Housing Steering Committee Meeting #2 - Read-Ahead Packet

Meeting Details

Date: Thursday, September 4, 2025
Time: 11:30 AM - 2:00 PM (lunch provided)
Location: 230 N Bluff St, Lake City, CO 81235
Facilitators: Western Spaces, LLC, Proximity Green, Dynamic Planning & Science, Triple Point Strategic Consulting

Meeting Purpose

This second Housing Steering Committee session focuses on reviewing and refining the four core housing strategies and their associated actions. The first half will review Strategies 1-3 (policies, existing stock, and development). The second half will focus on Strategy 4 (revenue development) with a deep dive into financial feasibility.

The discussion will emphasize trade-offs, feasibility, and community priorities—helping us decide which strategies should move forward first and how to approach implementation.

Strategic Housing Cycle

Our housing plan process follows a simple cycle that moves from identifying needs to monitoring results. Meeting #1 focused on needs and goals. Meeting #2 moves us into the next step: evaluating strategies and beginning to shape implementation.

Meeting Objectives:

- Part 1: Review strategies for policies, optimizing existing stock, and development
- Part 2: Discuss revenue strategy and financial feasibility together
- Gather input on priorities and implementation approach
- Identify which strategies to pursue first and highlight additional strategies/actions to consider

Understanding the Language of Housing Policy

Some of these terms came up in our first meeting; others will be important as we evaluate strategies today. Having a shared understanding ensures we can focus on trade-offs and priorities rather than terminology.

- **AMI (Area Median Income):** The midpoint household income for our area. In Hinsdale County, this is about $82,000 for a household. *Example: "80% AMI" means households earning $65,600 or less.*
- **Deed Restriction:** A legal agreement that keeps a home affordable by limiting future sale price or rent. *Example: A home may be restricted to buyers under 120% AMI, with resale capped at a set appreciation rate.*
- **Inclusionary Zoning (IZ):** A policy requiring new developments to include affordable units. *Example: A 10-unit project must include 2 units that are affordable for local workers at a lower AMI.* See linkage/impact fees below.
- **Employee Mitigation Requirements (EMR):** A policy where development helps address the workforce housing burden created by that development, usually through development fees; see linkage/impact fees below
- **Short-Term Rental (STR):** A property rented for fewer than 30 days (e.g., Airbnb). Converting STRs to long-term rentals increases housing for residents.
- **Accessory Dwelling Unit (ADU):** A small secondary home on a property, such as a garage apartment or backyard cottage.
- **Linkage/Impact Fee:** A fee on new development that helps fund housing, based on the idea that new development generates new housing demand. Inclusionary Zoning and Employee Mitigation Requirements are two examples.
- **Land Banking:** Buying and holding land now so it's available for housing development in the future when funding becomes available.
- **Cash in lieu (CIL):** of affordable housing is a fee developers pay to a municipality to fulfill their inclusionary housing requirements by contributing funds to an affordable housing fund, rather than building the required affordable units themselves.

Housing Goals Recap

At our first meeting, we reviewed local housing demand and discussed initial housing goals for the Comprehensive Housing Plan. These goals provide the foundation for today's discussion of strategies and financial feasibility.

Our Vision

"To provide housing opportunities across all life stages, enabling residents to find appropriate homes as they begin careers, raise families, and retire in the community they love."

Housing Goals

Based on community input and demand analysis, we have established three interconnected goals:

Goal 1: Creation of Housing Opportunities

When we talk about "housing opportunities," we mean the full range of ways to make housing available and attainable for local residents. In a small, remote market like Lake City and Hinsdale County, progress comes not only from new construction but also from converting seasonal units to year-round use, helping buyers access existing homes, creating accessory dwelling units, and acquiring land for future housing.

This broader approach recognizes that every pathway matters, and together they add up to meaningful gains for the community.

Target: 40 housing units + strategic land acquisition

Type	Target	Sources	Description
Rental Units	33+ units	Lake Fork (28) + STR conversions (5-10)	Year-round workforce housing
Ownership	6-8 units	Down payment assistance, deed-restricted resales	Through existing stock
Land Banking	2-4 sites	Strategic acquisitions	Future development sites

Goal 2: Rental/Ownership Tenure Balance Realignment

A healthy housing market requires a balance between ownership and rental opportunities. In Lake City and Hinsdale County, the current imbalance is clear: most year-round households are owners, while very few rentals are available for workers, young families, or residents who are not ready to buy. This lack of rental options creates bottlenecks for the local workforce and forces many potential residents to live elsewhere. Over time, a more balanced mix of ownership and rental housing will make it possible for people to live here at different stages of life, while still building toward long-term stability.

Current: 80% owner-occupied, 20% rental
Target: Move toward 70% owner, 30% rental over time
Strategy: Prioritize rental in near-term to rebalance market

Goal 3: Strengthen Year-Round Community

Nearly three-quarters of homes in Lake City and Hinsdale County are vacant or used seasonally — one of the most severe imbalances in Colorado. This weakens the foundation of the community by making it harder to sustain schools, healthcare, essential services, and a stable workforce. Strengthening the year-round population means ensuring more homes are available for permanent residents and gradually shifting the balance back toward local occupancy.

Current: 28% of units occupied year-round
Target: Increase to 35% year-round occupancy
Impact: ~15 additional year-round households

Core Housing Strategies

To achieve these goals, the consultant team has identified four broad strategies that can guide Lake City and Hinsdale County over the next five years. These strategies are interconnected: each addresses a different part of the housing challenge and they work best when pursued together. Some focus on immediate, lower-cost actions that can deliver quick results, while others require more time, resources, and community commitment.

Overview

The table below summarizes the four strategies, their primary focus, and the level of cost and effort required for implementation.

Strategy	Focus	Implementation Cost	Level of Effort
1. Policies, Fees & Incentives	Remove barriers, generate revenue, realign development	Low	Moderate
2. Optimize Existing Stock	Better use of current housing	Low-Moderate	Low-Moderate
3. Strategic Development	New construction & land banking	High	High
4. Sustainable Revenue	Create ongoing funding	Depends	High

How to Evaluate These Strategies

Each of the four strategies offers different opportunities and trade-offs. As Steering Committee members, you are asked to keep the following questions in mind as we review each option together. You may not have all the data to fully answer them today — and that’s expected. The goal is to highlight considerations that will guide discussion and help us weigh which strategies best fit Lake City and Hinsdale County.

Feasibility in Our Context

- Do we have the staff capacity to implement this?
- Will our community politically support this approach?
- Can we realistically execute given our size and resources?

Speed vs. Impact

- How quickly will this strategy produce housing?
- Is this addressing symptoms or root causes?
- What's the long-term vs. short-term benefit?

Risk and Unintended Consequences

- Could this discourage development altogether?
- Will it create opposition from key stakeholders?
- Are we solving one problem but creating another?

Local Values and Priorities

- Does this align with our community character?
- Who benefits and who pays?
- Is this fair and equitable for all residents?

Strategy 1: Comprehensive Policies, Fees and Incentives

Implementation Cost: Low
Level of Effort: Moderate

Why This Strategy Matters

Currently, our regulations make it harder and more expensive to build workforce housing than vacation homes, and generally development policies do not recognize the need for affordable and workforce housing in the community. This strategy levels the playing field while generating funds for housing programs. Without policy changes, we'll continue losing ground.

What This Strategy Involves

Town and County policies would be updated to:

- Reduce barriers to building workforce housing.
- Generate revenue dedicated to housing.
- Ensure new development contributes to local housing needs.

This includes both regulatory changes and adjustments to fees that realign the housing pipeline.

Key Actions to Consider

Land Use & Zoning Reform

- By-right approval for pre-approved community housing designs
- Density bonuses for deed-restricted projects (Example: Allow 6 units instead of 4 if 2 are deed-restricted)
- Streamlined ADU ordinance (Example: Pre-approved plans, reduced fees)
- Fast-track permitting (3-month target) for affordable housing vs. typical 6-12 months **(in progress)**
- Inclusionary Zoning (IZ): Require new residential developments to include 10-20% affordable units (Example: 10-unit condo project must include 2 workforce units)
- Anti-Displacement - prohibit or strictly limit the conversion of existing affordable apartments into short-term rentals (e.g., Airbnb, VRBO).
- Caps or bans in multifamily zones: No STRs allowed in rent-stabilized or affordable multifamily buildings, ensuring those units remain available for long-term tenants.
- The Plex's - Change zoning in single-family neighborhoods to allow duplexes, triplexes, and fourplexes.
- Redevelopment Overlay District (REDO) - encourage residential development and affordable housing close to downtown by easing certain restrictions.

Development Fees & Requirements

- Employee Mitigation Requirements (EMR): Option for businesses to help house their workers voluntarily or through incentives
- Impact/Linkage fees: Modest fees on new development to support housing fund (Example: $2,000-5,000 per unit or equivalent)
- Enhanced STR licensing fees: $500-1,000+ annually per unit vs. current $100
- Cash-In-lieu fees: Developers or who can't build required affordable units on-site pay equivalent cost to housing fund

Marketplace/Developer Incentives

- Property tax reductions for 12+ month leases
- Fee waivers for permanently affordable units
- Grants/tax credits for STR-to-long-term conversions (when funds available)
- Deed restriction buy-down programs
- Incentivize Year-Round Use - **Reduced impact fees or utility connection charges** if converting Single Family STR to Multi-Family Year Round, if permanently deed-restricted for residential rental.

More Collaboration with Community Base Organizations and Developers:

- **CBOs -** Collaborate with community-based organizations like Habitat of Humanity to better serve lower-income workers and their families. By leveraging the expertise and reach of these organizations, the town can effectively expand housing support services and improve access to funding and grant. https://www.housingcolorado.org/page/listoforganizations
- **Housing Development Collaborators -** Establishing a collaborative group of local and regional developers, along with related professionals, is important for ensuring that the town's housing policies and regulations are practical and supportive of development goals.

What This Could Look Like in Lake City

Colorado Examples:

- **Crested Butte:** Requires 30% affordable units in new developments or in-lieu fees. Has streamlined permitting for deed-restricted projects.
- **Telluride:** Uses deed restrictions extensively, has inclusionary zoning, and fast-tracks affordable housing through planning process.
- **Breckenridge:** Charges development impact fees and has workforce housing requirements for new commercial development.

Is This Strategy Right for Lake City?

Consider these questions:

- Do our current regulations inadvertently favor vacation homes over workforce housing?
- Are we willing to require (not just encourage) affordable units in new developments?
- Can we streamline permitting without sacrificing quality or safety?
- Will the development community accept new fees if paired with incentives?

Trade-offs to discuss:

- Faster/easier approvals vs. maintaining local control over design
- Mandatory requirements vs. voluntary incentives
- Higher fees for some development vs. risk of discouraging all development

Strategy 2: Optimize Existing Housing Stock

Implementation Cost: Low-Moderate
Level of Effort: Low-Moderate

Why This Strategy Matters

Hundreds of homes in Lake City and Hinsdale County sit empty for most of the year, while workers and families struggle to find housing. Making better use of existing homes can produce results faster and at a lower cost than building new units. Converting even a single STR to a year-round rental can be accomplished in weeks rather than years.

What This Strategy Involves

This approach increases the availability of year-round housing through conversion, rehabilitation, and preservation programs. The second part of this strategy builds off the concept that the least expensive form of affordable housing is to maintain the affordable/local housing you already have in the community.

Key Actions to Consider

Conversion Programs

- STR conversion incentives (Example: $5,000 grant + tax break to convert Airbnb to 12-month lease)
- Master lease programs (Example: Hospital leases 3 homes, subleases to staff)
- Deed restriction buy-downs (Examples: Pay homeowner to add affordability restriction)

Acquisition & Rehabilitation

- Purchase and rehab existing homes/apartments for workforce housing
- Partner with local trades for cost-effective renovations
- Focus on properties needing moderate repairs

Homeowner Assistance

- Emergency repair grants (5-8 annually)
- Energy efficiency upgrades
- Weatherization assistance
- Maintenance training programs

Preservation Tools

- Deed restrictions ensuring long-term affordability
- Right of first refusal programs

What This Could Look Like in Lake City

Colorado Examples:

- **Vail InDEED Program:** Purchases deed restrictions from willing sellers - spent $11M to secure 165 units at fraction of new construction cost. Homeowners get cash, homes become permanently workforce-restricted.
- **Summit County:** "Lease to Locals" program connects second homeowners with local workers needing housing.
- **Gunnison County:** Offers ADU incentive programs with pre-approved plans and fee waivers.
- **City of Montrose: ADUs** built under REDO zone benefit from significantly reduced water and sewer tap fees. Specifically, the combined water and sewer fee is only **$300**, offering a savings of about **$6,800** compared to standard utility connection costs
- **Statewide:** Numerous local governments offer rehabilitation funds to maintain local housing, including weatherization and rehab programs, often using State and Federal funding.

Is This Strategy Right for Lake City?

Consider these questions:

- How many vacant/seasonal homes could realistically convert to year-round rentals?
- What incentive level would motivate an STR owner to switch to long-term rental?
- Do we have properties suitable for ADUs (lot size, utilities, parking)?
- Can local contractors handle renovation work, or need outside help?

Trade-offs to discuss:

- Cost of incentives vs. cost of new construction
- Preserving neighborhood character vs. adding ADUs
- Voluntary incentives vs. mandatory conversion requirements

Strategy 3: Strategic Land Banking and New Development

Implementation Cost: High
Level of Effort: High (complex, multi-year)

Why This Strategy Matters

With 96% federal land ownership, developable sites are extremely scarce. If we don't secure land now, there won't be anywhere to build when funding becomes available. The Lake Fork project alone will increase our rental inventory by nearly 20%.

With little economic alignment (of the marketplace) to produce affordable and workforce housing, development projects that respond to the housing demands and needs can directly provide this housing, and must utilize funding tools at the State and Federal level to be successful.

What This Strategy Involves

This approach secures land for future housing while advancing near-term projects, especially Lake Fork.

Key Actions

Lake Fork Development (Priority Project)

- 28 rental units on Town-owned land
- Mix of affordability levels, possible mix of for-rent and for-sale product
- Professional property management
- Priority project for implementation

Strategic Land Acquisition

- Identify 2-4 developable sites
- Focus on infill opportunities
- Secure options or purchase agreements
- Prepare sites for future development

Development Partnerships

- Partner with nonprofit developers
- Explore housing authority creation
- Regional collaboration opportunities
- Employer partnerships for workforce housing
- Community land trust model exploration

Site Readiness

- Infrastructure assessment and planning
- Environmental reviews
- Conceptual site planning
- Zoning/entitlement work

What This Could Look Like in Lake City

Colorado Examples:

- **Ridgway:** Developed Space to Create project – 28 affordable live/work units on town land.
- **Paonia:** Land banking strategy secured sites for future affordable development.
- **Chaffee Housing Trust:** Community land trust serving Buena Vista, Salida, and Leadville - provides shared-equity homeownership with permanent affordability through CLT model.

- **Fraser:** Developed 78-unit Grand Park Village on town-owned land through public-private partnership.

Is This Strategy Right for Lake City?

Consider these questions:

- What other sites could work for housing (town-owned, private, partnership)?
- Do we develop ourselves or partner with experienced nonprofits or private developers?
- How do we manage properties long-term - create housing authority or contract out?

Trade-offs to discuss:

- Using town land for housing vs. other community needs
- Local control vs. partnering with regional developers
- Rental focus vs. ownership opportunities
- Speed of development vs. getting it right

Strategy 4: Develop Sustainable Housing Revenue

Note: This strategy will be discussed in Part 2 of the meeting, and is supported by the Revenue Feasibility Study which will be shared at the meeting

Implementation Cost: Variable
Level of Effort: High (some items require voter approval)

Why This Strategy Matters

We can't solve a permanent problem with temporary grants. Dedicated local revenue streams mean we can act quickly on opportunities, leverage outside funding, and prove we're serious about solving the housing crisis.

What This Strategy Involves

Create reliable, locally controlled funding streams to support development, preservation, and housing programs. Many of the options below may be implemented under Strategy 1 and Town and/or County policies, however, this strategy focuses on how and where to raise possible funds at the local level, in order to support the numerous pathways in Strategies 1, 2, and 3.

Some items herein may work as incentives (as opposed to taxes or fees) whereby one may avoid a fee, but their development/use creates an enhanced housing outcome (i.e. a payment in lieu or a deed restriction). The 'avoidance of a fee' for housing outcomes is a common tool in Colorado communities to support affordable, workforce, and local housing.

Key Revenue Options to Consider

Dedicated Local Revenue – Taxes and Fees (any new taxes require voter approvals)

- Property tax allocation (e.g. 0.5-1 mill)
    - Reassessment of STR properties as commercial properties
- Sales and use tax dedication (e.g. 0.25-0.5%)
- Lodging tax and local marketing district taxes – allowed to be used for affordable housing
- Real estate transfer tax (voluntary only per Colorado law)
- Vacation rental excise tax
- Vacant home fee (a relatively new idea being study across Colorado)
- Study opportunity to use SB24-002 for property tax credits for housing outcomes

Enhanced STR Revenue

- Increased licensing fees ($500-1,000 annually)
- Per-night impact fees ($2-5)
- Tiered fee structure based on unit size

Development Fees

- Impact/linkage fees on new development, including inclusionary zoning and employee mitigation requirements
- In-lieu fees for inclusionary requirements
- Building permit surcharges
- Focus on residential development impacts

Partnership Leverage

- Employer contributions and matches
- State/federal grant leverage (3:1 ratio target)
- Private foundation support
- Community fundraising campaigns

What This Could Look Like in Lake City

Colorado Examples:

- **Summit County:** Voter-approved 0.6% sales tax (5A) generates $6M+ annually for workforce housing.
- **Vail:** 2% sales tax on construction materials funds deed-restricted housing development.
- **Winter Park:** Lodging tax includes allocation for workforce housing.
- **Carbondale:** Voter-approved 3% marijuana tax dedication to affordable housing.
- **Steamboat Springs:** 0.5% accommodations tax supporting Yampa Valley Housing Authority.

Is This Strategy Right for Lake City?

Consider these questions:

- What would voters support? Sales tax, property tax, or fee increases?
- How much revenue do we realistically need to make a difference?
- Can we demonstrate good stewardship before asking for new taxes?
- Should we start with fees (no vote required) or taxes (voter approval needed)?

Trade-offs to discuss:

- Higher taxes on everyone vs. targeted fees on specific uses
- Small steady revenue vs. larger voter-approved taxes
- Building trust first vs. acting quickly on urgent need