



TOWN OF GRAND LAKE

STAFF REPORT

TO
Mayor & Trustees

FROM
Steve Kudron, Town Manager

DATE
June 8, 2026

ACTION TYPE: Action Requested Information Only

RE: Portal Crossing Subdivision – Request to Release LERP Units for Market Rate Sale

BACKGROUND

The Portal Crossing Subdivision, developed by Grand Sunset LLC, is a mixed-use development located at 505 Grand Avenue, Grand Lake, CO 80447. As a condition of approval, the project was required to provide workforce housing under the Town’s Local Employee Residency Plan (“LERP”) program. The Town and Grand Sunset LLC formalized these obligations through an “Agreement to Waive Certain Fees Associated with Affordable Housing” dated February 14, 2022 (“the Agreement”).

Under the Agreement, six (6) units within the Portal Crossing development were designated as LERP units, to be sold at an initial price of \$310,000 per unit, subject to the terms of the Town’s LERP Guidelines and attainable housing deed restriction. In exchange for these commitments, the Town waived or credited the following fees on behalf of the developer:

Fee / Credit Item	Amount
Water tap fees (6 LERP units, Municipal Code §10-1-8)	\$39,000.00
Attainable housing fee refund (Municipal Code §12-10-1)	\$8,340.50
Use tax returned (Municipal Code §4-3-28)	\$12,500.00
Water usage fees (waived until each unit is occupied)	Variable
7% land dedication / fee-in-lieu (Municipal Code §12-9-2)	Waived
Total Identified Cash / Credit Value	\$59,840.50

The Agreement further distinguishes between two tiers of LERP commitment. Two of the six units are permanently deed restricted under the LERP Guidelines (Section 9(h)). The remaining four units — Units 104, 105, 106, and 107 — were subject to a nine-month sale window from the date of each unit’s certificate of occupancy at the \$310,000 LERP price (Section 9(i)). If those four units did not sell within that window, the Agreement contemplated the developer paying the waived water tap and water usage fees and thereafter being entitled to sell at fair market value free of LERP restrictions. Importantly, Section 8 of the Agreement provides that “in no case shall there be fewer than two (2) LERP units within the Development for any reason.”

DEVELOPER’S REQUEST

By letter dated May 8, 2026, Grand Sunset LLC formally requested the removal of all six LERP units from the program, citing a lack of buyer demand and the burden the unsold units place on the company and the subdivision. The developer indicated it is in the process of amending the Declaration of Covenants for the subdivision to remove LERP involvement, and noted its willingness to pay all fees credited at the time of permitting in the amount of \$59,840.50 as required by the Agreement. The developer requested prompt action given the approaching summer selling season.

ANALYSIS AND OPTIONS

Staff has identified three distinct options for the Board's consideration. The first two respond to the developer's request in whole or in part; the third would maintain the current LERP obligations.

Option A – Approve Release of the Four Conditional LERP Units (Units 104, 105, 106, and 107)

This option authorizes the conversion of Units 104, 105, 106, and 107 to market rate sales, consistent with the mechanism already contemplated in Section 9(i) of the Agreement. The two permanently deed-restricted units would remain subject to LERP requirements, satisfying the Section 8 minimum of two LERP units.

Benefits

- Consistent with the Agreement's existing framework, which anticipated this outcome if units did not sell within nine months of their certificate of occupancy.
- Developer pays all waived water tap and usage fees associated with the four units upon conversion, recovering value to the Town's water enterprise fund.
- Market rate pricing increases the likelihood the units sell and are occupied, contributing to the Town's overall housing inventory.
- Preserves two deed-restricted LERP units in the development, maintaining a minimum affordable housing presence.

Challenges

- Reduces workforce housing supply in the development from six units to two.
- May be perceived as a retreat from the Town's workforce housing commitments, particularly given Resolution 21-21 declaring a workforce housing crisis.
- Does not fully satisfy the developer's request to remove all LERP obligations.

Option B – Approve Release of All Six LERP Units (Full Developer Request)

This option authorizes the conversion of all six LERP units to market rate sales, including the two permanently deed-restricted units. Granting this request in full would require a formal amendment to the Agreement to waive the Section 8 minimum of two LERP units, and the developer would pay all fees identified in the Agreement totaling \$59,840.50.

Benefits

- Fully resolves the developer's stated burden and may facilitate timely project completion and occupancy of all units.
- The Town recovers the full \$59,840.50 in previously waived fees, including those associated with the two permanently restricted units.
- Adding market rate housing units to the inventory may benefit overall housing availability in the community.
- Avoids potential conflict with a developer who has expressed frustration and an intent to amend subdivision declarations regardless.

Challenges

- Eliminates all affordable/workforce housing in the Portal Crossing development and requires a formal amendment to the Agreement.
- Directly contradicts Section 8 of the Agreement and sets a precedent that LERP obligations, including permanent deed restrictions, can be negotiated away after the fact.
- Undermines the stated purpose of the original fee waivers, which were expressly conditioned on the construction and sale of LERP housing to address the Town's declared workforce housing crisis.
- May signal to future developers that attainable housing commitments are not enforceable, weakening the LERP program's utility as a planning tool.
- Staff recommends the Board consult with Town Attorney prior to executing any amendment modifying the permanently deed-restricted units.

Option C – Deny the Request and Maintain All Six LERP Obligations

This option declines the developer's request and holds Grand Sunset LLC to the full terms of the February 2022 Agreement, including the LERP sales price and deed restrictions on all six units.

Benefits

- Fully upholds the Town's attainable housing commitments and the terms negotiated in exchange for fee waivers.

- Sends a clear signal that LERP agreements will be enforced, preserving program integrity for future developments.
- Consistent with Resolution 21-21 and the Town’s stated workforce housing goals.

Challenges

- If genuine buyer demand does not exist at the \$310,000 LERP price, units may remain vacant indefinitely, providing no housing benefit to the community.
- The developer has indicated intent to amend subdivision declarations regardless, which may create legal uncertainty and require Town enforcement action.
- Does not resolve the underlying market demand problem acknowledged by the developer.

STAFF RECOMMENDATION

Staff recommends the Board approve Option A – the release of Units 104, 105, 106, and 107 to market rate sale – conditioned upon the developer’s payment of all applicable water tap and water usage fees associated with those four units prior to or concurrent with any market rate listing or sale. This approach is consistent with the mechanism already embedded in the Agreement, recovers meaningful fee revenue to the water enterprise fund, and preserves two deed-restricted LERP units as the Agreement requires. Staff does not recommend granting the full six-unit release at this time without further review by the Town Attorney of the implications of amending the permanent deed restrictions.

SUGGESTED MOTIONS

If the Board chooses Option A:

“I move to authorize the release of Portal Crossing Units 104, 105, 106, and 107 from the Local Employee Residency Plan obligations set forth in the Agreement to Waive Certain Fees Associated with Affordable Housing dated February 14, 2022, conditioned upon Grand Sunset LLC’s payment of all waived water tap fees and water usage fees associated with those four units as provided in Section 9(i) of the Agreement, and to direct the Town Manager to coordinate preparation of any documents necessary to effectuate such release.”

If the Board chooses Option B:

“I move to authorize the release of all six Portal Crossing LERP units from the Local Employee Residency Plan obligations set forth in the Agreement to Waive Certain Fees Associated with Affordable Housing dated February 14, 2022, conditioned upon Grand Sunset LLC’s payment of all waived and credited fees totaling \$59,840.50 as identified in the Agreement, and to direct the Town Manager and Town Attorney to prepare an amendment to the Agreement reflecting this release and to return to the Board for final approval of said amendment.”

If the Board chooses Option C:

“I move to deny the request of Grand Sunset LLC to release Portal Crossing LERP units from the requirements of the Agreement to Waive Certain Fees Associated with Affordable Housing dated February 14, 2022, and to direct the Town Manager to notify the developer of the Board’s decision and to advise that the Town intends to enforce the terms of the Agreement.”