was consistent with existing policies in the old Rules and Regulations. These policies will be carried forward into the new Rules and Regulations.

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.

Currently, the Housing Department requires that at least one member of a household works a minimum of 30 hours per week, which allows teachers and dual-seasonal workers to qualify. This did not change. The Housing Department will no longer require citizenship or lawful permanent residency documentation for rental units. Retired individuals will no longer qualify to purchase or rent restricted homes.

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

Direction: To qualify to purchase an Affordable home, households are allowed to own a limited amount of assets. In calculating the value of a household's assets, the Housing Department will count anything of value more than \$500, funds in retirement accounts are not included, and residential property must be sold. Only liquid business assets are counted. The asset limit equals twice the income limit for a 4-person household. Mobile homes are considered the same as residential property.

The change is that only liquid business assets are counted. This allows business owners to possess equipment needed to operate their business. Business income and liquid assets count toward the household's income and assets. Mobile homes have not been addressed in the Regulations in the past, but the Housing Department has always considered them the same as residential property. They will now be addressed in the regulations. The method of calculating assets is not changing. A household must be below the asset limit for the income category in which they fit. If their assets exceed the limit, they will not qualify for the Affordable program.

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.

The direction is consistent with existing policies and no changes will be made.

4. What livability standards should apply to restricted units?

Direction: Minimum size requirements should be removed and livability standards should be adopted.

The policy change eliminates minimum unit size requirements and creates standards to ensure that the units are livable and maximize functionality. Developers' housing requirement will be to provide a certain number of units. With no minimum size requirements, developers will have the ability to design projects with flexibility and functionality at a potential lower cost to build while remaining within the livability standards.

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.

There is no change to this policy. 30% of a household's income spent towards housing is the standard set forth by HUD for housing affordability. For rental units, this includes the cost of utilities (water, sewer, electricity/gas, and trash).

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.

This policy change will require Affordable homeowners to prove annually that they are still employed full-time at least 30 hours per week and that they are occupying their homes at least 10 months out of the year. This will ensure that owners of Affordable homes will continue to be a part of the workforce until they reach retirement age. This annual check-in will not affect existing owners. It will only affect units sold after June 4, 2018 and new units built after June 4, 2018.

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.

This is a big change to the Housing Rules and Regulations.

For rental units, this will ensure that tenants are paying a maximum of 30% of their income towards housing. This will make rent affordable to every household in the category. The chart below shows current maximum rents and the new maximum rents for a one-bedroom unit in 2017. Rates include electricity, gas, water, sewer, and trash removal.

1-bedroom unit	Current JTCHA Owned Rental Rates	New JTCHA Owned Max Rental Rates	Current Employee Housing Max Rental Rates	New Employee Housing Max Rental Rates
Category 1	\$1,125	\$960	\$1,038	\$960
Category 2	\$1,125	\$1,280	\$1,038	\$960

Category 3	\$1,175	\$1,600	\$1,038	\$960
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For ownership units, we will use 8% of housing costs towards HOA dues, taxes and insurance rather than 5% which is the current policy. This will benefit the community because HOA and insurance costs are rising and are a big part of a household's housing costs. This will make homes more affordable to the owners because the HOA dues, taxes and insurance will be more accurately reflected in the price of the home.

The chart below shows current maximum sales prices and how they will change with the new regulations for 2 bedroom homes. The prices are affected by two things. One is the change from 5% to 8% to account for HOA taxes and insurance (causes price to go down) and using a 20-year rolling average interest rate, which is currently a change from 7.5% to 6% (lower interest rate increases purchasing power and causes the prices to go up).

2 bedroom unit	Current Max Sales Price	New Max Sales Price
Category 1	\$160,500	\$164,700
Category 2	\$206,400	\$211,700
Category 3	\$252,300	\$258,900

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

Direction: Homes should appreciate using the Denver-Boulder-Greeley CPI capped at 3%.

Currently 2.5% annual appreciation is used. The CPI will give appreciation a connection to the fluctuations in the economy without allowing for too much appreciation, which, over time, could make the home unaffordable to households in the category.

The following chart shows the difference of a home purchased at \$200,000 appreciating at 2.5% over a 10 year period and one using the CPI capped at 3%.

Max Resale Price with 2.5% Appreciation	Max Resale Price with CPI Capped at 3% Appreciation
\$252,374	\$244,252

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 owners of Affordable and Employment-based homes to rent out rooms as long as the owner is still occupying the unit, and a fee or some portion of the rent goes to the Housing Department.

The County Commissioners voted to allow rentals only in Employment-based homes because there is no income limit and the owner will be getting income from the tenant. The Housing Department will approve the rentals and receive a portion of the rent.

The current policy that does not allow rentals unless there is an important or extenuating circumstance. The goal of the policy change to allow rentals is to provide more housing to the workforce rather than leaving rooms unoccupied.

Staff strongly recommends that the Town and County choose the same policy for renting a room. Staff recommends the following process for both Employment-based and/or Affordable.

1. An owner wishing to rent submits a request to rent to the Housing Department
2. If the owner is in compliance with their restrictions, the Housing Department approves the request with the condition that a new restriction will be recorded on the property (if it was built prior to June, 2018) and that any tenant must qualify and remain compliant with any covenants, conditions, and restrictions on the property. Maximum rent charged will be half of 30% of the low end of the home's income category for a two person household (see chart below). All rents are paid to the housing department. The Housing Department will keep 20% and 80% is passed on to owner.
3. Owner wishing to rent identifies a potential roommate and/or roommates who they believe qualify under the income and assets for the home's category.
4. The potential tenant submits a rental application with supporting documentation.
5. The Housing Department either approves the tenant or denies based on qualification criteria.
6. The Housing Department provides the lease agreement, which is signed by the Housing Department, tenant and owner.
7. The owner will notify the Housing Department if lease is terminated, and will start again with step 3 if they still wish to rent a room.

Income Range	Max Rental Rates	Amt. to Housing Dept.	Amt. to owner
Category 1	\$550 per month	\$110	\$440
Category 2	\$730 per month	\$146	\$584
Category 3	\$915 per month	\$183	\$732
Employment-based (Category 5)	\$1,280 per month	\$256	\$1,024

10. How should the buy/sell process work?

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

Households will be given points that translate into entries in the lottery. 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. This is a change to the selection process that will be more transparent, easier to understand and will allow everyone who qualifies for the home and enters a lottery to have a chance at getting chosen first for a home.

Households will be required to meet minimum occupancy standards to enter a lottery. These standards will benefit the community by maximizing the space in homes and filling the bedrooms.

Unit size	Household size
1 bedroom unit	One or two adults

2 bedroom unit	At least one adult and at least one dependent
3 bedroom unit	At least one adult and at least two dependents
4 bedroom unit	At least one adult and at least three dependents

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.

This policy change will standardize the appeal process to provide 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.

Once the new Rules and Regulations are adopted they will apply to all units unless the restriction on the unit states otherwise. For those units, the Housing Department may purchase back the unit when it comes up for sale, reprice the unit if appropriate, place a new restriction on the unit that will refer to the Rules and Regulations, and then sell the unit.