



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 just over two years. The purpose of today's item is to review the program policies, provide an update on the performance of the program to date, and allow for discussion of policies to be considered for revision at a future 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 review of the Ownership and Preservation Program (OPP) policies and performance since in January 2024. No action is requested at this meeting; it is an opportunity for discussion of the program policies and to provide staff direction for further review or updates.

Ownership and Preservation Program Background
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 currently 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, which is more similar to the other deed restrictions in Ketchum's housing portfolio. Category Local deed restrictions do not have an income limit and have a higher net worth limit than Income Categories 1 through 6.

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), the details of the restrictions (e.g. ownership only vs. flexible for rental, appreciation-capped vs. non-capped), and local market conditions. 30% of value restriction is the highest percentage granted by any program that staff researched.

If an applicant chooses an appreciation-capped deed restriction (30% of value), the appreciation on the home begins from a reduced "Base Price," equal to the market value less the funding provided by the City to purchase the deed restriction. For example: The City would purchase a deed restriction for \$600,000 market value home at \$180,000; the resulting Base Price for calculating appreciation would be \$420,000. This ensures that the subsidy provided by the City stays with the home across multiple owners. Appreciation is limited to the lesser of 3% annually or the proportional change in the Consumer Price Index (i.e. inflation) over the course of ownership. The Maximum Sale Price for a home can be further increased with credits for City-approved capital improvements, accounting for depreciation.

The OPP currently is open to both qualified Ketchum homebuyers and existing Ketchum homeowners. For homebuyers, the funds offer significant financial assistance that can be used 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 for Category Local 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, Category Local household. Funds could 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, which are offered in exchange for the deed restriction, decreasing the value of the home and granting the City an interest in the property.

During development of the program, the City Council directed staff to limit the OPP to funding local homeownership and preservation opportunities and not to allow funds to be used to restrict long-term local rentals thereby opening the program to investors and landlords. 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. In early 2025, staff presented a program performance update to the Council. The Council discussed expanding the geography for the eligible properties beyond the Ketchum city limits but ultimately directed staff to maintain the current geographic limits, suggesting that further review of the program should occur in the future.

Following this update, housing staff worked with the community engagement team to increase promotion for the program, including launch a program website (projectketchum.org/own), run social media ads, issue a press release, and send out postcard mailers.

Recognizing Council interest in reviewing the program policies, the Ownership and Preservation Program is currently paused.

Performance Update

It has been over two years since the OPP launched. Since that time, the program has received 40 applications to pre-qualify households for participation. Of those who have applied, nearly 60% were issued letters of qualification. The remaining applicants were either ineligible, withdrew/ceased responding, or their applications require additional information.

Interested applicants 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.

To date, the City has purchased eight deed restrictions through OPP. Seven of the eight purchases were used to assist applicants in purchasing a home in Ketchum. Among those seven homebuyers, only one opted for the Category Local Light deed restriction (no appreciation cap), with all other participants preferring the 30% of value assistance with an appreciation cap. Only one participant was an existing Ketchum homeowner that restricted their own home and opted for the Category Local Light deed restriction.

- All homes are condominiums
- Home size: 2 one-bedroom homes, and 6 two-bedroom homes
- Purchase prices range from \$415,000 to \$875,000 (average of \$640,430)
- Average deed restriction purchase price: \$165,588
- \$1,324,700 has been spent on deed restrictions.
- All participating households qualified as “Local Employee”

| OPP Transactions Since Program Inception | | | | |
|---|------------------------------|-------------------|------------------------------|------------------------|
| <i>Bedrooms</i> | <i>Deed Restriction Type</i> | <i>Home Value</i> | <i>Deed Restriction Cost</i> | <i>% of Home Value</i> |
| 2 | Heavy | \$600,000 | \$180,000 | 30% |
| 2 | Heavy | \$675,000 | \$202,500 | 30% |
| 1 | Heavy | \$415,000 | \$124,500 | 30% |
| 2 | Light | \$915,000 | \$125,000 | 14% |
| 2 | Light | \$718,000 | \$107,700 | 15% |
| 1 | Heavy | \$525,000 | \$157,500 | 30% |
| 2 | Heavy | \$675,000 | \$202,500 | 30% |
| 2 | Heavy | \$875,000 | \$225,000 | 26% |

Approximately \$179,560 remains of the FY2026 budget of funding committed to the Ownership and Preservation Program. This amount could support one additional deed restriction purchase based on current averages.

In the first year of the program, 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, including Hailey.

Category Local Requirements

Participants in the Ownership and Preservation Program must meet Category Local requirements, both at the time of purchase and on an ongoing basis with annual compliance monitoring.

Income and Asset Limits

The Category Local deed restriction does not have an income limit, but requires that a household's net worth, at the time of purchase, is below the established limit. After a purchase and over the course of homeownership, the household's income may exceed the net worth limit without the household becoming out of compliance; this allows qualified and participating households to save and build wealth while maintaining secure and stable housing. The current net worth limit for Category Local qualification is \$516,230, with funds in retirement accounts that would be penalized for early withdrawal excluded.

Qualification

Qualification for participation in the Ownership and Preservation Program and compliance with a Category Local deed restriction require that at least one non-dependent household member be either

- a) A "Local Employee": a full-time employee employed by one or more Blaine County employers and physically working in Blaine County.
- b) A "Local Senior": a person 65 years or older who was a Local Employee for at least 5 of the 6 years (alternately, 10 of the 15 years) prior to age 65 and continued living full time in Blaine County since reducing work hours or retirement.
- c) A "Local Person with a Disability": A person with a disability who has lived full-time in Blaine County for at least the previous two years or was a Local Employee immediately prior to their disability.

No member of a household can own other developed residential real estate. Current policy allows exceptions for shared inheritance of property.

Roommates and Rental

Both Category Local deed restrictions allow an owner, while occupying the home, to rent a portion of the home to one or more roommates, with the requirement that the tenant(s) meet the basic qualifications for Category Local (see above). Owners may set the rent rate and select the tenants, but the tenants must be qualified by the City.

Category Local ownership homes (as opposed to designated rentals) are intended to be owner-occupied. Owners may request a leave of absence and to rent the home to a qualified local household, approved by the City, for up to one year. Short-term rentals are prohibited.

Policies and Topics for Discussion

The Mayor and Council have indicated to staff an interest in reviewing the following policy topics.

Value of Funds Provided and Limits

- Current limits are 30%, up to \$225,000, for an appreciation-capped deed restriction and 15% of market value up to \$125,000 for a "light" deed restriction.
 - \$225,000 is 30% of \$750,000, which was considered a maximum target price for potential homebuyers at the time the policies were developed.
 - \$125,000 is 15% of ~\$835,000. A higher maximum target home value for the light restriction could allow for participation of larger unit sizes or existing homeowners whose homes have appreciated significantly.

- Many peer communities only have a “light” restriction for similar programs and offer 10-20% of the value. Most of these communities allow the homes to be used as long-term rentals for locals and allow investor-owners.
- Peer communities whose programs use an appreciation-capped restriction typically offer 20-30% of the value of the home.
- The chart below shows the estimated monthly principal and interest on a 30-year conventional mortgage at 6% for a \$640,500 home purchase (average cost of a home purchased through OPP) under several assistance scenarios. Monthly principal and interest do not represent the full picture of homeownership costs, which include property taxes, HOA dues, utilities, and potentially private mortgage insurance.

| Deed Restriction Assistance + Mortgage Payment Scenarios for \$640,500 Home | | | |
|--|--|----------------------------------|---|
| <i>Assistance Amount (% of Market Value)</i> | <i>Deed Restriction Cost (Downpayment)</i> | <i>Estimated Loan Amount</i> | <i>Estimated Monthly Principal + Interest (30 year conventional @ 6%)</i> |
| 10% | \$64,050 | \$576,450 | \$3,456 |
| 15% | \$96,075 | \$544,425 | \$3,264 |
| 20% | \$128,100 | \$512,400 | \$3,072 |
| 25% | \$160,125 | \$480,375 | \$2,880 |
| 30% | \$192,150 | \$448,350 | \$2,688 |

Use of Funds

- Funds can currently be used for any purpose. This is consistent with the approach in similar programs in peer communities.
- Funds are payment for the City’s right to record a deed restriction on the home, impact the home’s value, and take a property interest in the home that will survive changes in ownership.
- In practice, participants who have purchased homes through the program have applied all the funds toward the home purchase.
- If the Council wishes to restrict use of the funds, how would funds be restricted for existing homeowners who participate in the program?

Light Restriction

- Because there is no appreciation cap on the light restriction, there is no fixed price the home can be sold for.
- In addition to requiring year-round occupancy and prohibiting short term rental, the restriction prevents owners from acquiring other residential real estate and requires the household to remain qualification as a “Local” annually. Future buyers must be qualified and approved by the City of Ketchum.
- Only two Category Local Light properties currently exist in Ketchum. Both are newly restricted and have not transacted.
- Peer communities (Vail, Summit County, CO) with light-restricted homes that have transacted estimate that the value impact of a light restriction is about 15% of an equivalent, unrestricted home’s market value. These programs often also allow for long-term renting, unlike the Ketchum Category Local used for OPP.

Category Local Net Worth Limit

- Current household net worth limit is \$516,320, excluding retirement accounts where there are penalties for early withdrawal.
- Exclusion of retirement accounts is intended to encourage retirement savings and support seniors who may have significant retirement savings but are exiting the workforce.
- In practice, nearly all participants have had a net worth below \$500,000, including retirement accounts.

Geographic Boundary

- OPP is currently limited to 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 program at first 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.
- 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, local 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?

Next Steps

Based on Council feedback, staff will prepare updates to the program policies for consideration and approval at a future meeting.

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: | \$179,450 remains in the FY 2026 budget for the Ownership and Preservation Program. This is enough to support approximately one more deed restriction purchase. |
|--|---|

Attachments:

1. Current Ownership and Preservation Program Policies

Ketchum Ownership and Preservation Pilot Program

Description and Policies

1 PILOT PROGRAM OVERVIEW

The Ownership and Preservation Program (the “Program”), offers cash incentives to homeowners in exchange for recording a deed-restriction on their property to restrict ownership and occupancy of the housing unit to qualified local employees, local seniors, and local disabled persons. The goals of the program are to assist community members in accessing homeownership, to help existing local homeowners remain in the community, and to preserve the supply and prevent leakage of housing available for ownership by locals and local workers. The Program includes two program options, which provide different deed restriction terms and corresponding cash incentive values.

2 PROGRAM DEFINITIONS

(a) Category Local: A community housing classification which does not have an income limit but requires that an occupant household meet certain net worth and/or asset limits and the Basic Qualifications for Community Housing, as defined by the latest adopted version of the Blaine County Housing Authority Community Housing Administrative Policies (“BCHA Policies”). Such definition and classification may be updated from time to time by Blaine County Housing Authority.

(b) Housing Unit: A housing unit is a single-family house, townhome, or condominium, that is intended for occupancy living quarters and can be owned individually. It does not include multi-family rental units, accessory dwelling units, or commercial lodging units.

(c) Property Owner: The individual(s) or legal entity that holds fee title to the property, as reflected on the recorded documents.

(d) Qualified Household: A Qualified Household is any group of individuals living together in one home as their sole and primary residence, meeting the Basic Qualifications for Purchase of Community Housing, as defined and described in the latest adopted version of the Blaine County Housing Authority Community Housing Administrative Policies and meeting the following criteria:

- a. At least one (1) member of the Household must be eighteen (18) years of age.
- b. No member of the Household may own developed residential real estate or a mobile home other than the housing unit that serves or will serve as the Household’s primary residence and will be subject to a Category Local deed-restriction upon participation in the Program. Ownership of developed residential real estate outside of Blaine County will not disqualify a Household at the time of

application from receiving a Qualification Letter, but Funding Disbursement will be withheld until the Household has ceased ownership of the property.

- c. The Household shall, at a minimum, meet Blaine County Housing Authority's Category Local definition, including compliance with the latest published asset and/or net worth limits.

3 PROGRAM ADMINISTRATION

The City will administer the Program with support from the Blaine County Housing Authority.

City of Ketchum Role: The City will oversee and fund the Program and establish and modify these Program Policies.

Blaine County Housing Authority Role: The Blaine County Housing Authority will function as the administrator of all Category Local deed covenants recorded as part of the Program. The Blaine County Housing Authority will also be responsible for review of applications, compliance, and reporting to the City.

4 PROGRAM FUNDING

4.1 Funding Amounts

The City will provide 15% to 30% of the appraised value of the housing unit or, in the event the housing unit is being purchased, the purchase price, whichever is less. Funding percentages will be commensurate with the requested program option and corresponding deed-restriction, as follows:

Program Option 1: The City will provide 30% of the appraised value of the housing unit or purchase price, whichever is less. The Category Local deed-restriction will have an appreciation cap (defined in section 6). Funding will not exceed \$225,000 per deed restriction.

Program Option 2: The City will provide 15% of the appraised value of the housing unit or purchase price, whichever is less. The Category Local deed-restriction will not have an appreciation cap. Funding will not exceed \$125,000 per deed restriction.

4.2 Funding Disbursement

Funds will not be disbursed until Final Approval, which will not occur until the following conditions have been satisfied:

- a. **Title Company.** Closing must take place at a title company.
- b. **Appraisal.** A complete appraisal dated within sixty days must be submitted to the City prior to final approval.

- c. **Home Inspection.** A professional home inspector must perform an inspection and complete and submit a home inspection report to the City dated within sixty days prior to closing.
- d. **Title Insurance.** The buyer or owner must provide title insurance to insure clear title to the property prior to recording the deed-restriction.
- e. **Approval of Closing Statement.** The final closing statement must be reviewed and approved.
- f. **Final Loan Approval.** If applicable, a letter from any mortgagee stating that the buyer has received final loan approval for financing of the purchase of the housing unit.
- g. **Category Local Ownership Deed Restriction.** The buyer or owner must execute the applicable Category Local Ownership deed restriction and corresponding Program Mortgage. The Title Company will record the applicable deed restriction and Program Mortgage at time of closing.
- h. **Closing Instructions.** The City will provide instructions to the title company concerning required signatures, recording of documents, and disbursement of funds.

4.3 Use of Funds

There are no restrictions on recipients' use of the Ownership and Preservation Program funds. Funds may be used toward down payment and closing costs or for any other purpose.

5 ELIGIBILITY & REQUIREMENTS

5.1 Program Application and Documentation

Applicants must submit a complete copy of the application for participation in the Ownership and Preservation Program through the Blaine County Housing Authority. Applicants participating in the program to purchase a home and who have not previously owned a home must also provide evidence of completion of the BCHA-approved Homebuyer Education Course prior to qualification.

The application will be reviewed and additional documentation may be required following the procedures of the Blaine County Housing Authority Community Housing Administrative Policies. If the applicant is approved, a Qualification Letter will be issued to the applicant. The Qualification Letter is good for six months and may be updated and reissued at the request of the applicant upon providing current documentation demonstrating program qualification. All applicable qualification criteria must continue to be met by the applicant through the closing of qualified housing with available Program funds. Any changes to the information that was included in the application must be reported to the City and BCHA and may require re-qualification and issuance of a new Qualification Letter prior to Final Approval and commitment of funds.

5.2 Housing Unit Eligibility & Requirements

To participate in the Program, Housing Units must meet the following requirements.

- (a) Location: The Housing Unit must be located within the city limits of the City of Ketchum.
- (b) Status: The Housing Unit must be a legally permitted dwelling unit and not have any known code violations or open code violation cases.
- (c) Eligible Properties: The Housing Unit must be a single-family house, condominium, or townhome, that is not otherwise deed-restricted or otherwise restricted for local occupancy or affordability.
- (d) Property Condition: The Housing Unit must meet basic health and safety criteria as may be required per Idaho law and regulations.

5.3 Applicant Eligibility and Requirements

Property Owners who participate in the program must meet the following requirements and follow the applicable requirements and policies of the Blaine County Housing Authority Community Housing Administrative Policies.

- (a) Qualified Household: The Property Owner must be a member of a Qualified Household, as defined in Section 2.
- (b) Ongoing Obligations for Community Homeownership: The Property Owner must comply with all provisions of the recorded Category Local deed covenant and adhere to the ongoing obligations and requirements for Community Homeownership described in the most recently adopted Blaine County Housing Authority Community Housing Administrative Policies. Where the requirements of the recorded Category Local deed covenant and the Blaine County Housing Authority Community Housing Administrative Policies may conflict, the requirements of the deed covenant shall govern. Property Owner is required to annually submit information verifying compliance with deed restriction and policy criteria.

6 RESTRICTED HOUSING UNIT REQUIREMENTS

Housing units will be deed-restricted with a Category Local ownership covenant, using the template provided by the City of Ketchum. Once restricted, households and housing units will meet the following requirements, consistent with the Category Local deed-restriction template and the BCHA Guidelines:

- a. Owner Occupied.** The restricted housing unit will be owner occupied year-round, consistent with the minimum occupancy terms of the BCHA Guidelines.
- b. Rental.** Rental of a Category Local ownership deed-restricted housing unit will follow the most recently adopted BCHA Policies for Long-Term Rental of Community Housing. No portion of the home may be used as a short-term or vacation rental.
- c. Deed Restriction Term.** The deed restriction will last 70 years unless sold to a new Qualified Household or as determined in the deed restriction. At transfer of the home to a new owner, a new deed restriction will be recorded with a new term.
- d. Appreciation.** Appreciation of the value of the restricted housing unit depends on

the elected program option and corresponding deed restriction.

- i. Program Option 1: Appreciation cap.** Appreciation of the value of the restricted housing unit is equal to the previous sales price, or the appraised value at the time the restriction is recorded if there is no transaction, plus any increase in the cost of living during the Property Owner's ownership of the property, as determined by the Consumer Price Index, Wage Earners and Clerical Workers (CPI-W), , All Items (1982-1984 = 100) published by the Bureau of Labor Statistics, United States Department of Labor. Annual appreciation shall not exceed an average of 3% per annum. Funds contributed by the City as part of the Program will be subtracted from the established market value at the time of restriction to determine the base price for calculating appreciation.
 - ii. Program Option 2: No cap.** Appreciation of the value of the restricted housing unit is not limited. The housing unit may be sold at any price to a Qualified Household.
- e. Sale.** Sale of a deed-restricted Category Local ownership housing unit will follow Blaine County Housing Authority Community Housing Administrative Policies for Selling Community Housing. Marketing of a "Program Option 2" non-appreciation capped unit will be the responsibility of the Property Owner, however, the City and/or BCHA must review and approve any buyer to ensure they are a Qualified Household prior to closing.
- f. Change of Ownership:** If the Housing Unit changes ownership during the effective period of the deed restriction, the deed restriction remains intact and will be re-recorded. The new owner must be a Qualified Household and is subject to the terms of the new, recorded deed restriction.

7 PROGRAM DURATION AND REPORTING

City staff will review program progress and provide periodic updates and recommendations to the City Council regarding the continuance of and/or modifications to the Program.

At a minimum, at least two (2) months before the end of the fiscal year, City staff will provide a report to the City Council using the following criteria to measure success of the program:

- i. Number of people served (including children)
- ii. Number of housing units preserved
- iii. Types/Sizes of units preserved
- iv. Sales prices of each home preserved
- v. Income of program participants
- vi. Funds expended and funds remaining
- vii. Barriers to participation/eligibility for the program