SAN MIGUEL COUNTY PLANNING COMMISSION

PLANNING COMMISSION MEETING AGENDA
THURSDAY, MARCH 10, 2022 – 9:00 AM

MEETING INFORMATION - This meeting will be held online due to the COVID-19 virus. To join the meeting: http://zoom.us/join, Meeting ID: 965 1288 5206, Password: 534277; Audio only: Dial 1-301-715-8692 or 1-253-215-8782 (long-distance rates may apply)

1. **9:00 A.M. CALL TO ORDER**

2. **APPROVAL OF MINUTES, PLANNING COMMISSION AND STAFF COMMENTS**

   Approval of the minutes from the February 10, 2022 meeting
   pc.2.10.22.minutes.final.docx

3. **WORKSESSION:**

   Staff Request: Discussion of Affordable Housing matters.

   Affordable Housing memo 030922.pdf
   BOCC Project Report Affordable Housing Mitigation w.attachments 3.9.22.pdf
   Short Term Rentals memo 030922.pdf

ADJOURN

NOTE: All times are approximate; items may begin earlier (except public hearings) or later than scheduled. For more information contact Planning Department at (970) 728-3083.

If special accommodations are necessary per ADA, contact 970-728-3844, via email at bocc@sanmiguelcountyco.gov prior to the meeting.

The official, designate posting place for all meeting notices will be online at https://www.sanmiguelcountyco.gov/liveagenda. Use this link to view the live agenda with any last-minute changes. To be automatically notified, please sign up at www.sanmiguelcountyco.gov, sign up for alerts, and follow the prompts.

AGENDA ITEM

TITLE:
Approval of the minutes from the February 10, 2022 meeting

Presented by:
Time needed:

PREPARED BY:
Nancy Hrupcin, Planning

RECOMMENDED ACTION/MOTION:

INTRODUCTION/BACKGROUND:

FISCAL IMPACT:

ATTACHMENTS:
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Description:

SAN MIGUEL COUNTY PLANNING COMMISSION
MINUTES – REGULAR MEETING

February 10, 2022

Online Meeting

Present:	Lee Taylor, Chair M.J. Schillaci, Secretary Tobin Brown, Sr. Alternate Ian Bald, Member
Absent:	Josselin Lifton-Zoline, Member Matthew Bayma, Member
Planning Staff Present:	Kaye Simonson, Planning Director John Huebner, Senior Planner Troy Hangen, Senior Planner
County Staff Present:	Amy Markwell, County Attorney
Absent:	Nancy Hrupcin, Legal Assistant, County Attorney's Office

9:00 a.m. Chair called the meeting to order.

PLANNING COMMISSION AND STAFF COMMENTS

Discussion of when to hold the April 14 meeting. It was agreed to move it to March 31. There would be no meeting in April.

Staff asked the commission how they feel about wedding venues in the F-zone. Currently, the use is not permitted. People are establishing wedding venues in the F-zone and there is now a code enforcement situation. It will require a Land Use Code amendment to allow wedding venues as a SUP in the Zone District. The Planning Commission could initiate and consider an amendment, or it would be up to the individuals who wish to apply. If owners need to apply to amend the Land Use Code, it requires a $1,000 fee. Toby Brown added that Telluride is a wedding destination and would merit a look by the Commission. The Commission agreed it is a topic that needs to be discussed.

There will be a March 9, 2022 work session with the County Commissioners discussing short-term rentals and affordable housing. The Affordable Housing impact fee methodology is on the agenda for the March 10 Planning Commission meeting.

APPROVAL OF MINUTES

MOTION by MJ Schillaci to approve the January 13, 2022 minutes as presented.
SECONDED by Tobin Brown. **VOTE PASSED 4-0.**

Lee Taylor	**<u>Aye</u>**	**Nay**	**Abstain**	**Absent**
Ian Bald	**<u>Aye</u>**	**Nay**	**Abstain**	**Absent**
M.J. Schillaci	**<u>Aye</u>**	**Nay**	**Abstain**	**Absent**
Josselin Lifton-Zoline	**Aye**	**Nay**	**Abstain**	**<u>Absent</u>**
Matthew Bayma	**Aye**	**Nay**	**Abstain**	**<u>Absent</u>**
Tobin Brown	**<u>Aye</u>**	**Nay**	**Abstain**	**Absent**

9:15 A.M. PUBLIC HEARING: LAND USE APPLICATION

Applicant: Helen Thomas, Geosyntec Consultants on behalf of Standard Materials, Inc.

Location: West off SH Highway 141 and County Road U29 W, San Miguel County

Parcel(s): Mining claims on Bureau of Land Management (BLM) lands

Zone District: West End (WE) Zone District

Proposal: Mineral Exploration of mining claims, located on public lands managed by the BLM. The boring exploration program includes nine (9) drill pads, each measuring about 50 feet by 50 feet, for the purpose of exploring for Uranium.

Those who addressed the commission:
Helen Thomas, Geologist, Geosyntec Consultants
Jeff Kurtz, Geologist, Geosyntec Consultants
Nicole Galloway-Warland, Managing Director, Thor Mining PLC
Jim Guilinger, World Industrial Minerals

Mineral Exploration Special Use Permit Conditional Uses on Federal Lands Standard Mineral, Inc. c/o Thor Mining LLC.

Troy Hangen presented the proposal for the exploratory boring project with nine (9) drill sites for the purpose of exploring for uranium. Helen Thomas, of Geosyntec Consultants, on behalf of Standard Minerals, submitted an application on behalf of Thor Mining PLC that proposes Mineral Exploration on mining claims just north of Big Gypsum Valley on Bureau of Land Management (BLM) public lands off County Road 14Z and County Road U29.

A site visit occurred on November 16, 2021, with the Planning Department, Ryan Righetti, Road and Bridge Department, and Helen Thomas, Geosyntec. A virtual recap was presented to the commission. The project involves using existing BLM roads and county roads with limited development of temporary access drives. Primary access to the project is off State Highway 141 via County Road U29 W in the West End of San Miguel County. Additional drill pads will be proposed in Montrose County, but accessed from San Miguel County.

The project is designed to minimize new surface impacts within the mining claims. Existing BLM roads, county roads, and established access routes (two-track) are utilized wherever practical. The location of drill pads favors areas that are level or were previously disturbed and cleared. The site planning lessens the dirt work required to prepare access routes and drill pads, simplifies reclamation of new access routes, and minimizes the overall impacts of this project.

The access route to get to the drill sites is mainly unimproved dirt roads. Minimal road improvements are needed.

The proposed locations of drill pads and temporary access routes proposed in this application are preliminary. Final placement is dependent on input received from federal and local governments during the permit application processing.

Drill pads will have sumps to retain drill cuttings and drilling mud and to allow for infiltration of water back into the ground during drilling operations. Each sump will be fenced with temporary fencing until reclamation is completed. Upon completion of the drilling, the plastic fencing around the sump will be removed and the sump will be filled and the site smoothed out with a blade. The drill hole will be plugged in accordance with closure standards specified in Colorado state regulations. If required for each hole, cement grout will be pumped from the bottom to the top of the hole. The reclamation of drill pads and holes will occur concurrently following the completion of drilling and individual pads. Drill pads will be regraded and revegetated with a BLM-approved native seed mixture. All reclamation will conform to the specific guidance, protocols, and all permit requirements by the BLM and Colorado DRMS.

The drill rig, service/water truck, and two (2) pick-ups will be used to conduct the exploratory drilling. The applicant is proposing to work 10 hours a day, Monday thru Friday. Approximately three to five (3-5) persons will work on-site per shift.

Water is proposed to be hauled from the water dock in the Town of Naturita or from another local source.

The total estimated ground disturbance is less than two (2) acres. A weed control plan is required and will include the washing of vehicles before entering and leaving sites. Reclamation bonds will be held by BLM and DRMS.

Referral agencies were notified and all referral comments were considered. Public Comments included Mason Osgood, Executive Director for Sheep Mountain Alliance and Jennifer Thurston, Executive Director for Information Network for Responsible Mining, who presented a joint letter stating their beliefs that the area will experience negative impacts from mining in relation to public recreation. They also believe there are some historical artifacts connected to the pioneering settlers and Indigenous Peoples and that the State Historic Preservation Office should be consulted under the National Historic Preservation Act. Drainage, reclamation, and revegetation should thoroughly be addressed. They recommend denial for the SUP.

Troy went over the extensive review standards and stated public notice was sent. Per an email received from CDPHE after the packet was sent out, there is no need for a Discharge permit as noted in condition #10.

The applicant, Nicole Galloway-Warland presented their proposal. She began with a history of the high-grade uranium and vanadium production area and the Colorado claims that have been extensively mined, mainly for uranium through the 20th century. There is good infrastructure in the area including a nearby processing plant with available capacity. They desire to get drilling scheduled once the permits are approved.

The Groundhog and Section 23 areas have lots of existing tracks from historical mining and exploration activities. The exploration work will only use existing tracks and access roads and this will include vehicle parking. They plan to use pre-existing BLM roads and some improvement will be required on some BLM roads.

They propose to use reverse circulation drilling which has minimal disturbance and negligible water use.
The schedule is from May 15- September 30, 2022. The project is likely to be completed within 4 weeks.

In regards to the status of the BLM and DRMS permitting, the Notice of Intent (NOI) has been submitted to the BLM. The BLM has walked the property with a Thor representative. The bond has been calculated and will be submitted to the BLM and DRMS subsequently.

Safety is a focus, including signage and site and rig induction. They have a radiation management plan, including the strict way the samples are handled.

Topsoil will be stored and placed back over the drill pad on completion. Reclamation best practices will be used including all drill pads being reclaimed on completion of drilling. They will be scarified and seeded and a BLM-approved seed mix will be used for the revegetation.

Helen Thomas, a Geologist with Geosyntec, presented the site map and talked about the site visit.

The commission asked questions regarding safety and analysis procedures. Questions were asked about the water table and runoff. Nicole responded that they do not expect to hit the water table, as it is very low.

It was asked what if they were successful, to which it was responded that they will apply for further drilling permits. The commission asked if there was any waste, and what its disposal plan is. Nicole replied that drill cuttings are placed back down in the hole.

Jason Kurtz added comments about drainage. The commission wants to make sure if there is storm drainage, runoff is managed and there will be no damage or washouts, and to avoid concerns regarding the erosion of the drill pads.

10:10 a.m. Open to Public Comment

Mason Osgood, Director of Sheep Mountain Alliance stated they support the drainage plan, but have concerns about the Dolores River and the recreational value of the area. There are continuing environmental justice issues with the White Mesa Mill in Blanding, Utah and he wondered about the future of mining exploration.

10:15 a.m. Closed Public Comment

MOTION by Tobin Brown to move to recommend to the Board of County Commissioners approval of a Special Use Permit (SUP) for Standard Minerals Inc. c/o Thor Mining PLC for the proposed Mining Exploration on mining claims at Groundhog Mine and Section 23 on Bureau of Land Management (BLM) public lands off County Road U29 W in San Miguel County, Colorado, based on the finding that the application is consistent with the County Master Plan, and with the Land Use Policies in LUC Section 2-8, Natural and Man-Made Hazard and Resource Area; LUC Section 2-11, Erosion; LUC Section 2-34, Revegetation with Native Species; LUC Section 2-35, Mining and Mineral Processing Operations, and complies with the Land Use Code review standards in Section 5-407 Wildlife Habitat Areas; Section 5-10, Special Uses; Section 5-11, Conditional Uses on Federal Lands; and Section 5-16, Mining; and Section 5-320 K, Review Standards for WE Zone District Special Uses, subject to the following specific terms and conditions:

1. The Special Use Permit is issued to the Applicant, Standard Minerals Inc. c/o Thor Mining PLC, and does not run with the Land.
2. No future mining activity at the project site by Standard Minerals Inc., its lessees, or the property owners or its lessees is authorized by this approval.
3. Contact the Planning Department, Road and Bridge Department, County Vegetation Management, and County Sheriff's Office prior to mobilization of and the start of drilling activities.
4. Provide a list of onsite contacts for Standard Minerals, Inc. and the drilling project contractor.
5. Provide for review of the construction schedule by the Colorado Parks and Wildlife for any of seasonal timing limitations that may be necessary for the protection of wildlife. Findings shall be reported to County Planning at least two (2) weeks prior to mobilization.
6. The revegetation and weed control along the county road right-of-way (ROW) shall be reviewed by the County Vegetation Manager to assure reclamation of these areas.
7. The County Vegetation Manager shall be afforded the opportunity to provide education and orientation regarding identification of noxious weeds and methods of limiting spread to the operator prior to commencement of work.
8. This Special Use Permit conditional approval is subject to the Bureau of Land Management (BLM) and Colorado Division of Reclamation and Mining and Safety (CDRMS) approving this drilling program and issuing the required permits. Provide copies of these permits to County Planning.
9. The project drilling program and reclamation plan shall be consistent with and comply with the applicable provisions as approved by the County unless specifically modified in the BLM and CDRMS approval action.
10. Comply with all terms and conditions of the Colorado Department of Public Health and Environment Stormwater Discharge Permit ***if required***. Provide a copy of the permit to County Planning.
11. Provide monthly progress reports to County Planning.
12. The permit shall be valid for one (1) year, with review of the BLM and DRMS permits by 14 staff prior to commencement, and with annual reviews by the CPC and BOCC if needed.
13. Exploration activities shall be limited to May 15 to December 1 of 2022.

14. The clearing of pinion-juniper and sagebrush shall be minimized to the greatest extent ~~practical~~ ***possible.***
15. Provide a grading and drainage plan that includes a higher quality of sediment fencing and control.
16. The County shall be informed of any cultural resources discovered in the course of work. Pads and road disturbance should avoid any areas with cultural resources. All appropriate mitigation measures shall be taken to protect cultural resources.
17. The revegetation plan shall include soil restoration and best practices to maximize available water. The CPW (when provided) recommendation shall be followed.
18. Provide documentation regarding the water source(s) for the project.
19. Identify any hazardous materials that will be used in the process, and describe how those materials will be stored and transported.
20. All written representations of the applicant, in the original submittal and all supplements, are deemed to be conditions of approval except to the extent modified by this approval.

SECONDED By MJ Schillaci with the amendment of leaving in # 10 and adding ***if required.*** Tobin accepted the amendment.
AMENDMENT By MJ #14 and accepted by Tobin to replace the word practical with ***possible.***
VOTE PASSED 3-1

Lee Taylor	Aye	Nay	Abstain	Absent
Ian Bald	Aye	Nay	Abstain	Absent
M.J. Schillaci	Aye	Nay	Abstain	Absent
Josselin Lifton-Zoline	Aye	Nay	Abstain	Absent
Matthew Bayma	Aye	Nay	Abstain	Absent
Tobin Brown	Aye	Nay	Abstain	Absent

CONTINUED REVIEW OF LAND USE APPLICATION FROM JANUARY 13, 2022
Applicant: Lawson Hill Property Owners Co & Telluride Mountain School
Location: Lot HI, Lawson Hill PUD located north of Society Drive off San Miguel Dr.
Parcel size: 1.88 acres
Zone District: Public (PUB)
Proposal: Rezone from Public (PUB) to Industrial (I); and Substantial PUD Amendment to increase maximum Building Height

Those who addressed the commission:
Pam Hall, Lawson Hill Owners Association
Scott Strand, Applicant
Nate Smith, Attorney for Applicant
Andrew Schoff, Mountain School

Lee Taylor began by stating he is an owner in Lawson Hill and has no perceived conflicts with the issue.

Troy Hangen then presented the continued review of the substantial PUD Amendment and rezone of Lot HI in the Lawson Hill Planned Unit Development. The existing zoning is the Public (P) Zone District and the applicant wishes to rezone to Industrial (I). The amendment is to raise the maximum height of buildings, amend the parking requirements, and add/change uses allowed on the parcel.

At the December 9, 2021 meeting the San Miguel County Planning Commission moved to continue a public meeting. They are requesting clarification regarding the allowed uses on Lot HI-R, particularly public uses. They also asked for more information on the Town of Telluride's position on the application mainly pertaining to the 'Water Agreement" and the reasoning for the requested reduction in parking.

Troy clarified that the entirety of the 30,000 square feet of public usage would remain intact on Lot HI-R and an additional 10,000 square feet of Low-Intensity Industrial/Heavy Commercial Zone District would be added to Lot HI-R after being transferred from Lot G. The application does not seek any new, additional square footage of uses for the Lawson Hill PUD. It seeks only to transfer 10,000 square feet from Lot G to Lot HI-R. Thus, Lot G's 16,560 square feet would be reduced to 6,560 square feet and Lot HI-R total floor area would be increased from 30,000 to 40,000 square feet.

The more specific revisions to the proposed matrix include:
1) Re-inclusion of a regional medical center as an allowed public use on Lot HI-R.
2) Removal of dry cleaning and self-service laundries as an allowed use in the Low Intensity Industrial/Heavy Commercial Zone District portion of Lot HI-R
3) The inclusion of catering services as an allowed use in the Low Intensity Industrial/ Heavy Commercial Zone District portion of Lot HI-R.
4) Confirmation that underground parking located on Lot HI-R shall not be included as part of the maximum floor area on Lot HI-R.
5) The additional four dwelling units on Lot HI-R would be included in the 30,000 square feet allowed for public uses.

If housing is constructed, 2 parking spaces will be reserved for each residential unit built. The total parking requirements may be reduced subject to review of the final plan at permitting per LUC Section 5-702 G. In the event that underground parking is constructed on Lot HI-R, the area of such underground parking shall not count toward the maximum buildable square footage on the lot.

Also, an additional 12' of height may be added to the 35' maximum if the additional floor is used for affordable housing for persons working in the R-1 School District or otherwise complying with current Housing Authority Guidelines. If this amendment is approved, the final matrix language will be edited for consistency and clarity prior to final adoption by the Board of County Commissioners.

The Town of Telluride's position pertaining to the 'Water Agreement' from Ron Quarles is that because the overall mix and ratio of allowed uses are not modified by this application, in general, the effect on utility services provided by the Town should be minimal. The Town of Telluride also has concerns that there may be a reduction of public-serving uses due to the reduction of lot area for the proposed Lot HI-R along with the addition of the additional uses. The Town is supportive of affordable housing and questioned why it was being limited to four units, stating, "The Town supports the addition of affordable housing, however without limiting the number or size, consistent with how other allowed uses are designated for Lot HI-R. If there is a rationale for the limit, that should be clarified in the application."

Finally, the reasoning for the requested reduction in parking was discussed. The applicant is asking for the required parking to be reduced so the number of spaces per square foot of development is similar to that required for other lots.

The applicant seeks a parking requirement of one parking space per 535 square feet of development, which would result in approximately 75 parking spaces. This parking requirement is more consistent with other nonresidential lots. It also accounts for the less parking-intensive uses associated with Low Intensity Industrial/Heavy Commercial. However, the public uses, depending on how the property is ultimately developed, may have a higher parking demand; this most likely is the rationale for the parking requirement in the current matrix. Mixed use development often has a lower parking demand due to varying times of use or customers frequenting multiple businesses in a single visit.

Troy presented a parking comparison for neighboring Industrial Zoned parcels. Lee Taylor asked specifically who owns the comparable lots in the comparison. The Land Use Code guidelines and standards in Section 5-702 state, "If for any reason any person feels that the requirements of these parking regulations are excessive or inadequate, he/she may seek to increase or decrease the parking standards pursuant to PUD procedure, based upon the criteria set for in Section 5-1404C.

The commission asked about the prior concerns of Lawson Hill residents and if this revamp has addressed those concerns. It was added that there are concerns of the public element being lost with the rezoning.

MJ Schillaci talked about affordable housing and was wondering if the 4 units could be a minimum, and what would that mean if they did. Kaye replied that the commission could request that and it would come out of the 30,000 square feet of public use.

The applicant, Nate Smith, attorney for the Lawson Hill Property Owners Company spoke of the changes they have made to the proposal.
1. Revisions to matrix since the December meeting: the applicants have considered all comments and concerns raised at the December meeting and have adjusted the matrix accordingly. These revisions confirm and clarify all public square footage allowed for uses for Lot HI will remain intact for Lot HI-R. They have re-included the medical center, as that was a concern from the Town of Telluride and some owners in Lawson Hill. Related to the 10,000 SF of industrial use, they removed the dry-cleaning use as some were opposed to having chemicals near the river.

2. Updates on TOT position concerning the water agreement: Lawson Hill met with Ron Quarles and discussed in detail the proposed changes. As a result, he withdrew his concerns.

3. Request for reduction of parking requirement: The intent is to have a less stringent use, a quarter of that use would be for light industrial, which requires less parking. They are also considering the Park and Ride lot as an opportunity to reduce parking on this lot.

Pam Hall added the comments of concern regarding the public use of the lots.

Lee Taylor asked if Lawson Hill Homeowners Association will be the developer. Pam Hall replied that Lawson Hill has no intention of selling the property at this time.

Toby asked why is the applicant was asking for these changes.

Scott Strand, Mountain School, replied this was to clean up the Mountain School's property lines. This was so they could use the area for parking. The Lot HI also includes a bus stop for access to public transportation.

Kaye Simonson added that the Park and Ride lot is not meant to be an overflow for other businesses and uses in the area and that use by other businesses is not permitted per the terms of the covenants on that lot. Businesses need to provide for their necessary parking.

There was further discussion by the commission regarding parking in Lawson Hill.

11:34 a.m. Open to Public Comment
11:36 a.m. Closed Public Comment

Lee Taylor asked about having a 4 story structure directly in the view plane of the river. He has some hesitation about the height. It will be 47 feet high to provide that affordable housing.

MOTION by Tobin Brown to move to recommend to the BOCC approval of the Substantial PUD Amendment for Lot HI and Rezone of Lot HI and a portion of Lot G, based on the findings that the uses as proposed are consistent with Land Use Code 5-15 Final Plat and Planned Unit Development (PUD) Amendments; and Land Use Code 5-18 Land Use Code Amendments and Rezoning; and the County Master Plan, with the following conditions:

1. All written representations of the applicant in the original submittal and all supplements, letters, and emails are deemed to be conditions of approval, except to the extent modified by this Motion.

SECONDED by MJ Schillaci. **VOTE PASSED 4-0.**

Lee Taylor	<u>Aye</u>	Nay	Abstain	Absent
Ian Bald	<u>Aye</u>	Nay	Abstain	Absent
M.J. Schillaci	<u>Aye</u>	Nay	Abstain	Absent
Josselin Lifton-Zoline	Aye	Nay	Abstain	<u>Absent</u>
Matthew Bayma	Aye	Nay	Abstain	<u>Absent</u>
Tobin Brown	<u>Aye</u>	Nay	Abstain	Absent

<u>WORKSESSION:</u>
Discussion of Affordable Housing, Affordable Housing Fee Methodology.

John Huebner, Senior Planner, presented a report concerning the county implementation of the Market Affordability Gap Fee report methodology to calculate residential impact fees for affordable housing.   This method for calculating fees is sound and can be readily updated annually. The methodology will allow this to be updated without a land-use code amendment.

The methodology can be calculated in three steps. The first is calculating the amount that households in certain income categories can afford to pay for housing. The second step is to determine the market price for housing using available using previous homes sales data. Third is to compare market prices to the affordable amount calculated to determine the gap. The gap can be expressed in per unit, per employee, or per square foot amounts. To determine the affordable price we look at income, the percentage of income spent on a housing payment, property taxes, insurance, and HOA fees, mortgage interest rate, down payment, and term. For the market price we need sales data, location, and type of improvements. The study also considers the time period to look at sales, from a one-year or three-year period. A comparable unit size that is appropriate for comparison must be determined. The final step is comparing the market price to what is affordable for typical employees in the R-1 school district and then converting that into a numeric constant that can be applied at the building permit phase when the fee is assessed.

The market sales study includes sales from within the Telluride Region, as identified in our Master Plan documents and matches what the Town of Telluride defines as the Telluride Region. It does include Mountain Village and the Town of Telluride as those areas are the source of the majority of the employees generated within the county. The sales that are utilized are free-market sales and do not include fractional sales or deed-restricted sales. In the study, they did not include single-family residences but relied on duplexes and multi-family units to eliminate the variation in land prices and to look at improvements more aligned with what an employee would buy size and location wise.

By using three years of rolling data helps minimize price fluctuations and rapid changes in the fee that is charged are minimized. Staff recommends using the average price per square foot to illustrate the market trend.

Once a per square foot value is determined, the impact fee per square foot and the total # of employees generated is calculated per square foot of a proposed residential development.   The minimum area for a deed-restricted unit, per HUD guidelines, is 350 square feet minimum.

John went over the illustrated table of square feet/ per employee generated and the resulting affordable housing impact fee, which can be used to develop affordable housing.

The fees had not been updated since 2005. This method more accurately reflects this region and what a family could afford to pay for housing.

There is currently an exemption for improvements 1800 SF and below, based on the assumption that homes that size are occupied by local residents. For larger improvements over 10,000 SF, it is proposed that the homeowner would be required to build an affordable housing unit rather than just collect fees. It was asked if the unit could be built somewhere else. That does apply for commercial but is not allowable for residential at this time. The question is if that is allowable and where those units would be built. The commission discussed making this possible for homeowners. If we are flexible we still get the affordable housing unit for the inventory. Could owners have options to propose alternative locations subject to approval by the overseeing body (BOCC) for an offsite location?

The implementation and LUC Changes, if accepted by the BOCC and CPC include:

1. Accessory Dwelling Units: The residential development fee structure presented includes a requirement to construct an ADU.
2. Deed Restrictions: Adopt deed restrictions that include minimum occupancy requirements applicable to all employee housing units.
3. Commercial Development: Potentially amend employee housing requirements for non-residential development to allow for the collection of fees up to a certain square foot threshold.
4. Updating the Affordable Housing Fee Schedule: Components in Appendix E that need to be updated annually.

A draft of this proposal will be presented to the Board of County Commissioners at their March 9, 2022 work session.

12:55 p.m. Adjourned.

Respectfully Submitted,

____
Nancy Hrupcin, Legal Assistant, County Attorney

Approved on ____________, 2022.

SAN MIGUEL COUNTY PLANNING COMMISSION

____
M.J. Schillaci, Secretary
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AGENDA ITEM

TITLE:

Staff Request: Discussion of Affordable Housing matters.

Presented by:
Time needed:

PREPARED BY:
John Huebner, Planning

RECOMMENDED ACTION/MOTION:

INTRODUCTION/BACKGROUND:

FISCAL IMPACT:

ATTACHMENTS:
Affordable Housing memo 030922.pdf
BOCC Project Report Affordable Housing Mitigation w.attachments 3.9.22.pdf
Short Term Rentals memo 030922.pdf

Description:

M E M O R A N D U M

TO: San Miguel County Board of Commissioners
FROM: Kaye Simonson, AICP, Planning Director
RE: Affordable Housing Matters
DATE: March 9, 2022

A number of topics related to Affordable Housing are scheduled to be discussed today, including:

1. Business ownership of deed-restricted units
2. Affordable Housing Impact Mitigation Fee Update
3. LUC Section 5-1303 Affordable Housing in the Telluride R-1 School District – Mitigation level (LUC Sections 5-1303A-F)
4. ADU Deed Restriction Moratorium on Terminations
5. County policies to create affordable housing opportunities

For reference, past affordable housing studies, reports, and resolutions, as well as the applicable Land Use Code standards, Section 5-13, are available online at https://www.sanmiguelcountyco.gov/490/Other-Resources.

1. Business ownership of deed-restricted units

Employers have approached the County regarding their ability to purchase deed-restricted properties for occupancy by employees of those businesses. With the exception of multi-family and live-work properties, ownership of deed-restricted housing is limited to qualified employees. Exception agreements have been executed to allow the R-1 School District and TSG to own and develop lots in the Two Rivers area, and an exception was approved for two vacant lots to be owned and developed by BIT.

Points to consider include:

- Whether such purchase would result in the displacement of existing employees.
- Whether the purchase is for an existing business with existing employees, or if it is intended for a new business or business expansion that will be generating new employees.
- Businesses may have a financial capacity that cannot be matched by qualified employees, which could result in the latter being priced out of a property.
- The goal is to increase the overall supply of employee housing, without impacting those employees who are also seeking to purchase housing. Purchasing properties (developed or vacant) that are already deed-restricted does not increase the supply. It is simply a shift from one owner to another.
- Business ownership with rental to employees may change the character of a neighborhood; the majority of deed-restricted housing is owner-occupied, with limited rentals.

2. Affordable Housing Impact Mitigation Fee Update

John Huebner has prepared a draft report, "San Miguel County Affordable Housing Fee Methodology," and provided a supporting memo. The report proposes replacing the fee adopted in 2007, which is based on employee generation and the subsidy needed to construct employee housing. We are proposing changing the mitigation fee calculation method to be based on the Market Gap between free-market prices and what employees can afford. In addition to changing the fee methodology, specific questions that need to be answered include:

a. Should the mitigation rate be increased from 37%, and if so, to what percentage; and
b. Should residential development above a certain size be required to provide a deed-restricted accessory dwelling unit or caretaker unit instead of paying the mitigation fee?

3. LUC Section 5-1303 Affordable Housing in the Telluride R-1 School District – Mitigation Level (LUC Sections 5-1303A-F)

The Employment Generation Rates study is used to determine the average number of employees that will needed for a particular type of business or development activity. The data within the report is considered to still be valid, and has been used by other jurisdictions to support their affordable housing mitigation requirements. The "percent mitigation" is the subjective factor, as discussed beginning on the bottom of page 4 of the report. When the employee housing mitigation requirements were adopted, the BOCC at that time settled on a mitigation rate of 15%. The Employee Housing Mitigation Support Study of 2002 notes,

> *Because 30% of the total number of employees generated by San Miguel County's job market are housed in deed restricted housing provided by various jurisdictions in the county, the level of service is 30%. To maintain this number (as a percentage of the total workforce) of employees living in deed restricted housing requires that the all new developments mitigate for 30% of all new employees generated. Again, in other words, if a new business is developed on a vacant piece of land that generates 3 new employees, that business will be required to mitigate (i.e. provide employee housing or cash in lieu) for approximately 1 of those employees.*

The amount of deed-restricted housing has not kept pace with the demand. The workforce has grown faster than housing has been created; home ownership for local residents has declined, rentals have increased, and commuting from adjacent counties has increased even more (see page 25 of the 2018 San Miguel County Housing Needs Assessment; also refer to the Trust for Community Housing's 2019 report, "The Impacts of Affordable Housing on the Telluride Area Economy and Community"). Since 2020, available housing for workers has become even more limited. The Housing Needs Assessment estimated a deficit of 441 units in 2018, and an additional deficit of about 325 units by 2026.

There is relatively little development in San Miguel County that is required to provide mitigation units. The majority of the commercial development is located in the Lawson Hill PUD (including Ilium), which is part of the Affordable Housing PUD; commercial and industrial development is mitigated by the deed-restricted dwelling units within the PUD. Residential subdivisions are also rare. The most recent, instead of dedicating individual lots for affordable housing within the subdivision, have instead dedicated land to the County (Sunnyside Ranch, Mill Creek and Deep Creek Ranch PUDs).

The Town of Telluride has increased mitigation rates for single-family, duplex, multi-family and accommodations uses to 90%. Commercial, hotel and lodging uses are mitigated at a rate of 40%.

5-1303 F. Summary of Impact Mitigation Standards for Affordable Housing

Development Type	Employees Generated	Mitigation Level	Mitigation Required
Office	3/1,000 gsf	15%	1 / 2,250 gsf
Restaurant	3/1,000 gsf	15%	1 / 2,250 gsf
Retail	3/1,000 gsf	15%	1 / 2,250 gsf
Hotel	1.5/unit	15%	0.225 / unit
Ski Area	Year-round & Seasonal	15%	All Seasons
Residential Subdivisions		37%	1 / 3 lots
Multi-unit Projects		37%	1 / 3 units

The BOCC should provide direction regarding whether the mitigation standards should be modified, and suggested targets. There is sufficient data within the 2018 Housing Needs Assessment and other studies to support changing the mitigation levels.

4. Accessory Dwelling Unit (ADU) Deed Restriction Moratorium on Terminations

From 1994 to 2007, property owners constructing a house greater than 5,000 s.f. were required to construct an ADU or Caretaker unit and to record a deed restriction, or to make a payment-in-lieu of $80,000. Owners of smaller houses who voluntarily built ADUs were also required to record a deed restriction. This requirement was eliminated with the adoption of the Affordable Housing Impact Mitigation Fee in 2007. Over the years, property owners have submitted requests to terminate their deed restrictions. If approved by the BOCC, owners have been required to pay the now-current Affordable Housing Impact Mitigation Fee. It should be noted that if the moratorium is allowed to expire, and the Affordable Housing Impact Mitigation Fee is amended as discussed above, the amount paid upon termination would be significantly higher than the current mitigation fee.

In October of 2020, a moratorium on termination of deed restrictions was adopted; the moratorium has been extended and is now set to expire in April, 2022. As part of the moratorium, staff was directed to conduct analysis of the deed restrictions, particularly the status of the units and whether they are occupied by qualified employees. Troy Hangen has prepared a memo on activities to date.

5. County policies to create affordable housing opportunities

- Encourage the use of the CH zone district.
- Seek out properties that may be suited for housing and determine what it would take to acquire them.
- Amend Public and Parks zone districts to allow housing for essential workers.
- In the F zone and on properties greater than 35 acres, where well permits allow 3 dwellings, consider allowing a second caretaker unit, subject to deed-restriction
- Work with water providers to determine capacity, locations that can be served, and where density can be increased.
- Investigate acquisition of water rights that could be used to serve existing and future residents.
- Other ideas?

Attachments:
Land Use Code Policies for Housing, Section 2-29
LUC Section 5-1303 A-F

ARTICLE 2 LAND USE POLICIES

SECTION 2-29: HOUSING

Resident and tourist speculative investment and the utilization of an increasing percentage of the housing stock as short-term accommodations or vacation homes are economic factors contributing to high housing costs and a contraction of the housing stock available for permanent and seasonal residents. Real estate market forces spur developers to create an exclusionary, homogenous, high income, second-home housing market absent of low and moderate income housing opportunities. It is the policy of the County to:

2-2901

Alleviate overcrowding, excessive commuting, and social instability prevalent in the permanent resident community resulting from speculative, second home and tourist influences in the permanent resident housing market;

2-2902

Provide a wider choice of housing alternatives for persons of low or moderate incomes living in the community;

2-2903

Insure that future development alleviates rather than contributes to problems of inadequate housing for persons residing or working within the County;

2-2904

Disapprove those developments that are exclusionary;

2-2905

Assist the private sector in providing new affordable housing throughout San Miguel County, but primarily in the Telluride Region, to reduce the critical shortage of affordable housing;

2-2906

Prepare, adopt and continually update a Housing Action Plan addressing affordable housing;

2-2907

Revise County land use policies and regulations based upon the adoption of the Housing Action Plan and updates to the Plan; and

2-2908

Insure that housing units that are intended to mitigate the impacts of development upon affordable housing are located in the same general area as the development.

2-2909

Insure that all new employee generating development contributes its fair share to the housing of local residents in order to reduce commuting traffic, create social investment and maintain vitality within our community.

2-2910

It is the policy of the County to provide affordable employee housing for persons working in the County. This policy has been reiterated by the Board of County Commissioners and is formally recognized in this Code and by the establishment of the multi-jurisdictional housing authority created by San Miguel County and Towns of Mountain Village and Telluride. Revisions to this Code are necessary to further the goal of the County to provide housing that is affordable to the average person employed in the County so that further degradation of our community character is prevented and that the County continues to be a viable residential community.

San Miguel County has set the following priorities to further the goal of providing affordable housing:

1. Onsite construction of affordable housing units
2. Off-site construction of affordable housing units
3. Dedication of improved lots within a subdivision
4. Dedication of (raw or unimproved) land
5. Conversion of existing free market housing to deed restricted, appreciation Capped units in a manner acceptable to the Board of County Commissioners
6. Payment in-lieu (employee housing Impact Fees), to apply to development that has not otherwise fully mitigated its employee housing impacts.

5-1303 Affordable Housing in the Telluride R-1 School District
To promote affordable housing, impact mitigation shall be required as a condition of approval pursuant to this Code for the following types of development in the Telluride R-1 School District: office, restaurant and retail, hotel, residential and ski area, based on the formulas in this section. In the interest of maintaining fairness and simplicity, all fractions shall be rounded down to the nearest whole number.

5-1303 A. Office, Restaurant, Retail and other Commercial Development

Office, restaurant, retail and other commercial development has been found to generate 3 employees per 1,000 gross square feet (gsf). Developers of these use types shall mitigate 15 percent of this impact based on the amount of gsf approved pursuant to this Code, as follows:

I. Each new office, restaurant and retail development shall be required to build deed-restricted housing for one employee for every 2,250 gsf;

II. No mitigation shall be required for developments of less than 2,250 gsf.

5-1303 B. Hotel Development

The number of employees that need to be housed as impact mitigation for hotel development shall be determined using the following formula (based on the definition of "population density"):

I. Divide the total number of hotel units by two (2) (to get the equivalent number of condominium units);
II. Multiply that number by three (3) (to get the residential density equivalent in number of persons; 3 persons per condominium unit); and

III. Calculate 15 percent of the residential density equivalent (and round down to the nearest whole number) to determine how many employees shall be housed to mitigate 15 percent of the impact of the hotel development.

5-1303 C. Residential Subdivision or Multi-family Development

I. One of every three lots in each new residential Subdivision shall be deed-restricted using the R-1 Housing deed restriction specified in Section 51304 or as approved by the BOCC.
II. One of every three units in each new Multi-family Development shall be deed-restricted using the R-1 Housing deed restriction specified in Section 5-1304 or as approved by the BOCC.
III. Subdivisions that previously mitigated their impacts through the provision of deed restricted lots or cash-in-lieu shall be exempt from further mitigation.

5-1303 D. Ski Area Development

I. Each ski area development that creates new base facilities in San Miguel County shall provide housing for 15 percent of its employees during all seasons; and

II. For each new ski lift added to an existing ski area, the ski area operator shall provide housing for two ski area employees.

5-1303 E. Size, Location and Occupancy of Mitigation Units

Deed restricted housing constructed as affordable housing may be occupied by any person(s) qualifying under the deed restriction established by these County regulations or as approved by the Board of Commissioners. Families may occupy larger units or portions thereof if at least one member of the family qualifies under the deed restriction, and additional occupants also must qualify under the deed restriction.

I. Deed restricted housing constructed as affordable housing impact mitigation shall provide:

a. At least 350 sq. ft. of space and

b. Full living, kitchen and sanitation facilities for each employee required to be housed.

II. Affordable housing units shall be constructed on the site of the primary development, except as allowed by the Board of County Commissioners.

III. Affordable housing units shall be constructed simultaneously with the primary development. In residential subdivisions, the required affordable housing lots platted shall be available to qualified employees at the same time that free market lots are offered for sale.

5-1303 F. Summary of Impact Mitigation Standards for Affordable Housing

Development Type	Employees Generated	Mitigation Level	Mitigation Required
Office	3/1,000 gsf	15%	1 / 2,250 gsf
Restaurant	3/1,000 gsf	15%	1 / 2,250 gsf
Retail	3/1,000 gsf	15%	1 / 2,250 gsf
Hotel	1.5/unit	15%	0.225 / unit
Ski Area	Year-round & Seasonal	15%	All Seasons
Residential Subdivisions		37%	1 / 3 lots
Multi-unit Projects		37%	1 / 3 units

M E M O R A N D U M

TO: San Miguel County Board of County Commissioners
FROM: John Huebner, Senior Planner
RE: Affordable Housing Mitigation: Residential Fee Methodology
DATE: March 9, 2022
[Z:\Applications\2022_BOCC Project Report Affordable Housing Mitigation]

Background

The 2018 San Miguel County Housing Needs Assessment stated that the need for additional community housing is critical. At the time of the study, there was an estimated shortage of 441 units, and a projected shortage of an additional 325 units by 2026. The Trust for Community Housing's 2019 report, The Impacts of Workforce Housing on the Telluride Area Economy and Community, identified the importance of deed-restricted housing for retaining essential workers, emergency service workers and those who support the local economy. Having workers close to their jobs is critical to maintain the economy and community. The COVID pandemic has highlighted the need for more housing, with local real estate sales and rental trends exacerbating the lack of available housing for local residents and causing increased displacement of local renters.

At the direction of the BOCC, and following work sessions with the Board on October 11, November 3 and with the Planning Commission on November 18 and February 10 staff prepared a draft report proposing a new methodology for calculating mitigation fees for new residential development in the R-1 school district (see attached map) that could be assessed by San Miguel County.

Affordable Housing Fee Methodology – Draft Report

The draft report *San Miguel County Affordable Housing Fee Methodology* recommends a new method that is based on the difference between the market price of housing within Telluride Master Plan regional boundary (see attached map) and the price that is affordable to people for which the housing is intended. In addition to staff presenting the proposed fee method during the BOCC worksession, it wishes to discuss the following:

1. Increasing the 350 square feet of housing per employee currently identified in the Land Use Code affordable housing regulations.
2. Identify a maximum floor area limit at which full payment of fees in lieu of mitigation may occur, and at which the construction of employee housing unit(s) is required as mitigation.
3. Require newly constructed accessory dwelling units in the Telluride Region and caretaker units in the F zone be deed-restricted, whether the units are voluntary or required for mitigation.
4. Required Percentage Mitigation (currently 37%).

Amendments to Land Use Code 5-13 will be prepared based on the Board's direction.

Attachment(s):

- DRAFT *San Miguel County Affordable Housing Fee Methodology Report*

Resources:

- Affordable housing studies, including the 2018 Housing Needs Assessment, 2005 Employee Housing Impact Fee Support Study and the 2000 Residential Job Generation Study, are available online at link to "Other Resources" webpage.

SAN MIGUEL COUNTY, COLORADO

San Miguel County Affordable Housing Fee Methodology DRAFT

Market-Affordability Gap approach

John Huebner, Senior Planner
3-3-2022

Table of Contents

Background

Purpose Statement

The purpose of this report is to provide a methodology for calculating fees that could be assessed by San Miguel County through its program to promote affordable housing in the Telluride R-1 School District. The methodology for calculating fees must be sound, easily understood and readily updated. It must also be compatible with the existing Land Use Code.

This report recommends a methodology based on the difference between the market price of housing and the price that is affordable to people for which the housing is intended. This is referred to as the Market-Affordability Gap approach.

Introduction

San Miguel County in its regulations requires payment of an impact fee for the development of residential property in the unincorporated county in the R-1 District. San Miguel County Resolution 2007-11 adopted the residential impact fees and repealed existing provisions within the Land Use Code related to the requirement for building employee housing units (Accessory Dwelling Units (ADU) and Caretaker Units).

Organization of the Document

This report consists of the following sections as follows:

1. Recommended Methodology
2. Advantages Over Existing Approach
3. Legal Justification
4. Calculating the Model
5. Impact Fee Model for San Miguel County

Additional supporting documents are provided as appendices to this report.

Recommended Methodology

The Market-Affordability Gap approach is recommended for calculating the impact fee applicable to San Miguel County affordable housing requirements. It is based on the difference between the market price of housing and the price that is generally affordable to households meeting the affordable housing requirements. The benefits of this methodology are as follows:

- It is transparent and relatively simple, allowing for regular updating with readily available information from public sources (e.g. Telluride Multiple Listing Service, County Assessor, U.S. Department of Housing and Urban Development).
- May be used within the existing San Miguel County Building Department permitting process without requiring modifications. The impact fee may be expressed in per-unit, per-employee and per-square-foot amounts.
- Variables incorporated can be adjusted to reflect changes to local conditions and circumstances and to exclude outliers.
- Could be used to calculate fees for income categories as well as other categories, such as unit sizes that may be targeted in the future.

- Reflects changes in land and construction costs since they adjust to market conditions.
- Is applicable to both ownership and rental housing since sales of both types of units are included in market price calculations and since the affordable housing payment is assumed to be the same regardless of whether the targeted household owns or rents.
- Represents the actual cost of housing available to employees without public-sector subsidies and responsibilities. The County's affordable housing program does not intend for the public sector to subsidize affordable housing requirements; subsidies vary widely based on project design, location, financing, and other factors.
- Provides sufficient revenue to potentially develop new units, to purchase and deed restrict existing units, to provide assistance to housing projects, or to acquire land.
- Is based on a widely-used method for examining the affordability of housing; the gap between market and affordable prices is a key indicator of need.
- Was tested in 2008 lawsuit in Gunnison County and found by the District Court to be reasonable and sound.
- Is the methodology used by the Town of Telluride and other towns and counties in the Colorado Rocky Mountain region for calculating affordable housing impact fees.

Advantages over existing Approach

The existing method for calculating affordable housing impact fees was based on the gap between the historical cost of building affordable units and their affordable price, or the income received from sales and rentals. It relies on determining the costs of developing affordable housing, which has varied widely and has a small sample size. The market-affordability gap approach is recommended over the historic cost-affordability gap approach for several reasons:

1. It can be easily calculated with up-to-date reliable data on the market price of free market housing available from public sources (County Assessor, Telluride Association of Realtors). The previous model has not been updated since adoption in 2007, since compiling data was a complex time consuming process that involved the hiring of a consultant by the county.
2. It does not rely on adjustments to cost and price considerations of past projects to make the fees relevant. Affordable housing projects are infrequently built in this area so costs of past projects do not reflect current market conditions. Updating the impact fees would have required multiple assumptions regarding changes in land purchase, project design, construction costs and inflation.
3. Revenues could be more sufficient to build, buy or partner with other entities to produce housing when based on market prices. Calculating fees on the cost of public sector construction of affordable housing units under-represented the real cost to produce units.

Legal Justification

Local governments are expressly authorized to impose impact fees to serve new development as a condition of approval of development permits, C.R.S. 29-20-104.5. ("Colorado Land Use Control Enabling Act").

- San Miguel County along with three resort-based governments participated in a comparative analysis, conducted by RRC Associates, Inc. and The Housing Collaborative, LLC in 2000, to determine the number of jobs directly generated by residential units. The Residential Job Generation Study covered employees in the residential construction industry as well as jobs associated with the on-going maintenance and operation of homes. This study provides the empirical data to justify the impact fees proposed and related amendments to the Land Use Code, specifically Section 5-13, and to Appendix E.
- Impact Fees must be established at a level no greater than necessary to defray impacts related to the proposed development, and not to remedy existing shortage of affordable housing.
- Fees must be assessed according to a schedule that is legislatively adopted and apply to a broad class of property. The model would be enacted through an amendment to the Land Use Code, and updated administratively within Appendix E of the Code.
- The recommended fee calculation model and components and using the market-affordable price gap methodology appear to be legally justified.

Calculating the Market-Affordability Gap/Fee

The basic formula to calculate the market-affordable price gap involves a three-step process:

1. Calculate the amount that households in certain income category can afford to pay for housing.
2. Determine the market price for housing using available previous home sales data.
3. Compare market price to the affordable amount calculated to determine the gap. Use conversion factors to express the gap in per-unit, per employee and per square foot amounts.

San Miguel County's calculation from 2020 utilizing this formula is illustrated in the table below:

San Miguel County Fee Calculation Model		2020
12/3/2021		
Income Targets		
Area Median Income (AMI) 100% - household size	2	4
Maximum Income	$ 68,200	$ 85,200
Affordable Price		
Affordable Monthly Payment (30%)	$ 1,705	$ 2,130
Affordable principal and interest (80% of pmt)	$ 1,364	$ 1,704
HOA dues, property taxes, insurance (20%)	$ 341	$ 426
Assumed Mortgage interest rate	5.0%	5.0%
Maximum mortgage	$ 254,088	$ 317,424
Maximum affordable price - 5% down	$ 267,461	$ 334,130
Market Price		
Market Price per SF of heated floor area	$ 785	$ 785
Assumed Affordable Unit Size	850	1075
Market Price per Unit	$ 667,291	$ 843,927
Market-Affordability Gap/Fee		
per Affordable Unit	$ 399,830	$ 509,796
Per SF of affordable unit (per unit gap/Unit Size)	$ 470	$ 474
Per Employee (per unit gap/1.6 employees per unit)	$ 249,894	$ 318,623

The variables impacting the bottom line are described for each of the main components of the formula 1) affordable price; 2) market price; and 3) market-affordability gap/fee.

Affordable Price

The affordable purchase price calculation involves the following main variables.

- Income – There are differing levels for qualifying household income used by the region's local governments related to affordable housing requirements. The County's impact fees are based on 100% AMI (Area Median Income for San Miguel County), which is published annually by HUD (US Housing & Urban Development).
- Percentage of Income Spent on Housing Payment – The percentage among resort communities examined is 30%. Per the 2018 SMC Housing Needs Assessment, households spending over 30% of their annual income on housing costs are considered to be cost burdened. For purposes of calculating impact fee amounts, governments usually assume that housing is affordable if 30% of gross household income covers the monthly mortgage (PITI – principal, interest, taxes, and insurance) or rent payment.
- Property Taxes, Insurance and HOA fees – It is assumed that 20% of the housing payment covers taxes, insurance and HOA fees.
- Mortgage Interest Rate – San Miguel County assumes a 5% interest rate for purposes of this calculation. The interest rate assumed for calculating the maximum affordable mortgage amount impacts the affordable price and resulting gap/fee. For example, with a 30 year mortgage at 4.25%, a buyer could borrow 4.188 times their annual income assuming that 30% of their income covers PITI. At 5.25% they could only borrow 3.725 times their income. If buyers do not have a 20% down payment they will also have to purchase mortgage insurance. The Town of Telluride assumes a 5% interest rate.
- Down Payment – The communities surveyed assume employees can afford 5% down.
- Mortgage Term – The communities studied calculate the affordable purchase price based upon a 30-year fixed rate amortizing mortgage.

Market Price

- Source of Sales Data – Assessor records are comprehensive, unbiased, public and relatively easy to obtain but they are not easily compiled for use in developing these county impact fees. The MLS sales reports produced by real estate offices were used and were acquired and provided by Town of Telluride.
- Sales Type – Only free market real estate sales are included. Property sales are excluded that are subject to use or occupancy restrictions, such as restrictions that require accommodations uses for any period of time (fractional ownership), or affordable housing deed-restrictions.
- Location – There is significant price variation by area within San Miguel County. Real estate sales occurring within the Telluride Region, as identified in the San Miguel County Master Plan, are used. This region encompasses the Towns of Mountain Village and Telluride and surrounding subdivisions in the unincorporated county. Sales from within these two municipalities are included in the County's impact fee calculation since most of the employee generation in the county occurs here in the east end.

- Types of Units included – Sales of dwelling units within duplex and multi-family buildings are employed for this study as those unit types most closely match housing occupied by qualified households. Single-family residences with acreage were excluded; this removes variation associated with attached land.
- Average vs Median Price – The market price per square foot can be expressed as a median or average. The average price per square foot is typically higher than median price; the average is more influenced by high-end home sales.
- Period Covered – The sales from the three previous calendar years is utilized. Three years of data are used rather than just the one previous year to increase the sample size and reduce the margin of error. This also reduces fluctuations in the sales values due to market volatility.
- Size of Employee Unit – The final step in the calculation of market price is to apply the average price per square foot to the square footage of the employee housing unit. The size of the employee housing units was determined using the Telluride Affordable Housing Guidelines, amended June 4, 2021. The average of the minimum and maximum square feet for Unit type from the Unit Size Standards table, Section 210.1., was utilized and took into account minimum household size for said unit types in Section 103.3. B.

Market Affordability Gap/Fee

The final step in the fee calculation process is the subtraction of the affordable price from the market price. The result is a per affordable housing unit gap. The unit gap is divided by the assumed unit size(s) to yield the per square foot gap fee.

Conversion factor:

- Number of employees per Household – The average in San Miguel County is 1.6 employees per unit based upon the Telluride San Miguel County Regional Community Survey 2002. The 2018 SMC Housing Needs Assessment survey states the number of employees per households has increased per age groups surveyed, but didn't identify the total number per household.

San Miguel County Impact Fee Model Recommendation

Income Targets

Income targets are based on the 2020 HUD Area Median Income (AMI) amounts for San Miguel County. The figures for two person households are provided for comparison. For San Miguel County, a 100% AMI category is used since the County's code does not specify multiple income categories.

Affordable Price

A key variable in the fee calculation formula is the mortgage interest rate, which is assumed to be 5% and is used for the 2021 calculation. A down payment of 5% is used. Increasing the down payment and decreasing the interest rate increases the affordable price and would therefore lower the impact fees. Should interest rates rise in the future, the rate used for the fee can be adjusted.

Several other variables involved in the calculation of affordable prices include the percentage of income that is affordable to spend on housing payments, the percentage of the monthly payment that covers mortgage principal and interest, the percentage of the payment that pays for HOA fees, property taxes and property insurance, and the term of the mortgage. The term and rates used for this model are as follows:

- Interest rate = 5%;
- Down Payment = 5%;
- Affordable housing payment = 30% of income;
- Mortgage principal and interest = 80% of affordable housing payment;
- HOA fees, property taxes and insurance = 20% of affordable housing payment;
- The mortgage term = 30 years at a fixed rate.

The sizes of the affordable housing units assumed for this model are 850 sf (square feet) for a two person household and 1075 sf for a four person household. The source of these unit sizes is the Telluride Affordable Housing Guidelines. By comparison the LUC definition for “Population Density” specifies up to 900 for 2 people, 900-1500 sf for 3 people, and over 1500 sf for four people. However, affordable housing units tend to be smaller. Therefore, staff recommends using the sizes from the Telluride Affordable Housing Guidelines. Increasing the size would increase the impact fee.

Market Price

The most significant variables in the determination of the market price per square foot and the resulting market-affordability gap fee are location of real estate sales and improvement types. Through discussions with county staff and Town of Telluride staff, it was determined to use residential sales occurring in the Telluride Region and of those, only use housing units within duplexes and multi-family buildings. It does create a more Telluride-and Mountain Village-centric sales sample. Excluding the sales of single-family residences results in sales that are more representative in size and improvement type to the affordable housing units that will be developed with impact fees in the future or purchased by locals in terms of size, design and density, and eliminates the variables associated with single-family properties, which may have many more amenities as well as land.

Staff was able to use a spreadsheet provided by the Town of Telluride of sales compiled for prior years. There is a sufficient quantity of real estate sales each year needed to produce reliable data for this impact fee methodology.

Period Covered

Three prior years of real estate sales data is utilized rather than just a single prior-year period to calculate a market price per square foot utilized in this model. The following measures of central tendency are analyzed:

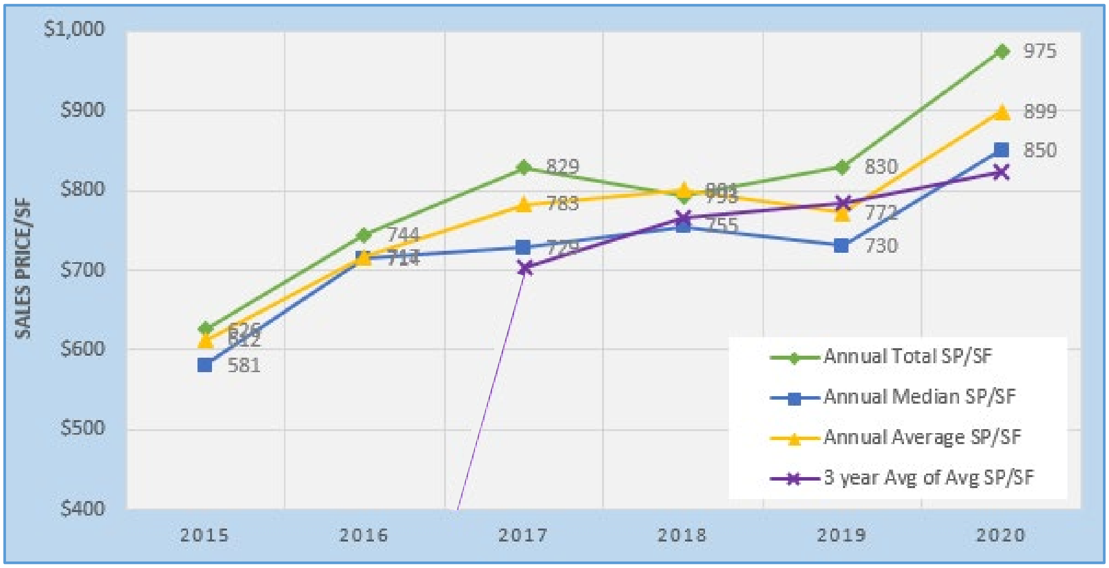
1) Average annual sales price per square foot (Avg SP/SF).

2) Median annual sales price per square foot (Med SP/SF).

3) Dividing the sum of total annual sales by the total square footage for all sales (Total Sales/SF).

The following chart illustrates these three measures of dwelling unit sales per square foot for the sales years 2015 – 2020. The average sales price for Total Sales/Total SF (green) is the highest measure each year. The Average (yellow) and Median annual sales price per square foot (blue) are less each year. Staff inserted into the chart the three year prior-periods average of the Average price per square foot (purple) starting in 2017. This measure reduces the annual variability of the real estate sales and will therefore minimize annual changes in the level of proposed impact fees.

Figure 1 – Comparison of Market Sales Price Per Square Foot measures (Telluride Region).



The following table presents the compiled sales data that used to determine the market price per square foot for 2019, 2020 and 2021. Staff utilized the average of three (3) prior years of average annual sales price per square foot (Average SP/SF) to develop the San Miguel County Fee Calculation Model.

Table 1 Three year Averages of Market Price measures

Impact Fee Year: 2019				Impact Fee Year: 2020				Impact Fee Year: 2021			
Prior Sales Year	Total SP/SF	Median SP/SF	Average SP/SF	Prior Sales Year	Total SP/SF	Median SP/SF	Average SP/SF	Prior Sales Year	Total SP/SF	Median SP/SF	Average SP/SF
2018	793	755	801	2019	830	730	772	2020	975	850	899
2017	829	729	783	2018	793	755	801	2019	830	730	772
2016	744	714	717	2017	829	729	783	2018	793	755	801
3 year Average prior sales years	788.69	732.69	766.89	3 year Average prior sales years	817.16	738.05	785.05	3 year Average prior sales years	865.83	778.57	823.83

The recommended impact fee calculation model and components for San Miguel County (2021) follows. It uses the three prior sales years of the Average Market Sales Price per Square Foot value of $824. The 100% Area Median Income (AMI) figures are $68,200 for a 2-person household and $85,200 for four persons. The market-affordability gap per unit for the 1,075 sf unit is $565,998, per employee is $353,749, and it is $527 per improvement square foot. The corresponding gap per unit for an 850 sf unit is $444,560, per employee $277,850, and $523 per sf. Among the three measures of market-affordability gap (per unit, per employee, and per sf) per square foot of affordable unit has the least variation.

From the 2021 model staff, proposes utilizing the $527 per square foot market affordability gap (per unit gap/unit size) in determining impact fees for affordable housing mitigation.

Model Year 2021

Recommended Fee Calculation Model and Components for San Miguel County		
San Miguel County Fee Calculation Model		**2021**
2/10/2022		
Income Targets		
Area Median Income (AMI) 100% - household size	2	4
Maximum Income	$ 65,200	$ 81,500	Enter data here (HUD)
Affordable Price		
Affordable Monthly Payment (30%)	$ 1,630	$ 2,038
Affordable principal and interest (80% of pmt)	$ 1,304	$ 1,630
HOA dues, property taxes, insurance (20%)	$ 326	$ 408
Assumed Mortgage interest rate	5.0%	5.0%
Maximum mortgage	$ 242,911	$ 303,639
Maximum affordable price - 5% down	$ 255,696	$ 319,620
Market Price		
Market Price per SF of heated floor area	$ 824	$ 824	Enter Market Price per SF here
Assumed Affordable Unit Size	850	1075
Market Price per Unit	$ 700,256	$ 885,618
Market-Affordability Gap/Fee		
per Affordable Unit	$ 444,560	$ 565,998
Per SF of affordable unit (per unit gap/Unit Size)	$ 523	$ 527
Per Employee (per unit gap/1.6 employees per unit)	$ 277,850	$ 353,749

Components of the model are summarized below

Income Targets
Based on FY 2020 HUD Area Median Family Income (AMI) for San Miguel County -100% AMI is $81,500 4 person household
2020 Household persons per occupied unit: San Miguel County - 2.24, Telluride - 2.16, Mountain Village 1.94

Affordable Price
A mortgage interest rate of 5.00% is used for 2020 calculation.
Affordable housing payment = 30% of income
Mortgage principal and interest = 80% of affordable payment
HOA fees, property taxes and insurance = 20% of affordable payment
Mortgage term is 30 years at a fixed rate

Market Sales Price per Square Foot
Area Covered: Sales within the Telluride Region Master Plan Area are used for San Miguel County's fee calculation
Free market sales of units with duplex and multi-family buildings, ad with no housing deed-restrictions or occupancy restrictions
Time Period of Sales: prior three year period 2018, 2019, 2020
Unit Sizes: Avg of Min. and Max SF for 2Br and 3Br units Tell Aff Hsg Guidelines 8/13/2019

Conversion Factors
Factor of 1.6 employees per unit was used. This figure was generated in 2005 Employee Housing Impact Fee Support Study. 1.6 per 2011; 1.56 per 2018 Housing Needs Asses
To convert into per-square foot fee amounts: used Assumed Affordable Unit Size square fee per affordable Unit

From the above 2021 model, staff proposes utilizing 4-person household size with the $527 per square foot market affordability gap (per unit gap/unit size) in determining impact fees for affordable housing mitigation.

The first step in calculating the amount of required mitigation, either employee housing unit square footage to be provided or Impact Fee, is to determine the number of "Employees Generated" by the development.

In 2007 the County adopted affordable housing requirements for single family and duplex residential development based on an employee generation rate formula developed in 2000 by the Residential Job Generation Study for San Miguel County, and in 2005 with the SMC Employee Housing Impact Fee Study. The creation of this formula included data derived from San Miguel County; therefore this generation rate formula is applicable to San Miguel County and provides the generation rate linkage (nexus) to San Miguel County imposing affordable housing mitigation requirements.

Two components comprise the residential development employee job generation rate formula: (1) number of employees generated by a residential dwelling after it has been constructed [Operations and Maintenance]; and (2) permanent construction employees generated.

"Employees Generated" = $0.070174(e)^{(0.000322 \text{ X Proposed Floor Area})}$ + (.0044 X Proposed Floor Area)

The residential construction job Generation Rate table is provided in Appendix D

The amount of required mitigation is calculated using the following formula(s).

The number of square feet per Employee currently is a minimum of 350 square feet per employee.

The required Impact Mitigation Rate percentage currently is 37% per LUC Section 5-1303 G XVI

Floor Area of Employee Housing mitigation requirement = Employees Generated X Provision of square feet of Floor Area per employee generated X Impact Mitigation Rate

Impact Fee = Floor Area of Employee Housing mitigation requirement X per square foot market affordability gap

Table 2 Example of Required Affordable Housing Mitigation

Variables	
Residential Floor Area (Type SF in yellow box)	2,000
Constants	
Maintenance FTE's Coefficient	0.070174
Exponential Coefficient	0.000322
Average Construction FTE's	0.0044
Sq. Ft. Per Employee per LUC	350
Impact Mitigation Rate per LUC	37%
Per SF of affordable unit (per unit gap/Unit Size)	$ 527
Mitigation Calculation	
Employees Generated	**0.353617**
Employee Housing SF to be provided	-
Impact Fee	**$ 24,133.13**

The following scenarios in Figure 2 consists of several Required Mitigation Percentages (37, 50, 75) and the Number of Square Feet per Employee (350 or 400) for comparison purposes. Telluride uses a standard of 400 square feet per employee

When the required Employee Housing Square Feet (SF) to be provided is equal to or less than number of square feet required for affordable housing mitigation by the Land Use Code (currently 350 feet) the payment of impact fees in lieu of mitigation shall apply. If the amount of required Employee Housing SF is greater, then the construction of employee housing unit is required. If an employee housing is required, the square footage of employee housing required is indicated in green in the table below.

Figure 2 - Comparison of Proposed Market-Affordability Gap/Fee per Square Foot Scenarios

		Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
SF Per Employee		350	400	350	400	400
Mitigation %		37%	37%	50%	50%	75%
Impact Fee/SF		527	527	527	527	527
Square Footage	Employees Generated					
500	0.137	$ 9,415	$ 10,760	$ 12,723	$ 14,540	$ 21,811
1000	0.207	$ 14,169	$ 16,193	$ 19,147	$ 21,883	$ 32,824
1500	0.279	$ 19,096	$ 21,824	$ 25,805	$ 29,491	$ 44,237
2000	0.354	$ 24,225	$ 27,685	$ 32,736	$ 37,413	$ 56,119
3000	0.514	$ 35,238	$ 40,272	$ 47,618	$ 54,421	$ 81,631
4000	0.694	$ 47,571	$ 54,367	$ 64,286	$ 73,469	$ 110,204
5000	0.901	$ 61,728	$ 70,546	$ 83,416	$ 95,333	$ 142,999
6000	1.144	$ 78,400	$ 89,600	$ 105,946	$ 121,081	$ 181,621
7000	1.438	$ 98,542	$ 112,620	$ 133,166	$ 152,189	432
8000	1.802	$ 123,474	$ 141,113	$ 166,857	$ 190,694	541
9000	2.263	$ 155,015	$ 177,159	396	453	679
10000	2.856	370	423	500	571	857
11000	3.634	471	538	636	727	1,090
12000	4.664	604	690	816	933	1,399

Affordable Housing Unit SF Required

Figure 3 – Alternate Comparison of Proposed Market-Affordability Gap/Fee per Square Foot Scenarios

		Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
SF Per Employee		350	400	350	400	400
Mitigation %		37%	37%	50%	50%	75%
Impact Fee/SF		527	527	527	527	527
Square Footage	Employees Generated					
500	0.137	$ 9,379	$ 10,719	$ 12,675	$ 14,485	$ 21,728
1000	0.207	$ 14,116	$ 16,132	$ 19,075	$ 21,800	$ 32,700
1500	0.279	$ 19,024	$ 21,741	$ 25,707	$ 29,380	$ 44,070
2000	0.354	$ 24,133	$ 27,581	$ 32,612	$ 37,271	$ 55,907
3000	0.514	$ 35,104	$ 40,119	$ 47,438	$ 54,215	$ 81,323
4000	0.694	$ 47,392	$ 54,162	$ 64,043	$ 73,192	$ 109,787
5000	0.901	$ 61,495	$ 70,280	$ 83,101	$ 94,972	$ 142,459
6000	1.144	$ 78,104	$ 89,261	$ 105,545	$ 120,623	$ 180,935
7000	1.438	$ 98,170	$ 112,194	$ 132,662	$ 151,614	$ 227,421
8000	1.802	$ 123,007	$ 140,580	$ 166,226	$ 189,973	$ 284,959
9000	2.263	$ 154,428	$ 176,490	$ 208,687	$ 238,500	$ 357,749
10000	2.856	$ 194,934	$ 222,782	$ 263,424	$ 301,056	$ 451,585
11000	3.634	$ 247,975	$ 283,400	$ 335,102	$ 382,973	$ 574,460
12000	4.664	$ 318,314	$ 363,788	$ 430,154	$ 491,605	$ 737,407
		NO Affordable Housing Unit SF Required				

Appendices

A. Current Impact Fee Table
B. Proposed Impact Fee template 2021
C. Affordable Unit Size
D. Employee Generation Tables
E. HUD Income Table
F. Implementation & Recommended Changes to the Current Land Use Code
G. R-1 School District Map
H. Telluride Master Plan Region Boundary Map

Appendix A: Current Impact Fee Table

Table 1 - Fees resulting from SFR, Duplex development:

Current formula ={[(.070174e.000322*SF)* (mitigation rate)] + [(sf * .0044) * (mitigation rate for that year)]/40} • per employee subsidy – Credit) = Impact Fee

Square Footage	Employees Generated	Fee	
500	0.137	$ -	
1000	0.207	$ -	
1500	0.279	$ -	* No fee for dwellings < 1800 sf
2000	0.354	$ 3,092	
3000	0.514	$ 4,388	
4000	0.694	$ 5,984	
5000	0.901	$ 7,995	
6000	1.144	$ 10,579	
7000	1.438	$ 13,951	
8000	1.802	$ 18,413	
9000	2.263	$ 24,379	
10000	2.856	$ 32,418	
11000	3.634	$ 43,320	
12000	4.664	$ 58,171	

Appendix B: Impact Fee template 2021

Affordable Housing Mitigation Fee Calculator
Single-family Residence / Duplex / Multi-family Unit

Project Name	
Address/Location	
Property Owner	
Date	

Calculation of residential affordable housing mitigation required

New Construction

Variables		
Residential Floor Area (Type SF in yellow box)		-
Constants		
Maintenance FTE's Coefficient		0.070174
Exponential Coefficient		0.000322
Average Construction FTE's		0.0044
Sq. Ft. Per Employee per LUC		350
Impact Mitigation Rate per LUC		37%
Per SF of affordable unit (per unit gap/Unit Size)	$	527
Mitigation Calculation		
Employees Generated		**0.070174**
Employee Housing SF to be provided		-
Impact Fee	**$**	**-**

Additions

Variables		
EXISTING **Residential Floor Area** (Type SF in yellow box)		-
ADDITIONAL **Residential Floor Area** (Type SF in yellow box)		-
New **Residential Floor Area**		-
Constants		
Maintenance FTE's Coefficient		0.070174
Exponential Coefficient		0.000322
Average Construction FTE's		0.0044
Sq. Ft. Per Employee per LUC		350
Impact Mitigation Rate per LUC		37%
Per SF of affordable unit (per unit gap/900 SF)	$	474
Mitigation Calculation		
Employees Generated		**0.070174**
Impact Fee	**$**	**-**

Appendix C: Affordable Unit Size

Assumed Affordable Unit Size		
Unit Type	Household size	Square Feet
Studio	1	350
1 Br	1	525
2 Br	2	850
3 Br	3	950
3 Br	4	1,075
4 Br	4	1,200

San Miguel County Land Use Code 6 - 24 November 2021

Population Density

A measure of the number of persons that could be accommodated in a development, determined on the following basis:

(1) Hotel or Lodge Unit, Guest Ranch or Bed and Breakfast Bedroom - 1.5 people;
(2) Dwelling Unit with Floor Area less than 900 sq. ft. - 2 people
(3) Dwelling Unit with Floor Area between 900 sq. ft. and 1,500 sq. ft. - 3 people
(4) Dwelling Unit with Floor Area greater than 1,500 sq. ft. - 4 people

5-1303 E. **Size**, Location and Occupancy of Mitigation Units

Deed restricted housing constructed as affordable housing impact mitigation shall provide the following :

minimum square feet	350

Telluride Affordable Housing Guidelines

Household Size - the total number of people in a Household shall not be less than the following Minimum Household Sizes

Unit Type	Min Household size
1 Br/Studio	1 person
2 Br	2 persons
3 Br	3 persons
4 Br	4 persons

Unit Size Standards

Unit Type	Min Sq Ft	Max Sq Ft
1 Br/Studio	450	600
2 Br	750	950
3 Br	950	1,200
4 Br	TBD	TBD

Appendix D: Employee Generation Tables

Residential Employee Job Generation Rate Tables [1]

Square Feet	FTE's Generated (Construction) [1]	FTE's Generated (Maintenance) [2]	FTE's Generated (Total)
1,000	0.11	0.097	0.207
2,000	0.22	0.134	0.354
3,000	0.33	0.184	0.514
4,000	0.44	0.254	0.694
5,000	0.55	0.351	0.901
6,000	0.66	0.484	1.144
7,000	0.77	0.668	1.438
8,000	0.88	0.922	1.802
9,000	0.99	1.273	2.263
10,000	1.10	1.756	2.856
11,000	1.21	2.424	3.634
12,000	1.32	3.344	4.664
13,000	1.43	4.615	6.045
14,000	1.54	6.368	7.908

[1] Table data established by RRC Associates, Inc. and the Housing Collaborative, LLCin the 2000 Residential Job Generation Study provided to San Miguel County.

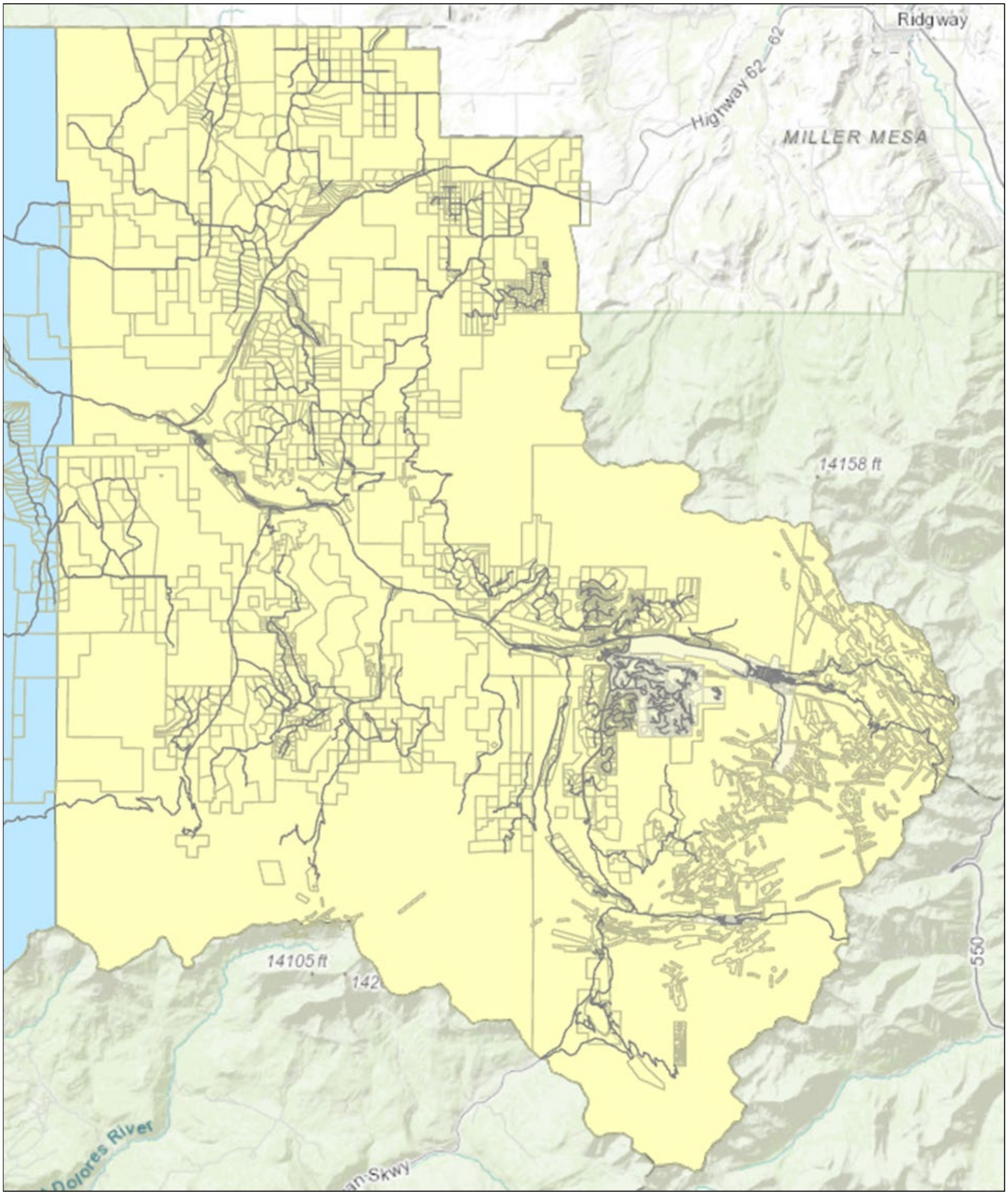
[2] The FTEs generated by construction employment were calculated using the formula Y=.11employees x (square feet/1000)

[3] The FTEs generated by ongoing services and maintenance were calculated using the formula (Y=0.070174e0.000322 X Square Feet)

Appendix E: HUD Income Table

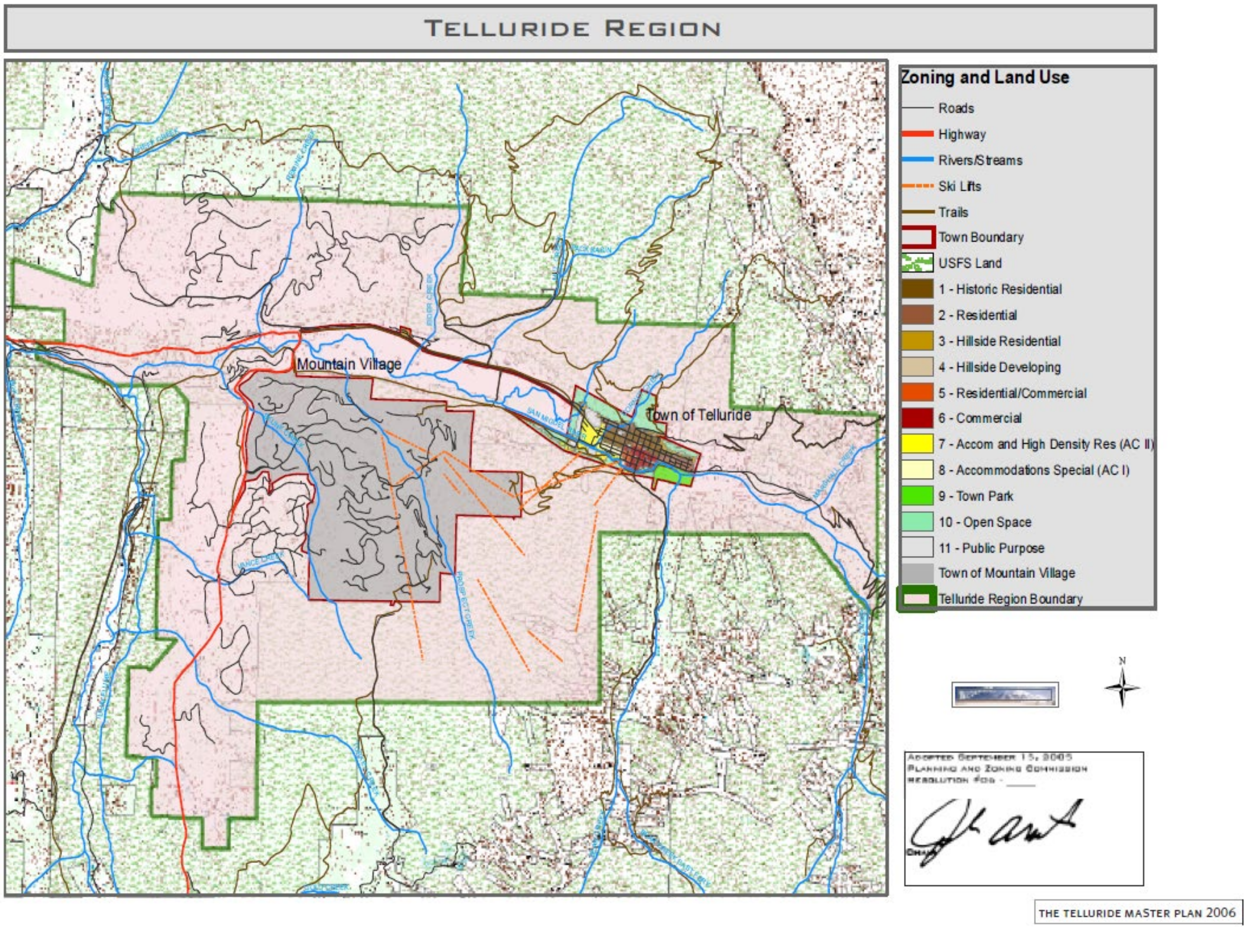
					Obtain information from HUD Annual Income Limits summary				
Model			**Persons in Family**			**Persons in Family**		**Median Family**	
Year	**Area**	**Fiscal Year**	**2**	**4**	**Income Limit**	**2**	**4**	**Income**	
2020	SMC	2018	$ 68,000	$ 84,900	50%	$ 34,000	$ 42,450	$ 77,000	
2021	SMC	2019	$ 68,200	$ 85,200	50%	$ 34,100	$ 42,600	$ 78,800	
2022	SMC	2020	$ 65,200	$ 81,500	50%	$ 32,600	$ 40,750	$ 81,500	
2023	SMC	2021	$ 68,400	$ 85,500	50%	$ 34,200	$ 42,750	$ 87,800	
2024	SMC	2022	$ -	$ -	50%				Enter data here (HUD)
2025	SMC	2023	$ -	$ -	50%				
2026	SMC	2024	$ -	$ -	50%				
2027	SMC	2025	$ -	$ -	50%				
2028	SMC	2026	$ -	$ -	50%				

Appendix F: R-1 School District Map



Appendix G: Telluride Region Map

TELLURIDE REGION MAP



Appendix H: Implementation & Recommended Changes to the Current Land Use Code

The adoption of the fee structure as presented in this report has significant implications for the Affordable Housing section of the current County land use code. A summary of these recommended code revisions follows.

I. *Accessory Dwelling Units:* The residential development fee structure presented is based on the affordable housing mitigation required. A requirement to construct an ADU is included in the basis of this fee structure and it is recommended that it be added to the code.

II. *Deed Restrictions*: Adopt deed restrictions that include minimum occupancy requirements applicable to all accessory dwelling units required to be constructed for affordable housing mitigation.

III. *Commercial Development:* Amend employee housing requirements for non-residential development to allow for the collection of fees up to a certain square foot threshold.

IV. *Updating the Affordable Housing Fee Schedule:* The components of model that need to be updated annually and those processes to do so are identified.

The following sections address the above items in more detail.

I. *Accessory Dwelling Units:*

The development of one accessory dwelling unit per lot or parcels is allowed in the HD, MD and LD Zone Districts, only within the Telluride Region as defined in the Telluride Regional Area Master Plan, subject to compliance with all applicable standards in LUC Section 5-13. Caretaker units are an allowed use within the Forestry, Agriculture, Open (F) zone district subject to meeting all applicable Land Use Code standards.

The construction of accessory dwelling units (ADU), and of caretaker units located within the Telluride Region, should only be allowed, as required for impact mitigation, or if voluntarily designated for affordable housing by the property owner, and if deed restricted as a condition of approval to promote affordable housing. This means that free market ADUs or caretaker units would no longer be permitted within the Telluride Region.

II. Deed Restrictions

Although requiring an on-site ADU for the mitigation of employees to construct a single-family residence in some zone districts would provide housing, the R-1 Deed Restriction is not restrictive enough to ensure that it is affordable and occupied by a qualified employee working in the R-1 School District.

A concern is that while units may be produced on site for mitigation of affordable housing, they may not be rented by qualified employees. They may be used for other purposes or sit vacant. Previously, the development of a single-family homes in some zone districts received County approval to construct an accessory dwelling unit as mitigation of affordable housing. Evidence gathered previously by the San Miguel County Regional Housing Authority suggested that Accessory Dwelling Units even with the R-1

Deed restriction in the unincorporated County were less than 40% occupied. This discovery regarding occupancy was an impetus for the County to discontinue the onsite ADU requirement in 2007, and institute a residential impact fee instead.

Imposing occupancy requirements (e.g. unit is not allowed to remain vacant for more than 90 days and shall be leased for no less than 6 months at a time) would likely raise the occupancy rates, particularly if accompanied with enforcement.

III. Commercial Development: MORE INFORMATION NEEDED

IV. Updating the Affordable Housing Fee Schedule

Maintain the fee model and supporting tables within Appendix E of San Miguel County Land Use Code. Modifications to the fee structure could occur without having to amend the Land Use Code. County Planning staff shall update the Affordable Housing fee using the following method, which shall be calculated annually by April 30 each calendar year.

Update the following components of the San Miguel County Fee Calculation Model annually:

Step 1 - Income Targets –

- Obtain Fiscal Year (FY) Annual Income Limits Summary prepared annually by the US Housing and Urban Development for the San Miguel County, CO area, and utilize to obtain the 100% Income Limits utilized for developing impact fees by San Miguel County.
- Using the Very Low (50%) Income Limits ($) obtain the incomes for 2 and 4 persons in a family. These income limits must be doubled to obtain the 100% county income target.
- Calculate the Maximum Affordable Price.

Step 2 - Market Price per Square Foot of Heated Floor Area –

- Utilize the Telluride Multiple Listing Service (MLS) to find and compile real estate sales that fit the following parameters:
    i. Sales that occurred within the three (3) previous calendar years; and
    ii. Free Market*Dwelling Units; and
    iii. Duplex and multi-family occupancy; and
    iv. Studio, one (1), two (2), and three (3) bedrooms; and
    v. Within Telluride Region as defined in the County Master Plan.

    * Free Market = housing units that are not subject to use or occupancy restrictions, such as deed-restricted housing or time share restrictions.

- Determine the Average annual sales price per square foot (Avg SP/SF). Calculate the Market Price per Unit.

Example: Planning staff compiled sales prices from 2018, 2019 and 2020 in accordance with the criteria outlined above. The (Free) Market Price per SF of heated floor area is $840 per square foot. Using the proposed methodology, the Impact Fee would be $529 per square foot.

M E M O R A N D U M

TO: San Miguel County Board of Commissioners
FROM: Kaye Simonson, AICP, Planning Director
RE: Short-term Rentals
DATE: March 9, 2022

Short term rentals (STRs) within the unincorporated area require issuance of a County Short-term Rental Permit and are subject to the regulations contained in LUC Section 5-30 (attached). The STR regulations were last updated in September of 2020. There are at present 34 current Short-term rental permits issued in the County. According to vendors of software programs that can be used to track short-term rentals, there are about 140 properties in the unincorporated area listed through the various platforms, including AirBnB, VRBO, and others. (There are approximately 2500 STRs in the Towns of Telluride and Mountain Village.) Heather Widlund has prepared a map showing the location of all permitted STRs in the unincorporated County. If directed by the BOCC, that app can be made available to the public through the map viewer, or it can be an internal tool.

Key things to know:

- STRs are only allowed in single-family, duplex and condominium (multi-family) dwellings.
- STRs are not allowed in accessory dwellings or caretaker units. They are also not allowed in campers, tents, or any structure that is not a primary dwelling unit.
- They are not allowed in the Open Space (OS), High Country Area (HCA) or Affordable Housing Planned Unit Development (AHPUD) zone district. *NOTE: The Code should be amended to clarify that STRS are not allowed in any deed-restricted unit, which could be located in other PUDs or the Community Housing (CH) zone district.*
- STRs are limited to occupancy of less than 30 days. Occupancy over 30 days is considered long-term, which is not subject to sales or lodging taxes (State law).
- Many platforms and property managers will collect and remit the required sales tax. However, owners are still required to obtain a State Sales Tax License and are obligated to remit taxes is the platform or manager does not do so. The Planning Department does not know if the unpermitted STRs (or their platforms/property managers) have been collecting and remitting sales tax.
- The STR permit fee is $150, of which $75 goes to Planning Department fee revenue and $75 goes to the Building Department for their inspection. This was increased from a nominal $10 fee in January of 2021.
- The Building Department inspects for surface safety concerns – emergency escape windows in bedrooms, smoke and CO detectors, ingress/egress paths of travel, handrails and guardrails, the presence of fire extinguishers, etc. The inspection does not include a determination of whether the dwelling is fully compliant with all applicable building codes. In researching STR permitting in other counties, we did not find any others that required a safety inspection.

- Permits are valid for 2 years. Re-inspection is not required if the owner submits an affidavit stating they are complying with all safety standards.
- Occupancy is limited to 2 people per bedroom, but no more than 10 people, unless administrative approval is granted and the water and wastewater service is adequate to handle the additional people.
- STRs are rented to a single party only. The renting of individual rooms in a dwelling to various parties is considered a bed and breakfast use, which has different permitting and licensing requirements.
- Guests must be provided the name and phone number of the 24-hour local contact.
- If known to the Assessor to be a short term rental, the Assessor does tax personal property. There has not been any interdepartmental coordination to compare properties.

<u>Discussion points</u>:

- In addition to clarifying where STRs are allowed (additional zone districts, not deed-restricted), are there other changes to the regulations that are necessary?
- Is there a desire to undertake an enforcement process to get all STRs in the unincorporated area properly permitted? If so, this will most likely require contracting with a vendor who has access to the various platforms. Our current fees are not adequate to fund a contract.
- What should the building inspection include? What should it exclude?
- Is the existing fee adequate, or should it be increased? Should the 2-year permit period be changed?
- Do we want to limit the number of STR permits in a certain area? For example, the Norwood community has expressed an interest in limiting the number on Wright's Mesa.
- Should the map be on the public map page or just for internal use?
- Should the County require business registration in order to potentially capture and permit more STRs?
- Anything else?

5-30: SHORT-TERM RENTAL

5-3001 General

This section shall govern the use and occupancy of a Single-family Residence, Condominium Unit or Duplex Unit by a third party for compensation for less than thirty (30) consecutive days. Accessory Dwelling Units and/or Caretaker Units and County R-1 Housing Deed-Restricted Units are not eligible for Short-Term Rental. The rental of accessory structures, recreational vehicles, camping spaces, and other spaces not located in primary dwelling unit is not allowed as a Short-Term Rental. A permit for a Short-Term Rental is not required in the West End (WE) Zone District; however, all applicable taxes shall be collected and remitted as set forth in Section 5-3001 A. Short-Term Rentals are prohibited in the Open Space (OS) Zone District, the High Country Area (HCA) Zone District, and the Affordable Housing Planned Unit Development (AHPUD) Zone District.

5-3001 A. Purpose

The purpose of this Section is to promote public health, safety and general welfare by establishing standards for rental of a Primary Residence for less than thirty (30) consecutive days. These regulations are also intended to ensure that individuals or entities that Short-Term Rent a residence in the unincorporated areas of San Miguel County are collecting and remitting the requisite State and County Sales Tax and County Lodging Tax. (C.R.S. 39-26-102 (11), (C.R.S. 39-26-104 (1) (f)) Any individual or entity advertising a residential unit for Short-Term Rental in any media including the Internet or who has hired a property manager to handle the Short-Term Renting of a residence is required to comply with the standards in Section 5-3001 and obtain a County Short-Term Rental Permit.

5-3001 B. Standards

I. County Permit. The owner(s) must complete the application for and obtain a Short-Term Rental Permit approval from the County. An approved Permit is valid for a two-year period and must be renewed every two years.

II. Registering with the Colorado Department of Revenue (CDOR). Short-Term Rental of a residential unit requires the property owner to file with the CDOR and provide the County Planning Department with a copy of their State Sales Tax License. Taxes may be collected and remitted by property managers or on-line rental platforms that book short term rentals on the owner's behalf. The use of a property management company or on-line rental platform does not relieve the property owner of the responsibility to register with CDOR and to collect and remit taxes.

III. The County Short-Term Rental Permit number must appear in a conspicuous place on all Short-Term Rental advertising materials.

IV. The Short-Term Rental shall only be rented to a single party. If renting rooms instead of the entire dwelling unit, individual guest rooms shall not be rented out to multiple parties.

V. If the Short-Term Rental is not served by a municipal or community sewer system the Dwelling must have an onsite wastewater system recognized and approved by the County Environmental Health Department according to their applicable regulations. Existing systems do not need to be repaired or replaced unless required by the County Environmental Health Department.

VI. If the Short-Term Rental is not served by a municipal or community water system, the Dwelling must have a domestic well permitted by the Colorado Division of Water Resources that provides sufficient quantity and quality of potable water.

VII. Occupancy is limited to two (2) persons per bedroom or sleeping room unless the unit is on central sewer or additional occupancy has been incorporated into the capacity of the onsite wastewater treatment system (OWTS). In this case, the occupancy shall be limited to the number of people for which a County approved OWTS has been designed but in no case shall the occupancy exceed ten (10) people. Additional persons may be authorized through a specific Administrative Review process where it is determined that the OWTS as designed and built is adequate for the proposed use.

VIII. The rental residence will be inspected by the Building Department for surface type safety concerns such as emergency escape windows in bedrooms, smoke and CO detectors, and ingress/egress paths of travel for a fee determined by the current Building Code as adopted by the Board of County Commissioners on the initiation of an application for a Short-Term Rental Permit. Subsequent renewals at two (2) year intervals will only require an affidavit signed by the applicant that the unit complies with all safety standards as listed in this Section.

IX. Dwellings shall be equipped with operable smoke alarms and carbon monoxide alarms pursuant to State Statute (HB 091091) and the County's current adopted building code. Dwellings must contain an operable fire extinguisher in proximity to the kitchen.

X. Parking Requirement: One (1) space per bedroom located on the subject property.

XI. Dwellings shall have adequate trash containers sufficient to serve the guests. All trash containers must be in a bear proof enclosed structure such as a garage, barn, shed or a container designed to be bear-proof per LUC Section 5-407 A.X.

XII. The property owner/manager shall provide each rental guest with a copy of "Being a Good Neighbor" and shall provide the County and the guest with the name, address and contact information, including a 24-hour contact telephone number of a current local contact person.

XIII. The property owner shall notify each adjacent property owner in writing of the name and contact information for the 24-hour local contact and shall do the same notification when local contact information changes.

XIV. It is the property owner's responsibility to determine whether there are private declarations and covenants within their subdivision that prohibits or further restricts the Short-Term Rental of residences.

XV. The County Permit authorizes Short-Term Rental of a Primary Residence but the County is not responsible for the Short-Term Rental. Any concerns a renter has should be addressed to the local contact person or property owner.

5-3001 C. Revocation of County Permit

Any short term rental permit that the county issues pursuant to LUC Section 5-3001 B. shall constitute a Development Permit for purposes of LUC Section 1-301 and shall be subject to revocation in accordance with LUC Section 3-101 for a permittee's failure to comply with any of the terms and/or conditions of the permit's approval, as well as any applicable LUC provisions, including, but not limited to LUC Section 5-3001 B. Standards.