



City of Ketchum

## CITY COUNCIL MEETING AGENDA MEMO

Meeting Date:  Staff Member/Dept:

Agenda Item:

Recommended Motions:

Reasons for Recommendation:

- The Ownership and Preservation Program (OPP) has been active for one-year. The purpose of today's item is to review the program, provide an update on the performance of the program to date, and allow for discussion of policies to be considered for revision at the next council meeting.
- The OPP provides an opportunity to assist Blaine County locals access homeownership in Ketchum, a goal identified in the Ketchum Housing Action Plan. The OPP also provides a pathway to financial relief for existing homeowners, while restricting and preserving existing housing units for full-time local occupancy in the future.

Policy Analysis and Background (non-consent items only):

**Goal 1: Create + Preserve Housing**  
*Action: Pathway to Ownership*  
*Ownership and Preservation Program*

Staff is presenting a recap of the Ownership and Preservation Program (OPP) at the 1-year mark. No action is requested at this meeting; it is an opportunity for discussion of the program. Staff will return with an action item at the February 3, 2025 meeting to review and approve updates to the OPP Program Policies.

On August 21, 2023, the Council approved the Ketchum Ownership and Preservation Program (OPP). Staff launched the program on January 24, 2024. The Ownership and Preservation Program offers cash incentives to homeowners or homebuyers in Ketchum in exchange for recording a Category Local deed restriction on their property, limiting ownership and occupancy of the home to qualified locals in Blaine County, Idaho.

Development of the Ownership and Preservation Program occurred over a 12-month period during which staff researched programs in similar communities, hosted three focus groups with local experts and stakeholders, surveyed residents and city employees to gauge program interest, and worked with the City Council to refine program policies over multiple meetings.

The OPP offers two Category Local deed restrictions from which applicants can choose. The first is a light deed-restriction, which does not cap appreciation. The second is an appreciation-capped deed restriction,

more like the Blaine County Housing Authority's other income category deed restrictions but without an income limit. The OPP offers 15% of a home's market value, up to \$125,000, for a light restriction. 30% of a home's market value, up to \$225,000, is available for an appreciation-capped restriction. Market value is determined by the lesser of the purchase price or the appraised value of the home. Staff recommended deed restriction values based on evaluation of peer mountain communities' programs (Breckenridge, Jackson/Teton County, Vail, Truckee, Summit County, Park City) and the details of the restrictions (e.g. ownership only vs. flexible for rental, appreciation-capped vs. non-capped). 30% for the appreciation-capped deed-restriction is the highest percentage granted by any program that staff researched (Breckenridge).

The Category Local deed restriction does not have an income limit, but requires that a household, at the time of purchase, does not have a net worth exceeding the current limits. As of April 2024, the net worth limits for Category Local qualification are \$516,230, with an allowance of up to \$1,032,640 for households with persons over 65 to allow for additional retirement savings. These limits are adopted annually by Blaine County Housing Authority in the spring along with the Area Median Income and income category limits derived from HUD's forecasts. Qualification for participation in the program and compliance with a Category Local deed restriction require that at least one non-dependent household member be a full-time employee employed by one or more Blaine County employers and physically working in Blaine County, as defined in the BCHA Policies. Alternately, the household could meet an exemption such as including a local retiree who prior to retirement was a full-time local employee, active military service, or a person unable to work due to disability.

The OPP currently is open to both qualified Ketchum homebuyers and existing Ketchum homeowners. For homebuyers, the funds offer significant downpayment assistance to help local buyers access the market. Funds are available at closing and are typically used toward the downpayment and closing costs. Existing Ketchum homeowners whose households meet the qualifying criteria can use the OPP to "preserve" their home, receiving funds in exchange for deed-restricting their home, which they will continue to occupy in accordance with the deed-restriction's requirements. When the home is eventually sold or transferred, it will need to go to another qualified, local household. Funds might be used to help pay for capital assessments and other large costs, support households on a fixed income, or saved for future needs. In both cases, there are no limitations on the use of funds.

During development of the program, the City Council directed staff to limit the OPP to fund local homeownership opportunities and to not allow funds to restrict long-term local rentals and open the program to investors. City Council also directed staff to limit eligible properties to homes located within the City of Ketchum limits to start, recognizing that the program can be evaluated and expanded beyond the city limits if desired in the future.

The initial approval was conceptualized as a 2-year pilot program, with allowance for review, assessment and program revision. \$1 million in funding has been approved for the program in the FY25 budget.

### **Year 1 Update**

It has been approximately one year since the OPP launched, which offers a timely opportunity to take stock of progress to date and revisit the program policies. Year 1 marketing for the OPP consisted of a press release that generated two Idaho Mountain Express articles, flyers and posters around town, and inclusion in BCHA and Ketchum Housing Matters newsletters.

In the first year of operation, the program received 24 applications. Staff also received inquiries from and had meetings and email correspondence with several additional interested households. There are currently 7 applications that have been started but are not submitted. Of those who have applied, two-thirds were issued letters of qualification. One-third of applicants were either ineligible, withdrew/ceased responding, or require additional information and are in the process of providing.

<b>Year 1 Applicants</b>	<b>Count</b>	<b>% of Total</b>
Eligible and Completed Purchase	3	13%
Eligible	16	67%
Ineligible, Withdrawn, or Need Additional Information	8	33%
<i>Total</i>	24	

In its first year, the OPP was used to purchase three Category Local deed restrictions. In all three cases, the funds were used as down payment assistance to help local households to purchase homes in Ketchum.

- Homes purchased were 2-bedroom (2) and 1-bedroom (1) condominiums
- Purchase prices ranged from \$415,000 to \$675,000
- All three opted for 30%, appreciation-capped deed restrictions
- Average deed restriction purchase price: \$169,000
- 4 people served (2 one-person households and 1 two-person household)

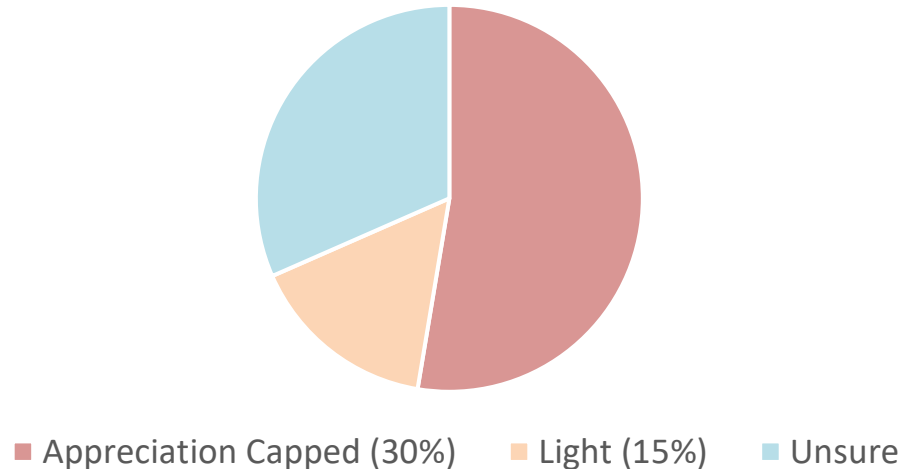
Two additional OPP transactions are currently in the pipeline.

- One is for purchase of a home, and one is for preservation of an existing owner-occupied home.
- Both are opting for the non-appreciation, or “light”, deed restriction, at 15% of value.
- Expected deed restriction cost would average ~\$116,000

To date, \$739,700 has either been spent on deed restrictions or is committed to pipeline transactions, at an average cost of ~\$148,000 per restriction. Approximately \$641,500 remains of the FY2025 budget of \$1,000,000 when accounting for committed pipeline funds. \$641,500 could support 3 to 5 deed restriction purchases, based on current averages, in addition to the two purchases currently in the pipeline.

Interested applicants to date are almost exclusively interested in the program to purchase a home. This may be because existing homeowners are less connected to housing programs than those seeking purchase opportunities and are less aware of the opportunity to use the Ownership and Preservation Program. Staff believes that there could still be significant program interest among existing homeowners who may have seen significant home appreciation, are facing high-cost capital assessments, and may have declining or fixed incomes. Additionally, staff believes there are local homeowners who are interested in preserving their home for future local buyers and contributing to community housing solutions using their own property.

### Applicant Interest in Deed Restriction + Value



Among eligible applicants and those requiring additional information, more than half were specifically interested in the appreciation-capped, 30% of value incentive, while about one third were unsure or interested in both options.

Staff received interest from one local homeowner in restricting a unit they own and then renting it to a local, which is not currently allowed under the program policies. Staff also received inquiries about expanding the boundary of eligible properties beyond the city limits due to greater variety of attainable housing options in other areas.

#### **Update to Ownership and Preservation Program Policies**

At the February 3<sup>rd</sup> City Council meeting, staff will be recommending minor amendments to the Ownership and Preservation Program policies. The recommended changes are intended to better align the Ownership and Preservation Program policies with current Blaine County Housing Authority policies and practices, which form the basis for the Ownership and Preservation Program’s Category Local deed restrictions. These recommended changes are primarily focused on qualification for participation in the OPP and will simplify the existing criteria and align with current BCHA prioritization criteria – specifically that at least one non-dependent household member must be either a 1) Local Employee, 2) Local Senior, or 3) Local Disabled Person. Other staff-proposed updates will be minor clarifications of policy language.

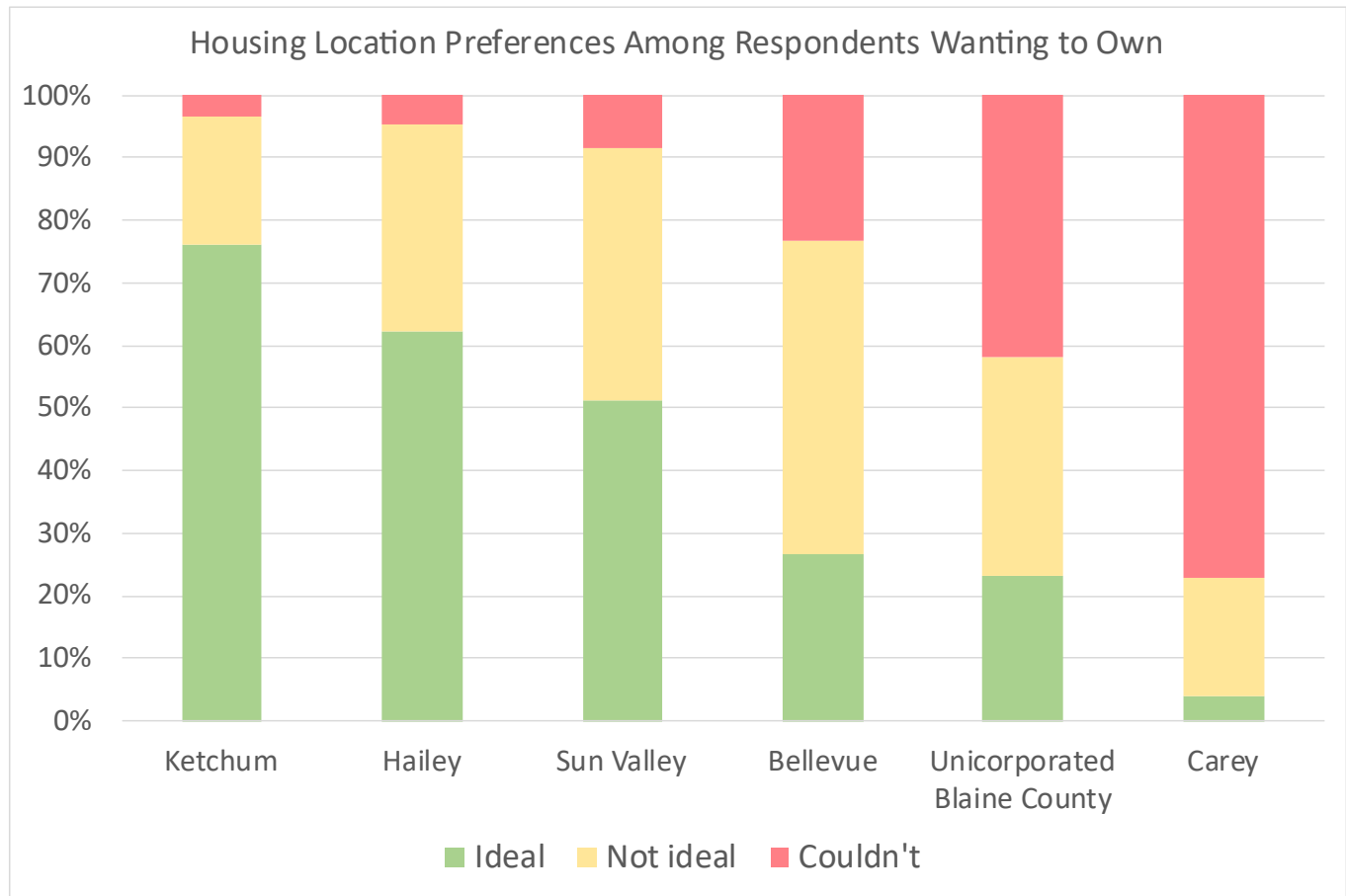
Staff recognizes that there are other policy topics concerning the Ownership and Preservation Program that the Council may wish to discuss, including the geographic boundaries of eligible properties in the program.

#### Geographic Program Boundary

Presently, the OPP is limited to be used on properties within the City of Ketchum municipal boundary. During the 2023 program development process, staff asked the Council to provide policy direction on the geographic limits for properties participating in the program. The majority of the City Council directed staff to limit the pilot to the City of Ketchum to begin, given the limited funding available, recognizing that the program can be evaluated and expanded beyond the city limits if desired in the future.

Staff reviewed the 2023 BCHA Housing Needs and Preferences Survey results for respondents who indicated that they were both 1) expecting to be looking for housing over the next two years, and 2) ideally looking to own, to assess their location preferences. Nearly 75% of those respondents indicated that Ketchum was

their ideal location, while 64% said Hailey was ideal, and 51% indicated Sun Valley was ideal. Among those three leading locations, less than 10% of respondents indicated that they “could not” live in Ketchum, Hailey or Sun Valley.



If the Council wishes to expand the boundary beyond the City of Ketchum, staff recommends considering these policy questions:

- Should the full OPP be expanded or just the “homebuyer” opportunity? i.e. Should existing homeowners outside of Ketchum be able to participate and restrict their homes?
- Should the amount or a percentage of budgeted funds available for use outside of Ketchum be limited? The Housing Action Plan calls for up to 20% of funds to be invested in housing actions beyond the city limits.
- Should the value provided for the deed restriction (% of market value or maximum amount) be capped or adjusted for properties outside of Ketchum?

The Council can also direct staff to bring this question back before the end of the fiscal year to present on the latest data and can consider changing the policies at that time. This is what staff currently recommends, given that a major marketing push has not yet occurred and is prepared to launch.

**Next Steps**

Staff will present revisions to the Ownership and Preservation Program policies at the February 3 Council meeting for review and approval. Staff is also currently at work on a broader marketing effort to increase awareness of the Ownership and Preservation Program. Following any changes to the program policies, marketing materials can be finalized, and promotion will begin.

Additionally, staff plans to organize panels and/or engagement opportunities with local lenders and real estate professionals to explain the program, share experiences and recent success stories, and exchange knowledge with peers from other communities.

**Sustainability Impact:**

Community housing houses members of the community locally, ensuring that residents are closer to their places of work, recreation, and other services. This proximity helps to decrease transportation time and reduce vehicle-related emissions associated with commuting to and from work from outside of the community.

Additionally, the proposed Ownership and Preservation program converts existing housing units into community housing, utilizing existing housing stock, land, and resources.

**Financial Impact:**

None OR Adequate funds exist in account:	The Ownership and Preservation Program is funded with \$1 million in the FY25 budget.
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**Attachments:**

1. None