



City of Ketchum

CITY COUNCIL MEETING AGENDA MEMO

Meeting Date: August 4, 2025

Staff Member:

Rian Rooney / 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 two community homes in the Residences at Evergreen to Category Local.

Reasons for Recommendation:

- Blaine County Housing Authority Board has reviewed the costs facing the community homeowners and is recommending reclassification of both homes to Category Local.
- Staff has explored and continues to work on alternatives, 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 the 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.

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.

As of June 18, BCHA has adopted requirements, located in the 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 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. 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 at least 20% of the assumed income for their home's income designation. Both homeowners have been in contact with BCHA for several months regarding the high costs, which are causing them financial distress. BCHA staff are attempting to work with both owners and the BCHA Board to identify short-term assistance and long-term solutions to this affordability challenge.

Based on information received from the owners to date, 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 toward identifying longer-term solutions. Ongoing financial assistance was not determined to be a realistic solution.

Staff and the BCHA Board have attempted to engage the Residences at Evergreen HOA to discuss this issue and identify solutions. However, to date the HOA has not responded to this request. Amending the CC&Rs to reduce costs for these homeowners would require approval of 75% of the homeowners in the association.

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 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 ensure greater affordability for future buyers at resale.

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

The one-bedroom home is currently paying a reported \$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. Regardless, the BCHA Board has directed staff to request to reclassify this home to Category Local. 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 is qualified with BCHA as a local.

Reclassification

Given the discrepancy between HOA costs and the income designations of these homes, staff agrees with the BCHA Board's recommendation to reclassify these homes to Category Local. This would allow the owners to potentially rent their homes, which could be a long-term solution for the three-bedroom 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. This also provides the current owners a wider market to help them to sell their homes, if no other solution can be found.

Next Steps

With authorization to reclassify the two homes as Category Local, staff will prepare new deed restrictions and review next steps and updates with the Blaine County Housing Authority Board at its August 20th meeting. Staff will continue to work with the homeowners to identify and act on near and long-term solutions.

Upon authorization, the community homeowners will be eligible to select BCHA-qualified locals, at any income level, as tenants to assist with housing costs.

Sustainability Impact:

n/a

Financial Impact:

None OR Adequate funds exist in account:
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n/a
