STRATEGIES for DEVELOPING AFFORDABLE HOUSING in AMENITY TOWNS

by

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ABSTRACT

Amenity towns are a unique subset of American communities that combine an attractive blend of characteristics: beautiful natural settings, significant recreational amenities, a small town atmosphere and a grass-roots activism for preserving the community's quality of life. Faced with enormous growth pressures due to changing national demographics and income distribution, amenity towns are experiencing rapidly rising housing costs. These increases in residential property prices and monthly rents are forcing the community's moderate to middle income employees to move out of the town to locations where housing is more affordable. While the causes and reactions to housing shortages in amenity towns are similar to those in metropolitan areas, the potential impacts are more severe. In the long run, the monies an amenity town might save by avoiding direct involvement in developing housing solutions will be lost many times over through an erosion of the community's economic vitality, environmental character and quality of life.

Solutions require that amenity towns overcome a series of obstacles that include community resistance to change and continued growth. These qualitative impediments, coupled with the obstacles created by land price economics and limited access to the capital markets, are not unique to amenity towns. What is unique are the resources and strategies available to amenity towns to solve their own problems. The community's evolution from an employer-based 'company town' to a full fledged community creates the foundation for a partnership made up of the town's major employers, an active public sector or community, and an entrepreneurial developer. The resulting trio of public (government or community), user (employer) and entrepreneur (developer) are what separate amenity towns from all other communities in their ability to develop and implement innovative solutions to their problem of affordable housing.

Thesis Advisor: Langley C. Keyes
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ONE: BACKGROUND

INTRODUCTION

The problem of affordable housing remains as it has for decades, a critical issue in many parts of the nation. While historically the search for solutions has examined a broad range of factors, the locational focus has been primarily metropolitan areas. While this thesis continues the discussion of solutions, it shifts the investigation to one subset of American communities: amenity towns.

The need for affordable housing in many amenity towns is increasingly acute. While the root causes of the problem are often the same factors that foster shortages in metropolitan areas, the potential impacts of not providing affordable housing in amenity towns are more severe. The monies that a community might save by delaying housing solutions will be lost many times over by an erosion of the community's economic vitality, environmental character and quality of life.

This impending doom is balanced by an equally bright opportunity for innovative solutions that take advantage of amenity towns' unique blend of community ideology and dominant local employers. These important characteristics facilitate the partnering of two significant actors: the public sector and one or more local employers. A third actor, the entrepreneur, completes a triad that can be used to create solutions whose results are greater than the proverbial *'sum of their parts'*. While these three parties may change levels of leadership from project to project, their overall success is directly attributable to the way the partnership interacts in the amenity town setting, and how they apply their collective resources to the goal of affordable housing.

The following thesis proposes a strategic framework of players, issues and resources that can be used to develop affordable housing in amenity towns. Creating this framework starts with a definition of the main characteristics of amenity towns and why affordable housing is a critical issue to their long term viability. Impediments to solving the affordable housing issue are discussed along with the collective resources that amenity towns can use to overcome these obstacles. Finally, three project-based case studies substantiate the proposed framework by offering examples of how successful affordable housing projects have been developed in amenity towns.

A STRATEGIC FRAMEWORK FOR SOLUTIONS

The basis of the proposed strategic framework are the previously described 'actors'. While many communities other than amenity towns may have progressive public leadership, only amenity towns can couple this asset with the presence of a dominant user: the town's major employers or a community institution. The basic need of the user is to find qualified employees in a locale where the population is small and housing options are scarce. This paradox creates a survival situation where both the community and its businesses rely on a successful collaboration of public and user to create affordable housing. The third member of the partnership, the entrepreneur, can be played by either the community or the employer or can be a third party that brings expertise and knowledge to the problem in return for potential gain that can be had by leveraging the resources of the other two partners Consequently, the proposed 'Strategic Framework for Affordable Housing in Amenity Towns' starts by articulating the potential roles and motivations of these three players. This initial construct is shown in Figure 1:

Figure 1: Strategic Framework for Affordable Housing in Amenity Towns: MAJOR ACTORS

Actor	Role	Benefit
Public Community-at-Large Public Agency	Facilitation Political Leadership Financial Support	Long-Term Community Health
User Major Employers Institutions	Commitment to Need, Financial Support	Access to Qualified Employee Base
Entrepreneur Private or Public, Inside or Outside Community	Leadership Deal Structure Implementation Skill	Return-on-Investment Development Fee

To expand upon this framework, the key attributes of amenity towns needs to be explained to establish the foundation of how this partnership's roles and resources can be leveraged to create solution.

DEFINING AMENITY TOWNS

Amenity towns are defined as *"places that emphasize scenery, recreational potential, quaintness, historical significance, and rural settlement. Amenity towns attract retirees, recreationalists and others who value these intangible qualities of life. The emergence of amenity environments is a by-product of the increased affluence and leisure and the expanded scale of the post industrial society".*[1]

A lay person might simply describe amenity towns as those few small towns that people love to visit or dream about living in.

[1] Patricia Gober, Kevin McHugh and Denis Leclerc, "Job Rich but Housing Poor: The Dilemma of a Western Amenity Town," *Professional Geographer* (February,1993), p. 13. Based largely on P. M. Coppack's 1985 and 1988 articles in East Lakes Geographer and Geografiska Annaler.

While there are number of defining characteristics for amenity towns, they can generally be clustered into four main categories:

- Character
- Economy
- Leadership
- Demographics

Character

The attraction to amenity towns is created by their combination of exceptional natural settings and the lifestyle they portray. The presence of physical amenities such as ski resorts, waterfronts (lakes and oceans), large open space preserves (state and national parks), favorable climates and heritage attractions provide an initial physical draw. The small town character of most amenity towns creates a psychological draw. The outward appearance of a simpler lifestyle which implies grass roots decision making, a more engaged local community, the feeling of lower crime and the perception of a healthier lifestyle all lead to continued growth of these communities over long periods of time. The lifestyle qualities of amenity towns attracts more progressive talent at the managerial and public official level, setting the stage for cooperative and innovative use of the development partnerships to solve the issue of affordability. Additionally, the community character attracts innovative development talent that are seeking opportunities to work in a great setting or be a part of a project that is welcomed by the community.

Economy

For amenity towns that are resort initiated or dominated, a *'company town'* feeling characterizes the initial years. The investment and operating decisions of ski area operators in Aspen and Vail, Colorado or destination operations in Banff, Canada have a profound impact on the growth and fortunes of the towns in which they are located. The tourism that results from these amenities create the community's base of recreation, entertainment and hotel/motel employment.[2] The clout of major employers and the relatively high number of moderate income jobs that accompany a tourism based economy also means that affordable housing is critical if these companies are going to have an accessible work force. As such, the towns major employers have both the need and resources necessary to move housing solutions forward.

The drawing power of amenity towns also makes real estate another significant component of the local economy. *"In most cases, the prime economic base of amenity towns is real estate sales and investment, no matter what the town's prime attraction is".*[3] Ownership of real estate is greater by non-residents than residents[4] and residential real estate demonstrates a high percentage of seasonal use, representing 30% or more of the overall housing stock. This fact exacerbates the affordable housing problem as more and more units are built, but are fewer and fewer provide permanent housing. In many amenity towns where the number of units permitted each year is limited, unless some proportion of affordable housing is made mandatory, only those units that can afford the cost of land and approvals will get approved, making affordable housing all the more difficult to construct.

Leadership

As amenity towns mature, the power base of the community shifts from the dominant local employer to the expanding property owner base. Ultimately, protection of property values becomes paramount for owners who form the new leadership.[5] Conflicts can arise as the interests of the local citizens may not be shared by absentee landowners whose majority can

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2 Based on conversations with Calvin Beale, U.S Department of Agriculture demographer. Based on current research Beale classifies communities with 2/3 of one standard deviation of total community income derived from recreation, hotel/ motel and service as recreational communities.

3 International City Managers Association "Managing Resort Communities," *Management Information Service Report* (July 1985), p.2. This is predominant economic factor is evidenced by an abnormally high ratio of real estate sales personnel to local residents, ranging from 1 sales person for every 30 residents in mature communities, compared to metropolitan averages of 1 per 250 residents.

4 Ibid., p. 1

5 Ibid., p. 1

shift the public agenda on spending and development policies. These differences in landowner priorities are exacerbated by the large contingency of educated, wealthy and sophisticated in-migrants that amenity towns attract. This constituency creates an active political environment of *"politics as entertainment"*.[6] However, this constituency also means local public discourse is visible and active, especially when discussing affordable housing projects that invariably will impact the town's quality of life.

Because of strong local ideologies, amenity town governments or quasi-public agencies often receive public mandates for some form of 'community engineering': managing growth, preserving vast acreage of public open space, developing alternative transportation systems, creating community-wide day care programs or initiating, building and managing affordable housing. The public sector's commitment to preserving the larger community's quality of life often leads to the formation of non-traditional cooperative or regional agencies who may be better equipped to manage local resources.[7]

The fact that employer dominated town decision making eventually will give way to publicly based decision making, does not mean that one entity will reduce their role in the process of developing affordable housing solutions. As local residents become more involved in the community decision making process, employers can shift their role from one of leadership to one of support.

Demographics

The demographics of amenity towns provide a magnified snapshot of changing demographics at the national level. Trends such as increasing median ages, migration of retirees, second home purchases by baby boomer entering their highest years of earning

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6 Myles C. Rademan

7 Ibid. These organizations are often orchestrated through Inter Agency Memorandums of Agreement and Memorandums of Understanding.

potential and even the impact of technology to link employees with distant employers all evidence themselves in a more pronounced manner in amenity towns.[8]

Populations of amenity towns are small, ranging from 1,500 to 30,000 permanent residents. Due to wide variations created by seasonal tourism, during certain times of the year visitors will outnumber full-time residents.[9] However, it is the permanent resident population that is the focus of the affordable housing need. As the basis of the community's economic and leadership base, an exodus of permanent residents from amenity towns creates a number of economic and social repercussions. This constituency bears the brunt of a lack of affordable housing, and will ultimately issue a mandate to community leaders to resolve the issue either through direct development or facilitation of a process that gets others to create affordable housing.

AFFORDABLE HOUSING IN AMENITY TOWNS

Over the years, rules of thumb have been developed to measure housing affordability. Simple guidelines, such as the purchase price of a home should not exceed 2 1/2 times one's gross income or the monthly payment for shelter should not exceed 1/3 of gross income, have given way to more quantitative standards based on an area's collective median income. Categories developed by HUD[10] and based on local income levels are now used in formulas to determine federal and state assistance programs.

[8] For a larger discussion of these trends and their implications see Appendix B: Trends Impacting Amenity Towns.

[9] International City Managers Association "Managing Resort Communities," *Management Information Service Report* (July 1985), p.1.

[10] U.S. Department of Housing and Urban Development

These categories are:

Table 1: Income Categories as a Percentage of Median Income

Very Low Income	50% of Area Median Income
Low Income	80% of Area Median Income
Moderate Income	95% of Area Median Income
Middle Income	115% of Area Median Income

Current affordable housing incentives at the national level are directed at very low and low income residents who live predominantly in metropolitan or remote rural areas. Conversely, the relatively high incomes of residents in amenity towns place them in moderate to middle income brackets, limiting their access to traditional affordable housing programs. Although some service wage employees in amenity towns fall within low income categories, in reality the affordability problem is not about families at poverty levels, but rather about permanent employees earning $30,000 to $60,000 per year (often from two jobs). While this income range seems luxurious by most standards, it still does not provide access to the median rents and property prices of amenity towns which are driven up by out-of-town buyers with even higher incomes. Consequently, affordable housing in amenity towns is focused on providing close to work accommodations for local employees at a price they can afford.

In metropolitan areas, employees unable to find housing they can afford, move to residential locations where rents are lower. This usually means moving further from away one's place of employment which in turn increases their commute to work. An economist would characterize this trade-off as the principle of substitution: trading a lower cost of shelter for increased commuting costs (both time and transportation). In some amenity towns, substitution *is* a viable alternative to constructing affordable housing. New England amenity towns do not face significant affordability problems due to the regional settlement pattern of small clustered villages in close proximity to one another. These neighboring villages provide a viable way to house employees affordably without the burden of long commutes.

Amenity towns located in the west however, represent a combination of policy constraints (green belts and growth controls), cultural land patterns (large ownership by federal and state agencies mandated to preserve resources), or physical constraints (topography or bodies of water), that preclude substituting reasonable commuting distances for a reduced rent profile. In these situations, communities have two options:

- Develop and fund programs that provide affordable housing within their developable boundaries.

- Ignore the issue, which in turn forces employees to commute long distances to areas where housing is cheaper.

The second solution, (which avoids the direct community cost for developing affordable housing), generates a series of indirect costs that may be much higher. These cost include the following three major categories:

Commuting Impacts

By trading commuting for affordable housing, impacts such as air quality degradation result from a combination of increased traffic and the unique local terrain that often accompanies amenity towns.[11] The resulting decline in environmental quality leads back to direct community costs through a reduction of tourism (due to declining quality of

[11] In many western amenity towns local geomorphologic conditions foster termperature inversions and stagnant air pockets. Other unique conditions include heavy winter traffic that expands the problem by increasing airborne particulates from heavily sanded roads.

experience), loss of public funding for new improvements until such time as air quality levels can be improved[12], or punitive measures such as 'congestion pricing'.[13]

Once commuters have arrived in town, they create parking impacts requiring conversion of public open space or developable areas to parking lots and transit centers. Often built with revenue bonds, parking structures such as Aspen's Rio Grande Parking Garage or Vail's Transportation Center require public subsidies in the form of design and construction support, operating subsidies or credit enhancements for the bond issues.

Mass transit, which reduces the impacts of individual commuting, creates new costs to both the public and private sector in the form of transit subsidies. The Roaring Fork Transit Authority (RFTA), a regional transit authority transporting tourists and workers between Aspen and Snowmass, as well as down valley to Basalt and Carbondale, is funded through a 1% sales tax and has an annual operating budget of $6,000,000. Of RFTA's 1993 ridership, 1,000,000 trips were made by commuters traveling two ways into surrounding amenity towns. After deducting fare revenue from RFTA's approximate $2.90 per rider trip cost, the annual community subsidy amounts to $1,825,000.[14]

Employee Costs

An under supply of affordable in-town housing translates into higher operating and employee costs for major employers (resorts operators, lodging facilities and public agencies), who must provide housing allowances, master leases or employer constructed and managed units. For Vail Associates, the operator and real estate development entity

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[12] William Eager. Refers to a recent state of Colorado mandate to limit of incoming traffic to 25,000 vehicle trips per day or the lose CDOH roadway improvement funds.

[13] Congestion pricing uses access fees as a disincentive for automobiles entering into communities where limited vehicular capacity creates transportation problems. Alternative transportation modes are offered for individuals who do not want to pay the fee. Congestion prices are set at that point of elasticity where demand equals the community's vehicular capacity.

[14] Dan Blankenship.

behind Vail Ski Resort translates this cost to approximately $750,000 annually or about 5% of their total payroll cost.[15]

Indirect employee costs include higher staff turnover, which reduces efficiency or increases training costs. This cost, which is much higher than businesses in other communities, erodes a firm's economic viability or increases their operating costs, which in turns leads to higher retail prices and furthers the upward spiral of amenity town costs of living. This argument includes not only resort and retail staff, but also public sector employees who grow in number as the town evolves into a community.

Other hidden costs include reduced employee reliability or increased absenteeism created when staff must commute in treacherous weather over difficult terrain. One major storm can delay or prevent employees from coming to work, creating under staffing and service problems. This dilemma is currently being faced by Snowbird, a master planned resort/ amenity town that is less than 20 minutes driving time from Salt Lake City, Utah. The proximity of a metropolitan area with plenty of affordable housing alternatives is still not sufficient for Snowbird's operators who lose a large percentage of their operating staff when a major storm closes access to the resort form Salt Lake City. A chronic shortage of staff for this reason has led the resort's operators to seek affordable housing solutions adjacent to the resort base area.[16]

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[15] Gerald Flynn. Vail Associates supports over 800 affordable housing units for 4800 employees during peak times. VA's support includes master leases of available market rate units, providing credit enhancments for new apartment complexes that will increase available supply, and owning/ managing 150 units on their own. These subsidy includes staffing, foregone rent on master leased units in the off season and capitalization ofunits owned by VA.

[16] Jamie Fitzpatrick.

Another indirect cost is the quality and depth of the labor force itself. RRC,[17] in a number of amenity town housing needs assessments, has found that many private sector jobs go unfilled on an annual basis because prospective employees are priced out of the market or unwilling to accept the substandard living conditions required to make rent affordable. For the last four years, Vail Associates has experienced successively longer periods of time to fill available jobs. In the 1993-1994 ski season, positions were not filled until late January, three months after their season began.[18] More than an inconvenience, an understaffed operation opens the door to costly litigation when an accident happens due to a resort being understaffed and unable to properly protect their clientele.[19]

In addition, disgruntled service employees, whose disposition is a product of poor living environments, threaten the long term tourism base of the community. According to Jeff Bowen, "*employees who have lousy living conditions eventually transmit that to guests, who have a less than satisfactory experience and either end up spending less money or are less interested in returning. For any resort, this is the kiss of death: the guest is the source of every paycheck*"[20]

Social Costs

The social costs associated with affordable housing are less easily quantified, but equally compelling. In towns where long commutes for local employees require two hours of travel time per day, social costs become evident in the form of family and child abuse, the cost a battered women's programs and the need for publicly supported day care.[21]

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[17] Rosell, Ramen, and Cares a Boulder Colorado consulting firm that has done extensive research in many mountain resort communities.
[18] Gerald Flynn.
[19] David White.
[20] Jeff Bowen, "Resort Employee Housing-A Case Study," *The Real Estate Finance Journal* (Winter 1992), p 69.
[21] Kay Clarke-Philip

From a tourism perspective, the diversity of residents fostered by balancing market rate and affordable housing contributes to an amenity town's ambiance, an important quality in attracting and retaining tourists and new residents.[22] This ambiance is created by the uniqueness of the town's locally owned and run businesses, the 'real' quality of town's residents, and the active community and civic infrastructure that support everything from the local PTA to annual festivals developed to round out an amenity town's seasonal cycle.

On the other hand, displacing local employees who are also residents eventually erodes the character, as well as functionality of the town itself. Volunteer organizations and boards can not fill positions[23], and locally owned businesses close due to the lack of trade or need for day-to-day goods and services. These businesses are then replaced by ubiquitous national chains and expensive boutiques resulting in a predictable 'stage set' resort character resembling other trendy areas who sell the same goods and cater to the same weekend clientele. While this may be viewed as a successful evolution to economic prosperity, planners who understand evolving tourism trends know vacation destinations that offer a sense of community and authenticity are as important to an amenity town's success as its amenity and lodging components.[24]

CHAPTER ONE SUMMARY

The issue of affordable housing in amenity towns is really an issue of trade-offs. While some communities may resist the direct cost of affordable housing subsidies, the indirect costs of not providing solutions are much higher. The impacts of commuting and trying to conduct business without an accessible base of employees will ultimately result in a reduction of the community's quality of life and a loss of its resident diversity. In the end, an amenity town that loses the diversity of its population, risks losing its 'sense of place'.

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[22] Myles Rademan, John Cottle.
[23] David White, Tom Baker.
[24] Myles Rademan, John Cottle.

Without this intangible characteristic, the town will decrease its drawing power to tourists and new residents, who in turn will seek alternative locations where the town is more 'real' or the vacation experience more unique. For amenity towns, a loss of tourists or new residents is analogous to exhausting the of natural resources or the closing the factory in a company town. As the local industry fades, so will the town's fortunes and finally its quality of life.

TWO: ISSUES AND IMPEDIMENTS

INTRODUCTION

Grass roots activism, dominant employers and the needs of a tourism based economy provides the opportunity to find innovative solutions to the problem of affordable housing in amenity towns. However, accompanying these opportunities are an equally difficult set of impediments that arise as the development team moves toward realizing their final solution. These include simple issues, such as operations and management responsibilities to the more critical hurdles of increased construction and land costs. Community opposition builds around issues of growth management and open space conservation while highly charged debate ensues when discussing an individual's right to live a chosen lifestyle at someone else's expense.

Consequently, in developing affordable housing projects in amenity towns, each one of the partnership's three players (public, user and entrepreneur), must stay flexible and prepared to address a host of impediments with creativity and steadfast commitment to making the solution happen. The issues facing the development partnership can be clustered into five categories that add to the emerging strategic framework of players, issues and resources.

Figure 2: Strategic Framework for Affordable Housing in Amenity Towns: ACTORS and ISSUES

PLAYERS	**Community Context**	**Local Attitudes**	*ISSUES* **Development Costs**	**Project Financing**	**Continued Affordability**
Public **User** **Entrepreneur**			*RESOURCES*		

Community Context

The community context reflects the town's recognition for affordable housing's role in assuring a sustained quality of life. Without community wide acknowledgment of the significant role affordable housing plays in the community's long term prosperity, successful projects can rarely occur. Issues that arise from the lack of a community context include implementing an affordable housing program so late in the affordablility cycle that new supply can never catch up with annually increasing demand, or seeing affordable housing as simply a bricks and mortar solution to seasonal employee housing needs. Lastly, a lack of community context will limit the sphere of opportunities and constraints to just political boundaries and not demonstrate an appreciation for how the entire region is adversely impacted.

Local Attitudes

Proposals for affordable housing often stir significant opposition at both the community and site specific level. The tenor and breadth of this opposition is a function of the community's understanding of the issues and the strength of the town's leadership.

Amenity town residents often see affordable housing as adding fuel to their real problem of unwanted growth. As the argument goes, building affordable housing allows more people to move to town, increasing the local employment base and hence the need for more housing. The argument continues that if people cannot find affordable housing they will move on and the existing population can live in solitude. While this may be true for a limited number of cases, in many communities growth is driven by employment, not housing supply.[25] Due to the factors outlined in Appendix A, continued economic and job growth is imminent for many amenity towns. Therefore, communicating the factors of

[25] RRC Associates, *San Miguel County Housing Needs Assessment* (Self Published Report, May 1993) p. 30.

growth and acknowledging its importance to the community is fundamental to resolving this issue.

No-growth/slow-growth sentiments also make affordable housing proposals more vulnerable to public opposition due to their high visibility and need for public support. In the view of one consultant, *"many communities are threatened by growth, but frustrated by their inability to stop 'trophy developers' who have the savvy, deep pockets and legal counsel to roll past community concerns. However, affordable projects, which are developed by small niche developers or local authorities, can be more readily attacked and end up more vulnerable to public pressure and opposition."*[26] The small returns of affordable housing project's when compared with '*trophy projects*', become even smaller when one considers the cost of aggravation and time delays created by opposition. This low return/high risk potential precludes many experienced developers (who could provide innovative solutions), from ever considering this project type and also assures that some potentially good solutions will never get off the ground.

A final growth related impediment stems from those opponents who see the construction of affordable housing as detrimental to community open space. Due to physical and cultural limitations, the amount of developable land area in amenity towns is usually limited. This creates two opposing forces in maturing communities. First, land values rise sharply in response to high demand and limited supply. Secondly, private development occurs on these remaining parcels because land costs that are too high for local communities to acquire them for permanent open space. Consequently, what little land remains in the public domain becomes the only place where affordable housing can be constructed cost effectively, leaving communities with a choice: affordable housing or open space.

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[26] Melanie Rees.

Another area of opposition is the notion that affordable housing projects create an unusually large share of local impacts (due to density, family orientation, multiple jobs requiring day care, etc.), without paying their fair share of taxes. This is even more pronounced in amenity towns where residents on fixed incomes (high retiree populations) resist tax increases. Many residents believe that a community with a high proportion of seasonal homeowners (who hold expensive real estate and pay substantial taxes), do not require near the level of public investment and support that an equal proportion of affordable housing would require. However, when one considers the indirect costs of not providing affordable housing, the argument favoring seasonal housing is more difficult to argue.

Finally, amenity towns, especially those in the western U. S., represent the revitalization of a community whose economic fortunes have been subjected to the ebb and flow of national and regional economies. This cyclical pattern results in widely fluctuating real estate values over time, creating a varying need for affordable housing. Therefore, many opponents voice concern over the real long term need and advisability of investing public monies in affordable housing. When local economies are booming, affordable housing projects will demonstrate great demand, but when the economy turns down, subsidized projects may not have the flexibility to compete with market rate housing that can quickly reduce rates or adjust lease terms.

Development Costs

Affordable housing can be created in two ways. One way is to subsidize the operating cost and debt service requirements to help lower rents. Another method is to reduce the project's initial cost structure so that capitalized costs which drive rents can be lowered. The latter approach, which avoids the long-term need for annual subsidies that may be reduced or eliminated over time, is a preferred solution. But reducing a project's cost structure requires that the areas of greatest initial cost be identified and ongoing development costs be tightly controlled. The areas of cost that collectively make up the 'sticker price' of new home or the capitalized costs which determine rent, can be divided into four categories:[27]

- Labor and Materials
- Profit and Overhead
- Financing and Marketing Costs
- Finished Lot Costs

In comparing component costs of housing in 1949 vs. 1985 (on a nationwide basis), the National Association of Home Builders found that the cost of labor and materials have actually declined, while overhead and profit, finished lot costs and financing have all increased. In amenity towns, declining labor and material costs have not been as broadly felt due to labor shortages, the cost of short-term housing for tradesmen[28], and the need to import materials from distant suppliers.

The difficult political climate, seasonal volatility and sensitivity of local businesses to national economic changes also leads developers to require higher returns for the higher risks associated with developing in amenity towns. These higher margins may be offset by lower marketing and sales costs reduced from traditional developments because pent-up demand for affordable projects allows rapid lease-up or sales.

Finally, national increases in finished lots costs are even more pronounced in amenity towns due to high raw land costs and the cost to secure approvals (a function of time and fees). In communities where the approval process has been designed to protect fragile environments and maintain local aesthetics, the cost to obtain the right to develop a piece of land is extremely high. Consequently, fewer lots are approved, but at greater cost and in

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[27] ----------, "Where Will Our Children Live?" *Builder* (July 1989) p. S7.

[28] Clark Atkinson. The severity of this problem wass demonstrated during construction of Lake Creek Village, an affordable apartment complex near Vail, Colorado. Subcontractor bids allocated over 10% of their total price to subsistence or the cost of shelter for their employees.

the end what few lots are available become subject to pricing strategies that take advantage of second home buyer income differentials. This dynamic is evidenced in some Hawaiian amenity towns where new home prices reflect finished lot costs equal to 60% to 70% of the total home price[29] compared with a more traditional value of 25% to 30%.

Project Financing

Financing affordable housing projects in amenity towns presents another set of constraints. Large scale rental projects will have difficulty finding equity investors who are willing to take the limited returns of an affordable project without the benefit of long-term upside or income tax credits. However, the relatively high incomes of employees in amenity towns precludes the use of successful national programs such as Low Income Housing Tax Credits (LIHTC). Debt financing through the issuance of municipal or tax-exempt bonds is limited by the number of institutional investors who understand the unique market conditions of amenity towns and will purchase bonds without requiring significant credit enhancements.

Ownership or for sale projects have difficulty finding construction and permanent financing. New projects being developed on land zoned only for affordable housing, may have trouble securing construction financing especially if no local comparables are available with which to appraise and assign a collateral value for the land. Permanent financing for deed-restricted properties creates another hurdle, due to secondary market limitations on mortgages for deed restricted properties. Equally important in the permanent financing structure is the need for housing authorities to be able to acquire foreclosed properties assuring units do not fall out of the affordable pool.

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[29] Jim Mosely.

Finally, financing issues surrounding seasonal employee credit-worthiness creates operational costs and further lending limitations. Some amenity town employees requiring affordable housing are commonly college students and young people starting their careers with little credit history or fragmented current income. This background may reduce underlying lease values and complicate financing or operational cash flow issues. These higher risks and lower values lead lenders to require higher debt service coverage ratios and larger operating reserves, which in turn increases both initial capitalization and ongoing operating costs.

Continued Affordability

If a community has created the proper context for a successful project and the development team has resolved issues of development costs and project financing, *how* units stay affordable over the long term becomes the last step. Equally important is how new tenants are selected and by whom, so that the process is fair and defensible, but not management intensive. Lastly, how ownership units are priced at resale is critical to balancing current owner needs to protect equity over time with future owners ability to purchase a unit at fair price.

CHAPTER TWO SUMMARY

Impediments to effective affordable housing solutions cover a broad spectrum of issues from the subjectivity of the local community's attitude to the hard realities of capital formation in the 1990's. The ability of the three player partnership to bring different resources to bear on project impediments is the critical difference in realizing successful projects in amenity towns versus other community types.

THREE: RESOURCES AND SOLUTIONS

INTRODUCTION

The array of resources that can be used to overcome project impediments represents the last piece of the strategic framework. The completed framework, Figure 3, combines partnership roles with a layering of issues and resources that lead to innovative solutions .

Figure 3: Strategic Framework for Affordable Housing in Amenity Towns: ACTORS, ISSUES and RESOURCES

PLAYERS	Community Context	Local Attitudes	*ISSUES* Development Costs	Project Financing	Continued Affordability
Public	• Vision. • Community Plans. • Inter-Gov't Agreements.	• Issues Mgt. • Open Space Plans. • Growth Mgt. Plan.	• Mandatory Programs. • Buy-Downs. • Open Space Donations	• G. O. Bonds. • Revenue Bonds. • RETT. • Sales & Lodging. Taxes.	• Housing Authority. • Deed Restrictions.
Users	• Leadership in Raising Issues.	• Information Conduit to Employees and Community.	• Land Subsidies. • Land Dedications.	• Credit Enhancements • Subsidies • Master Leasing • Subordinated Debt	• Subsidies. • Internal Management.
Entrepreneur	• Market Research. • Product Knowledge.	• Pro-active Planning Process.	• Land Swaps. • Land Donations.	• 63-20 • Equity • Conventional Financing	• Market Controls Structure.

RESOURCES AND SOLUTIONS

While each one of the development team's three players has their own unique set of 'tools' with which to work, it is the synergy created by leveraging one resource against another that leads to solutions meet the community's goals and overcome project hurdles. These are as follows.

Creating a Community Context

Creating the right community context for effective solutions to occur requires acting early on the issue of affordability and addressing component needs before it is too late. Selecting the right time to act in an amenity town's evolution is critical. Action taken too early will needlessly divert resources and undermine long-term support for affordable housing, while action taken too late will increase the cost of effective solutions and allow the loss of valuable existing affordable stock.

Understanding the evolution of amenity towns and their historical cycles provides one way for communities to assess the correct timing of affordable housing initiatives. Past attempts to document the evolution of amenity towns can be found in studies that have looked at resorts as a commodity with a definable product life cycle (Butler, 1980)[30], or the resort as the initiator of a community with an evolving series of quality of life issues (Kane, 1993).[31] As a part of this thesis, a model that combined these precedents was developed in an attempt to correlate the contribution of an amenity town's sense of community to the longevity of its product life cycle. Figure 4: *"Amenity Town Evolutionary Model"*, provides a concept of an amenity town's evolutionary stages. The specifc description of each of the four stage of growth is presented in more detail in Appendix B: *Evolution of Amenity Towns*

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[30] R.W. Butler, "The cycle of a Tourist Area Cycle of Evolution: Implications for Management of Resources", (Canadian Geographer, 24:1) pp. 5-12.

[31] William G. Kane and Design Workshop, "Resort Development and Evolution Matrix", unpublished analysis, 1993.

Figure 4: Amenity Town Evolutionary Framework

(to be reviewed in conjunction with Appendix B: Evolution of Amenity Towns, pp. 86-94)

Stage One: Origin	**CATALYST** Development of destination resort, that creates or leverages an existing amenity	or	**MASTER PLANNED** Master planned community that creates or develops amenity and housing concurrently	or	**DISCOVERED** In-migration to existing small town for setting/ environment or revitalization of ghost town
Stage Two: Emergence	**AGGLOMERATION** First phase of development spurs additional services, second home market and beginning of resident population	or	**GENTRIFICATION** Existing building stock rehabilitated and new structures added including lodging, businesses, primary and secondary housing		
Stage Three: Crossroads	**NO CONSTRAINTS** Second home market expands Permanent residents increase Cont. expansion w/o constraints Limited value creation except near amenity. Affordability is not an issue.	or	**CONSTRAINTS** Second home market expands Permanent residents increase Appreciation due to constraints (policy or physical) Affordability problem genesis		
Stage Four: Maturity	**UNCONSTRAINED GROWTH** **Declining Resort Experience** Lack of constraints leads to continued development. Lack of community edges erodes quality of community. Resort, town experience declines.		**CONSTRAINED GROWTH/ NO HOUSING POLICY** **Homogenous Shell Community'** Affordability issue ignored Primary residents forced out. Town loses vitality, diversity, and community support base. New shell community.	or	**CONSTRAINED GROWTH/ HOLISTIC HOUSING POLICY** **Balanced/ Diversified Community** Affordability addressed in larger community context. Results in diverse employee base and vital local economy. Prosperity and diversity remain.

When the correct timing has been determined for developing affordable housing initiatives, establishing a vision of what the amenity town wants to be lays the foundation. Communities who simply try to solve their housing problems without a long range vision end up *"just wanting to get their employees housed"*. They are more concerned with short-term solutions rather than long term plans."[32] Long-term planning means "*defining the community's goals and vision and determining what role housing local employees must play in that vision*". Without a deep rooted understanding of the critical role affordable housing plays in reaching the community's vision of sustainability and an improved quality of life, housing programs and projects will be seen as freestanding components of social idealism. This isolated perspective makes programs and projects easy targets for budget cuts and priority changes caused by shifting political winds.

Once the role of affordable housing is understood, the need to define the limits of the program is the next important step. Successful programs recognize that they cannot effectively solve their housing problems by focusing only on their incorporated limits. A lack of affordable housing within one amenity town spreads its impact to bordering communities and surrounding unincorporated areas. Even progressive programs that are developed through inter-governmental agreements, such as the Aspen/Pitkin County model, only solve part of the problem. Because of the unique physical settings of amenity towns, programs that use geographical features as opposed to political boundaries to establish their jurisdictions will have a more holistic view and better chance at achieving long-term success.[33]

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[32] Gil Rudawsky, "Housing Around: Playing Catch-up in Aspen's Wake," *The Aspen Times*, January 2and 3, 1993, p. 7a.

[33] This approach is better evidenced by Lake Tahoe, where the 'community' jurisdiction supercedes City, County and State boundaries and instead relies on the limits of Lake Tahoe's watershed as boundary.

LOCAL ATTITUDES

Increasing the public's understanding for the importance of affordable housing or developing the tools required to answer manage local concerns, are often the responsibility of a housing authority. While the structure, funding, staffing and strength of the public mandate varies from agency to agency, the key components are:

- Issue Management
- Political Will
- Dedicated Funding Sources

Issues Management

One of the most successful roles a housing agency can provide is the pro-active management of local issues and concerns surrounding affordable housing. The Aspen Pitkin County Housing Authority (APCHA) has a full time staff person dedicated to communicating with groups in the community and *'keeping an ear to ground'* to see if major opposition is brewing for new projects. By being aware of community concerns before the projects get into the public forum, solutions can be developed, opponents can be heard in small groups and small concerns do not blow up into major obstacles that shut down good projects.

Other issues ranging from growth controls and open space preservation need to be dealt with in a larger community context. Amenity towns that are trying to resolve affordable housing issues should be developing open space management plans and growth management programs so that all three issues can be discussed concurrently.

Political Will

The political will of the town's elected leaders is one of the most crucial components of steering a viable project through the maze of potential land mines thrown up by local residents. The partnership needs to start early to enlist elected leaders to take *'ownership'* and responsibility in affordable housing projects and commit to a balanced approach for assuring its success. Without the strong leadership of the town's elected body, few projects can be realized.

Funding and Organization

Public agencies charged with addressing the affordable housing issue, have varying levels of public mandate. Communities range from no agency at all, limited staffs charged with tenant counseling or facilitating the development of affordable housing[34], all the way to heavily funded and staffed authorities that are responsible for the actual construction and management of affordable housing projects.[35]

In some communities, the needs of affordable housing are dealt with by the town or county planning staff generally with one staff planner assigned to handle housing issues. These include updating needs assessments, working with prospective developers or making sure that affordable housing issues are always considered in conjunction with other community planning issues. In other situations, County Commissioners or Managers act as the housing proponents. This arrangement can be extremely beneficial because it provides the political access necessary to overcome certain community hurdles, but the lack of dedicated resources may mean that affordable housing programs get waitlisted behind other staff priorities when time is short.

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[34] Summit County's two person housing authority is designed to work in cooperation with both the public and private sectors to facilitate the development of housing affordable to all residents of the community. The two year old SCHA is funded through contributions based on a pro-rata % of sales tax revenue, which the county uses as a proxy for number of employees. This nets the authority $120,000 per year.

[35] Aspen/ Pitkin County Housing Authority has a staff of 9 full time employees and has directly built or facilitated construction of over 1400 units since its inception. Tom Baker notes that the key to a successful housing program is a dedicated source of funding. In Aspen this is a combination of a .45% sales tax and a 1% real estate transfer tax which nets over $2.3 million per year for the agency.

Other communities have removed the responsibility of housing from the government altogether, instead establishing non-profit trusts or volunteer coalitions that are managed by local volunteers and or salaried staff which develop and implement programs or projects. This grass-roots approach creates a cooperative body that includes public officials, local employers, planning staff and concerned citizens, and emulates the kind of three player partnership identified earlier as one of the key elements to successful projects.

DEVELOPMENT COSTS

Reducing development costs is best achieved by reducing land costs. Typical methods try to generate sites at no cost to the developer, provide cash to help buy down land costs or spread the cost of land and infrastructure over market rate units as a free market subsidy.

Linkage programs look to the generators of housing need (i.e. employers) and require either housing units or cash payments to construct units during the project approval process as mitigation for project impacts. The underlying intent is to assure that adequate housing is provided for new employees generated by new commercial development. Linkage requirements often provide a series of options to developers to meet this overall objective and include such options as actual construction of units, paying a fee based on some formula of what it will cost the community to build units[36], or donating a piece of land whose value is equal to the cash-in-lieu payment. The key to successful linkage programs is establishing employee generation numbers that accurately reflect market conditions. In a survey of eight amenity towns employee generation ratios per 1,000 square feet of commercial GLA were:

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36 Aspen estimates its cost to one employee unit of affordable housing is in excess $60,000.

Table 2: Employee Generation Standards [37]

Type of Commercial Use	Employees per 1,000 Square Feet GLA
Office	4.1
Restaurant	7.3
Retail	3.9
Hotel	5.4

Mechanisms to reduce site costs include mandatory requirements and incentive programs. Inclusionary zoning (mandatory), require that a percentage of new residential units be set aside for low or moderate income housing. The affordable units must be comparable to market rate units in size and quality (avoiding the stigma of 'lower cost housing'), and generally must be constructed on the same site as the market rate units[38]. Density bonuses (incentives), offer developers an increased number of market rate units if they include a certain percentage of affordable housing products. By increasing density, developers can spread the cost of land, infrastructure and even hard construction across more market rate units. Other incentive programs include expedited approvals and one stop permitting[39] (which reduce land carry time/costs and approval consulting fees), and waiver of tap or connection fees (reducing individual unit costs).[40] *"The communities that have successful incentive programs are those which make the production of affordable housing a major community development priority."*[41]

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[37] RRC Associates, *San Miguel County Housing Needs Assessment*, (Self Published Report, May 1993) p. 36.

[38] John Prior and Associates, *Affordable Housing: Linkage and Incentive Programs*, (Self Published May 1994), p. 9. The resulting scattered site approach creates pockets of affordable units dispersed throughout the community and avoids 'affordable enclaves' that create community resentment against further housing initiatives.

[39] In Aspen, projects receiving an Affordable Housing Overlay approval must provide a minimum of 70% affordable housing units to 30% market rate units. In consideration, projects are exempted from the town's Growth Management review and approval process.

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[41] John Prior and Associates, *Affordable Housing: Linkage and Incentive Programs*, (Self Published May 1994), p. 12.

Acquiring land at or below cost can be accomplished by using public open space for development of affordable housing, working with federal land agencies to secure land leases through recreational permits[42] or using municipal district land to develop housing for public employees.[43] Other options include working with local land trusts to receive land donations and swap environmentally sensitive (and hence undevelopable) lands for more easily developed property.

PROJECT FINANCING

Capitalizing affordable housing projects requires increasingly more sophisticated financing structures. Taxes on those segments of the population that foster the affordability problem (real estate transactions), or create low wage employment demand (lodging and food service sectors), provide a ready source of funding. General obligation and revenue bonds provide long-term capital if the community is willing to approve such measures. Finally, philanthropic groups, securitized debt backed by long-term leases and trust funds created through cash-in-lieu payments provide other sources of funding.

Taxes

Real Estate Transfer Taxes (RETTs) attach a fee (usually 1% to 2%) to the cost of real estate re-sales (not including affordable resales). This progressive tax provides an excellent source of affordable housing funds in amenity towns[44] due to the high volume of real estate transactions and the fact that the affordability crisis is being driven by rising real estate prices created by ever more wealthy buyers. Sales taxes dedicated to local housing generally represents 1/4 to 1/2 cent while bed and entertainment taxes pass a portion of the housing costs through to visitors. These taxes can be favorably argued because they shift

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42According to David White, Keystone resort was built with employee dormitories located on Forest Service land using a recreational permit system.

43The Aspen Consolidated Sanitation District used land under thier ownership to construct four townhouse units for its employees. Through the effective use of their resources to construct the housing, the utility district has been able to attract and retain better employees.

44 Over $1 million annually for Aspen, Colorado.

the costs of affordable housing to the sector that creates the demand for employees (lodging, restaurant and amenity operations), and reduce the supply (due to long-term housing converted to short-term rentals). However, the elasticity of the marketplace needs to be monitored as vacation travelers continue the trend of searching for value and quality experience, and may not be willingly to absorb higher costs created by taxation. Entertainment taxes also exacerbate local affordability problems as the tax cannot discriminate between moderate income local employees and wealthy out of town tourists.

Government Programs

Government programs developed to provide tax credits or direct subsidies for affordable housing are rarely useable in amenity towns due to the relatively high income levels of the potential residents and the strict underwriting guidelines that preclude many potential development sites. However, one program that is being used with increasing success is the 63-20 program, named for the Internal Revenue code statute that allows the formation of a non-profit entity to issue tax exempt revenue bonds for development of projects, such as affordable housing (see page 49 for case study). This extremely valuable program allows total debt financing of affordable housing projects and grants tax-free status to the development partnership resulting in a reduction of both construction and operating costs through exemptions on construction materials and operating supplies, as well as property taxes. Additionally, the tax-exempt status of the bonds reduces the project's capitalization rate and financing costs.

In some instances, states and local governments have special funding mechanisms available to support the affordable housing needs of amenity towns. In Colorado, the state's Energy Impact Fund, which grew out of an energy development tax for mitigating impacts to small towns, appropriates monies to counties annually for use in affordable housing programs in amenity towns.

Private Capital

Private capital is extremely hard to raise for affordable projects, due to the limited returns from both operating cash flows or long-term appreciation. Institutional investors, as potential buyers of public bond issues, are increasingly involved in providing capital for affordable projects in amenity towns. However, these investors require sophisticated deal structures, significant operating and debt service reserves, and credit enhancements provided by either the public sector or major local employers.

CONTINUED AFFORDABILITY

Critical to the long-term success of affordable housing programs is *how* communities assure affordabe units stay in the pool of housing after the initial tenants leave and *how* new tenants are qualified and matched to available product. The primary mechanism for successful programs is deed restrictions that are attached to affordable units deed restrictions assure the units stay in the pool of affordable housing for local employees in perpetuity. The definition and enforcement of these deed restrictions becomes one of the main operating elements unique to affordable housing programs. Key provisions of the deed restricted programs include both who can qualify and how units are transferred.

Qualifying Tenants

Qualifications are usually limited to individuals who meet the program's income and employment requirements. Income requirements are established locally and use either a percentage of area median income or a local survey of salaries and housing costs conducted within the community. Requirements to verify an applicant's income range from audits and reviews of past years income tax forms, reviewing current pay stubs to simply calling one's local employer. Net worth limitations are rare but in some instances applicants are not permitted to currently own other real estate, may not be permitted to have owned a home in the past three years, or may not own assets over maximum limits.

Because affordable housing in amenity towns is intended to provide local employees with close-in, quality housing, the program's definition of 'employee' is fundamental to how well the program meets the community's need. While few communities use the exact same definition of an employee, the common elements include:

- Annual employment at least nine months per year.
- Weekly employment at least 30 hours per week.
- Location of employment within the town's limits or the county limits.
  This does not mean the employees must be employed by local municipalities, just that their employer must be located within the program's jurisdiction.

Given the demand for single family units, which are the most expensive to develop, some affordable housing programs also place a priority on community tenure and family size in selecting candidates for limited products. This can become difficult if not properly defined, as rapid changes in one's household or subtle variations in how family is defined can have difficult repercussions.[45]

Transfer of Units

Potential tenants or buyers are generally wait listed based on community tenure, family size, employment length and income. When new or old units become available, the people who fit the correct profile are notified and they may choose to be part of a lottery that will determine the actual tenant. This listing and notification process can be handled on a site-by-site basis through a private property management company or handled town-wide by the public housing authority.

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45 A recent lottery in Aspen, Colorado for three single family lots created a potential lawsuit after the a lot was awarded and then rescinded to a couple who acknowledged that their stepson did not live full time with the family. While the selection board defined family as living with the parents for 9 months or more of the year this was not clearly documented in the requirements. This interpretation led one locals to comment "*The snapshot of what youir family looks like on the day of the application isn't necessarily appropriate. In the next month you could be seperated and your kid could leave for college. I like the idea of giving longevity priority*".

Rental prices may be capped at a certain ceiling which is adjusted based on CPI or a review of local median rents and salaries. Setting prices for ownership resales is more complex because controlling the selling price is critical to maintaining the pool of affordable units. Some programs have complicated formulas that use the original purchaser's price as the basis and then allow certain incremental increases in selling price over time. The most common program elements include:

- Limiting capital improvements one can make to the home to 10% of the purchase price. In some programs, recapturing this amount is vested over time, generally 1% per year.

- Limiting amount of total appreciation to a CPI index or fixed rate. Current programs are using CPI or 3% per year whichever is lower. An important distinction in some programs is the appreciation only applies to the purchasers equity, not the entire house price.[46]

Based on these limitations, the local housing authority or agency will establish the maximum price that the house can command and take bids up to that price. The successful purchaser is then selected based on the right bid (maximum price), and a combination of community tenure, family size, income and employment.

Communities looking to simplify the process of exchanging ownership units are opting for a sub-market/free-market approach. Ownership units are deed restricted to local employees, but sales of the units are done on the open market with units going to the highest *qualified* bidder. The key to this system is that since the only bidders are local employees, resale prices will be limited to what the local employee market can bear.

46 This precludes 'affordable homeowners' from using publicly subsidized units to leverage their return on equity even if the total resale price is capped.

Consequently, the units stay within affordable limits of employees and there is no need for an outside agency to dictate prices or manipulate the market.[47]

CHAPTER THREE SUMMARY

The resources and solutions discussed in this chapter complete the strategic framework for developing successful affordable housing solutions in amenity towns. The variety of solutions available to communities is evidenced by the complexity of Figure 3: *Strategic Framework for Housing in Amenity Towns.* By interchanging partnership roles and levels of responsibility, varying resources can be brought to overcome the issues and impediments that any one community or project may present. This flexibility is critical to successful projects, because there is no consistent solution that can be utilized in every amenity town. Instead, communities seeking solutions or developers trying to access a viable market can look to this framework to create a customized solution appropriate to the site and community.

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47 RRC Associates, *San Miguel County Housing Needs Assessment*, (Self Published Report, May 1993) p. 34.

FOUR: CASE STUDIES

INTRODUCTION

The previous chapters have developed the basis of the *Strategic Framework for Affordable Housing in Amenity Towns.* This chapter tests the framework in the context of three project based case studies. The empirical evidence provided by these cases, which examine three different affordable housing products in three different locations, demonstrates how the roles and responsibilities can be interchanged to develop customized solutions suited to community's needs.

As a research location, Colorado provides an excellent source of case study sites due to a wealth of amenity towns, a current real estate boom fueled by lifestyle seeking California emigrants, which in turn has fueled an affordability crisis. The cases were selected because they represent a cross section of roles, issues and resources utilized in constructing three very different types of affordable housing projects. Table 3 summarizes the major elements of each case study, including the product, lead players and the significance of each project.

Table 3: Case Study Comparative Matrix

Project	Product	Tenure	Lead Role	Project Significance
Marolt Ranch	Modified SRO	Seasonal	Public	• Very Unique Product. • Integration of Community Issues.
Lake Creek Village	Apartments	Rental	Private/ Public	• Unique Financing Vehicle. • Unique Project Structure.
The Crossings	Single Homes	For Sale	Private	• Hard-to-Find Product. • For Fee Development Process.

MAROLT RANCH: ASPEN, COLORADO

PROJECT PROFILE

Project Description: Seasonal Housing Developed by Public Agency
Product Type: Modified SRO
Number of Units: 100 Units (100-300 Beds)
Site Size: 4.3 Acres (Developed), 63 Acres Open Space Parcel
Density: 23 DU per Acre (Net), 1.5 (Gross)
Developed: 1988-1990
Project Cost: $6.5 million
Development Team:
  Developer: Aspen/ Pitkin County Housing Authority (APCHA)
  Music Associates of Aspen (MAA)
  Planner/ Landscape Architect: DesignWorkshop, Inc.
  Architect: Harry Teague Architects
  Contractor: Colorado First Construction

OVERVIEW

Of all communities examined, Aspen, Colorado has one of the most prolific affordable housing programs when measured by the number of units constructed or facilitated by a public sector agency. However, even though this program, which began in the late 1970's, has assisted with the construction of over 1400 units of affordable housing, the ongoing conflict of rising real estate values, limited housing supply and an expanding summer tourism market continues to create new shortages. The magnitude of the communities continuing housing shortage became widely evident in the late 1980's by undermining the future of Aspen's most enduring and cherished summer institution: The Aspen Music Festival.

FACTORS LEADING TO PROJECT NEED

Established in 1949, the Aspen Music Institute is a long running summer tradition that perpetuate the 'Aspen Idea': community is the place to nourish the mind, body and spirit. Every summer, talented music students from throughout the world gather in Aspen to study, practice and perform with internationally renowned composers, conductors and artists. The program has grown over the years to include students from over 23 countries and provides the community with a two month summer concert season.

In the program's early years, the Music Associates of Aspen (MAA), arranged student housing throughout the community, making use seasonal rental units vacated by winter tourists or employees. Additional housing was provided by local residents who offered rooms in their homes as a civic contribution and cultural exchange. This informal approach reinforced Aspen's community character and sense of participation. Additionally, as residents and visitors walked through town on summer evenings, they could enjoy a spontaneous array of music emanating from the various locations where students were living and practicing. Consequently, an added benefit of MAA's 'affordable housing strategy' was the students contribution to Aspen's unique blend of culture and recreation.[48]

In late 1980's, rising local housing prices, an expanding summer tourism market and the continued conversion of long-term rentals to more profitable short-term rentals, created an increasing housing shortage for Music Festival participants. Students found themselves forced to live down valley which presented new transportation challenges and diminished their nightly contribution to Aspen's ambiance. With fewer and fewer students able to live in Aspen each year and the inevitable reality of continually rising prices, MAA considered leaving Aspen altogether. The prospect of losing such an important part of Aspen's heritage provided the galvanizing community force to develop an innovative solution.

PROCESS AND SOLUTION

In June of 1988, a local land planning and design firm[49] used their summer intern program to generate a pro-bono master plan for the Marolt Ranch, a 67 acre public open space that

48 Tom Baker.
49 Design Workshop.

sits at the town of Aspen's front door. Because of the site's visibility and key role in the community's open space network, the master plan played a crucial role in garnering public support for converting a portion of the site to affordable housing. By committing 63 acres, or the majority of the property to perpetual open space, the development team was able to gain support for a four acre affordable housing development parcel. This strategy allowed the community to balance two important objectives: protecting public open space and providing a permanent source of in-town affordable housing.

Following development of the initial master plan concepts, the Aspen Pitkin County Housing Authority (APCHA) assumed a leadership role for moving the project toward realization. APCHA set out to develop a program that would provide affordable housing for the music students in the summer and seasonal workers in the winter. The final solution, Marolt Ranch, is a dormitory style housing complex built and operated by the APCHA and completed in February of 1991.

FINANCING

The $6.5 million project was financed with a voter approved $5,875,000 General Obligation Bond (GOB) issue and a $500,000 donation from local architect and MAA supporter Fritz Benedict. The debt service for the 30 year bonds is provided through revenues earned on MAA's 20 year master lease for summer housing and additional income earned through seasonal rentals managed by the APCHA.

The bonds were underwritten by George K. Baum and Company and purchased by Chrysler Capital Corporation. In 1993, the project was refinanced with a direct contribution from the city of Aspen and a re-issue of lower cost bonds. This restructuring reduced the project's annual debt service and allowed APCHA to keep rates constant over time which assured long-term affordability.

DEVELOPMENT PROGRAM

The development program consists of 100 modified SRO units: two 130 square foot rooms adjoining a shared 20 square foot bathroom. Each unit is used to house three music students during the summer and one to two employees in the winter. The reduced winter occupancy is primarily a management decision to help reduce wear and tear on the project. Full kitchens are not included in the units, as the development program included a full cafeteria with meal plan available to winter occupants. However, a small counter area with microwave and refrigerator is provided in each suite. Units are organized into seven two story dormitory buildings, each with eight to 20 units. One of the units, chosen for its strategic location, has been assigned for an on-site manager. Five units, some with full modular kitchens, were designated for full time occupancy by tenants qualifying under the project's housing guidelines. This program change was done so there would be people on the grounds all year, providing visibility and security during the off-season.

The overall complex includes a 6,000 square foot community building, which serves as the main location for meetings, socializing and food service during the Music Institute's summer program. The two story community building contains a food service facility on the top level and laundry facilities and music practice rooms on the lower level. One of these practice rooms is used as an office. The cafeteria was designed to be operated by an independent contractor during the summer and winter seasons, under a lease from the APCHA.

Site development was kept to a minimum by reducing the number of parking spaces from a typical requirement of one space per bedroom to five spaces per bedroom. This variance was granted based on a persuasive argument that summer students did not historically bring cars during their stay, and the APCHA's commitment to a program of automobile disincentives[50] for seasonal workers to leave their cars at home. With the parking requirement reduced to only 50 cars, the site was designed using a campus approach: a single parking lot located near the entrance and a series of pedestrian paths used to connect the parking, dormitories and the cafeteria building. Aside from the reduced parking count, variances were granted for reduced width fire lanes, from an initial request of 20' to a final approved width of 16'. Because of the project's high visibility, extensive landscaping and earthwork was used to screen both the buildings and the parking from Highway 82.

OPERATIONS and RENTALS

Marolt Ranch is owned and operated by the APCHA, which leases the property from the city of Aspen, under a 30 year lease. The annual land lease to the city of Aspen is $42,200 per year. Summer tenants are arranged by MAA, who holds a 20 year master lease on 94 of the 100 units from June 1 to August 31. The master lease for the 94 units produces approximately $200,000 in annual income. Winter seasonal rentals are arranged by the APCHA on a first come, first serve basis for anyone employed at least 30 hours per week. Rental rates are $700 for the two room, one bath unit during the winter season.

During the shoulder season (September, October and May) rents are discounted to $500 per month and unit vacancies allow for maintenance functions to be performed. In May of 1994, APCHA hosted a regional conference on Housing in Amenity Towns, drawing over 90 participants. Part of the $35 registration fee included two nights stay at Marolt Ranch which provided offsetting income for the property and afforded attendees from cities with limited travel funds the chance to experience the project and attend the seminar first hand.

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50 Disincentives included preferential placement of employees with no cars, or reduced rents to employees who did not bring cars into the commuity.

SITE DESCRIPTION

The Marolt Open Space (as the undeveloped portion of the property is now called), is a preserved meadow and open space that forms the gateway to Aspen's urbanized core. Backing up to Castle Creek, the site slopes gently from a magnificent mountain backdrop and river bench downward to Highway 82, the main automobile route into Aspen. This topographic condition creates an extremely exposed development plane, visible to anyone entering the community. Recognizing this fact, APCHA was very responsive to the community's concerns about project visibility. The project team's final design sensitively combined materials, building height and massing, color selection, and landscape treatment to minimize impact and assure the project would positively contribute to the community.

DESIGN and CONSTRUCTION

Although the building program was primarily a series of simple, repetitive units, the combination of sensitive site placement and on-site additions assured the project did not take on a monolithic or institutional look. Design techniques such as staggering of the units, adding peaked roofs and projecting balconies provided relief to the building's front and back elevations. Colors were selected to blend and accent the 'ranch' character of the site: board and batten finish painted a deep barn red on the vertical surfaces and asphalt shingle roofs and building trim finished in a deep hunter green. The final composition of site planning, elevational features, building massing and color selection creates an attractive complex of contemporary buildings that reflects a western ranch vernacular.

To create construction cost efficiencies, prefabricated construction was used for the individual units. Modular units (consisting of a kitchenette, closet, bath area and the two rooms), were fabricated 270 miles away in Loveland, Colorado and shipped to the site for installation. This technique not only reduced construction costs, but also the reduced the uncertainty and costs associated with construction in amenity towns due to costs created by housing shortages. Variances in parking count and fire lane width helped hold down site development costs while also minimizing site impact.

EXPERIENCE GAINED

• Of the three projects examined in this section, Marolt might be considered the most 'Public' driven having utilized the APCHA to conceptualize, gain approvals, finance and manage the units. The product is neither traditional in form or clientele and fills a unique niche for a specific community program. However, the cooperative and innovative involvement of the community, the balancing of open space preservation with affordable housing and the joint development role of the APCHA and MAA demonstrates an exemplary partnership for creating a new level of amenity town infrastructure: housing. In this example, the result helped preserve an important part of Aspen's ambiance, while also assuring housing for part of the seasonal employee work force.

• Automobile disincentives have not worked since many of the winter residents arrive with vehicles unaware of where they will be living. The lack of designated parking spaces leads to confusion and causes safety concerns, as well as extreme tension between tenants and management. The APCHA is currently exploring ways to add 50 more parking spaces to alleviate this problem[51].

• The cafeteria approach to food service has not worked for winter tenants. Although an independent operator serves music students in the summer, experience has shown that winter employees are not willing to patronize the cafeteria in sufficient numbers for the operation to remain viable. This is partially attributable to the fact that many seasonal employees work in restaurants and have their meals available to them elsewhere. Future improvements may include a two burner stove in the rooms to discourage the current

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[51] Bruce Nethery

unsafe practice of hot plates that are presently used on the property. However, ovens are not being considered due to maintenance and cleaning issues, space and cost concerns.

• The designation by winter management of certain buildings (those in more secluded areas), as QUIET units and other as PARTNERS has greatly reduced the number of complaints and tenant conflicts. Experience is showing that not all people attracted to the units are in Aspen for the same reasons or of the same age group.

• MAA is delighted with the project as the dormitory program and campus atmosphere is extremely conducive to their program needs and requirements. Additionally, seasonal occupancies are always high, because tenants are pleased to find a reasonable place to live that is close to town and offers a short-term lease. Shoulder seasons are becoming shorter and shorter and APCHA is expecting to be fully leased by October 1 for the 1994-1995 season[52].

• The overall design works very well and fits beautifully into the community context. However, there are some aspects of the design that could have been improved upon if property management and maintenance personnel had been a part of the early programming and design team.

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52 Ibid.

LAKE CREEK VILLAGE: EDWARDS, COLORADO

PROJECT PROFILE

Project Description: Entrepreneur Led Not-for-Profit Partnership
Product Type: One, Two and Three Bedroom Rental Apartments
Number of Units: 270
Site Size: 31 Acres
Lot Coverage by all Uses: 9.2 Acres
Density: 8.6 (Gross), 29.3 (Net)
Developed: 1993-1994
Project Cost: $25,380,000
Development Team:
  Developer: CORUM Real Estate Group, Inc.
  Architect: Paul T. Bergner, AIA
  Contractor: Shaw Construction

OVERVIEW

Originating from a master planned context, Vail, Colorado is young compared to many of its counterpart amenity towns. Since the creation of Vail Ski resort in the 1960's, the Vail valley has experienced a volatile history of boom and bust development cycles, often related to regional economic trends. However, since the late 1980's, rising resort property values throughout the nation and Vail's increased exposure to international markets through televised skiing events have created an era of real estate market stability and consistent price escalation.

FACTORS LEADING TO PROJECT NEED

Due to Vail's increasing market share of skiers, high levels of summer construction and a rounding out of the area's seasonality, Vail and surrounding Eagle County's affordable housing needs have increased steadily since the late 1980's. Comparative housing studies completed for the county in 1984 and 1990 found broad changes in local demographics and subsequent housing needs. An aging local population, a stronger desire to live long-term in the area, increasingly larger households and longer term employment commitments[53] have all led to the an immediate need for approximately 1300 new housing units[54] that could effectively serve employees with incomes well below $60,000.

PROCESS AND SOLUTION

While Vail and surrounding Eagle County have no formal housing agency, the recent election of two County Commissioners running on affordable housing platforms established an implicit public mandate to address the issue. The community consensus has been to use the County government as a facilitator of affordable housing development through a free market rental system.

In 1990, Corum Real Estate, a Denver based diversified commercial real estate firm, providing development, management, marketing, leasing and ownership consulting services, began looking for affordable housing development opportunities in Vail. Sensing an increasing demand and viable market, Corum saw affordable housing as both a publicly desirable project and a potential niche that would create long-term value for the firm and its investors. After searching the Vail valley for over six months and attempting negotiations on several sites, Corum optioned for the Lake Creek Village site in November of 1991.

Concurrent with developing the project's program and design, Corum sought financing for the project through conventional sources, as well as several federal programs. Over 12 months were spent unsuccessfully trying to assemble conventional financing for the project. In January of 1993, Corum began to explore the IRS 63-20[55] program as a funding strategy. Consistent with the county's position of facilitation and cooperation, this program provided an ideal solution. Corum spent three intense months (January-March,

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53 Rosall Remen and Cares, Inc.; *Eagle County Housing Needs Assessment*, (Self Published Report, May 1990), p. 2-3.
54 Melanie Rees, *Market Analysis for Lake Creek Apartment* (Self Published Report, May 1993), p. 10.
55 See Chapter Three: Solutions.

1993) working with the county to define and develop a not-for-profit entity that would serve as the project's owner. In April of 1993, Eagle County passed a resolution establishing the Lake Creek Affordable Housing Corporation (LCAHC). An additional three months were spent developing the project's legal documentation and underwriting. Following successful placement of the bonds and closing on the land, the project broke ground in July of 1993.

OWNERSHIP/PARTNERSHIP STRUCTURE

Although Corum initiated the project and held the option on the site, the property, project ownership, design and working drawings became property of LCAHC in June of 1993. In return for their efforts to date, Corum became the project's development manager receiving a development fee and a five year management contract for the project.

Established as a non-profit entity, LCHAC board consists of five members. Each member represents a different interest in the project's future, assuring an adequate system of checks and balances on such issues as rental rates, operating costs, or income and revenue allocations. The five board members currently include:

- Two members from Eagle County, Currently One Commissioner and the County Manager.
- One Member-at-Large, a Local Employer of 15 people or Less.
- One Member from Corum Real Estate.
- One Member from Vail Associates.

The latter two Board members received seats to assure that their positions as junior debt holders would not be adversely affected by decisions of the other board members.

FINANCING

In investigating a number of financing structures for the project, Corum found that the combination of targeted income levels and project development costs precluded traditional affordable housing mechanisms while conventional sources were inadequate due to prohibitive equity requirements or market knowledge. Through the selected 63-20 program, tax-exempt bonds were issued to fully capitalize the project's $25.3 million development budget with debt. However, the bond's unrated quality presented limitations to placement. Institutional investors, who offered the most likely placement option, required some form of credit enhancement.

In order to make the bonds more attractive, Corum and the project's underwriters developed an innovative package of credit enhancements that included:

- Inclusion of One Full Year's Worth of Debt Service in the Bond Issue Amounting to $2,100,000 and Added Approximately $10 per Square Foot to the Development Cost.
- Commitment to Create One Full Year's Worth of Operational Reserves from Project Cash Flow Over the First Two Years.
- Creation of Subordinated Debt Issues that were Purchased by the Development Team and Key Local Employers.

The primary debt issue consisted of 30 year tax exempt bonds paying 8 1/4% on an semi-annual basis and sold at par for $22,000,000. The two institutional buyers, Eaton Vance and Prudential Insurance, placed the bonds in high-yield mutual funds, which were sold to retail and commercial investors.

The secondary issue of $2.6 million consisted of two tranches of 30 year tax exempt bonds with an effective yield of 11 1/4%. The high yield reflected a discount at time of purchase of 25% of par.

The second tranch was actually deferred compensation for the developer, landowner and underwriter. This 'debt as equity' approach reduced the project's initial cash requirements and provided additional assurances to the institutional investors that the development team was convinced of the project's viability.

Finally, and most importantly, placement of the primary issue relied on the purchase of a third tranche (the most junior debt), by three of the county's major resort employers: Vail Associates, Cordillera Resort and Arrowhead at Vail. The institutions saw the purchase of the junior bonds by the resorts as a 'safety net' to assure the project's success. By linking the resorts' return on the bonds to Lake Creek Village's ability to service secondary debt issues, the resorts have a significant incentive to direct employees to the project for housing if leasing is slow or vacancy rates are high. This assures a pool of potential tenants in down markets and in the end, secures the project's cash flow.

Since the time of bond purchase Vail Associates has master leased three buildings or 24 units for seasonal employees. Although limited by 63-20 to master lease no more than 18% of the project, these big blocks of leases helped get the project off to a fast start.

EAGLE COUNTY'S ROLE

Eagle County, while not participating in the debt as guarantor or purchaser, provided a significant incentive to assure the resorts participation. Each resort/employer is currently required to construct a certain number of employee housing units based on employee generation ratios and land uses of their approved PUD plans. To facilitate financing of the Lake Creek project, Eagle County provided each resort with off-site housing credits in return for bond purchases based on a formula developed by Corum. This win-win arrangement helped get much needed housing into the county without any direct public subsidy or cost and allowed the resorts to fulfill some of their long-term housing requirements, all while facilitating the placement of the primary debt issues.

In addition, to offering off-site housing credits, the county insured the extension of the Valley's public transportation system to Lake Creek Village, an important aspect of making affordable housing viable. Secondly, the tax exempt nature of the project required that the county abate property taxes for project's 30 year bond life. This has reduced the project's operating cost by over 25% per year. Finally, while the county has not guaranteed the debt, they do have a moral obligation to cure any default on the primary bonds.

At the end of the 30 year bond period, the county will receive free and clear title to the project and land at no cost. At this point, the county will have inherited a significant contribution to the local affordable housing stock and perhaps an extremely valuable piece of land at little to no cost and with no caveats.

OPERATIONS and RENTALS

All of the units at Lake Creek Village are restricted to qualified renters which are people who meet two basic criteria:

- Applicant(s) must prove year round employment in Eagle County (may be public or private sector employment but has to be within the county).

- Rent for the applicant or a combination of lease signators must fall into a range of no less than 20% and no more than 40% of adjusted gross income. For 1994, this translated to the following ranges:

Apartment Size	Rent	Lower Limit		Upper Limit
One Bedroom	$575	$17,750	**to**	$34,500
	$622	$18,660	**to**	$37,320
	$675	$20,250	**to**	$40,500
Two Bedroom	$775	$23,250	**to**	$46,500
	$822	$24,660	**to**	$49,320
	$875	$26,250	**to**	$52,500
Three Bedroom	$915	$27,450	**to**	$57,720
	$1,015	$30,450	**to**	$60,900

Qualifying of potential tenants is done on-site by the property manager. The process consists of verifying employment and income with an applicant's stated employer(s). In some cases past income tax records are reviewed. Because of the diverse make-up of the LCAHC's board, rent guidelines are reviewed regularly and the need to balance affordability with project viability is maintained. The Board reserves the right to audit tenant's income on an annual basis, but to date this has not been required.

Unlike other affordable housing programs, the project's cost structure, rather than extensive public subsidies, are what allow rents to be kept to a level favoring low and moderate income tenants (relative to local standards). All rent limitations are established by the Board and are designed to reflect current market needs. However, the locally based, project sensitive control that avoids complicated formulas or federal guidelines provides the partnership great flexibility to adjust rates as required to meet operating costs during times of economic duress.

DEVELOPMENT PROGRAM

The project was designed to contain 270 rental units, all of which would be restricted to qualified buyers who met certain employment and income restrictions. Based on a detailed market study prepared by ASI of Boulder, Colorado in 1993, the final development program included a mix of one, two and three bedroom apartments. Units include individual private entrances and balconies, fully equipped kitchens with frost-free refrigerators, dishwasher, range, self-cleaning oven and garbage disposals. Microwaves, as well as washers and dryers were not included.

At first glance the project has few traditional site amenities. A 1500 square foot clubhouse, two laundry buildings, plus several barbecue grills and picnic tables are spread throughout the site. More uniquely, the project includes a $30,000 children's play structure and a paved riverfront trail that will someday link into the county's overall riverwalk system. However, Jamie Fitzpatrick, Executive Vice President and Corum's Partner for the project, noted that apartments in amenity towns require different amenities than comparable projects in metropolitan areas. *"Because the project's setting, which offers 2,000 linear foot of frontage on the Eagle River and proximity to Vail and the surrounding mountains, people living at Lake Creek have a different kind of amenity package. It's not uncommon to see our tenants out fly-fishing or kayaking in the Eagle River (outside their back door), or taking advantage of the nearby mountains for skiing, hiking or just enjoying the view. This is worth more to our tenants than the typical weight room or spa that you might find in projects located in large cities."*[56]

The community's 270 units are organized in 34 buildings, along with 270 single car garages grouped into 47 buildings. The total project mix is as follows:

Apartment Type	**Size**	**Number of Units**
One Bedroom/One Bath	660 Square Feet	30
Two Bedroom/Two Bath	860 Square Feet	152
Three Bedroom/Three Bath	1000 Square Feet	88

56 Jamie Fitzpatrick.

SITE DESCRIPTION

Edwards, Colorado is an evolving bedroom community for the Vail valley, located 15 miles west of Vail's center core. Easily accessible in 20 minutes via Interstate 70 (the major freeway that bisects the valley), Edwards is beginning to provide Vail's lower cost housing as adjoining communities of Avon and Eagle Vail see their rents increase due to demand.

Lake Creek Village sits on 31 acres of flat land between the Eagle River and Interstate 70. The site is part the 450 acre Cottonwood PUD, a master planned community that includes a championship 18-hole Tom Fazio golf course and 150 high-end residences. The Cottonwood property includes a bisecting railroad and low lying wetlands condition that isolates the Lake Creek site from the remaining development. This condition provided little potential for the 31 acre parcel to be included in the overall PUD development program. Consequently, as a conciliatory gesture, the developer offered to use the site for higher density or affordable housing as an entitlements negotiation tool.

DESIGN and CONSTRUCTION

Site constraints included 150 foot setbacks from the Eagle River, 100 foot setbacks from railroad R.O.W. and wetland/flood plain areas. The site also contains over three acres of wetlands that presented not only design constraints, but also construction constraints as the area had to be fenced and avoided at all times during construction. In the end, only 9.2 acres of the site was developed with the remaining 22 acres left as open space.

The units were designed initially to be built using prefabricated or modular techniques but upon further study, the contractor felt they could complete the project as cost effectively using site built techniques. The non-profit status of the LCAHC also provided significant savings by eliminating the cost of sales tax on material purchases. According to the project's contractor, this saved over $1.50 per square foot. Construction was completed in 12 months, two months ahead of schedule.

EXPERIENCE GAINED

• After spending 12 months evaluating alternative financing strategies, the developer felt the 63-20 program was the only way this project could have been assembled. Additionally, while the developer feels they learned a great deal about creating affordable housing using this program, trying to simply replicate the formula for other project will be difficult due to the uniqueness of the credit enhancements developed as a part of the financing package.

• Developing affordable housing in amenity towns requires time consuming negotiations and education of both the general public and local officials. Equally time consuming are negotiations to structure sophisticated financing strategies. For this effort, a developer's return is often limited to the development fee and perhaps the project's management contract. The limited upside for the amount of time and energy required to make the project work may preclude many developers from pursuing this form of development. However, Corum noted that in the end the fee was fair compensation for the level of risk and effort they assumed.

• Eagle County, consistent with their implicit mandate of facilitating the construction of affordable housing without cost or risk to the county, played an important role by providing the right incentives, property tax abatement and a constructive working relationship. In the end, the community receives 270 units of affordable housing for which Eagle County assumed very little risk. More importantly, in 30 years they receive the real estate free and clear.

• Finding institutional investors to purchase the bonds was extremely difficult due to a lack of comparable projects, the institutions' limited understanding of the unique characteristics of resort markets and the sophistication required by the underwriting process. In the end, credit enhancements in the form of junior debt bought by the local resort operators, fees assumed as junior debt for some members of the development team, a detailed and well researched market study, significant debt reserves that added to the overall development costs, and the selection of a credible local contractor experienced with construction in mountain environments were all key to placing the primary issues.

• At the time of writing, the project had been open and leasing for approximately six months. Initial demand was high for inexpensive one bedroom units. However, as leases in the valley began to turn over during late summer, traffic has increasied and leases for the two and three bedroom units are improving. Given the fact that many people come to mountain amenity towns in late summer to fall, opening similar projects to coincide with seasonal in-migration or existing lease turnovers may expedite initial lease-up.

• As a cost saving measure, washers and dryers and even hookups were removed from the unit program and built into two separate complex wide facilities. This approach is consistent with locally competitive projects. However, according to the on-site property manager, the lack of this amenity has been the deciding factor in many potential tenant decisions not to lease. Noting the fact that many tenants in resort communities work two and three jobs as a way to provide the necessary income levels, taking time out to go to a laundromat is more than an inconvenience. Not having laundry facilities in the units often became a deal breaker for many potential tenants.

• The garages are very successful, achieving extremely high occupancies. Most tenants rent them for storage, as the $35 per month rent is cheaper than a free-standing storage unit located offsite. From a developer and marketing perspective, the provision of garages also helps to minimize exterior storage, which can often degrade the visual quality of housing complexes and add to the stigma of affordable housing as an undesirable neighbor or land use.

THE CROSSINGS AT HORSE RANCH: SNOWMASS, COLORADO

PROJECT PROFILE

Project Structure: Private Sector for Fee Development
Product Type: Single Family Detached For Sale Residences
Number of Units: 35
Site Size: 13 Acres
Density: 2.6 DU/Acre (Gross)
Developed: 1993-1994
Project Cost: $10,000,000
Development Team:
  Developer: Foresite Capital Facilities Corporation.
  Architect: The Durrant Group
  Contractor: Shaw Constuction

OVERVIEW

The Crossings at Horse Ranch is a unique public sector initiated/private sector developed venture that was started by the town of Snowmass Housing Authority. As the need for local resident housing in resort communities has shifted from rental units to ownership properties for local families, the Crossings at Horse Ranch provides an interesting case of how one amenity town made single family detached homes available to local employees.

FACTORS LEADING TO PROJECT NEED

Emanating from master-planned origins, Snowmass is a ski and golf resort developed in the early 1970's. The ski facility at Snowmass was developed by the American General Corporation and operated by the Aspen Skiing Corporation to enhance surrounding land values and generate real estate sales as part of the overall project return on investment. As the project matured from a seasonal ski resort to a year round community in the early 1980's, the town of Snowmass provided an affordable housing outlet for local professionals priced out of the nearby Aspen housing market. However, by the 1993, as

Aspen's average home price moved upwards of $1.5 million, residential properties in Snowmass have moved similarly to an average range of $2,000,000+.

As a consequence, over the past several years, Snowmass has seen a decline in the number of local employees, especially in the public sector that could afford to live in town. With an increase in local real estate values, public staff and community officials were forced down valley, adding to regional commuting impacts of traffic congestion, air quality degradation and a deterioration of community fabric within the town of Snowmass.

PROCESS and SOLUTION

The Crossings at Horse Ranch is a part of the larger 900 acre Horse Ranch master planned PAD within the town of Snowmass. The overall project program consisted of 92 free market lots ranging in size from 8,000 square feet to 2+ acres. Although the developer had programmed a four year absorption for the free market lots, the project sold out in less than 2 years, with the project's smallest 12 lots, priced at $135,000, selling out in the first month.

Given the town's known emphasis on affordable housing, Horse Ranch's developer; The Snowmass Land Company, knew they would have to develop some form of housing mitigation plan. Formed in 1989 to acquire the three remaining major development parcels in Snowmass from the RTC, the Snowmass Land Company was developing Horse Ranch as the second of its three projects. The company's first project, The Divide at Snowmass sold out its 42 custom home lots in less than two hours, to a waiting list of over 120 applicants. No affordable units were provided and the Divide's average selling price was $600,000 per lot. With Horse Ranch entering the approvals process and the Snowmass Land Company still waiting to plan and entitle their last project, a proactive dedication of the Crossings site seemed like a good strategy. The ability to be released from all housing mitigation requirements for both Horse Ranch and East Village made dedicating the estimated $5 million, 13 acre site at no cost to the town of Snowmass seem like a worthwhile investment.

PARTNERSHIP STRUCTURE

Upon acceptance of the Crossings site for affordable housing, the town of Snowmass sought an all inclusive development team through an Request for Proposal (RFP) process. The RFP, which was fairly open in scope, were sent out in September of 1993, seeking a development team to build and sell homes to buyers qualified and selected by the town through a lottery process. While no compensation schedule was suggested, the RFP required the team to provide the lots, infrastructure, home construction and landscape for a range of $175,000 to $290,000 in home prices.

Four responses were received and the current team was selected based on their qualifications, experience and design philosophy. The winning development team consisted of Foresite Capital, which is a development/capital entity, Durrant Group an architectural firm that is affiliated with Foresite, Shaw Construction a contractor that has completed a number of projects in Pitkin County and Snowmass Ranch Realty, a local real estate sales and brokerage company. The selection criteria included the team's ability to meet the town's target range of prices and minimum square footage's. Fees were not a part of the decision criteria, with the town assuming that if the developer could provide the desired product, in the specified price range, they would make a fair but not an overly aggressive fee.

FINANCING

Financing the project required two levels: one for site development and a second for construction of the individual units. Permanent financing obtained by individual home purchasers was used to finance the individual residences after completion, eliminating any need for long-term project debt.

Because the land was dedicated at no cost to the town, land carry was $0. Therefore, initial financing was required only to develop the lots, (e.g. site grading, installation of utilities and roads). The total cost of this site work was budgeted at $1.5 million, which would be funded through a $300,000 subsidy provided by the town of Snowmass and the proceeds from a revenue bond issue to be repaid through the sale of the lots. A November election to approve the bonds failed and conventional construction financing was required for this initial stage of development. Through past commitments, the town was able to secure a $500,000 contribution from the APCHA in return for assuring three lots would go to employees who worked within the county. The development team then agreed to make up the shortfall of $700,000 through short-term construction financing, in return for use of the town's $500,000 as working capital for the duration of the project.

Construction financing for the project has been provided by Alpine Bank at commercial rates. Permanent financing for mortgages have been approved by FNMA and are being offered through traditional sources and a number of local banks carrying competitive current market rates.

BUYER SELECTION and QUALIFICATION

Because the project was being developed under the auspices of the town of Snowmass, they established a stringent qualification process that favored people who worked in the town of Snowmass. Using criteria that included number of years that a person has worked in town and income ceilings, the town began taking reservations for applicants in January of 1994. Although they felt they would have adequate participation for the 35 lots from people working within the town, a second tier of qualifications was established for people that worked within Pitkin County.

The first round of reservations required a $50 refundable deposit and asked applicants to simply verify employment and income. This initial stage drew close to 150 applications. After reviewing these applications, the selection process entered a second round which required a $500 refundable deposit. This narrowed the field down to 93 participants in the lottery.

The lottery was organized into two major groups: those who worked in Snowmass and those who worked in the county. These two groups were then broken down further into tenure cohorts of 1-5 years, 6-10 years, 11-15 years, 16-20 years, and 20+ years. Due to other requirements established by the town, lot sales were subdivided into two tiers with 11 lots set aside for lower income employees and priced at $15,000 each. The remaining 24 lots were made available to the qualified buyers at a consistent price of $42,000.

The top group, people working in Snowmass for 20+ years contained 6 people. Due to the funding provided by the APCHA and the fact that the town had to assure at least three lots would go to people who worked within the county. The lot sequence of distribution occurred as follows:

- 1 Lot Withheld for a Town Employee.
- 11 Subsidized Lots Distributed to Lower Income Applicants.
- 5 Lots to Most Senior Snowmass Employees.
- 1 Lot to County Employee.
- 5 Lots to Next Most Senior Snowmass Employees.
- 1 Lot to County Employee.
- 5 Lots to Next Most Senior Snowmass Employees.
- 1 Lot to County Employee.
- 5 Lots to Next Most Senior Snowmass Employees.
- 35 Lots Distributed.

Upon receiving notification that an applicant had been selected in the lottery, they had to pick their lot and home within 48 hours. In this way, all lots were spoken for and committed to within 30 days of the initial drawing. In the end, of the 93 applicants that started in the lottery, 34 took lots and 20 declined their lots after being selected.

RESALES and EQUITY APPRECIATION

In order to assure that the homes will maintain their affordability, the town of Snowmass has deed restricted the homes and limited resale prices to future buyers.

When a home is placed for resale, prospective buyers will have to be qualified according to the same standards as were used in the initial offering. Qualified applicants will then bid up to a maximum price, determined by the town of Snowmass Housing Authority based on the following formula:

Base Price (1) plus Value of Capital Improvements to Date (2) plus Appreciation Factor (3).

(1) The base price is equal to the purchase price plus any approved upgrades selected by the owner at time of construction.

(2) Capital improvements made to date must be documented and cannot exceed 10% of the Base Price value. Additionally, the ability to collect on these improvements is vested on a 1% per year schedule, with value fully vested after 10 years.

(3) Appreciation is calculated on the base price as the lesser of the annual Consumer Price Index or 3% annually.

DEVELOPMENT PROGRAM

The project's development program consisted of two parts: lot development and the residential unit component. Lots were laid out at approximately 7,500 square feet each, and homes were programmed from 1,500 to 2,400 square feet plus a two car garage. The homes are relatively simple in design and materials, a function of trying to keep costs to a minimum. The developer/builder started with five home designs from which buyers could choose, but due to adaptations required by site constraints and selected upgrades by home buyers, the project ended up with over nine different models. Additionally, the final sales program specified which lots received which home model due to grade or lot configurations. Because the lots were priced in two brackets, the higher priced homes were associated with the more attractive lots to assure that the developer could realize the maximum value of premium lots.

DESIGN and CONSTRUCTION

Foresite was selected in October of 1993 and proceeded to develop plans and concepts for the housing concurrent with the selection of qualified buyers by the town. As the lottery pool was reduced through the qualification process, the development team held two focus group sessions to review preliminary concepts and test the assured pool of buyers for their desired needs and product requirements. One of the key elements of the town's program requirements was a high degree of flexibility in the individual units design or a vast number of models that buyers could choose from. However, in order to maintain cost control and economies of scale, the development team wanted to narrow the number of choices that buyers had. The final compromise consisted of the nine models with numerous upgrades, which in some cases included the opportunity to finish basements or add decks.

The site for the Crossings at Horse Ranch sits immediately off of Horse Ranch Boulevard, the overall development's main collector street. Because the Crossings is the first cluster of development that one sees upon entering both the community of Snowmass and Horse Ranch, the design of the final affordable product was important to the Snowmass Land Company and the town of Snowmass. Although Horse Ranch had fairly stringent design guidelines, they were not imposed on the Crossings for fear that they would add to the product cost. However, the developer did maintain the spirit of the guidelines using roofing materials, siding and colors that were consistent with Horse Ranch's guidelines.

EXPERIENCE GAINED

• The provision of single family detached for sale housing is an increasingly important element of any affordable housing program in amenity towns. However, given the land value in these areas, the ability to cost effectively construct low density housing requires large public subsidies, market rate buy-downs or land dedications from developers as a part of the entitlements process. In the case of The Crossings at Horse Ranch, the provision of 13 acres of land from Horse Ranch's developer made the project feasible. If the land had to be purchased at comparable market rates, an additional $100,000 - $200,000 might have been added to the home prices.

• The fee development process used by the town of Snowmass provided a cost effective way to meet affordability goals without the public sector having to assume responsibility for the development process. According to Foresite, the town of Snowmass' willingness to assume some of the site development risk, allowed the houses to be sold for 10-15% less than they might have cost under a typical development scenario. Given the $235,000 base price for the homes, having the developer assume all site development risk could have added $30,000 to the home prices.

• Because of the difficult site grading, the developer had to modify his limited number of models to fit the site. This combined with the extensive number of upgrade packages required considerable energy by the design team to modify each home's plans to fit the buyer's desires and site requirements. In retrospect, the developer would have limited the number of product options.

FIVE: CONCLUSIONS

OVERVIEW

The argument for affordable housing in amenity towns is not based on an ideology of social equity but the realities of economic need and long-term community sustainability. An amenity town that offers an attractive blend of characteristics: beautiful natural setting, recreational amenities, small town atmosphere and grass roots community involvement will face continuing growth pressures due to changing national incomes and demographics. These pressures in turn will drive up the price of limited land resources and housing stock to the point that the community's moderate to middle income employees will no longer be able to reside in town. The resulting exodus of employees and residents will foster a loss of the town's locally owned businesses, civic infrastructure and community diversity.

Solutions to the problem of affordable housing in amenity towns must overcome a series of obstacles that grow out of the community's unwillingness to recognize the problem early or their ongoing resistance growth and change. These qualitative impediments, coupled with pragmatic obstacles created by land price mechanisms and access to capital markets are not unique to amenity towns. What is unique, however, are the resources and strategies available to amenity towns to solve their own problems. The community's evolution from an employer-based 'company town' to a full fledged community of active, concerned citizens creates the foundation for a series of development partnerships that bring specific solutions using collective resources. These partnerships made up of the town's major employers and an active public sector can be augmented by an entrepreneurial developer who is attracted to the community because of what it represents. This prospective trio of public (government or community), user (employer or institution), and entrepreneur (developer) are what separate amenity towns from all other communities in their ability to develop and implement innovative solutions to the problem of affordable housing.

STRATEGIC FRAMEWORK

The roles these three 'actors' play in developing affordable housing may vary from project to project, depending on specific needs. However, each member must provide leadership in each of their respective areas. In an optimized partnership, a balance is struck with each partner focusing on their area of expertise and providing only those skills that are unique to their role. When a partnership gets out of balance, success may still be realized, but the partners may assume roles that are beyond their core competencies, and hence the efficiency or desirability of the solution is compromised. Based on the case studies presented in Chapter Four, the following analysis summarizes the resulting partnership scenarios and where compromises may have occurred in the solution.

THE THREE WAY PARTNERSHIP

The key to the three way partnership is the fact that each party is doing what they do best, and through this efficiency a better product, with lower long run costs are delivered. The case study of Lake Creek Village provides an excellent example of how this three way partnership was crafted to develop an optimum solution to Eagle County's affordable housing problem. A summary of the project's structure, as interpreted by the strategic framework is as follows:

Figure: 5 Strategic Framework as Applied to Lake Creek Village

PLAYERS	*ISSUES* **Community Context**	**Local Attitudes**	**Development Costs**	**Project Capitalization**	**Assured Affordability**
Public Sector **Eagle County** Commissioners and Planning Staff.	Recognized need through former study. Facilitation only mandate.	Strong consensus on problem. No subsidary agency mandate.	Provided incentives for Cottonwood Dev. to write down land.	Linkage requirements incented employers to participate.	2 LCAHC seats held by county provide control over long-term rental rates. Abated property taxes reduces operating costs. Extended transit line adds to affordability
Users **Vail Associates** Cordillera Resort, Arrowhead at Vail.	Recognized need to provide housing for employees.	Strong local influence support projroct.		Purchase most jr debt provided necessary credit enhancements for institutional debt placement.	Master lease of units provides proj. stability. Seat on board assures balancing proj. needs/return on bonds/employee needs.
Entrepreneur **Corum** Primary	12 months spent learning issues, evaluating sites.	Pro-active planning process. Thorough mkt. research to stem subj. criticism.	Cost control. Teamed with knowledgeable contractor to assure on time on budget performance.	Structured 63-20 as private/public partnership. Took debt as equity position to minimize up front costs.	Management. contract renewal and return on bonds requires strong management affordability.
Entrepreneur **Cottonwood Developer** Secondary	Created demanding approvals process for PUD.		Wrote down land as conciliatory gesture for approvals Carried some debt on land.		Took subordinated position on land debt.

In this project, the public (Eagle County) provided facilitation to assure the project was realized. This manifested itself in one of the county commissioners, who was empowered by public mandate to take personal responsibility in assuring local project opposition was addressed and valley's community leaders understood the importance of the project to the entire region. Additionally, the public sector assisted in project capitalization by incenting the users to purchase subordinated debt (by trading housing requirements for credit enhancements), and long-term cost control through the abatement of property taxes and extension of the transit system.

The users (Vail, Cordillera and Arrowhead) provided the necessary financial inducements to attract private capital to the project and assure its realization. This approach provided housing for the user's employees without diverting company resources or requiring that they enter the property management business.

Finally, the entrepreneur provided the research and innovation necessary to assemble the project, including financing structure, market research and general strategy of how to structure the project and the non-profit. In the end, the entrepreneur's return, which came in the form of a development fee and management contract, represented a fair return on their investment but did not saddle the project with the expectation of unrealistic yields that would undermine the project's affordability.

As an ongoing operation, the structure of the project and partnership shows continued benefits. Rental rates are established by the Lake Creek Affordable Housing Corporation's Board of Directors, whose make up reflects the tripartite partnership and who base their decisions on an understanding of local market needs. The Board's total control over the rates allows enormous flexibility in times of market duress. Qualification of tenants is done on site, and is based on a simple formula that establishes rents as a pre-determined percentage of income. This simplifies the qualification process and avoids the problems caused by subtleties of definition and interpretation. In their ongoing roles, each member does what they do best: the entrepreneur manages the project, the user indirectly provides tenants, and the public offers guidance and oversight. For playing these roles, each member gets compensated accordingly. The entrepreneur receives an income stream from the management contract, the user receives a return on their investment that can be reinvested back into the community's tourism infrastructure, and the public receives a solution to their housing problem, with no ongoing cost and a minimal liability.

In the end, the solution provided by this trio of players is greater than the sum of its parts. The final product has met the community's immediate need and leveraged the collective resources of the team. The partnership's cooperation, made possible by the unique conditions surrounding the community, provides empirical support for the validity of the proposed strategic framework.

TWO PLAYER SOLUTIONS

Two player solutions are potentially more efficient, relying on the specific partnership of two of the players with the third role assumed by one of the parties.

The public/user solution as seen in the Marolt Ranch Case study, was successful because the public sector assumed the additional role of entrepreneur. With a long-term user, commitments from the Music Associates of Aspen, the project had a foundation of income. The public sector's assumption of responsibility to fill MAA's non-use periods with seasonal employees, expanded this income. However, the community's willingness to approve the general obligation bond issue and lease the land at a minimal annual cost, made the project viable but not easily. This strategy is summed up in Figure 6.

Figure: 6 Strategic Framework as Applied to Marolt Ranch

PLAYERS	Community Context	Local Attitudes	*ISSUES* Development Costs	Project Capitalization	Assured Affordability
Public Sector Aspen/Pitkin County Housing Authority (APCHA)	Strong agency in place with public funds. Experience in developing affordable projects. Growth mgt., open space, & housing plans in place.	Concern for loss of open space offset by potential loss of Music Festival. Strong visual concerns for project. Approval of bond issue.	Provided land lease to reduced capital costs.	General Obligation Bonds (G.O.B.)	Refinanced debt to reduce operating costs. Long-term land lease reduces capital costs. Experienced staff to reduce costs.
Users Music Associates of Aspen. Winter Employees	Important part of community heritage, character.			Long-term lease afforded bond credibility. Donation from key member of MAA.	Master lease of units provides project stability.
Entrepreneur (De Facto) APCHA		Pro-active issues mgt. sensitive to community visual, open space concerns .	Cost control. Used knowledgeable contractor and pre-fabricated units.		Ongoing cost savings programs include energy reduction and refinancing programs.

A public/entrepreneural solution is seen in the Crossings at Horse Ranch case study and is successful because the town of Snowmass assumed the market risk by not having a specific user lined up at the project's inception. Given the known local demand for the product type, this was a limited risk and resulted in the units being delivered at 10% below the cost required if the entrepreneur had assumed the development risk. This is summarized in Figure 7.

Figure: 7 Strategic Framework as Applied to The Crossings

			ISSUES		
PLAYERS	**Community Context**	**Local Attitudes**	**Development Costs**	**Project Capitalization**	**Assured Affordability**
Public Sector Town of Snowmass	Recognized need and significance of problem. Strong public policy for creating affordable housing.		Provided implied incentive to dedicate land. Provided $300,000 subsidy.	$300,000 subsidy. $500,000 working capital.	Deed restricted resale program. Assumed development risk.
Users (De Facto) Town of Snowmass				.	Strong demand removed market risk.
Entrepreneur Foresite (Primary)		Focus group sessions to resolve design issues.	Cost control. Used knowledgable contractor.	Conventional construction financing.	Development fee only basis.
Entrepreneur Snowmass Land Comp. (Secondary)	Pre-empted community housing mitigation w/ dedication.		Dedicated land to town.		

Finally, a hypothetical model might be a user/entrepreneur only solution, but this would most likely suffer from the lack of political will and community support that comes from enlisting the public sector. This could result in delayed approvals and reductions in the development program resulting in project abandonment or reduction in scope or increasing costs to the point that affordability is threatened.

ONE PLAYER SOLUTIONS

In some communities, an inability to enlist either of the other two parties may result in a 'one-legged' partnership, where one of the actors must carry the entire project through to realization. The following discussion examines the possibility of each player trying to orchestrate an affordable housing project on their own and the potential implications of 'going solo'. While none of these scenarios were documented in the case studies, examples of each do exist with varying degrees of success and failure.

A public sector led project has good chance of survival if the community is willing to support the project financially,and the market is deep enough to assure long-term viability. Private financing will be difficult to secure, requiring instead in tax subsidies or bond issues (which will require public approval), or government programs which may impede project flexibility during times of economic downturns. Secondly, the public sector may have to manage the project at an ongoing cost to the community for staffing and operating subsidies, putting the public sector into a role that is beyond their core competency.

User led projects are seen in communities where the public sector has not received a mandate to address the problem and does possess the resources or political will to tackle the issue. Major employers, who are faced with indirect employee costs due to a lack of affordable housing, must then develop their own solutions which might include master leasing of available units or self constructed units. This scenario results in the user assuming a housing management role that distracts them from their core business and diverts resources that would be better reinvested in the community's tourism infrastructure. Secondly, while user led solutions may solve the issue for the community's major employers, small businesses that are burdened with the same indirect employee costs, but do not have the resources as the major employer to develop their own solutions, will not be assisted.

Finally, an entrepreneur seeking to develop solutions on their own will have a difficult time without a strong public commitment for the need to work towards a resolution requires significant political will to overcome local attitudinal and contextual obstacles. Secondly, without an enrollment of the user, raising project capital can be difficult unless the developer is willing to provide significant equity, which will have to be raised with very low expectations on return if the project is to remain affordable.

In the end, the best solutions to the problem of affordable housing in amenity towns are ones that leverage the combined resources of the community's key players. A process that takes advantage of the strategic framework outlined in this thesis, will optimize each partner's contributions and returns without compromising their core strengths or appropriation of resources.

APPENDIX

A: TRENDS IN AMENITY TOWNS

B: EVOLUTION OF AMENITY TOWNS

C: HOUSING PRODUCTS

APPENDIX A: TRENDS IN AMENITY TOWNS

A number of national and international changes imply continued growth for amenity towns. The ability to balance growth pressures with an amenity town's quality of life will depend on how well community leaders and their constituents are prepared to deal with the following five trends.

WORLDWIDE GROWTH IN TRAVEL AND TOURISM

The role of tourism in the U.S. and world economy is well documented. The major findings of this research are:

- An increasing number of travel related person-trips each year for the past ten years[57].
- An increasing trend to shorter distance/ shorter stay travel.
- Shorter trips, more often, generally three days and two nights
- Decreasing party size during travel
- Increasing diversity of travelers' wants and needs.
- Increasing demand for a combination of value and uniqueness.
- Increasing importance of shopping and dining.

Projecting the implications of these trends for amenity towns, one can estimate that travelers will spend less time more frequently at destinations providing easy access and a diversity of recreation, sightseeing, and environmental qualities. One can further speculate that tourism growth is imminent for amenity towns that are easily accessed, offer a broad cross section of recreation and cultural experiences, and provide a sense of uniqueness through their physical character and the types of shopping and dining experiences they offer as entertainment. The growth of the latter component will require increasing levels of qualified employees and local owners who add to the unique qualities of an amenity town's character, while providing good service to value conscious/ experience demanding customers.

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57 World Trade Organization.

EVOLUTION OF LOCATIONALLY FLEXIBLE BUSINESSES

Another significant trend in amenity towns is the emergence of successful entrepreneurs leaving their urban locations for Amenity Towns, and maintaining their careers through new communication technologies.[58] Research conducted by Robert Charles Lesser and Company (RCL) in 1994 brought forth the terms '*locationally flexible professionals*' or '*flexecutives*'. In a 1994 study of South Walton County, RCL noted that flex-executives "have high incomes and drive-up housing pricing, making current affordable housing unaffordable". They also noted that "flexecutives provide year round employment and create demand for year round services such as banking, delivery, copy services, clerical, accountants, temporary help and shared office space."[59] The Center for the New West, a Denver based think tank states that the average flex-executive "*spends $100,000 per year on support services in a community. They will usually work from home or small offices, which may become a critical element of future affordable projects*".[60]

National businesses using 'location flexibility' afforded by information technology to locate in amenity towns include Mrs. Fields Cookies, an international retail enterprise headquartered in Park City, Utah. Each day totals for sales, inventory and supplies are communicated to company headquarters via modem and fax, and the next days sales goals are transmitted back to managers before they open.

This growing phenomenon means that amenity towns that can attract and retain flexecutives, have the ability to expand their local economic base beyond traditional one or two dominant employers, and round out seasonal income levels. This trend also has

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58 Jordan Bonfante, "Sky's the Limit." *Time Magazine* (September 6, 1993) p 23. and James G. Wright, "Resident's Fear Utah Ski Town is Going Downhill," *Los Angeles Times*, December 6, 1993, p.5.

59 Robert Charles Lesser and Company, "Summary of Impacts and Major Concerns from Study Export and Derivative Industries as well as Solutions, and/or Benefits to Economic Development Opportunities in South Wlaton County Florida", 1994.

60 Center for the New West/ James Kent Associates, unpublished paper, May 1994.

implications for new types of housing products that need to be required (work/office combinations), an potentially new source of sophisticated local volunteers and board members, but also given the higher incomes of many flexecutives, an increase in the price escalation dilemma.

RENEWAL OF RURAL MIGRATION

The graying of America, the flexibility afforded by information technology, and a select few's accumulation of wealth in the 1980's has fueled a renewed shift from metropolitan areas to rural communities. In its May 1994 cover story, American Demographics documented the significant national migration to rural counties, especially those areas with a high combination of recreation and lifestyle qualities such as warm weather, beaches, ski resorts or casinos. The article also noted the powerful impacts of the Californian exodus to small towns in Arizona, Nevada, Oregon, Washington, Utah, and Idaho[61].

At a recent conference on Resort Revitalization, Myles Rademan, former Planning Director for Crested Butte, Colorado and Park City, Utah, described what he calls the *'Bright, White, Fright Flight'*: educated, white adults leaving the city and moving to amenity towns because of their fear of crime, exasperation with school systems and local governments that don't work, and the general perception of a declining quality of life in their current locations.

All in all, 880,000 people relocated from April of 1990 to July of 1992 to non-metropolitan counties; those counties with no major urban hub. And those counties receiving the most growth were the 288 counties defined as recreational and retirement counties.[62]

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61 O'Malley, Sharon "The Rural Rebound." *American Demographics* (May 1994) pp. 27.
62 Ibid, p. 29.

CHANGING AMENITY TOWN DEMOGRAPHICS

In a 1992 Real Estate Finance Journal article, Vail investment manager and author Jeff Bowen noted the four resident groups that make up Vail, Colorado's population.[63] The residents ranged from transient workers in town for a break from college to permanent retirees that had made a conscious decision to relocate and settle Vail. Bowen's descriptions include:

> *Seasonal Employees* are those "employees that come for the resort season as a year off after college or intending to return to the 'real world' after the season. These are wonderful people who will take most any job and will tolerate being stacked four to a two-bedroom apartment".

> *Seasonal Employees Who Stay* include members of the first group that "determined returning to the real world could wait another year. Members from this group find off-season jobs and begin to put down roots in the community. This is the group for which low-cost but good housing is the most critical."

> *Young Permanent Residents* are comprised of "people in their late twenties or early thirties, who generally have two relatively secure jobs, are living in a condominium or townhome and have established a relatively permanent life in town. This is also the group that has small children and requires day care. Although this group has generally found living quarters on their own, few own property and most are frequently at the mercy of landlords". It can be inferred that many of the people in this group work in the public sector or local businesses as managers, teachers, professionals or jobs with less seasonality.

> *Lifestyle Retirees* are generally "middle-aged, married or recently divorced, have some assets and have lived in the real world with a career. They have the independence to forsake the real world and start fresh in an amenity town".

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63 Jeff Bowen, "Resort Employee Housing-A Case Study." *The Real Estate Finance Journal* (Winter 1992), pp. 69-75.

The significance of these classifications is their implications for determining a community's housing needs. One of the most prevalent trends in amenity towns is the shift from once high populations of young Seasonal Employees to more predominant populations of Young Permanent Residents. This shift has gone unnoticed in many towns, where for "*many community decision makers, the legacy of the ski bum live(s) on long after the ski bums themselves are history.*"[64]

The significant aging of local Amenity Town populations, requires new housing types that may not reflect existing stock or programs. The Aspen Pitkin County Housing Authority has noted that of the 1400 units built during the past ten years, very few of the existing units are appropriate for the community's most pressing need: single family housing for young families.[65]

In addition to Bowen's article, The Center for the New West has defined five categories of migrants relocating to Amenity Towns.[66] Using a theme of humorous wildlife monikers consistent with the local ecology, these categories include:

Lone Eagles - freelance knowledge workers who are tied to workplaces around the world via computer, modem, fax machines, express mail and an airport.

Wise Old Owls - migrant retirees who settle into a community, bring financial assets as well as skills and experience that could enrich the community.

Country Hawks - are people motivated by a desire to get closer to the land and live a 'rural' lifestyle.

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64 Kurt Culbertson and Judy Kolberg, "Worker Housing in Resorts: Aspen's Experience." *Urban Land*, (April 1991) p 12.
65 Tom Baker.
66 Center for the New West/ James Kent Associates, unpublished paper, May 1994.

Homing Pigeons - are Country Hawk wannabees who can't adjust to the life in a small town.

Hummingbirds - are upscale immigrants who fly in and out of a community sucking the nectar of its amenities without supporting the needs of its roots.

These typologies help substantiate RCL's flex-executive analysis, and Rademan's prediction of an ongoing Bright White Fright Flight. Implications of these classifications include the Center's notations that "*one new wise old owl household provides the equivalent economic impact of four factory jobs, or that many country hawks will start small businesses and become very involved in community efforts (volunteerism, schools, social events)*". On the other hand, homing pigeons are noted for "*providing seasonal labor for a year or two and then returning to metropolitan areas.*" For this reason, the Center warns that amenity town in-migration may be only partially permanent. "*In assessing affordable housing needs, it is critical to distinguish 'Country Hawks' from 'Homing Pigeons'*". A large influx of Homing Pigeons may temporarily increase the demand for affordable housing, which will be reduced in several years upon their departure.

REDISTRIBUTION OF NATIONAL WEALTH

In addition to community and economic growth due to increased travel and tourism or the in-migration of new residents, amenity towns are reaping the benefits of the extensively documented fact that baby-boomers are reaching their peak earning years. In one of real estate's most widely predicted trends, a boom in second home ownership, often cites boomers' increased earning power, search for sound investment opportunities, and the desire to purchase real estate in vacation settings.[67] If this prediction comes true second home development will expand its already significant contribution in amenity town growth.

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67 John Hawks and Faith Nevens, "Follow the Baby Boom into Resort Development", *Development Magazine*, (November December 1991), p.13-17.

developed during the 1980's. In a 1991 analysis[68] of the distribution of American wealth, inequities in purchasing power resulting from tax changes in 1982 and 1986 has allowed the top 1% of Americans to increase their purchasing power by 2,148%, whereas the first and second quintile of earners increased purchasing power by only 6.9% and 4.4% respectively.

In certain Amenity Towns such as Aspen, Colorado, the October 1987 stock market crash changed local real estate pricing forever. Prior to 1987, the town had seen moderate appreciation in housing prices, as major investors throughout the country made their fortunes in the escalating equities market. However, with the October crash, investors withdrew from the stock market turning instead to hard assets such as collectibles and real estate. Since 1987, Aspen real estate prices have appreciated from an average price of $500,000 to $1.5 million in less than 7 years.

SUMMARY

Significant changes in tourism, national demographics, income, and work habits will result in continued growth pressures for amenity towns. The ability to effectively protect a community's quality of life without stifling local prosperity will require the ability to monitor and rapidly address the impacts of these trends. This means that while amenity towns traditionally have small governments and limited data resources, accurate and timely information systems are a critical tool for communities trying to manage their own destiny.

68 Charles Fraser.

APPENDIX B: EVOLUTION OF AMENITY TOWNS

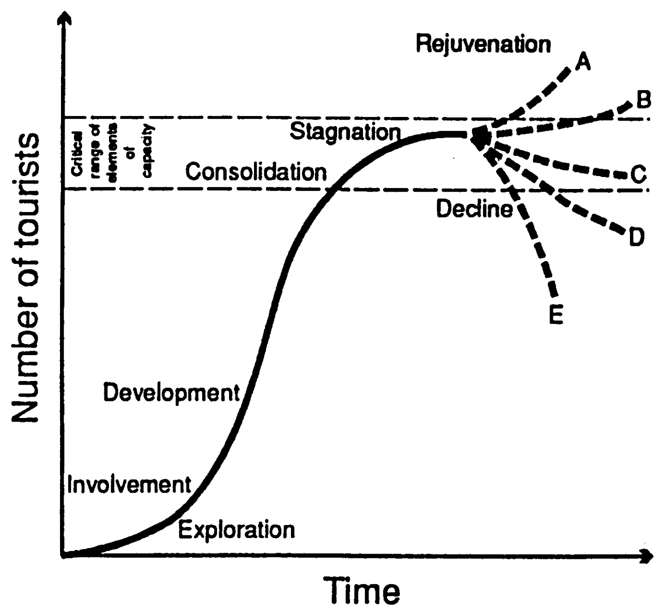
Amenity towns trying to develop affordable housing initiatives must identify potential solutions before the issue reaches a crisis state. Early recognition of potential shortages allows the community to develop policies that prevent the depletion of existing stock or create new programs before escalating land prices lead to insurmountable public costs. Where strong public sector involvement is undesirable, early recognition of shortages will help communities develop 'carrot and stick' approaches for private-sector solutions, before the development community gets too strongly entrenched.

As a way to identify the trends and indicators of potential housing shortages, the following section examines two existing resort and amenity town evolutionary models, and combines them in an expanded framework called the Amenity Town Evolutionary Framework. This provides amenity based communities a tool to evaluate their current stage of development, and their potential for a affordable housing shortages at some point in the future.

BUTLER'S RESORT CYCLE

Initial documentation of the resort life cycle is credited to Richard Butler's 1980 article in Canadian Geographer in which Butler "*...conceptualized an evolutionary cycle which described the development of a destination areas in terms of a series of life stages, defined by visitor numbers and infrastructure.*" The concept looked at resorts that have evolved over time in areas with high amenity values and shifted the common practice of reviewing resorts historically to the concept of product life cycles. In Butler's analysis, tourism is viewed as the product and number of visitors equates to sales. Butler "applied the natural distribution of the product life-cycle, and used it to explain the evolution and potential decay of tourist destination areas over a long time-span. In his final conclusion, Butler asserted that "*unless more knowledge is gained, and greater awareness developed on the* *processes that shape tourist areas, many of the most attractive and interesting areas in the world are doomed to become tourist relics.*"[69]

Figure 8: The Resort Cycle



Butler's six stages of development include:

1. *Exploration* - characterized by a few adventurous tourists visiting sites with no public facilities.
2. *Involvement* - limited interaction between local residents and the developing tourism industry creates the provision of basic services. Increased advertising fosters a definable market and seasonal variation.
3. *Development* - marks the expansion and development of additional facilities. Greater control of the tourist trade is taken over by outsiders, and peak tourist traffic outnumbers the local population.
4. *Consolidation* - tourism is now the major part of the local economy, but growth rates taper off. A well delineated business district has taken shape, and some older facilities are considered second rate. Local efforts begin to extend the tourist season.
5. *Stagnation* - numbers of tourists peak as capacity levels are reached. While the resort may have a well established image, it may be falling from fashion.
6. *Post Stagnation* - consists of five probabilities depending on local management decisions. The five probabilities range from complete economic decline to rejuvenation.

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69 Taken largely from a summary of Butler's work by S. Agarwal, "The resort cycle revisited: implications for resorts", (Progress in Toursim, Recreation and Hospitality Management, May 1994), p. 196-197.

RESORT DEVELOPMENT ISSUES MATRIX

Another model that examines the evolution of resort communities has been offered by Bill Kane at a series of conferences throughout the western U. S. Kane, a former planner for Pitkin County, Colorado. and now a Partner with Design Workshop[70], bases his model on extensive experience as a planner addressing the issues faced by maturing resort communities. Unlike Butler, who looked at seaside resorts that evolved from natural amenities or small towns, Kane's model looks at resorts that begin with undeveloped sites and are constructed over time as both real estate developments and recreational operations. As these developments evolve, their focus shifts from investment and return to the making of a full fledged community. Hence the following "Resort Development and Evolution" matrix documents the four stages evolution from resort to community, and the goals, issues, and decision makers that accompany each stage of the process.

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70 A Colorado based planning and design firm specializing in mountain resort community issues.

Figure 9: Resort Development and Evolution

Stage	1	2	3	4	5
	Raw Land	**Initial Master Planning**	**Land Development**	**Resort Development**	**Community Development**
Community Goals	Feasibility	Infrastructure	Create Bed Base	Establish Stable Market	Quality of Life
Community Issues	Regional Access	Roads, Water, Sewer	Architectural Image	Resort Image	Education
					Growth Control
	Land Capability		Product Mix	Season Extension	
	Development Concept		Sales and Marketing	Increasing Visitor Growth	Affordable Housing
					Air/ Water Quality
					Open Space Preservation
Decision Makers	Land Owner	Owner/ Technical Team	Project Developers	Resort Operators	Public

While Butler's research focused on a resort's ability to sustain its base of tourists, Kane's model looks at what issues resorts need to address as they grapple with developing a high quality of life and a real community. While Butler advocates addressing the quality of the tourist experience to protect an amenity town's fortunes, Kane advances that developers and community leaders need to address community issues if they want to expand the town's draw as a place to visit and live.

THE AMENITY TOWN EVOLUTION MODEL

The Amenity Town Evolutionary Framework, developed for this thesis, combines Butler's concept of a resort's product life cycle (commodity based) with Kane's analysis of a resort's role in community development (issue based). The resulting model, originally introduced in Chapter 3, consists of four stages: Origin, Emergence, Crossroads and Maturation The first two stages reflect the town's initiating forces that over time will give way to alternative evolutionary paths. As in Butler's model, poor decisions or a myopic view of community needs during the final phases will lead to decline of the local economy through the erosion of the community's character.

STAGES OF AMENITY TOWN DEVELOPMENT

The following describes the evolutionary model for amenity towns, shown in Figure 4, page 28.

Origin

Amenity Towns can trace their roots back a variety of origins, as in Butler's Exploration phase or Kane's Raw Land Stage. During this stage few facilities exist and the focus is on establishing the vision and momentum for the amenity or resort. Important to this stage, and not evidenced by either Butler or Kane's model, are the root sources of Amenity Towns: Catalyst, Discovery, or Masterplanned Development.

Catalyst represents a the visionary beginnings of a single resort or amenity created to serve as a destination, drawing tourists through its own power. Historic examples such as the Biltmore Hotel in Phoenix, Arizona and the Stanley Hotel in Estes Park, Colorado demonstrate how a developer's vision of a single facility became the catalyst for an extensive local trade.

Discovery is similar to Butler's first stage of Exploration. An existing town that is either functioning or has been all but abandoned, sits within a great natural setting. and discovered by a new group of settlers or tourists. This group creates renewed growth through in-migration, the construction of a new amenity, and revitalization of existing facilities. Many of these locations were based around natural resource economies[71] such as Park City, Utah (former mining community until skiing was introduced in 1970) Sand Point, Idaho (former logging community), or Sedona, Arizona (a small town set in a spectacular National Forest preserve).[72]

Masterplanned Development correlates to Kane's model and has evolved has the predominant origin for new amenity towns over the last 30 years. Due to a development process that requires establishing a marketing based image, many of these communities lack the ambiance of amenity towns that evolve over time. However, examples of amenity towns that have grown to develop their own unique character are Sea Pines Plantation on Hilton Head Island Seaside in Walton County, Florida.

Emergence

With success achieved at either the macro (master planned level) or micro (individual lodging, restaurant, and attraction development) amenity towns 'emerge' as substantial places to visit or live. Synonymous with Butler's Development phase or Kane's Land Development phase, this stage is characterized by an increasing number of tourists as new facilities are developed and the resort infrastructure (jobs, bed based, shopping, etc.) are expanded. Other indicators of this phase include an increase in permanent resident populations, and the development of civic or cultural organizations that start to stabilize the sense of community. Consistent with the merging of evolutionary paths, the three sub-origins of Amenity Towns give way to two alternative development routes:

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71 Myles C. Rademan
72 Patricia Gober, Kevin McHugh and Denis Leclerc, "Job Rich but Housing Poor: The Dilemma of a Western Amenity Town." *Professional Geographer* (February,1993), pp. 13.

Agglomeration/ Expansion uses the Catalyst (single resort or amenity) as the impetus for the addition of other tourism related facilities either on site or as competitors. A successful first phase for towns evolving from the Masterplanned Development origin will continue to expand with new phases of development. During this time, both models will see the addition of new lodging facilities, shopping, and restaurants, as well as primary and secondary homes. All of this activity forms the basis of the significant real estate led economy.

Gentrification is unique to the Discovery origin and relies on renovating and expanding the existing building stock while also fostering infill development to provide missing services and businesses. Because most Discovered amenity towns already have some form of government in place, decision making may be less streamlined than in the other two origins. At this stage, the primary focus is on community growth and not preservation of quality of life. As with Agglomeration/ Expansion, real estate speculation and development is a critical component of the town's economy.

Crossroads

Crossroads is the stage where future the community's quality of life is determined not by edict, but by the way the community sets its priorities and develops the tools to monitor its health. During this stage all amenity towns, regardless of origin, begin to develop a broad based community approach to issue resolution. It is also at this point that increased housing demand, in the presence of either policy or physical constraints, begins to drive up the price of real estate.

Indicators for an amenity town entering the Crossroads stage include an active permanent resident population, considerable locally owned businesses and enterprises, and a shift in power from a limited group of property owners to a larger body of residents.

Signs of community erosion, on the other hand, are a loss of locally owned businesses, active conversion of long term residences to short term rentals, increasing traffic and parking problems, rapidly rising real estate prices, declining enrollments in schools, and a decline in civic organizations participation.

Healthy amenity towns, who have steered through the Crossroads stage, pro-actively developed a long range community vision to provide a decision making context for issues of growth management, open space preservation, affordable housing, and commercial development. Addressing these issues early in a community's life, using an integrated approach, will increase the prospect of continued prosperity and economic diversity. However, ignoring these issues can lead to a long term erosion of the community's economic and social base, even though outward appearances may indicate a healthy tourist trade and expanding retail trade.

Maturation

Maturation of amenity towns manifest themselves in three potential forms ranging from a sustainable pattern of growth and activity to the evolution of a 'shell community' that represents a soulless playground for the wealthy. Important indicators of amenity towns that have entered Maturation are an increasingly long tenure of local residents, a stable number of tourist visits, an aging population of local residents, the evolution of businesses no longer dependent on tourism, and the provision and availability of business services typically found in metropolitan areas.

> One of the three Maturation eventualities results from a lack of constraints during the Crossroads phase, which allows growth to continue unchecked until such time as the carrying capacity of the land is exceeded or the community's existing infrastructure can no longer support new development. Communities that seek their own level of development through laissez faire growth management result in declining qualities of life, akin to one of Butler's Post Stagnation alternatives.

Another eventuality is for the Amenity Town that constrains growth, but does not address other community issues concurrently. This scenario results in preservation and most likely appreciation of real estate values, but the loss of the community. The resulting 'shell town', where few full time residents and local businesses remain, will ultimately result in declining economic and social vitality.

The final scenario is the amenity town that develops integrated programs of growth management and open space conservation, economic development, alternative transportation, community-wide day care and affordable housing under the umbrella of a larger community vision developed at the Crossroads stage. This holistic approach assures a sustainable community with the combination of locally owned businesses, active and vital community programs staffed by local residents, and a broad cross section of amenities and lodging.

SUMMARY

Over time an amenity town that develops a broad diversity of local businesses can reduce its economic volatility only if community wide quality of life issues are considered as a part of the town's long range economic agenda. Without an understanding, of the linkage between community health and economic sustainability, an amenity town will focus only on visitation numbers and real estate values. This myopia will ultimately lead the community to face a paraphrased version of Butler's assertion: "*doomed to become a tourist and community relic*".

CASE STUDY: EVOLUTION OF ASPEN, COLORADO

Introduction

In any discussion of resort communities, the word Aspen will garner either cries of derision or avid support for what a resort community can be. This ideas and conflicts that this small town (1993 population 7,000)represents, brings out the strongest emotions of planners, social scientists and even tourists as an example of the best and worst in resort and community development .

Considered by some to be a working example of how progressive community ideals and social programs can work, for others Aspen, Colorado has become synonymous with the wretched excesses of wealth and symbolic of a community where the shameless resort and real estate industries have killed the proverbial 'golden goose'.

Geographic Setting and Access

Aspen is located in southwestern Colorado, along the western slope of the Rocks. As with many Colorado mountain communities, the geomorphology of the region determines the settlement pattern, and the population of Aspen and Pitkin County is concentrated in the Roaring Fork River Valley, a broad, picturesque river valley that is hemmed in to east, west, and south by magnificent snow-capped mountains. This physical constraint creates a 40 mile long linear development pattern that begins in Glenwood Springs (3 hours west of Denver via I-70) and terminates in downtown Aspen. Along the route small ranches and bedroom communities such as Carbondale and Basalt once provided less developed and more affordable alternatives to valley residents.

Aspen is accessed via State Highway 82, a two lane roadway which is currently undergoing a widening program to improve access and safety. The defeat of original plans to widen the highway was considered a victory at one time, as it seem to assure that without improved access, Aspen could not grow beyond its idealized small town character. However, regardless of the lack of additional lanes increasing down valley migration and the attendant commuting patterns has created enormous traffic and environmental impacts. Aspen is also accessible from the south, via Independence pass, which is closed from September to May due to snow. However, due to Aspen's allure and stature with international tourists, air travel provides some of the town's greatest and most readily available access.

A Brief History of Aspen

Within the framework presented in this appendix, Aspen provides a colorful example of an amenity town whose founding, prosperity, failure, and rebirth exemplify the boom and bust history of the west and the role resorts and recreational amenities can play as economic development tools. As the town's fortunes have reached legendary proportions, the inevitable community's inevitable choices between growth and quality of life have made Aspen a laboratory for amenity town planning and management.

Aspen began like many western amenity towns, with its roots in natural resource development. In 1879 a small exploration party seeking silver arrived at the current town site and less than one year later, the Aspen Town and Land Company (ATLC) was formed by Philadelphia Investors. Shortly thereafter, the town's first subdivision was laid out at the foot of Aspen mountain, with the ATLC selling their first lots to existing residents for $10 each. The town incorporated in 1881, and "in spite of its isolation, ... Aspen had an air of respectability that was unusual in such a young mining camp. Churches, schools, family homes, and cultural events paralleled the proliferation of businesses and saloons". (page 18). Rapid growth persisted, by 1883 2,000 residents made Aspen their home and in the first five years of operations one mine produced over $11 million in revenues. With millions of dollars being made from mining, mansions soon began to spring up around town. By 1893 the town's population reached 10,000 until the demonetization of silver resulted in the loss of over 30,000 mining jobs in Colorado alone. Eighty percent of Aspen's enterprises went bankrupt, families moved out of town and the mines closed forever.

The population of Aspen shrank as quickly as it had grown, from 0 in 1879 to 8,500 in 1894; then down to 3,303 in 1900; and finally only 300 residents during the depths of the Depression in 1930. With the end of the Depression, Aspen entered its new era as a resort. Walter Fiske III, the 1936 Olympic and American bobsled champion, came to Aspen on the invitation of local businessmen to see the town's potential. Fiske was quickly captivated by the town and convinced of its potential as a winter playground. He immediately formed a development entity, commissioned the services of a Swiss engineer/mountaineer and an Italian skier to create a plan for skiing. Moving at a rapid pace, the Fiske's Highland Barvarian Lodge opened in Dec 1936, and in 1937 the Colorado legislature approved a $650,000 bond issue to construct an aerial tramway up the mountain. Even in its early days, word spread that Aspen provided the most exciting skiing this side of the European Alps, and although it only had one run and a primitive lift, Aspen quickly became a mecca for skiers. This kind of notoriety provided the town an early start on its journey to international acclaim and legendary status among the world's great resort towns.

During the early 1940's Aspen was quiet until at the end of the WW II Chicago Industrialist Walter Paepcke assumed the role of Aspen's visionary patron. Arriving in Aspen in 1945, Paepcke "was captured by Aspen's indefinable magic. A man of unusual acumen and vision, what he saw was not Aspen's shabby present, but its future potential." (p.46) "In addition to building a corporate empire (the Container Corporation of America), Paepcke had long since been involved in the intellectual and cultural life of Chicago. He was deeply influenced by the Greek concept of the complete life: a combination of work, play and educational leisure. In the sleepy little hamlet of Aspen, Paepcke saw the ideal setting in which this model of the perfect life might become a reality." Paepcke also understood the necessity for an economic base in Aspen, and it seemed that skiing could provide the level of economic stability that was needed to achieve his other goals. Enlisting individuals with significant wealth, the Aspen Skiing Corporation was formed in 1945 and included such notables as Conrad Hilton and William Patterson, the head of United Airlines.

Paepcke's vision manifested itself in his uncanny ability to organize truly remarkable events in such an isolated town. In 1949, a gathering of the world's intellectual leaders was held in Aspen to celebrate the bicentennial of German poet, artist, and critic Herman Goethe. The event gave reason to renovate the Wheeler Opera house, closed since fire gutted it in 1912. In another part of town, Paepcke had commissioned Eero Saarinen to design a 2,000 person amphitheater and tent structure for concerts and gatherings, at a cost of $55,000. Similar ventures for the development of the Aspen Summer Music Festival, the Music School and the Aspen Institute were all developed under Paepcke's vision.

By 1960 Aspen had become a marketable commodity, and savvy investors who saw the potential of the community's name wanted to get benefit from its exposure. The Aspen Skiing Corporation experienced a series of ownership changes, being sold in 1978 to Twentieth Century Fox, then again in 1983 and 1985. As recently as 1993 another change of stock put the vast majority of ownership into the hands of Chicago's Crown family.

Growth, Development and Housing in Aspen

In the context of Kane's resort development cycle (appendix B), Aspen provides a historical view of an amenity town that has dealt with the issues of tourism-led development longer than most. Growth, the primary focus for Aspen in the 1940's and 1950's gave way to quality of life issues and growth management legislation by 1977. As a community with no zoning regulations in 1955, has grown into one of the nation's most restrictive development environments in less than 20 years time.

Aspen's first zoning regulations were inadequate by the 1960's when developers began capitalizing on the commodity value of Aspen with a condominium boom. New buildings were constructed that were sorely out of scale and character with the local vernacular. The genesis of the current employee housing shortage began as "*employees who lived above shops found themselves homeless in the wake of one more condominium*".

In 1966 an Aspen Area Master Plan was adopted to guide regional growth. By establishing planning and zoning boards concurrent with adoption of the new master plan, the town hoped to strike a balance between unmitigated growth and reasonable prosperity. By 1970 a period of new development was occurring and the focus shifted from immediate development to long term planning of Aspen's future. Open space acquisition by the town gained prominence, and seemingly overnight purchases were made by the public sector to thwart proposed development from ruining key pieces of the town's character.

In 1973 County Commissioners rezoned the entire county, changing what had allowed lot sizes of 1/4 acre per house to new standards of 30 acres per unit. Other changes were instituted that included construction of the downtown pedestrian mall, removing parking and closing off easy vehicular access to many businesses. Over the complaints of businessmen who predicted that zoning changes and the pedestrian mall would kill the local economy, Aspen's property market continued escalate. "*To the dismay of those that wanted to save Aspen, selling Aspen became more desirable. After saving the land so that ranchers could live in peace, many ranchers chose to sell their land so they could live in luxury*".

In 1977, the town imposed its most restrictive measures to date; the new City/ County Growth Management Plan. The plan established the maximum population of 30,000 permanent and visiting residents for the community. In order to allow for growth in an orderly, and controllable fashion, the town limited the number of annually issued building permits to a fraction of a 1976 base year permits. This cap on permits created an effective growth rate of 3.4 percent annually, leading to a predictable build-out of the community. Although the plan succeeded in slowing growth, its adoption coincided with rising property values creating a viscious cycle of rising rents and limited supply. By 1978 there was a community wide shortage of employees, and both the city and county began to seek ways to incent developers to build low cost housing. By 1979, Aspen had the country's highest cost of living, more than any other city in the Continental U.S.

During the early 1980's Aspen wrestled with community issues and began to build employee housing through the newly created Aspen Pitkin County Housing authority. The recession of the early 80's and a lucrative stock market removed some of the development pressure from the community's real estate market. However, in 1987, with the crash of the stock market and the results of TEFRA, the 1986 tax reform act, a new phenomenon was felt in the community. Wealthy investors, sensing a declining stock and real estate market, began to invest their gains from the 1980's in large mansions located in Aspen. "The late 80's was not so much a period of growth for Aspen as it was a period of change." Multi-million dollar mansions began to show up for approval on a regular basis, and their applicants read like a list of Who's Who; Leslie Wexner, Michael Eisner, Michael Douglas, and Jack Nicholson. The ability to pay vast sums of money for land, only to build 20,000 sf seasonal homes radically changed the character and pricing of Aspen's housing. It was during this time that the average price of homes located in incorporated Aspen went from a 1987 average of $500,000 to a 1994 average of $1.5 million.

In January of 1993, Aspen published its updated Aspen Area Community Plan: the culmination of a three year community wide effort to envision Aspen's future and articulate guidelines that will assure this vision is achieved at community build-out. The Plan takes a very aggressive approach to affordable housing, armed with the community's concern that from 1987 to 1993 the town's local resident workforce dropped from 60% to less than 37%. Recognizing this change, and "the belief that the kind of vitality brought to Aspen by its full time residents is being seriously diluted by the inability of working people to live in their town", the Plan states the following objective in the Housing Action Plan:

"*We believe there is a 'critical mass' of local residents needed to sustain a community and that the situation preceeding 1987 represented a desirable balance between resident workers, second home owners and the resort economy. A falling percentage of local working residents tends to feed on itself, producing more demands for investment in commuter facilities that make living down valley more attractive while eroding the volunteer organizations and cultural and commercial base necessary for retaining a working community." "Our goal is not to house everyone who would like to live here or even all of those who must work here, but rather to strike a balance between a ghost town where the work force disappears at night and reappears each morning and a company town where only those who work in town live there." "To the extent that this community wants to preserve its identity as more than a resort, a collection of second homes and a traffic catastrophe, it will have to work together to provide opportunities for its workers to become a permanent part of the social fabric.*"

The Aspen Pitkin County Housing Authority

In the late 1970's the community established the Aspen Pitkin County Housing Authority, through a joint intergovernmental agreement between the City of Aspen and Pitkin County. The Authority is charged with developing, managing, leasing and selling affordable units for qualified employees.

The agency is funded through revenues earned by its rental properties, and any operating deficits are guaranteed to be subsidized by the City and County in equal proportions. Two other revenue sources include a City of Aspen dedicated \$.0045 sales tax, which in 1993 generated \$1.3 million in revenues; and a 1% Real Estate Transfer Tax (RETT) which netted an additional \$1 million in 1993.

Since the authority's inception in the late 1970's, it has overseen or assisted in the development of over 1400 units of affordable housing within Aspen and Pitkin County. Of this total approximately 1/3 of the units are for sale as deed restricted ownership units, and 2/3 are deed restricted rental units. The APCHA manages approximately 275 rental units, and acts as the clearinghouse for all remaining units, qualifying applicants, providing counseling and advice to tenants and helping newcomers find housing with either established tenants or newly available units.

The authority currently has a full time staff of 9 employees which include:

2 Maintenance personnel
2 Property managers
1 Sales manager (handles all transactions of for sale units. Real estate agents are not required to sell affordable units, and the APCHA takes a 1-2% commission for handling the transaction).
1 Director
1 Project Manager for new project development
1 Issues manager
1 Office manager

As evidence throughout this thesis, the staff and mandate of the APCHA is actively engages in resolving Aspen's affordable housing issue. However, even with the agency's success, it is not without its concerns. Some citizens feel that while the program started as a valid solution to assuring the perpetuation of community diversity, it has gotten too big and too focused on trying to provide housing for *everyone*. What started out as a closely monitored program that linked job creation with new housing construction, appears to some, to have lost the community's scrutiny and is focused only on simply building more affordable units.

To their credit, however the APCHA takes its job very seriously, and sees its role as much a service provider to the community as a developer or manager of affordable housing. A bulletin board at the agency's door acts as a clearinghouse for newcomers to find housing or roommates, and the staff are extremely helpful and service oriented.

Summary

In the context of the previously presented evolutionary model for amenity town, Aspen portrays an community that grew out of a classic western 'boom and bust' resource based economy. The concepts presented in Chapters one and two of this thesis, such as the shifting power base and expanding group of stakeholders in maturing amenity towns is evidenced by the change of community influence from individuals such as Walter Fiske and Walter Paepcke, to the community based development of 1993 Aspen Area Plan Update. Throughout all of Aspen's success, one can also see the importance and clarity of a larger guiding vision: '*the Aspen idea*' that forms the foundation for all issues that require balancing quality of life decisions. One can also see clearly in this case, how the enormous changes in national income impact amenity town real estate markets, and can undo even some of the best of community housing plans. As Aspen nears build out and concurrently wrestles with its ability to regain its resident diversity, amenity towns throughout the world will be watching.

APPENDIX C:AFFORDABLE HOUSING PRODUCTS

Matching the correct housing product with current housing needs in amenity towns requires interpreting community wide demographic trends. Extensive market research to develop both the correct product type and desired features is essential when seeking institutional investors for affordable housing development. Potential affordable housing products include:

Single Room Occupancy (SRO)

Used primarily for the Seasonal Employees, SRO's can be dormitory style accommodations or studio apartments. In some amenity towns seasonal employees are not considered to be an issue, because of their willingness to 'live anywhere' or bunk 4 to an apartment. However, from a community viewpoint, the prospect of apartments crammed full of 'couch surfers' or living in campers parked on public streets is not acceptable. Consequently, SRO's have developed as cost effective way to handle seasonal employee needs, while also creating off season low cost lodging for elder hostels programs, budget conscious business conferences, and off-season festival staff required to round out resort seasonality.

Apartments

Best suited for 'Seasonal Employees' and 'Seasonal Employees Who Stay', most effective apartment development programs include two bedrooms and two baths, set up to be shared by two non-married individuals. The income stream generated by apartments also makes them the most flexible for finding long term permanent financing. However, in amenity towns where large complexes (75+ units) have been developed, the resultant impact on the community has created resistance to all new types of projects. Unfortunately, from a development perspective, it is the size of an apartment project that provides the economy of scale in both construction and management necessary to achieve more affordable rates.

Townhomes

For sale or for rent, Townhomes begin to fill the need of housing for Young Families. Over time, growing families currently occupying affordable apartments will seek and find larger housing products, creating a chain of affordable move-up opportunities for other families. If structured correctly townhouse programs can access federal and state incentives., and because of they can be built in smaller increments (15-40 units) the neighborhood impact and community resistance can be minimized.

Live/ Work Products

Hybrid products[73] that combine housing above a storefront or loft type work space are increasingly popular in amenity towns for 'Lone Eagles' and Wise Old Owls"[74]. Because they combine workspace and housing, they provide an attraction for entrepreneurs and artisans that add to the local economy and community character. They often take advantage of lower priced industrial sites that are hard to develop for large office or business, providing good use of that land and better pricing for the product.

Single Family Detached Housing

One of the most difficult products to successfully develop without significant land buy-downs and subsidies is single family housing. However, in many maturing amenity towns this is one of the most critical housing products "required to retain the community's intellectual property"[75] of tenured residents and business people, who need more living space than can be provided by an apartment or townhouses.

Accessory housing units (AHU's),

Commonly known as granny flats, caretaker units or mother-in-law apartments AHU's are often cited as a free market solution to increase employee housing supply without

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73 Urban Land Institute, "Second Street Studios," *Project Reference File* (Oct-Dec 1990)
74 See Appendix A.
75 Tom Baker

government mandates or requirements. Typically an apartment of 400-750 sf, the units are constructed in conjunction with a larger seasonal residence and then deed restricted into the local employee housing pool. Developed by the private sector and incented by the public sector with waivers of tap fees or exemptions from zoning variances, this win-win strategy allows construction of scattered site units at no cost to the community, while the property owner gets offsetting income and a caretaker for their property. Limited drawbacks include the fact that many AHU residents do not feel a part of the community, because they may be occupying one small unit within a neighborhood of vacant seasonal mansions.

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