

# Hailey Housing Committee: 0.5% for Housing Spending Options



February 2024

# Overview

The need for workforce housing in Hailey and the larger Wood River Valley is longstanding, yet it has grown to crisis levels in recent years. The availability and affordability of housing here is challenged by:

- historically high building costs;
- our proximity to the seasonal and resort-based economy of Sun Valley;
- prices driven by second-home owners and newer remote workers;
- land scarcity; and
- under-building, nationally and locally.

Housing insecurity and shortages challenge Hailey's pride in being home to the "locals" and workforce of the valley. Beyond cultural pride, this tenet of Hailey's identity shapes the City's day-to-day operations and priorities. Housing maintains its own section in the City's Comprehensive Plan, emphasizing accessible housing as key to the vibrancy and sustainability of life in Hailey. We need a diversity of local and accessible housing options to support all of our local businesses, provide necessary government services, avoid congestion, and maintain safety on our roads, sustain our beautiful environment, and preserve the cherished qualities of Hailey.

**To further guide this longstanding initiative, Hailey residents voted in support of the May 2023 ballot measure to utilize 0.5% of the 1% for Air for Housing - a first-time ever, dedicated stream of funding for housing in Hailey!**

From this, the Hailey Housing Committee was born. The following 18 interested and very passionate volunteers made up this Committee:

## Background

The Committee met 6 times since July 2023, with the goal of identifying ways to allocate the 0.5% for Housing, or approximately \$80,000 in FY 2024, that aligns with and implements the ballot language:

- Develop community housing for families living and working in Hailey.
- For all ancillary costs which are associated with the ongoing effort to develop community housing for families living and working in Hailey; and
- Direct costs to collect and enforce the tax, including administrative legal fees.

The Committee met and discussed the following topics:

July 26, 2023: A warm welcome and round of introductions were made. The Committee discussed the details of Hailey's Local Option Tax, the ballot language specific to the 0.5% for Housing, and Hailey's 2023 Annual Housing Report. A Draft Work Outline was presented to the Committee with an end goal of prioritizing programs for the 0.5% Housing funds.

Daryl Fauth	Ron Hayes
Kristen Bryson	Christian Hovey
Anthony Schneider	Blanca Romero
Jordan Fitzgerald	Anna Lutz Mathieu
Nancy Mendelsohn	Brent Householder
Matt Neal	Paola Ornelas
Sara Seppa	Kristen Dehart
Arthur Rubinfeld	Salongo Wendland
Kris Wirth	Steve Crosser



# Background

**August 16, 2023:** Presentations by Local Housing Organizations took the floor at this meeting. ARCH Community Housing Trust, Blaine County Charitable Fund, Wood River Community Housing Trust, and Blaine County Housing Authority/City of Ketchum educated the Committee on their housing efforts to date, as well as their organization's mission, vision, and future goals in supplying equitable housing.

**August 30, 2023:** Agnew::Beck led a two-hour presentation and discussion around Hailey's Housing Needs Assessment Findings.

**November 14, 2023:** Staff compiled an initial list of Housing Spending Options as they related to the ballot language. Staff presented these options to the Committee. The Committee offered input, as well as alternative measures for spending the funds accrued from the 0.5% for Housing. The Committee ranked each option, from most preferred to least preferred.

**January 4, 2024:** As determined from the November 2023 meeting, Staff presented the Committee's top priority programs. The Committee suggested a few other programs to consider and requested a re-vote due to lack of attendance in November. Staff initiated a weighted survey for the Committee to respond to. All Committee members completed the survey, and results were discussed on January 18, 2024.

**January 18, 2024:** The Committee discussed the results of the survey. Further elaboration and discussion were held around the top three (3) suggested programs.

## Top Spending Options

In keeping with the goals of the ballot language, the Hailey Housing Committee identified several options for spending the funds. The top three (3) suggested programs, in no particular order, are listed first (in green), followed by additional programs considered (in blue) by the Committee. While several options were discussed, the Committee strongly supported the top three (3) programs, and have recommended these to the Hailey City Council as additional creative solutions to increase affordable housing in Hailey.

### 1 Pay for Accessory Dwelling Unit Utility Connections or Building Permit Fees

Monies from the 0.5% for Housing fund would pay for all - or a combination thereof - for Accessory Dwelling Unit (ADU) Utility Connections, Building Permit Fees, and Property Taxes, and in return, the ADU would be rented to a local person or persons of the Wood River Valley, with priority given to qualified locals who are employed in Hailey. Requirements and rental stipulations would follow that of Hailey's existing Locals Only Program.

A program like this could service the property for an initial three-year period, and at the end of the initial three-year period, the homeowner may exercise one of the following:

- Extinguish the Agreement and repay the grant amount, or
- Renew the Agreement for an additional three-year period, with forgiveness of the loan after a nine (9) year period (inflation rates and repayment of the loan applies depending on market and participation of the program)

The Housing Committee discussed various grant amounts and landed on \$30,000 per transaction. The Housing Committee further agreed that a program of this scale would require a strong partnership between the City and either the Blaine County Housing Authority, or other qualified housing agency.

The Hailey Housing Committee strongly supported a pilot program of this scale and believed that homeowners valley-wide, with preference given to Hailey residents, would take advantage of such a program to better provide housing for Hailey's locals.



# Top Spending Options

## 2 Develop a Revolving Down-Payment Assistance Program

The Committee supported a Hailey-specific program that is similar to the Wasatch Model. The goal of the Wasatch Model is to increase long-term, affordable housing inventory citywide; a goal that also aligns with Hailey's ballot measure. Specifically, this program assists residents who, without down payment or interest-rate assistance, would otherwise be unable to purchase a home. However, there is no permanent deed restriction associated with this program, so some Committee members were not in favor of a program that lacked permanence. Overall however, the Committee supported the concept, as it is an opportunity to provide housing via financial assistance, and eventually, be reimbursed to replenish the funds to assist another individual or family in need.

By allowing for flexibility in the type of assistance received, Hailey residents could see housing help in one of two ways:

- The qualified participant could choose to receive partial funding for a down payment, or
- Monies could fund the purchase of mortgage points to buy down the qualified participant's interest rate (thereby reducing the monthly payment burden of new homeowners).

The program would include a promissory note where the city would be reimbursed after some period of time (typically upon sale of the property) so that the funds could be utilized in another transaction.

## 3 Invest in Locals Only Deed Restriction Program

A partnership between the City of Hailey and ARCH Community Housing Trust, the Locals Only Deed Restriction Program is a new and innovative program that seeks to support locally employed people by providing access to homeownership. Through the program, the City funds a portion of the cost of a market rate home in return for a deed-restriction on the property in one of two ways:

1. the City "buys" the deed-restriction by funding 20% of the home's purchase price for the qualified buyer, or
2. the City (via ARCH, the Blaine County Housing Authority, or another qualified housing agency) facilitates the charitable contribution receipt to the seller (IRS Form 8283) for the 20% difference to deed-restrict the unit.

In either scenario, the buyer receives a 20% discount on the property and the property becomes a permanently deed-restricted unit in perpetuity.

If Option 1 were utilized, it would take more than one year to accumulate funds to support the program. If Option 2 were selected, it would effectively assist more than one person into deed-restricted housing, as the initial investment per unit would be less than Option 1. That said, investment properties, and sellers with significant capital gains and financial stability are prerequisites.

While not noted herein, other qualifying details, restrictions, and annual verification for both programs would apply, including a preference given to those qualified buyers that live and work in Hailey.

Understanding the details of both iterations, the Hailey Housing Committee strongly supported this program, as it provides permanently deed-restricted housing to locals of Hailey, a theme in which this Committee has revered.



# Other Spending Considerations

## 4 Bank the Funds

By taking advantage of higher earning interest savings accounts, the Hailey Housing Committee supported the idea of “banking the funds” for more than a year; however, were grounded by the lack of immediacy this option provided in the way of housing opportunities now.

## 6 Partner with Nonprofit Organizations on Housing Projects

With global challenges, such as climate change, housing shortages – both market rate and affordable, resource depletion and social inequalities becoming more pressing every day, it is clear that a collective effort is required to address such issues effectively. Partnership collaborations have emerged as a promising approach to tackle these challenges by bringing together strengths and resources from each sector.

The Hailey Housing Committee recognized the immense potential and stability of an opportunity like this; however, agreed that their largest challenge would be the accumulation of funds. To complete a more impactful housing development or initiative, funds to support an option like this would take time, and when it comes to global challenges like housing, time is of the essence.

## 8 Hire Housing Staff

Members from the Hailey Housing Committee supported the hiring of staff to help advance housing initiatives within Hailey. They, too, realized that the funds would go toward hiring and retaining staff rather than toward the implementation of housing. For that reason, they chose to retain this as an option; however, did not strongly support it.

## 5 Build on City-Owned Land

This opportunity would make publicly owned land and buildings available for the development of community housing. Here, the City of Hailey could directly ensure an adequate supply of lower-cost housing in Hailey.

The Hailey Housing Committee discussed this as an option in expending the 0.5% for Housing monies; however, were met with some initial barriers:

- No City-owned land is available to build on at this time.
- An initiative like this would take several years to accumulate funds for such a project.

Support for this type of initiative was minimal amongst Committee members due to its unattainableness at this time.

## 7 Issue Municipal Bonds

The idea of leveraging the total monies from 0.5% for Housing, or approximately \$80,000, for a larger amount is untested and unknown. The Hailey Housing Committee supported the idea of increasing the housing funds via this method; however, the instability of this model lacked strong support from the Committee.

## 9 Buy Land

The most obvious guardrail in this option is expense. Land values are at an all-time high, making vacant land unattainable to most, even to municipalities. The lack of support from the Hailey Housing Committee was glaringly loud. While still an option to consider, the Hailey Housing Committee chose not to recommend this to the Hailey City Council as an avenue to expend the housing funds.

# Other Spending Considerations

## 10 Investment: Purchase Units at Saddle Lofts Apartments

The Wood River Community Housing Trust (WRCHT) is an Idaho nonprofit corporation formed specifically to resolve the lack of housing in the Wood River Valley. Its mission is to acquire or develop affordable rental housing for the middle-income workforce. Aligning with their mission, the WRCHT recently purchased the 27-unit multifamily housing project known as Saddle Lofts Apartments. Under this new ownership, the WRCHT is seeking to collaborate with other entities, including the City of Hailey, to increase the supply of affordable housing in Hailey. WRCHT has suggested that an investment of \$125,000 by Hailey would allow Hailey to have first priority on placement of one of the units for a ten (10) year period, at which time the funds could either be returned to Hailey or reinvested. For example, this unit could be restricted during that ten-year period to renters who “live and work in Hailey”, as per the ballot language.

While a meaningful partnership, only 12.5% of the Committee voted in strong support for this option. The Committee agreed that: 1) monies would take more than a year to accumulate for a transaction, 2) there may be too many details to work through before the anticipated completion date of 2024; and 3) that the project will be 100% affordable units with or without City of Hailey financial support.

## 11 Lease to Locals

A partnership with the City of Ketchum and the Blaine County Housing Authority (BCHA) where cash incentives (\$2,000 per tenant for seasonal leases, and \$4,500 per tenant for long-term leases) are given to Wood River Valley homeowners that rent their properties to local community members. To qualify, tenants must earn less than 120% Area Median Income and must be employed at least 20 hours per week within Blaine County. Currently, the City of Ketchum and the BCHA pay Landing Locals, a Truckee-based organization, a significant amount to oversee the program.

The Hailey Housing Committee agreed that, while appealing, this program didn't best reflect the ballot language, nor does it secure permanent housing like that of the other options listed here.

## 12 Purchase a Tiny Home on Wheels

In February 2023, the City of Hailey passed a City-Initiated Ordinance allowing Tiny Homes on Wheels as a new type of housing unit in Hailey. Since its inception, the City has approved four (4) Tiny Homes, including a Tiny Home that was purchased by the City of Hailey for employee housing.

Like other initiatives listed here, the Hailey Housing Committee found that, to purchase a tiny home, funds would take more than a year to accrue. The Committee also agreed that by buying a tiny home, said monies would only be assisting a family or individual; their goal is to reach as many people as they can with the limited funds that they have.

## Conclusion

A safe, affordable home is one of life's basic requisites - a key to individual health and well-being, and the foundation for sustainable, economically vibrant and diverse communities.

Recognizing the importance of housing equity in Hailey, the Hailey Housing Committee developed a list of implementable programs, in keeping with the May 2023 ballot language.

While each program advocates for good housing policy at all levels, certain initiatives advanced as priorities, and all are creative solutions to help inform and assist the City of Hailey in future housing efforts - equitably, sustainably, and affordably.

