



## City of Ketchum

### CITY COUNCIL MEETING AGENDA MEMO

Meeting Date: October 20, 2025

Staff Member:

Rian Rooney, Carissa Connelly / Housing  
Dept

Agenda Item: Recommendation to Reclassify Two Community Homes as Category Local

#### Recommended Motion:

I move to authorize Blaine County Housing Authority to reclassify the two community homes in the Residences at Evergreen to Category Local.

#### Reasons for Recommendation:

- Staff has attempted to contact and work with the Homeowners Association to amend the CC&Rs to make HOA costs more affordable to the community homeowners. The HOA has not agreed to amend its CC&Rs.
- Blaine County Housing Authority Board has reviewed the costs facing the community homeowners, incomes and is recommending reclassification of both homes to Category Local.
- Staff has explored and continues to work on alternatives with the BCHA, including financial assistance, but the severity of the affordability issue makes reclassification to Category Local a necessary part of the solution.

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

##### **GOAL 1: Create + Preserve Community Housing**

Blaine County Housing Authority stewards a portfolio of deed-restricted homes, across a range of income levels, owned by local households. Most of these homes are condominiums that exist within larger developments of primarily market-rate units. These deed-restricted homes have traditionally entered the BCHA portfolio through market-based development incentives, like the FAR Exceedance Program.

Historically, neither BCHA nor the local jurisdictions in which these homes are developed have required homeowners' associations (HOAs) to include special provisions for regular dues and special assessments for community housing units in their Covenants, Conditions, and Restrictions (CC&Rs) to ensure that the costs remain affordable for owners of income-restricted homes. Some community homeowners are encountering excessive and increasing HOA dues and special assessments, causing their home to no longer be affordable, threatening both their housing stability and the long-term utility of the home to serve the community at its current income designation. Analysis of the BCHA portfolio shows, however, that the two condominiums in question are extreme outliers of unaffordability.

##### ***Policies for New Development***

BCHA has no authority over established HOAs or existing CC&Rs, nor does BCHA have voting power on Boards of HOAs in which BCHA has community homes. Local governments, like Ketchum, have the authority to review CC&Rs as part of the entitlement and plat approvals process.

On June 18, BCHA adopted requirements, located in the BCHA Community Housing Administrative Policies, for the CC&Rs of new HOAs that include community homes entering BCHA's portfolio as the result of development incentives. The development approval process is when BCHA and local governments have the most leverage to determine how HOAs assess dues and costs on community homes and structure their regulations. The requirements include:

- *Proportional Value*: Dues and assessments must be calibrated for deed-restricted units using their value, rather than square footage, in proportion to the value of all other units in the development
- *Limit HOA Regular Due Increases*: Limit increases to dues for HOA owners to no more than 5% annually
- *Special Assessment Limits*: Either exempt community homes from special assessments entirely, hard cap the amount that can be charged to community homes for special assessments, or reduce special assessments in another way acceptable to BCHA
- *Exempt Community Housing for Certain Special Assessments*: On luxury items and areas not accessible to community homeowners
- *Require Capital Reserves at 25% of operating costs (or as determined by a BCHA-reviewed capital reserve study)*: To ensure a healthy capital reserve and limit the scale of future special assessments

As these new policies can only be applied to development applications going through the entitlement process, BCHA is also working to address the challenges facing community homeowners in existing developments, like the Residences at Evergreen, through other means.

### ***Residences at Evergreen***

The high costs of HOA regular dues and special assessments is particularly acute for two community homes that are part of the Residences at Evergreen development (111 1<sup>st</sup> Avenue South). While other community homeowners are estimated to pay less than 9% of their assumed income on HOA fees, and 59% are estimated to pay less than 4%, the community homeowners of the Residences at Evergreen pay over 20% of their assumed income for their home's income designation. A maximum of 30% of gross income for total housing costs is considered the limit of what is affordable.

Both homeowners have been in contact with BCHA for several months regarding the high costs, which are causing them financial distress. Staff estimated what financial gap assistance would be needed to support the owners. Under these estimates, bringing housing costs down to affordable levels for both owners would cost approximately \$26,400 per year, potentially escalating in future years. If special assessments cease, the gap to assist with HOA regular dues costs alone would be about \$16,000 per year.

Presented with this analysis, the BCHA Board acknowledged the need for immediate, short-term relief and directed staff to provide up to three months of financial gap assistance in the form of zero-interest loans (for special assessments) and grants (for HOA dues) with the condition that the owners work closely with staff to provide complete financial information and pursue longer-term solutions. Their initial purchase date would determine their priority on the BCHA waitlist, and their long-term ownership means that they would be top priority for community homes that meet their income level and household size. Ongoing financial assistance was not determined to be a realistic solution at the time.

### **Three-bedroom, 100% AMI (Category 4) community home**

The three-bedroom home is currently paying \$1023 per month in operating dues and capital reserves, and an additional \$477 in special assessments through July 2026 to fund future capital maintenance (total

\$1,500/month). There have also been additional special assessments periodically in the Residences at Evergreen to fund specific projects, like a new boiler.

Under BCHA's current income limits, the affordable amount paid for a Category 4, three-bedroom ownership home would be \$1,908 per month, inclusive of mortgage, utilities, taxes and HOA costs. This assumes a household size of 3.5 persons and income at the bottom of the Category 4 income range for that household (80%). Given these assumptions, the owner of this home is currently paying more than 75% of the affordable housing cost amount toward HOA fees. The owner's mortgage and utilities cost an average of \$1,700 per month, which leaves only \$208 per month for HOA costs that are affordable.

This community homeowner's household size has decreased since they purchased the home, and they are now a single-person household. Reclassifying this home as Category Local Light would allow the owner to rent one or more rooms to qualified locals regardless of the renters' income. Any roommate/tenant would need to be qualified by BCHA. Reclassification would also open eligibility to purchase the home to higher-income households, which would help the owner to sell the home to a household that can more likely afford the costs.

#### One-bedroom, 80% AMI (Category 3) community home

The one-bedroom home is currently paying \$856 per month dues and reserves and an additional \$389 in special assessments through July 2026 (total \$1,245/month).

Under BCHA's current income limits, the affordable amount paid for a Category 3, one-bedroom home would be \$1,130 per month, inclusive of mortgage, utilities, taxes and HOA costs. The current HOA costs currently exceed the maximum affordable total housing costs by over \$100 per month. This assumes a household size of 1.5 persons and income at the bottom of the Category 3 income range for that household. The owner's monthly mortgage payment and utility costs average \$780 per month, which leaves only \$350 per month for HOA costs that are affordable.

Since this is a one-bedroom home, allowing renter-roommates is trickier than with the other home. The community homeowner could request an exception from the BCHA Board to be able to rent the home during slack. Staff believe that finding qualified local renters for such short time periods, and during slack, would be challenging and an additional exception would be required for the homeowner to vacate the home for more than three months out of any given twelve-month period. However, the rent charged under Category Local classification could then be higher than is mandated per the home's current costs to operate – as per the deed covenant— and the owner could select any tenant who gets qualified with BCHA as a local.

#### Outreach and Engagement Efforts

Staff and the BCHA Board have attempted to engage the Residences at Evergreen HOA to discuss this issue and identify solutions. Amending the CC&Rs to reduce costs for these homeowners would require approval of 75% of the homeowners in the association.

- *July 17:* BCHA Board sent a letter to the Residences at Evergreen Homeowners Association requesting a meeting with the HOA Board to discuss the challenges of the HOA costs for the community homes.
- *August 5:* BCHA received a response from the HOA President via email explaining the need the increased HOA costs to support necessary maintenance and indicating that the responsibility for addressing the challenges for the community homeowners belongs to BCHA and the City of Ketchum. The letter stated that the HOA anticipates additional capital assessments in the “not-too-

distant future”, including a new roof, hot water boilers, indirect water heaters and snow melt pumps, and that the “pace of capital and maintenance expenditures is unlikely to decline.” The letter did not respond to BCHA's request to meet.

- *August 20:* Board directed staff to request further discussion with the HOA prior to requesting the Ketchum City Council to reclassify the homes to Category Local.
- *August 28:* BCHA and City of Ketchum sent a joint letter responding to the Evergreen HOA, again requesting to meet and offering staff and legal assistance to draft amendments to CC&Rs to support the community homeowners and noting that the ongoing unaffordability of the HOA costs for the community homeowners puts the Residences at Evergreen out of compliance with the requirements and conditions of its original development approvals.
- *October 14:* Legal counsel for the Residences at Evergreen HOA sent a letter to BCHA and the City stating that there is no obligation for the HOA to modify its CCRs and that the City approved the CCRs. The letter noted that the HOA would be willing to meet to discuss actions that the City and BCHA might take, but that it would not change the methodology for calculating dues and assessments for the community housing units.

### Reclassification

Given the discrepancy between ongoing HOA costs and the income designations of these homes, staff and the BCHA Board recommend reclassifying these homes to Category Local. Under Category Local the home must be sold to a qualified local, as with other income category restrictions, but without a cap on income and with a higher net worth allowance.

Reclassification would allow the current three-bedroom owners to rent rooms in their home to qualified locals, which could be a long-term solution for that owner. It would also ensure that future buyers are qualified locals who have the financial means to afford the ongoing costs of homeownership at the Residences at Evergreen. It is very unlikely that these homes could be resold to households at their designated income levels. Reclassification also provides the current owners a wider market to help them to sell their homes, if no other solution can be found.

With approval from the City Council, BCHA would begin treating these homes as Category Local immediately, although a new deed restriction would not need to be recorded until the homes are sold. The BCHA Board will have a workshop in November to work through the tradeoffs of using an appreciation-capped or light Category Local deed restriction, setting a future sales price, and distributing any excess proceeds.

One homeowner has expressed interest in selling but has not yet submitted an intent to sell notice to BCHA. The other, to date, has stated that they are not interested in selling. Reclassifying to Category Local will help to give both homeowners clarity to help inform a decision to sell.

### **Next Steps**

With authorization to reclassify the two homes as Category Local, staff will work with the homeowners and the BCHA Board to pursue long-term solutions to this affordability issue. Upon authorization, the community homeowners will be eligible to select BCHA-qualified locals, of any income level, as tenants to assist with housing costs and resell their homes to locals who can afford the high dues and assessments.

### Financial Impact:

None OR Adequate funds exist in account:	n/a
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