



City of Ketchum  
City Hall

December 13, 2021

Mayor Bradshaw and City Councilors  
City of Ketchum  
Ketchum, Idaho

**Community Workshop regarding City of Ketchum Community Housing In-Lieu Fees and direction to staff**

Recommendation and Summary

Following the community workshop, staff is requesting direction from City Council on the preferred community housing in-lieu rate.

The reasons for the recommendation are as follows:

- Staff and BCHA have conducted extensive research to ensure the methodology and key assumptions are grounded in statistical data that can be relied upon for future fee updates
- Adoption of an updated fee is necessary to reflect current market conditions that have evolved since 2016
- Adoption of an updated fee is prudent for the community to ensure that resources are available for the delivery of units not provided by the development community
- Adoption of a new fee provides predictability for the development community in preparation for future projects

Based on direction from City Council, staff will prepare a fee resolution for review and approval by City Council at the next available meeting. A public hearing is required for adoption of the updated fee.

Background

Over the past few months, the city has undertaken discussions related to the Housing In-Lieu Fee rate applicable to projects participating in the density bonus program available in the Community Core, Tourist, and General Residential High Density zone districts. Below is an overview of the process to date:

July-October	Staff and BCHA conducted market research and a peer cities analysis to aid in updating the current rate adopted in January 2016
October 1st	Draft information package sent to the development community for feedback, announcing City Council meeting on October 18th
October 18, 2021	City Council meeting to discuss revised fee – council requested additional information including a 5-year trend analysis, sensitivity analysis for key assumptions, and an example project
November 18, 2021	City Council meeting to review additional information and provide direction to staff. City Council determined:

	<ul style="list-style-type: none"> <li>• Retain existing methodology using all sales for median market rate purchase price</li> <li>• Host a Community Workshop where open dialogue can occur between council and stakeholders to better understand concerns and receive feedback on final assumptions</li> </ul>
December 13, 2021	Community Workshop for discussion with the community and provide direction to staff on next steps

### Analysis

On November 18, 2021, at the City Council meeting, the Council concluded that the existing methodology would be retained for the current update to the housing in-lieu fee. This includes using all residential sales to establish the market rate purchase price, rather than a subset of sales data.

With this direction, only three inputs remain for discussion. Affordable Unit Size, Interest Rate, and Administrative Fee. The packet provided to council for the November 18, 2021, meeting (linked below) includes the sensitivity analysis for each of the three assumptions. Below is an overview of each:

- *Affordable Unit Size* – The current fee was set using a unit size of 1,250 square feet. This number was not generated through a review of existing deed restricted units but seen as an industry standard at the time. Staff and BCHA calculated the average unit size for all for-sale units in the City of Ketchum, resulting in a median unit size of 908 square feet. Staff are supportive of using the revised square footage of 908 rather than the initial 1,250 square feet as it is based on existing data which can be updated over time using established information.
- *Interest Rate* – The current fee was set using an interest rate of 6.5%. In October, staff and BCHA recommended using a 20-year average interest rate, rather than a flat rate. Feedback from the development community indicated a 5-year average interest rate is more realistic provided the fee is updated more regularly. Staff and BCHA are supportive of using a 5-year interest rate as the rate will be based on published interest rates and can be updated based on established information.
- *Administrative Fee* - The current fee was set using an administrative fee of 10%. In October, staff and BCHA recommended an increase to 15% due to the increased cost of doing business since the last fee update in 2016. The administrative fee is intended to cover the cost of delivering community housing units, not including cost of construction. The city does not have a dedicated funding source available to facilitate the delivery of units. By paying the housing in-lieu fee rather than constructing units, developers are transferring the responsibility of delivering community housing units to the city, BCHA, or other community housing developer, which comes at a cost. Many peer resort communities charge an administrative fee between 10-15%. Communities with no administrative fee have a dedicated funding source for the delivery of units. The peer resort analysis was included in the October 18, 2021 packet to City Council (linked below).

Below are links to the two previous staff reports and attachments provided to City Council:

- [Staff Report and Attachments – November 18, 2021 City Council Meeting](#) - includes methodology for calculating the fee, memos from BCHA, and peer cities analysis
- [Staff Report and Attachments – October 18, 2021 City Council Meeting](#) - includes example project calculations, 5-year trend analysis, and sensitivity analysis

Sustainability

This request does not inhibit the City of Ketchum's ability to implement the 2020 Ketchum Sustainability Action Plan.

Financial Impact

Increasing the fee-in-lieu may increase the balance of the City of Ketchum in-lieu fund, however this is dependent on whether developers elect to build housing or pay the fee-in-lieu.

Attachments

None – see links above