



**Gunnison County, CO**  
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September 23, 2022

Re: Addendum to the Whetstone essential and workforce housing land use change application

To Whom It May Concern:

Gunnison County seeks to clarify the project goals regarding affordability of the land use change application submitted for the Whetstone essential and workforce housing project.

### **Community Goals and Guiding Principles**

It is the goal of Gunnison County to create a great neighborhood at Whetstone that is 100% deed restricted for essential and workforce housing. During the past year of the engagement process, the County heard from extensively from community members the desire for a “lights on” neighborhood with a strong sense of community. The community feedback indicated a strong preference for the prohibition of short-term rentals, which the County supports. We know that livable, vibrant neighborhoods are made up of year-round residents and include people with a mix of incomes, ages, household composition, and other demographics. It is the goal of the County to create such a neighborhood that includes lower income and middle-income residents and supports our essential workers (teachers, plumbers, nurses, electricians, emergency services, etc.).

The Board of County Commissioners has adopted a strategic goal to build 300 units of essential housing by 2030. Whetstone seeks to maximize restricted housing in pursuit of the Board’s goal. A guiding principle established through the community engagement for this project is to make a meaningful and long-lasting contribution to community attainable housing inventory. Gunnison County seeks to do this by developing new housing for our community members and permanent workforce and to alleviate the stress of housing insecurity that many members of our community are experiencing. We have established the goals that homes for rent will primarily serve households below 120% AMI, and homes for sale will primarily serve households below 200% AMI.

### **Essential Housing Definition and Code Threshold**

In the sketch plan application under the section titled “Additional Submittal Requirements” the application quoted Gunnison County *Land Use Resolution* (LUR) requirements for a project to qualify as “essential housing” and benefit from the associated code allowances. The LUR requires at least 40% of a housing development to be essential housing to be eligible for the incentives for an essential housing project. The LUR defines “essential housing” as “housing for qualified households as determined by the Gunnison County Housing Authority.” The LUR defines “workforce” as “persons who are employees in Gunnison County whose household incomes are categorized as low income (i.e., a household whose annual income does not exceed 80% of the area median

income as published annually by the U.S. Department of Housing and Urban Development) or moderate income” ((i.e., a household income between 81% and 120% AMI)). The same LUR requirements were quoted in a letter sent to the Town of Crested Butte requesting extension of water and wastewater utilities from the Town to serve the site. The application cites those standards to demonstrate compliance with them—not as an indicator of an intent to have only 40% of the project be essential housing.

### **Uncertainties of Construction Costs and Project Feasibility**

As a public entity, Gunnison County has no profit motive for the project; without a profit motive the primary factor which will influence the design and allocation of units at various price points is our ability to raise the funds to cover project costs. The County’s resources are very limited—the County’s workforce housing linkage fee does produce annual revenue which on average is \$249,554; which will be a very small portion of the overall cost of the project. The County understands the dynamic of rising construction costs and interest rates, and the need to produce an economically viable project. Essential housing with restricted rent and/or sales prices will not be possible without subsidy. The County has already invested approximately \$2.5 million into purchase of the land and planning but more subsidy will be necessary. Subsidy for the project may come in many forms, which we are just beginning to explore. There are variety of project components and opportunities that will have significant impact on the total project cost.

### **Potential Funding Solutions**

Over the past year, the project team has interviewed approximately twenty different developers to understand what challenges and opportunities they see for this project. There was widespread agreement that the more work the County can do to ensure the installation of infrastructure, get the project to a point in the permit process that risk is reduced, and create certainty around costs such as water and wastewater, the more likely we are to establish a successful public-private partnership. The County intends to partner with one or more private developers to develop the neighborhood to harness their experience and access to resources. Additionally, the County will seek a variety of federal, state, and local funding opportunities to help subsidize the project and reduce the overall cost to owners and renters in the neighborhood. Gunnison County is committed to exploring the following options to reduce the overall cost of the project and create enough subsidy so that a 100% deed restricted essential neighborhood is created:

- **Federal and State Grants, Loans, and Tax Credits:** There are financial resources available for income restricted affordable housing projects. One of the challenges with these funds is that they typically place incomes limits on the units that would serve some member of our local workforce, but not all. While we do have residents, whose incomes align with these requirements, we have many that exceed that and we do not want the entire project to be limited by those thresholds. It may be possible to use these grants for a portion of the project but not the entirety of the project.
- **Favorable Loans and Local Resources:** We are exploring what local resources such as property tax exemption, impact investing, philanthropy, employer participation, and local workforce housing funds might be available to assist in covering the gap between construction costs and our desired home prices.
- **Extension of utilities** by the Town of Crested Butte. Water service and wastewater treatment are a portion of the infrastructure for the project. The initial cost of extension of water service and wastewater treatment to the project is estimated to be approximately \$10.7 million:

- Conceptual Infrastructure Costs \$5,315,530
- Capital/Tap Fees \$5,400,000 (at the current 1.5x rate for out of town service)
- Total Capital Costs \$10,715,530
- Cost per Unit \$53,577
- Estimated Operating Costs \$191,600 per year

The County's preferred option for service is to connect to the Town of Crested Butte. The County has submitted a request for consideration to the Town for consideration of extension of water and wastewater treatment service to the parcel. Currently, the Town charges 1.5x the standard tap fees to out of town customers. In order for this approach to be cost effective, the County will need to request that the Town considers amending the Town code to allow for reduced tap fees for out of town deed restricted units, which the Town currently allows for inside its boundaries.

- **Exploration of a variety of deed restrictions** in the neighborhood which may include a variety of housing opportunities at different income levels to accommodate a diverse economic spectrum (up to 200% AMI). "Light" deed restrictions are another option which require that an individual earn a certain percentage (typically 80%) of their income in Gunnison County. This type of restriction typically allows a higher price point for the unit which can offset units that have a higher level of restriction and therefore lower price point. This is an option to create a small subsidy in the neighborhood while still accommodating the variety of needs of our local residents.
- Partnership opportunities on **neighborhood and community amenities**. Community members and our community partners have expressed the need for the development of neighborhood elements and amenities that would benefit from partner support. Those elements include the Brush Creek intersection round-about; realignment of Brush Creek Road; and installation of a multimodal underpass to connect the east and west side of Highway 135. Gunnison County is working with an engineering team and CDOT to develop design plans for the intersection. These improvements are separate from the Whetstone development process, but have the opportunity to greatly enhance the access and safety the area. At this time these projects are expected to cost at least \$8-\$9 million dollars.
- The **Infrastructure and Investment Jobs Act (IIJA)** legislation provides incredible potential funding opportunities for infrastructure (Brush Creek round-about and underpass) but at this time it is unclear how and when the funding will be available, and if this would be an eligible use. The County is committed to applying for funding through this legislative opportunity but it is unclear if we will be successful in securing them, and how they might impact the timing and project cost.
- **Cost fluctuation**. Changing interest rates, supply chain issues, and fluctuating construction costs impact the overall cost, viability and feasibility of this project. These are all unknown quantities at this point because we are not far enough along in the project planning and permitting process to have clarity. Increases and fluctuations will add uncertainty, risk and potential cost to the project. We seek to stay current in this rapidly changing economy, and be strategic with making the development cost effective without compromising quality.
- **Partnerships**: All of the above opportunities require partnerships, collaboration and alignment between the County, other jurisdictions, private sector expertise, and the community. Without partnership and support this project cannot happen.

Gunnison County will continue to develop the project proforma and development strategy to meet the vision and desired outcomes as stated in the Sketch Plan application and the Strategic Goal of the Board of County Commissioners to build essential housing to support the workforce and local businesses in the County. As the project moves forward, the County will gain a better understanding of cost and available subsidy and how they affect the project.

The County's goal is to maximize the project's impact on the Gunnison Valley workforce through maximizing the amount of essential housing. We will be most successful with strong partnership, collaboration, and community support for this pivotal project that has the opportunity to create meaningful housing, a great neighborhood and a positive impact on the Gunnison Valley.